



Online TV and video audience demand continues to grow but profit evades many players

BBC's Erik Huggers discusses future plans for iPlayer at Screen Digest event

London 11th November 2008: An invited audience of 400 executives from the media and technology industries gathered at Screen Digest's The Future of Online Media Distribution conference last Thursday to hear the latest research and perspectives of leading figures on the challenges facing the industry. Keynote speaker Erik Huggers, Director of BBC Future Media & Technology, set the scene by revealing some of his plans for the future of iPlayer and announcing that nearly 250m videos have been viewed via the service to date.

BBC iPlayer – plans to go global

Erik Huggers highlighted that the iPlayer audience appeals strongly across all age groups and is being enjoyed by viewers at all times of the day, notably during working hours and after the traditional evening peak viewing times. Emphasising that the iPlayer audience is incremental to traditional viewing, he indicated that the priority for the development of iPlayer is to get onto as many digital platforms as possible. He also announced the BBC's intention to take iPlayer global and to launch a social media platform to further engage its audience in programming.

Online TV – The economics of 'free'

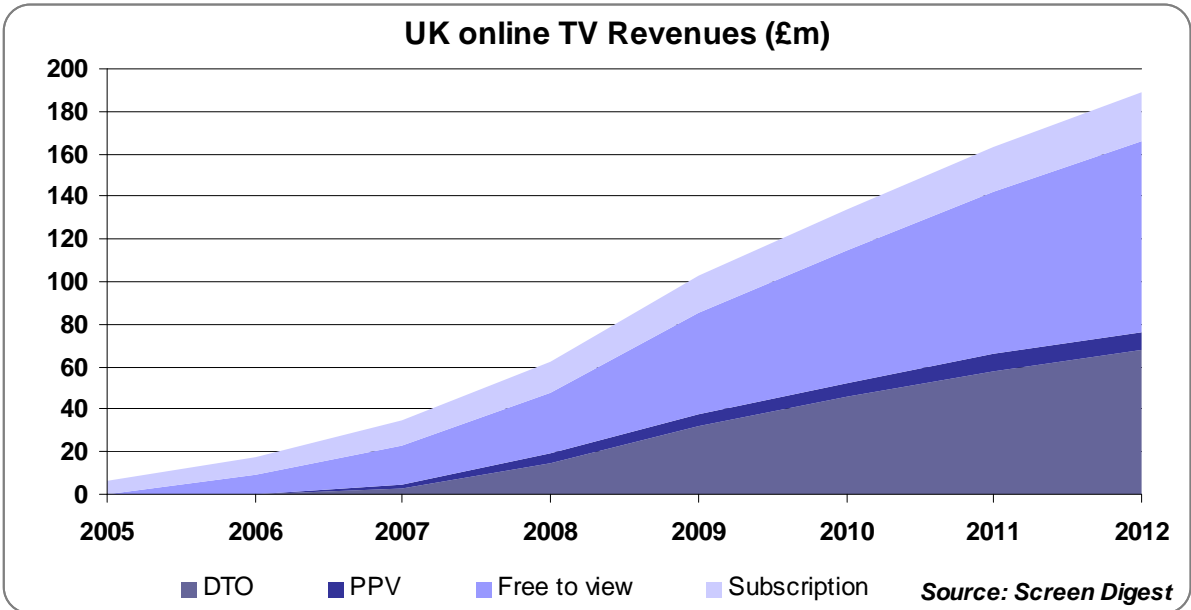
Despite the popularity of online video, Screen Digest research shows that European content owners are struggling to turn a profit as delivery costs in many cases exceed advertising revenues.

By comparison, businesses in the US have been more successful at making money from online content, having negotiated better technology distribution deals and established more effective advertising strategies that include sponsorship and run of site, rather than the inventory based deals that prevail in Europe.

In his presentation, Screen Digest’s Head of Broadband Media Arash Amel showed forecasts that suggest that - despite the large audiences - online TV in the UK will represent less than 2 per cent of total TV revenues by 2012 (see chart). A combination of the limited reach, under-developed advertising sales strategies and prohibitive costs from online video services in the UK are responsible. Mr Amel further asserted that only 10-15 per cent of all online video consumed in the UK is actually monetisable – with content from the BBC’s online services and user-generated video from YouTube combining to dominate online video consumption in the UK.

According to Mr Amel, “The current economic model for ad-supported online video distribution in the UK is not working. Commercial UK ad-supported online video platforms are generally loss making, or providing very low profit margins, because of a failure to sell advertising effectively or syndicate their platforms. But the critical question bubbling under the surface is ‘who will pay for the bandwidth?’ With data transfer costs continuing to rise in relation to falling broadband prices, and so much online video in the UK now either not directly monetisable or loss making, the online video value chain – whether for video delivery or service provision – will face critical challenges.”

Chart 1: Limited monetisable market means limited market growth: £90.5m from free TV by 2012



Selling online video – the rise of ‘value-add’ economics

In his presentation, Screen Digest Chief Analyst Ben Keen explained that Apple's iTunes has dominated the market for paid-for online video services, selling 50,000 or more movies globally every day. Microsoft, via the Xbox 360, is also becoming a key player in this space and the two companies are pursuing online video strategies where movie content is sold at close to break-even with a view to profit from hardware device sales (iPod) or games (Xbox). Describing this as the rise of ‘value-add economics’, Mr Keen argued that this pricing structure makes it very difficult for stand-alone services without a clear device-led strategy to survive.

Panellists from Warner Brothers and Paramount said that the studios are now starting to make real money from digital and that the business is growing more quickly than they had hoped.

Yet despite the popularity of online movies, Screen Digest forecasts that this digital spend will represent a small proportion of the market, accounting for only five per cent of home movie spending by 2012.

According to Ben Keen, “While profits in the rapidly developing online video market may be hard to find, current winners include the major movie studios and other owners of high value content, who enjoy good prices from service providers. Other notable winners are the technology firms that enable these services who have been able to tap into a rich vein of venture capital-driven investment. “

Ends

For more information please contact:

Media enquiries: Lucy Green

Tel: +44 (0) 7817 698366 lucy.green@greenfieldscommunications.com

Screen Digest: Fay Hamilton, PR Manager

Tel: +44 (0) 20 7424 2827 fay.hamilton@screendigest.com

About this research

The research in this press release is based on data from Screen Digest's Broadband and Video services both of which provide continuous data, analysis and forecasts on their respective markets. For more information, please visit www.screendigest.com

About Ben Keen

Ben Keen, Chief Analyst, GMI Head of Research

Ben Keen has been instrumental in building Screen Digest into the world's premiere research company focusing on the media and entertainment space. As Chief Analyst, Ben directs all the company's research and consultancy activities. As an internationally recognised expert in the media and communications business, Ben's services as a consultant and advisor are constantly in demand. He is also one of the most sought-after speakers on the international conference circuit. He has delivered over 350 presentations and lectures, including keynote addresses at many international conventions. Additionally he has contributed articles to more than 20 different books, magazines and newspapers.

Arash Amel, Senior Analyst, Head of Broadband Media

Arash specialises in digital entertainment content and technologies and pioneered Screen Digest's Broadband Media Intelligence service. As one of the leading experts in this space, Arash consults with a range of current clients including major technology companies, broadcasters, pay-TV operators, entertainment retailers, telcos, ISPs, Hollywood Studios and the major music companies. He is a regular speaker at international conferences, as well as authoring and editing over 30 market reports and research pieces on his core areas of expertise.

About Screen Digest

Screen Digest is the pre-eminent firm of industry analysts covering global media markets. Headquartered in London, with offices in New York and Carmel, California, we employ a team of 40 specialist analysts covering film, television, broadband, mobile, cinema, home entertainment and gaming. Our online services and reports provide the information and analysis that hundreds of media companies worldwide base their decisions on. Most recently we have launched Global Media Intelligence (GMI), a new service which provides research and analysis specifically for media-focused institutional investors. www.screendigest.com