

VTF 2006

VIA Technology Forum



*Embracing
Digital Intelligence*

The Next Emerging Industry: Digital Services

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Overview

- **The Next Emerging Industry: Digital Services**
 - Digital Home
 - Content On Demand
 - Music, Movies, and Games
 - All content and media through the Internet

The Digital Home

- **Fits Into 'Home Media' Ecosystem**
- **Connections from home broadband networks to MP3 players, PDAs, digital cameras, home media appliances, PCs, automotive electronics, video game consoles and more**
- **Home content networks center around the home media center and spread out to edge devices like PDAs**

The Digital Home Con't

- **Both hardware and software are converging into the home**
- **On demand content is being bound to hardware devices**
- **All major players are active in this field: Intel, Samsung, Microsoft, AMD, Apple etc.**

Digital Distribution Trends

- "In the next five years, digital downloads will increase sevenfold," said Larry Haverty, who oversees a media portfolio at Gabelli Asset Management Inc. "Downloads have higher margins than physical CDs, they're easier to sell and distribute — the industry is going to become more and more profitable."
- Online music sales will exceed \$6 billion in 2010, according to the [Informa Media Group](#) (IMG).
- By 2010, digital download sales will be worth a storming \$1,981.2 million, and subscription services will raise 1,124.4 million, the report predicts.

Music Downloads

- **Early Pioneers**

- Illegal file sharing (Napster, Gnutella)
- Challenged Music Industry (Record Labels) to Question the Traditional Delivery Model
- Disruptive Force that has changed the landscape of the music industry
- Slowly Moving to Legal Industry starting in 21st century

Music Con't

- **Help drive and create an digital service ecosystem for PCs, mobile devices, home media appliances, etc.**
- **Boosts demand for hardware**
- **Boosts demand for broadband (More hardware)**
- **Spawned new publishing business models**

Apple's Revolution

- **Apple first to break into this market in major way**
- **iTunes sells millions of titles every day**
- **Integrates perfectly with personal music device (iPod)**
- **Able to move quickly into video and movies (video-capable iPods)**

Apple's Weakness

- **Closed, proprietary system**
- **Can't share music between 'Non-Apple' devices**
- **Doesn't give consumer flexibility**

Will we see a repeat of Apple losing market share in the media player space?

Games On Demand

- **Download full game titles**
- **Users pay for games online and can play immediately**
 - Blizzard's World of Warcraft
 - NC Soft's Lineage Series
- **Generation G**
 - Explosive Growth
 - Virtual Life: Young people use the Internet more than ever

Games Con't

- **Unlimited catalog size**
- **Game Syndication: Both new, blockbuster and retro titles**
- **Encompasses Top-Tier and Casual Games**

Gives consumer unlimited choices

Television and Videos

- **Bandwidth now capable for perpetuating this media**
- **Rise in commercial and user-generated 'Viral' videos e.g. Desperate Housewives & YouTube**
- **Boosts demand for video-capable mobile devices, home media appliance, PCs, and broadband**
- **In-video advertising opportunities**
- **Competition with legacy broadcasting and cable companies**

Movies On Demand

- **The ‘Holy Grail’ of Digital Media On Demand**
- **Initially harder to get publishers buy in**
- **However publishers are buying in e.g. Warner embracing BitTorrent**
- **Inevitable evolution : It will happen**
- **SIGNIFICANTLY further boost demand for hardware (mobile devices, components, PCs, Home Media Appliances, CPUs, chipsets)**
- **Will be a disruptive force to existing distribution models**

DRM Technology is Mature

- **DRM (Digital Rights Management)**
 - An additional layer of code places on medial files that requires specific hardware to playback the file. Protects against content piracy
 - Microsoft paving the way in the video and audio space in Hollywood
- **Controls where and how content is distributed and consumed**
 - Rent
 - Buy
 - Test Trial
 - Time-Limited
 - Machine-Limited
- **Publishers' confidence in DRM is increasing**

Business Opportunities for Hardware Companies

- **Rich Media will dramatically boost demand for hardware**
 - Video-capable mobile devices, smart phones, chipsets, CPUs, PCs, Home Media Appliances e.g. Microsoft Origami
 - New opportunities for compact platforms e.g. MiniITX and NanoITX platform
 - New innovative products hitting the market like DualCor
 - Broadband ubiquity will drive end user demand for rich media products

Business Opportunities for Hardware Companies

- **Companies that benefited from leveraging the PC as their distribution channel --- like Microsoft and America Online --- created significant new business and shareholder wealth**
- **Partner with or create new publishing companies**
- **Recurring Revenue Model**
- **Drive demand for new hardware systems and platforms**

Business Mentality Change

- Hardware
 - Gross & Profit Margin
 - Inventory
 - ASP
 - Book to Bill / Forecast Accuracy
 - Revenue
- Software
 - ARPU (Average Revenue per User)
 - SAC (Subscriber Acquisition Cost)
 - Eyeballs (# of Impressions)

**Change in Business Mentality to
Embrace Services Strategy Needed**

Hardware Companies Become Consumer Brands

- **Apple**
 - iTunes – iPod tag team dominance
 - Apple has become a Cultural Icon
- **Ripe Opportunities for Hardware Companies**
 - Samsung's emergence as the next Sony
 - HP's New Corporate Identity to become personal
- **Semiconductor component companies coming out from “under the hood”**
 - Intel Inside was the first move in paving this path
 - “Consumerization” of semiconductor business is happening

What's Next for VIA Technologies?

- **Formation of a 'Digital Content Services' Group**
- **This group is focused solely on digital media and content distribution**
- **Not moving away from traditional hardware business**
- **Creating value-add for existing hardware business**

What's Next

- **Come see VIA OnDemand**
- **Get details on VIA's revolutionary next step into digital content and services**
- **Witness VIA coming out from 'Under the Hood' and become a global consumer brand**