Introduction and Background

Welcome to London Business School and this conference on the future of ‘converged’ and on-demand television. The conference is jointly sponsored by ACB and the London Business School Centre for Marketing, which is a small consortium of companies.

The Centre puts on about eight events a year, mostly much smaller than this, as well as an evening programme for young marketers in the member companies. If your company might be interested in joining, let me know.

We have a terrific line-up of speakers and they all have recent research to present. In the words of the quality guru Ed Deming, *“In God we trust. All others must bring data”.*

And not just any data. We’re emphasising data on *actual* – not claimed – audience behaviour. As you’ll see from a couple of the presentations, this gives very different results.

To cover so much research in half a day, we’ve had to limit each speaker to just 15 minutes including a minute or two for immediate questions, so this will be a high data rate event.

To help you recover from so much information, we’ve included *two* coffee breaks and a drinks reception at the end.

This conference is happening at a good time, because we’re at last starting to get *reliable evidence on the scale of the opportunity for on-demand TV*; and also because of the policy and investment context.

On the first point, the digerati have long predicted the imminent death of so-called ‘linear TV’.

In 1990, George Gilder wrote: *“Television is a tool of tyrants. Its overthrow is at hand”*.

In 1995, Nicholas Negroponte, head of the MIT Media Lab, wrote that, *“What will happen to broadcast television over the next five* *years is so phenomenal that it's difficult to comprehend…I am convinced that by the year 2005 Americans will spend more hours on the internet…than watching network television".*

That was then. But in 2006, Janus Friis, co-founder of Kazaa and Skype, and then about to launch Joost, said:

"People love TV, but they also hate TV. They love the … amazing storytelling, the richness, the quality itself. But they hate the linearness, the lack of choice, the lack of basic things like being able to search. And wholly missing is everything that we are now accustomed to from the Internet: tagging, recommendations, choice, and so on".

In February this year, the Guardian's Emily Bell wrote that, *"Within two years audience behaviour has completely changed due to the availability of broadband and the penetration of the internet".*

Also earlier this year, I was told in all seriousness by a well-known independent producer that, *"In five years' time, TV channels may no longer exist".*

And just yesterday, the lead headline in this week's Media Guardian was, *"With all this online, why watch TV?".*

By the end of this conference, you'll be able to judge for yourselves the validity of these and similar statements.

The second reason why the conference is timely is because *the assumed consumer value of on-demand TV is an important driver of the government's Digital Britain proposals* - and of quite a lot of private investment.

Assuming rational decision-making (which may be optimistic), any light we can throw on the validity of these assumptions should lead to better public and private investments.

Digital Britain gives overwhelming priority to pipes rather than programmes or people (in the sense of digital participation).

All the serious resources are to be invested in fatter pipes, the top priority being universal, or near-universal, broadband at 2 megabits per second.

But the only significant consumer application that *currently* needs 2 meg is on-demand TV, our topic today.

By that, I especially mean “true” on-demand TV as described by the digerati, that is, people watching content neither live nor time-shifted, but completely asynchronously and drawn from a wide range of decentralized sources – including other consumers – along the lines of YouTube.

The long-held vision is that the distinction between TV and other video content will disappear and that the *normal* – or even the *only* - way of choosing what to watch will be to use a search engine or recommendation agent.

According to the real true believers, viewing will *itself* involve a lot of interaction – you can watch the match from any seat in the stadium, buy Jennifer Aniston’s tee-shirt by clicking on the screen, see a potted history of Estonia when its prime minister is on the news, and so on. You all know the story.

Leaving aside these surprisingly persistent visions of interactive viewing, I’d like to stress that *time-shifting and catch-up are not on-demand TV as promoted by the digerati*: they are just ways of watching the same linear content, usually from the same few channels, more conveniently.

You don’t even need broadband to watch time-shifted programmes off a PVR.

For catch-up TV – watching a regular programme you missed live and didn’t record – you *do* need broadband, but the content is still *linear TV from a regular TV channel.* This is not the revolution Gilder, Negroponte, Friis, Emily Bell, and my independent producer were describing.

One last point before I turn to today’s agenda.

As you’ll have deduced, in my view, *the changes in TV viewing, at least over the next ten years, will be evolutionary not revolutionary*.

In 2019, I see people still watching an average of, say, 25 hours per week, mostly live programmes on their favourite channels, supplemented by time-shift viewing on a PVR or equivalent, plus some catch-up TV, mainly from the same channels. I see true on-demand still accounting for well under 10% of total viewing.

That doesn’t mean that no-one can make money out of catch-up TV or VOD, although I suspect most of the investments will end in tears. But it does mean that we should stop talking about a revolutionary change in *how much, how, why, where, when, and with whom* people watch television – none of which has changed much in the last 50 years.

Of course, that’s just my personal view. I hope today will help you all decide yours.

With this background, the question for this afternoon is therefore:

Based on the best and latest evidence, what can we now say about the relative consumer value of live linear TV, time-shifted linear TV, catch-up linear TV, and true on-demand TV, both linear – that is, TV programmes and movies – and non-linear video content like YouTube?

In this first session, we’ll look at the current state of the market and prospects over the next few years, including the adoption, usage and impact of PVRs, the BBC’s iPlayer, and other digital technologies.

In the second session, we’ll look at audience behaviour in more detail, in both the USA and UK. As always, *“It’s the consumer, stupid”*. This session will tell you what real consumers are doing, which is pretty consistent between the two countries.

In the final session, we’ll look at some possible implications and issues around content creation and advertising. Of course, these are closely interlinked because advertising is still the second biggest TV revenue source after subscriptions, and the main *commercial* funding source for *UK* production.

Please welcome our first speaker, Tony Wearn, research director at Barb, who's going to tell us about PVR adoption and the impact on viewing.

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