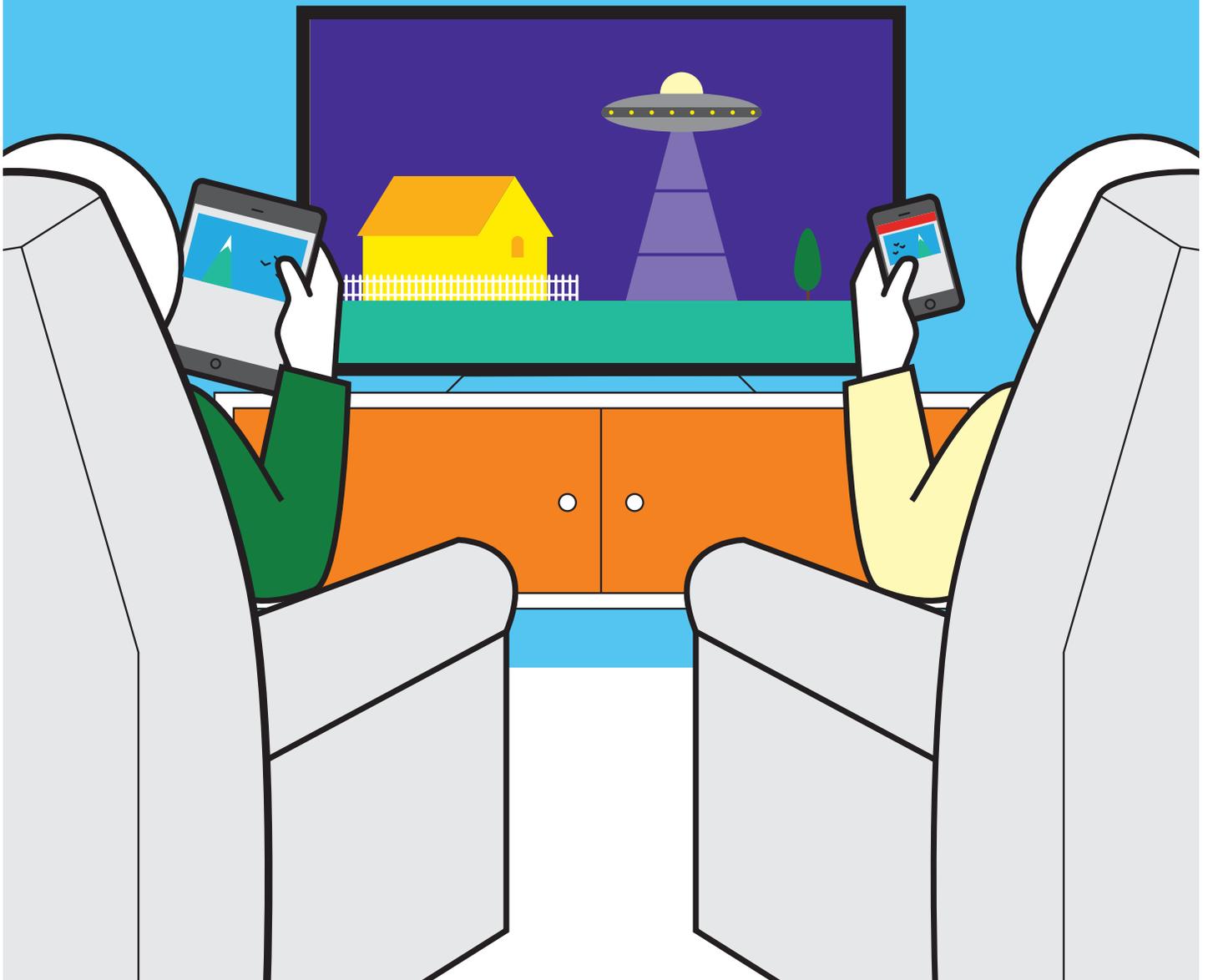


Evolution of the Video Content Business in the Era of Mobile and Social Networks in the U.S.

Prepared by Orange Silicon Valley SG/OSV
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Evolution of the Video Content Business in the Era of Mobile and Social Networks in the U.S.

Key Takeaways

- Video consumption behaviors are shifting. Live linear TV remains the primary way video content is being consumed but is losing its relevance to over-the-top services such as Netflix, Hulu or Amazon, that are offering consumers access to “Whatever” content they want, “Whenever,” and “Wherever” they want it.
- Cracks are appearing in the traditional content distribution model amidst an explosion in mobile-centric content consumption. Content consumption is growing as well as content acquisition cost.
- TV is even less relevant to the newer generation of consumers, the millennials (being born from early 1980s to around 2000) and generation Z (being born from early 2000s to 2010), who use primarily smartphones to access video content.
- Smartphone users 24 and younger use an average of 6.2 GB of data (cellular and WiFi combined) every month for video streaming versus older smartphone users that use an average of 4.9 GB of data per month.
- This new audience is attracted to a different kind of content - content that is produced by independent artists, published on video platforms such as YouTube, Facebook, Snapchat, or Vine, and that is discovered and shared on social networks.
- New studios are being formed to produce content built around famous online artists/ YouTubers (content creators publishing videos on YouTube) that are able to speak to the younger audiences. These studios practice the art of engaging fans and communities to better monetize and market their content.
- Top US Telcos are investing massively in mobile video platforms and content targeting a new market segment not attracted to pay-TV.
 - Verizon is building Go90, a mobile platform for ad-supported, short form video content.
 - AT&T acquired DirecTV and is expanding to an OTT offering leveraging the platform as a distribution point for Fullscreen, an SVOD platform targeting millennials with relevant content and product offering.
 - AT&T, through its partnership with The Chernin Group is launching a mobile SVOD service with Fullscreen.

With millions of followers accounting for billion of video views, the scale and reach of the new creators and new media companies is unprecedented. This creates tremendous revenue opportunities for the companies that understand this new world and how it is evolving.

This new order is, by no mean, replacing the traditional media world of movies and TV content. It might however make it less relevant to a new generation of consumers with different tastes and preferences.

Context

Technology developments have enabled consumers to access video content in new ways. Smartphones, high speed mobile networks, and streaming platforms have paved the way for the “WWW” era of “Whatever” content, delivered “Wherever,” and “Whenever.”

While the content landscape is continuously evolving, there is now a clear demarcation between the viewing habits of the young millennials and the generations before them.

The most striking feature of this new landscape is the shift from consuming content through traditional TV form-factors to consuming content on personal screens via mobile devices. The nature of the content, the means and cost of production, lowered significantly by technology advances in capture and editing software, and the modes of distribution are all changing significantly. Now, growth is coming from short-form content created by lesser known talent that now emerge not from Hollywood but from new media and social platforms such as YouTube, SnapChat, and Facebook, delivered on-demand through apps and social channels.

The new content is gaining momentum and chipping away at the old, most notably linear TV. It led first to “cord cutting” among the older demographic, and is now leading to a generation of “cord-nevers” among the younger demographic.

These shifts in behaviors, particularly visible among millennials, are neither complete nor have they reached critical mass.

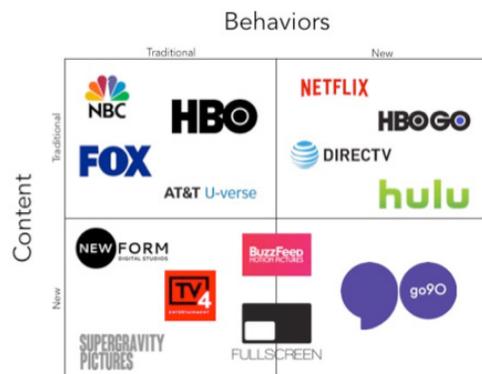
The next “killer” content format has not emerged. Linear TV and the established content being pushed through cable operators and entrenched television network infrastructures while declining is still the dominant force.

It is too early to tell what form the next generation of content will look like but it's characterized by a direct relationship between the new creators and their audience. This tight coupling is impacting the creation, the marketing, and the distribution of this new content.

The new crop of media companies that have emerged to capitalize on the next generation of viewers' preferences and behaviors all operate in this mode of tightly coupled, *cradle-to-grave* [du bureau à la tombe] customer interaction. The Tsunami shift is coming but the wave is still below the surface of the ocean.



Incumbent Landscape



Investment Strategy Matrix



Recommendations





Note: Chernin has the following perspectives on content distribution.

- **Focus on mobile:** “I think if you look at right now, probably 60% of all content is distributed through mobile and that number’s going to be 85% within the next five years. I would be thinking entirely about that.”
- **Master the nexus between social and content consumption:** “[At] this point the two largest content distributors on Earth are Facebook and YouTube, and those are so socially driven. Social ends up being an incredibly key component to how people discover new stuff.”
- **Everything should be portable:** “I think that you’re just seeing less and less people sitting in front of a television set in a living room anymore. They tend to sit and watch their laptop, etc. You’ll see the same thing happen on everything.”
- **Think about the global marketplace:** “Most of the US media business is already 65% global, and that number will ultimately move to 85%. The US has, whatever the right number is, 5% of the world’s population. I certainly wouldn’t limit my thinking to the US marketplace.”

Origins of the Big Content Shift

October 1st, 2014 - 6pm. The members of Orange Institute headed to the Chateau Marmont, the iconic West Hollywood hotel, to listen to Rob Friedman, the co-chairman of Lionsgate Motion Pictures. The discussion is animated and focusing on the new Hollywood landscape examining, among other topics, the impact that Netflix and other OTT services are having on the industry.

**“User behavior is what controls the content industry,”
Rob Friedman tells the audience.**

The famous screenwriter William Goldman said “nobody knows anything” when it comes to predicting which films/pieces of content will succeed at the box office. The only certainty is that **content needs to follow the audience’s behaviors, and those behaviors are shifting.**

New Behaviors-> Transitioning from one form of distribution to another

The technology developments of the past decade have enabled consumers to access video content in new ways. The emergence of online video distribution platforms and streaming technologies combined with smartphones and tablets connected to high speed mobile networks paved the way to the “WWW” era of content consumption where viewers have access to “Whatever” content, “Wherever” and “Whenever” they want it.

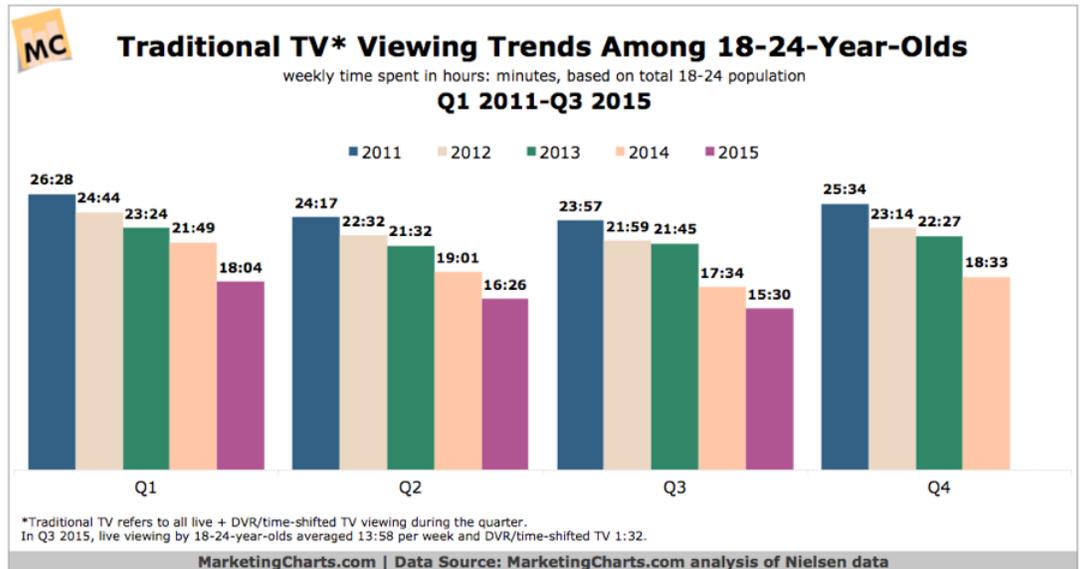
Those behavioral changes are particularly noticeable among younger generations, the millennials and generation Z, whose engagement with content is radically different from other age cohorts.

Families used to gather in the living room at night to watch TV together. Today, family members may still sit together in the living room; however, oftentimes, each member will be watching different pieces of content on his or her own personal screens, via a smartphone, tablet or laptop while the big TV set is on.

The Continuous decline of linear TV

Traditional, linear TV remains the primary video viewing medium for adults across all age groups in the US. In 2015, Americans 18 and older watched an average of 4 hours and 21 minutes of live TV per day across their devices, a 3 percent decline compared to what was consumed in 2014 according to research firm MoffetNathason Research.

Nielsen data compiled by MarketingCharts.com shows that the decline is particularly strong among the 18-24 year olds, who have been spending 12% less time watching linear TV between Q3 2014 and Q3 2015.



Netflix, Hulu, and Amazon have gradually conditioned viewers to turn to online distribution platforms for their favorite TV shows rather than watching them on linear TV.

Netflix's 44.74 million US subscribers watched a combined 29 billion hours of content. According to Nielsen, this represents 6 percent of total American "live-plus-7," up 4.4% from 2014. (Audience ratings are calculated by combining the number representing the audience that watched the live performance of a show with the number of those who watched it during the seven days following its broadcast.)

Netflix	US	Global non-US
Subscribers	44.74M	30M
Hours watched	29B	13.5B

According to MoffettNathanson Research, Netflix alone is responsible for 50% of the 3% decline that traditional TV viewing saw in 2015. Netflix today represents 6% of overall TV viewing and is expected to jump to around 14% by 2020.

For TV networks, this means lower ratings and audience loss. According to data from Nielsen, from June 2015 to mid-July 2015, the top 30 cable networks lost more than 10% in viewers during prime time, and 20% among adults 18-49 compared with the same period in 2014.

US broadcast channels, which make their profits by selling advertisers access to the 18-49 year old demographic, are seeing their audience get older. 45 percent of all ad-supported cable networks measured by Nielsen have median ages of 50 and above.

Broadcast Channel	Median Age of Viewers
CBS	59
ABC	54
NBC	54
Fox	49
CW	44

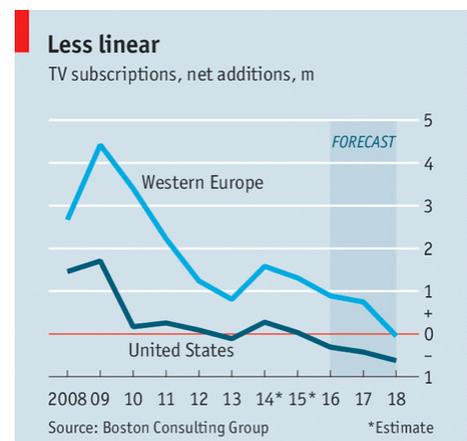
Nielsen reported that in 2015, traditional TV viewership has been steadily declining in the US among the 18 to 34 age group at a 4% a year rate since 2012. Between September 2014 and January 2015, it fell at over twice this rate to 10.6%.

Advertisers do not have many good options to reach under-30s group. Cable networks such as CNN and Fox News are ill-equipped as well given that their median viewership age is at 60+. MTV's median viewers are in their early 20s, but their ratings have dropped in recent years.

The Cord Cutters

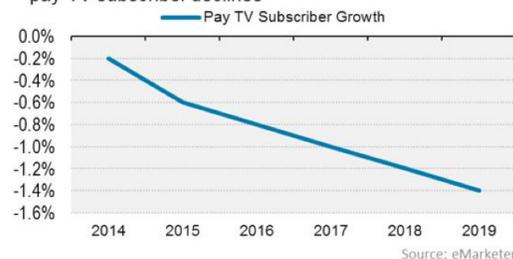
With the average cable bill reaching the \$100/month level (\$99.10/month at the end of 2015 according to the Liechtman Research Group – up 39% since 2010) consumers have started cancelling their pay-TV service and switching to Netflix, Hulu and other online streaming services.

Termed “cord-cutter,” referring to those that have turned off pay-TV, and now increasingly “cord-never” for the younger generation who have never subscribed to a pay-TV service before, these consumers are challenging the economic model of the established TV business, one built on advertising and affiliate fees (fees paid on a per-subscriber per-month basis by the pay-TV providers to the TV/cable networks) to generate revenues.



Ditching Traditional TV

New data from eMarketer predicts an accelerating rate of pay-TV subscriber declines



First dismissed by the TV networks and pay-TV providers as a temporary fad, cord-cutting is now taken seriously as the number of pay-TV subscribers has been on a steady decline since 2014; the rate of cancellation appears to be accelerating. According to a 2016 study by eMarketer, the number of pay-TV households will fall at an accelerating rate for at least the next four years, reaching a 1.4% rate of decline in 2019. By that year, eMarketer estimates that almost 23% of U.S. households will no longer be paying for traditional TV.

In response, some programmers are now offering lower-cost Internet-only, or “over-the-top,” versions of the linear channels directly to consumers, including Time Warner’s HBO and CBS Corp.’s Showtime.

Economics of Content

Historically, the studios (rather than the networks) have financed the production of television series. Fox for instance operates a network (Fox Broadcasting Company, Fox News Channel, FX Networks...) and a studio (20th Century Fox Television) that produces TV content. In accordance with this business model, studios license or rent series episodes to networks (for initial exhibition in the US) but retain ownership of the programs. The model can vary a little (many series are co-owned by networks and studios, while others are wholly owned by either the studio or the network) but in almost all cases the network continues to operate as a separate entity from the studio.

Networks typically pay only a fraction of a series budget as a license fee for the right to air the program (typically 50 to 60 percent of the applicable budget). Networks have exclusive rights to air the show for a defined period of time (usually 4 years), and can also order additional seasons of a series. After 4 years, the studio might be able to sell previously aired episodes to other distribution network/platforms. Over the past few years, Netflix, Amazon and Hulu have spent billions of dollars to secure distribution rights on previously aired TV series.

For these services, the only way to differentiate is by offering access to exclusive content, content that cannot be watched on other services. The studios that understand this battle leverage the competition for content by raising prices.

“We look at Netflix as more friend than foe because they have become an aggressive customer of ours.” – Bob Iger, Chairman, CEO Walt Disney Company.

When Netflix first launched its streaming service back in 2008, it was able to strike a deal with Starz to distribute all its content (2500 movies and TV shows) online for \$30 million per year over a period of four years. In 2011, when it was time to renew the deal, Netflix offered \$300 million-plus per year to Starz to access and distribute the same content. Starz refused claiming that the offer was too low. With increasing competition in the OTT space, licensing fees continue to go up.

Last year, Hulu acquired the distribution rights for one of the most popular TV series ever aired in the US, “Seinfeld” for \$160 million valuing each episode of the series at \$875,000. Thus, for the big media conglomerates that own both production facilities and TV networks, the OTT world is not just black and white: **Netflix and the OTT platforms are at the same time great business partners that spend tremendous amounts of money acquiring content and competitors while destroying the TV network part of their businesses.**

For the TV networks the prejudice is double: not only are they losing audience to OTT players, their costs of acquiring content are also going up since they are now competing with tech companies with deep pockets for content rights.

The need of keeping content acquisition under control, differentiating and reducing dependency on content rights owners, Netflix, Amazon and Hulu are all producing their own original shows which are being exclusively distributed on their platforms. Netflix kicked off this trend in 2013 with the Netflix Original series “House of Cards,” with Kevin Spacey. By giving large amounts of money and ceding complete creative freedom to the producers, the OTT players have managed to attract world-class talent.

In between content rights acquisition and original production, Netflix will be spending close to \$5 billion in 2016.

Content Is King
Media companies are spending to amass more original programming to lure viewers

Network	Projected 2016 Spending, Excluding Sports
Netflix	\$4.97B
Time Warner*	4.56
Fox	3.83
Viacom	3.82
Disney	2.88
Discovery	2

Source: MoffettNathanson
*Includes HBO, Turner Networks

Bloomberg

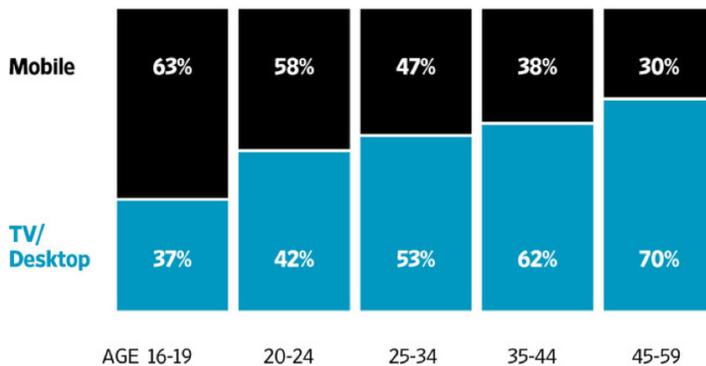
Mobile Mobile Mobile

“Our customers are saying, “I’m glad my dad has Netflix, but I want something for me”
- George Stropoulos, Fullscreen Founder, CEO

According to NPD Group, 81% of all US smartphone users now stream video on their devices. For the younger generation aged 16-24, mobile is becoming the primary video/entertainment device. **This group spends more time watching video on their phones that they do on PC or TV.**

Aging Out

Time different age groups spend watching video, by medium



Source: Ericsson AB

THE WALL STREET JOURNAL.

More than half of the video views on YouTube come from mobile devices. 65% of the video views on Facebook (8 billion per day in November 2015) occur on mobile devices. All of the 8 billion videos viewed each day on Snapchat happen on mobile devices.

Smartphone users 24 and younger use an average of 6.2 GB of data (cellular and WiFi combined) every month for video streaming. Older smartphone users use an average of 4.9 GB of data per month for video streaming.

When asked to comment about the falling ratings of linear TV, Mike White, the former chief executive of DirecTV said that he “was shocked at how far the ratings across the board have fallen this spring [of 2015], and you can’t really explain that easily.” “It’s not just Netflix,” he added. “It’s clear that the millennial generation is having an impact, and every media company is trying to figure out how to connect with them.”

When it comes to reaching millennials, YouTube on mobile alone reaches more 18 – 34 and 18 – 49 year-olds than any cable network in the US.

Because traditional media companies are struggling to reach younger audiences, a new breed of media company is emerging to address and target the new demographic. Some build their own distribution platforms (YouTube, Snapchat, and Vine for example), others create content for distribution by those platforms, such as BuzzFeed, FullScreen, and SuperGravity.

	Active Users	% Mobile	# Video Views	Session Time
Vine	200M monthly	10.7% (18-34 in US) 9% (2014)	1.5 billion/day	
BuzzFeed	200M monthly	70% Mobile	6 billion/day	
Snapchat	120M daily	Mobile Only	8 billion/day	30 session/day
Facebook	1.59B monthly 1.04B daily	47% Mobile Only 60.3% of video views	8 billion/day (3 billion/month)	20 min. long
YouTube	1B monthly	50% (2014)	4 billion/day	40 min. long

New Content – the rise of the new creators

In 2011, YouTube was looking at increasing the quality of the video content distributed on its platform, a key to monetizing the service. The “dog on a skateboard” type of videos shot with an iPhone received millions of views but failed to attract advertisers. At that time, Google was also looking at entering the TV space via its set-top box Google TV and needed good quality content, organized in a comprehensive fashion to attract consumers on its platform. To encourage the creation of quality content, YouTube announced the creation of “channels,” the YouTube equivalent of a Twitter or Facebook profile allocating a \$100M budget to finance the creation of content for distribution through a selected number of channel partners.

YouTube channels led to the emergence of the professional “YouTuber,” a content creator publishing videos on his or her own channel, gathering fans (users can subscribe to a channel) and monetizing traffic through ads from leading brands.

To continue its support for the creative community and to ensure that quality videos continue to be made, YouTube opened its first Space in Los Angeles, a physical location for creators to meet, learn and produce videos. This was followed by the launches of other YouTube Spaces in London, Tokyo, New York, Sao Paulo, Berlin, Mumbai and most recently Paris.

Fast forward to 2014, the magazine Variety published a study by Professor Jeetendr Sedhev from USC demonstrating to the Hollywood establishment how YouTube celebrities are now more popular among US teens than mainstream, TV, and movie celebrities.

A new kind of media company is emerging. Multi-channel networks (or MCNs), entities that manage multiple YouTube channels, cross-market them, offer creators support (equipment, and access to facilities, etc.) and build high quality content and additional monetization options (branded marketing, product placement).

Now in 2016, YouTube is one of the many platforms where content creators can publish their work and gather audiences. Mobile-only services such as Snapchat and Vine or Facebook with their large user base, represent alternatives that are sometimes even more preferable to YouTube for creators.

DJ Khaled, a Snapchat celebrity, attracts 3 to 4 million views from each video he posts on the platform. Given how Snapchat tends to overwhelmingly attract pre-teens to late-millennials, the group of young people that are watching him are the ones watching the biggest network sitcoms (according to Nielsen, 3.3 million people age 12/34 watch “The Big Bang Theory”).

At the annual VidCon conference, which showcases the most famous YouTubers, thousands of teens come to meet their favorite celebrities. Younger audiences not only consume video differently, they look for different kinds of content.

The content paradigm has changed. A new breed of media companies producing content specific to mobile platforms have come into existence to satisfy the media-hungry mobile-first millennials.

New Content Approach

BuzzFeed, with its 6 billion content views a month across social networks and platforms, is one of the companies leading the new content wave. 70% of those views come from mobile devices. Today, 21% of all content shared by millennials comes from BuzzFeed.

To achieve that success, BuzzFeed adapted its content to new consumption behaviors and distribution platforms. The content is short form. It is built for mobile consumption, sometimes designed with Facebook's auto-play (the video plays directly with subtitles, and no sound at the beginning) feature in mind.

The Garden vs The Stream

Ze Frank, the founder of BuzzFeed Motion Pictures, likes to describe the old media world and new media world by using the "Garden vs Stream" analogy.

In the old world of the "garden" (movies and TV series), the viewer watched curated content delivered in a fixed form and style. There are a few creators. The viewer has a clear understanding of what to expect from the content and when to expect it.

In the new world of the "stream" (of social media content), content does not allow a pre-established form or style. It has many creators, and is discovered and shared through social networks. Viewers may not have a clear understanding of what to expect and are therefore looking for content they can identify with such as content with a strong emotional resonance that captures their attention.

The new media landscape consists of 4 types of production companies:

1. Traditional Production Companies

These are companies like “Anonymous Content” that have been wildly successful producing movies and TV series. These companies have the relationship with the recognized content creators having worked with them on movies and TV shows in the past. They now want to feed the younger audience with premium mobile content they are willing to pay for, the equivalent for mobile what “Game of Thrones” or “House of Cards” is for TV.

2. FullStack Media Companies

Their best incarnation is BuzzFeed, a media company that “has technology at its core” quoting Chris Dixon, partner at Andreessen-Horowitz and BuzzFeed board member. Those companies have built strong analytics, advertising, and content management systems. They rely on data to produce and distribute content that will appeal to a large audience.

Critics say BuzzFeed relies too much on click bait (the famous list articles or “listicles” such as “The top 10 reasons Orange is amazing, you won’t believe number 4”) and advertising/traffic arbitrage (aggregating traffic from other online properties) to make it a long-term successful company.

3. Standalone creators

These are the YouTubers, Viners or Snapchatters such as PewDiePie (42 million followers on YouTube) that produce their own video content and interact with their large fan bases. Unlike TV or movie producers/actors, they have a direct relationship with their audience and constantly interact with them via Facebook, Twitter and other social media platforms. They are favored by brands because they appeal to the millennials and gen Z.

4. New Studios

These new studios are: SuperGravity Pictures, New Form Digital. They are video distribution and production companies that work with talent that have an existing audience, mainly YouTubers with large fan bases (a few million subscribers to their YouTube channel).

They solve 2 major problems content producers/creators/distributors are facing in the digital age:

- 1.The cost of producing content people want to watch online (with online distribution the cost of production has to be a fraction of the current cost of TV shows or movies)

- 2.The cost of building and reaching audiences online

They mastered the game of engaging with audiences, constantly interacting with them throughout the life of their project: from the moment a movie/project is announced to its launch on VOD platforms and Netflix.

Their deep understanding of audience behaviors and audience engagement sets them apart from others in the current media landscape.

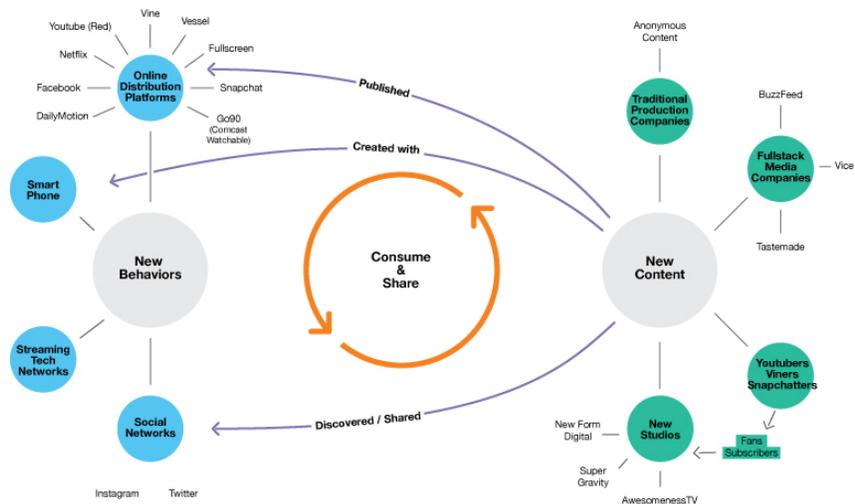


Figure 1 designed by Orange Silicon Valley

New Monetization Approach

Like many other ad-supported video services, YouTube is facing a major challenge: with “quasi-unlimited ad inventory,” how can YouTube maintain CPMs (cost per thousand) high enough to ensure that the revenue generated by the creators are high enough to sustain their living?

PewDiePie, the most followed YouTuber with 43 million fans, made \$12 million between October 2014 and October 2015 - a number that can seem high for a 25-year old Swedish man posting videos of himself playing video games, but very low by Hollywood standards.

In 2014, with falling ad rates and struggling creators, YouTube - once considered the new medium - started to feel like the “discovery platform” for content creators, those creators moving to traditional media such as TV to secure alternate revenue streams.

YouTube initiatives around funding channels, digital upfronts (selling premium ad space on top-performing channels to brands) were not enough to satisfy the creative community.

In October 2014, rumors surfaced that PewDiePie would launch its own website (and video player) off YouTube to better monetize his audience. A few months later, in January 2015, Vessel, a company founded by the team behind Hulu, started offering creators \$50 CPM (compared to YouTube \$2 CPM) by generating revenue of advertising and subscriptions (for \$3/month so subscribers can access exclusive content from their favorite YouTubers a few days before it is posted on YouTube).

At that time, Youtube started to strike deals (giving them money) with its most popular creators to secure their presence on the platform. The ad-only model did not seem to generate enough revenue to satisfy content creators.

Thus, in October 2015, YouTube launched YouTube Red, a \$9.99/month subscription service that offers ad-free viewing across all YouTube and access to exclusive content: “YouTube Original Series and Movies”. The first pieces of content are featuring PewDiePie and the The Fine Brothers.

YouTube is splitting the subscription revenue of content people consume with the rights holders, offering a new way for creators to monetize their audience.

US TELCO RESPONSE

AT&T, Chernin and Fullscreen



“Fullscreen is one thing: it’s great original content for people who grew up with the social web”
– George Stropoulos, Founder, Fullscreen

The company was founded in 2011 as a Multi-Channel Network and got acquired in September 2014 by Otter Media, a \$500 million joint venture between The Chernin Group and AT&T. It was reported that the deal valued FullScreen between \$200 and \$300 million.

Today, FullScreen’s talent network encompasses 75,000 creators that reach 600 million subscribers and generate more than 5 billion video views per month, mostly on YouTube. The company works with a range of artists, from those just starting out to bigger names like Grace Helbig (2.8M subscribers), The Fine Bros. (13.7M subs), Devin SuperTramp (4M subs), Andrea Russet (2.5M subs) and Jack & Jack (1.3M subs). Like many other MCNs, Fullscreen helps creators produce, distribute, and measure their audiences and videos. It also supports them with rights management, content licensing and more.

On April 26th, 2016 Fullscreen will launch a \$4.99/monthly ad-free video service. Fullscreen SVOD platform will be narrowly tailored to a 13-to-30-year-old audience of heavy social-media users who aren’t interested in pay TV. “Our customers are saying: ‘I’m glad my dad has Netflix, but I want something for me.’” – George Stropoulos.

The service will be available first via the web and iPhone, iPad, select Android phones and Google Chromecast. Support for additional platforms will come later. The service will be available in all countries worldwide, and FullScreen will offer a 30-day free trial.

800 hours of content will be available, featuring feature-length movies, series and original content from digital stars. First, it will comprise mostly licensed content (in terms of hours), procured from Warner Bros, Sony Pictures, NBCUniversal, MTV and others. Over time, Fullscreen will offer more original content, funded and produced in-house, featuring digital talents. Fullscreen has dozen of original titles, scripted and unscripted, under development.

Fullscreen is vertically integrated: its business runs across talent development, production, distribution and community building.

Fullscreen and AT&T

A major strategic partner of FullScreen is AT&T, who owns a portion of the company through Otter Media. AT&T sees in FullScreen's SVOD service a key way to reach younger consumers (that do not necessarily subscribe to a TV service) and a way to complement the content offering of its DirecTV and U-verse TV services.

AT&T will market the SVOD service to its 100 million-plus customer base and co-produce content with Fullscreen that will be distributed on DirecTV, U-verse and the Fullscreen service. Plans are not fully set yet, but AT&T expects to offer a benefit to its customers who subscribe to the service, possibly in the form of a discount of access to additional premium content.

"This has been our approach to addressing an audience that may not necessarily be within the AT&T video ecosystem," said Tony Goncalves, senior VP of strategy and business development for AT&T Entertainment Group at the announcement of the launch of the SVOD service. "It enhances AT&T's brand in entertainment because we have to be sure we're serving all segments of the market."

verizon^v



Verizon Go90 is an ad funded mobile video service comprising short and long form content targeted at millennials and optimized for sharing via social channels. Go90 also has a social entertainment platform, built for the mobile-first generation, and offering access to live and on-demand video wrapped in a social experience. Go90 is not restricted to Verizon customers only.

Video content includes a mix of on-demand content from popular cable networks (ESPN, Viacom, Discovery Communications, and Scripps Network Interactive) and online video from YouTube networks, AwesomenessTV, and Vice Media.

Beginning in February 2016, all go90-registered Verizon Wireless postpaid customers can watch all of their favorite go90 video content anytime on Verizon's LTE network as part of go90's participation in FreeBee Data 360's sponsored data service.

Go90 was put together through a mix of content deals as well as the acquisition of OnCue, an online pay-TV service Verizon purchased from Intel and repurposed for Go90.

Conclusions

The shifting content landscape is very much in flux. It is too early to tell what form the next generation of content will take. What is clear is that the viewing behaviors, habits and patterns of millennials are distinctly different from the generations before. These are the forces making the existing systems of production and distribution, for example linear television, increasingly obsolete.

The evolution however is not complete. A number of new media content players are emerging, each adding new variations to content production, marketing and audience engagement, and each with varying successes. Yet none have emerged as the dominant winner. The continual emergence of these new media players are gradually chipping away at the market share of the traditional media companies that are trapped in the old model of production and delivery and that are increasingly becoming less interesting to millennials as they are not aligned to their consumption patterns and behaviors.

The new content leaders will be the companies that are better equipped to supply the type of content relevant to the mindset of the new audience. They will be the ones that understand how to target and engage in the new fabric of social networks, apps and OTT services.

This report documents responses by telco and cable operators to the changing environment. The strategies are mixed. Those with existing content businesses such as Comcast are doubling down on traditional media by buying NBC/Universal. Others such as AT&T, which also doubled down on traditional media by buying DirecTV, are trying to become more relevant by getting into the streaming business as well as acquiring innovative production companies such as multi-channel-network Fullscreen, to produce original content targeting the preferences of the new audience.

It is very challenging for companies that are the leaders within their field to adapt to large shifts. Buying access to a new landscape once a trend has taken off can be tremendously expensive. A few weeks ago, General Motors purchased an all but unknown two year old startup called Cruise that developed a \$10,000 autonomous vehicle upgrade kit for \$1 billion. This move comes years after Google began its autonomous car project. More recently, Tesla's quasi self-driving mode offering arrive, along with news of Apple hiring for an autonomous vehicle initiative, as well as Uber poaching the entire robotics department at Carnegie Mellon University the year before to develop the same.

This area represents an exciting opportunity to witness an emerging class of content that when fully evolved will become standard content for the next generation of Orange customers.