

# BBC EXECUTIVE PROPOSAL FOR THE SYNDICATION OF CONTENT TO MANAGED SERVICE PROVIDERS FOR DELIVERY VIA 3G

## INTRODUCTION

The BBC Executive is seeking permission to syndicate BBC television channels and radio networks to mobile devices over a 3G data connection, via products offered by managed service providers.<sup>1</sup>

The Trust is inviting comments on proposals prior to reaching a decision. What follows is the Executive's views presented to the Trust.

## CONTEXT

Delivering mobile TV services via 3G offers an opportunity to build public value, by deepening the BBC's relationships with audiences, engaging underserved groups and helping to fulfil the Corporation's purpose of delivering the benefits of emerging communications technologies. In particular:

- Mobile has the potential to **increase the reach of BBC services**. The reach of BBC services that are currently available via mobile is growing quickly, and these services provide some unique reach
- Mobile services **encourage usage by currently-underserved groups**: the BBC's research indicates that users of its existing mobile services are much more likely to be aged 16–34, and to be members of social classes C2DE, than users of bbc.co.uk
- At the same time, mobile offers an opportunity for the BBC to **deepen relationships with its heartland audiences**, by making BBC content more personal, convenient and relevant.

On 16 April 2008, BBC management concluded a 12-month trial,<sup>2</sup> during which it syndicated television and radio services, via managed services operated by Orange, Vodafone, T-mobile and 3 networks and Sky (through its relationship with some MNOs). The trial aimed to establish:

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<sup>1</sup> At the time of writing, predominantly mobile network operators and their partners

<sup>2</sup> Approved by the BBC Governors in 2006 as a category 2 trial

- The extent of audience demand for mobile TV delivered via 3G
- The effectiveness of 3G as a means of distribution, and;
- The impact of including BBC content within managed service provision of mobile TV, via 3G.

The trial enabled subscribers to television packages to watch BBC One, BBC Three and News 24<sup>3</sup> streamed on their mobiles. Audiences were also able to listen to up to eight radio stations (Radio 1, 1Xtra, Radio 2, Radio 3, Radio 4, 6 Music, BBC 7 and Asian Network).

## **PROPOSAL**

BBC management proposes to syndicate content (television channels, national radio networks) to MNOs and their partners for delivery on 3G mobile devices as part of their television and radio services.

Mobile TV services are currently offered by four of the 3G MNOs — Vodafone, Orange, 3UK and T-mobile — and Sky, all of whom participated in the trial. These operators offer mobile TV services in packages costing between £3 and £10 per month, or on a range of daily tariffs. Existing mobile TV services are based on a mixture of content loops and simulcast channels. All networks see value in offering BBC TV, especially news and entertainment, to their customer base. The BBC's broadcast competitors are already present on mobile TV and there is some evidence of customer confusion over the absence of BBC channels.

The syndicated content will consist of streams of all BBC TV channels and national radio networks,<sup>4</sup> which users will access through operators' own electronic service guides (ESGs). Whilst some content may be 're-purposed' so that it is appropriate for consumption via 3G mobile devices, BBC management does not intend to create new 'made-for-mobile' content (that is, editorially-distinct content commissioned specifically for, and only available on, mobile platforms) for syndication in the context of this proposal.

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<sup>3</sup> Some sport and acquired programmes were blanked where rights not available.

<sup>4</sup> these are: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC Parliament, BBC News 24 and BBC HD; and Radio 1, Radio 2, Radio 3, Radio 4, Radio 5 Live, Radio 5 Live Sports Extra, 1Xtra, 6 Music, BBC 7 and Asian Network.

The proposed syndication of BBC content would take place according to the ‘lowest common tier’ principle. In general, the BBC’s UK Public Services must be made available free of charge, in line with the Corporation’s Charter and Agreement. However, on platforms where an incremental cost is incurred for each additional user,<sup>5</sup> the BBC follows a ‘lowest common tier’ principle by insisting its services are offered to consumers as part of the lowest charging tier available on the platform. This approach has been pursued successfully in respect of cable television, and would be applied to the delivery of BBC content via 3G mobile phones under the current proposals. In future, the BBC is committed to supporting any moves that would enable all its services to be provided free of charge across all platforms.

During the recently-concluded trial, linear TV channels and radio stations were accessed by users from an ESG. Only content that was requested by the user was transmitted to the mobile phone. The inclusion of BBC services in the service bouquet thus did not restrict the capacity available to other operators and, if this approach continues to be pursued, it is unlikely to prevent other commercial channels from launching similar services.

The BBC will not explicitly require that operators position the BBC channels exclusively at the top of their ESG pages. This may, among other effects, reduce the potential for the BBC to capture users from commercial services (which might have an adverse impact on the latter’s business model for mobile services).

## **Competitive Impact of the Proposed Service**

### **IMPACT**

The BBC is uniquely placed to drive mainstream use of mobile television, with wider benefits for broadcasters and consumers. The launch of new platforms for content delivery involving the BBC has helped to grow markets in the past – for instance, in the case of Freeview and Freesat. There is a risk that the inclusion of BBC services may shape the terms of

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<sup>5</sup> And where it is therefore not viable to offer the service to users free of charge

carriage for commercial providers, or limit their ability to generate advertising revenues by reducing their viewing share.

In terms of uptake, the outlook is mixed. One recent report has suggested that the number of 3G-enabled handsets in the UK is likely to reach 60m by 2012,<sup>6</sup> but the number of consumers on full data tariffs, and the level of demand for mobile television more generally, are more difficult to predict. Trial data suggest that mobile television viewing remains a niche activity, even among 3G subscribers. During the pilot, demand for BBC content was limited, with average daily reach measured in the hundreds. Moreover, 3G capacity constraints may preclude its development as a mass market proposition for mobile television in the immediate future.<sup>7</sup>

Evidence from the trial suggested that the level of demand for content delivered via 3G is uncertain and may—at least in the short to medium term—be relatively small. To illustrate, during the trial period:

- The average daily reach of the BBC's TV channels was limited – peaking at just 580 in June 2007. Usage of the radio channels was significantly lower
- Of those that did use the service, monthly content consumption was low, peaking at just 13 minutes for BBC content during the trial period<sup>8</sup>.

During February 2008, the BBC's share of television viewing hours ranged from around 24% on Orange to 51% on T-Mobile. Given the very low levels of usage, care needs to be taken in drawing conclusions. The BBC's viewing share was much lower where it faced greater competition from other content providers. MNOs have strong incentives to increase the attractiveness of their service in order to promote take-up.

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<sup>6</sup> Screen Digest, *World 3G Subscription Forecast*

<sup>7</sup> The streaming of content over 3G uses a large amount of capacity and picture quality can deteriorate if too many users stream content simultaneously, limiting its long-term potential as a mass market proposition. Picture quality during the trial was 'adequate'.

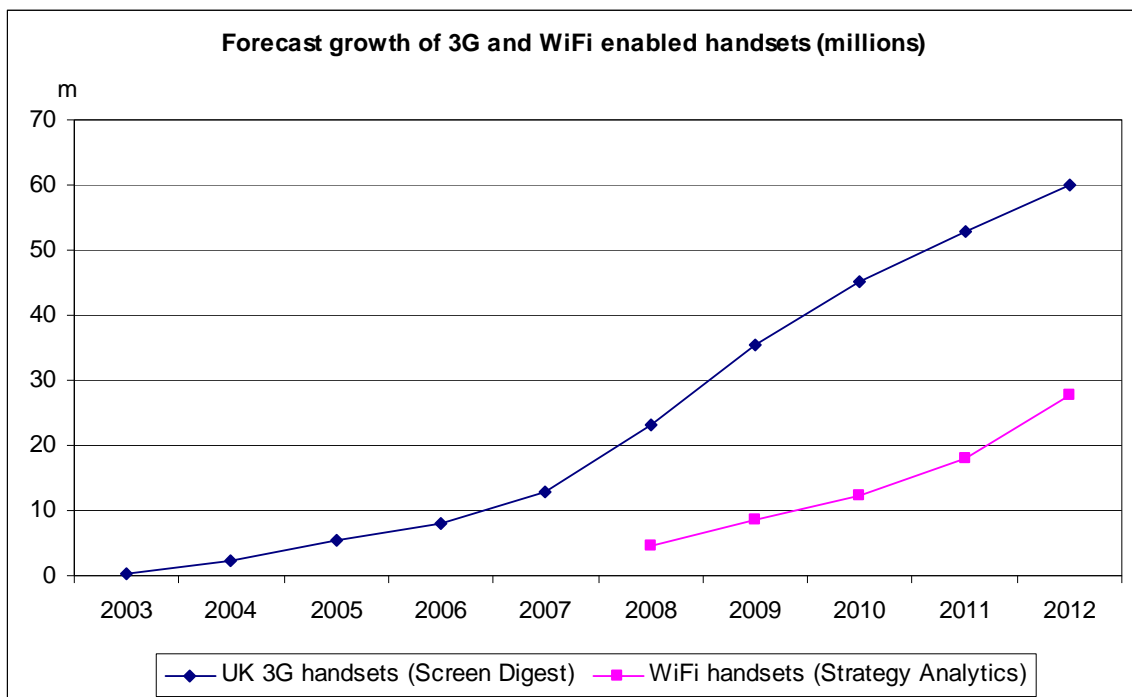
<sup>8</sup> Minutes of use information across all channels is not available.

There is also a potential risk that the ‘zero-rated’<sup>9</sup> nature of the BBC content on service providers’ television and radio packages could:

- Force other content providers to also keep their content zero-rated, even if they would prefer not to; or
- Have a detrimental impact on any future non-zero rated content within the mobile TV packages.

Under the trial all mobile television content was zero-rated on services where BBC channels were available – customers paid a monthly charge for access to mobile television services. It is not possible to predict whether MNOs and other managed service providers will change their charging strategy in the future.

**Figure 1:** *3G and WiFi enabled handsets are expected to become mass market over the next 5 years*



<sup>9</sup> “Zero rated” means that any data consumed by a customer will a) not be charged for by the MNO, and b) will not count towards a customers’ data allowance set by the MNO.

## The supply of TV/radio services on other content delivery platforms

The BBC's syndication guidelines<sup>10</sup> state that "wherever possible partners will link to BBC services or players...however there may be reasonable grounds for permitting partners to host and serve BBC assets which the BBC will review on a case by case basis." However, under the current proposals, there may be good reasons for allowing managed service providers such as MNOs and their partners to host and serve BBC content within their own mobile TV services, rather than requiring them to only provide links to the BBC's services via the public internet – namely:

- Switching channels within a linking-based mobile television service is cumbersome, and likely significantly to reduce the attractiveness of the overall user experience<sup>11</sup> (for instance, each time a user wanted to switch, they would need to navigate back to the MNOs' ESG pages to select a new service). By contrast, channel switching is relatively seamless for services hosted within a single environment
- A co-operative approach between the BBC and service providers, along the lines described in this proposal, will have the benefit of enabling the BBC to exert influence over how much customers would be charged, in both current and future periods, for accessing BBC content via 3G devices. In the absence of a subscription-based TV service provided by the MNOs, customers could potentially face large or unexpected data charges for viewing BBC content over their 3G devices; syndicating content to MNOs for distribution via their mobile television subscription packages provides one means for the BBC to manage the potential risk of 'bill shock'<sup>12</sup>
- Given the nascent, and therefore highly challenging, stage of development in which the 3G market currently exists, it is understood

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<sup>10</sup> [www.bbc.co.uk/info/policies/syndication.shtml](http://www.bbc.co.uk/info/policies/syndication.shtml)

<sup>11</sup> BBC Public Service undertook an evaluation of the option of MNOs providing links back to the BBC's services rather than hosting/serving BBC assets.

<sup>12</sup> Internet based TV providers, on the other hand, do not have the same capability to manage customer charges since they do not operate the gateway service. For example, some ISPs charge customers for downloads exceeding their monthly limits, but the providers of the internet based TV service would have no visibility as to whether their audiences were being charged for viewing the content.

that MNOs and the other public service broadcasters value the BBC's contribution to supporting the various routes to market.

However, given the rapid pace of change, the BBC plans to monitor closely developments concerning the delivery of mobile television services and the relative advantages of syndication over linking.

## **NOVELTY**

Whilst syndication to 3G networks is a new activity for the BBC, it is not, of itself, novel. At the time of launch, the trial was unique; today, most operators have similar arrangements in place with a range of broadcasters and providers (including ITV, Channel 4 and Sky). Furthermore, as noted above, the BBC does not plan to offer any new 'made-for-mobile' content in the context of the current proposal – therefore, the content offered for delivery to mobile devices via 3G will not be 'novel' either.

## **FINANCIAL IMPLICATIONS**

Detailed cost information is commercially sensitive and cannot be disclosed here. However, the overall cost of delivering this proposal will not be significant.

## **DURATION**

It is proposed that the syndicated content be offered on a continuous basis. Over time, it is likely to complement mobile broadcast networks for the delivery of on-demand content and interactive services. The BBC will keep this type of provision under review as part of its overall mobile strategy.