

355-364 Focus

355 True video-on-demand market
Cable will dominate the true video-on-demand (VoD) market, even though internet protocol (IPTV) currently holds the lead

356 Bundled discs to drive hi-def sales
Promotional packages of hardware-plus-software aimed at increasing system take-up have many similarities between the rival high-definition DVD formats

358 Online video viewing upward trend
Audiences for online viewing of television programmes are rising but not yet challenging traditional broadcasting

360 Activision meets Vivendi Games
The proposed merger of Activision and Vivendi Games Blizzard Entertainment is a sound strategic fit and could shake up the games industry

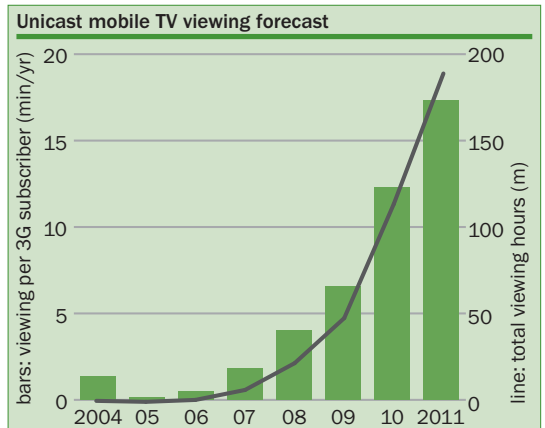
361 DVD release rate fell during year
Fewer titles have appeared this year across all genres, including music and TV DVDs

362 European split over digital cinema
We report on the Budapest conference at which delegates voted on the underlying principles for their hopes and expectations

364 The business of football on TV
Rights are now being split up into smaller packages to avoid their being held by monolithic operators

365-372 Profile

Prospects for growth of mobile TV
An analysis of business models and structure of the value chain



Source: Screen Digest

Operators have experimented with a variety of business models. TV on mobile can be paid per day, per week, per month, per megabyte, per minute, per channel and per package. Technology limitations, the pre-pay and contract subscriber base, usage patterns and types of content are key metrics for the selection of a suitable business model for consumers.

We examine and assess the options available to operators in the mobile TV field.

Business: Mergers, acquisitions and investments; On the money markets; Content deals; Technology deals *pages 381-382*

Worldview *page 354*
Events diary *page 383*
Perspective *page 384*

Film	Wired media	E-cinema	Technology
Cinema	Satellite	Games	Culture
Television	Wireless media	Production	Piracy
Video	On-line	Sport	Regulation
Audio	Interactive	Rights	Censorship

It is a long time since any country scrapped its television licence fee, yet the possibility that the recently elected government in Poland may try to do so (377a1) somehow seems in keeping with the times. There are so many broadcast funding models that the idea of a mandatory and regressive tax is regularly criticised, especially by those with a vested interest in alternative financial arrangements, such as subscription or advertising. For instance, we discuss various funding models for mobile TV in this month's Profile feature (365-372). Yet the practice of relying on a licence fee lingers on stubbornly because of a perceived risk that to abolish it may spell the end of public service broadcasting as we know it altogether.

The need for regulation is indicated in concerns—expressed during negotiations about a global frequency plan for development of new mobile and wireless communication services—that some activities may conflict with allocation of parts of the radio spectrum used for DTT, especially in Europe (374b1). So the complementary aspect of licensing—to regulate broadcasters through licensing—is even more persistent.

Italy, which admittedly has had somewhat chaotic licensing in the past, is to begin a competitive tendering process that will favour regional broadcasting for 108 available frequencies and exclude the two national broadcasters, Rai and Mediaset (376b1). In the Czech Republic a new law for digital terrestrial television (DTT) creates the prospect of eight new national channels and a switch-off of analogue TV in 2010 (375b1). A third DTT multiplex has been launched in Estonia with near complete national coverage and will carry the two main public channels along with some private stations (378b2).

In France media regulator the CSA is advertising 16 licences for mobile television, three of which are reserved for public broadcaster France Télévisions (375a2). And the French authorities have signed a Memorandum of Understanding with ISPs and audio-visual rights holders to tackle piracy by suspending or terminating the internet access of users found to be persistently downloading copyright material (375a1). Extensive amendments to existing legislation will be needed to effect such a move. Meanwhile, the European Union and the US are to negotiate an international Anti-Counterfeiting Trade Agreement (ACTA) to protect intellectual copyright and to harmonise enforcement practices (374b2). Significantly, China and Russia—two countries with exceptionally high reported levels of piracy—are not participating.

Nonetheless, Russia is to get a new batch of cable and satellite television channels, courtesy of a joint venture between RTL Group and a Luxembourgish finance house (375b3).

The cutting edge of broadband transmission speeds is now to be found in Hong Kong, where PCCW, the incumbent telco, is rolling out a service with a 1000 Mbps downstream connection rate, far faster than any other network in the world, albeit at a high monthly charge (379b2).

In the UK, pay TV operator BSkyB reports signing its millionth customer to its broadband service, giving it the fastest growth rate of any of the main ISPs in the country (378a2). Now that anti-competition regulations banning joint marketing initiatives have expired in Spain, a triple-play package is being offered by the country's major telephone operator, Telefónica, and BSkyB's counterpart, Sogecable (379b1). HDTV is also to be introduced in Spain in the new year by Sogecable on its Digital Plus satellite platform (379b3).

Founded 1971

December 2007

Issue number 435

ISSN 1475-0171

Screen Digest Limited

Lymehouse Studios
30-31 Lyme Street
London NW1 0EE
telephone +44/20 7424 2820
fax +44/20 7424 2838
e-mail sales@screendigest.com

Editor David Fisher**Executive Editor** Ben Keen**Senior Editor** Mark Smith**Senior Analysts** Arash Amel Guy Bisson Helen Davis Jayalath

David Hancock Vincent Letang David MacQueen

Maria Rua Agute David Scott Tim Westcott

Analysts Ed Barton Marie Bloomfield Richard Broughton

Richard Cooper Dan Cryan Charlotte Jones Piers Harding-Rolls

Tom Morrod Lingjie Wang

Research Analysts Christine Binns Evi Choursanidi

Ronan de Renesse James Garlick Marija Jaroslavskaja

Sarah Johnson Andrew Katolo Gary Lau Daniel Simmons

Eirini Theodosiou Julien Theys

Index/Archive Megan Edwards**Special Correspondent** Barry Fox**Managing Director** Allan Hardy**Director of Marketing** Dan Stevenson**Business Development Manager** Ben Colbeck**Business Development Executive** Alex Donaldson**Sales Manager** Jonathan Fletcher**PR and Promotions Manager** Fay Hamilton**Electronic Publishing Manager** Natasha Smith**Founder** John Chittock OBE FRTS FBKS FRPS**Subscription rates**

including annual binder

£495 a year in UK (first class post)

€750 or US\$995 a year elsewhere (air mail)

Published monthly

Printed by Lithodirect, Brighton BN1 8AF

© Screen Digest 2007 Not to be reproduced

INTELLIGENCE SERVICES AND REPORTS

Screen Digest offers six unique **Intelligence** services—providing instant online access to constantly updated historical and forecast data on a global basis for these industries

- Broadband
- Cinema & digital cinema
- Games
- Mobile media
- Television
- Video/DVD

Screen Digest publishes a range of market research reports on screen media. All are available in both print and electronic versions.

NEW Among the most recent are

📖 *Western World MMOG Market: 2006 review and forecasts to 2011*

📖 *Next Generation Consoles: Games publishing, hardware analysis and forecasts to 2010*

📖 *Cinema and Home Entertainment in China*

In addition to the news and features from this journal, our website provides access to the research reports and much more.

Contact sales@screendigest.com or telephone +44/20 7424 2820 for more details of any of these Screen Digest services.

TRUE VIDEO-ON-DEMAND MARKET

Cable to dominate true VoD despite IPTV's current lead



Territories
Europe

Sectors
Television, Cable, Satellite, Online



- Sixty per cent of TV-based true VoD households are currently enabled through IPTV
- By 2011 24m cable households will be enabled for true VoD
- Over €1bn will be generated by video-on-demand rentals in 2011
- Nearly 20 per cent of IPTV revenues come from on-demand and pay-per-view sources

Source
Screen Digest Television Intelligence

By end 2007, nearly 13m households across Europe will be enabled for TV-based true video-on-demand (VoD). Households connected to a television VoD service must have a two-way physical or wireless connection and an appropriate set-top box hooked-up to their TV.

The vast majority of companies offering VoD across Europe are either IPTV or cable companies, as the physical connections required by both platforms lend themselves more easily to two-way communication than do the multicast over-the-air signals methods used by satellite or digital terrestrial TV. Satellite companies, for the first time faced with serious technical disadvantages compared with their rivals, are being forced to look at cabling in order to offer similar functionality.

By end 2011, Screen Digest expects that almost 40m European households will be enabled for video-on-demand. The majority of these, 24m, will be enabled via their cable TV service, whilst most of the remainder will get their service through IPTV.

Today almost 60 per cent of VoD-enabled households get their on-demand service as IPTV. The cable companies, which have been putting most of their efforts into converting their customers onto digital, have been rather slow to react, so it will be at least 2009 before cable pushes ahead of IPTV.

This subscriber gap hides the fact that, per head, cable companies are pulling in much higher transactional video-on-demand revenues, currently almost four times that of IPTV services. The primary reason behind this is that cable companies are at heart TV customers and their customers are TV customers. IPTV operators are still very much telcos and the majority of IPTV services are still targeting a telco's audience—broadband customers. IPTV services therefore have a tendency to attract lower potential customers, and as such, suffer from lower video-on-demand buy-rates than their TV-focused rivals.

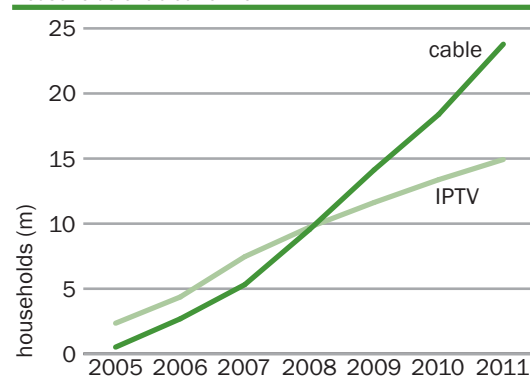
VoD is, however, a much more important component of IPTV services than of cable, despite the lower revenues per head generated. As a proportion of total IPTV revenues, pay-per-view (PPV) and on-demand make up almost 20 per cent, while in cable, the proportion is currently much lower, at around five per cent. Looking forwards, this proportion will rise for cable, as more operators launch VoD, but coupled with the rising revenues caused by the digitisation of cable, PPV and video-on-demand will only make nine per cent of cable TV revenues in Western Europe by 2011.

That said, cable companies are finding rapidly that video-on-demand is an integral part of their TV product, as customers demand services like catch-up TV (see pages 358-359) and want to watch the latest movies. So, whilst VoD is not a pot of gold for operators, those looking to ensure customer satisfaction may find them just as important. **RB**

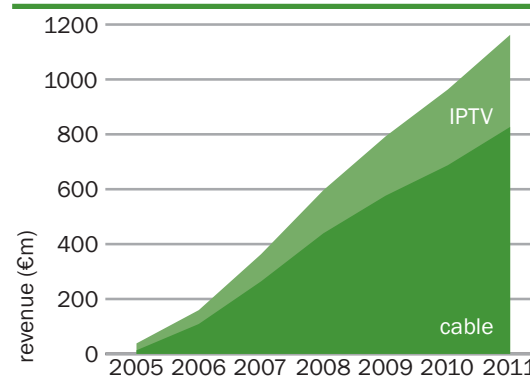
Current European TV VoD operators

cable			
Moravianet	CZ	Multimedia Polska	PL
ONO	ES	Neuf Cegetel	FR
Telenet	BE	ON Telecoms	GR
Virgin Media	UK	Orange	FR,PL,ES,SK
		Portugal Telecom	PT
IPTV			
Alcom	FI	ProZeta	CZ
Altibox	NO	Salten	NO
Belgacom	BE	Sierre Energie	CH
BT	UK	Slovenia Telecom	
Canal Digital	SE	SiOL TV	SL
Clix	PT	Sollentuna Energi	SE
Club Internet	FR	Swisscom	CH
Comvie	NO	Syd Energi	DK
Darty	FR	T Magyar Telecom	HU
Deutsche Telekom	DE	T-2	SL
Elion	EE	TDC	DK
Elisa	FI	Tele2	NL
FastTV	DK,NO,SE	Telecom Italia	DE, IT FR
Fastweb	IT	Telefónica	CZ, ES
Free Telecom	FR	Telekom Austria	AT
iVisjon	NO	TeliaSonera	SE
Jazztel	ES	Tiscali	UK
KPN	NL	Viasat	SE
Maxisat	FI	Vivodi	GR
MidtVest Bredband	DK	Volny	CZ
		Welho	FI

Households enabled for VoD

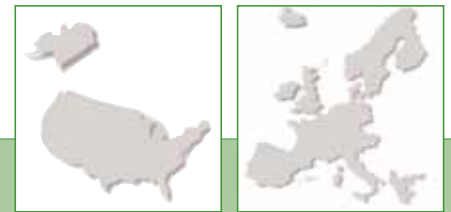


Video-on-demand transaction revenue



BUNDLED DISCS TO DRIVE HI-DEF SALES

Promotional packages aimed at increasing hardware take-up



Territories

USA, Western Europe

Sectors

Video



- Both hi-def groups have launched similar bundling promotions to boost hardware sales
- Offers are broadly consistent, although titles vary by country
- The bundle deals effectively discount the cost of players by up to \$174
- Mail-in mechanism means bundled units do not register as consumer software sales

Source

Screen Digest Video Intelligence; includes analysis of data from EDI and industry sources

Software bundling deals are the latest ammunition in the ongoing marketing war between Blu-ray Disc (BD) and HD DVD. Hollywood studios and consumer electronics manufacturers are uniting to promote their chosen format through long-running hardware and software bundling deals. This combined approach reflects the fact that it is in the interest of both hardware and software companies to increase the installed base of hi-def players by persuading consumers to upgrade their home entertainment system.

The first hi-def bundling deals accompanied the launch of the next-generation games consoles. Early adopters of Sony's PS3 were entitled to a free copy of *Talladega Nights* in the US (replaced by *Casino Royale* in Europe), whilst Microsoft bundled its Xbox HD add-on with Universal's *King Kong*.

Since then the continuing competition has upped the ante. Today's bundling deals are not only more aggressive but happening sooner than those recorded early in the DVD era. Both camps launched their first hi-def bundling offers in the US in mid 2006.

At the time of writing, both HD DVD and BD were running US promotions extending through the Christmas season and until the end of February 2008. Consumers purchasing any Toshiba HD DVD player (ranging in price from less than \$200 to around \$400) or any BD player (\$400 to \$1,000) can choose five free hi-def movies, selecting one from each of five studio-based categories.

A comparison of the titles on offer shows how closely matched the two promotions are. In the HD DVD 15-movies package, the list price of the titles averages \$31.39, compared with an average price of \$33.15 across the 18 BD movies. Depending on which titles are selected, the HD DVD offer equates to between \$152 and \$173 worth of product, whilst the BD

offer is worth \$149 to \$174 at retail prices. The two lists are also almost identical in terms of average box office revenues, with the BD titles averaging \$65m against HD DVD's \$64m.

Separate but often similar offers are available on Sony's PS3 (\$499) and Microsoft's Xbox 360 HD DVD player add-on (\$179). The latter is being bundled in the US with the first season of popular TV series *Heroes* on HD DVD (\$100) and in Europe it is also eligible for the five-disc bundle outlined above.

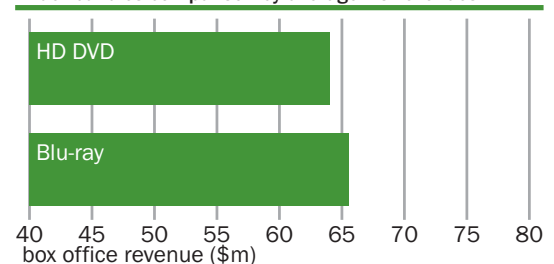
The HD DVD European group has unveiled a similar mail-in bundling offer for Europe that adopts the same basic approach as the US one. Eligible consumers may choose five titles from a selection of 13 from Universal, Warner and Paramount. The selection varies slightly in Spain and the Nordics according to the rights available. Separately, Toshiba's HD-EP30, HD-EP35 and HD-XE1 players are being hard bundled (ie, the discs are in the hardware box) in Europe with Warner's 300 and Universal's *Bourne Supremacy*, meaning that anyone buying one of these models would have access to seven free discs.

On the other hand, Venturer's low-cost HD DVD model, which launched in the US in November with a suggested retail price (SRP) of \$250, is not eligible for the bundling offer. It seems likely that it will also be excluded from the European offer when it reaches the UK (which Screen Digest understands is scheduled to happen by the year end) and mainland European markets.

Interestingly, the BD group has opted to organise separate European promotions at the local level, rather than adapting its US five-disc offer. The only BD offers currently available consistently across Europe are the hard bundling of *Spider-Man 3* and *The Spider-Man high definition trilogy* with Sony's VAIO AR41S and FZ11Z

It is worth noting that bundled discs (whether via hard or soft bundles) do not pass through a retailer's electronic point-of-sale system and are thus not covered by retail tracking services. In other words, however many units the studios mail out of the titles identified in the tables on these pages, these sales will not be included in any software sales figures released by companies such as Nielsen VideoScan in the US, OCC in the UK or GfK in mainland Europe. They could, however, legitimately be included by studios commenting on the number of hi-def units shipped. As every new purchaser of hi-def hardware over the next three months in the US alone is eligible to claim five 'free' discs, these figures could have a substantial impact on those studio shipment data.

Hi-def bundles comparison by average BO revenues



US: Blu-ray offer: five titles, one from each category

		list price	US box office
		\$	\$m
1	Disney	The Prestige	34.99 53.1
	Disney	Wild Hogs	34.99 168.2
	Disney	Pirates Of The Caribbean: Curse of the Black Pearl	34.99 305.4
2	Warner	Swordfish	28.99 69.8
	Warner	Superman: The Movie	28.99 40.9
	Warner	Full Metal Jacket	28.99 46.4
3	Lionsgate	Stir of Echoes	29.99 21.1
	Lionsgate	American Psycho	29.99 15.1
	Lionsgate	The Devil's Rejects	29.99 16.9
4	Sony	The Patriot	28.95 133.3
	Sony	S.W.A.T.	28.95 116.6
	Sony	Ultraviolet	38.95 18.5
5	Fox	Chain Reaction	39.98 20.6
	Fox	Omen 666	39.98 54.6
	Fox	Flight Of the Phoenix	39.98 21.0
	MGM	Hart's War	39.98 19.1
	MGM	The Last Waltz	28.98 0.3
	MGM	Species	28.98 60.1

Blu-ray hardware eligible for US offer

manufacturer	model	price	US launch
		\$	
Panasonic	DMP-BD10K	599	Oct 2006
Panasonic	DMP-BD10AK	599	May 2007
Panasonic	DMP-BD30K	499	Sep 2007
Philips	BDP9000/37	379	Q3 2006
Pioneer	BDP-94HD	846	Sep 2007
Pioneer	BDP-95FD	849	Oct 2007
Samsung	BD-P1200	599	Oct 2007
Samsung	BD-P1400	499	Sep 2007
Samsung	BD-P1400C	499	Sep 2007
Samsung	BD-P2400	599	Oct 2007
Sony	Playstation 3	499	Nov 2006
Sony	BDP-S300/301	499	Sep 2007
Sony	BDP-S1	799	Dec 2006
Sony	BDP-S200ES	1,300	Sep 2007
Sony	HES-V1000	3,499	Oct 2007
Sony	BDP-S500	699	Oct 2007

US: HD DVD offer: five titles, one from each category

		list price	US box office
		\$	\$m
1	Paramount	Aeon Flux	29.99 25.9
	Paramount	Babel	39.99 34.3
	Paramount	The Italian Job	29.99 106.1
2	Universal	The Hulk	29.98 132.1
	Universal	Pitch Black	29.98 39.2
	Universal	The Thing	29.98 13.8
3	Warner	Charlie and the Chocolate Factory	28.99 206.5
	Warner	Swordfish	28.99 69.8
	Warner	Full Metal Jacket	28.99 46.4
4	Warner	Firewall	39.99 48.8
	Universal	The Frighteners	29.98 16.5
	Paramount	U2: Rattle and Hum	28.99 8.6
5	Paramount	Black Rain	29.99 45.6
	Universal	Darkman	29.98 33.9
	Warner	Troy	34.99 133.2

HD DVD hardware eligible for US offer

manufacturer	model	price	US launch
		\$	
Toshiba	HD-A2	299	Oct 2006
Toshiba	HD-A20	399	Jan 2007
Toshiba	HD-A30	399	Sep 2007

Europe: HD DVD offer: two each groups 1 and 2, one group 3

		territories*	US box office
			\$m
1	Paramount	Shooter	Spain 47.0
	Paramount	Norbit	Spain 95.3
	Paramount	The Manchurian Candidate	Spain 65.9
	Paramount	Black Rain	E,N 45.6
	Paramount	World Trade Centre	E,N 70.2
	Paramount	Dreamgirls	E,N 103.1
2	Universal	Van Helsing	Nordics 120.0
	Universal	Children of Men	E, Spain 35.3
	Universal	Serenity	E 25.3
	Universal	The Chronicles of Riddick	E 57.6
	Universal	Fast & The Furious: Tokyo Drift	E 62.5
3	Warner	The Prestige	E 53.1
	Warner	Tim Burton's Corpse Bride	E 53.3
	Warner	The Hulk	E 132.1
	Warner	Swordfish	E 69.8
	Warner	Full Metal Jacket	E 46.4
	Warner	Troy	E 133.2

*E Europe, N Nordic region

HD DVD hardware eligible for European offer

manufacturer	model	price	European launch
		€	
Toshiba	HD-E1	290	Nov 2006
Toshiba	HD-EP10	374	May 2007
Toshiba	HD-XE1	657	Dec 2006
Toshiba	HD-EP30	460	Oct 2007
Toshiba	HD-EP35	455	Oct 2007
Toshiba	HD DVD laptops		
Microsoft	XBox360 HD DVD player	165	Dec 2006
Onkyo	DV-HD805	850	Sep 2007

Notes on tables

1. Toshiba's HD-XE1, EP30 and EP-35 are also hard bundled with 300 (Warner) and The Bourne Supremacy (Universal)
2. Offer available in UK (from 1 October), France, Germany and Switzerland (22 October), Nordic region (6 November) and Spain, Italy, Benelux and Austria (15 November)

notebooks and its BDP-S300 and S500 BD players respectively.

However, Screen Digest has learned that discussions are under way in all key European markets between BD-supporting studios and retailers with the aim of launching hardware/software bundling deals.

So-called 'soft' bundling promotions, where consumers must mail off a coupon (often available online as well as at the time of purchase) to claim their free discs are an increasingly popular alternative to 'hard' bundling. Not only do they allow consumers to select their preferred titles but they also enable the promoter to build up a database that can subsequently be used (in accordance with all relevant data protection regulations) for marketing or consumer research. In this way Sony conducted research among early PS3 adopters in the US (ie, those who applied for their free copy of *Talladega Nights*) to try to identify the potential demand for BD movie titles among this group. EC

ONLINE VIDEO VIEWING UPWARD TREND

Audience are rising but not yet cannibalising traditional TV



Territories
USA
Sectors
Television; Online



- User-generated sites dominate the online video space but broadcasters struggle for audience share
- Majority of user-generated video viewers are men whilst women watch more content from broadcasters
- Younger users continue to watch online during prime time whilst the number of older viewers falls
- ABC has the most daily viewers of all the broadcasters but viewers of CBS watch content for longer

Source
Screen Digest, using data sourced from comScore

Definitions

All demographic and daypart data refers to weekdays in August and September 2007 for the US

The following dayparts are used:

early morning	07:00-10:00
daytime	10:00-17:00
early fringe	17:00-20:00
prime time	20:00-23:00
late fringe	23:00-01:00
late night	01:00-07:00

US broadcasters have long recognised the value of offering video content on their websites. CBS has shown clips on its site since September 2002 and most broadcasters have made shows available for online catch-up since mid 2006. The addition of video to a broadcaster's site unquestionably helps to drive traffic towards it.

According to Screen Digest, there were 7.5bn streams of online television content (professionally-produced video, excluding movies and music videos) in the US in 2006, set to rise to 35.6bn in 2011. As more people begin to watch video online, broadcasters have to compete for audience share with a whole range of sites, including dominant platform YouTube, social networks and web portals to which the broadcasters themselves have syndicated content. This raises significant questions, such as whether or not television viewing habits will change with the ability to watch content online, and whether or not broadcasters will see television audiences decline as viewers move to watching content online. Or, more simply, will online video supplement traditional viewing habits? Indeed, if cannibalisation occurs, it is a fair assumption that advertisers will follow the eyeballs and dedicate more of their resources to the growing online market at the expense of traditional television advertising.

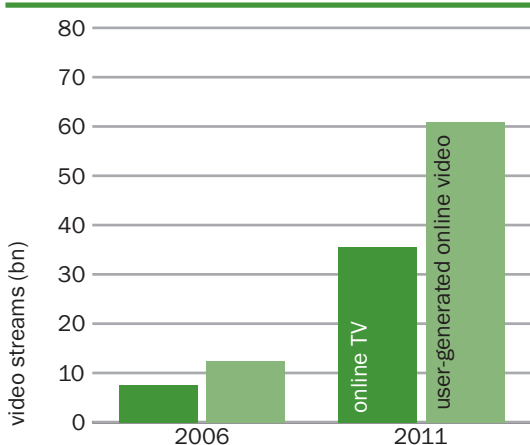
According to web metrics firm comScore the number of daily viewers of online video at home in both August and September peaked at 2.3m during daytime hours, falling to 1.9m in the early evening and prime time windows. Now that video is available on a free-to-

view basis online, it enables users to watch video at work instead of limiting them to early morning or evening viewing at home. In August an average of 1.22m people in the US watched online videos at work each day during working hours (Monday-Friday 10:00-17:00), increasing to 1.25m in September. To put these figures into perspective, traditional television attracts over 100m viewers every night at prime time. Unlike the mature television market, however, the online audience is growing.

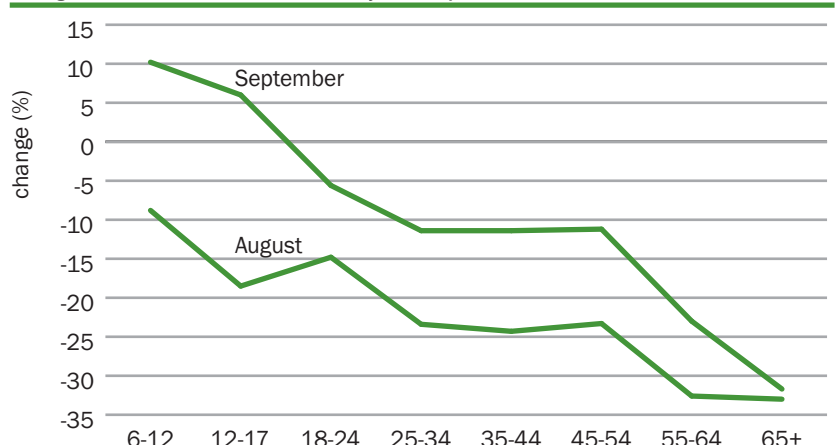
User-generated websites are the primary source of online video. YouTube is by far the most popular destination for viewers, with a 33 per cent share of the online prime-time audience at home in August—a share that rose slightly in September. The site had a 15 per cent share of the audience at work in the daytime but this grew steadily to 40 per cent of the work audience between 23:00 and 01:00 in August and 36 per cent in this window in September.

Users aged 24 years and under made up 33 per cent of the average daily daytime audience of YouTube, increasing to over 36 per cent of the audience during prime time. For almost every age group the average number of daily viewers of YouTube video falls from daytime to prime time. The drop is most significant for older users—33 per cent fewer viewers aged 65 and over watched YouTube in prime time in August than during the day at home. This demographic is accustomed to watching traditional television in the evenings, abandoning their PCs for TV screens. In comparison, there is

US online video streams



Change in online viewers of YouTube daytime to prime time



only a 15 per cent drop in viewers from daytime to prime time for 18-24 year olds. For very young viewers aged 6-12 the drop is only 8.8 per cent. In September the number of viewers of YouTube in the younger age brackets increased from daytime to prime time. The discrepancy between months is most likely due to children returning to school after the summer, preventing them from accessing the internet during the daytime. Younger age groups do not have the routine of watching prime-time television ingrained into them and are not the target audience for most prime-time shows. Consequently they are more likely to remain at their PCs in this time slot.

Throughout the day, more men watch content on user-generated websites than women, taking YouTube, MySpace, Daily Motion, Facebook, Heavy and Veoh combined. This imbalance is most pronounced at work: over 70 per cent of viewers are men. Women prefer video from broadcasters' websites. Women aged 35-44 comprised nearly 20 per cent of the broadcasters' online daytime audience at work. Home viewers of ABC, CBS, Fox and NBC online are mainly women, dominated by the 25-44 age group.

In comparison with YouTube's popularity, sites from the major broadcasters combined had a peak online audience share of 1.8 per cent amongst viewers at work and a maximum share of only 0.6 per cent at home. Whilst home daypart viewing of YouTube and the broadcasters followed broadly the same patterns, at work it differed greatly. YouTube's share of the work audience grew continually throughout the day. In contrast, broadcasters' sites were most popular among workers in the early morning and daytime as users catch-up on the shows broadcast the evening before. From 17:00 onwards the number of viewers fell sharply.

Both at home and at work Fox.com had the lowest number of viewers throughout the day. Whilst CBS and ABC (excluding their news and sports properties) had similar numbers of viewers in each daypart at home, at work ABC had by far the most daily video users in both the early morning and daytime slots. The second most popular broadcaster site, CBS, had 49 per cent fewer viewers in the early morning daypart and 56 per cent fewer than ABC during the daytime in August. The number of viewers increased for each site in September as new seasons of popular series began.

The popularity of ABC in August is not borne out in the traditional television ratings. According to Nielsen, on average only one of the top 10 shows in any

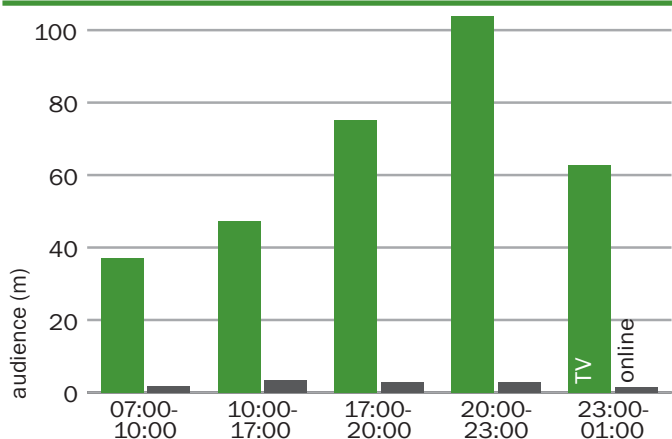
week in August was broadcast on ABC. However, with new seasons of popular shows such as *Desperate Housewives*, *Greys Anatomy* and *Ugly Betty* starting in September viewers may have been revisiting the last episodes before the next season began. For the final week in September, Nielsen's ratings show that four of the top five programmes broadcast were from ABC. The strong line-up of shows on ABC.com continued to drive viewers to the site in September. In addition, for most series ABC has a longer catch-up window than the other broadcasters—offering shows from the past six weeks instead of the average four-week window. The availability of more episodes from each series would increase the number of viewers on the site.

Over the month of August CBS content was watched for far longer than that from any other broadcaster: work viewers watched on average 114 minutes of CBS shows between 07:00 and 10:00 over the month, falling to an average of 103 minutes in the daytime. NBC was watched for the second longest amount of time—five minutes in the early morning, rising to 11 minutes in the daytime. At home a similar pattern emerged with viewers watching much more CBS content than any other broadcasters regardless of daypart. These trends continued in September.

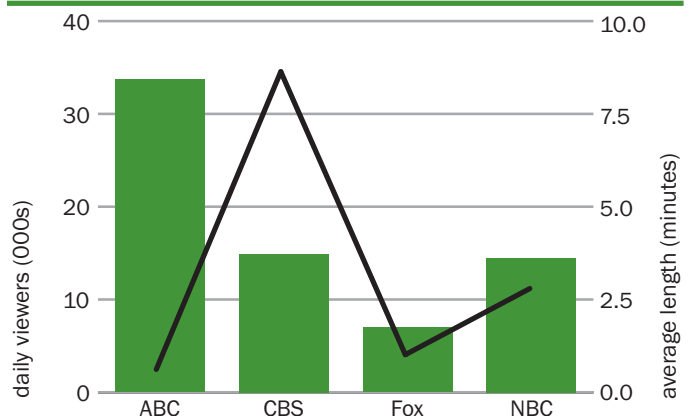
CBS offers the largest library of series and, whilst other broadcasters offer quite a varied collection of shows online, many of CBS.com's series are crime dramas. These accounted for six of the series available in August, including three from the popular *CSI* franchise. Fans of one of these CBS shows are likely to enjoy the others and consequently watch more video than visitors to other sites where the series do not have such common themes.

Currently, the average video user watches 2.3 minutes of online content at home during prime time each day. Online video is clearly not yet cannibalising the traditional television audience. However, 70,000 users viewed clips on broadcasters' websites every day at work in August, increasing to 92,000 in September. This audience could not previously be accessed during daytime hours. The on-demand element of online catch-up means viewers are no longer tied to traditional television broadcasting schedules or to their television sets. Online television is acting as a supplement to traditional viewing, not a substitute. However, broadcasters' sites attract a tiny audience in comparison with YouTube and other platforms of user-generated video. SJ

Average daily video audience: online vs TV (September)



Average daily daytime viewers of broadcasters' websites at work and average video length (August)



ACTIVISION MEETS VIVENDI GAMES

Very sound strategic fit could shake up games industry



Territories
World
Sectors
Games

- The proposed merger of Activision and Vivendi Games' Blizzard Entertainment is a perfect marriage between old and new games sectors
- Activision is strong in console games, Vivendi in high-margin online and mobile games
- The merger could prompt further consolidation as other players face increased competitive power

Source
Screen Digest

The combined Activision Blizzard will have a global footprint with immediate entrée into high growth markets such as Korea and China through Blizzard, and will have very strong distribution across the whole of North America and Western Europe. The new company will also have access to other types of media through majority owner Vivendi, such as its Universal Music Group, the world's largest music company, which is a great fit with such Activision music titles as *Guitar Hero*.

There are various avenues that the company can tap for growth. These include:

- developing further MMOGs based on established Blizzard franchises such as *StarCraft* and *Diablo*,
- leveraging Blizzard's expertise in online games and its service infrastructure to launch new online titles based on Activision's game intellectual property,
- leveraging Vivendi Games' mobile games publishing business to bring more Activision game franchises to mobile phones,
- establishing synergies between Activision's music titles and Vivendi's Universal Music Group, and
- increasing distribution for Activision products in Asian markets, such as Korea.

Consolidation in the games industry is nothing new, but this transaction does represent something of a watershed due to both the size of the deal and the striking fact it is between two major publishers each doing well in different sectors. The background to much of the current industry consolidation is the need for traditional publishers like Activision to access faster growing markets and to diversify beyond console and standalone PC games to areas such as MMOGs (massively multiplayer online games), casual online games and mobile games. Vivendi Games offers Activision access to all these areas, quickly and efficiently, substantially reducing the its exposure to the cyclical risks of console development.

Consolidation has also historically been driven by diversified media companies acquiring games companies and then increasing their exposure to the interactive markets. Aside from Blizzard, Vivendi has struggled in recent times to make a great success of its traditional console and PC game business, so acquiring a profitable publisher such as Activision with a great portfolio of games franchises and successful senior management is something of a coup and should allow it to compete more effectively with other large publishers.

This new company raises the competitive bar for the likes of EA, THQ and Ubisoft and the other major diversified media companies such as Disney, Viacom and Time Warner. Although these companies have been acquiring expertise and access to markets piecemeal, cherry-picking certain game developers, the scale of this deal certainly ups the ante. This merger is likely to push competitors into further consolidation—specifically from diversified media companies acquiring games publishers or from two publishers merging—but there are unlikely to be many companies in the market that have a strategic fit as good as Activision and Vivendi Games.

In a deal that will create a games publisher with combined *pro forma* 2007 projected revenue of \$3.8bn, Vivendi and Activision are creating an amalgamated video games company that is roughly equal in size to long-time industry leader Electronic Arts. In a complicated transaction, Vivendi has agreed to pay \$1.7bn (plus a contingent \$700m more) in cash and roll its games subsidiary Vivendi Games into Activision to form the new company. Following the first stage of this transaction, Vivendi will own 52 per cent of the merged entity but a planned \$4bn tender offer for up to 146.5m Activision Blizzard shares will, if successful, raise Vivendi's interest to 68 per cent in the newly formed company.

The high valuation this transaction appears to confer on Vivendi's games business is notable—and, we might add, somewhat notional. But the enormous success of Blizzard's MMOG *World of Warcraft* has unquestionably transformed Vivendi's games division into a major and technologically leading player in the video games industry. Blizzard has seen revenues soar and profitability hit new heights since the launch of *World of Warcraft*. Screen Digest estimates that game alone generated \$471m in 2006 from Western subscription revenues; Vivendi forecasts that Blizzard will generate \$1.1bn and operating profit of \$520m in calendar 2007.

Whilst *World of Warcraft* remains the primary revenue generator in 2007 and will act as an enormous cash cow for at least the next three years, Blizzard has further titles in the pipeline and the largest customer service resource in the online games industry, which adds some perspective to the rather aggressive valuation the deal affords Vivendi. Nonetheless, Vivendi will emerge with a majority stake in what is the most developed interactive games business owned by a major diversified media company in the West.

PHR

The road to consolidation:
recent acquisitions by major players

- Disney**
- Club Penguin 2007
- Junction Point Studios 2007
- Living Mobile 2005
- Minds Eye Productions 2005

- Electronic Arts**
- Bioware 2007
- Pandemic 2007
- Mythic 2006
- Digital Illusions 2006
- Headgate Studios 2006
- Phenomic 2006
- The9 *partial stake* 2007
- Neowiz *partial stake* 2007

- Viacom**
- Harmonix 2006
- Neopets 2005
- Atom Entertainment 2006
- Xfire 2006

DVD RELEASE RATE FELL DURING YEAR

Fewer titles appeared across all genres, including music and TV



- DVD releases in the US are down 16 per cent year-to-date in 2007
- The main losses have been in the non-critical music and specialist interest categories . . .
- . . . although TV series and theatrical film releases have also both declined
- The number of hit theatrical titles released on DVD is also down compared with 2006

Territories
USA
Sectors
Video

Source
Screen Digest Video Intelligence; data from Adams Media Research and DVD Release Report

According to research conducted by the US-based *DVD Release Report* the number of new DVD titles released in the US in the first nine months of 2007 was down 15.9 per cent, compared with the equivalent period in 2006. Over the first three quarters of 2007 8,478 new individual DVD SKUs (stock keeping units) were released—1,601 fewer than the 2006 third quarter total of 10,076.

Screen Digest analysis of the available data suggests that this declining rate of DVD releases is a continuation of a trend begun in the fourth quarter 2006. The total number of DVDs released in 2006 was down three per cent over 2005—13,437 compared with 13,847—despite having been up by more than four per cent year-on-year by the end of the third quarter.

The largest falls in 2007 title releases have been in categories such as music and special interest, down 31.9 per cent and 27.8 per cent, respectively to give a combined total of 1,335 fewer SKUs this year. However, key genres have been affected too, with both new theatrical releases and TVDVD showing significant declines. This is particularly relevant since data from Screen Digest's US research arm Adams Media Research shows that the majority of DVD sales to US consumers

in 2006 were generated by feature film categories—including new theatrical releases—and TVDVD, a key driver for US sales growth in recent years.

The available theatrical titles were also, in general, less successful. The number of new theatrical releases fell by 18 titles in the first nine months of the year, but 12 fewer titles achieved US box office receipts in excess of \$25m (though, significantly, five more than last year grossed over \$100m).

The net result was a decline in average BO in both the \$25m+ and \$100+ categories, down 3.9 per cent and 19.1 per cent respectively. Whilst the additional five \$100m+ titles have increased the overall average, the total BO for the top titles in the first three quarters of 2007 fell 8.7 per cent.

Meanwhile, the number of TVDVDs released is down 10 per cent this year, with single-disc releases falling 12 per cent and series sets down 9.5 per cent. This may reflect the fact that rights holders have now plundered much of their catalogues. So, as with movies, the TVDVD genre is increasingly dependent on new productions.

US industry expectations for sales of the titles scheduled for release in the fourth quarter 2007 are high, given the inclusion in the slate of new instalments of four major theatrical franchises (*Spider-Man*, *Pirates of the Caribbean*, *Harry Potter* and *Shrek*). The anticipation surrounding these titles is understandable in light of this research, which suggests a growing reliance on fewer, harder-hitting DVD releases to maintain or grow US consumer spending on DVD. This trend also serves to further increase the significance of the already critical fourth quarter to the annual bottom line. RC

USA: DVD shares by genre based on retail (sell-through) sales by volume

	2005	2006
	%	%
children's	4.6	4.7
feature film	76.8	76.7
music	3.0	2.2
TV	10.4	11.1
other	5.2	5.3

DVD releases by genre

	titles released		change 07/06	
	2006	2007	no	%
special interest	3,066	2,214	-852	-27.8
music, opera and stage performances	1,516	1,033	-483	-31.9
foreign language feature films	939	910	-29	-3.1
theatrical catalogue (pre-1997)	895	906	+11	+1.2
direct to video feature films	799	826	+27	+3.4
new theatrical (1997-date)	463	445	-18	-3.9
TV series: multi-disc sets	473	428	-45	-9.5
children's programming, non-feature	452	396	-56	-12.4
anime	477	375	-102	-21.4
adult-themed, non-feature	199	236	+37	+18.6
TV movies	235	202	-33	-14.0
TV series (single disc)	192	169	-23	-12.0
documentary	169	150	-19	-11.2
short subjects	73	63	-10	-13.7
mini-series	53	45	-8	-15.1
cartoon collections	25	18	-7	-28.0
films of the silent era	17	17	0	0.0
other	36	45	+9	+25.0
total	10,079	8,478	-1,601	-15.9

DVD theatrical movie releases by box office performance

	titles		box office		av BO/film	
	2006	2007	2006	2007	2006	2007
			\$m	\$m	\$m	\$m
\$100m+	7	12	1,374	1,906	196.3	158.8
\$25m-\$100m	68	51	3,426	2,478	50.4	48.6
\$10m-\$25m	36	41	584	644	16.2	15.7
\$1m-\$10m	61	65	214	261	3.5	4.0
<\$1m	241	235	37	29	0.2	0.1
new theatrical releases	413	404	5,635	5,318	13.6	13.2
reissues/ multiple SKUs	50	41				

EUROPEAN SPLIT OVER DIGITAL CINEMA

Budapest conference votes on underlying principles



Territories
Europe
Sectors
Cinema

- Does not affect the existing business relationship between exhibition and distribution: 10 per cent agree
- Do not want to see closure of cinemas due to introduction of digital: 75 per cent agree
- There will be a split of the conversion costs between the exhibitor and distributor, in whatever proportion: 50 per cent agree

Source

Digital Cinema is upon us, and the process has reached a point of no return, at least in the US. The situation in Western Europe is not quite so clear cut, and progress has lagged behind largely as exhibitors work out the viability of the conversion. The lack of a VPF deal until this summer also held up progress. The Digital Cinema Day at the recent Europa Cinemas Conference in Bucharest (chaired by Screen Digest's Head of Cinema) aired some of the most recent developments in Europe and tackled some of the obstacles facing the continent in the digital conversion process.

There have been several models floated for the purpose of digitising cinema screens, but it is fair to say that only one model has achieved the objective of getting into the mainstream market: the **Virtual Print Fee (VPF)**, proposed in Europe by Arts Alliance Media. There seems to be some suspicion of the VPF model in Europe but this may be more to do with its origins in the US than any clear understanding of the model itself. The most common refrain is that the VPF model will not work for a whole market, favouring the type of cinemas that will generate a significant number of VPFs and those that do not do this will need to contribute more themselves.

In its purest form, there could be some truth in this, although Arts Alliance states that it allows different levels of VPF payment to take the European market into account. Independent cinemas may generate more VPFs than a multiplex circuit; it depends on the distributors involved in the scheme. At least one European exhibitor believes VPF is right for it: Circuit Georges Raymond in France became AAM's first signatory in Europe. In this model, the producer pays for a master print (as for 35mm), the distributor pays for the digital print, a trailer, transport and a VPF, and the exhibitor pays a contribution (varies by exhibitor, depending on operational measures). Movies from a non-participating distributor pay a 'spot price' for using the projector, which goes back into the overall financing pot. There is some flexibility built into the VPF to reflect the situation in Europe.

However, there are other models out there. RMC (Rinke Medien Consult) has developed what it calls a **time fee model**, commissioned by Europa Cinemas. The basic premise of the time fee asks three questions:

- 1 what is the total cost of the equipment?
- 2 what is the estimated operating time of the equipment?
- 3 what is the estimated operating cost per hour?

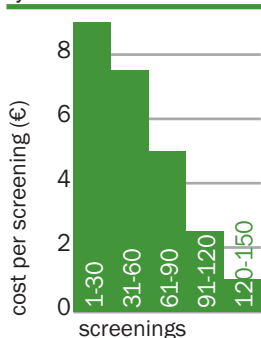
If the cost is €5 (for example), this becomes a per-screening cost. For a film shown 100 times, the fee for screening becomes €500. The pure model needs to be modified to iron out some anomalies. It makes sense to have a maximum amount for the aggregate time fee, if a film is shown more often than the average. It also makes sense to have a certain spread of tariffs, depending on the number of screenings. The fee will go down as the number of screenings goes up. RMC propose a state-created single purpose vehicle to manage all this.

French company Ymagis, established in summer 2007 by former head of Éclair Digital Cinema and a Disney executive, is also proposing a model. Its essence is the VPF (Digital Conversion Fee, *Contribution à la Transition Numérique*) with an additional element of a **flexible print fee (FPF)**. The VPF is a stated amount as before but the FPF drops each week and is not a static number irrespective of its place in the release chain.

The starting point is that for smaller releases, a larger proportion of the release costs is technical costs, and that there is a higher revenue per print for larger releases. The model is based on distributor savings and the total model is a combination of VPF and FPF to offset any anomalies provided by the VPF element or vice versa. This flexibility of amounts charged is intended to open up the model to all distributors, whether they are studios using a VPF or smaller European indies using a FPF. Exhibitors are also asked for a contribution to the conversion, as with the VPF. Ymagis does not propose to intervene in the equipment to be used, unless asked, preferring to let exhibitors keep their existing equipment supply relationships.

Another possibility discussed for financing digital cinema is that of **self-funding**. Whilst it may not be appropriate for all exhibitors, there is a section of the market that will be able to transform how they do business if they go digital, and the benefits of scheduling flexibility, cheaper operational costs and greater control can all add up to a business model that will self-fund the conversion to digital. This is how Kino Cinemas, a small

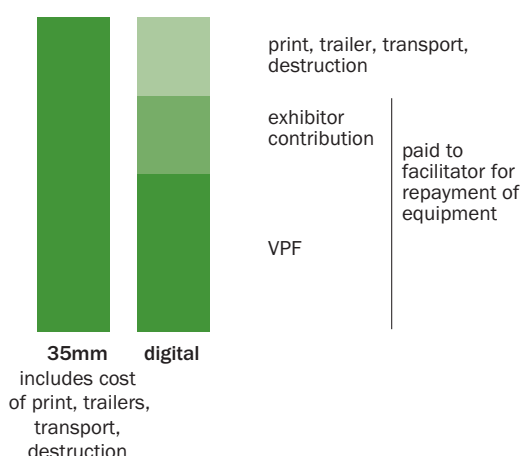
The time-fee model: tariff system



Source: RMC

Illustrative VPF Model

not to scale



circuit in the south of England, has transformed the image of cinema in its locality, bringing back people who had deserted the more traditional cinema offering.

The **costs of digitising** a cinema screen have fallen over the past couple of years, especially now that bulk deals are being considered. In Norway, the estimated cost of digitising a screen is €85,000 (\$126,000), with a €4,500 a year maintenance cost. Due to public involvement in the deal, conversion is not likely to generate a finance cost over time. For Arts Alliance's deal with Circuit Georges Raymond, an estimated cost per screen is put at \$103,000.

There is little agreement on the role of **public subsidy** in digital conversion, each territory taking its own view. In Germany, public subsidy was a fundamental part of the digitising plan from the beginning, when FFA set up the Working Group. Despite the initial plan being dropped, distributors and exhibitors are still willing to discuss the issue if there is public subsidy, both federal and state, on the table.

An audience premium model is currently being discussed, although this seems to rely on the audience paying for what is essentially an industry-led conversion. In the UK, it is clear that there is no more public money on the table and the remaining conversion will be done without it. Norway's government has taken a very proactive approach to digital conversion, with a significant amount of public money already available drawn from a levy on tickets and DVD, and the NORDIC project driven and managed by the film agency. At a supranational level, the European Commission firmly ruled out any public subsidy for equipment.

The issue of **content** is still a thorny one in Europe. The UK is an exception to the rule, due to the 'primer' effect of the Digital Screen Network, but elsewhere there is still considerable frustration at the lack of non-studio content available to play on digital screens. This is being addressed, in a limited way, by the D-Platform project, run by CN Films with European Commission backing. The aim is to match distributors with digital copies of films and therefore facilitate the necessary rights transfer via a web-based interface (www.difim.org).

It is worth noting that nearly all studio films in the US are now digitised, with the exception of a small

number of limited release titles. However, one UK distributor, Park Circus, is using digital technology to reinvent the market for classic movies. It has theatrical rights to over 10,000 old movies. An 'event' release will appear on over 100 screens for one day only, with a £100,000 P&A budget and a model that is suitable for a commercial cinema environment. As an example of the programming flexibility that digital cinema allows, UK's Kino Cinemas shows a wide range of films, screened never more than once a day, with around 30 per cent alternative content.

Future

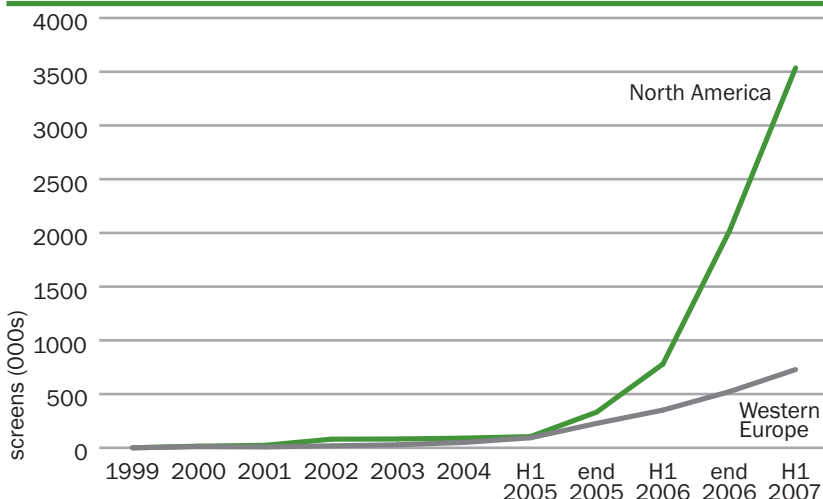
Distributors express concern that living in a dual world (digital and 35mm) would be expensive and could mitigate against European indies contributing to digital conversion. The same can be said of exhibition, in that the full benefits of digital can only be realised in a truly digital world. The cost of producing digital prints (including a VPF) should never be more than producing 35mm prints, and given how the roll-out should work, it is unlikely that a 35mm and a digital print will need to be supplied to the same screen.

There is also concern over the role of commercial third parties but it is hard to see all exhibitors digitising themselves and the third party brings with them a raft of advantages, such as signed-up distributors, installation expertise, upgrades and so on. It should be up to an individual exhibitor to make the choice, not any public policy makers. The advantage of private third-party players is their flexibility to respond to market demands, whether for large circuits or a single-screen independent.

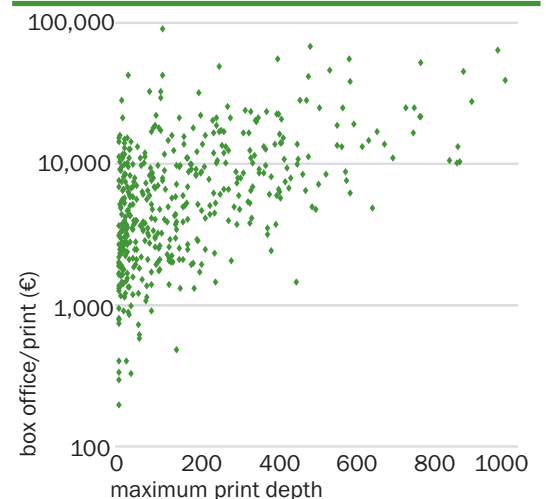
The conference audience and panellists took the view that there needs to be a conversation with producers and production funds, to educate and encourage producers to get involved at their level. At the moment, a producer will finance the making of an answer print, and yet this is not happening with the digital equivalent (DCP). Public funders can play a role by encouraging producers, with measures such as withholding funding tranches until a digital master has been supplied.

It was quite a widely held view, certainly among the panellists, that European independent cinema had the most to gain from digitising cinema exhibition but there was no clear agreement on how to get there. DH

D-screen development: Europe vs N. America



France: Box office per print according to release size



THE BUSINESS OF FOOTBALL ON TV

Rights are now being split up to avoid monolithic operators



Territories

Europe

Sectors

Television, Cable, Satellite



- France is selling off its forthcoming rights in 12 separate lots for different media
- European Commission's competition rules favour the break-up of rights into smaller bundles
- In the UK, relative newcomer Setanta Sport is challenging the BBC and BSkyB
- Regulation limits competition in Italy and Sogecable dominates in Spain

Source

Screen Digest

The decision by the French professional football league (LFP) to advertise rights to its first division in 12 lots underlines how far the media landscape has evolved in recent years. The design behind the tender process for rights starting with the 2008/09 season is to maximise revenue from the sale of rights by opening the bidding to the largest number of bidders possible.

All live rights are currently held by a single operator, Canal Plus, which snapped up all four lots put up for auction by the league last time around. But the offer of video-on-demand and mobile packages also underlines the increasing range of services now available to consumers; and the array of different live packages the LFP is selling also indicates that it wants to get away from bundling all its rights together for a single, monolithic operator.

Across the Channel, this season has seen BSkyB facing serious competition in the offer of FA Premier League football for the first time in the form of Setanta Sport. After an intervention by the European Commission, the FA advertised its live rights in six packages and ruled that BSkyB could win only a maximum of five. In the event, BSkyB won the four packages seen as the most attractive but Setanta Sport—a relative newcomer to pay TV but with a long track record in pay-per-view—won the rights to 46 matches a season (approximately two matches a week). The FA also, for the first time, sold near-live rights and online highlights as separate packages for the first time.

Out of its 8.6m DTH subscribers at June 2007, BSkyB reported 5m Sky Sports subscribers. Despite the maturity of BSkyB's business, Setanta seems to have made an encouraging start, announcing its one millionth customer at the beginning of December. It offers games on a one-month subscription basis via DTT, satellite and IP TV and subscribers to cable operator Virgin Media's XL package get its matches for no extra fee.

Setanta is far from breaking BSkyB's dominance, but is on the way to carving out a niche—which will offer some encouragement to the LFP. However, in Germany, Premiere has regained control of rights to the Bundesliga, which were awarded to Unity Media in the last round but proved uneconomic for the cable company. Rights have been awarded to Leo Kirch as from next season but it is difficult to see another customer emerging for the live rights after Unity's problems.

The pictures in Italy and Spain is even more unclear. In Italy, clubs sell their rights independently and the dominant pay TV platform, Sky Italia, is not permitted by competition regulations to acquire more than satellite pay TV rights. Both Mediaset and Telecom Italia have entered the market, signing up the leading clubs between them and offering pay per view coverage via digital terrestrial. In Spain, Sogecable, owner of the Digital Plus platform, owns rights to all of the first division clubs via its AVS subsidiary, but will be forced to deal with Mediapro, the Barcelona rights agency, to renew its pay TV deal following the current season. TW

European football rights deals

France

Championnat de France Ligue 1	Canal Plus	€1.8bn over three years for live matches and highlights to end of 2007/08 season
-------------------------------	------------	--

Germany

Bundesliga 1	Premiere	Live matches and highlights sublicensed from Unity Media to end of 2007/08 season
--------------	----------	---

Italy

Serie A	Sky Italia	DTH rights for all major clubs to end of 2007/08 season
	Mediaset	DTT, broadband rights for most clubs (also offering Telecom Italia clubs)
	Telecom Italia	DTT, broadband rights (also offering Mediaset clubs)

Spain

Primera Division	Sogecable	All clubs for 2007/08 season
	La Sexta	One match a week free-to-air

UK

FA Premier League	BSkyB	£1,314m over three years for 92 matches a season 2007-2010
	Setanta Sport	£326m over three years for 46 matches a season
	BT Vision/BSkyB	£84.3m for 'near live' coverage of all 242 matches
	Virgin Media	'near live' clips of all matches on-demand for up to a week after transmission

PROSPECTS FOR GROWTH OF MOBILE TV

Analysis of business models and structure of the value chain

1 BUSINESS MODELS

Operators have experimented with a variety of business models. TV on mobile can be paid per day, per week, per month, per megabyte, per minute, per channel and per package. Technology limitations, the pre-pay and contract subscriber base, usage patterns and types of content are key metrics for the selection of a suitable business model for consumers.

Furthermore, the strategy mobile operators adopt for business models is very likely to change with time as technology becomes better and mobile TV users more experienced.

UNICAST: MORE THAN TWO YEARS' EXPERIENCE

Many business models have been tested during the deployment of unicast TV services. At first business models were introduced as a free trial to boost 3G uptake. To limit network overload,

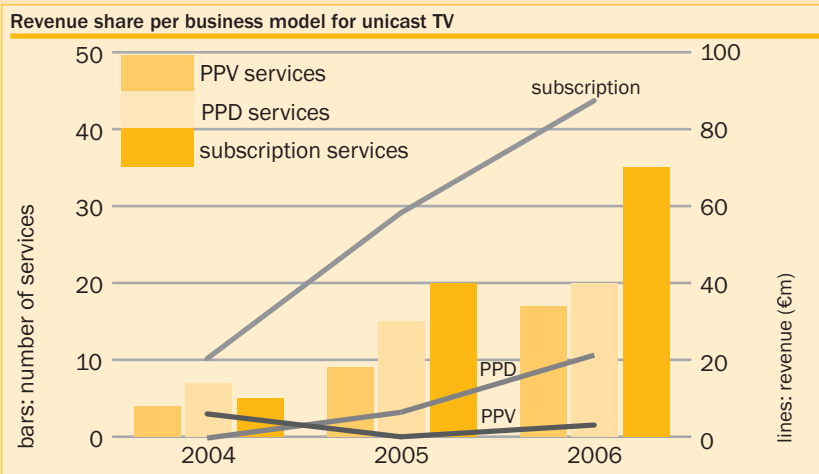
mobile operators introduced the pay-per-view (PPV) model. Due to poor quality of service, poor coverage and low usage, service providers had to go back to a business model offering unlimited service consumption. As resources are not as scarce in the case of broadcast TV for mobile, business models tend to be subscription-based. In order to monetise the service while giving flexibility to the customer, PPV models are also available.

The nature of the network greatly affects business models chosen by service providers. In terms of revenues, subscription business models have been leading the market since 2004 and quadrupled between 2004 and 2006. This impressive revenue growth in the space of two years is primarily due to an increasing number of services made available during that period. PPV business models were expensive (€0.25 a minute in 2004/early 2005), which drew customers to use unlimited models such as pay-per-day (PPD) or subscription where available. Nevertheless, mobile operators recently modified the pricing structure of PPV models which has led to a return of this business model.

The Vodafone Group pricing structure (see table below) clearly shows that business models significantly vary between countries. This reflects the complexity of the European market with different trends in each country. Pre-pay/contract subscriber split, ARPU figures and content popularity are some of the key metrics used by big telecom groups such as Orange, T-Mobile and Vodafone to design appropriate mobile TV offers.

SUBSCRIPTION: INCREASING ARPU AND LOYALTY

Current data tell us that contract subscribers are spending far more (three times more on average in the UK) than pre-pay subscribers. It is in the



Source: Screen Digest

	Vodafone business models												
	business models				subscription		pay-per-view						
	free	bundle	subscrip- tion	à la carte	PPV	price		on-demand duration mins	price	price			
						min	max			daily		weekly	
								min	max	min	max		
Austria	•		•		•	€9.00	€9.00			€3.00	€3.00		
Belgium			•		•	€2.99	€7.99	60	€0.50				
Germany	•	•	•		•	€3.00	€10.00	5	€0.15				
Greece	•		•	•	•	€5.00	€5.00			€1.785	€1.785		
Ireland			•		•	€1.99	€4.99					€1.99	€4.99
Italy					•					€0.90	€0.90		
Netherlands					•			10	€0.25				
Portugal	•	•	•		•	€7.50	€7.50			€0.90	€0.90		
Spain	•	•	•		•	€6.00	€6.00	15	€1.00				
Switzerland			•		•	Sfr 12	Sfr 16	60	Sfr 1.50				
UK	•	•	•			£5.00	£10.00						

Source: Screen Digest

operators' interests to increase the contract subscriber base.

Subscription-based business models typically maximise revenue intakes for mobile operators. However, outside Japan most mobile operators sell rich content on a on-demand rather than subscription basis.

Mobile TV represents a real opportunity for mobile operators to maximise content ARPU since the consumer is used to subscription-based models with pay TV services.

Subscription is the business model favoured in Italy, Germany and the UK for broadcast. One of the drivers for operators launching these services is a desire to move the user base from pre-pay to contract, and it is no coincidence that it is the network operators with the highest number of pre-pay customers that have launched these services. Italy has the highest proportion of pre-pay customers in Europe. In Germany and the UK services have been launched by mobile virtual network operators (MVNOs), which typically have a higher than market average proportion of pre-pay users.

Handset subsidy also plays an important role in the take-up of subscription-based mobile TV services, especially in the European market, where subsidies have already been used as a promotion tool for 3G networks. Although handset subsidy was introduced in South Korea in March 2006,

DMB-enabled mobile handsets remained highly priced at \$500-\$700. There is no subsidy for T-DMB handset in South Korea simply because the service is free-to-air and does not generate direct revenues for mobile operators.

In Italy, where 90 per cent of the subscriber base are pre-pay customers, mobile operators including 3, TIM and Vodafone have heavily subsidised DVB-H handsets (up to €600) available on contract, thereby using mobile TV to move its subscriber base away from pre-pay.

Unless the mobile TV offering is bundled with a 3G contract, subscription is typically only for one month and is extended month by month unless the user decides otherwise. Therefore, mobile TV users are more likely to churn or switch between different mobile TV packages available. Mobile subscribers tend to avoid commitment to mobile content services. Once trust appears between the user and the service, then mobile operators may change the business model into a full year subscription. Bundling different mobile content services according to consumer preferences (eg, fan club or sports bundles) is another approach that may be used in order to force mobile content user commitment to long term subscription.

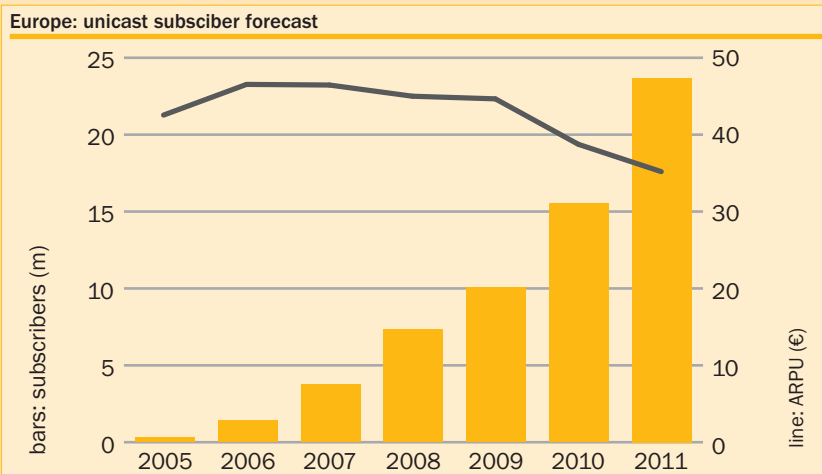
Screen Digest predicts that subscription packages will be the most successful business model for mobile TV. However, it will take different shapes according to the delivery platform used. Regarding mobile broadcast TV, subscription packages will be identical to those offered today on 3G networks, which typically include conventional free-to-air channels and a sample of premium channels. As more frequency spectrum is made available by regulators across the world, the number of channels per package will eventually increase, thus adding value to the service and boosting consumer ARPU. Furthermore, trust between the consumer and the service provider will become stronger, resulting in longer subscription periods. The ARPU growth for broadcast is further emphasised by an increasing number of service launches.

Mobile unicast TV will be more appropriate for niche markets because the delivery platform is suited to large amounts of content being available to a relatively low number of users. The *à la carte* business model will take over the unicast market. Mobile TV users would subscribe to a single channel that may be part of a content personalisation package (eg, text alerts, pictures, ringtones, videos and TV channel). Screen Digest expects the average revenue per paying subscribers for unicast mobile TV to decrease by 40 per cent over the next five years.

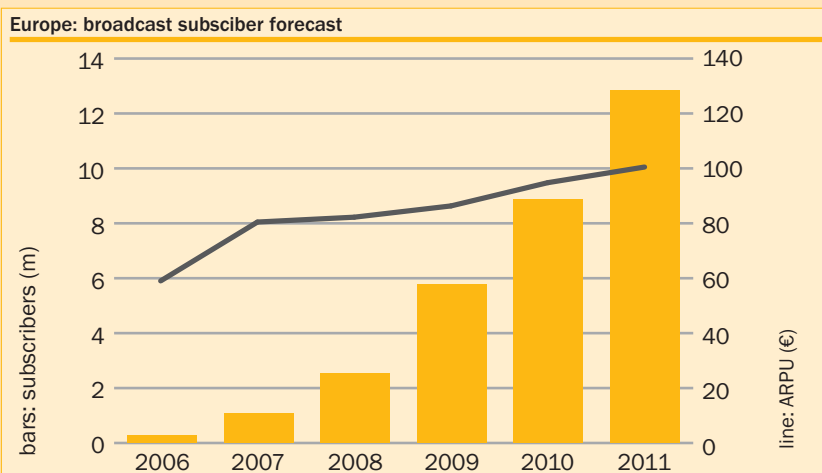
PAY-PER-VIEW: A REAL STRUGGLE FOR ADOPTION

Pay-per-view (PPV) business models were the first to be used for mobile TV services.

When mobile TV services appeared in 2004 in Europe, mobile operators used the service to make 3G contracts more attractive. However, during this promotion period, which lasted for up to two years after launch, the service was advertised as being free, although data charges were not included. Therefore, in terms of revenue intake, the business model was similar to a pay-per-view



Source: Screen Digest



Source: Screen Digest

business model. This type of business model is included in what Screen Digest considers as PPV. It is considered as free-to-air only if the promotional offer includes data charges.

Operators made a substantial amount of revenues from PPV at launch, but, once users realised the additional costs, revenues dipped and mobile operators had to change their pricing strategy. The pricing model, generally based on the amount of data used for streaming (ie, per MB or per kB), has then been changed into a time-based model that is much more understandable for the consumer. Mobile operators are still experimenting with PPV business models where access to linear content can be paid per hour, half an hour, 15 minutes and single minute. The shorter the period of time, the higher the profit operators make per viewing.

Time-based pricing		
duration	total	per minute
	€	€
1 min	0.15	0.15
15 min	1.00	0.07
30 min	1.25	0.04
60 min	1.50	0.03

Source: Screen Digest

Although operators have been experimenting with PPV business models for the past two years across several markets, the pricing structure remains fragmented and emerging markets for mobile TV are repeating the same mistakes.

Screen Digest predicts that the number of viewings will quadruple between 2009 and 2011 to almost 190m of hours of mobile TV viewing worldwide, corresponding to 18 minutes of yearly viewing per 3G subscriber during 2011. The popularity of subscription packages limits PPV revenues although it is the most lucrative business model from a short-term perspective. The number of hours of viewing per subscriber doubles between 2009 and 2010 because of better service accessibility and mobile TV service uptake. As the mobile TV market gains momentum, mobile subscribers are more likely to be interested and try the service using PPV models.

Nevertheless, this sudden growth will only be temporary before the market gains maturity. Then only event-based (such as sports events) and adult content will drive the PPV share of the market. Broadcast mobile TV has no PPV business models implemented yet. Pay-per-day business models are offered instead.

PAY-PER-DAY: THE PROVISIONAL ALTERNATIVE

Pay-per-day (PPD) offers daily access to a mobile TV streaming service for a fixed fee. In the unicast

case, mobile operators might impose a service usage limit for the day that generally varies between one and five hours.

PPD is similar to the PPV business models family. However, Screen Digest differentiates the two models because they have different purposes for mobile operators and the pricing structure varies significantly.

Pay-per-day business models for mobile TV first appeared during 2005. As service quality and reliability on 3G networks are still problematic, unlimited packages make the mobile unicast TV experience more acceptable. Nevertheless, such an option is not without risks. The 3G network is not robust enough to sustain heavy consumption of mobile. Broadcast networks used for mobile TV are not affected by the service usage by definition and, therefore, used PPD business models from the beginning. PPV business models where the consumer would be charged by the hour or by the minute are complex to integrate in a broadcast environment when individual usage cannot be monitored.

According to Screen Digest forecasts, PPD business models will disappear from the unicast mobile TV market while gaining momentum in the mobile TV broadcast market. In 2011, mobile TV users will use the PPD business model to purchase 20m days of mobile TV, up from 15m last year. The number of 'day' transactions is expected to drop in 2008 as mobile operators re-introduce PPV on unicast mobile TV.

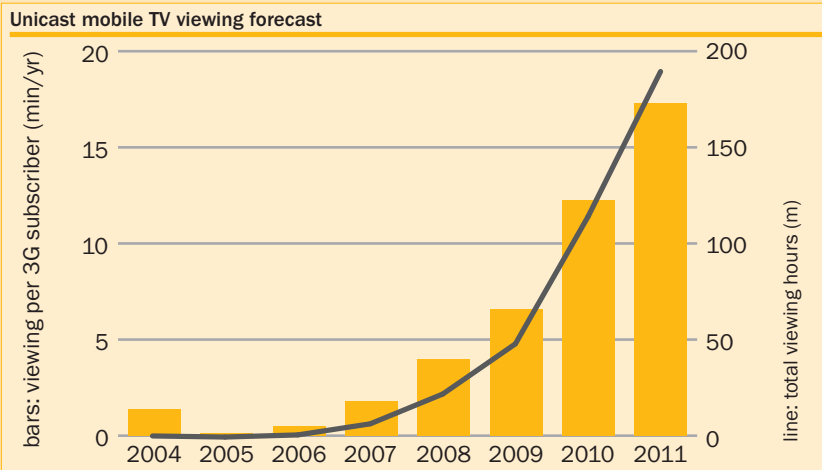
BUNDLING: DRIVING TV AND DATA USAGE

Bundling is a strategy developed by mobile operators in order to increase customer retention and increase ARPU. Bundling is the merging of several services under a single offering. Bundling has a positive impact on contract uptake as it gives the consumer the impression of getting good value for money. However, the consumer might end up having access to services that he will never use. In the case of mobile TV, there are two common types of bundles:

- High-value contract bundle: typically includes voice, SMS, mobile data (ie, internet, downloads, instant messaging), and mobile TV. Verizon Wireless in the US and 3 in Italy use this.
- Mobile data bundle: typically includes unlimited mobile TV as part of a mobile data package. This type of offer is very common in North America.

The vast majority of mobile TV services on unicast networks have subscription-based business models available where the user is free to stop the subscription at any moment, providing the flexibility needed at this early stage. However, bundling typically obliges the customer to keep the service for at least 12 months. Although they might not be using the service, they indirectly pay for it.

Most broadcast mobile TV services use bundling. The main reason is handset subsidy. TV handsets, which have just entered the market, are expensive and the cost represents one of the main barriers for mobile TV broadcast service take-up. Bundling services with subsidised (or free) hardware is common in conventional TV markets and is being used to drive mobile TV uptake.



Source: Screen Digest

Unicast mobile TV services						
	service	operator	launch	technology	partners	channels
Austria	Vodafone Live! TV	Mobilkom	17 Nov 2005	3G TV	Vodafone, Nunet	9
	T-Zones Mobile TV	T-Mobile	27 Feb 2006	3G TV		10
	Channel One TV	One	Feb 2007	3G TV		3
	Mobile TV	3	Oct 2004	3G TV	ORF, ATV+, BBC, EuroNews, fashion.tv	20
Belgium	Orange World TV	Mobistar	6 Jul 2005	3G/Edge TV		11
	Vodafone Live! TV	Proximus	15 Sep 2005	3G TV	Ericsson, Vodafone	29
Canada	Rogers Mobile TV	Rogers Wireless	Aug 2005	3G/2.5G TV	mobiTV	22
	MobiTV	Bell	Aug 2005	3G/2.5G TV	mobiTV	22
	Telus Mobile TV	Telus Mobility	29 Aug 2005	3G/2.5G TV	mobiTV	25
Czech Rep	O2 Active Mobilní TV	O2	Mar 2007	3G TV		7
Denmark	TV2	Sonofon	21 Sep 2006	3G TV	TV2, Aller	1
	Fly TV	TDC	3 Jan 2007	3G TV		8
	3Mobil-TV	3	11 Nov 2003	3G TV	Beweeb, Vidiator	20
Finland	Surfport Mobile TV	Sonera	1 Apr 2006	3G TV		6
	Elisa TV	Elisa	1 Apr 2006	3G TV	Ericsson	9
	Saunalahden Mobilii-TV	Saunalahti	1 Apr 2006	3G TV		7
France	Orange World TV	Orange	1 Dec 2004	3G/Edge TV	Bluestreak, Envivio, Globecast	63
	SFR TV	SFR	29 Jun 2005	3G TV	Canalsat, TPS	71
	i-mode Haut Débit	Bouygues Télécom	13 Nov 2005	Edge TV	Canalstat, TPS	30
Germany	T-Zones	T-Mobile	1 Sep 2005	3G TV		16
	Vodafone Live! TV	Vodafone	1 Dec 2004	3G TV	Nunet	30
Greece	I-mode mobile TV	Cosmote	15 Jun 2005	3G TV	i-mode	11
	Vodafone Live! TV	Vodafone	10 Nov 2004	3G TV	Nunet	15
	TIM Mobile TV	TIM Hellas	20 Jul 2004	3G/GPRS TV		11
Hungary	Djuice MobilTV	Pannon	12 Oct 2005	3G TV		5
	t-zones TV	T-Mobile	26 Aug 2005	3G TV	TV2	6
	Mobil TV	Vodafone	16 Dec 2005	3G TV	Nunet	5
Ireland	Vodafone Live! TV	Vodafone	10 Nov 2004	3G TV	Nunet, Sky	24
Italy	Maxxi mobile TV	TIM	3 Jun 2005	3G TV		30
	Vodafone Live! TV	Vodafone	10 Nov 2004	3G TV	Nunet	15
	Pianeta 3 TV	3	21 Jan 2004	3G TV		10
Netherlands	Orange World TV	Orange	28 Nov 2006	3G TV		10
	Vodafone Live! TV	Vodafone	10 Nov 2004	3G TV	SBS, Infospace, Talpa, Endemol	22
Norway	Telenor Mobil TV	Telenor	1 Dec 2004	3G TV	TV2, NRK, TVNorge	3
	Surfport mobilTV	Netcom	1 Mar 2005	3G TV		3
Poland	Orange World TV	Orange	2Q 2005	3G TV		22
Portugal	Telemóveis TMN	TMN	2 Mar 2006	3G TV	Alcatel	26
	Vodafone Live! TV	Vodafone	18 Jan 2006	3G TV	Nunet	25
	TV em Directo	Optimus	8 Aug 2006	3G TV	Alcatel, End2End	18
Slovakia	Orange World TV	Orange	25 Aug 2006	3G/Edge TV		8
	t-zones TV	T-Mobile	Oct 2005	3G/2.5G TV		15
Slovenia	Planet TV	Mobitel	26 Oct 2004	3G TV	Planet 9	6
Spain	Emoción TV	Movistar	3 May 2006	3G TV	i-mode, Kamera, Ericsson	4
	Vodafone Live! TV	Vodafone	11 Nov 2004	3G TV	Nunet, Sogecable	46
	Orange World TV	Orange	29 May 2006	3G TV		28
Sweden	Surfport TV	TeliaSonera	10 Mar 2004	3G TV		12
	Mobil.telenor.se TV	Telenor	Nov 2004	3G TV	Kamera	n/a
	3Show	3	1 Apr 2007	3G TV	Beeweeb, Vidiator	20
	Tele 2 Mobil TV	Tele2	Dec 2006	3G TV	Broaden	35
Switzerland	Vodafone Live! TV	Swisscom Mobile	16 Nov 2004	3G/Edge TV	Nunet, Vodafone, End2End	36
	Sunrise Live TV	Sunrise	1 Dec 2005	3G/Edge TV		24
	Orange World TV	Orange	5 Sep 2005	3G TV		30
Sth Korea	June TV	SK Telecom	Dec 2002	3G TV		
	Fimm TV	KTF	Mar 2003	3G TV		
UK	Planet 3 TV	3	18 Oct 2005	3G TV	Red Bee, Sky, ITV, BBC	29
	Orange World TV	Orange	26 May 2005	3G TV	Sky	26
	Mobile TV	T-Mobile	May 2007	3G TV	Alcatel	9
	Vodafone Live! TV	Vodafone	Nov 2004	3G TV	Nunet, Sky, Red Bee, Ericsson	38
	ROK TV	All	11 Oct 2005	2.5G TV		21
USA	MEdia Net MobiTV	AT&T	25 Jan 2005	3G/2.5G TV	MobiTV	43
	Sprint TV	Sprint	19 Nov 2003	3G/2.5G TV	MobiTV	43
	Access TV	Alltel	21 Nov 2005	3G/2.5G TV	MobiTV	39
	Mobile Access TV	Sprint	Mar 2007	3G/2.5G TV	Time Warner	50

Source: Screen Digest

SCREEN DIGEST REPORT

Mobile TV:
Business models and
opportunities



This profile feature is an edited extract from a major new Screen Digest report: *Mobile TV: Business models and opportunities*. The full report contains a comprehensive overview of the sector in 25 countries in Europe, North America and Asia with market forecasts to 2011. For more information about the report and details of how to order your copy, see page 354.

Broadcast mobile TV services						
	service	operator	launch	technology	partners	channels
Finland	MoibiiiTV	All	May 2007	DVB-H	Digita	3
Germany	Watcha	Mobilcom	16 Oct 2006	T-DMB	MFD, T-systems	5
	Watcha	Debitel	31 May 2006	T-DMB	MFD, T-systems	5
Italy	Watcha	Simplytel	24 Jan 2007	T-DMB	MFD, T-systems	5
	TIM TV	TIM	9 Sep 2006	DVB-H	Mediaset, TI Media	9
	Vodafone Sky TV	Vodafone	12 Dec 2006	DVB-H	Mediaset	17
	Tua TV	3	8 May 2006	DVB-H		12
Japan	One-Seg	NTT DoCoMo, Softbank Mobile, KDDI, Tu Ka, Willcom	Apr 2006	ISDB-T	D-PA, One-Seg	11
Sth Korea	TU	SK Telecom, KTF	May 2005	S-DMB	TU Media	15
	Freeview	LG, KTF	Dec 2005	T-DMB	KBS, MBC, SBS	12
UK	Virgin Mobile TV	Virgin	7 Sep 2006	DAB-IP	BT Movio, Arqiva, RadioScape	5
USA	V Cast Mobile TV	Verizon	1 Mar 2007	MediaFlo	Qualcomm	8

Source: Screen Digest

At the beginning of 2007, almost 30 per cent of unicast mobile TV services and 41 per cent of broadcast mobile TV services were also offered within a bundle. This figure is rising fast as mobile TV services gain popularity.

FREE-TO-AIR: FAR FROM BEING AD-FUNDED

Free conventional TV is something the customer is used to and it affects the value consumers ascribe to mobile TV. Although several surveys and trials have shown that a majority of the population interested in mobile TV is ready to pay for it, users are typically not willing to pay for TV channels that are free elsewhere.

Free-to-air (FTA) mobile TV has substantially participated in the success of mobile TV in South Korea and Japan where nationwide free broadcast mobile TV services have been deployed. Both services combined had over 15m users in August 2007 and this number is still rising.

Promotional periods to push adoption

As for any new service, promotional periods are used to raise consumer awareness and get feedback. Due to service quality problems on the unicast platform, customers did not extend the free-subscription period to a paid one.

Promotional periods always appear at the launch of mobile TV services. As the number of launches is set to increase significantly within the next couple of years, Screen Digest expects promotional periods to lower global mobile TV revenues by 15 per cent on average during this period. This loss is necessary to ensure positive growth in the future.

Ad-funded: reality or fiction?

With such a big uptake of free TV in Asian markets, one expects advertising revenues to follow the same trend. However, South Korean broadcasters have been speaking of only \$24,000 in advertising revenues for 2006. As the audience increases, why do related revenues remain so low?

Mobile advertising on broadcast TV is still in its infancy. The mobile TV service comes from the same feeds as digital terrestrial TV. Ads that are included in those feeds are targeting conventional TV users and not mobile users, therefore limiting its impact on the mobile community. Furthermore

broadcast mobile TV is lacking components for tailored advertising, currently being integrated on 3G networks. The unicast network can be used as a back channel for interactivity thus increasing opportunities for extra revenue income.

Unicast networks could potentially become the best advertising platform but mobile operators are not looking into advertising on this medium because:

- the mobile TV audience on unicast is too low;
- mobile advertising methods are not yet verified;
- other types of content/applications are seen as more suitable for advertising (eg, video, mobile search, social networking)

On the other hand, advertisers are looking for companies to provide third-party audience measurement in order to re-define the CPM (cost per thousand impressions) for the mobile broadcasting platform.

NRK and Ericsson have released the first trial results for mobile TV advertising. The results have shown an impressive click-through rate of 13 per cent, which is well above the maximum one per cent typically experienced online. Although the trial results give good prospects for mobile TV advertising, Screen Digest considers its impact on the market negligible for the next two to three years.

Off-portal ad-funded free mobile TV content like FreebeeTV from ROK tend to offer free low value unicast mobile TV. As long as mobile operators make mobile users pay for data charges, these sorts of services would remain a paying service from the consumer point of view. Subscriber figures for these types of services are too low because of poor content quality and do not justify any substantial advertising revenue.

Regulation impact on free-to-air mobile TV

Market specifics in terms of regulation affect the availability of free mobile TV in various ways:

- the mobile broadcast TV licence includes the compulsory free distribution of public mobile TV channels;
- the media legislation stipulates that public channels remain free on any platform (eg, BBC One on BT Movio);
- the broadcaster or licence owner is a govern-

- ment institution (eg, China);
- the infrastructure is government-funded.

Monetising free-to-air services

The Asian market has demonstrated the high popularity of free-to-air mobile TV services. However, Screen Digest believes that this path will not be taken in Europe and the US as ways of monetising such services have not been proven successful yet.

There are other ways of monetising free-to-air services apart from advertising.

- Interactivity offers great potential to mobile operators to drive mobile data consumption. Mobile TV users can vote and interact with the TV show they are watching. Interactivity requires an uplink between the user and service provider which easily achievable on a unicast network.
- Data broadcasting is a clever way of monetising mobile broadcast TV. The bandwidth used for the transmission of mobile TV signals also delivers pure data, which could include weather broadcasts or/and traffic information. Most IP-based mobile broadcasting standards (eg, MediaFLO, DVB-H) enable such functionality.
- In Japan, mobile operators act as mobile handset retailers and collect a share of sales. However, this does not guarantee long-term revenues and the competitive nature of the mobile market badly

affects the profits. This method is very unlikely to be successful in Europe where mobile handsets are generally subsidised by operators.

- In Italy mobile operator 3 has launched a community service that evolves around mobile TV. Users are able to upload vlogs (video blogs) that can then be seen by others on TV channel *La3 Sport*.

FUTURE OUTLOOK

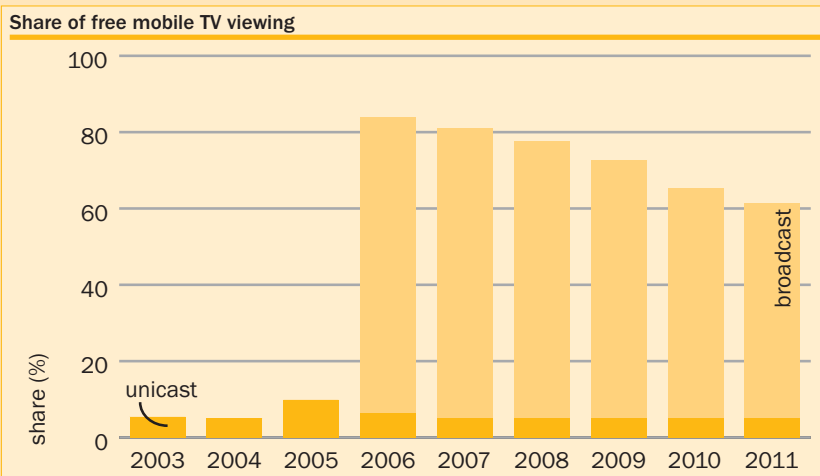
Screen Digest predicts that free broadcast mobile TV will have a larger market share than free unicast mobile TV (see chart below). The percentage of free TV on the unicast delivery platform reached a maximum of 10 per cent in 2005 when most mobile TV services launched.

Free broadcast mobile TV is much more common, with more than 75 per cent of all TV subscriptions being free. This figure is principally due to the supremacy of the Asian market, which has the highest number of subscribers and the highest proportion of free subscriptions. The amount of free subscriptions decreases by 20 per cent over five years because of the increasing number of paying subscribers in Europe and the US during the same period.

DIFFERENT BUSINESS MODELS MAY CO-EXIST

PPV, PPD and subscription business models often co-exist under the same pay mobile TV offer, especially in Europe. It offers flexibility to the user which is necessary in order to start building trust. On the other hand, free-to-air and pay mobile TV business models tend not to coexist in a single service proposition unless it is forced by the regulator. However, both models may compete head to head in a single market as it is the case in South Korea.

Free TV penetration follows an exponential growth as opposed to pay mobile TV services, such as Tu4u provided by TU Media in South Korea, which follow a typical linear growth. TU Media's success in launching a pay TV system in the same market where free mobile TV is available shows that, as is the case in conventional TV market, these two business models can co-exist. The differentiation between FTA and pay TV services is based on the richness of the content offered as it is currently on other pay TV platforms.



Source: Screen Digest

2 THE VALUE CHAIN

Through the years the mobile industry has been controlled by the mobile operators. These companies are now becoming media aggregators as most 'rich' content except ringtones is sold through their portals. Even the off-portal market is affected by mobile operators, as billing typically costs content providers a third of consumer revenues. Broadcast mobile TV is the first type of mobile content that does not necessarily follow an operator-led business model. Because mobile operators do not own the infrastructure, content providers have the opportunity to go direct to consumer (D2C), thus bypassing mobile operators.

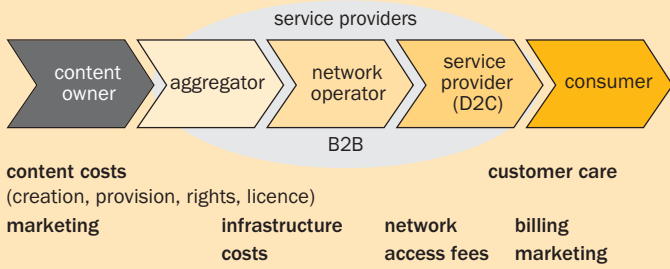
The mobile TV market is exciting for the mobile industry, first because it has mass market potential and second because it gives the opportunity for media companies to avoid mobile operators, therefore maximising their revenue intake.

Because of the historically difficult relationship between mobile operators and content providers, there is a risk of market segmentation, which would eventually lead to higher costs, incompatible services and limited platform capabilities.

SAME PLAYERS, DIFFERENT ROLES

Some operators engage partnerships with aggregators or content provision companies. Generally, this sort of partnership involves a smaller network operator that has recognised that it would not be cost effective to set up a team to source and manage a content portfolio. The larger network operators, such as Vodafone and Orange, generally leverage economies of scale to effectively source and manage content across multiple territories. However, this might not be the case for TV as the content is more local.

VALUE CHAIN OVERVIEW



The mobile TV value chain is similar to other mobile content types. The consumer spend is collected by the D2C (direct to consumer) service provider and is then shared with some key players in the value chain.

The network operator controls the network infrastructure and supervises the content delivery. In the case of unicast mobile TV, mobile operators are both network operators and service providers. In the case of broadcast mobile TV, mobile operators typically do not own the network and therefore remain only service providers.

Broadcasters on the other hand typically aggregate content and sometimes own a broadcast infrastructure (eg, Mediaset, BSkyB) and are thus more likely to expand their presence across the value chain.

Content owners or aggregators may place their content on the mobile TV service by dealing directly with the service provider or the network operator.

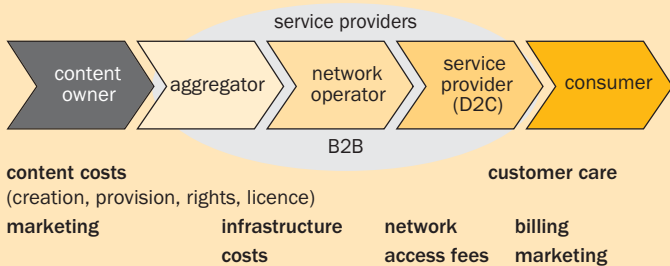
TAKING HOLD: WHO'S GOT THE STRENGTH?

Mobile operators have been both network provider and service provider for the first three years of mobile TV. However, since the roll-out of broadcast networks such as DVB-H in Italy and DMB in the UK and Germany, mobile operators have been unable to remain network providers.

Mobile operators must rent the infrastructure and acquire the content in most cases. However, in specific circumstances, mobile operators have acquired the companies that own the infrastructure, thus vertically integrating a broadcast mobile TV service.

The diagram below shows how broadcasters and mobile operators may take hold of the value chain according to current mobile broadcast service deployments.

Broadcaster and mobile operator control over value chain



In the Italian market, both mobile operator-led and broadcaster-led models coexist. 3 Italia gained broadcast network infrastructure and a DVB-H licence through the acquisition of Italian broadcaster Canale 7.

Second licence holder and broadcaster Mediaset also runs a mobile broadcast network in Italy but is not a service provider. Mediaset provides a wholesale product to local mobile operators TIM and Vodafone.

VALUE CHAIN MODELS

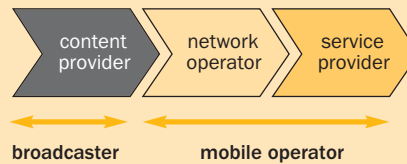
Screen Digest defines two major classes of models: competitive and co-operative.

Competitive model

The competitive model is based on the monopoly of a specific mobile operator or broadcaster on the value chain. The service would be vertically integrated.

Operator-led

Competitive operator-led value chain



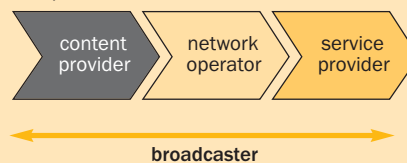
Examples: 3 Italy, Swisscom, KPN

The operator-led model is similar to the model used for other types of mobile content services such as mobile music and mobile games. Mobile operators keep hold of the delivery pipe and deal with the same content providers as for unicast mobile TV. The down side is that mobile operators must buy a mobile broadcasting licence and build or acquire new infrastructure. In some markets, regulations stipulate that mobile operators are not allowed to broadcast content to mobile phones. In the Czech Republic, for instance, mobile operator T-Mobile has threatened to take legal action against the Czech Radio and Television Broadcasting Council (RRTV), challenging Czech media law, which currently forbids any mobile operator to broadcast content.

The operator-led business model brings several advantages, such as the easy implementation of interactivity and handset subsidies. However, only subscribers to that particular mobile operator will be able to enjoy the service. As a result the market can become a monopoly if only one operator deploys a service, or fragmented if multiple operators launch multiple services. Spectrum scarcity, especially in Europe, makes it hard for more than one mobile operator to use this model. Typically, if a major mobile operator succeeds in vertically integrating a broadcast mobile TV service, other services will follow the co-operative model.

Broadcaster-led

Competitive broadcaster-led value chain



Examples: Japan ISDB-T and South Korea T-DMB

The broadcaster-led model is the first model in the mobile content industry that entirely bypasses the mobile operator. The broadcaster controls the value chain from content provision to D2C service provision. Although successfully deployed in South Korea and Japan, major issues still lie behind its integration:

- **Handset subsidy** is extremely costly from a service provider's perspective. Customer acquisition/retention costs are not justified for just a single mobile content offer with an ARPU at around €10 a month. The mobile handset cost is one of the major barriers for service uptake in markets where subsidies are common (eg, Europe).
- **Mobile operators control handset sales.** A large proportion of mobile handsets are sold at shops owned by mobile operators. In a competitive case, mobile operators would ban the correspon-

ding mobile broadcast technology from their shop, thus limiting the service to non-connected devices.

- **Low advertising revenues.** Mobile TV subscriber numbers are still relatively low. Even in South Korea where mobile TV counts more than 1m users (T-DMB service only), advertising revenues have been described by broadcasters as insignificant. Furthermore, simulcast channels use identical programme scheduling as the terrestrial feed where ads are especially designed for the conventional TV experience. Those commercials must be replaced by more relevant targeted advertising in order to drive revenue growth.

- **No bundles** with voice and other mobile data services. Broadcasters may bundle mobile TV with exiting pay TV offers. Such offers can become very attractive to consumer, especially when additional services such as digital video recorder (DVR) synchronisation and remote control are included.

- **Lack of a back channel** for content personalisation and interactivity.

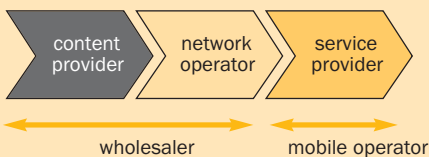
The industry has been talking about broadcasters potentially becoming mobile virtual network operators (MVNOs), thus supporting a similar business model. Screen Digest believes that such a structure would not be able to withstand pressure from mobile operators. However, broadcasters could eventually take advantage of the mobile TV market growth by extending services to non-connected devices.

Co-operative model

Co-operative business models have the potential to boost the market growth if relationships between mobile operators and content providers, built during the past few years of unicast mobile TV services, are further consolidated. Co-operative models make sense in the face of high deployment costs and tight market regulation. Co-operative models also include joint ventures between mobile operators and/or broadcasters.

Wholesaler

Co-operative wholesaler-led value chain



Examples: Mediaset, MFD, BTMovio, MediaFLO

The wholesaler model is the most common model deployed across the world, with eight mobile broadcast services out of 11 using this model. Mobile operators tend to appreciate this type of business model as most wholesalers offer them a pseudo-control over the broadcasting network. Mobile operators do not have to acquire a broadcasting licence and may also choose which content is to be broadcast to customers.

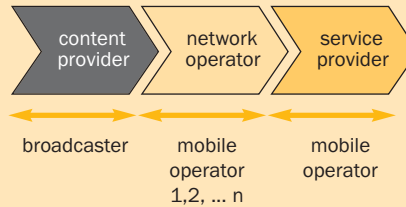
There are three types of wholesalers:

- **third-party/licence holders** (eg, BTmovio, MFD, Hiwire). Broadcasters are not in a comfortable position to deal with other broadcasters and content providers to increase content portfolio for the mobile TV product. Third-party wholesale companies can offer a wider range of content and are more adaptive to the market demand;
- **broadcasters** (eg, Mediaset) own or have access to the content and the infrastructure from conventional TV services. These companies are therefore ideal wholesaler candidates for mobile operators. Mediaset in Italy is a typical example of this kind of wholesaler;
- **technology/infrastructure firm** (eg, MediaFLO, Modeo, Hiwire). The race for mobile TV technology standardisation has led to the spin-off of several wholesale companies from hardware

specialists. Those technology firms have been working with cellular and/or broadcasting industries for several years and are able to maintain the necessary relationship for a robust integration of a mobile TV service.

Operator joint venture

Co-operative operator-led value chain



Examples: Germany, Spain

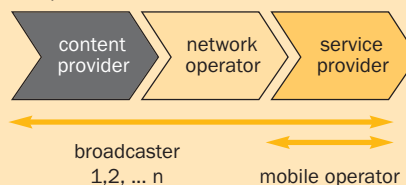
This business model simply consists of several local mobile operators partnering to acquire a broadcasting network or/and spectrum licence. The main advantages of this approach are lower individual costs, completeness of the mobile service to be offered and optimum spectrum usage. However, broadcasters would not be able to market on the basis of brand and would not gain customer ownership. Mobile operators would have to pay for content and operating rights.

In order for the market to remain competitive, mobile operators will manage content deals individually, at least for premium content. Regulators may impose national channels to be made available for free to all mobile subscribers. The success of the service will vary for each mobile operator according to their premium TV offering and pricing structure.

There are no existing implementations of this business model. However, in Germany and Spain, mobile operators have started joint ventures to increase their chance of obtaining a mobile TV broadcast licence. This clearly demonstrates mobile operators' desire to keep hold of the delivery pipe.

Broadcaster joint venture

Co-operative broadcaster-led value chain



Example: Open Mobile Video Coalition (US)

This model is similar to the previous model except that broadcasters replace mobile operators. Broadcasters collaborate to obtain a broadcasting licence and become a wholesaler for various service providers.

Using this approach, the mobile TV service is more likely to be free-to-air at launch, as mobile TV licences would generally be awarded to free-to-air public channels first (eg, by the CSA in France).


This model is very convenient for 'in-band' mobile TV technologies such A-VSB or MPH developed by Samsung and LG respectively. Those in-band technologies work similarly to the One-Seg service in Japan. It makes use of part of the existing DTT spectrum for transmissions to mobile. No extra spectrum needs to be acquired and deployment costs are minimal.

The broadcaster joint venture is very well positioned to offer a wholesale product which includes a large content portfolio. Mobile operators and other service providers will be able to differentiate content offerings, thus, driving competition. It would also give the opportunity to smaller broadcasters to access the mobile platform.

RdR


GENERAL

HD VMD players shipping in CE Europe and US


 New Medium Enterprises (NME), the company behind third high-def video format HD VMD, has started shipping HD VMD players in Central-Eastern Europe and the US through its local distribution arms. Slovakian consumer electronics (CE) company FKH Electronics (FKHE)—which NME acquired in November (see 2007/344b1)—has received 10,000 HD VMD players for distribution in Poland, Hungary, Slovakia and the Czech Republic. Under a separate deal, US CE retailer PC Rush has received a shipment of another 10,000 HD VMD players to be sold through the company's online store and through various retailers via its associate company Distenex. FKH's order was valued at \$1.3m, while PC Rush deal was signed for an undisclosed amount. Both orders are to complement HD VMD software already available in both territories.

→ New Medium Enterprises: UK; +44/20 8746 2018; www.nmeinc.com

AccessIT launches second digital roll-out phase

 US digital cinema facilitator AccessIT has officially launched a second phase of its North American roll-out on a further 10,000 screens. The roll-out will begin in first quarter 2008, with a time frame of three years and is based on the VPF model that they pioneered. It is finalising its contract negotiations with the studios and other major distributors terms for the second phase, which includes a VPF level but also a raft of other details including maintenance contracts.


AccessIT states that several exhibitors who couldn't get into first phase are already lined up for second phase but gives no details of size. The scheme will continue to use Christie and Doremi as key equipment suppliers but this relationship will no longer be exclusive, opening up the possibility of an equipment 'menu' for exhibitors. AccessIT believes it can undertake the second phase by securing lower cost debt, and not further extend any equity financing.


 *AccessIT is the most advanced global digital cinema facilitator, with 93 per cent of the first phase contracted and installed. It is possible that momentum could have stalled if the first phase had finished without agreement on the second. It is very likely though that the terms of the second deal with studios will not be as generous as the first, and exhibitors joining the second phase will need to pay a contribution towards the equipment. It remains to be seen how they react to that.*

The world of North American d-cinema facilitators is looking quite crowded now, with AccessIT aiming for 14,000 screens, DCIP controlling 14,500 screens, Cinema Buying Group-NATO hoping to sign up 4,000-6,000 screens and Technicolor still aiming for 15,000 screens over time. Something has to give with those numbers but AccessIT seems very well positioned to capitalise on its experience gained during a successful initial roll-out. There is also a clause in the agreement with studios that allows this phase to go international, which could be very significant in the future.

→ AccessIT: USA; +1/973 290 0080; www.accessitx.com


Fox re-introduces DVD rental window in UK

 Twentieth Century-Fox Home Entertainment will re-introduce a rental window on a number of selected titles through 2008. The idea has been trialed with the release of Pathé's *Black Christmas* with a four-week rental window and a clear indication on the box that the title was rental only. Fox—which expects initially to launch four titles with the same rental window next year—will be placing a small premium on the current trade rental price. It believes the new strategy will allow it to invest in different channels and create scale for consumers who are not interested in buying titles. Major anticipates that rental dealers will invest additional money into the marketing of the titles.


 *Fox was the first studio to open a rental window for DVD in the UK (see 2000/107b3). It was also the second to close it (see 2003/4a2). Screen Digest understands the move affects only UK releases and that the window is expected to apply to small theatrical or non-theatrical releases, which are generally considered less profitable by the studios.*

→ TCFHE: USA; +1/212 556 2400; www.fox.com

Arts Alliance signs up first exhibitor to EuroVPF


 UK digital distribution company Arts Alliance Media (AAM) has signed up the first exhibitor to its studio-backed Virtual Print Fee (VPF) roll-out plan for 7,000 screens in Europe. AAM has also signed a non-exclusive deal with Sony Pictures to supply films in digital. The scheme is now backed by four studios, with at least one more to come in the near future. French multiplex Circuit Georges Raymond (CGR) has signed an exclusive agreement with AAM for conversion of its 400 screens to DCI-compliant systems and infrastructure, beginning in first quarter 2008 and ending probably in 2009. In the first year, the target is for 200 conversions.

CGR is a leading French exhibitor, growing out of a regional circuit into a nationwide multiplex circuit operating largely in mid-size cities. AAM is engaged to procure, service and maintain digital cinema systems, which includes projectors, playout servers, storage servers and a Theatre Management System. The primary task to be achieved before Christmas will be to equip seven screens in multiplexes across France with digital and digital 3D equipment, which is proving an effective driver of digital conversion at present. The deal is worth over \$40m for the 400 screens. An estimated conversion cost per screen is \$103,000, with financing costs on top of that. The projectors chosen for deployment were Christie's CP2000 range and servers are from Doremi. Cine Digital Service has been chosen to undertake the physical installation.

 *The CGR deal is highly significant for two reasons. It proves that at least one European exhibitor is convinced that the VPF model will fit in with its operational economics. The reality is that the VPF is the only proven model so far to work for a large-scale conversion, whatever the country of that conversion is. The model is based on a limited number of variables and can be made to fit the European market by changing these variables. The principal issue is one of exhibitor contribution; there is a real likelihood that an exhibitor will need to contribute to the conversion if they go down a managed route and the variables need to come within a certain limit so that the exhibitor can afford this contribution. The added concern in Europe is that the VPF could leave behind some that do not fit the model. This is why there is room in the market for several players, offering different models to European exhibitors. This announcement also acts as a catalyst to others to take the matter seriously now. For French exhibitors, it is harder to dismiss or defer going digital if a competitor has announced immediate digital conversion and will be able to exploit the competitive advantage of an all-digital environment in the near future. This will bring into sharp focus the sense of negativity that exists in France towards digital cinema.*

→ Arts Alliance Media: UK; +44/20 7751 7500; www.artsalliancemedi.com

TDC signs three US exhibitors to digital network

 Technicolor Digital Cinema, a unit of Thomson media group, has signed three new exhibitors to its d-cinema scheme in North America: Clearview Cinemas, iPic Entertainment and Cinemaworld. Of these, Clearview Cinemas is the largest, within the top 20 cinema chains in the US market with 254 screens in 50 cinemas, of which the vast majority are in New York. In contrast iPic launches its first complex this month (December), a luxury entertainment complex also featuring bowling, a restaurant, bar and a live venue. Cinemaworld is a 32-screen entity operating in Florida. The recent deals are the first for Technicolor since Zyacorp Cinemagic Stadium Theatres in March 2007. The full list of exhibitors aligned to the TDC d-cinema platform includes National Amusements and Mann Theatres with 113 screens. Recent estimates put TDC's screen count at around 300.

The recent signings closely follow the announcement that AccessIT, the leading d-cinema facilitator in the US market, is about to embark on the second phase of its roll-out targeting 10,000 screens in the US (and potentially outside the US). In contrast, TDC has been undertaking a beta test of various d-cinema equipment, although there has been no recent mention of results or whether the company has actively moved into a commercial phase yet. TDC's targets have been reiterated as 5,000 screens over the next three to four years, as part of a larger 15,000 screens over the next 10 years. TDC has, like AccessIT, secured studio commitments for content and financing in the form of a VPF-type agreement for the US market.

The market for d-cinema networks is appearing crowded with AccessIT, TDC, and DCIP all targeting in the range of 15,000 screens each in a total market of 39,000 screens in the US. There are also 8,000 screens of independent exhibitors as part of the NATOCinema Buying Group (CBG) that could choose an existing network provider or instead align with emerging networks such as Digeserv, which was one of four providers to make it through the first round of tender.



→ Technicolor Digital Cinema: USA; +1/818 487 0077; www.technicolordigital.com

→ Clearview Cinemas: USA; +1/908 918 2000; www.clearviewcinemas.com

→ IPIC Entertainment: USA; +1/414 963 8779; www.ipicentertainment.com

GENERAL

Beowulf sustains 3D's superior returns

  Paramount's *Beowulf*, the fifth title to be released in the digital 3D cinema format, grossed a total of \$27.5m in its opening weekend in the US market, of which approximately \$11.5m—over 40 per cent—was attributed to 3D screenings. Screens using the RealD system (742 in 638 locations), based on passive circular polarisation and disposable glasses grossed around \$8.0m, while a further \$3.58m or 13.0 per cent of the total was derived from just 84 Imax 3D screens. The 3D revenue per screen average equated to \$13,576 (for both digital 3D and Imax) against a 2D average of around \$3,941 from 4,900 screens in 3,153 theatres, or an impressive 3.4 times revenue ratio, according to our estimates.

For the 766 digital 3D screens alone, (including 24 locations of the Dolby Digital 3D cinema), the revenue ratio equated to a slightly lower 2.7 times the 2D average (\$10,779), but nonetheless falling into the same range as the two previous digital 3D releases. The Imax 3D theatre revenue ratio also came in at over six times that of a 2D cinema, for the all important first weekend. The results are impressive, considering *Beowulf* was released on 30 per cent more digital 3D screens than *Meet the Robinsons* in March 2007 (581 RealD screens). So the wider release width has not yet had a negative effect on the 3D performance ratio.



In terms of the nascent screen base, the provisional total for digital 3D screens worldwide has now reached around 1,280 at end November 2007, which is 530 net new screens since end June 2007, and five times more screens than one year prior (258 at end 2006), according to Screen Digest data. In terms of digital stereoscopic presentation systems, RealD maintains its dominance with 87.0 per cent of the provisional total, with the Dolby 3D system cornering just under 6.0 per cent of the market, since its launch in third quarter 2007.

→ RealD: USA; +1/310 385 4000; www.reald.com

→ Dolby: USA; +1/415 558 0200; www.dolby.com

→ Paramount: USA; +1/213 956 5000; www.paramount.com

US indie cinema grouping makes digital advance



  Cinema Buying Group, semi-autonomous digital cinema buying programme of National Association of Theater Owners (NATO), has selected four companies for the conversion of nearly 9,000 screens owned by members of CBG: AccessIT, Arts Alliance Media, Kodak and Digeserv. In summer 2007, the CBG issued a Request for Proposal to third-party facilitators to come back with a proposition to include projectors, servers, in-theatre management software, installation and after-sales support. The third party was required to negotiate with equipment providers and other interested parties to offer a one-stop solution to CBG members, who will also be able to stipulate any specific equipment requirements or preferences. The deadline for answers to this call for proposals was mid September 2007, and a subsequent closing date for exhibitors wishing to join the scheme was given as early November. The Request for Proposals also made clear that any proposal must incorporate the NATO resolution passed in November 2004 detailing the digital cinema preferences of the exhibition community, outlined in the 2006 document *Digital Cinema System Requirements*. The equipment must be DCI-compliant.

→ Cinema Buying Group (CBG): USA; +1/800 416 0077; www.cbgpurchasing.com

→ National Association of Theater Owners (NATO): USA; +1/818 506 1778;

www.natoonline.org

Korean exhibitors team up for digitisation

  A halted cinema digitisation process in Korea has been resolved, with two leading exhibitors establishing a joint-venture digital cinema facilitator for the Korean market. D-Cinema Korea is a joint venture between CJ CGV and Lotte Cinema, which own and control 36.4 per cent of the domestic screen base between them (similar to DCIP in the US). The entity will be responsible for negotiating with local and overseas distributors, selecting, ordering and testing equipment. D-Cinema Korea aims to be operational by first quarter 2008 with a starting capital of \$3.3m. ▶

Its initial working premise is to offer equipment to cinemas at a third of its true cost, with ownership moving to site after 10 years. In September 2006, Lotte Cinemas entered into an agreement with Korea Telecom (KT), which had entered the d-cinema arena with a target to equip 500 screens by end 2007 (see 2006/341a1). The agreement with Lotte was to equip the circuit in 2006, but this did not materialise. The business model was based on the virtual print fee (VPF), in return for an initial investment in equipment. This agreement has now been cancelled.



For its part, Korean Film Council (KOFIC) has announced Version 2 of the Digital Cinema Guidelines it has been working on, which will apply to the local market during digitisation. The new version has information on the digital intermediate (DI) process and on data transmission as well as colour management, post-production and exhibition. Korea does have a small installed base of largely DCI-compatible digital cinemas, which began in earnest in 2005. However, previous ambitious plans had faltered very early on, underlining the complexity that cinema digitisation presents.

→ Lotte Group: Korea; +82/2 3668 8600; www.lotte.com


→ CJ CGV: South Korea; +822/6411 2000; www.cgv.co.kr

REGULATION

Broadcasters fear mobile interference threat



  Governments have agreed a global frequency plan to allow for the development of new mobile and wireless communications services amid fears that some new services may conflict with digital terrestrial television (DTT). The International Telecommunications Union (ITU), a body linked to the United Nations and the main instrument for co-ordinating radio spectrum, completed the WRC07 conference in Geneva in Switzerland. At WRC07, governments agreed to identify the use of various frequency bands for so-called International Mobile Telecommunications (IMT) services, encompassing UMTS mobile telephony and Wimax.


The European Broadcasting Union (EBU) was concerned at the possible interference with DTT and mobile TV transmissions from IMT services on the 470 MHz-862 MHz band in Europe. However, telecoms industry groups argued that such a deferment would hamper development of new services at a time of rising consumer demand. WRC 07 signalled a partial victory for the EBU with only the 698-862 MHz band earmarked for IMT use in Region 2 (Europe, Middle East and Africa). Broadcasters were also concerned at the allocation of the C Band (3.4 GHz-4.2 GHz), used for satellite distribution of TV, for IMT. WRC 07 decided against a global allocation of this band for IMT.

 *There are already problems of interference between lower GSM bands (890 MHz-915MHz) and TV signals in the 470 MHz-862 MHz band in Europe. Normally, regulators take interference into account when allocating spectrum, leaving gaps or 'guard bands' between different channels. However, digital terrestrial TV is much more sensitive to interference than mobile communications because of the modulation scheme it uses. Despite the EBU's alarm, many countries are well down the road to analogue switch-off. Most of Europe is aiming for a deadline for analogue switch-off in 2012, but many countries will have completed the process well before then.*

→ EBU: Switzerland; +41/ 22 717 2111; www.ebu.ch

EU and US mull international pact on piracy

  Members of the European Union and the US are to enter negotiations on an international Anti-Counterfeiting Trade Agreement (ACTA). The treaty aims to create a high-level international framework, within which intellectual property protection and enforcement will be improved through international co-ordination. ACTA proposes harmonised standards of international co-operation, agreement on the best enforcement practices and alignment of laws. In total 34 countries have initially agreed to take part in discussions, with the notable exceptions of China and Russia—probably the largest disc counterfeiting and trading centres in the world.

 *Although there is a very long way to go, ACTA marks a big step forward towards international intellectual property rights protection in major markets. However, this effort will not reach its full potential without the co-operation of China and Russia, as the world's two largest centres for the production and trade of counterfeit DVD product. According to MPA research quoted in Video Intelligence, the piracy rate was as high as 93 per cent in China and 81 per cent in Russia as at end 2005.*

REGULATION

France fights piracy with rights holders and ISPs



French authorities, together with ISPs and music and video rights holders, have signed a Memorandum of Understanding to form an independent body with the power to suspend or terminate internet access of users persistently downloading content illegally. To create the body, French parliament will have to amend copyright, data protection, telecommunications and consumer protection laws, with a vote on legislation expected as soon as spring 2008. The proposal results from an independent review commissioned by the French government and headed by Denis Olivennes, CEO of retail chain FNAC. Under the agreement, ISPs are obliged to provide information on high volume users in helping detect illicit downloading. For each instance of unlawful downloading, a user receives a warning; his/her connection can then be de-activated on a third infringement.

The body will publish results of its activities every month to determine its effectiveness. ISPs have also reportedly committed to experimenting with systems that filter out copyrighted content. As part of the agreement, film rights-holders will reduce the window between a film's first theatrical screening and its release on DVD in France, from 7.5 months to six months. Additionally, French music labels have agreed to remove digital rights management (DRM) on tracks available through online stores, so users can download and play them on virtually every digital audio player.

The French initiative marks one of the first instances where ISPs will probably have to take legal responsibility for monitoring their traffic. The agreement follows a ruling in July 2007 in Belgium, which ordered ISP Scarlet to implement filtering technologies to remove and block copyright content exchanged by its subscribers using P2P applications. A number of factors could count against the effectiveness of any ruling. Forms of illegal content distribution are continually evolving and as such may pass undetected by ISPs. For example, users are moving from unlawful downloading to streaming video on the web—including Hollywood films and hit US television shows. Increasingly, TV shows and movies are uploaded immediately after initial broadcast or theatrical exhibition to video-sharing sites from where others can stream the files. Alternatively, users of P2P networks may start using techniques such as encrypting video—already a feature of P2P applications such as Azureus and uTorrent—which make it very difficult to detect illegal files. Moreover, given that ISPs on a practical level can only monitor the data of users moving high volumes of traffic, the French initiative is unlikely to affect those sharing illegally via P2P applications infrequently. As such it is unlikely to act as a significant deterrent.

→ Ministry for Culture: France; www.culture.gouv.fr

French regulator calls for mobile TV licensees



French media regulator Conseil Supérieur de l'Audiovisuel (CSA) has issued a call for applications for mobile TV service licences. A total of 16 licences are to be awarded. Already three licences have been reserved by public broadcaster France Télévisions, reducing the total to 13 licences. Applications must be submitted by 15 January 2008. The CSA lets applicants decide on the business model to adopt, although it stated that there will be a preference for free-to-air services. Mobile operators can also apply for the service licence, which will last for 10 years and be extendable once for an extra five years. The CSA requires population coverage of 30 per cent after three years and 60 per cent after six years. Two months after being awarded the licence, holders will have to propose an external company to take care of the technical aspects (ie, broadcast network operation).

The French government recently mandated the DVB-H standard for mobile TV and announced that the CSA was preparing the call for applications. France is extremely eager to launch broadcast mobile TV service because of the existing success of existing unicast mobile TV services. The most interesting aspect of the application call is the fact that the CSA hasn't taken a decision on the business model to adopt. Opinion conflicts regarding whether services should be free or subscription-based have been reported during the past few months. The group of licence holders will most certainly be composed of pay TV operators, broadcasters and mobile operators. It will be interesting to see how successful the co-operation between those key players will be and which business model will prevail.

→ Conseil Supérieur de l'Audiovisuel: France; +33/1 40 58 38 00; www.csa.fr

New law paves way for Czech DTT



A new law on digital terrestrial television (DTT) has been passed by the Czech Republic, paving the way for the launch of eight new national TV channels and setting a date for analogue switch-off in 2010. The law will come into force in January. Six new channels—Febio TV, TV Barrandov, Ocko, TV Pohoda, RTA and Z1 and established broadcasters TV Nova and Prima TV—have been awarded licences for digital broadcasting. TV Nova and Prima, which challenged an earlier decision to license the six new broadcasters, may also extend their existing licences for an further eight years (to 2025 and 2036 respectively). TV Nova is expected to launch its Nova Cinema or Galaxy Sport channels on DTT.

The Czech Telecommunications Office will now draw up a technical plan for digital switchover to determine the time frame for analogue switch-off. The plan was expected to be completed by end November, after which it will be presented to Parliament. The plan defines 10 October 2010 as the deadline for completion of digital switchover in accordance with EU regulation.

The new law allows any company that only fulfils legal conditions and pays an administrative charge to start digital terrestrial broadcasting. There will be no need to secure a special licence from the National Broadcasting Council for terrestrial broadcasting. Until now, only cable and satellite TV broadcasters have been awarded licences to broadcast after fulfilment of legal conditions.

After the new law comes into force the only real task for a digital TV broadcaster it will be to get an agreement from a DTT network operator. Multiplex operators in the Czech Republic are: České Radiokomunikace (Multiplex A), Czech Digital Group (Multiplex B) and Telefonica O2 CR (ex-Czech Telecom) (Multiplex C).

The new law also sets a new licence fee for Czech public television, which is going to be Ckr 135 (€5) per month, an increase of Ckr 15. Advertising time on CT1, the main national broadcast channel, will be increased from 0.5 per cent to 0.75 per cent of the total daily airtime.

With the limitation of the competencies of the National Broadcasting Council, the new law opens the Czech broadcasting market much further to the rules of free market. After it comes into force, the NBC will no longer select candidates for national distribution. Entrants to the market will simply need to secure carriage on one of the three multiplexes. The new law also bolsters the public broadcaster Czech TV, which saw its share of the market drastically cut by the launch of private TV.

→ Czech Telecommunications Office: Czech Republic; +42/2 24 00 41 11; www.ctu.cz

BUSINESS

Google unveils mobile market plans



Thirty-four companies have unveiled plans to develop a new mobile platform under the Open Handset Alliance (OHA). Led by Google, the alliance is overseeing the development of the Android mobile operating system (OS). The platform will be available under version 2 of the Apache Software Licence (ASL), which allows collaborative development, but can also lead to integration into proprietary software, as opposed to the more open General Public Licence (GPL), which requires contributions to be kept open. Operators, handset manufacturers or companies innovating on top of the open-source foundations will be able to monetise and restrict these innovations. The first Android handsets should hit the consumer market in second half 2008.



The Open Handset Alliance Founding members include China Mobile, eBay, Google, HTC, Intel, KDDI, LG, Marvell, Motorola, NTT DoCoMo, Qualcomm, Samsung, Sprint Nextel, Telecom Italia, Telefonía, Texas Instruments, and T-Mobile.


In going as far as pushing for a new operating system, Google is openly acknowledging mobile as a critical area for growth in connected services and content—and thus advertising, Google's core revenue source. By building an alliance, Google ensures its efforts will not be blocked by a whole industry. But it also confirms the superior market power operators and manufacturers still enjoy in the mobile industry, as opposed to the online market where Google built its leadership in the open internet. There are some notable absents in the OHA, although their non-participation is often justified. Nokia is a majority shareholder in Symbian, which develops its own mobile OS. Microsoft develops its own Windows Mobile. Both companies have also acquired mobile advertising specialists (Enpocket and Screen-Tonic, respectively). Apple always had very tight hardware/software integration and is not likely to open its iPhone beyond a reasonable third-party software licensing scheme.

→ Google: USA; +1/866 468 4664; www.google.com

BUSINESS



Bebo opens network to video content owners


  Bebo, the largest social network in the UK and third largest in the US, has launched an initiative called Open Media, which allows content owners to distribute video using the site. Rights holders can sign up at no cost and, importantly, can integrate their own players into Bebo. Using their own player allows content owners to control the user experience and in-stream advertising. Partners selling their own ad space retain 100 per cent for revenues but Bebo also offers a solution to those affiliates without their own advertising sales or player technology. Partners for the launch include US TV networks CBS, MTV, Turner and ESPN, and UK-based companies, the BBC (excluding BBC Worldwide), Channel Four, ITN and BSkyB. A number of smaller firms, such as Next New Networks, JibJab, SumoTV, Last.fm (owned by CBS) and Premium TV, will also provide content. Bebo claims 40m registered users worldwide—including 10.9m in UK. Its primary membership is located in UK, Ireland, US, Canada, Australia and New Zealand, and its core audience is aged 16-24. The average user spends 35-40 minutes day on the site, and views an average of 92 pages per usage day. Meanwhile, Yahoo is the network's exclusive advertising partner in UK and Ireland, and sells display advertising on profile and channel pages.

 For Bebo, integrating premium video is an attempt to increase the 'stickiness' of its network—to drive return traffic and encourage users to spend more time on the site. By increasing eyeballs, Bebo will be hoping to boost earnings from sales of display ads. Additionally, the initiative opens the door for collecting more specific data on its members—for example, a preference for a particular television show via the 'become a fan' link on the branded page. Bebo may intend to use this data to market highly targeted ad services—in the same way Facebook recently outlined in its ad strategy—to improve ad revenues from heightened CPMs. Major rights holders are increasingly adopting an open, affiliate syndication strategy rather than restricting distribution and monetisation to proprietary web properties. US broadcasters Fox and NBC Universal, for example, have followed a similar path with Hulu, the online video service that allows users to view ad-supported shows on Hulu and partner portals. The main selling points of Bebo's service are that content owners retain all revenues from in-player ads, without having to pay any publisher site, and that the proprietary player gives rights holders complete control over how ads are incorporated around their video.

→ Bebo: UK; +44 2074790318; www.bebo.com


French league launches new rights tender

  France's Ligue de football professionnel (LFP) has launched a new tender for the rights to Ligue 1, which come up for renewal from next season. Rights will be sold for four years 2008-2012 and have been offered in 12 packages. Previously rights were offered for three years in four packages: LFP is hoping to increase the value of its contract by opening the field to more bidders. Canal Plus is the present rights holder, having bid €600m a year and secured all live rights. France 2 has rights to a Sunday evening highlights package and Orange has UMTS mobile rights. Packages include the 10 top matches of the season, 28 Saturday night matches, 38 Sunday night matches, and three 'fan' packages offering home matches of specific clubs. A video-on-demand package will offer replays of matches from midnight on Sunday, while the mobile rights package will include live coverage of some afternoon matches. Bids are due by 22 January 2008.

 The LFP wants to increase its revenue from sale of rights to the premier division, aware that it has fallen behind the amounts gained by its counterparts in the major European territories. However, the €1.8bn paid by Canal Plus for the current deal was widely seen as a high offer which was mainly aimed at forcing its then rival TPS into a merger (a move which was successful). This time around, Canal Plus was not expected to offer as much and executives have leaked comments about their disappointment with viewing figures. Another factor is that TF1 and M6, formerly backers of TPS, are now shareholders in Canal Plus and have no interest in inflating the cost of rights. However, the LFP's move to increase the number of lots is shrewd: it will clearly open the field to more bidders and the four-year term provide more time for bidders to recoup their investment.


→ LFP: France; +33/1 53 65 38 00; www.lfp.fr


Italy launches TV frequency tender process

 Italian government has launched a licensing process for terrestrial television which will be the first formal procedure of its kind. A statement by the Ministry of Communications, which announced the process on 16 November, said the aim was to end 'the Wild West situation of the last 20 years'. A total of 108 frequencies covering different regions of the country will be allocated by a competitive tender. The process will be open to broadcasters with less than 80 per cent coverage of the country and will therefore exclude the two major broadcasters, Rai and Mediaset. The government hopes to complete the process by end March 2008.

→ Ministry of Communications: Italy; +39/06 54442100; www.comunicazioni.it

US rental kiosks outnumber Blockbuster stores

 DVD rental vending service Redbox, a joint venture between the McDonald's restaurant chain and US manufacturer of vending machines Coinstar, has installed its 6,000th kiosk this month (December). The number of Redbox kiosks now exceeds that of Blockbuster rental stores in terms of US locations. Redbox currently serves 46 states but expects to be operating in all 50 states by the year end. Meanwhile, the kiosk sector is growing stronger, with Blockbuster currently trialling its own DVD rental kiosks in selected restaurants and stores. Each kiosk, branded Blockbuster Express, will hold 250 titles (Redbox kiosks have a 500 discs capacity), available to rent for \$1 a day.

 According to Screen Digest's US offshoot Adams Media Research, US consumers spent \$73m at DVD rental kiosks in 2006, almost one per cent of total US DVD rental spending (see 2007/294). Blockbuster recently placed back its DVD-by-post hybrid Total Access scheme (2007/249a2) to place more emphasis on store profitability. Its entry into the rental kiosks sector can be seen as a move to approach price-conscious consumers, as the \$1 a day rental charge is significantly lower than the average over-the-counter rental charge of around \$3.30. The move also broadens Blockbusters coverage, while enabling it to move away from the traditional rental store model.

→ Redbox: USA; +1/630 932 9316; www.redbox.com



→ Blockbuster: USA; +1/212 854 3000; www.blockbuster.com


RTL steps further into Russia

   RTL Group, Europe's largest commercial broadcaster, has signed a joint venture with Luxembourg company Continental Finance Group (CFG) to set up and operate cable and satellite channels in Russia and the Commonwealth of Independent States (CIS). RTL agreed to invest an undisclosed sum in CFG subsidiary Content Union, which operates four Russian-language channels: Russian film channel Russkii Illusion (Russian movies), Illusion Plus (international classic movies), Detskiy (a children's channel) and Zoo Park (about animals). The four channels are distributed on cable systems in Russia, Ukraine, Belarus, Kazakhstan, Moldova and Georgia. The joint venture will also act as a distribution agent for third-party channels. The amount of RTL Group's investment was not disclosed. RTL already owns a 30 per cent stake in terrestrial channel Ren TV, which will operate independently of Content Union.

→ RTL Group: Luxembourg; +352 24 86 1; www.rtlgroup.com

TDF extends reach in Euro mobile TV market

  TDF is about to acquire broadcast mobile TV technology enabler and Deutsche Telekom subsidiary T-Sytems Media & Broadcast for €0.85bn. Through this acquisition, TDF will inherit control over the German mobile TV market with a newly deployed T-DMB network and a nationwide DVB-H mobile TV licence that has just been awarded to TSMB last October. The transaction is to be completed in first quarter 2008.


 Finnish television service distributor Digita operates a DVB-H mobile TV network in Finland and is also owned by the TDF group. TDF is therefore about to control two out of the four broadcast mobile TV networks operating in Europe, the two remaining networks being owned by Mediaset and 3 Italia in Italy. Apart from the recently obtained German nationwide DVB-H licence, TSMB is also involved in the Dutch mobile TV market, where it plans to deploy a T-DMB network in partnership with German mobile TV wholesaler MFD. Additionally, TDF is extremely likely to be selected by French mobile TV service providers to operate the national DVB-H network expected to launch in the second semester of 2008. Therefore, the TDF group is likely to build and operate three more mobile TV networks by end 2008, making it the first European mobile TV group.

→ TDF: France; +33/1 55 95 23 56; www.tdf.fr

→ T-Sytems: Germany; +49/761 880 62392; www.t-systems-mediabroadcast.com

BUSINESS

New Polish government may scrap TV licence

 A statement that the new prime minister of Poland, Donald Tusk, would try to scrap the radio and TV licence fee, has sparked a debate not only about the fee but about the whole issue of public funding for broadcasting. Tusk's party, Platforma Obywatelska, won the general elections in October.

Its main argument against the licence fee is that public media, as well as the regulator the National Broadcasting Council (NBC), have become too closely aligned with political parties. Others observed that national broadcaster TVP, in addition to receiving licence fee funding, is a dominant force in the growing TV advertising market, earning revenues of zloty 1.2bn (€300m) from advertising and ending the year with a surplus of €11m (35 per cent lower than in 2005).


In May 2005 the NBC set the level of the licence fee for 2008 at the same level as 2007 (zloty 17 a month for TV and radio and zloty 5.3 for radio alone). NBC also called for stronger measures to combat licence fee evasion, revealing that only about 44 per cent of the Polish population pay.

Supporters of the licence fee argue that the broadcasting act still guarantees autonomy of public media. Alternative proposals like financing from the state budget are regarded by licence fee supporters as likely to lead to decreasing importance of public media and even more to their dependency on the political status quo. For the moment, at least partial financing by the state is more likely to be introduced than a full privatisation.

TVP has been remarkably successful in maintaining its leadership of the TV market after the launch of private competition, in comparison with other central and eastern European countries. Although the new government may not follow through on its threat to abolish the licence fee, TVP is unlikely to emerge unscathed from the post-election debate about political influence and its excessive cost base.

→ TVP: Poland; +48/22 547 44 50; www.tvp.pl

Telenet expands cable reach in Flanders

 Belgian cable operator Telenet will become the sole operator in the Flemish region of Belgium after hammering out a deal with a rival consortium of cable networks under the Interkabel umbrella. Telenet will acquire rights to use the networks of Integan, Intermedia, PBE and WVEM, which currently offer services under the brand INDI.

Telenet has agreed to pay a one-off fee of €170m plus annual profit-participation for a 38-year lease on the networks, which will remain owned by the individual companies. The deal gives Telenet direct access to the consortium's 800,000 customers and the opportunity to roll-out Telenet-branded services and its premium C-More channel offer across the whole of Flanders. Telenet launched its digital TV product on its own network back in 2005. Telenet will be charged for operating expenses and overheads by the companies for the duration of the deal.



This agreement follows Liberty Global's acquisition of a major stake in Telenet last year, and the subsequent merger of UPC Belgium and Telenet earlier in 2007, creating a company serving over 40 per cent of the country's cable households. Following the new agreement between the Belgian cable giant and Interkabel, Telenet will have direct access to over 60 per cent of the country's cable TV customers, and will serve well over 50 per cent of Belgian TV households.

The deal comes at a critical time for Belgian cable, which has been recently losing ground to newer platforms, notably Belgacom's IPTV service, which has gone from serving fewer than one per cent of households to almost seven per cent in only two years. A unified brand and service offering will make the cable consumer proposition clearer and make advanced services available across the whole of the region.

Digital TV also provides an excellent chance to boost revenues—analogue cable ARPU's in Belgium are notoriously low, and digital TV services will help to buoy overall cable revenues. For the Interkabel consortium, this option provides a win-win situation. The companies maintain ownership of their infrastructure while getting network upgrade costs guaranteed.

→ Telenet: Belgium; +32 15 333 000; www.telenet.be

Tivo to enter Media Centre PC market

  Tivo, the US-based subscription personal video recorder (PVR) service for pay TV, plans to partner Nero, a European supplier of CD/DVD writing applications for PCs. The proposed venture will result in a software version of Tivo's TV service integrated into upcoming versions of Nero's CD/DVD writing application. This will allow Tivo to access PC users across the globe, transforming computers into TV PVRs, providing they have direct TV input via a USB or in-built PC TV tuners. Tivo's current installed base of set-top boxes (STBs) is almost exclusively US-based and heavily weighted towards pay TV operators Comcast and DirecTV. Retail standalone Tivo sales have been much slower.


Tivo's move seems hopeful of a burgeoning market for TV subscribers primarily using off-the-shelf PCs to decode broadcast TV. However, there is little evidence of consumer understanding of such devices, as shown by the success of Microsoft Media Centre PCs. The broader problem with integrating tuners into PCs is the control exerted by content providers and pay TV operators. Encryption of content with conditional access systems (CAS) and embedded middleware is the exclusive licence of operators and without regulatory opening of this control it is unlikely that major operators will see any benefit from disseminating this proprietary information or risking the loss of direct control over their subscriber base. Where there has been regulation in the US cable market (see 2007/214b1), the input system for CAS will still require licensing from Cablelabs, an industry body working on behalf of the cable industry.

On the other hand, free-to-air (FTA) content has open specification that will allow content to be decoded via a PC. However, FTA viewers will be those that choose not to pay for their TV and are unlikely to offer a significant market for subscription PVR services. Additionally, FTA content tends to be more limited than the EPG of US pay operators, and does not require a subscription service to catalogue and search for content. The immediate application of this service is via the home PC, a second or third screen and will require further consumer understanding to connect to a primary TV in the living room. Tivo could find success if it can marry the limited FTA broadcast channels with content available from the internet and integrate its service, making this wealth of extra content easily accessible for the viewer.

→ Tivo: USA; +1/ 212 446 1864; www.tivo.com

→ Nero: Germany; +49/ 724 892 8200; www.nero.com

Warner signs new Chinese distribution partners

 Paramount and DreamWorks Animation have entered into a distribution agreement with Warner aimed at enabling them to compete with pirated product in China. Starting on 1 November 2007 with the release of Paramount's *Transformers*, the studios will be selling key titles for as little as \$2.95 (23.5 yuan) through CAV Warner Home Entertainment (CAVW). DVD release windows will also be reduced, in some cases to as little as two months after the movie's US theatrical debut. Universal product is already distributed through CAVW and, according to Warner, other studios may join the distribution network in the next 12-18 months.

CAV Warner, the joint entertainment distribution venture between Warner's DVD unit and China Audio Video, sells low priced DVDs in China through 20,000 outlets in 50 cities in the country. CAV Warner has released 400 titles since its launch in February 2005 and has been distributing Universal titles since 2005 (see 2005/310b1).


Two years after signing its first partner in China, Warner has secured further support for its campaign to compete directly with pirate product in the territory. Furthermore, that support comes from two companies that currently boast a particularly strong release slate. By offering attractive alternatives to lower-quality pirated versions, the studios hope to make legitimate product a viable choice for an increasing number of Chinese consumers. The result is that China will have the earliest release dates and lowest-priced DVDs in the world. Although there have so far been relatively few problems with parallel imports of discs from China to other territories, Screen Digest understands that Warner does not usually include original English soundtracks in the initial release SKUs of key titles in China. Warner is the only US studio to have its own operating company in the potentially huge Chinese market. The addition of Paramount and DreamWorks Animation to the existing slate of Warner and Universal titles is a big step towards achieving a united Hollywood pricing strategy in China, a move that would no doubt help in the campaign to educate the public about the benefits of buying legitimate discs.

According to Screen Digest's Video Intelligence service, Chinese consumers spent \$171m on buying 125.7m legitimate DVDs and VCDs in 2006. Meanwhile, the pirate market continues to be many times as big. To secure their share of this market, the US majors must not only move faster than the pirates, but also come up with more creative business models. Warner is also currently working to set up a legal download system in the country.


→ Warner Home Video: USA; +1/818 954 6000; www.warnerbros.com

MARKETS

Price cuts and bundling offers before Christmas

 Consumer electronics manufacturers, mass market retailers and both hi-def video formats' promotional groups are working together to drive Blu-ray Disc (BD) and HD DVD consumer adoption during the Christmas shopping season.


- A critical consumer price point was reached when US retailers including Wal-mart, Best Buy, Amazon.com and Circuit City started selling HD DVD players for less than \$200 (see 2007/384a1).
- Blu-ray Disc (BD) backers responded to the discounts by slashing their prices: Sony's BDP-S300 is now \$100 cheaper at \$399 (equivalent to the 40Gb PS3 games console), whilst Samsung's BD-P1400 is currently available for \$339—almost \$200 less than its original SRP.
- Wal-mart reportedly sold between 90,000 and 100,000 Toshiba HD-A2 players during its \$99 two day-offer US offer in November (see 2007/348a1) designed to shift the older model.
- In the meantime, 'soft' bundle deals—allowing customers to redeem five to eight BD or HD DVD discs free with the purchase of a hi-def player—are running in the US and Europe (see Focus, page 256) as well as in Australia, where the latest HD DVD Consortium promotion allows consumers as many as 10 soft-bundled HD DVD titles along with a hard-bundled disc (in the box) when they purchase Toshiba's HD-XE1 \$1,299-HD DVD player.
- Retailers continue to offer discounts on software, with Amazon.com running a 'buy one Blu-ray get one free' offer at end November, while BestBuy is offering a \$100 software gift certificate to customers who buy Sony's BDP-S300 from mid-December.


 Prices of both HD DVD and BD players have fallen considerably since launch, reaching around 40 per cent of their original launch prices over the past 12 months. Price declines of this magnitude on DVD players took over four years and coincided with the development of early mass market for the format. The falling prices of hi-def players are driven by the format war as an attempt to speed consumer adoption of the individual formats. But reduced prices do not compensate CE manufacturers for their production costs, promotional and marketing expenses. Toshiba itself stated it only expects to start being profitable after April 2008.

Smaller companies, which had earlier announced their plans to launch 'cheaper' HD DVD players (see 2007/28a1), have found it difficult to attract buyers to their products; Japanese CE manufacturer Onkyo launched its €899 DV-HD805 in autumn 2007, but has reportedly ceased shipping the player in Europe.

- Onkyo: USA; +1/201 785 2600; www.us.onkyo.com
- Toshiba: Japan; +81/3 3457 2105; www.toshiba.co.jp
- Sony: Japan; +81/3 5448 2111; www.sony.co.jp



Sky hits million DSL broadband customers

 Pay TV operator BSkyB has reported 1m DSL broadband customers to its Sky Broadband offer since launching mid July 2006. Access is offered only to pay TV subscribers and is provided in areas covered by subsidiary Easynet's unbundled (LLU) network as well as in non-LLU areas via a wholesale partnership with BT (see 2006/281a2). Easynet can offer unbundled DSL services to 70 per cent of UK homes. Alongside Carphone Warehouse, the Easynet network is one of the two most extensive alternative DSL networks in the UK.


 Sky Broadband saw the highest net additions and quickest growth during second quarter 2007 of any of the main UK ISPs—the latest quarter for which comparable data is available. It added 276,000 broadband customers, a quarterly growth of over 56 per cent on its customer base at March 2007. According to Screen Digest, Sky still lags behind BT Broadband, Virgin Media, Carphone Warehouse, Orange and Tiscali in its number of retail broadband customers as of mid 2007. However, given Sky's strong organic quarterly and year-on-year growth, it is likely that its broadband base will edge much closer to those of Orange and Tiscali over the coming three to six months. Consumers' interest in Sky's broadband service has been driven by the attraction of free or very competitively priced packages; the large installed base of existing TV customers that Sky can target to introduce to broadband or attract from other providers; the top end ADSL2+ connection speed available (only other main providers offering comparative DSL speeds are Telefónica's ISPs Be and O2).

- British Sky Broadcasting: UK; +44/20 7705 3000; www.sky.com

Broadcasters confirm joint online TV venture

  Channel Four, ITV and BBC Worldwide, the commercial arm of the BBC, have confirmed details of their joint online television service, first reported in June 2007. Currently named Kangaroo, the platform will contain over 10,000 hours of programming, including catch-up and archive shows, and is expected to launch in the UK during 2008. The three broadcasters will share ownership of the venture, which will aggregate video from its founders and third-party content owners. The remaining major UK broadcaster, Five, is a notable absentee but is expected to be invited to sign up as a content provider. Video on the platform will be both streamed and downloaded, available on free, rental and ownership models. Plans are subject to approval by the BBC Trust and the boards of ITV and Channel Four.

Expected to launch initially on the PC, the service will be available for integration into other hardware platforms. Some broadcasters will continue with catch-up services on their own websites. The joint venture will be based on the same Kontiki peer-to-peer technology as Channel Four's 4OD application, which is expected to be phased out in favour of Kangaroo. The C4 website will instead feature a new streaming catch-up service. ITV.com will continue to host simulcast and 30-day catch-up programming. BBC iPlayer platform will carry on as its own catch-up service, while content available through iPlayer will also be listed within Kangaroo. The collective platform is, however, expected to provide some exclusive programming.

 Historically, the online television market in the UK has been held back by a number of factors. A preference for application-based services has meant that users are required to download and use a separate client from each provider, resulting in the fragmented consumer proposition that Kangaroo is intended to avoid; some users have reported technical problems with the Kontiki-based client software, which Kangaroo aims to address by creating a single client and aggregating a catalogue with more depth than any other online service. Continued competition from multichannel TV, coupled with consumers spending more of their time online, has encouraged the major broadcasters to rally together in an effort to increase eyeballs for their online video. However, the question of platform compatibility still hovers over the service. Videos served via 4OD, iPlayer and ITV.com come in the Windows Media Video format and wrapped in Microsoft Digital Rights Management (WMDRM). As such, the services have problems working with Apple Macs; open source operating systems; and, in some cases, older versions of Microsoft Windows. If a similar DRM policy is taken towards video available through Kangaroo, this will somewhat reduce usage and subsequent revenues, as well as potentially limiting hardware partners. Given the three broadcasters' shareholder stakes in Freeview and their reported discussions with the Digital Television Group in June 2007, one move would be to embed Kangaroo in the emerging generation of broadband-capable Freeview-Plus boxes.


- BBC: UK; +44/20 8576 2488; www.bbc.co.uk

- ITV: UK +44/20 7843 8000; www.itvplc.com


- Channel Four: UK; +44/845 076 0191; www.channel4.com

PRODUCTS

Estonia launches third national DTT multiplex

 Estonian TV and radio network operator Levira launched the third digital terrestrial television (DTT) multiplex on 26 November 2007. The network covers 97 per cent of the country and this will be extended to 100 per cent in the summer. Main public channel ETV will transfer to the multiplex along with the private channels TV6, Kanal 11, Viasat and Kanal 2. A new sports channel, Kalev Sport, and a second public channel, ETV2, will also launch.


The first two multiplexes, which have coverage of about 93 per cent, are used by pay TV platform Zuumtv, which offers a package of over 20 thematic channels. Levira, owned by the state (51 per cent) and France's TDF (49 per cent), started MPEG4 transmissions on DTT in December 2006.


 Although the new channels will start to make DTT more attractive, the free and pay TV offer still does not look competitive enough compared with cable and satellite. Subscribers to Zuumtv were reported at 6,500 (compared with 50,000 expected by end 2008). Sales of DTT set-top boxes have also been disappointing. The deadline for digital switchover, which has been changed by Estonia's Ministry of Culture from 2012 to February 2010, may be reviewed again in 2009. To make the digital platform more attractive for broadcasters the Estonian Ministry of Culture offered to waive digital transmission fees of €1.6m a year for commercial broadcasters TV3 and Kanal 2, if they launch on DTT by 1 March 2008.

- Levira: Estonia; +372/680 4000; www.levira.ee

PRODUCTS


Dutch video service to expand internationally


 A Dutch version of online video service Maxdome is planned for second quarter 2008. The German version of the platform—a joint venture between ProSiebenSat.1 group and United Internet—is accessible to internet-connected PCs and STB owners. In contrast, the platform in the Netherlands will be available initially to PC users.

 Three online movie stores already offer major Hollywood movies in the Netherlands. Free Digital was the first platform to launch in the country in April 2006 with Hollywood movies, and sells over 200 Warner Bros movies on a digital retail model. Online DVD rental firm Moviemax, which also operates Videoland's outlet, launched in November 2007, offering Sony Pictures and Warner Bros films on a similar ownership basis. Factors supporting the growth of online movie services in the Netherlands include the high penetration of broadband and incumbent KPN's moves to roll out high-speed VDSL (50 Mbps) nationwide. However, Screen Digest does not believe that these factors alone are enough to guarantee the success of online video platforms. Experience in the US suggests that device-focused online services, such as Microsoft's Xbox Live Marketplace and Apple's iTunes Store, are those that see most significant customer penetration.

→ ProSiebenSat.1 Media: Germany; +49/89 95 07 77 00; www.prosieben.de


Online video service Hulu beta launches

 Online video service Hulu, a joint platform set up by News Corporation and NBC Universal, has launched in private beta in US. Content is available free of charge, supported by advertising. Currently videos are viewable through the Hulu site, and the platform's content is more widely distributed through customised Hulu players on portal partners AOL, Comcast, MSN, MySpace and Yahoo. Hulu users can either set markers to cut a clip from any video to embed into any webpage, or embed entire shows or films. A sharing option allows users to e-mail videos. A 30-minute show reportedly contains five or six ads, including a pre-roll ad, from a single sponsor. A clip selected and then shared or embedded by a user will not necessarily contain advertising. The catalogue includes professional clips and full-length content. Hit TV shows from subsidiary Fox and NBC broadcasters such as 24, Prison Break, Heroes are available, while programming from 15 smaller cable networks is being added on an ongoing basis. Initially a selection of feature films from major studios Universal and Twentieth Century-Fox is being hosted. Further licensing deals have been announced with Sony Pictures Television for 40 TV shows and with MGM Studios for film and TV programming. Hulu has received \$100m funding from Providence Equity Partners.

 News Corporation and NBC Universal have opted for a broad professional distribution network and viral syndication via an embeddable player to open up content to as large an audience as possible and increase revenue potential from sales of in-stream ads. The platform marks a significant change in policy for the two companies. This is the first time that shows from Fox and NBC have been available on a free streaming basis outside proprietary web properties Fox.com/MySpace and NBC.com. The Hulu platform aims to compete with market leader Apple's paid download iTunes Store (iTunes) as a way of monetising television and film content online, albeit via a different business model. The launch of the service follows NBC's decision to withdraw its shows from iTunes in August 2007 following disagreements between the two sides over NBC's demands to raise wholesale costs, implement flexible pricing, offer bundled video products and introduce tighter piracy controls. Meanwhile, Fox continues to sell TV programmes through iTunes in US.

→ Hulu: USA; +1/310 571 4700; www.hulu.com


RealNetworks player allows non-DRM downloads

 Digital entertainment company RealNetworks will release an updated paid version of RealPlayer in UK, called RealPlayer Plus. The player enables the download of non-DRM (Digital Rights Management) protected online video content to iPods, which it is hoped will extend to include Apple iPhone and iTouch devices by early 2008. A beta version of the new RealPlayer for Mac users will soon be released, allowing the download and playback of non-DRM protected Flash videos from the Web.

→ RealNetworks: USA; +1/206 674 2700; www.real.com

Telefónica and Sogecable launch triple-play


  Telefonica, Spain's major telephone company, and pay TV operator Sogecable have launched triple-play product Trio Plus, combining the Digital Plus pay TV package with 3 Mbps broadband access and flat-rate local and national telephone calls. The offering, announced this summer, launched on 1 December 2007, the day after anti-competition regulations banning joint marketing initiatives expired. The regulations were imposed following the merger of the Vía Digital and Canal Satellite pay TV platforms in July 2003. Alongside Trio Plus, the companies have signed a four-year agreement to acquire Spanish pay TV rights.


 As a legacy of the pay TV merger, two companies are linked by Telefónica's 17 per cent stake in Sogecable. For Sogecable, the venture will strengthen its marketing pitch by offering a broader range of services along the lines of BSkyB in the UK. Telefónica, facing intense competition in its core business, will benefit from alliance with a key content provider. It has withdrawn from a direct role in this business by closing the loss-making Vía Digital and earlier this year selling its stake in Endemol.

→ Sogecable: Spain; +34/91 736 70 00; www.sogecable.com

→ Telefónica: Spain; +34/900 101 010; www.telefonica.es


Hong Kong launches 1000Mbps fibre broadband


 Incumbent telco in Hong Kong, PCCW, has launched bundled IPTV, fibre and wireless broadband packages. The 1000M product, under the Netvigator brand, combines high definition IPTV services and a fibre broadband connection up to 1000 Mbps downstream, with 3G-HSDPA mobile wireless broadband access and connectivity at 3,000 city-wide Wi-Fi hotspots. A second 100M package offers residents high definition IPTV with a lower 100 Mbps maximum fibre connection and Wifi access, but excludes mobile wireless broadband access. The telco hopes to increase this top-end fibre speed to 1250 Mbps soon, and even further during 2008, whilst the maximum mobile HSDPA downstream speed is up to 7.2 Mbps and the maximum HSDPA upstream speed up to 384 kbps. The 1000 Mbps and 100 Mbps products cost HK\$2188/£137/€191/US\$281 and HK\$588/£37/€51/US\$76 respectively per month. PCCW claims to be able to offer the fibre products to two thirds of homes in the country.

 Competition from Hong Kong Broadband Network, which claimed a world first in announcing 1000 Mbps fibre broadband in November 2004, has put pressure on the incumbent to launch its own high-speed end-to-end fibre services. PCCW's strategy of bundling multiple mobile and fixed broadband access types with IPTV subscription is an attempt to reduce churn and increase ARPU from its subscriber base. By comparison in Europe, French providers Iliad and France Telecom offer 100 Mbps, while Neuf Cegetel provides 50 Mbps; B2Bredband in Sweden advertises 100 Mbps; Dansk Bredband in Denmark markets a maximum of 25 Mbps. In the US, Verizon's top fibre speed is 30 Mbps. And 1000Mbps is over thirty times the highest connection speed advertised in the UK: 24 Mbps from ADSL2+ provider Be Unlimited. Hong Kong, in line with other Asian countries such as Japan and South Korea, has a comparatively high penetration of fibre broadband. Screen Digest research indicates that at end 2006, over 30 per cent of online homes in Hong Kong were connected to broadband via fibre running directly into their home or via LAN, with fibre linked up to their apartment block.

→ PCCW: Hong Kong; +852/2888 6320; www.pccw.com

Sogecable brings HDTV to Spain

 Sogecable will introduce HDTV early next year. Canal Plus HD will debut in January 2008, on its satellite platform Digital Plus as a soft launch. Details and date of the full commercial launch are yet to be confirmed. The HD content will be available through the iPlus box, the MPEG-4-HD-ready PVR box already introduced last August.


 Spain is the last major European pay TV market to introduce HDTV; everywhere else it was introduced in the first half of 2006. Prior to this announcement, only a trial channel and a regional DTT channel were pioneering HD in Spain. In October 2007, SES Astra and Sogecable agreed to lease an additional transponder on the orbital slot 19.2° East to allow Sogecable/Digital Plus to have extra capacity for their HD simulcasts. With the new agreement, Sogecable has secured a total of 11 transponders with Astra on a long-term basis.

Sogecable revealed that already 21 per cent of its existing subscribers have HD-ready TV sets (a much higher proportion than that of all Spanish households – that was around 13 per cent at mid-year) and could thus enjoy the HD version of Canal Plus carrying Hollywood movies and top soccer games. Based on the forecast growth of HD-display penetration in Spain and the uptake of premium HD tiers among other European pay TV operators, we believe a mini-package on Digital Plus could gather 375,000 subscribers by end 2011.


→ Sogecable: Spain; +34 917 36 70 72; www.sogecable.es

PRODUCTS

Warner rolls out branded VoD channels


 Warner Bros is to launch branded video-on-demand services on a variety of platforms around the world, offering its TV series direct to users on an advertising and subscription basis. Called Warner TV, the service has already launched in the UK on Virgin Media and BT Vision, with branded gateways on the first page of channel listings. In France, Warner TV soft-launched in July on the Free IPTV platform and has attracted over 25,000 subscribers paying €5.99 a month. The service will also launch on Orange TV in France later in the year.

The Hollywood studio said it will announce further branded channels in other countries in the coming months, including subscription VoD and linear channels.


 *The international distribution arm of Warner Bros is the largest unit of its kind, generating revenues of more than \$2.7bn in 2006 from selling rights to its TV output. It experimented with the launch of branded channels on cable and satellite in the 1990s and was a launch investor in pay TV platforms, including Canalsat in France, but only the Warner Channel in Latin America survived. The burgeoning video-on-demand space—occupied by broadband, IP TV and digital cable platforms—offers another chance for the studio to sell its content direct to consumers as well as the traditional route selling to broadcasters. The studio's stablemate HBO is also offering its programmes on demand through Virgin Media in the UK.*

→ Warner Bros International TV: USA; +1/818 954 6012; www.wbvtv.com

Chinese drive to promote local film circulation


 Initiative has been set up by five major cinema circuits in China to screen local language films exclusively across prime screens in China. Provisionally named Chinese Film Union, the network formed by Shanghai United Circuit, Stellar Megamedia Circuit, Wanda Cinema Circuit and China Film Southern Cinema Circuit and New Film Association will consist of 50 screens across the country. The first cinema to allocate a screen to the initiative is UME Huanxin cinema in Beijing, but a further 12 screens in Guangdong and 10 in Shanghai have also been selected. The move has been linked to an influx of blockbuster titles with increasingly wider releases in China, and as a result industry observers have noted a deterioration in the variety of films screened. In 2006 over 200 films were produced in China, with only a fraction achieving theatrical release status.


The initiative is aimed at increasing the profile of local films in top-rated locations (and therefore overall revenues), while still achieving a modest distribution budget, on a maximum of 50 prints. The union will select mid-budget titles up to around \$3m and aim to distribute 60 features each year.

 *The initiative follows several high-profile attempts to block foreign movies entering the Chinese market during the summer months and other festive periods (see 2004/147b2). Indeed, only this month (December) the Chinese government body SARFT has imposed what can only be described as the most severe measures to date: a temporary ban on US film imports for at least three months. The move could be interpreted as a measure to boost the overall market share of Chinese films for that year.*

→ SARFT: China; +86/10 8609 3114; www.sarft.gov.cn

Sony launches online store for PSP games

 Sony has launched a version of PlayStation Store that enables PSP owners to purchase and download premium content via a PC. Previously PSP owners required a PS3 console to download PlayStation Store content to their PSPs. The service is available in all major territories. Existing PlayStation Network account holders may use the same login and funding options they use when accessing the store from PS3. The initial content selection is sparse. However, the store will be updated on a regular basis. Content distribution strategies are determined by Sony's regional publishing operations. Currently only Sony-published titles are available as paid downloads. However, third-party published content will be available shortly and is currently available as free demos and video trailers. ▶

 *This enables PSP owners without PS3 consoles (the clear majority of the PSP global user base) to access and acquire digitally distributed content for the first time. The availability of content via digital retail has resonated with home console owners with successful deployments of both Xbox Live and PSN services and it will be interesting to see if Sony can replicate this success in the handheld space. Downloading games to memory stick, as opposed to playing them from UMDs, also offers consumers the benefits of much faster loading times, the convenience of carrying multiple games on a single memory stick and improved battery life.*


From Sony's perspective this transforms the entire PSP user base into potential digital retail customers. Uniquely amongst existing digital distribution services, PlayStation's digital retail network now embraces both home and handheld console users. Access to the distribution network will be desirable for publishers of digital content, given the capabilities of the devices to play various types of media and the current success of digital distribution services tied to proprietary hardware (eg, iTunes and iPod, Xbox Live and Xbox 360).


Screen Digest expects Nintendo is likely to follow suit, given the enormous user base of DS. However, with robust games sales in all major territories, the urgency is less pronounced.

→ Sony Computer Entertainment America: USA; +1/650 655 8000; www.scea.sony.com

TECHNOLOGY


Blu-ray's BD+ integrity threatened


 Blu-ray Disc (BD)'s additional copy protection software BD+, the DRM system finalised in June 2007, may already have been compromised. SlySoft, the company behind disc-ripping products AnyDVD and CloneDVD, has developed a new beta version of its AnyDVD HD software, which it claims will support video playback of BDs with BD+. According to SlySoft, all BD+ titles can be copied with its ripping software or watched on any hi-def enabled PC based system without High-bandwidth Digital Content Protection (HDCP) and even without an HD display. Current version of AnyDVD HD already circumvents the Advanced Access Content System (AACS), the copy protection layer used by both HD DVD and Blu-ray, which was hacked in February 2007 (see 2007/53a1).

 *To date, the BDA has failed to comment on the integrity of BD+. However, members of the BDA are likely to be concerned that the extra layer of security heralded as a key differentiator between BD and HD DVD has been threatened within months of its official launch. Copy protection is crucial to some studios' hi-def strategies; early in the format war, concerns over content protection led Twentieth Century-Fox to publish exclusively on BD (see 2005/245a2). In order to retain control over hi-def content, the studios and Macrovision, the new owners of BD+ (see Technology deals, page 382), will have to invest ever more effort and money to stay ahead of the hackers.*

→ SlySoft: Ireland; www.slysoft.com

New chip technology for cheap hi-def players

 Chip that promises lower cost combi HD DVD/Blu-ray Disc player has been announced by Horizon Semiconductors. The firm claims to have created the first 'system-on-a-chip' (SoC) technology that enables dual-channel native 1080/60p (1080p) decoding, encoding and transcoding for both HD DVD and Blu-ray Disc (BD) hardware. Horizon's Hz7120 HD DVD/BD SoC is compatible with video compression standards, including native hi-def 1080/60i and 1080/60p profiles of AVC/H.264, VC-1, MPEG-2 and DV/HDV, audio compression standards such as DTS-HD, Dolby Digital Plus and Dolby TrueHD, as well as HD DVD and BD interactive technologies HDi and BD-J.

 *The appearance of such technical solutions brings the possibility of cheaper dual-format hi-def players and recorders closer to reality (see 2006/376b2). This development could mark a step change in potential production costs. The consumer price of dual-format players has been consistently higher than the combined price of a HD DVD and BD player, though cost constraints have prevented these machines from being able to support fully the additional features increasingly common to hi-def, such as the interactivity and ethernet connectivity required for full HD DVD certification. The lower cost chipsets could be used in single-format players, though they may not be able to compete with the cheaper HD DVD players based on Broadcom and Microsoft's 'system-on-a-chip' solution (see 2007/28a1). Horizon previously released a similar chip that would enable digital TV set-top boxes to decode 1080p pictures, potentially helping to remove the higher picture quality advantage of packaged media over TV platforms. However, note that there are also bandwidth challenges to the viable transmission of 1080p TV signals.*

→ Horizon Semiconductors: Israel; +972/77 2020400; www.horizonsemi.com

Mergers, takeovers and investments

Big Fish Games UK; +44/20 7061 3800 www.bigfishgames.com	Leading casual games developer and distributor acquired Thinglefin , a casual massively multiplayer game developer, for an undisclosed amount. Big Fish Games operates extensively in the traditional casual games sector but is increasing its exposure to more community-based online casual games.
Chorion UK; +44/20 7061 3800 www.chorion.co.uk	Intellectual property has acquired licensing agency The Copyrights Group , adding rights including Beatrix Potter, Paddington Bear and Horrible Histories to its portfolio. Financial terms were not disclosed. Chorion, bought by management backed by private equity company 3i in May 2006, owns the rights to the works of Enid Blyton, Agatha Christie's Poirot and Raymond Chandler, among others.
DHX Media Canada; +1/902 423 0260 www.dhxmedia.com	Canadian children's TV company has acquired Vancouver-based animation producer Studio B Productions . DHX will pay C\$8m in cash plus an additional sum in cash and shares based on Studio B's income in 2007 and 2008. International sales of Studio B's library of 400 half-hours of programming will be managed by Decode Enterprises, which currently handles distribution for DHX subsidiaries Decode Entertainment and Halifax Film, as well as third-party producers. Production will continue under the Studio B brand following the DHX acquisition.
Fox Entertainment Group USA; +1/310 369 3900 www.fox.com	News Corporation-owned cable, TV and home entertainment giant acquired online religion and spirituality community network Beliefnet , for an undisclosed amount. Beliefnet will become part of Fox Digital Media, which owns social networking site MySpace. Beliefnet has around 3m visitors a month and a daily e-mail newsletter distributed to around 11m subscribers. Fox already has its own Christian and family films division, Fox Faith.
Glu Mobile USA; +1/650 571 1550 www.glu.com	Mobile games publisher has acquired Chinese mobile gaming firm MIG Information Technology for an initial cash sum of \$14.7m. Additional payments of up to \$25m in cash and stock will be made subject to the achievement of certain financial milestones by MIG in 2008. This acquisition places Glu in a better position to promote its games titles in the Chinese market and makes it the first top-tier games publisher to purchase a Chinese games developer and publisher.
Green Umbrella Entertainment UK; +44/207 569 2600	Independent music and video distributor changed its name to Go Entertain on 19 November 2007. Sister company Green Umbrella Distribution, which distributes sports and special interest titles as well as its own brand, changed its name to Go Distribute.
Image Entertainment USA; +1/818 407 9100 www.image-entertainment.com	Video distributor has finalised the merger with investment group BTP Acquisition that it announced in April (see 2007/125), after receiving shareholder approval. According to the re-evaluated agreement, the shareholders will receive \$4.68 per share in cash without interest and retain a six per cent interest in the post-merger company, as opposed to the five per cent indicated in the initial deal. The \$132m merger closed on 6 November 2007.
ITV plc UK; +44/20 844 8813000 www.itv.com	Broadcaster has acquired independent producer 12 Yard, a formats specialist jointly owned by Hat Trick Productions and management. ITV, which has earmarked £200m in funds to acquire production companies, agreed to pay £26m in cash and a further payment of up to £9m contingent on profits over the next three years. The acquisition will reinforce ITV's position in the international formats market and the catalogue of Granada International, which will become the sole international distributor for 12 Yard programming.
Mediaset Italy; +39/02 2514 9271 www.mediaset.it/corporate	Italian TV group has formed a production and distribution joint venture with Tao Due , one of the country's largest drama producers. The new joint venture, as yet unnamed, will combine Mediaset's film subsidiary Medusa and Tao Due, with Medusa owning 75 per cent. Mediaset said the company would have an asset value of €370m and will pay €107m to the Tao Due partners. This follows Mediaset's acquisition of Endemol earlier in the year.
Musiwave France; +33/147 973 595 www.musiwave.net	French mobile music service provider has been bought by Microsoft for \$46m. As part of the agreement Microsoft also assumes Musiwave's net debt of \$4m. Musiwave currently provides music entertainment to 30 mobile operators in 25 countries and powers over 20 full-track mobile music services. This acquisition further strengthens Microsoft's position in the mobile entertainment market, following its purchase of mobile search company MotionBridge in February 2006 and mobile advertising firm Screentonic in May 2007.
Original Video UK; +44/870 143 6769 www.original-video.com/video/uk	UK manufacturer of DVD and game rental vending machines has secured a £125,000 fund from private investor South West Angel and Investor Network to launch its rental kiosks into retail stores nationwide. Company—which reported revenues of €4.2m in 2006—expects to be adding five new locations a month through 2008.
Prime Focus Group India; +91/22 3043 5000 www.primefocus.co.in	One of largest post-production houses in India has acquired Post Logic Studios and Frantic Films VFX , respectively in US and Canada, for \$43m. The deal marks the first holdings in North America for the company, which also recently acquired London-based VTR. Frantic Films is reportedly working on several stereoscopic projects.
Qualcomm USA; +1/858 587 1121 www.qualcomm.com	US-based technology leader is to acquire mobile banking specialist Firethorn for \$210m. Founded in 2001, Firethorn has developed a technology platform that securely links financial institutions and wireless operators. Firethorn provides mobile banking services—viewing account balances, billpay and money transfers—to the two largest mobile operators in the US, AT&T and Verizon. The acquisition is expected to be completed by mid December.
ROK Entertainment UK; +44/1902 374 896 www.rokent.com	Mobile TV off-portal service provider has acquired a 51 per cent share of digital video content producer Fun Little Movies (FLM) for an undisclosed sum. FLM was founded in 2004 and specialises in the production and development of short comedy movies for mobile and online platforms. FLM's content can be seen on mobile networks operated by AT&T, Sprint and Verizon in the US.
Ubisoft France; +33/1 48 18 5000 www.ubisoft.com	Software company has strengthened its developer resource with the acquisition of Digital Kids , which had previously worked with Ubisoft on numerous Nintendo DS titles, largely targeted at a younger female demographic through the <i>Petz</i> series.
Vodafone UK; +44/1635 33251 www.vodafone.com	UK-based mobile operator group has completed the acquisition of the Italian and Spanish subsidiaries of the Swedish firm Tele2 for £536m. Tele2 Italia and Tele2 Spain provide fixed-line telecommunications and broadband services nationwide. As of 30 June 2007, Tele2 Italia had over 2.6m customers including 0.4m broadband and Tele2 Spain had 0.55m customers with over 0.24m broadband. This deal marks Vodafone's first acquisition outside the core mobile phone business.
Wild Tangent US; +1 425-497-4545 www.wildtangent.com	Casual games company has received \$20m in debt financing to enable it to take better opportunity of the fast growing casual games market. The investment was provided by Hercules Technology Growth Capital . Previous backing for Wild Tangent has come from CIBC Capital Partners, Granite Global Ventures, IDG Ventures and Millenium.

On the money markets

DQ Entertainment India; +91/4023 553 726 www.dqentertainment.com	Indian gaming and animation company is to float on London's Alternative Investment Market (AIM). It hopes to raise \$60m, with which it intends to move into film production, as well as new facilities. From 2008, DQE hopes to make one film every year, and an animated TV series every 18 months.
SMG UK; +44/131 200 8000 www.smgplc.co.uk	Media group is seeking to raise £95.1m from its shareholders via a rights issue. The company, which owns media interests including the Scottish franchises of the ITV network, will use the rights issue to reduce its debt. SMG shelved plans to float its subsidiary Virgin Radio in August after the head of its radio division resigned. It is expected to sell the radio company and its cinema advertising sales company Pearl and Dean.

Contents deals

Bell Canada; +1/888 932 6666 www.bell.ca	Canadian mobile operator has become the first North American operator to offer album downloads as part of its mobile music service subscription. Subscribers to Bell's Unlimited Full Track Music service at \$15 a month can now download full albums as well as single tracks. Outside of subscription, single tracks can be downloaded for \$3 each or in bundles of four for \$9, excluding data charges.
Boulevard Entertainment UK; +44/20 7446 7423 www.boulevard-entertainment.com	British independent DVD publisher has signed deals with Twentieth Century-Fox Home Entertainment and Warner Home Video to distribute the majors' titles on the PSP-compatible Universal Media Disc (UMD) format in the UK. Boulevard—which also handles UMD distribution for Pathé and MGM—will be distributing selected catalogue titles as well as new releases on UMD after their 12-week new-release window. Studios used to distribute their own UMD titles but since the format started losing momentum they have been assigning UMD distribution to third parties.

Eros International UK; +44/20 8963 8700 www.erosentertainment.com	Global producer and distributor of Bollywood titles has agreed separate distribution and production deals with Indian entertainment group Mukta Arts . Eros has a three-picture global distribution deal with Mukta Arts and a four-picture co-production deal with fledgling Mukta production subsidiary Red Carpet Films, for medium-budget films for a total investment of \$10m.
Filmin.es Spain; no telephone revealed www.filmin.es	Online portal focusing on independent movies is collaborating with seven Spanish film companies, including Pedro and Agustin Almodovar's El Deseo . The site, due to launch in March 2008, hopes to host around 250 new releases and library film titles by the year end. Viewers will have the option to download-to-own, download-to-rent, stream as well as purchase the films on DVD. Shareholders include Tomasol Films and Continental, as well as distributors Alta Films, Golem, Vertigo, Wanda Vision and DVD distributor Cameo. The partners claim to distribute 75 per cent of indie films in Spain.
Football League UK; +44/ 870 9901888 www.football-league. premiumtv.co.uk	Rights for live league matches and the Carling Cup knockout competition for the three seasons starting in 2009 have been split between the BBC and BSkyB . BSkyB will screen 65 matches a season, including play-offs and finals, the first five rounds and semi-finals of the Carling Cup, while BBC will show 10 matches from the league, Carling Cup semi-final legs and the final. The deal is worth a total of £264m, more than double the amount of the previous agreement. Broadband internet, video-on-demand and mobile rights are bundled in with the TV rights.
Hulu USA; +1/310 571 4700 www.hulu.com	Online video platform, launched by NBC Universal and News Corporation in private beta in October 2007, now offers high-definition content, although this is currently limited to nine movie trailers. Hulu uses the new Adobe Flash Player 9, which includes H.264 standard video support. Unlike other Hulu content, HD content cannot be embedded in another Web page. Hulu content is provided free on an ad-supported basis.
Imax Canada; +1/905 403 6500 www.imax.com	Large format film firm has agreed a deal with DreamWorks Animation for the release of four titles on Imax screens. The titles include three 3D features— <i>Monster vs Aliens</i> and <i>How to Train your Dragon</i> in 2009 and the fourth title from the <i>Shrek</i> franchise in 2010. The first release will be a 2D version of <i>Kung Fu Panda</i> in 2008.
ITV plc UK; +44/20 7843 8000 www.itv.com	UK network has introduced <i>The Hot Desk</i> , its first made-for-mobile show. The planned 140 ad-supported shows, consisting mainly of celebrity interviews, will be available free from ITV's mobile site.
Madhouse Japan; +61/3 5347 2515 www.madhouse.co.jp	Japanese animation producer has agreed a distribution deal with Hong Kong sales house Golden Network . Agreement is for 10 titles, including Madhouse's co-production with China Film Group, <i>The Tibetan Dog</i> . Five of the titles are controlled by Madhouse and the remaining half are made by Madhouse with other partners.
Moser Baer India; +9/11 4163 520107 www.moserber.com	Indian disc manufacturer has linked up with local distributor Palador Pictures (PP) to sell and distribute 50 titles from the latter's world cinema catalogue on DVD. Titles will be available through Moser Baer's (MB) distribution network, which claims over 2,000 retail outlets across India. PP has invested over \$4m (Rp160m) in acquiring rights to around 1,000 foreign-language film titles. MB has a library of 7,500 local titles (see 2007/318), which it has been exploiting at very low price points. PP titles will retail at Rp399 (\$8.80), marking MB's first foray into the premium-priced DVD market.
MTV Networks Asia Singapore; +65/6221 8166 www.mtv.com	Viacom subsidiary responsible for the company's push into virtual worlds has reached agreement with the Asian division of games developer 10tacle Studios to co-operate on an MTV-inspired virtual world to be released in Singapore, Malaysia, Thailand and the Philippines. This follows a similar agreement in March 2007 between MTV Networks and 10tacle Studios in Germany.
Namco Bandai Japan; +81/3 3756 2311 www.namco.com	Japanese games publisher's first title for Nintendo Wii's downloadable games service, <i>Wii Ware</i> will be the first game to offer paid downloadable content on the platform. Owners of the game, <i>Mojipitan</i> , will be able to acquire additional game content from the service.
NBC Universal USA; +1/212 664 6999 www.nbcuni.com	Content owned by US media conglomerate will no longer be available for download to own from Apple's iTunes Store in the US. Programming under the NBC Universal umbrella previously totaled around 1,500 hours on iTunes in the US. NBC announced its decision to withdraw shows in October 2007, following the Apple's refusal to implement flexible retail pricing and bundled packages of episodes, among other factors.
Netflix USA; +1/408 399 3700 www.netflix.com	Online DVD rental and digital entertainment firm has signed with NBC Universal to stream online episodes of <i>Heroes</i> episodes on its website the day after they are aired by the US broadcaster. The service is available to DVD rental customers at no additional cost. Subscribers will also have access to a selection of episodes of prior NBC series on Netflix's website. The firm hopes to bring the size of its online library of 5,000 titles. Last year NBC offered the pilot episodes of <i>Studio 60 on the Sunset Strip</i> and <i>Kidnapped</i> via DVD three weeks before their network debuts.
Premiere Germany; +49/89 9958 02 www.premiere.de	Germany pay TV broadcaster ProSieben has bought exclusive rights to Wimbledon tennis championships from 2008 to 2010. Rights acquired cover Germany, Austria and Switzerland and include live and free-to-air TV, broadband and mobile rights. Non-subscribers to Premiere will be able to watch live matches on its vod.premiere website. ● has extended its output deal with Paramount . This guarantees Premiere the exclusive first broadcasting rights for all blockbuster films and the most important TV productions of the studio and encompasses satellite, cable, IPTV and mobile devices.
Revelation Films UK; +44/20 8123 0692 www.revfilms.co.uk	UK independent DVD publisher has signed a UK distribution deal with British television production company Little Entertainment Group (LEG). Initially, Revelation will release LEG's children's TV series <i>Roman Mysteries</i> on DVD during second quarter 2008, to coincide with show's second season airing on BBC. Also due for release under the deal is LEG's children's series <i>Invisible Sam</i> , currently in production.
Screenclick Ireland; +353/1 283 4441 www.screenclick.com	Irish online DVD retailer, part of the UK-based Lovefilm group since early 2005, has signed a white-label deal with state postal services provider An Post . An Post will be offering Screenclick's DVD-by-post service through its website, under the brand Movieclub, while Screenclick will be fulfilling the orders and handling the subscriptions. Screenclick is currently the leading online DVD retailer in Ireland and also has white-label agreements with state TV channel RTE and leading Irish ISP Eircom.
TV5 Monde France; +33/1 44 18 55 62 www.tv5.org	French broadcaster, in conjunction with the online publisher La Banque Audiovisuelle , has launched an online video service, <i>La VoDéthèque</i> . The service offers around 900 items including documentary, sports and lifestyle programming to users worldwide. A 48-hour rental costs €1 while download-to-own prices start at €1.99. The service does not cater for Mac or Linux customers. Users can also order customised DVDs.
Warner Home Video USA; +1/818 954 6000 www.warnerbros.com	Home entertainment arm of the studio will handle exclusive worldwide distribution of titles from the animated series <i>Peanuts</i> , which was distributed by Paramount for over 10 years. Under the multi-year deal, Warner will re-master and re-distribute existing <i>Peanuts</i> titles but also publish new box-sets and collections of unreleased titles. The studio will also produce original direct-to-video features based on the comic strip under the Warner Premiere label, as well as create short films aimed for digital distribution via wireless, digital retail and VoD platforms.
Yahoo USA; +1/408 349 3382 www.yahoo.com	Web company has extended its video on-demand licence with Sony BMG . The new licence will enable Yahoo to expand into additional territories and widen the selection of Sony BMG music videos on the Music Catalog search engine. Sony BMG content will be made available across Yahoo and off-network via a Yahoo-branded video player. Yahoo also plans to enable users to upload their own audiovisual productions.

Technology deals

BigBand Networks USA; +1/650 995 5000 www.bigbandnet.com	Broadband infrastructure firm has signed up five additional Chinese cable operators to provide its Broadband Multimedia-Service Router for their digital television services. New customers are: Tibet Cable , Taicang Cable in Jiangsu province near Shanghai, Jiayuguan Cable in Gansu province, Nanchang Cable in Jiangxi province and Luan Cable in Shanxi province.
Macrovision USA; +1/408 562 8400 www.macrovision.com	Provider of content value management solutions has acquired the self-protecting digital content technology, which constitutes the basis of Blu-ray Disc (BD) DRM system BD+, from Cryptography Research (CR) for \$45m. The purchase gives Macrovision access to CR patents, security software code and related customer and partner agreements. Once the deal is concluded Macrovision will be the primary licensor of BD+ technology to consumer electronics manufacturers and studios.
NDS UK; +44/20 8476 8181 www.nds.com	Middleware firm NDS has struck a deal with Malaysian pay TV operator Astro to provide its VideoGuard conditional access system for Astro's DTH services. Astro has already deployed NDS's Mediahighway middleware since 1999. The deal consolidates Astro's middleware and conditional access system, which is looking to enhance functionality between the two applications. ● is to continue to supply US satellite operator DirecTV's operations with its content protection system. The new deal extends NDS's existing contract with DirecTV to run through until June 2013. DirecTV is currently the largest satellite operator in the world.
Telecom Italia France; +33/1 78 56 96 89 www.telecomitalia.fr	Subsidiary and triple-play provider Alice has launched its TV on PC service in France. All Alicebox triple-play subscribers can watch 12 television channels on their PCs without the need to download any additional software, at no additional cost.


	Screen Digest speaker at this event		Conf Conference
	Media sponsor		Exhib Exhibition
	Official publication		FF Film Festival
	Media partner		Int International
		All events in 2007 except as stated	
For a full events listing visit www.screendigest.com			

Markets & exhibitions

2008 Int CES Las Vegas, 7-10 January 2008; CEA; t +1/866 233 7968; www.cesweb.org

PTC'08 Honolulu, 13-16 January 2008; Pacific Telecommunications Council; t +1/808 941 3789; f +1/808 944 4874; e info@ptc.org; www.ptc.org

Midem Cannes, 27-31 January 2008; Reed Exhibitions; t +33/1 4190 4451; f +33/1 4190 4450; e info.midem@reedmidem.com; www.midem.com/

 **IDIFF** Paris, 30 January-1 February 2008; CN Films; t +33/1 4523 0816; e e.trainsnel@cnfilms.fr; www.cnfilms.fr/

Imagina Monaco, 30 January-1 February 2008; Imagina; t +37/7 9310 4060; f +37/7 9350 7014; e info@imagina.mc; www.imagina.mc/

CSTB 2008 Moscow, 4-7 February 2008; Midexpo; t +7/495 737 74 79; f +7/495 145 51 33; e yana@midexpo.ru; cstb.ru

The Mobile World Congress 2008 Barcelona, 11-14 February 2008; GSM Association; www.mobileworldcongress.com

GDC 2008 San Francisco, 18-22 February 2008; CMP Media; t +1/415 947 6135; f +1/415 947 6020; www.gdcconf.com

Telecoms World Russia & CIS 2008 Moscow, 27 February-1 March 2008; Terrapinn; www.terrapinn.com/2008/twr/

CABSAT 2008 Dubai, 4-6 March 2008; Dubai World Trade Centre; t +971 4 308 6077; e cabsat@dwtc.com; www.cabsat.com/Default_en_gb.aspx

CeBit 2008 Hannover, 4-9 March 2008; Deutsche Messe AG; t +49/5111 89-0; f +49/5111 89 32292; www.cebit.de

Media-Tech Miami 2008 Miami, 4-6 March 2008; Messe-Tech Association; t +49/611 951 66 18; f +49/611 951 6623; e events@media-tech.net; www.media-tech.net

Showest Las Vegas, 10-13 March 2008; Nielsen; t +1/646 654 7694; e showest@nielsen.com; www.showest.com

DVB World 2008 Budapest, 12-14 March 2008; International Academy of Broadcasting; t +353/87 2097770; f +353/1 2899412; e seminar@iab.ch; www.dvbworld.eu

Convergence India 2008 New Delhi, 19-21 March 2008; Exhibitions India Ltd; t +91/11 4279 5000; f +91/114279 5098/99; e exhibitionsindia@vsnl.com; www.convergenceindia.org

Mobile Content World Asia 2008 Singapore, 1-3 April 2008; Terrapinn; t +65/6322 2700; f +65/6223 3554; e elin.tan@terrapinn.com; www.terrapinn.com/2008/mcw08%5Fsg/

Satcom Africa 2008 Johannesburg, 7-11 April 2008; Terrapinn; t +27/11 463 6001; f +27/11 463 6903; e brian.shabangu@terrapinn.co.za; www.terrapinn.com/2008/satcomza/

MIPTV featuring MILIA 2008 Cannes, 7-11 April 2008; Reed Exhibitions; t +33/1 4190 4580; f +33/1 4190 4570; www.miptv.com

NAB 2008 Las Vegas, 11-17 April 2008; National Association of Broadcasters; t +1/888 740 4622; www.nabshow.com

PCTA Convention 08 Manila, 23-25 April 2008; PCTA; t +63/2 638 8544; f +63/2 638 8542; e secretary@pcta.org.ph; www.pcta.org.ph/convention2008.htm

WIMA 2008 Monaco, 28-30 April 2008; WIMA; t +377/93 1040 57; f +377/93 50 0 14; www.wima-nfc.com

Media-Tech Expo 2008 Frankfurt, 6-8 May 2008; Messe Frankfurt Ausstellungen; t +49/611 951 6618; f +49/611 951 66-23; e Barbara.Kaelberer@mfa.messefrankfurt.com; www.media-tech.net

ITU Telecom Africa 2008 Cairo, 12-15 May 2008; ITU Telecom; f +41/22 730 6444; www.itu.int/AFRICA2008/exhibition/index.html

The Cable Show New Orleans, 18-20 May 2008; National Cable and Telecommunications Association; t +1/202 222 2430; f +1/202 222 2431; e thecablesow@ncta.com; 2008.thecablesow.com/

The Wireless Event London, 21-22 May 2008; Imago Communications; t +44/20 8247 4000; f +44/20 8247 4001; e jenny.fuller@imago-group.com; www.thewirelessevent.com/

Anga Cable 2008 Cologne, 27-29 May 2008; Anga Services GmbH; t +49/228 96 21 890; f +49/228 96 21 895; e info@angacable.de; www.angacable.de

Broadcast Asia 2008 Singapore, 17-20 June 2008; Singapore Exhibition Services; t +65/6738 6776; f +65/6732 6776; e events@sesallworld.com; www.broadcast-asia.com

Cinema Expo 2008 Amsterdam, 23-26 June 2008; Nielsen Film Group; t +1/646 654 7691; e deric.mast@nielsen.com; www.vnuifilmgroup.com/filmexpo/cinemaexpo/index.jsp

The Global Video Game Entertainment Xpo 2008 Florida, 12-14 September 2008; Video Games Xpo; t +1/305 266 2000; f +1/305 266 0090; e info@vgamesxpo.com; www.vgamesxpo.com

IBC 2008 Amsterdam, 12-16 September 2008; IBC; t +44/20 78324100; f +44/20 78324130; e show@ibc.org; www.ibc.org

Showeast 2008 Orlando, 13-16 October 2008; Nielsen Film Group; www.vnuifilmgroup.com/filmexpo/showeast/index.jsp

Amazia 2008 Hong Kong, 17-20 November 2008; Reed Midem Organisation; t +33/1 4190 4648; f +33/1 4190 6724; e info.amazia@reedmidem.com; www.amaziacontent.com

Satcom World Australia 2007 Sydney, 26-28 November 2008; Terrapinn; t +61/2 9021 8808; f +61/2 9281 3950; e enquiry.au@terrapinn.com; www.terrapinn.com/2007/satcom%5Fau/

Conventions & conferences

TV Over Net Asia Suntec, 7 December 2007; Junction Group; t +44/11 7311 6220; f +44/11 7311 6221; www.tvover-net.com

Asia Future TV 2007 Shanghai, 10-11 December 2007; Global Leaders; t +86/21 5236 0030/32; f +86/21 5236 0029; e grace.jiang@globalleaders.com; www.worldfuturetv.com

 **High Def 2.0** Los Angeles, 13 December; HomeMedia Conferences; t +1/888 544 8008; f +1/714 338 6719; e vbui@questex.com; www.homemediaconferences.com

 **Royal Television Society Colloquium** London, 19 December; RTS; www.rts.org.uk/

Digital Sport Amsterdam, 15-16 January 2008; Digital Sport; t +44/20 7202 7651; f +44/20 7202 7600; www.digitalsportevent.com/

The Media Summit London, 16 January 2008; Screen International; t +44/20 7554 5800; f +44/20 7228 5299; e conferences@emap.com; www.themediasummit.com

Mobile Gambling Summit London, 22-23 January 2008; First Conferences Limited; t +44/20 7375 7162; e ravi@firstconf.com; www.bulletbusiness.com/mobilegambling/

The Mobile Games Forum 2008 London, 23-24 January 2008; Osney Media; t +44/20 7336 4600; f +44/20 7336 4601; e sara-jane_higginbottom@osneymedia.co.uk; www.osneymedia.co.uk

Business Strategies for Virtual Worlds Paris, 23-25 January 2008; Marcus Evans; t +44/20 3002 3276; f +44/20 3002 3016; e OlaS@marcusevansuk.com; www.marcusevans.com

IPTV Latin America 08 Rio de Janeiro, 29-30 January 2008; Junction; t +44/11 7311 6220; f +44/11 7311 6221; e ingrida@junction-group.com; www.iptv-latinamerica.com/

Brands Summit London, 1 February 2008; Marketing Week Conferences; t +44/20 7970 4770; f +44/20 7970 4799; e conferences@centaur.co.uk; www.centaurconferences.co.uk

 **Home Entertainment Summit** London, 6 February 2008; Home Entertainment Week; t +44/20 7101 8323; e anju@skepmedia.co.uk; www.hewsummit.co.uk

 **Media Content World Summit** London, 29 February 2008; Technosummits; t +44/20 7610 9908; e info@technosummits.com; www.technosummits.com/

Carriers World Asia 2008 Hong Kong, 4-6 March 2008; Terrapinn; t +65/6322 2700; e elin.tan@terrapinn.com; www.terrapinn.com/2008/cwa%5Fhk/

IPTV World Forum 2008 London, 12-14 March 2008; Junction; t +44/11 7311 6220; e ingrida@junction-group.com; www.iptv-forum.com/

 **Digital Sport** Amsterdam, 15-16 January 2008; Digital Sport; t +44/20 7202 7651; f +44/20 7202 7600; www.digitalsportevent.com/

Brands Summit London, 1 February 2008; Marketing Week Conferences; t +44/20 7970 4770; f +44/20 7970 4799; e conferences@centaur.co.uk; www.centaurconferences.co.uk

European Switchover Strategies London, 5-6 February 2008; Informa Group PLC; t +44/20 7017 5506; f +44/20 7017 4747; e telequeries@informa.com; www.informam.com/switchover

 **Home Entertainment Summit** London, 6 February 2008; Home Entertainment Week; t +44/20 7101 8323; e anju@skepmedia.co.uk; www.hewsummit.co.uk

Commercializing New Media London, 27-28 February 2008; ACI; t +44/20 7368 3360; f +44/20 7368 3365; e eudelegates@acius.net; www.acius.net/?clD=323

Media Content World Summit London, 29 February 2008; Technosummits; t +44/20 7610 9908; f +44/20 7736 7088; e info@technosummits.com; www.technosummits.com/

Carriers World Asia 2008 Hong Kong, 4-6 March 2008; Terrapinn; t +65/6322 2700; e elin.tan@terrapinn.com; www.terrapinn.com/2008/cwa%5Fhk/

Mastering Digital Workflows London, 6 March 2008; Broadcast Conferences; t +44/20 7554 5804; e broadcastconferences@emap.com; www.digitalworkflows.co.uk

IPTV World Forum 2008 London, 12-14 March 2008; Junction; t +44/11 7311 6220; e ingrida@junction-group.com; www.iptv-forum.com/

TV Over Net London, 12 March 2008; Junction; t +44/11 7311 6222; f +44/11 7311 6221; e markj@junction-group.com; www.tvover-net.com

IP Cable London, 12-13 March 2008; Junction; e markj@junction-group.com; www.ip-cable.net

Mobile TV World Summit London, 12-13 March 2008; Informa Group PLC; t +44/20 7017 5658; f +44/20 7017 4966; e richard.bragg@informa.com; www.informam.com/new/1/mobiltv/world_summit/index.html

Interactive TV Advertising London, 13 March 2008; Junction; t +44/11 7311 6220; f +44/11 7311 6221; e markj@junction-group.com; www.interactive-tv-advertising.com

The Connected Home 2008 London, 14 March 2008; Junction; e markj@junction-group.com; www.the-connected-home.co.uk/

CCBN 2008 Beijing, 21-23 March 2008; Academy of Broadcasting Science; t +86/10 8609 2066; f +86/10 8609 4090; e ccbn@ccbn.cn; www.ccbn.tv

Betmarkets Vienna, 31 March-1 April 2008; ATEonline; t +44/20 7370 8566; e apinch@ateonline.co.uk; www.bet-markets.com/

Total Telecom World Communications Congress 2008 Amsterdam, 17-18 April 2008; Terrapinn; t +44/20 7092 1257; f +44/20 742 4303; e ian.pitt@terrapinn.com; www.terrapinn.com/2008/ttwc08/

 **PEVE Digital Entertainment 2008** Paris, 17-18 April 2008; Screen Digest; t +44/20 7424 2888; f +44/20 7424 2838; e peve@screendigest.com; www.peve.screendigest.com

Cable Congress 08 Madrid, 23-25 April 2008; Cable Europe; t +32/2 743 1540; e info@cablecongress.com; www.cablecongress.com/

On Screen Advertising and Creativity Summit London, 1 May 2008; Marketing Week Conferences; t +44/20 7970 4770; f +44/20 7970 4799; e conferences@centaur.co.uk; www.centaurconferences.co.uk

European Gambling Briefing Amsterdam, 13-14 May 2008; ATEonline; t +44/20 7370 8578; e apinch@ateonline.co.uk; www.ateonline.co.uk/egb

Future TV Show 2008 Monaco, 14-15 May 2008; World Trade Group; t +44/20 7202 7575; e leah.tidy@wtgevents.com; www.futuretvevent.com

The Asia Media Summit 2008 Kuala Lumpur, 27-28 May 2008; AIBD Conferences; t +60/3 2282 4618; e info@aibd.org.my; www.aibd.org.my/conferences/am/s/

IPTV Outlook 2008: IPTV vs WebTV Munich, 5-6 June 2008; The Brain Behind; t +49/89 8905 0810; f +49/89 8905 0811; e info@tvoutlook.com; www.tvoutlook.com/

European Interactive Gaming Congress Barcelona, 23-25 September 2008; ATEonline; t +1/636 946 0820; e joya@rivercitygroup.com; www.eigexpo.com

Festivals

Broadcast Awards 2008 London, 23 January 2008; Emap; t +44/20 7728 5286; e euphame.mcdonald@emap.com; www.broadcastnow.co.uk/awards/frames.asp

European Film Market Berlin, 7-17 February 2008; Berlin International Film Festival; t +49/30 259 20 259; f +49/30 259 20 299; e green@berlinale.de; www.berlinale.de/en/filmmarkt

BVA Awards London, 10 April 2008; BVA; t +44/20 7436 0041; e general@bva.org.uk; www.bva.org.uk/awards.asp

Sports Industry AW 2008 London, 1 May 2008; Sport Industry Group; t +44/20 7240 7702; e info@sportindustry.biz; www.sportindustry.biz/AW

PERSPECTIVE

On unintentionally stifling content

Tivo is to put out its PVR software in a PC version, bundled with DVD authoring software from Nero, getting TV software straight onto home PCs. Tivo operates a subscription PVR service that helps record, find and keep track of broadcast TV content on a set-top box. Currently, the installed base is almost exclusively US and within major US operators DirecTV and Comcast, with a much slower uptake for standalone recorders. The general strategy: take PC capabilities and put it into a TV set-top box. In this way, consumers get more functions and operators get more revenue streams from sources like PVR and VoD while maintaining clear control over what their subscribers watch, where, how and to some degree when. But there are two sides to this coin, technical opportunity and operator control.

New TV technology will allow me to watch my favourite shows whenever and wherever on whatever screen I choose. Already PVRs allow time-shifting, media extenders allow place-shifting (at least from the PC to the TV), VoD gives choice and HD gives resolution—all available via major pay TV operators or on the high street. And the line is being blurred by non-broadcast pay TV services like Vudu's broadband film library (available via a dedicated set-top box), iTunes and Amazon Unboxed. Not to mention the numerous free (legal and illegal) online download and streaming services encompassing everything from Bit Torrent to YouTube to the BBC's iPlayer. But the technical pipes to the home have barriers, many of which can be associated with the equally messy world of content rights.

No operator will lose out by supplying content in more and better ways: PC download, VoD, clips for mobile phones and so on. All with a subscription rate, all in one package with one gatekeeper. But content rights are not the most responsive area in which to operate. Unlimited VoD-over-IP reads like unlimited broadcast rights and runs foul of the more 'traditional' language of rights contracts. Pay TV operators are constrained in their legal ability to fulfil the whenever, wherever, however demands of TV viewing in a way that open content over the internet is not. However, the internet is limited in its ability to supply high quality legal content.

Tivo represents a key trend tying these various strands together. By using computer-based software, the integration of online services and content via iTunes downloads or Joost streaming can be amalgamated into one place and interface with broadcast content rooted in using a few technical gubbins, in this case an in-built TV tuner.

So why isn't this rife? There is no incentive for pay TV operators to enter into that kind of competition. By diverting viewers away from STBs, TV operators lose control and with that revenue streams. The same content, available through multiple sources, is in direct competition. Should I pay iTunes for the download, stream it off Channel Four or wait for Sky to put it on at 18:30? The corresponding question from operators is: how do we value rights in the face of uncertain competition?

Competition from digital downloads and VoD streaming is harsh indeed. Operators want to know that their upfront rights deals are not about to be diluted by helping open up the living room TV. Integration across platforms would benefit significantly more from a wider range of rights through one gatekeeper than from having to buy the same content for the TV, PC, phone and on DVD.

TM

On becoming as professional as the pirates

The more time goes by, the more it looks like the movie industry is going to send itself down the same path as the record industry. Pirates have traditionally done business on market stalls, wandering around the local pub, etc. The internet changed this. The web has transformed the distribution options available to pirates, which now stretch far beyond simple file sharing, to include for-profit services operating across national borders.

Allofmp3 remains the best known of a class of sites that have emerged in Russia—and other territories with suitable copyright law—expressly aimed at the Western market. These sites not only look professional, but provide a professional quality of service delivering music equal to established online stores like iTunes.

Allofmp3's successor, mp3sparks.com, retains its parent's tradition of having a website written in English, providing up-to-date Western charts and charging in US dollars. Significantly, mp3sparks undercuts every Western service selling major label content; only indie retailers eMusic and Aimee Street come close. Suffice to say that little, if any, of this money gets back to the labels or creators.

With movies, the situation is more extreme. Sites like zml.com now provide a deeper catalogue than almost all of the leading legitimate services in the US and offers it in places where a movie download service is but a twinkle in Hollywood's eye. Worse, as far as the studios are concerned, zml does this with a website that is better designed than most legit services and charges predictably low prices for titles that should still be commanding a large slice of DVD revenue.

In some ways, zml's functionality actually exceeds lawful services, even in the US. Want to buy *Spider-Man 3* to watch on your iPod? You can with zml, but not Apple's iTunes. Where the ongoing spat between studios and Apple stops you buying a download, Russian copyright law comes to your aid. Similarly, DivX support means that a zml purchased version of the movie will play on the PS3. Want to buy *Spider-Man 3* (© Sony Pictures Entertainment) to watch on your PS3? You can on zml, but not directly via Sony's own PS3 entertainment platform.

The studios' reluctance to take an unrestricted approach to licensing content to legitimate digital retail stores is producing a market where the most attractive places to buy digital content are services that do not pay content owners anything. The first lesson learnt by the music industry post-Napster was that without a legal alternative, this is exactly what consumers will do. In fact, it's what consumers do even when there are legal alternatives, but at least the copyright holder is attracting some of the revenue. For all the labels' concern, the 3bn tracks sold through iTunes remain 3bn tracks for which they got paid, rather than music bought from mp3sparks, from which they see no return.

The labels have learnt, to their cost, that closing sites like allofmp3 and mp3sparks is a difficult business that can take months, if not years. Even then the much vaunted closure of allofmp3 was really more of a re-branding: user accounts and outstanding store credit all got transferred to the still operational mp3sparks. There is no obvious reason why zml won't prove as difficult to close. This presents the studios with a nightmare scenario that zml and not iTunes, Xbox or even Vudu becomes the dominant store for online movie purchases. There is probably little that the studios can do to stop a service like zml growing up in a country like Russia. But legal services can help prevent it becoming the *de facto* standard.

However, the way things are shaping up, the only way that can happen is if Hollywood takes a unified stance, accepts that distribution has changed, and starts to license movies to device-based services (the only places people buy content online). That makes doing a deal with iTunes look more and more like a short-term priority. It's time for Hollywood to educate customers into buying digital downloads, before the pirates do.

DC