

Media Nations 2020

UK report



Published 5 August 2020

Contents

Section

Overview	3
1. Covid-19 media trends: consumer behaviour	6
2. Covid-19 media trends: industry impact and response	44
3. Production trends	78
4. Advertising trends	90

Overview

This is Ofcom's third annual Media Nations, a research report for industry, policy makers, academics and consumers. It reviews key trends in the TV and online video sectors, as well as radio and other audio sectors. Accompanying this report is an [interactive report](#) that includes an extensive range of data. There are also separate reports for Northern Ireland, Scotland and Wales.

This year's publication comes during a particularly eventful and challenging period for the UK media industry. The Covid-19 pandemic and the ensuing lockdown period has changed consumer behaviour significantly and caused disruption across broadcasting, production, advertising and other related sectors. Our report focuses in large part on these recent developments and their implications for the future. It sets them against the backdrop of longer-term trends, as laid out in our [five-year review of public service broadcasting](#) (PSB) published in February, part of our [Small Screen: Big Debate](#) review of public service media. Media Nations provides further evidence to inform this, as well as assessing the broader industry landscape.

We have therefore dedicated two chapters of this report to analysis of Covid-19 media trends, and two chapters to wider market dynamics in key areas that are shaping the industry:

- The **consumer behaviour** chapter examines the impact of the Covid-19 pandemic on media consumption trends across television and online video, and radio and online audio.
- The **industry impact and response** chapter assesses how the operations and performance of broadcasters, and other providers of audiovisual and audio services, have been affected by Covid-19, and how they have responded to the crisis.
- The **production** chapter takes a detailed look at programming trends in the UK and how they are shaping the sector.
- The **advertising** chapter provides detailed analysis of the factors influencing advertising spend across media, including Covid-19 impacts and wider market shifts, with a particular focus on broadcast and online.

Ofcom's Media Nations report addresses the requirement to undertake and make public our consumer research (as set out in Sections 14 and 15 of the Communications Act 2003). It also meets the requirements on Ofcom under Section 358 of the Communications Act 2003 to publish an annual factual and statistical report on the TV and radio sector.

What we have found – in brief

Changing behaviour during the pandemic appears to be accelerating the growth in viewing of online video, particularly subscription services such as Netflix and Disney+

- In April 2020, when the UK was in full lockdown, the average amount of time people spent watching audiovisual content increased to an estimated 6 hours 25 minutes per person per day, an hour and a half more than the average figure for 2019.
- Most of this viewing was on broadcaster television (an average of 3 hours 46 minutes a day watching live, recorded or on demand) – up by 32 minutes on 2019, with most of the increase due to news viewing.
- However, the greatest growth was in subscription video-on-demand (SVoD) services, such as Netflix, Amazon Prime Video and Disney+, with people in the UK watching an average of 1 hour 11 minutes a day on these services in April 2020 – 37 minutes higher than in 2019. Young adults aged 16-34 watched these services for two hours a day on average.
- As lockdown measures eased, broadcast TV viewing fell, but by the end of June was still 11% higher than in the same week in 2019. However, TV set viewing of SVoD and other non-broadcaster content (including YouTube and video games) retained much of its lockdown uplift and was up 71% year on year in the last week of June.
- An estimated 12 million online adults gained access to a new SVoD subscription during lockdown, with around 3 million accessing SVoD for the first time. Some of these new users were in older age groups, who typically watch a lot more broadcast TV than younger people. Almost a third (32%) of 55-64-year-olds used SVoD services in the early lockdown period, up from 25% pre-lockdown, while 15% of over-64s used them (up from 12%).

The Covid-19 crisis has reinforced the importance of public service broadcasters as trusted providers of news and information

- Demand for news programming helped the PSBs to achieve their highest combined monthly viewing share in more than six years in March 2020, when they captured 58.8% of broadcast TV viewing.
- BBC services were the most-used source of news and information about Covid-19, with eight in ten (82%) people saying they used them for this purpose in the first week of lockdown, well ahead of other broadcasters, social media and other sources.
- The BBC, ITV and Channel 4 were each rated as trusted sources of news and information by more than eight in ten people at the start of lockdown.

Broadcasters face significant challenges as they seek to overcome financial and scheduling challenges to better compete for audiences

- The boost in PSB audience figures driven by increased viewing of news programming was short-lived. By June 2020, PSBs' combined viewing share had fallen to 54.6%, its lowest level since August 2019, with the lack of soaps and the loss of key sporting events and entertainment programmes keenly felt.

- Pauses in production will leave gaps in schedules for some time to come, with the absence of key programming more apparent for broadcast channels than the SVoD services they are competing with, which have deeper on-demand content libraries to rely on.
- Pay-TV broadcasters suffered from the absence of premium sport, but its return is helping them better compete for audiences once again. The resumption of Premier League football in June 2020 boosted multichannel broadcasters' combined monthly viewing share to 30.3%, up from 27.9% in March.
- The outlook for commercial PSBs is especially tough, as they manage cost-cutting measures amid financial uncertainty. Their cumulative revenues declined by 3.5% in 2019 to £2.2bn, and an expected decline in TV spot advertising of between 17% and 19% in 2020 will increase pressure on them.
- Revenue from online video advertising will be increasingly important. Broadcaster video-on-demand (BVoD) ad revenue has increased by an average of 24% a year in real terms between 2015 and 2019, reaching £452m last year. However, this has not been enough to fully counteract the larger decline in TV spot advertising.

Competition in subscription video-on-demand services has intensified, with Disney+ making the biggest impact among several new market entrants

- Before lockdown, 53% of UK households already subscribed to SVoD services, with 15 million homes subscribing to at least one of Netflix, Amazon Prime Video or NOW TV in the first quarter of 2020.
- Disney+'s launch date of 24 March (the start of UK lockdown) supported rapid take-up that saw it surpass NOW TV to become the third most-subscribed-to SVoD service – 16% of online adults had a subscription in their household by early July. Netflix was subscribed to in 45% of online adults' homes at this time, and Amazon Prime Video in 39%.
- The vast majority (95%) of Disney+ subscribers also subscribe to one or both of the two main SVoD services, meaning that it has proved largely supplementary to them so far.

Radio listening was broadly resilient during lockdown, but the sector will need to weather the advertising market downturn exacerbated by Covid-19

- Although an estimated 14% of online adults stopped listening to the radio in the first few weeks of lockdown – with reduced in-car listening and the closure of workplaces the biggest influencers of this – its share of overall audio listening time remained stable, at 70%.
- For young people, the amount of audio time accounted for by radio decreased with lockdown, from 27% beforehand to 18% during, with more time given to music-video channels/sites, audiobooks and podcasts.
- YouTube was used by 75% of online adults in the first two months of lockdown, with many using it to listen to music – among all genres of content watched/listened to on the platform, music was the most popular, accessed by a third of all online adults.
- Radio broadcasters will be affected by reduced radio advertising expenditure, which fell by 3% in real terms over 2019 to £703m, with a further decline of 21% forecast for 2020.

Covid-19 media trends: consumer behaviour

Introduction

This chapter examines how media consumption behaviour changed as a result of the coronavirus (Covid-19) pandemic. Using data from audience-measurement and ratings agencies, in addition to Ofcom-commissioned research, it evidences and provides commentary on trends across broadcast TV, different forms of online video, and radio and audio services. It also considers the possible future implications of these sudden shifts, and some of the related challenges and opportunities for broadcasters and other providers of TV, video and audio services emerging from the crisis.

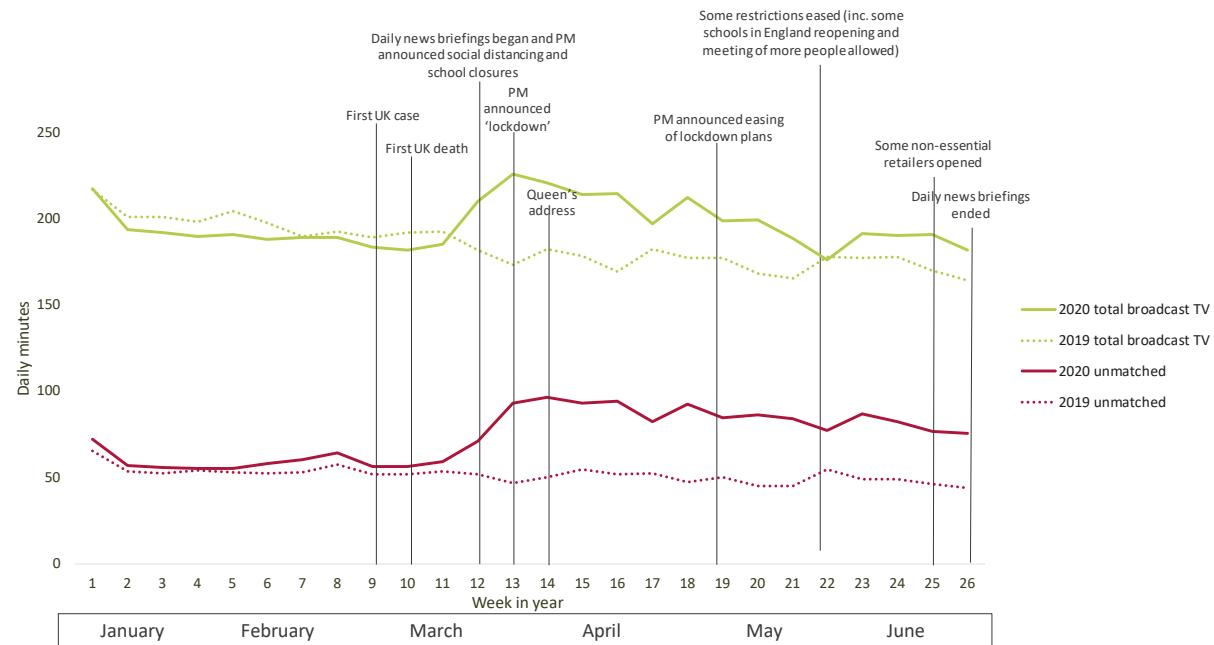
Lockdown prompted a surge in TV viewing that amplified the shift from broadcast to on-demand

The Government's implementation of lockdown measures – designed to reduce the spread of coronavirus – in mid-March 2020 resulted in people having more time for indoor leisure activities in the spring and early summer than in any comparable extended period in recent history. As a result, there were significant increases in both broadcast TV viewing and what we refer to as 'unmatched' viewing – time spent watching the TV set that cannot be attributed to broadcast programming by TV measurement agency BARB.¹ In the week commencing 23 March, when the Prime Minister addressed the nation to announce the lockdown, average daily viewing of broadcast television peaked at 3 hours 46 minutes, its highest level since the last week of 2018.²

As the lockdown progressed, the easing of social restrictions and good weather across most of the UK, coupled with reduced viewing of news programming, saw broadcast TV viewing decline from its peak – but it remained higher than 2019 levels during the analysis period up to the end of June 2020, with the exception of the last week of May. Unmatched viewing, meanwhile, has not declined in a comparable way, retaining much of the uplift it achieved as a result of lockdown, in large part due to a sustained increase in the viewing of subscription video-on-demand (SVoD) services such as Netflix and Amazon Prime Video.

¹ Unmatched viewing: TV set in use but content cannot be audio-matched or otherwise identified. Includes gaming, viewing DVDs/box sets/archives, SVoD, YouTube, time-shifted viewing beyond 28 days, apps on smart TVs and navigation around EPG guides where there is no in-picture broadcast content.

² BARB. Figures quoted are for BARB standard seven-day consolidated viewing for individuals (aged 4+) unless otherwise stated. This includes viewing of programmes at the time of broadcast (live), recordings (such as on digital video recorders (DVRs)), and through catch-up player services (e.g. apps on smart TVs) up to seven days after first broadcast (known as time-shifted viewing). Broadcast TV includes viewing via devices attached to the TV set, such as set-top boxes and streaming devices.

Figure 1.1: Total TV and unmatched viewing (daily minutes per person) and Covid-19 related events

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

With many aspects of normal life resuming – albeit with varying levels of restrictions in place – and other activities once again competing for people's time, overall TV set viewing is likely to return to something close to pre-lockdown levels. This may take some time though, with ongoing safety measures and general anxiety about the virus likely to result in some people spending more time at home than they did before. One driver of this is increased working from home – this could become a new normal for a significant proportion of the adult population in the long term, potentially resulting in a more permanent slight uplift in TV set viewing.

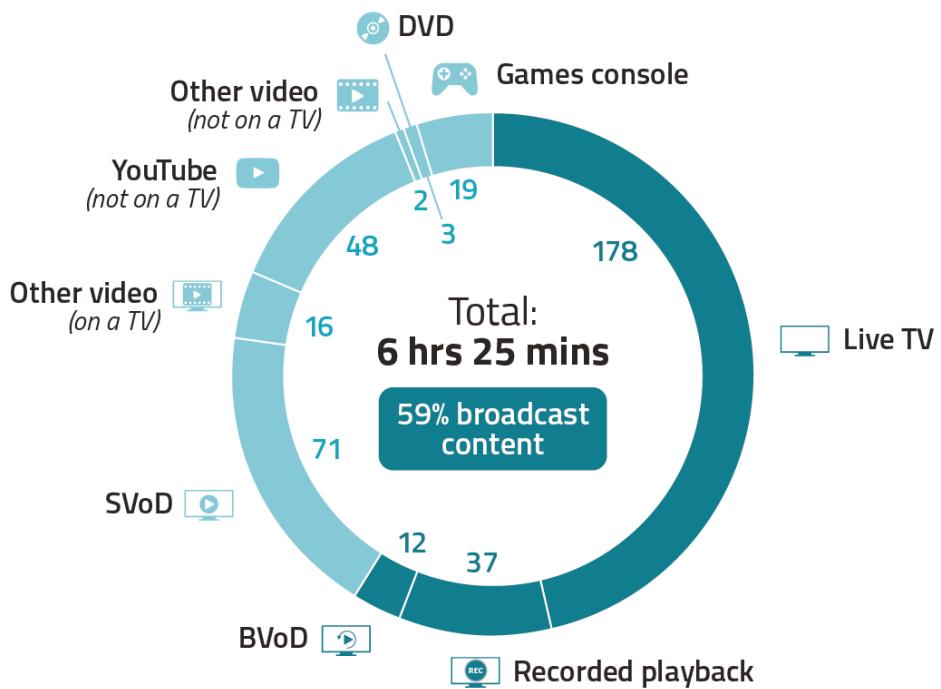
One of the most significant long-term impacts of Covid-19 for TV could be an accelerated shift within total viewing away from broadcaster content, as people increasingly use on-demand services. As will be detailed in both this chapter and the next, SVoD's overall appeal as an alternative to broadcast services has been strengthened by the pandemic, with existing users watching more and new users embracing subscription services for the first time – including older viewers, who typically watch more broadcast television than younger people and have been slower to adopt new services. While SVoD services have mainly thrived during lockdown, broadcasters have been affected to varying degrees by halts in production, the lack of live sport and entertainment programming, and a sharp downturn in the advertising market.

Across all types of viewing, SVoD services achieved the greatest increase during April's full lockdown

A substantial proportion of people's waking hours was spent watching audiovisual content in April, the one entire calendar month in which the UK was in full lockdown. Viewing time per person per day averaged an estimated 6 hours 25 minutes, an increase of an hour and a half, or 32%, on the average figure for 2019. Of this increase, an estimated 37 minutes was accounted for by SVoD

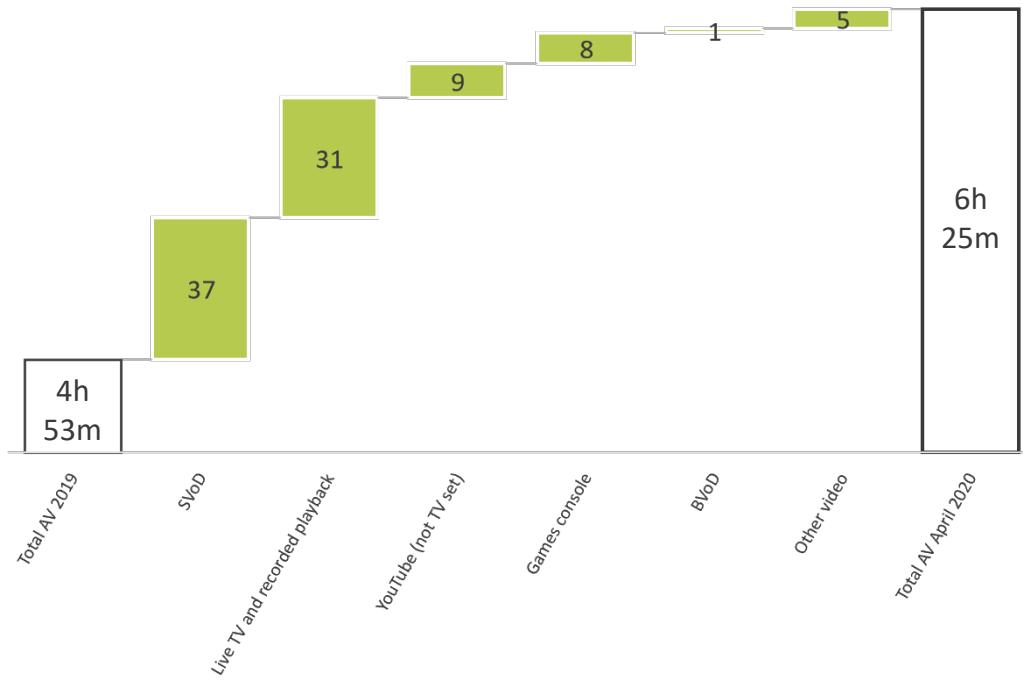
services, including Netflix, Amazon Prime Video and Disney+, and 31 minutes by live TV and recorded playback. News was a big driver of the increase in live TV viewing, with people seeking frequent updates on Covid-19-related developments. We estimate that viewing of broadcaster video-on-demand (BVoD) services – including iPlayer, ITV Hub, All4, My5 and other similar free-to-access offerings from broadcasters – increased only slightly, by an average of one minute per person per day. This low increase may be partially explained by people being more able to view the content available on these broadcast-led services live, or via their digital video recorders (DVRs), with recorded playback increasing by seven minutes.³

Figure 1.2: Average minutes of viewing per day in April 2020: all individuals, all devices



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

³ Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and Touchpoints data.

Figure 1.3: 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.

Increased viewing goes beyond TV-like content to YouTube and gaming

Other well-established viewing activities also increased in April – YouTube by an average of nine minutes per person per day and use of games consoles connected to the TV set by eight minutes. The increase in YouTube is from an already-high base, and when viewing on the TV set is considered (not specifically measured but included in ‘other video on the TV set’), all individuals averaged around an hour viewing YouTube each day in April. Unlike SVoD services which comprise a large amount of drama and film content, YouTube is more difficult to characterise. There is a lot of music viewed / listened to on the platform and a long tail of niche YouTuber content, as well as a substantial body of content with TV-like production values. The increase in gaming is from a much lower base, rising by 73% from 11 to 19 minutes per person per day.⁴

The different category increases outlined above together encompass a very diverse group of platforms and illustrate a wide variety of viewer behaviours. They show that people have been watching more programming suitable for shared viewing (drama and film), content that informs (news), material likely to be viewed solo (most YouTube viewing is on devices other than the TV set), as well as spending more time on lean-in (and sometimes social) activities like gaming.⁵

⁴ Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and Touchpoints data.

⁵ Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and Touchpoints data.

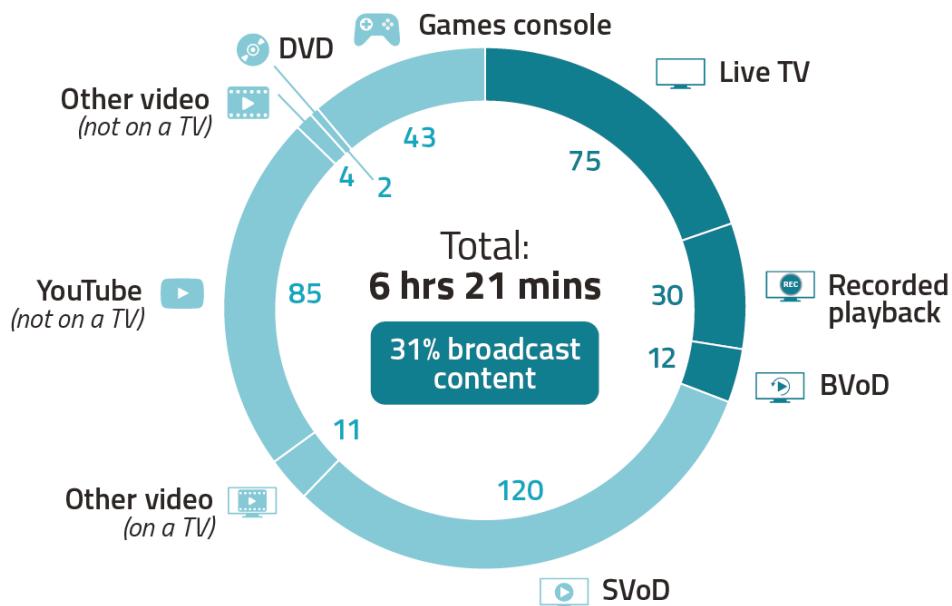
Young adults' viewing increased by almost two hours a day in April, with SVoD accounting for half of this growth

Audiovisual viewing among young adults aged 16-34 increased by almost two hours per day in April compared to the average for 2019, from 4 hours 29 minutes to 6 hours 21 minutes. The influence of SVoD on this was far more pronounced in this younger group, for whom time spent viewing it increased by 55 minutes to an average of two hours per day. Large content libraries are supporting this heavy use, but such high levels of consumption highlight the need for services to continue refreshing their offerings to keep users engaged.

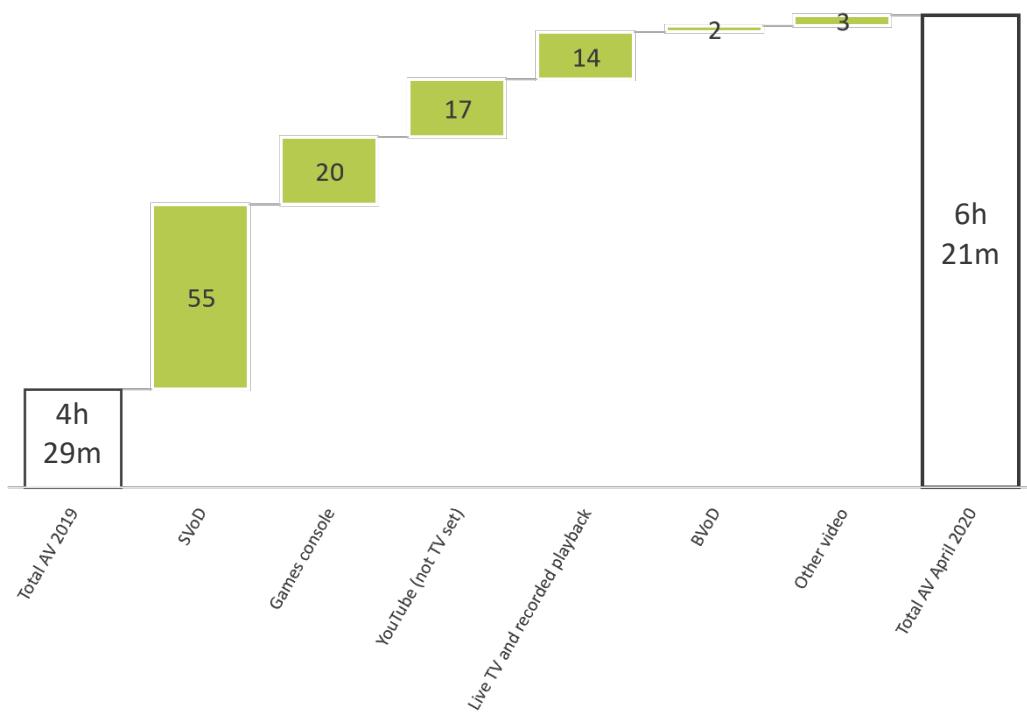
Time spent by young adults on YouTube, which includes watching videos as well as listening to music, was on a par with the amount of time they spent watching live TV (not including recorded playback or BVoD viewing) in 2019. In April's lockdown, their YouTube time exceeded live TV viewing, increasing by 17 minutes compared to the 2019 average to 1 hour 25 minutes per day, compared to 1 hour 15 minutes for live TV. Most of people's time spent on YouTube is on devices other than the TV set, and when viewing of it on the TV set is taken into account, 16-34-year-olds' total viewing in April averaged about an hour and half each day.

Another notable feature of young adults' viewing is their use of games consoles attached to the TV set, which almost doubled from an average of 23 minutes per day in 2019 to 43 minutes in April 2020. As games consoles are often connected to the internet and offer voice and chat communications, this could reflect a desire to interact socially with others remotely as well as play games. Games consoles are also used by some to access TV content of various types.

Figure 1.4: Average minutes of viewing per day in April 2020: 16-34s, all devices



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

Figure 1.5: Change in average minutes per day, 2019 vs. April 2020: adults 16-34: all devices

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

Listening habits changed in lockdown too; the proportion of audio time spent with radio held up overall but dropped among younger audiences

As with audiovisual viewing habits, many people's listening habits for radio and other audio services changed as a result of lockdown, with the shifts among younger people most pronounced here too.

Before lockdown, time spent listening to the radio in-vehicle and at work was predominately driven by adults under the age of 55 (70% and 82% respectively in Q1 2020). Therefore, radio listening by younger adults would have been significantly affected by the Government's stay-at-home orders, with commuting and other travel practically halting overnight and resulting in one in seven of the adults we surveyed during lockdown saying they had stopped listening to the radio since lockdown began.⁶

Despite the change in circumstances, when looking at time spent with any audio, the proportion of time spent with radio for all adults remained relatively unchanged in the first few weeks of lockdown compared to pre-lockdown (70% vs. 71%). However, this was not the case for younger adults – the proportion of their audio time that was spent listening to radio declined from 27% to 18%, with music video channels/sites, particularly YouTube, and audiobooks and podcasts the main beneficiaries.⁷

⁶ Ofcom-TRP COVID-19 Media Behaviours survey, UK. Online adults 16+, fieldwork 29 May-1 June 2020.

⁷ TouchPoints 2020. GB adults 15+.

Broadcast TV and PSB

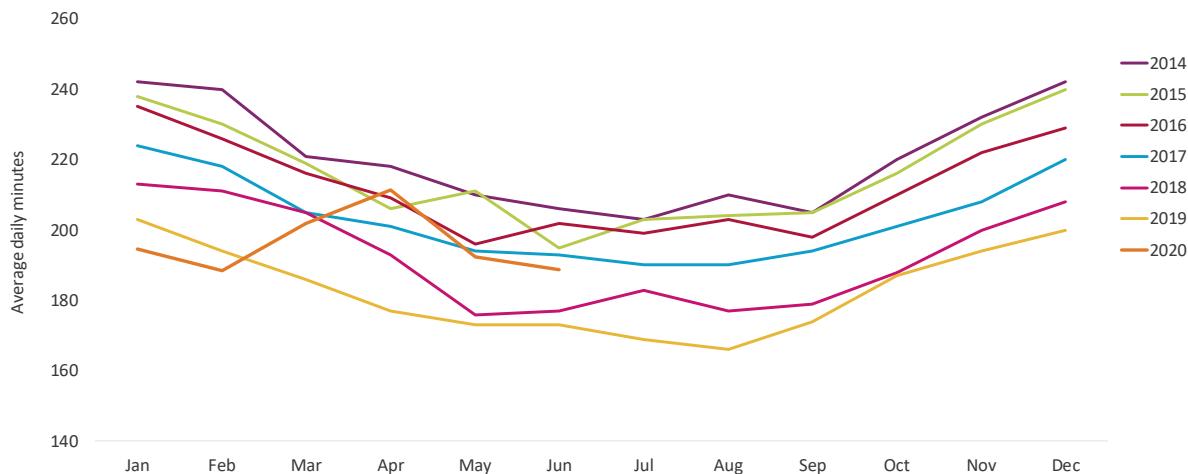
Covid-19 reversed the long-term decline in broadcast TV viewing – at least temporarily

Broadcast TV viewing on a TV set continued to decline in 2019, in line with the long-term trend. Average viewing per person per day – including programmes watched live and up to seven days after broadcast – fell by nine minutes over the course of 2019 (-5%) to 3 hours 3 minutes for the year. The declines in the two previous years, by comparison, were 11 minutes in 2018 and nine in 2017. The trend continues to be most pronounced among younger people, with viewing among adults aged 16-24 down 18% and children 4-15 down 16% in 2019. Younger people's average viewing is much lower and is declining much faster than that of older people – those aged over 75, for instance, did not reduce their viewing in 2019 and watched an average of 5 hours 49 minutes of TV each day, nearly five times more than that of 16-24-year-olds (1 hour 10 minutes). The decline in broadcast TV viewing continued into the first two months of 2020, with viewing in January and February once again lower than the same months the previous year.⁸

However, Covid-19 and the lockdown restrictions that came with it had a significant impact on TV viewing. Since the middle of March 2020, the amount of time people spent in front of their TV sets generally increased, resulting in average viewing per person per day rising significantly in March and the April total exceeding that of any April figure in the previous five years.⁹ The easing of social restrictions in England in May saw viewing for the month decline compared to April but remain higher than the figures for May in the previous two years. A further decline in June corresponded with the partial reopening of some schools in England, gatherings of up to six people being permitted, and warmer weather – but viewing figures continued to remain higher than in the same month in the previous two years.

⁸ BARB

⁹ BARB

Figure 1.6: Total TV average daily minutes, by month

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

Broadcast TV's reach spiked at the height of the crisis, but the increase was only fleeting

In addition to people watching more TV on average as a result of Covid-19, more people than usual tuned in. Driven by news, the proportion of the population watching traditional broadcast TV in a week¹⁰ rose sharply in March 2020, peaking at 88% in the week commencing (w/c) 16 March. This weekly reach figure was higher than in the same calendar week in 2019 and also remained higher year on year in the following week (w/c 23 March). However, it dropped below the previous year's levels after that and remained lower until the end of June (the end of our analysis period).¹¹

Among over-54s, the proportion of people tuning in to broadcast TV has remained consistently higher than in 2019 since the w/c 16 March.¹² This might be attributable to older people being more vulnerable to Covid-19 and the Government urging such people to self-isolate.

¹⁰ For at least 15 consecutive minutes

¹¹ BARB

¹² BARB

Figure 1.7: Total TV – weekly reach % (15+ mins)

Source: BARB. Total broadcast TV, all individuals (4+). Reach criteria: 15+ consecutive minutes.

Among all programme genres, news achieved the biggest increase in viewing during lockdown

As part of our research into the impact of Covid-19 on consumers' media use and attitudes, Ofcom commissioned a weekly online survey designed to establish how people have been accessing news and information about the crisis.¹³ Detailed analysis, beyond the relevant highlights included in this report, are available in the full [Covid-19 news and information research](#), with further research on news consumption across all media also featured in our wider, annual report on news consumption in the UK, due to be published in August.

Almost all the UK online population (99%) accessed news and information about Covid-19 at least once a day at the start of lockdown (w/c 23 March), with the figure falling, but remaining high, throughout May (92% in w/c 11 May) and June (85% in w/c 22 June). Frequency of news access has also fallen since the height of the crisis, with almost a quarter of the online population reporting that they accessed news about the pandemic at least 20 times a day or more at the start of lockdown, compared to 4% by the end of June.¹⁴

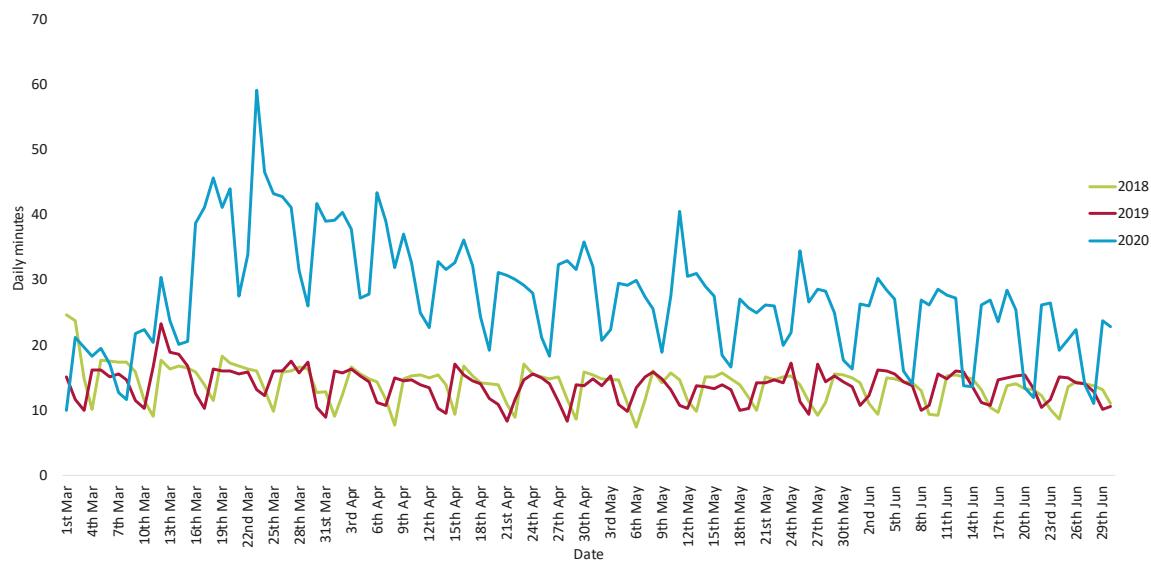
On TV, average daily viewing minutes for news overtook that of recent years from 9 March and remained higher through to the middle of June. News viewing peaked on 23 March, the day of the Prime Minister's first announcement about lockdown measures, when it rose to an average of 59 minutes, 349% higher than the 13 minutes viewed on the same date in 2019.¹⁵

¹³ The study used an online panel methodology, making the findings representative of the views and habits of the 90% of the UK population that are online, according to [Ofcom's Technology Tracker 2020](#)

¹⁴ Ofcom Covid-19 news and information: consumption and attitudes research 2020

¹⁵ BARB

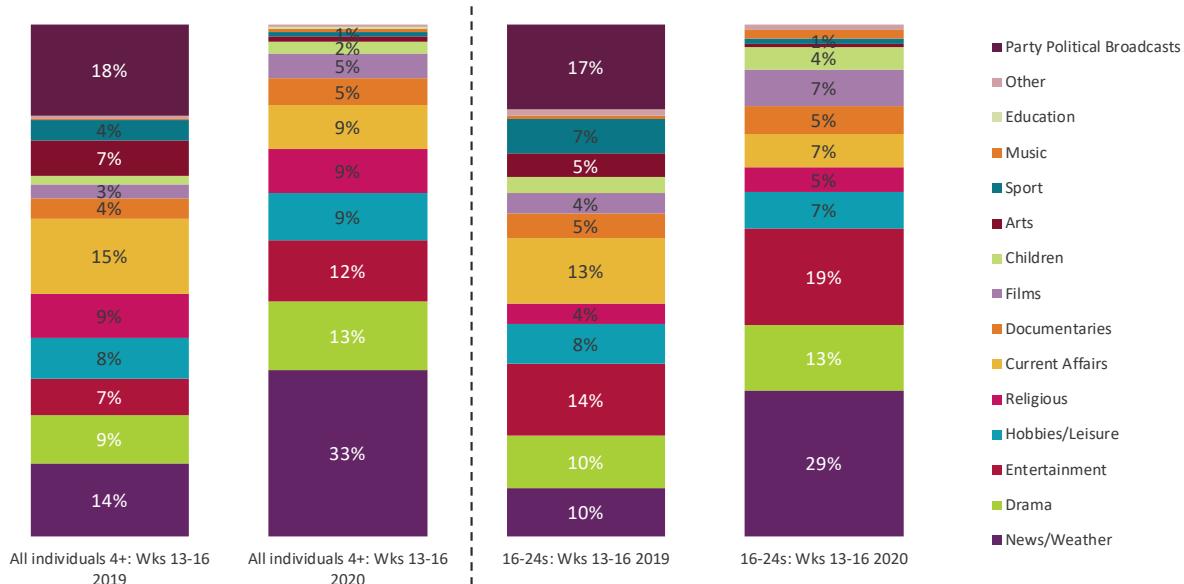
Figure 1.8: All channels – average daily mins per person to national/international news



Source: BARB. Total TV, all individuals (4+). Consolidated up to seven days.

In the four calendar weeks from the start of lockdown, news and weather was the most-viewed programme genre, accounting for a third of all individuals' (4+) viewing, compared to 14% over the same period in 2019, and 29% of 16-34-year-olds' viewing, up from 10%. Entertainment, drama and film also increased their share, while the blanket postponement/cancellation of live sporting events saw sports viewing plummet.¹⁶

Figure 1.9: Proportion of viewing to genres



Source: BARB. Total TV, all individuals (4+) and 16-24s. Calendar weeks 13-16.

¹⁶ BARB

The importance of news during the pandemic is further illustrated by its dominance of the list of most-watched programmes in the first half of 2020, accounting for all of the top five. The Prime Minister's broadcast on 10 May attracted an average audience (those who watched live or on the same day) of more than 27.6 million viewers – a viewing share of almost 90%. This was across seven channels, including the relevant +1 channels. Overall viewing of this broadcast was slightly lower than the earlier 23 March lockdown announcement, which averaged 28 million viewers, but in terms of viewing on a single channel, 18.8 million watched the May broadcast on BBC One, making it the top programme of 2020 to date. The Prime Minister's special addresses were the most-watched broadcasts since the closing ceremony of the 2012 London Olympic Games.¹⁷

Figure 1.10: Top programmes in 2020, by channel

Programme Title	Channel	Date	Start time	Duration	Average audience (000's)	Programme Share %
<i>A Ministerial Broadcast from the Prime Minister (easing of lockdown plans)</i>	BBC One	10/05/2020	19:00:00	00:13:44	18,753	60
<i>Prime Minister's Statement (lockdown announcement)</i>	BBC One	23/03/2020	20:30:00	00:06:16	14,612	43
<i>An Address by Her Majesty the Queen</i>	BBC One	05/04/2020	20:00:00	00:04:30	14,037	46
<i>BBC News Special</i>	BBC One	23/03/2020	20:36:00	00:22:24	13,512	40
<i>BBC News Special</i>	BBC One	10/05/2020	19:13:00	00:33:49	13,033	48
<i>Britain's Got Talent</i>	ITV ¹⁸	11/04/2020	20:01:00	01:21:22	10,851	46
<i>Ant and Dec's Saturday Night Takeaway</i>	ITV	21/03/2020	19:00:00	01:29:18	10,609	46
<i>Britain's Got Talent</i>	ITV	18/04/2020	19:59:00	01:17:52	10,225	44
<i>The Salisbury Poisonings</i>	BBC One	14/06/2020	21:02:00	00:56:06	10,021	44
<i>Britain's Got Talent</i>	ITV	25/04/2020	20:00:00	01:13:39	9,941	45

Source: BARB. Consolidated up to seven days after the time of broadcast. The Prime Minister's statements and the Queen's speech were shown on multiple channels but the table displays the top 10 programmes by channel. ITV includes ITV+1.

¹⁷ BARB

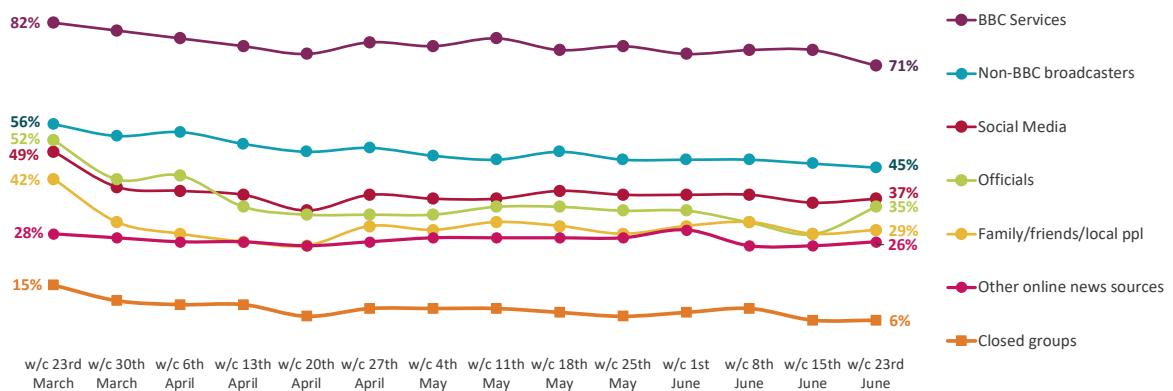
¹⁸ References to ITV when citing BARB data include ITV, STV, UTV and ITV Cymru Wales collectively

The Covid-19 crisis served to highlight the value of public service broadcasters as trusted sources of news and information

The BBC, ITV and Channel 4 were each rated as trusted sources of news and information by more than eight in ten people at the start of lockdown. These proportions had fallen by June,¹⁹ but still remained high, at more than seven in ten for the BBC and ITV, and just under eight in ten for Channel 4.²⁰

The BBC's value in this context is clearly illustrated by its usage levels. BBC services were the most-used source of news and information about Covid-19 by some margin, well ahead of other broadcasters, social media and other sources.²¹ At the start of the lockdown, eight in ten (82%) said they used the BBC as a source of news/information, and seven in ten (71%) did so by the end of June. It was also consistently considered to be the most important source about Covid-19. Other broadcasters' services were used by 45% of people by the end of June, with social media used by 37%, and official sources such as the NHS by 35%. At the start of lockdown, 18-24-year-olds were using social media as much as BBC services – 75% compared to 74%. However, by the end of June, their use of social media had fallen to 56%, while the use of BBC services remained relatively high, at 65%.

Figure 1.11: Sources used for news/information about Covid-19



Source: Ofcom Covid-19 news and information: consumption and attitudes. Q3a. Which, if any of the following sources have you used to get information/news about the Coronavirus outbreak in the last week? Base: All respondents who are getting information/news about the Coronavirus outbreak, w/c 23rd March (2,226), w/c 30 March (2110), w/c 6 April (2,105), w/c 13 April (2,122), w/c 20 April (2,077), w/c 27 April (2,121), w/c 4 May (2,104), w/c 11 May (2,092), w/c 18 May (2,071), w/c 25 May (2,084), w/c 1 June (2,095), w/c 8 June (2,085), w/c 15 June (2,134) w/c 22 June (2,126). Note: 'Other online news sources' combines three aggregated types of

¹⁹ Factors behind the fall in trust were not clearly established by the research, but may be linked to an increase in respondents feeling that 'the mainstream media is exaggerating the seriousness of Coronavirus' – 17% at the start of lockdown, increasing to a peak of 24% in the w/c 11 May.

²⁰ Ofcom Covid-19 news and information: consumption and attitudes research 2020. Trust rated on a scale of 1-5; results quoted are cumulative 4 and 5 ratings. Base: All respondents getting information/news about Coronavirus from source used during w/c 23 March and w/c 22 June: BBC (1561, 1229), ITV (755, 541), Channel 4 (406, 246). BBC 83% in w/c 23 March vs. 72% in w/c 22 June, ITV 82% vs. 71%, Channel 4 83% vs. 79%.

²¹ Ofcom Covid-19 news and information: consumption and attitudes research 2020

source: websites/apps of online news organisations like Buzzfeed, Huffington Post, Vice, etc; websites or apps that bring together news from different news providers; and non-mainstream news sources such as Russia Today, Breitbart, Skwawkbox, etc.

Our research indicates that many people relied on public service broadcasting for news and information in this time of crisis. We will conduct further research as part of our [PSB Review \(Small Screen: Big Debate\)](#) to better understand the impact of adults' use of PSB during the pandemic, and whether this has changed the value they attach to it.

News helped to drive up the BBC's viewing share in March, but broader scheduling challenges have impacted PSB audience figures

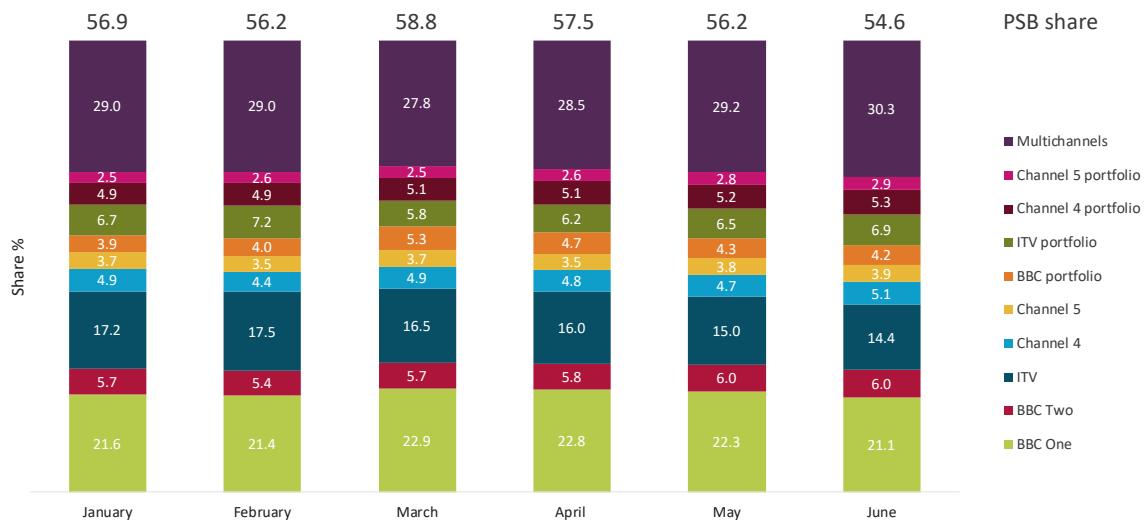
Increased news consumption – particularly on the BBC – helped PSBs to achieve their highest combined monthly viewing share in more than six years in March 2020, when they captured 58.8% of broadcast TV viewing.²² All the PSB channels, with the exception of ITV, increased their individual share between February and March, with BBC One and the BBC portfolio gaining the biggest boosts thanks to a higher volume of news programming and increased viewing of it. BBC One broadcast the live Daily Coronavirus Briefings from Downing Street within a *BBC News Special* programme from 16 March, doing so every day until the weekend briefings ceased towards the end of May, and finally stopped altogether on 23 June. The Prime Minister's special addresses to the nation were shown across several channels but (as highlighted above) most of the viewing was to BBC One.

Around 80% of the PSBs' share increase from February to March was due to increased viewing of news and current affairs programming overall. Viewing of entertainment and films on the PSBs also increased in March. PSBs' collective increase came at the expense of a 1.2 percentage point drop in share for the multichannel broadcasters (all channels other than the PSBs and their portfolio channels), which took a 27.8% share of viewing in March.

However, PSBs' broader schedules have been negatively affected by Covid-19, with pauses in production prompting broadcasters to reduce the number of soaps they aired each week. Key sports programming also disappeared, including, in the immediate wake of the pandemic: rugby (Six Nations), football (FA Cup), cycling (Tour de France), athletics (Anniversary Games) and snooker (World Championships). The postponement or cancellation of Euro 2020, Wimbledon, and the Olympic and Paralympic Games were the biggest sports-programming casualties of PSBs' summer schedules. ITV and its portfolio channels particularly suffered from a lack of entertainment shows, with substitute programming failing to attract audiences that would have been expected from live episodes of *Britain's Got Talent* – pre-recorded audition episodes of which had averaged 9 million viewers – *The Voice*, and ITV2's *Love Island*, which is one of ITV's biggest draws among younger audiences.

With absence of this programming offsetting higher-than-usual audiences for news, the PSBs' viewing share declined in April from the March peak, although it remained higher than in the first two months of the year. With lockdown restrictions easing in May, their share returned to February levels, before falling further to 54.6% in June, the lowest level since August 2019.

²² BARB. Previous highest share recorded in February 2014.

Figure 1.12: 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](#).

The resumption of the production of soaps will help PSBs in their bid to retain as much of their collective viewing share as possible in the coming months. However, there will be strong pressure from competing services, including SVoD, as well as the multichannel broadcasters, who are benefiting most from the return of live sport, particularly Premier League football.²³

There were some non-news programming successes for PSBs in lockdown, but there is pressure to compete better for online audiences

In the absence of the usual volume of soaps and some other key programming that PSBs usually rely on, there were some notable successes. Two drama titles helped BBC iPlayer set records in consecutive months for monthly programme requests, with 564 million in April 2020 followed by 570 million in May (72% more requests than May 2019): *Normal People* had received 54 million requests by the end of June, while the third season of *Killing Eve* had received 35 million.²⁴ The BBC was also able to quickly develop online programming to support home schooling through *Bitesize*, and produced a new series of nature show *Springwatch*, which included livestreams on YouTube.

Among the other PSBs, in the first two weeks of lockdown, Channel 4's All4 generated 30% more views among 16-34-year-olds than in the same period in 2019, with almost 80% of all people in the UK in this age group registered with the service.²⁵ Boxsets, including old favourites such as *Buffy the Vampire Slayer*, have helped to draw audiences to the platform. ITV Hub consumption hours in Q1

²³ Although the BBC aired four live Premier League football matches for the first time when the season resumed, Sky and BT aired 84 between them between 17 June and 24 July 2020, including 25 on free-to-air TV. Amazon Prime Video streamed a further four matches free-to-view.

²⁴ BBC Media Centre. See Media Nations 2020 interactive report for top ten BBC iPlayer requests.

²⁵ Channel 4 press release, [Young viewers flock to Channel 4 during lockdown](#), 1 May 2020

2020, which included a short period of the early lockdown, increased 82% year on year, with its monthly reach rising by 40%. By July, more than a third (34%) of online adults had used at least one of the PSBs' BVoD services over the preceding seven days.²⁶

However, the limited increase in share of viewing for BVoD in April's lockdown (+1 minute per person per day) compared to SVoD (+37 minutes) highlights the challenges PSBs face to compete with other online video services. More than a third (35%) of adults can see themselves no longer watching the main TV channels (BBC, ITV, Channel 4 and Channel 5) within the next three years, with this proportion rising to more than half (51%) among 16-34-year-olds.²⁷

PSBs' trusted brands and mass-market appeal for major live events provide a strong platform to build on. Developing the appeal of their on-demand offer will be critical if they are to offset the decline in viewing of live television and compete with SVoD services, YouTube, and other popular online video offerings. Experimentation with short-form and interactive content is one strategy being adopted to better compete for online audiences, with Channel 4 partnering with social media company Snap Inc. in June 2020 to stream 300 short-form edits of Channel 4 content on Snapchat's Discover platform over the next year.²⁸

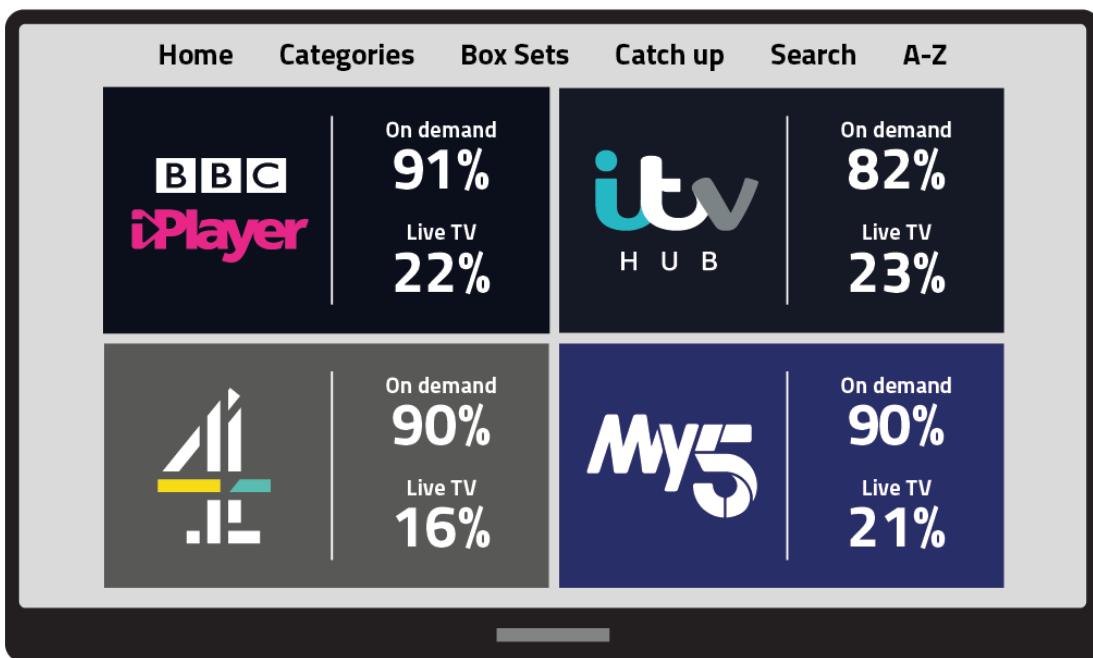
A positive sign for PSBs is evidence of their potential to attract live audiences to their online platforms. While the vast majority of users access these services to watch on-demand programming, a fifth use them to watch live broadcast channels. This provides an indication that PSBs can evolve their online platforms into destinations for a wide variety of content formats.

²⁶ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Online adults aged 16+.

²⁷ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 17-18 June 2020. Online adults aged 16+.

²⁸ Channel 4 press release, [Channel 4 partners with Snap Inc. to bring a raft of new shows to Discover](#), 4 June 2020

Figure 1.13: How adults watched content on the PSB BVoD platforms when using these services



Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 17-18 June 2020. Multi-select question: You selected you have used the following services in the last seven days. How did you watch programmes on this service? Base: All online adults 16+ who watched on the services in the last seven days.

Subscription video-on-demand

Before lockdown, more than half of UK households already subscribed to video-on-demand services

The major subscription video-on-demand (SVoD) services have continued to grow rapidly, and in Q1 2020, 53% of homes (15 million) subscribed to at least one of Netflix, Amazon Prime Video or NOW TV. Netflix remains by far the most popular SVoD service – in Q1 2020, 13 million UK households (46%) had a subscription, up 13% year on year. With just over half the number of Netflix households, Amazon Prime Video grew by 32% over the same period to reach 7.9 million subscribing households in Q1 2020. Total SVoD subscriptions to Netflix, Amazon Prime Video NOW TV and/or DisneyLife (the predecessor service of Disney+) reached 22.5 million in Q1 2020, up 18% from 19.1 million in Q1 2019.²⁹

The data quoted above is sourced from the BARB Establishment Survey. Due to the Covid-19 pandemic, the survey was temporarily suspended on 17 March 2020, meaning that data for Q2 2020 has not been collected.³⁰ In the absence of this, Ofcom commissioned online surveys of a nationally representative sample of 2,000 adults aged 16+ to understand their changing use of TV-like online

²⁹ BARB Establishment Survey Q1 2020. Includes free trials.

³⁰ BARB Establishment Survey

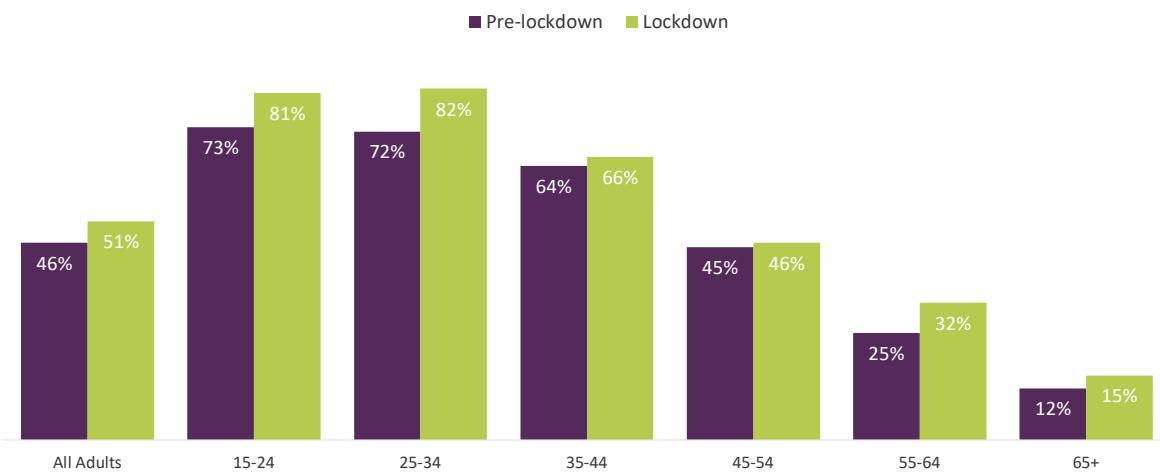
video services in lockdown. Much of the data in this section highlighting adults' habits during this period comes from these surveys.

An estimated 3 million online adults gained access to an SVoD service for the first time during lockdown

Ofcom estimates that 12 million online adults aged 16+, or 23% of the online adult population, gained access to a new SVoD subscription during lockdown.³¹ Of these, around 3 million – 5% of the adult online population – accessed SVoD for the first time, with half of these young adults aged 16-34. An estimated 7 million adult SVoD users gained access to an additional SVoD subscription during lockdown, while around 2 million former SVoD users (those who had used it previously but were not subscribing to a service before lockdown) regained access to SVoD during lockdown.

Around half of adults (51%) watched SVoD services in the first few weeks of lockdown, up from 46% in the previous weeks. Reach increased across all age groups, including notable rises among older demographics – 32% of 55-64-year-olds used SVoD services in the early lockdown period, up 7 percentage points (pp) compared to pre-lockdown, while 15% of over-65s used them, up 3pp. By comparison, catch-up content (programmes recently broadcast on TV watched on BVoD services) was accessed by 35% of adults, up 1pp in lockdown, while the reach of other free on-demand content, such as boxsets and films on iPlayer and All4, increased by 3pp to 20%.³² There are signs that this change in behaviour may stick: 55% of UK adults said that they expect to spend the same amount of time watching streamed programmes or series after the crisis as they did during it.³³ Factors influencing this could be continued fear of the spread of coronavirus, as well as squeeze on incomes, both of which could encourage people to stay at home more.

Figure 1.14: Reach of SVoD services, by age demographics



³¹ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Online adults aged 16+. The estimated 12 million online adults that gained access to a new SVoD service in lockdown equates to around 6 million households taking out a new subscription.

³² TouchPoints 2020, pre-lockdown vs lockdown. GB age 15+

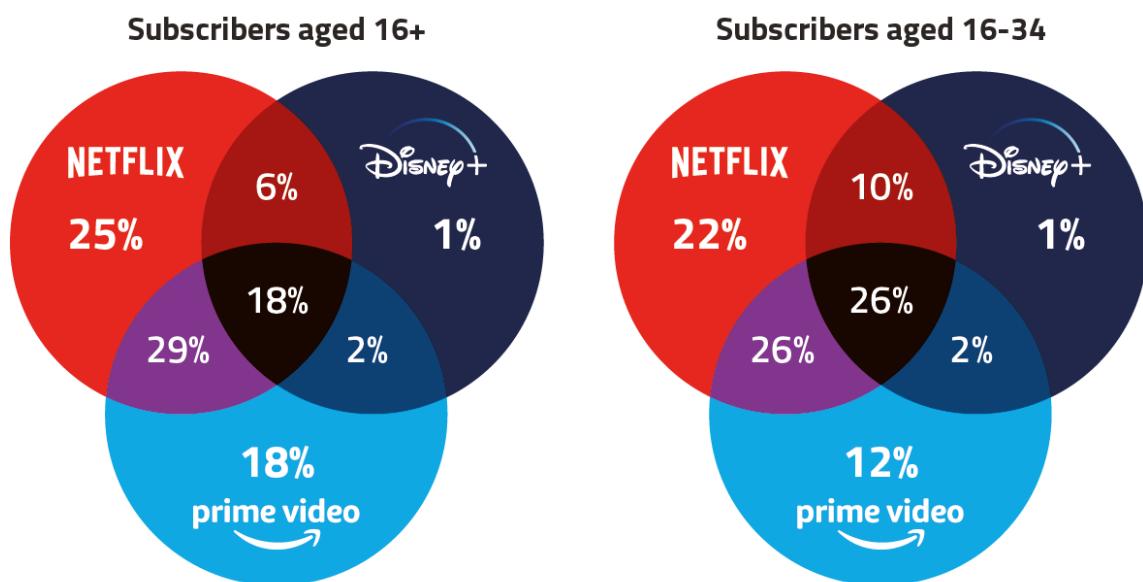
³³ Ipsos Streaming360 online survey (5,000 UK adults 18+)

Source: TouchPoints 2020 pre-lockdown (15 January-23 March 2020) vs lockdown (24 March-16 April 2020). GB adults 15+.

Disney+ made an immediate impact, quickly becoming the third most-subscribed-to SVoD service

By the beginning of July, SVoD was being used on at least a weekly basis by 45% of all online adults and 59% of online adults aged 16-34. Netflix was subscribed to in 45% of online adults' homes and Amazon Prime Video in 39%. Disney+, which launched in the UK on 24 March 2020, benefited significantly from lockdown, appealing to families required to spend most of their time at home. It experienced a surge in take-up, surpassing NOW TV to become the third most-subscribed-to SVoD service, with 16% of online UK adults in households that had subscribed by early July. The vast majority (95%) of Disney+ subscribers also subscribe to Netflix and/or Amazon Prime Video, meaning that Disney+ has proved largely supplementary to the two main SVoD services so far, rather than attracting people not already using SVoD services or causing people to switch from their current services. Among 16-34-year-olds, this number rises to 97%.³⁴

Figure 1.15: 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+.

Disney's successful market entry helped to drive up the average number of paying SVoD subscriptions per SVoD home to 1.6 in Q2 2020, compared to 1.5 in Q1 and 1.4 in Q3 2019.³⁵ When

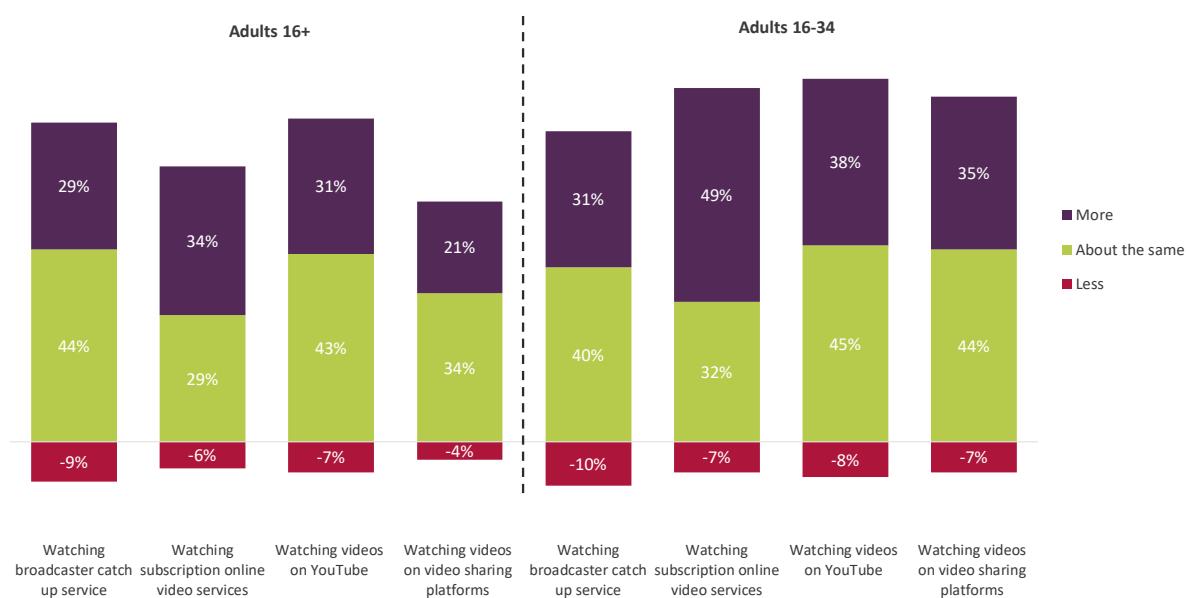
³⁴ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Online adults aged 16+.

³⁵ Ampere Analysis Markets. Excludes free trials.

free trials and account sharing are accounted for, the average number of services accessed increases.³⁶

Before lockdown, SVoD's growing popularity had already boosted the proportion of online adults who consider online video services to be their main way of watching TV and film to 46% in Q1 2020 (up 4pp year on year).³⁷ Existing adult users of online video services have been watching even more online video content during lockdown, with 16-34-year-olds in particular watching more SVoD and YouTube content. Users in this age group are also more likely to say they have been watching more SVoD than TV at the time of broadcast.

Figure 1.16: Adults' online video viewing since the beginning of lockdown



Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 15-18 May 2020. Online adults aged 16+.

Beyond lockdown, SVoD's growth is set to continue, with intended take-up more than offsetting intended cancellations

As SVoD subscriptions are typically monthly contracts that can be easily cancelled, it is possible that there will be a wave of cancellations as lockdown ends and people return to former habits. However, our research in July indicates that, collectively, online adults expect to take up slightly more new subscriptions in the next three months than the number of existing subscriptions they plan to cancel.

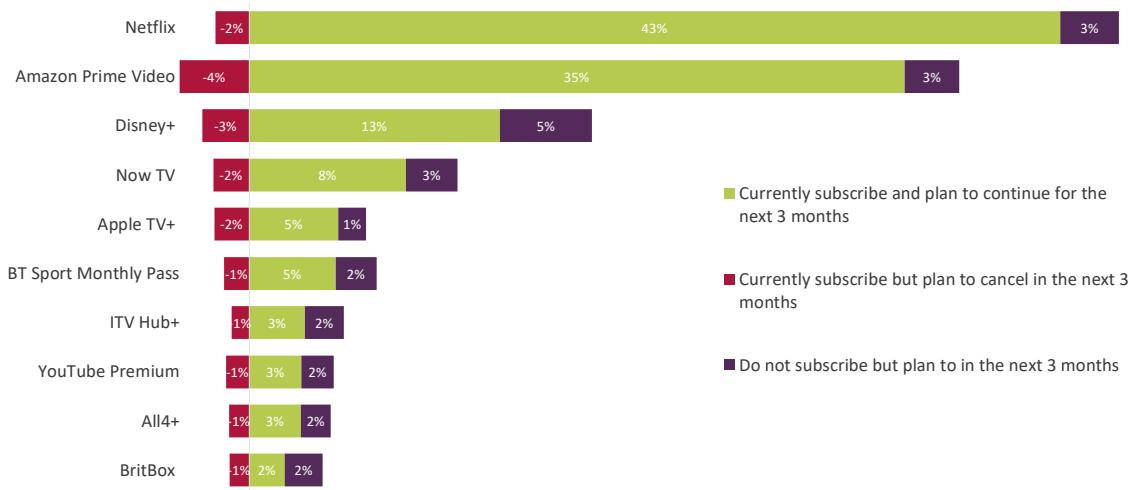
The vast majority of online adults subscribing to Netflix, Amazon Prime Video and Disney+ plan to keep their respective subscriptions into Q3 2020 – 96%, 91% and 84%, respectively. More online adults plan to subscribe to Netflix and Disney+ in Q3 2020 than subscribers to those services who

³⁶ Ampere Analysis Consumer research indicates that UK SVoD users aged 18-64 were accessing an average of 2.5 SVoD services or packages in Q1 2020. Our commissioned TRP survey of online adults aged 16+ indicates that this number increased during lockdown, to 2.7 by July.

³⁷ Ampere Analysis Consumer, Q1 2020, UK. Base: 2,000.

plan to cancel. Services with fewer subscribers have a higher proportion of subscribers who intend to unsubscribe in Q3 2020.³⁸

Figure 1.17: 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+.

Disney+ overtook BBC iPlayer in use among children aged 3-11

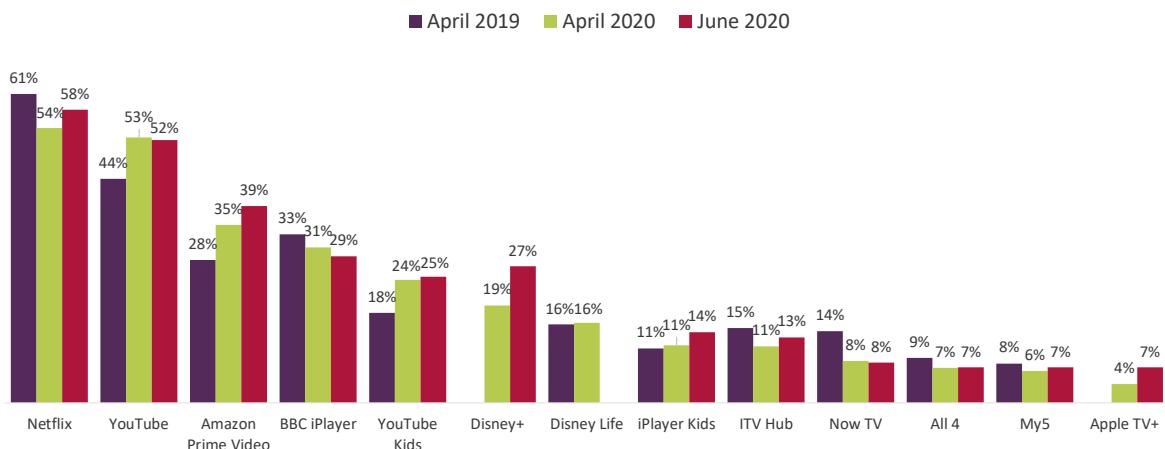
Among children aged 3-17, Amazon Prime Video achieved an 11pp increase in use in the 14 months to June 2020, by which time it was used in 39% of 3-17-year-olds' homes. Disney+ quickly built up users in this age group, accessed in more than a quarter (27%) of children's homes. Netflix remains the most-accessed VoD service among children, although its proportion of homes had fallen to 58% by June 2020, down 3pp since April 2019. Over half of children say they use YouTube (52%) and a quarter use YouTube Kids.³⁹

Among children aged 3-11, Disney+ was accessed in 32% of homes by June 2020, up from 21% in April. This saw it overtake BBC iPlayer, whose reach fell from 26% to 22% over the same period.⁴⁰ The increase for Disney+ will have been boosted in part by the closure of its predecessor DisneyLife on 23 April 2020, prompting users to switch to the new streaming service.

³⁸ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Online adults aged 16+.

³⁹ Kids' Insights UK, April 2019 and 2020 and February 2020. Age 3-17.

⁴⁰ Kids' Insights UK, April and June 2020. Age 3-11.

Figure 1.18: Proportion of 3-17-year-olds who use selected VoD services

Source: *Kids' Insights UK*. Age 3-17. Multi-choice question: Which of these TV platforms do you use? Base: 2019: 676; 2020: 792.

UK Netflix viewers mostly watched US titles during April's lockdown

Of the 30 top-performing titles on Netflix⁴¹ among UK audiences in April, 70% were produced in the US, with 3%, including the BBC's *Peaky Blinders*, produced in the UK. More than a fifth (22%) of the 30 top-performing titles were documentaries, including Netflix's *Tiger King*, at number one. Even among those who subscribed to Disney+, viewers said that *Tiger King* was the content they enjoyed most, beating Disney's *The Mandalorian*.⁴² More than half (17) of the top 30 titles in April were Netflix Originals, increasing to 25 of the top 30 in May, although a UK-produced original, *After Life*, was the top performing title on Netflix in May.

Figure 1.19: Top performing titles on Netflix in the UK: April 2020

Rank	Title	Content type	Primary Genre	Country of Origin	Original or licensed
1	<i>Tiger King: Murder, Mayhem and Madness</i>	TV programme	Documentary	USA	Original
2	<i>Money Heist</i>	TV programme	Crime and Thriller	Spain	Original
3	<i>Ozark</i>	TV programme	Crime and Thriller	USA	Original
4	<i>RuPaul's Drag Race</i>	TV programme	Reality	USA	Licensed

⁴¹ In the absence of an established industry standard for SVoD viewing comparable to BARB, we have used Netflix data collated by Ampere Analysis. This ranking uses daily data generated by Netflix based on unique subscribers having watched at least two minutes of each title.

⁴² Kantar, [One in five UK homes signed up for a new video streaming subscription during COVID-19 lockdown](#), 28 May, 2020

5	<i>Brooklyn Nine-Nine</i>	TV programme	Crime and Thriller	USA	Licensed
6	<i>Too Hot to Handle</i>	TV programme	Reality	USA	Original
7	<i>Better Call Saul</i>	TV programme	Crime and Thriller	USA	Exclusive
8	<i>The Innocence Files</i>	TV programme	Documentary	USA	Original
9	<i>Contagion</i>	Film	Crime and Thriller	USA	Licensed
10	<i>Code 8</i>	Film	Action and Adventure	Canada	Licensed

Source: Ampere Analysis. Note: Ranking based on aggregation of daily Netflix top 10's, published by Netflix based on unique subscribers having watched at least two minutes of each title per day. Original content is content produced, co-produced, a continuation of a cancelled show or streamed first on Netflix UK by Netflix, Exclusive content is where Netflix has exclusive first-window licence rights to the content in the region and is therefore not available on other services.

YouTube and gaming

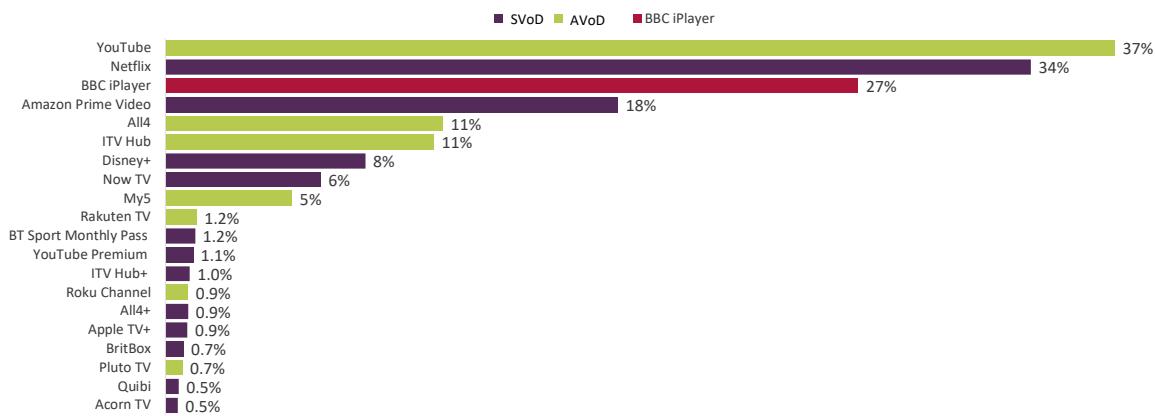
Three-quarters of online adults watched YouTube videos in lockdown, with adult users watching an average of 13 videos a day in April 2020

Three quarters of online adults said that they had used YouTube in the first two months of lockdown.⁴³ Among the online adults surveyed in mid-May, 42% had used it in the last seven days, equating to an estimated 22 million users, making it the most-used online video service, ahead of Netflix and BBC iPlayer. By early July, in line with reduced usage of all services as lockdown restrictions eased, weekly use of YouTube fell to 37% of online adults – but it remained the most-accessed online video service. Users skew strongly towards online 16-34-year-olds, with almost half (48%) of them using YouTube in the last seven days in early July.⁴⁴

⁴³ Ofcom TRP Covid-19 Media Behaviours survey. Lockdown period up to 18 June. Online adults aged 16+.

⁴⁴ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Question: *Which of the following services have you used to watch online videos in the last seven days?* Online adults aged 16+. Note: Net figure of YouTube and YouTube Premium users.

Figure 1.20: Proportion of UK adults who said they have used the selected services in the last seven days to watch online videos: July 2020

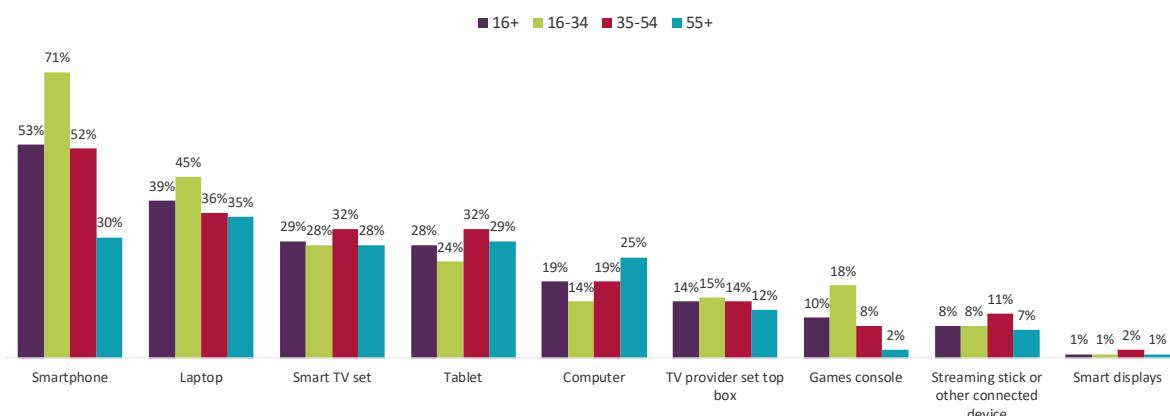


Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Question: Which of the following services have you used to watch online videos in the last seven days? Base: 1,999 online adult respondents aged 16+. AVoD refers to advertising-funded video-on-demand services. See Online Nation 2020 interactive report for definition of different VoD services.

A total of 16.7 billion YouTube videos were watched by UK adults in April, equating to 380 videos per adult YouTube user. The daily average in the month was 13 videos, dropping to 12 in May, compared to 11 in Q1 2020.⁴⁵

Smartphones are the most common device used to watch YouTube videos among 16-34-year-olds, with 71% using them, whereas laptops are the most popular for over-54s (35%). On the TV screen, the built-in YouTube app on smart TVs is used by 29% of adults, while the service can also be accessed on set-top boxes – 8% of adults used Sky’s Sky Q box, while 4% used a Virgin Media box and 2% used a Freesat box.⁴⁶ In April, Freesat added YouTube Kids to its 4K TV boxes and library of apps.

Figure 1.21: Devices adults used to watch YouTube: June 2020



Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 17-18 June 2020. Online adults aged 16+. Base: All those who watched YouTube in the last seven days – 822.

⁴⁵ Comscore VMX Multi-Platform, YouTube.com, age 18+, January-May 2020, UK. Note: this excludes TV set use.

⁴⁶ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 17-18 June 2020. Online adults aged 16+.

Music videos remained the most popular YouTube content in lockdown, but there were significant boosts for live events and ‘how to’ videos

As was the case pre-pandemic, music videos were the most popular content viewed on YouTube among adults in lockdown – a third of all adults surveyed in June said they had used the platform to watch them.

There was a significant boost for live events watched on TV screens, with YouTube stating that global viewership of these increased by 250% in March. Live performances and archive uploads from UK theatres and productions that had to close due to lockdown have been popular on YouTube. The National Theatre, as part of its National Theatre at Home initiative, uploaded some of its recorded productions such as *One Man, Two Guvnors* and Shakespeare plays to YouTube at no cost during lockdown. The films were shown at 7pm every Thursday to try to recreate a communal viewing experience, and were then available on-demand for a limited period.⁴⁷ The Royal Shakespeare company also partnered with the BBC to make six plays from its archive available on BBC iPlayer.

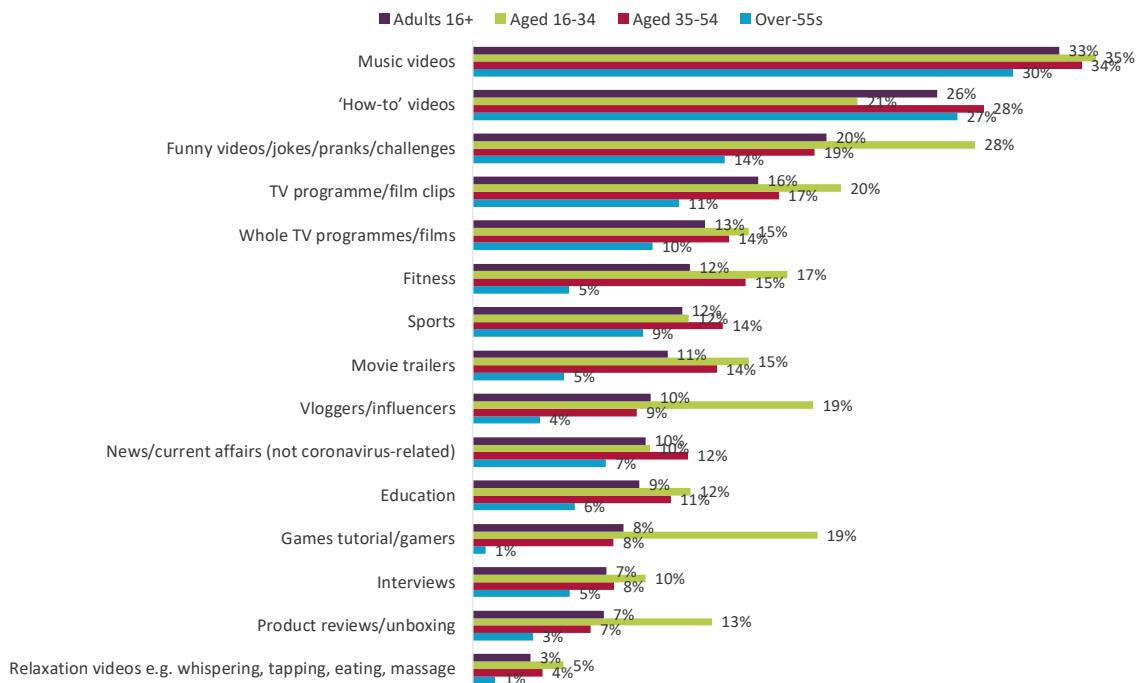
Other content categories that have gained viewership globally during the pandemic, although not necessarily on TV screens, include: cooking videos (+45% from the same time period last year); videos related to sourdough bread (+400% from January to May); and home workout videos (+200% in March compared to the rest of 2020).⁴⁸ Fitness videos were watched by 12% of UK adults. *P.E. with Joe Wicks* was the ninth most popular workout video, with total global views of 6.6 million. Host Joe Wicks also attained a Guinness World Record for most viewers for a fitness workout live stream on YouTube when one of his livestreams reached nearly 1 million views. The most-watched British fitness channel, with 58 million views, is hosted by Lucy Wyndham-Read, who is best known for her seven-minute workouts.

Adults also watched coronavirus-related content on YouTube – 7% of those surveyed in June had watched Covid-19 news or medical information videos, and 5% had watched relevant how-to videos, such as how to make a mask or hand sanitiser.⁴⁹

⁴⁷ National Theatre, press release National Theatre at Home, 26 March 2020

⁴⁸ Tubefilter, YouTube Users Watch 450 Million Hours Of Content On TV Screens Each Day, 25 June 2020

⁴⁹ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 17-18 June 2020.

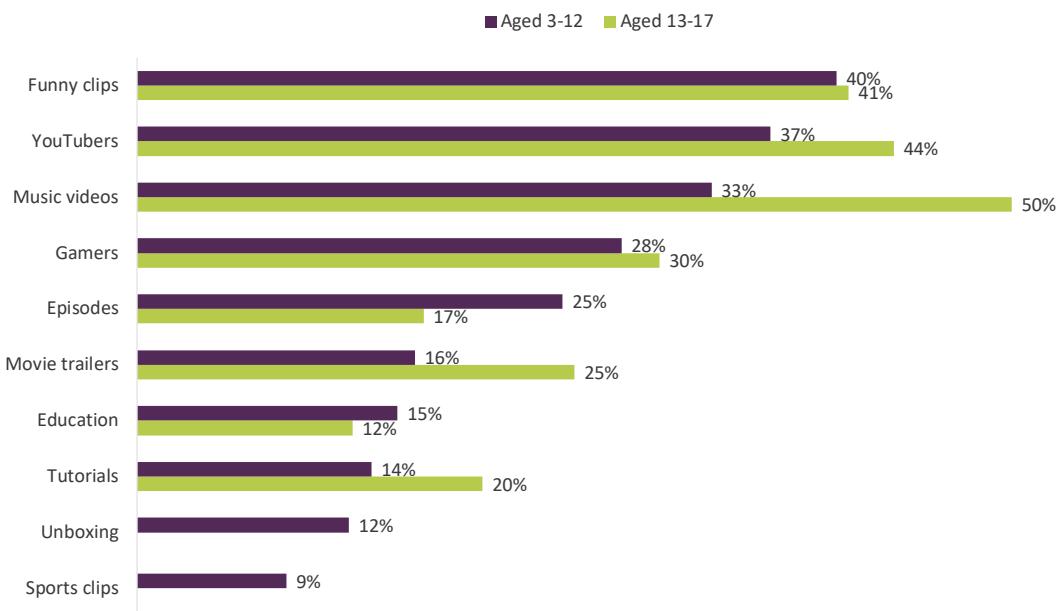
Figure 1.22: Types of videos watched on YouTube during lockdown, by age

Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 17-18 June 2020. Base: online adults aged 16+.

For children, music videos are also the most popular type of content watched on YouTube, both before and during lockdown, when they were watched by 45% of 3-17-year-olds. However, there are differences by age group – the most popular videos among younger children, aged 3-12, are funny clips.⁵⁰ Among all children surveyed in April 2020, 45% stated that they ‘watched more YouTube this week’ than they did TV, Netflix or Amazon Prime Video, a trend we also identified in Media Nations 2019.⁵¹

⁵⁰ Kids’ Insights UK, April 2020

⁵¹ Kids’ Insights UK, April 2020

Figure 1.23: Types of videos children watched on YouTube, by age: April 2020

*Source: Kids' Insights UK, April 2020. Multi-choice Question: What type of videos do you watch on YouTube?
Base: Children aged 3-12: 526 13-17: 266*

Music channels on YouTube increased in popularity during lockdown

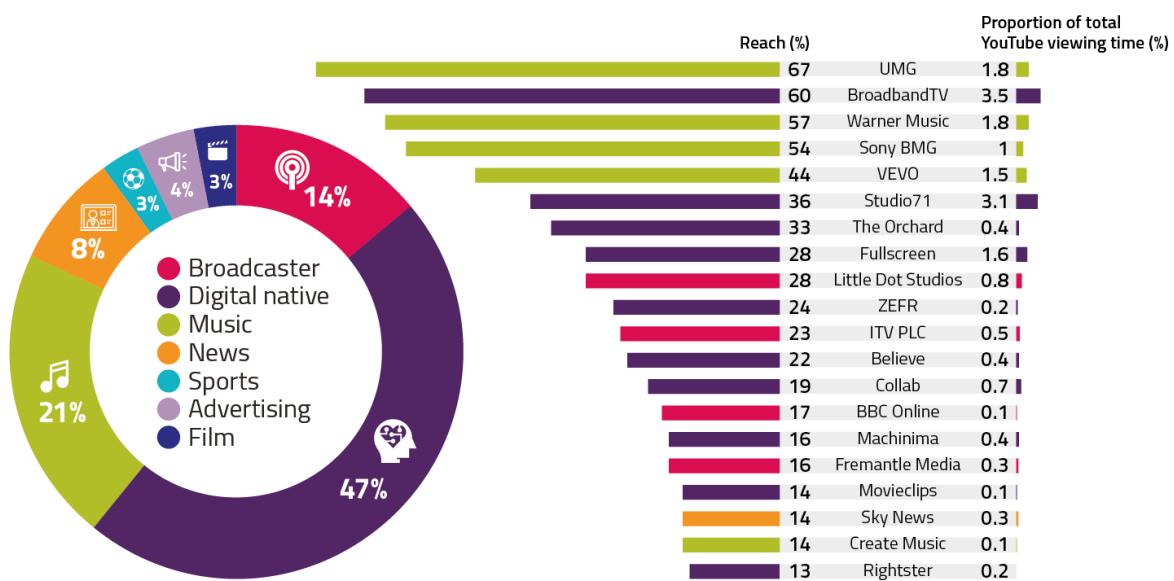
As reported on in Ofcom's Online Nation 2020 report, most of the content viewed on YouTube is still 'digital native', i.e. content designed specifically for online viewing. However, an increase in the number of music channels in the top 100 channels⁵² – from 13 in September 2019 to 21 in April 2020 – has displaced some digital-native channels from the list.⁵³ The rise in music listening on YouTube may have been driven by the reduced use of radio and online music streaming services such as Spotify during lockdown, as these services are generally listened to 'on the go'.⁵⁴

⁵² 'Channels' here refers to the partners reported in Comscore's YouTube Partners Report and does not necessarily equate to a YouTube channel name as seen on the platform

⁵³ See video-sharing platform chapter in [Online Nation 2020](#) for September data

⁵⁴ Comscore VMX Multi-Platform, YouTube Partners report, age 18+, April 2020, UK

Figure 1.24: Top 100 YouTube 'channels', by organisation type: April 2020



Source: Comscore VMX Multi-Platform, YouTube Partners report, age 18+, April 2020, UK. Organisation classification by Ofcom, Top 100 based on digital audience reach.

Gaming and esports video attracted new users in lockdown, with young female gamers significantly increasing game and app playing time

Girls aged 13-15 increased their video game and app playtime by 28% between March and April 2020, averaging 1 hour 2 minutes in April (49 minutes in March). Boys the same age spent an average of 1 hour 41 minutes in April (1 hour 42 minutes in March).⁵⁵

Competitive video gaming, known as esports, has also been increasing in popularity in recent times. Almost a fifth (18%) of online adults have watched esports, with its audience mostly skewed towards younger online adults aged 16-34, of whom 32% have ever watched esports. In the three months to early July, 10% of online adults had seen esports.⁵⁶ A fifth of children aged 3-17 watched esports between April and May 2020, an 18% increase compared to January to February 2020. The majority (61%) of esports viewers are boys.⁵⁷ The most popular e-sport game watched is football title *FIFA*, viewed by 11% of children.⁵⁸ The UK League Championship (UKLC) *League of Legends* competition was shown on BBC iPlayer and the BBC Sport website over six weeks in June and July 2020. This follows the streaming of a number of esports competitions by the BBC, including the Rocket League European Spring Series, the ePremier League Invitational, Formula E's Race At Home Challenge, the

⁵⁵ Kids' Insights UK, March-April 2020, age 13-15

⁵⁶ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Online adults aged 16+.

⁵⁷ Kids' Insights UK, January-May 2020, age 3-17. Question do you watch or take part in esports?

⁵⁸ Kids' Insights UK, April-May 2020, age 3-17

W Series Esports League and the Digital Swiss 5. *League of Legends* was tied with FIFA as the most popular esport among 3-12-year-olds in June 2020, watched by 9% of them.⁵⁹

The livestreaming service for gamers Twitch (owned by Amazon) gained popularity during lockdown. In the UK, 1.9 million adults viewed 73.2 million videos on Twitch in May 2020, almost double the number of videos viewed by adults on the platform in January 2020 (37.4 million). This skewed strongly towards males, who accounted for 80% (58.3 million) of the videos viewed by adults in May 2020.⁶⁰ Twitch was used by 5% of children aged 3-12 and 8% aged 13-17 in Q2 2020.⁶¹ Non-gaming content on Twitch has quadrupled over the past three years, according to Twitch, and has grown further during the pandemic thanks to musicians' and DJs' at-home livestreams. Music labels such as Def Jam and Columbia Records have also created their own streaming channels on Twitch.

Radio and audio

The analysis in this section uses RAJAR Q1 2020 data⁶² to highlight key findings about radio listening before lockdown, and sources including TouchPoints and our own commissioned research to understand more about listening behaviours since lockdown began.

Before lockdown, 40% of radio listening was outside the home, including in-car and at work, which will have been significantly impacted by 'stay at home' advice

Data from RAJAR shows that live radio reached almost nine in ten adults (88.8%) aged 15+ at the start of 2020, as it did at the start of 2019 (89.4%). Figure 1.25 shows a breakdown of live radio listening by location and platform in Q1 2020 and illustrates that, while radio reached a similar proportion of adults at home (68%) and in-vehicle (65%), 60% of time spent listening to radio was at home compared to 24% in-vehicle. The majority of at-home listening was by those aged 55 and over, with only 40% of listening by adults younger than this. In contrast, 70% of in-vehicle listening and 82% of at-work listening was by under 55s – as such, with lower levels of travelling by road and many workplaces closed at the start of lockdown, it is likely that radio listening by this age group has been more adversely affected than for those aged 55+.⁶³

Although more people listen to the radio using a digital platform (67%), analogue radio is still the most-used individual platform (62% for AM/FM radio, compared to 53% for DAB, 26% for internet and 13% for digital TV). Time spent listening through digital platforms compared to analogue continues to increase and now accounts for 58.6% of all listening hours, up from 56.4% in Q1 2019. This is particularly driven by increases in online listening, although this still accounts for just 14% of hours among all adults. Although analogue radio is also the most-used platform for young people

⁵⁹ Kids' Insights UK, June 2020, age 3-12

⁶⁰ Comscore VMX Multi-Platform, TWITCH.TV, age 18+, January and May 2020, UK

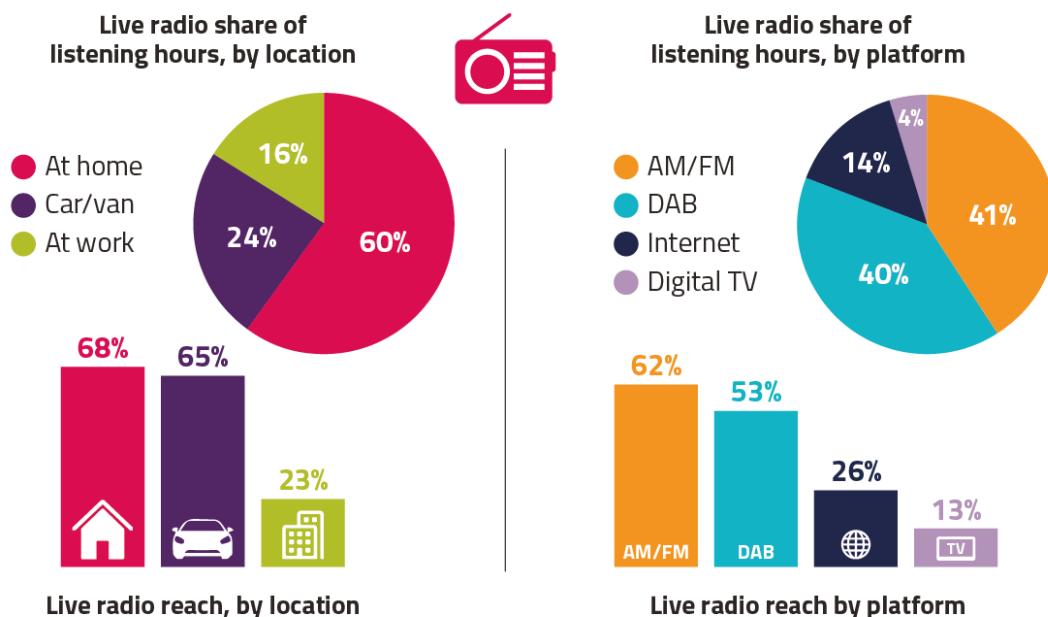
⁶¹ Kids' Insights UK, Q2 2020, age 3-17

⁶² RAJAR uses face-to-face recruitment, which was suspended at the start of lockdown. [RAJAR announced on 20 July 2020](#) that until a new measurement system begins, published RAJAR results from Q2 2020 onwards will be based on historical data incorporating revised census population information only.

⁶³ RAJAR Q1 2020

(58%), a third (33%) of 15-24-year-olds now listen online, an increase of five percentage points since the previous year.

Figure 1.25: Radio's reach and share of listening by location and platform, UK adults aged 15+



Source: RAJAR Q1 2020

Nearly half of listeners reported changing their listening habits during lockdown

Ofcom commissioned research to understand media consumption behaviour in the UK during lockdown.⁶⁴ In the sample period,⁶⁵ among online adults who were still listening to the radio, just under half (48%) said that they had changed their listening habits during lockdown, with 26% of them listening more and 22% listening less. Adults aged 55+ were the least likely to have changed their radio listening behaviour, with almost two-thirds (64%) listening to about the same amount of radio since lockdown. Younger adults aged 16-34, meanwhile, showed the greatest levels of variation in their radio listening habits since lockdown.⁶⁶

⁶⁴ The study used an online panel methodology, making the findings representative of the habits of the 90% of the UK population that are online, according to [Ofcom's Technology Tracker 2020](#)

⁶⁵ 29 May-3 June 2020

⁶⁶ Ofcom-TRP Covid-19 Media Behaviours survey, UK

Figure 1.26: Amount of radio listened to since lockdown, by age

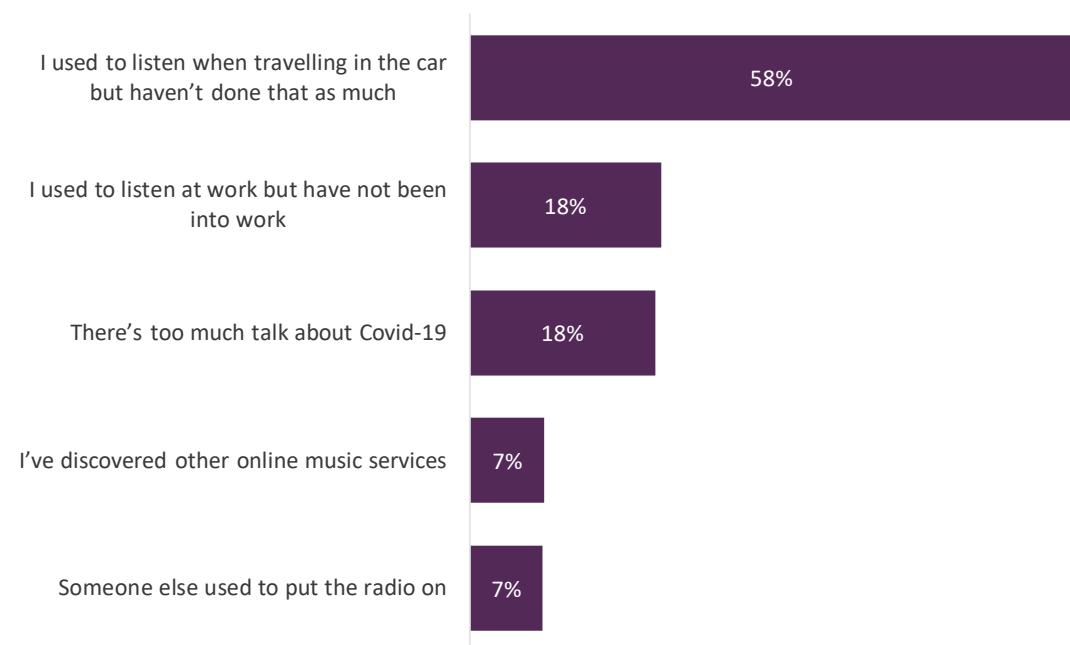
Source: Ofcom-TRP Covid-19 Media Behaviours survey, UK. Fieldwork conducted 29 May-3 June 2020. Q7: Would you say you listen to more or less radio since lockdown? Base: Online adults aged 16+ who listened to radio in last seven days. Sample: 1,186 adults 16+, 252 adults 16-34, 529 adults 55+.

Reduced road travel and not going into work are the main reasons why people have stopped listening to the radio since lockdown

More than four in ten (42%) of the online adults we surveyed in our sample period said they had not listened to the radio in the previous week. Of these, almost a third (32%) said they had stopped listening to radio altogether since lockdown – an estimated 14% of online adults aged 16+. The enforced change in circumstances was the key driver for those who had stopped listening: almost six in ten (58%) of those who had stopped said they used to listen when travelling in the car but have not done this as much. The decline in road travel at the start of the lockdown was significant – Cabinet Office data shows that in the lead up to the lockdown, motor traffic in the UK started to decline and that by 29 March had plummeted by 73% in comparison to pre-lockdown, a level not seen since 1955.⁶⁷

Another change in circumstances, not going into work, was also a key reason for people not listening to the radio during lockdown, with almost a fifth (18%) of those who had not listened saying this. The same proportion indicated that they stopped listening to radio because of the amount of talk about Covid-19. Adults aged 35-54 were more likely than average to say they had discovered other online music services instead of radio (13%, compared to 7% among all adults).

⁶⁷ The Guardian, [UK road travel falls to 1955 levels as Covid-19 lockdown takes hold](#), 3 April 2020

Figure 1.27: Reasons for having stopped listening to radio

Source: Ofcom-TRP Covid-19 Media Behaviours survey, UK. Fieldwork conducted 29 May-3 June 2020. Q9. Which of the following describes why you have stopped listening to the radio? Base: Online adults aged 16+ that have not listened to radio in last seven days AND stopped listening to the radio since lockdown. Sample: 264 adults 16+.

A range of radio broadcasters reported increases in listening to their stations on online platforms in the lead up to, and around the start of, lockdown. Bauer said its total online reach grew by 6% and its hours by 3% week on week for the week commencing 16 March, while Global said daily reach via connected devices such as smart speakers and mobile phones was up 15% between 9 and 17 March.⁶⁸ Radioplayer announced a 50% increase in reach between February and March 2020 but specified that the increase was from the use of Radioplayer-branded players and apps, and as such did not include stations' own streaming platforms, or analogue and DAB broadcast platforms.⁶⁹ In addition, retailer John Lewis & Partners reported that its sales of digital radios and smart speakers had boomed during the lockdown period.⁷⁰

There are no available data to indicate whether these increases in online listening have been sustained throughout lockdown. However, as highlighted above, online represented only 14% of all listening time before lockdown, so even the large increases highlighted by Global and Bauer will be unlikely to have counterbalanced the loss in listening in-car and at work.

Among those who were listening to the radio during lockdown, a range of reasons were given, with 'background listening' the most popular (27%), followed by 'listening for music' (22%). A small minority (4%) said the main reason for listening to the radio was for more information on Covid-19, while 2% said they listened to the radio as a distraction from Covid-19.⁷¹ Our [Covid-19 news and](#)

⁶⁸ Mediabase News, [Lockdown drives listening boost for local and national radio](#), 6 April 2020

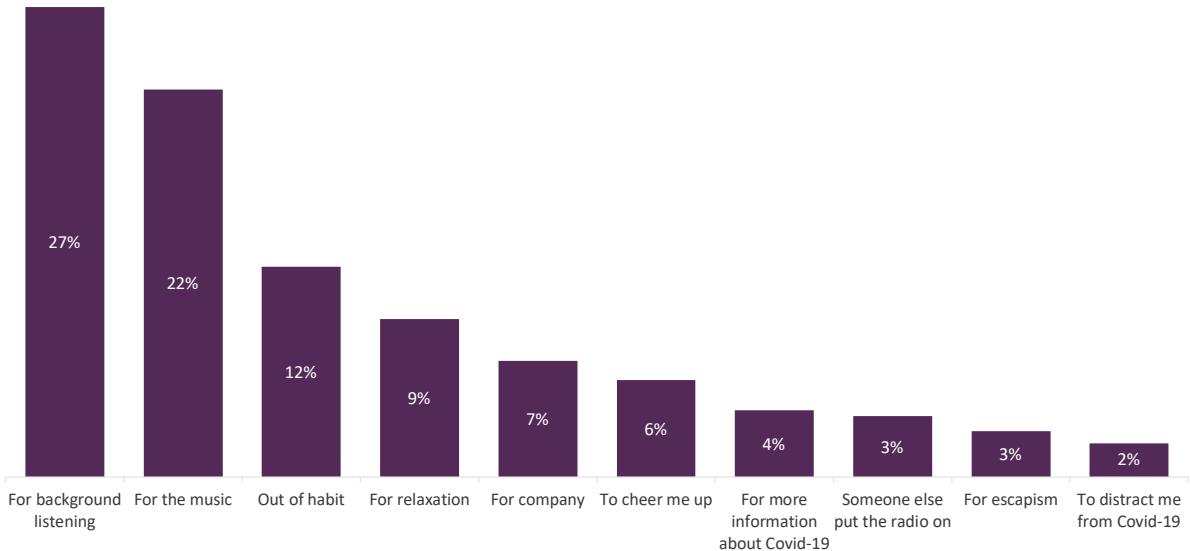
⁶⁹ RadioToday, [UK radio listeners 'up 50 percent' during early lockdown](#), 9 July 2020

⁷⁰ Digital Radio UK, [Radio's Digital Revolution comes to John Lewis & Partners](#)

⁷¹ Ofcom-TRP Covid-19 Media Behaviours survey, UK

[information research](#) found that a third of online respondents (34%) listened to the radio to access news and information about the pandemic at the start of lockdown, with this level sustaining through to the end of June (30%). By comparison, TV was the main source for this information – at the start of lockdown, 80% used it for this purpose and more than seven in ten (72%) were still doing so by the end of June.⁷²

Figure 1.28: Main reason for listening to the radio

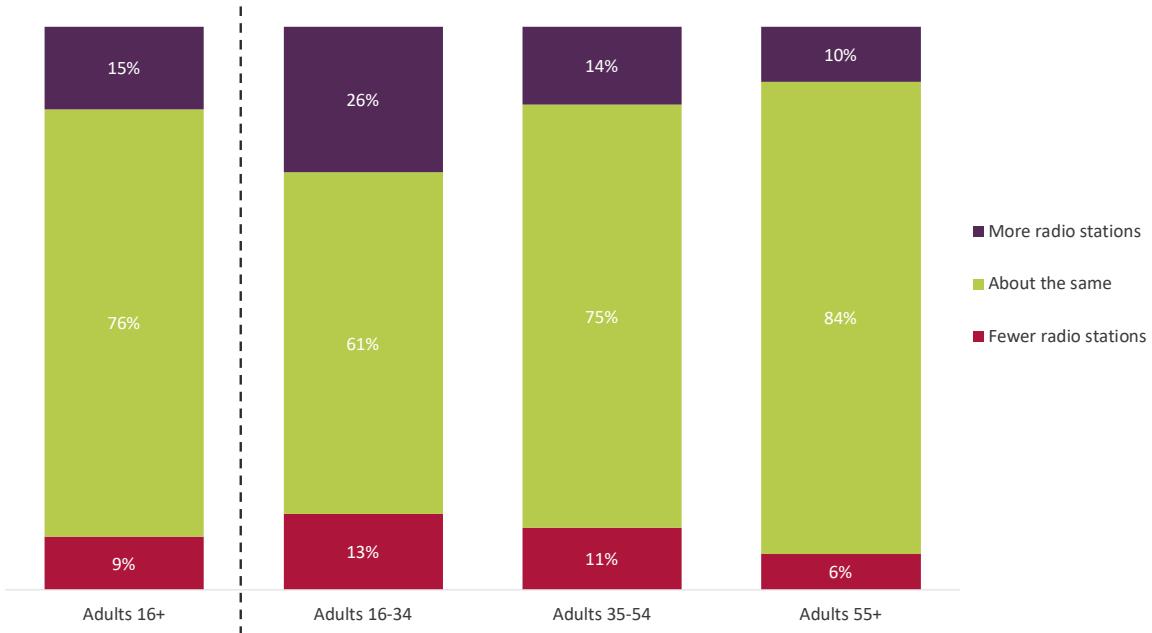


Source: Ofcom-TRP Covid-19 Media Behaviours survey, UK. Fieldwork conducted 29 May-3 June 2020. Q5. What would you say has been your MAIN reason for listening to the radio in the past week? Base: Online adults aged 16+ who listened to radio in last seven days. Sample: 1,186 adults 16+.

Radio listeners were also asked if the number of stations they listened to had changed since lockdown. While most (76%) said they had listened to the same number of radio stations as they did before lockdown, those aged 16-34 were more likely to have listened to more stations than before lockdown – 26%, compared to 10% of those aged 55+.

⁷² Ofcom Covid-19 news and information: consumption and attitudes research 2020

Figure 1.29: Number of radio stations listened to during lockdown compared to pre-lockdown, by age



Source: Ofcom-TRP Covid-19 Media Behaviours survey, UK. Fieldwork conducted 29 May-3 June 2020. Q3. Which of these statements best describes the number of radio stations you listen to? Base: Online adults aged 16+ who listened to radio in last seven days. Sample: 1,186 adults 16+, 252 adults 16-34, 405 adults 35-54, 529 adults 55+.

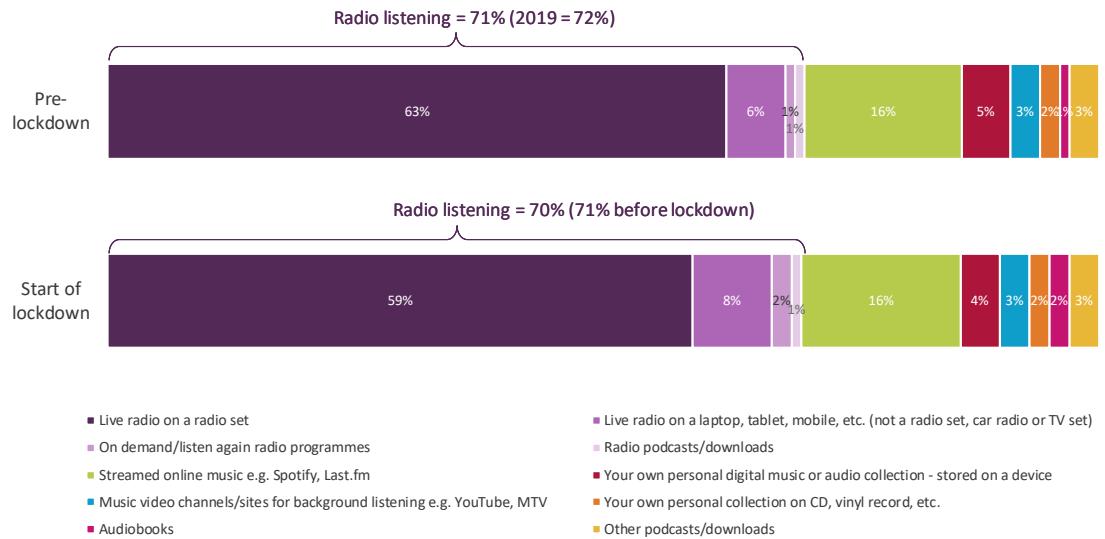
Younger adults have replaced some of their radio listening with music videos, podcasts and audiobooks

Research from TouchPoints provides an indication of the proportion of time spent on different types of audio before lockdown compared to the first few weeks of lockdown. While in-car and at-work listening decreased and in-home listening probably increased, radio's overall proportion of audio listening among adults 15+ remained relatively stable in the first few weeks of lockdown, at 70% (71% pre-lockdown).

Among younger adults aged 15-24, however, time spent listening to the radio compared to other audio types decreased from 27% pre-lockdown to 18% in the early lockdown period. The decline was driven in particular by a decrease in time spent listening on a radio set. Those benefiting from this reduction were music video channels/sites, audiobooks and podcasts, all accounting for a greater proportion of overall audio time compared to pre-lockdown.⁷³

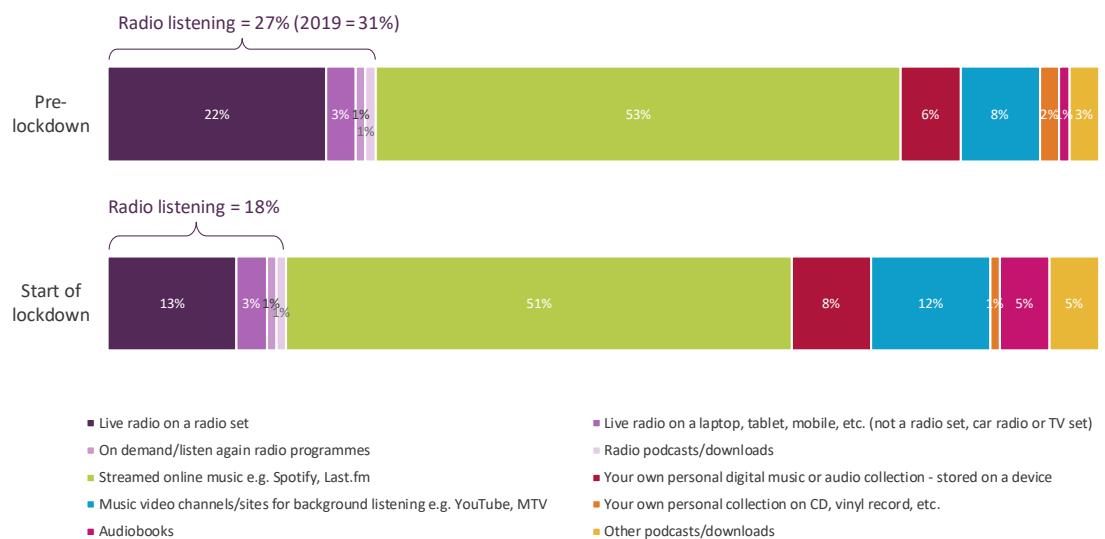
⁷³ TouchPoints 2020. GB adults 15+.

Figure 1.30: Proportion of time spent listening to each type of audio, pre-lockdown vs. early weeks of lockdown: adults aged 15+



Source: TouchPoints 2020; pre-lockdown fieldwork, 15 January-23 March 2020; early lockdown fieldwork, 24 March-16 April 2020.

Figure 1.31: Proportion of time spent listening to each type of audio, pre-lockdown vs. early weeks of lockdown: adults aged 15-24

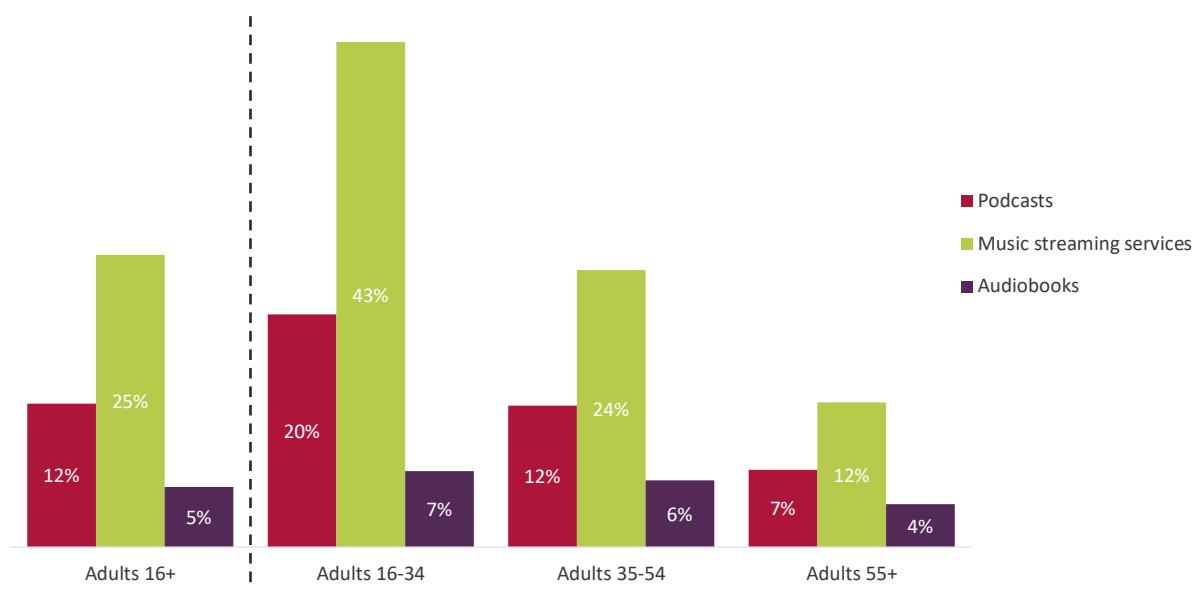


Source: TouchPoints 2020; pre-lockdown fieldwork, 15 January-23 March 2020; early lockdown fieldwork, 24 March-16 April 2020.

A third of online adults listened to music streaming services, podcasts or audiobooks in lockdown

About a third (34%) of the online adults aged 16+ we surveyed said they had listened to music streaming services, podcasts or audiobooks in the previous week.⁷⁴ Younger adults aged 16-34 were more likely to have listened to these services (55%) compared to those aged 55+ (20%). Listening to music streaming services proved most popular, with a quarter of online adults claiming to have done this. Those aged 16-34 were much more likely than older adults to have listened to a music streaming service or podcast, while listening to audiobooks showed less variation across age groups.⁷⁵

Figure 1.32: Audio listened to each week (excluding radio), by age



Source: Ofcom-TRP Covid-19 Media Behaviours survey, UK. Fieldwork conducted 29 May-3 June 2020. Q13. Which of the following types of audio (not including radio) have you listened to in the past seven days? Base: Online adults aged 16+. Sample: 1995 adults 16+, 540 adults 16-34, 696 Adults 35-54, 759 Adults 55+.

Audio-streaming services responded to lockdown by offering users a range of content and features via their platforms. Audible released more than 200 children's books that it said would be free to access as long as schools stayed closed.⁷⁶ Spotify, meanwhile, introduced a group listening feature for Premium members that allows two or more users in close proximity to share control over playlists.⁷⁷ Although this feature had been in development for some time, it was positioned in lockdown as a convenient way for users to collaborate on music choices with their quarantined companions. In May, Spotify launched a global campaign called 'Listening Together' to capture and visualise the moments when listeners around the world click 'play' on the same song.⁷⁸

⁷⁴ 29 May-3 June 2020

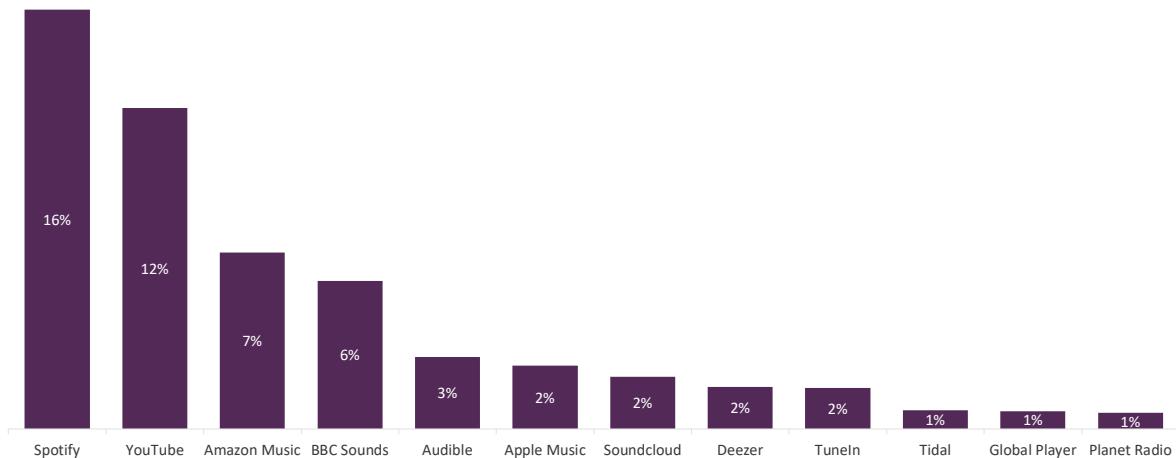
⁷⁵ Ofcom-TRP Covid-19 Media Behaviours survey, UK

⁷⁶ Radio Times, [Audible just made hundreds of titles completely free to help during coronavirus crisis](#), 20 March 2020

⁷⁷ TechCrunch, [Spotify officially launches a shared-queue feature called Group Session](#), 22 May 2020

⁷⁸ Spotify, [Audio Connects Us All in Spotify's Newest Campaign, 'Listening Together'](#), 7 May 2020

Figure 1.33: Audio-streaming services listened to

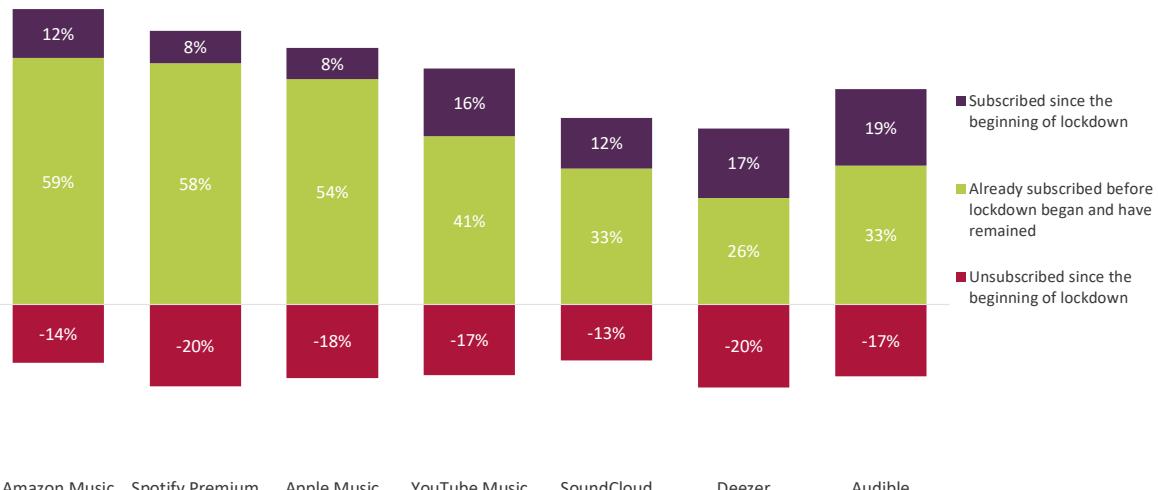


Source: Ofcom-TRP Covid-19 Media Behaviours survey, UK. Fieldwork conducted 29 May-3 June 2020. Q14.

Which of these services have you used to listen to other audio in the past seven days? Base: Online adults aged 16+. Sample: 1995 adults 16+.

Respondents who had ever subscribed to online audio-streaming services were asked about subscription take-up and cancellation during lockdown, with the results suggesting that most services have seen a net loss in this period.⁷⁹ As with the declines in out-of-home listening, subscription take-up and churn may have been influenced by the Government's stay-at-home orders, with reduced numbers of adults commuting and travelling.

Figure 1.34: Take-up and churn of audio-streaming services



Source: Ofcom-TRP Covid-19 Media Behaviours survey, UK. Fieldwork conducted 15-18 May 2020. Q7. Thinking of your household, which of the following statements are true for each of the providers below? Base: Online adults aged 16+ who have ever subscribed to each service. Sample: 377 Spotify Premium, 399 Amazon Music, 158 Apple Music, 100 YouTube Music, 63 SoundCloud, 65 Deezer, 122 Audible.

⁷⁹ Ofcom-TRP Covid-19 Media Behaviours survey, UK

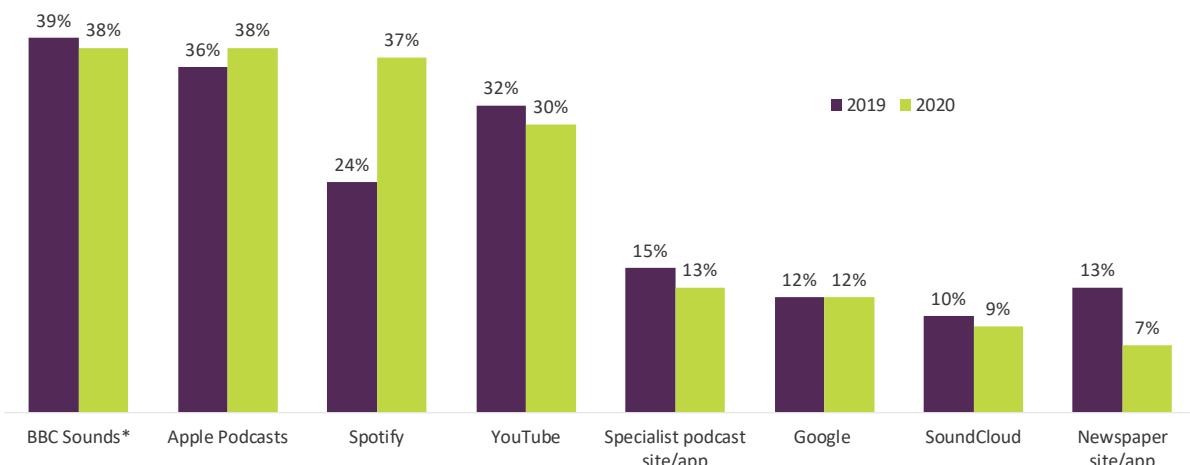
Podcast listening had plateaued – but was boosted in lockdown

Figures from RAJAR indicate that growth of podcasts in recent years may have stalled in Q1, with 16.1% of adults now listening each week, down slightly from 16.5% the previous quarter.⁸⁰ The largest decrease has been among 25-34-year-olds, the age group who have tended to be the biggest users of this medium. Some older age groups are still discovering podcasts, though, with an increase in listeners aged 45-54 and over 64.

In last year's Media Nations report, we published the findings of a survey we had commissioned to understand the behaviours of weekly podcast listeners. We repeated the survey this year to identify any shifts in those behaviours.⁸¹

Spotify's continued investment in podcasts, to complement its music offering, seems to be paying off. The number of weekly podcast listeners using the service increased from 24% to 37%, bringing it into line with BBC Sounds and Apple.⁸² The most popular podcast genre among weekly listeners is entertainment, listened to by 80% of listeners, followed by discussion and talk shows (78%) and comedy (77%). BBC Sounds users are more likely to say they listen to discussion and talk show podcasts (84%) and news and current affairs podcasts (82%) than users of other services.

Figure 1.35: Services' use, by weekly podcast listeners



Source: Populus Online Survey, April 2020. Base: Weekly podcast listeners aged 18+. *Includes some BBC iPlayer Radio in 2019.

The age profile of the services varies. BBC Sounds attracts the oldest weekly podcast listeners (68% aged 35 and over), while Spotify appeals more to younger age groups (62% aged under 35).

The indications from Ofcom's research commissioned in lockdown are that there were net gains in podcast listening during this period – 7% of adults aged 16+ claimed that they listened to podcasts less since lockdown, while 11% claimed they had been listening to podcasts more. We asked podcast

⁸⁰ RAJAR Q1 2020

⁸¹ [Media Nations 2019](#), from page 101

⁸² Populus Podcast Survey, 2019 and 2020

listeners if they had ever listened to a Covid-19 related podcast; more than one in ten listeners (12.3%) aged 16+ had done so.⁸³ The most-used Covid-19 podcasts were two from the BBC (*Coronavirus Global Update* and *The Coronavirus Newscast*) followed by LBC's *Daily Update*.

⁸³ Ofcom-TRP Covid-19 Media Behaviours survey, UK

Covid-19 media trends: industry impact and response

Introduction

The previous chapter in this report outlined a sudden, significant increase in audiovisual viewing due to lockdown measures implemented as a result of the coronavirus (Covid-19) crisis. But this has not translated into growth in advertising revenue, due to the deferral of advertising spend stemming from social distancing requirements, which have affected key industry sectors' advertising on TV, online, and radio. These shocks to revenue streams have resulted in broadcasters implementing various cost-cutting measures to weather the storm. The pandemic has also seen the introduction of several initiatives aimed at supporting broadcasters, producers and individuals working in the audiovisual sector.

Restrictions on social interaction from mid-March 2020 resulted in the abrupt pausing of TV and film production in the UK, which caused gaps in programme schedules and delays in planned releases of content – the effects of which are still reverberating. Postponements of theatrical releases have resulted in the resurgence of transactional straight-to-digital releases, often referred to as premium video-on-demand (PVoD).

Online video providers have generally performed well during the pandemic, particularly Disney+, which achieved rapid take-up, launching at a time when people valued home entertainment more highly than usual. Pay-TV, conversely, has had to mitigate the negative impact of sports' hiatus, working to compensate customers, absorb the associated hits to revenue, and limit customer churn. However, the return of major sport – to varying degrees – since June appears to have been well received by audiences. The biggest influence on pay-TV's post-pandemic performance may be the speed of macroeconomic recovery. Positively for the sector, pay-TV has historically performed well in times of economic downturn as people have seen it as a lower cost alternative to going out. However, pay-TV may be at risk of customers moving to lower cost on demand services.

Radio listening will have been affected by lockdown as a result of the reduction of in-car listening and the closure of workplaces, although broadcasters have reported some increases in online listening. Looking ahead, there will be challenges for commercial radio in demonstrating advertising impacts to advertisers, with the suspension of the industry audience measurement from Q2 2020 until RAJAR has developed a new system less reliant on face-to-face methodologies. There has been some evidence of spikes in online listening, however, as mentioned in the previous chapter, and music streaming had a temporary spike, although this uptick appears to have been primarily from YouTube. Podcast production has also been affected by Covid-19, although this has not slowed growth in the number of new titles being introduced during the pandemic.

The following chapter discusses the impact of Covid-19 on the audiovisual sector in detail, in the context of the longer-term industry trends before the crisis.

PSBs and commercial TV broadcasters

The coronavirus pandemic has increased pressure on commercial PSBs' TV advertising revenues

The temporary reversal of the decline in broadcast TV viewing, outlined in the previous chapter, has not translated into growth in TV advertising revenue. Restrictions on social interaction have directly affected several industries' advertising on TV, including travel, leisure, hospitality, and retail. While not all industries are affected by the restrictions – for example, online retail services and home entertainment – this has not been enough to meaningfully soften the drop in TV ad spend. As a result, commercial PSBs have been faced with a shortfall in advertising revenue, despite enjoying increased audience share.

ITV reported a 7% year-on-year decline in advertising revenue during Q1 2020, and indicated further deterioration in April – when there was a 42% decline in its advertising revenue from TV, online and sponsorship.⁸⁴ Although this is expected to have worsened over Q2 2020, with Channel 4 also expecting a hit to advertising revenue over this period,⁸⁵ there have been some signs of a tentative return to TV advertising in some sectors – albeit with shorter campaign commitments. It is likely that advertisers who had cancelled spend will continue to return to TV as lockdown continues to ease.

The crisis has brought a shock to what was already a changing advertising market. Before the pandemic, TV's share of display advertising was already falling. According to data from WARC,⁸⁶ TV spot advertising's percentage of display advertising fell from 32% to 29% during 2019 – continuing a decline from 41% in 2013. As the market recovers over the next two years, however, WARC is not forecasting a significant further reduction in TV's proportion of total display.

According to WARC, confidence in TV ad spend is to slowly return over the rest of 2020, although a year-on-year drop is still expected. A 12% year-on-year bounce-back in traditional TV spot advertising revenue in 2021 has been forecast by WARC, although it is not expected to recover to pre-pandemic levels.⁸⁷ Further analysis of this can be found in the advertising chapter of this report.

Public service broadcasters have had to introduce cost-cutting measures quickly in response to the coronavirus emergency

The UK's commercial PSBs have moved fast to mitigate revenue loss by initiating cost-cutting measures. The scale of these reactive measures has varied by broadcaster, with ITV announcing a £100m cut to its programming budget (a reduction of approximately 9%) in late March, while Channel 4 outlined expectations of a content spend reduction of £150m in 2020 (around 22%), and Channel 5 announced a 10% cut to its programming spend as a result of the emergency. Meanwhile,

⁸⁴ [ITV trading update Q1 2020](#)

⁸⁵ Channel 4, [Channel 4 sets out financial plan to navigate the organisation through impact of Covid-19 crisis](#)

⁸⁶ WARC is a firm which measures advertising spend

⁸⁷ AA/WARC Expenditure Report

STV is reducing programming costs in line with any reduction in its revenue⁸⁸, and initiated a share-placing exercise in June, which raised over £15m from new and existing shareholders.

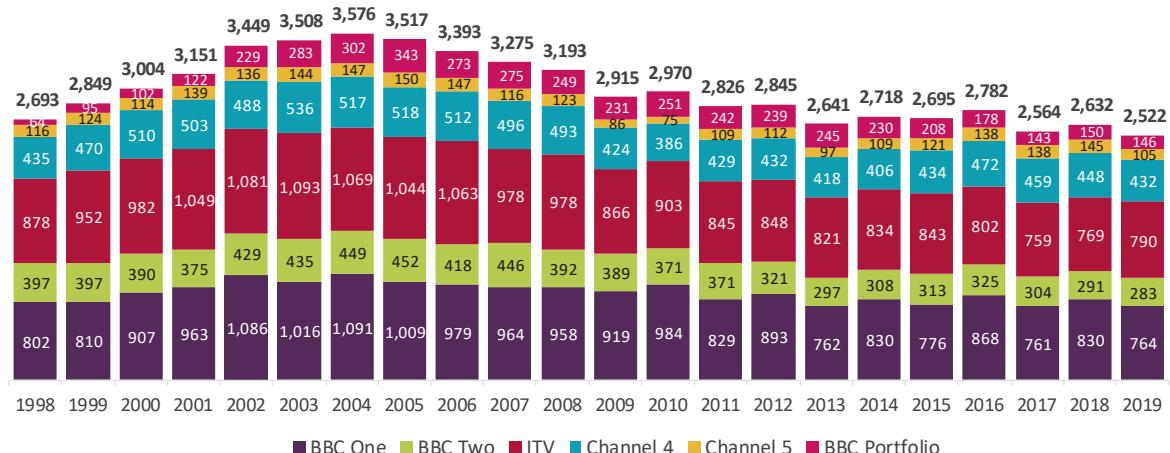
Commercial PSBs have implemented other cost-cutting measures, beyond reductions in programme spend. ITV, for example, is seeking £60m savings in overhead costs during 2020, while Channel 4 plans to save a further £95m across the organisation, including reviewing its marketing budgets. Staffing has also been a key area for targeting cost savings. In its Q1 trading update, ITV announced a recruitment and salary freeze, together with the furloughing of around 15% of its UK workforce. Channel 4 has introduced similar measures, with 10% of its staff furloughed.

While the BBC is insulated against an advertising revenue downturn due to its licence fee funding, its revenue has been under pressure in recent years, and as a result of Covid-19 it has introduced cost-saving measures related to staffing, such as pay freezes and non-essential hiring pauses, and inviting some staff to apply for voluntary redundancy. The BBC has cut jobs across its nations' and regions' services, including 150 in Scotland, Wales and Northern Ireland, and has [announced 450 job cuts in English regional services across TV news and current affairs, local radio, and online news](#). The latter measures are expected to save the broadcaster £25m by 2022, and come on top of the delayed £40m cuts to the BBC's news division outlined in January. It is not yet clear to what extent the BBC will follow these measures with reductions in programming spend, in line with other PSBs, but it has estimated a £125m shortfall due to the impact of Covid-19.

As with the pressures on PSB revenue, decreases in programming spend are not a new development, with first-run origination spend showing a steady decline since the early 2000s. While spend levels have been relatively more stable in recent years, in real terms 2019's figure was the lowest in the past decade. Compared to 2017 – the last comparable year in terms of sports output – spend was down by 2%. This was mainly driven by a decrease in spend by Channel 5, partly owing to its cancellation of *Big Brother* in 2019, as well as less sports spend by PSBs in general compared to 2017 levels. This data does not include third-party spend, which before 2018 largely compensated for the decline in direct spend on first-run originated content, at £463m in 2018.⁸⁹

⁸⁸ [STV Group Plc trading update Q1 2020](#)

⁸⁹ Data for third-party spend in 2019 was unavailable at the time of publication. 2018 figure is expressed in real terms.

Figure 2.1: 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.

The vulnerability of the UK's public service broadcasters to revenue shocks will vary by broadcaster, with Channel 4 likely to face the biggest challenge

Due to the differences between the UK's PSBs' funding models and financial backing, the impact of the emergency will vary by broadcaster. While the BBC's public funding structure provides some level of financial protection, its two-month delay to the introduction of licence fee payments for over-75s, and the suspended £40m cuts to its news division, will have an impact on its funding. The possibility of reduced income as a result of licence fee payment enforcement ceasing during lockdown may also present a risk. There may be longer-term risks should non-payment of the licence fee be decriminalised, as was suggested before the coronavirus outbreak, while the BBC could face further pressure as a growing number of households choose to watch no broadcast television and stop paying the licence fee.

Of the UK's commercial PSBs, Channel 5 receives a degree of insulation through its ownership by ViacomCBS, while ITV is also relatively less reliant on advertising revenue, owing to income from its ITV Studios production and content distribution business – although these revenue sources will not be immune to the crisis. Advertising was ITV's largest source of revenue before the pandemic, at 53% (£1.77bn) of total ITV revenue in 2019, compared to ITV Studios' contribution of 38% of total revenue in the same year.⁹⁰ STV, meanwhile, is well positioned to protect its profit margins owing to its arrangement with ITV whereby its network programming costs vary in line with national advertising revenue. ITV and STV have both decided to withdraw 2019 dividends to shareholders, which will provide an element of relief. S4C is primarily supported by the public funding it receives. However, its plans to move to broadcasting out of BBC Wales' Cardiff studio have been delayed by the emergency.

⁹⁰ ITV, [Full-year results for the year ended 31st December 2019](#). ITV Studios' contribution of 38% to total revenue is based on the subtraction of £577m internal supply (the sale of ITV Studios programmes to ITV Broadcast) from total ITV Studios revenue (£1.8m).

Channel 4 is likely to be the broadcaster hardest hit by the pandemic, owing to its reliance on advertising revenue and its lower access to liquidity compared to ITV. Channel 4's role as a publisher and broadcaster, using external commissions for new first-run content, may also increase its vulnerability, as struggles in the independent production sector take their toll. Financially, Channel 4 has limited access to liquidity, and has already drawn down £75m credit, to which it has had access since 2018. To go beyond this, it would need to negotiate additional credit, with [its borrowing ability currently limited to £200m](#). In contrast, ITV has stated that it has good access to financial resources, comprising over £100m of unrestricted cash, and £829m credit, which it has not yet drawn upon.⁹¹

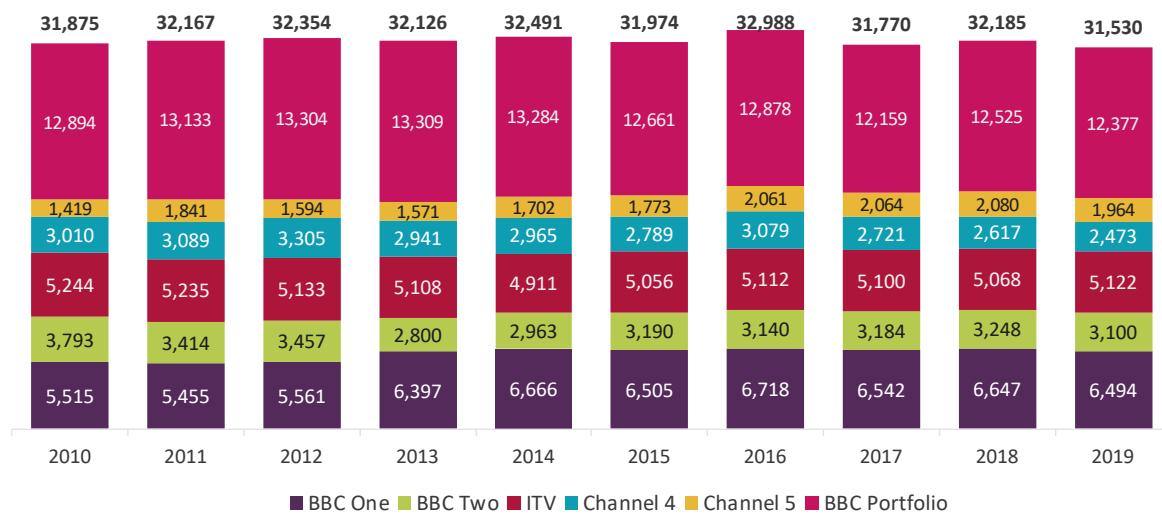
PSBs' output of first-run UK-originated content remained stable before the outbreak of Covid-19

The disruption caused by the coronavirus pandemic is likely to cause a break in trend in PSBs' output of new original UK content in 2020, which we discuss below. However, until this year, the total number of first-run UK-originated hours provided by PSBs remained at about 32,000 hours in 2019, as has been the case since 2010.

Compared to 2018, there were 655 fewer first-run UK-originated hours from PSBs in 2019, with all PSBs producing or commissioning slightly fewer hours than in 2018, with the exception of ITV. There were a few subtle shifts in genre provision during 2019, with 152 fewer hours of entertainment content offset by 182 more factual hours. This was primarily a result of the lost *Big Brother* hours which were replaced by factual content. Last year also saw an additional 245 hours of news and current affairs, compared to 2018 – probably due to coverage of Brexit negotiations and the 2019 general election.

In comparison to 2017, the last comparable year in terms of the frequency of sporting events, sports hours were slightly lower in 2019, at 2,073 compared to 2,251 in 2017. This was partly driven by Formula 1, which moved from live coverage to highlights on Channel 4, as well as Channel 4's loss of darts coverage in 2019. There were also fewer hours of sport on Channel 5, including rugby, boxing and cricket.

⁹¹ £630m undrawn credit and £199m in bilateral facility

Figure 2.2: 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.

Coronavirus restrictions had an immediate impact on broadcasters' programming schedules, which will intensify as the year goes on

The lockdown-induced pause on production of programming, as well as the need for PSBs to inform, educate and entertain audiences forced to spend more time at home, resulted in broadcasters having to respond rapidly with changes to programme schedules. Social distancing measures affected TV production, which had ramifications for live programming and ongoing scripted dramas such as soaps, and there were immediate gaps in programme schedules caused by the cancellation or postponement of live cultural events such as *Glastonbury*, and live sports events.

For PSBs, the need for extensive news coverage of the coronavirus crisis offered, to some degree, a short-term mitigation of the immediate scheduling challenges. As highlighted in the preceding chapter of this report, this particularly benefited the BBC, which had a good audience response to its initiatives, such as prioritising live coverage of the pandemic over existing scheduled programmes on its BBC News channel. Channel 4 also increased its news, current affairs and factual output directly related to coronavirus. In Scotland, STV streamlined its news output, replacing regionalised variants of *STV News at Six* with a single national programme, and moving its current affairs programme *Scotland Tonight* to one episode at peak time, which, according to the broadcaster, more than quadrupled its audience.⁹² At a local level, the channels operated by Local TV Limited, which attracted larger audiences with news, information and other programming tailored to local audiences during the crisis, were able to maintain a full service in spite of the challenges presented by Covid-19.

As well as an increased drive towards news provision, the crisis has resulted in the introduction of content directly geared towards audiences' changed circumstances. The BBC was again active in this

⁹² STV, [An update from Chief Exec, Simon Pitts: STV's response to COVID-19](#), 16 April 2020

regard, stepping up its educational content, including weekday evening blocks on BBC Four for GCSE and A-Level support, daily online programming for children across different age groups between five and 14 years old, and the introduction of arts programming under the *Culture in Quarantine* banner. The BBC also launched its already-planned dedicated ‘children’s experience’ on its iPlayer service in late March, and fast-turnaround children’s commissions were announced in late April. Meanwhile, S4C in Wales launched a “rapid commissioning round” worth £2.8m, which encouraged the commissioning of programmes aimed at raising the spirits of viewers during lockdown. This included *Cyswllt (Mewn COVID)*, a drama title self-shot by its actors. A push on non-scripted programming is one possible solution to filling schedule gaps, which we discuss later in this chapter. Channel 5’s existing large stock of factual programming provides it with a head start in this area.

There have been some encouraging signs for programme schedules in the longer term: in mid-May, the go-ahead to restart TV production, supported by cross-industry collaboration on guidelines for managing the risk of Covid-19 in production making, came alongside the Government’s first set of measures to gradually ease lockdown. This was followed in July by the exemption of casts and crews of selected international film and high-end TV productions from lockdown rules, provided they remain in controlled ‘bubbled’ environments.

Despite the easing of lockdown measures, ensuring production sets remain Covid-secure will continue to present challenges, especially for ongoing titles that require large volumes of output, like soaps. Nonetheless, filming for ITV’s *Emmerdale* and *Coronation Street* and the BBC’s *EastEnders* all resumed in June. But in order to mitigate the risk of programming running out, broadcasters have resorted to reducing the number of days per week soaps are broadcast, shortening episode runtimes, and broadcasting archive episodes, all of which will have the knock-on effect of reducing the output of first-run original programming.⁹³

This summer there has been continued disruption to programme schedules – the absence of free-to-air (FTA) live coverage of major sporting events such as Euro 2020 and the 2020 Olympic Games, and of live cultural events. While it is difficult to quantify the exact number of hours lost, during 2016 (the last year these specific sporting events took place) PSBs broadcasted 2,969 hours of sports events and live music performances, which amounted to 9% of total first-run originated hours in that year.⁹⁴

Scheduling problems caused by the cancellation of live events have been alleviated to an extent by the return of some sporting events, such as the English Premier League, which resumed on 17 June 2020 and incorporated some free-to-air coverage, as we note below. For the events that have not been able to take place, repurposing of previously-broadcast content has filled gaps in schedules, such as the *Eurovision Song Contest*, *Glastonbury*, and *Wimbledon*.

⁹³ Ofcom, [PSB Annual Compliance Report 2019](#)

⁹⁴ Ofcom/broadcasters. Based on hours classified as sports events, arts performance, classical music performance, and contemporary music performance.

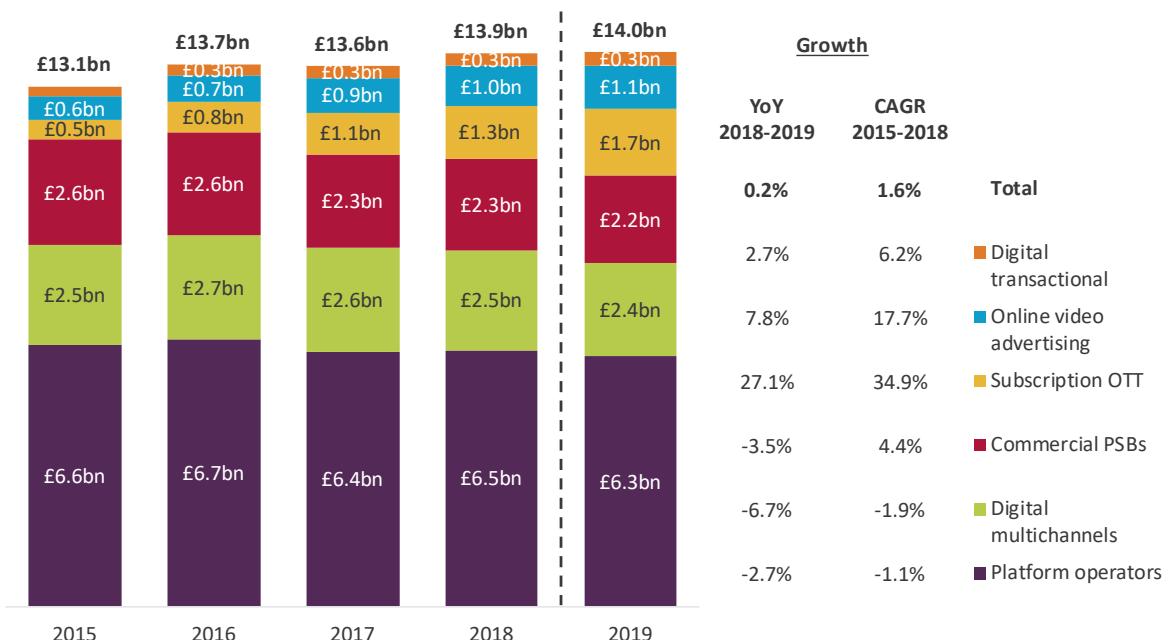
Before the outbreak of Covid-19, traditional commercial TV revenues were already contracting

Before the onset of the coronavirus pandemic, traditional TV revenues were following a downward trend, with both digital multichannels and commercial PSBs seeing declines in total revenue in 2019. For both sectors, this was driven by declines in net advertising revenue (NAR), which for commercial PSBs declined by 4.1% to £1.9bn during 2019, and for multichannels at a faster rate of 6.9%, to £1.9bn. This was largely due to some organisations reporting lower income due to lower ratings for their channel portfolios.

While revenues from platform operators such as Sky, Virgin Media and BT declined by 2.7% over 2019, this was the first full year of Sky's ownership by Comcast. As a result, the reported £6.3bn platform operator revenue incorporates a change in reporting methodology by Sky. Adjusting for this, pay-TV subscription revenue remained flat in comparison to 2018, with some increases in revenue from price rises marginally offsetting subscriber-base declines in 2019.

The continued growth of online video has ensured that total commercial revenue, encompassing TV and online, remained flat compared to 2019. Before 2020, growth in revenue from broadcaster video-on-demand (BVoD) services had partially offset declines in traditional advertising. However, WARC forecasts suggest that the revenue growth trend will be interrupted in 2020, with an estimated 1% decline in BVoD ad spend. Unlike its outlook for TV, though, WARC expects BVoD advertising expenditure to exceed 2019 levels in 2021, in real terms.

Figure 2.3: 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.

Multichannel broadcasters also face uncertainty from the outbreak, particularly those operating in the pay-TV space

Like PSBs, commercial multichannel broadcasters face uncertainty from the shock to advertising revenue, with major channel owners such as Disney, ViacomCBS and Sony all initiating cost-cutting measures. Multichannels’ comparatively low reliance on advertising revenue may provide some solace, but other revenue streams are also subject to the effects of the pandemic.

Sky has already flagged decreases in content revenue, of 10.5% in Q1 2020 and 35.7% in Q2, resulting from the deferral of wholesale revenue from sports programming.⁹⁵ However, the loss in sports revenue may be mitigated to some extent by a decline in related programming costs – Sky’s capital expenditure decreased by 5.4% in the first six months of 2020 compared to the same period in 2019 – in addition to the settlement of compensation from sports bodies to broadcasters for rights purchased for postponed events. This included an agreed £170m rebate to Sky Sports from the English Premier League. At the time of publication, Sky was reportedly in compensation talks with other sports bodies such as Formula 1 and the England and Wales Cricket Board.

Pay-TV and premium sports

The pandemic has had some negative effects on platform operators’ revenues and subscriber bases

The impact of Covid-19 on platform operators’ revenues and subscriber bases has been evidenced in some Q1 and Q2 2020 results.

Sky – via parent company Comcast – reported customer losses, but its focus on retention was broadly successful, with 99% of total customers retained across all markets since the start of the crisis. Customer relationships declined by 65,000 in Q1 and 214,000 in Q2, to 23.7 million. Losses were compounded by Sky’s inability to send engineers to complete satellite installations for new customers. Retention of Sky Sports customers was not as high as for total customers, with 95% keeping their subscription. The loss of 1% of total customers and 5% of Sky Sports customers, coupled with the pausing of sport subscriptions while sport was suspended, had an impact on direct-to-consumer revenue, which declined by 1.9% year on year in Q1 2020 and by 6.7% in Q2. Reduced income from sport also affected content revenue (outlined above). And advertising revenue fell by 11.6% year on year in Q1 and 41.2% in Q2, with overall market weakness compounded by the impact of Covid-19.

⁹⁵ Comcast [Q1 2020](#) and [Q2 2020](#) results

BT also noted the effect of the absence of sport, which resulted in lower revenues both from residential customers – who were able to request credit to their accounts during the hiatus – and pubs and clubs. This contributed to year-on-year declines in consumer revenue of 4.5% in the three months to the end of March 2020 and 7.4% in the three months to the end of June (the latter compared to a 0.8% decline over the same period in 2019).⁹⁶

Meanwhile, cable operator Virgin Media reported a decline in its TV subscriber base in Q1 2020,⁹⁷ of 65,000 to 3.6 million. While this decline appears to be a continuation of a downward trend beginning at the end of 2018, the loss was greater than in the same quarter the previous year (25,300 in Q1 2019).⁹⁸ Virgin Media reported a revenue decrease of 0.7% in Q1 2020 compared to Q1 2019, although this was driven by declines in non-subscription revenues in mobile and business markets, as opposed to a decline in consumer ARPU from pay-TV.

Pay-TV operators have responded by providing additional content to viewers, often at no extra cost

Lockdown measures in the UK resulted in pay-TV operators seeking to capture or retain the attention of consumers staying at home by providing, or opening up, additional services previously unavailable to all subscribers.

While these initiatives provided content aligned with the traditional PSB objectives of informing, educating and entertaining audiences, they also served a commercial purpose. They may have retained customers during difficult times or promoted additional services which customers wanted to upgrade to. If these measures turn out to be successful, they could partially offset the loss of revenue caused by the pandemic.

⁹⁶ [BT Q1 2020/21 results](#)

⁹⁷ Latest data available at the time of writing

⁹⁸ [Liberty Global investor relations](#)

Figure 2.4: Customer-facing responses to Covid-19 by platform operators

Sky	Virgin Media	BT	TalkTalk
Sky Go Extra was extended to all customers from 18 March to 20 May 2020. This enabled simultaneous access to Sky TV on three screens, and the ability to download content for offline viewing.	Virgin Media made a range of channels available to customers at no extra cost: Seven children's channels between 31 March and 21 April 2020; 18 entertainment channels between 6 April and 2 May 2020; and 17 factual and entertainment channels from 17 April to 16 May 2020.	BT allowed customers with BT Sport or Sky Sports to switch to a half-price TV package for six months, at £5 a month. They were also offered account credits as compensation.	TalkTalk's response largely revolved around promoting the release of films on a premium video-on-demand (PVOD) basis, such as Universal titles <i>Emma</i> , <i>The Invisible Man</i> , and <i>The Hunt</i> , and DreamWorks' <i>Trolls World Tour</i> .
Educational content covering under-5s and Key Stages 1 and 2 was launched on Sky Kids on 23 March, under the banner <i>Learning from Home</i> .	Virgin Media allowed its customers to pause sports package subscriptions.	Customers were given the option to receive hubs by post, allowing installations without an engineer.	Like BT, TalkTalk promoted flexible monthly packages during lockdown, allowing customers to add and remove 'TV Boosts' at their convenience.
Sky Sports subscribers were allowed to pause their subscriptions while sport was suspended.		Before the onset of Covid-19, BT had already launched flexible TV packages allowing changes to package composition every month.	

Source: Platform operator releases

The pause in live sports has made this market downturn more challenging than previous ones for pay-TV companies

Decreasing pay-TV uptake is a foreseeable result of dips in employment and consumer spending, but the sector has in the past proved fairly resilient to economic downturns. Enders Analysis identified a 15% year-on-year rise in subscription revenue for Sky during Q1 2009, following a short period of slowdown at the start of the global financial crisis in 2008.⁹⁹

The pausing of live sports during lockdown, however, provided an unprecedented setback for the sector. Sport is often cited as an important differentiator of pay-TV versus streaming alternatives, and its hiatus has already caused revenue loss, as outlined above. With sports events on hold, providers offered various types of compensation to premium sports subscribers, such as allowing them to pause their sports subscriptions (Sky and Virgin Media) or offering credits against bills (BT). These measures helped maintain sports subscriber bases, alleviating the risk of permanent package downgrades if sports subscribers decided they could do without premium pay-TV.

⁹⁹ Enders Analysis, Pay-TV resilience: How this time is different, 7 April 2020

However, pay-TV is not immune to the risk of churn following the coronavirus outbreak. Several factors are likely to influence this, including the state of pay-TV customers' personal finances, and the length of time remaining on their contracts.

Early evidence suggests that the resumption of sports has been well-received by audiences

'Stage three' guidance published on 30 May by the Department for Digital, Culture, Media and Sport (DCMS) [permitted domestic competitions to return from 1 June 2020](#). However, this was under strict conditions for participants, and events will occur behind closed doors unless advised otherwise. The Government's exemption of lockdown rules for international film and high-end TV, announced in July, also extended to some sports performers. This has allowed for the return of international cricket, the PGA British Masters Championships, and the British Grand Prix, for example. Since May, Championship League Snooker and horse racing have also returned to free-to-air TV.

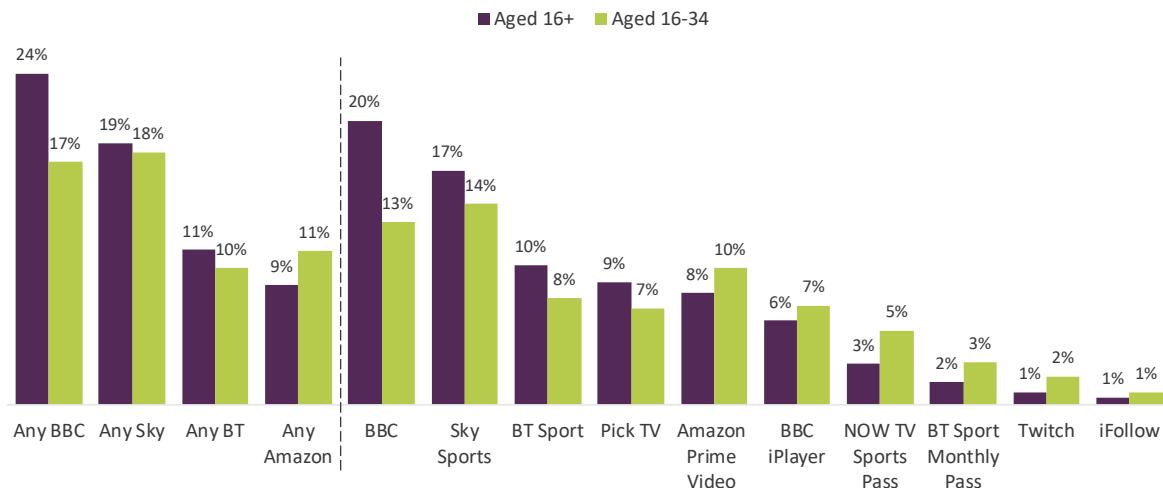
The go-ahead for live sport's resumption also led to the return of Premier League football in mid-June, together with the wider English Football League. By the start of July, 39% of online adults had watched Premier League football since its return on 17 June 2020. Following a Government request, access to live coverage of the remainder of the 2019-20 football season was widened beyond pay-TV during June and July, including, in an industry first, four matches on the BBC. The BBC had the highest reach among adults; its broadcast of Southampton vs. Manchester City on 5 July drawing in an audience of 4 million on BBC One.¹⁰⁰ Meanwhile, Sky reported an average audience of 3.1 million for its first marquee match post-hiatus, with the peak Sky Sports audience of 3.4 million for Manchester City vs. Arsenal on 17 June 94% higher than the season average to that point.

The English Football League is allowing football season ticket holders to watch live games on Sky free using its streaming service iFollow, enabling clubs to offset some of their refund commitments.¹⁰¹ Online services are slightly more likely to be used by younger adults compared to all adults, perhaps encouraging sporting and live events to become increasingly digital following the pandemic.

¹⁰⁰ BARB

¹⁰¹ Ampere Analysis, Covid-19 media impact briefing, 10 June 2020

Figure 2.5: Proportion of online adults who watched Premier League football in the first two weeks after resumption on 17 June, by age and platform



Source: Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Question: Which of these channels/services have you used to watch Premier League football since its return on 17 June 2020?

Note: those who selected other and I have not watched Premier League football excluded from chart. Base: 1,999 aged 16+, 506 aged 16-34.

The return of sport brought relief to platform operators, and its expanded TV presence could have implications for sports broadcasting post-pandemic

The Premier League is a key asset for pay-TV operators in the UK. While football's successful return to screens will provide solace for providers keen to see the resumption of sports revenue streams, the widening of access resulted in the broadcast of Premier League matches via other free-to-air means in addition to the BBC. This included 25 fixtures on Sky's Pick TV terrestrial channel, and four matches on SVoD service Amazon Prime Video, which were made freely available to those without Prime memberships. The remaining 59 fixtures were split between Sky Sports and BT Sport, airing behind the paywall.

The resumption of sports resulted in pay-TV operators lifting pauses to billing on sports subscriptions. Sky made a first step here, resuming billing on 19 June for customers with sports packages including Sky Sports Golf and Sky Sports Premier League. Sky will also hope to have gained increased exposure from the Premier League matches shown on Pick. As of Q1 2020, consumer analysis from Ampere Analysis suggested that 36% of Premier League fans who were willing to pay to watch matches did not have a pay-TV sports subscription – suggesting a potential pool of new customers.¹⁰² One example of Sky capitalising on the return of the Premier League was its extension of Sky Sports Fanzone to all viewers. This allows football fans to use a free online feature to watch matches with friends and interact together. A similar tool was tested by BT Sport in late June.

Lockdown has had another side-effect on televised English football league matches: the temporary removal of the long-standing '3pm blackout'. This prevented the live broadcast of Premier League

¹⁰² Ampere Analysis Consumer, Q1 2020, UK. Base: 2,000

and Football League matches between 2:45pm and 5:15pm on a Saturday, with the intention of protecting attendance to untelevised football matches, particularly those of lower league clubs. The lifting of this blackout increases the number of fixtures available for broadcast, providing further opportunities for broadcast rights sellers and buyers. It remains to be seen how, if at all, the temporary removal of the blackout will play into the long-standing debate on the merits of permanently removing this restriction.

Online video

Subscription video-on-demand services are likely to benefit from the crisis

Huge surges in streaming consumption and service sign-ups have been widely reported, with benefits across SVoD and BVoD services, as discussed in the previous chapter. Some viewers have discovered SVoD for the first time¹⁰³, and may continue to be attracted by the large catalogues of content and the flexibility of contract agreements provided by such services. A study by Oliver & Ohlbaum conducted in the UK in late April found a change in people's attitudes towards SVoD services in general, with 26% of people more willing to consider subscribing to online video services than before the crisis.¹⁰⁴

However, as with broadcast TV, VoD services will also feel the impact of content shortages due to the production sector shutting down during lockdown, with scripted productions affected most. Due to long production cycles, this shortage is likely to be felt in autumn/winter schedules, extending into the first half of 2021.

Despite the threat of shortages, the longer-term outlook for streaming looks positive. The Covid-19 crisis has accelerated existing trends, one of which was the transition to streaming delivery and on-demand viewing. Recent figures indicate that housebound viewers are leaning heavily on streaming content providers, just as a slew of new platforms enter the market. In particular, new entrant Disney+ saw rapid growth in subscriptions during lockdown, in part thanks to its serendipitously timed launch date of 24 March. Ofcom-commissioned research (see figure 1.17 in previous chapter) shows that the number of subscribers planning on leaving Netflix and Amazon Prime Video are largely balanced by potential new subscribers.

ITV and the BBC's BritBox service will also hope to have gained subscribers during lockdown – with Ofcom research finding that 3% of online adults (an estimated 1.6 million) had access to a subscription at the start of July. However, BritBox faces new competition in the form of Acorn TV, which launched at the end of April, priced at £4.99 per month (compared to BritBox's £5.99), and had 2% of online adults (an estimated 1.1 million) accessing the service by the start of July. Acorn TV, which is owned by US channel group AMC Networks, presents a direct challenge to BritBox in terms of the composition of its catalogue, with the service focusing on British content as part of its UK strategy.

¹⁰³ See consumer chapter

¹⁰⁴ Oliver & Ohlbaum, [TV streaming habits in lockdown](#), May 2020.

Figure 2.6: SVoD launches 2019-2020

	 tv+	 britbox	 Disney+	 Quibi	 ACORN ^{TV}
Launched	1 November 2019	7 November 2019	24 March 2020	6 April 2020	29 April 2020
Owner	Apple	BBC/ITV	Disney	Quibi	AMC Networks
Pricing	£4.99 per month	£5.99 per month	£5.99 per month, or £59.99 per year*	£7.99 per month	£4.99 per month
Trial period	7-day	30-day	7-day (removed in June)	90-day before 30 April, now 14-day	30-day
Number of titles	30	1,071	1,145	47	80

*£49.99 pre order before launch.

Source: SVoD operators / Ampere Analysis, July 2020. Note: Number of titles for Apple TV+, BritBox and Disney+ from Ampere Analysis, number of titles for Quibi and Acorn TV from operator websites, accessed July 2020.

In response to the pandemic, some online video services reduced streaming quality as demand increased, while promoting social viewing of their services

In order to reduce the pressure on internet service providers from increased consumer demand, the streaming quality of some online video services was reduced during lockdown. For example, Netflix reduced its data consumption by 25% for 30 days by lowering the video resolution and bitrate of its streaming.¹⁰⁵ An Ofcom survey found that most adults had not noticed the reductions in streaming quality – just 15% of Netflix users and 9% of YouTube users stated that they had noticed a reduction, which might also be attributed to an individual's broadband performance.¹⁰⁶

Staying connected with friends and family during lockdown has helped drive growth in the use of add-on services that allow for simultaneous remote viewing of content for a shared experience. For instance, Netflix Party, initially launched as a Google Chrome extension, allows users to watch Netflix content together by sending a link to Party participants. Users are then able to watch and comment on the Netflix content being viewed in sync, creating a similar viewing experience to live broadcast TV. In April 2020, 154,000 adults had visited the Netflix Party site, compared to 22,000 in January 2020.¹⁰⁷ Elsewhere, Watch2Gether supports YouTube, Vimeo and other content, while Kast supports all major streaming services.

¹⁰⁵ Netflix Media Center, [Reducing Netflix traffic where it's needed while maintaining the member experience](#), 21 March 2020

¹⁰⁶ Ofcom/TRP Covid-19 Media behaviours survey. Base: All who have ever subscribed to each service selected in and/or ever used each service. Online adults aged 16+

¹⁰⁷ Comscore MMX Multi-Platform, Netflixparty.com, age 18+, January and March 2020, UK

Figure 2.7: Summary of key developments and responses to Covid-19, by selected VoD platforms

Netflix	Amazon Prime Video	YouTube	Disney+	BBC iPlayer
<p>Streaming quality reduced for first 30 days of lockdown.</p> <p>\$100m coronavirus relief fund launched for out-of-work creatives.</p> <p>Visits to simultaneous remote viewing website Netflix Party increased.</p>	<p>Watch Party launched in the US in June, allowing up to 100 people to watch a TV show or movie together using Prime Video.</p> <p>Provision of a selection of child-friendly content at no cost, such as <i>Peppa Pig</i>.</p>	<p>Default video quality reduced to standard definition.</p>	<p>Streaming quality reduced.</p> <p>Early release of <i>Hamilton</i> onto Disney+ in place of a cinematic release in 2021.</p>	<p>Ultra-HD option removed from service.</p> <p>Launch of BBC Together on a trial basis in May, allowing consumers to use BBC iPlayer, Sounds, Bitesize News and Sport in tandem with others using different devices.</p> <p>Royal Shakespeare Company content added to BBC iPlayer.</p>

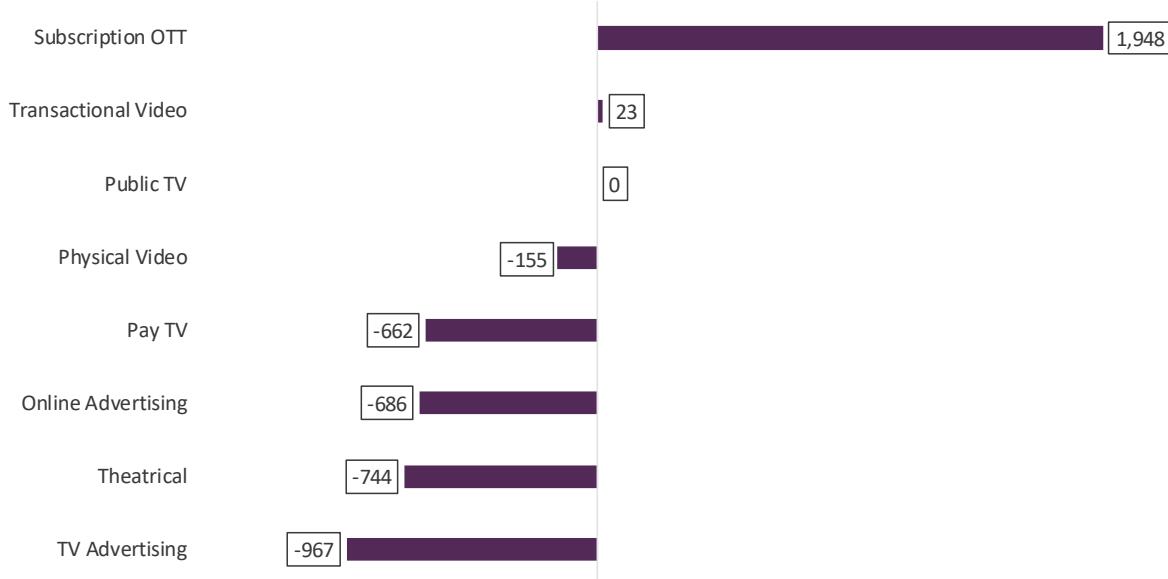
Source: Provider releases and industry news

The surge in SVoD use is likely to translate into revenue gains, with transactional online video also benefiting from lockdown

As a result of the lockdown-sparked boost to subscriber bases, industry analysts have revised their forecasts about the future growth of SVoD services. Ampere Analysis has adjusted its forecasts of subscription OTT revenues upwards by £1.9bn over the next five years and has made downward revisions for traditional pay-TV platforms and ad-funded services. SVoD¹⁰⁸ is forecast to bring in revenues of £3.2bn in 2024, whereas transactional video (i.e. rentals or purchases of individual titles) is expected to generate revenue of £510m in the same year.¹⁰⁹ Like SVoD, consumption of transactional video has increased during lockdown, partly driven by studios' experimentation with straight-to-VoD film releases, which we discuss below.

¹⁰⁸ Categorised as 'Subscription OTT' by Ampere Analysis

¹⁰⁹ Ampere Analysis, July 2020

Figure 2.8: Impact of Covid-19 on five-year revenue forecast: July 2020 vs. February 2020 (£m)

Source: Ampere Analysis, comparison of Ampere forecasts February 2020 vs. July 2020 in local currency. Shows sum of growth lost/gained over five-year period of forecast as result of Covid-19 adjustments. Note that additional organic growth related to new service launches (e.g. new streaming services that have launched since the start of the pandemic) is included and positively impact the streaming market in particular. Currency is UK pounds sterling.

Disney+ has had a strong start; its challenge is to build long-term loyalty

As previously discussed, Disney+ has experienced strong take-up since its launch, but like its SVoD rivals it faces challenges in building long-term loyalty. A third (34%) of subscribing adults stated that they had already signed up to Disney+ before lockdown began,¹¹⁰ potentially taking advantage of Disney's promotional offers such as £49.99 for access to the service for a year, as opposed to the service's current offer of £59.99 a year, or £5.99 a month. However, most of the respondents in our survey conducted in May (57%) had subscribed during lockdown,¹¹¹ benefiting from the flexibility of monthly subscriptions.

Disney's brand, and huge back catalogue of content, clearly has appeal, particularly to those with children, since the majority (69%) of the hours of content available on the service are children's content. However, in order to hold viewer interest and not shed subscribers on monthly contracts as lockdown eases, Disney will have to produce new content as viewers begin to exhaust the archive and search for something new to watch. To be able to rival competitors such as Netflix, Disney is already looking to ensure that its content resonates with a range of viewers beyond children (see figure 2.10: content genre hours on SVoD). At launch, *Star Wars* spin-off *The Mandalorian* was the

¹¹⁰ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 15-18 May 2020. Online adults aged 16+.

¹¹¹ Ofcom TRP Covid-19 Media Behaviours survey. Fieldwork conducted 15-18 May 2020. Online adults aged 16+.

service's most significant draw in this regard, having received positive reviews in the US where it was released last year.

Disney is already working on its appeal to a wider audience. It brought forward the release of the filmed recording of Lin Manuel Miranda's Broadway production of *Hamilton*, which was due for theatrical release in 2021 but was instead made available on Disney+ on 3 July.¹¹² The studio's own *Artemis Fowl* was also moved from a theatrical release to Disney+, along with family hit *Frozen 2*, which was brought forward from its initial streaming debut in October. Before these releases, Disney removed its seven-day free trial, stating that it provided an 'attractive price-to-value proposition' without it.¹¹³

At the beginning of July, an estimated 4 million UK online adults had used Disney+ in the past seven days.¹¹⁴ A survey conducted during the last week of April by O&O reported that in terms of positive attributes, such as value for money and quality of catalogue, Disney+ measured up to Amazon, but was some way behind Netflix. In terms of customer satisfaction, Netflix continues to be considerably ahead of its rivals.¹¹⁵

From 1 October 2020, Disney will stop broadcasting its suite of children's linear channels – The Disney Channel, Disney XD and Disney Junior – in the UK, having failed to agree pay-TV carriage terms with Sky and Virgin Media. This may further increase the profile of Disney+ as the main source of Disney content in the UK. However, Sky Q carries the Disney+ service on its platform, which will ensure that Disney content remains accessible through its pay-TV platform. Viewing of Disney's channels by children has been in decline since 2012,¹¹⁶ suggesting that the move could also be construed as a response to the potential for a longer-term shift to viewing content via online services.

Another new market entrant, short-form streaming service Quibi, has been less successful during the pandemic

Mobile-only streaming service Quibi (short for 'Quick bites') specialises in providing 'on-the-go' content that lasts between four and ten minutes. Launched on 6 April 2020, Quibi provides UK customers with an ad-free service for £7.99 per month, while those who signed up to the service before 30 April could take advantage of a 90-day free trial. Its made-for-mobile content, in which it has invested more than \$1.75bn, is largely US-centric, although a BBC News programme is included in Quibi's upcoming slate of productions, together with five other UK-based shows.

Thus far, Quibi's performance has been recognised as weak,¹¹⁷ with downloads falling short of the company's own projections. Our own research illustrates that the number of adults using the service is growing, although user numbers are quite small. In mid-May around 0.1% of online adults said

¹¹² The Guardian, [The living room where it happens: Hamilton film to premiere on Disney+](#), 12 May 2020

¹¹³ Variety, [Disney Plus No Longer Offers Free Trial Accounts, Ahead of 'Hamilton' Premiere](#), 19 June 2020

¹¹⁴ Ofcom TRP COVID-19 Media Behaviours survey. Fieldwork conducted 4-5 July 2020. Online adults aged 16+.

¹¹⁵ Oliver & Ohlbaum, [TV streaming habits in lockdown](#), May 2020

¹¹⁶ Enders Analysis, Disney Kids' channels ceasing operation in the UK, 25 June 2020

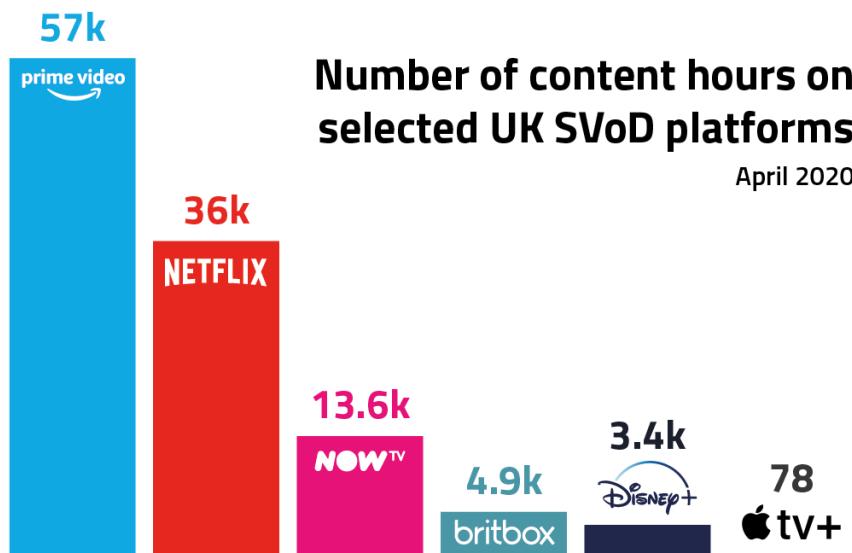
¹¹⁷ Interview with Quibi founder Jeffrey Katzenberg in The New York Times, [Jeffrey Katzenberg Blames Pandemic for Quibi's Rough Start](#), 11 May 2020

they had watched videos on Quibi in the last seven days; by the beginning of July this had increased to 0.5%.¹¹⁸ Quibi's initial underperformance may be partially attributed to peoples' changing media habits during lockdown; short-form content is more suited to watching on the move, such as when commuting, rather than during long periods at home, where larger screens are accessible.

SVoD services continue to offer a wealth of content, with unscripted content proving increasingly popular

Users of Netflix and Amazon Prime Video had access to 93,581 hours of content in April.¹¹⁹ Unscripted titles available on SVoD such as Netflix's *Tiger King: Murder, Mayhem and Madness* and *The Last Dance* have proved popular with UK audiences during lockdown (see figure 1.19 in previous chapter). Provision of this type of content varies between services; NOW TV provides the largest proportion (38%) of unscripted content titles in its catalogue, compared to the other five services. This is twice the proportion of Netflix's UK catalogue, of which 19% is unscripted content.¹²⁰

Figure 2.9: Number of content hours on selected UK SVoD platforms in April 2020



Source: Ampere Analysis

The majority of the content in Netflix and Amazon's libraries is internationally produced: 8% of Netflix's and 10% of Amazon Prime Video's library consists of UK-produced content hours (although through its purchase of Pinewood studios and its hiring of key personnel in the UK, Netflix has signalled its intention to ramp up UK productions). BritBox, in contrast, offers just one non-UK title (*Lambs of God*, from Australia) out of the 25 films and 950 TV seasons it has available. Apple TV+'s

¹¹⁸ Ofcom TRP COVID-19 Media Behaviours survey, age 16+. Fieldwork conducted 15-18 May 2020 and 4-5 July 2020. Online adults aged 16+.

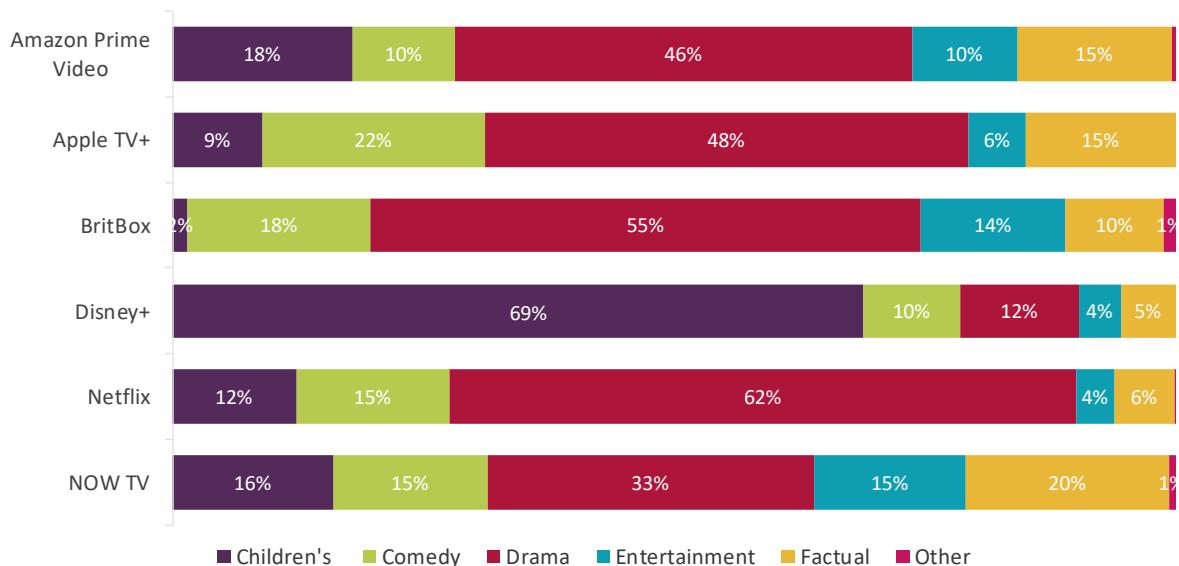
¹¹⁹ Ampere Analysis, April 2020, UK hours

¹²⁰ Ampere Analysis, April 2020, UK catalogues. Proportion based on count of distinct Movies and TV Season titles.

content selection is much smaller, and 98% of this is US-originated content, amounting to just over 1.5 hours.¹²¹

Regarding the availability of content from PSBs on SVoD services, BritBox unsurprisingly leads the way, with 40% of content hours available on the service produced by the BBC (23%), ITV (15.3%) or Channel 4 (1.3%). In contrast, only 2.7% and 1.5% of the content hours available on Netflix and Amazon Prime Video respectively are produced by the BBC, ITV or Channel 4.¹²² The amount of content from the PSBs on BritBox distinguishes it from the international SVoD players, and provides the BBC and ITV with an opportunity to prioritise content to be available on its BritBox platform to attract subscribers. In late July, the service confirmed four original drama commissions, including Irvine Welsh's adaptation of his novel *Crime*, and a version of Anthony Horowitz's *Magpie Murders*.

Figure 2.10: Selected UK SVoD platforms' hours of content, by genre: April 2020



Source: SVoD: Ampere Analysis, content hours, UK, April 2020. Note: Factual include documentary and news and current affairs. Includes TV seasons and films.

Production

The pausing of production has had a clear impact on the UK's production sector

Production in the UK began to slow down before formal lockdown measures were imposed on 23 March. BBC-commissioned dramas *Line of Duty* and *Peaky Blinders* were among the first to postpone production of their latest series.¹²³ In the same week, Netflix stopped filming the second series of *The Witcher* at Arborfield Studios in south-east England when one of the cast tested positive for

¹²¹ Ampere Analysis, April 2020, UK catalogue content hours. Co-produced content is recognised by primary production country.

¹²² Ampere Analysis, April 2020, UK. Co-produced content is recognised by primary production country.

¹²³ BBC News, [Coronavirus: Line of Duty filming is suspended](#), 16 March 2020.

coronavirus, with production initially ceasing for a fortnight, but then indefinitely.¹²⁴ Other international productions currently filming, or due to start filming in the UK were postponed as well, including Disney's live action *The Little Mermaid* and Warner Bros.' *The Batman* and the third instalment of *Fantastic Beasts and Where to Find Them*.¹²⁵

Scripted content, such as the drama programmes and feature films mentioned above, and sports production from the cancellation of live sport events, was affected immediately by the pandemic. Some entertainment production could still go ahead, although under different conditions. ITV's *Loose Women* was first broadcast without a live audience in mid-March, and it was announced ahead of the lockdown measures that *Ant and Dec's Saturday Night Takeaway* would also be made without a live audience.

Reduced advertising revenues, and the cost-cutting measures detailed above, forced broadcasters to quickly adapt their commissioning to work with lower budgets and with physical limitations. More Covid-19-related content has been made or specially commissioned (BBC Two's *The Hospital*, for example), as has content working within the limitations of lockdown. This includes Channel 4's *The Steph Show*, temporarily made from Steph McGovern's home in Harrogate at the start of the lockdown period and ITV's *Isolation Stories*, a series of short dramas directed remotely and filmed by the cast or people in their households. Channel 4 also commissioned programmes such as *Kirstie's House of Craft* and *Jamie: Keep Cooking and Carry On*, aimed at viewers staying at home during lockdown. Chat shows, and some panel shows such as *Have I Got News for You* continued to be broadcast, but without live audiences, and with guests appearing via video call rather than in person.

As primary production was paused, broadcasters and other organisations offered support for indies

Attempts have been made to mitigate the negative impact of the loss of production on independent producers. The break in production means that the pipeline of new content being made has been disrupted; to ensure that independent producers are ready to get started when restrictions are lifted, various development funds have been made available.

Among the PSBs, the BBC has increased its Small Indie Fund this year from £1m to £2m, and also announced an expansion in BBC Three creative partnerships across the nations and regions. This includes a new Factual Development Scheme for the North of England, which invites northern indies to submit ideas that reflect the life experiences of 16-24-year-olds in the region. ITV announced a development fund of £500,000 for indies to start work on content, focusing on unscripted content that could be made relatively quickly and would be ready to be transmitted in late 2020 or early 2021.¹²⁶ Despite having to make substantial budget cuts, Channel 4 has ringfenced its spending and

¹²⁴ The Deadline, '[The Witcher' Becomes First Major TV Drama Made In The UK To Be Halted By Coronavirus](#)', 16 March 2020

¹²⁵ The Deadline, '[Coronavirus: Movies That Have Halted Or Delayed Production Amid Outbreak](#)', 26 March 2020

¹²⁶ ITV, '[ITV looks to support indie sector during lockdown with £500k development fund](#)', 6 April 2020

development funds for smaller independent production companies, those based in the nations and regions, and indies led by people from an ethnic minority background.

Alongside Government initiatives intended to ease the impact of the lockdown, further support has been made available by screen agencies. An emergency relief fund was set up by the BFI, helped by a £1m donation from Netflix, to help workers in the creative industries through the pandemic.¹²⁷ Funds were reallocated to provide targeted support, including £2m to help productions interrupted by the virus so that they can resume when appropriate.¹²⁸ In April, Screen Scotland offered development funding of up to £50,000 for independent productions, from a pot of £1m. The total fund is split equally between film and TV projects, to encourage Scottish producers to have ideas ready to go when Government guidelines allow.¹²⁹

As lockdown measures began to ease, some production tentatively restarted

As highlighted above, the production of soaps has resumed, as well as some studio-based entertainment shows such as the BBC's *Top Gear*, for which production restarted in June. Although clearly more difficult than before the pandemic, programmes like this are likely to be easier to make than larger-scale multi-location productions, as they can take place in a more controlled environment, with limited crews and some production staff working from home.

The guidelines for Covid-19-safe film and high-end TV production, developed by industry and approved by the Government at the end of May, signalled that the UK was again open for production. Plans to exempt cast and crew members travelling into the UK from quarantine restrictions encouraged work to restart on stalled US-studio-led productions.¹³⁰ However, UK producers and broadcasters have raised concerns about the risk of productions being disrupted by Covid-19 illness, and this not being covered by insurance. The DCMS recently announced a new £500m scheme in response to this, as a targeted intervention that should further help production to restart.¹³¹ Producers have also argued that the additional costs associated with following safety guidelines increases financial risk to a level that may cause difficulties for some UK productions.¹³²

Cinema and premium video on demand

The closure of cinemas hugely disrupted film studios' distribution plans

As lockdown orders caused the closure of cinemas internationally, film studios' usual distribution plans have been overturned and revenues threatened. Studios have faced the choice of delaying cinema releases or finding alternative methods of distribution. Convention dictates that studios respect the 'theatrical window', giving cinemas first-run exclusivity to a film before it is made available for home viewing. This is an arrangement that has long been lucrative for producers and

¹²⁷ BFI, [New COVID-19 Film and TV Emergency Relief Fund set up](#), 9 April 2020

¹²⁸ BFI, [BFI sets out support for UK industry impacted by COVID-19 crisis](#), 28 April 2020

¹²⁹ Screen Scotland, [Covid-19: New ring-fenced film and TV development support for Scottish indies](#), 9 April 2020

¹³⁰ Variety, [U.K. to Offer Hollywood Actors, Crew Exemption From Quarantine Rules](#), 5 July 2020

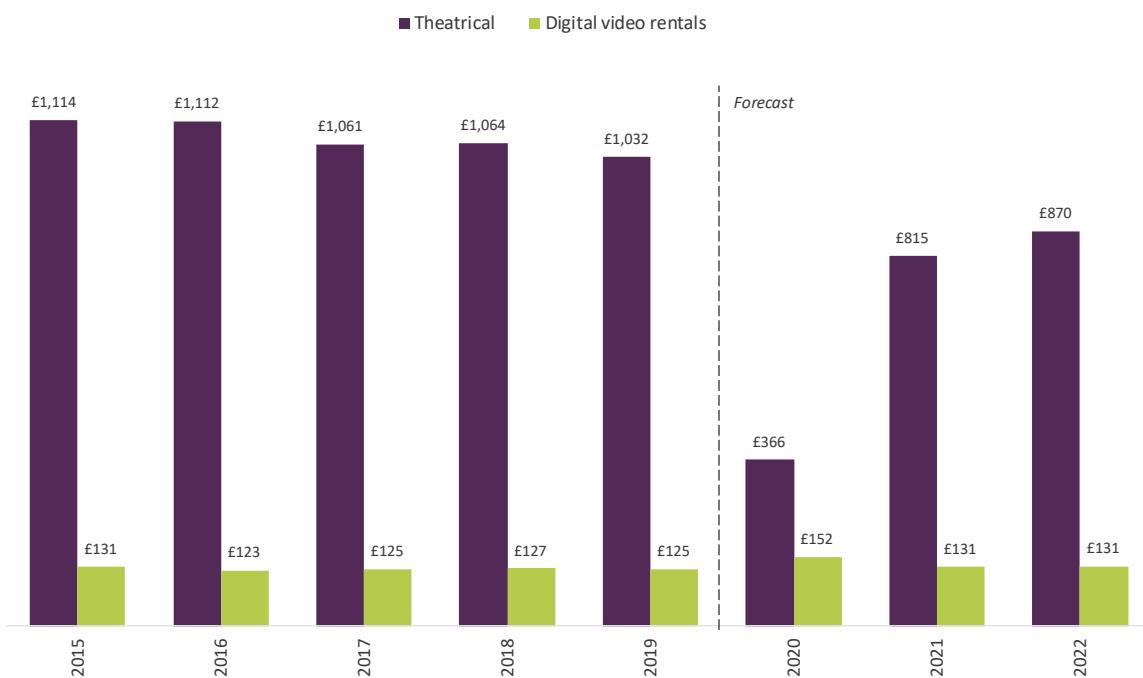
¹³¹ DCMS, [Dowden: 'Jump-start' for UK's leading creative industries](#), 28 July 2020

¹³² The Guardian, [The government's new film production guidelines risk massive damage to UK industry](#), 1 June 2020

exhibitors. However, stay-at-home orders have disrupted this custom. In this context, studios have looked to release their films through other channels.

Studios, in general, appear risk-averse, with early signs suggesting that they are not allowing blockbuster releases to bypass the theatrical window. These releases, such as the delayed James Bond film *No Time to Die*, are referred to as ‘tentpoles’ – earning enough money at the box office to financially support studios’ other releases. Amid the pandemic, cinema releases for the biggest-budget films have been delayed rather than abandoned altogether, mostly until later in the year. The sums spent on promotion for abandoned film release dates have been lost, but they are less significant than the financial risk of going ahead with releasing such high-cost films to small audiences during the pandemic.

Figure 2.11: Annual revenue for UK theatrical industry and digital video rental (£m)



Source: Ampere Analysis. Adjusted for CPI at 2019 prices by Ofcom.

During cinema closures, some studios pursued alternative home entertainment release strategies, bypassing the theatrical window

Some studios have already experimented with non-theatrical releases for smaller pictures, rather than postponing planned theatrical openings. Chief among these was Universal Pictures’ decision to make *Trolls World Tour* available on digital rental platforms such as Google Play, iTunes and those of pay-TV platforms Sky, Virgin Media, BT and TalkTalk. This phenomenon of new releases bypassing theatrical windows is often termed premium video-on-demand (PVoD). To account for the assumption that groups of people are likely to view a film together at home, such films tend to be priced higher than a single cinema ticket. For instance, a 48-hour rental of *Trolls World Tour* was priced at £15.99 in the UK. [The Wall Street Journal reported that *Trolls World Tour* generated \\$100m](#)

in rental fees in three weeks, reportedly earning more revenue for Universal than the total US theatrical run of the first *Trolls* film in 2016.

Although studios' share of rental revenues may reportedly have been higher than that of US box office takings in the case of *Trolls World Tour*, Enders Analysis argues that the value of takings from PVoD distribution is significantly lower than global box office revenues. The global box office takings of the first *Trolls* film totalled approximately \$350m, which the sequel seems unlikely to match. As such, PVoD releases may offer brief success, such as *Trolls'* high-earning opening week, but they generally struggle to maintain earning power over months. PVoD titles also tend to miss out on other ensuing benefits provided by theatrical release – such as greater media coverage and more lucrative merchandising.¹³³

Nevertheless, studios' bypassing of the theatrical window has caused alarm in the cinema industry. But this has not stopped other studios releasing some films straight to PVoD, such as Warner Bros.' animation *Scoob!*

In a separate strategy, studios have chosen to bring forward the debuts of their recent releases on SVoD services, to compensate for curtailed theatrical releases, with – as highlighted earlier in this chapter – Disney using *Artemis Fowl* and *Hamilton* to bolster the newly-launched Disney+. Similarly, Apple purchased the exclusive rights for Sony/Columbia's war film *Greyhound*, due originally to debut in cinemas in June, which instead moved straight to home release on Apple TV+. These prestige straight-to-SVoD releases further bolster services' appeal to consumers, driving take-up and supporting customer retention.

Alternative distribution strategies are unlikely to replace cinema-going altogether – but cinemas face challenges in re-opening

Lockdown has dealt the cinema sector a significant blow, and on-demand has been the beneficiary. According to research from Kantar, 5.5 million UK consumers rented digital video – including PVoD and lower-priced transactional content – during the lockdown period, a record high for any 12-week period.¹³⁴ Moreover, as cinemas reopen they are typically at lower capacity, to allow for physical distancing, and with fewer screenings, to allow for enhanced cleaning between them. There are also changes in the food and drinks offerings available – a lucrative source of income.

Alternative distribution models are unlikely to replace the traditional cinema altogether. Drive-in screenings have received media coverage in recent months, with Ofcom receiving a significant number of applications from prospective operators. But, even so, these are relatively few in number and serve a different purpose, generally showing old favourites rather than new releases. And they will have little to offer socially distanced cinephiles who attend cinemas for the overall experience and quality, as they broadcast the sound to car radios, and project onto a large screen. However, BVA/BDRC research conducted in mid-July suggests that UK consumers are in no hurry to return to cinemas, with respondents on average not expecting to visit a cinema for four months, and only 18%

¹³³ Enders Analysis, Cinema's post-pandemic future, 10 July 2020

¹³⁴ British Association for Screen Entertainment, [Digital Video Booms As UK Stays Entertained During Lockdown Period](#), 23 July 2020

expecting to return by the end of August.¹³⁵ Among younger fans of pop culture in the UK, the urge to go back to cinemas is stronger. [Research from Experience 12](#) suggested that 66% of this group expect to visit a cinema within two months of their reopening.

As cinemas tentatively re-open, studios remain keen to release some films on PVoD in parallel with cinema debuts, but cinema chains have made it clear that they need as full a roster of exclusive releases as possible, to break even. For studios, there are limited means to reliably make the sort of money expected for tentpole films without cinemas, and many have made an ongoing commitment to theatrical releases. And while lockdown has allowed studios to experiment further with PVoD and straight-to-SVoD releases, it is unlikely that box office takings can be matched by such alternative strategies.

In a post-pandemic world, from a demand point of view, audiences' interest in paying for a PVoD release such as *Trolls World Tour* might be harder to sustain once there are no captive audiences sequestered at home, or if there is significantly greater competition from similar new releases. From a supply point of view, studios' experimentation during the Covid-19 period appears to have reduced the level of opposition to PVoD from cinemas. Notably, [Odeon-owner AMC and Universal reached an agreement](#) in late July that reduced the theatrical window in the US to 17 days and permits the studio to release films on PVoD platforms thereafter, including on AMC's own Theatres On Demand. An international expansion of this deal to countries including the UK is expected to be negotiated. The agreement represents a significant shift towards the amicable coexistence of theatrical and PVoD releases – AMC had previously stated, along with Cineworld, that it would not show any films for which the exclusive theatrical window is not respected.¹³⁶ But it also signifies the continued fundamental importance of the cinema for both promotion and profit.

Radio and audio

Radio advertising expenditure fell by 3% in real terms in 2019 and is forecast to decline significantly in 2020 due to the impact of Covid-19

During 2020, the downturn in advertising expenditure is likely to affect the radio sector. Some of radio's largest sources of advertising revenue, such as entertainment and leisure (which accounted for 14% of 2019 radio advertising expenditure) and the motor industry (which accounted for 13%)¹³⁷ have been greatly affected by lockdown and the current deteriorating macro-economic environment. WARC forecasts that the effect of this will be a 21% fall in radio advertising expenditure between 2019 and 2020. This is expected to recover only partially by the end of 2021, to £649m – 8% lower in nominal terms than the 2019 figure.

Before the coronavirus pandemic, radio advertising expenditure fell by 3% in real terms in the year to 2019; to £703m,¹³⁸ as growth in expenditure on branded content and digital advertising formats (such as adverts on radio station websites) was insufficient to offset a 1% decline in national spot

¹³⁵ BVA/BDRC, Tracking Consumer Sentiment on the Impact of Covid-19, 15 July 2020

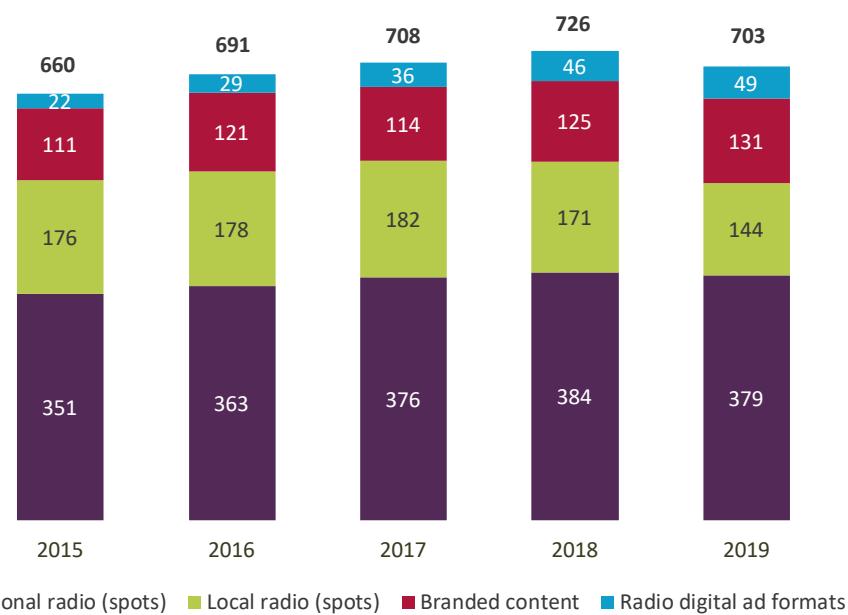
¹³⁶ Financial Times (paywall), [Cineworld joins AMC in banning films from Universal Studios](#), 29 April 2020

¹³⁷ Nielsen/AA/WARC Expenditure Report

¹³⁸ AA/WARC Expenditure Report

advertising and a 16% decline in local spot expenditure. Between 2015 and 2019, branded content expenditure grew by 17% in real terms, outperforming the growth in national advertising (8%) and contrasting with a 19% decline in local advertising. As an alternative to spot adverts, branded content allows content to be monetised in a way that may be less disruptive for listeners. Some programmes (for example Virgin Radio's breakfast show) and even whole stations, such as the newly launched Times Radio, carry no spot adverts.

Figure 2.12: Radio advertising expenditure (£m)



Source: AA/WARC Expenditure Report. Adjusted for CPI at 2019 prices by Ofcom.

Radio broadcasters have adjusted their output and production processes in response to the challenge of Covid-19

During the lockdown period broadcasters have taken steps to adapt their output to meet the expectations of their audiences, while facing significant operational challenges as a result of social distancing and/or limited access to their studios.

As with other industries, the radio sector has adopted home-working wherever possible, with the BBC and stations in the commercial and community sectors broadcasting at least some programmes from their presenters' homes. In one case, audience participation from home has been encouraged, with BBC Radio 4's *The Infinite Monkey Cage* [recorded with a virtual live audience via video-conferencing service Zoom](#). The pandemic has also led some broadcasters to take steps to reduce the number of staff needed to run stations, including greater use of networked programming (continuing a structural trend seen before the pandemic) and extending programme duration, thereby requiring fewer presenters.

As well as changes in production, programming content has changed in response to Covid-19. In April, with public worship curtailed, the BBC [announced new religious programming on radio](#) – including a weekly service broadcast across its local stations. In July, it announced that it would [make lockdown-induced changes to the schedules of its local stations in England permanent](#), and

also introduced an all-England late show. Other changes made by stations include changing news output – for example, Bauer’s Magic reduced the frequency of its news bulletins in order to provide additional music and talk content, and incorporated sections into programmes to allow listeners to nominate and thank key workers. The suspension of competitive sports additionally required changes to programming among sports-based stations, with [Love Sport pausing its normal programming in April](#).

BBC, commercial and community radio stations around the UK have taken part in various initiatives to support public wellbeing. For example, a minute-long message was broadcast across stations to promote mental health awareness, focusing on the impact of mental health issues caused by the Covid-19 pandemic. In addition to cross-sector initiatives such as these, stations, [including those in the community radio sector](#), have taken part in their own and other local initiatives to provide information and support wellbeing, and help raise funds to support their local communities. In Scotland, community radio station [Awaz FM worked with other local organisations to encourage food donations](#) in Glasgow, while [Hayes FM ran a 24 Hour Lockdown Challenge](#) to raise funds for NHS Charities Together. The BBC’s *Make A Difference* campaign has worked with the BBC’s local radio stations in England to [supply DAB radios to people aged 70 and over](#), nominated by the station’s listeners.

Several initiatives are under way to help broadcasters and people working in the UK’s audio sector affected by the current situation

A range of initiatives have been launched to support broadcasters and individuals working in the radio and audio sector affected by the Covid-19 pandemic. These measures are in addition to the cross-industry measures being taken by the Government to help support businesses and workers during the crisis. The Radio Academy, along with the BBC, AudioUK, Audible, ReelWorld and Folder Media, [launched the Audio and Radio Emergency Fund](#) in April, which provides grants of up to £1,000 to help individuals in the radio and audio production sector. And in March, [Spotify launched the Covid-19 Music Relief project](#), in which it will match donations to a range of organisations that support artists (including those in the UK), up to a total of \$10m.

Meanwhile, DCMS brought forward the 2020-21 funding round of Community Radio Fund in order to provide £400,000 emergency support to community radio stations. Given the urgency, eligible community radio stations could apply to the Ofcom- administered fund between 4 and 11 May 2020. So far, [81 stations each received an average of £4,113](#), with grants ranging from £812 to £12,075. A second round is currently under way.

Community and commercial stations have also been eligible to partner with audio production centres to bid for funding for speech-based content from the Audio Content Fund. By the time it closed in May 2020, £398,000 had been awarded in the dedicated funding round to ‘Support Audiences During Coronavirus’, to a total of 28 projects across the community and commercial sector. Three of the series funded in the rounds are being made available to any UK commercial or community station.

In response to the decline in advertising markets and subsequent pressure on station revenues in the commercial sector, Arqiva and Folder Media agreed to waive their fees for small local

independent stations, from April to September 2020. And in June 2020 Arqiva agreed with Radiocentre to extend support, offering a 50% discount on fees for its other commercial radio industry customers and third-party multiplex operators between June and September 2020.

A further effect of the coronavirus emergency has been the reduction in demand for spectrum used for events and festivals that can no longer take place. This resulted in Ofcom's development of Temporary Covid-19 Short-term Restricted Service Licences (S-RSL) to enable local radio broadcasts with the purpose of sharing information, news and updates about the pandemic with their community. On 7 July, the maximum duration of these temporary licences (which relate to spectrum normally used for events and festivals) was [extended until 5 September 2020](#).

Over the past year, the radio sector has continued to consolidate at the local level, and new digital thematic stations are extending existing brands

Following the Competition and Markets Authority's approval in March 2020 of Bauer's acquisition of radio stations from Celador, Lincs FM, Wireless Group and UKRD, Bauer has indicated that it intends to rebrand the majority of the stations it has acquired as 'Greatest Hits Radio'. Certain other stations will retain their existing brands but become part of the Hits Network. Alongside this, Bauer will license the 'Hits Radio' and 'Greatest Hits Radio' brands to certain stations owned and run by Nation Broadcasting.

The launch of new digital stations by large commercial radio groups extending their brand portfolios continued apace in 2019. For example, in August and September 2019, Bauer launched seven new digital-only KISS, Kerrang, and Heat-branded stations, while Global launched additional Heart, Capital and Smooth-branded services.

In a move [said to be driven by promoting awareness and take-up of subscriptions to the Times newspaper](#), Wireless Group launched speech station Times Radio at the end of June 2020. The station drew its brand and some of its presenters from the Times Newspaper, owned by Wireless Group's parent, News UK. In contrast to many commercial radio stations, Times Radio does not carry traditional advertising breaks for advertising spots, but programmes and features can be sponsored. Podcast Radio launched in London on DAB in February 2020, with content including podcast episodes and discussions about podcasts.

In the year to March 2020, the overall number of analogue commercial stations remained constant, with three UK-wide services and 285 local commercial analogue services, although this number is likely to fall in future, given the closure of some medium wave (MW) AM services later in 2020. The number of community stations has continued to grow, and stood at 297 stations broadcasting in March 2020, a year-on-year increase of 16]. The overall number of BBC analogue services remained the same as in 2019, with a total of five UK-wide networks, 40 local stations for England and the Channel Islands, and two stations in each of the devolved nations. However, the number of BBC local and nations stations broadcasting on MW AM fell by seven, to 19.

Figure 2.13: Analogue radio services as at March 2020

	AM	FM	AM/FM total
Local commercial	50	235	285
UK-wide commercial	2	1	3
BBC UK-wide networks	1	4	5
BBC local and nations	19	46	46
Community radio stations	24	273	297

Source: BBC/Ofcom. Note AM figure excludes Radio 4 LW and MW.

Growth in the number of DAB services on UK-wide and local multiplexes has been enabled by increased adoption of the more bandwidth-efficient DAB+ standard, which allows a greater number of stations to be carried on a given multiplex. However, due to the pandemic, work to launch local DAB multiplexes in the Channel Islands and in Lancashire and Cumbria is subject to delay. In the light of this, in July Ofcom extended the deadline by which the multiplexes had to launch by 12 months. Further growth in the availability of DAB services will be enabled by the licensing of small-scale DAB multiplexes around the UK. In April 2020 we set out [how we intend to license these new multiplexes](#).

Between March 2019 and March 2020, the total number of services on UK-wide commercial DAB multiplexes grew to 42, up by eight since March 2020, with seven services being added to the Digital One multiplex and one additional service on the Sound Digital multiplex. The total number of commercially-licensed services carried on the 55 local multiplexes grew by 19 to reach 466 in March 2020.

Figure 2.14: Services on DAB: March 2020

	BBC UK-wide	UK commercial 92% coverage (Digital One)	UK commercial 83% coverage (Sound Digital)	Local commercial services
Number of multiplexes	1	1	1	55
Number of services	11	21	21	466

Source: BBC/Ofcom. Note: the figure for the number of services on local commercial multiplexes includes all commercial services carried on each multiplex, meaning that a service may be counted more than once. BBC local and nations services are also carried on local commercial multiplexes.

As DAB continues to grow and FM stations remain stable in number, the number of AM services is declining. Following transmitter shutdowns in previous years, an ongoing trend has been a reduction in medium-wave (MW) commercial and BBC radio services. This reflects the growth in alternative ways to listen to these stations (in particular, DAB and online) and a desire to reduce transmission costs by removing AM MW simulcasts. In January 2020, [the BBC announced that it would close 18 medium wave transmitters](#), thereby reducing AM coverage for BBC Radio Wales and BBC Radio Scotland, BBC Radio Norfolk and BBC Radio Cumbria, and close down the AM MW simulcasts of six BBC local radio stations in England. The commercial sector has also continued to reduce AM MW

broadcasts. In January 2020 Ofcom [approved a request by talkSPORT](#) to reduce its AM MW coverage by 2.4% of the UK population. [In May 2020, Bauer surrendered licences](#) used for broadcasting Greatest Hits and Absolute Classic Rock on AM MW in the West Midlands, and also closed Radio City Talk in Liverpool, surrendering its AM MW licence and closing the DAB service.

Greater use of networking and other changes to programming output, as well as back-office consolidation, has enabled broadcasters to make efficiency savings, with several, including the BBC, Bauer and Global, announcing restructuring programmes and reductions in headcount in 2020.

In the light of changes in the way people in the UK are listening to audio, in particular now that more than 50% of radio listening is via digital platforms, in February 2020 [the Government launched a Digital Radio and Audio Review with industry](#), which is scheduled to report in 2021. As set out in its terms of reference, the review is looking at future scenarios concerning the consumption of UK radio and audio content and the impact of future developments on the radio industry. It will recommend ways to strengthen the UK radio and audio industry for the benefit of all listener groups.

Broadcasters are developing digital advertising propositions, and offering more targeted advertising across both linear and non-linear content

Reflecting the continued growth in digital audio consumption on connected devices (see previous chapter), radio broadcasters are continuing to develop digital audio advertising propositions to retain control of their inventory, while offering more targeted advertising across live and catch-up audio content such as podcasts. This allows broadcasters greater flexibility; enabling them to offer more targeted campaigns to their digital audiences alongside the opportunities presented by traditional radio advertising. Although digital audio advertising expenditure is relatively small in the UK, accounting for less than 1% of overall digital advertising expenditure, in the US, annual internet audio advertising revenues grew by 21% year on year in nominal terms in 2019 to reach \$2.7bn.¹³⁹

In July 2020, Bauer and Wireless Group launched their joint digital advertising platform, Octave Audio, allowing their advertisers to reach their online audio audiences. One of the first campaigns to use the system was the Government's coronavirus information campaign.¹⁴⁰ This launch followed Bauer's withdrawal from Global's DAX platform in summer 2019. In January 2020, [Global added outdoor advertising to its DAX platform](#), potentially allowing greater integration between radio and local outdoor campaigns.

With the dramatic reduction in road travel and the closure of workplaces, radio listening fell during lockdown.¹⁴¹ And longer-term changes to consumer behaviour as a result of the pandemic could have negative implications for radio and audio advertising more generally. For instance, if home working becomes more prevalent, peak listening in morning and evening drivetimes would fall, making it more difficult to quickly generate impacts. Additionally, those working from home are likely to have a greater range of audio and AV content available to them. While they may choose to listen to live radio (via broadcast or internet streaming), music streaming, podcasts and music videos

¹³⁹ IAB, [Internet Advertising Revenue Report: Full year 2019 results & Q1 2020 revenues](#)

¹⁴⁰ RadioToday, [Wireless and Bauer's Octave Audio launches](#), 1 July 2020

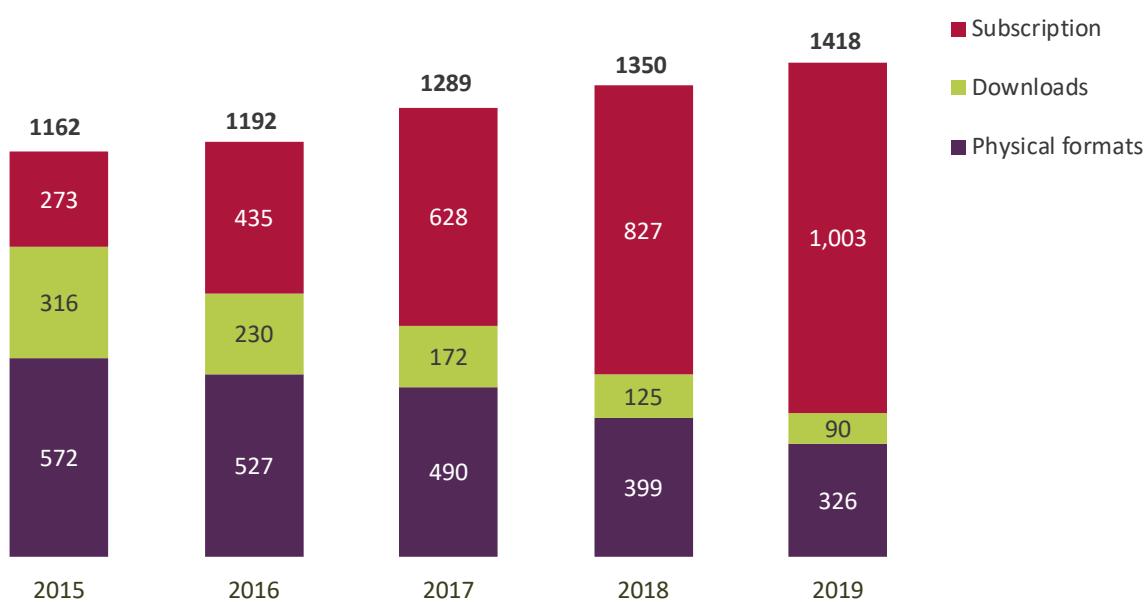
¹⁴¹ Due to the lockdown and ongoing requirements for social distancing, [RAJAR suspended its face-to-face surveys](#), meaning that audience measurement data for Q2 2020 is not available

all present alternatives for background listening while working. Changes in retail behaviour and the increasing use of online shopping may also affect the radio sector, given that local retailing (and local advertising campaigns) may be less relevant to these advertisers. Such a trend would have a particular impact on local stations and could potentially encourage broadcasters to seek further mergers and networking to reduce costs, or in some cases lead to market exit.

UK consumer expenditure on music streaming services exceeded £1bn for the first time in 2019

Consumer expenditure on recorded music in the UK grew by 5% in real terms in 2019, continuing the positive growth trend since 2014. As in previous years, this year-on-year growth was driven by increased spend on subscription music streaming services. Expenditure on these by UK consumers grew by 21% in real terms to reach £1,003m in 2019 – equivalent to 71% of total consumer expenditure on recorded music. Spend on physical media has continued to decline overall, as the growth in LP expenditure (up 4% to £96m) and other physical formats (e.g. cassette tapes¹⁴²) was not enough to offset the 26% year-on-year decline in expenditure on CDs.

Figure 2.15: Consumer expenditure on recorded music (£m)



Source: Official Charts Company, ERA estimates. Adjusted for CPI at 2019 prices by Ofcom.

The result of these changes in music retail spend have also led to changes in the revenue mix for the recorded music industry. Between 2015 and 2019, the proportion of industry (wholesale) revenues generated by streaming increased from 20% to 59% to reach £629m, of which 90% was from subscription streaming.¹⁴³

¹⁴² Cassette album sales grew by 62% year on year to over 80,000 units in 2019 (Source: BPI)

¹⁴³ BPI Yearbook 2020

The long-term impact of Covid-19 on music streaming is unclear. According to Spotify, although advertising revenues have felt the impact of the crisis, during periods of lockdown the number of monthly active users grew in key markets, despite falls in consumption.¹⁴⁴

However, there is also evidence to suggest that paid-for subscriptions for music streaming services have come under pressure during lockdown. As noted in the previous chapter, Ofcom's research during the lockdown indicated that Spotify Premium, Apple Music and, to a lesser extent, Amazon Music lost more subscribers than they gained over this period.

The relationship between audio platforms and podcasts has continued to evolve, driven in part by opportunities in advertising

Despite the onset of the coronavirus pandemic, the number of podcasts has continued to grow, with April and May 2020 in particular showing large increases in the number added to Apple Podcasts, with over 1 million new podcasts being listed in April 2020 and 1.1 million in May 2020, compared to 870,000 in January 2020.¹⁴⁵ As noted in previous editions of Media Nations,¹⁴⁶ the podcast sector is characterised by the diversity of its content and business models.

The growth in podcast consumption [as set out in previous chapter] has led to increased interest in advertising via this medium. In a March-April 2019 survey of UK advertisers and media agencies, 75% of respondents said that they intended to increase their investment in podcast advertising over the next 12 months.¹⁴⁷

The attraction of podcasts to some advertisers may be the ability to target well-defined and engaged audiences, with average CPM (cost per thousand listeners) ranging from \$18 for a 30-second spot to \$25 for a 60-second spot.¹⁴⁸ As with other forms of digital audio, the adoption of more automated platforms has helped to increase the use of dynamic ad insertion.¹⁴⁹ Tools such as [Nielsen's Podcast Brand Effect](#) (launched in the UK in September 2019), which is designed to give advertisers greater insight into the effect of podcast advertising expenditure, may encourage further investment. This may especially be the case if advertisers take a more cautious approach to advertising in the light of the Covid-19 downturn.

Spotify continued its interest in podcasts in 2020, following several related acquisitions last year, including the announcement in February of [its intention to acquire podcast company The Ringer for up to €180m](#), depending on performance. This would give it responsibility for one of the largest US sports podcasts (*The Bill Simmons Podcast*). Following this, in May 2020 Spotify announced the conclusion of a distribution deal with the *Joe Rogan Experience* podcast, ensuring its exclusive availability via Spotify from mid- to late-2020. This exclusivity deal, [said to be worth \\$100m](#), encompasses Spotify's ad-supported free tier, which may encourage fans of the podcast, one of the

¹⁴⁴ Spotify, [Q1 2020 Earnings Call](#), 29 April 2020

¹⁴⁵ Data courtesy of the My Podcast Reviews service, by Daniel J. Lewis [MyPodcastReviews.com/stats](#)

¹⁴⁶ For example see p.104-105 of Ofcom, [Media Nations 2019](#)

¹⁴⁷ DAX/ MTM, The Rise of Digital Audio Advertising 2019, Average of % changes in answer to: "How do you think your advertising investment in podcasts will change in the next 12 months?". Base: advertisers and agencies (n=215).

¹⁴⁸ Source: AdvertiseCast, [Podcast Advertising Rates](#) (As of 5 June 2020)

¹⁴⁹ E.g. dynamic-ad insertions' share of US podcast advertising revenue increased from 41.7% to 48.8% between 2017 and 2018. Source: [IAB Podcast Advertising Study](#).

largest by audience, to move to the Spotify platform. Access to this audience would increase Spotify's opportunities for advertising revenue, in addition to providing it with exposure to new users, who might be converted from its ad-funded tier to its subscription tier. Following this, in June, Spotify and Warner [announced a deal that will make podcasts based on Warner's DC characters available exclusively on Spotify](#).

Spotify is not alone in making podcast-related acquisitions. In July SiriusXM (which owns music streaming service Pandora), announced that it would [acquire podcast producer and distributor Stitcher for up to \\$325m](#), and in the same month [The New York Times said it would acquire Serial Productions](#), producers of the *Serial* and *S-Town* podcast. Apple is also developing its own podcasts (although these remain small-scale in comparison to Spotify's), with [Apple Music's launch of the Zane Lowe Interview Series podcast](#) in June 2020. Apple is also said to be interested in developing or acquiring podcasts based on its Apple TV shows, or [using existing podcasts as potential source material for TV commissions](#), and has also [announced a daily news podcast](#). The BBC has continued to invest in podcast production and its in-house radio production unit, BBC Audio, now includes [a dedicated podcast development unit](#).

New podcasts have launched specifically about the pandemic

As with the radio sector, podcast production has felt the impact of the closure of studios and the requirement for home working. While many podcasts have been able to continue with production during the lockdown others, such as the comedy *Wooden Overcoats*, have been significantly affected, because the podcast's cast [records together in a studio, with an accompanying orchestra](#).

Despite these challenges, as noted above, the lockdown period has coincided with an increase in the number of new podcasts being made available on Apple Podcasts, some of which focus on the pandemic, including the BBC's *Coronavirus Newcast*.

In the US, NPR launched its *Coronavirus Daily* news podcast on 17 March. Podcasts about the pandemic and its potential impacts have also been created by newspaper groups; for example, the Telegraph's daily *Coronavirus Podcast*, or *Alone Together*, produced by Laudable in association with JPI Media and Reach.

As the pandemic evolves, podcasts are likely to evolve their output, and some may seek to pivot to new topics or in the case of *Here For You*, wind the podcast down.¹⁵⁰

Unable to perform at live events, musical performers have been seeking new ways to engage with their audiences

The most immediate impact of the Covid-19 outbreak has arguably been seen in the live, rather than the recorded, music segment, as live events have been cancelled or postponed. Live music in the UK has seen growth in recent years, with UK Music calculating a 10% increase in its economic contribution between 2017 and 2018, and attendance at music festivals rising from 2.7 million people to 4.7 million in 2018, even in the absence of the Glastonbury festival that year.¹⁵¹

¹⁵⁰ Nieman Lab, [Do true crime podcasts perpetuate the myth of an effective criminal justice system?](#), 16 June 2020

¹⁵¹ UK Music, [Music By Numbers 2019](#)

Performers have adapted to the imposition of social distancing measures in a range of ways. Some artists have responded by live-streaming concerts from their homes. Although streaming of live music events occurred before the pandemic, the lockdown restrictions around the world have created increased interest in ways of allowing audiences to experience live music events remotely.¹⁵²

While some performances have been live-streamed, either via social media or on video-sharing platforms such as YouTube or Facebook, some performances have also been live-streamed on Amazon's Twitch service. And some artists have performed in virtual environments, in particular with concerts and performances (including those of Travis Scott and Diplo) taking place in the virtual environment of the game *Fortnite*, while Jean-Michel Jarre's June 2020 concert '[Alone Together](#)' was streamed on Facebook and YouTube and via VR, enabling people with headsets to experience the concert in a more immersive way, using the VRChat environment.

The business models behind live streamed concerts vary; some are free to view (although they may be charity fundraisers), while other artists have required audiences to pay to view the performance, and have not made recordings available. Moves towards these more conventional concert formats have been made, such as two performances by Laura Marling from London's Union Chapel on 6 June 2020. These were ticketed online and professionally shot, live, with each performance geo-locked to Europe and North America respectively, mirroring the artist's planned tour. In contrast, some platforms (in particular, those focused on events in virtual and gaming environments, rather than video streams) are considering approaches to monetisation that have traditionally been more associated with online games, such as in-app purchases or the sale of virtual goods.¹⁵³

¹⁵² For example, MelodyVR, which streams 360-degree videos of concerts reported a 1000% increase in downloads of its app since the start of the pandemic: Rolling Stone, [The New Reality for Concerts in COVID: Virtual Reality?](#), 1 July 2020

¹⁵³ Rolling Stone, [The New Reality for Concerts in COVID: Virtual Reality?](#), 1 July 2020

Production trends

The UK production sector has been growing in recent years

Between 2011 and 2019 the volume of, and spend on, production taking place in the UK has grown, with spend in TV production coming from four main sources: the PSBs, the multichannel sector, international broadcasters and subscription video-on-demand (SVoD) services. Film production, by both international and indigenous production companies, is also a contributor to the production sector in the UK, but this chapter will focus primarily on TV production.

The impact of the coronavirus pandemic and the lockdown period in the UK has been acutely felt by the production industry. Filming of many genres stopped, commissioning slowed down, and broadcasters announced that budgets for the coming year would be reduced. Social distancing guidelines, and other measures put in place to make the production workplace Covid-19-safe, mean that restarting production for many genres will be slower, less geographically spread, and potentially more expensive than before the lockdown. The uncertainty of future employment and the freelance nature of the sector may lead to talent leaving the industry.

It is likely that the trends we have seen in recent years – of expanding studio space, growing investment in UK production, increased levels of production outside London and rising spend for independent producers – will not continue at the same pace as before.

In this chapter we look at spend on UK production from UK broadcasters and other sources, how incentives to produce content in the UK have affected the sector, the steps that are being taken to increase production capacity in the UK, and the production that is happening in different areas of the country.

Direct spend on production by the PSBs has fallen, but they are still the largest investors in TV production in the UK

Direct spend by the PSBs on new UK content fell by 3.4% between 2017 and 2019,¹⁵⁴ continuing the trend seen in previous years – but at £2.5bn, the PSBs are still the largest investors in new UK-made content for UK audiences. These data represent only the spend that comes directly from the PSBs; third-party funding and co-productions contribute additional investment to the content that is broadcast on the PSB channels and has become a significant part of the funding for certain genres. In 2018, more than half of the spend on new drama content broadcast by the PSBs came from third-party funding, with tax credits a key source of this.

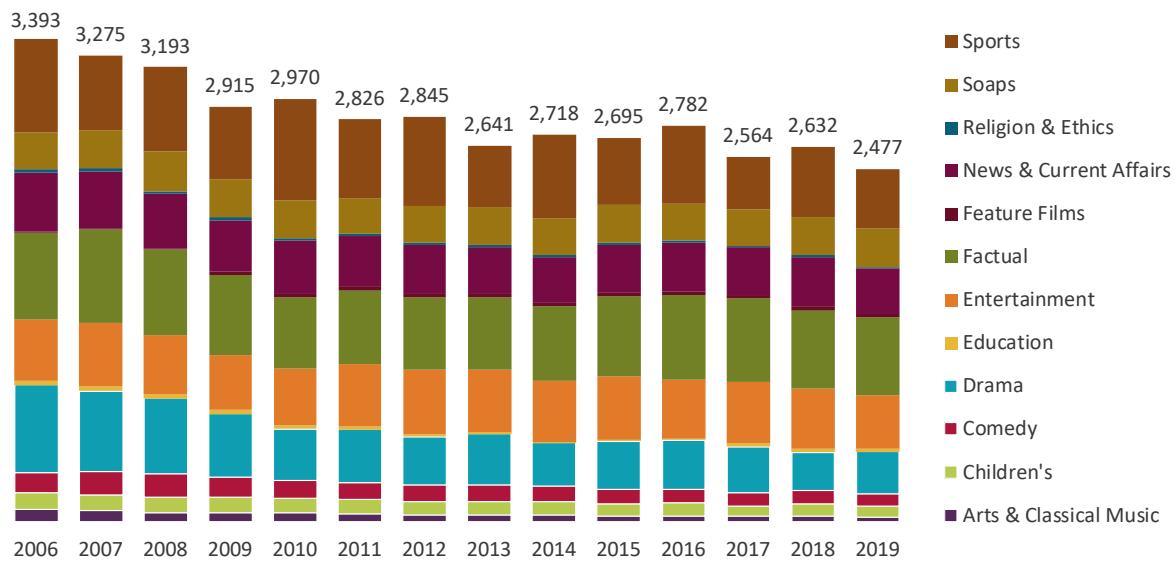
With additional contributions concentrated on some genres more than others, this has meant that direct spend is increasingly focused on other content. In 2006, drama represented 18% of direct PSB spend; in 2019, this was 11%. Factual content is likely to have benefited from this shift – it accounted for the highest proportion of spend in 2019 (22%) and typically attracts less additional

¹⁵⁴ Alternate years are a better indicator of trend in content spend due to the cyclical nature of sports events, which have an impact on the level of direct spend.

funding, while also making up a significant proportion of transmitted hours. Children's content and soaps both had increased spend in 2019 compared to 2017.

PSB spend on arts, education, religious and children's content has typically been lower than for other genres, reflecting the lower volume of this content that is broadcast. As direct spending by the PSBs has declined over the past five years, spend on these genres has also fallen. But the proportion of spend accounted for by these smaller genres has remained broadly the same.

Figure 3.1: PSB spend on new UK content: 2006 to 2019 (£m)



Source: Broadcasters / Ofcom. Adjusted for CPI at 2019 prices. Further information on PSB hours and spend is available in the [Media Nations interactive report](#).

The content made for and broadcast on the PSB channels is produced by the broadcasters themselves and by external producers (except for [Channel 4 which is established as a 'publisher broadcaster'](#)). The PSBs have quotas requiring them to commission a proportion of their original hours from qualifying independent producers, with 'independent' defined for the purpose of this quota as not being part- or fully-owned by other broadcasters.¹⁵⁵ Across the PSB channels subject to this quota, about a third of original hours were commissioned from independent producers, with Channel 4 having the highest proportion. For most PSBs, the proportion of hours coming from qualifying independent producers has fallen in recent years, although still exceeding the quota, primarily as a result of acquisitions and consolidation in the sector. Over the past ten years, ITV Studios has been pursuing a strategy of acquisition and expansion, both with UK and international production companies, including acquiring Big Talk in 2014 and Mammoth Screen in 2015.

¹⁵⁵ Information on the quotas the PSBs are subject to can be accessed [on the Ofcom website](#).

The multichannel sector has been increasing spend with independent producers

Data from Pact, the trade association for UK independent television, film, digital, children's and animation production companies, shows that in recent years the multichannel sector has been spending more on commissioning content from independent producers,¹⁵⁶ reaching £321m in 2018. While still a relatively small part of overall independent production revenues, the increase has more than offset the fall in PSB direct spending, and overall spend has grown. In 2018, 35% of UK commissioning spend with independent producers was on drama content, up from 26% the previous year. Entertainment and factual entertainment accounted for a further 25% and 21%, similar to the previous year.

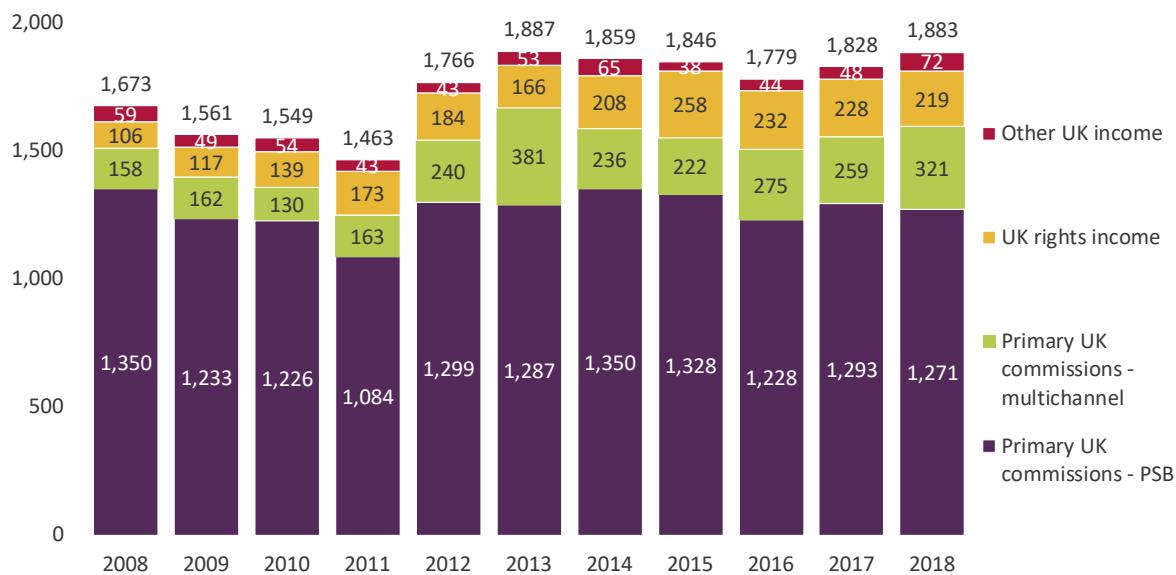
There are many factors that have contributed to the increase in multichannel spend on new productions. Original content, whether produced in-house or commissioned externally, is a key attraction for audiences; a significant proportion of people say that they are signing up to SVoD services for the original content.¹⁵⁷ The increased cost of rights for acquired content also plays a part. A well-publicised example is the increasing cost of streaming rights for *Friends* since 2015 – in 2015, Netflix paid \$30m, renewed in 2018 for \$80-\$100m, and then was outbid by WarnerMedia for a reported \$500m in 2019.¹⁵⁸ Commissioning original content, and subsequently owning (or part-owning) the rights can benefit broadcasters, both for the initial broadcast of exclusive content and for potentially lucrative subsequent licensing and resale.

Among the multichannels, Sky and UKTV have been particularly active in commissioning new content. In 2019, Sky announced that it would increase spend on original content made for its European audiences to £1bn by 2024. UKTV has increased the volume of original shows broadcast across its channels in recent years, and [doubled its development budget in 2019](#), the same year it was wholly acquired by BBC Studios.

¹⁵⁶ Not necessarily all *qualifying* independent producers in the sense of the PSB's quotas, but the Pact census data defines the UK production sector as TV and film production companies in the UK, excluding those wholly owned by the PSBs.

¹⁵⁷ Ofcom's latest Technology Tracker research shows that 38% of Netflix subscribers and 23% of Amazon Prime Video subscribers do so to access exclusive content unavailable anywhere else or made by the provider.

¹⁵⁸ Deadline, ['Friends' Goes Dark On Netflix, With Five-Month Streaming Lull Before HBO Max](#), 1 January 2020

Figure 3.2: UK producer TV-related revenues: 2008 to 2018 (£m)

Source: PACT UK Television Production Census 2019, Oliver & Ohlbaum analysis.

SVoDs are producing more in the UK, but are spending less than the PSBs

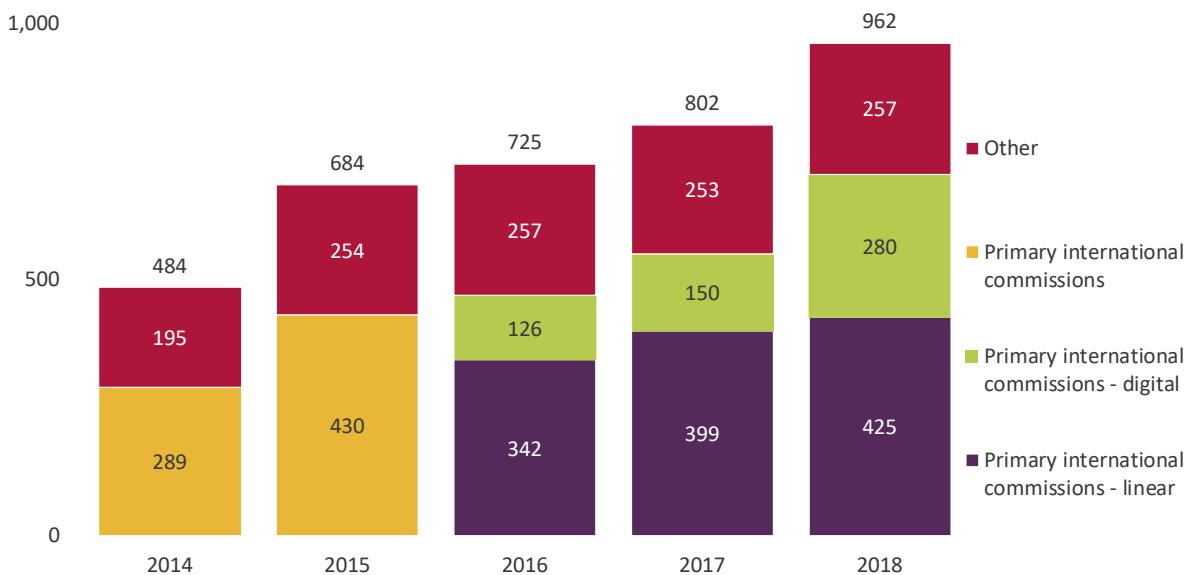
UK producer revenues from international digital services (including SVoD providers) increased to £280m in 2018, more than doubling since 2016. This is primarily driven by Netflix, which said that it had £400m of productions being made in the UK in 2019.¹⁵⁹ The volume of UK-produced original content in its UK library has increased since 2015, growing from seven to 299 hours.¹⁶⁰ While this is a large increase, these UK-produced Netflix originals account for less than 1% of the total content hours on Netflix in the UK.¹⁶¹

The growth in commissioning has been supported by Netflix increasing its UK presence in recent years. It now has its UK production operations at Shepperton Studios in the south-east of England and has expanded its team of UK commissioners for unscripted, comedy and documentary content. Among UK-produced Netflix originals, the volume of documentaries has increased faster than any other genre, up from 18 hours in Q1 2018 to 80 hours in Q1 2020. This includes the natural history series *Our Planet*, narrated by David Attenborough.

¹⁵⁹ Netflix evidence to Lords Communications Committee

¹⁶⁰ Ampere Analysis, Netflix UK library, Netflix Originals, primary production country: UK

¹⁶¹ 8% of Netflix's UK library in 2019 was UK-produced content, a third of which was acquisitions from the PSBs. While the make-up of the content in Netflix's UK library has become more diverse in relation to its country of origin as it has expanded internationally, 35% of its library is US-produced content.

Figure 3.3: UK producer international TV-related revenues: 2014 to 2018 (£m)

Source: Pact UK Television Production Census 2019, Oliver & Ohlbaum analysis. Note: Other includes sales of finished programmes, secondary rights and international revenue not attributable to primary rights, secondary rights or distribution. International commissions were not split into linear and digital until 2016, so are combined in previous years.

The chart below shows the additional hours of UK-originated content made as Netflix or Amazon originals on the two platforms. While the volume of content added by Netflix has doubled each year since 2017, Amazon's commissioning has been at a lower volume and has centred around higher-cost shows such as returning series of *The Grand Tour* and drama productions including *Ripper Street*, *The Collection* and BBC co-production *Good Omens*. Some of the increase in hours for 2019 is from the addition of stand-up specials from British comedians including Chris Ramsey and Ed Gamble.

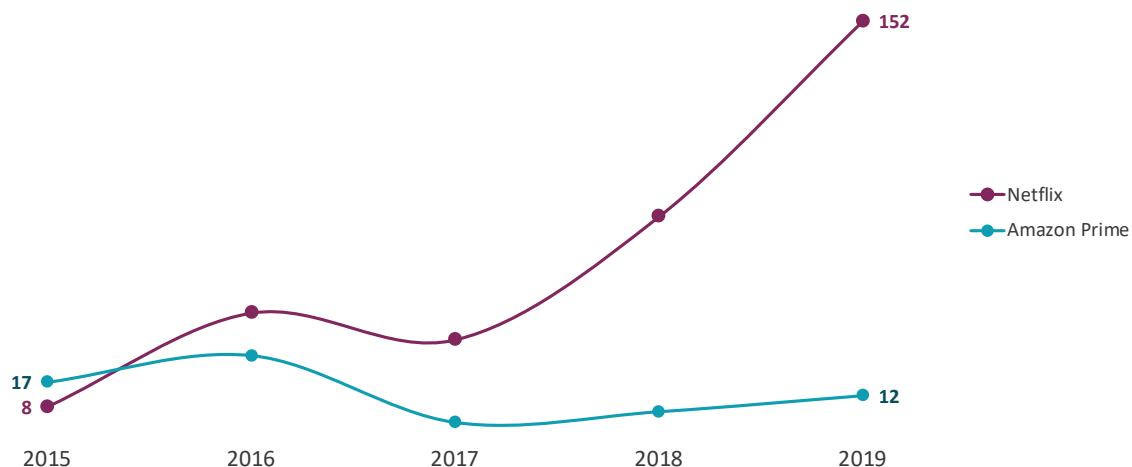
While the additional content on Netflix also includes high-cost drama productions, (including *The Crown*, *The Last Kingdom*, *Top Boy* and *Sex Education*), its slate of UK content is more diverse and includes a range of unscripted as well as scripted content. Documentary series *Sunderland Till I Die* and comedy documentary *Jack Whitehall: Travels with My Father* have returned for multiple series on the platform in recent years, reflecting Netflix's growth strategy of catering for its customers in the territories it is in by making exclusive content available for local audiences.

The past 12 months have seen the launch of new SVoD services – including Apple TV+, Britbox and Disney+. While Apple TV+ is almost entirely original content, most of this is produced in the US. Disney has already been producing a significant amount of content in the UK, although this has been primarily for theatrical rather than SVoD release.¹⁶² Disney has signed a long-term agreement with Pinewood Studios in the UK, signalling its intention to continue to make content in the UK. BritBox

¹⁶² Multiple *Star Wars* films and films in the Marvel franchise have included filming in the UK, plus other films such as *Mary Poppins Returns*.

announced its first original commission in March 2020, with [a new series of *Spitting Image* due to be added to its library later this year](#).

Figure 3.4: Hours of UK-originated originals added to Netflix and Amazon Prime Video each year: 2015-2019



Source: Ampere Analysis

Spend on UK productions has been bolstered by international companies

Figures collected by the BFI show that the UK production sector, across feature films, high-end TV programmes and animation, has attracted increasing investment from foreign companies. In 2019, the total spend from inward investment and co-production exceeded £3bn for the first time, with the majority of this (£1.78bn) coming from features produced or part-produced in the UK, and the majority of the remainder (£1.29bn) coming from high-end TV productions. The total production spend figure, including domestic spend, for 2019 is the highest UK production spend ever reported by the BFI.

Most of the inward investment spend for features comes from productions backed by US studios (72%). In 2019 these included *Tenet*, due for release in 2020, *1917*, and the initial filming of Marvel's now-delayed *Morbius*. For high-end TV programmes, the SVoD providers are among the key international commissioners, but US and other overseas broadcasters are also active in producing content in the UK. Most of these productions are high-budget scripted drama series (including Netflix's *The Witcher*). While UK producers and production companies are involved in some of these inward investment projects, the spend will be coming from international companies producing parts of their shows or films in the UK. *Game of Thrones* is an example of this – the production and spend was controlled by HBO, and while principal photography took place in Northern Ireland, filming also took place in Malta, Iceland, Croatia, Spain and other countries.

Figure 3.5: UK spend on high-end television programmes, features and animation programmes produced in the UK: 2015-2019 (£m)



Source: BFI, Film, high-end television and animation programmes production in the UK: full-year 2019. Lags in data collection and reporting mean that data are subject to change.

Tax relief has incentivised inward investment and supported domestic production

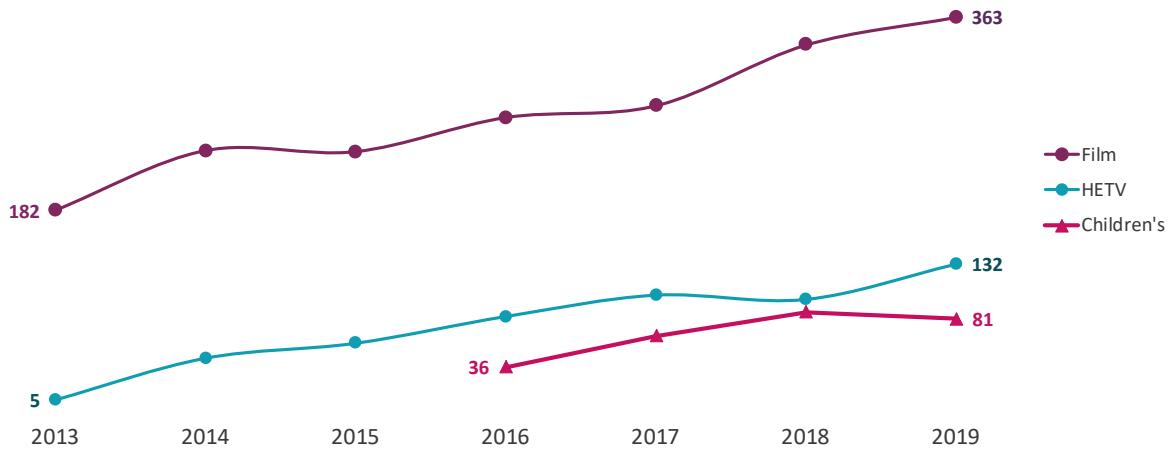
In 2007, tax relief linked to a cultural test for film was introduced, with the intention of encouraging film production in the UK. It enabled productions that qualified under the points-based system to get tax relief on the cost of production. This was extended to include high-end TV in 2013.¹⁶³ To be considered high-end, programmes must be drama, comedy or documentary, have a cost of at least £1m per hour and be at least 30 minutes per episode.¹⁶⁴ Tax relief was extended to qualifying children's programming in 2015.

Since the extension of the tax relief to high-end TV, the number of programmes qualifying for this has grown from five in 2013 to 132 in 2019. In 2019, the number of films qualifying was 363.

¹⁶³ Government considered that the tax relief was highly successful in bringing production to the UK: [Explanatory memorandum to the cultural test \(television programmes\) \(amendment\) regulations 2015](#), DCMS, 2015.

¹⁶⁴ This was initially 60 minutes per episode but was reduced to 30 minutes.

Figure 3.6: Number of certifications under the BFI cultural test, film, high-end TV (HETV) and children's: 2013-2019

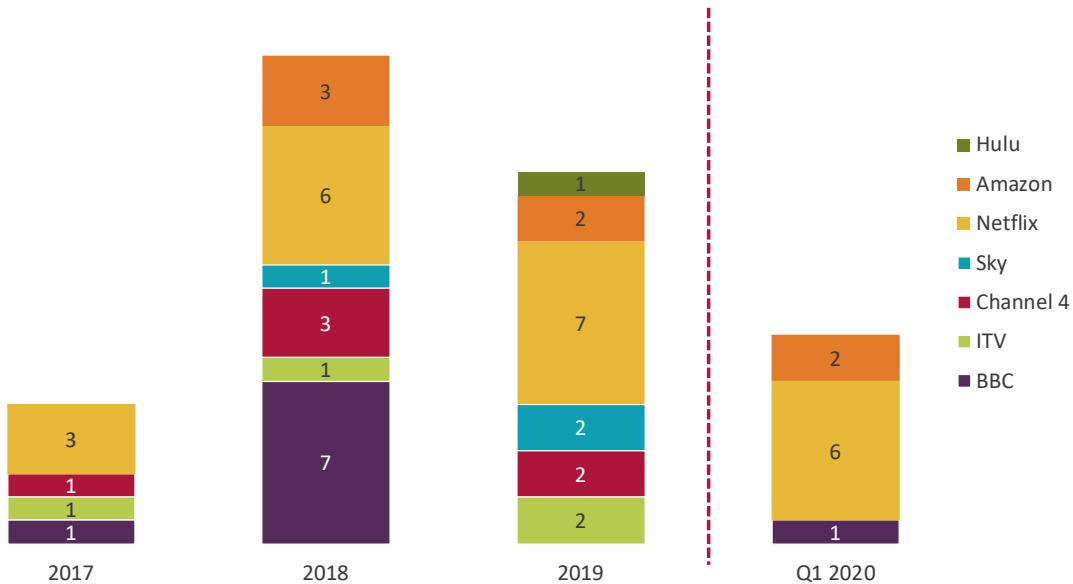


Source: BFI, British film, high-end television, animation television programmes, children's television programmes and video games certification, full year 2019

Not only are overseas productions being drawn to the UK by this incentive, so are other TV productions being made for UK screens. A significant number of the qualifying high-end TV productions each year have been commissioned by, or are co-productions with, the PSBs or other broadcasters, mainly Sky. Third-party funding, like co-production and these tax reliefs, has offset the decline in direct funding from the PSBs, particularly in the drama genre.

Analysis of the titles certified as high-end TV productions suggest that co-productions between the SVoD providers and the PSBs peaked in 2018. Of the productions qualifying for the relief in 2018, the BBC, Channel 4 and ITV made 11 titles with either Netflix, Amazon or Hulu; this fell to four in 2019. Since 2018, Netflix has been increasingly making UK content without the collaboration of the PSBs. In Q1 2020 it had six titles qualifying as UK productions – the same volume as in the whole of 2018. Of course, the BBC, Channel 4 and ITV have far more qualifying titles in the list that do not involve co-producing with these SVoD providers. But in terms of co-productions, in 2019 the PSBs are more likely to have made content in collaboration with international broadcasters than with either Netflix or Amazon. This suggests that after initially partnering with the PSBs, the SVoD providers have found their feet in the UK production landscape and are now striking out on their own.

Figure 3.7: High-end British film and TV productions involving Netflix, Amazon or Hulu, by service provider on which the content was first made available: 2017-Q1 2020



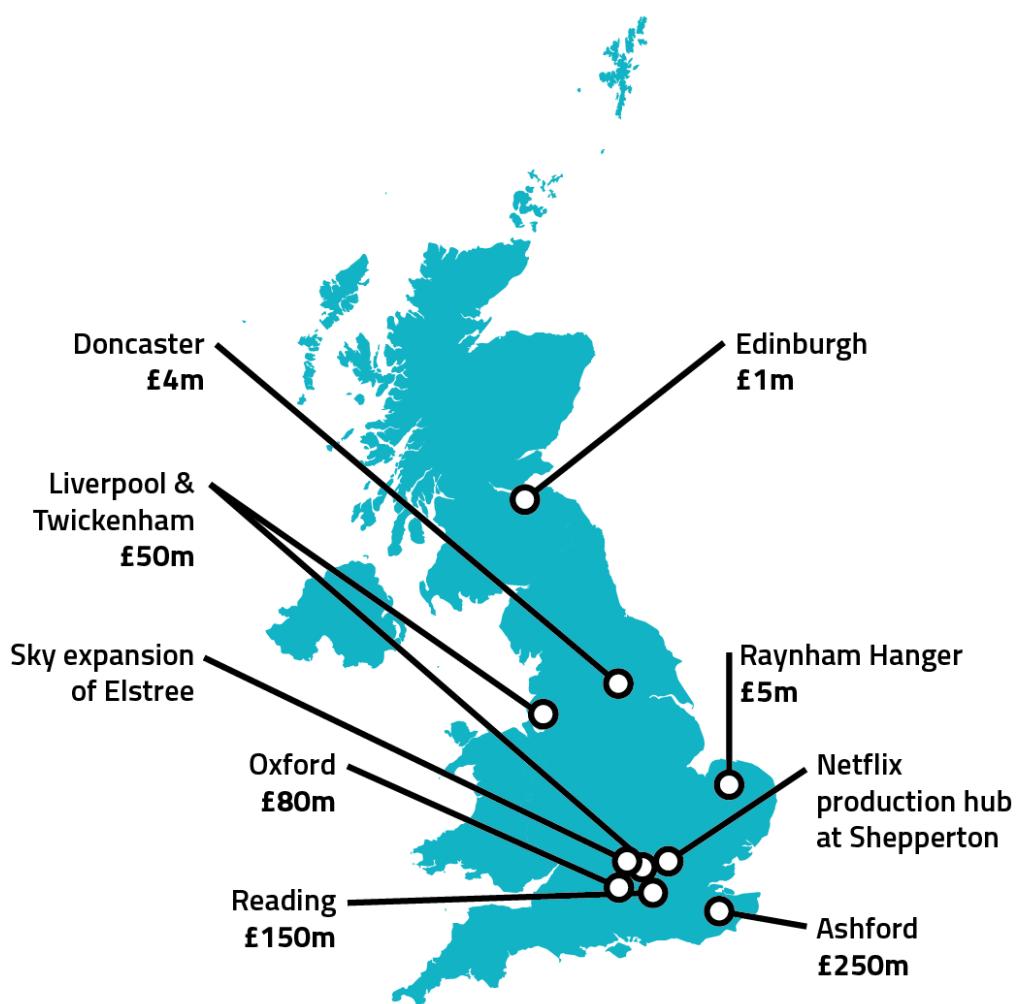
Source: BFI, High-end television productions certified as British through the high-end television cultural test / Ofcom analysis

Alongside the benefits of additional investment in UK production that this incentive has brought, there have been criticisms of the impact of the additional production on the UK production ecosystem. These include capacity issues in the sector, across the availability of skilled staff and studio space, resulting in an increase in production costs.

Investment to create additional capacity in the UK is ongoing

Public authorities and private companies are taking steps to increase the amount of studio space available in the UK. New investment is coming from companies that are seeking to develop and expand their existing studio facilities as well as develop new ones. The Creative District Improvement Company (TCDI) announced in March 2020 that it would be investing £250m to build new studio space and associated facilities at Ashford in Kent, and investing further funds in developing Twickenham Studios' existing facilities in Twickenham, London and Liverpool. A new studio is also planned to be built at the Thames Valley Science Park near Reading in the south-east of England; Blackhall Studios will be spending £150m to do this. Location Collective claims to be opening London's largest film and TV studio in Enfield in summer 2020, and Raynham Hangar in Norfolk is to be developed into additional studio space, with £5m of private investment raised to do this. Broadcasters are also building capacity for their own, and others' use – Sky is building a large studio space at Elstree in Hertfordshire, having received planning approval in July 2020.

Figure 3.8: Recent investment and activity in studio capacity around the UK



Source: Investors/Ofcom

Should all these plans go ahead, it would represent an increase in capacity, in terms of space, for film and TV production in the UK, albeit predominantly focused in the south-east and south of England. In the March 2020 budget, the British Film Commission was given £4.8m over the next three years to promote the UK as a location for studio investment, so further expansion of capacity is likely.

Away from the south of England, public investment is encouraging development. Screen Scotland has provided an initial £1m investment in its award of a lease to First Stage Studios, which will take over the management of studio space at the Port of Leith, Edinburgh. The Sheffield City Region Combined Authority has awarded a £4.1m local growth fund to create studios, post-production facilities and a training academy in Doncaster, South Yorkshire at a site operated by 360 Degrees Media.

Larger production companies are also securing existing space for themselves, demonstrating their commitment to producing in the UK. In July 2019, Netflix secured the use of most of Pinewood's Shepperton Studios in Surrey as its UK production hub; shortly after this, Disney signed a long-term

lease with Pinewood to use most of its stages and other facilities in the UK, with this expected to begin imminently. Around the same time as Netflix and Disney leased their UK studio space, HBO handed back Titanic Studios in Belfast, which it had been leasing as its base for *Game of Thrones*.

Production in the nations and English regions is predominantly driven by the PSBs

The proportion of content made for UK audiences in areas of the UK outside London has increased in the past ten years¹⁶⁵. This is primarily driven by the PSBs, which have quotas to make content around the UK, and are also the largest spenders on original UK content for broadcast.

The BBC is the largest commissioner of qualifying regional productions; it has higher quotas and these apply to all its channels.¹⁶⁶ The commercial PSBs have these obligations on a single service. Of the PSBs with regional production requirements, only the BBC and Channel 4 make a significant amount of network content in all the UK nations, although both ITV and Channel 5 commissioned content from Scotland and Northern Ireland in 2019.

Production around the UK varies in terms of the genres that are predominantly made in different areas. Scotland has a fairly diverse range of production, helped by the BBC's presence in Glasgow's Pacific Quay. It has hosted a range of long-running entertainment shows, including the BBC's *Eggheads* and Channel 4's *Fifteen to One* at the studios there, but in terms of volume, the range of sports content commissioned from independent producers based in Scotland (and often filmed in different locations around the UK) means that sports account for the largest proportion of hours. The information in figure 3.9 refers to network programming only – content made for BBC Scotland and STV's original content (such as *Sean's Scotland*) is not included, but it is also contributing to production in the nation.

Northern Ireland has the least network PSB production of the UK nations, with many of the local independent producers there commissioned to make factual content. Drama content accounts for the largest proportion of network spend; the BBC's *Line of Duty* and *The Fall* are returning series that are made in Northern Ireland.

Northern England hosts the widest range of production outside London, including ITV's *Coronation Street* and *Emmerdale*, and the BBC's sport and children's departments based in Media City in Salford. As well as productions from the PSBs, Netflix's *The Stranger* was filmed in Manchester, and parts of Liverpool often stand in as New York for filming TV productions made in the UK (including the second series of Sky's *Das Boot*). Although the Northern England region covers a wide geographical area, production is typically concentrated in the north-west.

PSB network spend in the Midlands and East area has fallen in recent years, but the BBC's Birmingham Drama Village is host to the long-running BBC daytime shows *Doctors* and *Father*

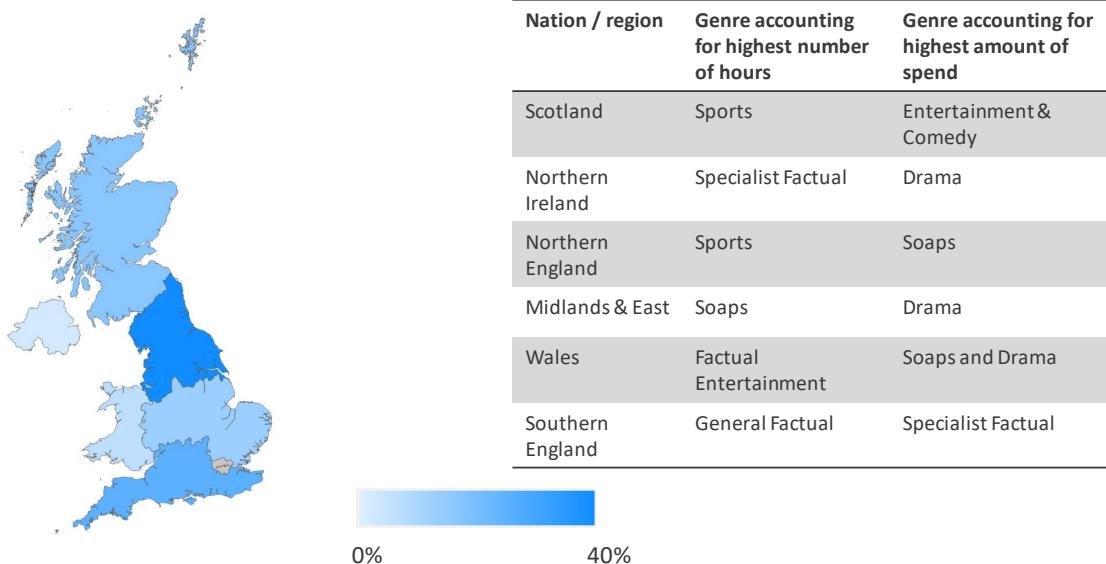
¹⁶⁵ Of the spend on new programmes that is considered in assessing the PSB's regional production quotas, in 2019 47.5% of this was allocated to areas outside London. In 2010, this was 38.2%. The volume of content qualifying as made outside London has also increased over this period; from 39.2% to 50.9%.

¹⁶⁶ Information on the PSB quotas and their performance against them can be found [on the Ofcom website](#).

Brown. Channel 4's returning series *Travel Man* is produced from the Birmingham outpost of All3Media's North One Television.

In Wales, factual entertainment series contribute the largest share to PSB network hours, but drama and soaps contribute the most to spend. Cardiff is home to several long-running drama series including *Doctor Who* and *Casualty*. In addition to drama content made for the PSBs, independent drama producer Bad Wolf recently expanded its studio space in Cardiff, leasing a second studio to film *A Discovery of Witches* for Sky. This has added to the space that it used to make *His Dark Materials* for the BBC and HBO. S4C also commissions Welsh-language content, with this predominantly funded by the licence fee. It has also made bilingual dramas, including *Hinterland* and *Keeping Faith* that are filmed in both Welsh and English, with the English versions of these being broadcast on BBC network services.

Figure 3.9: Proportion of PSB qualifying regional production, by volume: 2019



Source: Broadcasters/Ofcom

Advertising trends

Introduction

This chapter looks at developments in the UK advertising sector over the past ten years, focusing primarily on broadcast and online. It examines the rise of online advertising and specifically the rapid growth in recent years in online video advertising on both broadcaster and non-broadcaster platforms. We assess the gradual decline since 2015 in traditional linear television advertising and the outlook for this category following the Covid-19 pandemic. Finally, we discuss innovations in the television advertising market, including developments in addressable advertising technologies.

The advertising market has undergone fundamental change in the past decade

The major trends of the past decade are online advertising's growth and the parallel fall in the value of print and direct mail advertising, as well as the stagnation of the traditional linear TV advertising market and the rapid increase in recent years in online video advertising.

As illustrated in Figure 4.1, data from the Advertising Association and Word Advertising Research Centre (AA/WARC) Expenditure Report indicates that revenue from online advertising in the UK has more than tripled in real terms since 2010 from around £5bn to £15.7bn in 2019, increasing from around 25% of UK advertising in 2010 to 62% in 2019. The last decade has witnessed a rise in 'free' online alternatives to newspapers, as social media has emerged as a major news source. Almost half (49%) of UK adults now claim to use social media platforms for news, while Facebook is the third most-used news source, after BBC One and ITV/UTV/STV.¹⁶⁷ Daily newspaper circulation has consequently fallen year on year, with a significant impact on the advertising revenue of print outlets. Since 2010 the combined value of print newspaper and magazine advertising has declined by 70% in real terms (or 12.7% on average per annum) to £1.5bn in 2019. Consequently, many newspapers and magazines have moved to online subscription-based models in order to compensate for the decline in print advertising revenue.

The rise of online advertising has also significantly affected direct mail. Direct mail as a proportion of all advertising income has more than halved, from 11% in 2010 to 5% in 2019. This has partly been due to the rise in online 'search', which also tends to be more focused on driving immediate actions (sales, clicks, views etc.) rather than creating brand awareness. Revenues from search have almost tripled over the last decade and now represent half (51%) of all online advertising. Furthermore, search is now the advertising medium with the highest revenue, having overtaken TV spot advertising in 2016. However, comparing television to search can be misleading as they are not typically in direct competition. TV advertising is generally focused on brand-building, whereas search is highly targeted and more orientated towards generating a direct response.

¹⁶⁷ [News Consumption in the UK: 2019](#)

Although radio advertising represents only a small proportion of the total advertising market (4%), it has remained fairly resilient over the past decade, with revenues increasing marginally by 0.4% annually since 2010 to £653m in 2019, though last year's total was down from £680m in 2018.¹⁶⁸ This growth reflects a resilience in radio reach and the increase in listening to commercial stations over the period, driven by the launch of new digital stations, including those on DAB. Despite large proportional growth, UK podcasting revenue remains small in relative terms compared to that of radio, with PwC data indicating advertising revenues of £26m from UK podcasts in 2019, a real-terms increase of 66% year on year.¹⁶⁹

Linear broadcast television advertising revenues have fallen by around £1bn since 2015

Although revenues from traditional linear television advertising were broadly resilient during the first half of the decade (increasing by 6% in real terms between 2010 and 2015), since 2015 TV ad revenues have contracted by £1bn in real terms (or -18.4%). Macro-economic factors such as weaker business confidence and reduced consumer spending as a result of the EU referendum in 2016 are likely to have played a significant role in the gradual decline in TV ad revenue since 2015. However, the fracturing of the media landscape over the past decade, and fundamental shifts in how audiences consume TV and audiovisual content may also have contributed.

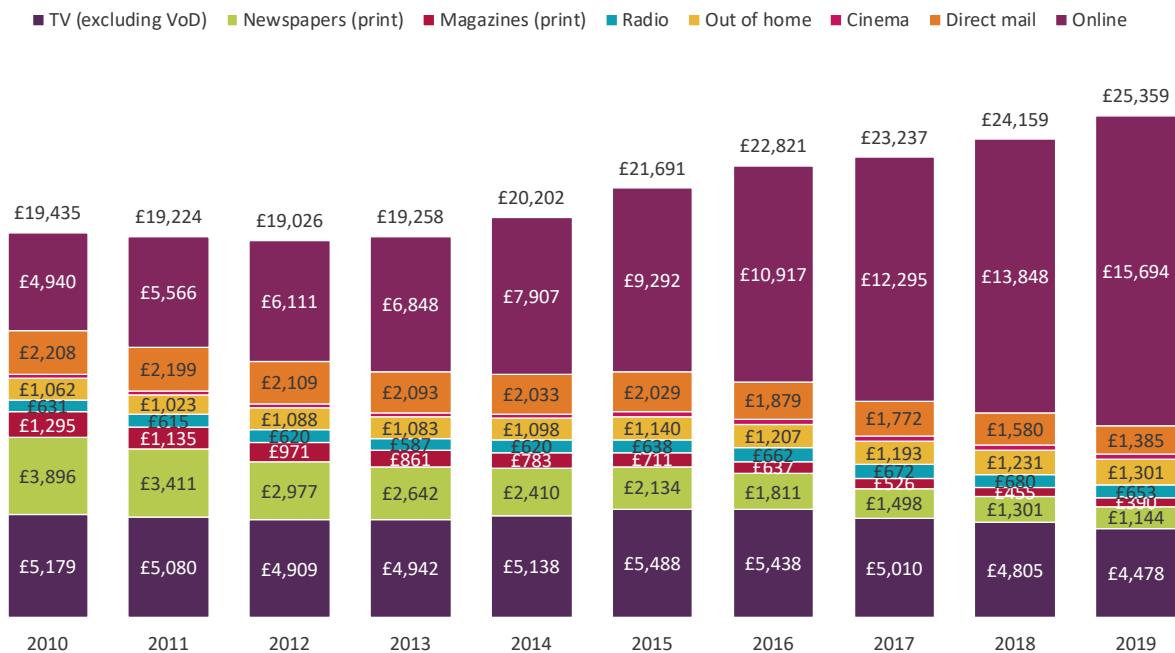
The vast majority of traditional TV advertising revenue is made up of traditional linear TV spot advertising, although sponsorship and product placement are also included in this category. In 2019, 92% of TV advertising revenues came from TV spots (down from 95% in 2010), while combined sponsorship, product placement and other revenues represented only 8%.

Returns provided to Ofcom by broadcasters indicate that the UK's public service broadcasters (including their digital portfolio channels) have collectively seen a decline of approximately £510m (16%) in real terms between 2015 and 2019. UK commercial multichannels have also suffered, with a decline of approximately £241m (19%) in TV ad revenue over the same period.¹⁷⁰

¹⁶⁸ Revenues here include spot advertising and sponsorship only; digital advertising income has been excluded.

¹⁶⁹ PwC Global Entertainment & Media Outlook 2019–2023. Adjusted for CPI by Ofcom.

¹⁷⁰ Ofcom broadcaster returns. Note: £751m decline in net advertising revenue in 2019 does not include BVoD, sponsorship, product placement, or ad-funded programming.

Figure 4.1: UK advertising expenditure: 2010-2019 (£m)

Source: AA/WARC Expenditure Report for TV, newspapers, magazines, radio, out of home, cinema, and direct mail; IAB UK for online advertising (search, display excluding video, video and other). Notes: all digital ad expenditure (e.g. broadcaster video advertising and publisher display and classifieds) has been removed from TV, newspapers and magazines to avoid double-counting between these categories and online. TV includes spot advertising, sponsorship, and placement. Figures expressed in real terms (adjusted for 2019 CPI prices).

TV advertising's share of all display advertising has declined but it remains the primary medium for brand advertising

Linear TV advertising as a share of all display advertising¹⁷¹ was broadly consistent between 2000 and 2015 at approximately 40%. However, between 2015 and 2019 its share fell by ten percentage points; from 39% to 29%.¹⁷² Nevertheless, the TV advertising model remains the preferred medium for brand advertising for several reasons:

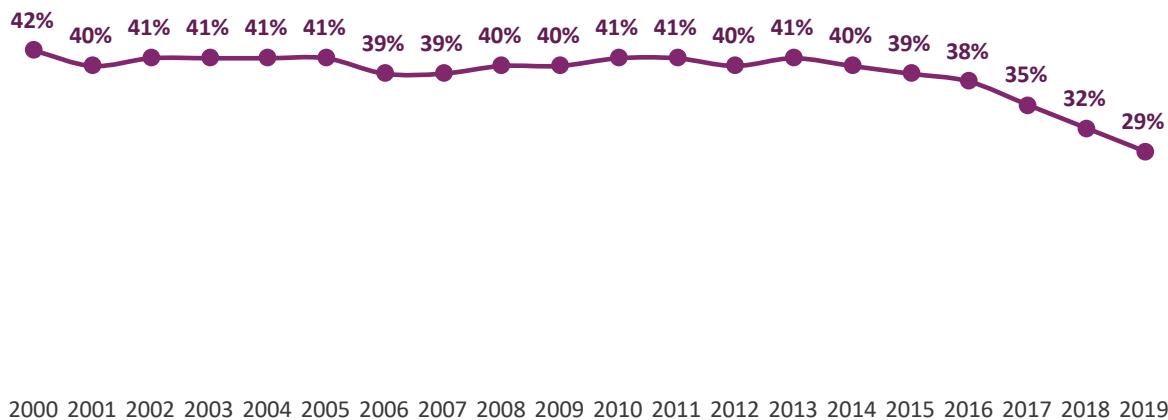
1. **TV can still offer advertisers mass reach** at a single point in time, which the online medium finds very difficult to achieve.
2. **The production value of TV advertisements continues to outpace that of online**, which relies primarily on low-cost desktop and mobile display advertising formats.
3. **In the TV market, advertisers and broadcasters agree on the BARB measurement system** for measuring effectiveness and are happy to trade against it as a common currency. BARB has recently launched a new video-on-demand planning tool which will make it easier for agencies to plan and evaluate multi-screen campaigns across both linear and broadcaster video-on-demand services (BVOD) such as ITV Hub, All4 and My5.

¹⁷¹ Linear TV advertising is TV spots only and excludes sponsorship and product placement. Display advertising excludes direct mail. Figures in real terms.

¹⁷² AA/WARC Expenditure report

4. **Online advertising media can be subject to ad-blocking**, the use of software which hides or stops the loading of adverts, although many broadcasters can detect ad-blocking software and prevent viewers from watching content on their BVoD platforms if an ad blocker is being used.
5. **Fraud remains a concern for online advertisers** as traffic to websites can be generated via robots as opposed to actual visits, thereby generating a false impression of the reach and effectiveness of online ads.

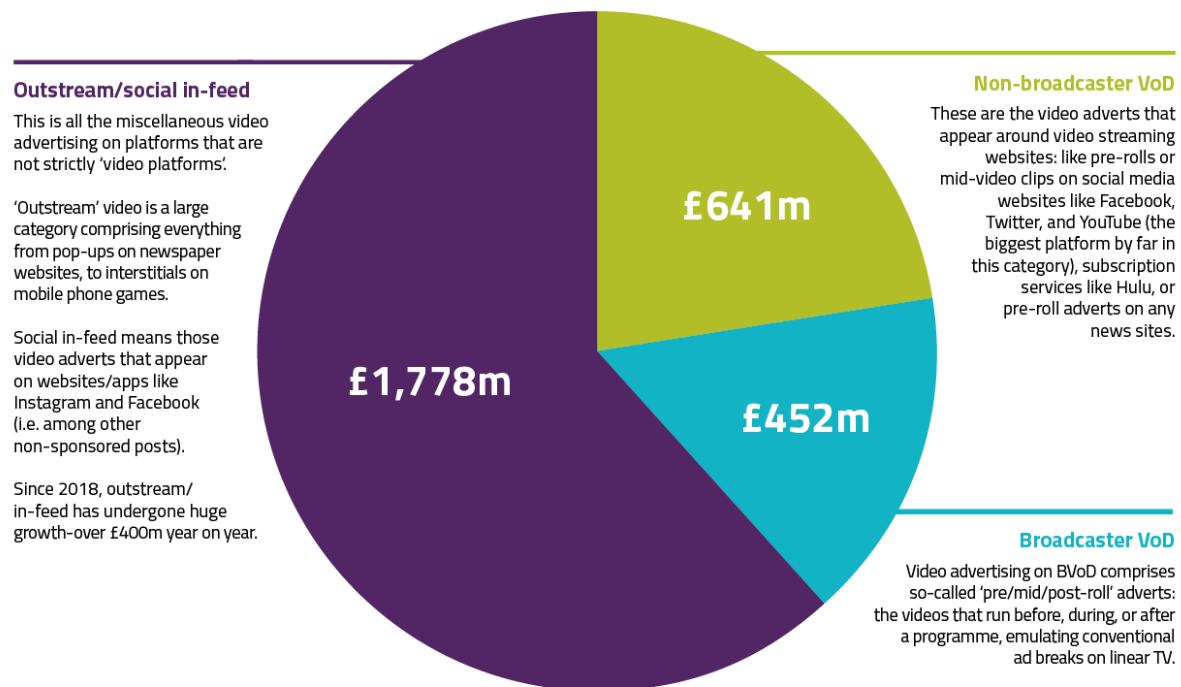
Figure 4.2: TV spot advertising as a proportion of all display advertising: 2000-2019 (%)



Source: AA/WARC Expenditure Report. Figures expressed in real terms (adjusted for 2019 CPI prices). Display advertising excludes revenue from direct mail.

Online video advertising has seen rapid growth since 2015

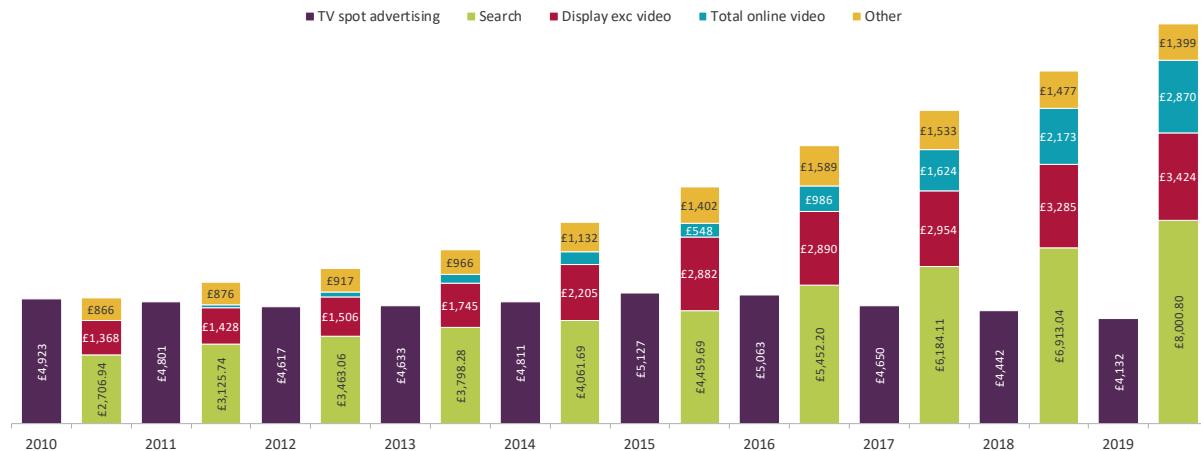
Figure 4.3: Categories of online video advertising with 2019 revenues (£m)



Source: IAB/PwC Digital Adspend Study 2019

Since 2015, the largest growth within online advertising has been 'online video' (comprising broadcaster video on demand, non-broadcaster video on demand and outstream/social in-feed video, as described above) which increased by 51% in real terms on a compound annual growth basis, to £2.9bn in 2019.

However, while online video advertising is the online format most similar to linear TV spot advertising and is sometimes used to repurpose and repackage 30-second TV ad spots (e.g. adapting a TV advertising spot into a shorter desktop or mobile-friendly format), online video is also used as a direct-response format (particularly outstream/social in-feed video) and therefore does not always directly compete with TV advertising budgets.

Figure 4.4: UK TV spot advertising and online advertising expenditure: 2010-2019 (£m)

Source: AA/WARC Expenditure Report for TV spot advertising; IAB UK for online advertising (search, display excluding video, video and other). Notes: TV spot advertising includes all expenditure generated from TV advertising spots (typically 30 or 60 second spots). This figure excludes TV sponsorship, product placement and other forms of TV revenue. Search advertising is a form of advertising that seeks to promote websites by increasing their visibility in search engine results pages. Display advertising is a type of online advertising includes banner ads, rich media and more. Video advertising is the digital recording of a physical event or animated files that have been transcribed into a digital video format. Other includes all online ad formats which are not covered in search, display and video such as online classifieds and directories. Figures expressed in real terms (adjusted for 2019 CPI prices).

Revenues from broadcast video on demand are not compensating for the decline in TV spot advertising

To offset the decline in TV advertising revenue, commercial broadcasters have looked to additional revenue streams to reduce their dependency on this medium. These include revenue from advertising around programmes on their video-on-demand (VoD) services (e.g. All4, ITV Hub and UKTV Player). To some extent, broadcasters have been able to capitalise on the growth in online video advertising; between 2015 and 2019, broadcaster VoD (BVoD) ad revenue increased in real terms by 24% on a compound annual basis (to £452m in 2019). However, this has not been enough to fully counteract the much larger decline in TV spot advertising.

Furthermore, BVoD services face competition for advertisers from a range of digital platforms. Non-broadcaster VoD advertising includes all ads that appear before, during, or after video content (known as ‘pre/mid/post-roll’ advertising) on YouTube and other video-sharing platforms. Non-broadcaster VoD advertising grew faster than BVoD advertising between 2015 and 2019, with an annual average increase of 34% per year (to £641m in 2019). This is reflected in the rapid growth in viewing to YouTube, which now accounts for 13% of the total AV viewing, with this figure rising to 25% among younger audiences.

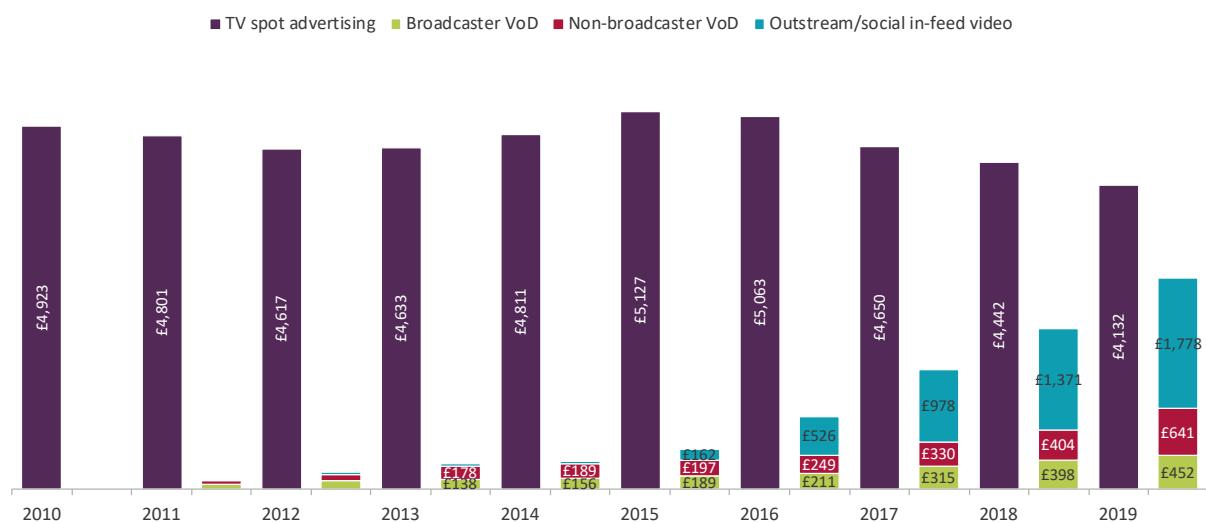
Although total advertising revenues for BVoD are currently smaller than for non-broadcaster VoD, BVoD generates much higher advertising revenue per viewing hour. Ofcom estimates suggest that in 2019 YouTube generated ad revenue of approximately 2.3p per viewing hour, compared to 23p per

viewing hour for the commercial broadcast VoD services combined.¹⁷³ While this does not reflect that advertising is much cheaper on YouTube (as the amount of advertising shown per hour across the vast amount of content on YouTube is lower), it does suggest that the UK commercial broadcasters are well placed to increase their online video advertising revenue if they can increase share of viewing to their BVoD services.

With a combined value of around £1bn in 2019, BVoD and non-broadcaster VoD are together referred to as ‘pre/mid/post-roll’ online video advertising, which is the online format most resembling linear TV spot advertising. The combined ad revenues from BVoD and non-broadcaster VoD currently equate to a quarter (26%) of the size of linear TV spot advertising.

A third category within online video includes standalone video ads that sit *outside* a stream of video content (known as ‘outstream’ or ‘social in-feed’ advertising). This format includes Facebook and other social media platforms, as well as standalone video ads on news websites. It is in less direct competition with broadcast or BVoD advertising and is by far the highest-revenue segment within the online video advertising market, at £1.8bn in 2019. Estimates from the CMA suggest that Facebook alone accounted for between 35% and 40% of all online video advertising expenditure in 2019.¹⁷⁴

Figure 4.5: UK TV and online video advertising expenditure: 2010-2019 (£m)



Source: AA/WARC Expenditure Report for TV, newspapers, magazines, radio, out of home, cinema, and direct mail; IAB UK for online advertising (search, display excluding video, video and other). Notes: all digital ad expenditure (e.g. broadcaster video advertising and publisher display and classifieds) has been removed from TV, newspapers and magazines to avoid double-counting between these categories and online. TV includes spot advertising, sponsorship, and placement. Figures expressed in real terms (adjusted for 2019 CPI prices).

¹⁷³ BVoD revenue: AA/WARC Expenditure Report / YouTube revenue: Ofcom estimates from [CMA Online platforms and digital advertising market study: Appendix C: market outcomes](#) / BVoD viewing: Ofcom estimates using BARB / YouTube viewing: Comscore.

¹⁷⁴ [CMA Online platforms and digital advertising market study: Appendix C: market outcomes](#)

New advertising-funded VoD services are looking to exploit growth in online video advertising

Ad revenues for BVoD and non-broadcaster VoD currently represent approximately 7% of all online advertising, suggesting there is potential for further growth.

However, in addition to facing challenges from video-sharing platforms like YouTube, established BVoD players (e.g. ITV Hub, All4 and My5) face further potential disruption from new advertising-funded video-on-demand services (AVoD) backed by major US networks. A number of these new AVoD services have recently launched in the UK, hoping to benefit from the predicted future growth in online video advertising. For many broadcasters, the barriers to entry are too high to launch their own direct-to-consumer SVoD services to rival Netflix, Amazon Prime Video and Disney+. US broadcasters are instead taking renewed interest in AVoD as a way of monetising their archive content and exploiting the growth in online video advertising.

CBS Viacom's Pluto TV

US television network CBS Viacom acquired the AVoD service Pluto TV for \$350m in January 2019. The service presents live-streamed programmes (similar to a linear channel experience) next to scheduled streamed programmes in a grid-like electronic programme guide, with over 100 channels.

Viacom plans to use the service to monetise its library content as well as giving an additional distribution platform to its Viacom Digital Studios subsidiary. The service has 150 content-licensing partners, including major studios, TV networks and publishers including CNN, Warner Bros., Lionsgate, MGM, CBS and Discovery.

The service is already available as an app on smart TVs in the UK, as well as in Latin America, Canada and parts of Europe. Viacom intends to roll the service out to other countries as it looks to expand globally.

Fox Corporation's Tubi TV

The most recent acquisition in the AVoD market has been Fox's purchase of Tubi for \$440m in March 2020. Launched in 2014 in the US, the service currently has 20,000 library films and TV series from over 250 content partners, and recently committed to spending a further \$100m on licensed content in 2020. Tubi Kids offers over 5,000 hours of age-appropriate films and TV shows in a section aimed specifically at families.

Tubi has said that the service will launch in the UK in 2020, with other countries to follow as part of its international expansion. This expansion has been progressed recently in a deal with Hisense (the third largest TV manufacturer in the world) whereby Tubi will be pre-loaded and placed prominently on its home screen.

Viewing to these services is currently small and it is unclear to what extent these new US-owned and operated AVoD services will appeal to UK audiences. Advertising-funded video-on-demand services are already prevalent in the UK via services such as ITV Hub and All4, which feature a high volume of recently broadcast UK-originated programmes. In contrast, content libraries for these new AVoD services tend to be much older (typically five years or more) and made in the US with US audiences

in mind. Furthermore, ITV and Channel 4 are offering ad free versions of their VoD services for a small fee via ITV+ and All4+, while ITV and the BBC offer subscription-based access to their back catalogues (and Channel 4 programming) via BritBox.

While online video services may have benefited from the Covid-19 pandemic, with increased viewing during lockdown, an advertising recession is now highly probable in 2020. This may limit the potential for any new AVoD services launching in the UK to generate revenue in the short to medium term.

Figure 4.6: Examples of advertising-supported video-on-demand services available in the UK

	UK owned and operated AVoD	US owned and operated AVoD	Video sharing network
Service	ITV Hub All 4 My5 UK TV Player	Pluto TV (CBS Viacom) Roku TV	YouTube
Content type	Long form	Long form	Mainly short form
Recency of content	Mainly catch-up (plus older archive on All4)	Mainly deep archived content	Constantly refreshed
Make up of catalogue	High volume of UK originals	Library content from parent company plus licensed partners	Mainly user-generated

Source: Ofcom analysis

The Covid-19 outbreak is making an already challenging TV ad market more difficult

It is uncertain what the full impact of Covid-19 will be on the UK advertising market and what the shape of the recovery might look like. Forecasts from the AA/WARC¹⁷⁵ (July 2020) indicate that the total UK advertising market will contract by 15.6% in 2020, while [Group M's mid-year forecast](#) (June 2020) predicts that UK advertising spend will contract by 12.5% in 2020.

The Covid-19 pandemic is likely to result in an acceleration of the decline in television ad revenue in the short term, as a result of social restrictions harming several major industries that advertise on TV, and economic uncertainty resulting in industries in most sectors cutting their marketing spend. There have also been practical difficulties in making adverts during lockdown.

Another upcoming structural change in the TV advertising market that could negatively affect broadcasters is the Government's ban on pre-watershed advertising of products that are high in fat, sugar or salt (HFSS). This accounts for a significant share of TV advertising spend and its loss will be likely to place further pressure on broadcasters' revenues.

Forecasts from AA/WARC suggest that TV spot advertising in Q2 2020 will decline by an unprecedented 43% compared to Q2 2019, with key sectors such as travel, aviation, retail and the

¹⁷⁵ AA/WARC Expenditure Report

automotive industry either deferring or cancelling planned TV advertising during lockdown. For the full year 2020, linear TV advertising spot revenue will contract by 19%, while Group M forecasts the decline to be marginally lower at 17%.

This is further illustrated by ITV's recent financial update, when the company reported a 7% year-on-year decline in ad revenue in Q1 2020 (which included only the first week of the UK lockdown) and indicated further deterioration in April 2020, with an expected 42% decline in advertising revenue.¹⁷⁶ Consequently, ITV has cancelled its planned dividends for the financial year, allowing it to retain funds to compensate for the lost advertising revenue.

Of all the major UK commercial broadcasters, ITV and Channel 4 appear the most exposed to a downturn in ad sales, with much of their respective revenues (excluding revenues from ITV Studios) directly related to TV advertising and sponsorship. Among the other major broadcasters, Channel 5 and Sky are owned by larger conglomerates (Viacom and Comcast respectively) with much larger cash flows to support them during a period of falling ad revenues. In a bid to promote the value of television advertising, broadcasters have been accelerating efforts to talk directly with advertisers – an approach already employed by tech firms such as Google and Facebook in the sale of online advertising inventory. TV advertising sales houses have recently shifted their focus towards a more direct approach, bolstering client sales teams and employing personnel with client sales experience.¹⁷⁷

It is unclear what long-term impact Covid-19 might have on the deployment of advertising budgets

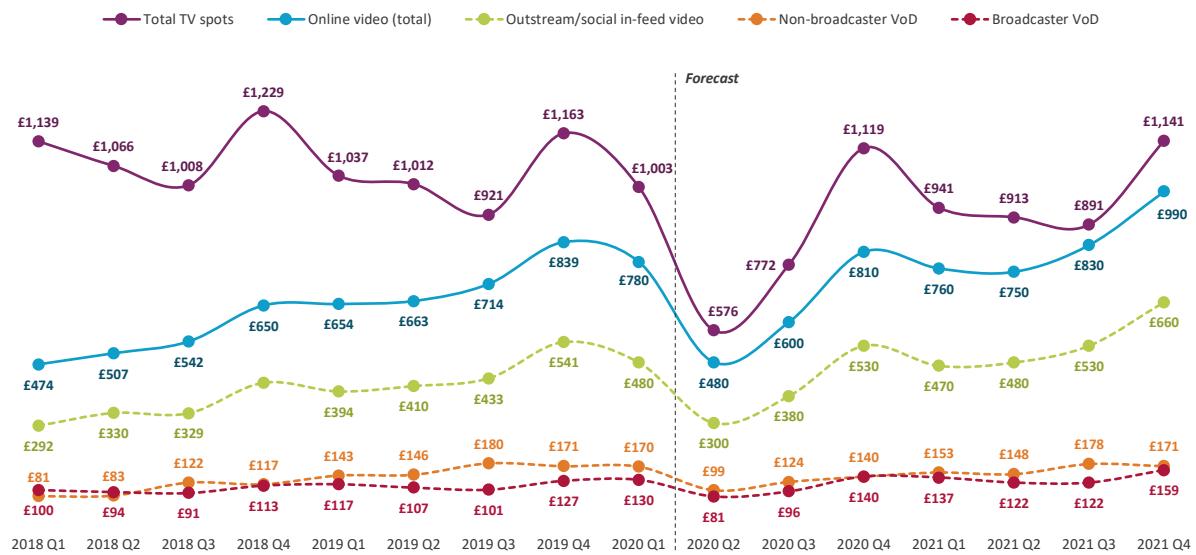
There is a lot of uncertainty regarding the speed of the recovery in the UK advertising market following the impact of Covid-19. Forecasts from WARC and Group M indicate that revenues for linear TV advertising will increase by 11% and 13% respectively in 2021. However, this more temporary decline in ad revenues assumes a reasonable opening-up of economic activity following the lifting of lockdown restrictions.

However, it is also possible that the recovery may be slower and more protracted if the scale of economic disruption is greater than anticipated, or if there is a second wave of Covid-19 and lockdown restrictions are re-imposed, or if no vaccine is forthcoming. The longer-term outlook for TV advertising will also depend on the extent to which viewing to traditional linear TV continues to decline, and whether advertisers consequently re-evaluate the value of TV advertising compared to other online media. One hypothesis is that if the increase in online shopping during the pandemic continues after lockdown, advertisers may increasingly turn to online advertising.

Whatever the shape of the advertising recovery, it is anticipated that online video advertising will continue to increase at a faster rate than linear TV advertising. By the end of 2021 it is estimated that the online video ad market will be almost as valuable as TV spot advertising (although this includes the contribution from online 'outstream/social in-feed' video advertising on websites such as Facebook).

¹⁷⁶ [ITV plc Q1 Trading Update](#), May 2020

¹⁷⁷ Enders Analysis, TV broadcasters: Silver linings from COVID-19, 13 July 2020

Figure 4.7: Projected effect of Covid-19 on TV spot and online video advertising: 2018-2021 (£m)

Source: AA/WARC Expenditure Report for TV; IAB UK for online advertising. Note: 2018 figures expressed in real terms (adjust for 2019 CPI prices).

TV advertising is having to adapt in an increasingly competitive market

Recent developments in advertising technology have been driven by a push to blend the most valuable elements of linear TV advertising and targeted online video display advertising. Broadcasters hope to attract the online advertising budgets of SMEs, whose initial entry into the ad market came through the potential for granular targeting of audiences in online advertising, made possible by the collection of user data and real-time bidding. Seventy-five per cent of Sky AdSmart customers, in the platform's first five years of operation, were either new to TV advertising or to Sky itself.¹⁷⁸ Broadcasters seek to use technology to build 'addressable advertising', using audience data (such as demographic information, location, or any data provided by the advertiser) to serve different adverts to different households. Addressable advertising is not a replacement for large audience brand-building, but it allows larger brands to tailor generic adverts to a local audience or a demographic group and enables smaller regional companies to reach customers on television, with the prestige and trust that this carries.

In the UK, Sky's AdSmart platform is the most developed such technology. For advertisers, technologies such as AdSmart address several of the shortcomings of online video advertising. They boast 'brand safety', as adverts only appear alongside content pre-vetted by broadcasters' compliance staff, rather than an unreviewed YouTube video; they claim that less money is wasted on artificial views from bots; and offer a higher likelihood that an advert will be watched in full rather than skipped.¹⁷⁹ AdSmart reached 40% of homes in January 2020, and aims to increase this to 60%

¹⁷⁸ Sky, [AdSmart: Five Years and Forward](#), August 2019

¹⁷⁹ Enders Analysis, Time to create an addressable TV market, 18 February 2019

by 2022.¹⁸⁰ AdSmart offers addressable ad placement for on-demand viewing, but also in linear, ‘live’, broadcasting, through Sky’s proprietary set-top boxes. Sky’s strength in the addressable market was further underlined in a 2019 deal with Virgin Media to deploy AdSmart on its set-top boxes, giving access to millions more viewing households in the UK and Ireland.¹⁸¹

Unlike other broadcasters such as Channel 4 and Channel 5, which have bought into AdSmart for use on their own BVoD services, ITV has licensed Amobee technology to develop its own addressable platform, Planet V. Implemented on ITV’s well-established BVoD service, Planet V offers automated tailored advertising, which, the broadcaster claims, generates a premium of 10% over non-targeted adverts.¹⁸² However, unlike the potential for addressable advertising in linear that AdSmart offers, Planet V will only offer advertisers access to ITV’s BVoD service. Without the proprietary hardware of Sky or Virgin, it may prove harder to implement an addressable solution on ITV. Any solution involving Freeview and Freesat is at least five years from rollout, Enders Analysis estimates.¹⁸³ Regardless, ITV may be confident that addressable advertising on BVoD is sufficiently lucrative, as live audiences continue to shrink, and on-demand grows. Indeed, ITV enjoyed a 26% growth in online advertising revenues and a 75% increase in online viewing in Q1 2020, probably due to a combination of the Planet V technology, and increased subscriptions to ITV Hub.¹⁸⁴

There are still several obstacles to expanding the addressable market. Principally, the fragmentation of broadcast advertising creates problems that will need to be addressed before new technologies can become the industry standard. The lack of a definitive metric for addressable campaigns’ success (whether the traditional ratings system of television, or real-time user impression data used for online campaigns) as different broadcasters adopt their own, boutique, approaches, risks creating confusion and preventing a transparent addressable market. Moreover, there are privacy concerns for consumers, as marketers use viewers’ personal data to precisely target adverts. Advocates of addressable technology, like Sky, may say that viewers prefer adverts tailored to their location, interests, and life situation, although many viewers may wish to opt out.

Addressable advertising does not intend to replace conventional brand-building advertising. Many voices in the sector recognise that television advertising is effective at creating awareness of and positive feeling towards brands. Addressable advertising may offer solutions for brands intending to target a niche market or specific community or allow major companies to customise their brand’s appeal to different demographics. As TV brand advertising has shrunk in recent years, addressable advertising may offer a new source of revenue which can complement spot advertising.

¹⁸⁰ Raconteur, [Addressable TV: the pros and cons of ads made just for you](#), February 2020

¹⁸¹ Virgin Media, [Virgin Media and Sky unveil UK launch date for AdSmart partnership](#), 28 March 2019

¹⁸² Enders Analysis, ITV FY 2019 results: Solid, but moving from one ubiquitous uncertainty to another, 11 March 2020

¹⁸³ Enders, February 2019

¹⁸⁴ [ITV plc Q1 Trading Update](#), May 2020