

Sector Report interactive TV

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Introduction

Interactive Television, while still considered by most to be the next area of opportunity for new media development, has had a rocky ride in recent months. Despite the level of commitment shown by developers, agencies and certain TV companies, factors including the collapse of ITV Digital - and hence an unexpected vacuum in the promotion and availability of iTV - have left a gap between applications and consumer demand.

Despite this, companies are continuing to pour cash and resources into exploring this market as most are convinced that interactive television will provide a rich vein of direct and indirect revenues when households are eventually enabled with the right technology.

At the same time, the sector is struggling to come to terms with its place as an advertising platform. Partly related to the decline of TV revenues in general, and partly due to the lack of proven empirical evidence to justify its support, agencies are still grasping to persuade clients and their own media departments of iTV's value.

At the moment, the biggest challenge facing the majority of brand owners is the struggle to formulate and execute a business model that can justify the prohibitive costs of featuring on interactive television platforms.

This report aims to string these issues together - through opinion pieces from key figures, case studies from within the sector, plus essential research and data - to provide a comprehensive outline of the sector's development to date.



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iTV: A SECTOR WAITING TO HAPPEN

by Philip Buxton

The interactive TV sector has been isolated by many as the next major arena for the development of new media. While the web has helped make PCs invaluable tools; advertisers, media owners and technology developers are now counting on TV's 'lean-back' countenance - combined with its massive proliferation - to provide the basis for the next stage in the growth of interactivity.

The problems, however, have proved great. The collapse of iTV Digital meant that many households' means of access to interactive channels was cut, while cable companies have been facing huge financial constraints to the release of their own next phase of interactive technology.

Sky Digital, meanwhile, has provided much of the good news for iTV stakeholders. Its interactive services have shown great demand potential and persuaded many consumers of the value of digital television. However, the prohibitive costs of gaining a foothold on the Sky platform have helped prevent some experimental growth and its satellite-based means of delivery faces technological limitations that may limit its potential if cable companies are able to leap their financial hurdles.

Overseeing these problems is the Government. Its targets of 2005 for the provision of all government services 'online' and 2010 for the switch-off of the analogue TV signal have made the potential failure of digital TV to significantly penetrate mass markets an unthinkable prospect.

Working under this pressure, commercial iTV operators must develop effective business models - probably boosted by interactive advertising - if the apparent potential of iTV is to be realised.

The digital landscape

Precise figures for the availability of iTV services are somewhat vague due to understandable competitive concerns and conflicting

measurement systems. However, Forrester Research says iDTV penetration in the UK in 2001 had reached 7.9 million homes. [see Data i.]

Media giant OMD says that - based on suppliers' subscriber figures, and prior to the closure of iTV Digital - digital TV has reached 9 million homes, with Sky Digital claiming 5.7 million, iTV Digital 1.3 million, Telewest/NTL 2 million, and ADSL services such as BT and Kingston 80,000. [Data ii.]

Forrester says these figures place the UK in an overwhelming lead in Europe for the penetration of iTV. Government backing has played its part, but the major factor is the effort of Sky in increasing take up of its iTV services, plus its success in dominating satellite services.

According to Forrester, the UK accounts for 45% of iDTV penetration in Europe. France, Spain and Italy share 44%, with the remaining 11% accounted for by the rest of the continent. If the government believes the take-up of iTV will be a major driver for 'efficiency' [see Voice], then the UK has stolen a vital march on its European counterparts.

However, the availability of digital TV and its use as a 'valuable' and productive tool are separate questions. First, iTV has still to prove that its consumers are using its interactive features at all and, second, that they will use the 'web-style' services that have increased work-based efficiency to such an extent.

Currently, it seems that users of DTV services rarely use it for such productive features as access to local government services, efficient price comparison services, or general information as the government hopes. Instead, so far, successful interactive applications have been almost entirely focused on programme-based content. Those popular programmes that make the most of interactivity are seeing good usage, but they are acting as content-based drivers that build on the 'lean-back' attitude of TV viewers. iTV's usability as an educational tool is seriously hampered, say experts, by people's frame of mind during the viewing of television, compared with their attitude at a PC.

Robert Henderson, analyst at Sky-owned

iTV developer NDS says: "The popularity and coverage of interactive TV is always events-driven; events get interactive TV into newspapers. Big Brother, Wimbledon, MTV; all these drove coverage in the last six months of last year, but since then it's been very quiet. Everyone is waiting for Big Brother 3 and the World Cup.

"If you have very good content and then add an interactive service that extends and develops that content, then it will do very well."

Figures from Continental Research back up the argument, showing that the five most popular interactive services last year were, in order: Big Brother, Sky Sports Active, Wimbledon, 'Other' sports events, and Sky News Active.

Henderson adds: "People use their televisions for entertainment and do not use them for the same reasons they use the internet."

Revenue generators

Aside from basic programme-based applications, interactive betting and games-playing services have proven the most used iTV services. Datamonitor says, for example, that BSkyB generated £148m from interactive betting services in the 18 months to 31 March this year. It plans on boosting that to £700m by 2005. Meanwhile, Static 2358's PlayJam games channel gained 1.4 billion 'games played' in its first year and registered 750,000 UK users.

If iTV companies are to boost usage of iTV services and gain revenues, it is these areas into which they must clearly tap.

Andersen Consulting estimates that the UK iDTV market was worth £493m at the end of last year and will be worth £5.3bn by 2005. However, it adds that operators themselves will see only approximately £1.6bn of that market, working on an average subscriber spend of £100 per year. (see Research)

The reasons for the shortfall are in the revenue-sharing that will take place between developers, brand-owners and platform providers. Andersen says operators must concentrate on developing their own proprietary services if they are to see large margins.

It adds that expected seams for revenues on

iTV are Video On Demand (VOD), email - where companies can take shares of the phone call - and online gambling. Certainly, telcos such as Kingston Communications and its partners which offer broadband iTV connections are convinced that VOD will prove a cash cow and major driver of take-up of iTV services.

Rob Begg, director of iMagic TV, which develops applications for ADSL services such as Kingston's, says: "There's no question that VOD on broadband is the 'killer app'... also popular will be time-shifting TV [Personal Video Recorders (PVRs)], casual gaming and perhaps TV-based portals."

All these applications fit with TV's 'lean-back' nature and offer entertainment for which the TV viewer is in the right frame of mind rather than the more practical services that are popular on the web.

However, these services are also all reliant on effective 'two-way' or high-speed communications. Typically, iTV technology does not yet match the requirements to provide such applications to the mass market.

Dominant technologies

Each of the four major systems for providing interactive television services has its technological benefits and limitations. However, as has been seen so far, their success will also be largely dependent on the separate content they can offer and the effective marketing of their services.

Currently, the UK's interactive landscape contains cable TV, satellite digital, terrestrial digital, and ADSL, of which cable and satellite are expected to be the dominant platforms. Cable platforms are thought to offer the most effective way of offering digital services. Cable use can be precisely measured, will be available to the vast majority of homes, and can be easily bundled in with other home communications such as internet and phone.

However, cable is currently restricted thanks largely to the serious financial straits in which its two major players, Telewest and NTL, have found themselves. The soaring debts each has accrued through the expansion of their net-

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works has, among other things, led to delays in the roll-out of the next phase of cable iTV technology. This includes Liberate 1.3, Telewest's new platform which will improve the major technological limitation of cable systems. Currently, the basic Liberate platform does not provide ample bandwidth for the return path – the path channelling information from the user back to the platform and platform provider – to enable fast interactivity with rich media applications. However, from an original launch date of last year, plans to release Liberate 1.3 were moved back to Spring of this year and are still awaited. Such technologies are essential for the effective development of 'killer applications' through cable iTV.

Ed Freed of interactive agency Arnold Interactive says: "The iTV market is stagnant at the moment. The two cable companies have been struggling financially. The new version of Liberate would have meant 'in-band' delivery of iTV with the video signal, which allows applications that mean you can play along with a programme and enjoy 'enhanced' iTV. Cable can't currently do that.

"There is a pretty steep hill [for cable companies to climb] and without the money there is not a lot they can do about what is currently a very variable network."

Henderson of NDS is less pessimistic and says Telewest, in particular, is working on technologies way beyond current platforms. Both companies are also in the throes of reorganising their debt which should free further cash for investment.

Satellite digital, as represented by Sky, has been a major factor in the success so far of iTV to penetrate UK households. With popular services such as Sky Sports Active and an extensive marketing campaign, Sky has achieved 69% of the iTV broadcast market (source: Forrester Research). Forrester adds that it expects Sky to continue dominating, however, its technological limitation – the fact that the return path requires use of a dial-up phone connection – will allow other platforms to gain ground, bringing Sky's share of the market down to 55%. Its strength lies in its marketing

nous, its exclusive content – notably sports and movies – and its established place within UK households.

Forrester says: "Satellite broadcast will remain the most popular delivery mechanism, as better quality and more channels – up to 300 in Sky's case – outweigh satellite's problems of having to use a phone connection as the return path and relatively high cost."

Interactive Advertising

For any of these technologies to continue, brand-owners need to be persuaded that iTV advertising is an effective marketing tool. Currently, brands are investing in iTV more as a means of experimentation and to increase the amount of empirical evidence available. Campaigns by big FMCG brands such as Rimmel have found some success (see Case Studies), but most iTV supporters expect interactive advertising to prove most useful for big-ticket items; for example cars.

Freed of Arnold Interactive says: "FMCG brands are impulse buys; you usually make the decision at the shelf, while with cars you tend to do research. You can do that on the internet but you're not likely to make an impulse decision and buy it there and then.

"With iTV you can gain a middle ground. You can string a usual 30-second TV ad spot for car, then click on the red button and gain full information on the car, its spec, choose a favourite colour and arrange a test drive – you can match ads with information in a way you can't do on normal television or the web."

However, the success of iTV advertising not only lies with the ability of agencies to persuade their clients of its value but also their media buying and planning arms. At the moment iTV specialists are struggling to persuade media planners that iTV needs always to be considered when planning a campaign. BMPTVi is one example having earlier this year realigned itself with its parent company's media division, OMD - rather than its creative side - to bring the company closer to the media planning process. It has renamed itself OMDTVi as part of the move.

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Such realignment looks a necessity to ensure iTV is lifted in the consciousness of advertising practitioners at all stages of the process.

Government targets

The pressure of two major deadlines – 2005 for the availability of all government services through interactive platforms and 2010 for the switch-off of analogue – looms over the industry. In the wake of the collapse of iTV Digital, it was thought that both these targets were dead in the water. However, the government is involved in several trials to give set-top boxes away for free to encourage iTV take-up and is clearly not ready to let the targets pass.

If iTV users prove to involve themselves in iTV for services other than those of entertainment, government targets may be worthwhile, if not then it is merely boosting a purely commercial drive. Still, such a drive is crucial to almost every company in the consumer-facing arena. But if iTV is indeed the next big thing, there is clearly plenty of work still to do to ensure it matches expectations.

Philip Buxton is editor of netimperative

ANDREW PINDER, E-ENVOY

The Prime Minister has set a clear target that all appropriate government services to the citizen and business should be made available electronically by 2005. That's where the Office of the e-Envoy (OeE) comes in – the OeE is working with all central government departments and local government to ensure we meet this target.

Technology is constantly evolving and the internet isn't the only way to access information or interact with government. And there lies the key word; interactive. Interactive digital television (iDTV) is a clear part of the vision for the future delivery of public services.

These new channels for delivering services won't replace the more traditional methods but will provide the growing number of citizens who want to interact electronically the option to do just that.

The government portal ukonline.gov.uk has already established itself as a principal entry point on the World Wide Web for government information and services, providing a powerful cross-government search engine allowing citizens to quickly locate the information they need. ukonline.gov.uk has seen a steady rise in usage figures, particularly since the re-design earlier this year. Naturally, we have plans to continue to increase the appeal and value of the service to an ever-wider audience.

Recent figures show that 56% of adults use the internet (ONS, April 2002). However it is important to understand that while our UK online campaign can work to reach out to many people, there will always be some who just don't feel comfortable with 'technology' or will not have easy access to a PC.

Government must be able to provide its services to citizens using the channels that are most convenient to them, which will increasingly include channels like iDTV.

iDTV presents an entirely new way for government to communicate – reaching out to people, direct to their home as a part of their every-

day lives. Research suggests that Digital TV penetration is forecast to draw level or even exceed home PC Internet access. (Sanford C. Bernstein Research Report, January 2000; Datamonitor). This presents a real opportunity to help bridge the 'digital divide' by extending services to those who don't have a PC or are nervous about using unfamiliar technology.

UK online's approach to iDTV has been to develop a pilot service – UK online interactive. The pilot service provides a range of information, from topical events like World Cup travel advice, or the low down on the Queen's Jubilee celebrations to tips on giving up smoking. The pilot service launched in April this year and is currently available on Sky - we are working with the cable service providers to extend the pilot service on to their platforms as soon as possible.

“There will always be some who just don't feel comfortable with 'technology' or will not have easy access to a PC.”

The early customer response has been excellent with the number of users exceeding our expectations.

The pilot experience will allow us to learn “hands-on” about the technology behind iDTV and about how the medium can be best used by government to deliver electronic services. The experience we have gathered will be shared across government in due course, particularly with those departments planning to offer iDTV services.

JEREMY DAVIES, DIRECTOR OF CONTENT, NTL HOME

Despite emerging cynicism surrounding the future of interactive TV, research suggests that there's much to be optimistic about. Usage figures show that 90% of NTL digital households use interactive services every month, with 59% using them at least once a week, and 21% every day. Add to that the fact that the average session per household is 50 minutes a week, and the reality is that users are demanding more from their TVs. It's up to the operators and broadcasters to continue to evolve and enhance the viewing experience.

The weekly reach of NTL's interactive services is 1.6 million – equivalent to a top 40 magazine by ABC circulation – with two predominant usage spikes; one between 4pm and 6pm - coinciding with children returning home from school - and the other during prime time advertising breaks. Though the technology is still in its infancy, new applications are constantly being developed and adopted at astonishingly fast rates. Unsurprisingly, those applications aligned with the established benefits of television perform best: those that entertain and inform rank highest, and performance is exponentially strong where interactivity is linked directly to the broadcast stream.

Recent interactive successes include the BBC's *Walking with Beasts*, with 74,029 red button pushes in seven days on NTL, and the BBC's *Children in Need*, which generated 28,000 donations online in one evening.

Games applications still come top of the iTV league. Recent BARB-audited figures show 75% of Sky gamers staying and playing on its Gamestar portal for more than ten minutes per session, with 10% of NTL's digital subscriber base having paid to play.

Next most popular are news, weather and sport, whilst classified, travel and betting come third. Encouragingly, certain established 'bricks and mortar' retailers have a particular affinity to

the platform. Impulse purchases such as pizzas and gifts, rather than everyday items, work well for retailers and growing betting levels demonstrate people's willingness to transact. Indeed, BSkyB's retail service, Sky Buy, saw around 3,500 transactions in the first week of November 2001.

People are learning not only to interact, but also communicate via their televisions. NTL already has 650,000 registered email users sending on average 1.4 emails, and reading 1.7 emails, each week. Pay-per-view services are also popular, with 80% of subscribers taking advantage. NTL recently introduced a new DTV service, allowing customers to send text messages from their TV to any mobile phone. The service, which costs 10p per message sent, has so far generated over 70,000 registrations and over 120,000 sent messages.

"Interactive television's true value should be measured by churn reduction."

There's ample evidence of a strong foundation; the question is what to build. In theory, it's simple – focus on delivering benefits to viewers, giving them what they want and concentrate on making lives easier or adding value. Seek to align their experience with their expectations and keep all content fresh, simple and relevant.

A key issue that will shape the future of the iTV market in 2002 is the provision of Enhanced TV (eTV) and its functionalities. Ultimately this will provide users with better, more compelling TV. Last year's joint initiative between NTL and Telewest to develop, test and implement high quality 'Broadband TV' services and standards will make available a raft of additional facilities, linked in real time to further text, audio or video to the TV programme as it is broadcast. Features including shopping, betting, games, interactive advertising and additional programme information will all be available.

The common specifications that NTL and Telewest are developing will also help speed adoption by broadcasters, leading to faster take

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-up by customers and maximising the enormous potential of enhanced broadband TV.

To achieve these aims, all platforms must evolve the walled garden model that has so far characterised iTV. The focus should rest more on the entertainment side of iTV and be driven from the broadcast stream – recent examples are the World Cup and Big Brother. Equal emphasis should be put on applications that have already proved popular, such as games and information, as well as emerging new applications such as instant messaging and SMS.

Interactive television's true value should be measured by churn reduction, as part of the marketing mix: the mid to long-term gains of interactive television must be properly acknowledged.

There is much to be encouraged by and we believe firm foundations for future development have been laid – cable is well positioned to be at the heart of it.

Though there may be no sudden interactive revolution and no vast fortunes made, over time usage will expand and people will interact in many new and different ways. Interactivity has shown its potential, breaking away from passive, and progressively transforming television into a truly two-way experience.

OMDTV AND RIMMEL

Background:

Coty's Rimmel brand was launching its new Exaggerate Hydracolour range of lipsticks. As part of the launch Rimmel wanted to sample the new product. The company had not used interactive TV before.

Aim of campaign:

The aim was to increase the awareness of the Exaggerate Hydracolour lipstick amongst women aged 16-44 as well as recruit new users via product sampling. In order to do this Coty decided to use interactive TV (iTV) as an extension to their traditional TV campaign. Other benefits included increased brand exposure from the interactive content and the opportunity to capture data, creating a targeted database of women for future use.

Creative:

JWT created the TV campaign featuring Kate Moss 'experimenting' with the lipstick in a nightclub. OMDtvi managed the production of the interactive content on the Sky Active channel.

The call to action was the opportunity to have a free Hydracolour lipstick plus the chance of winning one of 30 Rimmel cosmetic sets. The interactive site was kept purposely simple and featured the voiceover, music and imagery from the TV advertisement creating a powerful link for viewers who jumped to the site from the TV execution.

Execution:

A single screen 'poster' site was created which used a close-up of Kate Moss taken from the original TV ad. A new script was produced to explain how the viewer could claim their free lipstick. Interaction was limited to answering a question about Rimmel's competitor products and opting in or out of future marketing activity.

Because of the simplicity of approach, viewers were not expected to visit the poster for much more than 30 seconds.

Media:

Some of the planned TV campaign was adapted to provide an interactive link or jump to the interactive content. Interactive advertisements or i-Ads are restricted to the last ad in break. For viewers already in the Sky Active channel traffic was delivered from 'top level menu' video banners.

Results:

The campaign ran from 30 October – 26 November and is considered to be the most successful interactive poster campaign ever run on the Sky Digital platform. Total responses reached 52,000, which was in line with expectation. What was more extraordinary was the rate of response. The interactive advertisements (i-Ads) delivered a 3.2% response rate. (This is counted as viewers who interacted with the broadcast advertisement through to the completion of their request for a Rimmel lipstick). This compares favourably with typical response rates averaging 1.5%.

Data value:

Post campaign, the Rimmel respondents were then analysed against the Sky Digital base using Claritas's lifestyle and demographic database. Claritas which owns and compiles the data was able to examine the Rimmel respondents in more detail looking at gender, age, income, children at home and lifestyles. This provided new evidence of how well targeted the campaign had been against a defined core Rimmel customer.

68% of all respondents also opted-in for further marketing activity by Coty. Over 30,000 permission-based names and addresses is a useful addition for Coty which can now use this data for future retail promotions, new product launches and other cross marketing activity.

SKY INTERACTIVE AND YOOMEDIA: LIVE CHAT ON DIGITAL SATELLITE TV

Background

Chat and messaging services are a logical step forward in the evolution of iDTV services. Chat embodies all the elements of interactivity that work on the TV, offering the viewer the opportunity to interact with and respond to their TV programmes. A simple, easy interaction that is both engaging and entertaining.

Event chat runs with existing programming allowing the viewer to engage in a conversation with the programme and other viewers. Viewers log on to discuss, with a host and each other, topics relevant to the programming. Chat extends the viewing experience beyond the passive into a truly embedded interactive form where content is based on direct viewer input.

First Implementation

BSkyB broadcast the first interactive TV Chat service in April 2002, giving broadcasters on the platform the opportunity to host live chat-based events. Sky News and Sky Sports now run regular chat events that are integrated into programming and are planned and executed as part of the programme. YooMedia, who also provide moderation and event management for each chat session, co-developed the service with Sky.

The first event ran on Sky news on Budget Day. Programming on budget analysis was supported by an interactive chat event, featuring a tax expert available to answer questions.

Planning

Sky producers decide on a chat event for a programme and, together with the YooMedia chat producer, plan the event. If the chat is to be hosted, a personality is chosen and the chat's general editorial flow is planned. YooMedia moderators are briefed and promo messages are broadcast leading up to the event.

Participation

The event commences with the chat option appearing in the Sky Active menu, providing viewers with a call to action to Chat. The presenters reinforce this with on-air reminders to the audience, throughout the program, to press the red button on their remote control or keyboard. The viewer is then able to access the chat service via an online connection through Sky Active where the broadcast shrinks to quarter screen enabling chat to be displayed around the Sky broadcast.

The viewer is prompted to select and enter an on-screen alias name – they can then start participating in the chat session or choose to 'read only'. Comments and contributions are entered into a text box on screen using either the remote control or the Sky keypad or draw commonly phrases from the drop down menu. The stream of the chat is displayed underneath the broadcast.

Moderation and Event Management

Every contribution received from viewers goes through several moderation processes to ensure each message displayed on-screen complies with Sky's moderation charter. First stop is an automated moderation service that rejects messages containing inappropriate words or phrases. A permitted message is then scrutinised by a human moderator who checks it against several criteria, including appropriateness and whether it contributes to the flow of the discussion. The event manager, checking against the planned editorial flow, then chooses the most relevant contributions for broadcast.

New Revenue Streams

Live Chat can provide broadcasters and platforms with premium rate telephony revenues. The viewer accesses chat via the phone line, allowing the broadcaster or platform, within certain constraints, to set bespoke tariffs for the chat event. For example, a live celebrity interview may have a different tariff to a children's show.

Increased Value to the Consumer

Chat allows the viewer to access expert opinions, ask questions and engage in debate.

Increased Stickiness

With ever increasing viewer fragmentation, chat is a powerful tool in maintaining and increasing viewership. Chat increases the viewers' likelihood to stay with the broadcast. Engaged and involved, the viewer uses the remote to participate in the channel rather than change it. It also gives the viewer a reason to return to the channel for the next event.

Early Lessons

Some of the early lessons indicate the importance of careful integration with the broadcast programming. Chat participation levels increase sharply when there is a call to action in the broadcast by a presenter: a clear demonstration the viewer wants to participate in the programme.

The first results from live event chat are encouraging. Viewers are embracing the opportunities to access experts and each other. Chat offers broadcasters a powerful tool in generating and maintaining interaction with subsequent 'stickiness' within broadcast opportunities that is inherently complementary to TV viewing habits. The necessity to involve the viewer in dialogue with the programme directly has become increasingly important in a media landscape with so many other channels and distractions. We are now discovering how powerful a weapon chat can be in this battle for viewers.

to be positioned not as a product but more as a private banking service featuring: a choice of access points (branches, telephone, interactive digital TV, PC or WAP mobile phones); product integration (such as offset mortgages, designed to minimise the cost of borrowing and maximise earnings on savings); consolidated information, and financial advice.

The Woolwich asked Arnold Interactive (then AMX) to design and deploy OpenPlan on the Open... interactive TV platform (now Sky Active), collaborating with advertising agency Publicis and management consultants Accenture to develop a special television commercial to drive viewers direct to the OpenPlan destination from within regular TV programming.

The Internet and interactive television are important in the sale of the offset mortgages since the platforms can provide "live calculators" to explain potential monthly savings and can explain the complexities of offset banking in an interactive way.

AI's work involved rebuilding the customer experience in order to deliver simple and navigable banking services to viewers whose primary mode of interaction was a simple TV-style remote control. AI has since provided creative, design and technical services to the Woolwich on an ongoing basis for projects including: the second-generation Internet Bank; an OpenPlan CD-ROM for direct mail and in-store distribution; animated motion graphics for in-store flat panel displays and a refreshed iTV service for deployment on SkyActive.

OpenPlan Banking won the Investor's Weekly 2000 Awards for Best Bank and Best Online Provider.

THE WOOLWICH ITV BANKING SERVICE AND ARNOLD INTERACTIVE

The Woolwich wanted to present and deliver OpenPlan "a new way of looking at banking" - to two target groups: new customers and existing customers. OpenPlan was

FREEDOMLAND and GREAT ORMOND STREET HOSPITAL

Requirement

Great Ormond Street Hospital Children's Charity (GOSHCC) launched its internet site in October 2000 and it has fast become an important resource for patients, parents and supporters - as well as providing a further method of attracting donations and raising funds for the hospital's work. Following the success of the site, GOSHCC looked around for opportunities to reach its target audience via other channels and embarked on a cross-platform media strategy with the help of Freedomland Internet Television. Given the role of the television in everyday life, the internet TV platform offered huge potential for building awareness amongst GOSHCC's core audience – parents and children.

Solution

GOSHCC began discussions with Freedomland about putting content onto its internet TV platform. Freedomland had the challenge of delivering an internet television site that retained the character of the original, whilst making the content more recognisably 'tele-visual', and above all providing a usability model suited to the casual armchair surfer.

Viewing a traditional website on a TV throws up a number of anomalies not experienced when using a PC. The resolution of a TV screen is less than we are used to on a PC, and there can be size issues which require the user to scroll left and right as well as up and down to view the contents of a page. When re-purposing GOSHCC's website, Freedomland first undertook a full site audit, checking content page by page to establish what content would work effectively on a TV screen and what would not. The audit also measured site usability from a TV perspective. The GOSHCC site was re-purposed to a TV-friendly 640 x 480 pixels. In addition, larger fonts and graphics were employed because, unlike a PC monitor, Internet TV content is likely to be viewed from

across the room. Freedomland also had to adapt fonts and colours where necessary to ensure a successful transition to the TV screen.

However, visual considerations are just the tip of the iceberg; it is also vital - perhaps even more so than with a PC site – to get usability right because Internet television has a different viewing pattern to Internet on a PC. The latter is a much more captive audience, whereas it is very easy for the Internet TV user to simply flick back to the television if they become bored or frustrated. To combat this, Freedomland stripped-back the sub-navigation on the GOSHCC site to no more than three layers deep. This made the site more immediate and information more accessible.

Yet ensuring a recognisable re-incarnation that conveys the brand and reputation of the PC site is not without its challenges. PC websites utilise applications which enable increasingly complex designs, and levels of stylisation unsuitable for Internet television. Set-top boxes do not have memory capacity or the processing power of PCs, and Freedomland had to remove any material from the GOSHCC site that would prove slow on its 56K modem. For example, set-top boxes have Flash 3 capability, so an animated Peter Pan game which used Flash 6 was removed. Graphics were also re-designed in a more TV and set-top-box friendly format.

Results

The re-purposing of GOSHCC's website is an integral part of the charity's multi-platform strategy. It has enabled GOSHCC to directly reach out to its target audience, building awareness and attracting donations. For Freedomland, the partnership provides informative content for its subscribers, and the chance to make donations through the TV Internet site. It is also a fantastic opportunity to establish a business partnership with a prestigious partner for a truly public benefit.

EXTRACT: IDTV - DO THE BUSINESS MODELS ADD UP?

by Andersen

IDTV AND ITS COSTS

So then what, exactly, is iDTV? Simply, iDTV is digital (as opposed to analogue) television that enables two-way communication between consumer and service provider.

Whereas television has traditionally been a one-to-many broadcast medium, interactive television will allow the user to tailor the content to a greater or lesser extent. This requires the service provider to deliver content to a set-top box (STB) via cable, satellite, or fibre optics, as well as install some sort of return or 'back' channel, a way for the user to communicate with the service provider. This back channel could be a regular telephone line (POTS, or 'plain old telephone service'), some kind of digital subscriber line (xDSL), a cable-TV line or fibre-optic cable.

Not that the Couch Potatoes will care about this – all that matters to them is the services they receive. But iDTV providers will need to carefully consider how they choose to deliver these services.

Providing iDTV is expensive

Assessing the infrastructure and operating costs of an iDTV service is extremely difficult. The most significant costs for providers are investment in the distribution and back channels, and customer equipment (STBs and installation). Within these options there are almost limitless combinations, each of which will entail different costs and will provide customers with the potential for different services. Regardless of what combination is assembled, the costs are likely to form a barrier to entry for smaller firms. Even for established firms, which can share costs between business units, picking the right technological options to balance costs against revenues will be critical.

In the real world, infrastructure costs could be shared between iDTV and other services

such as pay-TV and telephony. Even where costs are shared, however, it's enlightening for companies to understand the cost of a stand-alone iDTV network.

The set-up costs for iDTV providers for a standalone network depend largely on the choice of the distribution and return channel. Even with the most simply distributed iDTV service, comprising satellite broadcast and a standard telephone line as a back channel, companies may need to spend in the region of £324 per household in infrastructure costs and £170 per household per year in operational expenses. These same costs would rise to £1,149 and £976 for satellite broadcast with an ADSL back channel. Cable broadcast and back channel would require a large infrastructure expenditure of £2,154 per household to install new networks, but operational costs would be only £223 per household per year. While many iDTV providers would only need to upgrade existing cable networks, even these upgrades would be expensive.

MARKETS AND REVENUES

The iDTV market looks highly attractive because of the high penetration of television in most of the industrialised world. In the most prosperous countries of Western Europe, more than 90 per cent of households have a television, and this rate is even higher in the US.

In most cases, iDTV will substitute for existing services rather than create an entirely new market. Andersen estimates that the total UK market for iDTV at the end of 2001 will be £493 million, growing to £5.3 billion by the end of 2005.

Some reports on iDTV focus on its total market size, but what really matters is the revenue an operator can command. In reality, the revenue that iDTV companies can extract is relatively small and its growth won't be even across all market sectors.

Proprietary services, where the iDTV provider is at the top end of the value chain, delivering something directly to the consumer, will earn iDTV companies the most.

..Research

Advertising will, of course, be an important revenue stream for providers and it should grow as iDTV evolves. Likewise commerce will be important, but margins are slim, and iDTV providers can, in the long term, probably only expect four to eight per cent commissions on sales.

Potentially the highest-growth revenue streams will be from those services such as VOD, e-mail and gambling where the iDTV provider will be offering something directly to the consumer. The current pay-TV market has shown that annual price increases are acceptable to consumers and that operators don't need to compete on price per se. Of course services such as VOD require the highest amount of bandwidth, so the higher revenues tend to be offset by higher costs.

Andersen estimates that, at the end of 2005, total UK iDTV revenues to the operators will be in the region of £1.6 billion, based on average annual revenues per subscriber of just over £11 at the end of 2001, increasing to just under £100 per subscriber per year by the end of 2005.

BALANCING THE BUSINESS MODELS

Comparing the revenues and costs per subscriber suggests that iDTV as a standalone business unit is not economically viable. Andersen estimates average annual revenues per subscriber at year-end 2001 to be just over £11 per subscriber, increasing up to just under £100 by 2005. This doesn't appear to cover the operating expenses of even the simplest, satellite and POTS back-channel, technological model.

This estimate, however, is based on the assumption that costs are attributable only to the iDTV company itself and that the iDTV infrastructure needs to be installed from scratch. By looking at other business models that would enhance revenue streams and share costs, iDTV becomes more attractive. By bundling iDTV with other independent services – a basic digital television pay-TV subscription, a high-speed Internet connection and residential telephony – annual revenues per subscriber

could be increased enough to justify the costs, at least in the case of the satellite and POTS model.

A cable system, despite requiring high infrastructure costs, could also, in the long term, be made economically sound by bundling. However, due, at least in part, to continued high ADSL wholesale prices in the UK, satellite with an ADSL back channel still doesn't appear economically feasible in the near term and may be superseded by the time it becomes viable. For the moment models based on other technologies are either economically impossible, technically impossible, or both.

In addition to bundling services, another sensible strategy is a cross-media approach. Instead of acting solely as an iDTV company, a provider should also offer integrated services on Internet and mobile platforms. This would allow a company to generate higher revenues by increasing its reach, maximising its services' use and creating efficiency by distributing the same content through different media. Mr. Couch Potato could see a holiday package on his television, think about it overnight, then purchase it using his mobile device or PC the next day at work.

By using a common look and feel across platforms, the provider could also build brand loyalty among consumers and, through astute management of that relationship, realise greater revenue.

*Taken from Fast Foreword - iDTV: do the business models add up? by Andersen
www.andersen.com.*

i.) Forecast: Europe iDTV Penetration, 2002 - 2007

Country breakdown	2001	2002	2003	2004	2005	2006	2007
UK	7,915	10,515	12,384	13,575	14,019	14,085	14,002
France	3,452	3,863	5,608	7,632	10,049	12,109	13,529
Spain	2,522	2,717	4,001	5,401	6,718	7,692	8,487
Italy	1,758	2,710	4,907	7,301	9,360	11,441	13,320
Nordics	2001	2002	2003	2004	2005	2006	2007
Sweden	705	986	1,575	2,088	2,655	2,953	3,146
Denmark	387	633	929	1,428	1,808	1,886	1,925
Norway	403	542	768	956	1,196	1,344	1,450
Finland	73	122	228	399	630	908	1,188
Benelux	2001	2002	2003	2004	2005	2006	2007
Netherlands	99	189	317	566	906	1,494	2,180
Belgium	-	-	350	681	956	1,314	1,660
Luxembourg	5	11	17	25	36	50	64
Rest of Europe	2001	2002	2003	2004	2005	2006	2007
Germany	-	-	541	1,456	2,693	4,268	5,928
Switzerland	169	296	422	588	795	1,040	1,308
Greece	-	-	-	286	770	1,007	1,283
Ireland	118	148	207	278	359	437	513
Austria	-	-	-	156	242	349	484
Portugal	6	14	40	88	161	265	402

Source: Forrester Research Inc

ii.) UK Digital Landscape

System	Supplier/s	Homes
Digital Satellite	sky digital	5,700,000
Digital Terrestrial	itv digital (until April 2002)	1,300,000
Digital Cable	NTL; Telewest	2,000,000
ADSL	BT; Kingston; Yes	80,000
		9,080,000 (37% of UK homes)

Source: OMD UK

iii.) Pay/Digital TV market shares by platform

	1999 Q4	2000 Q1	2000 Q2	2000 Q3	2000 Q4	2001 Q1	2001 Q2	2001 Q3	2001 Q4
Pay TV Penetration - % TV Households									
Cable	13.5	13.7	13.9	14.2	14.8	14.9	15.0	14.9	14.8
Satellite	16.1	16.8	18.3	19.1	20.4	21.3	21.9	22.5	23.3
DTT	2.3	2.8	3.2	3.6	4.2	4.5	4.7	5.0	5.2
Total	31.9	33.3	35.4	37.0	39.4	40.7	41.5	42.4	43.4
Digital Penetration - % TV Households									
Cable	0.4	1.0	1.7	2.2	3.7	5.0	6.2	7.3	8.1
Satellite	8.6	11.5	14.9	17.0	19.4	20.8	21.8	22.5	23.3
DTT	2.3	2.8	3.2	3.6	4.2	4.5	4.7	5.0	5.2
Total	11.3	15.3	19.8	22.8	27.3	30.3	32.7	34.7	36.7
Share of Pay TV Market - % TV Households									
Cable	42.5	41.1	39.3	38.5	37.5	36.5	36.0	35.2	34.1
Satellite	50.3	50.5	51.6	51.6	51.9	52.5	52.7	53.0	53.8
DTT	7.2	8.4	9.1	9.9	10.6	11.0	11.2	11.7	11.9
Share of Digital TV Market - % TV Households									
Cable	3.1	6.5	8.5	9.7	13.7	16.6	19.1	21.0	22.1
Satellite	76.5	75.1	75.3	74.4	70.9	68.7	66.7	64.7	63.6
DTT	20.4	18.4	16.3	16.0	15.4	14.7	14.3	14.3	14.1

Source: ITC

For news and features on the interactive TV sector, visit www.netimperative.com

Web URLs for interactive TV services mentioned in this report:

www.sky.com
www.ukonline.gov.uk
www.omdtvi.com
www.telewest.com
www.ntl.co.uk
www.bt.com
www.kcom.com
www.nds.com
www.arn.com
www.yoomedia.com
www.freedomland.co.uk
www.imagictv.com

Research sources:

www.forrester.com
www.continentalresearch.com
www.datamonitor.com
www.static.co.uk
www.andersen.com
www.itc.org.uk



YooMedia is a leading provider of digital interactive TV entertainment, specialising in services that build community and loyalty. With ever-increasing audience fragmentation and declining advertising revenues, broadcasters and platforms are looking for ways to increase audience loyalty and provide new and sustainable revenue streams.

Interactive TV services like chat and games are becoming important tools in addressing these issues. YooMedia currently operate the most successful interactive TV chat service on cable in the UK and also provide BSkyB with an interactive chat service on their satellite platform.

Contact us about our innovative interactive TV services on: 020 8515 2800 or inquiries@yoomedia.com