

Failure Case for ENTR200 Class Discussion

Based on http://en.wikipedia.org/wiki/ITV_Digital accessed 12/13/07



ITV Digital (originally *British Digital Broadcasting* with **BSkyB**) was a British terrestrial [digital television broadcaster](#), which launched a pay-TV service on the world's first digital terrestrial television network as **ONdigital** in 1998 and briefly re-branded as ITV Digital in [July 2001](#). Its main shareholders were [Carlton Communications plc](#) and [Granada plc](#).

History

Digital terrestrial television (DTT) started in the UK in [1998](#). Six [multiplexes](#) were set up, with three of them allocated to the existing [analogue](#) broadcasters. The other three multiplexes were auctioned off. A consortium of [Carlton Television](#), [Granada Television](#) and [BSkyB](#) won the auction, and set up ONdigital. BSkyB was later forced to withdraw on competition grounds. From winning the licence to launching the world's first DTT service, ONdigital was given one year by the [Independent Television Commission](#) (ITC). In addition to launching audio and video services they also led the specification of an industry-wide advanced interactive engine (based on [MHEG-5](#)). This was an open standard that was then used by all broadcasters on DTT.

The new digital broadcaster was launched on [15 November 1998](#), with a lineup of 18 channels, including many channels developed in-house by Carlton and Granada.^[1] On 18 September 2000, ONdigital launched an [Internet](#) television service, **ONnet**^[2], and in the same year a deal with multiplex operator [SDN](#) led to the launch of [pay-per-view](#) service **ONrequest**.

Failure

From the launch date, however, the service was quickly losing money. Aggressive marketing by [BSkyB](#) for their own digital service, [Sky Digital](#), made the ONdigital offer look unattractive. The new digital satellite service provided a free dish, [Digibox](#), installation and around 200 channels for the same price as ONdigital - ONdigital's pricing had been set to compare with the older Sky analogue service of 20 channels. ONdigital also failed to realise that Sky had cast off its downmarket image and believed there was considerable public antipathy towards Sky (and [Rupert Murdoch](#)); but this appeared to matter much less than they had hoped.

Additional problems were caused by the choice of [64QAM](#) broadcast mode, coupled with far weaker than expected broadcast power, (meaning that the signal was weak in many areas), an incomprehensible pricing structure (comprising many menu options), a poor quality subscriber management system (badly adapted from [Canal+](#)), a paper magazine TV guide whereas BSkyB had provided an [electronic programme guide](#) (EPG), insufficient technical customer services, and much [signal piracy](#) because there was no return path and no requirement (as with BSkyB) to connect the [set-top box](#)'s modem to a phone line.

Another problem was that the set-top boxes were sold in high street stores and supermarkets at a price that included - in theory - the set top box on loan and the first year's subscription package. As the call to activate the viewing card did not require any bank details, many ONdigital boxes which were technically on loan were at unverifiable addresses.

Additionally, the OnDigital pay-per-view channels were encrypted using a system - SECA - which had previously been cracked in Europe. This meant that it was very easy for people to produce and sell counterfeit subscription cards which would give access to all the channels.^[3]

Finally, Carlton and Granada had chosen not to employ ONdigital management and staff directly, so many people were on short term contracts and key people left with no notice.

Canal+ launched proceedings against a [News Corp](#) subsidiary, [NDS](#), for cracking and then releasing details of their encryption technology^[4] - the same technology used by ONdigital - but this was subsequently settled out of court as part of [Vivendi](#)'s acquisition of [Telepiu](#) in 2002. News Corp is a major shareholder of BSkyB.

Rebranding

In desperation at the [churn rate](#), Carlton and Granada turned to their most valuable asset - the [ITV](#) brand - and, on 11 July 2001, rebranded ONdigital as ITV Digital.^[5] They also (in a very expensive deal) purchased the TV rights to [the Football League](#) and launched the [ITV Sport Channel](#). A massive re-branding campaign was launched to support the new naming, with customers even being sent ITV Digital stickers to place over the existing ONdigital logos on their remote controls and set top boxes. The software running on the receivers was never changed though, and always displayed 'ON' on nearly every screen. The rebrand was not without controversy as [SMG plc](#), owner of [Scottish Television](#) and [Grampian Television](#), [UTV](#) and [Channel Television](#) all pointed out that the ITV brand did not belong solely to Carlton and Granada. SMG and UTV initially refused to carry the advertising campaign for ITV Digital and did not allow the ITV Sports Channel space on their Multiplex, meaning that it was not available at launch in most of Scotland and Northern Ireland. The case was resolved in Scotland,^[6] and the Channel Islands and later still in Northern Ireland, allowing the ITV Sport Channel to launch in the non Carlton and Granada regions (although it was never made available in

the Channel Islands, as the islands do not have DTT or Cable and it never appeared on Sky Digital).

ITV Digital also ran a famous advertising campaign involving the [comedian Johnny Vegas](#) and a knitted [monkey](#) (voiced by [Ben Miller](#)). A replica knitted monkey could be obtained by signing up to ITV Digital. Because the monkey could not be obtained without signing up to the service, a popular market for second-hand monkeys developed. At one time original ITV Digital Monkeys were fetching several hundred pounds on [eBay](#)^[*citation needed*], and even knitting patterns delivered by email were sold for several pounds. In early 2007 the knitted monkey and Johnny Vegas have reappeared in an advert for [PG Tips](#), which includes a reference to ITV Digital's downfall.

Administration and Freeview

However, these changes failed to revive the broadcaster. Indeed, the cost of the Football League deal proved one too many a burden for ITV Digital, and it was placed into administration on [27 March 2002](#), after the League refused to accept a £130m pay cut in its £315m deal with the ITV Sport Channel. Most subscription channels ceased broadcasting on ITV Digital on [1 May 2002](#). The collapse caused severe financial difficulties for lower-division football clubs who had budgeted for large incomes from the television contract. The [Football League](#) sued ITV Digital's parent companies, Carlton and Granada, claiming that the firms had breached their contract in failing to deliver the guaranteed income. The League lost the case, with the judge ruling that it had "failed to extract sufficient written guarantees". The League then filed a negligence claim against its lawyers for failing to press for a written guarantee at the time of the deal with ITV Digital. This time it was awarded a paltry £4 in damages of the £150m it was seeking.^[7]

A consortium made up of the [BBC](#), [BSkyB](#) and [Crown Castle International](#) was granted ITV Digital's old broadcasting licence, and launched the [Freeview](#) service on [October 30, 2002](#), offering 30 free-to-air TV channels and 20 free-to-air radio channels including several interactive channels such as [BBCi](#) and [Teletext](#) but no subscription or premium services. Those followed on [March 31, 2004](#) when [Top Up TV](#) began broadcasting eleven [pay TV](#) channels in [timeshared](#) broadcast slots.

During 2002, ITV Digital's liquidators started to ask customers to return set top boxes or pay a £39.99 fee. This deteriorated from a request to a plea, with one liquidator's representative speaking to Nick Ferarri on [LBC 97.3](#) to justify why they wanted the money, but when challenged by the presenter to ask 'how are you going to force people to return these boxes, are you going to employ collection agencies?' the response was a feeble 'please I just want them back'. Had the move been successful, this would threaten to undermine the fledgling Freeview service as most digital terrestrial receivers were former ONdigital and ITV Digital units. Carlton and Granada stepped in and paid £2.8m to have the boxes stay with their customers, as at the time the ITV companies received a discount on their licence payments based on the number of digital homes they had converted. Second hand ONdigital receivers are widely available from sources such as

eBay and are fully compatible with the successor Freeview system (and also with Top Up TV). They can be an attractive means of getting a cheap [DVB-T](#)-compatible receiver but have some drawbacks: they are slower than more modern boxes with faster processors (ONdigital receivers often take several seconds to change channel for example) and lack support for the full Freeview Electronic Programme Guide (as this feature was introduced well after the ONdigital receiver software was written). The receiver software can also be buggy, causing the boxes lock up and refuse to respond to keypresses on the remote control.

The three multiplexes that were run by ITV Digital remained blank until a week or so before Freeview's launch. However, E4 and FilmFour continued broadcasting for over two weeks after the shutdown. Strangely however, E4 carried subtitles until the placeholder was deleted in September 2002. Most of the original ITV Digital channel placeholders and [LCNs](#) were kept until Freeview's replaced them, leaving large gaps between channels.

ITV Digital operated out of [Marco Polo House](#), the south London building that had once housed the lavish headquarters of the ill-fated [British Satellite Broadcasting](#), and had call centres located in [Pembroke Dock](#), [Plymouth](#) and [Northern Ireland](#).

ITV Digital Channel List

Correct as of [April 30, 2002](#), the day before most pay services ceased

20. [ITV Sport Channel](#)
21. [Sky Sports 1](#)
22. [Sky Sports 2](#)
23. [Sky Sports 3](#)
24. [Sky MovieMax](#)
25. [Sky Premier](#)
26. [Sky One](#)
27. [Cartoon Network](#)
28. [Carlton Cinema](#)
29. [British Eurosport](#)
30. [Granada Plus](#)

31. [Men & Motors](#)
32. [UK Gold](#)
33. [MTV](#)
36. [Discovery Channel](#)
37. [Play UK](#)
38. [UK Style](#)
39. [Nickelodeon/Paramount Comedy](#)
41. [FilmFour](#)
42. [E4](#)
43. [UK Horizons](#)

Set Top Boxes

This is a list of ex-ITV and ONdigital set-top boxes. The boxes are generally more cumbersome than more modern offerings, and [MHEG](#) services run noticeably slower. All boxes used similar software, in that a unified interface and design was used between all models. [Top Up TV](#) provided the most recent update in 2004 which upgraded minor technicalities with encryption services.

- [Nokia](#) Mediamaster 9850T
- [Pace Micro Technology](#) DTR-730, DTR-735
- [Philips](#) DTX 6370, DTX 6371, DTX 6372
- [Pioneer](#) DBR-T200, DBR-T210
- [Sony](#) VTX-D500U
- [Toshiba](#) DTB2000

Carlton/Granada Digital Television Channels

Carlton and Granada, the owners of ON/ITV Digital created a selection of channels, which formed some of the core content of channels available via the service, these were:

- [Carlton Cinema](#) [Ceased Transmission 2003]
- [Carlton Kids](#) [Ceased Transmission 2000]
- [Carlton World](#) [Ceased Transmission 2000]
- [Carlton Select](#) [Ceased Transmission 2000]
- [Carlton Food Network](#) (Rebranded TASTE CFN) [Ceased Transmission 2001]

- On Sport 1 [Ceased Transmission 2001]
- On Sport 2 [Ceased Transmission 2001]
- [Granada Good Life](#) (Rebranded Granada Breeze) [Ceased Transmission 2002]
- [Granada Men and Motors](#) (Rebranded Men and Motors) [Still broadcasting on cable and Freesat, but ceased on Freeview in 2006 and replaced by ITV Play, which subsequently was pulled off-air following a premium-rate telephone line investigation and replaced by ITV2 +1 in March 2007]
- [Granada Plus](#) (Rebranded Plus) [Ceased Transmission 2004] [Channel's demographic fulfilled by ITV3]
- FirstOnDigital [Ceased Transmission 2000]
- [Wellbeing](#) (Granada & Boots) [Ceased Transmission 2002]
- [Shop!](#) (Granada and Littlewoods) [Ceased Transmission 2002]
- [On Request/ITV Select](#) [Ceased Transmission 2002]
- [ITV Sport Channel](#) [Ceased Transmission 2002]
- [ITV Sport Extra](#) [Ceased Transmission 2002]
- [ITV Sport Select](#) [Ceased Transmission 2002]

Timeline of events

BRITISH DIGITAL BROADCASTING

- [1997](#)
 - 25 June 1997 - The [ITC](#) award the sole [DTT](#) broadcast licence to British Digital Broadcasting
 - 20 December 1997 - The ITC award the three [pay TV](#) digital multiplex licences to BDB
- [1998](#)
 - 29 July 1998 - BDB rebrand as ONdigital
 - 15 November 1998 - Formal broadcasting begins
- [2000](#)
 - 1 May 2000 - Formal broadcasting of [Pay-per-view](#) (PPV) service ONrequest begins
- [2001](#)
 - 11 July 2001 - ONdigital rebrand as ITV Digital
 - 22 August 2001 - PPV service ONrequest rebrands as ITV Select
- [2002](#)
 - 27 March 2002 - Placed into administration
 - 1 May 2002 - Pay-TV operations cease
 - 30 October 2002 - Formal broadcasting of replacement [Freeview](#) service begins

References

1. [^ ONdigital Announces Channel Packages And Launch Date \(1998-09-28\)](#).
2. [^ ONdigital's New television Internet service. \(2000-09-18\)](#).
3. [^ Tempting the digital refuseniks. BBC News \(2002-03-19\)](#).
4. [^ TV firm sues over \\$1bn 'piracy' loss. BBC News \(2002-03-12\)](#).
5. [^ ONdigital relaunches as ITV Digital. BBC News \(2001-07-11\)](#).
6. [^ ITV Digital gets support from SMG. Sport business \(2001-09-28\)](#).
7. [^ Football League loses damages bid. BBC News \(2006-06-23\)](#).

External links

- [ONdigital in liquidation](#), Information for subscribers.
- [ONdigital history site](#)
- [*ITV Digital goes broke*](#)
- [*Set-top box offers low-cost digital*](#)
- [List of channels offered by ONdigital](#)
- [General Top Up TV introduction page, including instructions on how to adapt old ONdigital receivers for the service](#)