Annex 2: Audio visual content – take up and viewing

The annex summarises findings on take up and use of audio-visual content as published in Ofcom's Communications Market Report 2012. It covers:

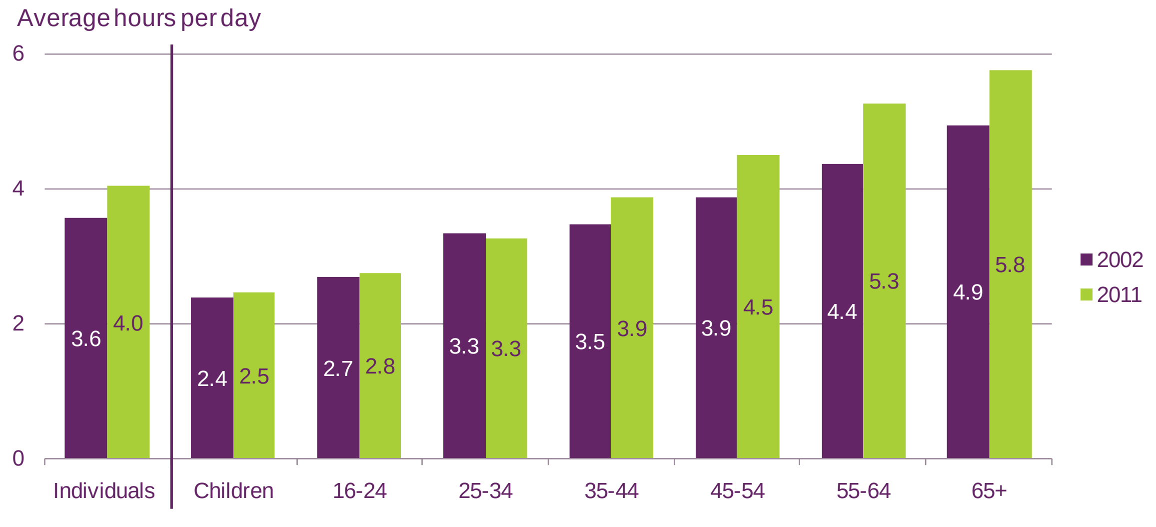
- TV viewing via a TV set;
- Live versus timeshifted viewing on a TV set;
- Technological developments related to the TV set;
- Video on demand use in Virgin Media homes;
- Use of games consoles for audio visual content;
- Connected TVs take up and use;
- Use of online catch up TV;
- Use of online TV and film services;
- Use of online video sharing sites;
- Reasons for using online catch-up, TV, and film services sourced from Ofcom's media tracker survey 2011.

1.1.1 TV viewing to the TV set

TV viewing on a TV set remains popular with all age groups

According to BARB, 97% of the adult population watched TV via a TV set in 2011. Trend data shows that viewing levels via the TV set have increased across most age groups. In 2002 average daily TV viewing stood at an average of 3.6 hours per person; by 2011 this stood at an average of 4 hours.

Figure 1: Average daily hours of TV viewing, by age: 2002 vs. 2011



Source: BARB, all homes. Individuals = 4+. Children = 4-15 years. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

1.1.2 Live versus time-shifted viewing on a TV set

According to Ofcom's latest technology tracker results, digital video recorder (DVR) take-up in Q1 2012 stood at 47% of UK households, compared to 11% in 2006.

However, within DVR homes, viewing live television remains the most common way of consuming TV (see Figure 2 below). In 2006 time-shifted viewing represented 13% of total viewing in DVR homes (2% of viewing across all homes); this rose to 15% in 2011 (9% across all homes). In 2011 around half of all time-shifted viewing occurred on the same day as broadcast, while the remainder was watched within seven days of transmission. (Note: viewing after seven days is not captured by BARB.)

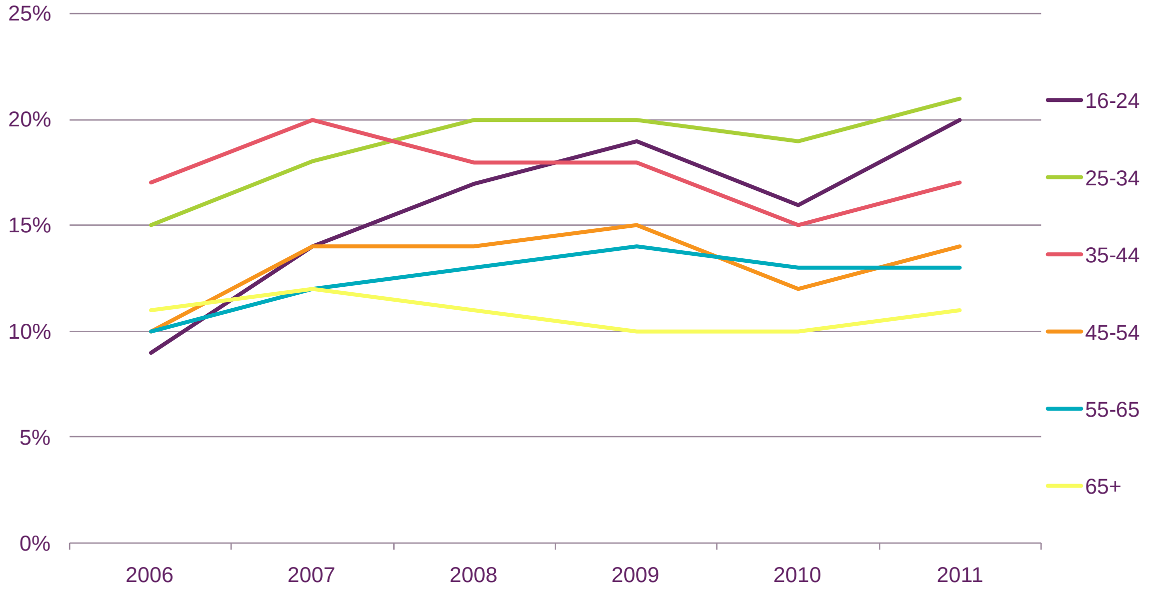
Figure 2: Live versus time-shifted viewing, DVR homes

Source: BARB, DVR owners, all homes. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Time-shifted viewing defined as total minutes of viewing on same day as live (VOSDAL) + Viewing 1-7 days after broadcast (Coded Playback). All viewing (via a TV set) of broadcast content viewed within 7 days after broadcast is reported by BARB. This will include viewing to catch-up TV services and content viewed via player services such as BBC iPlayer, ITV Player, 4OD etc

Time-shifted viewing is most popular among 25-34s

Figure 3 illustrates that 25-34s with a DVR are most likely to time-shift their viewing. The proportion has increased from 15% of their viewing in 2006 to 21% in 2011. Those aged 65 and over are the least likely to time-shift, with just over 10% of viewing in 2011 being time-shifted.

Figure 3: Proportion of time shifted viewing, by age



Source: BARB, DVR owners, all homes. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

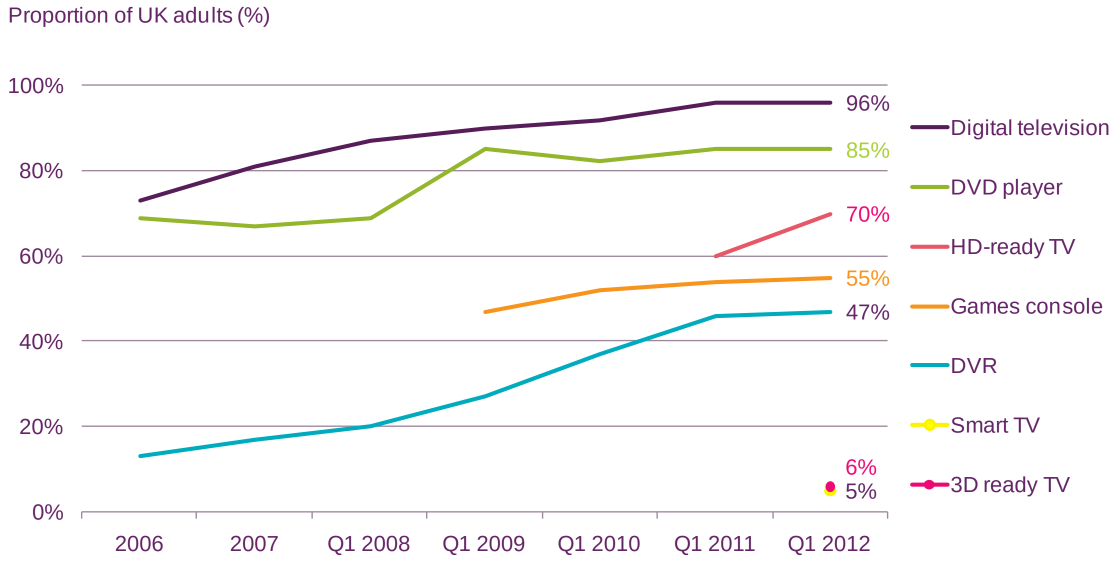
1.1.3 Technological developments related to the TV set

Technological developments are likely to have contributed to the lasting appeal of the TV set

According to Ofcom research, digital television take-up now stands at 96% of UK households. The rapid growth of multichannel television over the past decade, in part prompted by digital switchover (DSO), resulted in increases in the penetration of set-top boxes and an accompanying proliferation of channels, providing more choice for the viewer.

Forty-seven per cent of UK homes now have a DVR. The increased take-up of DVRs has given many viewers the ability to watch TV at their convenience with a greater level of control and flexibility.

Figure 4: Take-up of audio-visual devices: 2006 - Q1 2012



Source: Source: Ofcom Technology Tracker survey
Note: The question wording for DVD Player and DVR was changed in Q1 2009, so data are not directly comparable with previous years.

Advances in hardware features

In the early 2000s plasma and LED screens launched onto the mass market, followed by the arrival of HD-ready sets. HD TV sets have proved popular, and have led to a rapid increase in the number of HD channels - from the BBC launch in 2006, of the first channel to be broadcast in HD, to the 65 channels available in 2011. In 2010, 3D TV sets came onto the market, and while penetration is still relatively low, take-up in the UK is expected to build on the 700,000 sets already sold in 2011[1].

It can be argued that significant price drops in new and large-screen models, as well as increased capabilities and features, have encouraged the purchase of new TV sets, with the DSO process also acting as a catalyst (providing a 'need' to upgrade). The end result has been strong sales performances of new TV sets in the UK. For example, 9.3 million flatscreen TVs were bought in 2011 alone – equivalent to one in every three households[2] - according to data from TV Licensing. In addition, sales estimates from GfK show that in Q1 2012, over a third (35%) of sales were for 'super-large' (33" to 42") or 'jumbo' screens (43" and over).

The television set continues to evolve and recent developments include the launch of smart TVs, which allow the user to connect their TV to the internet in order to benefit from a range of value-added services, such as catch-up TV and apps.

---

[1] *TV Licensing Telescope Report*, 2012
http://www.tvlicensing.co.uk/resources/library/BBC/MEDIA_CENTRE/TV_Licensing_Telescope_Report_2012.pdf

[2] TV Licensing Telescope Report, 2012
http://www.tvlicensing.co.uk/resources/library/BBC/MEDIA_CENTRE/TV_Licensing_Telescope_Report_2012.pdf

1.1.3 Video on demand (VoD) use in Virgin Media homes

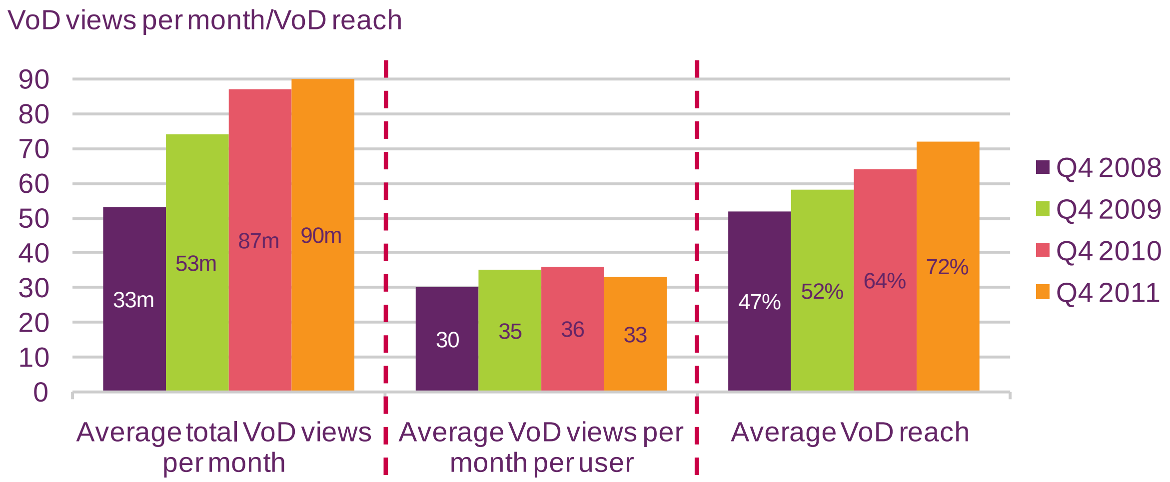
Use of Virgin Media's on-demand services continues to grow

Virgin Media offers its digital cable customers a range of on-demand content, including TV catch-up and back catalogue programmes as well as pay-per-view services.

Average monthly reach for Virgin Media's VoD services increased by eight percentage points in 2011 to almost three-quarters (72%) of Virgin's television subscribers. Based on Virgin Media company data, the average number of monthly VoD views also increased by 3 million, to 90 million views in Q4 2011.

Virgin Media's TiVo service was launched in December 2010, and offers the consumer access to audio-visual content drawn from a variety of different sources, including live broadcast, locally recorded files and on-demand content delivered from the internet. The set-top box also allows users to access a range of apps. As of December 2011, Virgin Media had approximately 435,000 TiVo customers[3], with apps accessed 2.4 million times in a typical month[4].

Figure 5: VoD use in Virgin Media homes



Source: Virgin Media Company results 2008 - 2011

1.1.4 Use of games consoles for audio-visual content

Just under one fifth of games console owners use their console for catch-up TV

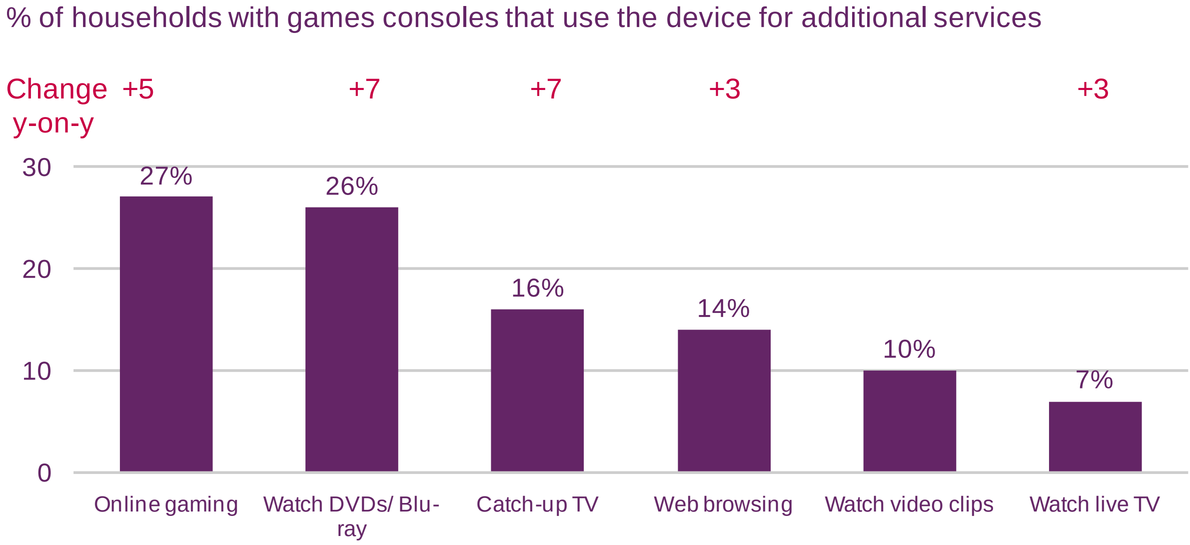
Fifty-five per cent of homes have access to a games console. similar to the last year's results (54%). As games console functionality has developed, so has the use of these devices for a range of activities beyond playing games. In 2012, 16% of people with access to a games console at home watch catch-up TV, and 7% claim to watch live TV via this device.

---

[3] Virgin Media Annual Report 2011

[4] Virgin Media company data February 2012 http://mediacentre.virginmedia.com/Stories/Virgin-Media-surpasses-one-billion-TV-On-Demand-views-in-2011-2353.aspx

Figure 6: Use of games consoles to watch audio-visual content



Source: Ofcom research, Q1 2012. Base: UK adults 16+ who have access to a games console at home (n=1958). QB5. Which, if any, of these do you use your games console for?

1.1.5 Connected TVs

Connected TV includes a number of developing technologies that use a broadband connection to deliver catch-up, on-demand and over-the-top content, as well as applications and interactive features, to television screens. The integration of broadcast and online services is a relatively recent phenomenon, although some degree of internet functionality has been available on selected televisions and set-top boxes since 2005.

Five per cent of UK households have a smart TV

According to Ofcom's Technology Tracker (Q1 2012), 5% of UK TV households had a smart TV.[5] However, smart TVs are relatively new devices, and currently appear to be less popular than other forms of internet-enabled TV. Ofcom's Media Tracker (2011) measures different methods of viewing content from the internet on a TV set, and shows that 11% of respondents had connected their set to the internet via a games console. Additionally, 11% of respondents had connected their TV to the internet via a laptop/PC.[6] Redshift Strategy has analysed the platform data and estimates that connected set-top boxes had a penetration rate of 15% in the UK in May 2012.[7]

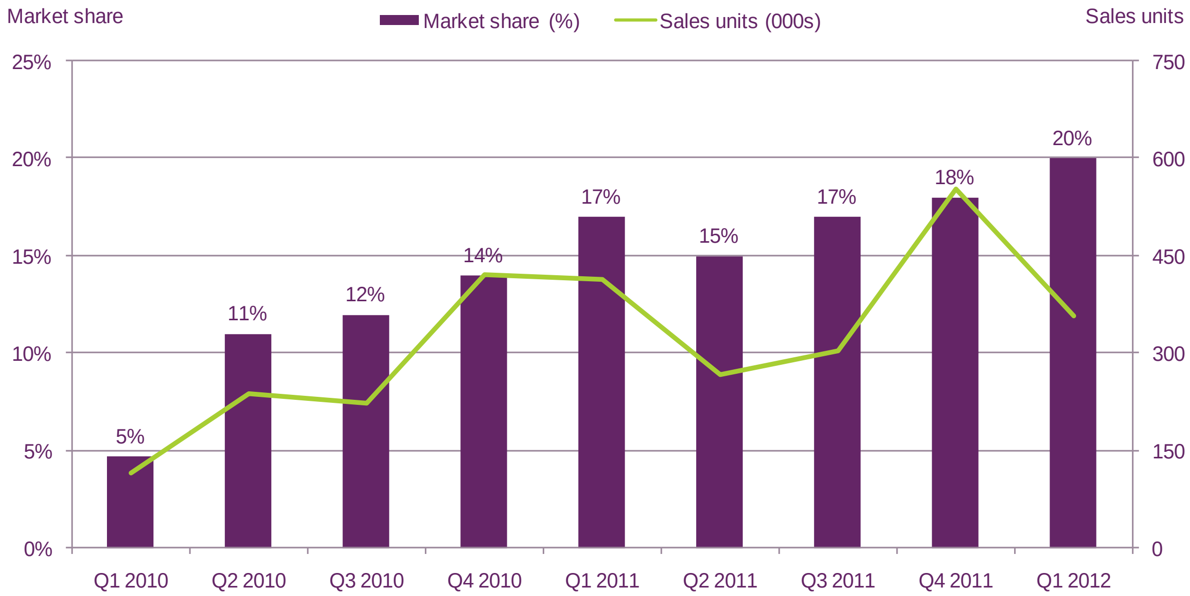
2.9 million smart TVs have been sold in the UK since Q1 2010

Total units of smart TV sold and the smart TV share of the television sales market have both increased substantially over the past two years. According to GFK, the in total, 2.9 million smart TVs have been sold in the UK since Q1 2010.

---

[5] Source: Ofcom *Technology Tracker*, fieldwork conducted by Saville Rossiter-Base, January to February 2012. Base: Adults aged 16+ with a TV in the household (3713).
[6] Source: Ofcom *Media Tracker*, fieldwork conducted by BDRC Continental, October to November 2011. Base: Adults aged 16+ (890).
[7] Source: Redshift Strategy analysis based on platform data, May 2012.

Figure 7: Smart TV sales and market share



Source: GFK

Internet functionality is not a key reason for purchasing a smart TV

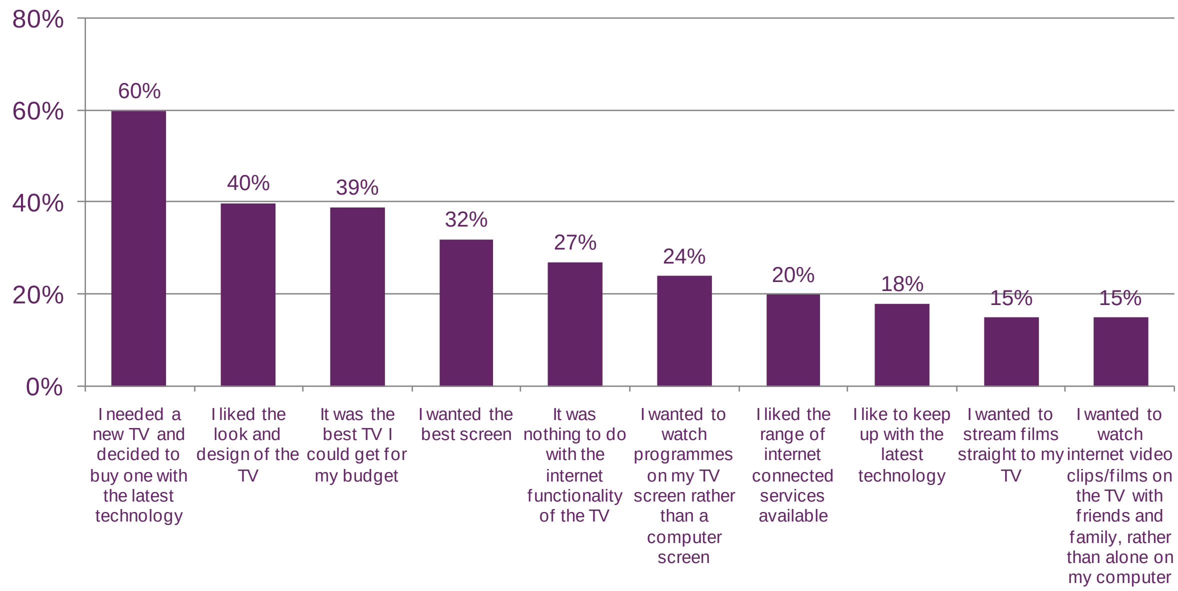
Ofcom's research (2012) shows that most smart TV owners did not prioritise internet functionality when buying their TV (see Figure 8 below). The most commonly-cited reasons for their purchase relate to wanting the best product with the latest technology, the design of the set, and the quality of the screen:

- Sixty per cent of respondents said that they simply chose the most up-to-date product available, while 40% said that they liked the look of the set and 32% said that they wanted the best screen.
- 27% of respondents said that their decision was not related to the internet functionality of the TV.

However, the research shows that some consumers were attracted by features specific to smart TVs:

- Twenty per cent of respondents said that the range of online services available was a factor motivating their choice.
- Fifteen per cent wanted to stream films and programmes straight onto their TV
- The same proportion said that the size of the screen, compared to that of a computer, would allow them to view internet content more comfortably in a group.

Figure 8: Reasons people buy a smart TV

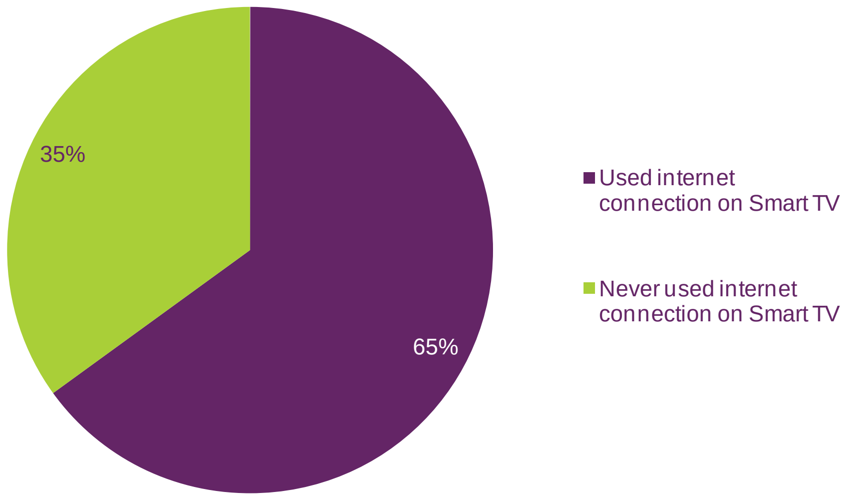


Source: Ofcom Connected Devices Survey, fieldwork conducted by Populus, March to April 2012 Q.D6 Why did you buy your smart TV? (Multicoded) Base: All respondents with a smart TV (252)

Two-thirds of owners have used the internet connection on their smart TV

Sixty-five per cent of smart TV owners said they had used the internet connection on their smart TV. This indicates that the majority of consumers purchasing a smart TV are likely to take advantage of its internet functionality, even though this may not have been their main reason for buying one.

Figure 9: Consumers' use of internet connection on smart TVs



Source: Ofcom Connected Devices Survey, fieldwork conducted by Populus, March to April 2012 Q.D7 Have you ever used the internet functionality on your smart TV? Base: All respondents with a smart TV (252)

Smart TVs and internet-enabled TVs are used most widely for watching catch-up TV

Ofcom's new research allows us to compare behaviour on smart TVs and internet-enabled TVs (0). The most widely-undertaken activities were watching catch-up TV and streaming programmes and movies:

- Among smart TV owners who had used the internet connection on their set, 51% said they had watched catch-up TV, 42% had streamed programmes, and 41% had streamed films.

- Among those who had connected their TV to the internet via a third-party device, 54% said they had watched catch-up TV, 32% had streamed programmes, and 26% had streamed films.

- Activities like social networking and online shopping were much less widely undertaken, both on smart TVs (25% and 13% of users respectively) and internet-enabled TVs (15% and 12% of users respectively). These figures contrast with the proportion of people with a broadband connection who access social networking sites (64%) or shop online (74%) *on a laptop/PC*.[8]

The evidence suggests that consumers are using different devices to meet different needs:

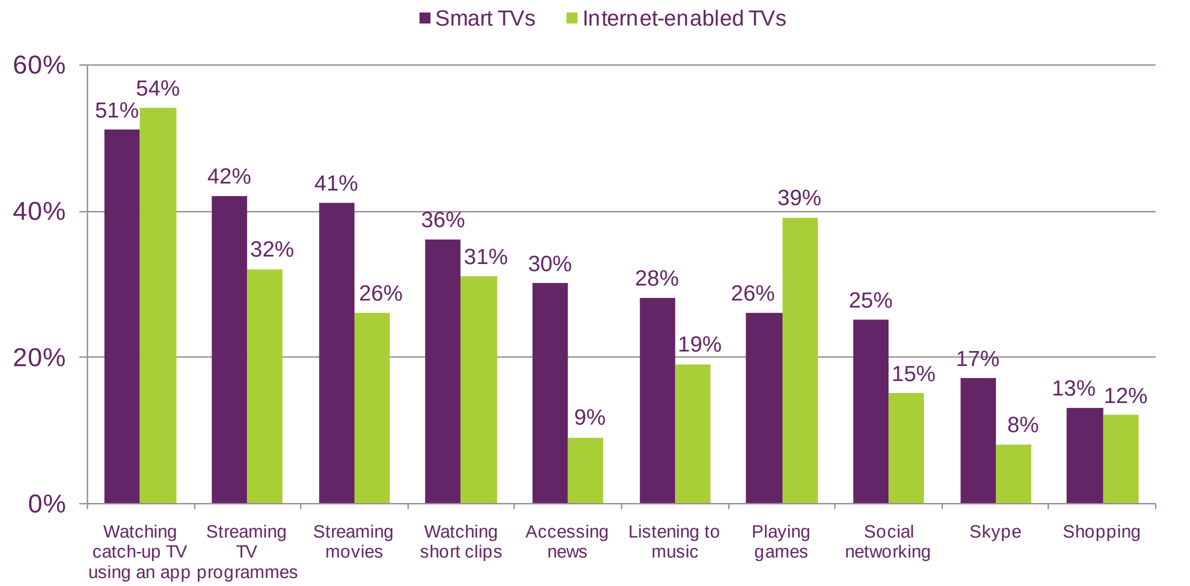
- Smart TVs and internet-enabled TVs are perhaps seen as better suited to activities like watching catch-up TV. This reflects the similarity of the viewing experience to that of conventional television, with the internet functionality of the set used to give greater choice and control than with linear services.

- Conversely, smart TVs and internet-enabled TVs might be seen as less well suited to activities usually undertaken individually or privately, such as online shopping and social networking.

- However, connected-TV technology is still developing. Applications like Zeebox use a second screen, such as a tablet or a smartphone, to allow engagement with interactive features, without disrupting content on the main screen. This kind of innovation could potentially encourage a change in habits among users of smart TVs and internet-enabled TVs.

[8] Source: Ofcom *Technology Tracker*, fieldwork conducted by Saville Rossiter-Base, January to February 2012. Base: Adults aged 16+ with a broadband connection at home or elsewhere (2726).

Figure 10: Activities undertaken on smart TVs and internet-enabled TVs

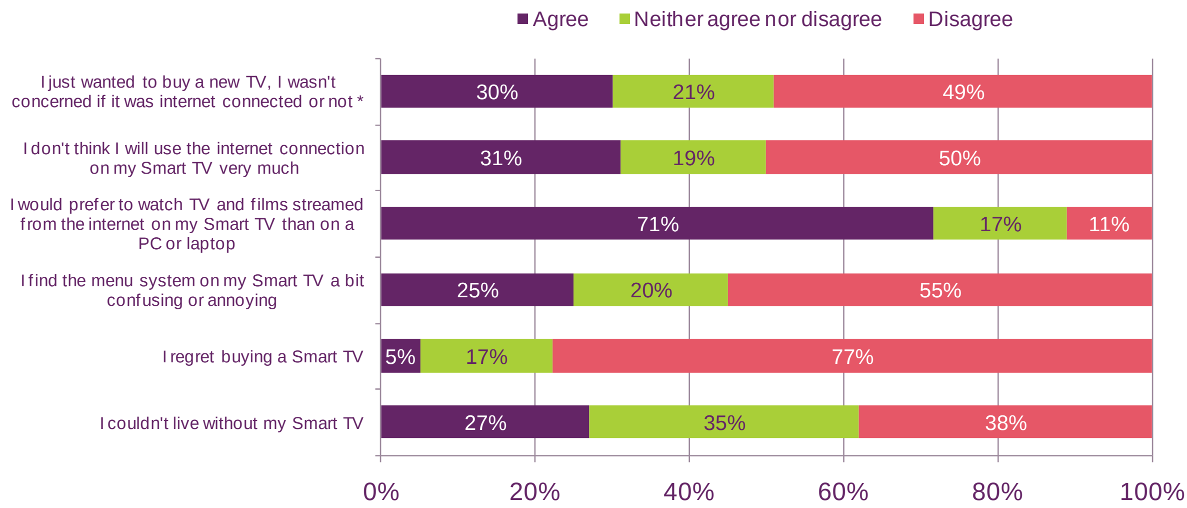


Source: Ofcom Connected Devices Survey, fieldwork conducted by Populus, March to April 2012 (1) Q.D8 What do you use the internet functionality on your smart TV for? (Multicoded) (2) Q.E2 When you connect your TV to the internet, what do you tend to do online? (Multicoded) Base: (1) All respondents who have used the internet functionality of their smart TV (165) (2) All respondents with an internet-enabled TV (250)

Most respondents prefer to watch content from the internet on their smart TV than on a laptop/pc

Figure 11 shows that seventy-one per cent of respondents agreed that they preferred to watch content from the internet on this device than on a laptop/PC. While creating a user interface which seamlessly integrates content from different sources is one of the key challenges for designers of smart TVs, 55% of respondents disagreed that the menu system on their set was confusing or annoying.

Figure 11: Attitudes towards smart TVs



*Source: Ofcom Connected Devices Survey, fieldwork conducted by Populus, March to April 2012 Q.D16 To what extent do you agree or disagree with the following statements? Base: All respondents who have used the internet functionality of their smart TV (165) Note: * Among all respondents with a smart TV (252), 47% agreed, 35% disagreed and 17% neither agreed nor disagreed*

1.1.6 Use of online catch-up services and streaming TV online

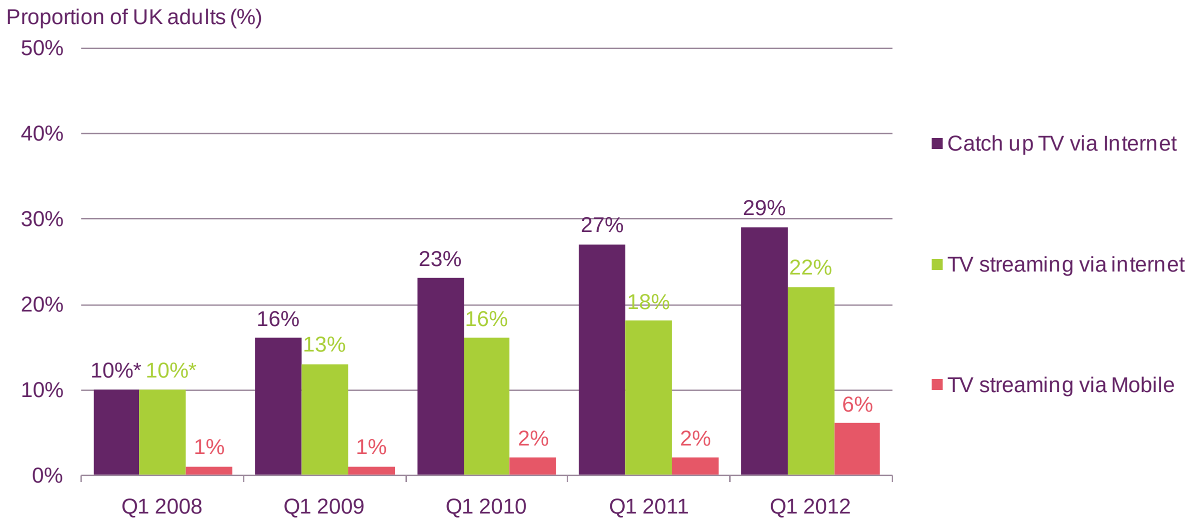
The increase in home broadband take-up, now in 76% of UK households, coupled with growth in smartphone ownership (39% of UK adults), offer many consumers the opportunity to consume audio visual content on devices other than the traditional TV set.

However, our research shows that consumption of catch up online or watching TV on a smartphone remain minority pastimes, with the rate of growth of viewing online showing some signs of slowing down.

Figure 12 below shows that 29% of UK adults say that they used catch-up TV services online and 22% streamed TV online (Q1, 2012). While use has grown from 10% of UK adults in Q1 2008, the rate of growth has shown some signs of slowing down, potentially related to catch-up services being increasingly available through connected TV sets.

Around 6% of UK adults used their mobile to watch TV, a marked increase from 2% in Q1 2011, but still a small minority pastime. The launch of BBC iPlayer, 4OD and Sky Go apps in the second half of 2011 are likely to have played a role in the relatively large increase since Q1 2011, whilst watching TV on a mobile phone can be expected to increase, as smartphone take-up continues to grow and more services become available.

Figure 12: Audio-visual consumption online and via mobile: Q1 2008 – Q1 2012

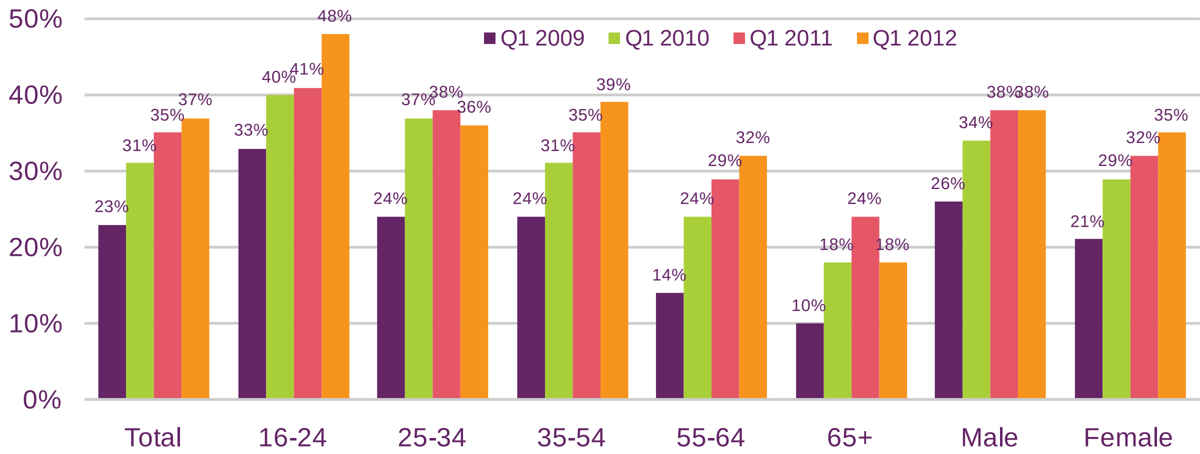


Source: Ofcom Technology Tracker. All adults 16+ (note - data has been re-based from all those with internet access and mobile phones respectively).Based on Q1 survey data for each respective year. Internet: Q - Which, if any, of these do you or members of your household use the internet for whilst at home? Mobile: Q - Which if any, of the following activities, other than making and receiving voice calls, do you use your mobile for?
** Data for internet responses from Q1 2008 are based on respondents stating 'watch TV programmes'*

48% of 16-24s with *home internet* watch online catch-up TV

Figure 13 shows that people aged 16-24 with home internet access are most likely to use catch-up services (48%), an increase of seven percentage points since 2010.

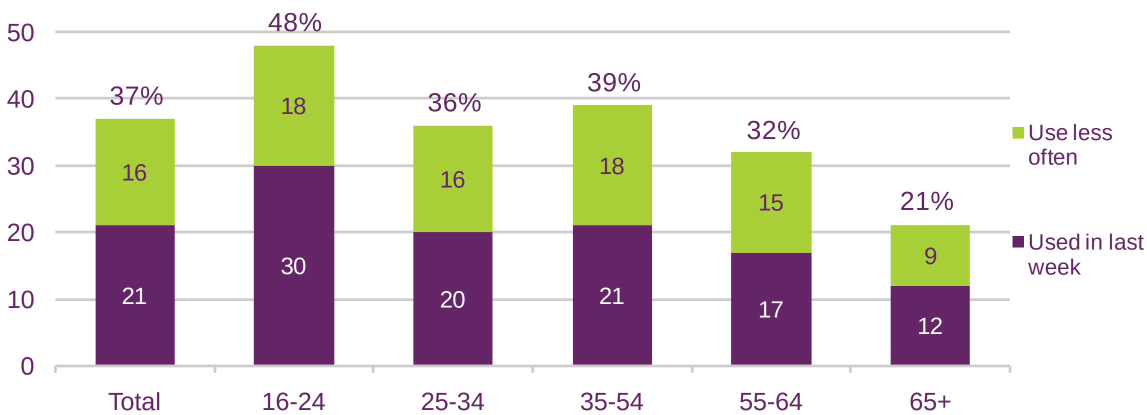
Figure 13: Proportion of adults with home internet who watch online catch-up TV: 2009 to 2012



Source: Ofcom research Q1 2012. QE5A. Which, if any, of these do you or your household use the internet for whilst at home? Base: All adults who have the internet at home (n=2823 UK, 423 16-24, 524 25-34, 1113 35-54, 431 55-64, 330 65+, 1367 Male, 1456 Female)

Among those who watch online catch-up TV at home, almost a third (30%) of 16-24 year olds claim to do so on a weekly basis, compared to around one in five (18%) who watch online catch-up TV less than once a week. Among the other age groups, frequency of use is more evenly split, with roughly half watching on a weekly basis and half less frequently.

Figure 14: Proportion of adults with home internet who watch online catch-up TV



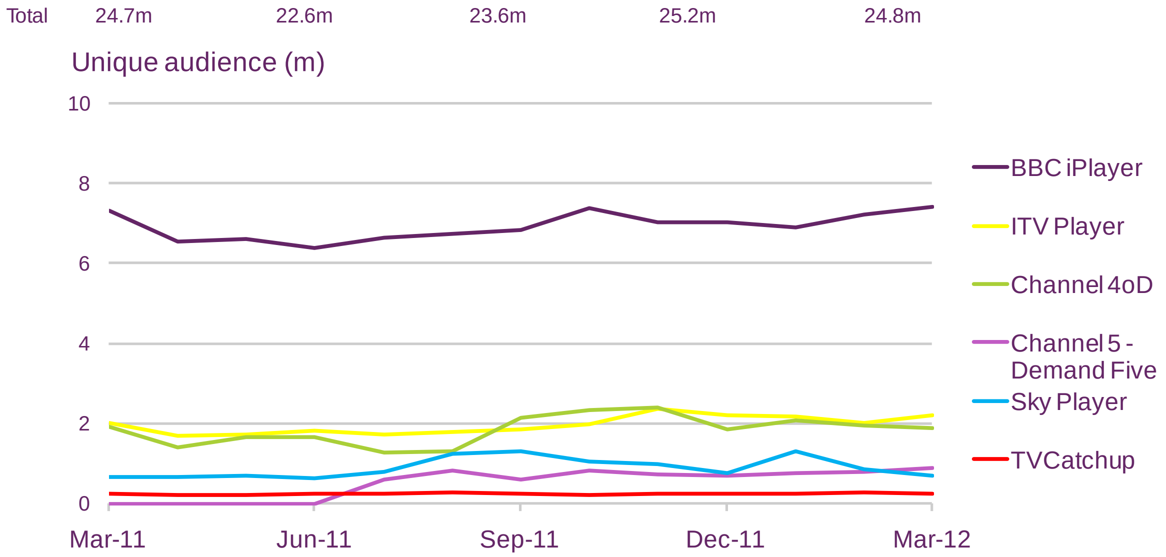
Source: Ofcom technology tracker Q1 2012. Base: All adults who have the internet at home (n=2823 UK, 423 16-24, 524 25-34, 1113 35-54, 431 55-64, 330 65+, 1367 Male, 1456 Female). Question: Which, if any, of these do you or members of your household use the internet for whilst at home?/ And which, if any, of these activities have you or members of your household used the internet for in the last week?

7.4 million people aged 2+ used BBC iplayer in March 2012

According to Nielsen/UKCOM data, the number of people aged 2+ who used any content in the category of video/movies online in March 2012 was 24.8 million.

The results indicate that there has been little year on year growth in the overall number using individual catch-up services. BBC iPlayer achieved the largest audience, at 7.4 million people in March 2012. This figure represents an average monthly reach of 18% of the online universe.

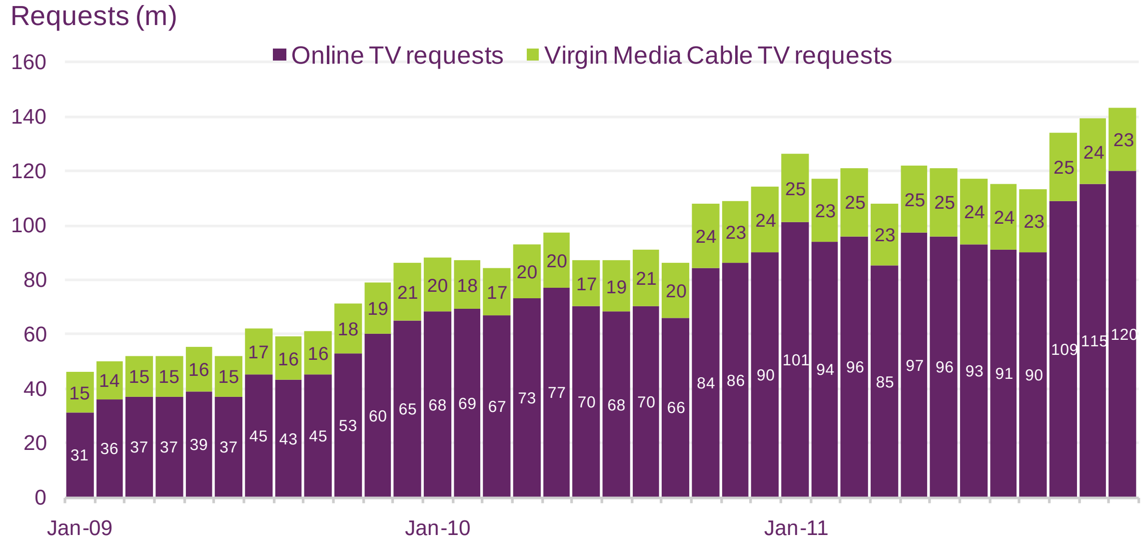
Figure 15: Unique audience to online catch-up TV services (millions)



Source: UKOM/Nielsen, home and work panel. Note: 'Active reach' is the percentage of all active unique persons aged 2+ who visited the site or used the application. 'Active is defined as anyone who used an internet-enabled computer within the time period. 'Demand Five trend data not available prior to March 2010 due to change in UKOM definitions. Note: The measurement system does not include use via mobile devices.

According to BBC data, in total, BBC iPlayer received 143 million requests for TV programmes - via online and via Virgin Media cable in December 2011. This represents an increase of 25% on December 2010. This is driven by growth in the number of online requests (from 90 to 120 million), whereas requests via Virgin Media Cable remained relatively stable year on year, at 23 million.

Figure 16: Requests to BBC iPlayer, by platform



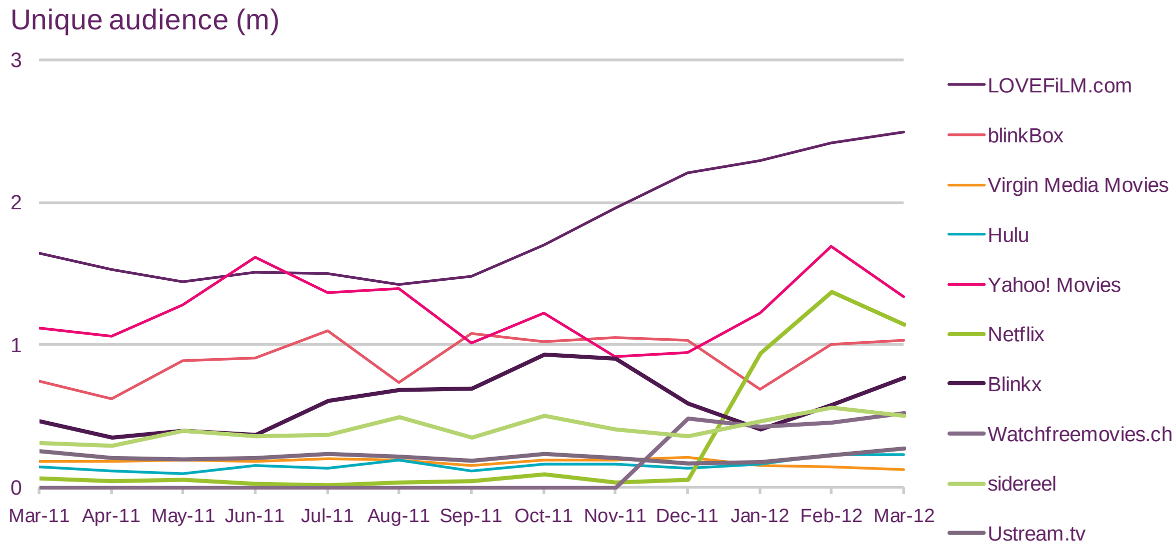
Source: BBC

1.1.7 Use of online TV and film services

Audiences to LoveFilm grew by over 50% to reach 2.5 million people in March 2012

A range of providers now offer online TV and film services. The start of 2011 was characterised by consolidation, while early 2012 saw the arrival of new market entrants. These included the launch of Netflix in the UK in January 2011, while Lovefilm launched a new online streaming-only package, Lovefilm Instant, in December 2010. According to UKCOM/Nielsen, LoveFilm's unique audience grew by 56% in the past year, from 1.6 million in March 2011 to 2.5 million in March 2012. This represents 6% of the online universe. Netflix delivered 1.2 million unique users in March 2012, while Yahoo Movies grew from 1.1 million to 1.4 million unique users in the same period.

Figure 17: Unique audience for selected online film and TV sites (millions)



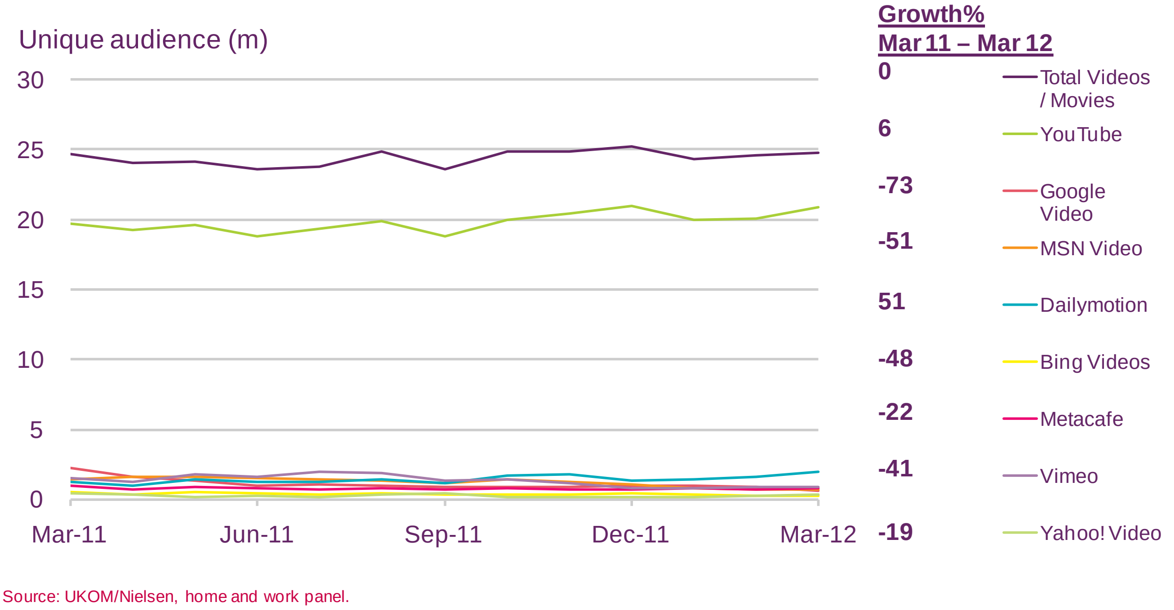
Source: UKOM/Nielsen, home and work panel. Note: 'Active reach' is the percentage of all active unique persons aged 2+ who visited the site or used the application. 'Active is defined as anyone who used an internet-enabled computer within the time period.

1.1.8 Use of online video sharing sites

Audiences for online video content remained stable year on year, at 25 million users

The unique audience in Nielsen/UKCOM's video category remained stable at 25 million people in March 2011. Almost all of the providers illustrated below saw a decline over this period in their unique audience. DailyMotion increased by 51% to 1.9 million people, whereas You Tube's audience grew by 6% to 20.8 million people in March 2012.

Figure 18: Unique audience to selected video sharing sites (millions)

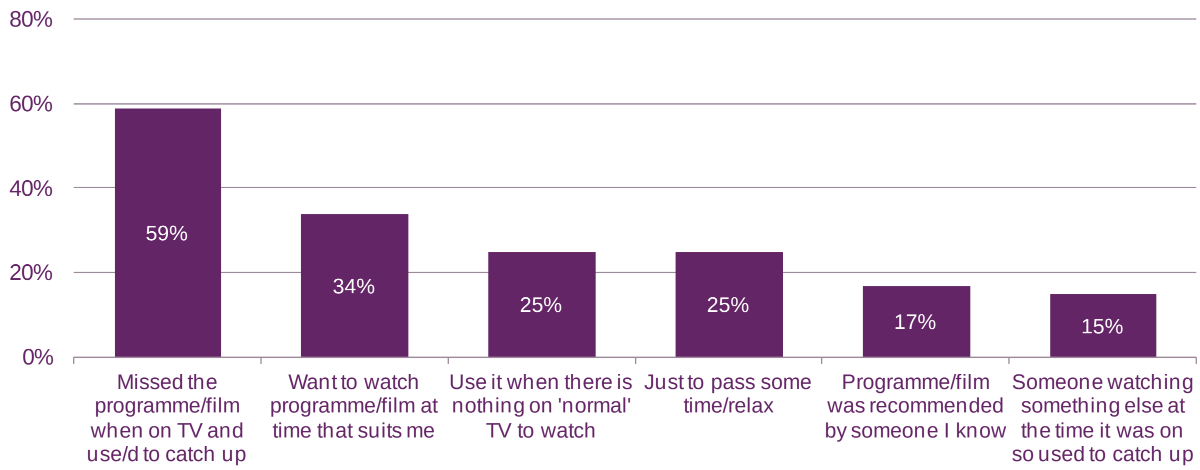


Source: UKOM/Nielsen, home and work panel. Note: 'Active reach' is the percentage of all active unique persons aged 2+ who visited the site or used the application. 'Active is defined as anyone who used an internet-enabled computer within the time period.

1.1.9 Reasons for using online TV and film services

According to Ofcom's research (2011), the main reason why people use online TV and film services is to catch up on TV or films they missed when broadcast (59%), followed by one third (34%) saying they use these services to watch programmes at times that suit them.

Figure 19: Reasons for using online TV and film services



Source: Ofcom media tracker 2011. Base: All who use online 'video on demand' (658).