

Success Factors for Digital TV

From a Content Owner's Perspective

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What Are We Going To Talk About?

- ➔ Introduction to IRM
- ➔ Digital TV – Why?
- ➔ What is good?
- ➔ What is Bad?
- ➔ Interactive Services versus Enhanced TV Applications
- ➔ Conclusions

Interactive Rights Management

- ➔ Interactive Rights exploitation business
- ➔ Manages the interaction between brands and consumers across interactive platforms
- ➔ World-wide experience of all major interactive technologies
- ➔ Team experience in launching and managing revenue generating interactive services on 7 platforms in 45 countries (Who Wants to Be A Millionaire?)
- ➔ Official Interactive Partner to Rose d'Or

Digital TV – Why?

Governments

- ➔ Free up valuable frequency spectrum
- ➔ Able to offer more licenses and therefore earn more revenue
- ➔ Greater geographic coverage of total population
- ➔ Catalyst for increased competition and free market forces
- ➔ Transmission networks are cheaper

Digital TV – Why?

Platform Owners

- ➔ Direct Billing relationship with end consumers
 - ➔ Sky revenue Q3 2004 (9m) £ 2.6B from 7.2m subs
 - ➔ BBC license fee budget less than £4B
- ➔ Distribution for own and 3rd party channels
- ➔ High Operating Margins after initial investments
 - ➔ Sky Mar 01 £97m – Mar 04 £438m (pre goodwill and exceptional items)
- ➔ Transactional Platform
 - ➔ Gaming, Betting, T-commerce (Sky 8% of Total T/O)

Digital TV – Why?

Broadcasters

- ➔ Distribution – More Channels = More Commercial Airtime
- ➔ Ability to differentiate offering leading to higher advertising revenue yields (cost per 1000)
- ➔ Outlet for archive material = greater return on investment
- ➔ Interactive Services

Digital TV – Why?

Content Owners

- ➔ Generates greater demand and new markets for content – new competitive landscape
- ➔ Through divergence mass market becomes targeted audience (access to niche is easier)
- ➔ Establishes new business models (Ad funded, Interactive funded, subscription) – the stakes are different
- ➔ Substantially increases value of IP (Interactivity)

Digital TV – Why?

Consumers

➔ Choice Choice Choice Choice Choice Choice

➔ Channels

(Sports, Movies, Adult)

➔ Value added Services

(Interactivity - stand alone and eTV, PVR's, T-commerce)

➔ Bundled Offerings

(Communications packages – Telephone, Broadband, PayTV)

Digital TV – Why?

Distribution and Content

What is Good?

- ➔ In a market where there is a clear consumer proposition at all of the above levels, then demand will drive the business
- ➔ Governments have mandated switch-over – it will definitely happen
- ➔ End to end Digital TV provides new, efficient and controlled ways for IP owners to leverage their content
- ➔ The importance of conditional access and encryption should not be under estimated

What's Good?

- ➔ From a content owners perspective, the Digital TV value chain has to work at every level in order to ensure significant investment by the platform owners in the technology that will drive the divergence of channels and the increase in all value added services
- ➔ More than 100 new channels are launched in Europe every year with the total in excess of 1,200. However the number of channels that survive in a payTV market is twice that of those where payTV is not an established proposition

Creation Of Global Television Brands

➔ Large scale high production quality programmes have lead to the creation of strong global TV brands

➔ WWTBAM – more than 1B viewers in 106 countries.

➔ Pop Idol – 29 countries, over 300m viewers

➔ Big Brother – 22 countries

➔ Fear Factor – 106 countries



What's Bad?

- ➔ Not all markets provide a clear distinction in the value proposition – too much free choice
- ➔ Government mandated switch-off dates will drive free to air propositions before payTV propositions
- ➔ Technologies vary significantly by platform owner and by country which often makes the roll out of interactive services impossible on a multi territory basis
- ➔ The technology refresh rate in set-top boxes too long in comparison to competitive technologies

Interactive Services vs eTV

- ➔ More than 230 channels in Europe with Interactive Services
- ➔ Only 50% of those have enhanced TV applications
- ➔ Products such as Sky Bet and Sky Gamestar significant revenue drivers
- ➔ Enhanced TV applications expensive to develop and difficult to monetise
- ➔ Set-top box technology cannot compete with Mobile and Broadband

Example

- ➔ Interactive TV program requiring simultaneous play along capabilities
- ➔ Likely to sell to 20 countries
- ➔ 3 types of platform
- ➔ 7 different middleware's
- ➔ Application development costs alone in excess of £ 750,000
- ➔ Impossible to get real time response back to the studio



Example – WWTBAM?

- ➔ Broadcast in 106 countries
- ➔ Mobile extensions launched in more than 45 countries
- ➔ Internet extensions launched in 21 countries
- ➔ DiTV extensions launched in less than 5 countries
- ➔ Launched enhanced TV application in 2001 on DTT platform in U.K.
- ➔ Launched pay for play Stand Alone game in 2003, only other territories are France and Israel

Threats

- ➔ Broadband penetration in Europe has exceeded DTH penetration
- ➔ Broadband offers competitive alternative to most interactive services including PVR's and consumer choice
- ➔ IPTV relies on readily available technologies in the home environment
- ➔ Internet and Mobile are superior platforms for delivery of interactive services and eTV applications

Sky

vs

IPTV

Key Drives

- ➔ Sports Channels
- ➔ Movie Channels
- ➔ Sky Box Office
- ➔ Adult Entertainment
- ➔ Sky+
- ➔ HDTV

➔ Key Drivers

- ➔ Sports Content
- ➔ Movie Content
- ➔ Video on Demand
- ➔ Adult Entertainment
- ➔ PVR technology
- ➔ Near DVD quality

Summary

- ➔ Digital TV will be a key platform in the evolution of TV
- ➔ The value proposition does not apply to all countries
- ➔ Consumer demand for choice in channels, programs and interactive services will continue to drive divergence and investment
- ➔ Digital TV's competitive advantage is significantly influenced by its technology and platforms
- ➔ In order to effectively compete in value added services, there needs to be some degree of standardisation

Success Factors

Content Owners Perspective

- ➔ For Digital TV to really make a difference it needs to offer more than just more channels
- ➔ The ability to offer interactive services and program extensions through a single screen interface is excellent
- ➔ Platform owners need to standardise / open source the middleware – they have to make it easier to do more than just broadcast
- ➔ Set-top box upgrade cycle must shorten and feature roadmap substantially increase