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Virgin Media, Universal Music Offer Unlimited Download Service

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By Simon Thiel
June 15 (Bloomberg) -- Virgin Media Inc. and Vivendi SA's Universal Music Group will start a music download subscription service allowing users to keep songs forever on any MP3 player.
The service will begin this year and will let broadband clients of Hook, England-based Virgin Media stream and download unlimited tracks and albums from Universal Music's entire catalogue for a monthly fee, the companies said in a joint statement today.

Virgin Media, which offers broadband access and is the U.K.'s second-largest pay-television company, said it is talking with other music labels and publishers to offer a bigger music catalogue by the time the service starts. Universal Music, a unit of Paris-based Vivendi, is the world's largest music company.
Neil Berkett, who became chief executive officer in March 2008, changed Virgin Media's focus to broadband services and basic TV rather than competing with British Sky Broadcasting Group Plc in premium pay-TV, where the Isleworth, England-based company is the market leader.

Virgin Media and Universal also plan an "entry level" offer for users who don't need an unlimited service.
"In terms of both convenience and value, our new music service will be superior to anything that's available online today and provides a fair deal for both consumers and artists," Berkett said in the statement.
To contact the reporter on this story: Simon Thiel in London at sthiel1@bloomberg.net.

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Rights Management Services (RMS) im Dienste der Unterhaltungsindustrie

Schutz der Urheberrechte,
Unterstützung neuer Geschäftsmodelle
Anwendung in der Praxis

Michael Bornhäusser Managing Partner
5CCG

Agenda

- 5CCG Introduction
- Market Situation and Projections
- New Business Models and DRM
- Summary

Introduction 5CCG

What we do….

- Strategy consulting and implementation for the media and related industries.

What we provide….

- Strategies based on working “real-world” financial models including full fledged business planning.

Who we are….

- Cross sector team of partners with a successful track record and knowledge of the industry.
- Offices in Basle Switzerland (HQ), Sao Paulo, Moscow, Berlin, Mexico City, Buenos Aires, New York and partner companies in Hong Kong
- Global network of industry experts in Europe, Asia, Americas and Eastern Europe.
- Network service partners for M&A, financing, executive search, sales and marketing.

Public and Private Sector Consulting Topics

Monetize & Integrate
Communities
User Generated Content

Service Strategies
Business Model Strategies
Service Innovation Strategies

Regulation & Development Strategies
Networks, Service and Media Licensing
Economic Development, Job Development

Expansion Strategies
Markets, Value Chain
Products, Market Consolidation

Digital Business Development Strategies
Financing, Tax, Spin-Off Centers
Public/Private Initiatives

E-Government Strategies
Public management
Health, Tax, Education

Positioning in new Value Chains
Partner Strategies
Strategic Roles

Future and Trends
Future Development in Media & Telco
Regional Statistical Projections
Economic Planning, Educational Programs

F2M vs. Traditional Consulting Process

Self Analysis

Market Analysis

Customer Analysis

[...]

[...]

[...]

PPT based strategy presentation

Traditional 6-8 Months Project time frame

Fast to Market Consulting Process

Workshops
with best practices,
examples, market data
and first strategy ideas

5CCG detailed analysis
draft strategy and
business case,
presentation to mgmt.

Final strategy definition
based on mgmt. Input,
business and financial plan
implementation
project plan

Final

presentation
and booklets

F2M 2-4 Months project time frame

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Market Situation and Projections

Global Content Delivery

Just a few statements:

- DRM as we know it will be eliminated in the next 3 years!
- 99% of all video and music content is available for free without DRM!
- 70% of all online users under 18 years of age have never paid for content!
- Nobody is willing to pay for a functionality which will restrict usage
  in terms of higher cost
  in terms of higher hardware prices
  in terms of inconvenience and a potential loose of content
- The music industry has lost close to 50% of its revenue since 2001
- The movie industry might achieve the same result in a few years from now

Market Situation and Projections

Digital Content Delivery

To protect, track and report the delivery and the use of content was the main task for DRM soft and hardware

Situation today per media type:

PPT Downloads (PC, mobile)

1. Full length Music	DRM as copy protection system has failed
2. Ring tones, wallpapers, samples	DRM as copy protection system has failed
3. Video and Movie	DRM for copy protection in place but!
4. Games	DRM for copy protection in place but!

Market Situation and Projections

Digital Content Delivery

To protect, track and report the delivery and the use of content was the main task for DRM soft and hardware

Situation today per business model:

PC, mobile, STB

1. Download to own	DRM as copy protection system has failed
2. Time based usage (games)	DRM for copy protection is in place
3. Subscription services	DRM for copy protection is in place but!
4. Streaming services	DRM as copy protection system has failed
5. CD and DVD Protection	DRM as copy protection system has failed

Market Situation and Projections

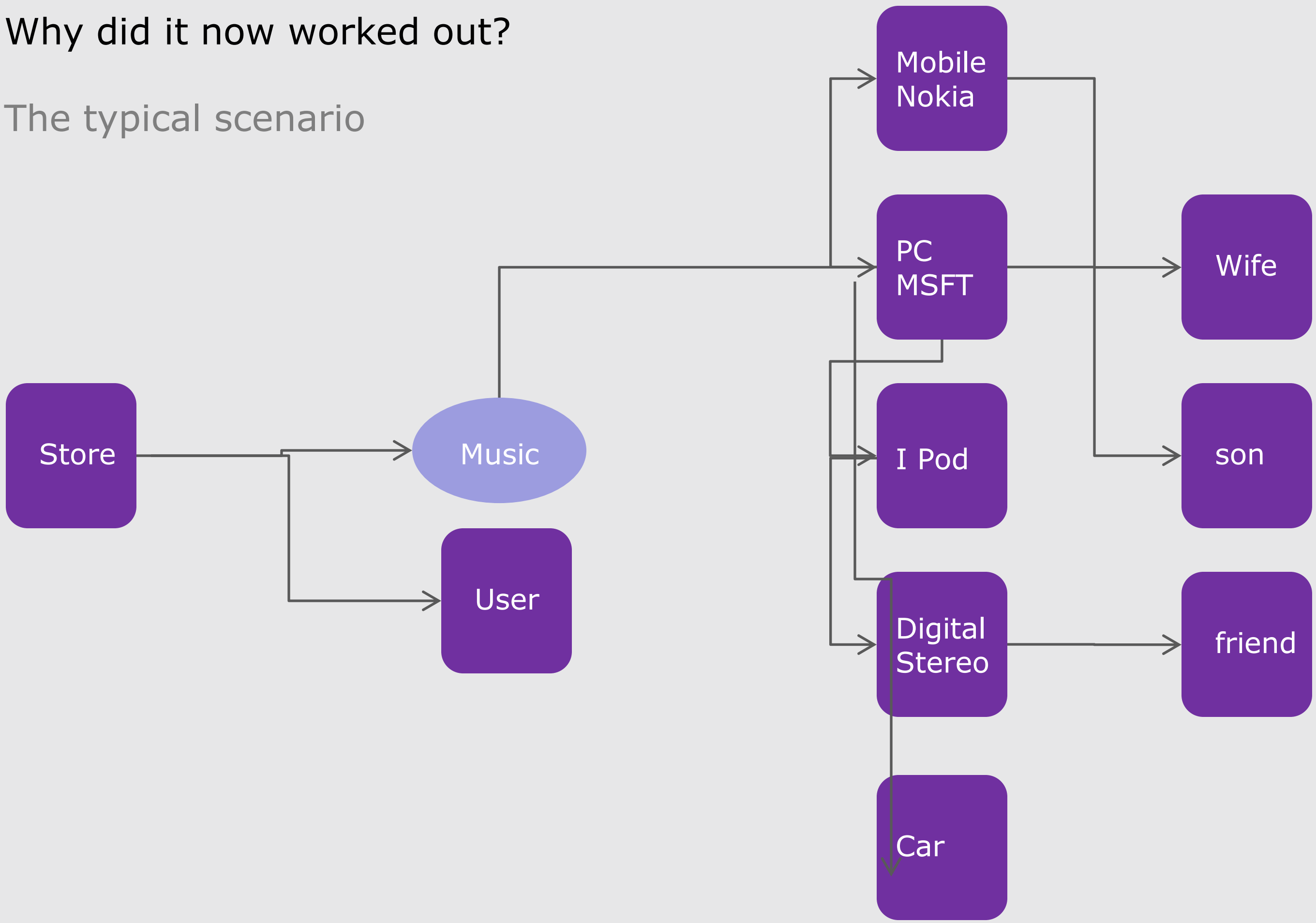
Why did it now worked out?

1. Apple
2. Microsoft
3. Nokia, etc.
4. SUN Microsystems
5. OMA
6. SDC
7. Sony/Intertrust
8. ContentGuard
9. Macrovision
10. You Tube
11. Facebook
12. Google
13. Major Labels
14. Major Studios

Market Situation and Projections

Why did it now worked out?

The typical scenario



Market Situation and Projections

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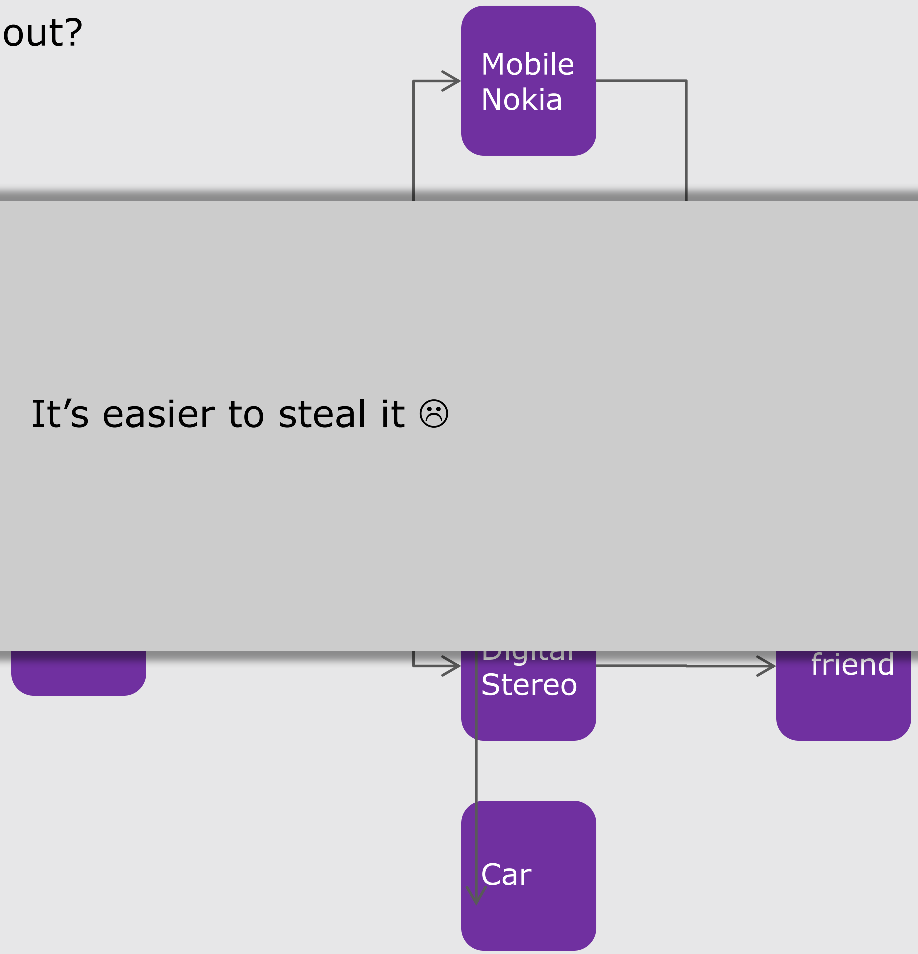


It’s easier to steal it ☹

Market Situation and Projections

Why did it now worked out?

The typical scenario

Mobile
Nokia

If customer recognize DRM as a user they will not accept it
If customer does not recognize DRM they will to care about it

Digital
Stereo

friend

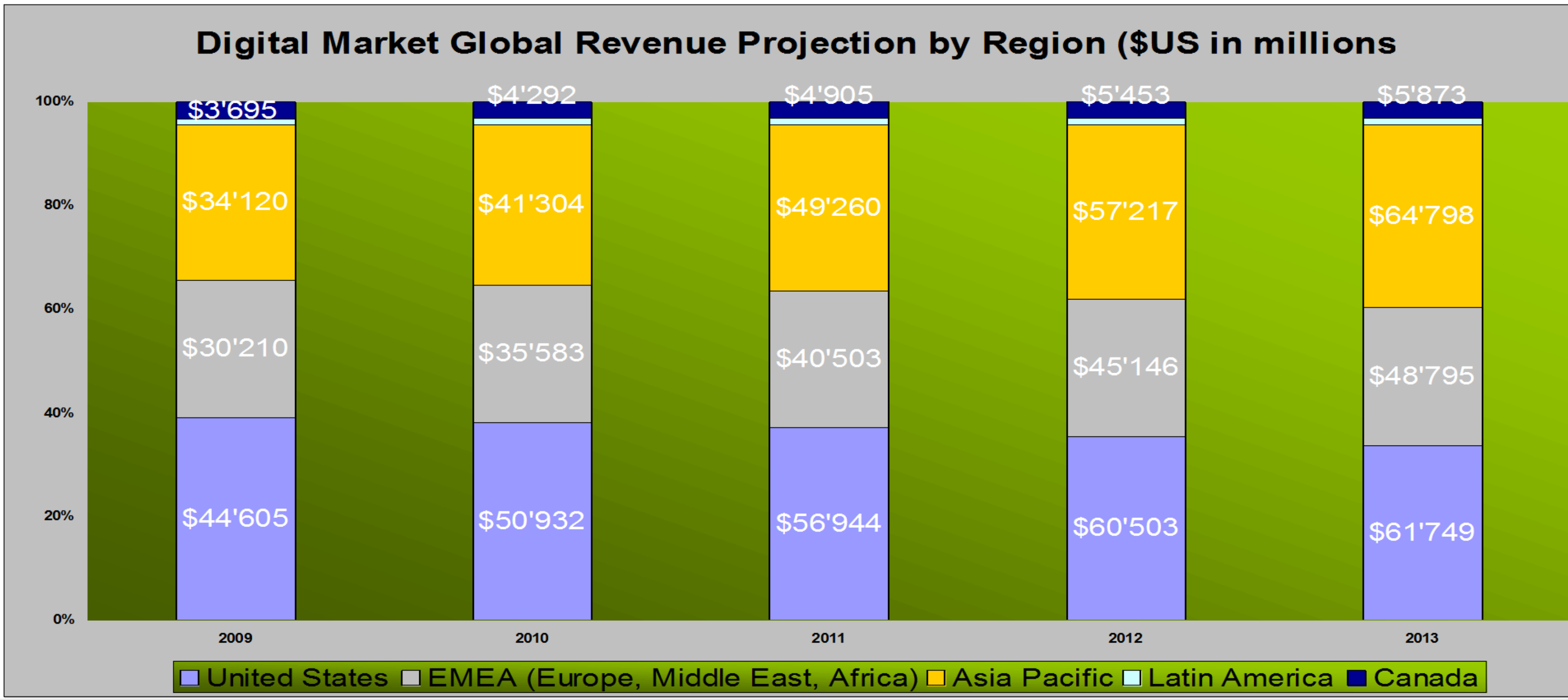
Car

Market Situation and Projections

Digital Market Global Revenue Projection 2009 - 2013

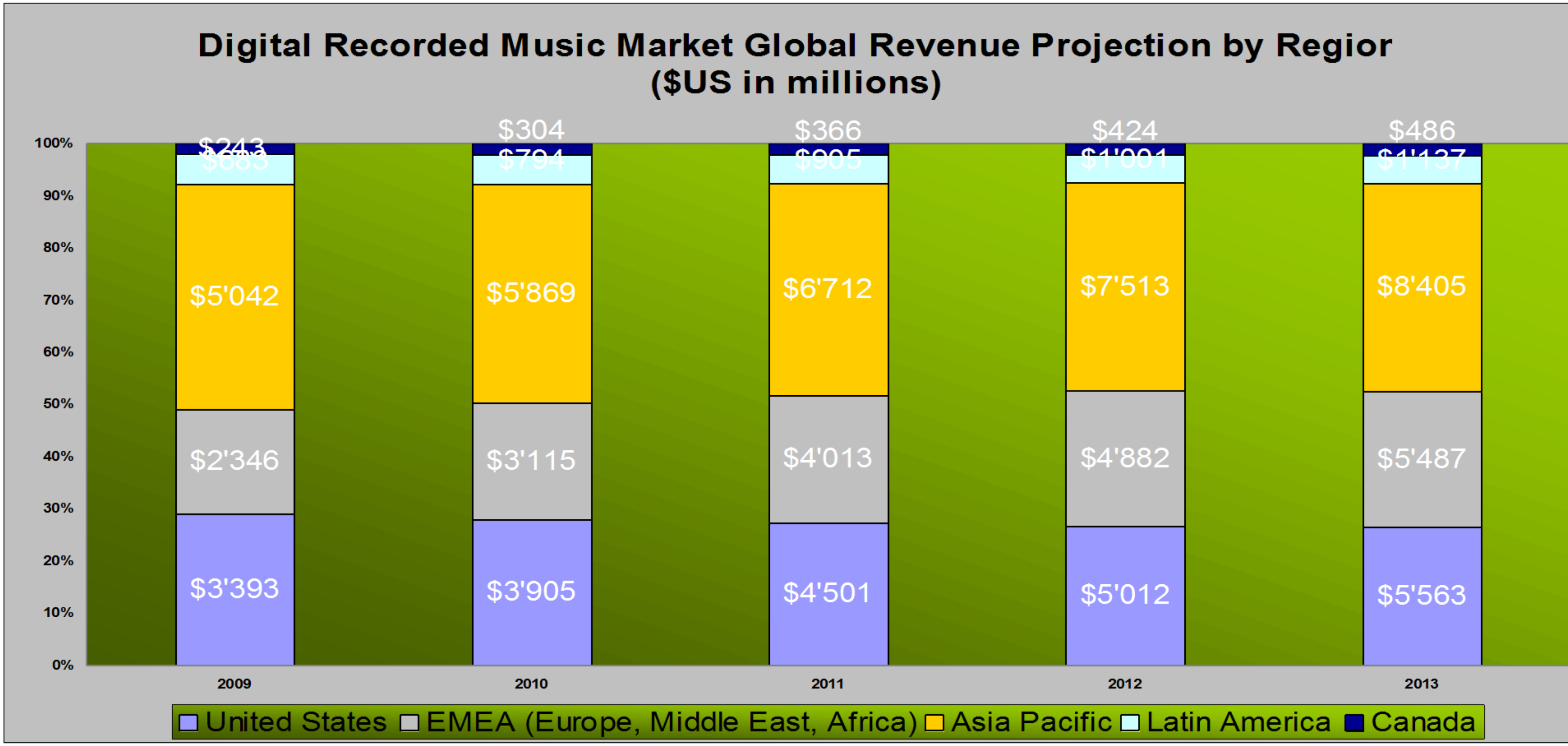
Digital Revenue* (Online & Mobile in millions)	2007	2008	2009	2010	2011	2012	2013	2007-2011 CAGR	2009-2013 CAGR
United States	$ 31'132	$ 38'081	$ 44'605	$ 50'932	$ 56'944	$ 60'503	$ 61'749	18.7%	10.2%
% Change	28.7%	22.3%	17.1%	14.2%	11.8%	6.2%	2.1%		
EMEA (Europe, Middle East, Africa)	$ 19'513	$ 24'747	$ 30'210	$ 35'583	$ 40'503	$ 45'146	$ 48'795	21.5%	14.5%
% Change	27.5%	26.8%	22.1%	17.8%	13.8%	11.5%	8.1%		
Asia Pacific	$ 21'622	$ 27'617	$ 34'120	$ 41'304	$ 49'260	$ 57'217	$ 64'798	24.8%	18.6%
% Change	32.7%	27.7%	23.5%	21.1%	19.3%	16.2%	13.2%		
Latin America	$ 863	$ 1'088	$ 1'340	$ 1'588	$ 1'815	$ 2'036	$ 2'212	22.6%	15.2%
% Change	31.6%	26.1%	23.2%	18.5%	14.3%	12.2%	8.7%		
Canada	$ 2'428	$ 3'057	$ 3'695	$ 4'292	$ 4'905	$ 5'453	$ 5'873	21.3%	13.9%
% Change	30.3%	25.9%	20.9%	16.2%	14.3%	11.2%	7.7%		
TOTAL	$ 75'559	$ 94'591	$ 113'971	$ 133'700	$ 153'428	$ 172'146	$ 187'823	21.3%	14.7%
% Change	29.6%	25.2%	20.5%	17.3%	14.8%	12.2%	9.1%		

* Digital Revenue includes online subscription rentals, digital movie/TV downloads, video-on-demand, digital music downloads, mobile music, online advertising, online video games, wireless video games, electronic books, and c gaming.



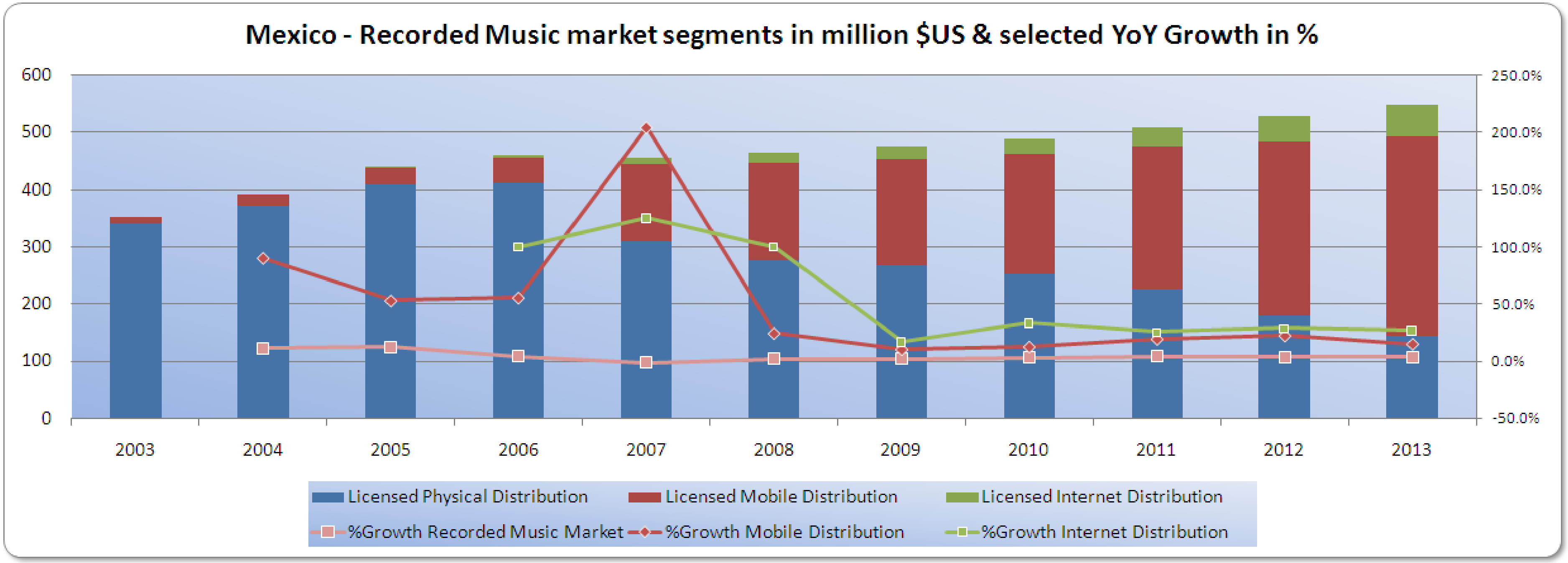
Market Situation and Projections

Digital Revenue Recorded Music	2007	2008	2009	2010	2011	2012	2013	2008-2012 CAGR	2009-2013 CAGR
United States	$ 2'338	$ 2'752	$ 3'393	$ 3'905	$ 4'501	$ 5'012	$ 5'563	16.5%	15.1%
%Change	25.8%	17.7%	23.3%	15.1%	15.3%	11.4%	9.4%		
EMEA (Europe, Middle East, Africa)	$ 1'196	$ 1'719	$ 2'346	$ 3'115	$ 4'013	$ 4'882	$ 5'487	32.5%	26.1%
%Change	61.4%	43.7%	36.5%	32.8%	28.8%	21.7%	12.8%		
Asia Pacific	$ 3'251	$ 4'151	$ 5'042	$ 5'869	$ 6'712	$ 7'513	$ 8'405	18.2%	15.2%
%Change	78.0%	27.7%	21.5%	16.4%	14.4%	11.9%	6.8%		
Latin America	$ 408	$ 554	$ 683	$ 794	$ 905	$ 1'001	$ 1'137	19.7%	15.5%
%Change	181.4%	35.8%	23.3%	16.3%	14.0%	10.6%	7.9%		
Canada	$ 122	$ 181	$ 243	$ 304	$ 366	$ 424	$ 486	28.3%	21.8%
%Change	76.8%	48.4%	34.3%	25.1%	20.4%	15.8%	8.9%		
TOTAL	$ 7'315	$ 9'357	$ 11'707	$ 13'987	$ 16'479	$ 18'832	$ 21'078	20.8%	17.6%
%Change	57.7%	27.9%	25.1%	19.5%	17.9%	14.2%	11.9%		



Mexican Market Status & Projections

Mexico Recorded Music market segments – Projection Chart 2009 – 2013



Sources: PriceWaterhouseCoopers; 5CCG Research

Low growth rates because of piracy will continue

Market Situation and Projections

DRM Protection System Projections 1012

There is NO money in providing DRM Sytems (cheers to MSFT, OMA and others)
It is contra productive to use DRM as a customer binding tool

If the market incl. Apple will not globally agree to a open Java standard (Androide type of concept):

1. Download to own with DRM	dead
2. Streaming services with DRM	dead
3. Time based protection	partly dead
4. CD, DVD, Blueray protection	dead

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New Business Models and DRM

Base

Content provider understand the need for business models which are NOT affecting usage

Rights holders accept further decrease of revenue (especially catalogue)

Rights holders are willing to create approriate offers for emerging markets

Hardware and OS providers agree to use multiple and limited DRM systems

New Business Models and DRM

Global Markets

Subscription Models for Music, video, movies

All you can eat monthly/weekly	time based protection reporting tool for play counting
Issues	hardware and OS compatibility
All you can eat open	reporting tool for play counting
Issues	hardware and OS compatibility
Ad based	reporting tool for play counting
Issues	harware and OS compatibility
Entertainment flat rate	NO DRM
Ad based Entertainment flat	NO DRM

New Business Models and DRM

Case Study TDC Music Denmark – Factsheet TDC 2008 (Goal: reduce churn)

- 7.8 million subscribers in Denmark
- Revenue: 38.8 billion DKK (5.2 billion Euro)
- EBITDA: 13.2 billion DKK (1.8 billion Euro)
- Market share:
  - 40% of Danish mobile subs.
  - 57% of Danish broadband subs.
  - 81% of domestic landline subs.

Source: http://tdc.com/ir/releases/index.php?id=694698#

New Business Models and DRM

Case Study TDC Music Denmark – Factsheet TDC PLAY

TDC PLAY

- Customers have unlimited access to music across TDC's and YouSee's platforms (broadband, mobile and cable TV)
- Unlimited downloads among 3 million Danish and international titles from 4 majors (EMI, Sony Music, Warner & Universal)
- Unique features:
  - Sideload – Download music via PC and transfer it to your mobile
  - Super distribution - Mobile to Mobile and PC to PC

New Business Models and DRM

Case Study TDC Music Denmark – General Features

Service Features:

- Store-front UI with Single-Sign-Login (SSO)
- DRM protection OMA 1 (Mobile) WM (Online, Cable)
  - Play-count restriction after subscription termination
  - No burn or transfer rights (MP3 Player)
- SMS push link delivery from PC to mobile
- One-click downloads incl. play-list
- Super-Distribution on mobile handsets
- PC side loading to mobile handsets (e.g. album transfer)

Enhanced Service Features:

- Up selling Options (Premium Subscription)
- Community Features (Play-list Sharing, Web 2.0)
- User Involvement (Knowledge Sharing)
- Full track Streaming

New Business Models and DRM

Case Study TDC Music Denmark – PC & Mobile use cases

Mobile customers
- All postpaid mobile subs have PLAY included in the subscription if average use is above 39 DKK/month
- Unlimited download with free transaction as well
- Download from TDC Music on TDC's wap portal

Broadband customers
- Offer to all customers with 1 Mbit/s or faster connection
- Unlimited download within 3 million tracks
- Files are DRM-protected and cannot be moved to player or burned to CD
- Licenses expire after 1 month or 50 plays and can only be renewed if customer is still an active TDC customer

New Business Models and DRM

Case Study TDC Music – music service figures on a glance

- TDC Play was launched April 1, 2008
- + 80 million tracks has been downloaded during year 1
- 8% of the total volume is downloaded through WAP
- Average weekly download volume has increased throughout year 1 from 1.2 million to 1.7 million (tracks)
- ~100.000 TDC customers are actively using TDC PLAY
- Churn rate among active PLAY users reduced by:
  - approx. 40% on the mobile platform
  - approx. 60% on broadband
- Overall digital sales in Denmark increased by 98% in 2008, TDC PLAY counted for ¾ of that increase (according to IFPI's statistics)

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Summary

The chances to survive for DRM in Entertainment

- DRM has to move from protection to support and reporting
- One fits all Java DRM might work as standard
- New business models for entertainment will make DRM partly acceptable

- The new set up needs to be established quickly BEFORE video and movie distributors will be frustated as the music industry already is

Contact

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Team Overview

Michael Bornhäusser

Founder and Managing Partner – Basle Office

- Serial entrepreneur in the digital service and entertainment industry
- Co-founder of MMK AG Switzerland and COO, merger with Pixelpark 1998
- Co-founder of Pixelpark and Managing Director, IPO 1999
- Head of consulting Pixelpark for digital strategy and M&A (main clients: Bertelsmann, RTL BMG, Credit Suisse Group, RTL, Coca Cola, etc.)
- Co-founder of SDC AG and CEO, trade sale 2007
- Acquisition of DWS LLC NYC and CEO, trade sale 2007 (global customer and partner such as Telstra, Vodafone, O2, Hutch India, China Telecom, Telus, Rogers, VIVO, Siemens, Musiwave, Openwave, Sun Microsystems, Nokia, HTC, Midem, Popkomm, SonyBMG, Universal Music, EMI, Warner Music Group, Warner Pictures, etc.)
- Lecturer at the University of St. Gallen, Switzerland
- Lecturer at the University of Basel
- Head of the steering committee of I-Net Basel ITC
- Member of the board of several international companies and venture funds
- Managing Partner 5CCG