

What Is It?

- Internet Protocol Television (IPTV) is television content delivered to the consumer via broadband to a TV, which is linked to a set-top box. IPTV provides another delivery platform, offering viewers an alternative route into the digital and pay-TV market. It enables viewers to select from libraries of millions of films and programmes.

Current Market

- An estimated 13.2 million households received an IPTV service in 2007, with nearly 8.4 million IP-enabled set-top boxes shipped worldwide, according to IMS Research. The increasingly competitive pay-TV landscape with proliferation of new content, triple/quadruple play offerings and new Internet-based TV services is one of the main factors behind IPTV household growth.
- Europe continues to maintain its position as the largest region for IPTV services with 5.6 million subscriptions by the end of last year, however, its dominance is expected to be reduced during 2008.
- In the UK, HomeChoice made the first significant move into the IPTV market, offering scheduled and on-demand programming through a set-top box. Tiscali acquired HomeChoice's IPTV service in 2006 and subsequently launched Tiscali TV in March 2007. By the end of 2007 Tiscali's IPTV had been made available to over 10 million UK homes.
- BT Vision, the telco's free IPTV service launched in December 2006, offers digital TV, pay-as-you-go content and a free personal video recorder (PVR) for all its broadband customers. In the first 3 months following its launch, BT Vision had attracted just 5,000 customers. However, the service is now understood to have reached its target of 100,000 subscribers by the end of 2007 and expects to reach 2 million customers by the end of 2011.
- Last year, Cable & Wireless announced its intentions to launch the UK's first national IPTV service via broadband, following the signing of a £70 million deal with Inuk Networks.

Impact On Advertising

- IPTV provides the opportunity to combine the powerful brand-building effect of conventional TV-quality advertising with the strengths of online; the ability to target specific audiences and allows consumers to pursue their interest to the point of purchase.
- There is, as yet, no definitive or standardised advertising model in place for IPTV but implications for advertisers are huge, since audiences will be able to watch whatever they want, whenever they want.
- IPTV will allow advertisers to track consumer behaviour - what they've been looking for, their likes and dislikes - and target advertising specifically to them. The number of ads to which they have already been exposed can also be taken into account. Advertising success will be tracked, not in media terms, but in outcomes: awareness, purchase-intent and sales.

Going Forward

- Recent forecasts from Datamonitor expect IPTV services in Western Europe and the US to show strong average yearly growth at around 28%, to reach almost 23 million IPTV households by 2012.
- ABI Research predicts that worldwide subscribers to IPTV services will grow to more than 90 million by the end of 2013, up from 13.5 million in 2007. The IPTV market is poised for strong growth and ABI Research anticipates particularly significant growth in North America and most emerging markets. Available since 1999, the IPTV market in Western Europe is comparatively well-developed - particularly in France. However, there is scope for growth as several of the larger markets - such as Germany and the UK - still have relatively low penetration rates.
- According to MRG, the number of global IPTV subscribers will rise from 24.4 million in 2008 to 92.8 million in 2012, generating revenues of \$37.1 billion by the end of the period. In addition, the global forecaster claims that while Europe's subscriber base in 2012 will remain dominant, Asia's subscriber base will be close to equalling that of Europe by this time, followed by North America.
- IMS Research forecasts IPTV households will grow 52.2% annually through 2012, while eMarketer suggests 61 million households worldwide will subscribe to IPTV services by 2012.
- Within Europe, the UK is expected to grow steadily, with 870,000 subscribers (via BT Vision and Tiscali) expected by 2010. iSuppli forecasts UK IPTV subscriptions will reach approximately 1.45 million by the end of the decade, generating revenues of almost \$800 million.
- iSuppli suggests the global IPTV market will grow from \$779.2 million in 2006 to reach \$26.3bn by 2011. IPTV-based advertising revenue is expected to exceed \$1bn annually by 2010.
- Gartner forecasts worldwide IPTV subscriptions will reach 19.6 million by end-2008, up 64.1% from 12 million in 2007. Revenues from IPTV services are expected to total \$4.5 billion this year - a 93.5% increase on 2007. By the end of 2008, 1.1% of global households are predicted to be subscribing to IPTV services, increasing to 2.8% by 2012.

	2007	2012
US	1.2	12.7
Worldwide	12.5	61.1

Source: eMarketer, April 2008