

The outcomes for consumers in relation to pay TV in Europe –
Supplementary Report

A Report for British Sky Broadcasting Limited



12 January 2009

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1 Introduction

In this section we set out the background to and scope of the study, detail our approach to the study, and outline the structure of the report.

1.1 Background

On 29 February 2008, we, PricewaterhouseCoopers LLP (“PwC”), provided a report (“First Report”) to British Sky Broadcasting Ltd (“Sky”) summarising the findings of a study we conducted on the outcomes for consumers in relation to pay TV services in Europe. In terms of consumer outcomes, the focus was on price, consumer choice, and innovation in fifteen European countries¹. Sky has now requested that we conduct further research and analysis to assist in evaluating the outcomes for consumers in relation to pay TV services in two main areas²:

(i) The current provision of audiovisual content (excluding adult and ethnic minority content) on:

- an à la carte/standalone channel basis (i.e. where consumers may subscribe to individual pay TV channels);
- a Pay-Per-View (“PPV”)/ Video-on-Demand (“VOD”) (including Near-Video-on-Demand (“NVOD”) and Subscription-on-Demand “SVOD”) basis; and
- a pay TV “light”³ basis (i.e. important content is available in a small single package offer); and

(ii) The details of significant changes⁴ (including the dates at which such changes came into effect) in the pricing and packaging of subscription pay TV services provided to consumers in the past five years.

As in our First Report the following fifteen European territories are included in the scope of the research and analysis:

- Austria;
- Belgium;
- Denmark;

¹ A public version of the report is available at http://www.ofcom.org.uk/consult/condocs/market_invest_paytv/responses/sky_annex1.pdf.

² The scope of the study includes only retail services.

³ We refer to this as premium pay TV “light”, for reasons set out in Section 2.5.3.

⁴ What constitutes “significant change” is determined on the basis of expert judgement based on knowledge of the services in each of the countries. Criteria to determine whether changes can be considered to be “significant” are explored in Section 2.

- Finland;
- France;
- Germany;
- Greece;
- Italy;
- Netherlands;
- Norway;
- Portugal;
- Spain;
- Sweden;
- Switzerland; and
- United Kingdom.

We report here our findings from a comparator analysis of the information collected on these 15 countries.

1.2 Scope of the study

More specifically, the scope of the study included the following areas:

(i) In respect of the provision of audiovisual content on an à la carte/standalone channel basis, a PPV/VOD basis, and a pay TV “light”⁵ basis, major⁶ services are to be assessed as follows:

- its date of introduction;
- the technical means of delivery of content to consumers (e.g. terrestrial, cable, satellite, internet protocol TV (“IPTV”), internet);
- the type of content delivered;
- charges;
- evidence as to its relevant success to date, for example in terms of the number of buys/subscribers or revenue generated⁷;
- any major developments in the service after its introduction (e.g. significant expansions in the range of content available)⁸; and
- whether the services can be incorporated in the innovation measures included by PwC in the First Report and, if possible, to undertake such an exercise.

⁵ As per footnote number 3.

⁶ “Major” is determined on the basis of expert judgement based on knowledge of the services in each of the countries. Criteria to determine what constitutes “major” includes levels of use, number of households able to access the channel(s)/service(s), longevity, or the nature of content available via the channel(s)/service(s). We have also, however, paid attention to services that have recently been introduced.

⁷ While this is an important element of the study, obtaining this type of commercially sensitive data/information may not be possible.

⁸ As per footnote number 7.

(ii) In respect of the assessment of significant changes in the pricing and packaging of subscription pay TV services provided to consumers in the past five years, this includes:

- identification of significant changes based on expert judgement in conjunction with local knowledge of the services provided in each country;
- a focus on such changes made by pay TV retailers with significant bases of genuine pay TV subscribers; and
- as relevant, new approaches to pricing and packaging of subscription pay TV services adopted by new entrants.

Appendix 1 contains a copy of the terms of reference for our work. We made best endeavours to collect a complete set of information to meet the study objectives, with the understanding, as agreed with Sky, that not all the information requested in the terms of reference was likely to be publicly available and that the pay TV experts⁹ for interviews in each territory might not be available (or willing to input to the study) within the timescales involved. The data we collected on the 15 countries listed above have been compiled in spreadsheet format, and summary tables together with explanatory text are contained in Appendix 2.

1.3 Our approach to the study

We conducted our research and analysis between 16 October 2008 and 5 December 2008. The following tasks were undertaken. We:

- Re-contacted the local PwC consultants with expertise in the pay TV sector in each country who assisted us in the research, analysis and findings reported in our First Report;
- Compiled a list of relevant pay TV retailers (i.e. leading and new entrant) in each territory based on our First Report in conjunction with new desk research. We considered 88 retailers to review of which we focus on 72;
- Developed a template for data collection;
- Compiled a list of contacts (external to PwC) with expertise in pay TV in each of the territories to interview;
- Developed checklists of relevant questions (i.e. sets of questions to inform parts (i) and (ii) of the study) for interviews (see below);

⁹ We use the term “experts” to refer to representatives from the leading pay TV retailers, pay TV sector analysts and/or regulators.

- Researched relevant desk resources including retailer consumer and corporate websites, published research reports, the trade press, media analyst reports, company annual reports and investor presentations¹⁰;
- Conducted telephone interviews with customer service operators at each relevant retailer to corroborate the desk research on the provision, pricing and packaging of the relevant audiovisual content. In total we interviewed 58 customer service departments;
- Conducted a combination of face-to-face and telephone interviews with a number of experts in pay TV in each of the territories. Experts included representatives of the leading retailers, regulators, analysts that cover the leading pay TV retailers and the sectors in which they participate. The interviews were largely focused on gaining information for part (ii) (i.e. significant changes in the retailing of pay TV over the past five years), although we also corroborated some of the factual information gained for part (i). We contacted 25 experts and conducted interviews with 24;
- Analysed the data collected; and
- Compiled this comparator report for 15 countries.

Throughout the study we liaised with PwC local experts, and in conducting our research we relied on a large number and wide range of international and national data sources which we refer to in this document and its appendices as appropriate. We note that we conducted an extensive search for data in each country, but that the availability and quality of information and data is variable. Whilst every endeavour was made to collect all relevant and available data it is possible that additional sources exist that were not identified in this study. Where reasonable and informed estimates could be made, we made such estimates on the basis of our own expert judgement in conjunction with local expertise.

Owing to the introduction of new or revisions to existing services together with the launch and closure of channels and subsequent possible changes to pay TV retailers' offerings, while the information was correct at the time we collected it, it is possible that prices and/or services offered may since have changed.

1.4 Relationship of this report to our First Report

Our First Report remarked on a number of key issues in relation to assessing the outcomes for consumers in relation to pay TV across Europe. One key issue raised was that there are substantial difficulties inherent in comparing pay TV sectors across countries and also difficulties in obtaining consistent data on the prices of pay TV and subscribers to pay TV. We emphasised that any such comparisons should be made and interpreted with great care. We noted that outcomes observed reflect a vast array of factors that differ between countries that may affect the pattern of pay TV provision and consumption. For example:

- Countries differ in wealth, size, consumers' preferences for TV, public service broadcasting provision, platform types and stage of sector development;

¹⁰ These are referenced as appropriate throughout the report.

- Pay TV sectors across countries also vary in terms of effective retailer choice, regulatory regimes, whether platforms are open or closed, and whether consumers pay for cable access rather than for “genuine” pay TV services; and
- Pay TV offerings in each country differ considerably in a number of ways, including the number of lower and higher quality basic channels, the number of premium channels, and overall quality.

The First Report also highlighted that there are differing categories of consumers who pay to receive TV services. In particular, we identified that in eleven of the countries surveyed¹¹, the published statistics on pay TV subscribers and pay TV subscription revenues comprise subscribers both to “genuine” pay TV and to cable-access/mini-pay services. For five of those countries where data were sufficient to do so, we estimated the number of “genuine” pay TV subscribers. As a result, we downgraded, sometimes by a substantial amount, the pay TV subscriber estimates compared with other commonly used sources.

Notwithstanding the above issues, our First Report provided a comparison across 22 leading retailers in the 15 European territories¹² of prices and content of certain comparable packages, together with an assessment of pay TV innovation in the form of “innovation indicators” covering digital TV, HDTV and PVRs¹³ in terms of their longevity (introduction date) and success to date (penetration). This report augments our First Report as follows:

- It provides information on the cross-territory provision of a wider range of audiovisual content in each territory than did the First Report, as detailed in (i) (Section 1.2) above. In particular it assesses whether there are specific trends and/or cross-country differences in the provision of à la carte/standalone channels, VOD services, and/or pay TV “light”¹⁴ packages across territories;
- It re-visits the concept of the buy-through model in the provision of pay TV and assesses the extent to which this model prevails in each territory;
- It considers whether and in what format a VOD innovation indicator can be developed and whether it can be incorporated into the overall innovation indicator developed in our First Report; and
- It examines whether there have been significant changes in the retailing of pay TV services in each territory over the past five years and whether such changes, if they may be considered as particularly innovative, may be developed into a retail innovation indicator, either as a standalone indicator, or as one that can be incorporated into the overall innovation indicator developed in our First Report.

¹¹ These are Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Portugal, Sweden and Switzerland.

¹² Our First Report covered the same 15 European countries as in this report.

¹³ We note that Ofcom considers that HDTV and PVRs are pay TV enhancements. See <http://www.ofcom.org.uk/research/cm/icmr08/icmr08.pdf> pp 146-148.

¹⁴ As per footnote number 3.

1.5 Structure of this report

The remainder of the report is structured as follows:

- In Section 2 we discuss a number of issues with respect to important definitions;
- Section 3 provides a review of the current provision of audiovisual content in the 15 territories: à la carte/standalone channels; PPV, including single channel, VOD (push and pull¹⁵) and NVOD; SVOD; and pay TV “light”¹⁶;
- Our assessment of significant changes in the pricing and packaging of subscription pay TV services in the past five years in the 15 territories is provided in Section 4. We focus largely on pay TV retailers with significant proportions of “genuine” pay TV subscribers but also assess other retailers including new entrants. Changes considered significant include trends towards/away from buy-through models, the introduction of triple and quadruple-play offerings, the introduction or withdrawal of package structures, and the relationship between new delivery technologies and pricing and packaging structures;
- Section 5 provides our findings on the development of new innovation indicators (i.e. additional to those provided in our First Report) for each of the territories. The innovation indicators covered are VOD and NVOD. We also discuss the appropriateness of developing similar indicators for IPTV development and retail innovation; and
- The conclusions of our work are presented in Section 6.

There are additionally the following appendices attached to our report:

- Appendix 1 contains the terms of reference for the study;
- Appendix 2 lists the pay TV retailers we analysed;
- Appendix 3 lists the pay TV retailers included in the Section 3 summary tables;
- Appendix 4 provides tables of the supporting data that inform part (i) and part (ii) of our study;

¹⁵ See Appendix 3 for a glossary of terms.

¹⁶ As per footnote number 3.

- Appendix 5 lists the territory pay TV experts and retailer customer service operators we consulted; and
- Appendix 6 contains a glossary of terms.

2 Issues and definitions

2.1 Introduction

Before setting out our findings, it is important to provide some detail on a number of key issues that required attention during the course of our research. These issues include the definition of key terms and metrics, together with some important basic concepts. In our view the following discussion is an important precursor to gaining a full understanding of the research and analysis as well as our findings. Some of the issues raised here are supplementary to those identified in our First Report¹⁷ which remain important in the context of this study.

2.2 Genuine pay TV services

In our First Report we distinguished between TV services that simply provide consumers with access to multi-channel TV over a cable network and “genuine” pay TV services¹⁸. This distinction remains important for the purposes of this study and thus in brief we remind the reader of that distinction. “Genuine” pay TV services give access to a wide range of choice and valued content beyond what is available in a standard cable access TV package. A cable access service, on the other hand, generally has a significantly higher proportion of FTA channels, than a “genuine” pay TV package. For the purposes of this report, a focus on “genuine” pay TV services remains important in the context of assessing consumer outcomes.

2.3 Basic and premium pay TV channels

In our First Report, amongst other distinctions, we distinguished between FTA channels and pay TV channels¹⁹. For the purposes of this report we also distinguish basic and premium pay TV channels. This distinction is in practice a difficult one to make in that it is challenging to develop a precise and consistent definition of what constitutes a basic and what a premium channel across our sample of 15 countries. However, sector participants/experts generally accept that channels containing important live top tier sports (such as Canal+ Sports (France) and Sky Sports 1 (UK)) and movies (especially first-run movies) (such as Sky Cinema1 (Italy), Film1.1 (Netherlands) and Canal+ Dcine (Spain)) are premium pay TV channels and that channels such as Discovery, Nickelodeon and National Geographic are basic pay TV channels. The distinction is important for our research as we have been asked specifically to examine the provision of premium pay TV “light” (see Section 3.7) which is described as “important content available in a small single package offer”. Moreover, the distinction is also important for the assessment of standalone channels and VOD services.

¹⁷ See Section 2.

¹⁸ See Section 2.1.2 of our First Report.

¹⁹ See Section 2.1.1 of our First Report.

2.4 Package structures and buy-through

One of the aspects of pay TV services investigated in this report is the provision of pay TV services using different packaging structures – i.e. combining content (usually channels) in different ways for retail to consumers²⁰. Here we describe the definitions of some “types” of package structures used in this report, noting that each retailer’s offering may have a unique packaging structure, that retailers may use combinations of package structures, and that in some cases consumers may be able to combine different retailers’ offerings to build their own package structures.

Package structure “types” we have identified include, but are not limited to, the following:

- “One-plus” buy-through – Subscription to a group of basic channels allows purchase of other channels, possibly including premium channels;
- “S,M,L-plus” buy-through – Channels are organised into “small”, “medium” and “large” package structures. Premium channels may either be included in the “large” package (or potentially the “medium”) or may be an optional extra, conditional on purchase of one of the basic packages. For some retailers, access to premium channels may require a subscription to the “small” basic package; others may require subscription to larger basic packages (e.g. the “large” package)²¹; and
- “Many-plus” buy-through – Similar to “One-plus” buy-through but with multiple entry packages from which consumers may choose. Access to buy-through packages (often including premium channels) may be conditional on subscription to a particular number of entry packages.

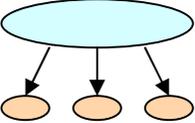
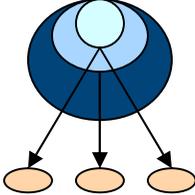
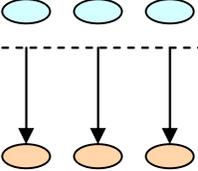
These packages are set out in Table 1²².

²⁰ See also Section 3.2.1 of our First Report.

²¹ Variants may include multiple “M” packages within an “S,M,L-plus” structure.

²² Table 4 of our First Report.

Table 1: Example package structures with buy-through

Package structure	“One-plus”	“S,M,L-plus”	“Many-plus”
Description	One entry package, and then one or more layers of “buy-through” groups of channels that can only be purchased once the entry package has been purchased.	Features entry packages that form cumulative layers, for example a “Small, Medium and Large” set of packages, where the channels in “Small” form a subset of the channels in “Medium”, which form a subset of the channels in “Large”. Purchase of one of these packages allows purchase of “buy-through” groups of channels.	Multiple entry packages. Purchase of one or more of these entry packages allows purchase of several layers and “buy-through” groups of channels.
Diagram	 <p>One entry package. Multiple layers and choices of “buy-through” groups of channels.</p>	 <p>Small, Medium and Large layers of entry packages. Multiple layers and choices of “buy-through” groups of channels.</p>	 <p>Multiple entry packages. Multiple layers and choices of “buy-through” groups of channels.</p>

Source: PwC research and analysis

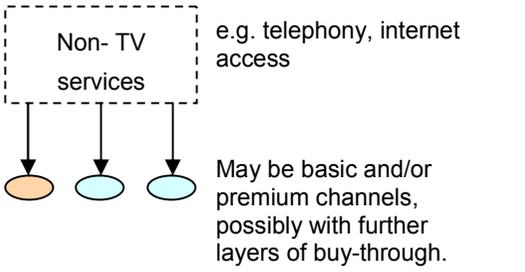
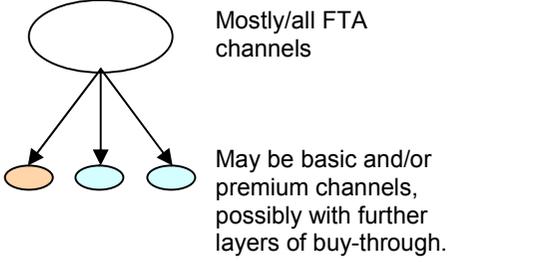
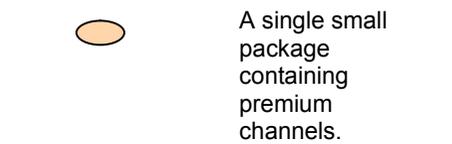
We also distinguish the following packages for the purposes of our analysis:

- Non-TV services required to obtain basic/premium channels – Access to a package or packages is conditional on subscription to one or more non-TV services (usually telephony and/or internet access);
- Buy-through of non-“genuine” pay TV – Access to a package or packages is conditional on a regular fee to receive TV services that are not “genuine” pay TV, i.e. a package that has a significantly higher proportion of FTA channels than a “genuine” TV package. This may come in the form of a charge included in payments to landlords, an explicit subscription fee, a “card fee” or in the form of equipment hire (among others); and

- Premium pay TV “light” – A package consisting of a small selection of premium channels available on a subscription basis, without a requirement to pay non-negligible additional monthly fees for access, hardware or another service. (See Section 2.5.2).

These packages are set out in Table 2.

Table 2: Other example package structures

Package structure	Non-TV services required to obtain basic/premium channels	Buy-through of non-“genuine” pay TV	Premium pay TV “light”
<p>Description</p>	<p>Access to basic and/or premium channels is conditional on a subscription to a service other than the provision of audiovisual content.</p>	<p>Access to basic and/or premium channels is conditional on a fee to obtain non-“genuine” pay TV services – i.e. mostly FTA channels. This may come in the form of a charge included in payments to landlords, an explicit subscription fee, a “card fee” or in the form of equipment hire (among others).</p>	<p>A package consisting of a small selection of premium channels available on a subscription basis, without a requirement to pay non-negligible additional monthly fees for access, hardware or another service.</p>
<p>Diagram</p>			

Source: PwC research and analysis

Based on the above, the definition of “buy-through” that we use in this study is: a package structure that requires that a non-negligible regular fee for another service (“genuine” pay TV, other TV services or non-TV services) is paid for access to a “genuine” pay TV service to be permitted.

2.5 Specific audiovisual content assessed in this report

As set out in Section 1, the terms of reference for the study required us to assess (for part (i)) the provision of three types of audiovisual content. We define each of these below²³.

2.5.1 À la carte/standalone channels

Channels sold on an à la carte basis meet the following criteria: the subscriber is able to assemble a pay TV package of his or her choice that comprises one or more channels for a fee. Typically subscribers choose a specific number of channels (say, 5) from a limited number (say, 10) in order to compile a specific package and the fee charged is independent of which channels are selected. "Full" à la carte channel offerings would enable the consumer to select any desired combination of channels amongst all the channels retailed by the pay TV retailer²⁴.

A standalone channel is an individual channel to which consumers may subscribe separately, i.e. it is not bundled with other channels in a package. If all channels were offered on a standalone basis then this offering would equate to "full" à la carte. Both à la carte and standalone channel offerings may comprise premium or basic channels. Furthermore we note that our definitions of à la carte and standalone include both channels requiring buy-through and channels for which there are no buy-through requirements.

2.5.2 PPV, SVOD and bundled "free" VOD

We consider content provided on the following bases:

- PPV – a service where consumers can choose to access individual movies/programmes/events for a one-off fee;
- SVOD – a service in which a regular (usually monthly) fee is paid in return for access to a plurality of content on demand; and
- "Free" VOD ("FVOD") – which is considered in this report only if a VOD service is provided as an additional service to another service at no extra charge. We define this as 'bundled "free" VOD'.

We note that PPV services include both access to content on single channels, NVOD services and VOD services. For audiovisual services delivered via a single channel, programmes available are dependent on the schedule of the provider and can only be received at the time they are shown on the single channel. In contrast VOD and NVOD services provide content on a basis that allows the consumer some flexibility in deciding when to receive the content. We distinguish between the following technologies for provision of services with flexible timing:

²³ These terms are also defined in the glossary in Appendix 6.

²⁴ In our First Report the number of pay TV channels available to consumers that we identified ranged from 9 to over 140 across leading retailers.

- VOD – We include within our definition of VOD both “true” VOD and “push” VOD. “True” VOD or “pull” VOD is a service in which content is available at a time chosen by a consumer, from storage on an external server. “Push” VOD is a service in which TV content is automatically downloaded to a hard disk (usually a PVR) and can be accessed by a consumer on demand; and
- NVOD – a TV system in which multiple channels are used to show the same content, such as a movie, at staggered start times (usually at intervals of 30 minutes or less).

2.5.3 Premium pay TV “light”

Building on the description provided in the terms of reference for the study, which defines pay TV “light” as “important content available in a small single package offer”, we define ‘premium²⁵ pay TV “light”’ more specifically as a package consisting of a small selection of premium channels available on a subscription basis, without being required to subscribe to a buy-through package or to pay non-negligible additional monthly fees for access.

We have included “without being required to subscribe to a buy-through package or to pay non-negligible additional monthly fees for access” for two main reasons:

- First, to provide a definition that is intuitive i.e. a package that is “light” (i.e. a few channels with no buy-through requirement) rather than “non-light” (i.e. buy-through of other packages/services is required); and
- Second, to focus the scope of our analysis. Many pay TV packages contain important content provided in a small number of channels (e.g. Sky Sports packages from Sky or Virgin Media in the UK, and TV2 Sport from Canal Digital (and others) in Norway) and consequently we would have to review and compare such (numerous) packages from several retailers in each of the 15 countries. As many of these types of packages require buy-through they ultimately would not meet the intuitive definition of “light”.

Arguably, the Canal+ pay TV channel broadcast on analogue terrestrial in France²⁶ could be defined both as a standalone channel and a pay TV “light” channel. Canal+’s newly re-named package “Les Chaines”²⁷ is potentially a preferred example of a premium pay TV “light” package that can be purchased in isolation on the French DTT platform²⁸.

²⁵ We add the preface “premium” to clarify that this definition focuses on premium channels. The definition is the same as in the terms of reference.

²⁶ This channel will close in four years time on digital switchover (“DSO”) and is no longer retailed or marketed to consumers. We do not include this special case in our analysis.

²⁷ Formerly known as “Le Bouquet”.

²⁸ This package is platform dependent. On non-DTT platforms (IPTV, cable and pay satellite) the consumer must subscribe to other services. Moreover the consumer receives a larger number of channels in the offering on other platforms.

2.6 Major services

Within the main pricing and packaging structures of audiovisual content provision to be evaluated (i.e. standalone/à la carte channels, PPV, SVOD, bundled “free” VOD and premium pay TV “light”), the terms of reference for the study require us to select specific services on the basis of expert judgement derived from knowledge of the services in each of the countries. Criteria to determine what constitutes “major” include:

- Levels of use: If a service is available to significant numbers of TV households, and a large number of households subscribe to the service, then the service may be classified as major. If on the other hand relatively few households subscribe to the service then this service is less likely to be classified as major unless it meets some of the other criteria outlined below;
- Number of households able to access the channel(s)/service(s): If a service is universally available, then it has the potential to be classified as major. Services that are available only to small proportions of TV households on the other hand may not be considered major unless they are newly introduced services with the potential both to tend towards significant household coverage and/or are considered particularly important by local pay TV experts;
- Longevity: In addition to long established services, we also consider services that have recently been introduced, particularly if they are perceived to have the potential to be major by pay TV experts in the territories. However, while longevity is an important criterion it is not sufficient alone to determine whether a service is major; and
- The nature of content available via the channel(s)/service(s): This includes the range and quantity for VOD services and whether packages contain basic and/or premium channels.

Services are not required to meet all the criteria in order to be classified as major and we have used our judgement in conjunction with the territory pay TV experts in order to identify services that we consider major. Another way of considering these criteria is that they can be readily applied to identify services that should *not* be classified as major.

In practice, data on many of the criteria described above are not publicly available at a service level. Hence we consider major services in the context of a set of main retailers. The methods for selecting these main retailers are discussed in Section 3.

2.7 Significant changes

For part (ii) of the study, we are required to identify “significant” changes in the pricing and packaging of subscription pay TV services provided to consumers in the past five years. Based on our judgement in conjunction with consultation with local pay TV experts, we define “significant” as a non-cosmetic change to the pricing and/or packaging of a service. For example we would regard the following as examples of significant changes: a change from “S,M,L-plus” package structure to genre-based packaging; the introduction of “season tickets” in which a fee is paid for subscription to all matches of a particular football league (for example); or changes in the provision of à la carte or standalone channels.

In conducting our research we gathered information on what local pay TV experts consider to constitute a significant change. However, what is perceived to constitute “significant” may vary by country. In a legacy cable country, for example, the introduction of additional packages of basic channels (facilitated by the introduction/expansion of digital services) may be perceived locally to represent a significant change whereas in more mature pay TV sectors with an established “genuine” pay TV model, such a change would not be worthy of note. While we have taken into account comments made by local TV experts, we have used our judgement in reporting those changes that we consider to be relevant for this report.

2.8 Changing environment

As we stated in our First Report, over time services, pricing and the provision of content may change as a result of technology and retail innovations and/or regulation.

This report captures the provision of specific audiovisual content on a particular date in time during mid-October to the end of November 2008. This is the only possible approach that is feasible in such a fluid environment, but at the same time it means that this report should be read in the context of the overall dynamism of the sector. We note that the following events occurred as we were conducting the study²⁹:

- Premiere (Germany) ceased retailing pre-pay cards for its Premiere Flex service;
- Ono (Spain) launched its Clic TV VOD service;
- Sky (UK) launched an internet-only subscription service;
- Viasat (Denmark, Finland, Norway, Sweden) introduced a new VOD service on its DTH platform; and
- NBC Universal Pictures and Top Up TV (UK) announced the launch of TVBox, an SVOD TV service in the UK³⁰.

2.9 Exchange rates

As in our First Report, we present prices in PPP€ terms, which are prices adjusted by purchasing power parity (PPP) exchange rates to control for the price level prevalent in a country. The PPP€ measure is formed by constructing a price level index from World Bank data of national GDP at market exchange rates

²⁹ UK VAT rates were reduced during the course of this study. All UK prices quoted in this report include VAT at 17.5 per cent.

³⁰ NBC Universal and Warner Brothers have also introduced “day and date” services, bringing the pay TV window for movies forward by 90 days to level or close to that for DVDs. We identified these services in Belgium (Belgacom TV), Germany (internet portal Maxdome and IPTV retailers T-Home), the Netherlands (UPC) and the UK (BT Vision, Sky and Virgin Media). These services are all in trial stage or have recently launched. In the UK, BT Vision, Sky and Virgin Media (and Xbox Live) offered ‘Beowulf’ and ‘The Assassination of Jesse James by the Coward Robert Ford’ within 15 days of DVD release. Source: <http://metue.com>.

and in PPP terms (for 2007³¹). We then rebased this index to form an index corresponding to the nominal €:PPP€ exchange rate in each of the sample countries. Note that while countries in the Euro area share a common currency, price levels may still differ on average across national borders and hence they can have differing rates of conversion to PPP€.

³¹ These are the latest data available. Our First Report used data on 2006 GDP.

3 A review of the current provision of audiovisual content

3.1 Introduction

In this section we consider across 15 countries the current provision of audiovisual content on:

1. An à la carte/ standalone channel basis, i.e. where consumers may subscribe to individual pay TV channels (Section 3.3);
2. A PPV basis, potentially including PPV VOD, PPV NVOD and single-channel PPV services (Section 3.4);
3. An SVOD basis, potentially including subscription NVOD and subscription VOD services (Section 3.5);
4. A bundled “free” VOD basis (Section 3.6); and
5. A premium pay TV “light” basis, i.e. “important” content is available in a small single package offer (Section 3.7).

We also consider other notable forms of pricing and packaging that we have identified in this study.

We collected these data by:

- Interrogating relevant desk research resources including retailer consumer and corporate web-sites, published research reports, the trade press, media analyst reports, company annual reports and investor presentations³²;
- Conducting telephone interviews with customer service operators at each relevant retailer to corroborate the desk research on the provision, pricing and packaging of the relevant audiovisual content; and
- Conducting a combination of face-to-face and telephone interviews with a number of experts in pay TV in each of the territories. Experts included representatives of each of the leading retailers, regulators, analysts that cover the leading pay TV retailers and other experts.

While we consider largely audiovisual content provided by the main retailers, we have also assessed the provision by other retailers. In framing the assessment, we were guided by a number of criteria in respect of the provision:

³² These are referenced as appropriate throughout the report.

- Availability – whether such services are typically available across all territories, and whether within and across territories such services are available across all platforms and/or available from all major retailers;
- Longevity – whether such services have recently been introduced, whether such services have recently been withdrawn, or whether such services represent a longstanding offering within a particular pay TV territory;
- Content – the type of content available, e.g. genre, basic vs. premium channels, range, quantity;
- Charges – the price the consumer has to pay to access the content. Charges may include a one-off fee for the specific content, or a subscription. We focus on monthly fees in this section, although one-off costs are included in Appendix 4 (Country Annexes) for reference;
- Success – evidence (as available) on the success of the service to date. Evidence includes subscriber data, buy-rates and revenues. In some cases evidence is limited to pay TV experts' qualitative comments as such data are frequently not publicly available; and
- Major developments – whether there have been significant changes to the service after its introduction.

Appendix 4 to this report contains summary tables and supporting text to the data we collected from our desk research and interviews. Following the Terms of Reference for the study, we have not examined every such service available in each country. We have focussed on major services (as defined in Section 2.6) together with newly introduced services that we consider to be potentially important in the assessment of significant changes in the retailing and packaging of pay TV services provided to consumers.

We set out below the retailers on which we focus in this section and provide our findings on the provision of each of the four structures for pricing and packaging content investigated here (à la carte/standalone, PPV, SVOD, bundled “free” VOD services, and premium pay TV “light”).

3.2 Retailer selection

We revisited our First Report in conjunction with desk research and consultation with pay TV experts in each territory to compile a list of relevant retailers (leading and new entrant) as a basis for conducting our research for the study. A list of all 72 retailers considered is presented at Appendix 2.

For our reviews of the current provision of audiovisual content (Section 3) and of significant changes (Section 4), we focus on 42 main retailers. In Section 3, while we focus on main retailers, we also present our findings with respect to other identified retailers. For Section 4, we define significant changes (see Section 2.7) as changes that relate to either a main retailer or to a retailer that is showing evidence of growth or particular innovation in relation to “genuine” pay TV.

We took as a starting point the retailers identified as leading retailers in our First Report. We then supplemented this list, to ensure comprehensive coverage, informed by: expert interviews; data collection on subscribers and coverage; and desk research of relevant information from a range of sources including the trade press.

A number of retailers operate very similar services across a number of countries. Where this is the case, to avoid duplication, we do not present the same information for multiple countries although the service offerings in each country are included in our analysis. When discussing the service offerings of these retailers, we focus on specific countries³³. This applies to the following retailers:

- [Redacted];
- [Redacted]; and
- [Redacted].

The additional (i.e. to our First Report) main retailers considered for inclusion in our sample are described below³⁴:

- Austria – [Redacted].
- Belgium – [Redacted].
- Denmark – [Redacted].
- Finland – [Redacted].
- France – [Redacted].
- Germany – [Redacted].
- Greece – [Redacted].

³³ E.g. Premiere provides a service in Austria, Germany and Switzerland. However Premiere's service in Switzerland (via DTH) has relatively few subscribers (Informa "Western European TV", 12th edition estimates that there were only 27 thousand pay DTH subscribers across all retailers by the end of 2007). Hence tables and figures count the service twice (once for Germany and once for Austria), but to avoid duplication the text focuses on the service in Germany. The same concept applies for Canal Digital and Viasat, for which tables and figures count the service four times (for Denmark, Finland, Norway and Sweden), but the text focuses on Canal Digital in Norway and Viasat in Denmark.

³⁴ All subscriber figures here are sourced from Informa "Western European TV 12th Edition" except for those for Greece which are sourced from Informa "Eastern European TV 12th Edition".

- Italy – [Redacted].
- Netherlands – [Redacted].
- Norway – [Redacted].
- Portugal – [Redacted].
- Spain – [Redacted].
- Sweden – [Redacted].
- Switzerland – [Redacted].
- UK – [Redacted].

Table 3: Selection of 42 main pay TV retailers*

Country	Retailer Included	Country	Retailer Included
Austria	Premiere**	Italy	Fastweb
Austria	UPC	Italy	Mediaset
Belgium	Belgacom TV	Italy	Sky Italia
Belgium	Telenet	Netherlands	Canal Digitaal
Belgium	VOO/ BeTV	Netherlands	UPC
Denmark	Canal Digital**	Netherlands	Ziggo
Denmark	TDC - YouSee	Norway	Canal Digital
Denmark	Viasat	Norway	Get
Finland	Canal Digital**	Norway	Viasat**
Finland	Plus TV	Portugal	Meo
Finland	Viasat**	Portugal	Zon
Finland	Welho Oy	Spain	Digital Plus
France	Canal+	Spain	Imagenio
France	CanalSat	Spain	Ono
France	Numericable	Sweden	Canal Digital**
France	Orange TV	Sweden	ComHem
Germany	KDG	Sweden	Telia
Germany	Premiere	Sweden	Viasat**
Germany	UnityMedia	Switzerland	Cablecom
Greece	Multichoice Hellas – Nova	UK	Setanta
		UK	Sky
		UK	Virgin Media

*Retailers' services are considered across multiple platforms, as relevant and applicable.

** For charts and tables, we consider Premiere in both Austria and Germany (but not in Switzerland due to small subscriber-numbers); Canal Digital in Denmark, Finland, Norway and Sweden; and Viasat in Denmark, Finland, Norway and Sweden. However, since these retailers have similar offerings across these countries, we focus our analysis and commentary on Premiere in Germany; Canal Digital in Norway; and Viasat in Denmark.

3.3 Standalone channels and à la carte packages

3.3.1 Standalone channels

We define a “standalone channel” as an individual channel to which consumers may subscribe to on its own, i.e. it is not bundled with other channels in a package. It may however, or may not, require buy-through of TV or other services in order to subscribe to the standalone channel. We distinguish between

standalone channels requiring buy-through and standalone channels available without buy-through and between standalone premium channels and standalone basic channels. The distinguishing feature of a standalone channel is that a price is quoted for one channel rather than a bundle of channels.

Summary of retailers offering standalone channels

The provision of standalone channels by a main retailer exists in 11 countries in our sample³⁵. In our sample of 42 main retailers, 19 do not offer standalone channels, 13 offer one to four standalone channels and 11 main retailers offer five or more standalone channels. Most standalone channels require buy-through of a TV service or other service (discussed further below).

Table 4: Summary of retailers offering standalone channels

Country	Number of retailers offering standalone channels			All retailers studied		
	Main retailers	Other retailers	Total	Main retailers	Other retailers	Total
Austria	0	1	1	2	1	3
Belgium	1	0	1	3	0	3
Denmark	2	0	2	3	1	4
Finland	2	4	6	4	5	9
France	2	2	4	4	3	7
Germany	0	0	0	3	2	5
Greece	0	0	0	1	0	1
Italy	2	0	2	3	3	6
Netherlands	1	0	1	3	0	3
Norway	2	3	5	3	6	9
Portugal	2	2	4	2	2	4
Spain	3	0	3	3	0	3
Sweden	4	3	7	4	3	7
Switzerland	0	1	1	1	1	2
UK	3	2	5	3	3	6
Total	24	18	42	42	30	72

Note: For this table, Premiere is counted as a main retailer in both Germany and Austria; Canal Digital is counted as a main retailer in Denmark, Finland, Norway and Sweden; and Viasat is counted as a main retailer in Denmark, Finland, Sweden and Norway.

Source: PwC analysis

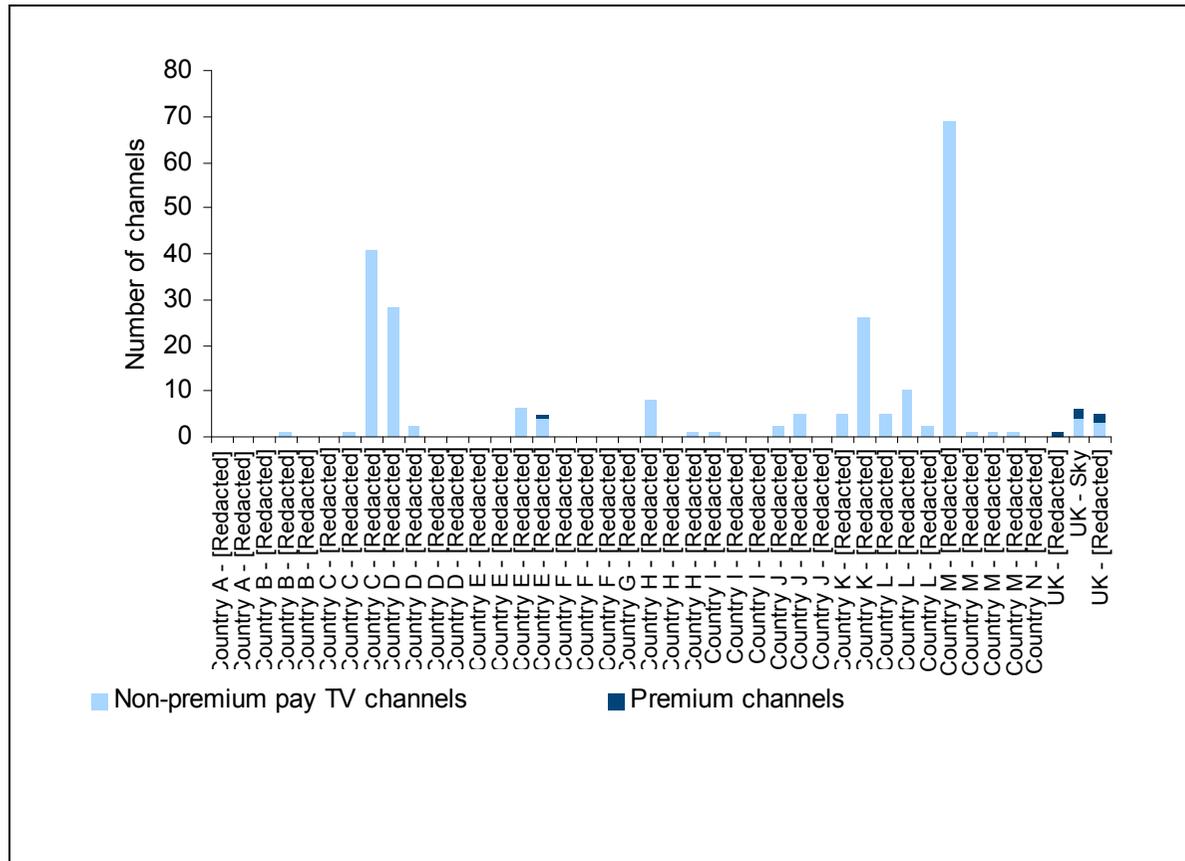
³⁵ Excluding adult and ethnic minority channels.

Most of the main retailers offering standalone channels offer fewer than five standalone channels (and hence standalone channels may be considered to constitute a small proportion of their pay TV offering). Figure 1 demonstrates that a relatively large number of standalone channels are available mainly from Scandinavian retailers:

- Canal Digital in Denmark offers 41 standalone channels, priced at DKK10/PPP€1.00 per channel per month;
- Welho Oy in Finland offers 28 standalone channels, most of which are priced at €3.00/PPP€2.61 per channel per month; and
- ComHem in Sweden offers 69 channels, mostly priced at SEK29/PPP€2.49 per channel per month.

Outside Scandinavia, Portuguese retailer Meo also offers a relatively large number (26) of standalone channels, most at €0.74/ PPP€0.91 per channel per month but with some channels up to €9.92/ PPP€12.21 per channel per month.

Figure 1: Basic and premium standalone channels offered by main retailers



Source: PwC analysis

Standalone premium channels

Figure 1 also demonstrates that few main retailers offer premium channels on a standalone basis. We identified only four main retailers offering premium channels on a standalone basis, three of which are in the UK and one in France:

- Orange TV in France offers access to Orange Foot on a standalone basis (requiring buy-through). This is a football channel showing one live Ligue 1 football match each Saturday evening. In order to subscribe to Orange Foot, a consumer must subscribe to a triple play package from Orange TV. Orange Foot can then be added for an additional €6.00/PPP€5.67 per month. This service was launched in August 2008 and attracted 59,300 customers within two months³⁶;
- Setanta (in the UK) offers Setanta Sports 1 on a standalone basis on DTT. Content on this channel includes 46 Premier League football matches per season for £10.99/ PPP€11.52 per month on DTT. To obtain this service on DTT from BT Vision (£10.75/ PPP€11.27) requires BT telephony and broadband contracts however no buy-through is required to subscribe to this service on DTT from Setanta or Top Up TV (£10.99/ PPP€11.52). By the end of September 2007, it was estimated that there were 100 thousand subscriptions to Setanta on DTT (including direct from Setanta and from BT Vision and Top Up TV)³⁷; and
- Virgin Media (in the UK) offers access to Sky Sports 1 and Sky Sports 2 on a standalone basis (requiring buy-through) for £24.00/PPP€25.16 per channel per month. Content on Sky Sports 1 includes live Premier League football matches and on Sky Sports 2 content includes UEFA Champions League football. To subscribe to this channel on a standalone basis, consumers must first subscribe to a Virgin Media service, which (at a minimum) is £11.00/PPP€11.53 per month for dual-play telephony and basic TV service, consisting mainly of FTA channels.
- Sky (in the UK) retails Sky Sports 1 and Sky Sports 2 channels on a standalone basis (requiring buy-through) on Tiscali's IPTV network. Each of these channels costs £23.00/PPP€24.11 per month in addition to the cost of Tiscali's triple-play package (from £19.99/PPP€20.96 per month). A one-off installation fee of £30.00/PPP€31.45 applies.

Standalone channels available without buy-through

We identified only two main retailers offering standalone channels without buy-through. These are Setanta (Setanta Sports 1 on DTT) in the UK and Mediaset (Mediaset Calcio 24 on DTT) in Italy. It is notable that these are both retailed on DTT platforms and both offer sports content. However only Setanta Sports 1 includes important sports content and hence is the only standalone premium channel without a buy-through requirement we identified.

³⁶ Source: France Telecom press release, October 2008.

³⁷ Source: Oliver & Ohlbaum (2007), "Battling for the Media Consumer". We have not identified more recent estimates of subscriber numbers but various comments made in the trade press suggest that the number of subscribers has subsequently increased.

Summary of standalone channels

While the provision of standalone channels appears to be commonplace in terms of the number of retailers offering them, only in Scandinavia (and one service in Portugal) are there examples of major services with large numbers of standalone channels. Elsewhere, the number on offer is typically less than five. Moreover, except in a small number of cases, standalone channels tend to be non-premium and require buy-through to access them.

Similar to most countries in our sample, the UK has relatively few standalone channels although it is notable that there are three main retailers in the UK that offer standalone premium channels and also that the only main retailer out of our sample of 42 offering a standalone premium channel without buy-through operates in the UK.

3.3.2 À la carte packages

We define an à la carte package as a package within which a channel or some channels can be selected and others not selected, where the fee charged is independent of which channels are selected, but may depend on the total number of channels selected. For example a price may be charged for subscription to eight channels out of a choice of 30 channels, where the price does not vary with the channels selected but is instead fixed to the number of channels chosen (eight).

We identified five main retailers (across four countries) that offer à la carte packages. However the channels offered on this basis are not premium channels.

Table 5: Summary of retailers offering à la carte packages

Country	Number of retailers offering à la carte packages			All retailers studied		
	Main retailers	Other retailers	Total	Main retailers	Other retailers	Total
Austria	0	0	0	2	1	3
Belgium	0	0	0	3	0	3
Denmark	1	1	2	3	1	4
Finland	1	1	2	4	5	9
France	0	0	0	4	3	7
Germany	0	0	0	3	2	5
Greece	0	0	0	1	0	1
Italy	0	0	0	3	3	6
Netherlands	0	0	0	3	0	3
Norway	2	2	4	3	6	9
Portugal	0	0	0	2	2	4
Spain	0	0	0	3	0	3
Sweden	1	1	2	4	3	7
Switzerland	0	0	0	1	1	2
UK	0	0	0	3	3	6
Total	5	5	10	42	30	72

Note: For this table, Premiere is counted as a main retailer in both Germany and Austria; Canal Digital is counted as a main retailer in Denmark, Finland, Norway and Sweden; and Viasat is counted as a main retailer in Denmark, Finland, Sweden and Norway.

Source: PwC analysis

We note that all of these packages are offered in Scandinavia and none of these packages contain premium channels:

- In Denmark, YouSee retails a package which allows the customer to select four pay TV channels from a choice of 45 for Dkr48/PPP€4.80 per month. All channels are basic (i.e. non-premium);
- In Finland, the DTT pay TV retailer Plus TV offers two packages which allow customers to select the channels they want to see – Pikku Pakketti (six channels out of 11) for €14.90/PPP€12.94 per month and Oma Pakketti (nine channels out of 13) for €19.90/PPP€17.29 per month. All channels are basic (i.e. non-premium);

- In Norway, cable pay TV retailers Canal Digital and Get both offer à la carte packages. Get offers three à la carte packages allowing customers to select two, four or eight channels from a choice of 33 for a monthly fee (NOK65/PPP€5.64, NOK79/PPP€6.85 and NOK99/PPP€8.59 respectively). Canal Digital's Mine Favoritter package includes 2 channels of customer's choice (from a selection of 33 non-premium channels) and costs NOK 59/PPP€5.12 per month; and
- In Sweden, Canal Digital offers flexible packages on cable and IPTV which allow customers to select four channels (Skr109/PPP€9.35), six channels (Skr139/PPP€11.93) or eight channels (Skr159/PPP€13.64) from a menu of over 30 channels. All channels are basic (i.e. non-premium).

Other retailers offering these package types we identified include Telia Stofa (Denmark); Elisa (Finland); Comvie and Homebase (Norway); and Tele2 (Sweden).

Summary of à la carte packages

The provision of audiovisual content via à la carte packages of channels is rare, and is restricted to a small number of retailers in Scandinavia (we identified five main retailers offering this package structure). The services offered contain basic channels only. Moreover, as the services have only recently been introduced by the main retailers, it is not possible to assess their success.

3.4 PPV services

Retailers offering PPV services

The provision of audiovisual content on a PPV basis is significantly more prevalent than the provision on an à la carte or standalone channel basis. We identified PPV services in 14 out of the 15 countries in our sample, with Greece the exception. As Table 6 shows, PPV services are available from most of the main retailers (35 out of 42). Of the other retailers in our sample, 21 out of 30 offered PPV services.

Of the 42 main retailers in our sample, we identified 30 main retailers that offer PPV services offering recent (usually including first-run) movies³⁸ and 17 main retailers that offer PPV services offering live top-tier sports.

³⁸ Virgin Media (in the UK) claims to have the largest number of first-run on-demand movies of any service in Europe (Source: Virgin Media Press Release, 26 September 2008).

Table 6: Summary of retailers offering PPV services

Country	Number of retailers offering PPV			All retailers studied		
	Main retailers	Other retailers	Total	Main retailers	Other retailers	Total
Austria	2	0	2	2	1	3
Belgium	3	0	3	3	0	3
Denmark	2	2	4	3	1	4
Finland	2*	3	5	4	5	9
France	4	3	7	4	3	7
Germany	3	1	4	3	2	5
Greece	0	0	0	1	0	1
Italy	3	3	6	3	3	6
Netherlands	2*	0	2	3	0	3
Norway	2	5	7	3	6	9
Portugal	2	1	3	2	2	4
Spain	3	0	3	3	0	3
Sweden	4	1	5	4	3	7
Switzerland	1	0	1	1	1	2
UK	2	2	4	3	3	6
Total	35	21	56	42	30	72

Note: For this table, Premiere is counted as a main retailer in both Germany and Austria; Canal Digital is counted as a main retailer in Denmark, Finland, Norway and Sweden; and Viasat is counted as a main retailer in Denmark, Finland, Sweden and Norway.

* One retailer included in these offers services over the internet only – these services are unlikely to be classified as major services according to our definition outlined in Section 2.6.

Source: PwC analysis

In each of Finland and the Netherlands, one of the main retailers offering PPV services only does so via an internet-delivered service. Such services are unlikely to be major services.

We were informed by interviews with experts that PPV services are particularly popular in two countries – Spain and Italy – largely owing to the availability of a significant number of top-tier football matches on a PPV basis. We were also informed that a main retailer [Redacted] has been trying to move away from a predominantly PPV model towards a subscription model, evidenced by discounting of its subscription offerings.

We also note the following, supported by evidence presented in Appendix 4:

- The introduction dates of PPV services vary considerably by country and differ according to whether services are single-channel, VOD or NVOD. The earliest identified services we identified that are currently available to consumers are Cine+ from Canal+ (France) and Sky Box Office from Sky (UK). Both of these services were introduced prior to 1999³⁹. In addition, in Italy PPV was offered by Telepiù (which is now part of Sky Italia) in 1996. Section 5 reviews the dates of introduction of the first VOD and NVOD services in each country⁴⁰;
- We identified PPV services from main retailers with a library of more than 500 PPV movie titles in Finland, Netherlands, Portugal, Sweden (2 retailers) and the UK⁴¹.

Summary of retailers offering PPV services with important content

Of the 42 main retailers in our sample, we identified 30 main retailers that offer PPV services offering recent (usually including first-run) movies⁴² and 17 main retailers that offer PPV services offering live top-tier sports. Other PPV services typically comprise library movies and series⁴³.

³⁹ Moviesytem also introduced a PPV service in France in 2000. Moviesystem was purchased by Canal+ in 2004.

⁴⁰ Broadcast (2008) reports Peter Haggart (Senior Vice President, Chello on Demand, Chellomedia Services) stating that “cable VOD access can only be described as ‘good to fair’ in the Benelux countries, Spain and the UK”, i.e. below ‘good to fair’ in other European countries.

⁴¹ We also identified retailers offering extensive PPV libraries in other countries. However, we were not able to identify specifically the number of movie titles within these libraries.

⁴² Virgin Media (in the UK) claims to have the largest number of first-run on-demand movies of any service in Europe (Source: Virgin Media Press Release, 26 September 2008).

⁴³ Some PPV series services may be considered important if they are offered soon after their debut in the US. However, for consistency in comparison of services, our discussion of important content focuses on important sports and movies.

Table 7: Summary of main retailers offering PPV services with important content

Country	Number of main retailers offering PPV containing important sport or important movies		All main retailers studied
	Important sport*	Important movies*	
Austria	1	1	2
Belgium	1	2	3
Denmark	1**	2	3
Finland	1**	3**	4
France	2	4	4
Germany	1	3	3
Greece	0	0	1
Italy	2	2	3
Netherlands	1	1	3
Norway	0	2	3
Portugal	0	1	2
Spain	3	3	3
Sweden	4**	3**	4
Switzerland	0	1	1
UK	0	2	3
Total	17	30	42

Note: For this table, Premiere is counted as a main retailer in both Germany and Austria; Canal Digital is counted as a main retailer in Denmark, Finland, Norway and Sweden; and Viasat is counted as a main retailer in Denmark, Finland, Sweden and Norway.

* If a retailer offers PPV services including both important sport and important movies it is included in both columns.

** One or more main retailer offering this service does so only via internet delivery.

Source: PwC analysis

Table 7 includes several services that are delivered only via the internet and hence are unlikely to be classified as major services. This applies to [Redacted] (Denmark) which offers important movies; [Redacted] (Finland) which offers important movies and sports; [Redacted] (Finland) offering important movies; and [Redacted] (Sweden) which offers important moves and sports.

NBC Universal and Warner Home Video have also introduced “day and date” services, bringing the pay TV window for movies forward by 90 days to level or close to the release of DVDs. We identified these services in Belgium (Belgacom TV), Germany (internet portal Maxdome and IPTV retailers T-Home), the Netherlands (UPC), Norway (LyseTele), Sweden (Telia) and the UK (BT Vision, Sky and Virgin Media)⁴⁴. However, these services are all in trial stage or have recently launched.

Evidence of availability and success of PPV services

Most retailers do not release information on the success of PPV services into the public domain so it is difficult to draw inferences on a comparable and consistent basis. We did however identify the following commentary in respect of PPV services:

- In Italy, approximately 95 per cent of mobile phone users are pre-pay users (rather than subscription). This may have contributed to relatively high take-up of PPV services (on a pre-pay card basis) such as those offered by Mediaset (although this service has changed to a subscription-based service during 2008);
- Use of PPV football services is common in Spain. This may be associated with the non-exclusivity (across retailers) of PPV matches whereas the only La Liga match available on a subscription basis is exclusive to Digital+. The availability of relatively large numbers of football matches made available on a PPV basis is driven mainly by regulation;
- Virgin Media reported that its FilmFlex PPV movie service had 30 million buys from launch in January 2005 to September 2008⁴⁵.
- We were informed in an expert interview that PPV and VOD services are “not particularly popular” in Denmark - consumers are accustomed to a wide range of channels and hence have “limited appetite” for VOD services; and
- One expert consulted stated that a PPV-based model does not generate a sustainable revenue-source, citing evidence such as changes in [Redacted].

We also note, however, that some retailers have been altering their business models away from a PPV-focussed offering towards a subscription-based offering. [Redacted].

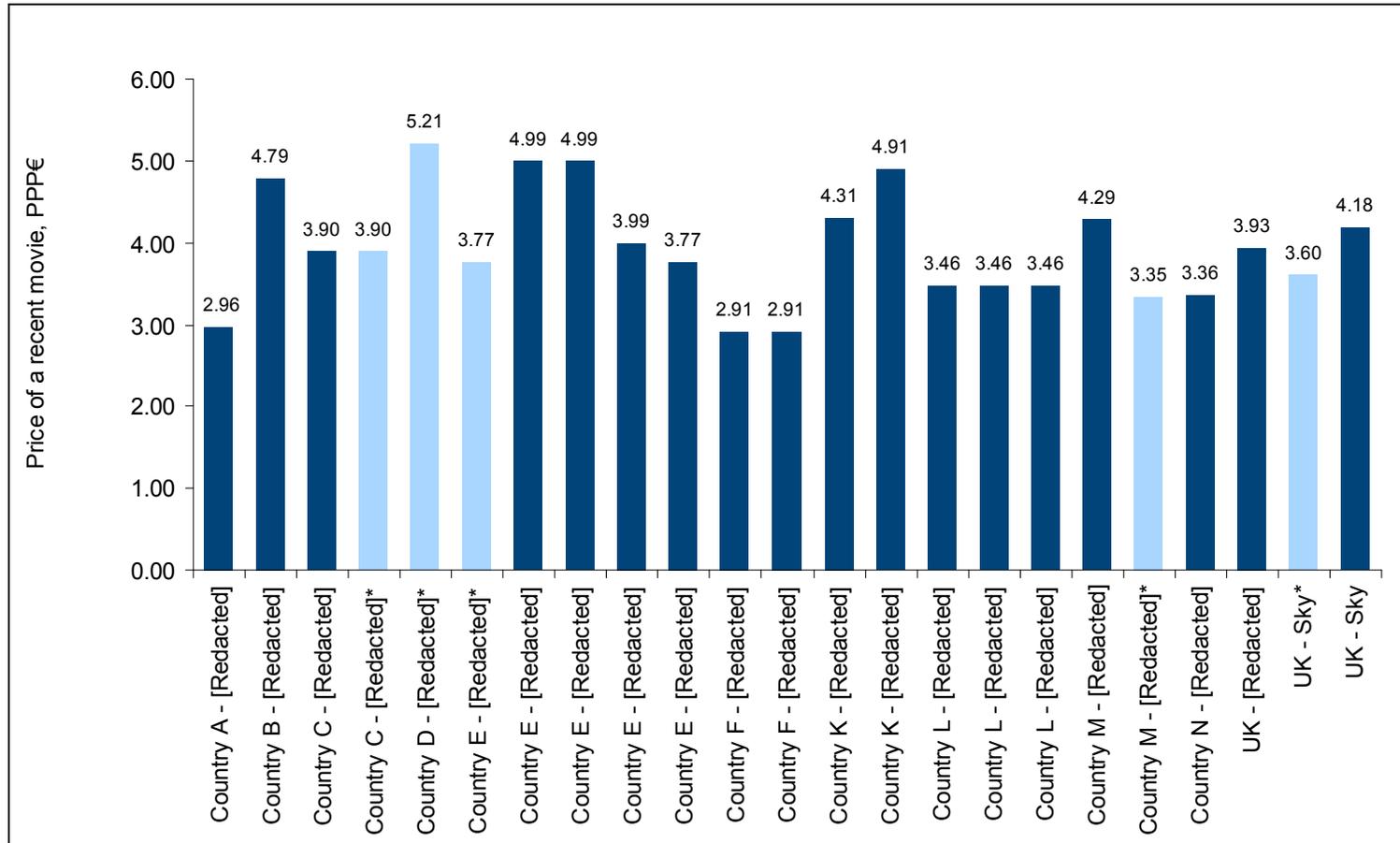
Pricing of PPV services

Prices of PPV recent movies are presented in Figure 2 for those main retailers that publish prices on their websites.

⁴⁴ Other such services may exist in addition.

⁴⁵ Source: <http://metue.com>. In the UK, BT Vision, Sky and Virgin Media (and Xbox Live) offered ‘Beowulf’ and ‘The Assassination of Jesse James by the Coward Robert Ford’ within 15 days of DVD release.

Figure 2: Price of recent PPV movies, main retailers (where prices are published)



* These services are offered over the internet only; hence are currently unlikely to be major services.

Note: Retailers often do not advertise separate prices for first-run movies and other recent releases. The prices reported here are those advertised for recent movies.

Note: [Redacted].

Source: PwC analysis

Caution must be applied in interpreting these prices, since the quality of the movies offered may vary.

Summary of PPV services

PPV services are available from most main retailers, and it is common for these services to include important movies content and (to a lesser extent) important sports content. Use of PPV football services in Spain and Italy has been relatively common (compared to other countries) although there is evidence that a main retailer [Redacted] is moving away from a PPV business model to a subscription-based model and based on the interviews we conducted, suggested that experts in the industry do not consider that a primarily PPV-based model is a sustainable business model.

The provision of PPV services in the UK is comparable to the other countries in the sample in terms of the services offered with two main retailers offering PPV services including important movies content.

3.5 SVOD services

We identified SVOD services offered by one main retailer in five out of the 15 countries we sampled⁴⁶, in contrast to the considerable provision of PPV services across retailers in our sample. In addition, we identified SVOD services offered by more than one main retailer in Belgium and the UK. Out of our sample of 42 main retailers, nine offer SVOD services. Of the major services identified, major SVOD services in Belgium and the Netherlands are catch-up only, whereas major SVOD services in Spain and the UK include large libraries of a range of content (which may include a catch-up service).

Table 8: Summary of retailers offering SVOD

Country	Number of retailers offering SVOD			All retailers studied		
	Main retailers	Other retailers	Total	Main retailers	Other retailers	Total
Austria	0	0	0	2	1	3
Belgium	2	0	2	3	0	3
Denmark	0	1	1	3	1	4
Finland	0	0	0	4	5	9
France	1*	2	3	4	3	7
Germany	0	1	1	3	2	5
Greece	1*	0	1	1	0	1
Italy	0	0	0	3	3	6
Netherlands	1	0	1	3	0	3
Norway	0	1	1	3	6	9
Portugal	0	0	0	2	2	4
Spain	1	0	1	3	0	3
Sweden	1*	0	1	4	3	7
Switzerland	0	0	0	1	1	2
UK	2*	3	5	3	3	6
Total	9	8	17	42	30	72

Note: For this table, Premiere is counted as a main retailer in both Germany and Austria; Canal Digital is counted as a main retailer in Denmark, Finland, Norway and Sweden; and Viasat is counted as a main retailer in Denmark, Finland, Sweden and Norway.

** We consider that the SVOD service offered by one of the retailers in each of these countries is not a major service.*

Source: PwC analysis

⁴⁶ France, Greece, Italy, the Netherlands, Spain and Sweden.

Of the retailers included in Table 8, a number do not offer major SVOD services:

- Orange TV (France) – [Redacted];
- Nova (Greece) – [Redacted];
- Canal Digital (Sweden) – [Redacted]; and
- Sky (UK) – [Redacted].

Further notable points based on the evidence gathered and presented in Appendix 4 include the following:

- SVOD services currently offered by main retailers are delivered via IPTV (three); digital cable (four); the internet (one); and [Redacted] push VOD service in [Redacted] is delivered via DTH to a PVR⁴⁷.
- Content offered in main pay TV retailers' SVOD services is wide-ranging – from a karaoke service [Redacted], to catch-up only [Redacted], to large libraries of on-demand content [Redacted].
- We identified SVOD services including important movies from only one main retailer [Redacted].

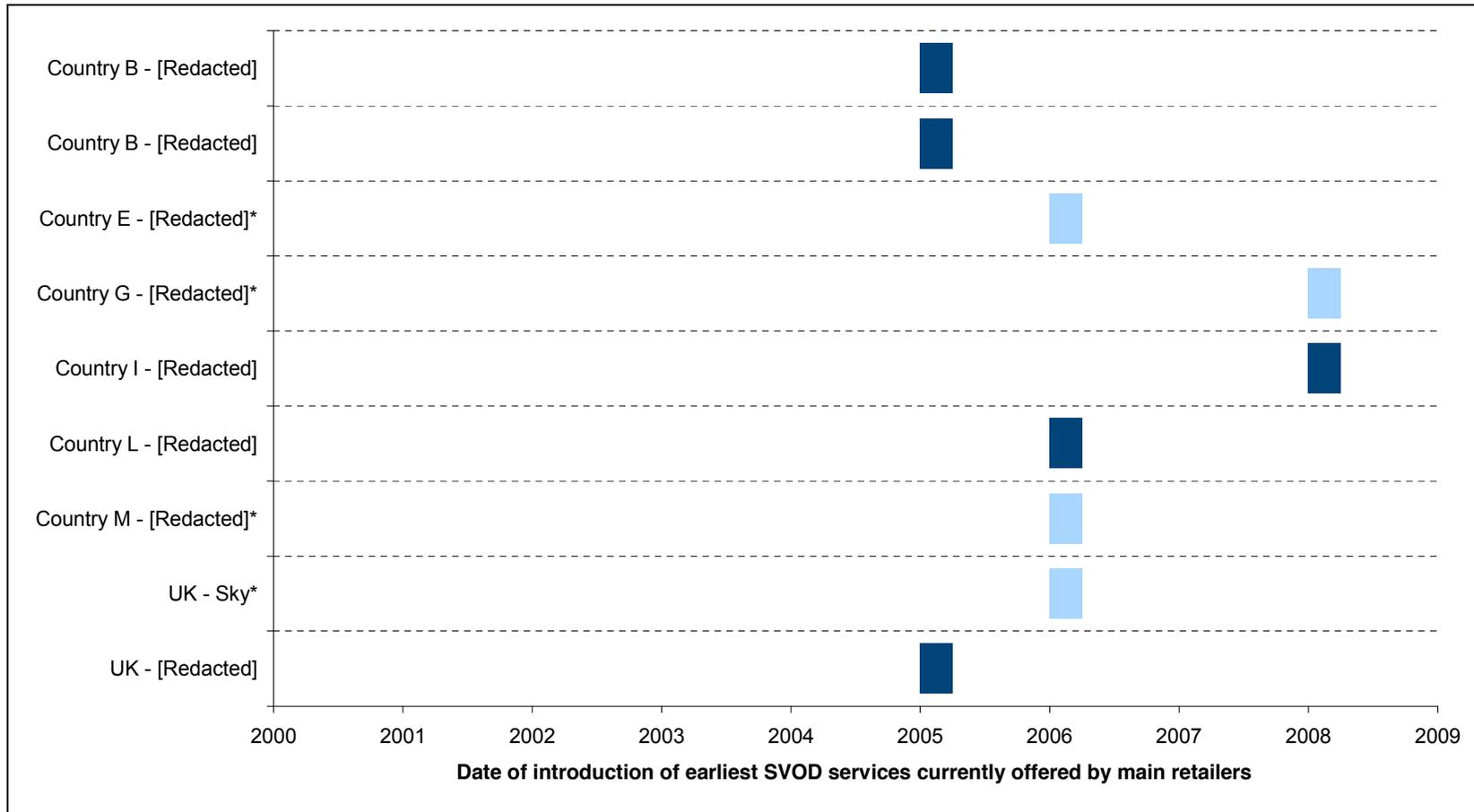
Data on the success of these services are usually not publicly available, and several of the services are relatively new. A number of interviewees stated that generally SVOD services have limited take-up, and that, as a result, VOD libraries are typically used to reduce churn rather than raise new revenues. [Redacted].

The date of introduction of the longest-serving SVOD services⁴⁸ currently offered by the nine main retailers in our sample that offer SVOD are presented in Figure 3. It is notable that most of the SVOD services are relatively new (especially compared to the introduction of PPV services) and that a number of these services are not considered to be major services.

⁴⁷ We note that (in addition) a substantial number of internet SVOD services (e.g. to specific studios' output) are available over the internet.

⁴⁸ These may not be the first SVOD services introduced – since some early-introduced services may no longer be offered.

Figure 3: Date of introduction of earliest SVOD services currently offered by main retailers



Note: [Redacted].

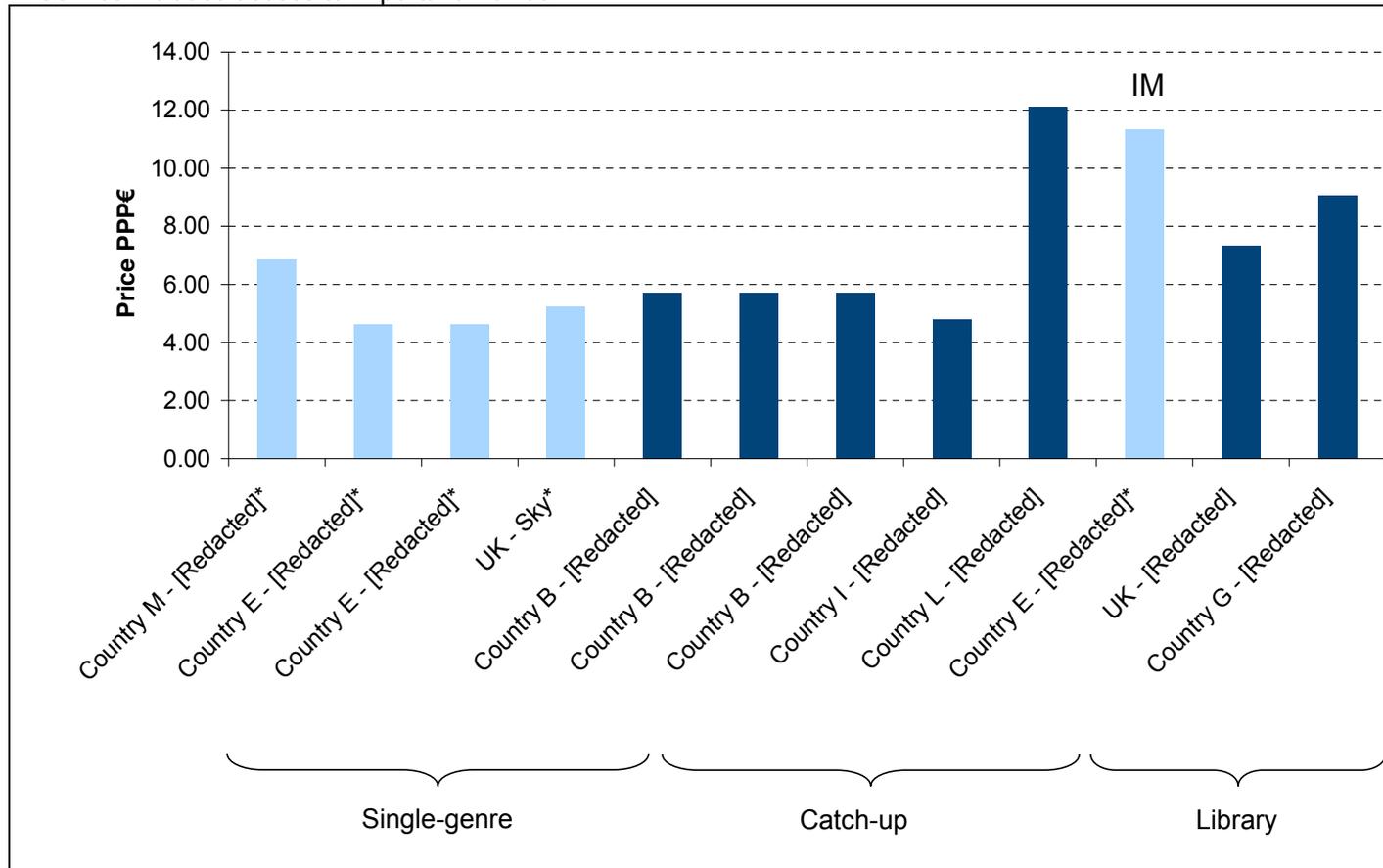
Source: PwC analysis

* Based upon our research and interviews we do not consider these SVOD services to be major services.

Figure 4 provides a summary of the monthly subscription rates of the SVOD services together with a description of the content offered. Those services considered to be non-major are highlighted.

Figure 4: Price of SVOD services from main retailers (per month)

IM: Service includes access to important movies.



Source: PwC analysis

Note:[Redacted] offers a series subscription for €3.00/PPP€3.46, a documentaries subscription for €4.00/PPP€4.62 and a music subscription for €4.50/PPP€5.20. For comparison to cross-genre libraries, we have combined these three subscriptions into a total price of €10.50/PPP€12.12.

* Based upon our research and interviews we do not consider these to be major services.

Summary of SVOD services

The provision of SVOD services appears to be relatively uncommon across the 15 countries in our sample especially when compared to the provision of PPV services, with less than a quarter (only nine out of 42) of main retailers offering some form of SVOD service. Among these nine services there is substantial variation in the type of SVOD services offered (single-genre vs. catch-up vs. library) and whether the service includes important movies. We identified large libraries of content from retailers in France, Spain and the UK [Redacted]. We identified SVOD services including important movies only France [Redacted]. It is notable that our expert interviews suggested that SVOD services generally have relatively low take-up and that some retailers (e.g. [Redacted]) have been switching to a bundled “free” VOD model.

The UK appears to have more provision of SVOD services than most other countries in our sample; [Redacted].

3.6 Bundled “free” VOD services

We identified 15 (out of 42) main retailers offering bundled “free” VOD services in ten (out of 15) territories. Of these main retailers, three [Redacted] are in France. We identified bundled “free” VOD services including important movies from six main retailers⁴⁹; and all but one of these require that consumers subscribe to a package including channels showing important movies, i.e. these VOD services are usually available as an “add-on” to a subscription to a package containing premium channels showing movies.

Table 9 summarises the number of retailers in each territory that offer bundled “free” VOD services.

⁴⁹ Telenet (Belgium), Telia Stofa (Denmark), Fastweb (Italy), Viasat (Norway), Telia (Sweden) and Sky (UK).

Table 9: Summary of retailers offering bundled “free” VOD services

Country	Number of retailers offering bundled “free” VOD			All retailers studied		
	Main retailers	Other retailers	Total	Main retailers	Other retailers	Total
Austria	0	0	0	2	1	3
Belgium	2	0	2	3	0	3
Denmark	1*	1	2	3	1	4
Finland	1*	1	2	4	5	9
France	3*	2	5	4	3	7
Germany	0	0	0	3	2	5
Greece	0	0	0	1	0	1
Italy	1	1	2	3	3	6
Netherlands	1	0	1	3	0	3
Norway	1*	2	3	3	6	9
Portugal	0	0	0	2	2	4
Spain	1	0	1	3	0	3
Sweden	2	0	2	4	3	7
Switzerland	0	0	0	1	1	2
UK	2	2	4	3	3	6
Total	15	9	24	42	30	72

Note: For this table, Premiere is counted as a main retailer in both Germany and Austria; Canal Digital is counted as a main retailer in Denmark, Finland, Norway and Sweden; and Viasat is counted as a main retailer in Denmark, Finland, Sweden and Norway.

Source: PwC analysis

* Based upon our research and interviews we do not consider the bundled “free” VOD service from one of the retailers in each of these countries to be major services.

Four of the main retailers included in Table 9 offer bundled “free” VOD services that we do not consider to be major services (as they are exclusive internet-delivered VOD services) – CanalSat (France), Viasat (Denmark, Viasat (Norway) and Welho Oy (Finland).

From Table 9 we note the following:

- A relatively high proportion of main retailers offer a bundled “free” VOD service in Belgium (two out of three main retailers), France (three out of four) and the UK (two out of three); and

- Of other retailers, buy-through “free” services are offered by a relatively high proportion of retailers in Denmark (one out of one other retailers) and the UK (two out of three). Other retailers are, by definition, not main retailers and therefore will have relatively small subscriber bases.

Findings from our review of current bundled “free” VOD services (presented in Appendix 4) include that:

- The earliest-introduced bundled “free” VOD service we identified that is currently offered to consumers was introduced by Orange TV in France (in 2004). We identified current services in Belgium and the UK that were introduced in 2005; and
- Content available on these services is generally less extensive than on SVOD services. Catch-up is available via these services from 5 main retailers and library content offered ranges from news reports only (Belgacom TV and Telenet both in Belgium) to libraries of series and movies, for example:
 - Fastweb’s entry-level package Guarda gives customers access to a wide range of “free” on-demand programming including access to episodes of series such as Lost, Nip/Tuck and movies;
 - UPC (Netherlands) offers services with more than 500 hours of programmes and 100 library movies;
 - Telia (Sweden) offers a variety of services, focussing on series, documentaries and general entertainment, and a library of 200 movies; and
 - Sky (UK) offers Sky Player – an internet service that allows catch-up and access to a library of cross-genre content, including 500 movies and football highlights – and Sky Anytime – a push-VOD service that enables access to content (mainly catch-up) from a range of genres.
 - Virgin Media (UK) offers the same VOD service on a buy-through “free” basis to subscribers to its large packages that it offers on an SVOD basis (to subscribers to smaller packages). [Redacted]

Summary of bundled “free” VOD services

The provision of major bundled “free” VOD services appears to be relatively uncommon in our sample – while we identified bundled “free” VOD services from 15 (out of 42) main retailers, only eleven appear to be major services.

The UK appears to have more provision of bundled “free” VOD services than most other countries in our sample; they are offered by two main retailers (Sky and Virgin Media – Sky offers both internet and push VOD bundled “free” VOD services) and both retailers offer large libraries of content, in comparison to the more limited (e.g. catch-up only) services offered by retailers in some other countries, for example [Redacted] bundled “free” VOD services consists of news reports only.

3.7 Premium pay TV “light”

We define a premium pay TV “light” service as a package consisting of a small selection of premium channels bundled with few or zero basic pay TV channels available on a subscription basis, without the requirement to subscribe to a buy-through package or pay non-negligible additional monthly fees (e.g. exceeding €5.00) for access, hardware or another service. Typically, the number of channels is in the range of four to seven.

3.7.1 Introduction

While we identified 28 premium pay TV “light” offerings across the 15 European territories (these are described in detail in the Country Annexes), 21 of these are available in Finland. As Table 10 shows, of the 72 retailers researched in our study, only 10 offer premium pay TV “light” packages. Premium pay TV “light” is available from a main retailer in only four countries⁵⁰.

Table 10 summarises the availability of premium pay TV “light” in the 15 countries in our sample⁵¹.

⁵⁰ Austria, Finland, France, Germany, the Netherlands and the UK.

⁵¹ A small number of retailers have also introduced packages in which a small number of basic pay TV channels are retailed together in a small package. This is particularly common on DTT.

Table 10 Summary of premium pay TV “light” offerings

Country	Number of premium pay TV “light” offerings			Number of retailers offering premium pay TV “light”			All retailers studied		
	Main retailers	Other retailers	Total	Main retailers	Other retailers	Total	Main retailers	Other retailers	Total
Austria	0	0	0	0	0	0	2	1	3
Belgium	0	0	0	0	0	0	3	0	3
Denmark	0	0	0	0	0	0	3	1	4
Finland	5	16	21	2	4	6	4	5	9
France	2	0	2	1	0	1	4	3	7
Germany	0	0	0	0	0	0	3	2	5
Greece	0	0	0	0	0	0	1	0	1
Italy	0	0	0	0	0	0	3	3	6
Netherlands	0	0	0	0	0	0	3	0	3
Norway	0	0	0	0	0	0	3	6	9
Portugal	0	0	0	0	0	0	2	2	4
Spain	0	0	0	0	0	0	3	0	3
Sweden	2	2	4	1	1	2	4	3	7
Switzerland	0	0	0	0	0	0	1	1	2
UK	1*	0	1	1	0	1	3	3	6
Total	10	18	28	5	5	10	42	30	72

Note: For this table, Premiere is counted as a main retailer in both Germany and Austria; Canal Digital is counted as a main retailer in Denmark, Finland, Norway and Sweden; and Viasat is counted as a main retailer in Denmark, Finland, Sweden and Norway.

* We do not consider this to be a major service.

Source: PwC analysis

Based on Table 10, we note the following:

- Of the main retailers in our sample, only five out of 42 offer one or more premium pay TV “light” packages. These retailers are in Finland, France, Sweden and the UK⁵²;

⁵² We also identified a service in Italy (Mediaset Premium Gallery) which includes some important movies content. However this content is only occasionally shown and hence we do not classify any of the channels in this service as premium channels.

- Of other retailers that we also researched, five out of 30 offer one or more premium pay TV “light” packages. These retailers are in Finland and Sweden; and
- Retailers in Finland offer a large number of premium pay TV “light” packages. In Finland six retailers out of our sample of nine offer premium pay TV “light” packages. Finnish consumers typically have to pay small basic card access fees (€5.00/PPP€4.34 to €6.00/PPP€5.21 per year) and digital card fees (€20.00/PPP€17.37 to €30.00/PPP€26.06 per year), but can then access premium channels such as Canal+ Sport or Viasat Film without further buy-through.

Based on supporting evidence included in Appendix 4, we furthermore note that⁵³:

- The identified dates of introduction of premium pay TV “light” services from main retailers are in 2004 or more recent, with the services from [Redacted] (Finland) the earliest identified, in 2004; and
- Packages from [Redacted] (France) and [Redacted] (Finland) include both important movies and important sport. Consumers can choose whether to take the premium pay TV “light” packages with sport or movies from [Redacted] (Finland) and [Redacted] (Sweden). [Redacted] internet offering in the UK (its premium pay TV “light” package) includes one premium sports channel.

Figure 5 presents the prices of identified premium pay TV “light” packages offered by the 42 main retailers in our sample. Caution must be exercised in drawing conclusions from a comparison of the prices of premium pay TV “light” packages alone as the packages differ substantially in terms of the content they include⁵⁴. Notwithstanding this caveat, we note that prices for premium pay TV “light” packages from main retailers vary from below PPP€19.99 (four packages across three retailers)⁵⁵, between PPP€20.00 and PPP€29.99 (five packages across four retailers) and over PPP€30.00 (from [Redacted] in France).

⁵³ We note that Mediaset’s Premium Gallery (Italy) includes some first-run movies and some first-run series. However, inspection of the package reveals that relatively little of its content is important movies and hence we exclude it from our definition of premium pay TV “light”. [Redacted]

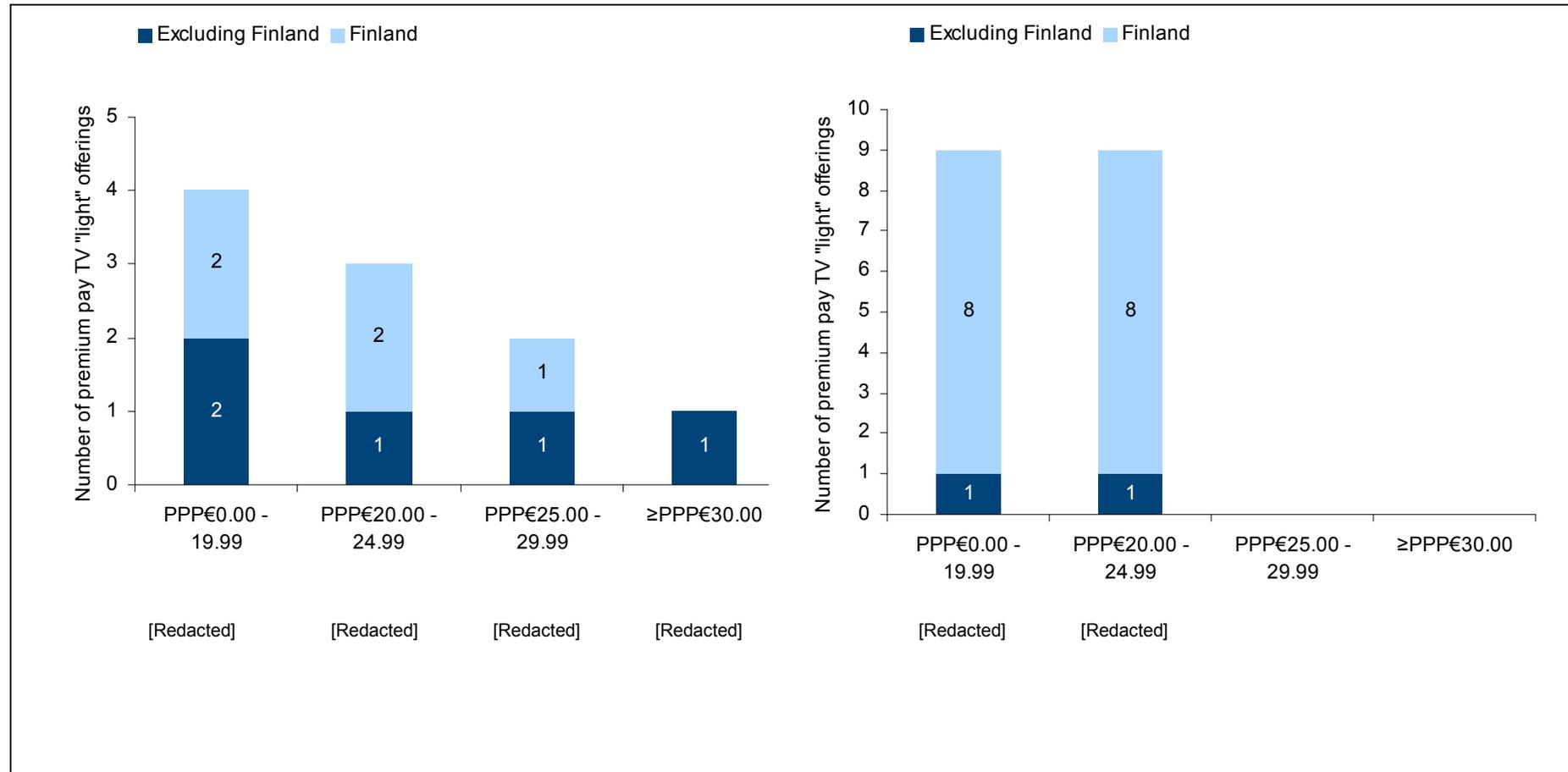
⁵⁴ See our First Report for a discussion of the importance of making like-for-like comparisons.

⁵⁵ [Redacted].

Figure 5: Pricing of premium pay TV “light” packages (per month)

Main retailers

Other retailers



Note: Prices include card fee charges
 * We do not consider this to be a major service.
 Source: PwC analysis

Services similar to premium pay TV “light” services

During the course of our research we identified a number of services across the countries in our sample that offer services similar to premium pay TV “light”, but which do not fit within our definition⁵⁶ of premium pay TV “light”. These include:

- Canal Digitaal in the Netherlands offers a package of four premium pay TV channels (Sport1, Sport1.2, Film1.1 and Film1.2) which show important sports and movies; five other pay TV channels – Film 1.3, Film1 Action, Film1+1, Film1 HD, Sport 1 HD; and access to Sport1 Extra (up to six further channels to broadcast concurrent matches). FTA channels are also included.
- Setanta in the UK offers a package of 11 channels via DTH, including the premium channel Setanta Sports 1. This is larger than the packages we have defined as premium pay TV “light” packages, which are typically composed of between four and seven channels, of which one or two are premium channels. This is a different offering from [Redacted] four-channel offering on the internet, which is included in our definition of premium pay TV “light” and Setanta’s single-channel offering on DTT, which is included in our definition of standalone channels.

Summary of premium pay TV “light” services

Outside of Finland, the provision of premium pay TV “light” services is relatively uncommon. We identified five such services from main retailers outside Finland (in France (two), Sweden (two) and the UK). In Finland we identified five premium pay TV “light” services from two main retailers and a further 16 such services from other Finnish retailers. Overall it is clear that premium pay TV “light” is not a common form of packaging important content in most of the countries surveyed.

We identified one such service [Redacted] in the UK [Redacted].

3.8 Other services

In conducting our research we identified a number of retailers that offer consumers an option of subscribing to specific sports content (for example, all matches from a particular football league) rather than to conventional sports channels. Examples of these services from main retailers identified are:

- Belgacom TV (Belgium) allows customers to subscribe to all matches of a Jupiler League club of customer’s choice via its My Club service for €9.95/PPP€9.54 per month. Belgacom TV also offers an All Foot package which shows all matches in the Jupiler League and includes a service which allows customers simultaneously to follow up to six live matches;

⁵⁶ A package consisting of a small selection of premium channels bundled with few or zero basic pay TV channels available on a subscription basis, without the requirement to subscribe to a buy-through package or pay non-negligible additional monthly fees (e.g. exceeding €5.00) for access, hardware or another service.

- Canal+ (France) offers Foot+ which provides access (for €8.00/PPP€7.56 per month) to live Ligue 1 football matches available on up to 8 channels (simultaneously). The exact number of channels depends on how many matches are broadcast at any one time. A similar Rugby+ service is available for €4.00/PPP€3.78 per month;
- Premiere (Germany and Austria) offers access to a “sports portal”, which includes multiple simultaneous channels and Bundesliga matches, depending on concurrent events for a monthly fee of €19.99/ PPP€19.42 (this service is also offered by Arena and UnityMedia in Germany);
- Canal Digitaal, UPC and Ziggo (the Netherlands) offer access to Eredivisie, a service providing access to live Eredivisie football matches on up to four channels for simultaneous matches for €11.95/ PPP€11.57 (Canal Digitaal), €9.95/ PPP€9.63 plus cable access fees (UPC) or €14.95/ PPP€14.47 plus cable access fees (Ziggo);
- Digital+ (Spain) offers a subscription service in which consumers effectively purchase a discount on PPV football matches. For a monthly fee of €24.00/PPP€27.71 or €32.00/PPP€36.95 (depending on the Digital+ package to which the customer subscribes) the customer can access live PPV La Liga football matches for 50 per cent of the PPV price for non-subscribers. The discounted prices per match for subscribers to this service are €6.00/PPP€6.93 per match or more. Ono (Spain) offers PPV football matches on a monthly payment basis (€43.00/ PPP€49.65) to subscribers to an Ono subscription package; and
- Canal Digital, Telia and Viasat (all Sweden) all offer Season Card subscription service to subscribers of Canal+ Sport or Canal+ Total packages. For example, an Allsvenskan Season Card from any of these three retailers gives customers access to seven out of eight live Allsvenskan football matches for a monthly fee of SEK139/PPP€11.93 per month for Telia and SEK149/PPP€12.79 per month for the other two retailers.

3.9 Concluding remarks

In this section we summarise our findings in respect of the provision across countries by main retailers of each of the service-types investigated; we then summarise provision of important content by main retailers and provide some concluding remarks.

Summary of service provision by main retailers

Based on our review of services above, we summarise in Table 11 whether each type of service is provided by one or more main retailers (except for standalone channels, where we summarise whether a main retailer offers more than 5 standalone channels).

Table 11: Summary of service provision by main retailers

Country	5 or more standalone channels	À la carte package(s)	PPV services	SVOD services	Bundled “free” VOD services	Premium pay TV “light”
Austria			✓			
Belgium			✓	✓	✓	
Denmark	✓	✓	✓		✓	
Finland	✓	✓	✓		✓	✓
France	✓		✓	✓	✓	✓
Germany			✓			
Greece				✓		
Italy	✓		✓		✓	
Netherlands			✓	✓	✓	
Norway	✓	✓	✓		✓	
Portugal	✓		✓			
Spain	✓		✓	✓	✓	
Sweden	✓	✓	✓	✓	✓	✓
Switzerland			✓			
UK	✓		✓	✓	✓	✓

Source: PwC analysis

Summary of service provision including important content by main retailers

Based on our review of services above, we summarise in Table 12 whether important content is available from relevant types of services.

Table 12: Summary of service provision including important content by main retailers

Country	One or more standalone premium channel(s)	PPV important sports	PPV important movies	SVOD services including important movies	Bundled “free” VOD services including important movies
Austria		✓	✓		
Belgium		✓	✓		✓
Denmark		✓	✓		✓
Finland		✓	✓		
France	✓	✓	✓	✓	
Germany		✓	✓		
Greece					
Italy		✓	✓		✓
Netherlands		✓	✓		
Norway			✓		✓
Portugal			✓		
Spain		✓	✓		
Sweden		✓	✓		✓
Switzerland			✓		
UK	✓		✓		✓

Source: PwC analysis

Based on our research and analysis of 42 main retailers and 30 other retailers we make the following concluding remarks on the provision of standalone channels/à la carte offerings, PPV services, SVOD services, bundled “free” VOD services and premium pay TV “light” packages.

Standalone channels and à la carte packages

The provision of standalone channels is commonplace, although only in Scandinavia (and one service in Portugal) are there examples of major services with large numbers of standalone channels. Standalone channels generally require buy-through and the provision of standalone premium channels is rare.

Out of the 42 main retailers in our sample, 24 offer one or more channels on a standalone basis, most of which require buy-through. We identified only two main retailers offering standalone channels without buy-through. These are Setanta (Setanta Sports 1 on DTT) in the UK and Mediaset (Mediaset Calcio 24 on DTT) in Italy. It is notable that these are both retailed on DTT platforms and both offer sports content. However only Setanta Sports 1 includes important sports content and hence is the only premium channel without a buy-through requirement we identified. We identified four main retailers that offer more than 12 standalone channels, of which three are in Scandinavia. However, we identified only four main retailers offering premium channels on a standalone basis, three of which are in the UK and one in France.

Similar to most countries, in the UK few channels are offered on a standalone basis although there are three retailers in the UK offering standalone premium channels and the only main retailer out of our sample of 42 offering a standalone premium channel without buy-through operates in the UK.

The provision of content via à la carte packages of channels (in which consumers can select the channels they want to receive out of a larger package) is rare, and is restricted to a small number of retailers in Scandinavia (we identified three main retailers offering this package structure). None of these services include premium channels.

PPV services

PPV services are available from most main retailers, and it is common for these services to include important movies content or (to a lesser extent) important sports content.

We identified PPV services in 14 out of the 15 countries in our sample, with Greece the exception, and PPV services are available from 35 out of 42 main retailers. PPV services offering recent (usually including first-run) movies are available from 30 main retailers and PPV important sports content is available from 17 main retailers. We do not draw conclusions on the published prices, since we do not have a complete set of data and moreover, the services may not be directly comparable, although we note that there is substantial variation in prices across countries. Use of PPV football services in Spain and Italy has been relatively common (compared to other countries) although there is evidence that a main retailer [Redacted] is moving away from a PPV model to a subscription-based model and interviews suggested that a number of experts in the industry do not consider that a primarily PPV-based model to be a sustainable business model.

The provision of PPV services in the UK is comparable to the other countries in the sample in terms of the services offered with two main retailers offering PPV services including important movies content.

SVOD services

The provision of SVOD services appears to be relatively uncommon across the 15 countries in our sample, with less than a quarter (only nine out of 42) of main retailers offering some form of SVOD service. Even within these nine services there is substantial variation in the type of SVOD services offered (single-genre vs. catch-up vs. library) and whether the service includes important movies.

We identified SVOD services from main retailers in seven out of the 15 countries we sampled. The only countries in which we identified SVOD services available from more than one main retailer are Belgium and the UK. The prices of SVOD services vary substantially although we do not draw conclusions on the published prices as the services may not be directly comparable. We identified large libraries of content from retailers in France, Spain and the UK [Redacted]. We identified SVOD services including important movies in France only [Redacted]. It is notable that our expert interviews suggested that SVOD services generally have relatively low take-up and that some retailers [Redacted] have been switching to a bundled "free" VOD model. It is notable that most

of the SVOD services are relatively new (especially compared to the introduction of PPV services) and that many of the services are not considered to be major services.

The UK appears to have more provision of SVOD services than most other countries in our sample particularly because Virgin Media offers a large SVOD library; [Redacted].

Bundled “free” VOD services

The provision of bundled “free” VOD services also appears relatively uncommon – whilst we identified such services from 15 (out of 42) main retailers, only eleven appear to be major services. We identified main retailers offering bundled “free” VOD services in ten countries in our sample of 15 countries.

The UK appears to have greater provision of audiovisual services via bundled “free” VOD services than most other countries in our sample; they are offered by two main retailers (Sky and Virgin Media – Sky offers both internet and push VOD bundled “free” VOD services) and both retailers offer large libraries of content, in comparison to the limited (e.g. catch-up only) services offered by retailers in some other countries, for example [Redacted] bundled “free” VOD services consists of news reports only.

Premium pay TV “light”

The provision of premium pay TV “light” is not common in the 15 countries we surveyed, with the exception of Finland. We identified five such services from main retailers outside Finland (in France (two), Sweden (two) and the UK (although we do not consider the service in the UK to be a major service)⁵⁷). In Finland we identified five premium pay TV “light” services from two main retailers (out of a sample of four) and a further 16 such services from other Finnish retailers. Of the 28 premium pay TV “light” services we identified (from both main and other retailers), 21 are offered by retailers in Finland. The identified dates of introduction of premium pay TV “light” services from main retailers are in 2004 or more recent, with the services from [Redacted] (Finland) the earliest identified.

Prices for premium pay TV “light” packages from main retailers vary from below PPP€19.99 (four packages across three retailers)⁵⁸, between PPP€20.00 and PPP€29.99 (five packages across four retailers) and over PPP€30.00 [Redacted].

Similar to most of the countries in our sample, the UK has relatively little provision of premium pay TV “light” packages. We identified one such service [Redacted] in the UK [Redacted].

⁵⁷ We also identified a service in Italy (Mediaset Premium Gallery) which includes some important movies content. However this content is only occasionally shown and hence we do not classify any of the channels in this service as premium channels.

⁵⁸ [Redacted].

Overall it is clear from our research that outside Finland, premium pay TV “light” is not a common form of packaging important content in the countries surveyed.

4 Significant changes in the pricing and packaging of audiovisual content

4.1 Introduction

In this section we set out the findings of our research into significant changes (over and beyond those described in our First Report) in the pricing and packaging of subscription pay TV services provided to consumers in the past five years in the 15 countries surveyed. While we considered changes by all leading retailers, we draw attention specifically to those retailers with significant bases of “genuine” pay TV subscribers, focussing on the main retailers set out in Section 3.2. As discussed in Section 2, in determining what is significant, we have been guided by a number of criteria⁵⁹ in conjunction with the discussions held with retailers themselves and other local pay TV experts we consulted with.

We exclude from this section those services introduced that have been described in Section 3, except when such services appear to correspond to a major trend or pattern across multiple countries.

We collected these data by:

- Interrogating relevant desk research resources including retailer consumer and corporate web-sites, published research reports, the trade press, media analyst reports, company annual reports and investor presentations;
- Conducting telephone interviews with customer service operators at each relevant retailer to corroborate the desk research on the provision, pricing and packaging of the relevant audiovisual content; and
- Conducting a combination of face-to-face and telephone interviews with a number of experts in pay TV in each of the territories. Experts included representatives of each of the leading retailers, regulators, analysts that cover the leading pay TV retailers and other experts.

We commence this section with a discussion of some notable technological and commercial developments that affect more generally the retailing of audiovisual content – bundling of pay TV with other services and the introduction of pay TV on DTT platforms.

⁵⁹ See Section 2.7.

4.2 Context and background to the retail of audiovisual content

This section describes some notable technological and commercial developments affecting the retail of audiovisual content beyond those described and analysed in our First Report (including digital TV, PVRs and HDTV). These developments provide context to the significant changes in pricing and packaging described in Section 4.3.

4.2.1 Context and background from our First Report

The comparative innovation analysis in our First Report indicated that four countries emerged as the leaders in terms of the innovation services we assessed – the UK, France, Norway and Sweden. Sweden's position in the table was primarily based on its performance in respect of digital TV – early launch and successful penetration. The UK and France's success was also found to be a function of digital TV launch and penetration but also success in the penetration of PVRs and HDTV in these countries. Norway experienced higher take up of PVRs and HDTV than Sweden, but less than that in France and the UK. Switzerland, Greece, Portugal, Belgium and Spain were identified as “laggards” in respect of introducing and driving take up of pay TV innovative services.

4.2.2 Bundling pay TV with other services

Our research reveals that double-play and triple-play services are now available from one or more retailers in all countries in our sample. Quadruple-play (i.e. including mobile telephony) is less common, but examples of the provision of pay TV retailers offering this service include Belgacom TV (Belgium), Orange TV (France), Alice TV (Italy), Zon (Portugal) and Virgin Media (UK).

Of particular note is that double-play and triple-play services, previously the domain of cable retailers and, increasingly, IPTV retailers, are now being offered to an increasing extent by retailers of pay TV on platforms with other delivery technologies, for example Sky Italia (Italy, DTH), Digital+ (Spain, DTH)⁶⁰ and Sky (UK, DTH and internet).

While triple-play is now commonplace⁶¹, a number of the countries surveyed were relatively late in introducing identified double-play and triple-play services. Greece is a prime example – triple play was introduced by On Telecoms⁶² in 2007.

⁶⁰ Sky Italia has an agreement with Fastweb under which Sky Italia offers new and existing subscribers internet and telephony packages from Fastweb, while Fastweb offers the complete Sky packages range on its IPTV platform (excluding Prima Fila PPV service and selected a la carte channels). Digital+ has agreements with IPTV retailers Telefonica, Ya.com and Orange TV to offer triple-play. These are marketing agreements only and the services are not linked (for example consumers receive separate bills for each service).

⁶¹ Broadcast (2008) reports that the UK and Spain are the leading countries in Europe for the provision of triple-play via cable.

⁶² On Telecoms has not been included in our research. In May 2007 (the most recent date for which data are available) it reported only 1,500 subscribers to its IPTV service (Source: Informa “Eastern European TV”, 12th edition).

4.2.3 Introduction of pay TV on DTT platforms

The capacity restrictions of DTT (and/or regulatory restrictions on pay TV DTT) restrict the number of channels that pay TV retailers can offer on DTT platforms. If a pay TV retailer wants to retail pay TV services on a DTT platform, there may not be sufficient capacity to offer consumers a full range of packages.

Pay TV services on DTT platforms have been introduced in Finland, France, Italy, Sweden and the UK⁶³. Typically, the availability of pay TV on DTT platforms has been driven by regulatory decisions, rather than commercial decisions alone. Owing to the significant capacity constraints (relative to IPTV, cable and satellite) imposed by delivery over this technology, packages offered tend to comprise a small number of channels. We note that models of pay TV on DTT platforms in the countries surveyed vary substantially, as demonstrated in Table 13 below. This may reflect that many of these services are relatively new, and as a result the packaging structures may be in transition. [Redacted].

Table 13: Packaging structures of a selection of leading pay DTT retailers

Date of pay DTT introduction where precisely identified	Country	Retailer	Description	Service still active (Y/N)
2005	France	Canal+	Canal+ offers a package of 3 channels (including premium channels Canal+ Sport and Canal+ Cinema) for €30.00/PPP€28.35 per month.	Y
2005	Italy	Mediaset	Three main packages: Premium Gallery – selection of TV and films including some first-run movies, Premium Fantasy – selection of children's programmes, and Premium Calcio 24 – a standalone sports channel. Priced at €10.00/PPP€9.90, €8.00/PPP€7.92 and €14.00/PPP€13.87 per month respectively (all currently €8.00/PPP€7.92 per month for first four months). Pay-per-view sports channel Premium Calcio also available (€6.00/PPP€5.94 per view).	Y
2006 ⁶⁴	France	CanalSat	CanalSat offers a package of 7 basic pay TV channels for €12.90/PPP€12.19 per month.	Y
2006	Finland	Plus TV	13 pay-TV channels (on top of 10 free channels) in three packages: one with all 13 channels, <i>OmaPaketti</i> which allows a choice of 9 out of the 13 channels, and <i>PikkuPaketti</i> with a choice of 6 out of 11 channels (the viewer cannot choose MTV3 Max, a men's channel, and MTV3 Fakta, a science and documentary channel). Priced at €24.90/PPP€21.63, €19.90/PPP€17.29 and €14.90/PPP€12.94 per month respectively. Also offers à la carte/standalone options such as Big Brother Prime Time and Swedish channels.	Y
2007	UK	Setanta	Setanta Sport 1, which offers access to important sports content including 46 Premier League matches, is purchased as a standalone channel for £10.99/ PPP€11.52 a month (requires a Freeview set top box £29.99/ PPP€31.44).	Y

Source: PwC analysis

⁶³ Pay TV retailers on DTT platforms include but are not limited to Plus TV in Finland; CanalSat and Canal+ in France; Mediaset in Italy; Boxer in Sweden; and Setanta and Top Up TV in the UK.

⁶⁴ TPS launched pay TV DTT service in 2006.

4.3 Changes in pricing and packaging structures of audiovisual content

In this section we provide a discussion of the significant changes in the pricing and packaging of audiovisual content that have occurred in the past 5 years.

4.3.1 Changes from “S,M,L-plus” to “Many-plus”

The past five years has seen a shift from “S,M,L-plus” package structures to “Many-plus” package structures (based around genres) by a number of retailers surveyed. Significant developments of this nature that we have identified are described in Table 14 below.

Table 14: Summary of significant changes from “S,M,L-plus” to “Many-plus”

Date of change where precisely identified	Country	Retailer	Delivery	Description	Pricing of genre-based basic packages*	Service still active (Y/N)
2005	UK	Sky	DTH	Sky's basic package structure changed from an “S,M,L-plus” structure to genre-based basic mixes (Sky's previous package structure actually included multiple “M”-layer packages). Consumers were then able to choose 2, 4, or 6 genre-based mixes. Consumers can now subscribe to any of 1 to 6 genre-based mixes, in any combination.	£17.00/PPP€17.82 for first package and £1.00/PPP€1.05 for each additional package (if no premium sports or movies channels subscribed-to).	Y
2006	Germany, Austria, Switzerland (prices quoted refer to Germany)	Premiere	DTH and digital cable	Genre-based packages became “entry” packages and single-channel offering Premiere Start (€5.00/ PPP€4.86 entry package) was dropped. Prices for genre-based packages were dropped from €19.90/ PPP€19.33 per package.	€9.99/ PPP€9.70 per package**.	Y
2007	Italy	Sky Italia	DTH	Sky Italia moved from an “S,M,L-plus” package structure to a “Many-plus” package structure, with 5 genre-based mixes, of which consumers may purchase 3, 4, or 5.	3 packages: €15.00/PPP€14.86, 4 packages: €21.00/PPP€20.80, 5 packages: €26.00/PPP€25.75.	Y
2007	Portugal	Meo	IPTV	Portugal Telecom launched an IPTV service in 2007 under the Meo brand name. Meo's offering is based around small genre based packages.	€2.48/PPP€3.05 per genre mix (Packs Temáticos).	Y
2007	Denmark, Sweden	Viasat	DTH	Changed from an “S, M, L-plus” package structure to 5 genre-based packages.	Denmark: Entertainment + bonus package DKK214/ PPP€21.40, other packages without important sports or movies + bonus packages DKK199/ PPP€19.90, package containing important sport + bonus DKK219/ PPP€21.90, music + bonus DKK224/ PPP€22.40. Sweden: 1 genre package of basic channels SEK129/ PPP€11.07, 2 genres packages of basic channels SEK179/ PPP€15.36, package including important sport and film SEK219/ PPP€18.79. Combinations of 2-3 basic with 1-2 packages containing important sports or movies SEK239-SEK319/ PPP€20.51-€27.37.	Y
2007	Denmark	Telia	Digital cable	Telia introduced four genre-based packages (Sport, Family, News, Film) to replace an “S, M, L-plus” offering. Packages only become available to consumers when housing associations renew their contracts with Telia	Prices vary with housing association.	Y

Source: PwC analysis

*Full details of pricing models can be found in Appendix 4.

**Increased to €19.99/ PPP€19.42 in 2008 (with expanded content).

The first of these changes in the countries surveyed that we have identified occurred in the UK in 2005. Indeed, a number of retailers and other pay TV experts interviewed stated that developments in other countries were associated with “copying” the changes made in the UK by Sky. Digital+ in Spain is

another such retailer that has moved to genre-based basic packages, but we do not include it in the table above because the Digital+ package structure requires that all packages contain the premium channel Canal+ (priced €20.95/PPP€24.19) before further genre-based packages may be purchased.

It is notable that four out of seven such changes were made by retailers on DTH (although Premiere also retails services on platforms using digital cable delivery technology). The relative absence of pay TV retailers making this change on digital cable platforms may reflect that cable access services are often offered as the first stage of the retail offering (i.e. the “small” in the “S,M,L-plus” package structure).

4.3.2 Other changes in buy-through requirements to access premium channels

Other significant changes in buy-through requirements that we identified (in addition to those identified elsewhere in this section) are described in Table 15.

Table 15: Summary of other significant changes in buy-through requirements to access premium channels

Date of change where precisely identified	Country	Retailer	Delivery	Description	Minimum buy-through charge (per month)*	Service still active (Y/N)
2005	Belgium	Belgacom TV	IPTV	Belgacom TV introduced live top-tier Belgian football matches via IPTV. Rather than requiring a cable subscription to access this content, at least a phone service from Belgacom is required.	€20.00/PPP€19.17.	Y
2005	Italy	Mediaset	DTT	PPV Live Serie A football matches (for half the Serie A clubs) introduced on DTT, with no buy-through required. A subset of these games was introduced on Mediaset's Calcio24 channel in 2008.	None.	Y
2005	Italy	La7***	DTT	PPV Live Serie A football matches (for half the Serie A clubs) introduced on DTT, with no buy-through required.	None.	Y
2006	UK	Virgin Media	Digital cable	Virgin Media launched its “M” package, consisting mainly of FTA channels, as its entry package. This replaced a previous entry package that included more pay TV channels. This changed the buy-through requirements, so that consumers now have to subscribe to a package of mostly FTA channels and a telephony service to be able to access premium channels**.	£11.00/PPP€11.53.	Y
2007	UK	Setanta	DTT, DTH, internet	Setanta introduced a DTT service, retailing Setanta 1 (which includes 46 live Premier League football matches) on a standalone basis (see below). On DTH, Setanta retails an 11 channel package and via the internet a 4 channel package, both of which include Setanta Sports 1.	None.	Y

Source: PwC analysis

* Charges do not include one-time charges such as purchasing hardware.

** Virgin Media also added the premium sports channel Setanta 1 to its “XL” package. This is the “Large” package in Virgin Media’s “S, M, L-plus” package structure.

*** Not a main retailer.

As demonstrated above, we identified five significant changes in the buy-through requirement to access premium channels⁶⁵. We note the following:

- The number of significant changes is small, relative to the total number of retailers in our sample. Section 3 demonstrates that, for retailers that offer premium channels, some level of buy-through remains a necessary requirement; and
- For the significant changes identified, we note the following:
 - Mediaset and La7 (each shows live Serie A games of half the Serie A teams on a PPV basis) launched on DTT, which, owing to limited capacity, restricts the number of channels available to broadcasters/retailers; and
 - Setanta retails 46 live televised Premier League matches.

4.3.3 Standalone channels

During the past five years there have been some changes in the retailing of content on a standalone channel basis. The significant developments in the retailing of channels on a standalone basis (i.e. without being attached to other channels in a package) that we identified are described in Table 16 below. Note that we only discuss here significant changes. In particular we focus on changes relating to premium channels and changes that apply to a large proportion of a retailer's offering (e.g. if a retailer that previously retailed all its channels on a standalone basis began packaging channels together).

⁶⁵ It is notable that Digital+ (Spain) has an unusual buy-through structure in which considerable important content is provided in a single channel (Canal+). Canal+ is exclusive to Digital+ and must be subscribed-to as part of any package offered by Digital+. The retailer Canal+ (France) combines important sports and movies content into a single package ("Les Chaines"), which cannot be separated into separate packages containing important sports and important movies respectively.

Table 16: Summary of significant changes in the availability of pay TV channels on a standalone basis

Date of change where precisely identified	Country	Retailer	Delivery	Description	Pricing	Service still active (Y/N)
2007	Italy	Sky Italia	DTH	Range of sports channels including Serie A clubs' own TV channels* (e.g. Juventus Channel) retailed on a standalone basis. These channels do not show live Serie A or UEFA Champions League matches.	€8.00/PPP€7.92 per channel per month	Y
2007	UK	Setanta	DTT	Setanta began retailing Setanta 1 on a standalone basis on DTT, including 46 live broadcast Premier League football matches. Setanta 1 is included in Setanta's 11 channel Setanta Sports package on DTH and its 4 channel package via broadband.	£10.99/€11.52 per month	Y
2007	Portugal	Meo	IPTV	Introduced an offering with 26 standalone channels with a buy-through requirement of a telephony and/ or internet subscription.	Most channels €0.74/ PPP€0.91 per channel per month but with some channels up to €9.92/ PPP€12.21 per channel per month.	Y
2008	Italy	Mediaset	DTT	Introduction of Calcio24 – a sports channel that includes live UEFA Champions League matches. Also has delayed Serie A matches.	€14.00/PPP€13.87 per month	Y

Source: PwC analysis

* Similar such services are available from many retailers across the countries surveyed. The Sky Italia example is included as the most substantial of such services (i.e. more clubs have their own channels).

As demonstrated in Table 16 we have identified a small number of significant changes in the retailing of content on a standalone basis. No main retailers identified use standalone as the main package structure.

We note that the availability of standalone channels should be viewed in the context of the rest of this report and our First Report – since the provision of a particular channel on a standalone basis may not necessarily result in a superior consumer outcome than the provision of a package of channels, including that channel, for a similar price.

As demonstrated in Section 3 in conjunction with the findings in this section, it is apparent that the provision of channels on a standalone basis is not the predominant model for retailing pay TV in the countries surveyed. Where we have identified significant developments in the provision of channels on a standalone basis, in Italy in particular, this is associated with significant pay TV on a DTT platform (which as mentioned is less suitable to the retail of substantial packages of channels) and also with a legacy of significant content being available on a PPV basis (see Section 3.4)⁶⁶.

We provide our findings on current provision of à la carte packages in Section 3.3.2 and do not repeat them here.

⁶⁶ We understand, from our expert interviews that 95 per cent of mobile customers in Italy use pre-pay, and that this makes pre-pay a more acceptable pay TV model in Italy.

4.3.4 Pre-pay cards and season tickets

We identified a small number of services whereby consumers purchase “pre-pay” cards for PPV services, or subscribe to “season tickets” that allow access to specific content, independent of the timing and channel on which they are broadcast. The significant changes that we have identified are described in Table 17 below. We note that “pre-pay” cards and “season tickets” are often deployed by retailers as a means to aggregate payment for PPV services.

Table 17: Summary of significant changes in “pre-pay” cards and “season tickets” pricing structures

Date of change where precisely identified	Country	Retailer	Delivery	Description	Pricing	Service still active (Y/N)
1998, 2007	France	Canal+	DTH, digital cable, IPTV	Foot+ has been available since at least 1999, showing multiple Ligue 1 football matches simultaneously on multiple channels. A similar service, Rugby+, was introduced in 2007.	Foot+: €10.00/PPP€9.45 per match or €12.00/PPP€11.34 per day. Rugby+: €6.00/PPP€5.67 per match or €8.00/PPP€7.56 per day. Minimum subscription: €35.00/PPP€33.07 per month for both packages.	Y
2006	Germany, Austria, Switzerland (prices refer to Germany)	Premiere	DTH and digital cable	Premiere Flex introduced (subsequently withdrawn) – a non-subscription pre-pay PPV service offering access to movies, series, sports (not including Bundesliga football) etc.	Available in €25.00/ PPP€24.29, €50.00/ PPP€48.57 or €75.00/ PPP€72.86 denominations.	N
2005	Italy	Mediaset	DTT	Mediaset Premium Calcio offers live coverage of all Serie A matches of 6 teams (Juventus, Milan, Inter, Roma, Lazio, Napoli) and home matches of 5 teams (Chievo, Reggina, Atalanta, Torino and Genoa). Where more than six matches air simultaneously, some are delayed. Also offers live UEFA Champions League matches.	€69.00/PPP€68.33 per season or €19.00/PPP€18.82 per month.	Y
2005	Italy	La7*	IPTV, DTT	Cartapiù Pacchetto Campionato Serie A offers live coverage of all Serie A matches of 5 teams Fiorentina, Sampdoria, Palermo, Cagliari, Catania and home games for 4 teams (Bologna, Lecce, Siena and Udinese). Similar packages exist for other sports, movies and series.	€14.00/PPP€13.87 per month (currently €8.00/PPP€7.92 per month for first four months).	Y
2007	UK	Sky	PremPlus	Sky's PPV service showing Premier League football was closed, after losing the rights to the relevant matches.	N/A.	N
2008	Germany, Austria, Switzerland	Premiere	DTH and digital cable	Premiere Flex cards withdrawn from sale. Existing customers are able to use cards but renewals are not possible. [Redacted].	N/A.	N
2008	Belgium	Belgacom TV	IPTV	Introduced season ticket packages: “My Club”, which shows all matches of one top-tier Belgian club; and “All Foot”, which shows all football matches from the top tier of the Belgian league.	All Foot: €19.95/PPP€19.12 per month. My Club: €9.95/PPP€9.54 per month.	Y
2008	Netherlands	UPC, Ziggo	Digital cable	Top-tier live football available on a pre-pay card basis.	Eredivisie: Canal Digitaal - €11.95/ PPP€11.57 per month. UPC - €9.95/PPP€9.63 on top of basic cable (€20.37/PPP€19.72). Ziggo – €14.95/PPP€14.47 on top of basic cable (€15.90/PPP€15.39).	Y

Date of change where precisely identified	Country	Retailer	Delivery	Description	Pricing	Service still active (Y/N)
	Sweden	Canal Digital, ComHem, Telia, Viasat	Canal Digital: Satellite/Cable/IPTV ComHem & Telia: Cable Viasat: Satellite	Season card – gives access to select games from Premiership football and Elitserien ice hockey. Season card Elitserien – access to all Elitserien ice hockey matches shown on Canal+, Both are offered by Canal Digital, ComHem and Telia. Season card Club – access to all games for one hockey team of the viewer's choice, offered by Canal Digital and ComHem. Season card Allsvenskan – access to seven out of eight Allsvenskan football matches in each round. Offered by Canal Digital, Telia and Viasat.	Season card: SEK139/PPP€11.93 per month. Season card Elitserien: SEK229/PPP€19.65 per month, SEK1350/PPP€115.84 lump sum for ComHem. Season card Club: Canal Digital SEK199/ PPP€17.08 per month, ComHem SEK1,150/ PPP€98.68 lump sum. Season card Allsvenskan: SEK149/ PPP€12.79 per month, SEK139/ €11.93 per month for Telia	Y

* Not a main retailer
Source: PwC analysis

[Redacted].

4.3.5 Pricing

We identified few significant changes in pricing that occurred (absent changes in package structures) in the 15 sample countries over the past 5 years. The prices of pay TV services typically rise annually in line with inflation, and in some of the highly cabled/legacy cable countries cable access prices are regulated. An expert in the pay TV sector in France noted that the pricing of triple-play services (telephony, internet and largely FTA TV services) in France at €30.00/PPP€28.35 per month had set a benchmark for pricing as it coincides with the “genuine” pay TV entry price. The only pricing changes of significance brought to our attention are:

- In Germany the most significant pricing change was a substantial increase in prices of entry-tier genre-based packages to €19.99/PPP€19.42 from €9.99/PPP€9.70 (although the content added to these packages was simultaneously expanded) in 2008; and

- In Italy the most significant pricing change has been Sky Italia equalising prices of important content so that packages including important movies, important sport and other sport are available at the same price. In 2008, Mediaset Premium Gallery⁶⁷ substantially discounted its new Gallery subscription packages [Redacted].

4.4 Concluding remarks

In this section we assess the changes reported in the preceding sections and provide a summary of those changes we consider to be the most significant. We identified a number of significant changes in the pricing and packaging of audiovisual content in the past five years in most countries surveyed. However, across territories the changes identified need to be considered in the context of whether they have been made by new entrants (e.g. Plus TV in Finland and Meo in Portugal) with relatively low bases of subscribers, or by leading retailers with substantial bases of subscribers, as they will impact consumer outcomes differently.

Key changes relate to the introduction of pay TV on DTT

There have been significant changes in the retail of audiovisual content that have come from the introduction of services from DTT pay TV retailers. For example retailers of pay TV on DTT platforms generally only have capacity to retail a very small number of channels. As such they inevitably offer different packaging models from other retailers (e.g. digital cable, DTH) that are able to offer a much larger choice of pay TV content.

Genre-themed basic packages have become more prevalent

We identified seven main retailers that have introduced genre-themed basic packages in the past five years. While this may appear a relatively small number, in the context of the relative paucity of other significant changes identified, this appears to be a significant trend. This trend appears to have been led by DTH retailers, commencing with Sky (UK) in 2005 and Premiere (Germany) in 2006. The UK is seen as a “pioneer” in this regard.

Access to premium channels usually requires some degree of buy-through

Despite a limited number of exceptions identified in this report, there is generally some form of buy-through requirement in order to access premium channels.

Other changes

Other significant changes include:

⁶⁷ We note that Mediaset’s Premium Gallery (Italy) includes some first-run movies and some first-run series. However, inspection of the package reveals that relatively little of its content is important movies and hence we exclude it from our definition of premium pay TV “light”. [Redacted]

- A small number of changes in the availability of certain pay TV channels on a standalone basis – in particular the introduction of Mediaset Premium Calcio 24 to pay DTT by Mediaset in Italy and the introduction of Setanta Sports 1 to pay DTT in the UK; and
- A small number of changes in “pre-pay” cards and “season tickets” pricing structures – in particular the introduction of “season tickets” for important sports content in Belgium, Italy and the Netherlands (a similar service has been available in France for more than 5 years). However, in 2008, Premiere stopped retailing cards for its Flex pre-pay service, and Mediaset converted its pre-pay cards into subscription packages.

Concluding remarks

Based on the findings of our First Report, together with those in this supplementary report, it appears that the main model prevailing for the retailing of pay TV services in the countries surveyed is the bundling of groups of channels (and bundling together with other services such of internet and telephony) with buy-through required to access premium channels, although the nature of this buy-through has been evolving (e.g. with the provision of content in genre-based packages). There are exceptions to this model – notably a small number of pay TV “light” services (largely on DTT), standalone and à la carte offerings in Scandinavia, and some nascent and wide-ranging SVOD services.

Overall we note that there have not been considerable numbers of significant changes in the pricing and packaging of audiovisual content in the past five years, and nor do there appear to be territories that have experienced significantly more changes than others.

The UK appears to have experienced at least as many significant changes as other countries, for example Sky appears to have been a leader in the switch to a “many-plus” package structure and Setanta and Virgin Media have both introduced changes to buy-through requirements to access important content. Setanta also introduced a standalone premium sports channel (via DTT).

5 Augmenting the PwC “innovation indicators”

5.1 Introduction

In our First Report we compiled “innovation indicators” for the pay TV sector in each country surveyed. We considered the following: digital TV, VOD, PVRs, HDTV, IPTV and mobile TV. We considered that innovations of particular importance to the pay TV sector had been the introduction of digital TV, VOD, PVRs and HDTV, as technologies which provide, or enable the provision of, genuinely new services that substantially change a consumer’s pay TV experience. We conducted our innovation assessment on the introduction and penetration of digital TV, PVRs and HDTV. We did not include IPTV⁶⁸ and we excluded VOD on the basis that fully comprehensive data on penetration of VOD services were not available.

In Section 4 we discussed significant changes in pricing and packaging of pay TV services – one possible indication of innovation. We discuss the potential inclusion of innovation in pricing and packaging into our innovation indicator in Section 5.2 below.

In this section, following our Terms of Reference, we augment the innovation indicators from our First Report with indicators of VOD and NVOD introduction⁶⁹.

5.2 Innovation in pricing and packaging of pay TV services

Sections 3 and 4 of this report set out both the prevalence of different package structures and significant changes in pricing and packaging in the past five years. Taken together these sections provide information relevant to judgement on where retail innovation may have occurred. In line with the development of “innovation indicators” for digital TV, HDTV and PVRs, we also considered whether we could develop an analogous retail “innovation indicator”. This ideally would incorporate the provision of audiovisual content on a standalone, VOD and premium pay TV “light” basis together with significant changes in the pricing and packaging of audiovisual content. However, we consider that there are a number of difficulties in establishing such a “retail” “innovation indicator”:

- It would be difficult to establish the equivalent of launch dates and penetration metrics to develop an analogous “innovation indicator” as we did for the approach for digital TV, HDTV and PVRs; and

⁶⁸ Our First Report did not include an IPTV innovation indicator. We considered IPTV inappropriate for inclusion because:

- It is an alternative means of receiving existing services alongside other communication services rather than an innovation that changes the nature of the services that consumers receive (although we note that the technology may be particularly suited to some other services such as VOD); and
- Its introduction and subsequent penetration of TV households is more likely to depend on innovation in the telecommunications sector rather than the pay TV sector, although we acknowledge that sector differences are starting to blur because of the process of convergence.

⁶⁹ In line with our Terms of Reference we do not investigate IPTV on the grounds that IPTV is an alternative means of receiving existing services alongside other communications services and that its development is more likely to depend on innovation in the telecommunications sector rather than the pay TV sector.

- The existence of specific package bundles/structures are difficult to translate directly into consumer outcomes (absent penetration data), especially given the differences in the range and quantity of the content supplied and consumer preferences.

Given the issues set out above, retail innovation would appear to be difficult both to measure appropriately and to relate directly to positive consumer outcomes (absent consumer research). Our assessment of retail innovation therefore relies on qualitative factors.

We have however reconsidered generating a VOD/NVOD innovation indicator and we discuss our approach in Section 5.3.

5.3 VOD/NVOD services

5.3.1 Context for innovative services

In respect of VOD/NVOD services, we note the specific importance of considering these services in combination with the information on PVRs (in particular) in our First Report. Similarly, it is important to consider each innovative service in the context of the main pay TV delivery technologies prevalent in a country, since some services are more suited to some delivery technologies than others – for example VOD is more suited to digital cable and IPTV than to DTH.

5.3.2 Developing VOD and NVOD innovation indicators

For the purposes of this study we have revisited whether reasonable and robust VOD and NVOD innovation indicators can be developed. For comparability with the indicators in our First Report, an ideal indicator would incorporate both measures based on introduction date and on the penetration of services in TV households. Conceptually, and in line with the approach adopted for the digital TV, PVR and HDTV innovation penetration indicators, we considered that the appropriate penetration indicator is the number of subscribers able to receive the service that use the service as this demonstrates consumer demand for the service⁷⁰. However, while data on VOD and NVOD launch dates are readily available, penetration data are not typically publicly available across all surveyed countries on a reliable and consistent basis. Owing to the lack of such data we do not consider an equivalent to the penetration indicators for VOD and NVOD, but recommend that the potential access to these services is considered as important context to the innovation assessment conducted below.

⁷⁰ We considered usage i.e. “buy-rates” as a possible penetration indicator. However these data per se may not necessarily be positively correlated with consumer outcomes. This could be referred to as the PPV quantity “fallacy”. Significant usage of PPV services may be indicative of the relative attractiveness of the content provided in those services compared to the content available in subscription packages. Some consumers may indeed prefer to have a large proportion of content retained on a PPV basis, whereas others may prefer to purchase content on a subscription basis (for example because of reduced time requirements to purchase the service repeatedly, or simply because PPV services tend to be more highly-priced on a programme-by-programme or event-by-event basis). In Spain, for example, whilst much important sports content is made available on a PPV basis rather than within channels on a subscription basis, it is not apparent that this is necessarily a positive outcome for consumers.

5.3.3 NVOD

NVOD is the provision of content (programme, movie etc.) on a number of channels commencing at different times, typically at least every 30 minutes. For example, as part of an NVOD movie service, the same movie might start on a different channel every 15-30 minutes – thus allowing consumers to select which start time suits them best.

NVOD as a measure of innovation in pay TV

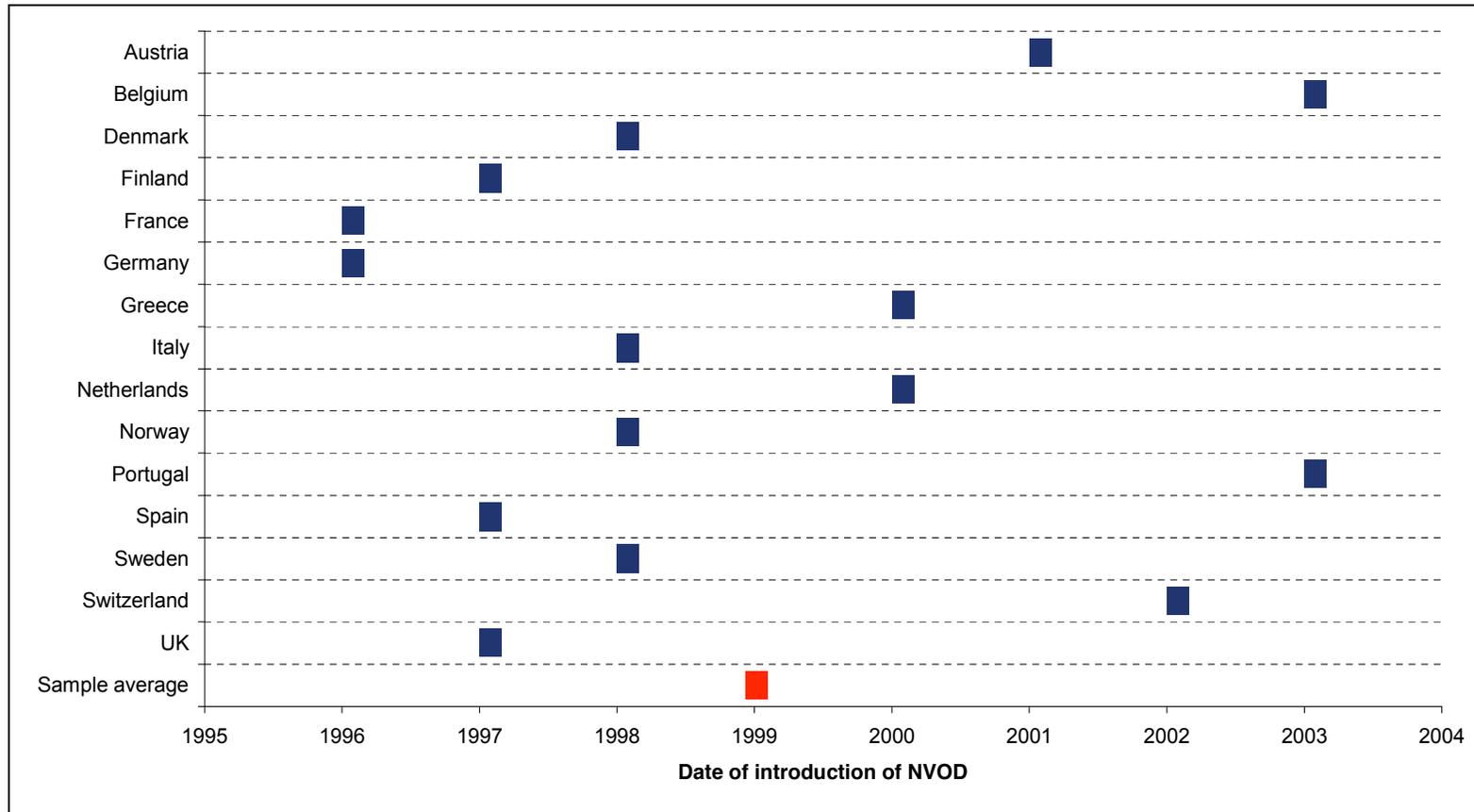
The introduction of NVOD is a genuine innovation in the provision of TV content to consumers. It enables viewing to be time-shifted, by starting programmes a number of times, giving consumers more than one opportunity to view a programme. We note that when the introduction of NVOD occurred in many countries, the infrastructure and technology required to support full VOD was generally not present – further supporting the case for the inclusion of NVOD as an innovative service. However, as mentioned, usage⁷¹/penetration statistics are usually not available and as a result of this lack of data we have not presented a penetration analysis as we did for the innovations in our First Report. Data on the date of introduction of identified NVOD services are presented below.

Date of introduction of NVOD

Figure 6 shows when NVOD was introduced to pay TV in each of the countries surveyed. Our research identified that, for the countries surveyed, the earliest identified NVOD services in each country were introduced between 1996 and 2003. The countries in our sample that were the first to launch NVOD were France and Germany in 1996. The countries latest to launch NVOD were Switzerland in 2002 and Belgium and Portugal in 2003.

⁷¹ As discussed, in any case usage does not per se necessarily equate to a positive consumer outcome.

Figure 6: Date of introduction of NVOD



Source: Screen Digest, retailer websites and PwC analysis

5.3.4 VOD

VOD (both push and pull) allows consumers to select the time at which they view TV content⁷². Pull VOD potentially may provide a greater library of content from which consumers may choose, whilst push VOD is more likely to be connected to a PVR and hence includes additional services such as pausing and rewinding live TV. Despite this distinction, we note that pull VOD can be combined with PVRs and that the service ultimately delivered to consumers by push- and pull-VOD are very similar and hence we do not distinguish between them for the purpose of this innovation indicator.

VOD as a measure of innovation in pay TV

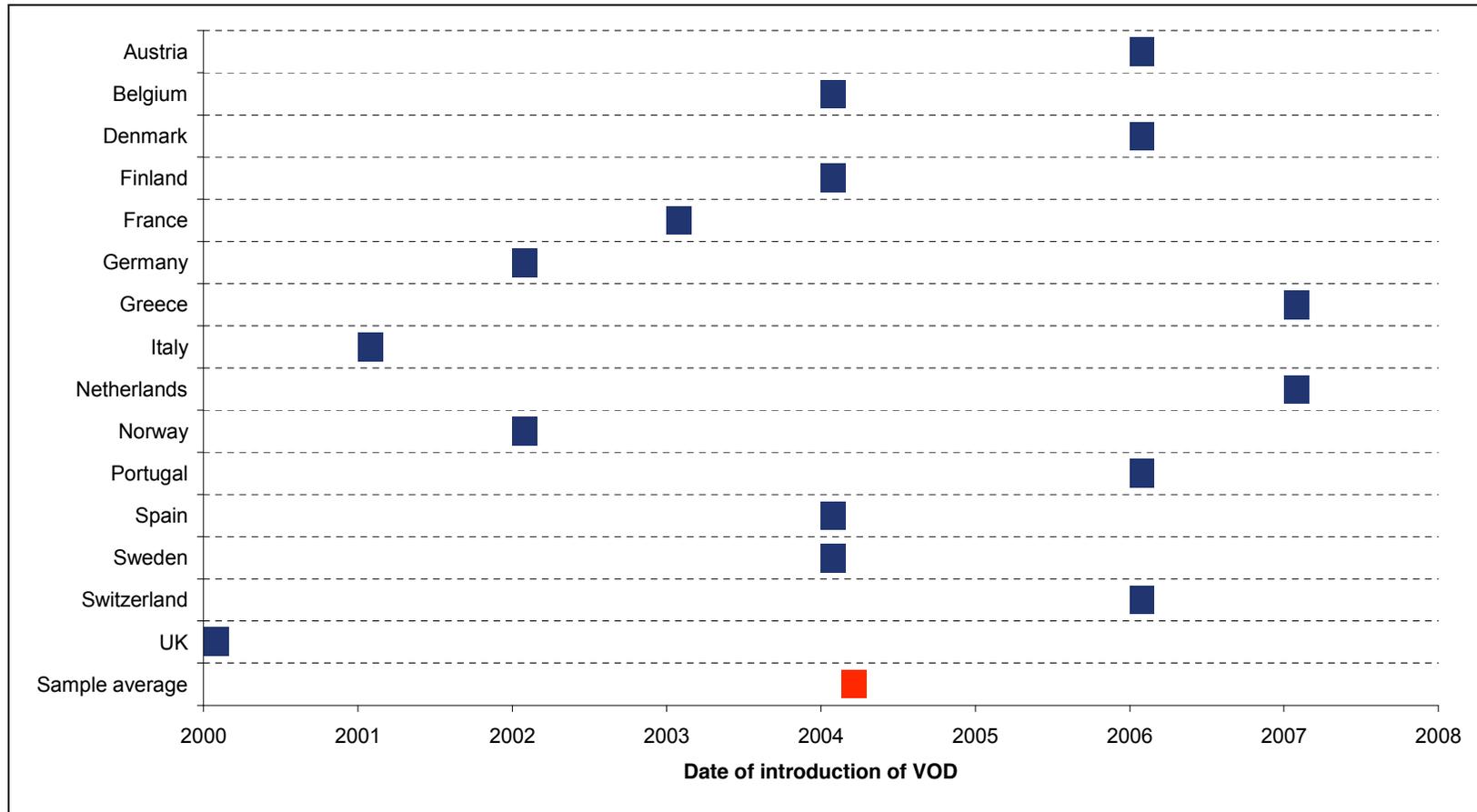
VOD is a genuine innovation in the provision of TV content – it provides consumers with the option of time-shifting their viewing and increases the choice of content available to consumers at the point of viewing. However as mentioned, comprehensive and comparable usage⁷³/penetration statistics are not widely available and as a result of this lack of data we have not presented a penetration analysis as we did for the innovations included in our First Report. Data on the date of introduction of identified VOD services are presented in Figure 7.

Date of introduction of VOD

Figure 7 shows when VOD was introduced to pay TV in each of the countries surveyed. Our research identified that for all countries surveyed, the earliest identified VOD services in each country were introduced between 2000 and 2007. The country earliest to introduce VOD was the UK in 2000 and the countries latest to introduce VOD were Greece and the Netherlands in 2007.

⁷² Push VOD needs to be downloaded to the set top box.

⁷³ As discussed, in any case usage does not per se necessarily equate to a positive consumer outcome.

Figure 7: Date of introduction of VOD

Source: Screen Digest, retailer websites and PwC analysis

Note: Kingston Communications launched VOD on Kingston Interactive Television in 1999. This service was limited to Kingston-upon-Hull.

5.4 Indicator of innovation launch dates

Augmenting the innovation launch date indicator from the First Report

In our First Report, we presented an innovation launch date indicator calculated as the sum of years since the introduction of digital pay TV, HDTV and PVRs in each country. The indicator was calculated such that, if an innovation was introduced in 2007, it was recorded as “one”, even though it was less than a year’s elapsed time between launch and the time at which we compiled our first report. We took this approach to ensure that innovations that occurred in 2007 were recognised as having occurred – i.e. scoring more highly than a country in which (at that time) an innovation had not occurred.

A year has elapsed since we compiled the data underpinning our First Report – hence the number of years since introduction of each service has increased by one year – and hence each figure in the tables below has increased by one. We note that while no HDTV services were identified in either Spain or Greece at the time of our First Report, such services do now exist in Spain⁷⁴ but we have not identified HDTV services in Greece. Hence in this report Spain scores a “one” for the number of years since introduction of HDTV⁷⁵.

Indicator of innovation launch dates

We combined the number of years since introduction of the pay TV sector innovations for which we have launch dates. This demonstrates that the UK, France and Germany emerge as the leading countries in terms of relative early introduction of the innovations. Four countries (Finland, Italy, Norway and Sweden) are relatively close behind. Belgium, Greece, Portugal and Switzerland emerge as the lowest ranking countries in terms of these innovation launch dates.

⁷⁴ In Spain, Digital+ launched the Canal+HD channel in January 2008 (Source: Informa, “Western European TV”, 12th edition).

⁷⁵ We note that in generating an overall innovation indicator, each innovation could be given a weighting. Generating weights for each of the services, absent robust consumer research data on each country, would require making a value judgement about the relative “innovativeness” or “importance” of each innovation. We do not consider such an approach to be appropriate, given that different innovations provide different services and opportunities to consumers and that some services are (mostly) substitutes for each other (e.g. PVRs and VOD) whereas others are complements (digital pay TV and any innovative service).

An argument can be made that this innovation indicator implicitly weights older innovations more heavily than more recent innovations, since the potential difference between launch dates is larger. We note that (in addition to any adjustment being based on value judgements rather than evidence), such a weighting may not be inappropriate. For example, if a country introduced a technology such as digital pay TV much later than other countries where it had been established for many years, then this is likely to be a stronger indicator of its degree of innovation than any difference of a matter of months in the introduction of much more recent innovations.

Table 18: Innovation introduction indicator based on launch dates

Country	Number of years since introduction of digital pay TV	Number of years since introduction of PVRs	Number of years since introduction of HDTV	Number of years since introduction of NVOD	Number of years since introduction of VOD	Innovation introduction indicator = sum of preceding columns
UK	11	8	3	12	9	43
France	13	6	3	13	6	41
Germany	13	5	3	13	7	41
Italy	13	3	3	11	8	38
Norway	12	4	4	11	7	38
Finland	12	4	4	12	5	37
Sweden	12	4	4	11	5	36
Spain	12	2	1	12	5	32
Denmark	11	4	2	11	3	31
Austria	12	4	3	8	3	30
Netherlands	13	3	3	9	2	30
Belgium	11	3	2	6	5	27
Switzerland	10	4	2	7	3	26
Greece	10	3	0	9	2	24
Portugal	11	2	2	6	3	24
<i>Sample average</i>	<i>12</i>	<i>4</i>	<i>3</i>	<i>10</i>	<i>5</i>	<i>33.2</i>

Source: PwC research

5.5 Innovation penetration assessment

Augmenting the innovation penetration indicator from the First Report

As discussed in Section 5.3, comprehensive, reliable and comparable data on NVOD and VOD usage⁷⁶/penetration of TV households are not available; hence it is not possible to incorporate these into our innovation penetration assessment. We note that this approach is consistent with Ofcom⁷⁷ which, when considering “enhancing services”, provides an assessment of HDTV and PVR penetration⁷⁸. Given that NVOD and VOD are now available in all countries, digital TV’s penetration of TV households may also be viewed (in addition to an innovation itself) as a proxy for access to NVOD and VOD services – although this proxy does not take into account the restrictions of these services to specific platforms or retailers.

Given the lack of data on NVOD and VOD usage/penetration of TV households the most appropriate innovation penetration measure is the same as for our First Report, which we reproduce in Figure 8 below⁷⁹.

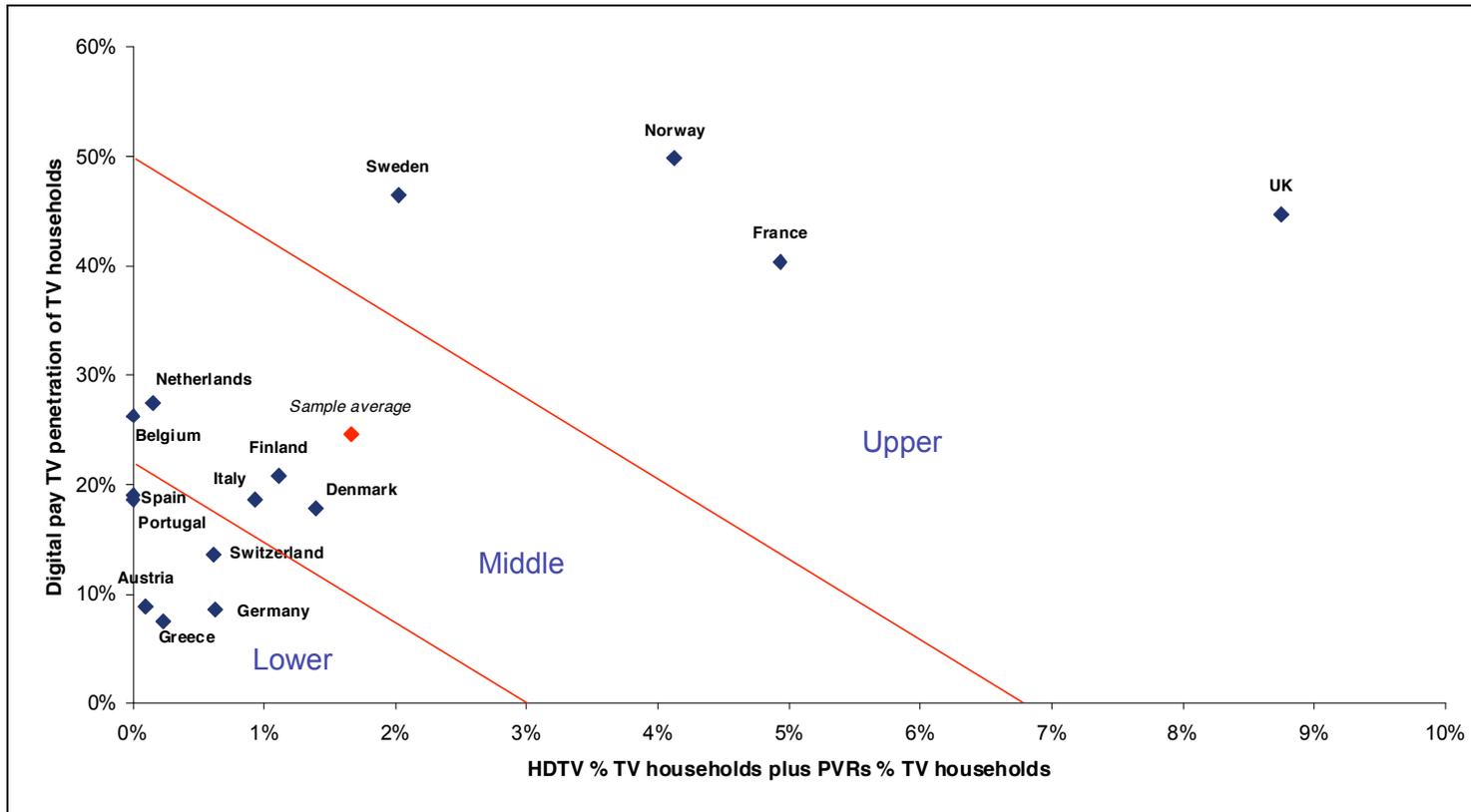
⁷⁶ As discussed, in any case usage does not per se necessarily equate to a positive consumer outcome.

⁷⁷ “The International Communications Market 2008”. See <http://www.ofcom.org.uk/research/cm/icmr08/icmr08.pdf>.

⁷⁸ An assessment of NVOD and VOD penetration is not included.

⁷⁹ Note that, for consistency with our First Report, penetration statistics displayed here are by the end of 2006.

Figure 8: Innovation penetration assessment*



Source: PwC First Report/Screen Digest and PwC analysis
 These data are now a year out of date and hence may understate current penetration.

5.6 Overall innovation assessment

As in our First Report, we combine our innovation introduction indicator and innovation penetration assessment into an overall innovation assessment.

Using our overall innovation assessment, France, Norway, Sweden and the UK emerge as the countries for which we assess innovation as “Upper”. Those countries for which we assess innovation as “Lower” are Austria, Belgium, Greece, Portugal, Spain and Switzerland. This assessment is based on:

- Years since the introduction of digital pay TV, PVRs, HDTV, NVOD and VOD; and
- Digital pay TV, PVRs and HDTV penetration of TV households⁸⁰.

⁸⁰ By the end of 2006 (for consistency with our First Report).

Table 19: Overall innovation assessment

Country	Innovation introduction indicator	Innovation penetration assessment	Overall innovation assessment
France	41	6	Upper
Norway	38	6	Upper
Sweden	36	6	Upper
UK	43	6	Upper
Denmark	31	4	Middle
Finland	37	4	Middle
Germany	41	3	Middle
Italy	38	4	Middle
Netherlands	30	4	Middle
Spain	32	3	Middle
Austria	30	2	Lower
Belgium	27	3	Lower
Greece	24	3	Lower
Portugal	24	3	Lower
Switzerland	26	3	Lower

Source: PwC analysis

We augmented the innovation assessment conducted in our First Report to incorporate the launch of NVOD and VOD services. In our First Report, we identified four countries as the leaders in terms of the innovation services we assessed – the UK, France, Norway and Sweden. We identified five countries – Switzerland, Greece, Portugal, Belgium and Spain – that could be described as “laggards” in respect of introducing and driving take up of pay TV innovative services. Including the launch dates of NVOD and VOD services in the innovation assessment does not alter this pattern for the leaders. For the “laggards”, Spain leaves the group and is replaced by Austria.

6 Concluding remarks

6.1 Introduction

In this final section of the report we provide some concluding remarks regarding the findings of the research and analysis we conducted. The objective of the study was to augment the research conducted for our First Report by examining the provision of specific types of audiovisual content and identifying whether there have been any significant changes in the past five years in the pricing and packaging of audiovisual content in 15 European countries. We also considered whether the “innovation indicators” developed for our First Report could be enhanced in light of the further research conducted for this study.

We supplemented the desk research conducted for this study with interviews with 58 customer services departments at pay TV retailers and 24 experts in pay TV across the territories⁸¹. We focused our analysis on pay TV offerings from 42 main retailers and 30 other retailers, although, during the initial stages of our work, we also reviewed in brief the provision of audiovisual content by a further 17 pay TV retailers. We established a data and information resource and analysed a subset of the data for the 15 countries in order to compare and highlight some of the key differences in consumer outcomes across these countries.

In the three main sections of this report we have presented:

1. A review of the current provision of the audiovisual content on:
 - An à la carte/ standalone channel basis, i.e. where consumers may subscribe to individual pay TV channels (Section 3.3);
 - A PPV basis, including PPV VOD, PPV NVOD and single channel PPV services (Section 3.4);
 - An SVOD basis, including subscription NVOD and subscription VOD services (Section 3.5);
 - A bundled “free” VOD basis (Section 3.6);
 - A premium pay TV “light” basis, i.e. “important” content is available in a small single package offer (Section 3.7); and
 - Other notable forms of pricing and packaging that we have identified in this study (Section 3.8).
2. An assessment of significant changes in the prices and packaging of audiovisual content; and
3. “Innovation indicators” illustrating the history of introduction of innovative services and their subsequent penetration of TV households.

In our First Report we emphasised that there are substantial difficulties inherent in comparing pay TV sectors across countries and also difficulties in obtaining consistent data on the prices of pay TV and the numbers of subscribers to pay TV. We emphasised that in particular a price comparison in the absence of

⁸¹ In addition we received one written submission.

what the price buys is not meaningful. We also noted that consumer preferences for pay TV services differ across countries. These comments remain important and valid considerations for this report as does the distinction between “genuine” pay TV services and “non-genuine” pay TV services.

6.2 Overall findings

We provide brief concluding remarks on each of the main findings resulting from our research below.

6.2.1 Buy-through

In our First Report we analysed 92 comparable packages based on offerings from 22 leading pay TV retailers in our sample of 15 countries in terms of prices and content. The offerings all required some form of buy-through to subscribe to premium channels. In conducting the research for this study, it is notable we found that this model generally prevails within the larger sample of retailers we researched in this study. Based on the retailers we surveyed, an absence of buy-through⁸² to premium channels or other services including important content occurs only in a small number of exceptions. The main exceptions we identified are:

- The provision of premium pay TV “light” (see below);
- In Spain – where important sports and movies content is concentrated on a single channel (Canal+) that is exclusive to a single retailer (Digital+). This channel is included in every package offered by Digital+, and hence there is actually buy-through of a premium channel to obtain basic channels;
- Setanta via DTT, DTH and the internet in the UK, in which important sports content (on the Setanta Sports 1 channel), can be subscribed-to without buy-through of other services; and
- A small number of other services (e.g. Premiere Bundesliga (Germany), Eredivisie (the Netherlands)) that offer “season ticket” subscriptions to important sports content.

6.2.2 À la carte/standalone channels

In the sample of retailers we examined, the number of standalone channels retailed is small (compared to the number of pay TV channels typically available to consumers) except in Scandinavia (and one retailer in Portugal). Standalone channels generally require buy-through and standalone premium channels are rarely available.

⁸² The reader is reminded that we define buy-through as a package structure that requires that a non-negligible regular fee for another service (“genuine” pay TV, other TV services or non-TV services) is paid to access additional packages (typically containing important content).

The provision of standalone channels by a main retailer exists in 11 countries in our sample. Out of the 42 main retailers in our sample, 23 offer one or more channels on a standalone basis, most of which require buy-through. These are Setanta (Setanta Sports 1 on DTT) in the UK and Mediaset (Mediaset Calcio 24 on DTT) in Italy. It is notable that these are both retailed on DTT platforms and both offer sports content. However only Setanta Sports 1 includes important sports content and hence is the only premium channel without a buy-through requirement we identified. Four main retailers out of a sample of 42 offer premium channels on a standalone basis – Orange TV in France, Setanta, Sky⁸³ and Virgin Media in the UK.

In Scandinavia, it is more common (than elsewhere in our sample of 15 countries) for retailers to offer relatively large numbers of channels (compared to the number of pay TV channels typically available to consumers) on a standalone basis. For example, Canal Digital offers 41 standalone channels in Denmark, Welho Oy in Finland offers 28 and ComHem in Sweden offers 69 channels on a standalone basis. In all of these examples however, some form of buy-through is required in order to subscribe to these channels.

Similar to most of the countries surveyed, in the UK few channels are offered on a standalone basis although there are three main retailers offering standalone premium channels and the only main retailer out of our sample of 42 offering a standalone premium channel without buy-through operates in the UK.

The retailing of channels on an à la carte basis is not common practice and is restricted to a small number of retailers in Scandinavia (we identified five main retailers offering this package structure – in Denmark, Finland, Norway and Sweden). These services are not fully à la carte – consumers select a sub-set of channels from a larger number of channels to build the package they desire. No premium channels were identified in these packages and the services have been recently introduced and so it is not possible to assess the success of these services.

In line with most countries in our sample (and with all countries outside of Scandinavia) we did not identify any retailers in the UK offering à la carte packages of channels.

6.2.3 PPV

We identified that PPV (single channel, VOD or NVOD) services are available in all countries surveyed except in Greece and that the majority of main retailers offer such services. It is common for these services to include important movies content or (to a lesser extent) important sports content – PPV services offering recent (usually including first-run) movies are available from 30 main retailers and PPV important sports content is available from 17 main retailers. Other PPV services typically comprise library movies and series⁸⁴.

⁸³ Sky retails Sky Sports 1 and Sky Sports 2 channels on Tiscali's IPTV network.

⁸⁴ Some PPV series services may be considered important content if they are offered soon after their debut in the US. However, for consistency in comparison of services, our discussion of important content focuses on important sports and movies.

Use of PPV football services in Spain and Italy has been relatively widespread (compared to other countries) although there is evidence that a main retailer [Redacted] is moving away from a PPV model to a subscription-based model and our expert interviews suggested that some in the industry do not consider a PPV-based model to be a sustainable business model.

The provision of PPV services in the UK is comparable to other countries in the sample in terms of the services offered. In particular we identified two main retailers offering PPV services including important movies content.

6.2.4 SVOD

The provision of SVOD services appears to be relatively uncommon across the 15 countries in our sample, with less than a quarter (only nine out of 42) of main retailers offering some form of SVOD service. Even within these nine services there is substantial variation in the type of SVOD services offered (single-genre vs. catch-up vs. library) and whether the services include important movies. Most of the services we identified are relatively new, having been launched since 2005.

We identified SVOD services from main retailers in seven out of the 15 countries we sampled. The only countries in which we identified SVOD services available from more than one main retailer are Belgium and the UK. We identified large libraries of content from retailers in France, Spain and the UK [Redacted]. We identified SVOD services including important movies in France only [Redacted]. We understand that consumer take-up of SVOD services has not been very strong and that there is evidence of some retailers switching from SVOD services to bundled “free” VOD services, as a means to reduce churn. Most of the services are relatively new (especially compared to the introduction of PPV services) and many of the services are not considered to be major services.

The UK appears to have more provision of SVOD services than most other countries in our sample particularly because Virgin Media offers a large SVOD library; [Redacted].

6.2.5 Bundled “free” VOD services

The provision of bundled “free” VOD services also appears relatively uncommon – whilst we identified such services from 15 (out of 42) main retailers, only eleven appear to be major services. We identified main retailers offering bundled “free” VOD services in ten countries in our sample of 15 countries.

We identified that the services have been introduced since 2004 when Orange TV in France launched its service. Services were launched in the UK and Belgium in 2005. Buy-through payments vary by retailer and the content provided is typically less extensive than that provided in SVOD services. Virgin Media (in the UK) is an exception – it provides to subscribers to its XL package at no extra charge the same VOD service it retails to other subscribers as an SVOD service. The provision of important movies via bundled “free” VOD is not common – and is generally conditional on a subscription to a package containing premium movies channels.

The UK appears to have greater provision of audiovisual services via bundled “free” VOD services than most other countries in our sample; they are offered by two main retailers (Sky and Virgin Media – Sky offers both internet and push VOD bundled “free” VOD services) and both retailers offer large libraries of content, in comparison to the limited (e.g. catch-up only) services offered by retailers in some other countries, for example [Redacted] bundled “free” VOD services consists of news reports only.

6.2.6 Premium pay TV “light”

The provision of premium pay TV “light” is not common in the 15 countries we surveyed, with the exception of Finland. We identified five such services from (out of a sample of 38) main retailers outside Finland (in France (two), Sweden (two) and the UK (although we do not consider the service in the UK to be a major service)⁸⁵). In Finland we identified five premium pay TV “light” services from two main retailers (out of a sample of four) and a further 16 such services from other Finnish retailers. Of the 28 premium pay TV “light” services we identified (from both main and other retailers), 21 are offered by retailers in Finland. The identified dates of introduction of premium pay TV “light” services from main retailers are in 2004 or more recent, with the services from [Redacted] (Finland) the earliest identified, in 2004.

Prices for premium pay TV “light” packages from main retailers vary from below PPP€19.99 (four packages across three retailers)⁸⁶, between PPP€20.00 and PPP€29.99 (five packages across four retailers) and over PPP€30.00 [Redacted].

Similar to most of the countries in our sample, the UK has relatively little provision of premium pay TV “light” packages. We identified one such service [Redacted] in the UK [Redacted].

Overall it is clear from our research that, outside Finland, premium pay TV “light” is not a common form of packaging important content in the countries surveyed.

6.2.7 Significant changes in the pricing and packaging of audiovisual content

Against the general context of technological and other changes in the retailing of audiovisual content, including the bundling of pay TV with other services⁸⁷, the development of IPTV and DTT delivery technologies⁸⁸ and those developments identified and analysed in our First Report, we identified a number of significant changes in the pricing and packaging of audiovisual content in the past five years in most countries surveyed except in Greece. The bundling of pay TV services with other services is now common amongst retailers on DTH, cable and IPTV platforms. The introduction of pay TV on DTT platforms has

⁸⁵ We also identified a service in Italy (Mediaset Premium Gallery) which includes some important movies content. However this content is only occasionally shown and hence we do not classify any of the channels in this service as premium channels.

⁸⁶ [Redacted].

⁸⁷ Triple-play and quadruple-play.

⁸⁸ And pay TV services delivered on platforms using these delivery technologies.

also resulted in a range of package structures and a tendency towards packages with small numbers of channels than platforms using other delivery technologies.

Of the changes identified, the following appear to be the most important:

- A change from “S,M,L-plus” packaging to “Many-plus” packaging based on genres – these enable consumers to choose channels in genres they prefer rather than subscribing to packages containing a range of channels across all genres. According to a number of experts we interviewed, a trend towards this packaging approach has developed following its introduction in the UK by Sky in 1995, with a number of leading and new entrant retailers adopting this approach;
- Changes in buy-through requirements to access premium channels – we identified a small number of changes but no trend emerges;
- A small number of changes in the availability of certain pay TV channels on a standalone basis containing important sports events (particularly from Setanta in the UK); and
- “Pre-pay” cards and “season tickets” pricing structures have been introduced in a number of countries during the past five years including France, Germany (subsequently withdrawn), Italy, Belgium, the Netherlands and Sweden. These pricing structures are not widespread and vary across the small number of countries.

Overall we note that there have not been considerable numbers of changes nor do there appear to be territories that have experienced significantly more changes than others. We do note, however, that as mentioned we identified no significant changes in Austria, Switzerland and Greece. These countries also appear in our innovation ranking (see below) as “laggards”.

The UK appears to have experienced at least as many significant changes as other countries, for example Sky appears to have been a leader in the switch to a “many-plus” package structure and Setanta and Virgin Media have both implemented changes to buy-through requirements to access important content. Setanta also introduced a standalone premium sports channel (via DTT).

6.2.8 Innovation assessment

We augmented the innovation assessment conducted in our First Report to incorporate the launch of NVOD and VOD services. In our First Report, we identified four countries as the leaders in terms of the innovation services we assessed – the UK, France, Norway and Sweden. We identified five countries – Switzerland, Greece, Portugal, Belgium and Spain – that could be described as “laggards” in respect of introducing and driving take up of pay TV innovative services. Including the launch dates of NVOD and VOD services in the innovation assessment does not alter this pattern for the leaders. For the “laggards”, Spain leaves the group and is replaced by Austria.

6.2.9 Final remarks

Innovation in the pay TV sector appears to have occurred primarily at the level of delivery technology that provides or enables genuinely new services (digital TV, VOD/NVOD, PVRs, and HDTV) rather than in retailing. It is clear from our First Report and this supplementary report that the pay TV retailing model that prevails is one of bundling of channels into packages, increasingly together with other services such as telephony and internet as additional options. From retailers on IPTV, cable and DTH platforms, genuine pay TV channels are typically offered in bundles of basic and/or premium channels. Outside this main model are a relatively small (compared to the total number of retailers surveyed) number of exceptions, notably a small number of pay TV “light” services (largely on DTT), standalone and à la carte offerings in Scandinavia, and some nascent SVOD services with wide variations in content offered and relative success.

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