Switched on:
a guide to UK television

DigitalUK

2017/18

Contents

Digital UK leads development in digital terrestrial television, commonly known as Freeview, working with a range of industry parnters. We are owned jointly by the following organisations:

Introduction

Welcome to our latest guide exploring trends in UK television.

During the last 12 months, legislation, technology and changing viewer behaviour have continued to shape an industry which generates revenues of more than £13 billion a year. Here we explore emerging trends, such as the rise of 'bundle builders', the growth in demand for smart TVs and how the Digital Economy Act will help UK television adapt to a changing landscape.

We also highlight the continuing strength of live broadcast TV, which still accounts for most viewing – even among younger age groups. This year's guide also looks at the continued development of Freeview Play which blends both live and on-demand viewing via televisions and set-top boxes from a range of manufacturers.

Finally, we highlight research into those currently being left behind by advances in TV technology. With an estimated 19m people currently excluded from the extra choice and flexibility that most of us take for granted, we explore the barriers to accessing on-demand services and the potential to extend connected television to everyone.

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Need to know

Despite the wide choice of new services and devices through which people can now access video content, overall viewing to the UK's main TV platforms remains high.

The majority of those with a television continue to watch via Freeview (digital terrestrial television – DTT), satellite or cable. Freeview is the most widely used service, watched in seventy per cent of homes with a TV, followed by satellite, then cable – see Figure 1. These platform shares are reflected in the audiences for top shows on BBC One, ITV, Channel 4 and Channel 5 – see Figure 2.

Nearly 10 million people in the UK now subscribe to a video on-demand (SVoD) service, such as Netflix, Amazon Prime and Now TV. The typical viewer spends about eighty per cent of their viewing time watching traditional TV or recordings with the remaining time split between watching on-demand and other TV-based activities.

Figure 1: Household take-up of each television platform (Q2 2017)

Freeview*	19 million
Satellite	11 million
Cable	4 million

*The Freeview channel line-up is also used by BT TV, YouView, TalkTalk and EE Television

Figure 2: The UK's top shows – how people watch

	Freeview	Sky	Cable	Freesat	Other
BBC One *One Love Manchester*	42%	39%	15%	3%	1%
BBC Two *EastEnders*	48%	32%	15%	2%	3%
ITV *Broadchurch*	45%	35%	16%	3%	1%
Channel 4 *The Great British Bake Off*	41%	37%	15%	2%	4%

Freeview Sky Cable Freesat Other

Source: BARB

The big numbers

63% of all adults say they use BBC iPlayer

3.5 hrs average time spent daily watching broadcast TV

38% of households have a smart TV

75% of households with a TV have a digital recorder

91% of people watch TV at least once a week

£13.8bn UK annual TV revenues

£7.3bn annual content spend by UK channels

74% of subscribers to streaming services also have pay TV

80% of viewing is to live TV

8% of viewing is on-demand

12% of viewing is to recorded TV

Source: Ofcom Communications Market Report 2017

Trends: Bigger, smarter screens

Research suggests that while video content is increasingly available on mobile devices, people generally want to watch long-form content on the biggest and best screen they can. This explains why the main TV in the home remains the hub for watching programmes – plus other activities, from gaming to viewing short-form video on YouTube. The average viewer typically spends four hours a day watching content on their television. Around three-and-a-half hours are devoted to live broadcast channels and around 30 minutes to other activities.

TV screens are getting steadily bigger and smarter. Sets measuring more than 43 inches have doubled their share of the market since 2014 and make up more than half of all sales – see Figure 3. Bigger screens call for higher resolution images and three-quarters of new larger TVs sold are now capable of showing programmes in ultra-high-definition (UHD).

Sales of internet-enabled or 'smart' TVs have also been surging in recent years in line with demand for access to catch-up players and online video services. In 2012, just one-in-five TVs sold could be connected to the internet. Today smart sets make up nearly three-quarters of sales – see Figure 4. It's estimated that around half of UK homes have used their TV to access an internet service, either directly or via a secondary device such as a games console.

These factors have helped the TV set overtake other devices to become consumers' favoured way to access services such as BBC iPlayer. Media consultancy Enders Analysis has highlighted this trend, pointing to figures which show that demand for watching BBC iPlayer programmes through a television has increased by nearly seventy per cent since 2015 while demand via mobile devices and computers has declined.

Figure 3: Sales of large screen TVs

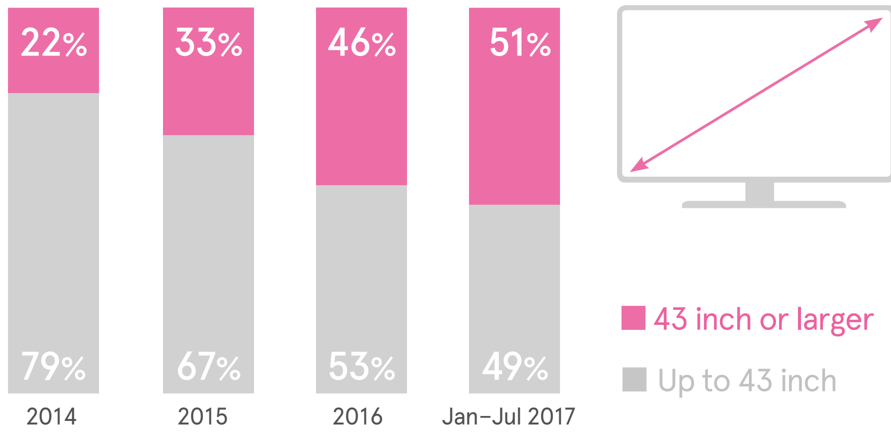
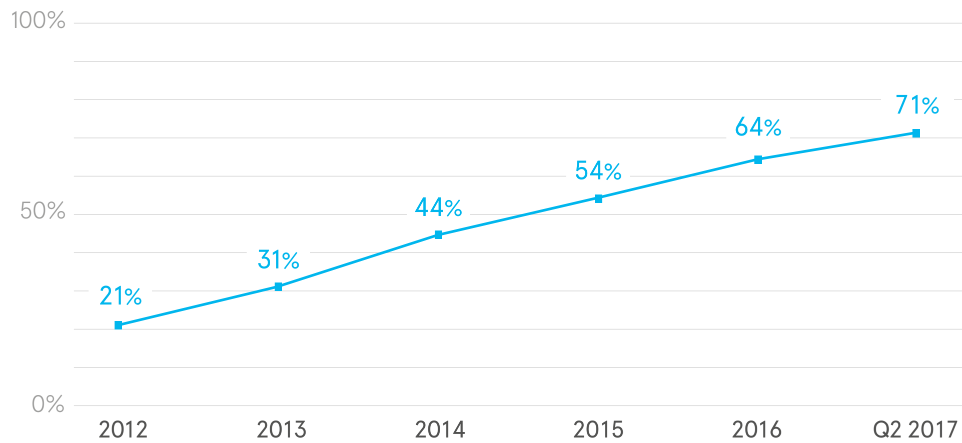


Figure 4: Proportion of TVs sold which are 'smart'



Source: GfK sales

Trends:
Rise of the bundle builder

One of the most marked trends in UK television today is consumers' demand for greater choice and flexibility. While viewers continue to enjoy a mix of channels via Freeview, satellite or cable, they increasingly also subscribe to one or more subscription services to build their own bespoke TV bundle.

Ofcom estimates the leading subscription on-demand services, Netflix and Amazon Prime, have nearly 10 million UK subscribers between them – see Figure 5 – and that three-quarters of these customers already have a traditional pay TV package. Around one-in-four are using an online subscription to boost their free TV service or don't have a conventional TV service of any kind and only watch online.

The UK's strong free-to-view line up provides the basis for bundle building. The portfolio of free channels from the BBC, ITV, Channel 4 and Channel 5 continues to form the foundation for most people's viewing, even among those paying a satellite or cable subscription. These five public service channels are still watched by eight-out-of-ten viewers every week and together account for around half of all viewing. When other channels from these broadcasters (eg BBC Four, ITV2, E4) are taken into account, they attract seventy per cent of viewing – see Figure 6.

Figure 5: Take up of subscription on-demand (SVoD) services

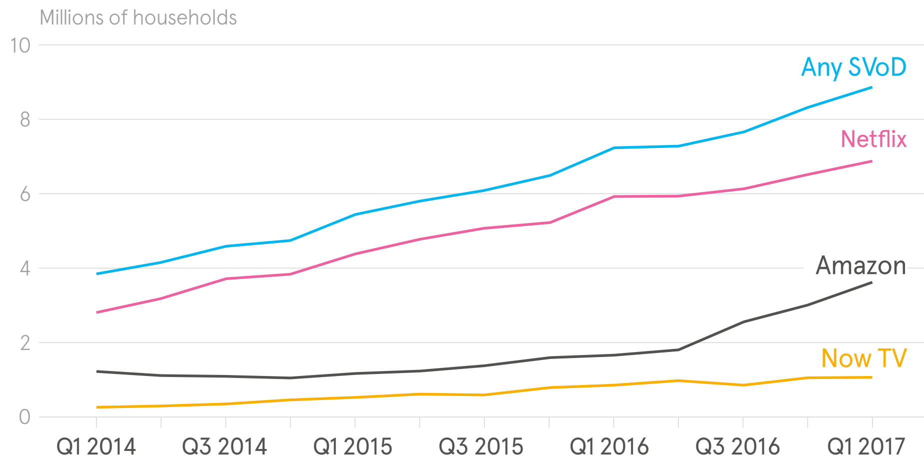
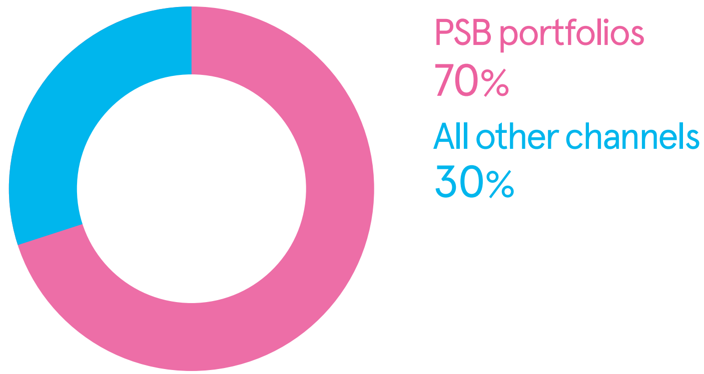


Figure 6: Share of viewing – PSB portfolios vs all other channels (2016)



Source: Ofcom CMR 2017/Barb

Trends:
Younger audiences and TV

It is not uncommon in broadcast industry circles to hear the claims that 'young people don't watch TV any more'. While this perception is understandable given the growth in alternatives to live TV, it's also misleading.

Younger people are the early adopters of new technology and have been at the forefront of changing patterns of behaviour. They have grown up with mobile communications, YouTube and social media. Ninety-six per cent of 16-24-year-olds now own a smartphone. The range of screen-based entertainment available to most of today's teenagers would have been unimaginable a generation ago.

However, while younger viewers tend to watch less TV than in the past, it remains their main way of accessing video content – see Figure 7. Taken together, live and recorded television still accounts for around half of this age group's media consumption while, YouTube, Facebook and other online video accounts for around 16 per cent of their viewing time. Research suggests that after watching live programmes, playing on games consoles is the most popular TV-based activity among this age group – see Figure 8.

Figure 7: Video viewing among 16-24s (2016)

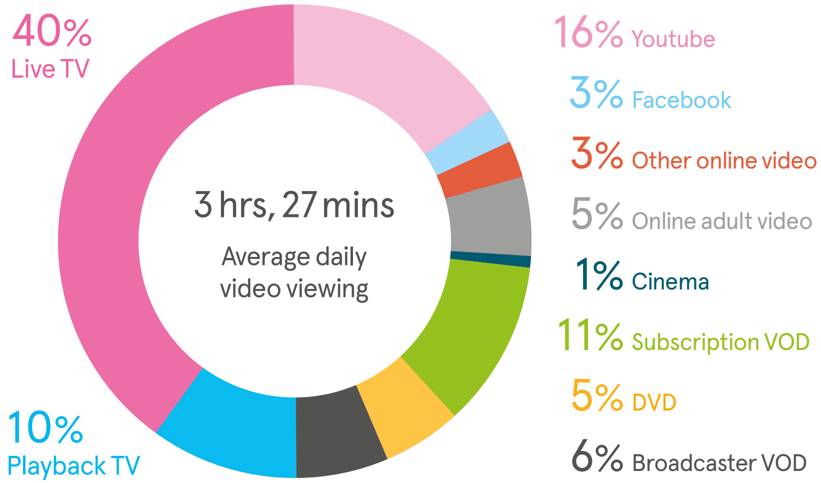
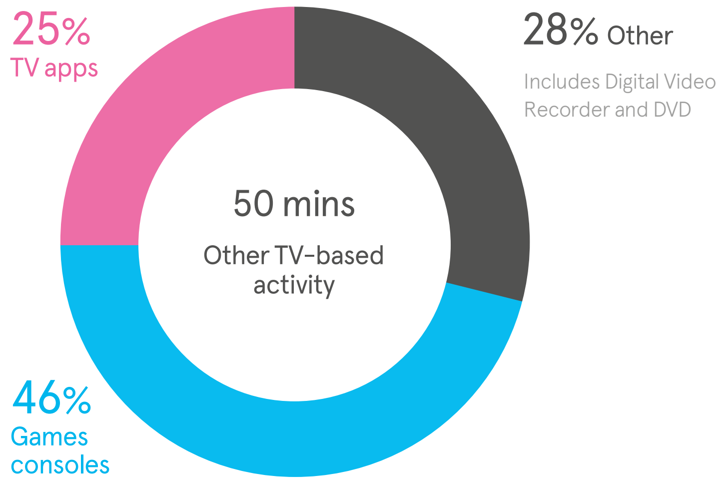


Figure 8: Other TV-based activity among 16-24s (2016)



Sources: Thinkbox (Fig. 7), Ofcom (Fig. 8)

The Digital Economy Act

The Digital Economy Act – modernising the UK for enterprise

The Digital Economy Bill received Royal Assent in April 2017 and was one of the last pieces of legislation to be passed ahead of the election in June.

The Act delivers improvements in broadband rollout, better protection for children on the internet and strengthening of copyright protection measures.

A number of provisions in the Act relate specifically to UK broadcasting:

BBC regulation passed to Ofcom

The Act transferred regulation of the BBC from the BBC Trust to Ofcom, which in April 2017 became the corporation's first external regulator. Ofcom is required 'to regulate the activities of the BBC to enable it to fulfil the role' detailed in the royal charter. Its role extends to responsibility for monitoring the public service broadcaster's performance, compliance with content standards and impact on competition.

Access services for on-demand TV services

Under the new legislation, DCMS will be able to require providers of on-demand programmes to ensure their services are accessible to people with disabilities affecting their sight or hearing or both.

Ofcom will now consult with stakeholders including broadcasters, platforms and campaign groups. Following the consultation period, Ofcom is likely to make recommendations for the development of a new code relating to subtitling, audio description and sign language for on-demand services.

Prominence for public service broadcasters in on-demand environments

A proposal to extend the same levels of prominence awarded to public service broadcast channels and programmes to their on-demand equivalents was put forward during the Bill's passage through Parliament. Government's recommendation and the provision made in the Act will see Ofcom monitor PSB prominence and report back by 2020.

Investment in children's original television content

Ofcom will now have the ability to set criteria for the provision of programming for under 16s on commercial PSB channels and if felt necessary, impose quotas. These could be met through a broadcaster's channels or on-demand services. A consultation is due later this year.

Transmission fees for public service content on cable platforms

Section 73 of the Copyright Designs and Patents Act 1988, which had enabled cable providers and internet on-demand services to broadcast public service content with no re-transmission fees, was repealed.

Freeview Play

Freeview Play was developed by Digital UK and our partners to make it easy for everyone to enjoy the benefits of connected TV. It reflects trends in TV viewing by integrating the most watched catch-up services into the TV set and providing viewers with a basis for building their own bundle of free and low-cost on-demand services.

Based on the latest industry standards, the platform keeps things simple for viewers by making the most popular content easy to find and catch-up TV accessible straight from the guide. Crucially, it is also tackling the confusion around the availability of the catch-up players on different equipment by offering BBC iPlayer, ITV Hub, All 4, Demand 5 and UKTV Play as standard across a range of leading makes of TV.

Freeview Play is also developing search and recommendations features to help viewers find the content they want. The new Freeview Explore service, for example, showcases a variety of selected shows from different channels and makes them available to watch on demand.

In the last year, Freeview Play has become the industry's most widely adopted system for catch-up TV, supported by leading global manufacturers, including Panasonic, LG, Humax and Vestel – see Figure 10. The specifications of the service have also continued to evolve with support for new technologies such as 4K and High Dynamic Range (HDR) over broadband. *Which?* listed Freeview Play as one of the five TV technology trends for 2017.

Figure 9: Freeview Explore is the new catch-up recommendations service

Figure 10: What the industry is saying

'Freeview Play has helped us to innovate, differentiate and add value to our brand thanks to its great features and the flexible approach it adopts to product design.'

Mark Vasey
General Manager, IPTV & DTV Solution Centre, Panasonic

'Humax was extremely excited to be a launch partner for Freeview Play, giving us the opportunity to deliver a fantastic new TV service to the consumer.'

Graham North
Vice President Sales, Humax Electronics Co, Ltd

'Bringing connected TV to the accessible, mainstream market, Freeview Play is enabling us to tap into the real demands of today's consumers.'

Matthew Lang
Managing Director, Vestel UK Ltd

'Providing Freeview Play on LG Smart TVs ensures that owners of our televisions have seamless access to an expanding selection of catch-up TV services.'

Darren Petersen
Head of Product Marketing and Partnerships, LG

Connected TV for all

While the majority of viewers are now enjoying the choice and flexibility that on-demand viewing offers, millions are currently unable to access these services. Some lack the knowledge or confidence to get to grips with this new technology. Others simply don't have an internet connection at home.

To understand more about this group, Digital UK and Kantar Media undertook research among those already using on-demand TV and a few of the estimated 19m people with no experience of watching via an internet connection.

The findings suggested that those already watching on-demand enjoyed a broader range of channels, were able to fit TV watching around work or other commitments and enjoyed the ability to 'binge watch' multiple episodes of a drama.

The more traditional viewers tended to devote more time to watching TV but accessed a narrower range of channels. They were also more likely than average to watch via Freeview and to rely more heavily on TV for access to news or entertainment.

This audience's love of TV led the researchers to explore whether Freeview Play may be able to widen access to catch-up and other connected viewing in the same way that Freeview boosted demand for digital TV during the early 2000s and was a key enabler of digital switchover in 2012 – see Figure 11. Four-in-ten of those surveyed said they found the service either very or quite appealing with one-in-ten saying it could act as an incentive to get a broadband connection – see Figure 12.

Figure 11: Take up of digital TV by platform

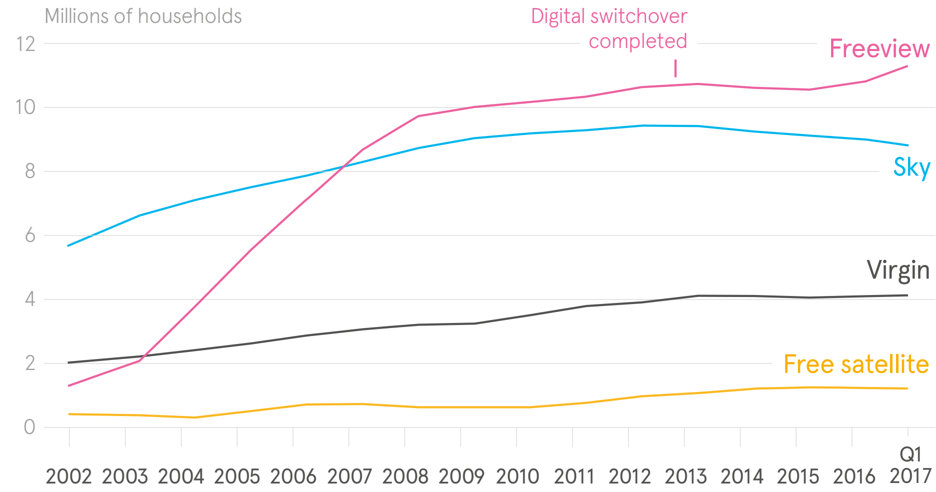
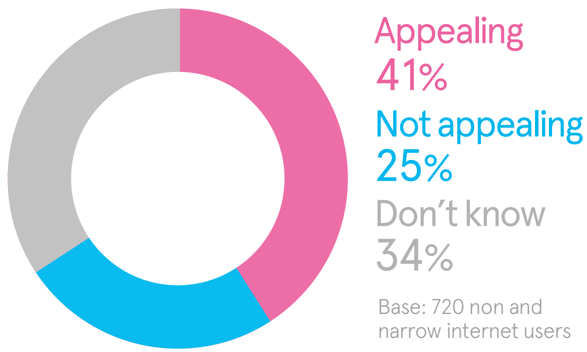


Figure 12: Understanding the appeal of catch-up TV

How appealing would catch-up services like Freeview Play be to you?



Most popular benefits

- Watch programmes I might have missed
- Ability to watch at a time that suits me
- Access to catch-up services on main TV
- No need to worry about recording

More than half of viewers surveyed by Kantar in 2016 understood the idea of catch-up TV without prompting. However, understanding was lower among people aged 65+ and those without internet access. Once these services were explained, many found the benefits appealing.

Sources: Barb (Fig.11), Kantar Media (Fig. 12)

Getting in touch

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The facts contained in this document are largely derived from the following sources:

Ofcom's Communications market report 2017 – the UK media regulator's annual survey of developments across the communications sector.

Broadcasters' Audience Research Board (BARB) – the organisation set up to provide the standard television audience measurement service for broadcasters and the advertising industry. BARB is owned by BBC, ITV, Channel 4, Channel 5, Sky and the IPA (Institute of Practitioners in Advertising).

Some percentages may not add to exactly 100 due to rounding.

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