

## MEDIA TRENDS – Q3 2012

This quarter subscription TV providers continue to report full and half year revenue increases. BSKyB and Virgin Media both reported solid customer additions and Time Warner Cable reported that US advertising earnings increased by nearly 18%. Exciting new products and services continue to be released to the marketplace including Sky's NOW TV internet TV service and Foxtel's Smart TV app on Samsung Smart TVs.

The Australian High Court ruled out an appeal by Optus who sought to review a ruling of the full bench of the Federal Court about its TV Now service which would have facilitated streaming of near on-demand content to mobile devices and computers.

A focus on simultaneous use of second screens highlights the growth of consumer interaction with smartphones and tablet devices while watching television programs. A recent study in the United Kingdom points to greater engagement from viewers who use devices to talk about programs rather than directly interact with them. A focus on Australian audiences reveals some relevant statistics about online activities while watching TV that will ultimately shape business practice.

A study by Deloitte highlights that in the UK television advertising is still considered the most effective advertising medium, while the recent Telstra and Multi-channel Network (MCN) deal points to greater acknowledgement of cross platform opportunities.

While the UK continues to consult on various elements of Ofcom's draft anti-piracy code the Australian Law Reform Commission has released the Terms of Reference for the Copyright inquiry that takes into consideration issues associated with the digital environment.

## STV DEVELOPMENTS

### UNITED KINGDOM

#### **BSkyB reports 4.5% revenue increase for the twelve months to 30 June 2012**

BSkyB has reported revenue was up 4.5% to £6.791 billion on a like for like basis. Record adjusted operating profit of £1.223 billion, up 14% with continued margin expansion to reach 18% which is the highest level in 2 years. Total products increased by 12% to reach 28.4 million and a 312,000 customer increase was reported on the prior year reaching 10.6 million customers. Full year dividend increased by 9% to 25.4 pence per share.<sup>i</sup>

#### **Virgin Media reports revenue up 3.3% to £2,033m for half year ended 30 June 2012**

Virgin media also reported ongoing improvement of the customer based mix in Q2 that included TIVO customer base increases of 261,700 to 938,800. That customer base subsequently increased to 1.3M as at 24 July 2012. Virgin also reported 37,800 increase in the paying TV base and the superfast broadband base increased by 459,800 to 1.3m. Cable customer gross additions were up 7.0%, disconnections down 4.6% and churn at 1.4%.<sup>ii</sup>

## **AUSTRALIA**

### **Foxtel announces solid progress on Austar integration and solid growth for FY 30 June 2012**

Foxtel has reported that following the completion of Austar's acquisition on 23<sup>rd</sup> May 2012 the company has finalised appointments in the new organisation, closed the Austar head office and moved to a single brand delivering annualised savings in excess of \$40m. Foxtel's revenue for the y/e 30 June 2012 was up by almost 4% to 2.2bn. Penetration of Foxtel's iQ HD service increased significantly from 31% to 42% and over 80% of subscribers are now taking the Sport tier. Despite difficult consumer circumstances subscribers grew by 1.3%. Foxtel's underlying earnings before EDITDA was \$598m.<sup>iii</sup>

### **London 2012 Olympic broadcasts break ratings records for FOXTEL**

FOXTEL has reported that their eight dedicated London 2012 Olympics channels have broken ratings records. On a Sunday night a peak audience of 1.273 million tuned in at 8.20 pm to watch the games. This figure is the highest recorded audience of any broadcast since Foxtel was launched 17 years ago. Foxtel also reported that their tablet app had been downloaded 153,000 times as of 14 August 2012.<sup>iv</sup>

### **High Court rules out Optus TVNow appeal**

On Friday 7 September the High Court denied Optus leave to appeal against a Federal Court decision that found its TV Now service breached broadcast agreements between Telstra, the NRL and AFL. The Optus TV Now service, which streamed near on-demand content to mobile devices and computers, will now be permanently shelved.<sup>v</sup>

## **UNITED STATES**

### **DIRECTV revenues grow 9% to \$7.22 billion for Q2 2012**

DIRECTV has announced that revenue increases were driven by strong DIRECTV Latin America subscriber growth coupled with 4.2% higher ARPU at DIRECTV US. DIRECTV US also delivered the highest operating profit before depreciation and amortisation growth in two years to 10%. Q2 net income increased 1% to \$711 million and diluted earnings per share grew 20% in comparison to the same period last year.<sup>vi</sup>

### **Time Warner Cable reports 9% revenue growth for Q2 2012**

Time Warner has reported that revenues for Q2 2012 increased 9.3% from Q2 2011 to \$5.4 billion. Residential services revenues increased 7.4% to \$4.6 billion and business services revenues grew by 28.5% to \$464 million. Advertising revenue increased 17.8% to \$265 million.<sup>vii</sup>

## **DISTRIBUTION TRENDS**

### **UNITED KINGDOM**

#### **Sky launches NOW TV internet TV service**

Sky has launched a new internet service called NOW TV. The new internet TV service provides people with a commitment-free way to enjoy movies, instantly. From 17 July 2012, NOW TV will open up more choice for consumers by making Sky Movies – followed later this year by Sky Sports - available across a wide range of internet-connected devices.

In announcing the device, Sky notes that 'building on the increasing popularity of watching TV over the internet, NOW TV will offer access to Sky Movies – the UK's most popular subscription movies service – in a new way. It is easy, flexible and great

value – with no contract, set-up costs or installation'.<sup>viii</sup>

### **HBO UK teams up with Blinkbox**

HBO Home Entertainment UK has teamed up with Blinkbox to offer UK consumers the opportunity to purchase the second seasons of programs HBO productions such as Game of Thrones and Boardwalk Empire via Blinkbox's digital movie service ahead of their DVD and Blu-ray release. The programs became available via Blinkbox from 13 August.<sup>ix</sup>

## **AUSTRALIA**

### **Foxtel launches on selected Samsung Smart TV's**

FOXTEL has announced a partnership with Samsung to stream up to 30 premium channels to Samsung Smart TVs. Foxtel on Internet TV allows owners of compatible Samsung Smart TVs to watch up to 30 linear Foxtel channels including FOX8, Discovery, FOOTY PLAY powered by FOX Sports, showcase, ESPN, Cartoon Network and other leading channel brands without the need for a lock-in contract or Foxtel set-top-box installation.<sup>x</sup>

### **Netflix reaches 1 million viewers in the UK and Ireland**

Netflix has announced that they have reached one million subscribers following their UK launch seven months ago. Netflix has also announced they will provide their video on demand services to Sweden, Norway, Denmark and Finland by the end of 2012.<sup>xi</sup>

## **UNITED STATES**

### **Comcast subsidiary 'thePlatform' announces the development of new video commerce platform**

IPTV news has reported that Comcast subsidiary, thePlatform 'has developed a

new video commerce platform that adds a layer of control over how video service providers package, market and monetise their expanding library of video content'. The new solution can configure season passes for TV shows, movie bundles or create promotions based on actors, directors or specific content categories.<sup>xii</sup>

## INNOVATION A FOCUS ON 'SECOND SCREENS'

While television viewership continues to rise in many countries, the proliferation of devices means that viewership of the television screen is now conducted in conjunction with the simultaneous use of another devices; usually smartphones or tablets.

Recent research published in the United Kingdom by Deloitte and GfK reveals that nearly 24% of consumers use devices like laptops, smartphones and tablets while they are in front of the TV.

Research highlighted that while 20% of 16-24 year olds frequently messaged and used social media to discuss programs they were watching on TV, 79% of respondents 55 years old or above 'never' participated in this activity.

In terms of engagement, Paul Lee, Deloitte's director of technology, media and telecommunications research noted that 'second screening's impact is far greater in driving conversations about a programme, as opposed to interaction with it'.<sup>xiii</sup>

The UK research builds on the Q4 2011 Nielsen survey of tablet and smartphone use while watching TV that was published in June 2012. This study revealed that in the US, 88% of tablet owners and 86% of smartphone owners said they used their

device while watching TV at least once during a 30 day period.

The study found that the most frequent tablet or smartphone activity across the US, UK, Italy and Germany was checking emails during a commercial break or during the show. Yet device owners also seem to engage with content related to the TV as well, either by looking up information related to the show or looking for deals and general information on products advertised on TV'.<sup>xiv</sup>

At the recent ASTRA Spotlight event Evan Manolis from Samsung highlighted that Australian audiences conducted a number of online activities when watching TV most or all the time. He noted that 45% of people read messages or communicated with others online, 21% read messages or communicated with others online about the TV program, 27% search/browse for products and services in general, while 11% search/browse for products/services advertised during the TV program, 21% access other online entertainment content in general (unrelated to the current TV program) and 12% access online content related to the program.

There is a significant amount of interest from content producers, platform providers and advertisers in terms of developing strategies that capitalise on second screen engagement. The recent Telstra and MCN partnership provides just one example.

## NEW DEVELOPMENTS IN PROGRAMMING

### UNITED KINGDOM

#### **BSkyB to establish distribution arm for original content**

BSkyB has announced that it has acquired Parthenon Media Group and will establish its

own distribution arm to market international content rights. BSkyB said that the new in-house model will help generate additional revenues from Sky's content investment from the sale of overseas rights, which will enable Sky to reinvest even more in the U.K.'s creative economy, for the benefit of customers and content makers alike'.<sup>xv</sup>

### AUSTRALIA

#### **Foxtel and FOX SPORTS secure NRL rights till 2018 in partnership with Nine Network**

FOX SPORTS will remain the subscription television broadcaster of the National Rugby League after announcing a new five-year broadcast agreement with the Australian Rugby League Commission in partnership with the Nine Network. FOX SPORTS will continue its 'FIVE LIVE' NRL offering for the next five seasons with up to five matches to screen exclusively live from season 2013 through 2017 inclusive.

Under the agreement, FOX SPORTS will continue its live coverage of *Monday Night Football* and *Super Saturday* and introduce a regular prime time Sunday night fixture to increase its NRL Sunday coverage to two live matches.

All matches on FOX SPORTS will be broadcast in High Definition, with no ad breaks during play. In a major coup for fans, FOX SPORTS has also acquired digital rights to stream its five live weekly matches via IPTV and tablet devices.<sup>xvi</sup>

#### **The Ultimate Fighter Australia vs UK – The Smashes to debut on FX**

Dubbed The Smashes, a play on the nations' 130 year old cricket rivalry, this version of The Ultimate Fighter® is the first to offer mixed martial artists exclusively from Australia and the UK the opportunity to secure a lucrative

contract with the world's pre-eminent mixed martial arts (MMA) organisation.<sup>xvii</sup> The FX production is part of a two year exclusive partnership with the Ultimate Fighting Championship (UFC), across FUEL TV, FOX SPORTS, FX and Main Event.

### **Foxtel Express from the US**

From September FOX8 will kick off its hottest new and returning programming express from the US, giving viewers the opportunity to watch their favourite series within a week of the episode being screened in the US.

The blockbuster sci fi drama *Revolution*, from producer JJ Abrams, and the highly anticipated *666 Park Avenue*, starring Australian actress Rachael Taylor, make their Australian debuts on FOX8.<sup>xviii</sup> Express from the US will be seen across all channels on the Foxtel platform to denote new exclusive series which will be shown within a week of their US premiere.

### **UNITED STATES**

#### **New sci-fi project for JJ Abrams and JH Wyman in partnership with FOX**

FOX is partnering with JJ Abrams and JH Wyman for the pilot-production of a futuristic and action packed cop drama about LAPD officers who are partnered with humanlike androids.<sup>xix</sup>

#### **Diva.Clown.Killer script development deal finalised with FX**

Cynopsis has reported that Kurt Sutter, the creator and EP on *Sons of Anarchy* has finalised a script development deal with FX to write a half hour comedy titled *Diva.Clown.Killer*. The plot surrounds an 80's rock diva and her dysfunctional son who is a kid's party clown and assassin. It is reported that the comedy may also star *Sons of Anarchy* Star Katey Sagal.<sup>xx</sup>

#### **DIRECTV's 'Something to Talk About' debuts in October**

DIRECTV will exclusively screen a new series of documentary films in association with Brainstorm Media under the banner of *Something to Talk About*. The 12 part series begins with the *Battle for Brooklyn* during October and then *Big Boys Gone Bananas* on December 1 2012.<sup>xxi</sup>

## **REGULATORY DEVELOPMENTS**

### **AUSTRALIA**

#### **Australian Law Reform Commission (ALRC) Inquiry: Copyright and the Digital Economy inquiry**

The ALRC has released the Terms of Reference for the Copyright Inquiry. The ALRC will consider whether exceptions and statutory licenses in the *Copyright Act 1968* are adequate and appropriate in a digital environment. The issues paper will help frame discussion with submissions closing on 16 November 2012.<sup>xxii</sup>

### **UNITED KINGDOM**

#### **Consultation closes on Ofcom's draft revised anti-piracy code**

Consultation related to Ofcom's draft anti-piracy code closed on 26 July 2012. A separate consultation on the allocation of costs for the operation of the scheme is now underway. Under the proposed code illegal downloads will start receiving warning letters from IPS's from 1 March 2014. The Guardian reports that 'web users who get three warning letters in a year will face having anonymous information of their downloading and file sharing history provided to copyright owners, which could then be used to gain a court order to review the customer's identity and take legal action against piracy'.<sup>xxiii</sup>

## **UNITED STATES**

### **FCC to stage spectrum review**

The FCC will stage a spectrum review of how much spectrum a mobile carrier should be able to hold. The review will look at spectrum transfers between companies. ZDNet reports that 'according to FCC officials, the investigation will lead to a proposal setting new rules for the sale of spectrum rights by one company to another. Often, companies will rent airwave rights to each other; such as Verizon's recent acquisition of spectrum from a consortium of cable firms, SpectrumCo'.<sup>xxiv</sup>

## **ADVERTISING**

### **Telstra and Multi-Channel Network (MCN) partner to offer integrated sales packages**

Telstra and MCN announced an agreement that will see MCN partner with Telstra to represent key Telstra online assets. From October MCN will offer integrated sales packages which include 42 of Telstra's online portals and sites as well as mobile, tablet devices and IPTV.<sup>xxv</sup>

### **Google abandons TV Advertising**

Advanced Television has reported that 'after five years of trying to make the TV world adopt its scheme to trade broadcast ads in the same way as it does online banner ads, Google has given up.' The cancellation of the service which, at one stage partnered with NBCUniversal was announced by Google via their blog. In announcing the decision Google said that the decision was made because video was increasingly going digital and users were now watching across numerous devices.<sup>xxvi</sup>

### **Deloitte reports that the UK TV advertising model is still the most effective advertising medium**

Deloitte has reported that a study of 4,000 UK respondents conducted by GfK has revealed that viewers continue to be most receptive to television advertising. The study found that 57% of respondents rated TV higher than other forms of advertising. In comparison newspaper ads were 10%, magazine ads were 13% and online media such as website banner ads and video ads on websites were 3% respectively.<sup>xxvii</sup>

## **TIPS & TRENDS**

- ZDNet reports that viewers will now be able to download and keep BBC TV content on their iOS devices for up to 30 days, with Android phones and tablets set to follow.
- UKTV is 'soft launching' ad-funded VoD players for Dave, Really and Yesterday on their respective websites next month. The players will feature a range of UKTV commissions and shows from the BBC and Channel 4.<sup>1xxviii</sup>
- The Consumer Connect – Consumer Electronics 2012 survey conducted by CNN International has revealed that 65% of global consumers say they are willing to pay more for electronics products that have been responsibly produced with a quarter of respondents saying that they cared about responsible manufacturing but were not willing to pay more for it, while 9% said that the way in which products were produced was not a concern at all.<sup>xxix</sup>



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