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Media nations: UK 2019



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Overview

This is Ofcom's second annual Media Nations report. It reviews key trends in the television and online video sectors as well as the radio and other audio sectors. Accompanying this narrative report is an [interactive report](#) which includes an extensive range of data. There are also separate reports for Northern Ireland, Scotland and Wales.

The Media Nations report is a reference publication for industry, policy makers, academics and consumers. This year's publication is particularly important as it provides evidence to inform discussions around the future of public service broadcasting, supporting the nationwide forum which Ofcom launched in July 2019: Small Screen: Big Debate.

We publish this report to support our regulatory goal to research markets and to remain at the forefront of technological understanding. It addresses the requirement to undertake and make public our consumer research (as set out in Sections 14 and 15 of the Communications Act 2003). It also meets the requirements on Ofcom under Section 358 of the Communications Act 2003 to publish an annual factual and statistical report on the TV and radio sector.

This year we have structured the findings into four chapters.

- The total video chapter looks at trends across all types of video including traditional broadcast TV, video-on-demand services and online video.
- In the second chapter, we take a deeper look at public service broadcasting and some wider aspects of broadcast TV.
- The third chapter is about online video. This is where we examine in greater depth subscription video on demand and YouTube.
- In the last chapter we tune into radio and put it in the context of other audio services, including podcasts and music streaming services.

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Total video and broadcast TV

The pace of change in television raises questions about how UK viewers will be served in the future

Online content delivery and the emergence of global video providers, notably Netflix and YouTube, are driving fundamental shifts in viewing habits and industry structures. The internet is massively increasing the choice available to UK viewers. More than half of UK households now have their TV connected to the internet and eight in ten adults have a smartphone, which they are increasingly using to watch video. Around half of UK households now subscribe to at least one subscription video-on-demand (SVoD) service (such as Netflix or Amazon Prime Video) and UK adults watch, on average, about half an hour of YouTube per day.

Broadcast television, and public service broadcasting in particular, remains valued and accounts for the majority of people's viewing, but its use is falling as viewers take up online services. People watched on average 3 hours 12 minutes of broadcast television in 2018, but this was 49 minutes less than in 2012, and the fall in younger viewers has been much steeper. Four in ten viewers now say that online video services are their main way of watching television and film.

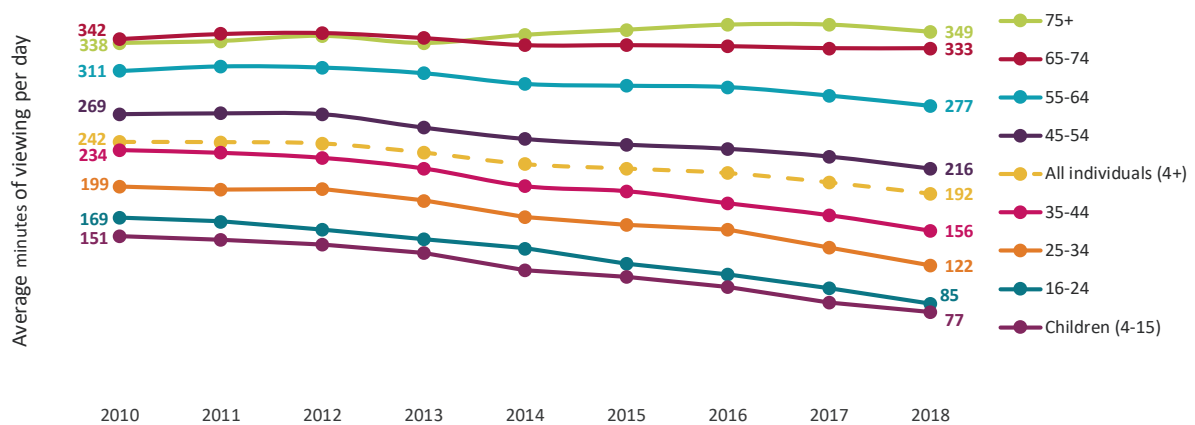
Our data provides an evidence base to underpin a national debate about the future of Public Service Broadcasting (PSB). In July 2019, we launched a nationwide forum, [Small Screen: Big Debate](#). This will involve discussions with broadcasters, production companies, government, industry bodies, viewers' groups and national and regional representatives on sustaining public service broadcasting (PSB) in future. It will look at where PSB content should be available, who should provide it, and how to guarantee a mix of high-quality UK content online.

Viewer behaviour continues to shift towards alternatives to broadcast TV, in particular online video services

Broadcast still accounts for the majority of viewing, but the decline in viewing is accelerating.

Broadcast content accounted for 69% of the average five hours of watching video per person per day in 2018 (but only 56% of the five hours was live TV). People watched an average of 3 hours 12 minutes of broadcast television a day, 11 minutes less than in 2017 (which was down by 9 minutes since 2016). The shift is most pronounced among young people: 16-24s watched an average of 85 minutes of broadcast television a day in 2018 – 15 minutes less than in 2017.

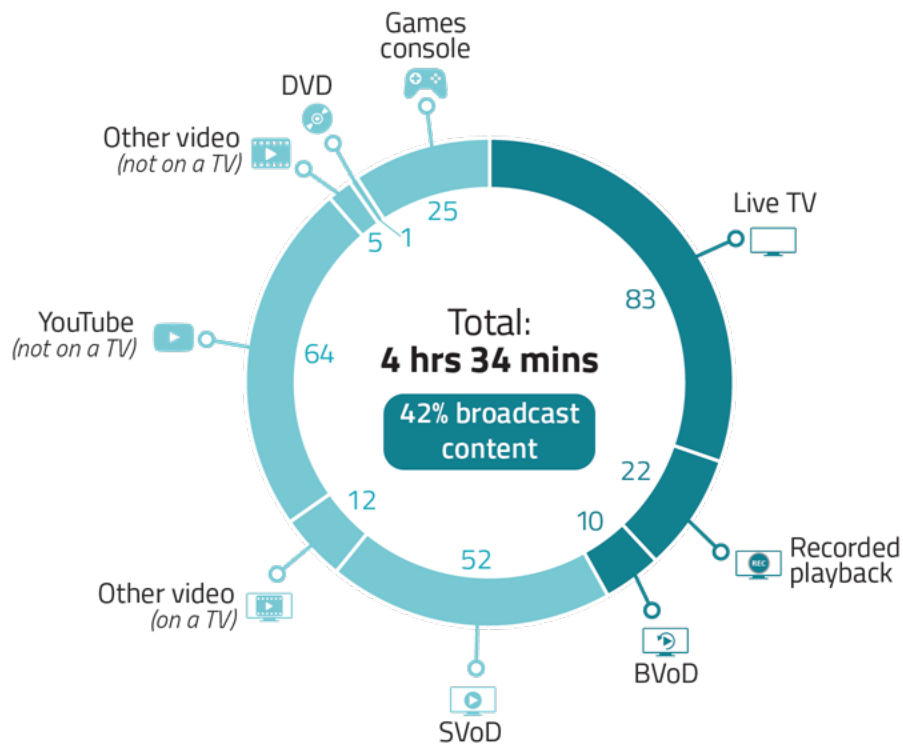
Average daily minutes viewed per person, by age



Source: BARB.

Since 2017 viewing by all people of subscription video on demand (SVoD) (+7mins) and YouTube content (+6 mins) has grown. The four and a half hours of total video content watched by 16-34s includes three main components: Live TV (83 mins); YouTube (64 mins) and SVoD (52 mins). For the youngest adults (aged 16-24), the most-watched platform is YouTube (73 mins).

Total video minutes per person per day, adults 16-34, all devices: 2018



Source: Ofcom total AV modelling using BARB, TouchPoints and Comscore data.

Viewers are broadly satisfied with the quality of broadcast TV, but increasingly see video on demand as the main way to watch TV and film. The fall in broadcast viewing does not appear to be caused by negative sentiment towards broadcast TV. More than half of adults feel the quality of broadcast TV programmes has remained the same over the past year, and a further 21% think it has improved. But 42% of adults consider online video services to be their main way of watching TV and film, and 38% of SVoD users can imagine not watching broadcast TV at all in five years' time.

YouTube is a major part of total video viewing and total online time. Twelve per cent of all time spent watching video, and 13% of all time spent online by adults, is spent on YouTube. Young adults (16-34s) spend over an hour on YouTube per day, and almost all adult internet users watch YouTube videos. Whereas most viewing of SVoD is on television sets, a smartphone is the most commonly used device for watching YouTube.

There are considerably more SVoD subscriptions than pay-TV subscriptions. Subscriptions to traditional pay-TV services (such as Sky, Virgin Media, BT and TalkTalk) totalled 14.3 million in Q1 2019, whereas the total number of subscriptions to Netflix, Amazon Prime Video, NOW TV and Disney Life reached 19.1 million (up from 15.4 million in Q1 2018). This is in part because many households take more than one SVoD subscription.

Public service broadcasters remain the home of mass-reach UK-made programming

Despite a fall in viewing, PSBs maintain their share of broadcast TV, and audience satisfaction remains high. The five main PSBs alone maintained a share of 52% in 2018 compared to 51% in 2017. Although audience satisfaction has fallen gradually from 80% in 2014, 74% of PSB viewers still claim to be satisfied with PSB broadcasting.

PSBs are still important in meeting viewers' desire for UK content. UK audiences want original, UK-produced and UK-specific programmes. The PSBs delivered over 32,000 hours of UK-made original content across their channels in 2018. In comparison, the vast majority of SVoD programmes are US-made productions, designed to play out in multiple countries: only 221 hours of the SVoD original productions available in 2018 were made in the UK.

PSB UK-made drama still resonates with audiences, with *Line of Duty* the most-watched programme in 2019 so far with 12.1 million viewing the final episode. *Bodyguard* was the most-watched drama in 2018, with 14.3 million viewers for its final episode.

However, a few popular drama and entertainment programmes are not enough on their own to stem the overall decline in broadcast TV viewing. To counteract the overall drop in broadcast viewing since 2017, about 34 additional series of *Bodyguard* would need to have been broadcast in 2018. Similarly, although ITV2's *Love Island* gained large audiences in June and July 2018, about 14 '*Love Islands*' would be required to counteract the year-on-year drop in broadcast viewing.

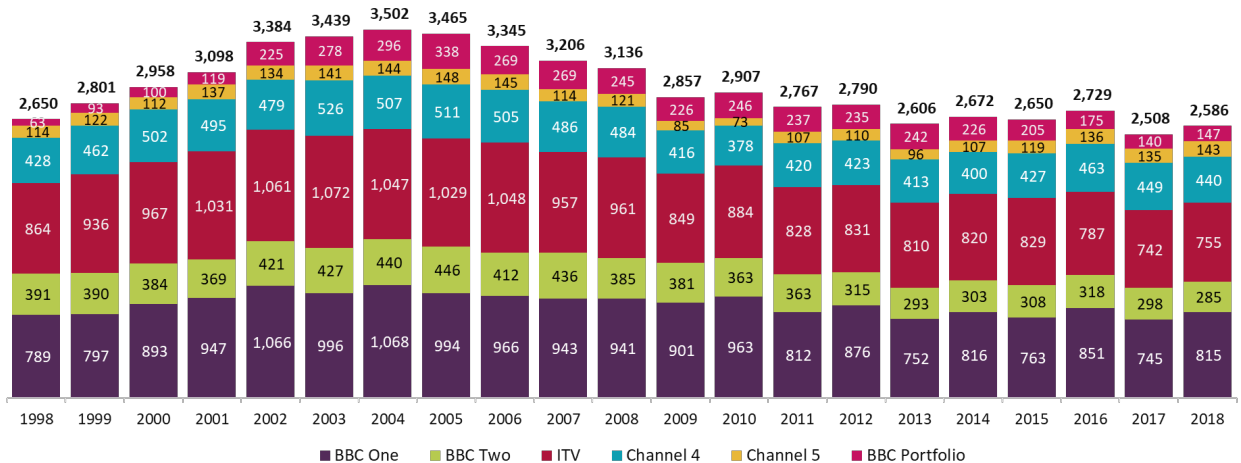
Broadcasters are adapting to changing viewing behaviours and to attract younger viewers who are using SVoD. All episodes of series 1 (2018) and series 2 (2019) of the BBC's *Killing Eve* were made available as a box set on BBC iPlayer immediately after the broadcast of the first episode. Some 4.6 million people watched the final episode of series 1 online pre-broadcast compared to 3.3 million who watched the episode live or time-shifted. Other programmes are succeeding by gaining viewers on other devices and by integrating broadcast content with social media. One episode of ITV2's *Love Island* in 2018 achieved an increase of 24% on its TV set audience with viewers watching on PCs/laptops, tablets and smartphones, bringing its total to 4.9 million viewers.

But broadcaster-on-demand services (BVoD) are lagging behind SVoD. BVoD services (including iPlayer, ITV Hub, All4 and My5) remained at a similar overall level of viewing in 2018 compared to 2017; people in the UK are watching on average around 8 minutes of BVoD a day compared to 26 minutes of SVoD. However, viewers still watch a lot of recorded broadcast content (mainly via a personal video recorder (PVR): 30 minutes a day on average.

PSB revenues are under pressure, but content investment has been buoyed by third-party funding

Spend on UK-made original content was 5% (£143m) lower in 2018 than in 2016. 2018 was a big year for televised sport events, including the FIFA World Cup and the Winter Olympics, so 2016 is the best year for comparison. PSB spend is coming under pressure due to falling advertising revenues for the commercial PSBs and a 3.6% (£140m) fall in the BBC's licence fee revenues (partly due to the Government's phased reduction of funding for free TV licences for the over-75s).

PSB network spend on first-run UK originations, by channel (£m)



Source: Ofcom/broadcasters Note: figures are expressed in real terms. BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. Figures do not include S4C, BBC Alba, BBC HD, nations'/regions' programming, and third-party spend.

The PSBs are finding new ways of financing content, including through co-productions and third-party funding for high-end drama. The reduction in PSB network spend has been offset by the increase in third-party funding for programming, including deficit funding, and co-productions. PSBs have also been collaborating with global SVoD players. Contributions to the cost of PSB UK original productions from third parties has more than doubled over ten years. PSB drama programming received 68% of the total third-party investment in 2018.

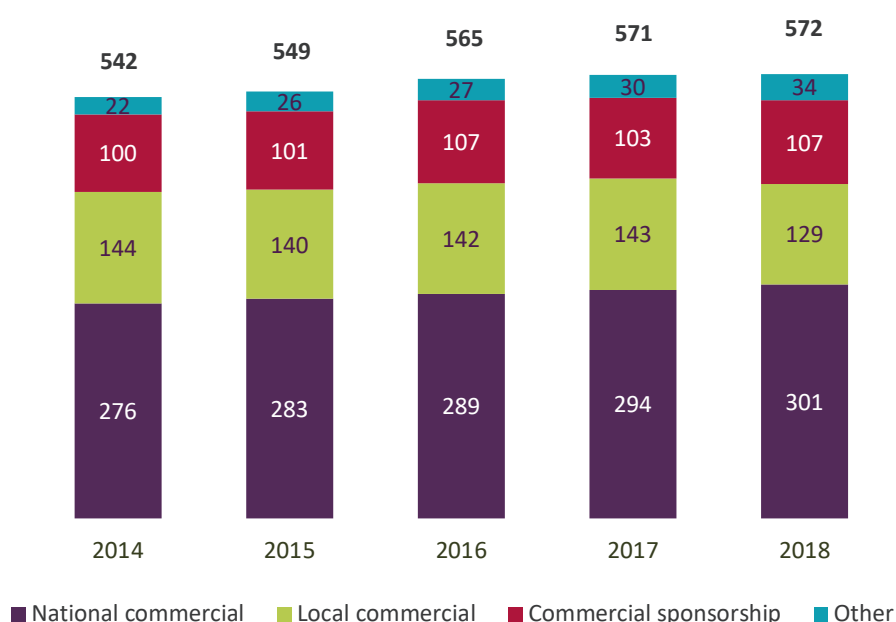
Radio and audio

Radio listening and revenues are holding up

Live radio remains popular, with listening to UK-wide commercial stations particularly strong. In Q1 2019, 89% of UK adults listened to at least five minutes of live radio each week. This varies by age: 90% of over-64s listened each week compared to only 80% of 15-24s (down from 88% ten years ago).

Commercial radio revenues remained resilient in 2018. Total revenues remained the same year on year, as increases in both national advertising and sponsorship offset a fall in reported local advertising revenues.

Commercial radio revenues (£m)



Source: Ofcom / broadcaster returns. 2017 data includes restatements. Adjusted for CPI at 2018 prices.

Digital radio continues to grow...

Digital listening continues to grow, with online an increasingly important factor. The overall digital share of listening across the UK continues to grow and now stands at 56% in Q1 2019, up from 53% in Q4 2018. This includes digital audio broadcasting (DAB), online and TV set listening.

DAB remains the most commonly used digital radio platform, but popularity of smart speakers is growing rapidly. The proportion of adults with a DAB set grew to 67% in Q1 2019 from 64% in Q1 2018. Listening via a mobile phone has also fallen. The largest growth is in listening online, perhaps driven by the increased take-up of smart speakers – listening to the radio on a smart speaker increased from 10% of adults in 2018 to 19% in 2019.

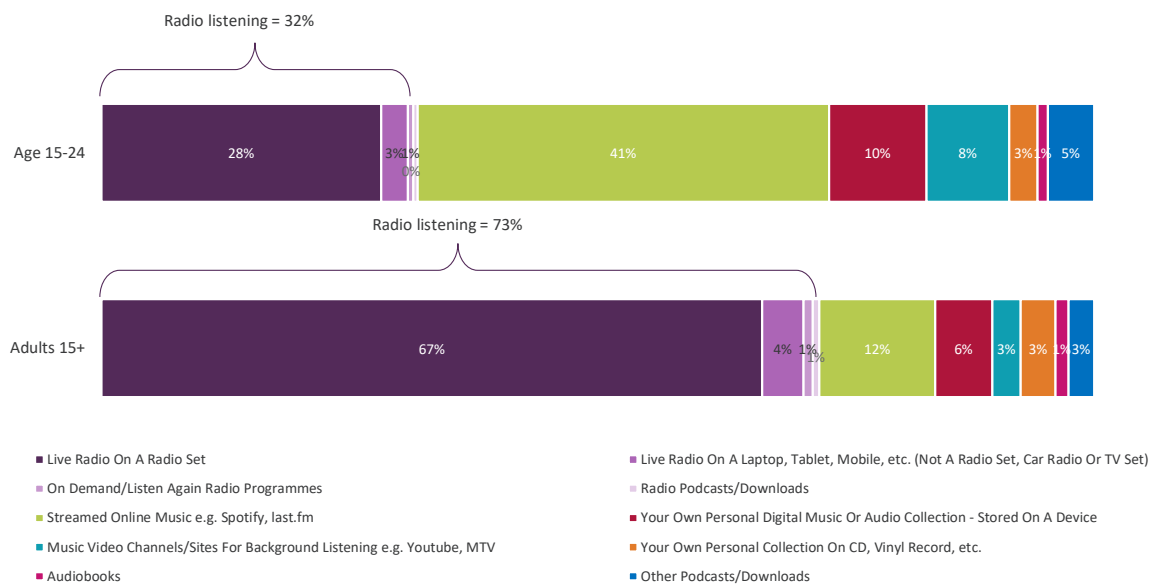
DAB digital radio coverage continues to increase. Following the build-out of the Sound Digital multiplex, digital radio can now be received by 83% of households and offers 73% coverage on major roads around the UK. The total number of services carried across local DAB multiplexes increased by 39 to 447 by the end of March 2019.

But there are challenges for radio to focus on, with young people spending more time listening to online music streaming services

Local radio has gradually been losing out to UK-wide radio – In Q1 2019 just over half of adults (54% compared to 59% five years ago) listen to local radio and 73% (70% five years ago) listen to national output. Local commercial radio stations are spread across the age spectrum and BBC local services largely have older listeners.

Listeners have more choice of content and access, and young people in particular are spending more time listening to online services. Almost three-quarters of adult weekly listening is to radio (live, on-demand or radio podcasts). However, 41% of young people’s audio time is spent on music streaming services and less than a third of their time is spent listening to radio.

Weekly share of audio listening



Source: TouchPoints 2018.

Podcasts represent only a small share of listening but are increasingly popular. One in eight adults now listen to podcasts each week. The average age of a weekly podcast listener is 39, around ten years younger than a typical radio listener. YouTube is the platform most used to access podcasts among weekly listeners; these are video podcasts and are particularly popular among the 35-54 age group. The most used audio-only service for weekly podcast listeners is BBC iPlayer Radio and is particularly popular among older podcast listeners. However, for younger podcast listeners, Spotify and Apple are more likely to be used than individual BBC services.

The rapid take-up of smart speakers is both an opportunity and a threat for radio broadcasters.

Twenty per cent of UK households now own a smart speaker such as an Amazon Echo, Google Home or Apple HomePod. The most common use of smart speakers is to listen to music via a streaming service (69%) while 56% listen to live radio and 22% to podcasts.

Music streaming subscription revenues grew by 34% in real terms in 2018. The growing take-up of subscription-based music streaming services such as Spotify Premium drove music streaming subscription revenues up to £829m in 2018, an increase of 34% since 2017. This compares to commercial radio revenues of £572m in 2018 (up 0.2%).



Introduction

Figure 1.1 Timeline of key launches and events in TV and video

1970s	Video recording (VHS and Betamax)	
1985	Blockbuster video	
1989	Sky Satellite	
1995	DVD	
2002	Freeview	
2005	YouTube	
2006	The BBC begins broadcasting in high-definition (HDTV) on their new subscription service BBC HD Google acquired YouTube	
2007	Digital switch-over began BBC iPlayer	
2008	ITV Player Freesat, including the first non-subscription HDTV channels	
2010	Sky launches Europe's first 3DTV channel	
2011	Product placement is permitted on UK television for the first time	
2012	Digital switchover completed Netflix launched in UK NOW TV	
2014	Prime Video added to Amazon Prime in UK	
2015	BT Sports Ultra HD: the first Ultra HD channel in the UK BBC Three becomes an online-only TV channel	
2016	A TV licence becomes a requirement for watching BBC iPlayer online	

The TV and wider video industries are undergoing a period of rapid change which is transforming the ways in which audiences watch television. Change is not new to the television sector which, for example, evolved with the emergence of pay-TV in the 1990s and the introduction of multiple digital TV channels, culminating in digital switchover which completed in the UK in 2012. However, the rate at which young audiences in particular are embracing new online video services from global internet platforms in place of linear services from incumbent UK-based broadcasters, including the BBC and ITV, suggests that these changes may have a more profound long-term impact on viewing habits.

The current changes are rooted in technological and industry changes including high speed broadband roll-out, the widespread availability and ownership of connected TV sets and affordable subscription video services: through the internet viewers can now access a huge variety of TV and video content. For the viewer choice, and arguably also quality, has never been better. Viewers can choose from a wide range of services from broadcasters, subscription-video-on-demand (SVoD) services such as Netflix and Amazon Prime Video (typically available to view on the TV set with minimal button clicks on the remote) and the 'long tail' of internet video comprising many different types of content, best represented by YouTube with an estimated 10 billion videos.

However, broadcast TV still accounts for the majority of video consumption with over three hours a day of viewing on average, and the public service broadcasting channels continue to account for the majority of this. Moreover, the PSBs retain a vital and unique place in meeting the needs of UK audiences including by offering content made in the UK for UK audiences to a much greater extent than any other provider. There are few alternatives to the PSBs in this respect. So, while viewing of PSB channels has fallen, audiences' sense of their importance and their satisfaction with the programmes they show has remained strong.

Nevertheless, with diminishing viewing and more and more people considering online video services to be their main way of watching TV and film, there are threats to the future relevance of public service broadcasting. ITV, Channel 4 and Channel 5 are sustained by advertising and while television advertising revenues have held up well as a source of mass reach for advertisers that is hard to obtain any other way, there are some indications these are under threat. The BBC, meanwhile, has needed to cut its costs as television licence fee revenues have fallen, and it faces challenges to justify its societal value as viewing declines amid a rapidly growing choice of other services. The risks to broadcast TV and to PSBs are that their revenue falls as viewing falls, and this in turn diminishes their ability to invest in making UK-focused programming.

The evidence set out below explores viewing, content funding, revenue and audience sentiment. It describes the current landscape within this process of change.

Platform and device ownership

Despite changing viewing habits, 95% of households in the UK have a TV set receiving broadcast programmes

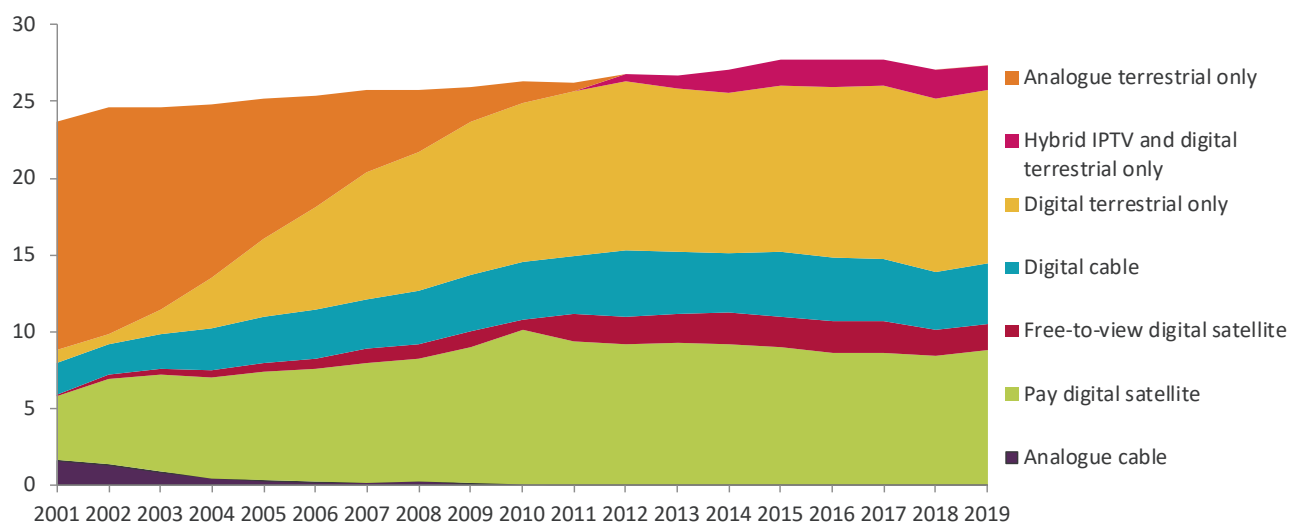
The television landscape has been undergoing significant technological and structural changes and traditional TV services are no longer the dominant way to watch audio-visual content in all households. Nevertheless, despite the variety of devices available and the increased use of smartphones in the UK, the TV set is still the most popular way to view audio visual content; 95.2% of UK homes had a working TV set in the first quarter of 2019. This proportion has decreased slightly in recent years (in 2012 it was 96.3%).¹

Homes that have only digital terrestrial TV (DTT) make up the biggest proportion of all UK homes, totalling 11.3 million (39.7% of all households), an increase of 2.3% since 2012. After previous gradual declines, the proportion of homes with pay-satellite TV (pay DSAT) has remained relatively stable year on year (30.8% in Q1 2019, compared to 30.4% in Q1 2018), while digital cable services (DCAB) decreased further (down about 1 percentage point year on year to 13.6% in Q1 2019). The proportion of homes with free-to-view satellite services has dipped slightly (6.1% in Q1 2019 and 6.7% in Q1 2018).²

¹ Source: BARB Establishment Survey

² Source: BARB Establishment Survey

Figure 1.2: Platform take-up, households (millions)



Source: BARB Establishment Survey. Household level data. All TV sets in home included so there may be platform overlaps. Notes: Data points are based on Q4 of each year until 2018, when it changed to Q1. BARB changed its methodology on the definition of a TV-set-owning household in Q4 2012. In Q4 2015 the 'claimed usage' element was removed, which led to an increase in the TV set homes population. *Digital switchover was completed across the UK in October 2012. Digital terrestrial TV only = receives digital TV through an aerial and not through DSAT/DCAB or other platforms. Hybrid IPTV digital terrestrial only = receives digital terrestrial TV through any of BT TV/TalkTalk TV/YouView/Plusnet TV and not DSAT/DCAB/other platforms.

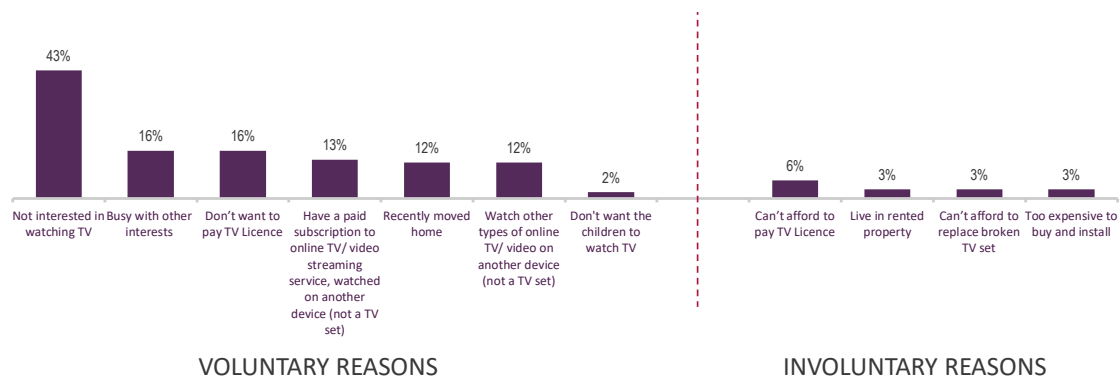
More than a million homes do not have a television set

A small but growing proportion of households are choosing not to watch broadcast television or have a television set. Among these homes, the most common reason for not having a TV set is that they are not interested in watching television programmes (43%). Thirteen per cent of non-TV set owners claim to have a paid subscription to an online TV/video service such as Netflix or Amazon Prime Video on a device other than a TV set, and 12% say they watch other types of online TV/video on another device.³ Over a million homes (1.2 million, 4.1% of all homes) have broadband and use other devices for watching TV but do not have a working TV set.⁴

³ Source: Ofcom Technology Tracker 2019

⁴ Source: BARB Establishment Survey Q1 2019

Figure 1.3: Reasons for not having a TV set (percentage of households without a TV)



Source: Ofcom Technology Tracker 2019. QH66. What are the reasons why you don't have a television set in your household? Base: Adults 16+ in a household with no TV set (2019, 138).

More than half of TV households have a TV connected to the internet

More and more television is watched over the internet. Eighty per cent of homes have a fixed broadband connection⁵, and in November 2018, 66% of residential fixed broadband connections were superfast products with an advertised download speed of 30Mbit/s or higher.⁶ The number of UK adults watching TV programmes or films online on any device (such as a mobile phone, tablet, or TV set) is 58% – up from 53% a year ago.⁷

Most new television sets sold in the UK are 'smart TVs', capable of being directly connected to the internet.⁸ Take-up of smart TVs has risen sharply over the last seven years (from 5% of households in 2012 to 47% in 2019).⁹ However, a smart TV is not the only way in which a TV set can be connected to the internet; using another device to connect a TV to the internet¹⁰ has also increased, from 28% five years ago to 41% in 2019. Combining this with the connection to the internet of a smart TV shows that more than half (53%) of TV households have, in some way, an internet connection to their TV.¹¹

Smartphones lead the way among other devices for watching video

TV content is now accessible via other devices and services, so we need to look more widely than the TV set itself. Eight in ten adults (79%) now have an internet-enabled smartphone (unchanged since 2018), with most of these (88%) having a 4G service, which typically enables good quality video streaming over a mobile network. Our research finds that most people now consider a smartphone as their most important device for going online (52% of those who use the internet in 2019, up from just 15% in 2013) – this finding is more prevalent among younger age groups (71% for 16-34s) and

⁵ Source: Ofcom Technology Tracker 2019

⁶ Source: Ofcom / operators. Published in Ofcom's [UK Home Broadband Performance report](#) page 11.

⁷ Source: Ofcom Technology Tracker 2019

⁸ [Statista](#) report that in Q4 2018, 76.5% of all televisions shipped in western Europe were smart TVs,

⁹ Fourteen per cent of those with a smart TV do not connect it to the internet, including a small minority who don't have access to the internet

¹⁰ This includes set-up boxes, streaming sticks, laptops/PCs and games consoles.

¹¹ Source: Ofcom Technology Tracker 2019

less so among those aged 55+ (25%).¹² Our research also reveals that the mobile phone is the media device that people are most likely to say they would miss the most if it was taken away from them (51%), having overtaken the television set in 2015.¹³

Although over half (54%) of households have a tablet device, 2019 is the first year in which ownership has gone down year on year (by 4pp) – the same trend is seen for ownership of a laptop (down 3pp to 63%) or a PC (down 4pp to 24%).¹⁴

Viewing

Broadcast content accounted for over two-thirds of viewing in 2018, despite gains by SVoD and YouTube

In 2018 individuals watched a total of 4 hours 54 minutes of audio-visual content, per person per day, across all devices. Despite a rise in SVoD subscriptions, more than two-thirds of total viewing of video content was broadcast content. Total broadcast viewing (live, time-shifted and on demand, across all devices) averaged 3 hours 22 minutes per person per day in 2018, down by nearly 11 minutes since 2017. However, 56% of the total viewing was live TV, and since 2017 viewing of SVoD and YouTube content has grown.¹⁵

SVoD is watched largely on the TV set and consists mainly of TV-like content, so it is reasonable to assume that for some people it is a substitute for broadcast viewing. It is more open to question to what degree YouTube watched on the TV set is a substitute for broadcast viewing, as there are many types of content on YouTube that have no broadcast equivalent, for example gaming channels, vlogging and instructional videos. YouTube is also more likely to be viewed outside the living room on mobile devices.¹⁶

¹² Source: Ofcom Technology Tracker 2019

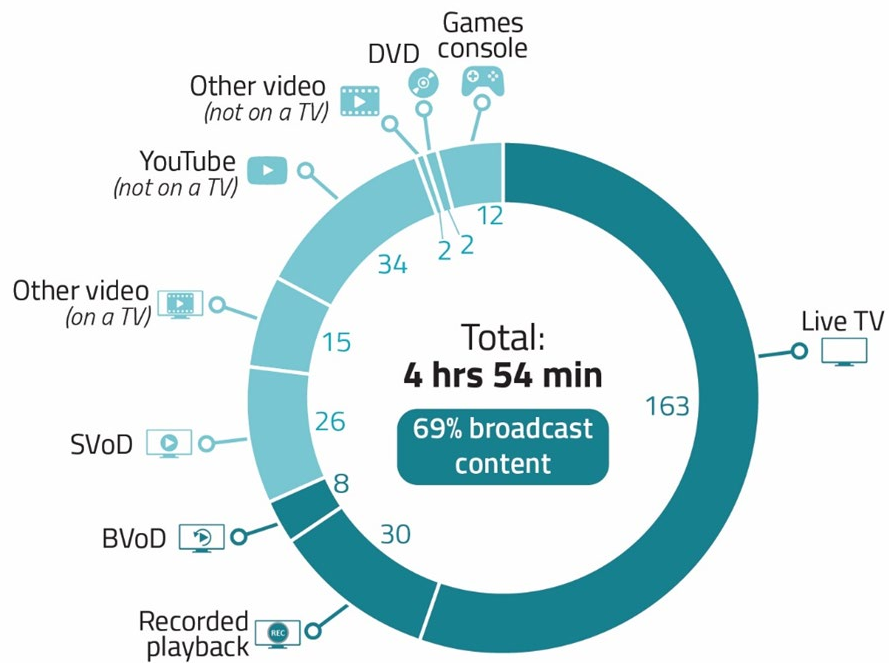
¹³ Source: Ofcom Adults' Media Use and Attitudes surveys, 2015 and 2019

¹⁴ Source: Ofcom Technology Tracker 2019

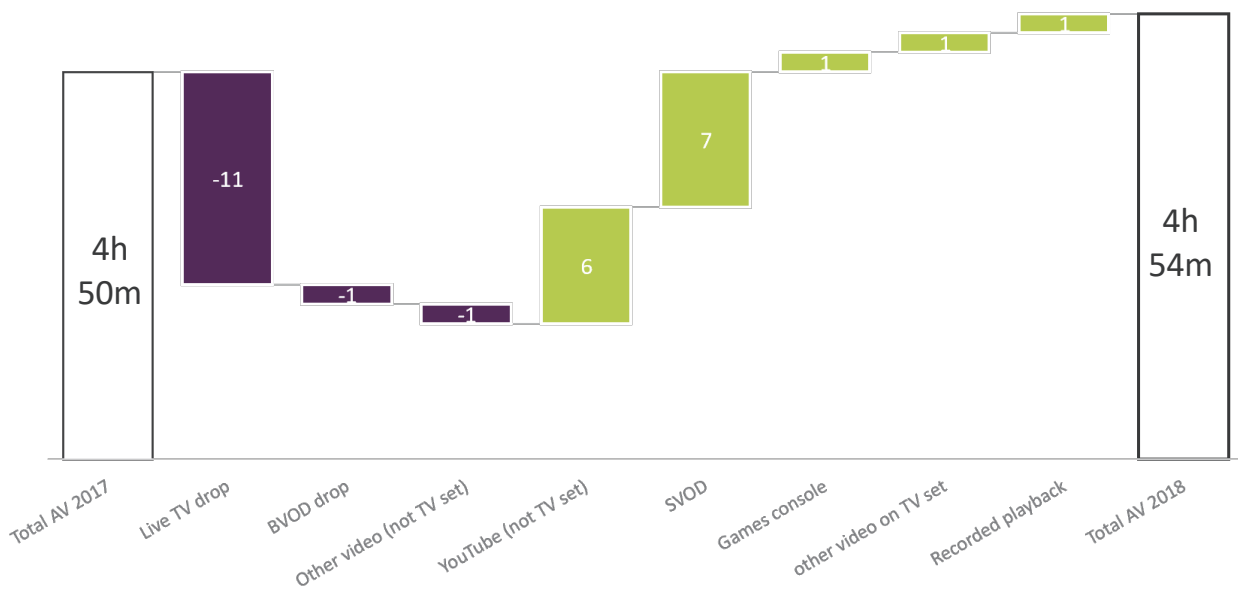
¹⁵ Source: Ofcom/BARB/TouchPoints/Comscore

¹⁶ Source: Ofcom/BARB/TouchPoints/Comscore

Figure 1.4: Total video minutes per person per day: 2018



Change in average minutes per day 2017-2018: all individuals, all devices

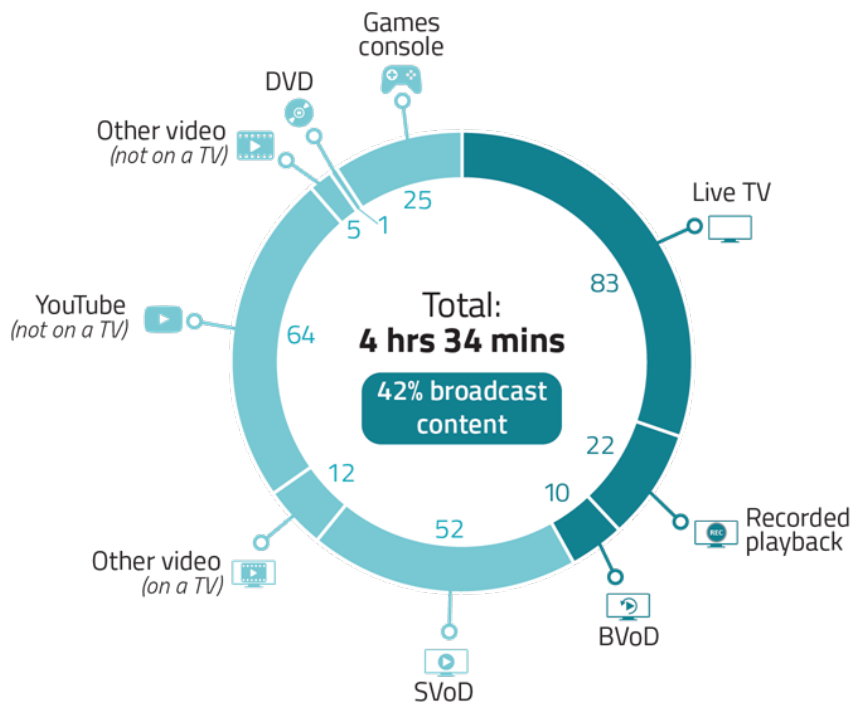


Source: Ofcom total AV modelling using BARB, TouchPoints and Comscore data.

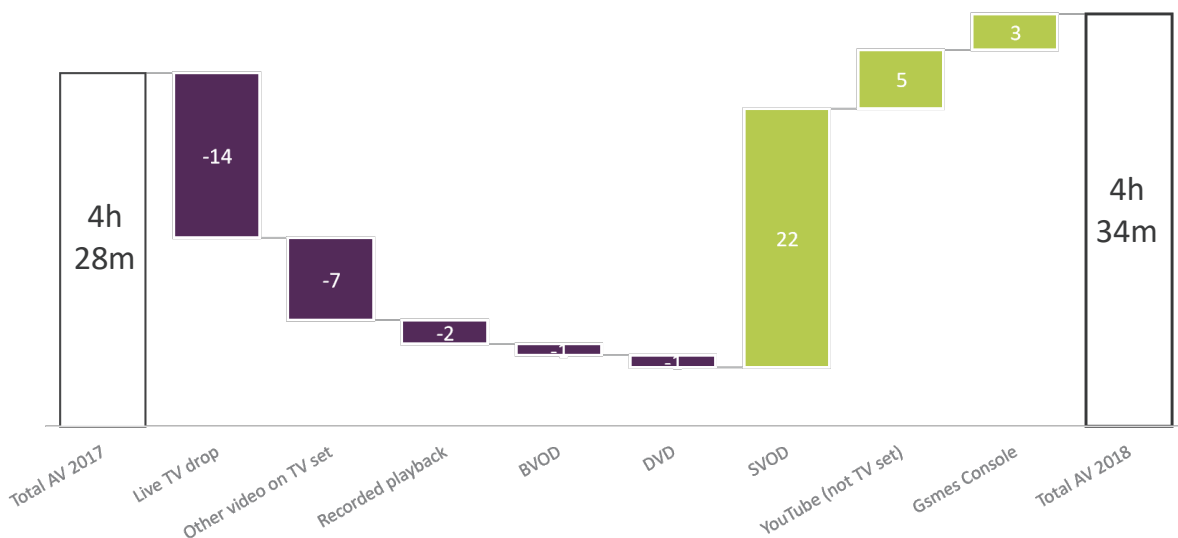
Total viewing by younger adults falls into three main types

The greatest changes in viewing habits in recent years have been among young adults (aged 16-34). Their daily average of four and a half hours of viewing splits into three main constituent parts: live TV (83 mins); YouTube (64 mins); and SVoD content (52 mins). Live TV viewing is falling year on year as the other two platforms' viewing goes up, so it is likely that the three elements will become more closely comparable in future.

Figure 1.5: Total video minutes per adult aged 16-34 per day: 2018



Change in average minutes per day 2017-2018: 16-34, all devices

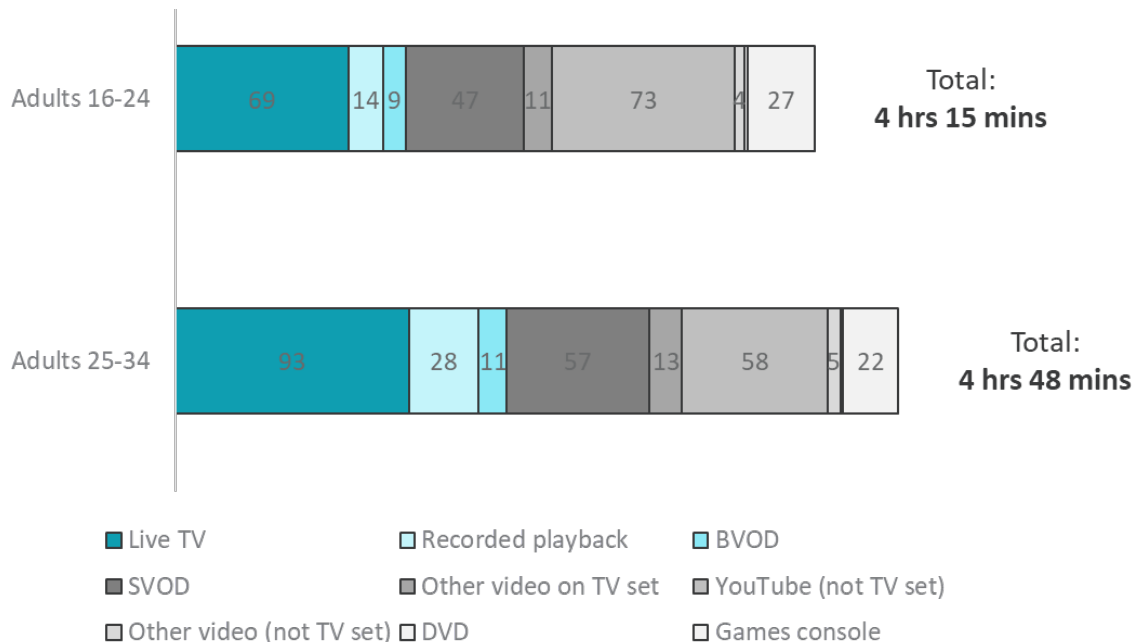


Source: Ofcom total AV modelling using BARB, TouchPoints and Comscore data.

Viewing of SVoD by adults aged 16-34 has increased particularly steeply in the last year, up by 22 minutes to an average of 52 minutes a day. This is largely a result of increasing subscriptions, or access to subscriptions. But there is evidence that viewing among people who already have these services has also increased, as more original and licensed content is made available (see Online video chapter). YouTube consumption among this group has increased by only 5 minutes per day, which is less than the increase for all individuals (6 minutes per day), indicating that the recent YouTube growth is as much among over-34s as among younger people.

The youngest group of adults show an even more pronounced shift away from broadcast TV. Those aged 16-24 watch less video overall but consume more YouTube and use a games console more than 25-34s. They watch 24 minutes less live TV, 14 minutes less recorded TV and 10 minutes less SVoD content per day.

Figure 1.6: Total video minutes per day, adults aged 16-24 and 25-34: 2018 (broadcast TV sources in blue): 2018



Source: Ofcom total AV modelling using BARB, TouchPoints and Comscore data.

YouTube and Netflix are the top two most-viewed video services for 18-34 year olds










For adults aged 18+¹⁷, BBC One is still the most-watched video service¹⁸ (watched on average for 48 minutes per person per day), and ITV follows closely (37 minutes). For younger adults (aged 18-34), BBC One drops to fourth place, ITV is third and YouTube is in the lead, watched for more than an hour a day on average. Netflix also jumps ahead of the two main linear channels. Amazon Prime

¹⁷ This analysis looks at adults aged 18+ (instead of 16+ as with other sections of the report) because some of the sources used only have data for those aged 18+.

¹⁸ Video services = linear channels viewed on the TV set (including their +1 channels where appropriate) and total minutes to other individual video services e.g. individual VoD and streaming services.

Video sits ahead of five linear channels in the top ten, whereas NOW TV just falls out of the top ten (at just under 4 minutes), behind BBC Two but two places ahead of BBC iPlayer (2 minutes).¹⁹

Figure 1.7: Top ten services watched by 18-34s-year olds, by average minutes per person per day, compared to viewing minutes for those services for all aged 18+: 2018

	18-34 year olds hh:mm	All adults aged 18+ hh:mm
	01:04	00:34
	00:40	00:18
	00:17	00:37
	00:15	00:48
	00:09	00:05
	00:08	00:12
	00:07	00:05
	00:05	00:03
	00:05	00:09
	00:04	00:13

Source: BARB. Network 2018 (channels include their +1 channels) / Ofcom calculations using Comscore VMX 2018 UK / TouchPoints 2018 / GfK SVoD Tracker Q1 2019.

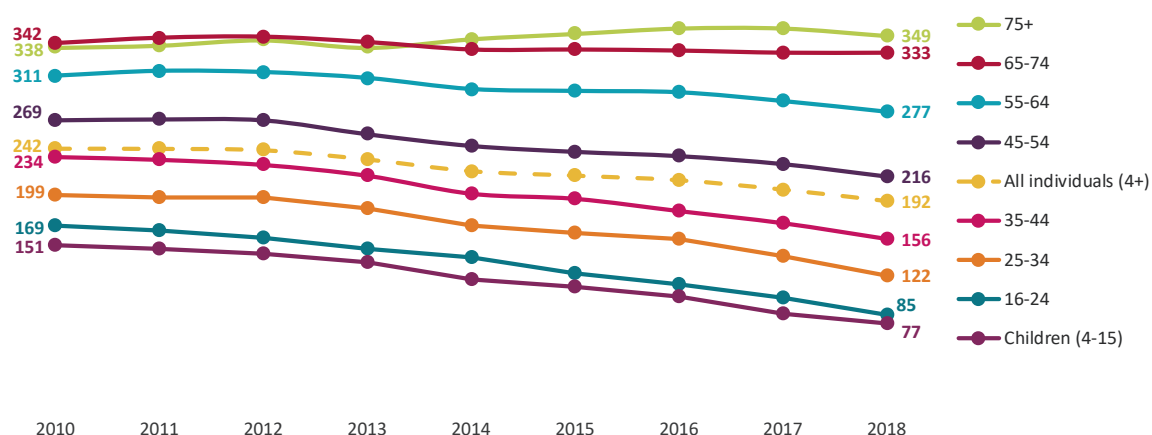
Viewing of broadcast TV on the TV set continues to decline

In 2018, viewing of broadcast TV on a TV set continued to decrease, and the rate of decline accelerated slightly. The average viewing per person per day was 3 hours 12 minutes (this includes watching live, when programmes were broadcast, and viewing up to seven days after broadcast). This was down 11 minutes (5%) on 2017 (in 2017 viewing was 9 minutes lower than in 2016). As in previous years, the decline in viewing was more pronounced among younger audiences, although almost all age groups' viewing time declined: 16-24 year olds watched 15 minutes less a day than in 2017 (down 15%), bringing their average daily viewing to just 1 hour 25 minutes, while 65-74 year olds were the only age group to remain stable year on year (5 hours 33 minutes).²⁰

¹⁹ Source: BARB/Ofcom calculations /Comscore/TouchPoints 2018/GfK SVoD Tracker Q1 2019

²⁰ Source: BARB

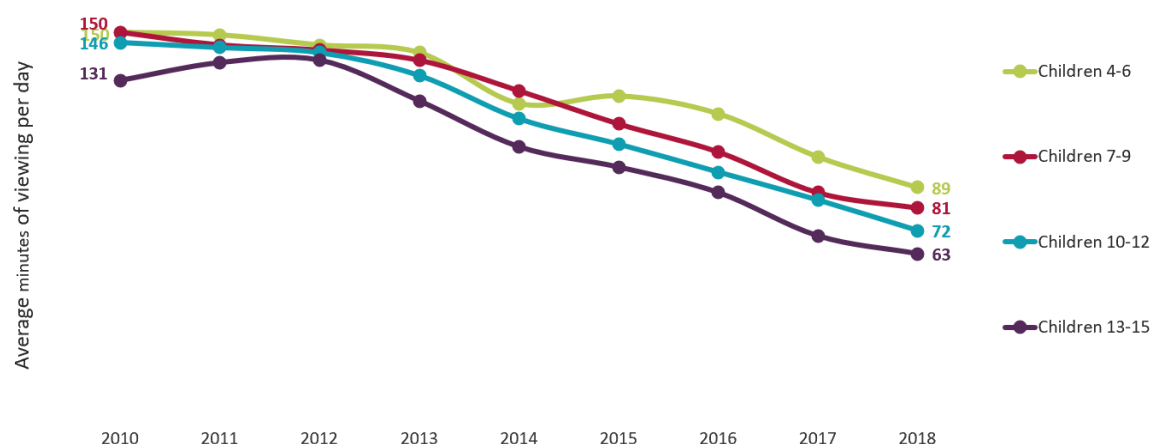
Figure 1.8: Average daily minutes viewed per person, by age



Source: BARB.

Looking more closely at children’s viewing, splitting it into smaller age groups, we see that the older children get, the less linear TV they watch a day. In 2018, younger children (aged 4-6) had the highest amount of viewing at nearly an hour and a half per child per day. Young teenagers (aged 13-15) had the lowest amount of daily viewing compared to any other age group, at just over an hour.²¹

Figure 1.9: Average daily minutes viewed by children



Source: BARB.

The decrease in broadcast viewing is not necessarily due to viewers thinking that the quality of broadcast TV has decreased; more than half of adults feel that the quality of broadcast TV programmes has remained at the same level over the past year and 21% think that it has improved. Of the 23% of those who say TV programmes have got worse over the past year, 59% cite ‘more repeats’ and nearly half (47%) cite ‘lack of variety’, ‘too many reality shows’ (47%) or a ‘general lack of quality’ (48%).²²

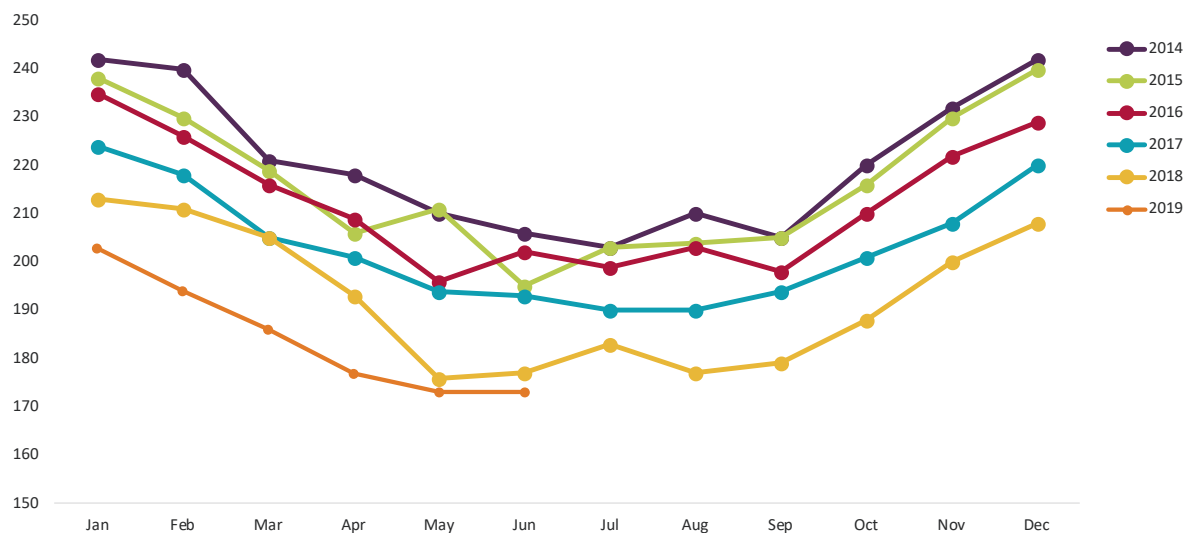
²¹ Source: BARB

²² Source: Ofcom Cross-platform Media Tracker 2018

The declines in broadcast TV viewing on a TV set have continued into 2019

Broadcast TV viewing overall has seasonal trends, and this year is following the usual pattern for month-on-month viewing, but like last year, this is at a lower level than the previous year. January to June’s overall average viewing per person per day was 3 hours 4 minutes. This is a decline of 11 minutes (6%) on the same period in 2018. The decline applies to all age groups: consumption by adults aged 16-34 is the least seasonal and is characterised by a steep and ongoing decline (down by 18% to 1 hour 31 minutes). Looking just at 16-24s, the declines are even more pronounced (down by 22% to 1 hour 10 minutes). Those aged 35-54 experienced a more moderate decline (down 7% to 2 hours 58 minutes). Older people are still watching more TV; this factor is slowing the overall decline in TV viewing at the all-individuals level. Nevertheless, viewing by over-54s fell by 1% in the first half of 2019 (to 5 hours 14 minutes).²³

Figure 1.10: Average daily minutes viewed per person, by month



Source: BARB. All individuals 4+.

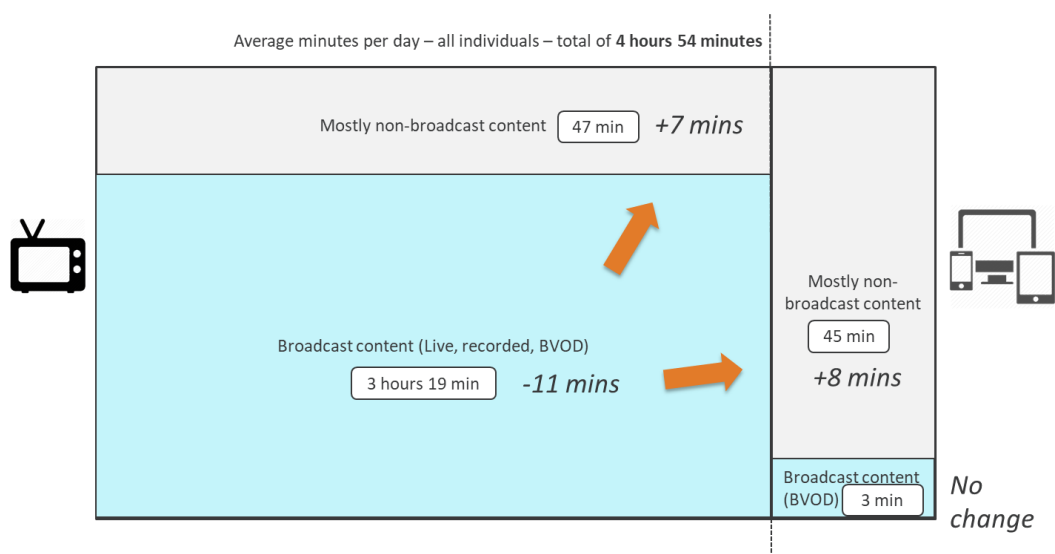
Most non-broadcast content is now viewed on a TV set

One outcome of more people having connected TVs is that non-broadcast video content can no longer be thought of as something largely confined to laptops, tablets and smartphones. Indeed, despite the large amount of YouTube content viewed on smartphones, more than half of total non-broadcast video content is now viewed on a TV set.²⁴

²³ Source: BARB

²⁴ Ofcom modelling (BARB, TouchPoints, Comscore)

Figure 1.11: Total video viewing, by screen and type of content: 2018



Source: Ofcom total AV modelling using BARB, TouchPoints and Comscore data. Figures in italics are year on year change on 2017 data, arrows show where consumption has moved year on year.

The proportion of shared viewing has increased for young people

Overall, viewers are watching broadcast TV for longer periods of time in one session than they used to (viewing session lengths in 2018 averaged just over 22 minutes, a 14.4% increase since 2010), but they are watching it fewer times a week (on average 32 sessions per week, a 13.8% decrease since 2010), and watching fewer channels than they used to (6.4 channels on average, down by 19.5% since 2010). Overall viewing is down slightly more in peak than in daytime.

There has also been a drop in the overall proportion of *shared* viewing of live TV (watching with at least one other person) compared to *solo* viewing (watching alone). In 2018, 53% of live television viewing was by people watching alone (for 47% of the time, people were viewing with at least one other person). This compares to 2010, when 49% of viewing was solo and 51% was shared.

This is not consistent by age group; older adults skew more towards solo viewing, while young adults (16-24-year olds) skew towards shared viewing (62% in 2018); this difference has increased since 2010 (59%). This is unsurprising given that younger adults are moving a lot of their solo viewing to other devices and non-broadcast content.

The linear TV programmes most watched by this age group are mostly the talked-about, ‘appointment to view’ shows that are often watched with others, while viewing of ‘filler’ TV, usually watched alone, has reduced. Children skew even more heavily towards shared viewing and we know from our qualitative research that TV viewing at the time of broadcast tends to be limited to live events or ‘appointment to view’ programmes that are most likely to be watched with family members.²⁵ Younger children (aged 4-9) skew the heaviest to shared viewing (79%, up from 76% in 2010), with older children (aged 10-15) slightly less so (74% in 2018, up from 68% in 2010).²⁶

²⁵ [Children’s Media Lives, wave 5](#)

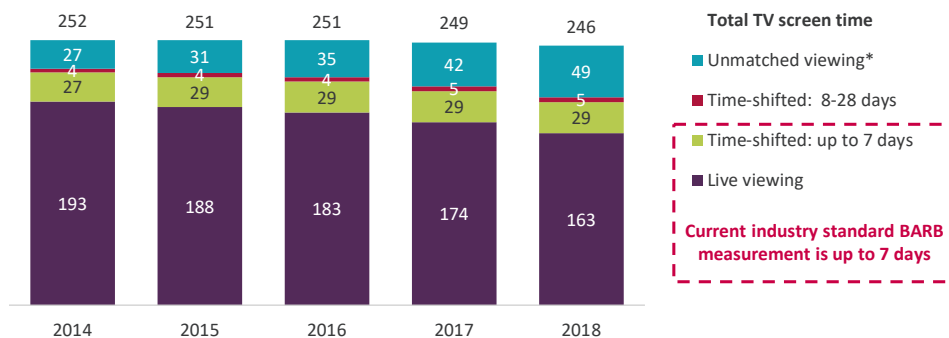
²⁶ Source: BARB. Shared viewing based on ‘live’ viewing only.

Broadcast TV viewing has decreased, while viewing of non-broadcast content on a TV set has increased

The decline in broadcast viewing was driven by a fall in live viewing (watching TV at the time of broadcast), while time-shifted viewing of broadcast content (either recorded or watched on on-demand services such as BBC iPlayer or ITV Hub) has remained stable (see figure 1.12). Nevertheless, watching TV live still accounts for the greatest proportion of total audio-visual viewing. When asked why they still watch programmes or films live, the majority (62%) of viewers who do so said they had specific programmes that they watched regularly, suggesting that the desire to watch content as it happens (or not risk ‘spoilers’) is still strong. Recommendations are also a cause; three in ten people (28%) say that friends or family have recommended a TV programme/film, while one in ten have seen it mentioned on social media (10%) or discussed or reviewed somewhere else (TV, radio, newspapers, etc) (9%). And watching live TV is not restricted to viewing on a TV set. One in ten UK adults (9%) have used BBC iPlayer to watch channels or programmes live at the time of broadcast, followed by 4% using ITV Hub, 3% using Amazon Prime Video, and 2% using YouTube, BT TV, or NOW TV.²⁷

BARB, the official audience measurement system of broadcast television, records ‘unmatched’ viewing on the television – this is TV screen time that cannot be attributed to broadcast programmes. Unmatched time continued to increase in 2018. But the seven-minute year-on-year growth in this area is not enough to compensate for the fall in live viewing. The increase in unmatched viewing on the TV set is probably a result of the growth in SVoD and YouTube viewing; our calculations suggest that time spent gaming on the TV set is unlikely to have changed much in the past year.²⁸

Figure 1.12: Average daily minutes of TV screen time per person



Source: BARB. All individuals 4+. Average minutes of viewing/day.

*Unmatched viewing = TV set in use but content cannot be audio-matched or otherwise identified. Includes gaming, viewing DVDs/box sets/archives, SVoD, time-shifted viewing beyond 28 days, apps on smart TVs and navigation around EPG guides where there is no in-picture broadcast content.

²⁷ Source: Ofcom Technology Tracker 2019

²⁸ Source: BARB

Broadcasters are encouraging viewing in multiple ways, including on demand and on different devices

BARB's [new four-screen data](#), which became available in summer 2018, allows us to look at online viewing on PCs/laptops, tablets and smartphones and shows the uplift in viewing caused by these additional devices. Non-live viewing, and especially viewing not on a TV set, is something that is more likely to occur with younger-skewing titles. For example, an episode of *Love Island*, broadcast on ITV2 in July 2018, showed a 24% uplift from viewers watching on PCs/laptops, tablets and smartphones, bringing its total audience to 4.9 million. Conversely, older-skewing programmes like *Countryfile* do not register much change from the addition of multiple-screen viewing. An episode in September 2018 achieved an uplift of just 0.2% from the additional three screens.²⁹

BARB's four-screen measurement includes pre-broadcast data. All episodes of BBC's *Killing Eve* were made available on BBC iPlayer after the linear broadcast of the first episode of each series. For series one, on average across episodes two to eight³⁰, 9.3 million people viewed each episode on a TV or another device up to 28 days after it was first broadcast on BBC One. Forty per cent of these, 3.7 million, viewed before the linear broadcast, making up the largest part of the total audience, while watching live accounted for just 24%. At the time of writing, Series 2 of *Killing Eve* is only part-way through, but the available data show that pre-broadcast viewing is again accounting for a large proportion of total viewing.

The premier episodes of *Game of Thrones Season 8* aired at 2.00am in the UK on Sky Atlantic and Now TV (the same time as in the US) and, across the series, an average of 112,000 individuals switched on in the early hours of the morning to watch the episodes live. Most of the total viewing (67%) came from those who viewed it later the same day (known as 'viewed on same day as live' or VOSDAL), with an average audience of 3.6 million. The total viewing figure increased to 5.3 million when we include those who watched online on other devices (smartphone, tablet, PC/laptop), and on TV up to 28 days after broadcast. Watching on non-TV devices accounted for 7% of the total 5.3 million. *Game of Thrones* is the most popular show on Sky Atlantic and every episode of Season 8 has topped Sky Atlantic viewing figures.³¹

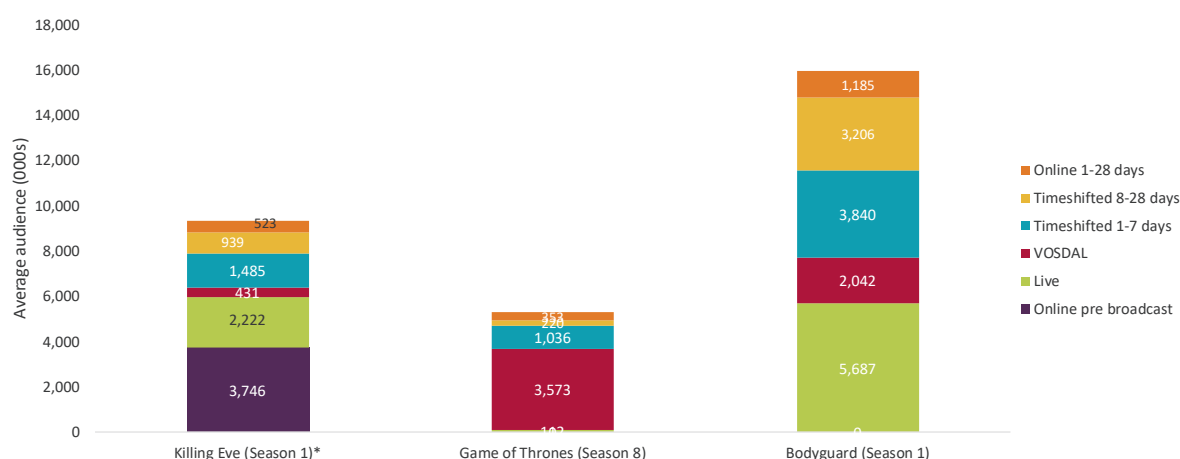
In comparison to the above two series, BBC's *Bodyguard* followed a slightly more traditional viewing pattern with the greatest proportion of viewers (36%) watching it live on BBC One. Across the series, the audience averaged 16 million viewers, 7% of whom viewed on PCs/laptops, tablets and smartphones.

²⁹ Source: BARB

³⁰ The average excludes episode 7 because there was a measurement data error resulting in missing figures.

³¹ Source: BARB

Figure 1.13: Viewing pattern comparisons for series with different scheduling and availability



Source: BARB. All individuals 4+, reach criteria: 15+ consecutive minutes of any of the series. VOSDAL means viewed same day as live transmission.

*Killing Eve excludes episode 7 due to a data error and excludes episode 1 in the pre-broadcast series average figure, as this was not available pre-broadcast. All the remaining episodes were available on BBC iPlayer after the first episode had aired on BBC One.

Revenue

Despite competition from online services, broadcast TV revenues are holding up

Growth in total TV and online video industry revenue was driven by the further expansion of the online sector, which continued its steep growth path in 2018. Total online video revenue increased by 19.3% in 2018, driven by a 16.5% increase in online video advertising³² and a 24.4% increase in subscription revenues for SVoD services such as Netflix and Amazon Prime.³³

Despite the pressure from online subscription services, however, total revenue generated by the UK's commercial broadcasters remained stable at £11.1bn in 2018³⁴. Platform operators were key to the stability of total broadcast revenue in 2018, with revenue from pay-TV subscription services increasing by 1.1% during 2018. This was a result of price increases from some operators which more than offset a small decline in the number of subscribers.

Revenue attributed to other commercial broadcast services, such as TV shopping, sponsorship and interactive services, decreased slightly (down 0.5% on 2017).³⁵

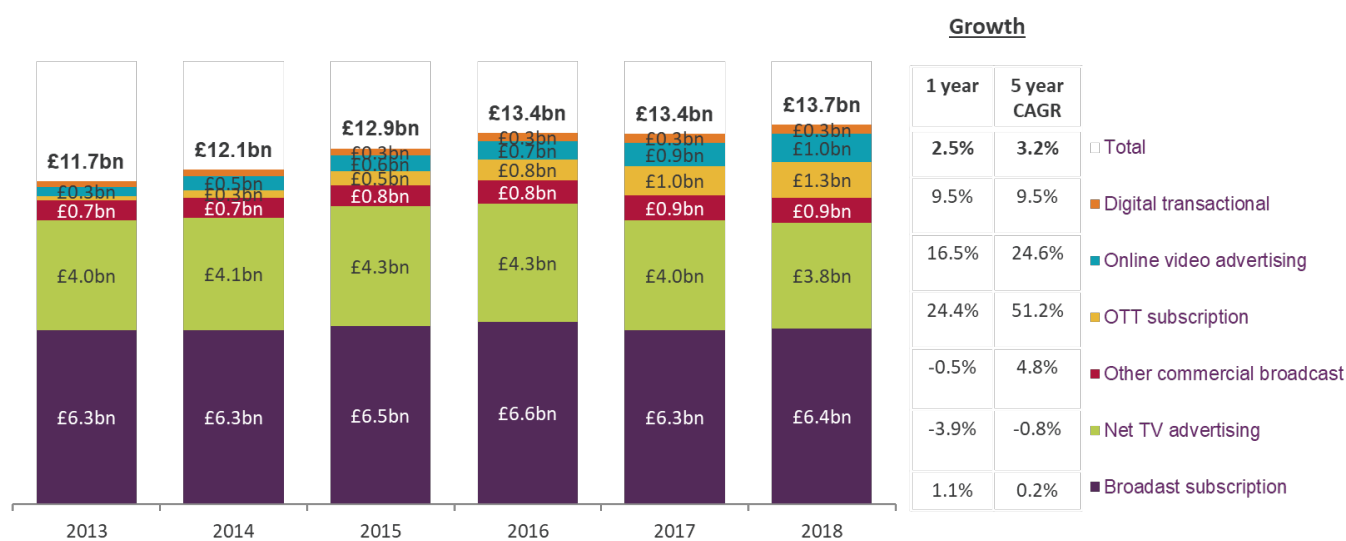
³² Source: IAB

³³ Source: Ampere Analysis

³⁴ Source: Ofcom/broadcasters

³⁵ Source: Ofcom/broadcasters

Figure 1.14: Total commercial TV and online video industry revenue, by source



Source: Ofcom/broadcasters (broadcast data) Ampere Analysis/IAB (online data). Note: Figures expressed in real terms and replace previous Ofcom revenue data for the TV and online video industry, owing to restatements and improvements in methodologies. ‘Subscription revenue’ includes Ofcom’s estimates of Sky UK, Virgin Media, BT TV and TalkTalk subscriber revenue as well as, in 2013, Top Up TV in the UK (Republic of Ireland revenue is excluded). Subscription revenue also excludes revenue generated by broadband and telephony. ‘Other commercial broadcast revenue’ includes TV shopping, sponsorship, interactive (including premium-rate telephony services), programme sales. Online revenue includes OTT subscription (Netflix, Amazon Prime Video, ITV Hub+, DisneyLife and NOW TV), online and mobile video advertising, and digital retail and rental transactions. Online video advertising does not include ‘outstream’ video advertising delivered on non-video services. Totals may not equal the sum of the components due to rounding.

Pressure on TV advertising revenues continues

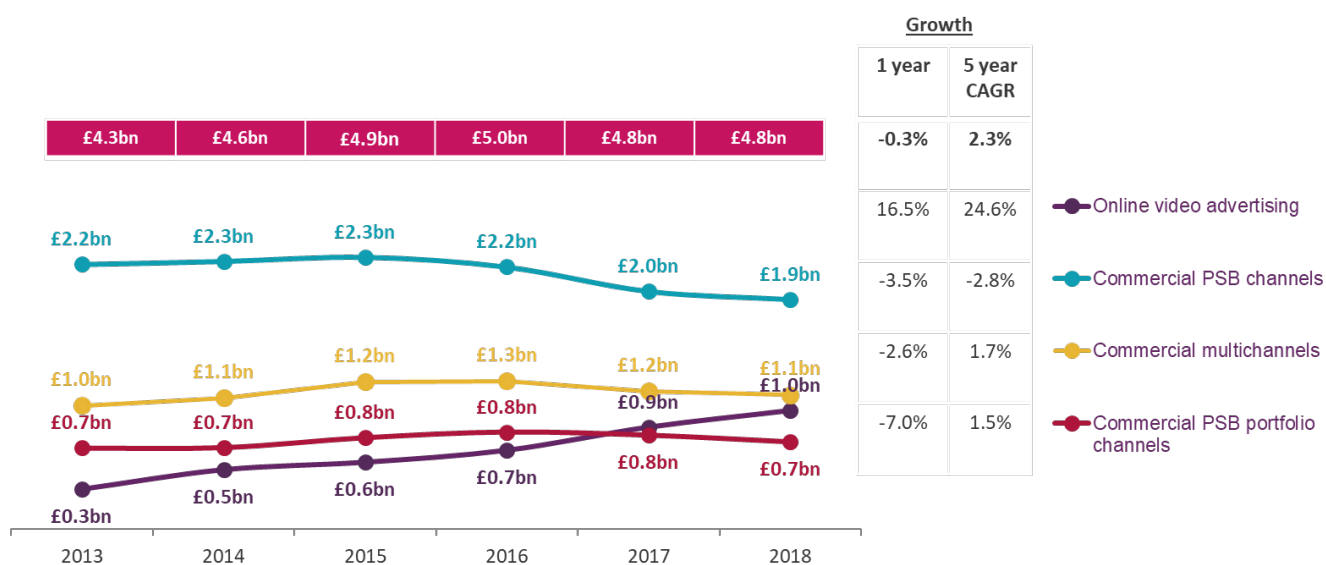
TV net advertising revenue (NAR) continued its downward trend in 2018, falling by 3.9% (in sharp contrast to the 17% year-on-year growth in online video advertising). However, this was a relative stabilisation compared to the 7.5% drop in NAR during 2017. A slowdown in the decline of NAR for the main commercial PSB channels, probably spurred on by the success of the football World Cup, drove this, in addition to a levelling out of non-PSB multichannel NAR in 2018.

Nonetheless, online video advertising continued to encroach on traditional TV advertising revenues, with total value ad-funded video revenue beginning to reach the levels of commercial multichannel NAR. And for the second year running, NAR from commercial PSB portfolio channels failed to compensate for the decline in flagship PSB commercial advertising revenues. Further examination of this can be found in the *Broadcast TV and PSB* chapter of this report.

While the economic downturn in the UK may well be a key explanation for the recent downward trend in TV advertising revenues, recent data from WARC³⁶ indicates that TV’s percentage of display advertising fell from 33% to 31% in 2018. This suggests that pressure on TV advertising revenues is mounting.

³⁶ WARC is a firm which measures advertising spend.

Figure 1.15: TV net advertising and online video advertising revenues, by source



Source: Ofcom/broadcasters/IAB. Note: Figures expressed are in real terms and replace previous data published by Ofcom. Commercial PSB channels comprise ITV, STV, UTV, ITV Breakfast, Channel 4, Channel 5 and S4C (and their '+1' channels). Commercial PSB portfolio channels include, where relevant, CITV, ITV2, ITV3, ITV4, ITVBe, ITV Encore, 4Seven, E4, Film4, More4, 5USA, 5*, 5Spike, 5Select, and Paramount Network (and their '+1' channels). For previous years closed channels have also been included. Sponsorship revenue not included. Online video advertising revenue comes from IAB, and includes online and mobile video advertising spend, but does not include 'outstream' video advertising delivered on non-video services such as social media feeds. Totals may not equal the sum of the components due to rounding.



Broadcast TV and PSB

Introduction

As outlined in the previous chapter, the media sector has experienced unprecedented change over the last ten years, enabled by high speed internet, connected devices and new services that are transforming how we engage with media content.

This chapter examines the challenges and opportunities that this transformation has created for the UK public service broadcasters and how they are adapting to meet these challenges. Much of the evidence behind our recent statement about the [The Future of Public Service Media](#) is laid out here.

Continuing strengths and deepening challenges

The continued rise of online services, notably YouTube and Netflix, is changing the UK's TV viewing habits, but broadcast TV is still watched by the large majority of people in the UK every week and it continues to attract large numbers of viewers to individual programmes.

However, despite declines in viewing, broadcast TV on a TV set still has mass reach and on average, 89% of all individuals (53 million) watched at least 15 minutes every week in 2018. This was down marginally from 90% in 2017 and, as with average viewing times, the steepest rates of decline were among children and young adults. However, the younger group were not the only ones to decline. Unlike in 2017, which was stable, reach among 45-64 year olds declined slightly year on year.³⁷ Although it is difficult to determine causality, the data show that SVoD subscriptions for this age group have increased: 53% of 45-64s claimed to have at least one of the main SVoD services in Q1 2019 compared to 44% in Q1 2018.³⁸ Total TV reach to those aged 65-74 remained stable at 96% while it increased slightly for those aged 75 and over (98%).³⁹

Broadcast TV continues to provide mass advertising reach unlike any other medium and fulfils needs that online-only providers currently do not provide to anything like the same extent (public service content, serendipity and the communal experience). Public service broadcasting also remains very highly valued by viewers, with three quarters of those who every watch any PSB channel (BBC One, BBC Two, ITV, Channel 4 and Channel 5) reporting that they are satisfied with PSB broadcasting. If linear broadcasters continue to cover live events, produce high quality content that is available on

³⁷ Source: BARB

³⁸ Source: BARB Establishment Survey Q1 2018, Q1 2019

³⁹ Source: BARB

other devices and on demand, and can secure content funding, they will continue to be an integral part of the TV landscape for decades to come.

Viewing of broadcast TV

Where our data comes from

This section uses data provided by the Broadcasters' Audience Research Board (BARB), a nationally representative panel of 5,300 homes across the UK providing the official broadcast TV measurement for the industry. This includes all viewing of broadcast TV through a television set, and via any device attached to the TV set such as a computer, streaming device or set-top box. BARB has also started to measure what people are watching on PCs/laptops, tablets and smartphones not connected to a TV set, to monitor viewing of broadcaster video-on-demand (BVOD) services. However, this newer measurement of other devices is not complete and is not yet the industry standard. Unless otherwise stated, figures quoted are for seven-day consolidated viewing on a TV set. Consolidated viewing includes viewing of programmes at the time they were broadcast on TV (live viewing) as well as from recordings on digital video recorders (DVRs) and through catch-up player services (e.g. apps on smart TVs) up to seven days after the first broadcast (time-shifted). See the methodology annex for more information.

Although consumption of broadcast TV has declined, share of viewing to PSB channels has remained broadly consistent

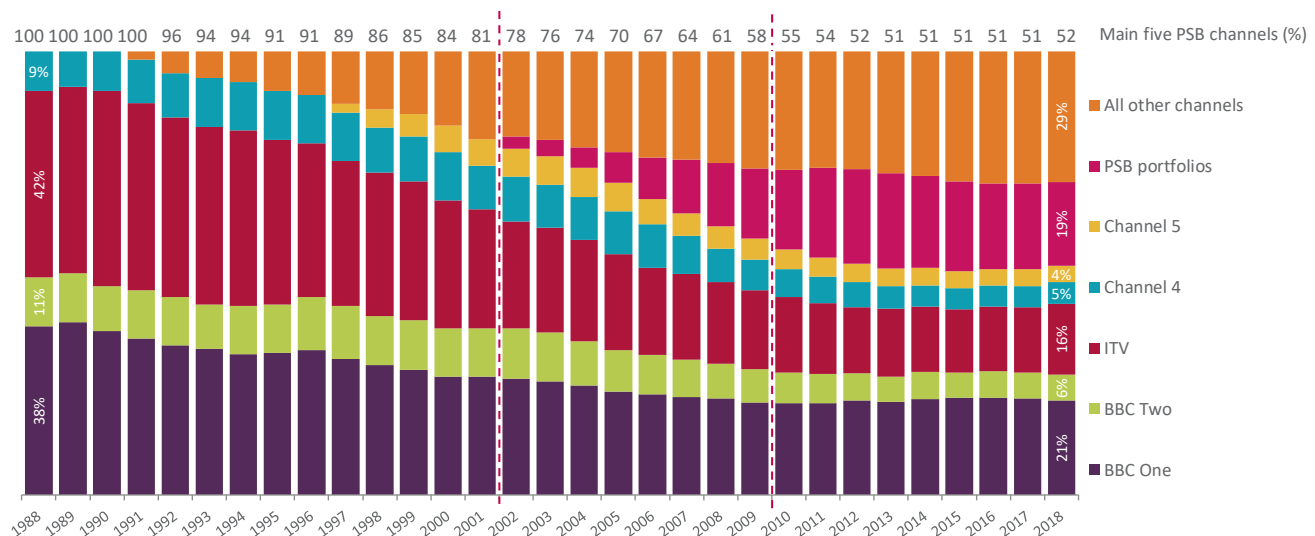
As illustrated in Figure 2.1, an increasing proportion of our total audio-visual viewing has now moved away from live TV and towards on-demand and online content. Although we still watch a lot of linear broadcast TV, an average of 3 hours 12 minutes per day in 2018, average daily viewing has declined by 50 minutes since 2010 among all individuals. The decline is even more notable among younger audiences, with 16-34s watching 78 minutes less broadcast TV a day than in 2010.

The average number of minutes per person per day spent viewing PSB channels (including their portfolio channels) was 2 hours 16 minutes in 2018; down 7% since 2017. However, this decline is in line with the decline in total TV, and the PSBs maintained their strong position in the broadcast TV space. The PSBs (including their portfolio channels) held their share of broadcast viewing in 2018 at 71% (70% in 2017) and the five main PSBs alone (excluding their +1 channels) maintained a share of just over half of all viewing (52% in 2018 compared to 51% in 2017). Younger viewers (16-34-year olds) increased the proportion of overall viewing time they spent watching PSB channels: 43% for the five main PSBs in 2018 compared to 40% in 2017. For PSBs and their portfolio channels, 16-34s' share of viewing was 67% in 2018 compared to 66% in 2017.

Driven largely by the men's football World Cup and an extra weekly episode of Coronation Street, ITV's main channel (including ITV +1) had a strong year in comparison to the other main PSB channels. It was the only one which had an increase in average daily viewing minutes, albeit only small (up by 1 minute year on year to 33 minutes per day in 2018). This helped to increase its share of viewing slightly, by 1pp to 17%.

While the average daily minutes viewed per person to Channel 4's main channel (including Channel 4 +1) declined slightly, its share of viewing remained stable at 6%, and its share of viewing for 16-34 year olds was also stable (8%). Despite the World Cup, the Royal Wedding, and popular drama programmes such as *Bodyguard*, BBC One had a three-minute decrease in average daily minutes to 41 minutes, resulting in half a percentage point drop in share of viewing, to 21%. The declines were driven by larger decreases in peak time (6pm-10:30pm) and declines in viewing by older audiences, as the share of viewing for children and 16-34s increased slightly on BBC One.

Figure 2.1: Share of broadcast TV viewing (%)



Source: BARB, TAM JICTAR and Ofcom estimates, individuals (4+). Network. New BARB panels introduced in 2002 and 2010, as a result, pre- and post-panel change data must be compared with caution (see dotted lines). Channel 4 includes SAC up to 2009. The main five PSB channels include viewing to their HD channel variants but exclude viewing to their +1 channels.

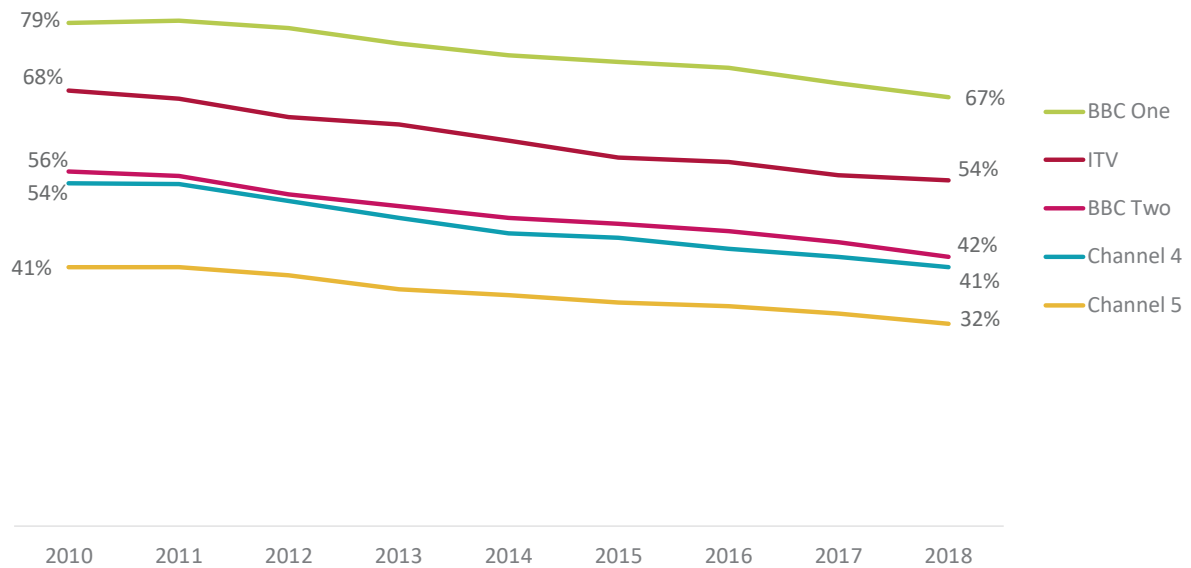
PSB reach continues to decline as viewing fragments

The popularity of SVoD as well as other online services, especially YouTube, has resulted in an increasingly fragmented market, as audiences have more choice than ever in what they watch.

Average weekly reach percentage⁴⁰ to all the PSB channels continued to decline in 2018. As already detailed, ITV had a relatively good year in 2018 with viewing marginally up on the main channel. However, all five main channels have lost viewing reach since 2010 and ITV has seen the biggest all-individuals decline, down by 14 percentage points.

⁴⁰ Average weekly reach criteria: 15+ consecutive minutes

Figure 2.2: Average weekly reach % of main five PSB channels



Source: BARB, individuals 4+, average weekly reach % (15+ consecutive minutes) for the main 5 PSBs excluding their +1 channels.

Audience profiles vary considerably across the five main PSB channels

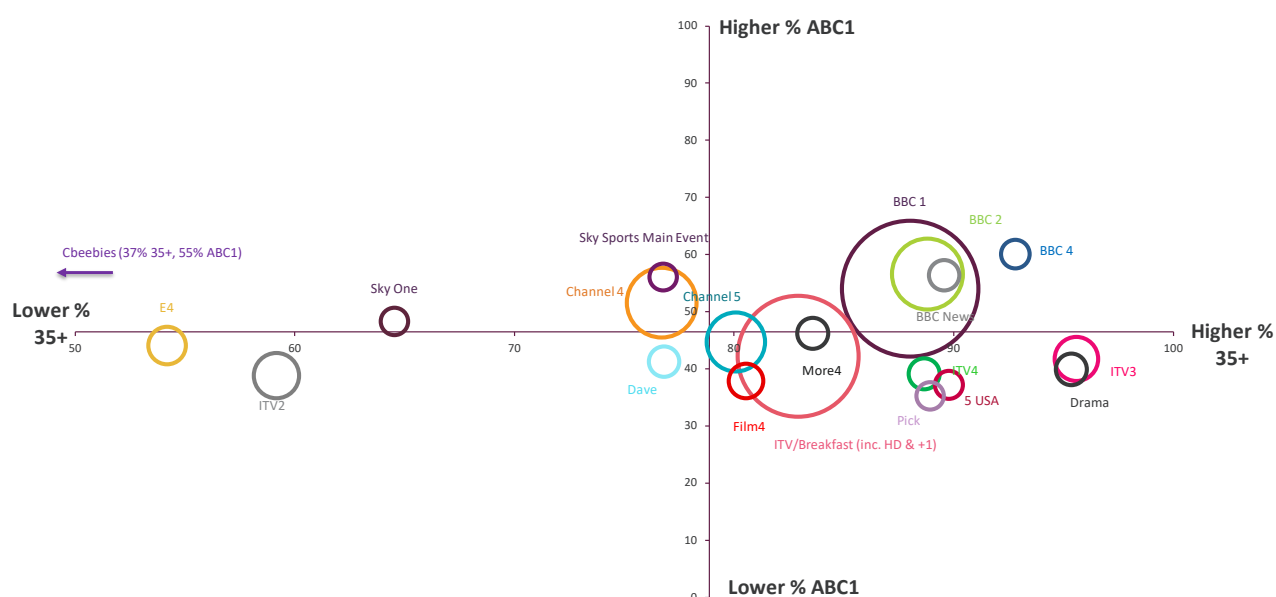
Figure 2.3 shows the age and socio-economic (SEG) profile of the 20 most-watched channels (including their plus +1 channels) in 2018; it also shows the share of each channel, depicted by the size of the bubbles. The profile of a channel gives an indication of its target audience, and for commercial channels this is used to sell advertising.

Broadcast TV viewing as a whole is skewed older than the population. Apart from CBeebies (the dedicated children’s channel for 0-6 year olds from the BBC), the channel with the youngest profile was E4 (54% of its audience was aged 35 or over) while the channels with the oldest profile was ITV3 (96% of its audience was aged 35+). Of the main five PSB channels, Channel 4, which has a remit to serve younger audiences, had the highest proportion of under-35s (23%), followed by Channel 5 (20%), ITV (17%), BBC One (12%) and lastly BBC Two (11%). All the main five PSBs (including their +1s) have become older and increased their ABC1 profile.

ITV and Channel 5 skew towards C2DE audiences, with 58% and 55% of viewing respectively to these channels. BBC One, BBC Two and Channel 4 skew in the other direction, with ABC1 profiles of 54%, 57% and 52% respectively. These are higher than the proportion of ABC1 audiences for the total TV average (46%). Of the top 20 most-watched channels, BBC Four had the biggest ABC1 profile at 60%. Reflecting their greater reach, all the top 20 channels with the exception of Sky One and Sky Sports Main Event are available without a pay-TV subscription.

Looking at the longer-term trend, all channel audiences except ITV2 have become older on average since 2010, while E4, Dave and Sky One were the only channels in the top 20 that have become less ABC1.

Figure 2.3: Age and socio-economic audience profile of the 20 most-viewed channels: 2018



Source: BARB. Individuals 4+. Based on the top 20 channels ranked by share. The size of the bubbles relate to the channel share figures among individuals 4+. Profile based on age: % 35+, SEG: % ABC1. Axes cross at the average age/SEG profile of total TV. Channels includes HD variants where applicable and +1 variants.

PSB channels are still the preferred place to watch national events

Even with the decline in total TV viewing minutes, national events in 2018, especially in sport, still attracted huge audiences. Seven of the FIFA men’s World Cup games were in the top ten programmes in 2018, with the England vs. Croatia game, which aired on 11 July, pulling in the highest average audience of 20 million individuals – a 71% share of viewing at that time. England vs. Sweden (7th July) and England vs. Colombia (3rd July) also pulled in more than 17 million individuals. The women’s FIFA World Cup in 2019 also attracted large audiences: 8.9 million individuals watched England’s semi-final match against the USA.

Although football drew the largest audiences to single TV programmes in 2018, the most-viewed event across all channels in 2018 was the Royal Wedding on 19 May, which was shown across four channels live (BBC One, ITV, Sky News and BBC News). In total it had an average of 12 million individuals watching it at any one time, an 85% share of viewing. Younger adults (16-34s) also had a high combined share of 81%, meaning that four-fifths of the 16-34s watching TV at that time were watching it. The combined total number of people who watched it at least 15 minutes of *The Royal Wedding* was 24.7 million (41% of all individuals), 4 million (28%) of whom were aged 16-34. However, overall numbers were lower than those watching the 2011 royal wedding; this achieved 34.2 million (60% all individuals) reach and 6.9 million (47%) 16-34s.

UK-made drama on the PSBs can still resonate with audiences with *Line of Duty* the most-watched programme in 2019 so far

Across the recent six-episode series, *Line of Duty* had an average audience of 10.7 million individuals aged 4+ (industry standard 7-day consolidated viewing). This was up by 30% compared to its previous season which aired in 2017 and had an average audience of 8.2 million. The final episode of this year's season had the highest individual average audience of 12.1 million and a share of 45% of all those watching TV at that time. It was also the top episode of any title so far in 2019.

However, there would have to be many popular new programmes to stem the overall decline in broadcast TV viewing

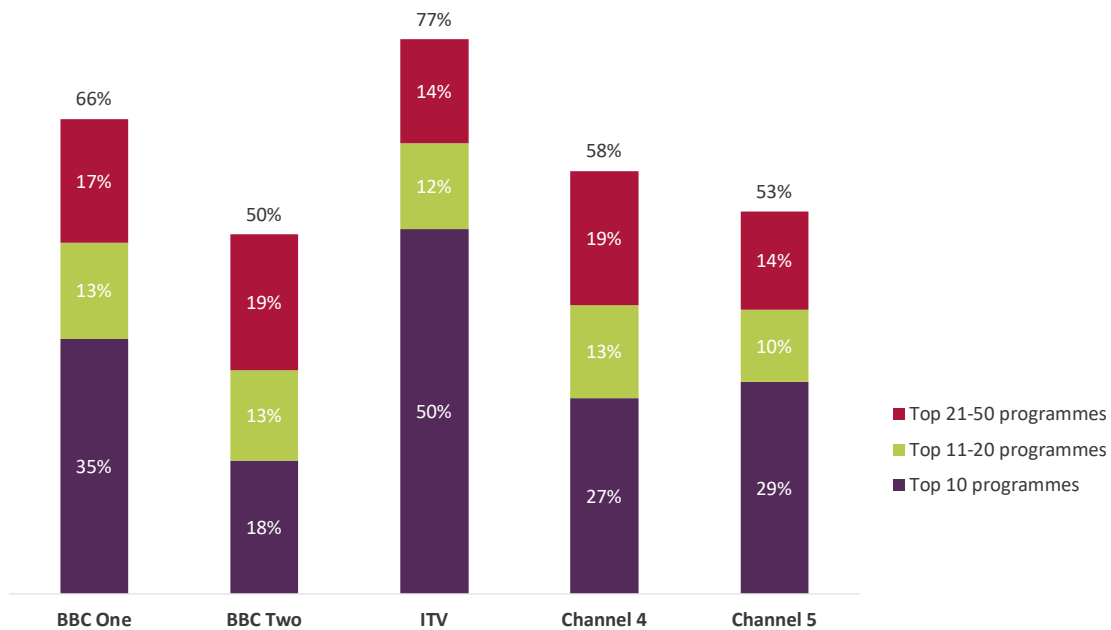
It is instructive to compare the total minutes spent viewing *Bodyguard* on BBC One in summer 2018 with the overall drop in viewed minutes of broadcast TV between 2017 and 2018. *Bodyguard* drew very large audiences (with 14.3 million watching the finale of the six-episode series), but in the context of total broadcast TV, we would have needed about 34 more series, as successful as *Bodyguard* and broadcast on prominent channels, to counteract the fall in broadcast TV viewing figures.

Similarly, *Love Island* had a transformative effect on ITV2 viewing in June/July 2018, accounting for about half of all viewing to the channel. It made up 2% of overall broadcast viewing over the duration of the broadcasts, more than *Bodyguard* because it had nightly broadcasts over a two-month period. There would have needed to be about 14 '*Love Islands*' broadcast during 2018 to counteract the overall drop in broadcast TV viewing between 2017 and 2018. But even this would have addressed only one year of declining viewing, demonstrating that it will be difficult to tackle the decline in broadcast viewing solely with high-profile programmes.

ITV is more reliant than other PSB channels on its top ten programmes

The most-viewed programmes on the PSB channels contribute in varying degrees to the channels' total viewing minutes. ITV is heavily reliant on its top ten regular programmes: *Coronation Street*, *Emmerdale*, *The Chase*, *ITV News*, *Tipping Point*, *Good Morning Britain*, *This Morning*, *I'm A Celebrity!*, *The Jeremy Kyle Show* (now discontinued) and *The X Factor*, and in 2018 these accounted for 50% of total minutes viewed on the channel (but only 8% of total output). In contrast, BBC Two does not have many regular programmes, so its top ten most-viewed programmes account for only 18% of the channel's total viewing minutes.

Figure 2.4: Top programmes' contribution to PSB channels: 2018



Source: BARB, all individuals aged 4+, main five PSB channels excluding their +1 channels.

Audience attitudes and sentiment

A note on survey changes and data comparisons over time

The forthcoming section of the report references data from Ofcom's PSB tracking survey as well as some extracts from the Cross-Platform Media Tracker. The PSB survey has evolved over time as survey methods have changed to keep up with technological advances and research best practice, such as the rapid rise of online surveys and also mixed-mode⁴¹ methodologies.

Until 2014, the survey was conducted via telephone. The survey was re-tendered in 2015 and as well as a research agency change, there was a methodological change which involved a move to a mixed-mode design: 75% online and 25% face-to-face. In 2018 there was another research agency change and a further design change: the mixed mode method was re-balanced to 50% online and 50% face-to-face to ensure a more robust representative sample. Occasional viewers (defined as those who say they are occasional viewers but who watch PSB channels every day or most days) now rate each of the PSB channels in addition to regular viewers.

In this report, where relevant, we have made comparisons with 2014 when looking at trends over time. Due to the changes in survey methods stated above, we are confident that 2014 is a reliable point of comparison even though the methodologies differ. In 2014, telephone surveys were standard practice (and the most suitable methodology at that time for us) as a means of conducting nationally representative surveys. Telephone surveys have since fallen out of favour and are now significantly less common. Standard practice is now to use a combination of online research and face-to-face as per our current methodology.

⁴¹ Mixed-mode methodology - Where more than one methodology of data collection is used, such as online and face-to-face.

Audience satisfaction remains high, with three-quarters of UK adults satisfied with PSB

Overall, 74% of all audiences who ever watch any PSB channel claim to be either very (19%) or fairly (55%) satisfied with PSB broadcasting. Although this remains high, there are indications of a slight decline; in 2014, 80% had claimed to be either very or fairly satisfied.

While satisfaction is consistent across all age groups, women are more satisfied than men (77% compared to 71%), and those in ABC1 socio-economic groups are more likely to be satisfied than those in the DE group.

While there are no differences by nation, viewers in London (80%) are the most satisfied compared with those in all the English regions.

Viewers with cable or satellite TV are more satisfied than those with Freeview-only TV. This is likely to be related to the greater choice and range of programmes and content that audiences can experience on cable or satellite TV.

Providing ‘news programmes which are trustworthy’ is still the most important aspect of PSB

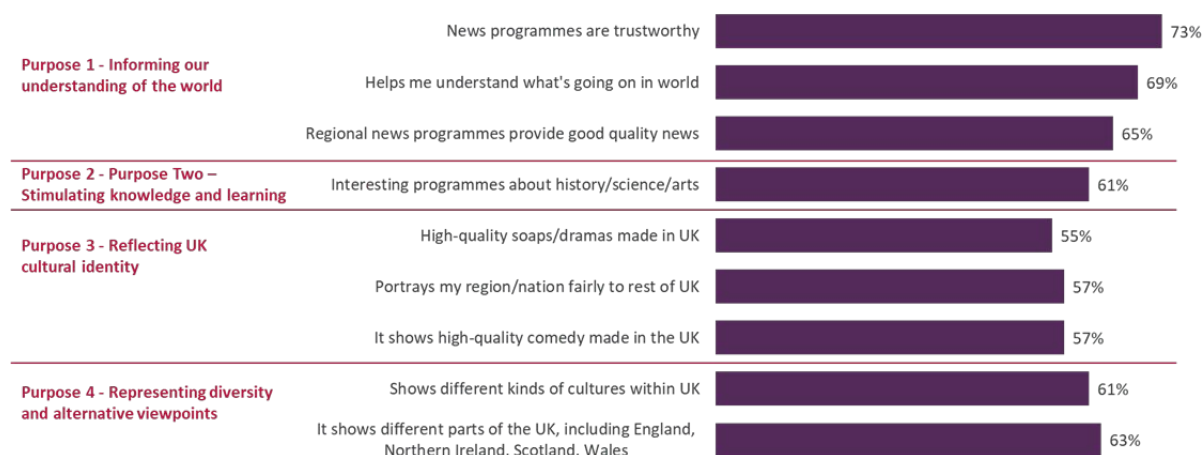
Audiences tell us that they value public service broadcasting most highly for the provision of news. Providing ‘news programmes which are trustworthy’ (73% of viewers gave it a 7-10 rating) and ‘helping me understand what is going on in the world’ (69%) continue to be the most important PSB purposes.⁴² It is unsurprising that these aspects remain important to audiences, given concerns regarding fake news and disinformation. ‘Regional news providing a wide range of good quality news about my area’ is also considered important (65% in 2018).

Although an increasing number of people are using social media as a news source (49% in 2019), the television remains the most common source for accessing news – TV services from PSB broadcasters make up four of the top ten most commonly used news sources, according to Ofcom’s recent news consumption research.⁴³

⁴² The statutory purposes and objectives of public service broadcasting are set out in section 264 of the Communications Act 2003. In Ofcom’s first PSB Review, we built on these, following extensive research and consultation, creating a framework of PSB purposes and characteristics.

⁴³ [Ofcom’s News Consumption Survey 2019](#)

Figure 2.5: Importance of PSB purposes: 2018 (7-10 ratings)

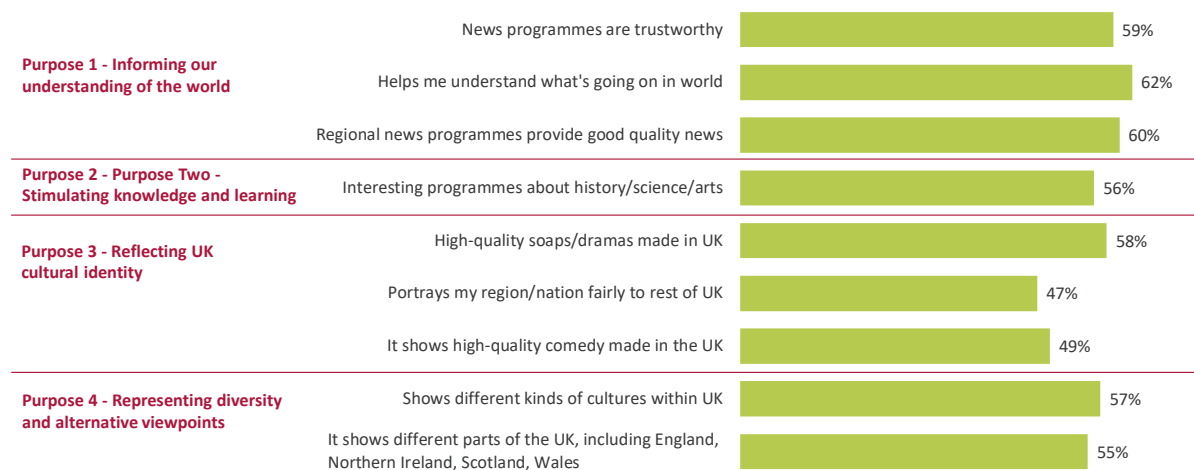


Source: Ofcom PSB tracker 2018. Q17 – How important do you think it is, in general that all those TV channels combined do this on a scale of 1 to 10, where 10 means “extremely important” and 1 is “not at all important”?
Base: All respondents (3125).

Audiences rate PSB programmes ‘helping me to understand what is going on in the world today’ highest of the PSB purposes

In 2018, purpose 1: ‘Informing our understanding of the world’ delivered the highest ratings for the individual statements that make up this purpose across all the four purpose statements. The highest-rated statement was ‘Its programmes help me to understand what is going on in the world’ at 62%.

Figure 2.6: Delivery of PSB purposes: 2018 (7-10 ratings)



Source: Ofcom PSB tracker 2018. Q16 – How your rate ALL the following channels combined...on this statement (on a scale of 1 to 10 where 10 is the highest score 1 the lowest)?
Base: All respondents who watch any PSB channels regularly or occasionally (2874).

‘Portraying my region/nation fairly to the rest of the UK’ has the lowest delivery score of all of the PSB statements

The purpose 3 statement: ‘It portrays my region/Scotland/Northern Ireland/Wales fairly to the rest of the UK’, received the lowest delivery score of all of the PSB statements, with less than half (47%) of audiences rating it 7-10. This was also the lowest-rated statement in 2014 (46%). There were no significant differences between the nations in 2018 (the survey was done before the launch of BBC Scotland in 2019).

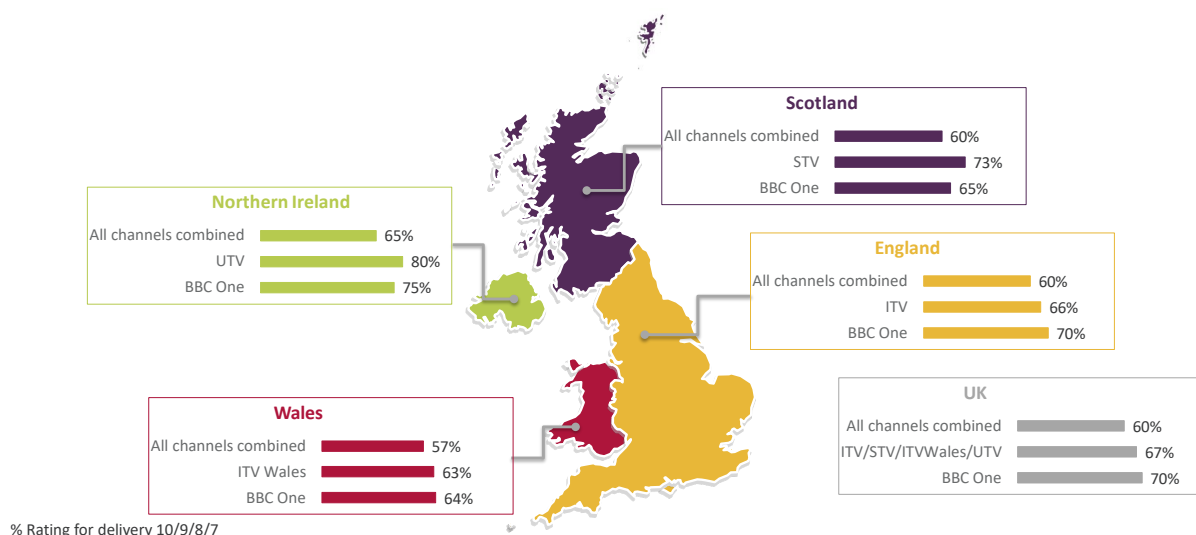
The nations’ representation statement from purpose 4: ‘It shows different parts of the UK including England, Northern Ireland, Scotland and Wales’ received a delivery rating of 55%. This was higher than the ‘portrays my regional/nation fairly to the rest of UK’ statement (47%) and it also shows signs of improvement in performance over time (from 49% in 2014).

BBC One’s regional news delivery is rated more highly in England, while STV/UTV receive higher performance ratings in Scotland and Northern Ireland respectively

Perceptions of the delivery of ‘Regional news programmes that provide good quality news’ varied across nation by news provider.

BBC One regional news delivery was rated highest by viewers in Northern Ireland (where 75% of viewers gave it a 7-10 rating), but UTV received a higher (7-10) rating, at 80%. Similarly, in Scotland a large majority of audiences rated STV’s regional news delivery highly (74% gave it a 7-10 rating compared to BBC One at 65%). In England the reverse was seen (70% rated BBC One highly compared to 66% for ITV). In Wales perceptions of news delivery by BBC One and ITV Wales were more equal (64% compared to 63% respectively) although these are the lowest provider ratings of all the nations, suggesting a lower level of satisfaction with regional news delivery in Wales.

Figure 2.7: Provision of high-quality regional news within nation, by provider (7-10 rating)

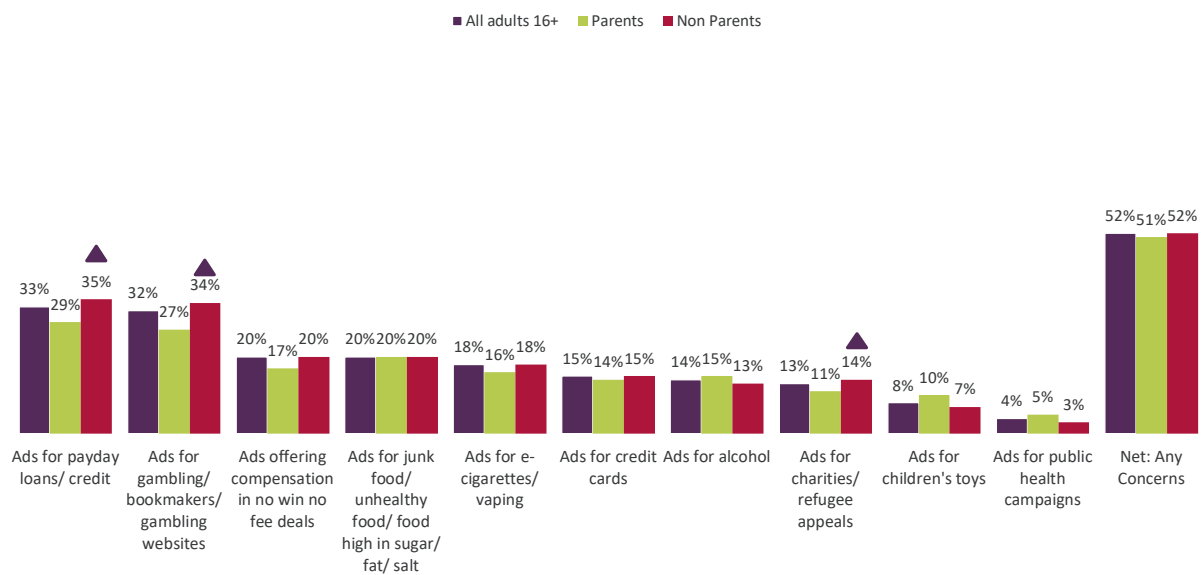


Source: Ofcom PSB tracker 2018. Q16 - Extent to which the channel is rated as 7-10 out of 10 in relation to the following statement - Its regional news programmes provide a wide range of good quality news about my area
 Base for individual channels: Self-reported viewers of each in each nation (BBC One = 2069, 1411, 211, 230, 187; ITV1 = 1776, 1211, 192, 188, 185). Base for ‘All channels combined’: All respondents who ever watch any PSB channels in each nation (2780, 1944, 274, 283, 279).

Just under half of adults overall feel that there are already more advertising breaks and more advertising minutes in an hour on the main commercial TV channels than they are happy with

Opinions on the level and frequency of advertising breaks are consistent with previous years and are broadly the same for all channels. However, a quarter are concerned about advertising on TV and this concern is highest among 55-64 year olds (33%). The top two concerns are the frequency of advertising breaks (51%) and their length (34%). The type of adverts that caused concern included payday loan adverts (33%), gambling adverts (32%), adverts offering compensation in no-win-no-fee deals (20%) and adverts for junk food (20%).⁴⁴

Figure 2.8: Types of advertising that cause concern



Source: Cross-platform Media Tracker 2018

QC4 – Which of these types of advertising on television do you have any concerns about?

Base: All with working TVs at home (2321), Parents (664); Non-parents (1657). Unprompted, multicode.

Significant differences between sub-group and total sample.

Satisfaction with the delivery of children’s PSB programming remains high, but parents’ perception of its importance has declined

In 2018 children’s PSB programming achieved the highest performance delivery rating of all of the PSB statements contained in the survey. Two-thirds (67%) of parents and/or carers whose children watch children’s PSB programming on CBeebies, CBBC and/or Channel Five rated the delivery of ‘a wide range of high-quality, UK-made programmes for children’ as seven or above on a scale from one to ten.

When looking at the individual channel ratings, CBeebies (76% in 2018) and CBBC (70%) are rated more highly than Channel Five (62%). However, there are some indications that ratings for CBBC have been in decline over time (down from 82% in 2014), while ratings for Channel 5 have improved slightly (57% in 2014).

⁴⁴ Source: Ofcom Cross-platform Media Tracker 2018

Figure 2.9: Importance and delivery of children’s PSB programming (7-10 rating)



Source: Ofcom PSB tracker 2018. Q22 - How would you rate the following channels combined on provides a wide range of high-quality and UK made programmes for children? Base for Importance and Delivery: ‘All children’s’ PSB channels’: All respondents whose children regularly watch at least one channel (2014 = 321, 2018 = 552).

However, perceptions of the *importance* of children’s PSB has significantly declined (from 81% rating as seven or above in 2014 to 69% in 2018) among households with children. This may be related to the increased volume of children’s programming now available on other platforms and services, such as YouTube.

Most adults were aware of the watershed

Awareness of the watershed remains high (88%), lower for young adults and highest among older adults aged 55-64. When asked at what time TV broadcasters should be allowed to broadcast programmes unsuitable for children, 62% selected ‘about 9pm’ as an appropriate time. Just 17% selected ‘after 9pm’ and a similar proportion (16%) selected ‘before 9pm’. This is broadly consistent over time. Females and parents with younger children are more likely to think that the watershed should be earlier than 9pm.⁴⁵

The availability of ‘well-made, high-quality programmes’ is considered the most important PSB characteristic

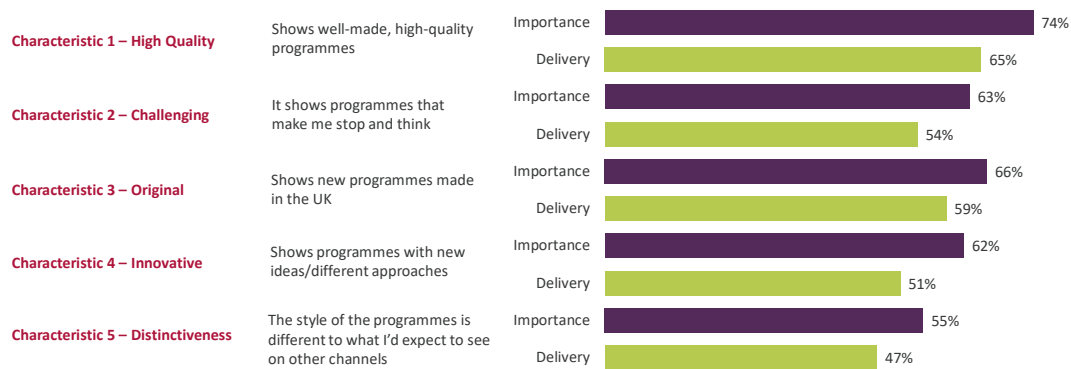
Ofcom has set out six characteristics for public service broadcasting⁴⁶, which are set out in Figure 2.10 below. Viewers rated ‘well-made, high-quality programmes’ as the most important PSB characteristic at 74%. It is also the characteristic that has the highest rating for delivery (65%). Older age groups, those in AB socio-economic group and those not from a minority ethnic group are more likely to perceive that the PSBs deliver high-quality programmes. Audiences saw ‘distinctiveness’ as the least important characteristic (55%).

⁴⁵ Source: Ofcom Cross-platform Media Tracker 2018

⁴⁶ The statutory purposes and objectives of public service broadcasting are set out in section 264 of the Communications Act 2003. In Ofcom’s [first PSB Review](#) we built on these, following extensive research and consultation, creating a framework of PSB purposes and characteristics which we continue to use in our reports today.

Since 2014, ratings of PSB characteristics in terms of delivery have remained relatively stable. But in terms of importance, they have all appear to have declined significantly. It is possible that people are now less reliant on the PSBs (with the rapid changes in the audio-visual market) and that the characteristics have become less important or relevant. We will explore this further in the coming year as part of our engagement with viewers and stakeholders across the UK on the future of PSB.

Figure 2.10: Importance and delivery of PSB characteristics: 2018 (7-10 rating)










Source: Ofcom PSB tracker 2018. Q16 – How your rate ALL the following channels combined...on this statement (on a scale of 1 to 10 where 10 is the highest score 1 the lowest)? Q17 – How important do you think it is, in general that all those TV channels combined do this on a scale of 1 to 10, where 10 means “extremely important” and 1 is “not at all important”? Summary % of respondents rating importance/delivery 7-10 out 10. Base for importance: All respondents (3125). Base for delivery: All respondents who watch any PSB channels regularly or occasionally (2874).

BBC One performs well on providing well-made, high-quality programmes but fares less well on being distinctive

Apart from BBC portfolio channels, the highest delivery score received for all channels is for the characteristic statement ‘It shows well-made, high-quality programmes’. BBC Two received the highest rating for ‘showing interesting programmes about history, science or the arts’ (77%), while BBC Three was rated highest for ‘its programmes show different kinds of cultures within the UK’ (60%). BBC Four received the highest rating for ‘showing interesting programmes about history, science or the arts’ (76%).

‘Portraying my region/nation fairly to the rest of the UK’ had the lowest delivery score for four of the PSB channels: BBC Two, BBC Three, Channel 4 and Channel 5. BBC One’s lowest score was for ‘the style of programmes is different to what I’d expect to see on other channels’ (54%), while ITV’s lowest score was for ‘It shows interesting programmes about history, sciences or the arts’ (46%).

Figure 2.11: Highest and lowest delivery purpose or characteristics scores for the PSB channels (7-10 ratings)

Channel	Highest delivery score	Lowest delivery score
	It shows well-made, high-quality programmes (77%)	The style of programmes is different to what I'd expect to see on other channels (54%)
	It shows interesting programmes about history, science or the arts (77%)	It portrays my region/nation fairly to the rest of UK (46%)
	Its programmes show different kinds of cultures within the UK (60%)	It portrays my region/nations fairly to the rest of UK (46%)
	It shows well-made, high-quality programmes and It shows interesting programmes about history, science or the arts (both 76%)	It shows high-quality comedy made in the UK (45%)
	It shows well-made, high-quality programmes (70%)	It shows interesting programmes about history, science or the arts (46%)
	It shows well-made, high-quality programmes (69%)	It portrays my region/nations fairly to the rest of UK (43%)
	It shows well-made, high-quality programmes (63%)	It portrays my region/nations fairly to the rest of UK (43%)

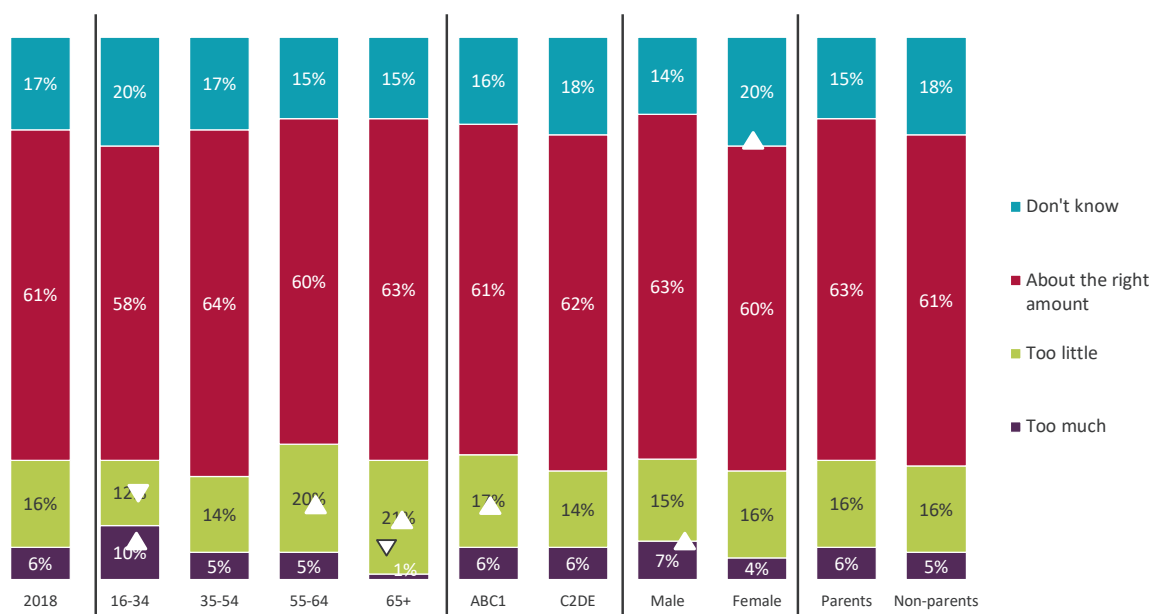
Source: Ofcom PSB tracker 2018. Q15 - How would you rate each channel individually on this statement, on a scale of 1 to 10 where 10 is the highest score and 1 the lowest? Summary % of respondents rating delivery 7-10 out of 10. Base: All who define themselves as regular watchers of this channel, or occasional watchers on every day or most days; BBC One (2069), BBC Two (1054), BBC Four (490), ITV (1776), Channel 4 (1192) and Channel 5 (851). All who define themselves as regular watchers of this channel, or occasional watchers at least once a week; BBC Three (608).

Regulation of broadcast TV has broad support among viewers

Sixty-one per cent of UK adults feel that levels of regulation in broadcast TV are about right and 19% had seen something offensive on TV in the past year. Those aged 55+ tend to think that there is 'too little' regulation of TV programmes. When asked, 75% of adults say they think regulation exists to protect young people.⁴⁷

⁴⁷ Source: Ofcom Cross-platform Media Tracker 2018

Figure 2.12: Opinion on current levels of TV programme regulation, by sub-group: 2018



Source: Cross-platform Media Tracker 2018. QD3A – Do you think the amount of regulation for TV programmes as a whole is too much, too little or about the right amount? Base: All respondents in 2018 (2384); aged 16-34 (725); 35-54 (805); 55-64 (373); 65+ (481); ABC1 (1336); C2DE (1048); Male (1142); Female (1242); Parents (670); Non-parents (1714). Prompted, single code. Significance testing shows any difference between any age group and all adults, between socio-economic groups, by gender and between parents and non-parents.

In terms of offensiveness, bad language, violence, discrimination and sexual content are the top four concerns, followed by anti-social behaviour and nakedness. Sex, violence and nudity are more likely to be found offensive by females than males. Bad language is less likely to be highlighted as an issue for those aged 16-34, although this age group are more than twice as likely as those aged 55+ to have found a form of perceived discrimination to be offensive.⁴⁸

⁴⁸ Source: Ofcom Cross-platform Media Tracker 2018

Broadcast revenues, content output and spend

PSB revenues continued to decline in 2018

The downward trend in total PSB revenue continued during 2018, albeit less steeply than the previous year.

Net advertising revenue (NAR) across commercial PSB channels continued to fall, with NAR for PSB channels and portfolio PSB channels down by 4.4% in 2018.⁴⁹ While flagship PSB channels saw less of a dramatic decline than their portfolios in 2018 (flagship advertising revenue fell by 3.5% compared to 9.3% in 2017), a large element of this can probably be explained by the 2018 football World Cup. This was also reflected in sponsorship income, which increased by 8.1% in 2018, but failed to offset declining advertising revenue.

Over the last five years, advertising revenue for the main commercial PSBs has dropped by an average annual rate (CAGR) of 2.8%. In 2018, NAR accounted for 86% of main commercial PSB revenue, which illustrates the high impact of falling revenue from advertising on the PSBs. However, income from sources other than advertising and sponsorship remained stable in 2018 – increasing from £193m to £199m for the main commercial PSBs. Nevertheless, this was not enough to offset the decline in advertising revenue, with total revenue for the main commercial PSBs falling by 1.5% in comparison to 2017.

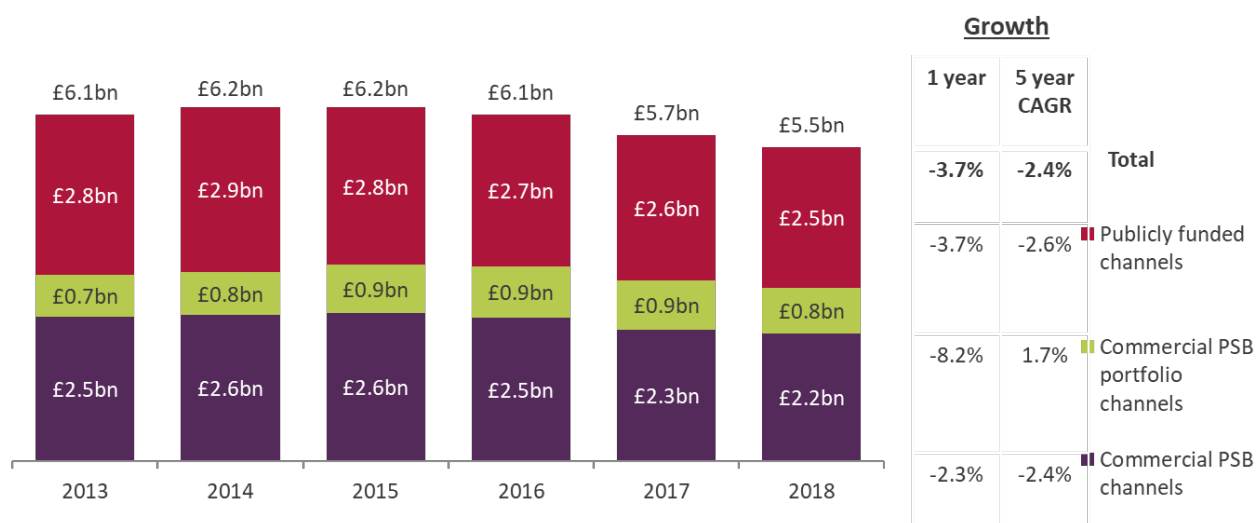
Total revenue from commercial PSB portfolio channels was hit harder than the main PSB channels in 2018, with an 8.2% fall during the year. While a significant proportion of this drop can be explained by the switch of ITV's Encore channel to an online-only format, stripping this channel out still results in a total revenue decline of 5.7% on 2017. This was particularly driven by a fall in net advertising revenue for many of these channels – across the PSB portfolio NAR declined by 6.2% (excluding ITV Encore). These channels also had less income from sponsorship, which was down 14.4% year on year. Growth in other sources across PSB portfolio channels, including retail/TV shopping revenue, and pay-per-view services from ITV Box Office, did not compensate for the decline in advertising revenue. However, while the relative decline in revenue for PSB portfolio channels in 2018 seems particularly stark, especially in the light of the success of ITV2's *Love Island*, over a longer-term period PSB portfolio revenue has held up.

Revenue from licence fees allocated to TV continued to decline in real terms. According to the BBC, as a consequence of the initial reduction in government funding for licences held by over-75s, total licence fee income decreased from £3.83bn to £3.69bn during 2018/19.⁵⁰

⁴⁹ Source: Ofcom/broadcasters.

⁵⁰ Source: [BBC Group Annual Report and Accounts 2018/19](#)

Figure 2.13: PSB revenue, by source



Source: Ofcom/broadcasters. Note: Figures expressed are in real terms and replace previous data published by Ofcom. Commercial PSB channels comprise ITV, STV, UTV, ITV Breakfast, Channel 4, Channel 5 and S4C (and their '+1' channels); Commercial PSB portfolio channels include, where relevant, CITV, ITV2, ITV3, ITV4, ITVBe, ITV Encore, 4Seven, E4, Film4, More4, 5USA, 5*, 5Spike, 5Select, and Paramount Network (and their '+1' channels). For previous years closed channels have also been included. Totals may not equal the sum of the components due to rounding.

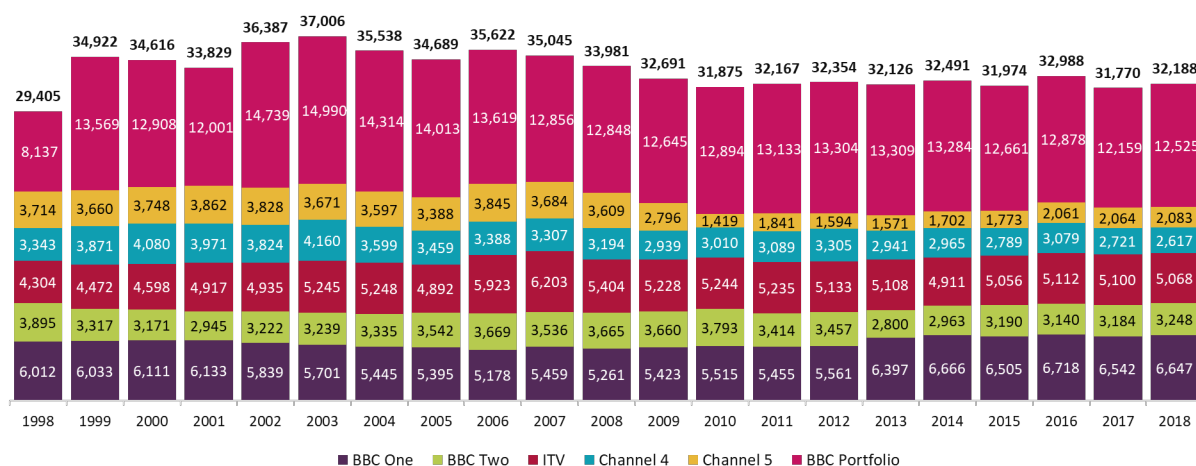
Hours of first-run UK-originated PSB content have remained relatively consistent over ten years

The number of first-run hours broadcast by the PSB channels has decreased since 2016, the last comparable sporting year. In 2018, the PSBs combined first-run broadcast hours were 32,188; 800 hours less than in 2016 (32,988 hours). This shift amounts to a 2.4% decrease in first-run hours between 2016 and 2018 overall, while the decrease in first-run spend from 2016 to 2018 is higher at 5%.

Combined first-run hours broadcast by the five main PSBs and BBC portfolio channels has remained relatively stable over the past decade, at an average of around 32,000 hours a year. First-run originations accounted for 44% of the total hours broadcast on the channels in 2018 – approximately the same percentage as ten years earlier in 2008 – with acquired and repeated content combined making up the remaining 56%

The majority of PSB first-run UK-originated hours in 2018 are allocated to news and current affairs, factual, and sports programming, which has remained consistent over the past decade. There have been some shifts in the distribution of hours across genres of first-run UK-originated content. Drama programming has had a large decline since 2008, with 46% fewer hours in 2018 than ten years before; a drop from 627 hours to 338. News and current affairs have increased by 691 hours over the same period.

Figure 2.14: PSB first-run UK-originated network hours, by channel



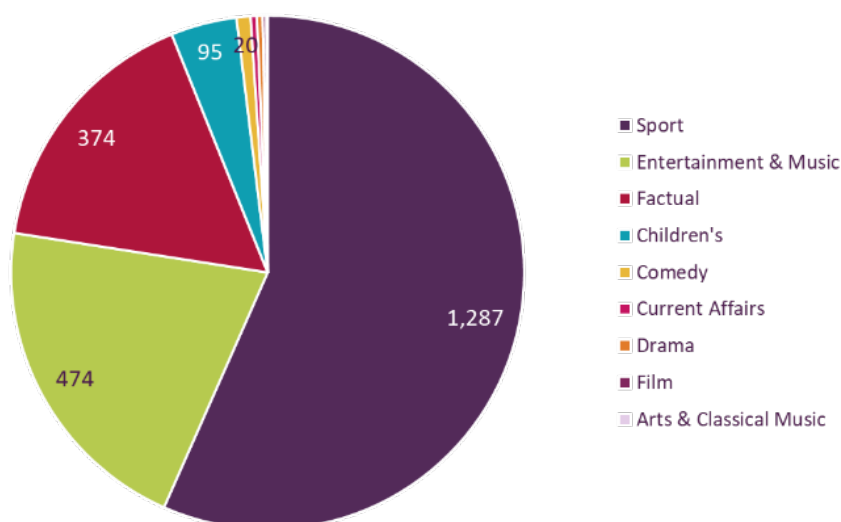
Source: Ofcom/broadcasters. BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. Figures do not include SAC, BBC Alba, BBC HD, and nations'/regions' programming.

Children's and factual originations on commercial PSB portfolio channels and BBC iPlayer increased in 2018

An additional 2,273 hours of first-run originated content was premiered by PSBs on commercial portfolio channels and BBC iPlayer in 2018.⁵¹ This was 6% down on 2017, largely due to fewer first-run sports, entertainment and music hours outside the main linear PSB channels - these genres made up 77% of all hours, down from 84% in 2017. This has, however, resulted in a slightly more diverse genre mix. The amount of first-run children's content across both ITV portfolio channels and BBC iPlayer increased from 40 to 95 hours during 2018. In addition, a greater amount of originated factual content was available in 2018, with programming increasing from 303 to 374 hours. This was driven by an increase in commissioned factual hours by Channel 5.

⁵¹ There was also 7 hours' worth of first-run originated content on All4.

Figure 2.15: Commercial PSB portfolio/BBC iPlayer first-run UK originations: 2018



Source: Ofcom/broadcasters. Note: The commercial PSB portfolio channels are CITV, ITV2, ITV3, ITV4, ITVBe, ITV Encore, 4Seven, E4, Film4, More4, 5USA, 5*, 5Spike, 5Select, and Paramount Network. BBC iPlayer figures include content that was made available exclusively online and not subsequently broadcast on a BBC TV channel. Where relevant, 2017 linear figures have been adjusted to exclude online originations subsequently shown on linear channels. Comedy split out from entertainment from 2018.

The genre mix on non-PSB multichannels remains broad

There were 1.9 million hours of content available on non-PSB multichannels in 2018. While the bulk of total hours were broadcast on entertainment channels (26%), the genre mix remained broadly split across the main genres.⁵²

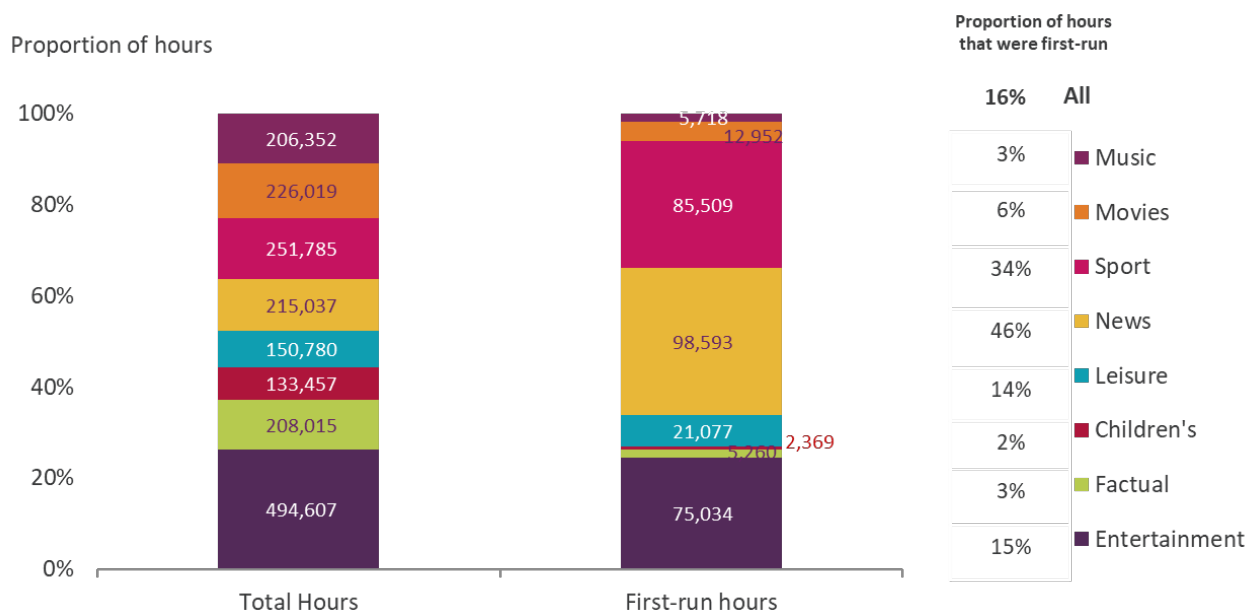
Non-PSB multichannels broadcast 306,512 hours of first-run content in 2018, of which 54% comprised acquired content, with the remainder originating either in-house (39%) or via commissions (8%).⁵³

Owing to the live nature of the genre, the largest amount of first-run content, as a percentage of all hours, again came from news and sports channels in 2018.

⁵² 'Main genres' are children's, entertainment, factual, leisure, movies, music, news and sport

⁵³ Source: Ofcom/broadcasters

Figure 2.16: Total and first-run originated/acquired hours of output in main genres for non-PSB channels: 2018



Source: Ofcom/broadcasters.

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

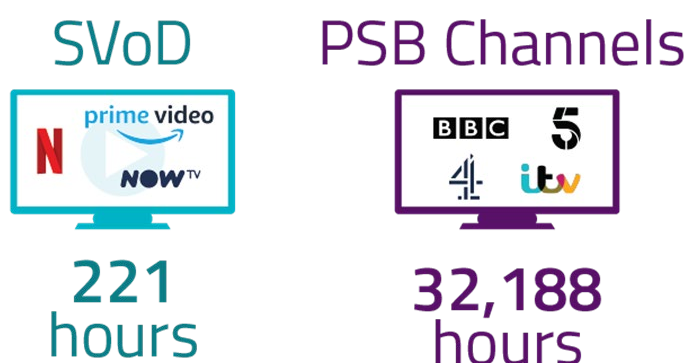
PSBs are essential for fulfilling viewers' desire for UK-produced programmes about life in the UK

Despite the massive investment by global OTT players programmes in original content, the vast majority of these programmes are US-produced, designed to play out in multiple countries. However, Netflix' recent activities – including buying Pinewood studios and hiring key personnel in the UK - indicate that it intends to ramp up its UK productions.

Our research tells us that UK audiences want original, UK-produced programmes, specific to UK audiences. Showing 'new programmes made in the UK' remains important to 78% of regular PSB viewers, and the public service broadcasters continue to lead in this area.

Forty-four per cent of all network broadcast hours across the PSBs in 2017 were original productions, compared to only 5% of the SVoDs' total combined catalogue hours. Breaking this down further, only 221 hours of SVoD original productions were made in the UK, compared to more than 32,000 hours of UK-made first-run original productions for the PSB channels combined.

Figure 2.17: PSB First-run UK-originated network hours, PSB vs. SVoD



Source: Ampere Analysis, March 2019, content hours, primary production country is UK. Note: SVoD is Netflix original and Amazon Prime Video original UK platforms only.

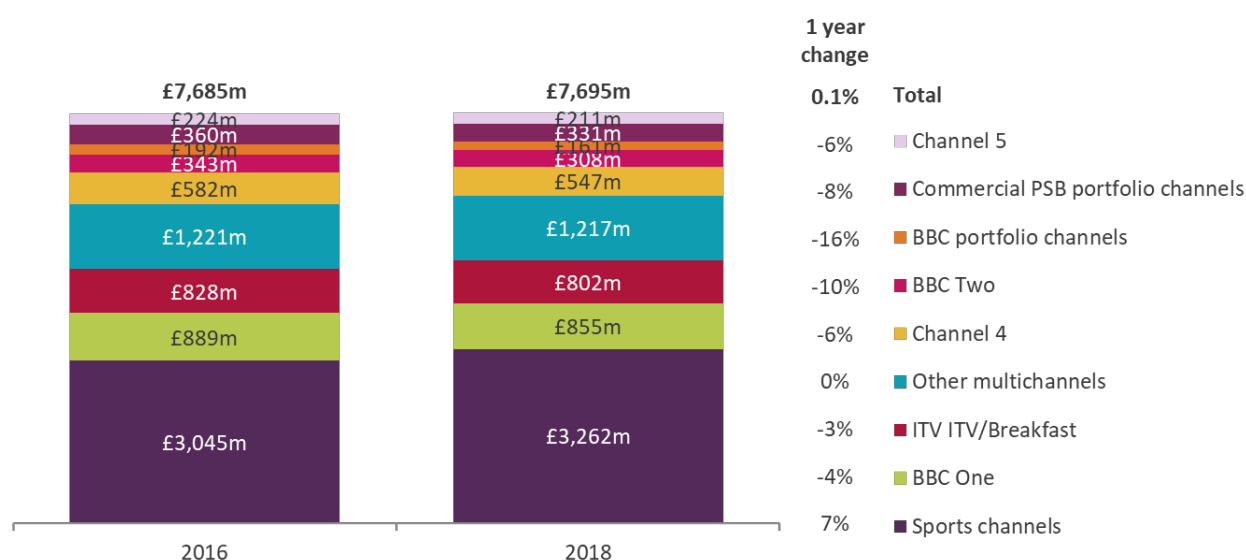
Increases in multichannel sports spend offset a fall in PSB programme spend

In terms of programme spend, 2018 was a significant year for televised sports events such as the FIFA World Cup and the Winter Olympics. As many major sporting events run on two- to four-year cycles, the most recent comparable year to 2018 was 2016, when the UEFA European football tournament and the Olympic and Paralympic games were broadcast.

Across the whole broadcast sector, total programme spend increased slightly, by 0.1% in 2018. As in previous years, the bulk of this was made up of multichannels' spend on sports, which comprised 73% of non-PSB multichannel spend in 2018. The 7% increase since 2016 in multichannel sports spend offset what was otherwise a contraction in spend outside sport, with multichannel programme costs for the other seven key genres down by 0.3% since 2016.

Programme spend by PSBs has also decreased since 2016; total 2018 spend by the BBC across all its channels has decreased by 7% compared to 2016. Meanwhile, spend by commercial PSBs for all channels (including portfolio channels) was down across the board. The strongest decline in spend came from Channel 4, driven by a fall in expenditure on factual content over the last two years, as well as a general decline in portfolio channel spend. Channel 5 also spent less on its main channel in 2018 than in 2016, although its spend on its portfolio channels was up by 53% on 2016, following its acquisition by Viacom four years ago.

Figure 2.18: Spend on network TV programmes



Source: Ofcom/broadcasters.

Note: Figures expressed in real terms. Figures do not include spend on nations' and regions' output. BBC portfolio channels includes BBC Three, BBC Four, BBC News, BBC Parliament, CBBC and CBeebies (but not BBC HD). 'Commercial PSB portfolios' include CITV, ITV2, ITV3, ITV4, ITVBe, ITV Encore, 4Seven, E4, Film4, More4, 5USA, 5*, 5Spike, 5Select, and Paramount Network. 'Other multichannels' comprises 7 key genres (Children's, Entertainment, Factual, Leisure, Movies, Music, News). Programme spend comprises in-house productions, commissions from independents, acquired programmes and repeats (originations and acquisitions).

PSB network spend on first-run UK originations has declined in real terms

The combined spend by the main five PSB channels and BBC portfolio channels on first-run UK-originated content totalled £2.586bn in 2018.

First-run UK-originated content continues to dominate the PSBs' network spend, at 90% of total spend, with acquired or repeated content making up the remaining 10%. The PSBs' spend on first-run UK-originated programming has declined, from a real-terms peak in spend in 2004 (£3.502bn) to a low in 2017 (£2.508bn). Overall, 2018 saw the second-lowest recorded PSB network spend on first-run UK originations, behind only 2017. Total spend, combining first-run network spend with spend on acquired and repeated content, rose to £2.884bn for the main five PSBs and BBC portfolio channels.

It is challenging for the PSBs to maintain the same level of expenditure with revenue falling over time and amid changes in the television industry. Several factors can affect PSB spend, including funding of cyclical television series or events, and an increase in third-party funding (as illustrated in Figure 2.19). In recent years, significant technological advances have made many programmes cheaper to produce. Additionally, an increase in both third-party funding and co-productions has helped to subsidise the cost of programming and offset the challenges of decreasing revenue that the PSBs face.

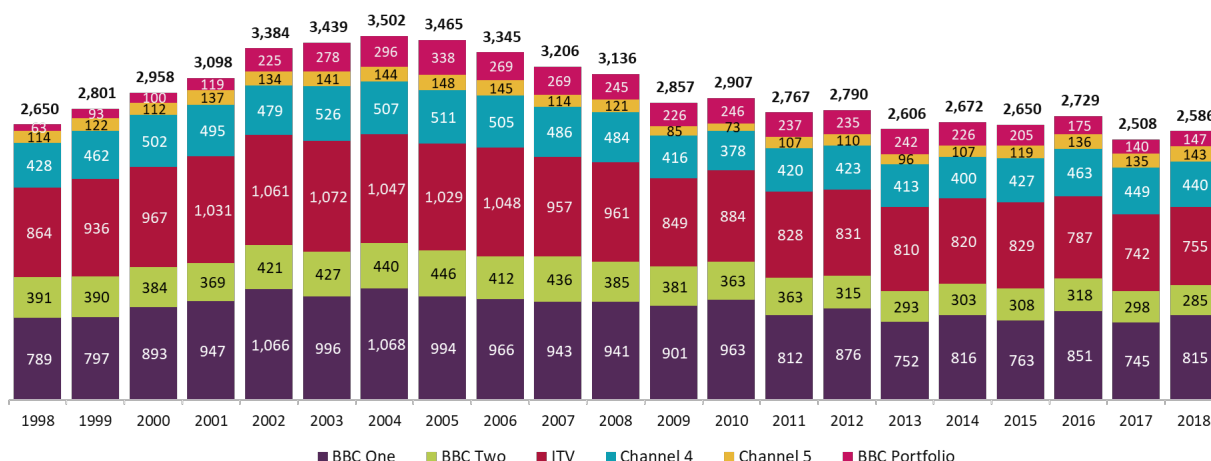
PSB first-run network spend has declined by 5% in the two years since 2016, the last comparable sports year

Over the past decade, PSB network spend on first-run UK originations has remained consistently above £2.5bn. This indicates a relatively stable trajectory for first-run spend in recent years which continued in 2018 with £2.586bn first-run UK-originated spend. Compared to 2016, however, collective PSB first-run UK-originated spend has declined by 5% (£143m) in real terms.

The BBC channels have contributed to this decline in varying degrees. BBC One's first-run spend has declined by 4% (£36m) since 2016; BBC Two's spend has declined by a larger proportion, 10% (£33m). The BBC portfolio channels have seen the biggest real-terms proportional decline in spend since 2016: a decrease of 16% (£28m) in first-run UK-originated spend. The decline is in part due to BBC Three's move online; the 2016 figure includes BBC Three as a portfolio channel.

ITV and Channel 4 have continued to decrease their first-run UK-originated network spend, although less so than the BBC. In real terms, ITV has declined by 4% (£32m) and Channel 4 by 5% (£23m) since 2016. Channel 5 has steadily increased spend following its acquisition by Viacom four years ago, up by 5% (£7m) since 2016 in real terms, the only PSB to increase first-run UK-originated spend over this period.

Figure 2.19: PSB network spend on first-run UK originations, by channel (£m)

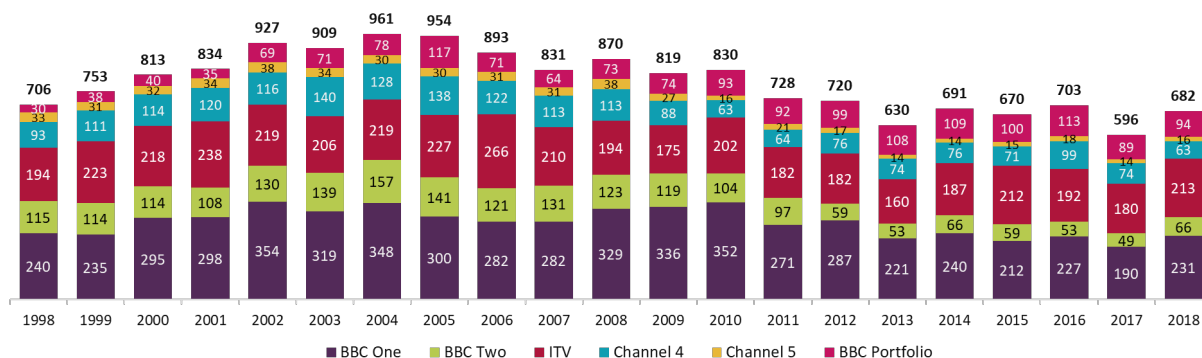


Source: Ofcom/broadcasters Note: figures are expressed in real terms. BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. Figures do not include S4C, BBC Alba, BBC HD, nations'/regions' programming, and third-party spend.

The majority of the decline in PSB first-run spend in 2018 was in peak-time content

In recent years, the decline in PSB first-run spend has primarily been driven by decreasing spend during daytime. But in 2018, spend allocated to the daytime schedule held up well, despite this having been in long-term decline since a high of £961m in 2004. Spend on daytime content in 2018 was £682m; only a slight 3% (£21m) decline since 2016. Compared to 2016, BBC One, BBC Two, and ITV have all increased daytime spend in 2018; Channel 4, Channel 5, and the BBC portfolio channels have decreased spend in this daypart.

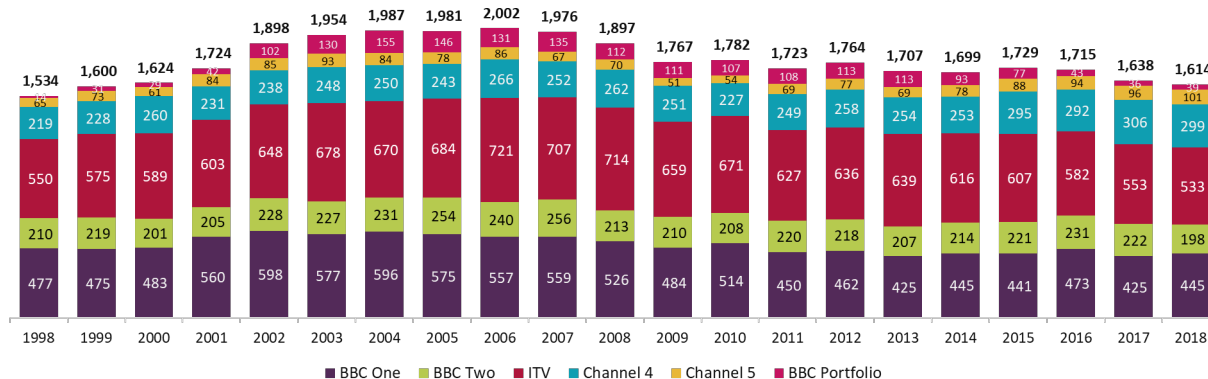
Figure 2.20: PSB network spend on first-run UK originations during daytime hours, by channel (£m)



Source: Ofcom/broadcasters Note: figures are expressed in real terms. BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. Figures do not include S4C, BBC Alba, BBC HD, nations'/regions' programming, and third-party spend.

The decrease in first-run spend on peak-time content was the main cause of the decline in spend in 2018. Spend on content broadcast during peak-time hours has dropped by 6% since 2016 to £1.615bn. This decline has occurred across BBC One, BBC Two, and the BBC portfolio channels. ITV's peak-time first-run spend has had the largest decline, down by £49m since 2016. Bucking this downward trend, Channel 4 and Channel 5 have both increased peak-time spend in this period, increasing by £7m each, in contrast to the channels' decreasing daytime spend.

Figure 2.21: PSB network spend on first-run UK originations during peak hours, by channel (£m)



Source: Ofcom/broadcasters Note: figures are expressed in real terms. BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. Figures do not include S4C, BBC Alba, BBC HD, nations'/regions' programming, and third-party spend.

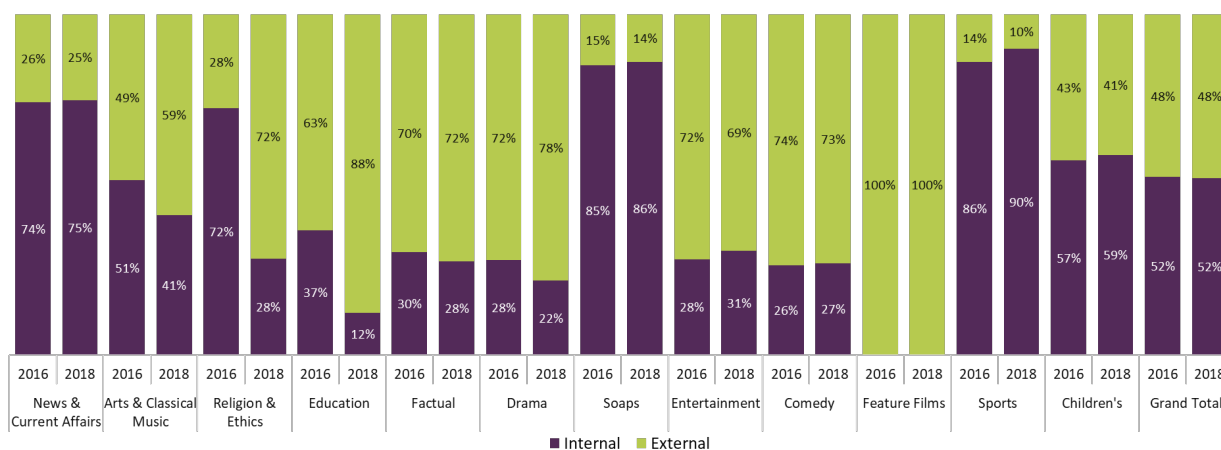
48% of first-run UK-originated PSB content is made by external producers

The independent production sector remains a vitally important component of the UK broadcast ecosystem. The proportion of spend going to internal or external producers is the same as it was two years ago. In both 2016 and 2018, the PSB channels allocated an average of 48% of spend across all genres of first-run UK-originated content to external commissions, and 52% to in-house commissioned productions.

Between 2016 and 2018 there was an increase in internal commissions for news and current affairs, soaps, entertainment, comedy, sports and children’s. In contrast, using external producers for commissions across arts and classical music, religion and ethics, education, factual, and drama programming has increased. Together with the shift toward third-party spend, the increase in external commissions indicates a wider trend: the PSBs sourcing and commissioning content externally.

The largest change in the proportion of spend to in-house or external is for religion and ethics programming, of which 72% was made in-house in 2016, down to just 28% in 2018. Excluding feature films, which are entirely externally commissioned, comedy was the genre most externally-produced for the PSBs in 2016 by relative share, and education was the most externally-produced in 2018. The highest proportion of content that is internally commissioned by the PSBs is sports content, 90% of which was made in-house in 2018. The PSBs’ role as long-standing broadcasters of soaps was reflected in a high proportion of in-house funding at around or over 85% across both years, and 75% of news and current affairs, a key element of the BBC’s remit, was produced in-house. In contrast, more than three-quarters of feature films, education, and drama programming are external productions.

Figure 2.22: PSB aggregated relative share of spend on first-run UK-originated content: internal vs. external productions



Source: Ofcom/broadcasters. Note: figures are expressed in real terms. Figures include: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV, Channel 4, and Channel 5. Figures do not include S4C, BBC Alba, BBC HD, nations’/regions’ programming, and third-party spend.

PSB spend on first-run UK-originated content for the nations and regions is down by 26% (£98m) over ten years

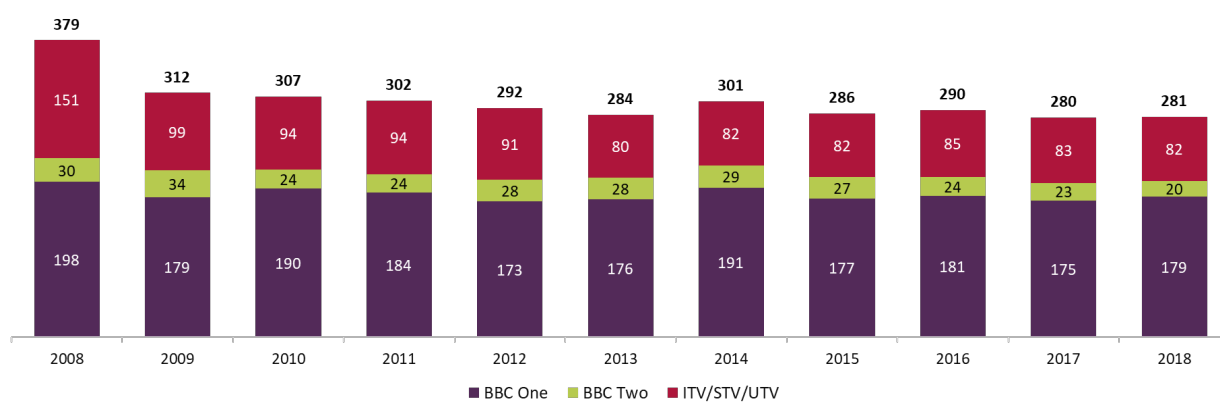
The PSBs had a combined network spend on first-run UK-originated content totalling £2.586bn in 2018. This increased by a further £281m when including programme spend for the nations and regions by the BBC, ITV, STV, and UTV.

PSB nations’ and regions’ spend on first-run UK-originated content in 2018 has been relatively steady with a total decrease of £9m since 2016, equating to a decline of 3%. Like overall network spend, nations’ and regions’ spend has had a similar trajectory of decline over time, with a 26% (£99m) decline in real-terms spend compared to 2008, when spend was as high as £379m.

BBC One accounts for the majority of nations' and regions' spend, at £179m in 2018; a decline of 1% since 2016. BBC Two's spend on first-run nations' and regions' programming has had the largest decline since 2016, falling by £4m to £20m in 2018; a decline of 16.6% in this period. The combined ITV, STV, and UTV spend has declined by £3m since 2016 to £82m.

Combining the PSBs' spend, national and regional news programming in England, Scotland, Wales and Northern Ireland takes up the majority of the total £281m first-run spend, at just under £191m dedicated to news programming, while current affairs content takes £28m of nations' and regions' spend, less than half of the remaining £62m spend on 'other genres' programming. Since 2016, first-run spend across genres has declined, particularly for news programming which has dropped by £4m.

Figure 2.23: PSB spend on first-run UK originations for nations and regions, by channel (£m)



Source: Ofcom/broadcasters. Note: figures are expressed in real terms. Nations' and regions' figures include first-run UK-originated spend on non-network content by ITV, STV, UTV, and the BBC across the national and regional variants of BBC One and BBC Two. Figures do not include spend by S4C or BBC Alba.

Welsh-language channel S4C spent £61m on first-run commissioned broadcasting in 2018-19. The Gaelic-language channel BBC Alba spent £16.7m on first-run UK-originated programming broadcast in 2018, representing a decrease of £500k since 2016. BBC Alba had its third-highest real-terms spend in 2018 since its launch in 2008, following the BBC's increased investment in the channel over the past few years. Further details on both S4C and BBC Alba can be found in the Wales and Scotland reports respectively.

Additionally, in February 2019 the BBC launched BBC Scotland – a new channel dedicated to peak-time Scottish content – with a budget of £32m which, under the BBC's agreement with Ofcom, must continue, funding a quota of 90% first-run Scottish content. The impact of the new channel will be more visible in future years.

Co-productions and the impact on genres

The large production budgets of SVoD services are forcing PSBs to find new ways of financing content

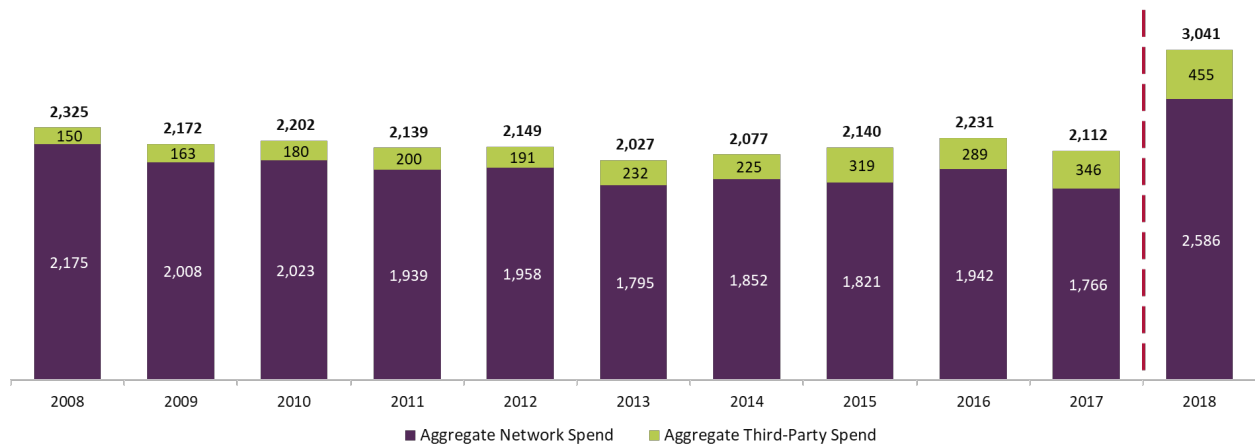
Global companies like Netflix and Amazon Prime are presenting challenges to the PSBs, given their large production budgets and the competition for viewers. Estimates suggest that in 2018, Netflix and Amazon Prime spent a combined £12.7bn on content globally⁵⁴, compared to the total network programme spend of just under £2.9bn for the PSBs.

In order to compete with the high-quality content available on global SVoD services, UK PSBs are having to find new ways of financing content, particularly in high-end drama, to ensure that they continue to deliver the range and quality of programmes that UK audiences expect. The reduction in PSB network spend over time has been offset by an increase in third-party funding of programming, including co-production agreements, deficit funding from production companies, and tax credits. Some of the most successful recent PSB dramas have been created through collaboration between the PSBs and SVoD players, as well as other overseas broadcasters. An example of this is the recent drama *Bodyguard* which was deficit funded by ITV and broadcast on BBC One. BBC's *The Night Manager* and ITV's *Victoria* are examples of co-productions in recent years. Data collected by Ofcom indicate that contributions to the cost of PSB UK original productions from third parties has more than doubled over the last ten years.

2018 confirmed a trend of increased third-party funding by the PSBs, contributing a record £455m. If this is added to first-run spend by the PSBs, total spend on originations in 2018 was the highest since 2010, at £3.041bn. And as the UK marketplace becomes increasingly driven by global players such as SVoD and the multichannels, PSBs are seeking to partner with other producers to increase investment in programming and to produce content whose quality matches that of global players.

⁵⁴ SVoD spending based on analyst estimates reported in the media

Figure 2.24: Network spend and third-party spend contributions to PSB first-run UK-originated content (£m)



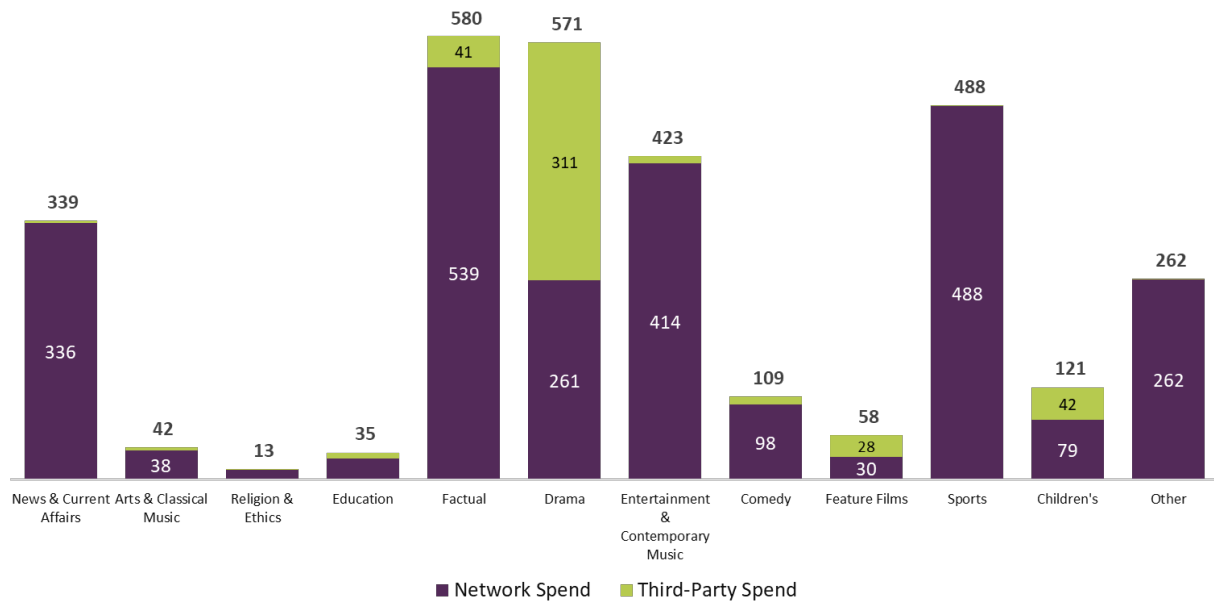
Source: Ofcom/broadcasters. Note: figures are expressed in real terms. **ITV figures are not included pre-2018.** All figures include: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, Channel 4, and Channel 5. Figures do not include S4C, BBC Alba, BBC HD, and nations'/regions' programming.

PSB drama programming received 68% of the third-party investment in 2018

Of the £455m third-party spend in 2018, 68% went towards first-run UK-originated drama programming, at £311m. Third-party spend on drama productions exceeded the PSB network spend of £261m in the genre, amounting to more than half (54%) of the total spend on PSB drama content (£571m). Although global SVoD providers Netflix and Amazon Prime have large content spend across their worldwide drama content, PSBs spend more on first-run UK-originated drama programming than any SVoD provider, and remain the main source of high-end drama productions in the UK.

While drama dominates third-party spend, children's and factual content have also had significant investment in 2018. There was £42m third-party spend on children's content, while factual – the genre accounting for the most PSB network spend – received £41m third-party spend.

Figure 2.25: PSB network spend and third-party spend on first-run UK originations, by genre: 2018 (£m)



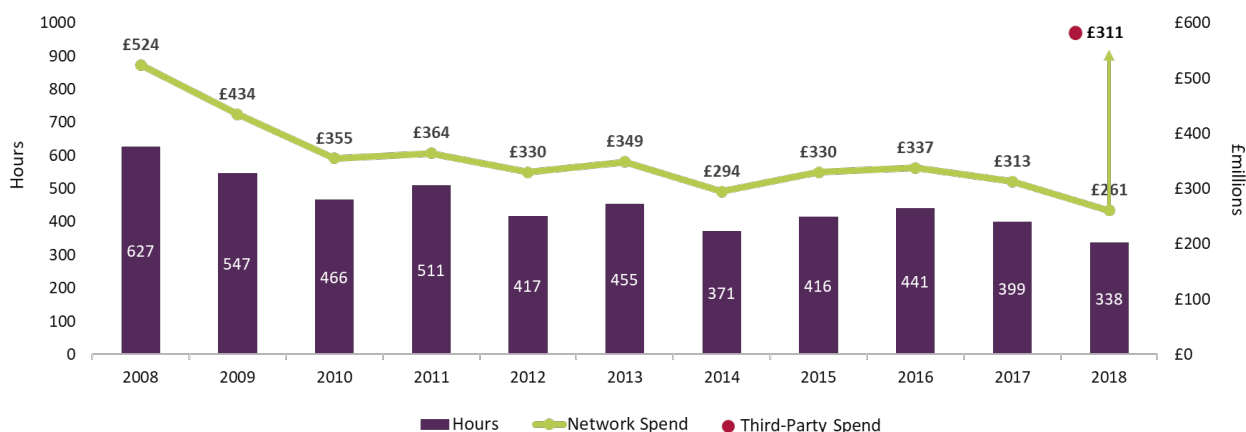
Source: Ofcom/broadcasters. Note: figures are expressed in real terms. Figures include BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV, Channel 4, and Channel 5. Figures do not include S4C, BBC Alba, BBC HD, and nations'/regions' programming.

Total hours of drama have fallen, but investment has increased due to third-party spend

PSB drama programming has evolved over the past ten years. Over a period which some hail as a 'Golden Age' of drama television, shifts have occurred across the hours and spend in this genre for the five PSBs. Drama programming encompasses narrative fiction series such as BBC's *Bodyguard* and ITV's *Victoria*, as well as drama content in the form of comedy drama programmes, TV movies, and docudramas, but excludes soaps.

Combined hours of PSB drama programming have declined by 289 hours over ten years, from 627 in 2008 to 338 in 2018. In real terms, network first-run spend has also declined in this period, from £524m in 2008 to £261m in 2018. However, taking a closer look at 2018, and including third-party spend (this is the first year for which we have data on third-party spend broken down by genre), total spend on first-run UK-originated drama programming rises by £311m.

Figure 2.26: PSB drama programming – first-run UK-originated hours and network spend (£m), including third-party spend (£m): 2018

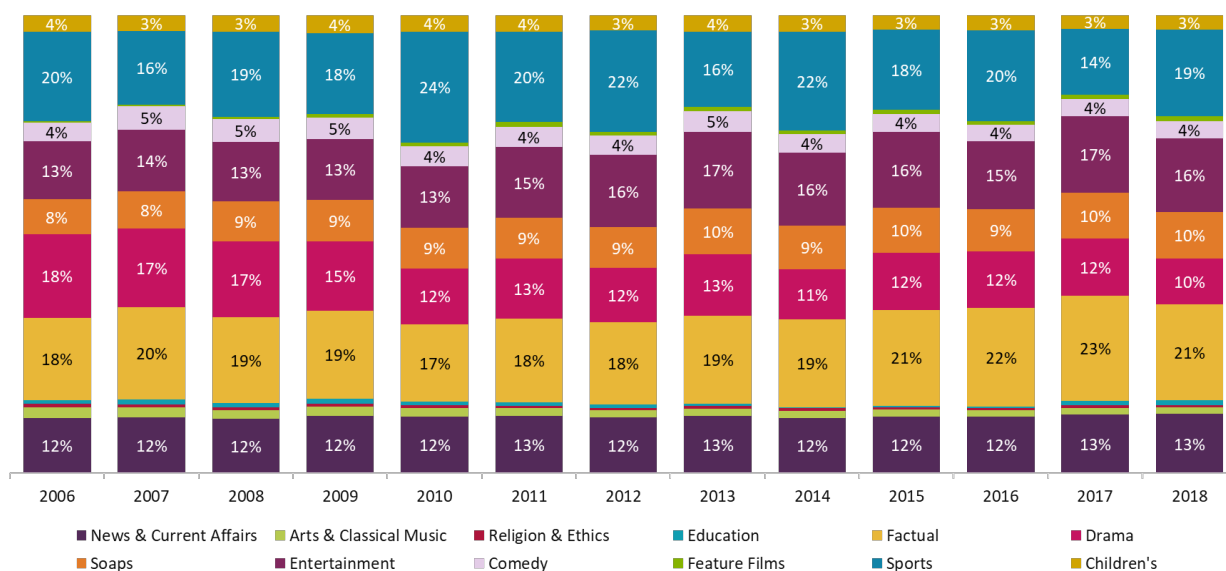


Source: Ofcom/broadcasters. Note: figures are expressed in real terms. Figures include BBC One, BBC Two, BBC Three, BBC Four, ITV, Channel 4, and Channel 5. Figures do not include CBBC, CBeebies, BBC News, BBC Parliament, S4C, BBC Alba, BBC HD, and nations'/regions' programming.

The fall in direct funding for drama has helped support other genres

The proportion of first-run PSB spend allocated to each genre has shifted over time. Between 2016 and 2018, proportion of spend on drama (excluding third-party funding) has declined; other changes are minor. The long-term trajectory of proportional spend by genre indicates that the PSBs have been distributing funding more evenly across genres in recent years.

Figure 2.27: PSB relative share of spend on first-run UK originations, by genre



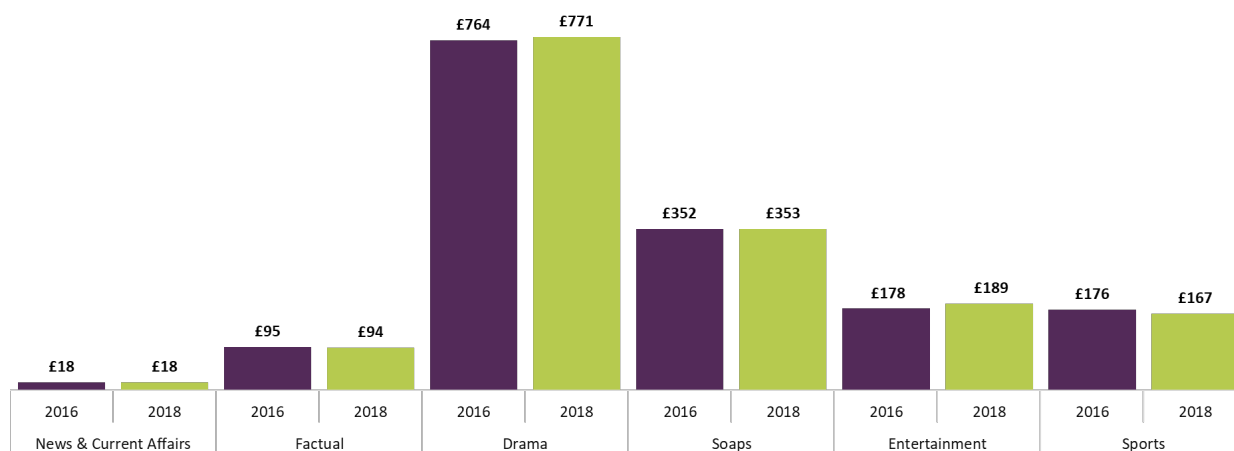
Source: Ofcom/broadcasters. Note: figures are expressed in real terms. Figures include: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV, Channel 4, and Channel 5. Figures do not include S4C, BBC Alba, BBC HD, nations'/regions' programming, and third-party spend.

Although overall average network spend per hour by PSBs on original programming is falling, for some genres it is increasing

As detailed above, the PSB channels' first-run UK-originated spend and hours have declined in 2018 to a level lower than the most recent comparable year, 2016. At an aggregated level, an analysis of the average amount the PSBs spend in real terms for every hour of broadcast can help to contextualise the change in spend and hours over time.

The overall average first-run spend per hour for PSB programming in 2018, across all genres and in real terms, was £80k per hour of programming, compared to £83k in 2016 (excluding third-party spend). However, the PSBs spent more on average per hour of broadcasting across several key genres in 2018 in real terms, including drama, soaps, and entertainment. The largest increase in average network spend per hour between 2016 and 2018 was in drama programming, which increased by 1% from £764k per hour to £771k (and this excludes third-party spend; when this is included, overall spend per hour on drama increases much more steeply).⁵⁵ The average spend per hour on news and current affairs has remained constant, while spend on factual and sports programming has declined. The largest decrease in first-run spend per hour in this period was for sports programming, with average spend per hour declining by 5% from £176k in 2016 to £167k in 2018.

Figure 2.28: PSB average network spend per hour on first-run UK originations, by selected genres (£k)



Source: Ofcom/broadcasters. Note: figures are expressed in real terms. Figures include: BBC One, BBC Two, BBC Three, BBC Four, CBBC, CBeebies, BBC News, BBC Parliament, ITV, Channel 4, and Channel 5. Figures do not include S4C, BBC Alba, BBC HD, nations'/regions' programming, and third-party spend.

⁵⁵ We are unable to quantify this as although we know that third-party spend overall increased by £109m in 2018, we do not have the breakdown in third-party spend by genre for any year before 2018 (when drama accounted for 68% of third-party spend).



Video on demand (VoD)

Nearly half of UK households subscribe to video-on-demand services

The major subscription video-on-demand (SVoD) services have continued to grow rapidly and in Q1 2019, 47% of homes (13.3 million) subscribed to at least one of Netflix, Amazon, NOW TV or Disney Life. There are still more households taking pay-TV services (14.3 million in Q1 2019, down from 14.8 million in Q1 2018⁵⁶), but overall there are more SVoD subscriptions as many households take multiple services. Netflix remains by far the most popular SVoD service, and in Q1 2019 11.5 million UK households (40%) had a subscription (a 26% increase since Q1 2018). With just over half the number of Netflix households, Amazon Prime Video grew by 23% in the same period to reach 6.0 million subscribers in Q1 2019.⁵⁷ Overall, there were a total of 19.1 million SVoD subscriptions in the UK in Q1 2019, up from 15.4 million in Q1 2018.⁵⁸

Netflix subscriptions can be obtained either direct from Netflix or via a Sky service. Of those households who have both paid-for Sky and a Netflix subscription, a quarter (25%) say they pay for their Netflix service as part of their monthly Sky subscription.⁵⁹

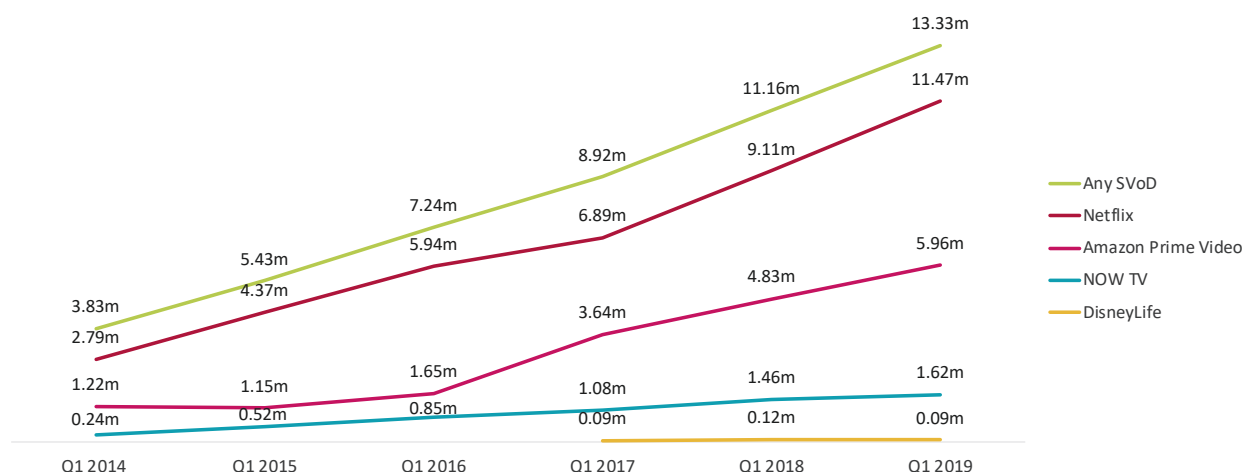
⁵⁶ Pay-TV subscriptions includes the number of paid-satellite households (excluding NOW TV), Virgin TV, BT TV, TalkTalk TV and Plusnet households. This may include some people who use the services without a paid subscription (except satellite where this is only paid-for subscriptions). Source: BARB Establishment Survey

⁵⁷ Source: BARB Establishment Survey Q1 2019

⁵⁸ This may include those on a free trial.

⁵⁹ Source: Ofcom Technology Tracker 2019

Figure 3.1: The number of UK households that subscribe to SVoD



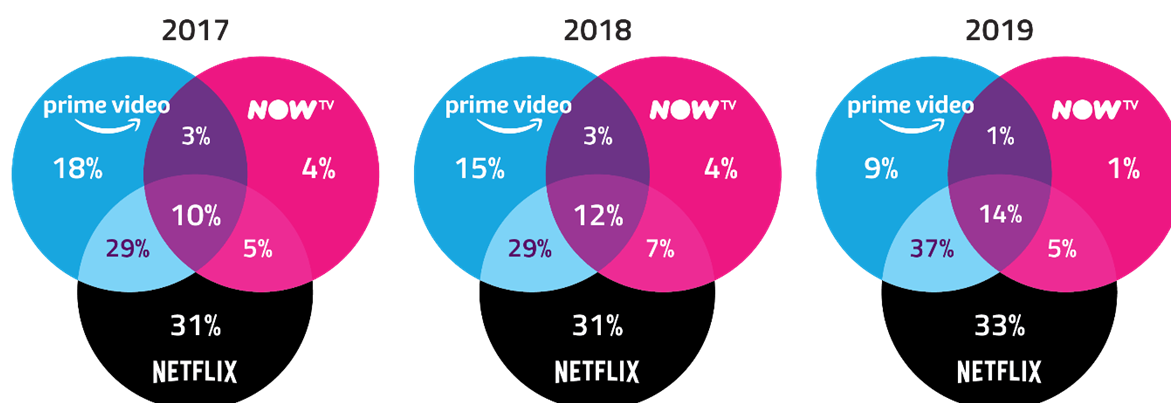
Source: BARB Establishment Survey Q1 2014-2019. Note: Any SVoD is at least one of the following services: Netflix, Amazon Prime Video, NOW TV or Disney Life.

More people now take both Netflix and Amazon Prime Video than subscribe to Netflix alone

In Q1 2019, 5.1 million (18% of households) had at least two of either Netflix, Amazon or NOW TV.⁶⁰ More SVoD subscribers in Q1 2019 use at least Netflix and Amazon Prime Video together (51%) than use Netflix and not Amazon Prime (38%). However, the frequency of using SVoD services differs; most (63%) Netflix users say they use Netflix every day or most days, while only 32% say the same about Amazon Prime Video.⁶¹

A smaller but growing proportion of users, 14%, claim to use all three services (Netflix, Amazon Prime Video and NOW TV), up from 10% in 2017.⁶² As fragmentation of the market continues and new SVoD services are launched (such as Disney+ and AppleTV+ later this year) subscribing to multiple SVoD services may become more common.

Figure 3.2: Proportion of SVoD users who subscribe to multiple services: 2017-2019



⁶⁰ Source: BARB Establishment Survey Q1 2019 and Q1 2018

⁶¹ GfK SVoD Tracker, Q1 2019

⁶² GfK SVoD Tracker, Q1 2019

Source: GfK SVoD Tracker, Q1 2017, Q1 2018 and Q1 2019 January-March. Notes: RS2 Services used. Base: all respondents, 2017:2398, 2018:3324, 2019:2361.

Amazon Channels

Launched in 2017 in the UK, Amazon Channels is a SVoD extension service which allows Amazon Prime members to purchase third-party streaming services (such as ITV Hub+, Hopster and BeFit UK) directly through Prime Video, offering consumers a similar type of choice as pay-TV bundles. There are more than 50 streaming services available on Amazon Channels. Price varies by the channel subscribed to, ranging from £1.49 to £9.99 a month. The benefit for viewers is that they are able to browse the channels through the Amazon Video service without leaving the Amazon platform and payment is managed via their Amazon account, reducing friction for the viewer.

Sixteen per cent of Amazon Prime Video subscribers subscribe to an additional Amazon Channel, equating to around 954,000 households. Discovery and ITV Hub+ are the most popular Amazon channels, at 5% of all Amazon Prime subscribers (nearly 300,000 households per channel).⁶³

The benefit for the third-party channels is that their channels receive increased exposure as almost 6 million UK households subscribe to Amazon Prime Video (see figure 3.1). The financial services firm BMO Capital Markets estimated that Amazon Channels generated \$1.7bn globally in 2018, up from an estimated \$1.2bn to channel partners, assuming it shares 70% of all subscription fees on average. BMO also estimated that Amazon is responsible for driving between 25% and 45% of OTT subscribers to some of these streaming services and takes a cut of 15-50% of the proceeds of channel subscription fees.

Other platforms such as Facebook and Apple are also looking to launch similar models.

Top five UK Amazon Channels

Rank	Amazon Channel
1	Discovery
2	ITV Hub+
3	Eurosport
4	Hayu
5	Filmbox

Source: GfK SVoD Tracker, Q1 2019

SVoD growth is not just being driven by increased subscriptions, but by more viewing per subscriber

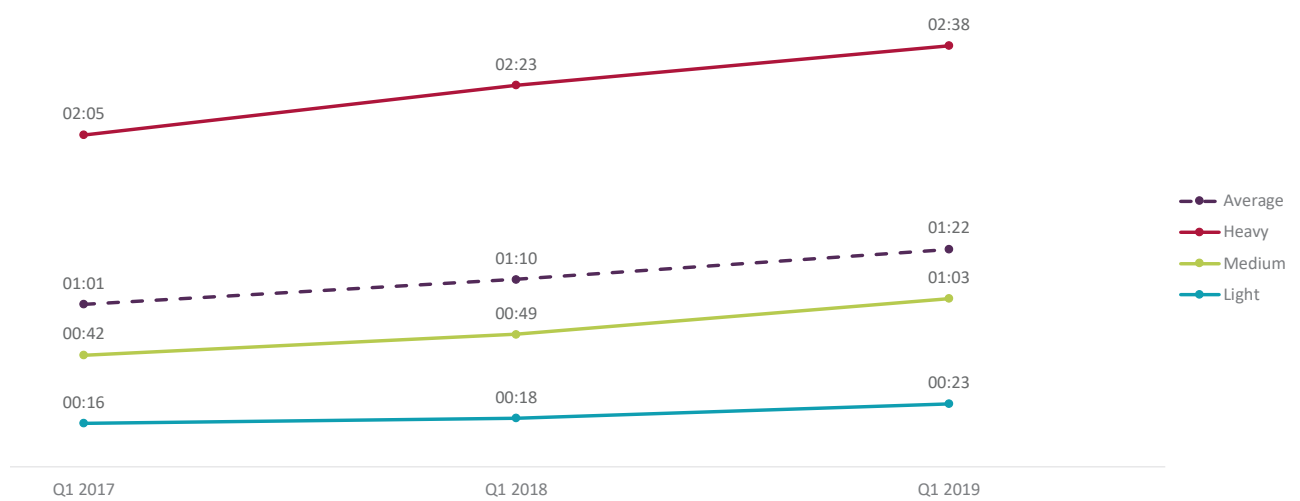
In Q1 2019, an SVoD user of at least one of the main UK providers (Netflix, Amazon Prime Video and/or NOW TV) spent on average 1 hour 21 minutes per day watching content on these services. Viewing of SVoD content is usually highest during the summer months, peaking in August, in

⁶³ GfK SVoD Tracker, Q1 2019 and BARB establishment survey Q1 2019 used to calculate number of household subscribers.

contrast to broadcast TV where consumption is lowest during summer.⁶⁴ It is possible that the largely younger audience of SVoD content have more time available in summer than at other times of the year, and it this is also a time when broadcasters do not usually release their headline content (exceptions include some major sporting events and ITV's *Love Island*).

Average levels of SVoD viewing have been growing each year. In Q1 2019, average SVoD consumption among users of Netflix, Amazon Prime Video and/or NOW TV was 1 hour 22 minutes, up by 21 minutes since Q1 2017. Increased overall levels of SVoD consumption in the UK are being driven by growth in both take-up and in average levels of viewing. Viewing levels vary significantly – the top third of viewers spend nearly twice as much time (2 hours 8 mins) viewing than the average SVoD viewer, with the lowest third of users spending an average of just 23 minutes per day.⁶⁵

Figure 3.3: Time spent viewing content on SVoD per user per day, by viewer type



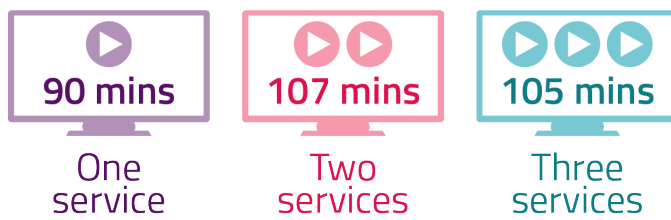
Source: GfK SVoD Tracker, users of Netflix, Amazon Prime Video and NOW TV only. 'Heavy' users are the top third of users, by average time spent viewing, 'medium' the middle third, and 'light' the lowest third.

A household subscribing to one SVoD service spends on average an hour and a half per day viewing it, and for those with more than one SVoD service, the total time spent goes up to about an hour and three-quarters. There is very little difference in total SVoD viewing time between households taking two services and those taking three or more. This suggests that access to extra services may not be a major factor in increasing overall SVoD viewing time.

⁶⁴ GfK SVoD Tracker, March 2015-March 2019. See Interactive report for monthly data

⁶⁵ GfK SVoD Tracker, users of Netflix, Amazon Prime Video and NOW TV only.

Figure 3.4: Daily time spent viewing content on SVoD, by number of services used, UK



Source: Ampere Analysis Consumer, UK, age:18-65, viewing is in SVoD homes watching SVoD in past month. Excludes SVoD homes that did not watch SVoD. Base: 2000 respondents.

Viewers increasingly see online services as the ‘main way’ and the ‘first place to turn to’ for TV

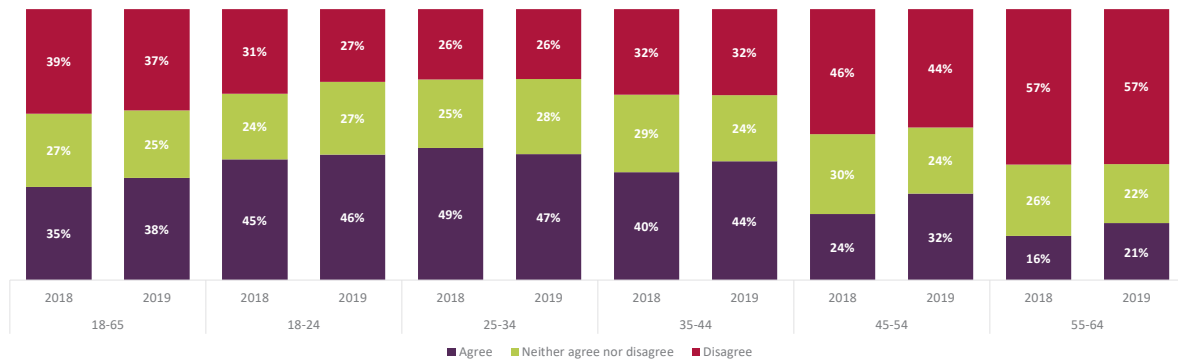
Although broadcast television still accounts for around two-thirds of total viewing, 42% of adults consider online video services to be their main way of watching TV and film (up by 5pp since Q1 2018). And 38% of SVoD users said they could envisage not watching broadcast TV at all, five years from now (up 3pp year on year). Adults aged over 45 are less likely to agree with this statement; this is in line with linear TV viewing habits, as older audiences spend more time than younger TV audiences watching broadcast TV.⁶⁶

There are several reasons for using an on-demand subscription. Watching at a convenient time remains the main reason for using Netflix (2019: 43%, 2018: 39%), closely followed by the desire to watch original series (41%) or to watch something different to content on main TV (40%). Although watching ‘at a time that suits’ is also a key reason for Amazon Prime Video users (21%) this was less important than the overriding reason for having Prime Video: access to free shipping (51%). Amazon Prime Video is to some extent a service which supports Amazon’s core online retail business.⁶⁷

⁶⁶ Ampere Analysis Consumer, Q1 2018 and Q1 2019, UK, age: 18-65, online respondents.

⁶⁷ GfK SVoD Tracker, Q1 2019 and 2018, EW1: Reasons for signing up/using the service. [See interactive data](#) for more reasons and trends

Figure 3.5: Statement: ‘I can see my household no longer watching broadcast TV within the next five years’, by age

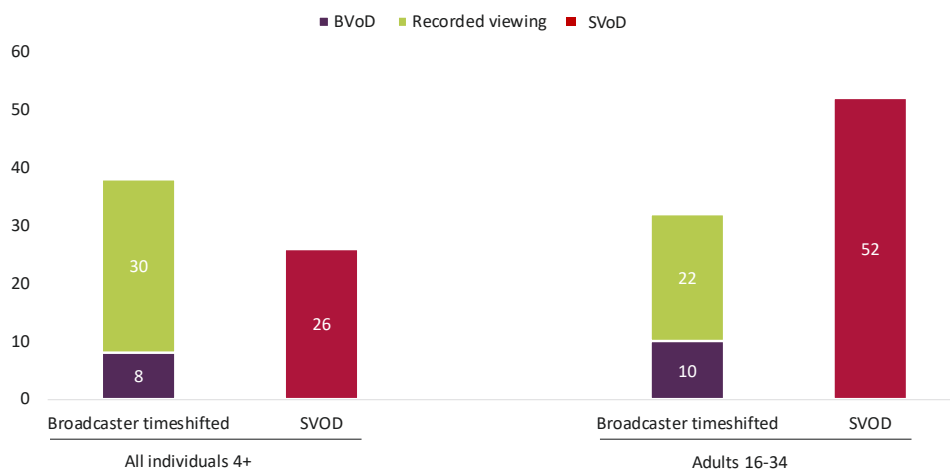


Source: Ampere Analysis Consumer, Q1 2019 and Q1 2018, age: 18-65 SVoD users, UK.

Broadcaster-on-demand services (BVoD) are lagging behind SVoD

Despite the growth of connected TV sets and the increased viewing of SVoD services on them, overall viewing of broadcasters’ VoD (BVoD) services such as BBC iPlayer, ITV Hub, All4 and My5 in 2018 remained at a similar level of viewing as in 2017 (an average of 8 minutes per day for all television viewers and 10 minutes for 16-34s). People are still much more likely to watch recorded broadcast television (an average of 30 minutes a day) than they are to watch through on-demand players like BBC iPlayer or ITV Hub. It could be argued that recorded viewing is also a type of BVoD, since it offers viewers a mechanism to watch broadcast content when they want, rather than when it is scheduled. Although BVoD is now a long way behind SVoD viewing (8 minutes vs. 26 minutes), if recorded content is added to BVoD, total time-shifted broadcast content comes out on top (38 minutes vs. 26 minutes SVoD). But even on this basis SVoD attracts more viewing among young adults (52 minutes SVoD vs. 32 minutes BVoD + recorded playback).

Figure 3.6: Effect of adding recorded viewing to BVoD when comparing timeshifted broadcast content with SVoD. Average minutes per day, all devices: 2018



Source: Ofcom modelling (BARB, TouchPoints, Comscore).

SVoD content is increasingly being viewed via smart TVs and smartphones

As take-up of TVs connected to the internet has increased, so has SVoD viewing, and 44% of programmes viewed were watched directly via a smart TV set in Q1 2019 (up from 33% in Q1 2017). This has reduced the proportion of viewing on computers, laptops, tablets and games consoles. In January 2019 Nintendo discontinued its Wii Shop Channel, where video streaming services were available through the original Nintendo Wii – this may have contributed to a 3pp year-on-year reduction in TV via games console use to access SVoD content, down to 8% of programmes viewed in Q1 2019.⁶⁸

However, smartphone use to watch SVoD content is also increasing – perhaps due to the ease with which programmes can now be downloaded for offline viewing. In February 2019 Netflix introduced smart downloads to iOS devices, automatically deleting a downloaded episode once the user has finished viewing it, and automatically downloading the next episode when the device is connected to wi-fi.

But not everyone is convinced that on-demand is the way forward

Despite the increasing demand for on-demand viewing, half (49%) of UK adults state that nothing would encourage them to watch more TV programmes or films online.

Other users acknowledged that there are motivations to watch more online content. Almost a quarter (23%) said cheaper subscriptions or lower pay-per-view prices would encourage them to watch more online content. Sixteen per cent said that more exclusive content would tempt them, and 13% mentioned more back catalogues of TV series. Faster broadband also plays a part; 12% said this would influence them to watch more online content.⁶⁹

Netflix has significantly increased the number of UK-produced distinct titles available on its platform...

In March 2019, there were 736 UK-produced distinct titles available on Netflix UK, an increase of 76% since March 2016. UK content accounts for 11% of Netflix's overall library, with 42% of the library originating from the US. Nevertheless, the proportion of both UK and US titles has been decreasing, despite the overall increase in the number of titles available, as titles produced in countries such as India have increased.⁷⁰

...but US-made shows and originals make up most of the most watched programmes

However, the most-viewed shows on SVoD services in the UK are US-made. In Q1 2019 Netflix's licensed content *Friends* was the most-streamed show in the UK (as it had been the previous year), accounting for around 2% of total streams (see Figure 3.7). Netflix spent nearly £78m to keep WarnerMedia's *Friends* on its platform in 2019, having previously paid £24m for *Friends* per year.⁷¹ WarnerMedia is planning on launching its own SVoD service in 2019, so this may be the last year in

⁶⁸ GfK SVoD Tracker, Q1 2017-2019, proportion of total streams by the GfK panel per quarter, split by device, Netflix, Amazon Prime Video and NOW TV use only. See [interactive data](#)

⁶⁹ Source: Ofcom Technology Tracker 2019

⁷⁰ Ampere Analytics, March 2019, UK SVoD platform libraries

⁷¹ The NY Times, [Netflix Will Keep 'Friends' Through Next Year in a \\$100 Million Agreement](#), 4 December 2018

which Netflix will be able to licence the show; however, as *Friends* accounts for only around 2% of total streams (see fig x) it does not appear that Netflix is heavily dependent on the title for UK viewership.

Despite the enduring popularity of *Friends* at the top of the list, the top 20 most-viewed shows on SVoD in Q1 2019 illustrate the importance of originals, with nine of these classified as Netflix originals.⁷² Four of the top 20 most-viewed titles were on Amazon Prime Video; *The Grand Tour* remains Amazon’s most popular title and the only Amazon original in the top 20. Only five of the 20 titles originated in the UK – the BBC’s *Peaky Blinders*, for the second year running, remained in the top 20 and BBC Two drama *The Last Kingdom* also made the list at number 18 (*The Last Kingdom* was a BBC Two and BBC America co-production for its first season, but season two was co-produced by BBC Two and Netflix).⁷³

Figure 3.7: Top 20 SVoD programmes in the UK: Q1 2019

Rank	Programme	Genre	Sub Genre	Commission Type	Service	Origin	Proportion of Total Streams by panel
1	Friends	Comedy	Sitcom	Acquisition	Netflix	USA	2.38%
2	The Grand Tour	Entertainment	Magazine	Original	Amazon	UK	2.03%
3	You	Drama	Thriller	Original	Netflix	USA	1.86%
4	The Good Place	Comedy	Sci-Fi/Fantasy	Original	Netflix	USA	1.63%
5	Brooklyn Nine-Nine	Comedy	Sitcom	Acquisition	Netflix	USA	1.53%
6	The Big Bang Theory	Comedy	Sitcom	Acquisition	Netflix	USA	1.42%
7	Luther	Drama	Crime	Acquisition	Netflix	UK	1.34%
8	Marvel's The Punisher	Drama	Superhero	Original	Netflix	USA	1.29%
9	Suits	Drama	Legal	Acquisition	Netflix/Amazon	USA	1.29%
10	The Office (US)	Comedy	Sitcom	Acquisition	Amazon	USA	1.18%
11	Vikings	Drama	Action/adventure	Acquisition	Amazon	Canada/Ireland	1.14%
12	Breaking Bad	Drama	Crime	Acquisition	Netflix	USA	1.11%
13	Peaky Blinders	Drama	Crime	Acquisition	Netflix	UK	1.05%
14	Grace and Frankie	Drama	Comedy	Original	Netflix	USA	1.02%
15	Sex Education	Drama	Comedy	Original	Netflix	UK	0.96%
16	Chilling Adventures Of Sabrina	Drama	Sci-Fi Fantasy	Original	Netflix	USA	0.94%
17	Prison Break	Drama	Crime	Acquisition	Netflix/Amazon	USA	0.87%
18	The Last Kingdom	Drama	History	Original	Netflix	UK	0.84%
19	Orange is the New Black	Drama	Comedy	Original	Netflix	USA	0.83%
20	The Umbrella Academy	Comedy	Superhero	Original	Netflix	USA	0.79%

Source: GfK programme data, Q1 2019 January – March. Notes: users of Netflix, Amazon Prime Video and NOW TV only at least once a fortnight. Rankings are based on total streams.

As original titles are increasing on Netflix, so is the proportion of time spent viewing them

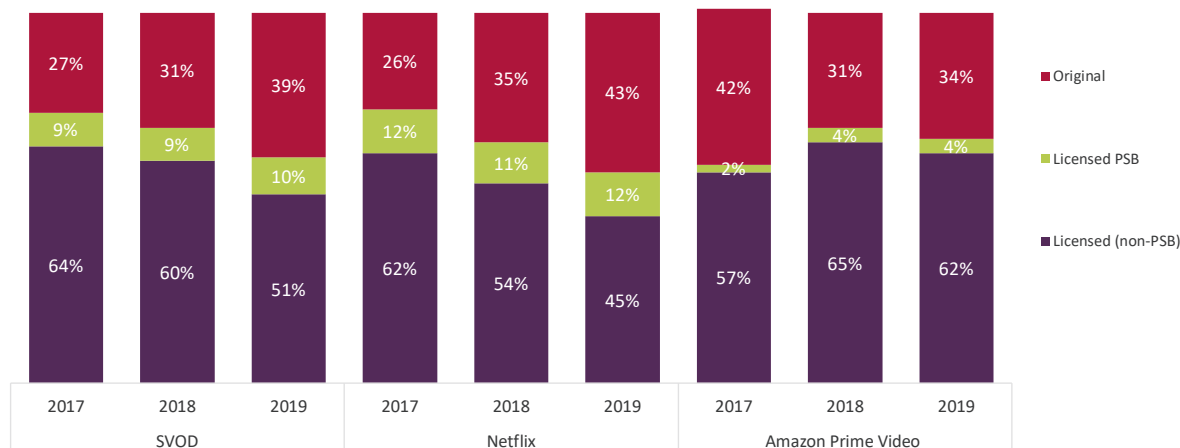
The majority of SVoD viewing overall is to licensed content. However, this proportion has been decreasing year on year. As media companies such as Disney and Warner Media look to launch their own SVoD platforms, Netflix in particular has been shifting its focus from licensed content to its own original content. Overall SVoD originations accounted for 39% of total minutes viewed across the main SVoD services in Q1 2019 (up from 27% in Q1 2017).⁷⁴

⁷² Originals definition: As classified by the platform, this will include commissioned content by the platform as well as content where the platform has sole distribution rights.

⁷³ GfK SVoD programme data Q4 2017 and Q1 2018

⁷⁴ GfK SVoD Tracker Q1 2019 and Q1 2017, weighted minutes consumed by GfK panel

Figure 3.8: Proportion of viewing on SVoD, by content rights holder type: January-March 2017, 2018 and 2019



Source GfK SVoD Tracker Q1 2017, 2018 ad 2019.

Note: SVoD includes Netflix, Amazon Prime Video and NOW TV consumption only by GfK panel. Based on rights holder in the UK, original content includes Netflix and Amazon Prime Video, while PSB relates to BBC Worldwide and Studios, ITV, Channel 4 and Viacom which owns Channel 5. Includes films and TV/web series.

Increasing market competition: Britbox, Apple TV+, Disney+ and HBO Max

Disney and WarnerMedia and Apple, and the BBC and ITV are set to launch their own SVoD services in 2019 and 2020, increasing the number of services in the SVoD market, currently led by Netflix and Amazon Prime Video.

Apple TV+ is set to launch in autumn 2019 and then globally shortly after. The app will also be available on non-Apple devices. The service will provide original content ad-free; Apple currently has 30 original web series and movies in preparation. Prince Harry and Oprah are working on a mental health docuseries for the service.

Britbox is a joint BBC and ITV venture due to be launched in Q4 2019 at £5.99 per month. ITV will control the venture with a 90% share, with the BBC having the option to increase its holding to 25%. The service will contain archive content as well as Britbox original content commissioned from UK production companies, planned to be available in 2020. Britbox has been available in the US since March 2017, and by Q4 2018 it had 493,000 US subscribers.⁷⁵

Disney+ is set to launch in the US on 12 November 2019 and then globally shortly after (a UK launch date is yet to be announced at the time of writing). Disney plans to scale up its platform⁷⁶, a strategy supported by the lower price point for the service compared to Netflix's popular standard tier, at £5.99 per month. DisneyLife will cease operation once Disney+ launches.

⁷⁵ Ampere Analysis Q4 2018

⁷⁶ Statement by Disney CEO Bob Iger at Disney's 2019 Investor Day, "This is our first serious foray in this space, and we want to reach as many people as possible with it."

Disney+ will exclusively stream content from its popular brands Marvel, Lucasfilm and Pixar, and will offer 500 movies and access to 7,500 programme episodes. Disney+ will reportedly be available as an add-on to the existing Hulu service which is majority owned by Disney.⁷⁷

WarnerMedia is set to launch the HBO Max service in spring 2020. The service will include HBO, Turner and WarnerMedia content, which will include exclusive streaming rights to *Friends*, *The Fresh Prince of Bel-Air* and *Pretty Liars*. It is expected that the service will launch with 10,000 hours of content. The price for the service has not yet been announced, but WarnerMedia plans an entry-level streaming service focused on films, a second tier with original programming and more films, and a bundle tier with content from the first two plus classic films, comedy and children's programming.

Despite a great deal of activity in the SVoD marketplace, a number of smaller, more niche, SVoD platforms such as Afrostream and the Canadian SVoD service Shomi have struggled to thrive and have shut down.

Drama accounts for the majority of the content libraries of Netflix and Amazon Prime Video

There are more than 32,000 hours of content available on Netflix, an increase of 185% since 2016. The majority (59%) of this is drama, with romance the largest sub-genre within this (18% of Netflix's total library). Netflix has increased its content in the romance genre in the past year, including original titles such as *To All the Boys I've Loved Before* (which will have a sequel) and *Always Be My Maybe*; however, despite the large volume of romance hours available, only 3% of the GfK panel's total consumption in Q1 2019 was romance. Comedy programming accounts for the second largest proportion of hours on Netflix, at 16%.⁷⁸

Amazon Prime Video has 25,600 hours of content in its library, with again drama titles accounting for the majority of total hours (57%). Although NOW TV has the smallest catalogue its content is more evenly distributed by genre, and drama makes up 36% of the catalogue.⁷⁹ Factual programming is the second largest genre category for both Amazon Prime and NOW TV.

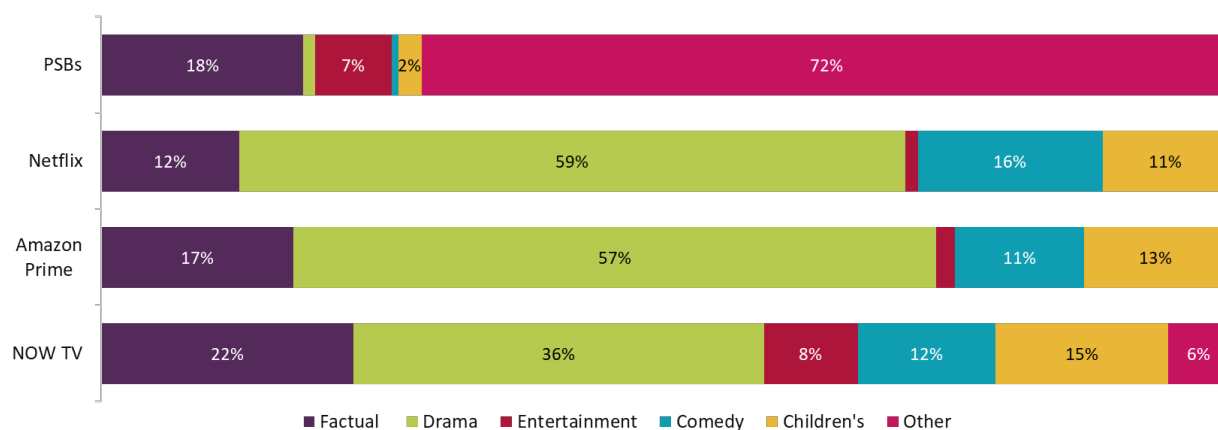
Figure 3.9 below highlights the differences in programme mix between SVoD libraries and the PSBs' broadcast output. In comparison to the PSBs, drama, comedy and films make up a far greater proportion of content on the SVoD platforms, which also have a greater proportion of children's programmes. The 'other' category includes news and current affairs and sports content, which account for a large portion of first-run PSB hours overall; these genres are characterised by live broadcasting and are not so well suited to SVoD platforms.

⁷⁷ Announced by Hulu's SVP of Originals Craig Erwich at Television Critics Association, 26 July 2019

⁷⁸ GfK SVoD Tracker Q1 2019, weighted minutes consumed by GfK panel

⁷⁹ Ampere Analysis UK, March 2019

Figure 3.9: PSBs and selected SVoD platforms' hours of content, by genre: 2018-19



Source: PSBs: Ofcom/broadcasters. SVoD: Ampere Analysis, content hours, UK, March 2019. PSB figures includes first-run UK-originated hours of programming in 2018 for BBC One, BBC Two, ITV, Channel 4, Channel 5, and the BBC Portfolio channels, across the listed genres; the 'other' category includes the genres of arts and classical music, religion and ethics, news and current affairs, sports, feature films, education, and soaps. Note: available feature film hours included within SVoD; however, feature film figures are not split out by specific genre category for the PSBs and sit under the 'other' category in this analysis (accounting for 1% of the PSBs 'other' category).

Drama is the most viewed genre across all three SVoD platforms (71% of total viewing), although its proportion of total viewing has declined by 7 percentage points since Q1 2017⁸⁰, as the SVoD providers have expanded into other genres such as documentaries/factual, which has grown its viewing share from 1% in Q1 2017 to 13% in Q1 2019.⁸¹ Crime/mystery is the most popular sub-genre viewed on Netflix and NOW TV (and the fourth most popular on Amazon). The most popular sub-genres viewed on Amazon Prime Video are horror/thrillers and game shows/reality.⁸²

SVoD is experimenting with new interactive content formats

Interactive content

Since the release of Netflix's *Black Mirror: Bandersnatch* film, where viewers can make choices that dictate the storyline, Netflix has been working on releasing more content with interactive elements. Currently, Netflix has six interactive titles, four of which are children's content, and in 2019, it released *Bear Grylls You vs Wild*. Netflix has stated that over the next two years it will release more interactive content.

A benefit of interactive storytelling is that it can keep viewers engaged for longer, as there are a variety of ways in which the story can be told. *Bandersnatch*, for instance has five possible endings with various combinations of pathways to reach each of these endings.

⁸⁰ GfK SVoD Tracker Q1 2019 and Q1 2017, weighted minutes consumed by GfK panel on any Netflix, Amazon Prime Video and NOW TV platforms. Note: Proportion of total weighted minutes includes animation, comedy, drama, entertainment and factual/documentary (excludes UNCODED programmes, Movies, Music and Anime).

⁸¹ GfK SVoD Tracker Q1 2019 and Q1 2017, weighted minutes consumed by GfK panel

⁸² GfK SVoD Tracker Q1 2019, weighted minutes consumed by GfK panel

This results in *Bandersnatch* not having an official running time, as viewers can spend anything from an hour and a half to two and a half hours to reach the end. The choice viewers make in the storytelling also provides Netflix with data on viewers' preferences in storytelling.

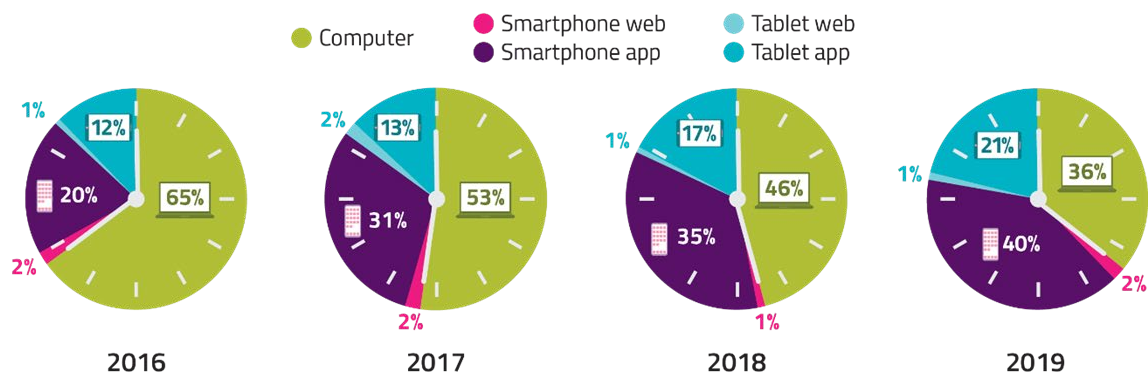
Interactivity also differentiates online content from linear content; it changes the experience of video content from simple audio-visual storytelling to audience curation.

YouTube

Unlike SVoD, YouTube viewers are most likely to watch on a smartphone

YouTube is a strong component of both online and video worlds; 13% of adults' total time online is spent on it,⁸³ as is at least 12% of TV and video viewing time.⁸⁴ Almost all adult internet users access the platform (96%) and in 2019, the amount of time UK viewers spent viewing YouTube on a smartphone (42% of total YouTube time) overtook computer devices (36%, down from 46% in 2018). Young adults spend more than an hour on YouTube per day on smartphones, tablets and computers,⁸⁵ and Ofcom analysis suggests that in addition to the hour a day spent using YouTube on computer, tablet and mobile, another 12 minutes is spent by young adults watching YouTube on a TV set.

Figure 3.10: Proportion of time spent by adults on YouTube, by device share, UK



Source: Comscore MMX Multi-Platform, YouTube.com, March 2016-2019, age: 18+, UK

Note: computer and mobile use only, online use via a TV set is not measured by Comscore.

YouTube is the most-visited online video app, reaching 27 million, or 73% of adult smartphone users. More than 10 million adult smartphone internet users in the UK visit the YouTube app daily.

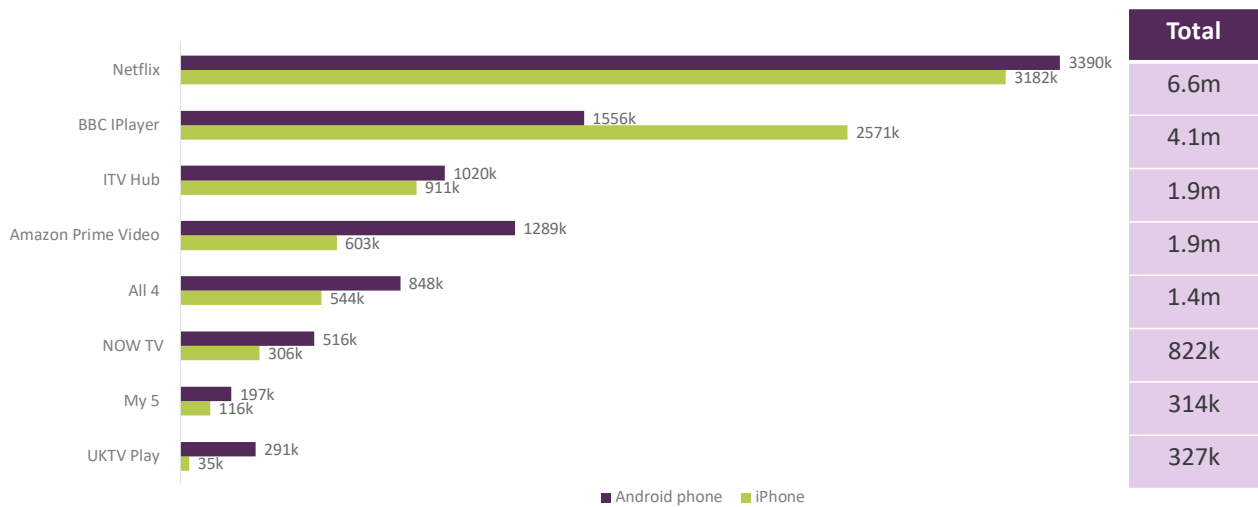
By comparison, Netflix is the most-accessed SVoD app, reaching 6.6 million UK adults a month (and an average of 1.8 million adults a day). BBC iPlayer is the most accessed BVoD app, reaching 4.1 million adults in March 2019 (710,000 a day).

⁸³ Comscore MMX Multi-platform, Age: 18+, March 2019, UK. Note computer, tablet and mobile only.

⁸⁴ Source: Ofcom/BARB/TouchPoints/Comscore

⁸⁵ Source: Ofcom/BARB/TouchPoints/Comscore

Figure 3.11: Unique visitors to selected online video apps, by smartphone type

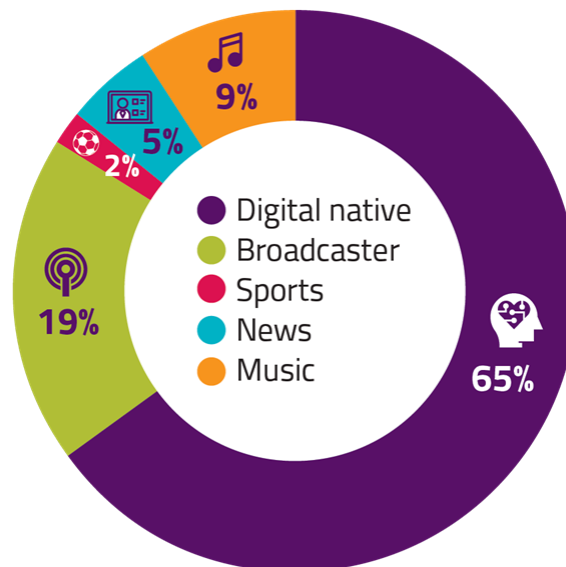


Source: Comscore Mobile Metrix, smartphone and app only. Age: 18+, March 2019, UK.

Note: YouTube has been excluded.

The majority of content viewed on YouTube is digital native content, i.e. content designed specifically for digital viewing. However, broadcasters are also re-purposing some of their output for the platform, and within the top 100 YouTube channel entities, 19% are also broadcasters.

Figure 3.12: Top 100 YouTube ‘channels’, by organisation type



Source: Comscore VMX Multi-Platform, YouTube Partners, Age:18+, March 2019, UK

Note: organisation classification by Ofcom, Top 100 based on digital audience reach.

Most people ‘view’ music on YouTube, but the long tail accounts for the large majority of time spent

The most-viewed YouTube ‘channels’ in the UK are largely made up of professionally-produced content by music brands, media groups and amalgamations of individual channels, known as multi-channel networks (MCNs). Collectively, these channels account for 21.5% of total time spent on YouTube in the UK

Figure 3.13: Top 20 YouTube ‘channel’ entities in the UK

Ranked by reach of digital population	YouTube group	Type of content	Total Minutes (Million)	Proportion of Total YouTube Viewing
68%	UMG	Music	1,088	1.90%
60%	BroadbandTV	Various MCN – music, makeup, vlogging, gaming etc.	1,965	3.43%
57%	Warner Music	Music	956	1.67%
54%	SonyBMG	Music	555	0.97%
51%	Vevo	Music	1,426	2.49%
40%	Studio71	Various – music, makeup, vlogging, gaming etc.	1,603	2.80%
34%	The Orchard	Music, film, TV	278	0.49%
32%	Fullscreen	Various – music, makeup, vlogging, gaming etc.	983	1.72%
30%	ZEFR	Advertising	197	0.34%
28%	Believe	Broadcaster	318	0.55%
25%	Little Dot Studios	Broadcaster/TV production company	514	0.90%
23%	ITV plc	Broadcaster/TV production company	332	0.58%
22%	Channel Federator Network	Animation MCN	257	0.45%
22%	Style Haul, Inc.	Beauty lifestyle	763	1.33%
21%	Collab	Mobile vlogging	281	0.49%
20%	Machinima	Gaming	307	0.54%
18%	BBC online	Broadcaster/TV production company	120	0.21%
17%	Rightster	Various MCN	161	0.28%
17%	Freemantle	Broadcaster	164	0.29%
15%	Movieclips	Film	63	0.11%

Source: Comscore VMX Multi-Platform, YouTube partners, content only, age: 18+, March 2019, UK

Note: Top 20 is based on total digital population reach.

Content originating from broadcast is among the most-viewed YouTube content

Six of the top ten most-watched YouTube videos in the UK in 2018 were segments of content that had initially been broadcast on TV, of which five were US broadcast content. An episode of *Carpool Karaoke* (a segment of CBS’ *The Late Late Show with James Corden*) was the video most viewed by YouTube viewers in the UK, with another episode in seventh place. YouTube has boosted the popularity of this show, which airs on weekdays at 12:35am in the US, as it provides global viewing for this segment of the show. Netflix is also using YouTube to make complete episodes of Hasan Minaj’s *Patriot Act* available on the Patriot Act YouTube channel, the first Netflix programme-specific YouTube channel. Netflix is leveraging YouTube by enabling viewers to interact with the series by commenting on the YouTube forum; Minaj then responds to these comments, as shown in YouTube videos, and this helps to build a fan base for the main show.

Figure 3.14: Top ten most-watched YouTube videos in the UK: 2018

Rank	YouTube video
1	Paul McCartney Carpool Karaoke
2	The Royal Wedding
3	Royal Wedding - A bad lip reading
4	Courtney Hadwin: 13-Year-Old Golden Buzzer Winning Performance - America's Got Talent
5	Yanny v Laurel
6	We Broke Up - David Dobrik
7	Ariana Grande Carpool Karaoke
8	Dogs tested to see whether they'd defend owner during home invasion
9	Marc Spelmann gets the first Golden Buzzer of 2018 - Britain's Got Talent
10	Musical Genre Challenge with Ariana Grande

Source: YouTube.

Half of 8-15 year olds prefer to watch YouTube content than TV content on a television set

YouTube is also children's most popular app; 44% of children aged 3-17 stated that they '*watched more YouTube this week*' than either TV, Netflix or Amazon.⁸⁶ The YouTube Kids app is popular with young children, with the main YouTube platform becoming more popular as children get older. In March 2019, 911,000 individuals accessed the YouTube Kids app, with the average visitor spending 31 minutes per day viewing it.⁸⁷

Ofcom's own research found that in 2018 almost half of children aged 3-4 (45%) had ever used YouTube, increasing to 89% of children aged 12-15. There has been an increase in the proportion who say they prefer to watch YouTube content than watch TV content on a TV set. Half (49%) of 8-11s and 12-15s preferred YouTube in 2018, a significant increase for both age groups compared to the previous year (40% and 46% respectively).⁸⁸

⁸⁶ Kids Insight Q1 2019, Question: *What have you watched more of this week?* Base: 2300 age: 3-17 <https://www.kidsinsights.co.uk/overview-of-reports/>

⁸⁷ Source: Comscore Mobile Metrix, YouTube Kids (Mobile app), Age: 18+, March 2019, UK

⁸⁸ Ofcom Children's and Parents Media Use and Attitudes report: https://www.ofcom.org.uk/__data/assets/pdf_file/0024/134907/Children-and-Parents-Media-Use-and-Attitudes-2018.pdf

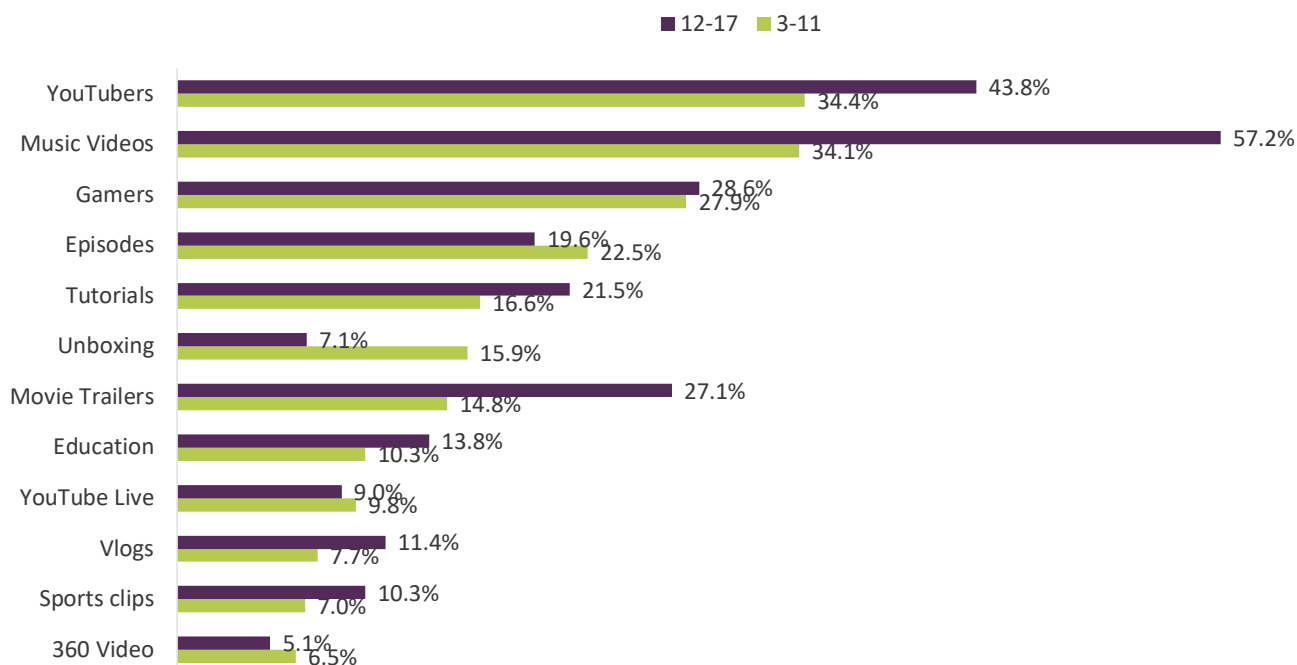
Figure 3.15: Children’s favourite app with video streaming capabilities

Rank	Age			
	3-4	5-7	8-12	13-17
1	YouTube Kids	YouTube	YouTube	YouTube
2	YouTube	YouTube Kids	Netflix	Snapchat
3	Netflix	Netflix	Instagram	Instagram
4	Snapchat	DisneyLife	YouTube Kids	Netflix
5	DisneyLife	BBC iPlayer	Snapchat	Facebook

Source: Kids Insights, Q1 2019.

For children, music videos are the most popular type of content watched on YouTube (45% of 3-17 year olds). However, there are difference by age group; the most popular videos viewed by younger children (aged 3-11) are of YouTubers (i.e. video bloggers with a YouTube channel) whereas music videos are most popular among 12-17 year olds.

Figure 3.16: What type of videos do you watch on YouTube? by age: Q1 2019



Source: Kids Insights Q1 2019, online users
 Base: Children aged 3-11: 1200 12-17: 956.

YouTube also provides a career opportunity for UK talent: British gamer Daniel Middleton, using his channel DanTDM, earned \$18.5m (£15m) in 2018, according to Forbes the fourth-highest earning YouTuber, with more than 20 million subscribers.⁸⁹ Some children now aspire to be YouTubers; 5.3% of boys aged 3-12 want to be a YouTuber/vlogger when they are older, the second most popular aspiration for boys this age (after becoming a footballer).⁹⁰

Social media video

The rise in the number of individuals using streaming services has led to social media sites attempting to bridge the gap between social media and online video, in order to increase advertising revenue.⁹¹ Almost two in five people aged 12 or over watch video on social media sites weekly.⁹² As social media is accessed via smartphones, the video format is usually presented vertically – in portrait layout as opposed to the traditional widescreen TV view. This format has resulted in the rise of vertical video advertising.

Instagram's IGTV launched in 2018, and allows users to upload and watch long-form content that can be viewed via the standalone IGTV app or within Instagram. Initially only vertical videos were supported by the platform, but in May 2019 Instagram announced that it would also support landscape videos. Broadcasters have used this to share news segments as well as TV programme segments.

Snapchat Snap Originals, launched in October 2018, is a slate of vertical video programmes, each about five minutes long, that are viewed on the Snapchat app. The 12-episode 3-5 minute original *Endless Summer* was reportedly seen by 28 million unique users globally.⁹³ At the time of writing ten additional programmes are ready to be released. Snapchat potentially sees its originals as complementary to other streaming services, as they do not require the user to commit a large portion of their time to a show.

Facebook Watch, launched globally in August 2018, features shows from content creators and networks: ABC, Fox News, Vice and BuzzFeed are among those who have made content for the service. Ad breaks are allowed if the creators meet certain requirements by Facebook, such as attracting 30,000 viewers who stayed for more than one minute when watching the content, over the past two months. The revenue from ad breaks is split 55% to the creators and 45% to Facebook. Channel 4 News partnered with Facebook to produce a new weekly news show, *Uncovered*, which launched in January 2019, exclusively for Facebook Watch. At time of writing *Uncovered* has 58,000 followers.

⁸⁹ [Forbes, Highest-paid YouTube stars 2018](#). Based on earnings from 1 June 2017 – 1 June 2018

⁹⁰ Kids insights Q1 2019: <https://www.kidsinsights.co.uk/overview-of-reports/>

⁹¹ Snapchat CEO Evan Spiegel noted in Q1 2019 earnings call that revenue rise was largely in part due to advertising revenue from premium content.

⁹² TouchPoints, GB, 2018

⁹³ Snap Inc., [Snap Partner Summit | New Snap Originals](#), 4 April 2019, internal data 01/10/18 - 22/03/19

Awareness of online audio-visual regulation and levels of offence

A third correctly identify Ofcom as responsible for TV programme regulation

There are now many different ways of watching audio-visual content and it can be unclear to viewers what, and how much of it, is regulated. Eight in ten adults overall believe that TV programmes are regulated and a third correctly identify Ofcom as responsible for TV programme regulation. The lowest awareness of regulation was among young adults aged 16-34 (73%). There was no difference between parents and non-parents. When asked whom they thought was responsible for the regulation of TV programmes, the top mention among adults was Ofcom (33%) followed by the BSC⁹⁴ (12%), while 26% didn't know.⁹⁵

The way in which content is regulated varies. TV and radio services based in the UK are regulated to a high standard by Ofcom under a long-standing system, which, among other things, protects audiences from harmful content. Over time, Ofcom's duties have been extended to provide a degree of protection for people watching on-demand services, such as TV catch-up and online film services. However, some content on newer online services is currently subject to little or no regulation beyond the general law.

Forty-five per cent of adults think that all types of online video and on-demand video⁹⁶ content should be regulated, although just 19% think it should be highly regulated. This increases with age. About three-quarters of adults (76%) and children aged 12-15 (71%) overall believe that programmes/films that have been broadcast using broadcasters' catch-up services are regulated.

The lowest awareness of regulation is for YouTube videos; 36% of adults and 19% of 12-15 year olds believe that long-form videos on YouTube are regulated, and 31% of adults and 17% of 12-15 year olds believe that short-form YouTube videos are regulated. When asked who they think is responsible for the regulation of online and on-demand content, the top mention among adults was Ofcom (30%) followed by the broadcaster/channel/station (24%). More than a third (37%) didn't know.⁹⁷

⁹⁴ BSC: Broadcasting Standards Commission (replaced by Ofcom in 2003)

⁹⁵ Source: Ofcom Cross-platform Media Tracker 2018

⁹⁶ Online or on-demand: any viewing TV or video content on a TV that offers online/ on-demand services or through a device connected to the internet (e.g. PC/laptop, tablet, smartphone).
TV or video content: things such as TV programmes, films, video clips, video podcasts or anything else you have watched online or on-demand.

⁹⁷ Source: Ofcom Cross-platform Media Tracker 2018

Over half of UK adults feel that level of regulation of online and on-demand content is about right

Fifty-three per cent of adults overall feel that the level of regulation of online and on-demand content is 'about the right amount'. As with TV, older people (aged 55+) tend to think there is 'too little' regulation of online and on-demand content. Similarly, among 12-15-year olds, about half (49%) think that the level of regulation is about right and 20% think it is too little.⁹⁸

Fewer incidents of offence reported for online and on-demand than for TV programmes, but more reported by 12-15 year olds

Almost one in ten adults (9%) are concerned about something they have seen online or on demand in the past year. This is significantly higher among young adults aged 16-34 (13%) than among over-64s (4%). The corresponding levels of concern among 12-15 year olds are also higher (17% compared to 9% among adults).⁹⁹

Top on the list of things that have concerned both adults and 12-15-year olds online is bad language, mentioned by a third of adults (33%) and almost half of teenagers (46%), out of those who had seen something offensive. When this happened, 83% took action, most of them by stopping viewing (47%). One in ten reported the incident to a third party. Among 12-15 year olds, a similar proportion (82%) took action, most often by telling their parents (37%), or by stopping viewing (31%).¹⁰⁰

⁹⁸ Source: Ofcom Cross-platform Media Tracker 2018

⁹⁹ Source: Ofcom Cross-platform Media Tracker 2018

¹⁰⁰ Source: Ofcom Cross-platform Media Tracker 2018



Radio and audio

Introduction

The BBC began its live daily radio broadcasts in 1922 and nearly a century later the medium is still described in the same way: live broadcasts. Nine in ten adults in the UK listen to live radio at least once a week, and live radio listened to on a radio set accounts for 67% of audio time for adults overall. However, as with the TV market, the availability of connected devices and high-speed fixed and mobile networks has given listeners more choice than ever in what they listen to and how they listen to it. One of the outcomes of this is that live radio on a radio set accounted for just 28% of audio time in 2018 for listeners aged 15-24, as more of their time is spent on music streaming services.

Radio broadcasters are not just competing with companies that offer music streaming services. A wide range of organisations now create and distribute their own speech-based podcast content. Although this currently forms a relatively small proportion of overall listening, the number of people who listen to podcasts has increased over time, and podcasts account for a significant share of audio for those who listen to them.

Despite these challenges, commercial radio revenues continue to be strong; the sector continues to chip away at the BBC's market share and the number of services on DAB has increased. In particular, new national commercial stations are increasing their audiences by maximising existing successful brands or by adopting more of a playlist-type approach with either genre or mood-based music formats, or a combination of the two.

The local radio industry is also undergoing shifts in the light of changes to regulation made by Ofcom in 2018. The new rules allow stations to reduce the minimum amount of locally-made programming during daytime hours from seven hours a day to three, but the stations are still expected to provide local content (e.g. news, travel and weather) throughout the day. The changes in regulation also removed a requirement on local stations to provide a locally-made breakfast show. The two main commercial radio groups, Global and Bauer, have announced additional shared programming across their brands in their expanding portfolios. Breakfast is the peak time for live radio, and broadcasters tend to use their best talent at this time in order to attract listeners. The digital-only station Virgin Radio launched its new breakfast show in January this year, hosted by Chris Evans, previously the host of the BBC Radio 2 breakfast show.

Work currently under way by Ofcom and the DCMS to enable smaller stations to broadcast on DAB is likely to offer new opportunities for innovation and experimentation, including the potential for radio stations to offer listeners more localised radio content than they can currently receive.

Overall, the radio sector is characterised by disruption as digital listening provides opportunities for many more stations to reach national audiences, and the internet offers a huge array of on-demand and streaming services. These new services are challenging the definition of radio with the increasing availability and popularity of radio podcasts, catch-up programmes and curated playlists.

Figure 4.1: Key metrics: audio consumption and device take-up

	2013	2014	2015	2016	2017	2018	2019
Weekly reach of radio (% of population) ¹	90.3%	90.3%	89.3%	89.3%	89.3%	90.2%	89.4%
Average weekly hours per listener ¹	21.9	21.5	21.3	21.0	21.2	20.8	20.9
BBC share of listening (%) ¹	55.7%	54.9%	54.4%	54.1%	52.8%	51.9%	51.4%
DAB digital radio take-up (adults) (%) ¹	44.3%	47.9%	49.0%	55.7%	57.9%	63.7%	66.5%
Digital radio listening share (%) ¹	34.3%	36.6%	39.6%	44.1%	47.2%	50.9%	56.0%
Proportion of audio time that is live radio (adults 15+) ²	n/a	n/a	77%	n/a	75%	71%	TBA
Proportion of audio time that is live radio (15-24) ²	n/a	n/a	44%	n/a	36%	31%	TBA
Weekly podcast listeners (% of population) ¹	7.0%	7.8%	6.6%	7.3%	8.1%	10.9%	12.6%
Voice-activated speaker take-up ³	n/a	n/a	n/a	n/a	n/a	13%	20%

Sources:

1 RAJAR (Q1 of each year)

2 TouchPoints

3 Ofcom Technology Tracker

Figure 4.2: Key metrics: revenues and income

	2013	2014	2015	2016	2017	2018	2019
Commercial revenue (£m) ¹	496	542	549	565	571	572	TBA
BBC expenditure (£m) ²	758	768	760	744	762	741	TBA
Community radio revenue (£m) ¹	11.7	12.2	12.3	12.2	12.2	12.0	TBA
Radio share of advertising spend (%) ³	3.0%	3.1%	2.9%	2.9%	2.9%	2.8%	TBA

1 Ofcom/ broadcaster returns. Figures adjusted for CPI at 2018 prices

2 Ofcom calculations based on BBC data. Figures adjusted for CPI at 2018 prices

3 AA/WARC Expenditure Report Ofcom calculations. Figure is a proportion total advertising expenditure. Radio advertising expenditure excludes digital revenues.

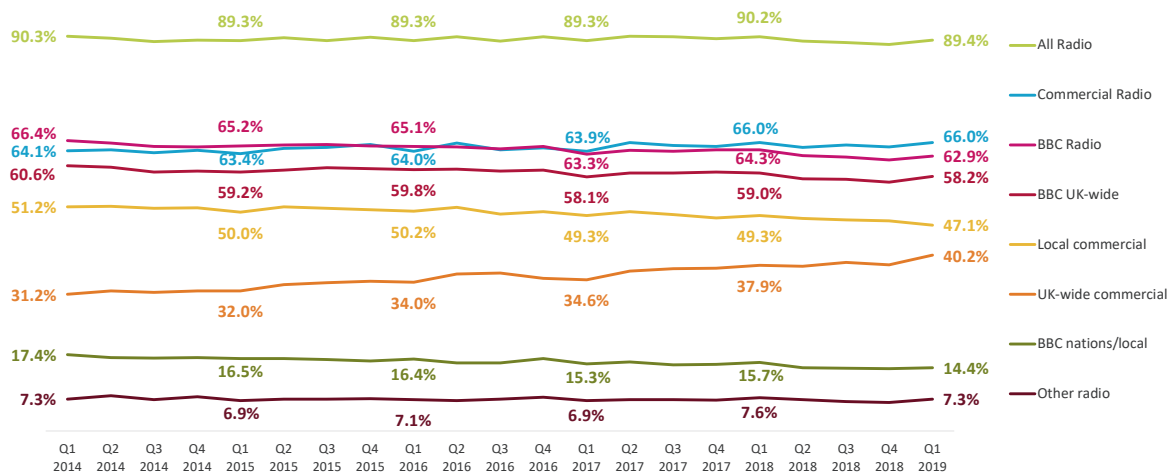
Radio and audio listening

Live radio continues to have a wide reach, with listening to UK-wide commercial stations particularly robust

Nine in ten adults across the UK listen to at least five minutes of live radio each week. This varies considerably by age, with 90% of over-64s listening each week compared to 80% of 15-24s (down from 88% ten years ago). Overall, the main increase has been in audiences to the UK-wide commercial radio stations, which have grown from reaching 31% of adults five years ago to 40% in 2019.

The growth in the average number of stations listened to each week has also increased over the past five years. In Q1 2019 radio listeners tuned into an average of 3.6 stations each week, up from 2.9 in 2014. This increases to 4.8 stations for those who listen to national commercial radio. This means that listeners are now relying on more stations to meet their needs, be that mood-based or music genre-based. Previously, stations would rely on the loyalty of their listeners to remain with them from breakfast to drive-time, but increasingly that loyalty is now spread across a number of stations.

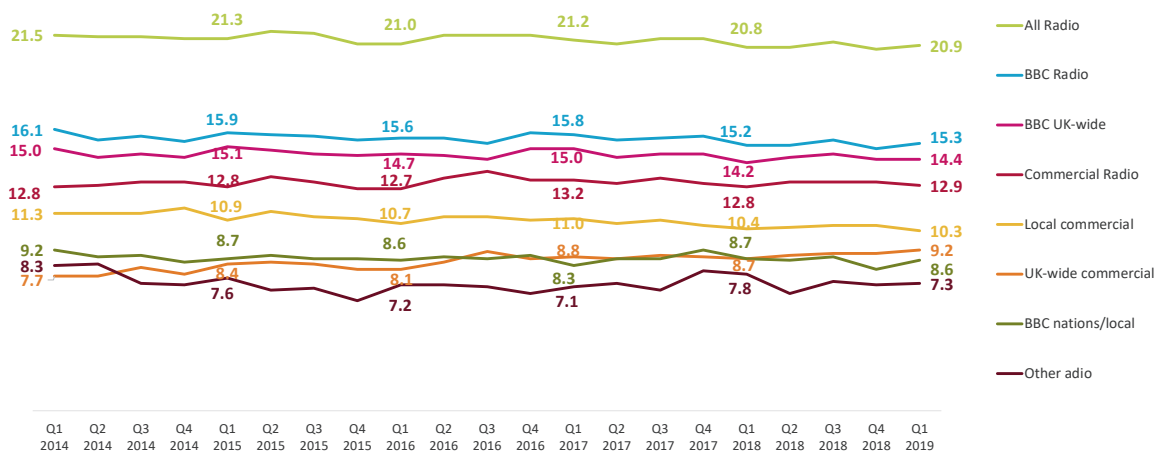
Figure 4.3: Weekly reach (%), all adults 15+: 2014-2019



Source: RAJAR.

Although the average amount of time spent listening to radio each week has remained stable in recent years, currently at 20 hours 54 minutes, this varies considerably by sector. Time spent listening to UK-wide BBC services has fallen by 42 minutes over the past five years (to 14 hours 24 minutes per week in Q1 2019) compared to national commercial services which have seen time spent with them increase by 90 minutes over the same period (currently 9 hours 12 minutes per week).

Figure 4.4: Average weekly hours per listener by sector, all adults 15+: 2014-2019

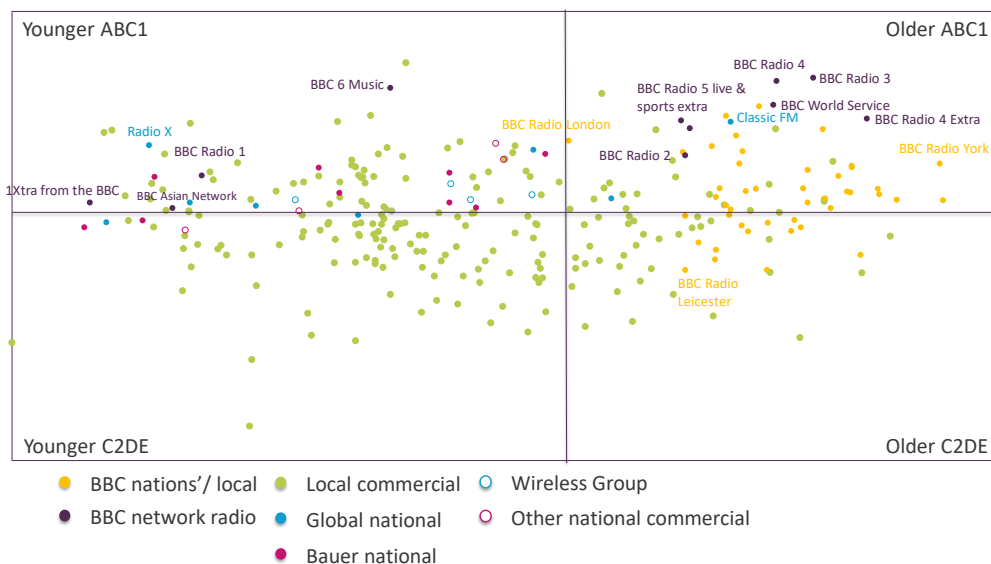


Source: RAJAR.

Listening to UK-wide stations has grown at the expense of local stations

Local radio¹⁰¹ has gradually been losing out to UK-wide radio (BBC and commercial): five years ago, 59% of adults listened to local radio each week compared to 70% who listened to UK-wide radio. The latest figures (Q1 2019) show that 54% of adults across the UK now listen to local radio and 73% to national stations. Figure 4.5 compares the audience profiles for local and UK-wide stations across the BBC and commercial radio: local commercial radio stations are spread across the age spectrum and BBC local services largely have older listeners; BBC UK-wide services are at either end of the age spectrum and all appeal to a more ABC1 audience.

Figure 4.5: Weekly reach profiles: UK radio stations



Source: RAJAR Q4 2018, 12-month weight.

¹⁰¹ This includes the BBC stations for the nations: BBC Radio Scotland, BBC Radio Ulster and BBC Radio Wales / Cymru

Using well-known talent at breakfast is a key strategy to attract listeners

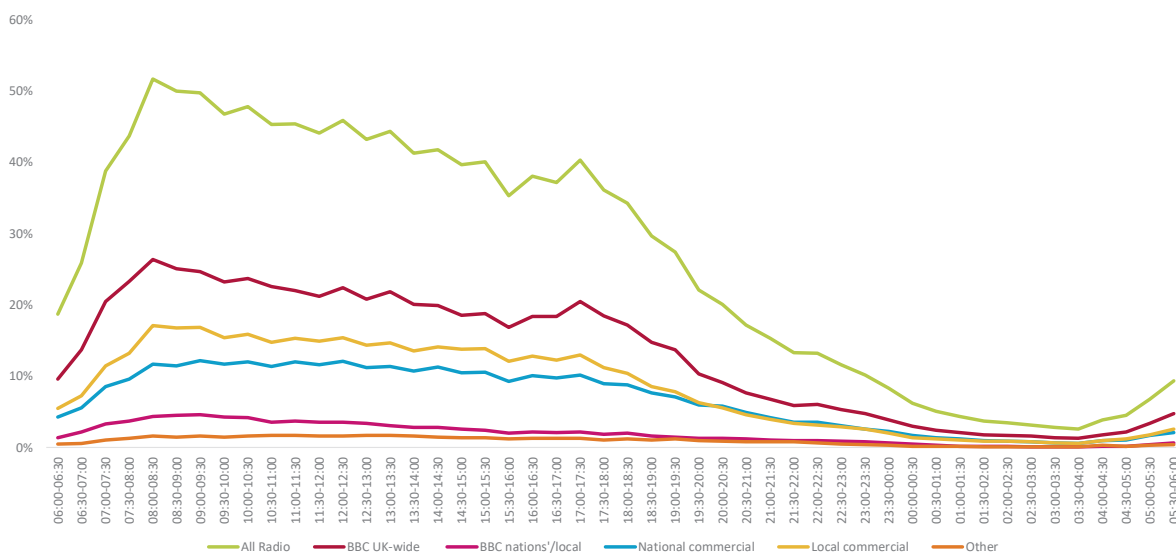
Breakfast is the peak time for live radio, and broadcasters tend to use their biggest talent at this time in order to attract listeners. The digital-only station Virgin Radio, owned by Wireless Group, launched its new breakfast show in January this year, hosted by Chris Evans, previously the host of the BBC Radio 2 breakfast show. In Q4 2018, the Virgin breakfast show reached 160,000 adults. The first figures posted by Chris Evans in Q1 2019 revealed that he had boosted the audience to 993,500 listeners, increasing the overall station reach from 480,000 to 1.3 million listeners each week. However, a third of the Virgin breakfast show audience did not tune in to any other output on the station. The uplift for Virgin Radio in Q1 2019 accounted for 12% of the additional overall digital radio listening hours, although this was mainly on DAB.

Zoe Ball replaced Chris Evans on Radio 2, becoming the first female presenter of the BBC Radio 2 breakfast show (her second accolade of this kind, as she was also the first female presenter of the BBC Radio 1 breakfast show back in 1997). Her first RAJAR figures in Q1 2019 showed that she had maintained the breakfast audience at 9 million listeners and has helped maintain the station's audience across the day; only 6% of Zoe's audience *did not* listen to any other Radio 2 output.

After a dip in reach in 2018, Radio 4's *Today* programme has rallied, with its weekday programme achieving its fifth-ever highest audience in Q1 2019 (7.2 million). Including the Saturday slot, *Today* reaches 7.3 million adults each week.

Following the changes in commercial radio regulation in 2018, which removed a requirement on local stations to produce their own breakfast shows, the Capital network launched a UK-wide breakfast show on 8 April 2019, and the Heart network followed suit on 3 June. Both brands are owned by Global.

Figure 4.6: Listening across the day, by sector (Monday to Friday)

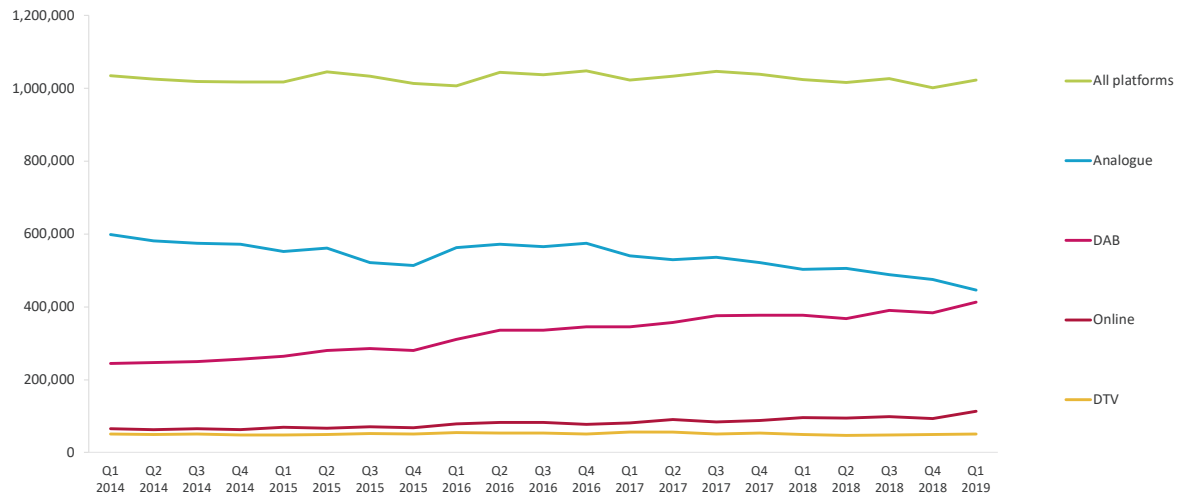


Source: RAJAR Q1 2019.

Digital listening grew in the 12 months to Q1 2019

Digital share of listening overall across the UK continues to grow and now stands at 56.4%, up from 52.6% in Q4 2018. Although DAB is by far the main digital platform (40.4% share of all listening hours overall), the largest growth is in listening online, which grew by 20% between Q4 2018 and Q1 2019. However, online listening is still a low proportion of overall listening, as seen in Figure 4.7.

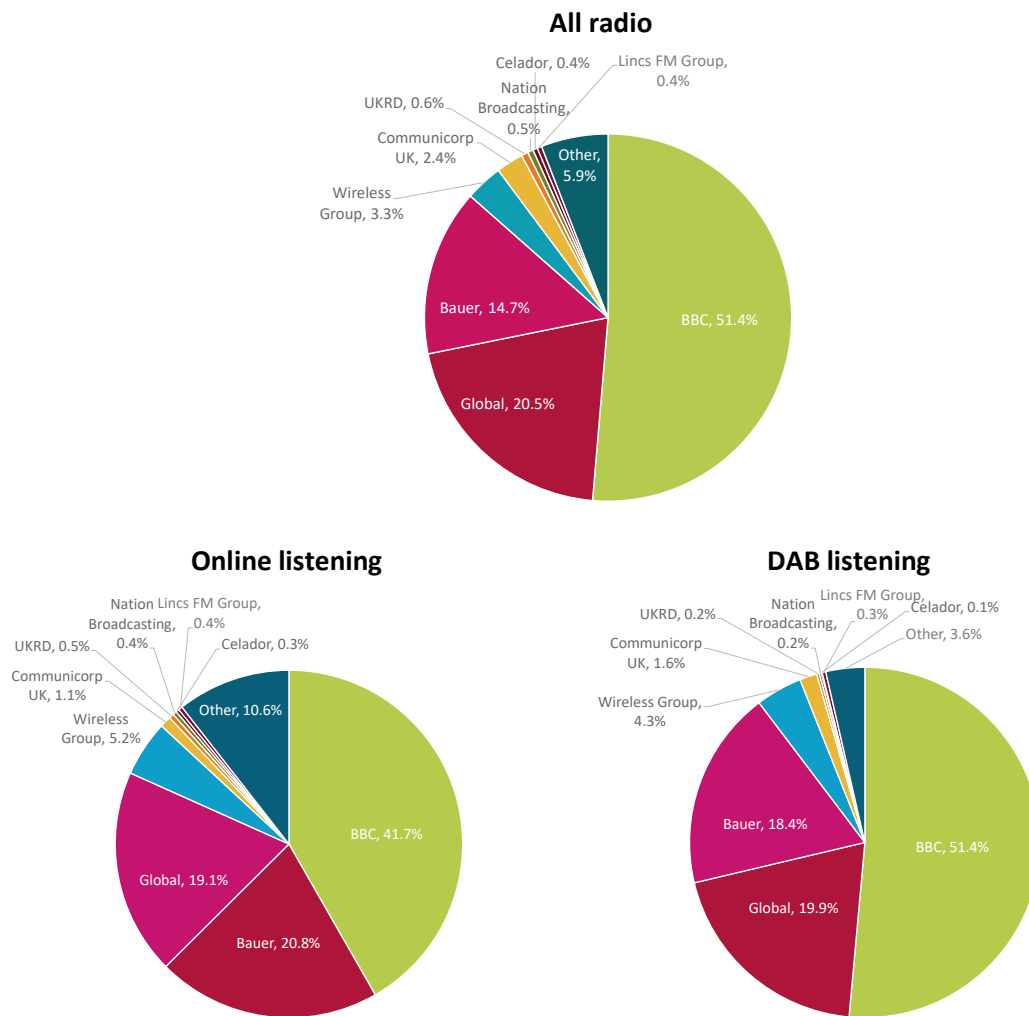
Figure 4.7: Listening hours (thousands), by platform



Source: RAJAR Q1 2019.

Taking into account all time spent listening to radio each week, 51.4% was to BBC stations in Q1 2019. But this varies by platform; only 41.7% of online listening is attributed to BBC stations. Bauer's share of listening is higher when looking at online listening; it has the highest proportion apart from the BBC. 'Other' radio accounts for a higher proportion of online listening, as this includes listening to overseas services or online-only stations that are not covered by RAJAR. This figure, however, has decreased over the past five years (from 15.7% to 10.6%) while the online share of listening to Global and Bauer stations has increased, suggesting that the increased choice of stations offered by these groups is attracting listeners away from 'other' stations.

Figure 4.8: UK radio listening: market share by radio group, by platform

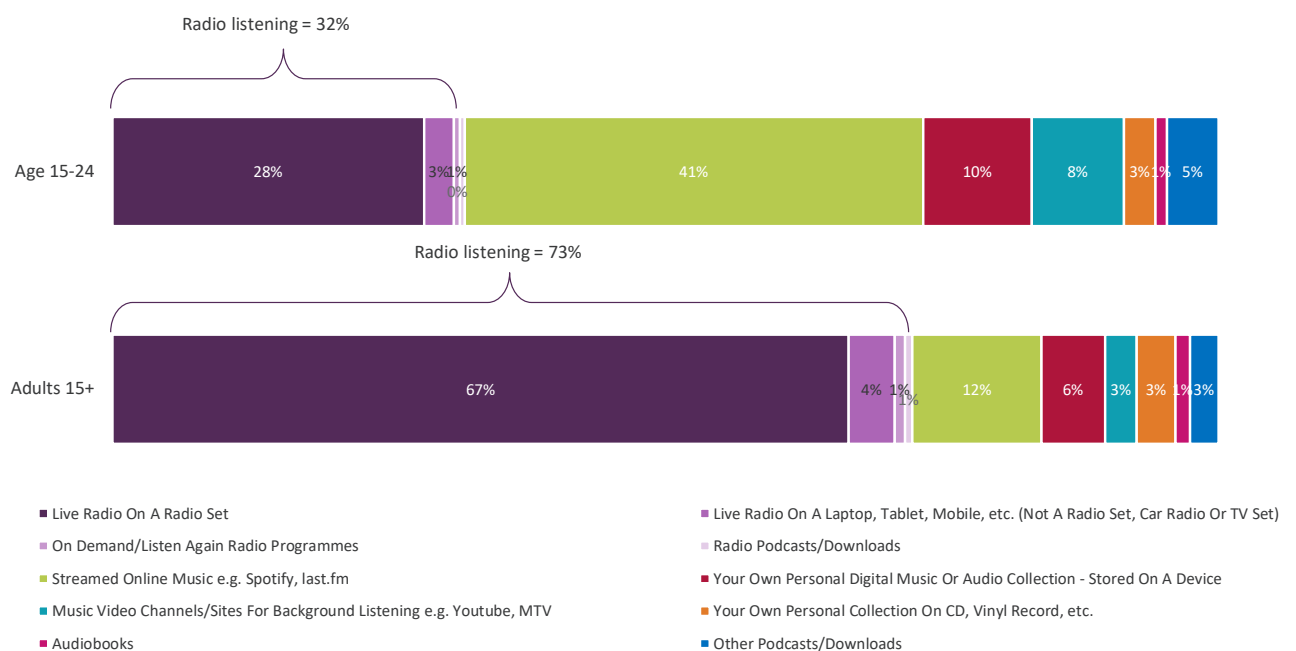


Source: RAJAR Q1 2019.

Although live radio is strong, there are challenges for the radio industry

The measurement of radio listening used to be relatively straightforward as the only option was ‘live radio’, normally accessed through a dedicated radio set. Now, however, we can listen to full programmes on catch-up, listen to repurposed programmes through podcasts and listen on a range of hybrid devices such as smart speakers. In a time when there are so many other competing audio providers, such as Spotify and YouTube, measuring the impact of radio can be challenging. The IPA’s TouchPoints survey asks consumers to report a range of different audio activities, which allows us to estimate the ‘share of ear’ that is accounted for by radio. For all adults, almost three-quarters of weekly listening is to radio, either live, on-demand or radio podcasts. But among young people this drops to less than a third, with 41% of audio time spent with music streaming services.

Figure 4.9: Weekly share of audio listening



Source: TouchPoints 2018.

More than two-thirds listen to analogue radio in the car

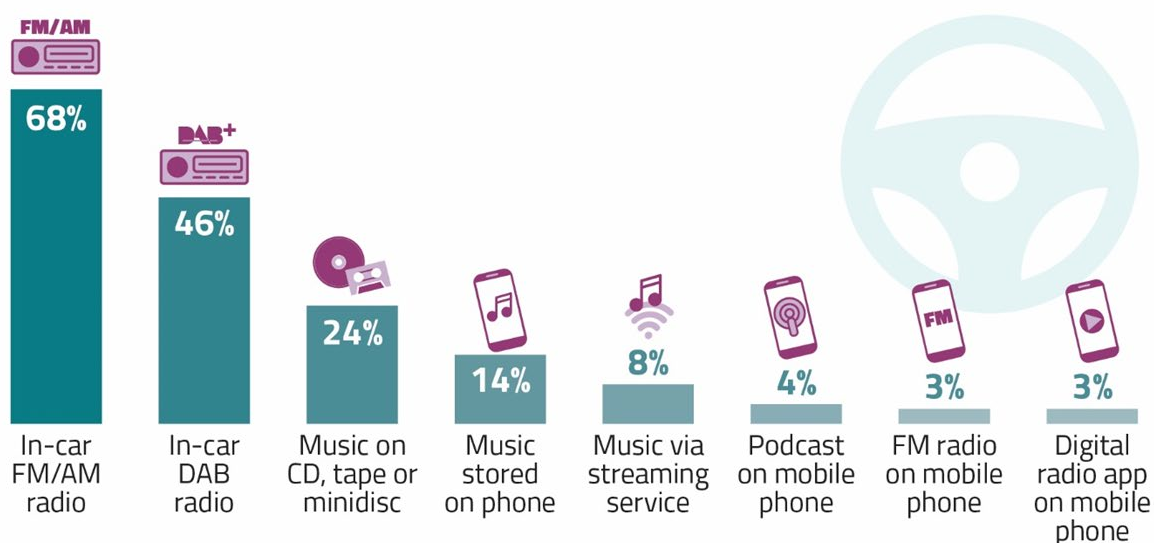
Live radio is the most common type of in-car audio consumption. Sixty-eight per cent of radio listeners who use a car said they listened to live radio on an in-car FM/AM radio, while 46% said they listened to live radio on an in-car DAB radio set. As a significant majority of new cars sold (93% in Q4 2018)¹⁰² have DAB radios installed as standard, as motorists replace their cars with newer models, this proportion is likely to increase.

In contrast, fewer people reported using on-demand audio services in the car, with 8% saying they listened to music via a streaming service and 4% listened to podcasts.

¹⁰² Source: The CAP/SMMT data for Q4 2018 shows that 93.1% of new cars came with DAB as standard. <https://www.worlddab.org/countries/united-kingdom#automotive>

Hybrid radio¹⁰³, being rolled out by some car manufacturers including Audi, combines FM, DAB and online reception of live radio, automatically switching from broadcast to internet streamed radio when outside the station’s broadcast coverage area, or in areas with poor reception. So that this can work seamlessly and offer listeners the best experience, hybrid radios require metadata (including EPG data) and auxiliary content such as station artwork to show on the screens. In response to this need, broadcasters in ten countries are working with Radioplayer to provide a single source for metadata for car manufacturers, which in return agree to several requirements in relation to the visibility and ease of use of broadcast radio and broadcaster brands.

Figure 4.10: Listening to audio content in the car



Source: Ofcom Technology Tracker 2019

QP22. Which of these ways of listening do you ever use in a car?

Base: All adults aged 16+ who listen to radio and who use a car (2019, 2744).

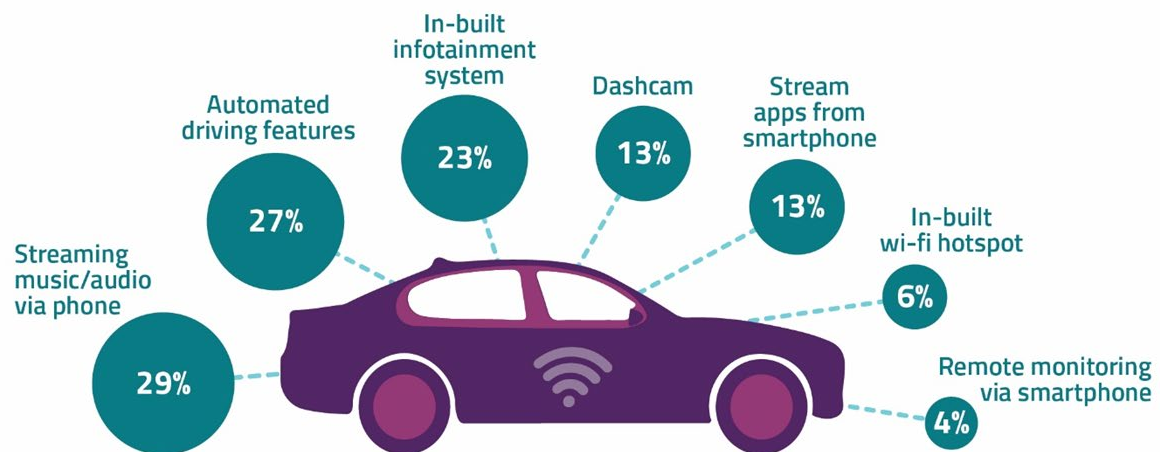
Looking at the current take-up of selected connected car technologies, one of the most common features is the ability to stream music and audio from a mobile phone to the car’s audio system, often via Bluetooth. While these features can be built in to the car, it is also possible to add them later. Amazon Echo Auto, announced in 2018, is designed to work with the driver’s smartphone to offer voice-controlled access to Alexa services in the car, in cars that do not have built-in voice control. Using voice to control devices and select stations means that drivers do not need to take their eyes off the road or their hands from the car’s controls.

While it is fairly common (at 27%) to have some form of automated driving feature,¹⁰⁴ only 6% of households say they use a car with a built-in wi-fi hotspot, and only 4% use a car that allows them to use a smartphone to monitor their car.

¹⁰³ See <https://radiodns.org/>

¹⁰⁴ For example, features such as adaptive cruise control, collision avoidance, assisted parking or lane centring

Figure 4.11: Connected car technology



Source: Ofcom Technology Tracker 2019

QB9. Does any car used by someone in your household have any of these features?

Base: All in a household where someone uses a car (3142).

The rapid take-up of smart speakers is both an opportunity and a threat for radio broadcasters

One in five (20%) UK households now own a smart speaker, such as an Amazon Echo, Google Home, or Apple HomePod, compared to 13% in 2018.¹⁰⁵ People aged under 55 were more likely to say they owned one; about a quarter of 16-34s (27%) and 35-54s (25%), compared to just 11% of over-54s.

Take-up of Amazon's smart speakers is significantly higher than of devices from other companies. Among internet users who use smart speakers, 78% said they used an Amazon device such as an Echo, Echo Dot or Echo Show, 18% used a Google Home device, 7% an Apple device, while 2% said they used another type of smart speaker.¹⁰⁶

Among those using smart speakers, their most claimed activity on this device was to listen to music via a streaming service (69%). This was most popular among the youngest age group (79% of 16-34s), dropping to 51% of over-54s. Listening to a live radio station followed (56%).¹⁰⁷ However, in contrast to streaming music, this activity was less likely among the younger age group (44%) and more likely among 35-54s (61%) and over-54s (71%). Smart speakers were used to listen to podcasts by 22% of smart speaker owners and used by 10% to play interactive audio games.

Although the most common uses of the smart speaker relate to audio listening activities, almost half of users claimed to ask their speaker general questions or search for information online (47%) or to access weather reports (46%). Over a third used their speaker as a personal alarm, schedule reminder or shopping list (36%), or to get news reports (34%). Around one in seven used them to control household devices such as heating or lighting (15%), or the TV or set-top box (14%), or to get

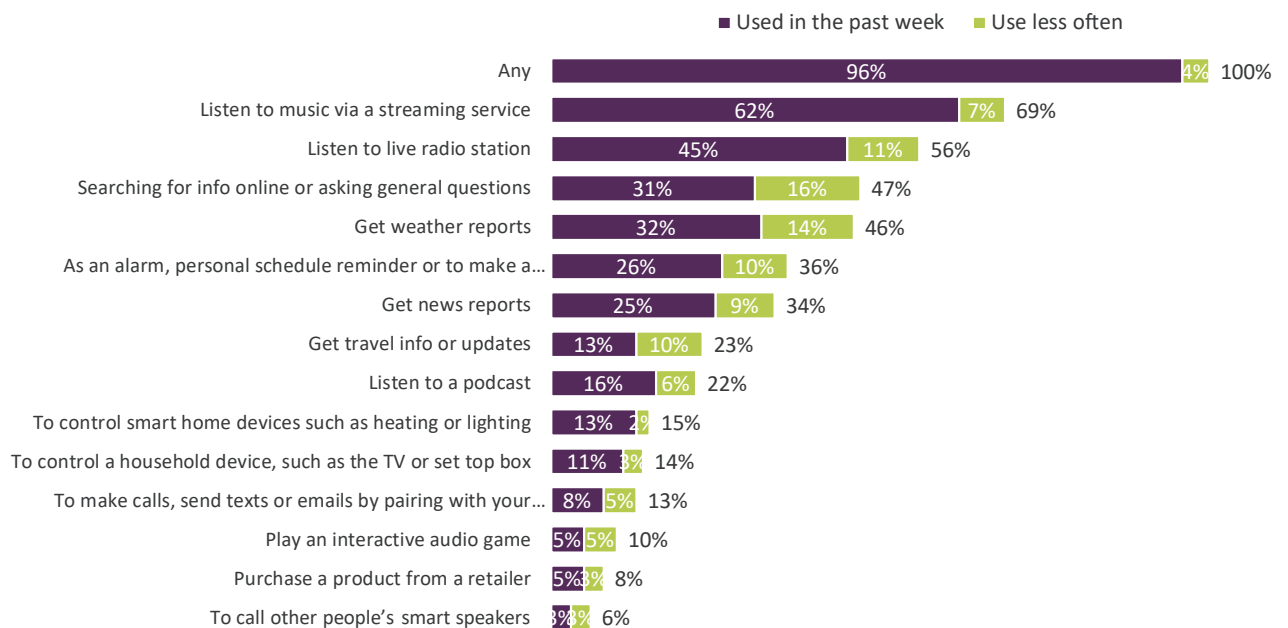
¹⁰⁵ Ofcom Technology Tracker 2019

¹⁰⁶ Source: Ofcom Search Research, March 2019. Q15: "Which type of smart speaker do you use?" Base: all respondents who use a smart speaker (n=478)

¹⁰⁷ Among all radio listeners, the number who had ever listened the radio on a smart speaker increased from 10% of adults in 2018 to 19% in 2019. This number may include non-owners of smart speakers. (Source: Ofcom Technology Tracker)

the speaker to make calls, send texts or emails by pairing to a mobile phone (13%). Eight per cent said they used their smart speaker to purchase a product from a retailer.

Figure 4.12: Use of smart speakers



Source: Source: Ofcom Technology Tracker 2019

QB7. Thinking of your household's smart speaker – such as an Amazon Echo, Google Home, or Apple HomePod... Which of these do you use your smart speaker for? QB8: And which of these have you used your smart speaker for in the last week?

Base: All adults aged 16+ who use a smart speaker (617).

Smart speakers offer broadcasters the opportunity to expand their digital audiences and reach new listeners outside their broadcast coverage areas. In April 2019, Bauer said that 40% of its internet listening hours were from smart speakers.¹⁰⁸ Despite this, challenges remain for broadcasters around smart speakers. To listen to a particular station, users may have to request that station by name, and so stations' branding becomes more important. Even if a consumer remembers the specific name of the station, confusion may arise if stations have the same name, resulting in the incorrect station being selected.¹⁰⁹ For those broadcasters seeking to develop apps/ skills for smart speakers rather than rely on third-party players (potentially offering broadcasters greater access to analytics), having a strong brand may help to increase visibility among the thousands of skills available (almost 30,000 in the case of Amazon Alexa).¹¹⁰

Other challenges include the bundling of music streaming services with smart speakers and the enabling of music and other audio content potentially associated with the device manufacturer by default. Building on its £3.99 subscription for Alexa devices, in April 2019 Amazon launched an

¹⁰⁸ <https://radiotoday.co.uk/2019/04/bauer-boss-calls-for-collaboration-and-respect-in-radio/>

¹⁰⁹ <https://www.radiodayseurope.com/news/making-smart-devices-work-your-station>

¹¹⁰ The number of Amazon Alexa skills in the UK grew by 233% to 29,910. Source <https://voicebot.ai/2019/01/02/amazon-alexa-skill-counts-rise-rapidly-in-the-u-s-u-k-germany-france-japan-canada-and-australia/>

advertising-funded version of its music streaming service for Alexa users, enabling owners of Amazon’s smart speakers (among others) to have free access to Amazon’s music service.

The UK radio industry

Digital radio services are available via a range of different platforms

Digital terrestrial radio services in the UK are broadcast on the dedicated DAB digital terrestrial radio network as well as on digital terrestrial television (DTT); digital radio services are also broadcast via cable and satellite networks. Radio services broadcast on DAB or DTT are required to be based in the UK and hold the appropriate licence from Ofcom, while those on cable and satellite TV networks must either hold the appropriate licence from Ofcom or be already authorised in another EU member state. Digital radio services are also distributed via the internet, accessed via a webpage, app or device such as a smart speaker. While many radio stations delivered over the internet are simulcasts of licenced broadcast services, there are also many radio stations that are online only. Radio services distributed via the internet do not require a licence to operate and are not regulated by Ofcom.

The total number of DAB services carried on multiplexes increased in 2018

Between March 2018 and March 2019, the overall number of analogue stations fell by one. Northsound 2 AM service ceased in April 2018, and NECR, an independently owned FM station serving Inverurie in Aberdeenshire, closed in August 2018. However, Scotland also saw the launch of a new FM service, Nation Radio Scotland, covering the Glasgow area.

Figure 4.13: Analogue radio services: March 2019

	AM	FM	AM/FM total
Local commercial	50 (-1)	235	285
UK-wide commercial	2	1	3
BBC UK-wide networks	1	4	5
BBC local and nations	26	46	46
Community radio stations	11 (+1)	270 (+25)	281 (+26)

Source: Ofcom, BBC. NB: BBC UK-wide network AM total excludes Radio 4 LW and Radio 4 MW services. Any changes since March 2018 shown in parentheses.

The number of local services carried on DAB has continued to grow

The overall total number of services available on the three UK-wide DAB multiplexes stayed the same between March 2018 and March 2019. Bauer launched Scala Radio, the UK’s second national commercial classic music station on the Sound Digital multiplex, on 4 March 2019, replacing Heat Radio on the multiplex, although the station continues to be available via the internet and Freeview. In June 2019 Global Radio launched Heart Dance, a UK-wide dance music station which is broadcast on the Digital One multiplex.

The total number of services carried across local DAB multiplexes increased by 39 to reach 447 by the end of March 2019, although the exact number of services varies over time as services come on and off multiplexes. One station launch on local DAB was Bauer’s Country Hits Radio, using carriage on multiple local DAB multiplexes to provide the service to listeners in various parts of the UK.

The launch of small-scale DAB multiplexes, planned for 2020 onwards, will allow additional services to be broadcast on DAB, including community radio stations and commercial stations seeking to offer a more localised service than is possible on the existing local DAB multiplexes.

Figure 4.14: DAB radio services: March 2019

	BBC UK-wide	UK commercial 92% coverage (Digital One)	UK Commercial 83% coverage (Sound Digital)	Local commercial
Number of multiplexes	1	1	1	55
Number of services	11	14	20	447* (+39)

Source: Ofcom, BBC. Note: the number of services on commercial multiplexes includes all services carried on each multiplex, meaning that a service may be counted more than once. Any changes since March 2018 shown in parentheses.

Consolidation and networking form key parts of commercial strategy for the largest groups

Over the last few months there have been a raft of changes in the commercial radio sector as industry consolidation continues, driven by the acquisition activities of the major groups: Global, Bauer and, to a lesser extent, Wireless. In 2019, Bauer announced the acquisition of three radio groups: Lincs FM Group, Celador’s radio business and UKRD, along with the Wireless Group’s local stations in England and Wales. At the time of writing, these four transactions are subject to a merger enquiry being undertaken by the Competition and Markets Authority (CMA).¹¹¹

Other recent mergers and acquisitions activity in the sector includes Communicorp’s purchase of Connect FM and Heart Watford from Adventure Radio in February 2019¹¹², and the extension of the Heart service across more of Hertfordshire, following its purchase of BOB FM in April 2019.

The local radio industry is also undergoing shifts, following changes to regulation made by Ofcom in 2018. The new rules allow stations to reduce the minimum amount of locally-made programming during daytime hours from seven hours each weekday to three. The changes in regulation also removed a requirement on local stations to provide a locally-made breakfast show, and therefore allowed for greater networking.

¹¹¹ On 24 July the CMA said that it is, or may be, the case that this merger has resulted, or may be expected to result, in a substantial lessening of competition. As a result, the merger would be referred for a phase 2 investigation unless the parties offer acceptable undertakings to address these competition concerns

¹¹² Before the acquisition, these stations were owned by Adventure Radio but managed by Communicorp

Global Radio has already taken advantage of these changes by launching shared breakfast programming across its key brands such as Capital and Heart. The changes should allow Global to build a national profile for its DJs and more easily attract high-profile guests. Global says that the changes will allow it to compete more effectively with BBC Radio 1 and BBC Radio 2.

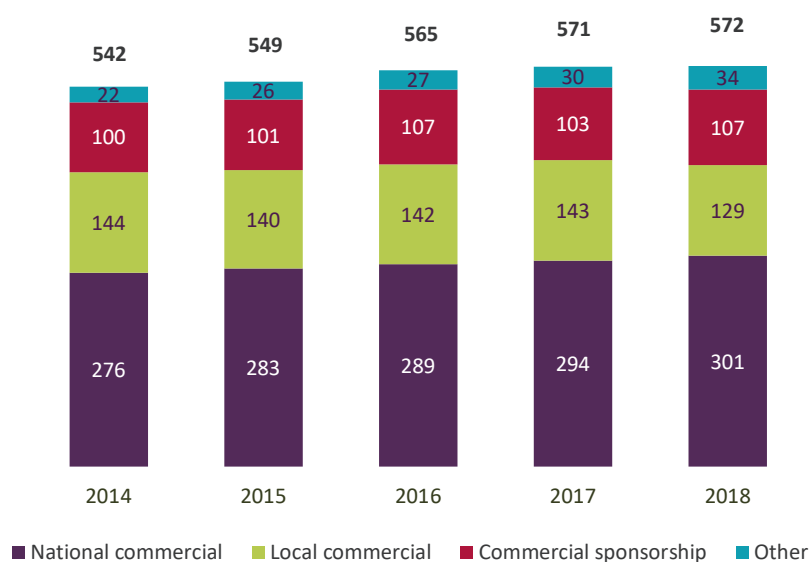
Bauer has extended its networking, following the launch of the Greatest Hits network in 2019 to replace its City 2 network, including the rebranding of City 2 stations in England. From July 2019 some of the stations in Bauer’s Hits network (launched in 2018) will lose all locally-made weekend programming, although Liverpool, and stations in Scotland, will continue to have their own locally-made weekend programming. Also, from July 2019, Bauer will replace the individual breakfast and drivetime programming on its four Free Radio stations in the Midlands with two breakfast programmes and a single drivetime programme. Following its purchase of BOB FM in April, Communicorp has merged the service with Heart Watford, extending its coverage area.

While there has also been consolidation within the sector, since summer 2018 the largest groups have also been active in transactions in other sectors. Bauer exited the TV market following the sale of its 50% stake in Box TV to Channel 4 in January 2019, in order to concentrate on radio and magazines, and Global purchased out-of-home advertising firms Primesight and Outdoor Plus in September 2018, and Exterior Media the following month, diversifying the group into the out-of-home advertising sector.

Commercial radio revenues were stable in real terms between 2017 and 2018

Reported total commercial radio revenues were flat year on year, but reached a nominal high of £572m as real-terms increases of 2% in national advertising and 4% in sponsorship offset a decline of 10% in reported local advertising revenues.

Figure 4.15: Commercial radio revenues (£m)



Source: Ofcom / broadcaster returns. 2017 data includes restatements. Figures rounded to nearest £million. Adjusted for CPI at 2018 prices.

According to data from Warc/Nielsen,¹¹³ the three largest segments were entertainment and leisure, finance (each accounting for 13% of total expenditure on radio advertising), and motors, which accounted for 12% of expenditure. Expenditure on these first two categories grew by 12% and 18% in real terms year on year respectively but fell by 16% in real terms for the motors category.

BBC expenditure

Estimated BBC expenditure on radio (including apportioned overheads) declined by 3% in real terms between 2017 and 2018 to £741m. But within this overall figure, estimated expenditure on radio content rose by 2% in real terms.

Community radio sector

Advertising and public funding (the BBC licence fee) remain the main key sources of funding for radio in the UK, but the community radio sector funding mixture is broader than this. The sector's total revenues of £12.0m declined by 1% in real terms but average income per station fell by 5% in real terms to £49k, reflecting an increase in the number of stations reporting (246 vs. 236).

Community radio sector costs were £11.5m in 2018, representing a 6% year-on-year decrease in real terms and equivalent to an average of £47k per station, a 9% decline in real terms.

Sources of funding for the radio and audio sector

While the community radio sector continues to receive funding from a range of public bodies, an additional source of public funding for radio and audio content is the Government's £3m Audio Content Fund, designed to support genres of audio content such as documentaries and drama that may be difficult to fund on a fully commercial basis, in particular due to their high cost compared to music output. All content funded by the fund must be broadcast on a UK community or commercial radio station licenced by Ofcom. The first funding round closed in late April 2019, with bids involving 28 commercial radio stations and ten community radio stations or partnerships, all seeking support for content for children, comedy, documentaries, drama and sport. In June it was announced that nine successful bids will share £234,000 being distributed in the first funding round. Content funded via this round will be broadcast by 17 radio stations, including local and national commercial services (such as XFM and TalkSport) as well as community radio.

Developments in digital radio

DAB digital radio coverage continues to increase

DAB radio services are broadcast as 'multiplexes'. This means that sound signals from a number of individual radio stations are combined together and transmitted as digital data. In the UK, there are DAB multiplexes with UK-wide coverage and 55 local commercial multiplexes. In addition, small-scale DAB multiplexes are on trial in ten local areas. The two UK-wide commercial multiplexes (Digital One, launched in 1999 and Sound Digital, launched in 2016) carry services for the whole of the UK while the local commercial multiplexes carry both commercial services and the BBC's local or nations' service for the region. A multiplex's coverage depends on a range of factors including the number and location of transmitter sites. For commercial multiplex roll-outs, the incremental cost

¹¹³ Source: Nielsen AA/Warc Expenditure Report, expenditure by Nielsen product category. NB: definition of expenditure not directly comparable to radio revenue data published by Ofcom.

and revenue benefit of adding sites for extra coverage is a key consideration, so commercial multiplexes operate from fewer sites, and have lower coverage than the national BBC multiplex.

Following the build-out of the Sound Digital national commercial DAB multiplex across 19 additional transmitters in England, Wales and Scotland in 2018, it can now be received by 83% of households and offers 73% coverage on major roads around the UK, compared to 77% and 67% respectively before the build-out programme. Coverage for the other two UK-wide multiplexes and the local DAB multiplexes remained the same as a year before.

Promoting innovation in radio: licensing small-scale DAB

Small-scale DAB is a new way of transmitting digital radio that uses advances in software and low-cost computer technology to provide a flexible and inexpensive approach to terrestrial broadcasting. Trials using this technology were set up in 2015 in London, Manchester, Birmingham, Glasgow, Portsmouth, Cambridge, Brighton, Aldershot, Bristol and Norwich.

As demonstrated in the trials, the technology opens the way for an additional tier of DAB multiplexes (beyond the three national and the local multiplexes) and offers the potential for new, more local digital radio services.

Ofcom and DCMS are working to establish a licensing framework for small-scale multiplexes. The Broadcasting (Radio Multiplex Services) Act 2017 made provision for the licensing and regulation of small-scale radio multiplex services, and in 2018 DCMS consulted on the approach to the licensing of these services. In parallel with this, Ofcom sought expressions of interest from parties wanting to operate small-scale DAB multiplexes and/or who were interested in providing services on them. Ofcom received over 700 expressions of interest relating to running a small-scale multiplex and/or a programme service.

In June 2019 the DCMS laid secondary legislation before Parliament, which if approved will allow Ofcom to issue a new type of licence - Community Digital Sound Programme ('C-DSP') licences, which are specifically designed for community radio services broadcasting on DAB. In July 2019 Ofcom published a consultation on how it would approach the licensing of small-scale DAB services and multiplexes in the event that it acquires these new powers. We propose that:

- C-DSP licences will contain conditions similar to those for analogue community radio licences, which require holders to demonstrate social gain and be subject to limits on the proportion of income they generate from advertising.
- Small-scale multiplexes will be required to reserve capacity to allow for a minimum of three C-DSP programme services. Capacity beyond this would be available for services holding a DSP licence.

We intend to advertise the first batch of licences in early 2020. For further details please see <https://www.ofcom.org.uk/consultations-and-statements/category-1/licensing-small-scale-dab-new-powers-and-duties-proposed-by-government>

Ofcom is continuing to licence local DAB multiplexes in areas where there have been expressions of interest. In summer 2019 Ofcom proposes to invite applications to operate local DAB multiplex services in Morecambe Bay, North and West Cumbria and southwest Scotland, areas that do not currently receive local DAB services.

In April 2019 Ofcom, working with the Channel Islands' authorities, published an invitation for applications to be the operator of the first commercial DAB multiplex for the Channel Islands, with the intention that the licence covering both Jersey and Guernsey would be awarded in autumn 2019. This will enable BBC Radio Guernsey and BBC Radio Jersey to be available on DAB for the first time, though the Channel Islands currently receive BBC's UK-wide services on DAB.

DAB+ is an evolution of the DAB standard which offers the potential for more stations and/or better sound quality than DAB.¹¹⁴ DAB radio sets with the digital radio 'tick mark' can receive DAB+ services as well as existing DAB services.

While most UK services use DAB, the use of DAB+ is growing in the UK, with several services on the Sound Digital multiplex at March 2019 using this development, as well as some services on the trial small-scale DAB multiplexes. In summer 2019, Global Radio migrated Heart Extra and Smooth Extra from DAB to DAB+ transmission on the Digital One multiplex, also adding Gold in DAB to the multiplex. Following changes to Ofcom's Digital Radio Technical Codes, written permission from Ofcom will no longer be required to migrate services from DAB to DAB+ on national and local multiplexes, giving broadcasters greater flexibility to tailor their approach to DAB+ to take account of their specific market conditions. Multiplex operators and radio stations will be required to work together to ensure that listeners are informed about migration of services to DAB+.¹¹⁵ Furthermore, in our July 2019 consultation on small-scale DAB, we are proposing to require small-scale DAB multiplexes to use DAB+ only, to enable more services to be carried.

¹¹⁴ DAB uses MPEG 1 Layer II compression (sometimes called MP2) , while DAB+ uses the more recent MPEG 4 HE-AAC V2 compression. DAB+ also includes more robust error compression which helps to improve the reception of stations.

¹¹⁵ Revisions to Digital Radio Technical Codes Statement following consultation (June 2019)

https://www.ofcom.org.uk/_data/assets/pdf_file/0028/151993/statement-digital-radio-technical-codes.pdf

Figure 4.16: coverage of DAB services: March 2019

		BBC UK-wide	Commercial		
			Digital One	Sound Digital	Local DAB
UK	Homes	97.4%	91.7%	82.6%	91.0%
	Major roads	87.4%	80.2%	72.6%	75.2%
England	Homes	98.4%	94.8%	86.7%	92.3%
	Major roads	94.5%	93.9%	89.8%	85.0%
Scotland	Homes	95.3%	81.7%	69.0%	85.4%
	Major roads	69.1%	45.5%	33.6%	45.6%
Wales	Homes	92.2%	67.5%	56.9%	82.6%
	Major roads	78.1%	53.3%	37.7%	60.9%
Northern Ireland	Homes	87.3%	85.4%	56.8%	87.5%
	Major roads	79.3%	86.9%	55.0%	87.8%

Source: BBC, Arqiva, Ofcom.

Although DAB is the most established technology for broadcasting terrestrial broadcast digital radio, it is possible to use other technologies. In February 2019, the BBC started trialling digital radio broadcasts using a 5G mobile test network in Orkney. Whether going over fixed or mobile networks, the current delivery of radio over the internet is achieved by sending a separate data stream to each listener wishing to listen to the station online. The technology tested in Orkney means that a single stream is sent to the entire mobile cell, which can then be accessed by anyone who has a handset that supports reception of broadcasts over cellular networks, and who has downloaded a specially modified version of the BBC Sounds app. In May 2019 the BBC announced that the trial would continue until the end of September 2019.

As in the UK, governments and regulators around the world are carrying out work to consider the future role of digital radio among the broader audio mix

In December 2018, European legislation (the European Electronic Communications Code, or EECC)¹¹⁶ came into force, mandating that by 2020 all new car radios sold in the European Union must be capable of receiving digital terrestrial radio (manufacturers can continue to include analogue reception as well). The legislation also enables member states to go further than this and mandate that all radios sold in their countries include a digital receiver. Prior to this, some European countries

¹¹⁶See Annex XI Directive (EU) 2018/1972 establishing the European Electronic Communications Code (ECC) <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018L1972&from=EN>

including Italy and France had already enacted legislation mandating that radios sold in those countries included digital receivers.¹¹⁷

Work is also under way in the UK. In May 2019, the DCMS announced a digital radio review; it plans to work with broadcasters and the radio supply chain to “ensure a healthy and vibrant digital future for UK radio”.

According to GfK data, between 2017 and 2018 the proportion of radio¹¹⁸ sales in Great Britain involving a device with only an analogue tuner fell slightly from 56% to 55%. Although household DAB penetration has risen over time to 66.5%¹¹⁹, the number of DAB radios sold (1.3 million in 2018) remains lower than the number of analogue-only radio devices (1.6 million), and both DAB and analogue radio sales volumes are declining year on year. In contrast, the number of smart audio devices sold grew by 83% between 2017 and 2018 to reach 2.5 million units, driven by the purchase of smart speakers.

Audio on demand: music streaming

More people are using music streaming services

The number of people using free (normally ad-supported) or subscription audio streaming services has increased in recent years. According to TouchPoints, 42% of adults listen to a music-streaming service (including using YouTube and Facebook video in the background) each week, increasing to 83% of adults aged 15-24. Looking specifically at YouTube, in 2018, 62% of users of online video services said they watched music videos, and YouTube channels associated with music videos have among the highest reach on YouTube. For more detail on how people in the UK are using YouTube, please see the Online Video chapter.

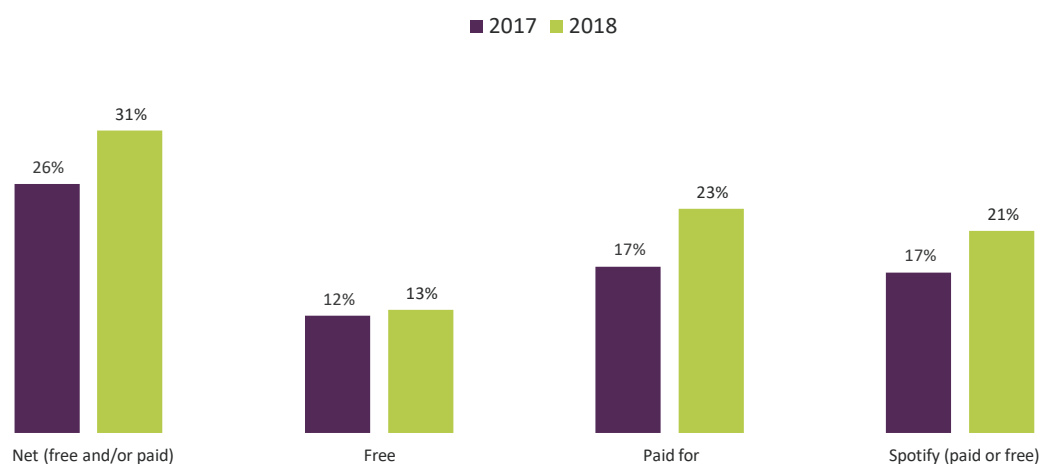
Looking more specifically at music streaming services (excluding YouTube and Facebook), the proportion of adults listening to music via an audio streaming service increased from 26% to 31% between 2017 and 2018, driven by growth in the proportion listening to a paid-for service (from 17% to 23%, equivalent to a 35% year-on-year change). Weekly use of paid-for or free streaming services varies significantly between demographic groups and declines with age. It is highest among 15-24s (67%) falling to 6% of over-64s. Weekly use of Spotify (either via a paid subscription or the free advertising-funded version) grew 4pp year on year to 21% of adults in 2018.

¹¹⁷ In France these provisions were enacted once coverage of DAB exceeded 20% of the population (achieved in December 2018), while the Italian legislation passed in 2017 mandates that all radios sold from 2020 have can receive digital services

¹¹⁸ Radio volumes include audio home radio systems, portable radios, alarm clock radios, boomboxes and after-market car radios

¹¹⁹ RAJAR Q1 2019

Figure 4.17: Weekly use of audio streaming services



Source: TouchPoints 2017 and 2018. Base: GB adults 15+ Excludes background use of YouTube and Facebook videos.

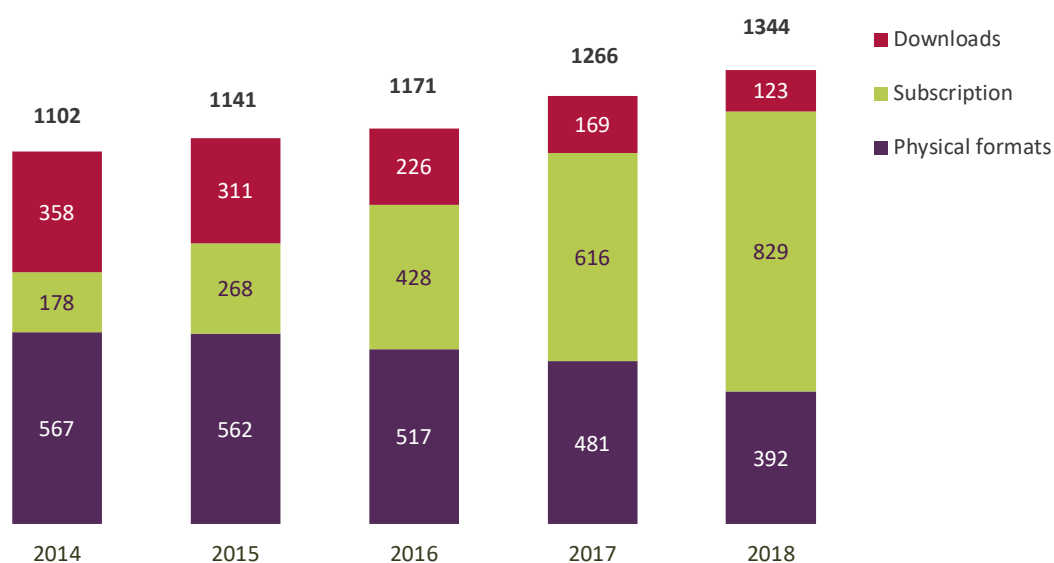
Overall retail music industry revenues grew by 6% in real terms between 2017 and 2018, while music streaming revenues grew by 34%

Total UK music revenue grew by 6% in real terms to reach £1344m in 2018. Physical sales, which accounted for over half of retail revenues five years ago, fell by 19% in real terms between 2017 and 2018 and accounted for only 29% of revenue by 2018. This decline has been driven by falls in sales of CDs, although sales of LPs (sought by music collectors) have continued to grow, albeit from a small base, and reached £91m in 2018. Sales of older physical formats such as cassettes have also grown, albeit from very low bases.¹²⁰

Take-up of subscription-based music streaming services such as Spotify Premium and Apple Music by UK consumers drove music streaming subscription retail revenues to reach £829m in 2018, an increase of 34% in real terms since 2017. Consequently, streaming subscription revenues in 2018 exceeded estimated total expenditure on BBC radio for the first time.

¹²⁰ For example, in 2018 50,000 cassette albums were sold, the highest since 2004, (in contrast to 4.2 million LPs) (Source: PBI Yearbook / Official Charts Company) Physical releases have also been made on other older formats for such as minidisc, 8-track tape and digital compact cassette (DCC), for the collectors' market, albeit as limited editions.

Figure 4.18: UK retail music revenues (£m)



Source: Official Charts Company and ERA estimates. Adjusted for CPI at 2018 prices by Ofcom. Note: Physical formats includes LP, CDs physical format singles, music DVD and other minority formats.

The growth in streaming has also led to an increase in music industry revenues accounted for by streaming. Overall industry revenue from streaming reached £516m in 2018¹²¹ (an increase of 30% in real terms year on year) and accounted for 60% of the sector’s wholesale revenues.

Audio streaming services are continuing to evolve

Although fewer adults use audio streaming services than listen to live radio, and radio accounts for the majority of listening activity among the population as a whole, music streaming is especially important for younger demographics.

As both broadcasters and audio-streaming platforms evolve, there is evidence that they are seeking to borrow from each other’s strengths as they compete for attention. Spotify’s *Your Daily Drive* playlist in the US integrates music with updated news bulletins (provided by the Wall Street Journal, NPR and Public Radio International). Although the speech-based content does not include local traffic or weather reports, the integration of time-relevant speech-based content alongside personalised playlists arguably make the experience more like a personal radio station, rather than a traditional music streaming service. In contrast, digital radio stations (such as the branded stations offering music from a specific decade or genre) offer their listeners more defined and specific music genres than is possible with more traditional station formats. Broadcasters including Global, Bauer and the BBC are investing in their own players which integrate live listening with listen-again and podcast content, and playlists.¹²²

¹²¹ BPI Yearbook 2018. Figure refers to all streaming. CPI-adjusted year-on-year calculation: Ofcom

¹²² However due to rights issues music forming part of on-demand content published by radio broadcasters alongside is sometimes subject to restrictions on quantity and how music may be played.

Audio on demand: the rise of podcasts

Music is not the only type of audio content that consumers are increasingly accessing on demand rather than via broadcast radio. There is no firm definition of a podcast, but in essence they are episodic speech-based pieces of content, primarily audio-based though some also have accompanying video content. They lend themselves to the current era of convenience: they are generally relatively short and can be consumed as and when it suits the individual. Podcasts are heterogenous; the range of organisations publishing podcasts, their genres, business models and production schedules are all very broad.

A wide range of organisations and individuals publish podcasts

Among the types of organisations publishing podcasts, some of the highest profile are the traditional radio broadcasters such as the BBC. The *BBC Sounds* app is responding to the evolving ways in which people are choosing to listen to audio; it offers audiences live radio broadcasts and on-demand content. This content can include repurposed broadcast content, bespoke material or third-party podcasts. Some of the highest-profile US podcasts, including *This American Life*, have their background in public radio in the US. TV broadcasters in the UK and beyond are also beginning to provide podcasts to extend audience engagement for key programmes. News brands such as *The New York Times*, *The Guardian* and *The Economist* are also providing content from their own journalists, as well as providing links to other news or topical podcasts. Independent podcasters talking about anything from a celebrity's favourite meal to true crime documentaries are a key contributor to the long tail of content.

Other types of organisations involved in the podcasting space include media brands such as magazine publishers and music groups,¹²³ dedicated podcast networks and on-demand audio platforms such as music streaming and audio-book services which are commissioning and publishing their own podcasts. Finally, organisations including public bodies, membership organisations and businesses may publish podcasts to promote their organisation's mission and/or as a form of marketing and promotional activity.

In the table below, we show some examples of UK-based podcasts and their publishers, although as our consumer research demonstrates, listeners in the UK consume both domestic and non-UK podcasts.

¹²³ For example, Sony Music has formed a joint venture to produce original podcasts <https://variety.com/2019/digital/news/sony-music-podcast-adam-davidson-laura-mayer-1203208804/>

Figure 4.19: Examples of UK-based podcast publishers and podcasts

	Description	Examples
Radio broadcasters	Podcasts produced by radio broadcasters which background in live radio. Podcasts may include repurposed radio content and/or ‘born-native’ podcast content which has not been previously broadcast on a radio station. Often monetised via advertising and sponsorship or funded via licence fee (BBC).	<i>Ellie & Hannah Have Issues</i> (Heart), <i>Brexitcast</i> (Radio 5 Live) <i>Frank Skinner Show</i> (Absolute Radio), <i>Premier League Preview Show</i> (TalkSPORT), <i>Tomorrow’s Nerd</i> (Global)
TV broadcasters	Podcasts developed from or associated with TV programmes. Often monetised via advertising and sponsorship or funded via licence fee (BBC).	<i>Obsessed With Line of Duty</i> (BBC), <i>Love Island</i> (ITV), <i>Channel4 News</i> (C4) <i>The Gary Neville Podcast</i> (Sky), <i>Ffit Cymru</i> (S4C)
Newsbrands	Podcasts published by non-broadcaster newsbrands. Some of these podcasts are daily news shows, while others are more thematic. Often monetised via sponsorship and/or advertising or used as a promotional material to promote subscriptions. These may sometimes sit behind the paywall as part of the overall offering to subscribers.	<i>Today in Focus</i> (Guardian), <i>Sun Football Podcast</i> (Sun), <i>Brexit Podcast</i> (Telegraph), <i>The Intelligence</i> (Economist), <i>FT Money Show podcast</i> (Financial Times)
Other media businesses	Podcasts published by organisations with significant presence in other types of media, for example magazine or book publishing. Podcasts may be used to supplement other types of content produced by the organisation, as a way of reaching new audiences and as a source of additional revenue and/or be used as a promotional tool.	<i>Appearances</i> (British Vogue), <i>Wired UK Podcast</i> (Wired UK), <i>Empire Podcast</i> (Empire), <i>The Penguin Podcast</i> (Penguin)
Independent podcasts	Wide range of organisations and individuals in the UK whose activities are focussed on production and publication of podcasts on both a commercial and non-commercial basis. Wide variation in genres, scale of operations and funding sources.	<i>Retro Hour Podcast</i> (retro gaming), <i>Wooden Overcoats</i> (drama / sitcom), <i>The Unseen Hour</i> (horror / drama), <i>The Guilty Feminist</i> (comedy), <i>The Football Ramble</i> (sport)
Non-media organisation podcasts	Podcasts produced by a wide range of for-profit, not-for-profit and public sector organisations whose primary purpose is not media production. These organisations may be using podcasts to engage with audiences to promote the organisation’s broader objectives (for example in relation to education, outreach or health), as a promotional activity, or a service targeted specifically at the organisation’s members. Depending on the purpose of the podcast, it might not be monetised directly and may run for a relatively limited number of episodes.	<i>Future Curious</i> (Nesta), <i>Strength and Flex plan</i> (NHS), <i>Big Idea</i> (Edinburgh University), <i>The British Museum Membercast</i> (British Museum), <i>PLT: Behind Closed Doors</i> (Pretty Little Thing), <i>FRS 102 Podcast</i> (Institute of Chartered Accountants of England and Wales)

Source: Ofcom analysis.

Given a lack of standard industry measurement system for podcasts, we commissioned research to better understand how listeners use podcasts

In addition to, or perhaps as a consequence of, the difficulties in agreeing the definition of a podcast is the current lack of an established audience measurement system for podcast listening in the UK. As for television viewing, it is challenging to measure listening to non-linear audio content, something the industry is now beginning to grapple with. Currently, data about podcast consumption in the UK tends to be based on surveys or diary studies while some distribution platforms, including iTunes and the BBC, provide some proprietary information on downloads and listening.

Figures from RAJAR indicate that one in eight adults now listen to podcasts each week. The average age of a weekly podcast listener is 39, around ten years younger than a typical radio listener. The demographic profile of weekly podcast listeners skews towards male (60%) and ABC1 (71%). The skew used to be younger, but this has changed; 47% of listeners are now under 35, compared to 58% ten years ago.

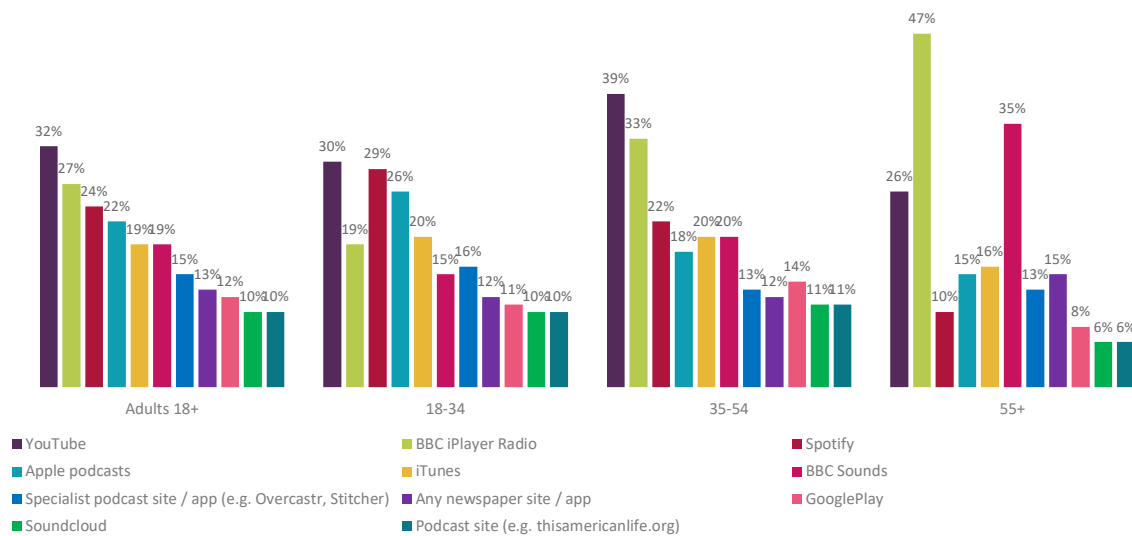
To help provide insight in this area we commissioned further research to understand more about weekly podcast listeners.¹²⁴

YouTube was the most commonly used way to listen to podcasts among weekly listeners

Despite podcasts primarily being considered an audio product, our survey found that YouTube was the service most frequently cited among weekly listeners as a way to access podcasts. These are video podcasts and are particularly popular among the 35-54 age group. One of the most prominent examples during our survey period was *The Joe Rogan Experience*, an American comedian who interviews a range of guests and whose podcasts typically last over two hours.

The most-used audio-only service for weekly podcast listeners was BBC iPlayer Radio and was particularly popular among older listeners. Overall, 39% of weekly podcast listeners use *any* BBC service to access their podcasts, increasing to 68% of over-54s and decreasing to 30% of 18-34s. Younger podcast listeners were more likely to use Spotify and Apple than BBC services.

Figure 4.20: Services used to access podcasts



Source: Populus Research, March 2019; only services with an overall reach of >10% are shown

According to RAJAR, the number of people listening to podcasts each week has grown by 58% over the past two years, corresponding with the findings from our survey which indicate that just over half our sample have been listening to podcasts for less than two years. Two-thirds of listeners say they listen to more podcasts now than when they first started listening. On average, regular podcast users listen to around seven podcasts each week, with around 70% saying they listen to most or all of each podcast.

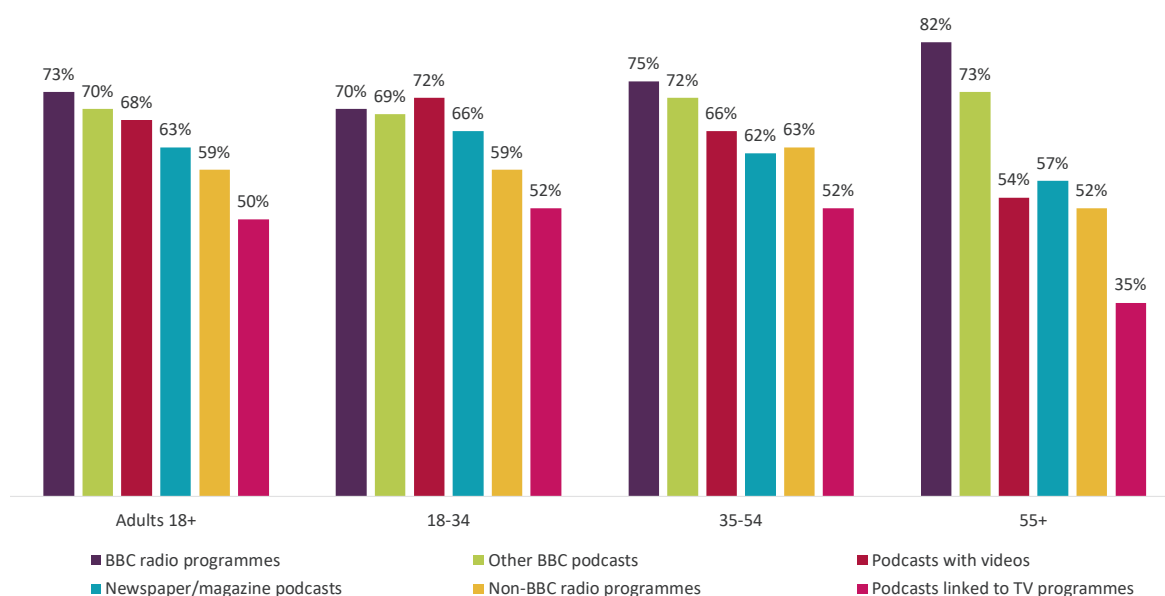
¹²⁴ Populus Research; fieldwork March 2019, sample 1,036 weekly podcast listeners aged 18+

The BBC had the highest reach of all podcast publishers among those we surveyed

Three-quarters of our sample say they listen to a podcast of a BBC radio programme, the highest of any type of podcast. From the diary data we found that these are accessed not only through BBC services but also through services including Apple and Spotify. Among younger regular listeners, podcasts with videos are the most popular choice, closely followed by BBC podcasts. Podcasts from commercial radio stations were also referenced, including LBC, talkSPORT and Radio X.

As well as video podcasts, another audio-visual connection is the numbers of people choosing podcasts associated with a TV programme. Although for weekly podcast listeners this is the least popular type of podcast that we asked about in terms of reach, more than half have listened to them. The main TV programme-related podcasts mentioned in our sample week were *Game of Thrones*, *Line of Duty* and *West Wing*. In June 2019, it was announced that ITV podcasts had been added to Global Radio's audio service, Globalplayer.

Figure 4.21: Types of podcast ever listened to



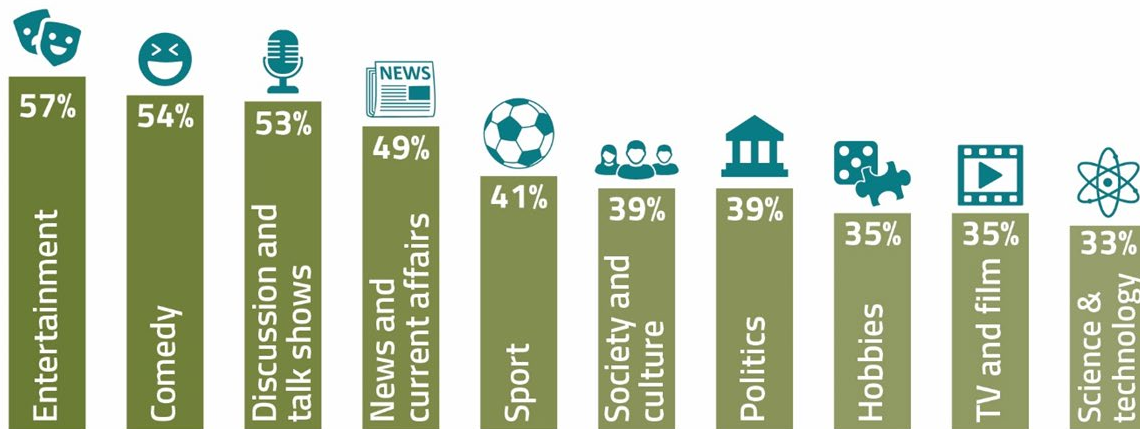
Source: Populus Research, March 2019

The main reason given for listening to podcasts is to be entertained (63%), so unsurprisingly, entertainment podcasts are the genre most listened to (57% of our sample) followed by comedy podcasts (54%). However, discussion and talk shows are also popular, listened to by 53% each week, as are news and current affairs (49%). *Brexitcast*, a BBC Radio 5 live podcast, was named regularly across our sample week, and in June 2019, it was announced that this would become a weekly programme on BBC One.¹²⁵

¹²⁵ <https://www.bbc.co.uk/news/entertainment-arts-48620880>

Podcast providers are also capitalising on celebrity culture, and podcasts with well-known personalities are proving popular. In our sample week, for example, podcasts by David Tennant, Jessie Ware, Peter Crouch, Fearné Cotton and Ricky Gervais all featured.

Figure 4.22: Genres listened to each week



Source: Populus Research, March 2019

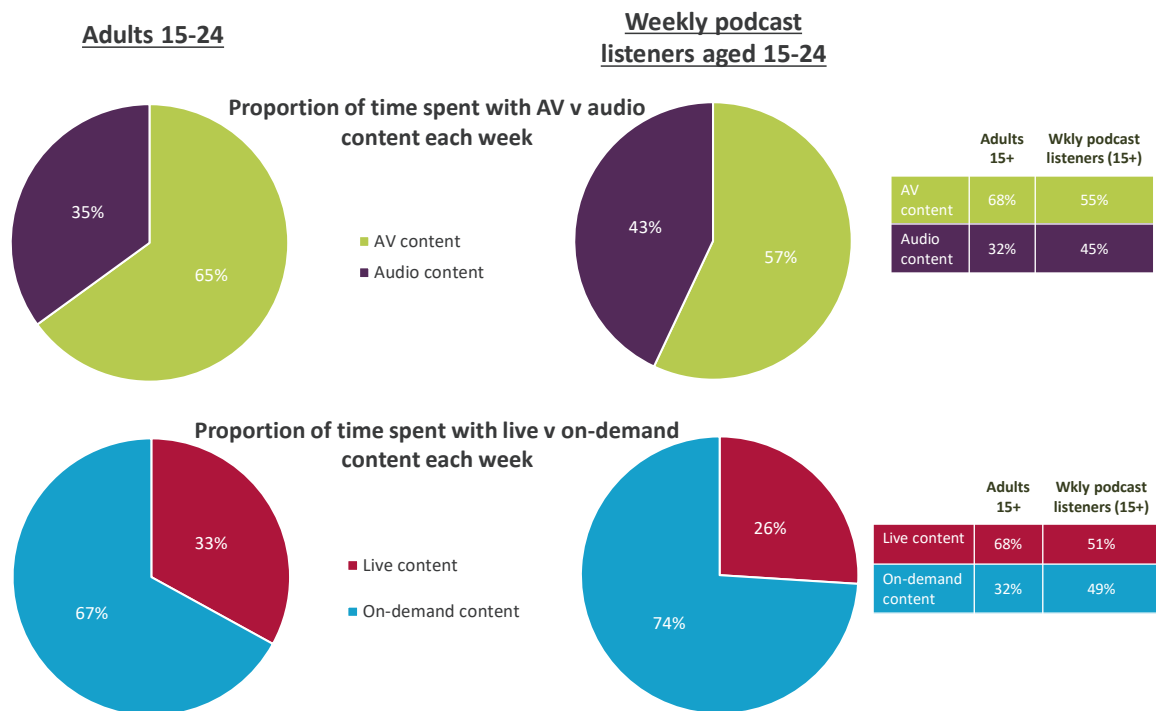
Different types of podcasts appear on different services; for example, BBC Sounds is more likely to be used for fiction/drama than Apple, largely driven by Radio 4's *The Archers*. BBC Sounds is also more likely than either Spotify or Apple to be used for news and current affairs podcasts, mainly driven by Radio 4 and Radio 5 live content. Both BBC Sounds and Spotify are more likely than Apple to be used for sports podcasts.

Podcasts are helping some listeners discover radio programmes

Although a quarter of podcast listeners say they listen to less radio as a result of their podcast listening, a similar proportion say they listen to more. BBC Sounds appears to be helping users discover radio content; 37% of listeners say they have listened to a radio programme for the first time as a result of listening to a podcast.

The wider media consumption behaviour of regular podcast listeners differs from that of non-listeners. Young people spend around a third of their AV/audio time *listening* to content rather than watching it, but this increases to 43% among those who are regular podcast users. Young people overall prefer to consume content at their convenience; two-thirds of their time is spent with on-demand content. This is even more marked among young weekly podcast listeners; three-quarters of their listening time is with on-demand content.

Figure 4.23: Proportion of time spent on AV / audio content: all 15-24s vs. weekly podcast listeners aged 15-24



Source: TouchPoints 2018.

Podcast producers are experimenting with a range of funding sources, but revenues remain small compared to both radio and music streaming

Advertising revenues for UK podcasts are a small fraction of radio advertising revenues, with some agency estimates placing these in the region of £10m.¹²⁶ Producers of podcasts (in particular independent publishers) are continuing to experiment with a range of funding sources, especially those whose subject matter or relatively small audience size may make advertising less appealing as source of revenue. For example, certain UK-based drama, comedy and horror podcasts, such as the *Unseen Hour* and *Wooden Overcoats* among others, allow their fans to pay to attend recordings or performances carried out at live shows. Others offer their fans the opportunity to purchase branded merchandise. Online funding platforms such as Patreon are also used by some to generate regular payments from fans, while other producers have crowdsourcing platforms such as Kickstarter to fund particular seasons of podcasts.

Luminary launched in April 2019 as a subscription-based service with exclusive podcasts behind paywalls. Other platforms providing access to exclusive podcast content include Spotify, which has made several podcast-related acquisitions in the past year including podcast network Gimlet Media and Parcast (helping Spotify build its content library), in addition to Anchor (which provides tools for podcast producers). In developing its podcast offering Spotify notes that podcast listeners spend on average almost twice as long on the platform compared to non-listeners (thereby listening to more music) and it sees an opportunity in offering exclusive content to encourage consumers to try the

¹²⁶ <https://digiday.com/media/uk-podcast-measurement-challenges-stall-advertiser-investment/>

service.¹²⁷ In July 2019 it was reported that Apple was considering investing in exclusive podcast content.¹²⁸

When asked, 40% of weekly podcast listeners agreed that they would be happy to pay to subscribe to their favourite podcasts, with 11% of weekly podcast listeners strongly agreeing. When asked about the amount of advertising in podcasts, 33% agreed with the statement that there were too many adverts on the podcasts they listened to, although only 6% strongly agreed with this statement, and 32% neither agreed nor disagreed. Over half (55%) agreed with the statement that they trusted what they hear in podcasts.¹²⁹

Solving challenges around discoverability and measurement is likely to help the sector to grow and innovate

Discoverability and measurement of the estimated 750,000 podcast titles¹³⁰ will be of critical importance to the ongoing development of the sector. Although in our research, 69% of weekly podcast listeners agreed that they find it easy to find out about podcasts that they might enjoy, and only 12% disagreed, regular podcast listeners may be more confident and knowledgeable than podcast listeners as a whole about finding this information.

Approaches vary on how to make podcasts and other audio content more discoverable for listeners, but generally rely on an algorithm or are based on users' own curations.

Recommendation algorithms often involve the recommendation of content similar to content already consumed by the user, as it is assumed that past listening activity is a predictor of the type of content favoured by the listener, helping to keep them engaged with the platform and potentially reducing churn for subscription-based services.

However, public service broadcasters may have broader objectives, leading to more innovative plans. In May 2019, the BBC announced that it was developing a 'public service algorithm' for its Sounds app, designed to expose listeners to more diverse and 'unexpected' content, rather than content similar to that already listened to.¹³¹

Given the importance of measurement for advertising, initiatives such as the Internet Advertising Bureau's guidance on podcast measurement in the US¹³² have been designed to standardise definitions across the value chain and help develop the podcast advertising market.

The way podcasts are distributed has enabled them to be available on a wide range of platforms, aiding discoverability and global reach, but also presenting challenges around measurement and

¹²⁷ <https://newsroom.spotify.com/2019-02-06/audio-first/>

¹²⁸ <https://www.bloomberg.com/news/articles/2019-07-16/apple-plans-to-bankroll-original-podcasts-to-fend-off-rivals>

¹²⁹ Ofcom research, March 2019

¹³⁰ Chartable <https://chartable.com/>

¹³¹ <https://www.bbc.co.uk/news/entertainment-arts-48252226>

¹³² See <https://www.iab.com/guidelines/podcast-measurement-guidelines/> The second edition of the guidelines was published in December 2017.

monetisation, and potentially giving rise to conflicts between publishers and client platforms. For example:

- In March 2019, the BBC removed access to its podcasts via certain Google services in response to its concerns about the prioritisation of Google’s own podcasting app in search results over third party apps including BBC Sounds.¹³³ The BBC is also experimenting with exclusive early windowing of some of its podcasts via its own Sounds app;¹³⁴ there have been some complaints about this.¹³⁵
- Several large podcast publishers requested that Luminary remove access to its podcasts from its platform, expressing concerns about licensing, the availability of analytics data (reflecting the use of proxy servers¹³⁶), and the removal of links¹³⁷ from episodes’ show notes. Luminary responded by making changes to its platform, removing the proxy servers and replacing the episode links.

¹³³ <https://www.bbc.co.uk/blogs/aboutthebbc/entries/d68712d7-bd24-440f-94a0-1c6a4cdee71a>

¹³⁴ <https://www.bbc.co.uk/sounds/help/sounds-exclusives>

¹³⁵ <https://www.theguardian.com/media/2019/jan/20/bbc-sounds-app-angry-listeners-complaints>

¹³⁶ Traffic is routed via a proxy server which sits between the podcast host and the end user. Even if the server is not used for caching (i.e. local storage of the podcast to increase speed) and is simply a pass-through, using this arrangement may make it difficult for the podcast host server analytics to identify the number of individual end users. See <https://podnews.net/article/proxy-server-luminary>

¹³⁷ Which may include links for donations.