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The Competitive Advantages of a Locally-Focused Walled Garden

By Lawrence Brickman

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Just exactly what is a “walled garden”?

“A walled garden is a garden which is surrounded by high walls. Whilst these walls may now serve a decorative purpose, their original purpose was to shelter the plants within the garden from winds and frosts. The shelter provided can raise the ambient temperature within the garden by several degrees, thus permitting plants to be grown that would not survive in the natural climate of the location.”

From Wikipedia

In the world of media, a walled garden is a closed environment with a set of controlled content that is managed by a distributor. Historical examples include early services from AOL, Prodigy and Compuserve – and in this era of the open Internet and Google, walled gardens have acquired negative connotations, and are often thought of as being as anachronistic as an old English garden. But perhaps the best contemporary media example is the core video offering provided by cable companies and satellite companies – an offering in which telephone companies are currently investing large amounts of money and effort to be able to provide. Although not widely thought of as a “walled garden,” how better to describe a specific set of linear channels selected by a distributor and offered to subscribers? Or a similarly offered set of video on demand content? Today’s video subscriber can no more watch a network not offered by their video distributor, than could an early Compuserve subscriber surf the then infant Net, or for that matter, could a rose bush leave a English garden. Clearly, despite the lures of YouTube and MySpace, today’s network operator (and in fact the entire television industry) sees technological, competitive and business reasons to provide customers with a closed set of video content, rather than simply providing “dumb pipes.”

However, rather than joining the “dumb pipe” debate, this article will focus on a sub-set of media walled gardens – a closed set of interactive content and applications delivered to the TV, and designed to be used on the TV and navigated with a remote control. Usually

supported by some type of display engine in the set-top box such as a browser, this walled garden can include on-demand news and information, games, advertising, and provider-specific material such as customer care content and applications – all provided only with the consent and business agreement of the network operator.

In over six years of providing walled gardens to video providers for distribution in over 150 cities, I have been able to identify five primary specific categories of value that video distributors derive from offering locally-focused walled gardens to their subscribers:

1. Beyond Me-Too: A walled garden is a cost-effective way to differentiate a video offering from the competition
2. Retention: Walled gardens are perceived as a value-add and used extensively by subscribers, leading to improved customer satisfaction and retention
3. Local Positioning: Every service provider can offer access to the World Wide Web – only a provider with a localized network and knowledge of the local community can effectively offer a locally-focused walled garden
4. Community Relationships: Local civic institutions embrace bringing locally-focused walled garden content and applications to the TV, which can facilitate improved relationships with local organizations, governments and franchise authorities



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5. Easy-to-Deploy: For IPTV providers, a turn-key walled garden can require little or no integration, and little or no ongoing effort

Let's take these value categories one at a time.

Beyond Me-Too

"We have found that our walled garden changes user behaviors. Customers use our service to quickly access information that otherwise is inconvenient to find. This results in a higher degree of customer satisfaction, greater retention rates, and a product that avoids the me-too TV syndrome."

Robert Koester – Senior Manager IP Product Development, Consolidated Communications

Every provider in a competitive environment is looking for a differentiator – something that the competition doesn't have. By bringing the on-demand and always-on convenience of the web to the ease-of-use of the TV, IPTV providers can clearly offer a product that differentiates their offering.

A walled garden can include national and international news, sports coverage, weather, and entertainment content such as entertainment news, horoscopes, games and even soap opera recaps. Cinema guides and other local entertainment guides including events guides and dining guides are frequently included. Content types are usually photos and text, and in some environments can include rich media such as video, audio and Flash.

Although rarely thought of as a differentiator, we are always amazed at the amount of usage that we see for the service provider's customer care information in a walled garden. Content such as customer service contact information, FAQs, tips & troubleshooting, line-ups, even service upgrade applications and bill presentment – pretty much anything a provider might include in the customer care section of their website – can all be included.

By presenting this on demand content in a visually compelling user interface that is well-designed for TV viewing and remote control

navigation, a walled garden can be fun, convenient, and easy-to-use.

Retention

"For me, it's convenient...it's nice to be able to go and see the weather when you want to see it, when you want to check it, no matter what time of day it is. It's nice to be able to see what is on the movies...be able to check the listings and where it is playing, so it's just convenient – real convenient."

From a Rockford, IL focus group

Clearly walled gardens cannot be an effective retention tool unless they are used and valued by video customers. Do customers use walled gardens? The answer is a resounding yes – walled gardens are used, and used extensively. In communities where our walled garden services have been deployed the longest, we see weekly usage rates of over 30%. That means that almost a third of the subscribers are using the walled garden at least once a week. Now, although we wish those statistics were even higher, when mapped against weekly viewing of linear channels, we find that the walled garden ranks an astounding 8th of all "cable" networks in terms of numbers of households that watch at least once per week – ahead of CNN and ESPN2.

Why would customers use a walled garden when much of the content can be found on the web? The answer can be summed-up in one word: convenience. Some of us (myself included) spend more time at our PCs than at our TVs. Many of us have hot and cold running broadband at our fingertips wherever we may in the house. We spend far more time on the web than watching TV, everything we need is bookmarked, and we turn to the Internet first when we want news and information. For us, there may be nothing that is more convenient than the web. But this may not be true of the most valuable video customers.

The most valuable video customers spend more time in front of their TVs than their PCs. For them, the TV is the first source of news and information. And yet, easy as the TV is to use (usually), it is not always convenient. If you want the local weather, you either have to wait for it to



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come around on the Weather Channel, or tune into the local news at just the right time. Customers tell us in focus groups that often in the morning they are trying to find out how to dress their kid to go to school, so they wait for the local weather report to come around in

between making breakfasts and lunches, and then just before the local forecast comes on, something happens – the phone rings...the eggs are ready...the baby needs to be changed...and they miss the local weather. And, if they want to know what's playing at the local movie theater tonight, the TV is not much help at all. Come to think of it, the web is not so convenient for movie listings either. Not only do you have to find a website and enter your zip code, but because of obscure business issues, neither of the two most popular sites – AOL (or whatever MovieFone is called now) and Fandango – have all of the listings. You actually have to go to both of them to see what is playing at all of the movie theaters. And I don't know about you, but I avoid weather.com like the plague because it has pop-ups that not even my pop-up filter will control.

Local Positioning

"The walled garden enables me to provide information about all the communities I serve without the costly need of individual channels for each community. Many of the smaller communities I serve only have weekly newspapers; therefore, the walled garden is a vehicle that keeps them better informed on late breaking news that's specific to their community."

Ron Strecker – CEO, Panhandle Telephone

Just as cable operators have long positioned themselves as the local alternative to satellite providers, now many telephone companies are positioning themselves as the local alternative to increasingly national cable operators, and the local flavor created by a locally-focused walled garden perfectly underscores that strategy.

One of the great strengths of a localized walled garden on an IPTV network, is that we know where every user is. Even while protecting the subscribers' privacy and anonymity, by using one or more of several techniques, we are able to determine where on the network every set-top

box is located. We can therefore automatically provide an individual subscriber with content that is pre-localized for his or her community – without the user having to search or otherwise look for it.

Local walled garden content itself tends to fall into several categories.

Content that can be obtained from national data sources and localized. Weather coverage is a great example of localizable data. Users tell us in research that they want to *"know how to dress my baby before I send him out the door."* By providing pre-localized local weather conditions, forecasts and radar, walled gardens can be the fastest and easiest way to get the local weather conditions. We hear the same thing about pre-localized entertainment guides, such as movie listings – *"Movie listings are so easy. I don't have to call some annoying voice system. I don't have to pull out some paper. I don't have to log on to the Internet. I can just come in and turn on the television."* And, then there's lottery results. We might have vicarious fascination with the human-interest story of a big lottery winner in another part of the country – but the results themselves? We only care about the numbers for the games that we can enter ourselves.

Content from local newspapers & TV stations is another type of local walled garden content. Although they are struggling in many markets, partnering with local newspapers and TV stations is often the only way to provide truly local content such as high school football and local political coverage. The content can be text, photo or video; and once the relationship is established we have successfully enabled the automatic publishing of content from both newspapers and TV stations.

Content that is generated by the local community itself is the best way to provide truly grassroots content. Content can be generated

by the community at specially-provided (and password-controlled) simple websites and automatically published to the walled garden. Community events calendars, community billboards, and school lunch menus all see robust usage in many types of communities – both rural and urban. From a *Hot Chili Cook Off*



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at Driscoll Children's Hospital in Corpus Christi, Texas, to Cattle Sorting every Thursday evening at the Pickard Indoor Arena on Highway 54 just west of Hooker, Oklahoma, to a Firearms Sight-in for Hunters hosted by the Charleston, Illinois Police Department (all actual examples pulled from locally-focused walled gardens) – how much more local can you get?

Local advertising is another type of local content that has value to many constituents – the local consumer, the advertiser, and the service provider. Here also, the power of self-publishing can be harnessed to avoid the potentially prohibitive costs associated with selling and producing television advertising. Consumers can self-publish classified ads, and auto dealers and real estate agents can publish to auto and real estate guides respectively – all from easy-to-use websites. Other types of local advertising can be supported (think of the opportunities for selling ads in a local dining or events guide), and existing vehicles such as phone directories can all be included in the walled garden, providing very targeted advertising in a clutter-free environment, while providing additional revenue to the IPTV provider.

Community Relationships

"I love the community calendar"

Libby Malone – Director Community Relations,
Grande Communications

Locally-focused walled garden content also provides an ancillary benefit to the service provider – deepening the provider's relationship with the community. Civic governments appreciate the delivery of any localized content, and community organizations appreciate the opportunity to be able to easily reach community members on TV.

One of our customers has 75 community organizations actively publishing events to the Community events calendar (and asking for a self-published volunteer guide). Another tells us that when the schools send home printed version of the lunch menu calendar, printed at the bottom is a note that the menu can also be found on the IPTV provider's video service.

Not only is this type of endorsement obviously invaluable to the provider's overall positioning, but walled gardens also have figured strongly in ballot referendums for franchises, and have proven very beneficial in the franchise agreement negotiations themselves. We even have one customer who has successfully used the community-generated content tools to meet community access requirements.

Easy to Deploy

"Video is hard"

Mike Knoll – CTO, Hancock Telecom at TelcoTV
2006

Parity with cable has proven to be difficult, compounded by delays in offering DVRs and HD content. If video is hard, and parity yet harder, how hard is differentiation? In some rural markets, a digital signal or the triple play bundle may be a temporary differentiator, but increasingly, cable operators are raising the stakes with their own triple play. Competitive video providers need a way to differentiate themselves from the incumbent providers to avoid having to compete on price, and in the current environment, IPTV providers have neither the time nor the resources for the differentiator to require extensive integration.

A walled garden, supported by the resident browser, and therefore already integrated with the middleware and set-top box, provides an answer. Due to the nature of their networks and set-top boxes, it is much more difficult and expensive for cable operators and satellite providers to offer a robust walled garden offering than it is for an IPTV provider – so in fact, walled gardens are an advantage inherent to the IPTV platform. We expect that as next generation IPTV technologies are deployed, IPTV walled gardens will become increasingly integrated into the rest of the video offering, and this differentiation will only grow stronger.

The core strength of the locally-focused walled garden, is the ability to leverage several key factors, notably: the power of the Internet Protocol combined with the business advantages of control of the TV offering; and the



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ease of use combined with the ease of deployment – to conveniently bring hard-to-find content to under-served audiences, thereby differentiating the offering and underscoring the video providers’ relationship to their local communities.

The World Wide Web has proven to be perhaps the most effective way of accessing information from all over the world in human history. Want the weather in Abu Dhabi? Never been easier. What courses are being offered at Mogadishu University? No problem. But this strength has also belied the Web’s greatest weakness – the most difficult information to find is local information. In fact, it is no secret that as media companies and outlets have increasingly consolidated, local radio, newspapers, and other media has increasingly suffered. Much of this consolidation is driven by economies of scale – scale in creation and publishing of content, scale in advertising sales, and scale in distribution of content. National and multi-national media companies are under business pressure to aggregate huge audiences, and even if they could afford to provide content for niche markets, they do not know, and cannot afford to care, where the consumers of their service are located. Think of how quaint the paper boy on his bike delivering the local paper seems to us – the creation and distribution of local content is not surviving in this era of AOL/TimeWarner, Fox and Disney.

Just as the need for scale for many contemporary media outlets has proven to be their weakness in providing local content – one of the strengths of the walled garden is proving to be its ability to efficiently provide local content to local communities. We are reminded of the original purpose of the Old English walled garden – *to shelter the plants within the garden from winds and frosts...thus permitting plants to be grown that would not survive* – by using modern technology (especially IP technology) to bring a specific set of content to a specific audience, media walled gardens are able to effectively provide, and even nourish local content that is not surviving in today’s modern media climate.

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