

The UK market for film on VOD

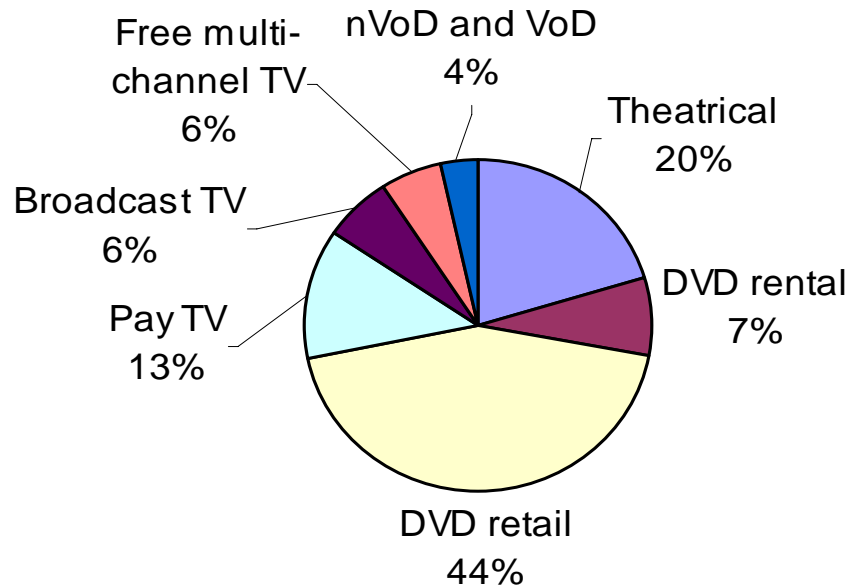
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In 2007 the VOD film market in the UK was small.....



**Total UK filmed entertainment market
(gross revenues) in 2007:**

€5,109 million

nVOD and VOD component:

€185million

The main UK VOD film players were...

	Type of service	Customer base
BSkyB	Satellite pay-per-view (nVOD) and broadband sVOD	8.1 million subscribers
Virgin Media	Rental VOD via cable.	3.4 million subscribers

The above providers were reported to have 98% of the UK's 2007 VOD film market

Other VOD film providers (with 2% of the market)
were...

	Type of service	<u>Potential</u> customer base
BT Vision	IPTV rental and sVOD	4 million broadband subscribers
Tiscali TV	IPTV rental and sVOD	1.1 million subscribers
Top-Up TV	DTT sVOD	9.1 million h/holds with Freeview, but requires additional PVR
Love Film	Internet rental VOD and DTO	13 million h/holds with broadband

Take-up does not match customer base...

- The large size of the potential VOD customer base (3-13 million households out of a UK total of approx 25 million) is not matched by the actual take-up of VOD services to date...

Inventories were small and top-end prices were high...

	Film inventory nVOD and VOD	Price
BSkyB	400 12-15 at a time	€5 per film or €19 per month
Virgin Media	600	64¢ to €4.45 (rental)
Love Film	2,500	€3.80 rental €13-€25 for DTO

Several other factors inhibited market growth...

- Slow broadband speeds – max 8Mbps, but often less due to distance from exchange and heavy traffic
- Lack of a convenient connection between the Internet and the TV set
- The impact of film theft on the potential legal download market

Piracy took close to 100% of the potential film download market...

- IPSOS-Mori research suggests €67 million lost to legal download market in 2007 as a result of piracy (film theft)
- Same methodology as used to calculate losses in other markets. Realistic down-weights for over-claim.
- Legal download market in 2007 was €0.9 million
- Suggests close to 100% of the download market was lost to piracy in 2007

Two service models that have been a hit with consumers (1)....

- **Online rental** (e.g. Love Film)
- 58,000+ film titles
- Online ordering with postal delivery
- Subscription model €5-€20 per month
- Online rental took 30% of UK film rental market in 2007 (NEWS! >50% in w/b 5/5/08)
- 29 million transactions, €113 million revenues (in 2007)

Two service models that have been a hit with consumers (2)....

- **Internet catch-up TV** (e.g. BBC iPlayer)
- 7 day catch up TV, stream or download
- Free at the point of use
- Watch on computer or TV connected to computer
- Launched in December 2007
- Reported to be using 5% of the UK's entire internet capacity by April 2008

Issues to resolve for the successful development of the UK film VOD market...

- VOD rights clearance and inventory availability
- A consumer-friendly economic model that delivers adequate income to the industry (e.g. free at the point of use or subscription)
- Improved interface for TV-based services
- Convenient VOD connection from Internet to TV set
- Dramatically improved broadband speeds and Internet network capacity
- Improved content identification, e.g. ISAN numbers

Thank you...

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<http://www.ukfilmcouncil.org.uk/research>