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**The future is digital and the future is now**

**SPAA (Screen Producers Association of Australia) Conference**

**14 November 2011**

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Hello. Thank you very much to SPAA for the opportunity to speak to you today.

I feel very privileged to address this event.

I hope you enjoyed that short video and that it captured some of what I'm going to be talking about today – a new world for how content is created and delivered.

I'd love to excite you about some of the awesome stuff we're doing, and about what is now possible in the world of digital innovation.

Optus is a big company but when it comes to digital media we think like a start-up. Our digital activities are centred in the division I have the privilege to lead, Optus Digital Media.

Optus Digital Media is only 14 months old. We focus on creating digital products and services, and building capabilities and new partnerships.

Like you, we're trying to reach audiences with deep, emotive and personal experiences.

You're seeing the fruits of that work in a range of new services – especially over the past six months. I'll discuss these in detail, but they're things like:

- the ability to record and playback free-to-air TV through your mobile or PC at your convenience
- information services that respond to your location, and
- streaming rich content on demand via a broadband connection.

That's on top of some of the pioneering work we've done with the Football Federation of Australia and others to bring cutting-edge sports coverage to digital media.

I'm very excited to be in this space.

People often ask me where my accent is from. There's no short answer to that – I was born in Japan, studied in the US and Germany, have worked in Germany, France, Hong Kong and Korea and been with Optus since 2008. I've also worked in financial services, media and e-commerce.

I feel like all these experiences are coming together with digital media.

There's an amazing revolution going on.

There is a huge shift in consumer habits which has dramatically changed the way we consume content – and these shifts are further spurred by faster broadband, faster mobile networks and the proliferation of mobile devices.

That's what I'd like to focus on today. Yes, there are threats in the new media landscape. But there are huge opportunities as well.

I'd like to challenge you to think about how you can take advantage of these new digital media capabilities.

Who here is going to be the first to release a new show or movie straight to mobiles or tablets, for instance, before you go to cinema, DVD or TV?

Who is really ready for consumers who want to consume your content anywhere, at any time, on demand and on any device?

Who is ready for consumers to interact with their content on their terms?

How will that change the way you create and distribute content?

I'll try to answer some of these questions today. I'll also discuss where Optus fits into this new digital world and how we can work together.

I'm sure many of you may still think of us as a traditional telecommunications company. I'm hoping to show you that nothing could be further from the truth.

## **THE DIGITAL LANDSCAPE**

Let's start by looking at the digital landscape.

The Australian Communications and Media Authority recently released a fascinating study called *Digital Australians*.

It found that broadcast television remained Australia's most important activity. 69% of us watch free-to-air or pay TV and we only watch 10 minutes per day less of it than we did 20 years ago.

But we're consuming a lot of new media as well. ACMA found that the Internet was now a major part of our everyday media consumption – especially among young people.

Interestingly, people are watching TV both offline and online. 38% of respondents to the ACMA study watched TV or video content both offline and online. Only a third watched TV or video exclusively offline.

I would expect that percentage to keep shifting strongly, as more people get used to watching TV via their digital devices.

The survey also showed that Australians are embracing catch-up TV services such as ABC iView. ACMA found that 17% of us used a catch-up service in the previous month.<sup>1</sup>

At the same time, we're seeing a huge shift in the technology people use to access content. Some of the biggest changes are in mobiles and tablets, and also smart TVs.

And this shift is driving consumers to consume more content – these channels are complementary to TV.

Australians also love their smartphones. In fact, we're second in the world, after Singapore, in terms of adoption. There are currently 8.5 million smartphones in use in Australia and we can expect to see nearly 10 million more by 2015, according to research from Telsyte.<sup>2</sup>

Tablets are also spreading fast. PwC forecasts that 5.5 million Australians will own a tablet by 2015. That's up from about a million today.<sup>3</sup>

Taken together, within a few years there will be more than 20 million of these personal networked devices capable of playing your video content in Australia alone.

That's going to have a profound effect on the media industry.

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<sup>1</sup> *Digital Australians – Expectations about media content in a converging media environment*, Australian Communications and Media Authority, October 2011, pg10

<sup>2</sup> Telsyte <http://www.mybusiness.com.au/technology/90-of-all-mobiles-will-be-smartphones-by-2015>

<sup>3</sup> *Outlook Australian Entertainment & Media 2011-2015*, PwC

According to a recent survey by Google, just over half of tablet owners already use them to consume music and/or videos.<sup>4</sup>

We are also seeing massive growth on our networks for consumers using their smartphones to do everything from social networking, gaming, emailing, browsing the Internet, sending photos and consuming hours of video.

When we made the 2010 FIFA World Cup matches available on mobiles, we delivered nearly 400,000 streams of the games.

One cute thing is that we got a lot of anecdotal evidence that viewers were watching the matches in bed.

It seems they were just as happy to watch a small screen in bed rather than going to their lounge or home theatre room for a big-screen experience.

Another example is that we saw a nearly 80% increase this year in the number of live streams of the Australian Open 2011 on Optus mobiles.

Optus carries a phenomenal amount of video and rich media content. We know that since 2008, the popularity of smartphones has driven an enormous increase in 3G data traffic on our mobile network.

I can also tell you that the majority of usage for our TV Now service is via mobile.

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<sup>4</sup> <http://www.guardian.co.uk/technology/appsblog/2011/apr/08/tablets-mainly-for-games-survey>

This is our new service that allows Optus customers to schedule, record and playback free-to-air television from their compatible mobile device and PC.

So, people are going to digital devices and they're becoming more mobile.

What's going on here?

We're moving away from defined channels and dictating when, where and how people consume content.

We're moving towards a multichannel environment. People are sliding between at least five screens: cinema, TV, PCs, mobile phones and now tablets.

We also have true convergence at last. Text, images, audio and video are all intertwined now. And this is no longer a technological discussion. People are demanding convergence. They're voting with their fingers – they're driving these trends now.

The lines between networks are also blurring.

Broadband is already fast enough for streaming video. The NBN will take fibre to every home. Next generation mobile networks will continue to get faster with 4G.

And users are going to distinguish less and less between which network or network technology you're using to get content or to distribute it. So will you as an industry.

It will just be 'the network'.

## **KIM SCENARIO**

Let me introduce someone. This is Kim. She's your digital audience member. Although she doesn't think of herself in this way.

Kim is a 30-something professional. She has a TV, a tablet and a smartphone. She also moves around a lot.

Kim starts her day in the car and receives an alert on her mobile advising her to avoid the traffic on the Harbour Bridge. She's using the network to make better decisions.

While sitting at her desk she checks in with her nanny and sees the art her children have made. She's using video to be better connected to her family.

Come lunchtime she discovers one of her friends is in the local area, using a location alert service she's subscribed to. She's more socially connected.

She takes her work home by uploading it to an online storage service. This means she doesn't need to lug her laptop around. She's more flexible.

In the evening she checks cinema schedules. While waiting for the movie to start, she checks Facebook and sees people 'liking' a TV show that's set to start in half an hour. She's using her communities to guide her behaviour.



She sets up the recording on her mobile and watches it on her tablet in the taxi on the way home. She's using technology to take control of your offerings.

This is not the future, this is happening right now. It also means we all need to operate very differently to serve millions of 'Kims' in the very near future.

## **TRENDS TO WATCH**

Let me highlight four trends that we're very excited about and preparing for.

### **1. Multiple screens**

The first trend is that people are starting to consume content on multiple screens.

I mean this in two ways.

First, they might watch the same show across their TV, PC, tablet or even a mobile.

That's new but not so new.

However, I also mean that audiences are watching multiple screens *at the same time*.

This *is* new. People are surfing the Net while they watch TV. They're enriching their experiences and gathering more information by using multiple media.

Let me give you an example of how we're experimenting with this trend.

Optus will be providing streaming video content for this month's 25<sup>th</sup> ARIA awards.

While the ARIAs show is screening on free-to-air TV, we'll be streaming interviews and other material from backstage at the awards.

This will be available to anyone with a 3G phone or a Wi Fi device like a tablet. The idea is that people will watch these two forms of content simultaneously.

Our belief here is that digital families with digital lives are no longer fixated on the TV set or a single screen. They're hungry for content that offers them a blended experience.

## **2. Concurrent communications**

People are also communicating *concurrently* around the edges of content. Let me explain.

It used to be that we did something then shared our experience with others.

You'd come back from your holiday and then show everyone your photos. You'd phone a friend to tell them about the great movie you just saw.

Now, we're seeing people experiencing things and sharing those experiences with others at the same time. That's what I mean by concurrent.

This is one of the big impacts of social media. Audiences are watching your TV show and tweeting about it at the same time. They're updating their status on Facebook, along with comments about what they think.

Some of you are probably tweeting about my presentation right now!

What's really interesting is that we can expect to see all the different platforms converge in the digital media space.

Users today are able to share and view material concurrently on the same device, whether it be their PC, mobile or tablet. And this will soon be available on the TV screen as these devices become more integrated.

Again, the question is are you ready? Are you producing your content with these scenarios in mind?

### **3. Personalisation and localisation**

A third trend is that we're moving towards a high degree of personalisation and localisation.

The new reality is that we can't treat viewers as broad groups anymore. We need to recognise that audiences are made up of individuals, and that those individuals are part of communities of interest.

You can finally know your audience member, in real time.

This is presenting some really exciting commercial opportunities, particularly in terms of advertising and product placement.

Going back to Kim, let's say that we know her favourite Australian program is *Packed to the Rafters* and that we know she has a keen eye for fashion.

Intelligent networks make it possible to recommend a particular, upcoming episode of *Packed to the Rafters* to Kim.

We can also introduce interactivity. If there's a dress Kim likes in the show, she can click on it to find out the name of the designer and its price. She can choose to view this info now, buy the item or tag it for later. She can share her experience with her social group.

This is the new form of product placement.

By making advertising more targeted and relevant, it is more likely to trigger a response. Advertisers can also receive real-time feedback about what's working and what isn't.

Content will be more valuable to advertisers and there will be new revenue streams for producers to focus on what they do best – telling great stories.

Most importantly, content can be delivered to subscribers immediately, at the touch of a finger on their smartphone, tablet or other device.

Why is there so much hype about this? Advertising is one of the fastest-growing mobile services around: Gartner forecasts that mobile ads will bring in more than US\$20.6 billion in annual revenues worldwide by 2015, compared to US\$3.3 billion in 2011.

But how do we use this new level of information and network intelligence to tell Kim about content or products that she doesn't yet know she wants?

The answer is to understand what she likes and doesn't like. We also need to understand what others like her have purchased and to link her purchase patterns to her real-world experiences.

This becomes possible through the collection of user behaviour data. This might be information about location, preferences, gender, behaviour, interests, reviews and even intent.

This data can be collected, profiled, analysed and prioritised to build an understanding of her as an individual consumer.

Importantly, this is all within the parameters of privacy and being non-intrusive, but this is happening. And customers are largely welcoming it – when was the last time you got annoyed because Amazon.com intelligently recommended a book you might like?

The reason businesses are collecting this information is to move closer to the Holy Grail of one-to-one marketing at scale, through the use of profiles, algorithms and technology.

Ultimately, the goal is to ensure the right message gets to the right person, at a time they're ready to hear it.

The combination of digital media and network technology makes this much more possible.

I think of it as building experiences at the ‘handbag’ or ‘pocket’ level.

That might sound silly, but let’s look at it.

Phones are becoming the device of choice. They’re capable of carrying the latest in media and getting more powerful every day. People use them, and then throw them in their handbags – or put them in their pockets.

I’d argue that’s really personal. We found via some of our own research into smartphone users that consumers today would rather lose their wallet than their phone.

This is the way media consumption is going. It’s going from the big TV in the lounge room to the bedroom and the pocket. And it’s becoming more personal and more individualised.

Some questions to consider for you are:

- How can I use personalisation to better engage audiences?
- How can I give my audience that richer, more personalised, more relevant and concurrent experience we discussed earlier?

#### **4. Consumers will pay for convenience**

The final trend we observe is that the audience will pay for content when the industry responds to their desire for convenience.

Apple, for instance, started selling videos on iTunes in 2005. By 2008, it had sold 200 million TV episodes and more than 2 million feature-length films.<sup>5</sup>

The figures for music sales on iTunes are much higher – by October this year, Apple had sold its 16 billionth song.<sup>6</sup>

An interesting aside is that Apple ended its TV episode rental service this year. In a statement, Apple quoted a key insight in that “iTunes customers have shown they overwhelmingly prefer buying TV shows”, as opposed to renting them.<sup>7</sup>

A recent survey by news.com.au showed most consumers are willing to pay for content if it’s reasonably priced and convenient to access.<sup>8</sup>

The key thing here is accessibility to new content. If there is one thing we have learnt, it’s that if you make it easier for consumers to transact, they are more likely to buy.

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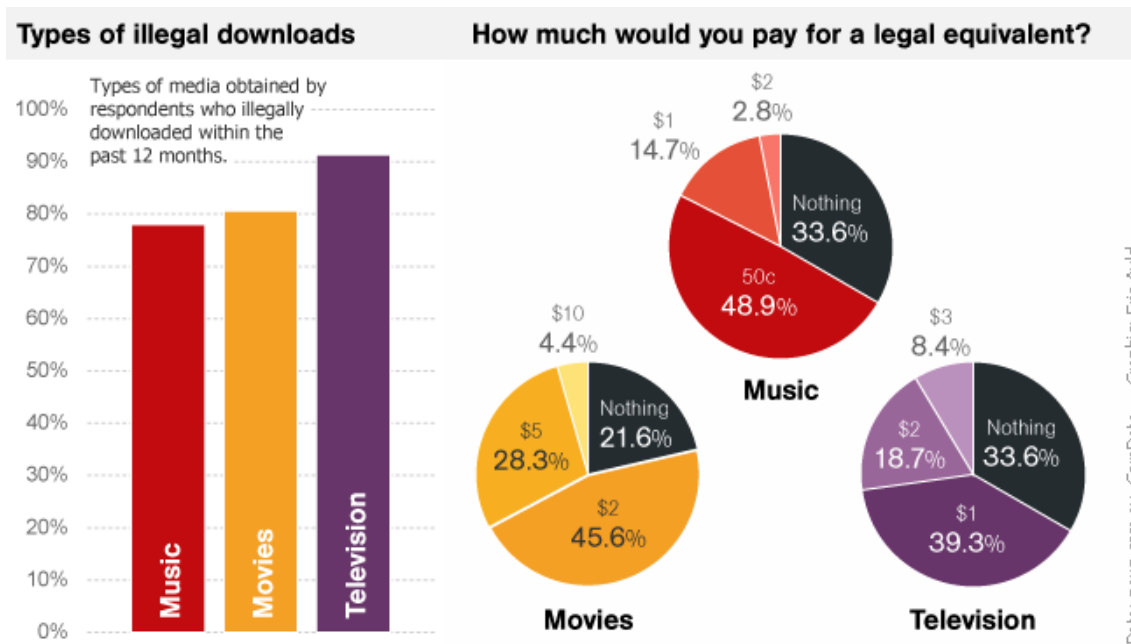
<sup>5</sup> [http://news.cnet.com/8301-1023\\_3-10068141-93.html](http://news.cnet.com/8301-1023_3-10068141-93.html)

<sup>6</sup> <http://www.engadget.com/2011/10/04/apple-16-billion-itunes-songs-downloaded-300-million-ipods-sol/>

<sup>7</sup> <http://www.nytimes.com/2011/08/27/technology/apple-ends-its-tv-episode-rental-service.html>

<sup>8</sup> ‘Most pirates say they’d pay for legal downloads’, news.com.au , 6 May 2010

<http://www.news.com.au/technology/internet-pirates-say-theyd-pay-for-legal-downloads/story-e6frfro0-1225863187697>



We believe giving people the convenience to access content anywhere, at any time will be an important value-add that can help drive them towards paying for content.

They'll also pay if we can give them experiences that are highly relevant, timely and location-specific.

We need to use our intelligence – the smarts in the network – to protect our intellectual property and to give consumers a service they just can't get elsewhere.

We can also use technology to make it easier for consumers to pay, especially in small increments.

These technological shifts go hand-in-hand with appropriate legal and commercial frameworks to enable a competitive and consumer-friendly digital content market –



one that provides easy, lawful access to digital content, coupled with the appropriate legal sanctions.

## **THE VALUE OF CONTENT**

Those are some trends.

Despite all these changes though, one thing appears to be more in demand than ever: great stories, entertainment and information.

From that point of view, you hold the gold. This could be your Pixar moment.

You have what people want. And through digital technology, you have the opportunity to market in a new way that maximises your reach, protects your assets and enables you to earn strong revenues – directly from subscribers and through advertising.

Rather than being afraid of new media, I'd encourage you to ask yourself how can I reach more eyeballs?

How can I use new media as a complementary channel?

How can I use it to make it more convenient for people to access my content?

How can I use the same content many times but offer different experiences?

## **OPTUS DIGITAL MEDIA**

I hope I've been able to give you some new ideas and start you thinking about the near future for our industry.

Before I finish, let me introduce Optus as a digital media company in more detail.

Over the last 14 months we've been evolving as a digital business.

We have made a major investment in the technology systems required to meet consumers' new demands for highly individualised, on-demand media.

This includes investing \$30 million in our last financial year to create a powerful content delivery platform across our network to deliver these relevance and personalisation capabilities.

This platform is linked to our customer billing systems, making it a powerful tool for charging users to access content.

We have also built an extensive content delivery network and introduced a range of exciting new digital media services.

These new services are all underpinned by a common vision.

This is that people want to be able to access content – whether its news, sport, information or entertainment – when, where and how it suits them.

We also believe that audiences want a higher degree of personalisation, intelligence and connectivity.

Our most recent highlight is our new internet TV service that provides customers with a personal PVR, on demand movies, TV shows and other interactive content via a broadband connection. This service is known as Optus MeTV with fetch.

We'd also like to acknowledge the support of our content providers – BBC, ABC, National Geographic, to name but a few, for working with us to bring this innovative product to market.

I believe Internet-based TV is the next wave in pay television and even the next era of broadcasting.

Today, approximately 70% of Australians do not currently subscribe to pay television.<sup>9</sup> There is a huge opportunity to reach this audience with new digital technologies and services at affordable rates.

Another service we have recently created a service called Go Places. This mobile application uses location awareness to help subscribers find nearby places such as restaurants.

Go Places also provides integrated advertising opportunities through vouchers and real-time, location-based offers.

There's no reason why this concept cannot be applied to your industry.

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<sup>9</sup> 2010 OZTAM Establishment Survey

## CONCLUSION

Thank you for your time today.

I believe we're all grappling with the same challenge: how can we provide powerful, emotive and personal experiences for audiences during a period of dramatic technology change?

How do we get paid or use these new capabilities to increase the effectiveness of advertising?

How do we take advantage of those technologies to grow our success and reduce problems such as piracy?

I hope we can find solutions to those challenges together. I'm not saying we've got all the answers. But I am confident that we've got some powerful capabilities.

I believe change equals opportunity and with that opportunity, new revenue models can and should emerge.

It's also important to test and learn at the edge. You have to be able to sense and respond. This is an industry built on ideas and innovation, and digital is the new wave of creativity.

While Optus is getting more involved in delivering content, we are not seeking to become producers.

Our goal is to partner with the content community to release fantastic new services. We're more than just a carrier – a conduit. We're a digital media partner.

Finally, let me add that Optus is passionate about competition and ensuring that the new-media environment stays an open and level playing field.

We don't want to build walled gardens.

We want to understand what consumers want and what they will pay for, not to control them or limit their choices. Experience has shown they won't stand for it, anyway.

Our vision is for a competitive environment built around open content ecosystems and a good deal for everyone involved – you as producers, digital media groups like us, and an ever-inquisitive and hungry audience.

I hope that I have demonstrated the exciting possibilities in the digital future – a future that is upon us and one that we look forward to exploring with you.

I believe we are now going to open it up to a few questions.

Thank you