



The Communications Market 2012

2 TV and audio-visual

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2.1 Key market developments in TV and audio-visual

2.1.1 Industry metrics and summary

Figure 2.1 Industry metrics

UK television industry	2005	2006	2007	2008	2009	2010	2011
Total TV industry revenue (£bn)	10.5	10.6	11.1	11.2	11.1	11.7	12.3
Proportion of revenue generated by public funds	25%	25%	25%	24%	25%	23%	22%
Proportion of revenue generated by advertising	35%	33%	32%	31%	28%	30%	29%
Proportion of revenue generated by subscriptions	35%	36%	37%	39%	41%	41%	42%
TV as a proportion of total advertising spend	30%	28%	27%	27%	28%	29%	29%
Spend on originated output by 5 main networks (£bn)	3.0	2.8	2.7	2.6	2.4	2.5	2.5
Digital TV take-up	62%	70%	86%	87%	91%	93%	96%
Proportion of DTV homes paying for TV (Q1)	64%	60%	55%	53%	55%	55%	54%
Viewing per head, per day (hours) in all homes	3.65	3.60	3.63	3.74	3.75	4.04	4.03
Share of the five main channels in all homes	70%	67%	64%	61%	58%	56%	54%
Number of channels broadcasting in the UK	416	433	470	495	490	510	515

Source: Ofcom/broadcasters/Advertising Association/Warc/BARB/GfK. Note: Public funds include the DCMS grant to S4C and BBC funding that is allocated to TV; TV as a proportion of total advertising spend excludes direct mail and is based on Advertising Association/Warc Expenditure Report (www.warc.com/expenditurereport); spend on originations includes spend on nations and regions programming (not Welsh and Gaelic language programmes but some Irish language).

This section examines key developments and trends seen in the UK television market during the past year. These include:

- **Total TV industry revenues increased by 4.9% (or £579m) in nominal terms to £12.3bn in 2011**, driven by continued growth in TV subscription income, coupled with an increase in TV advertising revenues.
- **The recovery in the TV advertising market seen in 2010 was sustained in 2011, with ad revenues up 2.1% to £3.6bn.** The total value of the TV advertising market has not only returned to, but now exceeds (in nominal terms) levels seen before the economic downturn.
- **Digital TV take-up in the UK is almost universal, as digital switchover (DSO) enters its final phase.** The percentage of UK homes with digital TV increased by three percentage points; from 93% in Q1 2011 to 96.2% in Q1 2012, as more regions switched to digital.
- **Despite the growth of online catch-up TV via a PC or mobile, the main TV set remains the dominant device for consuming audio-visual content.** In Q1 2012, 29% of UK adults claimed to consume audio-visual content online, compared to a reach of 97% of the adult population consuming it via a TV set.

- **Just under a third (29%) of UK adults in Q1 2012 used catch-up TV services online.** However, there is evidence to suggest that the growth of catch-up services via a PC is slowing down, with an increase of only three percentage points year on year from 27% in 2011, as catch-up services become increasingly available via internet-enabled TV sets.
- **9.3 million flat screen TVs were purchased in 2011 – equivalent to one in every three households⁶⁸ - 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). In comparison, in 2001 the equivalent figures for super-large and jumbo TV screens was just 1%.
- **According to Ofcom's *Technology Tracker*, 5% of UK households with a TV own a smart TV.** However, this figure is set to rise, as smart TV set sales have doubled in the past year and now represent a fifth of all TV sales.
- **Smart TVs represent one fifth (2.9 million sets) of all TVs sold since 2010.** Among owners of smart TVs, 65% said they had used the internet connection on their TV. This is despite the fact almost half (47%) smart-TV owners said that internet functionality was not a consideration for them when choosing a new set.
- **Smart TVs are used most widely for watching catch-up TV.** Among users of smart TVs, 51% had used their set to watch catch-up TV, while activities like social networking (25%) and online shopping (13%) were much less commonly undertaken on smart TVs.

2.1.2 TV industry revenue up 4.9% to £12.3bn in 2011, as recovery in ad market is sustained

Total TV industry revenues increased by 4.9% (or £579m) in nominal terms to £12.3bn in 2011, driven by continued growth in TV subscription income, coupled with an increase in TV net advertising revenue (NAR).

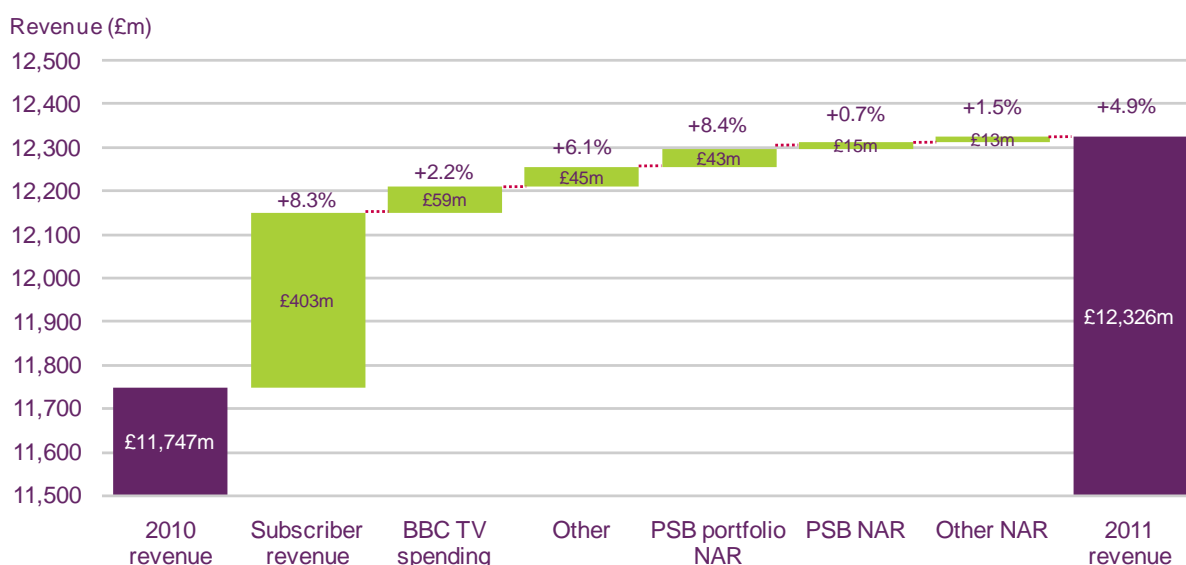
Revenue from pay-TV subscriptions has remained largely unaffected throughout the economic downturn and increased again in 2011 by £403m (or 8.3%) to £5.2bn – by far the largest increase of the different sources of income within the TV industry.

The recovery in the TV advertising market seen in 2010 was sustained in 2011, with ad revenues up 2.1% to £3.6bn. The total value of the TV advertising market has not only returned to, but now exceeds (in nominal terms) levels seen before the economic downturn. As outlined in Figure 2.2, much of the growth in 2011 can be attributed to increases in the multichannel sector and the PSB digital portfolio channels.

Income for publicly-funded channels, including BBC revenue allocated to TV, and S4C's grant from the Department for Culture, Media and Sport, increased by 2% to £2.8bn.

⁶⁸ TV Licensing Telescope Report, 2012
http://www.tvlicensing.co.uk/resources/library/BBC/MEDIA_CENTRE/TV_Licensing_Telescope_Report_2012.pdf

Figure 2.2 Total TV industry revenue, by source

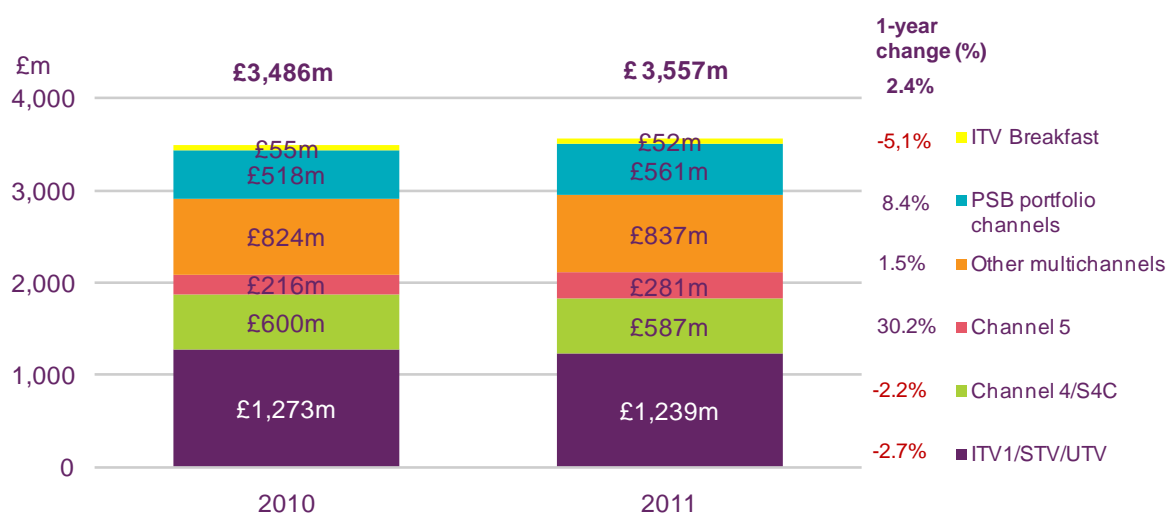


Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms. PSB NAR comprises Channel 3 licensees (including ITV Breakfast, ITV Plc, Channel Television, STV and UTV), Channel 4, Channel 5 and S4C. PSB portfolio NAR includes commercial channels owned by the PSBs (ITV2, ITV3, ITV4, E4, More 4, Film 4, 5* and 5USA. 'Other NAR' comprises the rest of the multichannel market. Platform operator revenues do not include installation costs, equipment sales or subsidies. BBC TV spending represents the amount of BBC revenue that is allocated to TV, which is estimated by Ofcom based on Note 2c in the BBC's annual report and accounts 2011/12.

Figure 2.3 illustrates how share of total TV advertising revenues breaks down by the different channel categories. The largest year-on-year increases in TV advertising revenue came from the PSB digital portfolio channels, which saw revenues increase by 8.4% (or £43m) to £561m. The commercial multichannel sector also experienced a rise in income generated from advertising, increasing by 1.5% (or £13m) to £837m.

In 2010, the main commercial PSB channels (ITV1, STV, UTV, Channel Television, ITV Breakfast, Channel4/S4C and Channel 5) had the largest resurgence in TV advertising revenues of all the channel categories, increasing by £248m or 13%, although in 2011 these channels combined experienced only a marginal rise of £15m or 0.7%. Of the four main commercial PSB channels (ITV1, ITV Breakfast, Channel 4 and Channel 5), only Channel 5's income from advertising experienced growth in 2011 (up 30% to £281m) - ITV1, ITV Breakfast and Channel 4 all experienced year-on-year declines (down 2.7%, 5.1% and 2.2% respectively).

Figure 2.3 Advertising revenue, by share



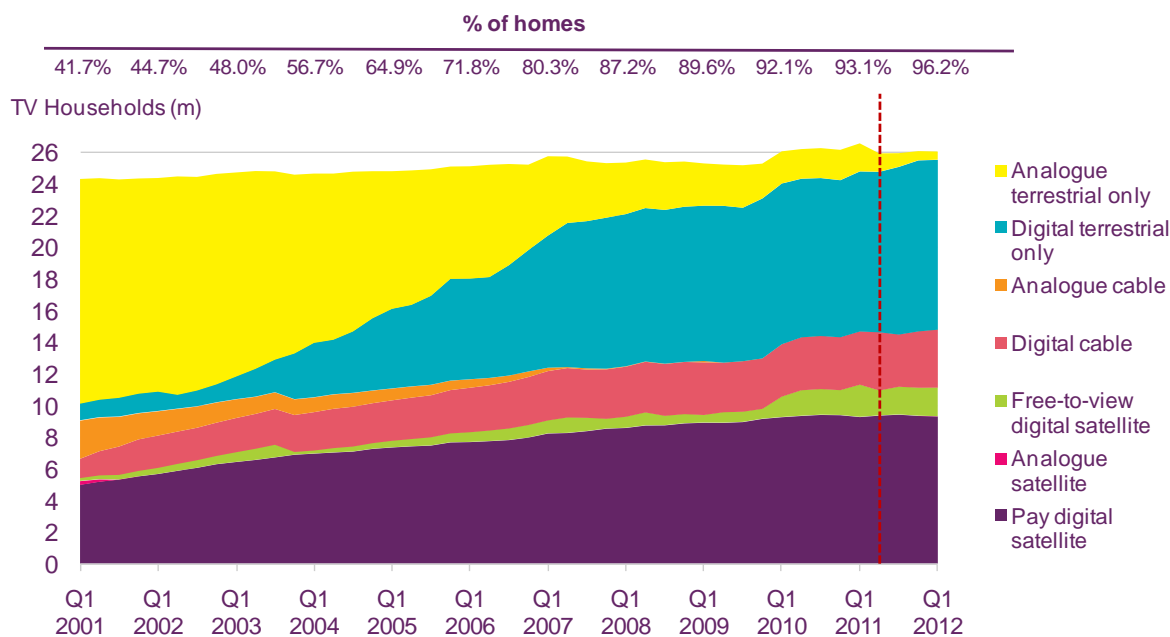
Source: Ofcom/broadcasters. Note: Totals may not equal the sum of the components due to rounding. ITV1/Channel 3 includes ITV Plc, STV, UTV and Channel Television.

2.1.3 Digital TV take-up almost universal as switchover nears completion

Digital TV penetration increased further to 96.2%⁶⁹ of all UK homes in Q1 2012 as more regions switched to digital. Figure 2.4 below shows the progress of multichannel television growth since 2001. The proportion of UK homes with analogue terrestrial only has diminished steadily over the last ten years, from an estimated 14.2 million households in Q1 2001, when it was the predominant multichannel platform, to just 500,000 in Q1 2012. Conversely, the number of homes with digital satellite and digital cable has risen over the corresponding time period, from 4.9 million homes in Q1 2001 to 9.3 million homes in Q1 2012 and from 1.2 million homes to 3.7 million homes respectively.

⁶⁹ Note that the source used for digital television take-up is different to that used in the CMR Nations report. Data may therefore vary slightly.

Figure 2.4 Multichannel take-up in UK households



Source: BARB Establishment Survey from Q2 2011, Ofcom/GfK NOP research from Q1 2007, previous quarters include subscriber data and Ofcom market estimates for DTT and free satellite
 Note: Digital terrestrial relates to DTT-only homes.

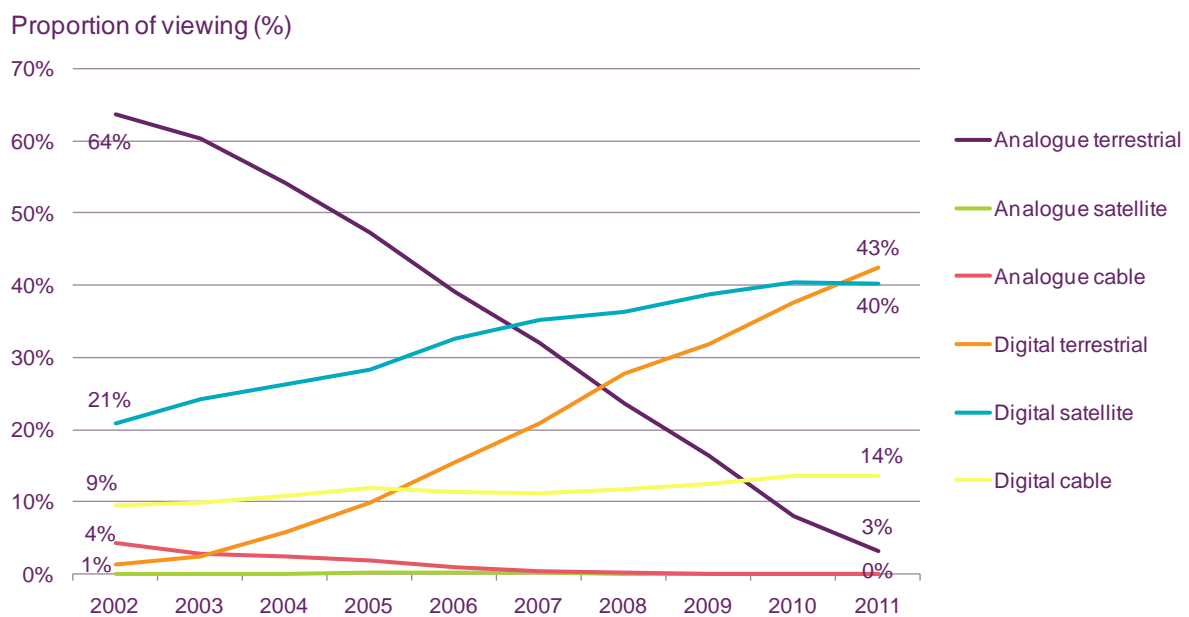
Total viewing via the digital terrestrial signal has the greatest share of viewing, at 43%

In order to examine the effects of digital switchover on viewing, we have analysed TV viewing based on the platform signal through which viewing takes place. This analysis is useful in helping us understand how total viewing is split across different platform signals.

Figure 2.5 illustrates the share of total TV viewing (includes viewing to all channels) based on the signal type through which viewing takes place. In line with the increased take-up of multichannel TV over the past ten years, driven in part by DSO, virtually all TV viewing (97%) takes place via a digital TV platform signal. In 2002, viewing via analogue terrestrial signal represented around two thirds (64%) of total TV viewing. As more TV sets have become digital and more viewing takes place via the digital signal, this figure has declined to 3% of total viewing in 2011.

In contrast, total viewing via the digital terrestrial signal has grown from 1% in 2002 to a 43% share in 2011- and for the first time its share surpassed digital satellite in 2011. Viewing via the digital satellite signal has seen its share almost double; from 21% in 2002 to a 40% in 2011, although the rate of growth has slowed in the past few years. Share of total TV viewing via the digital cable platform signal has risen by five percentage points to 14% in 2011, but as with digital satellite, has seen a plateau in its growth rate.

Figure 2.5 Share of total TV viewing, via signal type: 2002 – 2011



Source: BARB, all individuals (4+), all homes. Based on total minutes of viewing on all sets. Note: New BARB panel introduced in 2010. As a result pre- and post-panel change data must be compared with caution.

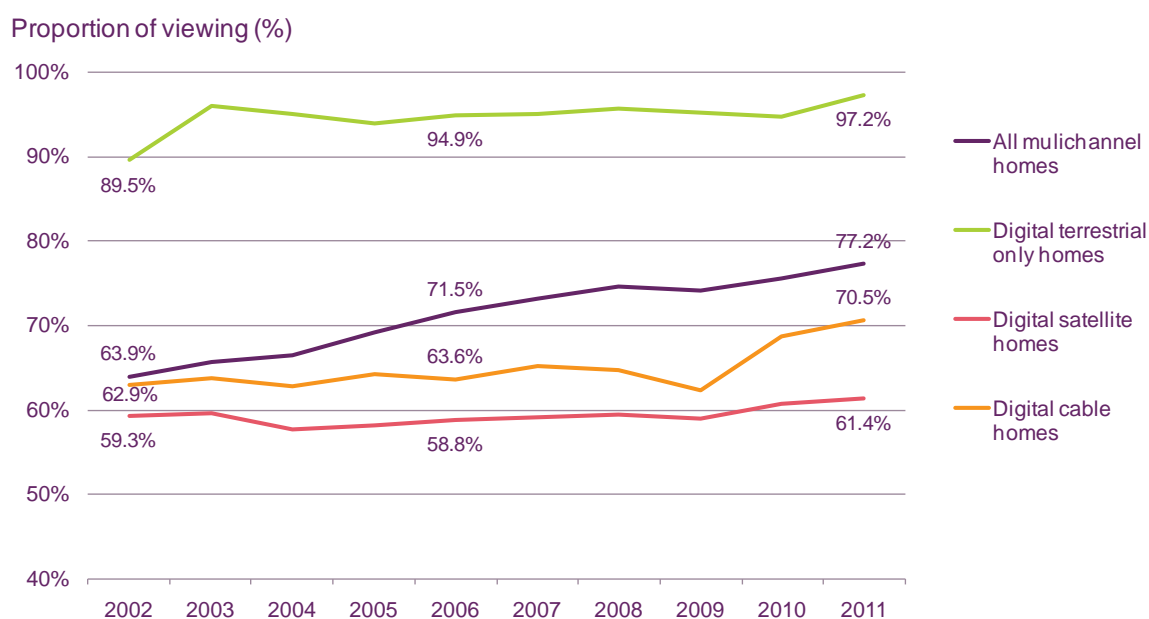
Analysis of viewing based on TV home platform type, shown in Figure 2.6, demonstrates the growth in viewing of channels available via digital terrestrial. Each home is categorised by the TV platform available on the primary TV set in the home. (For the purpose of this chart ‘free to view’ channels are defined as those channels available via the digital terrestrial platform as of May 2012⁷⁰).

Share of viewing to the ‘free to view’ channels has increased in both digital satellite and cable homes since 2002.

Among digital cable homes viewing of the ‘free to view’ channels has grown by 7.6 percentage points since 2002 (62.9% to 70.5% in 2011). In digital satellite homes the increase has been more modest, rising only two percentage points from 59.3% in 2002 to 61.4% in 2011. Part of this increase may be driven by the fact that the range and number of additional channels have increased on digital terrestrial over this period.

⁷⁰ <http://freeview.co.uk/Channels>

Figure 2.6 Share of viewing of 'free to view' channels, by TV home type

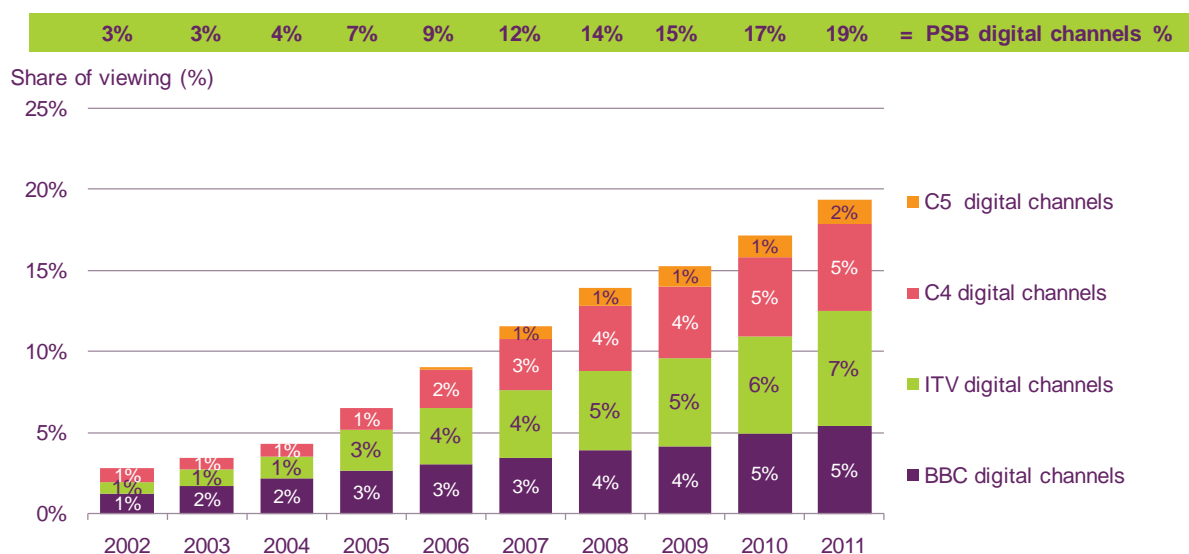


Source: BARB, all individuals (4+), all homes. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. 'Free to view channels' defined as those available on digital terrestrial only as of May 2012. Not all channels on the digital terrestrial platform were available in previous years, neither are all channels individually reported via BARB, therefore DTT total does not equal 100%.

The PSB portfolio channels represented 19% share of total TV viewing in 2011, up from 3% in 2002

Over the past decade the PSBs have developed a wide range of portfolio channels. Figure 2.7, below, shows how viewing of the PSB portfolio channels has grown from 3% in 2002 to 19% of total viewing in 2011. It should be noted that the number of channels available has increased over time, but nevertheless, the retention of TV viewing share by the PSBs overall has been driven by the success of their respective portfolio channels. Each of the four broadcaster groups has enjoyed increases in viewing, with ITV's portfolio channels experiencing the greatest increase (a total 2% share in 2002, increasing to 7% in 2011).

Figure 2.7 Channel share for PSB digital portfolio channels, all homes: 2002 - 2011



Source: BARB, All Individuals (4+), all homes⁷¹. Note: New BARB panel introduced 1st Jan 2010. As a result, pre- and post-panel change data must be viewed with caution.

2.1.1 Evolution of the TV set

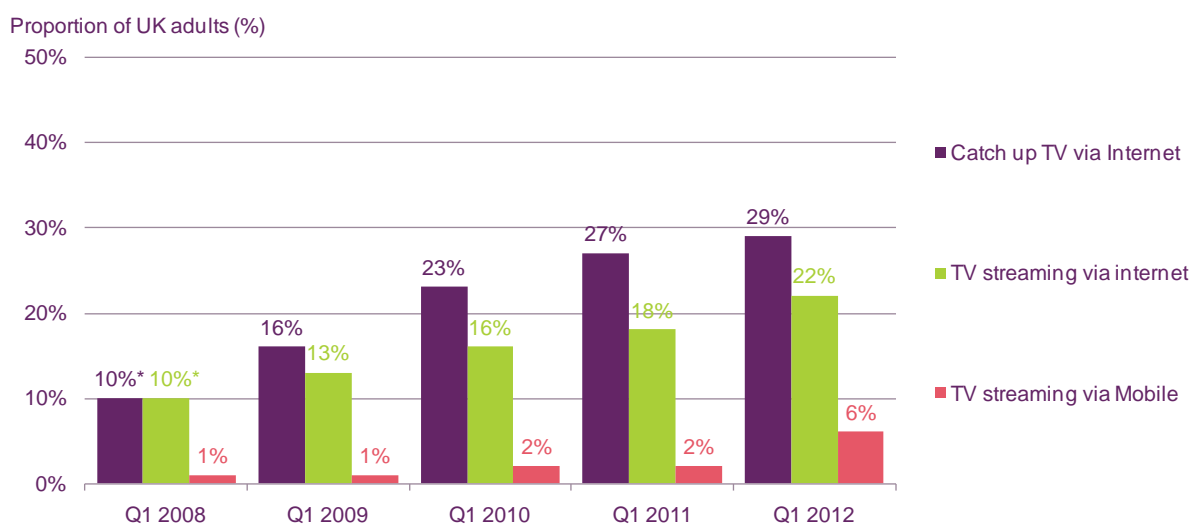
Viewing via the TV set remains strong, alongside signs of a slowing in the rate of growth of TV consumption online

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

However, our research shows that these remain minority pastimes, with the rate of growth of viewing online showing some signs of slowing down. Figure 2.8 shows that in Q1 2012 29% of all UK adults used catch-up TV services online and 22% streamed TV online. 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 internet 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. (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). Nevertheless, watching TV on a mobile phone can be expected to increase, as smartphone take-up continues to grow and more services become available.

⁷¹Data charted based on the following channel groupings: BBC digital channels = BBC3, BBC4, BBC News, BBC Parliament, CBeebies, CBBC. ITV digital = ITV1+1, ITV2, ITV3, ITV4, CITV. C4 digital = C4+1, E4, More4, Film 4. C5 digital = C5+1, 5*, 5USA. Time-shifted channels for digital channels are included within data.

Figure 2.8 Audio-visual consumption online and via mobile: Q1 2008 – Q1 2012



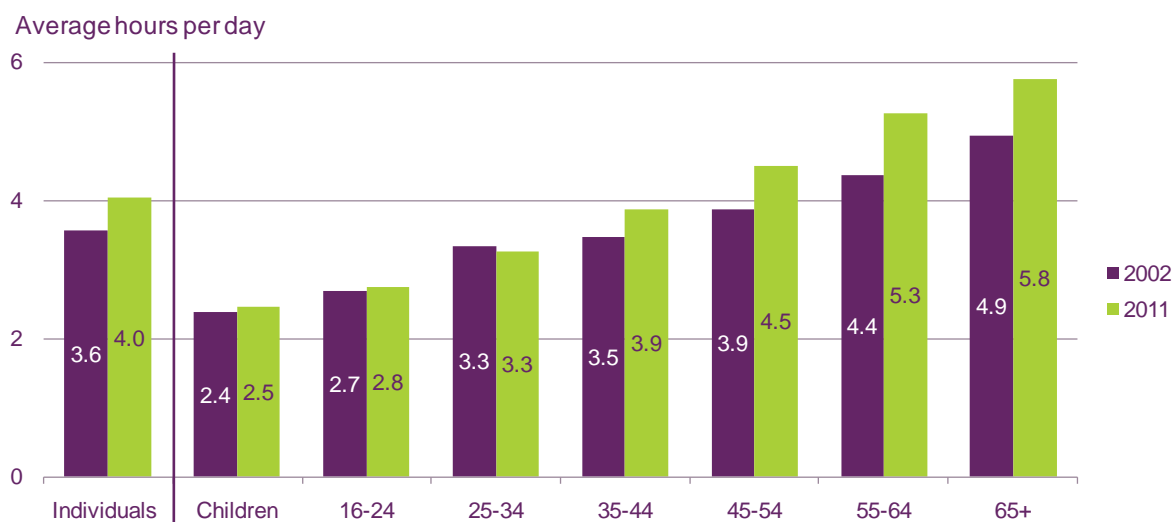
Source: Ofcom Technology Tracker. All adults 16+ (note - data has been re-based from all those with internet access and mobile phones respectively). Based on Q1 survey data for each respective year. Internet: Q - Which, if any, of these do you or members of your household use the internet for whilst 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'

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

By comparison, 97% of the adult population watched TV via a TV set in 2011. Furthermore, viewing levels (via the TV set, as measured by BARB) 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 had increased to an average of 4 hours (Figure 2.9). Note: BARB introduced a new panel on 1 January 2010 and comparisons before and after the panel change should be treated with caution.

Figure 2.9 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.

Technological developments provide more choice, greater control and better viewing experiences on the TV set

The TV set has evolved over the past decade, and this has helped it to retain viewers. Technological advancements can loosely be grouped into two areas:

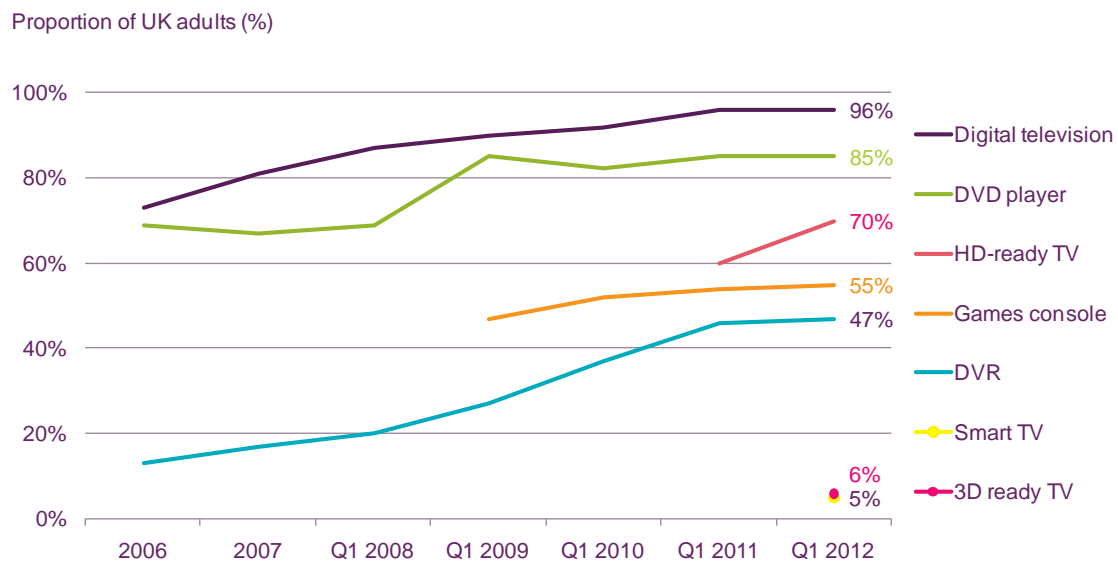
- Technology ‘around’ the TV set (e.g. increased take-up and capability of set-top boxes)
- Developments in the physical hardware of TV sets (e.g. larger screens).

As a result the TV set today offers the viewer greater levels of choice, control, and viewing experience.

The rapid growth of multichannel television over the past decade, in part prompted by digital switchover (DSO), resulted in huge increases in the penetration of set-top boxes and an accompanying proliferation of channels, providing more choice for the viewer. On Freeview alone, they have a selection of around 50 channels. According to Ofcom research, digital television take-up now stands at 96% of UK households.

The increased take-up of digital video recorders (DVRs), for example, has given many viewers the ability to watch TV at their convenience with a greater level of control and flexibility. Forty-seven per cent of UK homes now have a DVR (Figure 2.10).

Figure 2.10 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.

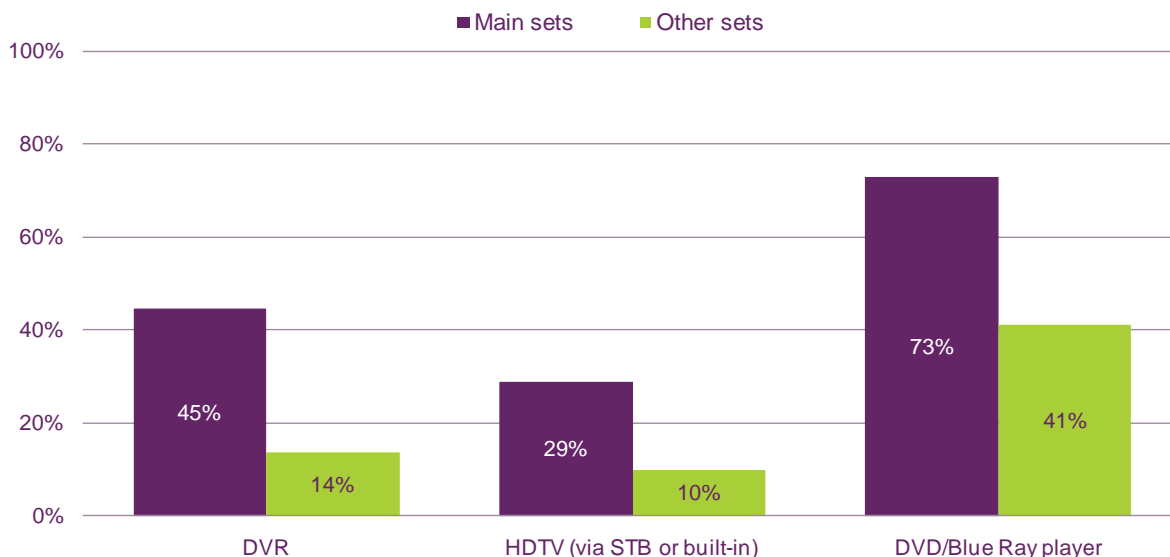
The ‘main’ TV set benefits most from technology enhancements

In the past few years TV sets has been enhanced by advances in technology, such as increased connectivity (see section 2.1.2 on connected TVs for more details).

Invariably it has been the main TV set in the home that has benefited most from these changes. Ofcom’s 2011 *Digital Television Update* illustrated how satellite and cable services are more likely to be present on the main set, while other TV sets in the household are more

likely to offer digital terrestrial or analogue services⁷². In addition, the BARB *Establishment Survey* reports that in 2011, 45% of main TV sets were connected to a DVR, compared to just 14% of other sets; 29% of main sets had HD capability, compared to 10% of other sets in the home (Figure 2.11).

Figure 2.11 Ownership of TV device technology, main set vs. other sets: 2011



Source: GfK NOP research ('Digital' data) taken from Ofcom's July 2011 DTV update report. Remaining data from BARB *Establishment survey. Annual network report, Q2 2011. Data based on all UK TV households (= 98% of all UK households)*

Over a third of TV sets sold are 'super-large' (33" to 42") 'jumbo-sized' (43"+)

Advances in hardware features, such as increased screen size, are likely to have contributed to the lasting appeal of the TV set.

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 2011⁷³.

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 households⁷⁴ -

⁷²Ofcom's July 2011 *Digital Television Update* report can be accessed here: http://stakeholders.ofcom.org.uk/binaries/research/tv-research/tv-data/dig-tv-updates/DTV_charts_q1_2011.pdf

⁷³ *TV Licensing Telescope Report, 2012*
http://www.tvlicensing.co.uk/resources/library/BBC/MEDIA_CENTRE/TV_Licensing_Telescope_Report_2012.pdf

⁷⁴ *TV Licensing Telescope Report, 2012*
http://www.tvlicensing.co.uk/resources/library/BBC/MEDIA_CENTRE/TV_Licensing_Telescope_Report_2012.pdf

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). In comparison, in 2001 the equivalent figures for super-large and jumbo TV screens was just 1%.

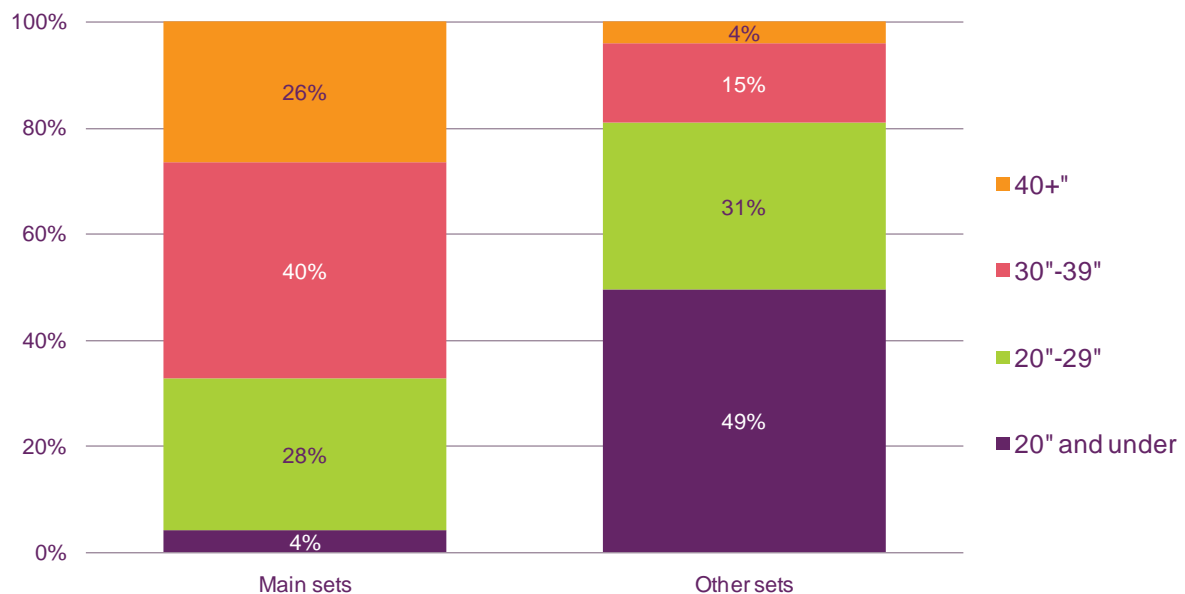
Figure 2.12 Percentage of TV sets sold, by screen size: 2001 – Q1 2012



Source: GfK sales data estimates. *2012 data represents Q1 only.

Again, it is the main TV set that has benefited most from these enhancements. In 2011, half (49%) of other sets in the home had screen sizes of 20" or less, while a quarter (26%) of main sets had screen sizes of 40" and over, and a further 40% were between 30" and 39" (compared 15% of other sets) (Figure 2.13).

Figure 2.13 Main sets vs. other sets, by screen size: 2011



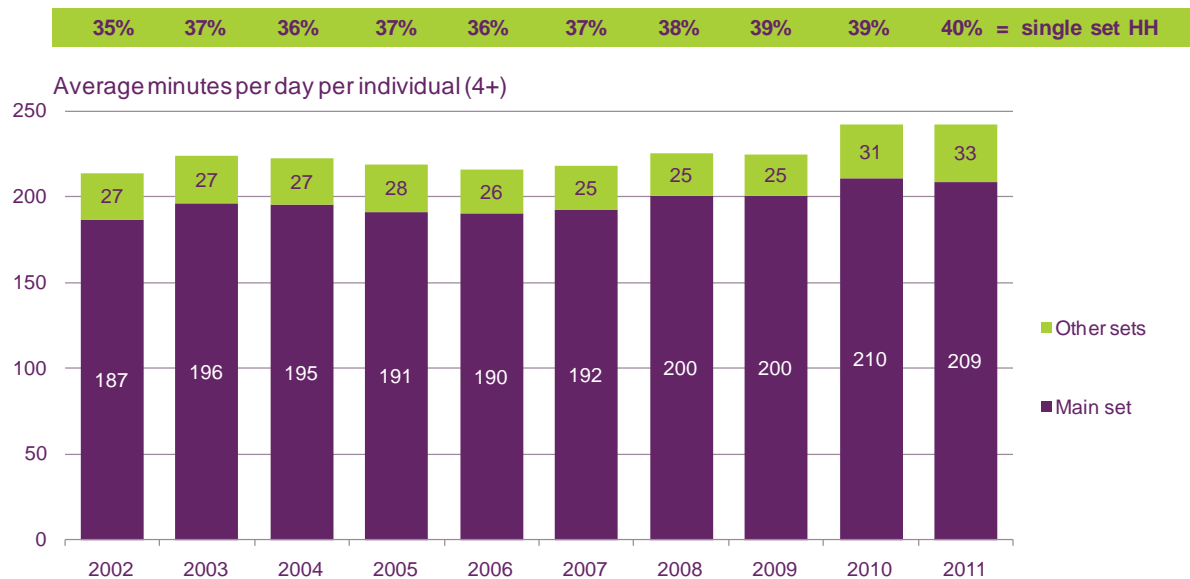
Source: BARB Establishment Survey. Annual network report, Q2 2011. Data based on all UK TV households (= 98% of all UK households)

The main TV set in the home remains the dominant device for TV viewing

The continued popularity of viewing on the TV set is concentrated around the 'main' TV set (typically, the set in the living room). This is against a backdrop of an increase in the proportion of homes with a single TV set, rising from 35% of all UK TV households in 2002 to 40% in 2011⁷⁵.

In 2002 average daily viewing on the main set stood at 187 minutes. By 2011 this had increased to an average 209 minutes per day, compared to 33 minutes spent watching on other sets.

Figure 2.14 Total TV viewing, main sets vs. other sets: 2002 - 2011



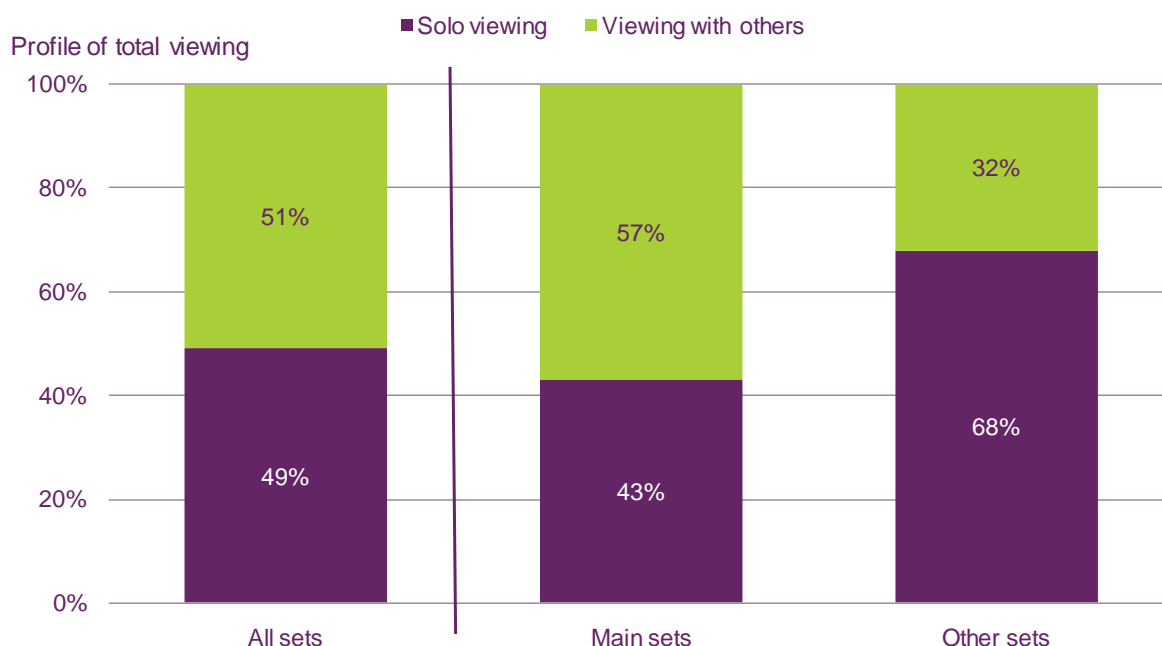
Source: BARB, all individuals (4+), all homes. BARB Establishment Surveys – Annual Network Q2 reports. Note: i) New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. ii) 'Main set' defined as set located in the living room. 'Other sets' defined as all other TV sets in the home.

The majority of viewing on the main set is shared with other people

In 2011, around one-third of viewing on other sets was shared viewing (i.e. where more than one person was viewing) but the vast majority - around two-thirds (68%) - was solo viewing (i.e. viewers watching on their own). Conversely, the majority of viewing on main sets (57%) was a shared viewing experience, and 43% was solo viewing (Figure 2.15).

⁷⁵BARB Establishment Surveys – Annual Network Q2 reports.

Figure 2.15 Solo viewing and shared viewing in multi-set households – main sets vs. other sets: 2011



Source: BARB, all individuals (4+). Based on multi-set households

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.

2.1.2 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. The definitions set out below are intended to provide clarity and consistency throughout this section, which examines consumer attitudes to this emerging technology.

Definitions

Smart TV

'Smart TV' refers to a standalone television set with inbuilt internet functionality. Users connect a broadband router directly into the TV. Smart TVs are produced by consumer electronics manufacturers like Samsung, Sony, Panasonic and LG. This term has not been established as industry-wide usage, but will be treated here as a generic name for all such devices.

Internet-enabled TV

'Internet-enabled TV is an umbrella term covering any television set connected to the internet via a third-party device, such as a set-top box, a games console or a laptop/PC. The set-top box might be provided with services like Sky Anytime, Virgin TiVo or BT Vision. Games consoles commonly used include Microsoft's Xbox Live, Sony's Playstation 3 and the Nintendo DSi. Laptops/PCs are connected through a cable run from an output port to an input port on a compatible TV.

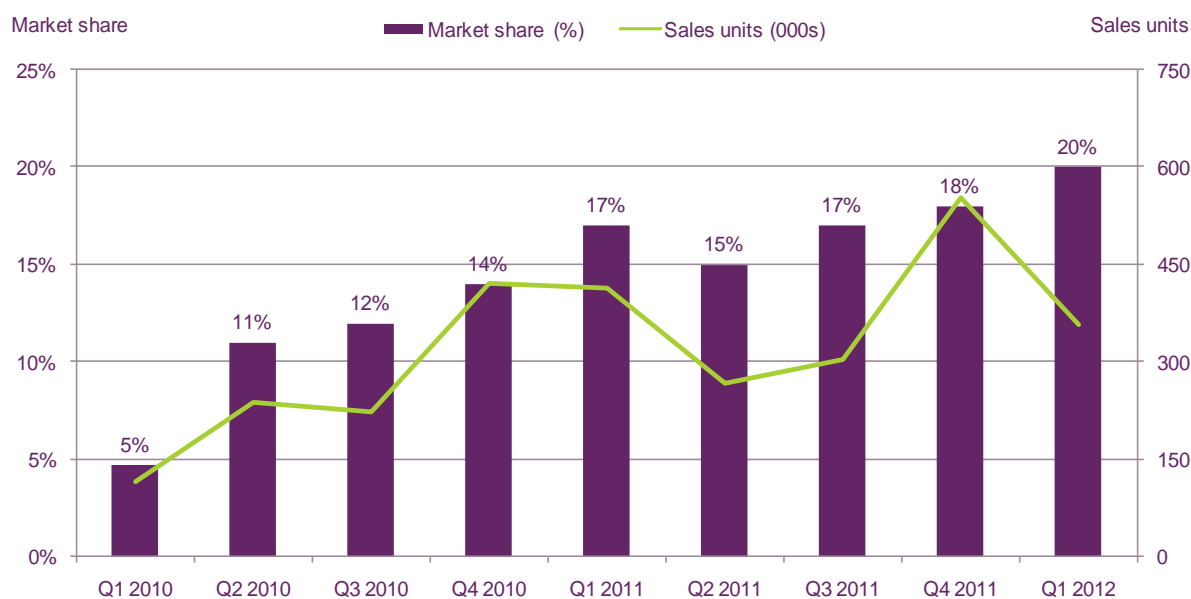
Five per cent of UK households have a smart TV

According to Ofcom's *Technology Tracker* (Q1 2012), 5% of UK TV households had a smart TV.⁷⁶ 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.⁷⁷ 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 2012.⁷⁸

Smart TVs comprise a fifth of all TV sets sold, with sales more than doubling since 2010

Smart TV sales and the smart TV share of the television market have both increased substantially over the past two years (Figure 2.16). Between Q1 2010 and Q1 2012, smart TV sales increased by 211%; from 115,000 units per quarter to 358,000 units per quarter. These figures are affected by seasonal fluctuations, with households more likely to buy a new TV set around Christmas. The overall trend is nevertheless one of growth, reflected in the 15 pp increase in market share of televisions sold, from 5% in Q1 2010 to 20% in Q1 2012. The total sales figures show that 2.9 million smart TVs have been sold in the UK since Q1 2010.

Figure 2.16 Smart TV sales and market share



Source: GFK

⁷⁶ 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).

⁷⁷ Source: Ofcom *Media Tracker*, fieldwork conducted by BDRC Continental, October to November 2011. Base: Adults aged 16+ (890).

⁷⁸ Source: Redshift Strategy analysis based on platform data, May 2012.

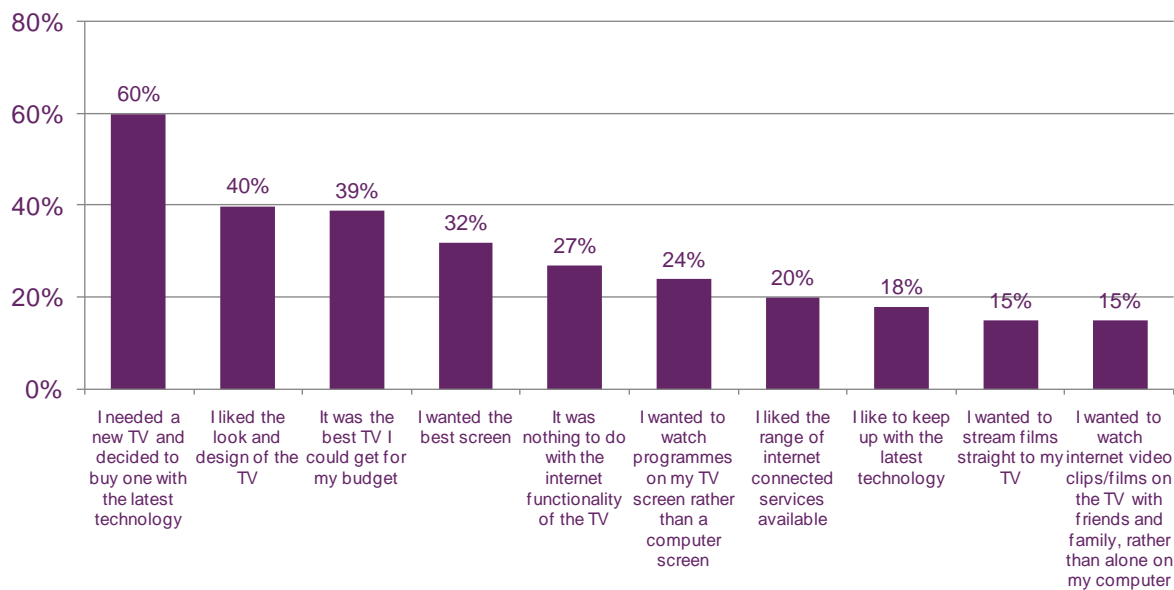
Internet functionality is not a key reason for purchasing a smart TV

In March and April 2012, Ofcom conducted new research on the use of connected devices. This allows us to look in some detail at the behaviour and attitudes of early adopters of smart TVs.

The research shows that most smart TV owners did not prioritise internet functionality when buying their TV (Figure 2.17). 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. Furthermore, 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 of respondents wanted to stream films and programmes straight onto their TV, and 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 2.17 Reasons people buy a smart TV

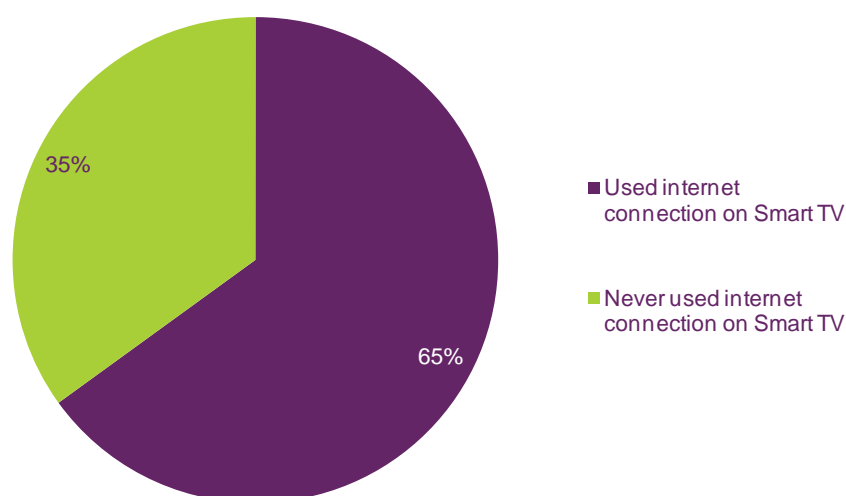


Source: Ofcom Connected Devices Survey, fieldwork conducted by Populus, March to April 2012
 Q.D6 Why did you buy your smart TV? (Multicoded) Base: All respondents with a smart TV (252)

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 (Figure 2.18). 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. However, a third (35%) of owners claim not to have connected their smart TV to the internet.

Figure 2.18 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

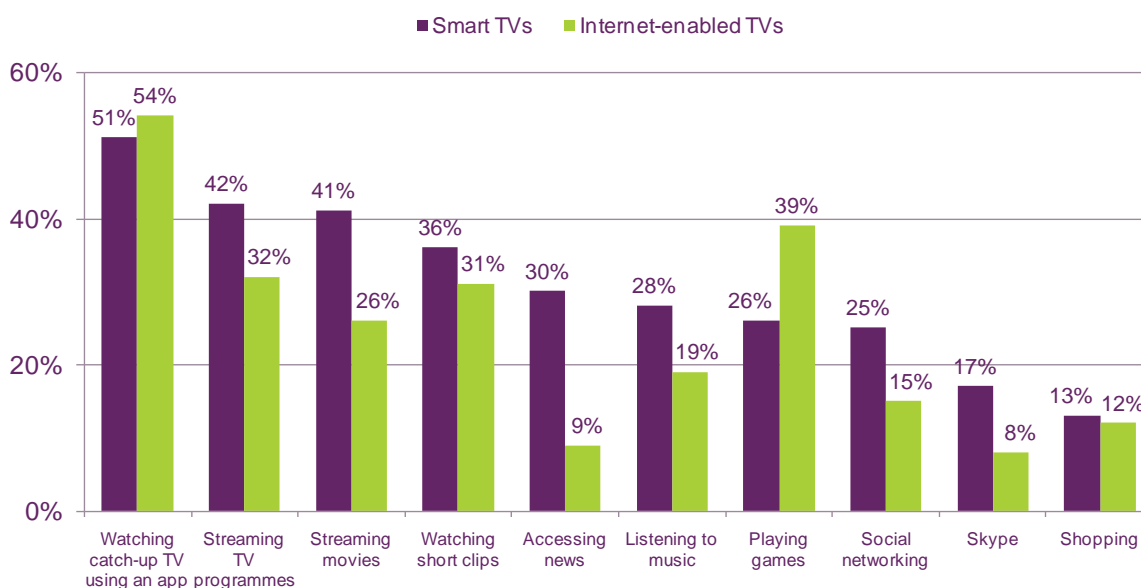
Ofcom's new research allows us to compare behaviour on smart TVs and internet-enabled TVs (Figure 2.19). The most widely-undertaken activities on smart TVs were watching catch-up TV and streaming programmes and movies. Among those who had used the internet connection on their set, 51% said they had watched catch-up TV, 42% had streamed programmes, and 41% had streamed films. Audio-visual content is also popular with users of internet-enabled TVs. 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.⁷⁹

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.

⁷⁹ 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 2.19 Activities undertaken on smart TVs and internet-enabled TVs

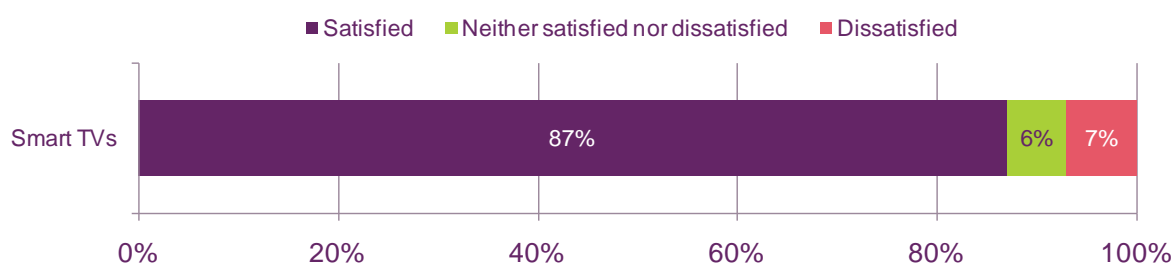


Source: Ofcom Connected Devices Survey, fieldwork conducted by Populus, March to April 2012 (1) Q.D8 What do you use the internet functionality on your smart TV for? (Multicoded) (2) Q.E2 When you connect your TV to the internet, what do you tend to do online? (Multicoded) Base: (1) All respondents who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

There are high levels of satisfaction with smart TVs

Ofcom’s research indicates that levels of satisfaction are high among users of smart TVs. Eighty-seven per cent of smart-TV users said that, taking all things into account, they were satisfied with their smart TV. Their responses might of course reflect satisfaction with factors unrelated to the internet functionality of the set.

Figure 2.20 Levels of satisfaction with smart TVs



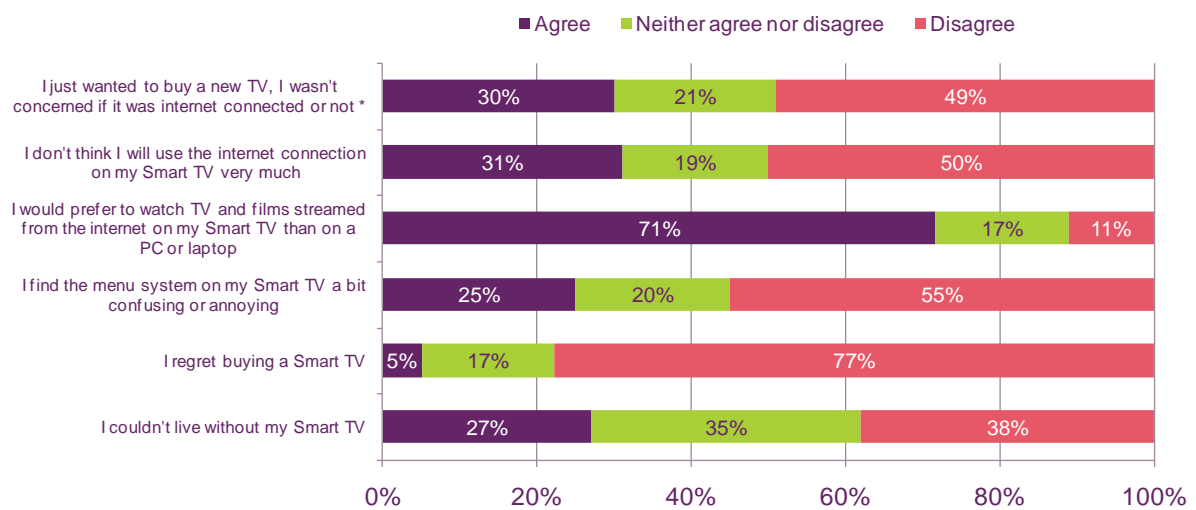
Source: Ofcom Connected Devices Survey, fieldwork conducted by Populus, March to April 2012. Q.D2 Taking all things into account, how satisfied or dissatisfied are you with your smart TV?

Among those who had used the internet connection on their smart TV, 30% of respondents agreed they had not been concerned about internet functionality when making their purchase. However, 49% of respondents disagreed. When this statement was presented to all owners of smart TVs, 47% of respondents agreed and 35% disagreed. These results appear to support the evidence above; that while a significant proportion of the owners surveyed for the research were not primarily attracted by internet functionality (Figure 2.17),

a clear majority had subsequently used it (Figure 2.18). Furthermore, 50% of those who had done so thought they would continue to use this feature.

Figure 2.21 reveals users' generally positive attitudes towards their smart TVs. Only 5% of respondents said that they regretted buying one. 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. However, users were divided over how essential this device is for them. Presented with the statement: "I couldn't live without my smart TV", 27% of respondents agreed, 38% disagreed and 35% neither agreed nor disagreed.

Figure 2.21 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

2.2 The TV and audio-visual industries

2.2.1 Introduction

This section examines some of the characteristics of the UK's audio-visual sector during 2011. It focuses on a range of metrics from the broadcast television industry and from those companies delivering audio-visual content over the internet.

Key points in this section include:

- **The UK television industry generated £12.3bn in revenue during 2011, an increase of £579m (5%) on 2010 in nominal terms**, driven by an increase in the advertising market, coupled with continued growth in subscription revenue (Figure 2.22).
- **Following the decline in 2009, net television advertising revenues (NAR) have slowly recovered**. In 2011 overall NAR increased for all categories of commercial TV broadcasters, giving a total year-on-year increase of 2.1% to £3.6bn in nominal terms.
- **Spend on content by all UK TV channels in 2011 reached £5.5bn, up by 1.6% year on year in nominal terms**. Sports and film channels spent £1.7bn on network programmes, the highest relative increase over the period (12%), accounting for 32% of the total spend.
- **Spend on first-run originated programming for the five main PSB channels decreased in nominal terms; by 6% to £2,506m**. This continued a trend dating back to 2006, when spend on first-run originated output was £3,126m (an average decline of 4% over the five-year period to 2011). For more information, see Ofcom's *Public Service Broadcasting Annual Report* published in June 2012⁸⁰.
- **The biggest relative reduction in hours in peak time among the five main PSB channels was in sport (down 31% on last year)**. This can be attributed in part to the fact that 2010 was a big sporting year, with the Football World Cup in South Africa in June 2010 and the Vancouver Winter Olympics.
- **Commercial multichannel broadcasters in the eight mainstream genres spent £2.6bn on programming in 2011, a 13% year-on-year increase**. At £1.5bn, sports programming represented more than half (56%) of the total multichannel spend, up 15% year on year.
- **Online TV revenue in the UK has increased significantly in the past five years, from £11m in 2006 to £229m in 2011**. Year on year, the market grew by a further 51%, with the free-to-view business model the principal contributor (through advertising income) to overall online TV revenues, accounting for £134m in 2011.

⁸⁰ <http://stakeholders.ofcom.org.uk/broadcasting/reviews-investigations/public-service-broadcasting/annrep/psb12/>

2.2.2 Television industry revenue

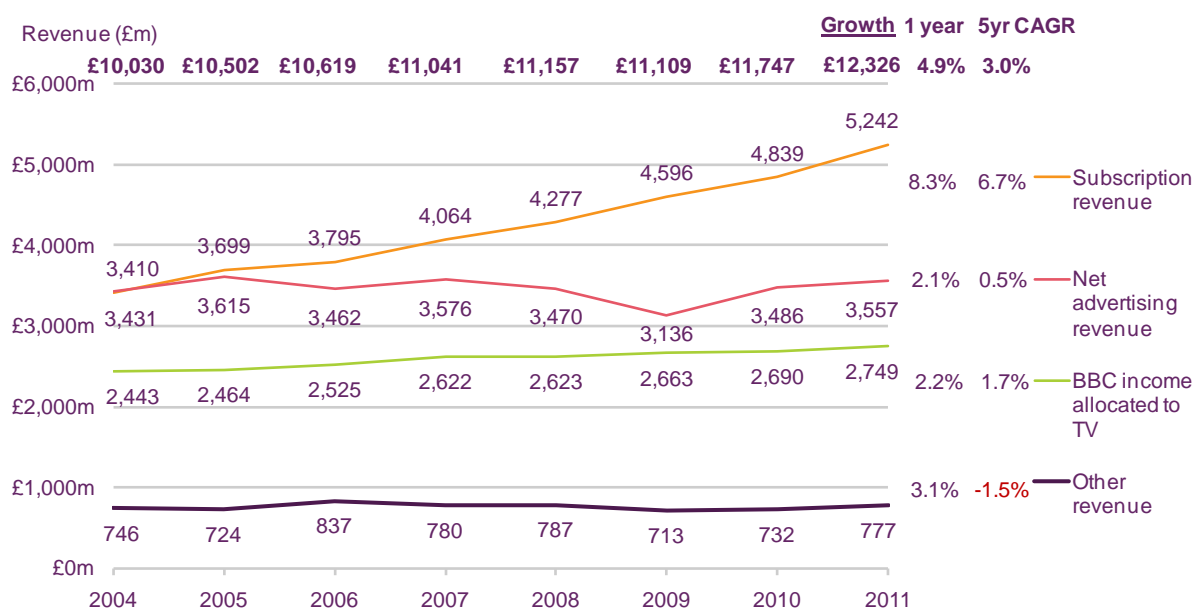
The UK television industry generated £12.3bn in revenue in 2011

The UK television industry generated £12.3bn in revenue during 2011, an increase of £579m (5%) on 2010 in nominal terms, driven by an increase in the advertising market, coupled with continued growth in subscription revenue (Figure 2.22).

TV broadcasters experienced a 2.1% increase in net advertising revenues (NAR) in 2011, up £72m year on year, to £3.6bn. The advertising industry is showing steady growth, following the sharp decline in 2009 as a result of the economic downturn. Growth in pay-TV subscriber revenue also increased year on year; by 8.3% to £5.2bn in 2011 – the highest level recorded since Ofcom began tracking this data.

Ofcom estimates that the BBC spent £2.7bn on its television services in 2011, an increase of 2% on 2010, although its share of total industry revenue remained broadly consistent, at 22%

Figure 2.22 Total TV industry revenue, by source

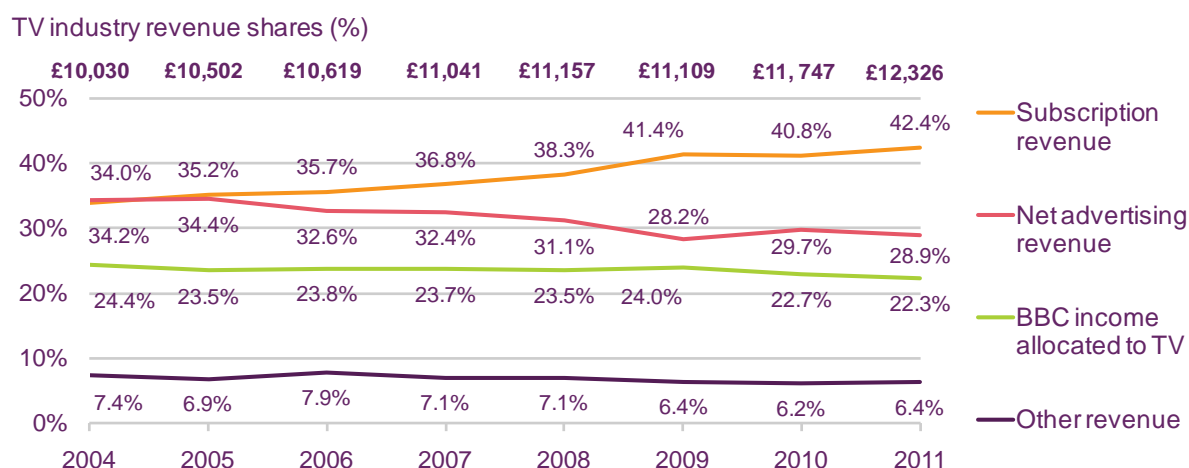


Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms and replace previous Ofcom revenue data for TV industry, owing to restatements and improvements in methodologies. 'Subscription revenue' includes Ofcom's estimates of BSkyB, Virgin Media, BT Vision, TalkTalkTV, Setanta Sports (until its closure), ESPN and Top Up TV television subscriber revenue in the UK (Republic of Ireland revenue is excluded). It also excludes revenue generated by broadband and telephony. 'Other' includes TV shopping, sponsorship, interactive (including premium-rate telephony services), programme sales and S4C's grant from the DCMS. The BBC re-stated licence fee revenue in 2008. Totals may not equal the sum of the components due to rounding.

Among the four main TV revenue sources, the share generated through advertising (Figure 2.23) decreased by 0.8 percentage points; from 29.7% in 2010 to 28.9% in 2011. After a small decline in 2010, pay-TV subscriptions' share of TV industry revenue increased by 1.6 percentage points to 42.4% in 2011. The gap between the share of TV industry revenue generated by advertising versus subscription revenue widened further in 2011, by 2.4 percentage points.

BBC expenditure on TV services as a percentage of total TV industry revenue has been broadly stable since 2004, falling a little in 2011 (0.4 pp) to 22.3%.

Figure 2.23 TV industry revenues, by share



Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms and replace previous Ofcom revenue data for TV industry, owing to restatements and improvements in methodologies. 'Subscription revenue' includes Ofcom's estimates of BSkyB, Virgin Media, BT Vision, TalkTalkTV, Setanta Sports (until its closure), ESPN and Top Up TV television subscriber revenue in the UK (Republic of Ireland revenue is excluded). It also excludes revenue generated by broadband and telephony. 'Other' includes TV shopping, sponsorship, interactive (including premium-rate telephony services), programme sales and S4C's grant from the DCMS. The BBC re-stated licence fee revenue in 2008. Totals may not equal the sum of the components due to rounding.

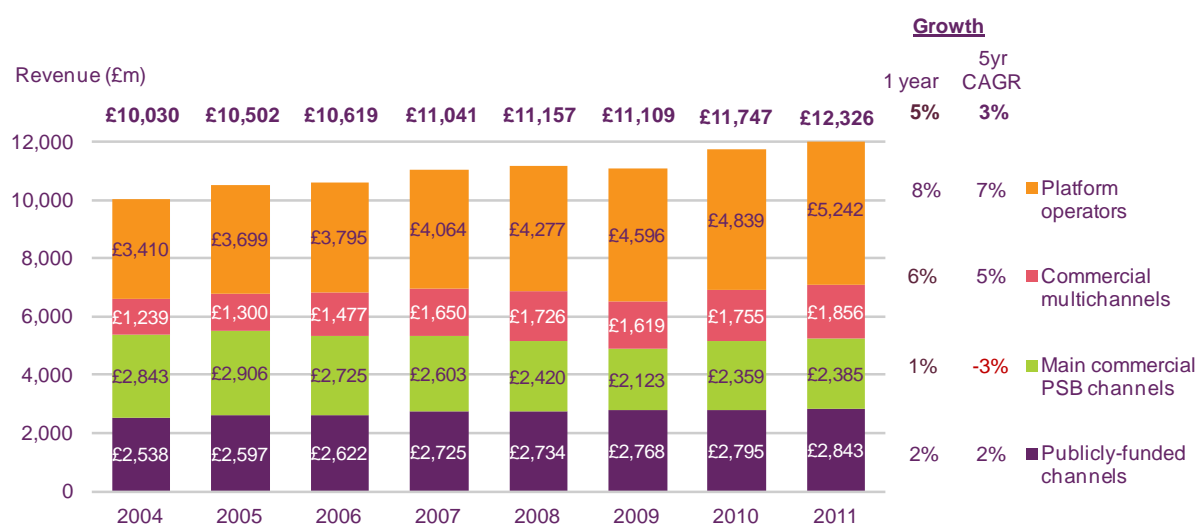
Revenue generated by TV channels increased by 5% in 2011 to £12.3bn

Figure 2.24 shows that revenues for the main commercial PSB channels and multichannels combined increased for the second consecutive year (in nominal terms), following reductions across both sectors during 2009.

The platform operators experienced the largest year-on-year increase, rising by 8% (£403m) in 2011 to £5,242m. The main PSB channels' revenue (Channel 3 (plus ITV Breakfast), Channel 4, Channel 5 and S4C) increased only marginally; by £26m (1%) in 2011 to £2,385m – considerably below their high point of £2,906m in 2005.

Publicly-funded channels, which include Ofcom's estimate of BBC spend on TV output and S4C's grant from the Department for Culture, Media and Sport, accounted for £2,843m of revenue.

Figure 2.24 Total TV industry revenue, by sector



Source: Ofcom/broadcasters. Note: Figures are nominal. Main commercial PSB channels comprise ITV/ITV Breakfast, STV, UTV, Channel Television, Channel 4, Channel 5 and S4C. Commercial multichannels comprise all multichannels including those owned by ITV1, Channel 4 and Channel 5. Publicly-funded channels comprise BBC One, BBC Two, the BBC’s portfolio of digital-only television channels and S4C. S4C is listed under publicly-funded and commercial analogue channels because it has a mixed advertising and public funding model. The BBC re-stated licence fee revenue in 2008. Totals may not equal the sum of the components due to rounding.

Television advertising revenues continued to grow during 2011

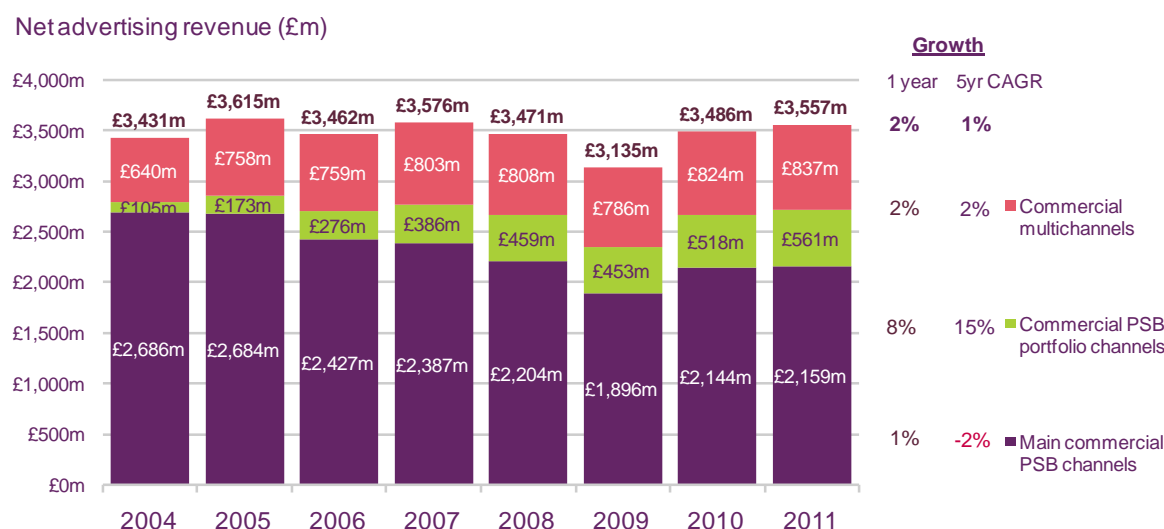
Following the decline in 2009, advertising revenues have slowly recovered. In 2011, overall NAR increased for all categories of commercial TV broadcaster, giving a total year-on-year increase of 2 % to £3.6bn.

The main commercial PSB channels continue to generate a large proportion of all advertising income. In 2011, they raised £2,159m (Figure 2.25) – up 1% (or £15m) year on year. However, the resurgence in advertising revenue in 2011 mainly benefited the commercial multichannels and the PSB portfolio channels.

Among the commercial PSBs’ portfolio channels (such as ITV2, E4 and 5*), advertising revenue rose by 8.3% year on year to £561m, the highest relative increase across the categories in Figure 2.25; this may be explained by the continuing adoption of Freeview in the face of digital switchover.

The commercial multichannels also experienced growth in income generated from advertising, with revenues increasing by £13m or 1.6% since last year.

Figure 2.25 TV net advertising revenues, by source



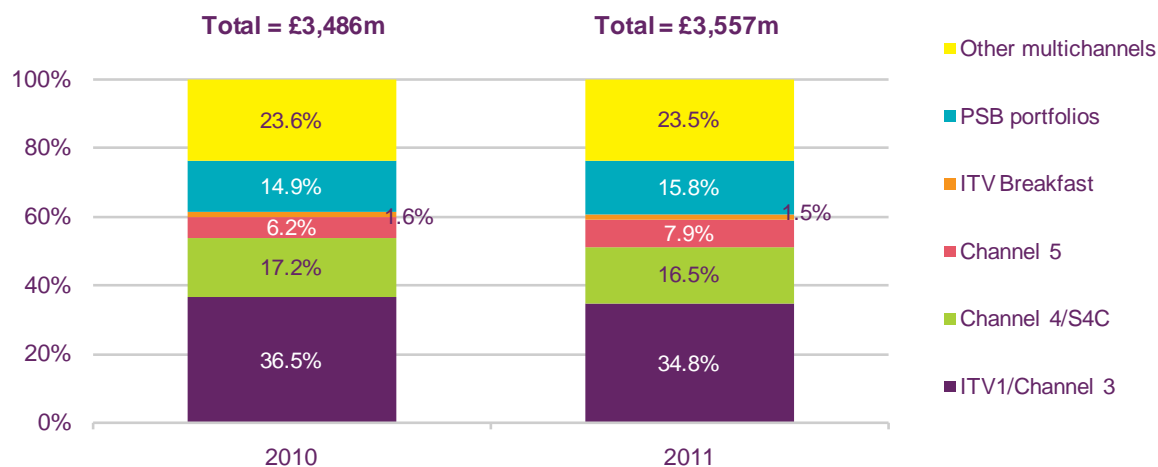
Source: Ofcom/broadcasters. Note: Figures expressed are in nominal terms and replace previous data published by Ofcom. Main commercial PSB channels comprise ITV1, STV, UTV, Channel Television, ITV Breakfast, Channel 4, Channel 5 and S4C; Commercial PSB portfolio channels include, where relevant, ITV2, 3, 4, CiTV, E4, More 4, Film 4, 4Music, Five USA and 5* (and their '+1' channels). For previous years closed channels have also been included. Sponsorship revenue not included. Totals may not equal the sum of the components due to rounding.

Share of TV advertising across the broadcasters showed mixed results. With the exception of Channel 5, the main PSBs all saw their share of TV advertising income decrease in the past year. This was marginally offset as the commercial PSB portfolio channels' NAR market share increased by 1 percentage point on 2010. Channel 5 saw an increase of 2 percentage points.

Non-PSB multichannel broadcasters saw a 0.1 percentage point decrease; from 23.6% in 2010 to 23.5% in (Figure 2.26). ITV1/Channel 3 licences experienced the largest decrease in share in 2011 (down by 1.7 percentage points year on year to 34.8%) while ITV Breakfast maintained its share of advertising.

Figure 2.26 TV net advertising revenue market shares: 2010 - 2011

Proportion of NAR by broadcaster (%)



Source: Ofcom/broadcasters. Note: ITV1/Channel 3 includes ITV1, STV, UTV and Channel Television.

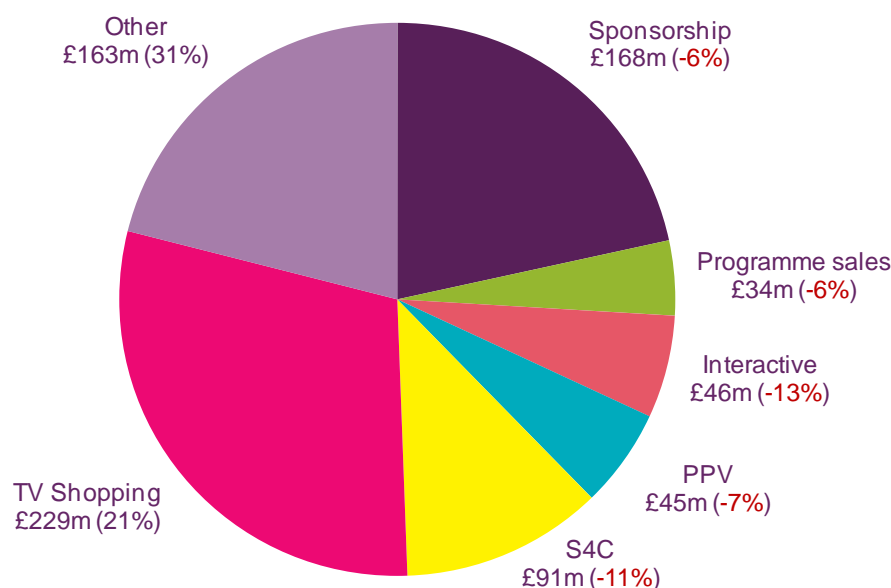
2.2.3 Other TV revenue

Broadcaster revenue raised from other sources in 2011 stood at £777m, up by 6% on last year.

Revenue from sources other than subscription income, advertising revenue and licence fees stood at £777m in 2011, up by 6% year on year. Revenue earned by television shopping channels accounted for £229m, up by 21% from 2010. This accounts for a sizeable 30% of the total. Sources of 'other revenue' accounted for 21% of the total and were 31% up on last year. Revenue generated from sponsorship deals was down by 6% on 2010 and generated £168m (22% of the total).

Figure 2.27 Breakdown of other / non-broadcast revenue: 2011

Total non-broadcast revenue = £777m (6%)



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change for total non-broadcast revenue versus 2010. TV shopping represents aggregate operating margin of products sold via television. Totals may not equal the sum of the components due to rounding. Owing to the nature of these revenue components, annual changes may be a function of a higher number of broadcaster returns being made by the time of writing, rather than material changes in the contributions that these revenue components are making to total industry income.

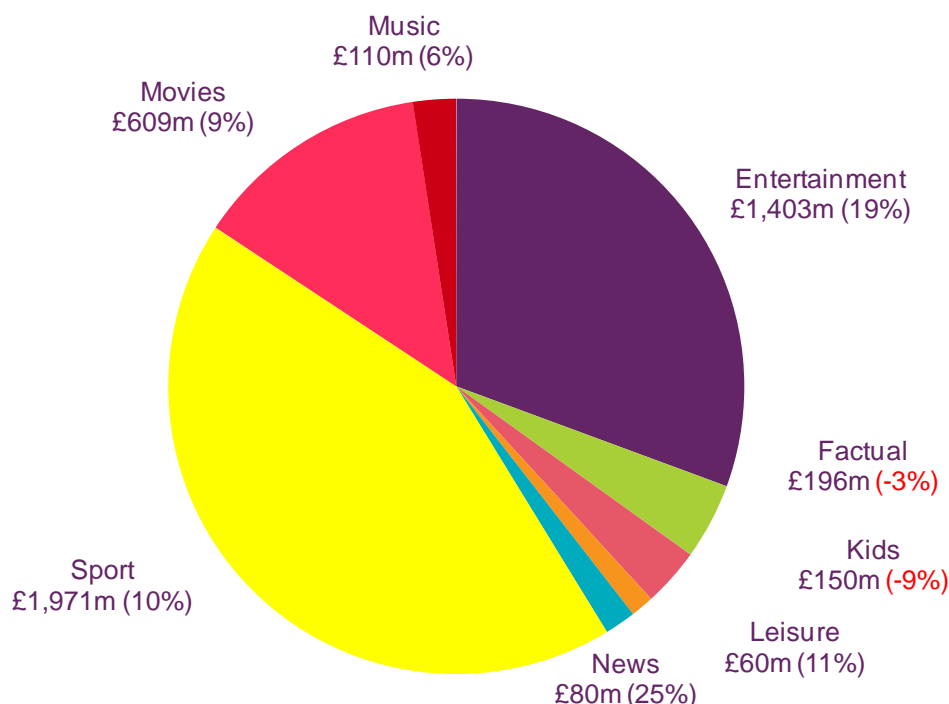
2.2.4 Revenue among multichannel genres

Revenue among key multichannel genres continued to grow in 2011

Most of the multichannel services in mainstream genres experienced revenue growth in 2011, with total income reaching £4.6bn, an increase of nearly £470m (11%) since last year. Sports remained the genre that generated the most revenue in 2011, up by 10% to almost £2bn in 12 months. Entertainment, the second-largest genre by revenue, also saw a 19% uplift in revenues; to £1.4bn. The combined totals of Sports and Entertainment account for nearly three-quarters of the total revenue generated by multichannel broadcasters (73%). While News experienced the biggest relative year-on-year increase, taking the total up to £80m, Children's experienced the biggest proportional decrease in revenue - down by 9%. After a 22% decline in 2010, Leisure channels' revenues increased by 11% in 2011, to £60m.

Figure 2.28 Revenue generated by multichannel broadcasters, by genre: 2011

Total revenue = £4,580m across the eight genres included



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change for total revenue compared to 2010. The figures in this chart include all sources of revenue accruing to multichannels and are expressed in nominal terms. This includes those set out in Figure 1.22 plus wholesale subscriber payments from platform operators.

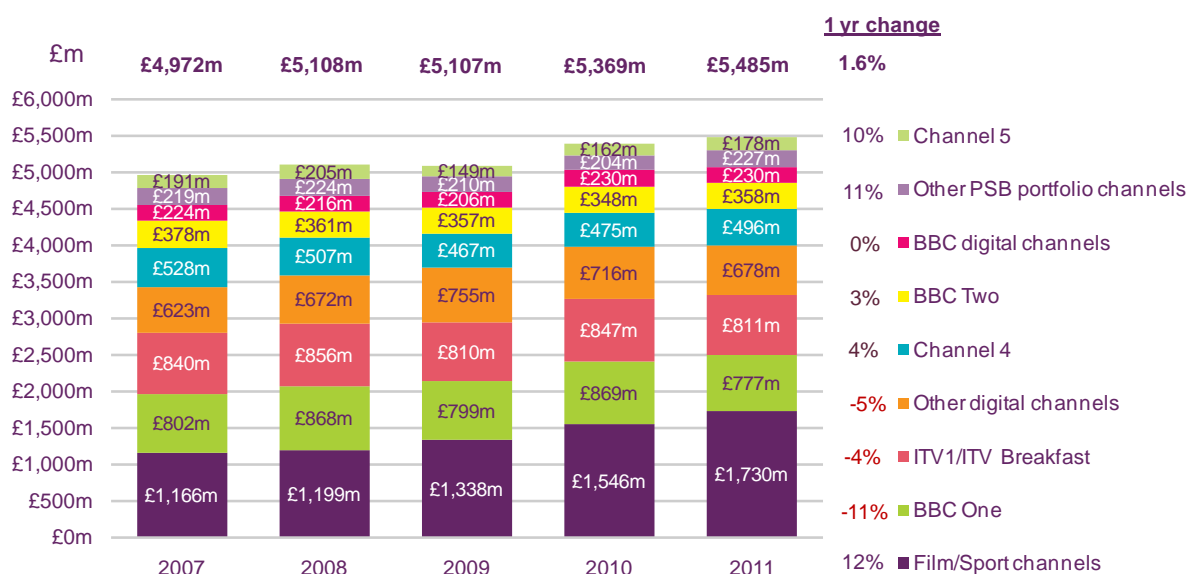
2.2.5 Spend on UK television programmes

Broadcasters spent more on programmes in 2011

Spend on content by all UK TV channels in 2011 reached £5.5bn, up by 1.6% year on year in nominal terms. BBC One and ITV were the only PSBs to decrease spend on TV programming. BBC One spending fell the furthest over the year (down by 11%) and ITV spend fell by 4% over the same period. These decreases were offset by the increased spend on the PSB digital portfolio channels (excluding BBC digital channels) which increased 11% year on year. For the past two years Channel 5 has shown a steady increase in content spend, up 10% to £178m in 2011.

Spending by the non-PSB digital channels decreased in 2011, down 5% to £679m. Sports and Film channels spent £1.7bn on network programmes, demonstrating the highest relative increase over the period (12%) and accounting for 32% of the total spend.

Figure 2.29 Spend on network TV programmes: 2007 - 2011



Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms. Figures do not include spend on nations and regions output. BBC digital channels includes BBC Three, BBC Four, BBC News Channel, BBC Parliament, CBBC and CBeebies (but not BBC HD). 'Other digital channels' include all genres (excluding Sports and Films). Programme spend comprises in-house commissions, productions, commissions from independents, spend on first-run acquired programmes, spend on rights and on repeats (originations or acquisitions).

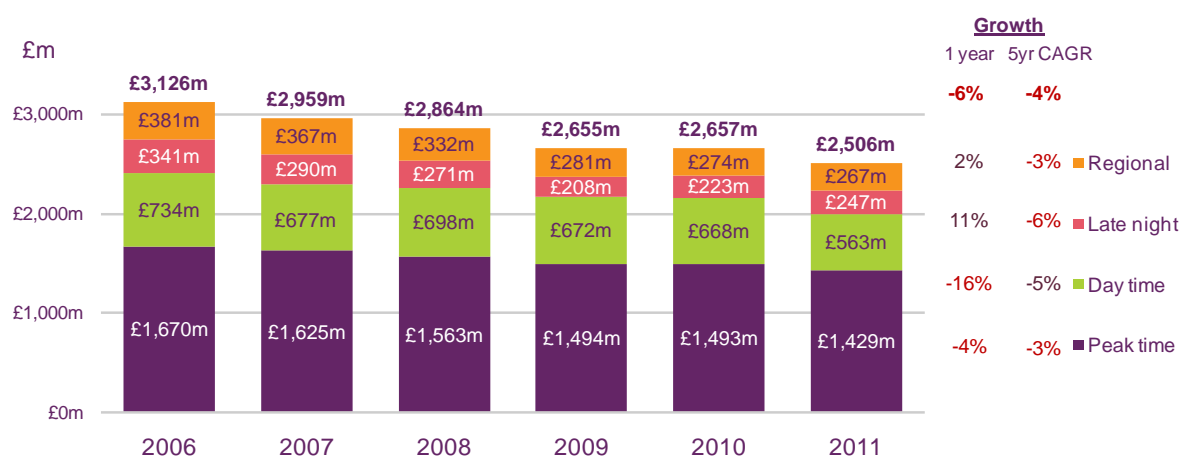
2.2.6 Spend on first-run originations by the five main PSB channels

Spending on originations decreased in 2011, continuing several years of decline

Spend on first-run originated programming for the five main PSB channels decreased by 6% to £2,506m. This continues the gradual decline in spending dating back to 2006, when spend on first-run originated output was £3,126m (an average decline of 4% over the five-year period to 2011). However, the year-on-year decline is driven in part by the fact that 2010 figures include output related to the FIFA World Cup and Vancouver Winter Olympics - by comparison 2011 was a relatively quiet year for sport, with less spend on first-run originated content in this genre.

Output broadcast in the day-time and peak-time timeslots both reduced their spend, down £105m to £563m, and £64m to £1,429 respectively, in 2011. Late-night schedules increased their spend by 11% to £563m.

Figure 2.30 Spend on first-run originated output on the five main networks



Source: Ofcom/broadcasters. Note: Figures are expressed in 2011 prices. They include ITV Breakfast, spending in the nations and regions on English-language programming (and a small amount of Irish-language programmes) but do not include the BBC's digital channels

2.2.7 TV industry output

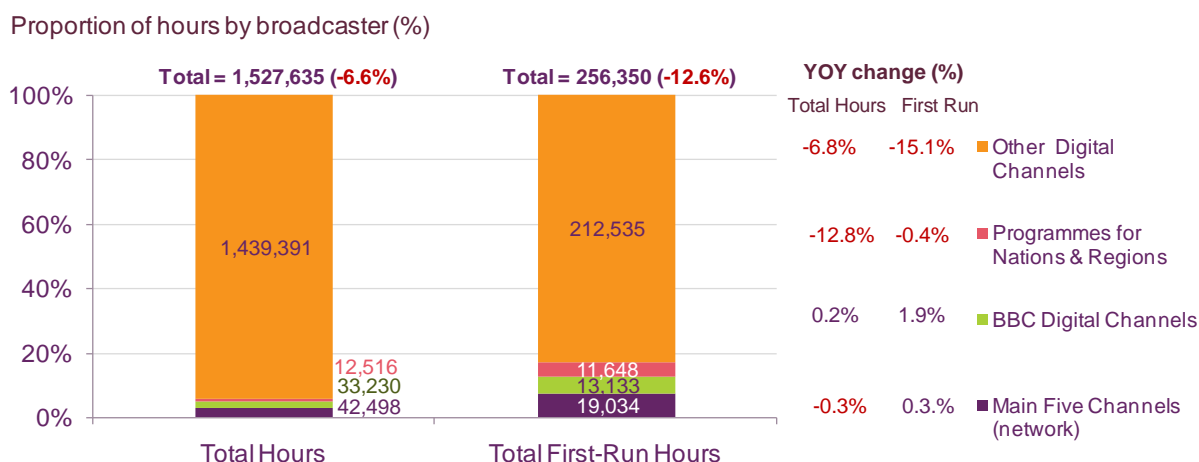
Just over 3 million hours of television were broadcast in 2011, down 2% year on year.

Across all categories of UK television channels, just over 3 million hours of broadcast output in 2011. Figure 2.31 narrows down this analysis, to focus on the broadcast hours of the PSB channels and digital channels included in the mainstream genres of Entertainment, Sports, Films, Factual, Children's, News, Leisure and Music. Those channels broadcast 1,527,635 hours in 2011, of which 256,350 (17%) were first-run originations, produced in-house or made by an external producer.

Among the five main PSB channels, 45% of the 42,498 total hours were first-run originations. The majority of programmes made by the BBC and Channel 3 licensees for the nations and regions (93% of 12,516 hours) were first-run originations; the comparable figure for the BBC's digital channels was 40% (of 33,230 hours).

The largest single component of first-run originations was for non-PSB multichannel services. They broadcast 1,439,391 hours of output in 2011, of which 212,535 (15%) were first-run originations.

Figure 2.31 Total and first-run originated hours of output, all day: 2011



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change. The first-run figures include in-house productions and external commissions, not first-run acquisitions. ITV Breakfast is included within the figures for the five main channels. 'Other digital channels' includes Entertainment, Sports, Film, Factual, Children's, News, Leisure and Music genres. Regional hours exclude Welsh and Gaelic-language programming but include a small proportion of Irish-language programmes.

2.2.8 Television output on the five main PSB channels

Hours of first-run originated output up by 2% year on year

Although spending by the PSBs on originations decreased slightly in 2011 (down 6% to 2.5bn), total broadcast hours of originated programming increased (by 2%) to 30,682 hours.

There was a sharp decline in programming for the nations and regions in 2009 (down 13% from 2008). At 11,648 hours in 2011, nations' and regions' hours have increased steadily since 2009, as a result of STV opting out of the Channel 3 network schedule more frequently, and coverage of the Northern Ireland Assembly Elections.

Network hours of first-run originations in peak time (18:00 to 22:30) increased by 0.5% in 2011 to 5,696 hours. Meanwhile, first-run originations throughout the rest of the schedule of the main PSBs increased by 0.2%, to 13,338 hours.

Figure 2.32 Hours of first-run originated output on the five main channels



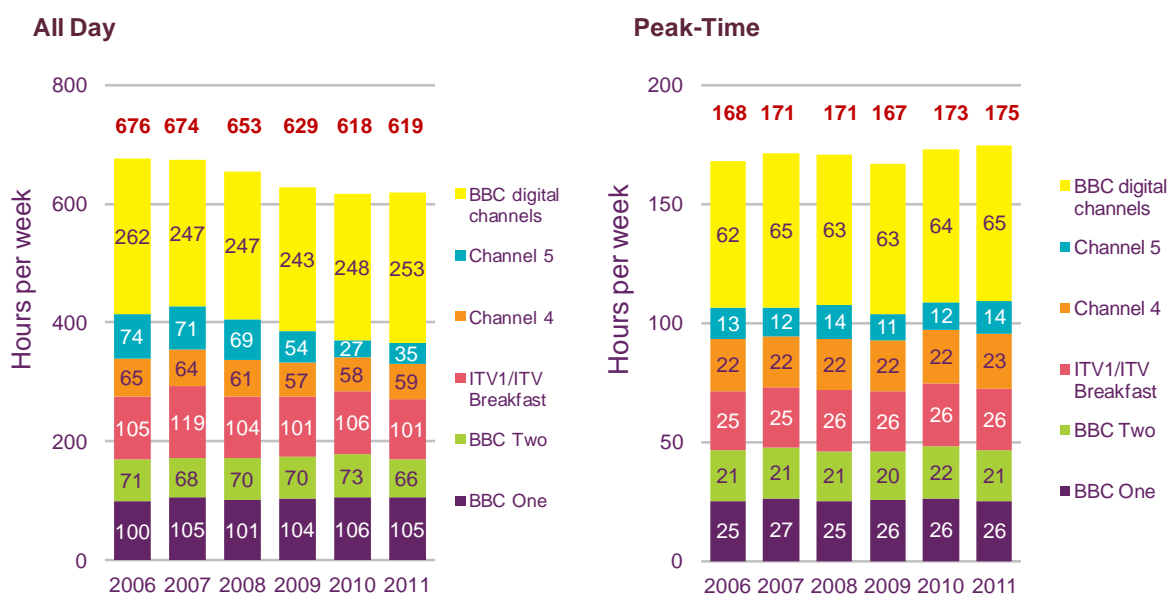
Source: Ofcom/broadcasters. Note: Figures include ITV Breakfast but do not include the BBC's digital channels. Regional hours exclude Welsh and Gaelic-language programming but do include a small proportion of Irish-language programmes.

Figure 2.33 illustrates how many hours of first-run originations the PSB channels (including the five main PSB channels and the BBC's digital channels) broadcast, on average, per week.

In 2010, the figure stood at an average of 618 hours per week across the entire day (24 hours), down marginally from 629 in 2009. BBC One, BBC Two and ITV1 all showed year-on-year decreases, whereas Channel 4, Channel 5 and the BBC digital channels showed increases. BBC Two experienced the biggest relative decrease (-10%) while Channel 5 had the largest relative increase, at 30%.

In peak-time hours, first-run hours per week rose from 173 in 2010 to 175 in 2011, driven by the increase in Channel 5 hours (up 16% from 2010). BBC digital channels were also up 2% on last year while BBC One and BBC Two were down 2% and 6% respectively.

Figure 2.33 First-run originated output by the PSBs per week, all day and peak time

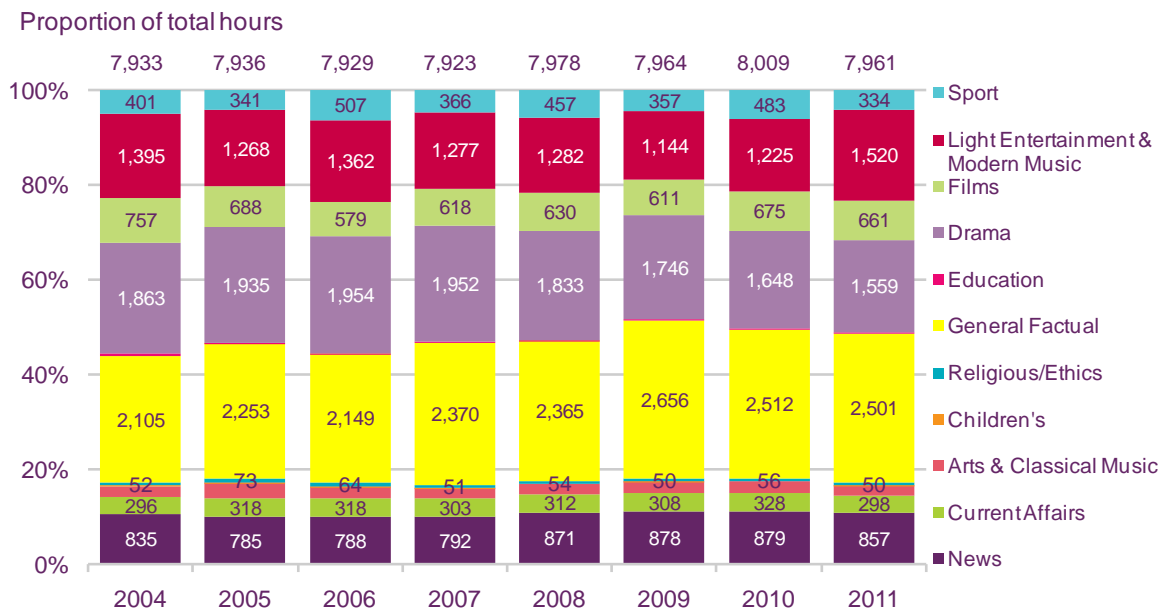


Source: Ofcom/broadcasters. Note: Figures do not include spend on nations and regions output.

At the programme genre level, among the five main PSB channels in peak time, there was a marked increase in hours of Light Entertainment and Modern Music during 2011, up by 24% (295 hours) to 1,520 hours. The biggest relative reduction in hours was in sporting events (down 31% on last year). This can be attributed in part to the fact that 2010 was a big sporting year, with the Football World Cup in South Africa in June 2010 and the Vancouver Winter Olympics earlier in the same year.

All other genres experienced a reduction in volume of output in 2011. The 9% decline in Current Affairs in 2011 output can be attributed to the high volume of general election coverage in 2010. The 2011 figure of 298 hours is closer to the 2009 pre-election figure of 308 hours.

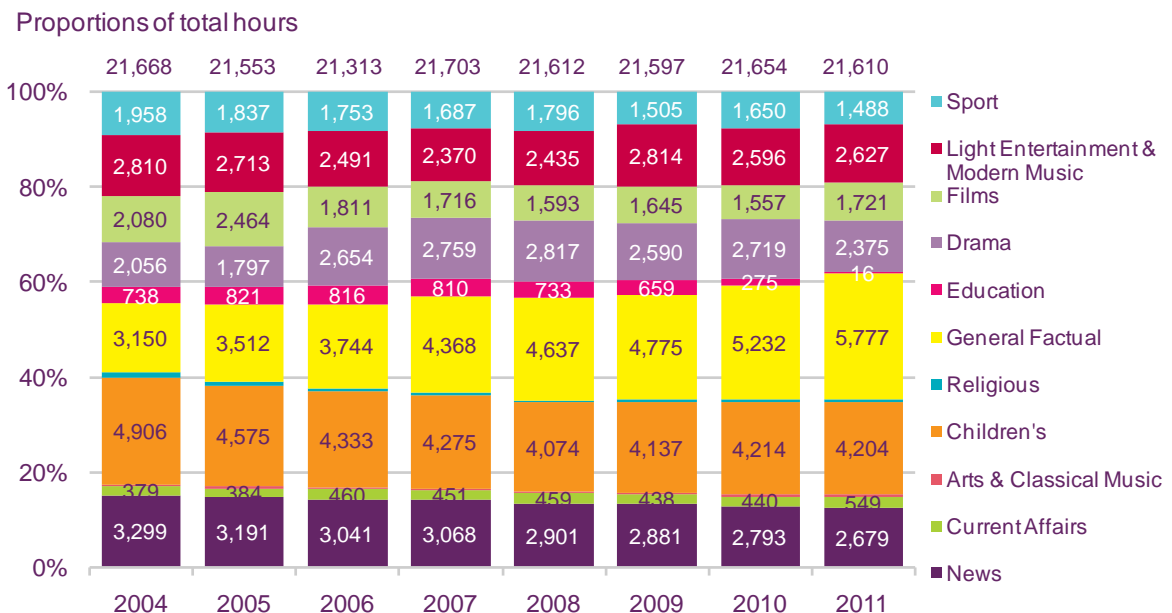
Figure 2.34 Genre mix on five main PSB channels in peak time, by hours



Source: Ofcom/broadcasters. Note: Includes five main channels including ITV Breakfast, figures do not include hours of nations and regions output.

Approximately half of all the genre categories experienced a reduction in daytime output, while the remainder increased. Education output had the largest relative decrease (down 94% since 2010) whereas News had the biggest relative increase (25%) taking the total to 549 hours for 2011.

Figure 2.35 Genre mix on five main PSB channels: daytime

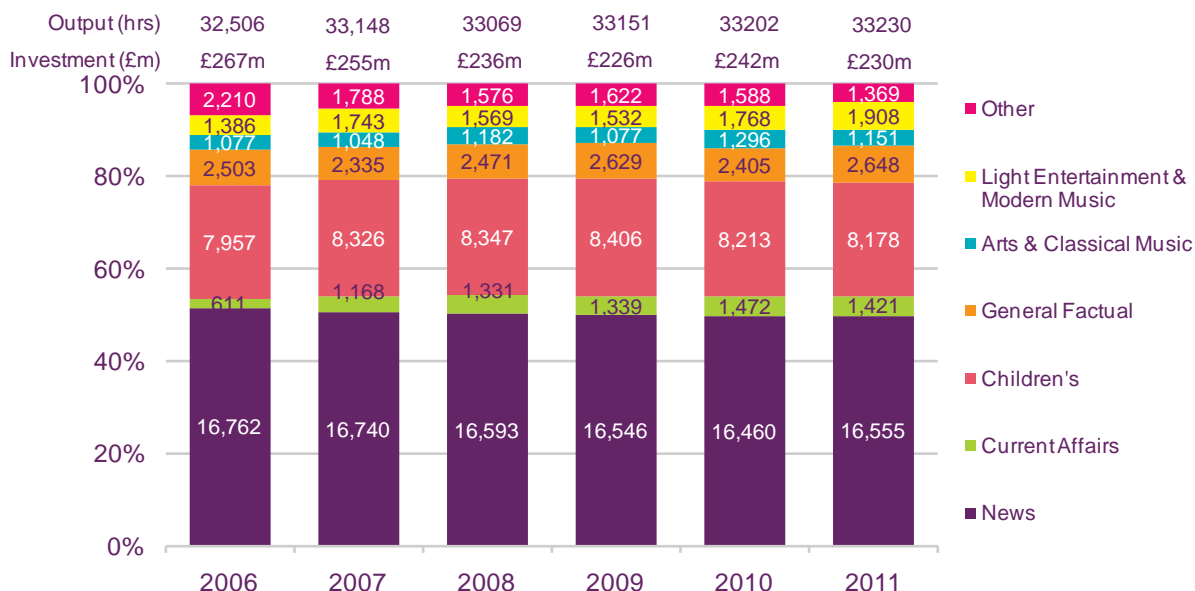


Source: Ofcom/broadcasters. Note: Includes five main channels plus ITV Breakfast. Figures do not include hours of nations and regions output.

Figure 2.36 sets out the genre mix of the BBC's digital channels, which remains broadly similar to 2010 – in the main because three of the five digital channels are single-genre. The

three most notable year-on-year differences are more hours dedicated to General Factual programming (up 10% from 2010), as well as Light Entertainment and Modern Music (up 8% from 2010). The biggest relative reductions were in Arts and Classical Music and Other, down 11% and 14% respectively.

Figure 2.36 The BBC's digital channels genre mix, by hours: all day



Source: Ofcom/broadcasters. Note: BBC digital channels include BBC Three, BBC Four, BBC News 24, BBC Parliament, CBBC, CBeebies. Investment figures are in 2011 prices. 'Other' includes: Education, Drama, Film, Religion and Sports.

2.2.9 Multichannel output and spend

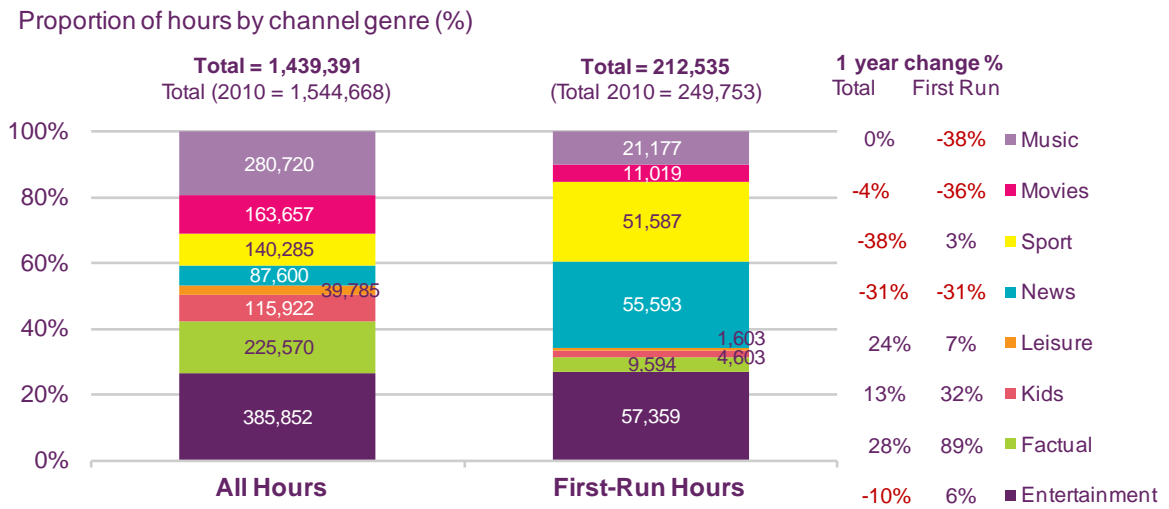
Multichannel broadcasters transmitted 1.4 million hours of output in 2011

Figure 2.37 focuses on the composition of broadcast hours in the multichannel sector. Channels in the Entertainment genre broadcast 385,852 hours of programming in 2011, more than a quarter (27%) of the total hours of output among the eight key genres included in our analysis. Total hours in these genres decreased by 7% in 2011 to 1,439,391 hours.

Total first-run multichannel hours decreased in 2011, by 15% year on year to 212,535 hours. News channels represent a disproportionately high number of first-run hours (26% of the total) because the majority of their output is live, studio-based content.

First-run hours for Entertainment were up by 6% to 57,359 (27% of the total) in 2011, which may, in part, be explained by the increase in live reality-based talent shows.

Figure 2.37 Total multichannel hours and first-run originations/acquisitions : 2011



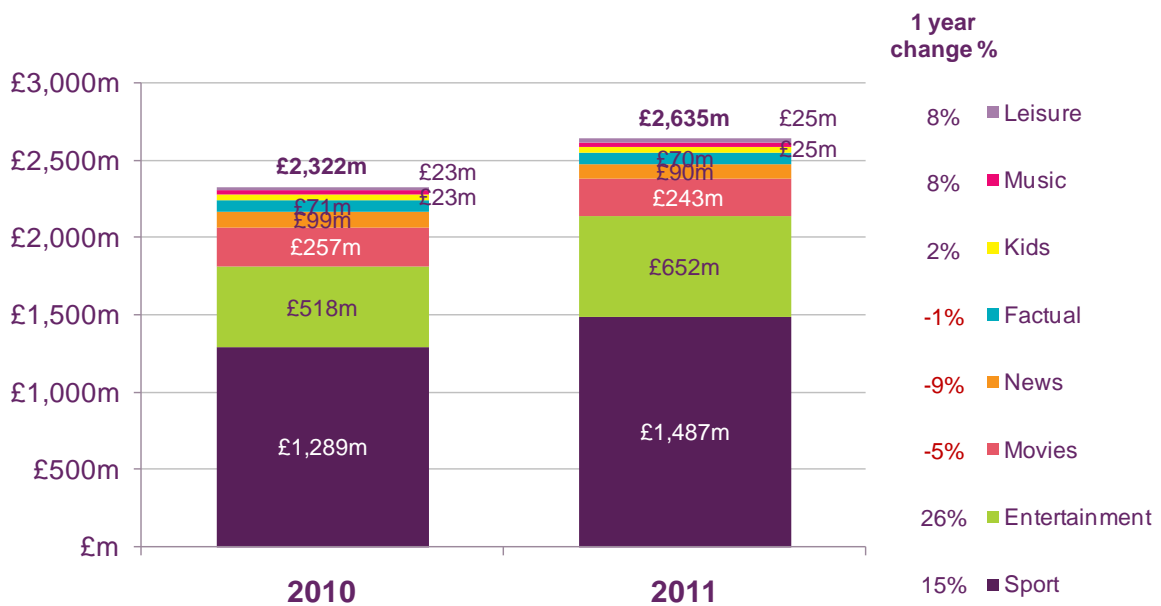
Source: Ofcom/broadcasters. Note: Broadcast hours exclude Sky Box Office and 'barker' channels, which promote TV content. First-run hours include first-run in-house, commissioned and acquired content.

Multichannel content spend increased by 13% in 2011 to £2.6bn

Commercial multichannel broadcasters in the eight mainstream genres spent £2.6bn on programming in 2011, a 13% year-on-year increase. At £1.5bn, sports programming represented more than half (56%) of the total multichannel spend, up 15% year on year. News had the biggest proportional decrease in content spending over the same period (-9%).

Investment in Entertainment channels rose by 26% to £652m, the second-largest genre after Sports.

Figure 2.38 Content spend by commercial multichannels in key genres: 2010 - 2011



Source: Ofcom/broadcasters. Note: Excludes BBC digital channels.

2.2.10 Other audio-visual revenue

Advertising remains the main source of revenue among online TV content providers, although competition increases between providers of subscription services.

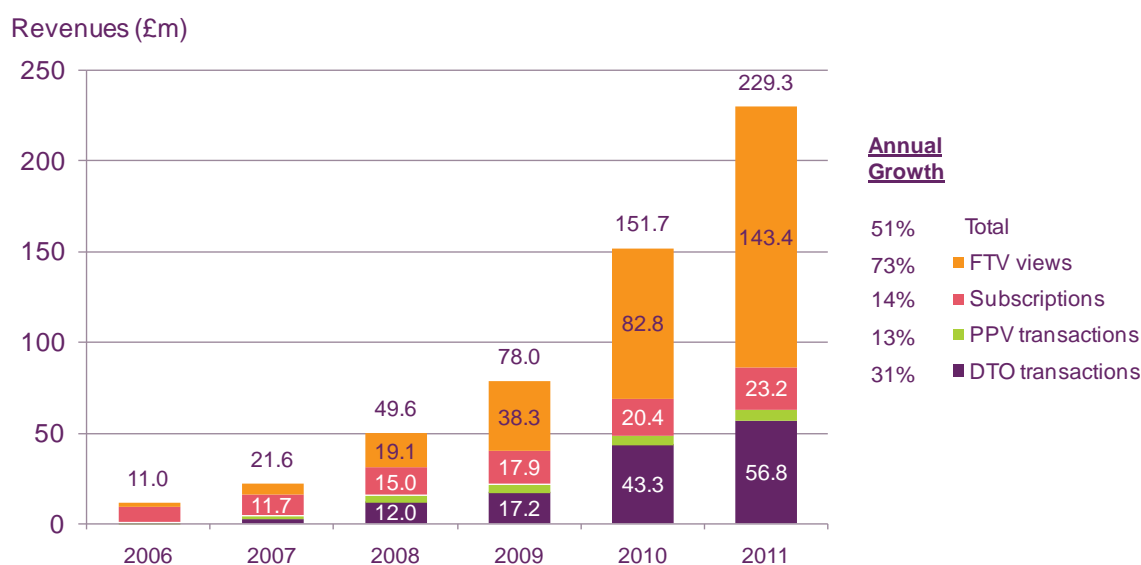
Online TV revenue in the UK has increased significantly in the last five years, from £11m in 2006 to £229m in 2011, according to data from Screen Digest. Year on year, the market grew by 51% in 2011, with total market revenue standing at £229m.

The free-to view (FTV) business model remains the principal contributor, through advertising income, to overall online TV revenues, accounting for £134m in 2011. The catch-up services from commercial PSB broadcasters, including ITV Player, 4oD and Demand 5, are all funded wholly or in part from this business model.

The pay-per view (PPV) and subscription models saw slower growth in 2011, increasing by 13% and 14% respectively. However, with the recent launch of a number of new services in this area, such as Netflix and Lovefilm's instant streaming service, these revenue streams are set to experience stronger growth in 2012.

The download-to own business model (DTO) experienced further growth in 2011, growing by 31% to reach £56.8m. This may be driven in part by the popularity of services such as Apple's iTunes, where consumers pay to download a permanent copy of a programme.

Figure 2.39 Online TV revenues



Source: Screen Digest. Note: FTV = free to view; PPV = pay per view; DTO = download to own.

2.3 The TV and audio-visual viewer

2.3.1 Summary

This section examines the availability and take-up of digital TV platforms and trends in television consumption, including some categories of non-linear viewing, during 2011. It also analyses viewers' attitudes to television. The key points include:

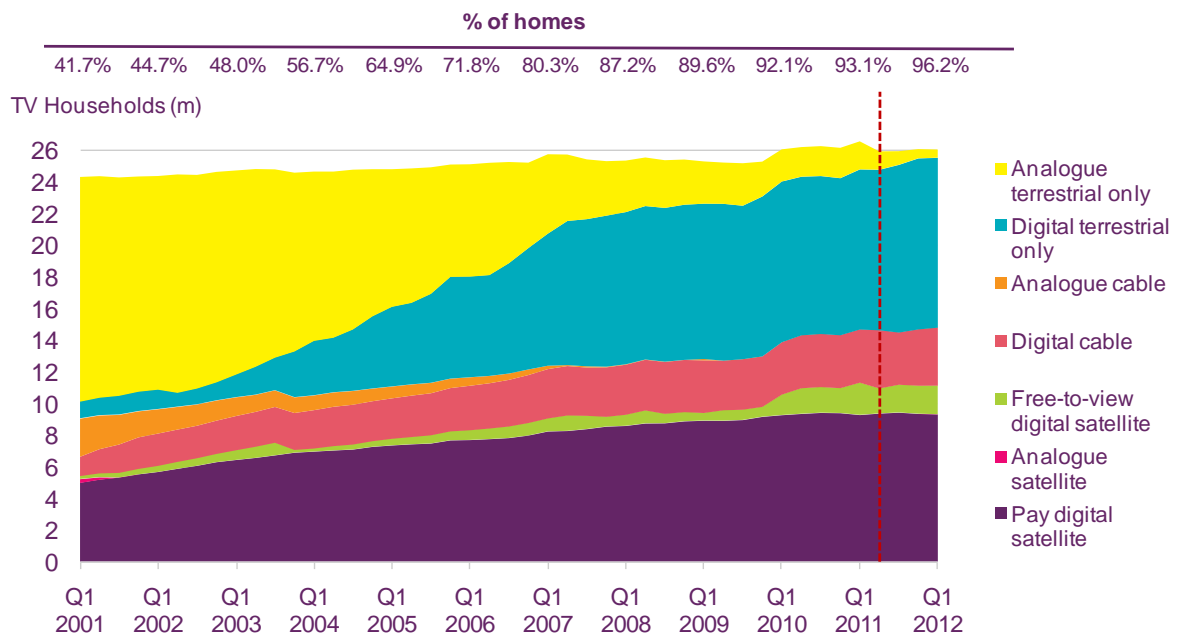
- **On average viewers watched 4 hours of television per day in 2011; this has remained stable year on year.**
- **The main five PSBs and their portfolio channels together attracted 73.5% of total viewing in multichannel homes**, an increase of 2.1pp since 2010. This is driven by the rise in viewing of the PSBs' portfolio channels, which now accounts for 20.3% of total viewing (up 2.9pp on 2010), whereas the main five PSB channels' share decreased slightly over this period, to a 53.2% share of viewing hours in 2011.
- **Around half (47%) of UK adults now have a digital video recorder (DVR) at home** (Q1, 2012). Among DVR homes, time-shifting represents 15% of total viewing. This has changed little since 2006 (13%). The results indicate that viewing programmes as they are broadcast remains the most popular way of watching television.
- **Among UK adults with home internet, 37% watch online catch-up TV (Q1, 2012)**, a small increase of 2 percentage points versus the same period in 2011. 16-24 year olds are most likely to use catch-up services (48%).
- **25 million people aged 2+ used any video content services online (March 2012) according to Nielsen/UKCOM data.** The results indicate no change in overall audience numbers compared to the same period last year.

2.3.2 Multichannel television take-up

Analogue terrestrial take-up declines further, to 3.8% of homes, as digital switchover nears completion

Digital TV penetration on main television sets increased further; to 96.2% of all UK homes in Q1 2012, as more regions switched to digital. BSkyB's pay digital satellite platform, and homes using only Freeview's digital terrestrial (DTT) service, continue to account for majority of digital homes. Only 3.8% of UK homes still exclusively use analogue terrestrial for television viewing.

Figure 2.40 Take-up of multichannel TV on main sets

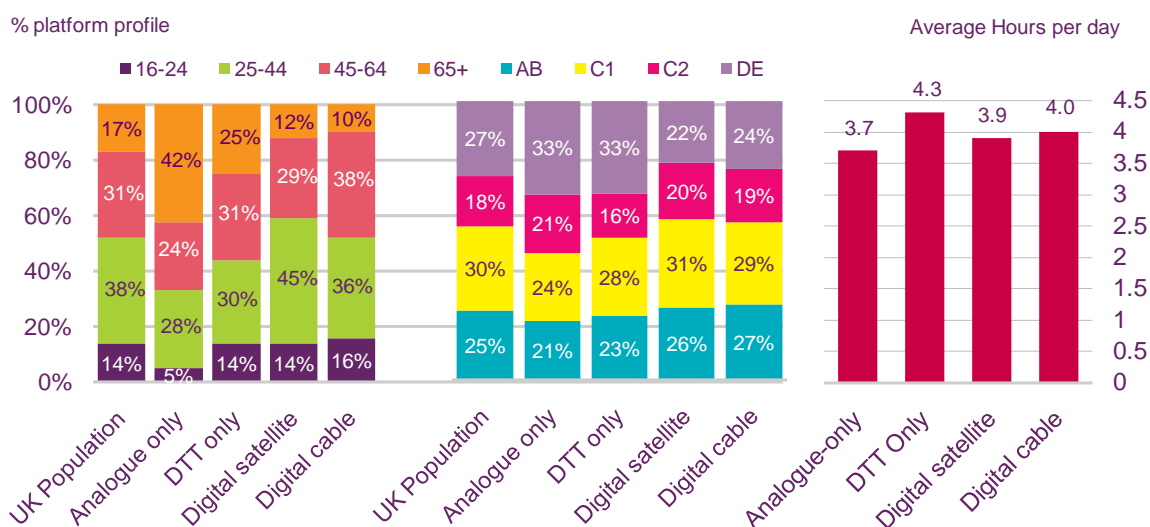


Source: BARB Establishment Survey from Q2 2011, Ofcom/GfK NOP research from Q1 2007, previous quarters include subscriber data and Ofcom market estimates for DTT and free satellite
 Note: Digital terrestrial relates to DTT-only homes.

Platform demographics

Figure 2.41 shows the age and demographic mix of TV platforms in 2012, together with television viewing by platform. Digital satellite and cable attracted a higher proportion of younger viewers than analogue-only and DTT platforms. DTT had the highest proportion of people aged 65+ of all the digital platforms, and also had the highest proportion of those from DE households. Individuals in households with DTT-only watched on average 4.3 hours of television per day, higher than the viewing average across those households with digital satellite or digital cable.

Figure 2.41 Platform demographics by age, socio-economic group and viewing hours



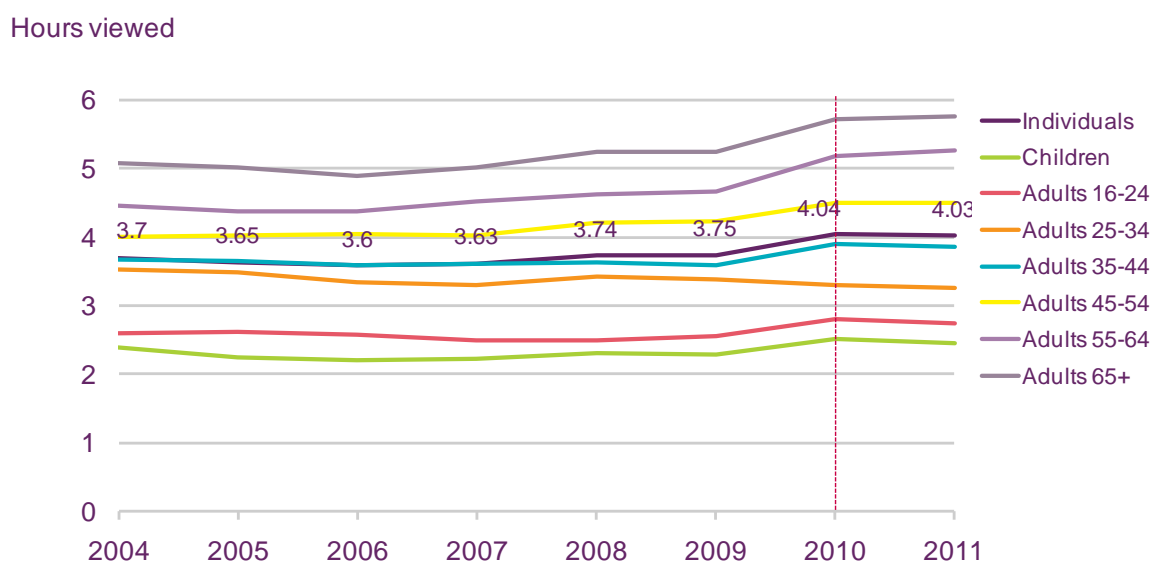
Source: Ofcom 2012 data and BARB 2011 data

2.3.3 Television viewing

Viewers watched on average 4 hours of television per day in 2011

According to BARB, the average number of hours of television watched by individuals in the UK has risen over the past eight years, from 3.7 hours a day in 2004 to 4.0 hours a day in 2011 (Figure 2.42). All the age groups have increased their viewing except for adults aged 25-34, whose viewing fell from 3.5 hours a day in 2004 to 3.3 hours per day in 2011. Adults aged 55-64 increased their viewing hours most; from 5.1 hours a day in 2004 to 5.8 hours per day in 2011. Year on year, viewing has remained stable at 4 hours per day.

Figure 2.42 Average hours of television viewing per day, by age, all homes

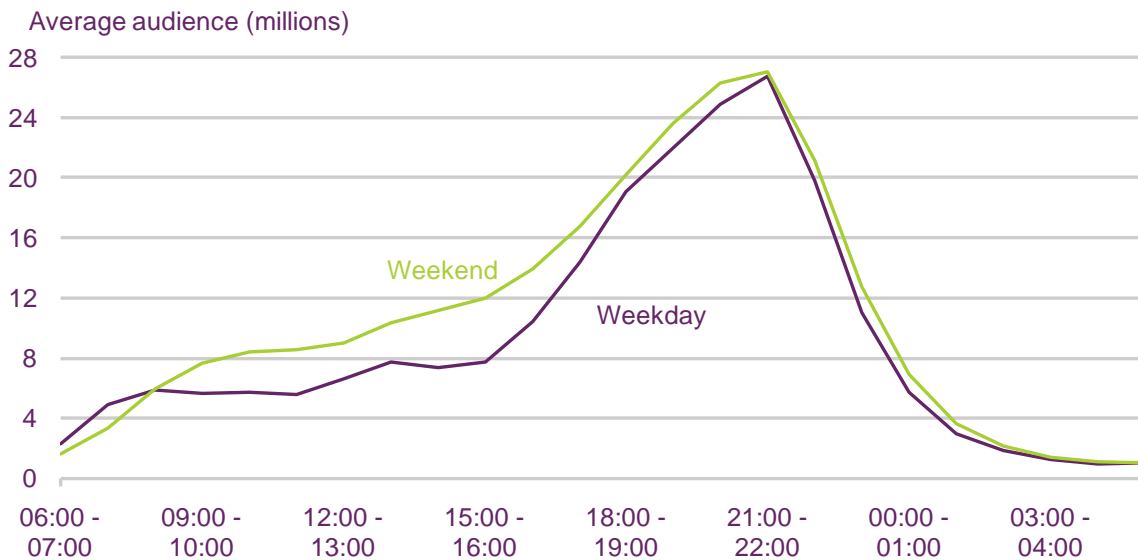


Source: BARB. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

TV audiences are higher during the day at the weekends

Figure 2.43 illustrates how television audiences tend to be larger at the weekends, with a gradual increase in viewing audiences throughout the day, until peak time viewing in the evening. This contrasts with the pattern of weekday viewing, with mini-peaks at breakfast and lunchtime, before the main peak in the evening. The only time that the weekday audience exceeded the weekend audience is during the morning breakfast slots from 6am to 9am.

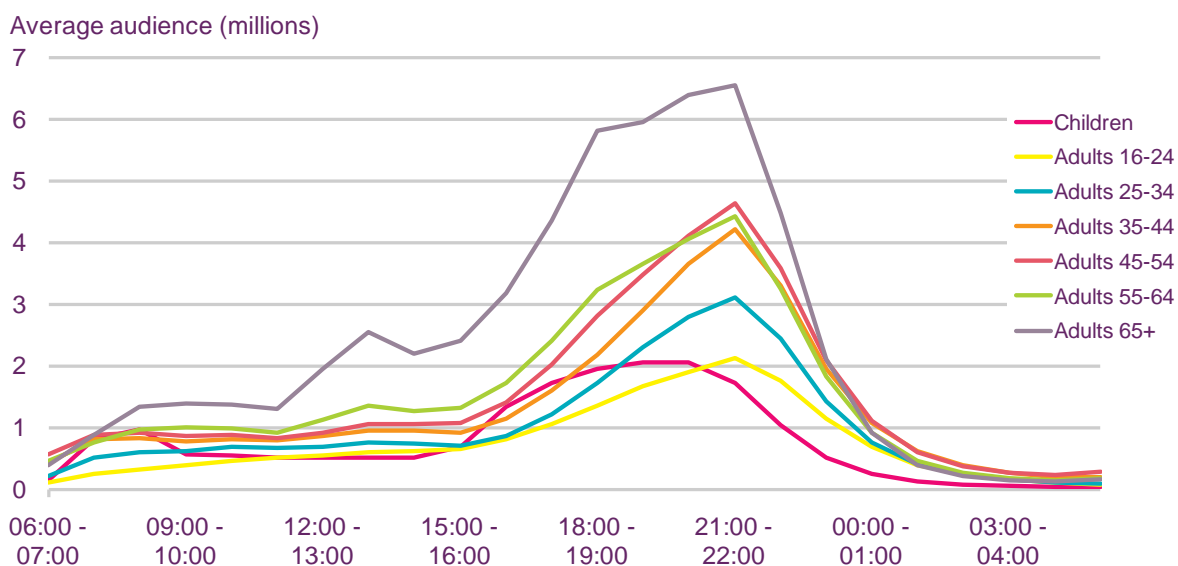
Figure 2.43 Average 2011 audiences, weekdays/weekends, by day part: all homes



Source: BARB.

Figure 2.44 depicts the age profile by day part on weekdays. Adults aged 65+ are, overall, the largest audience group throughout the day. The volume of viewers increases among all age groups from about 4pm onwards and reaches a peak between 9pm and 10pm. Children's viewing climbs at a steeper rate than adults' from 4pm, when they arrive home from school, and reaches a peak earlier in the evening, between 8pm and 9pm. Young adults aged 16-24 watch the least television, with a viewing peak of 2.1 million.

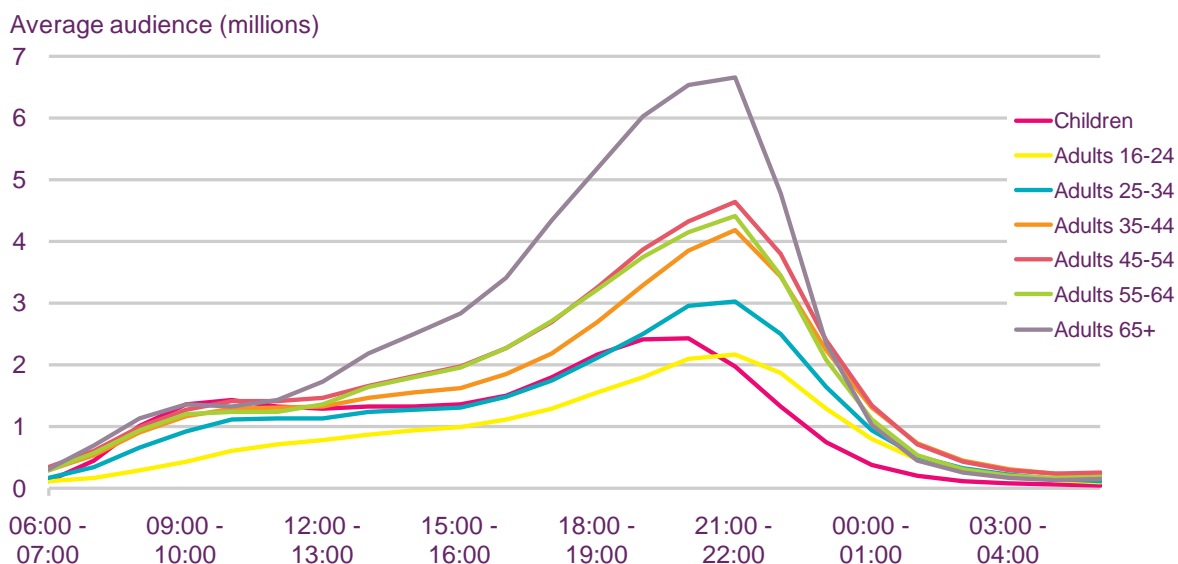
Figure 2.44 Average 2011 weekday audiences, by day part and age: all homes



Source: BARB.

At weekends, the average number of viewers rises early in the morning (except among adults aged 16-24) and then gradually increases throughout the day to peak at about 9.30pm. Children’s viewing peaks at about 10-11am and again between 8-9pm (Figure 2.45).

Figure 2.45 Average 2011 weekend audiences, by day part and age: all homes



Source: BARB.

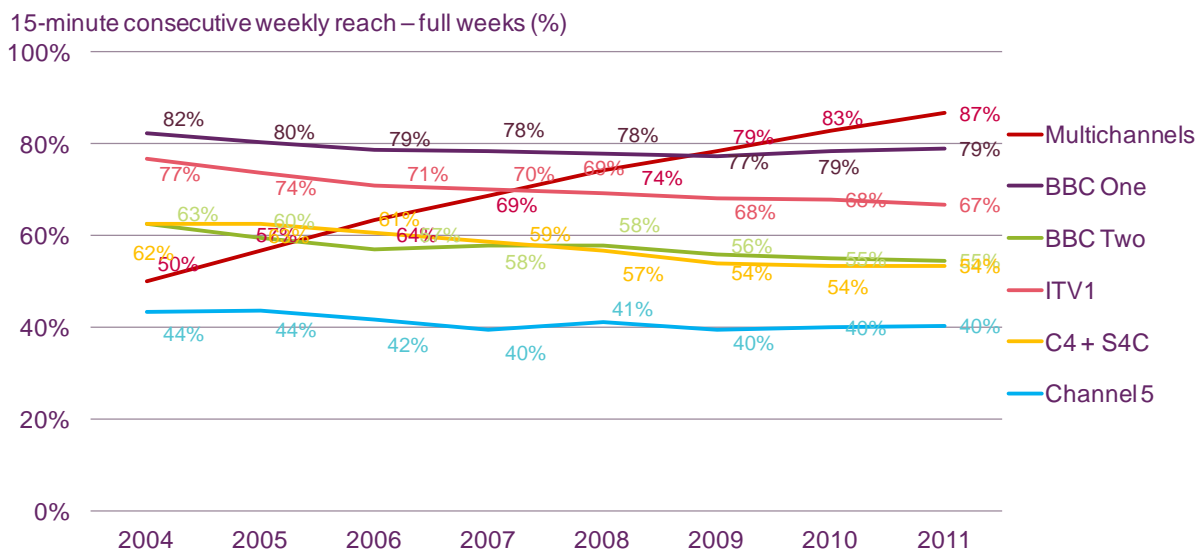
2.3.4 Channel reach

Collective reach of the multichannels is greater than each of the five main PSBs

The reach of each of the main PSB channels has been in decline since 2004 (Figure 2.46). ITV1’s reach fell by the greatest amount over the eight-year period (by 10 percentage points), followed by Channel 4 and BBC2, which both fell by 8 percentage points. The rate

of decline has slowed in the past two to three years. The impact of digital switchover has increased the average weekly reach of the multichannel services combined from 50% in 2004 to 87% in 2011.

Figure 2.46 Average weekly TV reach in all homes, by channel



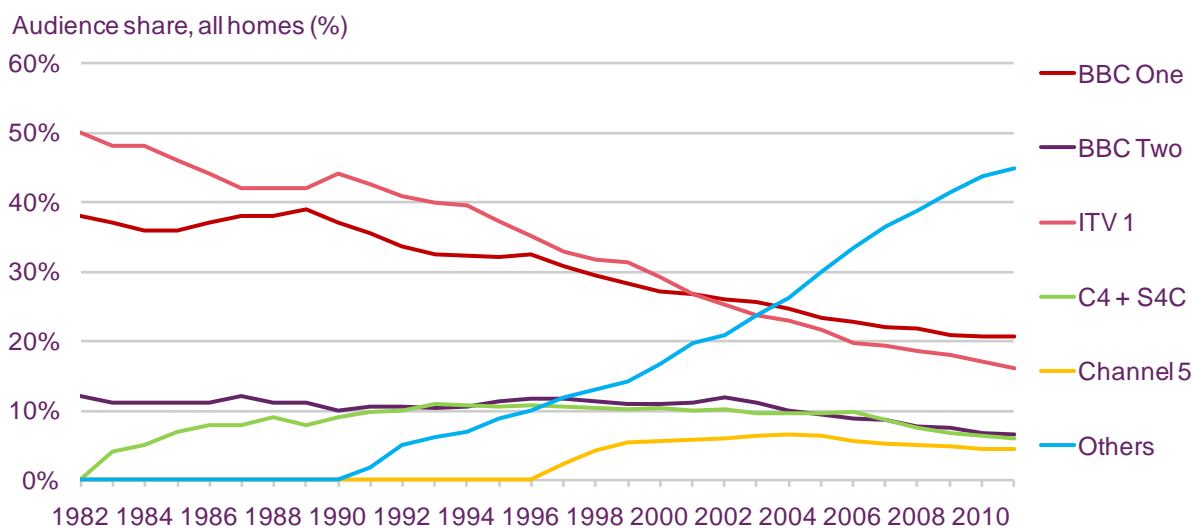
Source: BARB. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C's weekly reach in 2011 was 0.6%. HD and SD viewing included.

2.3.5 Viewing shares of the main five PSB channels

The combined share of the non-terrestrial channels reached 46% in 2011

Over the past two decades, the shares of each of the main PSB channels have declined, in the face of an increase in the number of non-terrestrial channels. This has particularly affected BBC One and ITV1. In 2004 the combined share of the non-terrestrial channels overtook any individual PSB channel, and as digital switchover began the share of viewing of the non-terrestrial channels continued to increase at the expense of the main PSB channels to reach 46% of total viewing in 2011. Over ten years, BBC One's share has decreased from 27% in 2001 to 21% in 2011, while ITV1's has dropped from 27% to 16% (Figure 2.47).

Figure 2.47 Channel shares, all homes: 1982 - 2011



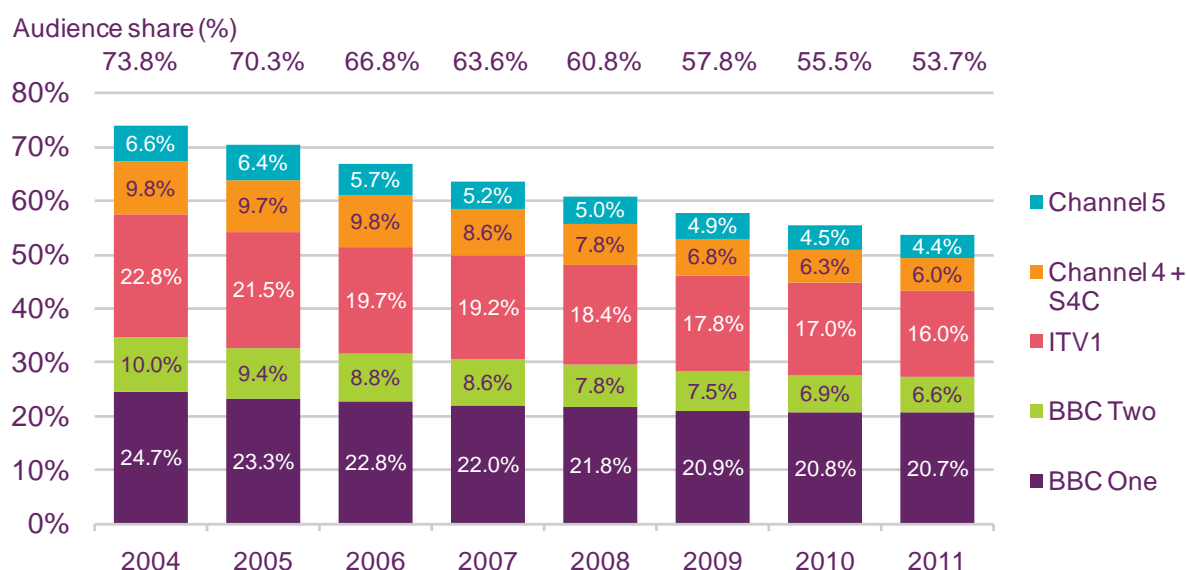
Source: BARB, TAM JICTAR and Ofcom estimates. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2011 channel share = 0.1%. HD and SD viewing included.

The combined share of the main five PSB channels stood at 53.7% in 2011

Figure 2.48 shows that the combined share of the five main PSB channels has continued to decline since 2004 across all homes, as more homes switch to digital and have access to a greater repertoire of channels.

Each of the five PSB channels' share has declined since 2004. BBC One fell by four percentage points over the eight-year period, although its share has stabilised in the last couple of years. BBC Two's share has declined by 3.4 percentage points since 2004, although its decline over the last two years has been much slower. ITV1 has suffered the greatest reduction in share since 2004, at 6.8 percentage points, and, its recent continuing decline in share, at one percentage point per year, is steeper than that of any of the other PSB channels. Channel 4 has declined by 3.8 percentage points across the entire period and Channel 5 by 2.2 percentage points.

Figure 2.48 Main five PSB channels' audience share, all homes

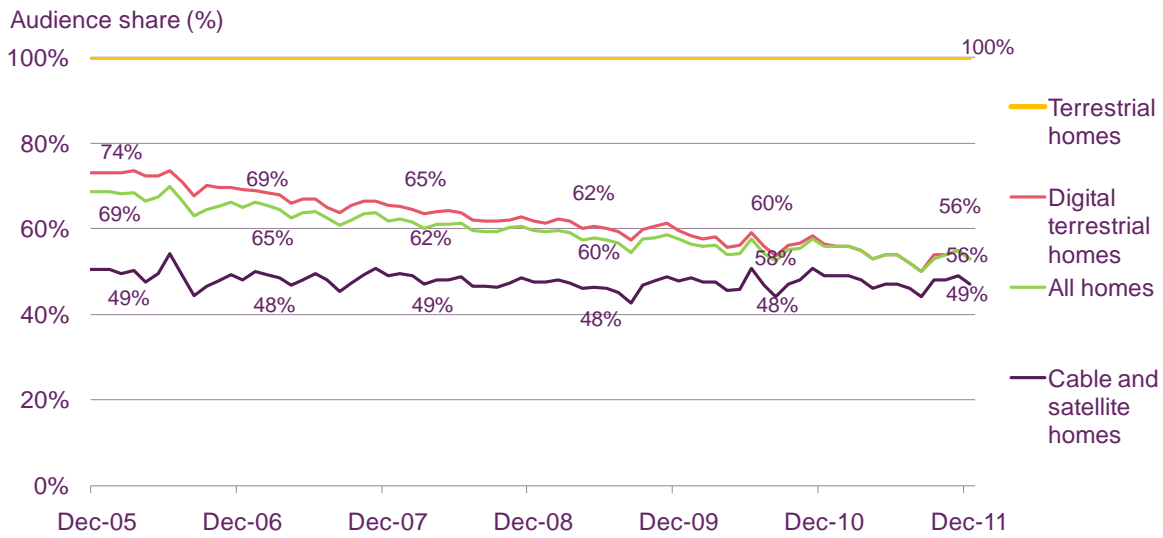


Source: BARB. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2011 channel share = 0.1%. HD and SD viewing included

The combined share of the main five PSB channels remains stronger in DTT homes

Figure 2.49 shows how the main five PSB channels have performed across different television platforms. The total share of the main five PSB channels remained stronger in DTT homes than in cable and satellite homes. However, while the difference between these platforms was much larger in December 2005 (74% in DTT homes and 49% in cable and satellite homes) over time the total share figures have converged. In December 2011 the total share of the main PSB channels in DTT homes stood at 56%, compared to 49% in cable and satellite homes. So even on the DTT platform, where viewing of the main PSB channels was strongest, there has been continuing decline, while across cable and satellite homes the overall PSB share has remained fairly stable.

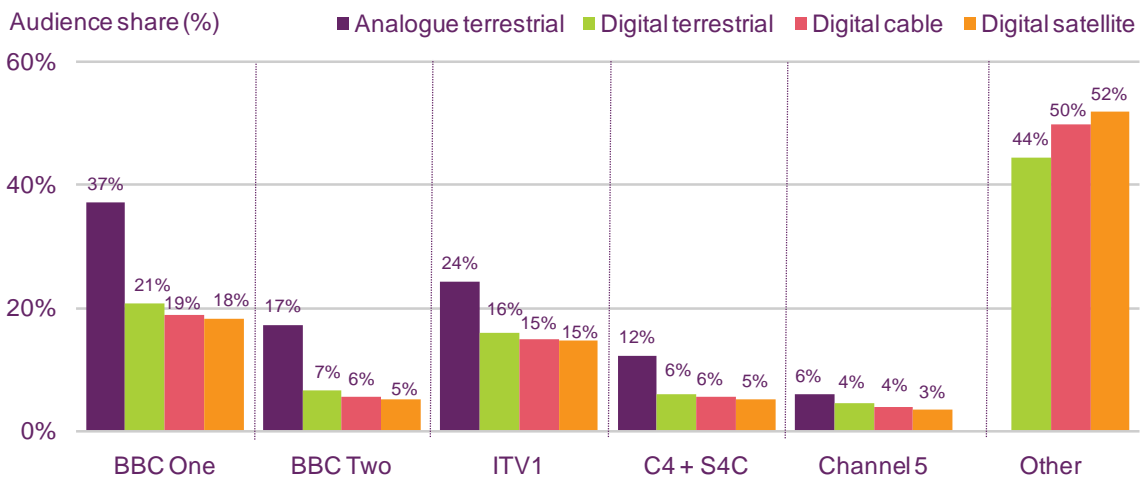
Figure 2.49 Main five PSB channels' audience shares, by platform



Source: BARB, all homes, all viewers, various platforms. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2011 channel share (all homes) = 0.1%. HD and SD viewing included.

Figure 2.50 breaks down each of the five main PSB channel shares by platform, illustrating how the PSB and non-terrestrial channel share varies between analogue terrestrial, digital terrestrial, digital cable and digital satellite viewers. As expected, the PSB channels perform the best in analogue terrestrial households. In digital terrestrial homes BBC One, BBC Two, and ITV1 perform marginally better than in digital cable and satellite homes.

Figure 2.50 Channel share, by platform: 2011



Source: BARB. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2011 channel share (all homes) = 0.1%. HD and SD viewing included.

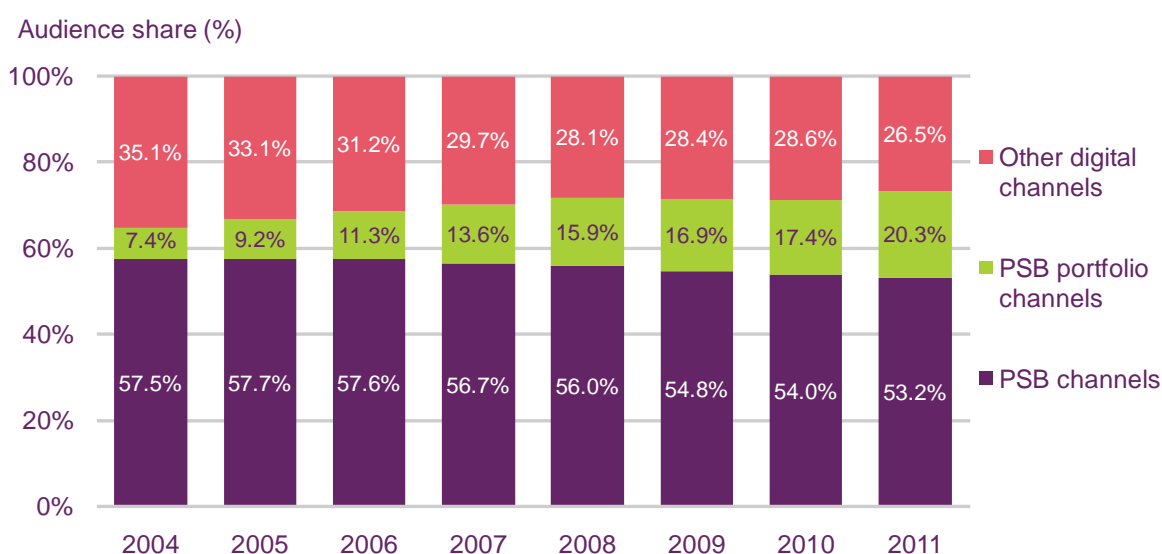
2.3.6 Multichannel broadcaster shares

The main five PSBs and their portfolio channels together attracted 73.5% of total viewing in multichannel homes

The PSBs each broadcast a number of digital portfolio channels (e.g. BBC Three, BBC Four, ITV2, ITV3, More 4, E4, Five USA, etc). These portfolio channels have seen an increase in share in multichannel homes from 7.4% in 2004 to 20.3% in 2011 (Figure 2.51).

The main five PSB channels experienced a year-on-year decrease of less than one percentage point, to reach a 53.2% share in 2011. However, taking the PSB channels and their portfolio channels together, their combined share in multichannel homes has increased from 64.9% in 2004 to 73.5% in 2011.

Figure 2.51 PSB and portfolio channel shares in multichannel homes



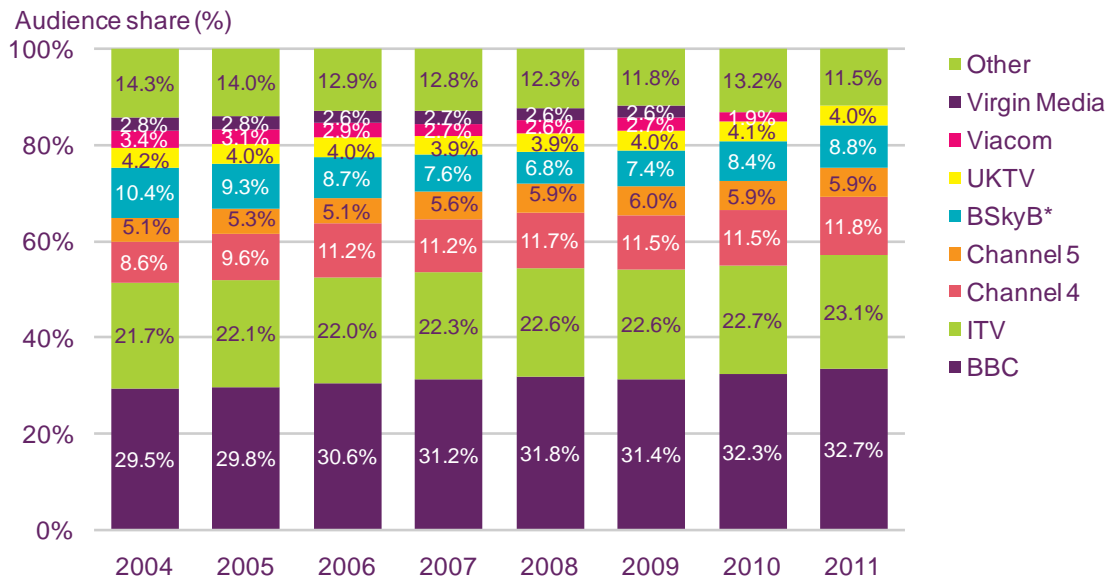
Source: BARB. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2011 channel share = 0.1%. HD and SD viewing included.

The BBC's channels account for the largest share of viewing in multichannel homes

Figure 2.52 illustrates the total audience shares in multichannel homes of each of the major broadcasting groups. Each of the public service broadcasters has seen an overall increase in viewing share since 2004. Their digital channels are responsible for this increase in overall share, and this demonstrates the growing contribution of these channels to each PSB's share overall. The BBC group of channels commands the largest share of viewing, at 32.7%, which has increased from 29.5% in 2004.

BSkyB's channel portfolio achieved 8.8% share in 2011, lower than its 2004 share of 10.4%. However, since 2008, when its share was the lowest recorded since 2004, at 6.8%, there has been a gradual recovery. Total share from the UKTV portfolio has remained fairly stable since 2004, at around 4%.

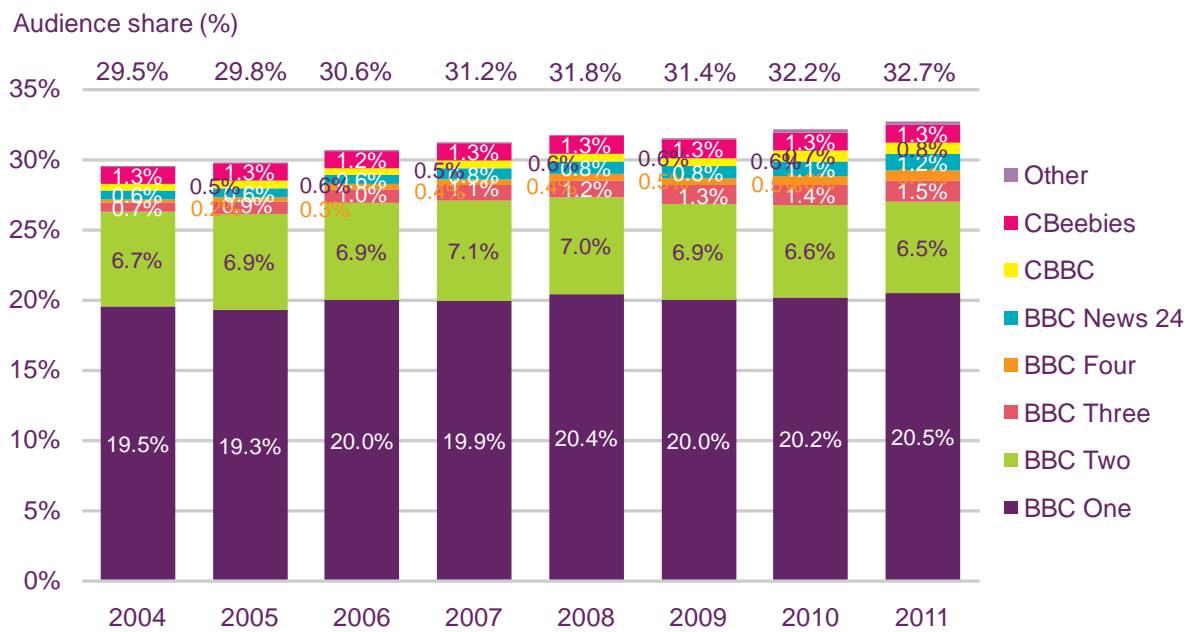
Figure 2.52 Broadcaster portfolio shares in multichannel homes



Source: BARB. Note: due to a new BARB measurement panel from 2010 onwards, post-2010 data should be viewed with caution when comparing with previous years. *BSkyB took ownership of VMTV in June 2010, Virgin Media TV portfolio shares are included in the BSkyB figure for the whole of 2010. ITV includes all ITV network channels, not just those owned by ITV plc. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2011 channel share = 0.1%. HD and SD viewing included.

The BBC's portfolio channels' share has increased by 3.2 percentage points since 2004 to reach 32.7% in 2011 (Figure 2.53). The increases were driven by the growing popularity of its digital channels, particularly BBC Three and BBC News.

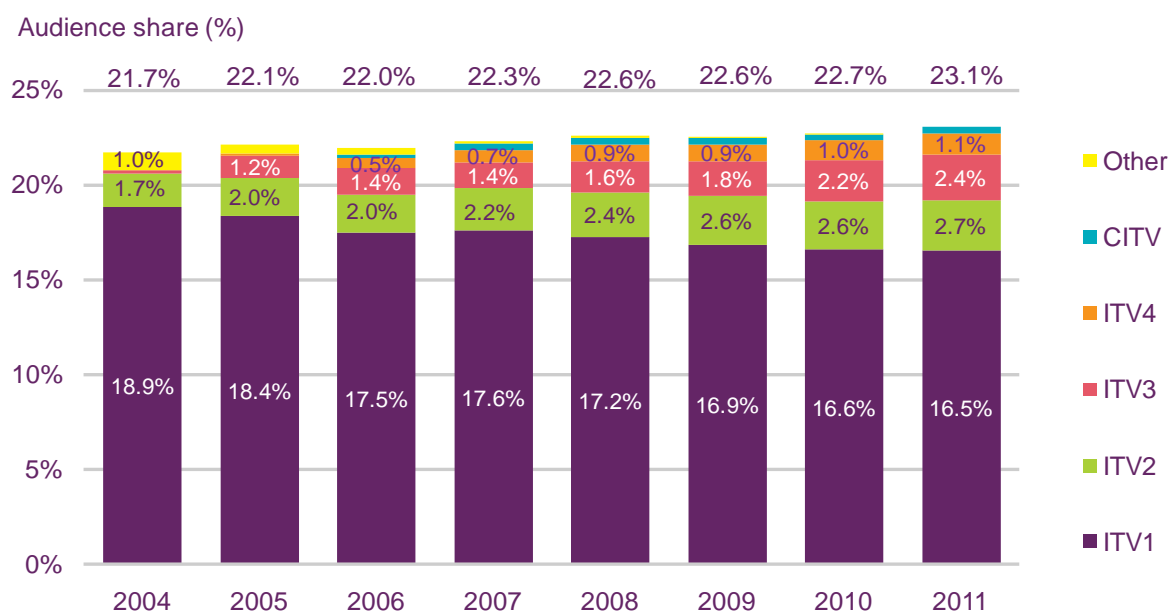
Figure 2.53 BBC portfolio share in multichannel homes



Source: BARB. Note: 'Other' includes BBC Parliament, BBC Choice, BBC HD and BBC Knowledge. Due to a new BARB measurement panel from 2010 onwards, post-2010 data are not directly comparable with previous years. HD and SD viewing included.

ITV's portfolio share has increased slightly since 2004; from 21.7% to 23.1%. However, the individual channels' contributions have varied over time (Figure 2.54). ITV2 has increased its share by one percentage point over the eight-year period. This is also the case for ITV4, which has increased its share from 0.5% in 2006 to 1.1% in 2011. However, ITV3's share has grown by the greatest proportion. Its share doubled from 1.2% in 2005 to 2.4% in 2011.

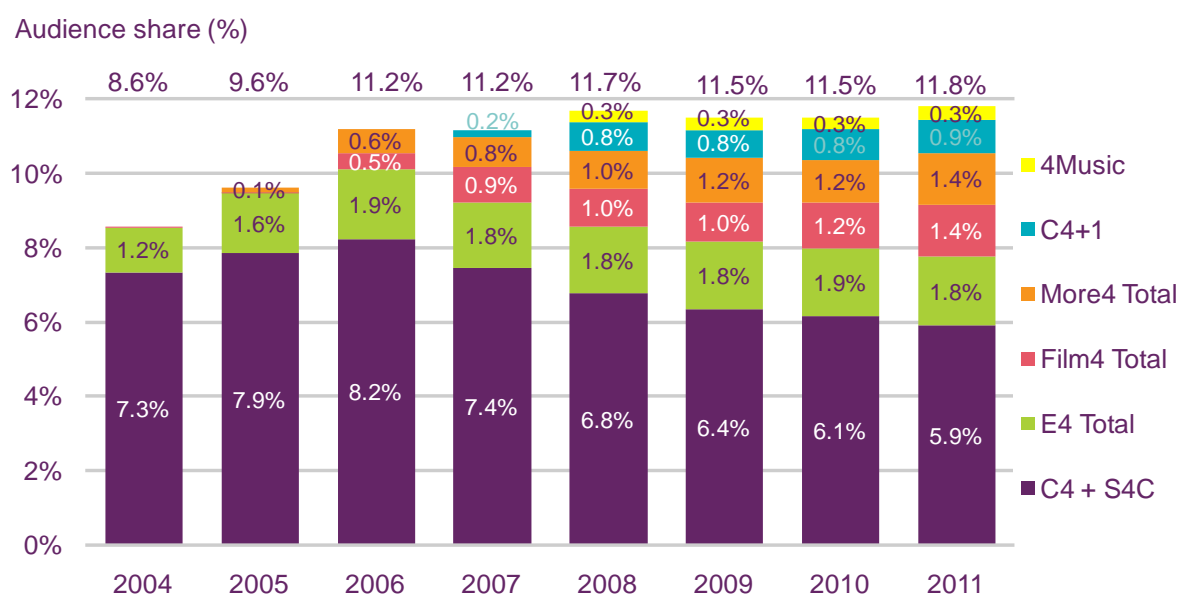
Figure 2.54 ITV portfolio shares in multichannel homes



Source: BARB. Note: 'Other' includes (when relevant) ITV Play, Men & Motors, GMTV2, Granada Breeze, Plus, ITV News. ITV1, ITV2, ITV3 and ITV4 and include +1 services' shares. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution

Channel 4's portfolio share in multichannel homes has increased from 8.6% in 2004 to 11.8% in 2011 (Figure 2.55). Since 2006, when Channel 4's main channel peaked at 8.6% share, it has declined year on year and in 2011 its share was 5.9%. E4's share has remained fairly stable since 2006. By contrast, Film4 and More4 both increased their share over the same period. Since its introduction in 2007, Channel 4 +1's share has been steady from 2008 to 2011.

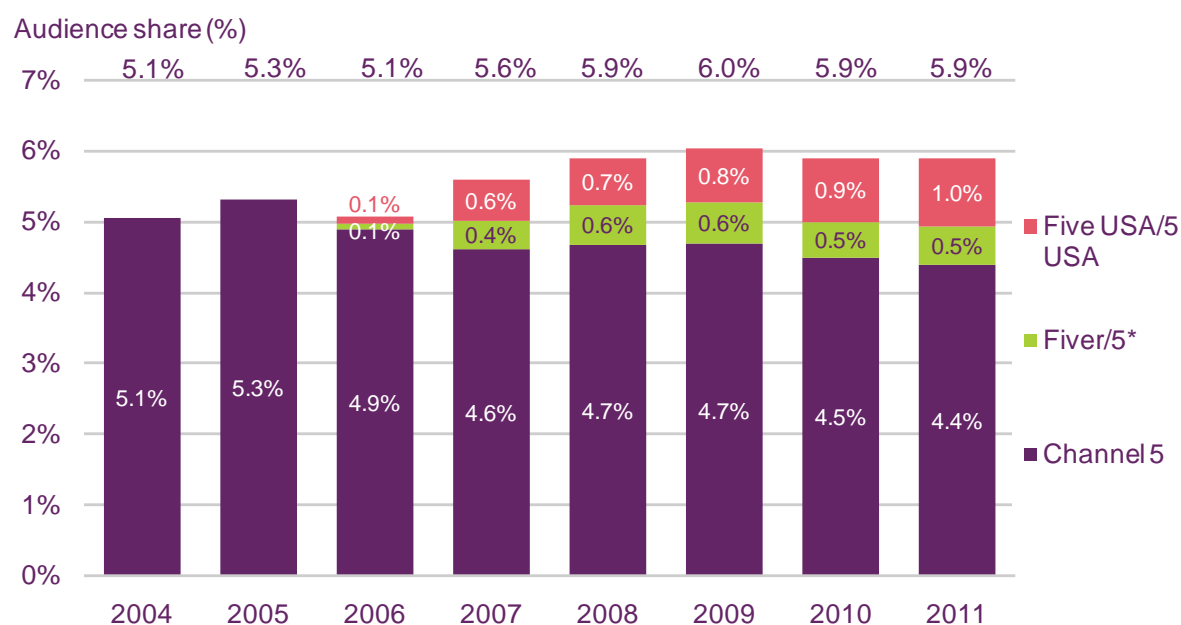
Figure 2.55 Channel 4 portfolio shares in multichannel homes



Source: BARB. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. E4, More4 and Film 4 respective +1 channel shares are included. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2011 channel share = 0.1%. HD and SD viewing included.

Channel 5's introduction of its digital channels at the end of 2006 helped increase its overall share from 5.3% in 2005 to 5.9% in 2011 (Figure 2.56). However, the main channel's share has declined; from 5.3% in 2005 to 4.4% in 2011. Since 2007, 5*'s (as it is now known) share has remained stable, whereas 5 USA has increased from 2007 to 1.0% in 2011.

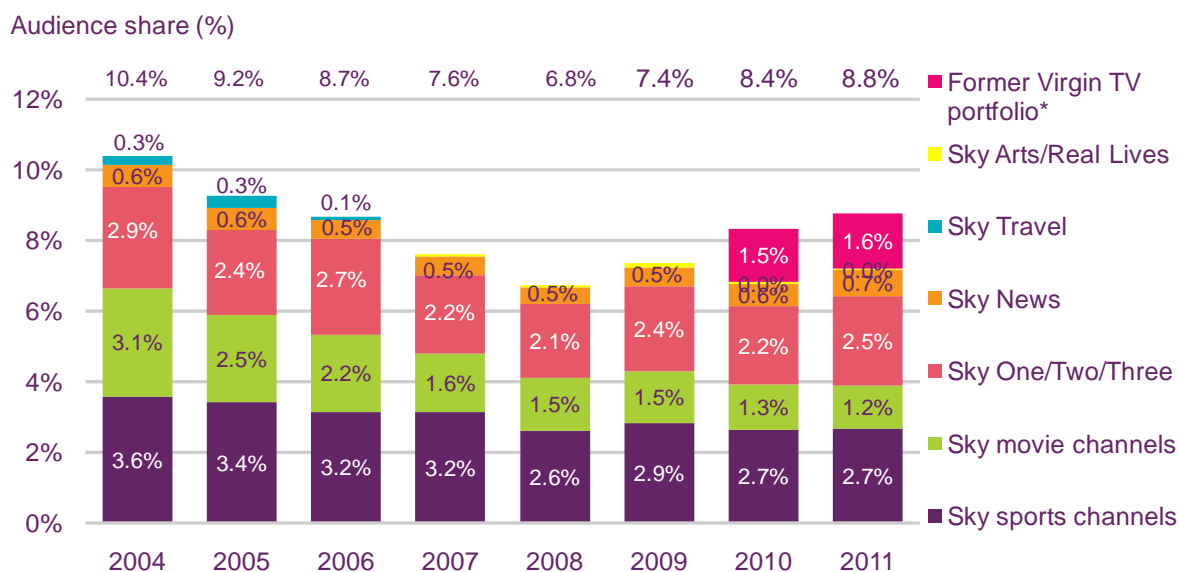
Figure 2.56 Five portfolio shares in multichannel homes



Source: BARB. Note: 5* and 5 US include their +1 service share. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. HD and SD viewing included.

BSkyB's portfolio declined from 2004 to 2008 and has increased each year to reach an 8.8% share in 2011 (Figure 2.57).

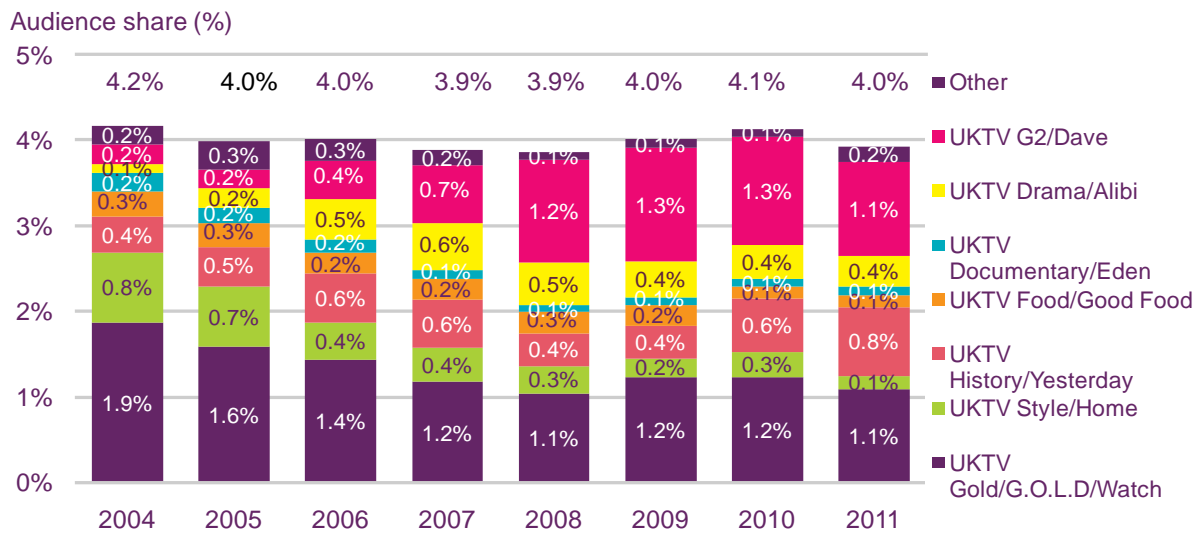
Figure 2.57 BSkyB portfolio shares in multichannel homes



Source: BARB. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. *BSkyB took ownership of VMTV in June 2010, Virgin Media TV portfolio shares are included in the BSkyB figure for the whole of 2010 onwards. HD and SD viewing included.

UKTV's aggregate share in multichannel homes has declined by 0.2 percentage points since 2004 (Figure 2.58). The individual channels which have been responsible for maintaining the overall share are Dave and Yesterday. Since its launch in 2007, Dave's share increased each year until 2010; then in 2011 the channel's share declined slightly, by 0.2 percentage points to 1.1%. Yesterday's share doubled from 0.4% in 2004 to 0.8% in 2011.

Figure 2.58 UKTV portfolio shares in multichannel homes



Source: BARB. Note: UKTV portfolio channels have evolved over the past twelve months. In the 2008 figures, new channel names and shares have been matched to old channels. Dave went live in Oct 2007. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. HD and SD viewing included.

The main five PSBs and their portfolio channels constitute 15 of the top 20 channels

Figure 2.59 shows individual channels ranked by share in multichannel homes. The top five channels are the five main PSB channels. The PSB portfolio channels also ranked highly, with ten of the remaining fifteen channels being a portfolio channel. UKTV’s channel Yesterday moved up in the rankings from 27th place in 2010 to 20th place in 2011. Dave channel fell from 12th place in 2010 to 16th in 2011.

Sky Sports 1 was the 13th most-viewed channel and Sky One ranked in 17th place, each in the same place as last year.

Figure 2.59 The top channels by share in multichannel homes: 2010 to 2011

Channel	Share		Rank		Channel	Share		Rank	
	2011	2010	2011	2010		2011	2010	2011	2010
BBC One	20.5%	1	1	1	CBeebies	1.3%	11	11	10
ITV1	16.5%	2	2	2	More4	1.2%	12	12	14
Channel 4	6.7%	3	3	3	Sky Sports 1	1.2%	13	13	13
BBC Two	6.5%	4	4	4	BBC News	1.2%	14	14	15
Channel 5	4.4%	5	5	5	ITV4	1.1%	15	15	16
ITV2	2.7%	6	6	6	Dave	1.1%	16	16	12
ITV3	2.4%	7	7	8	Sky One	1.1%	17	17	17
E4	1.8%	8	8	7	Pick TV	1.0%	18	18	18
BBC Three	1.5%	9	9	12	5 USA	1.0%	19	19	20
Film4	1.4%	10	10	11	Yesterday	0.8%	20	20	27

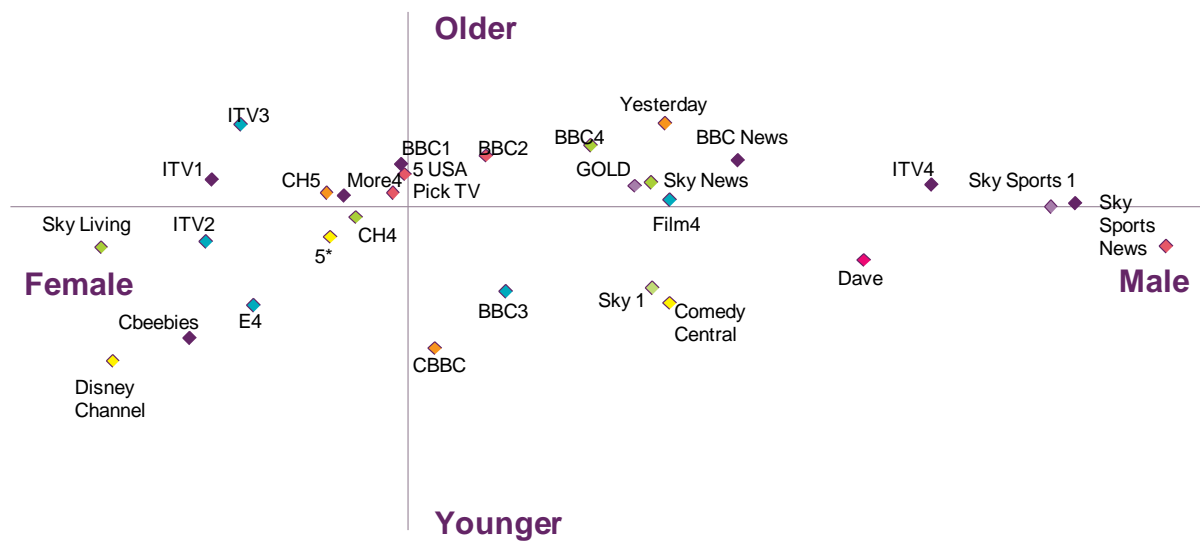
Source: BARB. Note: Includes channels' +1 services. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. HD and SD viewing included.

Channel demographics

Figure 2.60 plots the age and gender of the 30 most-viewed channels in multichannel homes in 2011. This is calculated relative to the TV population average (which includes children). Slightly more channels attracted an older male audience. With the exception of Channel 4, the remaining main PSB channels all skewed older, with ITV1, Channel 5 and BBC One skewed more female (with varying degrees) and BBC2 more male.

BSkyB had five channels in the top 30. Four of them skewed male (Sky Sports News, Sky Sports 1, Sky News, Sky 1), whereas Sky Living attracted more female viewers.

Figure 2.60 Age and gender profile of the 30 most-viewed channels in multichannel homes



Source: BARB. Note: The profile of a channel is calculated relative to the television population in multichannel homes. Includes channels' +1 services. HD and SD viewing included.

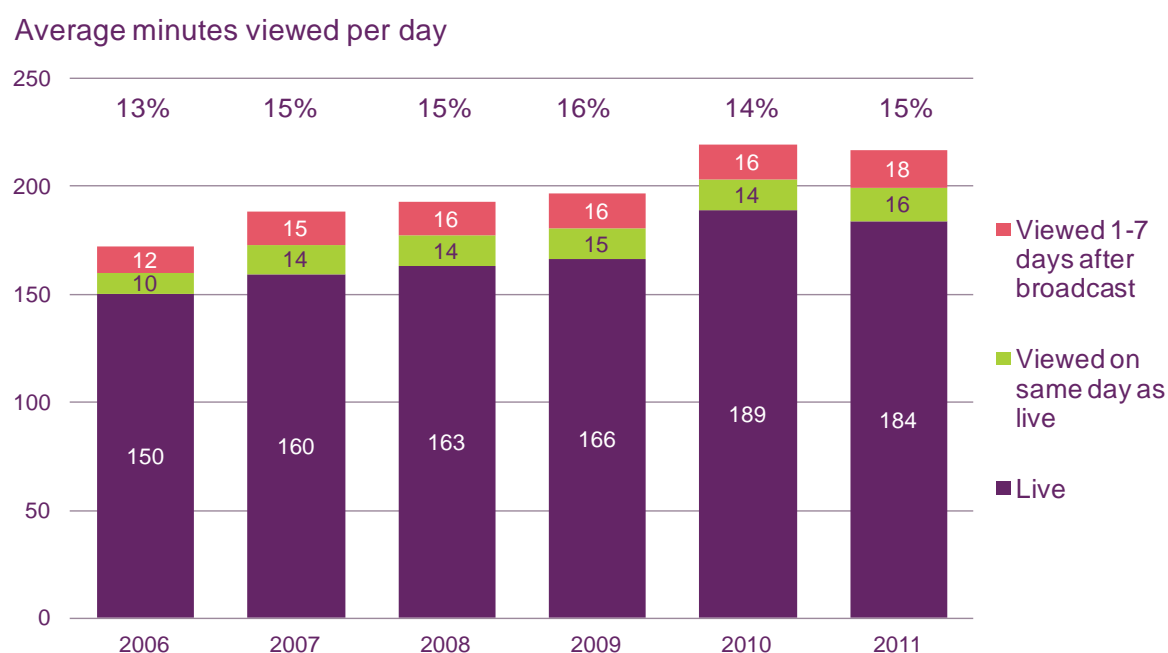
2.3.7 Live versus time-shifted viewing

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.

Viewing live television remains popular in DVR homes

Figure 2.61 shows that in DVR homes live viewing remains the main way of watching television. 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 2.61 Live versus time-shifted viewing, DVR homes

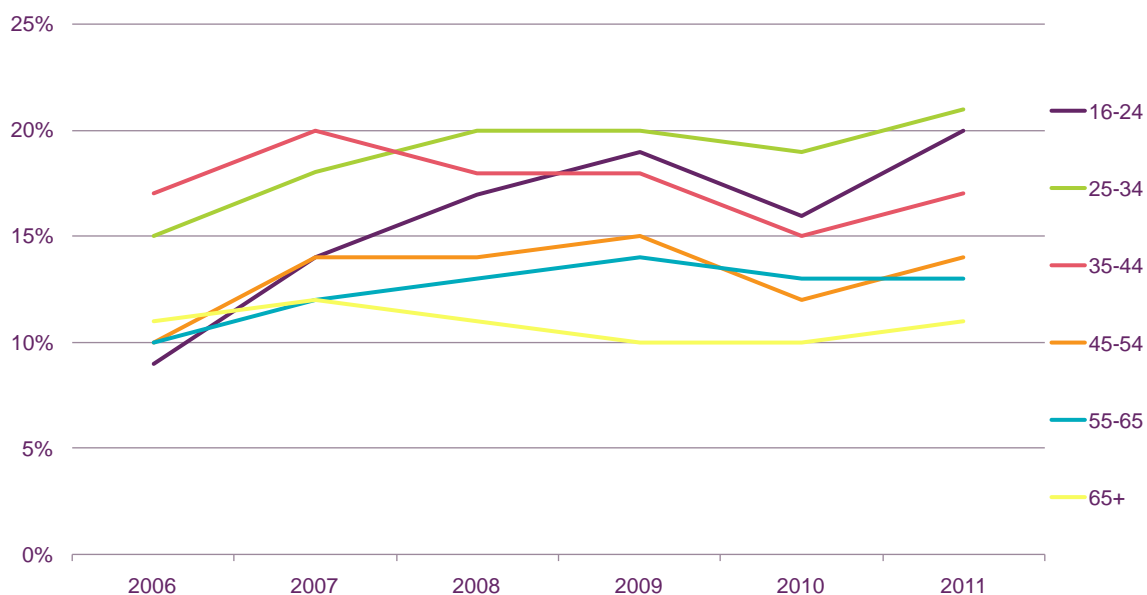


Source: BARB, DVR owners, all homes. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Time-shifted viewing defined as total minutes of viewing on same day as live (VOSDAL) + Viewing 1-7 days after broadcast (Coded Playback). All viewing (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 2.62 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 2.62 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.

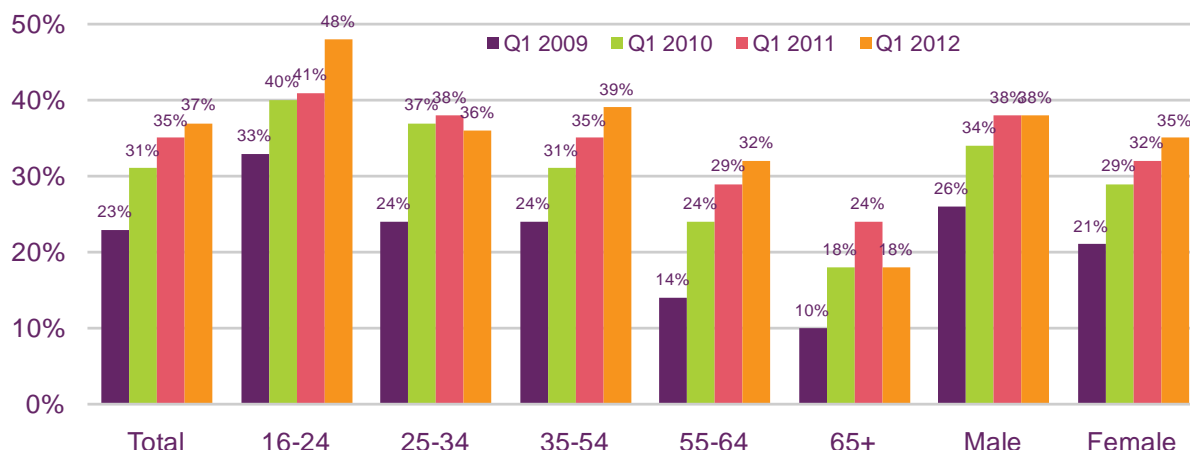
2.3.8 Use of online catch-up TV

37% of UK adults with *home internet* watch online catch-up TV

The increase in home broadband take-up, together with the broadcasters promoting their catch-up television services, are likely to have contributed to the growing popularity of these services. However, the latest results from Ofcom's technology tracker suggest that the rate of growth is slowing. In 2012, 37% of people with home internet claimed to watch online catch-up services, an increase of two percentage points since 2011 (35%).

Figure 2.63 shows that people aged 16-24 are most likely to use catch-up services (48%), an increase of seven percentage points since 2010.

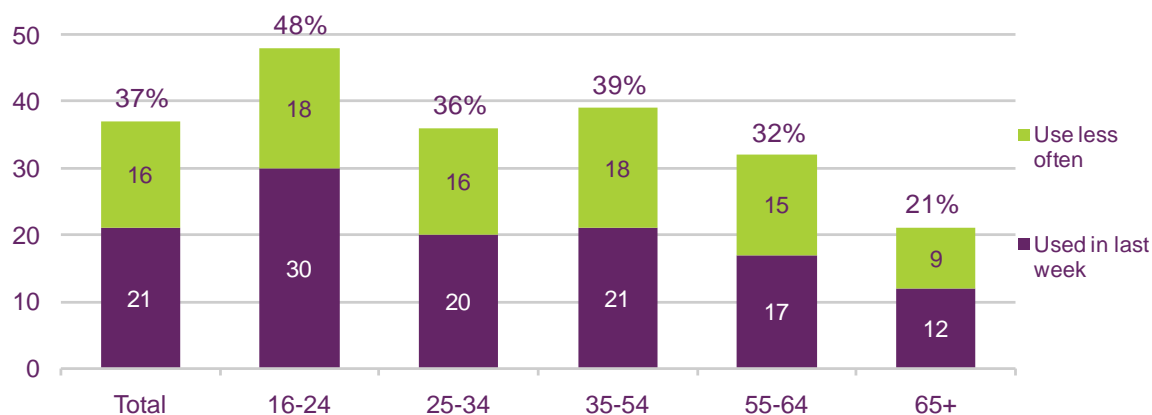
Figure 2.63 Proportion of adults with home internet who watch online catch-up TV: 2009 to 2012



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, 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 2.64 Proportion of adults with home internet who watch online catch-up TV



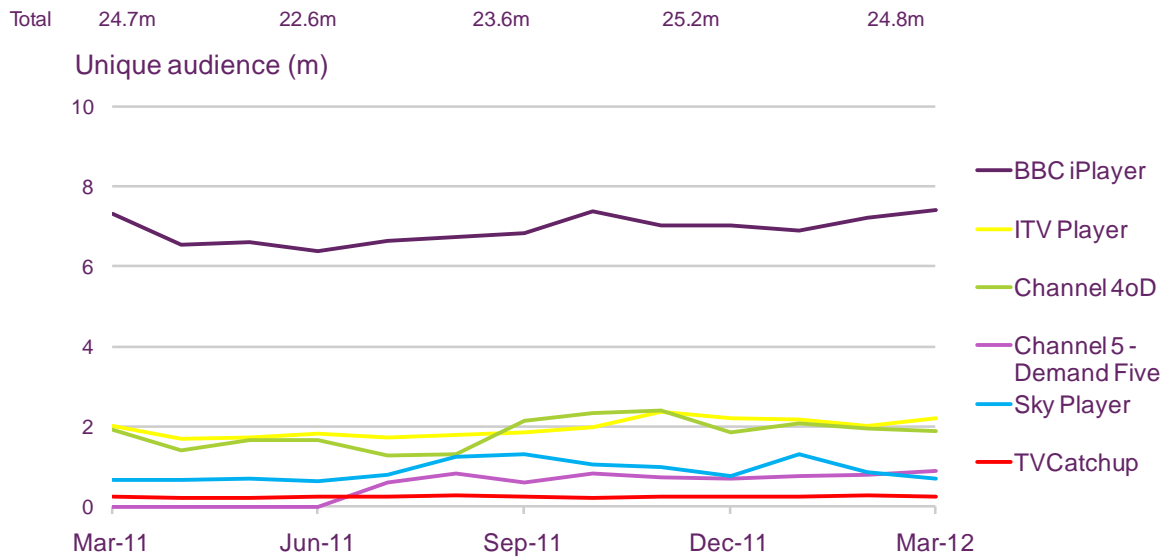
Source: Ofcom technology tracker Q1 2012. Base: All adults who have the internet at home (n=2823 UK, 423 16-24, 524 25-34, 1113 35-54, 431 55-64, 330 65+, 1367 Male, 1456 Female). Question: Which, if any, of these do you or members of your household use the internet for whilst at home? And which, if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

Nearly 25 million people use online catch-up TV services

Figure 2.65 shows the number of people who used online catch-up TV services each month over the past 12 months, according to UKCOM/Nielsen data. The results indicate that there has been little growth in the overall number using catch-up services in the past year, with total users estimated at 24.8 million people aged 2+ in March 2012 versus 24.7 million in March 2011.

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.

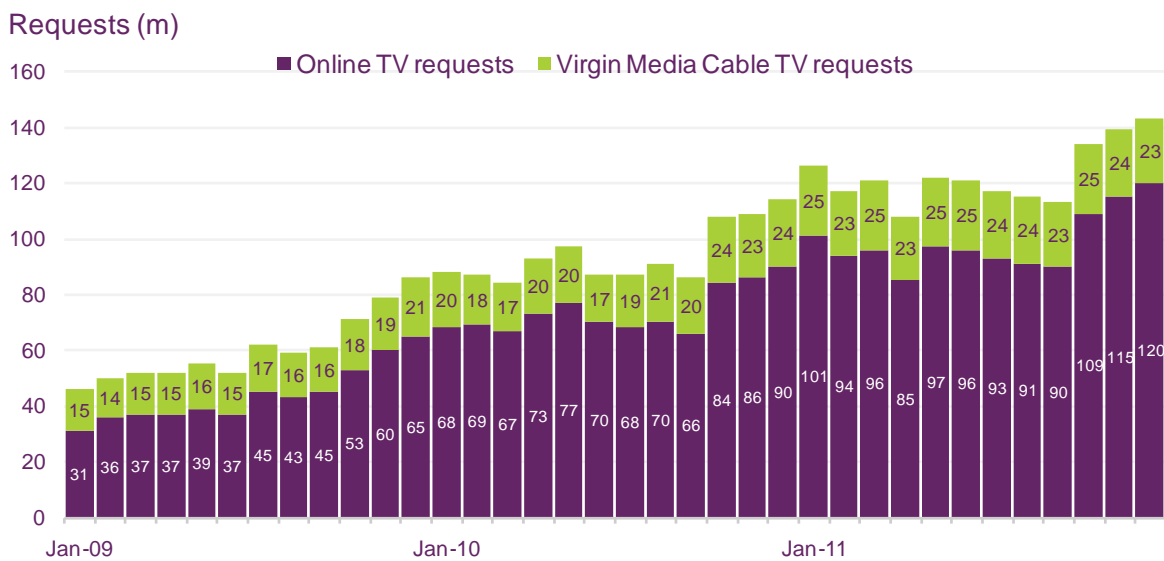
Figure 2.65 Unique audience to online catch-up TV services (millions)



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.

In total, BBC iPlayer received 143 million requests for TV programmes, online and via Virgin Media cable in December 2011, 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 stable year on year, at 23 million (Figure 2.66).

Figure 2.66 Requests to BBC iPlayer, by platform



Source: BBC

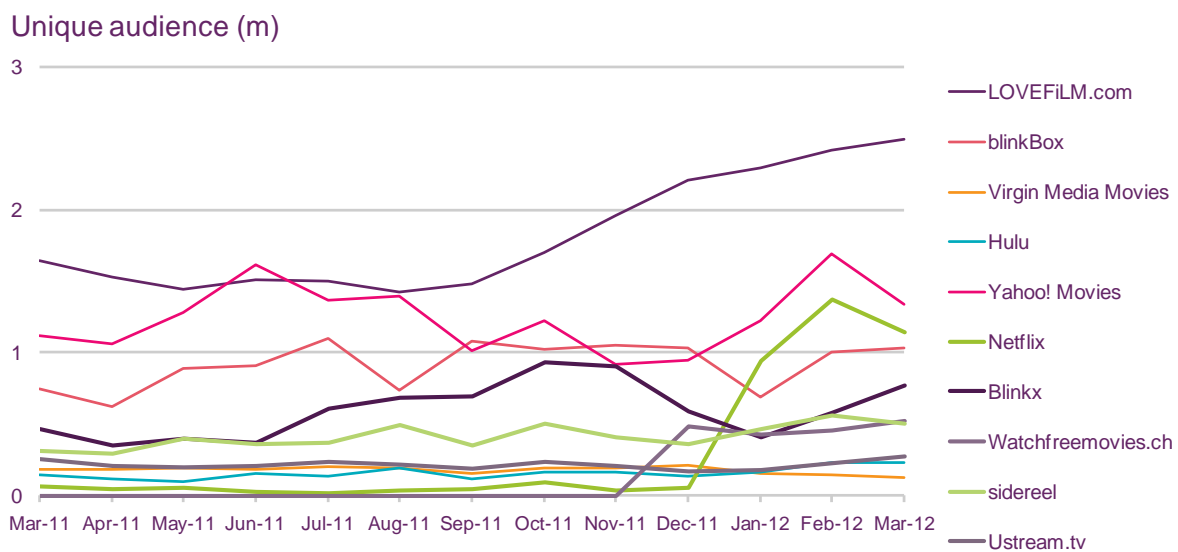
2.3.9 Use of online TV and film services

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 (see Figure 2.67 below). 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 2.67 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.

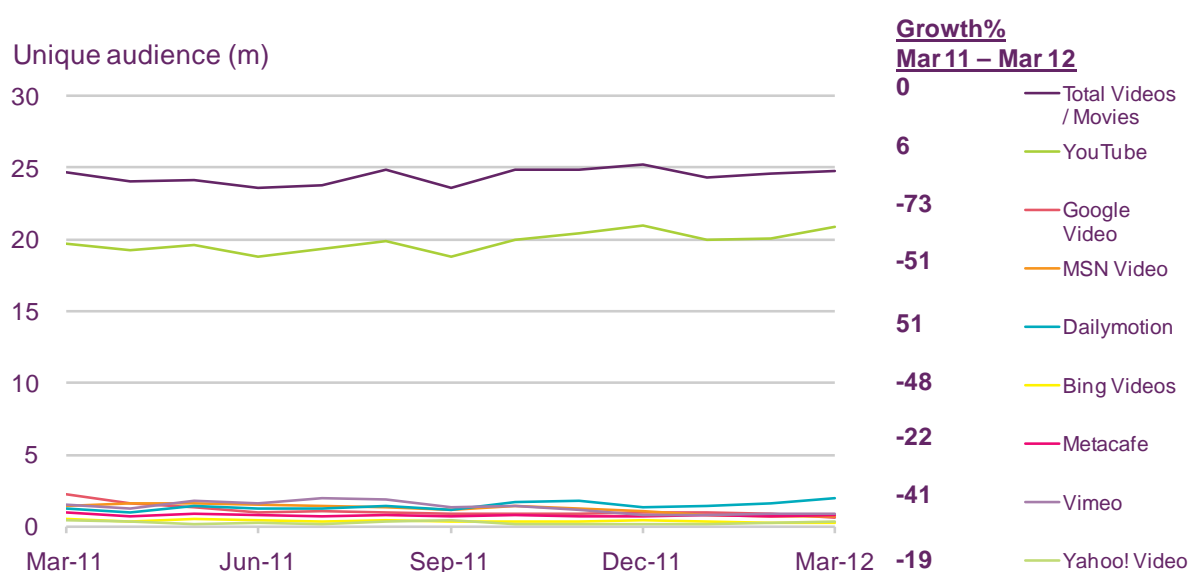
2.3.10 Use of online video sharing sites

The 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 (Figure 2.68).

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 2.68 Unique audience to selected video sharing sites (millions)



Source: UKOM/Nielsen, home and work panel.

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.

2.3.11 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.

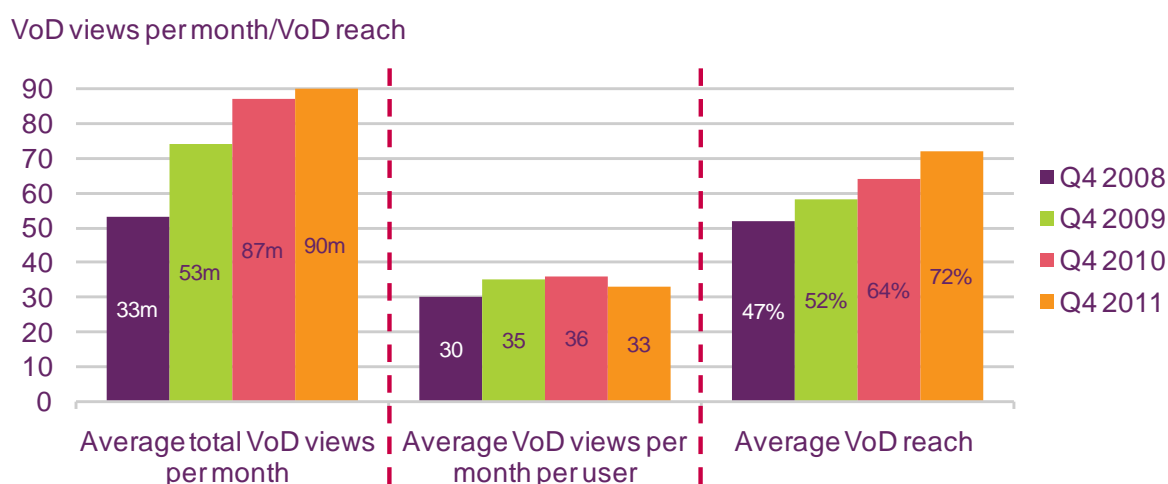
Average monthly reach for Virgin Media's VoD services increased by eight percentage points in 2011 to almost three-quarters (72%) of Virgin's television subscribers. Based on Virgin Media company data, the average number of monthly VoD views also increased by 3 million, to 90 million views in Q4 2011.

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 customers⁸¹, with apps accessed 2.4 million times in a typical month⁸².

⁸¹ Virgin Media Annual Report 2011

⁸² 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 2.69 VoD use in Virgin Media homes



Source: Virgin Media Company results 2008 - 2011

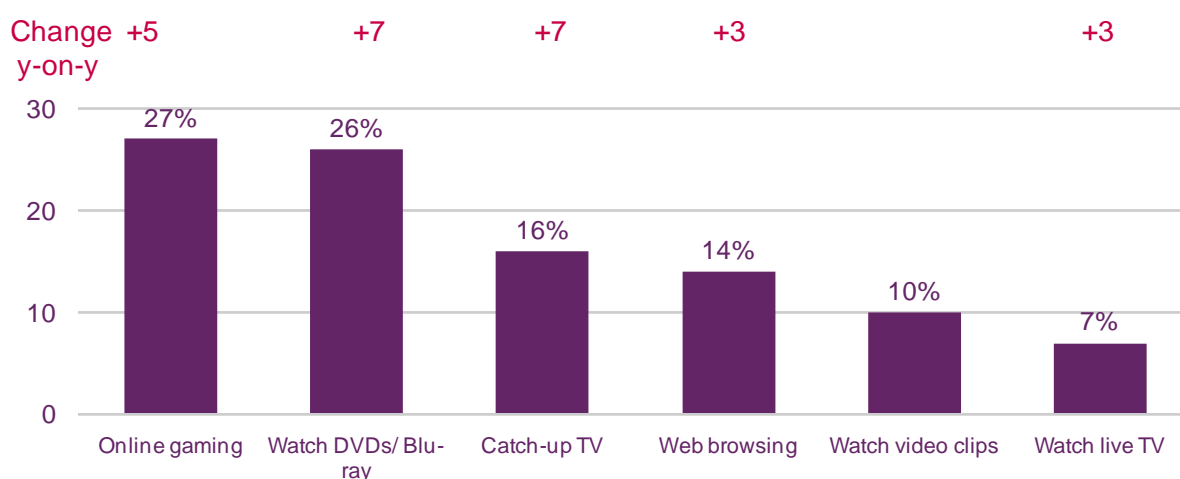
2.3.12 Use of games consoles for audio-visual content

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, according to Ofcom's *Technology Tracker* Q1 2012, 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 (see Figure 2.70). 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.

Figure 2.70 Use of games consoles to watch audio-visual content

% of households with games consoles that use the device for additional services



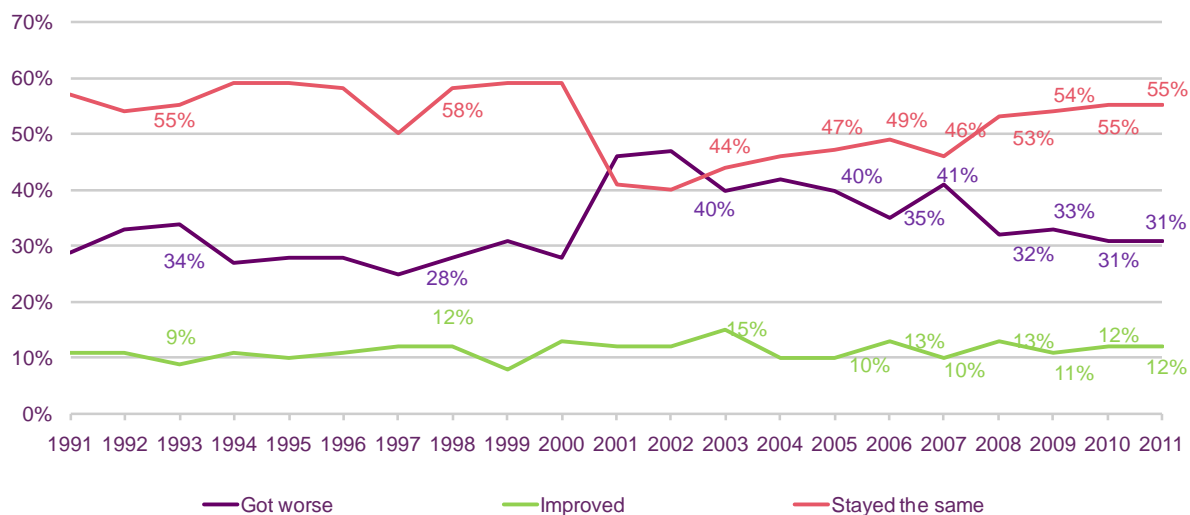
Source: Ofcom research, Q1 2012. Base: UK adults 16+ who have access to a games console at home (n=1958). QB5. Which, if any, of these do you use your games console for?

2.3.13 Consumer attitudes towards television

One third of people think TV programming has got worse in the past year

According to Ofcom's 2011 media tracker research, 31% of UK adults felt that programming on television had got worse in the past year. This figure remains unchanged since 2010 and down four percentage points over the five-year period since 2006. As in 2010, around half (55%) said programme standards had stayed the same in 2011 (9% higher than in 2006), whereas 12% said they had improved (down 1% versus 2006).

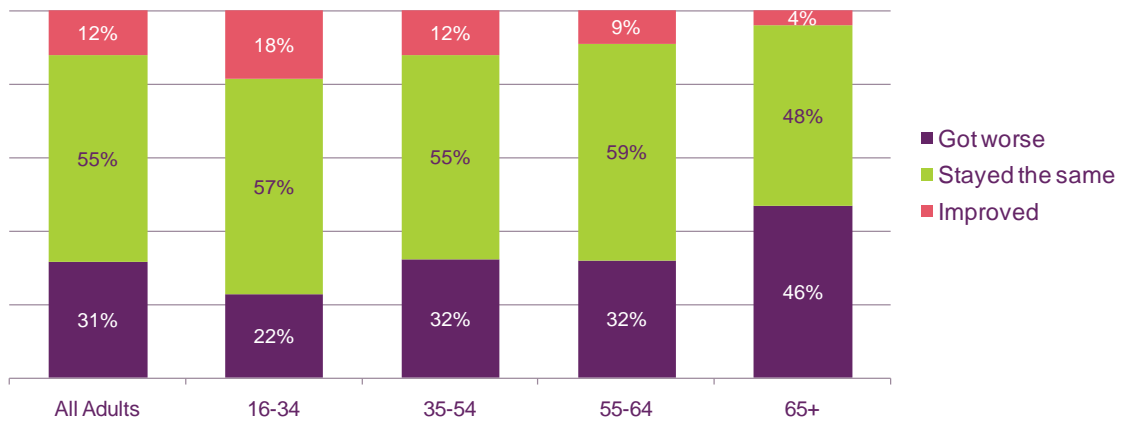
Figure 2.71 Opinions on programme standards over time



Source: Ofcom Media tracker. Base: All with TV, but excluding those never watching (1,723).

Among the different age groups, younger people were less likely in 2011 to say that programme standards had got worse (22%), whereas those aged 65+ were most likely to say that they had (46%).

Figure 2.72 Attitudes towards television programme standards 2011, by age

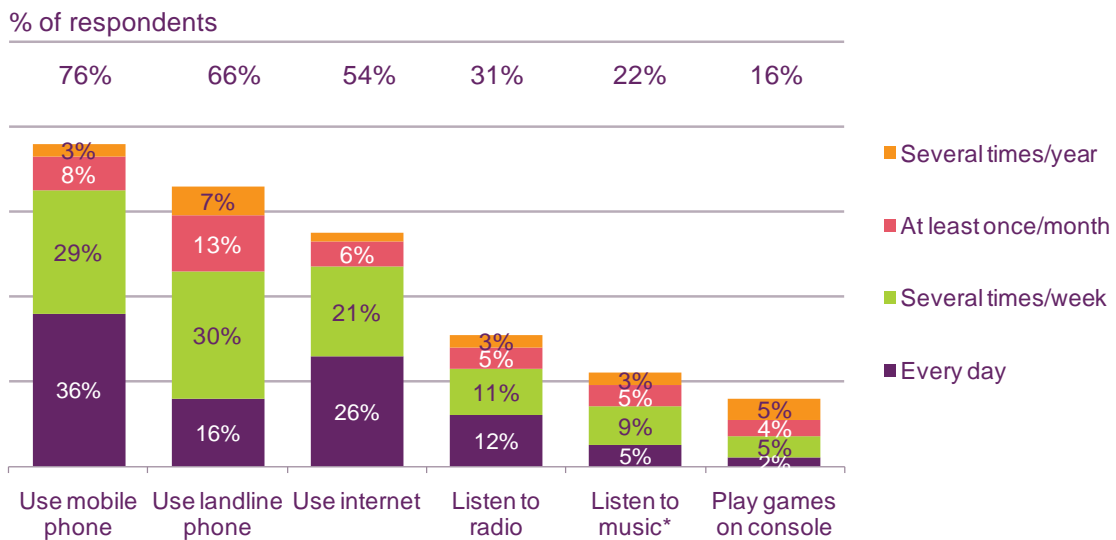


Source: Ofcom Media Tracker 2011. Base: All who watch TV (1,723); 16-34 (573); 35-54 (602); 55-64 (223); 65+ (325). Q - Do you feel that over the past year television programmes have improved, got worse or stayed about the same?

Around three-quarters of people use their mobile phone when watching TV

Ofcom's media tracker research shows that three-quarters of people use their mobile phone when watching television, with 36% saying they do this every day. Using the landline phone is the next most likely activity that people do while watching television (66%), followed by going on the internet (54%).

Figure 2.73 Multitasking when watching television

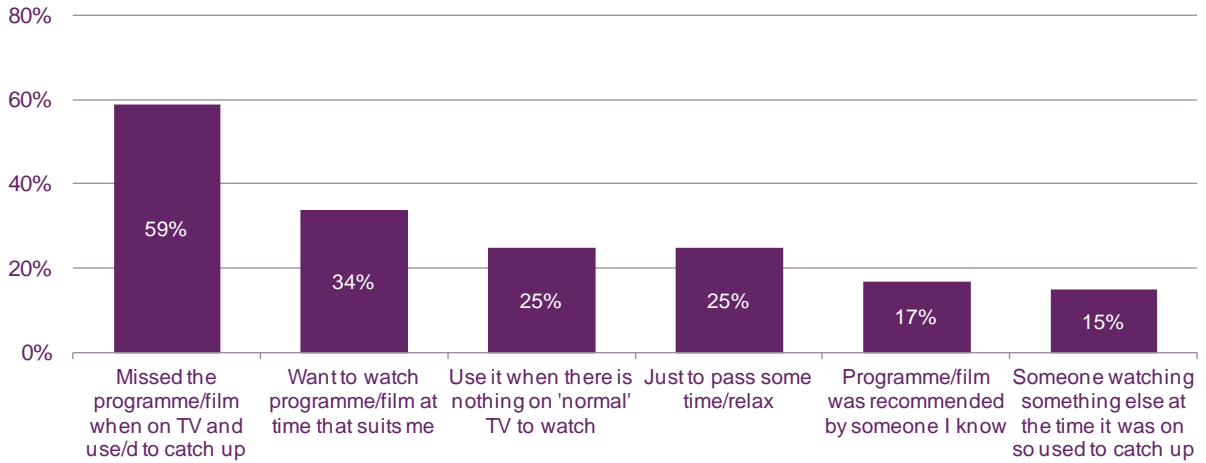


Source: Ofcom Media Tracker 2011 Base: All respondents. *On stereo or MP3 player or mobile phone or computer. Q - At the same time as watching TV on your TV set, how frequently, if at all, do you also do any of the following activities?

2.3.14 Consumer attitudes towards online TV and film services

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

Figure 2.74 Reasons for using online TV and film services



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