



The Communications Market 2013

2 Television and audio- visual

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2.1 Key market developments in TV and audio-visual

2.1.1 Industry metrics and summary

Figure 2.1 Industry metrics

UK television industry	2007	2008	2009	2010	2011	2012
Total TV industry revenue (£bn)	11.0	11.1	11.0	11.7	12.2	12.3
Proportion of revenue generated by public funds	24%	23%	23%	22%	22%	22%
Proportion of revenue generated by advertising	33%	31%	28%	30%	30%	29%
Proportion of revenue generated by subscriptions	37%	38%	42%	41%	43%	43%
TV as a proportion of total advertising spend	27%	27%	28%	29%	29%	30%
Spend on originated output by 5 main networks (£bn)	2.6	2.6	2.4	2.5	2.5	2.6
Digital TV take-up (% all households)	87%	89%	91%	93%	93%	98%
Proportion of DTV homes paying for TV (Q1)	55%	53%	54%	52%	51%	51%
Viewing per head, per day (hours) in all homes	3.63	3.74	3.75	4.04	4.03	4.01
Share of the five main channels in all homes	64%	61%	58%	56%	54%	52%
Number of channels broadcasting in the UK	470	495	490	510	515	529

Source: Ofcom/broadcasters/Advertising Association/Warc/BARB/GfK. Note: Expressed in nominal terms. Public funds include the DCMS grant to S4C and BBC funding that is allocated to TV. TV as a proportion of total advertising spend excludes direct mail and is based on Advertising Association/Warc Expenditure Report (expenditurereport.warc.com/). The AA/Warc data are net of discounts, and include agency commission, but exclude production costs. Spend on originations includes spend on nations and regions programming (not Welsh or Gaelic language programmes but some Irish language).

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

- Total TV industry revenues rose by 0.8% (or £103m) in nominal terms to £12.3bn in 2012.** The marginal growth in total TV revenue in 2012 is in contrast to a 4.5% increase in 2011 and the 5.7% uplift between 2009 and 2010.
- Following several years of steep increases, growth in pay-TV subscription revenue slowed down in 2012, increasing by just 1% (£49m) to £5.3bn.** This is in contrast to 2011, when subscription revenue expanded by over 8% year on year, and was the smallest increase since we started estimating subscription revenue in 2000.
- Income from TV advertising declined in 2012 by 2% to just over £3.5bn,** although it remained above its 2009 levels, when TV advertising was hit hard by the recession. The year-on-year decline was driven by a drop in advertising revenues among the commercial PSB broadcasters (down 4.5% or £105m), while multichannels and PSB portfolio channels increased their advertising revenues by 1% and 4%, respectively.

- **Seven per cent of UK households had a smart TV in Q1 2013, a two percentage point increase on the previous year.** Of those who own a smart TV, 77% have connected it to the internet and used the connection, indicating that although the most popular reason for buying a smart TV is not the internet functionality, consumers are increasingly likely to take advantage of this.
- **2012 was a big year for sports, with viewing and spend reaching new heights.** Sports programmes represented 11 of the 15 most-watched programmes in 2012, driven by the Olympics and Euro 2012. Broadcasters dedicated record investment to sports programming, with total spend across all broadcasters reaching £2bn (up 5% on 2011).

2.1.2 TV industry revenue was up 0.8% in 2012, despite a fall in broadcast-based advertising income

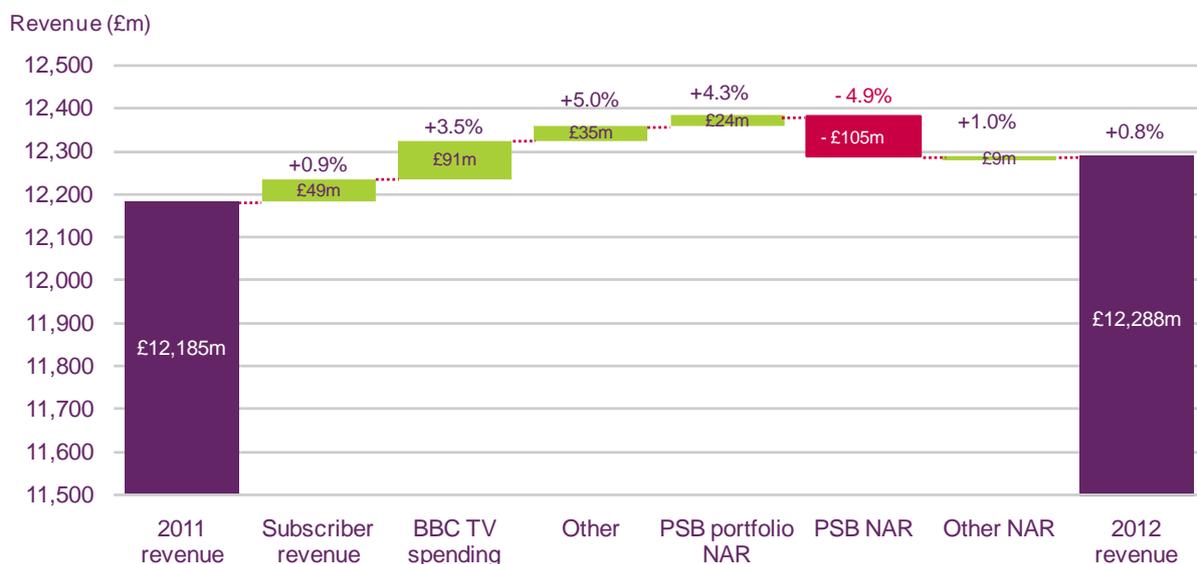
Total TV industry revenues rose marginally by 0.8% (or £103m) in nominal terms to £12.3bn in 2012, in contrast to significantly higher growth rates in the previous two years, when revenues rose by 5.7% in 2010 and by 4.5% in 2011.

Following several years of steep increases, growth in pay-TV subscription revenue slowed down in 2012, increasing by only 1% (£49m) to £5.3bn, down from an 8% increase in 2011.

‘Other’ industry revenues (made up of sources such as sponsorship, programme sales, and pay-per-view) performed strongly in 2012, growing by 5% (or £35m) since 2011, driven by programme sales and sponsorship.

Income for publicly-funded channels, including BBC revenue allocated to TV, and S4C’s grant from the Department for Culture, Media and Sport, increased by 3.5%, or £91m.

Figure 2.2 Total TV industry revenue, by source: 2012

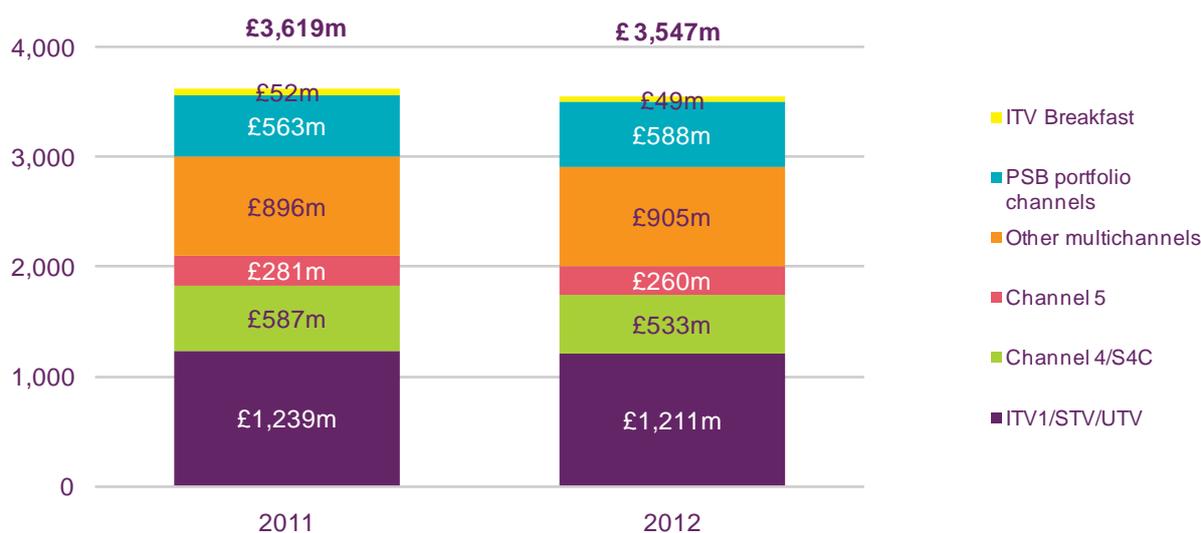


Source: Ofcom/broadcasters. Note: Figures expressed in nominal terms. PSB NAR comprises Channel 3 licensees (including ITV Breakfast, ITV Plc, Channel Television, STV and UTV), Channel 4, Channel 5 and S4C. PSB portfolio NAR includes commercial channels owned by the PSBs (ITV2, ITV3, ITV4, E4, More 4, Film 4, 5* and 5USA). ‘Other NAR’ comprises the rest of the multichannel market. Platform operator revenues do not include installation costs, equipment sales or subsidies. BBC TV spending represents the amount of BBC revenue that is allocated to TV, which is estimated by Ofcom based on Note 2c in the BBC’s annual report and accounts 2012/13.

In 2012, TV advertising fared the worst of all the sources of income within the TV industry, as it contracted by 2% to £3.5bn. The fall was due to lower broadcast-based advertising income obtained by the commercial PSBs; they all saw their advertising revenue decline year on year. This might have been because some advertising spend moved to video on demand, or it might be due to other factors, such as increasing advertising spend on the multichannels and PSB portfolio channels, and the Olympics effect: advertisers spent less on TV advertising during the events, due to audiences switching to the ad-free content on the BBC. Channel 4's advertising income fell the steepest, by over 9%, followed by Channel 5 which saw its advertising revenue decline by over 7%, in sharp contrast to its 30% growth in 2011, when its advertising revenue picked up following the recession and was further boosted by initiatives such as the launch on Channel 5 of *Big Brother*.

On the other hand, PSB portfolio channels and other commercial multichannels increased their advertising revenue in 2012, albeit at lower levels than in the previous year (by 4.3% and 1%, respectively). Despite having slowed significantly (from around 9% growth rate in 2011), PSB portfolio channels continue to experience the highest growth in TV advertising, as the commercial PSBs increasingly focus their efforts on these channels, resulting in growing audience share and consequently greater attention from advertisers as part of bundled share deals.

Figure 2.3 Advertising revenue, by share: 2011-2012



Source: Ofcom/broadcasters. Note: TV advertising includes revenues that broadcasters receive from the sale of advertisements on screen (net of agency fees) and excludes video on demand. Totals may not equal the sum of the components due to rounding. ITV1/Channel 3 includes ITV Plc, STV, UTV and Channel Television.

2.1.3 Consumers are using a wide range of internet-enabled devices to access audio-visual content online

Introduction

Consumers are able to access TV and audio-visual content over the internet in a wide variety of ways. One method is via a smart TV, which is a standalone TV with inbuilt internet functionality. Another method used is via an internet-enabled TV, which is any TV that is connected to the internet by a third party device such as a games console, set-top box or laptop/PC. Finally, the increased proliferation of devices such as tablets and smartphones, in addition to widely-owned devices such as laptops and PCs, gives households a wider range

of internet-connected devices with which to access TV and audio-visual content, either on the move or at home.

Smart TV: definition

'Smart TV' refers to a standalone television set with inbuilt internet functionality. Users connect a broadband router directly into the TV. Smart TVs are produced by consumer electronics manufacturers 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.

Internet-enabled TV: definition

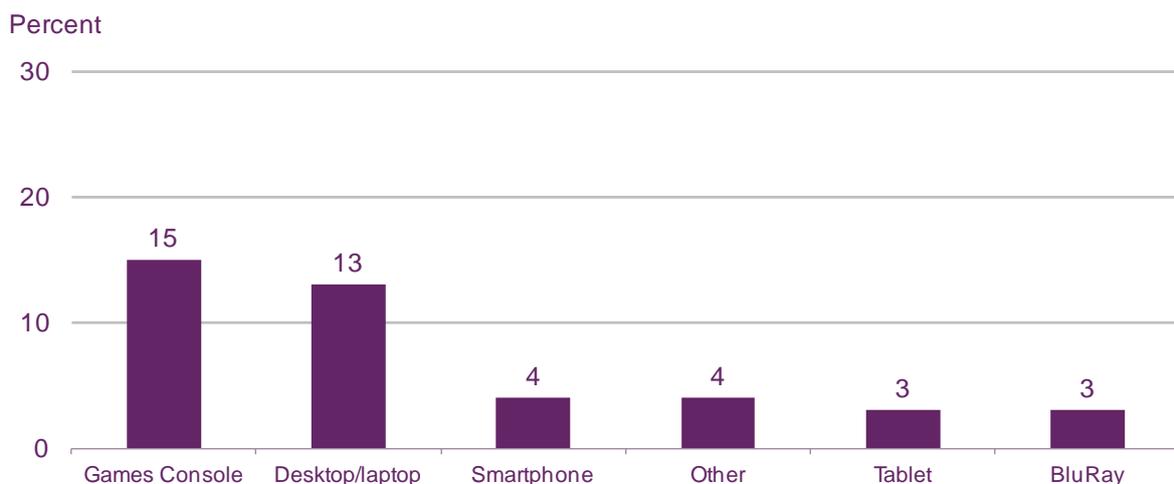
The term 'internet-enabled TV' covers any television set connected to the internet via a third-party device, such as a set-top box, a games console or a laptop/PC. The set-top box might be provided with services such as Sky On Demand, Virgin TiVo, BT Vision or Talk Talk. Games consoles used include Microsoft's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

Consumers are connecting their TVs to the internet in a variety of ways

Ofcom research conducted in 2013 indicates that, of those respondents with a TV and internet access at home, the devices most widely used to connect a TV to the internet, thereby creating an internet-enabled TV, were games consoles (15%) and laptops/PCs (13%). In addition to these two types of device, a number of consumers have set-top boxes, often as part of their TV package. Decipher has analysed set-top box numbers and estimates that 7 million households in the UK (27% of total UK households) had active internet enabled set-top boxes in March 2013.

Ofcom's research suggests that devices which are larger and more fixed to a specific location, such as set-top boxes and games consoles, are more likely to be used to connect a TV to the internet than smaller and more portable devices such as tablets. This is probably due to the convenience of having a larger device continuously connected to the TV.

Figure 2.4 Use of different devices to connect TV to the internet



Source: Ofcom Segmentation Survey, February 2013

Q.OCD27 Do you or anyone in your household use any of the following devices to connect your main TV to the internet?

Base: All who have a television and can connect to the internet

Seven per cent of UK households own a smart TV, and sales continue to increase

In addition to internet-enabled television sets, consumers can purchase TVs with inbuilt internet connectivity, known as smart TVs. According to Ofcom's *Technology Tracker*, 7% of UK households had a smart TV in Q1 2013, a two percentage point increase on the previous year. Of those households with pay-TV on their main set, smart TV penetration stood at 9%, compared to 5% of households whose main TV platform is the free-to-air Freeview. This shows that smart TV ownership is slightly higher among pay-TV customers.

Smart TV sales as a proportion of all TV sales have continued to increase, with the smart TV share of the personal television market increasing substantially quarter on quarter (Figure 2.5). Between Q1 2012 and Q1 2013, the share of smart TV sales increased by eight percentage points to 28% of all TV sales, representing a 40% increase year on year.

Figure 2.5 Smart TV sales and market share

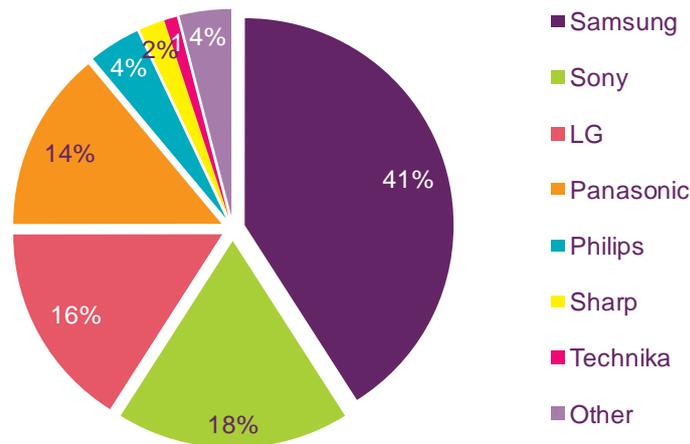


Source: GfK

Samsung holds a strong position in the smart TV market

In Ofcom's online survey, conducted in 2013, 41% of respondents stated that their smart TV was a Samsung TV. This was followed by Sony (18%), LG (16%) and Panasonic (14%), with the top four companies accounting for 89% of total ownership. It will be interesting to see how competition develops in this still nascent market.

Figure 2.6 Ownership, by smart TV brand



Source: Ofcom online survey, 2013
QB4. What brand of smart TV is it?
Unweighted base: All respondents who own a smart TV (670)

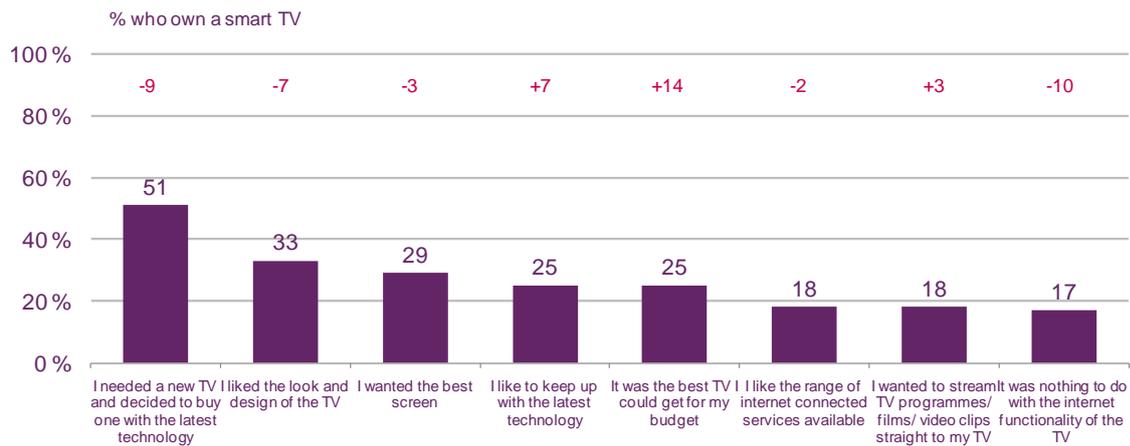
Half of those who bought a smart TV did so because it was the latest available technology

Ofcom research found that, as in 2012, the majority of consumers buying a smart TV did so because “they needed a new TV and decided to buy one with the latest technology” (51%). The next most commonly-cited reasons relate to “liking the design of the set” (33%) and “wanting the best screen” (29%). This suggests that most smart TV owners still do not prioritise internet functionality when buying their TV.

Nevertheless, the research shows that some consumers were attracted to features specific to smart TVs. Eighteen per cent of respondents said that they liked the range of internet connected services available, and the same proportion said they wanted to stream TV programmes/ films/ video clips straight to their TV.

Indeed, in comparison to last year, interest in the internet functionality of smart TVs does appear to be growing, with the proportion of smart TV owners who said their purchase decision had nothing to do with internet functionality falling by ten percentage points, to 17%.

Figure 2.7 Reasons people buy a smart TV

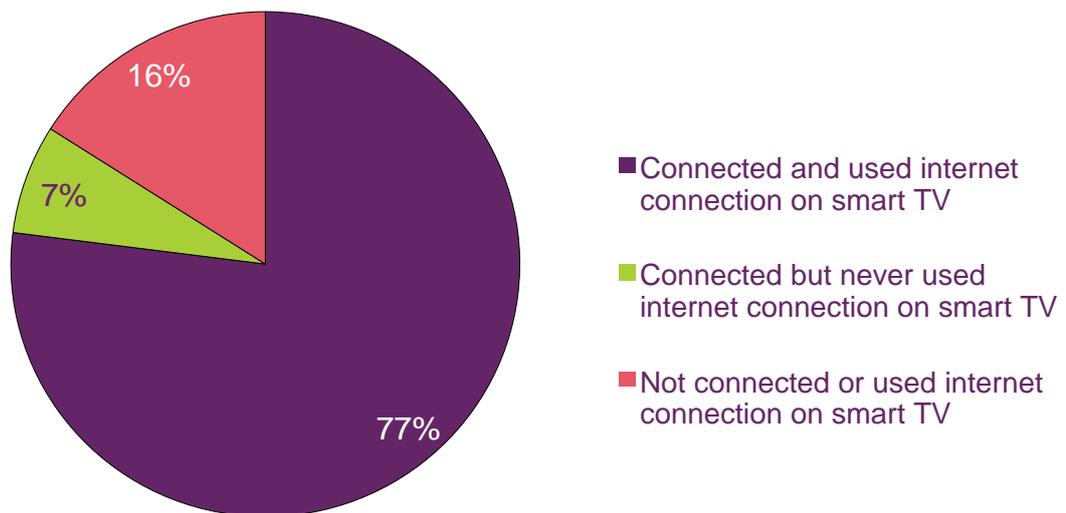


Source: Ofcom online survey, 2013
 QB2. Why did you decide to buy your smart TV?
 Base: All respondents who own a smart TV (670)

Over three-quarters of respondents use the internet functionality of their smart TVs

Of those who own a smart TV, 77% have connected it to the internet and used the internet connection on it. This indicates that while internet connectivity is not the most popular reason for buying a smart TV, consumers are increasingly likely to use this functionality when they get the TV home. Of those who had not used their smart TV's internet connection, 7% had connected the TV but never used the internet connection, while 16% had never connected their smart TV to the internet.

Figure 2.8 Consumers' use of internet connection on smart TVs



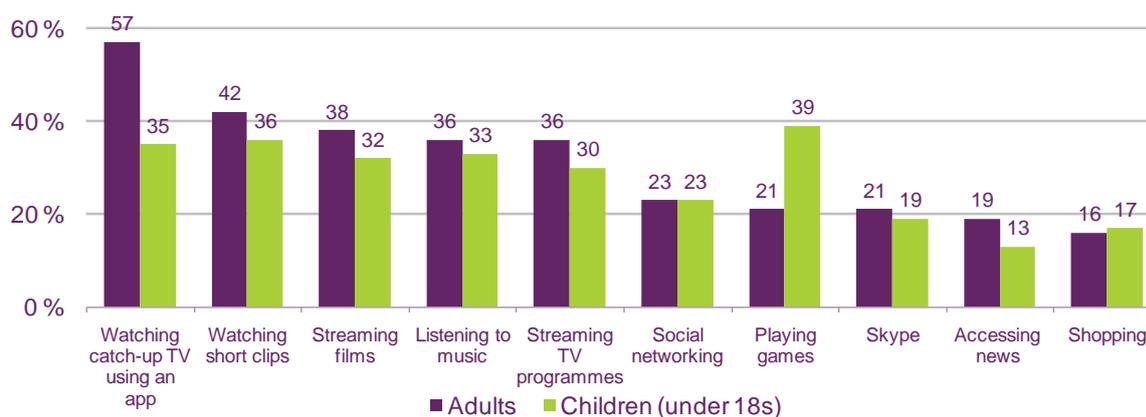
Source: Ofcom online survey 2013
 (1) Q.S6. And is your smart TV connected to the internet allowing you to use the internet functionality? (2) Q.A5. Have you ever used the internet connection on your smart TV set?
 Base: All respondents who own a smart TV (670); (2) All respondents who have used the internet functionality of their smart TV (541).

Both children and adults predominantly use the internet connection on smart TVs for accessing various types of online content

In Figure 2.9, the activities most commonly done by adults who had used the internet functionality on their smart TV were: watching catch-up TV using an app (57%), watching short clips (42%), and streaming films (38%). Other online activities such as accessing news via a website or app (19%), and shopping (16%), were substantially less likely to have been done on a smart TV. This suggests that of the various online activities that a smart TV can be used for, it is more likely to be used as a gateway to access online content. This might be because smart TVs are often shared screens, so they are less likely to be used for personal tasks such as shopping and using social media.

The research asked parents whose children (under-18s) use the internet functionality on the smart TV at least sometimes, what types of activities their children were doing. There are two activities where children's behaviour differs from adults': the most popular activity for children on a connected smart TV was playing games (39%), 18 percentage points higher than among adults. In contrast, watching catch-up TV using an app was much less popular among children (35%) than adults (57%). But apart from these two differences, adults and children use the available functionality in similar ways: other popular activities for adults and children on the smart TV are watching short video clips, listening to music, and streaming films and TV programmes.

Figure 2.9 Activities undertaken on smart TVs among adults and children



Source: (1) Q.B8. Which of the following if any, do you use the internet functionality of your smart TV for? (2) Q.B15. What types of activity are they doing?

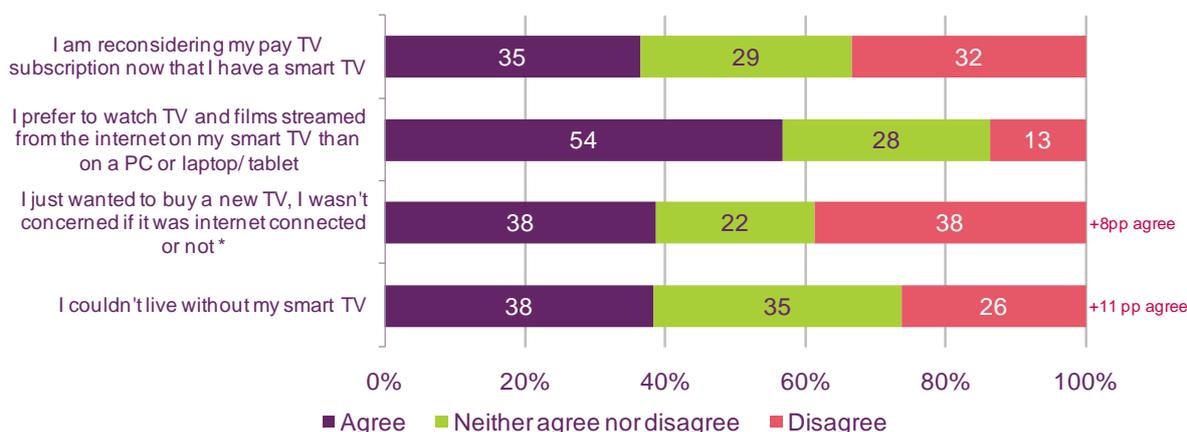
Base: (1) All respondents who have used the internet functionality of their smart TV (541) (2) Smart TV owners with children under the age of 18 years who use the internet functionality on the smart TV at least sometimes (253).

Thirty-five per cent of respondents claim to be reconsidering their pay-TV subscription as a result of purchasing a smart TV

Figure 2.10 shows that attitudes towards smart TVs are positive. Of those who had used the internet functionality of the device, over half (54%) agreed that they preferred to watch TV and films streamed from the internet on their smart TV rather than on their PC or laptop/tablet. This compares to just over one in ten (13%) of respondents disagreeing with this statement. Thirty-eight per cent agreed with the statement that "they couldn't live without their smart TV", an increase of 11 percentage points year on year.

When smart TV owners who subscribe to pay-TV were asked whether, since having a smart TV, they were reconsidering their pay-TV subscription, a third of respondents (35%) agreed, perhaps reflecting the wider range (and ease of access) of VoD and catch-up TV services now available on smart TVs. Section 2.1.4 of this report focuses in depth on developments in the video-on-demand market over the past year.

Figure 2.10 Attitudes towards smart TVs



Source: Ofcom online survey 2013

Q.B16. To what extent do you agree or disagree with the following statements?

Base: (1) All respondents who have used the internet functionality on their smart TV (541) (2) Those with a smart TV who subscribe to pay TV (536)

Note: *Among all respondents who own a smart TV (670), 42% agreed, 23% neither agreed nor disagreed and 34% disagreed.

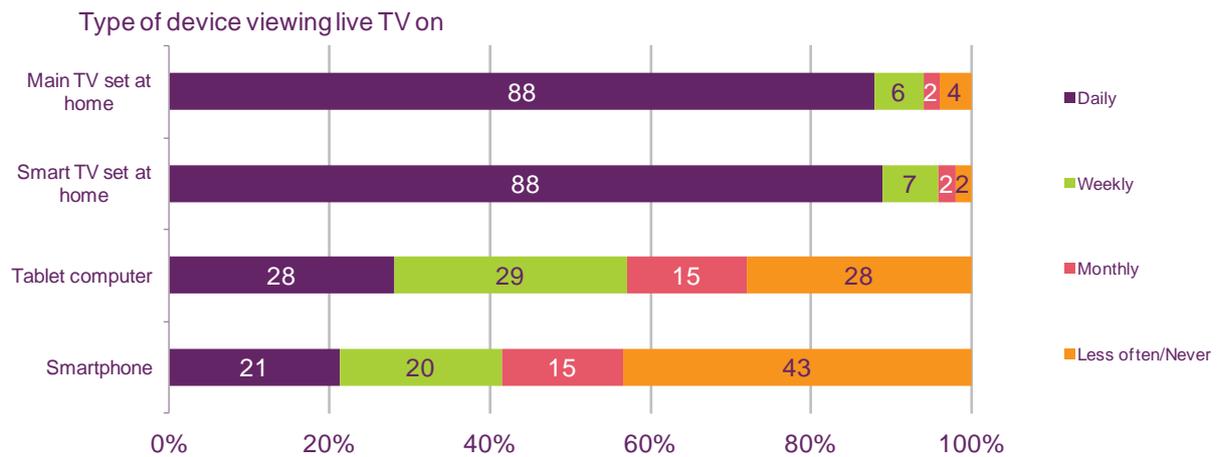
Despite the rise in the penetration of connected devices, scheduled TV still dominates

The increase in the penetration of TVs connected to the internet (either via inbuilt functionality or a third party device), as well as smartphones and tablets, means there is now greater flexibility and choice for consumers in deciding what to watch, when to watch it and which device to watch it on.

However, despite the proliferation of internet-enabled devices, TV viewing in the home remains predominantly live (i.e. watched at the time of broadcast). Ofcom research shows that the main TV set in the home remains the default screen for live content, and there is no significant variation in the frequency of viewing live television between smart TV owners and traditional TV owners, with 88% of all owners using them daily for such content.

The proportion of respondents claiming to watch live TV daily on connected devices such as tablets and smartphones is much lower. But the proportion using connected devices for viewing live content *on a weekly basis* is still high. Fifty-seven per cent claim to use tablets to view live content on a weekly basis, compared to 41% of smartphone owners. As discussed in the *market in context* section, six in ten tablet users claim to view content in the bedroom using the tablet as a secondary TV, and this is potentially driving the high levels of weekly live viewing. However, the significantly lower proportion of claimed daily viewing of live content is likely to be because the small screen size of connected devices limits their ability to become the first choice for live TV viewing, among other factors.

Figure 2.11 Frequency of viewing live TV, by device



Source: Ofcom online survey 2013

QA1. How often, if at all do you watch TV on your main TV/smart TV/tablet/smartphone?

Unweighted base: All respondents own at least one device (main TV non-smart (972), smart TV (670), tablet computer (869), smartphone(772)).

Around seven in ten TV sets sold are 'large' (26" to 32") or bigger

As can be seen in Figure 2.12, 69% of TV sets sold in Q1 2013 had a 26-inch screen or bigger. 'Jumbo' TV sets (43"+) account for 15.8% of sales, a 4.3% percentage point increase on 2012. In contrast, the proportion of TV sets sold with a screen size of up to 19 inches fell to 10.3%, around a quarter of the proportion of sales that TVs with that screen size accounted for in 2004.

While connected devices are being used increasingly on the move, and to supplement TV content, the TV set retains a strong appeal to consumers. The trend to buy TVs with bigger screens clearly emphasises the importance consumers put on the quality of the experience when viewing content. In particular, having larger screens, alongside other improvements such as better audio quality, suggests that watching TV on the main TV sets is likely to remain popular.

Figure 2.12 Percentage of TV sets sold, by screen size: 2004 to Q1 2013



Source: GfK sales data estimates. *2013 data represents Q1 only.

2.1.4 Changes in the video-on-demand landscape

There have been many developments over the past year in the video-on-demand (VOD) landscape in terms of more devices on which to watch, an increase in free and paid-for VOD services and apps, as well as a wider range of content available to stream or download.

But it is important to consider these developments in the context of 90%³⁶ of viewing on TV sets still being to live broadcasting (see section below for further detail), with the remaining 10% comprising time-shifted viewing via recording devices and viewing of catch-up TV VOD services.

Figure 2.13 shows that many people are using video-on-demand services, but the majority are viewing less often and for shorter periods than watching linear TV. This is backed up by BBC statistics, which show that BBC iPlayer, the most-used TV catch-up service in the UK, accounts for about 2% of BBC programming consumed in the UK³⁷.

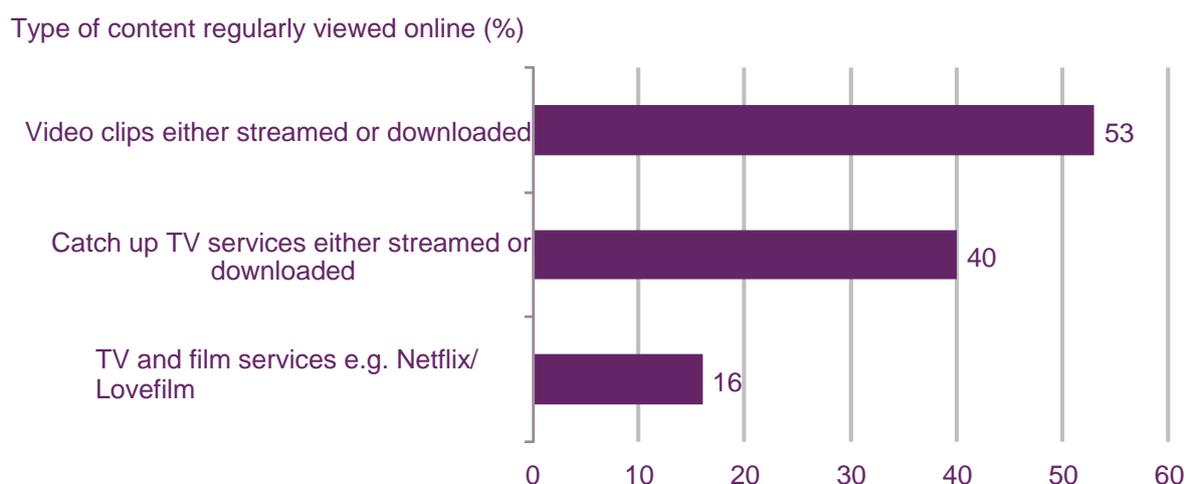
Consumers are viewing a range of audio-visual content online

Short clips remain the most-watched VOD content, but in terms of 'long form' TV programmes, catch-up services from the main broadcasters are used more than other online streaming services. Over half (53%) of people surveyed claim to watch short video clips online on a regular basis, while 40% claim to watch TV programmes (either streamed or downloaded) via TV catch-up services, such as BBC iPlayer or 4oD. Fewer respondents (16%) claim to use other VOD services, such as Netflix, Lovefilm Instant, and Vimeo on a regular basis, although these services are less established than the broadcaster catch-up services.

³⁶ BARB all individuals 4+, all households

³⁷ Source: BBC Live+7 data are produced by modelling BBC iPlayer durations data (measured by the internal BBC iStats system) to match minutes recorded by BARB, and combining the two

Figure 2.13 Claimed consumption of audio-visual content online



Source: Ofcom Segmentation Survey, February 2013 QT1: Which, if any, of these activities do you do regularly, at least once a month, and on which of your devices (pc/laptop, tablet, smartphone, games console, smart TV or other connected device)? Base: All Adults aged 15+

Over recent years there have been significant changes in how VOD services are consumed

Overall, unique programme requests for long-form VOD (programmes rather than short clips) are estimated to have risen by 21%³⁸ between the second half of 2011 and the second half of 2012. However, within this total the balance of delivery between different devices has changed.

TV VOD is on the rise as more people connect their sets to the internet. Older TV sets can be connected via games consoles and Blu-ray players; next-generation set-top boxes from a range of suppliers are now internet-enabled, and one in five TVs sold in the last two years has internet functionality (see Section 2.1.3 for further detail). The rise in ownership of smartphones and tablets and the development of apps to allow users to access VOD services have led to significant rises in levels of access to TV programmes on these portable devices. The rise in viewing via TV and mobile devices has in part led to a decline in long-form VOD consumption via PCs and laptops (Figure 2.14).

As illustrated in Figure 2.14, industry estimates indicate that the share of the 'long form' VOD viewing accounted for by PC and laptops fell to 38% in the second half of 2012, overtaken by TV, with a 42% share. The share of viewing accounted for by smartphones rose from 4% in the second half of 2011 to 9% in the second half of 2012, and viewing on tablets rose from 3% to 12% over the same period.

³⁸ Source: 3 Reasons LLP. Estimates are based on the number of initiated long-form content streams delivered lawfully, from a range of sources including press disclosures and published company results

Figure 2.14 Estimated share of the UK long-form 'pull' VOD³⁹ market, by device (programmes/films, not short clips or videos)



Source: 3 Reasons LLP. Estimates are based on the number of initiated long-form content streams delivered lawfully, from a range of sources including press disclosures and published company results. (Total TV includes VOD via set-top box, internet enabled sets and TVs connected by games consoles.)

The main reason for using TV and online VOD services is to catch up on missed programmes or films

“Wanting to catch up on a missed programme or film” is the most-cited reason for both for TV VOD⁴⁰ and online VOD⁴¹.

The next most important reason given for using TV VOD was “when there is nothing to watch on scheduled TV” (54%) and “want to watch a programme or film at a time that suits me” (46%).

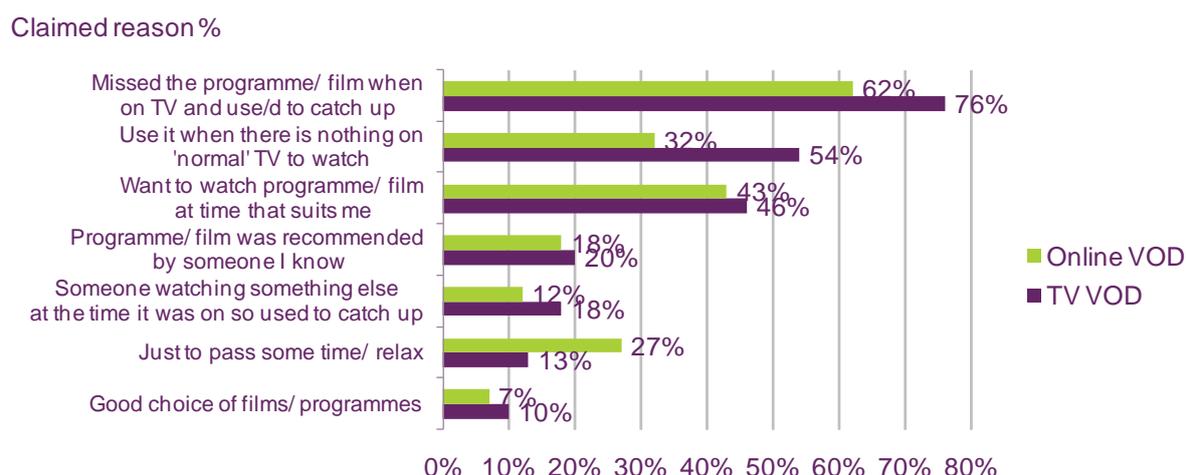
For online VOD users the second most-mentioned reason is to “watch content at a time that suits me”, which at 43% is at a similar level to online VOD users. Less than a third of online VOD users claim to use the services when there is nothing on TV, but 27% claim to use online VOD “just to pass the time/relax”, compared to just 13% claiming that for TV VOD.

³⁹ Pull VOD is a form of video on-demand distribution where content is delivered online at a user’s request.

⁴⁰ VOD content accessed via Cable TV (e.g. Virgin), Satellite TV (e.g. Sky) and Digital TV via a broadband DSL line (e.g. BT Vision or Talk Talk).

⁴¹ VOD content accessed through a website via any connected device.

Figure 2.15 Reason for video-on-demand use: TV vs. online



Source: Ofcom Media Tracker 2012. Base: TV VOD: All who use TV video on demand (541), Online VOD: All who use online video on demand (725).

The rise in TV VOD is, in part, fuelled by the rise in use of internet-enabled set-top boxes

Pay-TV operators are providing TV VOD via next-generation set-top boxes. Recent developments such as Sky on Demand, the launch of YouView and the continued roll-out of Virgin Tivo make the catch-up services from the five main UK TV channels available in a single interface.

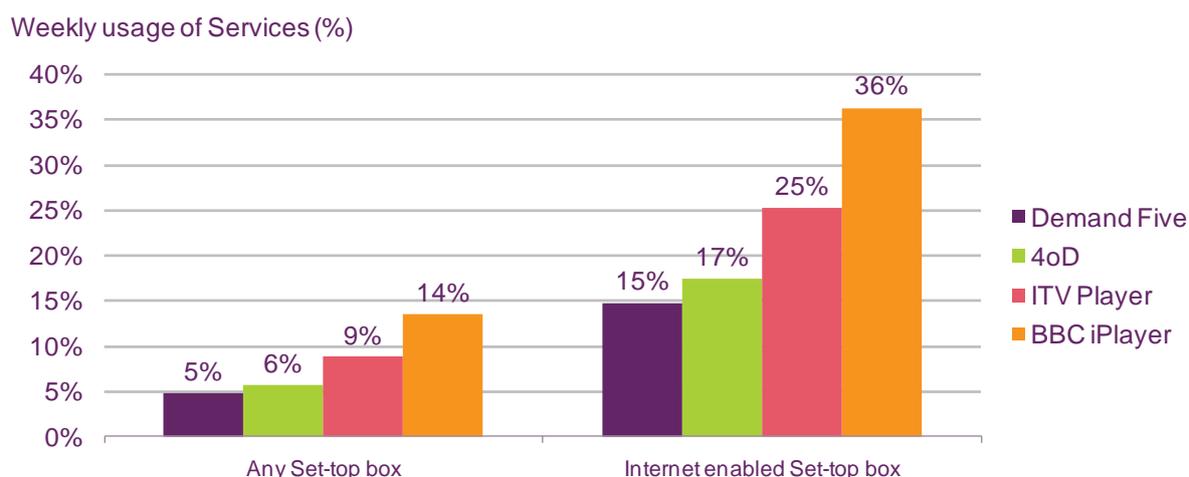
In Decipher’s recent Mediabug survey, over a third (36%) of internet-enabled set-top box users claim to access the BBC iPlayer service, followed by ITV Player with 25% and 4oD and Demand Five with 17%⁴² and 15% claimed access respectively.

Furthermore, 73% of people claimed to prefer watching TV VOD services via their internet-enabled set-top box rather than other TV connected devices⁴³. The main reason given for preferring the set-top box was speed of access to content.

⁴² When the research was conducted 4oD was not available on all platforms

⁴³ Among people with an internet-enabled set-top box and at least one other device for connecting the TV to the internet.

Figure 2.16 Claimed weekly use of TV catch-up services via set-top boxes



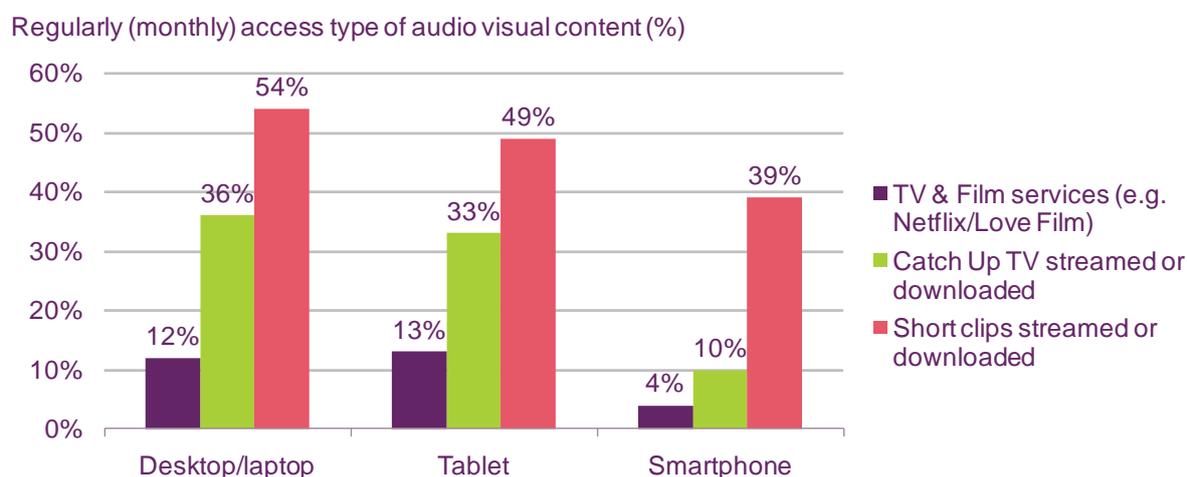
Source: Mediabug Tracker, Decipher, February 2013 All set-top box owners (2805), All internet-enabled set-top box owners (920)

When short clips and videos are included, PCs/laptops remain the most-used devices for online VOD access

Ofcom’s research shows that among those using online VOD, PCs and laptops are the devices used most often, particularly for watching videos and short clips, with 54% claiming to do this regularly.

In terms of mobile devices, tablets are more likely than smartphones to be used for accessing VOD services, particularly for long-form content.

Figure 2.17 Types of audio-visual content consumed, by device users



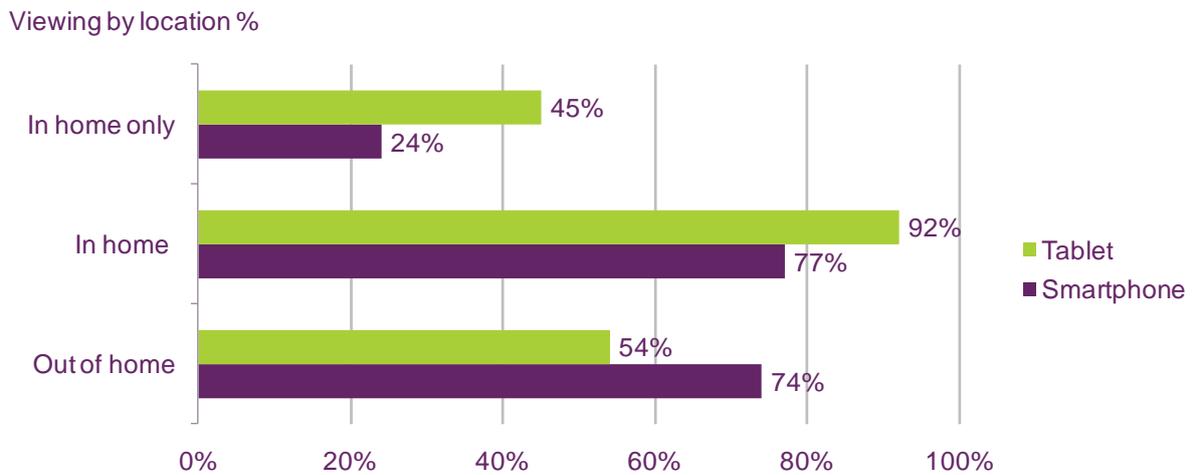
Source: Ofcom Consumer Segmentation Survey Feb 2013. Base: All who use the specific device

Smartphones are more likely than tablets to be used for viewing content outside the home

When looking at viewing of any content - clips, programmes and films, Figure 2.18 shows that smartphones are more likely than tablets to be used for viewing outside the home. Over three-quarters (77%) of people who view audio-visual content on their smartphone claim to do so when they are out of their home, compared to just over half (54%) of people who view

on their tablet. Nearly half (45%) of people who view content on their tablet claim to do so solely at home.

Figure 2.18 Location of viewing on tablets and smartphones



Source: Ofcom Online Survey 2013, Q: Where do you watch these types of content on your smartphone or tablet computer? (tablet=873, smartphone=779)

Films and UK drama are the most popular genres viewed via VOD

According to consumer research from Decipher, the most popular genres accessed via TV VOD⁴⁴ and online VOD⁴⁵ are films and UK drama, followed by UK TV comedy and documentaries.

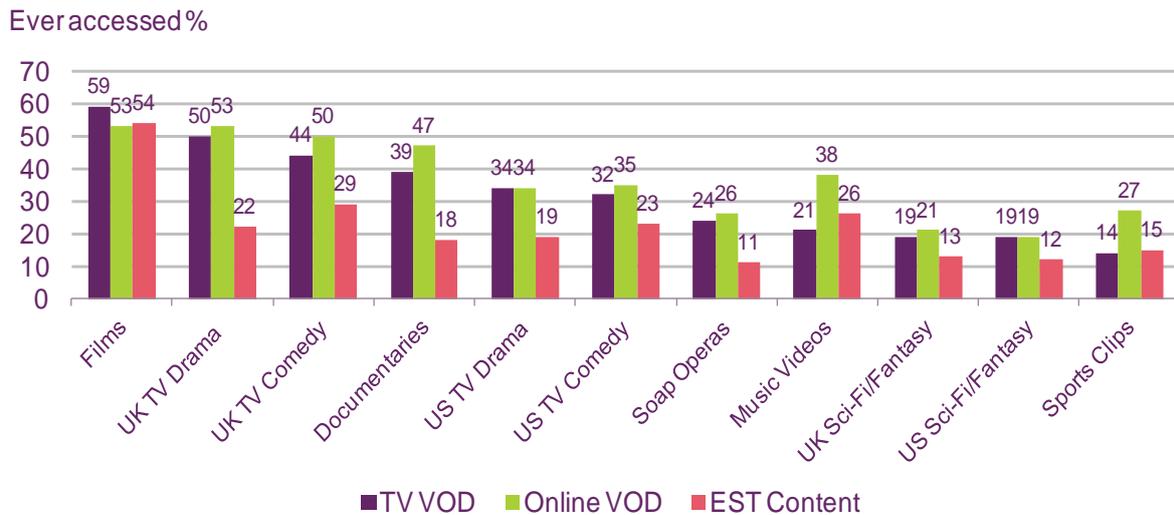
In terms of 'electronic sell-through' (EST⁴⁶), films are the most likely genre to be purchased and a copy permanently kept, with 59% of people who have used EST claiming to have purchased a film.

⁴⁴ VOD content accessed from a TV set-top box, includes all catch-up, on demand and pay-per-view content accessed from a TV set-top box.

⁴⁵ Includes any VOD content accessed from any device but a TV set-top box.

⁴⁶ *EST (electronic sell-through) is content that is purchased and a copy permanently kept.

Figure 2.19 TV and online VOD, and videos purchased online (EST*): claimed use, by genre



Source: Mediabug Tracker, Decipher February 2013. *EST (electronic sell through) is content that is purchased and a copy permanently kept not rented. TV VOD Base: Ever accessed VOD content via a TV set-top box(891), Online VOD Base: Ever used Online VOD (2052) EST BASE: Ever Used EST services (854)

What impact will TV and film subscription services have on pay-TV subscriptions?

There is some debate whether TV subscription VOD services like LoveFilm and Netflix will have an effect on the pay-TV sector and lead to ‘cord cutting’ – i.e. consumers cancelling all or part of their pay-TV subscriptions.

Research by Deloitte⁴⁷ found that 4% of respondents claimed to have cancelled their pay-TV subscription in 2012, with affordability being the reason given by the vast majority who cancelled. Ten per cent claimed to be thinking about cancelling, and of this small sub-set, only 7% claimed that paid-for VOD services were a factor in their decision process.

Pay-TV companies also provide many homes with internet and/or phone connections. With more people taking up bundled services, ‘cord cutting’ becomes a more complex decision. Aside from content, set-top boxes also provide additional functionality such as personal video recorders, which are valued by the consumer.

⁴⁷ Deloitte Media Consumer Survey 2013, Online survey of 2000 respondents.

Some recent market developments in video on demand

Many TV networks and online distributors are investing to compete in a world where TV content is widely available online, via PCs, mobile devices and connected TVs. Here are some examples that illustrate recent developments in original content, scheduling and access to content within the VOD market.

With the continued roll-out of Tivo, and the launches of YouView and Sky on Demand, it is estimated that around 7 million UK households now have internet-enabled set-top boxes (see Section 2.1.3).

Netflix is aiming to drive subscriptions via investment in original content, scheduling and exclusive deals. It has invested in original content with a remake of House of Cards, releasing the entire series on the same day and allowing subscribers to watch multiple episodes back to back, or watch episodes at a time convenient to them. Netflix is planning more investment in original content and has signed an exclusive deal in the US with Walt Disney Studios to be able to show films and animations ahead of the TV networks.

Amazon is planning a move into TV production by creating eight comedy pilots and six children's animations, to be shown on Lovefilm in the UK. It plans to use new writing talent and use data from the pilots to decide which shows to commission.

With the developments in connected TV, YouTube is now no longer confined to computers and mobile devices, so the company is investing in the more lucrative long-form VOD market. It is helping to fund original online channels which will produce content exclusive to YouTube, and it has just launched its first online pay channels, where content can be downloaded and kept, or 'rented'. The first British YouTube pay channel is Digital Theatre, which provides full-length HD films of current British theatre productions.

During 2012 the BBC made a limited amount of content, including Doctor Who spin-off series Pond Life, and some BBC Three comedy pilots available exclusively on the iPlayer. Due to the popularity of these pilots, they were then broadcast on BBC Three. In 2013 the BBC has commissioned six iPlayer-exclusive dramas, showcasing new talent, and a comedy series starring Peter Kay that will premier on iPlayer before being broadcast on scheduled TV.

Sky's Now TV includes a 'pay-as-you-go' service allowing non-subscribers access to Sky content for the first time, including sports and movies. Sky Go allows its satellite TV subscribers access to Sky content on a range of fixed and mobile devices.

2.1.5 Live television lives on

Viewing live remains the main way of watching television

Time-shifted viewing

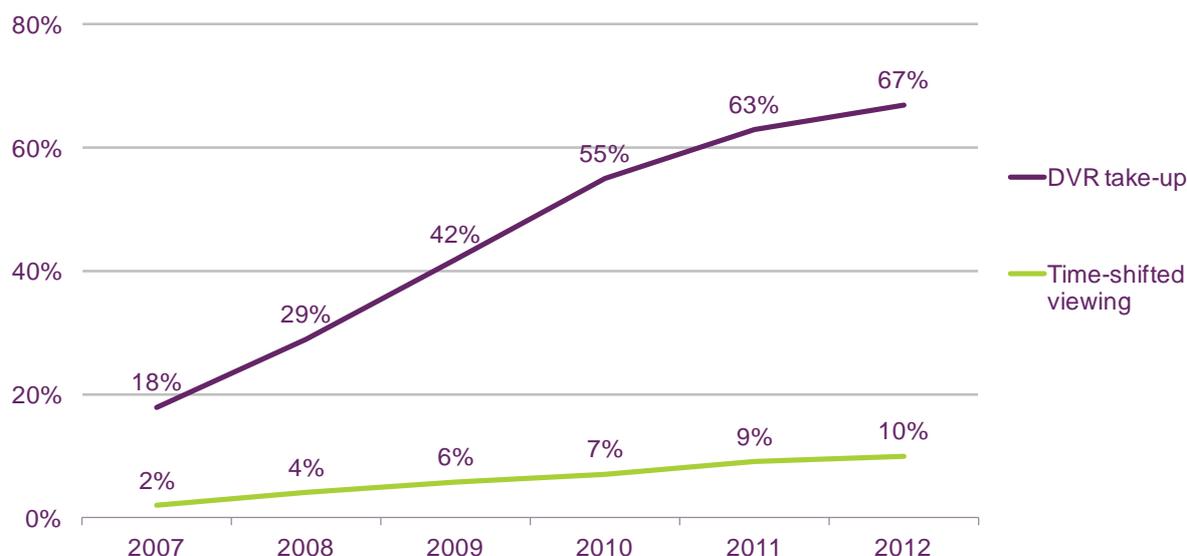
Time-shifted viewing is defined by BARB as viewing of programmes recorded and subsequently played back on a television set within seven days of live broadcast, as well as viewing after pausing or rewinding live TV. Recording devices included in BARB analysis include video cassette recorders (VCR); DVD 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, including those accessed through apps on smart TVs and games consoles, and any viewing on a laptop or personal computer connected to the television set, are also captured, if the content has been broadcast live in the last seven days. Viewing outside this seven-day window, and video on demand (VOD) services that have not been scheduled on a television channel, are not reported as time-shifted viewing.

During the past five years a range of services have been launched that enable viewers to watch programmes on their TV set at a time that suits them. Home digital video recorder (DVR) take-up has increased from 18% in 2007 to 67% in 2012 according to BARB, while around three in ten homes have a connected set-top box such as Virgin's Tivo, Sky On Demand, BT Vision or YouView. Each provides access to catch-up services like BBC iPlayer, as well as other VOD content.

Despite this growth in device/service take-up, live television remains the main way of watching programmes. Figure 2.20, below, shows that the total proportion of time-shifted viewing remains low, increasing from 2% in 2007 to 10% in 2012, with year-on-year signs that the growth rate is slowing.

Figure 2.20 Time-shifted viewing in all homes: 2007-2012



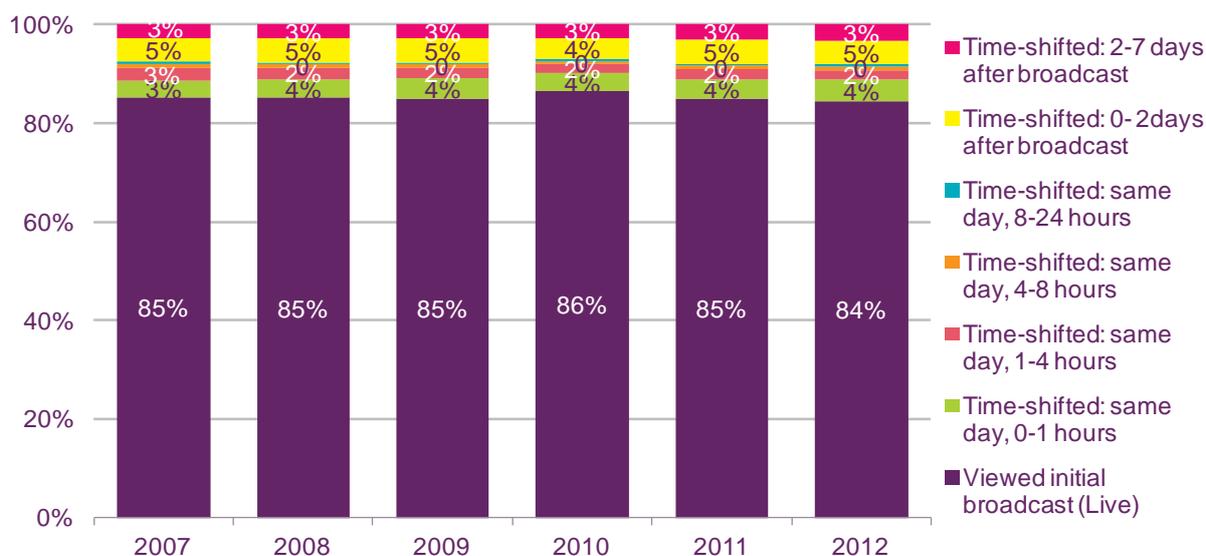
Source: BARB. All individuals, Network. New BARB panel introduced 1 Jan 2010. As a result pre- and post-panel change data must be treated with caution. See definition of time-shifted viewing in section 2.1.5

In DVR homes levels of time-shifted viewing have remained broadly stable

Among DVR owners, levels of use have remained remarkably stable over the past five years, with time-shifted viewing ranging from 14% to 16%.

Figure 2.21 shows that over the period nearly half of all time-shifted viewing took place on the same day as broadcast; and a quarter was within an hour of transmission. These figures indicate the continued popularity of watching television on the day of broadcast; with DVRs offering one way of watching television at a time on the same day that suits viewers.

Figure 2.21 Time-shifted viewing in DVR homes: 2007-2012



Source: BARB. Individuals in DVR homes, Network.

Live viewing is more popular in digital terrestrial TV homes

Viewers in homes with digital terrestrial television and no other TV service (DTT only) were more likely to watch television live, compared to those in satellite or cable homes. In 2012, among DVR owners, 89% of viewing in DTT only homes was to live broadcasts, compared with 83% among those in satellite homes, and 84% among those in cable homes. These variations in viewing patterns are likely to be a result of the different services offered by satellite and cable providers, such as Virgin's Tivo box or Sky's On-Demand service, which offer greater programme storage capacity, enhanced recording functionality, and access to broadcasters' catch-up services.

Viewing behaviour also differed by age. In 2012, DVR owners aged 65 and over tended to watch live television, with 89% of their viewing dedicated to the original broadcast, and 11% to time-shifted programmes. In contrast, 25-34 year-old DVR owners were the most likely to time-shift, with 22% of their viewing taking place after the original broadcast.

Patterns also varied depending on whether DVR owners were light, moderate, or heavy TV viewers.⁴⁸ Heavy viewers tended to watch programmes as they were broadcast (87%), whereas light viewers were most likely to time-shift their viewing (21% of their viewing was after the initial broadcast, compared to 19% among moderate viewers, and 13% among heavy viewers).

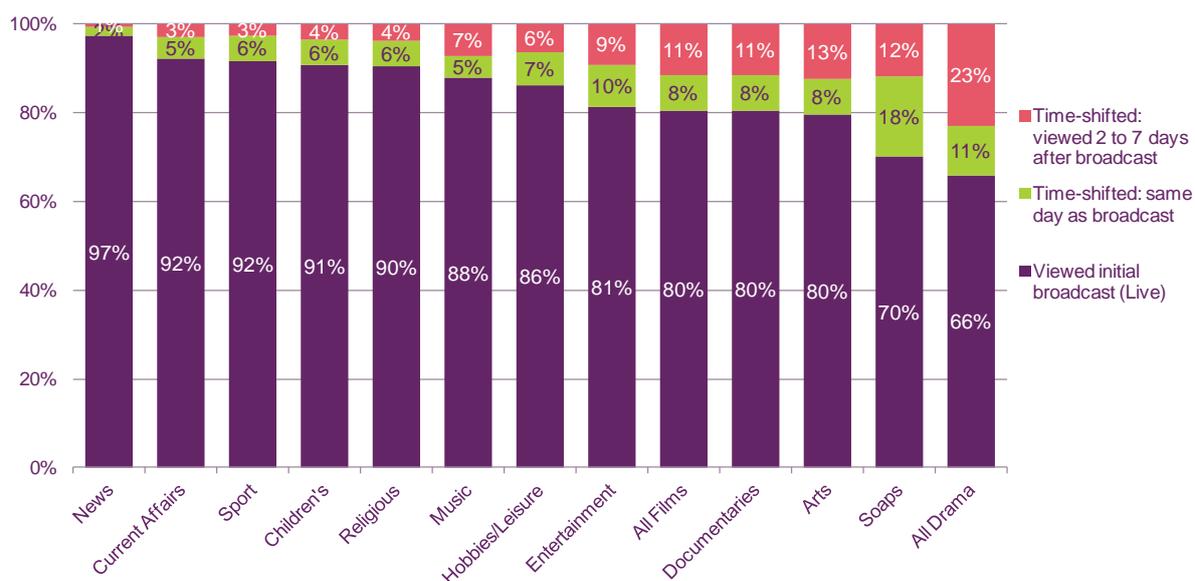
News, current affairs and sports are most likely to be watched live

Possibly due to the nature and immediacy of the subject matter, the vast majority of news, current affairs and sports programmes were watched live.

Drama and soaps were, by contrast, the least likely to be watched live (70% and 66% watched live). That said, soaps still tended to be watched on the same day as broadcast, indicating viewers' desire to keep up to date with daily storylines. In contrast, almost a quarter of drama programmes were watched on days other than the original broadcast.

⁴⁸ In this analysis DVR owners who met the reach criteria of three consecutive minutes of viewing per week were split into three equal percentiles, in order to define DVR owners by weight of total TV viewing as light, medium or heavy viewers.

Figure 2.22 Time-shifted viewing, all channels, by programme genre: 2012



Source: BARB, All DVR owners, Network. Genre classifications based on BARB genre definitions. Figures may not sum to 100% due to rounding differences.

Out of the top-rating 100 programmes in 2012 among DVR owners, sports programmes such as the Olympics coverage and Euro 2012 were the most likely to be watched live; over 95% of sports viewing took place live. By contrast, BBC One's *Doctor Who* on Christmas Day was the programme with the highest proportion of time-shifted viewing; 48% of viewing was live, 23% was viewed later the same day, and 28% viewed up to seven days after the initial broadcast.

Figure 2.23 Time-shifted and live viewing of the top and bottom five of the 100 most-watched programmes in 2012

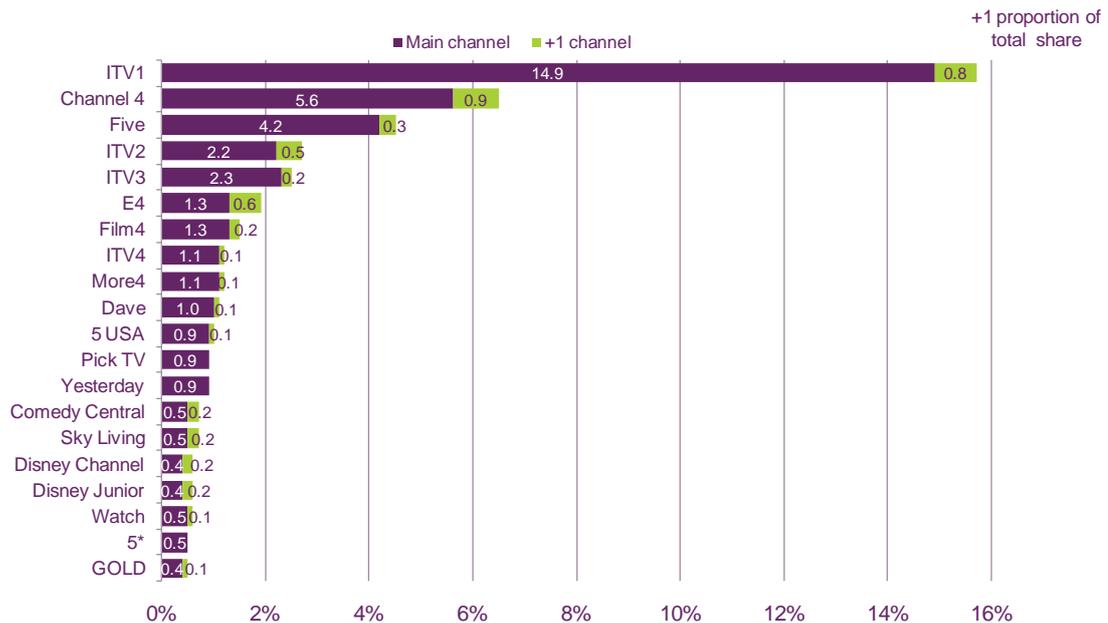
Programme	Channel	Date	Average Audience, 000s (DVR owners)	Live	Time-shifted: same day as broadcast	Time-shifted: viewed 2 to 7 days after broadcast
Top 5 programmes:						
EURO 2012: POST MATCH	BBC1	24/06/2012	8,634	96.4%	3.4%	0.2%
OLYMPICS 2012	BBC1	05/08/2012	9,306	96.3%	3.6%	0.1%
EURO 2012: ENG V ITA	BBC1	24/06/2012	13,873	96.1%	3.7%	0.2%
WIMBLEDON 2012	BBC1	08/07/2012	7,502	95.9%	3.9%	0.2%
EURO 2012: POR V SPN	BBC1	27/06/2012	6,934	95.3%	4.5%	0.2%
Bottom 5 programmes:						
BRITAIN'S GOT TALENT	ITV	07/04/2012	7,579	56.5%	26.6%	17.0%
CALL THE MIDWIFE	BBC1	25/12/2012	7,566	52.5%	10.7%	36.8%
SHERLOCK	BBC1	01/01/2012	7,412	52.2%	25.3%	22.5%
SHERLOCK	BBC1	08/01/2012	6,983	51.8%	22.7%	25.5%
DOCTOR WHO	BBC1	25/12/2012	7,554	48.4%	23.3%	28.2%

Source: BARB, All DVR owners, Network. Top 100 programmes based on average audience to programmes among All DVR owners. Top 100 programmes ranked by proportion of 'live' viewing.

+1 channels contribute to the high proportion of viewing that takes place on the same day as broadcast

A number of broadcasters offer +1 channels, which show the same schedule but one hour later, offering viewers the chance to watch that day's programmes at a slightly later time. Figure 2.24 below depicts viewing to the top-rating channels with a +1 variant and ranks the combined share of the two channels. With the notable exception of ITV1, the +1 channels bring significant additional audience to that on the main channel, up to one third of the total share. The results further support the point that viewers tend to watch programmes on the same day that they are broadcast.

Figure 2.24 Viewing share of main channels and their +1 variants, all individuals: 2012



Source: BARB, All Individuals, Network. Based on channels with a +1 variant with a combined share (main and +1) of 0.5% or more.

One in four viewers talk about, or contact, the programme while they are watching

Media meshing/ stacking / multi-tasking

We have commissioned research to investigate how TV viewers use other devices while watching TV. We classify those who are using other devices to interact with, or communicate about, the content they are viewing as ‘media meshers’, while others who are simply conducting unrelated media tasks (e.g. browsing the internet) are classified as ‘media stackers’. The combination of these two behaviours is classified as ‘media multi-tasking’.

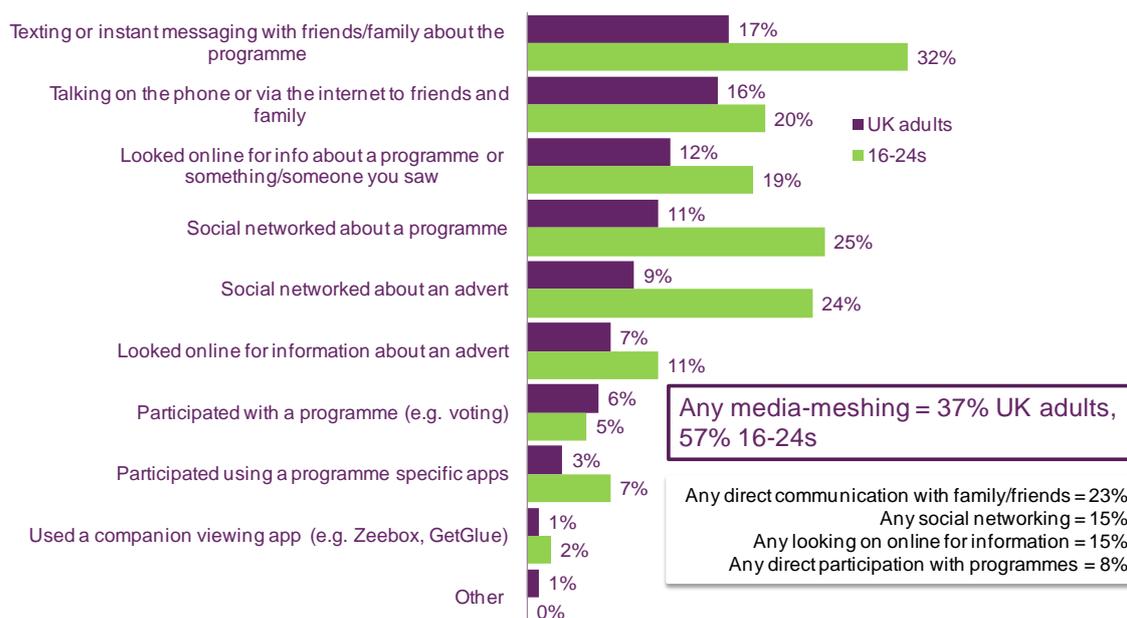
The continued popularity of live television can be attributed to a range of factors, such as habit, the need for immediate information, or the desire to avoid a plot spoiler.

Ofcom has undertaken research that shows that we often use the phone or social media to talk to each other about television. Arguably, this social tendency has contributed to the continued attraction of watching programmes live, in order to be a part of conversations about television. Figure 2.25, below, provides results from this new research; 37% of UK adults enjoyed either talking with family and friends about the TV programmes they were watching, or contacting the programme directly. This rises to 57% among 16-24s.

Texting/messaging and phone calls were more often used to engage with programmes, with just under a quarter of UK viewers doing this (23%). Looking online for information, or social networking about a programme, (for example on Facebook or Twitter) were less popular, with just over one in ten adults saying they had done this.

Participating directly with programmes is less common; less than one in ten UK viewers claim to have done this, either direct, by voting or entering a competition (6%), or via a programme app (3%). Newer social television apps such as Zeebox or GetGlue, which enable viewers to chat about the programme as they watch, have yet to make an impact, with only 1% of viewers claiming to have used these while watching television.

Figure 2.25 Media meshing while watching television, UK adults and 16-24s



Source: Ofcom research, 2013, All with TV

While just one in ten use Twitter, 60% of them tweet about TV

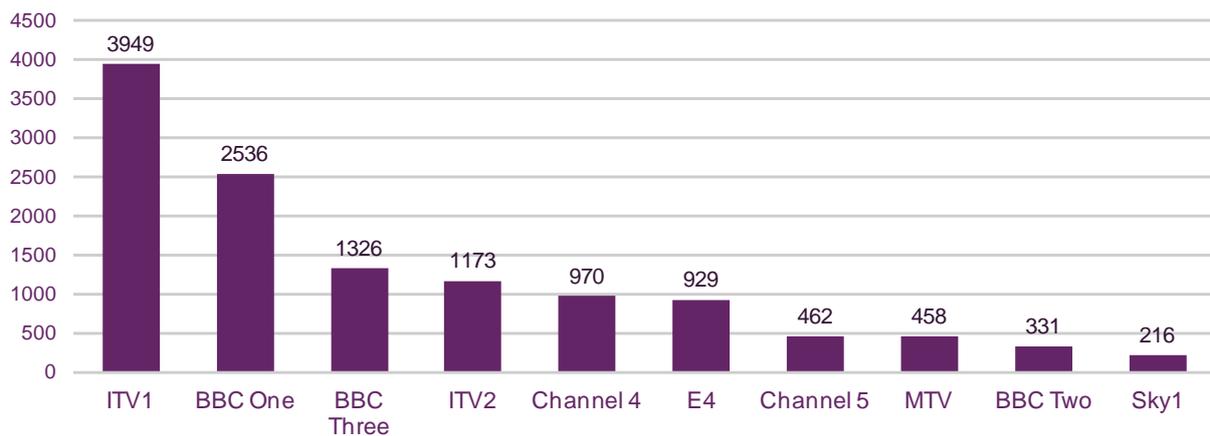
While those who use Twitter constitute around just one in ten of the UK adult population (9%, Ofcom Q1 2013), among this group, Twitter is proving a popular means of talking about television. According to Twitter/Second Sync data, in 2012 60% of Twitter users talked regularly about TV on Twitter, while 40% of all Twitter traffic during peak times related to television.

Analysis of SecondSync data depicted below shows the top 10 TV channels by average volume of tweets per programme⁴⁹. The volume of tweets varied greatly from programme to programme and by channel. Numerous factors are likely to contribute to the volume of social media posts about programmes, including audience size, age, and the type of programme.

ITV1 received the largest average number of tweets per programme and BBC One ranked second over the period June 2012 to May 2013. One of the biggest contributors of tweets to ITV1 over the period was the *X Factor* series whose live transmissions attracted an average volume of 406,000 tweets per programme and over 15 million tweets in total over the period. While BBC One's *The Voice* was the third most tweeted programme on that channel over the period, with an average volume of 132,000 tweets per programme and 1.3 million tweets overall. However, *Eastenders* (2.7 million tweets in 12 months) and *Comic Relief* (2.2 million tweets) generated the highest volume of tweets about BBC One programmes.

⁴⁹ This analysis is based on data from SecondSync that measured the number of tweets about each programme that were posted while the programme was broadcast over the period June 2012-May 2013.

Figure 2.26 Top 10 TV channels by average volume of tweets per programme



Source: SecondSync, June 2012 to May 2013. Excludes tweets about news and sports events.

The large majority of viewing across devices is to live television

Over the past five years there has been a rapid increase in use of smartphones (51%, Q1 2013), and ownership of tablets (24%, Q1 2013), as well as continued use of PCs/laptops. These devices provide consumers with access to catch-up, other VOD services, and live streamed content. Despite these developments, estimates show that the majority of viewing is of live television, whatever the device. 3 Reasons has analysed different data cross-platform, and estimates that in 2012 the vast majority (c.88.5%) of all time spent watching programmes, on any device, was live viewing at the time of broadcast, time-shifting via DVR represented another c.9%, and viewing via VOD (including catch-up and other VOD services) an estimated 2.5% of total viewing.

In conclusion, watching live remains the core way in which we watch television. Its continued popularity demonstrates viewers' preferences for watching TV as it is broadcast.

2.1.6 Sports programming attracted record viewing and spend in 2012

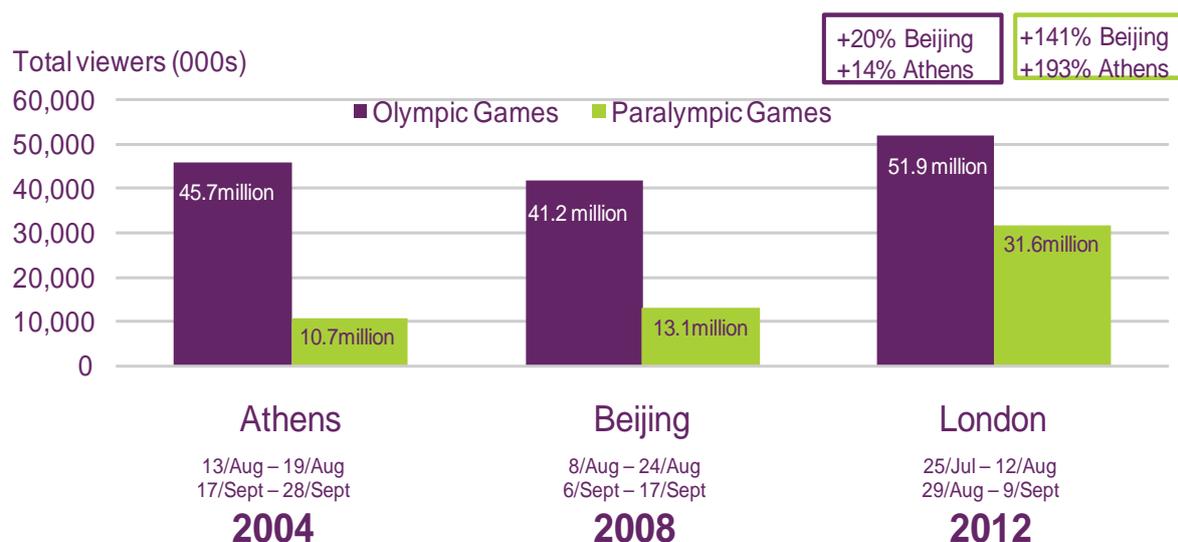
London Olympics and Paralympics the most-watched Games ever on UK television

2012 was a big year for sports programming, with two major sports events capturing the country's attention. First, the 2012 UEFA European Football Championship, commonly referred to as Euro 2012, which was broadcast by the BBC and ITV between 8 June and 1 July 2012, followed by the London 2012 Olympic and Paralympic Games, between 27 July and 9 September.

The Games' coverage was shared between the BBC and Channel 4, with the BBC broadcasting the Olympics together with the highlights and some live programming of Paralympics, while Channel 4 took the lead in broadcasting the Paralympic Games.

According to BARB, almost 52 million viewers aged 4+ (90% of UK population) watched television coverage of the Olympic Games, and over 31 million (55% of the UK) watched the Paralympic Games for at least 15 consecutive minutes, making the events the most-watched Games ever on UK television.

Figure 2.27 Total viewers of Olympic and Paralympic Games: 2004-2012



Source: BARB/InfoSys+. Note: 15 minutes+ consecutive reach. Individuals 4+. The London 2012 Paralympics was broadcast on C4/More4/4seven (C4 Paralympics channels did not report programme data and have therefore been excluded from the overall total reach), while 2008/2004 was broadcast on BBC One and BBC Two. According to Kantar Media, an estimated 3.53 million watched Paralympic footage on three additional Paralympics channels.

The 2012 London Paralympic Games was a particular success story, as it attracted an audience 141% larger than the previous Paralympics, hosted in Beijing in 2008.

Channel 4's successful coverage of the London Paralympics influenced the International Paralympic Committee's decision to grant the broadcaster the UK television rights for the next two Paralympic Games; in Sochi, Russia, in 2014 and in Rio de Janeiro, Brazil, in 2016.

For more information on how the UK adults followed the Games on different media and devices please refer to our report: *The London 2012 Olympic Games: media consumption* published in December 2012.

In 2012, sports was the most-watched genre on TV

According to BARB data, the opening and closing ceremonies for the Olympic Games drew the biggest-ever Olympics viewing audiences, peaking at around 27 million viewers each. The two events were the most-watched programmes in 2012, attracting an average audience of around 24 million each. Olympics and Euro 2012 events took 11 of the top spots in the 15 most-watched programmes throughout the year, making sports the most-watched genre on TV in 2012.

Figure 2.28 Top ten most-watched programmes: 2012

	Programme title	Channel	Genre	Date	Viewing audience (millions of individuals)
1	OLYMPICS 2012: CLOSING CEREMONY	BBC1	Sport	12/08/2012	24.5
2	OLYMPICS 2012: OPENING CEREMONY	BBC1	Sport	27/07/2012	24.2
3	EURO 2012: ENG V ITA	BBC1	Sport	24/06/2012	20.3
4	OLYMPICS 2012: MEN'S 100M FINAL	BBC1	Sport	05/08/2012	17.3
5	UEFA EURO 2012 MATCH ENG V UKR	ITV	Sport	19/06/2012	16.2
6	THE DIAMOND JUBILEE CONCERT	BBC1	Music	04/06/2012	15.3
7	EURO 2012: SWE V ENG	BBC1	Sport	15/06/2012	14.3
8	OLYMPICS 2012: ATHLETICS (incl. MEN'S 100M SEMI-FINALS)	BBC1	Sport	05/08/2012	13.6
9	STRICTLY COME DANCING: FINAL	BBC1	Entertainment	22/12/2012	13.4
10	STRICTLY COME DANCING: FINAL: THE RESULTS	BBC1	Entertainment	22/12/2012	13.4
11	EURO 2012: POST MATCH	BBC1	Sport	24/06/2012	12.7
12	BRITAIN'S GOT TALENT: FINAL	ITV	Entertainment	12/05/2012	12.6
13	UEFA EURO 2012 MATCH FRA V ENG	ITV	Sport	11/06/2012	12.6
14	OLYMPICS 2012: CLOSING CEREMONY COUNTDOWN	BBC1	Sport	12/08/2012	12.5
15	EURO 2012: SPN V ITA	BBC1	Sport	01/07/2012	12.4

Source: BARB/InfoSys+. Note: Individuals 4+. The top programmes are the best performing episodes of a programme during the year.

The previous comparable success story for sport was in 2006, when eight of the top spots in the 15 most-watched programmes throughout the year were taken up by World Cup 2006 content; six events in the championship were the top six most-watched programmes of the year. But the average audience of 18.5 million, attracted by the most watched game of the Cup, the match between England and Sweden, was much lower than the record audiences achieved by the top three programmes in 2012.

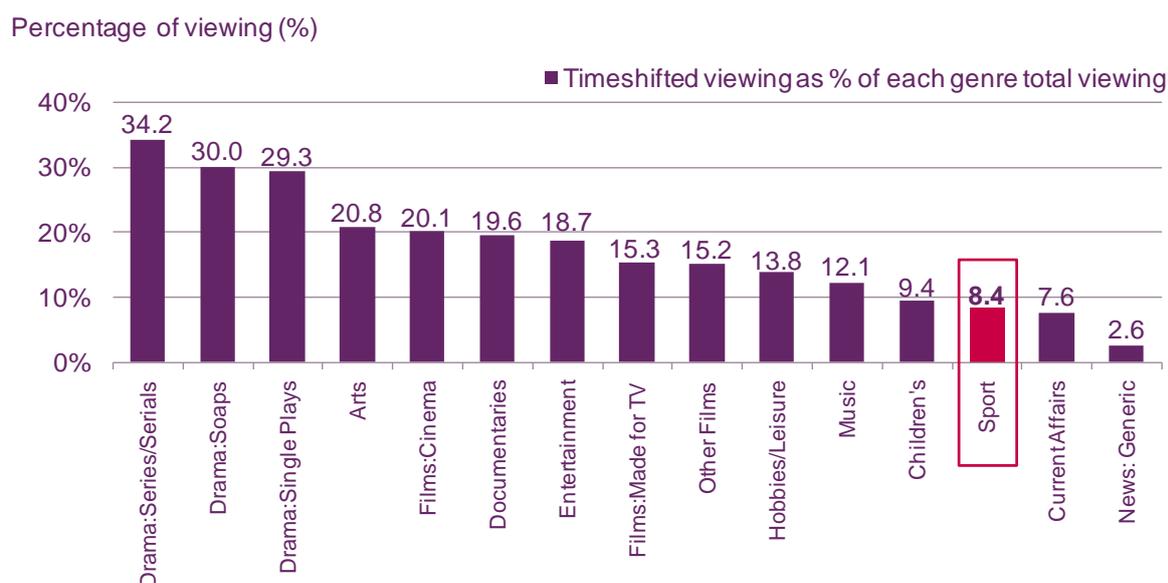
With major international sports events taking place every other year, the next spike in sports viewing is expected in 2014, as the country tunes in to watch the Winter Olympics and the FIFA World Cup.

Live is still the way to watch sport

The growing take-up of DVRs and smart TVs, and the easy availability of online TV catch-up services, allow people to watch programmes whenever suits them best. But live TV continues to prevail: according to BARB, 90% of TV watched by UK individuals aged 4+ in 2012 was live.

Sport, in particular, is a genre predominantly watched live; 8.4% of sports viewing by UK individuals aged 4+ and owning a DVR was time-shifted in 2012. Only current affairs and news surpass sports in this measure, with news the genre least likely to be watched time-shifted (2.6% of TV viewing by DVR individuals).

Figure 2.29 Proportion of time-shifted viewing, by programme genre: 2012



Source: BARB/InfoSys+. Note: DVR Individuals 4+. Based on total minutes of viewing of genres.

The importance of linear TV to sports is further reinforced by the BBC iPlayer data. Seven of the top ten programmes watched live on iPlayer in 2012 were sports-related events, while the genre features only once in the top ten iPlayer catch-up programmes. Several sports programmes, such as *Wimbledon 2012* and *Formula 1 2012*, neither of which feature in BARB's top 15 for the year, made it to iPlayer's live top ten chart. London Olympics events lead iPlayer's live, as well as catch-up, charts, highlighting the unprecedented interest that the event generated across the UK.

Figure 2.30 The top ten programmes watched live on BBC iPlayer: 2012

	iPlayer live	iPlayer catch up
1	Olympics London 2012	Olympics Ceremonies London 2012
2	Olympics Ceremonies London 2012	Top Gear
3	Wimbledon 2012	Sherlock
4	Match of the Day Euro 2012	Dr Who
5	Athletes Parade Live	The Apprentice
6	BBC Sports Personality of the Year	Citizen Khan
7	The Diamond Jubilee Concert	The Voice UK
8	Eurovision Song Contest 2012	Bad Education
9	Breakfast BBC News Channel	Waterloo Road
10	Formula1 2012	Eastenders

Source: TV Licensing TeleScope 2013

http://www.tvlicensing.co.uk/resources/library/BBC/MEDIA_CENTRE/TVlicensing_TeleScope_2013.pdf

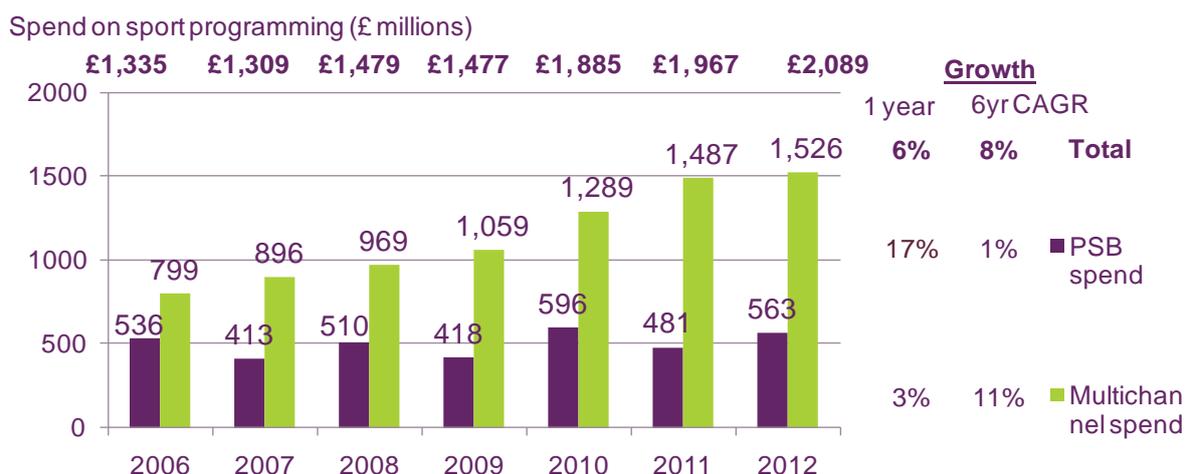
Broadcasters are investing more in sports content

Total spend on sports content has been growing since 2006 at a compound annual growth rate of 8%, reaching £2.1bn in 2012. The growth has been consistent except for a small dip

in 2009, and has been fuelled particularly by the multichannel broadcasters, whose spend rose to £1.5bn in 2012 from £799m in 2006. Despite the cyclical nature of sports programming, the multichannels have increased their investment in sports every year in the 2006-2012 period, at a compound annual growth rate of 11%.

The PSBs' share of total spending on sports content declined to 27% in 2012 from 40% in 2006. The pattern of spending on sports programming reflects the cyclical nature of sports events, increasing in the years when major sports events take place, and contracting in between⁵⁰. It peaked in 2010, and experienced a steep rise of 17% in 2012 as the BBC and Channel 4 invested heavily in the London Olympics and Paralympics coverage.

Figure 2.31 PSB and multichannel spend on sports programming: 2006-2012



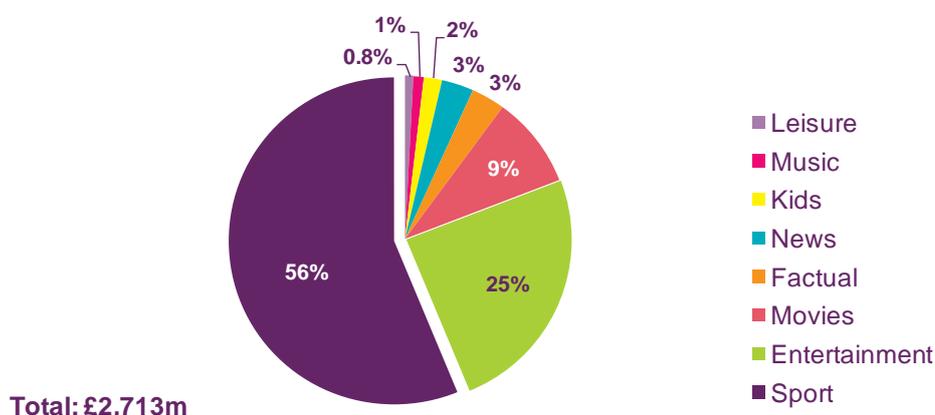
Source: Ofcom/broadcasters. Note: figures are expressed in nominal terms. BBC figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament. The analysis does not include S4C, BBC Alba or BBC HD. Figures exclude nations/regions programming.

For the multichannels, dedicated sports channels spend more than all other multichannel genres combined. In 2012, 56% of multichannel content investment was by sports channels. The second most expensive genre in 2012 was Entertainment, at less than half of the cost of sports programming. It is important to note that in contrast to entertainment, a large part of sports spending goes on rights.

⁵⁰ Spend is recorded in the year when a programme is broadcast.

Figure 2.32 Multichannel spend on programmes, by genre: 2012

Spend as a percentage of total (%)

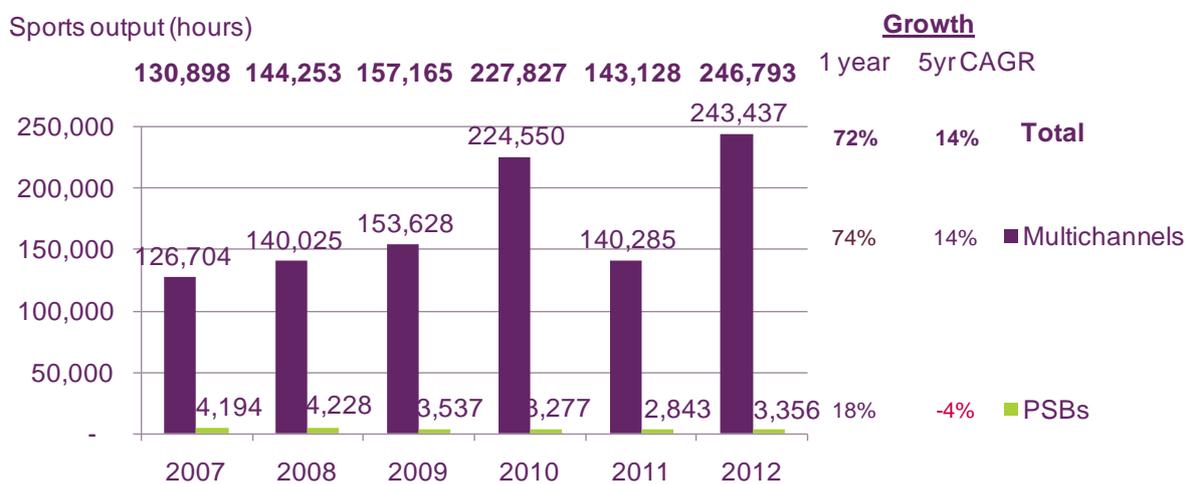


Source: Ofcom/broadcasters.

Multichannels broadcast most of total sports content

As sports content plays such an important role for multichannel broadcasters in terms of spend, the great majority of broadcast hours dedicated to sports events are also aired by multichannels. In 2012 a total of 246,793 hours of TV programming was dedicated to sports content, 99% of which was broadcast by multichannels. This volume has increased at a 14% compound annual growth rate since 2007. Sports volumes by PSBs rose by 18% year on year, reaching 3,356 hours in 2012, fuelled by the Olympics and Paralympics coverage. However, over a five-year period they fell by a compound rate of -4%.

Figure 2.33 PSB and multichannel sports output: 2007 – 2012



Source: Ofcom/broadcasters.

Growing sports rights costs are fuelling spend on sports content

Much of the increasing spend on sports content can be attributed to the rising costs of TV rights giving exclusivity to broadcast major live sporting events. In June 2012 bidding for live sports rights reached new heights as BSkyB and the new entrant to the sports broadcasting market, BT, boosted the value of the Premier League's next TV contract to a record £3bn over the next three years. BSkyB agreed to pay £760m per year for 116 live matches each

year, for the 2013-14 to 2015-16 seasons, while BT agreed to pay £246m per season for 38 live matches each year.

In September 2012 BT acquired the rights for Premiership Rugby matches and fixtures involving English clubs in European competitions, as part of a £152m four-year deal. In comparison, the previous deal struck by BSkyB and Setanta (whose rights were later overtaken by ESPN) was worth over £54m over three years.

In January 2013 a new entrant to the sports rights business emerged, as News International, the owner of The Sun, The Times and The Sunday Times newspapers, secured a deal to show Premier League football highlights on the mobile and desktop websites of its titles, in a bid to promote its newspapers' online content and secure additional ways to sustain and grow revenues.

2.2 The TV and audio-visual industries

2.2.1 Introduction

This section examines some of the characteristics of the UK's audio-visual sector during 2012. It focuses on a range of metrics from the broadcast television industry and from those companies delivering audio-visual content over the internet. Key points in the section include:

- **The UK television industry generated £12.3bn in revenue during 2012, an increase of £103m (or 0.8%) on 2011 in nominal terms.** The marginal growth in total TV revenue in 2012 is in contrast to a 4.5% increase seen in the previous year and a 5.7% uplift between 2009 and 2010.
- **Pay-TV subscription revenue, which has been the main driver behind the industry's growth in previous years, rose marginally by 0.9% to £5.3bn.** Nevertheless, subscription revenue remains by far the largest revenue stream for the industry, accounting for 43% of total industry revenue in 2012.
- **Broadcast-based TV advertising income declined by 2% (or £72m) in 2012 to just over £3.5bn,** although this was still significantly above 2009 levels, when the TV advertising market was hit heavily by the economic downturn.
- **Spend on content by all UK TV channels in 2012 stood at £5.6bn, up by 2% year on year in nominal terms.** The increase was driven by the increased spend on PSB portfolio channels (up 10%), BBC One (up 9%) and Channel 5 (up 7%). On the other hand, BBC Two experienced the largest relative year-on-year decline (-13%), followed by Channel 4 (-1%).
- **Following several years of reductions, spending on first-run originations by the main five PSB channels was unchanged in 2012, at £2,588m.** However, 2012 was a big year for sport, with the London Olympic and Paralympic Games as well as the Euro 2012 football tournament, and spend in originated content is likely to have been influenced by these events.
- **Total broadcast hours of first-run originated programming on the five main channels declined marginally, by 2% in 2012, to 30,052 hours.** While hours of originations in both peak and non-peak time remained relatively unchanged year on year, regional hours fell by 6%. Over a five-year period, originations broadcast in the non-peak timeslot have declined by over three thousand hours (or 4.3%) from 16,646 in 2007 to 13,365 in 2012.
- **Commercial multichannel broadcasters⁵¹ in the eight mainstream genres spent £2.7bn on programmes in 2012, a 3% increase year on year in nominal terms.** Spend on factual programming rose by 28% to £90m, the largest relative increase year on year. At £1.5bn, sports programming represented more than half (56%) of the total multichannel spend, and investment in it grew by 3% year on year).
- According to IHS Screen Digest, **online TV revenue in the UK has increased 12-fold in the past five years, from £21m in 2007 to £252m in 2012.** Year on year, the total market grew by 38%. The subscription model saw the steepest growth in 2012, as its revenue more than doubled (from £24m in 2011 to £62m in 2012), likely

⁵¹ Commercial multichannel broadcasters include the commercial PSB portfolio channels.

in response to the launch of new services, such as Netflix's and Lovefilm's streaming services.

2.2.2 Television industry revenue

The UK TV industry was worth £12.3bn in 2012

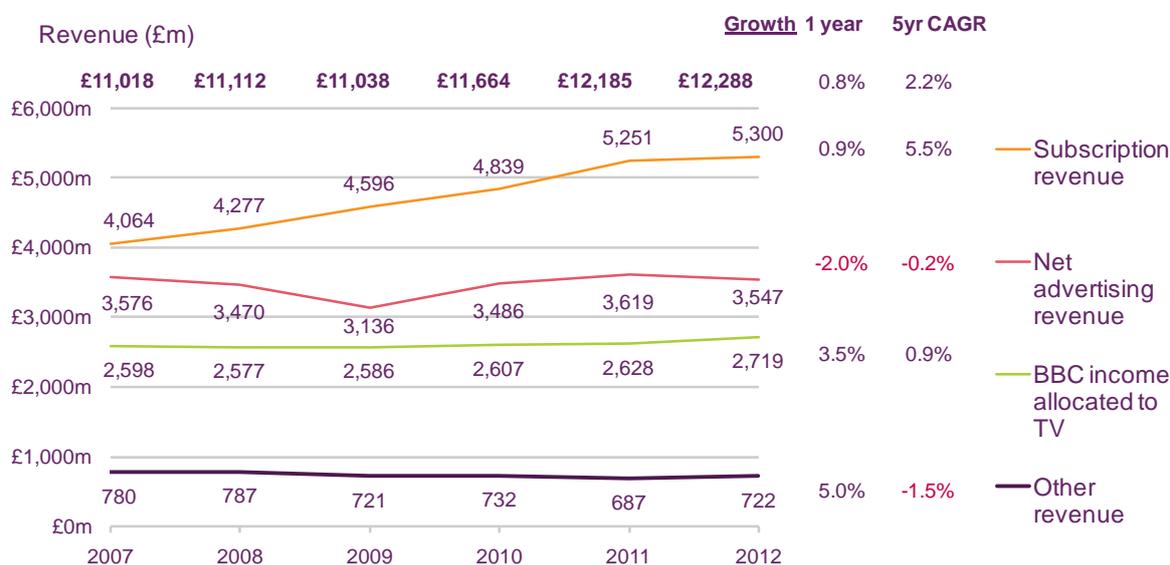
The UK television industry generated £12.3bn in revenue during 2012, an increase of £103m (or 0.8%) on 2011 in nominal terms. The market grew despite a decline of £72m (or 2%) in net advertising revenue. The marginal growth in industry revenues observed in 2012 was in contrast to a 4.5% increase in the previous year and a 5.7% uplift between 2009 and 2010.

Pay-TV subscription revenue, which had been the main driver behind the industry's growth in previous years, rose marginally by 0.9% to £5.3bn. This was in sharp contrast to the steep growth rates in revenue experienced by the pay-TV subscription market in the 2007 – 2011 period, and was the smallest increase in subscription revenue since our records began in 2000. This is one of the explanatory factors behind the modest overall industry growth. Nevertheless, subscription revenue remains by far the largest source of revenue for the industry, accounting for 43% of total revenue in 2012, which was at the same level as in 2011.

Ofcom estimates that the BBC spent £2.7bn on its television services in 2012, an increase of over 3% year on year, and its share of total industry revenue increased marginally by 0.6% to 22%.

'Other' revenue experienced the steepest year on year growth, at 5%, reaching £722m in 2012, although this revenue stream still accounts for less than 6% of the total market.

Figure 2.34 Total TV industry revenue, by source: 2007 -2012



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

The relative contributions of the four main TV revenue sources remained broadly stable during 2012; changing by less than one percentage point during the year. While the two smaller revenue streams, BBC income allocated to TV, and non-broadcast revenue, saw their relative shares increase by 0.6 and 0.2 percentage points respectively, the two larger revenue streams performed weakly. Subscription revenue maintained its contribution to the total industry revenue at 43.1%, while net advertising revenue saw its relative share contract by 0.8 percentage points.

Figure 2.35 TV industry revenues, by share



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

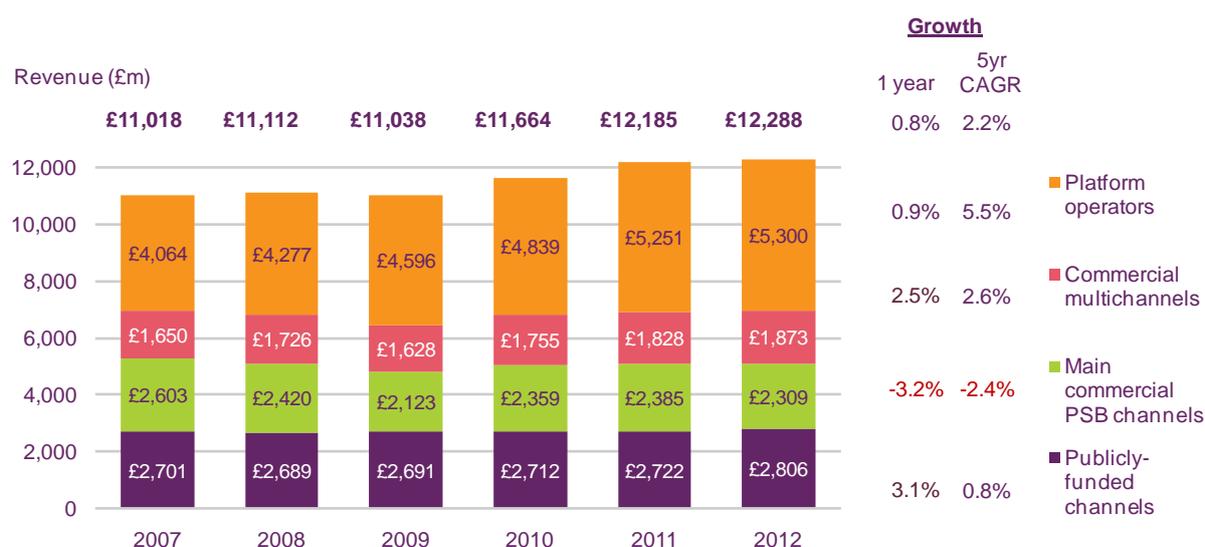
'Subscription revenue' includes Ofcom's estimates of BSkyB, Virgin Media, BT Vision, TalkTalkTV, Setanta Sports (until its closure), ESPN and Top Up TV television subscriber revenue in the UK (Republic of Ireland revenue is excluded). It also excludes revenue generated by broadband and telephony. 'Other'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

Revenue generated by TV channels was up by 0.8% on 2011

While commercial multichannels enjoyed revenue growth of over 2% year on year in 2012, reaching nearly £1.9bn, the main commercial PSB channels saw their total revenue fall by over 3% to £2.3bn, following two years of increases. Interestingly, platform operators' revenue rose only marginally; by 1%, bucking the previous trend of significant year-on-year rises, which may be driven in part by the growing importance of video streaming services such as Netflix and Lovefilm Instant and the launch of YouView.

Publicly-funded channels, which include Ofcom's estimate of BBC spend on TV output, and S4C's grant from the Department for Culture, Media and Sport, accounted for £2.8bn of revenue, up 3% year on year.

Figure 2.36 Total TV industry revenue, by sector: 2007-2012



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

Broadcast-based television advertising revenues fell in 2012⁵²

According to Ofcom measures, TV advertising income declined by 2% (or £72m) in 2012 to just over £3.5bn, which was still significantly above 2009 levels, when the TV advertising market was hit heavily by the economic downturn.

The main commercial PSB channels were the cause of the contraction in 2012, as their advertising revenue fell by 5% year on year to just over £2bn. All four commercial PSB channels experienced a decline in this measure, including Channel 5 which experienced a 7% decline in advertising revenue in 2012, in contrast to a 30% rise in 2011. This steep rise in 2011 may have been driven by the channel picking up the popular reality show *Big Brother*, which was previously broadcast by Channel 4, among other factors. Despite the contraction in NAR in 2012, the main commercial PSB channels continue to account for the majority of the TV advertising income, with their combined share standing at 58% of total TV advertising revenues in 2012.

Commercial PSB portfolio channels saw their advertising revenue rise by 4% year on year. In fact, commercial PSB portfolio channels have experienced the strongest growth in advertising income out of the three key groups of TV channels in the past five years, as their NAR grew by a compound annual growth rate of 9%. This can be attributed to digital switchover, among other factors, such as more high-quality first-run content on these channels attracting larger audiences, and in return, greater investment from advertisers.

⁵² According to the Advertising Association/Warc Expenditure report, UK TV advertising expenditure grew by 0.4% year on year, reaching £4.5bn in 2012. However, the AA/Warc measure is calculated using a different methodology, with the figure including advertising spend on video on demand and agency commission.

Nevertheless, looking at commercial PSBs and their portfolio channels together, their combined advertising revenue fell by 3% (or £80m) in 2012, which may be explained by an increasing share of advertising revenue from video on demand.

In 2012, TV advertising income at commercial multichannels remained broadly at the same level as last year (£905m), having increased by 1% year on year.

Figure 2.37 TV net advertising revenues, by source: 2007-2012



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

Share of TV advertising across the broadcasters showed mixed results. With the exception of ITV Breakfast, the main commercial PSB channels all saw their relative share of TV advertising income decrease in the past year. Channel 4's performance was weakest in this respect, as its relative share contracted by 1.2 percentage points to 15%. ITV Breakfast's share remained constant at 1.4%.

The PSBs' contracted share was marginally offset by the commercial PSB portfolio channels, as their NAR market share increased by one percentage point to 16.6% during 2012. Non-PSB multichannel broadcasters also performed positively; their share of the TV advertising market rose by 0.8 percentage points to 25.5% in 2012.

Figure 2.38 TV net advertising revenue market shares: 2011-2012

Proportion of NAR by broadcaster (%)



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

2.2.3 Other TV revenue

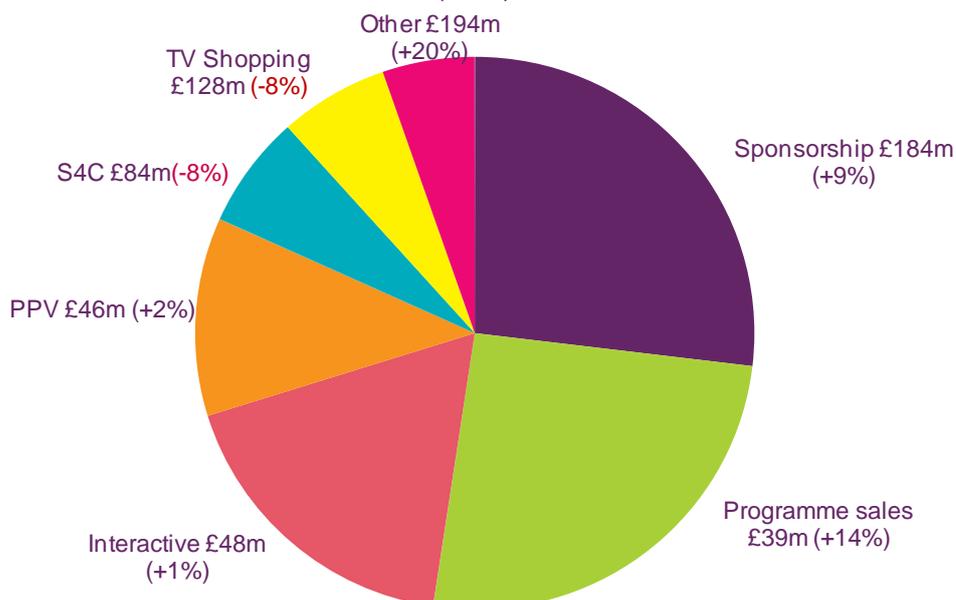
Broadcaster revenue raised from other sources rose by 5% in 2012

Revenue from sources other than subscription income, advertising revenue and licence fees performed strongly in 2012, rising by 5% year on year to £722m. 'Other revenue' was the top-performing category, increasing by 20% year on year to £194m, and it now accounts for 27% of the total, indicating that broadcasters obtain increasingly more of their income from sources other than broadcast-based advertising, subscriptions and the licence fee.

Programme sales revenue increased by 14% on 2011 to £39m. While 'other revenues', programme sales, sponsorship, pay-per-view (PPV) and interactive services all delivered higher income than a year ago, revenues from TV shopping and S4C grant both fell by 8% in 2012.

Figure 2.39 Breakdown of other/ non-broadcast revenue: 2012

Total non-broadcast revenue = £722m (+5%)



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change for total non-broadcast revenue versus 2011. TV shopping represents aggregate operating margin of products sold via television. Totals may not equal the sum of the components due to rounding. Owing to the nature of these revenue components, annual changes may be a function of a higher number of broadcaster returns being made by the time of writing, rather than material changes in the contributions that these revenue components are making to total industry income.

2.2.4 Revenue among multichannel genres

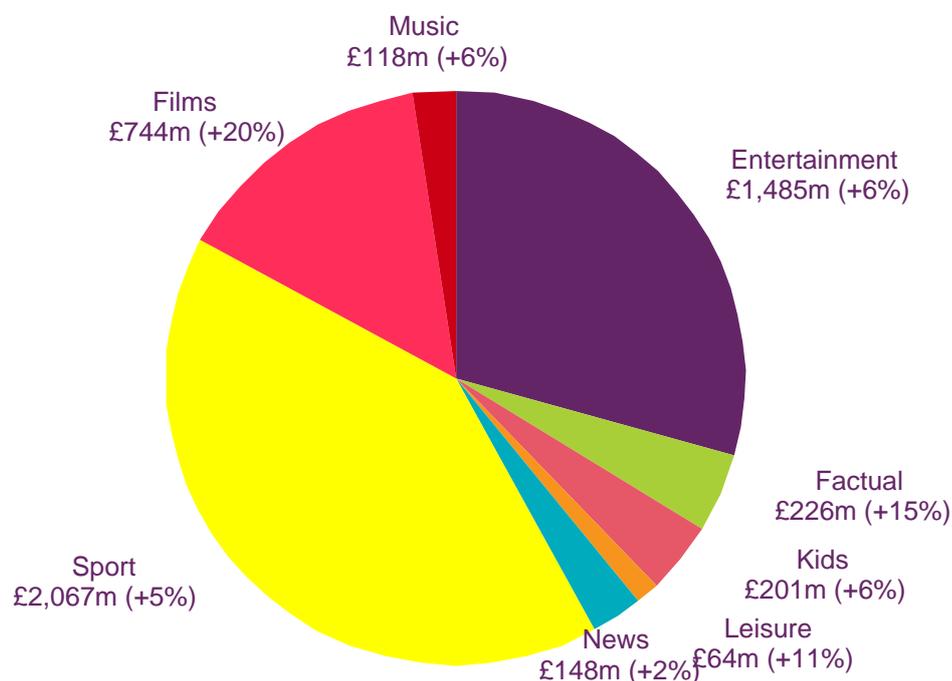
Revenue among key multichannel genres continued to grow in 2012

All of the mainstream multichannel genres experienced revenue growth in 2012, with total income exceeding £5bn, an increase of £364m (or 8%) since last year. Sports remained the genre generating the most revenue in 2012, up by 5% in 12 months to over £2bn, and now accounting for 41% of the total. Entertainment, the second-largest genre by revenue for multichannels, saw a 6% uplift in revenue to nearly £1.5bn. The combination of sports and entertainment accounted for 70% of the total revenue generated by multichannel broadcasters in the key eight genre categories in 2012.

Films experienced the highest year-on-year growth, as its revenue rose by 20% to £744m; it now accounts for 15% of the total revenue, up from 13% in 2011. In contrast, news delivered the smallest increase, up 2% to £148m.

Figure 2.40 Revenue generated by multichannel broadcasters, by genre, 2012

Total revenue =£5,053m across the eight included genres(+8%)



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change for total revenue compared to 2011. The figures in this chart include all sources of revenue accruing to multichannels and are expressed in nominal terms. This includes those set out in Figure 2.34 plus wholesale subscriber payments from platform operators.

2.2.5 Spend on UK television programmes

Broadcasters spent £5.6bn on programmes in 2012

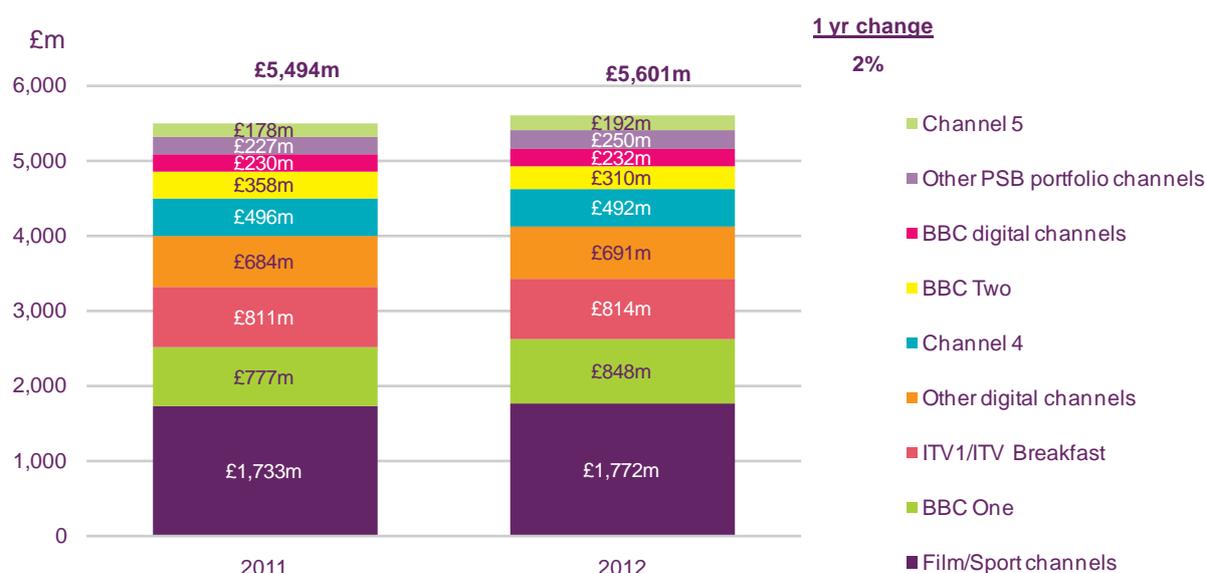
Spend⁵³ on content by all UK TV channels in 2012 was £5.6bn, up by 2% year on year in nominal terms, which was driven by increases in spend by the commercial PSB digital portfolio channels (up 10%), BBC One (up 9%), and Channel 5 (up 7%). On the other hand, BBC Two experienced the largest relative decline year on year (down 13%), followed by Channel 4 (down 1%), while ITV1/ITV Breakfast's spend was broadly flat, increasing by £3m year on year to £814m in 2012.

In contrast to previous years, spend on BBC One exceeded spend on ITV1 and ITV Breakfast combined in 2012. This is likely to have been driven by the BBC's spend on the London Olympics coverage.

Film and sports channels continue to represent the largest proportion of total spend (32%), followed by BBC One and ITV, both of which account for a 15% share of total spend.

⁵³ Spend figures do not represent the entire cost of making programmes, as it excludes, for example, third party spending.

Figure 2.41 Spend on network TV programmes: 2011-2012



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

2.2.6 UK independent sector

The UK indie sector saw UK primary commissioning revenue bounce back in 2012

According to PACT estimates, 2012 was a good year for the UK indie sector as the independent sector's TV revenues grew by 16.3% in 2012 to £2.6bn, which was the third year of consecutive growth. The most significant change in 2012 was in reported revenue from UK primary commissions, which recovered strongly (up 23.4% year on year) with more broadcasters spending on original output and leading commissioners having increased investment. Along with previous years, international sales of UK finished programmes and other international income continued to grow, increasing by 27.7% and 2.8%, respectively.

Figure 2.42 Independent producer TV-related revenues



Source: PACT Independent Production Sector Financial Census and Survey 2013. 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.

Spend on first-run originations by genre, in-house vs. independent producers

According to Ofcom broadcaster returns, in terms of the main five PSBs and BBC digital channels, the relative share of spend on first-run content produced by independent producers, as opposed to in-house, has changed only slightly in the past five years, from 47% in 2007 to 45% in 2012. In the meantime, according to Ofcom measures⁵⁴, total spend on first run network originations by the main five PSBs and BBC digital portfolio grew marginally, by £51m to £2,536m.

While the overall relative share of spend on first-run originated network content produced by the independent production sector declined by only two percentage points between 2007 and 2012, the story varies across different genres. Independent producers’ relative share of spend has fallen in children’s (-9pp), education (-10pp), religion and ethics (-12pp), and Sports (-10pp) genres. In contrast, it has increased in Arts & Classical Music (+13pp), entertainment & comedy (+6pp) and feature films (+7pp); and remained broadly stable in news and current affairs (+2pp), drama and soaps (+1pp), and factual (+1pp). Two genres particularly stood out in 2012: all spend on first-run feature films was picked up by independent producers, while the great majority of sports programming spend (91%) was dedicated to in-house productions.

⁵⁴ Ofcom’s and PACT’s revenue figures for the independent sector differ because of different methodologies used. Most importantly, while PACT’s revenue figures are based on commissions, Ofcom’s figures are based on transmissions. In addition, Ofcom’s figure excludes spend by multichannels.

Figure 2.43 Relative share of spend on first-run originated network content, by genre: in-house vs. independent producers: 2007 and 2012



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

2.2.7 Spend on first run originations

Spending on first-run originations by the main five PSB channels grew by 3% in 2012

Spend on first-run originated programming for the main five PSB channels remains virtually unchanged since 2007, declining by just £11m in nominal terms, from £2,599m in 2007 to £2,588 in 2012. In 2012, this spend increased by 3% (or £82m) year on year. 2012 was a big year for sport, with the London Olympic and Paralympic Games as well as the Euro 2012 football tournament – much of the increase in spend on first-run originated programming can be attributed to these events.

The value of output broadcast in the peak-time timeslots increased by £73m in nominal terms to £1,052m in 2012. The cost of programming in late-night schedules also increased year on year, although to a lesser extent, by £10m (or 4%) to £257m, while spend on content broadcast during the day was broadly flat, increasing by only £1m year on year to £564m in 2012. Nations/regions content was the only category that experienced a decline in spending in 2012, albeit only £1m (or 1%). It also experienced the sharpest decline since 2007, as its spend fell by 4% at a compound annual rate.

Figure 2.44 Spend on first-run originated output on the five main networks



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 do not include the BBC's digital channels.

2.2.8 Television industry output

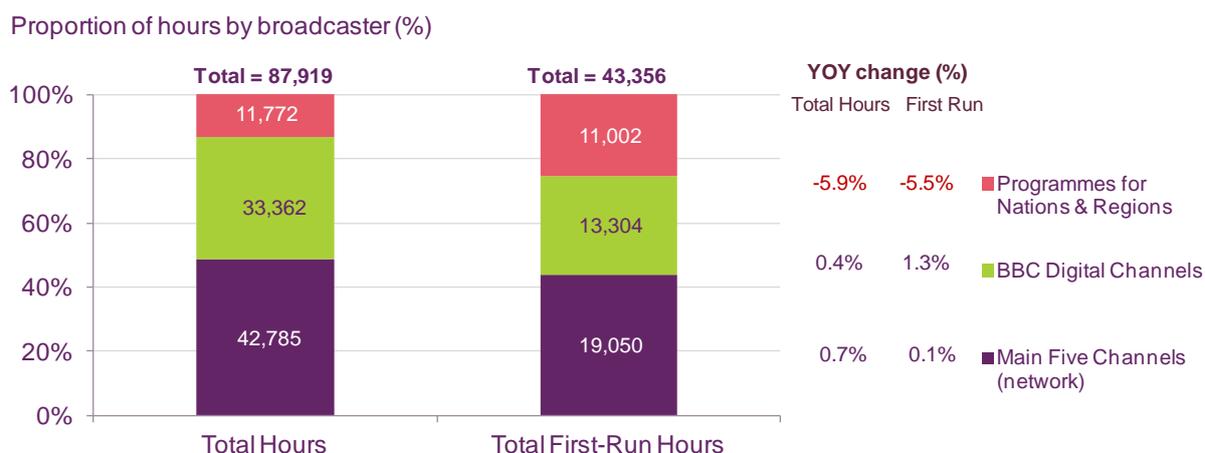
Two million hours of television were broadcast in 2012, up 3% year on year

Overall, 1.9 million hours of television were broadcast in the UK in 2012, up 3% year on year.

Figure 2.45 illustrates the number of network hours broadcast by the five main PSB channels, as well as hours on nations and regions content, and the BBC digital channels. Of the 1.9 million hours broadcast in 2012, these channels accounted for 87,919 (5%). Of these 43,356 were first-run originations (produced in-house or made by an external producer).

Among the five main PSB channels, almost half (44%) of the 42,785 hours broadcast were first-run originations. BBC digital channels' output was 40% originations. The majority of programmes made by the BBC and Channel 3 licensees for the nations and regions (93% of 11,772) were also first-run originations.

Figure 2.45 PSBs' total and first-run originated hours of output, all day: 2012



Source: Ofcom/broadcasters. Note: Percentage figures in brackets represent year-on-year change. The first-run figures include in-house originated productions and external commissions, not first-run acquisitions. ITV Breakfast is included within the figures for the five main channels. Regional hours exclude Welsh and Gaelic-language programming but include a small proportion of Irish-language programmes.

2.2.9 Television output on the five main PSB channels

Hours of first-run originations down by 2% year on year

Total broadcast hours of first-run originated programming among the main five PSBs declined marginally (2%) in 2012 to 30,052 hours.

The increase in hours of first-run originated programming seen last year in the nations and regions was not sustained in 2012, with originations declining by 5.5% (down from 11,547 in 2011 to 11,002 in 2012). Over the five year period since 2007, hours of first-run content in the nations and regions have fallen by almost 860 hours (or -1.5% CAGR).

Network hours of first-run originations in both peak and non-peak time remained relatively unchanged year on year. But over the five-year period, first-run programming broadcast in the non-peak timeslot has declined by over three thousand hours (or 4.3%), from 16,646 in 2007 to 13,365 in 2012. Meanwhile, hours of first-run originations in peak time have remained relatively consistent over the corresponding time period (up 142 hours or 0.5% CAGR since 2007).

Figure 2.46 Hours of first-run originated output on the five main channels



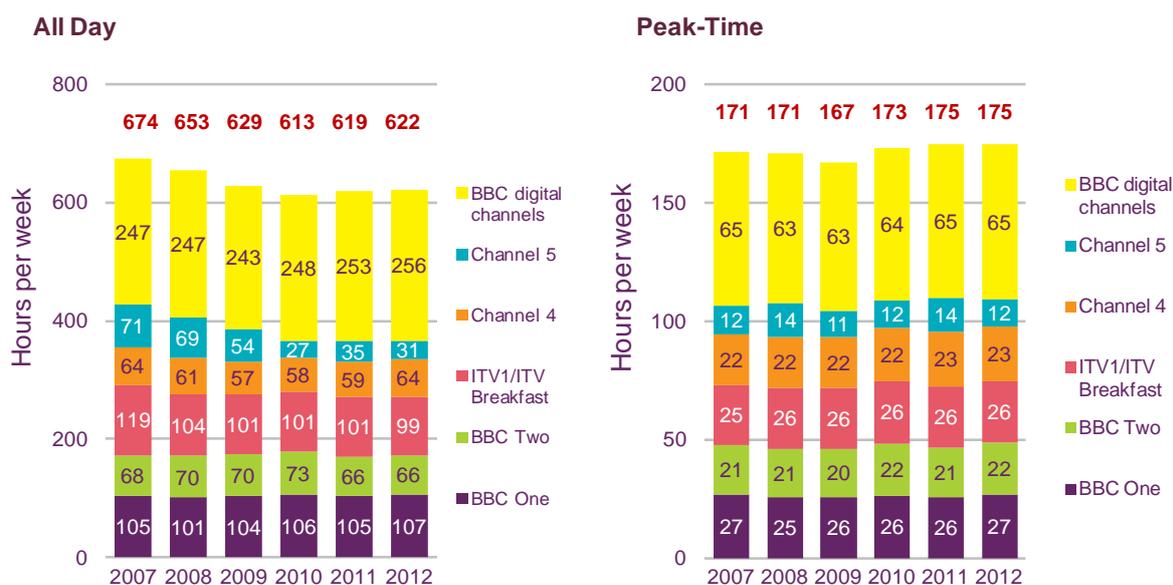
Source: Ofcom/broadcasters. Note: Figures include ITV Breakfast but do not include the BBC's digital channels. Regional hours exclude Welsh and Gaelic-language programming but do include a small proportion of Irish-language programmes.

Figure 2.47 illustrates how many hours of first run-originations the PSB channels (including the five main PSB channels and the BBC's digital channels) broadcast, on average, per week.

In 2012, the figure stood at an average of 622 hours per week across the entire day (24 hours), down from 674 hours in 2007. Over the five-year period, Channel 5 and ITV1 experienced the largest relative declines (down 40 hours and 20 hours per week respectively), while the BBC digital channels experienced the largest relative increase, up by nine hours per week since 2007.

In peak time, the number of first-run hours per week was unchanged year on year, at 175 hours, and up marginally (4 hours per week) over the five-year period. All five PSB channels are broadcasting a similar number of hours of first-run programmes in peak-time as in 2007.

Figure 2.47 First-run network originations by PSBs: all day and peak time, per week



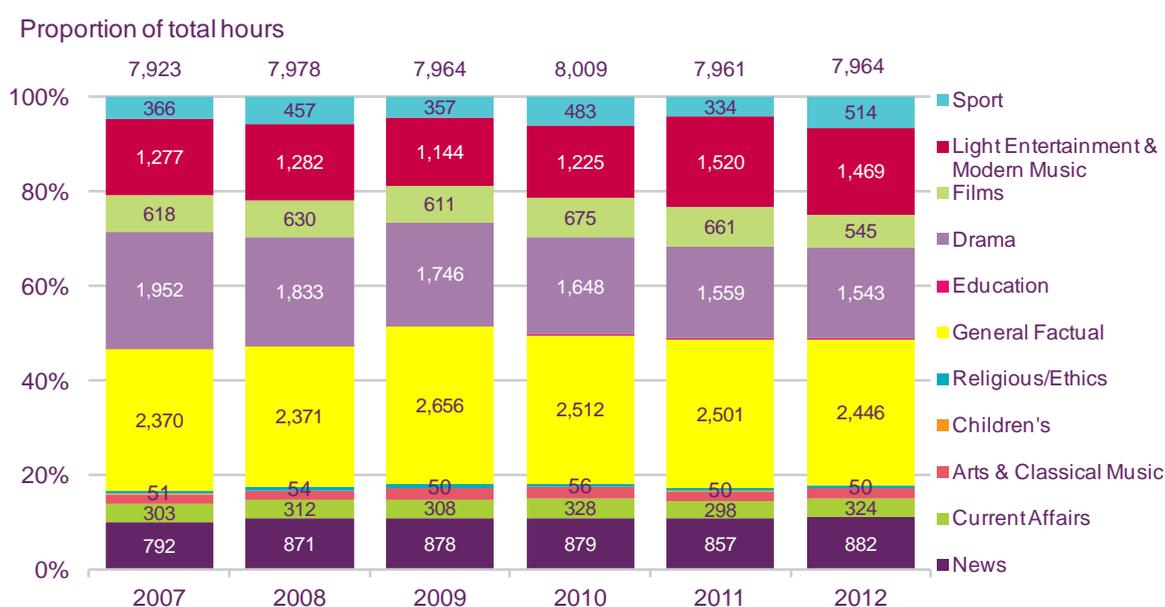
Source: Ofcom/broadcasters.

Note: Figures do not include spend on nations and regions output.

Now looking at total networked hours, at the programme genre level, among the five main PSB channels in peak time, there was a marked increase in hours of sports programming during 2012 (up 54% to 514 hours) driven by the coverage of the London Olympic and Paralympic Games as well as by the Euro 2012 football tournament. More hours of sport were broadcast by the main five PSB channels in 2012 than in any year since 2007. The biggest relative reduction in hours was in films (down 18% or 116 hours).

Other significant changes include a 9% increase in hours of current affairs programming in peak time, as well as a 3% drop in hours of light entertainment and modern music.

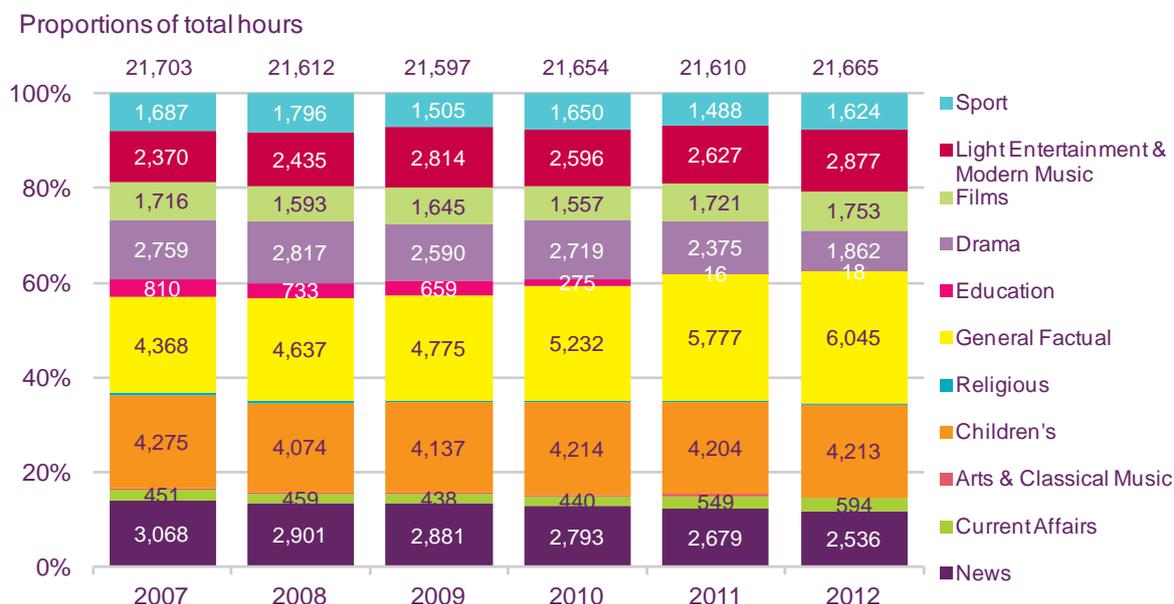
Figure 2.48 Genre mix on the five main PSB channels: peak time, by hours



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

The number of hours of sports programming in 2012 also increased in the daytime (up 9% or 136 hours), although the most significant change was a 22% decline in hours of drama programming across the main five PSBs.

Figure 2.49 Genre mix on the five main PSB channels: daytime, by hours



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

Figure 2.50 sets out the genre mix of the BBC's digital channels, which remains broadly similar to 2011 –mainly because three of the five digital channels are single-genre (CBeebies, CBBC and News24). The most notable year-on-year differences are fewer hours dedicated to Arts and Classical Music (down 23%) and Current Affairs (down 15%). The biggest relative increase year on year was the 14% increase in the 'other' category, which is again most likely to have been influenced by the PSB's coverage of the big sporting events in 2012.

Figure 2.50 The BBC's digital channels genre mix: all day, by hours



Source: Ofcom/broadcasters. Note: BBC digital channels include BBC Three, BBC Four, BBC News 24, BBC Parliament, CBBC, CBeebies. Investment figures are in 2012 prices. 'Other' includes: Education, Drama, Film, Religion and Sports.

2.2.10 Multichannel output and spend

Multichannel broadcasters transmitted over 1.58 million hours of output in 2012

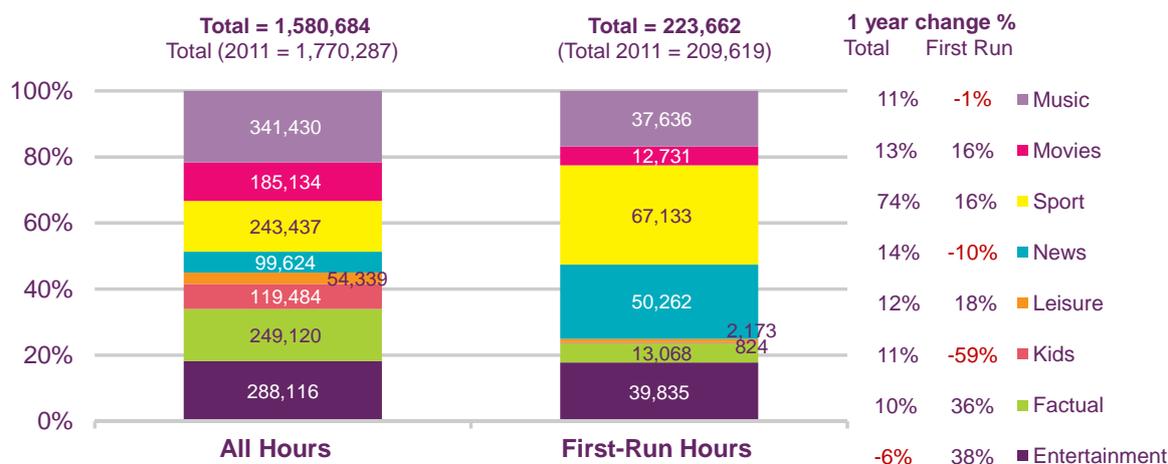
Figure 2.51 focuses on the composition of the broadcast hours in the multichannel sector. Among the eight genres included in our analysis, music represented 19% of the total hours broadcast by the multichannels in 2012. The second largest genre was entertainment (16%).

Total first-run multichannel hours, which include first-run originations and first-run acquisitions, increased by 7% year on year to 223,662 hours in 2012. Sports and news represent a disproportionately high number of first-run hours, because the majority of their output is live.

The largest relative year-on-year increases in hours of first-run programming for the multichannel sector were in the entertainment (up 38%) and factual (up 36%) genres. This may be explained by the increase in live reality-based talent shows, as well as BSkyB's investment in arts and documentary programmes.

Figure 2.51 Total multichannel hours and first-run originations/acquisitions: 2012

Proportion of hours by channel genre (%)



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

Multichannel content spend increased by 3% in 2012 to £2.7bn

Commercial multichannel broadcasters in the eight mainstream genres spent £2.7bn on programmes in 2012, a 3% increase year on year in nominal terms. At £1.5bn, sports programming represented more than half (56%) of the total multichannel spend, and experienced a 3% increase year on year. Broadcasters' investment in sports content is likely to increase further next year as the new Premier League rights deals come into effect.

Spend on factual programming rose by 28% to £90m, the largest relative increase year on year.

Figure 2.52 Content spend by commercial multichannels in key genres: 2011-2012



Source: Ofcom/broadcasters. Note: Spend expressed in nominal terms. Excludes BBC digital channels.

2.2.11 Other audio-visual revenue

Online TV revenue continues to increase steeply

Online TV revenue in the UK has increased 12-fold in the past five years, from £21m in 2007 to £252m in 2012, according to data from IHS Screen Digest. Year on year, the total market grew by 38%.

The free-to-view (FTV) business model remains the principal contributor to overall online TV revenues, accounting for 57% of the total, and contributing £143m in 2012. The principal driver of this revenue stream is advertising, and catch-up services such as ITV Player, 4oD and Demand 5, are all funded wholly or in part by this business model. Growth in this revenue stream is likely to be one of the factors behind the decline in broadcast-based TV advertising experienced in 2012.

The subscription model for online audio-visual content access saw the steepest growth in 2012, as its revenue grew 2.5-fold to £62m, in response to the recent launch and growing importance of new services in this area, such as Netflix, and Lovefilm's instant streaming service. These alternative services may have been an explanatory factor in the contraction of the pay-per-view (PPV) model, which declined by 32% in 2012; according to IHS Screen Digest's estimates, this was the first decline in the five-year period.

The download-to-own business model (DTO) experienced further growth in 2012, growing by 8% year on year to £44m, but it was at a much slower rate than in 2008 when its income rose five-fold, and 2010 when it expanded by 132%.

Figure 2.53 Online TV revenues



Source: IHS Screen Digest. Note: FTV (free to view) refers to services delivering online video free to the end consumer. Number of FTV streams includes both ad-supported services and services funded through other means (such as BBC iPlayer). FTV revenues include advertising revenues only. PPV (pay per view) refers to a method of renting digital content whereby customers commonly choose content on a la carte basis and pay to watch it for a limited period. The category includes all content consumed on an on-demand basis, including traditional PPV (such as per live sports) and VoD. DTO (download to own) refers to a method of obtaining content that gives the customer ownership over the files they have downloaded, allowing the customer to use the content as many times as they like. Some figures have been restated since last year following consultation with broadcasters.

2.3 The TV and audio-visual viewer

2.3.1 Summary

This section examines the availability and take-up of digital TV platforms and trends in television consumption, including some categories of non-linear viewing, during 2012. It also analyses viewers' attitudes to television. The key points include:

- **On average viewers watched 4 hours of television per day in 2012; this has increased from 3 hours 42 minutes in 2004.** All age groups have increased or maintained their television consumption compared to 2004 except for adults aged 25-34, whose viewing fell by 12 minutes a day.
- **Younger adults watch television the least, with those aged 16-24 being the lightest viewers, while those aged 65+ are the heaviest viewers.** At the highest point of average weekday viewing there were 1.9 million 16-24s watching TV in 2012, about 30% of all 16-24s. In contrast there were 6.7 million aged 65+, 66% of this age group.
- **The main five PSBs and their portfolio channels together attracted 72.9% of total viewing in multichannel homes, a decline of 0.6 percentage points year on year.** This was due to a 1.2 percentage point fall in the audience share of the main PSBs, albeit in the face of the continuing growth in the audience share of their portfolio channels, which was up 0.6 percentage points to 20.9%.
- **Nonetheless, of the top 20 channels ranked by audience share in 2012, 15 were PSB main channel services or PSB-owned.** Three BSkyB-owned channels and two UKTV channels made up the five remaining channels.
- **Despite the increased penetration of digital video recorders (DVRs), only 10% of total viewing was time-shifted in 2012.** Over two-thirds (67%) of the population now have a DVR at home, up from 18% in 2007. However, the proportion of viewing among all individuals that is time-shifted has increased by only eight percentage points (from 2% in 2007 to 10% in 2012). Among DVR owners, total time-shifted viewing has increased by just one percentage point over the corresponding period, from 15% in 2007 to 16% in 2012.
- **The majority (55%) of the UK population thought that the quality of TV programming stayed about the same since the previous year,** while just under a third of UK adults (31%) felt that it had got worse, and 13% thought that it had improved.
- **YouTube maintains its leadership in the online video sharing market,** attracting 28 million unique visitors in April 2013, up 9% year on year, according to comScore MMX data.

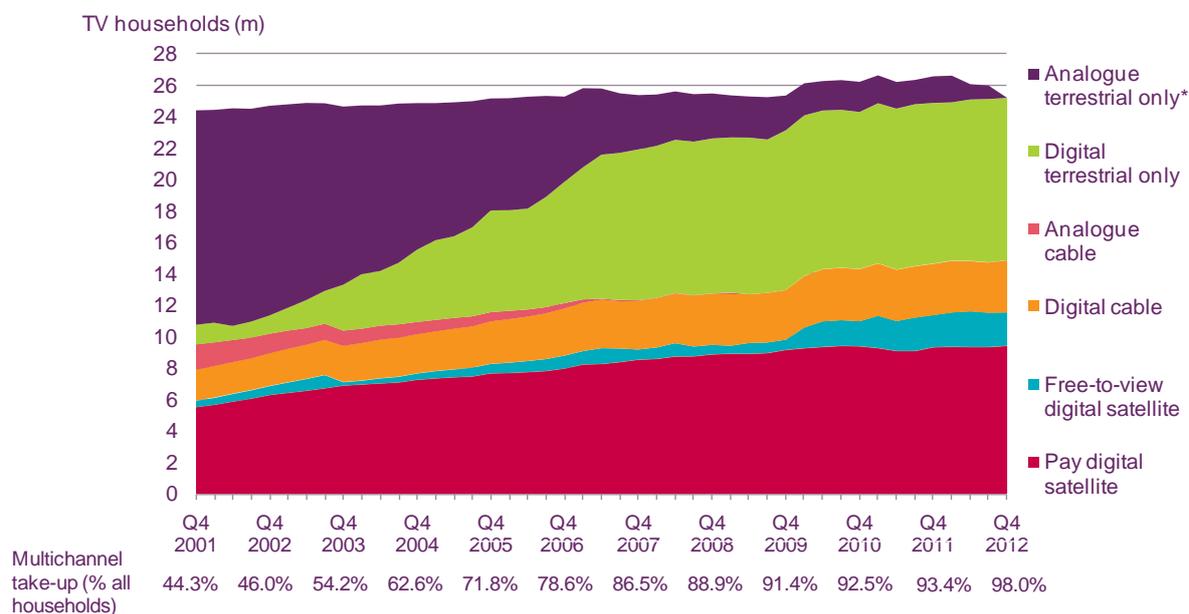
2.3.2 Multichannel television take-up

The digital switchover programme is now completed

Following the completion of digital television switchover in October 2012, in Q4 2012 98% of households (or 25.1 million) received digital television over any platform, an increase of nearly 5 percentage points year on year. The remaining 2% of households included households that watched television through a connected device such as a games console,

households that did not have a TV set and any other households whose TV sets could not receive a digital signal.

Figure 2.54 Platform take-up survey results: Q4 2001 – Q4 2012



Source: Ofcom / GfK NOP consumer research from Q1 2007. Sample GB only.

Note: (1) Previous quarters include subscriber data and Ofcom estimates for digital terrestrial and free-to-view satellite. *Some analogue terrestrial only households would have watched TV through a device connected to their set (e.g. a games console), through another connected device or misreported themselves as analogue terrestrial. From Q2 2012 GfK amended its questionnaire in regions where switchover was complete so that non-multichannel households were no longer recorded as TV households.

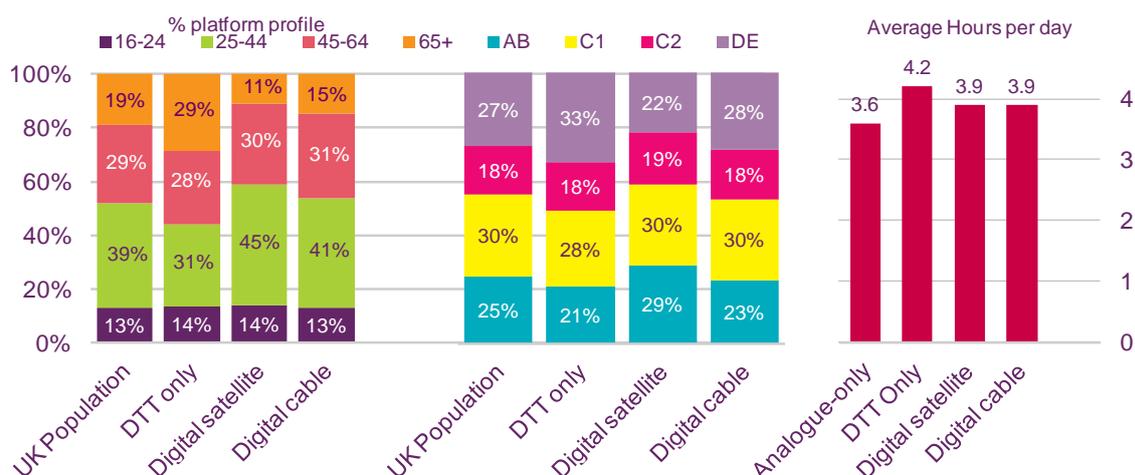
The demographics of TV platforms vary

Figure 2.55 shows the age and socio-economic composition of the main three platforms in the UK, together with television viewing by platform. Digital satellite homes have a much younger ownership base than other platforms. Adults aged 16-44 account for 59% of satellite homes, whereas digital terrestrial (DTT)-only homes have an older profile: adults aged 16-44 account for less than half (45%) of the DTT ownership base. Twenty-nine per cent

of DTT-only homes are aged 65 and over, and because television consumption increases with age, and those aged 65+ are the heaviest viewers, it is unsurprising that the average hours of television consumed per day in DTT-only homes is much higher than in either digital satellite or digital cable homes.

Digital satellite households have the highest proportion of ABC1 viewers of the three platforms, marginally higher than the UK population average. The affluence of this group means they may have more disposable income to spend on premium pay-TV channels offered by BSkyB. By contrast, around one third of DTT-only homes are in DE homes.

Figure 2.55 Platform by age, socio-economic group and viewing hours



Source: Ofcom 2012 data and BARB 2012 data

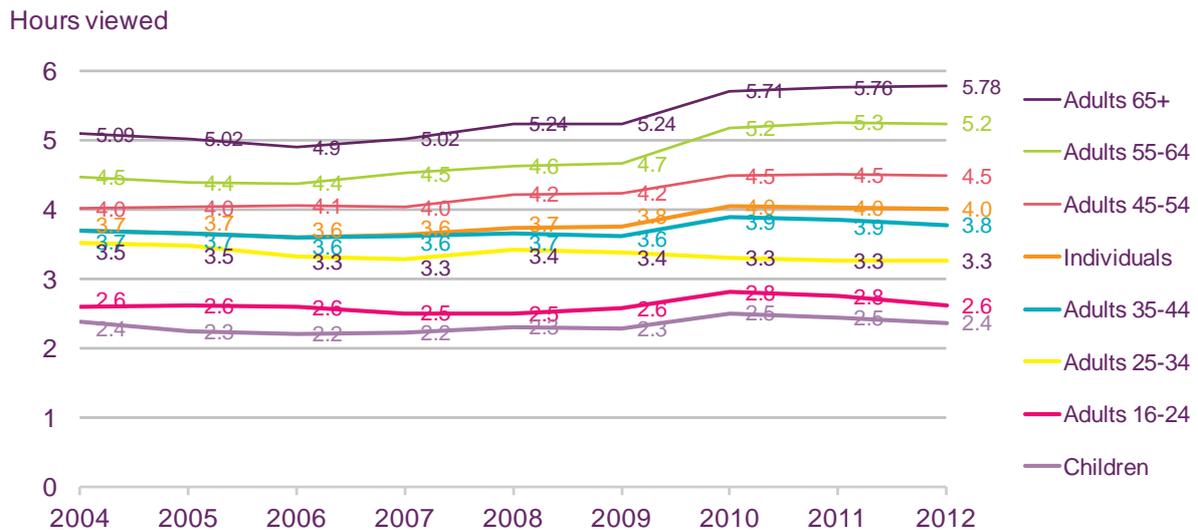
2.3.3 Television viewing

Viewers watched on average four hours of television per day in 2012

According to the Broadcasters Audience Research Board (BARB), the average number of hours of television watched by individuals in the UK has risen over the past eight years from 3 hours 42 minutes a day in 2004 (3.7 hours) to 4 hours per day in 2012 (4.01 hours). The last three years have been broadly stable, at 4 hours per day, the highest level than at any other point since 2004, with daily consumption in 2012 only around two minutes less per day than in the previous two years. The increase in daily viewing hours pre and post 2010 may be the result of a new BARB panel introduced in January 2010.

All age groups' consumption of television has increased or stayed the same compared to 2004, except for adults aged 25-34, whose viewing fell by 12 minutes a day. Adults aged 55-64 had the greatest increase in viewing hours; from 4 hours 30 minutes a day in 2004 to 5 hours 12 minutes per day in 2012. This is an additional 42 minutes per day compared to eight years ago. The average daily hours of viewing for 16-24 year olds and children were unchanged between 2004 and 2012.

Figure 2.56 Average hours of television viewing per day, by age, all homes: 2004 to 2012

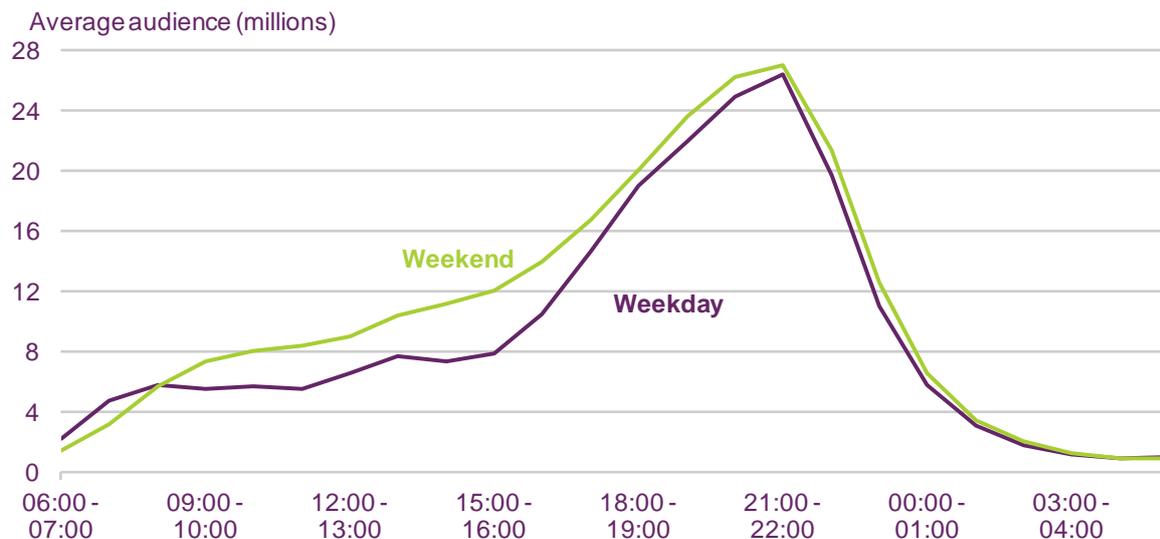


Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

TV audiences peak between 9pm and 10pm

The distribution of television audiences throughout the day is broadly similar for the weekday and the weekend, although audiences are generally higher on Saturdays and Sundays (Figure 2.57). The size of the audience during the weekday and the weekend is most similar in the early morning and from early evening onwards. The biggest difference is mid-afternoon (2-4pm) when the weekend audience is around 4 million higher than on weekdays. The only time when the weekday audience is higher than the weekend audience is during the morning breakfast slot, from 6am to 9am, as people prepare for work and school. Viewing peaks between 9pm and 10pm for both weekdays and weekend, with over 25 million viewers on average for each (just over 45% of the total population).

Figure 2.57 Average 2012 audiences, weekdays/weekends, by day part: all homes

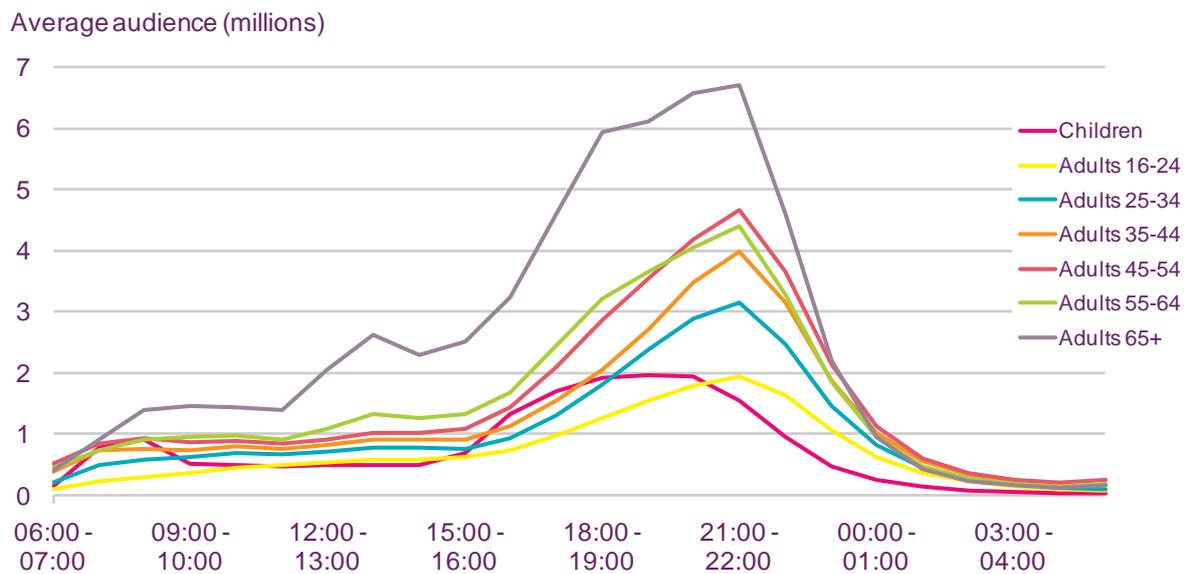


Source: BARB, all individuals 4+.

Looking at weekday audiences, adults aged 65+ make up the largest audience group throughout the day (Figure 2.58). Their viewing rises during breakfast and lunchtime hours, dipping in between. Between 9am and 4pm all audiences show similar levels of viewing activity, with little variation in the volume of viewers by time. From 4pm onwards the number of viewers among all age groups increases steadily, reaching a peak between 9pm to 10pm for adult audiences. Children's viewing accelerates more quickly than any other audience from 4pm and reaches a peak an hour earlier than adult viewers, between 8pm and 9pm.

Of adults, the younger 16-24 and 25-34 audiences watch TV the least, with those aged 16-24 being the lightest TV viewers. At the highest point of viewing on a typical weekday there were 1.9 million 16-24s, about 30% of all 16-24s. In contrast, the biggest audience for adults aged 65+ was 6.7 million, 66% of this age group.

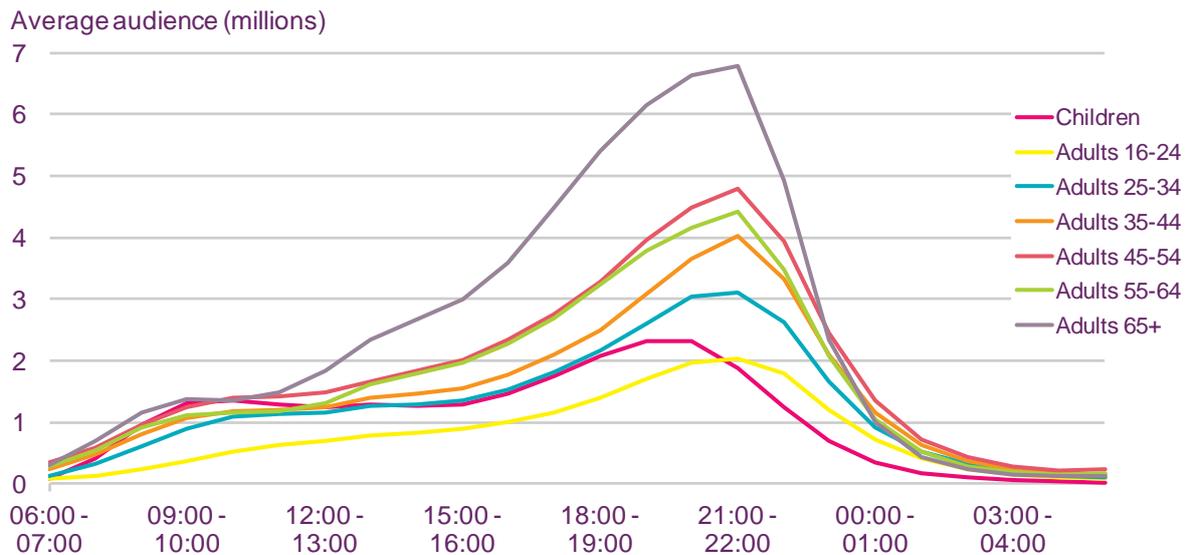
Figure 2.58 Average 2012 weekday audiences, by day part and age: all homes



Source: BARB.

Like weekday viewing, the largest proportion of the weekend viewing audience is among those aged 65+ (Figure 2.59). The distribution of their viewing at the weekend is steady, with dips in the morning and afternoon and increasing smoothly throughout the day, particularly from midday onwards. The viewing pattern for all age groups shows a more sustained level of viewing between 9am and 4pm, compared to weekdays. Young adult viewers (16-24) consistently increase in viewing numbers until 9pm, unlike the other age groups where viewing dips after 9am. In the peak hours between 9pm and 10pm, the absolute numbers of viewers for the adult age groups are comparable with weekday levels.

Figure 2.59 Average 2012 weekend audiences, by day part and age: all homes



Source: BARB.

The main TV set in the home remains the most popular device for TV viewing

The 'main' TV set remains the most popular means of watching TV (typically the set in the living room) from 2002 to 2012. Viewing to the 'main set' represented 87% of total viewing in 2012. In terms of reach, 91% of adults watched TV on the main set in 2012, which compares to an overall reach across all TV sets of 95%. Over this period the proportion of single TV set homes has risen from 35% to 41% in 2012.

Figure 2.60 Total TV viewing, main sets vs. other sets: 2002-2012



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

2.3.4 Channel reach

Collective reach of the multichannels continues to exceed each of the main PSBs

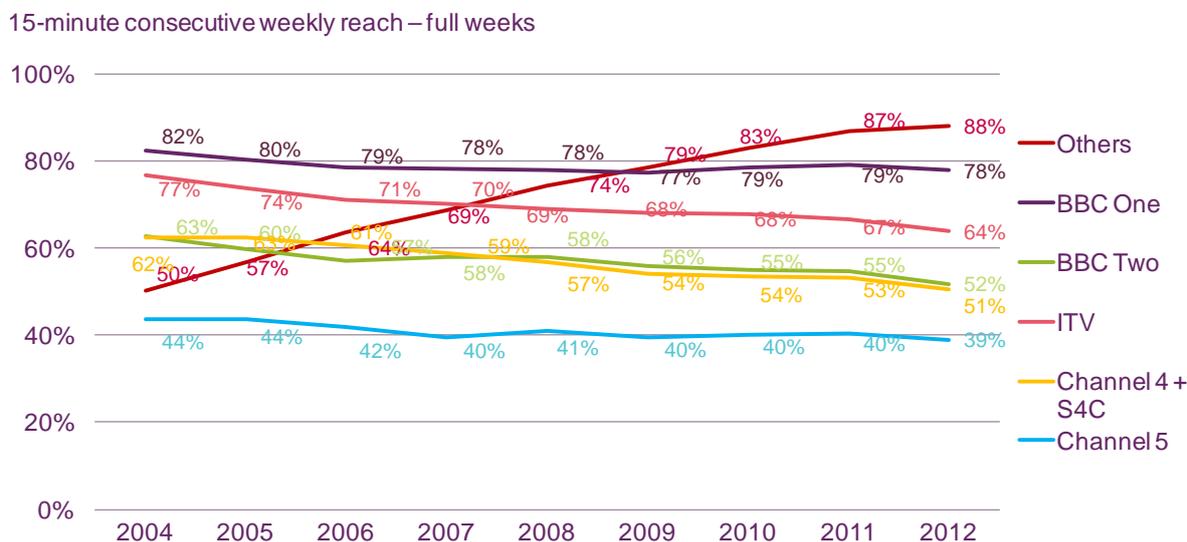
The average weekly reach in 2012 across total TV was 95.1% for all adults 16+ (3+ consecutive minutes) and 94.8% for all individuals 4+. Whereas based on 15+ consecutive minutes, the reach figures were 94.1% and 93.6% respectively.

The number of viewers of the main five PSB channels in an average week has been in decline since 2004. In parallel, the impact of digital switchover has seen the combined average weekly reach to the remaining 'other' digital services increase strongly, from 5 in 10 individuals (50%) in 2004 to nearly 9 in 10 individuals (88%) in 2012. The combined 'other' channels now command more viewers in an average week than any single main PSB channel. In 2004, combined 'other' channels ranked fourth, just above Channel 5.

ITV's reach has fallen furthest since 2004; by 13 percentage points, followed by Channel 4 with 12 percentage points and BBC Two with 11 percentage points. BBC One and Channel 5 have been the most resilient, with four and five percentage point decreases respectively over the same period.

Looking at changes since 2007, Channel 4 had fewer viewers (by 8pp) in an average week in 2012 compared to 2007. The comparable reductions for ITV and BBC Two were six percentage points each. Channel 5's reach has shown a flat trend between 2007 and 2012, sustaining a weekly reach of around 40% across the past five years. BBC One has also maintained a steady pattern over the same period, with a consistent weekly reach of around 78%. The number of viewers who watch 'other' digital channels in an average week has increased by 18% compared to 2007.

Figure 2.61 Average weekly TV reach, all homes: 2004-2012



Source: BARB Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C weekly reach in 2011 was 1% (all homes). HD and SD viewing included.

2.3.5 Viewing shares of the main five PSB channels

The combined share of 'other' channels continues to grow

Over the last two decades the audience share of the main five PSB channels have gradually eroded in all homes. BBC One and ITV have incurred the biggest losses, but remained the two most popular channels in the UK in 2012 (Figure 2.62).

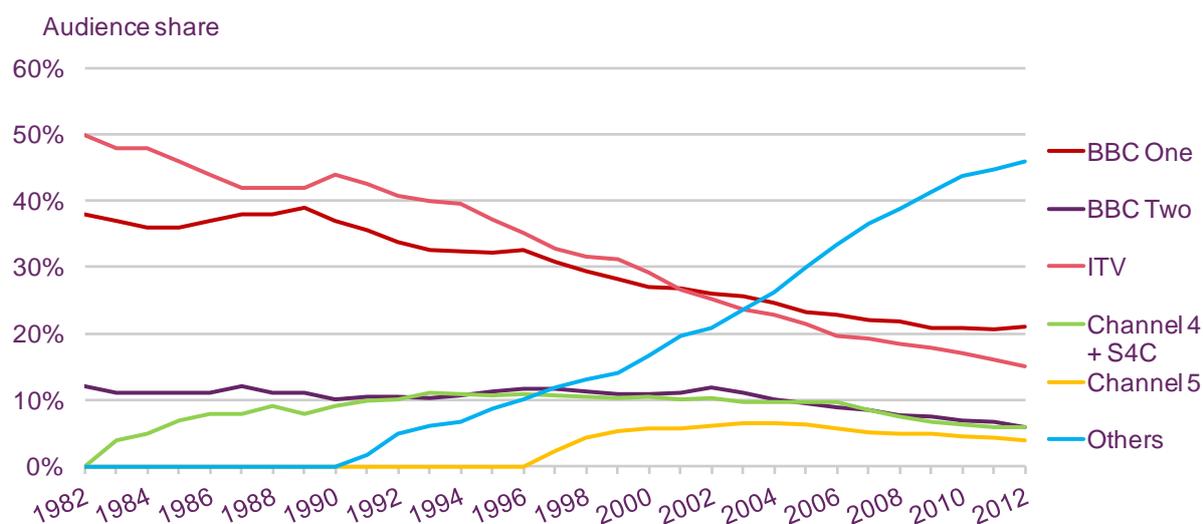
Over the shorter term, the audience share of the main five PSBs have remained relatively stable, with BBC One, BBC Two, Channel 4 and Channel 5 losing only one percentage point since 2009 and ITV three percentage points. Year on year, BBC One increased its share slightly (20.7% in 2011, to 21% in 2012), possibly lifted by viewing to the Olympics, and was the only main PSB broadcaster to do so.

The arrival of the multichannel platform has boosted the share of 'other' channels. In 2004, two years after the launch of the Freeview platform, the aggregated share of the non-terrestrial channels overtook the largest PSB channel, BBC One, for the first time. The increased market share of the non-terrestrial channels has continued to rise since the 1980s, due to the increased channel choice it offers to consumers and the growing take-up of multichannel television, and perhaps boosted by the start of the digital switchover in 2008. 2007 saw the launch of BT Vision, and the Freesat platform followed in May 2008. In 2012, the combined audience share of 'other' digital channels stood at just under half (45%), more than double the share of BBC One and more than double the 21% share it held itself in 2002.

The picture for BBC Two, Channel 4 and Channel 5 has been more stable over the long term, with relatively flat trends in share. Looking at the two commercial PSB channels launched in the past three decades, Channel 4's share in 2012 is just 2% higher than in 1983, the year after it launched in November 1982. Channel 5 went on air in March 1997 and its share is also 2% higher in 2012 than in its launch year and the same as in its full reporting year of 1998 (2% share in 1997, 4% in 1998 and 4% in 2012).

Examining the two channels in more detail, Channel 4's share increased progressively between 1983 and 1988, dipping by one percentage point to 8% in 1989 before climbing again to reach an 11% share, which it sustained for five years between 1993 and 1997. It maintained a constant 10% share of viewing between 1998 and 2006, before declining by four percentage points to a 6% share in 2012. Channel 5 steadily increased its share of viewing by five percentage points in the seven years after its launch, reaching a high of 7% before beginning to dip in 2007, alongside Channel 4.

Figure 2.62 Channel share in all homes: 1982-2012



Source: BARB, TAM JICTAR and Ofcom estimates. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2012 channel share = 0.2%. HD and SD viewing included.

The combined share of the five main PSB channels accounts for over half of all viewing

The collective share of the five main PSB channels in all homes was 52.0% in 2012, down 1.7 percentage points on the previous year. This follows a pattern of a historical decline since 2004, when their overall share stood at just under three-quarters of viewing (73.8%).

Individually, each of the five main PSB channels has seen their share decline since 2004. BBC One has fallen by 3.7 percentage points since 2004, but its 2012 share was up by 0.3% on 2011. BBC Two and Channel 4 fell by a similar amount over the nine-year period (by four and 3.8 percentage points respectively) and ITV fell by 7.8 percentage points. Channel 5 declined by 2.6 percentage points. Since 2009 the gap in share for Channel 4 compared to BBC Two and Channel 4 has narrowed. In 2004 BBC Two and Channel 4 had a 3.4% and 3.2% respective lead in share over Channel 5. By 2012, the lead for both channels had narrowed to 2%.

Figure 2.63 Five main PSB channels' audience share, all homes



Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2012 channel share = 0.1%. HD and SD viewing included.

The combined share of the main five PSB channels is stronger in digital terrestrial homes

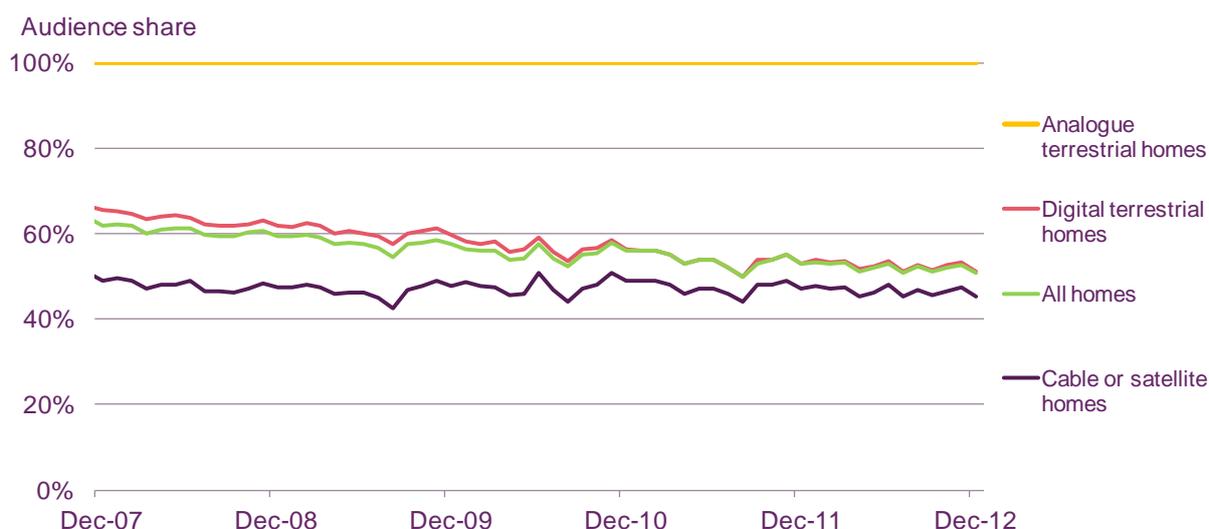
Figure 2.64 compares the performance of the five main PSB channels in homes with different digital television platforms. The total share of the television audience for the main PSB channels is stronger in homes with digital terrestrial⁵⁵ compared to households who have cable or satellite⁵⁶.

Over time the share of the main PSB channels has fallen in both types of home, due to the increasing number and rising share of other digital channels. The fall has been greater in digital terrestrial homes.

⁵⁵ Digital terrestrial includes Freeview and BT Vision platforms

⁵⁶ Cable or satellite includes Sky, Virgin and Freesat platforms

Figure 2.64 Five main PSB channels' audience shares, by platform



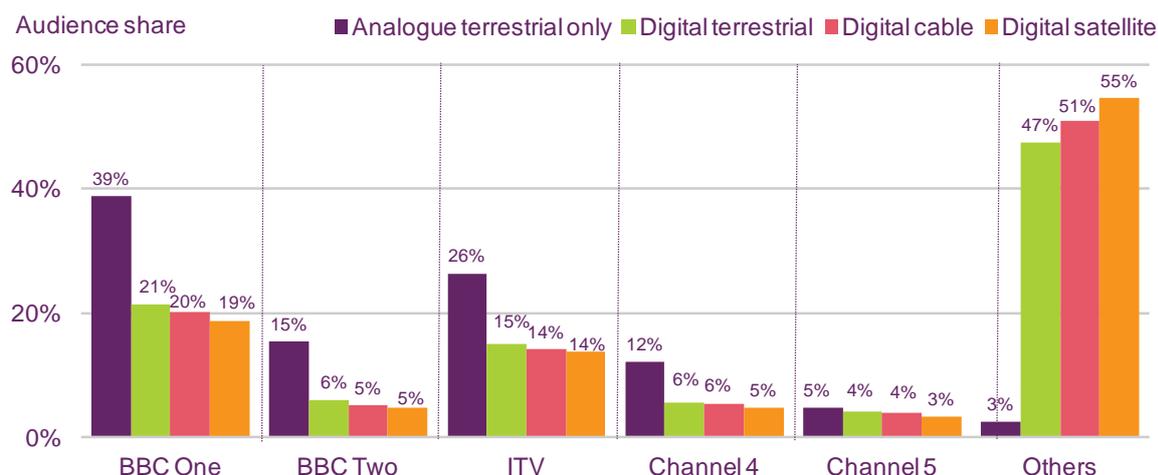
Source: BARB, all homes, all viewers, various platforms. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2012 channel share (all homes)= 0.1%. HD and SD viewing included.

Audience shares of the PSB channels vary by platform. Digital switchover was not completed until October 2012, and unsurprisingly, the five main PSB channels were most popular in analogue terrestrial-only homes, where the channel choice was limited to five channels.

Comparison of the share of the individual PSB channels, in homes with access to digital platforms, show little difference between digital terrestrial, digital cable and digital satellite homes (Figure 2.65). This may be attributable in part to the prominence of the main PSB channels in the channel line-up.

'Other' channels take over half of the viewing audience (55%) in digital satellite homes, which is higher than in digital terrestrial households (47%). This is likely to be driven by the large channel choice offered by the Sky platform, as well as the wide selection of channels offered by Freesat, compared to the range available on digital terrestrial television.

Figure 2.65 Channel share, by platform: 2012



Source: BARB. Individuals in platform homes, Share (%). HD and SD viewing included Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2012 channel share (all homes) = 0.1%.

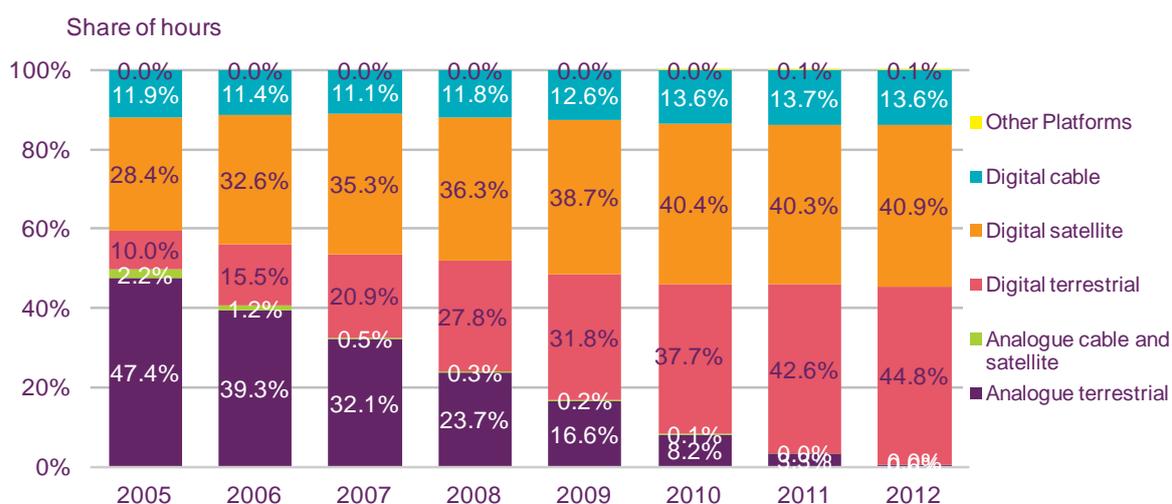
2.3.6 Viewing by TV platform signal

Viewing via the digital satellite signal is catching up with digital terrestrial

As platforms in households converge and people can view television through more than one platform, Figure 2.66 shows the proportion of total viewing hours spent through each platform signal, as a proportion of total viewing hours through all platforms.

Although viewing through the digital terrestrial signal remains the most popular way of consuming television in 2012 (44.8% of viewing), it is now only 3.9 percentage points ahead of the digital satellite platform. The share of hours' viewing to analogue terrestrial and digital terrestrial combined has remained relatively strong (57% in 2005 and 45% in 2012) suggesting that as viewers moved away from the analogue terrestrial platform, they migrated mainly to digital terrestrial, but also to digital satellite, whose share has increased by 12.5 percentage points since 2005. Viewing through the digital cable platform has remained static, growing by a modest 1.7 percentage points compared to 2005.

Figure 2.66 Share of total TV viewing hours, by platform signal



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

Over half of viewing of the five main PSBs is via the digital terrestrial signal

The digital terrestrial platform accounted for 53.1% of total viewing hours to the five main PSBs in 2012, with the remaining 46% on digital satellite and cable. The digital satellite platform does not drive viewing hours as much for the five main PSBs as it does for all television viewing (see Figure 2.67). Since the start of digital switchover in 2008, viewing through the digital terrestrial platform has almost doubled; from 27.4% to 53.1%, digital satellite has increased its share by 8.1 percentage points, and digital cable by 4.1 percentage points.

Figure 2.67 Five main PSB channels' share of total hours, by platform signal



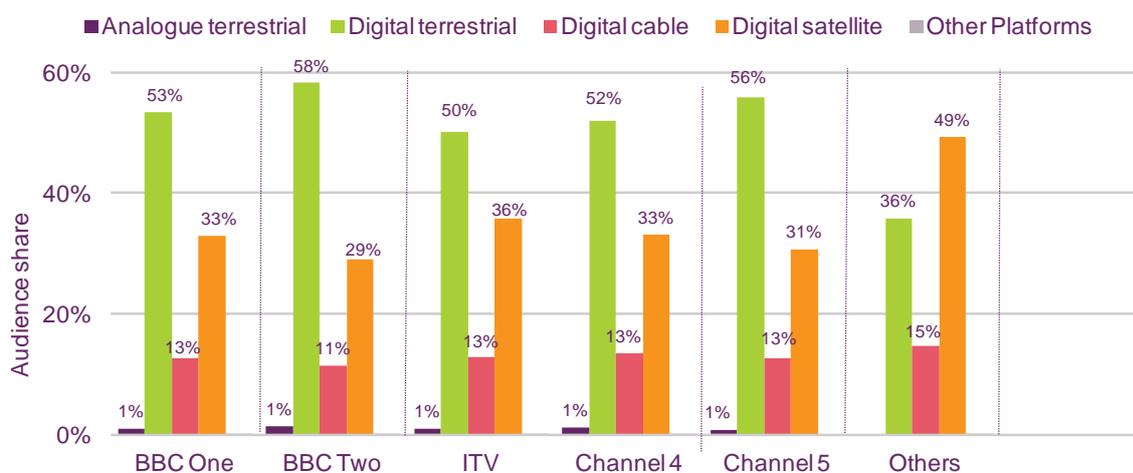
Source: BARB, all Individuals, total hours. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts.

Individually, viewing of the main PSB channels is most popular through the digital terrestrial signal, taking more than half of the total viewing hours to each channel. BBC Two and

Channel 5 perform best on the DTT platform, in terms of the proportion of total hours accounted for by digital terrestrial on each channel, followed by BBC One, Channel 4 and ITV. Viewing through digital satellite accounts for between 29% to 36% among each of the PSB channels, with ITV being the most watched and Channel 5 the least, as a proportion of their total viewing hours. Viewing through the digital cable platform is equally distributed, at 13% for each of the main PSBs, except for BBC Two, where 11% of all viewing to the channel is through the cable platform.

For the remaining PSB channels ('others'), digital satellite takes the greatest share of total viewing hours, at just under half. Viewing to the free-to-air channels performs well on digital terrestrial, taking 36% share, with the remainder of viewing through digital cable (15%).

Figure 2.68 Share of viewing hours for main PSB channels, by platform: 2012



Source: BARB, all Individuals, total hours. HD and SD viewing included Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts.

2.3.7 Shares in multichannel homes

The main PSBs and their portfolio channels together attracted 72.9% of viewing in multichannel homes

The PSBs each offer a portfolio of additional digital channels. These include BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV2, ITV3, ITV4, CITV, Film4, More4, E4, 4seven, 5* and 5USA. When added to the 52% share of the collective parent channels, the cumulative share of the PSB broadcasters in 2012 was 72.9%, representing almost three-quarters of the viewing in multichannel homes. Figure 2.69 shows that the portfolio channels have not only offset the losses in share experienced by the main PSBs, but have successfully extended their share of multichannel viewing since 2004.

Figure 2.69 PSB and portfolio channel shares in multichannel homes



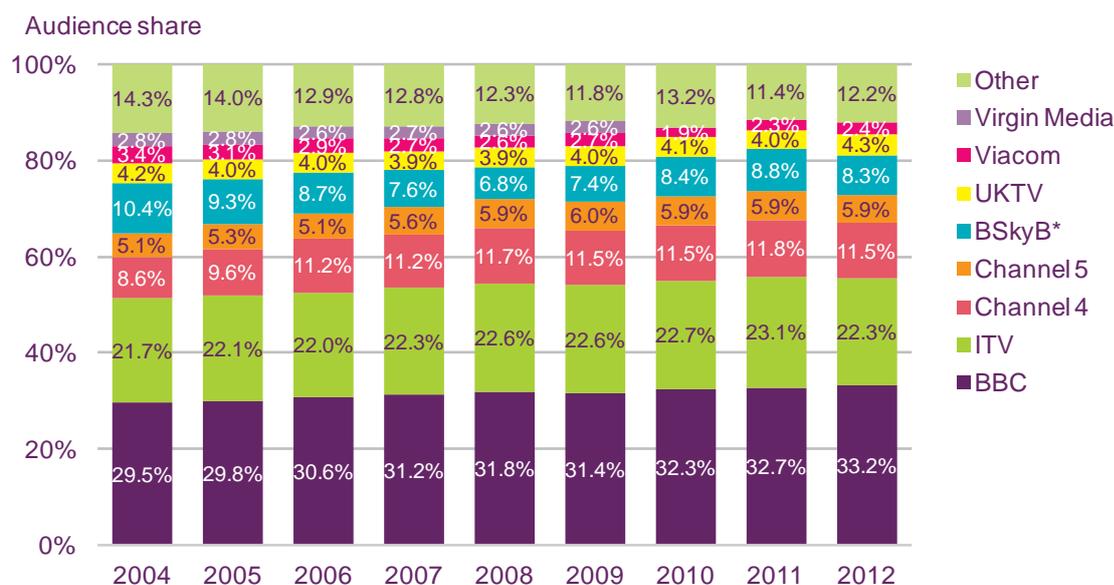
Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2012 channel share = 0.1%. HD and SD viewing included.

The BBC's channels account for a third of viewing in multichannel homes

Figure 2.70 depicts the total audience shares for each of the major broadcasting groups in multichannel homes over time. The accumulated shares of the public service broadcasters and their families of digital channels have grown, and this upward trend can be seen every year since 2004, dipping marginally only in 2011. The BBC portfolio of channels had the largest share of all the broadcasters, commanding a third (33.3%) of the viewing audience in 2012.

The fourth most-watched broadcaster, BSkyB, accounted for 8.3% of the remaining 27% share of non-PSB operated channels in 2012. UKTV took a further 4.3% of this share, with the remainder attributed to other broadcasters. BSkyB's share declined between 2004 and 2007, and after experiencing a low of 6.8% in 2008, BSkyB saw a gradual upturn in each year to 2011, before dipping again in 2012. Total share for the UKTV portfolio has remained fairly stable since 2004 and in 2012 reached a similar share level to 2009; its share rose further in 2012 than at any time since 2004.

Figure 2.70 Broadcaster portfolio shares in multichannel homes



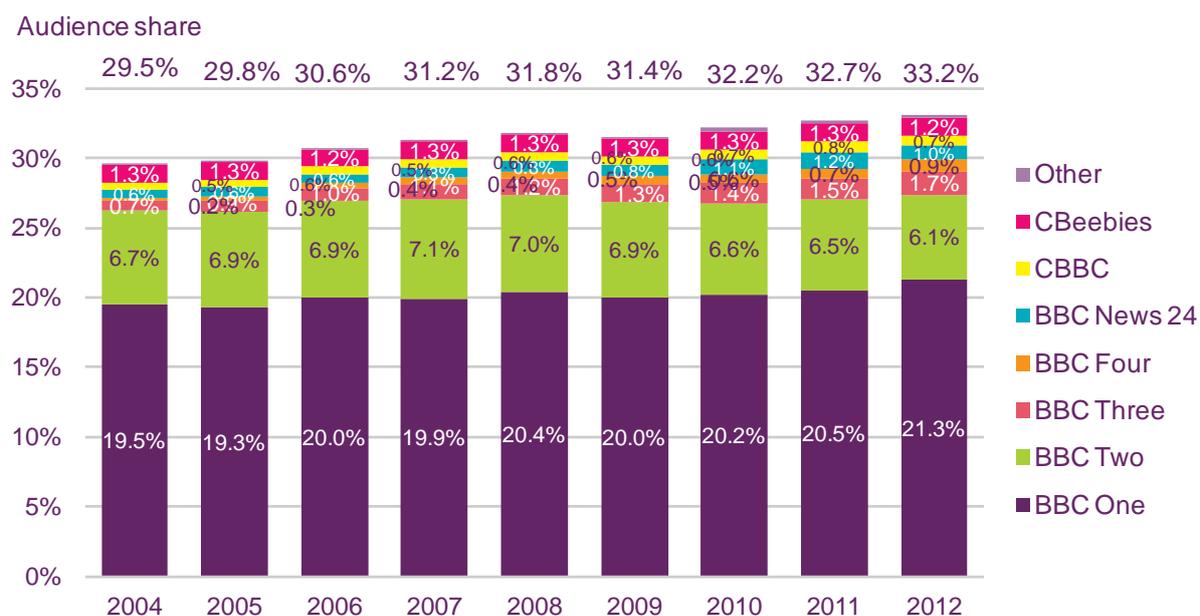
Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. The BBC portfolio in 2012 excludes the 24 dedicated Olympics channels which accounted for 0.21% share. BSkyB took ownership of VMTV in June 2010, Virgin Media TV portfolio shares are included in the BSkyB figure for the whole of 2010. ITV includes all ITV network channels, not just those owned by ITV plc. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain grouped together in relevant charts. S4C 2012 channel share = 0.1%. HD and SD viewing included.

BBC One remains by far the most-viewed BBC channel in multichannel homes

The BBC’s portfolio share of the total TV multichannel audience has increased by 3.7 percentage points, from 29.5% in 2004 to 33.2% in 2012 (Figure 2.71). It also increased year on year, by 0.5%. The BBC group share has followed a mainly upward trend over this period, dipping only once in 2009. The growing popularity of the BBC digital channels, particularly BBC Three and BBC News channel, has been responsible for this uplift.

BBC One accounted for the largest share of the audience in 2012, up 0.8% on 2011, followed by BBC Two. BBC Three ranked third, followed by CBeebies. BBC Three’s share has increased every year since 2004, as has BBC Four’s. The BBC News channel has also added to its share every year, only dipping by 0.2% in 2012. The BBC’s dedicated children’s television channels CBBC and CBeebies have been relatively consistent over the past nine years, maintaining an average share of 0.6% and 1.3% respectively. CBBC’s 0.7% share in 2012 was marginally higher than its 0.5% share in 2004. CBeebies’ share over the same comparative period is also constant: a 1.2% share in 2012 against a 1.3% share in 2004.

Figure 2.71 BBC portfolio share in multichannel homes



Source: BARB Note: 'Other' includes BBC Parliament, BBC Choice, BBC HD and BBC Knowledge. A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. HD and SD viewing included.

ITV's main channel continues to lose viewing share but ITV Digital channels hold steady

ITV's portfolio share has remained stable year on year as the main channel lost 0.8% share. Of the five public service broadcasters, ITV's digital channels add the greatest incremental share to the group.

ITV2 and ITV3 are the most popular with viewers, after ITV, and both channels have expanded their share over the years. ITV2 increased its share by one percentage point over the eight-year period, taking 2.7% in 2012, its highest level over the past nine years. ITV3's share has grown by the greatest proportion; its share more than doubled from 1.2% in 2005 to 2.5% in 2012, growing to a similar level as ITV2 in 2012. ITV4 also increased its share, growing from 0.5% in 2006 to 1.1% in 2012

Figure 2.72 ITV portfolio shares in multichannel homes



Source: BARB. Note: 'Other' includes (when relevant) ITV Play, Men & Motors, GMTV2, Granada Breeze, Plus, ITV News. ITV1, ITV2, ITV3 and ITV4 and include +1 and HD services' shares. Due to a new BARB measurement panel from 2010 onwards, pre- and post-panel change data should be viewed with caution.

Channel 4's portfolio lost viewing share in 2012 despite the Paralympics coverage

Channel 4's total portfolio share in multichannel homes has increased over the past eight years (8.6% in 2004 to 11.5% in 2012), although it has dipped since 2011. (Figure 2.73.) Channel 4 and its +1 channel provided just over half of this share (6.5%); lower than Channel 4's 7.3% contribution in 2004 before the +1 channel was available. E4 and Film4 provided over half (3.4%) of the remaining 5.9% share, with E4 being the more popular with viewers. E4's share has been stable since 2006, adding to its share in 2011 (by 0.1 percentage point). Film4 and More4 both saw their share grow over the same period, but while Film4's share increased on 2011 (by 0.1 percentage point), More4 experienced a decrease of 0.2 percentage points. The latest addition to the Channel 4 family, 4seven, which launched in July 2012, has added an additional 0.1% share to the group.

Figure 2.73 Channel 4 portfolio shares in multichannel homes



Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. E4, More4 and Film 4 respective +1 channel shares are included. 4seven launched 4th July 2012. Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. For the purposes of this report the two channels remain labelled together in relevant charts. S4C 2012 channel share = 0.1%. HD and SD viewing included.

Channel 5's share increased marginally in 2012

Like the other PSB broadcasters, Channel 5's introduction of its digital channels helped to extend its share (from 5.1% in 2004 to 6% in 2012). Of the five PSB groups, the Channel 5 family of digital channels adds the least incremental share to the core channel (1.5%).

Channel 5's share has declined from a peak of 5.3% in 2005 to 4.5% in 2012, although it has sustained this level since 2010. Since 2007 5* and 5 USA have contributed an additional share of between 1% and 1.5%. 5*'s share has remained stable, while 5USA has seen its share increase from 2007, the only channel within the Channel 5 group to do so.

Figure 2.74 Channel 5 portfolio shares in multichannel homes



Source: BARB. Note: Channels include their +1 service. HD and SD viewing included. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

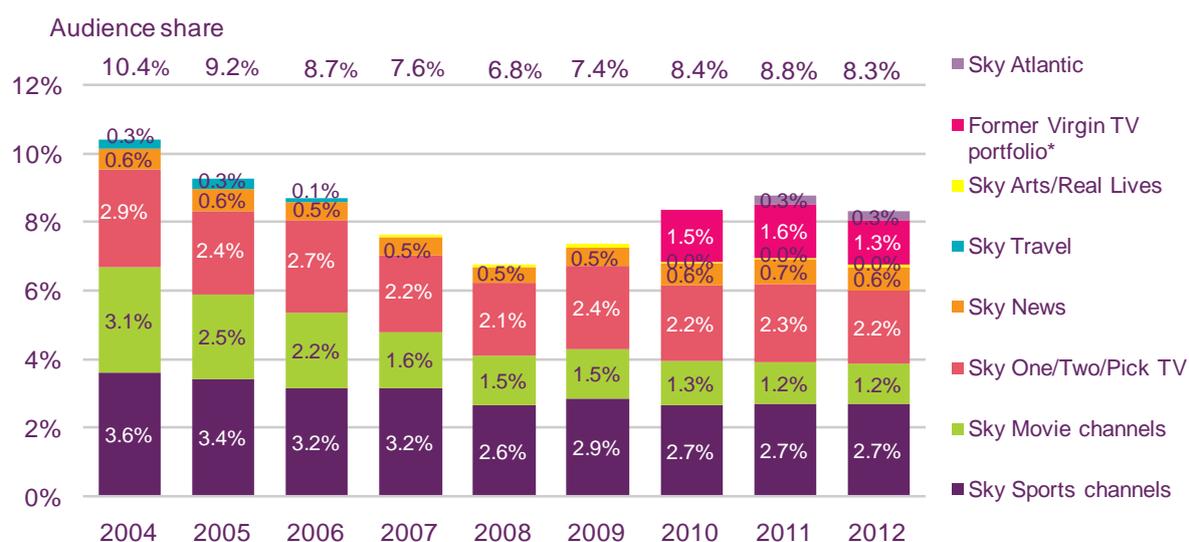
BSkyB’s viewing share fell by 0.5 percentage points in 2012

BSkyB’s portfolio of channels achieved an 8.3% share in 2012 in multichannel homes, 0.5 percent less than the previous year. The combined family of channels has been in decline since 2004, tumbling by 2.3 percentage points from 10.4% in 2004.

The acquisition of Virgin Media Television in 2010 helped drive up BSkyB’s overall share in multichannel homes; this growth could not have been achieved without the addition of channels such as Living and Challenge TV to the portfolio. As a result, BSkyB sustained its overall portfolio share growth in 2010 and 2011, before falling back in 2012.

The premium sports channels accounted for the greatest proportion of viewing across BSkyB’s offering in 2012, at 2.7%. Sky One, Two and Pick TV (formerly Sky Three) also proved popular across the channel group. The movie channels contributed a 1.2% share, almost equal to the share of the former Virgin Media channels, but the movie channels have shown the greatest collective decline, falling from a 3.1% share in 2004 to 1.2% in 2012.

Figure 2.75 BSkyB portfolio shares in multichannel homes



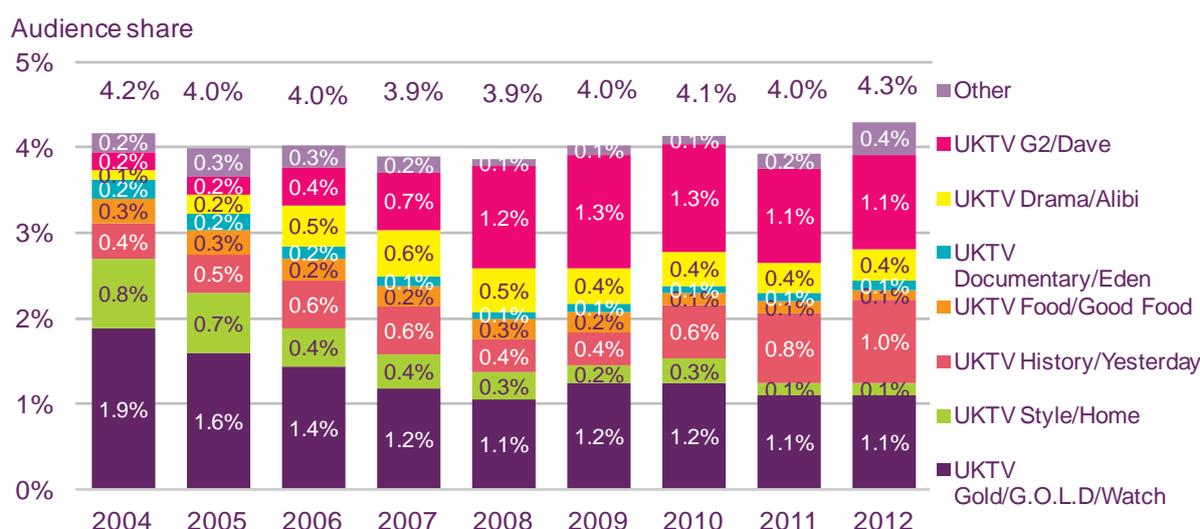
Source: BARB. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. *BSkyB took ownership of VMTV in June 2010, Virgin Media TV portfolio shares are included in the BSkyB figure for the whole of 2010 onwards. HD and SD viewing included.

UKTV's viewing share has been broadly stable since 2004

UKTV's total portfolio share of 4.3% in 2012 was at a similar level to 2004 and higher than its 4% share in 2011. The broadcaster group has sustained generally stable share levels over the past nine years.

Dave, Yesterday and Watch contributed three-quarters (3.2%) of the group's total audience share in 2012. The successful re-brand of UKTVG2 to Dave, in October 2007, increased the channel's share in the two subsequent years, when it achieved a peak share of 1.3%. It maintained this share in 2010 before declining slightly to 1.1% in 2011 and 2012. The re-brand of UKTV History to Yesterday in March 2009 has yielded a more consistent increase, adding 0.2% share in each year. Alibi has maintained its share since 2008 while Home has seen its share of viewers contract from 0.8% in 2004 to 0.1% in 2012.

Figure 2.76 UKTV portfolio shares in multichannel homes



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

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

Of the top 20 channels ranked by share in 2012, 15 were PSB main channel services or PSB-owned. Three BSkyB-owned channels and two UKTV channels make up the five remaining channels. Sky Sports 1 and Sky 1 are the only channels in the top 20 not carried on the Freeview platform. ITV4, Dave and Yesterday increased their ranking by one place and 5 USA by two places, while BBC News dropped two places and Sky 1 by three.

The five main PSB channels continue to occupy the top five positions for the most-viewed channels, with the rankings staying the same as in 2011.

Figure 2.77 The top channels by share in multichannel homes: 2011-2012

Channel	Share 2012	Rank 2012	Rank 2011	Channel	Share 2012	Rank 2012	Rank 2011
BBC One	21.3%	1	1	CBeebies	1.2%	11	11
ITV	15.7%	2	2	More4	1.2%	12	12
Channel 4	6.5%	3	3	Sky Sports 1	1.2%	13	13
BBC Two	6.1%	4	4	ITV4	1.2%	14	15
Channel 5	4.5%	5	5	Dave	1.1%	15	16
ITV2	2.8%	6	6	BBC News	1.0%	16	14
ITV3	2.5%	7	7	5 USA	1.0%	17	19
E4	1.9%	8	8	Pick TV	1.0%	18	18
BBC Three	1.7%	9	9	Yesterday	1.0%	19	20
Film4	1.5%	10	10	Sky 1	1.0%	20	17

Source: BARB. Note: Includes channels' +1 services. HD and SD viewing included.

Channel demographics

Figure 2.78 plots the age and gender of the 30 most-viewed channels in multichannel homes in 2012, calculated relative to the TV population average (which includes children).

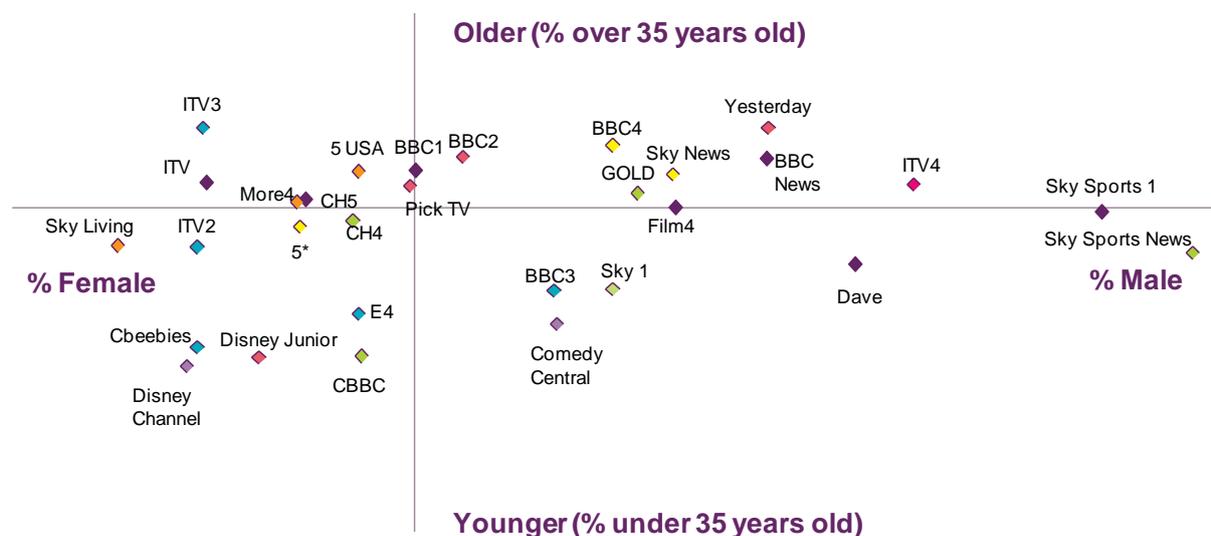
The majority of the BBC PSB channels; BBC One and BBC Two, BBC Four and BBC News, attracted older than average audiences. As might be expected the dedicated children's channels CBeebies and CBBC attract a younger audience than the average multichannel viewer, along with BBC Three, which is popular with older children.

ITV, ITV3 and ITV4 skew older than the average population, but while ITV4 skews strongly male, ITV and ITV3 skew toward female. Channel 4 viewers are broadly in line with the general population average in terms of age and gender, as is More4, although it is slightly more female. Film4 skews more male, although the age profile is the same as the TV population average. E4 skews younger, as expected; this is consistent with its target audience.

Channel 5, 5* and 5USA viewers are consistent with the population average (to varying degrees) although all are very slightly more female.

Sky had six channels in the top 30. Four of them skewed male (Sky Sports 1, Sky Sports 2, Sky News (in particular) and Sky One), whereas Sky Living biased female. Pick TV viewers mirror the average population almost exactly.

Figure 2.78 Age and gender profile of the 30 most-viewed channels in multichannel homes



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

2.3.8 Live versus time-shifted TV viewing

Live TV viewing prevails

Time-shifted viewing in all homes accounted for 10% of average daily viewing in 2012, eight percentage points more than six years ago. In 2012, marginally more viewing took place within two to seven days of programme transmission, compared to viewing programmes on the day of broadcast. The amount of live television consumed by the average individual per day has increased by four minutes compared to 2007.

Figure 2.79 Live versus time-shifted viewing: all homes



Source: BARB, all individuals. Note: New BARB panel introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Time-shifted viewing defined as total minutes of viewing on same day as live (VOSDAL) + Viewing 2-7 days after broadcast (Coded Playback). All viewing (via a TV set) of broadcast content viewed within 7 days after broadcast is reported by BARB. This will include viewing to catch-up TV services and content viewed via player services such as BBC iPlayer, ITV Player, 4OD etc.

The share of time-shifted viewing in DVR homes has remained broadly stable since 2007

Home digital video recorder (DVR) take-up has increased from 18% in 2007 to 67% in 2012 according to BARB. In homes with a DVR, live viewing also remains the most popular means of consuming television content (Figure 2.80). In 2012 time-shifted viewing accounted for 16% of viewing, a small increase on 2007. Time-shifted viewing hours are fairly evenly distributed between viewing on the same day as the live broadcast and hours watched up to seven days after broadcast. As more television hours are consumed per day, the proportion of live content watched has increased by 24 minutes per day since 2007, compared to the increase of six minutes per day given to recorded content.

Figure 2.80 Live versus time-shifted viewing: DVR homes



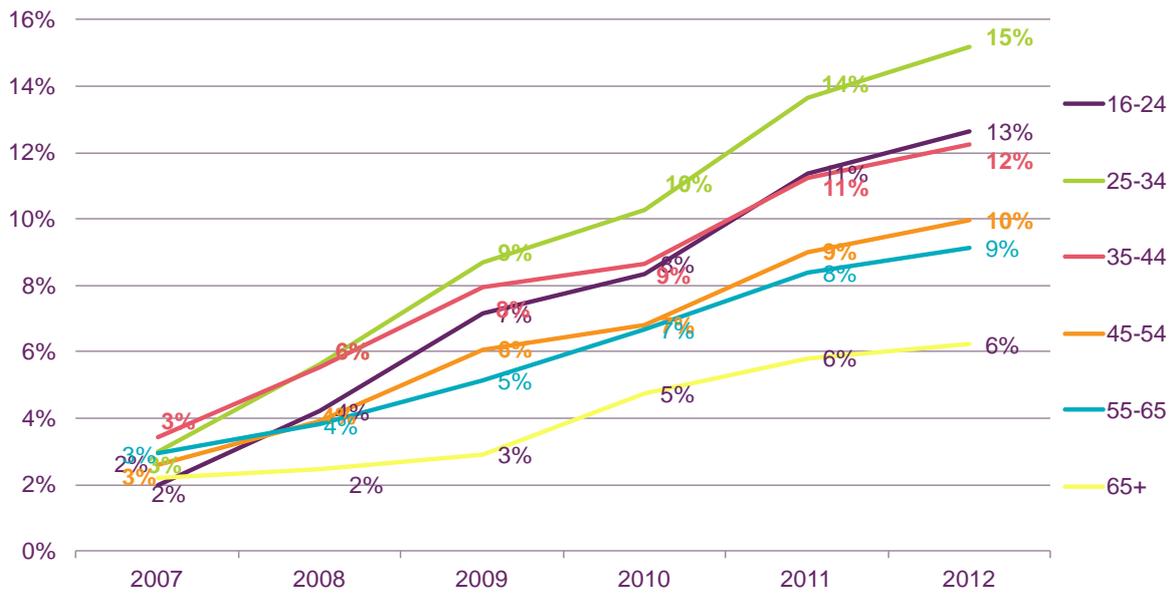
Source: BARB, DVR owners (individuals), all homes. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution. Time-shifted viewing is defined as total minutes of viewing on same day as live (VOSDAL) + Viewing 2-7 days after broadcast (Coded Playback). All viewing (via a TV set) of broadcast content viewed within 7 days after broadcast is reported by BARB. This will include viewing to catch-up TV services and content viewed via player services such as BBC iPlayer, ITV Player, 4OD etc.

Time-shifted viewing is most popular among 25-34s

Under-35s are more likely to time-shift their viewing. Adults aged 25-34 time shifted their viewing by the greatest amount; 15% in 2012, two percentage points more than the next adult age group, 16-24s, who time-shifted their viewing by 13%. The time-shifted hours consumed by both age groups increased by 12 and 11 percentage points respectively compared to 2007. Adults aged 65+ time-shifted their viewing the least, at 6% in 2012, up by four percentage points on 2007.

All adult audiences started from a low proportion of time-shifted viewing in 2007 (between 2% to 3%) but the pace of adoption since then has varied by age. By 2009, adults aged 16-24 and 25-34 had tripled the amount of their non-linear TV viewing and in 2012 it accounted for five times the share it had commanded in 2007.

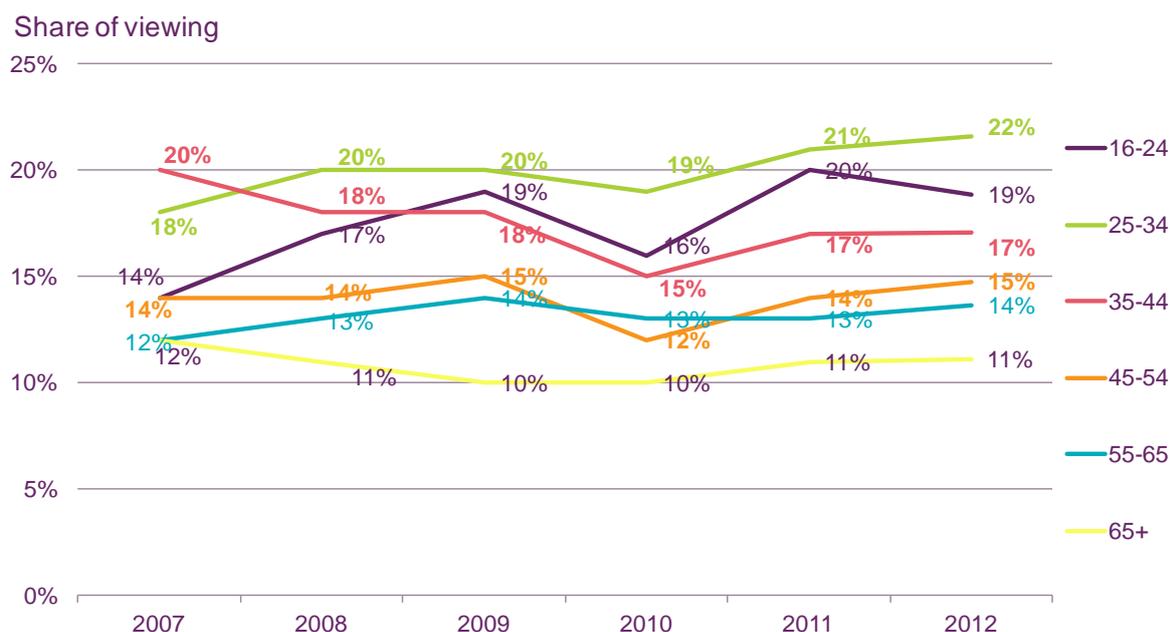
Figure 2.81 Proportion of time shifted viewing, by age: all adults



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

25-34 year-old DVR owners are most likely to time-shift their viewing, with a fifth (22%) of their viewing taking place after the original broadcast. DVR owners aged 65 or over are the least likely to time-shift (11% of viewing). The proportion of time-shifting among young adults aged 16-24 has increased by six percentage points since 2007, to 19%. Adults aged 25-34 have also increased the time they spend watching recorded content; in 2012 they watched 4% more non-linear TV than they did five years ago. Some audiences are watching less time-shifted content; those aged 35-44 are down by three percentage points since 2007, to 17%, and over-65s from 12% in 2007 to 11% in 2012.

Figure 2.82 Proportion of time-shifted viewing, by age: DVR adults

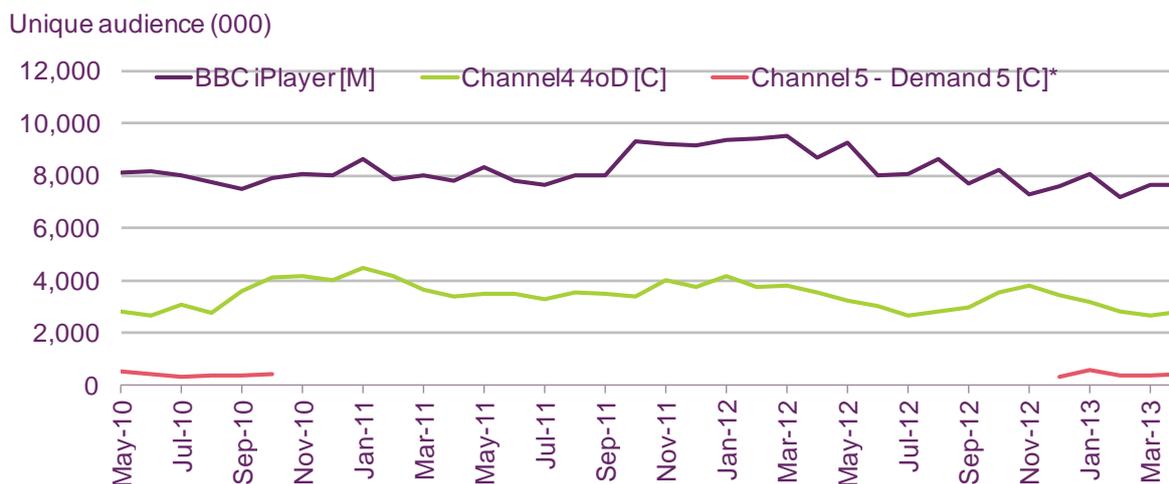


Source: BARB, DVR owners, all homes. Based on total minutes. Note: A new BARB panel was introduced in 2010. As a result, pre- and post-panel change data must be compared with caution.

2.3.9 Use of online catch-up TV

According to comScore MMX data, BBC iPlayer remains the most popular TV catch-up service, having attracted 7.6 million unique visitors in April 2013, in comparison to 4oD's 2.8 million and Demand5's 0.4 million. ITV Player figures were not available for this analysis.

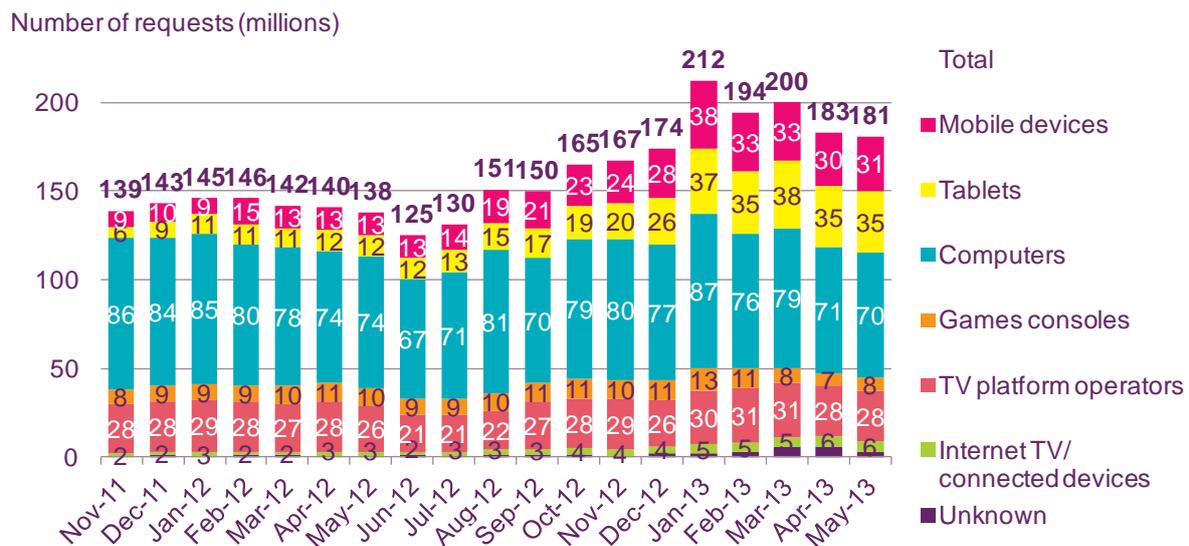
Figure 2.83 Unique audience of online catch-up services on PC/laptop



Source: comScore MMX, UK, home and work panel, May 2010 to April 2013. Notes: * Between May-10 and Oct-10 data are reported as Five – Demand Five [C], a subsidiary of the RTL Group; data between Nov-10 and Nov-12 are unavailable; from Dec-12 onwards data are reported as Channel 5 – Demand 5 [C], a subsidiary of the Northern & Shell Network. Information on ITV VoD services is not available. MMX Legend: [P] Property, [M] Media Title, [C] Channel. Further explanations of these dictionary terms are provided on page 275.

According to the BBC's official statistics, in May 2013 BBC iPlayer attracted 181 million TV requests, an uplift of 31% year on year but down from a peak of 212 million in January 2013. The BBC attributed the decrease to the start of the British summer. As Figure 2.84 shows, BBC iPlayer experienced a similar cyclical dip in requests in April-July 2012. Sixty-six million requests in May 2013 came either from tablets or from mobile devices, up from 25 million a year ago, and highlighting the growing importance of these devices in accessing TV content. Requests from internet TV/connected devices doubled in the same period, albeit from a very small base, amounting to six million in May 2013. Computers remain the most popular device on which to watch BBC iPlayer content, but decreasingly so; 39% of the total requests (70 million) in May 2013 were made through this platform, down from 54% of total requests in May 2012.

Figure 2.84 Requests for TV programmes across BBC iPlayer, by device type

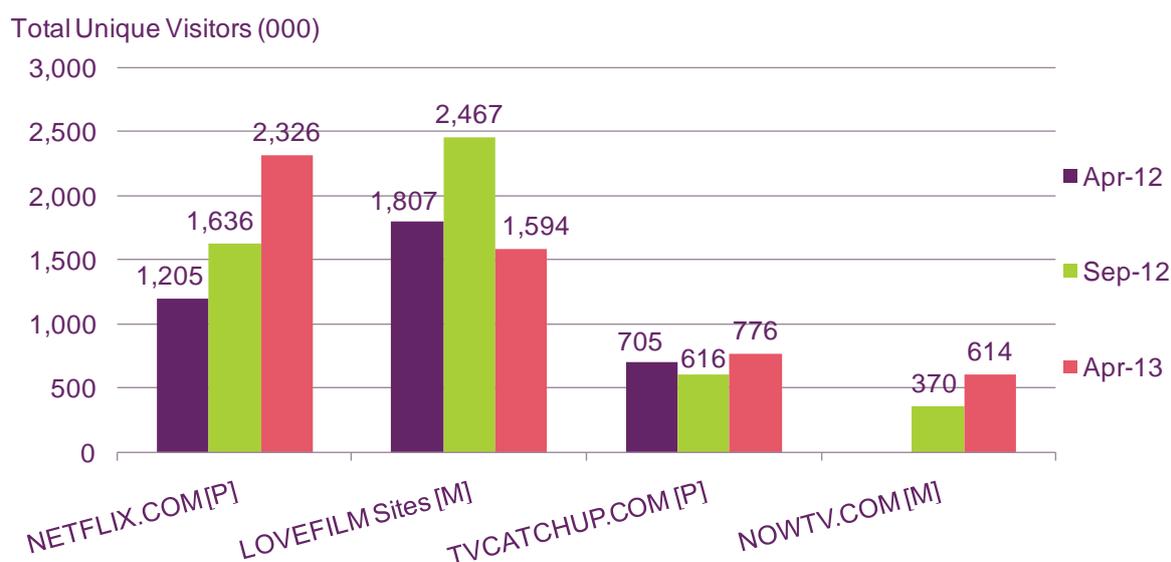


Source: BBC iStats. Note: Internet TV / connected devices include Freeview and Freesat smart TVs, set-top-boxes and devices like Roku and blu-ray DVD players. TV platform operators include Virgin Media and BT Vision. Games consoles comprise Sony PS3, Nintendo Wii and Microsoft Xbox 360. An update in iStats AV means that PS3 devices were incorrectly classified as unknown devices from week commencing 18th February 2013.

2.3.10 Use of online TV and film streaming services

According to comScore MMX data, US film streaming service Netflix, which launched in the UK in January 2012, has seen its unique audience grow rapidly, reaching 2.3 million in April 2013, almost doubling year on year. It is now the leader in Ofcom's selected TV and film streaming sites, comprising Netflix, Lovefilm, TVCatchup, Now TV, Blinkbox and Hulu, in terms of total unique visitors per month. Netflix's success may have been driven by the company's pricing, as well as initiatives aimed at attracting people to the site, such as offering a free month's subscription, and commissioning its own first-run content, such as *The House of Cards* in February 2013. Lovefilm experienced a reduction in its unique audience of 12% year on year to 1.6 million in April 2013, and by 35% since September 2012.

Figure 2.85 Total unique visitors to selected online TV and film streaming sites



Source: comScore MMX, UK, work and home panel, April 2012 to April 2013. Note: This is the unique audience for laptop and desktop computers only. MMX Legend: [P] Property, [M] Media Title, [C] Channel. Further explanations of these dictionary terms are provided on page275.

2.3.11 Use of online video sharing sites

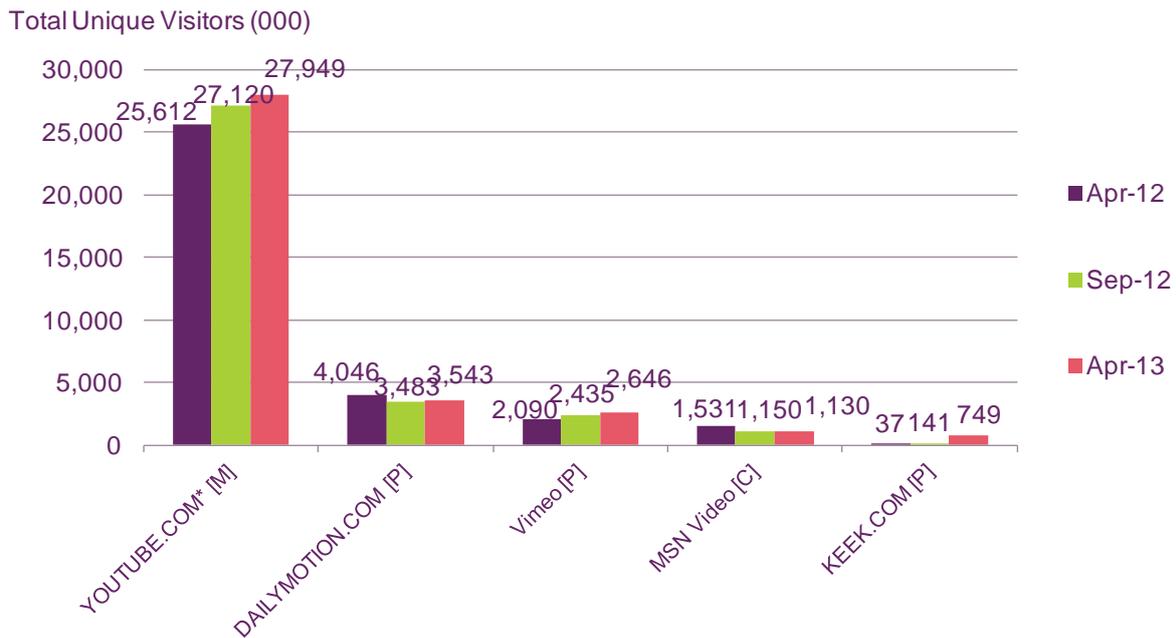
YouTube remains by far the largest video sharing site, among the sites analysed by Ofcom, and according to comScore MMX data it attracted 28 million unique visitors in April 2013, up 9% year on year and up 3% since September 2012.

Vimeo also experienced an increase in unique audience figures; it attracted 2.5 million unique users in April 2013, up 26% since a year ago, while the popularity of DailyMotion and MSN Video declined.

Keek, a micro-video sharing service, experienced a particularly strong increase in unique visitor figures; it rose to nearly 749,000 in April 2013 from 37,000 in April 2012.

Nevertheless, it remains a very small player in the video-sharing market. Vine, a micro-video sharing service similar to Keek, which was launched at the beginning of January 2013 by the micro-blogging leader Twitter, is the one to watch next year.

Figure 2.86 Total unique visitors to selected video sharing sites



Source: comScore MMX, UK, work and home panel, April 2012 to April 2013. Note: This is the unique audience for laptop and desktop computers only. MMX Legend: [P] Property, [M] Media Title, [C] Channel. Further explanations of these dictionary terms are provided on page 275.

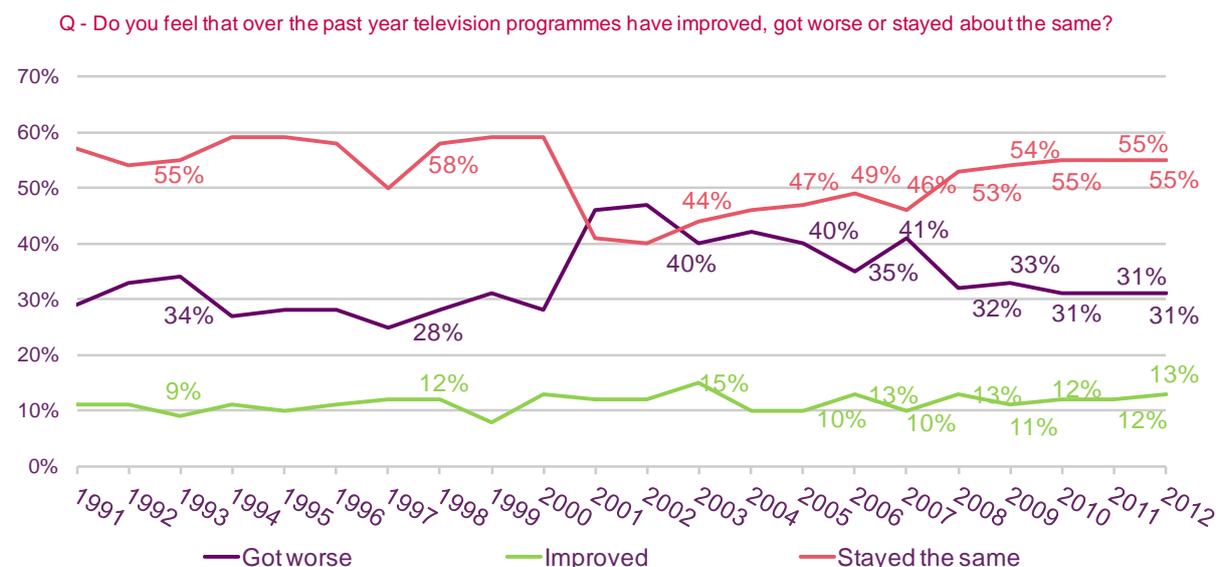
2.3.12 Consumer attitudes towards television

55% of UK adults think that TV programming quality has stayed the same in 2012

According to Ofcom's 2012 media tracker research, public opinions towards TV programme quality remained broadly stable during 2012 versus 2011.

The majority (55%) of the UK population thought that the quality of TV programming had stayed about the same since the previous year. Just under a third of UK adults (31%) felt that programming had got worse in the past year. This figure remains unchanged in the past three years. And 13% thought they had improved.

Figure 2.87 Opinion on programmes over the past 12 months

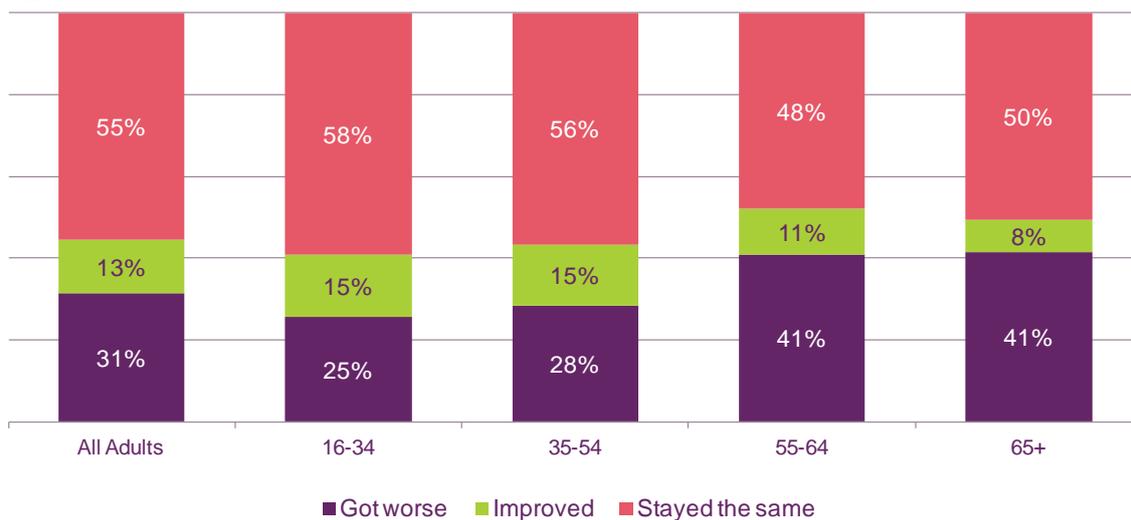


Source: Ofcom Media tracker 2012. Base: All with TV, but excluding those never watching (1,830).

Among the different age groups, younger people were less likely to say that programme standards had got worse (25%), whereas those aged 65+ were most likely to say that they had (41%). Similarly, younger people were more likely to say that the quality of TV programming had improved (15%) throughout the year, while those aged 65+ were less likely to say this (8%).

Figure 2.88 Opinion on programmes over the past 12 months, by age

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

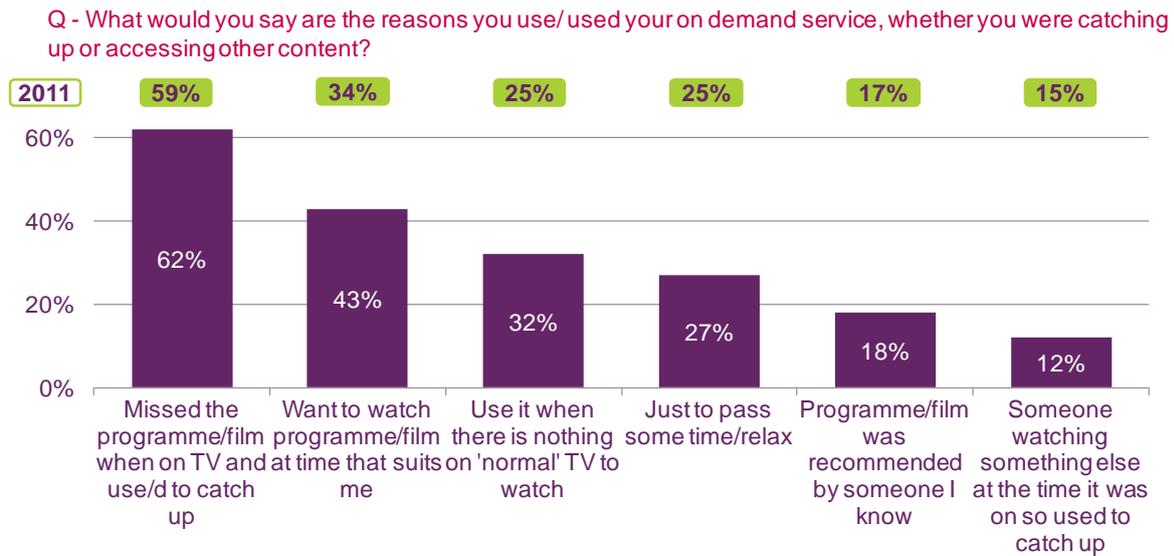


Source: Ofcom Media Tracker 2012. 'Don't know' responses not charted. Base: All with TV, but excluding those never watching (1,830); 16-34 (609); 35-54 (640); 55-64 (247); 65+ (334).

2.3.13 Consumer attitudes towards online TV and film services

According to Ofcom's media tracker research, the main reason why people used online on-demand services in 2012 was the need to catch up on TV or films they had missed when they were broadcast (62%). This was followed by 43% of respondents saying that they used these services to watch programmes at times that suited them, which has increased from 34% in 2011. The third most popular reason, mentioned by 32% of respondents, was the lack of interesting programmes on live TV; the incidence of this response has risen from 25% in 2011.

Figure 2.89 Reasons for online on-demand use: 2012



Source: Ofcom Media Tracker 2012. Base: All who use online video on demand 2012 (725), 2011 (658). Note: Only responses $\geq 10\%$ charted. All responses unprompted.