

iPopped

Digital-Media

C-Suite Strategies

Players push for relevance in a Googleopoly & iPopped boardroom '*Get Real or Go Home*' environment.

By: Richard D. Smith, President, SMITH-TRG

October 9, 2010

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An iPopped Series Presentation

This is a collateral presentation piece provided to Telecom, Media and Technology client personnel for reading, not presenting.

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- ENVIRONMENT. . .
- MEDIA LANDSCAPE
- MARKET POSITIONING
- OPPORTUNITY TROUGH
- EVOLVING MARKETS

October 2010

Media's Value-Chain

From content creation
to distribution & deliver
of media to the mind



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ENVIRONMENT ...

Get Real *or*

Go Home

(media's new boardroom mantra)

iPopped™

*the Paradigm Shift – led/driven by Steve Jobs as
change agent with iPhone (Smartphones) and iPad (tablets)
as catalysts for digital-media & enterprise transformation.*

Impacted?

*anyone, small to large, U.S. or foreign, in and/or
around digital-media eco-system markets!*

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Accelerated

*media sector fragmentation -
up & down the value-chain*

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Time to go ahead **make the**
TOUGH
DECISIONS

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MEDIA LANDSCAPE



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HULU

Hulu CEO to Big Media:

'Serve Consumers or Lose Them'

Big media can't obsess over protecting the business models that originally paid for their gleaming corporate offices, Hulu CEO Jason Kilar told an audience of publishers during the American Magazine Conference in Chicago.



"Content is discretionary, so you better focus on convenience."

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HOLLYWOOD STUDIOS

Summer **movie attendance fell to 552 million the lowest level since 1997**, while soaring ticket prices produced record revenue for studios and theater owners.

Domestic receipts should come in at about \$4.35 billion – \$100 million more than the record set last year.



Billionaire investor Carl Icahn bought a significant chunk of Metro-Goldwyn-Mayer Inc.'s debt and is pushing the beleaguered film studio to merge with rival Lions Gate Entertainment Corp.

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BLOCKBUSTER

(now in Chapter 11)

Retreating to select number of locations while focusing more on digital distribution.

Shuttering 1,500 + stores. Shares delisted and trade for pennies on over-the-counter Pink Sheets.



Mr. Icahn bought roughly a third of Blockbuster Inc.'s debt just before the movie-rental chain filed for bankruptcy.

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Motorola's **tablet to miss the holiday's.**

Mr. Jha is trying to turn around Motorola's troubled cellphone business by refocusing it on Smartphones powered by Google's Android operating system.

Google has made clear it doesn't think the latest version of Android, called Froyo, is appropriate for tablet devices.

Mr. Jha said he's eager to get into the tablet business, but is thinking more broadly about new forms of mobile computing, hinting that he is interested in models that are "even more smartphone-centric."

Activist billionaire Carl Icahn continues to plow money (additional \$111 million) into Motorola as the company prepares to split off its mobile-phone and set-top box unit into a new company.

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While still the world's largest mobile maker by volume the company's brand, once cool, is battered.

On September 10, 2010 Nokia hired Stephen Elop, the head of Microsoft's business unit, as CEO to turn the company around.

Nokia misread the way the industry was merging with computing and social networking. They clung to the idea that handsets were mainly for phoning people.

Since Apple introduced its iPhone in January 2007 Nokia shares have fallen 47 per cent.

Rapid Decline In U.S. Notebook Retail Sales



October 2010

DELL

Dell's consumer-PC business lost \$4 million over past six months.

In Transformation.

From PC maker to technology solutions competing against IBM & H-P.



Dell launched tablet, 'Streak', & 3.5 inch touch-screen phone, 'Aero', based on Android operating system.

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AOL

Second quarter 2010, AOL's revenue plunged 26%, and subscription and advertising revenue each fell 27%.

New Vision – Source of Content

Stock is about flat since its first day of trading following its separation from Time Warner December 2009.

February 2010: AOL sells digital ad firm Buy.at to Digital Window for \$17 million, after buying it for \$125 million in 2008.

June 2010: AOL sells social networking site Bebo for small fraction of the \$850 million it paid in 2008.



September 2010: Acquires tech website TechCrunch for about \$30 million and 5min Media, which syndicates how-to videos, for around \$65 million.

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SPRINT & CLEARWIRE

Frustrations over the pace of the 4G network rollout and Clearwire's expanding role as a retail wireless provider competing with Sprint have strained the relationship.

Sprint owns 54% of Clearwire.
Clearwire needs billions of dollars to finish building its wireless network.



Daniel R. Hesse, Sprint's chief executive, Keith O. Cowan, president of strategy and corporate initiatives, and Steven L. Elfman, president of network operations and wholesale, reluctantly agreed to leave the board, after Clearwire raised concerns about recent developments in antitrust law.

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MARKET POSITIONING

Are You Sure?



STRATEGIC vs. TACTICAL vs. SURVIVAL

“The greatest value creation opportunity will fall to those who give the end-user consumer what they want...really, really want. And that is: an integrated, easy to use, video media experience, anytime, anywhere, and on any platform.”

- Richard D. Smith, SMITH-TRG
Author, AD-MIRED, 2006 book

October 2010

Here come
MORE
HANDSETS

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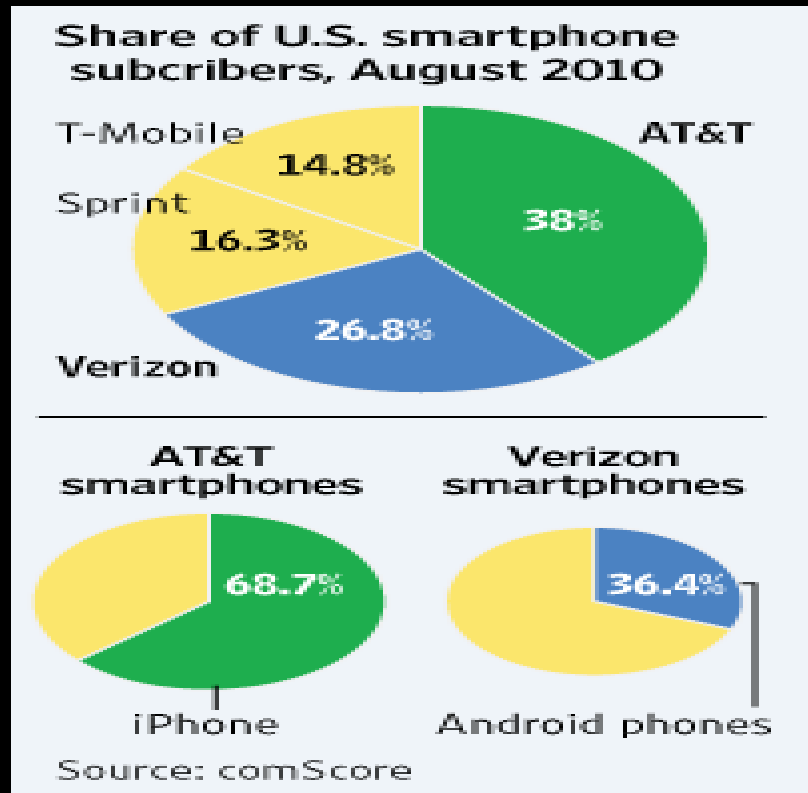
Smartphones

global sales to hit 563.8 million in 2012

Source: Gartner

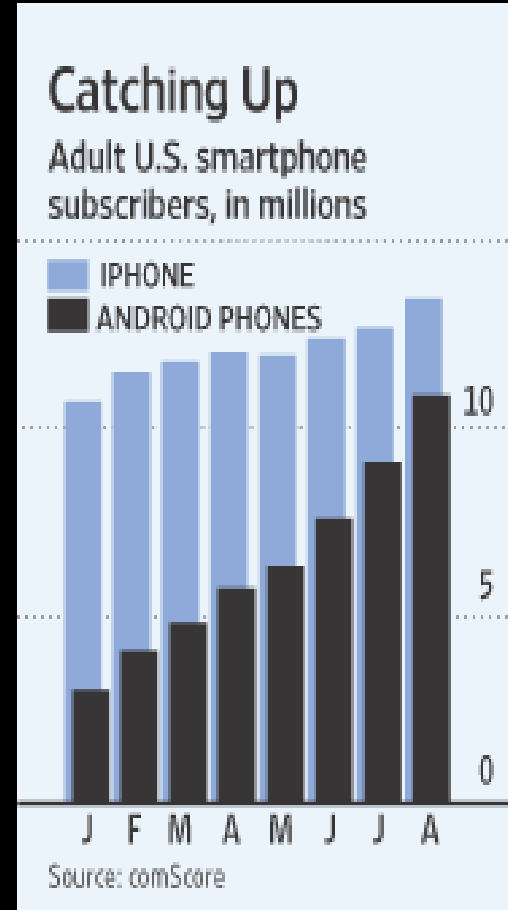
Phone Wars

heating up



Android - iPhone

*Android U.S. subscribers 10.9 million
in August, from 866,000 in 2009
iPhone U. S. subscribers 13.5 million
in August, up from 7.8 million 2009*



October 2010

FACEBOOK

Facebook is working with mobile-handset manufacturer INQ Mobile on two Smartphones slated to run Google's Android operating system.

The devices, featuring Facebook social-networking services, are due in Europe first half of 2011 and U.S. in the second half via AT&T.



About a fourth of Facebook's 500 million users log on to Facebook from wireless devices.

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MICROSOFT

On Oct. 11, 2010 Microsoft and its partners to announce initial wave of handsets that will use Windows Phone 7, a thoroughly overhauled version of the company's cellphone operating system.

Mr. Ballmer believes the software will compete more effectively against Apple's iPhone and Google's Android operating system.



Can Microsoft become relevant in a market increasingly dominated by Apple, Google and Research In Motion?

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METRO PCS

Launched nation's first Long Term Evolution (LTE) 4G wireless broadband network in Las Vegas with the first-ever commercial LTE handset: the Samsung Craft.

Like all MetroPCS services, the new service is prepaid and it doesn't require a contract.



By 2011, the company expects to cover 19 markets with the LTE service, according to Tom Keys, MetroPCS chief operating officer.

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T-MOBILE

High Speed Packet Access, HSPA+ is T-Mobile's emerging high-speed fourth-generation, or 4G, wireless phone network. LTE (Long Term Evolution) is a 4G technology backed by Verizon Wireless and AT&T.



Unveiled T-Mobile G2 smartphone handset with Google Android.

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Here come
MORE
TABLETS









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"Everyone is trying to figure out the opportunity for these types of devices, how to position media tablets in a way that they don't cannibalize other businesses".

Source: Richard Shim, Director,
IDC's personal computing program

Crowded Field

A look at some existing and upcoming tablet computers:

MAKER	NAME	RELEASE	IN INCHES SCREEN SIZE
	iPad	April	9.7
	Streak	August	5
	Galaxy Tab	October	7
	N.A.*	4Q	7
	N.A.*	4Q	7
	Eee Pad	1Q 2011	10 AND 12
	LePad	1Q 2011	10.1
	Cius	1Q 2011	7

Source: WSJ research † Not confirmed by RIM

*Not available

2010 tablet market 11 million units

Source: ABI Research

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SAMSUNG

Samsung introduces Galaxy Tab



TOSHIBA

Toshiba introduces Android based Folio 100



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RIM

The Black Pad, Playbook. It will have Bluetooth, front & rear facing cameras for teleconferencing, and broadband connections but will only be able to connect to cellular networks through a BlackBerry smartphone.

Since the tablet won't be sold with a cellular service, it's not clear which carriers/retailers will sell the device.



Principal market is busy working people. Initial target customers – 50 million current RIM subscribers.

IBM Survey

2000 IT professionals in 87 countries

91% say, cloud computing overtakes on-premise in 5 yrs.

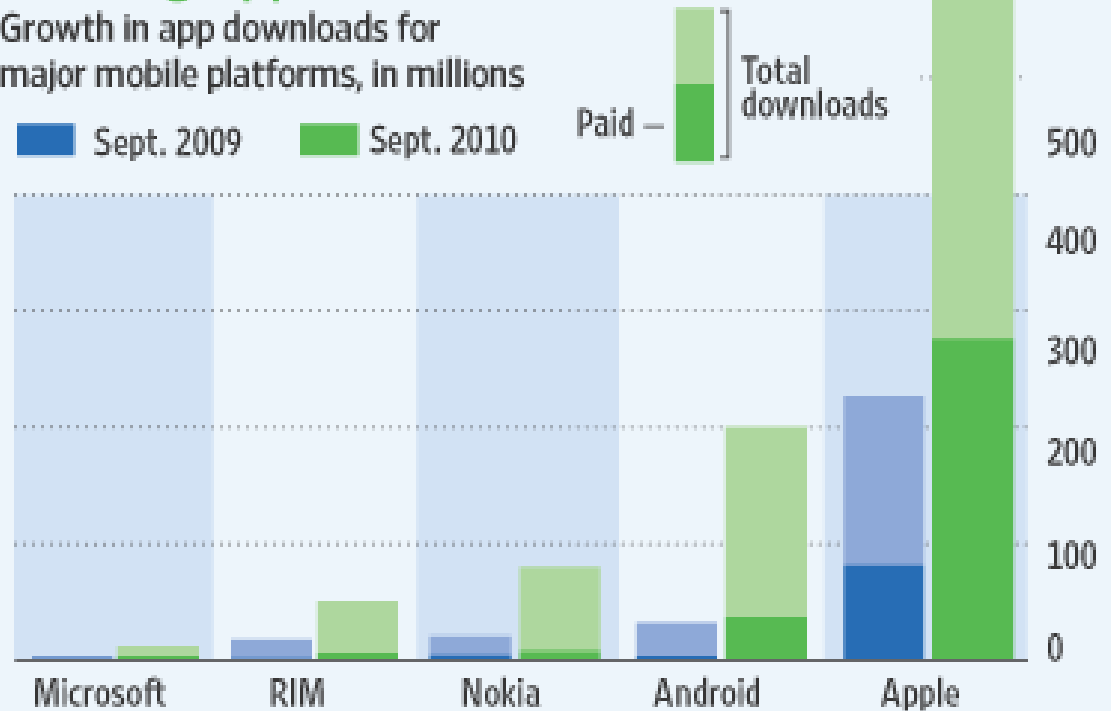
mobile computing #1 IT opportunity in 2011

APPLE APPS STORE

*net revenue to rise...
\$425 million/fiscal 2010
to
\$2.3 billion/fiscal 2015*

Growing Appetite

Growth in app downloads for major mobile platforms, in millions



Source: IDC

iFund

*\$200 million investment capital fund
devoted to iPhone, iPod Touch and
iPad apps*



OPPORTUNITY TROUGH



it's all about advertising dollars . . .

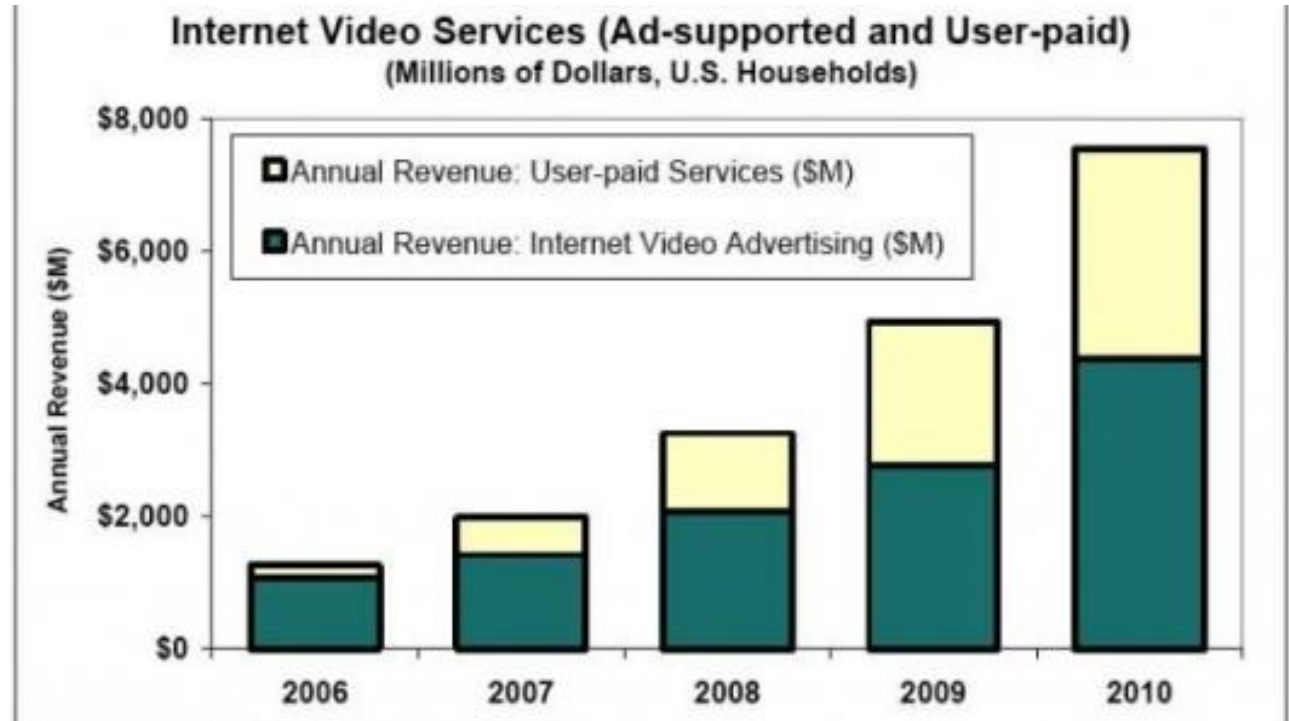


“Major broadcasters, movie studios, retailers, and content aggregators are all experimenting with new ways to distribute video content online and attach advertising to their offerings.”

- Kurk Scherf, Principal Analyst
Park Associates

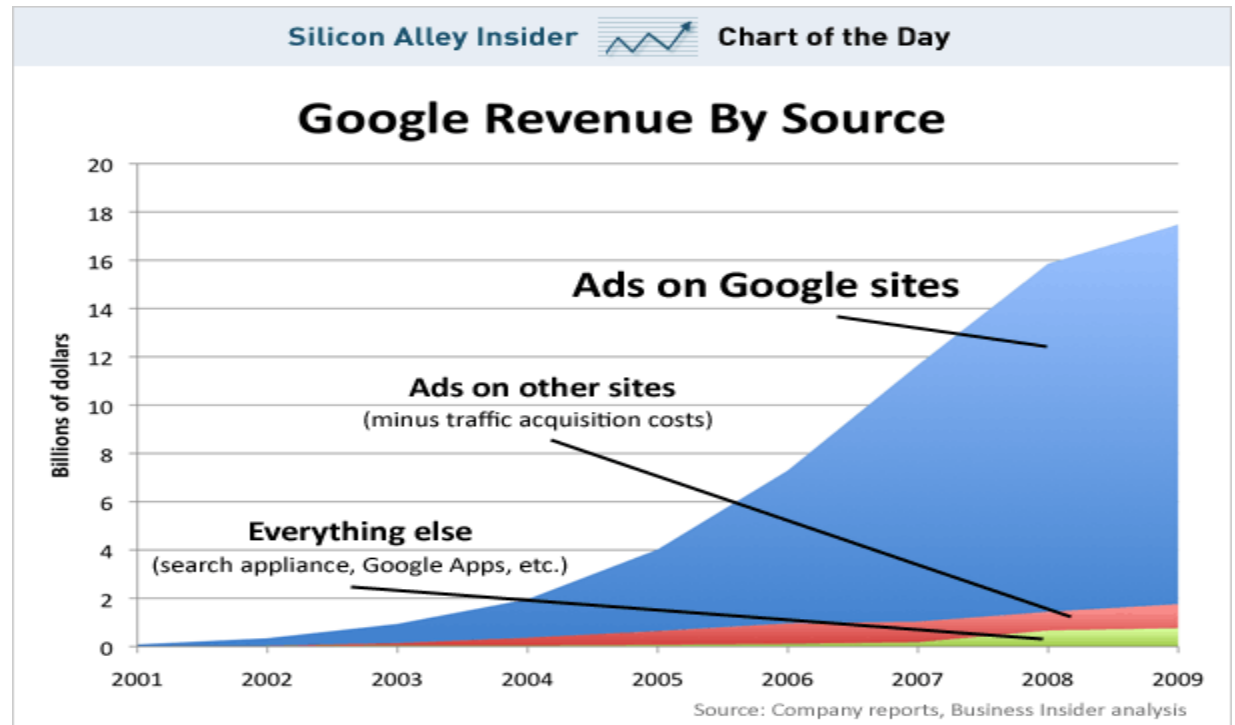
Revenues
To
Exceed
\$7 Billion
In
2010

Internet Video Revenues



Total
Ad
Revenues
Nearly
\$18 Billion
2009

Google Revenue by Source



October 2010

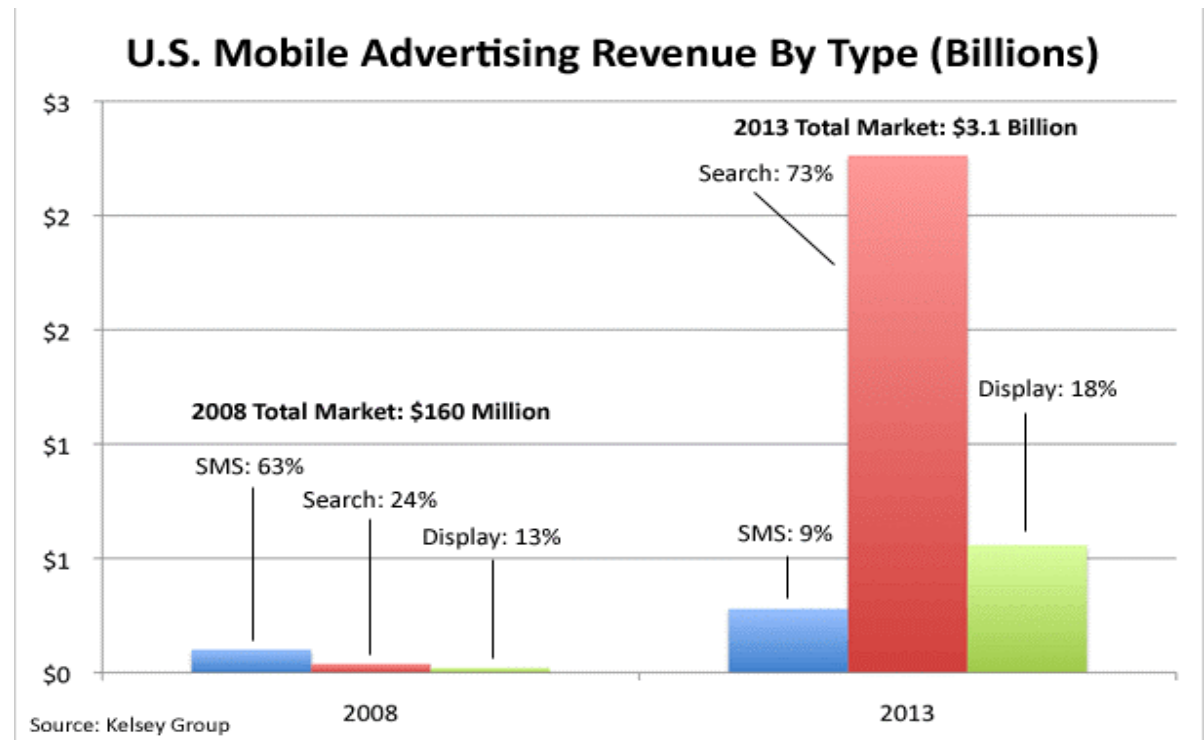
WHY?

handsets & tablets

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Revenues
To
Exceed
\$3 Billion
In
2013

Mobile Ad Revenues



Apple Threatens Search Giants' Mobile Ad Shares

Google, Microsoft, and Yahoo! have swiftly lost share in the U.S. mobile advertising market to Apple's new iAd. Independent rivals such as Jumptap and Millennial Media are gaining, too.



Apple 21% of Market

Google's share will drop from 27 percent to 21 when combined with results from AdMob, the ad network it bought in May

Microsoft will drop from 10 percent to 7

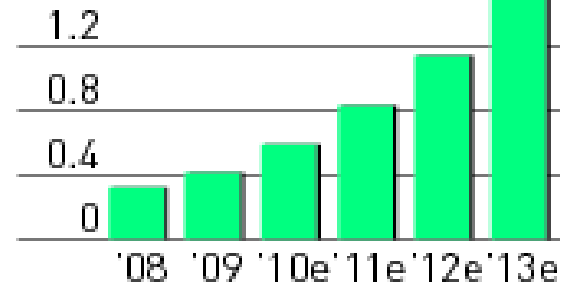
Source: IDC

Mobile Adds

U.S. spending on ads that appear on mobile phones is nearing \$1 billion

U.S. mobile ad spending

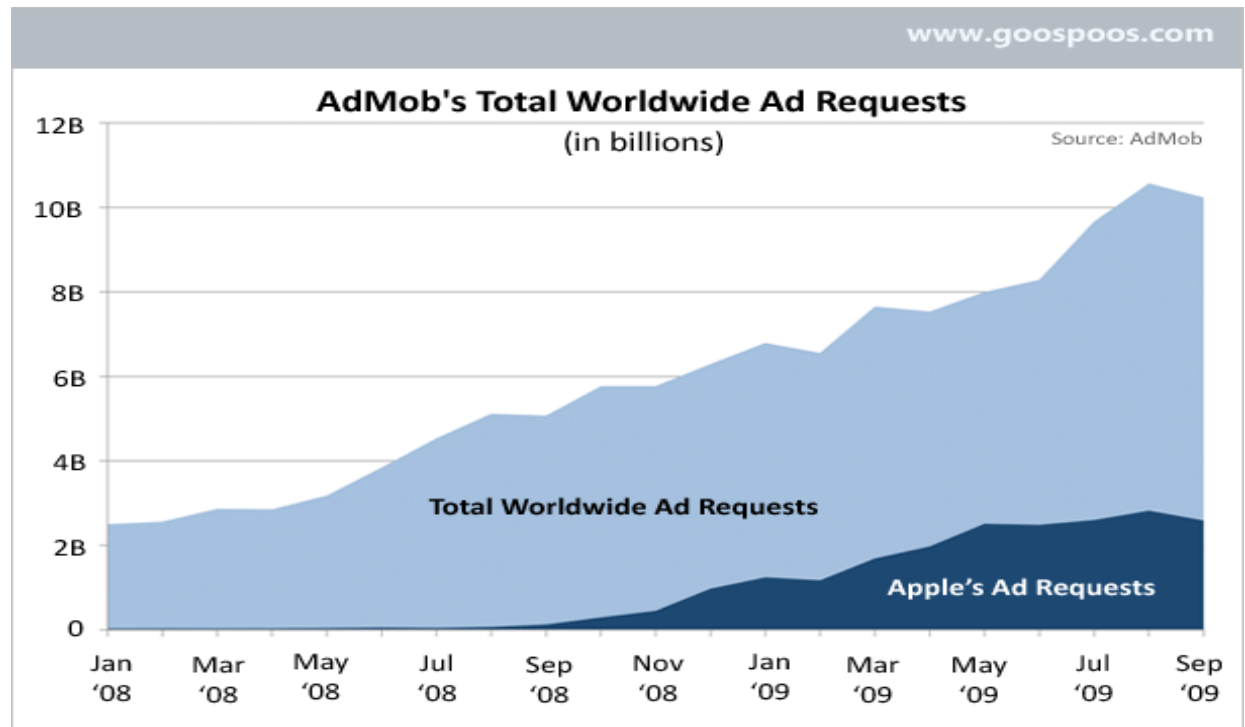
\$1.6 In billions



Source: eMarketer

Worldwide Ad Requests

Global
High
Growth
Trend



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Cost-Per-Action (CPA) Ads



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**OfferMobi
Opening
The
Age of
Profitable
Mobile
Marketing**

AND

*the **big** one . . .*



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BATTLE

for control of living room TV
(entertainment platform)

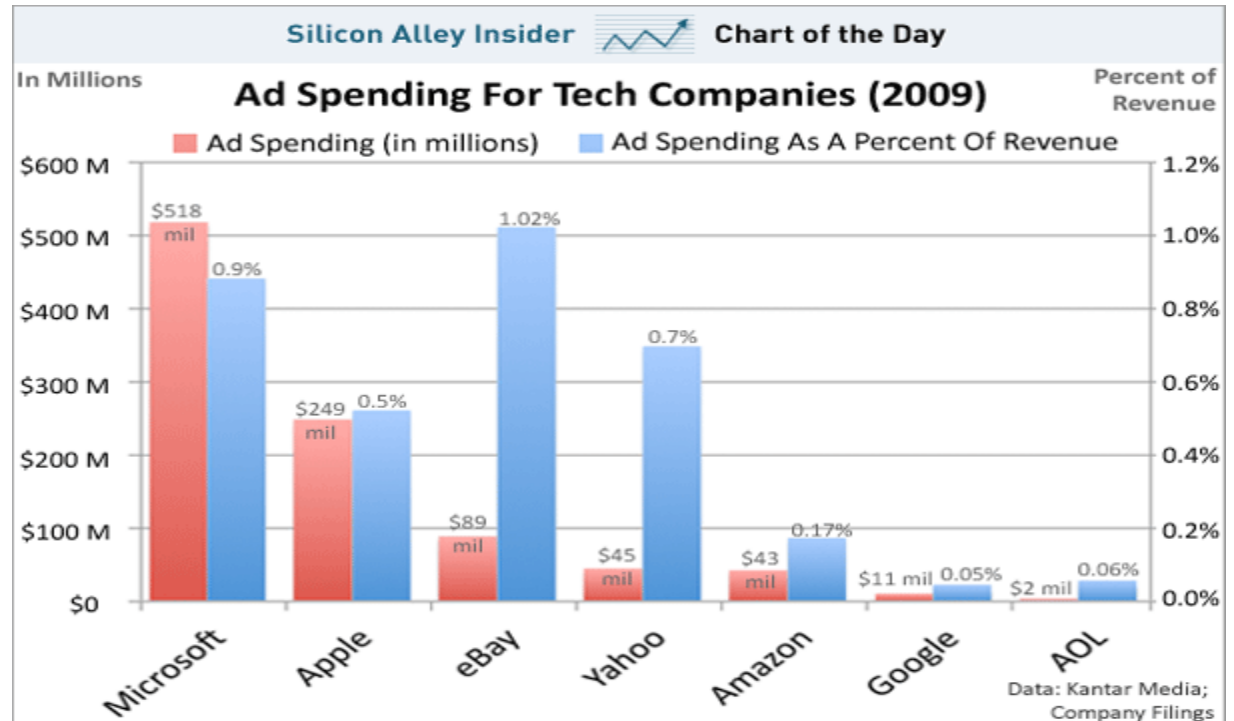


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The one advantage pay-television providers have left is large amounts of new content to provide to a television hungry populace.

Ad Spending for Tech Co's

Apple
Spends
Half
As Much
As
Microsoft



Unfortunately for satellite, cable, and fiber optics providers the networks first cracks are starting to appear in the solidarity between pay providers and content providers.

VALUE

no future without sustainable value creation

Netflix - A Value Creation Move . . .

Netflix buys rights to stream films from three studios making it the first true Web-based movie channel.

Netflix has 15 million subscribers and ad-hoc distribution network that includes Web-ready TVs like Sony's Bravia, game consoles like Microsoft's Xbox 360, and even gadgets like Apple's iPad.

Apple to Use Netflix – Stream Movies

How? Through Apple TV device as well as the iPhone and iPad. Since announcement, Netflix' shares have jumped 14 percent to about \$143 a share.

Apple

*Introduces Updated
Apple TV*



Connects to a high-definition television - can show rented movies and TV shows from Apple's own service, plus content from Netflix, photos on Flickr, YouTube clips and more.

Interactive TV Arrives?

Audio Cues Trigger Poll Questions and More

ABC's new iPad app for the upcoming show "My Generation" delivers poll questions, trivia and other elements in sync with each episode as it unfolds. It's a new stab at interactive television, using a second screen -- the iPad's -- instead of taking up real estate on the TV screen you're trying to watch.

Apple

ABN and Fox agree to provide their network content to Apple TV.

If this trend continues *(and it is pretty hard to hold the line against technological trends and public preference for choice)* there will be very little left to favor pay-tv versus on demand web provided programming.



Google

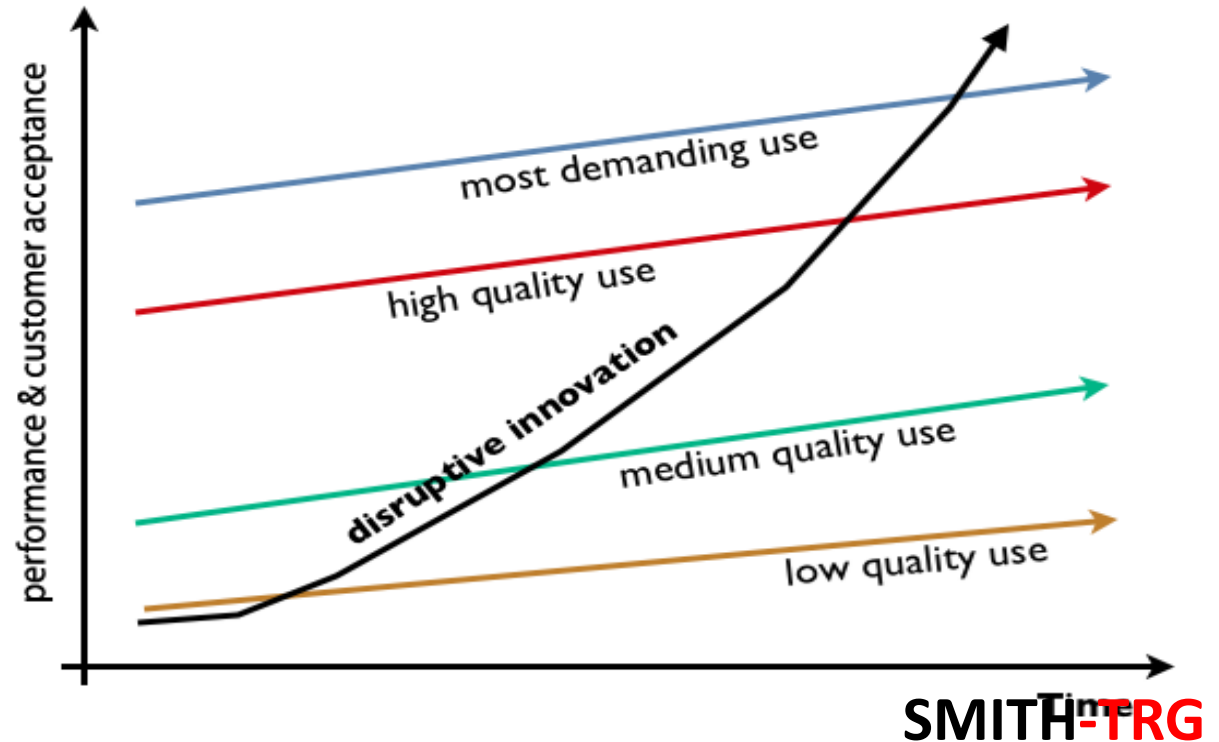
*Launched
Google TV*



Google angles to become a bigger player in the living room with a technology called Google TV, based on its Android software for cellphones, that will let viewers search for Web video and run Internet apps alongside TV programs.

Greatest
Potential
for
Value-
Chain
IMPACT

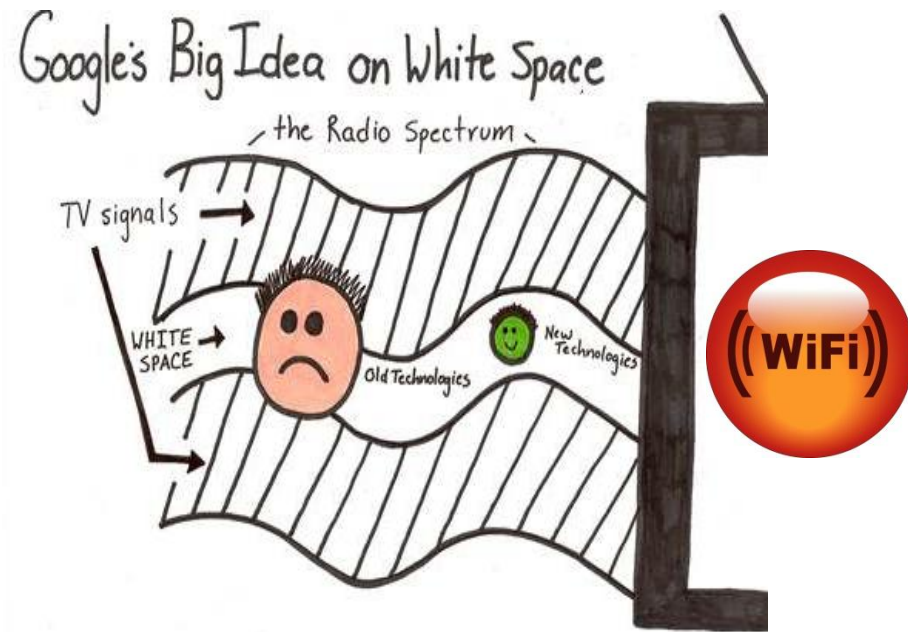
Disruptive Innovation



Googleopoly

Federal Communications Commission is opening up unused airwaves between television channels for wireless broadband networks.

More powerful and can reach farther than today's Wi-Fi hotspots.



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EVOLVING MARKETS

WHAT'S NEXT?

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Flex Displays

work like computer screens but
with a literal twist—they can
be bent, rolled and folded like
a sheet of paper

Imagine e-readers or tablet
computers, that aren't heavy



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Digital Dashboards

going to the next level . . .
four wheeled media platforms



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AND MORE . . .

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WHO WE ARE *begins* *with* WHO WE WERE.

A digital-media venture development and value creation consulting firm.

Launched second venture as technology sector imploded, drastically changing the playing field.

Many packed it in. Others didn't have the vision, passion or 'Attention Economy' experience.

We did. And, we embraced it.

Our consulting, IT/telecom & digital-media roots uniquely enable us to assist carrier and media industry/sector/segment CXO's develop and execute business value creation strategies .

As you can tell, our past has a great deal to do with our present.

As well as our future.

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Thank you.

www.SMITH-TRG.com