Video On-Demand:
Behaviour, challenges and future directions

coda

Main contents

Executive summary

- **Report purpose:** To define future behavioural patterns around **long form** video on demand (VOD) in the UK, based upon current and emerging behaviour in order to construct strategic projections, implications and recommendations for broadcasters, service providers, rights holders, product and brand designers, marketers, advertisers, and any other organisation with an interest in the future of VOD in the UK
- **VOD products and services researched include**: iPlayer, ITV Player, Demand Five, 4OD, Project Canvas, Virgin Media, Sky Player, imminent launch of VOD via Sky TV; VOD via smart phones, laptops, TVs, Blu Ray, DVD, DVR and Yahoo! Widgets; and social networking, including Facebook, MySpace, Bebo and Twitter.
- **Behaviour:** Three types of behaviour emerge that will have significant implications for the future of VOD across all platforms. Coda has termed these: **monogamous behaviour**, **polygamous behaviour** and **promiscuous behaviour**
- **Monogamous behaviour** (faithfulness to broadcasters' channels and services) forms 70% of current VOD behaviour, with the remaining 30% split equally between the other two behaviours
- **Polygamous and promiscuous behaviour** are marked by heavy use of illegal video sources. Coda estimates that UK internet users watch at least £1.3bn worth of video content a year through illegal file sharing, and that video rights' owners are losing at least £100m a year in lost revenue. **Year on year increases in these illegal behaviours are irreversible, but can be slowed.**
- **Meeting the challenge of illegal content:** A central means for slowing the rise in illegal behaviour, and meeting emerging consumer demands is **the launch of aggregated catch up, archive and film services online and direct to TV**. Coda sees Project Canvas as playing a vital role in this. If these launch, Coda predicts:
  - **VOD via TV viewing** will increase four fold, from 7m hours per day now, to 28m
  - **VOD via PC/laptop viewing** will increase four fold, from 5m per day now, to 20m
  - **Linear viewing** will decline 15%, from 190m hours per day now, to 160m
  - **VOD via TV and online will impact PVR viewing**, which will increase by only 30-40%, to 14m hours per day
  - **An overall increase in AV viewing** of 3%, to 219m hours per day (across all platforms)
  - **A decline in linear ad revenues** of at least 10%, to £2.86bn
  - **Ad revenues from broadcast VOD via TV and online** will hit £500m. Roughly three fifths of this will be generated from VOD via TV
  - **Subscription revenues for a movie aggregator** online and via TV will approximate: £192m
- **Consequences if these do not launch:** Coda predicts that illegal activity will jump to at least two thirds of all VOD activity by 2015
- **Thus, stakes for the vision industry are very high**. Organisations must invest; draw up business, legal, rights and distribution models; and open up current, archive and film content, and monetise it. If they do not, they will see revenues and terrestrial share decline significantly, thereby threatening the sustainability of some major current services

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Executive summary

- **Project Canvas:** Emerging behaviour shows that Project Canvas will not significantly impact upon cable and satellite behaviour, and will actually help drive take up of more advanced vision services
- **Blu Ray, DVD, DVR and Yahoo! widgets:** Opportunities around these need careful consideration. However, VOD behaviour around aggregated services via TV will significantly impact DVD purchase and rental, Blu-Ray, DVD recorder and DVR behaviour.
- **Games devices:** Opportunities for VOD behaviour via games devices are mixed, with Wii having the most potential
- **Mobile phones:** After five years of expensive and fairly unsuccessful TV trials in the UK, video behaviour via phones and similar portable devices will grow significantly over the next six years to form 8% of VOD behaviour. However, illegal VOD will dominate this. Service providers need to provide credible alternatives beyond Wi-Fi
- **Social networking:** Broadcasters need to be much more fully engaged with people's drive to communicate, by employing social networks to facilitate communicating **about** and **through** content. This includes content embedding, automatic updates, recommendations, search and clipping. It is also vital that **partnerships** are made with a **range** of social networking services *before* entering the market
- VOD will increasingly become a **'layer' to the internet and to devices**, rather than 'sites', 'destinations' or 'channels'. Understanding this is vital for extending VOD services to include: 'VOD anywhere', social networking, live blogging, aggregation, embedding, applications, recommendations, RSS feeds and automatic downloads
- **Partnerships:** VOD behaviour shows it is vital that organisations form a range of **'open' partnerships** to meet emerging demands of consumers, make legal VOD mainstream behaviour and compete with illegal services:
  - Present and future services and products that limit consumers to only one or two VOD services do not match increasing demands for choice and aggregated services, can be prohibitively expensive for consumers, and will therefore tend to be **unsuccessful and unprofitable**.
  - Only services with a **range** of VOD partnerships **already in place** should enter the market
- **EPGs and other content navigation interfaces.** These need to undergo significant innovations in terms of content display, search and navigation, and to bring multiple forms of vision content together.
- **Branding and communication:** Improvements are vital to facilitate the passing of value to broadcasters and rights holders, and to help drive linear viewing
- **VOD subscription and pay per view models:** These will tend only to work for film, and not for archive or catch up
- **Advertising:** Advertisers need to be extremely critical of some of the advertising formats that are emerging.
- **VOD advertising revenues** per viewing hour will be significantly lower than that for linear TV advertising

Methods

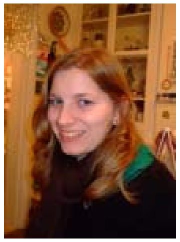
This report draws upon extensive analysis from the following:

- Desk based research, using both academic and commercial resources
- Interviews with VOD designers, marketers and advertisers
- Qualitative, including ethnographic, research across twenty households
- Quantitative research across 600 video on demand users

The types of people Coda talked to and studied


Female teens


Males, 20s


Females, 20s


Couples, 50s


Females, late teens


Couples, 30s


Males, 30s

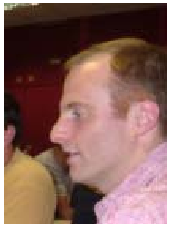

VOD service designers

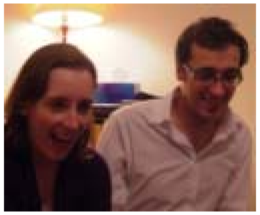

Couples, 30s

Couples, early 30s


Marketing and communications specialists


Females, 30s


Advertising specialists


Couples, early 20s


Male teens


Couples, 40s

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