

Ofcom

making communications work
for everyone

The Communications Market 2016

2 Television and audio- visual

Contents

2.1 Key market developments in TV and audio-visual	53
2.1.1 Sector overview	53
2.1.2 Video on demand in the UK	54
2.1.3 The growth of paid-for VoD services	60
2.1.4 Behaviour and attitudes of SVoD users	62
2.2 The TV and audio-visual industries	67
2.2.1 Overview of TV industry revenue	67
2.2.2 Commercial television revenues	69
2.2.3 Spend on UK television programmes	72
2.2.4 UK independent production sector	75
2.2.5 UK television output	76
2.2.6 The local TV sector	80
2.3 The TV and audio-visual consumer	87
2.3.1 Platform take-up	87
2.3.2 Recent changes in TV viewing	92
2.3.3 Broadcast TV viewing trends	97
2.3.4 Consumer attitudes to television	104

2.1 Key market developments in TV and audio-visual

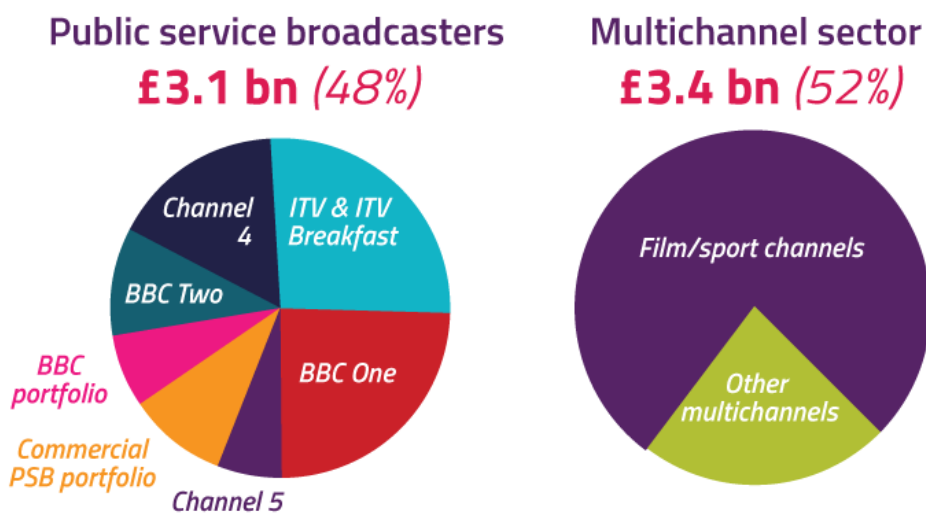
2.1.1 Sector overview

Time spent watching broadcast TV continued to decline in 2015, but more slowly than the accelerated decline of the last two years. The average 3 hours 36 minutes a day that people (aged 4 and above) spent watching conventional TV in 2015 was 26 minutes a day less than five years previously. Behind the headline comparison is a growing generational divide; watching broadcast television among 16-24s has had the steepest decline (27%) since 2010 followed by children (26%).

These changes in viewing are happening in the context of a rapidly changing viewing landscape. The widespread availability of on-demand services on a range of devices allow viewers to watch programmes and films in an increasingly convenient and flexible manner. Ofcom's Digital Day research reveals that among 16-24 year olds, time spent watching live television has declined to 36% of total viewing time, while free, paid on-demand and short-form video now represent around half of this age group's viewing.

These changes are happening at a time of record TV industry revenues of £13.6bn in 2015, led by subscription revenue, which exceeded £6bn among pay-TV providers, and net advertising revenues over £4bn across the wider commercial TV sector. Never has more been invested in content than in 2015; the £6.5bn of spend on network TV programmes was driven by record levels of investment in premium sports content by both Sky and BT.

Figure 2.1 Spend on network TV programmes: 2015



Source: Ofcom/broadcasters. Note: Figures expressed in nominal prices. Figures do not include spend on nations' and regions' output. BBC portfolio channels includes BBC Three, BBC Four, BBC News, BBC Parliament, CBBC and CBeebies (but not BBC HD). Commercial PSB portfolio channels include, ITV2, ITV3, ITV4, CITV, ITVBe, ITV Encore, ITV Breakfast 2, E4, More 4, Film 4, 4Seven, Five USA, 5* and Spike (and their '+1' channels) 'Other multichannels' include all genres (excluding sports and films). Programme spend comprises in-house productions, commissions from independents, acquired programmes and repeats (originations and acquisitions).

Figure 2.2 Industry metrics

UK television industry	2010	2011	2012	2013	2014	2015
Total broadcast TV industry revenue (£bn)	11.8	12.4	12.5	12.8	13.2	13.6
Proportion of revenue which is BBC income allocated to TV	22%	21%	21%	20%	21%	19%
Proportion of revenue generated by advertising	30%	29%	28%	29%	29%	30%
Proportion of revenue generated by subscriptions	43%	44%	44%	46%	45%	45%
Total online TV industry revenue (£m)	180	238	379	574	795	976
Broadcaster share of total display advertising spend	43%	43%	43%	43%	43%	43%
Spend on originated output by 5 main PSB channels (£bn)	2.5	2.5	2.6	2.5	2.6	2.6
Spend on network content by UK broadcasters (£bn)	5.4	5.5	5.6	5.8	6.4	6.5
Digital TV homes (% all households)	92%	94%	96%	95%	93%	95%
Traditional pay-TV subscriptions	14.4m	14.7m	15.0m	16.0m	17.1m	17.9m
Minutes spent watching TV per day (per person aged 4+)	242	242	241	232	220	216
Share of the main five PSB channels in all homes	55%	54%	52%	51%	51%	51%
VoD usage (% of adults 15+)	27%	43%	38%	51%	57%	59%

Source: Ofcom/broadcasters/IHS/Advertising Association/Warc/BARB/GfK. Note: Expressed in nominal terms. BBC income allocated to TV includes the proportion of the licence fee that goes to S4C. Broadcaster share as a proportion of total display advertising spend excludes direct mail and classified ads and is based on Advertising Association/Warc Expenditure Report. The AAWarc data are net of discounts, and include agency commission, but excludes production costs. Spend on originations includes spend on nations and regions programming (not Welsh or Gaelic language programmes but some Irish language). Traditional pay-TV subscriptions are from Sky, Virgin TalkTalk and BT and are provided by Enders Analysis. Sky figures include Now TV, ROI and overseas business subscriptions. TV viewing based on BARB analysis of viewing to scheduled TV programmes on TV sets up to seven days after first broadcast. After DSO in October 2012, all homes were required to have digital TV. From 2013, data refers to the proportion of UK homes that had a working TV set as defined in BARB's Establishment Survey. Data refers to Q4 of each year. BARB changed the methodology for defining a TV set home from Q4 2015 and data comparisons to previous years should be treated with caution. VoD usage figures provided by Kantar Media – TGI.

We begin by looking at key market developments in video on demand in the UK, which reached about six in ten UK adults at the end of 2015.

2.1.2 Video on demand in the UK

The advent of video on demand (VoD) has caused a noticeable change in consumption habits and behaviour among UK audiences. VoD has given audiences a much broader choice not only in how to watch audio-visual (AV) content (such as via free or paid-for services) but also what to watch – back catalogues of television or film programmes, content exclusive to a particular service, or original content made by the service itself.

The growth in take-up of internet-enabled devices (see section 1.1) helps to explain the growth in adults' use of VoD, as does the increased availability and take-up of superfast broadband and 4G mobile services.

This next section focuses on take-up and use of VoD services in the UK.¹⁴ Within this, we explore trends observed in Ofcom's *Digital Day 2016* research, which has identified an increase in the proportion of claimed viewing of paid-for on-demand services, especially among 16-24s.

Definitions

Video on demand (VoD)

Unlike traditional broadcast television, VoD services make AV content available for immediate consumption, unrestricted by a linear schedule. VoD content can be streamed directly or downloaded in advance, on various devices and platforms.

VoD services can be distinguished by the type of business model they operate with: either providing free video-on-demand content or paid-for on-demand content. However, some providers do cut across both business models, such as the BBC with iPlayer and the BBC Store.

The traditional pay-TV operators¹⁵ also offer VoD services to their subscribers, with services such as Sky Go and Virgin On Demand providing access to on-demand content.

Free video on demand

This is content that can be viewed without payment. Services currently available in the UK that provide free-to-view on-demand content include those from the public service broadcasters: BBC iPlayer, ITV Hub, All4 and My5.

Paid-for video on demand

There are various types of business model that can be categorised under the wider term of paid-for video on demand:

Subscription video on demand

Under a subscription contract, consumers pay a fee (usually monthly) in order to access the service. Some SVoD services offer free trials, either through their own promotions or through commercial partnerships with TV or telecoms operators. Examples of SVoD services in the UK are Netflix, Amazon and Disney Life.

Sky's Now TV service also offers VoD content made available via a monthly subscription (e.g. the *Entertainment monthly pass* and the *Sky Cinema*¹⁶ *monthly pass*) as well as access to a selection of Sky's live TV channels.

Pay-per-view

This is a service offering single viewings of a specific film, programme or event (such as live sports), provided to consumers for a one-off fee. Sky Box Office is an example of a service that offers pay-per-view content.

¹⁴ The analysis in this section primarily focuses on long-form professional VoD services and content.

¹⁵ Throughout this particular section, pay-TV operators include traditional pay-TV services such as Sky, Virgin, BT and TalkTalk.

¹⁶ Sky rebranded Sky Movies as Sky Cinema in July 2016.

Rental

Under a rental model, consumers pay a single one-off fee to access a particular piece of content. Rented content is available for consumption for a limited period of time and the consumer can watch that content as many times as they want within the rental period. Examples of services offering content for rental are Wuaki TV, Sky Cinema, TalkTalk TV and Sainsbury's Entertainment.

Download to own

This is a service which makes digital content available for purchase. Services which offer content for purchase include iTunes, BBC Store, Amazon and Sky Store.

The largest peak audience of viewing on-demand content has increased since 2014

Findings from Ofcom's *Digital Day 2016* study found that watching live TV was the most popular viewing activity among UK adults in 2016. It attracted its largest audience between 8 and 8.30pm, with 72% of adults watching live TV during this period. However, this was lower than live TV's biggest audience in 2014 (down by 8pp).

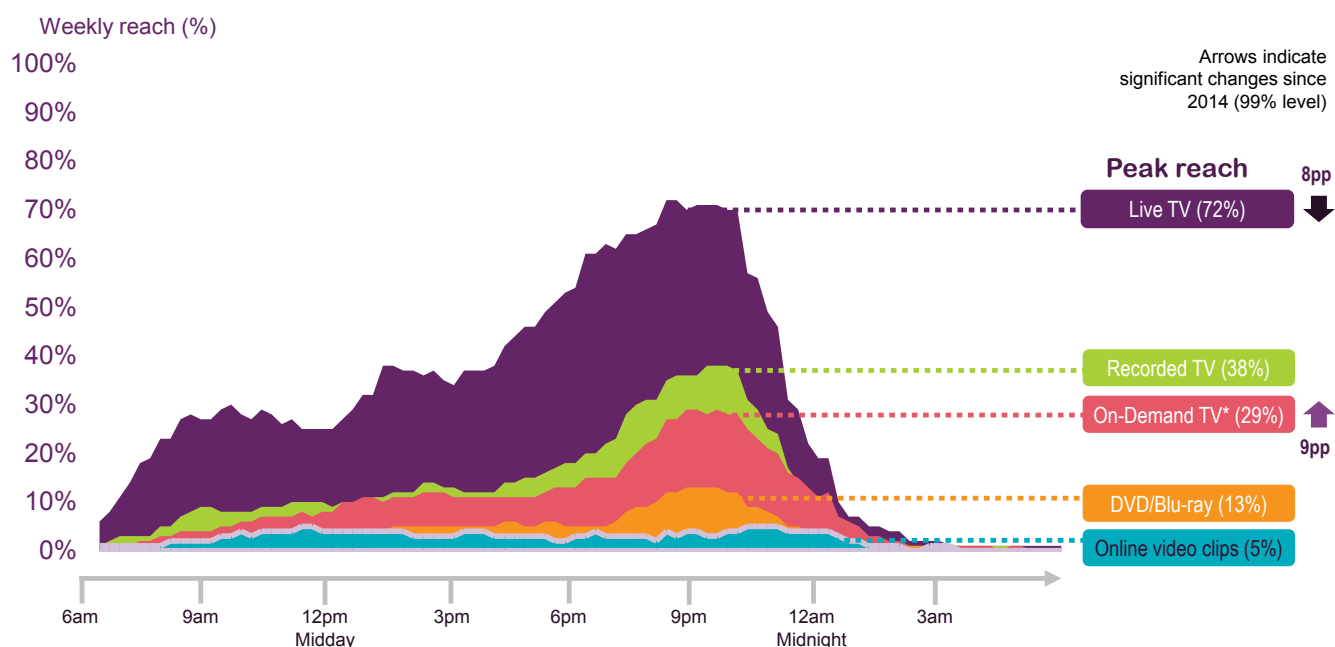
In contrast, on-demand content (which includes viewing to free¹⁷ and paid-for¹⁸ on-demand) attracted a higher peak audience in 2016 – up 9pp to 29% of UK adults between 8.30 and 8.59pm.

The time of highest viewing, and the reach of watching activities, varied by age group. Live TV and on-demand viewing attracted a similar proportion of 16-24s; the highest reach was 58% for both viewing activities. But there was a stark difference in the highest reach for live TV and on-demand viewing among the over-65s, at 91% and 10% respectively.

¹⁷ Free on-demand includes on-demand/catch-up TV or films (free) e.g. BBC iPlayer, All4, Sky and Virgin on Demand

¹⁸ Paid-for on-demand includes downloaded or streamed digital TV or films e.g. Amazon Instant Video, Netflix, iTunes, Disney Life, Blinkbox (now renamed TalkTalk TV as of early 2016).

Figure 2.3 Weekly reach of watching activities, by time of day



Source: Ofcom Digital Day 2016. Base: Adults aged 16+ (1512)

Adult diary: Chart shows the proportion of adults who recorded each watching activity (D) at each time slot across a week.

*On-demand TV includes paid and free on-demand

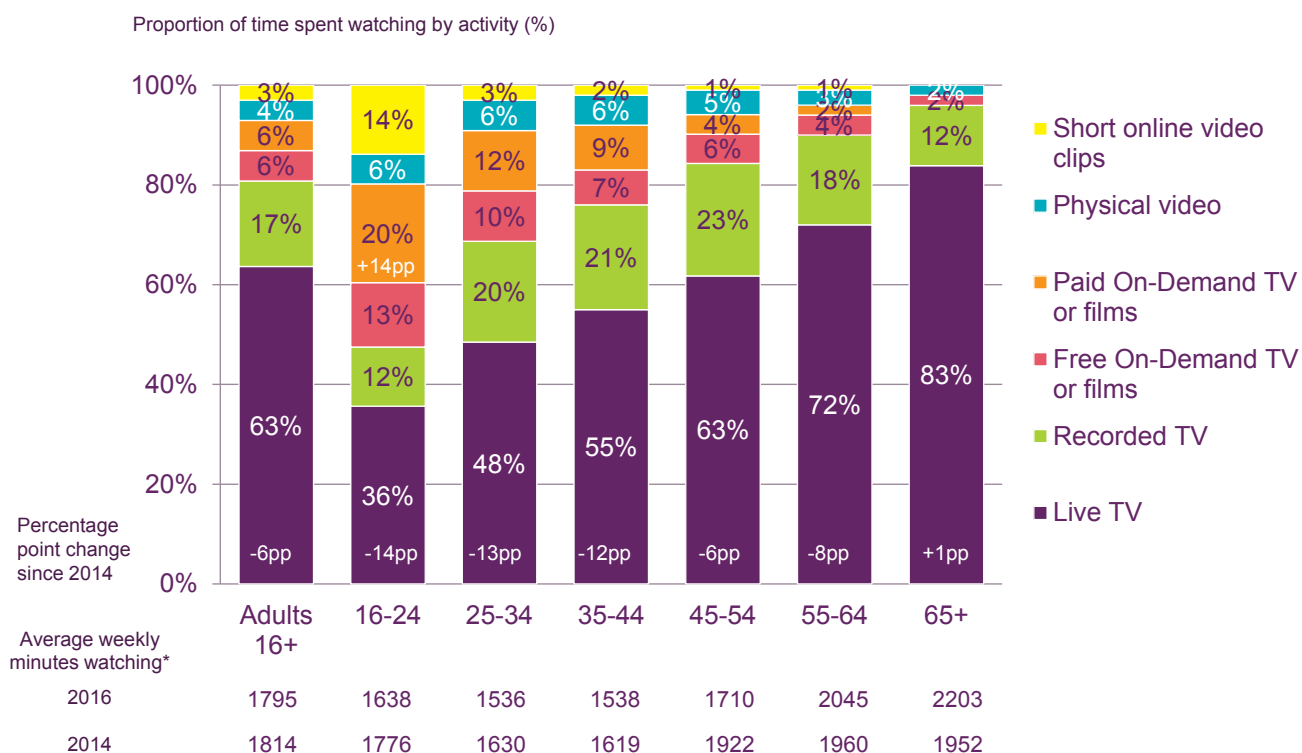
16-24s prefer recorded, on-demand and online content to live broadcast TV

Among those who recorded their viewing activity, the proportion of time spent watching live TV fell by 6pp, from 69% of all viewing minutes in 2014 to 63% in 2016. Despite this decline, live TV remains the most popular viewing activity in 2016. Recorded TV accounted for 17% of all adults' claimed viewing time, while an equal proportion of their time was spent viewing free on-demand and paid-for on-demand services (both 6%). Claimed viewing time for DVDs/Blu-rays and online video clips was 4% and 3% respectively among all adults.

Watching behaviour varied markedly across the different age groups. The 16-34s claimed that less than half of the viewing time was spent watching live TV, while over-35s spent more than half of their total viewing time watching live TV. However, all adults under 65 watched less live TV in 2016 than they did in 2014.

The 16-24s watched more recorded, on-demand and online content than live TV in 2016 (59% vs. 36%). The claimed time spent watching live TV among the 16-24s has fallen by 14pp since 2014, to 36% of total viewing in 2016. By contrast, viewing of paid-for on-demand services has increased by 14pp since 2014, and accounted for 20% of this age group's total viewing time in 2016. While there is an indication that take-up of VoD services slowed in 2015 (see Figure 2.5), the time spent using such services by the 16-24s appears to have increased.

Figure 2.4 Proportion of time spent watching, attributed to activities, by age group



Source: Ofcom Digital Day 2016. Base: Adults aged 16+ (1512) 16-24s (129) 25-34s (189) 34-44s (282) 45-54s (299) 55-64s (259) 65+s (354)

Adult diary: Chart shows the proportion of all watching time (B2) attributed to each activity (D) by age group.

*The average weekly minutes figure is among those who did any watching activity across their diary week and also includes simultaneous activity

Almost six in ten UK adults used a VoD service in 2015

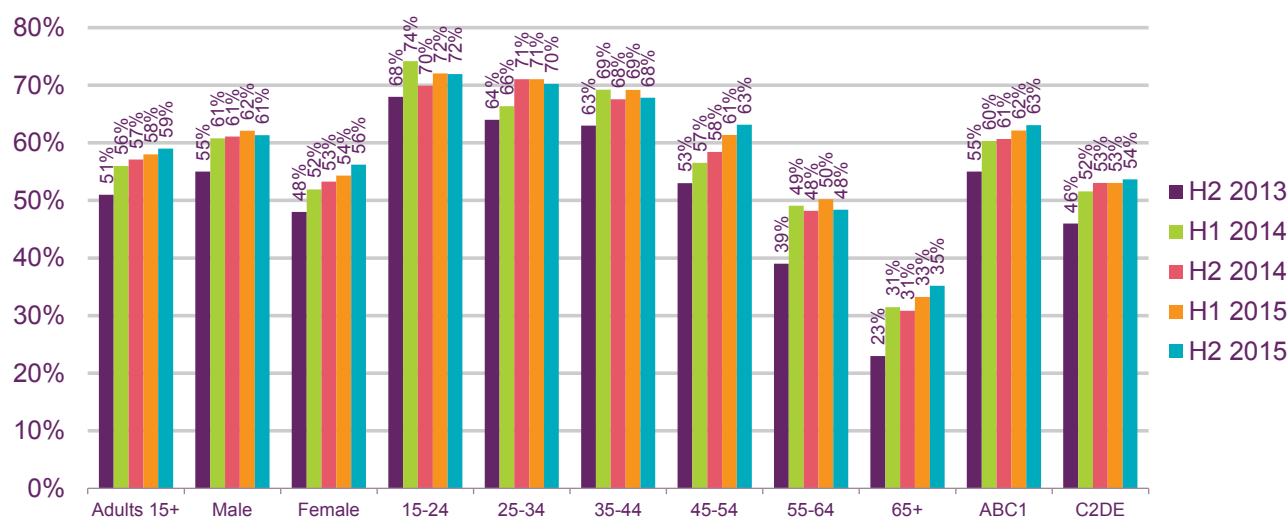
Six in ten (59%) adults said they had used a VoD service in the past 12 months, up by 2pp since 2014. However, while adults are still taking up VoD services, the rate of take-up has slowed in recent years. Since 2014, the proportion of all adults claiming to have used at least one VoD service in the past 12 months has increased by 1pp each six months. This is a markedly slower growth rate than the 6pp increase between 2013 and 2014.

Use of VoD is greatest among adults under the age of 45, with around two thirds claiming to have used such services in the past 12 months. The 15-24s are still the greatest users of VoD, at 72%, up 2pp since 2014. However, as seen among all adults, the rate of VoD take-up here also appears to be slowing, and even plateauing, among some of the younger age groups. For example, the 25-34s' use has remained at around seven in ten since 2014. This contrasts with the previous growth in take-up of 6pp between 2013 and 2014. Among 35-44s and 55-64s, use is unchanged year on year (at 68% and 48% respectively).

However, there are indications that use of VoD is still growing among older audiences. Of all the age groups, the 45-54s' use of VoD has grown the fastest since 2014; up by 5pp to 63%. Growth was second fastest among the over-65s, up by 4pp since 2014 to 35%.

Figure 2.5 Reach of VoD services by age, gender and socio-economic group

Proportion watching VoD services in the past 12 months (%)



Source: Kantar Media – TGI

Base: GB adults aged 15+. H2 2013 n=12570, H1 2014 n=11657 H2 2014 n= 12849, H1 2015 n= 11972, H2 2015 n=12310

Note: For H1 2014, 'in scope' services comprise of Channel 4.com/4oD, BBC iPlayer, Blinkbox, BT TV, Demand 5, ITV.com/ITV Player, Netflix, Now TV, Sky, TalkTalk, Virgin, You View. Amazon Prime was added to the 'in scope' services in H2 2014.

Note: ITV Player was rebranded as ITV Hub in November 2015. 4oD was rebranded All4 in March 2015. BlinkBox was renamed TalkTalk TV in early 2016

BBC iPlayer remains the most popular VoD service in the UK

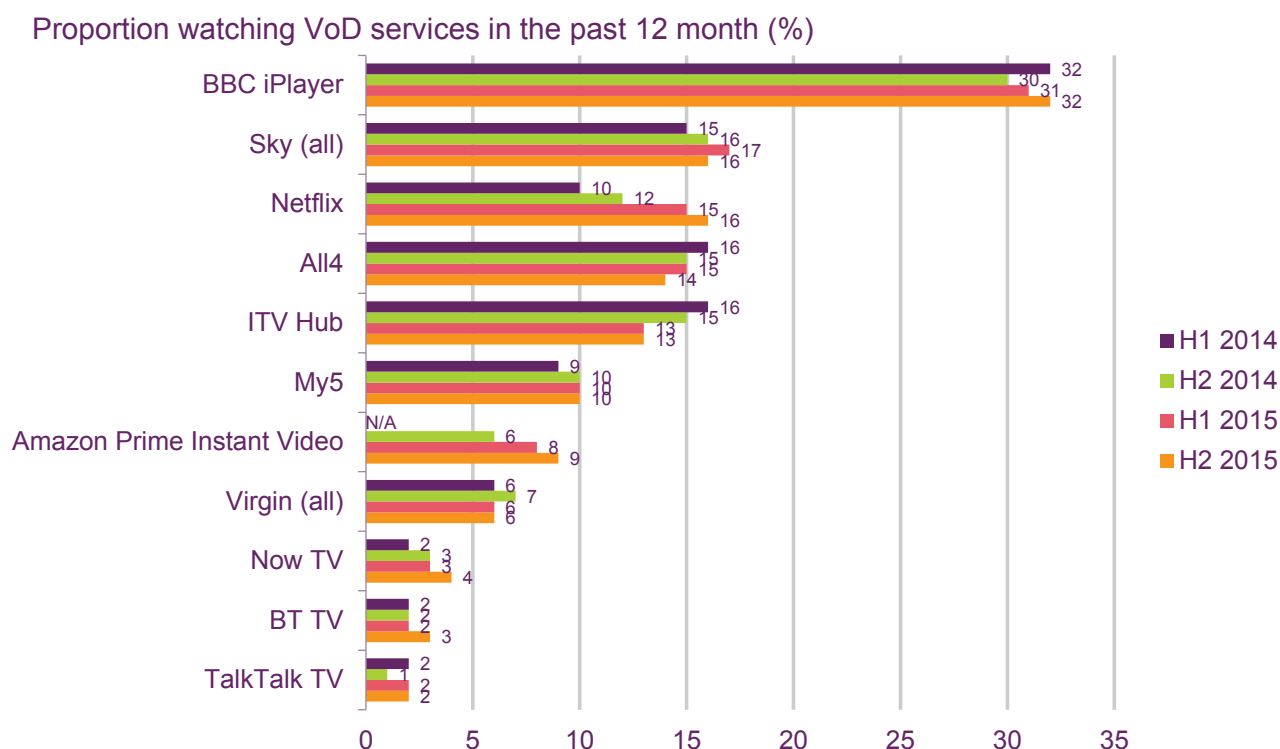
BBC iPlayer remains the most popular service, with 32% of adults using the service in the 12 months to the end of 2015 (up by 2pp since 2014). Video on demand from Sky¹⁹ remains the most popular type of VoD from a pay-TV operator at 16% of adults (unchanged from 2014).

Among the non-broadcaster services, Netflix is markedly the most popular in the UK, with 16% of adults claiming to have used it in the past 12 months in the second half of 2015. This was a 4pp increase on 2014 - the fastest year-on-year growth experienced by any service - while data from Ofcom's *Digital Day 2016* study suggest further growth in the early part of 2016.²⁰

¹⁹ Sky includes Sky on Demand/Anytime, Sky Box Office, Sky Go and Sky Store.

²⁰ See Figure 2.8 below

Figure 2.6 Reach of selected VoD services over the past 12 months



Source: Kantar Media – TGI

Base: GB adults aged 15+. H1 2010 n=12226, H1 2013 n=11853, H1 2014 n=11657 H2 2014 n=12849, H1 2015 n= 11972, H2 2015 n=12310

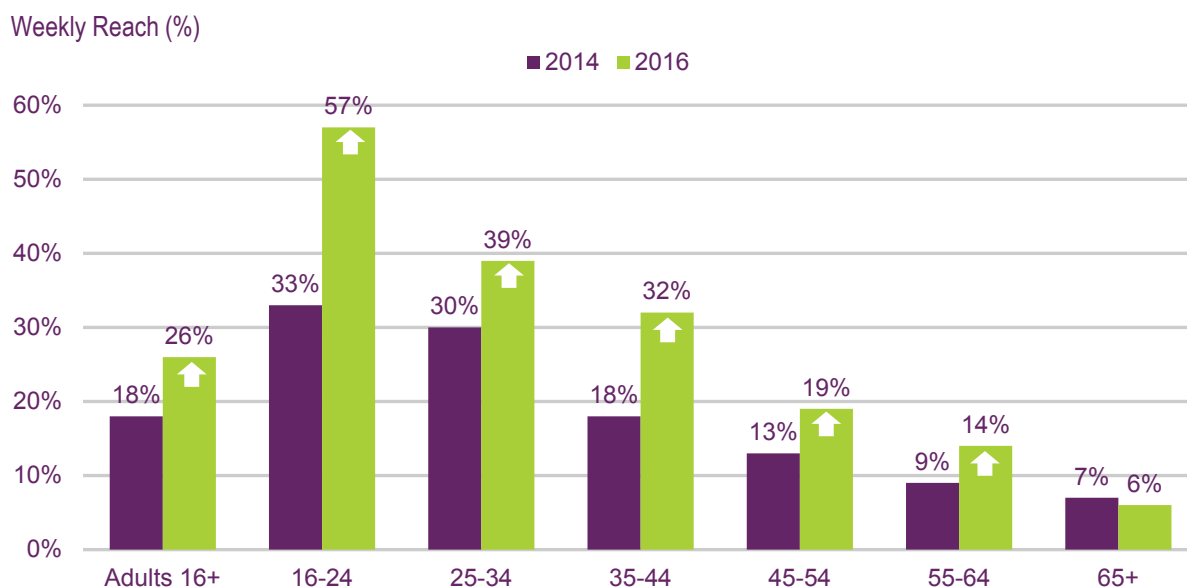
Note: LoveFilm was rebranded as Amazon Prime Instant Video February 2014. 4OD was rebranded as All4 in March 2015.

2.1.3 The growth of paid-for VoD services

This growth in the take-up of paid-for VoD is primarily driven by the take-up of SVoD services: Netflix is the most prominent driving force. Alongside this growth in take-up, there is a correlating increase in the amount of time spent watching these services, as the results from Ofcom’s *Digital Day 2016* study show.

Since 2014, all adults’ viewing of such services has increased by 8pp to 26% in 2016. All adults under 65 have also increased their viewing of paid-for on-demand content. Watching this content was markedly higher among 16-24s than among any other age group in 2016, at 57% (up by 24pp since 2014). The younger audiences can be seen to have driven the growth in the reach of paid-for on-demand services among all adults.

Figure 2.7 Weekly reach of paid-for on-demand, by age group: 2016 vs. 2014



Source: Ofcom Digital Day 2016

Adult diary: Chart shows the proportion of adults who recorded activity (D) at any point across their diary week.

Base: 2016: Adults aged 16+ (1512), 16-24 (129), 25-34 (189), 35-44 (282), 45-54 (299), 55-64 (259), 65+ (354);

2014: Adults aged 16+ (1644), 16-24 (101), 25-34 (225), 35-44 (348), 45-54 (400), 55-64 (311), 65+ (259)

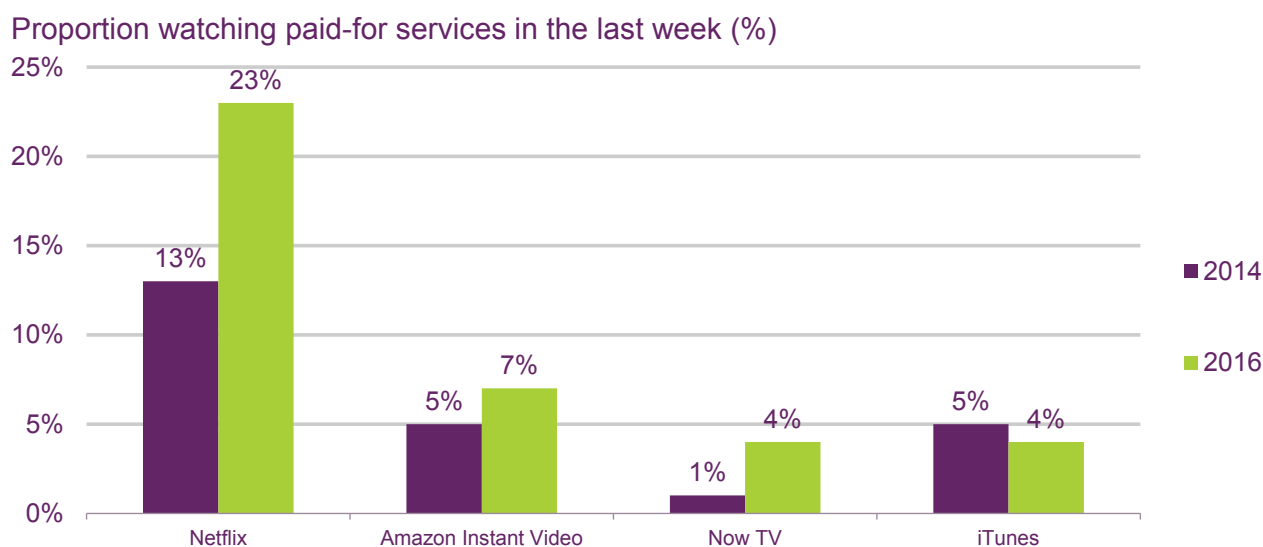
Note: Arrows show where figures have significantly increased at the 99% level since 2014

Among those who watched paid-for on-demand content in 2016, Netflix was by far the most popular service

The increase in consumption of paid-for VoD was primarily driven by the popularity of subscription on-demand services, most notably Netflix.²¹ Twenty three per cent of adults used Netflix in their diary week in 2016 (up 10pp since 2014). The difference between reach of Netflix and the second most popular VoD service, Amazon, is stark: 7% of adults used Amazon's VoD offering in their diary week in 2016 (up 2pp since 2014). Reach of Now TV has grown by 3pp; up from 1% to 4% in 2016.

²¹ The results from *Digital Day 2016* were captured between February and April 2016 compared to Kantar Media - TGI, which was captured across the second half of 2015. The *Digital Day 2016* data also looks at weekly reach of services, as opposed to reach of services over the last 12 months and uses a different methodology which may explain why results vary across sources.

Figure 2.8 Weekly reach of the most popular paid-for on-demand services



Source: Ofcom Digital Day 2016

B2. Have you used any of the following paid-for services to stream or download films or (television) programmes in the last week?

Base: Adults aged 16+ (1512 in 2016, 1644 in 2014)

Note: Amazon Instant Video was LoveFilm Instant in 2014.

2.1.4 Behaviour and attitudes of SVoD users

This next section focuses on the behaviour and attitudes of users of streamed video on demand (SVoD) services; those that are delivered via the open internet (OTT) in the UK.²² The data presented here have been provided by GfK's SVoD Tracker survey. This is a continuous online diary-based survey, designed to measure the consumption of content via OTT SVoD services in the UK. The services covered are Netflix, Amazon and Now TV.²³ According to the BARB Establishment Survey, there were more than 5 million households with a Netflix subscription in Q4 2015. The number of households taking up a subscription to Amazon exceeded 1.5 million, while 781,000 UK households subscribed to Now TV.²⁴

Access to TV and film library content is the main reason why users decide to sign up to an OTT SVoD service

The key drivers identified for subscribing to a SVoD service in 2015 related to access to back catalogues of TV and film content. Similar proportions of Netflix users and Amazon users cited 'to access back catalogue of TV programmes' and 'to access back catalogue of movies' as reasons for subscribing to each respective service. Among Now TV users, access to the back catalogue of more recent films was the most frequently-cited reason for signing up to the service. This reflects Sky's deal with film studios, which enables the latest films to appear on Sky Cinema sooner than on other VoD services; Now TV offers access to this catalogue via its Sky Cinema monthly pass subscription option.

²² 'SVoD users' includes those who are paying for a subscription to a service or are trialling a service.

²³ Now TV offers both a traditional SVoD service and access to a selection of Sky's live TV channels. GfK include Now TV as one of the services in its SVoD tracker.

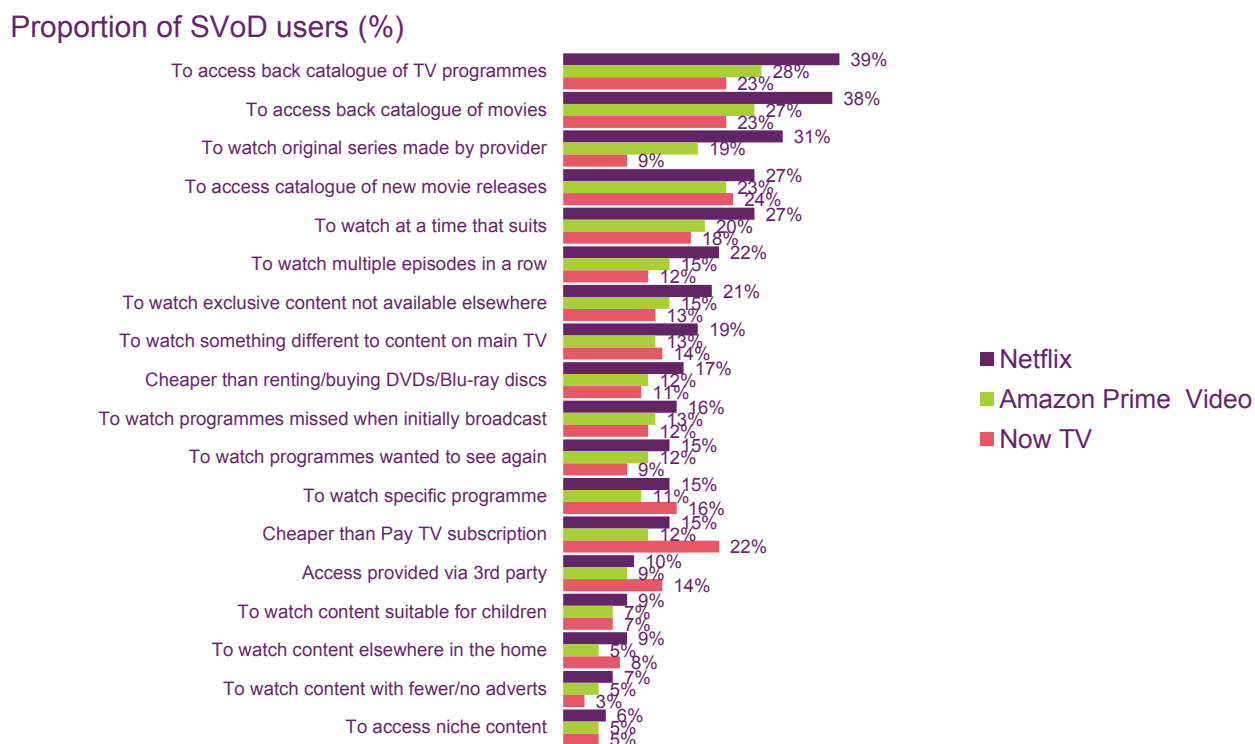
²⁴ BARB Establishment Survey, Q4 2015. Note: the number of Now TV subscriptions may be reported as higher by other industry sources.

The variety of the reasons cited by SVoD users for subscribing to their respective service may indicate the differing content provided by each service. For example, ‘to watch original shows made by provider’ was cited as a reason by nearly a third (31%) of Netflix users, compared to 19% of Amazon users and 9% of Now TV users.

Original content is a major area of investment for both Netflix and Amazon, and the availability of such content often forms the focus of their marketing communications. Netflix reportedly spent \$3.8m per episode on *House of Cards*, while Amazon’s upcoming series *The Grand Tour* is reportedly the service’s most expensive original series, at an estimated cost of \$6.9m per episode.²⁵ With this in mind, it is interesting that access to the back catalogues of TV programmes and films (which are refreshed and expanded at a faster rate than original content is produced) is cited more often than original content as a reason for subscribing.

Relatively few Netflix users and Amazon users reported that they took up their respective services because they were ‘cheaper than a pay-TV subscription’ (15% and 12% respectively). However, more Now TV users (22%), than Netflix or Amazon users, claimed to have taken up the service for this reason.

Figure 2.9 Selected reasons for signing-up/ using an SVoD service



Source: GfK SVoD Tracker, Q4 2015 October-December 2015

EW1: Reasons for signing-up for/ using service

Base: Netflix users (n=2454), Amazon Prime Video users (n=1336), Now TV users (n=619)

Note: Users include those who either subscribe to or are trialling an SVoD service

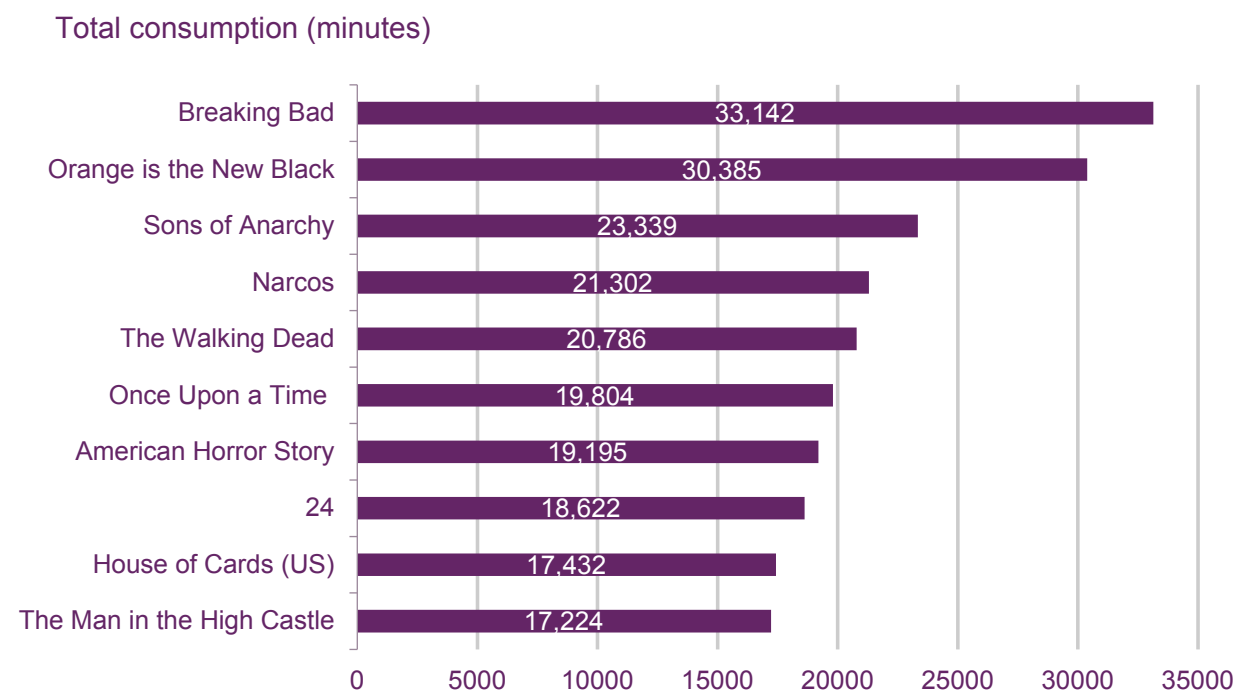
²⁵ Figures obtained from press releases and industry statements by Ampere Analysis, 3 September 2015

Most of the top ten most-watched programmes by UK SVoD users are US television drama or original content

The top ten programmes watched across the three leading UK OTT SVoD services in 2015 were all US television drama series; *Breaking Bad* was the most watched programme. Four of the top ten programmes watched were US originations made by the SVoD provider: *Orange Is The New Black*, *Narcos*, *House Of Cards* (Netflix) and *The Man In The High Castle* (Amazon Prime Video).

Given that both Netflix and Amazon are US companies, it is understandable that the majority of their libraries consist of US content. However, both services have announced forthcoming UK originations: *The Crown* (Netflix) and *The Grand Tour* (Amazon).

Figure 2.10 Top ten television programmes consumed among all SVoD users



Source: GfK SVoD Tracker, Q4 2015 October – December 2015

Base: All SVoD users

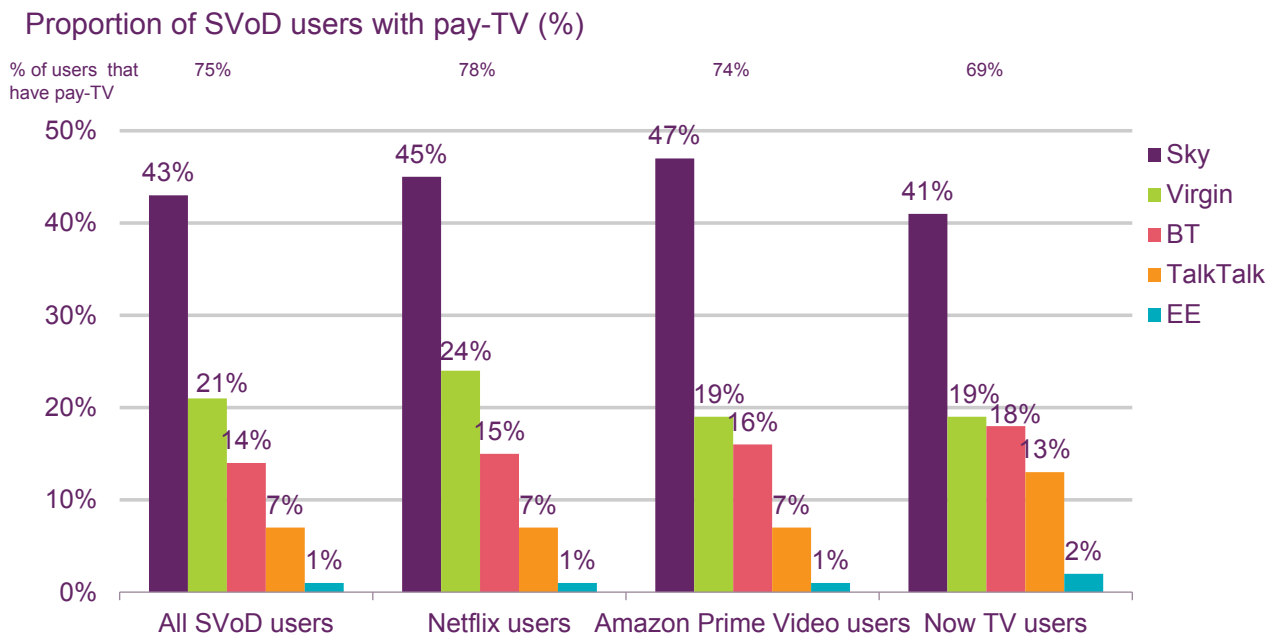
Three-quarters of OTT SVoD users also had a pay-TV service in Q4 2015

Seventy-five per cent of SVoD users also had a subscription to a pay-TV service in 2015. Sky was the most popular pay-TV service, with 43% of SVoD users subscribing to it. Virgin Media was the second most popular, at just over two in ten (21%).

The take-up of both a pay-TV and an SVoD service, such as Netflix or Amazon, may reflect the different merits of each service. Pay-TV provides services and content that SVoD does not, such as broadcast TV (although Now TV does offer access to Sky's broadcast channels), broadcaster catch-up services and their own film rental/ retail stores. On the other hand, some SVoD services offer original and/or exclusive content and are generally cheaper than subscribing to a pay-TV service. However, as seen in Figure 2.9, the majority of SVoD users subscribe to SVoD for its content rather than for its pricing relative to pay TV.

As part of their promotional campaigns, some pay-TV services offer free trials and include some SVoD services in bundles for new customers. This might be one of the reasons that could explain the take-up of both a pay-TV and a VoD service.

Figure 2.11 Proportion of SVoD users with a pay-TV service



Source: GfK SVoD Tracker, Q4 2015 October-December 2015

P7: Services currently have

Base: All UK respondents (n=3259), Netflix users (n=2454), Amazon Prime Video users (n=1336), Now TV users (n=619)

Note: Users include those who subscribe to or are trialling an SVoD service

As well as this overlap with paid-for on-demand and traditional pay-TV, among SVoD users, there is also an overlap between the different paid-for on-demand services themselves; three in ten SVoD users subscribed to multiple services in Q4 2015, according to GfK. The most popular combination was Netflix + Amazon, with 17% of SVoD users taking up both services, while Amazon + NowTV was the least popular (at 2% of SVoD users). Six per cent of all SVoD users subscribed to all three of these services.

2.2 The TV and audio-visual industries

This section examines a range of metrics from the broadcast television industry, including revenues, content spend and broadcast hours. It also provides commentary on consumer choice in the pay-TV market: this is consistent with our commitment to monitor developments in the pay-TV sector.²⁶

2.2.1 Overview of TV industry revenue

The UK broadcast TV industry grew by 3% in 2015 and was worth £13.6bn

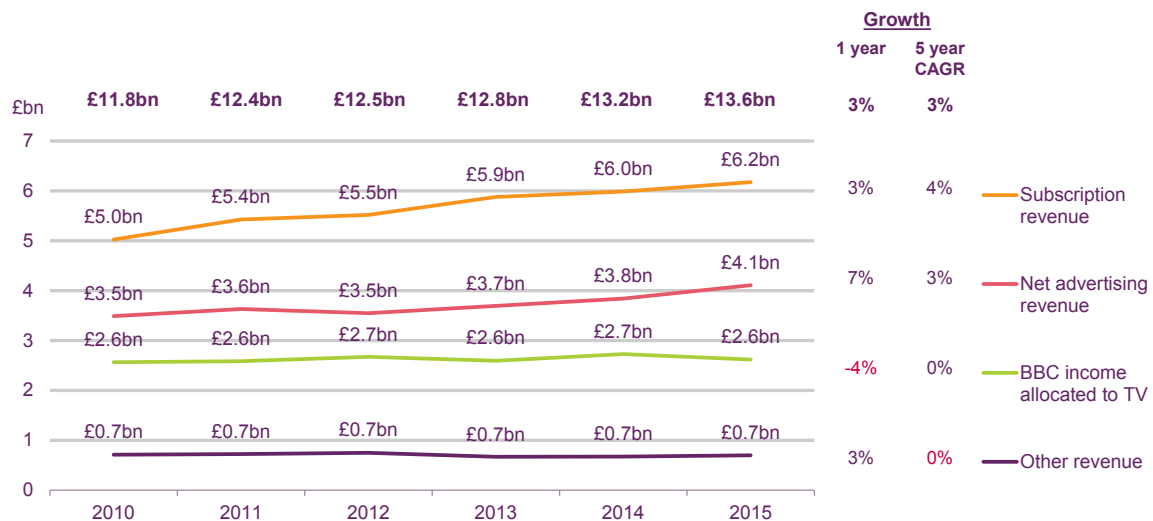
The UK broadcast television industry generated £13.6bn in revenue during 2015, a £0.4bn (3%) rise on 2014 in nominal terms. This was driven by increases in the two main components of TV industry data – pay-TV subscription revenue and net advertising revenue (analysed in more detail in Figure 2.15).

Pay-TV subscription revenues provided the greatest contribution to overall TV industry revenues in 2015; the total of £6.2bn represented a 3% year-on-year increase.

Ofcom estimates that the BBC spent £2.6bn on television in 2015.²⁷ This was a 4% decrease on 2014, which required increased levels of spend - on the FIFA World Cup in Brazil and the Glasgow Commonwealth Games.

Revenue from other sources has remained relatively flat at £0.7bn since 2010.

Figure 2.12 Total broadcast TV industry revenue, by source



Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms and replace previous Ofcom revenue data for TV industry, owing to restatements and improvements in methodologies.

'Subscription revenue' includes Ofcom's estimates of Sky UK, Virgin Media, BT TV, TalkTalk and fees for broadcasting Channel 4 channels in HD as well as that of ESPN and Top Up TV in the UK where relevant (ROI revenue is excluded). Now TV revenues are not included in 2015 figures but are in previous years. It also excludes revenue generated by broadband and telephony. 'Other' includes TV shopping, sponsorship, interactive (including premium-rate telephony services), programme sales and S4C's grant from the DCMS. Totals may not equal the sum of the components due to rounding.

²⁶ See section 1 of Ofcom's statement on the *Review of the pay TV wholesale must-offer obligation*, available at http://stakeholders.ofcom.org.uk/binaries/consultations/wholesale-must-offer/statement/review_of_wmo_sStatement.pdf and section 9 of Ofcom's *Strategic Review of Digital Communication*, available at <http://stakeholders.ofcom.org.uk/binaries/telecoms/policy/digital-comms-review/DCR-statement.pdf>

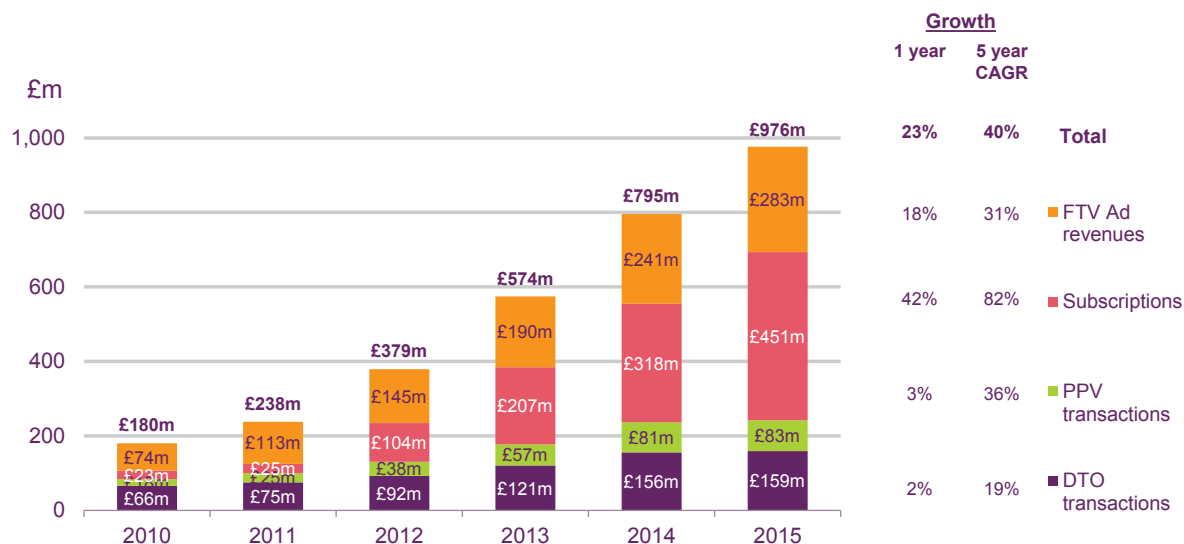
²⁷ From the BBC Annual Report 2015/16, includes the proportion of the licence fee that goes to S4C.

Online TV revenues grew by 23% in 2015 but remain small compared to traditional TV revenue sources

According to IHS, online TV revenues grew by 23% year on year in nominal terms, to reach £976m.

Subscription revenue was the principal contributor to online TV revenues for the third consecutive year in 2015, at £451m. This represented annual growth of 42%, while free-to-view online advertising revenues grew by 18% year on year to reach £283m in 2015.

Figure 2.13 Online TV revenues



Source: IHS. All figures are nominal. FTV (free to view) revenues include advertising revenues only and include all services delivering online video free to the end consumer. Subscription includes digital-only subscribers and users of bundled services. PPV (pay-per-view) refers to a method of renting digital content and pay to watch it for a limited period including all content consumed on an on-demand basis. DTO (download-to-own) gives the customer ownership over the files they have downloaded. Includes only revenue from long form video content and excludes revenues generated from online user generated content.

The pay-TV platform operators generated 45% of total TV industry revenue in 2015

The pay-TV platform operators - in 2015, Sky UK, Virgin Media, BT TV and TalkTalkTV - generated 45% of total TV industry revenue in 2015, a proportion unchanged since 2014. The £6.2bn they generated in 2015 was a 3% increase year on year, while they've seen an annual rate of growth of 4% each year since 2010.

The commercial multichannels (including the commercial PSB portfolio channels) have seen their revenue increase at an average annual rate of 6% since 2010. The annual growth was 12% for these channels, with revenues totalling £2.4bn in 2015.

Revenues for the commercial PSB channels remain above those of the wider multichannel sector, but have grown more slowly in recent years. Their 2015 revenues of £2.4bn were a 1% increase on the previous year.

Public funding of the TV industry has remained broadly flat since 2010, with a CAGR of 0%.

Figure 2.14 Total TV industry revenue, by sector



Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms and replace previous Ofcom revenue data for TV industry, owing to restatements and improvements in methodologies. The platform operators are Sky UK, Virgin Media, BT TV and TalkTalk TV as well as, in previous years, ESPN and Top Up TV in the UK (Republic of Ireland revenue is excluded). Now TV revenues are not included in 2015 figures but are in previous years. Commercial PSB channels comprise ITV/ITV Breakfast, STV, UTV, Channel 4, Channel 5 and S4C. Commercial multichannels comprise all multichannels including the commercial PSB portfolio channels. Publicly-funded channels comprise BBC One, BBC Two, the BBC portfolio channels and S4C. The commercial revenues of S4C are included with the main commercial PSB channels while their licence fee revenue and DCMS grants come under publicly-funded channels. Totals may not equal the sum of the components due to rounding.

2.2.2 Commercial television revenues

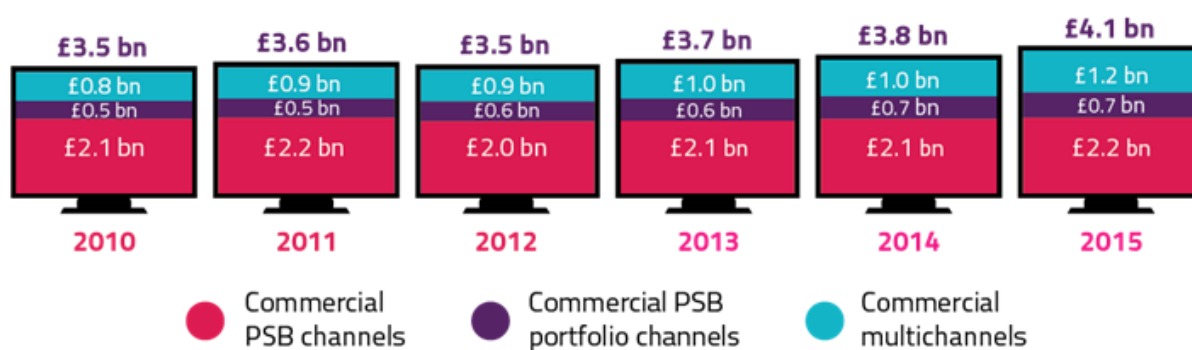
Television advertising revenues exceeded £4bn in 2015

TV advertising income increased by 7% (£0.3bn) in 2015 to reach £4.1bn – the first year revenues have exceeded £4bn since Ofcom has been reporting on the sector.

While there was a modest year-on-year increase of 2% in net advertising revenue (NAR) among the commercial PSB channels, most of the increase was in the other two groups of channels shown in Figure 2.15.

The commercial PSB portfolio channels saw a 12% annual increase in 2015, while the commercial multichannels' revenue grew by 15% to reach £1.2bn. Both have shown strong annual rates of growth over the past five years at 7% and 8% respectively.

Figure 2.15 TV net advertising revenues, by source: 2010-2015



Source: Ofcom/broadcasters. Note: Figures expressed are in nominal terms and replace previous data published by Ofcom. Commercial PSB channels comprise ITV, STV, UTV, ITV Breakfast, Channel 4, Channel 5 and S4C (and their '+1' channels); Commercial PSB portfolio channels include, where relevant, ITV2, ITV3, ITV4, CITV, ITVBe, ITV Encore, ITV Breakfast 2, E4, More 4, Film 4, 4Seven, Five USA, 5* and Spike (and their '+1' channels). For previous years closed channels have also been included. Sponsorship revenue not included. Totals may not equal the sum of the components due to rounding.

Across traditional broadcast and online TV, total advertisement and sponsorship revenues reached £4.6bn in 2015

There has been strong growth in online advertising revenues among the free-to-view (FTV) broadcasters in recent years, through services such as the ITV Hub, All4 and My5, which together grew by 18% in 2015 to reach £0.3bn.

However, this sector made up just over 6% of the total TV advertising and sponsorship market in 2015; the vast majority of TV advertising income was generated via traditional broadcast television.

Figure 2.16 Total cross-platform advertising and sponsorship revenue



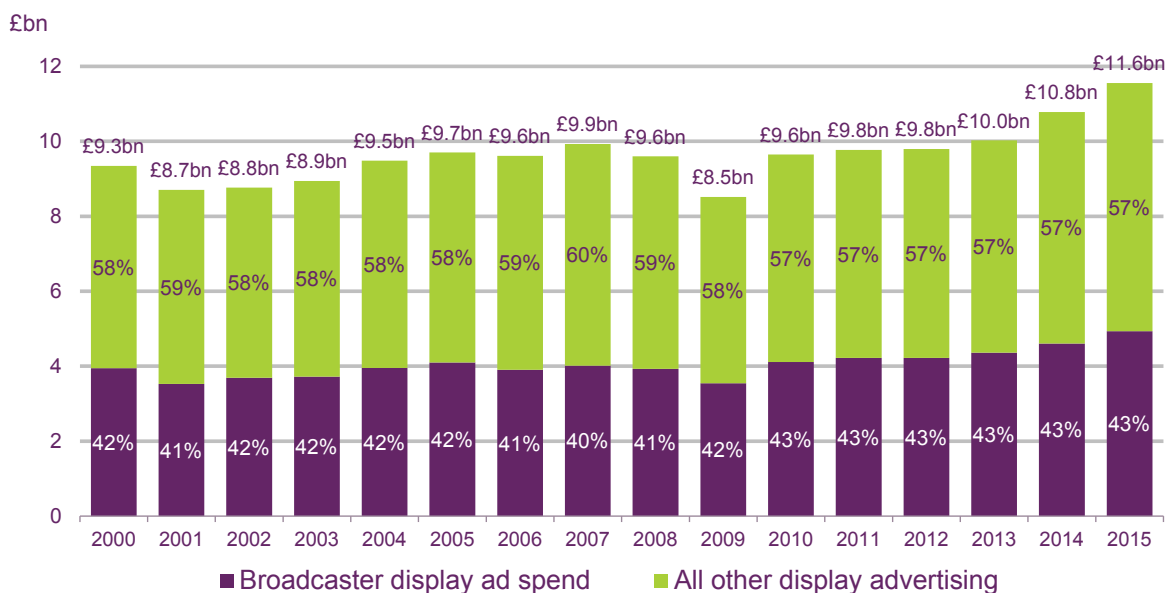
Source: Ofcom/broadcasters/IHS. All figures are nominal.

Broadcast TV advertising has held up well as a proportion of all display advertising

According to Warc, total display advertising expenditure²⁸ stood at £11.6bn in 2015, of which broadcaster display advertising spend accounted for 43%.

Broadcaster advertising revenue as a proportion of all display advertising has proved resilient, remaining at 43% since 2010 – the greatest proportion since 2000.

Figure 2.17 Broadcaster percentage share of all display advertising expenditure



Source: AA/Warc Expenditure Report.

Note: Total display advertising expenditure includes television ads, TV sponsorship, TV VoD, radio, out of home, cinema, national and regional press display, internet and consumer magazines, but does not include response advertising such as direct mail or classified ads. Broadcaster display ads include advertising, sponsorship and online VoD ad revenue. Figures are net of discounts, and include agency commission, but excludes production costs. Figures are nominal.

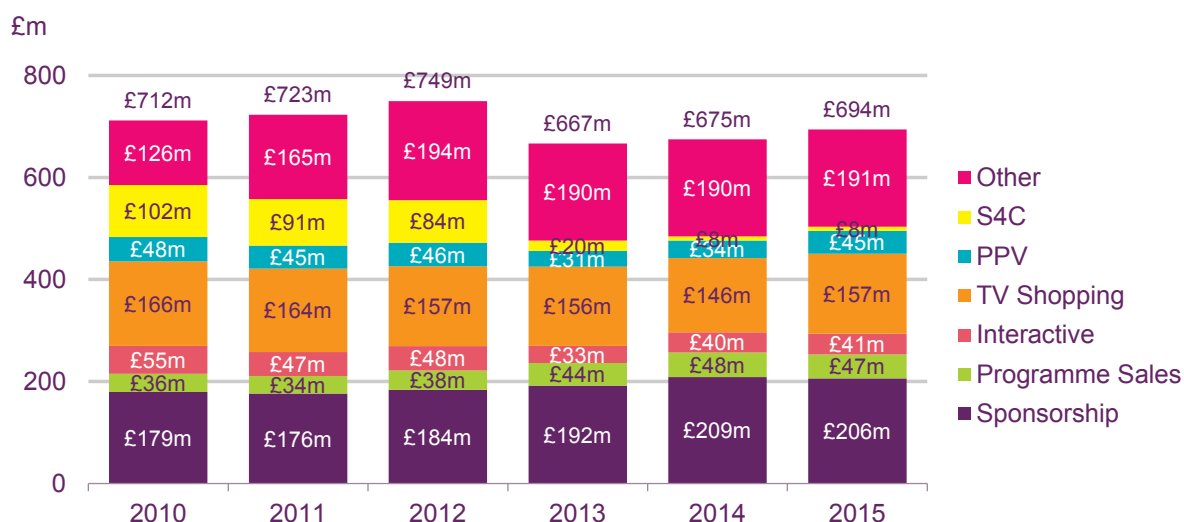
Broadcaster revenue raised from other sources increased by 3% in 2015

Television revenue raised from sources other than subscription income or advertising revenue increased by 3% in 2015 to total £694m.

The growth was driven by a revenue increase of 8% across the teleshopping sector; the 2015 revenue of £157m was the sector's highest level since 2012. There was also a 32% increase in revenue attributed to PPV services in 2015, totalling £45m.

²⁸ Figure includes all forms of media such as press, online and TV but doesn't include direct mail.

Figure 2.18 Breakdown of ‘other’ commercial TV channel revenue: 2010-2015



Source: Ofcom/broadcasters. ‘TV shopping’ represents aggregate operating margin of products sold via television. A funding agreement which was reached in April 2013 meant that the majority of S4C funding now comes out of the BBC’s licence fee income. Totals may not equal the sum of the components due to rounding. Owing to the nature of these revenue components, annual changes may be a function of a higher number of broadcaster returns being made by the time of writing, rather than material changes in the contributions that these revenue components are making to total industry income.

2.2.3 Spend on UK television programmes

Broadcasters spent £6.5bn on network programmes in 2015

Spend²⁹ by channels broadcasting in the UK in 2015 was £6.5bn in 2015, an increase of 3% year on year in nominal terms. Much of this increase was driven by the 6% rise in spend on film/sport channels in the multichannel sector, with 2015 seeing the start of BT Sport’s deal covering Champions League and Europa League football.

BBC One and the BBC portfolio channels were the only groups of channels shown in Figure 2.19 to have a nominal decrease in spend between 2014 and 2015, at 6% and 9% respectively. The decrease for BBC One is unsurprising, as in 2014 it broadcast the FIFA World Cup and the Glasgow Commonwealth Games.³⁰

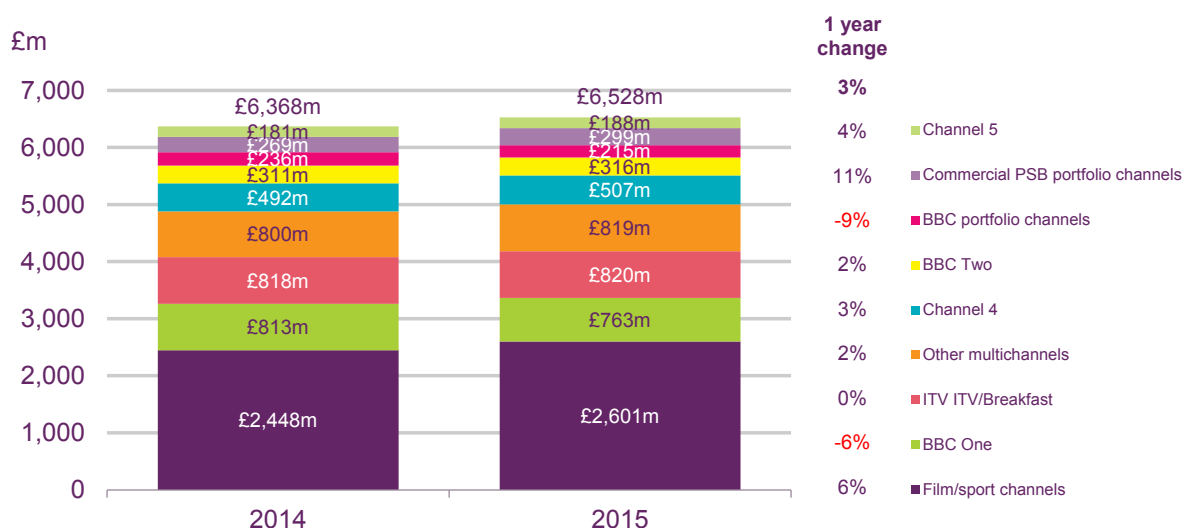
The greatest annual increase in spend was an 11% growth by the commercial PSB portfolio channels, helped by the introduction of *Spike* to the Channel 5 portfolio and increased content spend from both ITV and Channel 4 on their portfolio channels.

The PSB channels made up 43% of all network programme spend in 2015, while film and sport channels combined made up 40% of the total.

²⁹ Spend figures here do not represent the entire cost of programme production in the UK as they do not include third-party funding or the full cost of co-productions with overseas broadcasters.

³⁰ Further analysis on PSB spend is provided in the *PSB Annual Research Report*, available at <http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2016/PSB-Annual-Report-2016.pdf>

Figure 2.19 Spend on network TV programmes: 2014-2015



Source: Ofcom/broadcasters. Note: Figures expressed in nominal prices. Figures do not include spend on nations' and regions' output. BBC portfolio channels includes BBC Three, BBC Four, BBC News, BBC Parliament, CBBC and CBeebies (but not BBC HD). 'Other multichannels' include main channel genres (excluding sports and films). Programme spend comprises in-house productions, commissions from independents, acquired programmes and repeats (originations and acquisitions).

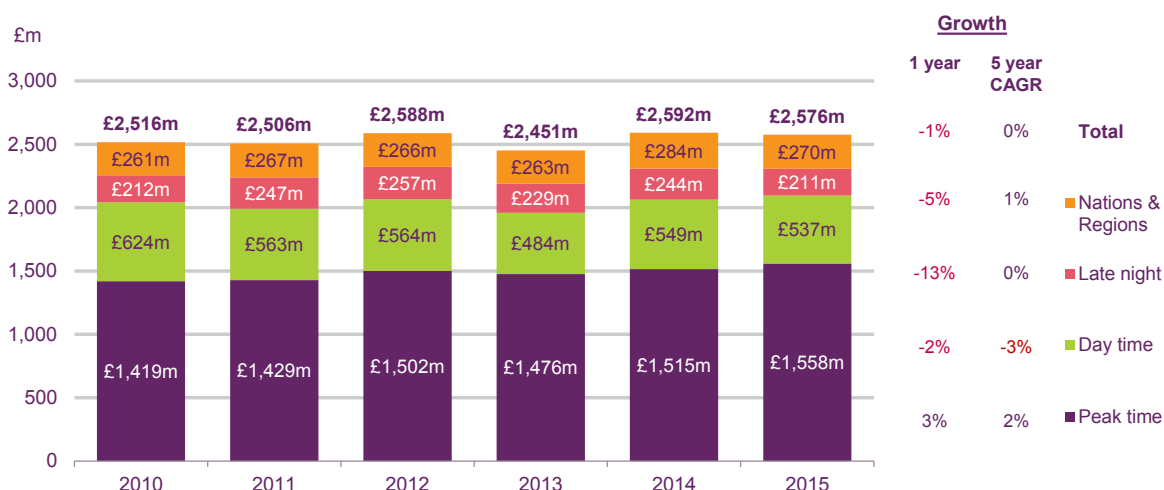
The main five PSB channels spent marginally less on first-run UK originated content in 2015 than in the previous year³¹

Spend on first-run UK originated programming (including nations' and regions' programming) by the main five PSB channels – BBC One, BBC Two, ITV (including ITV Breakfast), Channel 4 and Channel 5 – decreased by 1% in nominal terms to £2,576m in 2015.

While spend decreased across daytime and late night schedules, there was a 3% nominal increase in spend on originations broadcast at peak time, to £1,558m. There was a 5% nominal decrease in spend on nations' and regions' programming in 2015, to £270m.

³¹ Further information on content spend across the PSB channels can be found in Ofcom's *PSB Annual Research Report*, in which figures are adjusted for inflation. The 2016 report is available at <http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2016/PSB-Annual-Report-2016.pdf>

Figure 2.20 Spend on first-run UK originated output on the main five PSB channels



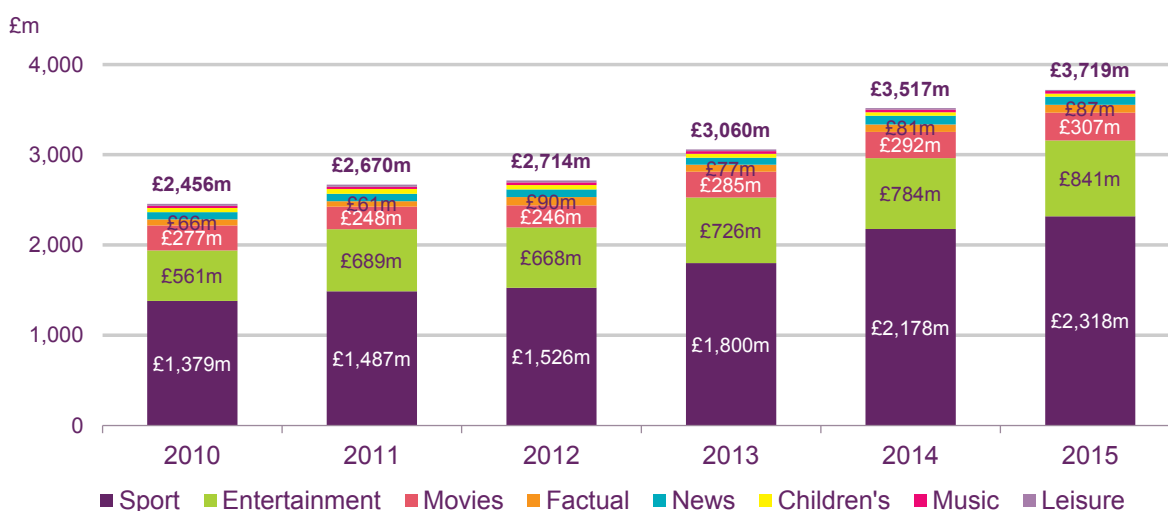
Source: Ofcom/broadcasters. Note: Figures are expressed in nominal terms. They include ITV breakfast, spending in the nations and regions on English-language programming (and a small amount of Irish-language programmes) but not the BBC portfolio channels, BBC Alba or S4C.

Sports rights continue to make up the largest proportion of spend on content in the multichannel sector

There was a 6% increase in spend on content for sports channels in the multichannel sector in 2015, to reach £2,318m in nominal terms. Programming for sports channels accounted for 62% of total content spend on the eight key genres shown in Figure 2.21, an increase on 56% in 2010.

Year on year, nominal content spend increased for the entertainment (7%), film (5%) and factual (8%) channels, but decreased for children's channels (down by 9% to £34m) for the fourth consecutive year.

Figure 2.21 Multichannel content spend in key genres: 2010-2015



Source: Ofcom/broadcasters. Note: Spend expressed in nominal terms. Excludes BBC portfolio channels but includes commercial PSB portfolio channels.

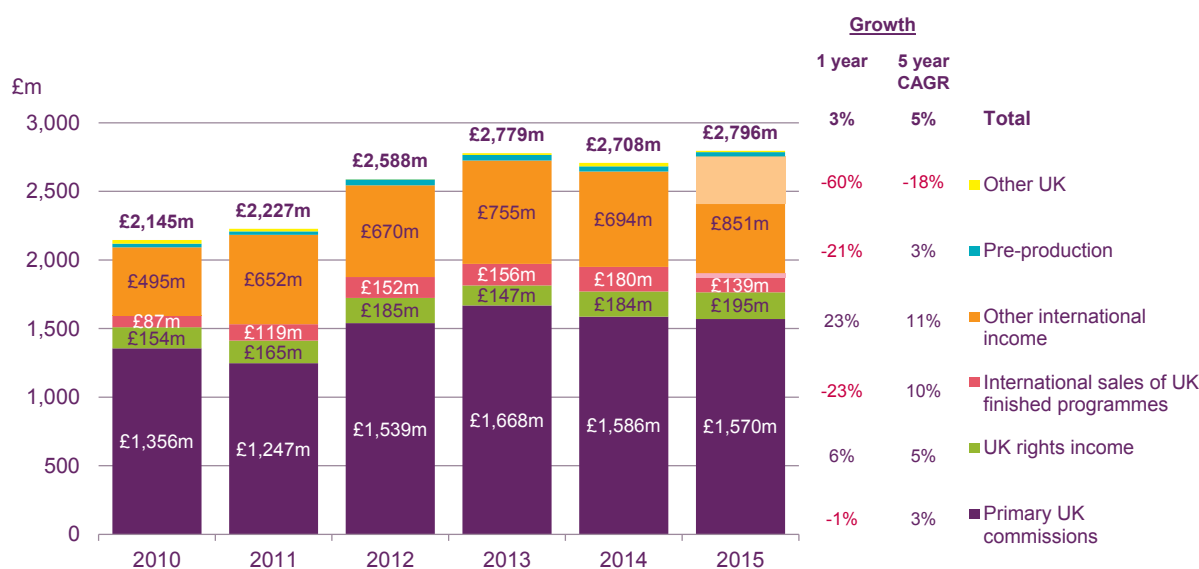
2.2.4 UK independent production sector

Independent producers' TV revenue were projected to reach their highest-ever level in 2015

According to Pact's annual census of independent production companies in the UK, TV revenues within the independent sector increased by 3% to £2,796m in 2015, when projected income is taken into consideration.

This increase was mainly a result of record 'other' international revenue – up 23% year on year to £851m when £347m of forecast revenue is included (indicated by the lighter shade of orange in the below chart). This is made up of primary commissions and co-productions from non-UK broadcasters, as well as revenue from companies' overseas operations.

Figure 2.22 Independent producer TV-related revenues



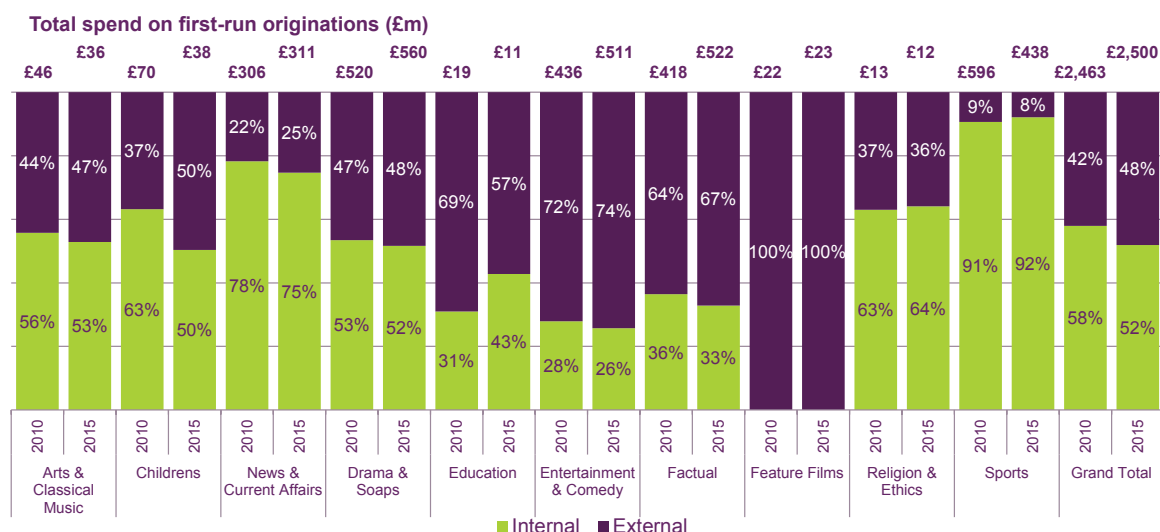
Source: Pact Independent Production Sector Financial Census and Survey 2016. Note: 'Other international income' refers to revenue from companies overseas operations and any primary commissions received from non-UK broadcasters; 'International sales of UK finished programmes': sales of first-run UK programming sold as finished product abroad; 'UK rights income': UK secondary sales, publishing, formats, DVD sales etc. There was a change in reporting methodology of some of the sampled companies in 2015. To help reflect the market Pact have used reported average year-on-year growth figures to forecast international sales on a like-for-like basis from the previous year. Forecast sales for 2015 were £347m for 'other international income' and £34m for 'international sales of UK finished programmes' in 2015, both of which are represented by the lighter shade in the above chart.

The proportion of PSB channels' spend on first-run UK originations that went to external producers increased between 2010 and 2015

Across all genres, 48% of spend on first-run UK originated content by the PSB channels in 2015 (excluding nations' and regions' spend) was spent on external commissions, an increase on the 42% external spend recorded in 2010.

Looking at the genres that make up most of the PSB channels' spend, external producers are commissioned to provide the majority of the investment for entertainment and comedy (74%) and for factual originations (67%) while their share of original drama and soaps spend increased marginally: from 47% in 2010 to 48% in 2015.

Figure 2.23 Relative share of spend on first-run originated content by genre, in-house vs. external producers: 2010 and 2015



Source: Ofcom/broadcasters. Note: Figures are expressed in nominal terms. Includes spend by the main five PSB channels and BBC portfolio channels on first-run originated content broadcast, all day, and excludes nations'/regions' output.

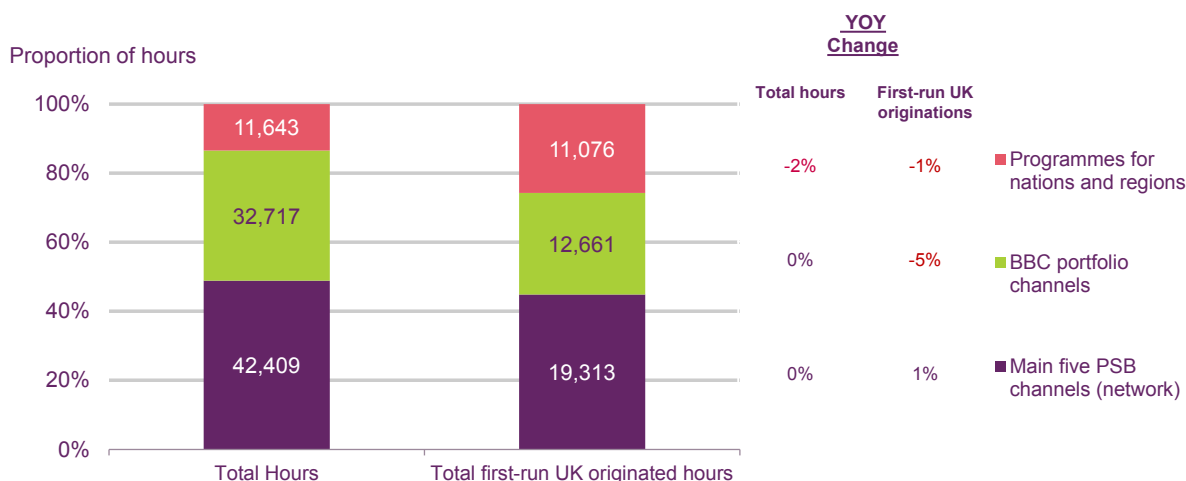
2.2.5 UK television output

50% of output on the PSB channels was first-run UK originations in 2015

In 2015 86,769 hours of content were broadcast by the PSB channels (including programmes for the nations and regions); 50% of this was first-run UK originations, produced either in-house or commissioned from external producers.

Although there was a slight increase in original UK output on the main five PSB channels, there was a 5% decrease in such output on the BBC portfolio channels. This was mainly because fewer originations were broadcast on BBC Three leading up to its closure in February 2016, after which it began operating as an internet-only brand.

Figure 2.24 Total and first-run UK originated hours of output on the PSB channels: 2015



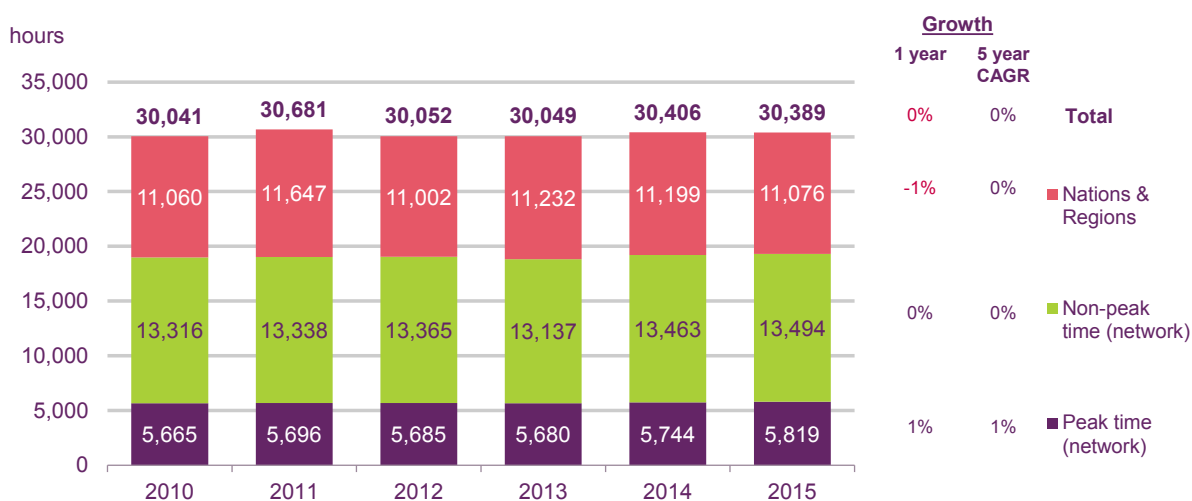
Source: Ofcom/broadcasters. Note: ITV Breakfast is included within the figures for the main five channels. Regional hours exclude Welsh and Gaelic-language programming but include a small amount of Irish-language programmes.

Hours of first-run UK-originated content broadcast by the main five PSB channels have remained steady in recent years

There was a modest annual decrease (17 hours) in the hours of original UK programming broadcast by the PSB channels (including programming for the nations and regions) in 2015, with average annual growth remaining flat since 2010.

Programmes broadcast during peak hours between 6pm and 10.30pm tend to have larger budgets and larger audiences. Original network output in peak has increased by an average of 1% each year since 2010, including in 2015.

Figure 2.25 Hours of first-run UK originated output on the main five PSB channels

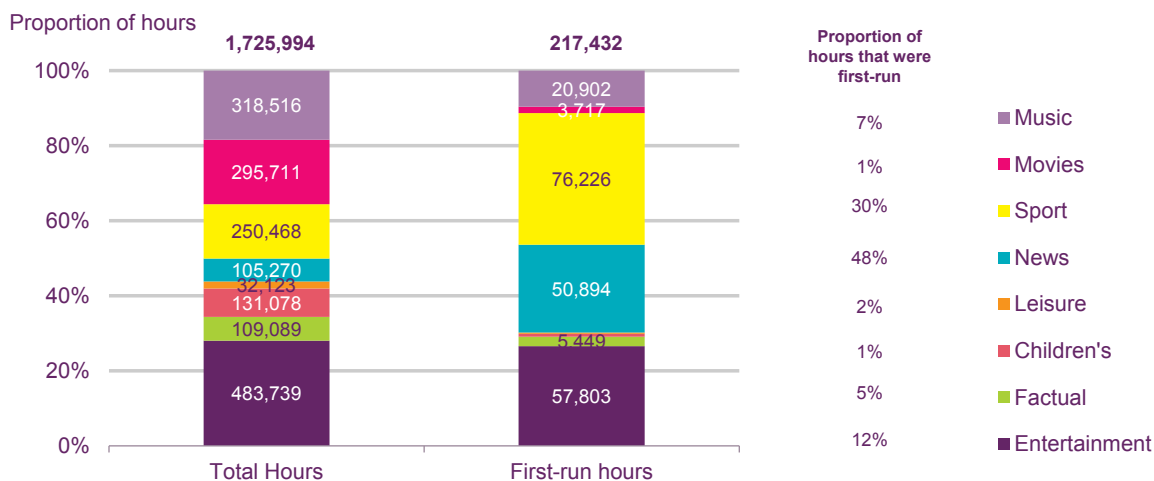


Source: Ofcom/broadcasters. Note: Figures include ITV breakfast and a small amount of Irish-language programmes but do not include the BBC's portfolio channels, BBC Alba or S4C.

First-run originations/acquisitions made up 13% of all hours broadcast on the non-PSB channels in 2015

The multichannel sector consists of all TV channels that broadcast to the UK and are licensed by Ofcom, with the exception of the PSB channels. Of the 1.73 million hours broadcast by these channels in 2015, 13% were first-run originations or acquisitions.

Figure 2.26 Total and first-run originated/acquired hours of output in the multichannel sector: 2015



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

Consumer choice in the pay-TV sector

Pay-TV consumers have a wider range of options than ever before, with an increasing choice of service provider and content. The retail offerings of the four largest traditional pay-TV providers are summarised below, while the pay-TV services offered by OTT providers are covered in section 2.1.3.³²

³² We note that EE also provides an IPTV via its EE TV box and that Vodafone is due to launch an IPTV service later in 2016.

Figure 2.27 Summary of retail offerings from traditional pay-TV providers

Provider (Q4 2015 subscribers)	Retail offering
BT TV YouView (1.4 million)	<ul style="list-style-type: none"> • Overview: BT TV only available when bundled with BT broadband and fixed line. YouView box included. Choice of three TV packages, all including the AMC channel. • Movies: Sky Movies can be added to all TV packages. • Sports: All packages include BT Sport channels. Customers can add Sky Sports 1 & 2. • VoD/out-of-home: All packages include catch-up TV. BT TV App allowing out-of-home viewing included in some packages. • Technological developments: BT launched the first Ultra-HD channel in August 2015.
Sky (11.3 million)	<ul style="list-style-type: none"> • Overview: Range of DSat TV packages available standalone or bundled with Sky broadband and fixed line. All packages include Sky entertainment channels. Packages come with Sky+ HD box or Sky Q box. Sky also retails OTT through NOW TV. • Movies: All Sky Movies channels available. • Sports: All Sky Sports channels available. Sky customers can also access BT Sport by subscribing to BT. • VoD/out-of-home: All TV bundles include catch-up TV and out-of-home viewing through Sky Go. • Technological developments: Sky launched a new Sky Q set-top box in 2016 with UHD capability and which allows viewers to continue watching programmes on different devices and screens as they wish. It is planning to launch a DTT-enabled Now TV set-top box later this year.
TalkTalk TV YouView (1.4 million)	<ul style="list-style-type: none"> • Overview: TalkTalk TV packages only available when bundled with TalkTalk broadband and fixed line. YouView box included. Choice of two TV packages, one of which includes six Sky channels. Various content “Boosts” available through both packages. • Movies: Sky Movies channels available through Sky Movies Boost. • Sports: Sky Sports channels available through Sky Sports Boost. TalkTalk customers can access BT Sport by subscribing to BT. • VoD/out-of-home: Both packages include catch-up TV and out-of-home viewing through TV2Go App.
Virgin Media (3.7 million)	<ul style="list-style-type: none"> • Overview: Range of TV packages available standalone or bundled with Virgin Media broadband and fixed line. TiVo box included. • Movies: Sky Movies channels available. Some packages include them as standard, whereas other packages allow add-on purchases. • Sports: All Sky Sports and BT Sport channels available. Some packages include them as standard, whereas other packages allow add-on purchases. • VoD/out-of-home: All TV packages include catch-up TV and out-of-home viewing through Virgin TV Anywhere. • Technological developments: Virgin Media has announced that it will launch a new, TiVo-powered set-top box later this year that will introduce UHD streaming capabilities.

Source: Providers’ websites. Subscriber numbers are from Enders Analysis, with Sky figures including Now TV, Republic of Ireland and business overseas.

Sports content availability

As can be seen from Figure 2.28, sports content continues to be available from a number of pay-TV providers, with Sky Sports and BT Sport in particular being drivers in the take-up of pay-TV services.³³

The majority of Sky Sports subscribers take those channels over Sky's own satellite platform as part of a pay-TV or communications package from Sky. At extra cost, customers can access HD versions of these channels (and any other channels in their package). Sky Sports channels are also offered as part of its Sky Go service, free of charge to its existing satellite subscribers.

BT makes its BT Sport channels available in a number of different ways. It offers the BT Sport Pack (containing the full range of BT Sport channels) free of charge to its BT TV customers, provided they renew their TV and broadband contract for 12 months, with access to HD versions of the channels available at an additional cost. BT Sport is also available separately via the BT Sport App to BT broadband and mobile customers, while consumers using Sky or TalkTalk YouView can access the channels through each platform by contracting directly with BT.

Figure 2.28 Summary of Sky Sports and BT Sport availability from pay-TV providers

	BT TV (YouView)	Sky (DSat)	TalkTalk YouView	Virgin Media	Other
Sky Sports 1&2	✓	✓	✓ (no HD)	✓	×
Sky Sports 3, 4, 5 & F1	×	✓	✓ (no HD)	✓	×
NOW TV (Sky Sports passes)	×	×	×	×	✓ EE TV
BT Sport Pack (all BT Sport channels)	✓	✓ (BT retails)	✓ (BT retails)	✓	×
BT Sport Lite (BT Sport 1 only)	✓	✓ (BT retails)	×	×	×

Source: Providers' websites.

2.2.6 The local TV sector

There are now 21 local television stations on air in the UK, operating a variety of business models and offering different approaches to programming for local viewers, with a further 13 services due to launch in the next year. Local TV channels have adopted a range of business models, ranging from not-for-profit community ventures to new commercial partnerships between local newspapers, TV production companies and educational institutions.

³³ As discussed in Ofcom's statement on the *Review of the pay-TV wholesale must-offer obligation*, published in November 2015 and available at http://stakeholders.ofcom.org.uk/binaries/consultations/wholesale-must-offer/statement/review_of_wmo_sStatement.pdf

The local TV sector has contributed new local programming to the UK media landscape, particularly local news, but some channels have found their original output commitments difficult to deliver. Given some channels' reliance on local TV funding from the BBC, which ends in 2020, they may face a challenge to generate sufficient income in the longer term. Some channels may have to further diversify their revenue streams.

In 2011, the Government set out its plan for introducing local TV services

Writing in its January 2011 *Local Media Action Plan*, the Government said that local media "has an important part to play in drawing communities together" and said "it reflects back communities' stories and information of direct interest and relevance".³⁴ It committed to introduce local TV services in locations across the UK.

In 2012, a statutory framework to enable local TV services to be introduced was established.³⁵ Under this framework, Ofcom was tasked with licensing individual services in locations around the UK, and also with licensing a new digital terrestrial television (DTT) multiplex as the means by which all of the local services would be broadcast.

As well as guaranteed access to DTT spectrum, local TV services benefit from appropriate prominence on the electronic programme guide (EPG), and access to some protected funding from the BBC.³⁶ In its recent White Paper on the future of the BBC³⁷, the Government confirmed that all local TV services which launch by 31 July 2017 will continue to be able to access this protected funding from the BBC in their first three years, thereby earning predictable income in those first years of broadcasting, but that this funding is being phased out: no further BBC protected funding will be available (i.e. after July 2020 at the latest).

Local TV licences have been awarded in a competitive process, in which applicants propose programming commitments to reflect the type of service they propose to broadcast. Applications are considered against specified statutory criteria, including the extent to which a proposed service would meet the needs of its local area, and increase the number of television programmes made in, or about, the local area.

In order to ensure that licensees deliver the service they proposed, programming commitments are captured in their licences. Licence obligations therefore vary by service; they are not uniform. They typically include a number of hours for first-run and repeated local programming. Within this local programming they contain a number of hours of news and current affairs as well as a number of hours in peak viewing time.

Local TV services range from not-for-profit community ventures to new commercial partnerships between local newspapers, TV production companies and educational institutions.

Twenty-one local TV services are now on air in the UK

The first service launched in 2013, with a further 19 services launching during 2014 and 2015. One further service - Bay TV Swansea - launched in July 2016. The list of services on air, with their specific launch dates, can be found in Figure 2.29.

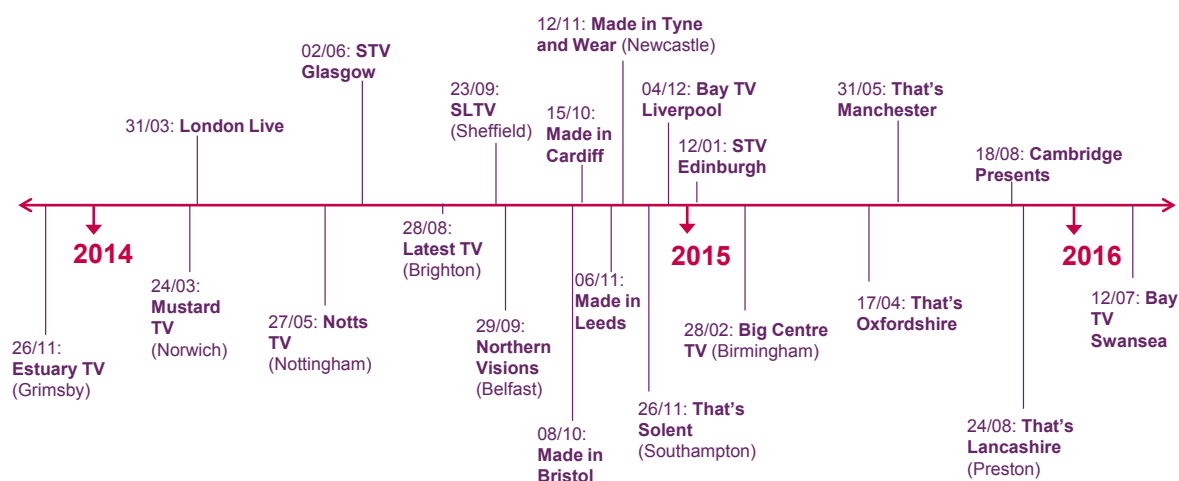
³⁴ See paragraph 2.1 of the document entitled 'Local Media Action Plan' dated 19 January 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/72995/ConDoc-Local_Media_Action_Plan_190111.pdf

³⁵ By means of the *Local Digital Television Programme Services Order 2012*.

³⁶ In return for which they supply news items to the BBC.

³⁷ DCMS, '[A BBC for the future: a broadcaster of distinction](#)', May 2016.

Figure 2.29 Launch dates of local TV services



Source: Ofcom

In addition to the 21 services already on air, a further 13 licences have been awarded, with these services expected to launch over the course of 2016 and 2017.³⁸

As noted above, the individual local services are broadcast via a single DTT multiplex, which Ofcom also licenses. The multiplex is operated by Comux, a company which is collectively owned by the local service providers.

Many local TV services face challenges to generate sufficient income

Figure 2.30 shows the total expenditure and the total income of all services that were broadcasting in 2015. It also shows the total income broken down by source.

The total income for all services broadcasting in 2015 was £8.8m. Local TV services are funded from a variety of sources. These include advertising, BBC funding (primarily protected funding through BBC purchase of local TV news items), other commercial and non-commercial income, and teleshopping. The protected BBC funding was intended “to provide the new local TV services with some funding certainty”.³⁹

Across all channels, the majority of the income generated by local TV services in 2015 (53%) came from advertising, while BBC funding accounted for more than a quarter (29%) of the sector’s income. Some services appear to be more reliant on funding from the BBC than others; in 2015, BBC funding accounted for as little as 2% of total income for one service and as much as 100% of income for another.

During 2015, nine channels received more than 50% of their income from the BBC, although five of these were not on air for the full year. Services that had been live for less than 12 months reported a higher proportion of BBC funding (on average, 74% of their income was derived from the BBC) than those which had been live for more than 12 months (on average, 43% of their income was derived from the BBC).

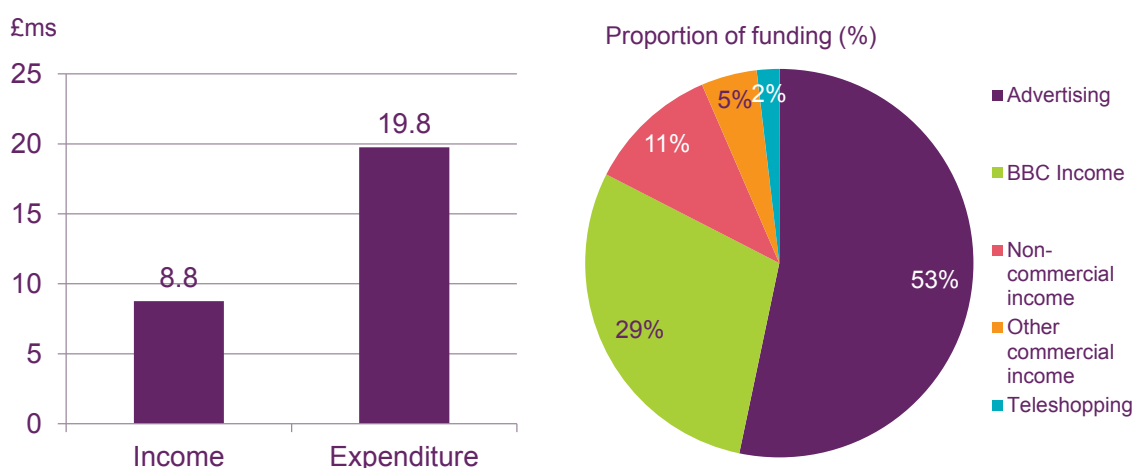
³⁸ These licences are for the following areas: Mold, Guildford, Reading, Salisbury, Middlesbrough, Basingstoke, Maidstone, Scarborough, York, Dundee, Aberdeen, Ayr and Carlisle.

³⁹ See paragraph 94 of *Local TV: making the vision happen* (December 2011), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/86566/local-tv_making-the-vision-happen.pdf.

As noted above, protected BBC funding ends when a service has been broadcasting for three years, and it will be phased out by the Government by 2020. This funding is front-loaded, such that the guaranteed sums in the first and second years (£150k and £110k respectively) are considerably greater than that in the third year (£40k). This means that channels are supported in their initial start-up phase, but will need to further diversify their business models in the future.

As Figure 2.30 shows, spend by local TV services outweighed income in 2015. The total expenditure of all channels broadcasting was £19.8m, of which £11.9m was spent on content. There were two local TV services that did not operate at a loss in 2015.

Figure 2.30 Income and expenditure information for local TV services broadcasting in 2015



Source: Ofcom/ broadcasters. Includes channels which launched in 2015.

Channels have contributed new local programming to the UK media landscape, but many have found their original output commitments challenging to deliver

As part of the licence application process, applicants are required to submit proposals for the number of hours of first-run and repeated local programming they plan to broadcast. These commitments are then captured in the licences of all successful applicants. Ofcom has a minimum expectation that seven hours per week of local news programming should not be too burdensome for even the smallest of channels, but beyond this, applicants and licensees are free to decide the level of commitments they want to provide.⁴⁰

Figure 2.31 shows the hours of first-run local programming broadcast in 2015 by local TV services.⁴¹ It shows that, across the year, the average volume of first-run local programming broadcast by a local TV service was 1,732 hours, of which 734 hours were first-run local news and current affairs programmes. Although the schedules of individual services will vary significantly, and not all services were on air for the full year, these figures equate to just over 33 hours per week of first-run local programming, and around 14 hours per week of first-run local news and current affairs.

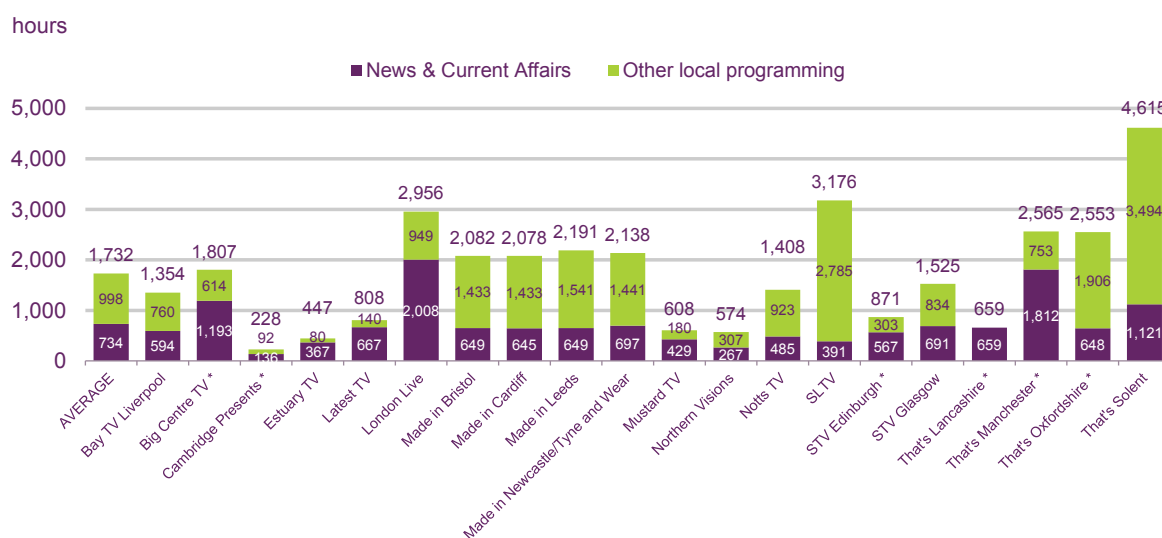
⁴⁰ See paragraph 1.47 of Ofcom's statement *Licensing Local Television: how Ofcom will exercise its new powers and duties to license new local television services* dated 10 May 2012, <http://stakeholders.ofcom.org.uk/binaries/consultations/localtv/statement/local-tv-statement.pdf>.

⁴¹ Because of the freedom given to licence applicants to specify their own commitments in their application, there is no correlation between programming commitments and the size of the geographical DTT area within which the channel may be received.

The majority of the channels have, however, asked to reduce their programming commitments once they have started broadcasting. By 30 April 2016, 14 of the 20 channels on air had submitted a programming commitment change request to Ofcom. In many cases, this has been because those services felt unable to deliver their obligations.

Ofcom is able to agree such requests if it is satisfied in relation to specified statutory criteria⁴², such as whether there is a change to the character of the service. Ofcom has received a number of such requests to reduce programming commitments: 25 requests by the end of April 2016 (some channels have applied more than once), of which 21 have been approved.

Figure 2.31 Hours of first-run local programming on local TV services: 2015



Source: Ofcom/broadcasters. Figures calculated on the basis of the hours that were required in 2015 according to the licence, with the addition of the average weekly over-delivery reported by the service in its local return. * indicates channels that launched during 2015.

To increase their audience, the majority of local TV channels are making themselves available on multiple platforms

In its initial framework for the sector, the Government focused on bringing about local TV on DTT, and considered it best to allow services to make their own decisions about non-DTT transmission platforms.⁴³ As a result, the presence of a local TV service on cable or satellite is not covered by the local TV licence; the channel requires a standard Ofcom licence for those platforms.

Audience figures are important for the local TV sector to generate sufficient income. To increase their audiences, many services have chosen to be available on other platforms, as shown in Figure 2.32. This shows that of the services broadcasting in 2015, 16 were present on Virgin Media and eight were also present on Sky. Sixteen services are also available online.

⁴² As set out in the *Local Digital Television Programme Services Order 2012*

⁴³ See paragraphs 29 to 31 of the document *Local TV: Making The Vision Happen:*

Government response to the consultations on the Local TV Framework and Pioneer Locations and final policy position, dated December 2011,

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/86566/local-tv_making-the-vision-happen.pdf.

Figure 2.32 Platform availability of local TV services broadcasting in 2015

Channel	Virgin Media	Sky	Internet	DTT	Channel	Virgin Media	Sky	Internet	DTT
London Live	✓	✓	✓	✓	Estuary TV (Grimsby)	✓		✓	✓
Made in Leeds	✓	✓	✓	✓	SLTV (Sheffield)	✓		✓	✓
STV Glasgow	✓	✓	✓	✓	Mustard TV (Norwich)	✓		✓	✓
Made in Tyne and Wear (Newcastle)	✓	✓	✓	✓	Northern Visions (Belfast)	✓		✓	✓
STV Edinburgh	✓	✓	✓	✓	Latest TV (Brighton)	✓		✓	✓
Made in Cardiff	✓	✓	✓	✓	Cambridge Presents	✓		✓	✓
Made in Bristol	✓	✓	✓	✓	That's Manchester				✓
Notts TV (Nottingham)	✓	✓	✓	✓	That's Solent (Southampton)				✓
Big Centre TV	✓		✓	✓	That's Oxford				✓
Bay TV Liverpool	✓		✓	✓	That's Lancashire (Preston)				✓

Source: Ofcom/ broadcasters. ✓ indicates availability on platform.

An average of 1.5m households per week (5.8% of UK households) watched a local TV channel across all platforms in the year to April 2016

Viewing figures for the majority of local TV channels in the UK are reported by BARB as a collective 'local TV macro'.⁴⁴ The exceptions to this are London Live, which is reported separately, and the STV channels (Glasgow and Edinburgh) which are reported together as 'STV City'. Our analysis combines all of these measured local TV channels into a single group to give an overall picture of local TV viewing.

BARB data used below show the absolute number of households who watched any local TV service between the launch of the local TV macro group on 20 April 2015 to the end of April 2016. This includes viewing on DTT (i.e. the Freeview platform, whether through YouView, BT TV, TalkTalk, Plusnet or Freeview itself) and on the Sky and Virgin Media platforms. The local TV channels can choose to be carried on the Sky and Virgin platforms, although not all of them do so.

Local TV services are not available nationally, unlike other channels, and the size of the coverage area for the channels varies by platform. The total population that is actually able to receive the reported local TV channels is not available in BARB, and therefore we compare their total viewing to the entire UK TV population. We do, however, know how many people can receive the reported local TV channels through DTT, as we have data on the coverage that each transmitter achieves. We estimate that a total of 9.7 million households across the UK can receive the reported local TV services through digital terrestrial (DTT) reception.

It is not possible for us to estimate the coverage areas for local TV for Sky or Virgin, as these vary for each service and region.

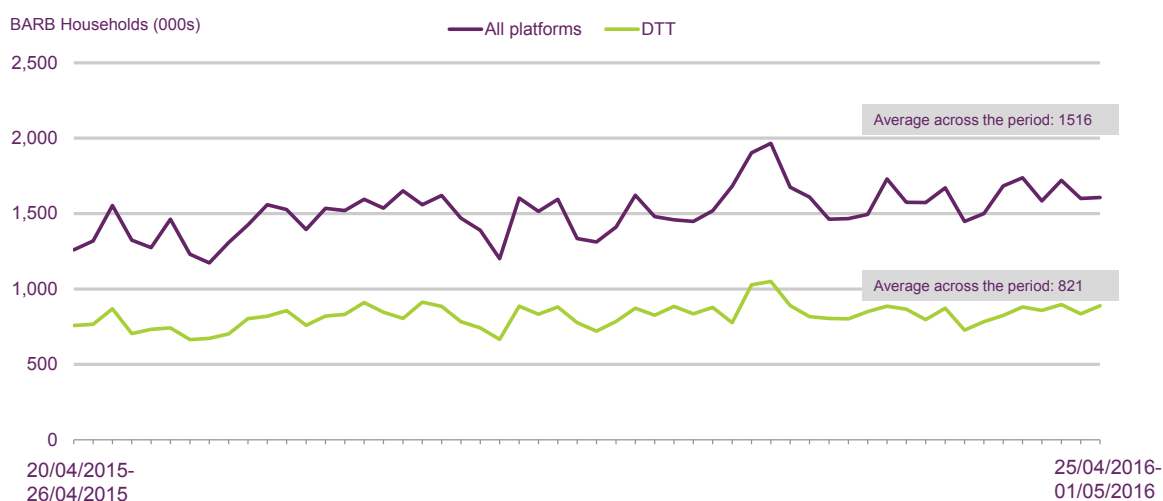
Across the analysis period, an average of 821,000 UK households watched at least one of the local TV channels through DTT in an average week, for at least three consecutive

⁴⁴ Across our analysis period the channels that subscribe to BARB and are included in the local TV macro group were: Estuary TV; Latest TV; Made channels Bristol, Cardiff, Leeds and Newcastle; Notts TV; Northern Visions TV Belfast, Sheffield Live TV and Bay TV Liverpool (the latter was added on 15 June 2015).

minutes. Viewing of any local TV channel through the DTT platform peaked during the Christmas and New Year period, with over a million households tuning in to watch a local TV service over these two weeks. When compared to the estimated DTT coverage area of 9.7 million households, this means that the average weekly three-minute reach of local TV services through the DTT platform was 8.5% across the period. The peak reach was 10.8% during the New Year week (28 December – 3 January 2016).

Across the same period, an average of 1.5 million households per week watched a local TV service for a minimum of three consecutive minutes through any platform across the UK ⁴⁵ (5.8% of UK homes). This figure includes those who watched a local TV service through Sky or Virgin Media as well as DTT. The highest number of households in the entire UK TV population watching any local TV channel for the period was 2.0 million during the New Year week (28 December – 3 January 2016).

Figure 2.33 Average weekly three-minute reach (000s) of local TV stations: April 2015-April 2016



Source: BARB, all homes. Based on viewing through the reception mode of DTT and all platforms (DTT, DSAT, DCAB and Other). Full weeks are used for the correct calculation of weekly averages.

⁴⁵ 26.1 million average across the analysis period (source: BARB).

2.3 The TV and audio-visual consumer

This section examines the availability and take-up of digital TV platforms and trends in television consumption, including some categories of non-broadcast TV viewing. It also analyses viewers' attitudes to television.

2.3.1 Platform take-up

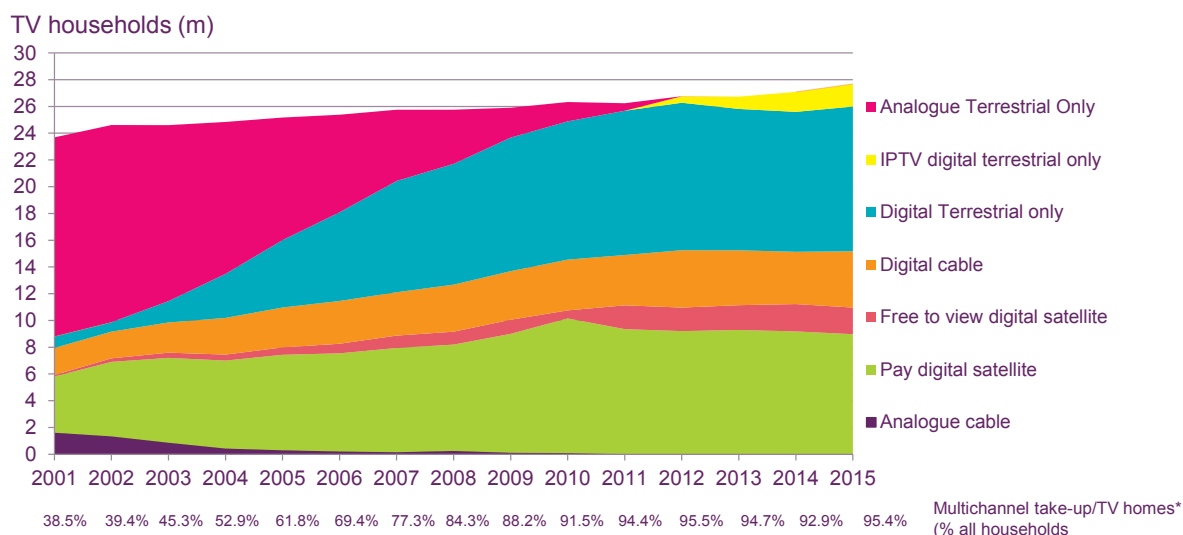
Since completion of digital switchover (DSO) in October 2012, digital is now the only form of broadcast signal available in the UK. Figure 2.34 shows the number of households by the platform they have in the home.

According to BARB's Establishment Survey, the proportion of all UK homes that owned a TV set able to receive broadcast television was 95.4% in the final quarter of 2015 (see chart notes for a change in methodology). The remaining 4.6%, homes without a TV set, either choose to watch audio-visual content using an internet connection only, or do not use a television, or the television does not receive a broadcast signal.

Homes that only have digital terrestrial TV make up the largest proportion of all homes. The proportion with pay-digital satellite has plateaued, particularly since 2011, after peak take-up in 2010. And there has been only incremental growth in digital cable take-up in recent years, while free-to-view satellite services such as Freesat have grown slowly, and account for the smallest proportion of all homes. The Freeview service has been available through a number of providers since 2012. In Q4 2015, 6.1% of homes had any one of BT TV/ TalkTalk/ YouView only (without satellite, cable or other platforms), shown below as IPTV digital terrestrial. At the end of 2015, PlusNet launched YouView as part of its offering although take-up data will only be available from Q1 2016.

In addition to the platform take-up highlighted below, many consumers are subscribing to paid-for VoD services, as outlined in section 2.1.3, on various platforms.

Figure 2.34 Platform take-up: 2001-2015



Source: BARB Establishment Survey. Household-level data based on all TV sets in homes. Data points are based on Q4 of each year. Notes: From Q4 2015 BARB changed its methodology and its definition of a TV set-owning household. The main change was that up to Q4 2015 a home was defined as a TV home if it owned a TV set which had been used to watch TV programmes in the last six months. Since Q4 2015 the claimed usage element was removed, which led to an increase in the TV set homes population. BARB did not re-state the TV homes population before the methodology change, so comparisons with previous data should be made with caution.

*Digital switchover was completed across the UK in October 2012. Data from 2013 therefore refers to TV households as a % of all households.

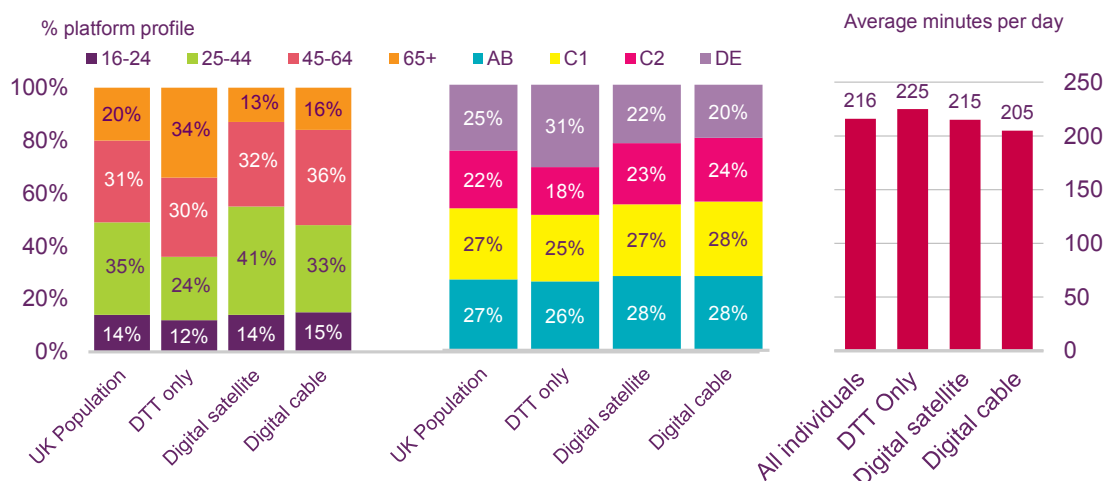
Digital terrestrial TV = digital TV through an aerial (this could include Freeview, BT TV/ TalkTalk/ YouView) and not through DSAT/DCAB or other platforms.

IPTV digital terrestrial only = receives digital terrestrial TV through any of BT TV/ TalkTalk/ YouView (but may have Freeview integrated TV) and not DSAT/DCAB/other platforms.

Digital terrestrial households have an older age profile than those with satellite or cable

Figure 2.35 looks at the demographic profile of homes, by platform, alongside the daily hours of viewing of people in those homes. It shows that digital terrestrial-only households have an older age profile than either digital satellite or digital cable, and compared to the UK population average. Because time spent watching broadcast television increases with age, digital terrestrial-only viewers also watch more TV than those in other types of homes. Individuals in digital cable homes watched the least amount of TV, on average.

Figure 2.35 Platform demographics by age, socio-economic group and viewing hours



Source: Platform profile: Ofcom Technology Tracker H1 2016. Average minutes: BARB 2015 data

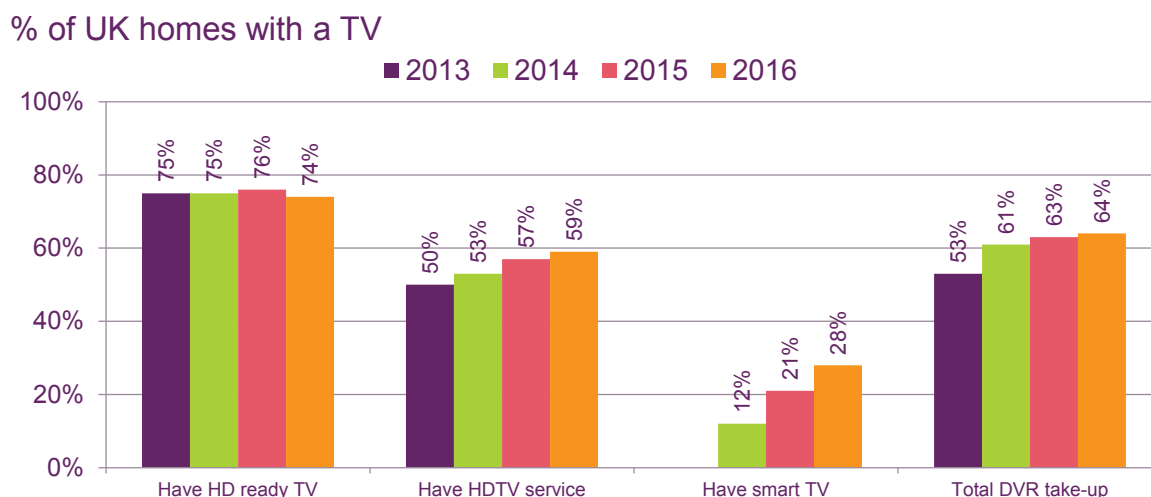
Three-quarters of homes now have an HD-ready TV set but only six in ten TV homes have HDTV services

Over the past four years, the penetration of HDTV sets has remained broadly unchanged. Three-quarters (74%) of TV homes own a HDTV set in 2016. However, only six in ten TV homes (59%) say that they have an HDTV service. The take-up of HDTV services appears to be slowing even further, with only a two percentage point increase, from 57% in 2015 to 59% in 2016. The difference between those with an HDTV set and those with an HDTV service might be because households which replace their TV have no other choice than to buy an HDTV set, but are not actively choosing HDTV services.

Around two-thirds of TV homes (64%) have access to a digital video recorder (DVR). This figure increased by only one percentage point, from 63% in 2015, suggesting that take-up of DVRs may be slowing further. Of all adults who say they own a DVR, around one in five (22%) say they use it to watch recorded programmes every day.

Three in ten TV households (28%) say they have at least one smart TV. The take-up of smart TVs appears to be growing, with a significant increase of seven percentage points from 21% in 2015 to 28% in 2016. However, the use of a television connected to the internet (through any means) is likely to be higher, as we explore below.

Figure 2.36 Take-up of HDTV sets and HD services, smart TVs and DVRs



Source: Ofcom Technology Tracker, data as at Q1 2014, then H1 2015-2016

Base: All adults aged 16+ with a TV in the household: 2013 (3661), 2014 (3635), 2015 (3616), 2016 (3606)

QH53: Is the main TV in your household an HDTV set or HD ready? / QH54: Although you have an HDTV-ready set, to actually watch TV channels and programmes that are broadcast in high definition, you need an HD set-top box or a TV with built-in HDTV receiver. For the main TV set, does your household have an HDTV service - from either Sky, Virgin Media, Freesat or Freeview?

QH62: Are any of your TV sets 'smart TVs'?

QR1A: Does your household have Sky+? / QR1B: Does your household have Virgin TiVo (pronounced tee-vo) or V+? / QR1C/D/E: Does your Freesat/ Freeview box or Freeview TV/ broadband TV service allow you to record and store TV programmes, and also pause and rewind live TV programmes?

Smart TV:

'Smart TV' refers to a stand-alone television set with inbuilt internet functionality. Users connect to the internet via a broadband router or modem. Smart TVs are produced by consumer electronics manufacturers including Samsung, Sony, Panasonic and LG. The definition does not include television sets connected to the internet via a third-party device such as a set-top box, a games console or a laptop/PC.

Connected TV:

'Connected TV' refers to a television that is broadband-enabled to allow viewers to access internet content. This includes smart TVs as well as a TV connected by an external device such as a set-top box, games console, tablet, Blu-ray/DVD player or internet-connected dongle.

An estimated six in ten households have a connected TV

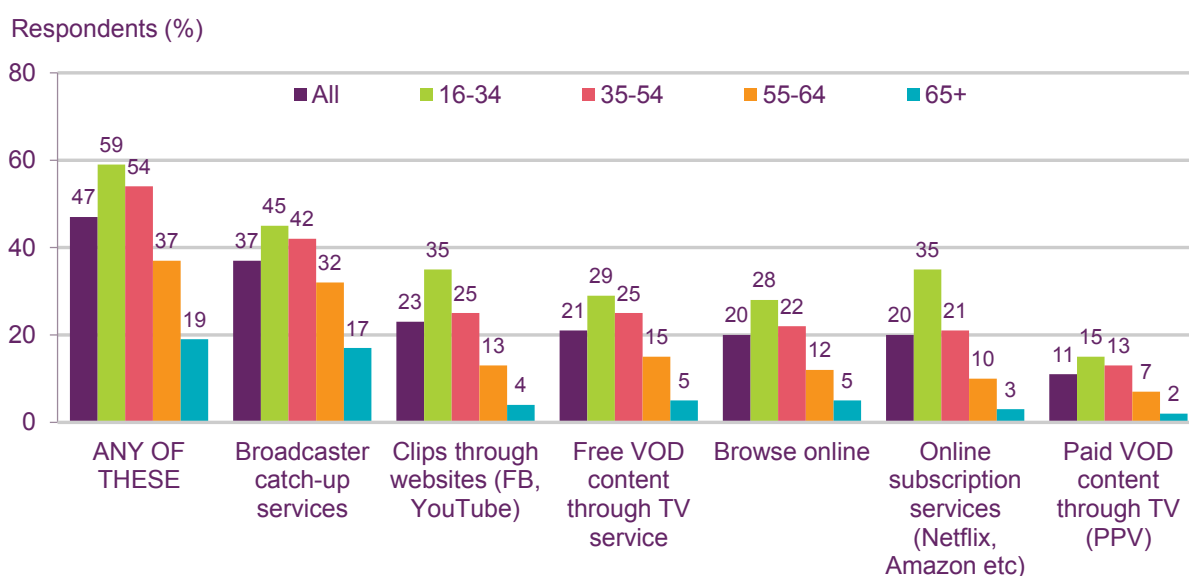
As Figure 2.36 shows, nearly three in ten TV households (28%) say that they have a smart TV – a television that connects to the internet directly. Research conducted by media consultancy 3 Reasons shows that around 62% of UK TV homes had a TV connected to the internet via a set-top box or a smart TV, at the end of 2015. The figure for households with a connected TV could be even higher once devices such as games consoles and dongles are included.

Figure 2.37 shows some of the activities most commonly undertaken by adults using their connected TV. Almost half of all adults (47%) have undertaken any internet activity on their TV, with a 40 percentage point difference between those aged 16-34 (59%) and those aged 65+ (19%).

Around four in ten adults (37%) with a connected TV watch TV programmes or films through a catch-up service provided by a broadcaster. Of these, three-quarters of adults (75%) said this was to catch up on a programme/film which they missed when it was originally shown.

Paid-for or subscription service content is more popular among younger people. One in five adults (20%) watch films or programmes through an online subscription service (e.g. Netflix, Amazon Instant Video), rising to 35% among the youngest viewers (16-34s).

Figure 2.37 Activities undertaken on a connected TV, by age



Source: Ofcom Media Tracker 2015.

Base: All respondents in 2015 (2,107); aged 16-34 (620), 35-54 (675), 55-64 (344), 65+ (468).

Q7/ Q9C/ Q10C/ Q11C/ Q13 - And which, if any of these devices have been connected to your home broadband service as well as a TV set in the home in the last 12 months to view something on the TV screen? Q14A-H/ Q15 - Which, if any, of these activities have you used your device for in the last 12 months when connected to a TV?

2.3.2 Recent changes in TV viewing

Broadcast TV viewing

BARB analysis is based on viewing to scheduled TV programmes such as those listed in TV listings magazines or on electronic programme guides (EPG) on TV sets. It includes time-shifted viewing of these programmes. Together these make up the official industry measure of viewing, often referred to as **gold standard data**, on which our analysis is based. Viewing is reported for people aged 4 and above.

Time-shifted viewing

'Time-shifted' viewing is defined by BARB as viewing of programmes recorded and subsequently played back on a television set within seven days of live broadcast, as well as viewing after pausing or rewinding live TV. Recording devices included in BARB analysis include video cassette recorders (VCR); DVD recorders (which store programmes on writable DVDs); digital video recorders (DVRs) which use a hard disk to store programmes chosen from an electronic programme guide, and combination devices (which use a combination of internal hard disk and removable DVDs to store programmes).

Viewing any catch-up TV player services through the television set is also captured under 'time-shifted viewing' if the content has been broadcast live in the past seven days. This includes catch-up player services accessed through apps on smart TVs and games consoles, and viewing on any device such as laptops, personal computers or tablets, as long as they are connected to the television set.

Viewing outside the seven-day window, viewing catch-up services on devices that are not connected to the TV set, and video on-demand (VoD) services (such as Amazon Instant Video and Netflix) which have not been scheduled on a television channel, are not reported as time-shifted viewing.

Non-gold standard data

Besides the gold standard data sets, BARB also makes available other data that they are able to collect. One of these is **time-shifted viewing between 8 and 28 days** after the initial broadcast. Another is **unmatched data** which refers to activities when the TV set is in use but the content cannot be audio-matched or otherwise identified. This would include the TV being used for gaming, viewing DVDs/ box-sets/ archives, subscription video-on-demand (SVoD), time-shifted viewing beyond 28 days, apps on smart TVs and navigation around EPG guides where there is no in-picture live content. Digital radio stations via the TV are also part of unmatched viewing (these are reported by RAJAR). Unmatched viewing has been reported by BARB since July 2013.

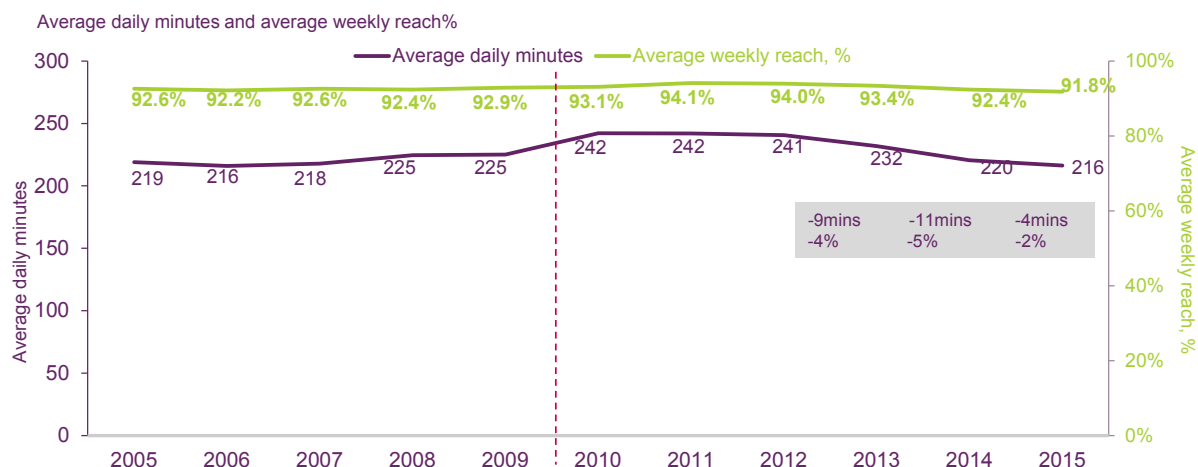
We include some analysis of non-gold standard data to put the measured TV viewing analysis into context.

Time spent watching broadcast TV fell for a third consecutive year but the rate of decline has slowed, and weekly reach remains high

Daily viewing time to TV was 3 hours 36 minutes in 2015, four minutes less than in 2014. This represented a slowing of the decline which began in 2012, when time spent watching TV fell after holding steady at around four hours a day since 2010.

Ninety-two per cent of the TV population watched TV at least once in a typical week in 2015. The slight year-on-year decline was marginally less than the fall between 2013 and 2014. Weekly reach has been falling incrementally since 2011 but the majority of people continue to tune in to TV, and reach is broadly the same as a decade ago.

Figure 2.38 Average weekly reach and average daily minutes of broadcast TV: 2005-2015



Source: BARB, individuals 4+, network, total TV. Reach criterion = 15 consecutive minutes of viewing at least once in the average week. Full weeks used for the correct calculation of averages.

Note: New BARB panel introduced 1 Jan 2010. As a result pre- and post-panel change data must be treated with caution (see dotted line).

The rate of decline eased for all age groups except 16-24 year olds

The slowing decline in viewing was driven by all age groups to varying degrees. The exception was among 16-24 year olds, for whom the decline increased even more, while over-65s watched two minutes more TV a day.

Analysis of longer-term shifts in viewing by age group is explored later in the *Broadcast TV viewing trends* section.

Figure 2.39 Change in average minutes per day of TV viewing, by age group: 2013-2015

Audience	Change 2013-2014	Change 2014-2015	% change 2013-2014	% change 2014-2015
Adults 65+	-1 minute	+2 minutes	-0.3%	+0.5%
Adults 55-64	-10 minutes	-2 minutes	-3.4%	-0.6%
Adults 45-54	-11 minutes	-5 minutes	-4.4%	-2.2%
Individuals 4+	-11 minutes	-4 minutes	-4.9%	-1.9%
Adults 35-44	-17 minutes	-5 minutes	-8.0%	-2.4%
Adults 25-34	-16 minutes	-7 minutes	-8.8%	-4.2%
Adults 16-24	-9 minutes	-15 minutes	-6.2%	-10.5%
Children 4-15	-17 minutes	-6 minutes	-12.4%	-5.4%

Source: BARB.

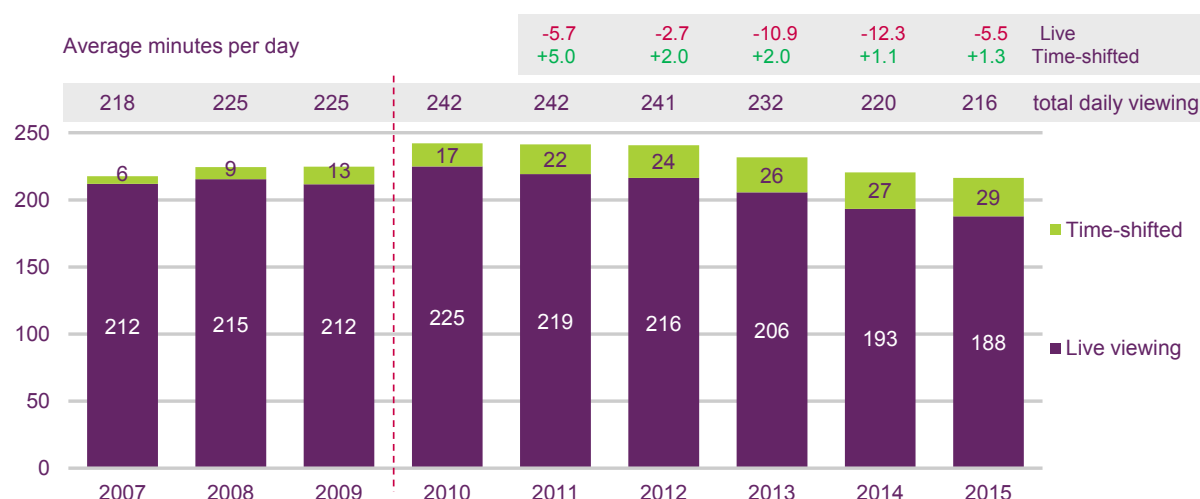
As in previous years, all of this decline was in watching live at the time of broadcast

As in the past two years, the entire decline in broadcast TV viewing was to live TV⁴⁶ in 2015. There was a five-minute drop in live TV viewing, while seven-day time-shifted viewing increased by two minutes. This offset of recorded and catch-up viewing resulted in the four minute overall decline.

Since 2010, there have been annual falls in time spent watching live TV. Time-shifted viewing was largely able to compensate for the losses in live TV until 2012, but from 2012 onwards, there have been large annual decreases in watching at the scheduled time, while recorded and catch-up has remained largely static. This has resulted in an overall decline in TV viewing.

We consider how 8-28 day time-shifted viewing has affected Gold Standard figures later in the chapter.

Figure 2.40 Average minutes of viewing per day, by activity: total TV



Source: BARB, individuals 4+, network, total TV. Average minutes of viewing per day. Refer to the definitions box for explanation of time-shifted viewing. Chart figures may not add up due to rounding. Note: New BARB panel introduced 1 Jan 2010. As a result pre- and post-panel change data must be treated with caution (see dotted line).

Sport had the largest decline in total viewing minutes in 2015, following 2014's football World Cup in Brazil

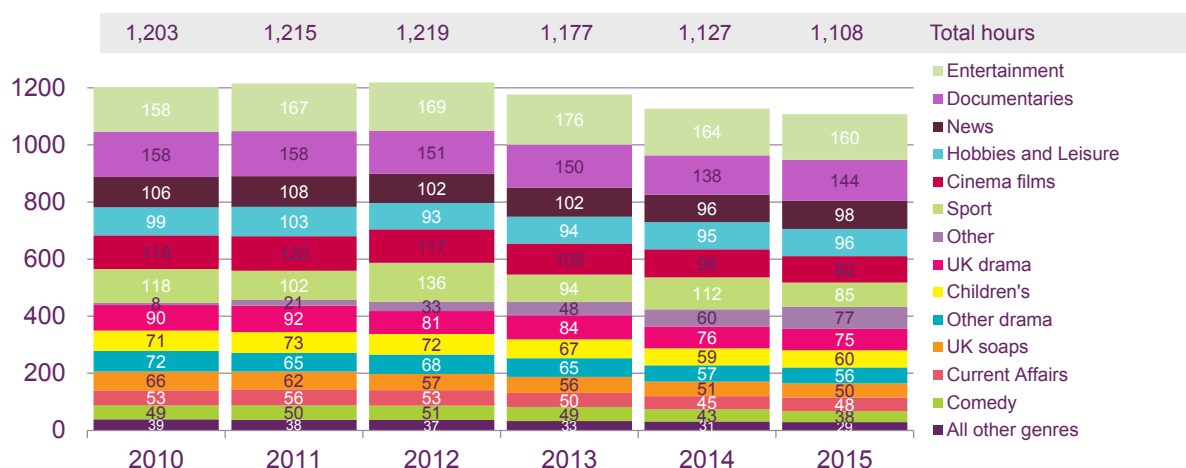
Of total viewing hours (live and time-shifted) across all channels by programme genre, sport had the largest decline in viewing in 2015 compared to 2014. In 2014, the football World Cup year, 15 of the top 20 most-watched programmes, in terms of time spent, were sports, and the World Cup featured in ten of these. The long programme duration of the matches, which attracted high total viewing minutes, shows that people invested time in this coverage. In contrast, in 2015 fewer (11) of the top 20 most-watched programmes, in terms of time spent, were sports programmes although sports viewing was bolstered by the Rugby World Cup and Rugby Six Nations, which featured in six of the top ten most-watched sports programmes.

⁴⁶ Watching live at the scheduled time and not just to live events such as football matches, for example.

Other genres for which viewing time fell in 2015 included cinema films, comedy, entertainment and drama, all genres most associated with on-demand viewing.

Figure 2.41 Viewing by genre across all channels: 2010-2015

Total hours per person per year



Source: BARB, individuals 4+, network programming based on 4+ area filter, total TV. Total hours of viewing per year. Note: There have been large increases in total viewing hours to the 'other: new programme' genre over the last few years. Programmes that fall into other genres may be coded as 'other: new programme'.

Sports and event programming, the weather, and technological and AV service innovations may explain these declines

The impact of sports programming, along with key national events, may partly explain why the decline in daily viewing has been so high since 2012.

Between 2010 and 2012, when daily viewing was four hours per day, there was some notable 'appointment-to-view' programming, which may have artificially inflated viewing figures. There was less event programming in 2013, and England's lack of success in both the football World Cup in 2014 and the rugby World Cup in 2015 meant both events may not have had the same impact as they could have done on total TV viewing.

As well as events programming, the performance of other formats, such as hit TV shows, can dramatically impact TV viewing. The weather can also influence viewing; people spend more time on other pursuits in warmer weather. Average temperatures were cooler in 2015 than in 2014, and this may be a factor in the slower year-on-year decline.

Against the backdrop of a rapidly changing viewing landscape, other factors that might affect viewing to broadcast TV include the availability of on-demand programmes and films, which are available to view on a range of devices at any time the user desires. The proportion of GB adults claiming to use on-demand services accelerated between 2010 and 2013 but slowed considerably between 2014 and 2015: this may have been a factor in the slower decline in 2015.

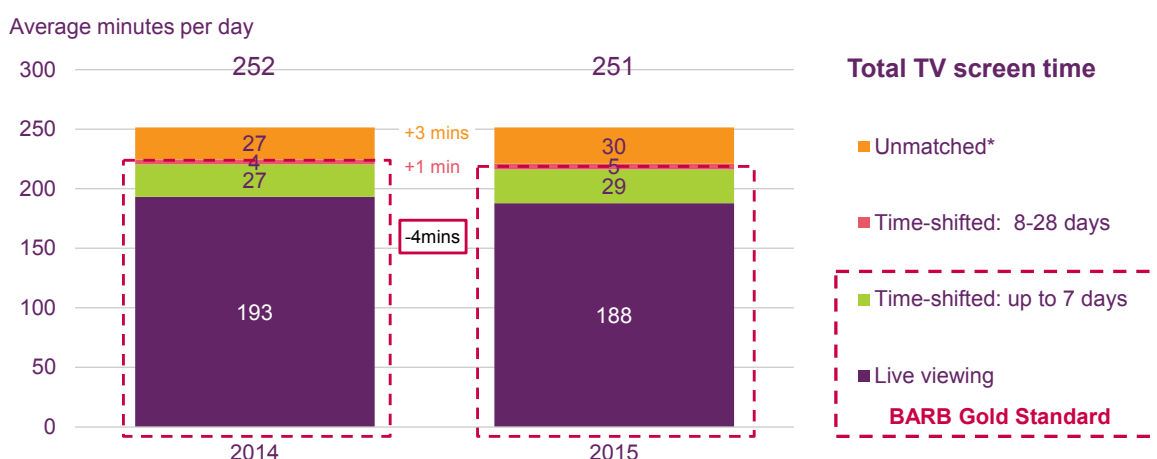
Since July 2013, it has been possible to see what the TV set is used for, other than watching scheduled TV up to seven days after broadcast. We now consider the role that these TV set-related activities play, in relation to conventional seven-day industry data.

The 2015 decline may have been replaced by 8-28 day time-shifted viewing and to other activities on the TV set

In 2015 there were an additional 35 minutes of TV activity time per day, on top of the 3 hours 36 minutes that we know about (the Gold Standard seven-day industry data). This was similar to 2014, when 32 minutes per day were spent on other activities on the TV set.

Although the amounts are similar, the shift in the distribution of these minutes is of interest. There was a four-minute fall in seven-day viewing data (boxed in red in Figure 2.42). At the same time there was a one-minute increase in 8-28 day time-shifted viewing, and a larger three-minute increase in unmatched viewing (which can include subscription VoD like Netflix, apps on smart TVs and gaming). This suggests that all of the decline in measured viewing may have migrated to other activities on the TV set rather than to other screens.

Figure 2.42 Average daily minutes of TV screen time, total TV, by activity type: 2014-2015



Source: BARB, individuals 4+. Average minutes of viewing per day.

*Note: Unmatched: TV in use but content cannot be audio-matched or otherwise identified. Includes gaming, viewing to DVDs/ box sets/archives, SVoD, time-shifted viewing beyond 28 days, apps on smart TVs and navigation around EPG guides where there is no in-picture broadcast content. Chart figures may not add up due to rounding. The majority of unreported viewing time came from the TV set or games consoles.

The majority of unmatched viewing time is spent on games consoles and connected TVs

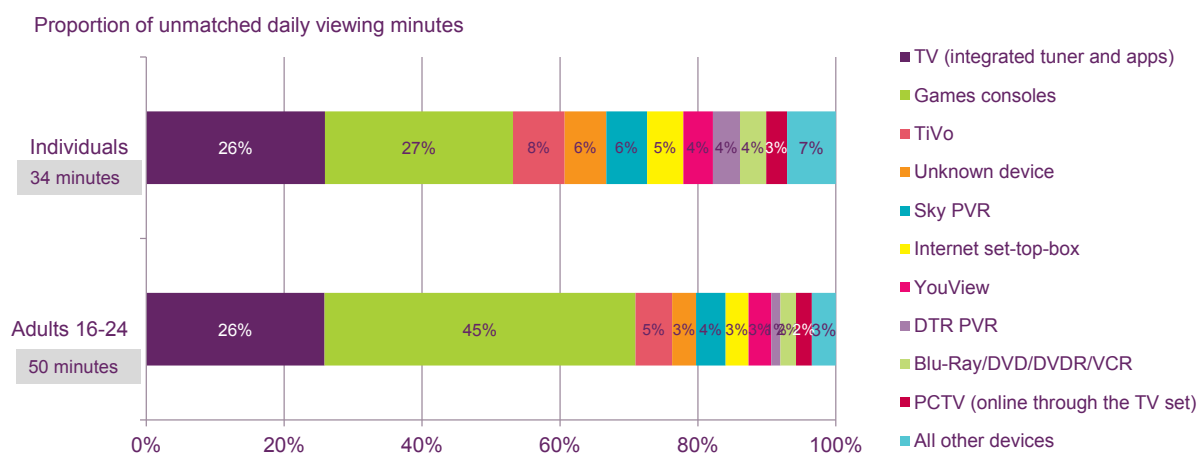
In December 2015 BARB began analysing which devices were being used for measured and non-measured TV activities, in order to better understand what else the TV screen is being used for.

Analysis of January to May 2016 data gives us an indication of the range of devices used, and therefore the type of activity that people are engaged in.

It shows that all individuals, and 16-24 year olds, spent a similar proportion of their unmatched viewing time using TV sets with apps, such as smart TVs (around a fifth). Almost half of the 50 minutes of unmatched viewing time among 16-24 year olds was spent on games consoles, with the remainder of their time spread across other devices such as Virgin Media's TiVo box (5%), Sky PVR (4%) and connected set top-boxes including YouView (3%). Games consoles were also popular among the general population, with an equal proportion of time spent using them as using the TV. But considerably less of their total

unmatched viewing time was on games consoles, compared to 16-24s, with larger proportions distributed across other devices, compared to 16-24s.

Figure 2.43 Unmatched viewing on the TV set, by device used: January-May 2016



Source: BARB. Unmatched viewing by device use, based on average daily minutes of viewing. 1/1/2016 to 31/5/2016 (34 mins for individuals and 50 mins for adults 16-24).

Next we consider the longer-term trends in traditional broadcast TV viewing.

2.3.3 Broadcast TV viewing trends

TV viewing is driven by older audiences

TV viewing varies greatly by age; people watch more TV as they get older and move through different life stages. Children watch the least television (just under two hours a day in 2015) while the oldest (65+) age group watched the most: almost three times as much, at 5 hours 42 minutes a day. Over time, the profile of broadcast TV has grown older.

TV viewing has fallen considerably in the last five years, with a widening gap in the viewing habits of the youngest and oldest audiences

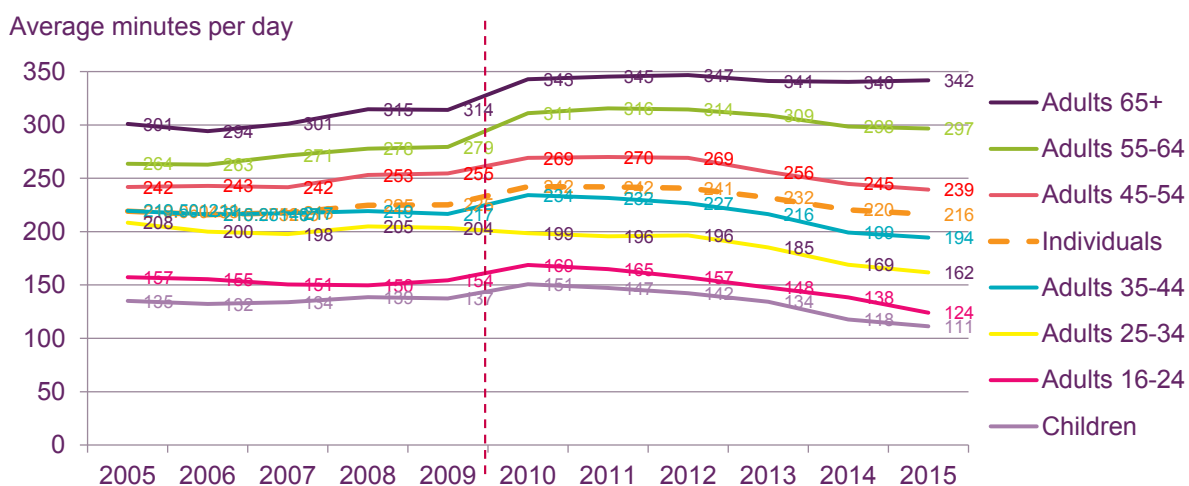
Time spent watching TV has dropped in the last five years; 26 minutes a day less (11%) than in 2010.

While viewing fell across all age groups, there were above-average falls for the under 45s. As the lightest viewers generally, the biggest shifts in viewing were among 16-24s and children, for whom viewing dropped by 27% and 26% respectively. The most stable viewing levels were among the 55-64 and over-65 audiences (down by 5% and 0.2% respectively).

In the past year, the accelerated decline in viewing since 2012 has slowed, for all age groups under 65, with the exception of the 16-24s. For this age group the rate of decline continued to speed up (-10.5%), the biggest annual drop for this age group since 2010.

Across the decade, daily viewing looks buoyant at an all-individuals level, but the oldest viewer groups are driving viewing (which has increased since 2005) with marked declines among all other age groups aged under 45.

Figure 2.44 Average daily minutes to total TV, by age group: 2005-2015



Source: BARB, network total TV. Average minutes of viewing per person per day. New BARB panel introduced 1 Jan 2010. As a result pre- and post-panel change data must be treated with caution (see dotted line).

TV reaches 92% of the TV population in a typical week

The majority of people watch TV at least once in a typical week. But, proportionally, more of the older TV population tune in weekly than the younger age groups (under 35).

In 2015, weekly reach ranged from 82% among 16-24 year olds to 95% or more among over-45 groups. Similar to time spent viewing, weekly reach has fallen, among all age groups, since either 2011 or 2012, with the steepest decline among 16-24s and children.

In the longer term, the proportion of each age group who tune into TV in a typical week has remained broadly level, falling between 2 and 3 pp among children and 16-24s over the past decade, while it has increased by around 0.5pp among over-45s.

Figure 2.45 Average weekly reach of total broadcast TV, by age group: 2005-2015

	Individuals 4+	Children (4-15)	Adults 16- 24	Adults 25- 34	Adults 35- 44	Adults 45- 54	Adults 55- 64	Adults 65+
2005	93%	90%	84%	92%	94%	95%	96%	96%
2006	92%	89%	83%	92%	94%	94%	95%	96%
2007	93%	91%	83%	92%	94%	95%	96%	96%
2008	92%	90%	82%	91%	94%	95%	96%	96%
2009	93%	91%	83%	92%	94%	96%	96%	96%
2010	93%	90%	85%	91%	95%	96%	96%	97%
2011	94%	92%	87%	93%	95%	96%	97%	97%
2012	94%	92%	86%	93%	95%	96%	97%	97%
2013	93%	91%	85%	92%	94%	96%	97%	97%
2014	92%	88%	83%	90%	94%	95%	96%	97%
2015	92%	87%	82%	89%	93%	95%	96%	97%

Source: BARB, total TV.

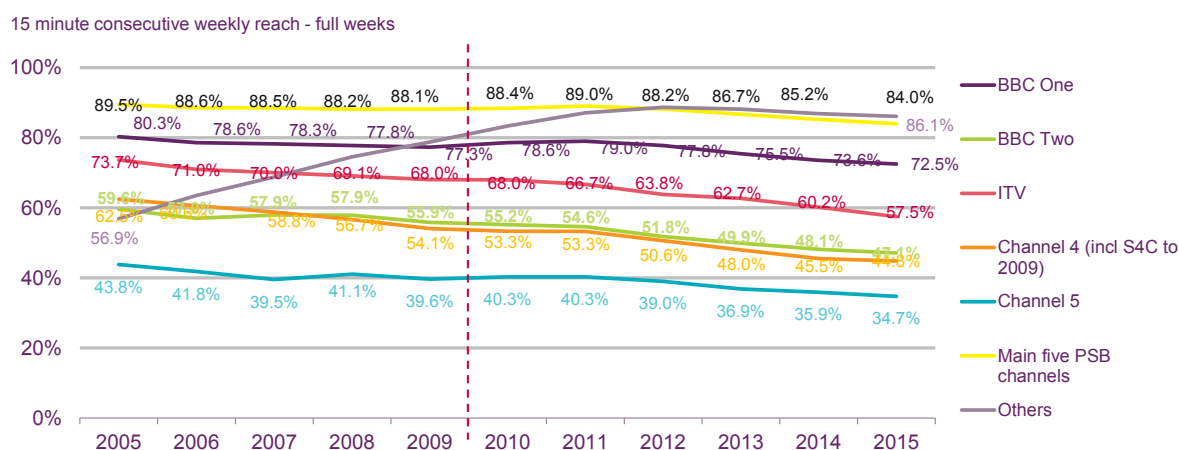
The combined reach of the main five PSB channels is comparable to the reach of all other remaining channels in the UK combined

Overall, the main PSB channels' weekly reach appears resilient. Despite increased competition from other channels, eight in ten people continued to watch at least one of the five PSB channels in a typical week in 2015. In ten years, the weekly reach of the main PSBs has decreased by just 5pp, although this is proportionately more than the fall in weekly reach to TV as a whole (1pp).

As the selection of channels available to watch increased, the combined weekly reach of all channels, apart from the main five PSBs, grew substantially; from 57% in 2005 to 86% in 2015, slightly below the 84% weekly reach of the main five PSBs combined. In 2012, the weekly reach to this group of channels overtook the combined reach of the main PSBs. The combined reach of both channel groups began to dip from 2012 onwards, although the decreases to the 'other' channels were not as much as the decreases to the main PSBs.

By individual channel, the biggest losses in weekly viewing were to Channel 4 and ITV across ten years. The most stable, comparatively, were BBC One and Channel 5. More recently, while weekly reach fell for each main PSB channel year on year, the least pronounced falls were to Channel 4, and the most, to ITV.

Figure 2.46 Average weekly TV reach, by channel: 2005-2015



Source: BARB, individuals 4+, Network. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: Following digital switchover in Wales in 2010, S4C ceased to carry Channel 4 content. S4C is therefore included in the Channel 4 figure in and prior to 2009 but not from 2010 onwards. S4C weekly reach in 2014 was 0.5% (all homes). The main five PSB channels include viewing to their HD channel variants but exclude viewing to their +1 channels.

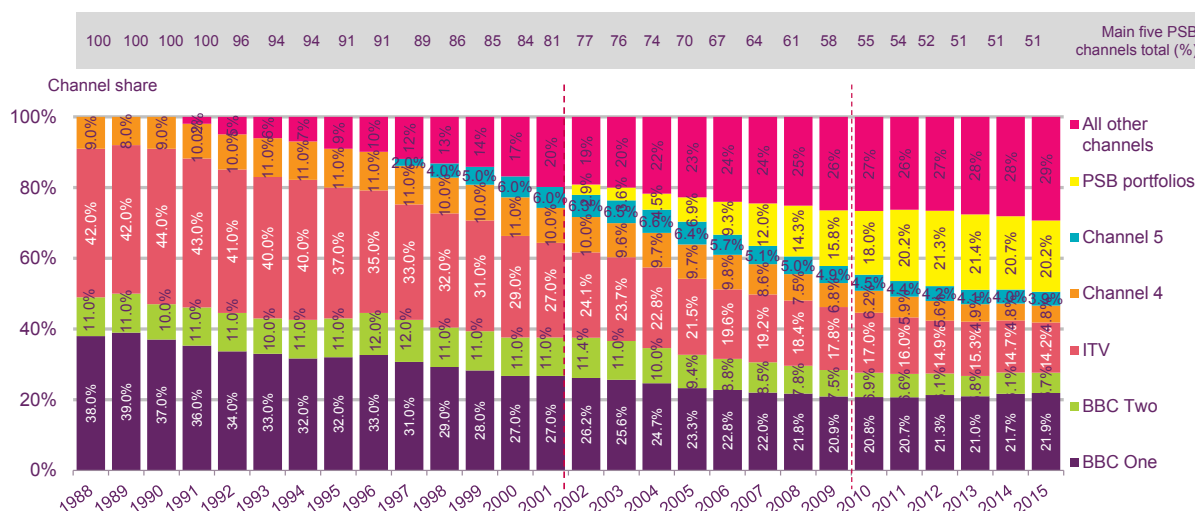
The main five PSBs have retained a majority share of viewing

The number of BARB reported channels in the UK grew from five in 1988 (BBC One, BBC Two, ITV, Channel 4 and S4C) to 316 in 2015. In the face of this, the main five PSB channels had retained over half of the total broadcast TV audience in 2015. Added to their portfolio of targeted channels such as BBC Four, ITV2 and E4, the PSB broadcasters accounted for over two-thirds of viewing.

Year on year, BBC One continued to perform well, marginally increasing share and continuing to account for around a fifth of total TV viewing. Channel 4 held its share for the third consecutive year and Channel 5's share continued to dip. Share declined by around one percentage point for ITV, while BBC Two's share fell to a lesser degree.

As shown in Figure 2.48, 11 of the PSB portfolio channels were in the top 20 most watched channels (ranked by share) in 2015, along with the main five PSBs.

Figure 2.47 Channel shares in all homes: 1988-2015



Source: BARB, TAM JICTAR and Ofcom estimates, individuals 4+. Notes: a new BARB panel was introduced in 2002 and 2010, as a result, pre- and post-panel change data must be compared with caution (see dotted line); following digital switchover in Wales in 2010 S4C ceased to carry Channel 4 content, S4C is therefore included in the Channel 4 figure in and prior to 2009 but not from 2010 onwards; the main five PSB channels include viewing to their HD channel variants but exclude viewing to their +1 channels.

The top 20 channels generally reflect the older profile of traditional TV

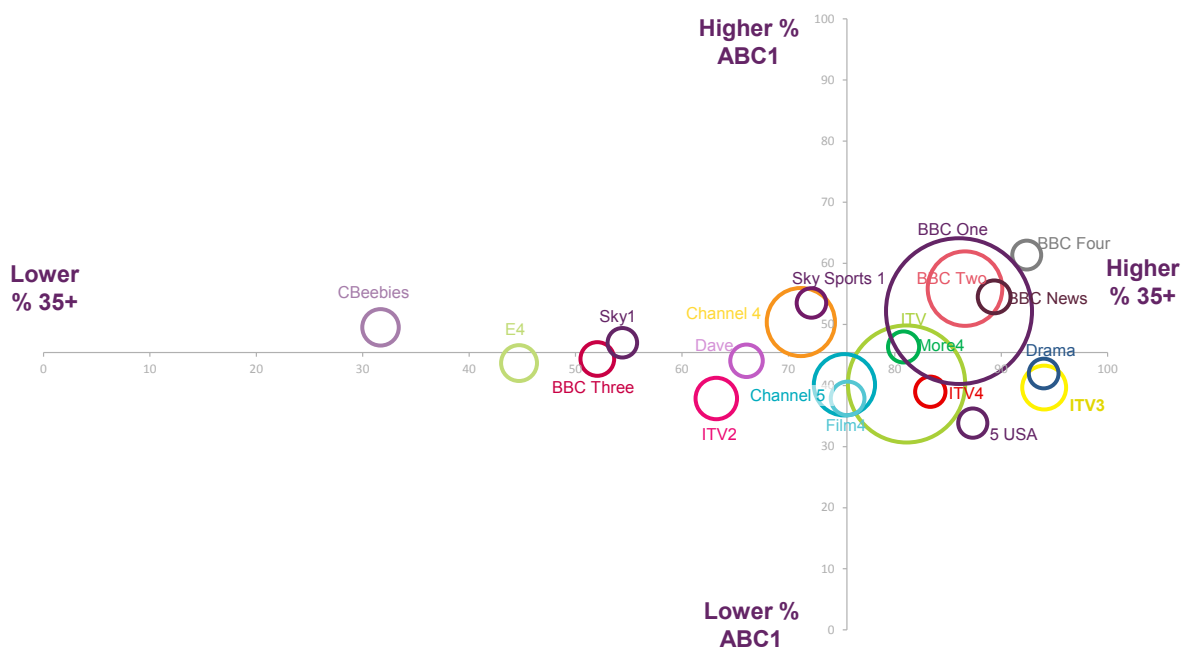
Figure 2.48 plots the age and socio-economic (SEG)⁴⁷ profile of the 20 most-watched channels in 2015, relative to the 35+ age and ABC1 SEG profile of viewers to total TV. It also shows the share of each channel, depicted by the size of the bubbles. The profile of a channel gives an indication of its target audience, and for commercial channels, this is used to sell advertising.

Reflecting the older profile of TV overall (76% of viewers are aged 35+), the majority of the top 20 channels in 2015 had audiences that skewed older or the same as the average. Apart from the dedicated children’s channels from the BBC (CBeebies and CBBC) the channel with the youngest profile overall was E4 (55% of its audience was aged under 35) while the channels with the oldest profile of all the top 20 channels were ITV3 and Drama (94% of their audience was aged 35+). Channels from the BBC, Sky and Channel 4 attracted higher proportions of ABC1 audiences to their channels compared to the proportion of ABC1 viewers to TV generally (45%).

Of the main five PSBs, BBC One and BBC Two had the oldest viewing profiles, and the highest proportions of ABC1 viewers. Channel 4’s audience had the youngest profile and the highest proportion of ABC1s relative to the other commercial PSBs.

⁴⁷ A classification of household social status based on the occupation of the chief income earner. BARB reports the following social grades: AB – higher (A) or intermediate (B) managerial, administrative or professional; C1 – supervisory or clerical and junior managerial, administrative or professional; C2 – skilled manual workers; D – semi-skilled and unskilled workers; E – state pensioners, casual or lowest grade workers;

Figure 2.48 Age and socio-economic audience profile of the 20 most viewed channels: 2015



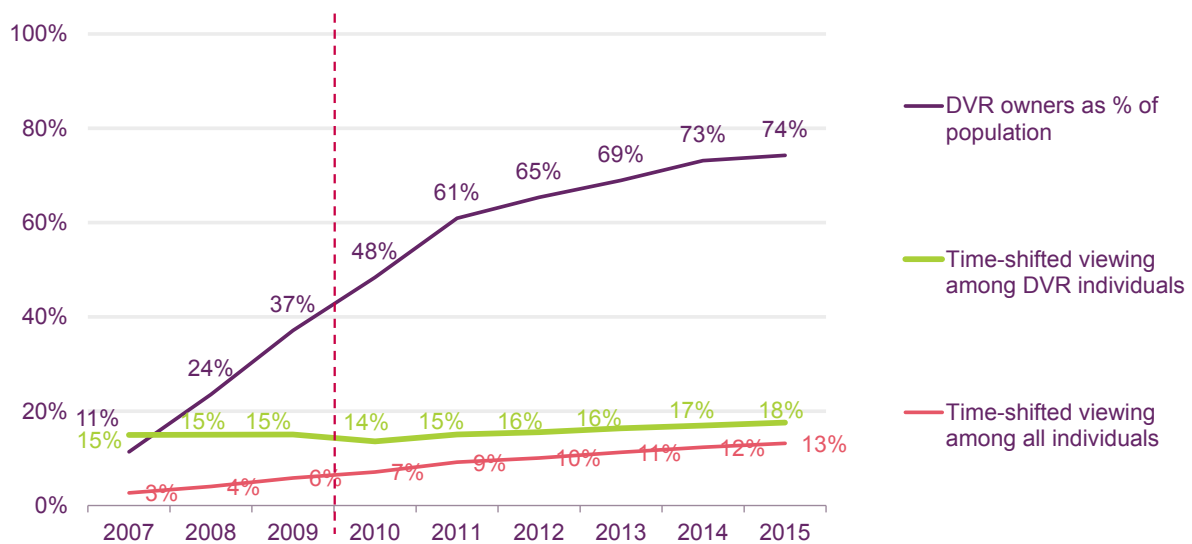
Source: BARB/InfoSys+/TRP Research. Based on the top 20 channels ranked by share, excluding individually reported +1 channels. Profile based on age: % 35+, SEG: % ABC1 individuals. Axes cross at the average age/SEG profile of Total TV. Includes HD variants where applicable.

Time-shifted viewing is slowing

In the earlier *Recent changes in TV viewing* section, analysis of the fall in time spent watching TV showed that all of the annual declines since 2012 was to viewing live at the time of broadcast. Before then, losses in live viewing minutes were compensated for by similar rates of increase in seven-day time-shifted viewing. But in the last three years the growth in time spent watching programmes other than at the time of broadcast has slowed considerably to around one to two minutes per day per year.

Figure 2.49 demonstrates this slow growth across the longer term, among the general population (including those who do and do not own a DVR) and specifically among those who own a DVR. The steep growth in DVR take-up, from 11% in 2007 to 74% in 2015, has not translated into a radical shift away from viewing live TV. The viewing habits of people who own a DVR has remained relatively unchanged over time, with time-shifted viewing accounting for a generally constant proportion of their broadcast TV viewing time. The more pronounced rise in time-shifted viewing among the general population can be explained by the increased adoption of DVRs and devices such as smart TVs or games consoles (which offer access to catch-up services without the need for a recording device).

Figure 2.49 DVR take-up and time-shifted viewing: all individuals, and individuals in DVR homes: 2007-2015



Source: BARB, Network. New BARB panel introduced 1 Jan 2010. As a result pre- and post-panel change data must be treated with caution (see dotted line).

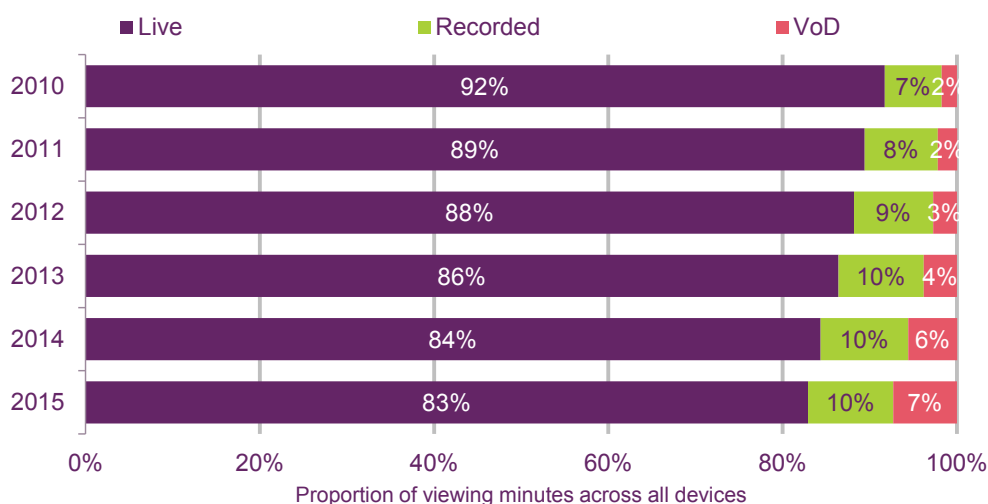
Live broadcast TV accounted for 83% of programme viewing time across all screens, but is falling

There is currently no industry standard measure of viewing to all programmes and films across all devices beyond the TV set. We therefore use a range of sources (such as our Digital Day research presented earlier in the chapter, and industry estimates) to understand viewing across live, on-demand (catch-up and paid) and time-shifted content.

3 Reasons estimates of legal, long-form viewing across all devices, show that people spend the majority of their viewing time watching live TV (83%) with time-shifted viewing (10%) more popular than on-demand (7%).

With people connected to the internet more than ever, and take-up and use of on-demand services growing, time spent watching live TV has fallen from an estimated 92% of viewing in 2010. At the same time, viewing of recordings or on-demand has progressively grown, almost doubling since 2010 to 17% in 2015. The proportion of time spent watching recorded programmes has been flat over the last three years, but VoD continues to grow.

Figure 2.50 Proportion of all AV viewing: live TV, DVR and VoD: 2010-2015



Source 3 Reasons estimates (including BARB data). Base: all devices, long-form professional audio-visual content. Live includes simulcast. Excludes physical consumption (e.g. DVDs) and short-form.

2.3.4 Consumer attitudes to television

Half of adult viewers feel that the quality of programmes has stayed the same over the past year

Ofcom's 2015 Media Tracker research shows that half of adult viewers in the UK (50%) felt that the quality of television programmes had stayed the same over the past 12 months. Three in ten adults (30%) said they felt that quality had worsened, while almost two in ten adults (17%) felt there had been some improvement.

As shown in Figure 2.51, there was a split between the youngest and oldest viewers as to whether programme quality had improved or worsened. The youngest viewers (16-34s) were the most likely of all age groups to say that programme quality had improved (24%) while 44% of viewers over the age of 65 said they felt programme quality had got worse. Viewers in the C2DE socio-economic group were more likely than those in the ABC1 group to say that the quality of programmes had got worse (34% vs. 26%).

Figure 2.51 Opinion on the quality of programmes over the past 12 months (% of adults with a TV)



Source: Ofcom Media Tracker, 2015.

Q20 - Do you feel that over the past year television programmes have improved, got worse or stayed about the same?

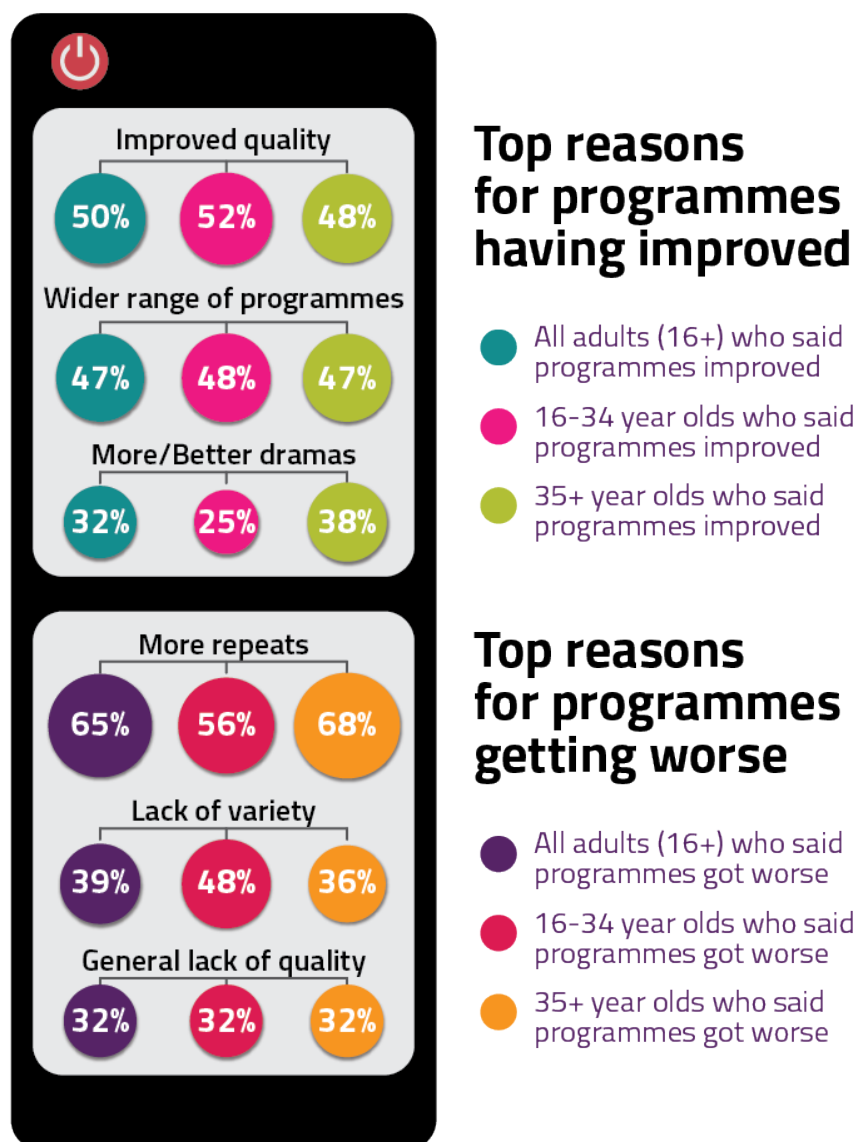
Base: All with any TV sets in 2015 (2,052); aged 16-34 (589); 35-54 (666); 55-64 (335); 65+ (462); ABC1 (1,055); C2DE (993). Significance testing shows any difference between any age group and all adults and any difference between socio-economic groups.

Among those who felt programmes had got worse, repeats were the most common reason given

Among those who said that they felt programmes had 'got worse', the most commonly stated reason was 'more repeats' (65%). Figure 2.25 shows that there were only slightly fewer original UK programmes broadcast by the main five PSB channels in 2015 than in the previous year. This was more often seen as a reason by viewers aged 35 and above (68% vs. 56%). Other common problems associated with worsening of programmes included 'lack of variety' (39%), 'general lack of quality' (32%) and 'too many reality shows' (28%). Around one in ten adults who thought programmes had got worse associated this decline in quality with bad language, sex or violence.

Among those who thought that programmes had improved, half felt that there had been 'improved quality' (50%) and a 'wider range of programmes' (47%). Other popular answers included 'more/better dramas' (32%) and 'more interesting/entertaining' programmes (30%).

Figure 2.52 Top reasons given for programmes having improved or got worse



Source: Ofcom Media Tracker, 2015.

Q21 - In what ways do you think that the television programmes have improved over the past year?

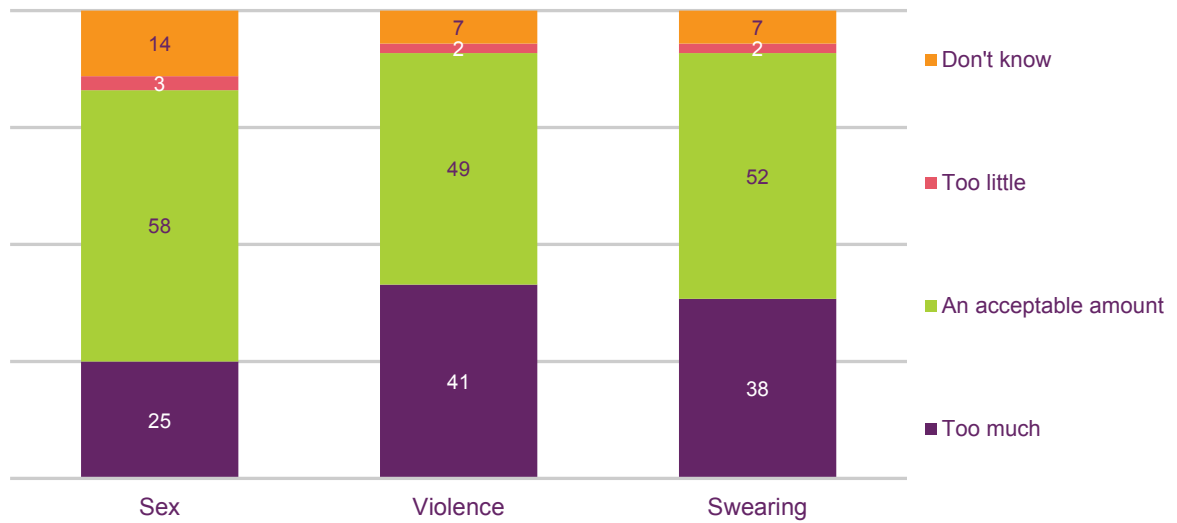
Q22 - In what ways do you think that the television programmes have got worse over the past year?

Base: All saying programmes 'improved' over past year (320); 16-34 (130); 35+ (190); All saying programmes 'got worse' over past year (646); 16-34 (139); 35+ (507) Unprompted, multicode.

Around half of adult viewers believe there is an acceptable amount of sex, violence and swearing on TV

Figure 2.53 shows the opinions of viewers on the amount of sex, violence and swearing on TV. It shows that a quarter of viewers (25%) believe that there is too much sex on television while a higher proportion say that there is too much violence (41%) or swearing (38%). Less than one in 20 adults feel that there is too little sex, violence or swearing on TV.

Figure 2.53 Opinion on the amount of sex, violence and swearing on TV among viewers



Source: Ofcom Media Tracker, 2015. Q46 - Do you think, in general, that there is too much, too little or an acceptable amount of each of the following on television: a) sex? b) violence? c) swearing?
 Base: All with any TV sets (2,052). Prompted, single code.

