



PRESS RELEASE

WIGGIN LLP - 2008 DIGITAL ENTERTAINMENT SURVEY

3rd March, 2008: The *2008 Digital Entertainment Survey*, an independent online survey and audit of digital entertainment activity in the UK, is released today commissioned by specialist media lawyers Wiggin. The research was designed and reported by entertainment and music research experts Entertainment Media Research. Wiggin are presenting these findings to a group of 200 senior, legal decision-makers from across the media industry at a sell-out event on Tuesday 4th March. In particular they will be focusing on what these key findings mean for the future of media rights and legislative changes to come.

The research surveyed 1,608 UK consumers aged 15-54 in January 2008 and comprises a comprehensive analysis of digital entertainment consumption patterns, trends, preferences and attitudes across all forms of entertainment activity. Full and summary reports are available from helen.foord@wiggin.co.uk.

Top 5 headline findings of the survey are (with further details below):

1. 7 out of 10 pirates say they would cease pirating if they received a warning from their ISP
2. Blu-ray predicted to be highest growth digital entertainment activity in 2008
3. Consumers want social networks to become major content distribution platforms
4. Massive interest in on-demand programming as long as it's free
5. Digitally recorded television is seriously affecting advertising reach

7 out of 10 pirates say they would cease pirating if they received a warning from their ISP

The survey reveals that a warning notification email from an ISP would persuade 7 out of 10 consumers pirating digital content to cease unauthorised downloading.

Key facts on this story from the survey:

- 70% of those pirating digital content say they would stop downloading unauthorised content if they received an email or call from their ISP - this rises to 78% of male and 75% of female teens
- 66% would stop downloading completely if they felt there was a higher chance of being caught
- 62% say they are concerned about stories of prosecution in the news

Alexander Ross, Music and Technology Partner at Wiggin, says, "These findings are encouraging for content owners and demonstrate that the Government's proposals to compel ISPs to take measures to control illegal filesharing could have a huge impact when implemented."

Russell Hart, Chief Executive of Entertainment Media Research commented, "Fear of being caught is a strong theoretical deterrent but most pirates believe it's unlikely they will be prosecuted. If pirates themselves say that a direct warning from their ISP is the most effective measure then this reinforces current thinking to combat piracy with an ISP strategy."

Blu-ray predicted to be highest growth digital entertainment activity in 2008

The survey includes a comprehensive audit of the future entertainment take-up of 49 digital and entertainment activities. Watching movies on high definition movie disks is predicted to have the highest growth in 08. Around 1 in 4 (24%)

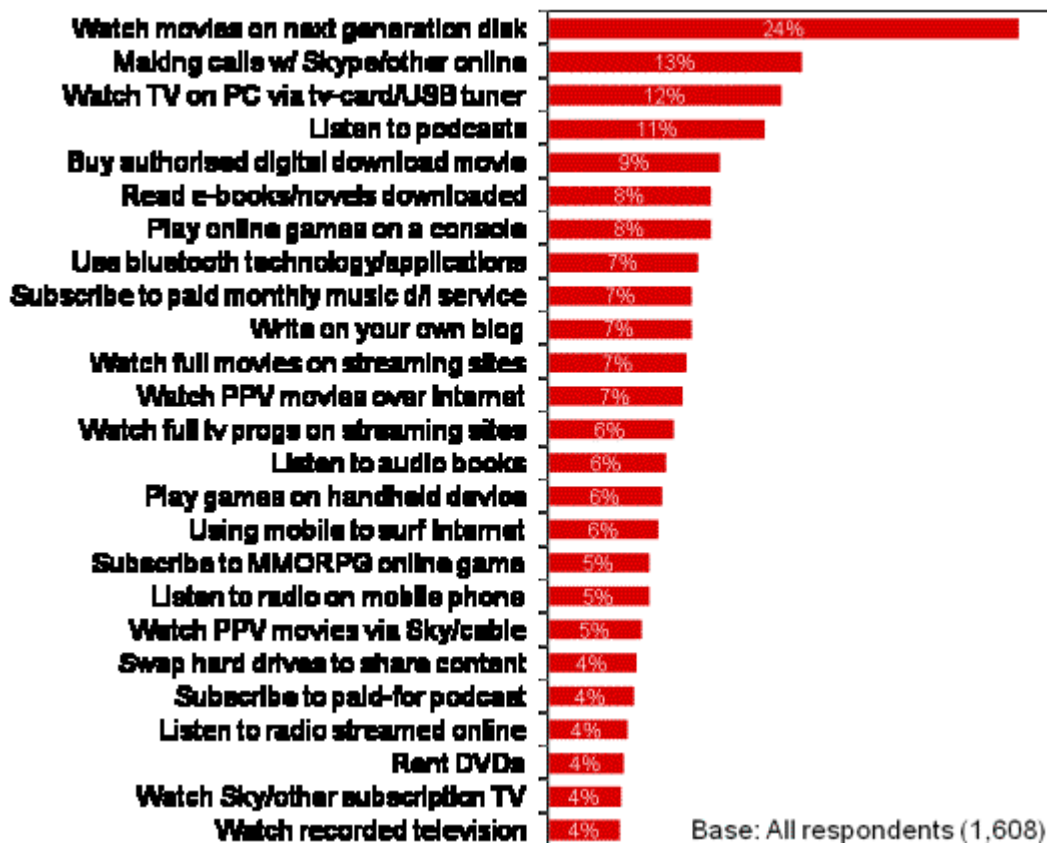
consumers surveyed stated they intend to start watching movies on this format in the next 6 months. This is at least double the intention rate of any other entertainment activity.

One key reason for predicted growth is the resolution of the format war with HD-DVD. 62% of consumers said they were put off buying a next generation disk player because of concerns about obsolescence.

Another factor is digital TV ownership. 39% of the sample have (or have access to) a high definition-ready television set and having made that investment they are twice as likely to watch high definition movies.

Whilst there are barriers (40% of non-owners consider players are currently too expensive, 35% are awaiting a price reduction before purchase and 22% say the movie disks are too expensive), clearly there is now scope for significant market expansion.

% of total UK sample intending to start in the next 6 months



Key facts on this story from the survey:

- 24% of those surveyed said they intend to watch next generation movie disks in the next 6 months
- Reasons among non-owners for not yet purchasing a next generation player:
 - o 40% consider the players too expensive
 - o 35% are waiting for the price of players to come down
 - o 34% are happy with DVD quality
 - o 28% haven't really thought about it
 - o 27% were waiting to see which of the two formats won out before buying
 - o 25% don't yet have a television set that would show the increase in quality
 - o 22% say movies available are too expensive
 - o 17% have too many DVDs on DVD format to change
 - o 14% are waiting for a player that records as well as plays movies
 - o 13% say there aren't yet enough movies to buy on the new format
- 62% agreed "I'm put off buying a new generation disk player because I don't want to buy something that may become obsolete"

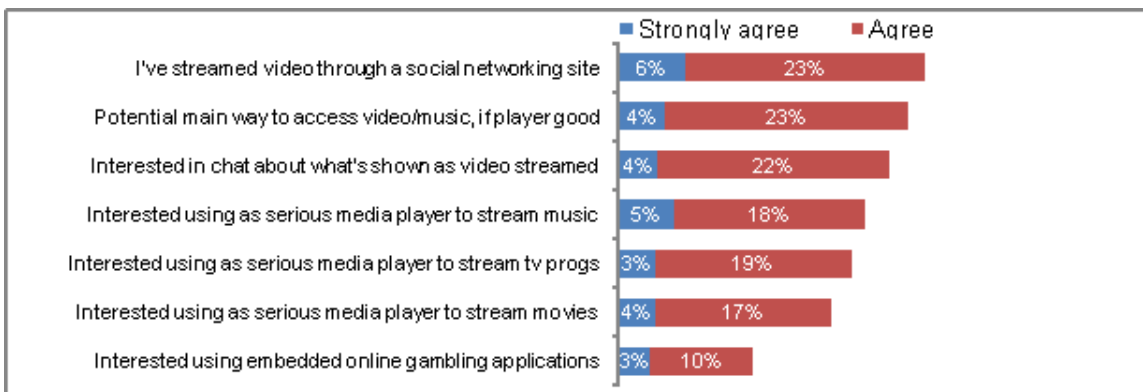
Charles Moore, TV and Film Partner at Wiggin, says, "At a time of reduced margins and decreasing revenues in the home video sector, and continuing uncertainty about the revenue potential of video on demand, the major studios and independent distributors will be greatly encouraged that HD discs are the most eagerly anticipated of all the next generation media products. Now that all the US majors have committed to Blu-ray, the studios and other home video distributors should now capitalise on this consumer interest by bringing out their major library titles in HD. It's great news for Sony who can expect the Playstation 3 (with its Blu-ray capability) to become the must-have gift this Christmas."

Russell Hart, Chief Executive of Entertainment Media Research commented, "Blu-ray players are set to become mass market items within a short period of time. The speed of evolution from early adopters to mass market will be determined largely by retail pricing and effective communication to consumers"

Consumers want social networks to become major content distribution platforms

Over 1 in 4 users of social networks (27%) agree that social networks could be the *main* way to access video and music. Many more are interested in using social networks to access distributed (streamed or broadcast) entertainment content. Acceptance is particularly high among the under 25s (40% for males aged 20-24).

The ability of social networks to offer an interactive and participative environment together with the content provision is a major draw - over 1 in 4 sees the benefit in being able to chat with others or interact with the content as it is being streamed.



Social networks are also having a major influence on content discovery: 30% of users at least occasionally search them for new music and around 1 in 4 find out about movies or television programmes through peer recommendation. Nearly 1 in 2 female teenagers search for music on social networks.

It goes beyond content discovery. 1 in 5 say that they've *purchased* music based on peer recommendation and the same number have searched social networks for music to buy.

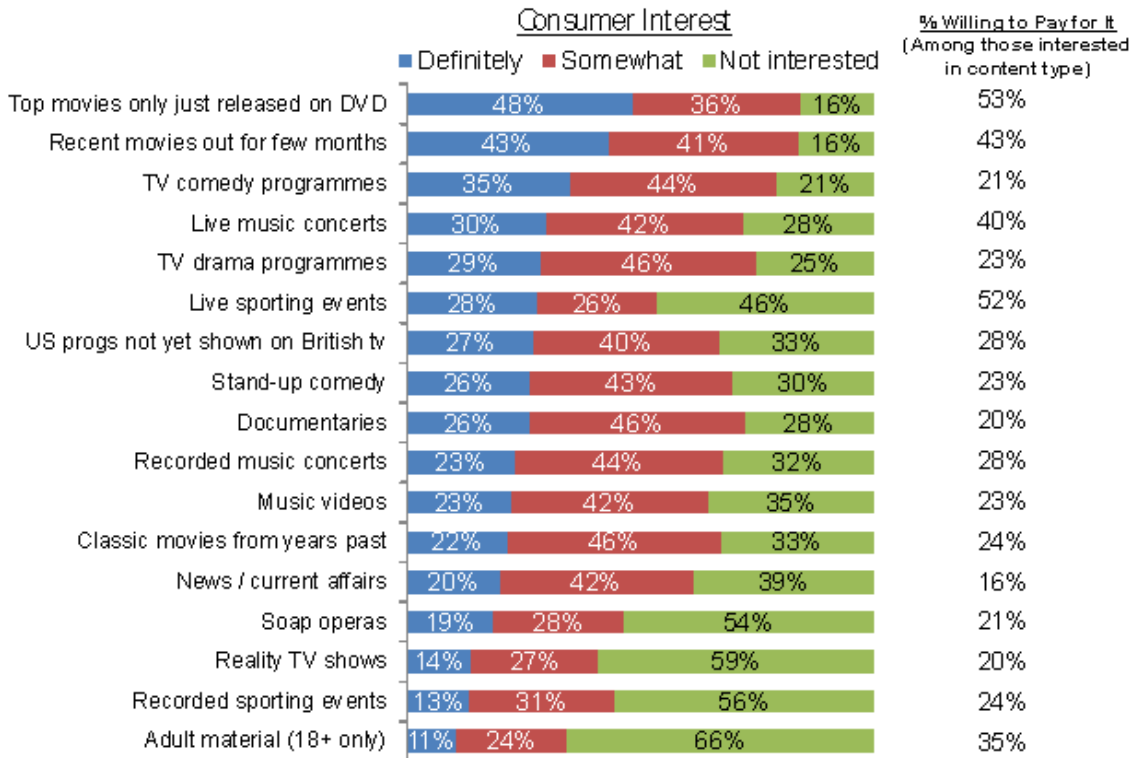
Russell Hart, Chief Executive of Entertainment Media Research commented, "With a substantial proportion (27%) saying social networks could become the *main* way in which they access content in the future, social networks have the opportunity to be the content delivery platform of tomorrow. That over 60% of the under 25s regularly use social networks, taking the content to them is strategically compelling."

Alexander Ross, Music and Technology Partner at Wiggin, says, "The consumer may have taken control in the social network environment, but it remains a promotional and distribution channel with massive potential for brands that get it right."

Massive interest in on-demand programming...as long as it's free

The survey reveals consumer demand for on-demand programming is potentially huge. The clear content leader is *recently released movies* (84% interested and 48% definitely interested). Opportunities also exist in other sectors. The

music industry should note the high levels of demand to watch *live music concerts* (72% interested) and *recorded gigs* (67% interested). This could well be a rich new revenue stream for the music industry. *Comedy* is also notably popular (79% interested and 1 in 3 definitely interested).



Current use of on-demand services is limited. YouTube is the most popular provider (used by 37% of consumers) and Channel 4's 4OD service is top amongst broadcasters (15% use). Project "Kangaroo," the mooted single platform service from the BBC, ITV and C4 heightens interest. 52% (69% of males under 25) said they are *more interested* in this service than other services.

Strong demand exists for on-demand content but what about consumer willingness to pay? When confronted with the three options - subscription with unlimited content, PPV and free ad-supported models - the free model wins comprehensively. 70% would rather put up with the ads than pay for the content.

Consumers will pay selectively for some content types eg 33% are definitely interested in tv comedy but only 21% are prepared to pay for it. Conversely, 48% are definitely interested in recent movies and 53% are willing to pay. Live music (40%) and sports (52%) also generate strong willingness to pay.

Key facts on this story from the survey:

- 70% would prefer on-demand content to be free; 15% prefer a reasonable monthly subscription to watch unlimited content and 15% prefer to pay a reasonable fee for every programme watched
- Of those who opted for the free advertising-based model, when forced to choose between paid models (subscription / pay-per-view) slightly more preferred pay-per-view (57%)
- 37% of the sample at least occasionally watch streamed videos on YouTube Vs Virgin Media 20%, 4OD 15%, BBC iPlayer 13%

Alexander Ross, Music and Technology Partner at Wiggin, says, "This reveals where the focus of VOD services should be. The desire for live concerts is also a huge opportunity for the music business which is facing a year on year decline in CD sales."

Russell Hart, Chief Executive of Entertainment Media Research commented, "While there's huge interest in content on-demand, only specific types of content look likely to realise mass market paid-for revenues. A viable business strategy needs to ensure that content in demand is also capable of being monetised."

Digitally recorded television is seriously affecting advertising reach

Of those consumers with fast-forward technology (Sky+, Windows Media Center and digital video recorders), just 4% *only watch live broadcasts* while 23% *mostly watch recorded programmes* and when watching recorded commercial television 80% fast forward the adverts "most of the time" or "all of the time." Only 6% rarely / never fast-forward the adverts.

This behaviour is consistent across all demographics. Furthermore, 2 out of 3 agree with the statement "I actively try to avoid as many television ads as possible" showing that ad avoidance is a major issue.

Key facts on this story from the survey:

- Of those with the ability/technology to record television digitally:
 - o 5% only watch programmes they record
 - o 18% mostly watch programmes they record
 - o 35% watch recorded and live programmes equally
 - o 38% mostly watch live programmes
 - o 4% only watch live programmes
- Of those with the ability/technology to record television digitally:
 - o 46% fast forward past the adverts "all the time"
 - o 33% fast forward past the adverts "most of the time"
 - o 15% fast forward past the adverts "some of the time"
 - o 4% rarely fast forward past the adverts
 - o 2% never fast forward past the adverts
- 64% of consumers agreed with the statement "I actively try to avoid as many television ads as possible"
 - o 23% strongly agree
 - o 41% agree
 - o 30% disagree
 - o 6% strongly disagree

Alexander Ross - Music and Technology Partner at Wiggin, says, "The challenge for advertisers is to find more targeted forms of advertising that consumers are more willing to respond to. The technologies are already with us to enable that to happen".

Russell Hart, Chief Executive of Entertainment Media Research commented, "On-demand television funded by advertising and free to view is seemingly the mass market model of choice. However, since 80% of viewers with fast-forward technology avoid the adverts most of the time, viable ad-funded models of the future will need to deny the consumer ad skipping control to guarantee ad exposure."

Ends

Notes to editors:

The 2008 Digital Entertainment Survey was commissioned by specialist media lawyers Wiggin and was carried out online in January 2008. The research was designed and reported by entertainment and music research experts Entertainment Media Research. The sample comprised over 1,600 music consumers aged 15-54, representative of UK national demographics.

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About Wiggin:

Wiggin is a boutique law firm working exclusively in the media sector. Recognised by many as the best in the media business, Wiggin is a specialist in film, music, sport, gaming, technology, broadcast and publishing, and has earned an international reputation for fresh thinking and innovative approaches.

The 85-strong firm takes instructions from broadcasters, regulatory bodies, production companies, telecommunications companies, film studios, record labels, publishers and TV channels.

Clients include Al Jazeera, Bauer, BBC Films, the British Phonographic Industry, BT, Channel 4, Columbia Pictures, Condé Nast, Five, HBO, Macmillan, Manchester United FC, Paramount Pictures, Sony Computer Entertainment, Time Warner Books, Trinity Mirror, 20th Century Fox Film Corp, Virgin Media and Warner Brothers.

www.wiggin.co.uk

About Entertainment Media Research:

Entertainment Media Research is Europe's foremost research consultancy for entertainment and music. It was founded in 1997 by the former Head of Music Information at MTV Europe in anticipation of the digital entertainment revolution.

Today, Entertainment Media Research is an international business headquartered in London serving the entertainment, media and advertising industries.

We combine quantitative research skills with entertainment sector expertise and branding consultancy to offer a unique and powerful service to brands in the entertainment industry.

www.entertainmentmediaresearch.com