

DigitalUK

arqiva

BBC



Response to Ofcom consultation

**Making switching easier and more reliable for consumers.
Proposals to reform landline, broadband and pay TV
switching between different platforms**

21 October 2016

This response is submitted by Digital UK on behalf of its Members – the BBC, ITV, Channel 4 and Arqiva - the holders of the terrestrial Broadcasting Act and Wireless Telegraphy Act licences.

1. Introduction

1.1 About Digital UK

Digital UK supports the UK's terrestrial TV service and its viewers.

We are responsible for day-to-day operational management, including the Freeview electronic programme guide, and lead on developing platform strategy, working with our broadcast partners and industry. We also provide viewers with information and advice about terrestrial TV channels, services and reception.

In September 2015 Digital UK and Freeview launched 'Freeview Play', the new connected TV service which seamlessly delivers on-demand content alongside linear broadcast channels, free from subscriptions.

Digital UK is owned by the BBC, ITV, Channel 4 and Arqiva.

1.2 About Digital Terrestrial Television (DTT)

Digital Terrestrial Television (DTT) is the UK's most widely used TV platform. At the heart of DTT in the UK is Freeview – a universally available service offering a range of more than a hundred free-to-air TV, radio and text-based services. It is watched in more than 19 million homes, three-quarters of the total. Freeview is the sole television service in more than 9 million homes.

Prior to digital switchover (DSO), more than four million UK households could not access Freeview and elsewhere signal strength was variable. Thanks to industry investment in excess of a billion pounds, switchover made Freeview available to 98.5 per cent of homes.

Freeview delivers significant benefits to the UK society and economy, through:

- choice for consumers: Freeview's compelling free-from-subscription TV services sustain competition in TV platforms and support consumer choice in the broader converged market. Freeview's offer ensures UK viewers can continue to enjoy high quality TV without having to be tied to a bundle;
- citizens benefits: DTT delivers universal availability for PSB services in a way that cannot be matched by other delivery technologies over the foreseeable future without significant cost and disruption to viewers;
- un-intermediated, mass market audience reach for broadcasters: Freeview's scale sustains the economics of free to view broadcasting in the UK;
- innovation in consumer electronics through open standards: working with our partners, we coordinate the technical requirements for DTT receivers (TVs and set top boxes), across Freeview, Freeview HD and Freeview Play products. This sustains the horizontal market and encourages manufacturers to innovate while ensuring interoperability and broad choice of quality products for viewers.

2. Our response

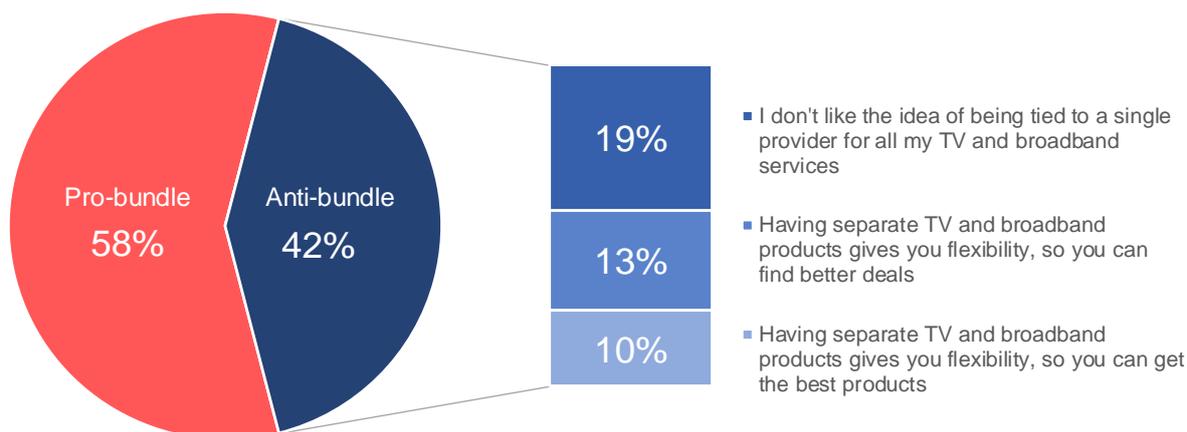
Digital UK welcomes and supports Ofcom's efforts to facilitate effective consumer choice in the converged communications market. DTT and Freeview, since their inception, have sustained consumer choice of TV services, and supported quality and competition in TV markets.

Consumers attitudes to bundles diverge, and many consumers value the benefits of flexibility more than the convenience offered by bundles

The number of households subscribing to communication bundles has grown over the past few years. This trend is driven primarily by supply-side competition dynamics. In the face of growing choice and competition, major players in communications market are broadening the service they offer, seeking to deepen their relationship with consumers. By offering bundles including not just connectivity products, but also content and video functionality, converged communication providers aim to be the gatekeeper of as many communications interactions as possible within a household subscribing to their services. These strategies are aimed at increasing revenues per subscriber, while also making users more dependant from the combination of bundled services they subscribe to, thus becoming less likely to switch.

Clearly many consumers value the convenience of a single bill and the perceived savings offered by bundled products. But bundles are not for everyone. Our consumer research illustrates how the benefits of flexibility outweigh the pricing and convenience benefits of bundling for more than 4 in 10 online consumers (see Figure 1).

Figure 1 - Consumer attitudes to bundling



Source: Digital UK research (Q1 2016)

Base: All respondents, GB online adults aged 15+, n= 6013

Q49. Here are some statements people have made about buying TV and broadband together as part of a package. Which one of these is closest to what YOU think?

Research published recently by Ernst and Young confirms a widening range of consumer attitudes to bundling, and how this could, in future, push more people to consider leaving bundles to find services that deliver against increasingly fragmented needs.¹ We share this view. Interestingly, our research illustrates that anti-bundle attitudes prevail for 16% of respondents subscribing to bundles including both broadband and TV.

The growing popularity of OTT communications and video services without long contracts illustrate how many consumers place significant value on the freedom to choose the best products from the best providers, without necessarily committing for a long period of time.

Many highly popular OTT services make it straightforward for consumers to cease their subscription through easy-to-use online cancellation options. Over time, consumer attitudes to switching are likely to be influenced by these services, especially as they are likely to see OTT and more traditional TV and communication subscriptions as increasingly undistinguishable. Therefore, over time it will appear anachronistic for companies operating in traditional communication markets (competing with or adjacent to OTT services) to require consumers to make a phone call to cancel their contract.

Freeview Play will offer a growing number of consumers the opportunity of not spending more than they need to for their TV services

Freeview Play aims at delivering against growing consumer expectations for choice, value and flexibility in TV and video services.

Freeview Play offers a simple proposition combining catch-up TV from free-to-air broadcasters together with the most popular TV channels, all free from subscriptions and contracts. Launched in October 2015, Freeview Play comes built into new TVs and set top boxes by brands including Panasonic, LG, Humax, JVC – with many more brands coming in the near future. Over time, we expect Freeview Play to become available in most if not all new Freeview receivers. Through ongoing investment and innovation by Digital UK and a broad set of DTT stakeholders, Freeview Play will redefine what “normal TV” means for UK viewers.

As Freeview offered an alternative to pay-TV in the broadcast world, Freeview Play seeks to do the same in the connected world of broadband and TV bundles. As its market penetration increases through the natural replacements cycle of TVs and set top boxes, Freeview Play will offer an increasing number of UK consumers the opportunity of spending only what they need to for the content they want.

While receiving all the most popular channels and catch-up TV services free-to-view, Freeview Play users have the option of accessing SVOD content through additional apps available on the same devices. In conjunction with a broadband service of choice, engaged consumers can build their own bundle of free TV and catch-up, premium content and connectivity with maximum flexibility and minimal ties to any single provider.

¹ See: http://www.ey.com/uk/en/industries/telecommunications/the-bundle-jungle#.WAD_BcnNw5c

But Ofcom's research illustrates it remains too difficult to switch communications providers, especially in digital TV services

In addition to the barriers and sources of consumer detriment in cross-platform switching processes discussed in the consultation document, Ofcom research shows how broader barriers to switching persist. The 2015 wave of the Ofcom switching tracker² shows how levels of switching in Digital TV services remain lower than for other communication services³ and, in particular, how 'hassle' appears as a particularly relevant reason why consumers consider but do not actually switch digital TV services, more so than for other communication services.⁴

This suggest that, absent additional regulatory action to facilitate cancelling TV subscriptions, some consumers may be prevented from taking advantage of the flexibility offered by services like Freeview Play because of process barriers to switching away from subscription TV services, including bundled ones.

We therefore encourage Ofcom to make it easier for consumers to switch away from bundles

We broadly support Ofcom's proposals in this consultation document. It is important to ensure consumers are able to switch communications providers easily. But this should include cases when consumers wish to move away from bundles and long contracts, rather than symmetrically replicate one or more services with a similar contract offered by a new provider. A dynamic and consumer-friendly communications market should cater both for those consumers who wish to switch to a bundled set of services, and to those who wish to take to opportunity of picking different service providers.

We note Ofcom identified consumer switching as a priority area in its initial conclusions of the Strategic Review of Digital Communications.⁵ We also note Government is planning to introduce additional powers for Ofcom to take further action in consumer switching through the Digital Economy Bill.⁶

We therefore encourage Ofcom to take initiative through this consultation process, but also in the broader context of its switching work. In particular:

² https://www.ofcom.org.uk/_data/assets/pdf_file/0019/62641/switching_tracker_2015_charts.pdf

³ Ibid – slides 19

⁴ Ibid – slide 40

⁵ https://www.ofcom.org.uk/_data/assets/pdf_file/0016/50416/dcr-statement.pdf

⁶ See

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535013/3_Supporting_Consumers.pdf

1. In the context of reforming cross-platform switching, we consider Ofcom should explicitly allow for asymmetric switches and, in particular, switches away from bundles, to be supported in any process. Consumers should be placed under no obligation to sign up to another bundle when leaving a bundle and should be free to choose which services to take from the new provider.
2. More broadly, Ofcom should also ensure that all landline, broadband and pay TV providers offer enhanced cancellation processes, regardless of whether a consumer is seeking to switch to a different provider, or simply reduce the number of services received from a single provider.

We also encourage Ofcom to take broader action on consumer transparency of contractual terms at the point of purchase

We note that in Annex 6 of the consultation Ofcom highlights evidence suggesting consumers find it difficult to navigate in and engage with an increasingly complex market. Ofcom also notes a considerable proportion of switchers encounters billing issues.

This evidence suggests greater consumer transparency is required. We support steps Ofcom is proposing to make price comparisons more effective – noting these should make clear the availability and terms of both bundled and unbundled options.

Ensuring that consumers make informed choices about their digital TV services is likely to be particularly important during the forthcoming re-planning of the DTT network to clear the 700 MHz band (2017-2020). Past experience during Digital Switchover suggests pay TV operators are likely to see this as an acquisition opportunity and implement aggressive marketing activity targeting free-to-air homes.

We therefore also suggest Ofcom should consider requiring communication providers to provide clearer information on contractual terms at the point of purchase. This would sit naturally with broader activity on consumer transparency Ofcom prioritised in the initial conclusions of its Strategic Review of Digital Communications.