

Google TV: Why It Will Fail

Analysis of Google TV and Its Projected Consumer Adoption

Having dominated search, revolutionized on-line advertising and entered the mobile phone business, Google announced plans to conquer TV. While many have already declared the death of television at the hands of the Internet, the people that know data – like Google – know otherwise. Television is a strong, sophisticated, vibrant business and in the announcement last week, Google executives acknowledged TV's dominance.

The average American watches 5 hours of television a day. They spend 10 times more of their leisure activity in front of the TV than the PC. And more than 70 billion advertising dollars are spent annually in the US, with 4 billion TV users worldwide.

People love TV and they love the Internet, but they love them for very different reasons. This overview outlines what Google TV is and why it will fail in the quest for consumer adoption and television advertising dollars, similar to Microsoft's Web TV, Apple TV and Yahoo! TV with their combined market share of around zero.

Google TV: The Pieces and Parts

Google TV is a new platform for HDTV subscribers who purchase new equipment in order to surf the web on their TVs and navigate guide listings more easily. Google TV lives outside TV's content and advertising ecosystem, and is an add-on to set-top boxes.

- ✓ **Platform:** Google TV is a new platform that delivers Android to TVs and companion boxes in an effort to shield third-party developers from television device complexities. Android delivers the platform and toolset to foster the creation of applications across devices.
- **For HDTV subscribers:** Google TV relies on HDMI input so the service is either limited to HD video subscribers, or will require an additional adapter to convert SD video sources.
- **New equipment:** Google TV requires a device that runs Android and applications, whether a new TV or companion box, which serve as an add-on to an existing set-top box.
- **To surf the web:** Google TV is about delivering the open web to television via the Google Chrome browser. This is surprising in light of Web TV's well-documented failure and the continued lack of consumer demand for a full web browser on TV.
- ✓ **And navigate TV content:** Google TV's search results include program listings for easy navigation of television programming.
- **Outside the TV content and advertising ecosystem:** With the exception of integration with DISH DVR boxes, Google TV sits outside the TV delivery value chain, which separates Google from the \$70 billion of television advertising.
- ✓ **Augmented with Android phones that function as remote controls:** This helps close the ecosystem gap by delivering TV search terms back to Google servers, but access to the holy grail of linear TV advertising remains elusive. Nonetheless, Android remotes could be powerful.

Google TV: Adoption

CEO Eric Schmidt admitted Google is not the first company to make an attempt at this. According to Google, many have tried but got limited adoption for three reasons:

1. **Dumbed-down the web for TV.** Google believes the entire web should be brought to TV; however, if this were the only objection, Chrome is all they would need. In fact, market results are overwhelming in support of tailored applications for devices, whether TV Widgets® for television or apps for the iPhone, which is why Android for third-party developers is actually interesting.
2. **Closed solutions, and “closed just doesn’t work.”** The most successful app store, Apple iTunes, is a closed system with numerous participants. If you want to build an app for Apple, you have to do it their way, according to their rules, to run only on their devices, and if you do, you’ll get distribution. That’s closed – large, successful, and vibrant – but closed. In defense of open systems Google says, “Once people have had the freedom to go anywhere, they’re not going back.” But years of interactive television endeavors validate that once people have an easy, one-click experience, they are unwilling to work any harder.
3. **Choose between TV and the web.** Google is right about this. Solutions that require viewers to switch between devices in order to access a feature will lose 90% of the audience. An enhanced TV experience must come in a coherent package that provides convenience, control, and context: something that everyone is working on in one form or another.

These are the reasons Google gave for previous technologies’ lack of adoption, so let’s put Google TV to the test and project whether it will fare any better. Using Everett Rogers’¹ five product-based factors that govern the rate a new innovation will be adopted, and comparing Google TV with solutions delivered in conjunction with TV service providers, specifically EBIF, it doesn’t stack up.

	Google TV	Google TV for enabled Dish DVRs	EBIF TV for <u>all</u> digital cable boxes
Relative Advantage <i>an innovation must be 10 times better than an existing solution (cost-benefit)</i>	No	Yes	Yes
Compatibility <i>consistent with existing values and experiences</i>	No	Yes	Yes
Complexity <i>complexity inhibits adoption; easier is better</i>	No	Yes	Yes
Trialability <i>ability to easily try the product on a limited basis</i>	No	No	Yes
Observability <i>ability to see others using the product</i>	No	No	No

Consumer Adoption / Product Diffusion

¹ Everett Rogers, *Diffusion of Innovations* (New York, NY: The Free Press, 1995)

Let's remember how Google succeeded. They wrote a brilliant algorithm that re-purposed existing content that satisfied user intent while working within the existing browser and delivery ecosystem. For interactive television to succeed, a similar compatible approach is necessary. But that's not what Google TV is. Google TV is an end-around the TV ecosystem with a complicated setup.

Companion boxes, IR blasters, HD converters – it's enough to drive an average consumer to *Google* "martini bars in my zipcode." Imagine what would have happened if they had forced Internet surfers to purchase a separate appliance to sit next to their computer. Simply put, they wouldn't be a verb today.

Beyond the complexity, Google TV is pricey. To make it work, consumers have to spring for the Logitech box (rumored to be north of \$400) or a new Android HD TV, an even more significant purchase. And this is in addition to what consumers already pay for cable and satellite since Google TV doesn't deliver television programming.

Google TV also misjudges consumer behavior. Every shred of consumer research tells us that viewers want much more from their TVs, but *not open surfing of the web*. They want features that enhance programming and let people multi-task to engage with content and advertising more immediately and intimately. They don't want to read their email.

Lastly, Google covets a slice of the \$70 billion advertising pie, but with the exception of the DISH DVR, Google TV sits outside this lucrative flow of dollars. Google can deliver new ads in their overlays - but that's not enough. They have no solution to make linear television spots more targeted and interactive. In fact, Google TV would create even greater audience fragmentation that undermines television content models the way they've de-monetized the newspaper and magazine industries.

I've spent the last 12 years bringing interactive television and advanced advertising to the living room. I have the scars and bruises that come from understanding what consumers want, and the platforms, tools, and models necessary to deliver Interactive TV to all American homes; so I don't make this judgment lightly.

Google TV: Competition

By the time Google TV launches, 25 million cable homes will have interactive features at no additional cost or effort thanks to a joint industry initiative to launch EBIF² technology and applications across operators.

EBIF is a common platform for cable set-top boxes that shields developers from the complexities of devices and operators, like Android. Digital cable subscribers will

² Cablelabs' Enhanced TV Binary Interchange Format

receive interactive apps automatically as new features in the guide, or applications delivered directly in-stream with TV shows and commercials. EBIF apps provide new benefits to consumers with no cost or effort on their part making these types of interactive features *highly* diffusible. And actual market data supports this with consumers overwhelmingly engaging with cross-platform apps, programming, and advertising generating high repeat usage, and word of mouth referrals.

Consumers will be able to vote for their favorite American Idol singer with one-click on their existing remote. And in consumer research performed for FourthWall Media, 60 percent of respondents prefer to vote with their remote with the second most popular choice coming in at a distant 15 percent.

All the activity in the TV space highlights the fact that everyone can sense the nearing media inflection point of enabled footprints and converged devices. Partnerships are sure to form, which is good. But the winners will be companies delivering solutions that play to the strengths of all available devices.

Google TV: The Winners

Through increased attention and focused effort Google TV will yield some winners, and they are:

DISH Network: Advanced DVR box with an integrated interactive TV experience combined with the awareness that Google drives.

Logitech: Not the companion box, but Harmony remote, iPhone, and Android apps integrated with a new breed of interactive television apps and platforms.

iPad: iPad apps with TV extensions, like the Comcast iPad controller demonstrated by Brian Roberts at the Cable Show. An iPad app integrated with a video provider could be the best personal search and discovery platform replacing or augmenting existing EPGs. Only upon finding the desired program, should the command be sent to TV to tune to the content.

Cable: Google's entry provides further validation of TV's value; the power of interactivity, set-top box measurement, and analytics; and the use of extended devices for search and discovery.

Google TV: Conclusion

When Silicon Valley speaks, the world listens in hopeful anticipation of the next cool gadget or rocket-ship ride. I must admit: I do it myself. But Yahoo! TV, Microsoft TV, and Apple TV have very little business. They put out press releases, get widespread coverage, and appear to be conquering the world, but the results aren't there.

The television industry is big and complicated and quite different from the Internet. There are \$70 billion of annual advertising spend and \$35 billion of programming license fees preventing the disruption the Internet seeks. The Internet likes disintermediation and driving to efficiency. TV likes margins.

No doubt the television business has its problems. Programmers and operators squabble over fees. The FCC intervenes resulting in platforms designed by committee.

Programming is more fragmented and it's harder and more expensive than ever to create a hit. Television advertising needs to add functionality and measurement. And many of our stars get arrested for drunk driving and spousal abuse. We are not proud of that. But television is a great business that is poised for an enormous coming-out party that will rival the best Silicon Valley rocket-ship ride, and that's why Google wants in. Unfortunately, Google TV as presented won't get them there. And remember, Google has flopped in other areas adjacent to their core capability – Google Buzz, Google Catalog, Google Answers. The likelihood of them succeeding in a complex hardware and software business is slim. They may do no evil, but when it comes to TV, the proposed product will certainly do no good.