

# MediaGuardian Edinburgh International Television Festival

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Perspectives on the UK television sector

Researched, written and supported by:

**Deloitte.**



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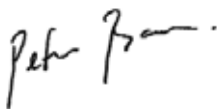


# Forewords

Your cash-strapped employer has agreed to send you to Edinburgh for the Television Festival. Your name is down for Soho House, you're hoping to rub shoulders with Cat Deeley or sidle up to Julian Bellamy. You may or may not make it to the first session on Sunday morning. And when the weekend's over those earnest debates you engaged in may seem a little hazy, as the business cards you thought you'd pocketed are swept from the floor of the George. Don't worry, help is at hand in the shape of this splendid document compiled by Deloitte. Now you can face your boss on Tuesday morning with a steady eye when she asks what you learned at Edinburgh. "IPTV's progress is steady but slow" you'll say, "and while it may not yet be mobile's year, HD is gaining traction". She will nod approvingly.

Alternatively, you could read this elegant volume on your way to rather than from the festival, and therefore be equipped to take part in range of key sessions about the future of the visual media. Chuck a well-informed question to Janus Friis about the prospects for Joost, stump Ethical Man at How Green is Television?, dazzle at the post-MacTaggart session by warning Jeremy Paxman of the challenges of comparing new and traditional media.

The weekend starts soon, but for now "here's one we made earlier".



Peter Barron  
Producer  
*Newsnight*, BBC and MGEITF Advisory Chair

Few things fascinate like television. It informs, it entertains, it educates. It enthralls and appals in equal measure. It is one of the most ubiquitous of media and television sets are forecast, in short measure, to outnumber the population of the United Kingdom.<sup>1</sup> It is one of the country's largest businesses, generating billions of pounds in revenue, despite unrelenting change since the BBC's first broadcast in 1936.

The pace of change is unlikely to slow. The Internet, high definition, user-generated content, environmental concerns – these are just a few of the factors that are expected, over the next year and beyond, to redefine where we watch television, how it reaches us, who supplies it, which individuals and companies profit from it; indeed, what television is. Explaining every single factor shaping television over the coming year would require a tome that would make *Harry Potter and the Deathly Hallows* look flimsy by comparison. So in this guide to the state of the United Kingdom's television industry, we have focused on seven trends that are influencing its development over the next 12 months.

Deloitte is delighted to have been asked to write this report. In working with the United Kingdom's television industry, knowledge is core to the quality of any service delivered. Deloitte is happy to share some of the perspectives we "made earlier", and some created specifically for the EITF 2007, informed by our many years working with you.

On behalf of all of us at Deloitte, enjoy Edinburgh.



Jolyon Barker  
Head of Technology  
Media and  
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Deloitte



Ed Shedd  
Head of Media  
Deloitte

Here's one I made earlier



# “Didn’t they do well?”\*

## Will the amateur remain an amateur?

As many will recall, the Generation Game featured members of the public attempting to copy professional acts ranging from ballet dancing to plate spinning. Inevitably the amateurs were far, far worse than their instructors. The results were, expectedly, comical.

Bruce Forsyth would have to step in with a rousing “didn’t she do well?” to encourage a round of applause for the plucky volunteers.

Three decades on from the Generation Game’s heyday, amateurs remain a mainstay of UK-televised entertainment. Members of the public as well as amateur celebrities, always guided by a professional presenter, participate in a wide range of television programmes. Genres from current affairs to reality shows all involve amateurs.

Yet, in some respects, the amateur is becoming perceived as a threat, rather than just a (relatively cheap) source of entertainment. The falling price of digital production equipment, from cameras to editing software, has lowered the barriers to entry, particularly in terms of capital expenditure.

Television news bureaux, including ITV news<sup>2</sup> and the BBC, encourage the public to send in video footage captured on their mobile phones. Websites, such as YouTube allow anyone to upload their videos and broadcast to a global audience. One of YouTube’s most popular contributors, known as ‘lonelygirl15’, generated 300,000 viewings per episode<sup>3</sup> and a total of 50 million views.<sup>4</sup> Channel 4, Sony Ericsson and Orange have teamed up for *mobileAct unsigned*.<sup>5</sup> In March this year a UK version of Current TV launched on Sky and Virgin Media platforms. A third of Current TV’s output is based on user-generated content.<sup>6</sup>

Should professional television stars be worried? Will the girl next door become more popular than today's leading ladies?

Or put another way, can ownership of a camera, even of the best available quality, turn us all into David Baileys? The answer, for the vast majority of us, is unfortunately not.

Thus while news agencies may ask for users' footage, this tends to be mostly for breaking news, particularly emergencies. Citizens act more as digital eye-witnesses, providing a camera's-eye view on events, rather than personal opinions. Once a professional crew is in place, the citizen journalist tends to disappear.

As for user-generated websites, again a significant amount of footage is more often user selected (and user uploaded) than entirely user generated. Where members of the public create their own take on, say, Vicky Pollard, the number of downloads tends to be far fewer than for the real thing.

And as for 'lonelygirl15'? Was it the sign of a teenager, armed only with a webcam and a broadband connection, connecting with hundreds of thousands of fans every week? Sadly not. It transpired that she was actually an actress, whose words were scripted.<sup>7</sup>

Didn't she do well?\* Well we should hope so as she was paid!

\* "Didn't they do well?" and "Didn't she do well?" are registered as trademarks (numbers GB234781A and GB234781B) and are used with the kind permission of Mr Bruce Forsyth.

Here's one I made earlier



## “You are the weakest link”

Television’s growing screens are far from green

Television is bigger than ever. And, based on the flat-panel factories being built now, television sets are going to get larger still.<sup>8</sup> Keeping up with the Joneses may soon necessitate building a new room in which to mount a 100-inch screen. Television is becoming more and more versatile, displaying not just a few channels of broadcast television, but hundreds of channels, as well as DVDs, video games and time-shifted content.

A television was once a simple, solitary device, combining a receiver, a concave screen, a meagre speaker and four rubber feet. Today the domestic television set-up can include multiple speakers, video and sound processors, twin receivers, a broadband connection, a DVD player, a hard-disk recorder, a satellite set-top box, a digital terrestrial set-top box, at least one games console, remote controls and, finally, a robust wall-bracket on which to mount the screen.

Device proliferation has been a key outcome of the convergence of technology, media and telecommunications in the living room. And with it, the power consumption associated with the simple act of watching television has skyrocketed.

A typical plasma screen generates about 400 kg of carbon dioxide per year.<sup>9</sup> On average, plasma screens consume more power – at 9.4 watts per square inch, than cathode ray tubes (CRT) – at 3.4 watts per square inch. The larger the screen, the greater the power consumption and heat generated. Above a certain size, cooling may be required to prevent the entire room becoming too warm.

Peripherals are also power hungry. A DVD recorder with a hard drive consumes up to 60 watts per hour when in use; five watts when on standby. In other words, over a day, it consumes more power when not in use.<sup>10</sup>

Digital switchover, which commences in the United Kingdom with the Cumbrian town of Whitehaven on 17 October 2007, implies increased power consumption. Ofcom has estimated that a typical household's power consumption will rise by up to 0.4 kilowatt hours per day.<sup>11</sup> In terms of cost, a household with two Freeview (digital terrestrial) receivers can add up to five per cent to a typical home's electricity bill.<sup>12</sup>

All in all, television's impact on the environment appears bleak. And forecasts are grimmer. The Energy Saving Trust estimates that total power consumption for television and all other information, communication and entertainment devices could reach as much as 50 per cent of a household's power consumption by 2020.<sup>13</sup>

How can television improve, without reverting to antiquated CRT technology?

One approach would be to reduce unnecessary power consumption, for example by forcing devices into standby when not in use. BSkyB is rolling out this facility to all its customers' set-top boxes over 2007 and 2008.<sup>14</sup> BSkyB has estimated that the saving from power management of its customers with HD and Sky+ boxes would reduce the United Kingdom's carbon dioxide emissions by 32,000 tonnes a year: equivalent to all the washing machines in Liverpool over a year.

Some television manufacturers have brought out more efficient versions of their televisions. Sanyo has announced plans to bring out greener televisions, offering 20 per cent lower power consumption than a conventional television – albeit at a 25 per cent price premium.<sup>15</sup> Philips is currently holder of European Green Television of the Year award, with its prize-winning model rated at 210 watts for a 42-inch screen.<sup>16</sup> Yet a typical 28-inch CRT television consumed just 87 watts.

And manufacturers are designing even more efficient screens, based on an existing technology called organic electroluminescence (OEL), currently used for small screens, such as those in music players and mobile phones. The benefit of OEL is that no backlight is required because the self-luminescent properties of the organic materials used mean that screens emit light even when no power is supplied. Power is required only to change the image.<sup>17</sup>

If all else fails, there is one argument that could demonstrate aspirant green credentials. Watching television means staying in, thus not using the car. And of course, the bigger the car in the drive, the more virtuous the viewing.



Here's one I made earlier

# “Does my bum look big in this?”

## High definition gains traction

Looking good on television is always a concern. The camera's angle can be distinctly unflattering. High definition television (HDTV) threatens to make anyone appearing on television even more insecure. And it may not just be the size of one's posterior that causes concern. Physical foibles, from pimples to toupees, come into much sharper focus on HDTV.

Thus it should not surprise that at this year's Broadcast Live, one of the exhibition's busiest demonstrations was make-up for HDTV. Camouflage may prove to be the only onscreen defence to such rank, physical exposure.

HD service launched in the United Kingdom in 2006 to coincide with the World Cup, 21 years after Japan launched the first ever commercial service, Hi Vision.<sup>18</sup> The leading HD broadcaster, BSkyB, announced 292,000 subscribers for its service in its fourth quarter results.<sup>19</sup> Virgin Media also offers V+ subscribers access to HD content for no additional charge. At the time of writing, there were approximately 150,000 Virgin customers with the V+ package.<sup>20</sup>

Two key factors are driving take-up of HD: content and equipment.

So far the quantity of content is high profile, growing steadily, but still a small proportion both of total production and transmission. Major television commissions, from showpiece documentaries to major sports events, are now shot in HD. There is also a growing range of pre-recorded HD content, in the form

of movies, television series and video games. The United States, the first country to broadcast HD digitally, in 2000, went from launch to more than 30 national HD channels by the end of 2005.<sup>21</sup>

For the consumer, the cost of entry to HD is also dropping, thanks largely to strong competition between flat-panel television vendors. In 2006, the price of flat-panel televisions fell by 30 per cent.<sup>22</sup> By the end of 2008, one forecast estimates ten million HD-ready televisions in the United Kingdom.<sup>23</sup>

However, faster adoption of HD may be frustrated by the absence of free-to-air HD broadcasts (while BBC's HD channel is free, only BSkyB HD subscribers can access it) and customer confusion.

Presently, there are no HD broadcasts on either analogue channels or Freeview. HD requires significantly more bandwidth than standard definition (SD) and currently, there is simply no space allocated or, indeed, available. A lobby group, 'HD for All', consisting of all terrestrial broadcasters and several equipment manufacturers has been set up to lobby Ofcom to provide additional spectrum for HD broadcasts.<sup>24</sup> The BBC and ITV have also planned a free-to-air digital satellite service, Freesat, which includes HD programming.<sup>25</sup>

As for equipment, while the appeal of HD is relatively simple to understand, multiple standards, for broadcast, recording and even connections may confuse some customers. HD broadcasts are in three resolutions, 720p, 1080i and 1080p. While sales staff may be able to explain that the number refers to the number of lines in the picture, it may be harder to explain the difference between the p and the i, which refer to progressive and interlaced transmission respectively.

Further, customers may not expect the quality of SD broadcasts – likely to represent the majority of broadcast television viewing for years to come – to appear worse on HDTV as the television upscales 625 lines of broadcast signal into 720 or 1,080 lines of display.

When it comes to purchasing a DVD player, a customer may need to choose between the two key standards, BluRay and HD DVD. Currently both players are expensive. Making the wrong choice could mean writing off several hundred pounds-worth of player. Dual-standard players are available, but can be pricey. The first dual-standard player to be launched was priced at \$1,199 (£600) when it went on sale in the United States in February this year.<sup>26</sup>

Even connecting an HD source, such as a set-top box or games console, to a television can be a struggle. Customers need to have separate cables for SD and HD. DVD players and second-generation game consoles, such as the X-Box and PS2, need a SCART cable. HD DVD players and third-generation games consoles (X-Box 360 and PS3) need either a component-video cable or else a High Definition Multimedia Interface (HDMI) if the content is encrypted. Customers with surround sound systems need to make sure their equipment incorporates HDMI passthrough. HD kit can be expensive: a good HDMI cable can cost more than a standard DVD player.<sup>27</sup>

HDTV is likely to grow and, at some point in the future, HD should become the default both for production and for broadcast. But in 2007 and 2008, while the sale of HD-ready televisions is likely to remain healthy simply because the majority of televisions sold have this as default, HDTV viewing relative to all consumption of television may remain niche.

Here's one I made earlier



# “Am I bovered?”

## Not yet mobile television's year?

Every February, mobile industry executives gather for their annual get-together. In recent years, leaders of the mobile sector have been joined by representatives from the media sector, delighted by the potential of mobile television.<sup>28</sup>

2007 was no exception, with Nokia's CEO, claiming that falling technology prices would allow mobile television to become mainstream.<sup>29</sup>

So, will 2007 or even 2008 finally be the year of mobile television?

There certainly seems to be plenty of faith in mobile television, from all players in the market.

Content creators are still believers. The forthcoming Channel 4 television show – *mobile Act unsigned* – to be aired in autumn 2007, plans to offer mobisodes – content created specifically for the shape and quality of a mobile phone's screen – of some of the footage.<sup>30</sup>

Device makers seem also to be believers. Apple's recently launched iPhone comes preloaded with a YouTube viewer. Korean manufacturer LG also plans to have YouTube-enabled mobile phones by the end of the year.

Mobile network operators have been mobile television enthusiasts. Virgin Mobile launched a service in September 2006, based on specialised mobile phones capable of receiving six video channels broadcast over the digital radio spectrum.<sup>31</sup> The launch was backed by a £2.5 million campaign fronted by Pamela Anderson. At the time of writing, every mobile operator in the United Kingdom has launched, or is about to launch, a mobile television service.

And why wouldn't they? Many forecasts for mobile television are positive. Screen Digest predicts that mobile television will generate €4.7 billion (almost £3.2 billion) revenue from 140 million subscribers by 2011,<sup>32</sup> by which point Multimedia Research Group forecasts 244 million television-enabled devices will be in use.<sup>33</sup>

Additionally, the technological foundations for mobile television may be getting stronger, with the European Union recommending the adoption of a standard known as Digital Video Broadcasting – Handheld (DVB-H).<sup>34</sup>

Yet for all the optimism and behind-the-scenes activity, the outcome for mobile television, so far, is at odds with the expectation.

The BBC created 13 mobisodes of *Doctor Who*. Ratings for *Doctor Who* on broadcast television have reached eight million.<sup>35</sup> Yet the total number of mobisodes downloaded was just 40,000 for the entire 13-part series.<sup>36</sup> Virgin Mobile TV also had a disappointing start. In January 2007, The Guardian claimed that the number of customers was fewer than 10,000.<sup>37</sup> In July 2007, Virgin Mobile TV ceased service.<sup>38</sup>

More to the point, not all industry analysts agree that mobile television's future is rosy. Canalys' Europe-wide survey found that more mobile-phone users considered in-built GPS to be of greater use (62 per cent) than mobile television (51 per cent).<sup>39</sup> Enders Analysis estimates 100,000 paying customers in the United Kingdom for 2007. Not surprising given that in a 2006 Enders/BRMB survey, 76 per cent of mobile-phone owners declared themselves 'not at all interested' in paying £5 per month for mobile television.

Arguably, a fundamental barrier to the mass-market adoption of mobile television may be size. The screen size of a high-end mobile phone is currently limited to about six square inches. In contrast, a typical television, with a 32-inch screen, has a surface area of 448 inches.<sup>40</sup> Emerging technologies, such as rollable screens, may in future, address the size issue, offering screens with an area of 20 square inches.<sup>41</sup>

But in the meantime, the conventional television is becoming more and more compelling. Not only is the television getting larger, but with Dolby 5.1 surround sound allied to a set of six speakers, ever higher resolution, integrated hard disk recorders and other technical wonders, the television appears to be racing ahead of the alternative screens – mobile television included.

Indeed, to succeed, mobile television needs to focus far less on being a pale imitation of the big box in the living room. Instead it needs to try and establish a new genre of television that appeals, despite a mobile phone's physical confines.

So is the United Kingdom bovvered about mobile television? Well it certainly isn't prepared to pay much for it. At least not in 2007.

Here's one I made earlier



# “Computer says no”

## Internet television’s progress is steady but slow

Television delivered straight to your PC?

To some, frustrated by the limitations of current broadcast schedules, this may be a dream. To others, weary of hours spent in front of a PC while at work, the scenario may be more nightmarish.

To kids, the ability to watch television on PCs whilst ostensibly studying may be just too tempting.

To the UK television sector, it has become a common imperative, with all major broadcasters having launched, or relaunched, some form of broadband television offering in the last 18 months.

In April 2006, Channel 4 began offering *Lost* via its website.<sup>42</sup> Last autumn, Channel 5 launched a new digital download channel, offering popular drama series such as *Crime Scene Investigation* online. In November 2006, BSKyB rebranded its download service as Sky Anytime, offering customers movies, sports highlights and drama series to download.<sup>43</sup> Earlier this year, ITV made *Coronation Street* and some other of its soaps available online.<sup>44</sup> And more recently, the BBC soft-launched its iPlayer.<sup>45</sup>

While UK broadcasters are likely to have a major influence on the take up of Internet television through the quality of their content, supply is not limited to the big six broadcasters. Today, there are already hundreds of Internet television providers, many based outside the United Kingdom, yet able, because of the Web, to reach customers both within the United Kingdom and around the world.

YouTube, is one the best known providers of video via the Internet. YouTube boasted over 100 million daily video downloads from around the world at the time of its acquisition by Google last autumn. YouTube’s daily download tally is far greater than the peak audience of any UK broadcaster.

The site's most popular contributors can generate up to 500,000 viewings per clip from around the world,<sup>46</sup> sufficient to rival ratings for some of the United Kingdom's digital television channels.<sup>47</sup> Earlier this year, two well-backed Internet television companies were launched: Joost,<sup>48</sup> created by the founders of Skype and Kazaa, and Babelgum,<sup>49</sup> backed by the billionaire owner of Fastweb. Both are advertising-funded; both offer, in the long run, a vast library of content; both are based on peer-to-peer (P-to-P) technology; both remain (at the time of writing) in beta phase. There are even dedicated search engines, such as Blinkx,<sup>50</sup> which provide access to 12 million hours of video content, based on relationships with 130 media companies. However while both the quantity, and, mostly thanks to UK broadcasters, the quality of Internet television has improved markedly over the past 12 months, take up among British consumers remains relatively small.

In February this year, an Ofcom survey found that 23 per cent of all broadband users had downloaded an episode or a film at some time.<sup>51</sup> However, only ten per cent of respondents, equivalent to about five per cent of the population, were regular users, downloading long video files (longer than clips) weekly.<sup>52</sup>

Why the relatively weak demand for Internet television? Customer experience, quality and cost all play a part. The Internet television-user's experience is, today, inferior to conventional, broadcasting, consumed via a television. Television streamed over the Internet can be subject to delays of a few seconds – or even longer – when the Internet gets busy. Unfortunately, not too much can be done about it. Few consumer broadband contracts have quality of service guarantees. A consumer gets whatever quality is available and for the average member of the public, it is unpredictable. Even baubles on a Christmas tree can slow Internet connections.<sup>53</sup>

If a programme is downloaded to a PC, rather than streamed, this process can take several hours. An HD film downloaded on a relatively slow, one Mbit/s connection, can take more than ten hours to arrive.<sup>54</sup> That's not exactly what a customer might regard as on-demand.<sup>55</sup>

Further, the quality of television on a PC is typically inferior to that on a conventional television. PC screens and speakers are typically smaller or less powerful than a television's.

As for watching on faster networks while at work or even at university, IT managers, unhappy about video downloads hogging network capacity, may be a barrier. They may be even more irate about the network being used to send video to other users. As many Internet television services use P-to-P, every customer also becomes a hub for sending fragments of the video file to other customers. In a number of universities and companies, P-to-P is restricted or even banned.<sup>56</sup> In some companies, use of P-to-P may prompt not just a call from IT, but also a visit from HR.

Of course, there is no reason why consumers cannot use P-to-P to access Internet television in their own homes. But the large size of movie files, often at least one gigabyte, may cause customers on entry level broadband packages to reach their monthly allocations fast. Some packages have download limits of two gigabytes, which for longer movies would mean exhausting their allowance in one go.<sup>57</sup>

Ultimately the biggest challenge to Internet television may be the television itself. For the majority of PC households that also have a television, watching video on a PC may always be the fall-back. Viewers may opt for Internet television only when the television is either already in use or if the content is available only via the PC.

Once the Internet reaches the television set, rather than television reaching the PC, then Internet television's days may be numbered.



# “Is that your final answer?”

## The challenges of comparing new media and traditional media

Being put on the spot is unnerving, to which anyone who has been subject to Chris Tarrant's mischievous ultimatum could attest. The emergence of new forms of competition can be more unsettling than the actions of direct competitors.

In television, as with other forms of traditional media, one of the most disquieting developments has been the steady growth of new media. Revenues from search-related advertising, for example, are already greater than Channel 4's advertising revenues.<sup>58</sup>

Equally perturbing have been the abundant, often adulatory, headlines about the unrelenting rise of multiple forms of new media. Sombre analyses of the travails of traditional media are similarly plentiful.

Yet, while new media should be regarded by television as both opportunities and threats, the industry should be diligent in identifying the real threats, before forming a strategic response.

Terms of reference, in analysing television and new media, differ frequently.

For example, the successes of 2006's new media darling, social networking, are often expressed in terms of daily downloads and unique viewers. Though the numbers are enormous, they may mislead.

YouTube, one of the largest of social networking sites, is often portrayed as a threat to the traditional television industry both in the United Kingdom and around the world.<sup>59</sup> The site's users both upload and download, in apparently far greater numbers than those watching television.

At the time of Google's acquisition,<sup>60</sup> YouTube boasted over 100 million downloads every day and 70 million monthly unique users. These numbers look impressive when compared with the metrics commonly used to measure the performance of UK television.

Currently, a prime-time audience of ten million viewers is considered an achievement, but a trivial tally relative to YouTube's more than 100 million downloads.

But a television viewer is not comparable to a unique viewer on the Internet, and a television programme is quite different to a video clip. The former is longer, and generally has higher production values. At the time of writing, the average length of the top 30, all-time, most-viewed video clips on YouTube was 3.5 minutes; the overall limit is ten minutes. A television programme is often 30 minutes or more.

And so if we compare total numbers of hours watched, a quite different picture emerges. The number of hours watched of traditional broadcast television in the United Kingdom far outstrips that of YouTube globally, by a ratio of 24-to-1.<sup>61</sup> And that does not include the growing number of hours of UK television being watched over the Internet.

Another prominent new media genre to which television is often compared is video gaming, frequently cast as a competitor. An hour spent immersed in obliterating Martians or emulating Lewis Hamilton probably means an hour not watching television.

The fastest growing form of video game is the online game, which, through its vast, absorbing worlds, could keep players eternally distracted. Second Life is one of the most talked about of all online games. It has attracted the attention of a wide range of blue chip companies, from Reebok to Dell, all of which have invested in a presence in its fictional world.

Media companies are also in. In 2006, the BBC broadcast a virtual concert in Second Life.<sup>62</sup> Later that year, Reuters assigned a journalist, known as Adam Reuters, to be present in and to cover news stories from Second Life.<sup>63</sup>

One reason for Second Life's ability to attract so many major companies to participate there is its purported growth rate. The site's headline statistic is its tally of 'residents'. At the time of writing, in mid-July, it was 8.1 million – quite an increase from fewer than two million residents at the beginning of 2007. The number of residents is significant; if growth were to continue, it may represent a threat to traditional media such as television.

Yet deeper scrutiny of the numbers reveals a different picture. According to Second Life's latest release, there were only 495,000 active users, a decrease on the previous month. The number of residents online at any time is typically in the tens of thousands.

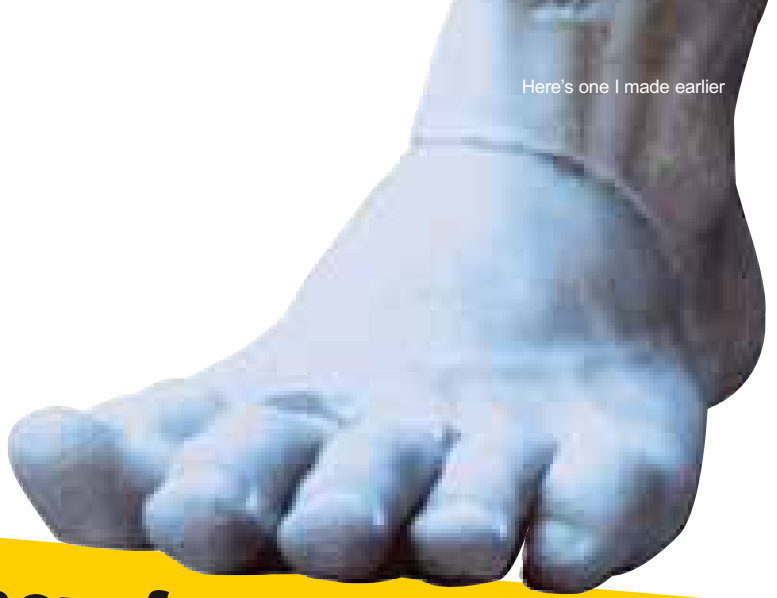
Here's one I made earlier

How can there be such a stark difference between the number of residents and both active users and residents online? Much is down to definition. Typically residence suggests tenure in a location. In Second Life, it means "a uniquely named avatar with the right to log into Second Life".<sup>64</sup> Thus anyone who has registered an avatar is counted, whether or not they have ever entered Second Life. And it appears clear that only a minority of those that register remain active participants.<sup>65</sup>

Corporate enthusiasm for Second Life, as well as the number of active users,<sup>66</sup> already appears to be waning.<sup>67</sup> Even Second Life's 190 developers are experiencing a downturn in revenues and projects.<sup>68</sup> But the hype around the synthetic world remains, and continues to confuse.<sup>69</sup>

Television companies feeling threatened or enticed by new media should always bear in mind the addressable market. For new media, that market is primarily limited by the number of broadband-connected PCs and mobile phones. While broadband growth in the United Kingdom has been rapid, it has only just breached 50 per cent of households. Overall Internet access is growing relatively slowly. Between 2003 and 2006, it grew seven percentage points to 57 per cent.<sup>70</sup>

In contrast, penetration of television remains significantly higher: in the United Kingdom, television is present in 97.7 per cent of all homes.<sup>71</sup> Indeed televisions may soon outnumber the United Kingdom's (real-life) population.<sup>72</sup>



# “And now for something completely different”

## IPTV's promise gets closer to realisation

Monty Python's Flying Circus was first broadcast at a time – in the late 1960s and early 1970s – when choice on television was limited to three channels. Even by the end of the 1970s, more than 40 years after the BBC's first television broadcast, there were still just three television channels.

All that had changed by the end of the 1980s. Not only did viewers have an additional channel, following Channel 4's launch in 1982, but the arrival of the video recorder offered a vastly expanded choice of material to watch on television. Viewing possibilities were limited only by the shelf space of the local video store.

Finally, British television viewers could watch something different, so long, of course, as it was available on tape, or latterly, on DVD (not-yet-released or niche content remained elusive). And so long, as well, as the viewer was not averse to popping out and picking up a tape or DVD. Instantaneous video-on-demand (VOD) was only available to the minority with large video libraries.

Many companies began working on the ideal of delivering any content to a television on-demand. In mid-2007, the industry is a few steps closer, both commercially and technically, to achieving that aim. But while progress has been steady, few would call it swift.

The first attempts to offer VOD took place in the 1990s, when dozens of companies, many of them telephone companies looking to diversify away from offering just phone calls, started trials. Technological advances allowed video to be distributed to televisions via the same telephone networks used to make phone calls. At the peak, there were over 50 VOD trials around the world, including major trials in Colchester and Ipswich, managed by BT. Few of those trials subsequently converted into commercial services. But the ideal of offering potentially unlimited viewing choice to a television set remained appealing.

Here's one I made earlier

In recent years, investment in the various technologies required to deliver video via networks has delivered a steady stream of innovations, offered to the public in an ever growing array of services and products.

In the United Kingdom, the key services launched have been Homechoice, now known as Tiscali TV, and BT Vision. Homechoice was initially launched in the 1990s and relaunched in 2003, before being purchased by Internet Service Provider (ISP) Tiscali. The renamed Tiscali TV, launched in March 2007, offers a variety of on-demand content, from movies to video.<sup>73</sup> BT Vision soft-launched at the end of 2006, offering a growing range of content, from music videos to television to premier league football.<sup>74</sup>

Both services currently offer thousands, rather than millions, of pieces of content to choose from.

Demand for Internet Protocol television (IPTV) services in the United Kingdom is still relatively low. At the time of Tiscali TV's launch earlier this year, it had 40,000 customers.<sup>75</sup> BT Vision had 20,000 customers at the end of June.<sup>76</sup>

Both companies are aiming at a combined tally of millions. BT Vision is aiming for 100,000 customers by end 2007, and eventually up to three million customers.<sup>77</sup> Tiscali TV is aiming for 455,000 customers by the end of 2010.<sup>78</sup>

The credibility of these targets would appear to be supported by IPTV's success in other countries. Free, a French IPTV provider, has in the region of 1.5 million customers, and almost two million are forecast by the end of 2008.<sup>79</sup> France Télécom's Orange has approaching 900,000 customers.<sup>80</sup> Telefónica, the largest Spanish network operator, had over 300,000 subscribers for its Imagenio service at the end of 2006.<sup>81</sup> In the United States, Fios, an IPTV service offered by network operator Verizon, had over 500,000 subscribers by the end of June.<sup>82</sup>

Thus the prospect of watching something completely different appears to be ever nearer, for those customers that want it.

And it is worth asking – how many customers want infinite choice? An unending selection of content – be it in the form of every *Crossroads* out-take or the vast swathes of *Top Gear* footage that is left on the cutting floor – may certainly be an ideal for car lovers. But is it an everyday need?

For some, choice may be a chore. Choosing a movie a week may be enough deliberation. For the other 20 hours of viewing however, being told what to watch, by schedulers skilled at guessing what people want to watch, might be the easier option.

Whether the public wants infinite choice or plenty of programming will start to be answered over the next year.

# “And it’s all done in the best possible taste”

## Catchphrase glossary

Catchphrase	Show	Presenters	Context	Genre	Launch
“Didn’t they do well?”	The Generation Game	Bruce Forsyth	Cue for audience applause	Game show	1971
“You are the weakest link”	The Weakest Link	Anne Robinson	Dismissal of contestant from each round	Quiz	2000
“Does my bum look big in this?”	The Fast Show	Arabella Weir	Catchphrase of Insecure Woman	Comedy	1994
“Am I bovvered?”	The Catherine Tate Show	Catherine Tate	Catchphrase of Lauren Taylor	Comedy	2004
“Computer says no”	Little Britain	David Walliams	Catchphrase of Carol Beer	Comedy	2003
“Is that your final answer?”	Who Wants To Be A Millionaire?	Chris Tarrant	Question posed of contestants at high-stake moments	Quiz	1998
“And now for something completely different”	Monty Python	John Cleese, Graham Chapman, Terry Gilliam, Eric Idle, Terry Jones, Michael Palin	Link between sketches	Comedy	1969
“And it’s all done in the best possible taste”	The Kenny Everett Video Show	Kenny Everett	Catchphrase of Cupid Stunt	Comedy	1978

Here's one I made earlier

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