



# International Communications Market Report 2012

## **3 Television and audio- visual**

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# 3.1 Market developments in the TV and audio-visual markets

## 3.1.1 Industry metrics and summary

The TV and audio-visual chapter focuses on three topics – key market developments in the sector, industry revenue, and trends among TV and audio-visual consumers. It includes a global overview and country-level analysis of the 17 comparator countries.

- *Key Market Developments* details some of the major TV and audio-visual industry trends during the past year, covering analysis of global revenue, take-up of digital television and technology developments.
- The *TV and audio-visual industries* section focuses on key revenue trends in comparator countries, including financial results for major pay-TV and free-to-air broadcasters.
- The *TV and audio-visual consumer* section examines patterns of digital television take-up, including the adoption of high-definition television services and digital video recorders. This section also examines how viewers in different countries consume broadcast television channels and TV online.

Figure 3.1 TV industry metrics

	UK	FRA	GER	ITA	USA	CAN	JPN	AUS	ESP	NED	SWE	IRL	POL	BRA	RUS	IND	CHN	
TV revenue (£bn)	11.3	10.2	11.6	7.8	100	4.4	31.1	5.3	4.8	2.6	1.8	0.9	2.4	12.4	3.6	5.5	12.4	
Revs change (% YOY)	2.7	2.6	3.1	-2.7	6.5	5.7	2.8	4.4	-4.9	5.4	5.1	1.6	10.4	12.7	16.6	14.2	14.4	
Revenue per cap (£)	180	155	142	127	320	128	244	244	102	155	198	182	62	63	26	5	9	
from advertising	56	46	43	63	115	66	111	115	36	49	61	37	20	36	20	1	6	
from subscription	80	76	48	40	204	44	91	95	27	66	96	111	41	25	6	3	4	
From public funds	44	33	51	24	1	18	42	34	39	40	41	34	1	1	0	0	0	
TV licence fee <sup>1</sup>	146	107	187	97	n/a	n/a	200	n/a	n/a	n/a	199	139	42	n/a	n/a	n/a	n/a	
Largest TV platform	Platform	Dsat	DTT	Dsat	DTT	DCab	DCab	Dcab	DTT	DTT	Dcab	Acab	Dsat	DSat	DSat	ACab	Acab	Dcab
	% of homes	44%	30%	35%	43%	40%	53%	27%	49%	69%	47%	33%	53%	45%	45%	34%	58%	28%
TV viewing (mins/day) <sup>2</sup>	242	227	225	253	293	240	n/a	189	239	191	162	205	242	225	220	119	163	
No.1 channel share (%)	21	24	14	19	7	9	n/a	15	15	19	23	23	17	40	17	9	7	
DTV take-up (%)	99	97	66	93	89	87	77	83	100	77	67	90	62	69	40	40	43	
Pay TV take-up (%)	55	62	64	35	89	93	63	34	27	99	92	76	78	23	64	94	57	
DSO date	2012	2011	2008	2012	2009	2011	2011	2013	2010	2006	2007	2012	2013	2016	2015	2014	2015	

Source: IDATE / industry data / Ofcom / Mediametrie, Eurodata TV Worldwide. Figures have been converted to GBP using IMF 2011 average exchange rates. <sup>1</sup>The Japanese licence fee costs £117 in terrestrial households or £200 to receive a larger number of channels via satellite. <sup>2</sup>Refers to average TV viewing per head, per day.

Some of the key market developments seen during the past year include:

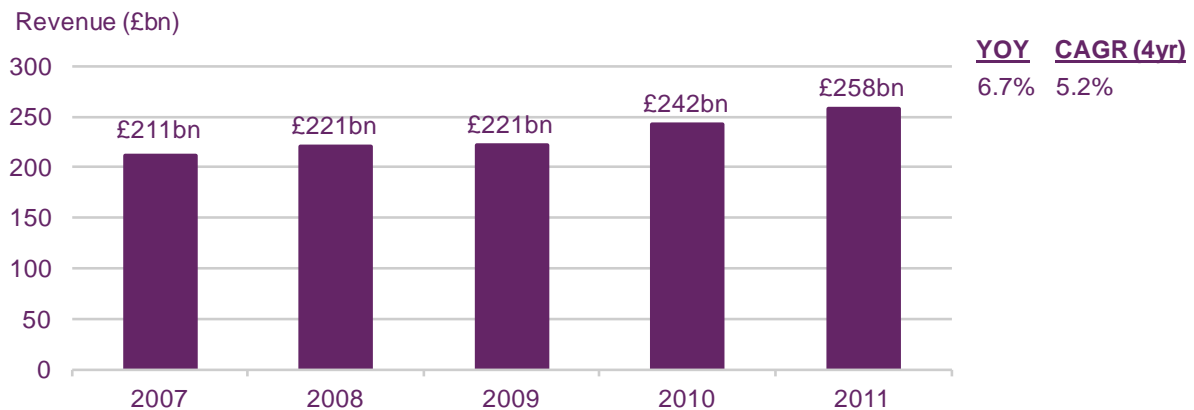
- **Global TV revenues increased in 2011, by 6.7% year on year, to £258bn.** Despite the challenging economic conditions, global TV revenues have increased by 5.2% on a compound annual basis over the four-year period since 2007.
- **Global subscription revenues show little sign of slowing down and increased for the fourth year in a row,** from £95bn in 2007 to £133bn in 2011 – a compound annual growth rate of 9%. At £133bn, income generated from subscription fees represented over half (52%) of the total global TV revenue of £258bn in 2011. In 2010 and 2007 subscription income as a proportion of total revenue was lower, at 50% and 45% respectively.
- **The global recovery in net advertising revenues seen in 2010 has been sustained in 2011,** with revenues increasing 3.5% (or £3bn) to £105bn year on year. Advertising income as a proportion of global TV revenue has declined over the past four years (from 46% in 2007 to 41% in 2011) while income from TV subscriptions has seen a corresponding increase over the same time period.
- **By the end of 2011, the vast majority of homes had digital television in the UK, France and Spain.** In the UK, 99% of TV homes had access to DTV at the end of 2011, a figure surpassed only by Spain where, following the completion of switchover, access to DTV stands at 100%. In France, penetration of digital TV stood at 97% in 2011.
- **Over a quarter (28%) of primary TV sets receive an IPTV service in France, where this constitutes a mainstream alternative to DTV.** In most other countries, including the UK, IPTV penetration is much lower, due in part to the challenges of gaining a foothold in the face of a range of well-established competing digital platforms.
- **The UK also has one of the highest proportions of TV homes with high definition among the countries included in our research - at 41%,** higher than France (18%), Germany (28%) and Japan (31%), but behind the US (49%).
- **People in the UK and France have the highest ownership of connected TVs among the countries included in our research.** In both the UK and France, 15% of respondents claimed to have a television that connects to the internet, providing access to features such as catch-up services, social networking, customised electronic programming guides (EPG) and gaming.
- **Digital video recorders are widely available in the UK, with 39% of people in our research claiming to own a DVR device.** Of the nine countries surveyed, the UK records the greatest uptake, followed by the US (32%), Australia (29%) and China (27%).
- **UK consumers are more likely to access TV content over the internet than those in other countries in our research.** Almost a quarter (23%) of UK internet users claimed to do this *every week* – driven by the popularity in the UK of internet TV catch-up services from the free-to-air broadcasters, such as BBC iPlayer, 4oD and ITV Player.

### 3.1.2 Global TV revenues increased in 2011, driven by strong growth in subscription income

Ofcom estimates that global TV revenues increased in 2011, by 6.7% year on year, to £258bn. Despite the challenging economic conditions, global TV revenues have increased on average by 5.2% per annum over the four-year period since 2007.

Our analysis of global television revenues incorporates the three main components of net advertising revenue, TV licence fees and subscriptions - it excludes revenues generated from pay-per-view (PPV), video on demand (VOD) and over the top/streaming (OTT) services. However, data from PwC's *Global Media and Entertainment Outlook: 2012-2016* indicates that global income for these services combined has increased by 21.4% on a compound annual basis over the past four years, from £2.2bn in 2007 to £5.8bn in 2011, as they have become an increasingly intrinsic part of many pay-TV offerings. However, the amount of income generated by these services is still significantly below the three main components of TV revenue.

**Figure 3.2 Global TV revenues**



*Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2012-2016 @ www.pwc.com/outlook. IDATE / industry data / Ofcom for US and UK revenues. Notes: Net TV advertising revenues for Russia have been calculated by discounting 15% of TV advertising spending to remove agency fees and production costs. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011.*

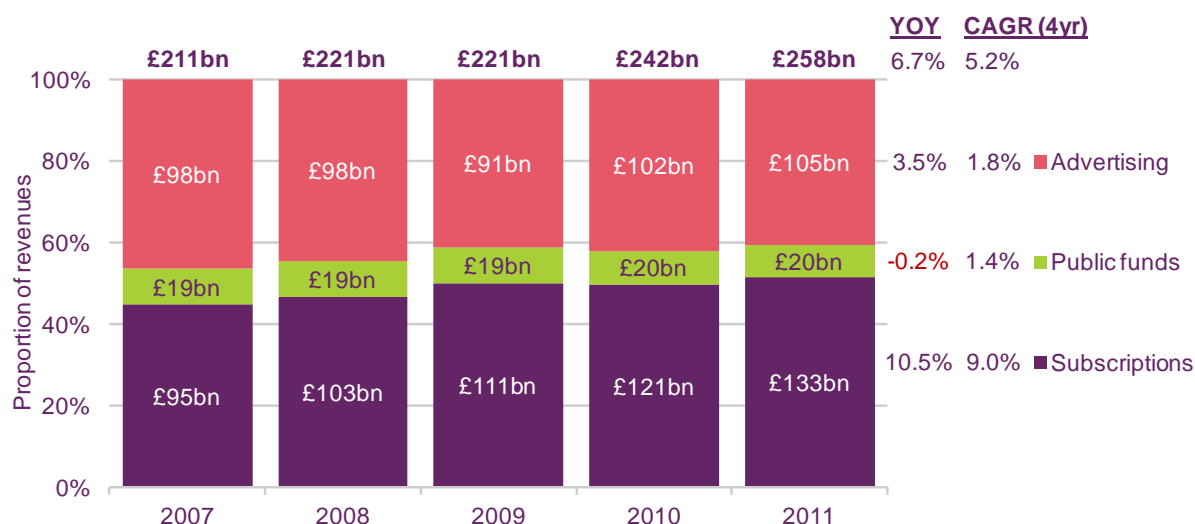
The 6.7% increase in global television revenues, to £258bn in 2011, was driven primarily by continued growth in subscription income, combined with a sustained recovery in advertising revenues.

Despite difficult trading conditions, global subscription revenues showed little sign of slowing down and increased for the fourth year in a row, from £121bn in 2010 to £133bn in 2011 – a year-on-year increase of 10.5%. At £133bn, income generated from subscription fees represented over half (52%) of the total global TV revenue of £258bn in 2011; in 2010 and 2007 subscription income as a proportion of total revenue was lower, at 50% and 45% respectively.

Following a decline in 2009, global net television revenues (NAR) bounced back in 2010, with an 11.8% increase to £102bn. This recovery has been sustained in 2011, with revenues increasing by 3.5% (or £3bn) to £105bn.

Public funding, usually sourced from TV licence fees or government grants, remained unchanged in 2011 at £20bn. Revenue from this source has also been relatively stable over the four-year period, growing on an average compound basis by 1.4% per year from £19bn in 2007.

**Figure 3.3 TV industry revenues, by source**



Source: Ofcom analysis based on data taken from PricewaterhouseCoopers Global Entertainment and Media Outlook 2012-2016 @ [www.pwc.com/outlook](http://www.pwc.com/outlook). IDATE / industry data / Ofcom for US and UK revenues. Notes: Net TV advertising revenues for Russia have been calculated by discounting 15% of TV advertising spending to remove agency fees and production costs. Interpretation and manipulation of data are solely Ofcom's responsibility. Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011.

### 3.1.3 Digital take-up slows down as more countries reach switchover

In 2011, take-up of digital television (DTV) slowed overall. In only a few comparator countries (all approaching scheduled switchover from analogue) did the proportion of primary TV sets receiving DTV increase more quickly in 2011 than in 2010. Levels of DTV conversion fell into three broad categories:

- Almost complete digital conversion.** In Spain (100%), the UK (99%) and France (97%), all or nearly all main TV sets received DTV in 2011. Since Spain's switchover in 2010, the remaining 2% of analogue households have converted to receive DTV. In the UK, almost all households received DTV in their homes at the end of 2011.
- DTV available in 60% to 80% of homes.** In the Netherlands (77%), Japan (77%), Brazil (69%), Sweden (67%), Germany (66%) and Poland (62%) the majority of households receive DTV. In many of these countries terrestrial broadcasting is less popular than in markets like the UK and Spain, and DTV faces greater competition from competitors such as analogue cable.
- Analogue platform predominating.** In developing TV markets like China (DTV take-up at 43%), Russia (40%) and India (40%), the majority of primary TV sets are currently analogue. Switchover is scheduled for 2013 in India and 2015 in China and Russia, so higher rates of switchover are likely in coming years.

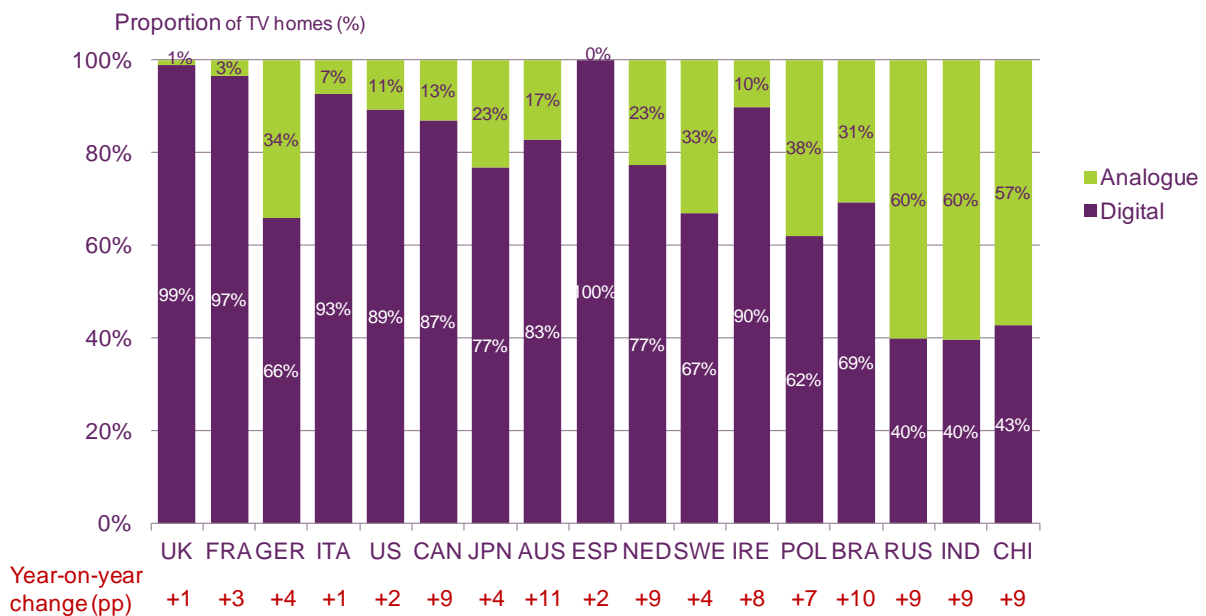
The rate of switchover to digital slowed in the growing number of comparator countries where conversion was almost complete. Year-on-year growth in the proportion of TV

households receiving DTV on primary sets was 2pp in Spain and 3pp in France in 2011, whereas it was 14pp in both in 2010. In Ireland both DTV penetration (90%) and percentage increase in converted households (8pp) were high, but the increase was lower than it had been between 2009 and 2010 (18pp).

By contrast, in Australia the pace of digital conversion quickened in 2011 (11pp year-on-year growth), despite high levels of digital penetration (83%). With switchover scheduled for 2013, Australia is likely to maintain high rates of conversion in the near future. Poland was the only other non-BRIC country where households converted to DTV more quickly than in previous years, although from a lower base of DTV households.

Among countries where 60% to 80% of households receive DTV (Germany, the Netherlands, Sweden and Brazil), the speed at which households adopted DTV slowed in 2011. In Brazil the proportion of DTV households increased by 20pp in 2009-2010, but by 10pp in 2011 (still the fastest rate of change in this category of countries). In Germany the decline in the speed of digital adoption was particularly pronounced: the proportion of digital households grew by 4pp in 2011, in comparison with a 12pp increase in 2010.

**Figure 3.4 Take-up of digital and analogue television: 2011**

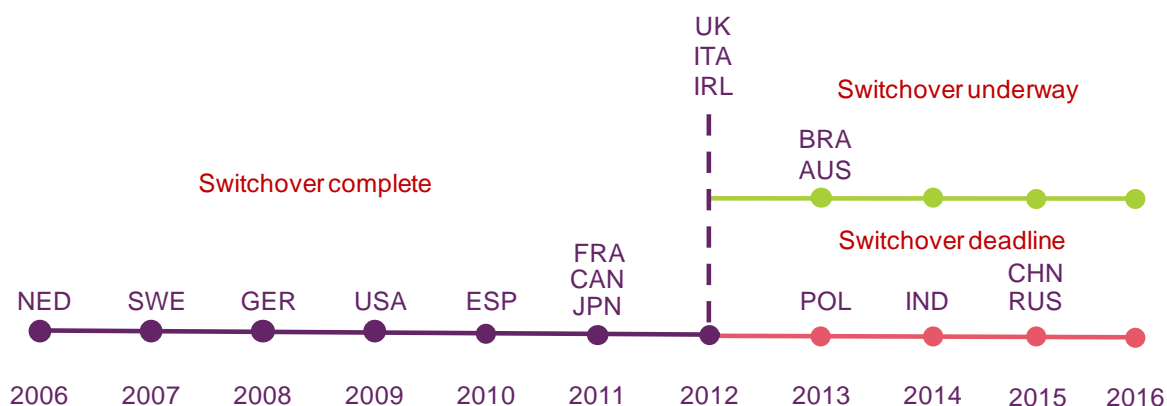


Source: IDATE / industry data / Ofcom.

Since 2006, eight countries have completed digital terrestrial switchover. France, Canada and Japan reached switchover in 2011, as did the Netherlands, Sweden, Germany, the US and Spain in previous years. However, 23% of TV households in Japan did not receive DTV on their primary set, nor did large minorities of households in the Netherlands, Sweden and Germany. The popularity of analogue cable in these countries may be slowing the conversion to digital.

There are a number of terrestrial switchover initiatives across several TV markets, scheduled for completion in 2012 and 2013. Whereas digital conversion in the UK was largely complete in 2011, ready for switchover in 2012, in India, where the scheduled deadline for completion is 2014, it stood at just 40%. China and Russia are scheduled to switch in 2015.

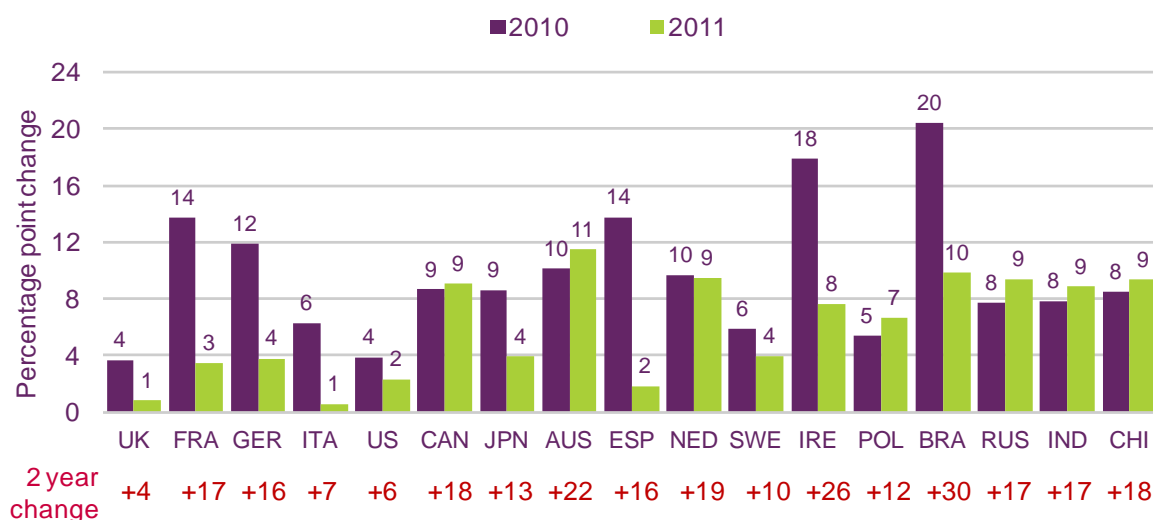
**Figure 3.5 Timeline for digital switchover, by country and date**



Source: IDATE / industry data / Ofcom.

In India, Russia and China, growth in the proportion of DTV homes accelerated slightly in 2011. In all three it stood at 9pp, whereas in 2010 the increase had been 8pp. In 2011 households in BRIC countries converted fastest among all the comparator countries other than Australia, despite the deceleration of the speed of conversion in Brazil. However, the proportion of homes in Russia, India and China receiving DTV is still comparatively low, with 60% of primary TV sets remaining analogue. Russia and China are not scheduled to complete switchover until 2015, the latest deadlines set by any of the comparator countries.

**Figure 3.6 Percentage point change in the take-up of DTV: 2010 and 2011**



Source: IDATE / industry data / Ofcom.

### Over a quarter of homes in France now have access to an IPTV service

Internet protocol television (IPTV) is the term used for television and/or video signals that are delivered to subscribers or viewers using internet protocol (IP) technology, and is typically used in the context of streamed linear and on-demand content.

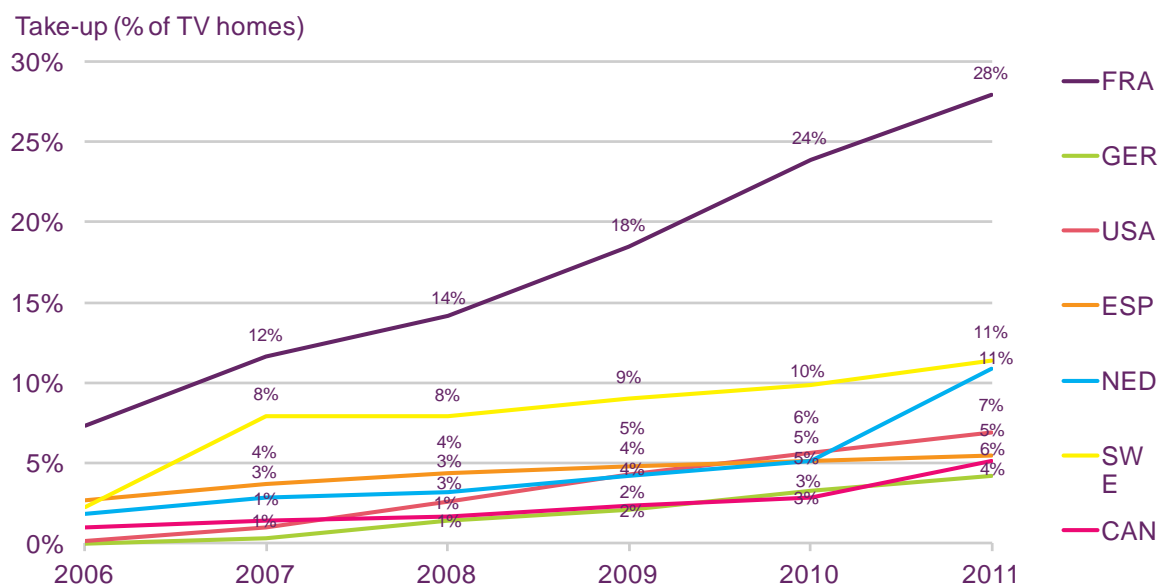
In 2011, IPTV developed further as a competitor to digital platform technologies, encouraged by the marketing of triple-play bundled services in countries with high-bandwidth infrastructure. In France, where well over a quarter of primary TV sets (28%) can receive an IPTV service, it constitutes a mainstream alternative to DTV. IPTV has penetrated the



market more quickly here than in any other comparator country, benefiting from early introduction, competition between providers on price and the low availability of cable services.

Take-up of IPTV services exceeded 4% in seven of the comparator countries, reaching 5% in Canada (it was under 1% in the UK). In Sweden and the Netherlands, the proportion of main sets connected to IPTV exceeded 10% for the first time (11% in both). Uptake increased particularly quickly in the Netherlands, where just 5% of main sets could access IPTV a year earlier. This was a faster rate of growth than that seen in any other comparator country, including France. In the Netherlands, where IPTV increased by 6 percentage points in 2011, IPTV subscriptions including catch-up TV, video on demand and HD quality are available at a cost comparable to that for basic digital cable, which is not available across the whole country.

**Figure 3.7 IPTV take-up on main TV sets in countries where take-up exceeded 4% in 2011**



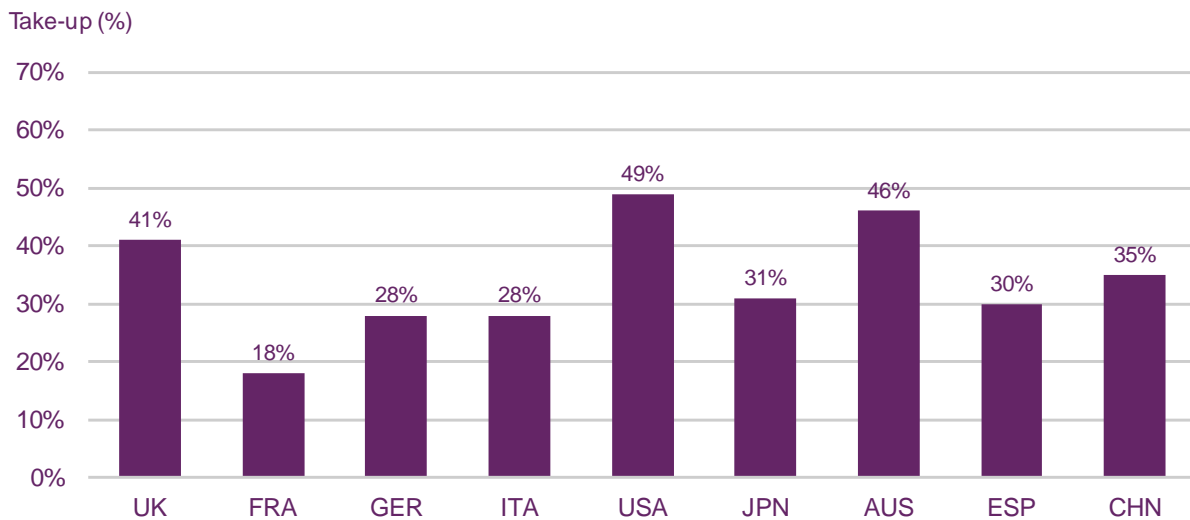
Source: IDATE / industry data / Ofcom. Notes: The chart only shows countries where IPTV take-up exceeded 4% of television homes in 2011.

### 3.1.4 Continued growth in value-added services on DTV

The transition to digital television continues in the countries covered in this report, with eight countries now complete and three more countries switching over in 2012. As digital TV becomes the norm, operators are turning to value-added services such as high definition television (HDTV), digital video recorders (DVR) and on-demand services, in order to ensure their propositions remain distinctive.

The UK has one of the highest proportions of TV homes with high definition among the countries included in our research. At 41%, take-up of HDTV in the UK is higher than France (18%), Germany (28%) and Japan (31%), but behind the US (49%).

**Figure 3.8 Take up of High Definition TV**



Source: Ofcom Consumer Research October 2012

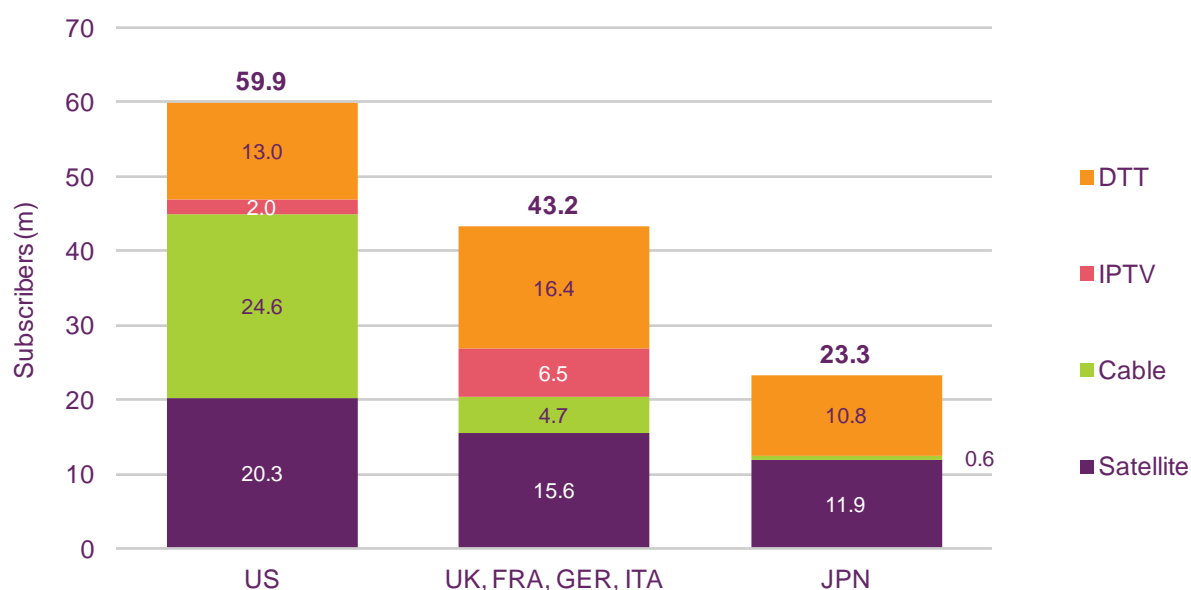
Base: Total sample size UK=1065, France=1016, Germany=1024, Italy=1015, US=1010, Japan=1004, Australia=1007, Spain=1001, China=1010

Q: Which of the following devices do you own and personally use?

Among European nations, DTT is now the most popular way of receiving high definition content in the home, accounting for 16.4 million homes. Satellite was the second most popular platform, with a further 15.6 million households; digital cable and IPTV commanded a further 11.2 million between them.

In the US, cable was the most popular platform for HD services (accounting for 24.6 million homes), followed by satellite and DTT. In Japan, cable's contribution to the total number of HD homes remained very small in 2011, at 0.6 million homes. Of the 23 million HD homes in Japan, 11.9 million are accounted for by the satellite platform, with DTT making up a further 10.8 million.

**Figure 3.9 Number of HD homes, by platform and country: end 2011**

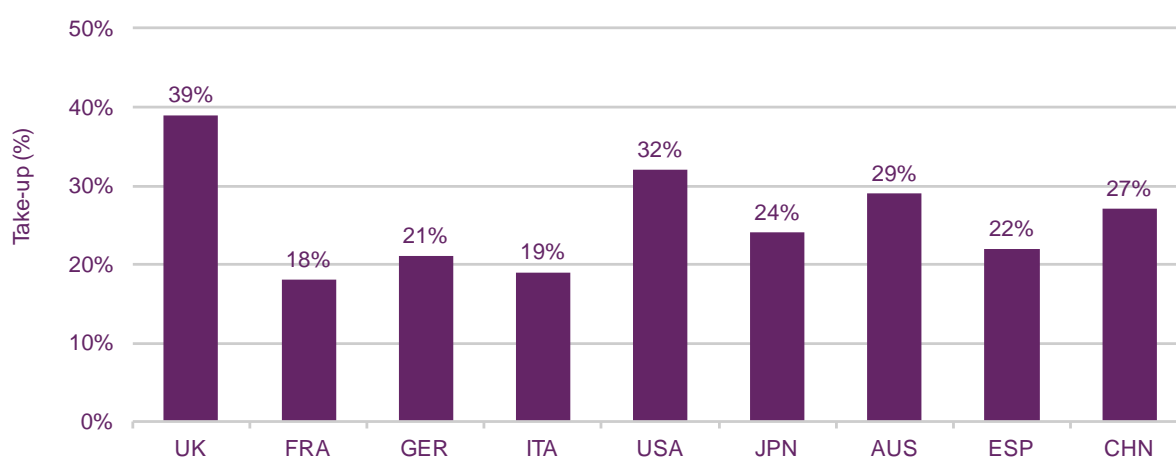


Source: IDATE / industry data / Ofcom. Notes: Paying and FTA HD homes; no data available for IPTV take-up in Japan.

### Digital video recorders are available in nearly four in ten homes across the UK

Digital video recorders (that enable TV programmes to be recorded, paused and rewound) are now widely available in the UK, with 39% of adults aged 18+ claiming to own a DVR device. Of the nine countries that we surveyed, people in the UK were the most likely to say they had a DVR at home. In the US, Australia and China, more than one in four people say they own a DVR (32%, 29% and 27% respectively). Italy and France had the lowest take-up at 19% and 18% penetration respectively.

**Figure 3.10 Claimed DVR take-up**



Source: Ofcom consumer research October 2012

Base: Total sample size: UK=1065, France=1016, Germany=1024, Italy=1015, USA=1010, Japan=1004, Australia=1007, Spain=1001, China=1010, Q: Which of the following devices do you own and personally use?

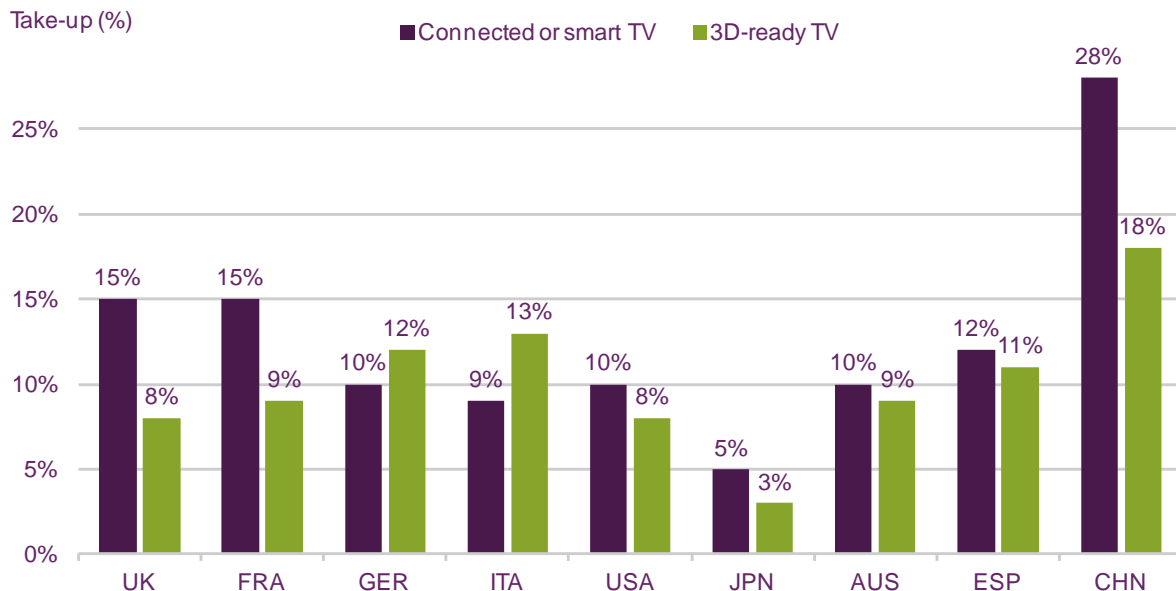
## Take-up of connected TVs beginning to gather momentum

With the exception of China, people in the UK and France have the highest ownership of connected TVs, among the countries included in our research. In both cases, 15% of respondents claimed to have a television that connects to the internet, providing access to features such as catch-up services, social networking, customised electronic programming guides (EPG) and gaming.

Twenty-eight per cent of respondents in China claim to have a connected TV set. As broadband penetration in China is much lower than in the other countries, the respondents responding to our internet-based research are more likely to be early adopters of new technology.

Our research indicates that connected TVs have proved more popular with consumers than televisions with 3D capability (with or without special glasses), with claimed ownership of the former consistently higher than the latter in every country in our research. However, many connected TVs come with built-in 3D capabilities, so the actual penetration of 3DTV may be higher than indicated below.

**Figure 3.11 Claimed take-up of connected televisions and 3D-ready TVs**



Source: Ofcom consumer research October 2012. Base: Total sample size UK=1065, France=1016, Germany=1024, Italy=1015, US=1010, Japan=1004, Australia=1007, Spain=1001, China=1010. Q: Which of the following devices do you own and personally use?

### Three key factors for connected TV

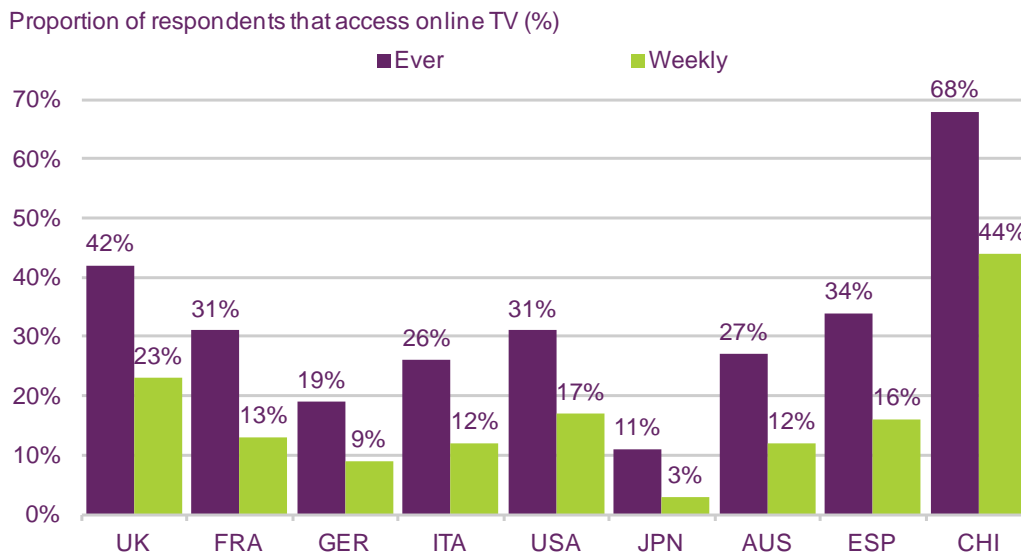
For connected TV take-up to continue to grow, three areas need to develop: connectivity, content and functionality. In terms of **connectivity**, connected TVs will deliver high-definition video alongside the benefits of web functionality in a TV broadcast environment. This is akin to marrying the interconnectivity of short-form video services like YouTube and Dailymotion with the quality of existing broadcast coverage and HD. In terms of **content**, programmes which invite engagement and drive viewing will become more widely available across various platforms. So far, examples of content enhancers on Smart TVs are catch-up and social applications. Finally, **extra functionality** will provide additional services and enable new modes of content discovery. For example, the EPG will become more contextual (suggesting appropriate content based on the user's observed behaviour), and the connected TV will communicate with other devices, including second screens and their applications.

### 3.1.5 UK consumers most likely to use online TV services

Figure 3.12 shows the proportion of *internet users* who use their home internet connection to watch TV online. With the exception of China (where broadband penetration is much lower than the other countries in our research), UK consumers are the most likely to access TV content over the internet. Almost a quarter (23%) of internet users claimed to do this every week – a figure which increases to 42% when asked whether they had ever accessed TV content over the web.

This is probably driven by the popularity in the UK of internet TV catch-up services from the free-to-air broadcasters, such as BBC iPlayer, 4oD and ITV Player. According to data from the BBC, BBC iPlayer continues to grow in popularity, with 151 million requests for TV programmes in August 2012 (driven by high demand for Olympics coverage), up from 115 million in 2010 and 91 million in August 2009.

**Figure 3.12 Accessing TV content over the internet**

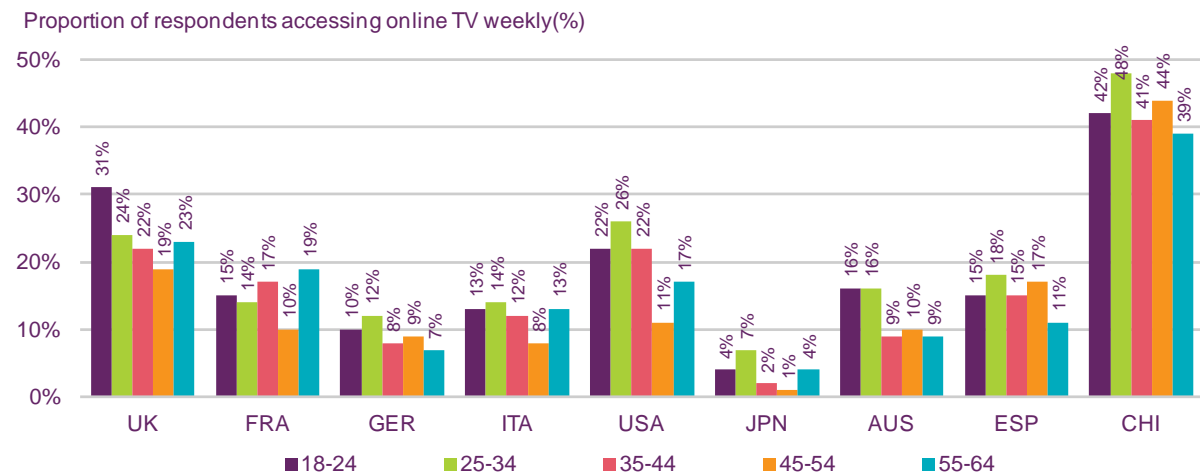


Source: Ofcom consumer research October 2012. Base: Total sample size UK=1065, France=1016, Germany=1024, Italy=1015, US=1010, Japan=1004, Australia=1007, Spain=1001, China=1010  
Q. Which of the following activities do you use your home internet connection for?

In the UK, internet users aged 18-24 are the most likely to access TV content online (31% claiming to do so), while 45-54 year olds are the least likely (19%). This pattern is generally

consistent across the countries surveyed, although in some countries, such as the US, 25-35 year olds have a higher propensity than 18-24 year olds to watch TV over the internet.

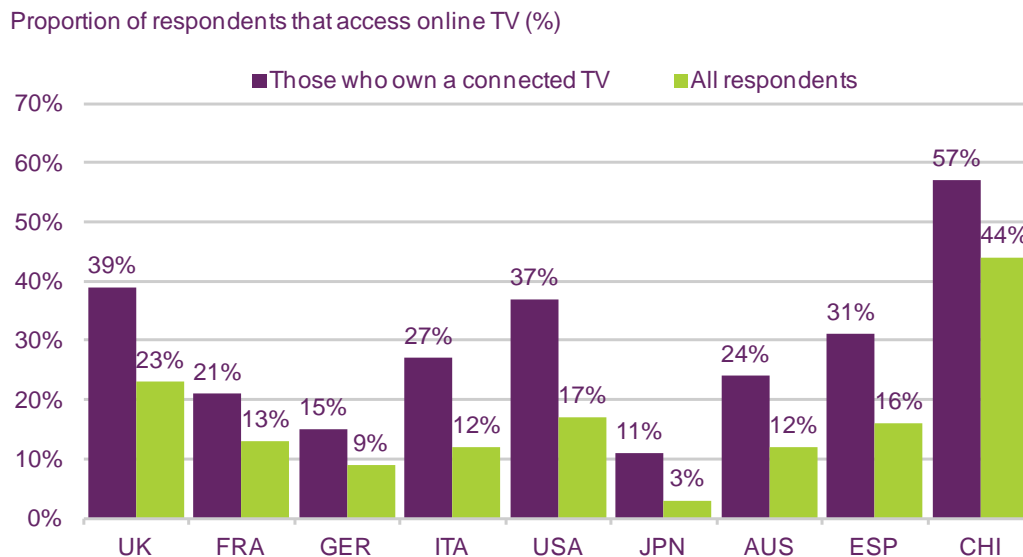
**Figure 3.13 Accessing TV content over the internet, by age**



Source: Ofcom consumer research October 2012. Base: UK=1065, France=1016, Germany=1024, Italy=1015, US=1010, Japan=1004, Australia=1007, Spain=1001, China=1010. Q: Which, if any, of the following activities do you use your home internet connection for?

Figure 3.14 shows the proportion of internet users who watch TV content online (on a weekly basis) and own a connected TV. In all countries, the research indicates that consumers who own a connected TV are more likely to watch TV via the web. In the UK, 39% of respondents who own a connected TV watch content online on a weekly basis, compared to 23% of all respondents in our survey. For further detail on connected TVs see Figure 3.11.

**Figure 3.14 Accessing TV content over the internet, by connected TV ownership**



Source: Ofcom consumer research October 2012. Base: Total sample size UK=1065, France=1016, Germany=1024, Italy=1015, US=1010, Japan=1004, Australia=1007, Spain=1001, China=1010. Q: Which of the following activities do you use your home internet connection for?

## 3.2 The TV and audio-visual industries

### 3.2.1 Summary

This section focuses on the TV and audio-visual industries, looking at the key revenue trends among our comparator countries, and the financial results of major pay-TV and free-to-air broadcasters.

- **Revenues among the 17 countries analysed by Ofcom increased by 5.8% in 2011 to £228bn.** Growth was driven largely by the BRIC countries – Brazil, Russia, India and China – whose joint revenues increased by 14% (or £4bn) in 2011 to £34bn – the largest year-on-year growth of all the regions in our analysis.
- **The combined revenues of Europe and Canada experienced the lowest year-on-year growth of all the regions in our analysis,** increasing by 2.0% in 2011 to £58bn.
- **The UK experienced moderate growth in television revenues in 2011, up by 2.7% or £0.3bn,** while revenues for Spain and Italy both declined. Spain experienced the largest year-on-year decline, falling 4.9% in 2011 to £4.8bn, while Italy fell by 2.7% to £7.8bn.
- **Among the major European television markets of Germany, the UK and France, pay-TV was the fastest-growing source of revenue** over the five-year period between 2006 and 2011. The TV advertising market remained relatively flat over the corresponding period, for each country, driven by difficult trading conditions during the economic downturn.
- **Pay-TV companies continue to outperform their free-to-air counterparts, with revenues up for all but one operator in our analysis.** BSkyB in the UK reported one of the largest increases in revenue, up 17.3% to £6.2bn, a figure surpassed only by Sky Deutschland's performance (in Germany) where income rose by 18.1% on 2010 to £1.0bn.
- **Pay-TV operators continue to drive up average revenue per user (ARPU) as more subscribers trade up to premium products** such as digital video recorders (DVRs) and high-definition TV. Over the past five years, ARPU for the UK pay-TV market has increased by £35 (10.7%); from £327 in 2006 to £362 in 2011.

### 3.2.2 Television revenues among comparator countries

#### Global television revenues driven by strong growth in BRIC countries in 2011

Revenues among the 17 countries analysed by Ofcom increased by 5.8% in 2011, to £229bn. As in 2010, the BRIC countries – Brazil, Russia, India and China – experienced the largest year-on-year growth, with their joint revenues increasing by nearly a fifth (14.0%) in 2011, up £4bn to £34bn. This growth was driven by both rising TV advertising and subscription income.

The gap between the BRIC countries (accounting for the smallest proportion of revenue among the 17 countries in our report) and the combined revenues of Japan and Australia (the second smallest) has diminished over the past five years, with the two regions now almost equal in terms of TV revenue. While the combined revenues of Japan and Australia increased by 3.0% in 2011 to £36bn, compound annual growth over the five-year period was relatively small, at just 1.4%.

The combined revenues of Europe and Canada<sup>67</sup> experienced the lowest year-on-year growth of all the regions in our analysis, increasing by only 2.0% in 2011, to £58bn. In contrast, the US, which is the largest television market globally, increased by 6.5% in 2011, up £6bn to £100bn. Over the five-year period since 2006, US television revenues have increased on average by 5.7% per annum, compared to 2.9% for Europe and Canada combined.

**Figure 3.15 TV industry revenues among comparator countries**



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011. Revenues include advertising, subscriptions and sources of public funding only. Europe includes the European countries in this analysis – UK, France, Germany, Italy, Spain, Netherlands, Sweden, Republic of Ireland and Poland. BRIC is Brazil, Russia, India and China.

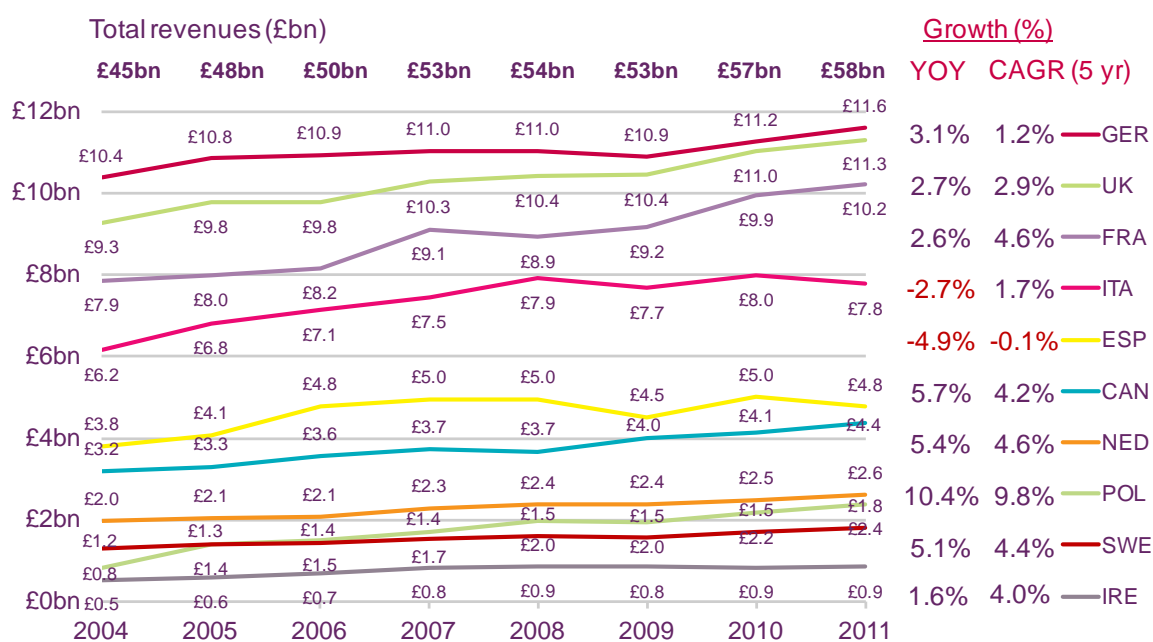
Compared to the other eight European countries in our analysis, the UK experienced moderate growth in television revenues in 2011, increasing by 2.7% (£0.3bn). However, at £11.3bn, the UK remains on a par with Germany (at £11.6bn) as the two largest TV markets in Europe in terms of monetary value in 2011.

Spain and Italy both recorded declines in television revenue in 2011. Spain experienced the largest year-on-year decline, falling 4.9% in 2011 to £4.8bn, while Italy declined by 2.7% to £7.8bn. Over the five-year period since 2006, TV revenues for Spain declined by 0.1%, compared to growth of 1.7% for Italy over the same time period.

<sup>67</sup> Canada categorised with Europe, not the US, due to the market being similar in scale to European economies.



**Figure 3.16 TV industry revenues among European countries and Canada**



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011. Revenues include advertising, subscriptions and sources of public funding only. Europe includes the European countries in this analysis – UK, France, Germany, Italy, Spain, Netherlands, Sweden, Republic of Ireland and Poland.

TV revenues increased in 2011 for all four BRIC countries. Russia saw the highest proportional growth in revenue, up by almost a fifth (16.6%) to £3.6bn. China and Brazil also recorded significant growth, up 14.4% year on year and 12.7% respectively, making them by far the largest television markets among the BRIC countries in terms of revenue, at £12.4bn.

**Figure 3.17 Total TV industry revenues among BRIC countries**



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011. Revenues include advertising, subscriptions and sources of public funding only. BRIC is Brazil, Russia, India and China.

Figure 3.18 illustrates the changing composition of TV industry revenues, by country, between 2006 and 2011.

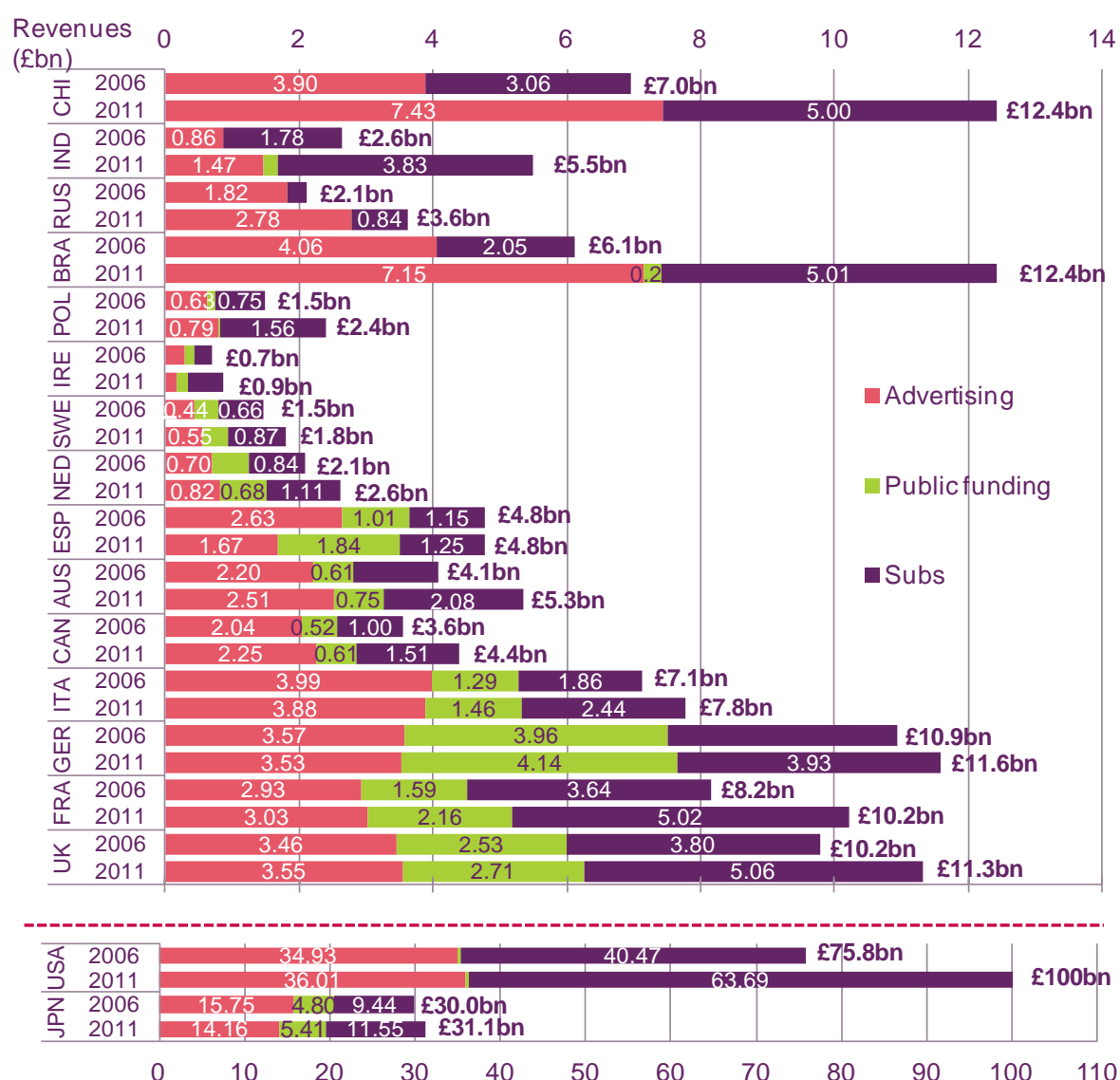
Among the major European television markets of Germany, the UK and France, pay-TV was the fastest-growing source of revenue over the five-year period between 2006 and 2011 and represents the largest source of TV income for these countries.

Spain is the only country out of the 17 included in our analysis not to have experienced growth in TV revenues between 2006 and 2011. As part of the current austerity cuts, the Spanish government has reduced the state subsidy provided to the national public audiovisual company, Corporación RTVE.

The US and Japan, the two largest countries by revenue (£100bn and £31.1bn respectively), are included at the bottom of the chart to accommodate the higher scale. The US experienced relatively flat TV advertising revenues over the five-year period, with the vast majority of growth coming from pay-TV subscriptions (up from £40.5bn in 2006 to £63.7bn in 2011), resulting in an increase in total revenues over the period of almost £25bn to £100bn in 2011. In contrast, total TV revenue for Japan remained relatively constant over the five-year period, at around £30bn.

The television markets of the BRIC countries all recorded increases in total revenue between 2006 and 2011, driven by an increase in both net advertising revenue and subscriptions. However, the BRIC countries are notable for a lack of public funding, with only Brazil and India having any public funds attributed to TV in 2011 – although the value of public funding in these countries was minimal, at £0.2bn.

**Figure 3.18 TV revenues among comparator countries, by source: 2006 and 2011**



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011. Revenues include advertising, subscriptions and sources of public funding only. Different scale used for USA and Japan due to larger size of those markets.

### 3.2.3 TV revenue per head among comparator countries

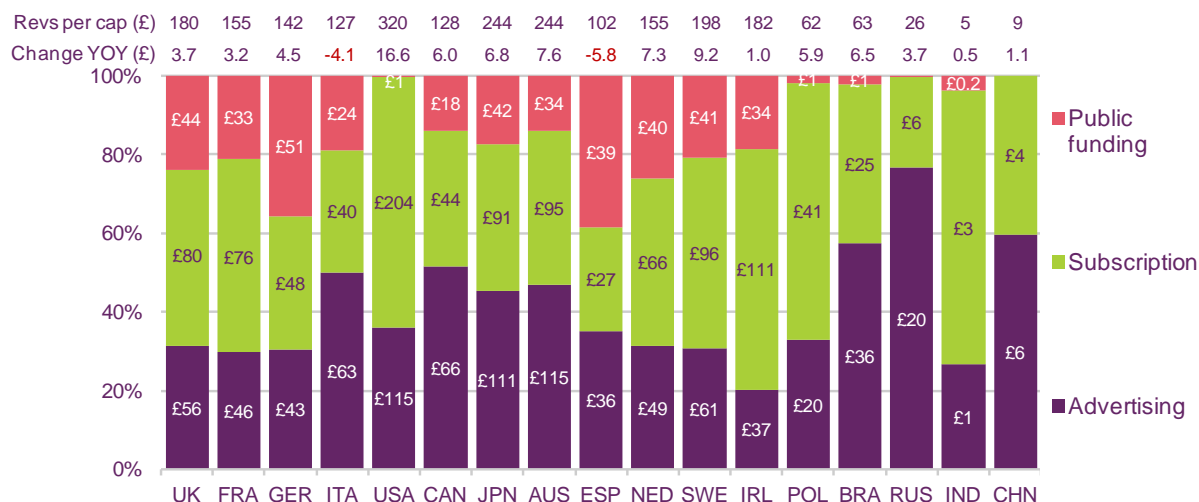
#### Revenue per head in the UK increased by almost 4% in 2011 to £180

Per head, revenue in the US continued to lead the 17 comparator countries, generating £320 per head in 2011, an increase of 16.6% - the largest year-on-year increase of the 17 comparator countries. This is some way ahead of the second highest, Japan, which increased by 6.8% since 2010 to £244 per head.

Among the major European markets, Spain and Italy both recorded declines in per-capita revenues in 2011 – with Spain down 5.8% to £102 and Italy down 4.1% to £155. In contrast the UK, France and Germany all recorded increases, with Germany up 4.5%, France up 3.2% and the UK up 3.7% to £180 per head.

Despite posting significant increases in overall television revenues year on year, TV income per capita for the BRIC countries remains well below the other comparator countries in our analysis, driven by larger populations and lower penetration of digital TV. For example, India has the lowest TV revenue per head of all 17 countries, at just £5 per person.

**Figure 3.19 TV revenue per head, by source: 2011**



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011. Revenues include advertising, subscriptions and sources of public funding only; figures inside the bars represent industry revenue per head by source.

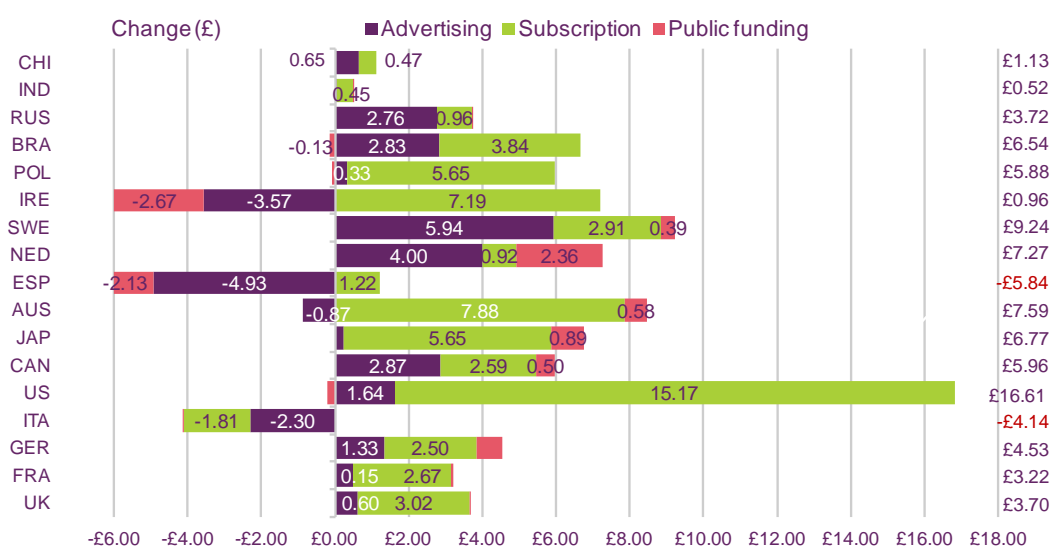
### Subscription income continues to drive growth in TV revenue per head

Figure 3.20 details the changes, by country, in revenue per head, split by the three component parts. For the majority of countries, including the UK, increases in revenue per head in 2011 were driven primarily by growth in income generated from subscription fees. In the UK, £3.02 (82%) of the total year-on-year increase of £3.70 was attributable to subscription fees. The US saw the largest increase in subscription revenue per capita, up £15.17, while Italy was the only country to record a decline in subscription revenue per capita, down £1.81 in 2011.

For the majority of countries, advertising revenues per head have remained relatively flat, or in some instances declined in 2011. In the UK, advertising revenues per head remained relatively stable, increasing a marginal 15p, while in Spain and Ireland, advertising revenues per head declined, by £4.93 and £3.57 respectively.

Only a few countries experienced significant growth in public funding per head in 2011, with the most notable being the Netherlands, where public funding increased by £2 per head against the previous year.

**Figure 3.20 Changes in components of TV revenues per head: 2010 to 2011**



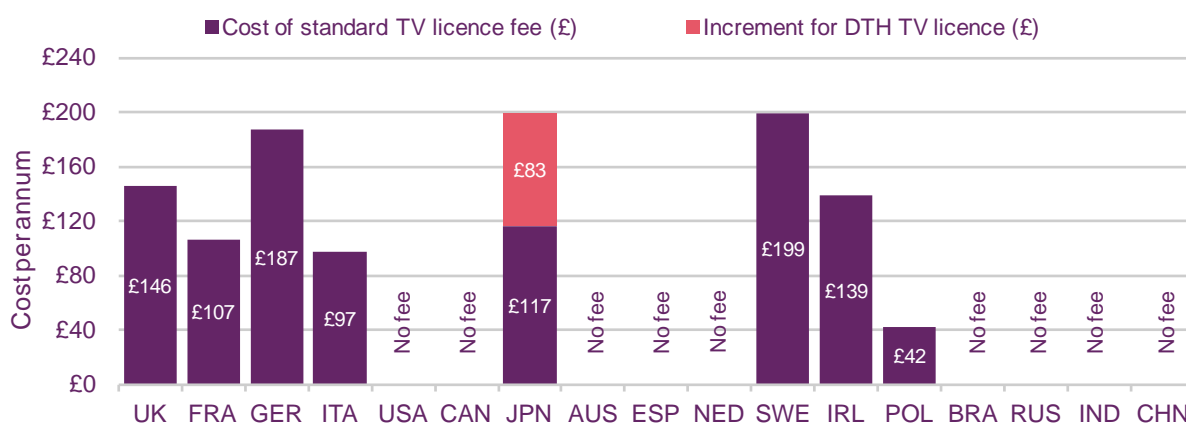
Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011. Revenues include advertising, subscriptions and sources of public funding only; the bars represent changes in industry revenue per head, by source.

### 3.2.4 TV licence fees most common in Europe

Public funding, in the form of TV licence fees paid for by viewers, remains an important element of TV finance in most of the major European markets included in this analysis. Figure 3.21 illustrates the cost of a TV licence fee in each of the comparator countries where it is available.

As in 2010, the cost of the UK's licence fee in 2011 was the fourth most expensive, at £146 (no change since 2010), behind Germany (£187), Sweden (£199) and Japan (£200 for a satellite TV licence).

**Figure 3.21 Cost of a TV licence fee**



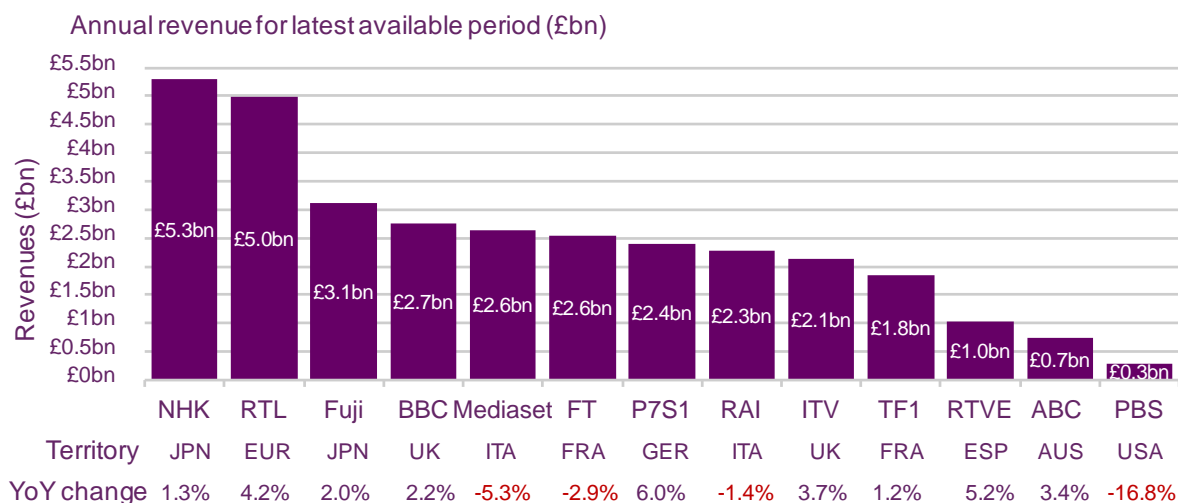
Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011; Prices as at end 2011. Note: The Japanese licence fee costs £117 in terrestrial households or £200 (rounded) to receive a larger number of channels via satellite

### 3.2.5 Revenues up marginally for most free-to-air broadcasters

Figure 3.22 shows the reported revenues for selected free-to-view TV operators. Although the majority of free-to-view broadcasters experienced increases in revenue in 2011, growth remains restricted compared to pre-recession figures, as the advertising market remains challenging and public funding is either flat or declining.

In the UK, the proportion of income allocated to TV by the BBC increased by 2.2% in 2011 to £2.7bn, while ITV reported an increase in revenue of 3.7% to £2.1bn.

**Figure 3.22 Latest reported revenues for selected free-to-view TV operators: 2011**



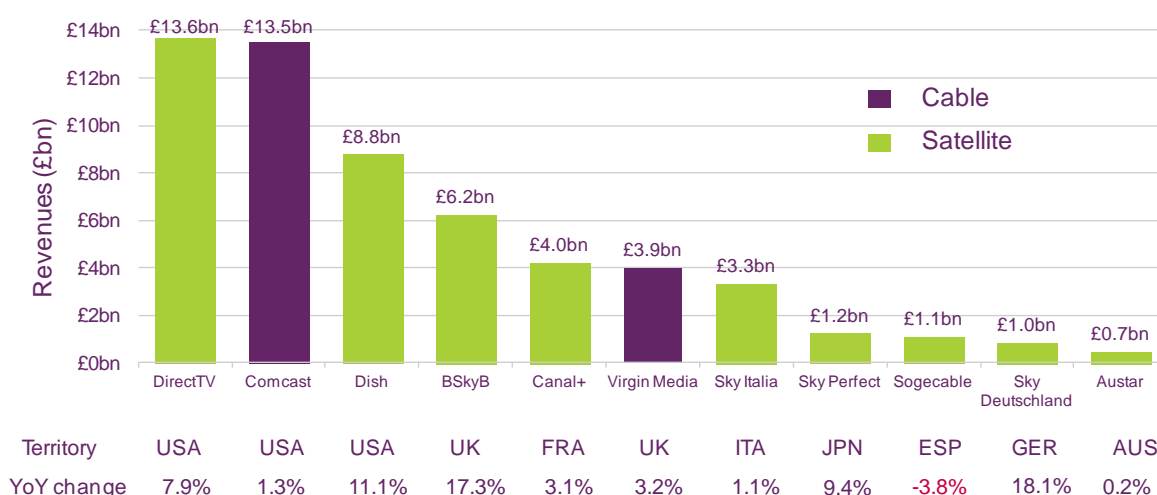
Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011; Comparisons should be regarded as indicative only due to the possibility of differences in financial reporting between broadcasters. RTL figure includes its key European markets; Mediaset includes Italian FTA and pay-TV business (year ending Dec 31). BBC represents its income allocated to TV; RAI figures include licence fee (split between radio and TV unknown), TV advertising and sponsorship; ProSieben, group revenues (years ended Dec 31); France Televisions is licence fee and advertising; TF1 includes French channels (years ended Dec 31); PBS and the ABC are total revenue to year ending June 30; Fuji TV is broadcasting and production, year ending March 31; RTVE is advertising and public funding (as of year ending Dec 31).

### 3.2.6 Pay-TV revenues up despite difficult trading conditions

Revenues for pay-TV broadcasters increased in 2011 for all but one of the operators in our analysis. BSkyB, in the UK, reported one of the largest increases in revenue, up 17.3% to £6.2bn (this also includes revenues from its telecommunications services), and was surpassed only by Sky Deutschland in Germany, whose revenue increased 18.1% on 2010 to £1.0bn. Virgin Media in the UK also recorded a rise in revenue, up 3.2% to £3.9bn in 2011.

Revenues for the main pay-TV operators in the US grew year on year, despite increased competition from online TV companies such as Netflix, which reported around 23.9 million domestic streaming subscribers at the end of June 2012. Revenues for Comcast in the US increased by 1.3% to 13.5bn in 2011, although this figure excludes revenues from the integration of NBC Universal; when NBC is included the combined revenue rises to £25.6bn. Revenues for Direct TV and Dish in the US increased to £13.6bn (up 7.9%) and £8.8bn (up 11.1%) respectively in 2011.

**Figure 3.23 Latest reported revenues from selected pay-TV operators: 2011**



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011; where possible we have reported revenues related to the TV services only (including advertising). Comcast includes video and advertising revenues (but excludes integration of NBC Universal). Time Warner Cable includes video and advertising revenues; BSkyB include retail, wholesale and advertising revenues; KDG includes cable access and TV/radio revenues; Virgin Media includes consumer and content revenues; Sky Italia revenue based on IDATE's estimate from News Corporation's annual report; Canal+ represents Canal Plus Group pay-TV revenues; Sogecable's platform is Digital Plus.

### Pay-TV ARPU up in the UK as consumers take more products and services

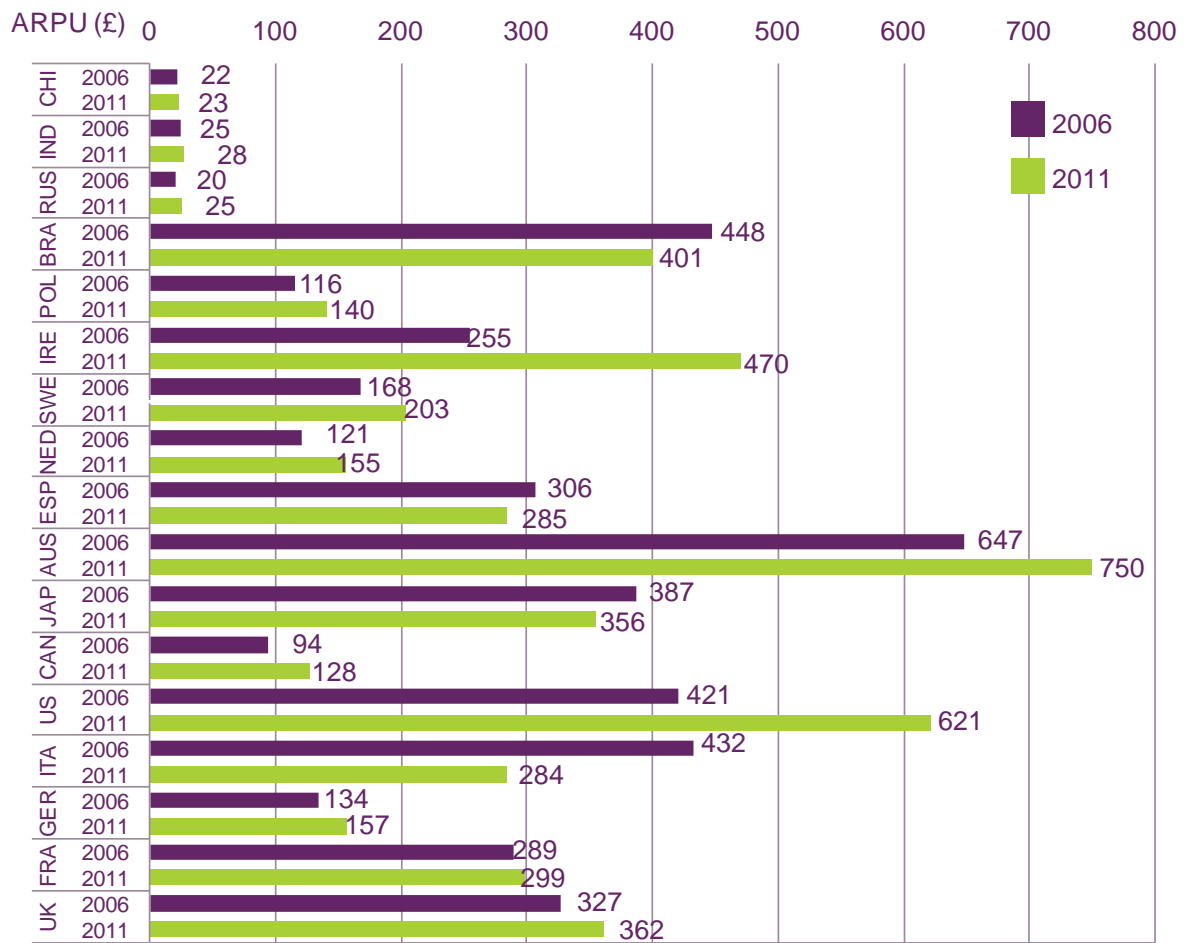
Average revenue per user (ARPU) can provide insights into the relative performance of different pay-TV operators by country.

In the majority of countries in our analysis, including the UK, pay-TV operators have increased ARPU over the five-year period since 2006. The UK was among the countries with higher ARPU, at £362 at the end of 2011, from £327 since 2006. Figures from BSkyB, the UK's largest pay-TV operator, for the financial year ending June 2012, indicate that on average Sky customers take 2.7 products each, up from 2.5 products the previous year. In addition, almost a third of Sky customers (32%) are triple-play customers – bundling TV, broadband and fixed-line services into a single package.

The US and Australia continue to be the highest-ranking markets in terms of ARPU, as pay-TV operators continue to encourage consumers to purchase more value-added services, such as high definition and PVR services. ARPU in the US at the end of 2011 stood at £621 (up from £421 in 2006), while in Australia the equivalent figure was £750 (up from £647 in 2006).

In line with the year-on-year reductions in revenue, highlighted earlier in this section (see Figure 3.16) pay-TV operators in Spain and Italy both experienced declines in ARPU between 2006 and 2011, with those in Italy declining the most: from £432 in 2006 to £284 in 2011. Average revenue per user for Spain declined by £21 over the five-year period, to £285 in 2011.

**Figure 3.24 Pay-TV ARPU, by country: 2006-2011**



Source: IDATE / industry data / Ofcom. Notes: Ofcom has used an exchange rate of \$1.604 to the GBP, representing the IMF average for 2011. ARPU is average revenue per user, representing the average revenue generated per pay-TV subscriber.



## 3.3 The TV and audio-visual consumers

### 3.3.1 Summary

This is the final chapter of the audio-visual section. In Section 3.3.2 we examine patterns of digital television take-up, before considering the adoption of high definition television, digital video recorders and connected televisions (Section 3.3.3). Section 3.3.4 analyses the number of pay-TV homes in each country, before examining how viewers in different countries consume broadcast television (Section 3.3.5).

- By the end of 2011, the majority of homes had digital television in the UK, France and Spain. DTV take-up reached 100% in Spain, 97% in France and 99% in the UK, where the digital switchover programme was completed in October 2012.
- In the UK, satellite TV (including Freesat) was the largest platform (44% of TV homes) while terrestrial TV was the main platform in 38% of TV homes. Digital satellite was also the most popular platform in Germany, Ireland, Poland and Brazil. While digital satellite may not be the top technology choice in many countries, it is often the second most popular platform, taking second place in ten of the 17 countries in our report.
- Homes in BRIC countries experienced the biggest reductions in analogue terrestrial take-up, while simultaneously seeing the biggest increases in digital satellite take-up.
- The UK also has one of the highest proportions of TV homes with high definition among the countries included in our research – at 41%, higher than France (18%), Germany (28%) and Japan (31%), but behind the US (49%).
- Digital video recorders (DVRs) and connected TVs continue to grow in popularity in UK TV households, with the highest levels of take-up of all the countries included in our research. In 2011, 39% of UK TV homes had a DVR, while 15% claimed to own a connected TV.
- Over half (55%) of TV homes in the UK had a pay-TV service in 2011. By country, pay-TV take-up at the end of 2011 was highest in the Netherlands (99%), India (94%), Canada (93%), Sweden (92%) and the US (89%). Growth in pay-TV take-up was most substantial in Brazil (up by 22% on a compound annual growth basis since 2006) and stood at 23% of TV households in 2011.
- The UK has the third highest level of scheduled linear TV viewing, of the comparator countries, at four hours per person per day. Despite the increase in online TV, scheduled linear television remains popular, with minutes of viewing per person increasing among most comparator countries. Only Italy (253 minutes per person per day) and the US (293 minutes) watch more television than the UK.

### 3.3.2 Digital television take-up on main sets

#### The majority of homes in the UK, France and Spain have digital television

Figure 3.25 and Figure 3.26 illustrate the growing take-up of digital television across the 17 comparator countries; for ease of interpretation, the countries are illustrated in two charts<sup>68</sup>.

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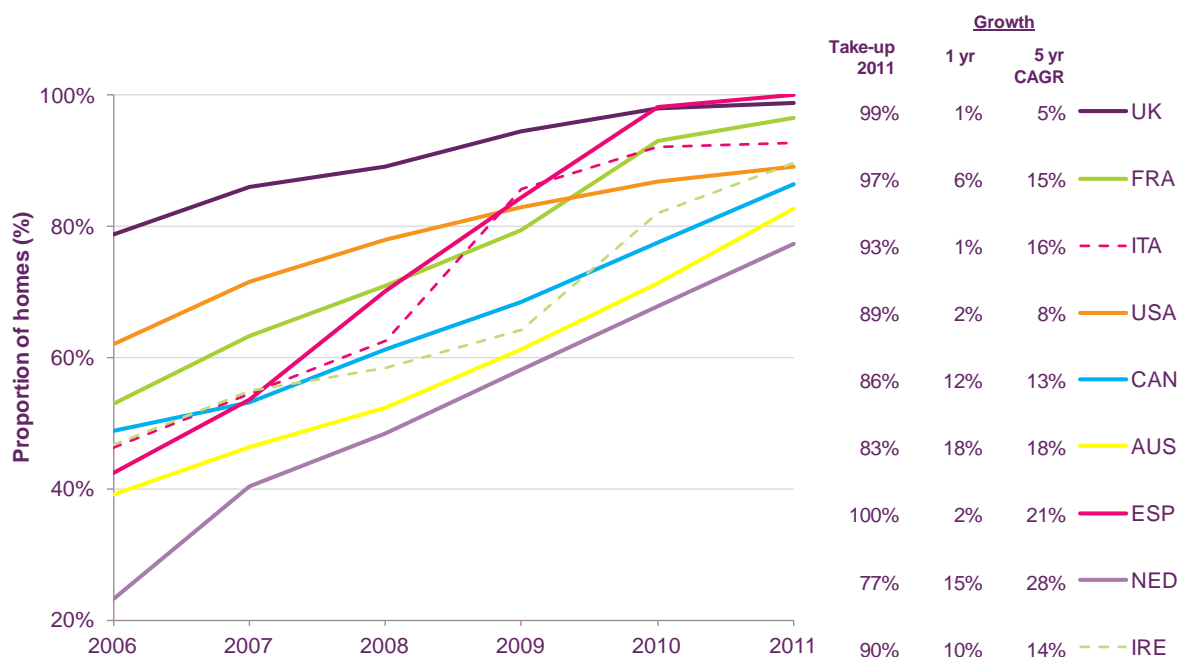
<sup>68</sup> Note that the UK digital television figures in this report are compiled using a different source to Ofcom's [CMR report](#), as a result the two sets of data are not directly comparable. Data in Ofcom's

Homes in Spain benefited from 100% take-up on main sets, as the digital switchover (DSO) programme was completed in 2010. In the UK, take-up had reached 99% by the end of 2011 as DSO entered the final stages; set for completion in October 2012. The Republic of Ireland, where penetration reached 90%, is also set for DSO completion by the end of 2012. In France, where terrestrial switchover was completed in November 2011, 97% of homes had digital television. In the US, where the analogue terrestrial signal was switched off in 2009, digital television take-up reached 89% in 2011.

At the opposite end of the spectrum, digital television take-up in China, Russia and India remained well below the average of 75% among comparator countries for 2011, at 43%, 40% and 40% respectively. But in each case the rates of DTV adoption ran well ahead of the comparator country averages. Year-on-year increases averaged 32% and the rate of growth over the five-year period averaged 57% in China, Russia and India.

In Japan year-on-year DTV growth was comparatively slow despite DTV take-up of 77%. This might be explained by the comparatively slow migration to digital among analogue cable viewers.

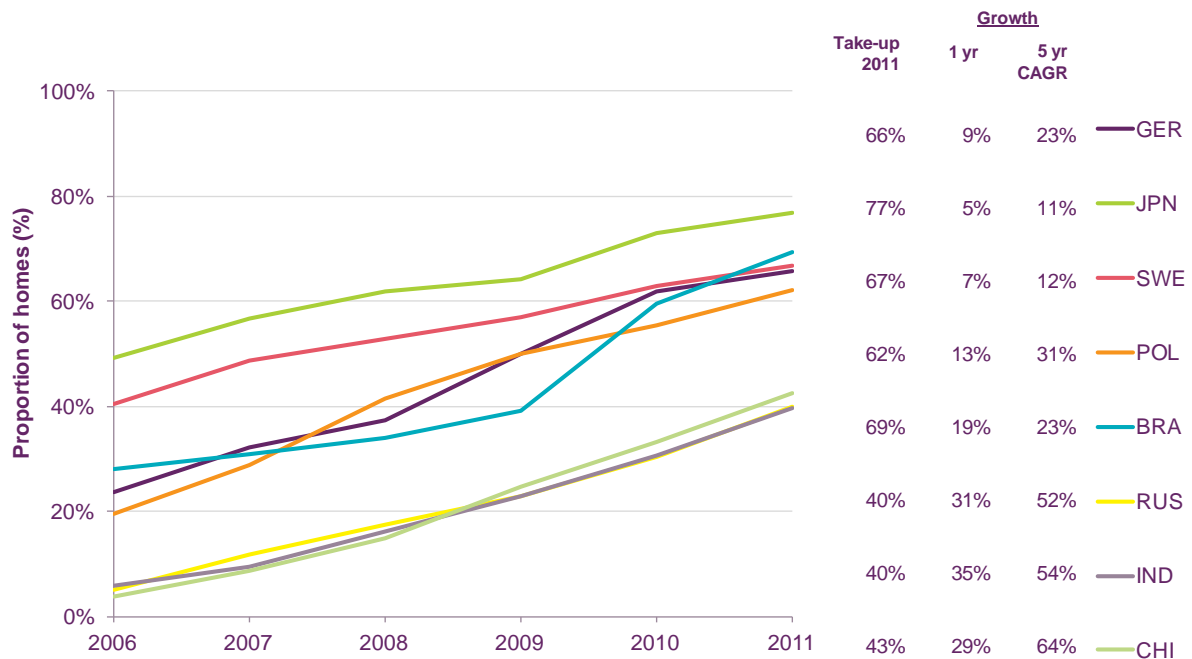
**Figure 3.25 Take-up of digital television – top nine comparator countries**



Source: IDATE / industry data / Ofcom

CMR is based on BARB's Establishment Survey, whereas this report is based on data from IDATE – a single source is used for this report to enable comparisons across comparator countries.

**Figure 3.26 Take-up of digital television – the next eight comparator countries**



Source: IDATE / industry data / Ofcom

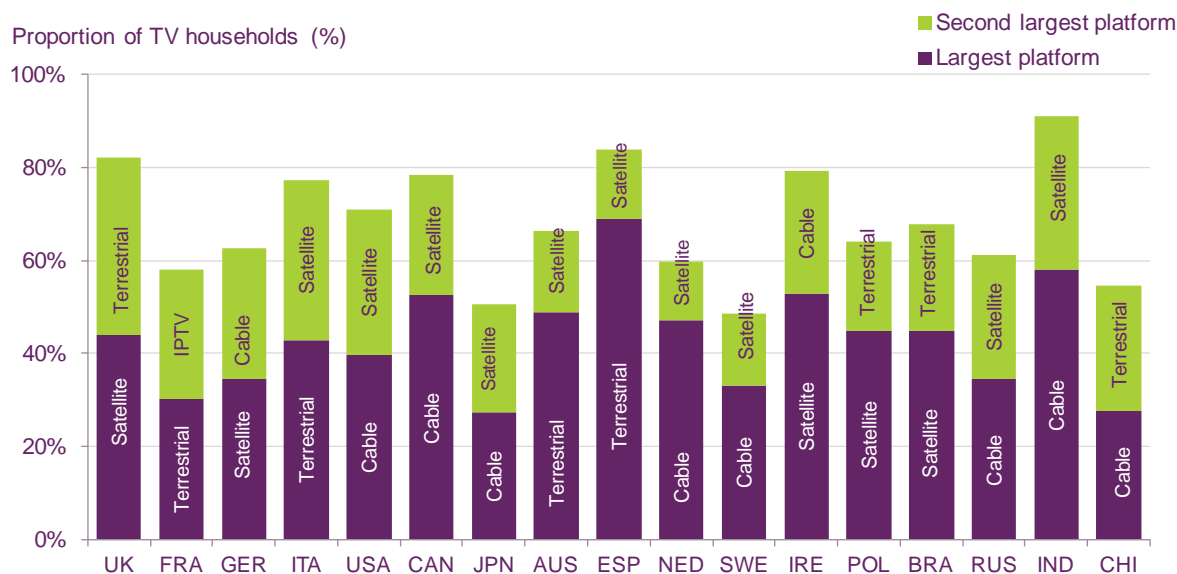
**Cable is the most popular television platform in the majority of comparator countries**

Taking both analogue and digital technologies together, cable was the most popular television platform for eight of the 17 comparator countries, comprising the US, Canada, Japan, the Netherlands, Sweden, Russia, India and China.

For the first time in the UK, satellite TV (including Freesat) was the largest platform (44%) as terrestrial TV fell to second place at 38%. Digital satellite TV was also the most popular platform in Germany, Ireland, Poland and Brazil. While digital satellite may not be the top technology choice in many countries, it is often the second most popular platform, taking second place in ten of the 17 countries analysed in our report.

Digital terrestrial was the most popular platform in four countries, including France, Italy, Australia and Spain.

**Figure 3.27 The two most popular DTV platforms, by country: 2011**

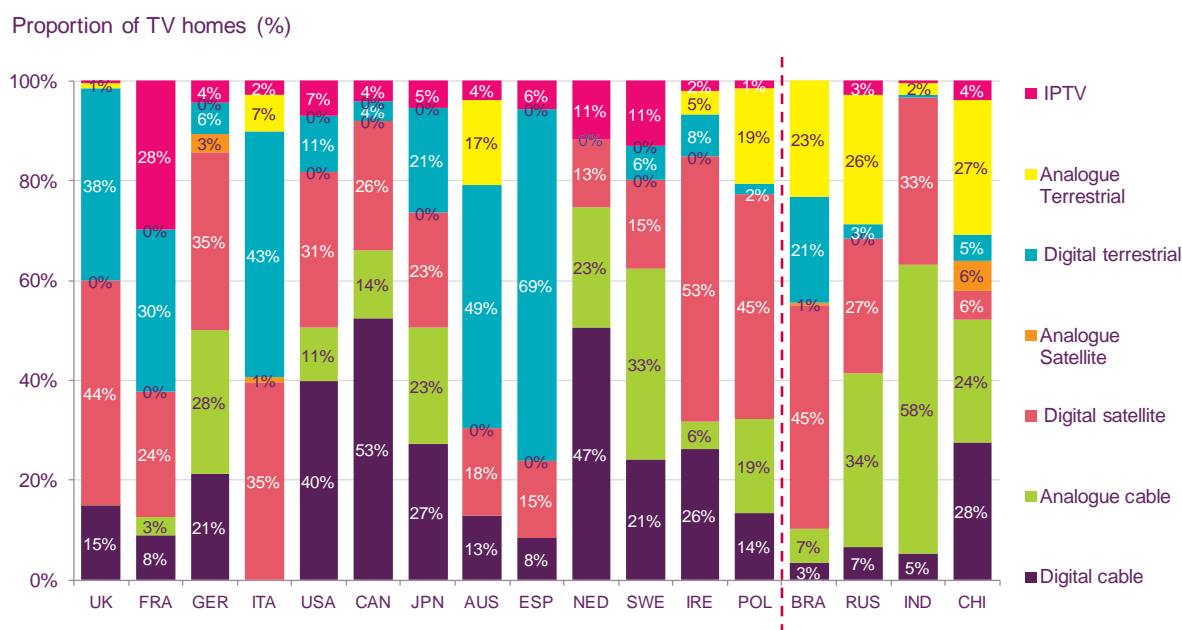


Source: IDATE / industry data / Ofcom

Splitting the platforms into their analogue and digital components, the digital terrestrial television platform continued to be the largest by market share in Spain (69% of main sets) and Australia (49%). It was also a substantial player in the UK (with a 38% share), ranking second to satellite (44%). Digital satellite was the leading platform in the Republic of Ireland with a 53% market share, the highest proportional take-up of the platform across the comparator countries.

Despite the progress made in many countries in migrating homes to digital television platforms, analogue technologies are still widely used. The analogue cable network is still popular in India, and is the largest platform across the comparator countries with a 58% share of main television sets, followed by Sweden at 33% and Russia at 24%.

**Figure 3.28 Take-up of DTV, by platform and country: 2011**



Source: IDATE / industry data / Ofcom

Figure 3.29 sets out changes in the percentage point take-up of the different television platforms. The red/green tint provides an indication of the relative change in each platform's take-up, when compared to the other changes set out in the table.

The association of analogue technologies with 'red' tints makes clear the degree of migration away from analogue to digital technologies.

By country, the most substantial change in take-up in 2011 was experienced by homes in Australia, where analogue terrestrial saw its market share fall by 11pp. Digital terrestrial was the main beneficiary, picking up a 9pp share, while IPTV take-up rose by 2pp. The progressive upgrade of cable infrastructure to digital during 2011 was reflected in the substantial reduction of analogue cable take-up in a number of countries including Canada (-8pp), the Netherlands (-9pp), Sweden (-4pp), Ireland (-6pp) and Poland (-5pp), as digital cable take-up for these countries increased at a similar rate.

The BRIC countries (Brazil, Russia, India and China) experienced the biggest falls in analogue terrestrial take-up, while seeing corresponding increases in digital satellite take-up.

Elsewhere, the analogue market lost share in Germany, where analogue cable take-up fell by 4pp while analogue satellite fell by 3pp.

**Figure 3.29 Year-on-year changes in platform take-up (pp), by country and technical platform**

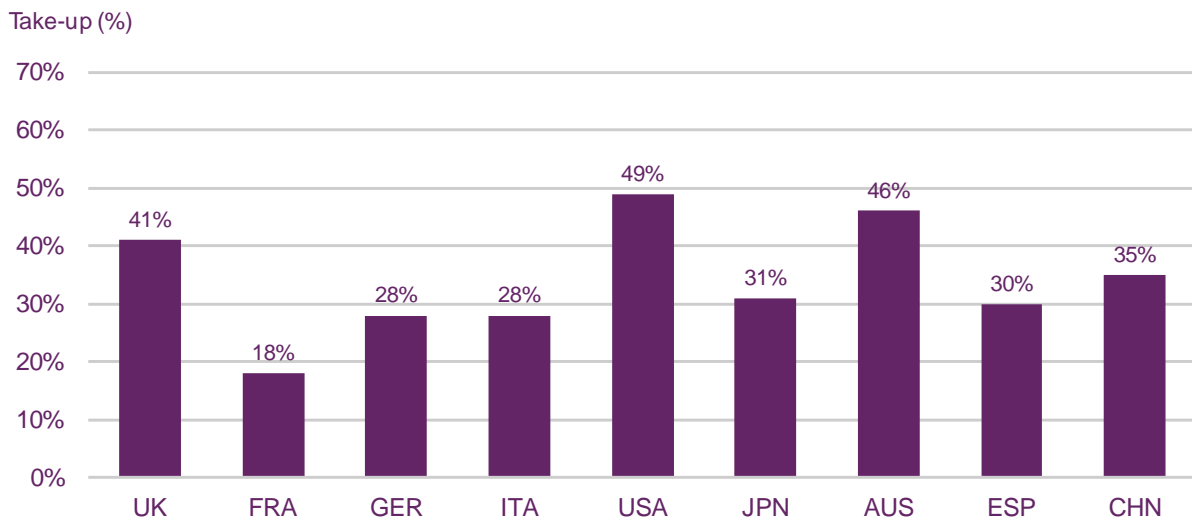
	UK	FRA	GER	ITA	USA	CAN	JPN	AUS	ESP	NED	SWE	IRE	POL	BRA	RUS	IND	CHI
Digital terrestrial	-1	-1	0	4	0	-1	-1	9	1	0	3	2	1	3	1	0	1
Digital satellite	2	0	1	1	0	0	0	0	0	0	0	1	0	6	6	7	2
Digital cable	0	0	1	0	1	9	4	0	0	5	0	5	5	0	1	2	6
IPTV	0	4	1	-1	1	1	1	2	0	6	2	1	0	0	1	0	1
<b>Total digital</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>9</b>	<b>4</b>	<b>11</b>	<b>2</b>	<b>11</b>	<b>5</b>	<b>8</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>9</b>	<b>9</b>
Analogue terrestrial	-1	-2	0	0	0	0	-1	-11	0	0	0	-1	-2	-10	-9	-7	-6
Analogue satellite	0	-1	-3	-1	0	0	0	0	-2	0	0	0	0	0	0	0	0
Analogue cable	0	-1	-4	0	-2	-8	-2	0	0	-9	-4	-6	-5	0	0	-1	-3
<b>Total analogue</b>	<b>-1</b>	<b>-3</b>	<b>-6</b>	<b>-1</b>	<b>-2</b>	<b>-9</b>	<b>-4</b>	<b>-11</b>	<b>-2</b>	<b>-9</b>	<b>-4</b>	<b>-8</b>	<b>-7</b>	<b>-10</b>	<b>-9</b>	<b>-9</b>	<b>-9</b>

Source: IDATE / industry data / Ofcom

### 3.3.3 Take-up of HDTV services, digital video recorders and connected TVs

Take-up of high-definition television services continues to grow globally. The UK also has one of the highest proportions of TV homes with high definition among the countries included in our research. At 41%, HDTV in the UK is higher than France (18%), Germany (28%) and Japan (31%), but behind the US (49%).

**Figure 3.30 Take-up of High Definition TV**



Source: Ofcom Consumer Research October 2012

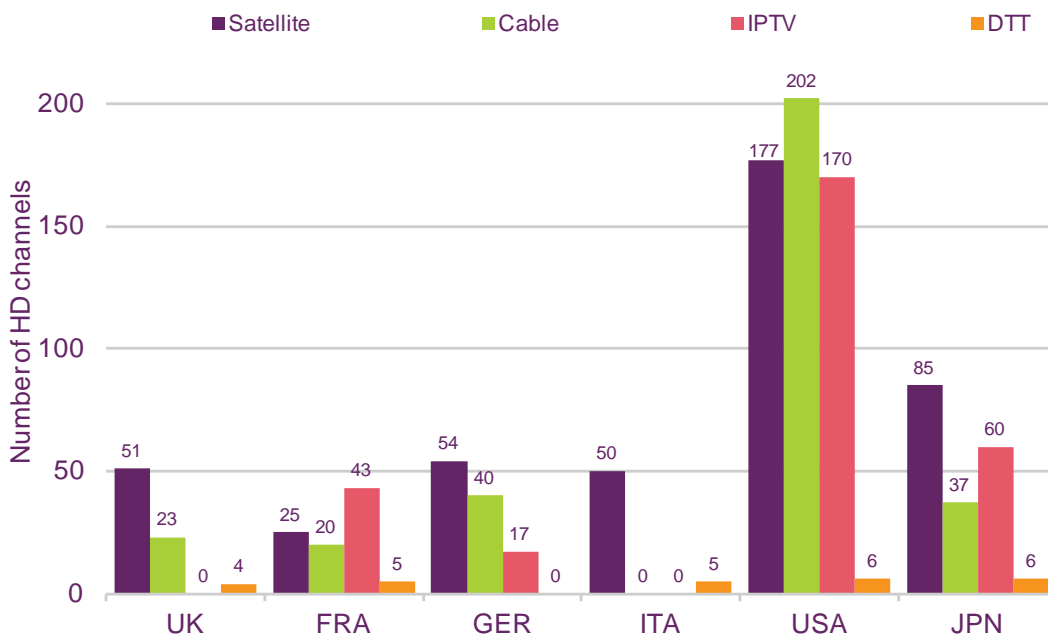
Base: Total sample size UK=1065, France=1016, Germany=1024, Italy=1015, US=1010, Japan=1004, Australia=1007, Spain=1001, China=1010

Q: Which of the following devices do you own and personally use?

In the US, pay-TV providers provide the highest number of HD channels of all our the comparator countries. The cable platform in the US now offers 202 channels as opposed to 177 channels on satellite and 170 via IPTV.

In the UK, Germany and Japan, the majority of HD channels are provided by satellite. France has a different profile, with 43 HD channels provided by IPTV operators and 25 HD channels on satellite.

**Figure 3.31 Number of HDTV channels: end 2011**



Source: IDATE / industry data / Ofcom.

## **DVRs, connected TVs and 3D-ready TVs continue to grow in popularity**

A range of other digital technologies are available to TV households, alongside high definition television.

Digital video recorders (allowing viewers to pause and rewind live television and to store content), were available in 39% of UK homes in 2011 – the highest take-up of all the countries included in our research. In the US and Australia, DVRs were installed in 32% and 29% of homes respectively. The country with the lowest take-up in 2011 was France, with 18% penetration.

France and the UK reported the highest take-up of connected televisions, with 15% of respondents in our research claiming to own one. In Germany and Italy the comparable figures were 10% and 9%. In China, take-up of connected televisions reached 28% in 2011. However, internet penetration is much lower in China (around 38%, and centred in the cities) and those responding to our survey are therefore more likely to be early adopters of new technology and not a true representation of China's 1.3 billion inhabitants.

In Europe, 13% of people in Italy reported having a 3D-ready TV set at home. In the UK and France, 3D television has reached 8% and 9% respectively. However, many connected TVs come with built-in 3D capabilities, so the actual penetration of 3DTVs may be higher than indicated below.

Thus far, only pay-TV operators seem to be backing initiatives to create sustained 3D content, and carrying platforms. The long-term appeal of dedicated 3D channels is open to question; in France, the Canal+ Group, the French film and television distributor, closed down its permanent 3D television channel in January 2012.

### **The four main categories of connected TV**

There are four main - and divergent - models in the UK. Each model has been adopted by a range of competitors and all are intended to deliver a similar set of interactive, broadcast and video services to customers.

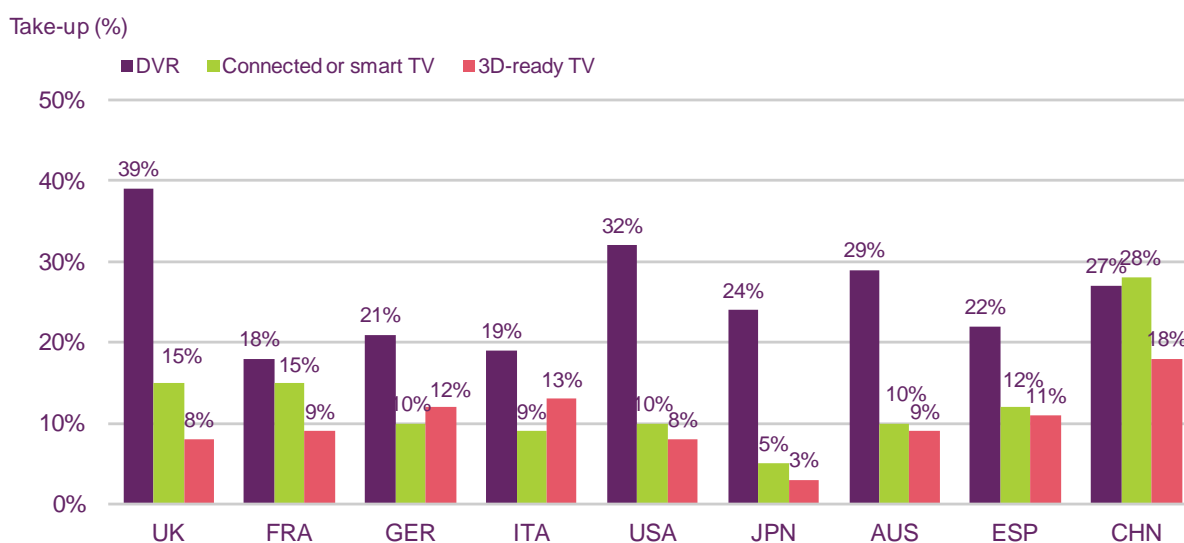
The traditional platform model, usually using set-top boxes (STBs) and subscriptions, is used by companies including Sky, Virgin, BT Vision and YouView. This model uses existing libraries of long-form content.

Electronics manufacturers (such as Samsung, LG and Sony) offer stand-alone connected TVs that directly connect to the internet via home broadband.

Dedicated IPTV companies like Boxee, Vudu, Roku and Sainsbury/Rovi provide on-demand and streaming services via an internet-connected device.

Finally, OS players like Apple, Google and Microsoft also hope to offer TV services and establish a cross-device eco-system using their 'walled-garden' software and systems which restrict non-approved applications and content.

**Figure 3.32 Take-up of digital video records, connected TVs and 3D-ready TVs**



Source: Ofcom consumer research October 2012

Base: Total sample size UK=1065, France=1016, Germany=1024, Italy=1015, US=1010, Japan=1004, Australia=1007, Spain=1001, China=1010

Q: Which of the following devices do you own and personally use?

### 3.3.4 Pay-TV take-up

The popularity of pay TV across comparator countries is influenced by a range of factors, including (i) the availability of free-to-view channels; (ii) the exclusive rights that pay-TV operators may have to particular programmes or types of content; and (iii) the presence of publicly-funded television channels.

At least three patterns of pay-TV adoption have emerged among the comparator countries:

- **High and stable levels of take-up.** In North America, consumers have always been willing to pay for access to additional television channels, and take-up remained at 89% in 2011 – stable year on year, and up by 3pp since 2006.
- **Moderate and stable penetration.** Among European comparator countries, take-up of pay-TV has increased by 7pp since 2006, although the proportion paying for additional channels remained at around 58% of all homes in 2011. Within this figure, take-up varies substantially between the comparator European nations (see Figure 3.33).
- **Low adoption levels, but rising.** In the developing economies of BRIC, pay-TV continues to grow in popularity (although it varies substantially by country, see Figure 3.33). Take-up of pay-TV rose by 6pp year on year, and by 22pp since 2006.



**Figure 3.33 Take-up of pay-TV among groups of comparator countries**



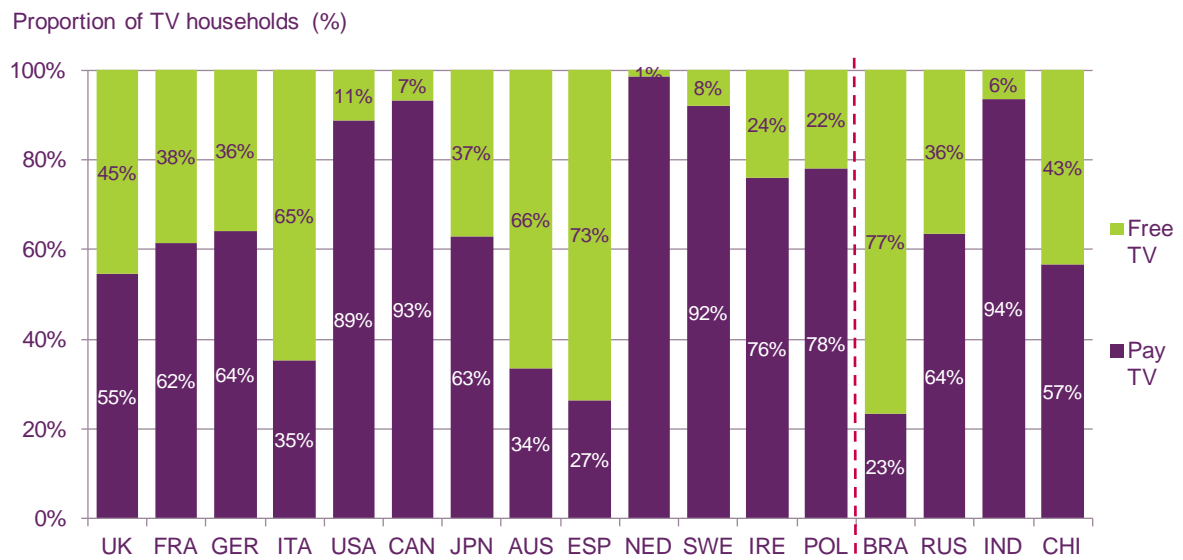
Source: IDATE / industry data / Ofcom. Note: 'Europe' in this context means those European countries within our comparator set. 'Total' in this context means the 17 countries in this report's comparator set.

In 2011, the majority of homes in 13 of the 17 comparator countries paid for additional television channels.

By country, pay-TV take-up at the end of 2011 was highest in the Netherlands (99%), India (94%), Canada (93%), Sweden (92%) and the US (89%). However, the characteristics of pay-TV services differ from country to country. In the US and Canada, pay-TV services are similar to those in the UK (providing access to a large number of additional TV channels in exchange for payment). By contrast, the pay-TV fee for some cable packages in the Netherlands and Sweden is more akin to an 'access charge'; in return for which consumers receive a limited number of television channels.

In Italy, Australia, Spain and Brazil, the free-to-view television model remains more popular than pay-TV.

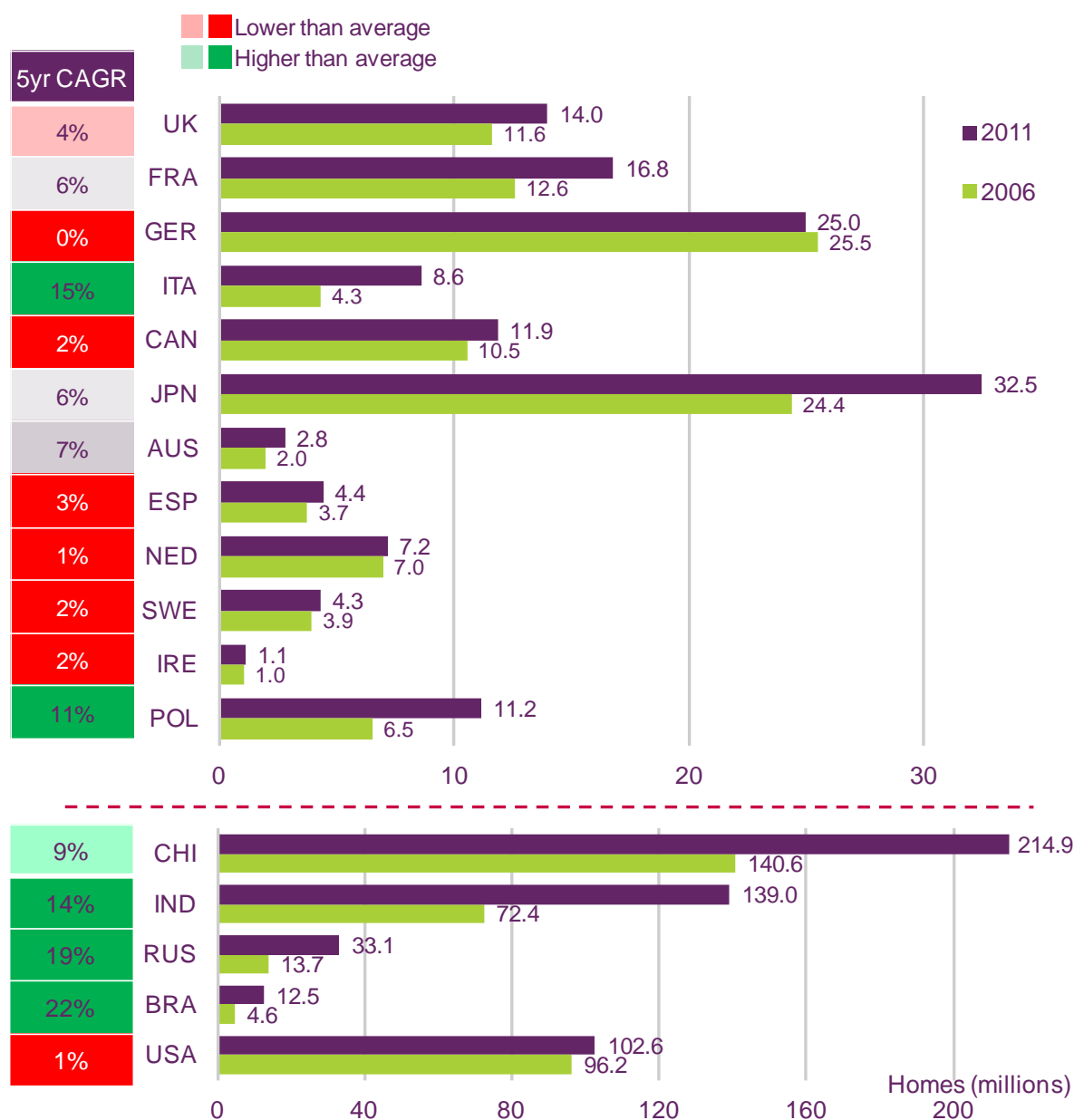
**Figure 3.34 Take-up of pay and free-to-air television: end 2011**



Source: IDATE / industry data / Ofcom

Over the five-year time period, the most substantial increase in the take-up of pay-TV were in Brazil (where the five-year annualised average growth rate stood at 22%). In the UK, pay-TV take-up rose on average by 4%, from 11.6 million homes in 2006 to 14 million in 2011.

**Figure 3.35 Pay-TV take-up in 2006 and 2011, millions of homes**



Source: IDATE / industry data / Ofcom

### 3.3.5 Consumption of broadcast television services

#### Viewers in the UK tend to consume more TV than those in many comparator countries

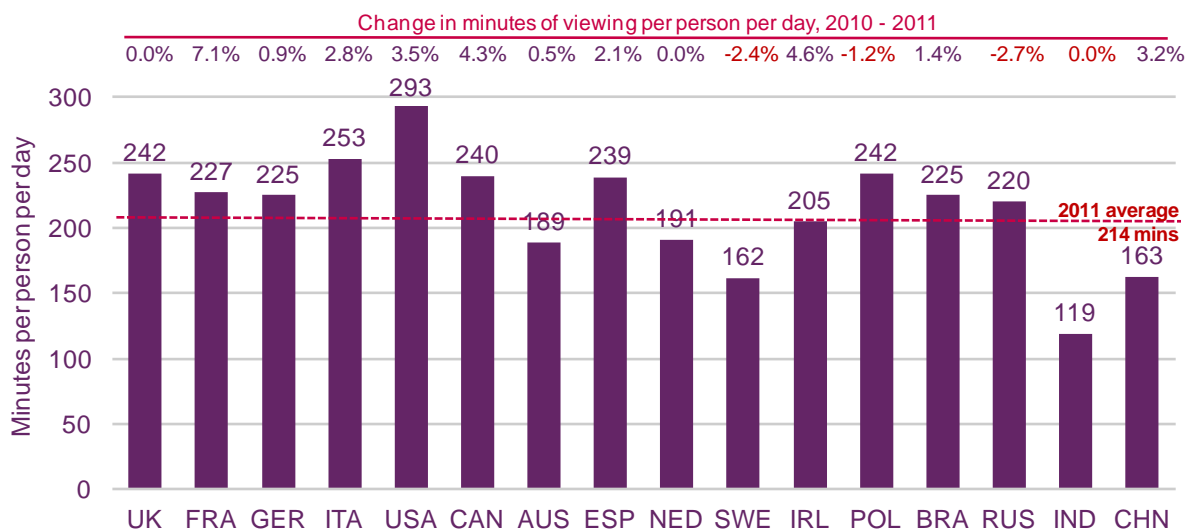
Linear television remains popular among viewers across all the comparator countries, with minutes of viewing per head per day increasing in most countries. The biggest increase in minutes of TV viewing per head was for France; up by 7.1% to 227 minutes per day. With no change in viewing minutes (242 minutes per person per day) the UK has the third highest level of TV viewing of all the comparator countries (joint third with Poland).

Only Italy and the US watch more linear television than the UK. Viewing per head in the US continued to increase, rising by 3.5% to 293 minutes a day in 2011, and in Italy, viewing also increased, growing by 2.8% to 253 minutes per day in 2011. Viewing in almost all other

European countries grew, with the exception of Sweden, where it decreased by 2.4%. This reinforces Sweden's position as the country whose viewers consume the fewest minutes of television of all our European comparator countries, at 162 minutes per person.

Among the BRIC countries, China experienced the largest year-on-year growth, with its viewers now watching 163 minutes of TV per day per head, an increase of 3.1%. Viewing in Brazil also grew - increasing 1.4% to 225 minutes per head.

**Figure 3.36 Daily TV viewing, per head: 2010-2011**



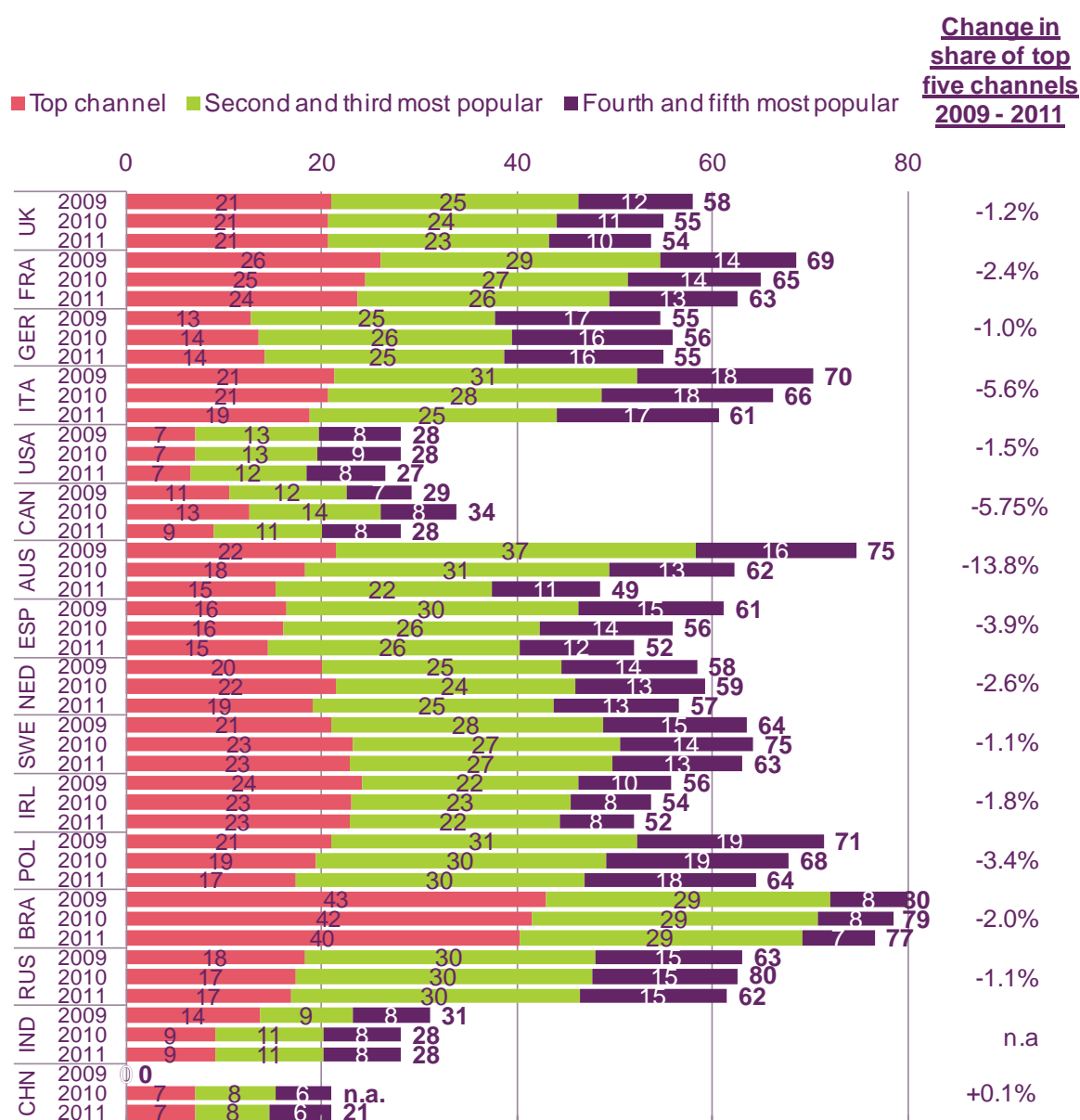
Source: Médiamétrie, Eurodata TV Worldwide. The figure for Canada relates to the viewing in non-Quebec households.

As the number of television channels available to viewers increases, patterns of consumption are changing. Audiences have become more diverse and dispersed among the increased channel choice, resulting in audience shares for the most popular channels eroding over time. Figure 3.41 illustrates this phenomenon: Brazil, with the fewest channels available to mass audiences, has the highest concentration of TV audience, and the top-rated channel, Globo, commands 40% share of viewing. Brazil's top five channels capture 77% of the country's TV audience. The US is at the opposite end of the spectrum. With over 500 channels in high definition and many more in standard definition, the top channel, CBS, has just 7% of viewer hours. Together, the top five channels account for slightly more than a quarter (27%) of the US television audience.

The UK falls somewhere between these two extremes; the top 5 channels account for slightly more than half (54%) of all viewers. BBC One is the most-watched channel, with ITV1, Channel 4, BBC Two and Channel 5 following, in that order.

The general trend in almost all the markets is a sustained reduction in the collective share of the top five channels, as audiences turn to new channels and new ways of watching content. The biggest reductions have been experienced by TV channels in Australia, where the top five channels shown in the major cities now account for less than half (49%) of audiences. Three years ago, the top five channels in Australia had 75% of share.

**Figure 3.37 Patterns of viewing among the top five TV channels: 2009 - 2011**

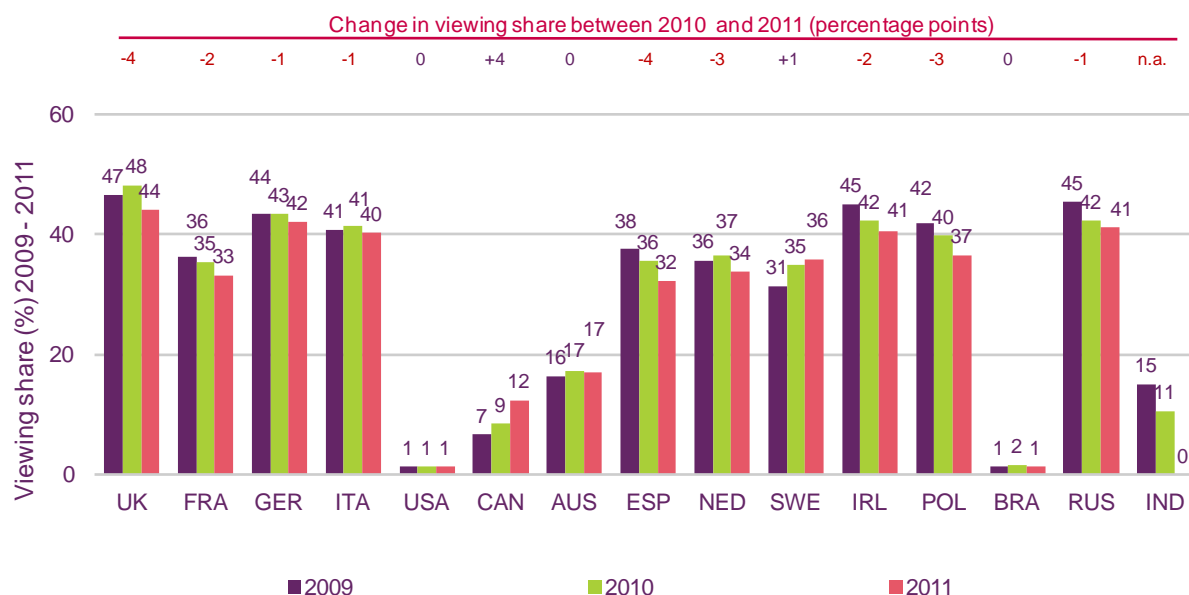


Source: Médiamétrie, Eurodata TV Worldwide. The figure for Canada relates to the viewing in non-Quebec households.

### Channels drawing on public funding experience declining share, in the main, during 2011

Viewing of publicly-funded channels is most popular in the UK, where it accounts for 44% of audience share (although down by 4pp year on year). The largest increase in viewing share to publicly-funded channels (3pp) was experienced by Canada, where the French-language television network, SRC, saw its audience share rise substantially. The largest declines outside the UK were in Spain (with a 4pp fall to 32%), the Netherlands (down 3pp to 34%) and Poland (down 3pp to 37%).

**Figure 3.38 Viewing of publicly-funded channels**

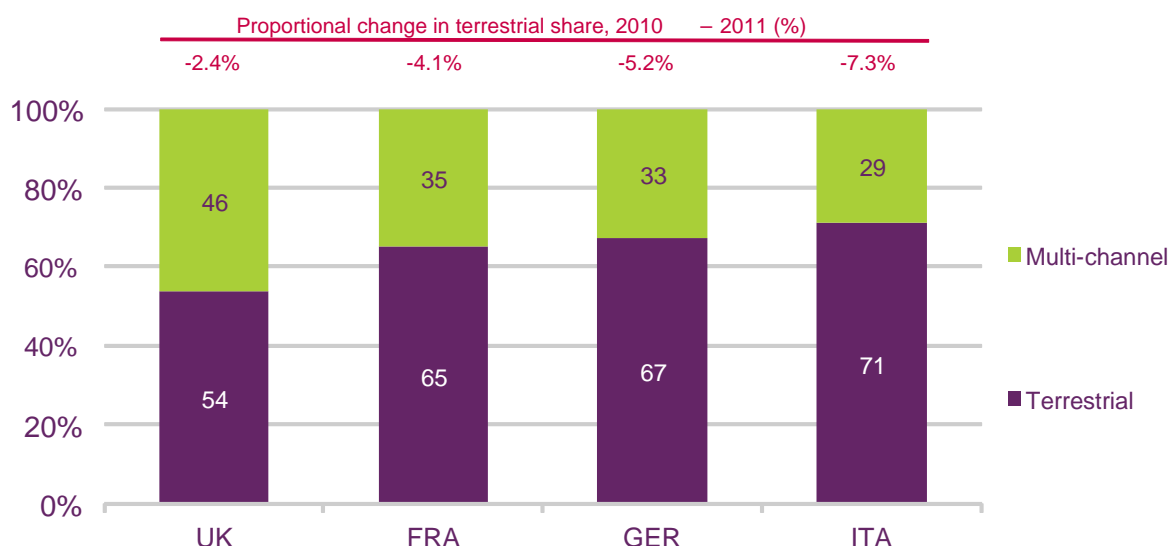


Source: Médiamétrie, Eurodata TV Worldwide. The figure for Canada relates to the viewing in non-Quebec households.

**Multi-channel viewing homes continued to grow in 2011**

Terrestrial channels still command the majority of share of viewing for some countries. In the UK, the terrestrial channels BBC One, BBC Two, ITV1, Channel 4 and Channel 5 together command a share of 54% - down by one percentage point during 2011. In France, the collective share of TF1, France 2, France 3, France 5, Canal+ and M6 together was down to 65%, a three percentage point decrease on their 2011 share.

**Figure 3.39 Terrestrial versus multichannel share**



Source: Médiamétrie, Eurodata TV Worldwide. The figure for Canada relates to the viewing in non-Quebec households.