

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

11 February 2021

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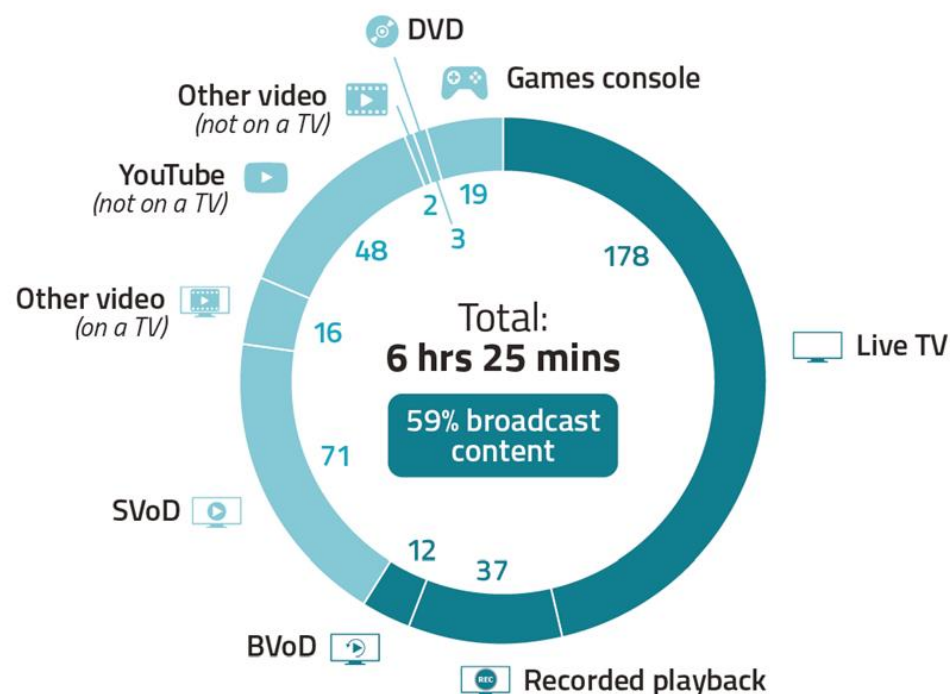
Agenda

- 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

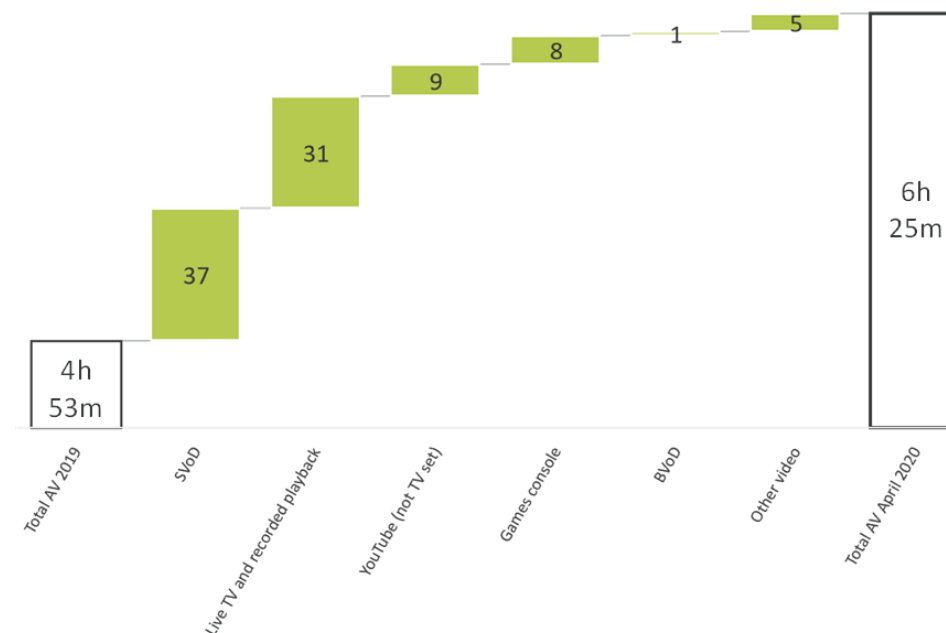
Covid-19 media trends: TV and video

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



Change in average minutes per day, all individuals, all devices: 2019 vs. April 2020

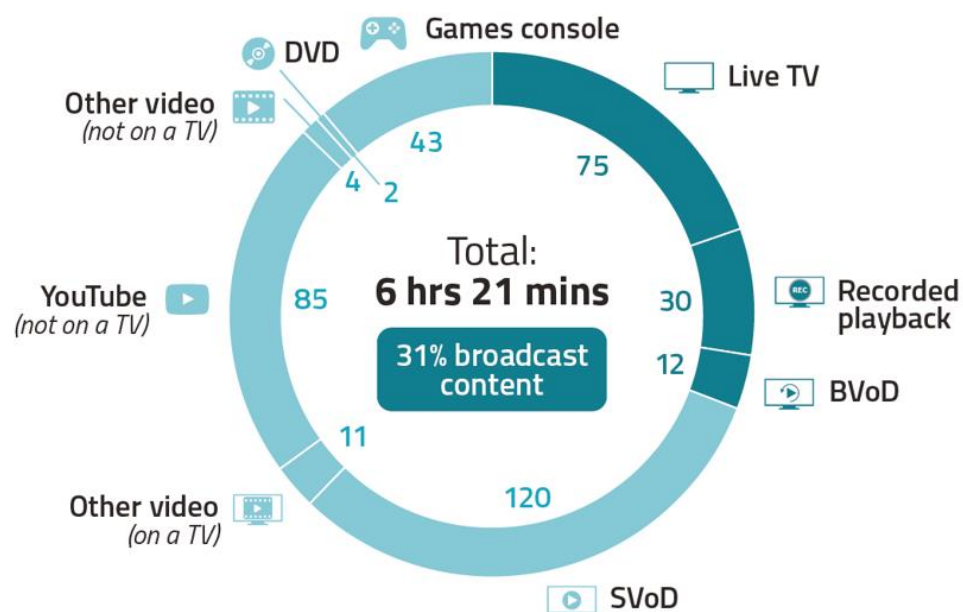


Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.

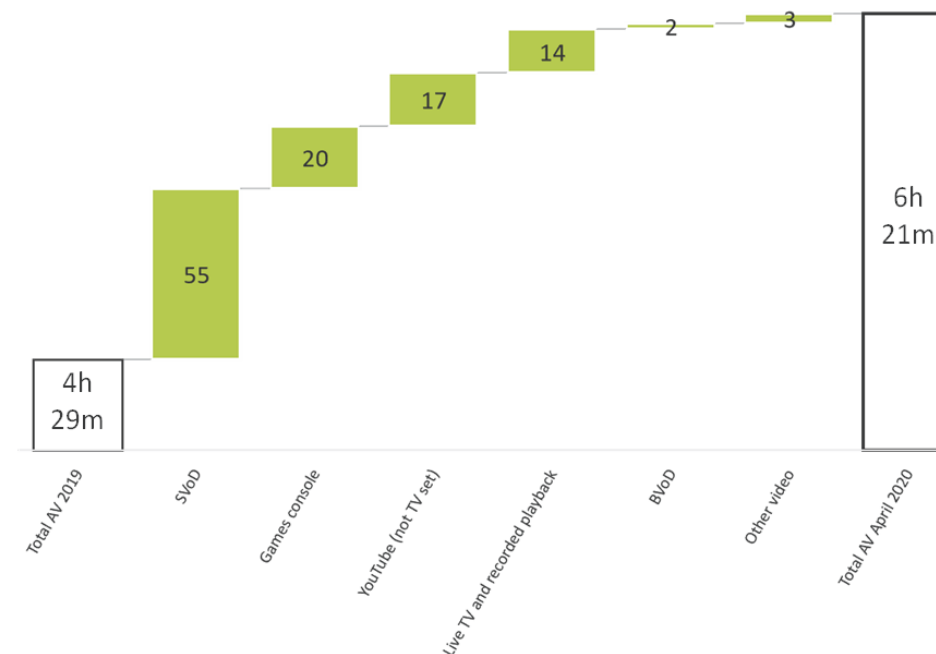
Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.

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



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

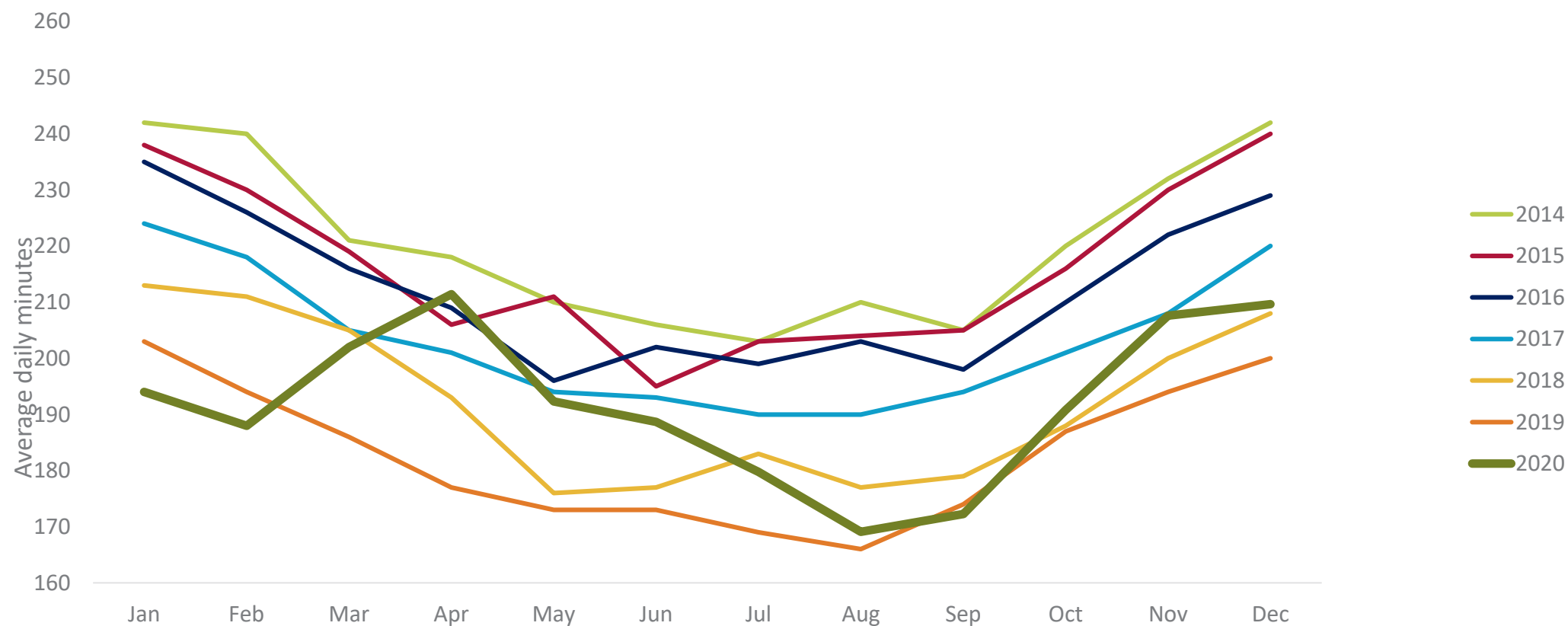


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Covid-19 reversed the long-term decline in broadcast TV viewing – at least temporarily

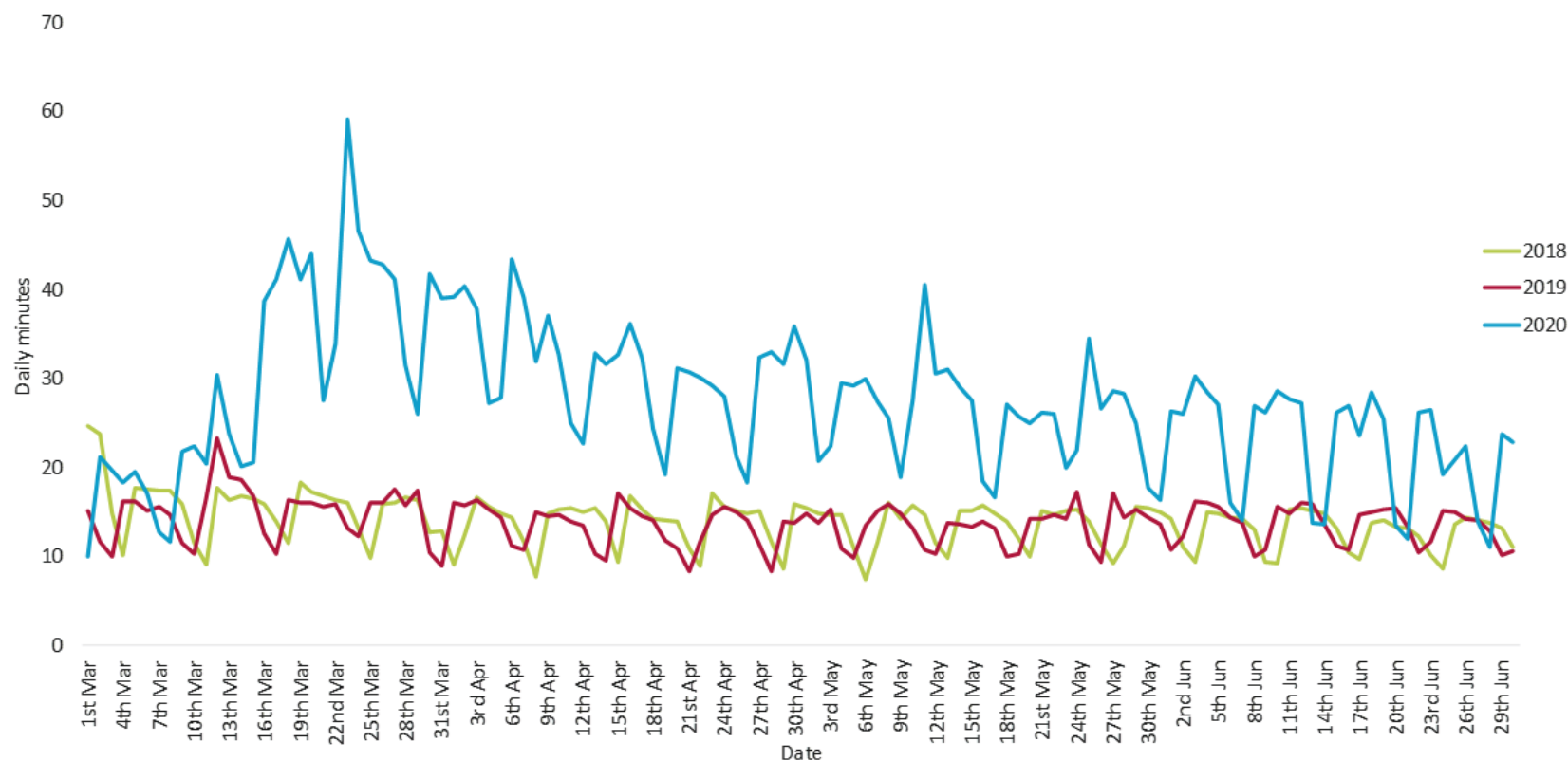
Total TV average daily minutes by month



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

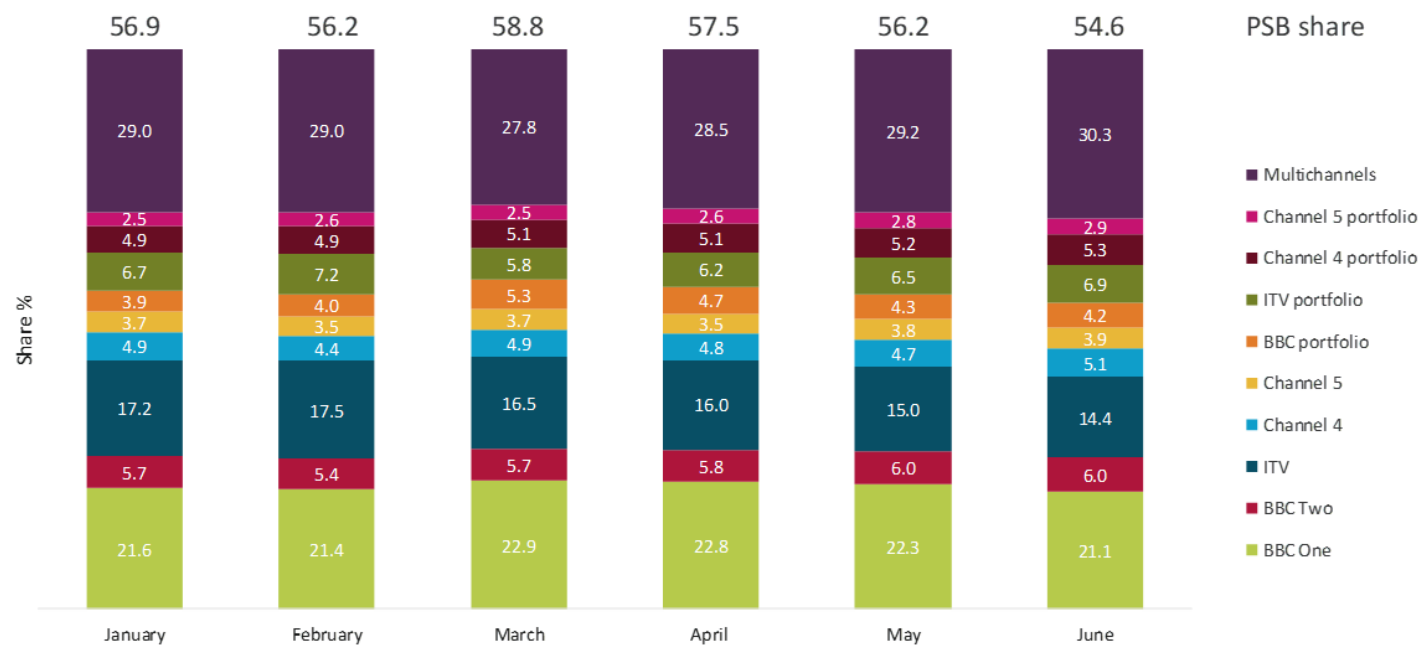
All channels – average daily mins per person to national/international news



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](#).

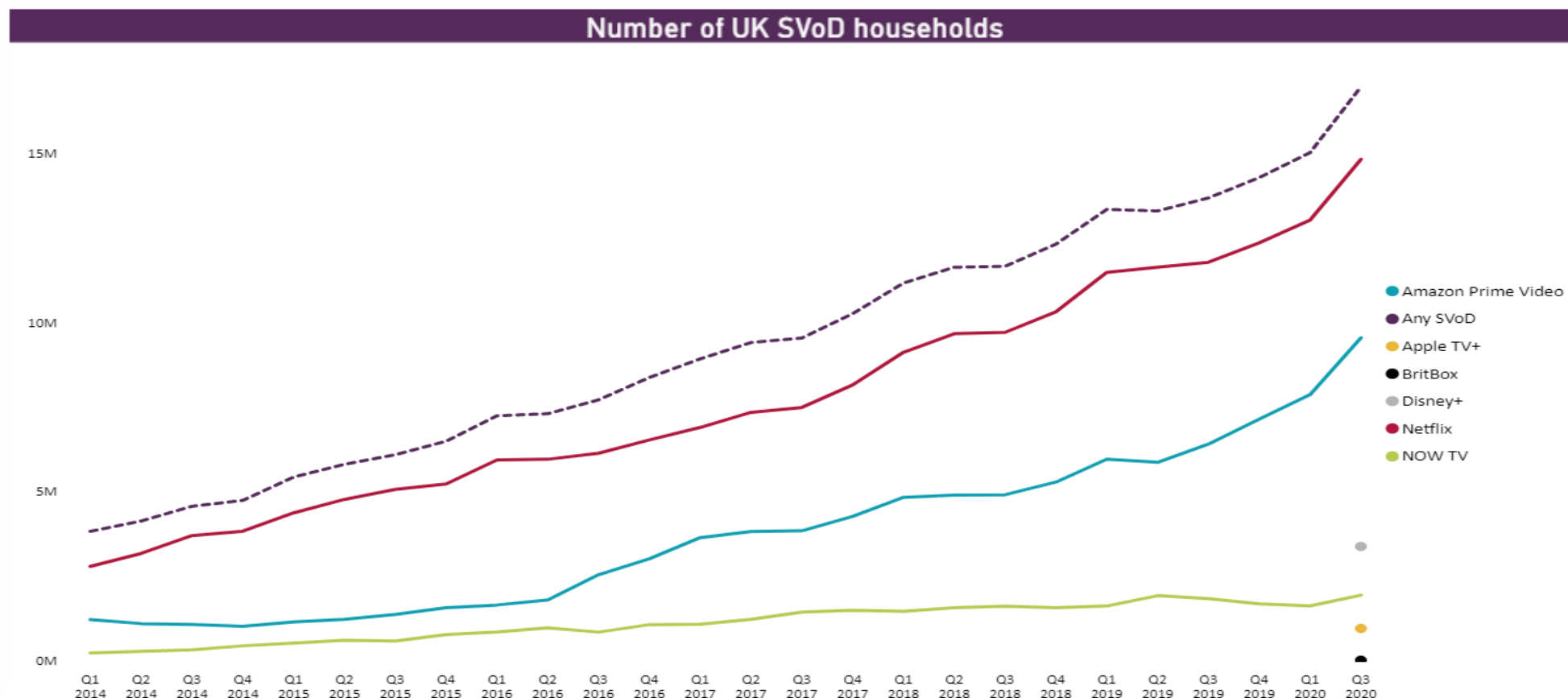
As lockdown measures eased, broadcast TV viewing fell, while viewing of SVoD and other non-broadcaster content retained more of its lockdown uplift

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



Source: BARB. Total TV, all individuals (4+).

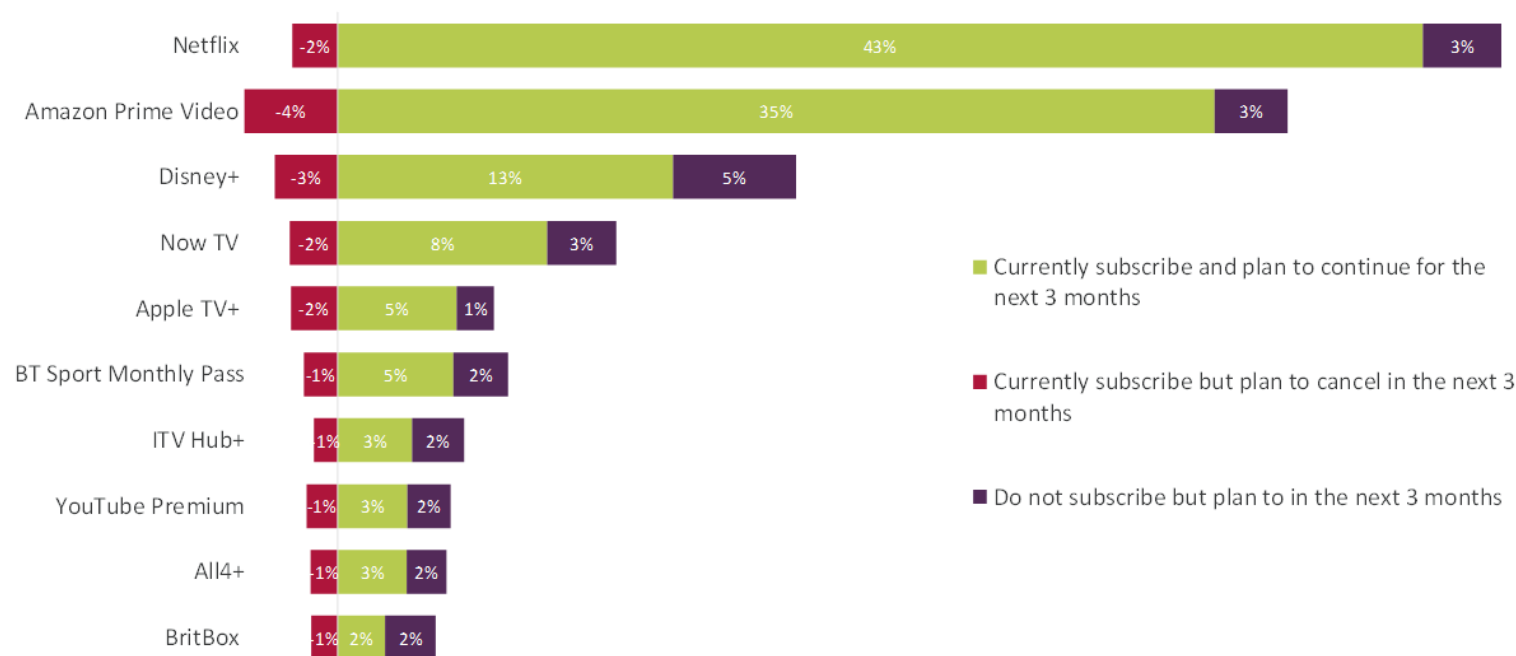
Before lockdown, more than half of UK households already subscribed to video-on-demand services, but take-up accelerated throughout 2020



Source: BARB Establishment Survey, Q: Do you, or does anyone in your household, subscribe to the following... Note: Any SVoD is any of the following - Netflix, Amazon Prime Video, Now TV or DisneyLife

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

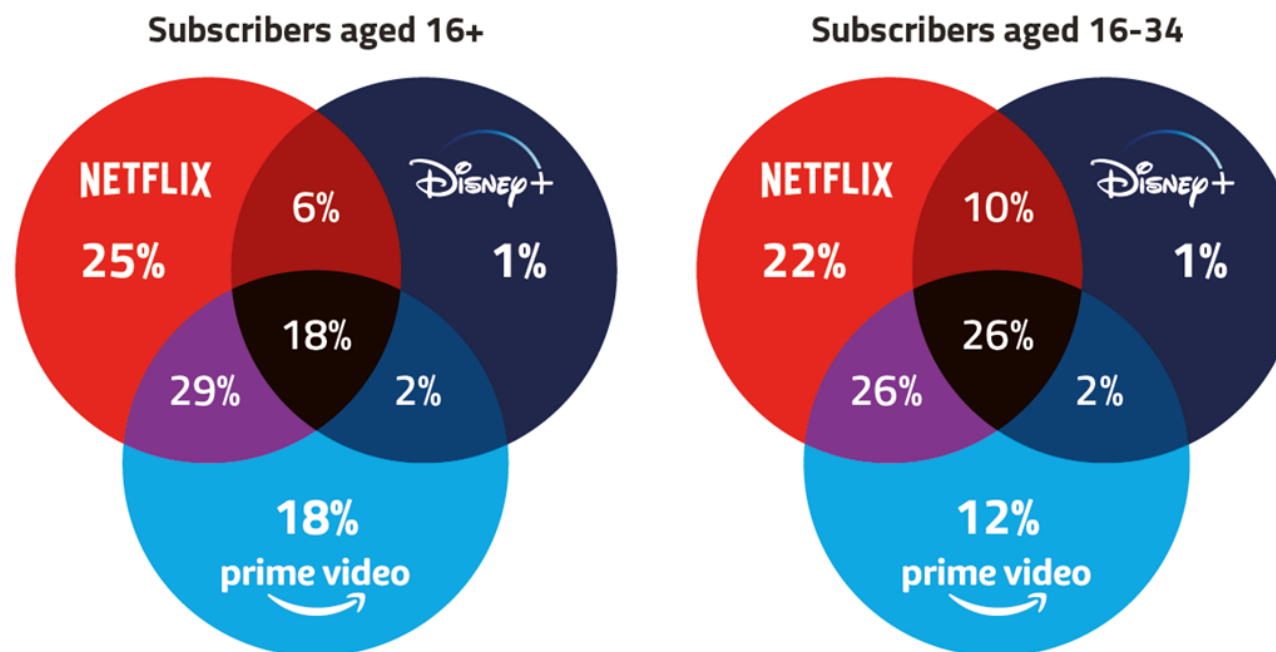


Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Note: Those who selected 'Do not subscribe and do not plan to subscribe in the next 3 months' and 'Don't know' not charted.

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

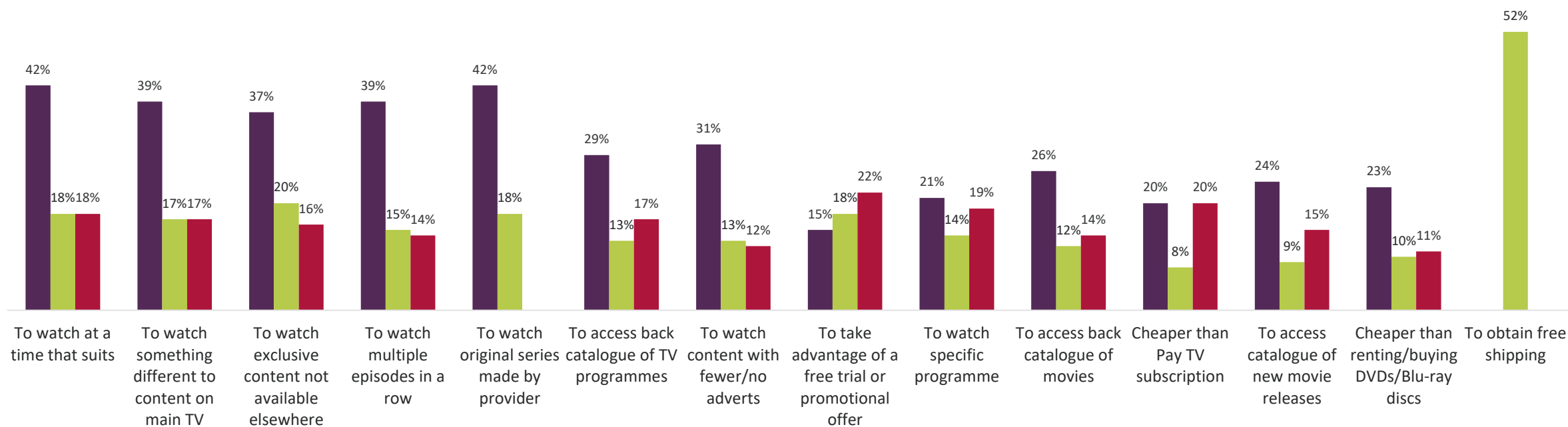


Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Online adults aged 16+. Base: online adults 16+ who subscribe to at least one of Netflix, Amazon Prime Video or Disney+.

Flexibility and content are the primary drivers of SVoD take-up

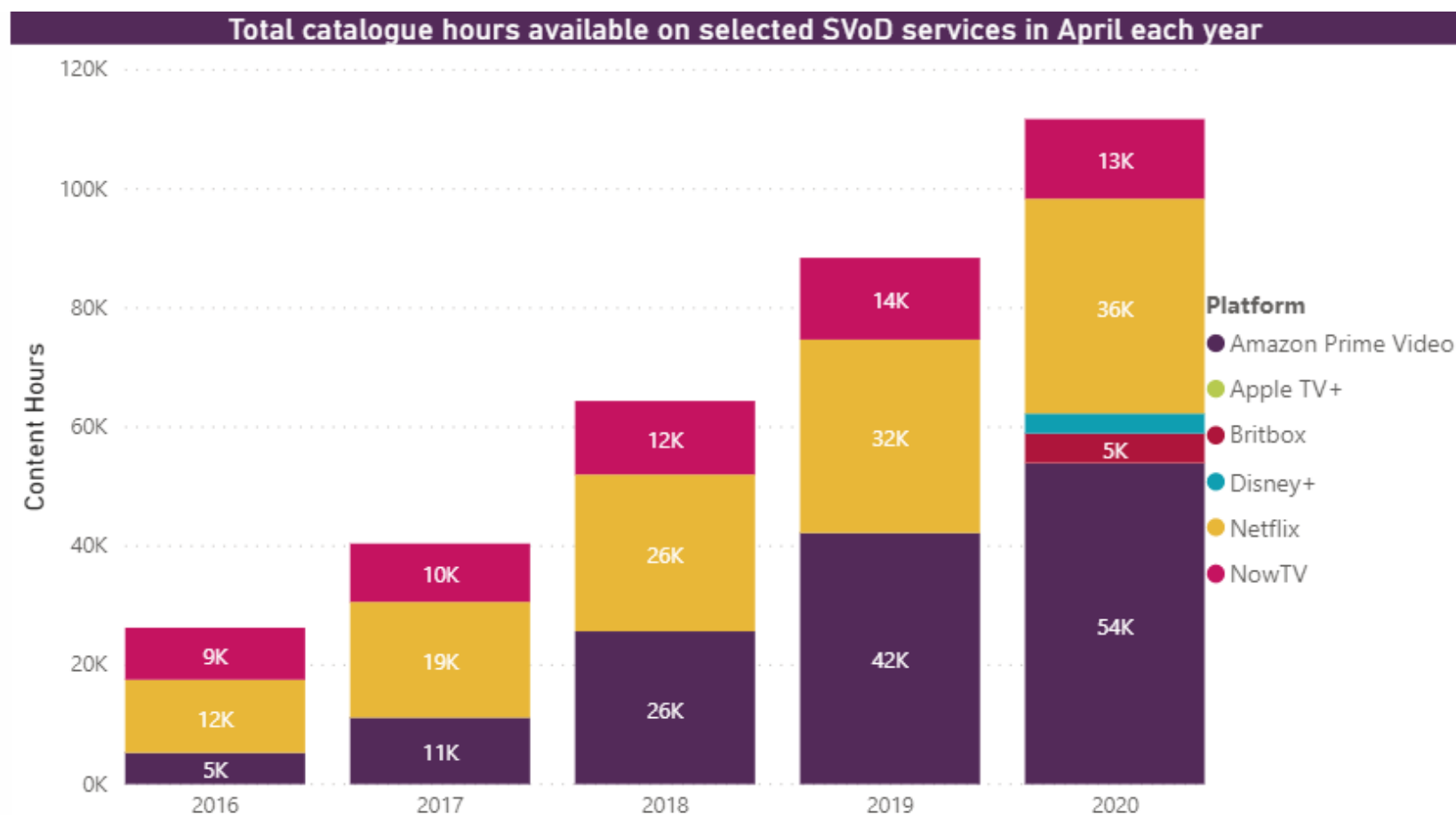
Reasons for using SVoD, by service, Q1 2020

■ Netflix ■ Amazon Prime Video ■ NOW TV



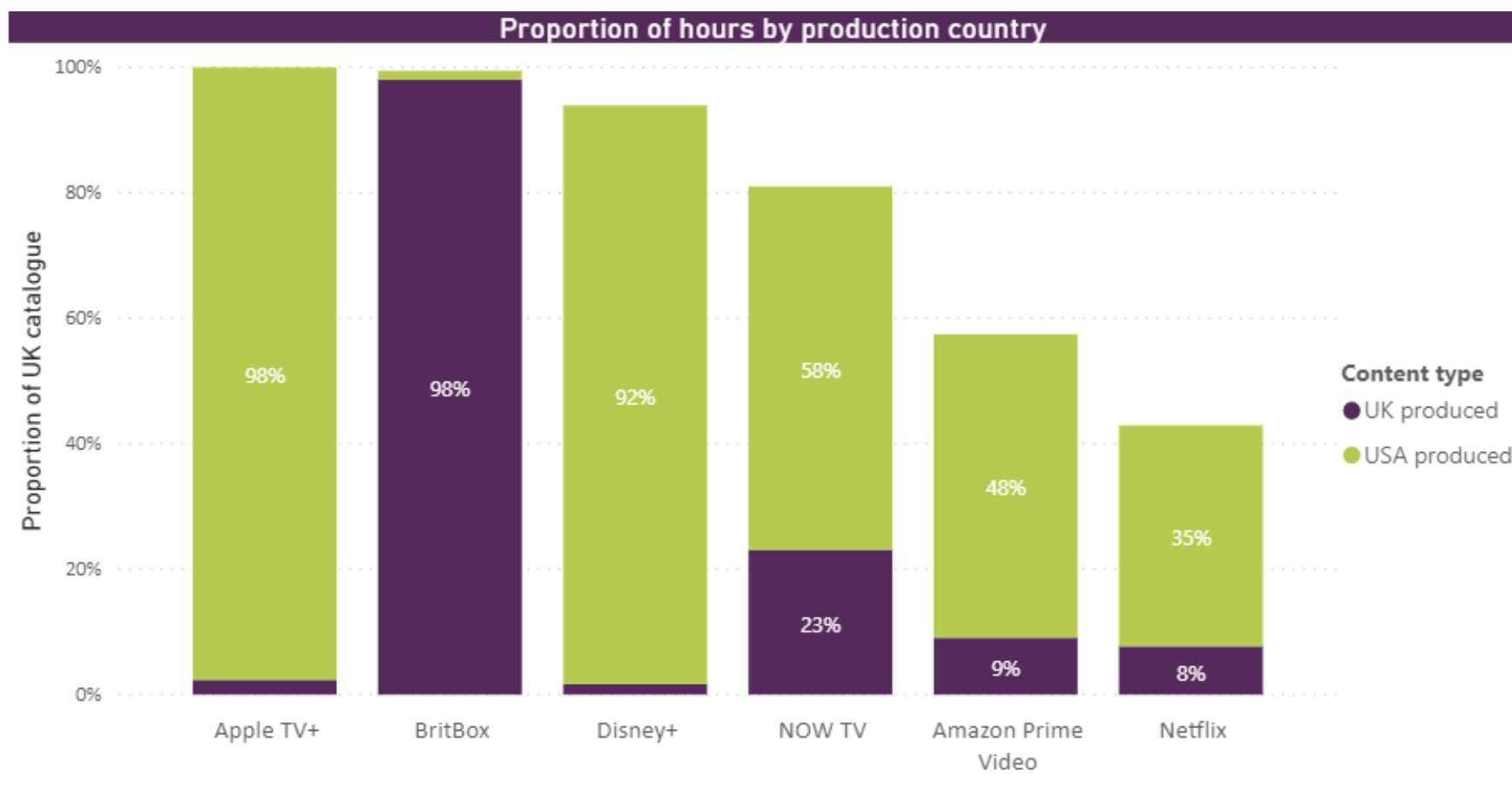
Source: GfK SVoD Tracker

With increased SVoD take-up and growing stacking among users, more consumers have a greater choice of content available to them



Source: Ampere Analysis, April each year, UK services

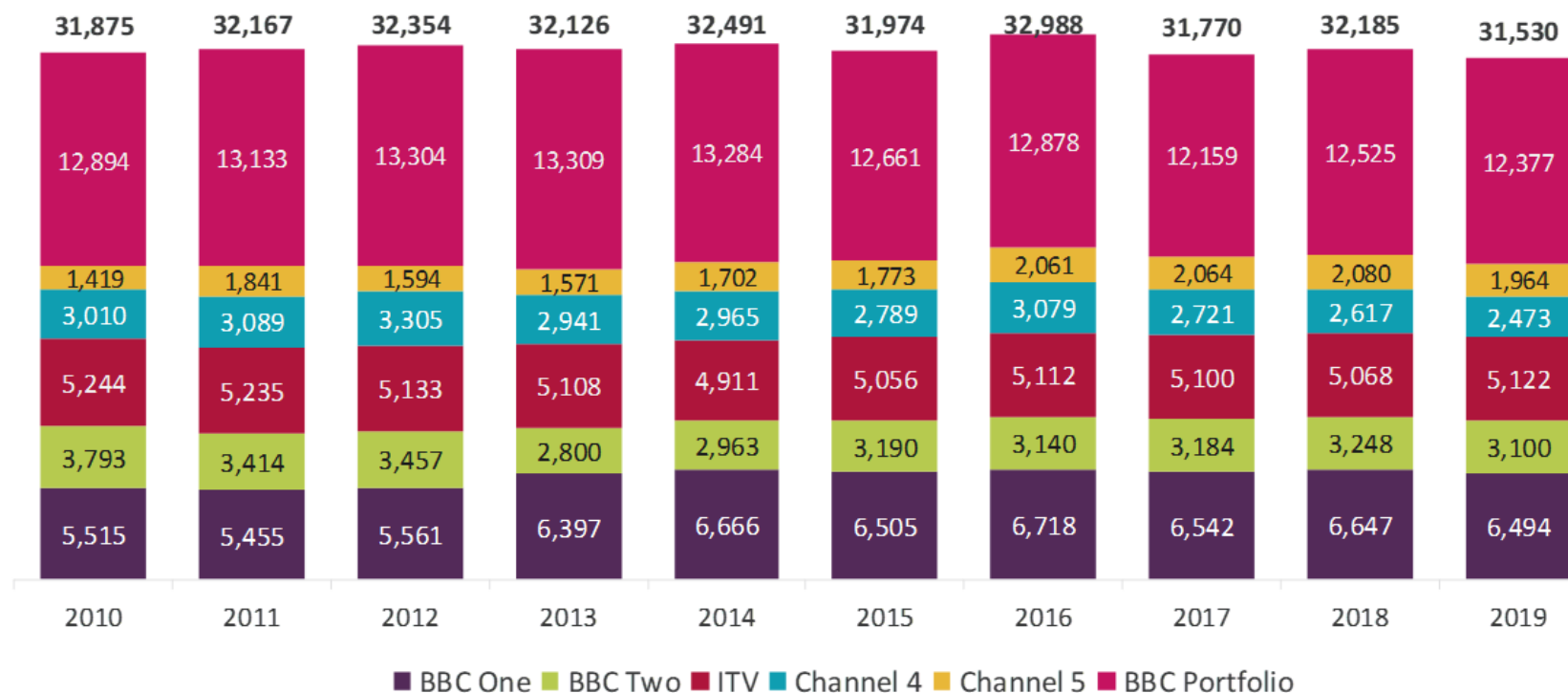
...and the leading international players are offering increasing amounts of UK-originated content



Source: Ampere Analysis, content hours, UK, April 2020. UK catalogues

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

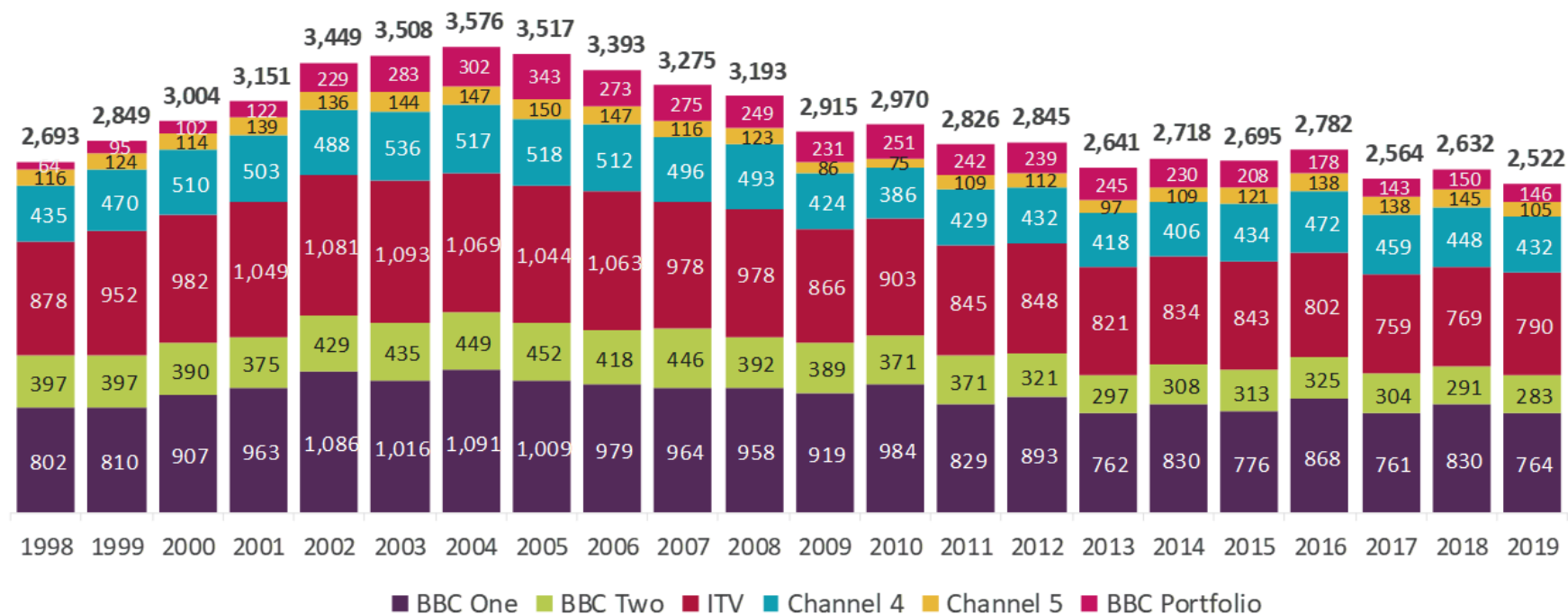
Hours of PSB first-run UK-originated content, by channel



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

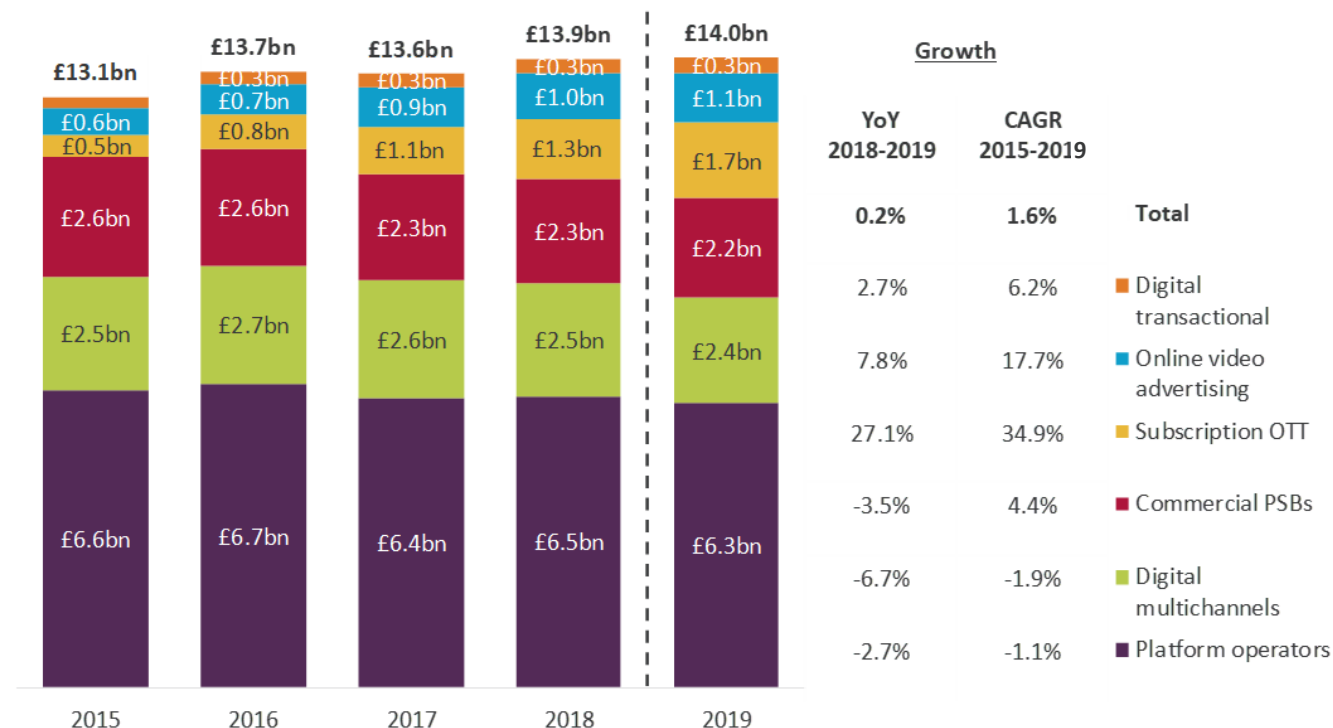
PSB network spend on first-run originations, by channel (£m)



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

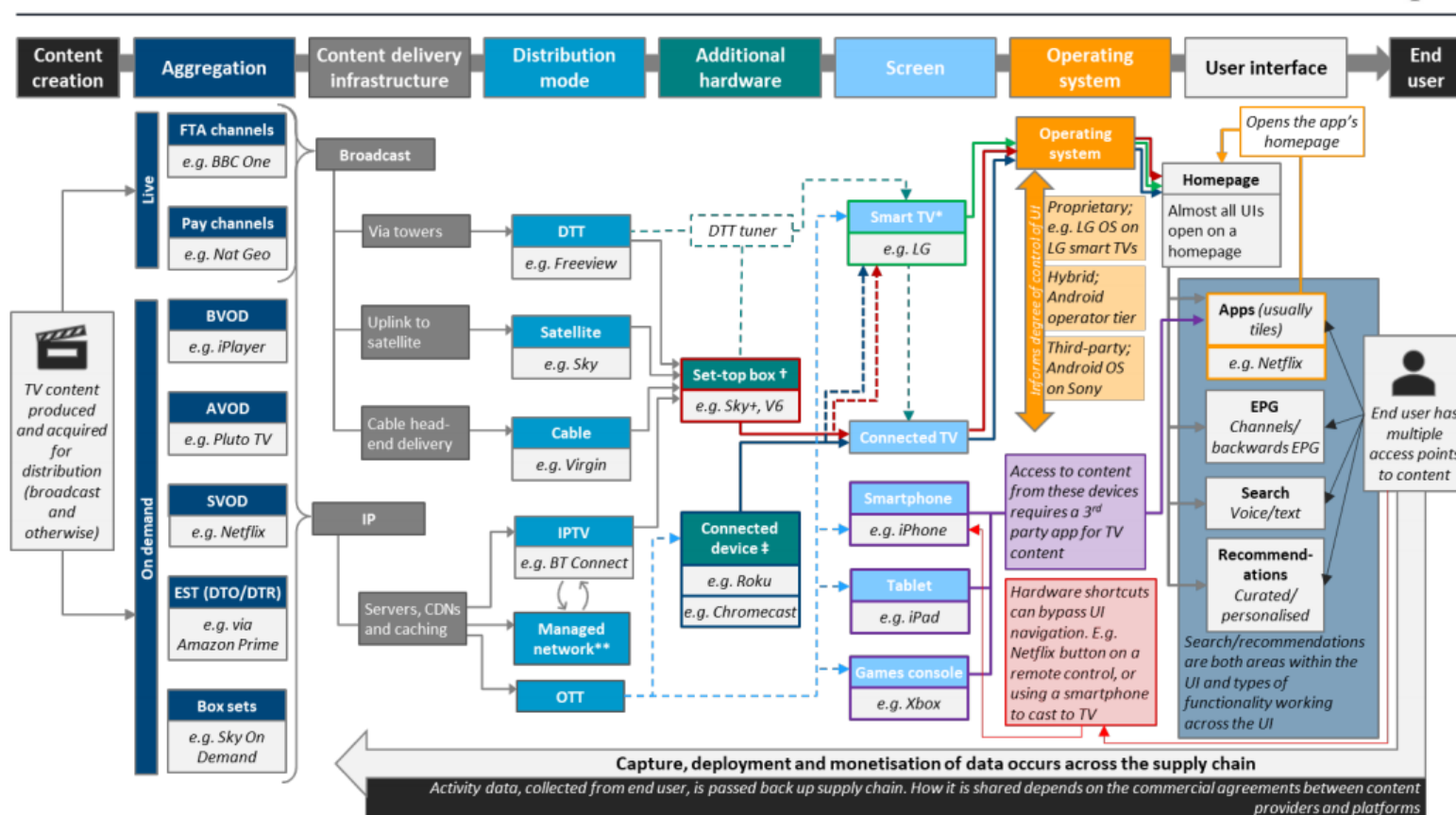
Commercial TV broadcast and online revenue: 2014-2019



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



Presence of key players in market segments in the UK

Market segment	Content production	Aggregation	Content delivery infrastructure	Distribution	Additional hardware	Screen	OS	UI
Apple	Y	Y	Y		Y	Y	Y	Y
Google		Y	Y	Y	Y	Y	Y	Y
Sky	Y	Y	Y	Y	Y		Y	Y
Amazon	Y	Y	Y		Y		Y	Y
BT		Y	Y	Y	Y		Y	Y
Virgin	Y*	Y	Y	Y	Y		Y	Y
Netflix	Y	Y		Y				Y
Roku		Y	Y		Y		Y	Y
Samsung					Y	Y	Y	Y
LG					Y	Y	Y	Y
Panasonic					Y	Y	Y	Y
Sony	Y				Y	Y	Y	Y
Microsoft			Y	Y	Y			
Freesat		Y	Y	Y	***	***		***
Freeview		Y	Y	Y	***	***		***
ITV	Y	Y	**					
BBC	Y	Y	**					
Youview		Y			Y			

Source: Mediatique. * Virgin produces some drama content but not on the same scale as others listed. ** As shareholders in Freesat, Digital UK (and Freeview), ITV and BBC participate in content delivery (the BBC stakes are through the public service, and not BBC Studio). *** Freeview and Freesat are not manufacturers but set out standards for using their kitemarks on hardware, and that can affect UI layout within smart TVs and connected hardware. Freeview has developed a standard ('Freeview Play') to govern how on demand content from the broadcasters is presented/discovered on compatible devices; Freesat has a similar standard – Freetime.

* Set-top boxes and streaming sticks can be plugged into smart TVs so users can toggle between ecosystems, e.g., by turning off Sky Q to access a smart TV's homepage. ** Delivered via managed IP (or 'pushed' via broadcast) to legacy STBs. † Includes IP streaming, and through home storage, both platform push VOD and PDL. ‡ We distinguish connected devices from set top boxes through their lack of memory/storage capacity, however the division is increasingly blurred given the ability to stream content from the cloud without home storage.

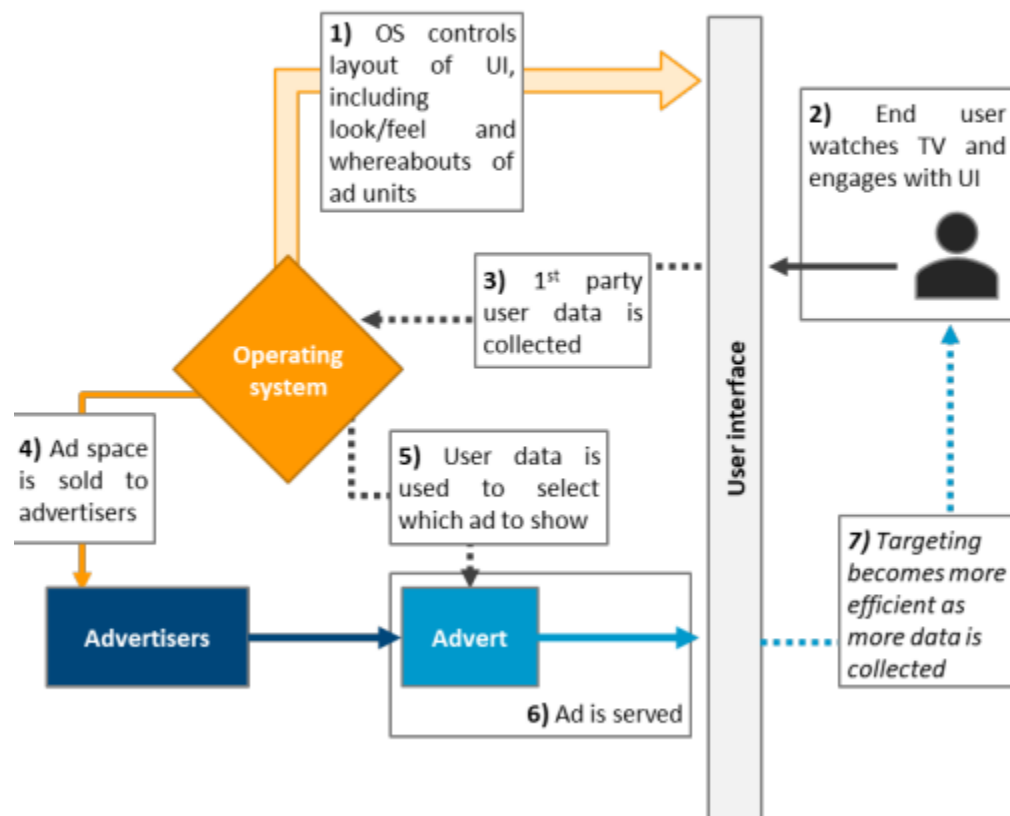
Connected TV revenue streams and video advertising in particular are growing market segments

Market segment	Segment category	Market size	Key players	Revenue growth trend
Aggregation	Pay TV	£6.4bn	Sky: 56% Virgin: 24% BT: 11%	➡
	SVOD	£1.3bn	Netflix: 60% Amazon: 31%	➡
	AVOD/BVOD (inc. YouTube)	£1.3bn	Google: 69% ITV: 24%	➡
Content Delivery Infrastructure	ISP	£1.1bn	BT: 32% Sky: 23% Virgin: 18%	➡
Consumer products	Smart speakers	£448m	Amazon: 64% Google: 26%	➡
	Games consoles	£700m	Sony: 48% Microsoft: 30%	➡
	Smart TVs	£3.3bn	Samsung: 22% LG: 21% Sony: 9%	➡
	Smartphones	£7.1bn	Apple: 41% Samsung: 19%	➡
	Tablets	£200m	Apple: 64% Samsung: 15% Amazon: 9%	↘
OS & UI	Smart TV OS	£1.8bn	Android: 33% Tizen: 28%	➡

- 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

How ad unit space is sold and delivered on smart TV interfaces



- 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.*³⁴



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 2004 we introduced rules for EPG providers to follow in a dedicated 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 huge change in how we find and watch TV programmes since the rules were imposed in 2004. 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 only minor amendments are necessary. In particular, we now additionally require that consultations by EPG providers follow a transparent process and allow reasonable timeframes both for channel providers to comment and for implementation of any changes to listings. The revisions to the [EPG Code \(PDF, 139.7 KB\)](#) take immediate effect.

Connected TV gateways: review of market dynamics – a report by Mediatique



Media Nations 2020

UK report

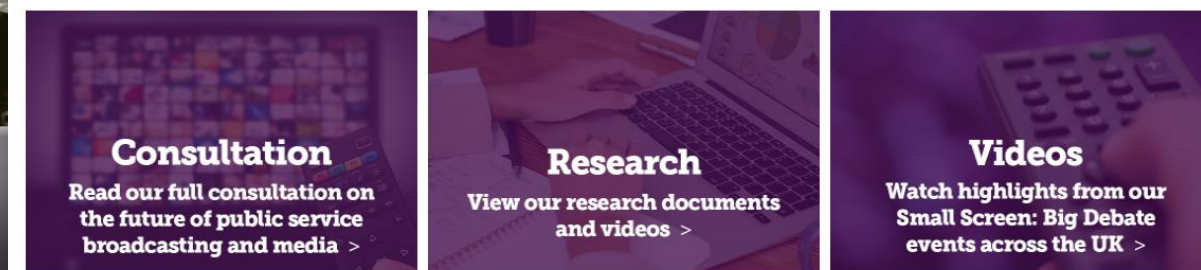


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Join the debate on the future of public service broadcasting and media in the UK

Read a variety of research, learn more about our work in this area and read [our consultation](#) on the future of public service media.



Thank you

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