Appendices

Appendix A: Additional analysis of case studies

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Appendix A: Additional analysis of case studies

Introduction

This Appendix sets out additional analysis for each of the Content genre case studies. In particular, it:

- describes analysis of key players within each genre in more detail;
- presents further examples of business and revenue models;
- presents summaries of Nielsen//NetRatings demand indicators;
- analyses changes in Nielsen//NetRatings demand indicators over time.

News

News: Overview and key players

A key differentiator in the News genre is whether a site is charging for content. Examples of subscriptions services and other offerings are set out below for some key players: the Independent, Wall Street Journal, the Financial Times, The Times and The Telegraph.

The Independent launched its subscription service ‘Independent Portfolio’ in April 2003, and users now have to pay to view opinion articles, selected columnists, news archives and crosswords.[160] Current news and sport articles, as well as the Education and Enjoyment sections will still be available without charge. The fees for access are £30 per year (or £5 per month) for access to one specified premium section. Users can also choose to pay £60 per year for full access to all sections. There is also a ‘pay-as-you-go’ service charged at £1 per item for 24 hours of access.[161] The subscriptions and payments are being collected via BT’s Click&Buy micropayments service. The move is the first major effort of a UK newspaper to charge for content after the FT’s subscription service began in June 2002.

The Wall Street Journal requires a subscription to access any of its content, thereby avoiding the problem for a content owner in deciding what to charge for and what not to charge for. The advantage of this model is that it has the benefit of not confusing users. The Wall Street Journal online had just over one million subscribers globally in April 2003[162], and 6,300 in the UK and Ireland in 2002[163].

In June 2002, part of FT.com became subscription-based and there are now in excess of 53,000[164] subscribers. Some news stories continue to be free to visitors, but users must pay for stories on a subscription basis for articles that include features and analysis by the FT’s leading journalists, and the Lex column. Unlike the Wall Street Journal which requires a subscription to access any of its online content, FT.com employs an editor of

[160] ‘Independent newspaper to launch paid content’, Europemedia, 23 April 2003
[161] The Independent online, www.independent.co.uk/portfolio
[162] Wall Street Journal news roundup, DowJones Newswires, 29 April 2003
[163] Revolution UK, 16 October 2002.
[164] ‘FT.com sees subscriptions increase’, Europemedia, 29 April 2003

premium content, whose role it is to identify content that can be moved into the subscription section. Its subscription service is two-tier, either £75 a year for "level one" or £200 per year for "level two" subscription. Level two subscribers receive research and monitoring tools. Subscriptions are FT.com's fourth revenue stream – the others are online advertising, syndication (which is growing rapidly), and e-commerce (which is the smallest element).

The Times Online (The Times and The Sunday Times) offers an archive service, a resource giving subscribers the ability to retrieve articles for as little as 10p each. The online service also offers Fast Times, this is a special section that gives consumers access to The Times or Times services direct to mobile phones or PDAs. This has a news alert service, which sends breaking news or business news updates direct from The Times to users' mobiles by SMS, once users have registered. Football fans can receive the latest goal flashes, half-time and full-time scores for their favourite teams, again direct by SMS.

The Telegraph has started charging users of its PDA service, migrating them from a free to a fee-paying model. PDA owners had had free access to The Telegraph online content for around two years. Charges are £5 per month or £50 per year to access telegraph.co.uk's 17 channels of content, including news, sport, travel, and motoring. This new service allows its subscribers to access pictures and can be updated every two hours, features that the previous service did not enable. The Telegraph aims to translate 20% of its free PDA customers into paying ones. The Telegraph used to provide its fantasy football game for free, but has since successfully moved this into a paid-for service. According to the Telegraph, it has converted 32,000 out of 50,000 users into paying customers.

Ananova is one operator which provides real time news and information across a number of different digital platforms. It has innovative technology, which enables it to differentiate against other competitors. It does this in two ways. First, this technology is able to convert news and information to speech. Ananova, the animated 'virtual' newscaster, 'speaks' to the user, reading the news and information. Secondly, technology is used to offer 'push' services - personalised alerts - to users. The technology is used to personalise content for the user and bring real-time news and information to the user, onto the PC or to wireless devices, when the user needs it.

In 2001, RealNetworks launched the "Superpass" service for £9.99 per month. Subscribers receive a variety of content including high bandwidth feeds from BBC news, CNN.com Europe, CricInfo, MTV.co.uk and Channel 4.

News: Business models

The paid-for content method of raising revenue has currently started to evolve in the News genre, particularly for different devices. In fact, payment for wireless-accessed online content is now accepted practice as illustrated by the link up of Orange and Ananova which provides 'push'-type alert services to consumers for a fee.

As mobile Internet technology develops Orange plans to further exploit the use of its 'push' services. It will be able to use Ananova the virtual talking newscaster as a personal digital assistant with alerting functionality.

Wireless operators also plan to charge voice subscribers for certain content (e.g. 'breaking news' read to the user by the virtual talking newscaster) delivered on a premium rate or by SMS alerting. Until the take off of 3G technology, wireless content will predominantly take the form of simple, text only content such as share prices, football scores and news headlines based on 'push' services via SMS.

Another interesting development has been the joint venture (in February 2003) between Worldpay and Roundpoint to provide the first UK subscription-based PDA editions of national newspapers. Leading national newspapers working with Worldpay and Roundpoint to offer the service include The Times, The Independent, and the Daily Telegraph. Subscribers can download content to their handsets, with all subscription payments being handled by Worldpay.[165]

Online websites provided by content owners such as BBCi are also available to wireless-accessed Internet users. In the future, more and more web pages will be downloaded onto the PC screen and in a different 'look and feel' format on PDAs and new wireless devices. Some content providers, such as FT.com, distinguish their content and charge a subscription fee for premium content. This subscription charge goes to the content owner, whether the website is accessed by users from the PC or from a wireless device. If accessed by users from a wireless device, the subscription charge paid to content owners will be on top of the line rental subscription and data charge payment per Megabyte of data already made to the wireless operator.

It seems therefore that, in the future, the consumer may be paying twice for data accessed from a wireless device - once to the wireless operator (a charge per Megabyte of data) and once to the content owner (a monthly subscription payment).

News: Detailed demand indicators

A description of demand for popular sites within the News genre over the quarter to March 2003 (UK Home Panel) is given in Figure A-1. Newspaper publishers, together with broadcasters such as the BBC and Sky, are the most popular.

This custom sample of News sites is comprised of 39 sites over the quarter to March 2003 (UK Home Panel). The top site is News on BBCi accounting for around 50% of time online and 48% of page views. Note that only 39 sites are included in the sample. The market share figures should therefore not be seen as accurate market shares but rather a broad indication of the position of BBCi.

Other key findings include:

- News on BBCi has the highest reach of 50.7% followed by Guardian Unlimited with a reach of 22.3%.
- the time spent by an average user on News on BBCi is 29:42 minutes of use in the quarter compared to the next most popular sites of Electronic Telegraph (24:18 minutes) and FT.com (21:43 minutes).

[165] 'WorldPay and Roundpoint move into PDA content delivery market', M2 Presswire, 27 February 2003

- News on BBCi and The Sun have the highest number of pages viewed per person at 38.5 and 34.2 pages per person respectively.
- Yahoo! News has the highest number of visits per person at 4.87, followed by The Sun (4.76) and News on BBCi (4.71).

Figure A-1: Indicators of demand for popular sites within the online News genre (UK Home Panel, Quarter to March 2003)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
News on BBCi	50.7%	139.2	38.5	4.71	0:29:42	50.2%
Guardian Unlimited	22.3%	26.6	16.7	2.71	0:11:02	8.2%
Freeserve News	17.1%	6.5	5.4	2.53	0:05:53	3.3%
CNN.com	12.3%	10.7	12.2	2.62	0:08:24	3.4%
Electronic Telegraph	10.1%	18.5	25.6	4.14	0:24:18	8.2%
Sky News UK	7.8%	8.2	14.7	2.35	0:07:49	2.0%
Times Online	7.5%	9.4	17.7	2.48	0:12:34	3.1%
Ananova	7.0%	6.3	12.6	2.45	0:08:48	2.1%
Yahoo! News	7.0%	7.6	15.2	4.87	0:15:24	3.6%
MSN News	6.8%	2.8	5.7	3.22	0:04:13	1.0%
MSNBC	5.9%	1.9	4.5	1.69	0:03:17	0.6%
The Sun	5.3%	12.9	34.2	4.76	0:17:59	3.2%
Google News	5.1%	2.0	5.6	1.82	0:02:14	0.4%
FT.com	4.4%	9.2	29.5	3.77	0:21:43	3.2%
Guardian (Observer)	4.1%	0.9	3.1	1.40	0:02:53	0.4%
Genre sample total (39 sites)	7,137,000	290.2	40.7	5.38	0:29:58	100.0%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, quarter to March 2003).

News: Demand over time

We tested the impact of the war in Iraq on BBCi demand by analysing a period not associated with the war or the long lead up to the conflict. We chose the quarter to August 2002.

Demand indicators over this period are shown in Figure A-2. All the indicators are much lower for both BBCi and the other sites. For example, for BBCi pages page views were only 39.6 million in the period to August 2002 compared to 139.2 million in the period to March 2003.

In this earlier period, BBCi's position is much less pronounced. Where BBCi led on most indicators in the period to March 2003, the position is the period to August 2002 is more mixed. In particular, the average number of visits and minutes consumed per person for users of News on BBCi is just below average at 3.91 and 18:42 minutes respectively, i.e. while more people visit BBCi for news than any other site (illustrated by the highest reach figure of 36.1%), individuals on average spend less time there than on other sites. The most time per person was spent on the Telegraph site (44:47 minutes). The Telegraph also had the highest number of pages viewed per person at 46.

Figure A-2: Indicators of demand for popular sites within the online News genre (Quarter to August 2002)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
news.bbc.co.uk	36.1%	39.6	20	3.91	0:18:42	27.16%
freeserve.com/news	22.6%	6.5	5	3.11	0:07:32	6.83%
guardian.co.uk	22.4%	20.6	17	2.81	0:13:25	12.10%
Cnn.com	10.9%	7.0	12	3.50	0:07:35	3.34%
telegraph.co.uk	9.0%	22.5	46	5.78	0:44:47	16.25%
ananova.com	8.4%	7.8	17	2.36	0:08:03	2.71%
ft.com	8.3%	18.8	42	4.22	0:43:18	14.37%
uk.news.yahoo.com	8.4%	3.6	10	4.27	0:08:28	2.25%
thesun.co.uk	8.3%	5.5	15	3.06	0:08:42	2.30%
timesonline.co.uk	6.6%	9.4	29	3.67	0:16:30	3.99%
teletext.co.uk	5.6%	2.1	7	2.33	0:04:23	0.90%
msnbc.com	4.5%	0.7	3	1.23	0:01:50	0.33%
Genre sample total (27 sites)	5,417,474	157.2	29	4.72	0:24:53	100.00%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, quarter to August 2002)
Note: Totals and share of time online not consistent with Quarter to March 2003 as number of popular sites included in this sample (Quarter to August) is smaller.

Sport

Sport: Overview and key players

The structure of the Sport market is more fragmented that the News genre. Niche sites are common and pure Internet content providers have had an impact (with companies such as 365 Corporation and Sports Internet entering the market).

The structure of the market has changed since the height of the dot.com boom, when the online sports information genre was even more fragmented. Since then consolidation has taken place and many of the niche sites have closed down or acquired by others (e.g. the acquisition of Sports Internet by Sky in 2000). The established branded content providers have therefore regained some ground.

Examples of some key players are:

- SkySports.com. The online offering from the Sky Sports TV channels. The site acts as an online news source for football, rugby, cricket and a range of other sports, offering the latest news, results and analysis.
- SportingLife.com. The site was conceived as a sister product to the racing newspaper of the same name. Sporting Life provides all the UK's sports results and sporting news, with the latest scores and live coverage as well as quizzes, event calendars, competitions and an online store. The site is part of the Ukbetting group and so has a 'betting' focus.
- Liverpoolfc.tv. The official site of Liverpool Football Club gives fans daily-updated multimedia features (news, interviews and footage presented as streaming audio or video), match reports, ticket and squad details, forums and downloads. This is one of several sites devoted to the club, as is the case with all major teams.
- Dreamteam FC. An online fantasy football game featuring a £250,000 prize from The Sun newspaper. The user is charged a subscription fee.

Sport: Business models

The strategies pursued by leading Sport genre websites depend on the different revenues that are being sought, predominantly betting revenues or revenues from push type services.

Betting revenues have grown strongly and are projected to continue this growth (William Hill's revenues from online gambling are expected to grow by 26% per annum over the next five years[166]). One player has a 'Bet Zone' with links to its online betting engine and online advertisements from Ladbrokes, William Hill and others.

Ukbetting is acquiring a number of different online sports businesses and websites and investing in a new Group strategy. It has in the past two years acquired Sportal, Teamtalk, sportinglife.com and parts of Sports.com. Although the amounts invested in the acquisition and ongoing financing following the acquisitions are not substantial, benefits from scale and scope are expected to be realised. This creates a barrier to entry

[166] Financial projections for William Hill by Morgan Stanley, 10 September 2002. Revenues from online gambling expected to grow from £274m in 2001 to £872m in 2006.

for new entrants and to incumbents in this area that only have one single brand or have not exploited the online betting market to the fullest.

In terms of paid-for content, a number of organisations are using new technology to offer electronic 'push' services (personalised alerts) to users for a fee. The technology is used to personalise content for the user and bring real-time news and 'must have' information to the user, onto the PC or mainly to wireless devices, when the user needs it.

The principal organisation that are currently offering 'push' services are the mobile devices operators and service providers, and content owners, as real time news and personalised alerts are sent in the form of SMS messages. One of the main champions of 'push' services is Orange with its OrangeWorld data service.

Sport alerts are currently the most successful type of push services. Leading commercial Sport websites generate revenues from wireless data services, receiving premium rate payments for certain 'must have' content - latest results and live sporting information.

Consumers have become accustomed to free PC-accessed content. However, when content is accessed from other devices (wireless devices in particular) there is some evidence that users are prepared to pay. Some companies generate millions of pounds in revenue from the provision of sports information via SMS messages (25p per SMS) and premium rate calls for live results and betting odds (60p per minute).

In addition, with the advent of 3G, more compelling push services will be made available to consumers. For example, currently consumers are sent an SMS alert saying, for instance that Liverpool has just scored. With 3G, consumers will be sent an SMS alert saying Liverpool has just scored and be shown the last 10 seconds of action so that users will be able to see the latest goal scored. Of course, the operator able to offer this service on 3G wireless services will be the one who has the rights to broadcast such content on 3G technology. (The Premier League, the rights holder, has given Hutchison 3G the 3G rights to Premiership football until 2004.)

An example of video-on-demand which is beginning to attract paying users is Sportal's new Sportal OnDemand service which offers exclusive broadband content (e.g. Italian and Brazilian league football, basketball and baseball from the US and exclusive boxing matches) for £4.99 per month, or £1.99 per day[167]. Premium pay-per-view events are also attracting revenues for Sportal OnDemand, which is currently only available in the UK due to rights issues.

Consumers are unlikely to pay for content if it can be found for free elsewhere on the Internet. A content provider seeking to charge for content is most likely to succeed if it has exclusive rights to unique content. Hutchison 3G for instance, could video stream highlights of Premiership football because the right to that content is unique to Hutchison 3G.

Overall, paid-for content revenues could see significant growth over the next few years as the number of broadband Internet users continues to increase. A recent report[168] by Screen Digest and ArkSports Limited estimated there will be over 113 million and 308

[167] 'Sporting Chance', Internet Magazine, 22 March 2003.
[168] 'Sports Content Revenue Soars', Internetnews.com, 21 April 2003.

million sports broadband users globally by the end of 2005 and 2008 respectively with associated global revenues in 2008 of $6.4 billion.

Sport: Detailed demand indicators

Out of the KPMG/Nielsen//NetRatings custom sample of 64 sports sites, BBCi accounts for the greatest share of time online at 25.0%. Sport on BBCi also has a high number of visits per person with 4.93 and the greatest reach at 33.6% respectively. The average person uses the Sport site on BBCi for 27:25 minutes in total in the period.

The niche Sport site Rivals.net has the highest minutes of use per person at just over 60, and the second highest total share of time online with 10.8% despite having a reach of only 6.5%. Rivals.net also has significantly more pages viewed per person with 178.6 than the Sport site on BBCi which has the second highest number of pages viewed per person (40.7). More detailed indicators for the quarter to March 2003 are given below.

Figure A-3: Indicators of demand for popular sites within the online Sport genre (Quarter to March 2003)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
Sport on BBCi	33.6%	55.2	40.7	4.93	0:27:25	25.0%
Sky Sports	22.1%	20.1	22.5	3.31	0:10:31	6.3%
Football365.com	14.4%	31.2	53.7	5.25	0:18:50	7.4%
Sporting Life	12.1%	15.3	31.2	3.32	0:22:19	7.3%
Manchester United	7.2%	7.8	26.7	3.93	0:19:56	3.9%
Yahoo! Sport	7.2%	3.6	12.3	3.83	0:05:49	1.1%
Liverpoolfc.tv	6.7%	8.0	29.7	4.43	0:15:47	2.9%
Rivals.net	6.5%	46.6	178.6	6.96	1:01:29	10.8%
Planet Football	5.8%	6.9	29.2	3.59	0:16:12	2.6%
www.4thegame.com	5.1%	1.8	9.0	1.89	0:06:43	0.9%
TEAMtalk.com	4.7%	11.2	58.9	8.12	0:24:19	3.1%
The FA Association	4.1%	1.4	8.6	1.45	0:06:21	0.7%
CNN Sports	3.9%	1.7	10.4	1.24	0:03:59	0.4%
Sport Academy BBCi	3.9%	2.0	12.8	1.94	0:24:28	2.6%
Arsenal.com	3.2%	2.5	18.7	3.46	0:15:48	1.4%
Genre sample total (64 sites)	4,045,000	288.9	71.4	5.90	0:36:46	100.0%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, quarter to March 2003).

Sport: Demand over time

Figure A-4 presents detailed demand indicators for popular Sport sites over the period to August 2002. The data shows that the BBCi site is again the most popular, although the average number of visits and minutes used in the period per person at 3.03 and 14:49 minutes respectively is significantly below the average of 4.61 and 25:39 minutes respectively.

Teamtalk.com is much more popular in this period. The average Teamtalk.com user over this period spends approximately 33 minutes, sampling around 53 pages per person, significantly more than the BBCi site where average users spend 14 minutes on average and visit 20 pages. On the other hand, rivals.net is much less popular in this period with average use of only 14 minutes compared to over one hour currently (quarter to March 2003). The average user only visited the site 4.05 times a day compared to 6.96 now (quarter to March 2003). More detailed indicators for the quarter to August 2002 are given below.

Figure A-4: Indicators of demand for popular sites within the online Sport genre (Quarter to August 2002)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
News.bbc.co.uk/sport	33.8%	25.2	20	3.03	0:14:19	18.86%
skysports.com	18.2%	14.1	21	2.91	0:11:17	8.00%
fifaworldcup.yahoo.com	12.3%	5.7	13	1.58	0:08:46	4.19%
sportinglife.com	10.5%	6.2	16	2.10	0:07:59	3.28%
uk.sports.yahoo.com	8.9%	4.0	12	3.08	0:05:39	1.97%
wimbledon.org	7.9%	4.4	15	1.35	0:11:11	3.46%
sports.com	7.6%	2.6	9	1.55	0:03:41	1.09%
Teamtalk.com	7.4%	14.4	53	10.12	0:33:02	9.48%
rivals.net	7.1%	7.9	30	4.05	0:14:26	3.98%
Football365.com	5.6%	3.3	16	4.21	0:11:36	2.54%
Genre sample total (34 sites)	3,546,674	153.9	42	4.61	0:25:39	100.00%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, Quarter to August 2002).
Note: Totals and share of time online not consistent with Quarter to March 2003 as number of popular sites included in this sample (Quarter to August 2002) is smaller.

Film

Film: Overview and key players

The main objective of leading commercial organisations operating in this genre is to set up a platform from which to exploit the growth of film and TV related commerce on the Internet. These websites plan to provide compelling content aimed at a global mass audience of film and television viewers. They aim to achieve this by exploiting:

- databases of film and TV information, listing thousands of titles;
- collections of still images from film and TV;
- collections of audio-visual material from film and TV archives;

A flavour of some of the competitors within this genre is as follows:

- Internet movie database (IMDb). This is a film database containing information on over 200,000 films[169]. It was created in 1990 and purchased by Amazon in 1998, reputedly for around $10 million. It earns revenues from advertising, sponsorship and subscription to a premium database. It has around two million users world-wide.
- All Movie Guide (AMG). This website covers around 130,000 films and offers online sales of books and CD-Roms containing film, video and music data. The data content is licensed to a wide variety of third parties aiming also to exploit the data.
- Guardian Unlimited Film. The site provides articles on new and upcoming film releases, festivals and news.
- iFilms.com. A collection of streaming and downloadable movies arranged by topics such as animation, comedy, documentary and sci-fi. The site also contains reviews and highlights.
- Lordoftherings.net. A site set up and to promote the recent films of the story. Contents include stories, background, competitions and downloadable trailers.

Film: Business models

The business model is built on three main revenue streams:

- online advertising;
- transactions – commission on referrals/direct sales to consumers;
- licensing data to third parties.

Operators of Film genre websites generate the majority of revenues from online transactions. This reflects the fact that a majority of online advertising goes on the top websites, which are typically the portals, directories and large content aggregators. The industry view is that revenues are largely based on electronic transactions, which account for around 90% of total revenues and advertising 10%. Licensing to third parties also features within the transaction segmented but overall is likely to be less than 1% of total revenues.

[169] IMDB statistics, www.imdb.com

Most of the competitors in this genre consider that there are four main critical success factors for Film genre websites. They are:

- compelling content. Examples include: core data on films such as information on cast, production companies, awards won, rights ownership and contacts and when and where the film was made; film reviews, articles and books about the film, script; audio-visual material such as film clips, stills of the cast and crew, soundtrack excerpts; chat rooms and news (the Oscars and other festivals) and information (features, Hollywood gossip);
- user interface. The key feature is ease of use to enable clear navigation throughout the website, fast access (low download times) especially for rich content such as audio-visual streams and a compelling visual experience around the website;
- transaction capabilities. This usually covers cinema ticketing but can also cover sales of videos, DVDs, books and merchandise;
- high levels of marketing. A crucial part of their overall strategy is to build, develop and reinforce the online brand in conjunction with generating user traffic to the site. Online distribution is also a key marketing strategy, with many sites using links to search engines and portals to widen exposure.

The predicted increase in uptake of high-speed Internet access is likely to open up new revenue streams for operators. Residential broadband access is forecast to increase significantly. Gartner Dataquest expects Western European residential PC-based broadband penetration to increase from less than 1% in 2000 to more than 10% by the end of 2005[170] with penetration in the UK expected to reach 11.1% by 2005. The extra speeds for access are likely to be crucial to the revenue earning potential of commercial companies in the Film genre.

Video streaming is likely to be one key part of the new technology. As technology gathers pace, becoming more cost effective and of higher quality, an aggregator specialising in film and TV content becomes an attractive proposition to users. Firstly, content producers themselves are normally not the first port of call, because the majority of consumers do not have an idea of who creates the content they watch. Secondly, any streaming operation on a serious scale will need to take advantage of economies of scale and scope. The databases must be extensive and must also contain authoritative information and listings of titles.

Film: Detailed demand indicators

Based on the KPMG/Nielsen//NetRatings custom sample of 94 Film sites, BBCi Films has just over 1% share of the time spent by users online (Quarter to March 2003). Although it is the second most frequently visited site (at 2.64 times), users spend on average only five minutes a month on this site.

The most popular film sites in terms of time are The Internet Movie Database and Harry Potter UK. On average users of The Internet Movie Database spending 45:55 minutes on this site visiting the site around four times in the quarter. The second highest share of time is on the Harry Potter site which accounts for 7.8% of time spent out of the 94 sites.

[170] 'Europe Broadband Access', Gartner, 27 July 2001

The average user spends a total of almost 21 minutes on the Harry Potter UK site although on average they only visit the site 1.80 times.

Figure A-5: Indicators of demand for popular sites within the online Film genre (Quarter to March 2003)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
The Internet Movie Database	20.9%	147.9	177.0	3.95	0:45:55	45.5%
Warner Village Online	14.6%	9.2	15.8	1.91	0:10:54	7.5%
Odeon Cinemas	10.1%	5.9	14.8	1.64	0:10:39	5.1%
Harry Potter UK	7.9%	7.1	22.7	1.80	0:20:58	7.8%
Yahoo! Movies	7.3%	1.8	6.2	1.32	0:02:31	0.9%
UCI Cinemas	6.4%	2.0	8.0	1.33	0:05:02	1.5%
The Lord of the Rings Trilogy	6.1%	5.5	22.8	1.60	0:10:29	3.0%
Rotten Tomatoes	6.0%	1.2	5.1	1.35	0:02:25	0.7%
MSN Movie Club UK	5.3%	0.5	2.2	1.15	0:01:34	0.4%
BBCi Films	4.9%	2.4	12.2	2.64	0:04:44	1.1%
Hollywood.com	4.6%	0.5	2.6	1.14	0:00:57	0.2%
DVD Reviewer	4.6%	2.9	16.0	1.31	0:09:28	2.0%
SPE! Sony Pictures Ent	4.3%	0.6	3.7	1.27	0:01:27	0.3%
Guardian Unlimited Film	3.7%	1.1	7.4	1.21	0:02:38	0.5%
Genre sample total (94 sites)	3,989,638	231.8	58.1	3.23	0:21:08	100.0%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, Quarter to March 2003).

Film: Demand over time

Figure A-6 presents detailed demand indicators for popular Film sites over the quarter to August 2002. The Internet Movie Database and Harry Potter UK are again the most popular sites. The average user visits the Imdb.com site around 3.7 times spending 20 minutes in the quarter. Harry Potter UK has fewer visits (1.78) but the average user spends longer on this site than any other (21:42 minutes).

For BBCi, the average number of visits and minutes of use per person at 1.59 visits and 2:34 minutes respectively is lower than the current period of 2.64 visits and 4:44 minutes respectively.

Figure A-6: Indicators of demand for popular sites within the online Film genre (Quarter to August 2002)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
Imdb.com	18.0%	29.0	50	3.70	0:20:15	19.51%
netflix.com	17.9%	1.4	3	1.52	0:00:44	0.70%
us.imdb.com	15.3%	12.9	26	2.43	0:10:36	8.65%
harrypotter.warnerbros.co.uk	12.4%	12.6	32	1.78	0:21:42	14.34%
Warnervillage.co.uk	11.8%	7.1	19	1.77	0:12:21	7.80%
Realguide.real.com	10.8%	4.3	12	2.98	0:18:31	10.65%
Blackstar.co.uk	10.0%	8.3	26	2.34	0:13:21	7.13%
movies.yahoo.com	8.3%	1.5	6	1.30	0:01:54	0.84%
odeon.co.uk	7.0%	3.2	14	1.63	0:10:27	3.91%
celebritywonder.com	6.6%	0.7	3	1.51	0:00:47	0.28%
Total of genre sample (35 sites)	3,217,193	106.2	33	3.20	0:18:43	100.00%
Other competitive sites						
15. filmfour.com	4.5%	1.2	8	1.49	0:04:40	1.11%
16. www.bbc.co.uk/film	4.0%	0.7	6	1.59	0:02:34	0.55%
19. film.guardian.co.uk	3.8%	0.5	4	1.26	0:01:29	0.30%
20. rottentomatoes.com	3.7%	0.7	6	1.46	0:02:28	0.49%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, Quarter to August 2002).
Note: Totals and share of time online not consistent with Quarter to March 2003 as number of popular sites included in this sample (Quarter to August 2002) is smaller.

Food

Food: Overview and key players

BBCi Food is in the market for online recipes. A close competitive site to this is Delia Online, which was set up to extend the 'Delia' brand online. This site enables fans to interact and swap feedback on recipes. The site also recommends certain products and earns commissions from e-commerce as an affinity site (users cannot conduct online shopping on the Delia Online site), as well as earning revenues from online advertising.

There has been relatively few pure-play start-ups in this genre such as Webvan in the US (Tasteonline is a notable exception). Delia Online cannot be regarded as a pure-play Internet company as clearly it has major brand awareness in the traditional marketplace.

Major supermarket stores, such as Tesco, Sainsbury's and Waitrose have all ventured into the online shopping market in one form or another (e.g. the John Lewis Partnership with waitrose.com now offers a wide range of products online including wine, flowers, books, and CDs).

Food: Business models

A key revenue stream is online shopping. There have, however, been mixed successes in this area. Although the food market was initially considered a strong candidate for Internet shopping, the reality is that the logistics of fulfilment are complex and costly. Retailers also have to spend a considerable amount on marketing to make online users aware of their brand and website.

Other online services such as betting, travel booking and ordering books also seem to be products that sell well, rather than products within the Food genre. One possible reason is that online markets seem to work best for services that do not require the consumer to try on, touch and see.

Despite these difficulties, it is clear that many of the supermarkets will continue to operate in this area, mainly to promote their brand. There have also been some notable successes such as Tesco.com. This shopping site is now the world's largest online food retailer, generating annual sales of £447m, up 26% from last year, with profits up from £0.4m to £12.2m[171].

Longer term prospects also appear to be getting better as reports from Goldman Sachs, Merrill Lynch and others state that between 15-20% of global retailing could ultimately be captured by the Internet as more and more shoppers move online. The Interactive Media in Retail Group, the UK's industry body for e-retail, also announced that UK e-commerce is showing healthy growth.

Food: Detailed demand indicators

In the quarter to March 2003, BBCi Food has the greatest share of time online accounting for 21% of time spent at the sites in the KPMG/Nielsen//NetRatings custom sample. BBCi Food also has the highest reach at nearly 21%.

[171] 'Figures hide online retail sales bonanza', The Business, 4 May 2003.

Waitrose.com has the second highest reach with 11%, with above average visits per person of 3.58 but an average monthly use of only 7 minutes. The most popular sites in terms of visits and minutes of use per person was UK Food with the average user visiting 3.36 times and spending 27:15 minutes on the site.

Figure A-7: Indicators of demand for popular sites within the online Food genre (Quarter to March 2003)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
BBCi Food	20.9%	8.3	23.1	1.72	0:09:04	21.0%
Waitrose.com	11.2%	2.2	11.6	3.58	0:06:52	8.5%
Safeway	8.6%	0.9	6.0	1.27	0:02:54	2.8%
Delia Online	8.2%	1.1	8.1	1.39	0:06:54	6.3%
All Recipes	6.9%	0.9	7.3	1.22	0:03:14	2.5%
Taste Online	6.7%	0.4	3.1	2.20	0:00:43	0.5%
Kelloggs UK	6.3%	0.8	7.4	1.53	0:06:39	4.6%
Agalinks.com	4.5%	1.3	16.3	1.83	0:07:31	3.8%
Atkins Nutritionals	4.4%	1.0	13.2	1.15	0:08:36	4.2%
RecipeSource	4.2%	0.3	4.7	1.12	0:01:22	0.6%
Dominos Pizza UK	4.1%	1.2	16.8	1.27	0:10:20	4.7%
Viewlondon.co.uk	3.8%	0.2	3.3	1.04	0:02:15	0.9%
Food & Drug Administration	3.6%	0.8	12.7	1.46	0:03:31	1.4%
UK Food	3.4%	3.9	66.5	3.36	0:27:15	10.4%
Lollorosso.co.uk	3.1%	0.1	1.3	1.04	0:00:38	0.2%
Genre sample total (47 sites)	1,716,934	33.5	19.5	2.32	0:09:01	100.0%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, Quarter to March 2003).

Food: Demand over time

Figure A-8 presents detailed demand indicators for popular Food sites over the quarter to August 2002. It also shows the impact of including Food commerce sites such as Tesco.com within the genre. Within the combined Food (Content and Commerce) KPMG/Nielsen//NetRatings custom sample of 26 sites, Tesco.com accounts for 80.65% share of the time spent online, 29:38 minutes of use and 3.70 visits per person.

Figure A-8: Indicators of demand for popular sites within the online Food Genre (Quarter to August 2002)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
tesco.com	70.7%	122.8	50	3.70	0:29:28	80.65%
Asda.co.uk	10.8%	3.4	9	1.50	0:03:57	1.65%
virginwines.com	6.9%	4.6	20	1.56	0:16:05	4.27%
waitrose.com	4.6%	2.1	14	3.46	0:10:33	1.87%
weetabixhouse.co.uk	4.6%	0.8	5	1.16	0:07:30	1.32%
www.bbc.co.uk/food	4.4%	2.9	19	1.48	0:08:44	1.49%
deliaonline.com	3.4%	2.9	25	1.85	0:13:29	1.76%
specialk.co.uk	2.7%	1.0	10	1.69	0:10:54	1.15%
makro.co.uk	2.3%	1.0	13	1.51	0:06:20	0.57%
tasteonline.co.uk	1.9%	0.6	9	4.39	0:02:53	0.21%
Toptable.co.uk	1.7%	0.8	13	1.29	0:05:17	0.36%
laithwaites.co.uk	1.6%	0.3	6	1.54	0:05:35	0.34%
Genre sample total (26 sites)	3,437,954	151.8	44	3.47	0:25:50	100.00%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, Quarter to August 2002).
Note: Totals and share of time online not consistent with Quarter to March 2003 as number of popular sites included in this sample (Quarter to August) is smaller. In particular, the above table tests the impact of including tesco.com (a Food Commerce site rather than a Food Content site).

Health

Health: Overview and key players

Online health is a popular genre on the Internet. Datamonitor ranks Health (and Beauty) as the sixth most popular genre, after News, Travel, Entertainment, Music, and Sport, of key types of information looked for online[172]. Mintel reports place Health as the second most popular. It has also been estimated that there are more than 100,000 reputable health-related websites[173] and the numbers are expected to continue to show strong growth (the number of web pages related to cancer has more than doubled in the last two years[174]).

Access to information and online tools are changing consumers relationship with their healthcare providers. People can consult their doctors online, they can order prescriptions online, find more information than maybe even their doctor is aware of, and can set up appointments using the Internet. Doctors' notes and diagnostics are now online and test or lab results are delivered to patients over the Internet.

The providers in the health industry are still in the early stages of understanding and exploring how the Internet can be used to meet their needs. Boots and Granada were able to invest heavily not just in the front end Internet site functionality and content but also in the back end fulfilment and customer relationship management.

Examples of specific offerings in the online health genre are described below:

- iVillageHealth. This is the health channel of iVillage.com, a leading provider of female orientated lifestyle information online. The site provides message boards, health support groups, quizzes, research tools and a health library.
- British Medical Journal. The aim of the electronic version of the BMJ is to publish accessible information that will help doctors improve their practice and will influence the international debate on health. The site contains full articles of all articles published in the weekly journal since 1994.
- Baby World. A UK-based site for pregnancy, birth and baby information. The site is now a subsidiary of Freeserve, the UK's largest Internet Service Provider.
- Wellbeing.com/Boots.com Wellbeing.com was the e-commerce site for high street retailer Boots (in partnership with Granada). In February 2003, Boots dropped the Wellbeing brand, and now users who log on to Wellbeing.com get redirected to the Boots.com site. The Boots.com site offers products for purchase online.
- Doctors.net.uk. This is a pure-play online resource for medical professionals – both physicians and students. Here, through membership, they can access medical information and support groups and keep current with health research and developments.

Health: Business models

[172] 'Impact Study', Datamonitor, 2001.
[173] Financial Times, 4 September 2000.
[174] Based on results of search for "cancer" on Alta Vista search engine in 2000 and 2002.

The overall strategy for sites in this genre is to create a virtual community to attract and retain customers. The core strategy is to offer high quality content and comprehensive information about health which then links into products which can be sold (e.g. disease management tools, medication diaries, fitness training calendars, calorie counters, patient-doctor communication, chat with professionals). Due to the abundance of well respected health information from the traditional marketplace it is important that any information online is of a high quality and can be accessed with relative ease.

Commercial partnerships with content sites are also common and a particular feature for healthcare related companies. Rather than trying to go it alone, some content sites have teamed up with a number of commercial operators and vice-versa to lend credibility to a perception of unbiased, quality, accurate information on the sites.

E-commerce is the most significant revenue stream. For example, one site Pharmacy2U allows patients to access their own medication record and manage their own prescriptions and refills. Pharmacy2U is the only UK online pharmacy providing national mail order, e-commerce, m-commerce and self-managed electronic prescriptions.

A subscription revenue model is offered by eDiets.com/eDietsuk.co.uk which is a pure-play niche site offering content, tools, services, and community features around weight loss and has grown from around 50,000 paid subscribers globally in 1999 to 300,000 paid subscribers in 2001. As well as pure-play sites, there are other sites which are attached to the traditional marketplace such as Weight Watchers. Other less common revenues streams are:

- advertising and sponsorship. Most commercial sites use advertising and sponsorship. One example of this is netdoctor.co.uk, a European online healthcare company. It operates in nine markets[175] and offers individual care and health services for both consumers and health professionals. It offers localised portals and online communities. While exact numbers are not available it bases its revenue model, at least in part, on advertising and sponsorship.
- licensing. Online content aggregators license their content to others. MDChoice.com, recently announced they will offer hospitals, clinics and physician groups their own private label online healthcare information services which can be tailored to specific consumer target groups.
- pay-per-use/pay-per-download/micro-payments. This is a common revenue model for professional medical information. Whereas abstracts from medical journals may be accessed for free, full articles may only be downloaded for a fee.

The ageing population is a key factor for future revenue models[176]. The ageing population in general (those who have the most health concerns and often the most money to spend) will continue to grow and as such its use of online health information/products/services will increase.

Changing attitudes towards health are another key factor. As patients become more actively involved in their own health and as healthcare providers accept this, consumers will require more information, services and tools to manage their own care.

[175] As at December 2001.
[176] ‘Who is Looking for Health Information Online’, Datamonitor, July 2002.

Overall, health online has the potential in the UK to increase dramatically, particularly as only 32% of Europeans overall use the Internet for health information compared to 53% of Americans. And, of the Europeans, the UK has one of the lowest rates of consumers using the Internet for health information[177].

However, increased surveillance of the online health market is also looming. The new EU quality guidelines published in December 2002 surrounding health-related websites may be developed into accreditation systems in the coming years. Websites offering health advice and information will need to take part in these new schemes in order to operate within the law[178].

Health: Detailed demand indicators

Out of the 59 Health sites analysed within the KPMG/Nielsen//NetRatings sample around 17.4% of time is spent on the Wellbeing site, which also has the greatest reach at 20.6%.

BBCi Health has below average visits (1.23) and minutes of use (4:31 minutes) per person.

Saga and NetDoctor.co.uk are the most popular sites in terms of minutes of use and visits per person with 13 minutes and 2.15 visits and 12 minutes and 2.80 visits respectively. The Breast Cancer Site is the most popular site in terms of highest number of visits per person (5.22).

Figure A-9: Indicators of demand for popular sites within the online Health genre (Quarter to March 2003)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
Wellbeing UK	20.6%	9.8	15.7	1.43	0:08:00	17.4%
Department of Health	11.8%	3.6	10.1	1.48	0:06:31	8.1%
BBCi Health	9.8%	2.3	7.8	1.23	0:04:31	4.7%
NetDoctor.co.uk	9.2%	2.1	7.6	2.80	0:12:33	12.2%
Nat Library of Medicine	6.1%	0.8	4.3	1.19	0:02:54	1.9%
Saga	5.8%	4.9	28.2	2.15	0:13:13	8.1%
Mens Health Mag UK	5.6%	2.3	13.4	1.57	0:08:00	4.7%
Medic Direct	5.3%	1.3	8.1	1.30	0:06:33	3.7%
BUPA	4.8%	0.6	4.2	1.11	0:04:33	2.3%
OMNI	4.7%	0.4	3.1	1.20	0:00:59	0.5%
Kids Health	3.9%	1.0	8.6	1.12	0:04:28	1.9%
MSN.co.uk Health	3.9%	0.3	2.4	1.31	0:00:58	0.4%
Nat Institute of Diabetes	3.7%	0.2	1.7	1.19	0:04:01	1.6%
Emedicine	3.7%	0.4	3.4	1.18	0:03:41	1.4%
The Breast Cancer Site	3.6%	1.6	14.7	5.22	0:04:39	1.8%
Genre sample total (59 sites)	3,029,306	46.9	15.5	2.07	0:09:28	100.0%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, Quarter to March 2003).

[177] 'Who is Looking for Health Information Online', Datamonitor, July 2002.
[178] 'New EU guidelines for e-health websites', Europemedia, 17 December 2002.

Health: Demand over time

Figure A-10 presents detailed demand indicators for popular Health sites over the quarter to August 2002. The average user spends three minutes less on BBCi Health in the Quarter to March 2003 than in the Quarter to August 2002.

The nhs.co.uk has the highest reach of all the sites analysed with 24.9% and the highest share of time online with 13.29%. The most time per person was again spent on the Saga.co.uk site with 13 minutes spent per user. Saga has the third highest share of time online with 10.2% but a reach of only 8.8%.

Figure A-10: Indicators of demand for popular sites within the online Health genre (Quarter to August 2002)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
nhs.uk	24.9%	6.3	13	1.43	0:06:16	13.29%
wellbeing.com	15.0%	6.0	20	1.53	0:08:15	10.53%
netdoctor.co.uk	12.6%	1.6	7	1.33	0:06:19	6.79%
doh.gov.uk	10.0%	1.3	6	1.24	0:03:32	3.02%
Edietsuk.co.uk	9.0%	1.9	11	1.60	0:09:23	7.21%
www.nhsdirect.nhs.uk	9.0%	2.3	13	1.16	0:05:24	4.15%
saga.co.uk	8.8%	3.9	22	1.46	0:13:40	10.20%
www.bbc.co.uk/health	8.1%	1.6	10	1.30	0:07:23	5.11%
Bupa.co.uk	7.3%	1.0	7	1.20	0:06:47	4.19%
www.nlm.nih.gov	5.9%	1.0	9	1.22	0:04:04	2.04%
Genre sample total (28 sites)	1,774,171	39.9	20	1.83	0:11:45	100.00%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, Quarter to August 2002).
Note: Totals and share of time online not consistent with Quarter to March 2003 as number of popular sites included in this sample (Quarter to August 2002) is smaller.

Music

Music: Overview and key players

Selling physical CDs online has been one of the success stories of the Internet. Recently, as Digital Rights Management has become more sophisticated and in response to the success of illegal download sites, major record companies have also become more inclined to release their music digitally online. In the US, MusicNet is controlled by EMI, BMG, AOL-Time Warner and Real Networks; users are charged a flat monthly fee, and they can download a certain number of tracks per month. Sony and Universal Music in the USA are making a similar proposition via Pressplay.

Mac Users in the US can also choose to download music content from the iTunes Music Store site, which was unveiled recently[179]. Users can download music on a per-track basis (a total of 200,000 songs available at 99 cents per track) and there is no monthly subscription charge. The copy-protection technology used is said to be superior to its rivals, giving record companies better control over their content. Songs are encoded in a new format called AAC, which takes up less disk space and even allows a digital image of the original album artwork to be attached to the file. A Windows-compatible version is in development.

In the UK, HMV was the first retailer to launch an online music subscription service. Its service, launched in September 2002 in association with OD2 (www.od2.com) gives access to 100,000 tracks on a similar basis (a monthly fee for fixed number of downloads) to some of the US sites. OD2 is fast becoming a successful (and legal) end-to-end solution for the sale, promotion and distribution of digital music, and the company recently announced that it had signed deals with all five major record labels[180]. As more official content is made available through this service (the agreement with EMI announced in April 2003 added 140,000 tracks to the growing collection[181]) it becomes increasingly attractive to music fans. The move comes as record companies are trying hard to persuade web users to pay for their downloads which so many have been able to get for free from illegal sites such as Kazaa, Morpheus and WinMX.

In addition to HMV's site, Tiscali, Freeserve, Microsoft's msn.co.uk, BT's Dotmusic and ministryofsound.com[182] all have similar links to OD2.

Streamed content is by its nature very different to downloadable content; it cannot be stored. There have been few examples of premium pricing for streamed content; Mediawave and MSN organised the webcast of a concert by Sir Elton John in Ephesus in July 2001. This was billed as the world's first pay-per-view online concert; users could access the concert for $10. Previous high profile concert webcasts had been free of charge to users.

[179] 'Songs in the key of Steve', Fortune, 1 May 2003.
[180] 'Gabriel's call to arms', Media Guardian, 28 April 2003.
[181] 'EMI bid to beat the web pirates', Western Daily Press, 24 April 2003.
[182] 'Ministry of Sound ready to take top position in global legal downloads', M2 Presswire, 28 April 2003.

Music: Business models

With increasing connection speeds, listening to music on the Internet and downloading tracks has become increasingly popular. Napster, and the similar sites that have followed or evolved in its wake, specialised in providing downloads for free, enabling users to share their own catalogues. Many of these 'renegade' sites have since become part of the music industry establishment (e.g. Bertelsmann buying into Napster) or else the music industry has worked together to close them down (e.g. by suing four of America's largest Internet traffic carriers to make them block traffic to and from China-based Listen4ever.com).

The illegal download activity has largely been led by sites based outside the UK. The International Federation of the Phonographic Industry, faced with falling global music sales, considers that illegal downloading is a particular problem in countries with high penetration of broadband technology, including USA, Canada and Germany. With the number of UK broadband subscribers recently passing two million for the first time, downloading is likely to increase significantly in the UK.

The music genre has not gone unaffected during the dot.com (and media) downturn. Bertelsmann is seeking to sell bol.com which has not lived up to expectations, and it has closed down Napster. Worldpop.com has ceased to provide original content and replaced it with a salesfront for mobile ringtones.

The following trends and factors are likely to affect revenue in the Music genre:

- the market for paid-for digital downloads (which can be stored and played again) is likely to increase due to increased encryption/digital rights management technology, faster connection speeds and the development of user-friendly payment methods and revenue models. Artists and record companies will make more material available and the increased choice will attract more users into the market Initiatives such as OD2's 'Digital Download Day' (where users can download up to £3 worth of music for free)[183] are likely to continue to further drive this trend;
- record companies will still have to contend with the popularity of illegal file-sharing programs such as Kazaa, Morpheus and WinMX over the medium term. A recent court ruling that two such networks (Grokster and Streamcast) were not liable for piracy is evidence for this[184]. The judge declared that peer-to-peer file trading is a technology that can be used for both legal and illegal purposes, and should not be blocked altogether. He noted that file-sharing program developers "are not significantly different from companies that sell home video recorders or copy machines, both of which can be and are used to infringe copyrights." Despite this, file-sharing software developers and the music industry will be more likely to work together in the long-term to offer a paid-for business model, although replacing the illegal downloads entirely with legitimate alternatives will remain a huge challenge for the music industry;
- companies will continue to experiment with pay-per-view webcasts of concerts. Large numbers of people logging on simultaneously can put enormous strain on

[183] 'Digital Download Day', OD2 press release, 8 April 2003.
[184] 'P2P – Grokster and Streamcast hark back to the days of the VCR', EPS Update Note, 2 May 2003.

server capacity. When combined with poor connection speeds, this creates a risk that users will not have a satisfactory viewing and listening experience with breaks in picture or sound. The Elton John pay-per-view concert was restricted to users with high bandwidth connections (automatically limiting the market of those who can subscribe). In the short to medium term these problems are likely to persist, and the pay-per-view market will not grow as fast as the digital download market;

- sales of online music will also play an increasing role in compiling pop charts. The UK's Official Chart Company (owned by the British Phonographic Industry and the British Association of Record Dealers) has recently signed up OD2 to monitor downloads and produce a standalone Internet sales chart to launch towards the end of 2003.[185]

Music: Detailed demand indicators[186]

Figure A-11 presents detailed demand indicators for popular Music sites over the quarter to March 2003.

The three BBCi websites analysed (Radio 1, Radio 2 and Top of the Pops) were individually below average for minutes of use and visits per person, but collectively these three sites account for 14.9% of the time spent online and 29.1% of the reach (in terms of the 81 sites in KPMG/Nielsen//NetRatings custom Music sample).

Of the three BBCi websites Radio 1 has the highest share of time online with 7:30 minutes and 14% of reach, while Radio 2 has the highest minutes of use with 8:02. The average user spent the most time on the MusicMatch site at 31:20 minutes visiting the site 4.06 times.

[185] 'Looking after number one', Media Guardian, 28 April 2003.
[186] The Music genre has not been analysed for the period to August 2002.

Figure A-11: Indicators of demand for popular sites within the online Music genre (Quarter to March 2003)

	Reach (%)	Total page views (million)	Page views per person	Visits per person	Minutes of use	Share of time online (%)
BBCi Radio 1	14.0%	9.3	14.3	2.18	0:07:30	7.4%
BBCi Radio 2	8.9%	5.0	12.2	1.96	0:08:02	5.1%
MusicMatch	8.8%	9.5	23.2	4.06	0:31:20	19.6%
MP3.com	8.8%	5.7	14.0	1.88	0:05:20	3.3%
Dotmusic	8.6%	3.4	8.6	1.47	0:04:03	2.5%
MTV Online	7.5%	5.3	15.3	1.88	0:07:51	4.2%
Launch Yahoo!	7.4%	5.0	14.5	3.11	0:04:49	2.5%
Artist Direct Network	6.4%	1.8	6.1	1.38	0:02:10	1.0%
Sony Music	6.4%	1.1	3.9	1.49	0:00:46	0.3%
BBCi - Top of the Pops	6.2%	3.1	10.9	2.07	0:05:34	2.4%
Lyrics.com	6.1%	7.3	25.7	2.26	0:06:05	2.6%
A-Z Lyrics Universe	5.9%	4.5	16.4	2.65	0:05:46	2.4%
MTV UK and Ireland	5.2%	2.3	9.8	2.23	0:05:04	1.9%
Winamp	4.8%	1.8	8.4	1.36	0:05:10	1.7%
NME.com	4.5%	1.9	9.3	2.31	0:03:34	1.1%
Genre sample total (81 sites)	4,638,475	129.9	28.0	3.58	0:14:08	100.0%

Source: Nielsen//NetRatings Custom Analysis (UK Home Panel, Quarter to March 2003).

Appendix B: Detailed results from MORI survey

Introduction

KPMG has worked with MORI to aid understanding of BBCi's consumers, their attitudes and behaviour online, through the development of a custom survey.

Questions were placed on the MORI Omnibus, the regular MORI survey among the general public. A nationally representative quota sample of 942 Internet users were interviewed throughout Great Britain by MORI. Interviews were conducted face-to-face, in respondents' homes between 8 and 12 May 2003. In addition, three questions were repeated between 22 and 28 May 2003, to increase the sample size of the film specific questions (i.e. over the two sample periods 401 individuals answered the film specific questions).

The MORI Omnibus questionnaire covered a number of areas, namely:

- general Internet user behaviour to confirm the market definition;
- statements concerning trust and branding of www.bbc.co.uk;
- the effectiveness of cross-promotion and the degree to which it is used at the BBC compared to its competitors;
- the extent to which BBCi uses the power of the brand to drive users to it sites;
- whether BBCi encourages Internet use and helps bring people to the Internet;
- whether BBCi is a trusted guide to the Internet, helping people find their way around.

Key sample indicators

Individual indicators

The total sample of Internet users was 1,003 of which 551 were men and were 452 women.

Figure B-1: Sample used in MORI survey by age and social class (by region, work status and education)

Total	Gender		Age					Social Class			
	Male	Female	15-24	25-34	35-44	45-54	55+	AB	C1	C2	DE
Male	100%		51%	52%	54%	55%	66%	57%	56%	50%	52%
Female		100%	49%	48%	46%	45%	34%	43%	44%	50%	48%

Total	Region			Work Status			Education			
	North	South	Midlands	Full-time	Part-time	Not working	GCSE/O - Level/CSE/ NVQ 1+2	A Level or equivalent	Degree/ Master/ PhD	No formal qualifications
Male	54%	54%	57%	66%	18%	45%	55%	49%	60%	52%
Female	46%	46%	43%	34%	82%	55%	45%	51%	40%	48%

Internet use

Individuals were asked:

- Have you used the Internet in the last four weeks? (Question 1).

The results are shown below.

Figure B-2: Internet use (over past four weeks)

Answer	% Respondents
Yes	91%
No	9%

Brand

Individuals were asked:

- which of the following websites have you visited in the last four weeks? (Question 2);
- which one of the following websites do you trust the most? (Question 3).

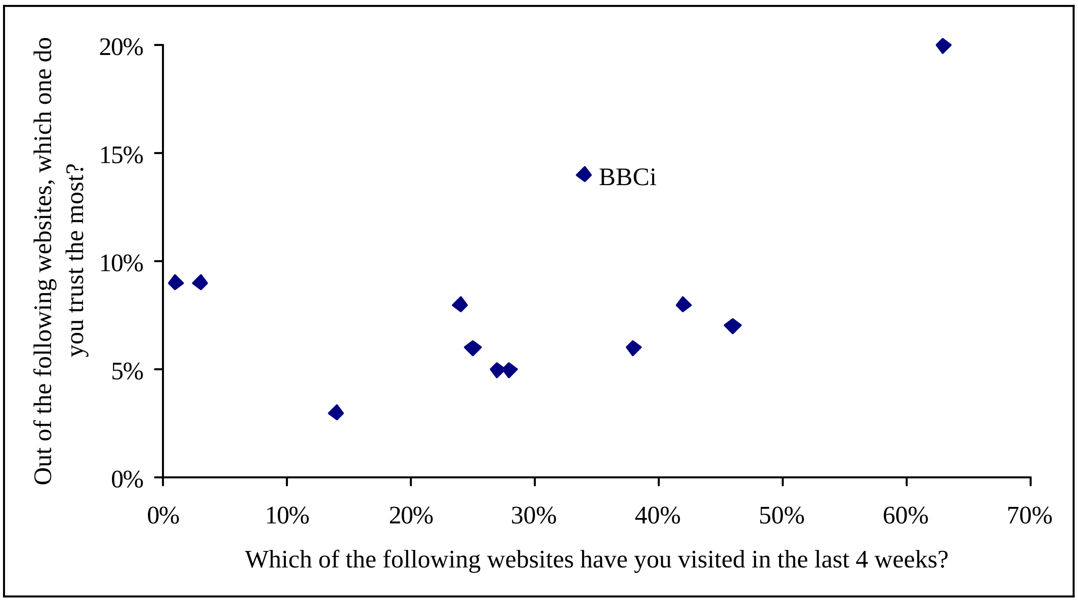
The websites were the top 10 Internet sites[187], namely Google, BBCi, MSN/Hotmail, AOL, Yahoo, Freeserve, Ask Jeeves, Microsoft, Amazon and British Telecom.

The most trusted and most visited website was Google; 63% of people questioned had visited it in the last four weeks and 20% of people questioned trusted it the most. 14% of the people questioned in the MORI questionnaire trusted the BBCi website more than any other site. 34% of the people questioned had visited BBCi in the last four weeks.

Key findings:

- trust is highest in the age 25-34 group at 19%, the social class of C1 (19%), in the South (18%) and amongst those educated to degree/masters or PhD level;
- trust is lowest in the over 55 (9%) age group, the social class C2 (9%), in the North (10%) and amongst those with no formal qualifications;
- the highest ranking site, Google has consistent trust across all age groups of 18-21% and across all education levels 18-20%.

Figure B-3: Comparison of popularity and trust



[187] Nielsen//NetRatings, February 2003.

Increasing market growth

Encouraging access to the Internet

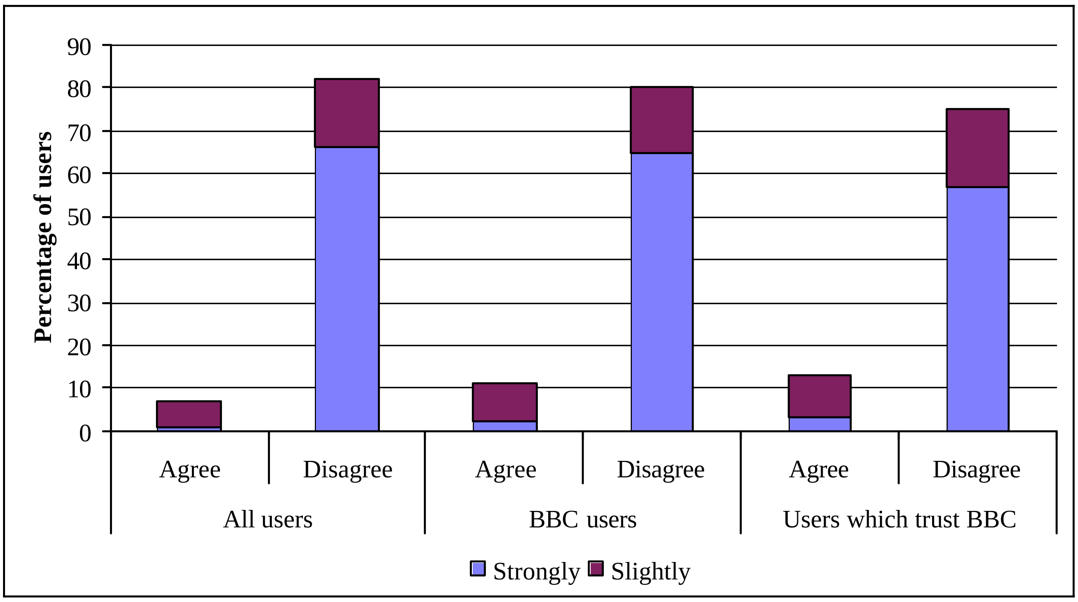
Individuals were asked:

- to what extent do you agree or disagree with the following statement: the existence of the BBC's website, www.bbc.co.uk, was one of the main reasons why I first accessed the Internet. (Question 4i)

Key findings:

- for all Internet users, 7% of Internet users agreed with the statement with the statement that the existence of the BBC's website was one of the main reasons for accessing the Internet;
- those agreeing with the statement increases to 11% for BBC users only and to 13% to BBC users who trust the BBC;
- for all Internet users, the 15-24 age group agreed that the existence of the BBC's website was one of the main reasons for accessing the Internet more than any other age group (12%).

Figure B-4: BBC's website one of the main reasons for first accessing the Internet



Encouraging exploration of the Intemet

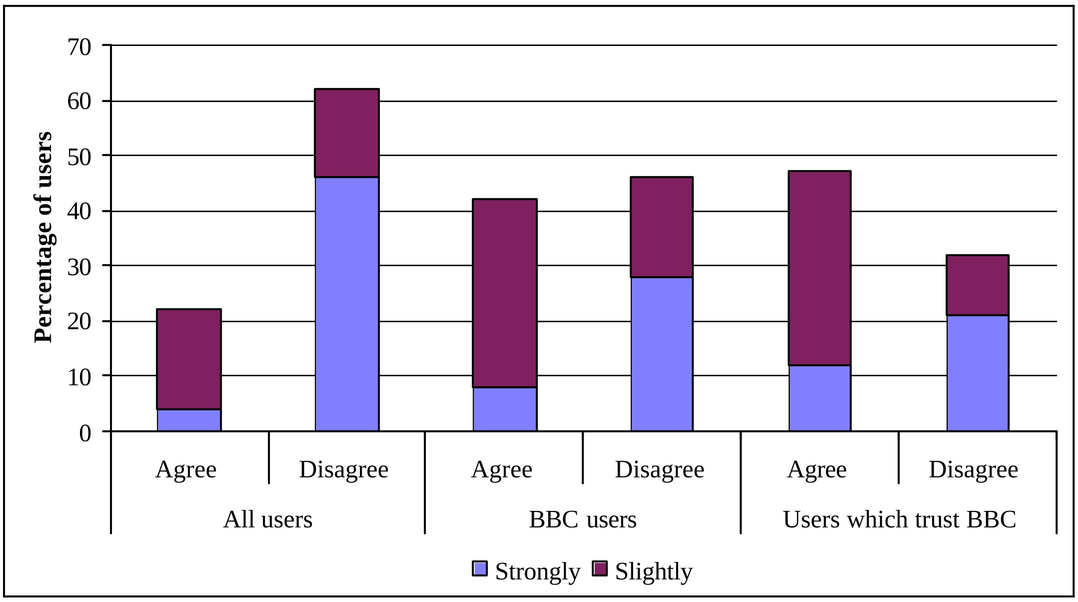
Individuals were asked:

- to what extent do you agree or disagree with the following statement: "The BBC's website, www.bbc.co.uk, has introduced me to some of the different opportunities offered by the Internet." (Question 4ii).

Key findings:

- for all Internet users, 22% agreed that the BBC's website www.bbc.co.uk had introduced them to some of the different opportunities offered by the Internet;
- those agreeing with the statement increased to 42% for BBC users only and to 47% to BBC users who trust the BBC;
- again, for all Internet users, the age group 15-24 agreed more than any other age group that the BBC's website had introduced them to some of the different opportunities offered by the Internet (28%).

Figure B-5: BBC's website introducing me to different opportunities on the Internet



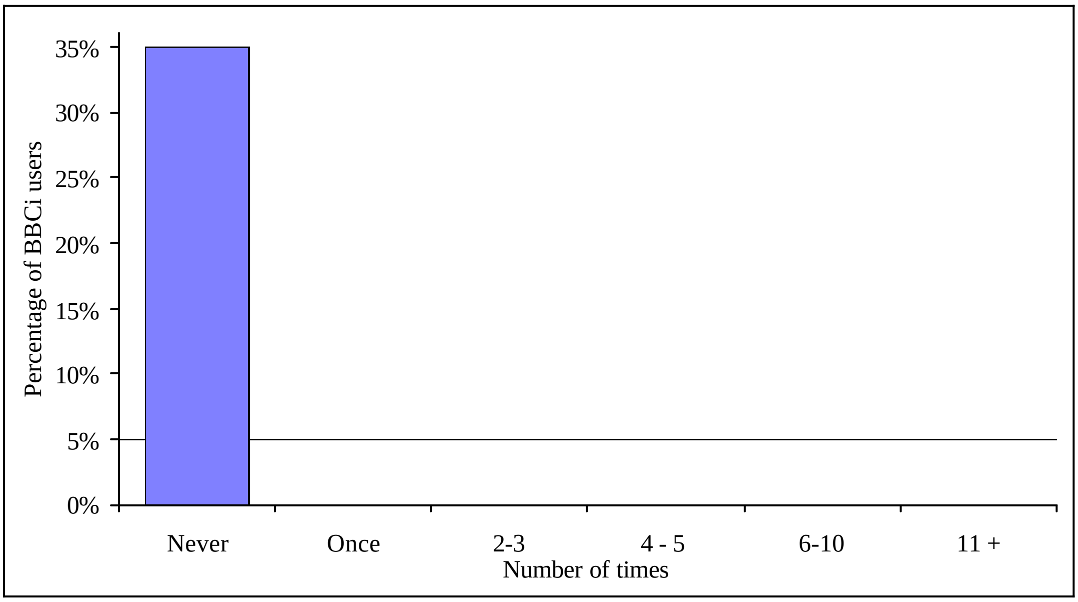
Using BBC links

Individuals were asked:

- as well as containing various pages of information and entertainment, the BBC website also contains links to other non-BBC websites. How many times in the past three months have you clicked on one of these links to another website whilst visiting the BBC's website, www.bbc.co.uk? (Question 5).

This graph shows the number of times that a person has clicked on a non-BBC link from a BBC website the last three months. Almost two-thirds of BBCi users had clicked on a non-BBC link in this way in the last three months. 35% of people questioned had never clicked through from a BBCi website to a non-BBC site while 28% of people clicked through 2-3 times in the last three months.

Figure B-6: Times clicked on BBC links through to another website (over past three months)



Cross-promotion

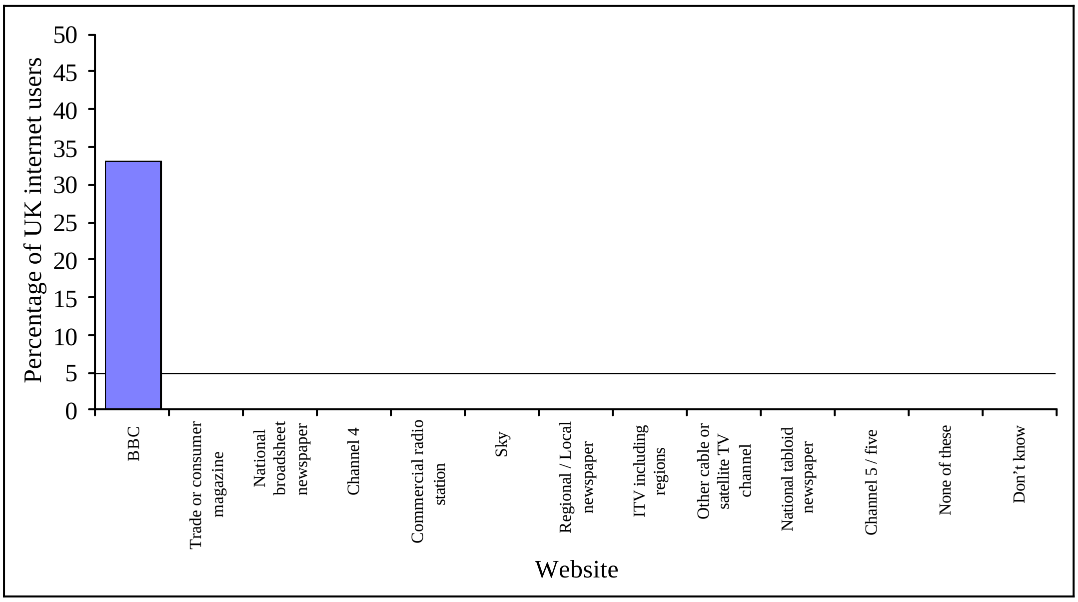
Individuals were asked:

- which of these websites have you visited in the last three months after seeing or hearing about them on a television station, radio station, newspaper, magazine or elsewhere? (Question 6).

Key findings:

- one third of the people questioned (33%) had visited the BBC website in the last three months after seeing or hearing about it on a television station, radio station newspaper, magazine or elsewhere;
- nearly one in five (18%) of age group 15-24 had visited the Channel 4 website in the last three months after seeing or hearing about it on a television station, radio station newspaper, magazine or elsewhere;
- while only 16% of the sample questioned had visited a national broadsheet newspaper's website in the last three months after seeing or hearing about it on a television station, radio station newspaper, magazine or elsewhere, 28% of those educated to degree level or above had.

Figure B-7: Websites visited after seeing or hearing about them on a television, radio, newspaper or magazine etc. (over past three months)



Link between Commerce and Content

Frequency of use of e-commerce

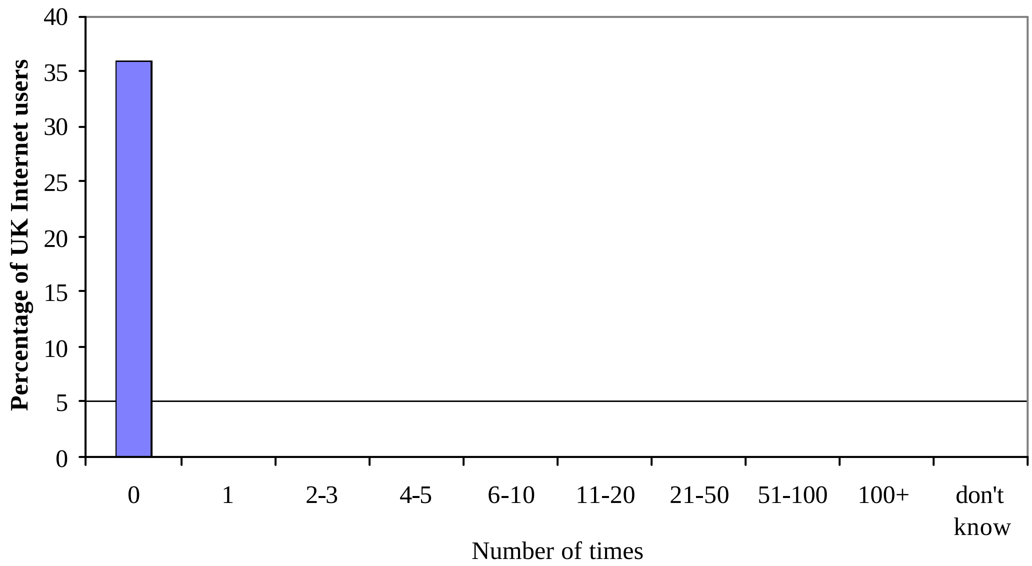
Individuals were asked:

- how many times in the last 12 months have you used the Internet to purchase a product or service online? For example, if you purchased three books on one visit, please count this as one. If you purchased three books on three separate visits, please count this three times. (Question 7).

Key findings:

- the majority of people, 36% of those questioned, had never used the Internet to purchase a product or service online. 10% had used the Internet once for the purchase of products or services online and 17% had purchased a product or service online two-three times;
- 40% of women questioned had never made a purchase online compared with 32% of men. Spread across the age groups was consistent, between 34% and 43% except for the age group 25-34 where only 26% of people had never made an online purchase;
- 64% of those with no formal qualifications and 42% of those educated to GCSE/O Level/CSE/NVQ 1+2 had never made an online purchase compared with 22% of those educated to degree level or above.

Figure B-8: Frequency of use of the Internet to purchase a product or service (over the past 12 months)



BBC encouraging e-commerce

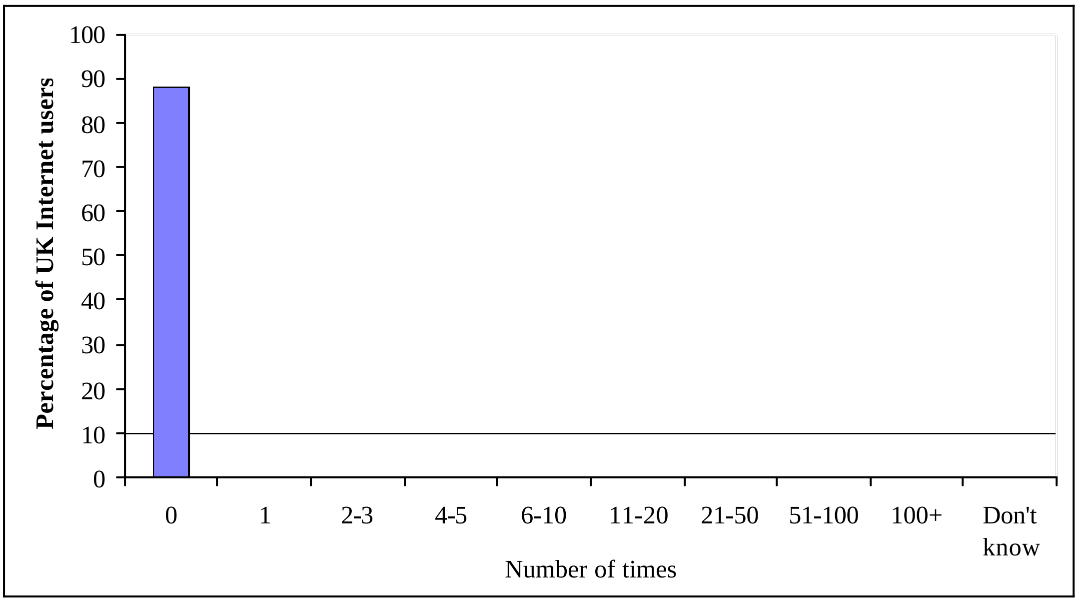
Individuals were asked:

- in the last 12 months, how many times have you purchased a product or service online from a non-BBC website after reading about it on the BBC's website bbc.co.uk? (question 8).

Key findings:

- 89% of users had not done so in the past year;
- 11% (increasing to 15% amongst BBCi users) had purchased a product or service online from a non-BBC website at least once in the past year, after reading about it on the BBC's website;
- there was consistency amongst all social groups, age groups, education levels working status for those who have and have not ever used the Internet to purchase goods or services online.

Figure B-9: Frequency of purchasing product or service after reading about it on BBC's website (over the past 12 months)



Impulse purchasing

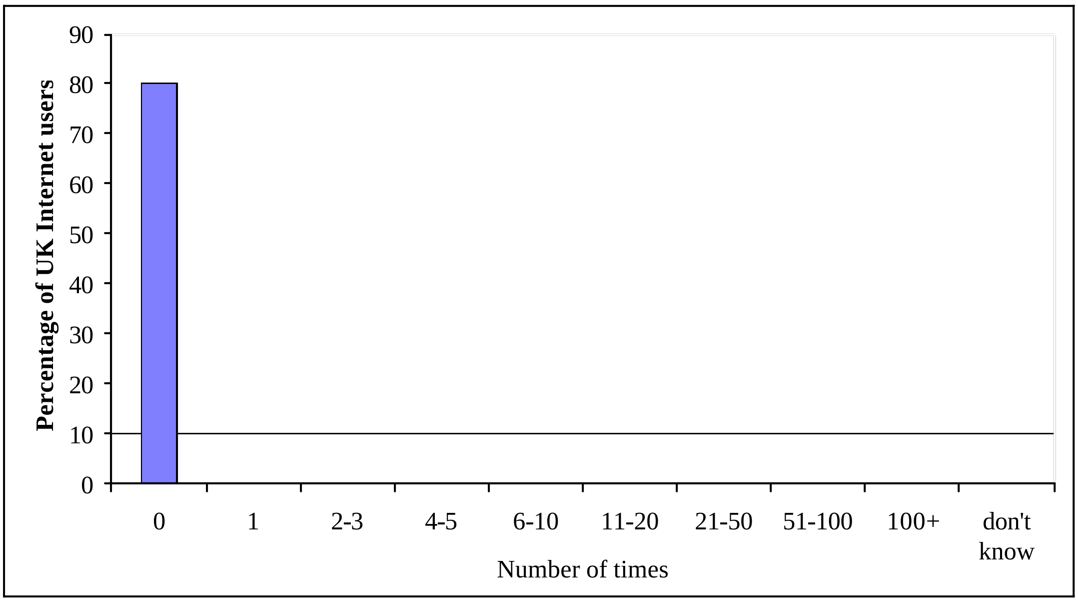
Individuals were asked:

- in the last 12 months, how many times, while you have you been browsing the Internet with no intention to purchase a product or service, have you ended the session having bought something from a website? (Question 9).

Key findings:

- 80% of those questioned had never browsed the Internet with no intention of purchasing a product or service, and ended the session having bought something from a website;
- 92% of those aged 55+ compared to 73% of those aged 15-24 had never browsed the Internet with no intention of purchasing a product or service, and ended the session having bought something from a website.

Figure B-10: Frequency of impulse purchasing online (over the past 12 months)



Market definition

Type of genre visited

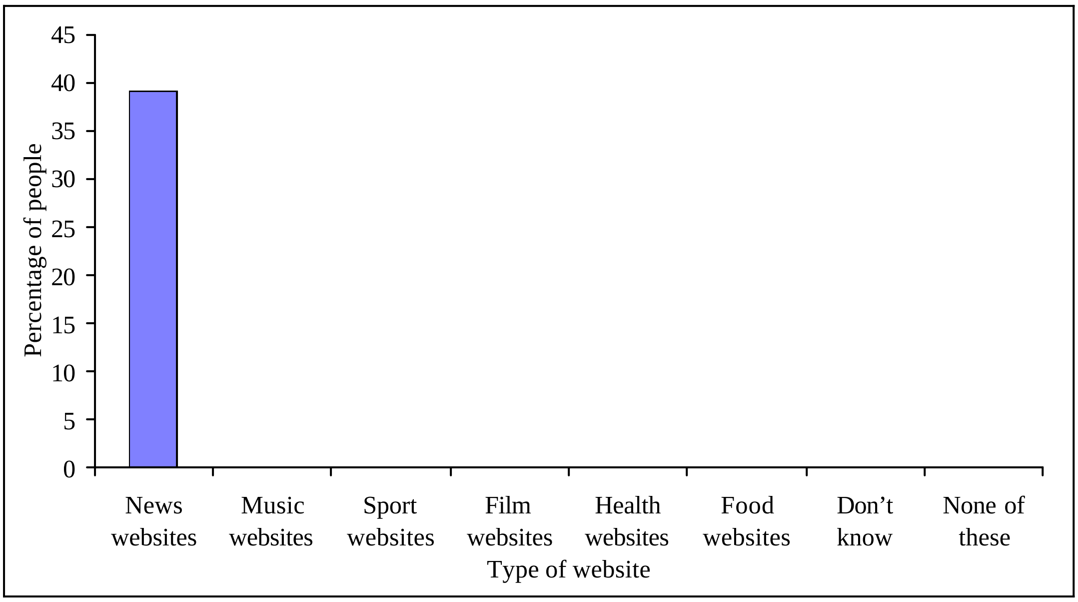
Individuals were asked:

- Which of the following types of website have you visited in the last four weeks? (Question 10).

Key findings:

- the most popular website genre is news with 21% of the people questioned having visited a news website in the last four weeks. 20% and 16% of people questioned had visited a music and sports website respectively in the last four weeks;
- news websites are consistently popular across all age groups, with 36-45%, but most popular in social groups AB and C1 (44%) and in the South (43%). 55% of those that had visited a news website in the last four weeks were educated to degree level or above;
- 67% of those that trust bbc.co.uk had visited a news site in the last four weeks compares with 42% of those that trust bbc.co.uk to music and sport sites and 29% to film sites;
- music websites are most popular with those in the 15-24 age group, 72% of whom had visited a music site in the last four weeks and 54% of those who had visited a music site in the last four weeks were in the DE social groups;
- 40% of those in the 15-24 age group had visited film sites and a similar proportion had visited sport sites in the last four weeks.

Figure B-11: Genres visited over the past four weeks



Demand for sub-categories within Film

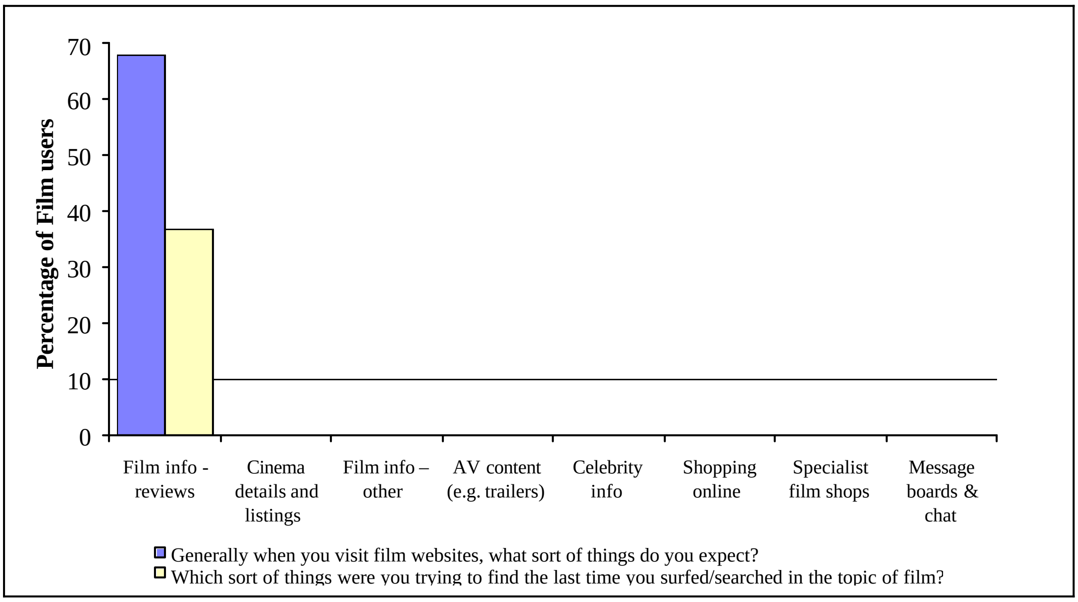
Individuals were asked:

- thinking now about the last time you searched or surfed the Internet on the topic of film, which sort of things were you trying to find? (Question 11);
- now thinking generally, when you visit film websites, what sort of things do you expect on these sites? (Question 12);

Key findings (from Question 11):

- the top three reasons people searched or surfed the Internet on the topic of film were film information in the form of reviews (37%), cinema details and listings (34%), other film information (17%);
- the main kind of information expected on film sites is film information/reviews (68%), cinema listings (36%) and other film information (34%).

Figure B-12: Demand for sub-genres within Film



Other findings (from Question 11):

- only 17% of those aged 55+ searched for film review information, compared with 50% of the 15-24 age group. 62% of social group C2 searched for film review information compared with 28% in AB and 37% in DE;
- more people in the age groups 45-54 (40%) and social class AB (42%) and those with no formal qualifications (69%) had searched the Internet for cinema details and listings.

Other findings (from Question 12):

- more people in the age group 45-54 would expect to film information in the form of reviews on film websites (74%);
- more people in the age group 55+ would expect to find cinema listings on a film website (47%). Among social class AB the proportion is 41%.

Appendix C: Review of key economic hypotheses

In this next sections we present the answer to the key hypotheses formulated at the start of the study, and the outstanding questions from the terms of reference. We also set out some of the criticism of BBCi from third parties. These were used to identify potential BBCi impacts to explore in more detail.

Terms of reference

The detailed questions within the terms of reference are as follows:

- identify and define the relevant product market(s) affected by BBCi. What are the main elements of BBCi and what are the relevant markets associated with BBCi? Is there a broad online market or are there a number of narrower genre specific markets, e.g. news, sporting news, gardening, motoring, children, education etc? Is there a difference between content sites and portal sites?
- identify and define the relevant geographical market(s) affected by BBCi. Is there a single international market, or should markets be delineated nationally (e.g. UK) or regionally (e.g. Europe) depending on, e.g. the focus of the content (and for commercial players, the focus of the advertising carried on the service)?
- identify the market position of BBCi within each of the relevant markets identified above, e.g. market share through page impressions or through share of viewing time.
- identify the other current and potential players in the markets identified above – and their respective market positions? What are the other players, e.g. the main broadcasters or the main portal operators, doing online?
- does BBCi have market power, e.g. from its brand, reputation, ability to cross-promote its online and offline services etc, and can it inhibit market growth? Does BBCi have the power to inhibit commercial activity by making predatory announcements? Do other players, e.g. pan-media groups (such as News International & BSkyB, other broadcasters) have the same opportunities? Are there barriers to entry that create market power for BBCi?
- have those commercial players identified above – or commercial provision generally – been impacted adversely by BBCi? Does BBCi's presence 'crowd out' commercial Internet investment? What does recent history on growth and investment on commercial content/news/entertainment sites, e.g. FT.com indicate? Alternatively, does BBCi drive the market (e.g. by educating the audience about the opportunities that the web offers; by attracting users to the web who will go on to use others' content; by providing a range of direct links and a guide to others' content). And does BBCi help to stimulate the market through its use of contractors and the training opportunities it provides for the new talent?
- are current concerns driven by the market cycle (low advertising spend, 'dot bomb' environment) rather than by structural problems with the market generally due to the presence of BBCi?

Review of key criticism and allegations

What are the key allegations against BBCi?

It is useful to understand the allegations from third parties to get a thorough independent understanding of how BBCi could impact the market. We have therefore undertaken a review of criticisms of the BBC from public domain sources. Some example themes are set out below:

- Market position. British Internet Publishers Alliance (BIPA) are concerned that the BBC's position in its digital markets will lead to the Corporation having market power in the sectors it operates in. The BBCi site itself is under particular criticism of being anti-competitive as it is deemed to hold market power in the sectors in which it operates – impacting upon the performance of its commercial competitors.
- Investment. Websites including capitalradio.co.uk, telegraph.co.uk and guardian.co.uk have claimed that the BBC's plans to spend £20 million a year promoting its digital services is unfair as it draws visitors away from their sites.
- Barriers to entry and crowding out investment. BIPA argue that the strong position of the BBC will lead to the crowding out of existing commercial competitors who are not able to match the BBC's vast resources as well as creating barriers to entry with regards to any new firms wishing to get a foothold in the market.
- Search. The BBCi search engine is another cause for concern. Competitors contend that commercial services were adequately serving the market, and there was no need for the BBC to enter this market. Some competitors are also concerned that the BBC's search engine is free to use, thus interfering with commercial plans to introduce pay search engines.
- Cross-promotion. The cross-promotion impact on the markets in which BBCi operates is another area that is causing concern amongst competitors - in particular, the BBC's use of radio and television stations to promote its website.

These main themes (i.e. market position, barriers to entry, crowding out, investment, search and cross-promotion) are explored in more detail in the sections which follow.

Market definition

Is there a broad online market or are there a number of narrower genre specific markets?

As set out in Section 6, where we define the relevant economic markets, there is no broad online market as such. Instead, there is a number of narrower and distinct markets based on Internet functionality. These are: Access, Search, Chat, Content (structured by genre or in some cases narrower than genre), Email, Commerce and Advertising. There is some degree of overlap between Content and Commerce and also between Content and Chat.

Is BBCi predominantly used for its niche content or range / depth of content?

Of the main ten categories on the BBCi site, users on average visit 2.4 of the main categories per quarter. This suggests BBCi users consume quite a broad range of content.

However, there are dozens of smaller niche categories which have much lower numbers of users. It is not possible to conclude whether these are solus users of these niche categories or whether they also use significant other parts of the BBCi site.

Is the relevant geographic market international and English-language based?

Each of the separate Internet markets defined has a different geographic dimension. Advertising and access are national, commerce, search and email are international. Chat and content vary depending on the genre, but they are language and culture based. They can be local, national or international (e.g. news). Broadly they are national (e.g. news, as most UK users consume national news sites) but some genres (e.g. film) are international.

Is there a separate market for portals?

This is probably the most difficult online market definition question to answer. A portal is loosely defined as a gateway through which consumers and businesses can access a range of online services. Portals typically aggregate a large number of recurring Internet users and/or subscribers.

We use a more rigorous definition, which is a site or organisation which offers all six types of Internet functionality[188].

There is mixed evidence on whether portals constitute a separate market:

- In the Planet Internet/Fortis Bank/Mine JV[189] case it was concluded that portals were not considered to be a separate market as they simply package services belonging to other markets.
- In Vodafone/Vivendi/Canal+[190], however, the Commission recognised that there may exist separate markets for Internet portals. The Commission also distinguished horizontal portals (those which provide email, personal home pages, directories etc) and vertical portals (those which provide relatively narrow access to specific genres e.g. sport).
- In the T-Online International/TIU/Thomas Cook[191] case, portal markets were considered analogous to free-to-air TV markets (TV advertising) and ISP market analogous to the pay TV market (consumers have to subscribe to receive the service).
- In AOL/Time Warner[192], an ISP was described as analogous to a supermarket.

A key question to answer is whether ISPs and portals essentially constitute a market for Internet access enhanced by additional bundled services from other markets. Indeed, in a recent DG Competition Policy Newsletter, while some of the distinctions between ISPs and portals mentioned above were made, in several parts of the article “ISPs/portals” were also referred to together.

[188] Access, Chat, Commerce, Content, Email and Search.
[189] COMP/M.1964, 10 July 2000.
[190] JV.48.
[191] COMP/M.2149.
[192] COMP/M.1845, 11 October 2000.

Our assessment of the other relevant online markets has concluded that there exist separate relevant online markets for Access, Chat, Commerce, Content, Email and Search. All of these services can be obtained via an ISP or a portal. Both ISPs and portals are service aggregators, with varying sophistication. Some portals achieve both advertising and subscription revenue (e.g. AOL), as do some ISPs. Whether the ability to aggregate the various services and achieve revenues from various sources constitutes a separate market rather than providing a description of a type of player needs further consideration.

Many portals operate on an international basis, although they have increasingly established national identities (e.g. msn.co.uk). The nature of the content (linguistic and cultural considerations) makes it more likely that should a market for portals exist, the relevant market would be national.

To summarise, there is mixed evidence on the existence of a market for portals, although we concluded in Section 6 that there is a market for Access. However, this is not important to the analysis of BBCi's market impact since we have concluded that BBCi is not a portal as described below.

Is BBCi a portal?

BBCi, offers only Content, limited Chat and Search. BBCi is therefore not a portal. It can probably be best described as a content aggregator.

The key functions provided by portals are Access, Chat, Commerce, Content, Email and Search. A portal thus plays in all the Internet markets that we have defined.

Does the combined offering of BBCi and other BBC commercial services mean that the generic BBC brand is a portal?

The next question which follows the above analysis is whether the generic BBC brand should be defined as a portal as it provides all of the six main functions of the Internet – our definition of a portal. BBCi concentrates on Chat, Content and Search. Beeb.net provides Access and Email functionality while the opportunity to purchase online (Commerce) is provided by BBC Shop through BBC Worldwide.

The generic BBC brand therefore plays in all the key functions identified and arguably therefore is a portal. While these services are not completely seamless – they require the user to go to different sites and there is no direct link from BBCi to beeb.net (although the reverse link exists) – it is unlikely that the consumer will distinguish the services as being supplied by different entities.

However, beeb.net is currently a marginal business with a share of the overall ISP market of less than 2%. It is therefore not an important part of the BBC's online presence. More importantly, portal sites have Access functionality as a core part of their strategy in order to get users onto their site and secure the beneficial "Home Page / First page" advantage. The full range of other functions is then offered to keep the user within the site boundaries (the "walled-garden" strategy). This is clearly different to BBCi's offering which has Content as its core strategy with Access at the periphery, run separately and under a different brand (Beeb.net instead of BBCi).

Although consumers would perceive BBC services as similar to those provided by AOL, Freeserve *et al*, strategically, the BBC does not behave like a portal. Portals use access as a key driver to attract users to the rest of the services they provide together with the walled garden approach, whereby users are encouraged to stay within the portal's site. Beeb.net is a marginal part of BBC's overall Internet offering (less than 2% market share) and BBCi's core strategy is the provision of content. We consider therefore that neither BBCi nor the wider BBC brand are currently portals.

Crowding out competitors and inhibiting or increasing market growth

Does the BBC's online presence damage the ability of commercial providers to gain users? Are users displaced from other Internet sites to BBCi or is the BBCi site purely additional?

BBC's online presence is clearly a competitive force in the marketplace. Owing to its wide range and depth of appealing content, it is a very popular site with loyal users. It does have a high captive audience. In most genres, users satisfy their needs by visiting at least two sites (Nielsen//NetRatings). However, in the research conducted, solus users of BBCi are higher in News (35%) than its competitors (apart from portals). The percentage of solus users in Sport and Music is also higher than the average (at 33% and 36% respectively). Out of the popular sites in our sample, users tend to visit two to four sites depending on genre.

While BBCi does not discourage users from exploring the rest of the Internet, it clearly takes market share from competitors across all genres. This is not significant in most genres. However, it is significant in News and Sport and possibly in narrower parts of genres such as Food (recipes) and Music (charts and gig listings).

Does BBCi have a negative impact on the online advertising market?

BBCi both stimulates Internet usage by directing users to other parts of the Internet and takes market share from other sites, especially in the News and Sport genres. The key question is whether the BBC's presence on the Internet impacts online advertising revenues.

Our research has suggested that Internet advertising expenditure (in total) is based on fixed budgets rather than "eyeballs". However, it is possible that, as for other media, "eyeballs" may be a key driver (i.e. if more users are viewing websites which carry advertising, then companies will increase their online advertising budgets). We have not identified an Internet advertising elasticity with respect to "eyeballs", so have estimated the impact using the television equivale nt.

Therefore, BBCi is expected to reduce the online advertising market by up to £5 million per annum, around 2.4% of the total. This is an upper bound estimate as there are a number of non-quantifiable factors which are likely to reduce this impact considerably. The TV market is a well developed, widely researched and highly sophisticated medium. The Internet equivalent eyeball elasticity is likely to be much less than the TV elasticity and possibly zero. BBCi also encourages people onto the Internet more generally which could even turn the negative impact into a positive one.

Has the BBCi search engine inhibited the growth of other search engines or facilities?

BBCi Search currently has a small market share. After 10 months of operation, it has a reach of 5%, compared to the market leader Google with 66%. It is too early to determine what position BBCi Search will ultimately claim, particularly given Google's rapid rise from obscurity to the top in little over two years. To date, BBCi Search is unlikely to have had any significant impact upon the market.

Does BBCi have easy or privileged access to financial resources compared to the competition?

BBC clearly has access to funds (licence fee income) which does not depend on the buoyancy of the economy. Thus in times of recession, BBC's revenues do not fall, unlike its competitors. Investment expenditure is thus insulated, although BBCi will have to compete for funds internally with other divisions of the BBC. The key question is whether this insulation has an impact on the marketplace and whether the impact is positive or negative or disproportionate. We address this below.

Are BBCi users captive, or do they go to other websites for similar content and/or services?

Part of BBCi's strategy is to encourage user to explore the rest of the Internet. The effectiveness of this strategy can be examined with reference to solus users. BBCi does appear to have a significant proportion of loyal users.

For News, Sport and Music, solus use is above average compared to its competitors, with the exception of portals (which focus on a "walled garden" strategy, providing few external links). For other genres the figures for BBCi are generally comparable.

The proportion of users that visit BBCi alone are:

- News – 35%, compared to an average for the rest of the News sample of 25% (although portal solus users tend to be higher than BBCi such as Freeserve (58%)).
- Sport – 33%, compared to an average of 25%;
- Film – 27%, compared to an average of 27%;
- Food – 56%, compared to an average of 52%;
- Health – 44%, compared to an average of 40%;
- Music – 36%, compared to an average of 23%.

Analysis of solus users also demonstrates that the number of websites visited by consumers varies by genre. Out of the sample of popular sites, individuals generally visit two to four sites. The figures are News (4.0), Sport (4.0) Film (3.7), Food (1.9), Health (2.5), Music (4.3). Thus users do go to other websites for similar content and/or services, although the proportion that uses single websites for certain genres varies.

Does BBCi encourage growth in the overall Internet market by, for example, encouraging consumers to use the Internet initially or on an ongoing basis?

Does BBCi drive the market by educating the audience about the opportunities that the Web offers?

Does BBCi attract users to the Web who will go on to use others' content by providing a range of direct links and a guide to other's content?

MORI research indicates that, of UK Internet users, 7% (1.7 million) consider BBCi to have been one of their main reasons for first accessing the Internet, and 22% (5.3 million) consider that BBCi has introduced them to some of the different opportunities offered by the Internet.

A site survey of BBCi identified links to over 70,000 domains, including at least one external link on most of BBCi's News and Sport pages. These links are usually to relevant official sites (e.g. to the website of a company which is in the news, to public bodies/organisations such as UEFA or other public sector sites). With the exception of the Food genre[193], there are not normally links to competitors e.g. to The Telegraph to read an alternative view of a story. However, these links are still encouraging further exploration of the Internet. 65% of BBCi users make use of these links.

The BBCi WebGuide – a guide to "the best non-BBC websites" – includes hundreds of links to external websites, including many which are competing with BBCi (e.g. in the Film section, it includes links to IMDb and Guardian Unlimited Film). However, there is not a high demand for WebGuide by BBCi users. It only recorded 60,000 users out of a total of 6.6 million in the quarter to June 2002.

In addition, BBCi's WebWise site is "the Internet made simple by the BBC" – it includes a glossary of terms, answers to Frequently Asked Questions, guides to basics such as using email and an eight-stage online course for Internet beginners.

BBCi Search, by its nature, will lead users to other Internet sites (although there is an option to search only BBCi sites). Although BBCi Search has not yet had a large uptake, its family-friendly nature may yet prove attractive for parents and children.

BBCi encourages people online through initiatives such as Test the Nation where 500,000 people took the test on the day the accompanying programme was broadcast on BBC1. As 300,000 of those had never visited the BBCi website before, it is likely that a significant number of them were Internet novices.

In pursuing projects which have not been attempted by the commercial sector (e.g. an integrated radio and Internet local history project targeted at the 55+ age group), BBCi aims to bring more people online.

In conclusion, it appears that BBCi encourages people online through the support of its broadcast services, and its existence as a trusted and authoritative voice on the Internet; it educates users through WebWise and encourages them to come online in the first place. It also leads users to other sites as evidence by links on many of its pages, as well as

[193] Examples of links to competitors sites are www.deliaonline.com and www.garyrhodes.com.

through WebGuide and BBCi Search. However, the links are generally not to competitors.

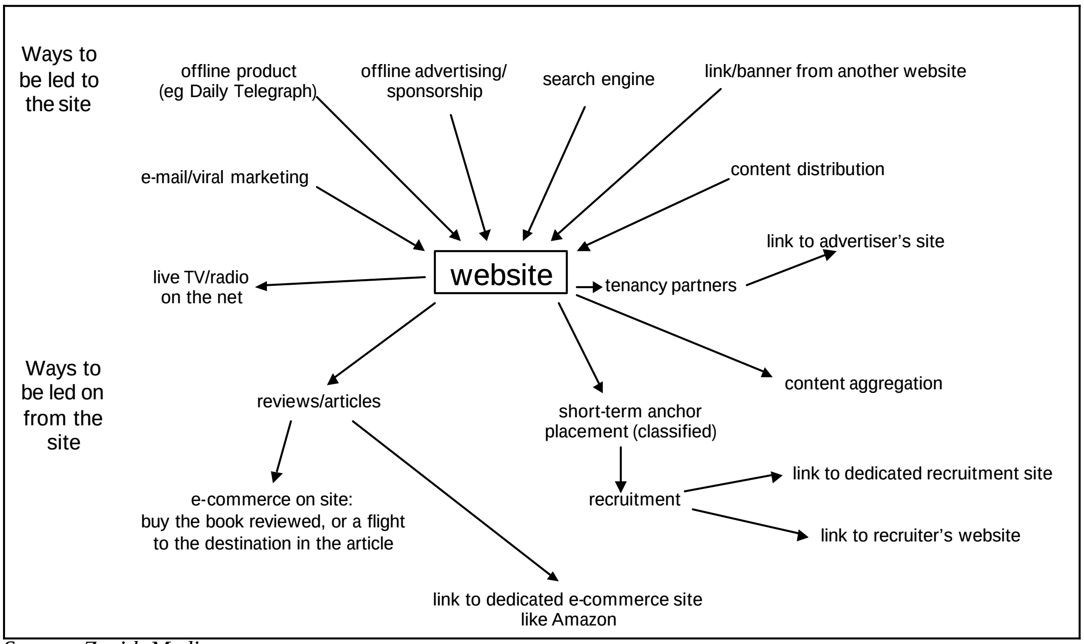
Cross-promotion and brand

To what extent does the BBC cross-promote its Internet service, and how effective is that cross-promotion?

The BBC uses the range of its media outlets, which reach the vast majority of the UK population every week, to cross-promote BBCi. Examples of cross-promotion include references during programmes or in the end credits and interstitials specifically promoting BBCi.

However, cross-promotion is just one of many ways by which users are led to websites, as illustrated in Figure C-1. Other important routes include search engines, email/viral marketing and links from other websites.

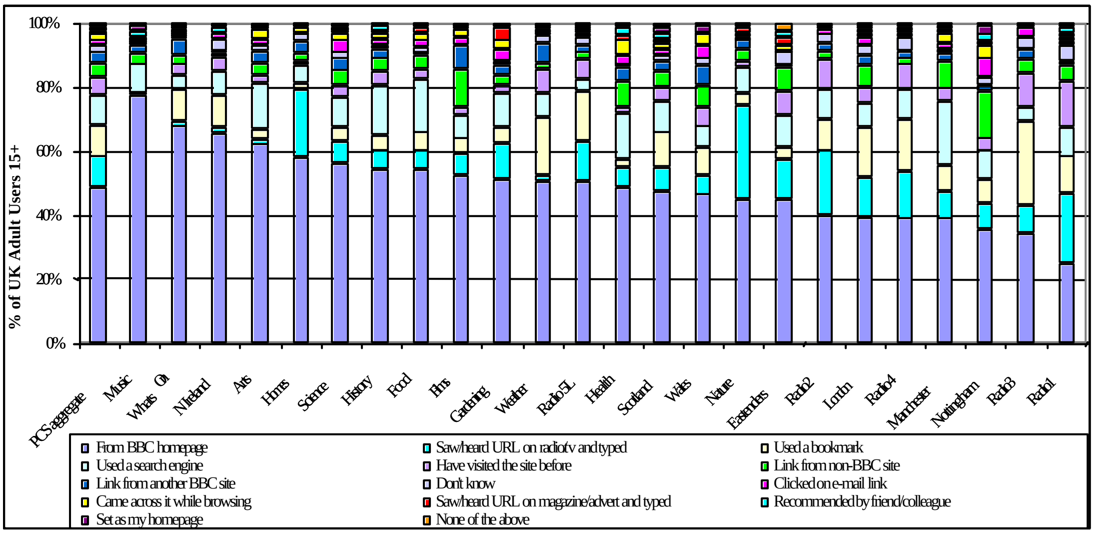
Figure C-1: Ways in which users are led to and led on from websites



Source: Zenith Media

Most users accessing specific BBCi websites go from the BBCi homepage.

Figure C-2: How users arrive at BBCi websites



Source BBCi PCS, November 2001

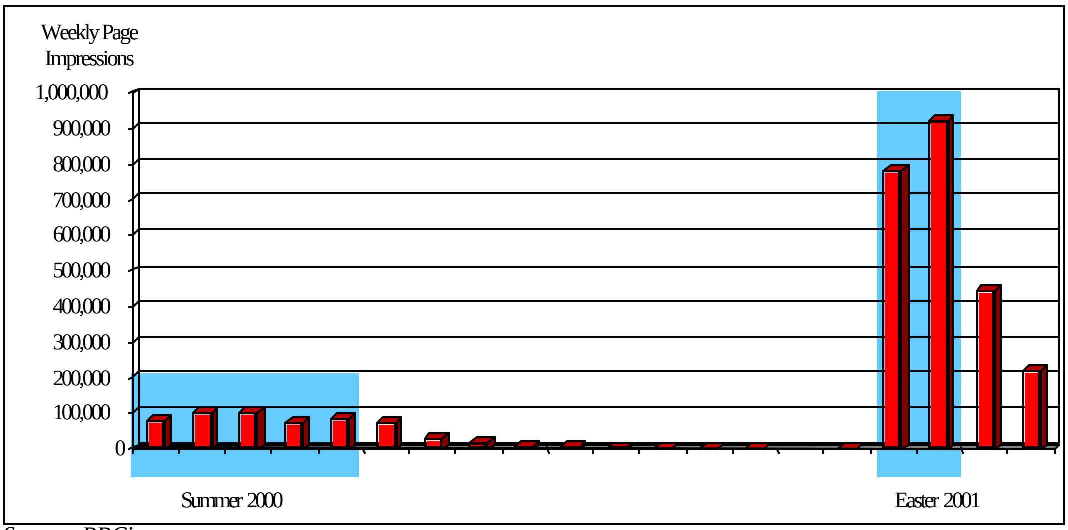
For Radio 1, Radio 2, Nature and Homes, a significant proportion of users (circa 20%) went directly to the specific URL as a result of seeing/hearing/reading it on another media outlet or advertisement. However, for the majority of the BBCi sites analysed above, cross-promotion was less significant as a route to the site.

One third of visitors to BBC programme-linked websites first heard about the website they had visited when it was mentioned on TV during the programme[194]. Given that these are specific programme-linked websites, it is notable that two in three users first heard about the website by another method. In fact, other research has suggested that despite relatively high awareness of the existence of websites related to programmes, very few people ever visit them[195]. People tend to write down or mentally store the addresses, but then forget them when next online. It is very rare for viewers to go straight from a TV mention to the website.

Amongst children, television advertisements and programmes are the second and third most important source of awareness of interesting websites but this comes well after recommendations from friends[196]. The success of the BBC's Xchange website (Xchange is an integrated TV and online "edutainment" proposition) following promotion on CBBC (including the broadcast of Xchange the TV programme) illustrates that cross-promotion can be effective when targeted carefully. As can be seen from Figure C-3, promotional activity on CBBC before and during the Easter 2001 series of Xchange contributed to a very large rise in page impressions.

[194] TV Sites Survey/BBC.
[195] TV Drivers/BBC.
[196] Kids.net (Wave 7)/BBC.

Figure C-3: The effectiveness of cross-promotion of Xchange



Source: BBCi

Cross-promotion can also be particularly effective when it is time-sensitive (e.g. an announcement is made following a programme that a star of the programme will be on BBCi for an online chat for the next hour).

However, the Foresight task force on Cross-Promotion of Online on TV (2000) noted "the lack of consensus among members over whether cross-promotion was the best way of driving traffic which will remain loyal in the long term."

The research by MORI commissioned for this study also suggests that the effects of cross-promotion should not be overestimated (more details below).

Does the BBC promote its Internet site via television and radio advertising more than its competitors do?

Does the BBC crowd out commercial provision of online services through cross-promotional activities?

Cross-promotion is important to BBCi. However, cross-promotion is a normal activity of many businesses. Other pan-media companies also cross-promote their online services. However, commercial broadcasters in the UK have not tended to use large amounts of promotional airtime to promote online services. Instead, airtime is more often used to promote other channels within the group or individual programmes. This is because subscription and advertising are two vitally important revenue streams, whereas there has not yet been significant revenue generated from most broadcasters' online services.

MORI research (see Appendix B) confirms that cross-promotion of online services is significant for the BBC and also important to other offline media outlets. One in three UK Internet users has visited www.bbc.co.uk in the last three months following "offline" promotion of the site – a higher proportion than any other major offline media company. More than one in ten UK users has visited www.channel4.com following promotion of the website (impressive given that Channel 4 has a smaller viewing share than the BBC channels, and a much smaller reach than the combined reach of BBC TV and radio).

Magazines and broadsheet newspapers have also had considerable success in persuading their offline readers to visit their websites. However, the MORI research confirms that the effect of cross-promotion should not be overestimated. Despite the scale of cross-promotion, 44% of users have not visited the websites of any of the following[197] after seeing or hearing about them "offline": BBC, ITV, Channel 4, five, Sky, other satellite/cable channels, commercial radio stations, national, regional and local newspapers and trade and consumer magazines.

It appears unlikely that the BBC's cross-promotion by itself has influenced investment decisions by commercial operators.

Does BBCi use the power of the BBC brand to drive users to it sites?

MORI research[198] confirms that the BBC is among the most trusted brands on the web, ahead of some of the UK's most popular sites including MSN/Hotmail, AOL, Yahoo!, Freeserve, Ask Jeeves and Amazon. Only Google scores more highly than the BBC for trustworthiness. Amongst BBCi users, the BBC is the clear leader.

The BBC brand is undoubtedly a factor in attracting users to BBCi. BBCi tends to be strongest in areas where the BBC as a whole is strong (e.g. news, sport, music). The BBC's brand appears to carry its core values on to its online services – it is seen as more trustworthy and credible than many of its online and offline rivals.

Market position and market impact

Does BBCi have a strong market position in UK 'Internet' markets?

BBCi ranks seventh of the top ten sites visited by UK Internet users in terms of reach and in terms of frequency (visits per person). It does have a strong brand and loyal users. However, its overall market share in UK Internet markets is low, at around 2.6% (share of page views of top 500 sites). It is difficult therefore to conclude that these factors together give BBCi a strong market position in the overall UK Internet market (although note that we concluded that there is no broad online Internet market, but a number of separate distinct smaller markets).

Does BBCi have a strong market position in UK 'niche' markets?

BBCi does have a strong market position in News and Sport. In both these genres it has a high market share and a high proportion of solus users. These factors together with the barriers to entry identified indicate that BBCi's market position is strong. While this strong position does not have a significant impact on advertising revenues, it may act as a constraint on the speed of adoption of the new charging models employed by some of the players. However, another constraint on this is the high level of aversion by consumers to pay for content. It is difficult to disentangle the impact of BBCi versus consumer resistance. BBCi does not impact some of the other new revenue models such as gaming and betting.

[197] In the three months preceding the survey.
[198] See Appendix B.

BBCi has a relatively strong position in narrower parts of the Food and Music genres, particularly in the provision of online recipes in Food and gig listings and charts in Music. However, BBCi does not have any direct negative impact on the online food shopping, the most prominent revenue stream in the Food genre. The market for paid recipes is also unproven to date. Similarly, it is unlikely to be having a significant negative impact on paid music downloads or online CD sales in the Music genre.

In the other genres studied (Film and Health), BBCi does not have a strong market position. The markets are highly fragmented and BBCi has a relatively low market share. Given this, together with the other market characteristics identified, the implications are that BBCi does not have a strong market position in these niche markets. The same is true of Chat and Search. Although BBCi Search is a relatively new offering which is gaining ground and could therefore have a stronger market position and impact in the future.

Are competitors less likely to invest in areas where BBCi has a presence?

The key areas where BBCi has a presence are Content, Search and to a limited extent, Chat. As discussed in the report, online investment has fallen significantly across most functionalities. We consider that exogenous factors such as the economic climate together with the unproven revenue models have led to a lack of investment rather than the BBC's presence. Thus competitors are more likely to invest once the economy recovers and in those areas where revenue models yield positive returns. BBCi may have a presence in these markets but as it does not compete directly for revenues, its presence is unlikely to deter the competitors. After all, many of the sites in existence today grew out of previous investment which occurred alongside BBCi.

That BBCi's content is free may constrain new entrants into the paid-for content market. However, the existence of an abundance of free content from many other companies has the same effect. If existing or new players are to make the paid-for content model a success, they will need to invest in innovative new services to alleviate consumer resistance. BSkyB has managed this successfully in the pay TV market, albeit after many years of free provision followed by many years without profits.

Does BBCi have the power to inhibit commercial activity by making predatory announcements?

The scope of this study did not include direct consultation with BBCi's competitors. However, some evidence is available from a study commissioned by the DTI and UK Publishing Media. 18% of respondents to a survey (mostly publishers) said that they had not proceeded with a project because of the activities of the BBC[199]. It should be noted that educational publishers were included in the survey, and it is likely that some of the responses were connected to the digital curriculum (which is outside the scope of this report).

We did not find any evidence to support or refute the proposition that announcements about BBCi initiatives affected commercial investment decisions. However, we have

[199] 'Publishing in the Knowledge Economy', PIRA/DTI/UK Publishing Media, 2002.

noted elsewhere that we consider that external factors were more significant in past commercial investment decisions than BBCi's presence.

Does BBCi crowd out commercial investment?

It is difficult to separate the possible effects on investment of various exogenous factors such the dot.com crash versus the presence of BBCi. Certainly, all the major pan-media companies invested in their online ventures despite the presence of BBCi. We argued in Section 3 that much of the reduction in investment has been due to the economic climate and poor returns on online ventures. Some positive but typically small investment is occurring in some niches (e.g. gambling sports and online grocery shopping).

Arguably, therefore, BBCi has a positive impact on the market as it continues to invest (especially in some public service areas which are under served) while the private sector has cut back. We consider that the poor future returns for most online ventures in pure content coupled with the economic climate have been the key drivers of the cut back in funds rather than the presence of the BBC.

Appendix D: Additional information

The UK market within Europe

Internet penetration and number of users across each European country and other key global markets are summarised in the table below.

Figure D-1: Comparison of key Internet markets in Europe and the rest of the world

	Internet users[1] (2002)	**Internet penetration [1] 2002 (%)**	**Current Internet Universe[2] (March 2003)**	**Active Universe [2] (March 2003)**	**Time Spent per month [2] (March 2003)**
Sweden	5,125	57.3%	6,670,923	4,471,242	10:45:55
Netherlands	8,590	53.0%	10,074,034	6,361,957	9:53:01
Finland	2,650	50.9%	-	-	-
Denmark	2,500	46.5%	-	-	-
Germany	35,000	42.4%	37,098,661	22,120,981	11:05:22
Austria	3,340	40.9%	-	-	-
United Kingdom	24,000	40.6%	28,995,205	17,730,345	9:14:41
Luxembourg	165	36.7%	-	-	-
Portugal	3,700	35.5%	-	-	-
Belgium	3,400	32.9%	-	-	-
France	18,716	31.4%	17,790,952	11,186,075	10:28:49
Italy	17,000	30.1%	24,054,038	11,508,304	6:17:55
Ireland	1,065	27.1%	-	-	-
Spain	7,856	19.3%	12,284,589	6,850,127	10:01:09
Greece	2,000	18.2%	-	-	-
EU 15	135,107	35.6%	-	-	-
UK (% of above)	17.8%	-	-	-	-
Australia	84,000	42.7%	10,792,602	6,504,403	10:29:01
Brazil	14,300	8.2%	14,322,369	7,546,923	11:04:07
Hong Kong	2,919	43.1%	4,413,619	2,174,816	18:13:38
Japan	57,200	44.9%	58,159,401	26,422,507	13:05:59
Switzerland	2,375	32.6%	4,052,836	2,534,450	8:20:34
United States	155,000	53.8%	174,188,438	122,436,847	2:43:29

Sources: [1] Information Technology, International Telecommunications Union (Published 24 April 2003). [2] Nielsen//NetRatings UK Home Panel (Quarter to March 2003).

BBC's position in the UK online market

BBC position measured by domain

The BBC's position in the top 10 is terms of domain is shown in the table below. BBCi's audience falls from 8.2 million (in terms of property) to 8.1 million (in terms of domain).

Figure D-2: Top 10 players visited by UK Internet users by Domain (Nielsen//NetRatings UK Home Panel, Quarter to March 2003)

Domain	Audience (000)	Reach % (Active)	Page Views (000)	Visits Per Person	Pages Per Person	Time Per Person
msn.com	10,352	51.0%	1,810,911	16.30	175	1:22:35
microsoft.com	9,332	46.0%	185,246	3.65	20	0:13:54
bbc.co.uk	8,119	40.0%	645,071	6.80	79	0:44:01
google.com	7,864	38.8%	417,669	8.27	53	0:17:05
msn.co.uk	7,518	37.1%	196,829	9.49	26	0:13:23
yahoo.com	7,409	36.5%	944,464	10.36	127	1:00:07
Passport.com	7,213	35.6%	290,034	13.02	40	0:07:13
ebay.co.uk	6,790	33.5%	2,100,368	9.79	309	2:01:16
amazon.co.uk	6,039	29.8%	308,876	3.73	51	0:25:55
Passport.net	5,725	28.2%	123,161	7.03	22	0:08:38

Source: Nielsen//NetRatings UK Home Panel (Quarter to March 2003).

BBC position measured by site

The BBC's position in the top 10 in terms of site is shown in the table below. Unique users total 7.4 million in terms of site compared to 8.2 million (property) and 8.1 million (domain).

Figure D-3: Top 10 players visited by UK Internet users by Site (Nielsen//NetRatings UK Home Panel, Quarter to March 2003)

Site	Audience (000)	Reach % (Active)	Page Views (000)	Visits Per Person	Pages Per Person	Time Per Person
www.microsoft.com	7,668	37.79	53083	2.29	7	0:03:17
www.bbc.co.uk	7,393	36.43	496476	5.43	67	0:32:57
www.google.com	7,264	35.80	394324	8.59	54	0:17:05
loginnet.passport.com	6,129	30.21	123728	13.04	20	0:01:54
www.amazon.co.uk	5,910	29.13	218992	3.64	37	0:18:00
www.msn.co.uk	5,619	27.69	116492	10.47	21	0:12:15
login.passport.net	5,306	26.15	98468	7.29	19	0:05:02
www.google.co.uk	5,255	25.90	466044	10.63	89	0:27:27
www.ebay.co.uk	5,080	25.04	62208	7.27	12	0:04:27
www.ask.co.uk	4,953	24.41	202517	4.32	41	0:21:58

Source: Nielsen//NetRatings UK Home Panel (Quarter to March 2003).

BBC position measured by month

The monthly analysis shows a similar picture to the quarterly analysis. In the month of March 2003, MSN is the top property with around 8.7 million (home) visitors and a reach of the active Internet universe of around 49%. This compares to the BBC, ranked 5th in the list, which has (home) visitors of 5.4 million and (home) reach of 30.4%.

Figure D-4: Top 10 players visited by UK Internet users (Nielsen//NetRatings UK Home Panel, March 2003)

Property	Audience (000)	Reach % (Active)	Page Views (000)	Visits Per Person	Pages Per Person	Time Per Person
MSN	8,739	49.3%	935,073	9.34	107	0:48:52
Google	7,507	42.3%	390,364	6.24	52	0:17:09
Yahoo!	6,841	38.6%	581,485	6.21	85	0:41:49
Microsoft	5,991	33.8%	65,901	2.19	11	0:07:20
BBC	5,396	30.4%	253,612	4.24	47	0:27:41
AOL Time Warner	5,326	30.0%	165,106	5.20	31	0:16:29
Wanadoo	5,308	29.9%	138,008	5.27	26	0:16:01
Ebay	5,056	28.5%	915,136	6.32	181	1:19:38
British Telecom	4,475	25.2%	165,575	6.57	37	0:19:57
Amazon	4,170	23.5%	212,670	2.72	51	0:19:22
Ask Jeeves	3,669	20.7%	88,056	2.61	24	0:13:14

Source: Nielsen//NetRatings UK Home Panel (Month of March 2003).

The BBC's position in the top 10 is slightly higher than usual, predominantly as a result of the war in Iraq. In the quarter to February 2003, BBC's position was 7th with unique users of 4.5 million. Minutes of use are nearly 28 minutes per person (26 minutes in February 2003).

MORI analysis: Technical details

MORI is Britain's largest independent market and opinion research agency. It was founded in 1969 by its current Chairman, Professor Robert M. Worcester. It has an annual turnover of over £35.8 million and more than 250 full-time staff.

Sample Design of the MORI Omnibus survey

The sample design is a constituency based quota sample. There are 641 parliamentary constituencies covering Great Britain. From these, we select one in three (210) to be used as the main sampling points on the MORI Omnibus. These points are specially selected to be representative of the whole country by region, social grade, working status, MOSAIC rurality, tenure, ethnicity and car ownership. Within each constituency, one local government ward is chosen which is representative of the constituency.

Within each ward or sampling point, we interview ten respondents whose profile matches the quota. The total sample therefore is around 2,100 (10 interviews multiplied by 210 sampling points).

- Gender: Male; Female
- Household Tenure: Owner occupied; Council Tenant/HAT; Other
- Age: 15 to 24; 25 to 44; 45+
- Working Status: Full-time; part time/not working

These quotas reflect the socio-demographic makeup of that area, and are devised from an analysis of the 1991 Census combined with more recent ONS (Office of National Statistics) data. Overall, quotas are a cost-effective means of ensuring that the demographic profile of the sample matches the actual profile of GB as a whole, and is representative of all adults in Great Britain aged 15 and over.

Fieldwork

MORI has its own fieldwork company (MORI Field & Tab) and all interviews on this regular MORI Omnibus study were carried out by our own interviewers. MORI Field & Tab manages a face-to-face fieldforce of over 1,000 interviewers, supported by full-time area managers and office-based directors. MORI Field & Tab only uses experienced interviewers who work regularly for us (they are not recruited on an ad hoc basis for individual surveys). We find that this is the best way to maintain high fieldwork standards.

Fieldwork is carried out by MORI using CAPI (Computer Assisted Personal Interviewing). All interviews are conducted face to face, in the home - one interview per household. No incentives are offered to respondents.

All field interviewers are trained and monitored under the interviewer Quality Control Scheme (IQCS) guidelines, which are recognised by the Market Research Society.

All interviewers will have received a minimum of one day of CAPI training and, if they experience any problems with the CAPI equipment, have a 24 hour dedicated MORI Omnibus helpline to deal with their queries.

Interviewers working on the two waves of Omnibus on which these questions were submitted received full written instructions prior to commencing their interviewing assignment.

As a matter of course MORI back-checks a minimum of ten percent of all interviews carried out as part of the Omnibus study whereby respondents are re-contacted and specific details checked. This back-checking process is carried out by telephone in the first instance and by post if we are unable to make contact over the telephone.

Weighting and Data Processing

Data entry and analysis are carried out by an approved and quality-assured data processing company. The data are weighted using 6 sets of simple and interlocking rim weights for social grade, standard region, unemployment within region, cars in household, and age and working status within gender. This is to adjust for any variance in the quotas or coverage of individual sampling points so that the sample is representative of the GB adult population.

Statistical Reliability

Because a sample, rather than the entire population, was interviewed the percentage results are subject to sampling tolerances – which vary with the size of the sample and the percentage figure concerned. For example, for a question where 50% of the people in a (weighted) sample of 942 respond with a particular answer, the chances are 95 in 100 that this result would not vary more than two percentage points, plus or minus, from the result that would have been obtained from a census of the entire population (using the same procedures). The tolerances that may apply in this report are given in the table below.

Figure D-5: Approximate sampling tolerances applicable to percentages at or near these levels (at the 95% confidence level)

Size of sample or sub-group on which survey result is based	10% or 90% ±	30% or 70% ±	50% ±
942 (All Internet users)	2	3	3
280 (All who have visited www.bbc.co.uk in past four weeks)	4	5	6

Source: MORI

Tolerances are also involved in the comparison of results between different elements of the sample. A difference must be of at least a certain size to be statistically significant. The following table is a guide to the sampling tolerances applicable to comparisons between sub-groups.

Figure D-6: Approximate sampling tolerances applicable to percentages at or near these levels (at the 95% confidence level)

Size of sample or sub-group on which survey result is based	10% or 90% ±	30% or 70% ±	50% ±
506 (male Internet users) *vs* 436 (female Internet users)	4	6	6
280 (those who have visited www.bbc.co.uk in past four weeks) *vs* 662 (those who have not visited www.bbc.co.uk in past four weeks)	4	6	7

Source: MORI

Definition of Social Grades

The grades detailed below are the social class definitions as used by the Institute of Practitioners in Advertising, and are standard on all surveys carried out by MORI (Market & Opinion Research International Limited).

Figure D-7: Approximate sampling tolerances applicable to perce ntages at or near these levels (at the 95% confidence level)

	Social Class	Occupation of Chief Income Earner	Percentage of Population
A	Upper Middle Class	Higher managerial, administrative or professional	2.9
B	Middle Class	Intermediate managerial, administrative or professional	18.9
C1	Lower Middle Class	Supervisor or clerical and junior managerial, administrative or professional	27.0
C2	Skilled Working Class	Skilled manual workers	22.6
D	Working Class	Semi and unskilled manual workers	16.9
E	Those at the lowest levels of subsistence	State pensioners, etc, with no other earnings	11.7

Source: MORI

Nielsen//NetRatings analysis

Description of Nielsen//NetRatings

Through strategic partnerships between ACNielsen, NetRatings and Nielsen Media Research, the Nielsen//NetRatings syndicated Internet audience measurement service collects real-time user-data from nearly 230,000 individuals with access to the Internet around the world. The Nielsen//NetRatings Internet audience measurement service reported its first data on the Internet activity of Web users in March 1999 and has since become the leading source of high quality information on consumer and business usage of the Internet.

Nielsen//NetRatings provide clients with reliable, actionable data and market insights into the Internet and also to ensure that this information is of the highest quality and accuracy possible.

These aims are realised through eight services, including the Nielsen//NetRatings Internet audience measurement service, AdRelevance, the leading online ad measurement service, and @plan, the leading target-marketing platform for Internet media planning, buying and selling.

Information Quality is the foundation of the Nielsen//NetRatings service. IQ is a measure of the validity and reliability of information. By bringing together the proven sampling methodology of Nielsen Media Research and the leading edge measurement technology of NetRatings, the Nielsen//NetRatings Audience Measurement Service provides the highest IQ available in the global Internet marketplace today.

NetRatings was founded in 1997 and completed its initial public offering in December 1999. It grew quickly, becoming one of Deloitte & Touche's Technological Fast 500. The Company is based in Milpitas, California. Nielsen Media Research shares a common heritage with ACNielsen which was founded in 1923. Nielsen MR left ACNielsen in 1996 as part of a strategic restructuring but they were brought together again when VNU acquired both companies in 2001.

The Nielsen//NetRatings service was introduced in March of 1999. The service now serves over 800 customers worldwide including advertising agencies, new and traditional media companies, consumer packaged goods companies, e-commerce providers and financial service institutions.

There are currently offices in 23 different countries worldwide, meaning the Nielsen//NetRatings Audience Measurement Service is available in all international markets, covering more than 92 percent of the worldwide Internet audience.

Nielsen//NetRatings is uniquely positioned to maintain a market leading position and provide clients with actionable and above all credible data and market insight for many years to come.

Overview of key indicators

Nielsen//NetRatings services use technology capable of measuring both Internet use and advertising to provide timely, accurate and comprehensive Internet usage data.

Nielsen//NetRatings' industry-leading home and workplace panels measure what people actually do.

- Internet Measurement Technology. Nielsen//NetRatings advanced measurement technology provides comprehensive measurement of Internet user behaviour that includes unique visits down to the page level, site and advertising demographics, competitive analysis of advertising campaigns, local market usage and much more. NetRatings' pioneering Java-based measurement software, installed on Nielsen//NetRatings panel members' computers, collects all activity in real-time, ensuring utmost accuracy and timeliness.
- Advanced Measurement Methodology. A panel that mirrors the actual Internet population is the foremost goal of high quality, sample-based research. The following Nielsen//NetRatings best practices ensure that panels accurately represent the population of the Internet user population worldwide:
  - Random selection based on Random Digit Dialing sampling and maximum participation (high cooperation rates);
  - Continuous, independent enumeration process;
  - Rigorous sample management.

Methodology: The Survey

The objective of the enumeration study is to establish the web universe that forms the basis for composition of the panel. Interviews are conducted by telephone via use of a Computer Assisted Telephone Interviewing (CATI) system. A sample of 1,500 households is interviewed per quarter per country

The questionnaire consists of two parts.

- An initial interview is conducted with a household representative aged 18+ to gather data on household Internet access and to demographically profile the household.
- A second interview is undertaken with a randomly selected person (aged 16+) who has current access to the Internet (from any location) in order to obtain usage data.

The weights for each household and household member are calculated using an Iterative Proportional Fit process. Within each country, the weights are a function of the age and gender distribution of the total population, the total number of households, regions and the number of fixed telephone lines in a household. All population data used for weighting is the latest currently available in the market.

The data collected is processed five days after the interviews are complete and used to create a representative model of Internet usage – the web universe.

Methodology: Recruitment of the panel

For a sample to be representative, the process for recruiting panel members must be random. Non-random samples are likely to be skewed toward certain types of Internet users.

Sample frames for all Nielsen//NetRatings panels worldwide is solidly based on Random Digit Dial (RDD) sampling principles. Numbers are generated within the exchanges with proportional representation. Regional representation is also ensured.

All interviews are conducted over the telephone by trained interviewers. The use of personal interviewing eliminates non-response bias through self-selection and increases overall response rate.

Following the recruitment interview a pack is sent to the new recruit by post containing the software, installation instructions, incentive scheme, privacy agreement, helpdesk and free phone information.

In order to maximise co-operation panelists receive regular contact through the incentive scheme. Local countries may employ slightly different schemes but in general there would be regular prize draws and the accumulation of points to exchange for gifts.

Methodology: Data collection

Data is collected in real time over the Internet whilst the user is logged on. Any individual aged 2+ living in a panel home qualifies for the reporting panel whether or not the individual actively surfed the Internet. The at-home reporting panel is projected to the universe of 2+ individuals, e.g. in Sweden every 1 in 808 households with Internet access is on our panel - therefore we multiply, on average, all data by 808. In the UK there are 6981 reporting panelists.

It is critical that the panel reflects the Internet universe – in particular in terms of new Internet users vs. experienced Internet users. The performance of the panel is tracked to determine whether forced turnover needs to be implemented to ensure a representative sample of both new and experienced Internet users is maintained.

Each month a panel quality report is run centrally for all countries. This compares the reporting panel for the month with the universe profile.

Methodology: Data collection techniques

At the PC of the panel-households in the representative panels, a software-meter is installed that tracks every interaction with the worldwide web. The software-meter is called “Insight”. It allows measurement of which member of the family has seen which websites, for how long and in which order, and who has seen/clicked on which banners/buttons on which sites. The Insight software waits for periods of low activity before transmitting to the panel server.

The Nielsen//NetRatings software-meter registers the following:

- User ID
- Date and time
- Complete URL
- Time spent on a page
- Referring and destination URL

- Link and images present on the page
- Page views from the browser cache

Once the information is collected, it is processed centrally and then provided to clients through powerful online reporting tools or analytical services.