

ANNEX 2

VIDEO ON DEMAND INNOVATION IN THE UK

1. Introduction

1.1 As we note in **Section 5** above, Ofcom's analysis of the state of VoD services in the UK is deeply flawed. Accordingly, this Annex addresses in detail the development of video on demand (VoD) services in the UK.¹ Broadcasters, pay TV retailers and a range of other providers have successfully launched a significant number of VoD services in the UK that have attracted an increasing user base, without the need to offer movies or sports content from Sky. Over 16,000 hours of VoD content including entertainment, movies and sports are currently available.² This figure will increase with time as more content is made available and more services are launched. In comparison to the countries considered by PwC in their report,³ the UK was one of the first to introduce VoD to consumers.

2. Overview of VoD innovation in the UK

2.1 There are several different types of VoD services: push-VoD, pull-VoD (also referred to as 'true' VoD) and near VoD ("**NVoD**"). The development of these services has been substantial, as has their take-up by consumers.

2.2 NVoD was the first form of VoD to be offered in the UK, offering content at different start times on a number of linear channels, usually with an interval of 15 minutes. Sky first launched an analogue NVoD service in December 1997 followed by a digital NVoD service in 1998. FrontRow also launched its NVoD service on cable in 1998.⁴ PwC notes that NVoD was "*a genuine innovation in the provision of TV content to consumers*" and that it was offered before it was technically feasible to launch 'true' VoD.⁵

2.3 Push-VoD services involve the provider of the service selecting programmes that are broadcast overnight to be automatically saved to personal video recorders (PVRs). The programmes are then available for the user to view at their convenience for a period of time.

2.4 Pull-VoD services store titles on an external server and make them available to users for viewing on request via their set top box or PC, on a streamed or download basis.

¹ Whilst this Annex does not explicitly consider PVRs, Sky considers that PVRs offer a VoD-type service to consumers. PVRs allow consumers to choose to record content, which may then be viewed on demand at a convenient time,

² Based on VoD content on Virgin Media, BT Vision, Tiscali TV, Top Up TV, Sky Anytime, BBC iPlayer, 4oD and ITV Player.

³ The PwC Report (**Annex 1**).

⁴ <http://atvod.org.uk/our-member/9>

⁵ Section 5.3.3 of the PwC Report (**Annex 1**).

- 2.5 VoD content can be offered in a number of ways: by subscription basis; on a transactional or pay per view (PPV) basis; or for free.

Awareness and Usage

- 2.6 VoD services have gained significant awareness and popularity with consumers. Continental Research carried out research in August 2008 that found 51% of adults were aware of VoD and 43% of adults had used a VoD service. Of those that had used a VoD service, 55% had done so via DTH satellite or cable TV service and 48% had done so via their PC.⁶

Movies and Sports

- 2.7 VoD movies are available from Virgin Media, BT Vision, Tiscali TV, Top Up TV, Sky, 4oD, Apple TV, iTunes, Microsoft Xbox Live Marketplace and Lovefilm. Each provider of movie VoD content will acquire content directly from studios in order to include it in their VoD service proposition. Some movie studios offer their own standalone VoD services such as Universal's PictureBox service on BT Vision, Tiscali and Top Up TV and Sony and Disney's Filmflex service on Virgin Media, with content available in some cases before they are shown on Sky's linear movie channels and a range of library titles.
- 2.8 Universal, Warner Bros. and Fox have all introduced 'day and date' on demand content in the UK, available via Virgin Media, BT Vision and Sky, bringing forward the opportunity for viewers to access these titles to either level or close to the date of the DVD release.⁷ Virgin Media, BT Vision, iTunes and Microsoft Xbox Live Marketplace all offer movie titles on a PPV basis before (and after) they are available on Sky's linear movie channels.
- 2.9 Sports content is not as well suited to VoD due, in part, to viewers' preference to watch sports coverage on a live basis. However, BT Vision offers its near-live coverage of Premier League football on a VoD basis and Sky offers sports updates and goal highlights on demand to mobile phones via the Sky Anytime Mobile service.

3. VoD Services from pay TV retailers

- 3.1 A large number of pay TV retailers have launched and provide VoD services. This section provides further detail on the principal pay TV VoD providers.

Virgin Media

- 3.2 Virgin Media offers a wide range of VoD content to its TV subscribers as well as a number of ways of accessing that content. For example, some content is provided directly by Virgin Media and some is provided by third parties such as the BBC through its integrated iPlayer on cable, Channel 4's 4oD service and ITV's ITV Player service. As a result, Virgin Media offers its customers access to

⁶ Continental Research, TV 3.0 The Digital and Internet TV Report, Autumn 2008

⁷ <http://www.variety.com/article/VR1117983559.html?categoryid=1972&cs=1>

a wide selection of VoD content including entertainment and movies and catch up services. It has positioned its VoD offering as a core feature of its service.

- 3.3 Virgin Media launched its rebranded VoD services in February 2007⁸ and now offers approximately 4,600 hours of on demand content. Its TV Choice VoD service is available on a subscription basis for £7 per month to non XL TV pack subscribers and is provided to 'XL' TV pack subscribers for free. Virgin Media recently stated that 50% of its digital TV base (around 1.7 million customers) actively uses its VoD services and reported 45 million average monthly views in November 2008.
- 3.4 The FilmFlex service (a joint venture between Sony and Disney) on Virgin Media offers PPV movies to rent on demand. It offers more than 500 titles, including some in high definition, before (and after) they are available on Sky's linear movie channels. Virgin Media reported 30 million PPV buys on FilmFlex between its launch in January 2005 and September 2008.⁹

BT Vision

- 3.5 BT Vision launched in December 2006 and delivers all of its content (with the exception of channels provided over DTT, including Setanta) on a VoD basis. BT Vision's VoD offering includes entertainment, movies and near-live Premier League football.
- 3.6 BT Vision has almost doubled its volume of VoD content over the last six months, driven by archive TV series and movies. With over 5,000 hours of content, BT Vision now claims to offer the largest selection of VoD of any pay TV retailer in the UK.¹⁰ BT Vision mainly provides VoD on a subscription basis with a number of VoD packs available to subscribers. BT Vision's VoD proposition offers free catch up content from BBC and Channel 4, and both catch up and archive content from ITV and Five. At the end of June 2008, BT reported that total VoD views per month reached 8 million, equivalent to 29 VoD views per subscriber per month.¹¹
- 3.7 BT Vision's proprietary VoD movies service offers access to around 30 movies at any one time (including around six HD movies per day) on a PPV basis.¹² Movies offered include both library titles and titles that are available before (and after) they are shown on Sky's linear movie channels,¹³ including new

⁸ NTL and Telewest both introduced VoD services in January 2005.

⁹ <http://pressoffice.virginmedia.com/phoenix.zhtml?c=205406&p=irol-newsArticle&ID=1202541&highlight>

¹⁰ <http://www.btplc.com/Thegroup/Industryanalysts/Industryanalystspresentations/BTVisionSport.ppt>

¹¹ <http://www.btplc.com/News/ResultsPDF/q408release.pdf>

¹² <http://www.btplc.com/news/articles/showarticle.cfm?articleid=%7Bd2589309-e005-4f3c-b357-7b591245a74e%7D>

¹³ See paragraph 2.1 of **Annex 3** to this Response for a brief description of movie windows in the UK.

releases on or around the time of DVD release¹⁴ (including movies from Twentieth Century Fox and Warner Bros.).¹⁵

- 3.8 BT Vision users can also access Universal's PictureBox movies service, offering a weekly rolling selection of 28 titles with seven new titles added each week on a subscription VoD basis (the service is available individually for £5 per month or included in one of several wider SVoD packages).

Tiscali TV (formerly Homechoice)

- 3.9 Tiscali TV offers approximately 3,900 hours of on demand content via its IPTV network, including entertainment from HBO and Warner TV, movies and catch up content from the BBC, Channel 4 and FX.^{16,17} Tiscali's PPV movies service provides access to around 1,500 films, including titles that are available before (and after) they are available on Sky's linear movie channels.
- 3.10 Tiscali has not released any data on the usage of its VoD services.
- 3.11 Tiscali TV also offers access to the NBC Universal PictureBox VoD movies service, which is available on a subscription basis for £5 per month. PictureBox offers 28 titles at any one time with seven new titles added each week.

Top Up TV

- 3.12 Top Up TV launched its push VoD service in August 2006, switching from linear channel distribution to a VoD format and branded as Top Up TV Anytime.
- 3.13 It offers 100 hours of VoD content each week on a subscription basis, including entertainment from Disney and Warner Bros.
- 3.14 Top Up TV also offers TV and movie content on a subscription VoD basis from NBC Universal, including the PictureBox VoD movies service, which is available on a subscription basis for £5 per month.
- 3.15 In July 2008, Top Up TV announced that it would offer new movie releases from Warner Bros. on a PPV basis, prior to the pay TV movie window.¹⁸
- 3.16 Top Up TV has not released data on the usage of its VoD services amongst its subscribers.

¹⁴ <http://www.btplc.com/news/articles/showarticle.cfm?articleid=%7Bbbe1015d-9139-49e8-b5ab-ef9fbc60a6e6%7D>

¹⁵ <http://www.timewarner.com/corp/newsroom/pr/0,20812,1565732,00.html>

¹⁶ A VoD service was launched by Video Networks Limited, under the name of Homechoice in 2000; the service was relaunched in 2004. In March 2007, the service was rebranded as Tiscali TV following Tiscali's acquisition of Homechoice.

¹⁷ Another IPTV provider, Kingston Interactive Television, launched in 1999 and introduced a VoD service in 2001.

¹⁸ <http://www.timewarner.com/corp/newsroom/pr/0,20812,1821640,00.html>

Sky

- 3.17 Sky Box Office offers DTH satellite subscribers over 50 screens of movies together with and occasional live sports and other special events.¹⁹ Sky Box Office also offers at least 10 movies each week in HD.
- 3.18 In January 2006, Sky launched a PC based VoD service 'Sky Anytime PC' (now called Sky Player) launched. Sky Player enables both Sky subscribers and non-subscribers to rent or purchase content on a PPV basis. Some content is also available free to Sky subscribers depending on their particular Sky TV subscription.
- 3.19 Sky Player offers over 4,500 pieces of entertainment, movies and sports content from Sky channels and other providers such as National Geographic and The History Channel; it also offers a catch-up service. The BBC iPlayer can also be accessed via Sky Player. Over 3 million pieces of content were downloaded via the Sky Player in 2008 (this number excludes any iPlayer content accessed via the Sky Player).
- 3.20 Sky Anytime TV provides access to approximately 40 hours of content which is transmitted to and stored on the hard-drives of a Sky+ PVR. Sky Anytime is available via all Sky+HD set top boxes and via newer models of Sky+ set top boxes (those acquired after November 2005). **[CONFIDENTIAL]**.
- 3.21 **[CONFIDENTIAL]**

4. VoD Services from terrestrial broadcasters

- 4.1 The BBC, Channel 4, ITV and Five have all introduced web based on demand services that provide content using a variety of models including streamed and download content, catch-up services and content archives both for free and on a pay basis. They also syndicate their services to other online sites and make them available to a number of platforms.

BBC iPlayer

- 4.2 The BBC launched its online iPlayer service in December 2007 providing a free seven-day catch-up service that makes BBC content available via streaming and download. Over 400 hours of BBC programming are available each week. The service also offers series stacking and advance booking features.
- 4.3 The iPlayer is available via an increasing number of devices including Virgin Media's set top box, the Nokia N96 and N85 mobile phones, Apple iPhone and iPod Touch, Nintendo Wii and Sony PS3. In October 2008, iPlayer became

¹⁹ Sky first launched an NVoD offering in 1997 when it introduced the PPV service, Sky Box Office, to its then analogue subscribers. In 1998, and following the launch of the Sky digital DTH platform, Sky introduced a digital version of its Sky Box Office service.

accessible via Sky's Sky Player. There are plans for the iPlayer to be made available via Freeview set top boxes, if approved by the BBC Trust.²⁰

- 4.4 The BBC reported that at the end of December 2008, total requests for content views had totalled 271 million since launch in December 2007 (excluding views via Virgin Media). A further 61 million requests via Virgin Media were recorded between launch in June and October 2008.²¹

4oD

- 4.5 Channel4's 4oD service launched in November 2006 offering entertainment and movies content to the PC on a streamed or download-to-rent basis, depending on the rights Channel 4 has to the content. Over 3,000 hours of content are now available.
- 4.6 4oD initially offered a selection of archive content on a PPV basis, but a free seven-day catch-up service was then added in April 2007. 4oD now has a 30-day catch-up download service. The service features a two week pre-booking facility. Channel 4 also launched a seven-day free catch-up service on channel4.com in April 2008 offering streamed content. Channel 4 plans to extend this service to 30 days.
- 4.7 Although most entertainment content is provided for free, films and some US content are available only on a PPV basis. Some titles are also available to own.
- 4.8 4oD is available on Virgin Media, BT Vision and Tiscali TV. In February 2008, 4oD claimed over 100 million programme streams and downloads since its launch in December 2006.²² Over one million users have accessed 4oD via PC and a further 2.3 million via Virgin Media, BT Vision and Tiscali.²³

ITV Player

- 4.9 ITV offers a web-based streamed VoD service named 'ITV Player' (rebranded from ITV.com in December 2008). Initially relaunched in 2007, it provides over 300 hours of recent ITV entertainment and sports programming via a 30 day catch up service. Some ITV archive content is also available. In June 2008, ITV reported the service had 6.8 million users and 69 million video views (including ITV Local)²⁴ since August 2007.²⁵

²⁰ http://www.broadcastnow.co.uk/news/2008/10/bbc_unveils_freeview_plans_for_iplayer.html

²¹ http://www.bbc.co.uk/pressoffice/pressreleases/stories/2008/12_december/04/vision.shtml

²² http://www.broadcastnow.co.uk/news/2008/03/4od_passes_100m_views.html

²³ <http://www.guardian.co.uk/media/2008/feb/27/channel4.digitalmedia>

²⁴ ITV Local is a website providing local news, weather and features on demand.

²⁵ <http://www.itvplc.com/about/businesses/online/>

Demand Five

- 4.10 Five initially launched an on demand service in October 2006 and relaunched the service as Demand Five in July 2008. Demand Five provides entertainment content on a free eight-day catch-up basis including content from the US. Outside this window, titles are available on a PPV basis. Users can also pay to access some programming before it is broadcast on one of Five's linear channels. Some titles are available to own and some are available in HD.
- 4.11 Five has not disclosed details of the number of hours of content available via its on demand service or the number of users of the service though it did report a doubling in traffic following the relaunch of the service.²⁶

Project Kangaroo

- 4.12 In November 2007, BBC Worldwide, Channel 4 and ITV announced plans to launch a joint VoD service with the working title 'Kangaroo'. Kangaroo plans to aggregate content from the three parent entities and third party content (including archive TV content and movie content).²⁷ It proposes to offer advertising funded free content, including a 30-day catch-up service; pay content on a rental basis for a limited period of time and content on a purchase to own basis. Some content may also be available on a subscription basis.²⁸
- 4.13 The service will initially be available online but may extend to a direct to TV service via Freeview and BBC/ITV Freesat set top boxes. It has also been reported that the joint venture plans to distribute VoD content to other sites through syndication of the service.

Project Canvas

- 4.14 In December 2008, the BBC, ITV and BT announced Project Canvas, an initiative to develop a common industry approach to deliver on demand content to the TV via the internet. Canvas is open to all public service broadcasters, internet service providers and device developers and is currently scheduled to launch in 2010.²⁹

5. Other VoD services

VoD delivered to games consoles

- 5.1 Microsoft began offering movies on demand in the UK in December 2007 via the Xbox Live Video Marketplace. The service offers content from Paramount, Warner Bros. and Disney amongst others. Content is available on a PPV basis in both standard definition and high definition. In January 2008, it was

²⁶ <http://about.five.tv/press/press-releases/demand-five-launches>

²⁷ Paragraph 3.5 of Parties' Joint Background Paper on the Joint Venture, 25 July 2008

²⁸ Paragraph 3.6 of Parties' Joint Background Paper on the Joint Venture, 25 July 2008

²⁹ http://www.bbc.co.uk/print/pressoffice/pressreleases/stories/2008/12_december/11/partnership2.shtml

announced that BT Vision would become available via Microsoft's Xbox 360 games console providing access to its on demand content including films and near-live Premier League football.³⁰ A launch date has not yet been announced.

- 5.2 In July 2008, Go!View, a joint venture between Sony and Sky was launched in the UK offering VoD content to Sony Play Station Portable users on a subscription and PPV basis. The service offers entertainment content including series from the US and UK (including BBC content), movies and sports content.
- 5.3 Nintendo announced in January 2009 that it will launch its own television channel for the Nintendo Wii featuring original content produced specifically for the service that will be delivered on a VoD basis. Most of the content is expected to be offered free of charge.³¹

Apple TV and iTunes

- 5.4 Apple iTunes offers a range of movies and TV content from studios that can be viewed on a TV using the Apple TV digital media adaptor (which launched in the UK in 2007), on a computer and on mobile Apple devices including the iPhone and iPod touch. Television series were first added to the UK iTunes store in August 2007. Since launch content has been made available from Fox, HBO, NBC Universal, the BBC, ITV and Channel 4 on a download to own basis with over 1,000 shows now available.
- 5.5 From June 2008, the UK iTunes Store offered PPV movies and movies to purchase on an electronic sell-through basis (EST). Around 800 titles are available in standard definition and some in high definition from Fox, Warner Bros. Disney, Sony, Universal and Paramount. New titles are available for purchase on the same day as their DVD release (i.e. prior to being available in the pay TV window on Sky Movies).

Lovefilm

- 5.6 Lovefilm launched its film download service in the UK in December 2005. The service offers over 2,500 titles on a download-to-rent and download-to-own basis with content from the major studios including Warner Bros., Paramount, Twentieth Century Fox and Sony. Lovefilm claims to have been the first service in the world to offer a major title for download on the same day as its DVD release when it offered *King Kong* in April 2006 from Universal.³² Lovefilm states that it offers more downloadable film titles in the UK than any other service, including BT Vision, Sky and Apple.

³⁰ <http://www.microsoft.com/presspass/press/2008/jan08/01-06MSBTXboxPR.msp>

³¹ http://business.timesonline.co.uk/tol/business/industry_sectors/media/article5429973.ece

³² <http://www.artsalliancemediacom/documents/LFUniDTO.pdf>

Babelgum

- 5.7 Babelgum delivers on demand content via PC using peer-to-peer technology. Babelgum only airs professionally produced content and has content licensing agreements with several content providers including the BBC and Shine. The service offers additional features such as recommendations and personalisation. Users can watch titles on demand and customise content into their own personalised 'channel'. The service also features a social networking feature that enables users to embed clips and create playlists.

Blinkbox

- 5.8 Blinkbox enables users to download and stream rented content including TV shows and movies. Movies are available to rent from £1.99 per title. It offers over 3,000 titles and 15,000 clips with content from Paramount, Warner Bros., Universal and Discovery.

Joost

- 5.9 Joost is an online streamed service that launched in the UK in 2007 offering on demand archive programming from Fox, Endemol and Viacom among others.

Tesco Digital

- 5.10 Some high street retailers have introduced VoD television and film services. A recent example is Tesco Digital's film and television download store which launched in beta version in November 2008. The retailer has signed deals with Sony and Warner Brothers for film and television content, offering titles on a download to own basis. Some Warner TV titles are available to download 24 hours after their first transmission on television. Tesco Digital also plans to launch a rental service for TV episodes.

6. VoD Services are highly developed in the UK

- 6.1 VoD services in the UK have grown significantly in terms of the number of providers, the content available and the features offered. VoD services are now available from a wide variety of sources including, pay TV retailers, broadcasters, games console manufacturers and high street retailers. Given the growth of VoD services and the improvements to these services in recent years, it is no surprise that usage of these services has increased substantially.

FIGURE 1: SUMMARY OF VoD SERVICES IN THE UK³³

Service	Launch Date	Hours of Content	Number of Users	Number of Views	Movies Offering
Virgin Media	2005	4,600	1.7 million	45 million monthly average.	- Filmflex service with titles from Sony and Disney available in the PPV window before (and after) they are available on Sky's linear movie channels.
BT Vision	2006	5,000	Not disclosed.	8 million per month.	- Its proprietary movie service with 30 movies titles available at any time on a PPV basis before they are available on Sky's linear movie channels. - New releases available on a PPV basis from Fox and Warner Bros. - Universal's PictureBox subscription service with 28 titles available at any time of which seven new titles are added each week.
Tiscali TV	2000 relaunched 2007	3,900	Not disclosed.	Not disclosed.	- Its own movie service offering 1,000 films per month on a PPV basis before (and after) they are available on Sky's linear movie channels. - Universal's PictureBox subscription service with 28 titles per week and seven new titles added each week.
Top Up TV	2006	100 per week	Not disclosed.	Not disclosed.	- Announced deal in July 2008 with Warner Bros. to offer PPV titles. - Universal's PictureBox subscription service with 7 titles available at any time.
Sky	Analogue NVoD service launched in 1997. Digital NVoD service launched in 1998	20 titles available per day 20 new titles added each month	512,000 unique users per month for the year September 2007 to August 2008 inclusive.	4.5 million PPV movie purchases during July to December 2008.	- Movies available on a VoD basis via Sky Box Office on TV, Sky Anytime TV and Sky Player on PC.
	Sky Player launched 2006	4,500 titles on Sky Player	49,000 unique users each month	3.2 million in 2008.	

³³ Data from company website and press releases. Data relates to UK services where applicable.

ANNEX 2

Service	Launch Date	Hours of Content	Number of Users	Number of Views	Movies Offering
			on average between January and June 2008.		
	Sky Anytime TV launched 2007	30 per week on Sky Anytime TV	1.3 million homes accessed Sky Anytime in October 2008.	35 million between January and October 2008.	
BBC iPlayer	2007	400 per week	Not disclosed.	237 million between December 2007 and November 2008 61 million via Virgin Media.	- Does not offer movie titles.
ITV Player	2007	300	6.8 million between August 2007 and June 2008.	69 million between August 2007 and June 2008.	- Does not offer movie titles.
4oD	2006	3,000	1 million via PC 2.3 million via Virgin Media, BT Vision and Tiscali TV.	100 million between December 2006 and February 2008.	- Library titles available on a PPV basis.
Demand Five	2006	Not disclosed	Not disclosed.	Not disclosed.	- Does not offer movie titles.
Apple TV and iTunes	TV content in 2007 Movies in 2008	800 movie titles including 100 in high definition. Over 1,000 TV shows.	Not disclosed.	Not disclosed.	- Claims to offer the widest range of VoD movie content in the UK with all the major studios providing titles. Titles are available before (and after) they are available on Sky's linear movie channels - New titles available to purchase the same day as DVD release.