

BSkyB Sky Go Extra SVOD Service

Premium Multiscreen Service



EXECUTIVE SUMMARY

COMPANY OVERVIEW

- **Customer Name:** BSkyB
- **Industry:** Telecommunications
- **Location:** United Kingdom, Ireland

BUSINESS CHALLENGE/OPPORTUNITY

- Use expensive content rights to offer an easy-to-use but premium end-user experience across multiple screens as a key new revenue-generating opportunity.
- Stay relevant and grow revenue from innovative value-added services.

NETWORK SOLUTION

- With Sky Go Extra, users can download TV content to mobile devices to watch offline anywhere. It is the only U.K. subscription video-on-demand (SVoD) service to offer movies in this way.

BUSINESS RESULTS

- By end of June 2014, nearly 18 months after launch, Sky Go Extra had 1.2 million subscribers.

Overview

Multiscreen pioneer BSkyB launched its new premium add-on service Sky Go Extra in January 2013. With Sky Go Extra, users can download TV content to mobile devices to watch offline anywhere.

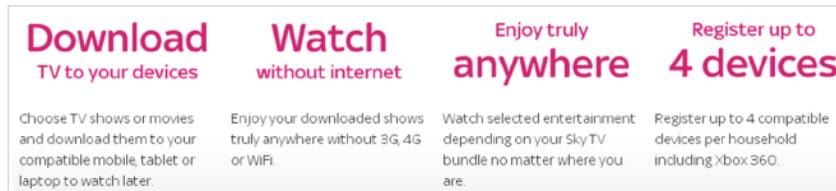
Service Innovation

Available to DTH subscribers for £5 (US\$8.20) per month, Sky Go Extra enables customers to download content to mobile devices to watch offline and register two additional devices (four in total) for the standard Sky Go multiscreen, or TV Everywhere, service. In launching the service, BSkyB became the first SVoD provider in the United Kingdom to enable users to watch downloaded Hollywood movies on mobile devices (Figure 1).

The launch of Sky Go Extra was the latest in a long evolution of BSkyB's multiscreen strategy. BSkyB has been offering content through PCs since 2006 and through mobile devices since 2005. Its current multiscreen brand, Sky Go, was launched in 2011 as a value-added service available to all TV customers at no extra cost.

BSkyB's overall product-development strategy is broadly influenced by three main customer-centric priorities of ensuring best content possible to its customers, making content accessible whenever and wherever, and maintaining ease of use. Sky Go Extra embodies all three priorities.

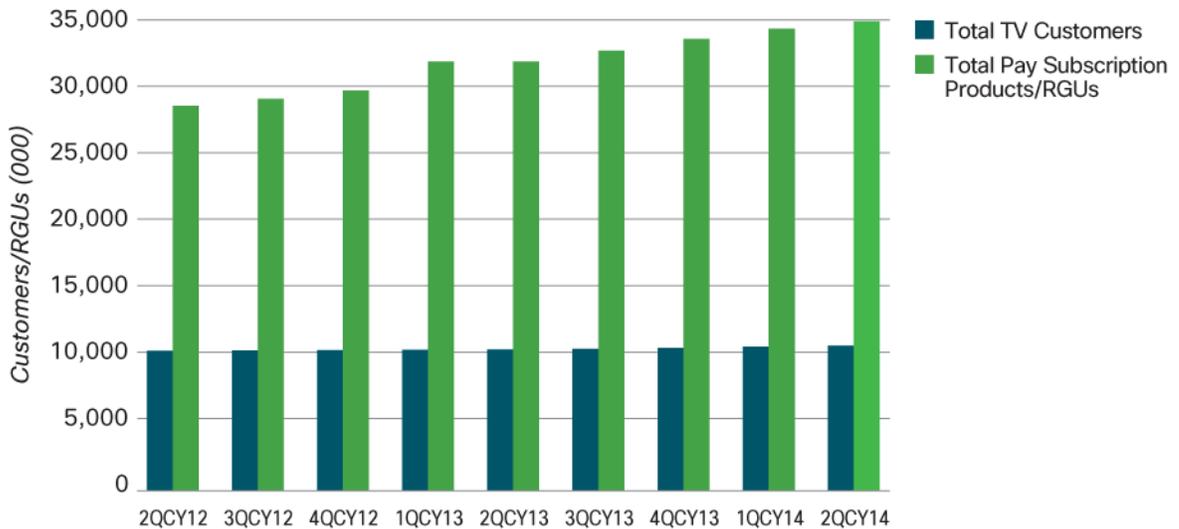
Figure 1. Sky Go Extra—The Ultimate in Flexibility



Opportunities

BSkyB benefitted from the opportunity for a new premium product that is a notable innovation in the context of the wider pay-TV market, because it represents part of an emerging trend of TV products that directly monetize multiscreen services and features to expand business. With no new subscription product launch for 7 years (the last being Sky HD in 2006), the service provider felt that the introduction of a new premium product was necessary to expand the business, especially now that it had passed the 10 million-subscriber mark and did not expect significant new-customer growth in the coming years (Figure 2). Also leadership believed that the huge investment BSkyB has made in services for which it does not charge a premium—including Sky Go and On-Demand—had already added a significant amount of value to the standard subscription so a premium offering was needed.

Figure 2. BSkyB Customer and Revenue Generating Unit Growth, 2QCY12–2QCY14



Source: BSkyB

Sky Go Extra has helped BSkyB assert its market leadership and differentiate itself from competitive offers. Providing access to content on devices other than the TV screen is one of the areas in which BSkyB sought to innovate ahead of its rivals. This launch provided BSkyB, with already a strong history of innovation, to build on the success of previous services aimed at PCs and mobile devices and tackle increased competition from strong new players specializing in over-the-top content (OTT) video. The success of BSkyB's own multiscreen services, as well as that of Netflix and some other SVoD providers, was evidence of strong demand for more flexible viewing options. Sky Go Extra is one of the important ways in which BSkyB demonstrates its leadership in technology-driven service innovation.

As UK's leading premium-content provider, BSkyB was in a strong position to build on this position and generate new business opportunities and with its existing content rights deals with major Hollywood studios in the United States. TV content providers helped BSkyB to further differentiate itself from its pay-TV competitors. In addition to imported U.S. content, BSkyB was able to offer home-grown productions with its Sky Go and Sky Go Extra services thanks to its investment in its own original programming.

“Sky Go has been even more successful than anticipated. As a result, we spent time trying to figure out what opportunities were available for both the customer and the business.”

— Luke Bradley-Jones, Brand Director, TV Products, BSkyB

Challenges

In addition to the opportunities the new offering provided BSkyB, it was also faced with some challenges, particularly around negotiating expanded content-rights agreements. Bringing Sky Go Extra to market was dependent on the cooperation of major Hollywood studios, as well as BSkyB's other content partners with whom BSkyB had to secure expanded rights agreements that allow access to downloaded TV shows and movies through mobile devices.

Permitting this type of access is something that major Hollywood studios have traditionally resisted, fearing that such services are vulnerable to security breaches and result in increased piracy of their content. BSkyB, therefore, had to work to develop, through its in-house research-and-development teams, new technology to secure downloaded content with digital rights management (DRM) to convince its partners that Sky Go Extra can provide suitable protection against piracy.

Strategic Partnerships

BSkyB's partnerships for this innovative service included major Hollywood studios, as well as BSkyB's other content partners, with whom BSkyB has exclusive content deals.

In terms of premium movie rights, Sky has long-standing relationships with all six of the Hollywood major studios through which it has exclusive deals to show their films in the first pay-TV subscription window as part of its Sky Movies service. BSkyB also has a high-profile, long-term agreement with HBO to exclusively air the distributor's popular TV series, which are housed on the Sky Atlantic channel.

Monetization

Sky Go Extra is available through two different subscription products:

- For Sky TV customers that have only one set-top box in their home, the service costs an additional £5 (US\$8.20) a month, with the first two months' access offered on a free trial basis.
- For Sky TV customers that pay for an additional box through an £11.25 (US\$18.45) per month Multiscreen subscription, the service is included at no extra cost.

The bundling of Sky Go Extra in the BSkyB Multiscreen subscription product eliminates a potential revenue-generating opportunity from these customers. However, the strategy is designed to protect a higher-value product that was in need of enhancement. The BSkyB Multiroom product, from which its Multiscreen product evolved, had become more difficult to justify at £11.25 monthly charge due to advancements in TV technology and bundled offers of second set-top box for no additional fee from BSkyB's rivals.

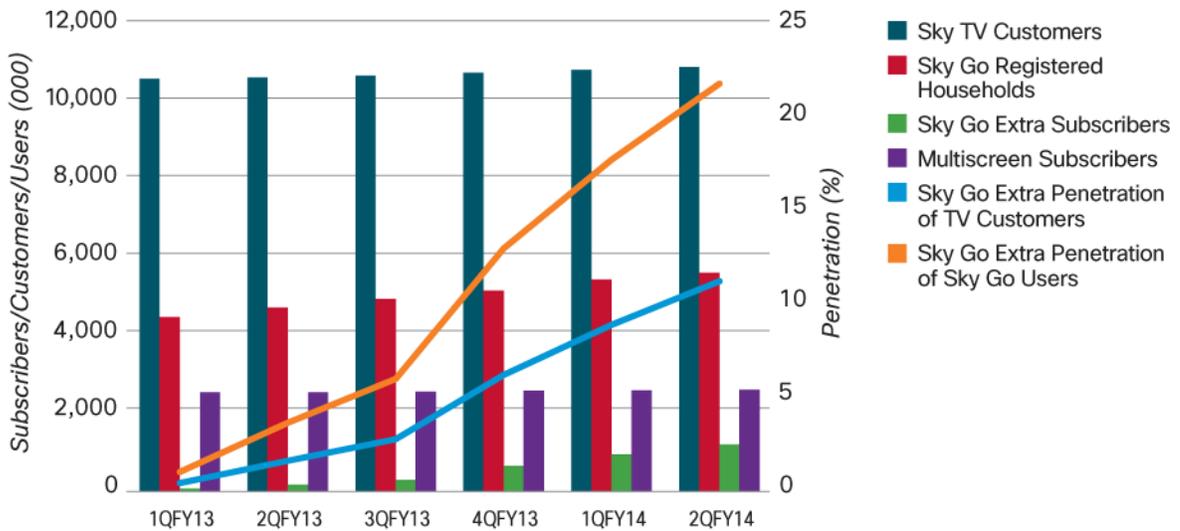
“Building on the ever-growing popularity of Sky Go, Sky Go Extra lets Sky customers download great movies and TV shows to take with them to watch offline whenever and wherever suits them, as well as access to Sky Go on up to four Internet-connected devices. Together with our comprehensive on-demand service and our range of award-winning apps, we continue to deliver helpful and innovative ways for Sky customers to enjoy even more flexibility over when, where, and how they enjoy Sky.”

— Stephen van Rooyen, Managing Director, Sales and Marketing, BSkyB

Success Metrics

BSkyB's monetization strategy for Sky Go Extra has proved to be shrewd and lucrative. Figure 3 demonstrates the Sky Go Extra key performance indicators (KPIs) recorded consistent growth in its first 18 months of operation and had a total of 1.17 million subscribers by end of June 2014. The service is used by 11 percent of BSkyB's 10.7 million TV customers and 21.4 percent of Sky Go users. It is also supporting BSkyB Multiscreen growth, with 2.6 million subscribers by the end of 2QCY14.

Figure 3. Sky Go Extra KPIs, 1QFY13–2QFY14



Source: BSkyB; Ovum

The revenue generated from Sky Go Extra subscriptions is significant, based on end-2Q14 subscriber figure, it would be £5.89 million (US\$9.64 million) per month if each customer were paying the £5 monthly fee—but some will be receiving the service on a free-trial basis.

Sky Go Extra is certainly contributing to growth in ARPU, which was up to £576 (US\$943) on an annualized basis by end-June 2014. The product is also likely to be helping to keep churn relatively low.

For More Information

For more information about the BSkyB Sky Go Extra service, visit www.sky.com/products/ways-to-watch/sky-go/sky-go-extra.



Americas Headquarters
Cisco Systems, Inc.
San Jose, CA

Asia Pacific Headquarters
Cisco Systems (USA) Pte. Ltd.
Singapore

Europe Headquarters
Cisco Systems International BV Amsterdam,
The Netherlands

Cisco has more than 200 offices worldwide. Addresses, phone numbers, and fax numbers are listed on the Cisco Website at www.cisco.com/go/offices.

Cisco and the Cisco logo are trademarks or registered trademarks of Cisco and/or its affiliates in the U.S. and other countries. To view a list of Cisco trademarks, go to this URL: www.cisco.com/go/trademarks. Third party trademarks mentioned are the property of their respective owners. The use of the word partner does not imply a partnership relationship between Cisco and any other company. (1110R)

Printed in USA

FLGD 12225 03/15