

As appetite for content grows, AT&T navigates video convergence

November 29 2013, by Gary Jacobson

More and more, AT&T Inc. is becoming a creator of content, not just a conduit.

From aspiring filmmakers to the Dallas Cowboys, from lip-syncing country music fans to the Bonnaroo Music & Arts Festival, the giant Dallas-based telecom is supporting efforts that produce [video](#) and other content that can be viewed on its networks.

It's all part of the great convergence of television, the Internet and wireless technology that is changing the way we watch, especially entertainment and live sports. Soon, experts say, TV content and other video will be available anytime, anywhere and on almost any device.

The convergence is being guided by some of the biggest, most influential companies in the world in an environment where content - and who controls it - is more important than ever. These firms are mashing together wired and wireless networks that allow two-way communication between devices, marrying the wide reach of broadcast with the precision of digital, creating opportunity for extreme customization.

Much development work remains necessary on offerings as well as business models, but the potential is big.

Verizon Wireless, a major sponsor of the National Football League, is working with Ericsson to develop a wireless service that could give fans at the Super Bowl and other games access to multiple live camera angles

and replays.

"100,000 spectators, 100,000 perspectives, and 100,000 different video experiences on thousands of different devices," an Ericsson executive wrote earlier this year, addressing the potential of the technology, called evolved Multimedia Broadcast Multicast Services. Broadcast essentially refers to the ability to reach everyone with a single feed; multicast refers to the ability to reach particular audiences and devices.

That has implications for content and advertising.

"An advertiser has the opportunity to target not just a community but an individual living room," said Vish Nandlall, the chief technology officer for Ericsson North America.

This transforming convergence of TV and the Internet involves traditional broadcasters, cable and satellite operators, and giant telecoms, as well as aggressive startup companies and proven masters of Internet distribution.

Netflix, Hulu and Amazon.com are underwriting original series for viewing on TV and other devices. And everyone is watching what Google and Apple do, Nandlall said.

This year, Google and AT&T both said they were bringing ultra-high-speed fiber service - speed, as always, is the great enabler - to Austin, Texas. Austin is also home of SXSW, which calls itself a "unique convergence of original music, independent films and emerging technologies." AT&T is a sponsor.

Dallas Mavericks owner Mark Cuban and his business partner Todd Wagner were well ahead of the curve when they founded AudioNet, later named Broadcast.com, which was acquired by Yahoo for nearly \$6

billion in 1999.

"There is no such thing as convergence any longer," Cuban responded in an email when asked about the industry today. "Everything is digital. There is nothing to converge.

"The challenge is who can create, present, host, distribute, protect and create consumption of those digital bits.

"I think AT&T and Verizon are in great position to be successful. I think the big unknown is whether wireless broadband will evolve to be robust enough to enable consumers to cut their home broadband cord and just use wireless."

Ericsson, based in Sweden, provides network equipment and services to mobile and fixed network operators including Verizon, AT&T and Vodafone. Worldwide, more than 40 percent of cellular traffic is carried on networks built by Ericsson, the company says.

Up to 60 percent of cellular traffic today in some operator networks in North America is video, Nandlall said. The global rate is about 30 percent. Worldwide, video is growing at 60 percent per year and is expected to be about half of all cellular traffic by 2018.

AT&T is focusing much of its capital spending on that sweet spot of growth through an effort it calls Project VIP.

In its latest earnings conference call, AT&T said it was ahead of schedule on plans to expand its latest generation 4G LTE wireless network, which now covers about 250 million people nationwide.

And, AT&T said, it is expanding the reach and improving the speed of its U-verse television and Internet service. U-verse, the fastest-growing

segment of AT&T's business, had its first billion-dollar-revenue month during the third quarter.

"The future for us, whether its fixed line or wireless, is about building a video delivery capability," AT&T CEO Randall Stephenson said at a recent investor conference. "And that's where the capital is going to be going over the next three years."

The company said nearly three-quarters of its U-verse customers have what it calls an "enhanced" experience every month, meaning they use an interactive TV application, watch content on a different device or online, or use a U-verse enabled app.

In this great convergence, the distinction between content creator, provider and carrier is blurring.

When AT&T and the Cowboys announced their naming rights deal for AT&T Stadium in Arlington earlier this year, they also said they "will work together to deliver an interactive game day experience for fans like no other."

"This is about smartphones, pads, computers and technology," Stephen Jones, son of Cowboys owner Jerry Jones, told The Dallas Morning News at the time.

"This was not just about settling for a naming rights deal. ... This is a bigger deal."

The possibilities are enticing. Because of the two-way nature of the technology, fans could be able to choose different camera angles for live action and replays, witness the game from quarterback Tony Romo's perspective, and eavesdrop on Jerry as he watches his team.

Whatever the eventual offerings become, it means more traffic on AT&T's networks. More video means more mobile data use. Wireless data is one of the company's fastest-growing business segments, with revenue up nearly 18 percent in the third quarter to \$5.5 billion. As a whole, the company generates more than \$125 billion in annual revenue.

The same concept - more video views, more network use - is at work in AT&T's other content-related efforts. Some examples:

After considering thousands of pitches in a contest for aspiring filmmakers called "Take Your Shot," AT&T and ISAtv provided professional mentors from Wong Fu Productions to three young filmmakers who used AT&T smartphones to shoot videos. Viewers could watch the winning efforts online (takeyourshotfilms.com) and vote for their favorites.

Fans had a chance to win tickets to the recent Country Music Association awards by making videos of themselves dancing and playing air guitar to songs. Now, they can win a trip to the 2014 CMA Music Festival by submitting videos of themselves lip-syncing, playing air guitar or dancing to Florida Georgia Line's hit song, "Cruise" (letscruise.att.net).

Part of an effort to promote U-verse's Country Deep app, fan clips are mixed with Florida Georgia Line's original video. Each time the site is refreshed, a new version appears. Fans get a link to the video containing their personal footage, which they can share with friends.

This year at Bonnaroo in Manchester, Tenn., AT&T bolstered its 4G LTE network with the addition of several portable cell sites and other equipment, allowing tens of thousands of fans to share photos and other communications from the festival. Performance highlights and behind-the-scenes videos are available on the U-verse website

(uverseonline.att.net).

Last year, AT&T worked with producer and screenwriter Tim Kring on a five-episode original online drama series called "Daybreak" that evolved from Kring's Fox series "Touch." Each short episode of "Daybreak," still available on YouTube, featured AT&T devices and services.

Like Amazon and Netflix, would AT&T ever create a full-length TV series?

"The options are limitless, and we're not saying no to anything right now," said GW Shaw, vice president of U-verse marketing.

"There is so much opportunity. The next seven years, your viewing experience is going to change dramatically."

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Citation: As appetite for content grows, AT&T navigates video convergence (2013, November 29) retrieved 9 April 2024 from

<https://phys.org/news/2013-11-appetite-content-att-video-convergence.html>

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