Structural vs. cyclical: the TV market after COVID-19, a UK perspective

11 February 2021
Eleni Marouli
Agenda

- Impact of the pandemic on UK consumers’ media habits and the TV market
- Overview of market dynamics in connected TV
- Future of public service broadcasting
Covid-19 media trends: TV and video
Lockdown prompted a surge in TV viewing that amplified the shift from broadcast to on-demand

Average minutes of viewing per day in April 2020: all individuals, all devices

Total: 6 hrs 25 mins

59% broadcast content

Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.
Young adults’ viewing increased by almost two hours a day in April, with SVoD accounting for half of this growth.

Average minutes of viewing per day in April 2020: 16-34s, all devices

- Total: 6 hrs 21 mins
- 31% broadcast content
- 55 minutes spent on SVoD
- 120 minutes spent on other video (on a TV)
- 85 minutes spent on YouTube (not on a TV)
- 43 minutes spent on Games console
- 4 minutes spent on DVD
- 12 minutes spent on Recorded playback

Change in average minutes per day, 2019 vs. April 2020: adults 16-34: all devices

- Total: 6 hours 21 minutes
- SVoD increased by 55 minutes
- Recorded playback increased by 3 minutes
- Other video (not on a TV) increased by 20 minutes

Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.

Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.
Covid-19 reversed the long-term decline in broadcast TV viewing – at least temporarily

Total TV average daily minutes by month

Source: BARB. Total TV, all individuals (4+). December 2020 figures are not yet fully consolidated.
Among all programme genres, news achieved the biggest increase in viewing during lockdown

All channels – average daily mins per person to national/international news

Source: BARB. Total TV, all individuals (4+). Consolidated up to seven days.
Demand for news programming helped the PSBs to achieve their highest combined monthly viewing share in more than six years in March 2020

Average share of viewing, by channel / channel group: 2020 (%)

Source: BARB. Total TV, all individuals (4+). PSB +1s are included in their portfolio groups. All PSB share includes the main five (excluding +1s) and all BBC channels. S4C is not included because it is calculated from a different base within BARB measurement. We therefore look at its performance within Wales only, rather than the whole UK network. We have included the performance of S4C in the Media Nations Wales report.
As lockdown measures eased, broadcast TV viewing fell, while viewing of SVoD and other non-broadcaster content retained more of its lockdown uplift.

Total TV and unmatched viewing (daily minutes per person) and Covid-19 related events

Source: BARB. Total TV, all individuals (4+).
Before lockdown, more than half of UK households already subscribed to video-on-demand services, but take-up accelerated throughout 2020.
Disney+ made an immediate impact, quickly becoming the third most-subscribed-to SVoD service

Household subscription status and intention of UK online adults, by SVoD service

<table>
<thead>
<tr>
<th>Service</th>
<th>Currently subscribe and plan to continue for the next 3 months</th>
<th>Currently subscribe but plan to cancel in the next 3 months</th>
<th>Do not subscribe but plan to in the next 3 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netflix</td>
<td>43%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Amazon Prime Video</td>
<td>35%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Disney+</td>
<td>5%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Now TV</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Apple TV+</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>BT Sport Monthly Pass</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>ITV Hub+</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>YouTube Premium</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>All4+</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>BritBox</td>
<td>2%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Note: Those who selected ‘Do not subscribe and do not plan to subscribe in the next 3 months’ and ‘Don’t know’ not charted. Base: Online adults aged 16+. 
Most Disney+ subscribers (95%) also subscribe to one or both of the two main SVoD services, meaning that it has proved largely supplementary so far.

Proportion of SVoD multiple adult subscribers amongst Netflix, Amazon Prime Video and Disney+ subscribers: by age

Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Online adults aged 16+. Base: online adults 16+ who subscribe to at least one of Netflix, Amazon Prime Video or Disney+.
### Reasons for using SVoD, by service, Q1 2020

<table>
<thead>
<tr>
<th>Reason</th>
<th>Netflix</th>
<th>Amazon Prime Video</th>
<th>NOW TV</th>
</tr>
</thead>
<tbody>
<tr>
<td>To watch at a time that suits</td>
<td>42%</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>To watch something different to content on main TV</td>
<td>18%</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>To watch exclusive content not available elsewhere</td>
<td>15%</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>To watch multiple episodes in a row</td>
<td>42%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To watch original series made by provider</td>
<td>29%</td>
<td></td>
<td>13%</td>
</tr>
<tr>
<td>To access back catalogue of TV programmes</td>
<td>18%</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>To watch content with fewer/no adverts</td>
<td>11%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>To take advantage of a free trial or promotional offer</td>
<td>13%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>To watch specific programme</td>
<td>31%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To watch catalogue of movies</td>
<td>22%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheaper than Pay TV subscription</td>
<td>26%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheaper than renting/buying DVDs/Blu-ray discs</td>
<td>20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To obtain free shipping</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: GfK SVoD Tracker*
With increased SVoD take-up and growing stacking among users, more consumers have a greater choice of content available to them.

Total catalogue hours available on selected SVoD services in April each year

Source: Ampere Analysis, April each year, UK services
...and the leading international players are offering increasing amounts of UK-originated content
PSBs’ output of first-run UK-originated content had been stable, but the disruption caused by Covid-19 is likely to cause a break in this trend.

Source: Ofcom/broadcasters Note: BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. Figures do not include S4C, BBC ALBA, BBC HD, and nations’/regions’ programming.
Spend on first-run originations was already on a consistent decline pre-pandemic, falling by around £1bn in real terms since 2004.

Source: Ofcom/broadcasters. Note: figures are expressed in real terms. BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. Figures do not include S4C, BBC ALBA, BBC HD, nations’/regions’ programming, and third-party spend.
Falling programme spend reflects funding pressure – traditional commercial TV revenues have been contracting, driven by declines in TV advertising income

Source: Ofcom/broadcasters (broadcast data) Ampere Analysis/IAB (online data). Note: Figures are expressed in real terms and replace previous Ofcom revenue data for the TV and online video industry, owing to restatements and improvements in methodologies. ‘Platform operators’ includes Ofcom’s estimates of Sky UK, Virgin Media, BT TV and TalkTalk subscriber revenue. Platform operators’ data for 2019 is not comparable to previous years, owing to a change in methodology in Sky reporting following a full year operating under the ownership of Comcast. ‘Digital multichannels’ includes consumer revenue generated by non-PSB channels and commercial PSB portfolio channels. ‘Commercial PSBs’ comprise ITV, STV, UTV, ITV Breakfast, Channel 4, Channel 5 and S4C. Online revenue includes OTT subscription (Netflix, Amazon Prime Video, ITV Hub+, DisneyLife, Apple TV+ and NOW TV), online and mobile video advertising, and digital retail and rental transactions. Online video advertising does not include ‘outstream’ video advertising delivered on non-video services. Totals may not equal the sum of the components due to rounding.
Connected TV gateways
The ecosystem is complex and players in the UK connected TV ecosystem are multi-faceted and leverage specific advantages
Connected TV revenue streams and video advertising in particular are growing market segments

- Smart TV continues to be a relatively fragmented market though this is likely to change
- Ad units have long been a feature of smart TV interfaces, but they are becoming more prominent
- Connected TV ad revenue has been identified as a key opportunity not just for manufacturers and OS partners, but also TV broadcasters and online platforms
IP-enabled smart TVs have created new possibilities for advertising

- Advertising provides an opportunity of recurring revenue for OS providers and hardware manufacturers.
- Business models still vary though OS players are increasingly calling for a revenue share (typically 30%) with BVOD players.
- Data plays an integral role in CTV advertising.
PSB Review
PSB is still highly valued by audiences and play a key role in underpinning the UK’s creative economy.

Figure 5: Personal and societal value – most valuable public service broadcasting benefits to audiences. Source: Small Screen: Big Debate Research 2020.
A new framework must be adaptable to future changes such as those in the connected TV space

Different routes to content
Useful resources

- Small Screen: Big Debate
- Media Nations Report
- Connected TV gateways review on market dynamics

Access to TV content: competition regulation and a review of market dynamics

30 November 2020

On-screen TV guides, or electronic programme guides (EPGs), enable viewers to find and select TV programmes on broadcast or linear TV. In 2006, we introduced rules for EPG providers to follow in the Digital Code, the EPG Code. The Digital Economy Act 2017 introduced a duty for Ofcom to review this Code before 1 December 2020. We are reviewing the requirements on EPG providers to ensure fair, reasonable and non-discriminatory treatment of channel providers, having recently reviewed the prominence and accessibility parts of the EPG Code.

There has been a huge change in how we find and watch TV programmes since the rules were introduced in 2006. People are increasingly going online to access a variety of content, and creating their own. Nonetheless, linear TV is still widely watched and EPGs remain an important way to find TV programmes. Our review considers whether competition rules are still required to support fair and effective competition.

Alongside this review, we are also looking at how increased smart TV ownership, better broadband and more on-demand services may be changing market dynamics. We commissioned a report on this from Mediatique. This is not a formal consultation nor part of our EPG Code review but we would welcome views from stakeholders to inform our understanding of how markets are evolving.

We have concluded that it is necessary to have rules in place on licensed EPG providers to engage with channel providers on fair, reasonable and non-discriminatory terms. The existing rules are working well and following consultation we have concluded that any minor amendments are necessary. In particular, we now additionally require that consultations by EPG providers follow a transparent process and allow reasonable timeframes for both for channel providers to comment and for implementation of any changes to listings. The revisions to the EPG Code (DEE 121/7) take immediate effect.

Published 5 August 2020
Thank you

eleni.marouli@ofcom.org.uk