

World's service: how a broadcast doyen is building a global online brand

To the ire of commercial rivals, the BBC is drawing on its reputation in radio and television to compete in an age of broadband downloads, writes **Andrew Edgediffe-Johnson**

It commands a 26m-strong monthly audience worldwide, roughly a quarter of the user base of eBay or AOL. It hopes to raise billions to push the frontiers of digital media technology. And it is laying ambitious plans for international expansion.

But Europe's biggest dotcom did not start life in a garage in Germany or a science park in Scotland. It was cradled by an 80-year-old state-subsidised bureaucracy in a west London suburb.

The BBC is both an entrepreneurial anomaly and an illustration of the importance of branding on the internet. It has received considerable financial backing from a government-mandated licence fee rather than venture capitalists. But its growth stems mostly from the reputation the BBC has earned through its old-media activities in radio and television.

Now, with publication of a parliamentary policy paper this week set to kick off debate over the terms of renewal of its royal operating charter, rivals are increasingly voicing concern about its growing - and largely uncontrolled - online power.

Does the £3bn (\$5.2bn, €4.4bn) a year in funding it receives allow it to drive innovation and expand the market for the industry as a whole? Or is it using public money to gain an unfair advantage over commercial rivals struggling with technological change, sluggish advertising revenues and proliferating competition?

One thing is not in dispute: its international reach. Thanks principally to the BBC's global reputation as a news provider - BBC News is the sixth most visited news website in the world, just after Google News - its online output now has almost twice as large an audience outside the UK as it does at home, according to Nielsen/NetRatings.

But the broadcaster is already engaged in a far broader range of new-media activities, from radio comedy downloads to search and educational publishing. It is those expansion plans that are making rivals ranging from local newspaper and radio companies to online-only multinationals nervous. The head of one European broadcaster complains: "I understand the BBC's digital lead - they have a tradition of education - but as long as they regulate themselves the line won't be drawn between what is public service broadcasting and what is commercial."

The emergence of the BBC as the UK's strongest home-grown internet brand was not just encouraged but required. Two years ago the British government declared: "If it is to remain a public service of universal relevance to all citizens, the BBC will have to be

fully involved in leading the digital revolution."

The BBC's unique funding structure - households pay an annual television licence fee that currently stands at £126.50 - allowed it to invest in new media earlier than commercial rivals that could not see a profitable business model and to keep investing through the dotcom downturn, hiring staff others had fired as their early enthusiasm ebbed.

The corporation's request for yearly increases in the fee of inflation plus 2.3 per cent yielding £5.5bn of new money over 10 years including £1.2bn to provide new digital services, offset by £3.9bn of cost savings and extra commercial income - was attacked by

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rivals and has so far elicited little public support from legislators.

But sitting in the brightly coloured, open-plan offices of the BBC's "media village" in White City, Ashley Highfield looks the part of a digital revolutionary leader. While his counterparts at Google are driven by the mantra of "don't be evil", the BBC's director of new media and technology says he is guided by the goal of "building public value".

That does not mean turning a profit but it does mean helping its audience discover the value of new technology, he says, just as the BBC was charged with leading the UK's introduction of television more than 50 years ago.

"It's undeniable we have a market impact -- but we can have a positive market impact," adds Tom Loosemore, the BBC's new media strategist. "I'd say we've been responsible for driving the podcast market in the UK to the point where people can charge for it. It's not a zero-sum game. We're growing the market."

The growth of bbc.co.uk has been impressive. In January, 8.2m people listened to 17m hours of live and on-demand programming over its online radio player -- almost double the 9m hours consumed in January 2005.

More than 400,000 interviews were

downloaded from *Today*, Radio 4's flagship morning news programme. A podcast trial generated 1.9m downloads over the month and the BBC received 676,000 "catch-up" requests to listen to *The Archers*, a 55-year-old radio soap opera about country life that is a national institution.

Critics are questioning why the BBC needs to lead this fast-changing market. "I think the BBC's argument, which may have had some merit in 1998 or 1999, is no longer applicable now that 10m homes have broadband," one broadcast executive says. Rod Henwood, new-business director of the rival Channel 4, adds that its behaviour may trammel rivals' expansion plans: "The BBC raised the bar but it also set a ceiling."

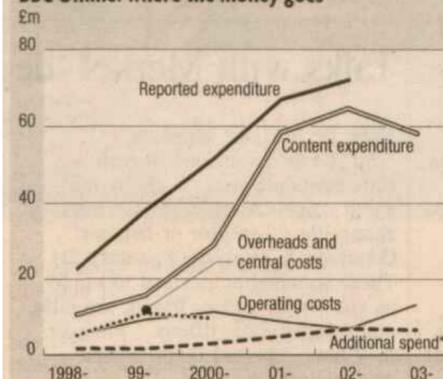
Its experiments have certainly trodden on commercial toes. Classical music labels were furious when the BBC made all Beethoven's symphonies available for free last summer and a 2004 review of bbc.co.uk led to the closure of sites devoted to fantasy football games, surfing beaches and soap opera gossip, which were deemed insufficiently distinctive from private sector alternatives.

Such incidents highlight concern about the spread of the BBC's activities. "In other media, they've only got a certain number of hours in the day they can fill and they must prioritise what they put in there," says Fru Hazlitt, chief executive of Virgin Radio. "But I don't know how you regulate the BBC in a limitless internet environment."

The BBC said in its licence fee submission it would need additional investment "to complete the second half of the digital journey for audiences". The initiative of most strategic significance as it travels that road is

Pick of the clicks

BBC Online: where the money goes



Sources: Report of the Independent Review of BBC Online; Nielsen/Net Ratings

Top 10 current events and global news sites

By number of unique users (global rank for Jan 2006)

Brand or channel	Unique audience (m)
1 Yahoo! News	34.4
2 MSNBC	26.4
3 CNN	26.3
4 AOL News	19.7
5 Google News	16.4
6 BBC News	14.2
7 Gannett newspapers	14.1
8 Internet Broadcasting	13.3
9 Tribune newspapers	13.0
10 NYTimes.com	13.0

* distribution and special projects



FT montage Photos: AP, Felix Clay

likely to be a piece of software called MyBBCPlayer. The interactive media player will be launched this year, allowing viewers to download BBC broadcasts on demand within a seven-day window. The BBC's ability to cross-promote the player could make it the first online television service to reach more than a niche audience.

At the same time, the BBC has in the past two weeks begun a "multicasting" trial with ITV, the UK's largest com-

mercial channel, allowing viewers to watch programmes on the internet as they are broadcast. It will launch live transmissions within months.

It is also seeking more licence fee funding to expand a trial of "ultra-local" television, a community-level initiative that is meeting strong opposition from local newspapers. And it has just launched BBC Jam, an online education site meant to complement the curriculum taught in schools.

"The BBC is almost like a university, generating IP and spinning off ideas," says Paul Lee, a director of Deloitte's technology, media and telecommunications team. As the likes of Yahoo and AOL seek to build up their media content, however, the BBC has the unique advantage of its archive, which includes more than 400,000 hours of video. This is perhaps what commercial rivals fear most.

It has joined forces with Universal Music, part of France's Vivendi Universal, to create downloads, albums and DVDs from material relating to Universal artists in its music video and radio library. But it is also encouraging free access to parts of its archive, to the concern of commercial archive owners such as ITN, the rival UK television news provider.

The BBC's domestic rivals have

grown up competing with the public service broadcaster's free, high-quality content but until recently it has lacked the scale to compete outside the UK.

That may be about to change. BBC Worldwide, its commercial arm, has set aggressive targets for doubling its profits to £74m this year, partly by making its new-media sales profitable. MyBBC-Player will initially be accessible only in the UK but commercial options are being explored internationally.

The BBC is unexpectedly finding that its 80-year-old public service mandate chimes with the participatory, syndicated style of the latest phase of the internet's evolution, known as web 2.0.

James MacAonghus of Aqute Research, a market intelligence company, says: "To be, like the BBC, at the forefront of web 2.0 is rare enough - to be at the forefront... when you are a content company, when your actions are closely monitored by regulators, government and competitors, and when you are a UK rather than US company deserves an awful lot of credit."

Its future funding may yet depend on such achievements. As Mark Thompson, its director-general, said last year: "If the BBC remains nothing more than a traditional TV and radio broadcaster then we probably won't deserve or get licence fee funding beyond 2016."