



BBC Trust

Project Canvas

November 2009



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1. Executive Summary

1.1 Introduction

Project Canvas ('Canvas') is a proposed new joint venture partnership to define and promote a standards-based open environment for internet-connected digital television devices. For consumers this would enable subscription-free access to on-demand television services and internet-based content, through a new broadband connected digital box.

The BBC Trust commissioned Opinion Leader to conduct research into both the potential public value and market impact of Canvas.

The research comprised:

- A quantitative phase consisting of more than 2,000 interviews overall with a representative sample of the UK population, with data collection via both face-to-face and online surveys.
- A qualitative phase consisting of 18 depth interviews with households spanning a range of socio-demographics as well as different TV platforms, and those with/without access to broadband.

1.2 Key findings

Those surveyed expressed significant interest in Canvas overall (77% non-rejectors¹ with 61% interested overall and 17% very interested). Qualitative research indicates that the appeal of Canvas lies in its novelty and in the provision of access to a range of features without the requirement of an ongoing television subscription. All the features of Canvas were valued by audiences, with a ranking of catch up TV, PVR, HD, and internet content.

The quantitative research found that the groups most interested in Canvas overall tend to be younger, from higher socio-economic groups, those with more television sets and related technology at home, those more likely to already use some of the functionalities proposed in Canvas (such as PVR and catch-up TV), and those more likely to consider changing their television provider or equipment in future. Conversely, less interested groups tend to be older people, from lower socio-economic groups, those with fewer television sets and those in analogue-only households.

Qualitative research also indicated that interest in Canvas sometimes waned on closer consideration; participants believed that most features are already available elsewhere and that it does not compare well with pay-TV in particular.

¹ 'Non-rejectors' is the whole sample excluding those who said 'not at all interested' and including 'don't knows'

Nevertheless, there does appear to be some preparedness to pay to access the service, including for the set top box and for upgrading an internet service or getting broadband at home if required. Price thresholds varied, but more than half (53% of non-rejectors) would be prepared to pay at least £99 for a set top box, while the great majority (84% of non-rejectors) would be prepared to pay at least £49. Most would be prepared to pay up to £10 per month to upgrade an internet connection and up to £20 to get broadband connection at home, in order to access Canvas.

In terms of the possible impacts that the availability of Canvas could have, some pay-TV subscribers claim that they would consider cancelling their pay-TV service as a result; however the real level of cancellation is likely to be lower particularly if their pay-TV provider were to offer comparable features, in particular the catch-up TV functionality.

Canvas is anticipated to lead to increased time-shifting and potentially also to increase the overall amount of TV consumed. Canvas is also expected to enhance the viewing experience, but not change the type of content viewed. Canvas may have the potential to drive some take-up of broadband (although it is important not to overstate this as it is seen as a separate purchasing decision to Canvas) and affordability appears to be a significant barrier for those currently without broadband.

As well as personal value, societal value is also perceived to be provided by Canvas. For example, it is perceived to 'plug a gap' in current broadcast provision (by providing more features than Freeview and being more affordable than pay-TV) and potentially to represent an entry-level internet product for vulnerable groups. However, it should be noted that those groups identified by others as potentially benefiting most in this regard are themselves less interested (such as older people, lower socio-economic groups or those without broadband).

The BBC's involvement in Canvas is seen as appropriate by participants, but Canvas' provision is expected to involve multiple parties, not just the BBC. The involvement of the BBC in Canvas is expected by some to have reputational benefits for the BBC and also to benefit Canvas by ensuring that consumers' interests are protected. However, it is seen as crucial that the BBC's role in Canvas should not be at the expense of its core services, that is, making high quality programmes.

2. Introduction

2.1 Background and objectives

Project Canvas ('Canvas') is a proposed new joint venture partnership to define and promote a standards-based open environment for internet-connected digital television devices. For consumers this would enable subscription-free access to on-demand television services and internet-based content, through a new broadband connected digital box.

Our assumptions about the specific features of the product were that in simple terms, Canvas devices would allow access to linear broadcasts, via an Electronic Programme Guide ('EPG'), on-demand audiovisual content (such as BBC iPlayer and similar catch-up services from other broadcasters), and a limited range of non-broadcast internet content (including, for example, elements of bbc.co.uk). The boxes will include a personal video recorder ('PVR'), an internet connection and will be HD-ready. To access this service, consumers would need to make an up-front payment for the set top box and have a broadband connection. While the Canvas offering is not new (for example, Apple currently offers internet TV services and Sky's HD boxes also have the capability to do so), it has the potential to allow viewers to access on-demand content on their televisions without having to subscribe to a pay-TV service.

The BBC Trust commissioned Opinion Leader to conduct research to assess both the potential public value and market impact of Canvas.

The objectives for research required to inform the market impact assessment were to measure:

- Potential demand (e.g. levels of interest amongst different market segments such as DTT owners, subscribers to pay-TV services, drivers and barriers, reactions to different price entry points).
- Potential impact on existing TV services (e.g. would pay-TV subscribers cancel their subscription or would it become an additional/second set option).
- Potential impact on viewing (e.g. time-shifted vs. linear, frequency of use, 'micro' impacts such as on genres and broadcasters viewed, and household as well as individual impacts).
- Potential impact on broadband (e.g. could it drive take up for non broadband users, any issues – such as price or speed - for current broadband users).

For the public value element of the research, the objectives were to explore:

- The value of Canvas to licence fee holders as individuals and also to wider society, and
- Whether or not the BBC should be involved and what its involvement adds.

2.2 Sample and methodology

In summary, the research comprised:

- A **quantitative** phase consisting of 2,171 interviews overall
 - 1455 x 15 minute online interviews with a representative sample of the online population
 - 716 x 20 minute face-to-face interviews with a representative sample of the UK adult population, in locations skewed towards areas of low broadband take-up in order to offset the online survey.
- A **qualitative** phase consisting of 16 x 1.5 hour household depth interviews, spanning a range of socio-demographics as well as different TV platforms and those with/without access to broadband.

Further detail on each phase is provided below.

2.2.1 The quantitative phase

Rationale for a combined face-to-face and online data collection approach

A mixed data collection method involving a face-to-face and online survey was used for the following reasons:

- Time and budget constraints meant a 100% face-to-face approach was not possible
- For robust sub-group analysis a large sample (2000+) was required

Of the total 2,171 interviews conducted, 1,455 were conducted online and 716 face-to-face. More interviews were conducted online because:

- The number of interviews allocated to each data collection method roughly equates to a 65%/35% split which reflects the latest recorded incidence of internet access in the home.
- Statistically, for the purposes of merging and weighting the data-sets, it is not necessary that the face-to-face survey contributes the same proportion of interviews as the online; the face-to-face element is primarily required to boost the sample size of those without the internet at home.
- Face-to-face data collection is more expensive and time consuming to complete than an online survey.

To ensure there was no skew towards those aged over 65 with internet access, quotas were set in both surveys to ensure they were representative of their own universes (overall adult population in the case of the face-to-face survey and adult population of internet users in the case of the online survey).

Online survey

The online survey was conducted between 13th and 20th March 2009, with a Northern Ireland boost conducted on 6th and 7th of April to ensure sufficient sample size for analysis. Interviews were conducted by Research Now, Opinion Leader's regular online panel provider. Quotas were set on age, region, socio-economic group (SEG) and gender to ensure the sample was representative of the UK online population.

Online unweighted sample breakdown

SOCIO-ECONOMIC GROUP	ONLINE UNWEIGHTED
A	8%
B	26%
C1	36%
C2	12%
D	7%
E	11%
REGION	
North East	3%
North West	10%
Yorkshire / Humberside	6%
East Midlands	3%
West Midlands	5%
East	6%
London	15%
South East	22%
South West	10%
Wales	5%
Scotland	9%
Northern Ireland	6%
AGE	
18-24	19%
25-34	18%
35-44	22%
45-54	20%
55-64	13%
65-74	7%
75+	1%
GENDER	
Male	50%
Female	50%
ETHNICITY	
White or white British	92%
Asian or Asian British	3%
Black or Black British	1%
Mixed	1%
Other ethnic group	1%

Prefer not to say	1%
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Face-to-face survey

The face-to-face survey was conducted between 16th March and 5th April 2009. Computer Assisted Personal Interviewing (CAPI) was used to manage the complex routing of the questionnaire. This meant that the interviewer read out the questions and range of responses (on closed questions) and recorded the respondent's answer on a handheld device. To offset the skew towards internet users within the online survey, the interviewing for the face-to-face survey was skewed to locations where households are more likely not to have internet access. For example, the locations included areas of high multiple deprivation, broadband not-spots and areas with below average internet take-up (specific locations are listed in the Appendix). This approach ensured that sufficient interviews were collected among those without internet at home to minimise the need for additional weighting. Interviews were conducted by Facts International, Opinion Leader's sister company and fieldwork specialist. Quotas were set on SEG, region, age, gender and ethnicity to ensure the sample was representative of the UK adult population.

Face-to-face unweighted sample breakdown

SEG	F2F UNWEIGHTED
A	2%
B	13%
C1	27%
C2	11%
D	9%
E	41%
REGION	
North East	2%
North West	12%
Yorkshire / Humberside	7%
East Midlands	7%
West Midlands	10%
East	3%
London	12%
South East (excl London)	20%
South West	11%
Wales	5%
Scotland	8%
Northern Ireland	3%
AGE	
18-24	10%

25-34	20%
35-44	21%
45-54	16%
55-64	15%
65-74	11%
75+	6%
GENDER	
Male	41%
Female	59%
ETHNICITY	
White or white British	90%
Asian or Asian British	3%
Black or Black British	6%
Mixed	1%
Other ethnic group	1%

The questionnaire

Both surveys used the same questionnaire which covered the broad areas below:

- Introduction
- Screening questions
- Initial classification questions
- Introduction to new product
- Interest in new product
- Potential impact of new product
- Preparedness to pay
- Further classification questions

The full questionnaire is included as an Appendix.

Merging and weighting the two data sets

- While the two surveys used the same questionnaire and code frames, responses to key questions varied, with online survey respondents showing greatest overall interest in the Canvas proposition. Detailed analysis of the separate data sets indicates that the variation in findings is mainly due to differences in the samples rather than the data collection methods.
- For example, the profile of the online sample is younger and higher socio-economic grade (representative of the online population), and a very high proportion of this sample has broadband at home. In both surveys, these audiences tend to be more interested than average in Canvas.
- In addition, technology usage is also higher amongst the online sample and this is another factor that correlates with higher interest in Canvas. For example, the online sample is more likely to:
 - have more TVs in the household, more HD-ready TVs, pay-TV services and PVR
 - use their PVR regularly, and be aware of and use catch-up TV
 - have switched their pay-TV provider and/or intend switching or cancelling in future.

A full comparison of the sample composition of the two surveys is contained in the Appendix.²

The two data sets were merged at the analysis stage and merged data was weighted to be representative of the UK adult population (the weighting variables are included in the Appendix). This report focuses on the merged data; however any key sub-group differences are highlighted. See the Appendix for full details on the merged, weighted sample breakdown.

Merged and weighted sample breakdown

SEG	Merged weighted
A	4%
B	22%
C1	29%
C2	21%
D	16%
E	8%
REGION	
North East	4%
North West	11%
Yorkshire / Humberside	9%
East Midlands	7%
West Midlands	9%

² Work history to establish socio-economic grade ('SEG') was missing for those not in full- or part-time employment in the face-to-face survey, so SEG was statistically imputed in these cases. This process involved modelling the answers for respondents with known SEG and then matching these characteristics to respondents with missing data.

East	9%
London	12%
South East	14%
South West	9%
Wales	5%
Scotland	8%
Northern Ireland	3%
AGE	
18-24	10%
25-34	20%
35-44	21%
45-54	16%
55-64	15%
65-74	11%
75+	6%
GENDER	
Male	49%
Female	51%
ETHNICITY	
White or white British	92%
Asian or Asian British	4%
Black or Black British	2%
Mixed	1%
Other ethnic group	-
Other	1%

2.2.2 The qualitative phase

A total of 16 x 1½ hour household depth interviews were conducted between 2nd and 9th April 2009. These were semi-ethnographic interviews and involved the whole household unit. The sample covered a range of household compositions, lifecycle stages, socio-economic grades and TV platforms used, and it represented households both with and without broadband at home.

	Group 1	Group 2
Young, pre-children	A SEG Broadband Sky basic London	C2 SEG No broadband Freesat Glasgow
Young, pre-children	C1 SEG	

	Broadband Sky+ HDTV subscription Rural England	
Family, pre-school children	C2 SEG Broadband Freeview London	D SEG No broadband Freeview Glasgow
Family, pre-school children	B SEG Broadband Virgin premium London	
Family, primary school children	E SEG Broadband Virgin+ HDTV subscription Glasgow	C1 SEG No broadband Analogue Rural England
Family, primary school children	B SEG Broadband Freeview London	
Family, older (high school/tertiary children)	C2 SEG Broadband Other pay-TV (BT Vision) Glasgow	
Family, older (high school/tertiary children)	D SEG Broadband Sky premium London	A SEG No broadband Freeview Rural England
Empty nesters, pre-retiree	D SEG Broadband Virgin (basic) Rural England	B SEG No broadband Freeview Glasgow
Retired	C1 SEG Broadband Other pay-TV (BT Vision) Rural England	E SEG No broadband Analogue London
SUMMARY OF PROVIDERS	3 x Sky 3 x Virgin	3 x Freeview 2 x Analogue

	2 x Other pay TV 2 x Freeview	1 x Freesat
Total = 16 household groups		

Mix of the following across the whole programme:

- Housing tenures
- Ethnicity
- Bundled packages
- People who have changed TV and/or broadband providers

The interviews were conducted in three locations: Glasgow, various London boroughs³ and rural England (Beverley). Using data from Ofcom⁴, these locations were chosen for their low broadband internet penetration to offset the online sample ensuring a robust sample for those without broadband at home.

Participants were recruited by Opinion Leader's network of local recruiters. Opinion Leader prepared a detailed screening questionnaire and this was used to check participant eligibility. At the recruitment stage, participants were given only a very general explanation of the purpose of the research and what would be covered. To aid the discussions, participants were asked to keep a media diary to make a record of their TV viewing habits in the week before the discussion. Those with broadband internet at home were also asked to measure the speed of their internet connection.

After an initial warm-up, the interviews covered the following broad topic areas:

- Current media habits
- Personal/household interest in Canvas and impacts
- Perceived public value of Canvas
- Impacts of Canvas on wider society

³ Specifically Streatham, Tower Hamlets, Harrow, Edmonton, Barking, Eastham, Woolwich and Dalston

⁴ Ofcom Consumer Market Report November 2008 : Nations and regions. <http://www.ofcom.org.uk/research/cm/cmmr08/>

2.3 Report structure

The structure of this report is as follows:

- Overall interest in Canvas
- Interest in individual elements of Canvas
- Preparedness to pay
- Impacts – TV services
- Impacts – TV usage
- Impacts – internet services
- Public value of Canvas

Where relevant, the qualitative findings have been reported alongside the quantitative findings to provide further insight into the data.

Data marked with an asterisk (*) indicate a small base size (under 100).

This report includes a number of technical terms and a glossary of terms is contained in the Appendix.

3. Overall interest in Canvas

This section focuses on the level of interest in the Canvas proposition overall, as well as the reasons given for interest and lack of interest.

Key findings:

- There is significant interest in the Canvas proposition overall (77% non-rejectors with 61% interested and 17% very interested).
- However, initial interest does not equate to intended take-up:
 - Price has a negative impact
 - Qualitative research suggests that interest can wane as consumers reflect on how 'new' the product actually is and what it offers.
- Most interested groups are:
 - Younger people, those from higher socio-economic groups, those with more televisions and related technology at home (broadband, 2+ TVs, pay-TV), those more likely to use television functionality (e.g. PVR and catch-up TV) and those more likely to make changes to their television services in future (e.g. by switching or cancelling their pay-TV subscription).
- Conversely, less interested groups are:
 - Older people, those from lower socio-economic groups and those with fewer TV sets and related technology at home (e.g. 1 TV, analogue).

3.1 Interest in Canvas

Based on our assumptions of the product at the point of commissioning, respondents to the survey were provided with the following description of the Canvas proposition, which they were able to return to throughout the survey as required.

A new product is being developed that will bring together free digital TV and selections from the internet on your TV set. This will enable you to:

1. Access all **Freeview digital TV channels and digital radio** stations.
2. Catch up on TV that you may have missed or want to watch again by **downloading or streaming it from the internet** (e.g. from BBC iPlayer, ITV Player, Channel 4's 4oD and Five's Demand Five) **to your TV**.
3. **Access some internet sites** such as bbc.co.uk, NHS Direct, Direct Gov, **through your TV**.
4. Pre-record your own programmes on a **Personal Video Recorder** to watch later, pause and rewind live TV, and access a selection of popular programmes that have been automatically pre-recorded.
5. Watch free-to-air **High Definition** channels from the BBC, ITV and Channel 4 (High Definition TV offers picture quality with much more detail and vibrant colour than standard definition TV).

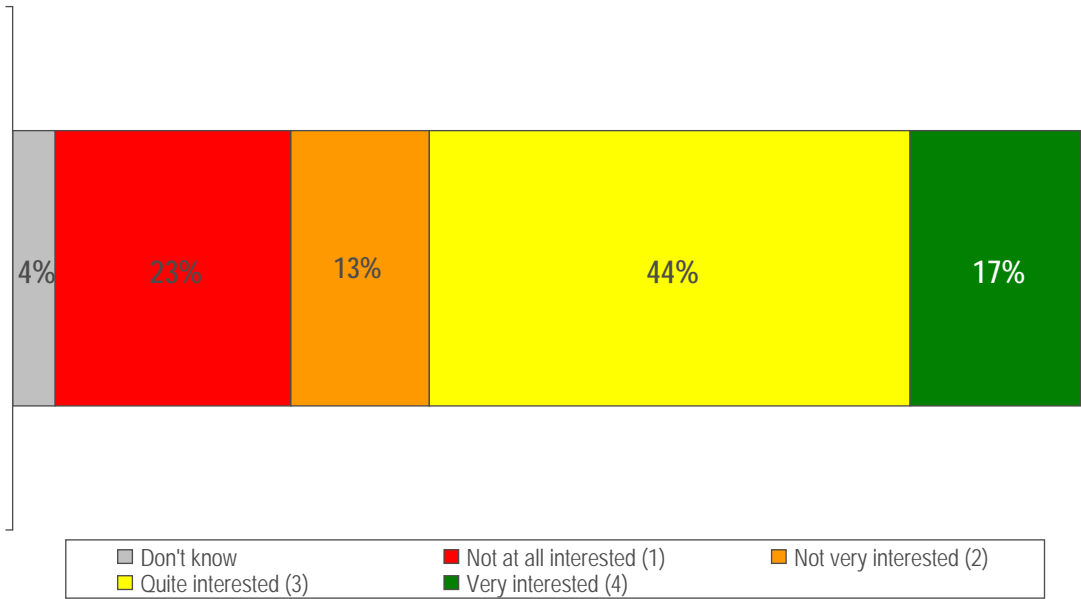
Accessing this would require a **one-off purchase of a new set top box** (similar to Freeview) but there would be no ongoing subscription or contract fees. **Broadband internet connection** would be required to access programmes and other content from the internet on your TV.

Respondents were initially asked how interested or not interested they would be in using a product with these features overall. All non-rejectors (i.e. excluding those who said 'not at all interested') were subsequently asked about their level of interest in each of the specific features outlined, while rejectors were asked to indicate their reasons why they were not interested.

The quantitative research found significant interest in the Canvas proposition overall. A six in ten majority (61%) claim to be interested in Canvas, although most of these are 'quite' (44%) rather than 'very' (17%) interested. Just over a third (35%⁵) overall stated that they are not interested (not very/not at all interested), and just under a quarter (23%) can be considered to be rejectors ('not at all interested').

⁵ Note that due to rounding the 'not interested group' (not very+not at all interested) total 35% rather than 36%

Figure 1: Interest in Canvas



Q7. Overall, how interested or not interested would you be in using a product with these features if it was available?
 BASE: 2171 (all)

The box below summarises the levels of overall interest in Canvas.

Interested overall (very/quite interested)	61%
Not interested overall (not very/not at all interested)	35%
Total non-rejectors (everyone, excluding 'not at all interested' and including those who said 'don't know')	77%
Mean (out of 4 where 1 = not at all interested, 2 = not very interested, 3 = quite interested, 4 = very interested. Excludes 'don't knows')	2.6

It should be noted, however, that interest does not equate to likelihood of take-up and at this point in the questionnaire no pricing options had been provided to respondents. Another qualifying point is that the qualitative research found initially positive reactions could cool once people had the opportunity to give the proposal more consideration. Further information on this is provided in Section 3.2.

The quantitative data also shows that certain sub-groups tend to be more or less interested in Canvas compared with the average. For ease of navigation, sub-group analysis below has been broken down by:

- Socio-demographics and location
- Technology ownership and usage
- Future intentions with respect to technology ownership and providers.

However, these sub-groups are not all mutually exclusive and a number of them interlink (e.g. older people are more likely to live in analogue only households and not to have broadband at home).

Therefore, further statistical analysis would be required to enable identification of the primary variables influencing interest or lack of interest in Canvas.

Socio-demographics and location

Younger respondents, particularly those aged 18-34, are more likely to be interested in Canvas compared with those aged over 55. This may be related to younger people owning and being comfortable with technologies to a greater extent than older people. Men are also more likely than women to be interested in Canvas, with women aged over 55 emerging as a particularly disinterested group.

Life-stage is also a factor in interest, closely linked with age. Those who live with friends/flatmates tend to be more interested in Canvas than average. In addition, those who share their homes with others (be it with friends or partners and children) are more interested than those who live alone. This is supported by the qualitative research, which revealed that Canvas was perceived to facilitate a shared viewing experience that was valued by participants.

Socio-economic scale also accounts for some variation in interest, with those from higher socio-economic groups (AB) expressing greater interest than those from lower groups (DE). This may be related to affordability, as people from lower socio-economic groups are less likely to have broadband at home currently and would therefore incur an additional cost.

These differences are summarised in Figure 2 below.

Figure 2: Socio-demographics (household composition, SEG, age, living arrangements) and location

Groups significantly more likely to be interested than average (mean interest out of 4 = 2.6)	Groups significantly less likely to be interested than average (mean interest out of 4 = 2.6)
<ul style="list-style-type: none"> • Live with friends/flatmates (3.0) • AB (2.9) • 18-34 (2.8) • 18-34 and female (2.8) • 35-54 and male (2.8) • 18-34 and male (2.7) • Live in the South⁶ (2.7) • 35-54 (2.7) • Men (2.7) • Live with partner/children (2.7) 	<ul style="list-style-type: none"> • 55+ and female (2.0) • DE (2.1) • Live alone (2.2) • 55+ (2.2) • Live in the Midlands⁷ (2.3) • Women (2.5)

⁶ South = South East, South West and East of England

⁷ Midlands = East Midlands and West Midlands

Technology ownership and usage

Those with pay-TV and those with more and newer TVs are more likely to be interested in Canvas. Conversely, those with analogue TV and only one set tend to be less interested, as are those without the internet or broadband at home. In addition, those who use catch-up TV and have, or are, frequent users of their PVR tend to be more interested than those who do not have a PVR, or are infrequent users, or who never use catch-up TV. TV consumption on a weekly basis has virtually no impact on interest; however those who watch between 2–4 hours of TV per day are slightly more interested. The survey suggests that people who watch this amount of TV are more likely to be internet users and be within the younger age groups – these groups are more likely to be interested in Canvas than other sub groups.

Findings suggest that people who are more confident with and interested in audio-visual technologies, and who therefore possibly place a higher value on TV, are more likely to be interested in Canvas than those who are not. They are also likely to have a greater appreciation of Canvas' features. Those without internet or broadband service at home tend to be less interested. This is perhaps due to the fact that they are likely to be less technology-savvy and would need to pay extra to get broadband at home.

Figure 3: Technology ownership

Groups significantly more likely to be interested than average (mean interest out of 4 = 2.6)	Groups significantly less likely to be interested than average (mean interest out of 4 = 2.6)
<ul style="list-style-type: none"> • Virgin subscribers (2.9) • Frequent users of PVR (2.8) • Those with PVRs (2.8) • Those who have had their main TV less than 1 year (2.7) • Those who have had their main TV between 1-3 years (2.7) • Those with 2+ TVs (2.7) • Sky subscribers (2.7) • Those with Freeview built into their TV (2.7) • Medium viewers of TV (2-4 hours per day) (2.7) 	<ul style="list-style-type: none"> • Those without internet (1.9) • Those without broadband (2.1) • Those with 1 TV (2.1) • Those who infrequently use their PVR • Those with Analogue TV (2.5) • Those who have had their main TV for more than 3 years (2.5)

Figure 4: Technology usage

Groups significantly more likely to be interested than average (mean interest out of 4 = 2.6)	Groups significantly less likely to be interested than average (mean interest out of 4 = 2.6)
<ul style="list-style-type: none"> • Users of catch-up TV (frequently 3 and infrequently 2.9) • Frequently users of PVR (2.9) • Medium TV viewers (2.7) 	<ul style="list-style-type: none"> • Infrequent users of PVR (2.2) • Heavy TV viewers (2.4)

Future intentions

In addition, people who are likely to make a change, either to their pay-TV provider or to their equipment such as a new TV or Freeview box, tend to be more interested in Canvas.

Figure 5 Future intentions

Groups significantly more likely to be interested than average (mean interest out of 4 = 2.6)	Groups significantly less likely to be interested than average (mean interest out of 4 = 2.6)
<ul style="list-style-type: none"> • Those likely to change pay-TV provider (3.1) • Those likely to cancel pay-TV provider (3.2) • Those likely to change Freeview box (3.2) • Those likely to change TV (3) 	<ul style="list-style-type: none"> • Those not intending to get broadband internet in the next 12 months (1.6) • Those not likely to change TV (2.4)

3.2 Reasons for interest and lack of interest

Participants in the qualitative research were often enthusiastic about Canvas as the proposition tended to be considered new and interesting; they also liked the combination of individual features. The one-off cost, free from subscription charges and ongoing fees, was particularly appealing both to pay-TV and free-to-air platform users. There was a perception, particularly among Freeview and pay-TV users, that Canvas would provide greater choice and flexibility, particularly through the time-shifting elements of PVR and catch-up TV, but also because some (a minority) mistakenly expected that more or exclusive channels and/or programmes would be provided.

“I’m assuming you would have sport? Don’t know if the BBC would start doing football for example, or other sporting events that we could watch?”

Social grade D; with broadband; Sky Premium; with older (high school/tertiary) children; London

"Maybe you would expect to see different channels as well if it was a BBC product, or something that was exclusive to the actual service...a local channel maybe."

Social grade E; with broadband; Virgin+ with primary school children; Glasgow

"[The most appealing feature is] ..the fact that it is a one-off purchase probably....and that there's no ongoing subscription or contract."

Social grade E; broadband; Virgin+; with primary school children; HDTV subscription; Glasgow

[What's the best thing about it?]

(Female) not having to pay

(Male)...No subscription

(Female) Yes, even if the box cost £500

Social grade C1; no broadband; analogue-only TV; with primary school children; rural England

"I think it would be good, myself. I think very good."

Social grade E; no broadband; retired; analogue-only TV; London

However, after further consideration of the product and how it would be used, interest in Canvas waned for some participants. On reflection they felt that:

- Canvas is not actually offering anything new; almost all of the individual elements already exist in some form.
- What they currently have is 'good enough' and that there is no need to change.
- Set up and ongoing maintenance is a concern: those with pay-TV subscriptions in particular questioned whether there would be assistance for customers.
- The expected cost of the product is also a barrier for some, particularly those without broadband at home as this would be required to access the full Canvas service.

"They're not offering anything that we don't have one way or another."

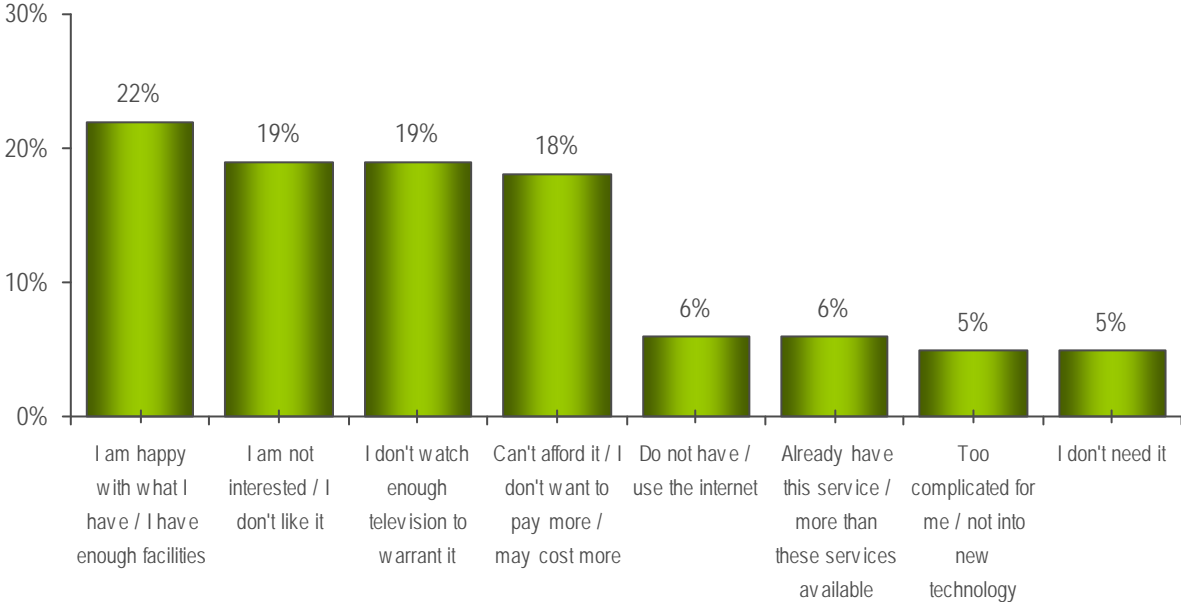
Social grade A; with broadband; Sky basic package, with pre-school children, London

In the quantitative research, non-rejectors were not specifically asked for the reasons for their interest but about which specific features are driving their interest. The responses to these questions are provided in Section 4.

However, those respondents who stated that they are 'not at all interested' (rejectors) in Canvas were asked for their reasons as this group (23%) was then excluded from the remaining core survey questions. Lack of perceived need emerged as the main reason for rejection, with rejectors stating that

they were 'happy with what they have', generally 'not interested' or that they 'don't watch TV enough to warrant it'. In addition, affordability is expected to be a barrier by one in six (18%).

Figure 6: Those not interested in Canvas – reasons for lack of interest



Q. What are the reasons that you are not interested in this product?
 BASE – all not interested (492)

Similar reasons for lack of interest were also given in the qualitative research.

4. Interest in different elements of Canvas

This section focuses on the extent and level of interest in the different specific elements of the proposition overall, as well as consumers' expectations of Canvas.

Key findings:

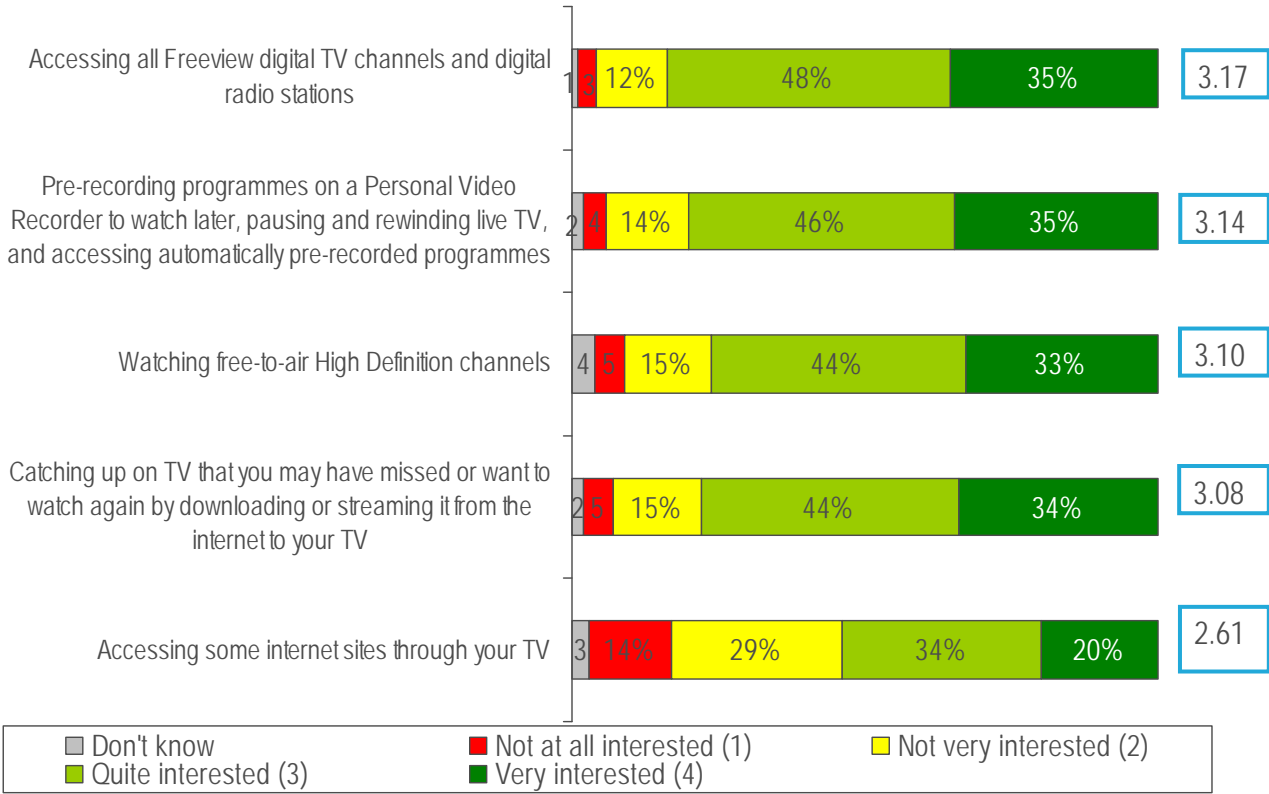
- All of the audio-visual elements of Canvas are appealing.
- Access to non-broadcast websites via the TV is of least interest:
 - Not seen as a substitute for full internet access via a computer.
- Similar groups are more and less interested in each of the individual features as they are in the overall Canvas proposition (reported in Section 3).
- Participants in the qualitative research expect Canvas to:
 - Be quick and easy to use
 - Provide a broad range of audio visual content
 - Have technical support for set-up and maintenance.

After gauging interest in the proposition overall, survey respondents were asked about their level of interest in each of the following individual features, as detailed in the description:

- Accessing all Freeview digital TV channels and digital radio stations.
- Catching up on TV that you may have missed or want to watch again by downloading or streaming it from the internet (e.g. from BBC iPlayer, ITV Player, Channel 4's 4oD and Five's Demand Five) to your TV.
- Accessing some internet sites such as bbc.co.uk, NHS Direct, Direct Gov, through your TV.
- Pre-recording your own programmes on a Personal Video Recorder to watch later, pause and rewind live TV, and access a selection of popular programmes that have been automatically pre-recorded.
- Watching free-to-air High Definition channels from the BBC, ITV and Channel 4 (High Definition TV offers picture quality with much more detail and vibrant colour than standard definition TV).

Overall, there was a strong level of interest in each of the individual elements of Canvas, highlighted in the following chart:

Figure 7: Interest in the individual features of Canvas



*Thinking about the specific elements of the product, how interested or not interested are you in each of these?
Base – All non-rejectors (1679)*

Interest in each feature is described in more detail below.

4.1 All Freeview Digital TV channels and digital radio stations

The opportunity to access all Freeview digital TV channels and radio stations is the most popular feature, with more than eight in ten (83%) interested in this and just over one-third (35%) stating that they are ‘very interested’.

Participants in the qualitative research also found this feature appealing, perceiving it to be Freeview but with additional functionality or, as a few people commented, ‘Freeview with bonuses’. However, it is worth noting that the appeal of this feature was partly due to a misconception amongst some pay-TV and Freeview users that Canvas would provide additional, new or exclusive broadcast channels that are not currently available elsewhere.

"Instead of you like paying for Freeview and paying for Sky it's actually connected together so you can interact it around the whole of the house and that's really good."
Social grade D; with broadband; Sky Premium; with older (high school/tertiary) children; London

Analysis of those groups most and least interested in this feature shows a very similar profile to the sub-groups identified in the analysis of overall interest in Canvas (see Section 3.1). In addition, those currently with Freeview (whether through a set top box or integrated into their TV) were especially likely to express interest in this feature.

4.2 Personal Video Recorder

Interest in the PVR feature is also very high, with eight in ten (81%) respondents expressing interest and more than one in three (35%) saying they are 'very interested'.

In the qualitative research, PVR functionality emerged as the most popular feature, alongside the catch-up TV functionality. This feature was particularly appreciated because it is seen to enable consumers to watch what they want, when they want. Participants in the qualitative research felt that it would make their lives generally easier to not be tied to the TV schedule. In addition, this feature was expected to facilitate more household/family viewing. For example, some parents commented that they could record a programme to watch with their partner once the children were put to bed, rather than one of them having to miss the programme.

"I think everyone likes the opportunity to be able to plan what they're going to watch and it just means you don't have to watch the rubbish or you know you're going to sit down and watch something you want."

Social grade C2; with broadband; Freeview; with pre-school children; London

"Yes, I used to watch more if I taped them [TV programmes]. I mean it's much easier to watch them when the kids are in bed."

Social grade C1; without broadband; analogue-only TV; with (primary school) children; rural England

Further analysis of the quantitative data reveals a very similar profile of groups who are more or less interested in this specific feature compared to Canvas overall. In addition, interest in this feature is higher amongst those who currently have a PVR, particularly if they are frequent users of PVR. This is likely to be due to their greater appreciation of the benefits this functionality provides.

4.3 Free-to-air High Definition channels

Over three-quarters (77%) of those surveyed claim to be interested in this feature, with one in three (33%) 'very interested'.

This feature also had a strong appeal in the qualitative research, particularly for those with pay-TV who currently have to pay an additional fee, on top of their subscription, to view HD channels. Some described this feature in the context of Canvas as a good 'bonus'. In addition, HDTV is perceived to enhance overall TV viewing making it more of a 'special' experience. Participants envisaged that specific genres, such as documentaries, would be particularly enhanced by this feature.

"... the ideal situation for me if I wanted those things is to have a really good package with really amazing TV with HD in it."

Social grade A; with broadband; Sky basic; young pre-children; London

"And I think if you've got your HD channels and stuff, I think that's quite a good thing to have."

Social grade C1; with broadband; Sky+; HDTV subscription; young pre-children; rural England

As with other features, sub-group analysis reveals similar groups are more or less interested in this feature as are more or less interested in Canvas overall. However, there are also some variations such as families with children and, related to this, 35-54s emerging as the groups most interested in the HD feature. In addition, people with premium packages (Sky and Virgin) were particularly interested, although whether or not consumers have an HDTV subscription does not appear to be a factor, with both groups expressing similar levels of interest.

Our qualitative research suggests that families are more interested in HD because they believe it will enhance the overall shared TV viewing experience – making it like a cinema at home. For those with Sky Premium packages, the high value placed on TV may be the factor driving interest. Those with HDTV already are likely to have an appreciation of this feature and may perceive cost savings with Canvas. However, the qualitative research suggests that those without HDTV perceive this to be a useful bonus feature which would enhance the overall viewing experience.

4.4 Catch-up TV from the internet via TV

Three-quarters (78%) were interested in the catch-up TV feature, with one-third (34%) stating that they were 'very interested'.

In the qualitative research, the key perceived benefit of having catch-up TV downloaded or streamed to the television set was that it represented a more natural environment compared with a PC or laptop. Participants described the difficulties of accessing catch-up TV through the internet as a family at

present, as it involved everyone huddling around a computer which typically has a much smaller screen than the TV.

"I mean if there's two of you then you don't want to hide around that small laptop... I mean if it was against watching like a premium film on the laptop compared to us all watching an old film on the telly then I would watch the telly just because it was more comfortable."

Social grade C2; with broadband; Freeview; with pre-school children; London

In addition, as with PVRs, the facilitation of more quality family/household viewing was highly valued by participants in the qualitative research. Interestingly, this feature was perceived as being complementary to PVRs rather than a substitution, as one allows you to pre-plan viewing and the other to catch-up on programmes that may have been overlooked the first time.

However, there were also some concerns about the quality of catch-up TV in the qualitative research. Some participants commented that they had experienced lower picture quality and problems with buffering. They sought reassurance that similar problems would not occur with Canvas. There was also a desire for the catch-up facility to allow people to access programmes for at least a month rather than a week as is the case for much content at present, especially on BBC iPlayer. Some also called for all BBC content, including archives, to be made available. Although not mentioned explicitly, there was an implicit expectation that this would be for free.

*[Answering the question which features they like most about Canvas]
"Well I think the one for catching up on TV if we're out [...], that's ideal."*

Social grade C1; with broadband; BT Vision; retired; rural England

Again, the sub-groups likely to be more and less interested in this feature are very similar to those more and less interested in Canvas overall. In addition, people who already use catch-up TV frequently were particularly interested. The qualitative research suggests this is because they already understand this functionality, with some who had not used catch-up TV finding it difficult to imagine how it would work.

4.5 Wider internet through the TV

Overall, just over a half (54%) were interested in wider internet access via the television, and one in five (20%) 'very interested'.

In the qualitative research, there was some novelty value initially attached to this prospect. However, on consideration, there was a strong perception that using the internet through a TV set was not 'natural'. Participants struggled to envisage how easy it would be to use the internet through the TV and voiced concerns over practicalities such as if and how a keyboard and mouse would be used with a TV.

"I just think the thought of putting the internet on your TV sounds like really hard work."

Social grade C1; with broadband, Sky+; young pre children; rural England

"Streaming and downloading [information] to your TV, that's quite a new thing for me, I just haven't really heard much of that before. I mean I'm sure loads of people do it, but I've never really done that myself. Accessing internet sites on TV is very new to me".

Social grade A; with broadband; Sky basic; young pre-children; London

The limited range of internet sites suggested to participants was also a reason this feature was not more appealing, with some feeling strongly that Canvas would need to offer a wider range to be viable as a product. This was mainly because the examples given were not the types of sites that participants used every day – popular sites were more likely to be email, shopping, banking, travel and social networking sites.

"I would have thought it would be the whole of the internet, because remember now, on a mobile phone you can get the internet, and if you can get that on a mobile phone why can't you get it on a new product that's being offered?"

Social grade D; with broadband; Sky premium; with older children (high school/tertiary); London

In addition, the concerns people had about accessing websites through a TV are connected to how participants currently use the internet and TV. Using the internet is perceived to be a solitary activity whereas watching TV is regarded as primarily a group activity. Participants commented that some activities conducted on the internet, such as emailing and internet banking, are private. There were also concerns expressed that having websites available on the TV might lead to one person in the household monopolising the television and preventing others from watching it.

However, there were a few positive reactions to this feature in the qualitative research. For example, there was a perception that it could be good for others who currently lack access to the internet, as a 'starter' internet package (it should be noted, however, that this view was unlikely to be expressed by those who currently do not have the internet or broadband at home). It was also seen by some as potentially increasing access to the internet at a household level, particularly if it was used on a second TV set. In addition, a minority mentioned that it would be nice to see the internet on a large screen.

"It's more telly based so it's not so scary to some people, because I think that's part of the issue, that people think "Well, I don't know about computers"...I suppose computers have been around for 30 years, but I think the thing is you've still got a good amount of the population who are totally alienated - it's an alien form for them - so any opportunity to try and sweeten that pill is a good thing I think."

Social grade C2; with broadband; Freeview; with pre-school children; London

As with the other features, those sub-groups more and less interested in this feature are similar to those who are more and less interested in Canvas overall.

4.6 Expectations of Canvas

The qualitative research explored expectations of Canvas. There was broad consensus that it would need to be quick and easy to use. For example, participants felt that it was important for no buffering or delays when watching programmes on catch-up TV. Participants were also keen that Canvas includes an intuitive EPG to aid navigation. Some who had Sky or had had experience of Sky suggested Sky as a good example. Easy to understand instructions for using the product were also expected, potentially available onscreen.

"I would want a good remote for it...and you know Sky and Virgin have different remotes and each has got hot keys so you can cut to certain screens quickly. So you would want [the remote] to be fully functional".

Social grade B; with broadband; Virgin+; HDTV subscription; with pre-school children; London

There was an expectation that Canvas would offer a wide variety of audio-visual content. Participants agreed there should be 'something for everyone'. As previously mentioned, there was a misconception among some that Canvas would offer new and/or exclusive broadcast channels. There was also a desire for the catch-up facility to provide content from more than just the preceding seven days (there was a general view that one month should be the minimum). Linked to this, some participants suggested that BBC's archives should be made available on Canvas. As mentioned previously, there was an implicit assumption this would be available for free.

"I would hope it would have a few extra channels and I know it is saying you are basically getting free view and things like that but maybe Discovery and maybe Living and a few sports channels and things like that."

Social grade C2; no broadband; Freesat; young pre-children; Glasgow

In addition, if the product was to include web functionality participants felt that it would be important that a broader choice of popular websites be available. There was an expectation that, as a minimum, Canvas should provide those websites most commonly used such as email, travel, shopping and social networking sites. In addition, participants felt that it was important that the functionality and experience of accessing websites through the TV would be equivalent to what people currently experience when accessing the internet through a computer; for example, speed of loading.

It was also deemed critical that Canvas have a number of safeguards. For example, in-built virus software was suggested, as were parental controls (like Sky's) to prevent children accessing adult

content. Expectations about safeguards were particularly high amongst those who anticipated that the BBC would be involved in Canvas.

"Well...as it's the BBC you would obviously expect... it would really be high standard... obviously very easy all coming from a very simple remote control. Very simple on screen displays."

**Social grade E; with broadband; Virgin+; HDTV subscription; with primary school children;
Glasgow**

The design, look and feel of Canvas was also important to participants. They wanted something sleek and modern looking, preferably in a range of colours. Apple products were cited as good examples of well-designed technology products.

A number raised concerns about the availability of instructions and support for the set-up and ongoing maintenance of Canvas. The internet connection was expected to mean the product would be more complicated to install compared with a conventional set top box and more opportunity was seen for 'things to go wrong'. The expectation that help should be available was particularly high amongst pay-TV users who are used to having access to a technical help line and the possibility of a visit by an engineer if required.

5. Preparedness to pay for Canvas

This section details findings from the quantitative research on how much consumers claim that they would be prepared to pay for various elements potentially required to access Canvas:

- Set top box
- Upgrade of broadband service if required (to gain sufficient bandwidth and downloads)
- Take-up of broadband internet if required (for those with dial-up or without internet at home)

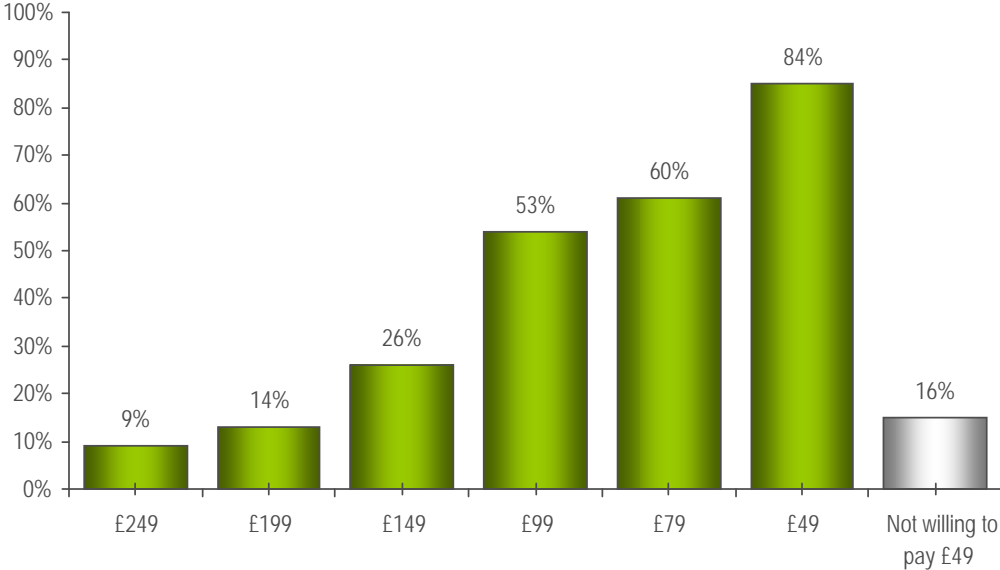
Key findings are:

- The majority stated that they would be prepared to pay between £99 and £49 for a Canvas set top box.
- There also appears to be some preparedness in principle to pay for upgrading internet services or getting broadband at home, but in these cases the price threshold is far lower.
- Upfront costs for the set top box are a barrier for some in lower socio-economic groups, particularly if they would also need to get broadband at home to access it.
- Conversely, the lack of subscription cost was appealing to some with pay-TV, although not to the extent to make many intend to cancel their service.

5.1 Preparedness to pay for set top box

Just over half (53%) of Canvas non-rejectors (that is, excluding the 23% who are 'not at all interested') stated that they would consider paying at least £99 for a set top box to access the product, and this rises to six in ten (60%) once a lower price point of £79 is provided. The great majority (84%) would be prepared to pay at least £49 for a set top box to access Canvas, with the qualitative research suggesting that an entertainment product costing £49 is likely to be regarded as affordable and therefore would represent a relatively low involvement purchase decision.

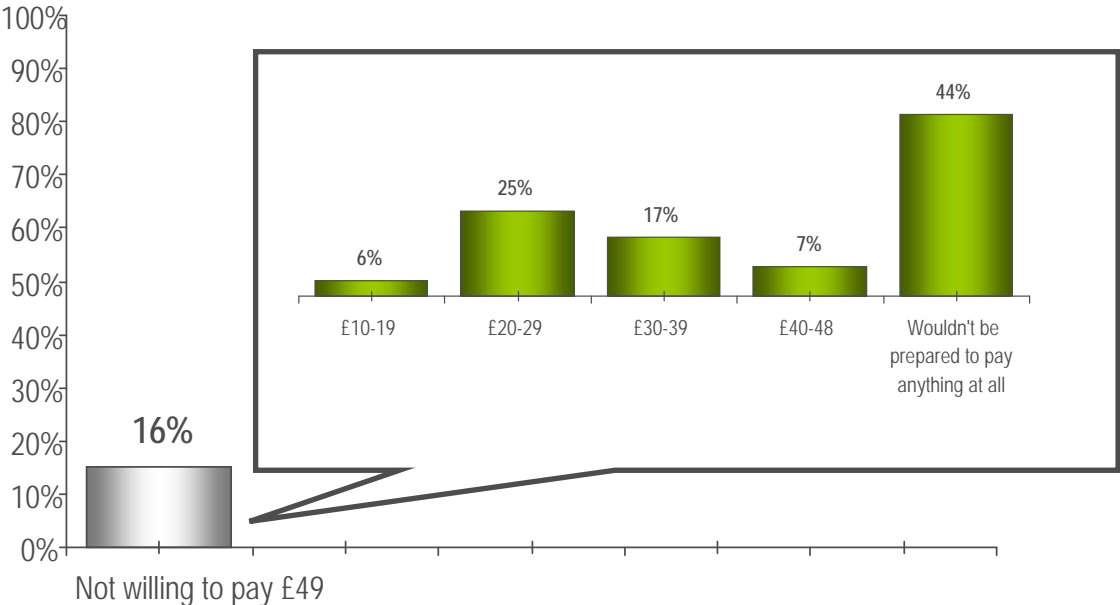
Figure 8: Non-rejectors – preparedness to pay for Canvas set top box



Q. Would you be prepared to pay the following price for the set top box to access this product?
BASE: All non-rejectors (1679)
Notes: Price points were shown one by one, starting with the highest.
This chart has been calculated cumulatively, i.e. all those who said yes for £249 have been included in all subsequent price points.

However, one in seven (16%) would not be prepared to pay even £49; half of these would not pay any amount, while the other half would pay less than £49 (around a quarter would consider paying £30-48 and a quarter less than £30).

Figure 9: What price, if any, would be paid by those not willing to pay £49



Q. What, if anything, would you be prepared to pay?
BASE: All those who said no to all given price points (267)

- Not surprisingly, those with higher levels of interest in the Canvas proposition overall (see Section 3.1) are more likely to pay higher price points. In addition:
- Those with Sky, particularly those with Sky Premium, are more likely to pay higher price points.
- Those intending to change their television equipment or provider are more likely to pay higher price points.
- Those who already have certain features, such as PVR and HDTV subscription, are more likely to pay higher price points.

Those more likely not to pay £49 include those living with parents, those with Freeview built into their TV sets, and those who are light users of TV (those not watching it every day).

In the qualitative research, participants were asked both what they expected such a set top box to cost and what, if anything, they would be prepared to pay. The suggested price points for Canvas varied from £50 to well over £300. This range can be explained by the different comparisons that participants based their estimates on. Those with pay-TV tended to work out the price based on how much they currently paid for pay-TV including extras like HDTV. By contrast, those with Freeview tended to base it on the price of a Freeview box with additional features.

However, it is worth noting that qualitative research participants found the exercise difficult. They felt they would need to see the product and its features in 'real life' before they could place a firm value on it.

"(Female) Well if it sounds like the one that Sky has it is what forty nine pound...?"

"(Male) No it will be a lot dearer than that. You have got to remember that's Sky."

Social grade B; no broadband; Freeview, empty nesters, pre-retiree, Glasgow

"Well if it is the one off cost and is similar to Freeview... and Freeview doesn't have all the channels...I would say roughly a hundred pounds... I would be willing to pay a hundred [pounds]"

Social grade C2; with broadband; BT Vision; older children (high school/tertiary); Glasgow

For those with pay-TV the lack of ongoing subscription costs was appealing, with some calculating during discussion the savings they could make each month. However, upon consideration some with pay-TV felt that their service was superior to what was being offered by Canvas (more channels etc), and that this justified the additional costs. They did not, however, consider any additional savings they might currently be getting for bundled services (e.g. TV and phone and/or internet).

In the qualitative research, those from lower income groups tended to be more price-sensitive. They felt that the upfront cost of a set top box could represent a barrier to take-up, particularly if the cost was at

the higher end of the spectrum (over £100). Those from lower incomes without broadband internet also raised concerns about the additional costs that they would incur. In addition, those happy with their current TV service were less likely to be prepared to pay for a set top box. Some also felt that, should the BBC be involved, the licence fee should cover the cost of Canvas; that is, that any equipment should be free.

“(Male) I think that if you pay for broadband you should get a set top box free because at the end of the day you are still paying a set amount a month for your broadband every month and a phone line and so I don't see why you can't get it.”

“(Female) The way people's jobs are going people don't want to be tied into contracts because you can't get out of contracts.”

Social grade C2; with broadband; BT Vision; older children (high school/tertiary); Glasgow

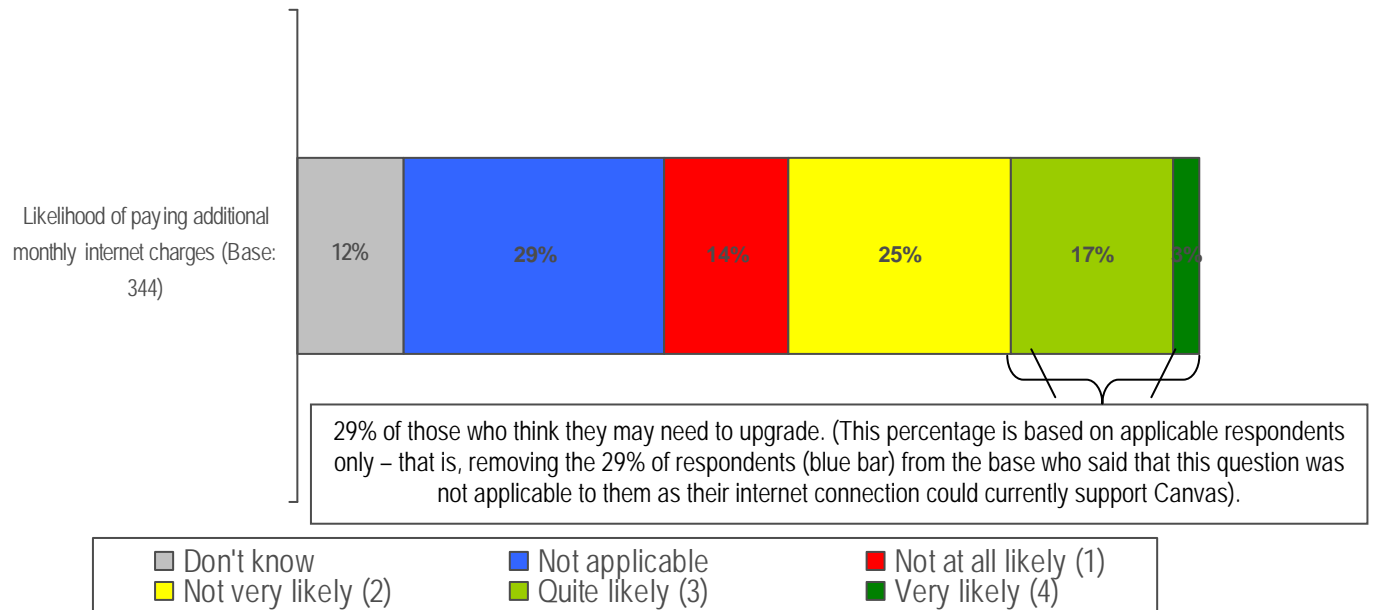
5.2 Preparedness to pay to upgrade internet if required

Non-rejectors of Canvas who already have the internet at home were also asked whether they would be prepared to pay additional monthly internet charges, if required, to use Canvas. It was explained that this may be needed if the internet connection had to be upgraded to high speed broadband with unlimited downloads.

More than one-quarter (29%⁸) of those with internet access at home felt that they would not require such an upgrade because they already have a suitable internet connection. One in five (20%) would, however, be prepared to pay and this represents almost three in ten (29%) of those who thought they may need to upgrade.

⁸Note that the proportion of respondents who think they might need to upgrade (29%) has been calculated by re-basing this question using those respondents who were applicable for this question only (so taking out the 29% of respondents who answered 'not applicable' to this question)

Figure 10. Preparedness to pay additional monthly internet charges to use Canvas

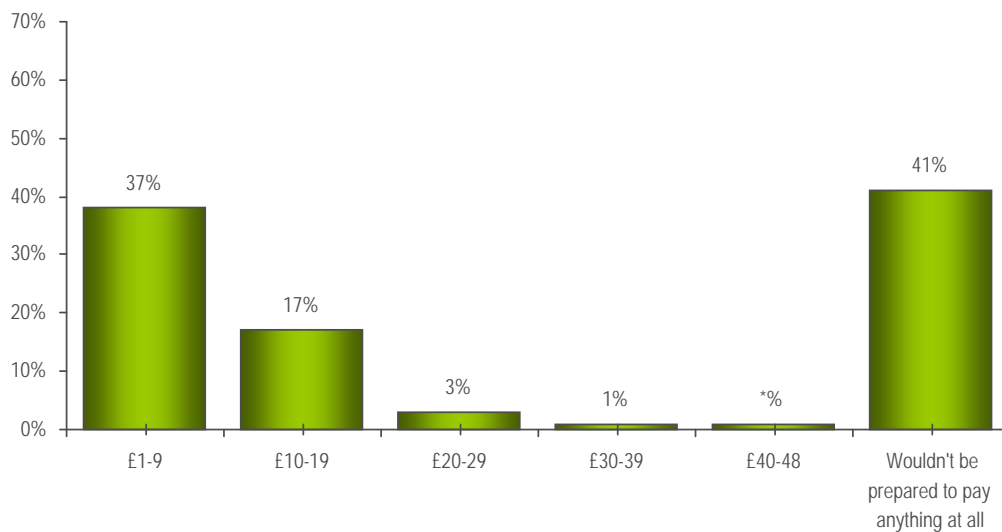


Q. How likely or not likely would you be prepared to pay additional monthly internet charges if needed to access this product?

BASE: All interested in the product with internet at home (1341)

Those who did not reject paying extra in the previous question (i.e. those very, quite or not very likely to pay, and those not sure) were then asked how much they would be prepared to pay a month. The most common response was either nothing at all (41%) or less than £10 (37%).

Figure 11: What additional monthly internet charge people would be prepared to pay



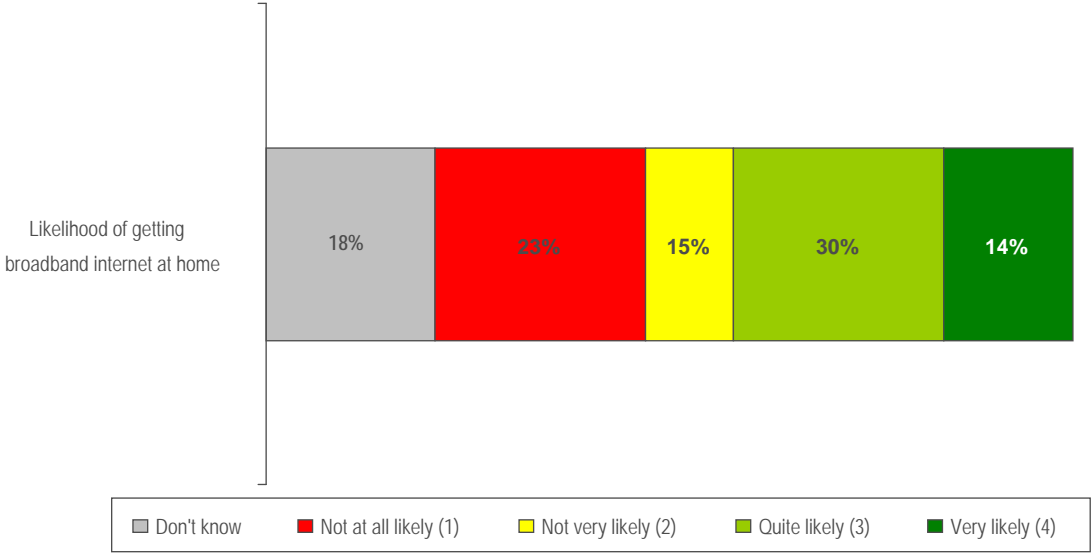
Q. What additionally would you be prepared to pay per month to upgrade your internet connection?

BASE: All non-rejectors of paying extra (764)

5.3 Preparedness to pay to access broadband at home

Non-rejectors who do not currently have the internet at home were similarly asked whether they would be prepared to get broadband to enable them to access Canvas. Results indicate that a significant minority (44% likely) would consider getting broadband to receive Canvas, however the number who are 'very likely' to do so is relatively low (14%).

Figure 12. Preparedness to get broadband at home to access Canvas



Q. To access this product you will need to have a broadband internet connection at home to download programmes from the internet to your TV. How likely or not likely would you be to get broadband internet connection at home to access this product?

BASE: Non-rejectors without internet at home (338)

Those who did not reject getting broadband at home in the previous question (i.e. those very, quite or not very likely to pay, and those not sure) were then asked how much they would be prepared to pay for this a month. The most common response was £10-£19 (39%) or £20-£29 (18%), with two-thirds in total (69%) saying that they would be prepared to pay less than £30.

Figure 13. What monthly cost to get broadband at home would people be prepared to pay



*Q. What would you be prepared to pay per month to get broadband internet at home?
 BASE: All non rejectors who would be likely to get broadband at home (262)*

Findings imply that Canvas has some potential to drive broadband take-up; however the qualitative research suggests that this should not be overstated. Participants in the qualitative research tended to regard the decision of whether or not to get broadband at home as separate from that about Canvas or other television services. In addition, a number of participants, particularly those from lower socio-economic groups, had concerns about the need to sign up to a monthly broadband subscription. An additional issue raised by those in mobile-only households was that a landline may be required to access broadband, which represents another ongoing charge. Some suggested that Canvas should be offered as a package, including the set top box and subscription costs for necessary (broadband, landline) connections.

6. Impacts – TV services

This section focuses on possible impacts of uptake of Canvas on existing pay-TV services. It also covers how consumers envisage using Canvas – that is, on their primary or secondary set.

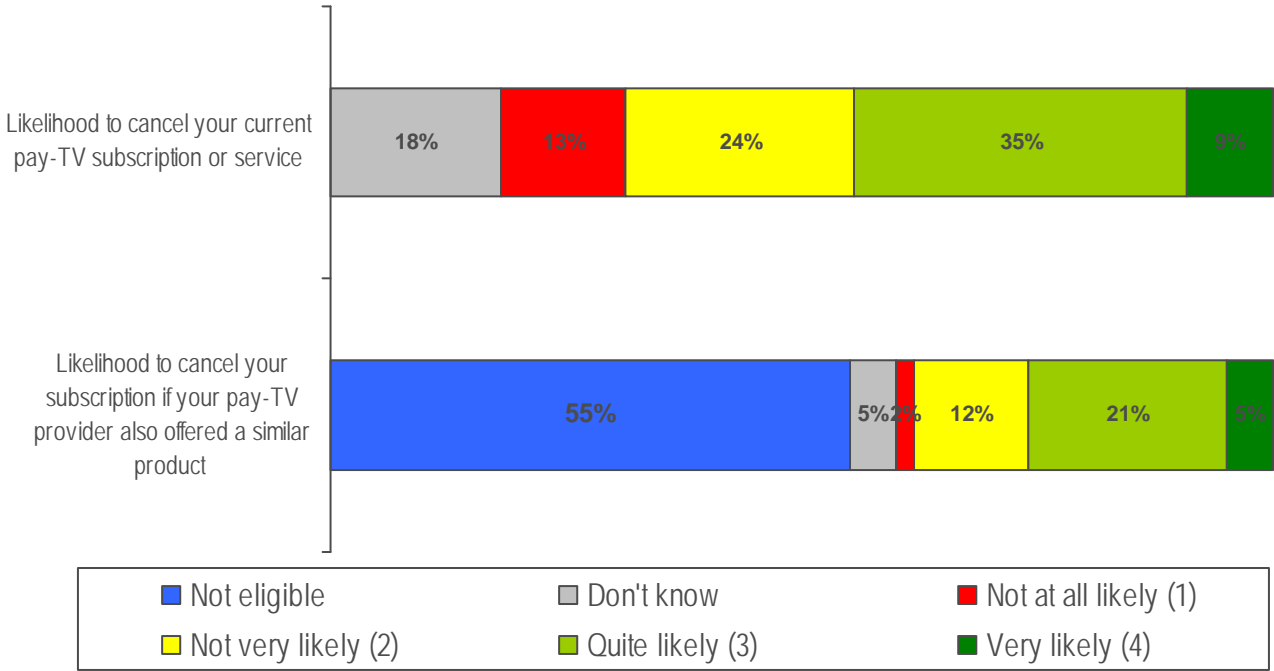
Key findings are:

- A significant minority who have pay-TV claim that they would consider cancelling their subscription as a result of Canvas;
 - however, not all of these would be expected to proceed with cancelling in reality;
 - and intention to cancel would decrease if the same product was offered by their own pay-TV provider.
- The majority of pay-TV users would consider Canvas for a second TV set rather than their primary set.
- Conversely, those without pay-TV are most likely to expect using such a product on their primary TV so that the whole household can benefit.

6.1 Likelihood to cancel pay-TV subscription if Canvas made available

Non-rejectors of Canvas who are current pay-TV subscribers were asked how likely or not likely they would be to cancel their pay-TV subscription if Canvas was available. Almost half (45%) claimed that they would consider cancelling their pay-TV subscription; however far fewer (9%) would be 'very likely' to cancel. In addition, if similar features were offered by their own pay-TV provider, then likelihood to consider cancelling reduces to one in four (26%) overall, with only one in twenty (5%) claiming that they would still be 'very likely' to cancel.

Figure 14: Likelihood of pay-TV subscribers to cancel their subscription if Canvas was available



Q. If this product was available, how likely or not likely are you to cancel your current pay-TV subscription or service?

BASE: Non-rejector pay-TV users (895)

Q. How likely or not likely would you be to cancel your subscription if your pay-TV provider also offered a similar product, and in particular the internet based catch-up TV, as part of its package?

BASE: Non-rejector pay-TV users who are quite/very likely to consider cancelling. (401) (NB - re-calculated to include the full 914 base – so excluding the 'not eligible')

Sub-group analysis reveals that those most likely to intend cancelling their subscription include some of the audiences who expressed most interest in Canvas in principle overall. These include the 35-54 age group and those from higher socio-economic groups.

Other more likely groups to cancel include those who were already considering cancelling or changing their TV provider or upgrading their equipment. Pay-TV subscribers with a basic package are also more likely to switch. The qualitative research suggests this is because there is perceived to be less difference between basic pay-TV and Canvas, while Premium pay-TV is seen to offer greater value due to channels such as Sky Movies and Sky Sports. Figure 15 below provides a more comprehensive list of sub-group differences.

Figure 15: Intention to cancel pay-TV subscription – sub-group differences

Groups significantly more likely than average to cancel their pay-TV subscription if Canvas available (mean likelihood to cancel pay-TV subscription = 2.5)	Groups significantly less likely than average to cancel than their pay-TV subscription if Canvas available (mean likelihood to cancel pay-TV subscription = 2.5)
<ul style="list-style-type: none"> • Those very interested in Canvas (3.1) • Those likely to cancel their pay-TV subscription (3.1) • Those likely to change their pay-TV subscription (3.0) • Those with Freeview built into 2nd TV (3.0) • Those intending to get a Freeview box in the next 12 months (2.9) • Those living in rural areas (2.7) • Those who have been with their pay-TV provider for less than 1 year (2.7) • Those with analogue on their 2nd TV (2.7) • Those aged 35-54 (2.6) • Those in AB socio-economic groups (2.6) • Frequent users of catch-up TV (2.6) • Those likely to change their TV set in the next year (2.6) • Those with basic pay-TV package (2.6) • Those with 2+ TVs (2.6) 	<ul style="list-style-type: none"> • Those with one TV (2.0) • Those with premium pay-TV packages (2.4)

However, not all of these would be expected to proceed with cancelling in reality and it is worth noting that this question was not asked of those pay-TV subscribers who were rejectors ('not at all interested' in Canvas).

In the qualitative research, those with pay-TV were initially very enthusiastic about Canvas. The cost savings from not needing to pay an ongoing subscription along with such features as HD were especially appealing. Cost savings, in particular, were prioritised highly in light of the current economic climate. However, participants had certain misconceptions about the product that contributed to their interest in it. They initially expected that Canvas would offer new, different or exclusive channels, and that the entire internet (rather than selected sites) would be on offer. Participants said Canvas would be more appealing if it offered the whole world wide web rather than selected sites. Web sites that were

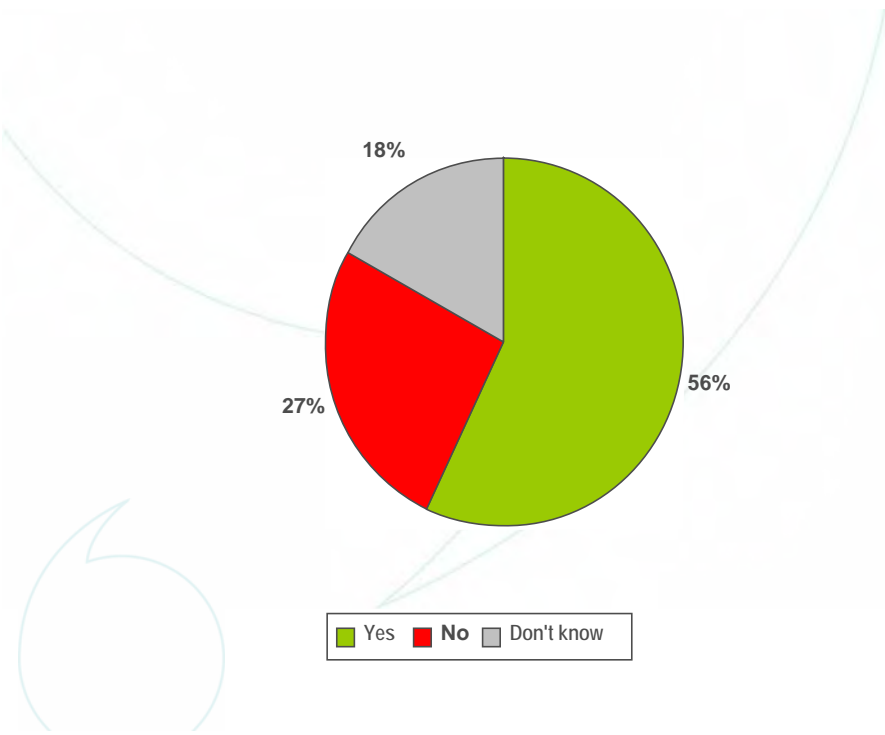
considered particularly attractive included social networking websites (e.g. Facebook), search engines (e.g. Google), shopping websites (e.g. ebay) and travel/holiday sites.

Upon consideration, qualitative research participants with pay-TV subscriptions expressed great attachment to particular channels only available on pay-TV. This was particularly the case for those with premium packages. A few also had concerns regarding set up and maintenance of Canvas. They questioned whether they would receive the same level of support from Canvas as they receive from their pay-TV provider. Others were reluctant to give up the discounted prices they currently receive on bundled services (pay-TV, phone and/or internet) from their pay-TV provider. Still others preferred to wait until the product was tried and tested before making any decision about cancelling their current subscription. Thus, upon consideration, the intention to cancel among pay-TV customers tended to weaken in the qualitative research, with most feeling that Canvas would be a 'step down' compared with their current package.

6.2 Whether people plan to use Canvas on first or second TV

Non-rejectors of Canvas who are pay-TV subscribers and have more than one TV in their household were asked whether they would consider using Canvas on a second set. More than half (56%) say they would, indicating that pay-TV customers are more likely to anticipate using Canvas in addition to rather than as a replacement for pay-TV. Sub-group analysis shows that those most likely to consider using Canvas for a second TV set are those with Freeview or analogue TV on their second set.

Figure 16: Whether pay-TV subscribers with 2+ TVs would consider using Canvas on a second set



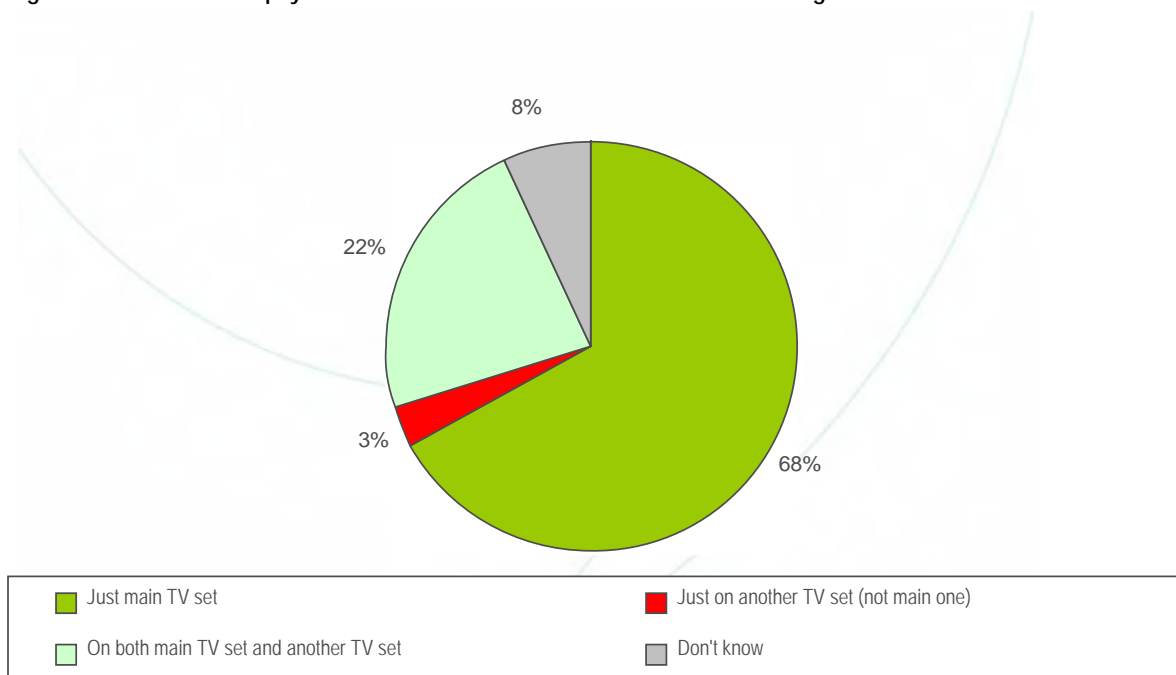
Q. Thinking about the product overall, would you consider using it for a second TV set?

BASE: All pay-TV respondents interested in the product with more than 1 TV (760)

Qualitative research, however, revealed some differences here. Most pay-TV users anticipated using Canvas on their main TV set so that the whole household could benefit, and most envisaged using Canvas as a substitute rather than an additional product. However, a minority felt that they could potentially use Canvas alongside their pay-TV service, particularly for watching catch-up TV or to use a PVR if they did not already have this as part of their pay-TV package. We can hypothesise that these differences in findings are due to participants having more time and space in the qualitative research to think about how Canvas would fit into their home and how they would use it. The qualitative research also involved a much smaller sample size.

Non-rejectors of Canvas who are not pay-TV users but have more than one TV were similarly asked whether they would consider using Canvas on their main TV set, a second set or both. Two-thirds (68%) felt that they would use it only on their main TV, while one in four (22%) expected to use it on both their main TV and another set.

Figure 17: Whether non-pay-TV subscribers with 2+ TVs would consider using Canvas on a first or second set



Q. Thinking about the product overall, would you consider using this with your main TV set, another TV set, or both on your main TV set and another TV set?

BASE: All those who are non-pay-TV respondents interested in the product with more than 1 TV (592)

The qualitative research suggests that the variations in how consumers imagine using Canvas relate to differences in how television is consumed in different households. Some people, for example, would be reluctant for Canvas to be used other than on the main TV because of concerns about children watching more TV if Canvas was added to a TV in the children's bedroom. Others would be happy to use Canvas on a second set, if this meant additional features and functionality would be available at relatively low cost for other people in the household; this could be the case, for example, in shared households.

7. Impacts – TV usage

This section details if and how Canvas is expected by non-rejectors to impact on their TV usage. These were often difficult questions for consumers to answer given that Canvas is a hypothetical product.

Key findings are:

- Half of respondents anticipate an increase in their time-shifting and on-demand viewing through catch-up TV and PVR:
 - they typically expect to use these functionalities 2-3 times per week.
- In addition, more than one-quarter envisages an increase in their:
 - viewing of programmes on channels apart from the 5 main channels
 - overall TV viewing
- Those most likely to expect increasing their TV usage are respondents who are more interested in Canvas overall and/or those who currently do not have the features in question already, be it catch-up TV or Freeview channels.
- Consumers are less likely to anticipate a change in their viewing of particular genres or programmes, but Canvas is expected to improve the overall viewing experience.

7.1 Potential impact on TV viewing

Non-rejectors were asked whether they would expect their TV usage to increase, decrease or stay the same across the following areas:

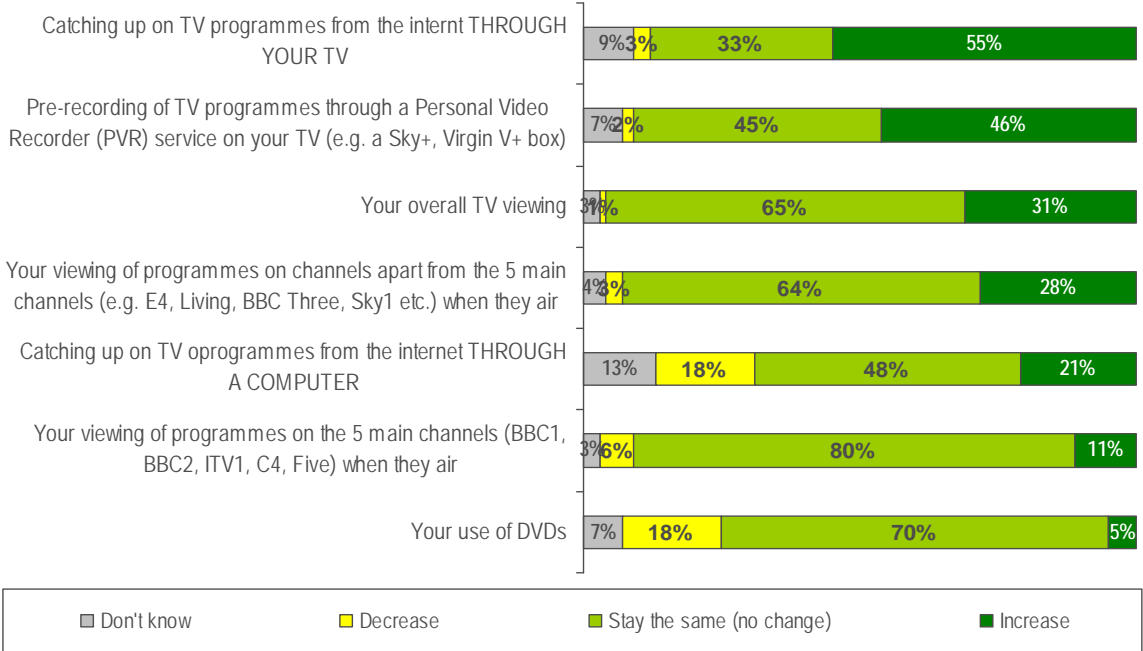
- Viewing of programmes on the five main channels (BBC One, BBC Two, ITV, C4, Five) as they air
- Viewing of programmes on channels apart from the five main channels (e.g. E4, Living, BBC Three, Sky One etc.) as they air
- Pre-recording of TV programmes through a Personal Video Recorder (PVR) service (e.g. a Sky+ Box, Virgin V+ box)
- Catching up on TV programmes from the internet through their TV
- Catching up on TV programmes from the internet through a computer
- Overall TV viewing

They were also asked about the impact of Canvas on DVD usage (reported in this section) and on overall internet usage (reported in Section 8).

The qualitative research showed that these questions can be challenging for consumers. Canvas is as yet a hypothetical product and usage and impact are therefore difficult to predict. Thus, not surprisingly, in most cases in the quantitative surveys the majority of respondents stated that they expect their usage to be unchanged. However, more than half (55%) anticipated that they would be more likely to use catch-up TV and almost half (46%) that they would use PVR more than currently. In addition, almost

one-third anticipated viewing more TV overall (31%) and increasing their viewing of channels apart from the five main ones as a result (28%). A summary of findings is contained in the following chart.

Figure 18: Expected impact of Canvas on TV (and DVD) usage



Q. What impact, if any at all, would this new product have on each of the following...?
 BASE: All non rejectors (1679)

Expected impact on catch-up TV usage

Respondents in the quantitative research stated that they expect the greatest impact of Canvas will be on their usage of internet catch-up TV through their TV set (55% expect an increase). Sub-group analysis shows that those 'very interested' in Canvas were more likely to anticipate that their usage of this feature would increase (75%). In addition, those who are already frequent users of catch-up TV (via a computer) were more likely to anticipate an increase in their usage (64%) as are those without PVR (58%) particularly if they have Sky Premium pay-TV (60%).

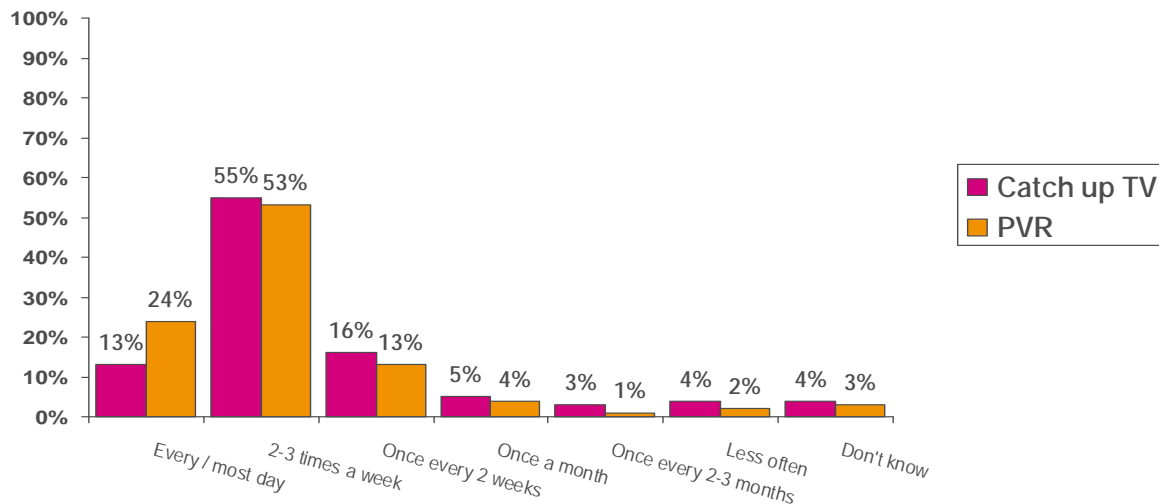
Expected impact on PVR usage

Nearly half (46%) stated that they anticipate their usage of PVR would increase as a result of Canvas. Sub-group analysis shows that those who do not have access to PVR already (55%), particularly if they have pay-TV without a PVR (59%), were more likely to anticipate increased usage. In addition, the younger age groups (50% 35-54 and 53% 18-34) and middle socio-economic groups (51% C1C2) were more likely to expect increased usage of PVR.

Expected frequency of usage of catch-up TV and PVR

In a previous set of questions, non-rejectors of Canvas who expressed interest in these features were also asked how often they would expect to use these if they had them. The most popular response in each case, mentioned by just over half (55% for catch-up TV and 53% for PVR) was 2-3 times a week.

Figure 19: Those interested in catch-up TV/PVR – how often expect to use these



Q. Thinking about the 'catch-up TV' element that you are interested in, how OFTEN do you expect to use this if you had this new product?

BASES: Non rejectors interested in catch-up TV element (1311); Non-rejectors interested in PVR element (1310)

Expected impact on overall TV viewing

Nearly one third (31%) in the survey stated that they expect their overall TV viewing would increase as a result of Canvas. In the qualitative research, the presence of time-shifting functionality was expected to contribute to more TV viewing overall, because it would be easier to watch chosen programmes at a time that suits the consumer and to catch-up on programmes that would otherwise be missed. Those 'very interested' in Canvas were more likely to envisage an increase in their TV viewing (44%), as well as those with analogue TV services on their main (39%) or second (39%) TV, and those who do not currently use catch-up TV (36%). Thus, those with analogue and who do not currently use catch-up TV emerge as a group which is particularly likely to envisage an increase in their TV viewing as a result of Canvas (56%).

"I think that you would probably watch more because you would be able to record and watch the programmes when you want to watch it".

Social grade B; no broadband; Freeview, empty nesters, pre-retiree, Glasgow

Expected impact on viewing of programmes on channels apart from the five main channels

Almost three in ten (28%) said their viewing of programmes on channels apart from the five main channels (e.g. E4, Living, BBC Three) might increase as a result of Canvas.

As with the other features, sub-group analysis shows that those most likely to envisage increasing their usage of TV channels other than the five main channels tended to be those most interested in Canvas overall. In addition, analogue users were also the most likely to expect their usage of these channels to increase (39%), as Canvas would provide them with access for the first time to some of these channels.

Expected impact on catching up on TV programmes from the internet through a computer

More than one in five (21%) also said they envisaged increasing catching up on TV programmes from the internet through a computer. This expectation could be related to people feeling that once they become more familiar with catch-up that they will use this service more often, whether via the TV or a computer. For example, it may be that consumers who become familiar with catch-up TV through Canvas will also use it through a computer if they cannot access the TV or are outside the house. However, nearly the same proportion (18%) said their usage of catch-up TV through a computer would decrease. As previously noted, participants in the qualitative research expressed a strong preference for watching TV on a TV set rather than through a computer.

Examining the sub-group differences shows that those without broadband internet at home are more likely to anticipate increasing their usage of catch-up TV on a computer (27%). This is likely to relate to Canvas requiring broadband connection and therefore some people seeing this as a reason to install a computer-based internet connection as well.

Expected impact on viewing of programmes of the five main channels

One in ten (11%) also expected their viewing of programmes of the five main channels would increase, which is likely to relate to expectations of TV viewing overall increasing as a consequence of having Canvas.

"I don't think it would change at all."

Social grade A; with broadband; Sky basic; young pre-children; London

Expected impact on use of DVDs

Only a small minority envisaged that their use of DVDs would increase (5%); however one in five (18%) could anticipate that their usage of DVDs would decrease as a result of Canvas. Groups more likely to envisage less usage of DVDs included analogue (23%) and Freeview (20%) users, socio-economic groups DE (23%) and those who currently never use catch-up (21%). Analogue users who never use catch-up in particular anticipate that their use of DVDs would decrease (39%).

Other impacts of Canvas

Other possible impacts of Canvas on TV usage, at the more 'micro' level, were explored in the qualitative research. For example, participants were asked about perceived impacts to the genres of programmes that they watch and on the times of day they expect to watch TV.

Most felt that whilst Canvas would not change the types of programmes they viewed, it would allow them to watch more of them, and do so at more convenient times. For example, avid documentary viewers commented that Canvas would make it easier for them to watch these programmes but that it would not make them watch, say, more entertainment programmes.

"We watch a lot of TV but we'd be watching more of what we wanted to watch...let's put it that way."

Social grade D, with broadband, Virgin basic, empty nesters pre-retiree

An increased use of time-shifting was also strongly expected from the qualitative research. There was no consensus, however, as to what this would mean in terms of viewing times, given people's different lifestyles, habits and preferences. For example, those with young families commented that they would be able to record a programme to watch after the children had gone to bed. Likewise, those who worked outside the home said they would use the functions to record programmes for viewing at more convenient times (e.g. in the evening and weekends) when they could guarantee no interruptions. One thing that participants particularly liked about catch-up TV and PVR features was greater flexibility and reduced reliance on the TV schedule. Females in particular, valued being able to catch their favourite programme, particularly if it is part of a series (such as a soap).

As such, Canvas is not expected to change the type of content viewed but to enhance the overall viewing experience. For some, this means watching programmes at more convenient times (e.g. evenings and weekends). Participants also felt that the HD feature would enhance the viewing experience by providing a superior quality of picture.

8. Impacts – Internet usage

This section details what consumers expect the impact of Canvas to be on internet usage, including catch-up as well as non-broadcast activity. Note: some findings have already been covered in Section 5.

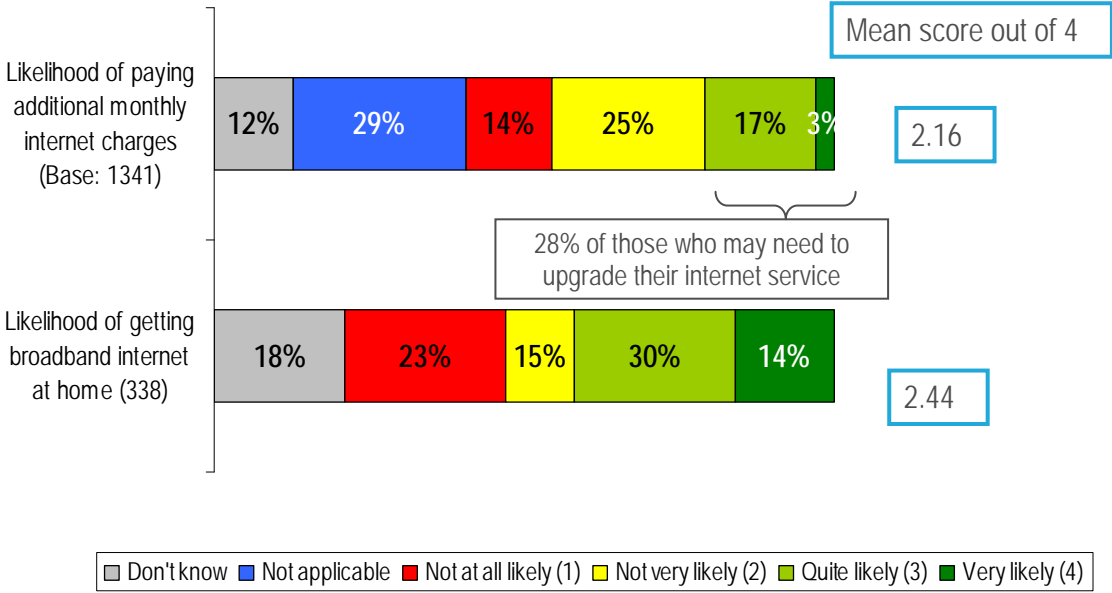
Key findings are:

- As mentioned previously, those with broadband internet at home are more interested in Canvas overall. They:
 - tend to be more interested in new technologies as a group; and
 - having broadband access means they are ready to receive Canvas provided they have a sufficient level of service.
- More than one quarter of those who may not have a sufficient level of service would consider upgrading to access it.
- Canvas also appears to have the potential to drive broadband take-up for a significant minority of those who do not currently have it at home,
 - although cost is a big barrier.
- In addition, more than one quarter envisages using the internet more as a result of this service,
 - but this is likely to be driven more by catch-up TV than access to websites.

Those non-rejectors of Canvas with internet at home were asked how likely or not they would be to upgrade their internet connection to access the product (preparedness to pay for this was detailed in Section 5). As mentioned, excluding those who do not perceive that they would need to upgrade (i.e. already have a sufficient internet connection), one in five (20%) respondents said they would be likely to pay additional monthly internet charges to access the product.

As well as being a potential driver of upgrading internet, Canvas is also a potential driver of upgrading broadband internet at home. More than four in ten (44%) without internet at home at present said they would consider getting a broadband connection at home to access this product. However, as stated previously, the potential of Canvas to drive broadband take-up should not be overstated, with the qualitative research strongly indicating that decisions about whether to take up broadband are treated separately to decisions about whether to take up a TV product such as Canvas.

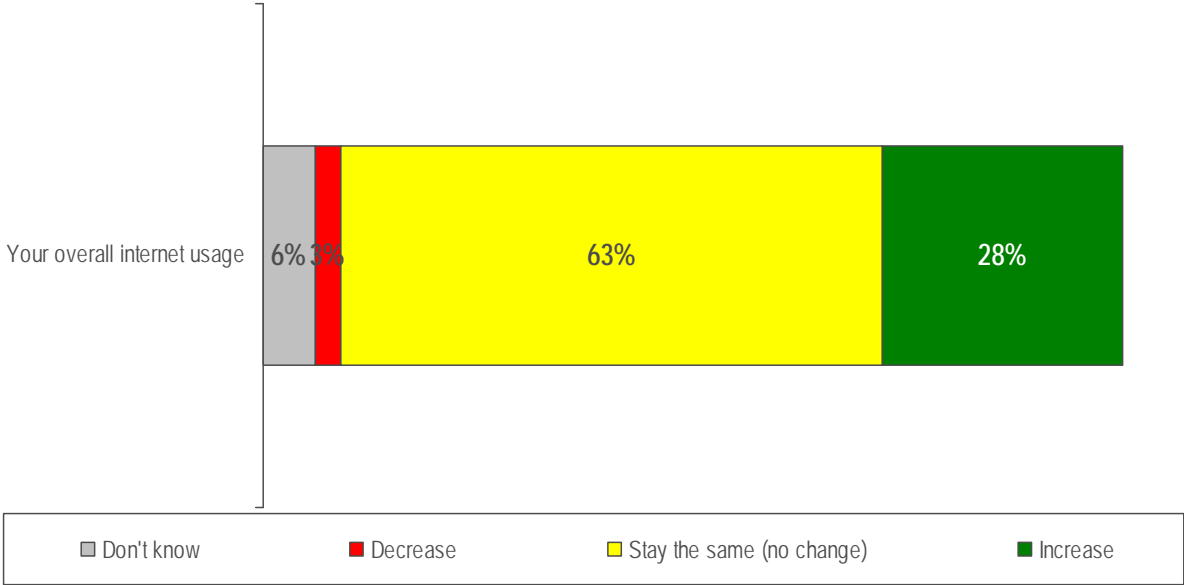
Figure 20: Likelihood of upgrading internet connection or getting broadband



Q15a. How likely or not likely would you be prepared to pay additional monthly internet charges if needed to access this product? Q16a. How likely or not likely would you be to get broadband internet connection at home to access this product? BASE – all those with internet at home who are non-rejectors (1341) and all those without internet at home who are non-rejectors (338)

In addition, non-rejectors of Canvas were asked whether they expected their internet usage to change as a consequence of Canvas. While the majority expected no change, around three in ten (28%) stated that they expected their internet use would increase (Fig. 21).

Figure 21: Impact of Canvas on overall internet usage



Q. What impact, if any at all, would this new product have on each of the following...?
BASE: All non rejectors (1679)

Unsurprisingly, sub-group analysis reveals that those most likely to anticipate increasing their internet usage as a result are those currently without broadband internet at home (39%). The qualitative research suggests that this expectation of greater internet use is more likely to be driven by expected usage of the catch-up TV facility than website access, given respondents' relatively lower interest in the access to website feature, as reported previously (Section 4). However, some participants did indicate that because they would have the facility available on their TV, they may use the internet more.

9. Public value of Canvas

This section covers findings from the qualitative research on:

- What value Canvas is perceived to provide to licence fee payers as individuals and to society.
- Whether or not the BBC should be involved and what its involvement adds.

Key findings are:

- While individual interest in Canvas varies, it is believed that both personal and societal value could potentially be provided by this new product.
- Provision of Canvas is expected to involve a range of parties and not just the BBC.
- Involvement of the BBC is seen as appropriate and potentially beneficial, both for the service and for the BBC.
- However, the strong caveat is that this should not be at the expense of the BBC's core services.

9.1 Personal and societal value

There were mixed views with respect to the personal value of Canvas to participants. After consideration, most qualitative research participants felt that the individual features were not new, with the exception of websites through the TV. Some were aware that pay-TV providers were introducing similar products. Others felt that with technology advancing so quickly, Canvas would be in danger of quickly becoming obsolete.

Nevertheless, the combination of features in a single product, free from on-going subscription costs, was perceived by some to be of value and would fill a gap. As previously noted, time-shifting functionalities (catch-up TV and PVR) are most valued, along with HD. In combination, these features would be valued by some consumers for providing greater flexibility and choice, for enabling an enhanced viewing experience and for facilitating household viewing. As discussed previously (section 3), those groups which appear to be particularly interested in Canvas are likely to value it most from a personal perspective.

While views on Canvas' personal value vary, most participants perceived it to have a societal value. There was a perception that Canvas could potentially provide the greatest value to more vulnerable groups in society, such as older people, those on lower incomes and those with disabilities. This stems from an expectation that Canvas would be an 'entry-level' product for accessing the internet and new technology; that is basic, easy to use and affordable. Some participants described Canvas as a 'poor man's Sky' or 'Freeview with bonuses'. Thus, some people felt that Canvas would fill a gap between Freeview and pay-TV.

"I think it is going to be mainly older people...in their sixties...your mum and stuff... because they are not on the internet, they don't know how to do things on the internet."

Social grade C2; no broadband; Freesat; young pre-children; Glasgow

"This is for people who don't have Sky or who don't have Freeview already or, it's not for everybody."

Social grade A, with broadband, Sky basic, young pre-children, London

However, as seen in earlier results (e.g. section 3), the groups identified by others as potentially deriving most value from Canvas expressed least interest in it themselves.

9.2 Making Canvas available

Participants were asked who should be involved in making Canvas available. A range of potential organisations to produce and distribute Canvas were suggested:

- High street stores including supermarkets e.g. Currys, Dixons and Tesco
- ISPs and technology companies e.g. Microsoft, Google and Sony
- TV providers – particularly terrestrial channels and Freeview

"I think that one of the big high street stores, electrical shops...and the manufacturers who have done free view through the television."

Social grade C2; with broadband; BT Vision; older children (high school/tertiary); Glasgow

"I suppose some of the bigger companies...maybe somebody like Virgin or somebody big."

Social grade C1; no broadband; analogue-only TV; with primary school children; rural England

The BBC was mentioned by some but was less spontaneously associated with the provision of Canvas than other organisations. This is because participants tended to perceive Canvas as a commercial product.

Some participants suggested that a consortium of free-to-air (terrestrial and Freeview) channels should make Canvas available. Their rationale was that a partnership between these channels would provide competition to pay-TV companies, and that each party would be able to bring something to the mix, making Canvas better as a result. A few commented that a partnership would be a good way of mitigating risk.

"You could get BBC, ITV, Channel 4, I don't understand why they don't all join together anyway and try and take Sky on".

Social grade C1; no broadband; analogue-only TV; with primary school children; rural England

Without prompting, participants spontaneously mentioned that it would be important to avoid different providers bringing out their own version of Canvas, as this risked confusing consumers.

9.3 BBC's involvement in Canvas

The BBC's public purposes were explained to participants in the qualitative research who were then asked whether or not the BBC should be involved in Canvas.

The provision of Canvas was perceived to be consistent with all of the BBC's public purposes, particularly the sixth purpose concerned with 'emerging communications technologies and services'.⁹ Participants said that the BBC should be driving technology in this way, although many point out that the BBC should have been doing something like this a long time ago. The purpose aimed at promoting education and learning was also perceived to be particularly compatible with Canvas as it was felt that the website facility could help children learn, provided that more internet sites were made available.

As a result, most participants felt that it was legitimate and appropriate that the BBC has some involvement in Canvas. Some even felt that such involvement would enhance the BBC's reputation, making it more modern. This perception was particularly strong among those participants who were lower approvers of the BBC, and who tended to view it as old fashioned and not relevant to them.

"Well if the BBC did something like that [get involved in Canvas] I would think of them as being proactive and benefiting the people that watch their channels."

Social grade B; no broadband; Freeview, empty nesters, pre-retiree, Glasgow

"(Female 1) It would bring the BBC more up to date with technology.

(Female 2) Yes bring them into the twenty first century. Bring them up to date."

Social grade C2; no broadband; Freesat; young pre-children; Glasgow

In addition, several stated that the BBC's involvement could enhance the reputation of Canvas. There was a view that, because the BBC is so well known and respected, its involvement could act as a 'quality hallmark'. In addition, those who trust the BBC highly expect that it will be a guardian of consumers and help to ensure their interests are protected and needs met with Canvas.

"I think if it was going to be the BBC then it would be good quality"

Social grade E; with broadband; Virgin+; HDTV subscription; with primary school children; Glasgow

⁹ Purpose Remit summary "You can expect the BBC to help everyone in the UK to get the best out of emerging media technologies now and in the future."

"I think you trust them [BBC] because they have always been there...they are the backbone of television and were the first ones there."

Social grade C2; no broadband; Freesat; young pre-children; Glasgow

While not explicitly articulated, there was an indication from responses that Canvas is seen as advancing the media literacy agenda. For example, a number felt that Canvas could be a good entry level product for those who do not have the internet at home, and that it could provide particular value to vulnerable groups.

"[Should the BBC spend licence fee on Canvas?] Yes. Yes absolutely. Yes. They can't always be the old BBC doing "okay we've got to do a variety of genres and that's where the licence money goes" - they've got to move on, they've got to get in the real world of technology...and if spending the licence money, or some of it, on it then it's the right thing to do, otherwise how else do they develop and how else do they move on?"

Social grade D; with broadband; Sky Premium; with older (high school/tertiary) children; London

However, support for the BBC's involvement in Canvas came with heavy caveats. A strong view expressed was that the BBC's involvement should not be at the expense of its core remit, which is seen as making high quality programmes. Some participants also expressed concern that there may be pressure on the licence fee to increase to pay for Canvas, and they sought assurances that this would not happen.

A minority felt that the BBC should not get involved in Canvas but instead focus on its core remit and leave the market to provide. For some, this view was related to an expectation that Canvas would have limited appeal and not all licence fee payers would therefore benefit. Others were not keen on BBC involvement as they expected that the technology would quickly become obsolete.

"[Should the BBC spend licence fee on Canvas?] No - because it's not for everybody, it's not something that everyone will want. I don't see the point in investing so much time and money into something that's not ahead of the game. Why not put their money into something that isn't a poor man's version of something else? Why not invest more into their research or their programmes or launch a new channel?"

Social grade A; with broadband; Sky basic; young pre-children; London