

Broadcasters and the

Internet

EBU Members' Internet Presence

Distribution Strategies

Online Consumption Trends

Social Networking and Video Sharing Communities

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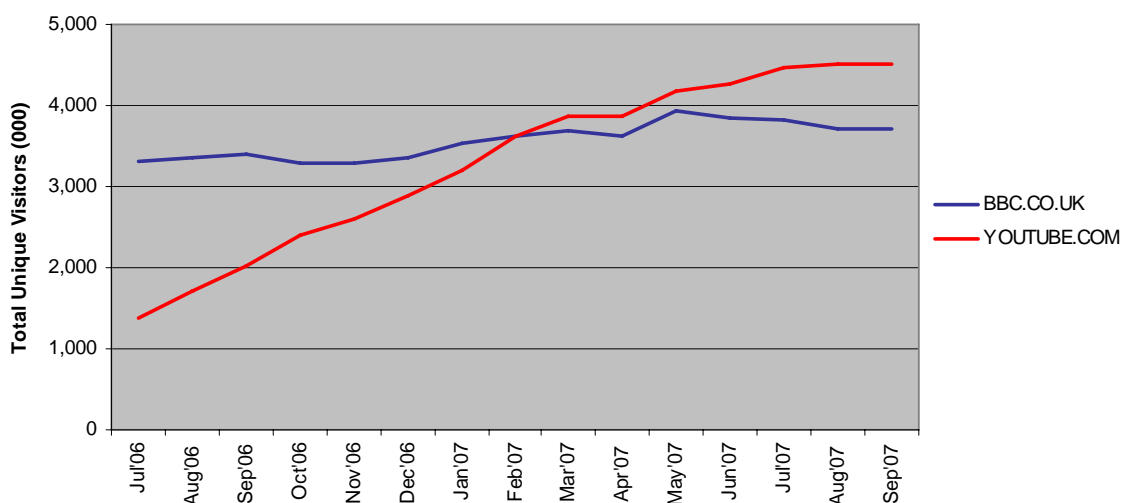
INTRODUCTION

Overview

As the Internet increasingly becomes an important source of information and entertainment to more and more people, established broadcasters will face new challenges and opportunities.

Time spent on the Internet is approaching levels of television consumption, with user-generated content and networking sites becoming more popular. Broadcasters have been adjusting their business strategies as new sources of audiovisual content become available and consumers behaviours shift. Meanwhile, broadcasters' hold on mass audiences is being challenged by new companies and new business models.

Unique monthly¹ visitors to BBC and YouTube - 15-24 year olds (UK)



Source: EBU based on Comscore

This year Google UK will earn higher advertising revenue than terrestrial Channel 4.

Channel 4's CEO commented: "People need to wake up and realise this is not just a cyclical issue there is a deep structural change taking place". Announcements like this will become more and more common and they point out the urgent need for traditional broadcasters to confront the rapid pace of developments in the online space, especially where audio-visual content is concerned. BBC Director General Mark Thompson said that the introduction of the company's iPlayer² is as important as the introduction of the first colour broadcasts in the 1960s. He said this as YouTube website traffic among 15-24 year olds exceeded that of the BBC for the first time.

Many major established media companies are already reacting. They have not only learned that partnerships and acquisitions are vital, but also that developing their own sites and services are essential components of their overall media strategies.

¹ The estimated number of different individuals (in thousands) that visited any content of a website, a category, a channel, or an application during the reporting period.

² BBC's interactive catch-up service letting users access television programmes via their PC

One area of particular concern to Public Broadcasters is online video-sharing. The tremendous growth of sites like YouTube is a case in point. The phenomenon is worldwide. YouTube.com worldwide streaming video activity registered about 80 million unique visitors in July this year and 79% of this activity was outside the US. It is estimated that there are over 200 video-related websites with some rapidly gaining market share.

Moreover, there are already clear indications that broadcasters who have entered into agreements with these sites are actually increasing their existing audience shares. Recently, CBS allowed YouTube to make available 300 videos; the videos averaged about 850,000 views per day in the first month and certain programs associated with the video programs saw broadcast audience rating increases between five and seven percent. More and more broadcasters are exploiting the video-sharing phenomenon either through partnerships or development of their own sites.

Meanwhile, media companies that have not traditionally been video-based have expanded into this area on their own sites as well as the video-sharing sites. Newspapers have been aggressive in offering audio-visual content as their print revenue has declined. The four major global music distributors have already made online alliances to make their video catalogues available. Sony BMG, Warner Music group, CBS, and Universal Music Group (UMG) have each formed partnerships with Google/YouTube. UMG has even moved into television production through its subsidiary Globe Productions which will expand into genres beyond music, like comedy, documentaries and animation.

So far, much content is still low-quality and user-generated. In cases where video is posted from professional media outlets, the video is either removed or, to an increasing extent, ad revenue sharing agreements are reached. Some sites are already moving beyond simply the exchange of amateur video.

The following trends are developing quickly:

- The active online universe throughout the world continues to expand at double digit rates and broadband connections are rising at similar rates allowing for better and faster consumption of video content.
- Quality and professional video will become more and more in demand. It will be the key differentiator.
- The separation between the PC and the television will break down. Connectivity is already possible and eventually becomes seamless. TiVo and Apple have launched services allowing users to access Internet video content on the television.
- Costs to stream and store video content will decline by an order of magnitude over the next five years.
- Video search capabilities will be further developed.

- The hundreds of video sharing sites will consolidate into a handful of key players controlling mass distribution.
- Globalisation of content will increase especially into new markets and video sharing across borders will give copyright owners strong leverage.
- Meanwhile, audiences for traditionally distributed media will decline.

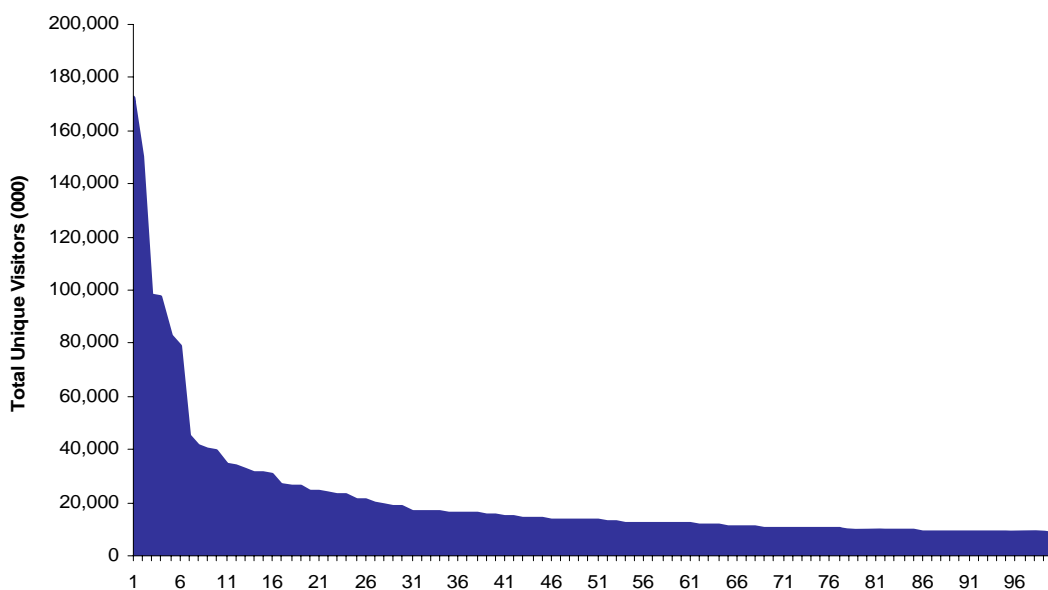
In a short period, these trends will make the distribution of online audio-visual material an essential part of any media company's activities. Acting quickly, Public Service Broadcasters can play an important role. It is already apparent that quality video content will assume greater importance as users seek better technical quality and production value. This is where established broadcasters who own copyrights can gain tremendous competitive advantage.

The opportunities for broadcasters include: increased overall reach and consumption; increased television and audience share; revenue potential (domestic, international); increased awareness, access to market info; promotion to audiences (e.g. showcase new programs); promotion to international acquisitions markets; increased traffic to their own online properties; controlled investment.

1. The general Internet landscape: usage, websites, advertising

The Long Tail - a relatively small number of websites control vast amounts of traffic flow across the Internet. Internet giants like Google, Yahoo!, and Microsoft with their associated sites draw large number of users while the vast majority of websites remain specialized and targeted to niches with low traffic and usage. In the chart below, only the top 100 websites in Europe are shown by unique visitors and already the phenomenon known as the Long Tail becomes evident. This tendency is replicated at national levels.

Top 100 websites in Europe by total unique visitors (000)



Source: EBU based on comScore, May 2007

Further analysis shows that about 5% of the total number of measured sites have the same users (unique monthly visitors) as the remaining 95%. The vast majority of sites remain inconsequential in terms of mass impact or advertising potential.

Meanwhile the total number of sites in the measurable Internet continues to increase. More and more people are coming online globally and this means more and more sites are reaching the minimum reporting standard.

In addition, measurement companies are classifying more and more sites down to lower levels of detail across more markets resulting in a higher number of reportable entities. However, research indicates that individuals tend to cap the number of sites they regularly visit with experience.

Overall Site Numbers - Reporting companies track about half a million individual sites. But this may be only the tip of the iceberg and the total number of individual sites may be 100 times that much globally. This reinforces the conclusion that the vast majority of the Internet is comprised of specialized sites which are important in aggregate but individually invisible.

European Internet usage

About half of all individuals in the EU25 markets use the Internet regularly³. Slightly more men (51%) use the Internet regularly and younger people are more likely to be regular users. Three-quarters of people aged 16 to 24 are habitually online while only a fifth of adults between 55 to 74 do so.

European Internet usage

| European Internet Usage by Individuals (%) 2006 | | | | | | |
|--|-------|---------------------------------------|-------|-------------|-------------|-------------|
| | Total | Use the Internet at Least Once a Week | | | | |
| | | Men | Women | 16-24 Years | 25-54 Years | 55-74 Years |
| EU25 | 47 | 51 | 43 | 73 | 54 | 20 |
| Belgium | 58 | 62 | 54 | 82 | 67 | 27 |
| Denmark | 78 | 80 | 76 | 94 | 86 | 56 |
| Germany | 59 | 65 | 54 | 83 | 69 | 30 |
| Estonia | 56 | 57 | 56 | 90 | 64 | NA |
| Greece | 23 | 27 | 18 | 47 | 27 | 4 |
| Spain | 39 | 44 | 35 | 70 | 45 | 10 |
| France | 39 | 42 | 37 | 71 | 47 | na |
| Ireland | 44 | 45 | 42 | 59 | 48 | 17 |
| Italy | 31 | 36 | 26 | 55 | 37 | 9 |
| Cyprus | 29 | 32 | 27 | 55 | 31 | 7 |
| Latvia | 46 | 47 | 45 | 86 | 50 | 12 |
| Lithuania | 38 | 38 | 37 | 77 | 39 | 7 |
| Luxembourg | 65 | 76 | 55 | 89 | 71 | 37 |
| Hungary | 42 | 43 | 40 | 74 | 47 | 14 |
| Netherlands | 76 | 82 | 71 | 96 | 86 | 46 |
| Austria | 55 | 61 | 49 | 80 | 63 | 24 |
| Poland | 34 | 36 | 32 | 71 | 35 | 7 |
| Portugal | 31 | 35 | 28 | 68 | 34 | 6 |
| Slovenia | 47 | 51 | 42 | 81 | 54 | 12 |
| Slovakia | 43 | 47 | 39 | 72 | 47 | 9 |
| Finland | 71 | 72 | 70 | 94 | 82 | 38 |
| Sweden | 80 | 84 | 76 | 94 | 89 | 56 |
| UK | 57 | 63 | 51 | 72 | 66 | 33 |
| Iceland | 84 | 86 | 82 | 96 | 90 | 59 |
| Norway | 77 | 80 | 73 | 97 | 84 | 48 |

Source: EBU based on Eurostat

³ At least once a week from home, work, or another location.

Within EU25 member states, 52% of households had access to the Internet in Q1 2006, compared to 48% in Q1 2005. In that period, 32% had a broadband connection, up from 23% the previous year.

The countries with the highest household penetration of Internet use are the Netherlands (80%); Denmark (79%); Sweden (77%); and Luxembourg (70%). The lowest Internet use penetration exists in Greece (23%); Slovakia (27%); Hungary (32%); Lithuania (35%); and Portugal (35%).

Household broadband penetration is highest in the Netherlands (66%); Denmark (63%); Finland (53%); and Sweden (51%). The lowest adoption rates of broadband in the home occur in Greece (4%); Slovakia (11%); Cyprus (12%); and Ireland (13%)⁴.

Globalization of top Internet brands

Websites from the US are the by far biggest in the Internet universe but more than half of traffic to the top 25 US web properties comes from Europe and other regions. Ten years ago the US represented the majority of global online population but that figure has now fallen to less than 25%.

Share of Internet traffic - Top10 online properties

Share of Traffic from Outside of U.S. to Top 10 Online Properties

Unique Visitors, Age 15+*

September 2006

Home and Work Locations

| Property | U.S. Unique Visitors, Age 15+ (000) | Worldwide Unique Visitors, Age 15+ (000) | Share of Unique Visitors from Outside the U.S. (%) | Share of Page Views from Outside the U.S. (%) |
|------------------------------------|-------------------------------------|--|--|---|
| Yahoo! Sites | 115,726 | 480,641 | 75.9% | 67.2% |
| Time Warner Network | 106,883 | 217,843 | 50.9% | 24.8% |
| Microsoft Sites | 106,270 | 505,479 | 79.0% | 75.4% |
| Google Sites | 94,582 | 467,498 | 79.8% | 89.1% |
| eBay | 70,191 | 237,327 | 70.4% | 69.9% |
| Fox Interactive Media | 64,233 | 117,789 | 45.5% | 12.8% |
| Ask Network | 48,043 | 112,768 | 57.4% | 39.6% |
| Amazon Sites | 44,924 | 133,518 | 66.4% | 59.8% |
| New York Times Digital | 36,453 | 65,542 | 44.4% | 27.0% |
| Verizon Communications Corporation | 32,059 | 37,950 | 15.5% | 4.8% |

Source: EBU based on comScore

Moreover, the largest properties are aggressively launching European versions. For example, in August 2007, MySpace France, became the first European non-English-language version of News Corp's social networking site. In the UK, MySpace has seven million members and new language versions in German, Spanish, Italian, and Dutch are forthcoming.

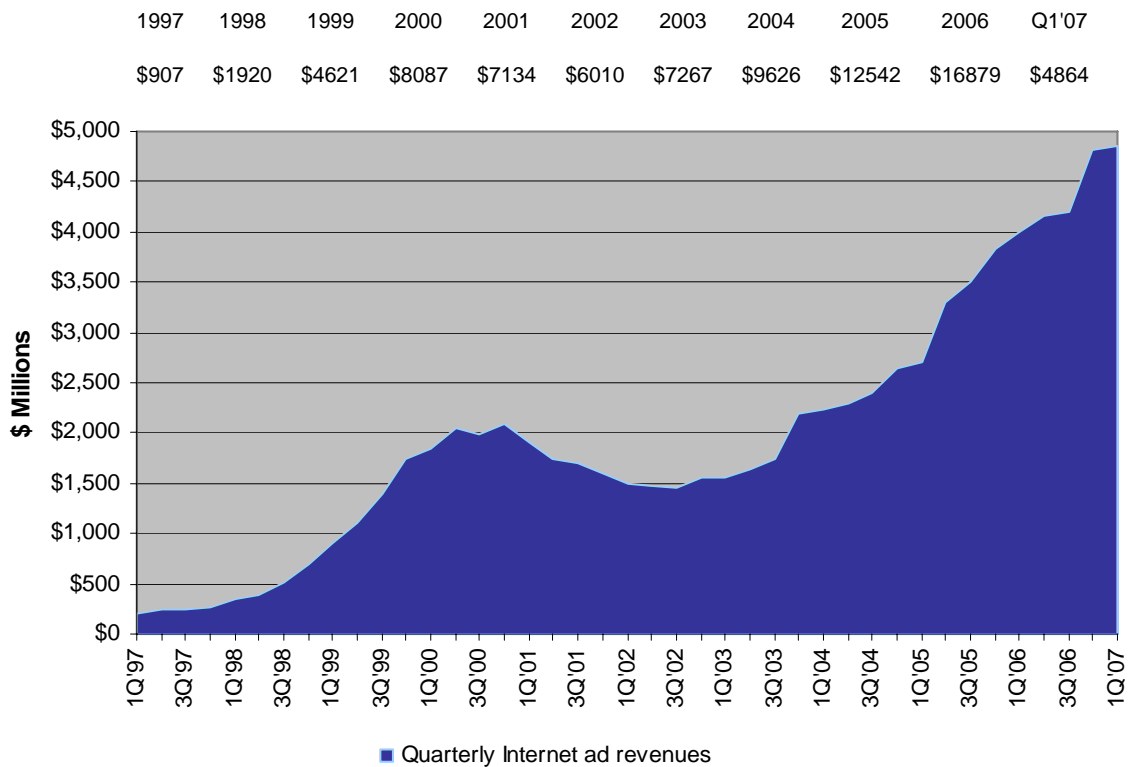
Overall Internet advertising

Internet advertising revenues reached an all time high of almost \$5 billion for the first quarter of 2007⁵. This is a 26% increase from the same period last year and confirms the strong growth of the medium since the slump in 2002.

⁴ Eurostat

⁵ Interactive Advertising Bureau / PricewaterhouseCoopers

Quarterly Internet ad revenues



Source: EBU based on Interactive Advertising Bureau / PricewaterhouseCoopers

Internet advertising has outpaced television, radio, and print advertising in most European markets and this trend is expected to continue. A significant part of that growth will be fuelled by new advertising techniques associated with online video usage. In the UK, for example, social networking sites incorporating video such as Facebook and MySpace are expected to drive rapid growth.

Video advertising

According to some estimates, within five years 10% of all Internet advertising will be applied to video. Online video is attractive to advertisers because evidence suggests that viewers are more attentive and ads can be targeted and customized for specific users. In addition, tracking and measurement techniques are increasingly being refined.

A controlled study⁶ comparing the effectiveness of 30 second spots shown on television and the Internet concluded that the web spots were more effective: increasing viewer attention rate by 53%, awareness by 52%, consideration by 27% and favourability by 26%. Prompted recall of brand advertising was four times higher for web viewers. Additionally, shows online retained 68% of their audience during breaks, ten percent more than television.

Another study⁷ of online video advertising revealed a high degree of consumer acceptance for short 10 to 15 second ads. Additional findings:

⁶ 2007 Millward Brown research of 3,000 viewers

⁷ PodZinger (www.podzinger.com)

- Consumers typically play only 15% of an entire online video or audio, which are 7.5 minutes and 22 minutes in length, respectively.
- Consumer attention span for online video is much shorter than audio - one minute vs. three minutes on average.
- Consumers are more likely to play content online than they are to download it by a factor of almost 6 to 1 (5.7 to 1).
- Entertainment, technology, news and politics, music and sports, represent approximately 85% of all online activity.

Despite the promise of exploiting the popularity of networking and user-generated content sites, effective techniques for deploying advertising are still being tried.

In September, YouTube began serving semitransparent "overlay" advertisements at the bottom of selected video clips which disappear after a short period unless the viewer clicks on the overlay to see the full advertisement. Users can also close the overlay. Previously, pre-rolls (short video ads that precede the selected video) were attempted but YouTube research showed that more than 70% of viewers abandoned the video during the pre-roll. Meanwhile, less than 10% decide to close an overlay. Advertising can be targeted by geographical location, time of day, type of video, or demographics. An average rate of \$20 will be applied per thousand viewers who are exposed to the ad. The degree of success of this technique will be closely watched.

2. Social networking and user-generated content have driven the online video market

These most highly-valued and popular websites, as exemplified by MySpace and YouTube, have seen tremendous growth in the last several years. These type of sites have been the main drivers for video consumption online and have acted as a catalyst to broadcasters to increase their offers and distribution. For many broadcasters a critical question remains: is this a short term phenomenon or a prolonged trend that warrants a strategic shift and new investment?

The astronomical long-term valuations placed on new companies like Facebook may be one indication, but the Dot Com bust shows that financial markets can sometimes err. Some wonder if the exuberance this time around is any more rational. Further, short term financial success or failure does not always correspond to underlying trends: Google's investment \$1.76 billion in YouTube paid back just \$15 million in revenue in 2006. Similarly, the number of new entrants and amount of activity by media companies attempting to exploit the trend is no guarantee that it will continue.

Some recent studies⁸ have tended to confirm, however, that the phenomena of social networking and UGC, driven mostly by young people, are here to stay. Many users expect more entertainment to become available online. They see video entertainment following

⁸ In-Stat research, Internet TV Market Strategic Analysis, October 2007

developments in the music industry and that social networking will affect how younger people want to consume and interact with media.

Negative attitudes toward online video derive mainly from technical (download speed, user interface), cost, and quality issues - all of which are destined to improve.

3. Online video consumers crave professional content but do not want to pay

In the most comprehensive study⁹ of the characteristics and behaviour of online video consumers these main findings were reported:

Three in four young adult Internet users watch or download video online. Young adults (18-29) are the most prolific video viewers. Three in four young adult Internet users report online consumption of video, compared with 57% of online adults ages 30-49. Less than half (46%) of Internet users ages 50-64 watch or download video and just 39% of those age 65 and older do so.

News video is the most popular category for everyone except young adults. News outlets were among the first big investors in the online video realm and their early-mover advantage shows. News content captures the attention of users across all generations, and is the most popular genre with every age group except for those ages 18-29. Overall, 37% of adult Internet users say they watch news videos, followed closely by comedy or humorous videos at 31%.

More than half of online video viewers share links to the video they find with others. The desire to share a viewing experience with others has already been a powerful force in seeding the online video market. Fully 57% of online video viewers share links to the videos they find online with others.

Most online video viewers have watched with other people. Online video consumers are just as likely to have shared a video viewing experience in person as they are to have shared video online. 57% of online video viewers have watched with other people, such as friends or family.

Few pay to access online video. Few online video viewers are paying for any of the video they watch; just 7% say they have paid to access or download video online. However, young adults, who are often thought to have little interest in paying for music and other digital media, are actually more likely than older video viewers to have paid for online video content.

Professional videos are preferred to amateur productions online, but amateur content appeals to coveted segments of the young male audience. Overall, 62% of online video viewers say that their favourite videos are those that are professionally produced, while less than a fifth prefer amateur video. Another 11% say they enjoy both professionally produced video and amateur online video equally. For young adult men there is a much narrower gap: 43% opt for professional video, while 34% say they prefer amateur content.

⁹ <http://www.pewInternet.org/>, July 2007

Educational videos interest viewers of all ages. While music videos may be created primarily for entertainment, videos with educational content are equally as popular among the general population of Internet users, and there is very little variation across age groups; young adult Internet users watch or download educational video content at about the same rate as users aged 65 and older (28% vs. 21%).

4. Broadcaster online video strategies

Media companies are fully engaged in exploring revenue opportunities in the expanding market for online video. Public Service Broadcasters in particular are developing ways of extending and applying their remits to accommodate their audiences scattering into online spaces. For many it has been a period of experimentation and trial governed by more caution and copyright protection concerns, however, with a dramatically expanding market and shifting consumer behaviour, many broadcasters now perceive the risk of under-engagement as greater.

In the US and several European markets, Apple inaugurated mass online video distribution two years ago when it established numerous partnerships with major content owners to sell downloads through its iTunes store. However, there is a clear trend emerging toward ad supported streaming and away from paid downloads. The difficult question for broadcasters is how to split their services between their own properties and third party websites that control large volumes of Internet traffic.

In the forthcoming television season more content will be streamed by US networks than ever before. This shift in strategy has been guided by two realisations: online video consumption tends to be additive and does not replace normal TV viewing; and advertisers are moving more and more of their budgets into online.

Broadcasters face a trade-off between reaching mass audiences on the most popular Internet sites and building loyalty and reach for their own properties. At this point, there seems to be no easy answer and individual broadcasters have developed their own specific strategies. In this report we will describe in detail how some broadcasters have dealt with this issue as well as their overall web strategy, whether driven by acquisition, alliance, or investment in their own properties.

5. Emerging peer-to-peer platforms

For broadcasters one of the major limitations of streaming video from their own servers has been the capacity limit as more and more users access the service. Peer-to-peer (P2P) distribution systems are intended to solve that problem by facilitating the transfer of large files by breaking them up into pieces that can be shared among a large number of individual computers in a network. Three companies of note have launched initiatives in this area.

In October BitTorrent announced a commercial service, BitTorrent Entertainment Network, to improve video delivery to consumers. The service is offered to complement existing services like Akamai. BitTorrent has over fifty content deals for downloads including News Corp.,

Viacom, and Time Warner. Customers will be able to rent, purchase, or view some content for free.

The highest expectations lie with Joost, a company that will begin testing its live streaming with programming providers in the first quarter of 2008. Joost is backed by a large variety of content from established media content owners and is buoyed by the reputation of its founders who started Skype, the Internet telephone service. Content and advertising deals have been signed with Viacom, Warner Music Group, CBS Corp, Coca-Cola, Nike Inc., Microsoft, Procter & Gamble, Sony, Visa, CNN, and Chum TV. Joost also has direct deals with rights owners like the National Hockey League and has signed an agreement with Creative Artists, a talent agency, to provide access to programming through its many contacts with major studios, record companies, artists and independently-controlled content libraries. The company has strong financial backing and investors include Viacom, CBS Corp., Sequoia Capital, the Li Ka-Shing Foundation and Index Ventures. Joost is still refining its advertising business model but says there will be less than on broadcast television.

Babelgum is another key player using P2P technology, but its content strategy is somewhat different. Babelgum will attempt to harness the long tail of niche content by offering a broad range of specialized content. Like Joost, video will be professionally produced and the business plan based on advertising with no payment from users. Babelgum will not allow users to download content permanently to their PCs or share video files. The service will include a basic set of channels with software allowing users to customize their own channels. Babelgum has also lined up serious investors and is leveraging the pedigree of its founder who started Fastweb, the successful Italian broadband provider.

For broadcasters these developments have several implications. If successful, these projects will accelerate the process of content disintermediation as distribution platforms seek deals directly with content owners like independent producers and sports organizations. Portals like Google and iTunes have already faced difficulties in reaching comprehensive agreements with major broadcasters and have turned instead to hundreds of small and medium-sized individual rights owners to fuel their need for product. The emphasis on professional content may also impact established broadcasters. It is estimated that even on so-called user-generated sites like YouTube up to 70% of content is not user-generated at all, that is professional content from studios, broadcasters, and others that has been uploaded by individuals. As buyers and sellers of content, broadcasters will need to consider carefully their future participation in the new platforms.

6. Capacity problems may be a future obstacle

Video consumes an inordinate amount of bandwidth compared to other Internet applications. YouTube alone serves over 100 million videos per day and some estimates show that total annual video streams in the US will double in five years to more than 90 billion.

In the UK regulators and ISPs¹⁰ are expressing concern that more video usage online will raise costs for broadband companies and disrupt overall service.

Ofcom estimates that £830 million will need to be invested in networks over the next five years to accommodate rising online video usage. ISPs in the UK are particularly worried that the popularity of the BBC's iPlayer could boost Internet traffic to unprecedented levels. The BBC has been asked to share network costs.

Many are now questioning whether the current Internet infrastructure can support mass video content delivery. Even P2P delivery systems which are designed to be more efficient and employed by companies like Joost will bring additional pressure to Internet backbones. It is estimated that current illegal P2P file-sharing already represents over 70% of the Internet traffic. Telecom and ISP advocates view both legal and illegal P2P as parasitic and warn that websites and consumers will eventually need to share the costs. As networks become strained, restricting service to certain users may become necessary. ISPs claim they may be forced to take steps like throttling down download speeds to heavy users or charging them more.

¹⁰ Internet service providers

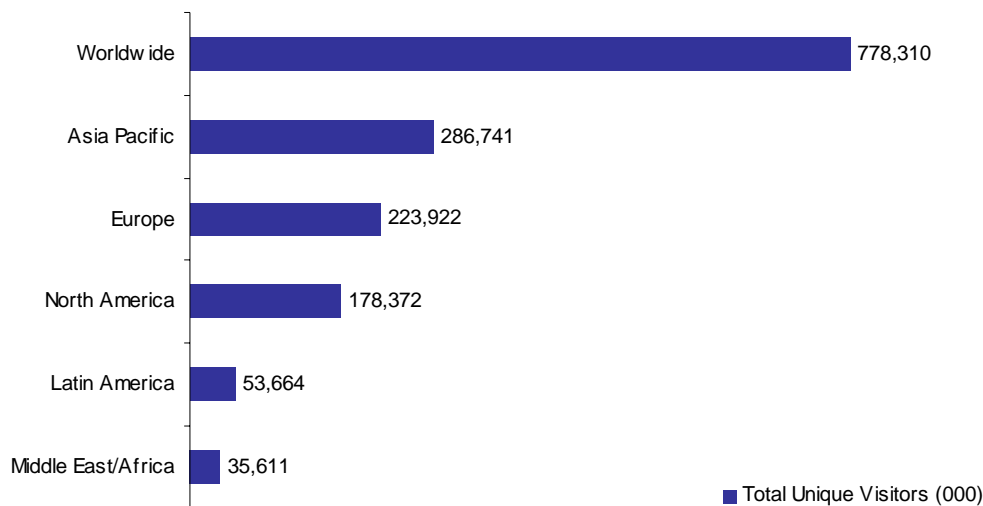
GENERAL INTERNET DEVELOPMENT AND EVOLUTION

Global overview

Since the World Wide Web debuted in 1991, the Internet has continued to grow every year. During the '90s the Internet doubled in size yearly; by 1996, the word Internet was coming into daily usage, successfully absorbing the majority of the previously existing public computer networks. Today, according to comScore, the Internet hosts an estimated 778.3 million¹¹ unique monthly users.

Europe is the second largest market for Internet services in the world after Asia Pacific, with 223.9 million users registered in June 2007.

Internet users per world region (Jun'07)



Source: EBU based on comScore

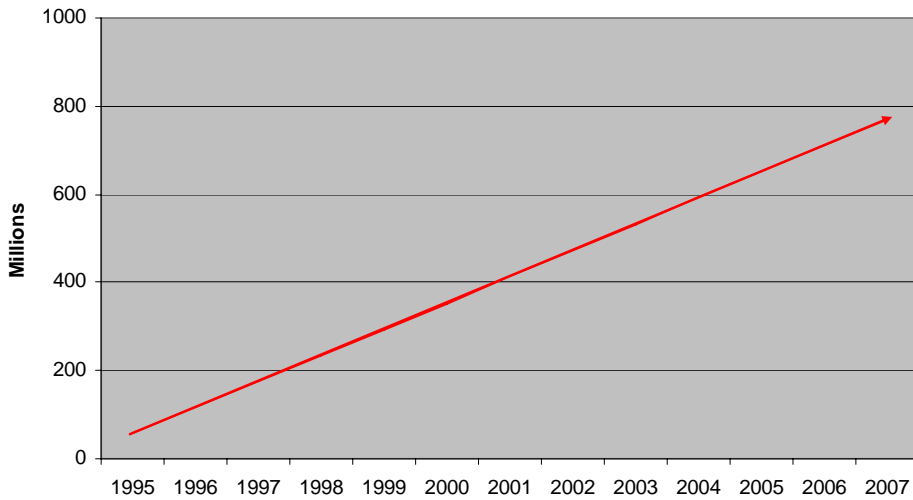
The Internet with its millions of daily users has also become an important media distribution platform, of all such media the one where end-users have the greatest power to define their entertainment consumption. The Internet's innovative and unique properties as a medium attract those who want to participate interactively with the products consumed and encourage engagement through online communities. Social networking sites have seen enormous expansion in recent years, and sites focusing on the sharing of user-generated content (UGC) like YouTube have made broadcasters aware of the importance of making media more interactive, inviting users to participate and contribute.

As the media landscape shifts from offline to online, powerful media groups like Fox, Viacom and Time Warner are developing strategies to increase their online presence and acquire successful sites to build their online brand portfolio. With its acquisition of YouTube, Google became an important player in the online video market and other examples are to follow.

¹¹ comScore Mediametrix, June 2007

Public Service Broadcasters (PSB) are closely following market developments and many EBU Members are implementing more interactive services to keep up with competition and attract both new and former users. PSBs are an important counter-weight to the commercially driven players.

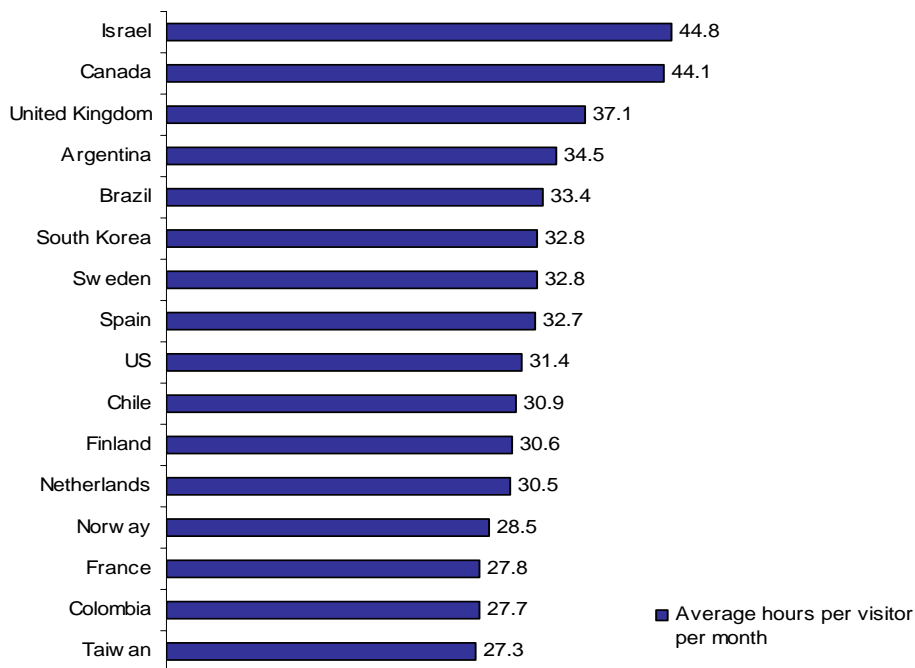
Online population growth over time (1995-2007)



Source: EBU based on comScore, "State of Internet" presentation, March 2007

The online population shows a steady growth since the middle of the 90s. Israel leads online usage with 44.8 average Internet hours per visitor per month, followed by Canada, the United Kingdom and Argentina. Many European markets - Sweden, Spain, Finland, the Netherlands and others – also rank high in monthly hours per visitor.

Average hours per visitor per month (Mar'07)



Source: EBU based on comScore, "State of Internet" presentation, March 2007

1. Concentration of ownership for popular and emerging properties

"This report [for the IFJ] concludes that there are major threats in Europe's media landscape. Some of the threats identified are political and private threats to public service broadcasting, power over global media in the hands of few, more and more media concentration, the threat to emerging markets in Eastern and Central Europe and regulation getting weaker as media power grows." - Granville Williams, International Federation of Journalists

Large media companies have added in recent years further billions of dollars of purchases, buying up Internet properties of all kinds and sizes at an astonishing rate. Highly trafficked vlogs and blogs, Internet based broadcasters and information sites, bookmarking and social networks are rapidly acquired even when the business model is shaky or yet to be settled. (see Appendix)

There are tens of millions of websites available for users to choose from. Technorati.com tracks 70 million blogs, and over 100,000 new blogs are created daily. According to recent measurements 778.3 million people used the Internet in June 2007. Of these users, about 726.3 million - i.e. more than 90% - visited at least one of the top 100 web properties that month. In other words, the top 100 properties combined reach 93.1 % of the worldwide audience.

Web dominance is even more concentrated than the near total reach of 100 top web enterprises suggests. At least one of the top 10 web properties - the companies with the strongest online presence – were visited by 707.5 million users in June 2007. These 10 properties alone reach 90.7% of all Internet users worldwide and therefore enjoy a position of enormous impact in today's online media society¹². On the top ten list are two of the "big 8" global media mega-corporations: Time Warner Network and Fox Interactive Media (owned by News Corp.).

Three powerful Internet enterprises currently dominate the market: Google, Microsoft and Yahoo!. These properties enjoy a significant advantage over competitors, with monthly reach higher than 60% (Aug'07). The majority of competitors have a reach of less than 10%.

Two of the top three sites – Google and Yahoo! - are Internet services companies, but core business varies among the top 50 Internet properties, with everything from computer/IT companies, broadcasters, social networking sites, online auctioneers and telecom providers involved. Large media groups like Time Warner Network, Fox, Terra Networks, Disney and Vivendi can all be found among the top global properties as well as the BBC, which ranked number 34 with 44.8 million unique monthly visitors in August this year.

The growing popularity in recent years of social networking and UGC sites is evidenced by the fact that five of the most popular sites in this genre are ranked among the top 50 properties: Wikipedia, Facebook, Six Apart, Hi5 and Photobucket (recently acquired by NewsCorp).

¹² comScore media metrix

Most visited Internet properties

| 50 most visited Internet properties August 2007 Worldwide | | | | | | | |
|---|--------------------------|--------------------------------------|--------------------------|------|-------------------------|--------------------------------------|------------|
| | | Total Unique Visitors (000) | % Reach ¹³ | | | Total Unique Visitors (000) | % Reach |
| Rank | Total Internet Audience | 791,338 | 100 | Rank | | | |
| 1 | Google Sites | 561,090 | 70.9 | 26 | Lycos Europe Sites | 54,187 | 6.8 |
| 2 | Microsoft Sites | 525,541 | 66.4 | 27 | Sony Online | 53,064 | 6.7 |
| 3 | Yahoo! Sites | 478,723 | 60.5 | 28 | Oversee.net Network | 52,361 | 6.6 |
| 4 | Time Warner Network | 270,084 | 34.1 | 29 | WordPress | 52,346 | 6.6 |
| 5 | eBay | 240,357 | 30.4 | 30 | Weather Channel,The | 51,120 | 6.5 |
| 6 | Wikipedia Sites | 210,811 | 26.6 | 31 | ARTISTdirectNetwork | 50,749 | 6.4 |
| 7 | Fox Interactive Media | 158,232 | 20.0 | 32 | Monster Worldwide | 50,516 | 6.4 |
| 8 | Amazon Sites | 151,944 | 19.2 | 33 | Disney Online | 48,647 | 6.1 |
| 9 | Apple Inc. | 124,069 | 15.7 | 34 | BBC Sites | 44,777 | 5.7 |
| 10 | CNET Networks | 122,240 | 15.4 | 35 | NetEase.com Inc. | 44,563 | 5.6 |
| 11 | Ask Network | 121,604 | 15.4 | 36 | Sohu.com Inc. | 42,503 | 5.4 |
| 12 | Adobe Sites | 108,728 | 13.7 | 37 | Connexus | 41,805 | 5.3 |
| 13 | Viacom Digital | 92,373 | 11.7 | 38 | Nokia | 41,474 | 5.2 |
| 14 | Lycos Sites | 76,789 | 9.7 | 39 | United Online, Inc | 40,429 | 5.1 |
| 15 | The Mozilla Organization | 72,514 | 9.2 | 40 | CBS Corporation | 39,086 | 4.9 |
| 16 | Facebook.com | 69,256 | 8.8 | 41 | eMule (App) | 39,067 | 4.9 |
| 17 | Gorilla Nation | 68,155 | 8.6 | 42 | Photobucket.com LLC | 38,674 | 4.9 |
| 18 | New York Times Digital | 67,751 | 8.6 | 43 | Cassava Enterprises Ltd | 37,665 | 4.8 |
| 19 | Terra Networks | 63,399 | 8.0 | 44 | Six Apart Sites | 37,560 | 4.7 |
| 20 | Tencent Inc. | 63,140 | 8.0 | 45 | Ares Galaxy - P2P(App) | 36,316 | 4.6 |
| 21 | France Telecom | 62,986 | 8.0 | 46 | Rakuten Inc | 36,190 | 4.6 |
| 22 | Expedia Inc | 62,427 | 7.9 | 47 | Alibaba.com Corporation | 35,788 | 4.5 |
| 23 | Baidu.com Inc. | 58,816 | 7.4 | 48 | HI5.com | 34,898 | 4.4 |
| 24 | SINA Corporation | 58,072 | 7.3 | 49 | Vivendi | 33,860 | 4.3 |
| 25 | Real.com Network | 55,009 | 7.0 | 50 | LiveUniverse | 33,843 | 4.3 |

Source: EBU based on comScore

With strong market strategy and successful online communication, Google has gained users' confidence and is the leading Internet property in the world today. Launching as a search engine and continuously adding new features and functions, Google has passed both Microsoft and Yahoo! in popularity and increased its reach by almost 18% - i.e. 80 million additional unique monthly visitors – in a single year. Google drew mainstream media attention with the purchase of YouTube.com in November 2006 for in excess of US \$1.6 billion, a move which greatly enhanced the Google brand, especially among younger audiences. Google's gain appears to have been their competitors' loss, Yahoo! and Lycos suffering unique monthly hits decline of 10 and 13 million respectively in the same period.

Internet properties showing the most positive development in recent months are Fox Interactive Media, Viacom digital, Gorilla Nation, CNET Networks and Wikipedia. The last is a multilingual, web-based, free content encyclopaedia project to which volunteers around the world contribute

¹³ Defined as the percent of total universe accounted for by total site visitors. Reach percentage can also be shown for target markets (cells) comprised of specific demographic groups.

information. The strong growth of Wikipedia attests to Internet users' keen interest in participating in online communities/collaborative websites and contributing their own content.

Significant increases in web traffic seem to be driven principally by powerful properties acquiring new sites to broaden their content portfolio and increase their overall visitor base size. For France Telecom, however, web traffic growth appears to derive from the launch of the Orange business (mobile telephony) in Spain, creating new Spanish sub-sites.

Worldwide ranking of Internet properties

| 20 most visited Internet properties August 2007 Worldwide | | | | |
|---|--------------------------------|--------------------------------|----------------------------|----------------------------|
| | | Total Unique Visitors (000) | Difference vs. year ago | % Increase vs. year ago |
| | Total Internet: Total Audience | 791,338 | 68,611 | 9.5 |
| 1 (3) | Google Sites | 561,090 | 92,794 | 19.8 |
| 2 (1) | Microsoft Sites | 525,541 | 19,494 | 3.9 |
| 3 (2) | Yahoo! Sites | 478,723 | -3,255 | -0.7 |
| 4 (5) | Time Warner Network | 270,084 | 46,045 | 20.6 |
| 5 (4) | eBay | 240,357 | 1,276 | 0.5 |
| 6 (6) | Wikipedia Sites | 210,811 | 72,170 | 52.1 |
| 7 (8) | Fox Interactive Media | 158,232 | 36,288 | 29.8 |
| 8 (7) | Amazon Sites | 151,944 | 17,001 | 12.6 |
| 9 (11) | Apple Inc. | 124,069 | 29,825 | 31.6 |
| 10 (13) | CNET Networks | 122,240 | 30,485 | 33.2 |
| 11 (9) | Ask Network | 121,604 | 6,139 | 5.3 |
| 12 (10) | Adobe Sites | 108,728 | 8,138 | 8.1 |
| 13 (20) | Viacom Digital | 92,373 | 37,539 | 68.5 |
| 14 (12) | Lycos Sites | 76,789 | -16,298 | -17.5 |
| 15 (42) | The Mozilla Organization | 72,514 | 37,471 | 106.9 |
| 16 (100+) | Facebook.com | 69,256 | 53,785 | 347.7 |
| 17 (24) | Gorilla Nation | 68,155 | 16,164 | 31.1 |
| 18 (17) | New York Times Digital | 67,751 | 3,716 | 5.8 |
| 19 (26) | Terra Networks | 63,399 | 13,518 | 27.1 |
| 20 (21) | Tencent Inc. | 63,140 | 8,904 | 16.4 |

() Rank one year ago

Source: EBU based on comScore

2. Online category development: participation and networking on the rise

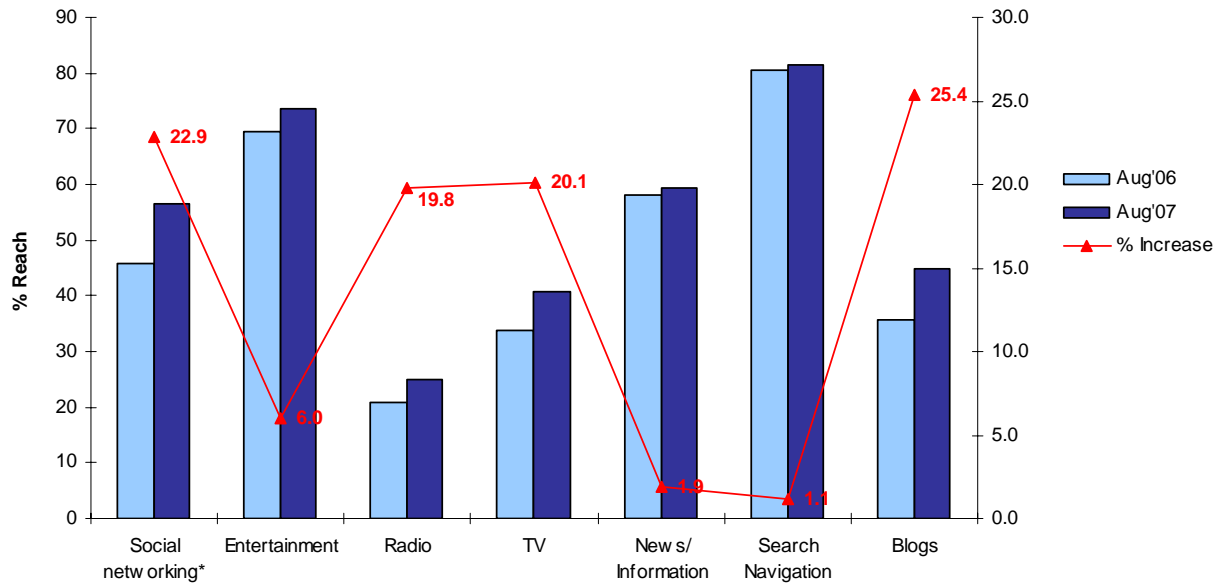
The online development of website categories¹⁴ over the past twelve months strongly suggests that Internet users are avidly seeking opportunities for participation and networking, using the medium to express themselves and share ideas with others. The popularity of blogging related sites has risen significantly - almost 25.4% up - as have social networking sites, with a 22.9% increase.

New media research has identified a shift in consumption pattern showing audience, especially younger viewers, spending more time in front of their computers. Streaming of both radio and TV has increased significantly. As illustrated below, data collected show an increase of 20.1%

¹⁴ Categorisation according to ComScore database

for TV and 19.8% for radio consumed over the Internet, indicating the benefit to traditional broadcasters of a strong Internet presence offering interactivity and personalization.

Online category growth rates



* Since Nov'06

Source: EBU based on comScore

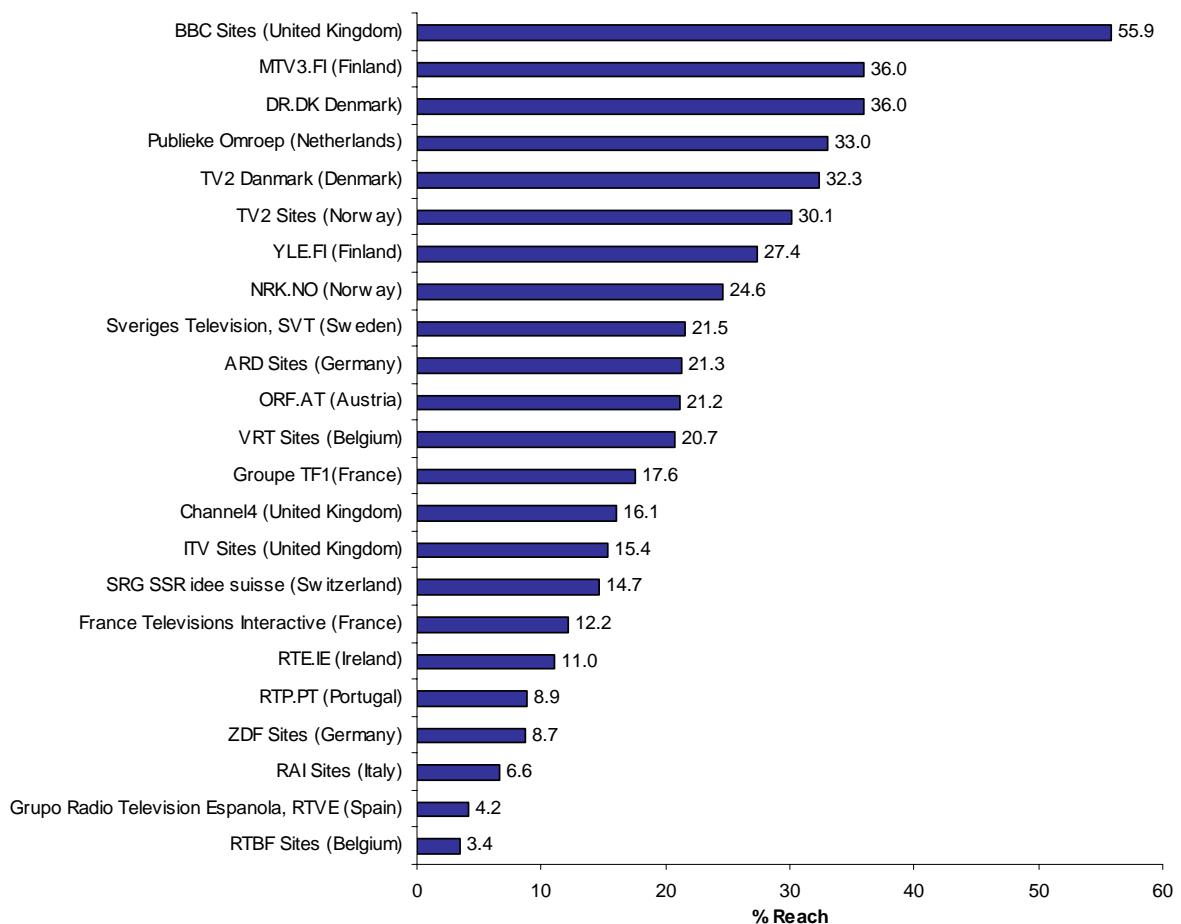
PUBLIC SERVICE BROADCASTERS ONLINE

EBU Members' Internet reach

EBU Members are availing themselves of the increasing usage of the Internet for the consumption of TV and Radio product to gain new consumers and to make their product more easily and flexibly available to existing consumers. However a comparison of the websites and distribution strategies of EBU Members shows some notable diversity in terms of successful exploitation of the Internet for distribution of broadcast content.

With reference to national Internet reach of EBU Members' website properties, the BBC has the most attractive online property by far, reaching almost 60% of the British Internet audience. With 19.9% less reach, the second most popular property is Finnish MTV3. In Aug'07, the majority of EBU Member websites achieved a reach of 15% or higher, and the average, calculated across all Members, is 20.8%.

EBU Members' Internet reach - Aug'07 (% reach among national population)



Source: EBU based on comScore

All but two EBU Member properties earn a place in the top 100 most visited web properties in their respective countries. Eight EBU Member websites, among them DR in Denmark and Publieke Omroep in the Netherlands, are ranked in the top ten in their markets.

Most of the Members' sites show stable reach over the past year, though properties like MTV3 in Finland and ZDF in Germany have lost a significant share of visitors. BBC, TF1 and France Television show the highest increase.

Comparison of EBU Members' online reach

| Internet property | Country | Ranking among top100 web properties | % Reach (Jun'06) | % Reach (Jun'07) | Increase of reach |
|---------------------------------------|----------------|-------------------------------------|------------------|------------------|-------------------|
| BBC Sites | United Kingdom | 5 | 55.3 | 59.6 | 4.3 |
| DR.DK | Denmark | 7 | 36.8 | 33.2 | -3.6 |
| Publieke Omroep | Netherlands | 7 | 33.0 | 33.4 | 0.4 |
| MTV3.FI | Finland | 7 | 45.5 | 35.3 | -10.2 |
| YLE.FI | Finland | 8 | 30.9 | 30.9 | 0.0 |
| TV2 Danmark | Denmark | 8 | 32.0 | 31.4 | -0.6 |
| TV2 Sites | Norway | 9 | N/A | 33.6 | N/A |
| ORF.AT | Austria | 10 | 22.2 | 22.0 | -0.2 |
| VRT Sites | Belgium Fl. | 11 | 18.9 | 19.4 | 0.5 |
| NRK.NO | Norway | 13 | 27.0 | 28.4 | 1.4 |
| Groupe TF1 | France | 16 | 19.4 | 23.8 | 4.4 |
| SRG SSR idée Suisse | Switzerland | 19 | 15.9 | 17.3 | 1.4 |
| Sveriges Television - SVT | Sweden | 19 | 20.2 | 18.6 | -1.6 |
| RTE.IE | Ireland | 21 | 12.4 | 13.2 | 0.8 |
| ARD Sites | Germany | 22 | 24.6 | 21.1 | -3.5 |
| Channel4 | United Kingdom | 26 | 18.6 | 19.4 | 0.8 |
| RTP.PT | Portugal | 28 | 10.1 | 11.6 | 1.5 |
| RAI Sites | Italy | 34 | 11.5 | 11.3 | -0.2 |
| France Televisions Interactive | France | 37 | 13.5 | 16.7 | 3.3 |
| ITV Sites | United Kingdom | 45 | 11.9 | 14.4 | 2.5 |
| ZDF Sites | Germany | 86 | 12.0 | 5.8 | -6.2 |
| RTBF Sites | Belgium Fr. | Not listed | 4.4 | 3.3 | -1.1 |
| Grupo Radio Television Espanola- RTVE | Spain | Not listed | 5.2 | 4.9 | -0.3 |

Source: EBU based on comScore

Case studies - Public Service Broadcasters

As an illustration of public service broadcasters undertaking organizational changes, expanding content distribution and marketing strategies etc. to adjust to the evolving Internet climate, in-depth case studies of three PSBs were undertaken: Danish Radio and Television (DR), Swedish Television (SVT) and Swedish Radio (SR). Two additional case studies, of the BBC and Dutch NPO, round out the picture of PSB activity in the shift to online distribution.

Danish Radio and Television (DR)

1. Brief highlights:

- The newly implemented DR organization maintains a strict distinction between commissioned and in-house new media production, with production units making programming content across boundaries of radio, TV and Internet.
- Dr.dk is the most popular media site in Denmark, with a weekly reach of 18% and a monthly reach of 40%. The site is one of the largest Internet news providers. However competition from online newspapers and TV2 is increasing with news and online video

as the key market drivers. DR's goal for 2008 is to increase the weekly reach and increase the weekly visitors by approximately 10%, aiming to reach 20% of the population on a weekly basis.

- Distribution techniques like P2P have already been tested for live streaming of special events. Further initiatives are to be launched in 2008, allowing for more personalised services.
- To encourage user participation and promote democratic values interactive blogging, debates and political as well as local initiatives will be launched or extended.
- DR views video sharing sites like YouTube.com as purely marketing channels. At present DR does not have the full legal framework in place to distribute all of their content on these sites. They have chosen to extend their online distribution through a new deal with Joost. A designated DR channel is available to Joost users with content from various genres.
- According to DR, market fragmentation is one of the major trends that will influence their business the most in the future. Audiences moving towards "more individualized viewing" means website content needs to offer more personalised services. Diversity of media is likely to result in more specialized roles for various services, with more channels and more narrowly targeted content.

2. Regulations and financial structures

General financial guidelines

DR is an independent, licence fee financed public institution and is not permitted to carry advertising. Sponsorship is, however, allowed as is receipt of payment for expenses related to distribution, e.g. SMS traffic where the user pays up front for the on-demand service. DR has chosen not to solicit sponsorship for their programmes in order to remain independent, in both appearance and fact, of political and economic influences.

DR's online activities are based on a government charter as well as a four-year renewable agreement. The government charter includes broader guidelines and rules for Dr.dk while the agreement concerns more concrete directions, stipulating services of their website and authorising the upcoming creation of two new TV channels.

Internet budget

The budget for new media online content is about 10 million Euros. This budget concerns content only and does not include technical costs such as hardware, software, distribution etc., which are covered elsewhere. Content refers to TV, radio and new media content produced specifically for the web (not TV or radio programmes produced for broadcast and distributed on the web). Technical costs are estimated at about 3 million Euros. Currently, Internet distribution costs are not very high, according to DR.

Legal content restrictions

DR makes much of their audio and video content available through a 30-day designated streaming window. However, they cannot make their entire broadcast audio and video product available as podcasts due to copyright regulations. Content broadcast by traditional means is divided into three different categories:

- Own production with complete DR ownership and no distribution limitations - about 10% of the TV content and much more for radio
- Own production but with some rights held by external rights holders
- Content produced externally and bought or licensed - all rights residing with external rights holders

This means that most of the talk-radio programmes are available via podcast, while only a small part of the TV programmes are. Content whose copyrights are held by external parties cannot be podcasted. It is possible for DR to negotiate with individual rights holders to acquire programmes for podcast in addition to broadcast, but they have done so rarely.

Technical aspects

DR is not restricted to specific partners for cooperation on technical solutions, distribution systems etc. but, according to EU regulations, they are obliged to call for tenders if contract cost rises above a given amount. Calls for tender are launched in order to reach agreements with multiple consultants and are open to any company. After a thorough selection process, several different consultants are chosen to sign pre-agreements concerning prices for specified services.

DR has performed trials using the P2P system for online transmission of special live events, such as the UEFA football championship. These trials were successful, increasing online capacity to handle 15-20,000 viewers instead of 1,500. P2P transmissions are simple to undertake and well suited to live TV broadcasting. All that is needed is software, while on-demand TV is much more complex as time shift needs to be taken into consideration.

3. Organizational structure

Organizational structure and responsibilities

The historic development of the DR organizational structure has undergone three major phases:

- 1995 - The organization was led by the Director General (DG) with no direct influence. TV and Radio were two separate, internal organizations led by a Radio and TV Director with responsibility for all production and editorial decisions.
- 2000 - TV and Radio remained separate, but the Directors were replaced by Chief Editors with no production responsibility. Two new production groups were also added directly under the Director General, one responsible for news production and the other

for all remaining production. A pilot project called New Media was added under the TV unit, working only with web developments. New Media was a group mixing all competences, production, web-design etc.

- 2007 - Simpler organization with focus on new media. Two new units, Media and Programmes, were formed, each led by a Director reporting directly to the DG. The Media unit is made up of 8 Chief Editors¹⁵ and approximately 40 Editors in charge of planning and commissioning all content for TV, Radio and New Media. One Chief Editor is responsible only for Dr.dk and orders all content from internal programme production units.

This new organization works along "buyer-supplier" lines with chief editors ordering their programme content from production units, mostly but not exclusively internally. Benefits of the current structure include better synchronisation between media departments and ease of communication between employees throughout the organization.

For the unit dedicated to the website, however, the current organization inhibits flexibility. Establishing new website services is made difficult in the current scheme, and the website development is forced to share the horizon of broadcast TV which has a very long planning process. Thus the website unit's decision-making process is slowed down, unable to react rapidly to on-line developments. This structure would require adjustments if DR was to become an on-demand driven organization.

DR integrating new media

The unit working with Dr.dk is called New Media and is also responsible for mobile radio and TV, interactive TV and Teletext. The unit produces no in-house, web specific content but is charged with the web site's appearance, content offers, scheduling, etc. This unit is cross-functional involving personnel working with overall site structure, News, TV, Radio, Mobile, games etc.

A new media house built for DR in 2006 is intended to serve as a hub where digital and information technologies are used to establish a multimedia production centre with editorial and technical integration between radio, TV and Internet from research, via programme production and through to the presentation and broadcasting of different products in all three media. Technical projects involve the creation of coherent tri-media productions, and distribution is based on highly developed digital solutions and content sharing in an environment where all material is used across traditional boundaries between radio, TV and Internet.

¹⁵ The chief editors, also called commissioning editors, decide what content to use and when. They also decide whether content should be bought externally or produced in-house and they own the programme budget.

Objectives and development strategies

Due to the increased competition on the Danish media market, DR has set an ambitious and clear strategy for their evolution towards the year 2010. The strategy targets five goals to be measured by specific criteria:

1. Create value for everybody - maintain a strong, valuable relationship with the broadest possible user base
2. Engage, inspire and challenge - engage users in debates and enhance social participation
3. Provide unique experiences - develop high-quality programmes and services
4. Whenever and however you like - create media services giving users the greatest possible freedom and flexibility in their consumption
5. Efficiency and job satisfaction.

Online services of Dr.dk aim to serve as the Danish population's guide to media and culture. Development plans to emphasise expansion of DR's on-demand content and the introduction of new interactive services. DR hopes to become the leading supplier of on-demand content in the Danish language and to inspire Danish speakers to exploit new media opportunities¹⁶.

DR adheres to three guiding values in everything they do:

- Credibility
- Independence from politics and commerce (all their services are free of advertising)
- Pluralism (supplying content from all points of view)

These values steer all the projects undertaken by DR which sets itself the task to ensure that the Danish public has access to the information needed for the fullest possible social participation and integration. The broadcaster's presence on the Internet is envisioned as part of this mission and proceeds in accordance with these goals.

4. Internet and website strategies

Internet climate and key competitors

DR is popular in Denmark, where public service has a long tradition. This popularity has been inherited by Dr.dk, which has the highest monthly reach among Danish websites according to the official Danish measurement system, FDIM¹⁷. Dr.dk has a monthly reach around 40%, but is threatened by its main competitor TV2, which, with five broadcast channels, is becoming the largest TV broadcaster in Denmark.

¹⁶ DR website - Strategic goals, 2007

¹⁷ Trade organization for Danish Internet media supplying them with Internet statistics.

In the Danish Internet market, media related sites like newspapers have a strong position in the top 20, though not as strong as in other Nordic countries. Danish newspapers have been slow to develop Internet services, but they are currently growing online and attracting advertising revenue. This market is dominated by news in text format, one of DR's key areas, but online video is increasingly important as well. The latest trend for newspapers is launching web-TV. The direct competitor to DR is TV2.

Competitive Danish Internet media climate

| Important Danish websites | Type | Total Unique Visitors (000) (Aug'07) |
|---------------------------|--------------------------|---|
| DR.DK | TV and Radio broadcaster | 1,716 |
| TV2.DK | TV and Radio broadcaster | 1,435 |
| MSN.DK | Portal | 1,303 |
| EKSTRABLADET.DK | Newspaper | 1,296 |
| JUBII.DK | Portal | 1,107 |
| BT.DK | Newspaper | 790 |

* The table shows Dr.dk and its most important online competitors and not the top six list of leading Danish websites

Source: EBU based on FDIM

Even though the reach of Dr.dk is comparatively high, share is very low. In Denmark, the Internet is used primarily for practical tasks rather than media consumption. DR's objective is to increase reach - by 2%, from 18 to 20% - while the share remains a minor concern.

Web strategies

The Brand Asset Evaluator, which measures brand value, reveals that Dr.dk only recently became a brand in itself for users. It is closely linked but not identical to the DR mother brand. While DR is a very strong (widely recognized) brand scoring low distinctiveness, Dr.dk is not as strong but more distinctive. Distinctiveness and targeting is normally closely linked, which is why DR has low distinctiveness: they target everybody and the same goes for their website. In contrast Joost, the newly launched P2P TV distributor, scores high in distinctiveness but low in strength, the measure of public awareness.

What makes Dr.dk different from other online media services is a focus on its identity as public service, using a different "tone of voice" than commercial enterprises. Each section of the DR website is targeted to a demographic, but the strategy differs from TV and radio. While both radio and TV have a multi-channel strategy, with individual programmes targeted at different audiences, Dr.dk is using a single-channel strategy. This single site addresses the whole audience, while the different portals target audience segments.

The key target audience for Dr.dk is 20-40 year old "experienced web users". This group is considered the hardest to reach with traditional media and more adapted to online media usage. In addition to this main target audience two specific sub-groups have been identified:

- a) Kids – Dr.dk's effort to reach children is so far a success, dominated by entertainment services but also including educational features
- b) Youth (12-20 years)

The youth section of the website includes four universes; love, humour, music and community, each targeting different audiences within this demographic group. But for DR, as for many other PSB organizations around Europe, it is becoming increasingly hard to raise awareness among younger audiences and more difficult to market to them. In pursuit of this target audience, DR plans higher expenditures on marketing next year outside their own channels.

Marketing and targeting partnerships

DR does not typically make its content available on video sharing websites like YouTube and Metacafe. However DR has used YouTube as a useful tool for promotion rather than a distribution channel. They have already placed content on YouTube: "Bangladesh" – a DR2 trailer - and "Angora" a viral marketing sketch. Angora was the second most viewed YouTube clip for one day. None of the material uploaded to YouTube is taken from DR programming. DR's YouTube promotions are made specifically for marketing purposes and are open for users to embed in their own personal pages. This content is also available through Dr.dk.

5. Online programming and content distribution

Usage by platform

DR content is distributed on multiple platforms, among others:

- TV
- Radio
- Web
- Mobile phones

A growing number of Danes are turning to DR's radio and TV news through DR news online. By providing its content over multiple platforms, DR aims to increase the consumption of its product by the 20-40 age groups across all media.

Content distribution

Today Dr.dk offers its content in the following form:

- Streaming - live and on-demand
- Podcasting
- Teletext
- Mobile-TV

The on-demand 30-day archive offers at present limited content, mostly non-fiction programmes. However, next year a broader range of content, including dramas, will be made available thanks to new agreements with rights holders.

The TV content on Dr.dk is primarily made up of an archive of full length programmes available for streaming. Users can either stream TV broadcast channels live or view past programmes. Users do not seem to spend a lot of time watching TV on Dr.dk but rather visit the sites for "snagging" - surfing around the site, looking at short clips between 2-3 minutes. DR therefore launched a new initiative called "DR update" in the beginning of June 2007. DR Update, which is also available on broadcast TV, is an initiative whereby users can access news in short format. Viewers can watch news clips as a flow or browse highlights, "pick and choose", creating their own selected play list. This service, more interactive than broadcast, attracts about 100,000 visitors per month, representing about 10% of total Dr.dk usage. DR Update also allows users to rate the news clips; the highest rated and most viewed clips appear on highlighted listings.

The success of this initiative has inspired DR to consider extending the model to other Dr.dk TV subject areas and applying it to the programme archive, which may be classified by year. Embedding various news clips, about which they gather user feedback, into new news stories is also an option.

Dr.dk content is frequently updated – there is 24-hours a day oversight - with plans for ever more frequent programming updates across the site's features. The website has a built-in functionality that determines the geographical region in which the user is located, allowing for greater personalisation of the visitor experience, automatically including regional news, traffic information and weather as appropriate to the individual user. To further enhance the personalisation, "myidea.dk" is set to launch in early 2008, allowing users to customise their DR webpage.

Online programming

The DR website is divided into three principal content areas: News, Kids and Youth. TV and radio have their own parts of the website. The radio portal includes subsections for web-radio, podcast and individual channel pages, while TV is divided into web-TV, TV guide and individual programme pages. Interestingly the TV-guide has a reach of 16%, suggesting the consistent need for this fairly traditional service and the importance of such navigational tools for the growing universe of content distribution. Apart from these principal content sections, DR includes web pages dedicated to music, games, blogs, comedy, health, children, culture etc.

The content and services decisions for the website are made by the Dr.dk editor-in-chief, though responsibility is delegated to editors assigned to sections of the website. One editor handles DR1, DR2 and P4; another is in charge of all news related pages etc. All content distributed on Dr.dk goes through one centralized production system and the content is primarily a mix between images, audio and articles, with minimal video.

Public service, diversity and interactivity

To promote freedom of speech, democracy and dialogue Dr.dk has established different services:

- Debate - this forum is led by DR hosts moderators. The hosts invite users to contribute their thoughts and ideas on topics they introduce.
- Blogs - consists of blogs from DR experts only and not from users. However a new expert group made up of users will be added to this section.
- Local Heroes - a local pilot project where citizens could use the site as a platform for ideas and initiatives they would like to carry out.
- Candidate database - candidates in the municipal elections can display their profiles and explain their positions on Dr.dk.

DR sees blogging on their website as an important way to open up to the users and invite engagement and interactivity. DR is considering deploying blogging services to a greater extent and may soon integrate this service with the Debate section.

To follow the Internet trends in social networking and video sharing, Dr.dk has invited users to contribute their own videos. The disappointingly modest response to this overture suggests that users are less keen to produce their own content than to participate in social interactions around the quality, professionally produced programming available.

DR has also tried to reach younger people by creating a community based web page, which worked well in the beginning but is now facing high competition from Arto, a social networking site in Denmark accounting for 10% of all time spent on Internet among Danes.

Internet usage in Denmark has shown a steadily growing curve until very recently. This curve has reached its maximum level and is stagnating at a penetration level of 86%. Broadband penetration, speeding up downloads and offering superior quality for streaming, has proven to be a driver of online video usage.

6. Audience research and consumer understanding

Dr.dk and the audience

Dr.dk has an audience that is nearly equally balanced between men and women, though men are a slight majority.

The main drivers of traffic to Dr.dk are:

- News
- Streaming media
- TV guide

- Web-only content linked to programmes
- Children/Youth

Special events or news, exclusive to DR, can elicit visitor peaks, for example when a collection of Mozart podcasts by the DR Orchestra was made available. On-demand streaming of Danish TV drama series is also something that attracts users.

DR believes that their services must go mobile and aims to allow for users to access their content everywhere.

Streaming activities

No standard has yet been agreed on the measurement of streaming video, although DR is pushing hard for the adoption of one. However, together with their Nordic public service colleagues and Mediapulse in Switzerland, DR has agreed to use the same rating system as is in place for TV. In this system only complete streams will be counted, and data compiled on a weekly basis, to suit market preferences. Many commercial media companies measure all initiated streams, whether the complete programme is viewed or not, to maximise their figures for advertisers.

Online TV streaming on Dr.dk, including both live and on-demand streaming, attracts about 100,000 users every week. This traffic is measured with a panel based system that counts what DR calls "real users", e.g. human beings and not computers. A panel consisting of computers generally results in higher numbers.

7. Future media, technology and Internet trends

General trends

DR believes that the fragmentation of the media market is one of the trends destined to impact them most in the future. The number of programmes viewed by a million people is declining and the trend is towards more individualised viewing - more content, more channels/outlets and more combinations. DR has a large web user base, but this base is quite diverse in its habits of media consumption in the new medium; web services need to be more personalised than broadcast television to best serve this base.

DR also believes they will remain a strong presence in Danish media involving all media. Media landscapes have a history of transformation, the introduction of television being the most important to date, and time will very shortly tell if the Internet will match that metamorphosis in scope and depth of cultural change. When TV confronted radio, some radio genres grew - music and news - while radio drama all but disappeared as TV drama blossomed. A similar migration of the entire genre of news and short form information programming (cooking shows, crafts, travel, and nature) from TV to Internet may occur. 80% of the audience for night time news broadcasts on TV is over 40 years old.

Future threats and opportunities

Regarding online TV distributors like Joost and Babelgum, using P2P systems, DR does not see them as immediate competitors in their current media market. However, they believe that if Joost offers a truly broad and quality content selection, they are destined to be very successful. Content is key, according to DR, as most users do not have a strong connection with their channels but rather with the programmes they watch. Joosts need to put established brands on their site and offer content with high awareness among users in order to attract a mass audience, according to DR.

DR recently concluded an agreement with Joost and currently a DR channel is available through this website. It contains a range of content (current affairs, a consumer programme called CASH etc.). No Joost specific and new content will be distributed on this channel. Today DR's web-TV attracts more viewers than Joost globally has, but in the future this might prove to be a good way for DR to extend their distribution and reach a new audience.

Technological investments and partnerships

While some public broadcasters have signed agreements with companies like Siemens and Microsoft to increase in-company technical knowledge and also to further develop the technical aspects of their website to be at the forefront of new technology, DR has opted not to enter similar deals in order to avoid favouring specific companies. It is very important for them to stay neutral and not be influenced by commercial interests.

Though not latching themselves to private sector partners in the new technology, DR is developing their website in line with new trends and technical solutions. Some web 2.0 developments have already been implemented by Dr.dk and more are to come, such as "myDr.dk" and the use of Google maps to illustrate where different stories originate.

Swedish Television (SVT)

1. Brief highlights:

- SVT's core activity is television broadcasting but their online content and on-demand streaming services are becoming more and more popular. Content has been made available through multiple distribution platforms to expand audience value and the availability of product.
- Technical systems are being developed and tested to find new ways to increase consumer value and decrease online distribution costs. Recently SVT launched a new high-resolution drama show on-demand. SVT is the first broadcaster in Europe to test this new distribution technique.
- Marketing campaigns and new partnerships are in the course of launching with YouTube and Joost to attract new and younger viewers to SVT.
- Users are invited to participate in discussion forums and express their opinion through interactive web services. User-generated content like videos is sometimes merged into live TV broadcasts.
- SVT believes that the future is going towards a more targeted media market with more niche channels and a growth of on-demand services. Keeping their independence and trustworthiness will be key for public service to survive in the new digital era.

2. Regulations and financial structures

General financial guidelines

There are three public service bodies in Sweden; SVT, SR and UR. SVT is responsible for television broadcasting and is, like the other two bodies, financed by licence fees. All Swedish citizens receiving public broadcasts pay a media fee. The Government decides through grant conditions how much of the public funds are available for expenditure each year.

The TV and Radio law allows SVT to broadcast television to Swedish citizens, but the current law does not include web-TV. The law is supplemented by an agreement between SVT and the state, outlining general conditions and guidelines for their activities according to their public service responsibilities. The activities include all SVT services, not only traditional TV broadcasts but also mobile and web-TV. Television is SVT's core activity and all Internet services are seen as complementary.

All SVT services, TV, Internet and mobile, are free of charge for users. Only specific products like merchandising, programme rights, DVDs etc. may be for profit. No advertising is allowed and sponsoring can be used only for special events. This makes the Svt.se site rather unique compared to other media sites where advertising is common.

Legal content restrictions

The website content is available through streaming, both live and on-demand, and podcasting. The 30-day archive as well as the historical archive are open for streaming while some programmes are also available through podcasting.

The content is divided into three types:

- Own production - the content is fully owned by SVT after agreements with rights holders; this is the foundation of all SVT's production
- Production with divided ownership/cooperation with external partners - divided rights
- Externally produced - very limited rights.

Most of the Svt.se content available through streaming belongs to the first type. Cost and legal restrictions restrict the posting of content on SVT's website to only a portion of broadcast content.

Internet budget

The total budget for SVT is set at SEK¹⁸ 4 billion of which the budget for the website represents about 4%. The Internet budget is divided into two parts:

- Programming costs for web activities - approximately SEK 80 million for 2008, concern all costs related to copy rights (to be compared with programming costs for the traditional TV broadcasts of approximately SEK 2.5 billion).
- Costs directly related to the website - SEK 94 million for 2008 (64 million 2007), which concern all technical (distribution and development) and editorial costs.

As the online services are getting more visitors and usage is growing, the costs have increased significantly. This should, however, be seen in relation to the increased audience availability generated by these services. The increased costs are primarily related to the technical aspects as it is expensive to store and broadcast programmes via Internet. The costs grow as more people watch and as this means increased costs for growing storage capacity and bandwidth usage. SVT is trying to find alternative distribution techniques to decrease these costs. Part of SVT's objectives for 2007 is to reduce the costs for traditional TV programme production to make a larger part of the budget available for content distribution on Internet and other platforms. Costs are increasing more than revenues and the organization needs to use the money in a more efficient way.

Technical aspects

As the online services will continue to grow SVT is looking into new and more cost-effective distribution methods for delivering online content. A method of current interest is file sharing, which has had much success for the illegal downloading of films and music and which is being

¹⁸ 1 Euro = 9.2 SEK (Swedish Krona)

implemented by the BBC using crypted downloading. This way of file sharing allows you to download a programme for only a certain period of time.

The problem with new downloading techniques is that this market is in a relatively fresh development stage and no standards have yet been established. Most systems are connected to specific distributors' own systems, which constitutes a problem as SVT, which as a public service organization, must offer techniques available to most of the population. However, while a new distribution method is being established, SVT has reduced its costs by cleaning out some of the stored online content and reducing transmission quality¹⁹.

Distribution techniques are developed centrally and must be cost-effective and suitable for local distribution as the same system is used for local as well as national production. In 2007 a new central server was installed to code all programming material into Meta data so that it can easily be replicated on the web. This system was developed by SVTi, the interactive unit of SVT.

To be at the forefront of technical developments requires major economic capital and SVT cannot afford being left behind. Their public service mission demands their Internet presence. SVT may therefore pursue future discussions with politicians and market players regarding the possibility of making some of their online services payable in the future. Not the editorial content offer but pure one-to-one distribution.

3. Organizational structure and strategic objectives

Organizational structure and responsibilities

SVT's organizational structure is continuously amended in order to increase business efficiency and improve coordination of the programme offer. Since 1994 SVT has been owned by an administrative foundation with the mission to promote their independence. The Director General of SVT takes decisions about the content strategy and sets the budget for programmes, services and channels in cooperation with the various programme directors as well as the director for SVTi. The management team decides about general directions regarding programmes and activities while the operational business is led by the different units. Each unit is responsible for its own economic results and for leading, structuring and developing its programming activities and services.

SVT integrating new media

SVT believes the current structure will most probably have to change in the future to be better adapted to the new media climate where on-demand is a growing business. The organization is concentrated around the core television activities and interactive services are gathered in a separate function, SVTi.

SVTi was created in 2000 as a central web unit reporting directly to the Director General, ordering programme missions from the programming director. The group consists of 35 persons

¹⁹ www.svd.se

with different functions: strategic, editorial, technical, etc. SVTi is responsible for all new publishing forms, almost everything that is not traditional broadcast. They have editorial responsibility for the Svt.se homepage and the portals, but all content publishing and production comes under the different programming units. As they order programming internally they have immediate contact with core activities, however, programme editors are sometimes lacking competence within web production as all material is mainly produced for TV. Even if television is still the core activity for SVT, online services are becoming increasingly important.

Objectives and development strategies

As part of their public service mission SVT needs to reach new viewers, an audience which does not use their content today. They need to develop new concepts, create a dialogue with their users and market themselves in various ways. To do this four main objectives, divided into five key areas, were set for 2007:

- Audience
- Content
- Resources
- Development

Business ratios and indicators are set in relation to each target to measure whether or not the goal has been reached.

One of the main objectives for SVT's content distribution is that users should have a greater impact on their own consumption. Users should be able to watch programmes with higher individual flexibility, i.e. to consume SVT content when and how they want to.

It is hard to judge how fast media consumption is changing and, in contrast to the BBC which announced that they want to lead the market on new technologies and services, SVT has a more modest approach. They are closely following market developments and investing into technical developments but cannot become market leader as they do not have the necessary budget. At the same time SVT strives to make their content available through multiple platforms as one of their public service responsibilities is to be available to everybody.

SVT is about to develop and implement a new programming policy to better meet audience demands and expectations. The trend of increased on-demand viewing is making SVT further develop both their site and online video-on-demand service, "Play", both technically and with an extended content offer. A Swedish drama series was recently released on Play using a new, improved streaming technique providing a larger window with significantly better image quality. This new web solution is the first trial using a new technique and will be further evaluated before being extended to other programmes. SVT is the first broadcaster in Europe to try this high-

resolution streaming technique delivered by Move Networks and already used by American TV companies Fox and ABC²⁰.

Play has received a lot of attention in the media and among users and it is important for SVT to establish and communicate it as a brand. It is also a central issue in the organization as it is a service delivered on-demand.

4. Internet and SVT website strategies

Internet climate and key competitors

The Internet has become a key medium in Sweden where 14% of the time spent on media consumption is spent on Internet. However, this time is not necessarily spent on media sites. Among younger age groups Internet usage is even greater, reaching the same share as for TV, 25%, for persons aged 15-24 years. In addition more than every second Swedish household has a broadband connection. These trends have created new possibilities and increasing audiences for video distribution through Internet²¹. SVT wants to follow this trend by increasing their Internet presence to make Svt.se one of Sweden's largest and most important editorial media sites. Their content should also be spread through other, external websites²².

Today the Internet media climate in Sweden is dominated by newspapers. Newspapers have a long history in Sweden and they have gained much attention from both former and new readers online. With news being one of the main drivers, it seems that users prefer visiting the commercial media sites rather than SVT's or SR's sites. The growth of Internet has become a competitive advantage for newspapers as they can now publish their news as fast as or even faster than TV and radio, which are somewhat bound to the set programming schedules. Public broadcasters SVT and SR are ranked fourth and fifth in the Aug'07 read among media websites in Sweden.

Monthly traffic to Swedish media websites

| Media websites | Type | Total Unique Visitors (000) | |
|----------------|-------------------|-----------------------------|--------|
| | | Aug-06 | Aug-07 |
| AFTONBLADET.SE | Newspaper | 2,514 | 2,458 |
| DN.SE | Newspaper | 1,379 | 1,243 |
| EXPRESSEN.SE | Newspaper | 1,277 | 1,175 |
| SVT.SE | TV broadcaster | 1,081 | 1,040 |
| SR.SE | Radio broadcaster | 783 | 814 |
| TV4.SE | TV broadcaster | 934 | 788 |
| KANAL5.SE | TV broadcaster | 240 | 170 |
| TV3.SE | TV broadcaster | 213 | 148 |

Source: EBU based on comScore

²⁰ Press release, SVT website

²¹ *Medie barometern 2006*, Nordicom 2007 - A yearly media research report aimed at describing tendencies and changes in people's usage of mass media. *Mediebarometern* has a long history and was run for the first time in 1979. It has since then been executed every year.

²² *SVT scorecard*, 1 December 2006

Web strategies

The general mission for SVT is to reach as many people as possible. The content should be for everyone and not aimed only at specific target groups. These overall strategies are applied for all activities and SVT website and Internet related services offer a broad variety of content. Svt.se is primarily an editorial platform for consumption of editorial content, targeting the entire population.

Svt.se was selected the best website in Sweden in 2005 by one of the main national Internet magazines. By performing continuous experiments SVT uses their website to understand how to best use the Internet as a medium for broadcasting. The SVT web team uses the site to manage and develop a 50-year-old tradition by combining the conventional TV and new Internet media in order to reach the audience.

The goal with the website is to offer a new way of distributing the public service content and to create added value for users. It's an opportunity for SVT to create content in a different form and to strengthen the SVT brand and attachment to their programmes. However, SVT has noticed that, to a large extent, the online audience are people already watching their broadcasted content. As for many public broadcasters, it is difficult for SVT to attract young people to their shows and this is an overall organizational issue. This cannot be solved just by going online. Internet is not a medium only for young people, it is used by all age groups.

Marketing and targeting partnerships

In an attempt to go external to reach new audiences and to attract younger viewers to their programmes, SVT is launching three marketing campaigns:

- YouTube - an SVT channel was launched on YouTube in September 2007. The channel will show short clips of SVT produced content in an attempt to drive audience. The content carries no advertising and SVT makes no extra money on it.
- Joost - an SVT channel will be launched at the end of the year offering their own produced programmes. SVT is currently negotiating with Joost regarding content limitations etc. Joost wants to have SVT as a pay-channel on this new platform, something that SVT does not agree with.
- Lunarstorm²³ - an initiative to market SVT's on-demand service Play. Visitors will be led directly into Play. However the Play function on Lunarstorm will be marketed with content specifically selected to suit this specific target group, e.g. mostly younger users. SVT is currently in discussions with Lunarstorm and there is a risk that the project will not be launched. In that case SVT will search for other similar collaborations.

These three marketing partnerships are slightly different strategically. The YouTube deal is a trial to attract a new audience by showing short teasers, clips, viral marketing. The Joost deal is

²³ One of the most popular social networking sites in Sweden.

a trial to market SVT's content through an external distribution platform. The deal with Lunarstorm is an attempt to drive traffic directly from an external source to the Play service. SVT decided to try these different types of marketing strategies to compare them and understand their impact.

5. Online programming and content distribution

Usage by platforms

The usage possibilities for Internet keeps improving and growing access to Internet broadband connections in Swedish households increases the possibilities for high-speed connection and video streaming - services that SVT is continuously developing for use in this new media environment. In autumn 2006 63% of Swedish households had broadband Internet access and more than 5 million can now receive Internet with good transfer speed²⁴.

SVTi says that it is important to look at the content produced from a multi-channel perspective from the start because different distribution channels all have specific qualities:

- TV
- Web
- Mobile phones

These channels can be used for different target groups and different usage and they all involve different rights to consider. By using a multi-channel attitude SVT could improve its products and also make the production processes more cost-effective. Not all content is suited for TV and not all content is suited for mobile-TV. It is important to understand what content is suited for what distribution channel and when to use interactivity and user-generated content, so as to give their viewers freedom of choice in the new multimedia consumer society.

Even though most of SVT's viewers are reached by the TV platform, additional audience is to a certain extent also reached through other platforms.

- SVT reaches in total 65.9% of the Swedish population every day
 - 57.5% are reached through the TV medium
 - Additional 8.4% are reached through other platforms: Teletext, Internet, Play streaming platform, etc²⁵.

Research shows that making content available through multiple platforms helps SVT reach more young people. The cumulative audience growth for new platforms (Internet, streaming, mobile and podcasting) is greater among the younger than among the older age groups. Consumption is moving towards new platforms and young people already spend a third of their SVT time outside the traditional TV channels. Teletext, which is seen as a service a bit out of

²⁴ Mediebarometern 2006, Nordicom, 2007

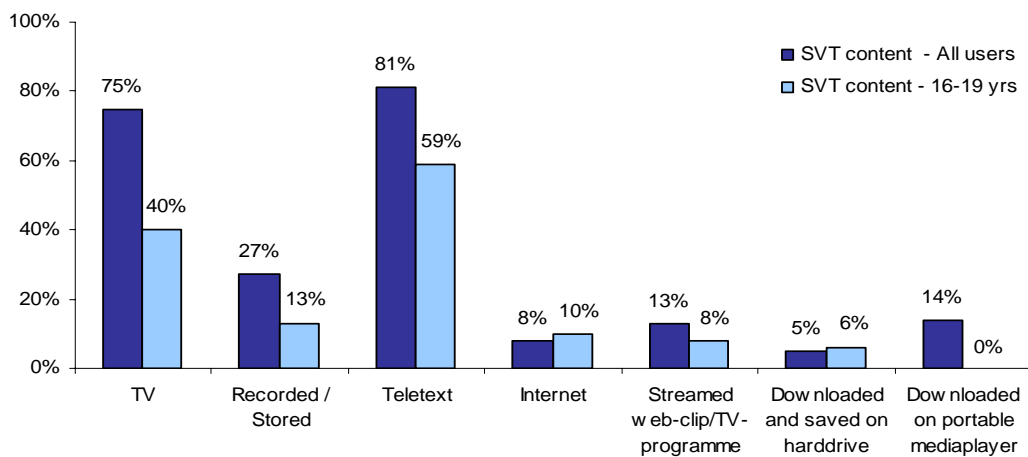
²⁵ SVT/SIFO, May 2007 (Population 9+ years)

date, is the second biggest distribution platform for SVT. 22.5% of the population uses this SVT service daily²⁶.

While web-TV has not yet become an important platform for TV consumption, it is growing and there is an opportunity for SVT to increase its audience share on this platform. The Internet is also a good platform to reach younger audiences as more than 90% of 16-19 year olds claim to use this medium every day and 34.4% claim to use it also for streaming video.

While SVT reaches 75% of TV users with their TV content on a daily basis, their web content reaches only 13% of web-TV users through streaming. The share for SVT web-TV among young people is even lower, reaching only 7.8% of the 16-19 year olds.

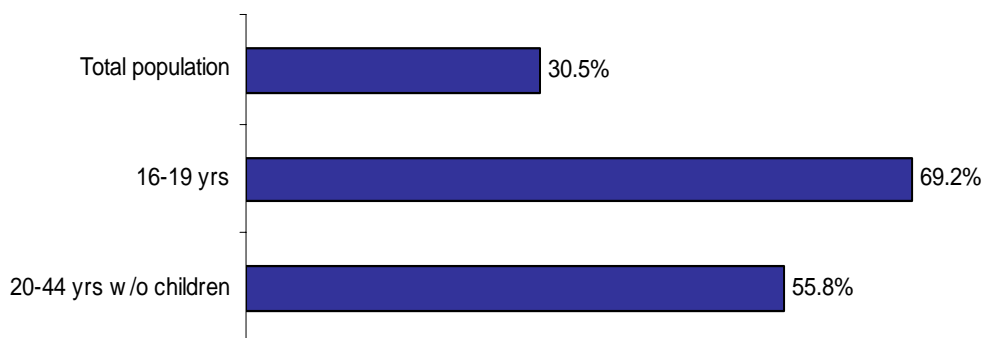
SVT share of daily media consumption per platform among platform users (%)



Source: EBU based on SVT/SIFO

Many people, especially younger consumers, have already established online video consumption habits through on-demand streaming. 30.5% of the Swedish population claim to consume video online, a number that increases in younger age groups.

Weekly²⁷ video streaming consumption



Source: EBU based on SVT/SIFO, May 2007 (Population 9-99 years)

²⁶ SVT/SIFO, May 2007

²⁷ People who claimed they have seen web-clip/programme during the past week .

Content distribution

Technical developments have made it possible for people to consume media in new situations and consumption patterns are changing. Instead of switching on the TV to see the news, people can get the latest headlines through their mobile phones. SVT offers their online content in various forms:

- Svt.se
- SVT Play (streaming on-demand)
- Mobil.svt.se
- Mobile-TV
- Pod-TV
- Teletext
- Interactive services

The content distributed in the above forms reflects the broadcast content. They all aim at reaching a broad audience and the web content concerns all genres, from culture and news to sports etc. It is impossible for SVT to fit all programming content into the website and, therefore, some programmes do not have their own editorial sites.

SVT finds it challenging to find the right initiatives for programme development. The web-TV audience is not different from the traditional TV audience but the web content sometimes demands different design and production. This sometimes causes difficulties as the content is built around TV content and SVT is somewhat limited in their choices. There is also a budget aspect limiting possibilities. This is why very little unique web content is available through Svt.se.

Online programming

SVT has seen that content that works for TV normally also works for the web. However, some genres are more difficult to produce for the Internet, e.g. drama, and cost too much to produce in relation to the achieved result and are therefore not prioritized. On the other hand genres like facts and leisure, health and food work well as Internet products. Genres that attract the main web audiences are:

- News
- Sports
- Children
- Weather
- Special events like the Eurovision Song Contest

Although news is one of the main drivers to Svt.se, it is not as strong as SVT believes it could be. SVT is therefore putting a lot of time and effort into making this part of the site more attractive to consumers. By comparison, Google is currently the third largest supplier of news content online, according to SVT.

SVT offers a large part of their content online through four main divisions:

- Play - 30-day on-demand platform - SVT is in the frontline of new broadcasting technology and one example of this is the launch of the on-demand service "Play" in December 2006. Play is a web-based television archive with more than 2,000 hours of video content, new and old, available for 30 days. This new platform makes it easy for viewers to find and watch the latest TV broadcasts or episodes of a favourite series through their web browser. SVT believes that this is a service for the future as it gives viewers the freedom to consume their content when, where and how they want to.

Play contains ordinary TV programmes, but what makes this a new service is the additional material that is only available on the web and clips from programmes produced by the audience, user generated content. However, due to copyright restrictions, the content accessible on Play cannot be downloaded by viewers but only streamed directly. It would be very complicated, both legally and technically, for SVT to make the content available both as streams and as downloadable files. The popularity of web-TV is increasing enormously and the first 8 months of 2007 registered almost 100 million clips and programmes initiated in Play.

- On-demand web archive - SVT opened an Internet archive in 2006 which has had great success so far, with about 1.6 million visits in total in 2006. Priorities on what material to use were set based on journalistic values. (More than 200'000 hours of programmes are available in various formats, from 35 mm to DVD, in SVT's archive but not available on-demand).
- Mobile-TV - In October 2005 SVT launched the site "mobil.Svt.se" as part of their web offer. It contains broadcast content for 3G mobile phones - news, sports, archived material etc. This service is offered by SVT for free, however, the mobile operator charges the clients based on the amount of information downloaded.
- Pod-TV - The pod-TV service was launched in February 2006 and was initially set up for a 6-month evaluation and development. Since then the services have been further extended and contains today a wide variety of genres and as much content as for mobile-TV. Users can download a so called RSS²⁸ subscription and get access to a number of programme titles that they can watch when and where they want using a computer or portable media player²⁹.

²⁸ A family of web feed formats used to publish frequently updated content.

²⁹ Podd-TV, SVT website, 2007

Public service, diversity and interactivity

Attitudinal research has shown year after year that SVT's most prominent quality is trustworthiness. Professionalism, quality and diversity are other characteristics that are associated with the SVT brand. It is important for SVT to sustain these values and continue developing new services to balance the content from commercial competitors like video sharing sites, social networking communities etc. which dominate the market. Research for 2006 shows that 22% of the Swedish broadband Internet users participate in chats or online discussion groups on a daily basis³⁰.

SVT tries to make its website content more interactive to add extra value to programmes, but the company believes that this is not working as well as it should. One reason is that most interactivity is isolated to Svt.se and not aligned with the TV broadcasts, which excludes a large part of the audience. However, in some cases, user-generated videos have been cut into TV programmes showing the voice of the people.

SVT uses interactive solutions and services to invite the audience to have their say in public debates. Some examples of interactive services where user-generated videos are transmitted to TV are:

- Argument - programme connected to public opinion.
- Bobster - users can record their best joke and the video might be shown in TV.
- Folkets kommentator - users could make their own videos commenting a football game and the winner, selected by the audience, was invited to comment an actual game for the World Championship in 2006. This is an example of users' creativity starting on the web and ending in a TV studio.
- Packat & Klart, travel programme - users are invited to send in pictures from all over the world and be part of a weekly competition to get the pictures published on Svt.se. They are also encouraged to make a video of their own reportage and the winner can play their video reportage in one of the programmes. Users are also shown how to make and improve their videos.

Other services where users are asked to participate and to be creative online are:

- Chats - related to the programmes on different subject; news, sports, gardening etc.
- Community forums and debates.

³⁰ *Mediebarometern 2006*, Nordicom 2007

6. Audience research and consumer understanding

Svt.se and the audience

Svt.se is the fourth most popular Internet media site in Sweden, attracting more than 390,000 daily visitors in May'07. However, the market is highly dominated by the online newspapers, as mentioned above. The main users of Svt.se are men, teens, younger adults and persons with higher education³¹. The site has increased its number of visitors by 74% in two years and, with the high Internet usage in Sweden - 81% of the population use the medium every day - the potential for further increasing SVT's online audience is great.

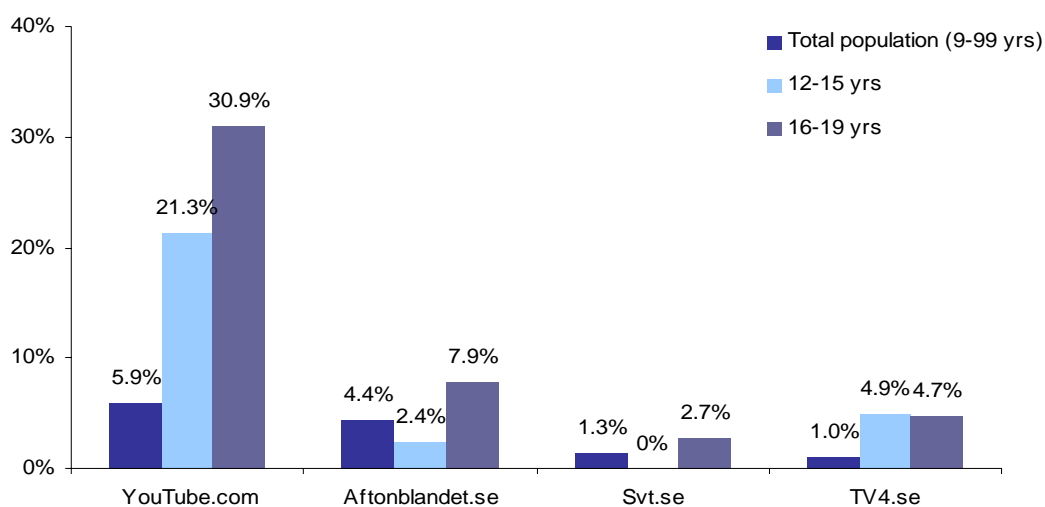
Some genres drive more traffic to Svt.se than others and the five most popular portals in 2006 when it comes to web visits were³²:

- News - 9.8 million
- Sports - 9.2 million
- Weather - 8.3 million
- Children - 5.2 million
- Games - 5.1 million

Streaming activities and SVT Play

YouTube.com is the dominating source for streaming videos in Sweden and, although Svt.se is well positioned compared to national competitors, the gap versus YouTube.com is significant. YouTube.com attracts more streamers than Svt.se and its audience is predominantly among younger age groups.

Daily streaming of web clips/programmes



Source: EBU based on SVT Telephone interviews, May 2007

³¹ SVT telephone interviews, May 2007, Population aged 9-99 years

³² SVT

The second most popular source among web-TV viewers is not a broadcaster but Aftonbladet.se, an online newspaper showing only limited online videos but of a more popular news and gossip type.

It is clear, however, that an important part of Svt.se's visitors go there for streaming purposes as 28% of all visitors have watched videos on their site. Almost 100 million initiated web clips were registered in the first eight months of 2007. Special events, sports, news and the popular children's programme "Bolibompa" are the most popular titles in SVT's streaming portal.

Most streamed programme titles in Play

| Most popular titles in SVT Play | Number of initiated streams |
|---|-----------------------------|
| Eurovision song contest | 13.4 million |
| Sports | 10.5 million |
| Bolibompa - children's programme | 8.9 million |
| Open archive - archive with old SVT content | 6.3 million |
| Eurovision song contest for children | 5.2 million |
| News clips | 3.8 million |

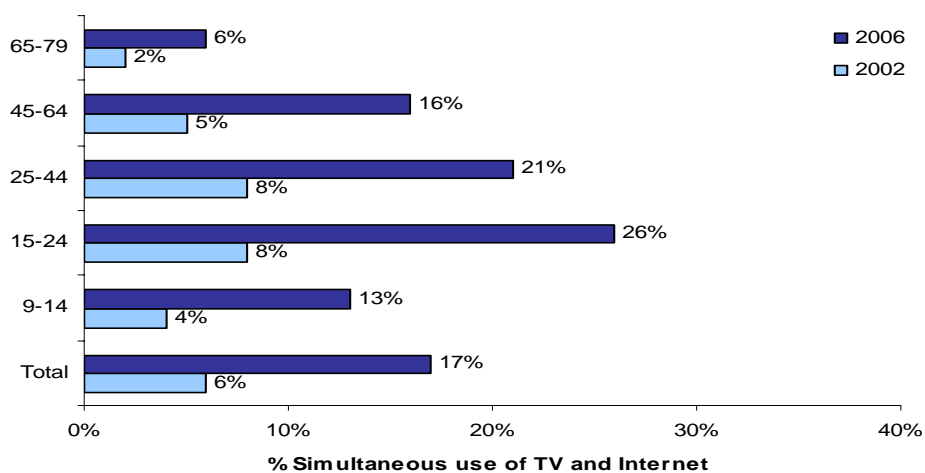
Source: EBU based on SVT

Changed consumption patterns

A report about the Swedes time spent on media shows that Internet consumption among young people has exceeded TV consumption for the first time in 2006. According to the study, 15-24 year olds spend, on an average day, 97 minutes on Internet, which is one minute more than TV³³. At the same time another study performed by the media research institute MMS shows that people between 16-25 years view nearly one hour of moving pictures through Internet related platforms every day. This means that video content that was earlier consumed via the traditional TV medium has now turned into online consumption. Young people are changing they way they consume media but not necessarily what they consume³⁴.

Another trend is that people use more than one medium at the same time. In 2006, 26% of 15-24 year olds claimed to use Internet and TV simultaneously between TV prime times.

Simultaneous TV and Internet usage - Average day between 7.00-10.00pm



Source: EBU based on Internet barometer 2006, Nordicom 2007

³³ Mediebarometern 2006, Nordicom 2007

³⁴ Rörliga bilder 2007, MMS Research 2007

7. Future media, technology and Internet trends

General trends

SVT sees themselves in a phase where the multi-channel and digital worlds are converging. The digital world is becoming increasingly more important and the traditional broadcasting idea needs to be balanced against new digital developments, creating a dilemma for the future strategic direction of the company.

| Analogue | | Digital "Digital natives" → |
|--|---|--|
| Monopoly Radio and TV | Multi-channel Media | Digital world Media and Communication |
| Analogue technique vs. analogue logic | Digital technique vs. analogue logic | Digital technique vs. digital logic |

In the digital world participation plays a more important role and media companies need to become more personalised to create contact with individuals. In this new world, three major trends can be identified:

- I. Democratisation of production tools - user-generated content, can be used by both individual users and companies
- II. Distribution and access becomes democratised
- III. Recommendations - social networks become even more important for personal, online guidance.

SVT believes it will be of key importance for them as a public service institution to keep their distinctive profiling and stay independent and trustworthy. They also have to improve their brand as public services today are seen as something "boring", according to attitudinal research.

In order to stand up to future competition and to maintain a strong public service reputation on the Internet some have proposed the creation of a public service portal to gather the three public service organizations in Sweden; SVT, SR and UR.

Future threats and opportunities

Growing on-demand and niche channels

SVT initially had a monopoly on TV services, contrary to many other European countries. Today five main channels and some niche channels are competing for the main audience. The niche channels are not yet of great importance but SVT believes that on-demand behaviour and navigation will become key in the future. People will seek more niche programmes or products. The new SVT Play service offers on-demand content through the computer and, in future, SVT might offer this possibility directly via the TV set. This is a new and interesting way of distributing TV. The question that arises is - what should the editorial voice look like in an on-demand driven world? How will public service stay public?

Today 5% of Swedes connect their computer to the TV. Sub-groups are being created and the future will probably lead to a further polarized audience with three main players:

- Trans-national niche channels
- On-demand suppliers
- Large media broadcasters.

SVT sees two main trends in today's society when it comes to TV behaviour:

- a) Multitasking, people doing more at the same time
- b) Niche channels are increasing.

New alliances

Broadband penetration is stagnating and companies offering these services have increased their marketing efforts. There are currently campaigns where broadband suppliers offer consumers a portable computer for free if they sign up for a new contract. These campaigns may increase laptop penetration, making people even more mobile and less attached to their TV set. Another influence comes from telephone operators who are starting to talk about content and extras to offer to consumers. The market competes for the same consumers and new technological alliances are being built.

Technological investments and partnerships

In future, new investments will be made into buying new technical systems in order for SVT to become more platform independent. The company also recognizes that the costs of its online services are increasing and needs to find new technical solutions to reduce the costs.

Swedish Radio (SR)

1. Brief highlights:

- SR New Media's main focus is to establish a strong position on the Internet and to bring programmes to users through new distribution platforms. They want to become market leaders for web and mobile radio and to give users freedom in time and space.
- Content is distributed through multiple channels and the on-demand service contains all FM, DAB and web-only programmes. Today SR reaches about 8% of the Swedes through their web-radio on a weekly basis.
- Marketing campaigns have been launched to promote its extended audio web services. A branded web-radio campaign, targeting especially younger Internet users, was launched through the social networking community Lunarstorm.
- As a part of its public service mission online news is delivered in 16 different languages and one of the more popular national channels has opened a community aimed especially at younger people. Further developments of interactivity and integration of user-generated content are targeted in coming years.
- SR sees relevant content and on-demand as key for the future of public service in the developing media market, which is becoming more niche focused and less mainstream.

2. Regulations and financial structures

General financial guidelines

SR is an organization in the service of the public and their mission is to represent:

- Independence and integrity
- Diversity and quality
- Availability to all.

SR is a non-profit organization financed by licence fees, which should cover all company activities. SR is not allowed to use advertising and sponsoring neither through their broadcasting nor through their Internet sites. The only exception where sponsoring is allowed is in cooperation with an external party, like the EBU, to pay additional costs for an event.

Legal content restrictions

Due to regulatory restrictions not all, but however a great part of SR's content is available through their website, Sr.se, as streams. SR has reached agreements with the five key institutions in Sweden dealing with copyrights. In November 2006 all FM distributed content, including music, was made available via streaming through a 30-day archive. Content fully owned by SR and about ten percent of the musical content can, however, also be downloaded

as podcasts. Music means jingles, trailer music or short musical segments that are part of radio programmes and not entire songs. The historical archive is not available for streaming nor podcasting as no licence agreements have been made. This is an issue that has to be solved at a political level.

Internet budget

SR's entire Internet distribution is budgeted at approximately one million Euros. SR pays for the bandwidth, a cost that has been decreasing in recent years due to the strong evolution of Internet access in Swedish households. This cost is not high in relation to costs for salaries, editing etc. Radio has much lower costs for online distribution than TV as the transmission of online video takes 8-10 times more bandwidth than audio. When SR had a peak in their web listening 62,000 people were streaming at the same time and 250,000 on the same day.

Technical aspects

According to its governmental mandate, SR should invest money and knowledge into strategically transforming their organization from being a traditional audio-radio company to becoming a modern multimedia company. Computers, mobile phones and mp3 players also need to be considered as radio players and technical developments should follow. This work has focused on the development of new production techniques, working methods and skills.

3. Organizational structure and strategic objectives

Organizational structure and responsibilities

In Sweden radio and TV are divided into two separate organizations, SR and SVT, with little internal cooperation. The governmental shift in Sweden in September last year resulted in the regulatory charter being shortened from six to three years.

The Board, together with the Director General, leads the SR organization. SR is a strongly decentralized organization with 26 local channels. Six units, with separate content and production, form the company foundation:

- Programmes division - responsible for channel profiles, ordering of programmes etc.
- Programmes production division - a network of 36 editing offices.

SR integrating new media

The unit called New Media is responsible for the overall structure and layout of Sr.se to make sure the main appearance stays the same for all parts of the website so that users recognize features, the navigation system and other user functionalities. SR tries to compensate their decentralized organization by making their website more uniform. However, each local editor is responsible for the content contribution to local sub-sites and can thereby influence the artistic impression as well as user benefits to a point. One can say that the web mission is divided between the central New Media unit and the different production units.

The New Media unit is exceptionally also responsible for web page content relating to:

- Children's web
- News (will be moved to "Ekot", the central News division, in January 2008)
- Corporate.

Objectives and development strategies

In 2005 major changes appeared in the media market as the media houses became multimedia companies and national as well as local media launched their own, however very limited, radio and TV services through their websites. Technical developments opened up new ways for SR to reach the audience. It is key to understand how to use the technique in the right way and SR sees it as a challenge and opportunity to further develop public radio. Increased availability, mobility and programme content will be the future focus for SR to be successful in coming years. SR has a unique position to maintain as the biggest media company in Sweden from an audience point of view. Almost half of the Swedish population, 49.6% on average, listen to an SR channel every day. The main goal for SR is to be "a radio for everybody". The company believes its work needs to be focused on:

- New user cultures/habits
- Competition from multiple actors
- Internet exploitation
- Freedom in time and space

The transmission agreement signed between the Swedish state and SR says that analogue radio is the core activity and web-radio is complementary. However, an SR spokesman thinks that the new way to look at it should be to consider radio distribution as the core activity. SR focuses on making their content available for usage no matter when and where the user wants to access it. In the long run SR believes that FM has to be replaced with more modern technologies like DAB. SR considers its web-radio services a complement to DAB as they offer a wider freedom in space and time than DAB can offer. FM is still SR's core activity but web-radio and online services are become increasingly important. Today, many people consider the computer as their main arena for media consumption rather than TV or radio.

4. Internet and website strategies

Internet climate and key competitors

The Internet had its real breakthrough in 2005 when media as well as other companies started making money from online activities. Business models became more developed and increased significantly. Suddenly all media companies obtained access to the same distribution channel. This of course greatly influenced the media market and radio started losing its exclusivity. Before then, local SR edition offices had been the first ones out with leading news events,

something which newspapers have now turned into their main goal. Their ability to publish news in real time through their Internet sites has had a major impact on the market.

There is a struggle today between various media companies to win local markets. Major national newspapers have launched local versions of their sites in order to gain more audience and also to attract local advertisers. SR has created a central news desk to get news out faster to respond to this competition, but it also wants to create a central news desk co-ordinating all local news covering late evenings and nights.

Web strategies

In the beginning Sr.se was just a complement to FM and the web-radio content was very limited with programme information, news and web pages concerning specific programmes. However, at the end of 2006, web and mobile phone radio started to be seen as a new arena for the company's core activity - radio programmes. The listeners have been given more freedom for listening. Even though FM is still the core activity the new techniques help SR to fulfil their public service mission and deliver relevant and well produced programmes to the people. Availability has increased significantly³⁵.

For SR, Internet has become a new means for brand communication. It improves the durability of the brand. The format of a radio programme can become larger and more sustainable through web services.

Sr.se is built around the full range of radio programmes coming from editorial offices around Sweden. The website can then be set up in a way that goes beyond the editorial boundaries of the programmes. It is however important to remember that the radio programmes in many cases are strong brands and that they should be used to attract listeners to web-radio, but also to bring them back to FM content.

In 2005, SR New Media was given the internal mission to bring SR to mobile phones and to position itself in radio streaming. To attract users to the programming content for mobile phones available through the website, Internet via 3G. The Mobil.sr.se service was launched and at the same time mobile operators started offering free radio services on their phones. Today nine channels are available for streaming and the website service is targeting young people with content mainly consisting of audio material - youth, news and sports. The sports news has been highly appreciated among consumers. This is an important way for SR to distribute non-FM channels to a new audience. The content will be further extended with a 30-day archive and theme transmissions. Until recently this service was only marketed in internal channels but, in September, the first external campaign was launched. However, this is a very limited campaign communicated on specific sports events and related sites. SR sees mobile phones as a platform well suited for radio distribution and a good complementary channel as mobile phone penetration is so important. SR is today well positioned on mobile audio and has won several prizes for their mobile services, both from end-users and experts, for their editorial content.

³⁵ Public service redovisning 2006, February 2007, SR

Some commercial mobile radio channels are also available but, unlike SR, they offer only music where SR also offers real radio programmes. The vision is to make all SR's web content available through mobile distribution.

Marketing and targeting partnerships

In the past three years SR launched special audio web services campaigns in order to drive traffic to Sr.se and to leverage the brand with the help of new techniques, which is likely to also increase FM listening in the end. These campaigns were launched online as this is more cost-effective, closer and quicker than printed advertising. Users can easily get directly to the source, Sr.se, through links without remembering the web address. These campaigns have been used to strengthen the SR brand, to associate it more with innovation and emotion as well as reliability, quality and diversity. With these campaigns SR has reached new listeners.

In a trial to modernize the word radio and to further communicate its podcasting services SR invented the word "podd-radio" to combine the new with the old. In May 2005 when SR launched their podd-radio campaign and communicated their podcasting possibilities, the Internet downloading culture was already established. They received strong response to their campaign and podd-radio became a new concept: a way of combining new technology with an already existing distribution form. SR's campaign resulted in 1.3 million downloads in 2005 and today 60-70 programmes are available through podcasting on Sr.se, however, with limited music rights.

Two other marketing projects have been or will be initiated in partnership with:

- Lunarstorm³⁶ - an attempt to attract younger listeners to Sr.se through an important Swedish social networking community. Users can design their own web-radio, choose what programmes to integrate and then share it with friends.
- Public institutions - "Radiorutan" (radio window) campaign planned for the near future consisting of selling the idea of placing SR web-radio players on public institutions' websites, local, regional and county councils and authorities, to drive traffic to Sr.se. The web player should then be available through both the internal and external networks.

5. Online programming and content distribution

Usage by platform

Average daily radio listening has gone down from a very high level in recent years, facing competition from other audio media like portable mp3s, commercial local radio channels and increased content range and availability of other digital media. To stand up to competition SR launched several new web radio channels during the past years as well as a new mobile radio service to use multiple distribution platforms.

³⁶ One of the main social networking sites in Sweden attracting more than one million unique monthly visitors

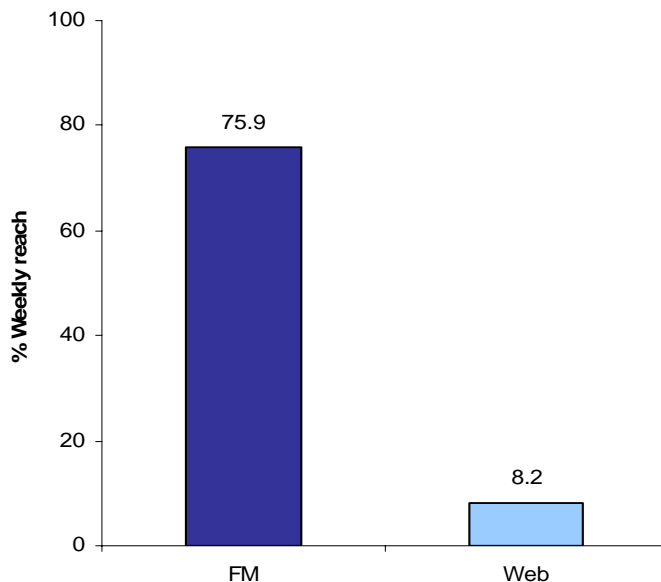
Internet and mobile phones have become a way for SR to reach new listeners, an audience which is discovering the unique qualities of radio through these new distribution channels³⁷.

SR content is today available through the following distribution channels:

- FM
- DAB
- Web streaming (live and on-demand)
- Podcasting
- Mobile

8.2% of the Swedes are reached via web-radio each week and it is a good complement to traditional FM radio.

FM vs. web radio listening - % Weekly reach

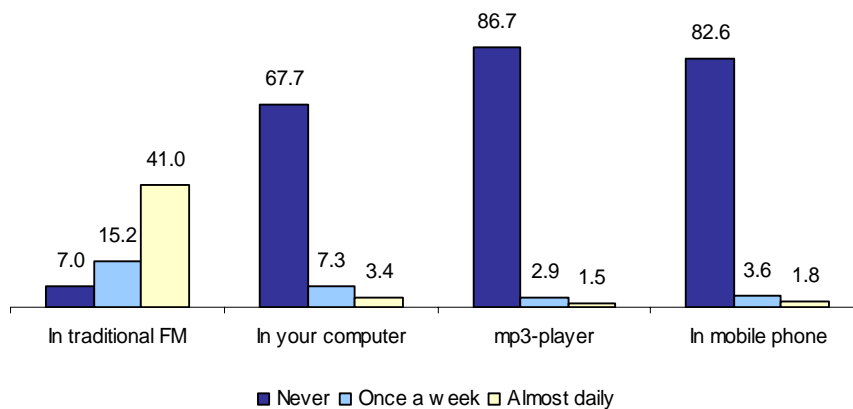


Source: EBU based on SIFO, Q2 2007 (Population 9-79 years)

FM is, however, by far the most used platform for radio listening; radio listening through the computer, mp3-player and mobile phones is yet comparatively small. Research shows that more than 80% of the population never listen to radio via their mobile phone or mp3 player. The computer seems to be the second most used platform and, although only 3.4% claim to listen to radio on their computer on a daily basis, the web audience has grown in recent years.

³⁷ Public service redovisning 2006, Sveriges Radio 2007

Radio listening by platform (%)



Source: EBU based on Orvesto Konsument, 2007 (Total population 15-79 years)

Young people tend to consider the radio as an outdated medium. SR believes that the future will probably not make it possible to have electronic equipment that does only one thing, it has to be multi-function, and the same goes for radio. The different distribution platforms work in parallel, with each technology having its strengths and weaknesses. As the entire production process is now digitalized it is easy for SR to transfer content to the website. It is more complicated to transfer it to the mobile phone, a platform that was opened up to SR content in 2005. This was another step in the process to modernize the SR brand, extending it to a new arena.

Content distribution and online programming

In 2002 SR was given the mission and resources to develop its existing website. Sr.se was completely re-designed and re-structured, resulting in a more user-friendly and unified website winning awards as the best Swedish website. All web content is built around the broadcast radio programmes and contains today almost all FM material.

To give their radio programmes longer lifetime and higher availability SR offers three main web services:

- Live streaming - all web channels, FM channels and DAB channels
- On-demand streaming - an archive making almost all content available for 30 days through streaming
- Podcasting - users can download radio programmes (60 programmes available) in an mp3 format and listen to them whenever they want. 6-8 million podcasts were estimated for 2006.

Main focus areas and the content that drives most traffic are;

- News
- Sports
- Music (on-demand streaming)

Children's web

As one of SR's missions is to make content for children and it launched a special website focusing only on content for this target group in 2002. It is easier for SR to be available for children through the Internet as it is difficult to get them to listen to FM radio.

In 2006/07 children became a highlighted focus area and SR obtained extra resources to build something new, to create a new distribution form for children, which combines both FM content and web unique content. In addition to the website three new projects were launched:

- SR Bubbel - a new web channel, launched in December 2006, playing only children's music. It was also aimed at supporting the production of children's music with content that cannot fit into FM transmissions.
- Radio-apans Ijudjakt (the Radio-monkey's sound hunt) - a game integrating radio and web letting children experience different sounds in an interactive way.
- Additional content - making more in-depth web content in connection to all radio programmes for children.

These initiatives are somewhat unique as the expression is different from other children's sites since it has no commercial influence. This site is built around broadening the radio content, exploring sound, interactivity and includes questions from children.

News web

The group working with SR's news website is responsible for all news-related web content for the homepage: text, audio, images and to some extent video clips, and news related themes for all web pages. The content has greatly increased compared to five years ago and, like other parts of the site, it is built around the news programmes in FM. Most of the content comes from the programmes but sometimes, when it needs need to react quickly, the news team produces its own web material. By using the website SR can build archives backwards in time and give their programmes longer lifetime. They also gather news under specific themes. Users can go back as far as 1996 to find archived news programmes. To make the site more interactive SR has added a service where users can test their memory. Some parts of the site also offer blogging services.

SR sees a problem with their Meta data, which is sometimes not good enough, and new resources are needed to develop the internal structures. It should be possible to take Meta data from all internal systems, but this is not yet the case. The issue is how to structure all information available through the local web pages. For some content areas, for example, Sports, the web should be the primary distribution source rather than the radio programmes. This is an important issue for SR to handle for the future and it calls for re-thinking within the organization. SR wants to leverage areas where it is strong, for example culture, science etc., to stand up against competition.

Public service, diversity and interactivity

From a diversity perspective SR offers an arena on the web for radio broadcasting free from advertising and independent from political and economic influences. They have a brand with high credibility and strive to offer a democratic forum both online and through their radio transmissions. Examples of online services to promote diversity, freedom of speech and democracy are:

- Web news offered in 16 different languages through the International part of their site. This service has a multi-ethnic and multi-cultural focus and is primarily intended for immigrants and minority groups within Sweden.
- Web-radio channels in Finnish and Sami for these two minority groups:
 - A web and DAB channel called "Sisuradio" with all programmes in the Finnish language.
 - A web channel called "SR Sapmi" with news and programmes in Sami, the language of the Swedish minority group, 24 hours a day.
- P3 Star community - one of the more popular SR programmes "P3 star", aimed at younger audiences, has an online community open especially to teenage girls. This creates credibility for the channel. They want to create an environment built on interactivity and freedom of speech, a place where young people can communicate and express their opinion.
- Biggest venture ever in relation to the governmental elections in autumn 2006.
- Ring P1 (call P1) - a forum where people can call in to the radio programme and have their say about various topics. This programme, transmitted on a national level, has been given great attention and a website has been created in connection to the programme.

SR wants to include more user-generated material into its content and it is working towards a more personalised website. SR believes that it needs to be more inclusive, to make users more involved than they are today in order to sustain its credibility. This will also be one of the future challenges for large media companies.

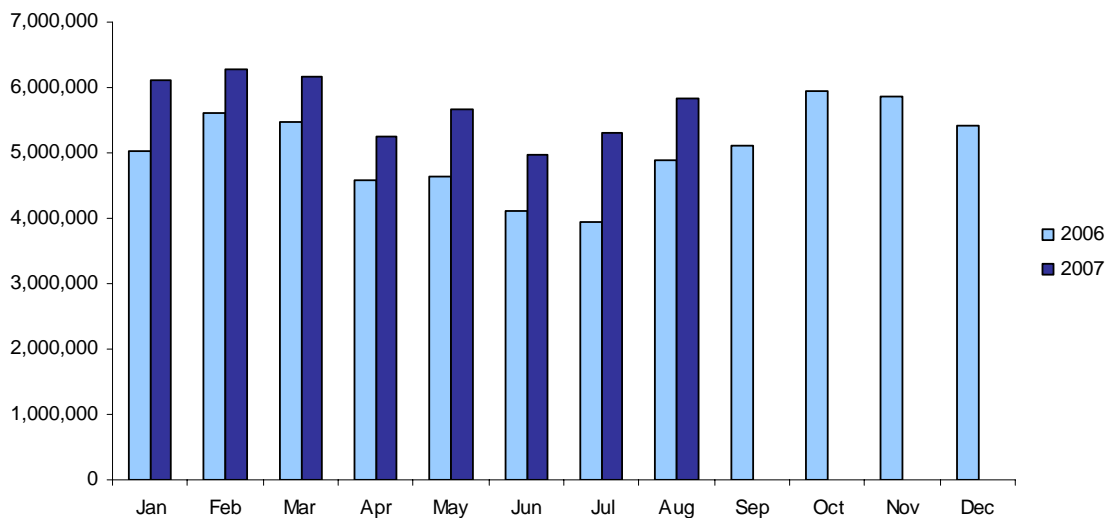
SR also believes that they need to improve interactivity on its website and important related development points are on the agenda for 2008. Next year a new and more interactive platform will be launched, including more personnel focusing on interactive developments. Improvements for next year also include 24h news watch presence and more thematic ventures and sites, as well as leverage of SR's prime content, creating for example a science site. The idea is to improve content areas where SR is strong and competitive.

6. Audience research and consumer understanding

Sr.se and the audience

General trends show that computer usage today is more targeted than before when many people explored the Internet by surfing around different sites. It is easier to find what you are looking for through well-developed navigation portals like Google and Yahoo! and people use the Internet for personal errands and chatting rather than for active online media consumption. Sr.se has nevertheless increased its website usage over time and registered about 5.8 million visits in Aug'07. The total increase in 2006 compared to 2005 was 57.2%.

Monthly website visits Sr.se - 2006 vs. 2007



Source: EBU based on SiteCensus

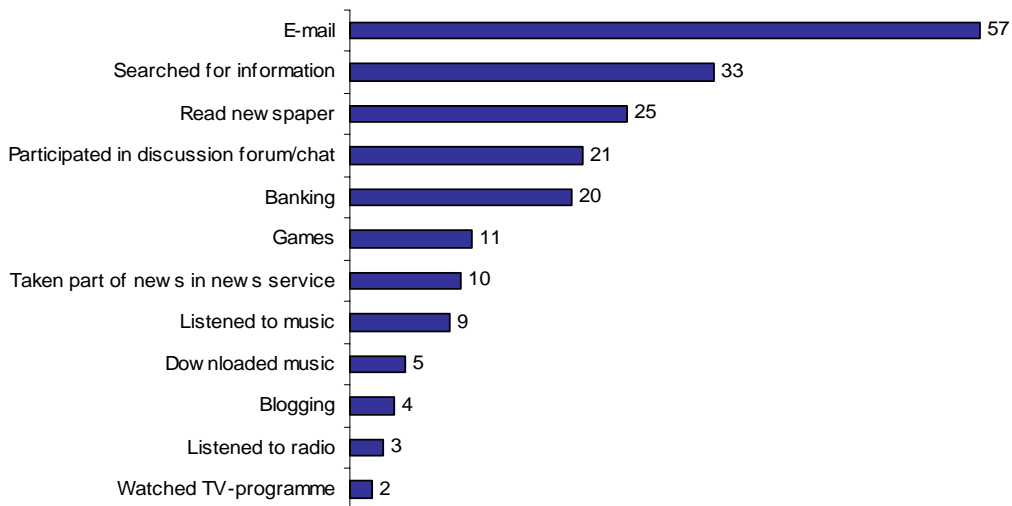
The Internet has become a central medium in Swedish households, leading to new media consumption patterns, and more time is spent online, especially among young people.

- 80% of Swedish households have Internet and 63% of these are connected via broadband
- 62% of the population uses Internet on an average day, for persons aged 15-24 the same number is 84%
- Time spent on Internet on an average day is 79 minutes among people connected via broadband, the same number for 15-24 year olds is 125 minutes³⁸.

Only a small group of consumers listen to radio only through the web, however, this number is rising among younger age groups. This is seen by SR as a sign that it needs to invest in this medium as it generates new users.

³⁸ *Internetbarometern 2006*, Nordicom, 2007

Purpose of Internet usage at home on an average day (%)

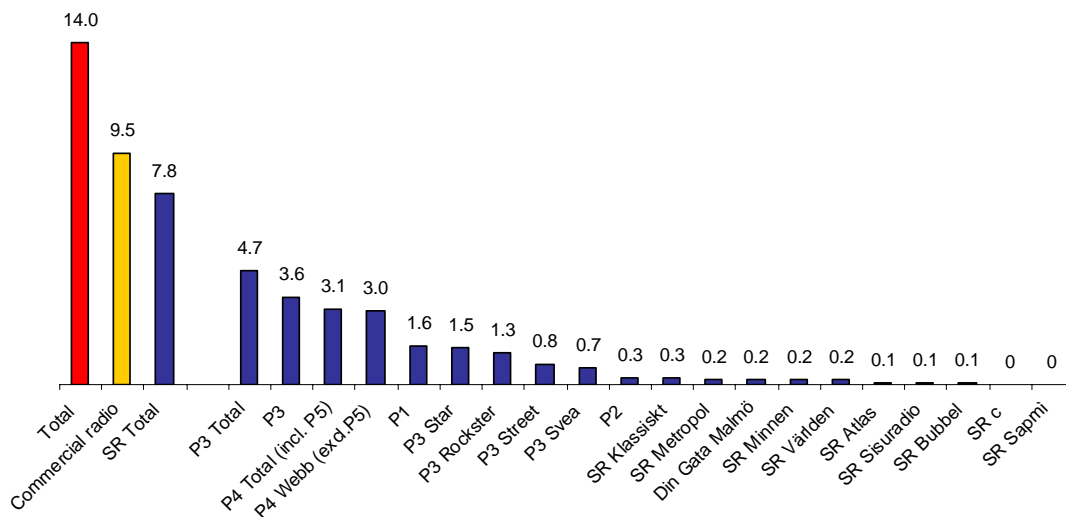


Source: EBU based on Nordicom, 2007 (Population 9-79 years)

Online radio listening and streaming

Recent research shows that 14% of the Swedish population listen to web-radio every week. This represents about 1.1 million listeners, compared with 650,000 in 2004. Even though the commercial web channels attract a larger audience than SR, SR's online audience has increased since last year³⁹.

% Weekly web-radio listening - Commercial radio vs. Public radio (Aug'07)



Source: EBU based on SIFO Radiomätningar, 2007

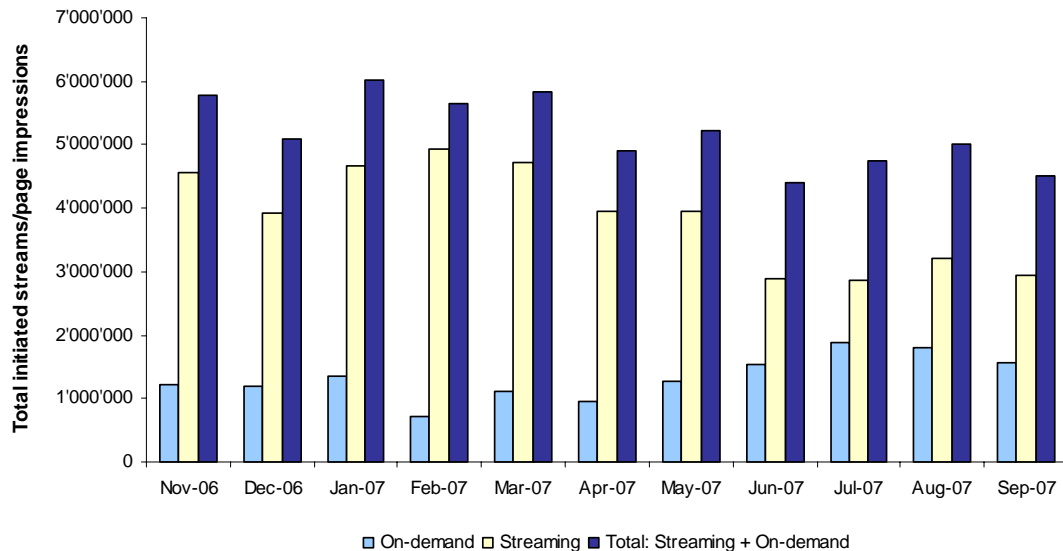
In contrast to traditional radio, where SR has more listeners in total than the commercial channels, SR has 1.7% less web listeners than commercial radio. This is probably due to these channels having a younger audience which uses the computer for radio listening to a higher extent than older people.

³⁹ SIFO Radiomätningar

The same pattern can be seen for internal SR listening. The P3 channel has higher audience reach than P4, the SR channel that is the most popular for traditional radio, and P3 has a younger audience than P4. It is also interesting to see that the established FM channels, P1, P2, P3 and P4, have more success than the new web channels.

Even though total radio streaming has decreased since the peak in January this year the on-demand radio listening is showing a positive trend.

SR web-radio listening - Total on-demand and streaming activities



Source: EBU based on SiteCensus

Future media, technology and Internet trends

SR sees a shift taking place as Internet becomes more and more in focus. Such an evolution requires new internal processes, dynamic leadership and courage. One of the main Swedish newspapers, Aftonbladet, is a good example of an organization that has built a new, successful business model around the web, gaining important revenue from online advertising.

According to SR, the two main drivers of success for the future are:

- Relevant content
- On-demand

On-demand is becoming more interesting from an economical point of view, resulting in more niche media - a future opportunity for public service content which is more diverse than commercially distributed content. Well-produced radio programmes can get longer lifetime through on-demand listening and become of higher value in a more niche focused market.

The long tail theory is sometimes used to explain this media evolution - how the economy and culture are moving from a mass market, mainstream media, to a niche market⁴⁰.

⁴⁰ I want media website, 26 June 2006

"The rise of distribution methods with unlimited capacity or "infinite shelf space", of which the Internet is the foremost (but not only) example, have made it finally possible to offer consumers an incredible variety of products and other goods that were previously suppressed by the economic and physical limits of traditional retail and broadcast." - Chris Anderson, Editor in chief of Wired magazine

Through the growth of Internet SR's web-radio services have become a global distribution arena accessible to everyone with an Internet connection. SR can reach an audience, mostly Swedes, living or travelling abroad, which creates opportunities to deliver consumer value and make the medium more creative.

The main strategic focus for SR is to take the radio position on Internet and further on to mobile phones. They are also working on search engine optimization and to get exposure and drive traffic from other sites. Other strategic focus areas and challenges are:

- Interactivity and participation
- User-generated content
- 24h local news
- Editorial resources to thematic sites
- Expansion of the news web
- Mobile radio positioning through the Internet
- System integration
- Marketing - stronger exposure on external websites

British Broadcasting Corporation (BBC)

1. Brief highlights:

- BBC's vision is to be the most creative organization in the world and their future plans rely heavily on new technologies and creative partnerships.
- bbc.co.uk has over 15 million unique visitors in the UK each week and is one of Britain's most popular websites.
- To create higher audience value interactivity has been central in many new BBC services. One of the latest initiatives launched this year is the iPlayer, an interactive catch-up service on the Internet, allowing UK licence fee payers to download programmes from all the BBC's network TV channels.
- To get a wider content distribution BBC has partnered with sites like YouTube, Flickr and Yahoo!. Three BBC branded channels are available on YouTube.com, showing clips and short features from current programmes.
- Several initiatives have been launched to drive audience participation and create a direct link with consumers. Many of these have a public service mission: to create environmental awareness of global warming, illustrate every day life in Ethiopia with an agenda based on user's e-mails, a website for disabled persons with quizzes, community message boards etc.
- BBC is continuously looking for external media partners to create new audience services online and help users consume their content in a quality manner. The BBC strives to create stand-out content and remain a reliable and trusted source.

2. Regulations and financial structures

General financial guidelines

BBC Internet investments have been successful, resulting in a significant reach of their website property, mainly in the UK, but also worldwide. As they rely on public funding they are very thorough with making extended trials and research before investing money into new Internet services and projects.

Completely funded by public money, according to its policies, the BBC is not permitted to carry advertising or sponsorship on its public services. This keeps it independent of commercial interest and ensures that it can serve the general public interest. However, in a recent announcement the BBC Trust gave its approval to the bbc.com proposition, a commercial venture to offer ads on the ex-UK traffic to the BBC website. This will bring in revenue from overseas users, to be reinvested into BBC content and services and will help the BBC to strengthen its content offering to all audiences including its international audience. An audience that currently does not make any contribution to the running costs of these services. BBC

Worldwide and BBC Global News will be responsible for the development of bbc.com, a website that will not be accessible to UK citizens, and advertising will in the beginning be implemented only on selected high-traffic pages; news, sport and weather pages. Over time the advertising will be further extended across the site⁴¹.

According to the BBC the advertising aims of the website will be at the conservative end of market practice. BBC's commercial services do, however, already carry advertising. Deals with YouTube, providing a new ad-funded BBC News channel, and offering clips of BBC content on websites like Yahoo! also include advertising, but only visible to non-UK citizens⁴². BBC World has carried advertising since its inception in 1991.

"The bbc.com proposal raises some fair trading issues - such as cross-promotion between publicly funded and commercial news services - and work has been undertaken to ensure that any future new service, such as bbc.com, complies with the BBC's fair trading framework..." - BBC statement

Despite some British media organizations' calls for a rejection of the plan earlier this year, due to the negative impact they expect this to have on their online advertising revenues, the BBC Trust approved the proposal in October 2007. BBC News will continue to have editorial control of the news pages and the implementation of a robust editorial control system will make sure that BBC's highly regarded journalistic and editorial values as well as the quality and integrity of the website will be upheld. The Geo-IP technology⁴³ will also be implemented to make sure UK citizens cannot access the site.

BBC's international site, that was previously supported financially by the Grant in Aid by the Foreign and Commonwealth office (FCO), will now be taken on by BBC Worldwide, allowing the Grant in Aid⁴⁴ to be reprioritized within the BBC World Service. BBC World Service's 32 non-English-language sites will however continue to be funded by the FCO's Grant in Aid⁴⁵.

Technical aspects

In March 2007 BBC signed an agreement with IBM outlining a range of joint projects between the two companies. One of the first projects concerns implementing IBM's newest image/video search technology to make the BBC Children's online content easier to access through a set of interactive, multimedia search functions. IBM will in addition work with Siemens, BBC's official technology partner, to deploy a pilot of their Media hub technology, working with the creative teams of BBC. IBM and BBC are also discussing future collaboration projects on content distribution, customer relations management, joint research and rights management⁴⁶.

⁴¹ BBC Trust approves bbc.com proposal, 18 October, 2007

⁴² BBC polls users on online adverts, BBC website, 25 April 2006

⁴³ Software provided by Quova which can locate ex-UK visitors with more than 99.96% accuracy, BBC website

⁴⁴ A grant-in-aid is money coming from federal government for a specific project. This kind of funding is usually used when the government and parliament have decided that the recipient should be publicly funded but operate with reasonable independence from the State

⁴⁵ BBC Trust approves bbc.com proposal, 18 October, 2007

⁴⁶ IBM and BBC create strategic alliance to embrace the digital future, BBC Press Release, 5 March 2007

"IBM's combination of media and entertainment industry solution capability, R&D investment, services skills and technologies will help us to ensure that the BBC remains one of the most advanced media companies in the world". - Steve Canepa, IBM's Vice President for Media and Entertainment

3. Organizational structure and strategic objectives

Organizational structure and responsibilities

The Royal Charter is what defines the work of the BBC. The current Charter was established in 2007 and is valid until the end of 2016. All strategic guidelines are set by the BBC Trust and operational responsibility lies with the Executive Board.

BBC integrating new media

The Future Media and Technology department is responsible for new, interactive services linked to the Internet. The unit is looking to find new partnerships within the new media industry, content and technology suppliers, to bring in creativity and ideas from the outside. The group is responsible for bringing the following services to the audience⁴⁷:

- bbc.co.uk
- BBCi
- Red Button Services⁴⁸
- bbc.co.uk on mobile
- iPlayer

Objectives and development strategies

BBC's vision is to be the most creative organization in the world. The audience should be at the heart of everything they do and creativity should flow through the entire organization⁴⁹. The Annual Report for 2006/2007 highlights demands from the public for more innovation as a priority for the BBC to address. This demand is based on a major audience research project regarding BBC priorities and performance. The public ranked the content areas Education and News as their main priorities and also awarded their highest performance scores to both of these genres. The third area on this list is Entertainment and the audience show recognition for the wide range of programmes already provided. However, the provision of innovative and distinctive content was clearly highlighted as the area in which the public wished to see the greatest improvement from the BBC:

- 72% of audiences rated innovation as important, but only 51% agreed that the BBC is performing well in this area.

⁴⁷ BBC website - Commissioning, Future Media, 2007

⁴⁸ Interactive TV services for digital television; join in with programmes, play games, use e-mail etc.

⁴⁹ BBC website - About the BBC, 2007

While public approval of the BBC remains stable, audiences have expressed that fresh and new programme ideas must be a high priority and that more effort is needed. This will be one of the key factors for consideration for the organization when deciding the BBC's strategic priorities in the autumn. BBC says that:

"Essential to the BBC's success are the desire to be distinctive, bold ambition for trying new things, respect always for the public's money, and confidence amongst the creative teams. This requires a robust system of governance, a clear strategic framework with a focus on quality and value for money for all UK communities.." - BBC Annual report 2006/2007

The BBC's future plans rely heavily on new technologies and, although their interactive sites have broken one record after another, new projects and investments are being continuously outlined.

4. Internet and BBC website strategies

Internet climate and key competitors

Big media properties like Fox, Time Warner and Viacom are growing their Internet presence by increasing online activities and by acquiring smaller website properties and thereby enlarging their content offers. However, the BBC is the most popular media property in the UK and registered almost 19 million unique visitors in July⁵⁰.

Main online media properties in the United Kingdom

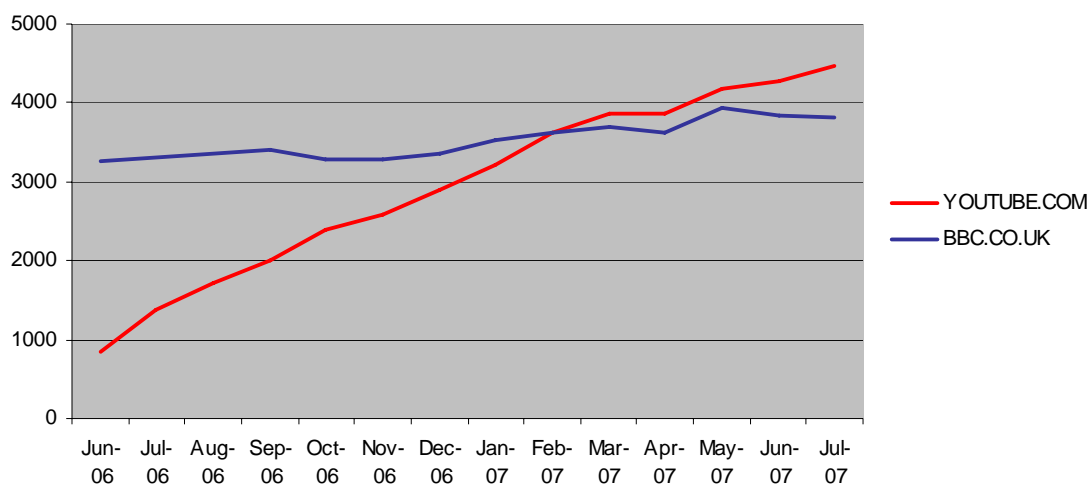
| Media properties | Type | Total Unique Visitors (000) | |
|--------------------------|----------------------------------|-----------------------------|--------|
| | | Jul-06 | Jul-07 |
| BBC sites | Radio and TV broadcaster | 16,462 | 18,921 |
| Time Warner Network | Media and communications network | 12,412 | 14,934 |
| Fox Interactive Media | Media network | - | 13,215 |
| CNET Networks | Media network | 6,510 | 9,206 |
| Viacom Digital | Media network | 3,668 | 7,284 |
| British Sky Broadcasting | TV broadcaster | 6,600 | 6,725 |

Source: EBU based on comScore

On a website level, however, the BBC has strong competition from the popular video sharing site YouTube.com. YouTube is particularly popular among young audiences and in February this year they attracted, for the first time, more visitors than bbc.co.uk among the age group 15-24. To stand up against competition from these kinds of sites, the BBC recently launched their on-demand service iPlayer, allowing users to watch a large part of their content through the computer. However BBC is not yet overtaken by YouTube when it comes to the total population.

⁵⁰ comScore MediaMetrix, July 2007

BBC vs. YouTube - Website trend among Internet users aged 15-24 years



Source: EBU based on comScore

Web strategies

A recent strategic review of the BBC's online activities resulted in a number of actions:

- Rationalised sports message board using "fewer and better" strategy
- Installation of the Net Promoter measurement to help understand what is high consumer value and decide where to focus the effort
- Improved navigation and search facilities to offer a search capability for stills and audio visual material

The BBC is one of the biggest online brands in the UK and they have expressed a desire to join the fast developing web-world of blogs, open access and online communities. As they were outlining their future online strategy in 2006, they said that their aim was to re-launch their website "to feature greater personalisation and more user-generated content" to adapt the web 2.0 world⁵¹.

Marketing and targeting partnerships

In order to spread its content and gain new users of the BBC services the public broadcaster has chosen to cooperate with successful video sharing and social networking sites like Flickr, YouTube, Yahoo! and Second Life. These trials are also made for branding and positioning purposes.

Through the deal with YouTube, BBC makes its content available on their website, currently the most visited video sharing site in the world. By opening two separate BBC-branded entertainment channels on YouTube, BBC channel and BBC Worldwide channel, clips and short

⁵¹ BBC to shake up web with more interactivity, Financial Times website, 25 April 2006

features on current programmes and clips from the archives can be viewed online. Exclusive Internet content and showcase clips are also part of the content.

The deal also includes supplying an ad-funded BBC News clip service, however, this feature will not be available to UK users. This service increases the interaction between BBC and their online viewers, who can comment on clips, rate them and recommend them to friends. They can even post their own video responses. The idea behind this project is that the content on the branded BBC pages will drive users through to the commercial and non-commercial versions of the iPlayer⁵². According to the BBC, its digital strategy is to make its content as widely distributed as possible and there is an audience of millions on YouTube which also should be targeted. The company also sees it as a chance to showcase its programming, get feedback and hopefully encourage people to click through to other BBC services. At launch the branded BBC channels will be run with standard banners but other forms of advertising will be introduced over time. The ads around BBC content will be governed by a detailed set of guidelines. In December last year BBC content was also made available through Yahoo! offering streaming BBC news video content on the news section of the portal.

Other examples of online projects carried out by BBC are:

- Second Life - Radio 1 event in Second Life, an online society within an 3-D virtual world entirely built and owned by its residents
- Flickr - photo sharing trial on Flickr encouraging people to share their photos directly online, a trial generating more than 10,000 photos from over 2,000 users⁵³

5. Online programming and content distribution

Bbc.co.uk

The BBC homepage is one of the most visited and respected websites in the UK with millions of visitors every month. It offers over three million pages of information and entertainment specifically designed for the British audience.

In a white paper called the Creative Future, published in April 2006, the BBC announced future challenges and key recommendations for their future work in creating quality content for the on-demand world. Some of these ideas where to:

- Re-launch the BBC website to make it more personal and include more audio-visual and user-generated content
- Make it easier for users to access theme-based content - sports, music etc.
- Enable users to create their own radio station etc.

⁵² BBC's new, interactive TV service

⁵³ BBC Annual Report 2006/2007

BBC has said that it needs to upgrade its website to meet demands for high definition video and social networking⁵⁴.

Content distribution and online programming

Some of the new media channels on which BBC content is delivered are:

- iPlayer
- bbc.co.uk
- YouTube channel
- Mobile content

During the past five years the BBC has been syndicating their online content, which is now being accessed by 8.7 million users outside the UK through sites like AOL and Yahoo!, not including several million users picking up BBC content via YouTube.

“Whether it is in on-demand or working in different areas with many other organizations we intend to actively explore partnerships where it makes sense and particularly where it helps the audience consume our content in a quality way.” - Tim Davie, BBC Director of Marketing

The BBC website is organized around five main sections:

- Genres
- National and Regional sites
- TV and Radio sites
- Key audience demographics, such as Kids, Teenagers etc.
- A family-friendly web search-engine⁵⁵

Most of the content is commissioned through the BBC Vision and BBC Audio & Music departments, but various production departments have commissioning responsibility for different parts of bbc.co.uk. Standard guidelines are set for the website and contain fundamental technical design requirements as well as editorial, design and commercial considerations involved in the production and delivery of web content⁵⁶.

Through the website it is also possible for users to access mobile content and these services are structured around three main areas:

- *“Re-purposing content, already available on www.bbc.co.uk, so that it is accessible on both WAP browsers and HTML browsers.*

⁵⁴ *Delivering Creative Future: The BBC in 2012*, BBC website, 10 July 2007

⁵⁵ Commissioning - Future media, BBC website, 2007

⁵⁶ Commissioning - Future media, BBC website, 2007

- *BBC content which exploits the unique experience of mobile platforms (e.g. Bitesize mobile phone applications delivered directly to a phone)*
- *Communicating with audiences, by building communities and encouraging direct communication with audiences using SMS (Text Messaging)" - BBC website*

A large extent of BBC's content is offered through their new iPlayer launched in July 2007, a catch-up service that will allow UK licence fee payers to download programmes from all the BBC's network TV channels. Initially, TV programmes can be downloaded up to a week after transmission and this service is accessible from bbc.co.uk, as well as via a number of other potential distribution partners. This service offers high quality television without advertising and users are free to download and watch their programme when it suits them. However, if not watched within 30 days, the programme will automatically be deleted. BBC copyright restrictions do not allow them to provide users with permanently downloadable files. The plans are to extend the iPlayer content by further incorporation of radio and live streaming of TV and also to offer the service on a range of platforms including cable and mobile. In addition to the iPlayer, the BBC also provides its users with the possibility to watch major sports events and a variety of programmes live and to watch video of the latest news stories online. Some news programming is also available as podcasts and all local, regional and national radio stations can be listened to live on the Internet; the "Listen Again" feature gives users a chance to catch up on a missed programme up to seven days after broadcast. By using DRM⁵⁷, BBC can protect their right-holders from having their programmes copied around the world.

Through a recent agreement between the BBC and Adobe Systems Incorporated, the iPlayer content will be made available as a streaming service through the Adobe Flash Player software by the end of the year. This strategic relationship will allow the BBC to enhance the iPlayer and bbc.co.uk by delivering a majority of their online video and audio content to users through a single, consistent user experience. This on-demand streaming service is, according to the BBC, "part of the BBC's strategy to reinvent bbc.co.uk to ensure that all its rich-media content is accessible to the widest audience."⁵⁸

As new Internet trends show a growing importance of social networking and blogging sites, the BBC has implemented new services and initiatives to make their web domain more interactive and invite users to participate. Examples of new initiatives are:

- Get cooking - an interactive video console with 100 interactive video recipes etc.
- Live stats - website feature that reveals what people across the globe are reading on the BBC website.
- Planet Earth online - exclusive content online as a complement to the actual programme - clips, downloadable screensavers and interactive video tours

⁵⁷ Digital Rights Management

⁵⁸ BBC enters strategic relationship with Adobe to enhance BBC iPlayer and bbc.co.uk, 16 October, 2007

- BBC archive trial - collection of programmes grouped around ideas, subjects, time and people

As for usage flow for the BBC web domain, the most successful individual web pages, tend to be⁵⁹:

- News
- Weather
- Sport
- Radio
- DNA⁶⁰

With the new digital possibilities the BBC aims not only to place the broadcast output onto each new platform, but also to make the most out of each distribution technology. Its online content is already available in different bandwidths, specially designed for slow or fast connection speeds, and for different video players. The online content should contain the full set of information, all Meta data (cast-lists, scripts, behind-the-scenes info etc), and not just the programmes⁶¹.

Public service, diversity and interactivity

According to the Superbrands Web Survey, the BBC is the most trusted brand on the web. Trusted brands that stand out on the online market are going to be more than ever in demand in the next stage of web development. It is, however, essential for public broadcasters not to be left behind in a digital world where sites like Facebook, MySpace and Daily Motion bring in new business models based on web 2.0 technology. The BBC believes it is essential to stay relevant to the audience and, for that, new technologies need to be applied.

In an attempt to stay relevant and to reach out to Internet users with their public service values, the BBC has launched a range of new services and projects such as:

- Website and podcasting for disabled persons - website reflecting the lives of disabled people including features, quizzes, podcasting, blogging, a community message board etc.
- Have your say - a part of the website where users can propose discussion subjects, ideas for a news shot, send their own videos or photos, vote on various topics etc. Sometimes e-mails get read out directly on air.
- Climate change experiment - in partnership with Oxford University - inviting users to participate in the world's biggest climate prediction project and contribute to the debate on global warming. An interactive project with the goal to raise awareness and

⁵⁹ HitWise data for UK, July 2007

⁶⁰ Discussion forum that builds community websites around user-generated content

⁶¹ BBC website Press Release, 18 April 2007

understanding of climate change. Over 250,000 users downloaded the software to participate.

- One day in Afghanistan - project initiated by BBC News Interactive, showing pictures of Afghanistan from people around the world. Picturing people living under poor conditions supplied by users, pictures taken by mobile phones etc. Raising awareness about living conditions in other countries and at the same time strengthening BBC's journalism by integrating UGC.
- Live from Ethiopia - UGC project - reportage made live from Ethiopia without a fixed agenda. Reader's e-mailed questions set the agenda and the villagers tell their stories direct, using only simple equipment - laptop, digital camera and a satellite link. At the same time a BBC reporter covered the event for BBC TV and the World Service - BBC is making their journalism more interactive.

In addition to these kinds of services, the BBC World Service has established a "Learning English" service via partnerships with a number of Chinese portals - content specially tailored and accessible to Chinese speakers. The latest partnership was established with the media company SINA Corp. and allows users to have access to the BBC service directly via the SINA portal⁶².

"This co-operation will enable us to provide online users in China with the most authoritative, professional, advanced English learning materials in the world, thus helping to improve English teaching and learning all over China." - Tong Chen, Executive vice president and chief editor for SINA

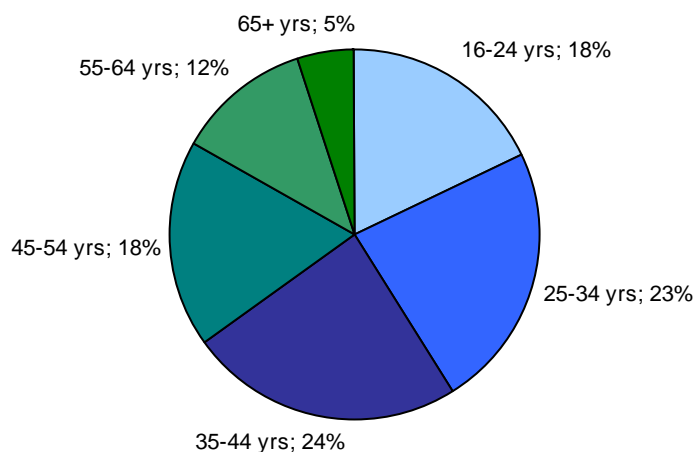
6. Audience research and consumer understanding

BBC and the audience

In July 2007, bbc.co.uk had an average of 15.4 and 15.8 million unique visitors from the UK and Overseas each week. According to a recent tracking study, showing the demographic profiles of the visitors to bbc.co.uk and all Internet users, bbc.co.uk attracts more men than women and primarily persons aged between 25-44 years.

⁶² RadioWorld website, 5 September 2007

BBC monthly website visitors (%)



* Measured for UK audience only

Source: EBU based on BBC

A new report from Ofcom shows that the general consumption patterns for TV, radio, Internet and mobile phone usage has changed significantly - usage is moving into the control of each consumer. British consumers are consuming less conventional media (TV and Radio are down by 4% and 2%) but the use of new digital communication services to decide when, where and how to access and use the various services provided has increased. UK consumers spend 50 hours per week on the phone, surfing the Internet, watching television or listening to the radio. The average daily Internet use reached 36 minutes in 2006, which is an increase of 158% since 2002. Wireless networks allow more people to access the Internet on the move and the number of Wi-Fi hotspots in the UK is growing⁶³.

- Children's (8-15 years) usage of mobile phones, Internet and mp3s is increasing
- Older people are consuming more media - 16% of the over-65s use the web and spend on average 42 hours online every month, which is more than any other age group
- One quarter of all Internet users in the UK are over 50 and account for 30% of the total time spent online.

The Internet is clearly not a phenomenon concerning only young people but touches all age groups. Further developments of the BBC website and online services are therefore crucial in order to reach all Internet users, regardless of their age. A lot of work has already been done and the British PSB has achieved high user reach, exceeding 18.9 million unique monthly visitors in July 2007⁶⁴. BBCi⁶⁵, the new digital information service, has won an international

⁶³ Ofcom News release, August 2007

⁶⁴ comScore MediaMetrix, July 2007

⁶⁵ BBC's brand name for their digital interactive television services (Wikipedia)

Emmy Award for the best interactive television service and the company has halved the cost per user, reached on their website, over the past four years due to increased usage.

BBC services and interactive projects have resulted in great response:

- 2 million podcast downloads every month
- In 2006/2007 70 BBC editors (News and Sport) posted 500 blogs receiving 30,000 comments from readers during the first ten months
- The heavy snowfall in February generated 12,000 still photos
- Climate Changing Experiment – 300,000 people enrolled

Qualitative research commissioned by the BBC in September 2006 suggests that people are driven to a site if it fulfils two criteria:

- a) Provides content or a service they want and
- b) Is easy to use.

Users are also likely to recommend sites to friends and family if they fit into one of the following three categories:

- New and/or unusual
- Fun
- Useful

The research also suggested that bbc.co.uk is one of the few websites which people use at work without feeling guilty, because using the site is not seen to be a waste of time⁶⁶.

To evaluate BBC's output across every element in terms of consumer value, a project called Audience Value has been launched. This is a quality assessment tool with an audit of cross-media consumption to track people's usage and appreciation in terms of total value. This measuring system helps the BBC to understand consumer value and will allow programme makers to access information relating to quality perceptions rather than just looking at TV or radio ratings. The quality of programmes is and will be of key importance for their future success⁶⁷.

7. Future media, technology and Internet trends

General trends and future threats/opportunities

The BBC believes that the digital world provides an opportunity for them, as a public broadcaster, to create more value for the audience by becoming more distinct. Audience

⁶⁶ BBC website

⁶⁷ *When the walls come down: Putting audiences at the heart of the BBC in a digital world*, BBC website, 14 May 2007

expectations are changing and the great increase in choice and audience control is changing the fundamentals of the media world.

The BBC outlines three major themes that can be used to define the current media business and audience values:

1. Growing benefits from delivery of stand-out, quality content.
2. The need to build value trusted services - such as channels and networks which people can rely on. Channels will need to have clear brand identities and BBC will have to lead some of the services on their own and some through external partnerships.
3. Creating new ways of content delivery based on user needs, helping consumers to consume the content in a quality way via on-demand etc⁶⁸.

Technological investments and partnerships

The BBC is preparing for "BBC 2.0", which is based on the web 2.0 technology using Internet as a new distribution platform with increasing interactivity. For BBC this is a shift from being predominantly a publishing medium to becoming one where data is shared across sites and between users. The BBC wants to go from just being on the Internet to actually becoming an active part of it. They also see a need to achieve new state-of-the-art equipment and to find methods to optimise the use of technology across their business to ensure efficient and effective content delivery to the outlets from which their audiences want to get it. New strategic partnerships with Siemens, Microsoft, IBM and recently Adobe will help delivery on technology objectives.

"Our aim is to keep the BBC relevant in the digital age. And we clearly can't do this on our own. Partnerships with platform owners such as network operators and ISPs are critical. As is a deep exchange of knowledge with software and hardware manufacturers from the giants of Microsoft and IBM to the technology start-ups like Kontiki and design agency ISO." - Ashley Highfield, Director Future Media and Technology

The collaboration with Adobe helps the BBC to make the iPlayer available through an additional streaming platform and Adobe's video solution will help the BBC revolutionize how they create and deliver content to audiences in the digital age and help drive the fusion of TV and the Internet⁶⁹.

"With more control over playback, interactivity and branding, the move to Flash Player compatible video will help the BBC to engage audiences by delivering a seamless, instant-on web video experience." - Bruce Chizen, Chief Executive Officer of Adobe

⁶⁸ *When the walls come down: Putting audiences at the heart of the BBC in a digital world*, BBC website, 14 May 2007

⁶⁹ BBC enters strategic relationship with Adobe to enhance BBC iPlayer and bbc.co.uk, 16 October, 2007

Nederlandse Omroep Stichting (NPO)

1. Brief Highlights

- Two new departments, Internet and New Media, have been incorporated into the organizational structure of NPO as a reflection of the developments of online media distribution.
- NPO carries advertising on the Internet websites and it is allowed to achieve revenue from their website services. On-demand web video material to digital TV operators is the main source of Internet revenue. The revenue of advertising is bigger, but the revenues do not go directly to NPO but first to the government and then is added to the total NPO budget.
- Like other public broadcasters NPO has chosen to cooperate with YouTube as a way to maximize audience reach. Today two NPO channels are available through this video sharing site; 3FM (radio channel) and Uitzending Gemist (TV channel).
- NPO sees on-demand distribution becoming more popular and believes that on-demand might be the second biggest opportunity for the future next to linear TV and radio broadcasting. NPO is already experimenting with P2P distribution techniques.

2. Regulations and financial structures

General financial guidelines

NPO is allowed to achieve revenue from its Internet activities and its websites actually carry advertising. But, as for TV advertising, this is coordinated and regulated by a separate advertising organization. The revenues do not go directly to the broadcasters but to the government and then serve as a complement to NPO's total funding. The main activity, which is generating new revenues, is the distribution of their on-demand Internet video material to the digital TV operators and cable companies.

Legal content restrictions

According to the media law in the Netherlands, the Internet is not the main distribution for Dutch public broadcasters. Internet is therefore regulated through some additional rules. This means, for example, that every Internet activity must be checked by the coordinating body of the NPO before it can be allowed.

NPO is offering a large variety of audio and video on-demand on the Internet. Almost all the television programmes which were produced by the broadcasters themselves are available on the Internet after broadcast. For this they have agreements with organizations dealing with copyright issues. NPO also have podcasts online, but because of the download functionality they have not reached an agreement about the copyrights yet. In fact, due to high copyrights bills NPO had to remove some of their podcasts in September this year.

3. Organizational structure and strategic objectives

NBP integrating new media

The NPO has changed its organizational structure in order to focus more on new media and Internet developments. Four independent departments have been created, all with equal status:

- Radio
- TV
- Internet
- New media

All public broadcasters in the Netherlands, e.g. NPO organizations, are responsible for the production of their own websites, however, sometimes certain elements of a website are developed by third parties. Most of the websites are related to TV and radio programmes and about 25% of NPO's websites concern web-only activities. The creative process of making the TV and radio related websites is a combined effort of the Internet departments and the radio and TV departments. However, the main effort and work is done by the Internet department.

4. Internet and NPO website strategies

Internet climate and key competitors

When it comes to the competitive online landscape in the Netherlands the main competitors of NPO are:

- Some of the commercial broadcasters websites
- News websites - Nu.nl and online newspapers
- Main social networking and video sharing sites - YouTube, MySpace etc.

However, although the competition is increasing NPO has remained strong and is ranked as the second most popular website in the Netherlands, both in 2006 and this year.

Most visited Internet domains in the Netherlands - Yearly reach (%)

| Period: June'06-May'07 | | |
|------------------------|--------------------------|--------------------|
| Audience: 13+ | | |
| Web domain | Type | 12 month reach (%) |
| Ilse Media | Media company | 67,2 |
| Publieke Omroep | TV and radio broadcaster | 62,9 |
| Marktplaats | Online marketplace | 62,1 |
| MSN | Portal | 58,7 |
| Telefoongids | Telephone guide | 52,9 |
| Telegraaf | Newspaper | 50,3 |
| RTL | TV and radio broadcaster | 46,6 |
| Wegener | Publisher | 45,5 |
| Lycos | Portal | 44,7 |
| KPN Media & TV | TV and radio broadcaster | 43,6 |

Source: EBU based on KLO

Web strategies

NPO's online objective is to combine efforts to increase its online presence, strengthen its brands and grow. However, its main Internet objective is to reach as many people as possible. This also means, for example, that NPO prefers to offer most of its content for free, so that it is accessible to as many people as possible.

In order to reach younger people with their content a specific broadcaster, founded for especially for reaching younger audiences, has been given the task to reach this specific target group. This special organization has been set up targeting this audience with content more appealing to younger users. In addition, new formats are being created overall to attract and appeal to young people.

Marketing and targeting partnerships

NPO has, like some other public broadcasters (BBC, SVT, NRK etc.) chosen to cooperate with YouTube and there is today a channel on YouTube offering visitors some of its content. NPO sees the partnership with YouTube as a way to maximize audience reach. Two new channels have been launched on YouTube:

- 3FM - National radio channel
- UitzendingGemist - On-demand TV archive on the Internet

5. Online programming and content distribution

Content distribution and online programming

NPO offers a wide range of content through online services:

- TV and Radio programme related websites
- Web-only activities
- On-demand streaming - combined audio and video (wide extent)
- 17 thematic web-TV channels
- About 5 Internet sites - new concepts/formats using user generated content
- A lot of interactivity: newsletters, forums, etc.

NPO has tried to implement user generated content into its online content offer and one example of this kind is the website called "Videotalent". Users are given the possibility to upload personal amateur videos of musical performances and have the chance to get their video selected and placed on the website. The news website also have a similar application where users can upload user generated photos and videos of news events.

Public service, diversity and interactivity

NPO does its best to maintain their public service responsibility online by having very limited sponsoring and advertising activities, as mentioned above, making them completely separate from production and broadcasting activities and organizations. Independence is thereby guaranteed. However, NPO says that "to appeal to the audience is of course the art of bringing the right mix of interesting and appealing content, which every public broadcaster faces as a challenge!"

NPO does provide content, online as in traditional broadcasting, in genres which are not offered by commercial broadcasters, because of the small audience share. They also try to target niche audiences by cooperating with social and public organizations which have experience in reaching such niche audiences:

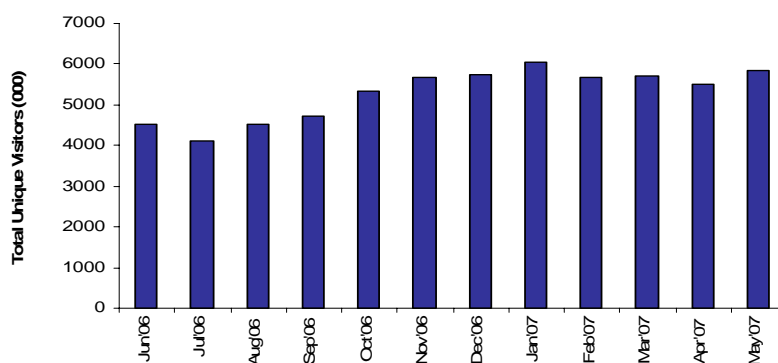
- Science portal - NPO is working on several partnerships with other public organizations but this is still in a development stage, for example they are planning to create a science portal with science organizations, universities, etc.
- Youth with foreign origin - NPO is also in discussions with websites and organizations which are popular among young people of foreign origin, people that do not identify themselves with public broadcasting content, a niche audience that NPO has problems reaching. They want to place their content on these websites and thereby reach a new audience and hopefully attract and drive traffic to NPO websites. Similar partnerships are planned to reach other niche audiences.
- Debates and online forums have been created to let the audience express their opinions in relation to TV and radio programmes with news and audience opinion related content.

6. Audience research and consumer understanding

Omroep.nl and the audience

NPO has had a positive development of its Internet domain in past 12 months with May'07 being the second strongest month with 5.8 million visitors.

Web traffic to Publieke Omroep Internet domain

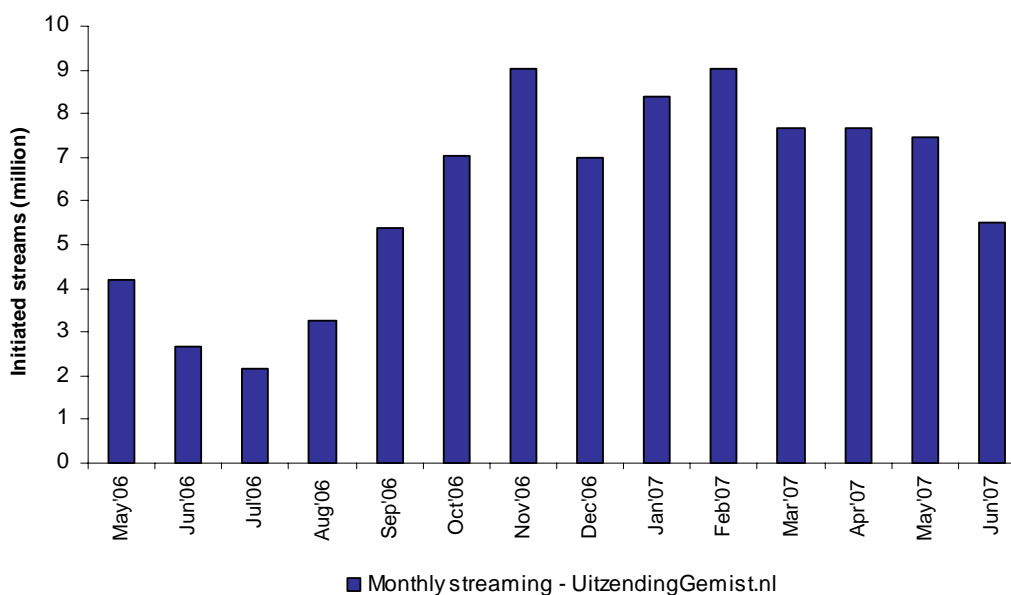


Source: EBU based on KLO

Streaming activities

NPO uses a streaming measurement standard called Sitestat on almost all of its websites. It is a very important tool for them to monitor the Internet usage. With the data it generates they can enhance performance and renew policies and strategies on the Internet. Internet streaming content, available through the on-demand archive Uitzendinggemist.nl, has reached almost 10 million users so far in 2007.

Monthly streaming activities at UitzendingGemist.nl (million)



Source: EBU based on KLO

Uitzending Gemist is one of the most successful Internet projects launched by NPO. It offers all of NPO's online video content, meaning all the broadcasted television programmes, on-demand. Its popularity is mostly due to the fact that users can watch the television programmes they have not been able to see on TV whenever they want.

7. Future media, technology and Internet trends

Future threats and opportunities

NPO's strategy is still mainly focused on linear channels, e.g. traditional radio and TV broadcasting. They believe that broad channels, covering general audience interests, will keep the largest audience share in comparison to Internet, on-demand, thematic channels, etc. for quite a while. However, they have seen that on-demand media consumption is becoming more popular in the Netherlands every day and based on this trend, they believe that on-demand media consumption will be the biggest opportunity next to the general interest channels. NPO will probably invest more time and money into on-demand in the coming three years for example instead of investing into thematic channels.

According to NPO the on-demand media consumption will probably, in the long run, also mean that it will have to meet other demands in the production and promotion of its content. General

interest channels might migrate to more promotional channels, "shopping windows", to direct audience to large on-demand content.

Technological investments and partnerships

NPO does not believe that P2P systems like Joost and Babelgum will become important competitors to their business in the future. NPO is, however, already experimenting with P2P and when it will become legally popular it will cooperate more with such providers.

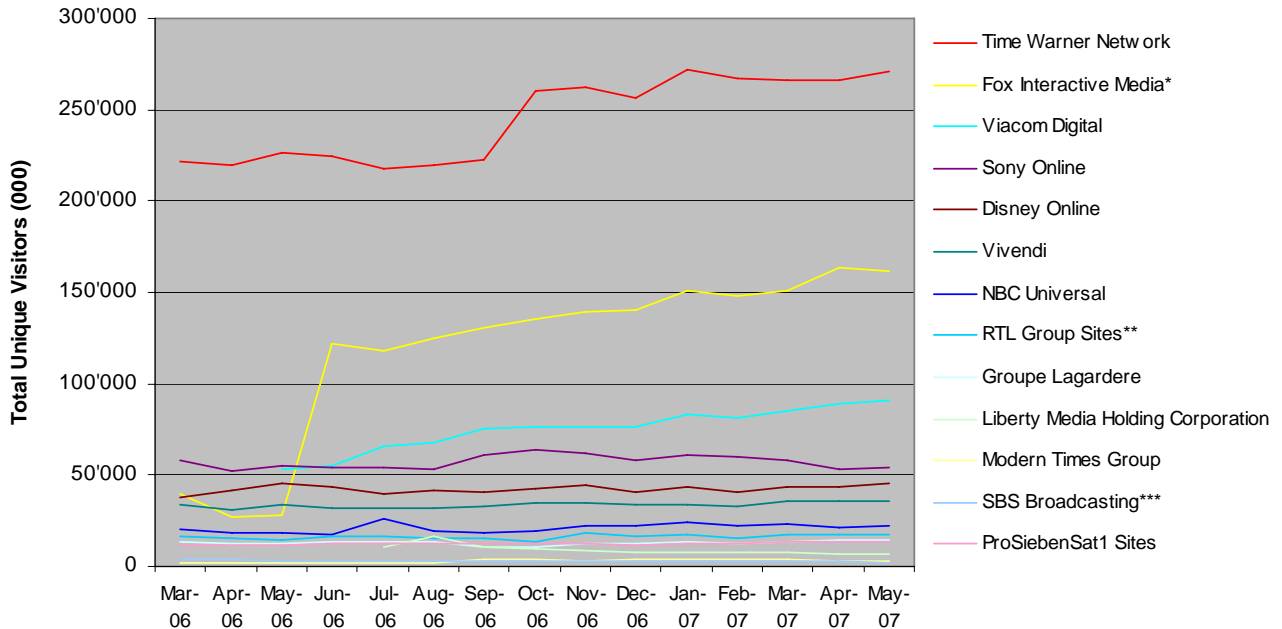
LARGE COMMERCIAL MEDIA GROUPS AND BROADCASTER STRATEGIES

1. Large media groups extending influence

The Internet has become an important media distribution platform and broadcasters around the world are integrating Internet into their broadcasting strategies. Online services like podcasting, streaming and on-demand content have increased significantly in recent years and consumer interest is high. In relation to this, it is notable that media groups like Time Warner, Viacom, Disney, Fox and Vivendi show strong Internet presence and are ranked among the 50 most visited Internet properties in the world.

The largest growth was achieved by Fox Interactive Media, owned by News Corporation, increasing the number of unique monthly visitors by 50 million in one year, which represents a 277% growth. The main driver behind this important growth is News Corporation's acquisition of Intermix Media (owner of highly popular social networking portal MySpace.com), IGN Entertainment and Scout Media. With these acquisitions News Corp broadened its online content offering of Fox-branded sites and increased its total web traffic significantly. The News Corp competitor, Viacom Digital, followed with acquisitions of Atom Entertainment, XFire and Neopets.

Evolution of large media groups' web properties (worldwide)



* Owned by News Corporation

** Owned by Bertelsmann

*** Acquired by ProSiebenSat1 in June 2007 and is merging at a corporate level

Source: EBU based on comScore

In order to illustrate the Internet presence of some international companies, we took three of them as examples:

- News Corporation
- TimeWarner
- Vivendi.

By first listing the different companies or subsidiaries owned by these companies in a wide variety of sectors (from television to magazines, newspapers, books, web services, entertainment, film industry and mobile phones), one has a first approach of the spread of these global groups on the Internet, due to the scope of the sectors they deal with and the number of sub-companies involved in each sector.

A list of the corresponding sub-companies' websites is also provided to show the Internet base of each of these entities, also illustrating their presence in different territories across the world.

The totals, obtained by adding up the unique visitors score of each of these sub-companies sites - when available and not redundant with another company which would use the same website or portal - are as follows: News Corporation 403.8 million unique visitors in June 2007, Time Warner 442.8 million visitors in July, and Vivendi 33.9 million visitors in August 2007.

The restrictions we could express on the totals are due to the fact that there might be some overlapping in the data used, which could incorporate several of the listed websites. The totals, however, give a clear estimation of the massive presence of many international groups over the Internet and their influence in an extraordinary number of fields and communication means.

Vivendi online ownership⁷⁰

| VIVENDI Internet domains August 2007 | | | |
|---|-----------------------|-------------------------|------------------------------------|
| Ownership categories | Classification | comScore title | Total Unique Visitors (000) |
| MUSIC | | | |
| UNIVERSAL MUSIC GROUP (100%) | [M] | Universal Music Group | 13'860 |
| PAY-TV/CINEMA | | | |
| CANAL+ GROUP (100%) | [M] | CANAL-PLUS.COM | 596 |
| CANAL+ FRANCE (65%) | [M] | CANALPLUS.FR | 468 |
| MOBILE | | | |
| SFR (56%) | [M] | SFR | 2'582 |
| Fixed-line/Internet: N9uf Cegetel (40.5%) | [P] | Neuf Cegetel | 6'515 |
| MOBILE/FIXED-LINE | | | |
| MAROC TELECOM (51%) | | | |
| GAMES | | | |
| VIVENDI GAMES (100%) | [M] | Vivendi-Universal Games | 1'563 |
| SUB-TOTAL | | | 25'585 |
| MEDIA - 20% of NBC UNIVERSAL | [P] | NBC Universal | 24'464 |
| | [P] | Vivendi | 33'860 |

Source: EBU based on comScore

News Corporation online ownership

| NEWS CORPORATION Internet domains July 2007 | | | |
|--|-----------------------|------------------------|------------------------------------|
| Ownership categories | Classification | comScore title | Total Unique Visitors (000) |
| FILMED ENTERTAINMENT | | | |
| 20th Century Fox Home Ent. | [M] | FOXHOME.COM | 283 |
| 20th Century Fox International | [M] | FOXINTERNATIONAL.COM | 592 |
| Fox Searchlight Pictures | [M] | FOXSEARCHLIGHT.COM | 328 |
| TELEVISION | | | |
| Fox Television stations | [M] | Fox.com Sites | 4,049 |
| FOXTEL | [M] | FOXTEL.COM.AU | 306 |
| CABLE | | | |
| Fox News Channel | [M] | FOXNEWS.COM | 7,710 |
| Fox Sports Net | [C] | FOX Sports on MSN | 18,912 |
| FX | [M] | FXNETWORKS.COM | 559 |
| National Geographic Channel US | [P] | NATIONALGEOGRAPHIC.COM | 5,260 |
| Speed | [C] | SPEEDTV.COM | 655 |
| DIRECT BROADCAST SATELLITE TV | | | |
| BSkyB | [M] | Sky.com Sites | 3,851 |
| DirecTV | [M] | DIRECTV.COM | 5,492 |
| Sky Italia | [P] | SkyTV.it | 77 |
| NEWSPAPERS | | | |
| Sunday Territorian | [M] | NEWS.COM.AU | 4,323 |
| News of the World | [C] | NEWSOFTHEWORLD.CO.UK | 1,139 |
| The Sun | [C] | THESUN.CO.UK | 4,963 |
| The Sunday Times | [C] | TIMESONLINE.CO.UK | 3,982 |
| New York Post | [M] | NYPOST.COM | 2,799 |
| OTHER ASSETS | | | |
| Fox Interactive Media | [P] | Fox Interactive Media | 163,546 |
| MySpace | [M] | MYSACE.COM | 114,147 |
| IGN Entertainment | [G] | IGN.COM | 17,513 |
| FoxSports.com | [S] | FOXSPORTS.COM | 18,089 |
| Other | | | 25,293 |
| TOTAL | | | 403,878⁷¹ |

Source: EBU based on comScore

⁷⁰ A letter indicates a hierarchy in the website classification, reflecting organizational structures. The number represents the amount of total unique visitors (in thousands), which is the estimated number of different individuals who visited any content of a website, a category, a channel, or an application during the reporting period (July or August 2007 in our examples).

⁷¹ Total not unduplicated

Time Warner online ownership

| TIME WARNER July 2007 | | | |
|---|-----------------------|---|------------------------------------|
| Ownership categories | Classification | comScore title | Total Unique Visitors (000) |
| WEB SERVICES - AOL | | | |
| AOL | [M] | AOL | 142,990 |
| AIM | [S] | AIM.COM* | 12,689 |
| ICQ | [M] | ICQ | 29,416 |
| MapQuest | [M] | Mapquest | 58,719 |
| Moviefone | [C] | Moviefone | 14,311 |
| Netscape | [M] | Netscape | 10,748 |
| TMZ.com | [S] | TMZ | 9,882 |
| Winamp | [S] | WINAMP.COM* | 14,854 |
| Other | | | 7,054 |
| CABLE SYSTEMS - TIME WARNER CABLE | | | |
| Time Warner Cable | [M] | TIMEWARNERCABLE.COM | 1,989 |
| Road Runner | [P] | Road Runner Sports, Inc. | 387 |
| TV NETWORKS - Home Box Office | | | |
| HBO | [M] | HBO | 3,747 |
| TV ENTERTAINMENT AND NEWS - TURNER | | | |
| Cartoon Network | [M] | Cartoon Network Online | 17,085 |
| Cartoon Network Latin America | [C] | CARTOONNETWORKLA.COM | 829 |
| CNN / U.S. | [M] | CNN | 33,281 |
| CNNMoney.com | [C] | CNN Money | 6,728 |
| NASCAR.com | [P] | NASCAR.COM* | 3,956 |
| PGA.com | [P] | PGA.COM | 908 |
| Turner Classic Movies | [M] | Turner Entertainment (TBS, TNT, TCM TV Nets) | 2,039 |
| FILM COMPANY - NEW LINE CINEMA | | | |
| New Line Cinema | [C] | NEWLINE.COM | 278 |
| ENTERTAINMENT INDUSTRY - WARNER BROS | | | |
| Warner Bros. Pictures | [M] | Warner Bros. Online Network | 23,508 |
| MAD Magazine | [S] | DCCOMICS.COM | 550 |
| MAGAZINE PUBLISHER - TIME INC. | | | |
| Entertainment Weekly | [M] | Entertainment Weekly | 2,144 |
| Golf Magazine | [S] | GOLF.COM* | 1,001 |
| In Style | [C] | INSTYLE.COM | 1,277 |
| People | [M] | People | 9,479 |
| Sports Illustrated | [C] | Sports Illustrated Sites | 6,886 |
| Time | [C] | TIME.COM | 4,098 |
| Other | | | 1,824 |
| OTHER | | | 20,095 |
| TOTAL | | | 442,750⁷² |

Source: EBU based on comScore

2. Broadcaster online video strategies

With growth of broadcast audiences and DVD sales stagnant, media companies are fully engaged in exploring revenue opportunities in the expanding market for online video. Public Service Broadcasters in particular are developing ways of extending and applying their remits to accommodate their audiences scattering into online spaces. For many it has been a period of

⁷² Total not unduplicated

experimentation and trial governed by more by caution and copyright protection concerns, however, with a dramatically expanding market and shifting consumer behaviour, many broadcasters now perceive the risk of under-engagement as greater.

In the US and several European markets, Apple inaugurated mass online video distribution two years ago when it established numerous partnerships with major content owners to sell downloads through its iTunes store. With no close rival, iTunes has become the global leader of legal video downloads and accounts for close to 80% of the market in the US and with significant headway in Europe as well. For Apple the content from major media drove sales: 28 million units from Disney-ABC programming have been sold and product from NBC-Universal represented 30% of sales. However, for many, iTunes has changed from a safe haven to a restrictive gatekeeper. Now Apple's pricing policies as well as new opportunities elsewhere has lead major broadcasters to renounce or renegotiate their deals with Apple. There is clear trend emerging toward ad supported streaming and away from paid downloads. The difficult question for broadcasters is how to split their services between their own properties and third party web sites that control large volumes of Internet traffic.

In the forthcoming television season more content will be streamed by US networks than ever before. This shift in strategy has been guided by two realisations: online video consumption tends to be additive and does not replace normal TV viewing; and advertisers are moving more and more of their budgets into online.

The first point - that Internet viewing tends to be incremental - was confirmed in a study by Nielsen which estimated that the 81 million people that watch broadband video in the US were tending to watch repeat episodes or at times of day when they normally do not watch television. However, during a period of rapid change in consumer behaviour results like this may not persist, indeed, there is research that indicates that online viewing is also replacing traditional TV watching.

Another factor coaxing broadcasters into the online space is the increasing sophistication of copyright identification tools. In October, YouTube introduced technology that automatically removes copyrighted content, or gives owners the option to allow the material to remain but collect advertising revenue. These types of filtering tools are expected to become more powerful and reduce further the hesitancy of content owners to distribute their programming on the Internet. Distribution of content without any content protection is also being cautiously considered.

Broadcasters face a trade-off between reaching mass audiences on the most popular Internet sites and building loyalty and reach for their own properties. At this point, there seems to be no easy answer and individual broadcasters have developed their own specific strategies. In the next section we consider how some broadcasters have dealt with this issue as well as their overall web strategy, whether driven by acquisition, alliance, or investment in their own properties.

Disney / ABC - ABC was among the first networks to exploit Internet distribution but remained generally conservative. Currently, ABC continues its relationship with iTunes. In addition, the company offered day-after streaming for most of its primetime shows on abc.com, AOL video, and cox.com.

The company sees no indication that online video consumption is detracting from traditional live television viewing and believes, according to its internal research, that the availability of online video has a positive influence on the likelihood to watch broadcast. The company identified characteristics of online consumers⁷³:

- Those who watch online video every day (32%) watch an hour more of live TV relative to other TV viewers.
- Television viewers are watching online primarily out of convenience. Over three-in-four choose to watch an episode online because they missed the scheduled airing of a favourite show.
- Nearly 40% are watching an episode again after watching it on television. Exposure to online episodes appears to positively reinforce younger appeal brand allegiance and increase loyalty to programs on-air because of convenience and availability.
- Four-in-five (79%) have a more favourable opinion of ABC after watching online episodes

The BBC launched an online service that allows people to choose from 400 hours of programs, over half of the company's total TV output. The service was approved after assessing its public service value. The service is free and available only to UK residents with PCs running Microsoft XP. Programs will be automatically deleted after viewing or after 30 days. The main competition comes from Channel 4 and ITV but the BBC has invited other the UK broadcasters to participate. Meanwhile, the BBC has also made a non-exclusive arrangement with YouTube for three channels (one dedicated to news) intended to drive traffic to its own website. The BBC will get advertising revenue generated by traffic to the new YouTube channels. Also in the UK, ITV will re-launch its website focusing on entertainment and offering most ITV programs up to 30 days after broadcast for free as well as 1,000 hours of archive.

CBS - The company has recently established online presence with an acquisition strategy. In May, CBS Interactive purchased music networking site Last.fm and finance video site Wallstrip. CBS paid \$280 million for Last.fm which is approaching 20 million users worldwide and classifies music users listen to in order to share with others with similar tastes. Last.fm also provides customized radio streams. Meanwhile, the company is convinced its content on web video sites boosts broadcast audiences. It claims that ratings of some programs have seen increases, including incremental 5 % or 200,000 new viewers to its late night talk show.

⁷³ Source: "Television on the Web", ABC research

CBS streaming strategy, internally called "rolling thunder", is markedly different from that of its competitors which have tended to build up their own portals. CBS streams content on its own sites but on a very wide range of third party sites as well: AOL, MSN, Joost, Bebo, and Veoh, and others. The lack of success of Innertube, the CBS entertainment portal, intended to showcase its online content may have been a factor. Digital downloads are still available through iTunes as well as Amazon's Unbox service, and games console Xbox. CBS also launched CBS EyeLab, a digital-production studio generating short clips of its programming.

News Corp. - In September News Corp. decided to continue its relationship with iTunes but called for more flexible pricing. The Fox Broadcasting unit has deals with Amazon, BitTorrent, and Walmart for digital downloads of its programming which is also offered at fox.com and associated websites. Streaming is available on company websites as well as hulu.com, a joint venture with NBC-Universal (see below). However, it was the company's \$580 million acquisition of MySpace two years ago that instantly established News Corp. as a powerful Internet player. Its Fox Interactive Media unit is nearing the \$1 billion revenue level and is proving adept at monetizing its Internet activities. The company has continued its acquisition strategy, adding Photobucket to its portfolio earlier this year. Photobucket has close to 50 million users and provides platform for videos, photographs and other graphic material. The smaller acquisition of Flektor, another video site, holds promise as well. In October, MySpace announced an alliance with eBay's Skype allowing users to conduct text chats with each other. MySpace users who download the newest version of that software will also be able to make free calls from their computers to each other, and to anyone else on the Skype network. In another partnership, the company's BskyB unit will launch a multiplatform user-generated video portal in with Google which will provide search, e-mail, and advertising tools.

NBC Universal - The US network will stream via Hulu.com, nbc.com, and NBC Direct and provide downloads through Amazon's Unbox. Its agreement with iTunes will end in December 2007. NBC Direct is aimed to build on the success of NBC 24/7 a broadband player that has streamed over 140 million videos over the past year. NBC Universal's acquisition strategy has not proved as fruitful as the company might have wished. Last year it purchased an online women's social network, iVillage, but has seen little growth or revenue from the acquisition.

NBC's falling out with Apple has been the most acrimonious (NBC wanted to increase the price paid for downloads to \$5 from \$2) and the company has now turned to Amazon as a major distribution partner. Downloads will be available the day after they air live and cost \$1.99 and customers will receive a to 30% discount for full seasons. The website of the company's financial news network CNBC was re-launched with more video and financial applications. An average of five hours of live programming will be shown daily as well as web-only video content. 13,000 interview videos will available with 75 new additional videos added each day. The full broadcast schedule will be available for \$10 per month. NBC's most ambitious project is to launch in October as a joint venture with News Corp. The service will primarily offer free ad-supported streaming to PCs with some pay and rental downloads available. Future

implementations will also work on Apple Macs and video iPods. Most content will originate from the joint venture partners with AOL, MSN, MySpace and Yahoo! agreeing to distribution deals. The European Commission has already approved the deal. Whether the project will be a "YouTube killer" is still in question but it has strong financial backing (Providence Equity Partners paying \$100m for a 10% interest) and wealth of content. Perhaps most importantly, the portal will give more control to media companies over how their content is offered and priced for online distribution.

Time Warner - Last year, AOL revamped its video portal, signing deals with a variety of premium content providers such as MTV, Nickelodeon and TBS to deliver short form on-demand content. The video platform was improved with a live TV network added and a deal was reached with QVC to distribute two of the home shopping network channels. AOL users can view a live stream of QVC TV Live or select individual clips to stream from QVC on-demand.

Deutsche Welle (DW) - has launched its own channel on YouTube, and became one of the first German broadcasters to make its content available on the Internet. International broadcasters such as BBC Worldwide and Al Jazeera English have also launched on YouTube. DW strategy is based on the sheer size of growing number of users who specifically look for video content. The service includes a financial news program "Made in Germany" and excerpts from lifestyle show "Euromaxx," along with the interview of the week from news broadcast "Journal". DW will progressively expand the offer.

YLE - In June, Finnish broadcaster YLE has launched YLE Arena, an online television and radio service offering about 400 programmes across all the broadcaster's radio and television programming. Programming is offered by genre: news, sport, current affairs, factual programmes, learning and science, culture, music, entertainment, drama and children. Arena will show live sports and event broadcasts.

Programming will be added continuously, since the programmes can be viewed and listened to for a limited amount of time. Copyright agreements will determine which shows are on available on the site and how long they will run. In October YLE linked Arena services to payment of the license fee. From early next year users of the service will be required to enter a registration numbers only available if they have paid their licence fee.

France Televisions has begun talks on program sharing with Google as part of the Internet giant's planned video-sharing Web site YouTube Europe.

France Televisions has a large array of programming and recently gave approval for some programs from the France 4 network to be broadcast. Dailymotion is the currently most popular online video site. In June, international news channel France 24 announced it had launched three branded channels on the YouTube platform, in French, English and Arabic. France 24 intends to add content each week.

Norway's TV 2 launched TV 2 Sumo, the first live online TV service including TV 2, TV 2 Zebra and the TV 2 Film Channel. Live channels can only be viewed from within Norway while on-

demand content can be viewed from anywhere in the world. Sumo is a subscription service. TVNORGE is also offering on-demand television with episodes from its series.

Sony and Viacom have had concerns about YouTube distribution of their content. In February, Viacom sent orders to Google to remove over 100,000 clips from YouTube servers. Viacom whose holdings include Paramount, Comedy Central and MTV is pursuing a distribution strategy based more on its own portals.

Vivendi's relationship with iTunes has deteriorated especially concerning its UMG music content. The company is in talks with other distributors and calls iTunes policies "indecent". Meanwhile, the company's Canal Plus unit has taken legal action against Kewego, a video sharing site

Broadcasters online services

| Service | Broadcaster | Address | Content | Business model prices (where relevant) | |
|-----------------------|------------------|--|---|--|--|
| Belgium | | | | | |
| Journal Televisé | RTBF | Skynet.rtf.be/ | on-demand streaming of main RTBF news bulletins | free | |
| Lost | RTL Tvi | www.rtlTvi.be/Lost | preview clips of <i>Lost</i> season 3 | free | |
| RTL Journal Televisé | RTL Tvi | www.rtl.be | | | |
| VRT nieuws mediatheek | VRT | www2.vrtnieuws.net/cm/vrtnieuws.net/mediatheek | streaming new clips | free | |
| Denmark | | | | | |
| dk4 livestream | DK4 | www.dk4.dk/?p=plug-restrict-stream;sysid=club2;streamid=5093 | live stream | subscription | Dkr190 (€25)/year live stream of DK4 programmes (streams of politics, sports, education) and archive of 6,500 programmes |
| dr.dk/TV | DR TV | www.dr.dk/TV/?top | news, sport, documentaries, entertainment, children's | free | |
| 4 Sport | DK4 | www.4sport.dk | 20 hours a day streamed | free | pre-registration required |
| 24Nord Jyske | 24 Nord Jyske | www.24nordjyske.dk/ | local news for Nord Jutland | free | Dkr10 (€1)/day, Dkr75 (€10)/month, Dkr300 (€40)/year |
| TV2 Sputnik | TV2/Nordisk Film | tv.sputnik.dk/ | films, TV programmes | subscription | Dkr49(€7)/month, Dkr499 (€68)/year; some third-party programming |
| Finland | | | | | |
| Film2Home | Telia/Bonver | www.film2home.fi/fi/ | films and TV | PPV | |
| 4 netti TV | Nelonen | www.nelonen.fi/nettitv/ | TV programmes | subscription/PPV | €9/season; SM Liiga (ice hockey) |
| MTV3 anytime | MTV3 | NettiTV.mTV3.fi/nettiTV_uutiset/ | films, TVprogrammes | subscription/PPV | MTV3 €9/month; <i>Big Brother</i> €15/season, €1.90/hour |
| YLE Medisali | YLE | www.yle.fi/ale24/videosal/ | streaming of live events (parliament, some sports), catch-up streams of YLE-owned programming | free | |

| Broadcasters' online services (cont.) | | | | | |
|--|--------------------|---|---|---|---|
| Service | Broadcaster | Address | Content | Business model prices (where relevant) | |
| France | | | | | |
| Arte VOD | Arte | www.artevod.com/ | VoD films and documentaries | PPV | €3.99/film; €1.49-€2.99/ programme; €0.99/short factual film |
| Canal Play | Canal Plus | www.canalplay.com/ | films, children's TV | PPV | €1.99-€4.99/film; €1.49-€0.99/episode |
| Club Video | Club Internet | adsl.club-Internet.fr/television/club_video.phtml | M6 magazine programmes and series | advertising (PPV for series) | €1.49-€1.99/episode, €19.99/season (<i>Desperate Housewives</i>) |
| L'Equipe TV Live | L'Equipe | Video.lequipe.fr/top/?filter=2&period=3 | sports news and features, some live coverage | subscription | €5/month |
| France tvod | France Télévision | www.francetvod.fr/ | documentaries, sports, drama, news bulletins | free, PPV, download-to-own | Rental: drama 3/episode; €3.99/film; documentaries €2.99-€3.99; reality 1.99-€2.99; children's €0.99; news bulletins and some sport, free. Retail: drama €8.99; drama €3/episode; €9.99-€12.99/film; documentaries €3.99-€8.99; reality €1.99-€5.99 |
| M6 video | M6 | www.m6video.fr | series episodes downloads | PPV | €1.99/episode; €0.99/animation episode |
| Pass Canal J ¹ | Club Internet | adsl.club-Internet.fr/television/club_video.phtml | unlimited access to on-demand programmes | subscription | €4.99/month |
| TF1.fr | TF1 | videos.tf1.fr/video/?trk=1&e=199 | video section of TF1 website: news, video clips, reality TV series | advertising, subscription | €15/series (<i>Star Academy</i>) |
| TF1 Vision | TF1 | www.tf1vision.com/tf1vision/home/?p=2 | film and TV VoD | PPV, download-to-own | Rental: €1.99-€2.99. Retail: €4.99-12.99 |
| Germany | | | | | |
| Arcor VOD | Arcor | www.arcor.de/vod/vod_1_0.jsp | films, TV programmes from BBC, National Geographic, Spiegel TV, History Channel | PPV | €1.49-€3.99/film; €1.99/programme |
| Clipfish | RTL | www.clipfish.de/ | user-generated video clips | free | |
| Discovery Broadband | Discovery Comms | www.discoverybroadband.de | documentary programmes | subscription, PPV | €1-€2/programme, €5/month, €50/year |
| Das Erste interaktiv | ARD | www.daserste.de/interaktiv/videos.asp | news bulletins, Harald Schmidt chat show | free | |
| Maxdome | ProSiebenSat 1 | www.maxdome.de/ | films, TV programmes (drama, comedy, children's and sport) | subscription, PPV | €2.49/programme, €2.49-€2.99/film; €4.99-€9.99/month TV series package, €9.99/month film package |
| RTL.de | RTL | www.rtl.de/videohome.php | video clips | free | |
| RTL Now! | RTL | rtl-now.rtl.de | streamed episodes of RTL and US series (CS) | subscription, PPV | CS: €1.99/episode; €19.99/season; GZSZ: €1.99/episode, €7.99/month, €79.99/year |
| ¹ also Pass Cartoon Network on-demand/Pass Zooloo Kids/Pass Jetix | | | | | |

| Broadcasters' online services (cont.) | | | | | |
|--|--------------------|---|--|---|--|
| Service | Broadcaster | Address | Content | Business model prices (where relevant) | |
| Germany (cont.) | | | | | |
| Spiegel TV | Der Spiegel | www.spiegel.de/videos/ | documentaries, news features | free | |
| T-Online video | Deutsche Telecom | vod.t-online.de | mostly feature films; some TV (animation, documentaries, talk shows) | PPV, DTO (some films) | €1.49-€3.99/film; €0.99-€2.99/documentary; €0.99 children's; €0.99/episode Tv series |
| ZDF Mediathek | ZDF | www.zdf.de/ZDFmediathek | news bulletins and features | free | |
| Italy | | | | | |
| Rai | Rai | www.raiclickTV.it Also on Fastweb IPTV | Rai Click Web (Rai programmes on demand, available worldwide) | advertising | |
| Rosso Alice films, | Telecom Italia | hp.rossoalice.alice.it | films, <i>Grande Fratello (Big Brother)</i> , live league football | subscription PPV | football: €2-2.50/match, €5/three matches; €1.99/film; Grande Fratello 6 €5/series |
| TG.com | Mediaset | www.tgcom.mediaset.it/video/archiviovideo.shtml | <i>TeleGiornale</i> news bulletins, plus weather and financial news | advertising | |
| Netherlands | | | | | |
| NOS Journaal | NOS | www.nos.nl/nosjournaal/voorpagina/ | news channel streamed live in Mediatheek | free | |
| RTL Video | RTL Nederland | www.rtl.nl/films/rtlvideo/home/ | TV series (drama, comedy, documentary) and films | PPV | €1.99/TV series, €2.99/film |
| Nordic region | | | | | |
| Allsvenskan Live | C More | webTV.canalplus.se/ | live Swedish football championship matches | PPV | Skr99 (€11) per match |
| Elitserien | C More | LivewebTV.canalplus.se/ | live ice hockey | PPV | Skr79 (€9) per match |
| SF Anytime | SF | www.sf-anytime.com | VoD movies and TV | PPV | |
| Nordic and Baltic regions | | | | | |
| Viasat Web-TV | MTG | viastream.player.mtgnewmedia.se | Viastream:video section of MTG websites linked to TV stations in Nordics and Baltics | Free some PPV. Payment by SMS | Skr10 (€1) for downloads of single episodes of TV3 Sweden programmes: <i>Floor Filler</i> , <i>Efterlyst</i> , <i>Insider</i> and <i>Studio Virtanen</i> . |
| Norway | | | | | |
| Nett-TV | NRK | www.nrk.no/kanal/nrk_netTV/ | NRK news, sports, other NRK shows, user-generated content | free | |
| 2Play | TV2 | www.2play.no/ | video clips | free | |
| TV Norge TV | TV Norge | www.TVnorge.no/TVnorgeinfo | TV programmes, mainly entertainment | subscription, PPV | reality/entertainment shows sold per series basis ranging from €6 (<i>Everest 2005</i>) to €30 (<i>Big Brother</i>); <i>Big Brother</i> €10/week |

| Broadcasters' online services (cont.) | | | | | |
|---------------------------------------|-------------|--|--|--|---|
| Service | Broadcaster | Address | Content | Business model prices (where relevant) | |
| Norway (cont.) | | | | | |
| TV2 | TV2 | webTV.TV2.no | Web TV Plus | subscription, PPV | Nkr30 (€4)/week, Nkr60 (€8)/month, Nkr590 (€73)/year; Nkr99 (€12) league soccer match, same per week |
| Spain | | | | | |
| Antena 3 | Antena 3 TV | www.antena3.com | video clips of shows on A3TV site (including <i>The Simpsons</i>) | advertising | |
| Antena 3 noticias 24 | Antena 3 TV | www.antena3.com/visorCanal24/ | streaming news channel | subscription | €1.20/day, €6/month |
| Tuclip | Antena 3 TV | www.tuclip.com/tuclip/ | Video clips | free | |
| ETB Sat | ETB | www.eitb.com/ | live stream of channel in Windows Media Player (Basque region) | advertising | |
| TeleCinco | TeleCinco | www.telecinco.es | <i>Gran Hermano (Big Brother)</i> | subscription | <i>Gran Hermano 7</i> : €1.2/month, €10 whole series except final |
| TV Galicia | TVG | Galiciawww.crTVg.es/TVG/Videos.asp | streaming video and on-demand features (Galicia region) | free | |
| TVE | RTVE | www.rTve.es/TVe/directo/ | news channel (Canal 24 Horas) streamed live on website | free | |
| TV3 a la carta | CCRTV | www.TV3.cat/pTVcatalunya/TVcServei.jsp?seccio=TVcat&servei=multimedies | live streams and on-demand programmes from TV Catalunya channels news and clips free | subscription, PPV | €7/month; €18/3 months; €64/year |
| TVVI (Valencia) | TVVI | www.canalgv.com | live streaming of channel (local news and magazines) | advertising | |
| Sweden | | | | | |
| Kanal 5 webbcast | Kanal 5 | mpsmppgw01.mpsnordic.se | on-demand episodes | subscription payment by SMS | Skr9 (€1)/single programme unlimited viewing for 14 days, Skr50 (€5) all programmes for 30 days; Big Brother: Skr249 (€27)/whole season, Skr99 (€11)/month; |
| SVT mediespelare | SVT | svt.se/svt/jsp/Crosslink.jsp?d=1974&id=start&from=menu | SVT news bulletins and features | free | |
| SVT Öppet Archiv | SVT | svt.se/svt/jsp/Crosslink.jsp?d=29679 | Open Archive clips (c 1,000 clips going back to 1896) | free | |
| TV4 Web TV | TV4 | www.TV4.se | live streaming of channel | subscription | Skr30 (€3)/week, Skr149 (€15)/6 months; Skr200 (€20)/year |

| Broadcasters' online services (cont.) | | | | | |
|---------------------------------------|--------------------------|---|---|--|---|
| Service | Broadcaster | Address | Content | Business model prices (where relevant) | |
| UK | | | | | |
| BBC iPlayer ² | BBC | : | news, sports, entertainment | free | |
| BBC News | BBC | news.bbc.co.uk/1/hi/video_and_audio/default.stm | news bulletins, live and on-demand | free | |
| Discovery Broadband | Discovery communications | www.discoverybroadband.co.uk | documentary programmes | subscription, PPV | £0.75 (€1.10)-£1.50 (€2.20)/programme, £3.50 (€5.15)/month, £35 (€51.45)/year |
| Five download | Five | download.five.TV/ | on-demand episodes | PPV | CSI, Grey's Anatomy £2.49 (€3.65) one week before TX, £0.99-£1.99 (€1.45-€2.90) after TX. Season: £29.99-£39.99 (€43.90-€58.55) |
| 4 On Demand | Channel Four | www.channel4.com/4od/ | news, on-demand episodes of entertainment and reality shows | advertising, PPV, DTO | £0.99 (€1.45)/episode; films £1.99 (€3.45); some episodes now free |
| Four Docs | Channel Four | www.channel4.com/fourdocs/ | short documentary films | free | |
| ITN | ITN | itn.co.uk | video news and features | free | |
| ITV Local | ITV plc | www.itvlocal.com | regional news and features | advertising | |
| ITV Champions League | ITV plc | www.championsleague.itv.com | live and deferred matches, highlights | PPV, subscription | 36-hour pass £1.99 (€2.90); annual subscription £19.99 (€29.95) |
| MTV Overdrive | MTV Networks overdrive | www.mtv.co.uk/channel/ | Programme clips, user-generated content | advertising | |
| Sky Anytime on PC | BSkyB | anytime.sky.com/ | on-demand films, episodes from TV series | PPV, DTO | £3.95 (€5.80)/film, £1.50 (€2.20)/episode, £2.50 (€3.65)/Lost episode download-to-own |
| Sky Anytime On PC (film) | BSkyB | anytime.sky.com/ | films (300 titles/month) | subscription; free with Sky Movies | £5 (€7.30)/month to non-subscribers, clips free on registration |
| Sky Anytime On PC (sport) | BSkyB | anytime.sky.com/ | sports clips | subscription; free with Sky Sports | £5 (€7.30)/month to non-subscribers, clips free on registration |

² commercial version to include PPV content

Source: EBU based on ScreenDigest, May 2007

SOCIAL NETWORKING AND ONLINE VIDEO SHARING

Consumers are increasingly contributing to online video and social networking sites and a new study by IBM shows that 9% of the German and 7% of the US respondents claim to have contributed to a user-generated content site. 26% of the US respondents had contributed to a social networking site. The main drivers behind the contribution of personal content seem to be recognition and community⁷⁴.

Online communities and social networking

Social networking sites⁷⁵ have grown in importance over the years and new sites keep popping up. In Aug'07 more than half of European Internet users - 56.4% - visited a social networking site at least once and, although the monthly reach is higher among the youngest Internet users, the popularity of this site category is increasing across all ages.

The increasing popularity of online communities and the interest in creating links and sharing ideas across borders using tools like instant messaging, photos and personal blogs have created a mass market for social networking sites. Today over half of European citizens - an average 117.7 million unique monthly visitors - go to sites with the objective of creating online networks.

Even though there are many sites to choose from in this category the top three sites in Europe - Blogger, Windows Live spaces and MySpace - currently have a hold of the market with more than 25 million unique visitors in Aug'07.

Most visited social networking sites in Europe

| Top 50 social networking sites August 2007 Total audience: Age 15+ | | | | | | |
|--|------------------------------------|-----------------------------------|------------|------|---|-----------------|
| Rank | | Total Unique Visitors (000) | % Reach | Rank | Total Unique Visitors (000) | % Reach |
| | Total Internet : Total Audience | 225,588 | 100.0 | | Total Audience: Social Networking sites | 127,297 56.4 |
| 1 | Blogger | 39,350 | 17.4 | 26 | Badoo.com | 3,123 1.4 |
| 2 | Windows Live Spaces | 37,828 | 16.8 | 27 | Yahoo! Groups | 3,081 1.4 |
| 3 | MySpace.com | 25,109 | 11.1 | 28 | AOL Hometown | 3,048 1.4 |
| 4 | Wordpress.com | 16,839 | 7.5 | 29 | Buzznet | 3,033 1.3 |
| 5 | Yahoo! Geocities | 16,458 | 7.3 | 30 | Mojageneracja.pl | 2,933 1.3 |
| 6 | Skyrock Network | 14,288 | 6.3 | 31 | Digg.com | 2,511 1.1 |
| 7 | Six Apart Sites | 13,367 | 5.9 | 32 | Splinder.com | 2,359 1.0 |
| 8 | Facebook.com | 13,225 | 5.9 | 33 | Sevenload.com | 2,225 1.0 |
| 9 | Bebo.com | 12,242 | 5.4 | 34 | Stayfriends.de | 2,101 0.9 |
| 10 | HI5.com | 10,693 | 4.7 | 35 | Lide.cz | 2,045 0.9 |

Table continues on the following page.

⁷⁴ www.IBM.com

⁷⁵ ComScore def.: Social Networking provides a virtual community within Internet web sites and applications to help connect people interested in a subject. Social networking sites offer a way for members to communicate by voice, chat, instant message, videoconference and blogs. These groups of people use a variety of tools such as e-mail, messaging, photo sharing, etc. to connect.

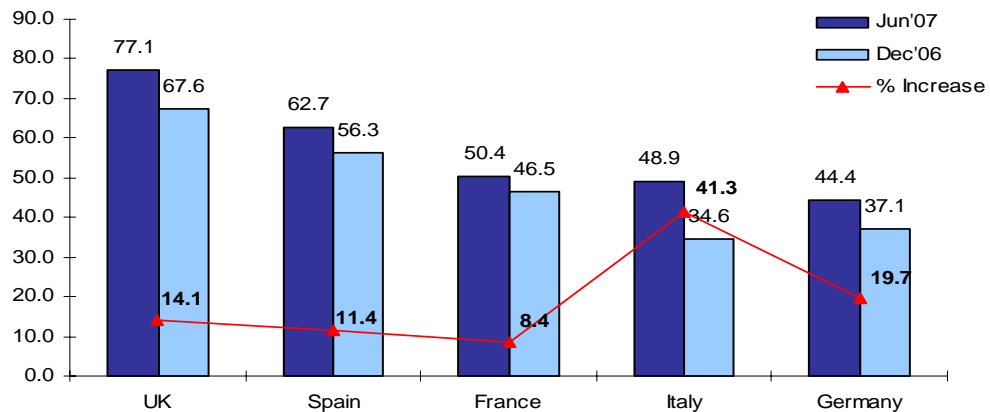
Most visited social networking sites in Europe (cont.)

| Top 50 social networking sites August 2007 Total audience: Age 15+ | | | | | | | |
|--|---------------|-----------------------------------|------------|------|-----------------------|-----------------------------------|------------|
| Rank | | Total Unique Visitors (000) | % Reach | Rank | | Total Unique Visitors (000) | % Reach |
| 11 | Lycos Tripod | 9,195 | 4.1 | 36 | Faceparty.com | 1,826 | 0.8 |
| 12 | Flickr.com | 9,023 | 4.0 | 37 | Delicious.com | 1,675 | 0.7 |
| 13 | Netlog.com | 8,250 | 3.7 | 38 | Odnoklassniki.ru | 1,668 | 0.7 |
| 14 | Dada.net | 7,888 | 3.5 | 39 | Vkontakte.ru | 1,668 | 0.7 |
| 15 | Piczo.com | 7,748 | 3.4 | 40 | Imeem.com | 1,657 | 0.7 |
| 16 | Freewebs.com | 6,839 | 3.0 | 41 | Spoluzaci.cz | 1,545 | 0.7 |
| 17 | Perfspot.com | 5,956 | 2.6 | 42 | LinkedIn.com | 1,508 | 0.7 |
| 18 | MSN Groups | 5,521 | 2.4 | 43 | AOL Member Directory | 1,430 | 0.6 |
| 19 | Jux.de | 4,812 | 2.1 | 44 | LunarWorks | 1,422 | 0.6 |
| 20 | StudiVZ Sites | 4,654 | 2.1 | 45 | AOL People Connection | 1,387 | 0.6 |
| 21 | Hyves | 4,398 | 1.9 | 46 | Technorati.com | 1,315 | 0.6 |
| 22 | Fotolog.com | 4,115 | 1.8 | 47 | Theclub.it | 1,296 | 0.6 |
| 23 | Angelfire.com | 3,948 | 1.8 | 48 | Tagged.com | 1,289 | 0.6 |
| 24 | Webshots.com | 3,560 | 1.6 | 49 | Zedge.net | 1,280 | 0.6 |
| 25 | Happygroup | 3,335 | 1.5 | 50 | IRC-galleria.net | 1,278 | 0.6 |

Source: EBU based on comScore

Looking at the five largest European markets, the United Kingdom has the highest monthly reach with 77.1%, followed by Spain at 62.7% and France at 50.4%. Italy and Germany on the other hand have lower reach but are showing the highest increase. Social networking sites in Italy have grown by more than 40% in the past six months.

Development of Social networking sites - Large European markets



Source: EBU based on comScore

The youngest Internet users, 15-24 year olds, are visiting social networking sites the most: 64.3% visited these kinds of sites at least once in May'07. The gap vs. the other four age groups is significant; however, people between 35-44 years show the highest increase (23%) in the past six months.

Social networking sites - Category development in different age groups

| Social networking category | | | |
|----------------------------|---------|--------|------------|
| Europe | | | |
| Age | % Reach | | % Increase |
| | Nov'06 | May'07 | |
| 15-24 yrs | 55.4 | 64.3 | 16.2 |
| 25-34 yrs | 42.7 | 50.7 | 18.6 |
| 35-44 yrs | 42.2 | 52.0 | 23.0 |
| 45-54 yrs | 42.4 | 51.8 | 22.0 |
| 55+ yrs | 44.8 | 50.7 | 13.1 |

Source: EBU based on comScore

The monthly reach of social networking sites among young people in the United Kingdom is significant as more than 90% of the country's Internet population visit these sites at least once a month, an average measured over the past eight months. In June this year a record reach of 94.8% was registered for this category.

In Italy and Spain the average monthly reach for social networking sites among this particular age group was about 72%. In Germany young people are not yet as active users of the social networking sites but, together with the UK, they show the highest increase: 11.6%.

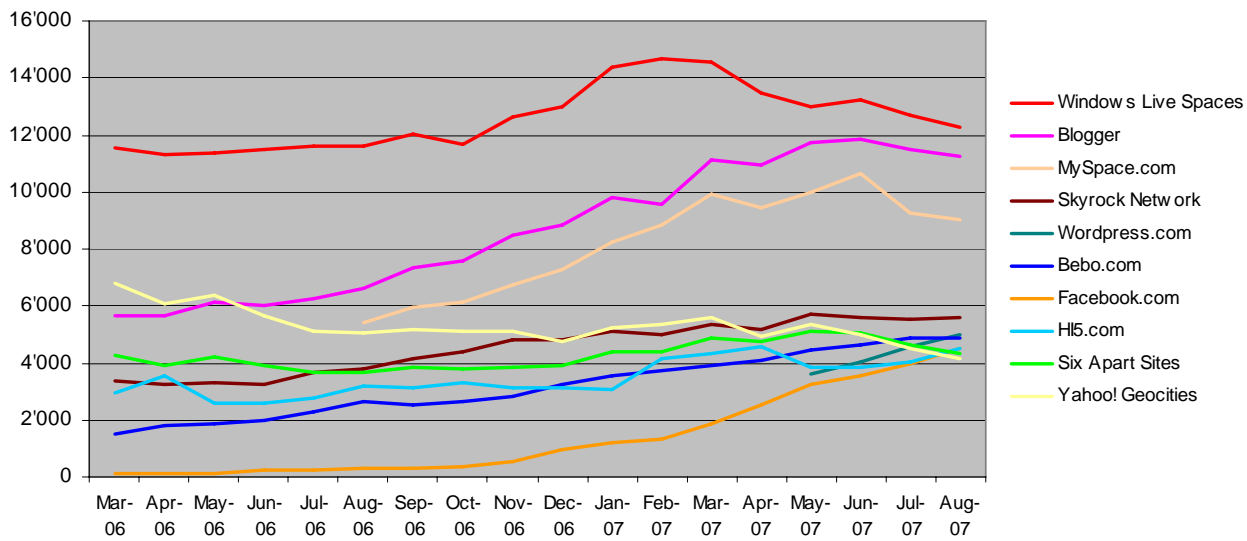
Social networking category development among young Internet users - Large European markets

| Social networking category | | | | | | | | | | |
|----------------------------|---------|--------|--------|--------|--------|--------|--------|--------|---------------------------|------------------|
| Audience: Age 15-24 years | | | | | | | | | | |
| Country | % Reach | | | | | | | | Average monthly reach (%) | Increase p6m (%) |
| | Nov'06 | Dec'06 | Jan'07 | Feb'07 | Mar'07 | Apr'07 | May'07 | Jun'07 | | |
| UK | 83.9 | 85.7 | 89.6 | 90.8 | 93.0 | 92.3 | 94.2 | 94.8 | 90.5 | 10.6 |
| Italy | 66.7 | 68.0 | 72.6 | 75.0 | 72.5 | 76.9 | 73.8 | 72.2 | 72.2 | 6.1 |
| Spain | 69.4 | 70.8 | 72.4 | 72.5 | 74.4 | 75.1 | 76.2 | 71.9 | 72.9 | 1.6 |
| France | 64.6 | 63.6 | 65.2 | 64.1 | 65.7 | 65.2 | 67.1 | 66.4 | 65.2 | 4.4 |
| Germany | 50.8 | 48.6 | 52.0 | 51.2 | 54.5 | 52.1 | 52.5 | 54.2 | 52.0 | 11.6 |

Source: EBU based on comScore

Looking at Internet trends for the twenty most popular social networking sites in Europe among users aged 15-24 years - the heaviest users of these kinds of sites - the majority of the sites show an increasing curve. The two sites with the highest increase are Blogger and MySpace, which both gained about 3 million unique visitors per month over the past six months. The most popular site, Windows Live spaces, seems to have stagnated and actually lost visitors in the past two months.

10 most visited social networking sites in Europe - Audience: 15-24 years



Source: EBU based on comScore

Other sites that show a significant increase are Tagged, Facebook and Dada. The latter have a positive curve with about 200,000 visitors in Jun'06, increasing to over 3 million 12 months later. Dada probably launched a marketing or similar campaign in August 2006 as the monthly visitors more than tripled in one month.

The site Lycos Tripod has not been able to stand up to the strong competition and recorded a 40% decrease in fifteen months. The Microsoft-owned MSN Groups also lost visitors, with more than 20% decrease since March last year.

Video sharing sites

The Internet has become an important distribution channel for media consumption and, in line with the theme of social networking, the launch of YouTube in February 2005 was the beginning of a new media trend: user-generated video content distribution online. Today main video sharing sites attract millions of users and the most popular site in this category, YouTube, registered an average of over 55 million unique monthly visitors.

Some of the main video sharing sites provide user-generated content only, while others offer both user produced videos and content coming from well established media companies. With the success of online video sharing community sites like Metacafe, YouTube and Dailymotion have become market leaders of online video broadcasting.

Metacafe is attracting users by encouraging people to create and submit their own produced videos with the possibility to get wide exposure, receive acclaim and also to earn money.

As shown by the table below, there is a significant audience gap between the top video sharing site, YouTube, and the remaining sites, which indicates the market advantage for this Internet channel. Out of the thirty sites listed below, some are rapidly increasing

(Veoh +336%, GoFish +291% and Dailymotion +107%) while others are showing significant losses (Sevenload -77%, Break -42% and Bolt -41%).

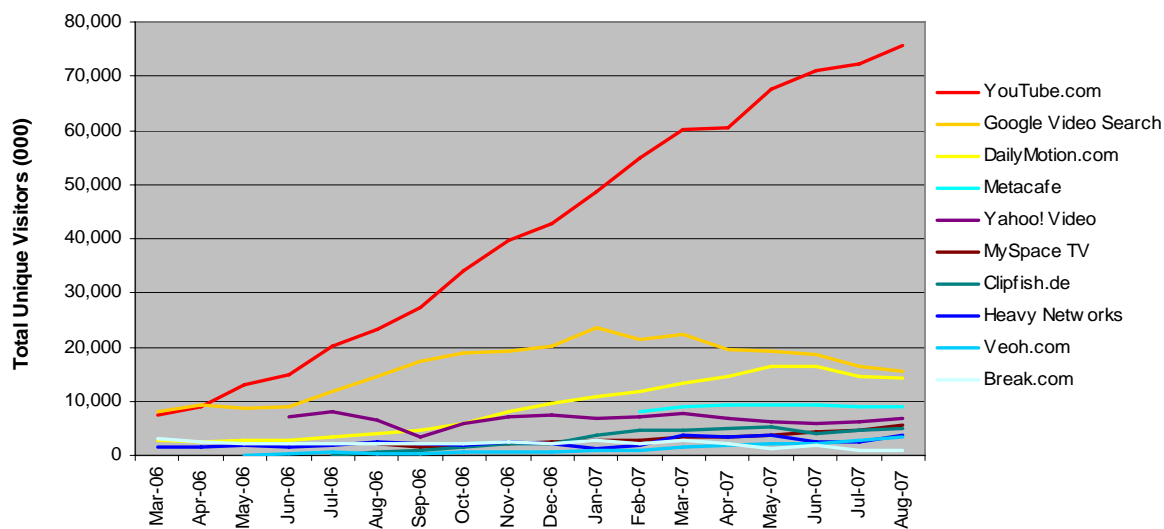
Most visited video sharing sites in Europe (May'07)

| Video sharing sites May 2007 Europe | | | | |
|---|---------------------|-----------------------------|---------------------------------|----------------|
| Rank | Video sharing sites | Total Unique Visitors (000) | Average Unique Monthly Visitors | % Increase p6m |
| 1 | YouTube.com | 67,707 | 55,806 | 58.1 |
| 2 | Google Video Search | 19,210 | 16,221 | -5.1 |
| 3 | Dailymotion.com | 16,349 | 7,552 | 68.2 |
| 4 | Metacafe** | 9,425 | 8,930 | na |
| 5 | Yahoo! Video | 6,138 | 5,313 | -17.1 |
| 6 | Clipfish.de | 5,284 | 2,042 | 133.5 |
| 7 | Heavy Networks | 3,775 | 2,259 | 79.4 |
| 8 | MySpace Videos | 3,738 | 2,614 | 55.5 |
| 9 | Voeh.com | 2,177 | 722 | 262.7 |
| 10 | Putfile.com** | 1,623 | 1,763 | na |
| 11 | Kewego** | 1,610 | 1,191 | na |
| 12 | Break.com | 1,363 | 2,305 | -39.7 |
| 13 | GoFish.com | 1,290 | 520 | 36.3 |
| 14 | Ifilm.com | 1,165 | 1,394 | -26.5 |
| 15 | Grouper.com | 518 | 590 | -24.0 |
| 16 | Yikers.com | 447 | 405 | -4.1 |
| 17 | Bolt.com | 427 | 1,509 | -76.8 |
| 18 | Videoegg.com | 329 | 553 | -52.8 |
| 19 | Revver.com | 320 | 144 | 85.5 |
| 20 | Blip.TV* | 167 | 99 | 8.8 |
| 21 | Vsocial.com | 166 | 159 | -17.6 |
| 22 | Sevenload.de | 162 | 366 | -76.2 |
| 23 | Vimeo.com | 132 | 164 | 4.7 |
| 24 | Jumpcut.com | 103 | 45 | 224.5 |
| 25 | Motonbox.com | 53 | 30 | 9.1 |
| 26 | OorMedia.org | 51 | 61 | -18.2 |
| 27 | Sharkle.com | 26 | 21 | -46.6 |
| 28 | OpenVlog.com | 11 | 16 | 713.6 |
| 29 | Panjea.com | 0 | 13 | -98.4 |

* Indicates that the entity has assigned traffic to certain pages in the domain to other entities
 ** Data not provided for past six months

Source: EBU based on comScore

Internet traffic to main video sharing sites (Europe)



Source: EBU based on comScore

1. The YouTube phenomenon

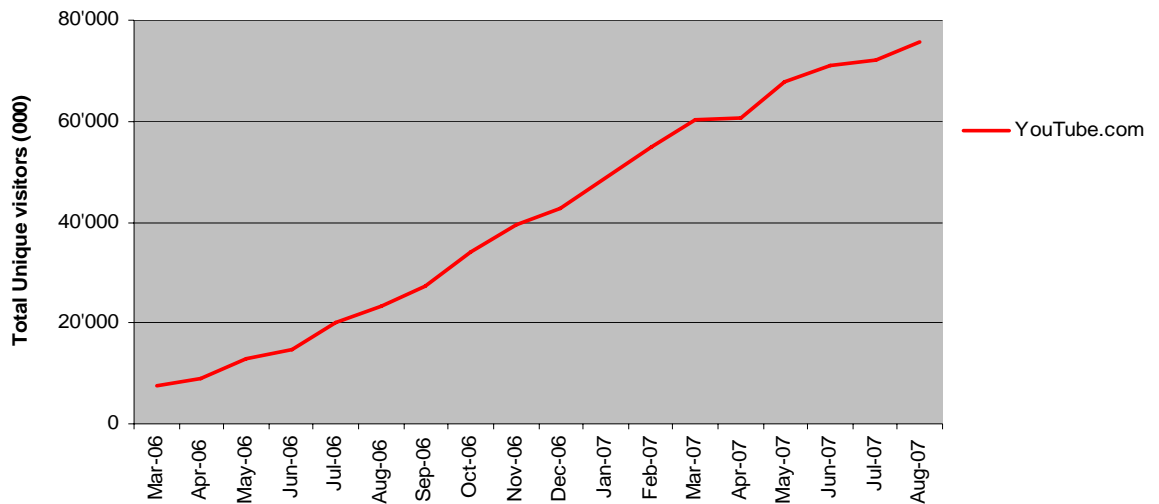
The YouTube "broadcast yourself" set-up makes it easy for users to consume and contribute with personalised video content on the Internet. The growing popularity of YouTube and similar sites is a fact and in May'07 YouTube alone had an audience of over 67 million unique visitors across Europe and 179 million worldwide. The site has had a steady growing audience curve and an increase of more than 400% in one year.

YouTube Internet evolution

| YouTube.com Total audience: Age 15+ | | | | | | |
|--|-----------------------------|---------|-----------|--------|-----------------------------|-------|
| YouTube.com | Total Unique Visitors (000) | | Reach (%) | | Increase past 12 months (%) | |
| | Aug'06 | Aug'07 | Aug'06 | Aug'07 | UV | Reach |
| Europe | 23,260 | 75,548 | 10.8 | 33.5 | 225 | 210 |
| Worldwide | 72,080 | 205,593 | 10.0 | 26.0 | 185 | 160 |

Source: EBU based on comScore

YouTube.com development curve



Source: EBU based on comScore

As YouTube is growing in popularity there are hints of copyright lawsuit threats from media giants like Viacom and Universal (which later agreed to let YouTube post its library of music videos) as well as music publishing companies. Early this year Viacom had negotiations with YouTube demanding that the latter remove all their clips from the website.

2. YouTube collaboration with EBU Members

While some content providers reject YouTube, others see it as a way of reaching new audiences and choose to cooperate with this new platform for distribution of video programming. Most of these companies are commercial like MTV, Sony BMG and CBS Corp. but public broadcasters like the BBC, Swedish SVT, Norwegian NRK etc. have also made similar deals with YouTube.

EBU Members have during the past year chosen to partner with YouTube to set up their own branded channels on their website. The reasons are mainly; branding, drive traffic to own websites, gain new user and reach a wider audience with their content.

Below some examples of partnerships between EBU Members and YouTube are described:

3FM radio channel, The Netherlands

3FM is a Dutch PS radio station offering pop/rock related content. Their target audience is between 15-35 years reaching over 2 million listeners and 130,000 website visitors each week. As their target group is active on YouTube and see this site as cool 3FM saw it as a suitable Internet channel for viral marketing. They decided to produce videos as an extension of their brand and to become more than just audio.

The 3FM branded YouTube channel was launched in April 2007 using a web design very similar to the one used for 3fm.nl. From the start ten play lists filled with Internet-only video content were made available to users containing on-demand content. The site has a direct link to 3fm.nl.

So far the initiative has been successful and this new 3FM channel has attracted:

- Almost 500 subscribers
- More than 70,000 channel views
- More than 600,000 video views
- 1,500 weekly website visitors

It seems also that this has been a successful marketing initiative as it has resulted in increasing web traffic to 3fm.nl, which was one of the main objectives.

- 58% of the visitors click to 3fm.nl
- 22% of the new visitors also go to 3fm.nl

In addition to this channel the Dutch Broadcasting Organization has also a second YouTube channel called UitzendingGemist.nl set up to Internet users. This channel offers Internet on TV with a preview archive of on-demand TV-shows.

France4 TV channel, France

France4 is a quite new channel and was launched two years ago, in 2005. The channel is available only through digital distribution and as the channel does not have a lot of programmes as well-known to the audience as other programmes in the FTV⁷⁶ group. The channel's target audience is rather young, between 15-34 years.

⁷⁶ France Television

One reason why France4 decided to partner with YouTube is that many of its programmes were pirated (20% of all programmes pirated from FTV group) and wanted to get better control of the distributed content. FTV also saw it as a good way to market the channel, gain higher awareness among viewers and increase the traffic to the france4.fr website, a website with low ratings. France4 was the only channel in the FTV group to go for this partnership and the channel on YouTube was launched in June together with the launch of the French version of YouTube.

This new distribution channel has resulted in good reviews in a number of newspaper articles and positive reactions from YouTube visitors concerning the channel design. This has been a good initiative for raising brand awareness of France4 and its programmes and it has attracted significant traffic to their channel:

- More than 100,000 YouTube/France4 channel visitors
- Some videos being viewed more than 50,000 times

France4 will, after this successful initiative, continue to broaden its content distribution of news videos through other online video platforms in the future. The FTV group has also decided to extend their YouTube partnership by launching a second channel, France5.

Another French EBU Member that has chosen to co-operate with YouTube is the popular radio station Europe 1. This is an attempt for the station to increase the interaction with users inviting them to comment on clips, post their opinions and add their own video responses.

RTP, Public TV and Radio broadcaster, Portugal

The public television broadcaster in Portugal, RTP, decided to launch a YouTube channel as a way to reach a global audience.

The strategic targets behind this new YouTube/RTP channel launch were:

- Reaching new markets and audiences (e.g. other Portuguese speaking countries like Brazil)
- Branding and increasing the brand loyalty as well as RTP TV-shows loyalty
- Cross promoting
- Increasing the web traffic to Rtp.pt website

The channel offers a wide mix of content; both new and old videos, in short as well as longer formats. Most of the content is part of RTP TV shows, while there are also some videos especially made for YouTube. Users are allowed to embed most of the content from this channel into their own sites and allowed for direct interactivity with users being able to comment on videos etc. (comments always must have RTP approval). However,

though RTP rarely answers these comments they always respond to questions, problems or similar from users.

RTP has learned that, sometimes, for many users, the quality of a video perceived is based more on the number of views and not so much on the voting that the users give to the videos. This is also justified for many videos since they get few votes – because users rarely vote, and users tend to watch the videos embedded on RTP site, which do not allow voting.

RTP has also faced some problems with the YouTube partnership: the impossibility to define multiple-users & access levels; advertising slots so far are available only in a Beta version and in English; and also that no sub-channels can be created. However, some of the positive outcomes of this initiative are:

- Web traffic to Rtp.pt increasing from 5% to 8%
- Increasing satisfaction from RTP TV-shows website users, due to embedded YouTube videos
- Strengthening of the RTP brand when it comes to freshness, innovation, technology and proximity
- Satisfaction within the own team

This new distribution channel has, however, resulted in increasing work load when it comes to recording, editing, tagging of video content etc. and so far no direct revenue is generated.

RTP is looking into other solutions and new partnerships to increase its content distribution further and to gain new audiences.

TSR, Public TV broadcaster, Switzerland

TSR was in the beginning not convinced to partner with YouTube as it already had a special website set up for online video broadcasting called "tsrvideo.ch". This site is well-known and well visited among the TSR audience and the technical infrastructure, running on a 5-year contract, allows it to broadcast four hours of new video content each day. So, for that reason, there was no actual technical or marketing need for a new distribution channel on YouTube.

TSR decided, however, to make a trial with YouTube to try and deliver digital content through a new platform and the new channel was launched in July 2007. The goal was to gain new audience and create higher awareness for tsrvideo.ch. TSR wanted to attract the online audience with their content rather than with their brand and they decided to distribute 5-10 short and channel exclusive videos per week.

TSR also widened their content distribution by opening a second YouTube channel called Nouvo at the same time. This channel offers all video content from Nouvo TV shows and

is focused on new technologies targeting a rather young audience. The YouTube/Nouvo channel, that contains less content than the general YouTube/TSR channel, has attracted more subscribers, more views and more video comments.

Results from the trials are positive showing that:

- After 5-10 days, the audience on YouTube is still growing while it is stagnating on the TSR video portal. A video that is five days old is very little viewed on tsrvideo.ch while on YouTube users still find and watch them with the help of keywords, blogging etc.
- Most popular videos reach 20,000 channel views, which is more than any video on tsrvideo.ch

TSR believes that some of the success drivers behind the YouTube initiative are:

- Social tools facilitating user interaction (commenting, blogging, voting)
- Efficiency of search engines
- "Keyword TV" - by assigning popular keywords to the videos they immediately become more popular

Additional time is allocated to this project, about 10-20 minutes per video, but TSR is looking for more efficient ways to upload videos than current CMS⁷⁷ structure (ftp upload, xml exchange of Meta data).

For the future TSR is looking into new distribution platforms and additional ways of content delivery like opening up of more thematic channels on YouTube and other platforms offering similar services (among them Kyte.TV, Joost, Dailymotion, etc.).

TV services online: programming, advertising and consumption

1. Increasing online availability of personal TV services

As people spend more and more time in front of their computer, public broadcasters as well as commercial media companies are launching new interactive services. Sites originally created for chatting, photo sharing and blogging are upgrading their sites to add video or personal TV services.

One example of this evolution is Facebook which made a deal with Vibe Solutions to integrate their Pyro.TV video channel service into their own. This allows users to create their own personalised Internet TV channels, featuring content from ABC and BBC, and to embed online video content from their favourite sources in their profile page. In

⁷⁷ Content Management System used for website structuring and publication.

addition to this, user-generated videos can also be added and included in the "schedules" that users can then share with one another⁷⁸.

"Social networking sites like Facebook now have the ability to offer more than just embedded video clips to their users. They can offer a complete personalised TV viewing experience that requires no download and is constantly refreshed." - Vibe Solutions CEO Ted Briscoe

This can probably be seen as an attempt to compete with YouTube and another social networking site that is doing the same is MySpace, owned by News Corp. MySpace users have been able to add video clips to their profile pages for two years but the owners have decided to rename and restructure the network's video-sharing service. The new service will be called MySpace TV and is to be set up as a separate web site. This site will include user-generated video material but the focus lies on clips that are more professional in nature. MySpace TV wants to show content like Minisodes or television shows and movies from NBC Universal and Fox, which is part of News Corp.

However, News Corp. and NBC Universal recently announced that the name of their joint venture online video service soft-launching in October will be Hulu. This is another attempt from the media giant to compete with the incredibly successful YouTube site and is described as "the largest Internet video sharing network ever assembled" by the originators⁷⁹.

As MySpace is challenging YouTube with its new video services, YouTube, on the other hand, is testing new, social networking features to be integrated into their pages, giving users the possibility to chat while they watch the same clip of their favourite videos⁸⁰.

Squidoo - SquidVids

"Make Your Own TV Channel"

October 19, 2007

"Squidoo has added another section to its growing list of co-branded services. SquidVids lets you create your own channel of sorts, aggregating videos that are important to you. These are called lenses. The service is generally similar to Me.TV, but incorporates more of the overall Squidoo service

When you sign up, you can choose a topic for your SquidVids, and select the category for the best fit. From there, you can fill out your profile, and add some videos you'd like to share. All videos come from YouTube, and you can enter the URL for the YouTube videos you'd like to share, or search from SquidVids for additional YouTube videos. If you'd like the YouTube player to be embed in your lens page, you're limited to just 5 clips.

⁷⁸ C21 Media, 29 August 2007

⁷⁹ C21 Media

⁸⁰ NY Times website, 27 June 2007

Additional options allow you to accept submissions from other users, the ability to share content, and more. Now, all of these clips can be voted up or down, and there is of course a section to see the most popular clips as voted by the community. These lenses are tied into your Squidoo account and Squidoo's service overall. Additional modules on your lens page pull in related Amazon and eBay content, among other things, and you can add more modules to increase the variety and amount of content on your page. As this is tied in with Squidoo, the revenue-sharing model is applied as well. In other Squidoo news, it's recently launched another vertical for eBay

As sites like Facebook, MySpace and YouTube offer video content for free, companies like Apple are providing Internet users with professional, payable video-on-demand services. The service from Apple offers programming content from ABC, Disney and MTV to UK users through their iTunes online store. To try to boost this service they also launched the upgraded wide-screen version of their iPod. This new video-on-demand service was already introduced in the US two years ago. 20 million TV programmes and 1.3 million films have been sold through the iTunes TV distribution platform in the US, with Disney being the first service content partner⁸¹. With this move Apple goes into competition with a number of online video services like Amazon, but further entries into this market are to be expected. BitTorrent, the Internet distribution group, plans to offer television programmes and films for free as streamed videos, which can be watched live but not stored, supported by advertising. Sony announced in July 2007 that they plan to launch their own iTunes version early next year⁸².

In September of 2007, NBC announced it would not renew its distribution deal with Apple's iTunes. The divorce has been acrimonious. In response to NBC's announcement that it would not be renewing their arrangement, Apple declared it would not fulfil its existing contract: "Since NBC would withdraw their shows in the middle of the television season, Apple has decided to not offer NBC TV shows for the upcoming television season beginning in September," the company announced. NBC insisted it would hold Apple to the terms in force.

⁸¹ C21 Media, 29 August 2007

⁸² Times Online, 29 August 2007

"Almost as shocking to Apple watchers as the news that NBC Universal is not renewing its iTunes contract is the news that the network's content, according to the New York Times, represents 30% to 40% of digital video downloads on Apple's site.

When did that happen?

NBC is hardly the Must See TV powerhouse it was in the days of Friends and Seinfeld. It routinely runs fourth in the Nielsen broadcast TV ratings, and on iTunes it has to compete with not just ABC, CBS and FOX, but with 63 other networks, including youth-oriented powerhouses like Comedy Central, MTV and Nickelodeon. Comedy Central alone offers the Daily Show with John Stewart, the Colbert Report, South Park and the Sarah Silverman Show, just to name their top sellers.

NBC's top sellers on iTunes, as many commentators have noted, are The Office (currently the No. 2 season download on the site, after Showtime's Weeds) and Heroes. But scroll down the page and you start to get a sense of how NBC could be racking up all those \$1.99 charges. The network has a strong bench. Number 3, 4 and 5 downloads are Scrubs, 30 Rock and Studio 60. Below them you'll find series like Friday Night Lights, My Name is Earl and the Law and Order franchises.

And unlike Comedy Central, which offers only the last dozen or so episodes of the Daily Show, NBC has gone for the Long Tail play, digging deep into its archives to repackage old Saturday Night Live episodes, Gen-X nostalgia like the A-Team, Xena and Saved by the Bell and Baby Boomer classics like Dragnet, Rod Sterling's Night Gallery and Alfred Hitchcock Presents. All told, it has put some 1,500 hours of programming on iTunes, all of which could disappear in December when the two-year contract with Apple runs its course.

Viewed with the benefit of hindsight, it's almost as if Jeff Zucker's NBC were using the iTunes Music Store as a proving ground to test the format and audience appetite before striking out on its own -- or rather with Rupert Murdoch's News Corp. -- on Hulu.com, scheduled to launch in October".

<http://blogs.business2.com/apple/itunes/index.html>

2. Web video's impact on conventional TV consumption

"Although VOD holds the promise of instituting fundamental changes in the multichannel business, the model has some hurdles yet to overcome. Key among them are resolving content rights issues, ensuring DRM that studios find acceptable, negotiating movie release windows, and presenting the enormous selection in a way that is palatable to both consumers and business partners alike."

- Ian Olgeirson, Kagan analyst

Video on-demand, pay per view films and special events, especially sports, seems a natural choice for Internet enterprise. However, the history of such services offered via cable and satellite suggest limitations. Initial revenues from cable and satellite video-on-demand services, which have proliferated over the last few years, have been disappointing in view of platform operators' projections; data now accumulated from these services suggest that the "cultural" aspect of transition from programmed television viewing to downloaded home cinema will proceed more gradually than initially predicted. Ovum research however predicts that global Video-on-demand revenues will reach almost \$13 billion by 2011, up from \$2.7 billion global total projected for 2007.

Websites with less dramatic histories than Joost and YouTube now offer streaming video and download services on the web for one time or subscription fees, among them GoFish and Netflix. With increase of VOD services via television, traditional video rentals are feeling a crunch. Netflix, which began life as a home delivery, (through the post), dvd rental service, is now offering its subscribers the "Watch Now" service providing near immediate access to 1000 popular Hollywood titles as part of the ordinary subscription fee which covers periodic home delivery of dvds. ZipityZap calls itself "Internet Television. Cafeteria Style."

The recent purchase of Movielink by Blockbuster for the under-the-expectations price of \$6.6 million, however, is further evidence of the adjusted expectations for Video-on-demand pay per view on the Internet as well as on digital TV platforms. Undoubtedly download speeds, unreliability and consumer preferences for the big- screen-and-sofa set up of traditional TV, not available in all homes with broadband, retard expansion of such services on the Internet, which may never live up to entrepreneur hopes. Competition from the truly vast libraries of free feature films available illegally on peer to peer networks may also be a factor, although studies suggest that most users in the US and Europe would prefer legal downloads for reasonable monthly fees and turn to illegal file sharing only because of ease and superior choice. The huge menu of product available legally and free with ads via Joost will undoubtedly also be able to satisfy many Internet users entertainment urges with neither the hassle nor the cost of pay per view.

Kurt Scherf, analyst for Parks Associates, comments: "Rumblings about Blockbuster's potential acquisition of Movielink had been around since March. Purchase price rumors

started at \$50 million, then sank to \$20 million. The actual sale was made for \$6.6 million in cash. For a service that was created from a reported \$100 million in investment, this is one clear sign that a pure movies-on-demand business over the Internet just isn't ready for prime time." The poor performance of Google Video Store is further proof. The Living Room equipped with Television did not become a Home Cinema, drastically transforming viewing habits as some had predicted, when PPV became available; the office is not going to become the Home Cinema because the same services are now available – less reliably, and often with greater lead time to viewing – to the desktop screen. Parks Associates late 2006 report confirmed predictions that while big media of all types plunge into digital distribution of some form, pay per view movies-on-demand and non-subscription pay services represent a less viable model than the tried and true sale of eyeballs to advertisers, the choice of major TV networks making prime time programming available slightly delayed on the Internet, such as ABC.com, CBS Innertube, NBC Rewind, and News Corp.'s social network giant MySpace.

As the music industry changed with the introduction of Apple Computer's iPod music players and iTunes music store, the same thing is happening to the video market. Content broadcast through cable and satellite providers is gradually finding its way to users through Internet distribution. Apart from social networking sites offering user-generated content uploads and viewing, a new distribution model is emerging for video offering consumers high quality content accessible through broadband connections. In terms of technology, new software has been developed and products that enable Internet video to be viewed on TV sets instead of only PC screens are evolving. In addition, management tools for content providers wishing to deliver directly to consumers via the Internet without using the traditional cable or satellite distribution models are also to come⁸³.

But as someone wise once said, something is no more valuable because it is new than it is valuable because it is near. Not everything the new distribution apparatus makes possible will be desirable or convenient to entertainment consumers' habits and predilections. Ventures like Joost are most likely to succeed precisely because their development is based on a careful study of what people are already doing with the new tools, as they engage in the not-so-new search for diversion in their leisure time, seeking out some new and a great deal of largely traditional activities. Major TV broadcasters' strategies have thus far benefited from seeking ways to expand their existing businesses through the new technology and environment than in seeking to transform their businesses to maximally exploit the technologies' capabilities.

CBS (US)

CBS Innertube launched in May 2006, offering original Internet programmes and CBS network shows. In June of 2007, CBS started streaming its daytime programming on the

⁸³ www.CNet.com, 30 May 2006

Internet. CBS Audience Network was announced in April through content deals with a host of online distributors including AOL, Microsoft, CNET Networks, Comcast, Joost, Bebo, Brightcove, NeTVibes, Sling Media and Veoh. All clips and full-length programmes are advertiser supported and free to the consumer. In May 2007, CBS announced phase II of the Audience Network which included partnering with leading community-building websites and social application providers to allow users to incorporate CBS-provided clips to their blogs, wikis, widgets and community pages. These new partners included Automattic, Clearspring, DAVE Networks, Goowy Media, meebo, MeeVee, Musestorm, Ning, RockYou!, Slide, VideoEgg, Voxant and vSocial. In June 2007 as well, CBS owned publisher Simon & Schuster teamed up with digital media company TurnHere, Inc to produce videos promoting Simon & Schuster product and authors on YouTube. CBS Paramount Television's website for its immensely valuable Star Trek shows is, according to CNET news, "the most visited content site among video podcast downloaders."

Channel 4 – 4oD (UK)

Channel 4 launched its VOD service, 4oD, in 2006 after securing a deal with Disney's TV distribution arm Buena Vista International Television to offer hit acquisitions 'Lost' and 'Desperate Housewives' to UK viewers. The two shows, which are among Channel 4's biggest audience draws, were available a cost of 99p for unlimited viewings during a 24-hour period. Restrictive DRM prevented the service from being available to Macs. Hundreds of hours of Channel 4 programming are now available for download, from the 4oD website as well as from partners Virgin Media TV, BT Vision and Tiscali TV.

BBC iPlayer (UK)

Development began on the BBC iPlayer in 2003 and the service launched in July 2007. The iPlayer allows British television license holders to download BBC programmes within a week of broadcast. Initially only available with Windows, a public pressure campaign – whose size indicates the extent of public awareness of and desire for Internet-delivered television - has resulted in speeding up a version compatible with Macs. A version for Windows Vista is also in the works. In general, the iPlayer is a great success, though there have been some criticisms regarding its manner of rights protection. The lifetime of downloads is controlled by a digital rights managements system (DRM) supplied by Microsoft. The Open Source Consortium (OSC), an advocacy group, suggested programmes should be made available without these digital locks. The BBC explained the necessity of protecting the rights of the programmes available, which it licenses and buys for broadcast. Versions for Freeview and cable viewers are also planned with Virgin Media expected to roll out the service later this year. Deals with other distributors such as MSN, AOL, telegraph.co.uk, Tiscali, Yahoo!, MySpace, Blinkx and Bebo are also in the pipeline, whilst a commercial iPlayer for global audiences could launch in 2008.

In Britain, the major competitors BSKYB and ITV both launched Internet VOD services in 2007.

ABC.com

Partnering to maximise the existing web-iness of the world wide web appears to be the most advantageous approach for premium content providers. ABC.com has been praised widely in the digital media community for the quality of its transmissions, but the company has not been satisfied with the performance of their approach. In September, *Adweek* reported that ABC was “in talks with several Web sites as it tries to create a broad digital distribution platform for its programming, becoming the latest network to signal a reversal in its online strategy. Like other networks, ABC initially took a go-it-alone stance, but is now looking to partner with Internet players they don't own or operate in an effort to maximize, and monetize, their programming online. The effort comes just four months after CBS completed a round of digital distribution deals with AOL, Microsoft (MSN) and CNET Networks, among others creating what the No. 1 network calls the CBS Interactive Audience Network. And Fox and NBC created a digital distribution venture called Hulu, also bringing in outside partners. Privately, network officials concede that their previous plans simply did not generate the online revenue they believe reflects the full value of their content, and the recent partnerships are intended to drive more viewers online, thereby generating more ad revenue. ABC is believed to be talking to AOL, Comcast, MSN, MySpace and Yahoo! about new distribution agreements, but network officials declined to identify any of the parties. Albert Cheng, EVP, digital media for Disney-ABC Television Group, would only say one deal will be announced this fall.

In May this year ABC announced that it would stream some of its prime time shows in HD online for free.

3. Expanding or chasing audience?

The question of whether the increased time spent on Internet and growing consumption of online audio and video content is a serious threat to conventional TV and Radio is being widely discussed. A fresh report from Nielsen, a global leader in Internet media and market research, claims that broadband video does not have an important or damaging impact on traditional television viewing. This research instead emphasises that online video consumption is largely incremental new viewing rather than a substitute for TV viewing. However, a contrasting survey from Kelton Research challenges this analysis, claiming that online video is rapidly replacing television as the preferred viewing medium⁸⁴. This survey also shows that 61% of the users feel overwhelmed by the number of online videos that exist and that they have difficulties finding the videos they are initially looking for.

⁸⁴ C21 Media, July 2007

Web enterprises devoted solely to helping users navigate the new territory and hunt down their preferred programmes – TV Guide on line, MeeVee (which announced the addition of new enhanced interactive social features in mid-October) and the like – are destined to become increasingly important. As noted above, the Programme Guide on Denmark's PSB website is one of its most popular features.

According to the Nielsen research performed in March 2007, 63% of US Internet broadband users, i.e. 81 million people, watch video online. This represents an increase of 16% in just six months. At the same time, home television ratings are minimally affected by this development. Online video viewing more frequently represented a net audience gain to total television viewing rather than replacing it, according to 33% of the respondents. This is one of the first studies to get a comprehensive picture of the relationship between broadband video consumption and traditional television behaviour⁸⁵.

Interesting findings from the Nielsen report shows that many lighter broadband video users claim to be open to more TV programmes via the Internet. They indicate that drivers for future consumption of video from this platform in the long-term could be:

- Better navigation interfaces
- Greater awareness of where to find the desired videos
- Increased online availability of more high-profile TV programmes⁸⁶.

The survey also carried out in the US by Kelton Research points in the same direction, saying the current online video content is badly structured. The lack of quality, organization and entertainment value threatens to prevent many people from participating actively in the online video evolution and users claim to feel frustrated and lost, not knowing how to find what they are looking for.

- 96% of the users claim not to be able to find the videos they are looking for
- 45% of the users claim only to view videos online on a recommendation of a friend or colleague.

This survey was ordered by WeShow, a company providing online video experiences to Internet users. WeShow launched a mini-application called onDesktop in August this year which helps users look at online video without even launching their web browser and it includes over 200 channels. The same company is also providing web widgets⁸⁷ to social networking sites like Facebook, Hi5 and MySpace to make the video services of these sites more functional and easy to handle⁸⁸.

⁸⁵ www.nielsen.com, 17 July 2007

⁸⁶ www.nielsen.com, 17 July 2007

⁸⁷ A third party item that can be embedded in a webpage. (Wikipedia) A variety of controls that can be used in Web forms, dialogs, and wizards to elicit information from users.

⁸⁸ WeShow website, 11 July 2007

The future of online TV consumption is a hot topic and the computer company IBM has also made a global, online study⁸⁹ of consumer digital media and entertainment habits. This shows that consumers are looking for consolidated and trustworthy content as well as recognition and community with mobile and Internet entertainment and that they strive for control of attention, content and creativity. Other results show that 81% of the respondents indicated that they had watched or wanted to watch PC video while 42% had watched or were interested in watching mobile.

Even though online video and audio consumption is still small compared to traditional media consumption, the trend shows that content providers and marketers have to develop, become more creative and follow consumers' habits. If not they risk being replaced by Internet as primary sources of content access⁹⁰.

"The Internet is becoming consumers' primary entertainment source. TV is increasingly taking a back seat to cell phones and personal computers among consumers age 18-34." - Saul Bergman, IBM Media and Entertainment Strategy

4. Worldwide streaming activities

As noted above, more and more content, both audio and video, is being made available for download, and video streaming has become one of the more popular things to do online, closely trailing activities like searching, e-mail and shopping. A recent study by ComScore shows that as much as 80%, representing 24.8 million people, of all British Internet users initiated a video stream in April'07. France has the second highest reach, 79%, but French users spend only 13% of their time online to view video. The UK is ahead in the adoption of consuming online videos as UK users access between 15-18 more streams per month than their counterparts in France, Germany and the United States.

Online video streaming in large European markets

| Online video streaming by country April 2007 Total audience: Age 15+ (Home and Work Locations*) | | | |
|---|----------------------------|---|----------------------------|
| Country | Reach of Video Streaming** | % Total time online spent video streaming | Video streams per streamer |
| United Kingdom | 80% | 10% | 80 |
| France | 79% | 13% | 64 |
| United States | 76% | 6% | 65 |
| Germany | 70% | 9% | 62 |

* Excludes traffic from public computers such as Internet cafes or access from mobile phones or PDAs.
** Total Unique Streamers in April 2007 / Total Online Population in April 2007

Source: EBU based on comScore

Public broadcaster BBC ranks along with the large media web properties Google, Fox, Yahoo! and Microsoft as one of the most popular online properties from which UK consumers seek streamed video. However, not surprisingly, the Google property -

⁸⁹ Conducted for two months (April-June 2007) by the IBM Institute for Business Value. It proportionately reached demographic groups aged 18+, both male and female, in five countries: USA, UK, Germany, Australia and Japan, covering more than 2,400 HH's. Looking at global usage and adoption of new multimedia devices and media and entertainment consumption on PCs, mobile phones, portable media players and more.

⁹⁰ www.IBM.com

including the top sites YouTube and Google Video – remains the secure market leader. Almost 2 million streams were initiated in the UK and 31% of these were initiated on Google sites. Google also leads the US video streaming market, with a 21.5% share of total downloads, followed by Fox, Yahoo!, Viacom and Time Warner. With almost 65 million unique video streamers Google reach a penetration level of 49.2% (see table in Appendix A).

While BBC sites attract fewer streamers than Fox Interactive Media sites, their users initiate more downloads - 32.2 million for BBC vs. 26.1 million for Fox. The BBC also accounts for 10% of all streams made in the UK in April - on average eight streams per streamer.

Most popular video streaming sites in the UK

| Leading U.K. online video streaming sites April 2007 | | | |
|--|--|---|-----------------------------------|
| Total online population: Age 15+ – Home and work locations* | | | |
| Internet property | Unique video streamers and downloaders (MM) | Video streams and downloads initiated (MM) | Video streams per streamer |
| Total UK Internet audience | 24.8 | 1,982.2 | 80 |
| Google Sites | 16.0 | 608.1 | 38 |
| Fox Interactive Media | 4.7 | 26.1 | 6 |
| Yahoo! Sites | 4.4 | 57.8 | 13 |
| BBC Sites | 3.9 | 32.2 | 8 |
| Microsoft Sites | 3.1 | 17.3 | 6 |

* Excludes traffic from public computers such as Internet cafes or access from mobile phones or PDAs.

Source: EBU based on comScore VideoMetrix

The broadcasting company NBC, owned by General Electric and Vivendi, has also performed market research to understand the awareness and usage of streaming services. Results revealed awareness among consumers is relatively high, with more than 40% of the respondents claiming that they know they can stream songs from iTunes and TV episodes from ABC, NBC or CBS⁹¹. Another study from PEW/Internet shows even higher numbers, with 57% of respondents, U.S. only, claiming they have either watched or downloaded some type of only video content, with 19% claiming to watch or download daily.

Entertainment seems to be the most appealing category for streaming activities. Most of its traffic, however, seems to be driven by Multimedia related sites, including YouTube and MTV, where about 2.2 billion streams were registered in March 2007, reaching 65% of the streamers. The second most popular category is Social Networking followed by TV, General News and Music.

TV and News attract an important audience of streamers, suggesting significant opportunity for public broadcasters to increase their share of online viewers. As noted above, some research shows that online video viewing represents an incremental increase to traditional TV viewing.

⁹¹ Full Episode Streaming, NBC Universal, July 2007

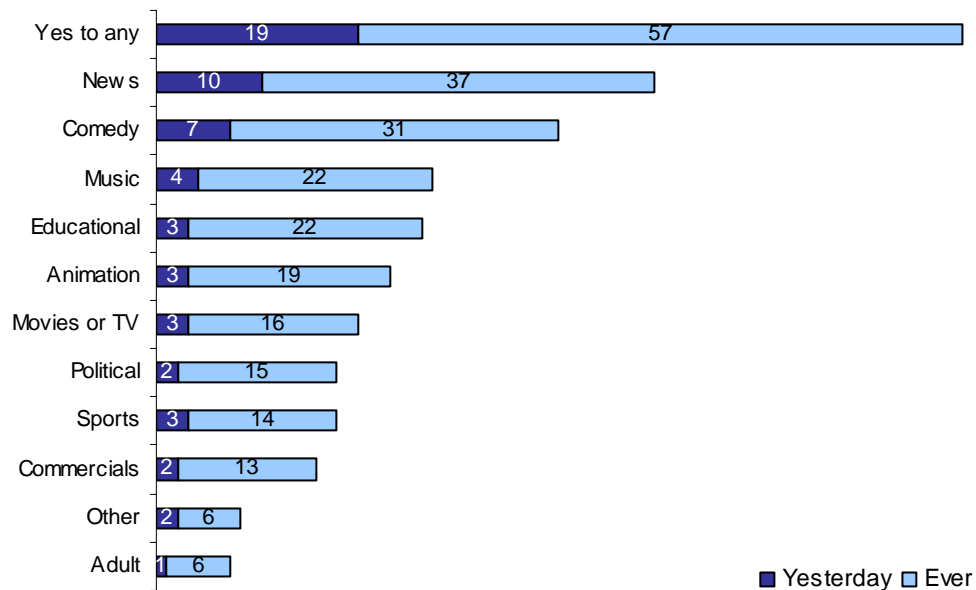
Streaming engagement by content category (Mar'07)

| Category | Streamers (MM) | Streamer reach | Streams (MM) |
|---------------------------|----------------|----------------|--------------|
| Entertainment | 98 | 77% | 3,321 |
| - Movies | 21 | 17% | 109 |
| - Music | 27 | 22% | 336 |
| - News | 5 | 4% | 17 |
| - Humour | 7 | 6% | 42 |
| - Kids | 17 | 13% | 238 |
| - Multimedia | 82 | 65% | 2,242 |
| - Radio | 4 | 3% | 18 |
| - TV | 32 | 26% | 320 |
| Community | 55 | 44% | 664 |
| - Social Networking | 44 | 35% | 431 |
| News / Information | 32 | 25% | 267 |
| - General News | 30 | 23% | 257 |
| - Weather | 3 | 3% | 9 |

Source: EBU based on comScore (Population: 15+)

Another survey looking at various content areas suggests that News content attracts the most users, followed by Comedy, Music and Educational⁹². This research however is restricted to 18 years+ viewers; with younger viewers included, movies and TV might rank higher.

Most popular content for online video viewing

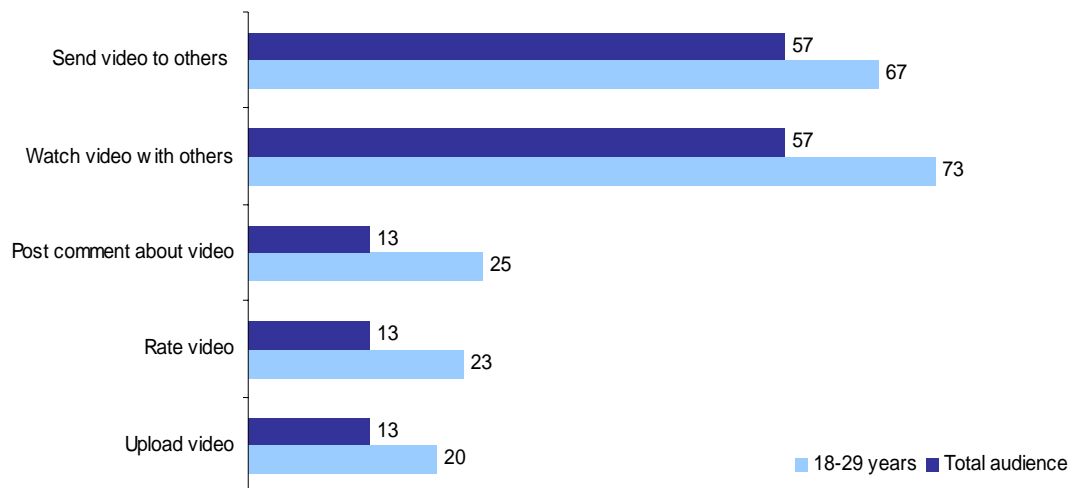


Source: EBU based on PEW/Internet (Population: 18+)

Many social community websites, cognizant of YouTube's success, have added video features, making online video sharing and tagging a major element of social networking growth. This behaviour is, not surprisingly, most common among younger users.

⁹² Online Video, PWE/Internet, 25 July 2007

Online video users engagement in video sharing features (%)



Source: EBU based on PEW/Internet

5. Real TV online - Joost and Babelgum

One of the newest entries to the online video market is Joost, an Internet TV platform delivering full-length, high-quality TV shows to users through a P2P system. The system is constructed to allow users to select channels via a software interface on their desktop that enables remote control. The content, originating from professional and mainstream media companies, is free for users and advertiser supported, as on TV.

While YouTube, Facebook and MySpace, offer a different and medium-distinctive entertainment product - video-clips suited for smaller screens and short attention spans dominating - Joost offers users a "real TV online" experience. Joost recently stated that they "do not aim to be a venue for B-grade programming and reruns".

Early in their beta test, Joost signed several high-value content distribution deals with media companies like Time Warner, Sony Corp. and CBS Corp. In February 2007 an agreement with Viacom was added to this list, giving Joost the licence to hundreds of hours of programming from Viacom cable networks MTV, Comedy Central and Spike as well as Paramount feature films. High-profile brands Coca-Cola, Nike, Microsoft and others have been induced to participate in advertising trials. Advertisers will be charged on a per-view basis with revenues being shared by Joost and content providers. Prospects for targeting far superior to television may eventually mean higher CPMs and the need for the online provider to place fewer ads per programme than on broadcast television.

Another very similar service using the same P2P⁹³ application is Babelgum, which went public in June this year. Babelgum also offers professional programme content of a more generic character from providers like AP, Reuters and National Geographic and is

⁹³ Television distributed via the Internet using a peer-to-peer (user-to-user) technology. IPTV offer viewers an innovative set of choices and control over their TV content.

building a library of content with news clips, documentaries, sports videos, animated shorts etc. The company will also be the distributor of the next Spike Lee short film. No Babelgum content is yet carrying advertising but, once an important mass of viewers has been established, they will be approaching marketers⁹⁴.

Joost enjoys a clear advantage over Babelgum thanks to:

- High-profile deals with important content providers like Viacom, Time Warner and Sony
- Better website services: image quality, user functionalities and toolbox for social networking⁹⁵.

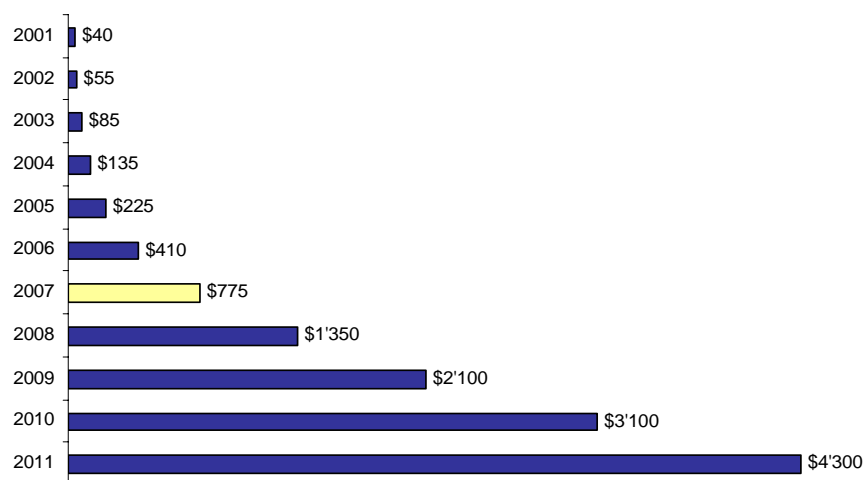
Joost, as well as Babelgum, might become primary distributors of television and video content on the Internet, thereby competing against YouTube, the broadcasters' own sites and file-sharing programmes such as BitTorrent among others. Some of the public broadcasters; BBC, SVT, Omroep, NRK, DR, either have or plan to co-operate with Joost to distribute PS channels through their website.

6. Online video advertising expenditure

Internet is a continuously growing channel for marketing investments and is becoming a supplementary channel for television ads as more TV commercials are now appearing online. Innovative or charming television advertisements, such as Coca Cola's "Happiness Factory" and Sony's "Bouncing Paintballs" have become highly viewed clips on video sharing sides like YouTube and enjoy free "viral" benefits from bloggers and other website which voluntarily embed them.

According to a market estimate from eMarketer, US Internet video advertising will nearly double in one year, going from \$410 million in 2006 to \$775 million in 2007.

US online video advertising spending, 2001-2011 (millions)



Source: EBU based on eMarketer, June 2007

⁹⁴ CNNMoney website, 9 May 2007

⁹⁵ TechCrunch website, 9 June 2007

New statistics from Sweden show that Internet advertising increased by 40% compared to a year ago. It represents 12% of total advertising spending in Sweden, compared to 15% for TV. TV companies relying on commercial revenue need to use a multi-channel strategy and find new, innovative ways for advertising⁹⁶.

Search related online advertising is largely monopolised by the two giants of new media, Google and Yahoo!. Google secured its dominance with a 2006 deal with NewsCorp, a nearly \$1 billion arrangement in which Google provides search functions and targeted search based interactive advertising across Fox Interactive Media's many sites, including MySpace.

7. The problem of monetisation

"There are two sorts of entertainment, circus and art. Circus is random....that is what is on YouTube. Throwing puppies on a freeway, we say it in film lingo. You watch it happen. It is voyeuristic. Sort of what American Idol is. Art is where a particular person contrives a situation and tells a story and hopefully that story reveals the truth behind the facts. Voyeurism only tells you the facts." – George Lucas

Sites focussed on UGC – which greatly vary in form, slant, mood, attitude and content, from YouTube, to social networking sites like Facebook, indymedia, Wikipedia, to Google's Blogger and many others – have successfully gathered huge quantities of attention – millions of eyeballs lured to their sites, where theoretically they may be waylaid by a sponsored message. Some UGC sites eschew advertising altogether for the sake of independence – Wikipedia and the indymedia network among them. But others which have achieved a splash and sought out revenue through relationships with advertisers have been so far less successful than they hoped. UGC- seeking eyeballs have not yet been as successfully capitalised by these ventures as those seeking out either commercial or convenience transactions or high quality professional entertainment such as that available on the websites which represent extensions of broadcasters and longstanding media enterprises or start ups, like Joost.

Seth Goldstein, venture capitalist and new media expert, noted on his blog Transparent Bundles October 18th 2007:

Despite the fact that more than 40 million people use Facebook– 50% of them daily– there remains skepticism about the long term value of these users to advertisers.

Historically, Social Networks have generated tons of page views but have had a hard time monetizing these impressions. "Professional" content properties focused on deep verticals, such as C|Net and BabyCenter.com, regularly attract \$20+ CPM

⁹⁶ Sveriges Annonsörer website, 5 May 2007

ad rates, whereas “amateur” social media sites like Digg, MySpace and others are lucky to generate CPMs above a few dollars with any consistency.

As mentioned above, other major venture capitalists and bankers specialising in choosing online startups to finance agree on the weakness and possible ephemeral nature of the UGC craze and have offered some explanations. The consensus in the financial community most closely watching the Internet is that in terms of long term viability, business models basing themselves primarily on the provision of various kinds of User Generated Content are far less promising than Internet projects expanding into the new territory from established media distribution and production enterprises, bringing proven high quality content to new and old consumers and offering enhanced interactive functionality to engage already-lured viewers more deeply and more often.

YouTube and its clone competitors, having difficulty monetizing the attention of their staggering waves of visitors, evidence already many of the disadvantages such a model faces vis à vis streaming and downloading projects like Joost and BBC's iPlayer, offering exclusively professional, branded entertainment product.

YouTube offers a practically infinite number of short clips, many of them by unknown, amateur producers. Searching is clumsy even with Google-powered quests for known, highly branded content; searching for those unknown, unheard of amateur gems which embodied YouTube's early image is impossible – for exposure the bulk of the content relies on viewers 'stumbling upon' it. Promotion of a small part of this amateur content occurs, in a minimal way, through viral processes, the e-form of word of mouth, embedding in blogs and links on social networking sites, and the like. The top viewed videos and channels on YouTube are wall to wall professionally produced content: in October, the number one YouTube channel was UniversalMusicChannel, showing expensive, slick, popular music videos, while US broadcaster NBC was also in the top ten. A glance at the top viewed YouTube channels shows a predominance of music videos and clips from broadcast television, principally non-fiction programmes. Amateur UGC, with the exception of semi-professional, poor technical but relatively high content quality videos of stand up comics giving comedy club performances, is all but invisible among the most streamed selections. Major content producers have argued that YouTube's user generated content concept has served only to mask the provision of unlicensed professional product. At present, the trends in YouTube traffic toward the designated channels of promoted and branded producers supports this contention.

8. Web effects: new styles, genres, aesthetics

"Huddled with a producer in an editing suite on a recent Friday afternoon, the ABC News correspondent Bill Blakemore enthusiastically helped put the finishing touches on a video account of his recent trip to Greenland to see the effects of global warming.

The segment did not look like a normal network news report: It showed Mr. Blakemore riding a sled across Greenland's ice sheet and casually addressing the camera while wearing a black North Face parka and sunglasses.

But Mr. Blakemore's video diary, the first of three documenting his trip, was not being produced for "World News With Charles Gibson" — rather, it was aimed at the network's afternoon Webcast, which is simply called "World News."

Executives at the broadcast networks know they have opportunities online that they do not have on television — namely, to take chances by testing new forms of news delivery and new types of storytelling. They are also mindful that making their content relevant online is a good way to attract the younger audiences who are less likely to tune in to the evening news on television." – Brian Stelter⁹⁷

Content remains King. However, content is always adapting to changing tastes and innovating to form and inspire new tastes. The growth of digital media and the web has given rise to certain new types of audio-visual entertainment product and also seen mutations in traditional product, both in the way it is consumed and the way it is made to look. The web, like video games before it, is not only taking from television, it is sending back a feedback channel of inspiration. As CGI developed in the gaming world has made a tremendous impact on the aesthetics of feature films (from *Toy Story* to *Pan's Labyrinth*), the web experience has begun to influence older media, not only in look, but in attitude and mood. Some of the web-inspired traditional broadcast programmes, such as those taking a page out of the YouTube book with UGC⁹⁸, will undoubtedly be short-lived. Other influences may endure longer – especially those arising from the Internet's principle mood, which is both ironic and social.

9. Non-UGC web specific programming:

- *is short.* Episodes of the Mike Eisner special to web series *Prom Queen*, commissioned by and introduced on MySpace, started out at 90 seconds each, a length deemed suitable to the amount of time spent on the social network and the physical situation of most viewers (at a desk, or on a laptop somewhere). The episodes are slick, thin on dialogue, verging on parody of music video and TV spot visual style, and feature scantily clad young women in jeopardy.
- *is satiric, "intertextual" and reflexive.* CBS' special to web series *How To Survive a Horror Movie: All the Skills to Dodge the Kills* went live October 9, 2007 as a branded site *Dodgethekills.com* on CBS Audience Network. The campy series

⁹⁷ New York Times "ABC Reshapes The Evening News for the Web" Oct 12, 2007

⁹⁸ The latest, from BBC One, is a new comedy series showcasing user-generated content from YouTube, Google Video and more. Hosted by comedian Lenny Henry and produced by Tiger Aspect, *LennyHenry.tv* invites viewers to add their humorous videos to off-site video sharing networks. In a promo, Henry explains the show is about "examining, exploring and basically taking the mick out of lots of clips from the Internet". This is not the first foray of a UK broadcaster in to UGC territory - most recently, Channel 4's *Homemade* show continued what the likes of *You've Been Framed* started a couple of decades ago. In the US, *America's Funniest Home Videos* was also once a huge network hit.

instructs viewers on how to survive typical horror movie situations, spoofing at once the horror genre and the 1950s era military training films it imitates. The first six episodes are 2 minutes each. Hewlett Packard and Charles Schwab are among the advertisers, giving a sense of the viewer demographic anticipated.

The most pervasive effect of the web aesthetic and attitude is more subtle, a rumbling in the *habitus* of mainstream media production and consumption. It has to do with a certain incorporation of the principle of interactivity, of feedback, as a necessary aspect of media, one that younger users especially have begun to prefer and even require. For a frequent Internet user, the television can begin to seem cold, frustratingly deaf, even, as Pier Paolo Pasolini once called it, “totalitarian”. *Big Brother* and other reality shows have built in already the possibility for registering responses, with notable results. In October, UK telco BT began promoting a new TV concept called New Media 2 (NM2), which allows users to offer feedback on a drama series via the interactivity of an IPTV service. The storyline of the drama is to be altered in response to viewers contributions.

The screenshot shows a New York Times article from the NYT Archive. The main headline is "Gore and U.N. Panel Win Peace Prize for Climate Work" by Walter Gibbs, published 27 minutes ago. A sub-headline reads "Prize Caps Year of Highs for Gore" by Jim Rutenberg, published at 11:27 AM ET. The article text states: "The Nobel Peace Prize was awarded to Al Gore and to a United Nations panel for their work on global warming." A photograph shows Al Gore and Tipper Gore with U.N. Secretary General Ban Ki-Moon. A red box highlights two reader comments: "Comment by Michael Williams: '[Gore's] own actions and lifestyle are in contradiction to the policies/actions that his film supports.'" and "Comment by James Law: 'If Gore won't run, then Hillary must appoint him as the head of the E.P.A.'" The page also features a video player for "Back Story With Jim Rutenberg (mp3)" and a sidebar with "MOVIE: Upheaval Fiasco" and "Lawyer: Terror Advocates an engaging political thriller, writes Scott."

The “Grey Lady”, The New York Times has added reader comments to the front page of NYTimes.com.

CONCLUSIONS

Conclusion: Future media culture and convergence

As technical progress accelerates and the Internet continues to grow, traditional media companies are re-evaluating their relationships with consumers. For some, the Internet is new territory to be conquered, and major media companies, armed with their formidable dominance of desirable high quality entertainment product, are now challenging the upstart emperors of interactive technologies for control of this new realm.

Google VP Vint Cerf pointed out two main trends with major impact on the media world:

1. The revolution of digital technology is changing the way people communicate and consumer expectations about media consumption have started to change
2. Consumers are taking increasing control over their consumption of traditional mass media

According to Vint Cerf these shifts have a significant impact not only on the media but also on the advertising industry. He believes, however, that popular broadcasting media will continue to attract mass audiences, but will be complemented increasingly by new forms of entertainment and information consumption. In his view, no matter which medium or platform consumers turn to, the demand for high-quality content will always exist⁹⁹.

"...Internet over the past five years: blogs and (more recently) video-sharing websites have opened up new creative outlets to tens of millions of people around the world. At the same time, the appetite for professional produced content...continues to grow." - Vint Cerf, Google VP

For the first time since the introduction of television, viewing minutes have declined¹⁰⁰ among young viewers even while overall consumption of entertainment product and media use increases.

According to a study released in early May 2007 conducted by StrategyOne for Motorola, 45% of European broadband users have watched television on the Internet. Internet use for television is highest in France (59%), then in Spain (48%), Italy and the UK (43%), then Germany (33%). StrategyOne surveyed 2,500 broadband subscribers. The study found:

- 1/3 of TV viewers view digital camera photos on their television set
- 45% expect to make TV video calls by 2012
- 2/3 of under-25s have watched TV shows online compared to 30% of over-55s.

⁹⁹ C21 Media, 24 August 2007

¹⁰⁰ Gough, "The Case of the Disappearing TV Viewers", Reuters, May 25, 2007

- 57% would use an interactive TV service to call up information on sporting stars during a game, for example, if such a feature were available
- 5% want PVR functionality.

Another survey by YouGov for CacheLogic reported that despite the obvious appetite for television via Internet, only 15% of UK adult Internet users have downloaded a full-length TV programme and only 14% a whole movie. Most of the 2,400 respondents said download speeds and poor reliability were barriers to the use of Internet for television viewing, but 65% responded that they would be “fairly” or “very” interested in quicker, easier access.

1. Divided audience

A further study done by Pew Internet & American Life Project in the US found sharp divisions in the population between connected but not “wired” users and those plunging into advanced “web 2.0” services. 4,001 adults aged 18 and older were surveyed in early 2006, producing findings that 85% of American adults use the Internet or cell phones (and most use both), but the percentage of those who use the more advanced interactive tools and social media sites on the Internet is just 8%. Pew researchers divided respondents into ten types, ranging from “Inexperienced Experimenters” (8%) to “Connected But Hassled” (10%) to “Omnivores” (8%). Omnivores possess the most devices and services, voraciously participating in a range of Web 2.0-related activities. The majority of Omnivores are men in their mid- to late twenties (a desirable population segment for major advertisers). 15% of the surveyed group were “off the network” entirely, with neither mobile phones nor Internet connectivity.

2. Cultural shift

A variety of physical devices have become necessities in the developed world –PC, mobile phone, blackberry, iPod, playstation/xbox, PVR, iPhone – and give rise to new services which increasingly seek to network and integrate telecom, digital recording, Internet and broadcast capacities. Young adults, teens and kids are no longer users of TVs, radios, cameras, PCs and phones as appliances, but have become the wetware wired into vast labyrinthine systems of communication and consumption constituted by both old and new electronics products. Once separate industries have merged and are dominated by conglomerates whose vast and diverse media operations expand daily, gobbling up entrepreneurial ventures and initiating innovations of their own, driving a global spectacle production which is rapidly transforming distribution and consumption of all products and values. The rudimentary logic of eyeball attraction which was inaugurated in the medium of television today multiplies and mutates fungally in ever widening and developing networks of technologies and services. The financial sector is keeping a close eye on the new derivatives of attention made available by the new technologies consumers use to access product and service; ad and marketing people are inventing new ways to waylay and guide this closely tracked attention at an dazzling rate.

In an exploding virtual environment, the dominant concepts are Experience (for the user/consumer) and Attention and Engagement (for the vendor producer provider). Evangelists of the virtual insist it is impossible to exaggerate the social and economic effects of the coming to dominance over the past decade of this multimedia, virtualised atmosphere where new ways of thinking, buying, and behaving accompany the penetration of every aspect of life by increasingly portable, flexible, interactive media technologies. No area of commerce, production and consumption in the developed world is unaffected by the profound cultural transformation which is already well underway. The aetherial Image Economy dominates the old economy of matter with its sales pitches of durability, satisfaction, practicality, tradition. Every product – cars, couture, cuisine – is in a sense now also image, mediatized and spectacularized, become a meaning rich sign embedded in a consumer experience. The Internet is a site where things outside it, including television programmes, movies, art, have their images valorised.

3. Finance as motor

Among the most significant developments of the new media landscape – what media theorist Michael Goldhaber and maverick venture capitalist Seth Goldstein call The Attention Economy - is all but invisible to the media user exploring the ever mutating and intensifying experience of new devices and services, and that is a proliferation of tactics for capitalising the time and attention spent by consumers in the new media, a consumption which is tracked, monitored and measured like never before. According to Goldstein, Internet behaviour is generating mortgage leads worth \$100, clickstreams worth \$10, profiles worth \$1. He estimates a tracking cookie is worth 10 cents, today accounting for a total of \$10billion of data alone exchanged between data buyers and data sellers being produced by largely unwitting volunteer Internet users. Even beyond its place as the most dynamic sector of global finance, the developing media landscape is of the utmost social and political significance.

4. Quality product remains key

For all that is indisputably new about new media and telecom technologies, certain fundamentals have not changed. The Internet was born as an extension of telecom – email, the “information superhighway” of the early 90s an imitation of print media - but its growth was and remains predicated on its becoming a new broadcast platform, whose prime product will be richly visual and aural. The giant social-commercial engine of image & sound proliferation composed of interlaced mediated networks into which individuals are plugged remains at heart effectively a new, more intense mode of television and radio.

Internet shopping is immensely important to merchants, and on-line social communities to individuals, but with regard to total time spent on the Internet, fairly traditional forms of entertainment consumption are the driving force. By far the most important, with respect to time spent, online activity for the younger generation is downloading, uploading and sharing entertainment products. Free Peer to Peer file sharing networks which allow the sharing of music and film garner hundreds of millions of users, outstripping in participation the huge social

networking sites, offering the “new” pleasures of mediated socialising, Boozemail and virtual food fighting, “enclosed” by Big Media like Facebook, MySpace, Bebo, Skyrock and the like. The Peer to Peer technology is new but the product which draws so many users to it is traditional – professionally produced music and film. Even with the explosion of social networking – forty million Facebook users spending twenty minutes daily on the site - the Internet numbers attest that Content Remains King.

To some extent, though not wholly, the Internet connected PC, once used purposefully like a telephone, has begun to resemble Television in the way it is consumed as a medium, with the choice of what to do once hooked in being made on the basis of comparisons of what is available to do in the medium. At leisure, web connected consumers increasingly decide to “go on the Internet” – not necessarily to undertake any particular task such as emailing, banking, or shopping, but simply to browse for something entertaining, as one does with television - and once on, searches until one’s attention is arrested. When premium video content is available, it is often the winner in a contest with other types of product.

On the question of long term commercial viability, despite the staggering valuations investors are giving to innovative, web specific sites and projects (especially social networks) achieving broad reach and penetration in highly desirable communities for advertisers (like Universities), attracting lots of users, traffic, and brand recognition, web based platforms still favour established business models.

Venture capitalist and new media expert Seth Goldstein¹⁰¹ described the risks Facebook faces:

- Advertising does not work
- Few of the Applications that people are installing and spamming their friends with have any staying power
- Facebook is throttling back the viral co-efficiency of applications and offers no clear path to monetization
- There are no barriers to exit for Facebook users, who will inevitably move to the next “cool” social network

Beneath what appears to be an infinitely varied media cosmos there operates the broadcast business model largely unchanged: distribution services providing entertainment products battling competitors principally to attract eyeballs to vend to advertisers and secondarily to sell for subscription or, more rarely, pay per view fees. Refinements and elaboration of this logic are assuredly noteworthy and sometimes surprising, but ad revenue + subscription remains the only viable media business model for Internet delivered entertainment.

It is not merely the Internet’s innovative features, its mode of plugging into the live conversations, social networks and a truly global base of content, nor its “immersive-ness”

¹⁰¹ Transparent Bundles (website): blog.sethgoldsetin.com

compared to traditional passive-consumption media, which is drawing young viewers from the television, but the increasing availability of abundant choice of desirable entertainment products - in traditional or slightly updated (shorter, principally) versions of traditional formats - spurring the shift. Interactivity itself – the making of “mashups” and the like – is a draw, but itself parasitic on attractive materials to be found to play with, share, reconfigure and personalise. The drain of media use time from television to Internet coincides with the migration of established television and film and music product, which has always been sought out by audiences, to the web. The upheaval conceals a fundamental continuity. The number of “hot” companies and services who launched with various modes of piracy proves it: providers of premium, branded programmes are indispensable.

Although media users are adapting habits and tastes to new means of access and technologies, the basic rules governing what is desirable and attracts viewers has not changed. While the Internet has opened opportunities for new products or weaker competitors to reach global audiences from which other, narrower, costlier and more selective media would have shut them out, a hit in the cinema, a hit in the living room, is a hit on the Internet. Services, above all established cinematic programme genres, will be the determinant of the bottom line of content providing enterprises in the new universe. Viewers and consumers are following traditionally desirable quality product to and through the channels afforded by new technologies; the easier it gets, the more viewers seek out these new paths to greater programme choice and temporal convenience. Successful ventures are those which make more traditional, established product more easily and more flexibly accessible. While direct social interactions such as the Experiences of participation in communities like Facebook and MySpace, are in themselves a popular Internet product, the User Generated Content (UGC) which extended this logic to video-watching Internet formats has proved only to be an interesting newsworthy gimmick operating as a cover for mass video piracy which in the end does not and cannot compete in audience attraction with the professional programming made available via new technologies by the established media companies.

Interactivity, flexibility and portability are undeniable improvements over television for the generation accustomed to manage them; technologies focussing on “immersive-ness” and social connectivity have undoubtedly brought something in itself desired to the market, but at the end of the day these remain media apparatus conveniences – elaborations on and realisations of the television viewer’s sensation, as Marshall McLuhan had it, of being “plugged in” to a global village - and enhancements rather than ends in themselves, subordinate to the principle attraction which is the offer of paths and means to product, and the product upon whose attractiveness the entire edifice depends remains premium entertainment product.

5. Convergence of media and interweaving of services

New media giant Microsoft envisions the future convergence of the now disparate constellation of media devices as a “complete entertainment experience” with the PC at the centre and Internet Protocol Television (IPTV) the means by which the family will shift away from the TV

set. "Old Media" Sony, in contrast, envisions and plans for a future of "Ubiquitous 'Value' Network' in which the television, getting ever bigger and better visually, retains its dominant position in the increasingly integrated system of diverse devices and services.

"We are shifting content experience from a lean-forward PC exercise to the comfort of the big screen TV in your living room. Internet video will clearly be the next step in the evolution of high-definition television." - Randy Waynick, Senior vice president, Home Products, Sony Electronics

Microsoft and its many PC-making partners, such as Hewlett-Packard, Dell, and Toshiba have seen some limited success with the Media Center PC edition of the Windows operating system, which turns a standard consumer PC into a digital home entertainment centre. Two other major items of technology news suggest industry leaders anticipate rapid increase of use of Internet for access to premium content which viewers continue to prefer to watch on a large TV screen from the sofa.

AppleTV

One is the introduction of Apple TV, a device which, among other things, allows digital content from any computer running iTunes to be played on television sets. The AppleTV-Google/YouTube cooperation when announced was imagined to be only the beginning of the development of service attraction; among other projected effects are new search capacities which will allow users to find video content more easily. Industry commentators have predicted that other online video services, either those similar to YouTube or those offering video distribution in different ways, may begin to vie for Apple's attention and a partnership deal similar to the one reached with Google. On October 5, 2007 the CW (US network) was the latest broadcaster to announce it will attempt to promote its new fall line-up by distributing free downloads of several of its shows via Apple's iTunes Music Store. Apple TV will potentially compete with a wide range of rivals, including PVRs like TiVo which allow television to PC connection. Game systems like Microsoft's Xbox 360 and Sony's PlayStation 3 are increasingly able to support video entertainment. Hesseldahl in Business Week predicted that "content will move to Apple", noting that Sling Media (a "digital lifestyle products" company very recently purchased by EchoStar) recently made its Slingbox - a product that lets people watch television programming on their laptops or other PC's - compatible with the Mac OS, adding a feature that gives users remote access to video content stored on an Apple TV box, and, Roxio, a unit of Sonic Solutions, is now offering software called Crunch that converts digital video into the right format for Apple TV, as well as for the iPod and the iPhone. Apple TV's networking to the set function is not only facing competition but has been judged an only partially successful experiment, though AppleTV has sold about a quarter of a million boxes in the US. In January 2007 Sling Media debuted its newest device at the Consumer Electronics show in Las Vegas. The product allows users to view web movies such as those found on YouTube or Amazon's

Unbox on television sets. The new top set box works with the Slingbox, hooking to a television, and can be linked to a home computer network in order to transfer files between the two.

BRAVIA

Another major headline of recent months is from Sony who announced in January 2007 the introduction of the TV feature, “BRAVIA™ Internet Video Link” that will allow most of its new televisions to access free Internet video content, including high-definition, from providers including AOL, Yahoo! and Grouper, as well as Sony Pictures Entertainment and Sony BMG Music. The feature reflects Sony’s longstanding strategic innovation policy slanted toward the “personalisation” of uses of new technologies and also its bet that the full exploitation of television-delivered-via-the-Internet capacity cannot afford to be indifferent, as new media players often are, to things like lush picture quality and the old comforts of sofa-bound, leisured viewing.

Next.TV

Endemol, the production company behind the reality TV hits *Big Brother* and *Deal or No Deal*, announced on Oct. 11, 2007, that it will deliver content to Next.TV, Hewlett-Packard’s soon to launch online video venture. Next.TV, a broadband video viewing/sharing hub that HP says will launch with 50 channels, is being built directly into the PC manufacturer’s new line of notebooks. Endemol plans to launch its own channel on the platform - Lazy TV – which will feature footage from *Deal*, *Big Brother* and the game show *1 vs. 100*, as well as other shows produced by the firm. Dave networks, which provides the back-end technology to various IPTV and P2P video sharing platforms, will be powering the new platform.

6. Pirates become emperors

The leap in the major media companies’ perception of the Internet as a major means of future product distribution came with Google’s purchase of YouTube for nearly \$1.7 billion in October 2006. YouTube had been created effectively without a business model, ostensibly a video version of Flickr (acquired by Yahoo! in 2005) and other photo sharing websites based on user-generated content. With Wall Street and investors reacting positively to any site attracting significant hits – the assumption being that the hard part was the branding, splash and notoriety and that ways to capitalise all this attention would be worked out later - the YouTube site’s quick rise to popularity qualified it as a valuable success even before the question of income arose. When users began to upload copyrighted premium product – including whole feature films, TV episodes, live concerts and operas uploaded in segments - visits skyrocketed and copyright holders, large and small, began to demand their unlicensed product be removed from the site, which only spurred more visits by savvy, networked users to re-upload popular product.

The Google purchase however put the site’s valuation in the headlines and introduced a major, flush player as the party responsible. Viacom quickly launched a billion dollar infringement suit, estimating, reasonably, that its product, which includes a great deal of youth-oriented

programming like MTV and Comedy Central, had been effectively the basis of YouTube's astonishing valuation. Certain broadcasters and studios however approached the problem in a more conciliatory manner; they had begun to notice positive effects on television ratings and programme awareness seeming to derive from YouTube exposure. A period of almost farcical copyright holder ambivalence passed with legal departments making requests for removal of clips from the same studios and broadcasters whose marketing people were launching into a frenzy of uploading their weaker, youth skewing product for the free exposure. Sean MacManus of CBS was among those to express the first change in attitude: "Our inclination now is, the more exposure we get from clips like that, the better it is for CBS News and the CBS television network, so in retrospect we probably should have embraced the exposure, and embraced the attention it was bringing CBS, instead of being parochial and saying 'let's pull it down.'" As the nature of the site made the piracy policing, left up to the copyright holder, an ultimately impossible task, with an ever increasing numbers of private users at home uploading under ever more cryptic codes of identification, and since there seemed to be a promotional upside, one by one, web savvy Time Warner leading the way, the major media companies entered into agreements with YouTube. Broadcasters like CBS and the BBC created their own YouTube channel-like spaces. In May of 2007 EMI (about to be bought for in excess of \$4 billion) reached a deal, completing Google/YouTube's quest to reach arrangements with all the major music distributors. On June 3, YouTube entered into its first revenue sharing arrangement with local TV-station owner Hearst-Argyle, one of the US' largest station groups.

Also in May, in an effort to lock in the loyalty of its volunteer programmers, YouTube announced a profit sharing plan for its top user/contributors.

YouTube's actual 2006 revenue was only \$15 million. In May 2007 YouTube began using inline ads, clickable interactive banners which display as the video clips are playing. A recent deal with Apple also sees YouTube embedded in AppleTV, which Steve Jobs calls "a DVD player for the Internet".

YouTube continues to have problems related to copyright infringement. Following Viacom's lead, the major content providers whose product was the *sine qua non* of YouTube's perceived value have lost patience with the service and demanded that Google take responsibility for violations and piracy past and present. In mid October, YouTube announced the implementation of an automatic removal process for copyrighted material allegedly unlawfully uploaded. While the plaintiffs have welcomed the action, the content producing community appears to see it as too little, too late. On October 16, The Financial Times¹⁰² reported: "Some of the world's largest media companies have agreed on a set of standards to govern the way that copyright law and anti-piracy measures should be applied to video and music on the Internet – a move that could push them into conflict with Google." Walt Disney, News Corp, NBC Universal, CBS, Viacom and Microsoft were reported involved. Sources at these companies indicated the intention was to avoid further costly legal proceedings with the technology companies that have become

¹⁰² Chaffin and Waters, "Media groups challenge Google on copyright", *Financial Times*, Oct 18 2007

distributors of their video online. The large firms deciding to take action are also reluctant, the FT reported, to “relinquish the matter” to US lawmakers – Congress has just announced the commencement of an inquiry in the P2P file sharing networks with relation to such matters as identity theft - which could impose legislation with unintended consequences.

The other stunning pirate to emperor story begins with Kazaa, a file sharing network which emerged after the legal dismantling of Napster. Kazaa was begun as a fully distributed peer to peer network primarily used for sharing MP3 music files but also capable of distributing videos and other kinds of files. The wealth of free, (pirated) music available made Kazaa quickly popular despite the vulnerability of its users to computer viruses and the use of the network for the implantation of adware and spyware in participating computers. Among its impacts on the development of Internet entertainment product distribution, the copyright infringement lawsuits which Kazaa was eventually obliged to settle established early standards for holding administrators responsible for the behaviour of participants, but proved that profitable businesses could be begun without concern for copyright and the product paid for later, thus paving the way for YouTube, which has its own servers, as well as other pirate peer to peer networks distributing films like eMule and eDonkey and various BitTorrent sites which have been the objects of spectacular prosecutions such as The Pirate Bay¹⁰³, Lokitorrent and Suprnova.

Kazaa founders Zenström and Friis went on from their success with Kazaa to launch Skype, a peer to peer Internet telephony service. (Also hugely successful, Skype was purchased by eBay for \$2.6 billion, but the Internet auctioneer just announced they were taking a \$1.4 billion charge on the property this quarter, an announcement which has fed industry suspicions of many overvaluations of web based enterprises).

The latest venture of Zenström and Friis is Joost, another peer to peer network, this time for television and proceeding legitimately for content acquisition from the start. After a beta version for above one million users for over a year, Joost has just launched, with content provision deals with numerous major product distributors, such as Viacom, Endemol, Fox, CBS, Warner and the American pro hockey league NHL. With extensive premium content and hopes of the kinds of very broad user base that P2Ps traditionally attract (the most popular file sharing technologies have tens, even hundreds, of millions of users) Joost has landed significant advertising deals with 30 major brands, including giants Coca-Cola, HP and Nike. Joost delivers near television quality resolution for its top shelf, downloadable videos. In addition to the VOD service, Joost hosts social networking features such as designated forums for discussing content, news, user ratings, and multi-person chat, furthering the new media quest not only to provide greater

¹⁰³ The Pirate Bay's saga of failed prosecution and unsuccessful attempts by copyright holders to sue took a fascinating twist in October 2007 when the BitTorrent tracker turned the tables on their pursuers. The Pirate Bay alleges it has proof that several major media companies have been hacking its website, and have brought charges against them for “infrastructural sabotage, denial of service attacks, hacking and spamming, all of these on a commercial level.” The companies involved in the Pirate Bay's complaint in Sweden are: Twentieth Century Fox, Sweden AB, Emi Music Sweden AB, Universal Music Group Sweden AB, Universal Pictures Nordic AB, Paramount Home Entertainment (Sweden) AB, Atari Nordic AB, Activision Nordic Filial Till Activision (UK) Ltd, Ubisoft Sweden AB, Sony Bmg Music Entertainment (Sweden) AB, Sony Pictures Home Entertainment Nordic AB

freedom of choice than traditional television but to lure users by embedding the principal attraction of premium product access in a more social, immersive and intense entertainment experience:

"The Internet has the ability to change how and what we watch. On the simplest level, the History Channel should know that I prefer to watch ancient Greek history, but it should also allow me to interact and engage with others watching. People will be able to annotate films or programs with comments or by pointing out an error or anachronism, for example." – Niklas Zennstrom, founder Kazaa, Skype and Joost.

7. Long term viability: the venture capitalist view

"Mr. [Chris] Anderson's Long Tail theory presumes that we're entering a period of unlimited choice online. In the economics of the digital world, niche producers can afford to find an online market for their offerings, and consumers are able to locate those niche producers' product offerings. Better technology, search, and discovery tools in combination with sophisticated filters are transforming our world of atoms into a parallel world in which electrons govern economics. Long Tail theorists believe that the aggregation of value in the tail will be greater than the aggregation of value in the head. But is this (or will this be) true for interactive media (as opposed to online commerce), and if so, what effect will that have on the investment landscape?" - Lex Miron, executive director of CIBC World Markets' Media and Entertainment

Miron was one of the speakers at a recent conference in New York City whose subject was "where is the venture capital going in digital entertainment?" Other venture capitalists Larry Marcus of Walden Ventures, Dan Beldy of Steamboat Ventures (Disney), and Ping Li of Accel Partners also took part in the event moderated by Mark Stevens, (Fenwick & West). Miron stressed that the major media companies were following the entertainment consumer to the Internet, in the wake of advertising dollars which had already pursued them there, a phenomenon Stevens called a "user revolution" which sees users "taking control" of their entertainment consumption. The wake up call to the major media companies, Miron said, had been reports of the amount of time people were spending on the Internet, the growth of broadband enabling delivery of richer content, and the more than 6% of total ad spend which had migrated to the Internet (in the US) by 2006. The panel noted the attractiveness of the Internet for media ventures of all kinds stemming from the cross platform capability (Internet TV is Internet to the TV, IPTV, as well, etc), and the opportunities for high end new content which new platforms open up. The tremendous wealth of information from Google and "the ecosystem" means a new ease with which investors can judge "which companies are going to succeed, and which are going sideways." (Beldy)

However, the total ad spend migration to the Internet told one story, which seemed to speak of fragmentation, diversity, expanding fields for newcomers and start-ups, etc., another story was

being told by the top of the ad spending pyramid. The top 25 advertisers in the US, he said, were seeking out the new media at a considerably more reluctant pace, spending less than 2% on the Internet in 2005. (Much of the big ad spending on line is connected to feature film releases.) The Internet, at least initially, is attracting a certain kind of advertiser – an advertiser looking for low CPMs and high immediate engagement, direct marketing, mobile phone and other services oriented advertisers, what Miron called “transaction oriented” advertisers. One reason the biggest advertisers, concerned with brand image and identity, have been slower to move to the Internet stems from a certain precariousness, or uncertain reputation, of web based content: big brands want to know what they associate themselves with. This is one of several grounds for Miron’s view that “the long tail” is a highly problematic predictive model for the non-commercial, non-transactional Internet entertainment future and his belief that major media powers moving now rapidly into web based distribution will dominate it, as present signs already indicate, as they have other content distribution mechanisms. According to Miron, established media mammoths will, as entities with brand identity and reputation of their own, have an advantage attracting and creating relationships with the high spending advertisers (which may in many cases be other divisions and entities belonging to their own conglomerates.) In an article for AlwaysOn , Miron noted that Chris Anderson’s “Long Tail” hypothesis was based on data from Internet commercial interactions. For interactive-media properties looking for revenue from advertising and subscriptions – the business model of traditional media, and still the only viable means of monetising ‘attentrons’ no matter what the technology - the Nielsen NetRating’s data indicates that the tail is far less important than the head.

“I listed every Internet property by subcategory and then distinguished between the media-related properties and the nonmedia-related ones. Once I’d bifurcated the properties, I calculated a ‘power rating’—a volume metric measuring total user minutes—to assess user engagement,” Miron explained. “While page views and unique audience are important, my power rating reveals share of time: Since interactive-media properties are supported by advertising and subscriptions, this seemed to me a good indicator of performance in today’s environment. Interestingly enough, I found that the 42% of Internet properties identified as being media related accounted for 70% of the power rating. What’s more, the top 10 media properties accounted for approximately 76% of the power rating when compared to the media property universe, and the top 100 media properties accounted for approximately 91% of that power rating. These findings alone do not support the existence of a long tail in interactive media. In fact, they support just the opposite: Interactive media is indeed the ‘land of the large.’”

8. The future of Public Service hangs in the balance

As large players, the power of established media brands on the Internet has positive implications for Public Service Broadcasters. PSBs are simultaneously affecting and affected by these developments and are making overall strategic decisions balancing their distribution choices. 2008 will be a pivotal year for online video as all key players refine strategies and business models.

There is a clear and strong demand for online video, especially of professional technical and production quality. The main growth barriers to online consumption remain linked technical issues and not demand factors. The market exists and will grow and broadcasters are exploring the best ways to meet that demand.

For PSBs the guiding principle is how to extend the public service remit to reach and serve citizens. The commercial imperative, on the other hand, is to determine how to create a compelling user experience than can be monetized in the long run and extend brands and businesses. Many commercial broadcasters believe they have found the answer and are shifting to ad-based business models. For PSBs the solution will be more complex.

Many broadcasters first saw Internet distribution as a disruptive innovation¹⁰⁴, one that would interfere with existing ways of doing business. As the theory goes, "disruptive innovation will frequently possess characteristics that traditional customer segments may not want, at least initially. Such innovations will appear as cheaper, simpler and even with inferior quality if compared to existing products, but some marginal or new segment will value it¹⁰⁵". Meanwhile, a sustaining innovation results if it improves the performance of existing products along the dimensions that mainstream customer's value. In this framework, the mainstream customers, advertisers, are beginning to embrace the innovation by shifting budgets online and exploiting the targeting potential of Internet advertising. However, for PSBs that do not depend on advertising, finding a sustainable financial model is not that simple. For them, legal and financial empowerment is the prerequisite for making the innovation of online distribution a sustaining one.

The opportunities for broadcasters are many: increased overall reach and consumption; increased television and audience share; if applicable, revenue potential (both domestic and international); increased awareness, access to better market information; promotion to audiences; promotion to international acquisitions markets; increased traffic to their own online properties; controlled investment. And PSBs can exploit the opportunities with clear advantages: quality, copyrighted content; a wealth of archive material; strong brand trust; professional editing and content packaging skills; and technical quality, including high-definition content.

The greatest single threat may be the risk of inactivity by being too slow or too late in engaging online audiences. Additionally, the process of disintermediation, in which content providers like producers or sports groups bypass broadcasters entirely, can threaten the status quo of broadcasting. Moreover, what is still not perfectly clear is the extent that online viewing can cannibalize broadcast viewing. PSBs are finding a balance between these opportunities and threats.

In the final analysis broadcasters will be required to strike a series of delicate balances. The balance between copyright protection and wider distribution; the balance between providing universal service and catering to niche interests; the balance of safely fulfilling a clear remit or

¹⁰⁴ "The Innovator's Dilemma", Clayton Christensen, Harvard Business School Press, 1997

¹⁰⁵ Ibid.

stretching the boundaries of its interpretation. These trade-offs all involve weighing the short-term and the long-term complications as well.

Beyond serving audiences and expanding distribution, PSBs can exploit the popularity of their websites by acting as a counter weight to emerging gatekeepers of mass audience. As an independent source of content and information PSBs can become important supports of pluralism.

APPENDICES

APPENDICES

Appendix A

1. comScore definitions

Unduplicated audience measures

Total Unique Visitors (000): The estimated number of different individuals (in thousands) that visited any content of a website, a category, a channel, or an application during the reporting period.

Percentage measures

% Reach: Defined as the percent of total universe accounted for by total site visitors. Reach percentage can also be shown for target markets (cells) comprised of specific demographic groups.

Web entity reporting

Media Metrix provides audience estimates for tens of thousands of digital media properties, which are grouped into one of seven classifications. The character in the square indicates the site classification.

| Client Focus Hierarchy | Other (defined) |
|------------------------|--------------------------|
| P Properties | N Networks / Ad Networks |
| M Media Titles | AN Ad Network Channels |
| C Channels | E Custom Entities |
| S Subchannels | |
| G Groups | |
| SG Subgroups | |

Client Focus classifications listed on the left column represents over three years of Media Metrix' efforts to create a web entity reporting hierarchy that reflects actual organizational structures of web site organization and management.

The highest level is a Property, which is comprised of Media Titles, which in turn are made up of Channels, which can be made-up of Sub-Channels.

- **PROPERTY P:** The highest level of reporting in the Client Focus structure, Properties represent all Full Domains (i.e. felmont.com), Pages (i.e. sports.felmont.com/tennis), Applications or Online Services under common ownership or majority ownership for a single legal entity or majority ownership for a single legal entity. A Property may also contain any digital media content that is not majority owned but has been legally signed over for reporting purposes by the majority owner.

- **MEDIA TITLE **M****: An editorially and brand consistent collection of content in the digital landscape. This may represent a domain, a group of domains, online service or application.
- **CHANNEL **C****, **SUBCHANNEL **S****, **GROUP **G****, and **SUBGROUP **SG****: Many of the larger Media Titles contain URLs of editorially consistent content where the URLs together make up an entire Channel. The majority owner of a Media Title may be able to break out Channel-level detail in the Syndicated Report. For some of the largest Media Titles, Channels themselves may be broad, and Subchannels, Groups and Subgroups within the larger Channels may prove useful. Subchannels, Groups, and Subgroups are subject to the same rules as Channels.

2. comScore database methodology

Panel Recruitment method

Thee RDD (Random Digit Dialing) is the core methodology used to recruit home Internet users. However in some countries online recruitment using advertising is also practised to cover work place Internet users and to cover up weaknesses in the RDD sample including all types of users, for ex. households using only cell phones etc.

Sample/Panel

ComScore strive to use an as representative sample as possible actively recruiting users being +18 years old. All panelists answer questions about their demographic profile, information used to weight up the sample. The panelist's usage is measured by a software monitoring the household's Internet activities. A panellist is counted only if he is active at least once during the 30 days ending with the last day of the month.

Locations

The Internet usage location is the same across all European markets including "All locations" panels (home, work, school and other). For those countries where home or work panels could be seen separately the overlap usage is de-duplicated for reporting All locations.

Ranked Categories (no duplication)

Represents the official comScore Media Metrix ranked categories. Entities reported include Properties, Media Titles, Channels and Sub-Channels and does not allow any duplication within the categories reported (i.e. one site can not appear in several entities listed within the official ranked categories).

Category and Sub-Category Definitions

Please see below for a selected list of categories and sub-categories, used in the Media Metrix category scheme, with their definitions:

1. Conversational Media Social media sites where the creation and consumption of content is user generated. Example: Blogger.com and Myspace.com

- **Blogs** - Site where users post informal journals of their thoughts, commentaries and philosophies. This online journal is frequently updated and intended for general public consumption. Examples: Blogger.com, Xanga.com
- **Social Networking** - Social Networking provides a virtual community within Internet web sites and applications to help connect people interested in a subject. Social networking sites offer a way for members to communicate by voice, chat, instant message, videoconference and blogs. These groups of people use a variety of tools such as email, messaging, photo sharing, etc. to connect.

2. Entertainment - Sites that contain information related to TV, Movies, Music, Games, Books and Music Players. Example: UGO.com

- **News** - Site that provide news on movies, celebrities, musicians, TV and games. Examples: TheSmokingGun.com, Billboard.com, People
- **Movies** - Sites for movies, movie studios and ticket purchasing. Examples: Moviefone.com, Ifilm.com, IMDB.com
- **Music** - Sites that provide music news, concert info, tickets, contests, CD's for sale and music downloads. Examples: Warner Music, Lyrics.com, Britneyspears.com
- **Humor** - Sites that provide jokes, funny pictures and humorous cartoons. Examples: Flowgo.com, JibJab.com
- **Multimedia** - Sites that contain video clips, audio clips or some other kind of interactive media such as shockwave/ flash etc. Examples: Big-boys.com, WindowsMedia, Shockwave.com Sites
- **Kids** - Activities and games online for kids. Examples: Harry Potter, Barbie.com, Yahoo!igans
- **TV** - TV station sites, TV guides and sites that are specific to television shows. Examples: ABC.com, TVGuide.com
- **Radio** - Online Radio Stations and sites for Radio stations. Examples: Live365.com, LAUNCHcast

3. News/Information - Sites that provide news and information regarding domestic and international issues. This category also contains sites with articles and periodicals on current events and weather. Examples: New York Times Digital, About.com

- **General News** - Sites for newspaper online publication, magazine publications, sites with news content and Television news organizations. Examples: FOXNews.com, NYTimes.com, MSNBC.com, CNN.com

Appendix B

1. Streaming

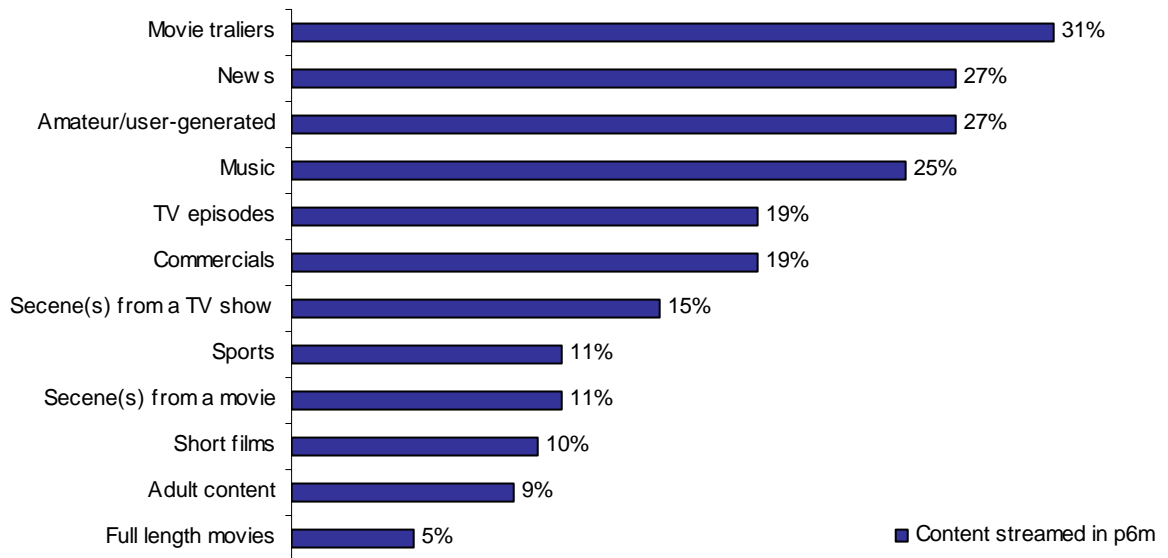
US Video streaming

| Top US Online Streaming Video Properties* by Video Streams and Streamers May 2007 | | | | |
|--|--------------------|----------------------------|------------------------------|--------------------------------|
| Property | Video Streams (MM) | Share (%) of Video Streams | Unique Video Streamers (000) | Video Streamer Penetration (%) |
| Total Internet | 8,357 | 100 | 131,915 | 100 |
| Google Sites | 1,796 | 21.5 | 64,945 | 49.2 |
| Fox Interactive Media | 680 | 8.1 | 52,737 | 40.0 |
| Yahoo! Sites | 387 | 4.6 | 35,024 | 26.6 |
| Viacom Digital | 237 | 2.8 | 29,479 | 22.3 |
| Time Warner Network | 185 | 2.2 | 24,394 | 18.5 |
| Microsoft Sites | 171 | 2.0 | 19,356 | 14.7 |
| ABC.com | 100 | 1.2 | 15,030 | 11.4 |
| Disney Online | 84 | 1.0 | 10,799 | 8.2 |
| ESPN | 62 | 0.7 | 10,114 | 7.7 |
| NBC Universal | 58 | 0.7 | 7,311 | 5.5 |

* Rankings based on video content sites; excludes video server networks

Source: EBU based on comScore Video Metrix

Content streaming

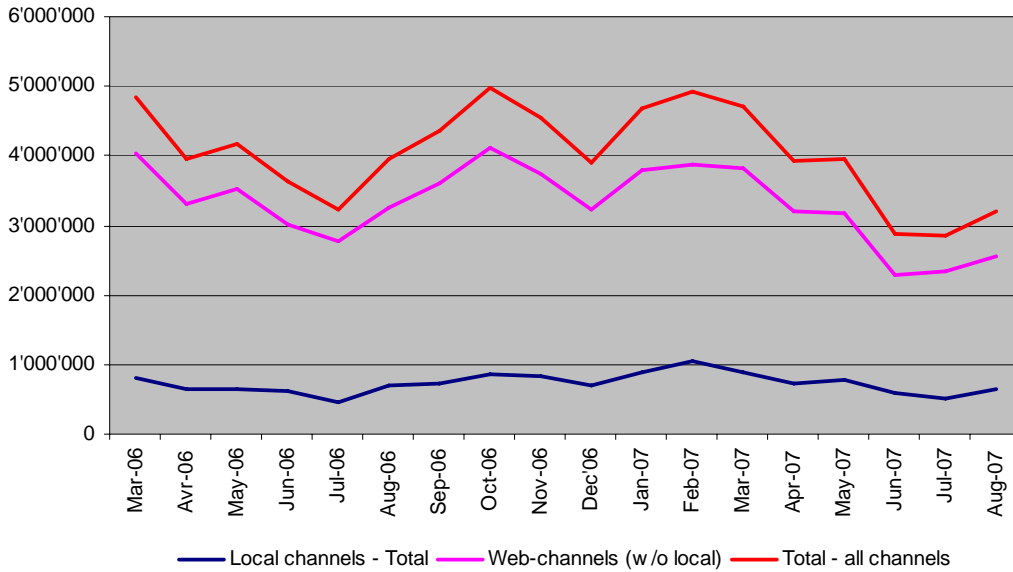


Source: EBU based on Harris Interactive¹⁰⁶, May 2007

¹⁰⁶ Entertainment on the Move Wave 3, A13-64 online users

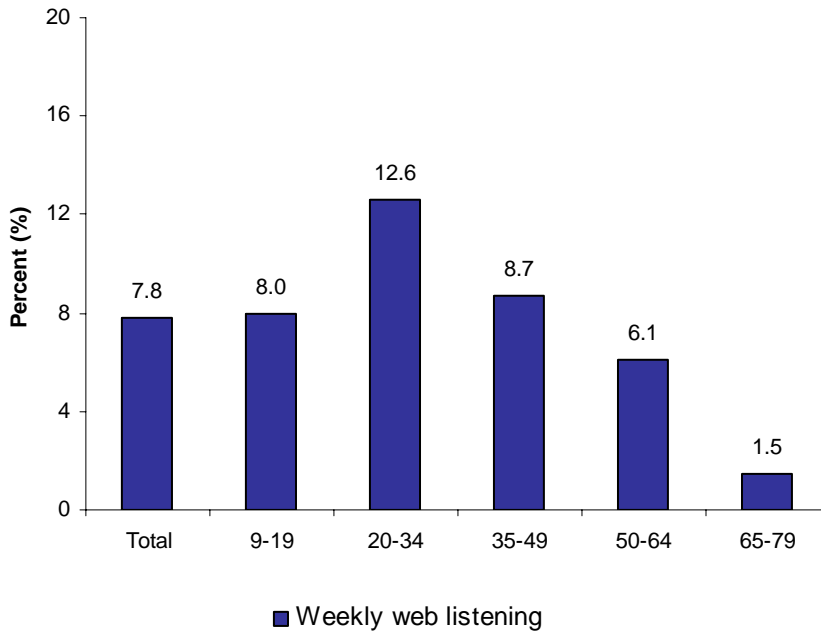
2. Swedish Radio (SR)

Radio listening to streamed SR channels - Total population



Source: EBU based on SiteCensus, 2007

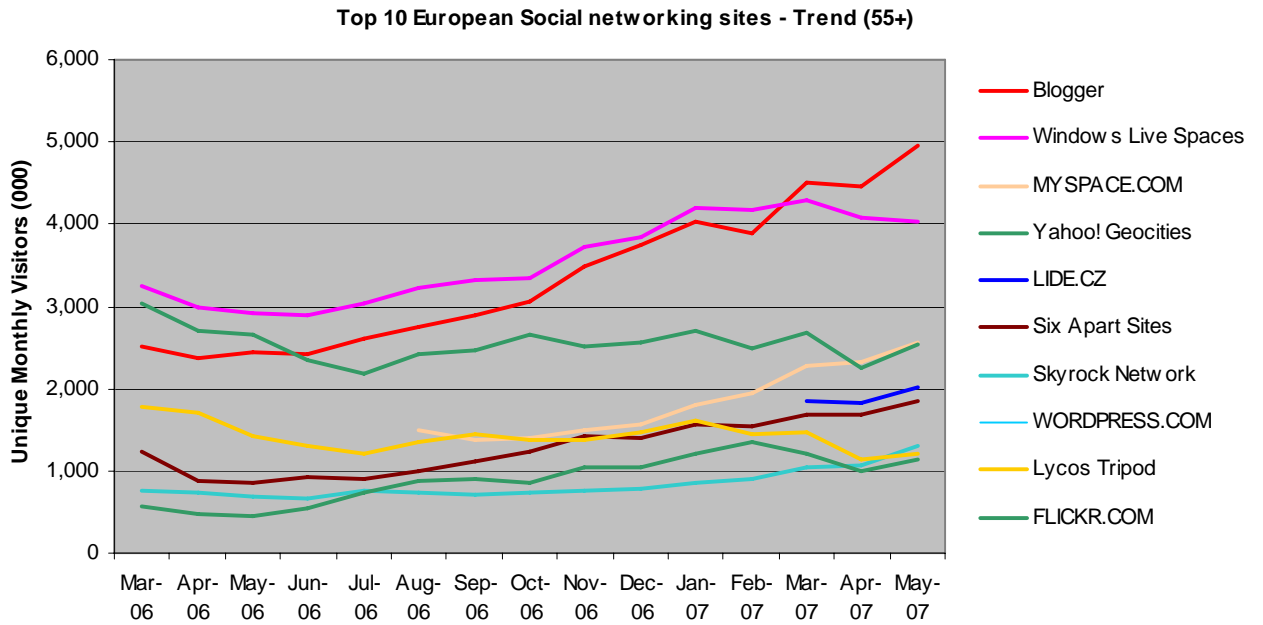
Weekly web radio listening in Sweden



Source: EBU based on SIFO, 2007

3. Social networking

Evolution 20 most visited Social networking sites in Europe - Audience: 55+



Source: EBU based on comScore

Appendix C

1. Internet acquisitions (<\$1 billion)

| Internet acquisitions (<\$1 billion) | |
|---|---|
| 2007 | |
| Company | Acquisition |
| Blockbuster | Movielink (online film provider) for \$6.6 million (far lower than the initially rumoured price tags of tens of millions) |
| CBS | <ul style="list-style-type: none"> Wallstrip (finance oriented video weblog) for undisclosed amount Last.fm (online radio network) for \$280 million Dotspotter (a 10-month old celebrity gossip website) for approximately \$10 million SignStorey (distributor of video and advertising in retail stores) for \$71 million. The property has been renamed "CBS Outernet" |
| Comcast | <ul style="list-style-type: none"> Fandango (online ticket agency) for \$200 million |
| Demand Media | <ul style="list-style-type: none"> Has, with \$350 million in financing from among others Goldman Sachs and Oak Investment Partners acquired tens of small Internet properties including domain registrar Enom and websites GolfLink.com, Airliners.net, Trails.com, Ehow.com, ExperTVillage.com, SoYouWanna.com, GardenGuides.com, and MountainZone.com. The startup, headed by the creator of MySpace, is valued at \$1 billion. CEO Richard Rosenblatt has also financed Vator.TV a "professional network and marketplace for ideas and businesses" |
| Disney | <ul style="list-style-type: none"> Club Penguin (kids' social network) for \$350 million |
| EA (Electronic Arts) | <ul style="list-style-type: none"> VG Holding Corp/ BioWare Corp. and Pandemic Studios for \$860 million |
| eBay | <ul style="list-style-type: none"> StumbleUpon (informative social networking) |
| EchoStar | <ul style="list-style-type: none"> SlingMedia for \$380 million |
| EMAP | <ul style="list-style-type: none"> YoSpace (UGC specialist) for £8.7 million |
| Forbes | <ul style="list-style-type: none"> Clipmarks (bookmarking) |
| Google | <ul style="list-style-type: none"> GrandCentral (web based communications) for an undisclosed price estimated around \$50 million Jaiku ("an activity stream and presence sharing service that works from the Web and mobile phones") Feedburner (RSS management) for \$100 million undisclosed stake in Tianya Club (Chinese social network) Zingku (mobile social network) Postini ImageAmerica |
| Hearst | <ul style="list-style-type: none"> eCrush (social networking) Kaboodle (social shopping) – undisclosed price estimated around \$40 million UGO (network of websites) – price about \$100 million RealAge (health related website) – price estimated around \$100 million |
| Imaginova Corp (a digital media company managing a network of science and technology-focused Web sites) | <ul style="list-style-type: none"> Newsarama.com |
| Microsoft | <ul style="list-style-type: none"> In September, announced plans to purchase 5% of Facebook for approximately \$500 million TellMe Networks (automated call center services) for approximately \$800 million AdECN (search and display for advertisers) Jellyfish.com (comparative shopping) undisclosed minority stake in CareerBuilder.com The site launched in Canada, India and the UK in 2006 and acquired Jobbguiden (Sweden) and JobbingMall (Netherlands) in April 2007 |
| MSNBC | <ul style="list-style-type: none"> Newsvine.com, (community-based news aggregator) |

| | |
|---|--|
| NewsCorp | <ul style="list-style-type: none"> • Photobucket (a photo sharing site), bought by NewsCorp's FoxInteractive for \$280 • Fleckor (online video-editing tools), bought by Fox Interactive for about \$20 million |
| New York Times Company | <ul style="list-style-type: none"> • ConsumerSearch.com for \$33 million |
| Pearson | <ul style="list-style-type: none"> • eCollege.com for \$538 million |
| PopSugar (blog startup backed by Sequoia Capital and NBC) | <ul style="list-style-type: none"> • ShopStyle (social shopping site) |
| Rackspace (Texas based webhost) | <ul style="list-style-type: none"> • Webmail (email provider) |
| RealNetworks | <ul style="list-style-type: none"> • Sony NetServices from Sony for \$9 million |
| Scripps | <ul style="list-style-type: none"> • Recipezaar for \$25 million • Incando/Pickle.com (photo and video sharing) for \$4.1 million |
| Thomson Corporation | <ul style="list-style-type: none"> • Plans to acquire Reuters for \$17.7 billion. The deal is presently under scrutiny by EU regulators. |
| Universal Music/Vivendi SA | <ul style="list-style-type: none"> • Undisclosed stake in Loud.com (online music site) for undisclosed sum |
| Vivendi | <ul style="list-style-type: none"> • Wanako Games |
| WPP | <ul style="list-style-type: none"> • 24/7 Real Media (Internet advertising) for \$649 million |
| Yahoo! | <ul style="list-style-type: none"> • Rivals.com (college sports website) • RightMedia, an online ad company in which it had already held a 20% stake; Yahoo! Purchased the remaining 80% for \$680 million • Zimbra (email provider with relationship to Comcast) for \$350 million • MyBlogLog (blogger community networker) • BuzzTracker (aggregator) • BlueLithium (online advertising) for \$300 million |
| 2005-2006 (<\$1 billion) | |
| CNET | <ul style="list-style-type: none"> • Arts-Culinaire.com (French cooking website) |
| Condé Nast | <ul style="list-style-type: none"> • Wired News (from Lycos, who had acquired it as part of the \$83million purchase of Wired Digital in 1998. Condé Nast bought Wired News for \$25 million) • Reddit (web based news aggregator) |
| EMAP (2005) | <ul style="list-style-type: none"> • WorthGlobalStyle (fashion portal) |
| DMGT (2005) | <ul style="list-style-type: none"> • Fastcrop (Primelocation.com) for £48million |
| DMGT (2006) | <ul style="list-style-type: none"> • Allegan (dating portals GirlsDateForFree, DatesForParents.com and LoopyLove.com) for £46.5million • 62.5% of Data Media & Retail (Carsource.co.uk) |
| DowJones (2005) | <ul style="list-style-type: none"> • MarketWatch.com for \$519 million |
| John Fairfax (2005) | <ul style="list-style-type: none"> • RSVP.com.au (online dating) for \$38 million |
| John Fairfax (2006) | <ul style="list-style-type: none"> • TradeMe for \$625 million |
| Google (2005) | <ul style="list-style-type: none"> • Android (mobile phone technology startup) • Dodgeball (social networking) • 2WebTechnologies • PhatBits • ReqWireless • Current Communications Group for approx. \$100 million • Skia (graphics software) • Akwan IT (Latin American Internet ops) |
| Google (2006) | <ul style="list-style-type: none"> • Measuremap (a "flash and ajax application that monitors blog traffic and analytics") • Endoxon (Swiss web-based geo-information services) for \$28 million • JotSpot (wiki technology firm) • Neven Vision (mobile photo search technology) • dMarc Broadcasting (radio advertising) for near \$1 billion • Upstartle (web based word processing) • @Last (3D modelling software) • Orion (advanced search method) • GTalkr (web based flash IM) • Adscape • TrendAnalyzer • GreenBorder (desktop security) |

| | |
|------------------------|---|
| | <ul style="list-style-type: none"> • Marratech (video conferencing) |
| Hearst | <ul style="list-style-type: none"> • Netdoctor (UK consumer health site) |
| IDC | <ul style="list-style-type: none"> • Quote.com (from Lycos) for \$30 million |
| ITV | <ul style="list-style-type: none"> • Friends Reunited for £120 million |
| Microsoft (2005) | <ul style="list-style-type: none"> • Sibari Software (security) • Groove Networks • MessageCast • Teleo (VoIP) • MotionBridge (mobile search technology) |
| Microsoft (2006) | <ul style="list-style-type: none"> • Aptimum • Onfolio • ProClarity Corp • Whale Communications • Massive (Game advertising) • Softricity • Winternals • Azyxxi • DesktopStandard • ScreenTonic (mobile advertising service) |
| NBC Universal | <ul style="list-style-type: none"> • iVillage (network of women's websites) for \$600 million |
| New York Times Company | <ul style="list-style-type: none"> • About.com (information website) bought from Primedia for \$410 million • Blogrunner • Indeed.com • FM Publishing |
| NewsCorp (2005) | <ul style="list-style-type: none"> • IGN Entertainment, for in \$650 million. IGN had only recently purchased GameSpy, Rotten Tomatoes, Team Xbox, and AskMen.com • Intermix/MySpace (social networking), for \$580 million • Propertyfinder.com for \$25 million • Easynet (UK broadband) bought by BSKYB for £211 million |
| NewsCorp (2006) | <ul style="list-style-type: none"> • kSolo (online karaoke) • Newsroo (a meme tracker) • 51% of Jamba for \$188 million • 365 Media Group, (online sports info) bought by BSKYB for £96 million |
| Readers Digest (2006) | <ul style="list-style-type: none"> • AllRecipes.com for \$66 million |
| Scripps (2005) | <ul style="list-style-type: none"> • Shopzilla (online shopping) for \$525 million |
| Scripps (2006) | <ul style="list-style-type: none"> • uSwitch/UpMyStreet (comparison shopping and retailer locator sites) for \$366 million |
| Sony (2006) | <ul style="list-style-type: none"> • Grouper (online video) for \$65 million |
| Viacom (2005) | <ul style="list-style-type: none"> • Neopets for \$160 million |
| Viacom (2006) | <ul style="list-style-type: none"> • Atom Entertainment (video online) for \$200 million • Quizilla (teen social network) • Xfire (online gaming community) for \$100 million • Y2M: Youth Media & Marketing Networks (publisher of 450 online college newspapers) |
| Yahoo! (2005) | <ul style="list-style-type: none"> • Ludicorp/Flickr (photosharing) • del.icio.us (social bookmarking network) • Verdisoft (software) for \$93 million • Stadeon (gaming technology) • teRespondo (Brazilian online advertising) • Dialpad • Blo.gs • Konfabulator • 46% of Alibaba (Chinese ecommerce site) • Upcoming.org (web based social event calendar) |
| Yahoo! (2006) | <ul style="list-style-type: none"> • Searchfox • WebJay • Medio • Gmarket • Jumpcut.com • AdInterax • Kenetworks for \$20 million • Bix.com (social media) |

Source: EBU

Appendix D

1. File Sharing P2Ps

File sharing networks

| File sharing P2Ps | | | |
|------------------------------|--|----------------------------|---------------------------|
| Name | Network | Anonymity | Link system compatibility |
| Acquisition | Gnutella, BitTorrent | No | magnet |
| aMule | ad Network | No | ed2k |
| ANts P2P | ANts | Yes | ed2k |
| Ares Galaxy | Ares, BitTorrent | No | |
| Azureus | BitTorrent | No (except when using I2P) | magnet |
| BearShare | Gnutella | No | ed2k, magnet |
| BitComet | BitTorrent | No | No |
| BitTornado | BitTorrent | No | No |
| BitTorrent client | BitTorrent | No | No |
| Cabos | Gnutella | No | magnet |
| DC++ | Direct Connect | No | magnet |
| eDonkey2000 | eDonkey, Overnet | No | ed2k |
| eMule | eDonkey, Kad Network | No | ed2k |
| Freenet | Freenet | Yes | No |
| FrostWire | Gnutella, BitTorrent | No | magnet |
| giFT | OpenFT and, with plugins, Ares, Gnutella and FastTrack | No | No |
| Giga-tribe | Private | Yes | No |
| Gnucleus | Gnutella, Gnutella2 | No | No |
| GNUnet | GNUnet | Yes | No |
| gtk-gnutella | Gnutella | No | magnet |
| iMesh | FastTrack, Gnutella, Gnutella2 | No | No |
| Kazaa | FastTrack | No | No |
| Kazaa Lite | FastTrack | No | No |
| KCeasy | Ares, Gnutella, FastTrack and OpenFT | No | No |
| LimeWire | Gnutella | No | magnet |
| MLDonkey | BitTorrent, eDonkey, FastTrack, Gnutella, Gnutella2, Kad Network | No | ed2k |
| MonoTorrent (Client Library) | BitTorrent | No | No |
| Morpheus | NEOnet, Gnutella, Gnutella2, BitTorrent | No | |
| MUTE | MUTE | Yes | No |
| Nodezilla | Private | Yes | No |
| Opera (Internet suite) | BitTorrent | No | No |
| Qbittorrent | BitTorrent | No | No |
| RShare | RShare | Yes | No |
| Share | Share | Yes | No |
| Shareaza | eDonkey, BitTorrent, Gnutella, Gnutella2 | No | ed2k, magnet |
| Soulseek | Soulseek | No | No |
| Transmission | BitTorrent | No | No |
| TrustyFiles | eDonkey, Overnet, Gnutella, Gnutella2, FastTrack, BitTorrent | No | ed2k |
| µTorrent | BitTorrent | No | No |
| Verosee | Private | No | No |
| Warez P2P | iP2P DHT | No | No |
| WinMX | WinMX Peer Network [independent, now user-operated], OpenNAP, chat rooms | No | No |
| Winny | Winny | Yes | No |

Source: EBU

File sharing networks

| File sharing P2Ps | | | |
|---------------------------------|----------------------------------|---|--------------------------------------|
| Name | Price | Platform/Program-ming Language | License |
| Acquisition | Nagware/US\$17.99 | Mac OS X /ObjC, Java | GPL |
| aMule | Free | Microsoft Windows, Unix-like, Mac OS X/ C++ | GPL |
| ANts P2P | Free | Microsoft Windows, Unix-like, Mac OS X/Java | GPL |
| Ares Galaxy | Free | Microsoft Windows/Delphi | GPL |
| Azureus | Free | Microsoft Windows, Unix-like, Mac OS X/Java | GPL |
| BearShare | Free/US\$3.29 per month | Microsoft Windows/C++ | Closed source |
| BitComet | Free | Microsoft Windows/C++ | Closed source |
| BitTornado | Free | Microsoft Windows, Unix-like, Mac OS X/Python | Open Source |
| BitTorrent client | Free | Microsoft Windows, Unix-like, Mac OS X/Python | BitTorrent Open Source License |
| Cabos | Free | Microsoft Windows, Mac OS X/Java, RealBasic | GPL |
| DC++ | Free | Microsoft Windows/C++ | GPL |
| eDonkey2000 | Free/US\$19.95 | Microsoft Windows, Unix-like, Mac OS X/C++ | Closed source |
| eMule | Free | Microsoft Windows/C++ | GPL |
| Freenet | Free | Microsoft Windows, Unix-like, Mac OS X/Java | GPL |
| FrostWire | Free | Microsoft Windows Unix-like, Mac OS X/Java | GPL |
| giFT | Free | Microsoft Windows, Unix-like, Mac OS X/C | GPL |
| Giga-tribe | Free | Microsoft Windows/C++ | Closed source |
| Gnucleus | Free | Microsoft Windows/C++ | GPL |
| GNUnet | Free | Microsoft Windows, Unix-like, Mac OS X/C | GPL |
| gtk-gnutella | Free | Unix-like/C | GPL |
| iMesh | Free | Microsoft Windows/C++ | Closed source |
| Kazaa | Free | Microsoft Windows/C++ | Closed source |
| Kazaa Lite | Free | Microsoft Windows | Closed source |
| KCeasy | Free | Microsoft Windows/C++, Delphi | GPL |
| LimeWire | Free/US\$18.88 | Microsoft Windows, Unix-like, Mac OS X/Java | GPL |
| MLDonkey | Free | Microsoft Windows, Unix-like, Mac OS X/O Camel | GPL |
| MonoTorrent (Client Library) | Free | Microsoft Windows, Unix-like, Mac OS X/C++ | MIT/X11 |
| Morpheus | Free/US\$19.95 | Microsoft Windows | Closed source |
| MUTE | Donation | Microsoft Windows, Linux | GPL |
| Nodezilla | Free | Microsoft Windows, Unix-like/Java | GPL |
| Opera (Internet suite) | Free | Microsoft Windows, Unix-like, Mac OS X | Closed source |
| Qbittorrent | Free | Unix-like, Solaris/C++ | GPL |
| RShare | Free | Microsoft Windows/C# | GPL |
| Share | Free | Microsoft Windows/Delphi | Closed source |
| Shareaza | Free | Microsoft Windows/C++ | GPL |
| Soulseek | Free/Donations for privileges | Microsoft Windows | Closed source |
| Transmission | Free | Mac OS X, Unix-like, BeOS/ C, ObjC | MIT |
| TrustyFiles | Free/US\$29 | Microsoft Windows | Closed source |
| µTorrent | Free | Microsoft Windows/C++ | Closed source |
| Verosee | Free | Microsoft Windows, Linux/Java | Proprietary |
| WareZ P2P | Free/US\$19.99 | Microsoft Windows | Closed source |
| WinMX | Free | Microsoft Windows/C++ | Closed source |
| Winny | Free | Microsoft Window/C++ | Closed source |

Source: EBU