



The Israel Export & International Cooperation Institute  
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IPTV

Broadcasting

# ISRAEL New Media

Digital Media  
Technology

WWW

Online  
Advertising

Social  
Networks



## The new world of the new media

It's no secret that the media are in upheaval. Print faces unprecedented challenges from the electronic domains. New technologies are morphing the mobile phone into a pocket-sized PC with interactive capabilities surpassing the desktop variety. The PC itself, abetted by its netbook cousin, is evolving from productivity tool to an integrated news and entertainment platform. Converged devices are in demand, Internet video is a reality and new content sources abound. Television is going digital, reinventing itself as on-demand IPTV. Social media and social networking are exploding as mass audiences disperse, personalization becomes key and user-generated content comes to the fore. All of this is happening right now, all over the world, and even more so among young people, the digital natives shaping the future.

For consumers, all this is a treat. For business users, it's a boon. For established media companies, content providers and operators, a challenge unlike any they've known before.

Telecom operators need infrastructure partners who can not only deliver the content but monetize it. Broadcasters must evolve a service-oriented model and technologies that offer users the same simplicity, service availability and quality as traditional broadcast TV. Content providers must integrate their offerings and harness digital possibilities – like basing TV broadcasts, in part, on the popularity of items on the broadcaster's website. All must capitalize on the complex delivery matrix and develop systems that draw together applications, delivery platforms and managed networks. And all must strive harder than ever before to reach the connected user – who by 2011 will be one in four people around the world.

## Israel: Vital player in a digital world

Israeli new media companies, bolstered by a digitally-saturated, media-savvy local culture of early adopters, create unique solutions sought-after by media outlets, operators and content providers for their novelty and utility, and for their ability to increase revenues while enabling a rich user experience.



Israel's new media capabilities are rooted in the country's long-standing strategic need for better communication. As a near geopolitical island, the virtualizing of geographic distance eases the way for Israelis to conduct business abroad, to keep in touch with friends and family, and more generally to tune into the world at large. Israel enjoys a long tradition of entrepreneurial innovation and a devotion to theoretical and applied research that have helped it excel in this field, as well as in areas as diverse as agrotechnology, aerospace and medicine. Israel's defense requirements also contribute substantially to its new media capabilities: Locally developed remote sensing devices, including communication satellites, plus information processing, storage and security techniques, and even transmission and display solutions, have all helped create the know-how necessary to succeed on the business side of today's – and tomorrow's – digital world.

## No pixel left behind

Israel has more than 700 new media companies whose offerings span the range of new media possibilities. They are active in Internet applications and services, e-commerce and marketing, online advertising, entertainment and video, search and social networks. They are also dynamic players in broadcast, digital & cable TV, IPTV and satellite services, strong in content creation, delivery and management, and have a potent presence in gaming.



Revenue statistics for the group are impressive: Nearly \$2 billion in 2008 derived from a mix of direct exports and value-added sales recorded abroad.

The sector has developed rapidly over the last few years. While some companies, such as Adsmarket, Answers.com, BigBand, ICQ, Incredimail, NDS, Orca, Optibase, Pilat Media, Sintec Media, SpeedBit and Waves are large, most are smaller, with more than 400 classified as start-ups. They are characterized by innovation and entrepreneurship, with low production costs aiding competitiveness, and a willingness to adapt solutions to customer requirements.

**Many multinational new media companies maintain R&D facilities in Israel. These include AOL's ICQ, Relegence and Yedda, plus eBay, Google, Harmonic, Informatica, Open TV, PayPal, Thomson (VideoCodes), Yahoo and Ybrant. Other technology giants with a strong local presence include Apple, Cisco, Ericsson, HP, Intel, IBM, Microsoft, Motorola and Nokia-Siemens.**

## Color me rainbow

Israeli new media companies have found ready customers in the entertainment sector, including studios, content owners, and broadcasters. These include private and network businesses, triple & quad play operators, cable & satellite providers, web-based companies, advertising agencies, and publishers, both print and digital. Their solutions are in use around the world – in the Americas, Europe, Asia and Africa – by some of the giants in the business, and by regional and local companies too.

## It's a breakthrough country

Many of today's commonplace digital technologies were developed or pioneered in Israel.

- Intel Centrino and Pentium 4 microprocessors
- NDS conditional access and DRM systems
- USB flash drives invented by M-Systems
- VoIP invented by founders of VocalTec
- AOL Instant Messenger developed by ICQ
- Alvarion pioneered WiFi and WiMax
- Voicemail invented by Comverse



Because of the small local market, many of Israel's most innovative companies seek strategic partners or outright purchase of their technologies by foreign companies better able to exploit global economies of scale. In recent years, HumanClick was acquired by LivePerson, Shopping.com was acquired by eBay, Scopus was acquired by Harmonic, FoxyTunes was acquired by Yahoo and Orca was acquired by France Telecom.

## Today's special: Tomorrow

Israel is more than a developer and exporter of high technology solutions. Its consumers, businesses and government use them avidly. According to the 2008–2009 World Economic Forum's Global Competitiveness Report, Israel ranks alongside Belgium and Singapore for technological availability, alongside Germany for firm-level technology absorption, and alongside Japan and France and higher than the United States for broadband Internet subscribers. Mobile penetration, at 125 percent, is still growing by seven percent annually.

The Forum also ranks Israel third out of 134 countries for the quality of its scientific research institutions, fifth for government procurement of advanced technology products, eighth for corporate spending on R&D, ninth for availability of scientists and engineers and tenth for innovation. Israel spends about \$1,100 per capita annually on civilian R&D, 20 percent more than the United States and 50 percent more than OECD countries.

## Let me entertain you



The most hotly debated topic in the digital media industry is how to make money and it is to the entertainment sector that many involved in the industry are directing their focus. The Internet, digital television, home media center and mobile devices are all being used to deliver entertainment services. Set-top boxes are seen as the key to digital television service take-up around the world; HDTV, DVRs, home media centers and Internet services are also set to drive entertainment growth. Internet media companies (i.e., Google, etc.) are exploiting the added speed and capacity offered by broadband infrastructure, which will result in a whole range of new applications continuing to enter the market over the next decade.

– Telecoms Market Research, January 2009

# About The Israel Export & International Cooperation Institute

The Israel Export & International Cooperation Institute, supported by member firms, private-sector bodies and the government of Israel, advances business relationships between Israeli exporters and overseas businesses and organizations. By providing a wide range of export-oriented services to Israeli companies and complementary services to the international business community, the Institute helps build successful joint ventures, strategic alliances and trade partnerships. The Institute is committed to advancing the Israeli new media industry by bringing together Israeli new media companies with broadcasters, content providers, publishers, media companies and operators around the world.



-  Ms Efrat Fenigson  
Business Development Manager, New Media Sector
-  Israel Export & International Cooperation Institute  
29 Hamered St., Tel Aviv 68125, Israel
-  +972 3 514 2825
-  Mobile +972 54 457 8823
-  +972 3 514 2881
-  @ efratf@export.gov.il
-  www.export.gov.il

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