

## **FREEVIEW'S RESPONSE TO:**

### ***Ofcom's Consultation on proposed BSkyB digital terrestrial television services***

#### **Introduction**

This document outlines Freeview's response to BSkyB's proposed introduction of pay-TV services on the DTT platform and we welcome the opportunity to respond to Ofcom. Freeview's response has been prepared by the company's management team and is not necessarily representative of the views or opinions of Freeview's shareholders.

In writing this response our focus has been to comment on the proposals from the perspective of Freeview's current and future consumers – in line with our objective of continuing to drive take up and enjoyment of the free services available on DTT. We have not commented on more general issues regarding competition in the pay-TV marketplace. However we note Ofcom's forthcoming review of the pay-TV market which includes BSkyB's role in the provision of Pay DTT.

Our response is based on bespoke research<sup>1</sup> undertaken with Freeview and analogue consumers to understand perceptions of additional paid-for content, including BSkyB's proposals and their possible impact on attitudes to the Freeview service. We have also drawn on our on-going programme of consumer research.

#### **Executive Summary**

- i) **The vast majority of Freeview viewers are happy with the channels they currently receive and show no interest in subscribing to pay -TV services.**
- ii) **Nonetheless, even though the large majority would not wish to subscribe to the proposed channels at present, many welcome the option of being able to do so at some point in future – provided their introduction does not affect the service (including both the channel line up, clarity of free proposition and simplicity of access) offered by Freeview currently. Around 20%<sup>1</sup> express interest in subscribing to additional pay channels at some point in future.**



- iii) Consumers currently value the simplicity of Freeview's offer in terms of the technology and equipment required to receive the service. Based on this, **it is clear that the introduction of any proposed additional pay TV service should embrace and adopt open technology standards to protect the interests of the consumer, and to preserve clarity and simplicity of the overall DTT proposition as the nation proceeds through digital switchover.**
- iv) There have been changes made to the Freeview line-up previously, with channels both added to and removed from the service. To date the withdrawal of channels has had little impact on viewer satisfaction. However, never have three FTA services been removed in one go.

**If the three BSkyB channels are to be withdrawn, satisfaction with Freeview, which has been consistently high the past five years, has the potential to be affected.**

One-third<sup>1</sup> of Freeview viewers say they would be less satisfied with the service if BSkyB's channels were removed. The simultaneous loss of three free channels makes a material difference to consumer perceptions of the Freeview service (particularly as Sky Three features in the top ten most watched channels on Freeview)<sup>2</sup>. Additionally, 60%<sup>1</sup> are concerned that this might signal the loss of further free channels in the future.

**Context to Freeview's response:**

DTV Services Limited (DTVSL), under the Freeview brand, is responsible for marketing free-to-air television over DTT in the UK. Already the nation's primary service provider for digital TV with a presence in around 14 million UK homes, we expect Freeview to be present in the vast majority of homes across the country by the completion of switchover in 2012.

The simplicity of digital TV services for a one-off payment and no subscription has been a major contributing factor to the success of Freeview, and thus the increased penetration of DTT across the UK. We note that more than 70%<sup>3</sup> of Freeview viewers cite the absence of a subscription as a key reason why they chose to get Freeview. It is Freeview's accessibility alongside the strength of its free channel line up that has resulted in its universality.

As our core objective is to continue to drive take-up of DTT, we welcome any proposals that identify scope to add value to the current Freeview/DTT offering – particularly those that will ensure the platform develops to take advantage of future advances in broadcasting technology.

Building a critical mass of appealing free-to-air channels has been crucial to Freeview's success. We must safeguard the 'free' TV that is at our heart, even in the light of the DTT platform's longer term development, to ensure that any new subscription based/pay-TV proposals do not unacceptably diminish the range, value or quality of content already on offer in such a way as to reduce consumer satisfaction for Freeview viewers. It's also important that there remains no obligation for a subscription to receive the Freeview service – there must always be availability of free, high quality TV, a factor of great importance to today's audience.

It's essential that acceptance or adoption of any new proposals, such as those currently being considered by Ofcom, do not have any significant detrimental effect on perceptions of Freeview/free-to-air television over DTT. Consumer insight gained over the last five years of outstanding growth in the platform very clearly shows that simplicity and clarity of proposition and message have been, and continue to be, key to consumer understanding, appreciation and take up of Freeview. Any future platform developments, we believe, must respect these guiding principles or we risk alienating existing Freeview viewers, confusing new buyers and damaging the overall perception of the DTT platform.

## **Detailed response to Ofcom's Questions:**

### **Section 3: Competition Assessment**

*Question 2: To what extent do you consider the Proposal likely to deliver benefits to the consumer?*

A large majority say the option to access additional paid-for content in the future is appealing provided the existing Freeview service is unaffected<sup>1</sup> and a minority are interested in subscribing to the proposed BSkyB service specifically. However around three-quarters of existing Freeview viewers say they would not ever consider paying for any TV content.

### **Section 4: Other policy considerations**

In this section, we consider the consultation *Questions 6, 7 and 8* posed by Ofcom.

*Question 6: To what extent, if at all, do you consider that the Proposal would be likely to lead to any of the public policy concerns outlined in Section 4 (of the Proposal)?*

From Freeview's latest research, it's clear to us that there will be an inevitable impact on the perception of Freeview following the removal of BSkyB's three FTA channels. Some 33%<sup>1</sup> of Freeview viewers questioned in the TNS survey suggested that they would be 'less satisfied' with the overall Freeview service if the BSkyB channels disappear.

It is of concern to us that dissatisfaction among many existing Freeview viewers could persist given that consumers are unlikely to make the link between losing free channels and gaining a pay-TV service offered by BSkyB.

*Question 7. Specifically, to what extent do you consider that the Proposal would be likely to lead to consumer confusion?*

*Question 8. To what extent do you consider that it is beneficial for consumers to be able to obtain Sky and existing DTT pay-TV content without having to purchase separate STBs?*



We will respond to Questions 7 & 8 at the same time, as we believe that they are highly important issues for Freeview, for DTT and for Freeview's customers – and they are inextricably linked.

On page three we outlined that 'simplicity and clarity' have been absolutely core to the success of Freeview and the rollout of DTT in the UK. Indeed, our consumer insight often tells us that the simplicity of the Freeview offer is important to them.

Freeview has built up a loyal following over the past five years. As more options for DTT reception become available, it is important that this clear proposition is maintained and that compatibility is ensured between different pay-TV conditional access solutions. This is the only way that potential consumer confusion can be avoided.

Freeview is committed to preserving the value of the high quality of free channels and encouraging the development of the DTT platform, such that consumers remain committed to its FTA core. As new services are introduced in future, from our consumer research, it is clear that consumers would welcome as simple and coherent an upgrade path as possible – with maximum compatibility across services. This will be important in maintaining consumer understanding and buy-in to DTT as well as manufacturer and retailer commitment to, and confidence in, the highly successful horizontal marketplace already established.

With direct reference to consultation Question 8, on the basis of our research consumers would prefer to be able to access Sky and existing DTT pay-TV content via the same equipment. When asked, 78%<sup>1</sup> of today's Freeview viewers agreed with the statement: 'I would expect to get all these extra services through my existing Freeview equipment'. One solution here would be for all pay services to be available through one piece of equipment.

Finally, we believe there would be value for consumers to gain commitment from any pay-TV on DTT operators that they would adhere to a number of key 'customer experience' initiatives already developed for the DTT platform. For example, it's clear that those operators/manufacturers using open technology standards are able to ensure ease of navigation and usability across all services, simplifying the user's experience – and that any new services were developed to offer that same ease of use.



Should any pay-TV on DTT operator launch a digital recording device (DTR), there would be significant advantages for consumers if all such devices adopt the Freeview Playback standard to ensure a consistent end-user experience.

## **Conclusion**

In summary, Freeview generally welcomes any initiatives that support and encourage consumer choice as long as these are introduced in a way which benefits the wider platform ecology and safeguards the existing viewers' experience of DTT.

Our research suggests that the additional pay channels will be of interest to a minority who wish to pay for additional channels to complement their existing service. If the service is introduced it is important for consumers that it is done in such a way that safeguards satisfaction for the majority of homes who are unlikely to be interested (either now or in future) and secures value for the overall DTT market as it develops.

Additionally, we are concerned about the satisfaction levels of the remainder (the majority) of Freeview viewers who may be unhappy about the removal of the three BSkyB channels.

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<sup>1</sup> 462 face-to-face interviews conducted between 14<sup>th</sup> and 25<sup>th</sup> November 2007 by Taylor Nelson Sofres – 70% Freeview customers, 30% non-digital respondents

<sup>2</sup> BARB, Q3 2007

<sup>3</sup> Freeview Brand Tracker, 2006