The Communications Market: Digital Progress Report

Digital TV, Q3 2009

This is Ofcom's twenty-fourth Digital Progress Report covering developments in multichannel television. The data are the latest available at the time of writing and include quarterly take-up figures derived from consumer research, alongside subscriber figures reported by platform operators and device sales data.

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Contents

Background on survey methodology

The GfK consumer research used in this report is based on a panel of 12,000 homes surveyed quarterly via the internet and by telephone. The survey provides data on ownership and acquisition of television sets and related receiving equipment. The ratio of online to telephone interviews is approximately 80 to 20% respectively. The error margin for the research results is estimated to be within 1-2 percentage points. This means that the survey results may move within the error margin while the actual figure being measured has not changed at all.

Section 1

Overview

1.1 **Consumer survey results for the third quarter of 2009, the three months to the end of September, show that take-up of digital television in UK households stood at 89.5%, up by 1.4 percentage points (pp) in a year [1].**

1.2 With a majority of main sets now able to receive digital TV, consumers are continuing to convert additional sets in the home. As a result over **67% of all *secondary* TV sets had been converted to multichannel by the end of Q2, up by around 7 percentage points in a year.**

1.3 **Taking these figures together, 78% of *all* TV sets had converted to multichannel television by the end of Q3 2009** (up 6 percentage points on a year ago). The remaining 22% of sets continue to receive analogue terrestrial broadcasts.

Other findings

1.4 Other findings in the third quarter of 2009 include:

- Sales of DTT enabled equipment in Q3 reached almost 2.9 million units, up by 12% on Q3 2008. Integrated digital television sets (IDTVs) accounted for almost 76% of sales in the quarter (2.2 million units), with around 98% of TV sets sold now including an integrated DTT decoder.

- Freeview set-top boxes accounted for almost 700,000 sales in the quarter, down 28% on last year. Over the past year around 13.4 million DTT units (IDTVs and set-top-boxes) have been sold, compared to 12.3 million in the previous year, an increase of almost 9%.

- The number of homes relying on DTT as their sole means of digital TV reception was around 9.7 million in Q3 2009. This figure was similar to take-up a year ago but down by 200,000 on the Q2 survey result. However this reduction is within the error margins for the survey so does not represent a statistically significant fall. Separately, Freeview reported in December that the platform was now the main-set TV service in 10 million homes.

- Q3 sales data from BBC/ITV *freesat* show that unit sales had reached over 640,000 by the end of September, up from 450,000 units in Q2. Over three quarters (79%) of *freesat* decoders sold supported HD services by Q3. According to consumer research results for Q3, almost 700,000 homes claimed to be using some form of free-to-view digital satellite device on their main television set.

1: The Q3 digital TV survey figure of 89.5% was down by 0.3pp on Q2 2009. Taking into account market trends and the survey error margin, we do not consider it likely that DTV take-up fell quarter on quarter.

- The Q3 survey also indicated that 9.6 million, or almost 38% of homes, received satellite TV services (either pay or free-to-view), up 1.2 percentage points year on year. Pay satellite accounted for almost 9.0 million homes with free-to-view accounting for nearly 700,000 homes.

- Around 41% of households (10.4 million) received a free-to-view digital television service on their main set at the end of September; 38.0% had a non-pay DTT service and 2.6% had free-to-view satellite.

- Research results for Q3 show that 12.4% of homes took cable television. Separately, Virgin Media reported net additions of almost 37,000 TV subscribers, taking its total TV customer base to over 3.7 million for the first time. Digital cable added over 56,000 subscribers in the quarter (including conversions from analogue cable) and accounted for 97% of all cable television customers.

1.5 The following points to note on the platform shares in this report include:

- In calculating platform totals, DTT-only homes are defined as those where DTT is the only multichannel television platform in the home (figures for homes which have DTT as well as another platform are included in Sections 2 and 3 of the report).

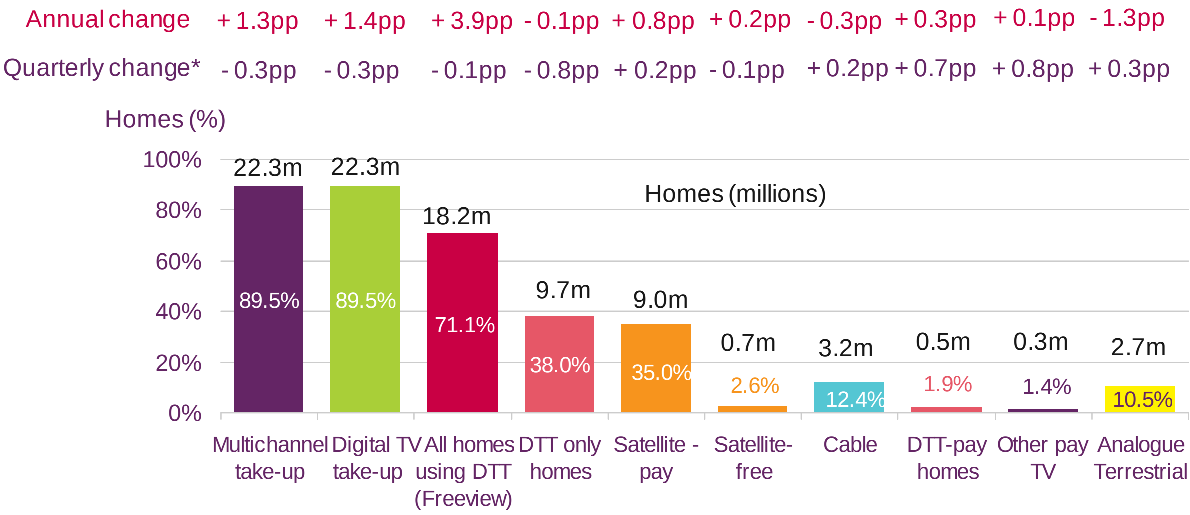
- A household with either a satellite or cable subscription in addition to DTT equipment may often be recorded primarily as a satellite or cable home by survey respondents.

Section 2

Platform figures Q3 2009

2.1 Figure 1 below summarises quarterly and annual multichannel growth. As take-up has approached 9 in 10 homes, the rate of growth has slowed; year on year this figure was up by 1.3 percentage points. The number of homes using DTT on any television set rose by 3.9pp in the year to over 7 in 10 homes by the end of Q3 2009. Homes where DTT was the sole platform experienced slower growth over the past year, with take-up stable. Pay satellite take-up rose by 0.8pp over the year, with cable down on the year but up 0.2pp during Q3.

Figure 1: Platform take-up survey results



Source: GfK and Ofcom research. Homes receiving overseas satellite services are not included in the multichannel total in this report.

Notes:
1 Please note for a market where quarterly growth in take-up is low, the quarterly changes illustrated may often be more a product of statistical survey fluctuations rather than material changes in the level of DTV take-up.

2 Due to the increasing amount of overlap between platforms, the allocation of homes to a specific platform has become increasingly complex with many owning more than one DTV platform (see overlap diagram, Figure 4 on page 8). In particular, an increasing proportion of main sets are now able to receive more than one DTV service. Therefore the Figure 1 summary table used in preceding reports has been replaced by the chart above as we believe this is a better way of illustrating the main results from the survey while allowing for platform overlap. Summary platform take-up percentages are also included in the multichannel trends table in Figure 8 on page 11.

3 Annual and quarterly changes in the chart are percentage points, i.e. the net change in total take-up rather than growth rate.

4 Chart figures; m = million, pp percentage points.

5The individual platform figures may not always add up to the totals, partly due to an element of overlap in homes that take more than one service and also due to figures being rounded.

6 Figures for the smaller platforms may show substantial fluctuations from quarter to quarter that are not statistically significant. This can be due to the lower numbers involved and the uneven distribution of subscribers across the UK, these changes should be therefore regarded with caution.

7 Multichannel homes now largely equates to digital TV homes, as analogue cable homes have declined over time and no longer have a significant measure on the survey.

8 *All homes using DTT* includes satellite and cable homes which also use DTT on any set in the home. *DTT-only* relates to homes where DTT is the only multichannel platform. DTT-pay homes relate to homes claiming to have access to Top Up TV, (490,000 in Q3), these are a subset of the 9.7 million total for Q3.

9 *Pay satellite* homes may include an element of survey respondents not differentiating between pay and free satellite.

10 *Free-to-view satellite* homes include all homes with satellite TV on the main set which do not pay a subscription, including BBC/ITV freesat, Freesat from Sky, Sky churners and any other non-pay satellite.

11 Other pay TV homes: Survey results show that almost 350k homes claimed to have access to the pay TV services provided by BT Vision and Tiscali TV by Q3 2009.

12 *Analogue terrestrial* refers to homes which have no multichannel television services.

Digital TV progress on main sets

2.2 Of the total of 60.2 million television sets 25.4 million are ‘main’ sets (which broadly equates to the most-watched set in each TV household), and approximately 34.9 million are ‘secondary’ sets (in bedrooms, kitchens, etc).

2.3 According to consumer survey results, 22.9 million households (89.5%) had digital television on their main set in Q3 2009, up by 1.4pp in the year.

2.4 Our research showed that Freeview was still the most widely-used service on main sets, accounting for around 9.7 million (38.0%) homes in Q3. In December 2009, Freeview itself reported that DTT was now the primary viewing platform in 10 million homes. The number of homes using DTT on any set in the home was stable at 18.2 million (71%) in Q3 2009.

2.5 Q3 survey results show that around 9.6 million (37.6%) of homes used satellite (free or pay) as their main means of receiving digital television, up by around 300,000 year on year. Pay satellite accounted for almost 93% (9.0 million) of these homes (up 200,000 year on year), with free satellite homes making up the remaining 700,000, (up by almost 100,000 in the year).

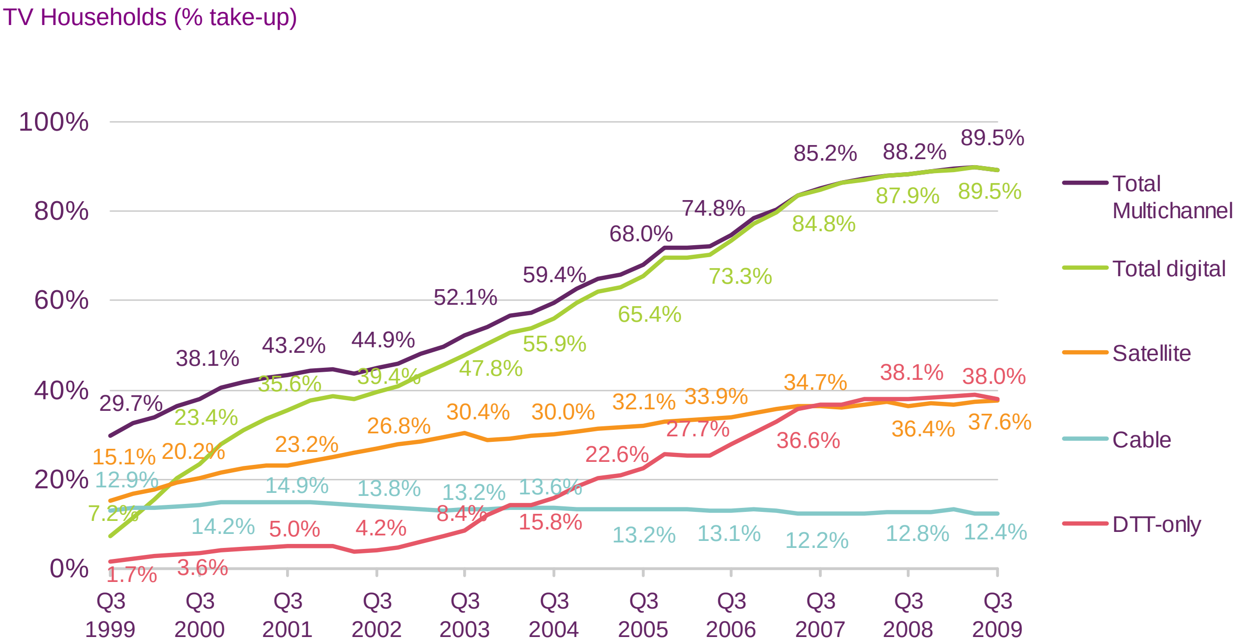
2.6 The number of homes using cable as their primary multichannel platform was 3.2 million (12.4%) with a small proportion of this total still receiving an analogue service. This survey-based total is lower than Virgin Media’s reported figure of just over 3.7 million subscribers. This might be explained by a number of cable homes owning more than one platform, which may result in the cable service not always being registered on the consumer survey as connected to the primary set in the home.

2.7 The number of TV homes relying solely on analogue terrestrial television for their primary set was around 2.7 million (10.5%) homes. This figure was down by 0.3 million (-1.3pp) over the year.

2.8 BT’s quarter three results reported that subscribers to its DTT / ADSL television service, BT Vision, had reached 436,000 by September 2009.

2.9 Figure 2 illustrates the ten-year trend of TV platform take-up expressed as a proportion of all TV homes, (grouping analogue with digital cable, and free-to-view with pay satellite). DTT take-up has risen from around 16% five years ago to 38% by Q3 2009, and is the most commonly used platform on main sets. Satellite, the next most frequently used platform, has grown by around 8pp over the past five years to almost 38%. The use of cable on primary sets has been more stable and was down by 0.5pp over a decade at 12.4%.

Figure 2: Multichannel take-up on main sets by platform 1999 - 2009



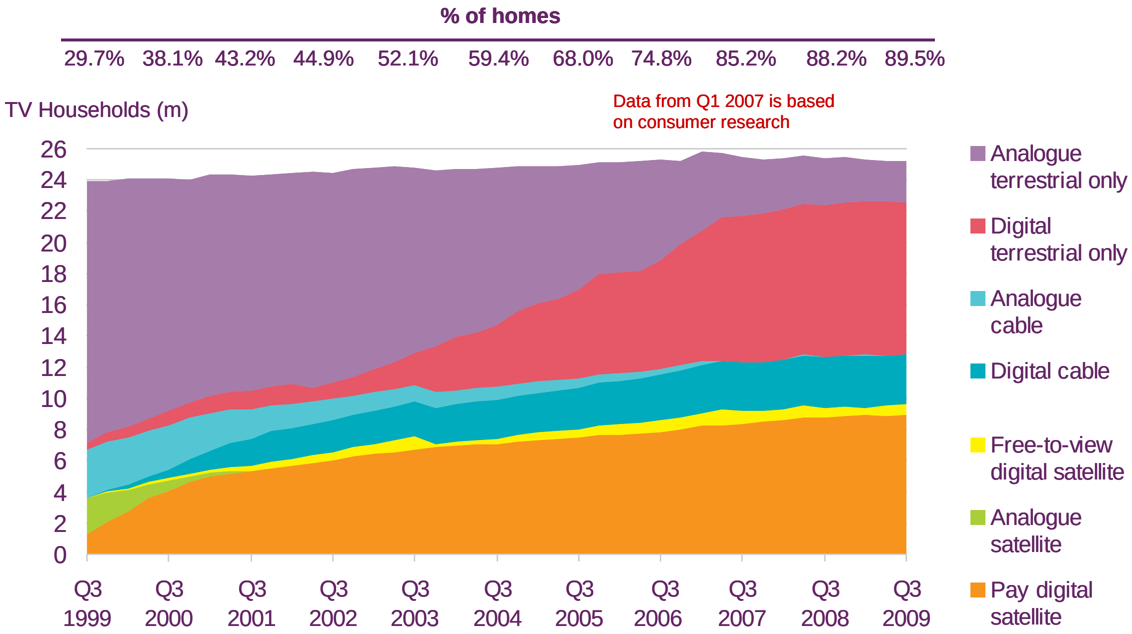
Source: GfK and Ofcom research from Q1 2007 onwards; previous quarters use platform operator data, research and Ofcom estimates. Note: TV over ADSL take-up is too low a percentage to register on this chart.

2.10 Figure 3 shows the year-on-year decline in the number of households receiving an analogue terrestrial service on main sets. It has fallen from around three-quarters of homes ten years ago to around one in ten by Q3 2009. Digital terrestrial and pay satellite have emerged as the two most widely used digital television platforms on main sets over the past decade.

Notes on figure 2:
1. Digital TV take-up of 89.5% was down by approximately 80,000 (0.3pp) on Q2 2009. However taking account of market trends and the survey error margin we do not consider it likely that DTV take up actually fell quarter on quarter.

2. DTT-only homes totalled 9.7m on the Q3 survey, a fall of 200,000 (-0.8pp) in the quarter. As above this reduction is not believed to be statistically significant.

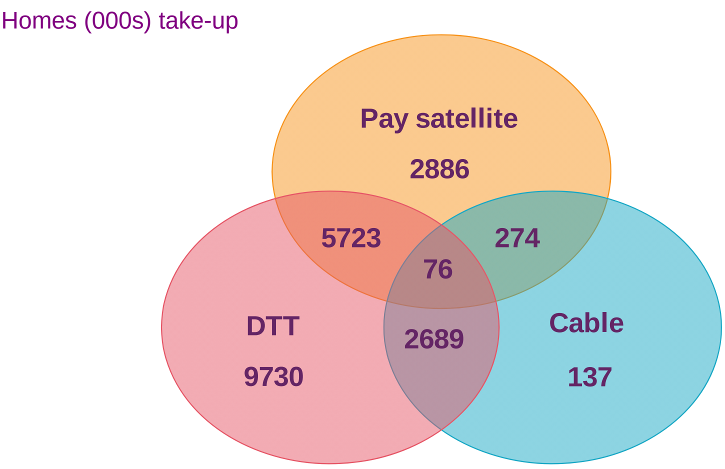
Figure 3: Multichannel take-up on main sets 1999 – 2009



Source: GfK and Ofcom research from Q1 2007 onwards; previous quarters use a combination of platform operator data, research and Ofcom estimates.

2.11 Figure 4 illustrates the degree of overlap between the multichannel platforms. This shows the number of homes with access to one or more of the three main platforms (DTT, pay-satellite, cable). Of the 18.2 million homes with access to DTT, 9.7 million rely solely on DTT for digital reception, while 8.5 million satellite and cable homes also use DTT either on a primary or second set. Around 350,000 homes claim to have access to both satellite and cable, with 76,000 homes owning all three platforms. A large majority of cable homes (96%) also use another DTV platform, with around 68% of pay satellite homes also having access to another platform.

Figure 4: Multichannel homes platform overlap Q3 2009

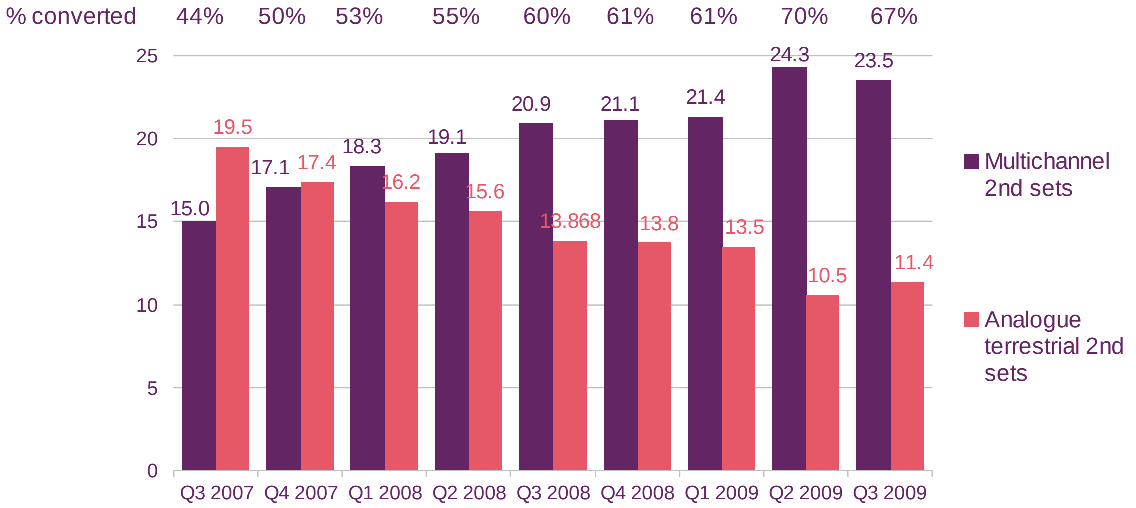


Source: GfK consumer research, Q3 2009.
Note: Due to the smaller sample size it is not possible to indicate the overlap amongst the other multichannel platforms.

Digital progress on secondary sets

2.12 With the average home owning 2.4 TV sets, there are around 35 million secondary sets in the market. By Q3 2009 around 23.5 million (67%) of these had been converted to multichannel using either the Sky Multiroom service, a second cable box or a DTT receiver. This figure was up by almost 2.6 million (7.2pp) year on year, although this did show a fall of 2.4pp on Q2 2009, following a large increase of 8.5pp in the previous Q2 survey.

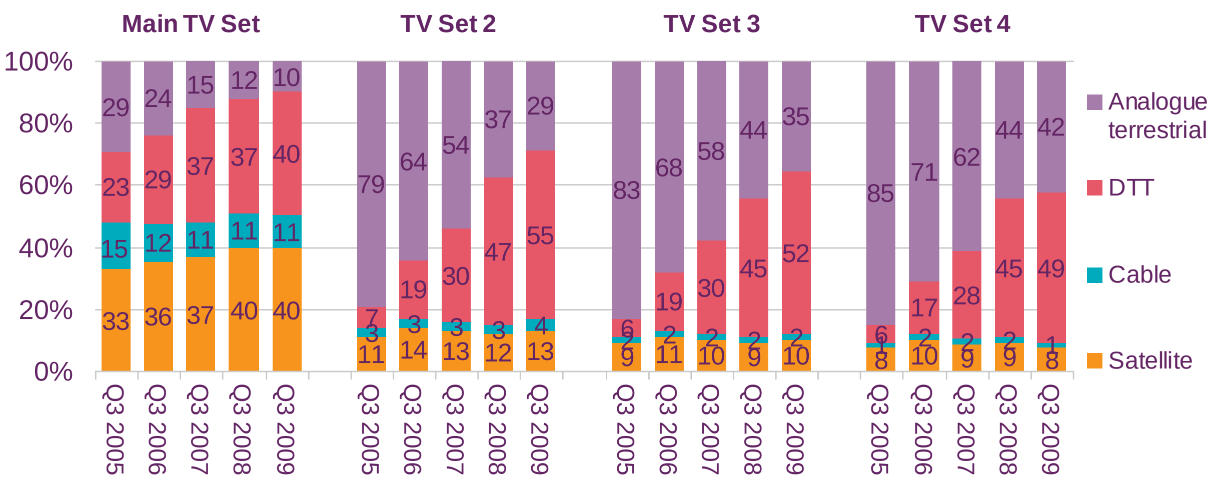
Figure 5: Total secondary digital sets across all platforms (millions)



Source: GfK research

2.13 Consumer research results illustrate the platform share by primary and secondary sets. The latest survey from Q3 2009 shows that satellite (free and pay) and DTT attracted similar shares of main sets (both with 40%). On second, third and fourth sets, DTT was the most widely used platform with around half of secondary sets connected to DTT. By comparison, analogue terrestrial had a 29% share of second sets, 35% of third sets and 42% of fourth. Satellite (in the form of Sky Multiroom or free satellite services) was more commonly used on additional sets than cable (Figure 6).

Figure 6: Platform shares by platform TV sets 1 – 4

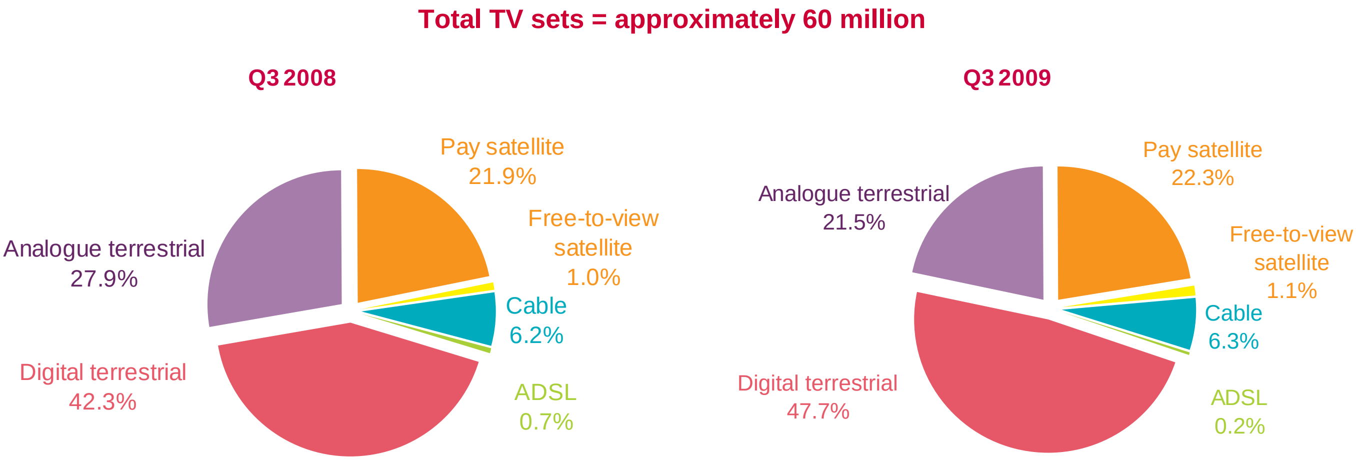


Source: GfK research
Note: Main set shares in this chart differ slightly from those in Figure 1 and Figure 2 because of a small element of overlap between cable and satellite

Digital progress on all sets

2.14 Of the total of 60 million television sets (main and secondary), 47.3 million (78.5%) had been converted to multichannel by Q3 2009, up by 4.0 million (6.4pp) over the year (Figure 7).

Figure 7: Platform shares among all TV sets



Source: GfK research
Note: Figures may not add up to 100% due to rounding.

2.15 Other all-sets figures in Q3 2009 included:

- Analogue terrestrial accounted for just over a fifth of the total set universe in Q3 at 21%, equivalent to around 13.0 million television sets. This was down by around 6.4pp from 27.9% of TV sets a year previously..Of the analogue sets, around 2.7 million were main sets and 10.3 million were secondary (in a bedroom or kitchen, for example).

- The number of digital terrestrial sets has risen by around 3.3 million over the year to 28.8 million, equivalent to a 47.7% share of all sets in Q3 2009. This was up by 5.5pp from under 42.3% a year ago. Sales of IDTVs and DTT set-top boxes were up 12% compared to Q3 last year, with more DTT-enabled secondary sets than primary, 19.0 million versus 9.7 million respectively.

- Survey results indicate that over a fifth (22.3%) of all television sets are now connected to a pay satellite service, up by 0.4pp on a year ago. BSkyB has continued to add both main set subscriptions and also second sets via its multiroom service. Free satellite accounted for a 1.1% share of all sets by Q3 2009, up slightly on share a year ago. The BBC / ITV *freesat* service has continued to grow over this period (see section 3, page 15).

- The number of cable sets increased over the year. There were around 3.8 million sets connected to cable by Q3 2009, equivalent to a 6.3% share of all sets, up slightly from 6.2% a year previously.

Summary of multichannel trends Q2 2008 – Q3 2009

Figure 8: Take-up and share of primary and secondary TV sets

Homes (%)	Q2 2008	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Multichannel take-up						
Cable	12.5%	12.8%	12.8%	13.2%	12.2%	12.4%
Satellite	37.3%	36.6%	37.0%	36.8%	37.5%	37.6%
DTT	38.0%	38.1%	38.4%	38.5%	38.8%	38.0%
Other platforms 1	1.1%	1.4%	2.1%	2.3%	2.1%	1.4%
Total multichannel*	**88.0%**	**88.2%**	**88.9%**	**89.6%**	**89.8%**	**89.5%**
Pay TV take-up						
Cable	12.5%	12.8%	12.8%	13.2%	12.2%	12.4%
Pay satellite	34.0%	34.2%	34.7%	34.8%	34.8%	35.0%
Pay DTT	1.3%	1.6%	1.5%	0.8%	1.2%	1.9%
Other pay platforms	1.1%	1.4%	2.1%	2.3%	2.1%	1.4%
Total pay TV*	**48.0%**	**48.8%**	**49.5%**	**49.9%**	**49.6%**	**49.3%**
Share of multichannel TV market						
Cable	14.2%	14.5%	14.4%	14.7%	13.6%	14.1%
Satellite	42.4%	41.5%	41.6%	41.1%	41.8%	42.7%
DTT	43.2%	43.2%	43.2%	43.0%	43.2%	43.2%
Other platforms	1.3%	1.6%	2.4%	2.6%	2.3%	1.5%
TV sets conversion						
Secondary sets converted	55.0%	60.2%	60.5%	61.3%	69.8%	67.4%
All TV sets converted	68.9%	72.1%	72.3%	73.1%	80.2%	78.5%

Source: GfK and Ofcom research

Notes on figure 8:
1. Other platforms includes homes with BT Vision and Tiscali TV. Top Up TV homes are included in DTT and shown separately in pay DTT.

* Totals may not correspond to the individual platform figures due to an element of platform overlap, i.e. where some respondents may have answered that they have two multichannel platforms connected to the main set.

Section 3

Platform quarterly results

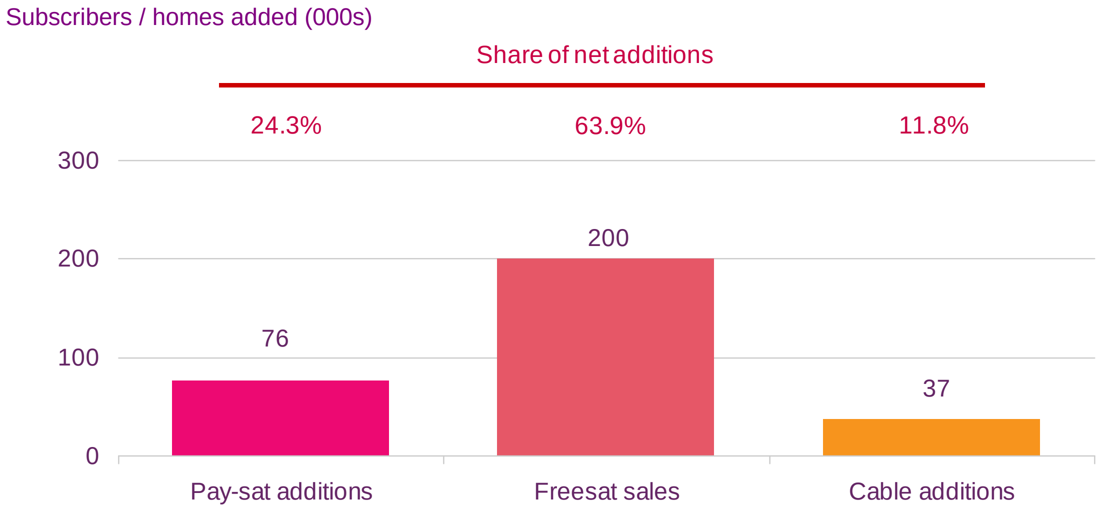
3.1 This section sets out the net homes added during the quarter. In the case of the DTT platform these are based on the survey results, as set out in the preceding sections. The satellite and cable platform numbers are based on figures reported by the main platform operators. The operator-based figures are included for information only and to help give context to our research-based take-up figures; they do not, however, feed into our calculations for multichannel take-up, as set out in sections 1 and 2.

3.2 Within the free-to-view sector, consumer survey results suggested that homes using DTT on any set was largely unchanged at 18.2 million homes. All homes using DTT therefore includes satellite and cable homes now using DTT on a secondary set. Within the free satellite market, BBC / ITV *freesat* reported sales of almost 200,000 during Q2.

3.3 BSkyB's Q3 results for the UK and the Republic of Ireland reported a net increase of 94,000 paying satellite subscribers. Based on the historical split of additions we estimate that approximately 76,000 of these were UK homes with the remainder added in the Republic of Ireland. Virgin Media results showed a net addition of almost 37,000 cable TV subscribers over the quarter and, with additional conversions from analogue, the increase in digital cable subscriptions stood at over 56,000 during Q3.

3.4 Based on these results the satellite platform showed the highest additions in Q3 with free satellite additions equivalent to a 64% share of all net adds, followed by pay satellite with 24%. Cable added the remaining 12%, with survey results for DTT showing a fall in Q3. However, these figures should be regarded as indicative, as they draw on a range of different data sources (Figure 9).

Figure 9: Net quarterly multichannel growth Q3 2009

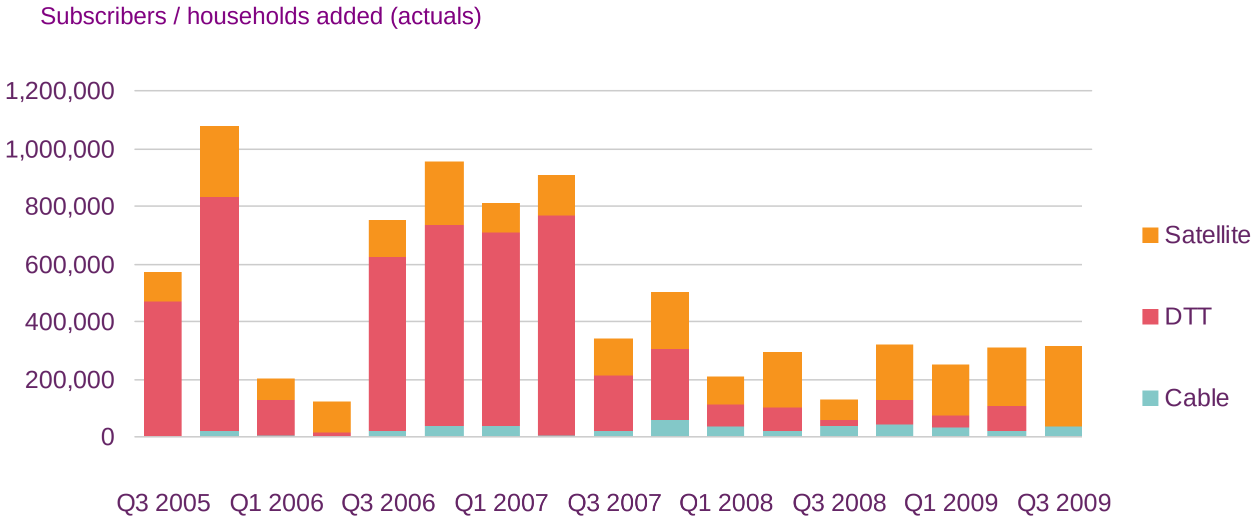


Source: Pay platform additions based on Virgin Media reported results and Ofcom estimates based on BSkyB results. Free satellite additions based on BBC/ITV Freesat sales figures. Note: The number of DTT homes fell in the Q3 survey and therefore does not appear in the additions chart for this quarter.

Note on figure 9: The Q3 survey showed a slight fall of 15,000 for all homes using DTT, but this is not a statistically significant change on the survey.

3.5 Over the period 2004-2007, DTT was the primary driver of digital television growth. However, with the majority of homes now having multichannel TV, the contribution of each of the three main platforms has levelled out. Satellite has added the most homes over the past year, but cable's share of net additions has also risen over the past two years as DTT take-up has reached maturity (Figure 10).

Figure 10: Net quarterly multichannel additions



Source: Platform operator data (BSkyB, BBC/ITV freesat, and Virgin Media) for pay / free satellite and cable, GfK research for DTT homes.

Digital satellite – pay households

Figure 11: BSkyB Q3 2009 results*

Pay digital satellite – BSkyB	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Pay-TV satellite subscribers	**9,067,000**	**9,238,000**	**9,318,000**	**9,442,000**	**9,536,000**
ARPU (annualised)**	£430	£444	£452	£464	£469
Churn	10.9%	9.9%	10.6%	9.9%	11.3%
Basic package price	£17.00	£16.50	£16.50	£17.50	£17.50
Sky Multiroom	1,655,000	1,723,000	1,769,000	1,835,000	1,897,000
Sky +	4,135,000	4,650,000	5,056,000	5,491,000	5,902,000
Sky HD	591,000	779,000	1,022,000	1,313,000	1,600,000

Source: BSkyB quarterly results 2008/09

* These figures are for BSkyB's subscribers in the UK and the Republic of Ireland.
** BSkyB's ARPU and churn rates relate to their total consumer division (services including TV, telephone, and internet).

3.6 BSkyB's Q3 results reported a 94,000 increase in subscribers to its television service, taking its total UK and Ireland subscriber base to 9,536,000, up 469,000 over the past year. Based on historic additions for the UK and Ireland we estimate that around 400,000 of these were new UK customers.

3.7 The number of subscribers taking the *Sky Multiroom* service (which enables an additional set in the home to receive *Sky*) rose by 62,000 during Q3 to 1,897,000 (with 242,000 additions over the past year). This means that 20% of *Sky* customers have at least one extra set connected to a pay satellite service in addition to their primary set.

3.8 BSkyB's digital video recorder service (DVR, also known as PVR - personal video recorder - or DTR - digital television recorder), *Sky+*, saw another quarter of growth, with 411,000 subscribers added in Q3. This took the total number of *Sky+* homes to just over 5.9 million, 62% of its customer base.

3.9 The high-definition (HD) service added 287,000 subscribers in Q3. This was the second highest number of HD additions in a quarter (following additions of 291,000 in the previous quarter).Total HD subscriptions are now over 1.6 million, with around 17% of all *Sky* subscribers now taking its HD services. By Q3 2009, 34 HD channels were available on this service.

3.10 Annualised average revenue per user (ARPU) reached a new high of £469 in Q3, up by £5 on the previous quarter and by £39 year-on-year. By the end of Q3, 17% of Sky customers (1.6 million) took three services – TV, broadband and telephony. Churn – the proportion of subscribers ending contracts - increased in the quarter from 9.9% to 11.3%, also up slightly on churn in the corresponding quarter in 2008 (10.9%).

Digital satellite - free-to-view households

Figure 12: Free-to-view satellite

Free-to-view digital satellite	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Free-to-view satellite households	617,000	597,000	503,000	682,000	667,000

Source: GfK research

3.11 There are currently four main categories of free satellite viewer:

- those who have churned from BSkyB's pay services but have retained their satellite equipment so that they can continue to receive free-to-view channels;
- users of BSkyB's own non-subscription services including *'Freesat from Sky*', which requires a one-off installation payment of around £147.
- homes taking the *'freesat'* service offered by the BBC and ITV; and
- those which have obtained satellite-receiving equipment from suppliers other than *Sky* or *freesat*.

3.12 The freesat service from ITV and the BBC launched in May 2008 and is available to an estimated 98% of UK homes. This service currently provides access to over 140 digital TV and radio channels with no subscription. Standard-definition freesat digital boxes are available from around £50, with satellite dish installation costing a further £80. Freesat + HD DVR receivers retail from around £200. Freesat has said that the BBC iPlayer service will soon be available on the platform, with ITV Player to join in the first half of 2010.

3.13 By the end of Q3 2009, survey results indicated that around 700,000 homes were using free satellite as their primary television platform. Free satellite survey results have fluctuated over the past year, possibly due to sampling issues arising from measuring a smaller sector. Separately the BBC/ITV freesat service reported further growth during the period, with total retail sales reaching 643,000 units by the end of September 2009, up from 450,000 units in Q2 2009. High Definition receivers accounted for 79% of sales by Q3 2009.

Cable

Figure 13: Virgin Media Q3 2009 results

Cable – Virgin Media	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Digital TV subscribers	3,407,900	3,469,000	3,510,400	3,543,300	3,599,300
Total TV subscribers	**3,576,500**	**3,621,000**	**3,651,600**	**3,672,000**	**3,709,000**
Total subscribers (TV, telephony, internet)	4,740,400	4,755,200	4,762,300	4,736,100	4,744,200
Homes passed and marketed	12,561,900	12,553,100	12,554,800	12,559,600	12,559,600
TV penetration rate *	28.5%	28.8%	29.1%	29.2%	29.5%
ARPU ** (annualised)	£503	£508	£507	£519	£531
Churn **	18.0%	14.4%	13.2%	15.6%	18.0%
Basic package price	£11.00	£11.00	£11.00	£11.00	£11.00
Virgin DVR (V+)	468,700	521,500	611,900	668,500	749,300

Source: Virgin Media quarterly results 2008/09

* TV penetration rate is the based on the number of homes passed by the cable network. The homes passed and marketed figure is as at Q2 2009.

** Virgin Media ARPU and churn rates relate to their total consumer division, (services including TV, telephone, and internet).

3.14 Virgin Media's Q3 results included additions of 56,000 digital television subscribers (following on from 32,900 additions in Q2 2009). After allowing for the migration of analogue subscribers to digital cable, 37,000 net cable TV homes were added in Q3.

3.15 Virgin Media has added 132,500 net new television homes over the past year, and now has over 3.7 million TV subscribers, the highest level of take-up for cable television to date. Virgin Media's digital video recorder (DVR) service *V+,* added 80,800 subscribers in Q3 to reach 749,300 in total, equivalent to over 20% of its TV subscriber base.

3.16 Virgin Media reported that over half (55%) of its digital customer base (equivalent to around 2.0 million TV customers) were using its video-on-demand (VoD) service on a monthly basis in Q3. Average VoD monthly views per user in Q3 2009 were 33 compared to 27 a year ago in Q3 2008.

3.17 Virgin Media announced the launch of six new HD channels on the cable platform in Q3, including VMtv's LIVING. By August 2009 there was 300 hours of HD content on available the Virgin VoD service.

3.18 The number of Virgin Media customers taking three services or more reached 59.5% during Q3, up from 54.7% a year previously in Q3 2008. Annualised ARPU was up by £12 in the quarter to £531, also up by almost £28 over the year.

Digital terrestrial television (DTT) equipment sales

Figure 14: DTT equipment quarterly sales

DTT quarterly sales (actuals)	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Freeview set-top boxes	973,730	1,409,220	922,320	684,600	696,360
Integrated Digital Televisions (IDTVs)	1,575,630	3,059,700	2,453,325	2,004,694	2,154,600
Total sales	**2,549,360**	**4,468,920**	**3,375,645**	**2,689,294**	**2,850,960**
DTT DVR sales*	195,000	394,000	291,000	213,600	203,800

Source: Sales figures from GfK, as adjusted by Freeview. The 5% upwards adjustment represents Freeview's estimate of the number of DTT set-top boxes and IDTVs sold in Northern Ireland and offshore islands.

*DVR sales include devices that combine DVR and DVD recording functionality.

3.19 DTT equipment sales in Q3 2009 reached over 2.8 million; this was up by 12% on the corresponding quarter last year. IDTVs accounted for over three-quarters of these sales at over 2.1 million, while the number of set-top-box sales reached around 696,000 in Q3.

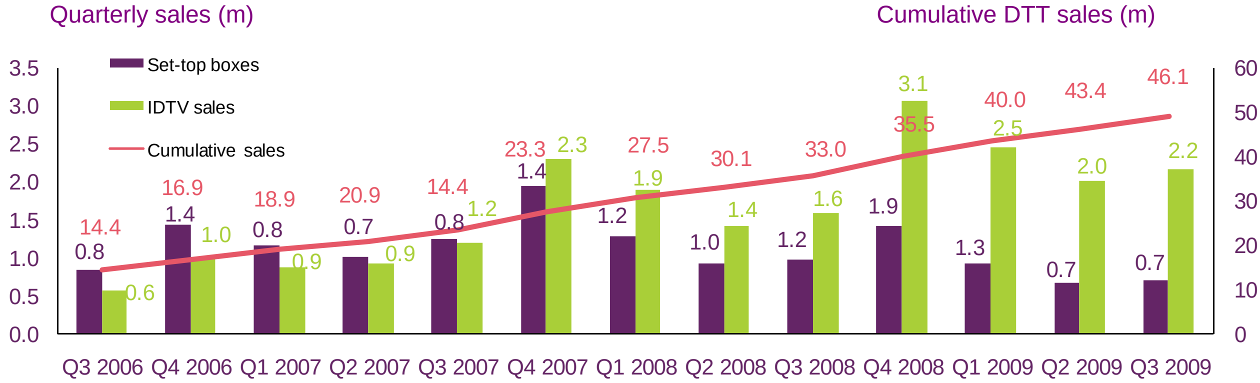
3.20 Year on year IDTV sales were up by almost 579,000, or 37%, taking total sales in the 12 months to the end of Q3 2009 to 9.7 million. This compared to 7.2 million in the previous year. During Q3, around 98% of all TV sets sold included a DTT tuner.

3.21 Cumulative sales of set-top boxes reached 3.7 million in the year to Q3 2009, down 27% from 5.1 million in the previous year. This decrease might be partly explained by higher sales of integrated TVs and the increasing maturity of the DTT platform.

3.22 Cumulative sales of DTT DVRs (Digital Video Recorders) reached around 3.1 million by the end of Q3 2009, with almost 204,000 sales in the quarter. This represented 29% of all DTT set-top-box sales, up from a fifth (20%) a year ago.

3.23 Since Freeview's launch in October 2002, total sales of DTT devices have reached almost 49 million units, comprising almost 24 million IDTVs and over almost 25 million DTT set-top boxes (Figure 15).

Figure 15: DTT quarterly and cumulative sales of Freeview devices



Source: Sales figures from GfK, as adjusted by Freeview

3.24 An 'overlap' factor must be taken into account when evaluating the impact of IDTV sales on digital conversions. IDTV purchases are not always primarily motivated by the desire for an integrated DTT tuner, but often for other reasons such as bigger screens or high-definition capabilities.

3.25 As a result, IDTVs are sometimes connected to existing satellite or cable receiving equipment. This leads to an overlap with the integrated DTT tuner, and therefore to a lower rate of DTT conversion than IDTV sales alone would imply. The GfK survey used in the report takes account of this effect by distinguishing homes where DTT is the sole digital platform from those where it is an additional platform.

3.26 Furthermore, an increasing number of DTT purchases are being made with the purpose of converting secondary sets in the home to digital, or as replacements for existing DTT set-top boxes on the primary set. Replacement purchases can be motivated by a desire to add new features such as seven-day programme guides or DVR functionality. These trends have led to a significant divergence between quarterly DTT sales and the number of homes converted to DTT. Over the past year survey results suggest an increase in the level of replacement DTT sales, as consumers upgrade older equipment.

DTT households and sets

Figure 16: DTT households and sets estimates

DTT sets and households (millions)	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009
Total number of DTT enabled sets	25.7m	25.9m	26.1m	29.7m	28.8m
Total number of homes using DTT equipment	17.2m	17.7m	18.0m	18.2m	18.2m
Number of homes where DTT is the only digital platform	9.7m	9.8m	9.8m	9.9m	9.7m

Source: GfK research
Notes: 1. Figures in the table are rounded
2. Falls in DTT on the Q3 survey are not regarded as statistically significant changes.

3.27 DTT equipment was being used in 18.2 million homes by the end of Q3, when taking account of cable and satellite homes using DTT on secondary sets. This was stable on last quarter but was up by just over 1.0 million homes year on year. The survey showed that DTT was the only digital platform in 9.7 million homes by the end of Q3.

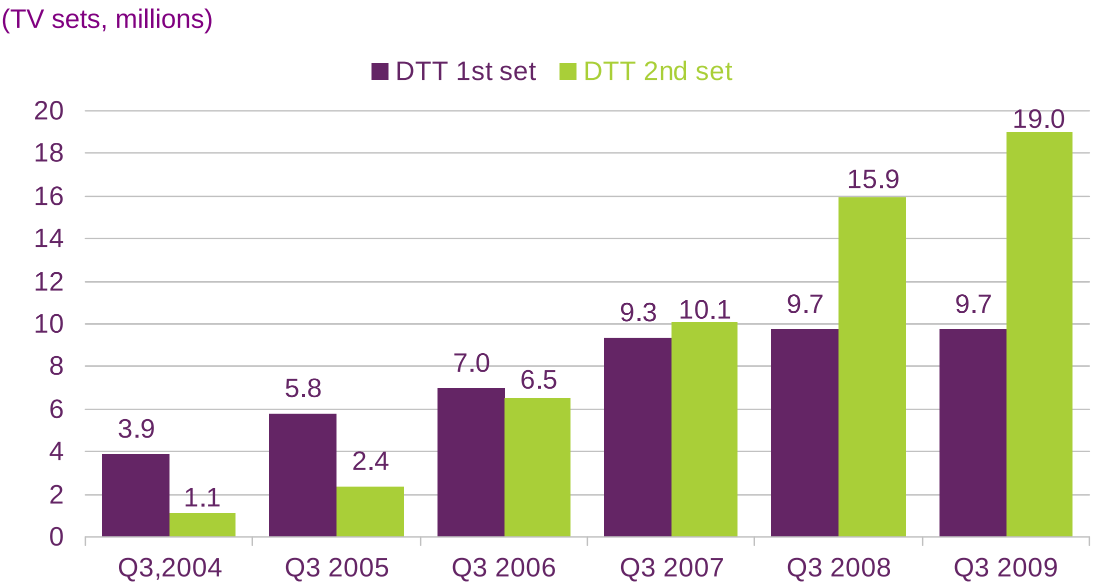
3.28 The Q3 GfK ownership survey estimated the total number of DTT-enabled TV sets at around 28.8 million; this was down by almost a million on the previous quarter following a large rise of 3.6 million in Q2 but was still up by 3 million on a year previously. Cumulative DTT sales reached 13.4 million over the past year, (following on from 12.3 million the previous year), have helped to increase the conversion of TV sets from analogue terrestrial to digital terrestrial. Almost half (48%) of all TV sets were connected to a DTT device by Q3, compared to just over a fifth (21.5%) still relying solely on analogue terrestrial for reception.

Note on figure 16: DTT-only homes showed a fall of around 200,000 homes on the Q3 survey, while all homes using DTT was down by 15,000. These falls are not regarded as statistically significant changes on the survey.

DTT growth on primary and secondary sets

3.29 The number of DTT devices used on secondary sets overtook the number used on primary sets during 2007. By the end of Q3 2009 there were 28.8 million DTT-enabled sets, of which 9.7 million were primary and almost 19.0 million were secondary sets. This means that 66% of DTT devices are now connected to secondary sets (Figure 17).

Figure 17: DTT on primary and secondary sets



Source: GfK research