

MEDIA TRENDS – Q2 2012

Over the past quarter there has been a significant change in the Australian subscription TV (STV) environment with the completed merger transaction between FOXTEL and AUSTAR. The new national FOXTEL service is gearing up to roll out organisational and product changes over the coming months. Even with continued economic uncertainty, positive subscriber growth, declining churn and increased ARPU was experienced by cable and satellite broadcasters in the United States (US) and United Kingdom (UK).

New digital video recorders and features will create innovative viewer experiences and drive developments in audience engagement. The new TiVo box that will be part of the Virgin Media (UK) offering will allow users to view video from the multichannel subscription service on tablet devices and phones. In Australia, FOXTEL's offering on Xbox360 is now available with Kinect's gesture control and the launch of the FOXTEL catch up service, On Demand, also extends the subscriber experience.

The upcoming London Olympic Games will see FOXTEL viewers offered 3,200 hours of coverage including 1,100 hours of live coverage during the games. Channel 9 has been granted a trial license to broadcast the Olympics in 3D in several cities. 3D broadcasting will be available in the US via NBC and the BBC in the UK is also offering 3D while ensuring that content is available on PC's, mobile, tablets and connected TV's.

A number of significant policy and regulatory developments occurred in Australia while the release of the Communications green paper in the UK has been delayed due to the current Leveson inquiry.

Nielsen reports that TV continues to hold the majority of viewers' time and ad spend in the US. A report released by OzTAM in Australia also supports the strength of television by noting that while there has been growth in multiple devices, 96% of all video viewing is still via the conventional TV set.

STV DEVELOPMENTS

UNITED KINGDOM

BSkyB reports Q3 revenue up 5% to £5.1bn for the nine months ended 31 March 2012

BSkyB reported that revenue grew by 5% while customer pricing remained steady. 78,000 net households were added in the first 3 months of 2012 bringing total households to 10.6m. At 10.1% churn was slightly lower than the previous year. 159,000 existing customers also added HD services to their packages bringing total HD customers to 4.2 million.ⁱ

Virgin Media revenue up 2.4% to £1.0bn for Q1 2012 with customer additions and improved churn

Virgin Media reported that financial performance was in line with expectations with revenue up 2.4% to £1.0bn for Q1 2012. Net cable customer additions of 21,200 reflecting improved churn. Cable ARPU was up 1.7% to £46.95 and the TiVO customer base increased by 242,000 to 677,100.ⁱⁱ TiVO customers now make up 18% of the TV base.

AUSTRALIA

FOXTEL and AUSTAR complete merger transaction to create national subscription TV service

On 25 May 2012 FOXTEL announced that the merger transaction between FOXTEL and AUSTAR was complete. The new FOXTEL will service 2.2 million subscriber homes and directly employ 2,500 people. FOXTEL noted that details of organisational and product changes will be made available once finalised. The new national company will be called FOXTEL.ⁱⁱⁱ

UNITED STATES

Time Warner Q1 2012 revenue increased by 6.4% from Q1 2011 to \$5.1bn

Time Warner announced that residential services revenues increased 4.1% year on year to \$4.4bn. Advertising revenue also increased 7.1% to \$211 million and other revenue grew 3.4% to \$61m. The acquisition of Insight Communications Company, Inc on 29 February 2012 was noted as having a positive impact of Q1 results.^{iv}

DIRECTV reports first quarter record net additions of 10% in Q1 2012

DIRECTV Latin America has set all-time records for gross and net additions with 1.0 million and 593,000 respectively in Q1 2012. DIRECTV US added 81,000 new subscribers and churn dropped 6 basis points to 1.44%. Revenue growth was 12% to \$7.05bn driven by strong subscriber growth and 3.6% high ARPU at DIRECTV US.^v

DISTRIBUTION TRENDS

UNITED KINGDOM

New TiVo box that streams to tablets, notebooks and smartphones to be part of Virgin Media offering

At the recent Cable Show in the US TiVo showcased a new digital video recorder that enables users to view video from their

multichannel subscription service on devices including the iPad and iPhone. The product is similar to EchoStar's Slingbox but it allows program downloads to multiple devices without disrupting living room viewing. It was reported that Virgin intends to offer the service towards the end of 2012.^{vi}

Social TV app Zeebox 'Shout Out' feature promotes live TV viewing among friends

The new feature enables viewers to react to what they are seeing on TV by instantly commenting via Zeebox, Twitter or Facebook. Another new feature includes group chat that allows groups to discuss what they are watching via Zeebox. The company also recently formed a partnership with ShowCaster to deliver live video shows through the Zeebox app. Zeebox signed a major deal with BskyB in January 2012.^{vii}

AUSTRALIA

In an Australian broadcasting first FOXTEL and Kinect bring gesture control to Xbox

Kinect and FOXTEL announced that consumers with Xbox 360's can now navigate through the new-look user interface and locate sports, movies and TV shows with simple voice commands or the wave of a hand. Consumers can pause, play, fast forward and stop, as well as browse through menu items. FOXTEL is the first broadcaster to provide Australians with voice and gesture control.^{viii}

FOXTEL catch-up service allows subscribers to access hundreds of hours of on-demand programming

The new catch up service will be available to FOXTEL customers who connect their IP connected FOXTEL iQ or iQHD box to the internet. Subscribers who connect to the new service will be able to access 50 FOXTEL channels providing content each week.

Programs will be downloaded to a subscriber's planner from midnight on the day of broadcast. Once in the planner, the program can be watched an unlimited number of times in a 28-day period.^{ix}

UNITED STATES

Indie VOD service SnagFilms signs deal with iNDemand and Dish Network

The SnagFilms deal will put its pay per view programming service in 90% of the nearly 60 million VOD-capable homes in the US. SnagFilms has also signed a deal with Sony's video portal Crackle and has plans to launch a player app for Vizio smart TV's. The Vizio deal will expand the earlier release of player apps on Sony and Panasonic smart TV's as well as blue-ray player apps.^x

INNOVATION A FOCUS ON THE 2012 OLYMPICS

It is estimated that the London Olympics commencing 27 July 2012 will be watched by a global audience of four billion. The growth of online and social media that has followed since the Beijing games of 2008 means that coverage of the games will also extend beyond traditional broadcasting in new and exciting ways.

FOXTEL will provide customers with over 3,200 hours of coverage, including 1,100 hours of live coverage throughout the 17 days of the games. Eight new channels will be available to sports subscribers free of charge in both high definition and standard definition. For the first time ever FOXTEL subscribers will be able to see every single gold medal event live and in full.^{xi}

In the United States NBC has increased its Olympic coverage by 50 hours more than the Beijing games. It will broadcast 272.5 hours of the London Olympics. In addition,

they have teamed up with YouTube and NBCOlympics.com and will stream every event online for the first time, totaling 5,535 hours of coverage.

Panasonic and the NBC Sports Group will make 3D coverage of the Olympic Games available to all US distributors who carry Olympic coverage on cable, satellite and broadcast.^{xii}

NBC Universal has commissioned Google and research company comScore to develop audience measurement tools that will measure viewership across broadcast, cable, internet and mobile.^{xiii}

The BBC (UK) has developed a range of Olympic innovations that mean audiences can view content across PC, mobile, tablet and connected TV's. Selected highlights will also be available in 3D. Flagship Olympic broadcasting will appear on BBC One and BBC Three and the BBC Sport website will stream live HD video with chapter markers that enable navigation to key moments. Through the site, audiences will also be able to click and follow every athlete, sport, event and country and receive live updates, Twitter visualisations and comments across social media.^{xiv}

Sky reached an agreement with the BBC that means more than 10 million Sky homes will receive the BBC channels dedicated live coverage of the games. In addition, more than 5 million Sky homes with Sky+HD will be able to watch the games in HD. The 48 new channels which are being created for the Olympics will launch into Sky's EPG enabling viewers to watch 2,500 hours of live BBC coverage throughout the games.^{xv}

The International Olympic Committee has been working with social networking companies and a tie-in with Foursquare will encourage users to log visits to stadiums, training venues and other areas as a way of

integrating social media into the Olympic fan experience.^{xvi}

It has been reported in the Financial Times that public trials will start this week for YouView, the UK's connected TV platform. This appears to confirm that the platform will miss its launch deadline of the London 2012 Olympics.^{xvii}

NEW DEVELOPMENTS IN PROGRAMMING

UNITED KINGDOM

Box TV launches the entertainment, news and music channel 'Heat'

Box TV is launching a new celebrity news and music TV channel, which will appear on Sky and Virgin from July 3rd. The launch of the channel will see the 'Heat' magazine brand move into broadcasting. The channel will reflect the tone of the popular magazine, website and radio station and it aims to become the number one source of celebrity entertainment news and music on UK TV.^{xviii}

AUSTRALIA

AUSTAR-FOXTEL merger expected to bring changes to programming for Australian audiences

The AUSTAR-FOXTEL merger is expected to bring additional changes to programming with the incorporation of prolific Australian content producer XYZnetworks now operating under FOXTEL.

Discovery Channel, National Geographic Channel, Nat Geo Wild and MTV Live will be available to AUSTAR subscribers in high definition (HD) for the first time. Eurosportnews is moving into the Starter Pack and MTV Hits and MTV Live will be added to the Fun Option.

FOXTEL customers will receive two new 24 hour English language news channels, Al Jazeera and CCTV News. W and TCM will also move to the FOXTEL Get Started package.

UNITED STATES

Amazon.com expands development efforts into comedy and children's series

Amazon's content development division, Amazon Studios has invited series creators to upload their proposals for comedy and children's programming to Amazon Studios. Each month Amazon Studios intends to option one promising project and add it to the development slate and test it for audience viability. If the project is picked up the creator will receive a \$55,000 payment and up to 5% of Amazon's net receipts from toy and t-shirt licensing and other royalties and bonuses.^{xix}

REGULATORY DEVELOPMENTS

AUSTRALIA

Convergence Review final report handed to Government

The Convergence Review final report was handed to the Australian Government on 30 March 2012. The review contained a number of significant recommendations and the Government has indicated that they will respond to the report in due course.^{xx}

Independent Media Inquiry into the Media and Regulation released by Government

The Independent Media Inquiry reported to Government on 28 February 2012. The report was provided to the Convergence Review Committee who subsequently

considered its findings as part of the Convergence review. The inquiry recommended the establishment of a 'News Media Council to set journalistic standards for the news media in consultation with the industry, and handle complaints made by the public when those standards are breached.' Print, radio, television and online platforms would be involved.^{xxi}

Subscription TV to increase captioning over next 3 years

The Australian Human Rights Commission and ASTRA have reached an agreement on captioning levels. Captioning will increase over the next 3 years. Some subscription movie channels captioning levels will increase from 55% to 75%, general entertainment from 35% to 55% and sports channels 5% to 15%.^{xxii}

UNITED KINGDOM

Ofcom taking applications for local channels

Ofcom has starting taking applications for 21 local channels that will be launched across the UK. The 21 channels cover cities such as Bristol, Edinburgh, Glasgow, Manchester, Leeds and Birmingham. Applications close on 13 August with the winners announced later in the year.^{xxiii}

Release of Communications green paper delayed

It has been reported that plans to release a Communications Green paper have been delayed to allow for Jeremy Hunt, the UK culture secretary to give evidence to the Leveson inquiry into media ethics.^{xxiv}

UNITED STATES

FCC changes rules about TV white spaces

The FCC has announced that they will support the use of white spaces technology for broadband delivery in rural areas. It has been reported that the plan to utilise the TV white spaces are part of the Government's mandate to connect rural, underserved populations, and by the limits of available wireless spectrum.^{xxv}

ADVERTISING

Nielsen reports that TV continues to hold the majority of viewers' time and ad spend

Nielsen's State of the Media: Advertising & Audiences Report revealed that American advertisers and consumers continue to turn to television in terms of media time and advertising dollars. The following points highlight the findings:

- Cable TV spending increased steadily over the past few years up 42% from 2007.
- The automotive industry was the biggest spender at \$10.2 billion in 2011 which is more than twice as much as quick-service restaurants who are the second biggest spenders.
- The average TV commercial in 2011 was 28.4 seconds.^{xxvi}

MultiChannel Network (MCN) launches interactive AFL POWERADE poll

MCN have launched a new interactive voting poll that allows AFL fans to share their opinions LIVE during selected Saturday matches on FOX FOOTY. Initiated by MCN, the POWERADE POLL is a first for FOX FOOTY and POWERADE. AFL fans are able to access the voting poll via their iPhone, Android, tablet or PC at poweradefooty.com.au.^{xxvii}

TIPS & TRENDS

- NBCUniversal and CBS have filed separate federal lawsuits against Dish Network. They joined Fox in claiming the new 'AutoHop' digital recorder released by Dish infringes on their copyrights by deleting their commercials.^{xxviii}
- ABI Research has reported that by 2014 global shipments of core home networking equipment will exceed 1 billion units.^{xxix}
- The BBC iPlayer application will shortly launch on Microsoft's platform.
- The reality series King Cross ER has been sold to the US Discovery Channel.
- Samsung will produce a SmartTV with an in-built FOXTEL app which can be accessed for movies, sports, and television from the Foxtel service, via IP.^{xxx}
- OzTAM, Nielsen and Regional Tam's Multi-Screen Report for Q1 reports that an estimated 15% of Australian households now own at least one tablet device. Viewing of any video on PCs, smartphones and tablets is rapidly growing but 96% of all video viewing is still via the conventional TV set.

Viewing on conventional TV's is strong with time spent rising 1.2% year on year.^{xxxi}

- It has been reported that Australian ISP Primus plans to offer an IPTV service in the coming months.^{xxxii}
- The ACMA has given approval for a trial license for Channel 9 to broadcast the Olympics in 3D in Adelaide, Brisbane, Gold Coast, Melbourne, Perth and Sydney from 16 July 2012.
- Cisco has released a report that predicts there will be 1.5bn viewers of online video by 2016, up from 792mn in 2011. The report also predicts that by 2016 video traffic via the TV will account for over 6 percent of global consumer Internet traffic.^{xxxiii}

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