Ofcom
OFFICE OF COMMUNICATIONS

Consumer research on pay TV

Annex 10 to second pay TV market investigation consultation

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Contents

Section 1

Introduction

Background

1.1 This research annex covers the consumer research that the main document draws on. Four different surveys are covered in this document, and referred to in the main document. The methodologies and sample descriptions are covered below. As this analysis is based on the perceptions of survey participants figures may not always be consistent with market data or expectations.

Research methodology

Willingness to pay omnibus survey (phases I and II)

1.2 The purpose of the willingness to pay research was to measure elasticity of demand of nine different channel packages.

1.3 Phase I of the research took place using a face-to-face omnibus in May 2008. The sample comprised 2,513 adults aged 15+ who had a television at home and were the decision maker (or joint decision maker) about the television supplier for the household. Six different channel offerings were assessed: three sports channels, two film channels and a general channel.

1.4 This was followed by a second phase of research which assessed three channel options: a sport and general channel mix, a film and general channel mix and a combination of sports, film and general channels. As previously, the sample comprised adults aged 15+ who had a television at home and were the decision maker (or joint decision maker) about the television supplier for the household; 816 interviews were conducted. The survey took place in July 2008.

Sports bundles conjoint survey

1.5 The purpose of the sports bundles conjoint survey was to test the importance of a variety of sports to the household decision to continue to subscribe to premium sports channels, and inform our overall assessment of the level of substitution between sports. Primarily we wanted to understand the motivations behind the decision to purchase a bundle containing premium sports channels.

1.6 This survey involved a face-to-face methodology, recruiting 1,904 respondents who had pay TV, were the sole or joint decision maker about TV services in the household, and watched sport at least once a week. The fieldwork took place in April and May 2008.

Online content omnibus survey

1.7 The purpose of the online content omnibus survey was to establish the proportion of people who watch streamed or downloaded online content, and analyse how they watch this content.

1.8 The research was conducted using a telephone-based omnibus survey, interviewing 1,451 respondents who had internet access at home. The research took place between 30 May and 5 June 2008.

Ofcom media tracking survey

1.9 The Ofcom media tracking survey monitors usage and attitudes towards different media, particularly television. A series of questions are asked on the use of the interactive button on the multi-channel remote control and the extent to which people have made purchases or responded to a programme using this function.

1.10 A total of 1,023 interviews were conducted between 14 April and 11 May 2008. Quotas were set by age, gender, working status, household tenure and social grade, to ensure that interviews were representative of the UK population. Sample sizes were boosted in certain regions and nations to enable results for these areas to be studied in isolation. The data were then weighted to be representative of UK adults aged 15+. All interviewing was conducted face-to-face, in the home.

Statistical reliability

1.11 Significance testing at the 95% confidence level was carried out. This means that where findings are reported as 'significant', there is only a 5% or less probability that the difference between the samples is by chance, and is different from the main population. Where findings are reported as 'significant', this is to what we refer.

Structure of the annex

1.12 The annex is structured in the following way:

- Section 2 outlines the TV sector, covering take-up of TV services in the UK and in particular digital TV, as well as the structure and cost of TV packages.
- Section 3 provides an examination of non-subscribers in order to present a complete picture of the sector. This section illustrates the reasons why people do not subscribe to pay TV, as well as specific packages.
- Section 4 covers the levels of interest respondents have in sport and film, and the frequency of their watching sports.
- Section 5 assesses respondents' premium channel subscriptions, including reasons for subscribing to Sky Sports and Sky Movies, and the importance of a variety of sports and events for a sports channel offering.
- Section 6 covers results from the conjoint study which Ofcom undertook to establish the values of individual sports, and sports bundles, to sports packages in general.
- Section 7 covers value of channels and impact of brand, using conjoint analysis to estimate the monetary value of the sports events included in the research.
- Section 8 summarises the willingness to pay survey results, illustrating the elasticity of demand for sports, movies and basic TV packages among both subscribers and non-subscribers.
- Section 9 presents consumers' use of interactive services available on their remote controls, as well as the extent to which they have used interactive services to make purchases or respond to a programme.

- Section 10 presents consumers' take-up of online content services and, in particular, the ways in which people view streamed and downloaded content.

Section 2

Television sector

2.1 This chapter provides an overview of consumers' take-up of TV services in the UK and is sourced from the willingness to pay omnibus survey[1]. It reports survey results on the following aspects:

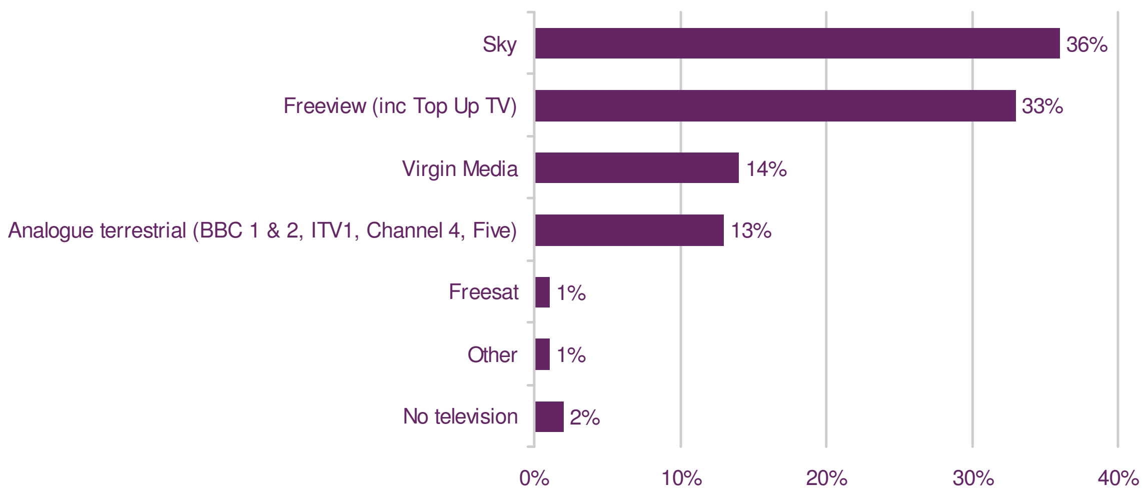
- Take-up of digital TV.
- Take-up of pay TV packages, including levels of expenditure.
- Take-up of bundled services.

Take-up of digital TV

2.2 Almost all households in the UK have a television, and 84% have a digital multi-channel TV service. Just over one in ten (13%) have an analogue-only service.

2.3 Sky is the most common multi-channel service that households receive on their main TV set, with 36% saying they have Sky, Sky Digital or Sky+ through a satellite dish. The next most mentioned service is Freeview (26%), followed by Virgin Media cable (14%).

Figure 1: Type of television household receives on main TV set



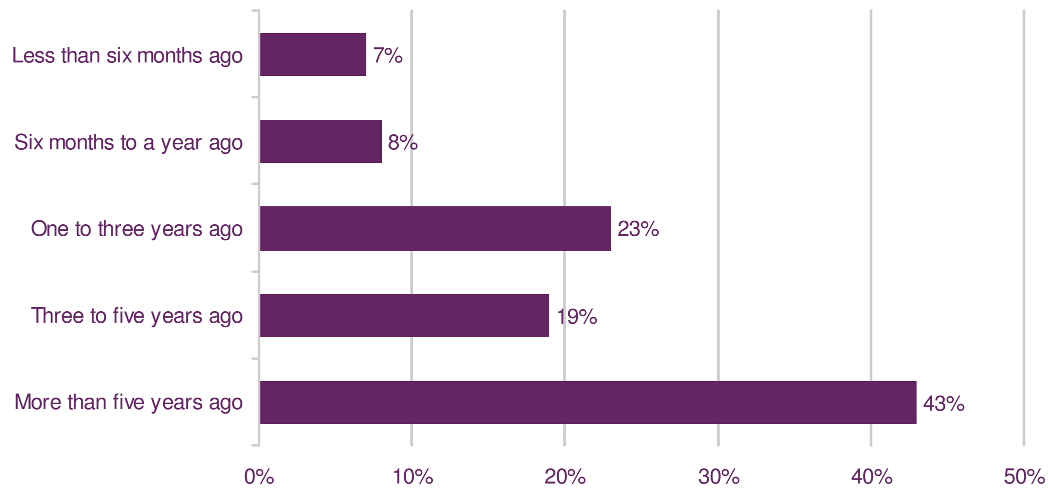
Q2 Which, if any, of these types of television does your household receive on your main TV set?
Base: All adults aged 15+ (3799)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April-July 2008

[1] For consistency, all of the penetration figures in this section of the report are sourced from the willingness to pay omnibus survey. These may therefore vary slightly from data reported in other Ofcom publications.

2.4 The majority of people who have a digital TV service (62%) first started to receive their service more than three years ago. In contrast, 7% have acquired their digital TV service in the last six months and 8% between six months and a year ago.

2.5 Those with a pay TV service, whether satellite or cable, are more likely to have had their service for longer than those with Freeview. Over half of Sky and Virgin Media subscribers (58% and 59% respectively) have had their service for more than five years, compared with one in five Freeview customers. This is consistent with the fact that Freeview was launched at the end of 2002, while pay TV services have been available since the 1980s.

Figure 2: Length of time households have received digital TV



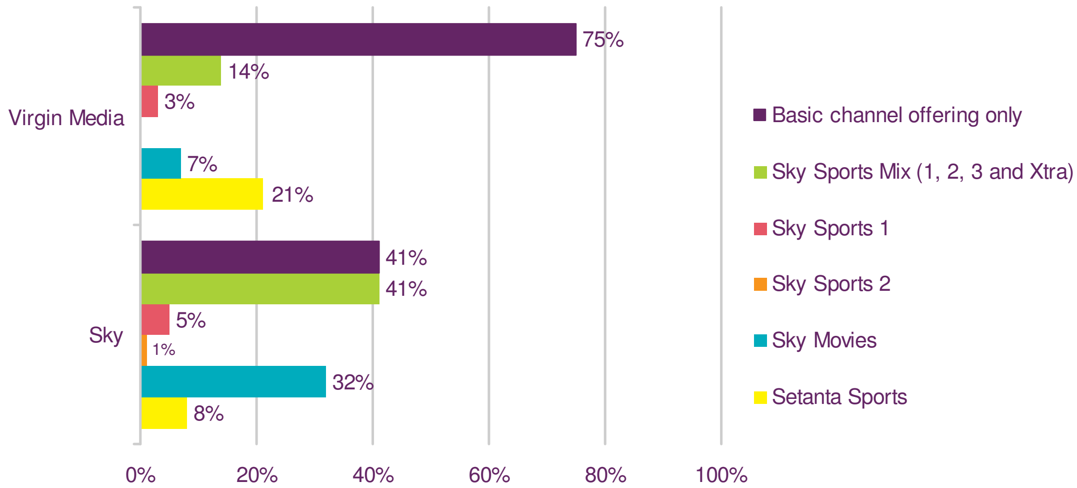
Q4 How long ago did your household first start to receive multi-channel TV (that is, more than just the five terrestrial channels), whether it was through cable, satellite, Freeview or any other way?
Base: All adults aged 15+ who have multi-channel TV service in their household and solely/jointly responsible for making purchasing decision regarding supplier for TV service (2513)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April-July 2008

Take-up of pay TV packages

2.6 Sky customers are more likely to subscribe to premium channels than Virgin Media customers; 41% of Sky customers subscribe only to the basic channel package compared to 75% of Virgin Media customers have the basic only package. However, Virgin Media has a higher proportion of customers who have Setanta, with 21% accessing Setanta Sports compared to 8% of Sky customers. This higher level of subscriptions to Setanta Sports is explained by the fact that Virgin Media customers on the most expensive basic tier Virgin Media package[2] receive the Setanta Sports channels[3] as part of their package.

[2] This is Virgin Media's XL package costing £19.50 (note that this cost assumes subscription to a Virgin phone line at £11.00 per month).
[3] This includes Setanta Golf, Setanta Sports 1 and Setanta Sports 2.

Figure 3: Pay TV Channels subscribed to[4]



Q5 Which of the following, if any, of these channels do you subscribe to?
Base: All adults aged 15+ who have a monthly subscription TV service in their household and solely/jointly responsible for making purchasing decision regarding supplier for TV service (1667 – Sky 1022, Virgin Media 412)
Source: Ofcom willingness to pay omnibus survey, fieldwork carried out in April-July 2008

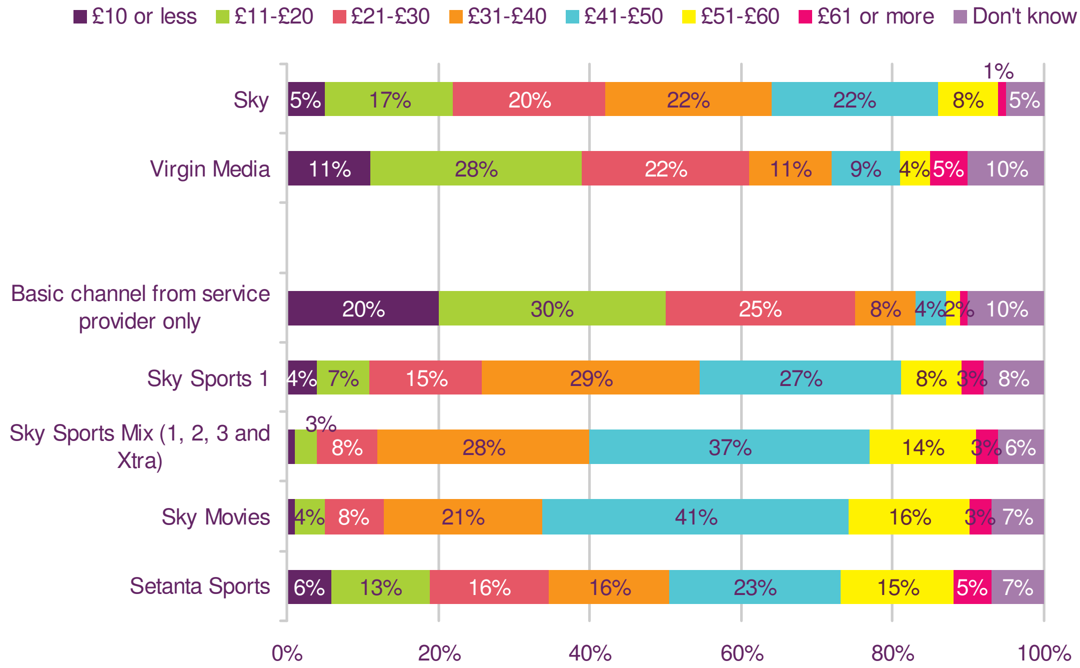
2.7 We asked customers who pay for any part of their TV service, in addition to their licence fee, how much they pay in an average month. We reminded respondents that we were asking about the monthly charge, excluding any extra services such as broadband, telephone calls, and any extras like Sky+, Sky Multiroom, Sky HD, pay per view and individual pay TV channels.

2.8 On average, Sky subscribers claim to spend significantly more on their subscriptions than Virgin Media subscribers; one third of Sky customers spend over £40 a month on their subscription compared with less than a fifth of Virgin Media customers, and Sky customers are twice as likely as Virgin Media customers to fall into the £31-40 spend bracket. The differences between the prices customers say they pay is perhaps not surprising, considering the variety of packages that Sky customers take up, compared with three-quarters of Virgin Media customers who take only the basic package.

2.9 Figure 4 shows the claimed spend levels across different channels and demonstrates the significantly higher spend levels among subscribers to premium channels, with over half of these paying more than £41 for their subscription compared with less than one in ten of those subscribing to basic channels only.

[4] Note that the chart shows the proportion of subscribers who subscribe to the basic channel package only compared with those who subscribe to a premium package; most premium subscribers receive the basic channels in their package.

Figure 4: Amount paid per month for regular pay TV services[5]



Q7 How much do you pay per month for your regular pay TV services?
Base: All adults aged 15+ who have a monthly subscription TV service in their household and solely/jointly responsible for making purchasing decision regarding supplier for TV service (1667 – Sky 1022, Virgin Media 412)
Source: Ofcom willingness to pay omnibus survey, fieldwork carried out in April-July 2008

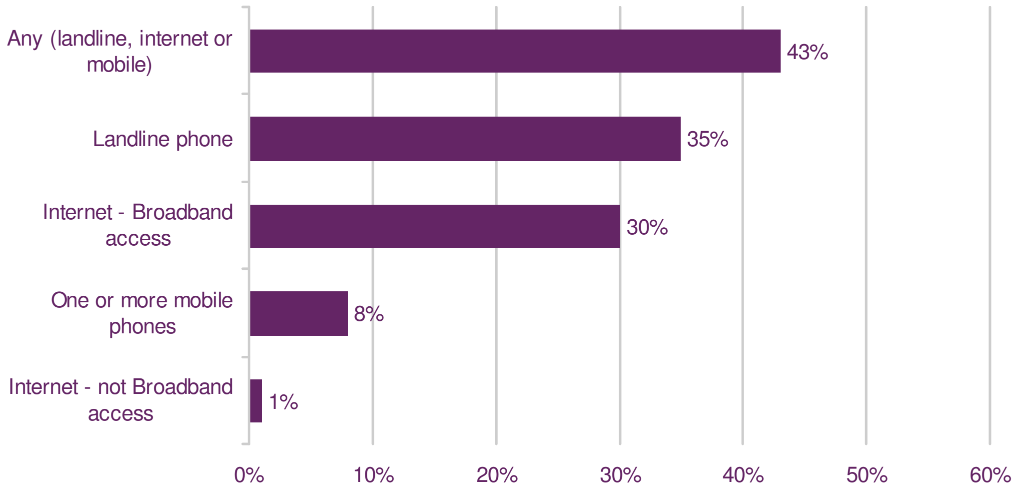
Take-up of bundled services

2.10 As part of the arrangement for purchasing more than one service from the same supplier, customers can get discounts or special deals that they would not get if they purchased the services separately.

2.11 Two in five people with a pay TV service purchase this service as part of a bundle, or deal, with another communications service from the same supplier. The most common type of bundles are television services bundled with the fixed line and/or broadband service.

[5] Note that data in this chart is based on claimed spend by respondents and may not match actual spend or current package prices.

Figure 5: Other services received as part of an overall deal or package with TV supplier



Q6 Do you receive any of these other services as part of an overall deal or package with 'TV supplier'?
Base: All adults aged 15+ who have a monthly subscription TV service in their household and solely/jointly responsible for making purchasing decision regarding supplier for TV service (1667)
Source: Ofcom willingness to pay omnibus survey, fieldwork carried out in April-July 2008

Section 3

Non-subscribers

3.1 This chapter profiles households that do not subscribe to pay TV services and reports survey results on their reasons for not doing so. Among those who do subscribe to pay TV services, we also report results on their reasons for not subscribing to premium content, such as Sky Sports and Sky Movies.

3.2 The data in this section is sourced from the willingness to pay omnibus survey.

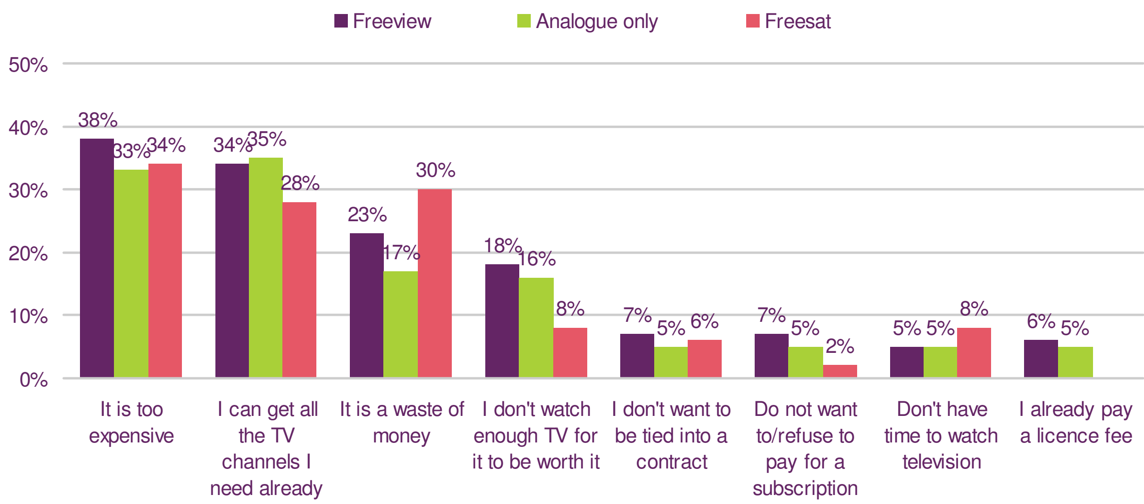
Reasons for not subscribing to pay TV

3.3 The previous section highlighted the proportion and profile of people who have digital TV in the home, and in particular, subscribe to a pay TV service. For completeness, we highlight here the profile of those who do not subscribe to pay TV services, their reasons for not subscribing to pay TV in general and their reasons for not subscribing to premium channels specifically.

3.4 Two in five people do not subscribe to a pay TV service. The alternative TV services they use are Freeview (26%[6]), analogue-only (13%) or Freesat (1%).

3.5 We asked respondents their reasons for not subscribing to a pay TV service. The top two reasons people gave are 'that pay TV is too expensive' and that they 'can already get all the TV channels they need'.

Figure 6: Why people do not take subscription TV services



Q8 Please tell me why you do not have a TV service for which you pay a monthly subscription.
Base: All adults aged 15+ who do not have a monthly subscription TV service in their household and solely/jointly responsible for making purchasing decision regarding supplier for TV service 1249, Freeview 805, Analogue 403, Freesat 41[7]
Source: Ofcom willingness to pay omnibus survey, fieldwork carried out in April-July 2008

[6] This figure excludes those who pay for Top Up TV in addition to Freeview
[7] Treat Freesat figures as indicative only due to small base size.

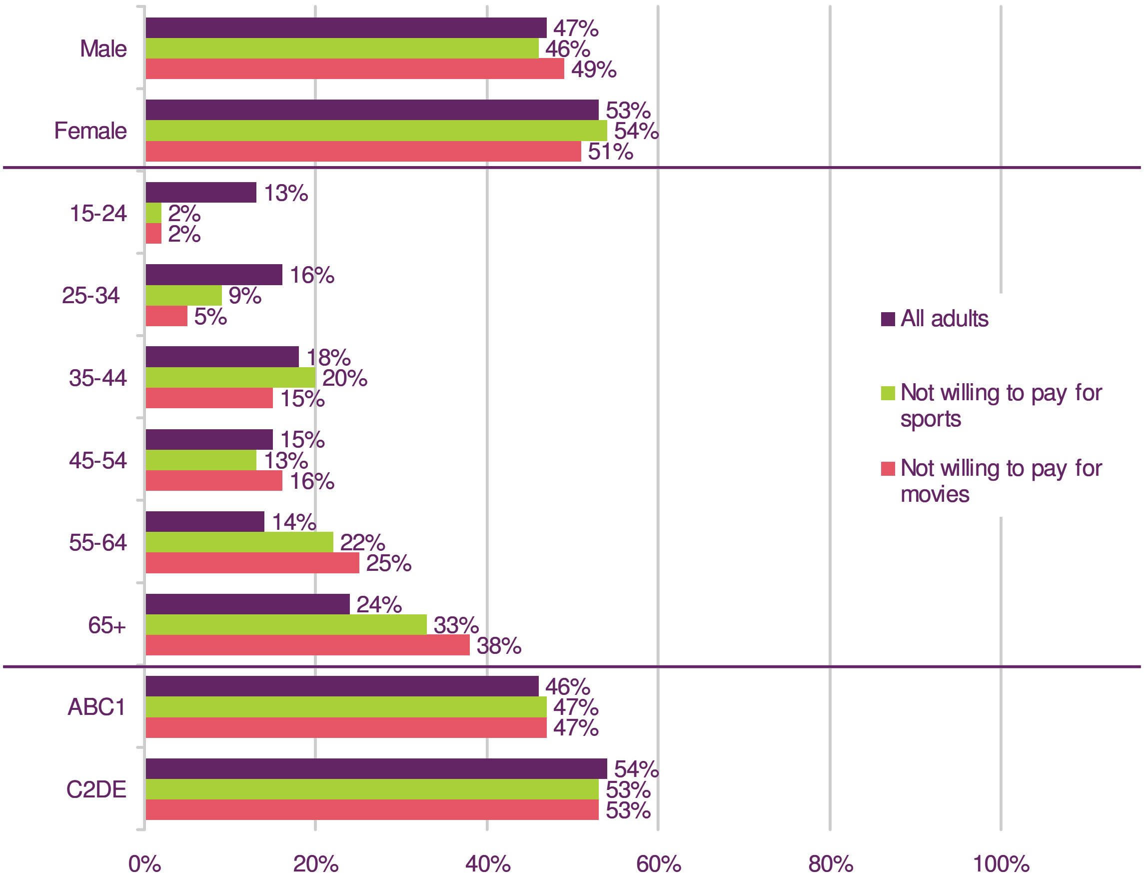
3.6 People's reasons for not subscribing to pay TV channels vary by the type of TV service they currently have. This is particularly true for Freesat customers, who are more likely than other respondents to mention cost as a reason. Freesat customers were more likely to say that pay TV was a waste of money (30%), compared with 23% of Freeview and terrestrial customers. Freesat customers were also less likely to say they could get all the channels they need, or that they did not watch enough TV to warrant getting a pay TV service.

Profile of those who will not pay for television

3.7 As mentioned above, the main reason for not subscribing to pay TV in general is a perception that it is too expensive. In order to look at the demographic profile of people who will not pay for either sport or films, we also calculated the number of people who would not be willing to pay for television. We asked people how likely they would be to buy a range of channels at a series of different price points. We then made the assumption that those who answered at the lowest price point (below £2.49) would, in reality, be unwilling to pay at all. We can therefore look at those unwilling to pay for sport and those unwilling to pay for movies.

3.8 Those unwilling to pay for sport or films tend to be older, with those over 55 more likely to say they would not pay than the UK average. The difference is even more pronounced among the over-65s.

Figure 7: Demographic profile of those unwilling to pay for sport and/or movies



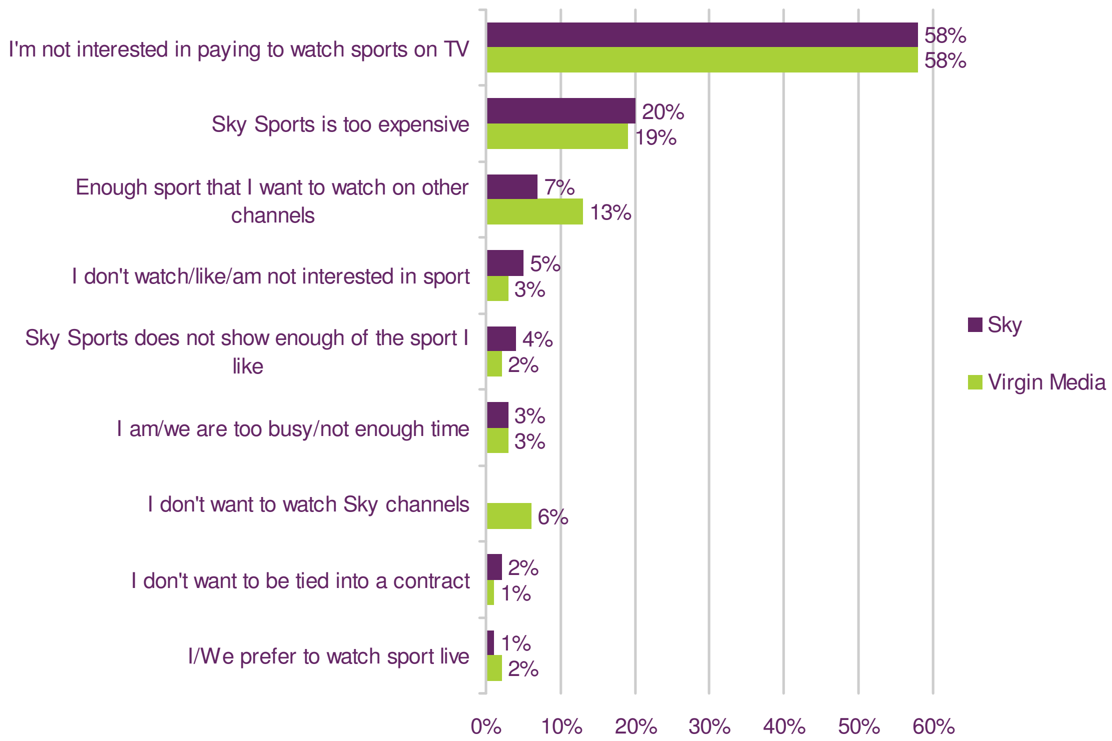
Q Various
Base: All adults aged 15+ (4113) , those who are not willing to pay for sport (272) and those who are not willing to pay for movies (190)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out April-July 2008

Reasons for not subscribing to premium channels

3.9 We asked all respondents who have pay TV but do not have a subscription for Sky Sports and/or Sky Movies why they do not pay for these premium channels. Just over half of Sky customers (53%) say they do not subscribe to Sky Sports and 83% of Virgin Media customers say they do not subscribe to Sky Sports.

3.10 Lack of interest is the most frequently mentioned reason for not subscribing to Sky Sports. Over half of both Sky and Virgin Media subscribers (58%) say they are not interested in paying to watch sports on TV. One in five say they think Sky Sports is too expensive. One in ten say there is enough sport on other TV channels, with Virgin Media subscribers more likely to say that there is enough sport on other channels (13%) than Sky subscribers (7%). The remaining reasons were mentioned by less than 5% of respondents.

Figure 8: Why not subscribed to Sky Sports for Sky and Virgin Media subscribers

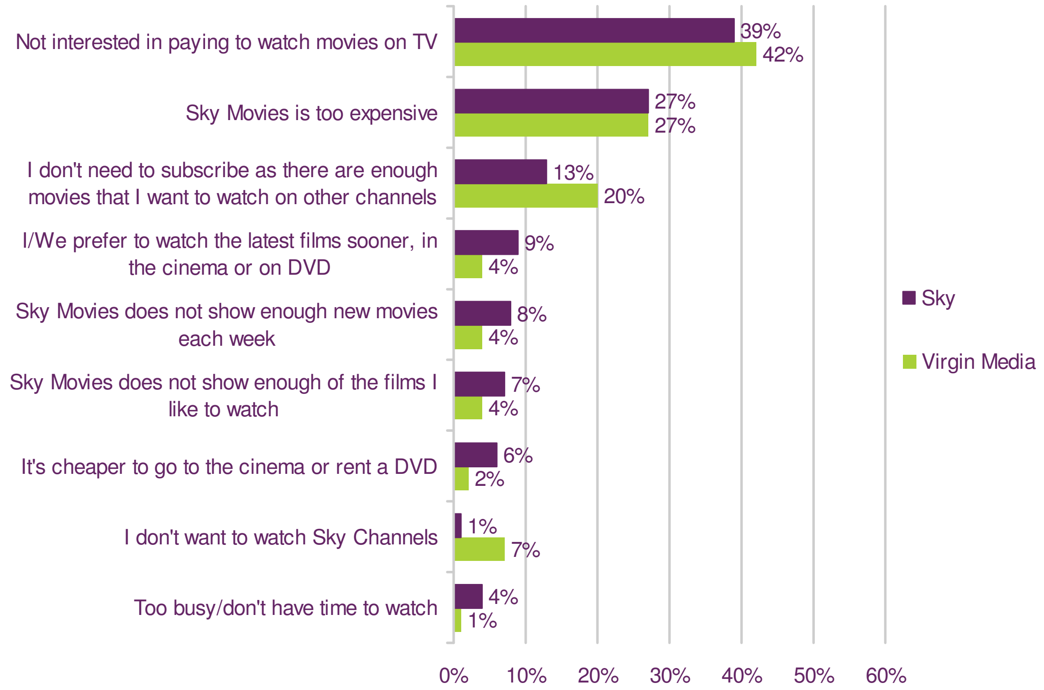


Q10 Why do you not subscribe to Sky Sports? Why else?
Base: All adults aged 15+ who have Pay TV but do not subscribe to Sky Sports and solely/jointly responsible for making purchasing decision regarding supplier for TV service (419 – Sky 247; Virgin Media 166)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April-July 2008

3.11 Few Virgin Media customers say they subscribe to Sky Movies; 97% say they do not, while three-quarters of Sky customers say they do not subscribe to Sky Movies (74%). As with sports, the same reasons are mentioned for not subscribing to Sky Movies; lack of interest in paying to watch movies on TV, and a perception that Sky Movies is too expensive.

3.12 There are few differences in the reasons given by Sky and Virgin Media subscribers, although Virgin Media customers are more likely than Sky subscribers to say they already see enough movies on other channels.

Figure 9: Why not subscribed to Sky Movies



Q10a Why do you not subscribe to Sky Movies? Why else?
Base: All adults aged 15+ who have Pay TV but do not subscribe to Sky Movies and solely/jointly responsible for making purchasing decision regarding supplier for TV service 543, Sky 346, Virgin Media 192
Source: Ofcom willingness to pay omnibus survey, fieldwork carried out in April-July 2008

Section 4

Attitudes to sports and films

4.1 This chapter covers general interest in sports and films, and behaviour in terms of frequency of watching sports in general and on specific channels. This analysis is largely based on the sample from the willingness to pay omnibus survey – people aged 15+ who have a television at home and are the main or joint decision marker about the television for the household.

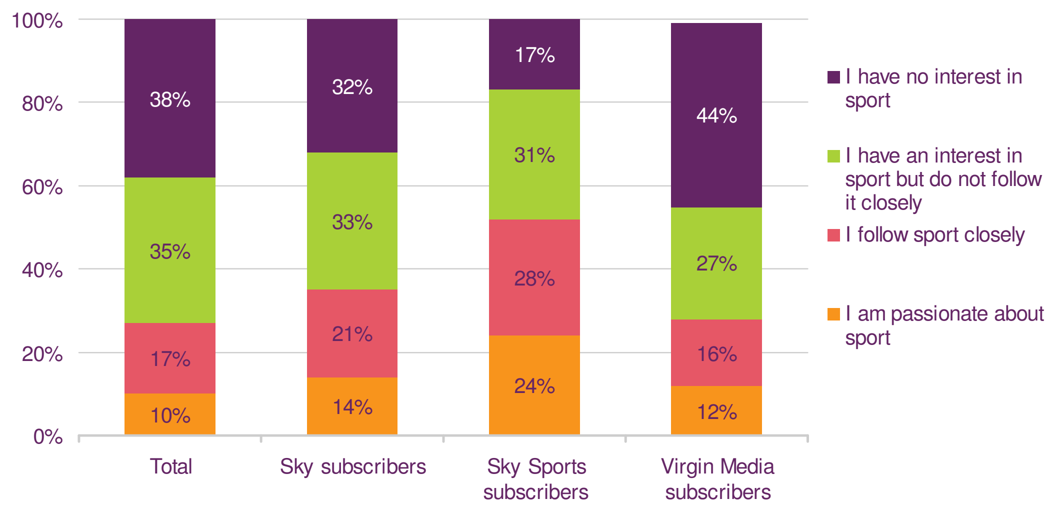
4.2 Data on the frequency of watching different types of sports and channels is drawn from the online content omnibus and the sports bundles conjoint research.

Interest in sports and films

4.3 We asked people to rate their level of interest in sports in general. The majority of respondents do not have a particular interest in sport, with 38% saying they have no interest, and 35% saying they are interested but do not follow it closely.

4.4 Among those who have pay TV, a higher proportion of Virgin Media subscribers (44%) than Sky subscribers (32%) say they have no interest in sport. Among Sky Sports subscribers a much lower proportion (17%) say they have no interest in sport.

Figure 10: Level of interest in sport in general

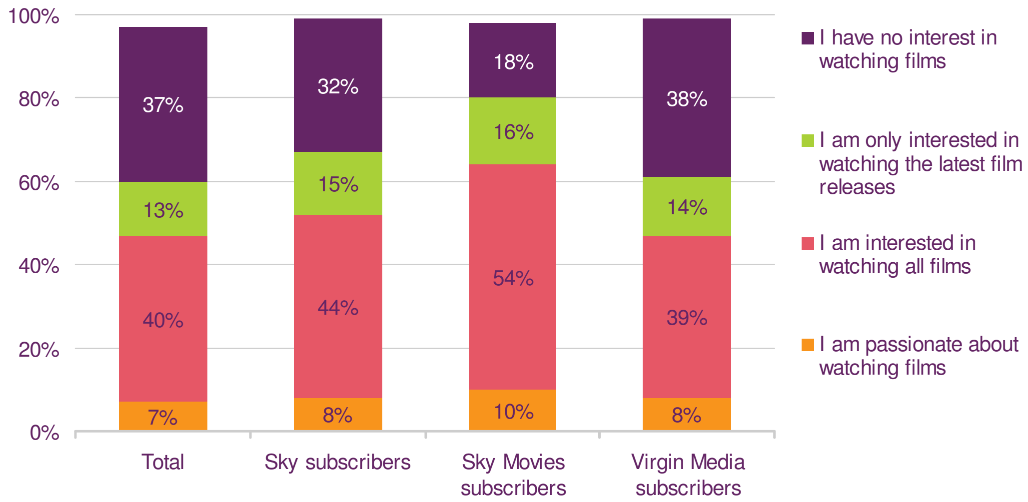


Q11 How interested are you in sport?
Base: All adults aged 15+ who have a TV in their household and solely/jointly responsible for making purchasing decision regarding supplier for TV service (1442), Sky subscribers (479), Sky Sports subscribers (267), Virgin Media subscribers (205)
Source: Ofcom willingness to pay omnibus survey, fieldwork carried out in April-July 2008

4.5 More people claim to be interested in watching films than say they are interested in sport. Two in five say they are interested in watching all films, while a further 7% say they are passionate about watching films.

4.6 At the other end of the spectrum, 37% say they have no interest in watching films. Not surprisingly, those who subscribe to Sky Movies show more interest in films than others, with 54% saying they are interested in watching all films.

Figure 11: Level of interest in films in general



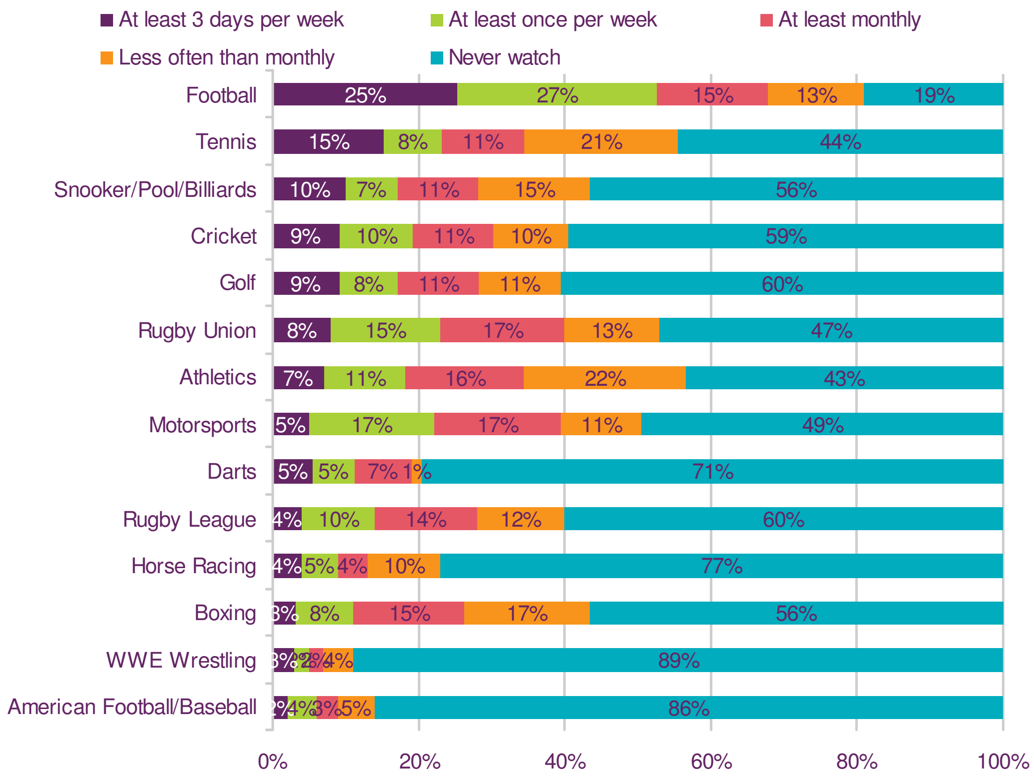
Q11a How interested are you in watching films?
Base: All adults aged 15+ who have a TV in their household and solely/jointly responsible for making purchasing decision regarding supplier for TV service (1474), Sky subscribers (543), Sky Movies subscribers (210), Virgin Media subscribers (207)
Source: Ofcom willingness to pay omnibus survey, fieldwork carried out in April-July 2008

Frequency of watching sports on television

4.7 Clearly the frequency of watching sport will be affected by which sports season it is when a survey is run. Therefore, it is important to note that the survey on which these data are based was run in April and May, just before Euro 2008 started, and over a month before Wimbledon. We asked sports viewers to consider their viewing frequency when the sport is actually on TV, as there will be many weeks when some sports are not available to watch.

4.8 The following section highlights the frequency with which sports viewers watch sports on television. Overall, two in five say they watch sports on TV at least once a week and a further 33% say they watch it less often than this. A quarter say they never watch sports on TV. Among people who do watch sport on TV, football is by far the most popular spectator sport, with 52% watching it at least weekly, compared with the next most-mentioned sport, tennis, which 23% watch at least weekly.

Figure 12: Frequency of watching sports on TV



Q9 I am now going to read out a list of sports and I would like you to tell me how often, if at all, you watch each sport on TV?
Base: All adults 15+ (1083) / All adults 15+ who watch sport on TV (799)
Source: Ofcom online content omnibus survey April/May 2008

4.9 In a separate survey[8] of people who have pay TV and who watch sports at least weekly, those who are strongly committed to football (that is, watch three or more times each week) tend also to be avid viewers of other sports. In particular, they tend to be strongly committed to boxing (22%), cricket (20%), rugby union (19%), motor sports (19%) and snooker (18%). However, there is a substantial core that is strongly committed only to football, 36% of those strongly committed to football, equating to nearly a quarter (23%) of the total sample.

4.10 Figure 13 shows that the frequency of watching sports on Sky Sports 1 is higher than for any other channel. Considering the sample for this data comprises pay TV subscribers and that Sky Sports 1, a specialist sports channel, is Sky's flagship sports channel, it is not surprising that the frequency of watching Sky Sports 1 is significantly higher than for the other channels we asked about.

4.11 The frequency of watching sports on Sky Sports 2 and BBC1 is broadly similar, with two in five saying they watch sport on these channels at least three times a week. Sky Sports 3, BBC2 and ITV1 are watched at least three times a week by one third of respondents.

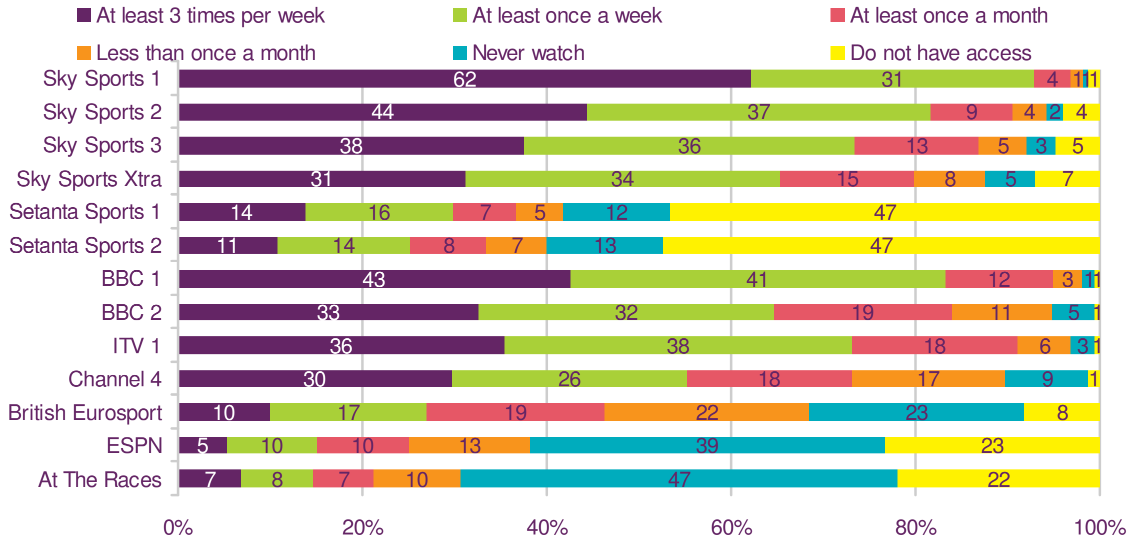
4.12 In comparison, the frequency of watching sports on Setanta Sports is significantly lower than on the Sky Sports channels and the PSBs. The main reason for this

[8] Ofcom sports bundles conjoint survey 2008, see section 6 and 7 for further analysis.

appears to be the lower take-up of Setanta's channels, compared to other more established broadcasters.

4.13 Further analysis shows that the pattern of viewing is consistent, regardless of commitment to football or to other sports.

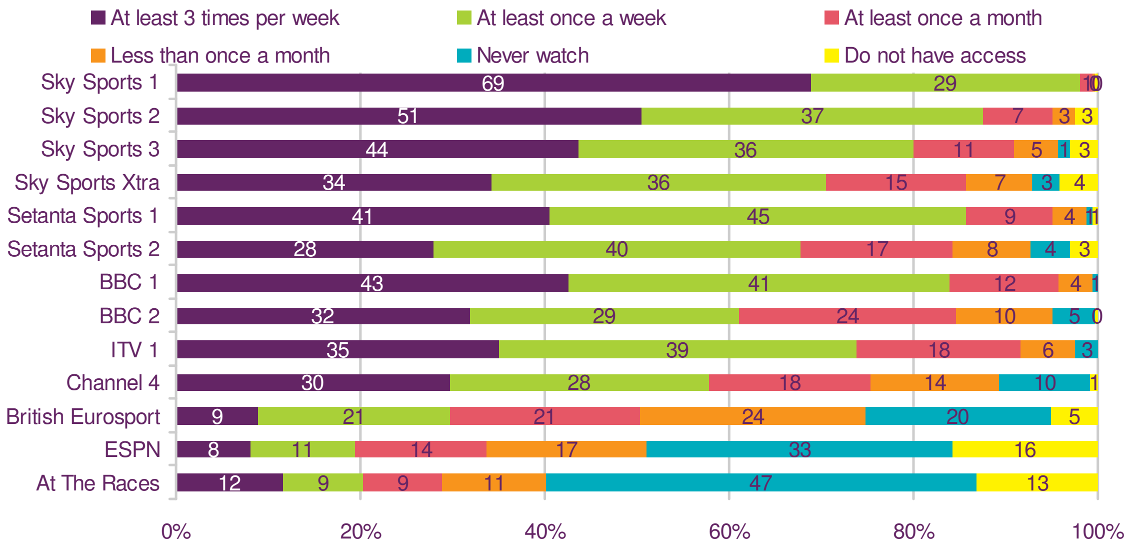
Figure 13: Frequency of watching sports by TV channel (all Sky Sports subscribers who watch weekly)



Q2 And how often do you watch sport on each of the following channels?
Base: All who subscribe to Sky Sports and watch sport at least once a week (n= 1735)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

4.14 As we can see from Figure 14, having a Setanta subscription does not seem to reduce the frequency with which consumers watch Sky Sports. It would seem that these subscribers watch more sports overall than those who subscribe only to Sky Sports.

Figure 14: Frequency of watching sports by TV channel (all subscribers to both Sky Sports and Setanta Sports who watch weekly)



Q2 And how often do you watch sport on each of the following channels?
Base: All who subscribe to Sky Sports and Setanta and watch sport at least once a week (n= 394)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

Section 5

Subscription to premium channels

5.1 This chapter explores people's relationship with sports and movies channels.

- Firstly, we look at the reasons people give for initially subscribing to Sky and Setanta sports channels and to Sky Movies channels, sourced from the willingness to pay omnibus survey.
- Secondly, we look at the importance of various sports, and sports events, to subscribers to these channels. This analysis is based on the sports bundles conjoint research.
- Finally, we ask premium subscribers what impact the removal of their favourite sport or event would have on their decision to subscribe. This data is from the online content omnibus and the sports bundles conjoint research.

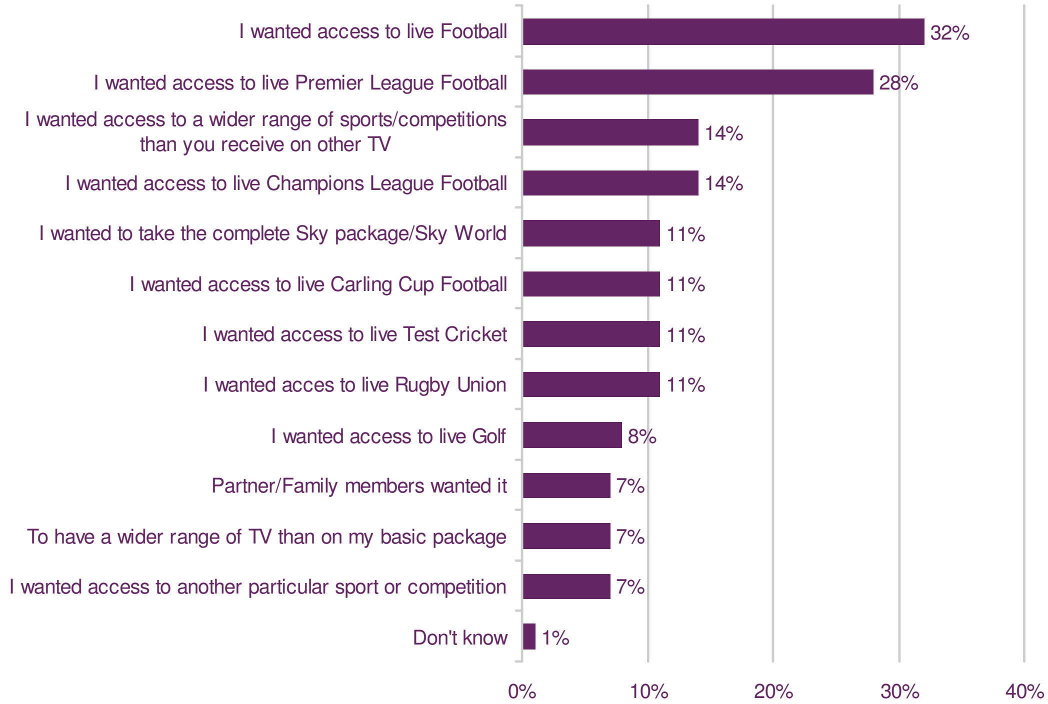
Reasons for subscribing to Sky Sports and Sky Movies

5.2 One third of those who have a monthly subscription to pay TV (33%) say they subscribe to Sky Sports, equivalent to 15% of the total population.

5.3 We asked people who subscribe to Sky Sports their reasons for initially subscribing; the results are shown in Figure 15. The two most-mentioned (unprompted) reasons were access to live football in general, followed by access to FAPL[9]. A variety of other reasons were also given by subscribers, including specific sports events, live sports and access to a wider range of sports and competitions than can be found on other TV services.

[9] FAPL is used throughout to refer to the Football Association Premier League.

Figure 15: Reasons why subscribers initially subscribed to Sky Sports

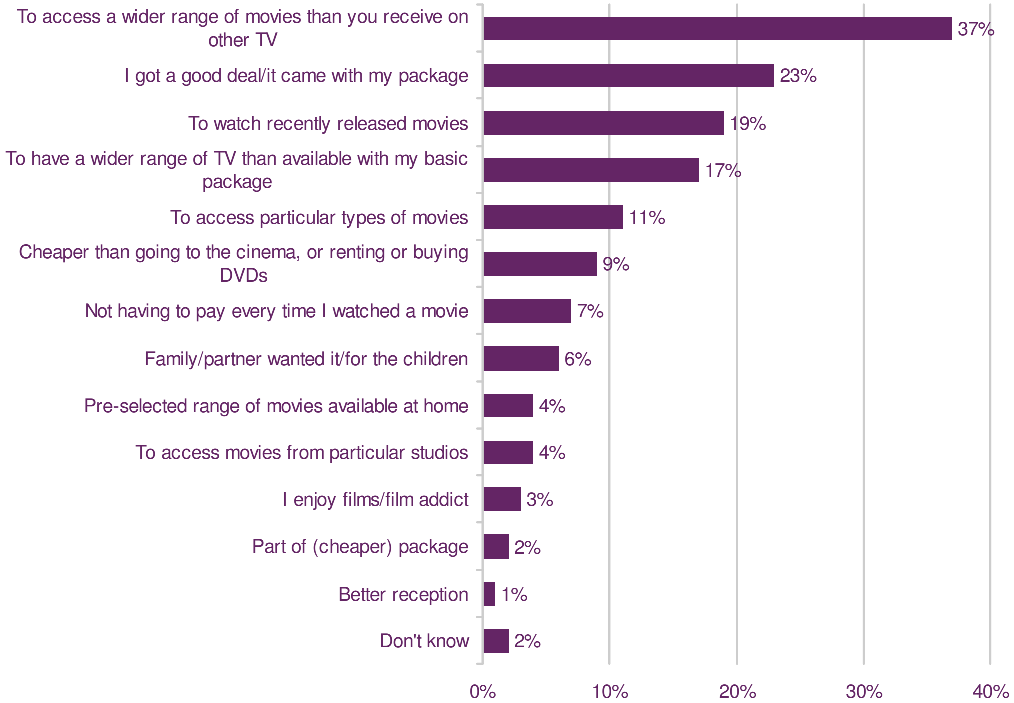


Q9 What would you say are the reasons why you initially subscribed to Sky Sports? Why else?
Base: All adults aged 15+ who subscribe to Sky Sports and solely/jointly responsible for making purchasing decision regarding supplier for TV service (274)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April-July 2008

5.4 Over one in five (22%) of people with a monthly subscription to pay TV said they subscribed to Sky Movies; this is equivalent to 10% in the total population.

5.5 As shown in Figure 16, the most mentioned reason people give for initially subscribing to Sky Movies is that they 'wanted to access a wider range of movies than you receive on other TV' (37%). Other reasons include 'I got a good deal/it came with my package' (23%) and being able to watch recently released films (19%).

Figure 16: Reasons why people initially subscribed to Sky Movies



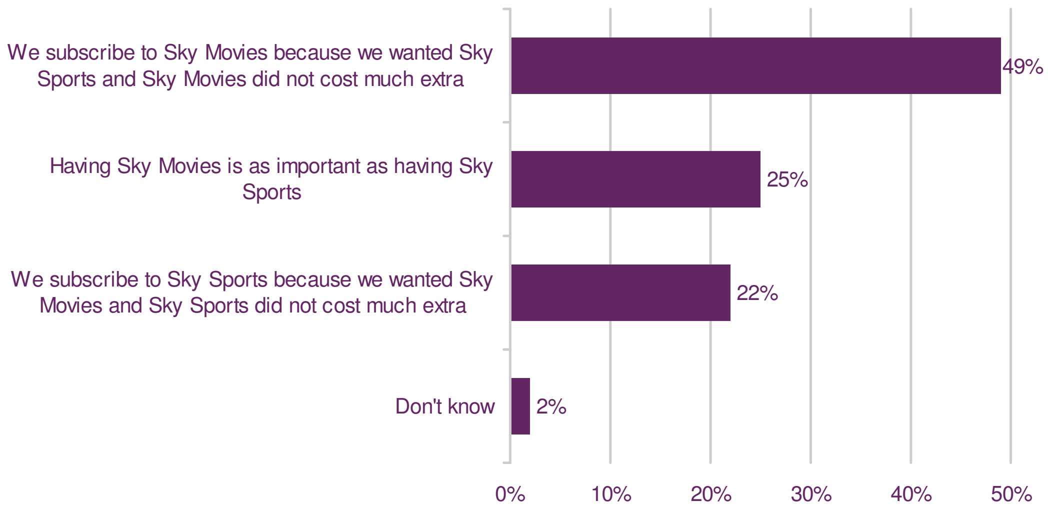
Q9a What would you say are the reasons why you initially subscribed to Sky Movies? Why else?
Base: All adults aged 15+ who subscribe to Sky Movies and solely/jointly responsible for making purchasing decision regarding supplier for TV service (210)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April-July 2008

5.6 Over one in ten (12%) of people who have digital TV say they subscribe to both Sky Sports and Sky Movies; this is equivalent to 5% in the total population.

5.7 The cost of adding Sky Sports Mix or Sky Movies Mix to a basic package is in the region of £17 per month. However the cost of adding both Sky Sports Mix and Sky Movies Mix is only £24 per month. We asked subscribers who take both the Sky Sports and Movies Mix channels whether their household preferred either sports or movies or whether they liked both equally.

5.8 The data in Figure 17 show that half (49%) of Sky Sports subscribers who also subscribe to Sky Movies do so because there is only a low additional cost in adding Movies to their Sports package. Conversely, one in five Sky Sports subscribers chose Sky Sports on the back of their Sky Movies subscription, again driven by the low additional cost. A quarter value Sky Movies and Sky Sports equally.

Figure 17: Reasons for subscribing to Sky Movies and Sky Sports



Q12 Which of the following best describes your household's reason for subscribing to Sky Movies and Sky Sports?
Base: All adults aged 15+ who subscribe to Sky Movies and Sky Sports and solely/jointly responsible for making purchasing decision regarding supplier for TV service (260)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April-July 2008

5.9 In a separate survey among pay TV subscribers who watch sports at least weekly[10], we found that those who are not strongly committed to any sport are more likely to place equal value on Sky Movies (45% compared with 33% of those who are strongly committed to a sport). With regard to football specifically, it is true that the less the commitment to football, the greater value is placed on Sky Movies, but commitment to football can also be seen as an indicator of commitment to sport generally, so this is perhaps not surprising.

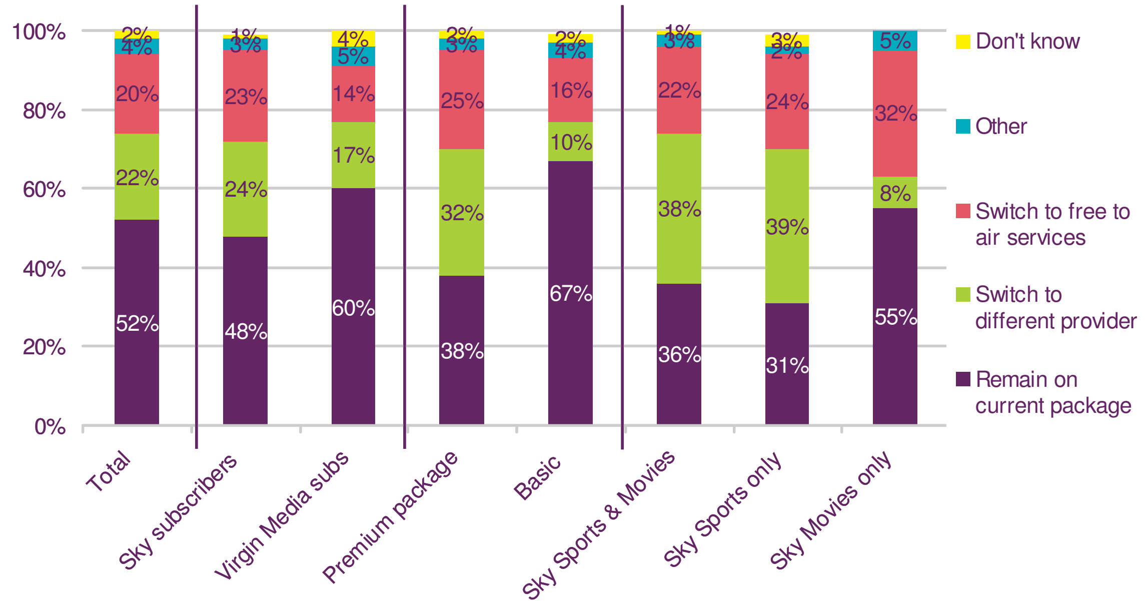
Impact of removing Sky Sports and Sky Movies

5.10 In the online content omnibus survey we asked subscribers to Sky's premium channels what their most likely response would be if Sky Sports channels and Sky Movies channels were no longer available either on the TV service they currently received, or on any other channel. They were given several options, as illustrated in figure Figure 18.

5.11 Overall reactions were mixed; around half said it would not have any impact and they would remain on their current package, but one in five said they would switch to a different provider or to a free-to-air service.

[10] The sports bundles conjoint survey.

Figure 18: Reaction to the unavailability of Sky Sports and Sky Movies[11]

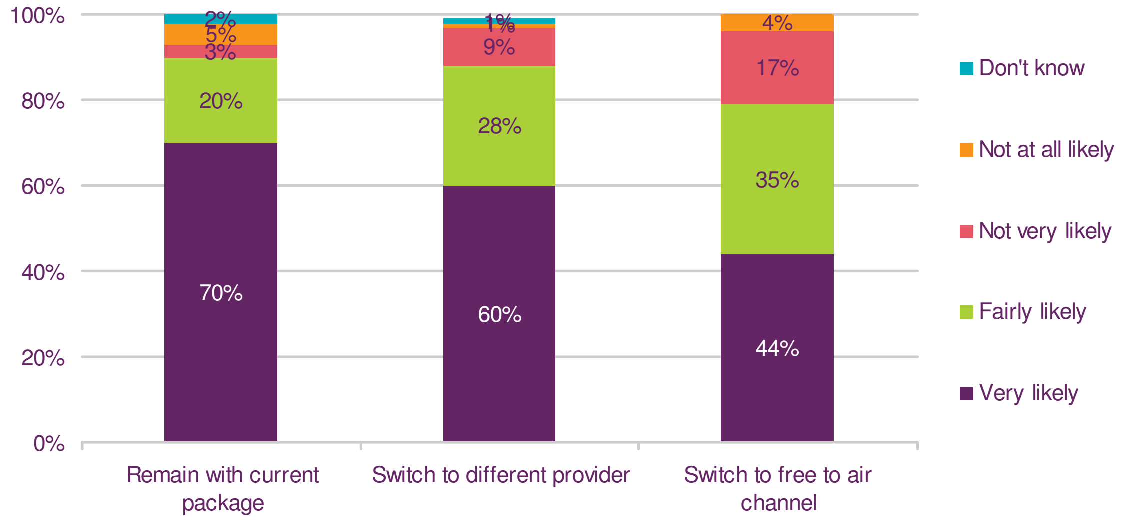


Q10 Which one of the following options would you be most likely to do in the next twelve months?Base: All who are Pay TV subscribers (547), and Sky subscribers (374), Virgin Media subscribers (152), Premium channel subscribers (267), Basic subscribers (264), Sky Sports and Sky Movies (122), Sky Sports only (91), Sky Movies only[12] (54)
Source: Ofcom online content omnibus survey April/May 2008

5.12 To help establish the likelihood of this claimed behaviour we then asked the same respondents how likely they would be to actually undertake this action. Those who said they would remain on their current package were most likely to say they would actually respond in this way, 70% said that they were very likely to do this. Of those who said they would switch to another provider, 60% said they thought they were very likely to do this and 45% of those who said they would switch to free-to-air services said they were very likely to do this.

[11] Sky and Virgin Media subscribers include those who take a basic package of channels only. It should be noted that the proportion of Virgin Media subscribers who take a premium package is a very small base.
[12] Treat as indicative only due to very small base.

Figure 19: Likelihood of carrying out reaction to the unavailability of Sky Sports and Sky Movies

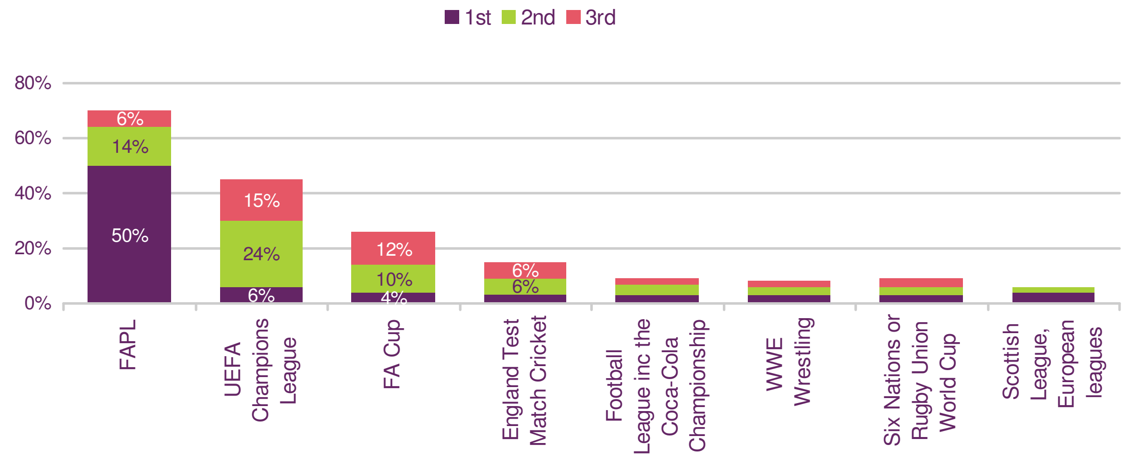


Q10 Which one of the following options would you be most likely to do in the next twelve months?
Base: All who are Pay TV subscribers and will remain with current provider (268), switch to different provider (112), switch to a free to air channel (115)
Source: Ofcom online content omnibus survey April/May 2008

Importance of specific sports/events in subscribing to Sky Sports

5.13 On the sports bundles conjoint survey all subscribers to Sky Sports were asked to identify, from a limited list of popular sport on TV, the three sports or events that were most influential in their decision to subscribe. Considering the proportion of people in the sample who are strongly committed to football (62%), it is inevitable that this sport is mentioned most often, by a large margin.

Figure 20: First, second and third most important sport or event in subscribing to Sky Sports (most important sports)



Q4A/B/C Which of the following sports or events was the most important in making the decision to subscribe to Sky Sports?
Base: Sky Sports subscribers (n= 1735)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

5.14 Of all the events we asked about, a football event is the most important event in making the decision to subscribe to Sky Sports, with 69% of subscribers mentioning it as the most important, 61% mentioning is as the second most important and 52% as the third most important. No other sport achieves more than 9% of first, second or third mentions.

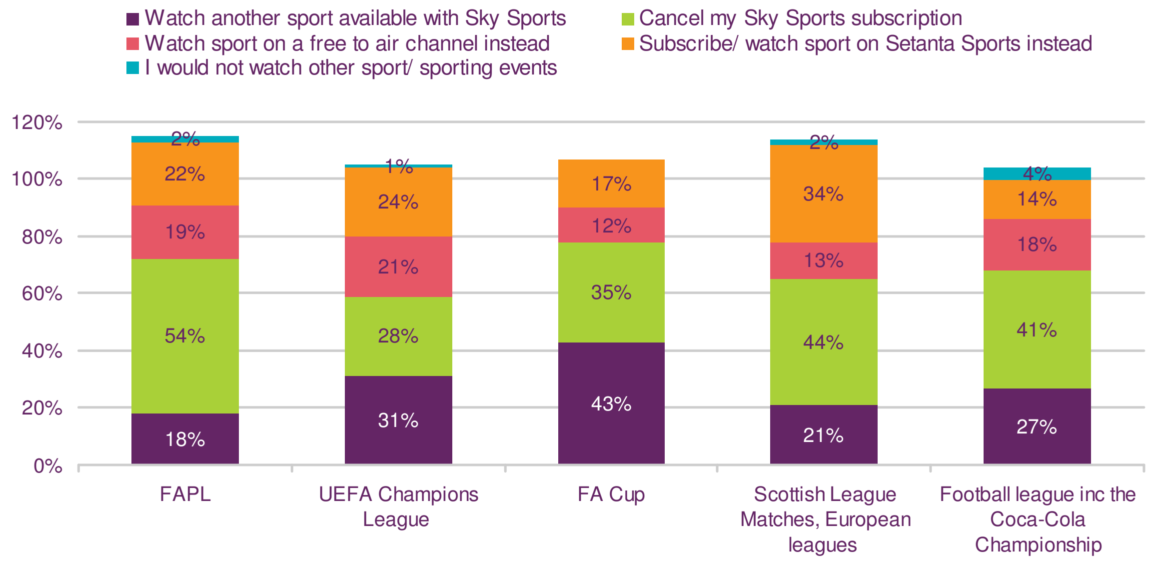
5.15 FAPL is the most-mentioned reason give for the decision to subscribe to Sky Sports; subscribers are more than 8 times more likely to cite it as their main reason for subscribing than for any other sport and 70% of subscribers mention it as one of their top three reasons for subscribing. Five of the top six events mentioned are football events; the Champions League (44%) being the most important driver after FAPL. Beyond football, only test match cricket (featuring England) is mentioned by more than one in ten subscribers (15%) in their top three.

Impact of removing most important sports/events from Sky Sports package

5.16 In order further to investigate the importance of premium content to pay TV packages, all Sky Sports subscribers were asked what action they would take if the two sports/events they had identified as being most influential in their decision to subscribe were permanently withdrawn from their package.

5.17 Nearly half (45%) said they would cancel their subscription to Sky Sports if their most important sport/event was withdrawn. Of those who currently have access only to Sky Sports 17% would subscribe to Setanta as a result of losing access to this sport/event. This course of action is more likely among those who are strongly committed to watching sport on TV than among those who are not (21% compared with 12%).

Figure 21: Action taken if important sports/events permanently withdrawn (most important sports)[13]



Q5 If (MOST IMPORTANT SPORT EVENT) is PERMANENTLY withdrawn from your Sky Sports package, which of the following would you do?
Base: All those naming sport as most important reason for subscribing to Sky Sports (FAPL 1006, UEFA Champions League 105, FA Cup 70, Scottish /European leagues 70, Football league[14] 58)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

5.18 As might be expected, the loss of the most important sports event, FAPL, has the biggest impact on likely future subscriber behaviour. Over half (54%) of those for whom FAPL is the most important reason for subscribing say they would cancel their subscription if this was withdrawn. Only test match cricket featuring England had a comparable impact, and among these subscribers the most common response would be to revert to free-to-air coverage (40%). A quarter (25%) for whom cricket is of major importance say they would cancel their subscription.

5.19 It is logical that the loss of second choice sports/events would have less impact than the most important sport or event contributing to the decision. Nonetheless, 40% of those for whom FAPL was the second most important sport/event said they would cancel their subscription if it was withdrawn. Overall, Champions League football was the second biggest driver of subscriptions; withdrawing this would cause 42% of those for whom it was the second most important sport/event to cancel their subscription.

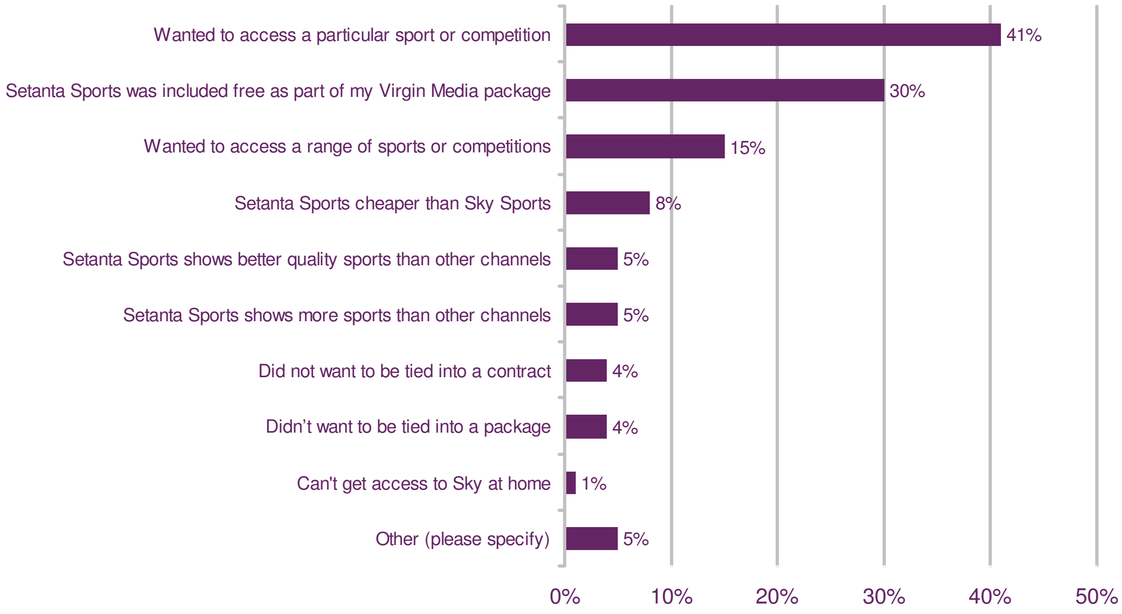
Reasons for subscribing to Setanta Sports

5.20 When subscribers to Setanta Sports were asked their initial reasons for subscribing, they most commonly said that they wanted access to a particular sport or competition (41%). Three in ten said their main reason for subscribing to Setanta was because they received the channel for no additional charge as part of their Virgin Media contract. Greater commitment to sport increases the likelihood of subscribing to Setanta for particular sports/competitions, rather than receiving the channel free by default. Although this principle applies broadly across all sports, it is most noticeable

[13] Note that this question was multi-code hence responses add to more than 100%.
[14] Treat data as indicative due to very low base size.

among those who are strongly committed only to football. Half (51%) of these viewers subscribe for particular sports/competitions, compared with only a quarter (26%) of those with a strong commitment to a sport other than football.

Figure 22: Reasons for subscribing to Setanta Sports

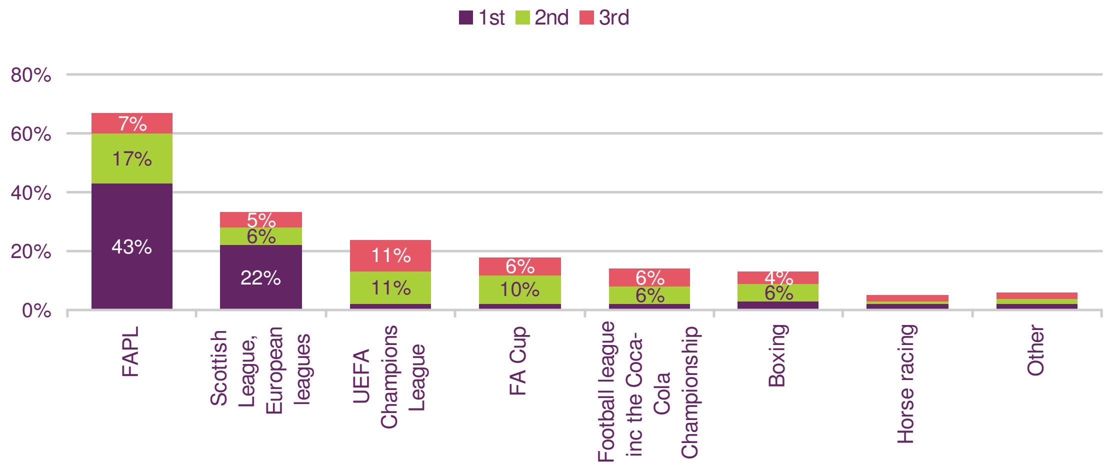


Q4A Which of the following sports or events was the most important in making the decision to subscribe to Setanta Sports?
Base: Setanta sports subscribers (n= 563)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

Importance of specific sports/events in subscribing to Setanta Sports

5.21 All subscribers to Setanta Sports were asked to identify, from a limited list, the three sports or events that were most influential in their decision to subscribe. As a large proportion of these subscribers are strongly committed to football it is inevitable that this sport is mentioned most often.

Figure 23: Importance of specific sports/events in subscribing to Setanta Sports (most important sports)



Q8A/B/C Which of the following sports or events was the most important in making the decision to subscribe to Setanta Sports?
Base: Setanta sports subscribers (n= 563)
Source: Ofcom sports bundles research, fieldwork carried out in April 2008

5.22 Of all the events we asked about, football events are the most important events in making the decision to subscribe to Setanta Sports. No other sport achieves more than 4% of mentions. More specifically, FAPL drives the decision to subscribe to Setanta Sports, with 67% of subscribers saying that this is one of their top three reasons for subscribing (as for Sky). Scottish or European league football is the next most mentioned, with 33% of subscribers saying that this was one of the main reasons.

5.23 For Setanta Sports subscribers, all of the top six events mentioned are football events. However, for them, the Scottish League (33%) is more important than the Champions League (24%). This finding is reflected in the relatively high subscription levels to Setanta in Scotland, where 41% among our sample choose to pay to subscribe (compared to 18% overall among our sample of active football viewers). Beyond football, boxing is given comparable importance to the least important football, Football League, being in the top three for 14% of Setanta subscribers.

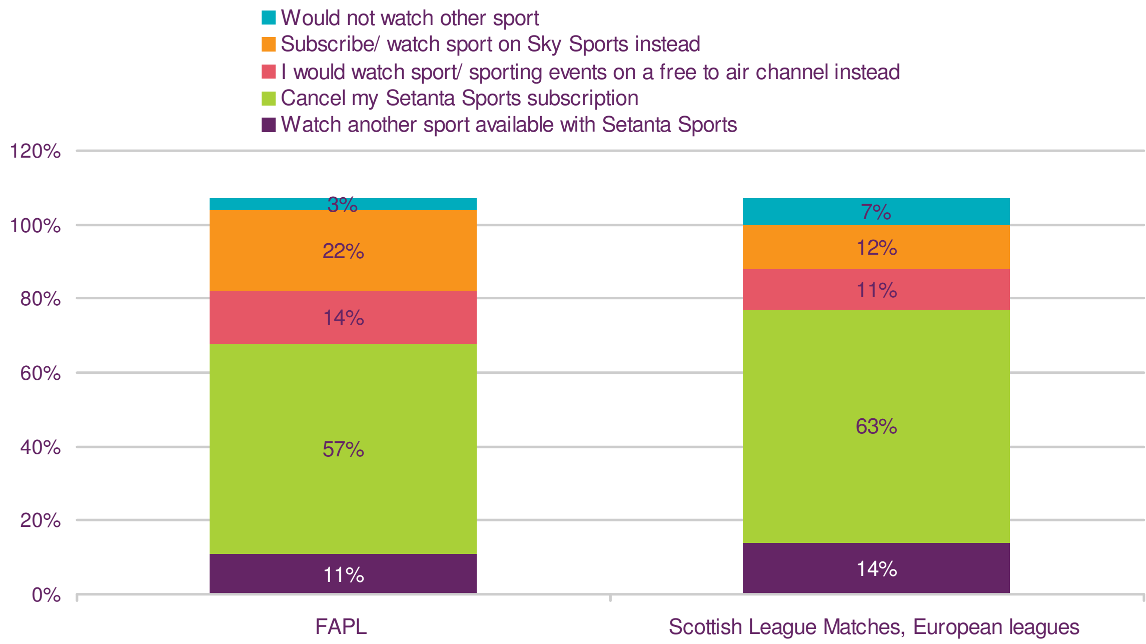
Impact of removing most important sports/events from Setanta Sports package

5.24 All Setanta Sports subscribers were asked what action they would take if the two sports/events they had identified as being most influential in their decision to subscribe were permanently withdrawn from their package.

5.25 Over half (54%) said they would cancel their subscription to Setanta Sports if their most important sport/event was withdrawn. This course of action is hypothetically much more likely among those who currently also have access to Sky Sports, than those who receive only Setanta (61% and 37% respectively). Of course, subscribers to both channels would still have substantial access to sport if they cancelled their Setanta subscription, but three-fifths of those who receive only Setanta receive it for no additional charge, so cancellation is less meaningful.

5.26 Just over one in ten (13%) of Setanta-only subscribers said they would switch to Sky if they lost access to their most important sport/event. These claimed actions are broadly in line with what subscribers to Sky said they would do under the same conditions.

Figure 24: Action taken if important sports/events permanently withdrawn (most important sports)[15]



Q9 If (MOST IMPORTANT SPORT EVENT) is PERMANENTLY withdrawn from your Setanta sports package, which of the following would you do?
Base: All those naming sports as most important reason for subscribing to Setanta (FAPL 244, Scottish League Matches/European leagues 122)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

5.27 Withdrawal of FAPL would have the biggest impact on future subscription intentions. Over half (57%) of those for whom FAPL is the most important reason for subscribing would cancel their subscription if this event/sport were withdrawn. A fifth (22%) of those for whom FAPL is most important would subscribe to Sky. Permanent withdrawal of Scottish and European League football would have a similar impact on Setanta cancellations to the withdrawal of FAPL, with 63% saying they would cancel, but would be less likely to cause Setanta subscribers to switch to Sky.

5.28 Withdrawal of FAPL would also affect those for whom FAPL was the second most important sport or event in their decision to subscribe. It is logical that second choice sports/events would have less impact. Nonetheless, 41% of those for whom FAPL was the second most important sport/event said they would cancel their subscription if this were withdrawn, and a fifth (22%) of those for whom FAPL was the second most important sport/event said they would switch to Sky. A similar proportion (43%) of those citing Scottish and European League football as their second most important sport/event would cancel if this was permanently withdrawn.

[15] Note that this question was multi-code hence responses add to more than 100%.

Importance of sports included in the package

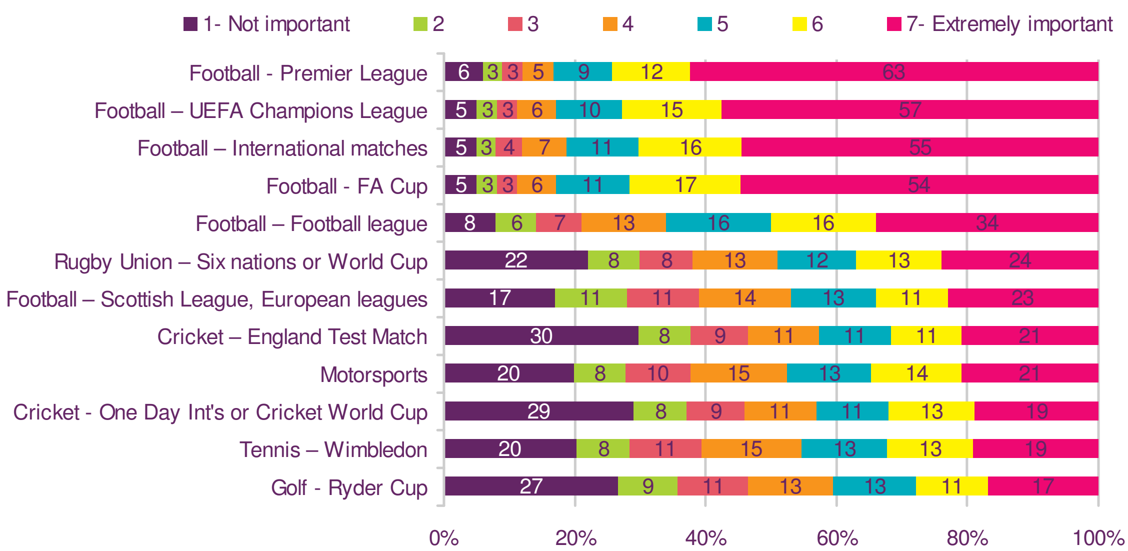
5.29 This section summarises the importance to viewers of each of the sports that they watch. This research was carried out among the people who were the decision makers for pay TV services in their households.

5.30 For the Ofcom sports conjoint research, we recruited respondents who watched sports at least weekly. People who watched sport less frequently were excluded to ensure that individuals who have no interest in sport but who live in a household that pays for Sky Sports channels were not included in the research.

5.31 As set out in Figure 25 and Figure 26 below, we asked these respondents to rate 25 sports/sporting events in terms of how important it was that each of these should be included as part of a sports package subscription. When respondents were asked how frequently they watched sports on TV, they were asked to relate this to the season in which each sport is played, and thus look beyond the timing of the interviewing (fieldwork ran from 3 to 14 April 2008). However, we must acknowledge that the timing of the fieldwork may have had some impact on the rankings[16].

5.32 Football is by far the most important component of TV sports packages among weekly viewers of sport in general, with 63% saying it is extremely important. Nearly two-thirds of subscribers to Sky Sports or Setanta Sports say that it is extremely important to have FAPL football included as part of their sports subscription. The importance of FAPL football, although still important, is less so to those who subscribe only to Setanta Sports (48% give it the highest rating, compared with 62% of those subscribing only to Sky, and 74% of those subscribing to both Sky and Setanta).

Figure 25: Importance of sports as components of TV package (most important)



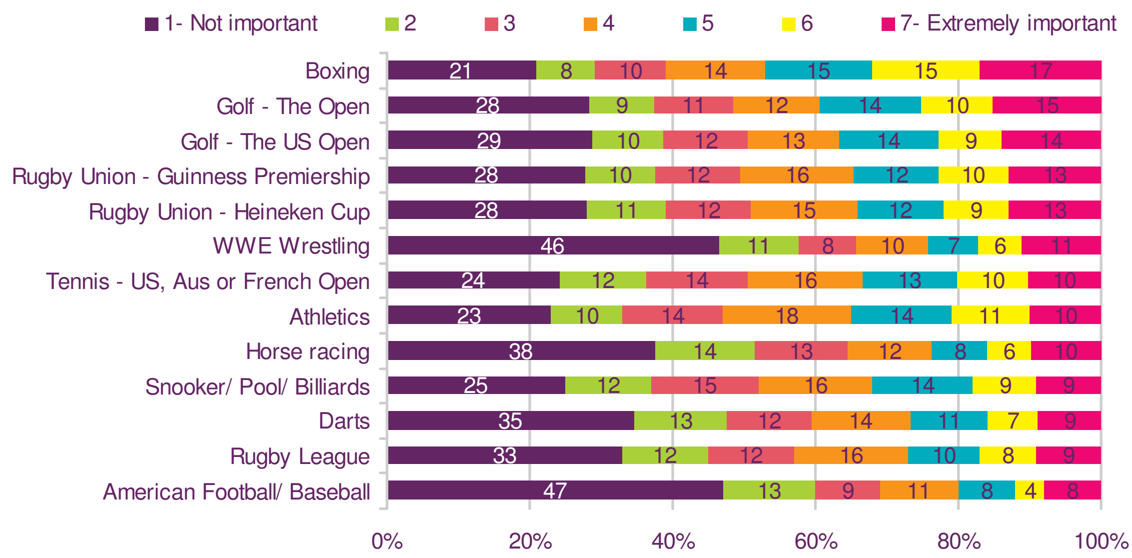
Q1 Can you please tell me how important each sport is to have included as part of your sports subscription?
Base: All who subscribe to pay TV and watch sport at least once a week (n= 1904)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

[16] See Appendix 4 which shows the various sports broadcast during the fieldwork period.

5.33 Over half of pay TV subscribers who watch sport at least weekly see the FA Cup, the UEFA Champions League and international matches as extremely important, although this is smaller than the proportion of people who say FAPL is extremely important. Football League, Scottish League and European league matches are notably less likely to be seen as critical, although they are still rated as more important than most other sports.

5.34 Only certain key events, such as international rugby union games, international cricket, motorsport (including Formula 1) and Wimbledon approach even the least critical football events in terms of importance. Figure 26 below shows the remaining 13 sports and the extent to which they are important to the overall sports package.

Figure 26: Importance of sports as components of TV package (least important)



Q1 Can you please tell me how important each sport is to have included as part of your sports subscription?
Base: All who subscribe to pay TV and watch sport at least once a week (n= 1904)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

Section 6

Value of sports and sports bundles

6.1 This section looks in more detail at the importance of specific sports or events to package choice, using both stated and derived measures of importance sourced from the sports bundles conjoint research. In particular we identify which sports people rate as the most important and which consumers state drive their choice of package, and analyse these results by the level of commitment people have to different sports. We also investigate the likely stated impact on subscription behaviour if these sports or events were removed.

Key market segments

6.2 This section is based on our conjoint research on sports bundles. This research comprised a choice-based conjoint (CBC) exercise. See Appendix 1 for details of the methodology. It is important to note when reading this section, and particularly the profile information, that the sample is based on a survey of Sky Sports and Setanta Sports subscribers who watch sport at least once a week. Therefore this section is not representative of pay TV subscribers in general, due to the sample's higher level of viewing and interest in sports.

6.3 We analysed pay TV subscribers by level of commitment to football and other sports, as well as by subscriber type, to establish which factors had a bearing on the value placed on sports and sports bundles.

6.4 Firstly we looked at level of commitment to football, based on the frequency of viewing. We compared three different groups; those strongly committed to football (watch three or more times per week), those weakly committed to football (watch weekly, but less than three times) and those casually committed to football (watch monthly, but less often than weekly).

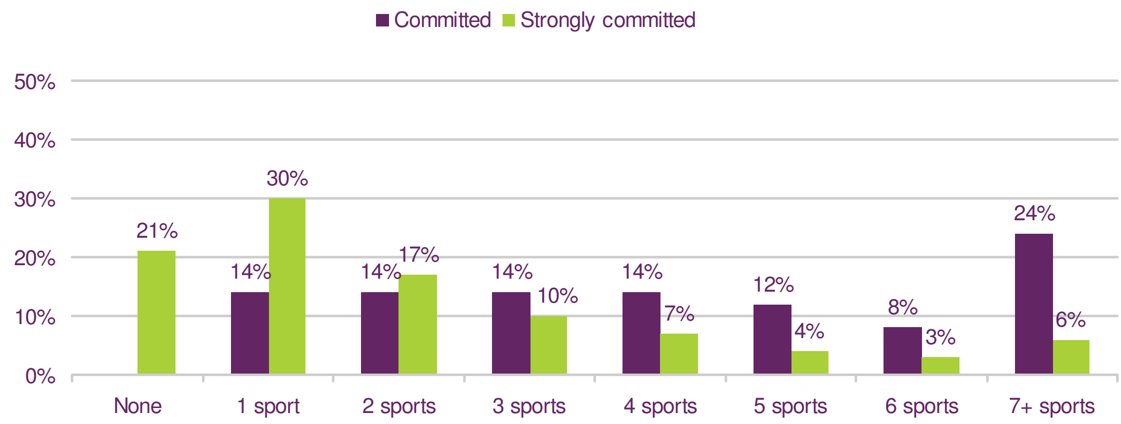
6.5 We then compared subscribers who were strongly committed to one sport with those who were not strongly committed to any sport. Again we analysed three different groups; those strongly committed to football only, those strongly committed to at least one sport but not football and those not strongly committed to any sport.

6.6 We also looked at the impact of subscriber type, comparing those who subscribe to Sky Sports and Setanta Sports.

6.7 Figure 27 shows the number of sports that people are committed or strongly committed to, based on how frequently they watch each sport. Among people who are committed to specific sports (that is, watch the sport at least once a week), roughly equal numbers are committed to one, two, three, four or five sports. However, among those who are strongly committed to specific sports (that is, watch the sport at least three times a week), this commitment is more likely to be directed to just one or two sports.

6.8 About a quarter (21%) of the sample do not have a strong commitment to watching any sport on TV. Nearly a third (30%) have a strong commitment to just one sport, but nearly half (47%) the sample are strongly committed to watching more than one sport three times a week or more. A fifth are strongly committed to four or more sports.

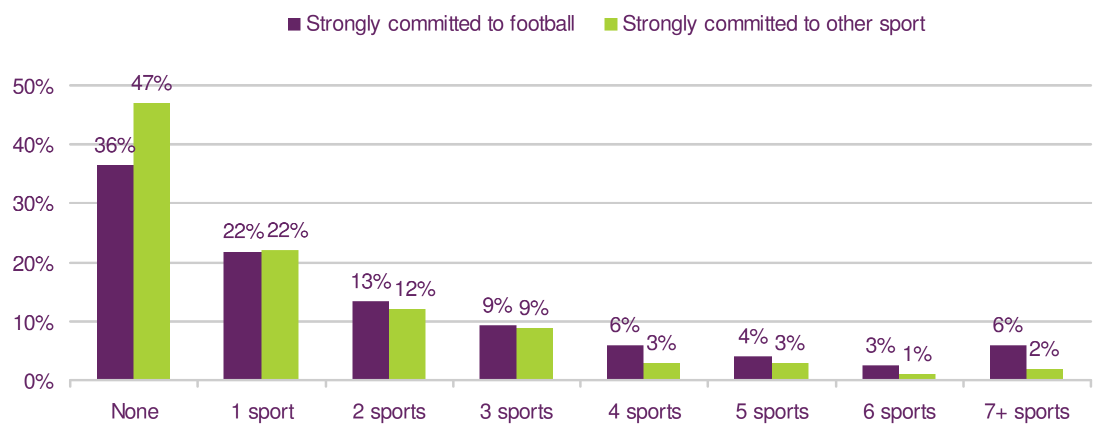
Figure 27: Number of sports committed to, based on frequency of viewing[17]



QS6 Which of the following best describes how often you watch each of the following sports on TV?
Base: All who subscribe to pay TV and watch sport at least once a week (n= 1904)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

6.9 Those committed strongly to football follow more sports than those committed to other sports; of those strongly committed to football over a third have a weak, or non-existent, relationship with other sports, compared with nearly half of those committed to other sports. Over one in five of both groups say they are strongly committed to one other sport, and close to one in ten are strongly committed to two or three other sports.

Figure 28: Number of other sports strongly committed to, football vs other sport



QS6 Which of the following best describes how often you watch each of the following sports on TV?
Base: All who subscribe to pay TV and watch sport at least once a week and are strongly committed to football (n= 1179) or are committed to any other sport other than football (n= 292)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

[17] Level of commitment is derived from viewing frequency, as explained in paragraph 6.4. Committed viewers refer to those who watch a sport at least once a week, strongly committed refer to those who watch a sport at least three times a week.

Key drivers of package choice

6.10 Conjoint questioning was a core element of this research. Respondents were presented with a series of scenarios and in each case were asked which of the options they would buy or prefer. Utility values were calculated from these choices, showing the relative importance of each sport. For further details of how the utility values are calculated see Appendix 6.

6.11 Utility values show the relative impact of preferences on the choice of package elements used in the exercise.

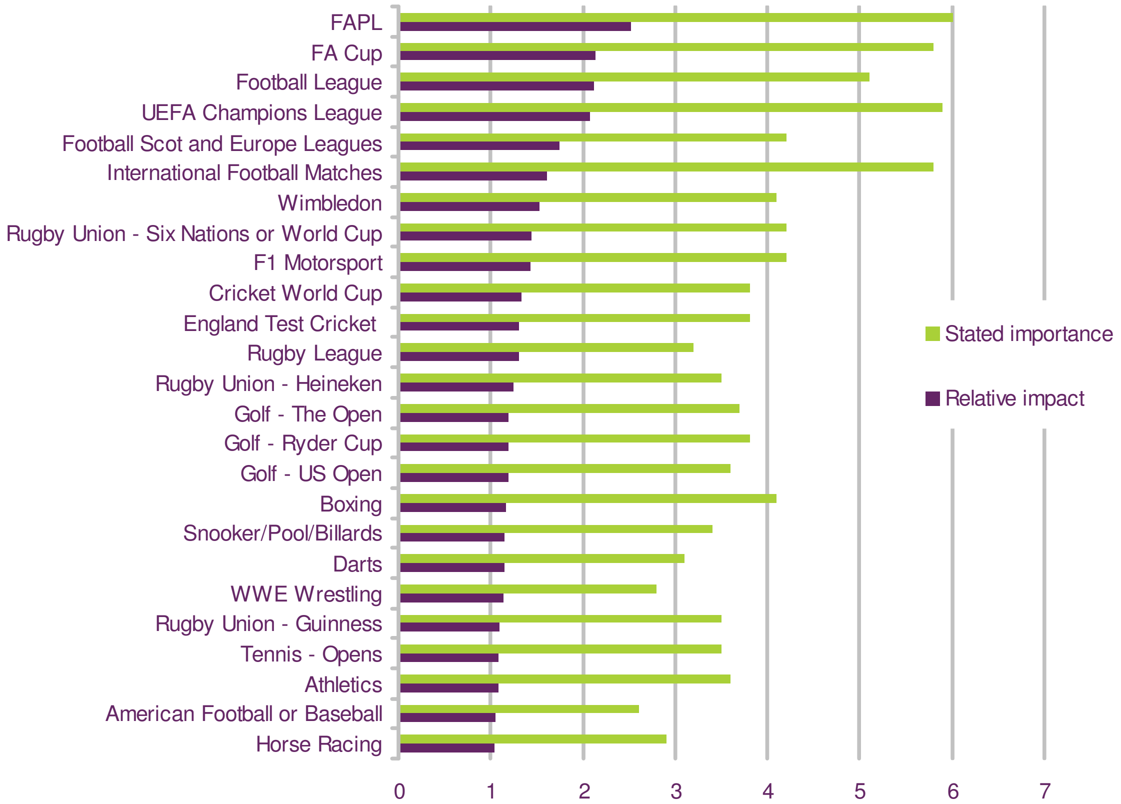
6.12 This trade-off technique is effective at uncovering the strongest drivers of choice. The respondent is never questioned directly about what drives their choice, and so is not encouraged to give the answers they think are expected, or to make more rational choices than they would in real life. This 'forced' choice also prevents respondents from compiling an idealised wish-list.

Relative importance of sports package choice

6.13 The conjoint analysis confirms many of the findings from the stated importance question reported in Section 5 of this annex. FAPL is the strongest driver when choosing a sports package, ahead of other sporting events. For both stated and derived importance the six most important drivers of choice are football events. International matches and Scottish and European league matches have lower importance than the FA Cup, UEFA Champions League or Football League.

6.14 There is relatively little variation in the importance of other sporting events. The conjoint analysis identifies Wimbledon as being the strongest driver outside football, approaching the impact of the weakest football event. Mean stated importance also shows Wimbledon to have relatively high value compared to most other sports.

Figure 29: Relative importance of sports events as part of simulated package[18]



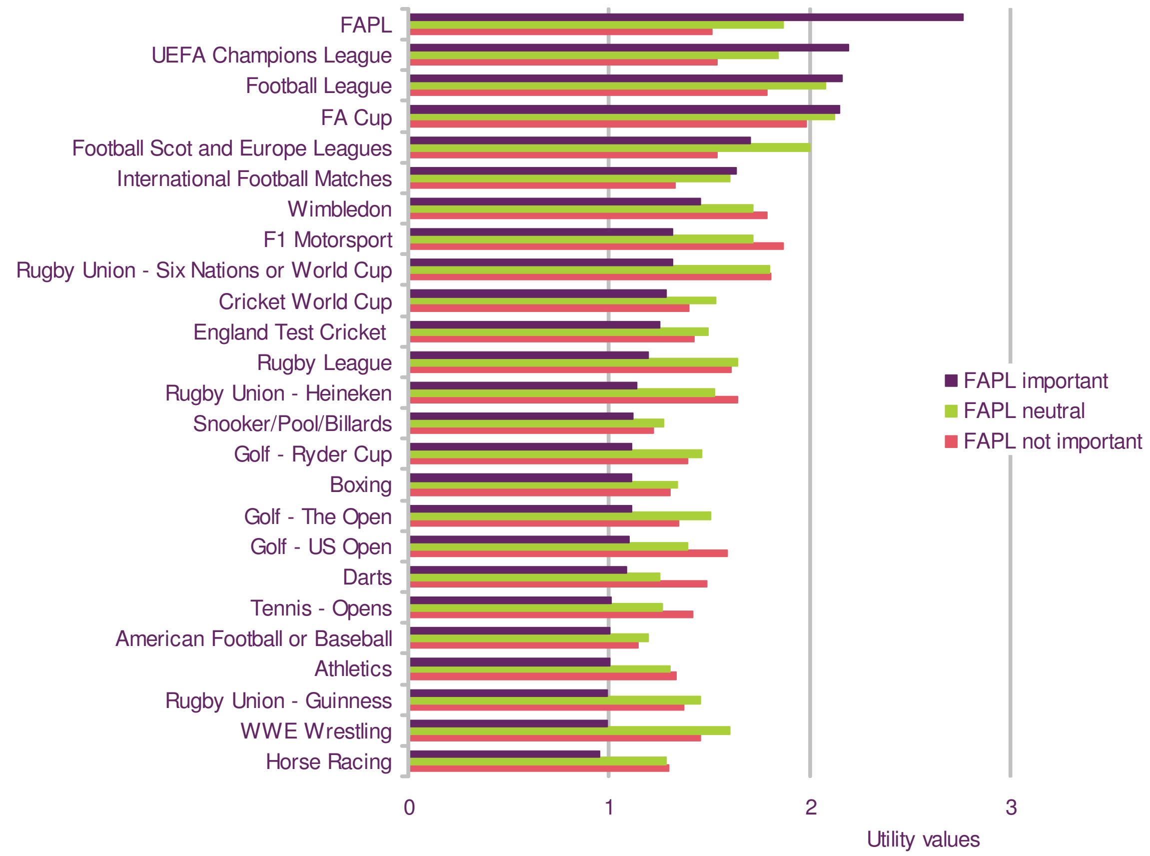
Conjoint and Q1 How important each sport is to have included as part of your sports subscription?
Base: All who subscribe to Sky Sports or Setanta and watch sport at least once a week (n= 1904)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

6.15 The biggest differences between the ranking of the stated importance and the conjoint are for International Matches, which has higher ranking for stated importance, and the Football League, which is higher in the conjoint. Outside of football, Six Nations / World Cup rugby union and F1 motorsport are slightly higher in the ranking than in the conjoint. This hierarchy is corroborated by the analysis of the optimum sports bundles[19].

6.16 As shown in Figure 30, those who place the greatest stated importance on FAPL as a component of a sports package (6 or 7 out of 7) also generate a higher utility value for this sport/event than those who place less importance on it. This pattern is observable for all football events, although it is less marked for non-FAPL events. This suggests that the level of importance a person places on FAPL is a good indicator of how they value football generally. Conversely, the segment rating FAPL least important (1 or 2 out of 7) generate a higher utility value for most other sports.

[18] Note this chart combines two different measures on the same axes to allow comparison of the ranked order of the results, these are mean stated importance scores, on a 1 to 7 scale (where 1 is not important at all and 7 is extremely important), and utility values, as described above, which fall between 1 and 3.
[19] See section 7

Figure 30: Relative impact of sports events as part of simulated package, by importance of FAPL



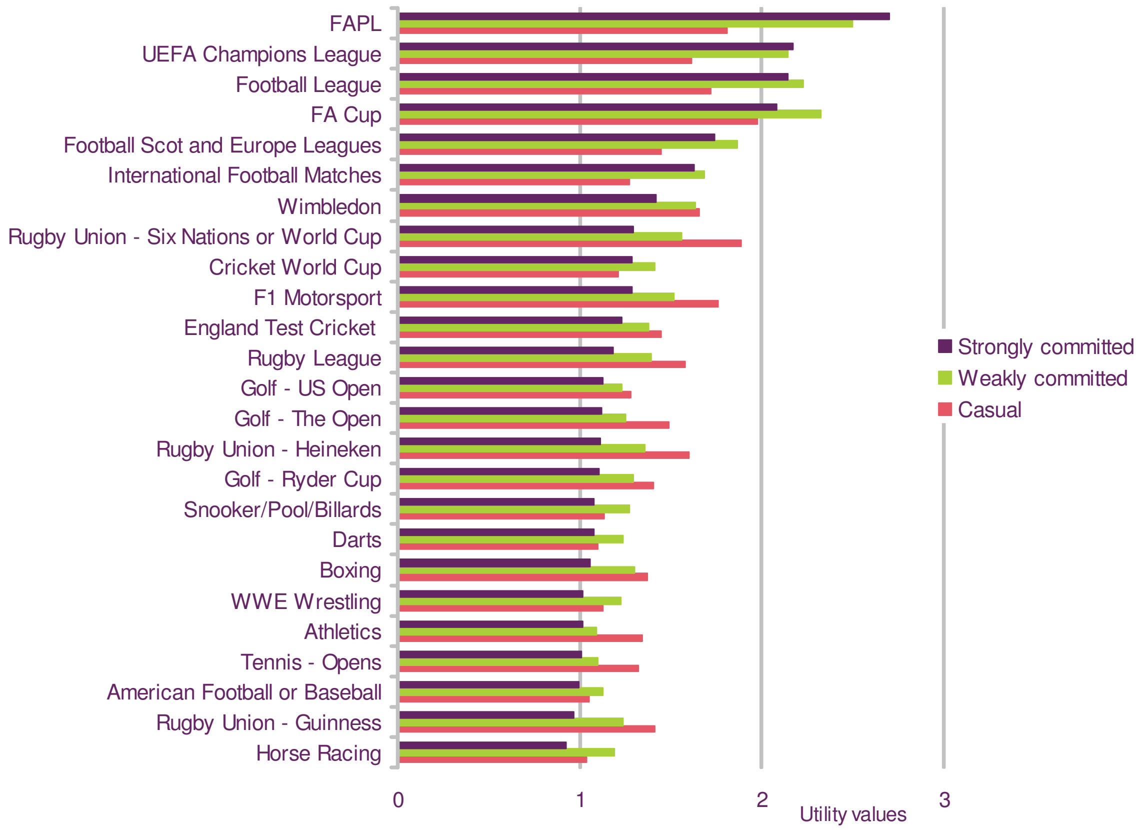
Conjoint and Q2 And how often do you watch sport on each of the following channels?
Base: All who subscribe to Sky Sports or Setanta and watch sport at least once a week (n= 1904)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

Key drivers of package choice among football viewers

6.17 FAPL has a significant impact in driving package choice, both for those who are strongly committed to football and for those who are weakly committed. All other football events also have a relatively high impact on these groups. However, the FA Cup is of greater value to those who are weakly committed to football than those who are strongly committed.

6.18 Non-football events are all of lower impact, both to the strongly and the weakly committed football viewer, although the weaker the commitment to football the higher the relative impact of the event; they are of highest value to those who are only casually committed to football.

Figure 31: Relative impact of sports events as part of package, by viewing frequency



Conjoint and Q2: And how often do you watch sport on each of the following channels?
Base: All who subscribe to pay TV and watch sport at least once a week (n= 1904)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

Section 7

Value of packages and impact of brand

7.1 This section uses conjoint analysis, from the sports bundles conjoint survey, to estimate the monetary value to consumers of FAPL. It analyses values both by provider and by different consumer characteristics (subscriber type and commitment level).

7.2 We also summarise the "best" combinations of sports, i.e. those packages which, according to consumer research results, would comprise the highest value and hence potentially attract the highest proportion of consumers across different consumer types.

Value of FAPL by channel brand and segment

7.3 We looked at the potential change in monetary value for FAPL if it were to be available solely on Sky or solely on Setanta. The sample as a whole places high value on FAPL, as other findings from the research confirm. However, FAPL receives notably greater value if shown only on Sky (£57.50) than it does if shown only on Setanta (£42). This perhaps reflects the large proportion of Sky and Sky-only subscribers in the sample.

Figure 32: FAPL value (£), by key segment

		FAPL ALL on		
		Setanta	Sky	Brand Effect
	Population	42	57.5	15.5
Football commitment	Strongly	54	63	9
	Weakly	26.5	44	17.5
	Casual	8	10	2
Commitment repertoire	Strong committed football ONLY	59	64	5
	Strong committed sport NOT football	9	16	7
	NO strong sports commitment	38	46	8
Subscriptions	Sky Sports only	45	59	14
	Setanta only	55	15	-40
	Sky Sports and Setanta	61	64	3
FAPL Importance	Important	48	60	12
	Neutral	9.5	19.5	10
	Unimportant	24.5	39.5	15

Conjoint
Base: All who subscribe to pay TV and watch sport at least once a week (n= 1904)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

7.4 The segment that is strongly committed to football places high value on FAPL but makes relatively little distinction between Sky and Setanta. This suggests that such is their commitment to football that they do not mind where they watch it, as long as they can watch it. This same pattern is exhibited in a slightly exaggerated fashion among those who are strongly committed to football only. The segment that is weakly committed to football also places relatively high value on FAPL, but is also the most likely to discriminate in favour of Sky, perhaps an indication that other sports are also drawing them to this provider. Casual football viewers place low value on FAPL.

7.5 Subscribers to Sky Sports differ little from the total sample, of which they comprise 70%. Subscribers to Setanta only are heavily in favour of FAPL being only on Setanta, judging from the value they assign to this scenario. Viewers who subscribe to both Sky and Setanta currently make little distinction between the providers.

Highest value simulated sports package by sub-group

7.6 We ran an analysis to determine which combination of sports would maximise market share (regardless of channel). This was based on the proportion of respondents that would subscribe to a given package. The analysis determined what would be the best combination of either five or seven sports. At a total sample level, the top seven sports included all six football events tested, plus Six Nations/World Cup rugby union. The top five would all be football, including FAPL.

7.7 The package with the highest potential value, maximising channel share, did not vary greatly by segment. The optimum package for all segments always featured FAPL and always included a number of football events. Excluding FAPL always had a negative impact on the overall value of the package, as shown in Figure 33.

7.8 Events beyond football that could bring in those less committed to football included Wimbledon and F1 motorsport (in addition to Six Nations/World Cup rugby union), a choice that reflects other findings from this research. The Heineken Cup and Guinness Premiership (both rugby union) had limited additional impact.

Figure 33: Highest value package: bundle of seven sports

	All respondents		Casually committed to Football		Strong commitment to Football		FAPL unimportant		FAPL neutral	
	FAPL	No FAPL	FAPL	No FAPL	FAPL	No FAPL	FAPL	No FAPL	FAPL	No FAPL
FAPL	X		X		X		X		X	
UEFA Champions League	X	X			X	X			X	X
Scottish League Matches, European Leagues	X	X							X	X
FA Cup	X	X	X	X	X	X	X	X	X	X
Football League including The Coca Cola Championship	X	X		X		X			X	X
International football Matches	X	X								
Six Nations Championship or Rugby Union World Cup	X	X	X	X	X	X	X	X	X	X
Tennis – Wimbledon		X	X	X				X		X
Motorsports (including F1)			X	X	X	X	X	X	X	X
Heineken Cup			X	X	X	X	X	X		
Darts							X	X		
Guinness Premiership			X	X	X	X				
Tennis - U.S, Australian or French open							X	X		
Drop in value	-15.8%		-4.0%		-4.8%		-2.6%		-5.1%	

Conjoint
Base: All who subscribe to pay TV and watch sport at least once a week (n= 1904)
Source: Ofcom sports bundles conjoint survey, fieldwork carried out in April 2008

Section 8

Willingness to pay

8.1 The purpose of the willingness to pay research was to measure the elasticity of demand for nine different channel packages, or put another way the proportion of people that would be prepared to purchase at different price levels. This is calculated using a range of different price points (which represent the amount of money people are willing to pay for the package), and the probability of purchase at a given price.

8.2 The total sample comprised people aged 15+ who had a television at home and were the decision maker (or joint decision maker) about the television supplier for the household. The analysis in this section of the report is based on people with multi-channel TV who did not reject the idea of paying a subscription for a television service.

8.3 We include analysis on the following groups: subscribers and non-subscribers to Sky Sports, Sky Movies and basic pay TV packages, those interested in sports, those interested in films, subscribers to cable, free-to-air consumers, and subscribers to Setanta.

8.4 Six different channel packages were assessed in the first phase of this research: three sports channels, two film channels and a general channel. This was followed by a second phase of research which assessed three channel options: a sport and general channel mix, a film and general channel mix and a combination of sports, film and general channels. These packages are summarised below and explained in more detail in Annex 6.

8.5 Phase I channel packages:

- Sky Sports A showing a variety of sports including two thirds of all live FAPL games.
- Sky Sports B showing live coverage of all football competitions other than FAPL, plus a range of other sports.
- Sky Sports combination comprising Sky Sports A and B.
- Sky Movies combination including ten different Sky Movies channels.
- Sky Movies channel, a single channel showing a range of films.
- Bundle of basic channels.

8.6 Phase II channel packages:

- Sky Sports combination with basic, including a hypothetical package of 120 channels, a variety of sports and two thirds of all live FAPL games.
- Sky Movies combination with basic, including a hypothetical package of 120 channels plus ten different Sky Movies channels.

- Sky Sports and Movies combination with basic, including the standard package of 120 channels, ten different Sky Movies channels, a variety of sports and two thirds of all live FAPL games.

8.7 Respondents were given descriptions of monthly subscription packages and asked to state the highest and lowest price at which they would consider buying them when committed to a 12 month contract (with no set-up fees or special equipment needed). They were then asked how they would respond to a total of five price points within their estimated price limits.

8.8 From the responses to this section of the questionnaire we created a series of demand curves, revealing the percentage of respondents stating they would definitely, or probably, buy that package at the range of prices[20]. The average scores obtained by price point were 'smoothed' against lines of best fit. This allowed the subsequent consistent calculation of elasticity.

Subscriber and non-subscriber responses to channel packages

8.9 This section explores the willingness to pay results across several channel combinations, comparing results of those who currently subscribe to packages that include basic (shown in Figure 34) with those who do not currently subscribe to any package (see Figure 35).

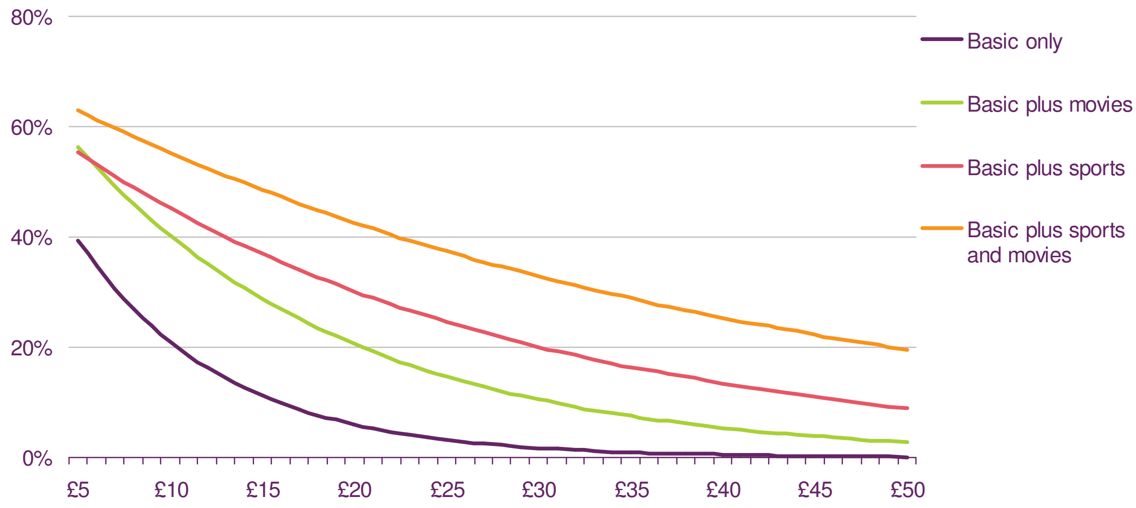
8.10 Current subscribers have a greater willingness to pay for the basic only package at lower price points (£5 to £10), but this difference decreases as the price increases, with subscriber and non-subscriber willingness to pay converging at around £20. Current subscribers also have a higher willingness to pay at all price points for the combination packages tested in the research (movies plus basic, sports plus basic and sports and movies plus basic).

8.11 Across all price points, willingness to pay levels are highest for the sports and movies plus basic combination among both subscribers and non-subscribers. For subscribers the sports plus basic package has higher willingness to pay levels than the movies plus basic package. In contrast, among non-subscribers the movies plus basic package is more popular up to the £20 mark.

8.12 Basic only is the most price-sensitive package, showing the steepest descent in demand as price climbs. This is followed by basic plus movies, basic plus sports and last of all basic plus sports and movies.

[20] Full details of these calculations are provided in Appendix 6.

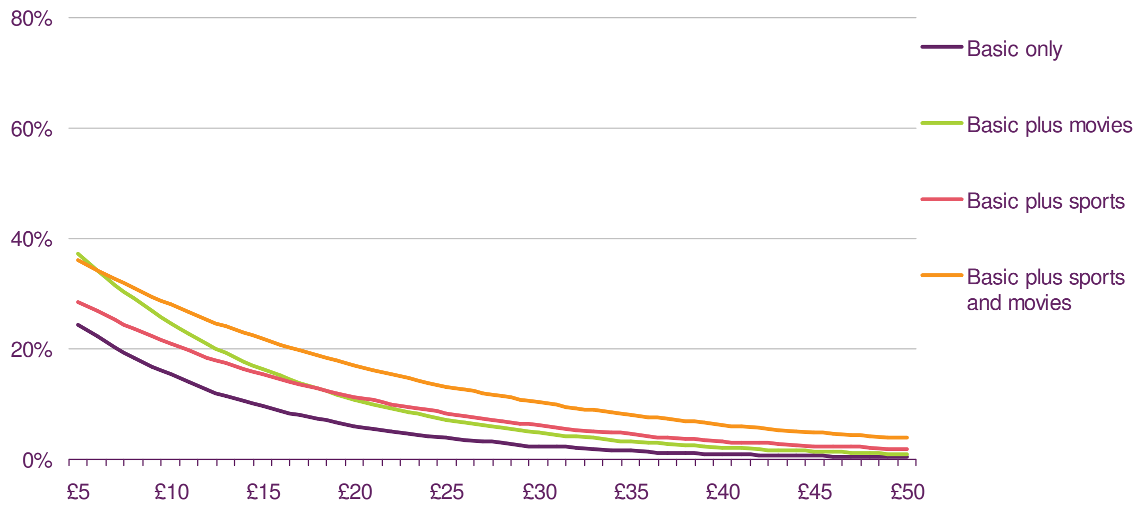
Figure 34: Subscribers' willingness to pay for different channel packages



How likely are you to buy if the price was...
Base: All subscribers (Basic 418, Basic plus movies 40, Basic plus sports 147, Basic plus sports and movies 95)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April, May and July 2008

8.13 There is less distinct differentiation between package types among non-subscribers, although above the £20 level non-subscribers do display the same hierarchy of package preferences as subscribers.

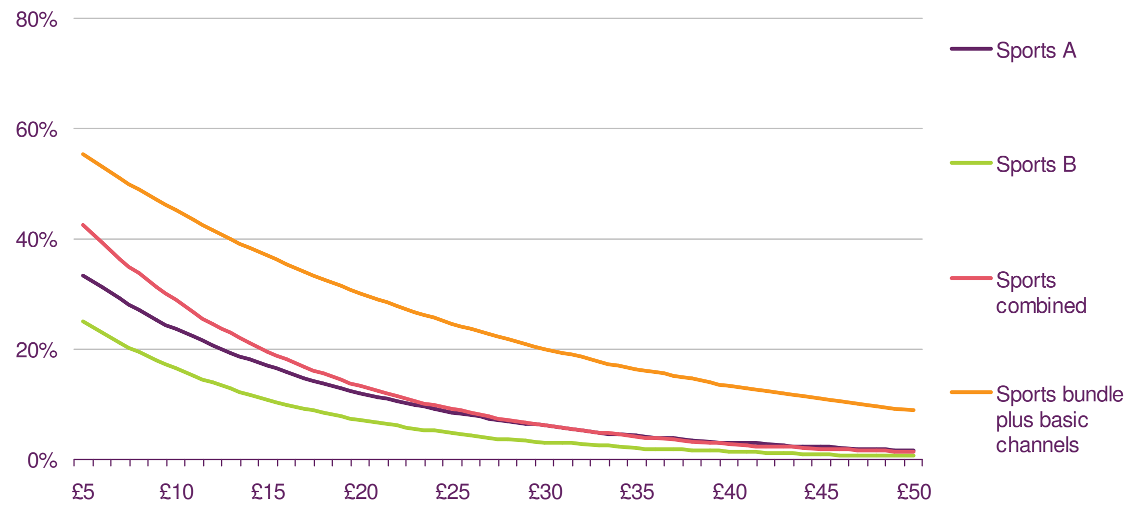
Figure 35: Non-subscribers' willingness to pay for different channel packages



How likely are you to buy if the price was...
Base: All non-subscribers (Basic 755, Basic plus movies 774, Basic plus sports 666, Basic plus sports and movies 719)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April, May and July 2008

8.14 For subscribers to Sky Sports (without movies) at all price points the package including basic channels shows the highest willingness to pay levels. It is also less price sensitive than the other options tested, indicated by the slower slope descent. When considering the options that do not include basic, the combined sports package is preferred until around the £30 level, when it converges with Sky Sports A.

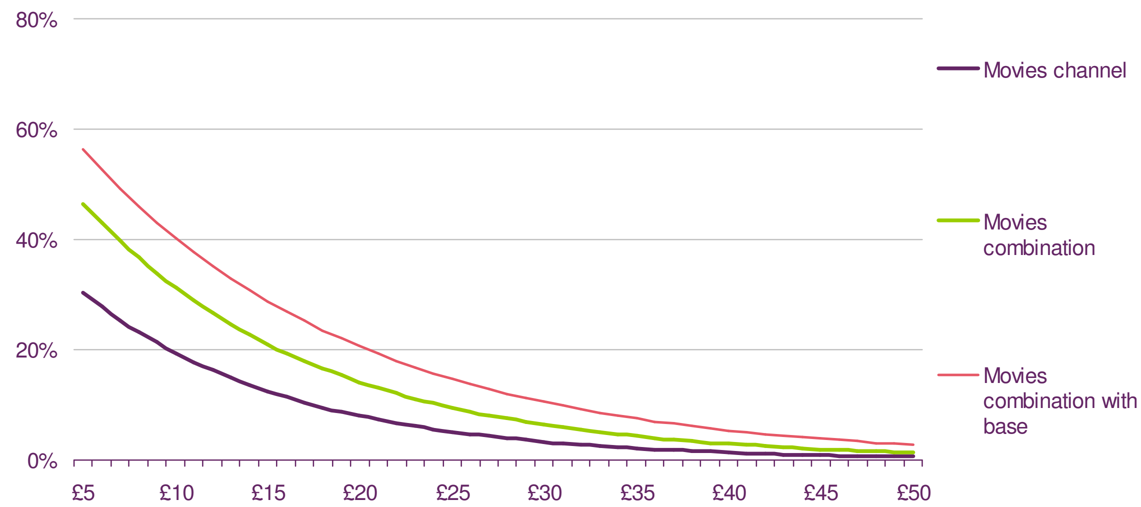
Figure 36: Sky Sports only subscribers



How likely are you to buy if the price was...
Base: All adults aged 15+ (Sports A 128, Sports B 129, Sports combined 127, Sports bundle plus basic channels 147)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April, May and July 2008

8.15 For respondents who subscribe to movies only, the highest willingness to pay and price sensitivity is for the package including basic. The movies combination is the next highest, followed by the movies only channel option.

Figure 37: Sky Movies only subscribers



How likely are you to buy if the price was...
Base: All adults aged 15+ (Movies channel 1123, Movies combination 1119, Movies combination with basic bundle 774)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April, May and July 2008

Impact of interest in sports or movies on willingness to pay

8.16 For those respondents interested in either sports or movies a greater propensity to pay is observed for all package options. In addition, both groups display the same hierarchy of package preferences.

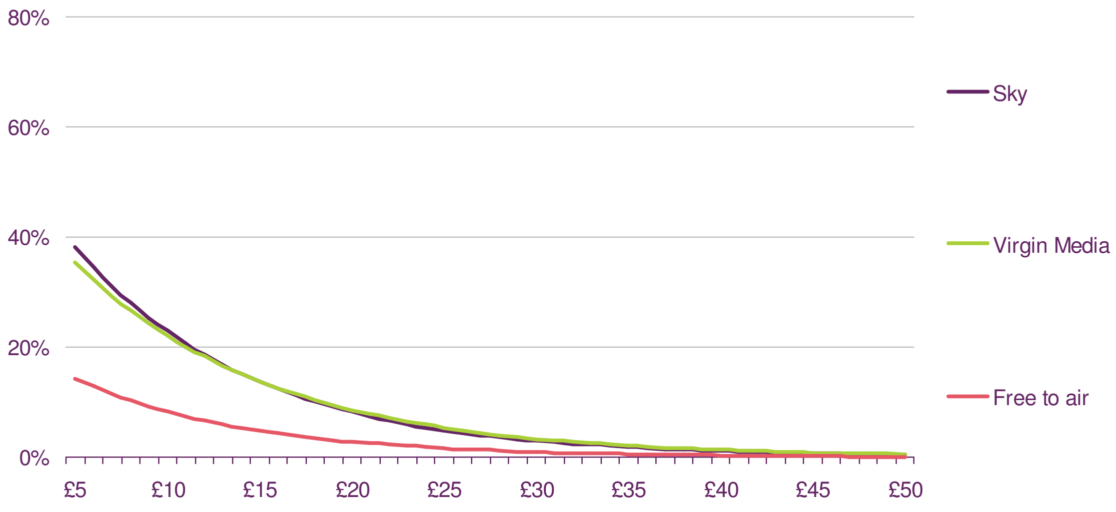
8.17 Within the sports themed options, at any given price point, sports with a basic bundle is preferred over sports only packages. 'More sports' (sports combination) is preferred to the bundles with fewer sports channels. Sky Sports A, which included 2/3 of FAPL matches, was preferred to Sky Sports B with less of a football focus. Willingness to pay converges at higher price points as fewer, less price-sensitive consumers, remain in the sample.

8.18 A similar pattern is seen with movies; with those more interested willing to pay more than those less interested. At any price point, more for the same cost is again preferred to less for the same cost. Movies with the basic bundle, is preferred to the movies only combination, which in turn is preferred to the more limited choice in the basic and movies bundle proposed.

Response to channel package by provider

8.19 As we would expect, subscribers to Sky and Virgin Media both show a higher willingness to pay for the basic package only when compared to free-to-air consumers. The willingness to pay curve is almost identical for Sky and Virgin Media subscribers.

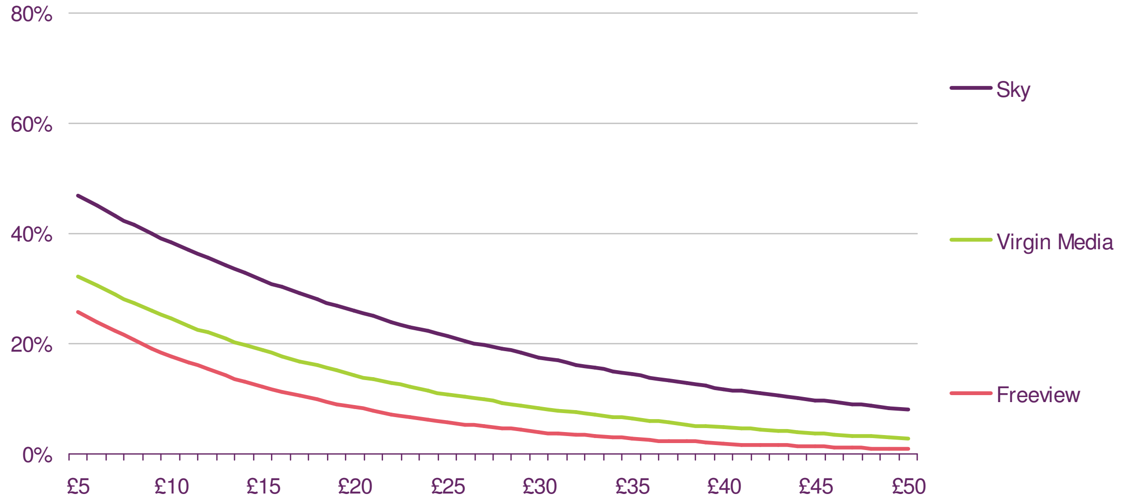
Figure 38: Basic package only, by provider



How likely are you to buy if the price was...
Base: All adults aged 15+ (Sky 509, Virgin Media 189, Free to air 378)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April, May and July 2008

8.20 When looking at the premium packages tested, however, Sky subscribers show higher willingness to pay levels than Virgin Media subscribers across all of the other combined package options tested (sports plus basic, movies plus basic, and sports and movies plus basic). This is likely to reflect the fact that Sky has higher levels of subscriptions to combined package options than Virgin Media. Across the remaining combined packages Virgin Media subscribers showed a willingness to pay profile closer to current Freeview customers than to Sky Sports subscribers.

Figure 39: Sports and movies with basic, by provider



How likely are you to buy if the price was...
Base: All adults aged 15+ (Sky 493, Virgin Media 204, Freeview 491)
Source: Ofcom willingness to pay omnibus research, fieldwork carried out in April, May and July 2008

Section 9

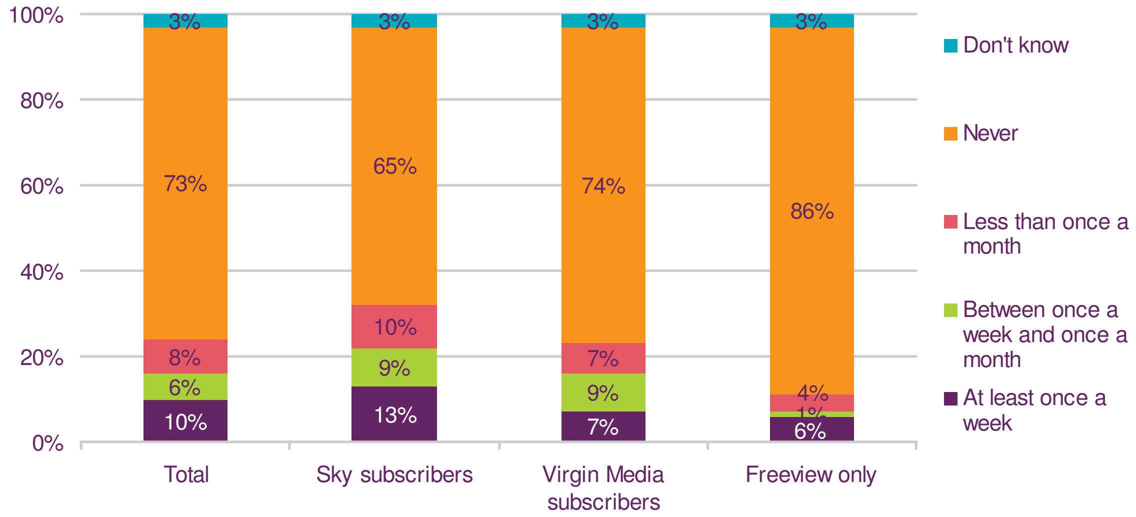
Interactivity

9.1 This section assesses the use of the interactive button on the multi-channel remote control, and the extent to which people have made purchases or responded to a programme using this function. These questions were asked on the media tracking survey.

Use of interactive controls

9.2 Nearly three-quarters of people who have multi-channel TV say they do not use the interactive services that are available using their remote control, although the proportion that does take advantage of this service differs by TV service. Pay TV subscribers are more likely to access interactive services than are Freeview customers, with Sky subscribers the most likely to use them. Just over one in ten (13%) Sky subscribers access interactive services through their remote control at least once a week.

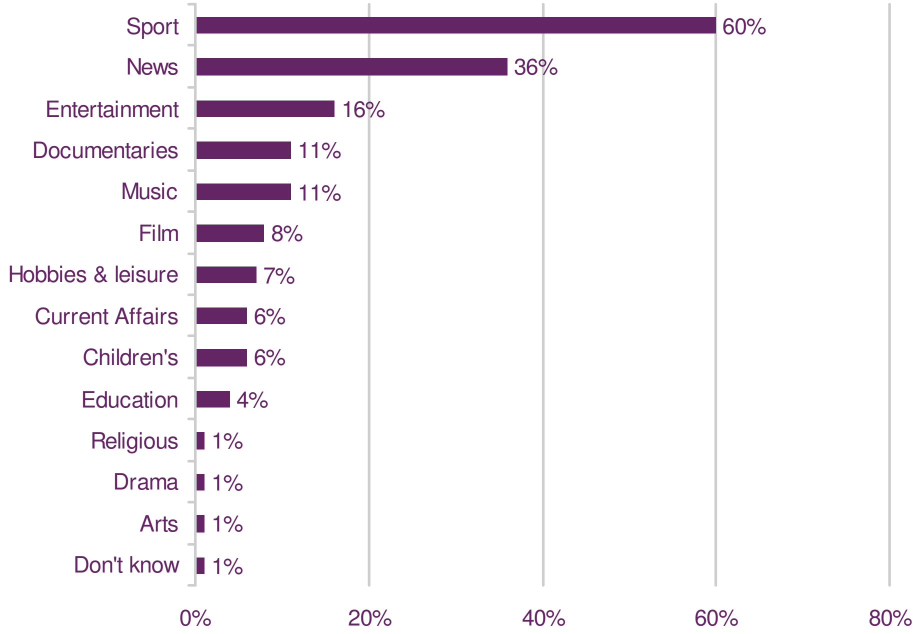
Figure 40: Frequency of using interactive services



Q27 Do you ever use any interactive television services using your remote control? Examples of this include Sky Sports Active and Sky News Active where you can change the camera angle or the specific content you view. IF YES, ASK: How often?
Base: All with multichannel TV (844), Sky subscriber (395), Virgin Media subscriber (158), Freeview only (294)
Source: Ofcom Media Tracker April/May 2008

9.3 People are most likely to use the interactive button when they are watching sports or news programmes. Over one in ten people say they also use interactive features while watching other genres; these are entertainment programmes, documentaries and music programmes.

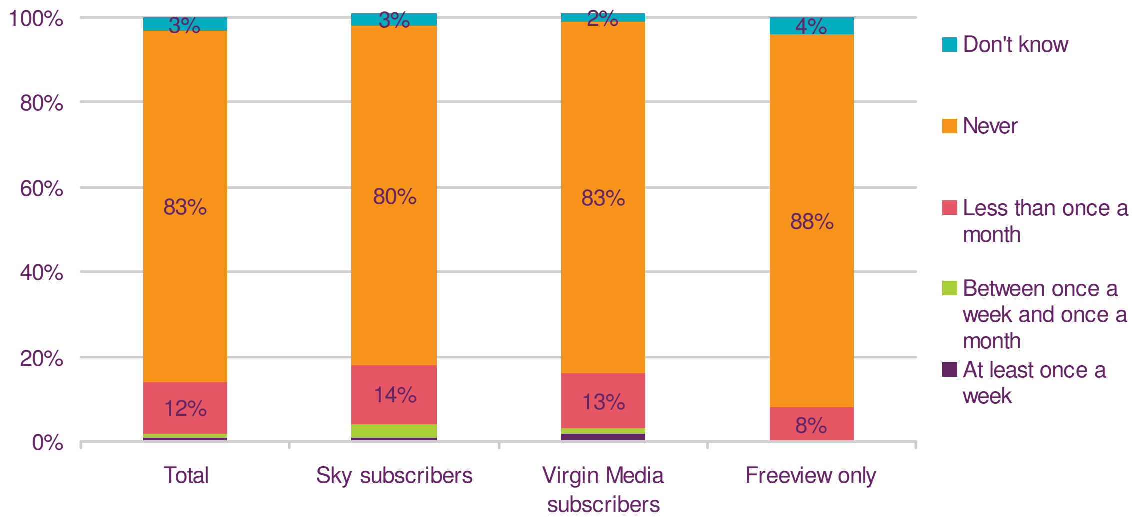
Figure 41: Genre of programme when interactive button used



Q28 On which of the following types of programme have you used the interactive services?
Base: All who have multichannel TV and use interactive services at least once a month (135)
Source: Ofcom Media Tracker April/May 2008

9.4 Relatively few people have ever purchased something via the interactive button. Consistent with take-up of the interactive button, pay TV subscribers are more likely to have purchased something, although this tends to be less frequently than once a month.

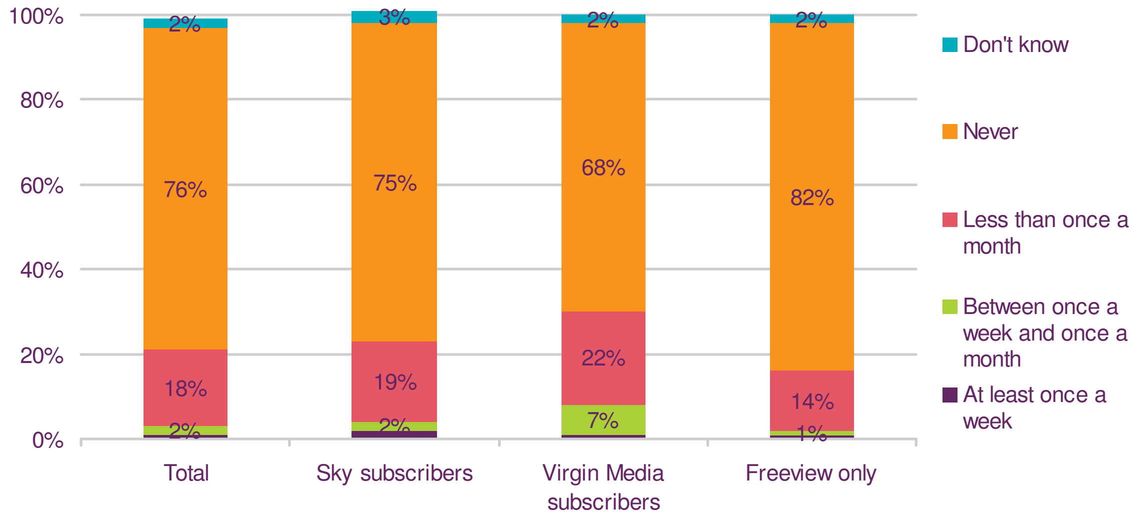
Figure 42: Frequency of purchasing using interactive services



Q29 Have you ever bought any products or services via your television? This could include purchases made using your remote control or by telephoning particular channels or programmes. IF YES, ASK How often?
Base: All with multichannel TV (844) Sky subscriber (395), Virgin Media subscriber (158), Freeview only (294)
Source: Ofcom Media Tracker April/May 2008

9.5 A higher proportion of people have contacted or responded to a programme using the interactive button than have used it to purchase something. Virgin Media subscribers are the most likely to have contacted or responded to a programme, with 30% saying they have ever done this, followed by 23% of Sky subscribers and 16% of Freeview customers. However, three-quarters overall say they have never done this.

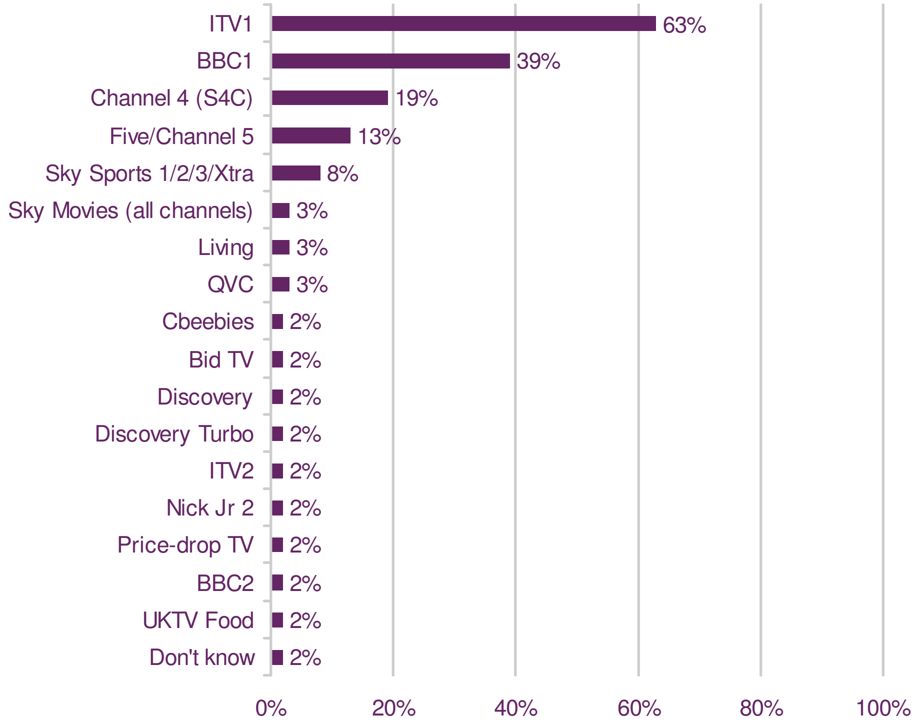
Figure 43: Frequency of contacting or responding to programmes



Q30 I'd now like you to think about contacting or responding to programmes. This could include voting, sending opinions or entering competitions on programmes and could be done by either phoning, sending an e-mail or a text message to the programme. Have you ever done this? IF YES ASK How often?
Base: All with multichannel TV (844) Sky subscriber (395), Virgin Media subscriber (158), Freeview only (294)
Source: Ofcom Media Tracker April/May 2008

9.6 hose who have contacted or responded to a programme are most likely to have done so while watching ITV1. The next most commonly mentioned channel was BBC1, followed by Channel 4 (or S4C) and Five/Channel 5. Figure 44 also shows a variety of other channels where at least 2% of consumers have contacted or responded to a programme.

Figure 44: Channel watched when contacting or responding to a programme



Q31 On which of the following channels have you contacted, or responded to a programme?
Base: All who have multichannel TV and contacted a programme at least once every 2-4 months[21] (62)
Caution: Small base size
Source: Ofcom Media Tracker April/May 2008

[21] Treat as indicative only due to very low base size.

Section 10

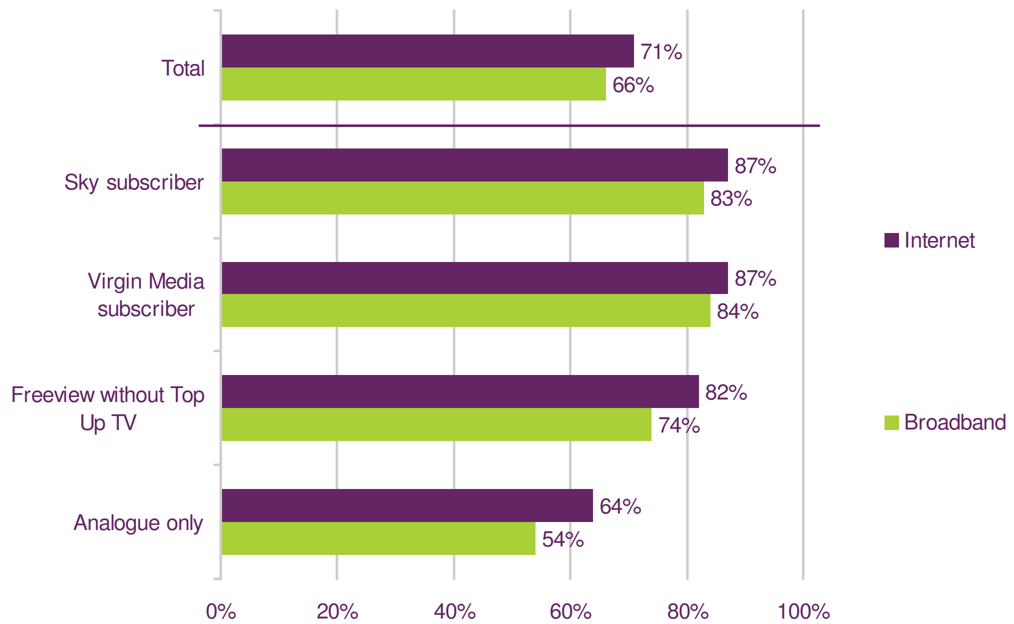
Viewing online content

10.1 This chapter assesses the extent to which people watch streamed or downloaded content, and on which platform they watch this content. This is sourced from the online content omnibus survey.

Internet usage among pay TV subscribers

10.2 The majority of households in the UK now have internet in the home and most of these have broadband. Usage of broadband (and the internet in general) differs by the type of television platform people have; those who have an analogue-only service are significantly less likely to have broadband than those who have multi-channel TV. This difference is not surprising, as the demographic profile of analogue-only customers (more likely to be 65+, in a C2DE household and retired) is consistent with the profile of people in the general population who do not have the internet at home[22].

Figure 45: Internet and broadband usage, by platform

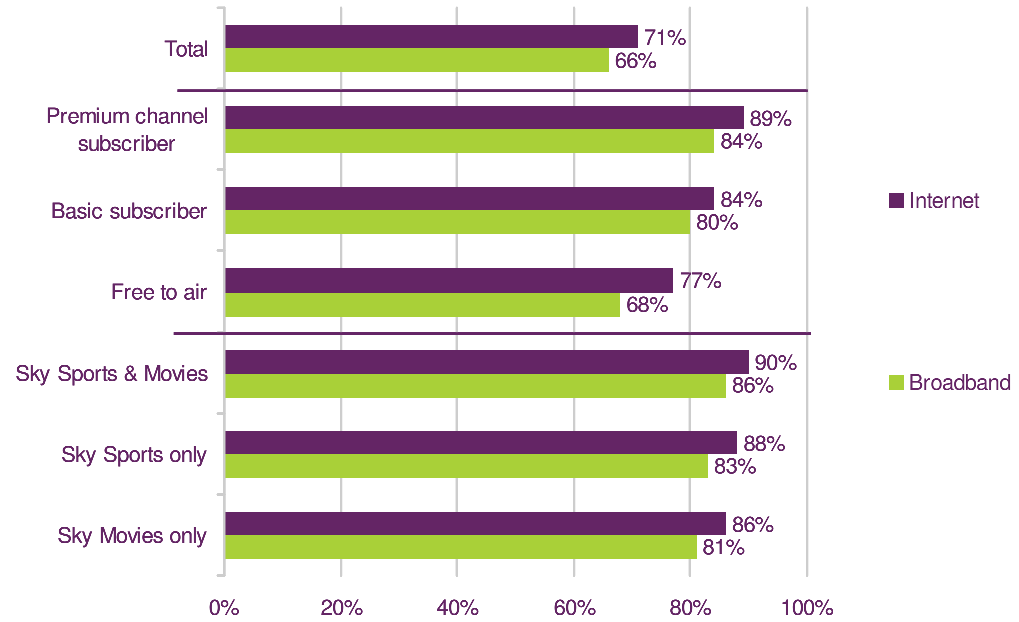


QS1 Do you use the internet, whether at home or somewhere else?
Base: All who are Pay TV subscribers (2089), Sky subscribers (649), Virgin Media subscribers (256), Freeview without Top Up TV (91), analogue only (221)
Source: Ofcom online content omnibus survey April/May 2008

10.3 Among people who have multi-channel television, those with pay TV are more likely to use broadband (83%) than those with Freeview only (74%).

[22] See Consumer Experience Report published 20 November 2007. http://www.ofcom.org.uk/research/tce/

Figure 46: Internet and broadband usage, by subscription type



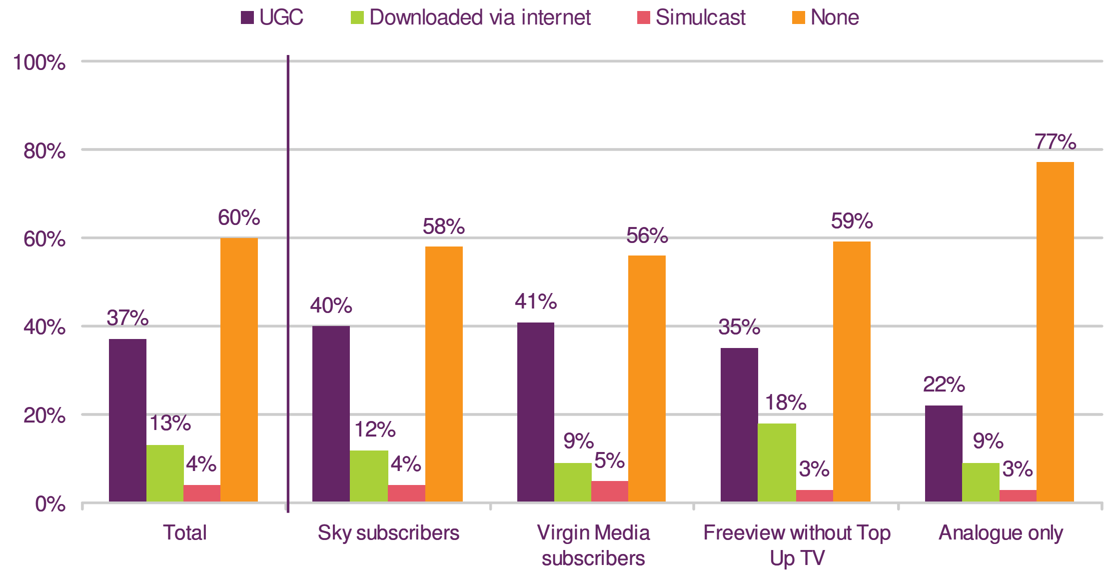
QS1 Do you use the internet, whether at home or somewhere else?
Base: All who are Pay TV subscribers (2089), Premium channel subscribers (463), Basic subscribers (546), Sky Sports and Movies (212), Sky Sports (164), Sky Movies (87)
Source: Ofcom online content omnibus survey April/May 2008

Viewing of online content

10.4 We asked those who do have the internet at home whether they had ever watched or downloaded user-generated content (UGC), TV programmes or films, or watched a programme on a live stream.

10.5 The majority of internet users have not accessed UGC, broadcast content or simulcasts; three in five say they have never watched or downloaded the three types of content we asked about. Of these three, watching or downloading UGC is the most likely to be mentioned. Nearly two in five say they have done this, followed by over one in ten who have accessed programmes and only 4% saying they have watched streamed content.

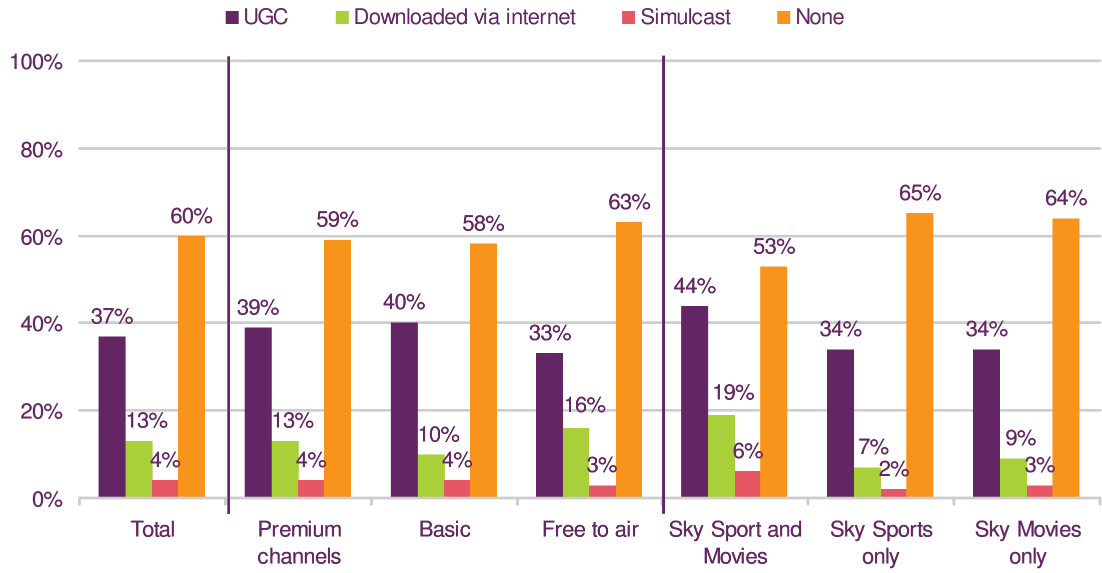
Figure 47: Proportion viewing online content



Q1a Which of the following, if any, have you ever watched or downloaded via your PC in the last month?
Base: All respondents who access the internet (1451), Sky subscribers (557), Virgin Media subscribers (218), Freeview without Top Up TV (377), analogue only (145)
Source: Ofcom online content omnibus survey April/May 2008

10.6 There appears to be little correlation between premium subscriptions and the extent to which people watch or download online media content. However, of those people who subscribe to premium content, those who subscribe to the Sky Sports and Movies bundle are more likely to have downloaded UGC and/or programmes/films than people who subscribe to Sky Sports only or Sky Movies only.

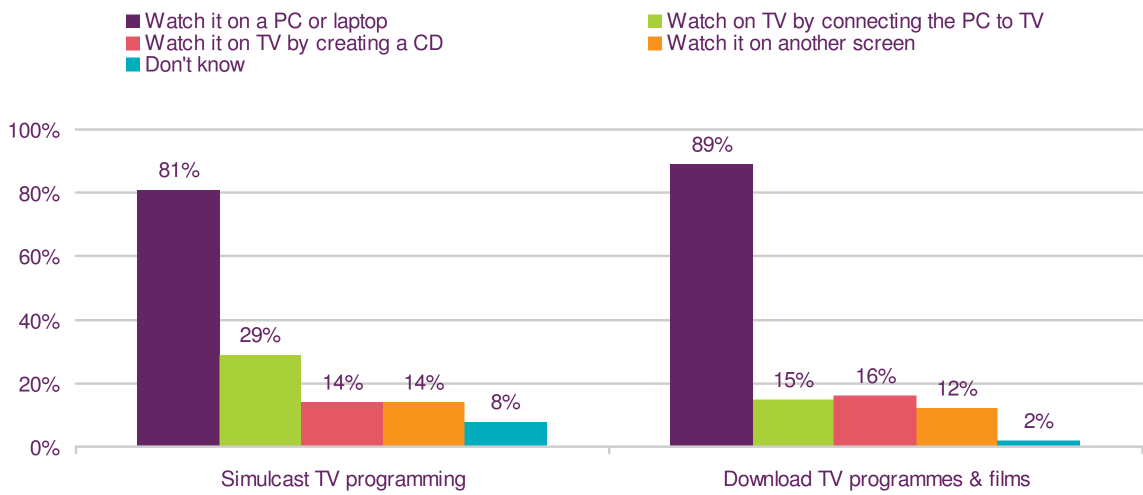
Figure 48: Proportion viewing online content



Q1a Which of the following, if any, have you ever watched or downloaded via your PC in the last month?
Base: All respondents who access the internet (1451), Premium channels (408), Basic (446), Free to air (523), Sky Sports and Movies subscriber (191), subscribe to Sky Sports only (143), subscribe to Sky Movies only (74)
Source: Ofcom online content omnibus survey April/May 2008

10.7 It is possible to view online media content that has been downloaded or streamed via a PC/laptop on a television screen. In order to do this, users can either connect their TV to the computer, or save the file on a CD and play it via a DVD player. However, the vast majority of people who do watch online media content say they watch it on their PC or laptop. This does not differ whether the content is downloaded or streamed.

Figure 49: How people watch simulcast programming and downloaded content



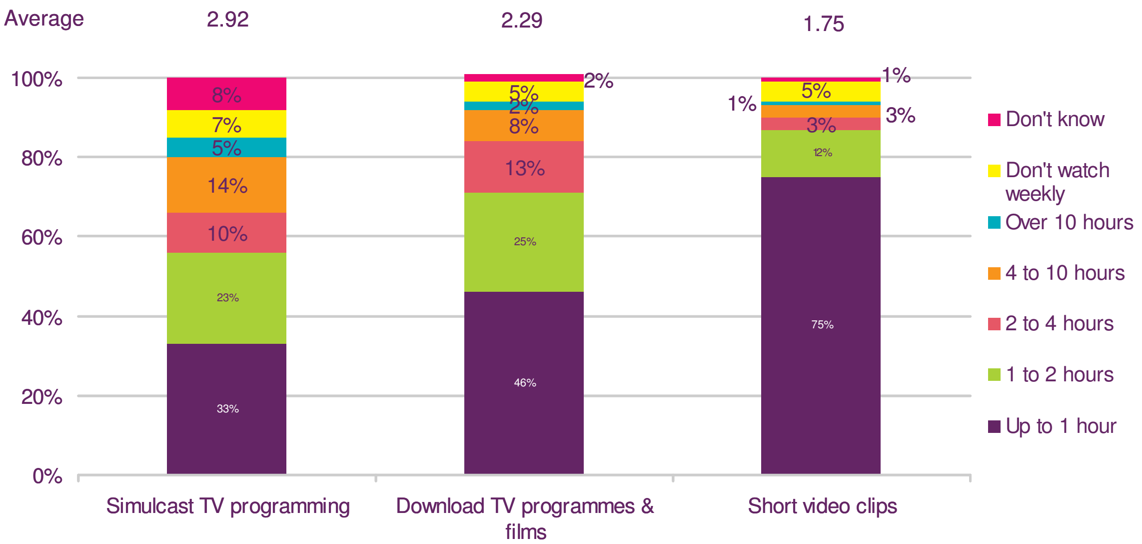
Q1b When you watch a TV channel or programme on a PC which of the following ways do you tend to watch this content?

Base: All who have watched a TV channel or programme on a PC in the last month[23] (50) and All who have who have downloaded TV programmes or films via the internet in the last month (183)
Source: Ofcom online content omnibus survey April/May 2008

10.8 Compared to the time spent watching TV in general[24], people spend relatively little time watching simulcasts, downloaded TV programmes and films, or short video clips. People spend the least time downloading short video clips; three-quarters say they spend less than an hour per week doing so. In comparison, 33% say they spend up to an hour watching streamed content, and 46% say they spend the same amount of time watching downloaded TV programmes and films.

10.9 On average, people spend the most time watching streamed content (2.92 hours per week) followed by downloading TV programmes and films (2.29 hours per week) and watching short video clips (1.75 hours per week).

Figure 50: Time spent watching online content in an average week

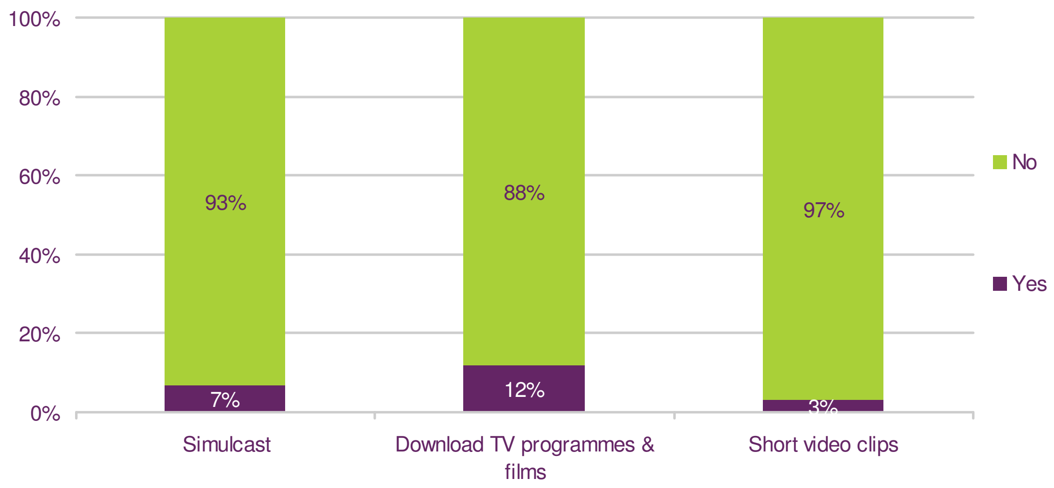


Q3 In an average week how many hours would you say you spend watching short video clips made by other people?
Base: All who have who have watched a TV channel or programme on a PC at the same time it is broadcast[25] (50), downloaded TV programmes or films via the internet in the last month (183), watched a short video clips made by other people (490)
Source: Ofcom online content omnibus survey April/May 2008

10.10 Few people have ever paid to download or watch content; those who have are more likely to have paid to download and watch TV programmes and films.

[23] Treat as indicative due to very low base size.
[24] See Adult Media Literacy Audit 2008 for time spent watching TV http://www.ofcom.org.uk/advice/media_literacy/medlitpub/medlitpubrss/ml_adult08/
[25] Treat as indicative due to very low base size.

Figure 51: Ever paid to download/watch content



Q4 Have you ever paid to ...?
Base: All who have who have watched a TV channel or programme on a PC at the same time it is broadcast[26] (50), downloaded TV programmes or films via the internet in the last month (183), watched a short video clips made by other people (490)
Source: Ofcom online content omnibus survey April/May 2008

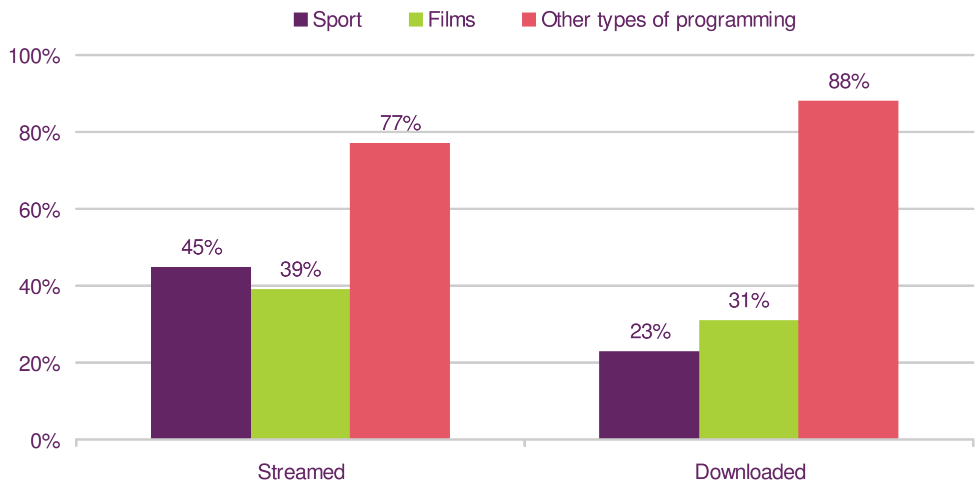
Type of content viewed online

10.11 People who watch content online are more likely to watch streamed sports than download sports programmes. Nearly half (45%) of those who watch streamed content have watched sport, compared with 23% of those who have downloaded content. There is greater parity with watching films; 39% have watched a streamed film while 31% have downloaded one.

10.12 Most people who have watched streamed or downloaded content are more likely to have watched genres other than sports or movies.

[26] Treat as indicative due to very low base size.

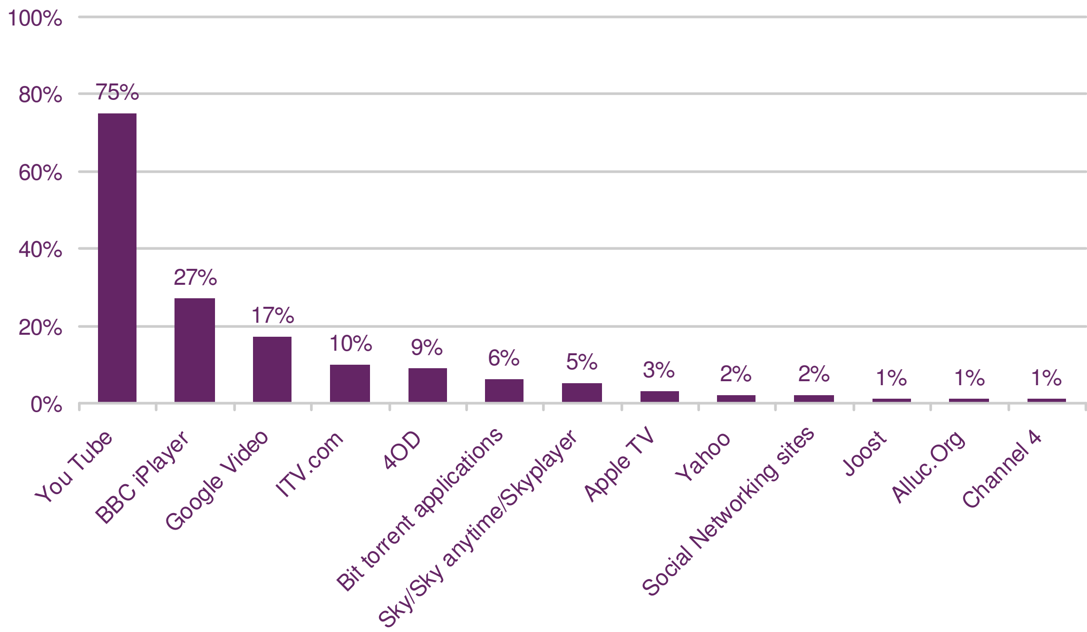
Figure 52: Genre viewed online



Q2a Which of the following types of programmes do you watch when you watch a TV channel or programme on a PC at the same time it is broadcast?
Base: All who have who have watched a TV channel or programme on a PC at the same time it is broadcast (73), all who have downloaded a TV channel or programming
Source: Ofcom online content omnibus survey April/May 2008

10.13 As people are more likely to watch UGC online than TV programmes and films or streamed content, it is not surprising that the website people are most likely to use is YouTube. Three-quarters say they use this site, followed by over three-quarters using BBC iPlayer and 17% using Google Video. Figure 53 shows a variety of other sites mentioned by consumers.

Figure 53: Websites used to download content



Q6 Which of the following websites do you use when you download video clips, movies or films?
Base: All respondents who access the internet and download video clips, movies or films (538)
Source: Ofcom online content omnibus survey April/May 2008

Appendix 1

Research methodology

Willingness to pay omnibus survey (phase I and II)

A1.1 This quantitative survey was conducted face-to-face in homes as part of an omnibus survey conducted by BMRB.

Sampling

A1.2 Each week, BMRB Face-to-Face Omnibus interviews a nationally representative sample of 2,000 adults aged 15 years or over across the United Kingdom. All interviews are conducted in consumers' homes.

A1.3 BMRB Face-to-Face Omnibus uses a random location sampling technique. This is a single-stage sample design, taking as its universe Sample Units, a bespoke amalgamation of Output Areas (OAs – the basic building block used for output from the 2001 Census) in the United Kingdom. Sample Units have an average size of 300 households. OAs are grouped into Sample Units by CACI within ward and taking account of their ACORN characteristics.

A1.4 The sample was adults 15+, who have TV at home. The specific section on willingness to pay for sports and/or film channels is based on people who have pay TV or do not reject getting pay TV because they refuse to pay for a subscription service.

Fieldwork dates

A1.5 Phase I fieldwork was conducted in May 2008. Phase II fieldwork was conducted in July 2008.

Sample sizes

A1.6 The final unweighted sample sizes achieved were as follows:

Figure A1.1: Sample sizes for the willingness to pay omnibus survey

Age	Phase 1	Phase 2
Total	2513	816
15-24 years	171	43
25-34 years	400	138
35-44 years	532	191
45-54 years	427	183
55-64 years	403	117
65+ years	580	144

Data weighting

A1.7 The data were weighted back to the correct proportions (to remove the effect of the over-sampling). The following matrix was used for the weighting:

Figure A1.2: Data weighting for the willingness to pay omnibus survey

	Phase 1		Phase 2	
	Unweighted	Weighted	Unweighted	Weighted
Male 15+	47%	48%	46%	48%
Female 15+	53%	52%	54%	52%
Age 15-34	23%	17%	22%	17%
Age 35-44	38%	40%	46%	44%
Age 55+	39%	43%	32%	39%
Social group AB	19%	19%	18%	19%
Social group C1	27%	28%	28%	30%
Social group C2	22%	23%	23%	23%
Social group DE	32%	31%	31%	28%
London	10%	8%	12%	8%
South East	19%	20%	18%	19%
South West	7%	8%	8%	8%
Eastern	4%	5%	3%	5%
Midlands	16%	17%	18%	18%
North East	8%	8%	7%	9%
North West	10%	10%	9%	10%
Yorkshire/ Humber	9%	9%	8%	7%
Scotland	9%	10%	9%	10%
Wales	4%	4%	4%	4%
Northern Ireland	2%	2%	3%	2%

Sports bundles conjoint survey

A1.8 This quantitative survey was conducted face-to-face in homes and internet cafes by Holden Pearmain.

Sampling

A1.9 In-home interviews were selected from 40 sample points throughout the UK. Intercept interviews in internet cafes were conducted in four regions: London, South East, Midlands and Scotland.

A1.10 The sample was adults 15+ years who have pay TV at home and watch sport at least once a week, when it is in season. A minimum sample of 150 committed viewers of each listed sport was set.

Fieldwork dates

A1.11 Fieldwork was conducted between 4 and 14 April 2008.

Sample sizes

A1.12 The final unweighted sample sizes achieved were as follows:

Figure A1.3: Sample sizes for the sports bundles conjoint survey

Age	Sample size
Total	1904
16-24 years	571
25-34 years	503
35-44 years	380
45-54 years	256
55-64 years	194

Data weighting

A1.13 The data were set on quotas and not weighted. The following table shows a breakdown of the sample:

Figure A1.4: Sample breakdown for the sports bundles conjoint survey

	Unweighted
Male 15+	85%
Female 15+	15%
Age 15-34	56%
Age 35-44	33%
Age 55+	10%
Social group AB	29%
Social group C1	32%
Social group C2	24%
Social group DE	14%
London	21%
South East	15%
South West	6%
Eastern	5%
Midlands	8%
North East	5%
North West	7%
Yorkshire/ Humber	12%
Scotland	13%
Wales	5%
Northern Ireland	3%

Online content omnibus survey

A1.14 This quantitative survey was conducted via telephone as part of an omnibus survey run by ICM.

Sampling

A1.15 Stratification of the telephone database by and within Government Office Region (aligned to specified geographical areas including but not exclusive to Local Authority Area, postcode sector, council ward etc).

A1.16 The sample was representative in terms sex, age, social class, household tenure, work status, terminal education age, number of cars in the household and whether or not respondent has taken a foreign holiday in the last 3 years. Targets for the weighted data were derived from the National Readership survey, a random probability survey comprising 34,000 random face-to-face interviews conducted annually.

Fieldwork dates

A1.17 Phase I fieldwork was conducted between 30 May and 5 June 2008.

Sample sizes

A1.18 The final unweighted sample sizes achieved were as follows:

Figure A1.5: Sample sizes for the online content omnibus survey

Age	Sample size
Total	2089
16-24 years	161
25-34 years	257
35-44 years	392
45-54 years	424
55-64 years	406
65+ years	448

Data weighting

A1.19 The data were weighted back to the correct proportions (to remove the effect of some over-sampling amongst some groups). The following matrix was used for the weighting:

Figure A1.6: Data weighting for the willingness to pay omnibus survey

	Unweighted	Weighted
Male 15+	45%	48%
Female 15+	55%	52%
Age 15-34	20%	28%
Age 35-44	39%	37%
Age 55+	41%	36%
Social group AB	30%	26%
Social group C1	25%	29%
Social group C2	16%	21%
Social group DE	28%	24%
London	12%	12%
South East	13%	13%
South West	9%	9%
Eastern	9%	9%
Midlands	16%	17%
North East	4%	4%
North West	11%	11%
Yorkshire/ Humber	8%	8%
Scotland	9%	9%
Wales	5%	5%
Northern Ireland	-	-

Ofcom media tracking survey

A1.20 This quantitative survey was conducted face-to-face in homes by Continental Research.

Sampling

A1.21 A sample frame was constructed using postcode geography to reflect the required sample. Sample points were selected with probability proportional to size to ensure a representative sample (allowing over-sampling of Scotland, Wales and Northern Ireland where appropriate). Within each selected sample point, interviewers were given quotas relating to the population profile of the individual sector.

A1.22 The sample for the questions on interactive functions was adults 15+ who had multi-channel TV in the home.

Fieldwork dates

A1.23 Fieldwork was conducted between 14 April and 11 May 2008.

Sample sizes

A1.24 The final unweighted sample sizes achieved were as follows:

Figure A1.7: Sample sizes for the media tracking survey

Age	Sample size
Total	1023
16-24 years	169
25-34 years	161
35-44 years	217
45-54 years	172
55-64 years	135
65+ years	169

Data weighting

A1.25 The data were weighted back to the correct proportions (to remove the effect of the over-sampling). The following matrix was used for the weighting:

Figure A1.8: Data weighting for the media tracking survey

	Unweighted	Weighted
Male 15+	49%	50%
Female 15+	51%	50%
Age 15-34	32%	33%
Age 35-44	38%	38%
Age 55+	30%	29%
Social group AB	24%	24%
Social group C1	30%	30%
Social group C2	19%	19%
Social group DE	27%	27%
London	11%	11%
South East	13%	13%
South West	9%	8%
Eastern	9%	9%
Midlands	15%	16%
North East	5%	5%
North West	11%	11%
Yorkshire/ Humber	8%	8%
Scotland	9%	9%
Wales	6%	5%
Northern Ireland	5%	5%

Appendix 2

Sample profile for willingness to pay research

Figure A2.1: Profile of willingness to pay sample by interest in Sport

	Total	Subscribe to Sky Sports	Do not subscribe to Sky Sports	Interest in Sport	Less interested in Sport
Male 15+	49%	54%	46%	72%	39%
Female 15+	51%	46%	55%	28%	61%
Age 15-24	4%	3%	4%	4%	5%
Age 25-34	14%	15%	14%	11%	12%
Age 35-44	24%	25%	23%	17%	20%
Age 45-54	20%	25%	18%	23%	18%
Age 55-64	19%	17%	20%	18%	19%
Age 65+	20%	16%	23%	27%	28%
Social group AB	20%	23%	17%	21%	19%
Social group C1	29%	27%	29%	24%	27%
Social group C2	23%	26%	22%	25%	21%
Social group DE	29%	25%	32%	28%	34%
London	8%	7%	9%	5%	9%
South East	20%	21%	19%	16%	20%
South West	7%	7%	7%	8%	8%
Eastern	4%	4%	5%	4%	6%
Midlands	18%	15%	19%	17%	15%
North East	7%	8%	7%	7%	8%
Yorkshire/ Humber	8%	9%	8%	12%	8%
North West	11%	10%	11%	12%	12%
Scotland	9%	12%	8%	11%	11%
Wales	5%	4%	5%	6%	3%
Northern Ireland	3%	3%	3%	3%	2%

Figure A2.2: Profile of willingness to pay sample by interest in Movies

	Total	Subscribe to movies	Do not subscribe to movies	Interest in movies	Less interested in movies
Male 15+	49%	49%	48%	48%	47%
Female 15+	51%	51%	52%	52%	53%
Age 15-24	4%	5%	3%	6%	3%
Age 25-34	14%	15%	14%	15%	10%
Age 35-44	24%	26%	23%	22%	18%
Age 45-54	20%	25%	19%	19%	17%
Age 55-64	19%	19%	19%	18%	23%
Age 65+	20%	10%	23%	23%	29%
Social group AB	20%	20%	19%	18%	17%
Social group C1	29%	32%	27%	27%	28%
Social group C2	23%	26%	23%	22%	22%
Social group DE	29%	23%	31%	32%	33%
London	8%	6%	9%	6%	9%
South East	20%	23%	19%	21%	19%
South West	7%	6%	7%	6%	8%
Eastern	4%	4%	4%	5%	4%
Midlands	18%	16%	18%	20%	16%
North East	7%	10%	7%	9%	6%
Yorkshire/ Humber	8%	7%	9%	9%	9%
North West	11%	8%	11%	8%	10%
Scotland	9%	13%	8%	9%	10%
Wales	5%	3%	5%	4%	5%
Northern Ireland	3%	3%	3%	2%	3%

Figure A2.3: Profile of willingness to pay sample by whether respondent subscribes to basic package

	Total	Subscribe to Basic	Do not subscribe to Basic	Subscribe to basic only
Male 15+	49%	49%	40%	47%
Female 15+	51%	51%	60%	53%
Age 15-24	4%	4%	5%	4%
Age 25-34	14%	14%	11%	13%
Age 35-44	24%	24%	15%	23%
Age 45-54	20%	21%	11%	18%
Age 55-64	19%	18%	22%	19%
Age 65+	20%	19%	37%	22%
Social group AB	20%	18%	12%	18%
Social group C1	29%	28%	31%	29%
Social group C2	23%	23%	23%	22%
Social group DE	29%	29%	35%	32%
London	8%	8%	7%	9%
South East	20%	20%	20%	18%
South West	7%	7%	4%	7%
Eastern	4%	4%	5%	4%
Midlands	18%	18%	17%	19%
North East	7%	7%	10%	7%
Yorkshire/ Humber	8%	8%	9%	9%
North West	11%	10%	14%	11%
Scotland	9%	9%	8%	9%
Wales	5%	5%	5%	5%
Northern Ireland	3%	3%	3%	2%

Appendix 3

Sample profile for sports conjoint research

Figure A3.1: Profile of sports conjoint sample by commitment to football

	Total	Strongly committed to football	Weakly committed to football	Casually committed to football
Male 15+	85%	90%	81%	77%
Female 15+	15%	10%	19%	23%
Age 15-24	30%	31%	28%	28%
Age 25-34	26%	27%	28%	28%
Age 35-44	20%	19%	21%	22%
Age 45-54	13%	13%	13%	14%
Age 55-64	10%	10%	10%	9%
Social group AB	29%	29%	29%	31%
Social group C1	32%	33%	33%	30%
Social group C2	24%	25%	25%	21%
Social group DE	14%	13%	14%	19%
London	21%	21%	23%	23%
South East	15%	14%	14%	18%
South West	6%	6%	4%	3%
Eastern	5%	6%	4%	6%
Midlands	8%	8%	8%	3%
North East	5%	6%	4%	4%
Yorkshire/ Humber	12%	12%	12%	15%
North West	7%	6%	9%	8%
Scotland	13%	14%	13%	12%
Wales	5%	5%	6%	6%
Northern Ireland	3%	3%	3%	3%

Figure A3.2: Profile of sports conjoint sample by commitment to other sports

	Total	Strongly committed to football only	Strongly committed to a sport other than football	Not strongly committed to any sport
Male 15+	85%	89%	78%	76%
Female 15+	15%	11%	22%	24%
Age 15-24	30%	38%	28%	30%
Age 25-34	26%	29%	27%	27%
Age 35-44	20%	18%	17%	24%
Age 45-54	13%	9%	15%	13%
Age 55-64	10%	6%	17%	7%
Social group AB	29%	28%	28%	30%
Social group C1	32%	38%	32%	32%
Social group C2	24%	23%	22%	24%
Social group DE	14%	11%	18%	14%
London	21%	20%	22%	22%
South East	15%	15%	15%	16%
South West	6%	4%	11%	3%
Eastern	5%	6%	4%	4%
Midlands	8%	8%	9%	7%
North East	5%	7%	3%	4%
Yorkshire/ Humber	12%	13%	9%	13%
North West	7%	7%	6%	10%
Scotland	13%	14%	10%	14%
Wales	5%	5%	8%	5%
Northern Ireland	3%	4%	4%	3%

Figure A3.3: Profile of sports conjoint sample by subscription type

	Total	Sky Sports subscriber only	Setanta Sports subscriber only	Subscribe to both Sky Sports and Setanta Sports
Male 15+	85%	82%	91%	91%
Female 15+	15%	18%	9%	9%
Age 15-24	30%	31%	22%	29%
Age 25-34	26%	26%	27%	28%
Age 35-44	20%	20%	24%	19%
Age 45-54	13%	13%	16%	15%
Age 55-64	10%	10%	11%	10%
Social group AB	29%	28%	24%	34%
Social group C1	32%	34%	25%	29%
Social group C2	24%	23%	31%	27%
Social group DE	14%	15%	21%	9%
London	21%	24%	10%	18%
South East	15%	18%	4%	8%
South West	6%	18%	4%	8%
Eastern	5%	6%	3%	4%
Midlands	8%	6%	12%	10%
North East	5%	5%	6%	7%
Yorkshire/ Humber	12%	13%	9%	10%
North West	7%	7%	12%	7%
Scotland	13%	8%	26%	25%
Wales	5%	5%	3%	5%
Northern Ireland	3%	2%	5%	4%

Appendix 4

Sporting events during fieldwork

Figure A4.1: List of major sporting events during the research fieldwork period

Date	Event
10-11 May	Turkey Grand Prix
15-19 May	Cricket International
17 May	FA Cup Final
21 May	Champions League Final
23-27 May	Cricket International
24 May	Heineken Cup Final
24-25 May	Monaco Grand Prix
5-9 June	Cricket International
7-9 June	Canada Grand Prix
7-22 June	Euro 2008
16-6 July	Wimbledon
18 June	Cricket International
21 June	Cricket International
21-22 June	France Grand Prix
25 June	Cricket International
28 June	Cricket International
5-6 July	Great Britain Grand Prix
5-24 July	Tour de France
10-14 July	Cricket International
17-20 July	Golf British open
18-22 July	Cricket International
19-20 July	Germany Grand Prix
30 July - 3 August	Cricket International
2-3 August	Hungary Grand Prix

Appendix 6

Packages shown in Ofcom willingness to pay survey

Packages tested in phase I

Sky Sports A

A1.26 This is a Sky Sports channel. It would show a variety of sports but it would be the only channel where two thirds of all live FAPL games are shown (the remainder of live Premier League games would be shown on Setanta – another pay TV channel [Setanta would cost about £10 per month]). It would also include football entertainment programmes. Other sports shown could include international cricket (though not matches featuring England), darts, motor racing and European league football (such as the Spanish La Liga).

Sky Sports B

A1.27 This is a Sky Sports channel. This would not show any FAPL games, but would show live coverage of other football competitions, such as live Champions League or Carling Cup matches, plus a wide range of other sports such as rugby union (for example Guinness Premiership or the Heineken Cup), golf (such as the Ryder Cup, the European tour and the US Open), or Tennis (such as the French Open or the U.S. Open) and test cricket including matches featuring England.

Sky Sports combination

A1.28 This would be a bundle of two Sky Sports channels, A and B, containing the sports and events described above.

Sky Movies combination

A1.29 This would be a bundle of 10 different Sky Movies channels showing 850 movies per month. Each channel would be themed to show a different type of film (for example comedy, family, drama, classics) with a separate channel dedicated to showing the latest releases.

Sky Movies channel

A1.30 This would be a single movie channel on from 6pm until 6am showing a range of new and older films.

A bundle of basic channels

A1.31 This would be a bundle of themed entertainment channels but not Sky Movies or Sky Sports channels. The package would contain around 120 TV channels covering a whole range of programme types such as comedy, drama, entertainment, documentaries, lifestyle programmes and music. The channels would be in addition to the channels that are available for free which might include BBC1, 2 or 3; ITV 1 and 2, Channel 4, Five and Five Life.

Packages tested in phase II

Sky Sports combination with basic

A1.32 This would be a sports package with the standard package of 120 channels. The sports package would include a variety of sports and exclusively feature two thirds of all live Premier League football games. It would also include football entertainment programmes and European league football (such as the Spanish La Liga) as well as live coverage of other football competitions, such as live Champions League or Carling Cup matches.

A1.33 Other sports shown would likely include international cricket (including test matches, one day internationals and Tweny20), darts, motor racing, rugby union (for example Guinness Premiership or the Heineken Cup), golf (such as the Ryder Cup, the European tour and the US Open) and tennis (such as the French Open or the American Open).

Sky Movies combination with basic

A1.34 This would be a package of 10 different Sky Movies channels showing 850 movies per month with the standard package of 120 channels. Each channel would be themed to show a different type of films (for example comedy, family, drama, classics) with a separate channel dedicated to showing the latest releases.

Sky Sports and Movies combination with basic

A1.35 This package would include the Sky Sports combination, The Sky Movies combination and also the standard package of 120 channels.

Probability calculations

A1.36 The categorical responses were converted to a probability of subscription, assuming a relative conversion rate of 0.75 for “definitely would buy” and 0.3 for “probably would buy”. Intermediate probabilities between specific price points were linearly interpolated for each respondent. Overall probability of purchase, for each price point, was derived from the mean across relevant respondents at each price point. ‘Relevant’ was defined by ‘all respondents’ or ‘specific sub-break’, such as ‘subscribers versus non-subscribers’.

Elasticities

10.14 The fitted lines, plotted previously, can be characterised as an exponential function of the form:

$$\text{Demand}_{(\text{Price})} = a \times b^{\wedge\text{Price}}$$

where a and b are constants which differ by sub sample.
Exponential curves are the inverse of logarithmic curves so the linear equivalent can also be expressed as ln(demand) = ln(a) + Price x ln(b).

10.15 Elasticities at price points of interest were calculated using this relationship.

Figure A6.1: Price elasticities for sports packages

	Sky Sports Theme with Basic (£38)	Sky Sports Combination (£17)	Sky Sports A (£9)	Sky Sports B (£9)
All adults	2.01	1.38	0.72	0.73
Subscribe to Sky Sports	1.58	1.23	0.61	0.73
Don't subscribe to Sky Sports	2.52	1.59	0.92	0.73
Interested in Sport	1.82	1.38	0.76	0.72
Less interested in Sport	2.29	1.38	0.69	0.74
Free to Air	2.67	1.58	1.06	0.85
Satellite	1.72	1.38	0.7	0.78
Cable	2.35	1.18	0.58	0.61
Sports only* subscribers	1.44	1.14	0.51	0.61

**including those Sky Movies and Sky Sports subscribers who said their movies subscription was a secondary addition to their package*

Figure A6.2: Price elasticities for movies packages

	Movies Theme with Basic (£38)	Movies Channel (£9)	Movies Combination (£17)
All adults	2.83	0.73	1.45
Subscribe to Sky Movies	2.52	0.6	1.11
Don't subscribe to Sky Movies	2.98	0.79	1.66
Interested in Movies	2.48	0.73	1.38
Less interested in Movies	3.08	0.73	1.6
Free to Air	3.04	0.81	1.9
Satellite	2.63	0.7	1.4
Cable	3.01	0.68	1.4
Movies only* subscribers	2.23	0.65	1.17

*****including those Sky Movies and Sky Sports subscribers who said their sports subscription was a secondary addition to their package*

Figure A6.3: Price elasticities for sports and movies and basic only packages

	Sports and Movies with Basic (£45)	Basic (£21)
All adults	2.05	1.86
Subscribe to sports and movies with basic	2.91	1.84
Don't subscribe to basic	1.37	1.96
Subscribe to basic only	2.91	2.13
Sky Sports only	1.45	1.92
Sky Movies only	1.75	1.67
Sky Sports & Sky Movies	1.11	1.5