

Digital tv



DTV BUSINESS

Ma k Holme

The Freeview service, launched in the UK on Oct. 30 with over 30 free radio and TV channels and backed by an aggressive marketing campaign, will attempt to persuade the millions of people who don't want pay-TV that there is now a legitimate and compelling alternative. If it works, it could represent a pivotal point in the fortunes of DTT, and a possible model for DTT services elsewhere.

While the channel line-up offers an interesting blend of mainly entertainment-focused services, it will certainly not give pay-TV operators any sleepless nights. But, it does offer an intriguing proposition.

Peter Davies, director of distribution and strategy at the BBC, believes the market opportunity is considerable. He told *Inside Digital TV* in an exclusive interview: "The research we have done shows that there are about 10 million households who don't want pay-TV services. So, 10 million out of 25 million is a huge number of people. We think it is going to be really big."

The launch of Freeview raises a number of intriguing questions. One of them concerns

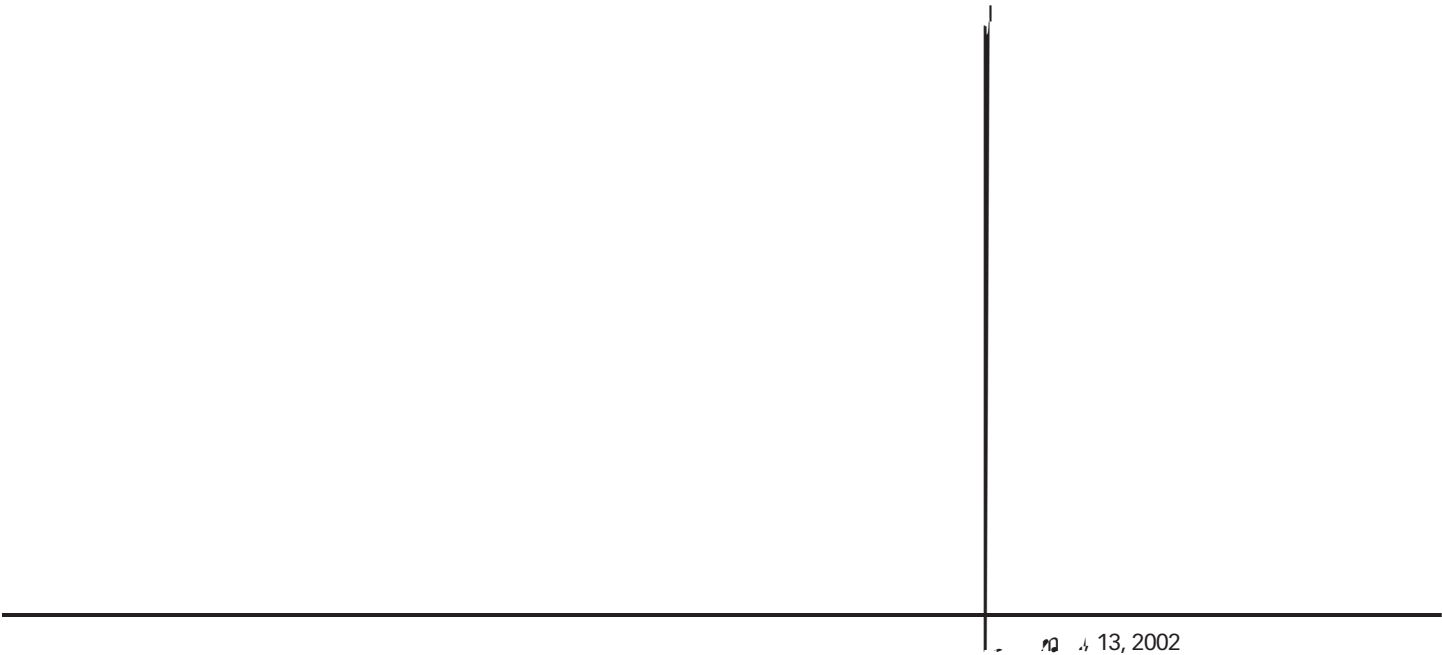
integrated digital TV sets (IDTVs), which combine a widescreen monitor with a digital TV set-top box. The failed ITV Digital pay-based service whose frequencies Freeview has inherited made much of the potential of IDTVs to boost its subscriber numbers. The idea was that consumers would trade in their existing analogue receivers for IDTVs when they came

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INSIDE Digitaltv

ABBONAMENTO ANNUALE

Inside Digital TV is a quarterly magazine that provides the latest news and information on digital television. Annual subscription is £47/\$77 (25 issues).



Singer: Speed Is Essential For UK Cable

In his first interview since leaving Telewest this summer, ex-CEO Adam Singer talks exclusively to Barry Flynn on the challenges facing the UK cable industry.

Inside Digital TV: The UK cable industry seems to be in a state of ongoing crisis. What are your views on its future prospects?

Singer: The great thing that UK cable has got is a terrific state-of-the-art network. That's the good news. The problems are that so much money has gone into building the network and has gone into transitioning the network from analogue to digital that it's probably left insufficient capital in the UK cable industry for really being able to provide the levels of service to customers that they ought to be able to provide. How do you find the capital to make sure you can have the appropriate state-of-the-art call centres, the appropriate conditions for your employees, and the appropriate marketing? So that (a) the world knows the product's there and (b) when they do get through on the phone they get the service that they want? Because if you're selling yourself on newness and technical capability, then you have to provide a service commensurate with that, and the industry's always found that hard. And it is a capital issue.

The next problem the industry faces as a totality is, because the cost of the network has been high, no single product makes money. So therefore you have to sell as a bundle, and that's quite a tough proposition.

Another issue – which we should have addressed, but because of the nature of funding that the two protagonists need, it's been hard to do this – is that it's very hard for two regional businesses, which is what the UK cable industry is, to compete against a series of national businesses. All their competitors – BT, Vodafone, Orange, Sky – are national competitors. And if you're a national competitor, you have tremendous efficiency in terms of getting your message across to the consumer. And that's one of the issues that cable certainly lacks.

Finally, the other issue, of course, is that the really savvy consumer is going to get his multichannel television from Sky, because Sky probably provides you with the best choice of multichannel TV

The problem with me saying these things is that everyone will say why didn't you do it ... That is exactly what it is we were trying to do.

Inside Digital TV:

: I can't really comment on that because I'm not *au fait* with the latest details of either Telewest's or NTL's position on that. But I can say that to be an effective business, you need a number of things. UK cable could be a highly effective business if it can transition to digital quickly, if it can offer more speed, if it can offer better customer service. And to do that, it needs two things: It needs to be a single national business, and it needs significantly more capital.

Inside Digital TV:

: That can make a huge difference, too. If cable could use the box as a basis for a domestic wireless hub, if cable could offer a range of significant interactive programmes like "Living Health" [the NHS-funded NHS Direct interactive

TV pilot Telewest ran in its Birmingham franchise], or the stuff that David Docherty and his team are developing.

The problem that cable faces is really quite simple. It is becoming the telephone equivalent of a water utility. And it's only things like interactive television which will carbonate that water and make it sparkle.

Inside Digital TV:

VOD Strategies Will Prove Far From Easy

Video-on-demand (VOD) is the holy grail of digital broadcasters, allowing them to generate higher average revenues per user (ARPU) and reduce customer churn in a competitive pay-TV environment. However, according to Datamonitor's report "Return on

BBCi Looks North

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The obligation to serve local audiences is part of the public service remit of both the BBC and its commercial rival, the ITV network, and it's always been a thorny issue in the UK. The problem, in general, has been that it's economically much less efficient to make programmes for small regional audiences than for large national ones – particularly when it comes to expensive genres such as drama.

The other issue is the perceived southern, metropolitan bias of the BBC's output, which means, confesses Emma Scott, project leader of what the BBC has dubbed "Project Hull," that "we're not reaching the Northern audiences that well."

This indicates that perhaps the most interesting aspect of the BBC's new interactive TV initiatives in Hull and East Yorkshire (which bring together the BBC's New Media, Nations & Regions, News and Drama & Entertainment divisions as well as Kingston interactive Television (KiT)), is that they're less about testing the technology and the audience's reaction to it than they are to do with experimenting with new forms of local television. As Scott says, "we really want to test how local people want their content."

There are certainly innovative aspects to the way in which viewers are expected to access Thunder Road, the BBC's first interactive drama. First, although it will eventually be transmitted on the BBC's national network as a linear 90-minute drama, it is in fact composed of discrete 3-5 minute chunks, each of which is accessible to its local, Hull-based ADSL customers on a 'true' on-demand basis.

Second, rather than interpreting interactive drama in the conventional way as a genre which allows the audience to opt for alternative endings, in this case local viewers are offered the choice of amplifying each of these 'chunks' with background information. Some of this takes the form of what Helen Thomas, executive editor of BBC Humberside, whose team created and manages the BBCi Hull

portal, calls video "mockumentaries." These, she says, enable viewers to "go behind the scenes, and see how the different characters feel about the events in the drama." Viewers are even able to post questions to the characters, receiving their "replies" via the TV screen. Thomas describes this process as one, which allows the audience to "find their own path through the drama."

However, what's probably just as significant as these technical innovations is the fact that Thunder Road has been made by the distinguished local playwright John Godber, using local people as actors, and it's been made *cheaply*.

One reason for this is the avoidance of a multiple-ending format, which would have involved shooting expensive extra footage. But another reason, notes Thomas, is that the TV drama was shot using high-definition techniques but on low-cost cameras. "So it's not using big 35-mm cameras, but has a network production quality to it. So the cost of production is less", even though additional footage did have to be shot for the 'mockumentaries.'

The other interactive TV initiative is perhaps more straightforward. BBCi Hull viewers can now access BBC News in on-demand mode, too. As well as the usual live news service, they can call up any one of six headline stories in VOD mode, as well as news, sports and weather round-ups. This means that by using the arrow keys on their remote controls, viewers are able not only to choose the order of the stories they want to watch, but can also re-play the story, pause during a bulletin or fast forward and rewind.

According to Richard Deverell, head of BBC News Interactive, "The BBC News video-on-demand service recognises that people are leading busy lives and not everyone has an opportunity to sit down and watch news at the same time. It gives viewers the chance to select the stories they want to watch at a time that is convenient to them, using technology that is potentially the most advanced of its kind in the country."

It's too early to say how the local audience will react to these new initiatives, but six months of providing a broadband band TV service in Hull have provided some generic lessons for the BBC. According to Scott, "We originally thought putting up a lot of online content, a lot of web-on-TV content, would be a great way of putting things up quickly and people would love it. In fact, what we discovered is that people do not like looking at text in a sort of Web-on-TV visually presented format. They like lots and lots of video and they like lots and lots of local content. The over-riding winner on the site is the local weather, the local news and the local sport."

Another finding is to do with the way the audience prefers to navigate around the various choices available in an interactive TV environment. "We've discovered that, certainly, the audience in Hull likes very, very clear navigation and don't like a lot of hierarchy and depth in it."

Finally, they've discovered that user-generated content is very popular. Thomas' unit has given local people cameras to make films about their life in Hull, and so far, she says, they've accumulated an archive of over 300 video diaries which are available on-demand to viewers.

What this has meant, according to Scott, is that "reach on the trial service (in Hull) is greater than our interactive services on D-SAT and DTT. We're up around 26 per cent weekly reach, which means that 60 per cent of the audience on the KiT service access the BBCi Hull service, and that actually shows a greater level of engagement with the content than we have with other platforms. Bearing in mind this is a more down-market C2DE audience who are not traditional BBC heartland, we see that as quite an achievement. We're clearly offering something that they're interested in and that they go back to."

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■UK digital satellite operator BSkyB says it added 217,000 subscribers in the quarter ended Sept. 30, 2002, bringing the total to 6,318,000 DTH subscribers across the UK and Ireland. The press release detailing these figures claimed this performance broke two records: First, in that it represented “record first quarter growth” since the launch of Sky Digital in October 1998; second, in that it represented the “highest first quarter DTH subscriber growth for nine years.” Both claims are correct if one interprets BSkyB’s claims to relate to overall DTH growth – that is, by combining analogue and digital subs, since Sky added 290,000 subscribers in the three months to Sept. 30, 1993, the quarter during which it launched its analogue BSkyB Multichannel package). However, it is relevant to note that the latest quarter’s performance is by no means BSkyB’s best Q1 performance in terms of *digital* subs, which is arguably a more relevant measure in this context. Sky Digital added about 530,000 digital subs in Q1 1999 and 500,000 in Q1 2000. Each of those previous Q1 numbers more than double Sky Digital’s Q1 2002 posting. In fact, the Q1 2002 is Sky Digital’s *second-worst* Q1 performance in terms of digital subscriber additions since the digital service launched in autumn 1998. Indeed, if one looks at the rate of digital subscriber growth quarter-on-quarter, BSkyB is back to where it was a year ago. In the equivalent quarter in 2001, growth was 3.58 per cent, against 3.56 per cent today. If BSkyB can maintain this level of growth (and it has been oscillating above and below that figure for the past year), it stands a chance of making its 7 million by 2003. But if the next pre-Christmas quarter falls short, it may narrowly miss its target.

■The German mobile telephony company T-Mobile, a division of Deutsche Telekom, has struck a deal with Sony Pictures Entertainment which will allow its customers to download film-clips to their handsets. The agreement, which is not exclusive, also covers Sony content in the form of screen-savers, MMS pictures, ring-tones and Java games. The service will begin in December in Europe