

# Online TV

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In association with Brightcove



The UK is a really competitive market with 150 pay-TV channels, Sky, Freeview, Tiscali and BT's TV service. Our video-on-demand service is a point of differentiation

Malcom Wall, CEO of Virgin Media's content division, p6



The online video revolution: websites such as YouTube, Bebo and MySpace have transformed how the moving image is used and viewed Rana Faure/Getty

## Introduction

### Revolutionised TV

Online video has moved well beyond home movies of cats on skateboards and bad karaoke. In the last 18 months, video publishing has become a huge part of many websites and professionally-produced video content is being offered to growing online audiences.

Meanwhile, telecommunications companies (telecoms for short), such as BT, have also recognised that offering TV and on-demand video services over broadband networks will help them to attract new customers (and keep existing ones). To do this they use a network technology called internet protocol TV (IPTV).

In this supplement we look at how online video and IPTV are developing in parallel and, increasingly, in competition with one another and at the impact this is having on traditional media businesses. We investigate how the UK's largest telecom, BT, is approaching it. Companies are testing the interactive capabilities of IPTV services and also looking at how to use them to target advertising.

Video-on-demand services are being ramped up by pay TV operators as they look to stand out against rivals, such as BT. We look at the BBC's ambitions to make the iPlayer work on a wider variety of devices and how its commercial sister service, Kangaroo, is starting to develop. Navigating the video content now available online and in IPTV systems is also explained. And we also explore how DVD rental businesses are changing to keep up with video on demand, iTunes and online video sites.

Finally we look at the future of high-speed networks in the UK. Without more and faster broadband connections, Britain risks being left behind. And we talk to Francesco Caio, the former boss of Cable & Wireless, who has been charged with delivering a report on how to build and pay for upgrading the UK's congested broadband network.

Kate Bulkley

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## The giants awake

TV channels and telecoms have scrambled to respond to the opportunities presented by online video. But, as **Kate Bulkley** reports, none of them are quite sure what works yet

It is hard to believe that the phenomenon we now know to be YouTube started barely three years ago. Before this video-sharing website was created in mid-2005, watching and sharing online videos was much more difficult and much less content was available.

Since YouTube showed us the way, online video watching has exploded and video-sharing sites have proliferated. Social networking sites, such as Bebo and MySpace, were next to utilise the power of video; they are now commissioning TV-like dramas for their viewers.

Traditional media may have taken a bit of time to catch on, but now newspapers, radio stations and TV channels are all rushing to add video to their online offerings. The UK's biggest broadcasters are all offering online catch-up TV services led by the success of the BBC's iPlayer, which in its first six months has already had 100m requests to view programmes. Last month it was logging 700,000 online views a day. New Amazon-style recommendation tools, a "last played" service that remembers the last 10 programmes a user has watched on iPlayer and the addition of BBC radio programmes are all part of a new test version of iPlayer that launched last week.

By the end of the year, ITV, Channel 4 and BBC Worldwide, the commercial arm of the BBC, will launch a shared online site (known as an aggregation site) that will include programmes from all three broadcasters. The new site, with the working name of Kangaroo, is expected to include advertising and subscription services.

The online opportunity – especially for pay-TV channels looking to expand their audiences – is also causing a dilemma.

Pay-TV channel Living is commissioning its first online drama series, but Jonathan Webb, managing director of channel owner Virgin Media Television, says this might cause problems. "I suspect there will be constant tension between the team at Living and the online portal but that's fine and as it should be," he says.

The burgeoning of online video has gone hand-in-hand with the availability of broadband connections at an affordable price. According to regulator Ofcom, 57% of UK homes now have a broadband connection, up from 53% in 2007.

### Keeping customers

The spread of broadband connections has not only spurred the growth of video viewing on the internet. The big broadband providers – including telephone companies, such as BT – are increasingly using video as a way to add value to their broadband services, in effect bundling phone and broadband connections with on-demand TV services.

"Most telephone operators are in land-grab mode right now," observes Steve Farmer, head of business development at Motorola. "For them, it is about how to deliver a me-too, digital TV service to compete with cable and satellite pay-TV. When they get to numbers in the hundreds of thousands of users, then they will begin to

'Most telephone operators are in land-grab mode. It is about how to deliver a me-too, digital TV service'

look at how to enrich the experience and be a little bit different."

BT's year-old video service is a case in point. BT Vision has attracted 250,000 customers who are able to order on-demand TV and films through a special set-top box attached to their BT Broadband connection. Unlike web-based online video, BT Vision offers a limited array of video to its users directly to their TVs and guarantees a TV-like picture quality. "This is a managed service and we think we can give our customers a better service if we can organise it and present it in a friendly way," says Dan Marks, chief executive of BT Vision.

Marks admits that BT Vision is first and foremost meant to help BT attract and keep its broadband customers. This is an important part of the telecommunication company's business model. But Marks also says that once they get more subscribers – the goal is two million BT Vision customers in the next two years or so – the service can be profitable in its own right.

Already some 68% of BT Vision's 250,000 customers pay for some kind of TV or film programming package, quite an achievement for a service that, unlike Sky TV and Virgin Media, doesn't require an ongoing subscription. "I think 68% is a sustainable number," says Marks.

### Where's the profit?

Despite Marks' sanguine view of BT Vision's future, the formulas for money-making out of both web video and managed systems, such as BT Vision, that use internet protocol technology to deliver TV (IPTV) to users, are still being written.

There are big questions about how fast online video can become money-making, or if it ever will. Industry behemoth YouTube was purchased in 2006

for \$1.6bn by Google and is the most-watched video-sharing site, but it is still estimated to be loss-making as a business. Dan Cryan, analyst at Screen Digest, says: "Today it's all about consumption, not about revenue."

This is particularly true with online video from "free" sites. Online advertising is growing fast but most of the revenue is from search engine advertising, not display ads. Advertising attached to online video is still tiny when compared to total advertising budgets.

Screen Digest expects total annual IP revenues from paid services – including both online video and revenues from managed services, such as BT Vision – to reach £333m in 2012, up from £31m in 2007. The bigger share will come from managed IPTV services, although this excludes advertising, which is expected to account for a large portion of total revenue. Screen Digest estimates that advertising will make up about £97m or half of online TV revenues in 2012; but perhaps the figure to keep in mind is that by 2012 the pay-TV market in the UK will be worth £6.4bn, up from £4.4bn in 2007.

"Online video is the hottest advertising media going right now in terms of brand marketing," says Adam Berrey, vice-president of marketing and strategy at Brightcove, a technology company that supplies online video platforms to clients including Channel 4 and the Daily Telegraph. "The problem is that there is a lot of consumer-made video on the net but a lot less professional video that brand marketers are comfortable with."

Berrey believes that, for at least the next 18 months, there will be many different approaches to how to exploit and make a business out of online video.

## Online TV Delivery

# Competitive players jostle for attention

Are companies like BT really able to compete in a crowded pay-TV market against established providers such as Virgin Media and Sky?

Meg Carter

As broadband is now the frontline in the battle for IPTV market share, British telecommunications companies are increasingly offering value-added video services as part of their broadband packages.

While BT and Tiscali are developing their offerings, Orange has delayed a launch of video services as part of its broadband offer in the UK and O2 has said it won't add such a service because of competitive pressures. Both broadband and multi-channel TV are fiercely competitive sectors in the UK. Indeed, Tiscali is on the sales block, underlining the difficulties of making a go of delivering broadband and TV over broadband, called internet protocol TV (IPTV) in a market with entrenched players.

BT's first quarter of 2008 results underline the strategic importance of broadband. While BT's group revenue rose 2% to £5.4bn, broadband revenue was up 25% year on year with BT Vision – BT's IPTV service – playing an important role. BT Vision combines Freeview TV channels with on-demand TV and film services using a BT broadband connection to deliver the service to users through a bespoke set-top box.

"We're trying to satisfy customer demand for broadband, telephony, and entertainment from one supplier," says Dan Marks, chief executive of BT Vision. "Telcos are into IPTV for one reason: convergence. If we don't provide entertainment, someone else will."

### Third player

BT Vision has attracted 250,000 users in its first year – a relatively small number, which means the division is still working towards becoming profitable, but Marks says its subscriber base is currently growing faster than that of Sky and Virgin, combined. Plus, two-thirds of BT Vision users subscribe to some kind of pay-TV offer.

The strategy is to not just to produce more reasons for BT customers to stay with BT, but more reasons to pay – which is why the BT Vision platform is also extending its functionality, and developing special interest and personalised services. The imminent launch of BT Vision on the Xbox is the first step in an emerging cross-platform strategy. The consumer launch of the BT Vision browser, meanwhile, will offer users access to a range of additional web content (see box).

"We see ourselves as a retailer of digital entertainment," Marks explains. "And that means sometimes you direct people to other people's brands and other retailers' concessions. It's what people want: a total entertainment service."



Another established player is Tiscali. The Milan-listed internet company is up for sale and reportedly attracting the interest of Vodafone and BSkyB. IPTV service Tiscali TV (formerly called Home Choice) offers broadcast channels and on-demand services to about 50,000 subscribers in the UK and is working hard to differentiate itself.

"Our unique selling point is the way we mix up content to make it easier for the consumer," says Jonathan Sykes, managing director of content strategy at Tiscali TV. Latest enhancements to Tiscali TV include a personal video recorder (PVR), while a new search and recommendations tool will begin operating soon.

While BT and Tiscali have established IPTV models, Orange is taking its time to perfect "the experience, service quality and content" of its IPTV service, which launches later this year. Orange's digital TV director, Tim Pearson, insists that, despite postponing a launch last December, IPTV remains a priority.

O2, however, says it has no plans to launch IPTV in the UK, despite the fact that parent group Telefonica already operates a number of fast-growing IPTV services on the continent. "The reasoning is simple," O2 spokesman Simon Lloyd explains. "IPTV has succeeded in markets where satellite and cable TV penetration are patchy. In the UK, however, multi-channel TV is already widely available, which is why we have no plans here for the time being."

O2's stance surprises Duncan Perry, strategy director at media agency Steak

**Sky believes that traditional phone companies will play only a marginal role in TV services**

**Phone and broadband providers are moving into the TV market to deter others such as Sky and Virgin Media from taking their business** Photolibary

Media. "For telcos, IPTV and on-demand services are a defensive play against the attractions of the Sky Plus set-top box" which includes a PVR, and other pay-TV services. Meanwhile, Sky now offers both telephone and broadband connections, so it is moving fast into the traditional businesses of the telephone companies.

### No room for telecoms?

Sky claims phone companies will play only a marginal role in TV services because they are not a natural add-on for companies from the telecoms sector.

"Our approach is to build outwards from the core TV experience," Sky director of on-demand, Griff Parry, says. "Many other players, however, are trying to build [entertainment services] from the PC and mobile space, which is clearly more of a challenge as they have no reputation for delivering TV."

Sky now sells broadband, telephony, entertainment and a growing portfolio of personalised and interactive content. Last month it began the phased re-branding of Sky Anytime – previously, a combined offering spanning time-shift TV via the set-top box, extra TV via the PC, and mobile TV. The PC service, re-named Sky Player, is internet-delivered.

"Sky Player is proper TV delivered via PC and a platform for new internet TV services," Parry explains. "We've introduced new linear services, third-party channels, improved functionality – you can now play content without any delay – and we've

opened it up to non-Sky subscribers. For us, internet TV is about enhancing the TV platform we already have."

While it is too early to say which players will dominate the UK's emerging IPTV marketplace, success will surely be driven by the ability to personalise services and a guarantee of a certain level of quality for the video, avoiding the buffering problems often encountered with video delivered on open internet sites such as YouTube.

"True IPTV is closed, quality, tightly targeted, broadband-delivered and can be a broadcast TV replacement," says Marcus Liassides, chief executive of IPTV provider Inuk Networks, which is working with Cable & Wireless to develop a residential IPTV service launching later this year. "But IPTV services need to look, taste and smell like a new breed of interactive service, rather than emulating traditional broadcast TV, and that will take time," he says.

It will take time, too, before it becomes clear whether telecoms such as BT and Orange, or competitors such as Sky and Virgin Media, will take control of this new market.

"The fact is, we're not even at the starting line here in the UK," Liassides says. "There are no serious IPTV platforms yet. BT has positioned itself as the Blockbuster video of the sitting room but is yet to prove itself a credible replacement to traditional TV. As BT gains traction, though, others will start to move."

## BT Vision Just browsing ...

In a pioneering move, BT Vision is going to add a web browser to its broadband internet protocol TV (IPTV) service in August. The move will allow BT Vision users to search for and access some types of content from the web and view it on their TVs though their BT Vision set-top box.

BT Vision plans to wrap the web content with interactive applications and advertising services and, next year, new transactional services, such as gaming and home shopping, will also be added.

"As a service, we're highly differentiated already – no one else delivers the massive range of on-demand content as quickly or in such high quality, without a minimum monthly spend or subscription," says BT Vision chief executive Dan Marks. "The next step, however, is personalisation, interactivity and a new generation of transactional services – a major focus for us over the next year, and the development of the browser is the first part of this."

BT Vision's browser will differ from a standard web browser because remote navigation will be done using the remote control, not the conventional tool bar you use on the computer. "The browser runs on the set-top box and allows the TV to display HTML web pages," explains Antony Carbonari, BT Vision's

head of interactive and commercial media. "Using HTML allows us to integrate web content into our service in a relatively simple, cost-efficient way. This, in turn, will offer customers a deeper, richer and more flexible way to access and consume content."

But only limited access to the web will be allowed. For instance BT Vision customers will not be allowed to go to YouTube or use peer-to-peer sites such as BitTorrent, which encourage illegal file-sharing of uncopyrighted material. "This is not about free-to-roam access to the web but ease of access to a wide array of content from partner sites, which we will have identified as offering complementary content to the range of content we already offer," Carbonari explains.

One of the first new services is a web-based sports zone where users can download data, news feeds and results. Another new application will allow sharing of content – providing users with an area online to store family pictures or home movies for friends or relatives to view.

Next year's plans call for the BT Vision browser to become more closely

integrated into content, with web and TV content brought together simultaneously on the same screen – a development with clear potential for advertisers, says Carbonari. These plans are completely separate from trials BT Broadband is running with Phorm, a web-tracking tool that recently attracted controversy over its ability to track what users do online and then serve targeted advertisements to them.

"Using the BT browser, advertising and sponsorship can be inset as it would be on the web," says Carbonari. "Added to this will be a new advertising management system that we are now procuring, which will allow advertising to be inserted in and around video-on-demand content – a feature we expect to launch early next year."

MC



## The future: interactive and free?

The set-top box is old hat. Finding programmes on it is hard and there are more available online – at least that's what blinkBox claims

Kate Bulkley

Michael Comish has seen the online video future and he says it's ad-supported and interactive. "In a five-year timeline the growth is in video on the net, not in catch-up-TV or in video-on-demand (VOD) on a set-top box," says Comish, the chief executive of blinkBox.com, a new online video site.

Comish's credentials in reading the digital tea leaves come from his time as European managing director for online film pioneer Atom Films (sold to Viacom in 2006 for \$200m) and at Channel 4 where he oversaw the early development of new media ventures. Two years ago he teamed up with Adrian Letts, former head of global content at Vodafone, to set up blinkBox.

Today the site offers more than 10,000 clips as well as films and TV programmes

– to rent or buy via download – from the likes of Aardman Entertainment, Fremantle, Discovery, Warner Bros, Universal and Paramount. One service allows you to "clip and send" a video text (a piece of video and a personal message) to friends' mobile phones. This service, called "blinking", is used by one third of blinkBox's registered users.

"We think that intelligent or informed discovery is what makes the PC stand out from a set-top box service," says Comish. "The set-top box is just a dumbbox. Try and find a particular title out of 100,000 programmes using a standard EPG (electronic programme guide). It's not an easy task."

Like all online video sites, it's early days at blinkBox: launched commercially in April, it counts 300,000 unique users a month and an impressive growth rate of nearly 60% between April and May. "There are huge economies of scale in online video, both in costs and in reach, and the bet really is how big an audience can we get?" says Comish.

### Beware of the Kangaroo

Blinkbox backers, venture capital firms Eden Ventures and Arts Alliance, hope that blinkBox is far enough ahead of the competition to make its mark, but the pressure is on. Its competitors are

many and varied, including the BBC's catch-up service, BBC iPlayer, and the ad-supported content aggregator, Joost.

Comish says the most worrisome competitor could be Kangaroo, the online video site backed by the BBC, ITV and Channel 4. Unlike BBC iPlayer, Kangaroo will offer TV programmes following a free, catch-up viewing period on the broadcasters' own sites. This is exactly where blinkBox is developing its market, with a view to make more of its content free and ad-supported.

"The fact that Kangaroo is being looked at by the Office of Fair Trading, and that it will likely not launch until the end of the year, means we have six to nine months more time to aggregate an audience," says Comish. "The battle of the next six months is about getting the rights to offer free, ad-supported TV."

Getting those rights has been a tough sell to rights owners who are more accustomed to the pay model for video-on-demand and pay TV. Another problem is that the rights for ad-supported TV are being held back by broadcasters that want to exploit them on Kangaroo.

"The BBC will be in a very tough position having decided to put ad-supported content on Kangaroo to withhold it from other ad-supported sites," says Comish.

## BlinkBox Top of the charts

### Top movie clips viewed in April 2008 (Free and ad-supported)

1. 300
2. Happy Feet
3. Knocked Up
4. Ali G in da House
5. American Pie: The Naked Mile
6. House of Wax
7. The Bourne Ultimatum
8. Tomorrow Morning
9. 40-Year-Old Virgin
10. South Park: Bigger, Longer and Uncut



### Top 10 movies downloaded (to own) April 2008 (Average cost £7.99)

1. 300
2. Blood Diamond
3. South Park: Bigger, Longer and Uncut
4. The Assassination of Jesse James by the Coward Robert Ford
5. Mars Attacks
6. The NeverEnding Story
7. Happy Feet
8. Angel Eyes

9. Breakfast At Tiffany's
10. Ocean's 11 (1960)



### Top 10 downloaded (to rent) April 2008 (Average Cost £1.99)

1. Crank
2. American Pie: The Naked Mile
3. 40 Days and 40 Nights
4. Scarface
5. The Bourne Identity
6. Bridget Jones: The Edge of Reason
7. The Big Lebowski
8. The 40-Year-Old Virgin
9. Ali G in da House
10. Elizabeth

Source: BlinkBox



## Online TV Personalisation

# Why advertisers love tailor-made television

Viewers want TV specifically targeted at their interests. IPTV has the ability to deliver it – but who will pay for it, the consumer or advertisers?

Meg Carter

Internet protocol TV's unique selling point is the ability to provide a new generation of TV services characterised by internet-style, real-time interaction.

"IPTV's most obvious potential is for the more intimate relationship it allows between supplier and customer," says Alan Delaney, business development director of IPTV at Tandberg TV, part of the Ericsson Group. "A significant commercial opportunity exists for advertisers eager to develop dynamic contextual advertising."

Delaney points to developments in other markets in Europe and across the globe where personalisation and interaction have been added to entertainment as well as transaction services, making it easier to "monetise content" and keep users engaged.

### Content is still king

Because IPTV systems are closely managed by operators, personal channels can be created by users according to their tastes – by programme title, genre or what other people are watching. But this is "only the start of it", says Marcus Liassides, chief executive of IPTV provider Inuk Networks, which runs Freewire TV, an IPTV service for UK students.

"Freewire customers have an in- and outbound widget [application] to pull in or send out content," Liassides says. "For example, someone using Freewire to go onto Facebook will be able to see which of their nominated buddies are watching what at that precise moment on TV."

"Pay as you go TV" is another personalised service that Inuk is now exploring, targeted at frugal students. "With a one-to-one, direct, real-time connection with the viewer you could allow them to top-up

their account and consume content by the hour without taking out a subscription," he explains.

But Jonathan Sykes, managing director of content strategy at Tiscali TV, urges caution about adding lots of bells and whistles. "IPTV allows for personalisation to a micro-degree, but the bigger – and, in my view, more important – challenge is how to keep it simple and easy for the consumer to use."

Sykes argues that all IPTV platforms want to strike content deals with Hollywood studios and other leading content suppliers, so it won't be long before the content available on each service is pretty much the same. At this point the key differentiator will be ease of use and customer service. "It's not just a question of getting enough IPTV set-top boxes out there," Sykes stresses. "As important is that the creative community – content producers and advertisers – getting to grips with the whole idea."

Michael Comish, co-founder and chief executive of film clip and download web service blinkBox, endorses this, although with one caveat. "To become established, IPTV and internet-based services such as ours will need the understanding and involvement of advertisers."

According to Comish, the challenge is changing the ad industry's current mindset. For the time being, media buyers have a fixation on paying premium prices for reach. "Only when these values change – and brands become ready to pay a premium for targeting specific groups – can revenue potential be realised," he says.

Inuk's Liassides says that while most advertisers claim they want their messages to be targeted, none are geared up to exploiting the platform's true personalisation potential. "It's an attitudinal divide that must be bridged."

**'IPTV allows for personalisation to a micro-degree, but the bigger challenge is how to keep it simple'**



Advertisers will have to change tactics to adapt to the plethora of channels and content available on the web Getty

### Glossary Buzzwords

**Aggregator site** is client software or a web application which aggregates syndicated web content such as news headlines, blogs, podcasts, and vlogs in a single location for easy viewing.

**Access network** is that part of a communications network, that connects subscribers to their immediate service provider, for example, Virgin Media.

**IPTV (Internet Protocol Television)** is TV content that, instead of being delivered through traditional broadcast and cable formats, is received by the viewer through computer networks. IPTV is typically supplied by a service provider using a closed network infrastructure.

**Online video or internet TV** is television distributed through the web.

**Roadside cabinets** are connection points for telephone and fibre-optic cables located in residential streets that then connect to homes in the surrounding area.

**Video-sharing site** is any site that allows individuals to upload video clips to share with others over the web. The most famous of these is YouTube.

# Throw away your TV, it's all on the laptop

A loophole that allows live television from public-service broadcasters to be screened on websites is threatening to shake up the industry

Jemima Kiss

Just as the BBC's iPlayer is building up the UK audience for online catch-up TV, several new players are hoping to do the same for live TV services on the computer.

The model makes sense because broadcasters can reach a global audience through broadband at a fraction of the cost of traditional broadcasting, and territorial rights can be maintained by identifying the location of the user.

Companies including Livestation, Inuk and Zattoo say there is a good future for live, streamed TV online. However, Zattoo has left a bad taste in the mouth of some broadcasters that feel that the digital rights to their programming are being taken without proper compensation.

Since late April, Zattoo has added all five UK broadcasters to its line-up of 190 channels offered on its website. The Swiss-based company launched the UK channels without having contracts with them, taking advantage of a loophole in UK copyright law that says cable companies have the right to show live TV from public-sector broadcasters so Zattoo thought it could do the same.

"We would not have entered the UK market unless we were sure that what we are doing is legal and in agreement with UK broadcasters," says Zattoo's UK manager Alexandra Illes. "We're very confident about the future of the service."

Michael Ridley, a partner at law firm DLA Piper says that Zattoo's actions

are not likely to be played out in court. "We're in sabre-rattling time but why should Zattoo change what it is doing? And broadcasters also have to weigh the consequences if a court case doesn't come out in their favour. [If a legal action finds against broadcasters] then there is a precedent for free carriage on the internet and that can't be in their interest."

A BBC spokesman says the BBC has not made any licence agreement with Zattoo and that it is reviewing its linear syndication policy "following a number of trials around internet redistribution".

Livestation also offers feeds from news broadcasters, including CNN, BBC World and Al-Jazeera, but has chosen to negotiate with broadcasters before putting channels online. The company's chief executive, Matteo Berlucchi, admits that his service is a disruptive technology. Livestation "wants to do for internet TV what Skype did for web telephony," he says, referring to the VoIP service that threatens traditional telecoms by offering calls for free.

Livestation will offer advertisements in the five-second delay between channel changes. It also plans social elements with recommendations and messages from friends as well as an alert system to flag up breaking news and programme reminders. Still in trial, the full version will roll out by the end of the year.

Inuk has based its approach on the view that consumers want TV, not on their PC, but on their television. Inuk's Freewire service is being tested with students, offering 50 TV channels for £10 per month. "We are very broadcaster- and advertiser-focused," says Marcus Liassides, chief executive of Inuk. "ITV puts out hours of content but their Barb ratings figures are really very vague. We can target advertising down to consumer level, so we might know 3,629 people watched that show" – and that is something that is very valuable to advertisers.

### Synergy Domino's and Freewire



Student Rhiannon Lord watches TV on her laptop at the University of Wales Institute, Cardiff, halls of residence

Domino's Pizza is one of a small but growing number of brands experimenting with addressable TV advertising over IPTV. In May, the company ran one of its ads during breaks in Countdown on Channel 4 to target university students, watching on IPTV, while other viewers to the show, watching on TV, viewed a different ad.

Targeting was made possible by a partnership between Inuk's Freewire TV, a closed IPTV network for universities which delivers TV channels to students' laptops, and Packet Vision, a specialist in advanced video advertising.

By inserting its ad into Freewire's service, Domino's was able to reach students alone – reducing wastage by avoiding other audience groups. This points the way towards advertisers segmenting IPTV audiences by demographic or geographic profiles.

"IPTV allows different content to be sent to different homes," says Packet Vision's Charlie Horrell. "From an advertiser's perspective, that is highly attractive."

The technology could, in its extreme, allow for one-to-one communications although that won't happen, says Horrell,

because of the big cost and also because advertisers limit their analysis to 60 or so demographic profiles – any greater degree of segmentation would prove too costly and time-consuming to manage.

There is, however, another benefit of increasingly addressable advertising.

"Domino's helped build its brand in the UK through an on-screen sponsorship of The Simpsons," Horrell adds. "With concerns about food advertising to kids, it has since had to loosen its association. But this would not be a problem if it could target sponsorship in a personalised, IPTV environment." MC