

STRICTLY PRIVATE AND CONFIDENTIAL

MEDIATIQUE

Ofcom

Participation TV: market overview

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1. Executive summary

Mediatique Limited, a UK-based research and advisory firm, was asked by Ofcom to provide a review of certain sub-sectors of the interactive TV market in the UK, in the context of the regulator's review of "participation" television (PTV). Mediatique was asked to look at the market size, market characteristics, business models, major players and general market trends. This work is aimed at informing Ofcom's general regulatory review of the relevant sub-sectors. Mediatique is not providing any view on consumer harm and other regulatory issues, and is limiting itself to a consideration of the business models operating in the UK PTV market.

For the purposes of this report, PTV is defined as quizzes, chat services (including adult and psychic channels) and dating. Expressly excluded from the present analysis, at the direction of Ofcom, are home shopping, gambling, gaming, voting and competitions imbedded in entertainment programmes such as *Big Brother* and *The X-Factor*. This is because Ofcom's primary concern is to examine whether the editorial versus advertising distinction is being applied according to the spirit of the appropriate regulation.¹ As a result, Mediatique looked specifically at services falling outside pure editorial, gambling or home-shopping, where this issue is pertinent. We looked at programming in these areas where there is a "call to action" to consumers, who then use fixed-line and/or mobile devices to "participate", thereby generating premium-rate telephony revenues (the primary revenue stream for the relevant services analysed here).

The main distribution model for PTV is digital satellite, where the costs of running interactive services have declined markedly in recent years. The cost of satellite capacity has nearly halved since the launch of Sky Digital in 1998, and competition amongst the companies that provide production and transaction network management services has driven overall operating costs down. This led to a proliferation of chat, dating and quiz services. However, the industry has been affected by the entry of the main broadcasters into the quiz TV market, with competition intensifying for those channels not tied to legacy broadcasters.

There are two broad revenue models at work in these sub-sectors. The first – low price and high volume – is associated with the quiz sub-sector, where ITV dominates. Viewers are encouraged by on-screen presenters to phone in answers and to do so frequently. The second, high price and low volume, more accurately captures the premium chat channel business models used by, in particular, adult and psychic chat services. Here, viewers are charged for the length of time they remain on the line. The sole income stream for these services is Premium Rate Telephony (PRT), and the relevant revenues are shared by network operators, transaction network operators and broadcasters/producers.

There is very little objective data and analysis available on the trends in PTV. Other than the publicly quoted broadcasters active in the sector (notably ITV plc), companies do not routinely provide details on the revenues generated and on profits made. As a result, Mediatique has used a hybrid methodology to establish the size and characteristics of the market, marrying a "top-down" and "bottom-up" approach. The methodology is

¹ For clarification, television-based dating services are currently classified as a form of advertising, in contrast to all other PTV services.

explained in detail below but was based on extensive interviews with industry players and financial modelling by Mediatique.

Mediatique estimates that the market as defined here will generate approximately £118m of revenues in 2007, with £86.8m coming from quiz TV, £20.3m generated by chat and psychic services and another £11.1m from dating services. These numbers are based on a series of detailed assumptions about viewing share/reach, conversion rates, user activity, price and revenue share models for each of the current UK services. The market size forecasts have also been validated through the interviews Mediatique held with key players. Mediatique stresses that the quiz market sizing is relatively robust, as it is based on public information relayed by numerous publicly-listed companies. The dating, chat and psychic markets are more difficult to corroborate, although we have checked our conclusions here against the broader market intelligence afforded through our industry interviews.²

The participation TV markets described in this report have grown by an annual compound rate of 16% since 2005. While the rate of growth is likely to slow in the future, following consolidation and the possible effect of regulatory intervention, this market will continue to be an important part of the strategy of key broadcasters and channel operators in the next few years.

Mediatique also concludes that PTV services will continue to evolve and are unlikely to disappear. Regulatory intervention notwithstanding, viewer demand, coupled with the desire of traditional broadcasters to diversify their income strands in light of declining revenues from traditional advertising and subscription businesses will ensure that these services will continue to be offered in some form.

² Following finalisation of this report, a number of regulatory measures have been put in place by ICSTIS in response to various infringements of PRT procedures in several quiz TV programmes. These include the systematic monitoring of PTV services and the introduction of a more comprehensive licensing scheme. For clarification, we have not adjusted our analysis in the light of these measures,

2. Introduction

Purpose of this report

The market for participation TV (PTV) has been the subject of scrutiny over recent months, in response to growing concerns among policy makers, regulators and consumer groups that the operation of such services may be against the public interest.

The Culture, Media and Sport Committee reported in January 2007 that "...statutory regulations are struggling to keep up with [quiz TV services]; the shows themselves have the look and feel of gambling but are not presently regulated as such; and Members of Parliament are receiving complaints from people who see the shows as a 'rip-off'."³ Such was the result of an inquiry into participation TV quiz shows launched in October 2006. Furthermore ICSTIS⁴ also issued a consultation document on participation TV quiz services on 29 January 2007.

Many of these concerns have focused predominantly on issues surrounding quiz-based formats only. The market for participation services is far broader in reach and, moreover, the operation of such services does raise questions relating to consumer protection and content standards which fall under the scope of Ofcom's regulation.

Ofcom is now reviewing how it exercises its responsibilities in relation to this sector, including an examination of the central editorial/advertising classification issue. Ofcom has initiated a review of its regulatory approach to participation TV including the publication of a consultation document, to which this report is annexed.

In order to complete the formulation and evaluation of the different regulatory options, Ofcom has commissioned Mediatique to undertake research and analysis into the participation TV sector. The objectives of this research are detailed below.

Project objectives

- To provide information which would improve Ofcom's general understanding of the participation TV sector; and
- To provide financial and other data which would help Ofcom in carrying out a regulatory impact assessment of any changes which it proposes to make to current rules.

³ "Call TV quiz shows", House of Commons Culture, Media and Sport Committee, Third Report of Session 2006-2007.

⁴ ICSTIS (Independent Committee for the Supervision of Standards of the Telephone Information Services) is an industry-funded regulatory body for all premium rate charged telecommunications services.

Methodology

Mediatique has undertaken comprehensive background research into the participation TV market. This includes significant primary research, including interviews with relevant industry professionals where necessary. All interviews were conducted on a confidential basis, and Mediatique agreed that no respondent would be identified specifically with regard to their comments. The interviewees ranged from network operators to broadcasters to interactive TV companies, and interviews were conducted by Mediatique in February and March 2007.

Mediatique has also established its own financial model covering various aspects of interactive TV, including home shopping, gambling, gaming and the more traditional forms of PTV (voting, competitions, lifestyle services and quiz programmes). This model has been used to sensitise the forecasts used for the quantitative elements of this research. The approach is determined by the pre-agreed definitions of PTV as quizzes, chat, dating and psychic. We expressly exclude voting, competitions, home shopping, gambling and gaming.

There is little reliable information on the sub-set markets, and Mediatique has had to make some broad assumptions. We have used both a "top-down" and "bottom up" approach, in order to test the assumptions underlying the market sizing and dynamics. These have been checked against our market intelligence (and extensive industry interviews), and we believe the key numbers to be robust. It should be noted that the chat and dating sector is the least monitored, with the quiz numbers more reliable. Further details on the model assumptions can be found below. In general, we have followed a consistent approach to the market sizing, establishing viewer reach (with reference to known viewership statistics for leading channels), conversion rates (i.e., the number of available viewers actually participating), the price participants pay to take part, the revenue share model and the resultant income for the main players.

Disclosures and disclaimer

This report has been commissioned by Ofcom; the views and opinions expressed herein are those of Mediatique Limited and do not necessarily reflect those of Ofcom.

While Mediatique believes its approach is robust, other experts might legitimately reach different conclusions, even based on the same data. Mediatique has used its own and external sources of information, and believes these to be accurate. However, Mediatique accepts no responsibility for the accuracy of information derived from third-party sources.

Financial information on the market for quiz TV is considered by Mediatique to be reliable; information pertaining to chat and dating is not subject to the same degree of audit, and is based on our extensive interviews and general market intelligence. All data contained in this report is accurate as of the date of submission to Ofcom, being 28 March 2007. Such information (including, *inter alia*, financial information, identity and number of channels) may have changed prior to the date of publication.

3. Definitions and context

Background

The PTV market has its roots in the traditional “call-in” format that has been used by broadcasters for many decades; phone-in competitions incorporated into programmes, recent examples of which include the quizzes, phone-ins and advice lines offered by GMTV or programmes such as *This Morning*. Most of this type of viewer participation is incorporated seamlessly into programmes and serves a number of purposes including viewer retention, the creation of editorial content and, of course, revenue generation.

More recently, a number of factors have driven broadcasters to launch programmes and stand-alone channels whose sole purpose is the generation of revenues through various forms of audience participation.

Firstly, the growth of digital television platforms has fundamentally changed the economics of the commercial broadcast sector, enabling channel operators to launch channels more cheaply. The costs of operating an interactive digital satellite channel – including bandwidth, transmission and programming – have declined from approximately £3m to about £1.5m per annum between the launch of Sky Digital in 1998 and today.⁵ Secondly, the discovery of consumer appetite for participation formats of all types has made it viable for a channel or service to generate significant revenues from new sources of revenue, including premium rate telephony services.

Such trends, coupled with increasing competition among advertising and subscription funded channels, have led many operators to seek additional revenue streams to fund their operations. The first standalone quiz TV channel, 9 Live, launched in Germany in 1999 based on audience participation through premium-rate telephony.

The emergence of reality TV formats in the late 1990s in Europe led to an increasing incorporation of telephone-based voting into programming, and greater awareness of interactivity more generally. With the maturation of mobile and fixed-line premium telephony billing, and continuing growth in digital networks, the market for audience interactivity matured rapidly, in terms of both breadth and depth of services.

PTV services are now typically seen in the context of a broader market for interactive or transactional television, which includes a number of diverse markets including gambling, gaming and retail via the television. This broader set of services operates across a range of return paths including telephony (fixed line and mobile, voice and data), red button and online.

There are now three standalone channel services providing quiz TV services in the UK on the Sky platform with an additional 21 channels carrying blocks of quiz TV content. A further 14 chat services (including adult and psychic) and four channels of dating services are distributed on multi-channel platforms. A full list of the channels in each category is detailed later in this report.

Definitions

For the purposes of this research, we are defining PTV as: television services the content of which promotes paid-for participation by viewers. Such participation is either in the

⁵ Source: Mediatique

programme content directly (e.g. quiz TV) or is with a service connected to the programme (e.g. psychic advice line that viewers connect to off-screen). A defining characteristic of these programmes is that they contain frequent calls to action that encourage viewer participation. Such participation predominantly takes the form of premium rate telephony (PRT) services.

We are excluding services that are subject to gambling legislation, those that are explicitly classed as shopping channels and individual programmes that appear as editorial in the schedules of mainstream broadcasters (e.g. *Big Brother*, *The X-Factor*), where participation forms an important component of the programme concept. We have also excluded “community” services that involve the upload of user-generated content and clips, due to their relative immaturity and insignificant size in the market.⁶

Our definition therefore includes:

- TV quiz services;
- TV chat services (psychic advice and “babe TV”); and
- TV dating services (mainly SMS-based).

We are including both dedicated channels and channel-like programme blocks that appear within the schedules of other broadcasters (e.g. ITV Play on ITV1). A full list of channels and services can be found in Appendix B.

⁶ There are approximately three standalone “community” channels on the DSAT platform which invite viewers to upload user-generated content using PRT telephony networks. These channels are currently small in size and, for the purposes of this report, are excluded from our market definition. Moreover, participation by viewers on these services contributes directly to the editorial content of the channel.

4. Industry value chain

PTV services rely wholly or in part on viewers using PRT lines for the opportunity to participate, from which three business models have emerged:

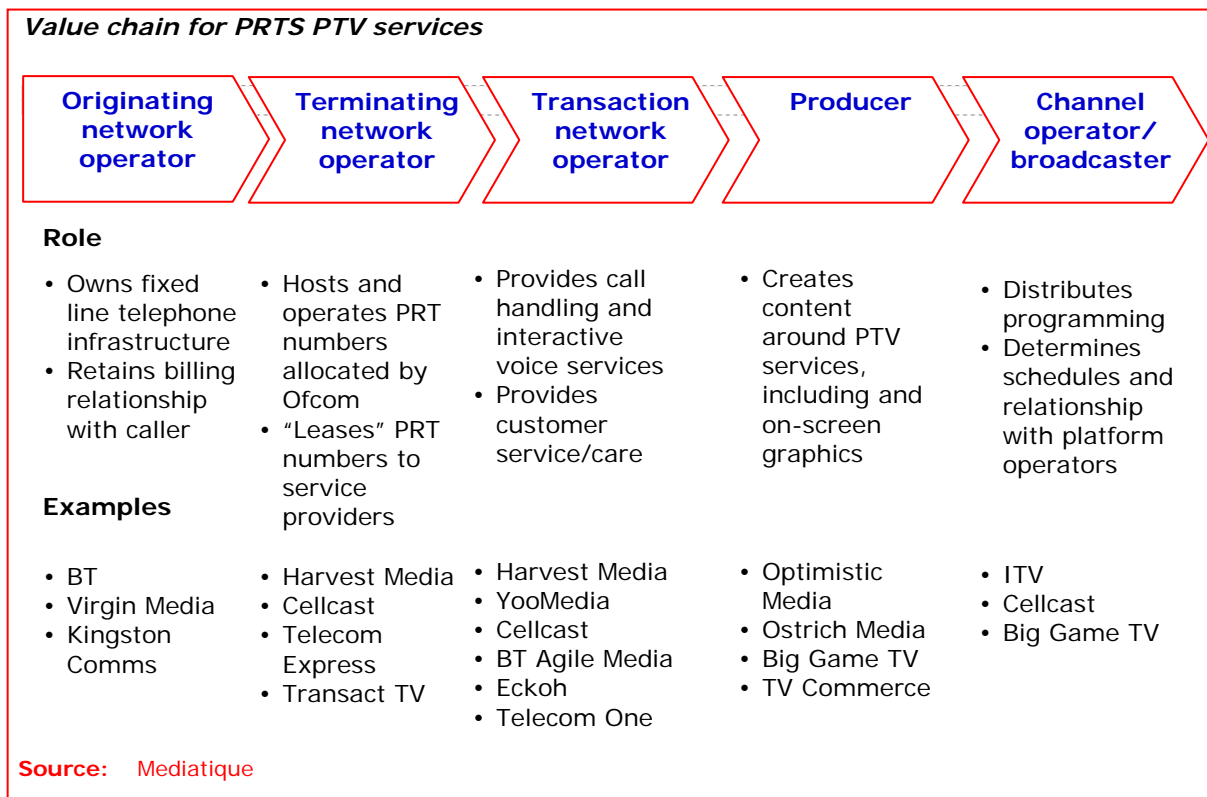
- Automated call charge per telephone call: viewers using a PTV service pay a flat rate charge per telephone call, from fixed or mobile network, regardless of how long the caller is on the line and how far they proceed through the process;
- Continuous call charges: viewers are charged according to the duration of the call made from fixed or mobile networks; and
- Mobile text charges: viewers pay a premium charge to interact via text message (SMS or MMS).

While each PTV service prices its participation choices differently, there are two distinct industry value chains: voice and text.

Voice value chain

Typically, the end-viewer/participant of PTV services will interact directly with the PTV programme brand (and the channel on which this is broadcast) and the telephony network through which they pay their telephone charges. However, there are significant layers of activity, and numerous players, in between these consumer-facing operators that are essential to the delivery of the participative experience.

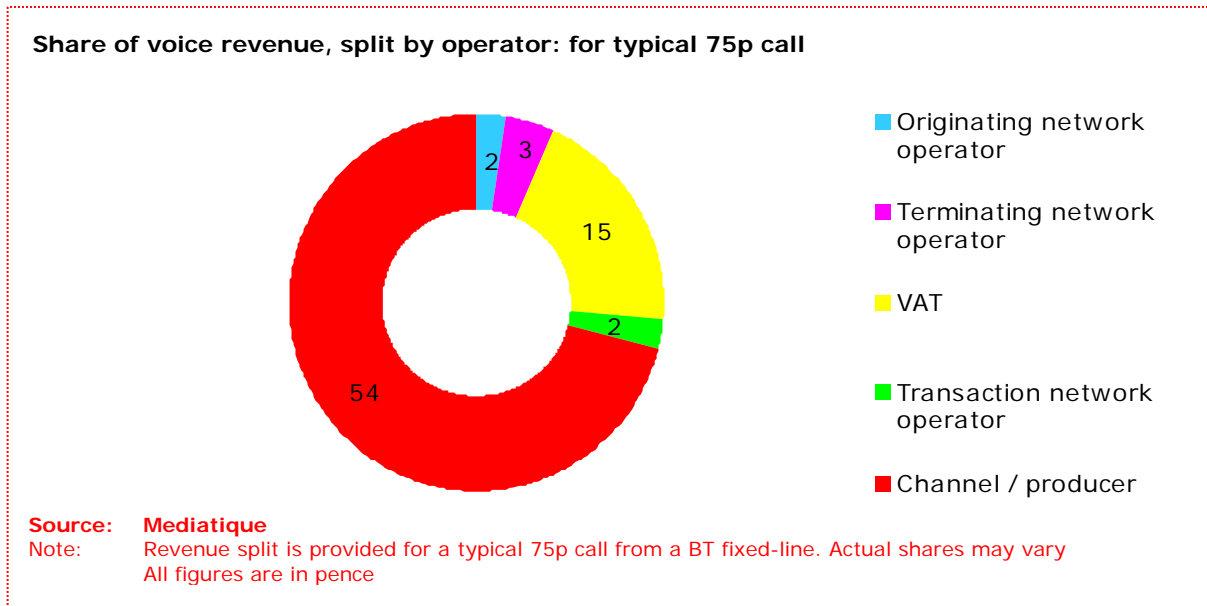
A descriptive overview of the major operating groups within the voice value chain is set out in the following diagram, including their respective responsibilities and examples of operators in each case.



Responsibility for billing end-customers resides with the originating network operator (ONO), and the cost of calls that customers make to PTV services appears on the bills presented by the ONO to their contracted customers.

Providing information on the cost of calls to PTV services is the responsibility of operators lower down the value chain, typically the producer or channel operator. The ONO retains all responsibility for collecting revenues from PTV services, and distributes these along the value chain.

Typical revenue share arrangements for a flat-rate telephone call to a PRT service are set out in the following chart.



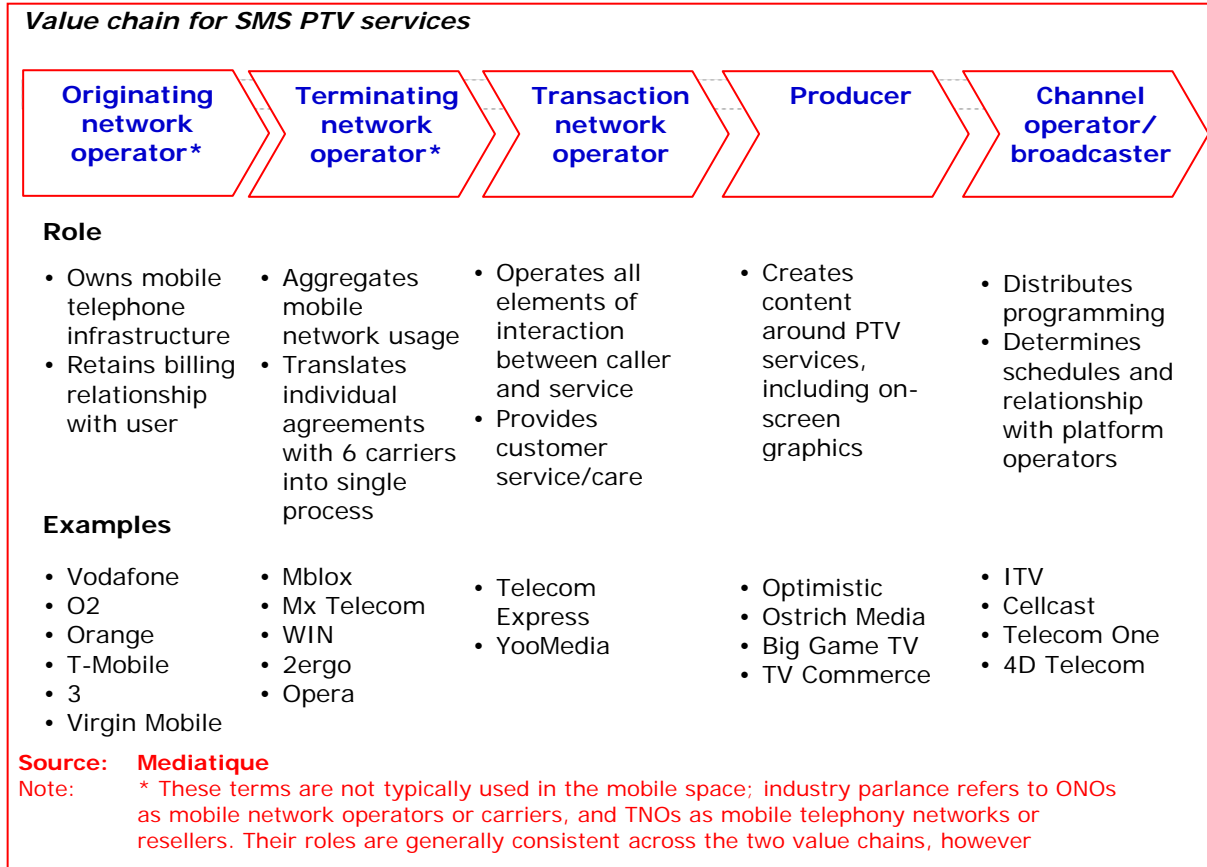
These revenue share assumptions are based on a standard flat-rate telephone call charge from a fixed line network. They are generally proportionate for calls charged at a higher premium rate.⁷ These shares are the result of negotiation between parties at each stage of the value chain. At the TNO and transaction network operator levels, revenue share arrangements are dependent on likely call volume as a basis for negotiation.

This value chain is replicated similarly for calls using mobile telephony networks; however, the cost of these calls is typically much higher than that of a fixed-line network, depending on the mobile operator and the terms of individual customer contracts. In these cases, most of the additional cost of making a call is retained by the mobile network.

⁷ Note that the price of PRT calls is regulated in the UK; generally, the price of a PRT call from a 090 number can vary between 10p-£1.50.

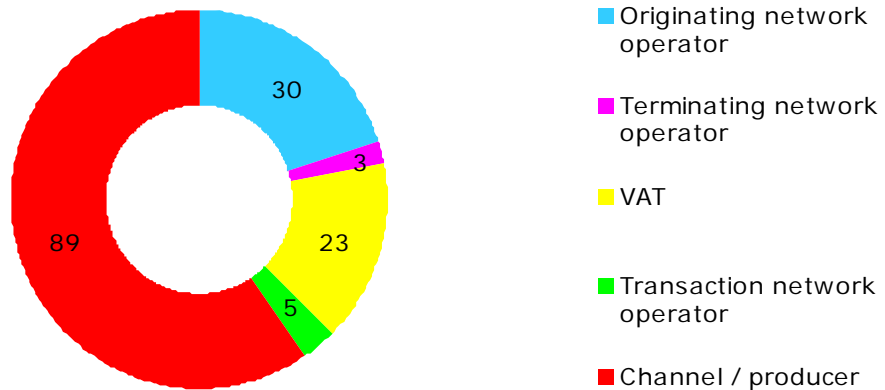
Mobile text value chain

An increasing number of PTV services allow users to participate using text messages over mobile telephony networks (though, typically, most quiz services do not). A descriptive overview of the major operating groups within the text message value chain is set out in the following diagram, including their respective responsibilities and examples of operators in each case.



As with the voice value chain, the PTV services themselves have no direct billing relationship with the customer, and call charges are billed through existing contracts between customers and their mobile telephony carrier. Revenues collected by the carriers are then passed down the value chain, generally according to the revenue share arrangements set out in the following chart.

Share of text revenue, split by operator: for typical £1.50 text message



Source: Mediatique

Note: Revenue split is provided for a typical £1.50 text message from a mobile network carrier. All figures are in pence. Actual shares may vary

The value chain for these services involves a greater share for the originating network operator, in this case the mobile network carrier.

How the value chain operates

Originating network operators

The originating network operator (ONO) owns the (fixed or mobile) telecoms network infrastructure, and controls the billing relationship with the customer. They are responsible for physical maintenance of the telephone lines and exchanges. The ONO collects all revenues from the user, and passes this on to the various other players in the value chain.

The PTV market represents a relatively small part of the billing network operators’ business (both fixed and mobile), but is relatively high margin since there are few direct incremental costs associated with providing services to PTV providers which operate using existing core telephony infrastructure. The position of these operators depends on their investment in telephony infrastructure and on their ability to contract directly with customer. Barriers to entry are therefore high.

Terminating network operators

The TNO contracts directly with the ONO, and are allocated PRT numbers which are “leased” to service providers lower down the value chain. The terms of these contracts are based on a share of PRT revenue and are subject to negotiation with the ONO.

Hence, these operators own the premium rate number ranges and short codes (for mobile) which, in this case, are contracted to the interactivity operators which determine the number of PRT lines required and, for what purpose.

Network transaction operators

Network transaction operators provide a flexible range of services that enable the PTV service’s interactivity. These include creating the IVR experience, or developing the text

“conversation” algorithms that underlie the participation, managing all the technical processes involved, and monitoring all activity and providing real time usage data reports.

The level of operational control that these companies have varies from service to service. For example, a number of TV dating services are entirely automated and rely wholly on computerised IVR systems to process participation (notwithstanding that there is some editorial discretion at the production level). By contrast, in the context of time-critical PTV services such as quizzes, the role of these operators increases as they are responsible for the logging and processing of a pool of calls from which an eventual “winner” is chosen.

In the context of the wider market for PRTS in the UK, which numbers over 30,000 individual services generating revenues of approximately £1.6bn, the PTV market is relatively small and competition among network transaction operators and resellers is significant.

Historically, individual players in this part of the value chain differentiated their service offering by the complexity and functionality of their technology; however, technology transfer and market entry by vertically integrated companies had led to a commoditisation of service provision in this sub-sector. As a result, despite significant investment requirements in IVR technology, the resale of minutage and provision of call handling services are becoming more commoditised markets and the ability of resellers/operators to generate significant margins is therefore limited.

These trends partly explain the relatively small proportion of PTV revenues that accrue to this part of the value chain.

Channel operators and producers

This section of the value chain contains the consumer-facing operators, which are responsible for the production of content, transmission and running of the channel and, ultimately, for attracting audiences. A combination of the production company and channel operator controls all editorial aspects of the programming, including the nature of frequency of calls to action. This role varies significantly across the universe of PTV services: for example, some genres such as quizzes involve these parties determining when (and crucially how many) callers are to be connected to the studio, whereas the producer on a dating service has limited control over content aside from the look and feel of the channel. These distinctions are set out in further detail in later sections of this report.

Competition for viewers at this level is strong as a result of relatively few barriers to entry for channel operators in the PTV market, owing in part to the rapidly declining costs of launching a channel. It is now possible to launch an interactive channel for approximately £1.5m in annual costs, including bandwidth, EPG listing costs and programming investment.⁸ Such trends have caused structural audience fragmentation and increasing competition for viewers in all TV genres, including PTV. In addition,

⁸ Note that there are a number of sunk costs that channels must incur pre-launch including investment in camera kit, studio facilities and staff, such that the initial cost of launching a channel is higher than the ongoing annual running costs. This can be from 10%-30% of ongoing running costs, depending on the nature of the channel or service.

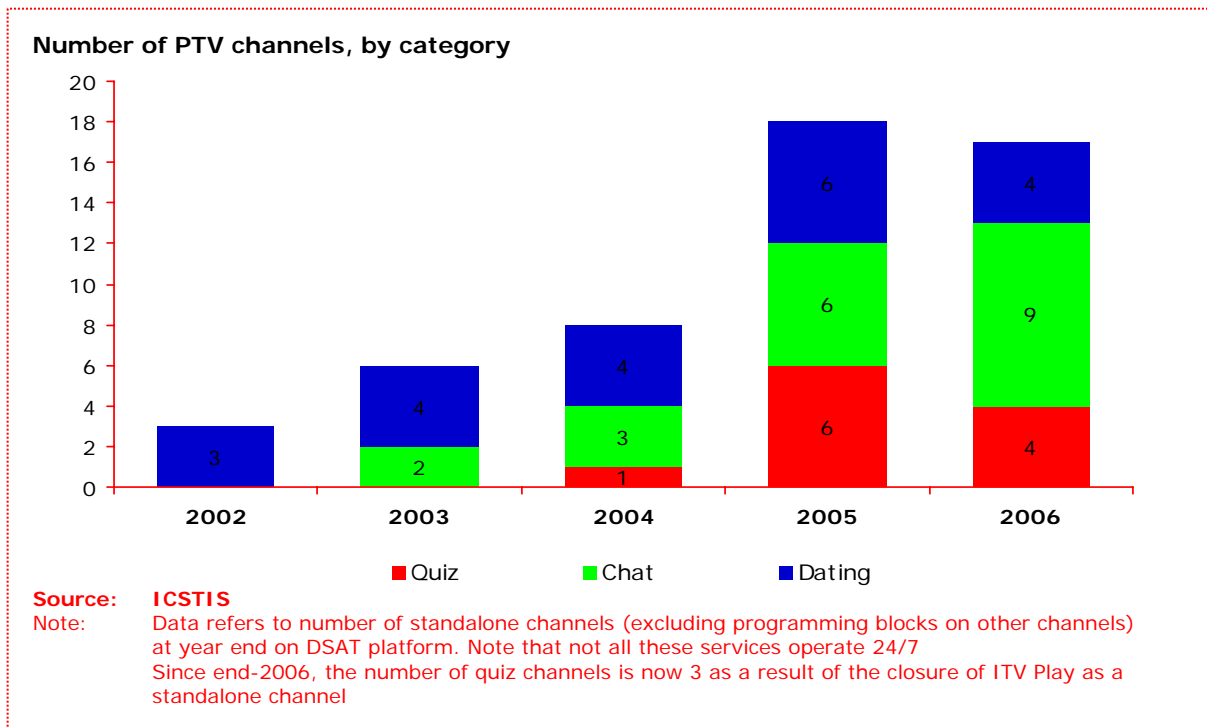
increasing number of production companies have sought to develop valuable programme brands and compelling participative formats in the PTV market to drive volume of audience. Such has led to an increase in the supply of PTV content, which is now often developed in partnership with standalone channels.

These trends explain the increase in the number of PTV channels in operation, over time. Within the PTV market, dating services were some of the first to launch channels; these proved to run successful business models and each of the services broadcasting in 2002 continues to operate. Chat services were the next genre to launch in 2003, on the basis of a hybrid business model combining interactivity and adult services. 2004 saw the beginnings of quiz TV formats operating on a standalone basis with the launch of nation217.⁹ The initial success of quiz TV led to a number of channel launches in 2005 and, at its peak, there were six standalone quiz TV services in operation.

At the channel/production level, the PTV market has seen recent entry by a number of major players, from both the media and telephony services industries, that have sought to leverage strengths in their core business models to generate revenues from participative services. Consequently, and as one major player suggested to us, "Overall, the market has gone up but the [share of] smaller players has gone down."

Moreover, the reorganisation of the Sky EPG in October 2005 improved the demarcation of these channels, categorising them into more comparative genres (including separate listings for "Gaming and Dating", "Adult" and "Specialist") and intensifying competition for viewers as a result.

The following figure charts the development of each of the PTV services over the last five years.



⁹ nation217, owned and operated by Optimistic Media, now broadcasts as a programming block on channel 842 under the *Quiznation* brand.

Vertical integration in the industry

There are distinct roles for each of players within the PTV value chain, however, there is increasingly an overlap across parts of the chain as ownership patterns begin to blur boundaries between differing operating groups.

This is particularly the case in low margin areas higher up the value chain, where the provision of services is commoditised and, in the face of stiff competition in their sub-sectors, players have sought to capture a larger share of the total market. The following case studies demonstrate some examples of such vertical integration at different stages of the value chain.

Case study: BT Agile Media

BT's position in the fixed-line telephony market ensured that it retained a significant share of the originating network market, whose "take" from the cost of a PTV call is limited to 2-3%. In order to capture a larger share of the market, BT launched a new company, BT agilemedia, to support service provision lower down the value chain. As a result, BT now extends its scope to call termination services and the provision of IVR/call handling services for PTV services.

From an operational perspective, such trends have intensified competition in the market, particularly at level of call handling and call termination.

In addition, vertical integration has shaped the dynamics of the PTV market at a production level, with many producers of PTV content choosing to develop and operate their own IVR technology in-house. An example of which is set out in the following case study.¹⁰

Case study: Optimistic Media Ltd

Optimistic Media, a subsidiary of the quoted Optimistic Entertainment plc, started life as a channel operator focused on PTV services (particularly in quizzes). However, significant market entry by major brands into the PTV sector led to a strategic decision to move from a channels-based business to one producing content for third-party channels.

Its production capabilities are focused around integrating creative editorial and technology, thereby spanning both transaction network operator and production company in the value chain. Indeed, Optimistic has developed proprietary software, providing back-end solutions for audience analysis, financial reporting and automation of prize fulfilment, in cooperation with external terminating operators.

It is worth noting also that a number of channel operators have sought to horizontally integrate their business by running a number of channels in the PTV market. Further details are set out in later section of this report.

¹⁰ Note also that Channel 4, as operator and owner of Quiz Call before its sale to Ostrich Media, developed a significant proportion of their own software in order to fully exploit audience usage data.

5. Participation TV services: overview by category

For the purposes of this report, we have divided the market for PTV services into three categories: quiz services, chat services and dating services. These three broad groups are categorised according to their business model, as opposed to their content or service proposition. There are clearly significant similarities between the three categories given their sole reliance on telephony networks for revenue. However, we provide separate overviews of each in the sections below.

TV quiz services

Key characteristics

TV quiz services generally involve viewers calling a premium-rate telephone line to take part in a studio-based game or quiz live-on-air. The nature of such games can vary widely by programme and by channel; examples of which include the solving of anagrams, word association puzzles and mathematical summations.

Typically, by calling the relevant PRT line, players enter a pool of prospective contestants from which randomly selected callers are connected to the studio to answer the question; notably, the random selection of callers is made before any participant has a chance to answer the question. As a result, to win a prize, a caller must succeed in being connected to the studio and in then giving a correct answer. Viewers are encouraged to call the studio repeatedly, by a combination of on-screen visual images and presenters' calls to action. The cost of entry for such games is the price of the phone call itself. The price of such calls varies from programme to programme and according to the telephone network from which the call is made. In general, a flat rate charge of 75p-£1 per call is charged from a BT fixed line, with higher charges incurred by mobile networks. Such charges are incurred upon connection to the programme's telephone system, whether or not the call is selected to be put through to the studio, and irrespective of the length of the call.

Each call-in format hosts a call handling system that logs and processes each call that is made to the dedicated PRT number. Responsibility for billing the cost of calls is retained by the caller's existing telephony network.

The vast majority of callers do not get an opportunity to give their answer; instead they hear a recorded message telling them they have not been successful on this occasion, or that they have been selected to go through to the second round of the process. All players that are randomly selected to get through to the second round are placed on hold, while the system randomly chooses one of these entrants to be connected to the studio to give their answer. Those callers that are successfully connected to the studio are asked to give their answer live on-air. Those callers that give correct answers win a prize, predominantly cash-based, but dependent on the nature of the quiz and the channel on which it is broadcast.

Alternative routes of entry

The vast majority of quiz formats also allow viewers to participate in quiz formats using alternative routes of entry, other than a PRT telephone line.

For example, on many shows viewers can enter by texting premium rate mobile numbers for which increased charges are payable. In addition, participants are able to enter via a free internet-enabled route. Those entering via the free entry route must register via the relevant website and are typically given a pin number to enable free entry. In this case, the entrant must leave a contact telephone number and, if successful, is called back by the relevant quiz format operator.

Sample research undertaken by ICSTIS found that 34% of entries to quiz TV shows were through free routes. Data published by ITV confirms that 17% of entries across its quiz TV programmes on ITV1 and ITV Play entered via the free route (and, oddly, accounted for 50% of winners).¹¹

All operators that we spoke to during the course of our research confirmed that the selection of successful entrants is randomly performed by automated computer systems. As a result, all entrants, irrespective of the route of entry, have an equal chance of winning.

Operators

The quiz TV sector has seen the launch of many standalone channels in response to increasing consumer demand for participation formats. Since the closure of ITV Play, there are now three standalone channels in this sub-sector, which broadcast a number of programmes throughout their schedule (Big Game TV, iPlay TV and Jackpot TV). In addition, a number of quiz TV channels are carried in programming blocks on other channels, typically during non-peak day parts. A summary of these is set out in the following table.

Channel	# weekly broadcast hours	Major programme brands
BIG GAME TV!*	147	BIG GAME TV!, The Hallmark Channel Quiz
Bonanza	21	Pop the Q
five	12	Quiz Call
fiveLife	42	Quiz Call
fiveUS	56	Quiz Call
Fortune Fever	14	Quiz Nation
Ftn	21	BIG GAME TV!
Info TV2	31.5	Win Win TV
Hallmark Channel	14	The Hallmark Channel Quiz
iPlay TV*	168	The Great Big British Quiz, Win Win TV
ITV1	26	Glitterball, Make Your Play
ITV2	9.5	Glitterball, Make Your Play
Jackpot TV*	168	Win Win TV
Kerrang!	12	Cash Call
KISS	12	Cash Call
Life Showcase	28	BIG GAME TV!
Life24	21	Pop the Q
LIVING2	21	BIG GAME TV!
Magic	12	Cash Call
Ontv	24	The Great Big British Quiz
Q	12	Cash Call
Smash Hits!	12	Cash Call
The Box	12	Cash Call
The Hits	20	Cash Call
TMF	21	Pop the Q

*Asterisked services refer to standalone channels
 These services represent the universe of broadcast schedules for quiz TV during a typical week and may be subject to change. Source: Mediatique

¹¹ Published in evidence to the Culture, Media and Sport Committee on call TV quiz shows, *ibid*.

These services translate to a total of 923 weekly hours broadcast across the entire universe of quiz TV channels.

Ownership of the standalone channels varies between independent channel operators and broadcasting subsidiaries of diversified telephony and media companies.

Channel name	Licence holder	Ownership details
Big Game TV!	Big Game TV Ltd	Independent channel operator, with production capability
iPlay TV *	Transact TV Ltd	Part of wider digital media group, with telephony, billing and production interests
Jackpot TV	Hollywood TV Ltd	Subsidiary of Hi2 Group, which operates other PTV services

* Previously a joint-venture between Transact and Enteraction TV
 ITV Play (owned and operated by ITV plc) ceased to operate as a standalone channel in March 2007
 Source: Mediatique

A major recent competitive development in the PTV market was the entry of terrestrial broadcasters into the quiz TV sector.¹² In the face of challenging trading conditions in their core markets, all the commercial public-sector broadcasters launched PTV programmes and/or channels as they sought to leverage programme brands typically seen on their core linear channels and, indeed, the channel brands themselves. The launch of standalone PTV channels (ITV Play by ITV plc, Quiz Call by Channel 4) and distribution of PTV services by ITV1, Channel 4 and Five created a significant boost in awareness of the PTV sector and intensified competition.

The situation has changed significantly recently with the sale of Quiz Call by Channel 4 in late 2006 and the withdrawal in March 2007 of ITV Play as a standalone channel following a number of complaints in relation to the handling of calls and the treatment of viewers. Market intelligence suggests that the standalone ITV Play channel (excluding programming blocks of ITV Play content on ITV1 and ITV2) did not make a positive financial return as a result of the high cost of its spectrum allocation on DTT.¹³ Nevertheless, ITV plc has confirmed it will continue to broadcast quiz TV content during late-night periods on its ITV1 and ITV2 channels which remain the major drivers of traffic for their quiz TV programmes. The market as a whole remains competitive and continues to operate on the same business model.

Business model

All quiz TV formats generate revenue from a fixed fee per telephone call and therefore the key driver of revenue is volume of calls. As a result, the business model of all channels and programmes in this sector is built around driving volume of calls, whether

¹² The commercial public-sector broadcasters have experimented with quiz TV services for several years, including the broadcast of 9 Live content on E4 during downtime in 2004/2005. The terrestrial channels made a concerted move into this sector in late 2005/2006, however, with the launch of standalone channels and the broadcast of programming blocks on their core channels.

¹³ It is probable that, as is the case with other quiz formats, a sizeable proportion of ITV Play's revenues were generated during late-night slots. Evidence suggests that less than 10% of total ITV Play revenues were generated by the standalone ITV Play channel, with the remainder attributable to the blocks of ITV Play programming broadcast late-night on ITV1 and ITV2. This would imply that revenues generated outside of these late-night slots on the ITV Play channel would be insufficient to cover the costs of running a dedicated digital channel. The ITV Play channel has been discontinued across all platforms, replaced by ITV2+1; ITV Play programming will continue to broadcast on ITV's other channels.

through repeated participation by single players or through mass participation by a large universe of potential players.

The major determinants of participation in quiz TV are the size of the viewing universe and the proportion of those watching that can be persuaded to participate. These are clearly dependent on the time of broadcast, the identity of the programme and channel, and other game-specific factors including the difficulty of the question and the prize money at stake. One broadcaster that we spoke to in the course of research suggested that "The economics [of quiz TV] are simple: to give away a £50,000 prize, you need [to generate] 100,000 calls." Across the universe of quiz TV services, prize monies tend to vary between 25-35% of revenues. This is a major driver of audience activity but, in turn, is influenced by call volumes.

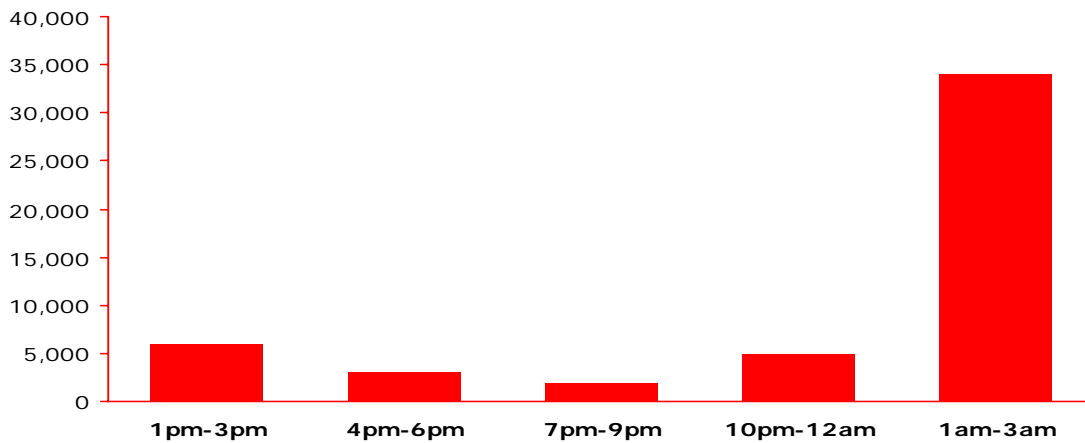
These factors do explain the increasing role of terrestrial broadcasters in the quiz TV market. One service provider that we spoke to confirmed that "the fundamental driver of the [quiz TV] business model is reach, which is something that ITV, with its branding, has plenty of, but which most satellite channels cannot obtain." As a result, ITV's entry into the quiz TV market caused a dramatic fall in the participation rates of existing channels. Channel 4's decision to sell Quiz Call was motivated by the dramatic fall in call volumes following ITV's entry into the market, and their decision not to transmit Quiz Call services within the Channel 4-branded bouquet of channels which might otherwise have made the service financially viable.¹⁴ The success of Five's quiz services is dependent on their being broadcast on the Five-branded channels, and, conversely, since Five and ITV's entry into the market, smaller quiz services without terrestrial channel brand support have experienced a much tougher competitive environment.

Consequently, there is considerable variation in the key metrics among different quiz TV programmes and channels. By way of example, ITV Play suggests that call volumes could vary between 30 - 6,000 calls per minute, depending on the show and the time of day. A channel operator that we interviewed commented that "a typical service will generate 1,000 calls an hour or a good one will be up to 2,000 an hour."

Monitoring research by ICSTIS found that participation through PRT lines was greatest during late-night periods, after 12am. The results of their research are set out in the following graph.

¹⁴ This analysis is sourced from interview data, although limited audience or financial data is available to corroborate this.

Average quiz TV entry numbers, by time of day



Source: ICSTIS

Note: ICSTIS undertook a monitoring exercise based on a sample of 36 one-hour blocks of broadcasts, covering 12 different quiz TV programmes on 12 channels at various times during the day.

It is worth noting, however, that a number of terrestrial channels broadcast quiz TV formats during these late-night periods and, given their ability to drive high volumes of traffic, this may explain such high entry volumes at these times.

Given the significant variance in viewing audiences and call volumes between programmes, channels and day-parts, it is impossible to determine precise probabilities of participation and of winning. Moreover, quiz TV formats are not based on fixed odds. The ICSTIS monitoring survey found that 2% of entries, across their sample, got through to speak to a presenter live in the studio. Given that all quizzes are games of skill, the odds of winning a prize vary enormously between shows.

Operating strategy

Given the sole revenue stream of quiz TV channels, the strategy of channel operators and production companies in this sector is based on driving traffic to PRT lines.

As a result, TV quiz programmes typically contain very little editorial content other than the game itself and information incidental to the making of calls (the prize at stake, telephone number and the cost of calling). The predominant feature of these formats is frequent and repeated calls to action, both verbally and through on-screen graphics. The relevant PRT number is permanently displayed on-screen and typically repeated vocally by the presenter.

By virtue of their call-in format, quiz TV programmes are filmed live and studio-based footage is enhanced by on-screen graphics and sound effects. These graphics include not only information and references to terms and conditions, but also promotional content including captions such as “call now”. Many shows promote a sense of immediacy by incorporating stop watches to count down the time remaining with which to make a call.



Screenshot from The Great Big British Quiz (broadcast on iPlay TV)

This is a typical screenshot from a quiz TV service. Relevant PRT numbers are displayed prominently, while presenters speak to camera. On-screen graphics complement verbal calls to action.

Terms and conditions, including the cost of calls are displayed on a rolling basis below the phone number.

Additionally, presenters typically maintain a dialogue with the camera in order to encourage participation. Such interaction acts as a direct prompt to participate, but has some editorial value and appeals to non-participants as well. For example, ICSTIS suggests that 80-90% of those watching TV quiz shows do not participate in the quiz.¹⁵

Channel operators constantly monitor the relative success of different presenters, catch-phrases, on-screen prompts, and game types – all at different times of day – to ensure that they maximise response rates. This monitoring is typically conducted by the interactive network operator and the data produced is essential to planning the editorial content of the programme. In all cases, the aim is to maximise call rates; this is the primary objective of the programming in question.

All quiz operators define their quizzes as games of skill, partly for editorial reasons and also to ensure they are not regulated as lotteries, but the nature of each quiz game varies by channel and by programme. As a result, operators are subject to fluctuations in viewing and participation rates depending on the nature of the quiz, the channel or the time of broadcast. However, operators are able to influence call rates by varying the strategy of each game. This includes changing prize monies or varying the number of calls that are put through to the studio. For example, some shows will incorporate speed rounds whereby the studio takes numerous calls in quick succession, or producers will allow callers more than one attempt at answering questions when speaking to the presenter on-air. Ultimately this is the responsibility of the production team and varies significantly. One production company suggested that, on average, they take a call every 60-75 seconds.

The operation of quiz TV channels requires significant investment in technology, including development costs and ongoing costs. These are either funded directly by channel operators, or are reflected in the operating cost base of channels which contract with transaction network operators higher up the value chain.¹⁶ Such investment is essential to enable the channel operators to handle large volumes of calls and to account for entries via alternative routes. These systems enable automated processing of calls,

¹⁵ This is corroborated by individual channels and production companies in evidence heard by the House of Commons Culture, Media and Sport Committee. For example, a memorandum submitted to the Committee by Optimistic Entertainment reported that “88% of the audience were just enjoying watching the programme as if it were any other quiz show, without feeling the need to participate”.

¹⁶ Further details of the potential costs of such investment are set out in section 6 of this report.

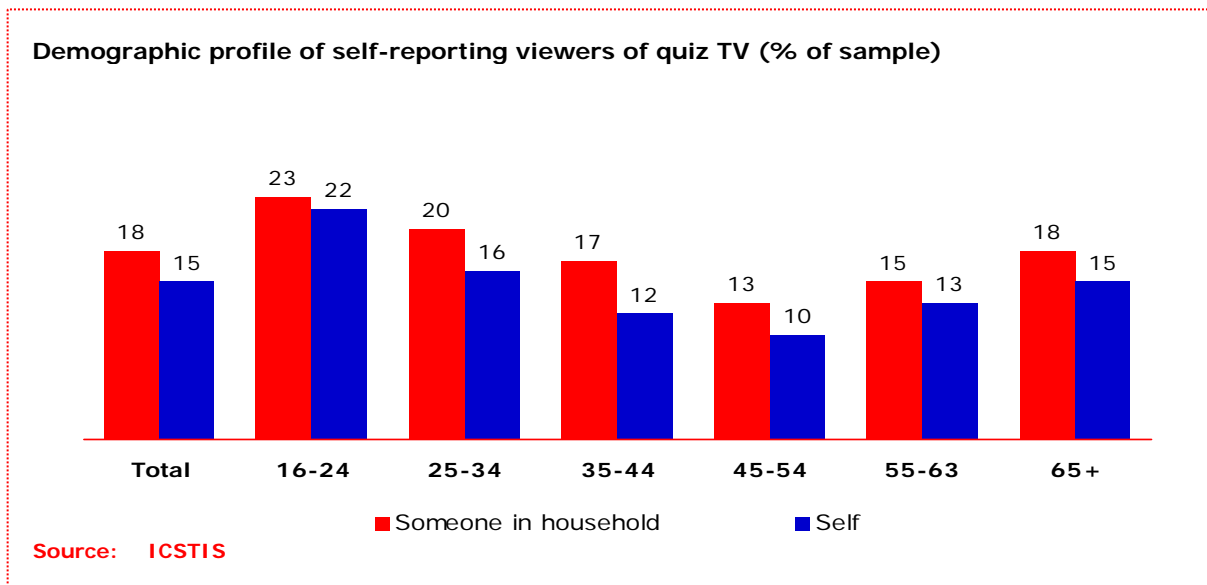
initially and during progression to later rounds within the game. In addition, the majority of IVR technology allows the monitoring of call volumes – both in totality and for individual callers.

This has implications for customer service. Most quiz TV operators provide customer care infrastructure to deal with viewer enquiries, which includes the provision of various procedures that monitor excessive playing by single players. These procedures are self-regulating and the detail of these is clearly a matter of judgement for individual quiz operators. By way of example, most quiz services operate a number of customer care practices that monitor caller activity including daily entry limits and verbal warnings regarding call volumes.¹⁷ These measures appear to be an intrinsic part of the strategy of key operators as they act in the long-term interest of promoting a sustainable business model.

Profile of the user base

Viewing data for quiz TV shows is patchy and lacking in significant detail. This precludes detailed analysis of the universe of quiz TV viewers and participants. For the purposes of this report, we have relied on commissioned consumer research undertaken by ICSTIS.¹⁸

ICSTIS reports that 18% of their representative households included one or more people that watched quiz TV channels. Of these, people aged between 16-24 were more likely than all other demographics to watch quiz TV shows. These results are set out in the following graph.



ICSTIS also analysed the likelihood of viewing in occupational groups. Viewers of quiz TV shows are more likely to belong to occupational groups DE (where 21% of people, and 24% of households, watched such programmes). Moreover, viewing of such channels

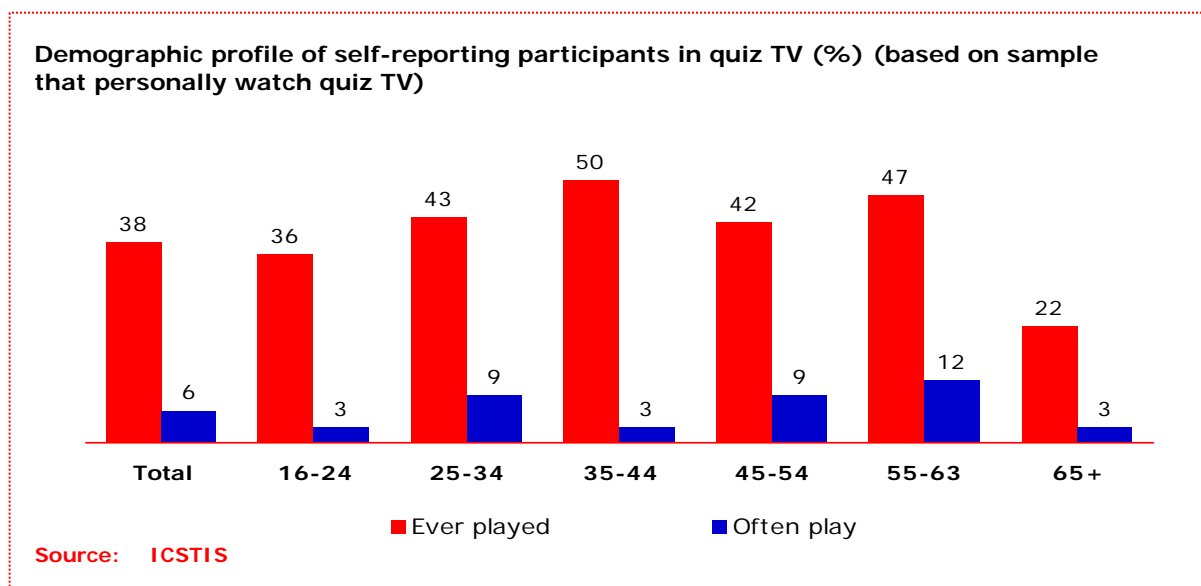
¹⁷ For example: ITV Play monitors individual player patterns, alerting them to the number of calls they have made after every 10 calls; Optimistic Media reviews its call database for high-end callers on a discretionary basis.

¹⁸ ICSTIS commissioned research from a representative sample of 2,009 consumers aged 16-65. Surveys were carried out face-to-face during 17-21 November 2006.

was lowest among AB groups, suggesting that viewing is highest in low income households.

The survey found a disparity between those players and households that watch quiz TV formats and those that go on to participate. Of the universe of players that confirmed viewing these programmes, 38% have participated once or more. Moreover, only 6% of viewers regularly participate.

The findings do show that participation in these programmes is more marked in particular demographic groups. Viewers between the ages of 35-44 and 55-64 are more likely than most to have ever entered and are the most frequent participants overall. This supports anecdotal evidence from a number of operators that the majority of callers to quiz TV telephone lines are women aged more than 55.



Size of sector

Mediatique estimates that the quiz TV market is worth £86.9m in revenues in 2007.

For the previous financial year ending 21 December 2006, ITV announced that, prior to its closure, the ITV Play channel generated revenues of £57m. ITV is the largest player in the market, with Five and multi-channel propositions making up the rest.¹⁹

Further details of the size of the relevant markets are set out in section 6 of this report.

¹⁹ The majority of ITV Play revenues are generated from the broadcast of content on ITV1 and ITV2; ITV intends to continue these broadcasts in spite of the closure of the standalone ITV Play channel on all platforms. As a result, ITV is likely to remain the major player in the market.

TV chat services

Key characteristics

TV chat services are business-to-consumer participation services, which encourage callers to use PRT lines to communicate with on-screen presenters or off-screen “advisers”. The current universe of TV chat services is broadly divided between two categories: adult and psychic.


Adult chat lines

These services typically entail on-screen presenters inviting viewers to call PRT lines to interact with them, either on-air or off-screen. These services are currently aimed exclusively at male viewers.

These services are ostensibly not of an explicit or graphic nature and are designed to be purely “chat” lines; callers listen to a disclaimer to this effect upon connection. However, the majority of presenters in these services are dressed and behave provocatively and address viewers in a sexual manner.

By calling the PRT line, viewers must listen to a pre-recorded introduction to the service, which reiterates a basic overview and contains a number of disclaimers relating to the nature of the content and codes of practice. A number of services also advise callers of additional PRT numbers that provide alternative more explicit services. These introductions can last anything up to 2-3 minutes, for which charges are incurred.

Thereafter, callers are able to choose which presenter they wish to interact with: this includes the option to wait to connect directly with the on-screen presenter or to connect to an off-screen “babe”. None of the conversations are audible to viewers, including conversations with the onscreen presenters. If the presenter(s) is on the telephone, conversations are dubbed with recorded music or the remaining presenter(s) will continue to promote the service by talking to the screen.

	<p>Screenshot from Babestation</p> <p>This is a typical screenshot from an adult chat TV service. Relevant PRT numbers are displayed prominently, while presenters speak to camera. When an on-screen presenter takes a call on air, the conversation is sounded out.</p> <p>Terms and conditions, including the cost of calls are displayed on a rolling basis below the phone number.</p>
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Psychic chat lines

The nature of these services is similar to the adult chat lines described above. On-screen presenters encourage viewers to call PRT lines for psychic advice or readings. On

connection, callers can speak to a psychic in the studio or off-screen. Off-screen psychics are often shown on-air in split-screen, but their conversations are not audible to viewers. Viewers are also encouraged to text in messages using premium mobile or shortcode numbers, which can appear on the screen at regular intervals.

Operators

Adult chat lines

These services operate across a number of channels on the satellite platform, within the “Adult” category on the Sky electronic programme guide. This includes dedicated channels broadcast 24 hours a day, and blocks of programming on other channels which are typically scheduled for post-watershed broadcast. The following table is a comprehensive list of the adult chat services currently in operation.

Channel	# weekly broadcast hours	Major programme brands
Babestation	122.5	Babestation Live, Lad's Lounge
Babeworld.tv	168	Babeworld Hot!, Day Chat
Friendly TV	51	Babecast XXX
Get Lucky TV	122.5	Babestation 2 Live, Party People
Lucky Star	59.5	Sex Station
Star Bazaar TV	59.5	Babes Interactive, Girl Action
Turn on TV	185.5	Bangbabes, Early Bird, Flirt Club
Turn on TV 2	150.5	Turn On TV Contacts, Flirt Club

These services represent the universe of broadcast schedules for TV chat services (adult) during a typical week and may be subject to change
 Source: Mediatique

As with the quiz TV channels, ownership of the standalone adult chat services is split between standalone operators and subsidiary companies of wider telephony service providers. Notably, however, certain companies operate more than one channel in this sub-sector. The ownership structure of these channels, where publicly available, is set out in the following table.

Channel name	Licence holder	Ownership details
Babestation	n/a	Owned by Cellcast, which operates other PTV channels (see below)
Babeworld TV	Connection Makers Ltd	Subsidiary of Eckoh Technologies, a major provider of PRTS services
Friendly TV	Telecoms TV Ltd / Hi2 Ltd	Joint venture with Opera Telecom and Hi2, which shares ownership with a number of other PTV services (see Jackpot TV above)
Get Lucky TV	Grandiose Ltd	Owned by Cellcast
Lucky Star	Escape Channels Ltd	Subsidiary of Telecoms TV, which also operates Friendly TV
Star Bazaar TV	Star Bazaar TV Ltd	Independent channel operator
Turn on TV	Bang Channels Ltd	Subsidiary of Bang Media, an independent channel/production operator
Turn on TV 2	House of Fun Television Ltd	Subsidiary of Bang Media

Source: Mediatique

Psychic chat lines

There are currently very few psychic lines in operation, extending to one 24/7 channel on Sky and a limited number of programming blocks on other channels. The following table is a comprehensive list of the psychic chat services currently in operation.

Channel	# weekly broadcast hours	Major programme brands
Psychic TV	108.5	Psychic TV, Psychic Interactive
Raj TV	112	Psychic Interactive
Sumo TV	21	Psychic Zone
Wine TV	15	Psychic Interactive
Zone Horror	10.5	Good Morning Psychic
Zone Reality X	21	Psychic Interactive

These services represent the universe of broadcast schedules for TV chat services (psychic) during a typical week and, as such, are subject to change
 Source: Mediatique

The sole standalone psychic channel is owned by Cellcast.

Channel name	Licence holder	Ownership details
Psychic TV	Majestic TV Ltd	Owned and operated by Cellcast (which operates a number of adult chat services, see section above)

Source: Mediatique

Business models

The chat TV services business model is to generate revenues by levying per-minute charges for calls made by viewers to the “babe” or “psychic”. The majority of these services appeal to a select audience group and tend to charge high prices on low volumes of interaction.

A limited number of channels (including Psychic TV) allow to viewers to purchase minutes by credit card, either via a website or over the telephone. These are typically purchased in blocks of 20 minutes; once purchased, participants are given a dedicated telephone line and a PIN number that bypasses the PRT system.

Operating strategy

Both chat and psychic services rely on continuous call charges to generate revenue and, therefore, they share a number of characteristics in terms of on-screen displays and presenter interaction. As with quiz TV formats, the primacy of PRT revenues in the business model of these services ensures that their strategy is solely based around driving traffic to PRT lines.

In both cases, the relevant PRT number is displayed prominently on the screen at all times and presenters make frequent invitations to call in. Studio-based aspects of these programmes, including the look-and-feel of the studio and the style of presentation, are also directed at driving call volumes and longevity (although clearly the length of the telephone call – which is a major revenue driver for these services – is under the control of the caller and determined by the nature of the call with the presenter).

The on-screen aspects of these channels are critical for driving call volumes and ensuring that viewers go on to participate. However, the key operations of these services are essentially off-screen, as the majority of callers are connected to speak to

presenters off-air (either “babes” in the case of adult services, or an expert in the case of psychic services). As a result, the operational base of these channels includes the provision of behind-the-scenes personnel that deal personally with calls.

As with all the other categories in the PTV sector, chat TV operators invest in call handling technology, funded by the channel itself or using third-party telephony services providers. Such investment is crucial in processing calls and ensuring a high quality of customer service.

Profile of the user base

Audience data relating to chat services is insufficient to determine precise demographic profiles of the relevant viewing and participant viewing bases. We have relied on anecdotal evidence from interviews with a number of market players to gauge audience data in this area.

The user bases in chat services vary significantly between the sub-categories. Adult services are aimed almost entirely at young male viewers, where the majority of participation occurs during late-night day parts.

In total contrast, however, the viewing and user bases of psychic services are dominated by female viewers. In this case, peak viewing volumes occur during the day.

Size of sector

Mediatique estimates that the TV chat market generates approximately £20.3m in gross revenues per annum. This is split between the two major categories, with adult chat services generating £15.3m and psychic services accounting for £5.0m in revenues.

These revenues are shared relatively equally between the respective channels in each sub-category. On a direct read-across basis, these revenues suggest that each of the individual 24/7 channel equivalents generates approximately £2m in annual revenues, implying that they are marginally profitable.

Further details of the size of the relevant markets are set out in section 6 of this report.


TV dating services

Key characteristics

TV dating services refer to a number of standalone channels grouped within the “Gaming and Dating” category on the electronic programme guide. These are consumer-to-consumer services whereby viewers are able to call premium-rate telephone lines or text premium-rate mobile numbers to interact with other viewers. These differ to TV chat services as dating operations involve interaction among viewers, with the TV channel operating as an intermediary only.

Users are charged to post a message on-screen (including the upload of photos) or to leave a voicemail message. Other users are charged for subsequent interaction with these messages, typically at much higher rates.

In contrast to other PTV services, dating formats make no use of on-screen presenters. Rather, there is typically a rolling tally of messages and photos posted by participants. As with other PTV services, the numbers of PRT lines are displayed on the screen at all times. A screenshot of a typical dating channel is displayed in the graphic below.



The screenshot shows a TV dating channel interface. At the top left, it displays 'gaydate TV' with contact information: TV: 80232 (50p), 1-2-1: 84232 (E1), Eira TV: GD + mag 53299 (75p), Eira 1-2-1: 57596 (E1.5), and www.gaydatestv.co.uk. A central photo shows a young man. To the right, under 'PERSONALS - hi lads 31 male looking for fun Gosport portsmouth or near looks not important (425309)', there are several text messages from participants, such as 'Any guys 4 a meet in sheffield this aft, m 31 5 11 med bld can trvl, txt ur dtls (447548)', 'Northern Ireland male 36 6f5 gd looking n build. Looking male 4 meets frship relship. Leave mob no all replies answered. (366669)', 'Hi any lads want sum fone fun b4 i go to bed? Been workin all night! (349511)', and 'No bi gay lads 18 2 25 frm bham im bi str8 act lad frm kingshurst cheilmsly wood bham ne local or bham lads txt my box wiv ur mobys com on bham lads x x (377858)'. At the bottom, there is a list of mobile numbers for different networks: ORANGE: 150, O2: 1702, VOYAFONF: 191, T-MOBILE: 150, VIRGIN: 789, THREE: 333. A prominent pink banner reads 'NOT MMS-ENABLED? CALL YOU NETWORK MOBILE ON!'.

Screenshot from gaydate TV

This is a typical screenshot from a TV dating service which includes a number of elements:

- information relating to participation routes, and associated cost of entry
- on-screen postings of text messages sent in by participants
- uploaded photos from participants, including associated text information below
- third-party advertising from other PRT operators

Operators

The following table is a basic overview of the dating channels currently in operation.

Channel	# weekly broadcast hours	Major programme brands
Chat Box	168	Chat & Date, Chat & Flirt, Chat Box Late
The Dating Channel	168	Date Me, Evening Flirts
Gay Network	168	Afternoon Network, Find a Mate, Make a Date
GayDate TV	168	Afternoon Flirting, Choose Me

These services represent the universe of broadcast schedules for TV dating services during a typical week and may be subject to change
Source: Mediatique

The licence holders of these four channels are shared between two operators, as shown in the table below. Both companies operate other wider dating services across numerous media platforms, including for third-party intermediaries.

Channel name	Licence holder	Ownership details
ChatBox	4D Telecom Ltd	Entertainment and dating services provider across all media
The Dating Channel	Euro Digital Corporation Ltd	Broadcasting arm of Premier Telecom, a diversified telephony services provider
GayDate TV	Euro Digital Corporation Ltd	As above
Gay Network	4D Telecom Ltd	As above

Source: Mediatique

Business model

TV dating services operate as intermediary platforms, allowing viewers to post profiles of themselves and to communicate with other viewers. As such, they operate a similar business model to a classified advertising operation. This model relies on investment in a number of systems that process the posting of profiles and subsequent interaction.

These channels typically generate revenues from a number of complementary streams.

Participants pay a flat-rate fee for initially posting a profile on the TV. This is predominantly via text message (either SMS or MMS, including photos), but alternatively can be posted using voice message which is aired over the video stream. Typically this is a low-cost activity, with charges ranging from 10-25p per posting. Each participant is given an identity code on posting a profile, which is unique to that profile.

Thereafter participants pay a premium to interact with other participants or to respond to other viewers' profiles on a 1-2-1 basis. Respondents can send SMS or MMS messages to the unique identity code, or leave voicemail messages. These are typically charged at a higher rate, often £1 per subsequent interaction with other users.

Operating strategy

As with all other PTV services, the strategy of channel operators in this category is based on driving high volumes of participation with the channel.

The current universe of dating services operate on a 24/7 basis, allowing viewers to participate on a continuing basis. All services publicise the various routes to entry, including telephone numbers and the cost of entry using on-screen graphics. These graphics are the sole driver of traffic to the channel as these services do not employ presenters nor do they include voiceover calls to action.

As intermediary platforms, TV dating services have little or no control over the content that is distributed on their channels. Operators determine the look and feel of the channel, including how individual profiles appear on screen and the frequency with which these profiles are updated. Channels have some degree of editorial control over individual messages, as messages are vetted by channel operators for inappropriate content, but the content itself is user-generated. In order therefore to generate continuing consumer interest in their services, operators invest in on-screen presentation and technology to allow the efficient processing of calls.

Profile of the user base

There is relatively little available audited information on audiences and users for these services, given their relatively small reach and size. As a result, we have relied on evidence from interviews with operators to determine the profile of the user base.

A number of players in this sector suggested that the user base of dating services is relatively small, however, unique users tend to use the service regularly and these services generate significant repeat business. Viewers and participants tend to form a niche audience that are attracted to the communal experience that such channels allow, including the ability of users to have their details posted on screen.

Size of sector

Mediatique estimates that the TV dating market is worth £11.1m in revenues in 2007. This suggests that, on a per channel basis, a typical dating service would generate over £2.7m in annual revenues.

Further details of the size of the relevant markets are set out in section 6 of this report.

6. Market size

Mediatique estimates that the market for PTV services in 2007 will generate gross revenues of approximately £118m. Our modelling, informed by market analysis and interviews, is based on size of audience, conversion rates, user statistics and revenue share models for each of the services currently being broadcast. We have used standard market rates for fixed line and mobile PTRS, and have made a number of assumptions about viewing habits.

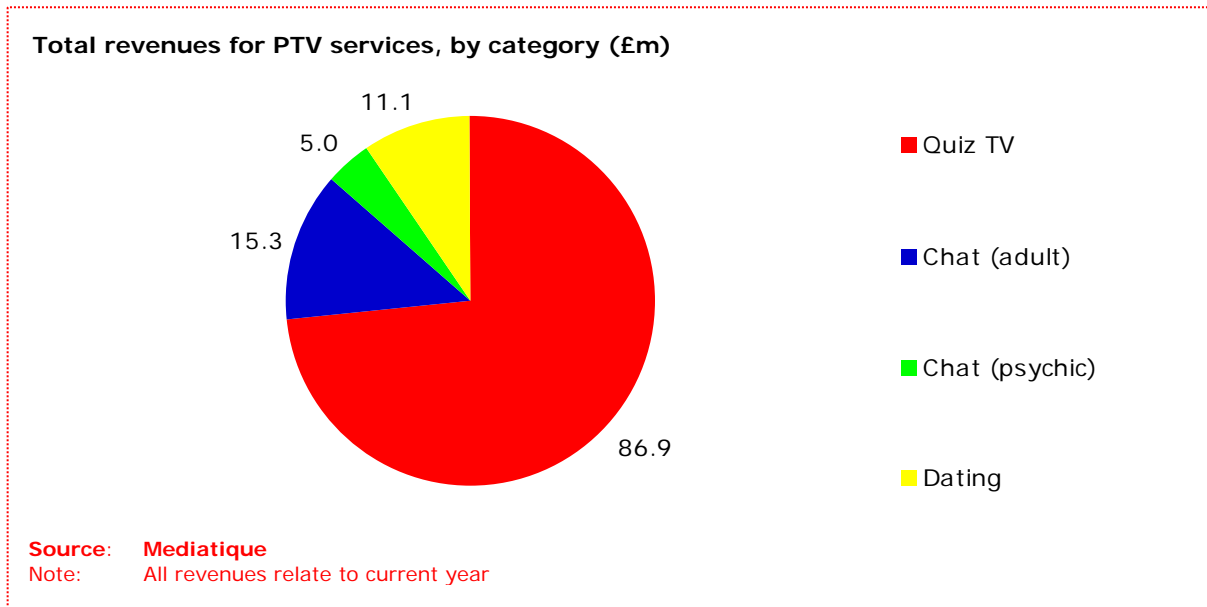
There is no standard auditing practice in place within the PTV sector. Typically, only publicly listed companies disclose financial information, and the figures presented in this report are based on market intelligence and discussions with service operators. The main figures in the public domain are the quiz TV revenues reported by ITV and Five, which provide the bulk of the market.

A more detailed description of our methodology, including key assumptions underlying our forecasts, is set out in the appendices to this document.

Revenue analysis: by sector

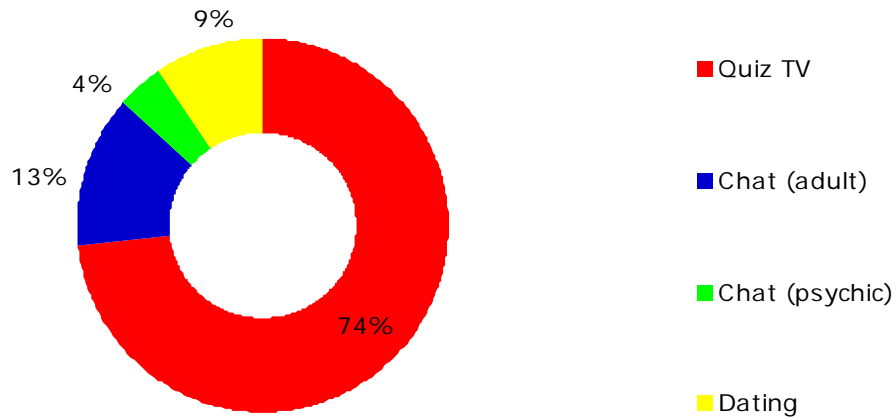
Of the total revenue base of £118m across all PTV services, quiz TV is by far the largest category. All revenues presented here refer to gross revenues that accrue to all players along the value chain (i.e. including PRT and telecoms providers as well as broadcasters and production companies)

Revenues for each category are set out in the following charts.²⁰



²⁰ For clarification, our revenue estimates reflect the closure of ITV Play in March 2007 and assume ITV Play programming will continue to broadcast on ITV1 and ITV2.

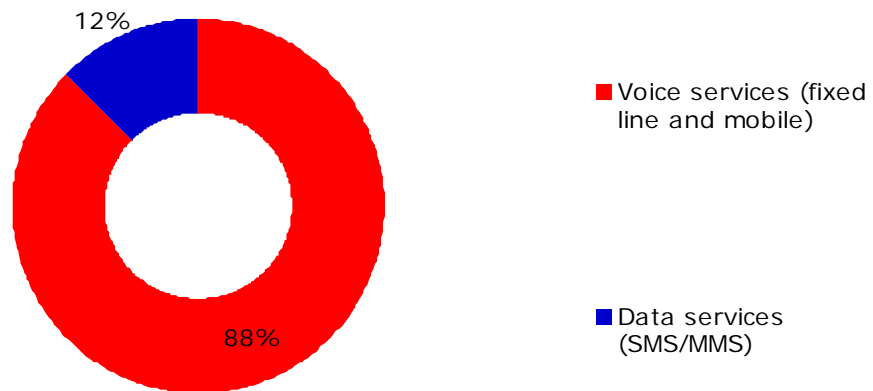
Share of total PTV revenues, by category (%)



Source: Mediatique
Note: All revenues relate to current year

Our analysis indicates that the vast majority of PTV revenues are generated through voice telephony. 87.6% of revenues accrue to either fixed-line or mobile voice services, compared to 12.4% through SMS/MMS messages. This correlates heavily with the significant proportion of total revenues accounted for by quiz TV, whose predominant revenue source is through voice telephony.

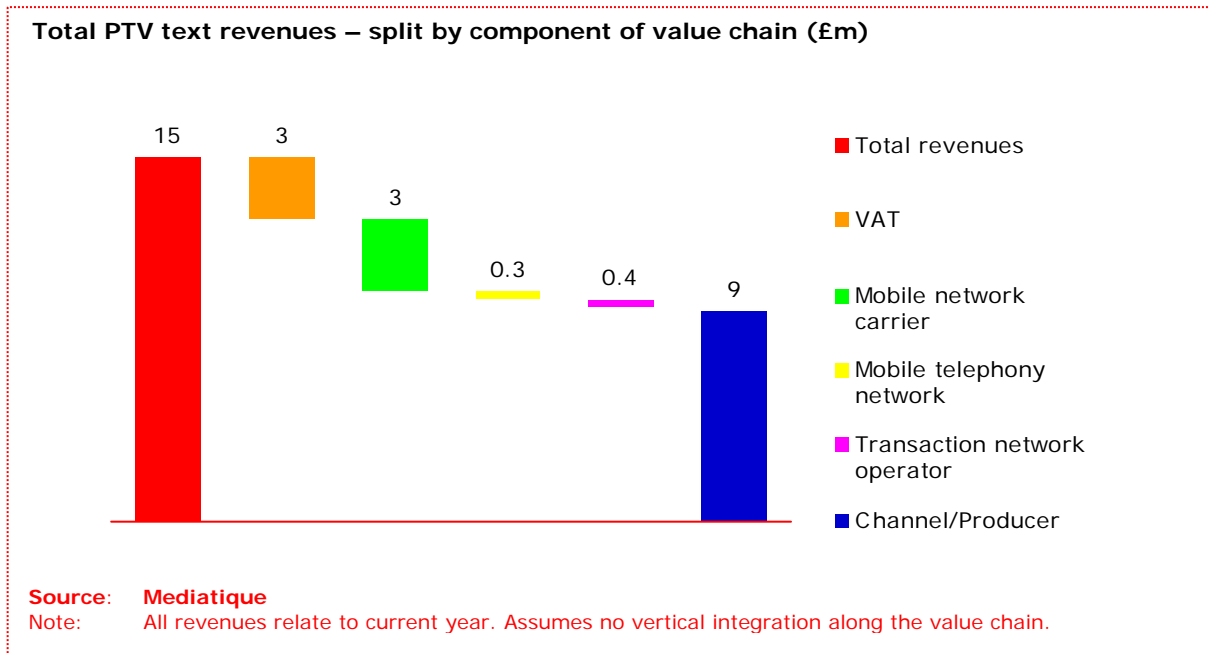
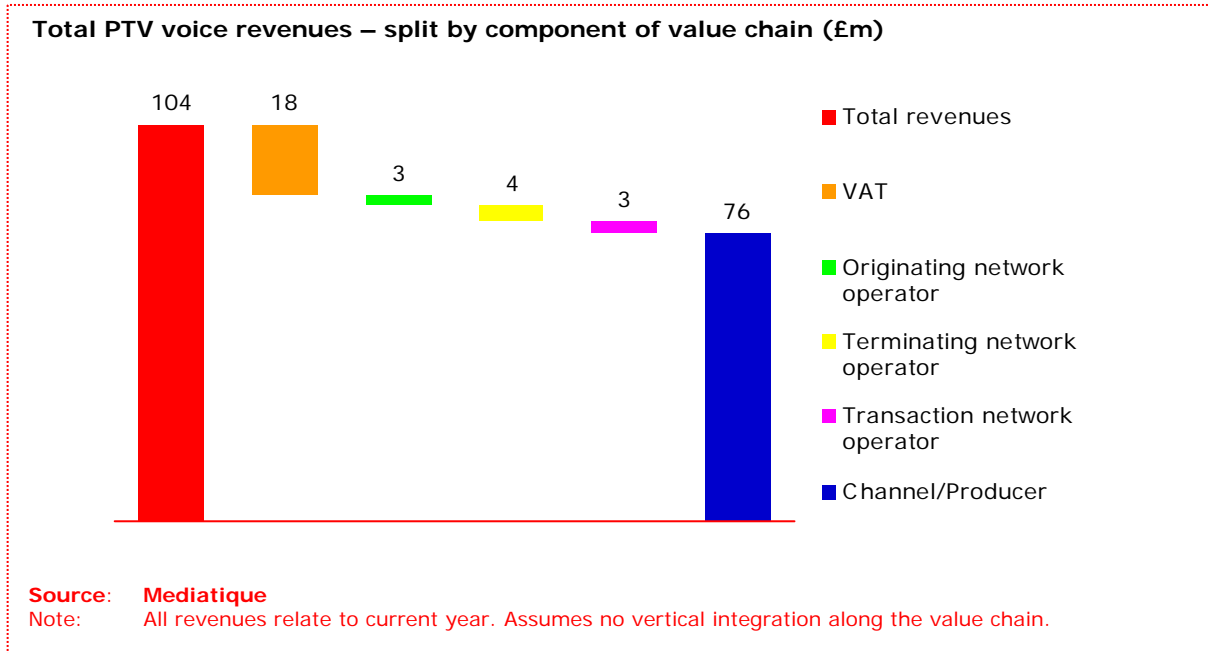
Total PTV revenues, by revenue source (%)



Source: Mediatique
Note: All revenues relate to current year

Revenue analysis: by value chain component

The revenue analyses above estimate gross revenues that accrue to all parties across the two value chains (voice and text). The split of revenues along the two value chains are as follows:



On the basis of these typical revenue share arrangements, the content providers (i.e. the production company and broadcaster) retain between 60-73% of PTV revenues. This depends on the source and nature of the participating call: fixed line vs. mobile, voice vs. MMS.

Margin analysis

Margins vary considerably along the two value chains as the business models (and therefore cost bases) of each of the operating groups vary. We set out below an overview of the major cost elements for each of the parties along the value chains.

Originating network operators / Terminating network operators

These players have few incremental direct costs associated with the provision of PTV telephony services, since the delivery of these services falls within their core business.

Network transaction operators

These operators are predominantly technology-driven businesses and the main cost bases can be separated between development costs and operational costs.

Transaction service providers invest in the development of proprietary IVR technology that handles all participative elements of calls terminating on the relevant PRT number. Such investment costs vary according to the scope and functionality of the IVR operating system, however, market intelligence suggests that the creation of a full service transaction network system (coverage the creation of database technology, including audience analysis and customer care) can cost up to £3m.

Certain operators will sell licences for their proprietary software to production companies that operate the technology themselves. Alternatively, the production company and network operator will work in conjunction. In this case, operators incur a number of operational costs including personnel and ongoing equipment costs (including maintenance and depreciation).

Channel operators and producers

Channel operators

The costs of launching a channel have declined considerably over the last five years due to advances in digital technology and falling costs in satellite transponder capacity and playout services. The major cost categories for a channel include: transmission and uplinking, playout and EPG costs. In addition, there are overheads (including staff and rent) and production costs. The cost of launching a live action channel approximates to £1.5m per annum for a 3.5 Mb/sec channel. Further detailed *estimated* costings are set out in the following table.

Cost category	Annual cost (£)
EPG fees	79,000
Transmission & uplinking	50,000-225,000
Playout and scheduling	50,000-150,000
Salaries	180,000
Finance & Legal	40,000
Rent	30,000
Marketing	0-100,000
Programming	50,000-750,000
Other Costs	50,000
Total costs	529,000-1,604,000

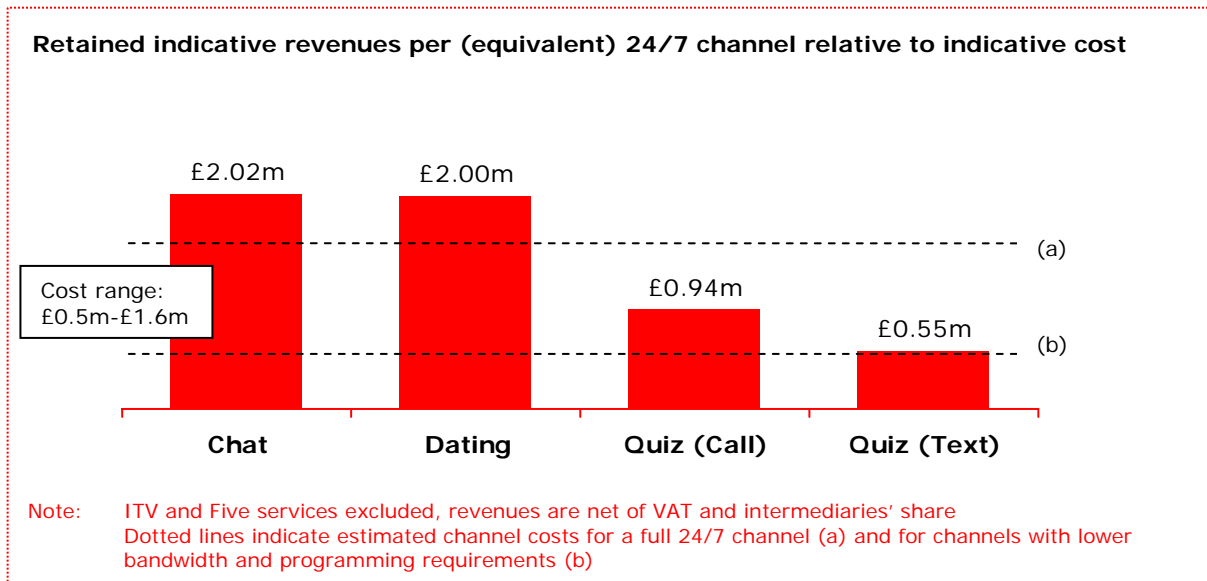
Source: Mediatique
 Note: all costs are estimates and illustrative

The high-end costings set out above estimate the likely running costs of a 3.5 Mb/sec video channel broadcasting 24 hours per day (such as Jackpot TV). These costs vary considerably depending on the nature of the channel and we have set out a lower range of costs for channels with lower bandwidth requirements and lower programming costs. For example, fully automated graphics-based services (such as dating channels) will incur reduced transmission, uplinking and playout costs due to lower bandwidth requirements.

Furthermore, programming and marketing costs vary widely within the PTV market and depend on broadcast hours, production values and service type. For example, dating services rely predominantly on the automated processing of calls and have no requirement for on-screen presenters.

As a result, margins vary considerably by broadcaster and business model. For example, the £20.3m of adult and psychic chat TV revenues forecast for 2007 will be generated by nine channels, or approximately seven 24/7 channel equivalents. On this basis, the “average” revenue, net of payments to other players along the value chain, would be a straight read-across of approximately £2m, which is likely to be sufficient to cover total channel costs.

If we assume a range of programming costs, depending on service type, of £50K-£0.75m, and apply a straight read-across to revenues for each 24/7 channel equivalent in each sector, the margin range, according to our estimates, is as follows:



The higher revenue services will have costs at the upper end of the cost range. In this diagram, the extent to which the revenue bar exceeds the indicative cost lines therefore represents typical achievable margin that the services could generate. This indicates that, apart from the services offered by the “legacy” broadcasters, this industry is most likely operating at a marginal level of profitability (given the lower costs typically apply to the services at the lower end of the revenue scale).

We note that the PTV services of the terrestrial channels operate on a different cost basis to the majority of other services. Both ITV and Five operate higher production values commensurate with the quality expectations of a PSB channel. Moreover, their

ability to capture higher audiences has a significant impact on their margins. ITV Play's published financial information (which relates the financial period before the channel was closed on a standalone basis) confirms that it generated revenues £54m for the financial year ending 31 December 2006 and profits (before spectrum costs) of £20m. No financial information is publicly available for Five's PTV operations on a standalone basis.

Production companies

The majority of PTV services broadcast live studio-based content that is produced in-house or by external production companies. The main cost bases therefore include: studio rent and equipment costs (including cameras and lighting), production staff (including a primary producer, two or more production assistants and call handling personnel) and presenters. According to various industry players, the production cost of a typical PTV service equates to between £1,000-£3,000 per hour. Where relevant, this excludes the cost of off-screen personnel for those services that switch calls to presenters off-air.

In some cases, the production company (or channel) will develop call handling systems and software themselves and bypass the need for an intermediary transaction network operator. Alternatively, they will work in partnership with the operator, as we outline above..

7. Industry development

Drivers of the industry

To date, growth in PTV services reflects recent significant structural changes in the television industry. Market growth has been driven predominantly by three main developments: penetration of multi-channel TV, growth in consumer interactivity and pressure on core commercial broadcasting revenues.

Increasing penetration of multi-channel TV

The increasing proliferation of digital television has afforded significant growth in the number of television channels and services available. This has allowed content owners to launch specialist channels, capable of reaching audiences in a more targeted way.

Central to this is an increasing commoditisation of channel launches such that the costs of launching and running a channel continue to fall, enabling smaller channels to survive on relatively low viewing shares.

Consumer interactivity

Improved functionality provided by digital technology (including increased storage and improved channel navigation in set-top boxes) has strengthened opportunities for interactivity between channels and viewers. Interactive elements are now consistently included in the TV commissioning process and many consumers have an expectation of interaction with much of the programming that they watch.

Furthermore, the significant increase in channel choice, along with advances in technology, have shifted the role of the audience from passive viewer to one in control of which channels they watch and when.

The operation of dedicated PTV services is, in many ways, simply an extension of a more general shift towards viewer interaction with broadcasters and content producers.

Pressures on core revenues

Due to channel proliferation, new channels are finding it increasingly difficult to secure carriage fees from platform operators. Furthermore, structural audience fragmentation has ensured that mature channel operators are facing pressures on existing subscription revenue contracts. These same pressures are experienced by free-to-air broadcasters and competition for television advertising revenues has become increasingly fierce as a result of audience fragmentation.

New services within the PTV sector are being harnessed to offset some of the pressures that traditional broadcasters face in their core businesses. In monetary terms, the revenues generated by broadcasters from PTV, though small in relation to total revenues, are beginning to help offset declines in core advertising and subscription revenues. Non-traditional revenue streams including premium-rate telephony have now become core to the business models of many channels.²¹

²¹ Anecdotally, it is worth noting that the entry of terrestrial broadcasters into the PTV market (almost exclusively in quiz TV services) has increased consumer awareness of opportunities to participate and of the market for PTV services more generally. Indeed, these players have been able to benefit from significant cross-promotion from their core brands to their PTV services.

Future development

There is likely always to be a market for PTV. Consumers seem to enjoy it and the proliferation in the number and breadth of such services reflects increasing consumer appetite for interaction with the TV. Furthermore, media companies are increasingly reliant on such non-traditional sources of revenue. Both consumer and commercial drivers will continue to influence the development of the PTV market in the future:

Improving quality of services

Recent controversies over the failure of certain telephone-based TV formats, coupled with investigations into call TV services by a number of regulators and committees, has brought into focus the sector's reliance on consumer confidence to drive revenues.

While these events will have an impact on the marketplace, it is highly likely that new, and "cleaner" forms of participation TV will be introduced. In order to secure revenues, broadcasters are likely to improve the quality of their participative services, in terms of customer service, production values and technology. This is likely to result from a combination of self-regulation and from the impact of increasing competition for key consumer-facing PTV brands, formats and, ultimately, viewers.

Improving quality of programmes and of processes is crucial to maintaining consumer confidence and to ensure the long-term sustainability of the market. Moreover, to the extent that PTV services are operated by companies that are part of larger media or telephony companies, they will work hard to ensure that the operation of PTV services does not damage the reputation or revenues of their core business.

Industry consolidation

In the absence of increased regulation, the market itself is likely to evolve in any event. The market for call TV services has become crowded and competition for viewers has intensified; consequently, services are increasingly associated with known brands and are the subject of significant promotion to ensure competitive advantage. The main winners of this market competition are the terrestrial broadcasters which have leveraged their valuable television brands and reach to deliver larger audiences. This has led to a marked shift in revenue from smaller niche players to the commercial terrestrial broadcasters.

All PTV operators are facing competition from the accelerated volume of new entrants and the market is likely to consolidate over time. Indeed, the recent shift in power from niche to mass-market players is likely to intensify; opportunistic entrants will struggle to drive traffic sufficiently and terrestrial channels, or operators that are part of diversified media or telephony-based companies, will secure growing influence and share in the market.

Technological developments

Over time, broadcasters may see their positions in the PTV market threatened by increasing distribution on, and audience interactivity with, non-broadcast media such as broadband and mobile. A number of operators in the PTV sector suggested that PTV services will converge around broadband-enabled platforms on which participation can be a much richer experience. PTV content is generally well-suited to distribution over the

IP-connected platforms where audience interactivity can seamlessly bypass telephony networks.²² The convergence of TV and IP-based platforms presents an opportunity for PTV providers to take advantage of the respective benefits of reach and functionality. This may characterise itself in improvements in return-path functionality on set-top boxes that have struggled to make a significant impact on the PTV market thus far.²³

Content developments

These technological developments are likely to have significant content implications for PTV services. This includes the potential for simultaneous entry by multiple participants and interaction between participants as well as with the operator itself. Several channel operators and service providers have confirmed that they are investing in back-office technology that will allow players to connect with each other, relegating the TV to a coordinator/commentator of events.

This implies a much greater role for user-generated content in the market in future. We are already seeing an increasing overlap between participation and “community” TV services where viewers contribute directly to the editorial of a channel and have the ability to choose which content they view. This development may raise additional issues for content regulators.

Payment mechanisms

Payment for transactions in the PTV sector is efficient, to the extent that all transactions are coordinated by the originating network operator that ensures billing and revenue collection. This enables generally accepted terms of payment and security to operate across the sector. As the sector continues to develop, new forms of payment may emerge, including a greater role for electronic payment over the Internet or through the set-top box. This has obvious implications for a regulatory regime focused around premium rate numbers, which may decline in prominence.

Regulation

Given the active role of viewers within the PTV sector, these services are more highly geared to allegations of consumer harm and the effects of regulation than other television services. The central position of PRT within these services ensures that they fall within the remit of telephony regulation in addition to content standards.

The PTV landscape will continue to be shaped by regulatory decisions. This applies both on an individual channel basis and on a macro-basis.

²² Witness already significant levels of participation in quiz TV services via free Internet routes (as outlined in sections above).

²³ No PTV services (as defined herein) offer participation to viewers via the red button on TV remote controls. This is a feature of many gaming/gambling services; however, it has been beset by many consumer concerns over functionality and speed.

8. Glossary

"EPG"	electronic programme guide, the classified directory for satellite television services, including programme lists and options
"DSAT"	digital satellite television platform, operated by BSkyB in the UK
"DTT"	digital terrestrial television platform, operated by Freeview in the UK
"ICSTIS"	Independent Committee for the Supervision of Standards of the Telephone Information Services, an industry-funded regulatory body for all premium rate charged telecommunications services
"IVR"	interactive voice response, a telephony technology system in which callers use a touchtone telephone to interact with a database
"MMS"	multimedia messages services, a means by which messages incorporating pictures or audio clips can be sent to and from digital mobile telephones and other devices
"ONO"	operating network operator, owner of telephony infrastructure that contracts directly with customers
"PRT"	premium rate telephony, services where part of the overall call charges payable by a consumer to their telephony provider is passed on by the operator of the terminating network, directly or indirectly, to a third-party service provider
"PTV"	participation television, television services the content of which promotes paid-for participation by viewers
"SMS"	short message service, a means by which text-based messages can be sent to and from digital mobile telephones and other devices
"TNO"	terminating network operator, intermediary companies that lease allocated PRT numbers to service providers

Optimistic Media



Network transaction operator, Producer and Channel operator

Optimistic Media is a subsidiary of AIM-listed Optimistic Entertainment plc. which owns and operates television channels and produces participation television programming. It develops participation content for television, Internet and mobile consumers. Optimistic Entertainment Plc distributes its content via its own channels and third-party networks.

It broadcasts over 7,000 hours of live programming each year, including Pop The Q (TMF, Bonanza²⁴) and QuizNation (Fortune Fever) and has developed a range of call television formats. Optimistic Entertainment Plc has supplied participative programming for broadcasters such as Channel 4 and Paramount Comedy.

Optimistic Media started life as a **channel operator** focused on PTV services (particularly in quizzes). However, significant market entry by major brands into the PTV sector led to a strategic decision to move from a channels-based business to one producing content for third-party channels.

Its production capabilities are focused around integrating creative editorial and technology, thereby spanning both **transaction network operator** and **production company** in the value chain. Optimistic has developed proprietary software, providing back-end solutions for audience analysis, financial reporting and automation of prize fulfilment, in cooperation with external terminating operators.

Latest results (£m)

<i>Date</i>	<i>30/6/2006 (6 mths)</i>	<i>31/12/2005</i>
Turnover	2.73*	4.25
Gross profit/(loss)	(1.01)	(1.26)
Pre-tax profit/(loss)	(1.86)	(11.8)

*2.1m of which were production business revenues

Source: Company accounts

Key personnel

- Mark Fone Chief Financial Officer, Director
- Jasper Smith Chairman of the Board, Chief Executive Officer

²⁴ Bonanza is a general entertainment channel wholly owned by Optimistic. Optimistic no longer owns a standalone PTV channel.

mBlox



mBlox is reputed to be the world’s largest mobile transaction network. It specialises in global operator connectivity and mobile billing, and maintains connections to more than 440 mobile operators in 180 countries through its network.

In simple terms, mBlox is the intermediary between businesses and the mobile operators managing the delivery and billing of mobile content and services. It focuses on commercial solutions for mobile billing and SMS message delivery, and in the UK provides SMS network transaction services to business that deliver mobile content, and manages premium SMS interactions for PTV services.

mBlox is headquartered in Sunnyvale, California.

Investors

- BA Venture Partners
- dag
- Novus Ventures
- NVP (Norwest Venture Partners)
- Trident Capital

Source: www.mblox.com

Key personnel

- | | |
|--------------------|-------------------------|
| • Jeffrey Clark | Chief Executive Officer |
| • Andrew Bud | Executive Chairman |
| • Gary Cuccio | Chairman |
| • Steve Livingston | Chief Marketing Officer |
| • Paul Roberti | Chief Financial Officer |

YooMedia



YooMedia plc is an interactive media and gaming group which focuses on the provision of red-button interactivity services. It provides a range of interactive television, mobile and Internet gambling services for third parties and affiliates. Its Interactive Services business encompasses a range of products and services it provides to clients in the broadcasting, publishing, advertising, retail and public sectors. It is an independent provider of a range of digital interactive services from production through broadcast management (focusing on gaming and dating formats), interactive service development and consumer or viewer response management, including individual financial transactions.

It manages the core brands of Dateline, Dateline One to One, Dateline Mobile, Avenues and YooChat and provides dating, introductions and community-based services across the interactive television, the Web and mobile. In April 2005, it acquired Viavision Limited.

Latest results (£m)

<u>Date</u>	<u>30/6/2006 (6 mths)</u>	<u>31/12/2005</u>
Turnover	31.2	85.6
Gross profit/(loss)	2.9	8.7
Pre-tax profit/(loss)	(5.0)	(10.5)

Source: Company accounts

Key personnel

- Michael Sinclair Chairman of the Board, Chief Executive Officer
- Neil MacDonald Deputy Chief Executive Officer
- Jonathan Apps Finance Director

10. Appendix B: Universe of participation TV services
Chat

Channel name	Licence holder	Ownership details
Babestation	n/a	Owned by Cellcast, which operates other PTV channels (see below)
Babeworld TV	Connection Makers Ltd	Subsidiary of Eckoh Technologies, a major provider of PRTS services
Friendly TV	Telecoms TV Ltd / Hi2 Ltd	Joint venture with Opera Telecom and Hi2, which shares ownership with a number of other PTV services (see Jackpot TV above)
Get Lucky TV	Grandiose Ltd	Owned by Cellcast
Lucky Star	Escape Channels Ltd	Subsidiary of Telecoms TV, which also operates Friendly TV
Star Bazaar TV	Star Bazaar TV Ltd	Independent channel operator
Turn on TV	Bang Channels Ltd	Subsidiary of Bang Media, an independent channel/production operator
Turn on TV 2	House of Fun Television Ltd	Subsidiary of Bang Media

Source: Mediatique

Dating

Channel name	Licence holder	Ownership details
ChatBox	4D Telecom Ltd	Entertainment and dating services provider across all media
The Dating Channel	Euro Digital Corporation Ltd	Broadcasting arm of Premier Telecom, a diversified telephony services provider
GayDate TV	Euro Digital Corporation Ltd	As above
Gay Network	4D Telecom Ltd	As above

Source: Mediatique

Psychic

Channel name	Licence holder	Ownership details
Psychic TV	Majestic TV Ltd	Owned and operated by Cellcast (which operates a number of adult chat services, see section above)

Source: Mediatique

Quiz

Channel name	Licence holder	Ownership details
Big Game TV!	Big Game TV Ltd	Independent channel operator, with production capability
iPlay TV *	Transact TV Ltd	Part of wider digital media group, with telephony, billing and production interests
Jackpot TV	Hollywood TV Ltd	Subsidiary of Hi2 Group, which operates other PTV services

* Previously a joint-venture between Transact and Enteration TV
 ITV Play (owned and operated by ITV plc) ceased to operate as a standalone channel in March 2007
 Source: Mediatique

Programmes, channels and weekly transmission hours²⁵
Chat

Channel	Programme	Hours
Babestation	Babestation Live	59.5
	Lads Lounge	63
		122.5
Babeworld.tv	BabeWorld Extreme!	45.5
	BabeWorld Hot!	14
	Day Chat	84
	Good Morning Chat!	24.5
		168
Get Lucky TV	Babestation 2 Live	59.5
	Party People	63
		122.5
Lucky Star	Sex Station	59.5
Star Bazaar TV	Generic adult chat	59.5
Turn on TV	Bangbabes	56
	Early Bird	70
	Live Daytime Chat	42
	Turn on TV Contacts	17.5
		185.5
Turn on TV 2	Bangbabes 2	56
	Flirt Club	24.5
	Turn on TV Contacts	70
		150.5
Total		868

²⁵ For the week 18th-24th March 2007. *Quiz Call* (Five's quiz show) has been added with its standard transmission hours as it had temporarily been suspended whilst an audit was being carried out.

Dating

Channel	Programme	Hours
Chat Box	Chat & Date	42
	Chat & Flirt	42
	Chat Box Late	42
	Good Morning with Chat Box	42
		168
Dating Channel	Date Me	7
	Evening Flirts	7
	I Love You	21
	Kiss Me	21
	Late Night Flirting	35
	Morning Love	7
	Night Love	7
	Will You Be Mine?	42
	You and Me	21
		168
Gay Network	Afternoon Network	42
	Early Risers	49
	Find a Mate, Make a Date	28
	Gay Network Hot	49
		168
GayDate TV	A Morning Date	7
	A New Day A New Love	7
	Afternoon Flirting	7
	Chat And Flirt	7
	Choose Me	14
	Evening Flirts	7
	Kiss Me	7
	Late Night Flirting	35
	Looking For Love	21
	Love Bug	7
	Love For You	7
	Love Is All Around	7
	Love Is In The Air	7
	Lunchtime Loving	7
	Midnight Singles	7
	Night-Time Loving	7
Text Flirt	7	
		168
Total		672

Psychic

Channel	Programme	Hours
Psychic TV	Psychic TV	108.5
Raj TV	Psychic Interactive	112
Sumo TV	Psychic Zone	21
Wine TV	Psychic Interactive	15
Zone Horror	Good Morning Psychic	10.5
Zone Reality X	Psychic Interactive	21
Total		288

Quiz

Channel	Programme	Hours
BIG GAME TV!	Big Game TV!	91
	Big Game TV! Text!	42
	Hallmark Channel Quiz	14
		147
Bonanza	Pop the Q	21
five	Quiz Call	12
fiveLife	Quiz Call	42
fiveUS	Quiz Call	56
Fortune Fever	Quiz Nation	14
Ftn	Big Game TV	21
Hallmark Channel	Hallmark Channel Quiz	14
Info TV2	Win Win TV*	31.5
iPlay TV	The Great Big British Quiz	56
	Win Win TV*	112
		168
ITV1 London	Glitterball	18
	Make Your Play	8
		26
ITV2	Glitterball	6
	Make Your Play	3.5
		9.5
Jackpot TV	Win Win TV*	168
Kerrang!	Cash Call	12
KISS	Cash Call	12
Life Showcase	Big Game TV!	28
Life24	Pop the Q	21
LIVING2	Big Game TV!	21
Magic	Cash Call	12
Ontv	The Great Big British Quiz	24
Q	Cash Call	12
Smash Hits!	Cash Call	12
The Box	Cash Call	12
The Hits	Cash Call	20
TMF	Pop the Q	21
Total		937

*Text only quiz

11. Appendix C: Analysis detail

Schedule

The market size modelling is based on a comprehensive review of the relevant programmes appearing on the Sky Digital platform during the week of 18th–24th March 2007. The airing times of each programme (including any simulcast programming on multiple channels) has been recorded for each day of the week.

Note: Mediatique has assumed a basis of reach to derive viewing figures for these programmes – this automatically takes into account all other platforms in the subsequent analysis.

Number of viewers

Discussions with PTV producers have led to the following conclusions:

- Viewing of PTV programming is heavily related to the reach of the channel
- Viewing is greatly increased in the midnight-3am time-slot
- Viewing is increased at the weekend (Friday-Sunday)

Mediatique has therefore derived viewing figures for each programme on the following basis:

1. Typical viewing figures for PTV programming on two BARB-rated channels are known by Mediatique - these allow a relationship to be assumed between viewers/hour and reach
2. Each channel is given a scaling factor based on reach, using BARB data where possible
3. The number of hours in each viewing period (Mon-Thurs/Weekend; Off-peak/Peak) on each channel is calculated for each programme
4. The number of viewers/hour is calculated according to the viewing period of the programme and the channel
5. The total number of viewer-hours (one viewer watching for one hour) is then aggregated for each programme

Revenue models

Mediatique has modelled four distinct revenue models:

- *Quiz (call)*
Quiz shows where the primary method of entry is voice calls
- *Quiz (text)*
Automated quiz shows where the primary method of entry is SMS messaging
- *Chat*

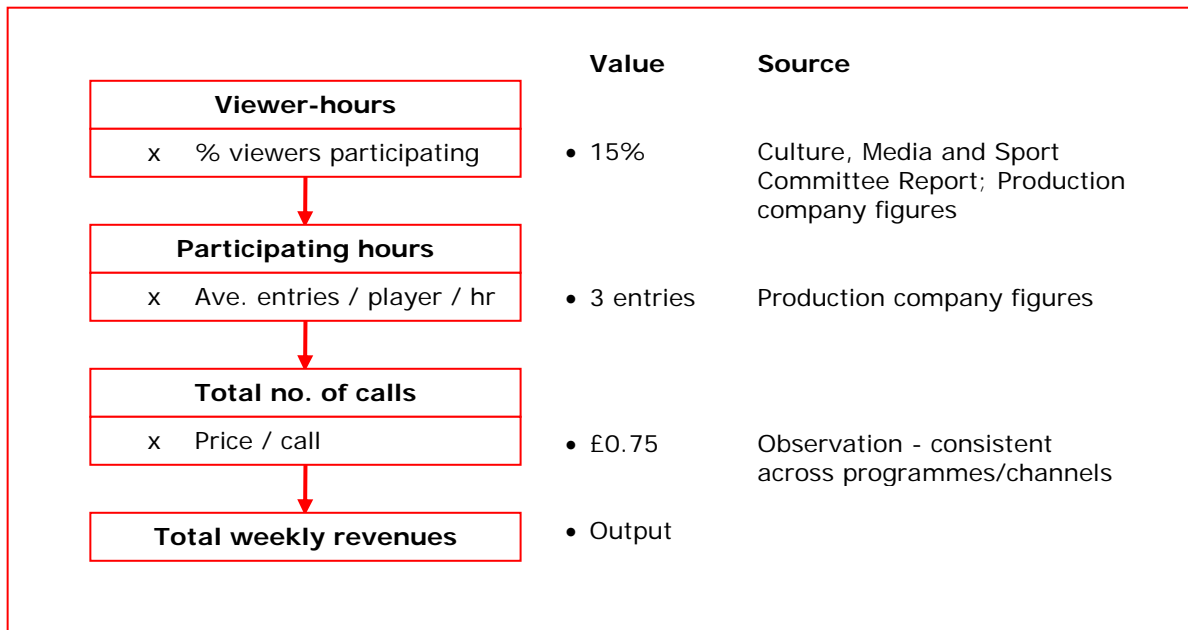
This covers shows which involve voicecalls to on-screen presenters, supplemented by the option of texting the show

▪ *Dating*

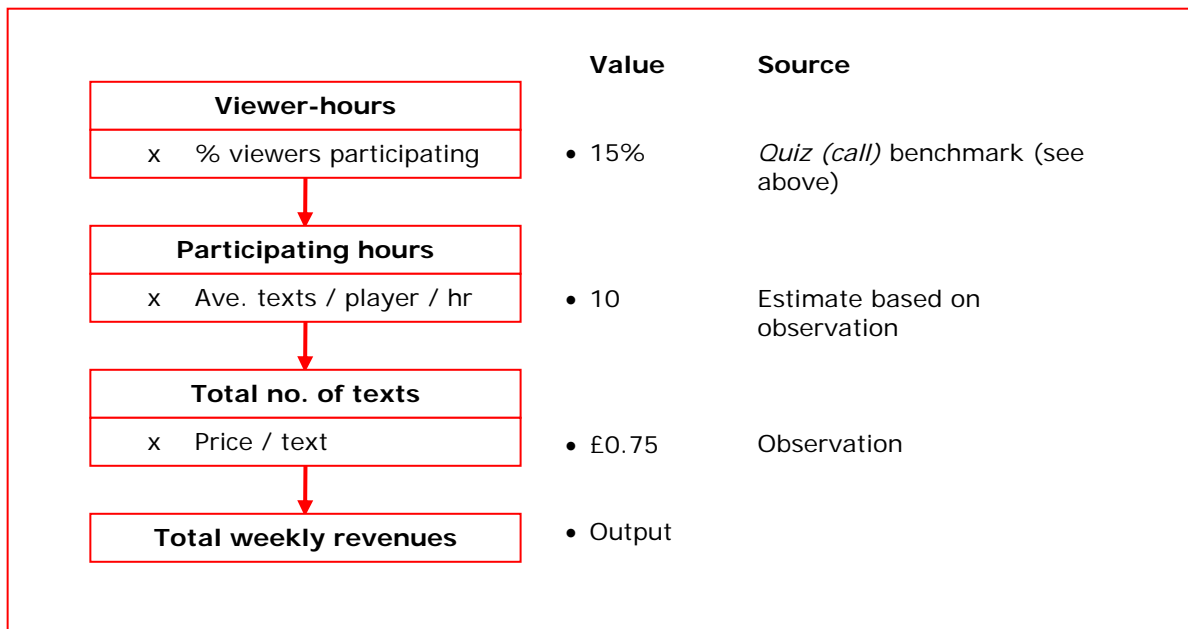
This covers entirely automated dating TV (with no on-screen presenter), where viewers' texts appear on-screen (this includes multimedia messages)

The number of viewer-hours (see above) applicable to each revenue model are aggregated. Revenues for each model are then calculated using the assumptions described below.

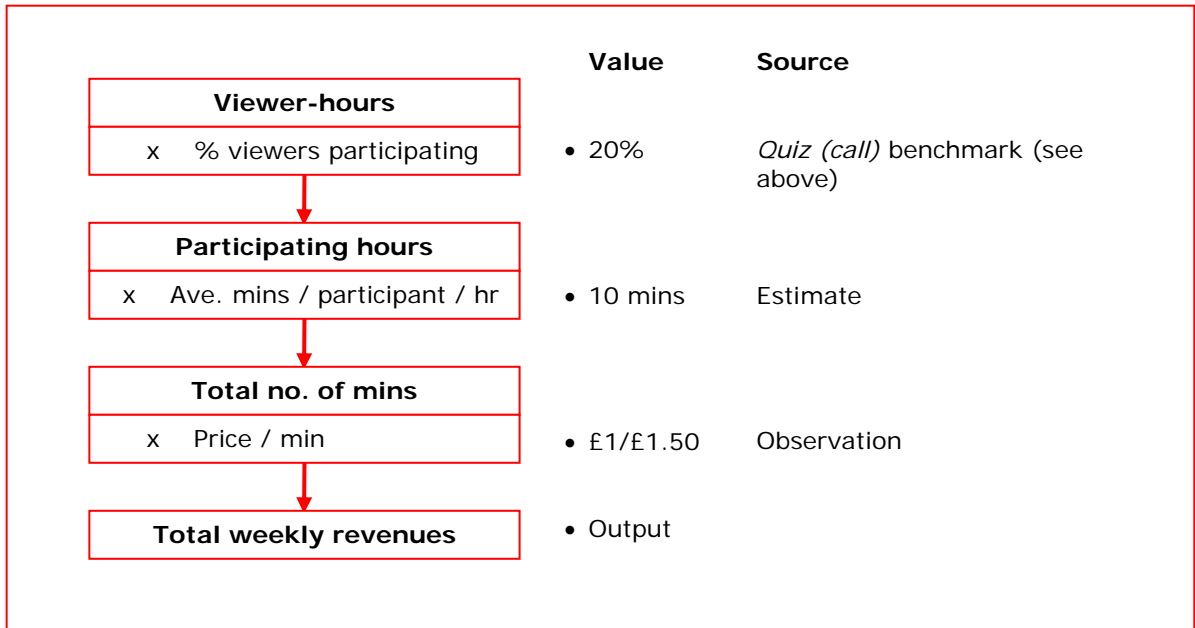
Quiz (call)



Quiz (text)

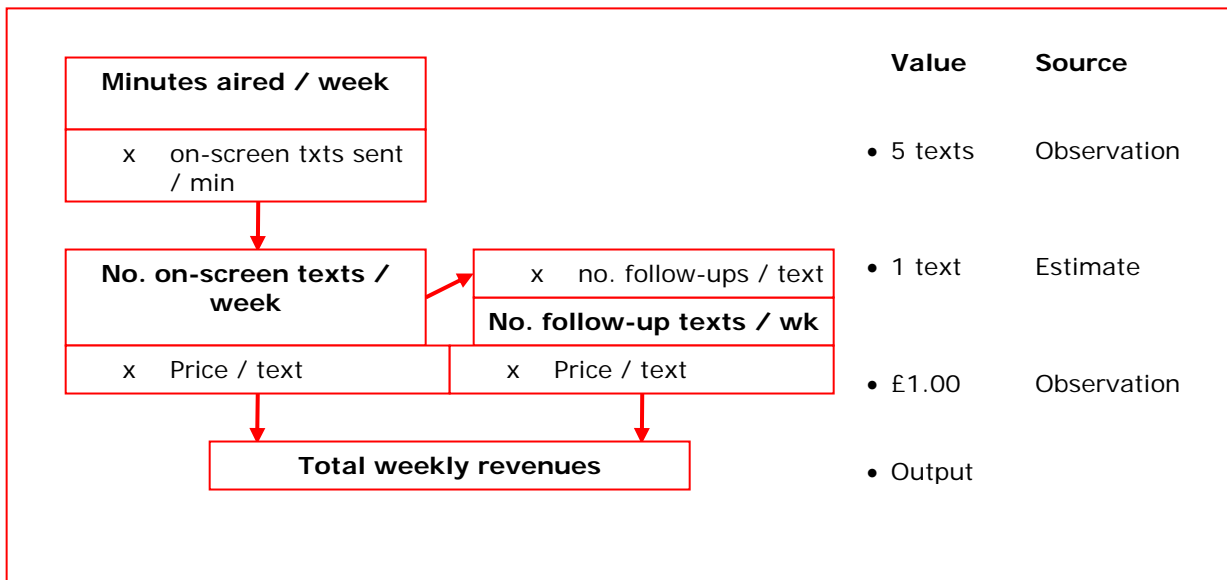


Chat²⁶



Dating

Dating has been modelled in a different way from the other three business models. As every initial text sent appears on screen, it is possible to count volume of texting. Additional revenues are generated by users sending a reply directly to the sender of an on-screen text. Mediatique has assumed that every five on-screen messages generates one follow-up text.



²⁶ In Mediatique's modelling, Chat is split into £1/min chat and £1.50/min chat – as all other assumptions are identical, the two are presented here as one revenue model

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