



Right now not much can be said with any degree of certainty about VoD, but one or two things can be. Firstly, the US is ahead of Europe, secondly, people have talked the VoD talk for so long that not everyone is prepared to believe that we will finally see VoD walk the walk. And the third thing that can be said with assurance is that those people are in for a shock; VoD is happening, and it is going to change the face of the audiovisual business. Below we examine some of the questions that have yet to be resolved such as, what do consumers want from VoD, who will deliver it to them, and under what models.

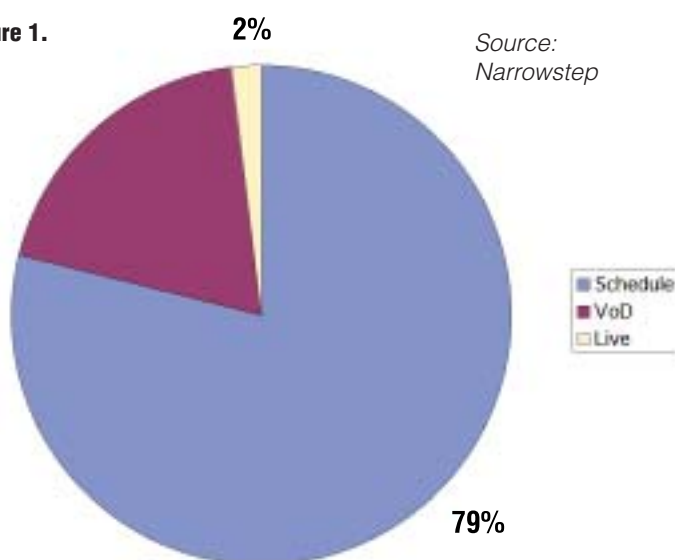
As Martin Blacksted, head of new media at Granada Television International points out, "the appeal of VoD is that it allows the viewer to watch what they want, when they want to watch it." And, believes Blacksted, "in a few years we will look back and marvel that we ever lived through a time when we were willing to wait for a broadcaster to decide when we would be allowed to watch a programme that we wanted to see." Although he does accept that, "exactly how soon this will all happen is difficult to say, and to an extent depends on the speed with which the consumer buys into higher capacity broadband."

Glenn Oakley, SVP, business development, Rainbow Media, thinks there are other factors that will impact the speed at which VoD becomes an everyday part of our lives. "The important thing about any IPTV proposition, whether it be for streaming or VoD," insists Oakley, "is that the content must be compelling, it must be content that people want to watch." But this, he believes, is only one of three key elements that need to be in place for VoD to finally become a successful reality. In addition to compelling content Oakley also believes that, "VoD has to offer the consumer easy access, if consumers have to make fifteen clicks to reach their chosen title, they won't stick with it. And finally," he concludes, "the system has got to be reliable and work every time."

I'll tell you

VoD is front and centre of most IPTV propositions but what does the viewer want? Is VoD just another word for time-shifting or can customers be caught and kept with new, or at least differently packaged, product? Bob Jenkins investigates.

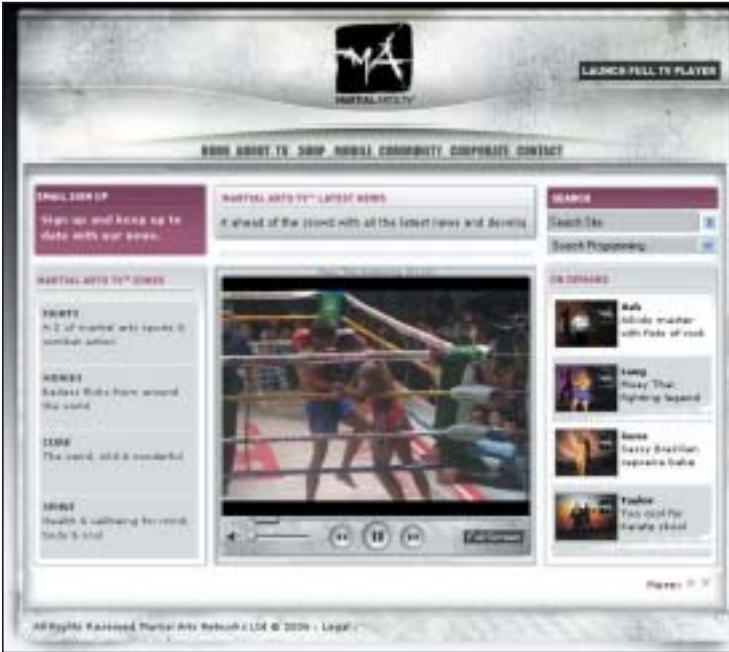
Figure 1.



Source:
Narrowstep

DRILL DOWN. Sean Kohan, VP, international business development and digital media at A+E Networks, agrees with Oakley on the importance of compelling content. "Ultimately," insists Kohan, "viewers want the same from VoD as they want from other forms of viewing, and that is compelling content." But he sees another aspect of VoD as offering a further powerful draw and that is what he describes as 'drill-down'. Kohan explains what he means; "if a viewer on a linear channel sees a programme on a topic that interests them, when the programme ends so does their ability to pursue that interest. But with VoD they have the ability to search for, and find, two, three or four more programmes on the same topic, and that's an important difference."

Mark Horley, head of TV strategy and new product development at the UK's ntl Telewest accepts, "we are still in the very early days of VoD," but reveals, "our experience so far is that consumers want two things from VoD, choice, and control," adding, "the huge breadth of choice is a serious attraction, but it is their ability to decide what they want to watch when they



illustrates another point about VoD that is important to understand. It isn't going to be just about movies. TVHead is an American company currently developing a VoD offering built around games, and, claims founder and CEO Sangita Verma, "our offering will go beyond what is currently being envisaged for VoD and is, in a real sense, already the next generation VoD, because it is truly interactive, unlike the VoD of movies which is passive." The company's CTO and VP, engineering, Cliff Mercer agrees. "We see VoD as being so much more than just movies," insists Mercer, "the interactivity is a big difference, but so too is the fact that we will be streaming our offering, not just having it sit there waiting to be pulled up."

you what I want



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– Glenn Oakley, Rainbow Media

want to watch it that is the real draw."

However, not everyone agrees. Iolo Jones, chief strategic officer at Narrowstep, the British IPTV technology company, in response to the question, 'what do viewers want from VoD replied, "not a lot," going on to explain that of the half-million people spread across the eighty channels on the Narrowstep platform, nearly eighty per cent, as shown in Fig 1, watch the streaming, even though VoD is available. Although he does note that, "with sports, the more ubiquitous the sport the lower the conversion rate," (i.e. the percentage of viewers who will switch from watching a linear stream to paying for VoD.) "With soccer," continues Jones, "the rate can be as low as 0.1%, whereas for golf, it's around 7-8% and cycling is nearer to 12 – 13%."

GAME PLAN. This example

Although there appears to be near unanimity of belief that VoD will be about a lot more than just movies, and that it will develop into a substantial business, there is much greater uncertainty as to whether this new business will be controlled by the platforms or by the content owners. Perhaps unsurprisingly Narrowstep's Jones is unequivocal, "the platforms will control the business and the content owners will become the wholesalers," is his certain view. Jones goes on to explain his reasoning, "I believe VoD will follow the same path as the music downloads business. There, a platform such as iTunes will go to a major rights holder such as EMI, and ask for the right to offer their music. If the rights holder is satisfied that they are dealing with a financially solid company, and that there will be adequate protection for their content, they will ask for a minimum guarantee against a fifty per cent royalty. Then they just sit there and collect the money, while the platform has to do all the marketing, production, distribution and deployment of the technology."

Jones is supported in this view by Sarah Hackforth, VP, sales and operations EMEA, at IPTV VoD solution provider, Entone Technologies. "The platform providers own the pipes, so they manage the content," she points out, although she cautions, "it will be crucial that the operator has the right content, and I suspect

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content



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Narrowstep**



increasingly difficult.” Jones also finds support from Rainbow’s Glenn Oakley who echoes Jones’ belief that, “content owners will act as content wholesalers and platform owners will act as content retailers.”

CONTENT POWER. In contrast, TVHead’s Verma is a believer in the power of content, “I think it’s early days to say who will control VoD,” she argues, but continues, “my guess would be that it will be the content owners,” explaining, “I say this because they know their content best, and best know how to display it and how to promote it to the consumer.”

A+E’s Cohan however, believes that both will have ownership of the VoD business. While conceding that, “platforms have a number of built in advantages over content owners, such as an existing relationship with the customer and the necessary technology and infrastructure in place to handle such matters as

billing, the fact remains, but no platform can run a VoD offering without content owners.” Cohan envisages the emergence of a world in which, “existing platforms such as ntl Telewest and Sky in the UK will run successful VoD propositions,” but he is, “equally sure that we will see the establishment of global portals run by people like Yahoo, as well as portals owned by content owners. Indeed,” he goes on to point out, “you can see the embryonic emergence of such portals with the willingness of many content owners to offer clips and other shorts

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**- Mark Horley,
ntl Telewest**

TVHead foresees much interest in on demand games.

General Motors sponsored CBS’s ON DEMAND Survivor.

that those pipe-owners who are efficient and good at marketing their services will happily co-exist with content owners, while those that are not efficient, and don’t market their services properly will find content negotiations



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on their web sites.”

This is a view shared by Granada's Blacksted. “From Granada's perspective as a major content owner,” says Blacksted, “we will go where the eyeballs are.” For example, he explains, “outside the UK neither Granada nor ITV are names that have traction with the public; so, in the short term, we are unlikely to spend marketing money to drive consumers to our own site, going instead to sites such as Amazon and Google that do have that traction, and are already established with a high number of users. In the UK however it is entirely likely that direct sales will be made to the consumer by setting up a VoD site under the ITV brand.”

PLATFORM PROVIDER.

The view that VoD has room enough for ownership by owners of both content and platforms is one shared by Craig

Knudsen, director product marketing at compression technology provider Tandberg Television. Knudsen points to MovieBeam as, “an example of a content owner, in this case Disney, delivering a VoD service, although they do also license from other content owners. But equally you see companies such as Comcast, or ntl Telewest that are examples of platform providers also delivering a VoD service.”

Whoever finally ends up owning VoD, they will have to decide the business model under which they are going to operate. And, it seems, they will have a menu from which to choose, almost as extensive as the content menu they offer their consumers.

Narrowstep's Iolo Jones is keen to stress that, “we don't ourselves run channels, we are just the platform.” However, he says that Narrowstep is, “seeing a number of different models appearing, but at the moment the most common models, in order, are: sponsorship/brand developed content, advertising, subscription, pay per view, e-commerce and gambling.” Although he adds that, “we expect advertising to overtake sponsorship, and gambling to become

increasingly important in some areas particularly sport. But probably,” he concludes, “the best way forward is what we call ‘wearing’ which is where a channel uses all possible models to a greater or lesser extent, with some parts of the channel being offered free, other layers available on a subscription basis, PPV further in and e-commerce right at the back.”

RICH EXPERIENCE. Ervin Lebovici, CEO, BitBand, offers some insights into the potential of on-demand services. “The IPTV proposition has been rapidly evolving in an effort on the Service Providers’ end to attract and retain customer's interest. To fulfil the promise of tomorrow's TV, service providers need harness technological advancement in their favour and present advanced TV products enriching the digital viewing experience beyond the traditional VOD offering.”

He observes that a recent major trend in delivering digital TV to the consumer living room employs a method of separating content availability from the broadcaster's dictated schedule. “This is often referred to as TV On-Demand (TVOD), and includes Classic network PVR (Personal Video Recording), and Time-shifted TV (TSTV), where content is accessible based on category, on a personalised basis or any classification chosen by the operator. Additional applications are Last X days TV, Programme Restart and Library of TV content.”

Lebovici suggests that these applications represent ‘VOD 2.0’ - the ability to provide TV content on demand and not just studio movies. “Significant value is driven also from the way this content is made accessible to the subscriber and then is accessed on demand.

“TVOD is predicted to be highly appealing to subscribers, opening a world of possibilities for implementing new revenue-generating business models. TVOD applications present only a first innovative step towards the end point targeted by both subscribers and the industry. In today's information and content overload reality, the ability to limit and personalise the content one has access to, becomes a key factor in both the viewer experience and commercial vendor success. The Internet model is a good reference to the success of On Demand content services, one that is bound to repeat itself in the IPTV Service Provider space. Moving from Broadcast to On Demand is a long process that no doubt will transform the media industry in years to come.”

KEY MODELS. At A+E, Sean Cohan thinks, “business models will evolve from the need to have your content everywhere there are eye-

“As a major content owner we will go where the eyeballs are.”

- Martin Blacksted, Granada Television International

Total on-demand revenue by region

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Western European total	€ m	231	231	275	317	398	520	670	853	1,037	1,166	1,245
North America total	€ m	4,399	4,810	5,124	5,344	5,658	6,004	6,282	6,547	6,786	6,996	7,184

Source: Screen Digest Television Intelligence



“The platform providers own the pipes, so they manage the content.”

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Entone Technologies



Land Rover is one of over 80 channels powered by the Narrowstep platform.

over 24 hours.” He goes on to reveal, “we already have such an arrangement running with T-Mobile in Germany, where we use a price structure that really is historical, we charge, typically, €1.99 per programme with some promotional offers at €0.99. The second of the current models is subscription VoD, which can work in either of two ways. Firstly a specified number of VoD downloads is offered free with a subscription to a linear channel, or secondly as a subscription VoD in its own right with the consumer paying a monthly fee in return for a specified number of downloads. Finally, there is Download To Own, or DTO. Frankly,” admits Cohan, “this is more akin to the DVD business, but we will shortly be announcing two or three deals with various international parties, and then we will just have to see what the market will bear in terms of price points.”

ntl Telewest’s Mark Horley reports that, “there are services such as Cinema Now that are offering downloads for unlimited use over a 24 hour period for between £3 and £5 (€4.50 to €7.50) per title and a DTO offering at around £20 per title, but” he adds, “it is too early to tell whether these price points are sustainable or not.” ntl Telewest also offers a subscription VoD service, which, although not downloadable, offers unlimited access to series such as *Friends* and *Planet Earth* for £5 per month.

TVHead is still trialing its operations with the aim, according to CEO Sangita Verma, “of putting the service before the public Q4 2006, and launching Q1 2007.” However, she is prepared to reveal, “we are looking at a two layered service. The first one being free and ad supported and the second a monthly subscription service for unlimited usage.” She envisages the ads working in one of three ways. “It can be an ‘in-game dynamic’, for example if a game makes

balls,” adding, “at the moment there are three key models.” Cohan defines these as, “transactional VoD, under which the consumer pays per programme for unlimited use

use of a pool table the surface of the table could contain rotating ads, or we could build a game entirely around a product, or we could play 10 second interstitials between the game allowing the user the possibility of clicking through to a micro channel about the product being advertised.” This free tier is likely to offer between three and five games with the premium tier launching with around twenty games with one new game added every two weeks. Although pricing is still being trialed Verma envisages the premium channel, “will cost between US\$5 and US\$8 (€4/ €6) per month,” and reveals, “in our trials so far we have found 57% of platform users play the free games, and that 25% of that 57% will go on to pay for the premium service.”

SPONSOR’S MESSAGE. Recently CBS made the finale, and reunion episodes of *Survivor* available free on Comcast’s ON DEMAND service the day after their network transmission, sponsored by General Motors. Each show contained three commercial messages from General Motors, one at the beginning, a second at midpoint, and the third at the end of the show. Each message allowed viewers the opportunity of requesting a long form video with detailed information on, and demonstrations of various GM vehicles.

Tandberg’s Knudsen again points to Disney’s MovieBeam service as offering yet another model. “MovieBeam,” explains Knudsen, “sells consumers a set-top box, which it has currently priced at \$199, with U\$50 off in various promotions. After that, the consumer pays per movie viewed with no monthly fee.” Although he does caution that it may be necessary for MovieBeam to find ways of lowering that price to nearer \$100.

Clearly there are currently many more questions about VoD than there are answers, but maybe Granada’s Martin Blacksted best summed it up observing that, “VoD won’t be the only service IPTV offers; there will be others such as conference calling, home security and on demand gaming, and we are in the very early days of IPTV with very few services on offer and the number using them pretty small, but there is no question that it is going to happen, the only real question is when.”