



Media nations: **UK 2021**



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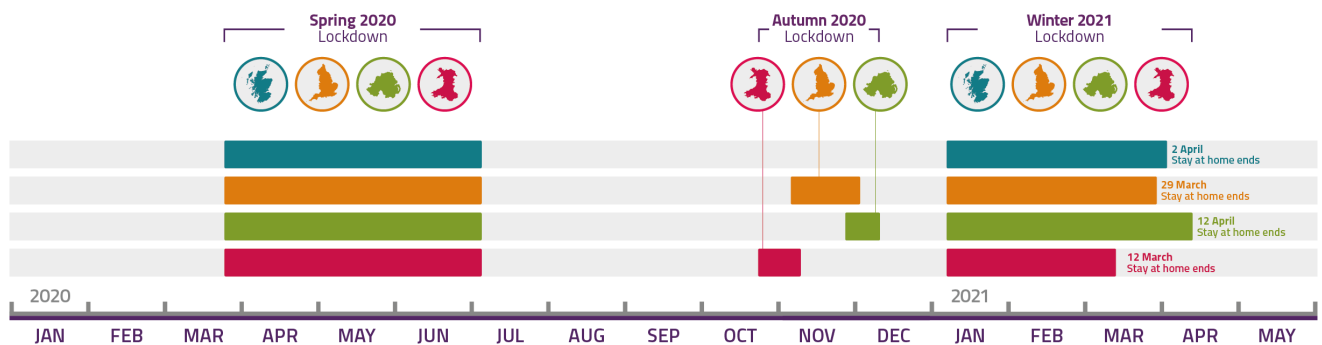
Overview

This is Ofcom's fourth annual Media Nations report, a research report for industry, policymakers, academics and consumers. The main objectives of the report are to review key trends in the media sector and set out how audiences are served in the UK. We adopt a cross-platform perspective, including broadcast TV and radio, as well as digital delivery including online video and audio streaming.

As in previous years, this report is accompanied by an [interactive report](#) containing an extensive range of data. We also publish separate reports for Northern Ireland, Scotland and Wales covering specific themes and issues relevant to those nations.

2020 was a year marked by the coronavirus (Covid-19) pandemic and lockdown restrictions designed to reduce the spread of the virus. These timelines, as applicable to each nation, are shown below:

A timeline of lockdown restrictions across the UK



This year's report will continue to acknowledge and discuss the Covid-19 context as appropriate, providing analysis both of pre-existing trends, and trends that have been influenced by the pandemic. The UK report is divided into five chapters.

- **Chapter one** focuses on **video consumption trends**, looking at linear and online viewing and how further lockdowns have affected viewing habits.
- **Chapter two** reviews the **online video landscape**, outlining the increased presence and impact of online in the video sector.
- **Chapter three** studies **industry revenue**, with a particular focus on how the media advertising industry continues to evolve, and how it was affected by Covid-19.
- **Chapter four** looks at **content investment and production**, looking closely at how the pandemic has affected both producers and commissioners of TV programming.
- **Chapter five** analyses key metrics in the **radio and audio** sector, including a discussion of ongoing and emerging trends such as podcast listening and smart speakers.

Ofcom's Media Nations report 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.

What we have found, in brief

The pandemic caused an acceleration in existing viewing trends as people spent more time watching on-demand services

- Total viewing of audio-visual content increased by 47 minutes to 5 hours 40 minutes per person per day in 2020 relative to 2019, with nearly all forms of video viewing increasing year on year.
- Covid-19 restrictions were the main drivers for this, with viewing trends largely mirroring increased time spent at home during national lockdowns. This also contributed to the UK's public service broadcasters (PSBs) seeing some of their highest TV viewing shares for five years.
- However, the highest growth was to video-on-demand (VoD) services, which continued to increase their share of total viewing. Viewing of subscription VoD (SVoD) services such as Netflix and Amazon Prime Video almost doubled in 2020, to an estimated 1 hour 5 minutes per person per day.
- SVoD services were used by 60% of all UK households by Q3 2020, up from 49% a year earlier. More than half of UK households subscribed to Netflix in 2020. This was higher than pay-TV take-up, which was 48% of all households by Q3 2020.
- YouTube remained the most popular user-generated online video service, with people spending an estimated 41 minutes per day viewing YouTube videos in 2020. In Q1 2021, the total number of YouTube videos viewed by UK online adults was 22% higher than in Q1 2020.
- People in the UK have diversified their viewing with new types of services such as TikTok, for which viewing grew even more rapidly than YouTube, reaching 31% of adult internet users in the UK as of March 2021.

2020 was a landmark year for SVoD, and an important time for BVoD services

- The take-up of superfast/ultrafast broadband (in 65% of households), homes connecting their TV set to the internet (now at 79% of TV households) and the launch of new services have led to growth in on-demand video viewing. The first Covid-19 lockdown, coinciding with the launch of Disney+ in March 2020, provided an additional boost to SVoD services.
- Original programming is proving the biggest draw for streaming services, and SVoD providers are continuing to increase their content spend and boost the volume of originals and exclusives available on their services.
- Broadcaster VoD (BVoD) catalogues lack the overall scale of SVoD offerings, but they continue to be the main destination for UK programming, much of which is fresh from broadcast TV.
- PSBs are taking more ambitious steps to reposition their businesses for an online-first future by making more library content available, and commissioning new programming with younger, digital audiences in mind, among other measures.

TV advertising revenue is set to rebound in 2021, but TV broadcasters are having to adapt to stay competitive

- Commercial TV revenues contracted further during the Covid-19 pandemic, declining 6.4% to £10.2bn in 2020. However, the continued growth of online video has offset these declines.

- The UK advertising sector contracted for the first time since 2012. TV advertising revenue was significantly disrupted, but the contraction was more severe for other media such as cinema, out-of-home and print advertising. Online advertising was the only advertising medium which grew revenues in 2020.
- Commercial television broadcasters have invested in a range of new technologies and initiatives to drive advertising growth from their BVoD services and make use of data collected from users. These include improved cross-media measurement, programmatic advertising technologies and addressable advertising.

Broadcasters and producers experienced significant difficulties in creating new original content because of Covid-19 restrictions

- TV content investment has been hit hard by the pandemic, with PSB spend on original productions falling by 18% in 2020. Non-PSB channels were also affected by this, as cancelled sporting events reduced total programming spend in this sector.
- The strong revenue growth experienced by the UK independent production sector in recent years was interrupted by the pandemic. However, production activity has now largely resumed, with help from the UK Government's Restart scheme.
- Strong demand from international TV broadcasters and SVoD providers, together with continuing commissions from PSBs, indicates that the sector is well placed to recover.
- The shocks to the system brought about by Covid-19 may accelerate some pre-existing trends, such as inflationary pressure on production costs, consolidation in the independent production sector, and revenue challenges for PSBs.

The radio and audio sector continues to take advantage of DAB and online platforms to innovate

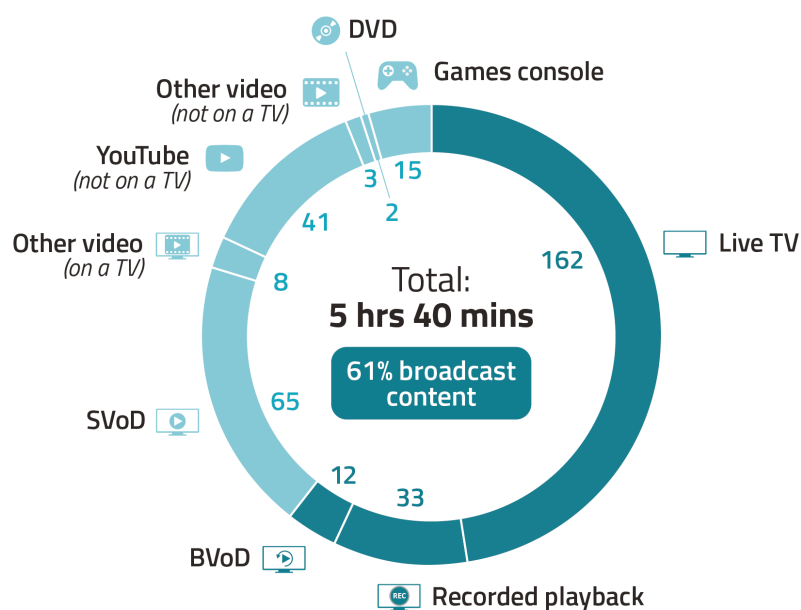
- Live radio on a radio set remains the most common audio listening activity. However, the proportion of total audio listening that this represents has declined from 74% to 58% since 2015. Streamed music accounted for 17% compared to 5% in 2015.
- As of Q1 2021, the share of weekly audio time for radio, including live, catch-up and radio podcasts, was 68%. Listening via a DAB radio was the most popular way of listening; more than half (53%) of UK adults listened to live radio via a DAB set.
- Growth in podcast use appeared to slow during the pandemic, with 15% of adults listening to podcasts on a weekly basis in Q1 2021 – only one percentage point higher than in early 2020.
- Overall radio industry revenues were hit by the pandemic, with sector revenue down 14% compared to 2019, driven by the contraction of radio advertising spend.
- Despite these challenges, in the past year broadcasters have launched new stations and services, while streaming platforms have continued to expand their products to include higher quality audio and podcasts, including some exclusive to the platform. And in early 2021 several developers released social audio apps, combining elements of podcasts and conference calls.
- In Q1 2021 50% of adults claimed to have a smart speaker in their home.

Video consumption trends

Introduction: pandemic-led changes in viewing and accelerations of existing trends

This chapter examines how consumers' media consumption in the UK has changed in 2020 and the first few months of 2021. Using data from audience-measurement and ratings agencies, it evidences and provides commentary on consumers' video viewing habits. This includes evidence on the amount of time people are spending watching video content, what they are watching, and how they are choosing to watch it. The total average minutes of viewing per person per day in 2020 was 5 hours 40 minutes – up by 47 minutes since 2019, and an unusually large increase, related to people spending more time at home during the periods of lockdown in 2020. Nearly all forms of video viewing increased year on year. But, the pandemic also accelerated existing trends in video viewing, such as the ongoing shift of viewing away from broadcast television and towards VoD content, which we explore in more detail below.

Figure 1.1: Average minutes of viewing per day, all individuals, all devices (2020)



Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.

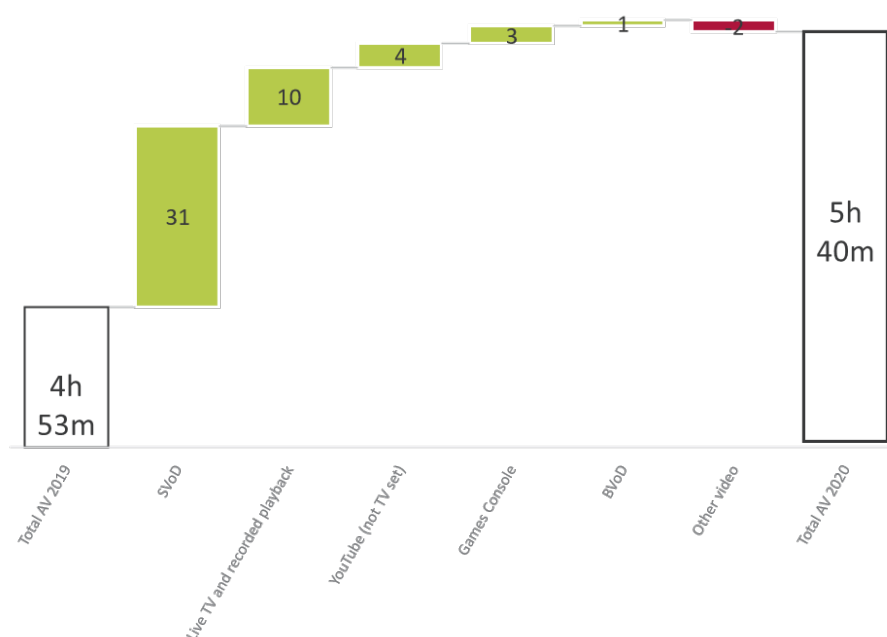
Video viewing

While nearly all forms of viewing increased in 2020, SVoD viewing almost doubled compared to 2019

Overall, the average time spent viewing broadcast TV in 2020 was 3 hours 12 minutes per person. This was nine minutes (5%) higher than the average time spent in 2019, and reversed the declining trend seen over the last decade. However, this increase was entirely driven by those aged over 45, with the pandemic not shifting broadcast TV viewing levels for those under 45, who watched less broadcast TV than in 2019.¹ Overall, the net effect was a fall in broadcast TV's share of total viewing during 2020, from 67% in 2019 to 61% in 2020.

In contrast to broadcast TV's decline in viewing share, SVoD's share of total video increased from 12% in 2019 to 19% in 2020. SVoD services, led by Netflix and Amazon Prime Video, drove most of the 47 minutes' increase in total viewing in 2020, with average viewing almost doubling to an estimated 1 hour 5 minutes per day. In comparison, viewing of BVoD services, such as BBC iPlayer, ITV Hub and All 4, increased modestly to an estimated 12 minutes per person per day in 2020. There were also small increases for YouTube and the use of games consoles attached to the TV set.

Figure 1.2: Change in average minutes per day from annual average, all individuals, all devices (2019-2020)



Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.

¹ Source: BARB

Viewing patterns in 2020 largely mirrored Covid-19 restrictions in the UK

Patterns in the viewing of video content in 2020 and early 2021 largely mirrored Covid-19 prevention measures, with noticeable peaks in viewing coinciding with lockdown periods.

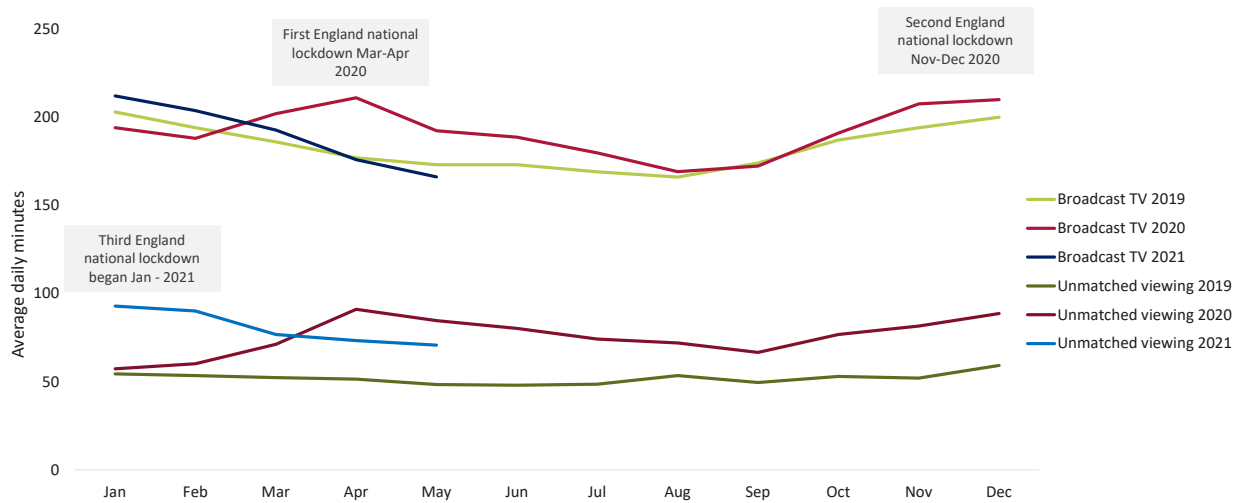
The average monthly time spent viewing broadcast TV peaked in April 2020, during the first lockdown, with an average of just over three and a half hours – the highest April viewing figure in the last five years. However, during months when pandemic restrictions were lighter, broadcast TV viewing declined, with figures closer to 2019. This pattern has continued into 2021, with broadcast TV viewing no longer higher than seasonal norms, now that many restrictions have been lifted. While viewing figures at the start of 2021 were higher than for 2019, in March they fell to below 2020 levels, and in April and May to below 2019 levels (see Figure 1.3 below).

Alongside broadcast TV, many UK households watch both BVoD and SVoD services on the TV set; the latter is captured by BARB as part of ‘unmatched viewing’.² According to Ofcom’s Technology Tracker 2021, 74% of households used a BVoD service such as BBC iPlayer or All 4, and 75% of households surveyed said they used an SVoD service. In comparison, 42% of UK households said they used free traditional TV, and 47% said they used a pay-TV service.³

Like broadcast TV content, unmatched viewing on the TV set (which includes SVoD viewing, some BVoD viewing, games console use and some other non-broadcast viewing activities), peaked in April 2020 at a daily average of 91 minutes per person – much higher than the 51 minutes in April 2019. However, unlike broadcast TV content, unmatched viewing on the TV set remained above 2019 levels throughout 2020, continuing into 2021. January 2021 had the highest viewing of unmatched content ever seen (93 minutes), although this has since declined, with viewing from March onwards lower than in 2020. Now that the majority of restrictions have been eased in England, viewing levels are likely to drop, as people spend less time in their homes. From January to May 2021, both broadcast TV and SVoD viewing on the TV set fell by similar proportions, probably influenced by the usual seasonal drop in TV viewing combined with the general unlocking of other activities as restrictions were lifted.

² Unmatched viewing refers to time spent watching the TV set that cannot be attributed to broadcast programming – i.e. a TV can be identified as in use, but content cannot be audio-matched or otherwise identified. This 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.

³ Ofcom Technology Tracker 2021. Note that due to the pandemic there was a change in methodology in how Technology Tracker data was collected, and we therefore will not be directly making comparisons with Technology Tracker data from previous years.

Figure 1.3: Average daily minutes of total TV and unmatched viewing, by month

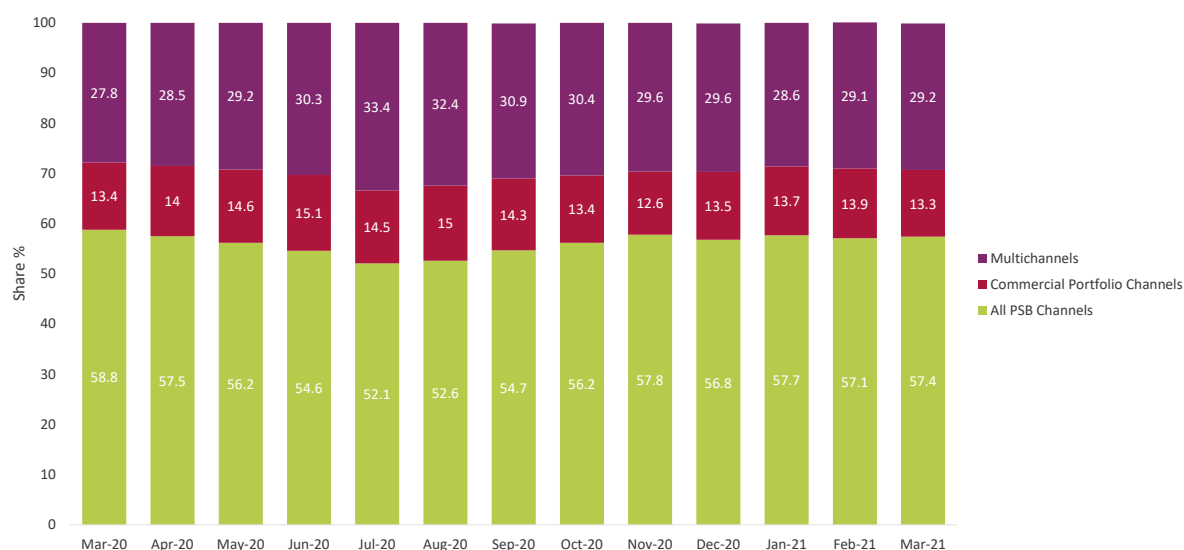
Source: BARB. Total TV, all individuals (4+). Note: Unmatched viewing = TV in use, but content cannot be audio-matched or otherwise identified. Includes gaming, viewing DVDs/box sets/archives, SVoD, time-shifted viewing beyond 28 days, apps on smart TVs and navigation around EPG guides where there is no in-picture broadcast content.

The share of viewing of PSB channels increased during the first 2020 lockdown to the highest level in six years

For consumers watching broadcast TV, the PSB channels and some commercial PSB portfolio channels made up most of the top 20 channels in 2020, ranked by share of viewing. This list was similar to that seen in 2019, although news channels appeared higher up the ranking in 2020, probably driven by people's need for news regarding the pandemic.

The share of broadcast TV viewing of the PSB channels versus all other channels (multichannels) has remained broadly consistent over the years, and this remained the case overall in 2020, with the PSBs' share of viewing at 56% in 2020 compared to 55% in 2019. But breaking this down by month shows that in the lockdown months of April and November 2020 the share of PSB channel viewing rose, mainly due to additional news viewing on BBC One and BBC News. It peaked in March 2020, during the first national lockdown, at 58.8%; the highest monthly share since February 2014, and increased again during the second national lockdown later in the year.

Figure 1.4: Average share of viewing, by channel / channel group



Source: BARB. Total TV, all individuals (4+). PSB +1s are included as part of the commercial portfolio group. All PSB share includes the main five PSB channels (excluding +1s) and all BBC channels.

News viewing drove the broadcast TV uplift in 2020, but major live sports this year pulled in significant audiences

Much of the increased viewing of broadcast TV in 2020 was due to higher levels of news viewing, which increased in March and April 2020 and remained above 2018 levels until July⁴. The influence of the coronavirus pandemic was apparent in 2020's most-watched programmes; the *Prime Minister's statement* about the easing of lockdown restrictions in England on 10 May 2020 topped the list with an average audience of 19 million on BBC One while a *BBC One news special* on 23 March came in at number two with 14.6 million viewers. *An address by the Queen* about Covid-19 was the fourth most-watched programme with 14.3 million viewers on BBC One.⁵

News programming continued to pull in viewers at the beginning of 2021 with the *PM's announcement* about the third lockdown on 4 January 2021 being the fifth most-watched programme of the year so far (19 million viewers to BBC One) and a further 11 million watched the *BBC News Special* on BBC One following the announcement. However, sport has attracted the most viewers with the most-watched programme up until July 2021 being the *Euro 2020 England versus Italy final*, which had a combined audience of over 22 million on BBC One (18 million) and ITV (4.4 million). The *semi-final between England and Denmark* also had the highest audience on a single channel with 18.3 million tuning in on ITV.⁶

⁴ BARB. Average weekly reach 3+ consecutive minutes to the national/international news genre.

⁵ BARB. Top programmes list based on highest occurring episode and includes TV and online consolidated up to 28 days and including pre-broadcast. The PM's statement and The Queen's address were shown on multiple channels but the figures stated show their average audience from a single channel.

⁶ TV and online consolidated up to 28 days and including pre-broadcast. Please note the Euro 2020 games had not yet been fully consolidated up to 28 days when publishing and as a result, these figures may increase slightly. These titles are marked with an asterisk (*) in the table.

Drama and current affairs programmes have also been popular with viewers in 2021. The season six finale of *Line of Duty* was the third most watched programme with 16 million viewers making it the most-watched drama (excluding soaps) since 1999. Other titles in 2021's list so far include *Bloodlands*, *The Pembrokeshire Murders* and *Unforgotten*, while *Oprah with Meghan and Harry* is the fourth most-watched programme of the year up until mid-July 2021 with 14.9 million viewers on ITV.⁷

Figure 1.5: Top programmes, by channel: January – mid July 2021 (All individuals 4+)

Channel	Programme Title	Date	Programme Share (%)	Average audience (millions)
ITV	<i>*EURO 2020 – England vs Denmark</i>	07/07/2021	69.9	18.3
BBC One	<i>*UEFA European Football Championship Final – England vs Italy</i>	11/07/2021	64.7	18.0
BBC One	<i>Line of Duty</i>	02/05/2021	59.9	16.4
ITV	<i>Oprah With Harry And Meghan</i>	08/03/2021	55.6	14.9
BBC One	<i>Prime Ministerial Statement</i>	04/01/2021	43.1	14.3
BBC One	<i>Time</i>	06/06/2021	46.8	11.3
BBC One	<i>BBC News Special</i>	04/01/2021	37.1	11.1
ITV	<i>The Pembrokeshire Murders</i>	11/01/2021	38.9	10.9
BBC One	<i>Bloodlands</i>	21/02/2021	38.6	10.3
ITV	<i>The Masked Singer</i>	13/02/2021	43.0	10.1

Source: BARB. All individuals 4+. TV and online consolidated up to 28 days and including pre-broadcast, excluding those programmes marked with an asterisk (*), which have not been fully consolidated yet. Channels include +1channels. The Euro 2020 final and Prime Minister's statement were shown on multiple channels but the table displays the top 10 programmes by channel.

On SVoD, Netflix titles have particularly performed well in Q1 2021, with the service dominating the top ten titles by reach

New and original series have attracted UK viewers to Netflix, with these titles dominating the Netflix top ten in terms of reach in Q1 2021. If we rank titles according to their Netflix and Amazon Prime viewership, Amazon Prime Video's top title, *Coming 2 America*, was the 30th highest-ranking title, reaching 2.6 million households, while the top 29 titles were all viewed on Netflix.⁸

⁷ BARB. TV and online consolidated up to 28 days and including pre-broadcast.

⁸ Digital-i UK, age: 18-64 year old Amazon Prime Video account holders, Q1 2021. Based on at least 2 minutes of viewing content.

Four of the top-reaching Netflix titles in Q1 2021 included UK-produced titles such as *Bridgerton*, *The Dig*, and *Behind her Eyes*, which were commissioned by (and exclusive to) Netflix. The top nine Netflix titles were all either limited series, first seasons of the series titles, or films available only on Netflix. This suggests that there continues to be an online audience appetite for new and original programming – and that locally produced content may be a significant draw in the UK. *Bridgerton*, released on Christmas Day 2020, was a particular success for Netflix, reaching 2.8 million UK households in the last seven days of 2020, with a further 5.4 million UK Netflix households starting to watch the programme in Q1 2021, making it the highest-reaching title in that quarter.⁹

When comparing Netflix accounts by the age of the account holder, there are some differences in the top titles viewed. The top-ranked title for 18-29 year-old account holders was *Crime Scene: The Vanishing at the Cecil Hotel*, which reached 57% of this group, while among 50-64 year-old account holders it was *Bridgerton*, reaching 48% of these households. Other titles that were in the 18-29 year-olds' top ten but not in the overall top ten included the film *To All the Boys: Always and Forever* (32%) and *I am a Killer* (28%). Titles appearing in the 50-64s' top ten included *Outside the Wire* (28%) and *News of the World* (23%).¹⁰

Figure 1.6: Top ten titles on Netflix, by reach to UK Netflix households (Q1 2021)

Title	Type	Country of origin	Netflix account reach	UK Netflix household reach	Total streams
<i>Bridgerton</i>	Series	UK	7.39m	49%	58.03m
<i>Crime Scene: The Vanishing at the Cecil Hotel</i>	Series	USA	6.28m	41%	26.67m
<i>Behind Her Eyes</i>	Series	UK	6.16m	40%	37.12m
<i>Night Stalker: The Hunt for a Serial Killer</i>	Series	USA	5.26m	35%	19.40m
<i>Superstore</i>	Series	USA	5.24m	34%	236.35m
<i>The Dig</i>	Movie	US	4.46m	29%	5.51m
<i>Lupin</i>	Series	France	4.17m	28%	19.93m
<i>Fate: The Winx Saga</i>	Series	Italy, UK	4.00m	27%	22.49m
<i>Firefly Lane</i>	Series	USA	3.93m	26%	30.00m
<i>Cobra Kai</i>	Series	USA	3.76m	25%	58.97m

Source: Digital-i UK, age: 18-64 year old Netflix account holders, Q1 2021. Based on at least 2 minutes of viewing of content.

⁹ Digital-i UK, age: 18-64 year old Netflix account holders, *Bridgerton*, 25 Dec 2020 – 31 Mar 2021. Based on at least 2 minutes of viewing of content.

¹⁰ Digital-i UK, age: 18-29 and 50-64 year old Netflix account holders, Q1 2021. Based on at least 2 minutes of viewing of content.

UK drama and live sports have been key audience drivers for BVoD services

The appearance of UK-produced original programming in the top ten SVoD titles in Q1 2021, as well as viewing figures for titles such as *Line of Duty*, suggest that audiences continue to respond well to locally produced content.

There is some evidence of success for BVoD services; BBC iPlayer, the highest-reaching BVoD service in Q1 2021¹¹, had a Q1 record of more than 1.7 billion streams, up by 22% on Q1 2020.¹² January was iPlayer's most successful month ever, with 652 million streams. The top-performing episode during this period was the first episode of the part UK-produced *The Serpent*, which was a BBC One and Netflix co-production and had 5.89 million streams on iPlayer; this series in total achieved 33 million streams.¹³ January was also successful for Channel 4's VoD service All 4, with almost twice as many views as in January 2020 (+91%). The series *It's a Sin* was the main contributor to this success; despite its release date of 22 January it achieved 6.5 million views across its five episodes within that month.^{14 15}

PSB BVoD services also attract audiences with channels or programmes streamed live at the time of broadcast: 15% of viewers said they used BBC iPlayer to watch live programmes, with 7% using ITV Hub or STV Player, 6% All 4 and 3% for My5¹⁶. Live sports also draw in VoD viewers; the BBC reported that 10 January was iPlayer's best-ever single day, with programmes streamed 26 million times – driven partly by four third-round FA Cup matches streaming live on iPlayer, including Marine vs Tottenham Hotspur. Later in the year *Euro 2020* became the BBC's highest online-viewed live event ever, with the games streamed a total of 75.9 million times across BBC iPlayer and BBC Sport online.¹⁷ ITV's coverage of the Euro 2020 semi-final game England v Denmark totaled a record 11 million streams on ITV Hub (10.5 million) and STV Player (0.5 million).^{18 19}

Figure 1.7: The top five most-requested live BBC matches online across BBC Sport and BBC iPlayer

BBC Euro 2020 coverage			BBC Wimbledon 2021 coverage	
Rank	Match	Requests	Match	Requests
1	Italy v England	6.9m	Men's final Djokovic v Berrettini	1.4m
2	England v Germany	6.5m	Federer v Sonogo - centre court (Day 7)	1.2m
3	Ukraine v England	5.2m	GB's Raducanu in action, plus Barty, Auger-Aliassime and Zverev – court one	1.1m

¹¹ Ofcom Technology Tracker 2021.

¹² BBC Media Centre, [Record-breaking start to 2021 for BBC iPlayer](#), 20 April 21.

¹³ BBC Media Centre, [Record-breaking start to 2021 for BBC iPlayer](#), 20 April 21. See [interactive report](#) for top 10.

¹⁴ Channel 4 News release, [Acclaimed new drama It's A Sin drives record All 4 streaming](#), 2 February 2021.

¹⁵ Streams/requests/views data from different providers are defined by the provider and therefore not directly comparable.

¹⁶ Ofcom Technology Tracker 2021.

¹⁷ BBC Media Centre, [BBC scores big with Euro 2020 and Wimbledon this summer](#), 13 July 21.

¹⁸ ITV Press Centre, [England semi-final victory racks up a record 27.6 million on ITV](#), 8 July 21.

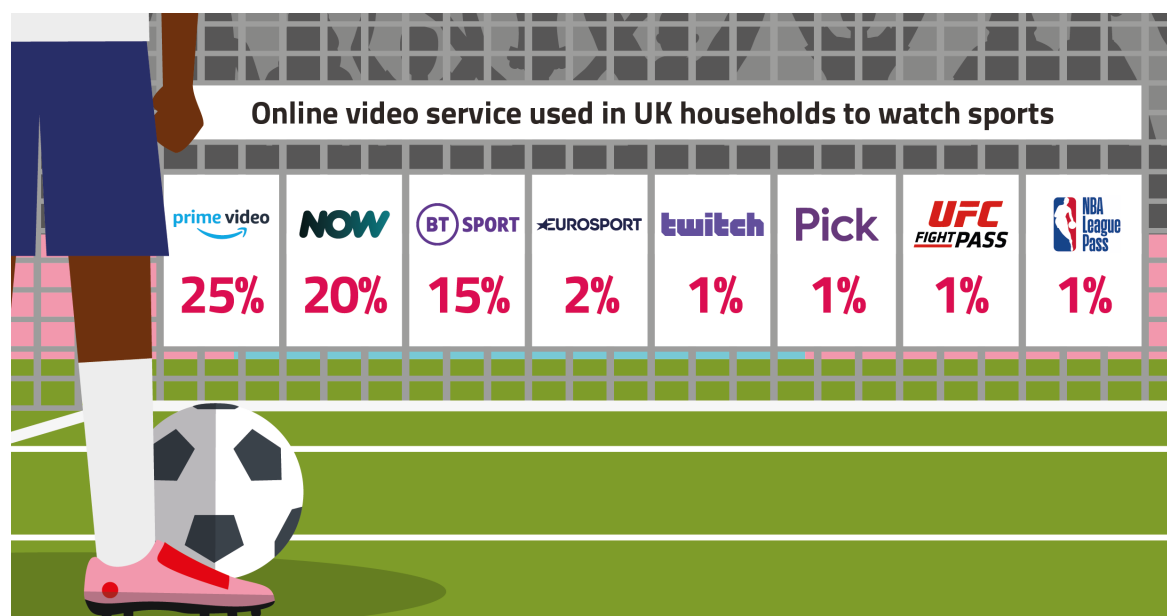
¹⁹ Streams/requests data from different providers are defined by the provider and therefore not directly comparable.

4	Italy v Spain	5.0m	Day 7 - The battle for quarter-final places	1.0m
5	England v Croatia	4.5m	Djokovic v Anderson – centre court	0.9m

Source: BBC Media Centre, [BBC scores big with Euro 2020 and Wimbledon this summer](#), 13 July 21.

SVoD services are also offering sports content. According to Ofcom's Technology Tracker, 38% of UK households used an SVoD service to watch sports in Q1 2021²⁰. Amazon Prime Video is the most popular SVoD service for this, streaming sports such as Premier League football matches, the US Open and Rugby Nations Cup. In December 2020 UK-originated sports-only SVoD service DAZN became available to stream in the UK with a monthly subscription fee of £1.99.²¹ In June 2021 DAZN and YouTube were awarded an exclusive four-year global broadcasting partnership for the UEFA Women's Champions League.²²

Figure 1.8: Online video service used in UK households to watch sports



Source: Ofcom Technology Tracker 2021. QH87AE. Which – if any – of these are used in your household to watch sports? Base: All respondents completing survey online. Note: BT Sport includes BT sport channels or BT sport monthly pass. Due to DAZN's recent launch it was not available as a response to the survey.

²⁰ Ofcom Technology Tracker 2021, all respondents completing the survey online.

²¹ DAZN News, [How much does DAZN cost in the United Kingdom, subscription price, payment methods, how to watch](#), 9 Dec 2020.

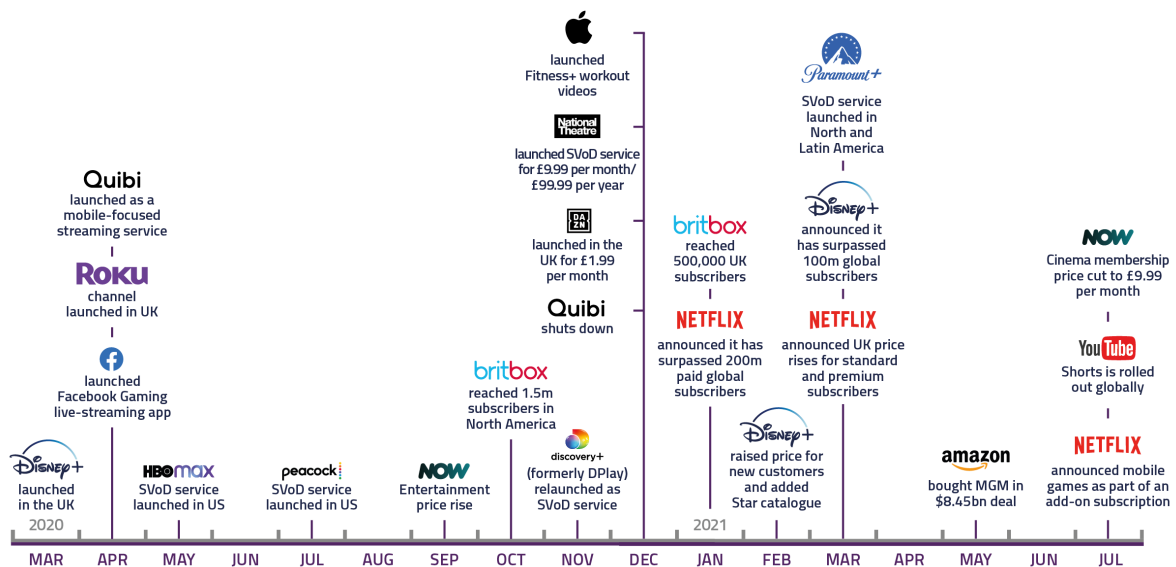
²² UEFA, [DAZN and YouTube to stream Women's Champions League](#), 30 June 2021.

Video-on-demand viewing habits

Nearly half of UK adults now consider online video services to be their main way of watching TV and film

In the past year there has been a lot of activity from online video providers, as the summary timeline below shows. We discuss the strategic activity of these players, and the market outlook for them, in the next chapter, while focusing on consumers' viewing habits online in this section.

Figure 1.9: Timeline of selected online video events, 2020-21



Research on take-up of video services continues to indicate consumers' growing preference for online delivery of video. Research by Ampere Analysis conducted in Q1 2021 showed that 48% of online adults considered online video services to be their main way of watching TV and film (up by 2pp since Q1 2020).²³ In addition, 42% of SVoD users said they could envisage not watching broadcast TV at all five years from now. SVoD users aged 55-64 were less likely to agree with this statement, with 29% agreeing. The proportion is highest among 18-34 year-olds, with almost half (46%) agreeing with the statement;²⁴ this is in line with trends in linear TV viewing habits, as older audiences spend more time than younger TV audiences watching broadcast TV.

Data from BARB's Establishment Survey provides evidence of increased consumer take-up of SVoD in particular. The major SVoD services continued to grow rapidly in 2020, with the number of households accessing at least one service increasing by 2.7 million in the first nine months of the year to 17 million. This increase was almost double the 1.4 million increase over the same period in 2019, and took SVoD penetration to 60% of all UK households by Q3 2020, up from 49% a year earlier. In comparison to SVoD, pay-TV take-up has been relatively static – staying at 48% year on

²³ Ampere Analysis Consumer, age: online 18-64, Q1 2021, UK. Base: 2,000.

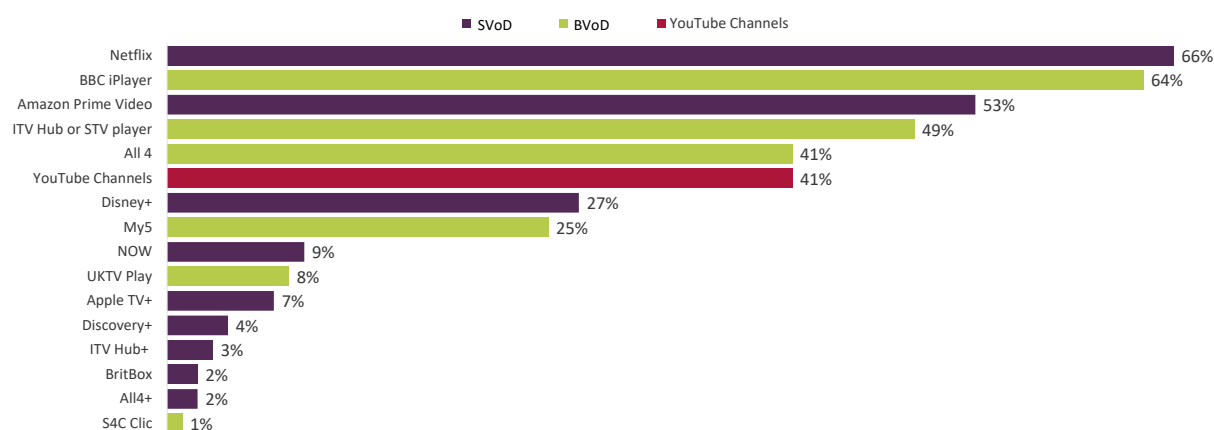
²⁴ Ampere Analysis Consumer, age: online 18-64, Q1 2021, UK. Base: 1,633, those who use SVoD.

year. In addition, more than two-thirds of pay-TV households also had a streaming service subscription, which suggests that the two platforms continue to coexist.

Leading services Netflix (14.8 million households) and Amazon Prime Video (9.5 million) both increased their subscriber bases during SVoD's 2020 surge, with each adding just over three million new households in the 12-month period to Q3 2020. Meanwhile, rapid take-up of Disney+ enabled it to overtake NOW (1.9 million households) to become the third most-subscribed-to SVoD service; by Q3 2020 it was already in 3.4 million UK homes. Total SVoD subscriptions reached 31 million in Q3 2020, up 54% from 20 million in Q3 2019.²⁵

Figure 1.10 below shows UK household use of online video services in Q1 2021, according to research from the latest Ofcom Technology Tracker.

Figure 1.10: Online video service used in UK households to watch programmes or films



Source: Ofcom Technology Tracker 2021 H87AB/AC Which – if any – of these other TV services/paid-for-on-demand are used in your household to watch programmes, shows or films? Base: All respondents.

Netflix and BBC iPlayer were the leading VoD platforms by content streams in 2020

Netflix was also the UK's largest VoD service in terms of content streams, which were up by 89% compared to 2019, and reached an all-time monthly high of 1.5 billion in December 2020. This continued into 2021, with the SVoD service reporting 1.88 billion streams in January and 5.5 billion across Q1.²⁶

The BBC's iPlayer was the second largest VoD service by streams²⁷ in 2020, and like Netflix and had its highest month in January 2021, reporting 652 million streams, contributing to its best quarter on

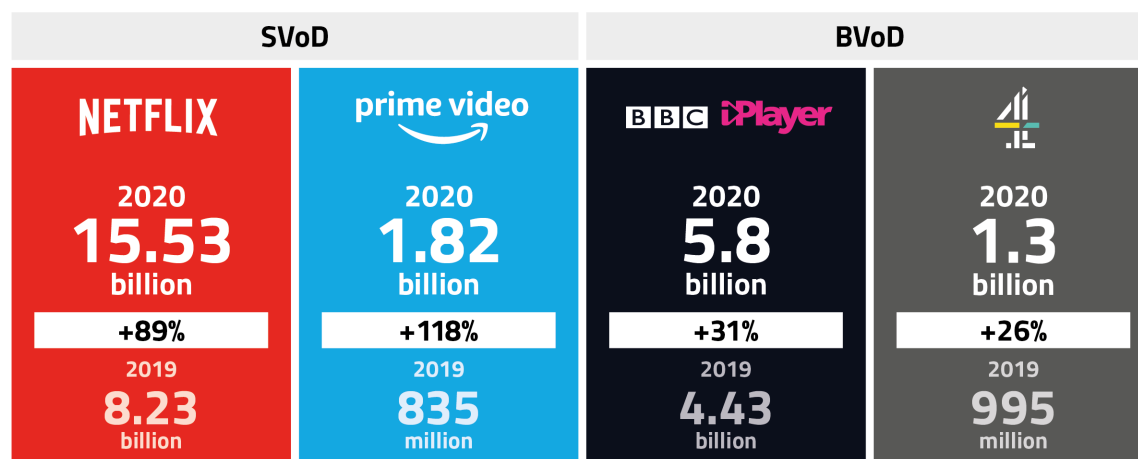
²⁵ BARB Establishment Survey 2020 Q: Do you, or does anyone in your household, subscribe to the following... Note: Any SVoD is any of the following - Netflix, Amazon Prime Video, Now TV or DisneyLife upto Q1 2020. Q3 2020 includes Netflix, Amazon Prime Video, Now TV, Disney+, Apple TV+, BritBox or HayU. Due to the Covid-19 pandemic, the BARB Establishment survey was temporarily suspended when necessary due to restrictions, resulting in no data collection for Q2 2020 and Q1 2021. Q4 2020 had some data collection but not enough for the results to be released just for that quarter.

²⁶ Digital-i UK, 2019, 2020 and Q1 2021, age: 18-64 year old account holders. Based on at least 2 minutes of viewing content.

²⁷ Not comparable to streams data for Netflix and Amazon Prime Video which is sourced from Digital-i.

record with over 1.7 billion streams in Q1 2021.²⁸ Amazon Prime Video was the third-largest VoD service by streams, with 684 million in Q1 2021.²⁹ ITV Hub, which reports on hours of ITV VoD content streamed on its ITV Hub and ITV Hub+ platforms, reported that viewing on these services declined by 5% to 482 million hours in 2020. It said that this was a result of “no summer *Love Island*, fewer episodes of the soaps, no major sporting event and a lower volume of new content in the year”.³⁰

Figure 1.11: Number of UK streams to selected VoD services: 2019 vs 2020



Source: Netflix and Amazon Prime Video: Digital-i UK, 2019 and 2020, age: 18-64 year old account holders.

Based on at least 2 minutes of viewing of content. BBC iPlayer: BBC Media Centre, [Record year helps shape bold future for the BBC](#), 29 Mar 2021. All 4 views: [Channel 4 Financial report and statement for the year ended 31 December 2020](#), [Channel Four Television Corporation Report and Financial Statements 2019](#). Note: Data from different sources not directly comparable.

Take-up of new market entrant Disney+ is mainly by consumers already using SVoD services

Disney+ launched in March 2020 and has so far proved to be mainly complementary to the two largest SVoD services, with only 4% of Disney+ subscribers not taking either Netflix or Amazon Prime Video. The vast majority (95%) of Disney+ subscribing households also subscribed to one or both of the two largest SVoD services, as of Q3 2020. Among 16-34 year-olds, this number rises to 97%.

Looking more closely at the nature of the overlap between these services, we can see that as of Q3 2020, the majority of Amazon Prime Video households (84%) also subscribed to Netflix. But take-up of all three major services together is relatively low, with 9% of UK households (9%) claiming to use all of them.³¹ This suggests that the arrival of a high-profile new service has not encouraged a large increase in the overall ‘stacking’ rate among SVoD homes, which has stayed fairly stable over the last two years. The average number of SVoD subscriptions per SVoD home is 1.7,³² although when free

²⁸ BBC Media Centre, [Record-breaking start to 2021 for BBC iPlayer](#), 19 April 2021.

²⁹ Digital-i UK, 2020, age: 18-64 year old account holders, Q1 2021. Based on at least 2 minutes of viewing content.

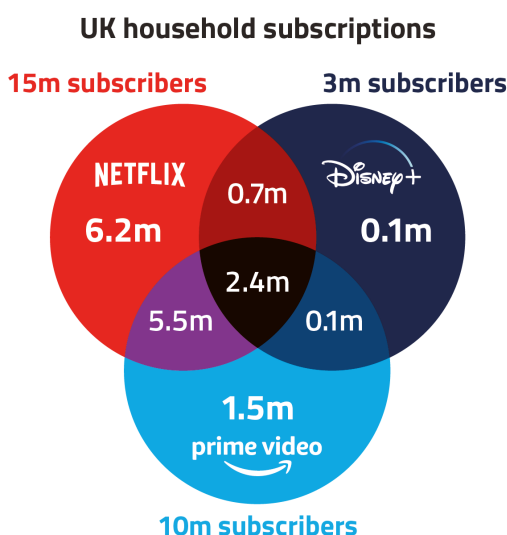
³⁰ [ITV Plc Annual report and accounts for the year ended 31 December 2020](#)

³¹ BARB Establishment survey Q3 2020.

³² Ampere Analysis Markets, July 2021 – Operators data YE2020, includes all age subscribers and excludes free trials.

trials and account sharing are accounted for, this average increases to 2.5 services or packages.³³ In Q1 2021 9% of surveyed online adults said they used a Netflix login from someone they do not live with, while 6% and 11% said the same for Amazon Prime Video and Disney+ respectively.³⁴

Figure 1.12: Proportion of multiple subscribers among Netflix, Amazon Prime Video and Disney+ subscribers



Source: BARB Establishment Survey.

Original and exclusive programming remain the main draws for SVoD services

According to Ofcom's Technology Tracker, series originally made for, or exclusive to, individual SVoD providers were an important driver behind the decision to subscribe – with the intention 'to watch exclusive content not available elsewhere' listed as a top-three reason for household subscription for all services, with the exception of Britbox and All4+.³⁵

Figure 1.13 below shows that programmes first shown by the SVoD providers themselves attracted the highest number of streams in Q1 2021, in comparison to titles originally broadcast by individual PSBs and their portfolio channels. In Q1 2021, an average UK Netflix account streamed 19 minutes of original Netflix content per day, in comparison to four minutes per day of BBC programming, and three minutes per day of ITV programming.³⁶

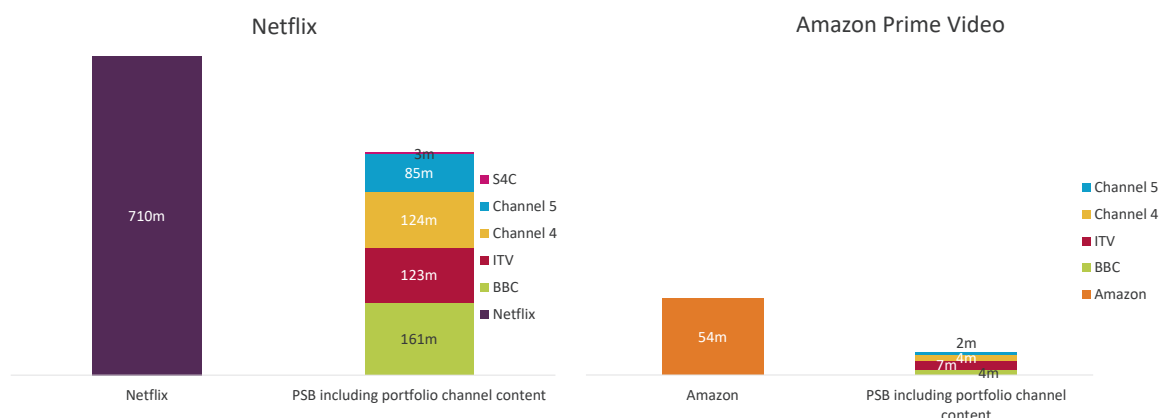
³³ Ampere Analysis Consumer, age: online 18-64, Q1 2021, UK. Base: 2,000.

³⁴ Ampere Analysis Consumer, age: online 18-64, Q1 2021, UK.

³⁵ Ofcom Technology Tracker 2021. The full list of reasons to subscribe to SVoD can be found in the [interactive report](#).

³⁶ Digital-i UK, Q1 2021, age: 18-64 year old account holders. Based on at least 2 minutes of viewing of content. Original network for BBC includes: BBC, BBC America, BBC Four, BBC HD, BBC One, BBC Scotland, BBC Three, BBC Two, BBC iPlayer, CBBC and CBeebies.

Figure 1.13: Number of streams on UK Netflix and Amazon accounts, by original network distributor: Q1 2021

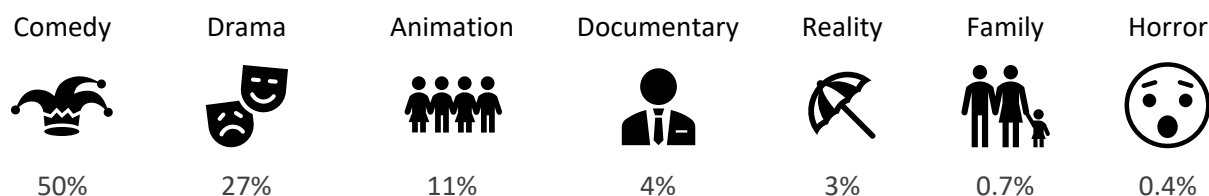


Source: Digital-I UK, Q1 2021, age: 18-64 year old account holders. Note: BBC, ITV and Channel 4 include content that was originally broadcast on the respective portfolio channels.

Comedy on Netflix increased in viewing during the 2021 winter lockdown

In Q1 2021, an average UK Netflix household spent almost an hour (57 minutes) per day watching comedy content, 78% higher than the 32 minutes per day in Q1 2020. In terms of streaming, comedy accounted for 50% of the Netflix total in Q1 2021, with top-streaming titles including *Superstore*, *The Office (US)* and *The Big Bang Theory*. In comparison, drama content accounted for 51% of Amazon Prime Video's streams, with comedy accounting for 27%.^{37 38}

Figure 1.14: Proportion of total Netflix streams, by genre (Q1 2021)



Source: Digital-i UK, age: 18-64 year old Netflix account holders, Q1 2021, primary genre. Not in graphic other: 3%.

³⁷ Digital-i UK, age: 18-64 year old Amazon Prime Video account holders, Q1 2021, primary genre.

³⁸ Analysis restricted to Netflix and Amazon Prime Video due to data availability.

Anime

Anime and anime-influenced content (a sub-genre of animation) is one of the most popular genres for Netflix viewers – ranking above horror, family, and reality TV (3.5% of total Q1 2021 Netflix streams were Anime).³⁹ Many of Netflix's top-viewed anime titles are from The Pokémon Company and Studio Ghibli (the studio behind films such as *Spirited Away* and *My Neighbour Totoro*), which it added to its platform in February 2020 in the UK. Netflix's commitment to anime was signalled further when it launched a Netflix Anime YouTube channel in September 2020; this had reached 74,000 UK adult visitors by March 2021⁴⁰, and announced it would release 40 original anime titles in 2021.⁴¹

Other VoD services in the UK cater for those interested in anime content, including Crunchyroll, which has a paid tier at £6.50 per month, but which also provides free-to-view anime content supported by advertising. The service currently has over 100 million registered users globally, of which 4 million were paid subscribers in February 2021.⁴² Meanwhile, competitor Funimation is a £4.99-per-month SVoD service with a focus on dubbed content rather than subtitles. According to research from the Insights Family UK, 3.4% of 12-17 year-olds said they used Crunchyroll in Q1 2021.⁴³

According to the most recent wave of Ofcom's Children's Media Lives study⁴⁴, for three of the 18 children surveyed, anime had become an important part of their content consumption. These three participants all said that they were drawn to anime because they felt it offered something different to the shows they might otherwise watch.

Figure 1.15: Top anime or anime-influenced titles on Netflix, in UK households with children (2020)

Title	Type	Streams	Reach	Reach (%)
<i>Pokémon</i>	Series	51.04m	1.33m	21%
<i>Pokémon: Mewtwo Strikes Back - Evolution</i>	Movie	1.30m	1.13m	19%
<i>Avatar: The Last Airbender</i>	Series	31.63m	1.08m	17%
<i>Sonic X</i>	Series	9.02m	760k	13%
<i>Pokémon the Movie: The Power of Us</i>	Movie	0.76m	704k	12%
<i>Dinosaur King</i>	Series	13.00m	698k	11%
<i>Spirited Away</i>	Movie	0.80m	666k	11%
<i>My Neighbor Totoro</i>	Movie	0.89m	646k	10%

Source: Digital-i UK, age: 18-64 year-old Netflix account holders with children in household, 2020, series and movies, primary genre: animation or family. Based on at least 2 minutes of viewing of content. Title may have several series available on platform.

³⁹ Digital-i UK, 2020, age: 18-64-year-old Netflix account holders with kids in household, 2020, series and movies

⁴⁰ Comscore VMX Multi-Platform, Netflix Anime YouTube channel, Age:18+, March 2021, UK.

⁴¹ Bloomberg, [Netflix to Launch 40 New Anime Shows After 'Blood of Zeus' Win](#), 27 March 21.

⁴² Crunchyroll, [Crunchyroll Reaches Four Million Subscribers!](#), 2 Feb 2021.

⁴³ The Insights Family UK Q1 2021.

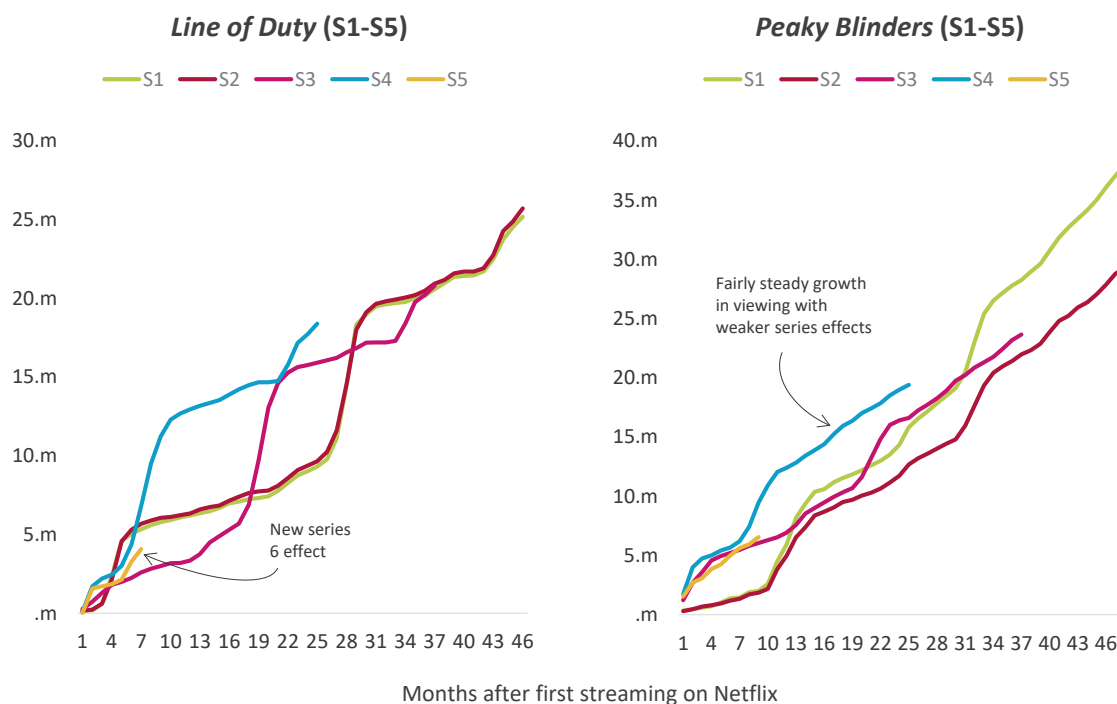
⁴⁴ Ofcom, [Children's Media Lives: Year 7 2020/21](#).

New PSB titles on broadcast TV lift viewing of titles' previous series on Netflix

Taking two examples in the chart below, there is evidence of a link between the viewing of a series on broadcast TV and Netflix, although the strength of this relationship varies by programme.

Line of Duty viewing on Netflix tends to be characterised by periods of steeper growth coinciding with the airing of a new series on broadcast TV, with steadier growth periods between series. This can be explained by Netflix viewers either watching previous series for the first time, or reminding themselves of past plotlines. This effect is also visible for *Peaky Blinders*, albeit less pronounced. This could be for a number of reasons. Viewing figures for *Peaky Blinders* on broadcast TV were lower than those for *Line of Duty*, which may have created less audience impact, or *Peaky Blinders* may have required less re-familiarisation with past series than *Line of Duty*. And Netflix content discovery and recommendation algorithms may have had different effects on the accumulation of audience viewing. Although previous series of both these titles were available on BBC iPlayer, the below data shows that many consumers may have chosen to view them on Netflix.

Figure 1.16: Running total of streams for *Line of Duty* and *Peaky Blinders* on Netflix, by season

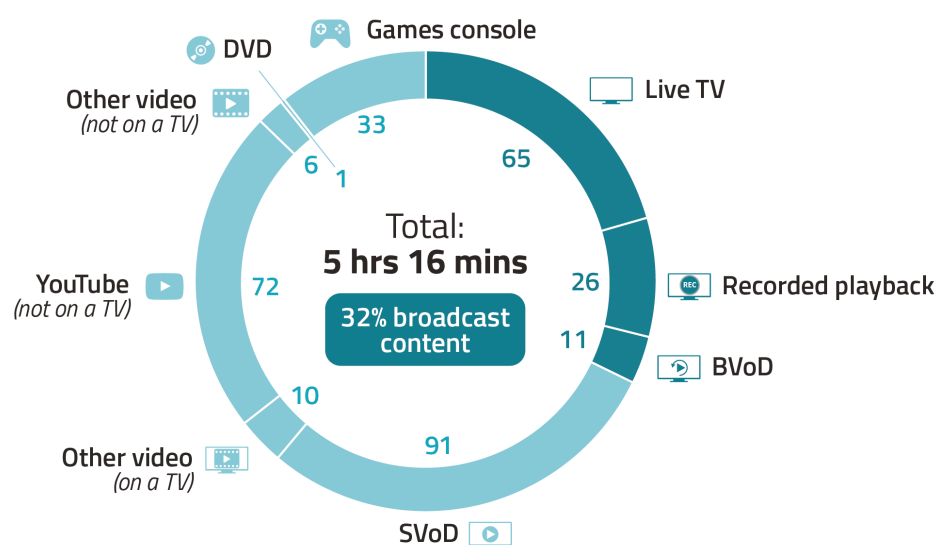


Source: Digital-I UK, *Line of Duty*: Earliest data of S1-2 available is from January 2017. S1-4 were removed from Netflix in October 2020. S5 was added in November and data shown is up until April 2021. Please note that between 2019-2020 Digital-i methodology consisted of separate panels for Netflix and Amazon. In 2021 Digital-i methodology is based on a unified Netflix and Amazon panel. This therefore may result in a break in trend for *Line of Duty* S5 which is based on the new panel. *Peaky Blinders*: Data is for the period January 2017-December 2020.

Young adults watched nearly half an hour more SVoD a day in 2020 than in 2021, although their viewing of broadcast television was unchanged

For young adults aged 16-34, increased time spent at home brought increased video viewing, with an increase of 47 minutes per person per day to 5 hours 16 minutes. For this age group, this was entirely led by non-broadcast viewing. While young adults' total viewing of broadcaster content was almost the same as in 2019, the broadcaster share of this total declined from 38% to 32% because of the increased time spent on online services.

Figure 1.17: Average minutes of viewing per day, all aged 16-34, all devices (2020)

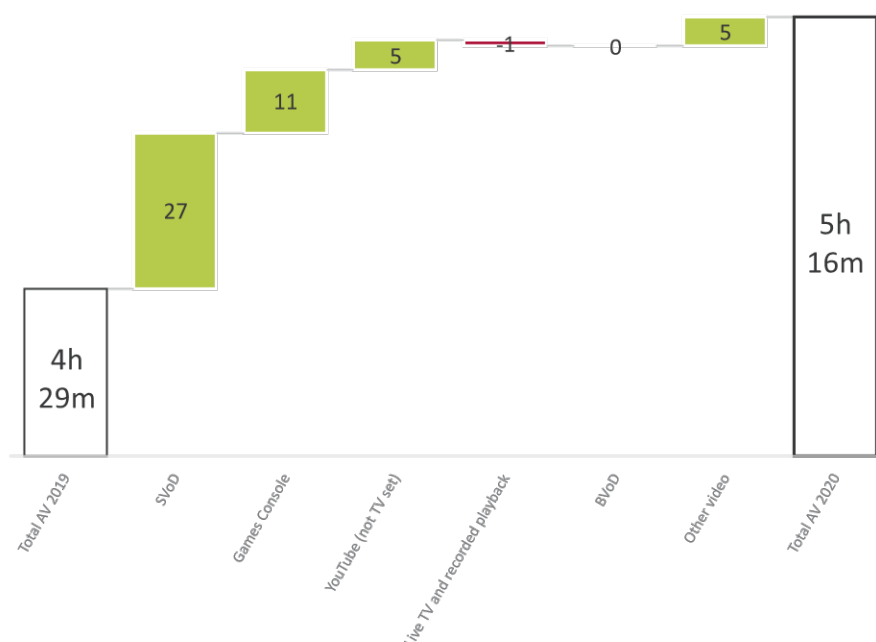


Source: Ofcom estimates of total audio-video viewing among 16-34 year olds. Modelled from BARB, Comscore and TouchPoints data.

Figure 1.18 below shows how 16-34s' use of individual services changed across the year, with viewing increases led by more SVoD viewing, increased games console use (to an average of over half an hour per day), and more YouTube viewing across devices.

The proportion of time spent viewing broadcast TV was even lower for the younger end of this group, with 16-24s spending only a quarter (26%, 77 minutes per day) of their average viewing time on broadcast TV in 2020. This sub-group spent much larger amounts of time on non-broadcast viewing, with SVoD in particular increasing to 85 minutes per person per day, overtaking YouTube's 78 minutes, to make it the largest single type of content viewed by 16-24s.

Figure 1.18: Change in average minutes per day from annual average, all aged 16-34, all devices: (2019-20)



Source: Ofcom estimates of total audio-video viewing among 16-34 year olds. Modelled from BARB, Comscore and TouchPoints data.

SVoD platforms have had the largest increases in use among children, although YouTube remains popular

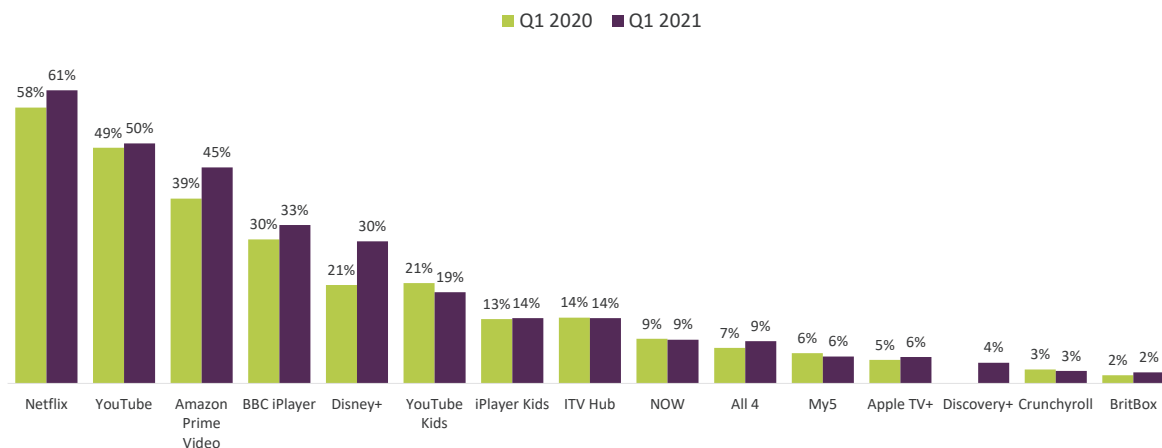
Netflix remains the most popular online video platform among 3-17 year-olds, with 61% using it in Q1 2021, up three percentage points since Q1 2020. There were also year-on-year increases in use for Amazon Prime Video and Disney+. BBC iPlayer had a slightly higher reach than Disney+ for the 3-17 age group, as the fourth most popular service, while for younger children (3-11s), Disney+ was slightly higher than BBC iPlayer.⁴⁵

YouTube remains similar in popularity to Netflix, with 40% of 13-17 year-olds saying they watched more Netflix than other platforms in general, and 39% saying they watched more YouTube. Among 3-12 year-olds, 47% said they watched more YouTube in Q1 2021, and 34% more Netflix.⁴⁶

⁴⁵The Insights Family UK. Age 3-11. See [interactive report](#).

⁴⁶The Insights Family UK. Question: What have you watched more of this week? Answers to choose from: Netflix, YouTube, Amazon Prime Video or normal TV. Age 13-17. Q1 2020: 907; Q1 2021: 844 respondents. Age 3-12: 1670.

Figure 1.19: Proportion of 3-17 year-olds who use selected online video services



Source: The Insights Family UK. Age 3-17. Multi-choice question: Which of these TV platforms do you use? Base: 2021: 2,677; 2020: 2,755.

YouTube and social video

YouTube and Facebook remain the largest social video platforms in the UK, but the growth of TikTok has diversified consumers' viewing diets

A third (33%) of online adults aged 15+ reported daily watching of short-form video content online during Q1 2021, with this viewing skewing more to younger audiences.⁴⁷ YouTube and Facebook were the largest social video platforms in the UK in Q1 2021, reaching 96% and 88% respectively of UK internet users aged 18+ in March 2021.⁴⁸ However, as reported in our [Online Nation report](#), social video service TikTok grew rapidly during 2020 and into 2021, reaching 31% of adult internet users in the UK in March 2021.⁴⁹ In addition, the proportion of online 15+ adults using TikTok to watch short videos increased from 5% in Q1 2020 to 16% in Q1 2021.

In February 2021, TikTok looked to drive further awareness of its platform through its partnership with UEFA Euro 2020. As part of the deal TikTok launched a range of features to complement the football tournament, such as augmented reality (AR) effects, Hashtag Challenges, and TikTok LIVES and Sounds. UEFA provided TikTok with access to its library of historical assets from which to develop content.⁵⁰

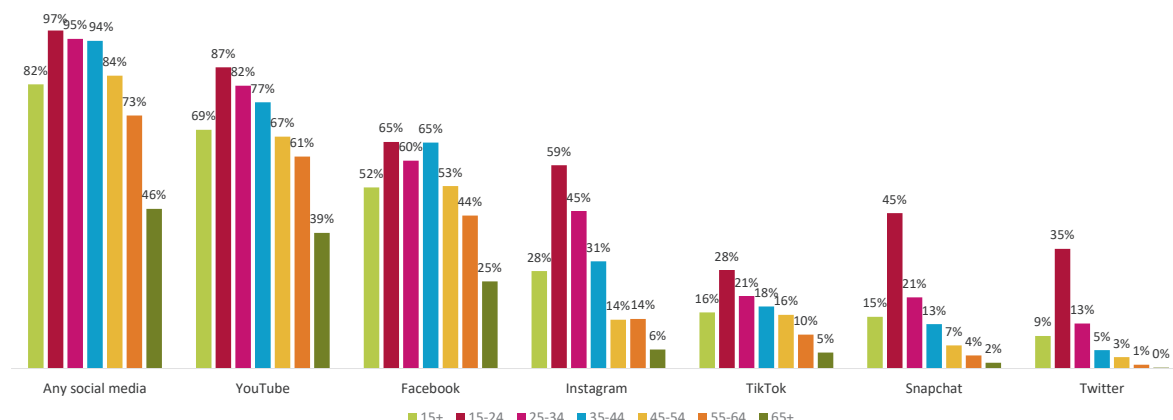
⁴⁷ TouchPoints W1 2021, GB adults 15+. Question: How often do you watch short video or online content of less than 10 minutes on any device? Note that this does not include full-length television programmes or films but it could be from TV players, YouTube, Facebook or other social media and messaging or news sites etc. Base: all adults (15+) who have been online in past 12 months. See [interactive report](#) for data by age group.

⁴⁸ Comscore MMX Multi-Platform, Total Audience, age: 18+, Mar 21, UK.

⁴⁹ Comscore MMX Multi-Platform, Total Audience, age: 18+, Mar 21, UK.

⁵⁰ UEFA News, [TikTok becomes official UEFA EURO 2020 sponsor](#), 11 Feb 2021.

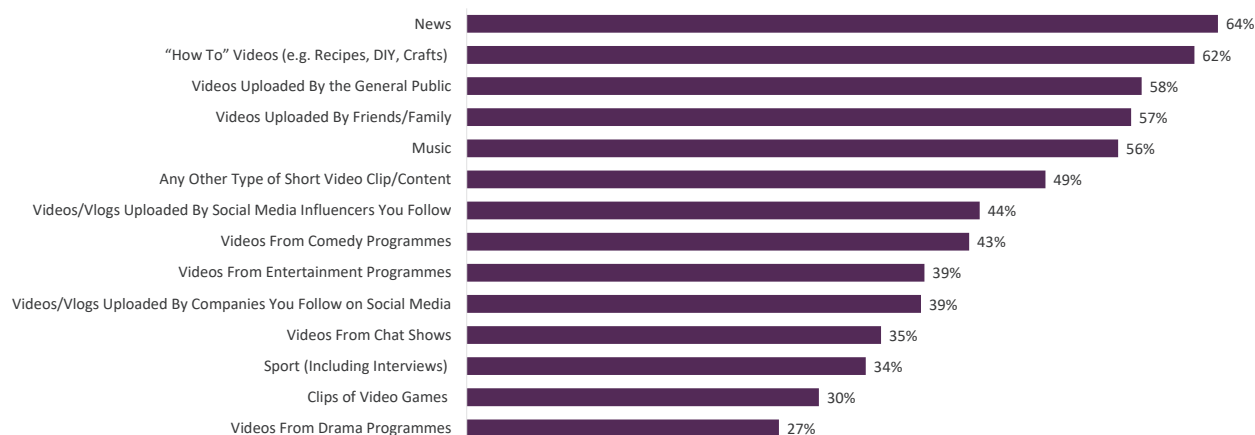
Figure 1.20: Proportion of British online adults who watch short videos on selected social media platforms, by age



Source: TouchPoints 2021 (W1) GB. Question: Which platforms or social media / news / messaging sites do you use to watch short video or online content of less than 10 minutes on any device? Note this does not include full-length television programmes or films. Any social media includes: YouTube, Facebook, Instagram, TikTok, Snapchat or Twitter. Base: all GB adults (15+) who have been online in last 12 months.

News (71%) and music (68%) were the most popular genres among 15-24 year-olds who watch short online video content. Among 25-34 year olds, however, videos uploaded by friends or family (66%) was the most popular genre, while 'how to' videos (69%) were most popular for 35-44s.⁵¹

Figure 1.21: Genres viewed at least monthly by adults who watch short video content online monthly



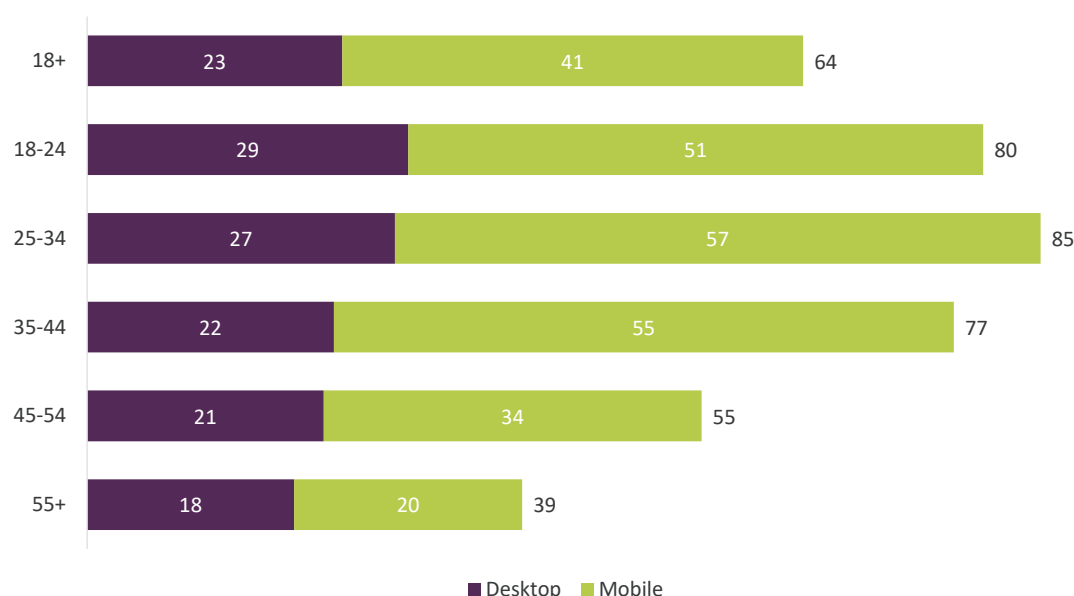
Source: TouchPoints 2021 (W1) GB adults 15+. Question: How often do you watch these different types of short video / online content / clips (on any device). Base: all adults who watch short video or online content of less than ten minutes on any device at least monthly.

⁵¹ TouchPoints 2021 (W1) GB adults 15+. Question: How often do you watch these different types of short video / online content / clips (on any device). Base: all adults who watch short video or online content of less than ten minutes on any device at least monthly.

Almost 51 billion YouTube videos were viewed by UK online adults in the first quarter of 2021

The number of YouTube videos viewed by UK online adults in Q1 2021 increased by 22% compared to Q1 2020, with 44 million online adults viewing a total of 50.9 billion videos. This equates to an average of 13 videos per person per day.⁵² As seen in figure 1.22 below, 18-24 year olds spend twice as much time as those aged over 54 watching content on YouTube on desktops, smartphones or tablets.

Figure 1.22: Minutes spent per day watching content on YouTube by UK adult users by, age and device: March 2021

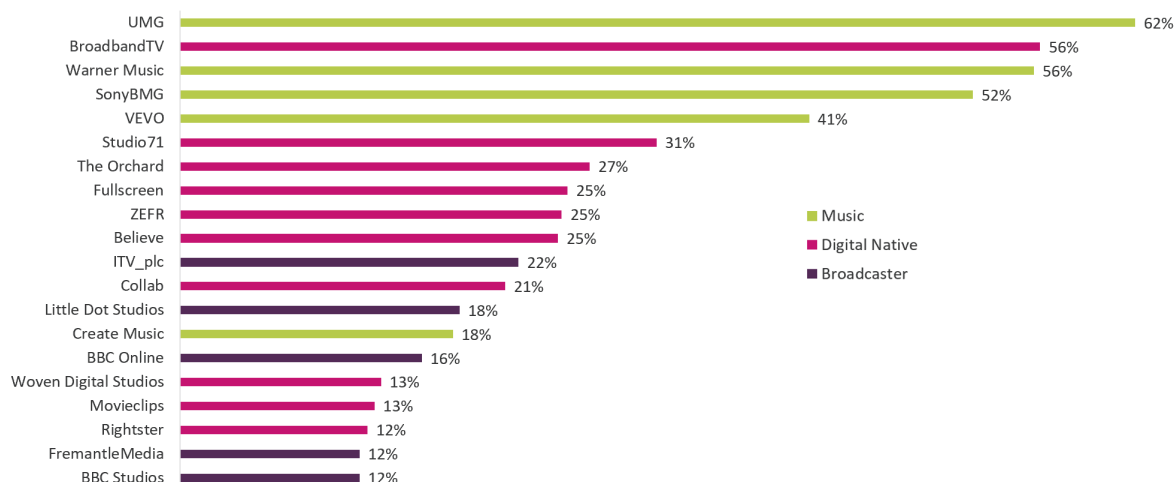


Source: Comscore VMX Multi-Platform, YouTube.com, content, Age: 18+, Mar 2021, UK. Note: this excludes TV set and smart device use. Mobile includes smartphone and tablets.

YouTube is well known for its user-generated content, but the top 20 channels⁵³ feature many professional channels, such as those from broadcasters and music companies. Music is the most popular genre on YouTube, with the Universal Music Group channels reaching 28 million adult visitors in March 2021, 62% of the adult online population. Other established music channels on YouTube include Warner Music and Vevo. PSB providers also feature in the top 20 most-visited YouTube channels in the UK, with ITV channels reaching 10 million unique visitors in March 2021, equating to 22% of the UK adult online population. PSB channels on YouTube primarily host short-form clips of their content rather than full-length content. BBC Online and BBC Studios channels reached 16% and 12% of the adult online population respectively. Netflix's YouTube channel is 22nd in the UK ranking, visited by 5 million adult visitors (11%).

⁵² Comscore VMX Multi-Platform, YouTube.com, Age: 18+, Jan-Mar 2020 & 2021, UK. Note: this excludes TV set and smart device use.

⁵³ 'Channels' here refers to the partners reported in Comscore's YouTube Partners Report and does not necessarily equate to a YouTube channel name as seen on the platform.

Figure 1.23: Top 20 YouTube channel groups based on UK online adult reach (March 2021)

Source: Comscore VMX Multi-Platform, YouTube Partners report, age 18+, March 2021, UK. Organisation classification by Ofcom, Top 100 based on digital audience reach.

Figure 1.24: Top ten most-viewed YouTube videos in the UK (2020)

Rank	YouTube video	Channel
1	<i>PE with Joe, Monday 23 March 2020</i>	The Body Coach
2	<i>Sidemen Reunited Mukbang</i>	Sidemen
3	<i>Phillip Schofield opens up about being gay, This Morning</i>	This Morning
4	<i>I'm Coming Out</i>	NikkieTutorials
5	<i>Making YouTubers Sing All Star – Smash Mouth Without Realising</i>	WillNE
6	<i>Full Fight! Jake Paul vs AnEsonGib</i>	Sky Sports Boxing
7	<i>\$250,000 Influencer Rock, Paper, Scissors Tournament</i>	MrBeast
8	<i>Golden Buzzer! Sign Along With Us Put on the Greatest Show in Emotional Audition, BGT 2020</i>	Britain's Got Talent
9	<i>Barcelona vs Bayern Munich (2-8), Uefa Champions League highlights</i>	BT Sport
10	<i>We Broke Up</i>	JeffreeStar

Source: YouTube, 2020.

For more information on social video, see our [Online Nation](#) report.

The online video landscape

Introduction: a landmark year for SVoD, and an important time for BVoD

A combination of factors resulted in 2020 being a landmark year for subscription video-on-demand (SVoD), both in the UK and internationally – total global SVoD subscriptions increased by an estimated 300 million, passing the one billion threshold to reach 1.18 billion. The jump was the biggest annual increase yet, and one that is not expected to be matched over analysts' forecast periods.⁵⁴

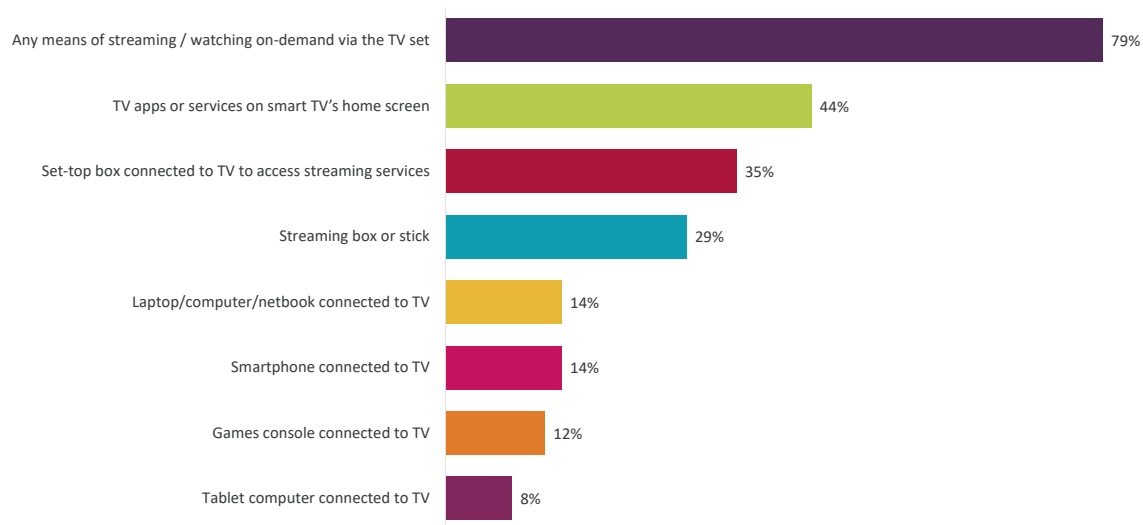
Among the drivers of SVoD's latest surge are: the circumstances created by Covid-19 lockdowns, which increased consumer demand for home entertainment (as detailed in the previous chapter); the growing investment in content; and the launch of several major new services, reflecting a clear industry shift towards direct-to-consumer (D2C) streaming as a core business priority for a growing number of media and technology companies. Meanwhile, long-term trends have also provided the ideal market conditions for SVoD and other online video services to flourish. Take-up of more capable broadband continues to rise – superfast or ultrafast services were used by almost two-thirds (65%) of UK households with fixed broadband by Q1 2021.⁵⁵ In parallel, ownership and use of connected devices capable of streaming TV is increasing; TV sets are commonly used to watch online or on-demand content, with 79% of TV households connecting their set to the internet (via one of the methods detailed in figure 2.1) for this purpose.⁵⁶

⁵⁴ Ampere Analysis Markets – Operators.

⁵⁵ Ofcom Technology Tracker 2021.

⁵⁶ Ofcom Technology Tracker 2021, all respondents completing the survey online.

Figure 2.1: Proportion of UK TV households that use their TV set to watch online or on-demand content, by means (Q1 2021)



Source: Ofcom Technology Tracker 2021 QH96. Do you or does anyone in your household use any of these ways to watch live TV or on demand or streaming services via your TV screen? Base: All respondents where a TV set is used to watch programmes, sport or films and completed the survey online.

The industry drivers behind SVoD's landmark year, and a broader assessment of online video providers' performance, offerings and strategies, will be the focus of this chapter. This includes analysis of UK BVoD services, and the PSBs' prospects for competing with an SVoD sector that has increasing financial muscle. Use of BVoD is significantly lower than SVoD, though like-for-like comparisons should recognise that viewing of the content available on BVoD also takes place via live broadcast and recorded time-shifting. As audiences continue to shift their viewing online, a compelling BVoD offer/product will be an important vehicle to getting public service media content to everyone.

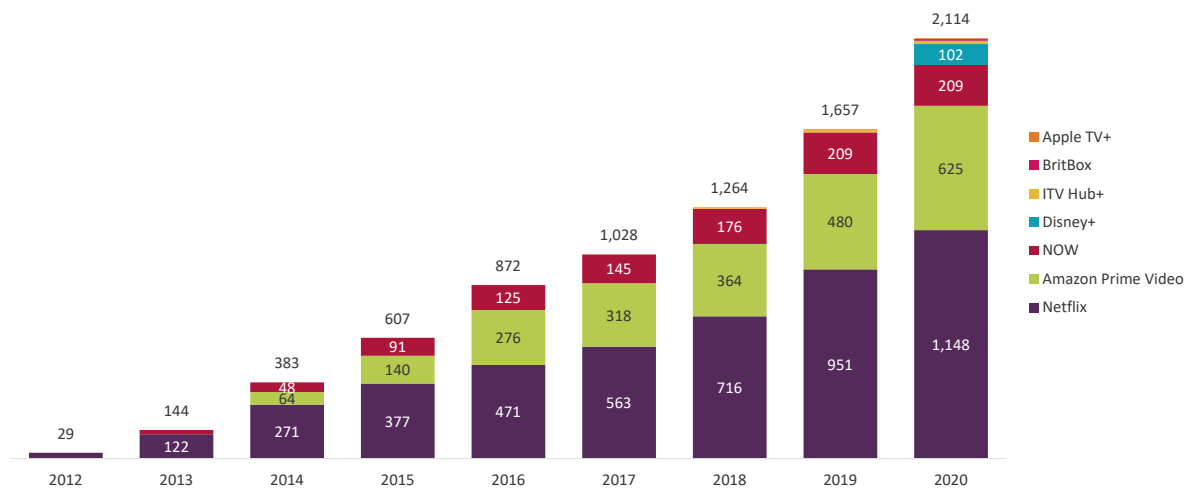
Subscription video-on-demand

SVoD's 2020 surge saw annual sector revenue pass the £2bn mark, with price rises set to drive further significant growth in 2021

Revenues generated by the main SVoD services totalled an estimated £2.11bn in 2020, a 28% real-terms increase on 2019's £1.66bn, and more than double the 2017 figure. Market leader Netflix is faring well in the face of increased competition – its UK revenue grew by 21% in 2020 to an estimated £1.15bn, representing 54% of total SVoD revenue, down from a 57% share in 2019. Although new entrant Disney+ quickly established itself as a major player, accounting for 11% of UK SVoD subscriptions by the end of 2020, its launch in March at a low price point relative to its rivals meant that it only accounted for an estimated 5% of SVoD revenues generated in the year.⁵⁷

⁵⁷ Ampere Analysis Markets – Operators

Figure 2.2: UK SVoD revenues, by service: 2012-2020 (£m)



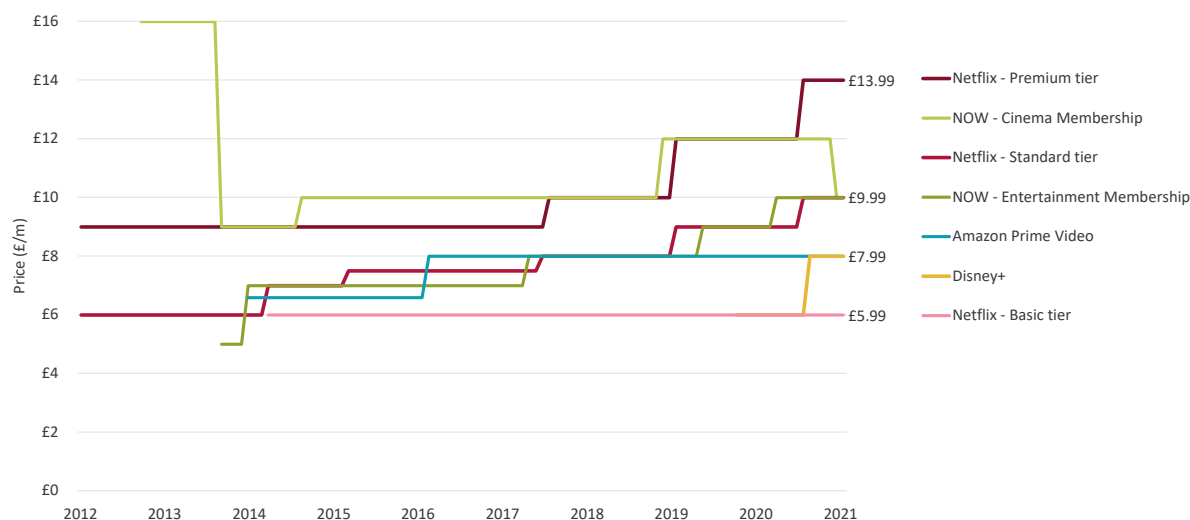
Source: Ampere Analysis, July 2021. Figures are adjusted for CPI at 2020 prices. Subscription revenues do not include additional transactional revenues from premium video-on-demand (PVoD) releases made available on SVoD services.

Buoyed by their 2020 success and seeking to drive further revenue growth, both Netflix and Disney+ implemented price rises in 2021. Netflix announced price rises for UK customers in January, with its Standard tier going up to £9.99 a month (+£1) and the Premium tier up to £13.99 (+£2). The company commented that the move reflected significant spending on content, including “British storytelling”.⁵⁸ The price of Netflix’s Basic tier remained the same, at £5.99 a month.

Disney+, meanwhile, raised its monthly fee for new customers from £5.99 to £7.99 in March 2021 and implemented the increase for all subscribers in August 2021, following the February 2021 integration of the Star sub-brand into its offering. The resulting expansion of the Disney+ catalogue (detailed below) is crucial to broadening the appeal of the SVoD service beyond the core children’s and family audience that drove its first phase of growth. Star provides a home for programming from in-house production divisions Disney Television Studios, FX, 20th Century Studios and 20th Television, with this content – including TV shows such as *Grey’s Anatomy*, *Sons of Anarchy* and *The X-Files*, and films such as the *Die Hard* and *Planet of the Apes* franchises – catering to older age demographics.

⁵⁸ BBC News, [Netflix raises UK prices to cover cost of content](#), 6 January 2021.

Figure 2.3: Monthly price of selected SVoD services and tiers (January 2012 – July 2021)



Source: Ofcom. Amazon Prime Video launched in February 2014 at an annual price of £79, equivalent to a monthly cost of £6.58; a monthly tier priced at £7.99/month was introduced in May 2016. Netflix's price increase to £7.49 was implemented first for new customers, in May 2015, then all remaining customers, in June 2016. Disney+'s March 2021 price increase was implemented first for new customers then, in August 2021, all remaining customers.

For some fledgling SVoD services, bundling is key to achieving initial scale

While Disney+ achieved scale quickly with its initial £5.99-a-month / £59.99-a-year pricing, other new SVoD services entering the market are monetising in less direct ways, relying on bundled offers and extended free trials that lower the barriers to customer acquisition.

Discovery, the factual-programming-focused international media group, started a global roll-out of its new SVoD service Discovery+ in the UK in November 2020. It did so in partnership with Sky, under a deal through which Sky Q customers are offered 12 months' free access to Discovery+, which otherwise costs £4.99 a month or £49.99 for an annual pass. Although the strategy would appear to be at the expense of significant revenue generation for Discovery, the company has said that it is Sky that is covering the cost of gifting the subscriptions to customers.⁵⁹ In July 2021, Discovery struck an additional, similar partnership with Vodafone, which is offering its pay-monthly mobile customers six months' access to Discovery+ at no extra cost, in time for them to gain access to the streaming service's coverage of the Tokyo 2020 Olympic Games.⁶⁰ By Q1 2021, Discovery+ was being used by 4% of UK households.⁶¹

Another major new service that launched earlier – Apple TV+, in November 2019 – debuted with a comparable strategy. Apple customers purchasing a new device⁶² were given one year's access to Apple TV+ (which costs £4.99 a month as a standalone service) at no extra cost. This trial period was

⁵⁹ Digital TV Europe, [Building an SUV – behind the scenes with discovery+](#), 28 April 2021.

⁶⁰ Vodafone, [Get 6 months of discovery+ on us.](#)

⁶¹ Ofcom Technology Tracker 2021.

⁶² iPhone, iPad, iPod touch, Apple TV, or Mac.

subsequently extended twice, the second time to July 2021, meaning that customers who started using the service in November 2019 would benefit from a 21-month trial period. However, from July 2021 onwards, the trial period was reduced from 12 months to three.⁶³ Take-up of Apple TV+ in UK households had reached 7% by Q1 2021.⁶⁴

ITV and the BBC's joint commercial venture, BritBox, meanwhile, launched in November 2019 with a standard 30-day trial, but subsequently introduced some extended offers in partnership with BT and EE, whose customers are able to trial the SVoD service for six months before being charged the £5.99 monthly fee.

Strategies like these are likely to be among the main drivers for overall, continued SVoD growth as the market becomes more crowded. They allow new services entering a competitive market to more easily supplement consumers' existing subscriptions, rather than compete for customer spend (at least initially), with the long trial periods also designed to build loyalty and 'stickiness' before asking customers to eventually pay a regular subscription fee.

Netflix and Amazon still have the most comprehensive SVoD catalogues, but Disney and Discovery expanded their offerings in early 2021

The 5.5 million UK households that subscribe to both Netflix and Amazon Prime Video had access to 20,234 distinct titles and 79,521 hours of programming in April 2021. Disney+'s catalogue remains small compared to its rivals, but the addition of the Star brand – including a significant influx of drama programming – in February 2021 increased total content hours by 81%, reaching 8,964 by April. Discovery+, meanwhile, has been steadily increasing its content hours in early 2021, with additional factual and reality programming taking its total hours to 12,020.⁶⁵

The size of NOW's catalogue is set to significantly increase in the second half of 2021, with Sky parent company Comcast announcing in July that it would be integrating subsidiary NBCUniversal's Peacock streaming service, which launched in the US in July 2020, into both the Sky TV and NOW offerings. This represents around 7,000 hours of content from NBCUniversal and its subsidiaries, which include Universal Pictures, Focus Features, DreamWorks Animation, and Illumination.⁶⁶

The size of Amazon Prime Video's content offering fluctuated in the second half of 2020 and early 2021; the recent drop in total hours is the result of Amazon appearing to trim its catalogue to reduce the volume of more dated programming, particularly older films.

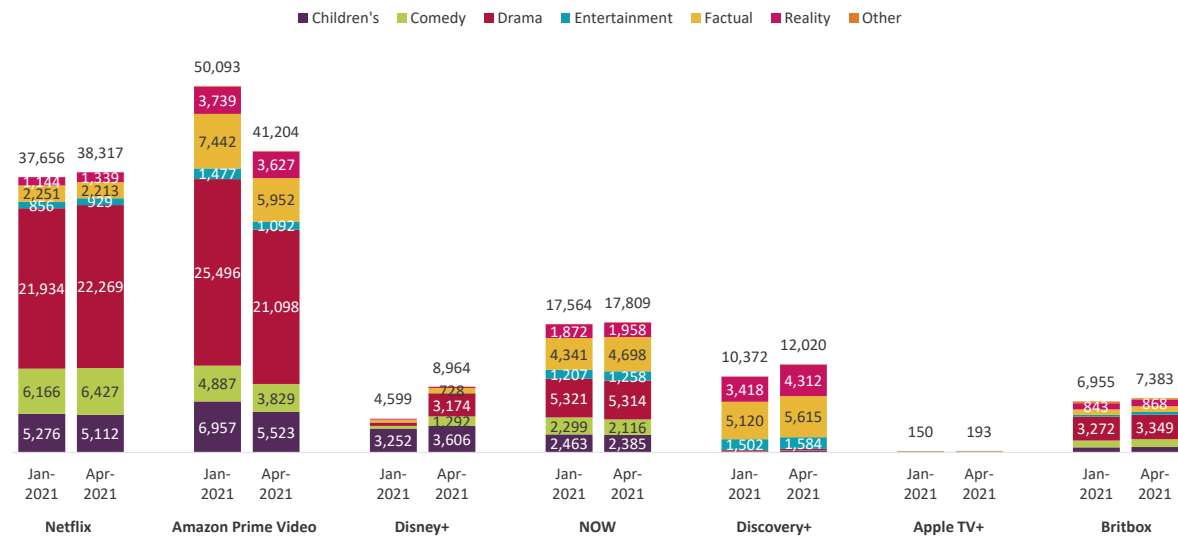
⁶³ Digital TV Europe, [Apple cuts TV+ free trial to three months](#), 22 June 2021.

⁶⁴ Ofcom Technology Tracker 2021.

⁶⁵ Ampere Analysis Analytics – SVoD. Data accessed 8 July 2021.

⁶⁶ Sky, [Comcast announces Peacock coming to Sky](#), 29 July 2021

Figure 2.4: Selected SVoD services' content hours, by genre (January 2021 – April 2021)



Source: Ampere Analysis, data accessed 8 July 2021. 'Factual' includes documentary and news and current affairs programming.

Original and exclusive content is key to differentiation, subscriber acquisition and retention, with levels of investment continuing to rise

With original programming proving one of the biggest draws for streaming services (see top titles and reasons for subscribing to SVoD services in previous chapter), SVoD providers are continuing to increase their content spend and boost the volume of originals and exclusives available on their services. Netflix is still the biggest spender, investing \$11.8bn (£9.2bn) in 2020 – down on 2019's \$13.9bn, due to production restrictions caused by Covid-19 – and pledging to invest \$17bn in 2021.⁶⁷ By April 2021, there were 2,167 Netflix Original titles available to UK users, amounting to 7,795 hours of original programming – a fifth of total catalogue hours – with a further 4,969 hours of Netflix Exclusives.⁶⁸

Original films are an important focus for Netflix in 2021; in January 2021 it unveiled a slate of 70 new titles to be made available on its service this year.⁶⁹ Sky is also ramping up its original film production, for both Sky TV and NOW. The operator is making two new original films a month available on Sky Cinema in 2021 and will increase this output to one a week from 2022. In total, Sky is planning to deliver 125 new Sky Originals in 2021, 50% more than in 2020, and including 30 original documentaries.⁷⁰

Disney's SVoD success – amassing 159 million subscribers globally by April 2021, including 104 million for Disney+⁷¹ – prompted the company, in October 2020, to restructure its business to better

⁶⁷ Netflix Q1 2021 Quarterly Earnings, [Letter to Shareholders](#)

⁶⁸ Ampere Analysis Analytics – SVoD. Data accessed 8 July 2021.

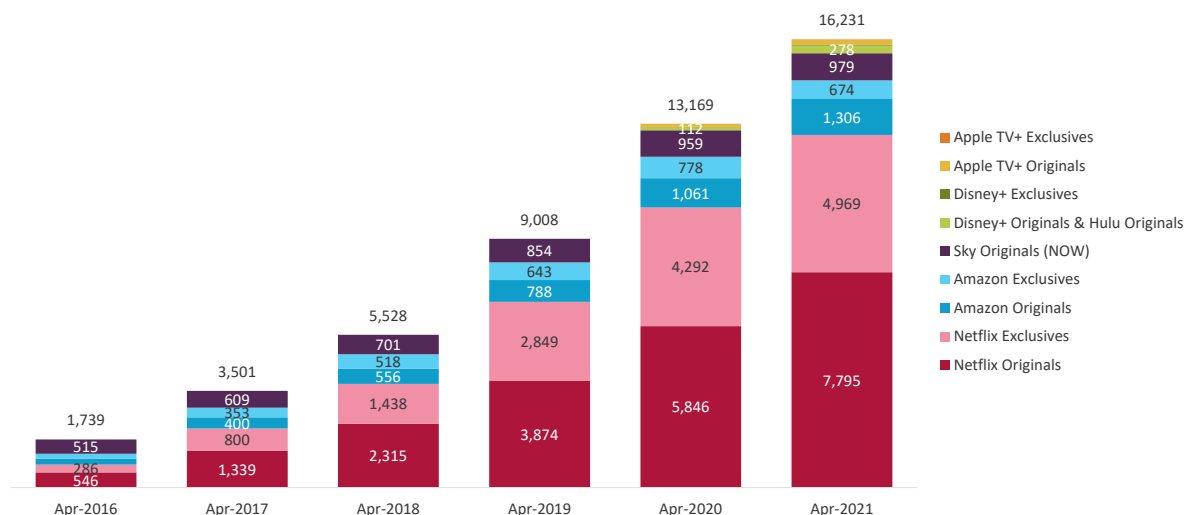
⁶⁹ Netflix, [2021: New Movies. Every Week. On Netflix](#), 12 January 2021

⁷⁰ Sky, [Sky announces biggest ever line-up of new and exclusive original TV shows & films in 2021](#), 25 January 2021.

⁷¹ The Walt Disney Company, [Q2 FY21 Earnings Report](#). Figure for global SVoD subscribers also includes Disney+ Hotstar (India and Indonesia) and ESPN+ and Hulu (US).

serve the direct-to-consumer segment, separating production from distribution. Disney set out its planned programming slate in December 2020, leaning heavily on its prized Marvel Studios and Lucasfilm assets: ten new series set in the Marvel Cinematic Universe (in addition to three that were already in the pipeline for the first half of 2021) and ten new *Star Wars* series were announced for the coming years, all of which will be exclusive to Disney+. ⁷²

Figure 2.5: Selected SVoD originals and exclusives content hours (April 2016 – April 2021)



Source: Ampere Analysis, data accessed 8 July 2021.

Mergers and acquisitions are a means of scaling up quickly, with Amazon acquiring MGM, and WarnerMedia and Discovery combining

Amazon has also been boosting its original programming output, with 1,306 hours available by April 2021. ⁷³ Its content spend, which is spread across both TV/films and music for Amazon Prime, totalled \$11bn in 2020, up from \$7.8bn in 2019. ⁷⁴

Amazon's ambitions for expanding Prime Video further were clearly signalled in May 2021 with its \$8.5bn acquisition of Hollywood studio Metro-Goldwyn-Mayer (MGM). ⁷⁵ The deal gives Amazon a library of 4,000 film titles and 17,000 hours of TV programming, and ownership of some well-known franchises – including *Rocky*, *Stargate* and *Tomb Raider* – to revive and reboot for modern audiences. More current titles include *The Handmaid's Tale*, *Fargo* and *Vikings*. The most prized asset of the acquisition is the James Bond film franchise; although its ownership of this, shared with UK-based Eon Productions, limits Amazon's creative control and could prevent exploitation for TV spin-offs. The acquisition of MGM evidences the importance of TV and film rights and SVoD to Amazon's business; this deal is the second-largest in the company's history, ⁷⁶ and instantly gives it a

⁷² The Walt Disney Company, [Disney Investor Day 2020](#).

⁷³ Ampere Analysis Analytics – SVoD. Data accessed 8 July 2021. Excludes user-generated content available on Amazon Prime Video.

⁷⁴ Amazon, [Amazon 2020 Annual Report](#).

⁷⁵ Amazon, [Amazon and MGM have signed an agreement for Amazon to acquire MGM](#), 26 May 2021.

⁷⁶ Amazon's largest acquisition was its \$13.7bn purchase of Whole Foods Market in 2017.

raft of valuable intellectual property for its content pipeline, as well as Hollywood experience and know-how garnered by the 97-year-old studio.

Two other companies seeking scale to better compete in a globalised TV market are WarnerMedia and Discovery, which are set to merge.⁷⁷ A deal agreed in May 2021 will see US telecoms provider AT&T spin off the WarnerMedia asset it acquired in 2018 into a new media company which, combined with Discovery, will have an enterprise value of about \$130bn.⁷⁸ With both companies executing new D2C strategies in 2020 (WarnerMedia launched the HBO Max SVoD service in the US in May), the merger will provide the opportunity for them to re-evaluate, broaden and strengthen their respective streaming propositions.

These latest consolidation deals follow earlier media sector mergers motivated by similar rationales. They include the merger of Viacom and CBS in 2019,⁷⁹ and also closing that year, Disney's \$71bn acquisition of 21st Century Fox,⁸⁰ a move that significantly strengthened Disney's business ahead of the company's D2C strategic pivot.

SVoD providers are producing more content for international markets, with increasing volumes of UK programming available, including originals

Netflix has become a major commissioner of UK original productions, investing \$1bn (£779m) in them in 2020, 50% more than it spent in 2019.⁸¹ To put this figure in context, all the UK's multichannel (non-PSB) broadcasters combined spend about £1bn on British content each year.⁸² This figure is rising, though, due to growing investment from Sky, which expects to spend £1bn on original programming by 2024, double the amount spent in its 2018-19 financial year. This is in addition to recently announced new investment in original films.⁸³

According to data from the producer trade association Pact, primary commissioning rights revenue from international SVoD providers increased from £126m to £337m between 2016 and 2019. While this financial contribution made by Netflix and other international SVoD providers to the UK production sector is significant and welcome, the output is not always as distinctly 'British' as UK-based productions commissioned by UK TV broadcasters, something we discuss in more detail in the next chapter.

The Crown (season four), *Sex Education* (season two) and *Bridgerton* were among more than 50 TV shows and films produced in UK by Netflix in 2020, taking the SVoD provider's total output of UK originals to 123 by April 2021. But this represented only 6% of total Netflix Originals. Amazon Prime Video had 27 UK-produced originals in its catalogue (9% of total originals) by April 2021, up from 22 a year earlier. Netflix and Amazon's UK-produced originals are supplemented by popular PSB

⁷⁷ AT&T, [AT&T's WarnerMedia and Discovery, Inc. Creating Standalone Company by Combining Operations to Form New Global Leader in Entertainment](#), 17 May 2021.

⁷⁸ FT, [AT&T's WarnerMedia and rival Discovery to create global streaming giant](#), 17 May 2021.

⁷⁹ ViacomCBS, [ViacomCBS Announces Completion of the Merger of CBS and Viacom](#), 4 December 2019.

⁸⁰ The Walt Disney Company, [Disney's Acquisition of 21st Century Fox Will Bring an Unprecedented Collection of Content and Talent to Consumers Around the World](#), 19 March 2019.

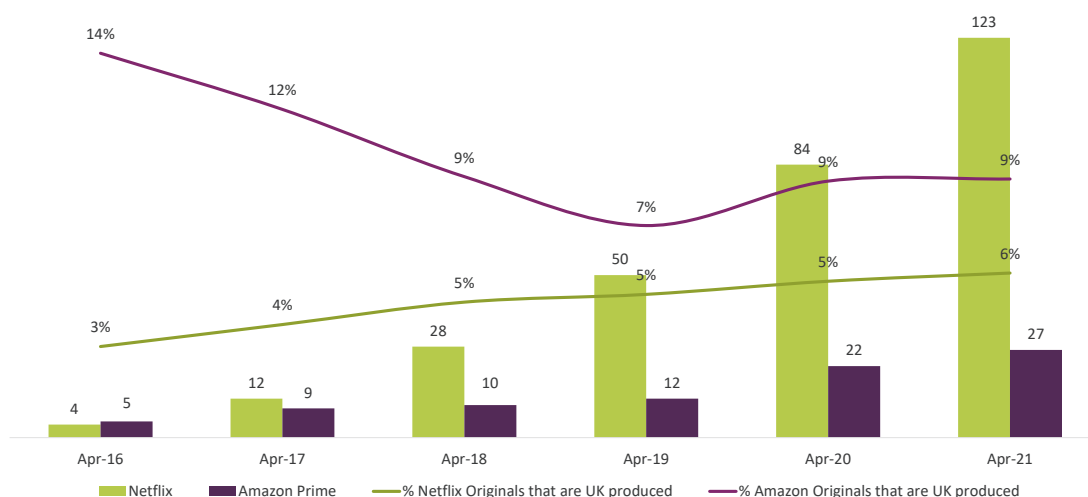
⁸¹ The Guardian, [Netflix to spend \\$1bn in UK in 2020 on TV shows and films](#), 25 November 2020.

⁸² COBA Content Report 2019: [Multichannel investment in UK television programming](#)

⁸³ The Guardian, [Sky UK boosts original content as it takes on streaming rivals](#), 24 January 2021.

content, and programming originally aired by the BBC, ITV or Channel 4 accounted for 273 distinct titles on Netflix in April 2021, and 298 on Amazon Prime Video.⁸⁴

Figure 2.6: Netflix and Amazon distinct UK-produced original titles (April 2016 – April 2021)



Source: Ampere Analysis, data accessed 8 July 2021.

Disney is also producing more international programming, planning 50 commissions outside the US by 2024, including ten in Europe and four in the UK. Details of its UK originals were announced in April 2021: scripted series *The Ballad Of Renegade Nell* (Disney-branded), *Culprits* and *Extraordinary* (both Star-branded), plus a non-scripted football mentoring programme featuring David Beckham.

BritBox, meanwhile, is also adding more new and original British programming to its service. Revived comedy series *Spitting Image* debuted in October 2020, with four scripted series also commissioned, including *The Beast Must Die*, which began streaming on the service in May 2021.

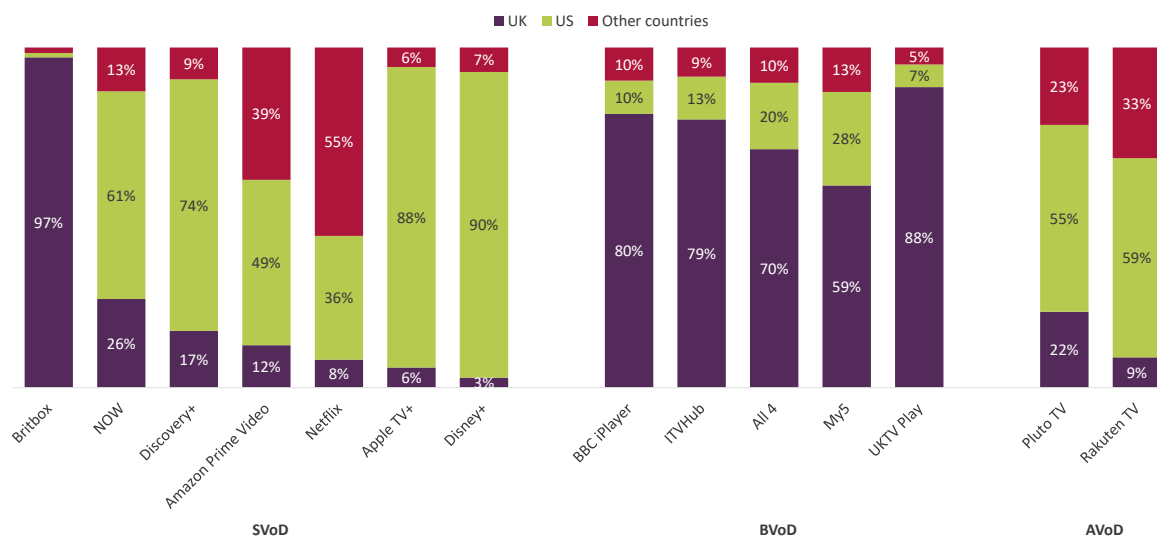
However, despite the growing number of UK-produced originals, most of the programming on SVoD services available in the UK is produced in the US. BritBox, with 97% of its catalogue hours UK-produced, is the exception. For the major services, the proportion of UK-produced content hours ranges between 3% (Disney+) and 26% (NOW), with the six most popular services⁸⁵ carrying a cumulative total of 15,318 hours of UK TV programming in April 2021. By comparison, the proportion on the PSB BVoD services ranges between 59% and 80%, with their cumulative UK content hours totalling 26,322.⁸⁶

⁸⁴ Ampere Analysis Analytics – SVoD. Data accessed 8 July 2021.

⁸⁵ Netflix, Amazon Prime Video, Disney+, NOW, Apple TV+ and Discovery+.

⁸⁶ Ampere Analysis Analytics – SVoD; Ampere Analysis Analytics – AVoD & Catch-up. Both services' data accessed 8 July 2021.

Figure 2.7: Selected online video services' proportion of content hours, by production country (April 2021)



Source: Ampere Analysis, data accessed 8 July 2021. Pluto TV and Rakuten TV data is for advertising video-on-demand (AVoD) content only.

With traditional media companies all pivoting to direct-to-consumer strategies, further shifts in global market dynamics are on the horizon

With all the major US studios and media groups, with the exception of Sony Pictures Entertainment, repositioning themselves for a D2C future, there have been other major international SVoD service roll-outs that have not yet reached the UK.

Two of the new services are tied up, in different ways, with pay-TV market leader Sky. WarnerMedia, the operator of HBO Max, renewed its multi-year output deal with Sky in 2019, giving the pay-TV operator exclusive distribution rights until 2025. This means that HBO Max will not launch in the UK or other Sky markets before this licensing deal expires.⁸⁷

NBCUniversal's Peacock, meanwhile, shares common ownership with Sky in parent company Comcast, with Peacock content initially serving to feed the Sky and NOW services – particularly facilitating the launch of the new Sky Crime and Sky Comedy channels in 2019 and 2020 respectively. In July 2021, Comcast announced that Peacock would be integrated into both the Sky TV and NOW offerings in the second half of 2021. The new programming will be made available on an advertising-supported basis, reflecting the different business model for Peacock compared to NOW; it is a hybrid service that has subscription tiers as well as a free ad-supported offering. Sky had already begun to experiment with advertising on NOW, though, introducing pre- and mid-roll advertising for TV shows and films watched by Entertainment and Cinema customers from March 2021.⁸⁸ Customers wanting an ad-free experience for on-demand viewing must subscribe to the NOW Boost add-on, the price of

⁸⁷ FT, [Licensing deals put brakes on HBO Max rollout in Europe](#), 23 March 2021.

⁸⁸ Cord Busters, [NOW TV To Start Showing Ads To Customers Who Don't Pay Extra](#), 2 March 2021.

which increased to £5 a month in July 2021, up from £3 a month. The add-on also enables enhanced picture and audio quality.⁸⁹

One of the most recent studio-backed streaming services to launch is ViacomCBS's Paramount+, a rebranded version of the previously US-only CBS All Access. Roll-out commenced in March 2021, but the service is initially focusing on the US, Canada, Latin America and the Nordic markets. No clear plans have been announced for the UK, a market where ViacomCBS operates several free ad-supported services across broadcast and online: the Channel 5 portfolio of channels, the My5 BVoD service, and the Pluto advertising video-on-demand (AVoD) service.

Figure 2.8: Selected media companies' SVoD service launches (2019-21)

Company	Service	Launch date and roll-out	UK launch/availability	Business model and pricing
Disney	Disney+	November 2019 – US, Canada, and Netherlands; expansion to additional markets in different geographic regions followed, and the global roll-out continues	March 2020	SVoD – £7.99/month / £79.90/year
WarnerMedia	HBO Max	May 2020 – US; expansion to Latin America followed in June 2021, with some European launches planned for H2 2021 / early 2022	Not before 2025	Hybrid SVoD/AVoD – \$14.99/month; \$9.99/month with ads
NBCUniversal	Peacock	July 2020 – US; expansion to the UK and other Sky markets in Europe scheduled for H2 2021	Due H2 2021	Hybrid SVoD/AVoD – \$9.99/month; \$4.99/month with ads; limited catalogue free to stream with ads. In Europe, service to be made available to Sky TV customers at no extra cost and bundled with NOW Entertainment Membership

⁸⁹ Full HD resolution for Sky Sports channels and selected TV shows and films, 50 frames per second streaming for Sky Sports channels, and Dolby Digital 5.1 audio.

Discovery	Discovery+	November 2020 – UK; launches in the US and several international markets in different geographic regions followed, and the global roll-out continues	November 2020	Hybrid SVoD/AVoD – £4.99/month / £49.99/year; some content free to stream. One-year trial available to Sky Q customers at no extra cost; six-month trial available to Vodafone pay-monthly mobile customers at no extra cost
ViacomCBS	Paramount+	March 2021 – US, Canada, Latin America; expansion to Nordic markets followed, with launches in Australia and New Zealand planned for August 2021	No official UK launch plans	Hybrid SVoD/AVoD – \$9.99/month; \$4.99/month with ads and limited content

Source: Ofcom.

Effective aggregation and content discovery will become increasingly important as competition in the SVoD market intensifies

With more companies pursuing D2C streaming strategies, there is a risk that the market may become overly fragmented, with consumers potentially having to manage an increasing number of individual subscriptions and access these on different platforms and devices. Aggregation of services will therefore play an important role, as companies seek to make streaming services – particularly the most popular ones – all available in one place, via a single user interface, and paid for through a single subscription service.

Some SVoD providers, particularly those retailing connected-TV gateway devices such as streaming boxes and sticks, have sought to provide consumers with a solution, with Amazon Prime Video Channels offering the most comprehensive service. Launched in 2017, it offers access to more than 50 streaming channels/services. However, most of these are niche-interest, with the highest-profile services carried including ITV Hub+, BritBox, NBCUniversal's Hayu, Discovery's Eurosport Player, and Lionsgate's STARZPLAY. While Amazon can also provide access to more mainstream services such as Netflix and Disney+ on its Fire TV streaming devices, these are available outside the integrated Prime Video Channels service, and so are more siloed.

Traditional pay-TV providers, meanwhile, are working to build on their multichannel aggregation experience and incorporate SVoD services. Sky is well-placed in this context, as it is the only operator providing access to Netflix, Disney+ and, since December 2020, Amazon Prime Video.⁹⁰ These

⁹⁰ Sky, [Sky and Amazon team up to bring their best entertainment together in time for Christmas](#), 14 December 2021.

services are integrated to varying degrees into the Sky Q platform: recommendations are provided for each; Netflix and Disney+ subscriptions can be billed by Sky (28% of households with both Sky and Netflix pay for the SVoD service through Sky)⁹¹; and Netflix content is included in Sky Q's universal search function. While the concurrent rise of the D2C SVoD services and connected-TV platforms which make these apps easily accessible leads to diminishing content exclusivity for pay TV, larger operators such as Sky remain attractive distribution partners in the streaming era, offering scale, an established brand, and an intuitive, integrated user experience.

Aggregation of SVoD services by pay-TV providers will also be increasingly important in the context of linear channel closures by traditional media companies moving to D2C. Disney closed its children's channels in the UK in October 2020, and subsequently made similar moves in other markets, announcing in May 2021 that it intended to close 100 international TV channels by the end of the year.⁹² Other channel groups are being more cautious, at least for the moment; Discovery, for instance, has cited the importance of maintaining its linear channels as a shop window for Discovery+.⁹³

Slower rates of SVoD growth are to be expected following the pandemic boom; customer retention and pricing-led revenue growth are priorities

The accelerated SVoD growth in 2020 is unlikely to be replicated, as it was growth that, without the pandemic, would probably have come later. Subscriber growth slowed in early 2021 – both Netflix⁹⁴ and Disney's⁹⁵ global net subscriber additions in Q1 2021 were below guidance / analysts' expectations, with Netflix's Q2 subscriber growth also relatively modest.⁹⁶ Slower growth puts greater emphasis on subscriber retention, and keeping customers who may have been motivated to sign up by lockdown conditions that are either easing already, or set to ease, poses a significant challenge for SVoD providers.

A healthy content pipeline and a regularly refreshed catalogue will be the primary means of preventing customer churn. SVoD providers are seeking to boost engagement in other ways, too. Netflix, for instance, introduced the 'Play Something' feature in April 2021,⁹⁷ designed to offer subscribers a more automated, passive means of discovering content. Play Something serves users with a programme based on their usage habits – something brand new, a title the user might want to revisit, or something added to their watch list – and provides the option to 'Play Something Else' to continue searching. Netflix has also sought to make its user experience more social with the addition of 'Fast Laughs', a TikTok-like feature for mobile devices that provides a stream of short-form video clips from Netflix comedy programming, and which can be shared via WhatsApp, Instagram, Snapchat and Twitter.⁹⁸

⁹¹ Ofcom Technology Tracker 2021, excluding those completing a paper questionnaire.

⁹² Digital TV Europe, [Disney announces closure of 100 international TV channels](#), 28 May 2021.

⁹³ Comments made by a Discovery executive at the Connected TV World Summit industry conference on 18 June 2021.

⁹⁴ FT, [Netflix shares slide on angst over subscriber growth](#), 21 April 2021.

⁹⁵ Variety, [Disney Misses Quarterly Revenue Target as Disney Plus Growth Slows](#), 13 May 2021.

⁹⁶ Netflix Q2 2021 Quarterly Earnings, [Letter to Shareholders](#)

⁹⁷ Netflix, [With Play Something, Netflix Does All The Work For You](#), 28 April 2021.

⁹⁸ Netflix, [Wanna See Something Funny? Fast Laughs Is Here](#), 3 March 2021.

SVoD providers are also seeking new revenue streams that will leave them less reliant on premium subscriber growth. The addition of lower-priced or free advertising-supported tiers is one option (see Figure 2.8 above), although neither Netflix or Disney appear likely to follow others along this path; Disney has stated that such a move is not in its near-term planning.⁹⁹ Netflix is diversifying through other means; it began directly selling merchandise for some of its original programming in June 2021 (having previously done so through licensing and partnerships),¹⁰⁰ and announced a planned expansion into the video games market in July 2021.¹⁰¹

The use of SVoD platforms as an outlet for new films intended for cinema was a strategy that studios such as Disney, NBCUniversal and WarnerMedia experimented with, following the disruption to theatrical releases caused by the pandemic. However, this is set to become less common as Covid-19 restrictions ease. WarnerMedia was the boldest in managing the uncertainty around cinemas; in December 2020 it announced that, in the US, it was making all Warner Bros. films planned for theatrical release in 2021 available on HBO Max at the same time as any permitted theatrical run.¹⁰² In non-HBO Max markets, such as the UK, this brought premium video-on-demand (PVOD) releases on platforms such as Amazon, YouTube and Sky Store, alongside theatrical releases once cinemas were allowed to reopen in April 2021. However, from 2022, Warner Bros. releases will once again have an exclusive theatrical window.¹⁰³

Broadcaster video-on-demand and other free streaming services

Although there were some success stories for BVoD in 2020, overall increases in viewing time have been modest compared to other on-demand services

The PSBs' respective BVoD services had mixed performances in 2020. The BBC reported a 31% increase in iPlayer programme requests to 5.8 billion,¹⁰⁴ while Channel 4 reported a 26% increase in All 4 views to 1.25 billion¹⁰⁵, with digital accounting for 12.5% of total Channel 4 viewing.¹⁰⁶ But ITV, which was hurt by the loss of pivotal shows such as *Love Island* to Covid-19 production restrictions, saw long-form online viewing hours decline by 5% to 482 million.¹⁰⁷

Although SVoD services attracted new subscribers in significant numbers during the pandemic, the proportion of online 18-64 year-olds using BVoD dropped for each of the four main services in Q3 2020, with a particularly severe decline of 8 percentage points for ITV Hub. BBC iPlayer's monthly reach dropped further in Q1 2021, but the commercial PSBs' BVoD services all recovered, with All 4's reach rising to well above pre-pandemic levels.¹⁰⁸

⁹⁹ The Verge, [Disney Plus has no plans for a lower cost ad-supported option for now](#), CEO says, 15 June 2021.

¹⁰⁰ Netflix, [Introducing Netflix.shop: A New Way for Fans to Connect With Their Favorite Stories](#), 10 June 2021.

¹⁰¹ Bloomberg, [Netflix Plans to Offer Video Games in Push Beyond Films](#), TV, 14 July 2021.

¹⁰² WarnerMedia, [Warner Bros. Pictures Group Announces Innovative, Hybrid Distribution Model For Its 2021 Theatrical Slate](#), 3 December 2021.

¹⁰³ Deadline, [Regal Cinemas To Reopen In April; Parent Cineworld & Warner Bros Reach Multi-Year Deal To Show WB Films In U.S. & UK](#), 22 March 2021.

¹⁰⁴ BBC, [Record year helps shape bold future for the BBC](#), 29 March 2021.

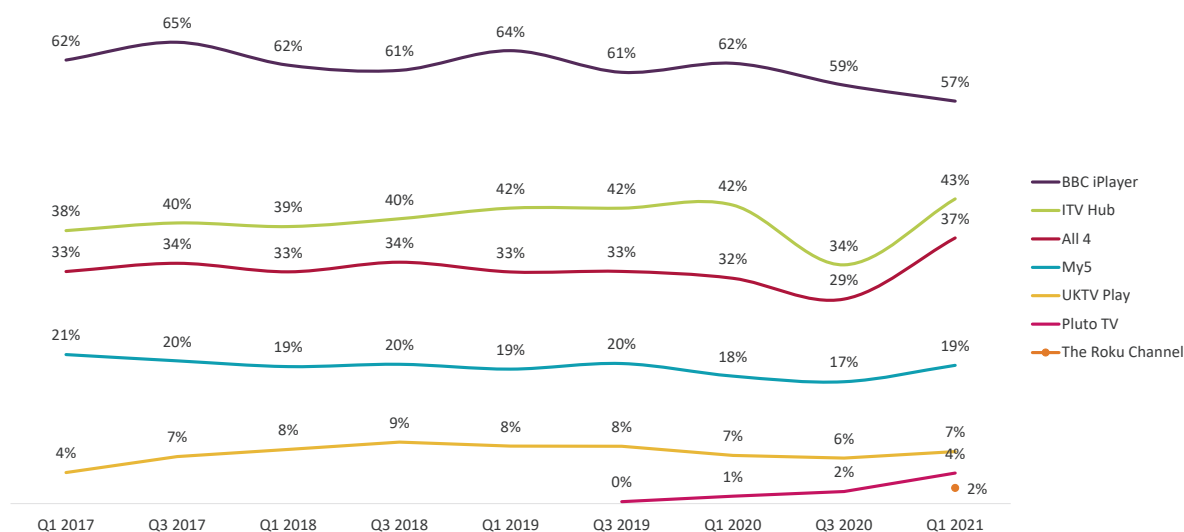
¹⁰⁵ Channel 4, [Channel 4 Annual Report 2020](#).

¹⁰⁶ Channel 4, [Channel 4 reveals record growth in young viewing and streaming over 2020](#), 21 December 2020.

¹⁰⁷ [ITV plc Full year results for the year ended 31 December 2020](#).

¹⁰⁸ Ampere Analysis Consumer, age: online 18-64, Q1 2021, UK. Base: 2,000.

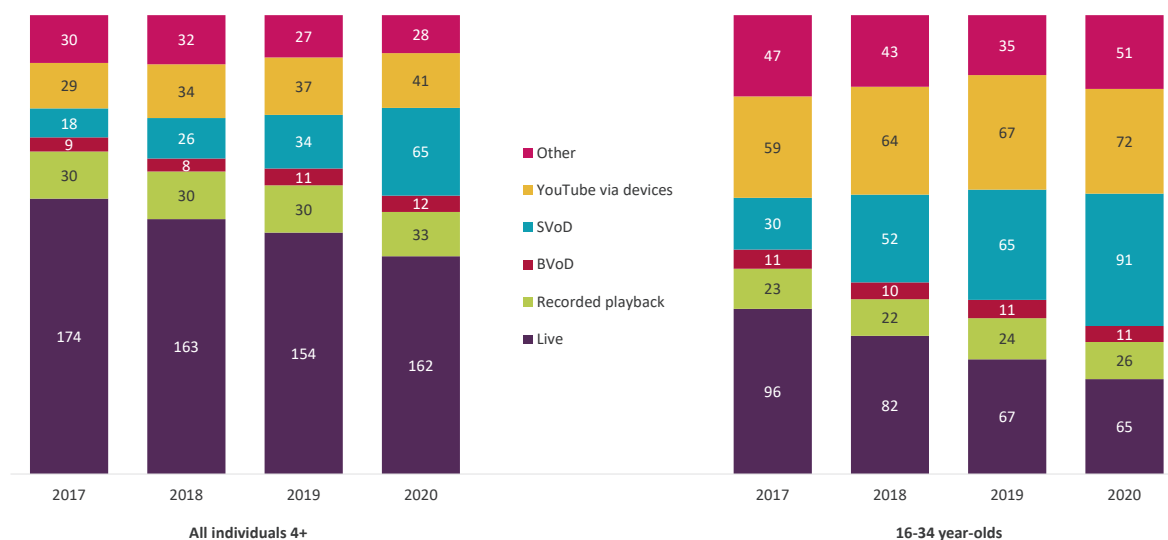
Figure 2.9: Monthly reach of BVoD and AVoD services (Q1 2017 – Q1 2021)



Source: Ampere Analysis. Nationally representative sample of 2,000 online 18-64 year-olds in the UK.

Adding to the picture in this mixed view for the different BVoD services, there was a modest increase in the average amount of time people spent watching BVoD in 2020, estimated at less than two minutes per person per day to 12 minutes, growth that was significantly outstripped by SVoD (+31 minutes to 1 hours 5 minutes – see previous chapter for detailed analysis of viewing trends).

Figure 2.10: Average minutes of viewing per day on all devices, by type (2017-20)

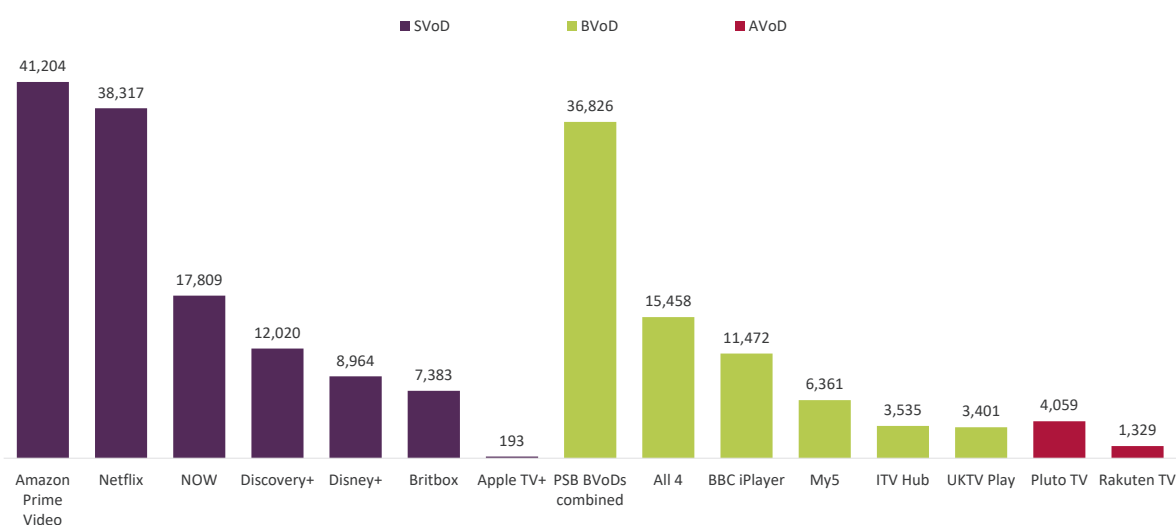


Source: Ofcom estimates of total audio-video viewing. Modelled from BARB, Comscore and TouchPoints data.

BVoD catalogues lack the overall scale of SVoD offerings but compete well in certain genres

Channel 4's All 4, marketed as the UK's biggest free streaming service, satisfies this claim by having the largest volume of content of all the PSB BVoD services – 15,458 hours in April 2021, compared to BBC iPlayer's 11,472 hours. ITV Hub (3,535 hours) and My5 (6,361 hours) have less depth of programming available on demand via BVoD, although ITV (along with the BBC and in partnership with Channel 4 and Channel 5) operates SVoD service BritBox (7,383 hours) in parallel.¹⁰⁹ Taken together, all four TV broadcasters' free-to-view on-demand assets total 36,826 hours – narrowly below the respective catalogues of Netflix and Amazon Prime Video.

Figure 2.11: Selected online video services' total content hours (April 2021)



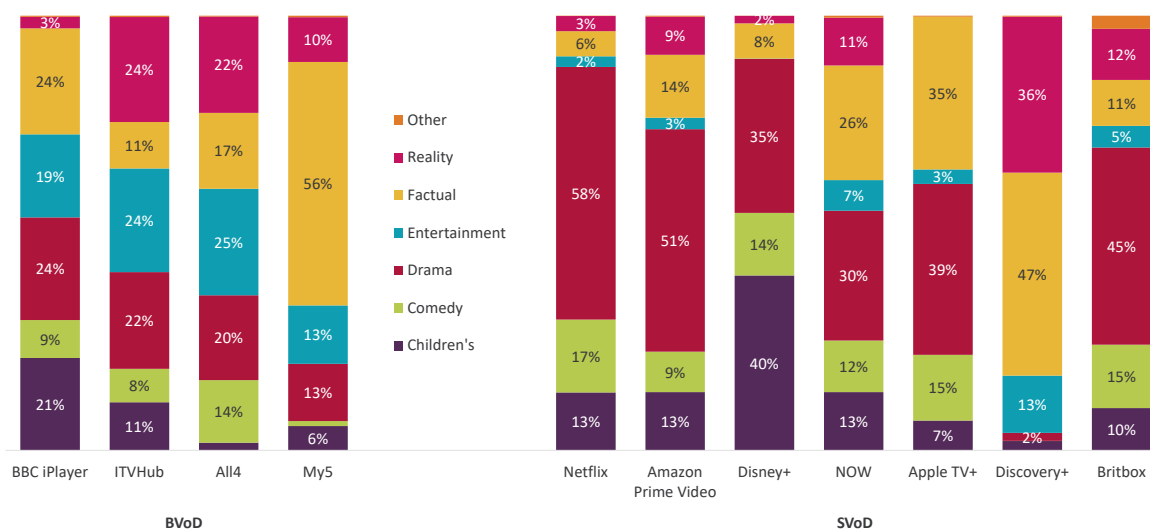
Source: Ampere Analysis, data accessed 8 July 2021. Pluto TV and Rakuten TV data is for AVoD content only.

BVoD services offer a different genre mix to the main SVoD offerings, with a higher proportion of entertainment programming and, in the case of the commercial PSBs, more of a focus on reality TV. Channel 5, in particular, is heavily reliant on factual programming, which (including reality TV) accounts for two-thirds of My5's catalogue. BBC iPlayer has the highest volume of both drama (24% of its catalogue) and children's content (21%) among the PSB BVoD services.¹¹⁰

¹⁰⁹ Ampere Analysis Analytics – AVoD & catch-up. Data accessed 8 July 2021

¹¹⁰ Ampere Analysis Analytics – AVoD & catch-up. Data accessed 8 July 2021.

Figure 2.12: Selected BVoD and SVoD services' proportion of content hours, by genre (April 2021)



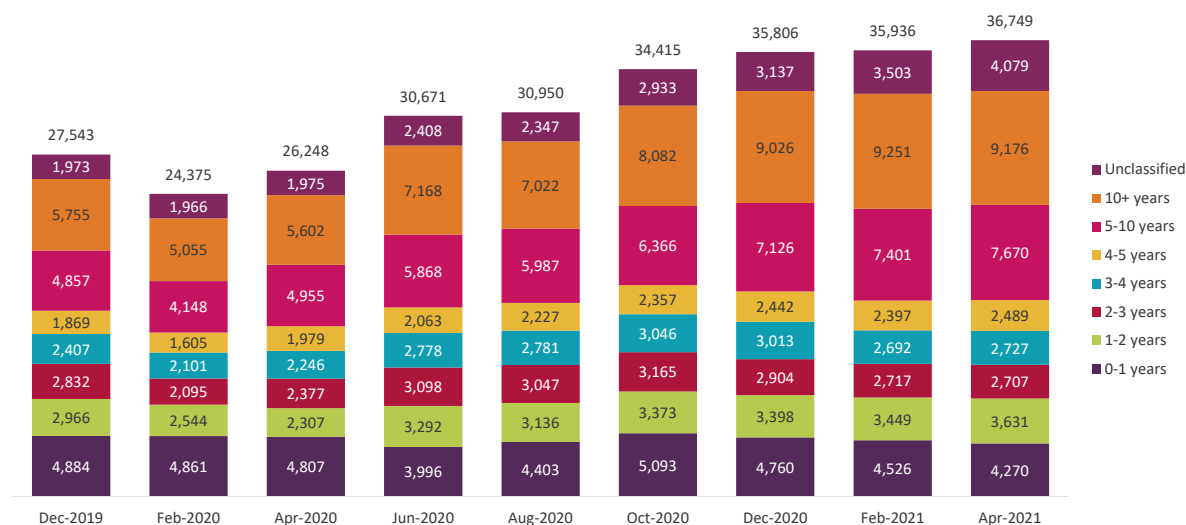
Source: Ampere Analysis, data accessed 8 July 2021. Factual includes documentary and news and current affairs programming.

PSBs are taking more ambitious steps to reposition their businesses for an online-first future

The PSBs' respective bids to make their services more than just catch-up destinations are gathering pace as they respond to changing audience habits and seek to compete more effectively with SVoD. Illustrating the expansion of library content and box-sets, most of the recent growth in BVoD catalogues has come from older programming; content that is at least five years old accounted for 46% of cumulative PSB BVoD content hours in April 2021, up from 38% in November 2019. The BBC and Channel 4, in particular, have driven this trend, with 58% of All 4's catalogue hours in April 2021 at least five years old, an increase of 11 percentage points over the period tracked.¹¹¹ For new programming, TV broadcasters are increasingly commissioning with on-demand audiences in mind, seeking to produce content that will perform well on BVoD platforms.

¹¹¹ Ampere Analysis Analytics – AVoD & catch-up. Data accessed 8 July 2021. For BBC iPlayer, the proportion increased by 10 percentage points to 39%.

Figure 2.13: PSB BVoD services' cumulative content hours, by age (December 2019 – April 2021)



Source: Ampere Analysis, data accessed 8 July 2021. Cumulative hours for BBC iPlayer, ITV Hub, All 4 and My5.

In November 2020, Channel 4 set out a new five-year plan to double viewing to All 4 and increase digital advertising's total contribution to its revenue to 30% by 2025. Measures to achieve this included a content strategy more focused on younger audiences and on-demand formats, personalisation through improved recommendations and marketing, and a more data-driven approach to advertising, allowing advertisers to match their own user data with All 4 user data for more accurate targeting.¹¹² Channel 4 is increasing the number of series that it makes available on demand in full as soon as the first episode airs, ahead of the linear schedule for subsequent episodes, with the stacking of drama *It's A Sin* driving record streaming for the broadcaster in January 2021.¹¹³ To build its digital and social media presence, in 2020 Channel 4 launched its new digital content unit, 4Studio, to create bespoke content for core platforms Snap, YouTube, Facebook and TikTok.

ITV, meanwhile, has restructured its broadcast business by positioning a new on-demand unit as its vehicle for growth, to cater for audiences who do most or all of their viewing online, and including original productions commissioned specifically for ITV Hub.¹¹⁴ Like Channel 4, ITV is investing in addressable (targeted) advertising, with its Planet V technology enabling the blending of advertisers' own data with ITV's.¹¹⁵ Another aspect of ITV's direct-to-consumer strategy is e-commerce and interactive services, such as the *Love Island* mobile game, through which users can purchase digital merchandise, as well as 'shoppable TV', announced in July 2021. This new service allows users of LG smart TVs to purchase products featured in programmes (such as *Love Island*), with cosmetics retailer Boots the first to partner with ITV on the new venture.¹¹⁶

Channel 5 owner ViacomCBS's UK on-demand strategy appears to be to more closely align the My5 BVoD service and the Pluto TV AVoD service. In February 2021, the company restructured its

¹¹² Channel 4, [Future 4](#).

¹¹³ Channel 4, [Acclaimed new drama It's A Sin drives record All 4 streaming](#), 2 February 2021.

¹¹⁴ ITV, [Our strategy](#).

¹¹⁵ ITV, [ITV is thrilled to announce the launch of its addressable advertising platform Planet V](#).

¹¹⁶ ITV, [ITV to launch shoppable TV](#), 6 July 2021.

streaming operations by putting these two assets into a single, new, division, along with MTV Play and children's learning app Noggin.¹¹⁷ Channel 5 has also been expanding the My5 content library, securing new content deals with Endemol Shine¹¹⁸ and AMC Networks International¹¹⁹ in 2020.

The BBC is continuing to evolve iPlayer by making more programmes and films available for longer (a 12-month window for all BBC commissions) and ahead of broadcast schedule, adding a children's interface, and making subtitles more user-friendly and accessible, among other improvements. It has also been streaming some live events exclusively on iPlayer, including the 2021 Copa America football tournament and the Bellator MMA (mixed-martial-arts) events.¹²⁰

Greater collaboration between the PSBs on BVOD may be forthcoming. According to reports in January 2021, the broadcasters have discussed the development of a single free streaming app that would aggregate all their live broadcasts and on-demand programming in one place, accessible via a single sign-on.¹²¹ Such a move would build on their BritBox partnership (the joint venture is led by ITV and the BBC, but Channel 4¹²² and Viacom / Channel 5¹²³ have deals in place to supply the SVOD service with programming).

Subscription services are also part of ITV's and Channel 4's respective individual online strategies. ITV launched ITV Hub+, an ad-free version of its VoD service priced at £3.99 a month, in 2016, while Channel 4 adopted a similar strategy with All 4+ – also ad-free and with the same price point – in March 2019. The services have achieved modest take-up, with 3% of UK households subscribing to ITV Hub+ and 2% to All 4+ by Q1 2021. BritBox penetration is at a similar level, at 2%.¹²⁴

Advertising-supported video-on-demand services without broadcaster affiliation are gaining traction in the US, and may come to the UK next

Already under pressure from SVOD and YouTube, PSBs could face additional competition from fledgling AVOD services – advertising-supported VoD services that are not associated with broadcast channels and have powerful financial backers – in the coming years. Services of this type have so far had only a limited presence in the UK, and take-up remains low. Pluto TV had a monthly reach among online 18-64 year-olds of about 4% in Q1 2021, while the reach of The Roku Channel, which launched in the UK in April 2020, was 2% (see Figure 2.9 above).¹²⁵ Pluto TV's reach had increased compared to previous quarters, probably boosted by securing carriage on the Virgin Media TV platform in July 2020.¹²⁶

AVOD services have become an area of investment for some major media and technology companies seeking to find alternative revenue streams to SVOD in the transition to on-demand viewing. These

¹¹⁷ TBI, [ViacomCBS promotes Rose & Fahy to lead combined UK 'growth' unit for Pluto TV, My5](#), 4 February.

¹¹⁸ Digital TV Europe, [ViacomCBS signs deal with Endemol Shine for My5 AVOD expansion](#), 16 January 2020.

¹¹⁹ Digital TV Europe, [My5 gets CBS Reality and Horror Channel content in AMC deal](#), 1 October 2020.

¹²⁰ BBC, [Bellator MMA: BBC iPlayer to show mixed martial arts shows in 2021](#), 11 February 2021.

¹²¹ The Daily Telegraph, [Broadcasters to channel all into a one-stop streaming player to keep up with US giants](#), 30 January 2021.

¹²² ITV, [BritBox announces the initial raft of Channel 4 content coming to the service next month](#), 30 March 2020.

¹²³ ITV, [Channel 5 and Comedy Central join BritBox line-up](#), 20 September 2019.

¹²⁴ Ofcom Technology Tracker 2021.

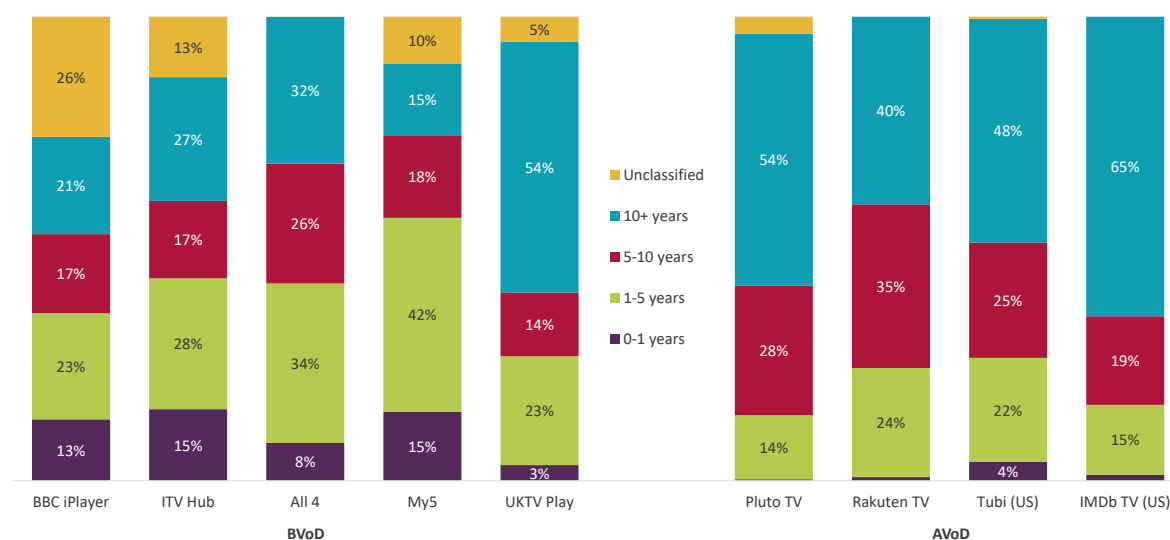
¹²⁵ Ampere Analysis Consumer, age: online 18-64, Q1 2021, UK.

¹²⁶ Virgin Media, [Virgin Media adds Pluto TV app](#), 9 July 2020.

include Fox, which acquired US start-up service Tubi for \$440m in April 2020.¹²⁷ Tubi, which has an enormous content catalogue of 32,730 distinct titles and 86,781 hours of programming,¹²⁸ has been increasing its user base in the US and since 2019 has been planning to expand into the UK. However, this was delayed by the pandemic and a launch date has not yet been set.¹²⁹ Another major service gaining traction in the US and potentially preparing for a UK launch is Amazon-owned IMDb TV.¹³⁰

Although they will seek to compete directly with the UK's incumbent free streaming services, new AVoD entrants face challenges to establishing themselves in this market, where BVoD services offer UK-originated programming fresh from broadcast TV. AVoD services, by contrast, are heavily reliant on older programming; in April 2021, more than half of Pluto TV's catalogue hours were at least ten years old, with 82% at least five years old. Other AVoD providers' catalogues have similar proportions; almost two-thirds of IMDb TV's hours are at least ten years old.¹³¹

Figure 2.14: Selected UK BVoD services, and UK and US AVoD services' proportion of content hours, by age (April 2021)



Source: Ampere Analysis, data accessed 8 July 2021. Pluto TV and Rakuten TV data is for AVoD content only.

And as TV broadcasters have already found, free VoD services must increasingly compete for viewing share against SVoD services, which are becoming more widely used in UK households as take-up increases. In this environment, and with limited differentiation, vying for TV viewers' attention could be challenging. Investment in original content may be needed, and discoverability on a range of popular connected TV platforms will also be crucial for attracting users.

¹²⁷ Fox, [Fox Corporation to Acquire Tubi](#), 17 March 2021.

¹²⁸ Ampere Analysis Analytics – AVoD & Catch-up. Data accessed 8 July 2021.

¹²⁹ Variety, [Tubi to Expand Spanish and Bollywood Content, While U.K. Launch Up Next](#), 24 June 2020.

¹³⁰ Videoweeek, [Amazon's AVOD Service IMDb TV Set to Expand to UK](#), 13 October 2020.

¹³¹ Ampere Analysis Analytics – AVoD & Catch-up. Data accessed 8 July 2021.

With YouTube competing strongly for viewing time, PSBs are using the platform to engage with audiences and promote their content

Consumer and industry trends in social video are analysed in detail in a dedicated chapter in Ofcom's [Online Nation 2021](#) report. In the following brief commentary, building on usage trends highlighted in the *Video consumption trends* chapter of this report, we summarise PSBs' and SVoD providers' relationship with YouTube, as well as some of the recent strategic moves made by some of the major social video platforms to maintain user and revenue growth.

As detailed in the previous chapter, YouTube accounts for a significant proportion of viewing time, particularly among younger people (see also Figure 2.10 above). PSBs have responded by using the platform as an additional outlet to engage with audiences and direct them to the broadcasters' respective TV channels or VoD services, primarily through short promotional clips and highlights videos taken from their programmes. SVoD services are using YouTube in a similar way.

The platform is also a means for PSBs to reach audiences in other countries and monetise this international viewing; more than 80% of the content uploaded by UK content creators and media companies is viewed outside the UK.¹³² Where advertising is served for videos hosted on YouTube, TV broadcasters receive 55% of the revenue generated, the standard rate for all YouTube content partners.¹³³ International viewing via YouTube also raises the profile of programmes and TV formats that the PSBs' global production divisions, such as BBC Studios and ITV Studios, trade to broadcasters in other territories. The PSBs' YouTube channels have significant reach, with ITV's exceeding 10 million UK adult visitors in March 2021.¹³⁴

Although viewing levels are high, revenues are far below those generated by BVoD platforms, due to lower CPMs (cost per 1,000 views) and revenue-sharing terms with YouTube. In general, YouTube content creators can earn \$3-\$5 per 1,000 video views, although, depending on the topic of the video, advertisers with large budgets may spend significantly more, thereby increasing the rate paid.¹³⁵ Globally, YouTube generated \$19.8bn (£15.5bn) in advertising revenue in 2020.¹³⁶

¹³² Google, [Google's response to Ofcom's consultation on The Future of Public Service Media](#), December 2020.

¹³³ Investopedia, [How YouTube Ad Revenue Works](#), 17 May 2021.

¹³⁴ Comscore VMX Multi-Platform, *ITV_plc @ YouTube*, Mar 2021, aged 18+, UK.

¹³⁵ Influencer Marketing Hub, [How Much do YouTubers Make? – A YouTuber's Pocket Guide \[Calculator\]](#), 21 June 21.

¹³⁶ Alphabet, [Alphabet Annual report 2020](#).

Figure 2.15: Reach of selected PSB and SVoD YouTube channels among UK online adults

YouTube channel	Jan-2021	Feb-2021	Mar-2021
ITV plc	9.27 million	8.55 million	10.02 million
BBC Online	8.10 million	6.63 million	7.16 million
BBC Studios	5.97 million	4.94 million	5.31 million
Netflix	5.93 million	4.77 million	4.96 million
Netflix Channel	2.11 million	1.69 million	1.56 million
ITV Studios Global Entertainment_TVO	1.45 million	1.26 million	1.30 million
BBC Three	1.12 million	1.48 million	1.16 million
Netflix UK & Ireland	1.04 million	646,000	748,000
Netflix Jr.	648,000	484,000	608,000
Amazon Prime Video UK	265,000	220,000	438,000

Source: Comscore VMX Multi-Platform, YouTube channels, Jan-Mar 2021, age: 18+, UK. Note: Custom defined list by Ofcom.

There are examples of PSBs providing content specifically tailored for online audiences, such as *'The Rundown'*, a daily news video for Instagram and Snapchat users introduced by ITV in 2019. The BBC also provides online content aimed at children, through its CBeebies, CBBC and BBC Bitesize brands. PSBs are starting to commission content specifically for online as well as for traditional TV broadcasting. For example, Channel 4 formed a partnership with Snapchat in June 2020 and is using the photo and video sharing service to engage audiences with more than 300 short-form edits of Channel 4 content. Channel 4 subsequently began posting 'cliffhanger' clips from the soap *Hollyoaks* on Snapchat, encouraging fans to record their own endings alongside the show's theme music. In March 2021, Channel 4 partnered with TikTok, sharing exclusive content from *Hollyoaks*, *Made in Chelsea* and *Pete & Sam's Reality News*, as well as highlight clips from other programmes. Through 4Studio, it is also publishing original creative educational videos on the platform as part of the #LearnonTikTok initiative.¹³⁷

YouTube and other social video platforms are developing new revenue streams and ways to reward content creators

In response to the TikTok-driven rise in popularity of short-form social video, YouTube launched YouTube Shorts – user-generated videos that are 15 seconds or less in length and created and viewed via smartphones – in India in August 2020 and extended the feature to UK users in June 2021. The new feature is supported by the YouTube Shorts Fund, a \$100m fund introduced in May 2021 to pay YouTube Shorts creators for their most-viewed and most engaging content throughout 2021 and 2022.¹³⁸ Each month, YouTube contacts creators whose videos exceed specific milestones to

¹³⁷ Channel 4, [Channel 4 and E4 launch on TikTok and become partners to #LearnonTikTok](#), 16 March 2021.

¹³⁸ YouTube, [Introducing the YouTube Shorts Fund](#), 11 May 2021.

reward them for their contributions. Snap offers a similar funding model to creators who post on Snapchat's Spotlight feature. The company offers a share of \$1m to creators every day, based on engagement metrics, to encourage them to post on Spotlight. Creators can post videos up to 60 seconds long, using creative tools such as captions, sounds and GIFs.¹³⁹ Meanwhile, TikTok launched its Creator Fund in July 2020,¹⁴⁰ through which creators can earn a small share of revenue based on video views. To join the Fund, creators need to have had at least 100,000 views in the past 30 days.¹⁴¹

Twitter has also been exploring new monetisation opportunities in 2021, both for the platform and, for the first time, for users. In May 2021, it launched the 'tip jar' feature, allowing users to send a tip to 'creator' users.¹⁴² Twitter has also announced plans for a 'Super Follow' feature, to be launched in 2021, that will enable accounts to charge a fee for exclusive video content.¹⁴³ The Super Follows program will be limited to Twitter users with at least 10,000 followers, who have posted at least 25 tweets within the past 30 days, and are at least 18 years old.¹⁴⁴

Twitter is also beginning to earn advertising revenue from its Fleets feature, which launched in November 2020. Fleets, which constitutes Twitter's version of the disappearing Stories feature on Snapchat and Instagram, will include full-screen adverts.¹⁴⁵ The platform is also trialling its first paid subscription service, Twitter Blue, for \$2.99 a month, allowing users to undo tweets and save and organise content, including videos.¹⁴⁶

Facebook, meanwhile, is launching a new interface for creators that shows them how different fees affect their earnings.¹⁴⁷ In June 2021, chief executive Mark Zuckerberg announced efforts to help more creators earn a living on Facebook platforms, stating that transactions to creators – such as payments for online events, subscriptions and badges – will be commission-free until 2023. When Facebook does take a revenue share, it will be less than the 30% that Apple and others take.¹⁴⁸

Apple is also introducing new social functions, bringing video and music sharing to FaceTime through its new SharePlay feature, announced in June 2021. This allows users to watch or listen to content in sync with everyone else on the videocall. Apple also plans to introduce a screen-share feature through Facetime. Disney+, TikTok and Twitch are among the content partners to have signed up to support SharePlay.¹⁴⁹

¹³⁹ Snapchat, [Spotlight Guidelines & FAQ](#), accessed 9 April 2021.

¹⁴⁰ TikTok Newsroom, [Introducing the \\$200M TikTok Creator Fund](#), 23 July 2020, updated 25 March 2021.

¹⁴¹ Wired, [TikTok Is Paying Creators. Not All of Them Are Happy](#), 9 October 2020.

¹⁴² BBC News, [Twitter adds 'tip jar' to pay for good tweeting](#), 7 May 2021.

¹⁴³ BBC News, [Twitter unveils 'super follow' feature](#), 26 February 2021.

¹⁴⁴ The Verge, [Twitter may be close to launching Super Follows, as new research shows what it could look like](#), 6 June 2021.

¹⁴⁵ The Verge, [Twitter's Fleets are getting Stories-like ads](#), 1 June 2021.

¹⁴⁶ Twitter, [Introducing Twitter Blue – Twitter's first-ever subscription offering](#), 3 June 2021.

¹⁴⁷ The Verge, [Facebook will show creators how much money Apple and Google take from them](#), 7 June 2021.

¹⁴⁸ Mark Zuckerberg, [Post on Facebook by Mark Zuckerberg](#), 7 June 2021.

¹⁴⁹ The Verge, [Apple is building video and music sharing into FaceTime](#), 7 June 2021.

TV and advertising industry revenue

Introduction: the pandemic's effects continue to reverberate throughout the industry

This chapter examines changes in industry revenue, including developments in television advertising, and the industry's outlook following the Covid-19 pandemic. We also examine the rise of online video advertising on broadcaster and non-broadcaster platforms (like YouTube and Facebook) and how traditional TV broadcasters are having to adapt to remain competitive, including through targeted advertising technologies.

The pandemic has had marked effects on industry revenue. Commercial TV sector revenues were impacted significantly by the sharp downturn in television advertising revenue, as many advertisers either cancelled or postponed their campaigns due to the pandemic. However, commercial television broadcasters successfully increased advertising revenues from their video-on-demand services (e.g. ITV player, All4 and My5), and this has compensated in part for the decline in traditional linear TV advertising.

The pandemic has also had negative effects on revenues and subscriber bases for pay-TV operators. Pay TV was particularly badly hit in 2020 by the cancellation of sports events during lockdown. With sport on hold, providers offered various types of compensation to premium sports subscribers, such as allowing them to pause their sports subscriptions (Sky and Virgin Media) or offering credits against bills (BT).

Overview of industry revenue

TV revenues have contracted further during the Covid-19 pandemic

Commercial PSBs and digital multichannels both had unprecedented declines in revenue in 2020 as a result of the Covid-19 pandemic. Revenue for commercial PSBs declined by 12.4% in real terms to £2.0bn year on year, while digital multichannels had a similar rate of decline (12.7%) to £2.1bn. Both sectors were impacted significantly by the sharp downturn in television advertising as many advertisers either cancelled or postponed their campaigns due to the pandemic. The effect of the pandemic on advertising revenues is discussed in further detail below, together with macro changes in the advertising sector over the last five years.

The pandemic led to commercial PSBs implementing various cost savings. In its full-year results for 2020, ITV confirmed that it had achieved cost savings of £116m, well beyond the £60m originally planned for that year.¹⁵⁰ These savings were in part achieved by the furloughing of about 15% of ITV's workforce and the implementation of a recruitment and salary freeze. Channel 4 planned £95m of further cost savings beyond cutting the programming budget, putting 10% of its staff on furlough, temporarily cutting Board members' pay by 20%, and suspending the Executive Directors'

¹⁵⁰ [ITV Plc Annual Report and Accounts for the year ended 31 December 2020](#), March 2021.

bonus scheme. The broadcaster has since paid back £1.5m in furlough payments to the government after finding itself in a “robust financial position ahead of expectations”.¹⁵¹

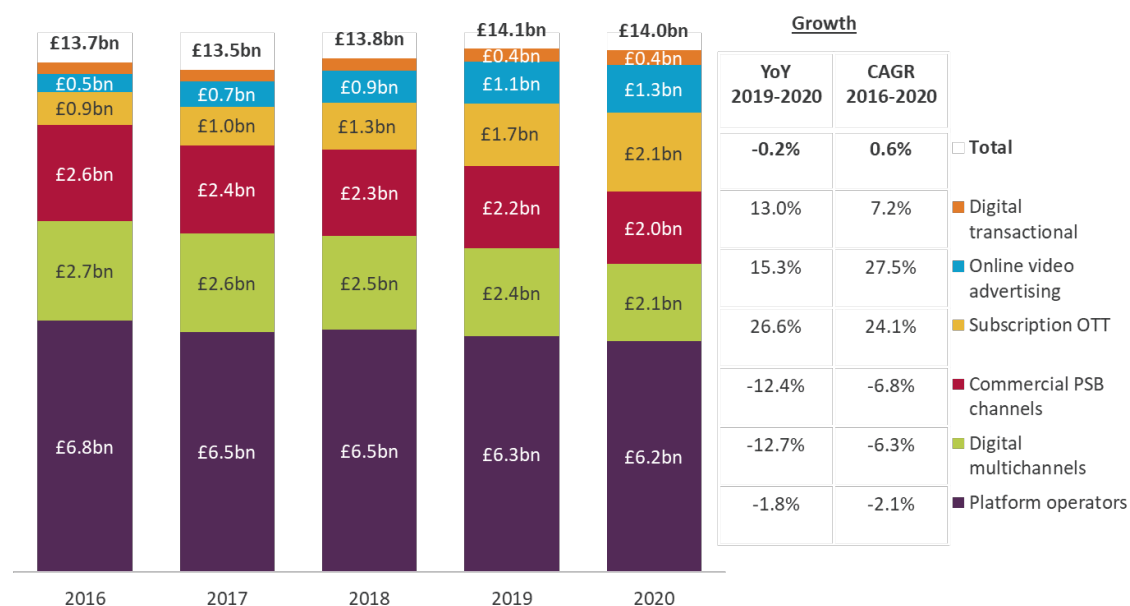
Although the BBC was protected from a decline in advertising revenues due to its licence fee funding, the diminishing return of the licence fee in recent years (such as funding TV licences for all those in receipt of pension credit benefit) has been putting pressure on the broadcaster. In April 2020 the BBC announced that it would need to make savings of up to £125m as a result of the uncertainty created by the pandemic. It implemented a number of cost-saving measures, including a pay freeze for all employees and a pause on all recruitment for non-business-critical roles.

The revenues of pay-TV platform operators such as Sky, Virgin Media and BT declined by 1.8% over 2020 to £6.2bn. This was caused mainly by disruption to in-home installations and the cancellation of sporting events, which resulted in subscription freezes for some customers as well as a loss in wholesale income. As with other commercial TV broadcasters, platform operators were affected by the decline in advertising as well as the significant disruption to television production. The impact of the pandemic on pay-TV revenue and subscriber bases is discussed in more detail later in this chapter.

As discussed in the previous chapter, SVoD services like Netflix and Amazon Prime saw record growth in 2020 as subscriptions surged during the pandemic. The continued growth of online video has ensured that total commercial video revenue, encompassing both TV and online, remained broadly flat in real terms compared to 2019, with a 0.2% overall decline year on year to £14bn.

¹⁵¹ BBC News, [Channel 4: 'Improved' outlook enables £1.5m furlough repayment](#), October 2020.

Figure 3.1: Commercial TV broadcast and online revenue (2016-20)



Source: Ofcom/broadcasters (broadcast data), Ampere Analysis/IAB UK and PwC Digital Adspend Study (online data). Note: Figures are adjusted for CPI at 2020 prices. Figures replace previous Ofcom revenue data for the TV and online video industry, owing to restatements and improvements in methodologies. Values for 'Platform operators' include Ofcom's estimates of pay TV revenues. This does not include NOW, which is within subscription OTT. Platform operators' data prior to 2019 is not comparable to subsequent years, owing to a change in methodology in Sky reporting coinciding with its change in ownership to Comcast. 'Digital multichannels' includes non-PSB channels and commercial PSB portfolio channels. 'Commercial PSB channels' comprise the following: ITV, STV, UTV, ITV Breakfast, Channel 4, Channel 5 and S4C. 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.

Advertising

The UK advertising sector contracted for the first time since 2012

As illustrated in Figure 3.1, data from the Advertising Association and World Advertising Research Centre (AA/WARC) Expenditure Report indicates that total UK advertising revenues declined in real terms by 8% in 2020, to just over £2.3bn. Cinemas had the largest decline in ad revenue (down 82% year on year) as they were forced to close for much of the year due to Covid-19 restrictions, followed by 'out of home' advertising (such as posters) which declined by 47% to £699m.

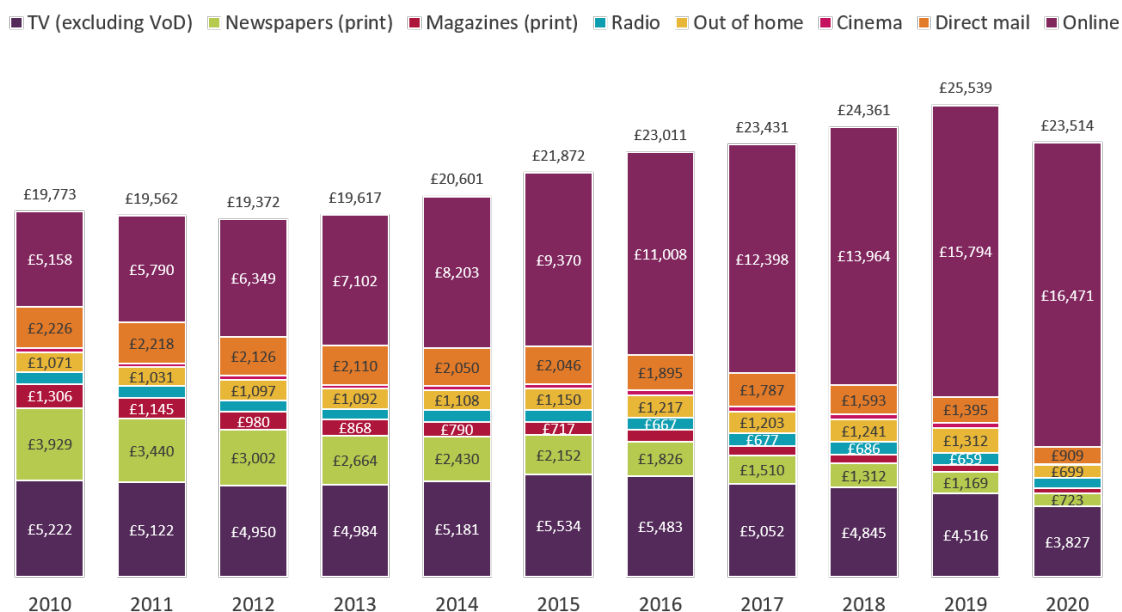
Newspaper and magazine print advertising also declined (by 38% and 33% respectively year on year), as people stayed at home during lockdown. But newspaper and magazine print advertising had already been in decline before the pandemic (by 12% and 13% on average per year between 2010 and 2019 in real terms) due to falling circulation and the migration of print advertising budgets online. Consequently, many newspapers and magazines have moved to online subscription-based models to compensate for the decline in print advertising revenue.

TV advertising was also significantly disrupted in 2020, although the decline in revenue, at 15%,¹⁵² was lower than for other media such as cinema, out of home and print advertising, as described above. The vast majority of traditional TV advertising revenue is made up of linear TV spot advertising, although sponsorship, product placement and advertiser-funded programming are also included in this category.

Online advertising was the only area in which revenue was up in 2020 (by 4%), as advertisers took advantage of the increase in time spent online and the growth in online shopping during lockdown. However, the growth in online advertising was lower than in previous years; between 2010 and 2019 online revenues had increased by 13% per year on average.

Within online advertising, the largest proportional growth in 2020 was for video, which increased 18% year on year despite the effects of the pandemic. Online video advertising includes adverts on broadcast video-on-demand services (like ITV Player, All4 and UKTV Play) as well as video ads on non-broadcast services like YouTube and social media platforms. Each of these categories of online video advertising are discussed in further detail below.

Figure 3.2: UK advertising expenditure (2010-20, £m)



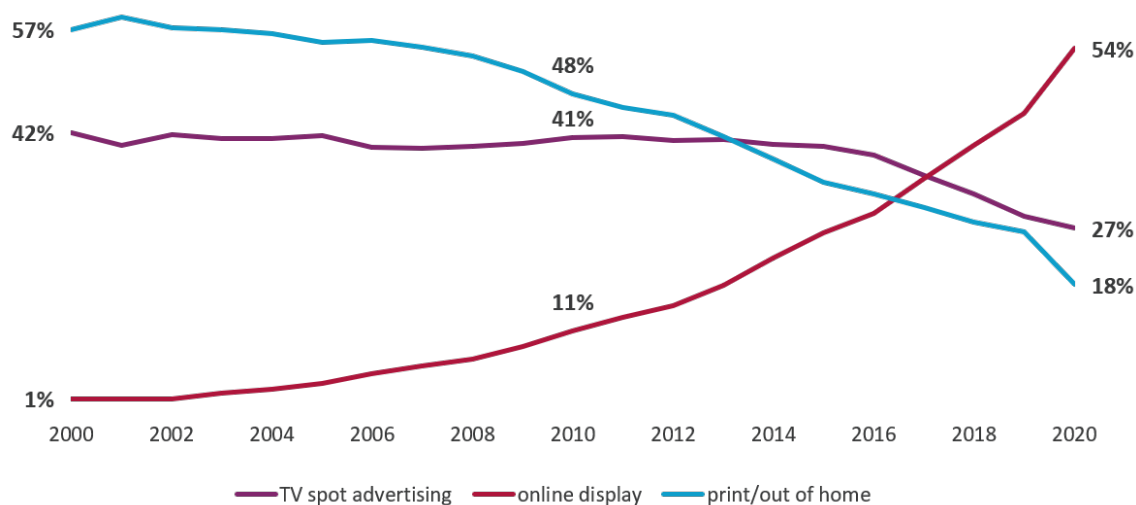
Source: AA/WARC Expenditure Report for TV, newspapers, magazines, radio, out of home, cinema, and direct mail; IAB UK/PwC Digital Adspend Study for online advertising (search, display excluding video, video and other). Notes: all digital ad expenditure (e.g. broadcaster video advertising and publisher display and classifieds) has been removed from TV, newspapers and magazines to avoid double-counting between these categories and online. TV includes spot advertising, sponsorship and product placement. Figures are adjusted for CPI at 2020 prices).

¹⁵² This excludes advertising revenue from broadcast video-on-demand services like ITV Hub and All 4 but includes sponsorship, product placement and ad-funded content advertising revenues.

Online advertising now accounts for over half of all display advertising

The growth in online video across both broadcast and non-broadcast platforms, as described above, together with the increase in other forms of online display advertising such as banner advertising, has resulted in online advertising representing more than half of all display advertising for the first time. While linear TV advertising, as a share of all display advertising, was broadly consistent between 2000 and 2015 at approximately 40%, between 2015 and 2020 its share fell by 12 percentage points, from 39% to 27%.¹⁵³ However, despite the increase in online, TV advertising remains the medium of choice for big brands wanting to reach an audience quickly and at scale, with advertisers citing TV's ability to drive both short-term sales and longer-term brand equity as a major advantage.

Figure 3.3: TV spot advertising as a proportion of all display advertising (%)



Source: AA/WARC Expenditure Report. Figures are adjusted CPI at 2020 prices. Excludes revenue from direct mail and online search. Print/out of home includes linear radio and cinema advertising.

The gradual decline in TV spot advertising since 2015 has been partly offset by growth in BVOD advertising

Before the Covid-19 pandemic, linear TV spot advertising revenues had already been in decline, contracting by £1bn in real terms (or -19%) between 2015 and 2019. Macroeconomic factors such as weaker business confidence and reduced consumer spending resulting from Brexit are likely to have played a significant role in this decline. However, the fracturing of the media landscape over the past decade, and fundamental shifts in how audiences consume TV and audio-visual content, are also likely to have contributed.

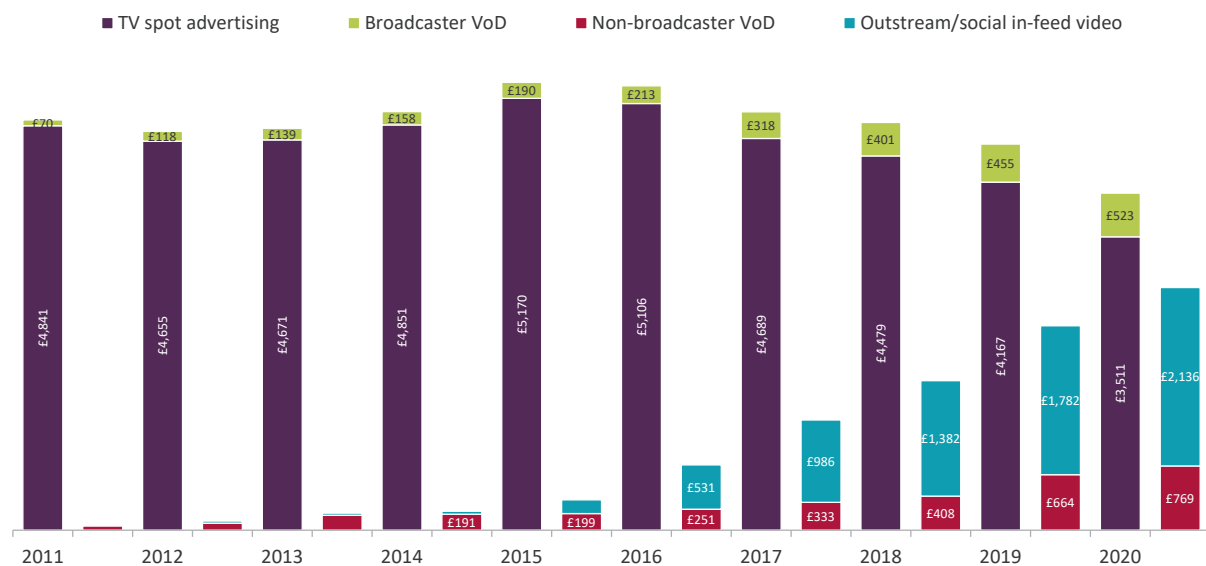
The decline in linear TV spot ad revenues continued in 2020 as a result of the pandemic, with revenues falling a further 16% year on year to £3.5bn. The UK's commercial public service broadcasters (including their digital portfolio channels) have been particularly badly hit, with a

¹⁵³ AA/WARC Expenditure report. Linear TV advertising is TV spots only and excludes sponsorship and product placement. Display advertising excludes direct mail and online 'search'. Figures adjusted for CPI at 2020 prices.

collective year-on-year decline of 14% in real terms in 2020, according to returns provided to Ofcom. Commercial multichannels have also suffered, with a decline of approximately 15% in TV ad revenue over the same period.¹⁵⁴

Since 2015, commercial TV broadcasters have successfully increased their advertising revenues from video-on-demand services (e.g. ITV player, All4 and My5), and this has compensated in part for the decline in traditional linear TV advertising. Although revenue from linear advertising declined during the pandemic, as outlined above, BVoD ad revenues grew by 15% year on year to £523m, as broadcasters attracted more advertisers to these services. Commercial BVoD advertising now accounts for 13% of television advertising (excluding revenues from sponsorship and product placement).

Figure 3.4: UK TV and online video advertising expenditure (2011-20, £m)



Source: AA/WARC Expenditure Report. TV spot advertising excludes sponsorship and product placement. IAB UK/PwC Digital Adspend Study for online advertising (pre-2017 broadcaster and non-broadcaster VOD breakdowns are estimates from AA/WARC). Figures are adjusted for CPI at 2020 prices. Note: 'Outstream' or 'social in-feed video' advertising refers to standalone video ads that sit outside a stream of video content. This format includes ads that appear on social media feeds, as well as standalone video ads on news websites. This category also includes a very small amount of other video advertising types (about £5m in 2020).

However, BVoD faces pressure from other forms of online video advertising

The weekly reach of commercial linear TV among 16-24s has fallen significantly over the last five years, from 78% in 2015 to 57% in 2020. Brands wanting to reach a mass audience of 16-24s are therefore using BVoD (as well as other forms of online video advertising) to supplement linear TV advertising and extend the reach of their campaigns. Encouraging take-up of BVoD viewing is

¹⁵⁴ Ofcom/broadcasters. Note: Ofcom returns figures do not include BVoD, sponsorship, product placement, or ad-funded programming. It should also be noted that multichannel data covers active licences only. Therefore, some surrendered licences, such as Disney's children's channels, which were closed in October 2020, are not included from 2020.

therefore important to help drive future advertising revenues, and commercial TV broadcasters are strengthening their digital strategies and putting increased emphasis on their on-demand services to make this happen.

But digital platforms also want to capitalise on the growth in online video advertising. For example, 'non-broadcaster VoD' advertising includes all ads that appear before, during, or after video content on video-sharing platforms such as YouTube. This category of online video advertising increased by 16% in real terms during 2020 and is reflected in the rapid growth in viewing of YouTube, which now accounts for 12% of total AV viewing, with this figure rising to 24% among younger audiences.

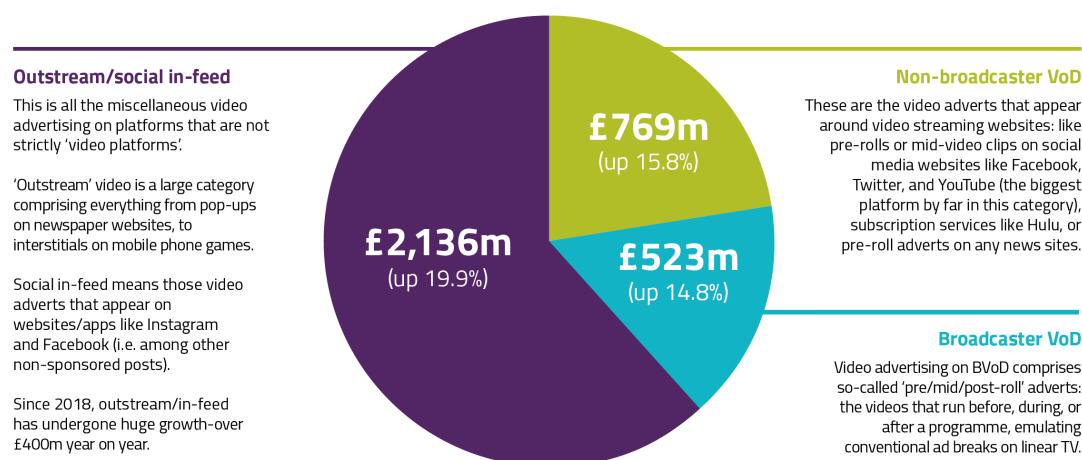
While YouTube may have a higher reach among young audiences, attention levels tend to be lower (particularly as YouTube ads are skippable), with a smaller percentage watching all or half of an ad, compared to TV. Brand safety is also important for large advertisers, and online video platforms such as YouTube are trying to resolve concerns about this to attract bigger brands (with larger advertising budgets) to their platform. The 'YouTube Select' initiative, for example, gives brands the choice of advertising around selected advertiser-friendly content, and also allows them to place ads only on content streamed directly to TV.

Although total advertising revenues for BVoD are currently smaller than for non-broadcaster VoD (£523m compared to £769m), BVoD generates much higher advertising revenue per viewing hour. Ofcom estimates that in 2019 YouTube generated ad revenue of approximately 2.3p per viewing hour, compared to 23p per viewing hour for the commercial broadcast VoD services combined.¹⁵⁵ This suggests that commercial PSBs are well placed to grow BVoD advertising revenues if they increase share of viewing to their BVoD services.

In addition to 'non-broadcaster VoD' advertising, standalone video ads that sit outside a stream of video content (known as 'outstream or social in-feed' advertising) have grown rapidly in recent years. This format includes Facebook and other social media platforms, as well as standalone video ads on news websites. However, this category is in less direct competition with BVoD, as it is focused more on direct response advertising as opposed to 'brand building'. The majority of content on these services is also very different to the professionally produced long-form content around which advertising is placed on television.

¹⁵⁵ BVoD revenue: AA/WARC Expenditure Report. YouTube revenue: Ofcom estimates from [CMA Online platforms and digital advertising market study: Appendix C: market outcomes](#). BVoD viewing: Ofcom estimates using BARB. YouTube viewing: Comscore.

Figure 3.5: Categories of online video advertising, with 2020 revenue (£m)



Source: AA/WARC Expenditure Report.

TV advertising revenue is set to rebound in 2021 but TV broadcasters must adapt to stay competitive

There is uncertainty about the speed of the recovery in the UK advertising market, following the impact of Covid-19. It will depend on the level at which economic activity resumes following the lifting of restrictions, and whether there are any further lockdowns in 2021 or beyond. Forecasts from AA/WARC Expenditure Report and GroupM currently project that revenues for total TV advertising will increase by 8.8% and 10.6% in 2021 respectively, with a further 2.1% and 3.2% increase in 2022, although this will still not fully offset the declines resulting from the pandemic. The ongoing recovery in television advertising is reflected in ITV's recent Q1 2021 trading update, which reported that ad revenues for April 2021 were up 68% compared to April 2020, while the four months to the end of April were up 6% compared to the same period in 2020.¹⁵⁶

Beyond 2021, growth in TV advertising revenue is forecast to come mainly from BVoD. AA/WARC Expenditure Report estimates a 13.9% increase in this medium in 2022, and GroupM forecasts an increase of 19.4%. On the other hand, TV advertising, excluding BVoD, is expected to have little or no growth in 2022 (with AA/WARC Expenditure Report predicting 0% growth and GroupM 0.8%).

¹⁵⁶ [ITV Plc Q1 2021 Trading Update](#).

To help accelerate the growth in BVoD advertising, commercial broadcasters have invested in a range of new technologies and initiatives:

- **Improved cross-media measurement:** Sky, ITV and Channel 4 recently announced that the cross-media measurement initiative CFlight, initially developed by Sky and its parent company Comcast, would become a jointly-owned product between Sky, ITV and Channel 4. CFlight enables advertisers to better understand the incremental reach of BVoD advertising when it is used alongside traditional TV spot advertising. But some would like the industry to go further by adopting a more comprehensive cross-media measurement system including not just TV and BVoD but also online video advertising from YouTube and social media platforms. To this end, the Incorporated Society of British Advertisers (ISBA) has been working with the World Federation of Advertisers (WFA) on a new multi-media cross-media planning tool called Project Origin. This initiative is supported by many of the UK's largest advertisers, as well as several big tech companies including Google, Facebook, Amazon and TikTok. Project Origin is currently in the prototype stage, with early data due at the end of 2022. BARB is also building measurement capabilities for VoD, including refinements to Project Dovetail, which measures BVoD, and the use of household router meters which will introduce a level of capability for measuring SVoD and YouTube viewing in the home.
- **Programmatic advertising technologies:** Commercial broadcasters have been investing in new technologies which will enable advertisers to buy BVoD advertising on an automated basis. For example, ITV's Planet V, launched in October 2020, allows advertisers and media agencies to purchase advertising inventory on a self-service basis across its video-on-demand service, ITV Hub, while Channel 4 has partnered with The Trade Desk¹⁵⁷ to offer automated buying of video advertising on All4. This programmatic trading of BVoD ad inventory brings some of the advantages of online advertising to TV, including increased flexibility for existing advertisers, and lowering the barriers to entry for new ones.
- **Addressable (targeted) advertising:** In addition to enabling greater flexibility in the buying and selling of online BVoD advertising, advanced advertising technologies allow advertisers to target viewers more accurately. For example, viewers to the same programme may see different ads based on their location, demographic or previous buying habits. Addressable advertising has been made possible by the high number of homes connecting their TV set to the internet, which currently stands at 79% of TV households. Some estimates suggest that revenue from addressable advertising on TV screens was approximately £500m in 2019 and is forecast to grow.¹⁵⁸ Addressable advertising is likely to be important to the future health of commercial PSBs; estimates suggest that by 2024, 25% of all commercial PSB broadcaster advertising revenue will come from connected TV screens.¹⁵⁹ And addressable advertising is attracting advertisers and money to TV which might otherwise have gone online. Data from

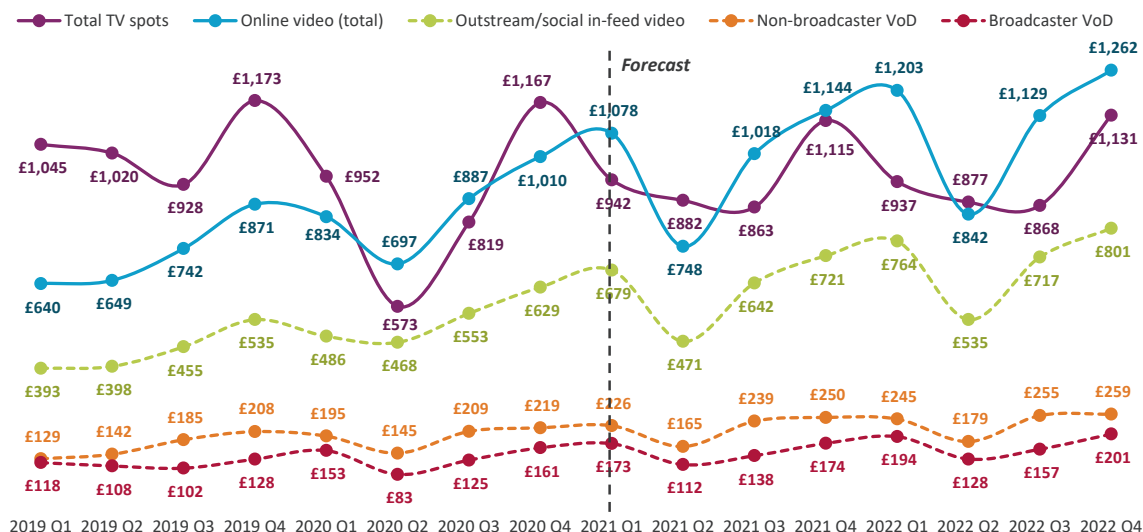
¹⁵⁷ The Trade Desk is a technology company that offers a self-service software platform to manage data-driven digital advertising campaigns.

¹⁵⁸ Spark Ninety, based on analysis of public data (e.g. CMA) crossed checked with industry. Data includes BVoD, YouTube and other AVoD viewed on TV screens (excludes mobile and desktop) and dynamic ad replacement on broadcast TV.

¹⁵⁹ Estimate from Spark Ninety. Mid-point of a projected range of 20% to 30%. Data includes BVoD viewed on TV screens (excludes mobile and desktop) and dynamic ad replacement on broadcast TV.

Sky Adsmart suggests that 75% of advertisers using the service are either new to TV advertising or new to Sky.¹⁶⁰

Figure 3.6: Past and projected TV and online video advertising revenues (2019-22, £m)



Source: AA/WARC Expenditure Report. Note: 2019 figures are adjusted for CPI at 2020 prices.

Some advertisers have joined forces with broadcasters to co-fund TV programmes

In addition to linear TV spot and online BVoD advertising, TV broadcasters generate advertising income via sponsorship, product placement and ad-funded programming. But these formats currently represent only about 6.3% (£272m) of total TV advertising revenue (including revenues from BVoD advertising).

Although still relatively unusual, there have been several recent examples of programmes that are jointly funded by an advertiser and a broadcaster, as outlined below. Ad-funded programming, sponsorship and product placement are closely regulated by Ofcom's Broadcasting Code to "ensure that broadcasters maintain editorial independence and control over programming". Further detail on the regulation of these advertising formats can be found [here](#).

¹⁶⁰ Sky, [AdSmart: Five Years and Forward](#), August 2019.

ITV/Marks & Spencer: Cooking with the Stars

A new ITV series, co-funded by Marks & Spencer, in which celebrities are transformed from amateurs to restaurant-level chefs. The celebrities and professional chefs who mentor them will cook with products from the M&S range; this is the first time M&S Food has worked alongside a production company to jointly develop a new show.

ITV/Tesco: Supermarket Sweep

Supermarket Sweep capitalised on a nostalgic game show to celebrate Tesco's 100th anniversary. Over 12 weeks, Tesco built a supermarket in Maidstone Studios, integrating the brand using colours, fonts, shelving and own-brand products. The show originally aired in prime time (8pm weekdays) on ITV2 and was later recommissioned by ITV.

Amazon Prime/Jaguar: *Going Electric*

The growth in advertising-funded programming is not limited to commercial PSBs. Jaguar partnered with SVoD service Amazon Prime (for which the rules regarding ad-funded programming are more relaxed than for UK public service broadcasters) to make a one-off documentary, *Going Electric*, about Jaguar creating its first electric car. Jaguar has since partnered with Sky to add 15-second 'bookends' to Sky Documentaries.

Pay TV

The pandemic has had negative effects on pay-TV providers' revenues and subscriber bases

The impact of Covid-19 on platform operators' revenues and subscriber bases is shown in their publicly available financial results for the full year 2020 and the first quarter of 2021.

Sky was broadly successful at retaining customers during 2020, despite the effects of the pandemic. For the 12 months ending 31 December 2020, Sky (via its parent company Comcast) reported a decline of 56,000 customer relationships.¹⁶¹ The decline was compounded by engineers being unable to attend premises during lockdown to install equipment for new subscribers.

Total revenue for Sky fell by 3.3% year on year in 2020, with direct-to-consumer, content and advertising revenues all declining compared to 2019. Direct-to-consumer revenue, which includes income from subscriptions, and represents by far the highest proportion of Sky's revenue, declined by 2%. Direct-to-consumer income was particularly affected in 2020 by the cancellation of sports events during lockdown. With sport on hold, providers offered various types of compensation to premium sports subscribers, such as allowing them to pause their sports subscriptions (Sky and Virgin Media) or offering credits against bills (BT). These measures helped pay-TV providers maintain sports subscriber bases, reducing the risk of sports subscribers cancelling their subscriptions altogether. Reduced income from sport also affected content revenue, which declined by 4.1% in 2020, while pay-TV providers suffered from the downturn in the advertising sector; Sky's income from this revenue stream fell by 11.2% year on year.

However, Sky's results for the first quarter of 2021 indicate that some of the revenue growth seen towards the end of 2020 is being maintained. Total revenue increased by 10.6% compared to Q1 2019, driven by increases in all three main income categories. Direct-to consumer revenues increased by 1.5%, reflecting an increase in average revenue per user and customer relationships, while content revenues increased by 10.3% due to higher revenue from sports programming, and advertising revenues were up by 11.9% compared to Q1 2019.

BT also noted the effect of the absence of sport in 2020, which resulted in lower revenues both from residential customers – who were able to request credit to their accounts during the hiatus – and pubs and clubs. This contributed to year-on-year declines in consumer revenue of 5% for the full financial year ending 31 March 2021. BT confirmed in April that it was in talks with several companies regarding the sale of part (or potentially all) of its BT Sport business, although no outcome has so far been decided. Selling part of the business would result in the sharing of costly sports rights as well as a significant influx of cash.

Meanwhile, cable operator Virgin Media reported a decline of 21,900 in its TV subscriber base for Q4 2020. This was less than in the previous quarter (Q3 2020) when TV subscriber numbers declined by 56,000, and significantly less than the same quarter the previous year (Q4 2019) when they declined by 74,100. Also in Q4 2020, Virgin Media launched an advanced connected entertainment platform,

¹⁶¹ Sky Q4 2021 publicly available trading update.

Virgin TV 360, in the UK and Ireland. This new TV platform includes mini boxes capable of streaming ultra-HD content from TV channels and streaming apps, such as Netflix and Amazon Prime, around the home, as well as improved personalization and content discovery features.

Pay TV in the UK has so far been broadly resilient in the face of competition from SVoD

Pay-TV services in the UK have, to date, been able to coexist with SVoD services. Pay-TV penetration peaked in 2017 at 61%, and has since declined to 58%, as SVoD penetration passed it, reaching 60%. In contrast, cord-cutting (pay-TV households cancelling their subscription in favour of SVoD and online alternatives) has been far more pronounced in the US. Over the last ten years, US pay-TV penetration has declined from 85% to 60%, while SVoD penetration has increased from 10% to 83%.¹⁶²

Pay TV's greater resilience in the UK is in large part due to more competitive pricing and better value compared to high-priced (\$100+ a month on average) US services, which are also commonly criticised for poor customer service. Operators in the UK and elsewhere learned lessons from SVoD's usurping of pay TV in the US, enabling them to implement measures to mitigate against this.

In response to the growth of SVoD, the UK's pay-TV operators have looked to integrate these services into their offerings. While pay-TV providers have always offered third-party content, such as league sport and US-produced content, integrating whole autonomous services into their offerings represents a significant shift in strategy. For example, recognising the growing importance and value of aggregating SVoD services within a single interface, Sky is the first pay-TV provider in the UK to have secured carriage of all the major streaming services. The strategies of the major SVoD services are discussed in detail in the preceding chapter.

Sport remains an important part of pay TV's overall offering; the Premier League recently announced that its current arrangements with Sky, BT, Amazon and the BBC would roll over for three more seasons until 2024/25. But some pay-TV providers are also looking to compete with SVoD services by increasingly investing in locally made, original content. Sky announced in 2019 that within five years it would double its investment in original programming to £1bn. This increase in investment comes at a time when spend on original programming among UK public service broadcasters is declining, as noted later in this chapter.

Online channel aggregators represent an emerging threat to pay TV but face challenges in achieving mainstream adoption in the UK

In the US, the much more rapid migration away from traditional pay TV and towards SVoD – a market where consumers are more reliant on subscription TV, without the strong free-to-air broadcasters that exist in the UK and Europe – has created the ideal market conditions for online channel aggregators to stake their claim as the multichannel TV interfaces of the future.

¹⁶² Ampere Analysis Markets – Operators, July 2021

Online channel aggregators are an emerging category of TV platform that use connected TV gateways and other devices to provide access to selected subscription streaming services, or channels, on a flexible, à-la-carte basis. Users access these via a single user interface, with one set of login details and a single bill. Three major providers have established offerings in this space – Amazon, Apple and Roku.

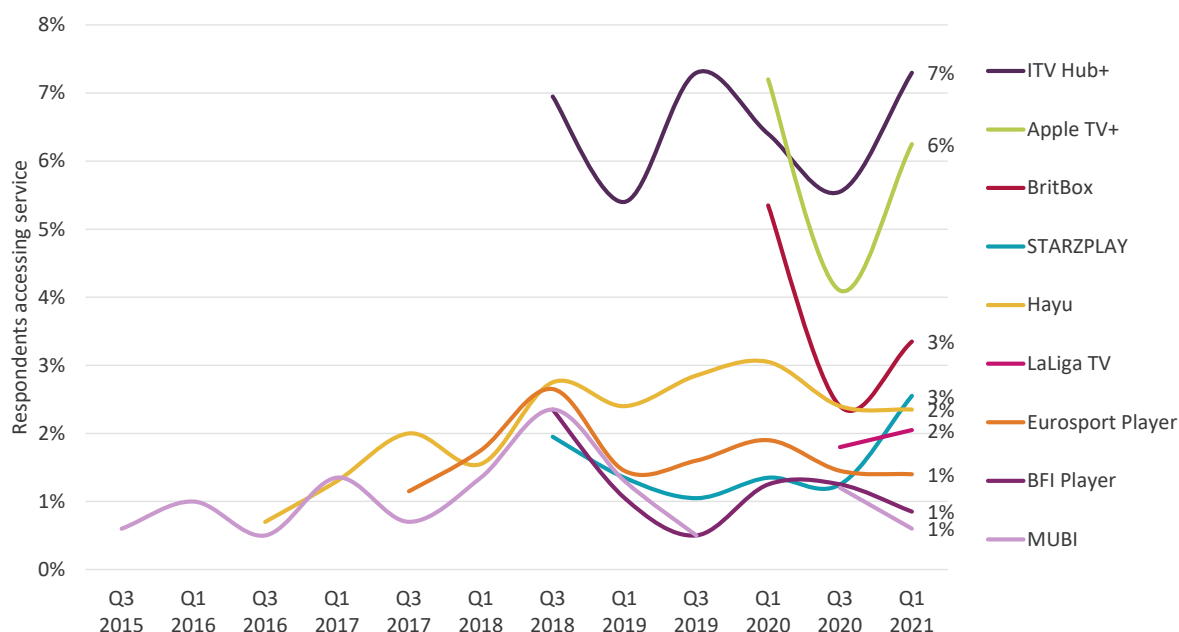
Online channel aggregator services differ from traditional multichannel TV services, such as those of Sky, Virgin Media, and BT, in several ways, distinguished by different combinations of characteristics:

- **Distribution:** Online only; though this does not prohibit carriage on pay-TV services, with Amazon Prime available to stream on Sky's satellite-based service, Virgin Media's cable TV service, and BT's and TalkTalk's respective IPTV services.
- **Devices:** Bring-your-own-device (BYOD) model. Although the three major online channel aggregators all have significant retail hardware businesses (of varying scale) and promote their respective devices as streaming devices of choice, using these is not a pre-requisite for accessing their online channel services. This differs to the traditional pay-TV model, where set-top boxes are typically rented or retailed to customers as part of their contract.
- **Pricing and packaging:** Channels are typically available on an exclusively à-la-carte basis. There are some limited examples (outside the UK) of content partners creating their own bundles and selling them via online aggregator services,¹⁶³ but the platforms themselves have generally favoured the flexible (rolling monthly contract), build-your-own-bundle model to differentiate from pay TV's big bundles.

As illustrated in figure 3.7 below, penetration of these services in the UK (the proportion of people accessing the service, including via shared logins) is low. For the few channels for which data is available, penetration among online adults aged 18-64 is less than 4% for all but two services: ITV Hub+ (7%) and Apple TV+ (6%).¹⁶⁴ In terms of channel count, Amazon's offering is by far the most comprehensive; it launched in the UK in 2017 with 41 channels, but now offers more than 50. Apple TV Channels, meanwhile, launched in May 2019 with two channels and now carries ten (including Apple's own SVoD service, Apple TV+). However, both offerings have significantly less breadth than the versions of the services offered in the US, where Prime Video Channels carries more than 150 channels and Apple TV Channels close to 40. Most of the channels offered across the two platforms can be broadly categorised as special interest, with UK offerings lacking carriage of any major SVoD service.

¹⁶³ Examples include: in the US, WarnerMedia's 'HBO + Cinemax' bundle; in Canada, StackTV's 12-channel bundle; and in Mexico, TV Azteca Internacional's four-channel bundle.

¹⁶⁴ Ampere Analysis Consumer, age: online 18-64, Q1 2021, UK. Base: 2,000

Figure 3.7: Take-up of selected subscription online channels among 18-64 year-olds in the UK

Source: Ampere Analysis. Nationally representative sample of 2,000 online adults (aged 18-64) in the UK. Note: Includes users accessing services via shared subscriptions/logins. LaLiga TV is available as both a premium channel on pay TV and a subscription online channel.

While online channel aggregators represent an emerging future threat to traditional multichannel TV operators in the connected TV landscape, the specific market conditions that have facilitated online channels aggregators' rise to prominence in the US (in particular, extensive cord-cutting that has made carriage on Amazon and/or Roku devices critical to most SVoD service roll-outs) have not been replicated in the UK. SVoD has largely been a complement to UK pay-TV services, which have secured carriage of the most popular SVoD services – all three of them (Netflix, Amazon Prime Video, and Disney+) in Sky's case – where online channel aggregators have not. The absence of key SVoD content on Amazon Prime Video Channels and Apple TV Channels limits their respective prospects for growth.

Content investment and the production sector

Introduction: Broadcasters experienced significant difficulties in providing new original content because of Covid-19 restrictions

This chapter discusses levels of investment in original programmes by broadcasters and how this has been affected by the pandemic. We also discuss the independent production sector and the role of both domestic and international commissions in driving revenues.

The pandemic has had marked effects on content investment and production. Social distancing restrictions first stopped content production, and then increased costs once production resumed. This has had an impact both on broadcasters and on commissioners seeking to maintain content pipelines, and on producers ensuring productions can continue in a Covid-safe manner.

Unsurprisingly, growth in the production sector slowed in 2020, but overall the industry looks well-placed to recover. However, the pandemic is likely to exacerbate some already existing trends in the sector, such as inflationary production costs, revenue challenges for the UK's public service broadcasters, and consolidation in the independent production sector.

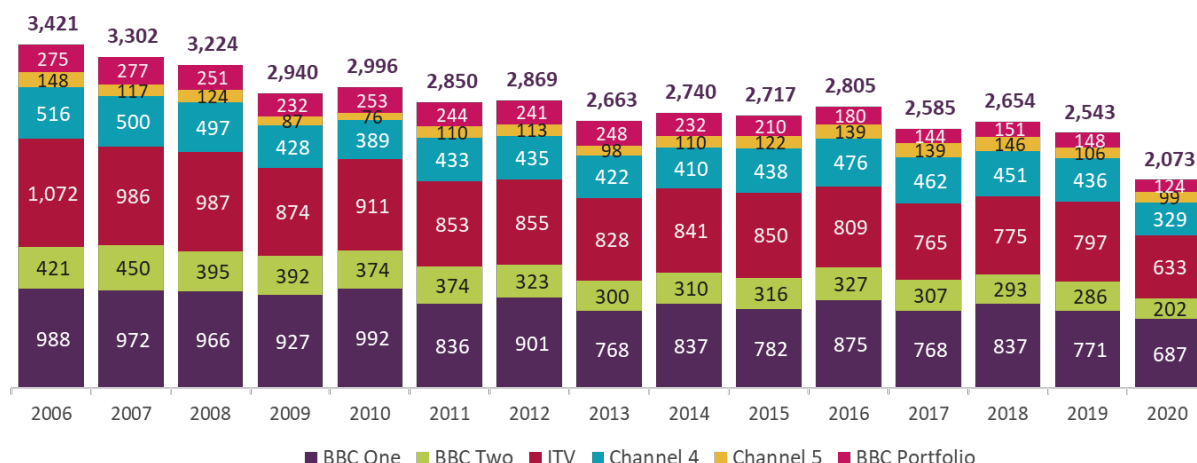
PSB content production has been hit hard by the pandemic, with spend on original productions falling significantly

Spend on first-run originations by PSBs has been in steady decline over the last two decades, although spend levels had been relatively stable in the few years before the pandemic. In 2020, however, PSB spend on first-run originations dropped sharply, down by 18% in real terms compared to 2019. The drop in content spend is due to a combination of cost-cutting measures on the part of PSBs as they tried to mitigate revenue challenges from Covid-19, as well as a reflection of disruption to the production sector, which delayed broadcasting for some titles. Spend on first-run originations declined for all PSB channels in 2020, although to varying degrees. BBC Two had the largest proportional year-on-year decline (-29%), followed by Channel 4 (-25%) and ITV (-21%). Channel 5 recorded a more modest decline (-7%), probably benefiting from the significant resources of its parent company, Viacom.

At the onset of the pandemic, many commercial PSBs announced plans to cut their programming budgets. ITV announced a £100m cut to its commissioning budget. Channel 4, whose annual revenues are derived almost entirely from advertising, announced plans to reduce content spend by £150m in 2020, and Channel 5 set out plans to reduce its programming budget by 10%. Meanwhile, the BBC's spend on first-run originations across its channels fell by £192m (16%) in real terms in 2020 compared to 2019.

In addition to the £2.1bn spent directly by PSBs on the production of original content, some PSB programmes draw on third-party sources of funding, which we discuss in more detail later in this chapter.

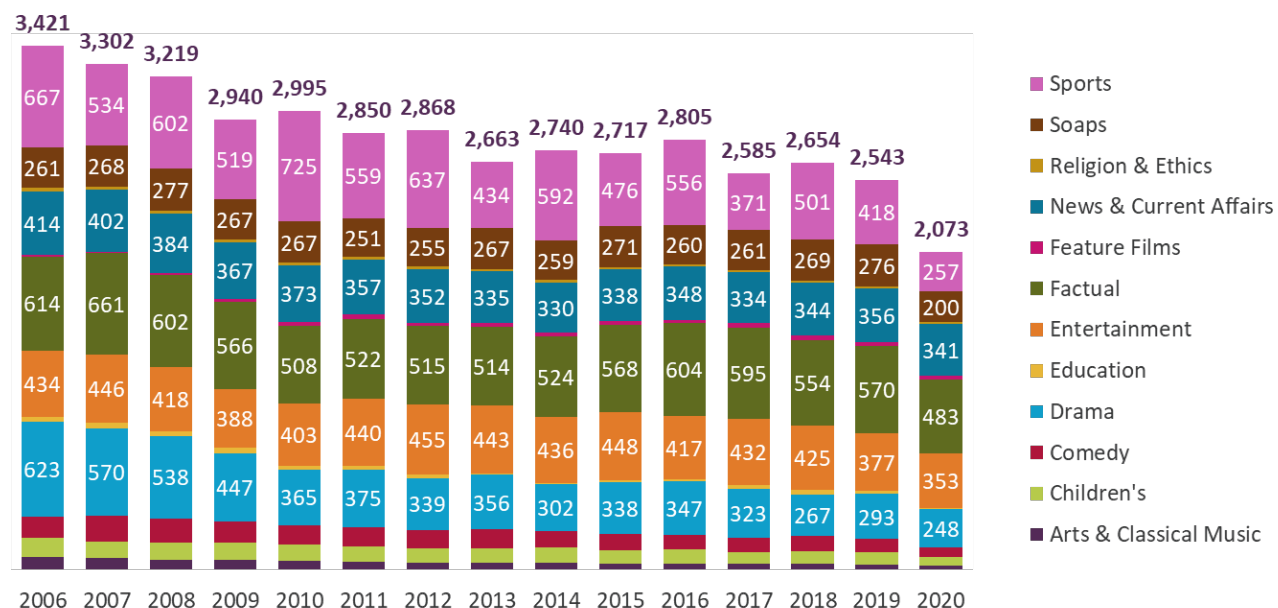
Figure 4.1: PSB network spend on first-run originations, by channel (£m)



Source: Ofcom/broadcasters. Note: Adjusted for CPI at 2020 prices. 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.

PSB spend on new UK programming was down across all types of content in 2020, with the relative proportions spent on each genre during 2020 remaining similar to 2019. In terms of absolute declines in spend levels, some genres were hit harder than others. Some of these were directly driven by Covid-19 disrupting production, such as sports programming spend, which dropped by 38% compared to 2019, and spending on soaps and drama, which fell by 27% and 16% respectively. However, some of these movements were driven by strategic decisions made by broadcasters managing reduced budgets, which particularly affected the specialist factual sub-genre, for which first-run spend declined by 20% in real terms year on year, and current affairs, for which spend declined by 19% year on year. News and current affairs programming taken as a whole fell by 4%, with the current affairs drop partially offset by a 1% rise in news spend, due to higher demand for news programming during the pandemic.

Figure 4.2: PSB network spend on first-run UK originations, by genre (£m)



Source: Broadcasters / Ofcom. Adjusted for CPI at 2020 prices. Figures do not include S4C, BBC ALBA, BBC HD, nations'/regions' programming, and third-party spend.

Total multichannel spend was also affected by the pandemic, driven by the pause in sports programming in 2020

Multichannel spend on the eight key non-PSB genres declined by 12% in real terms to £4.4bn in 2020, down from £4.9bn in 2019.¹⁶⁵ Much of this was due to the pause in sports programming during the year, with total multichannel spend on sports (inclusive of both rights and production costs) decreasing 16% in real terms to £2.8bn in 2020. This represented a 14% year-on-year decline in cost per hour of multichannel sports programming – the steepest fall since 2015 in real terms.

Apart from sports channels, the main driver behind decreasing multichannel spend was the commercial PSBs' portfolio channels; total spend for all programming on these channels decreased by 17% to £299m. For multichannels other than sports channels, total programming spend was up slightly on 2019, by 3% in real terms, suggesting that larger multichannel groups were more able to maintain programme spend on content not directly disrupted by the pandemic.

As with the PSB spend trends outlined above, the relative proportions of spend per genre remained largely unchanged in 2020 compared to previous years, although there were subtle changes in specific genres. For example, total spend on film channels continued the general upward trend seen in recent years, increasing 4% in 2020 to £423m, while spend on factual programming increased 17% year on year to £94m. Both were influenced by Sky, as it continued to increase spend on its Sky Cinema channels, while launching new factual channels Sky Documentaries and Sky Nature.

¹⁶⁵ Key genres are children's, entertainment, factual, film, leisure, music, news and sport. Multichannel spend is quoted at the total level, so includes spend on acquisitions and repeats.

There was more acquired and repeat content in 2020 as a result of the difficulties in producing new original content

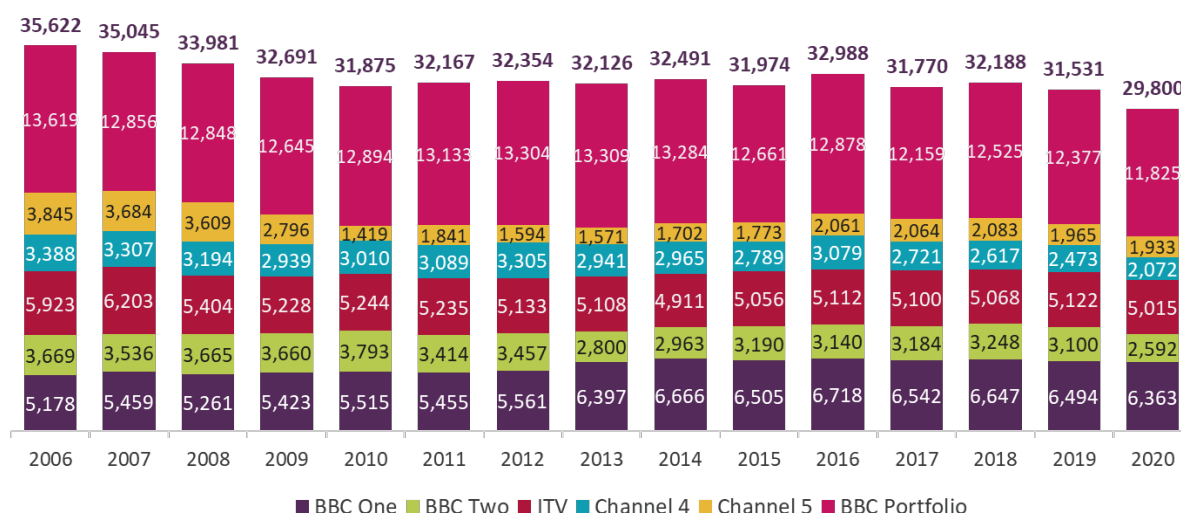
In the years immediately before the pandemic, PSBs' output of new original UK content remained broadly stable at about 32,000 hours a year. This dropped to 29,800 hours in 2020 as PSBs dealt with the repercussions of the Covid-19 pandemic. Compared to 2019, there were 1,731 (5%) fewer hours of first-run UK-originated hours from PSBs, with all PSBs producing or commissioning fewer hours in 2020 than in 2019.

The overall decline for PSBs was less severe than the decline in first-run originated hours available across the multichannels, which fell by 25% year on year to 123,792 hours. Some of this was driven by licence surrenders in 2020.¹⁶⁶ The decrease in first-run originated hours on linear TV was in sharp contrast to SVoD, where the total number of UK-produced original hours increased by 56% to 571 hours in 2020.¹⁶⁷

As the number of hours of first-run PSB originations declined in 2020 due to the pandemic, gaps in schedules were filled by acquired and repeated content. Acquired content increased by 226 hours (7%) year on year, while repeats increased by 1,714 hours (5%). As a proportion of total PSB output, repeated content increased slightly from 52% in 2019 to 54% in 2020.

Within PSB first-run UK originations, most genres recorded a fall in hours compared to 2019, with those most directly impacted by production pauses again showing the largest declines, such as soaps (-32%) and sports (-27%). Further data on the hours of original PSB content can be found in the [interactive report](#) associated with this document.

Figure 4.3: Hours of PSB first-run UK-originated content, by channel (£m)



Source: Ofcom/broadcasters. BBC portfolio figures include BBC Three, BBC Four, CBBC, CBeebies, BBC News, and BBC Parliament. Figures do not include S4C, BBC Alba, BBC HD, and nations'/regions' programming.

¹⁶⁶ Ofcom/broadcasters. It should be noted that first-run multichannel hours are calculated via the summation of hours first-run on each channel. Therefore, there may be some double counting of these hours across channels.

¹⁶⁷ Ampere Analysis Analytics – SVoD. Data accessed 8 July 2021. Figures include original movies and TV series produced in the UK across Amazon Prime Video, Apple TV+, Britbox, and Netflix.

Production trends

Covid-19 restrictions first stopped production, and then increased costs

The first lockdown in March 2020 significantly reduced the scope and scale of content production in the UK, as many productions were forced to come to an abrupt halt. As a result of social distancing restrictions, TV and film production was mainly limited to elements that could be continued at home, such as post-production practices. Some productions adapted their filming in order to stay within the guidelines without the need for a complete postponement. For example, BBC's *Have I Got News for You* made use of video conferencing tools to welcome guests from their living rooms and Channel 4's *Gogglebox* used static cameras to avoid crews having to enter participants' homes.

Content commissioners in the UK responded rapidly at the onset of the pandemic to help fill the gaps in programming, with broadcasters commissioning both Covid-19-related content and programming that could operate within the limits of lockdown, such as ITV's *Isolation Stories* and BBC's *Staged*.

Production activity gradually started to resume in June 2020, with the British Film Commission, in consultation with the Department for Digital, Culture, Media and Sport (DCMS), agreeing a set of guidance for working safely during Covid-19. This guidance has been continually updated as government restrictions have changed.¹⁶⁸ However, further restrictions later in the year and into 2021 have continued to pose challenges to production companies trying to work safely through the pandemic.

Ensuring that productions are Covid-safe has brought challenges such as reduced crew sizes, the logistics of managing the mobility of staff, testing cast and crew for Covid-19, and handling scenarios where self-isolation is necessary. Factors such as these increase the time spent shooting productions, which can have inflationary effects on the price of production. According to trade publication Broadcast's Indie Survey 2021, the majority of producers reported that Covid-19 provisions increased programme costs by up to 25%.

The impact of such rising costs is likely to particularly affect smaller producers operating on low profit margins, and especially those with limited opportunities to recoup costs through the secondary sale of IP rights, such as smaller factual producers. According to Broadcast's survey, the willingness of broadcasters to share additional Covid-related costs has varied, with 27% of producers surveyed stating that broadcasters were not compensating for extra Covid costs, but 23% of respondents stating that over 50% of costs had been met.¹⁶⁹

¹⁶⁸ British Film Commission, [Coronavirus Covid-19 Guidance](#). 2021 [last accessed 7 July 2021].

¹⁶⁹ Broadcast, [Indie Survey 2021](#).

As expected, the production sector's strong revenue growth was interrupted by the pandemic

The years before the Covid-19 pandemic saw an increase in investment in TV production in the UK, resulting in strong revenue growth in the production sector. According to data from Pact, total UK production sector revenues increased by more than 30% over the five years to 2019, with sector revenues reaching £3.3bn in 2019.

This growth was largely driven by revenues from UK-produced commissions from international players, which exceeded £1bn in 2019, 40% more than the previous year. Although international primary commissions revenue was the fastest-growing segment in 2019, 66% of this was from overseas-based linear TV channels, as opposed to digital services such as SVoD providers, which comprised 33%. International commissions revenue is often concentrated on a few large productions, such as Netflix's *The Crown*.

As expected, the slowdown in production has had an impact on 2020 production sector revenues. In its full year 2020 results, ITV highlighted a 25% decrease in revenues from its ITV Studios business due to the disruption of many of its productions, and a 43% decrease in adjusted EBITA from costs associated with Covid-19 safety measures.¹⁷⁰ BBC Studios achieved an EBITDA of £151m, a 17% decline on last year, as “the pandemic materially impacted production revenue”.¹⁷¹

According to Pact, total UK independent production sector revenues fell by 14% (£455m) in 2020, to £2.88bn.¹⁷² Total revenue from UK commissions fell by 13.2% (£257m) and total revenue from internationally commissioned titles fell by 12.9% (£162m).

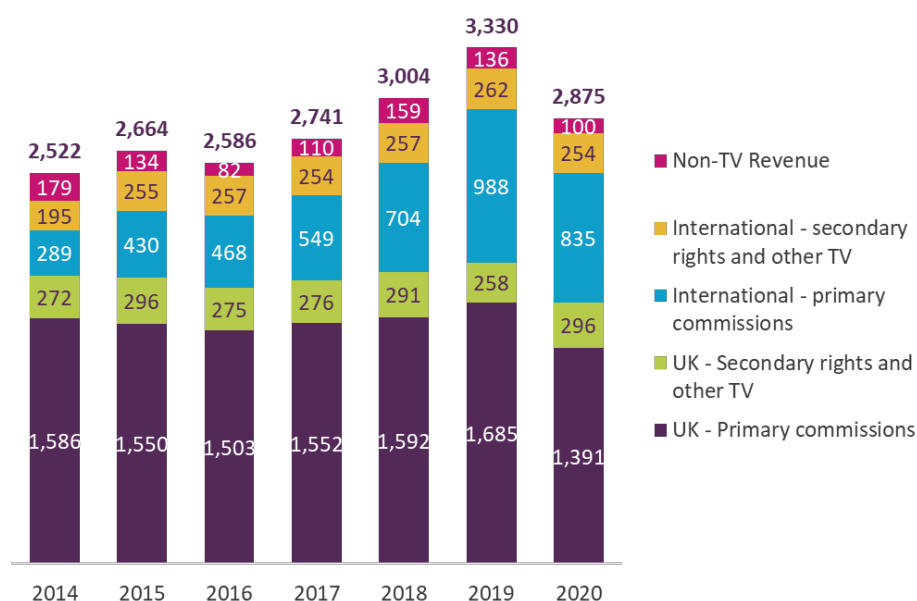
UK primary commissions continued to bring in the most revenue of any source, although revenue fell by 17.5% in 2020, down to £1,391m. The recent trend of fast-growing revenues from primary international commissions has been interrupted by the pandemic, with revenue down to £835m (a decrease of 15.5% compared to 2019). Despite this drop, the proportion of primary commissioning revenue coming from internationally commissioned productions remained on par with 2019, increasing slightly from 37% to 38%.

¹⁷⁰ ITV plc, [Annual report and accounts for the year ended 31 December 2020](#), 24 March 2021.

¹⁷¹ BBC, [BBC Group Annual Report and Accounts 2020/21](#), July 2021.

¹⁷² Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis.

Figure 4.4: Total production sector revenues, by income source (£m)



Source: *Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis*. Note: 'Secondary rights and other TV' encompasses programme sales, merchandising, formats and home entertainment, pre-production and other TV-related revenue. For international it also includes international sales of finished programming and international rights. 'Non-TV revenue' includes corporate production, new media and other non-TV activities such as online publishing, talent management, promotions, public relations and feature films. Individual totals may not add up due to rounding.

Despite the obstacles presented by the pandemic, the sector looks well placed to recover

As reported by the trade association Pact, another hurdle encountered by producers was an inability to obtain commercial insurance to cover potential Covid-19-related losses, even if the production met all the safety guidelines.¹⁷³ This particularly affected smaller production companies in the UK who were unable to self-insure.

These problems with insurance are being addressed by the UK Government's £500m Film and TV Production Restart Scheme, announced on 28 July 2020. The scheme, which will run until December 2021, provides assurance that productions will be compensated for any losses they may incur from suspended or delayed filming due to the pandemic. The scheme officially opened in October 2020 and allowed for expenses to be backdated to the start of Covid-19 restrictions in the UK. As of July 2021, the scheme has helped about 640 productions to restart operations.¹⁷⁴ In addition, ITV stated in its full-year 2020 results that 90% of ITV Studios' programmes were back in production.¹⁷⁵

Data from the BFI found that the Covid-19 pandemic had resulted in a reduced number of high-end TV (HETV) productions filming in the UK in 2020. However, production picked up in the second half of the year, exceeding historic quarterly averages for Q3 and Q4 2020. The vast majority of the titles

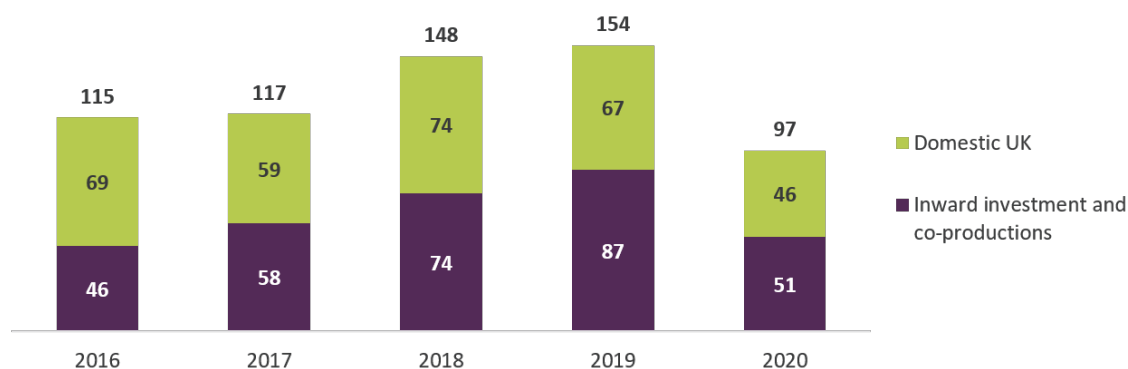
¹⁷³ House of Commons, [DCMS Oral Evidence: The future of Public Service Broadcasting](#), 17 November 2020.

¹⁷⁴ [BFI](#), 28 July 2021.

¹⁷⁵ ITV plc, Annual report and accounts for the year ended 31 December 2020, 24 March 2021.

produced in the second half of 2020 are likely to be commissions either backlogged or interrupted by the pandemic. We may still see a dip in production activity in 2021 and 2022, particularly considering further restrictions such as the national lockdown in early 2021 and ongoing challenges around international travel. However, the data suggests that the HETV production sector is well-placed to recover from the short-term impacts of the pandemic and indeed is already beginning to bounce back.

Figure 4.5: Number of high-end TV programmes produced in the UK



Total number of HETV titles	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Quarterly 2020-2021	23	0	40	34	41
2016-2020 quarterly averages	30	41	38	27	30

Source: BFI. Q1-Q4 2020 figures taken from BFI statistics as of February 2021. Q1 2021 figure taken from BFI statistics as of May 2021.

Average high-end TV costs increased in 2020, continuing the recent trend of cost inflation in the sector

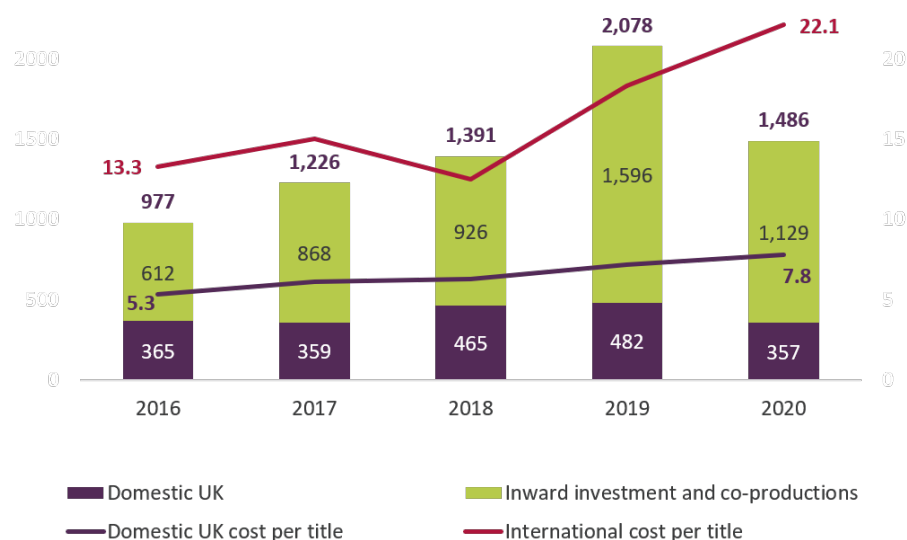
Further signs of recovery in the production sector have been evidenced by the BFI's HETV spend data.¹⁷⁶ Although investment across the whole year fell in 2020, with total HETV production spend down 28.5% on 2019, spend in the latter half of the year was higher than the BFI's averages for 2016-2019. This was particularly true for Q4 2020, when total HETV spend was £779.1m, compared to the Q4 2016-2019 average of £398.9m.

The BFI's data also shows a continuation in increased average spend per title for productions. While the increased costs of making productions Covid-safe will have had some impact, this may also be the continuation of a trend of rising production costs. The growing demand for UK productions, as well as the £1m cost per hour eligibility threshold for tax relief, has had an inflationary impact on

¹⁷⁶ The BFI defines HETV as a programme of the drama, comedy or documentary genre, with episodes over 30 minutes in length.

costs. This has been particularly the case for drama – which, as well as proving popular with UK audiences, tends to provide reliable sources of revenue for IP rights holders. Such rights revenues can be maximised by the option to commission further series of drama titles, as well as opportunities for secondary rights revenues such as home entertainment and merchandise. This is also applicable to factual programming (such as nature documentaries), comedy, and children’s content – all of which have attracted third-party investment in recent years.

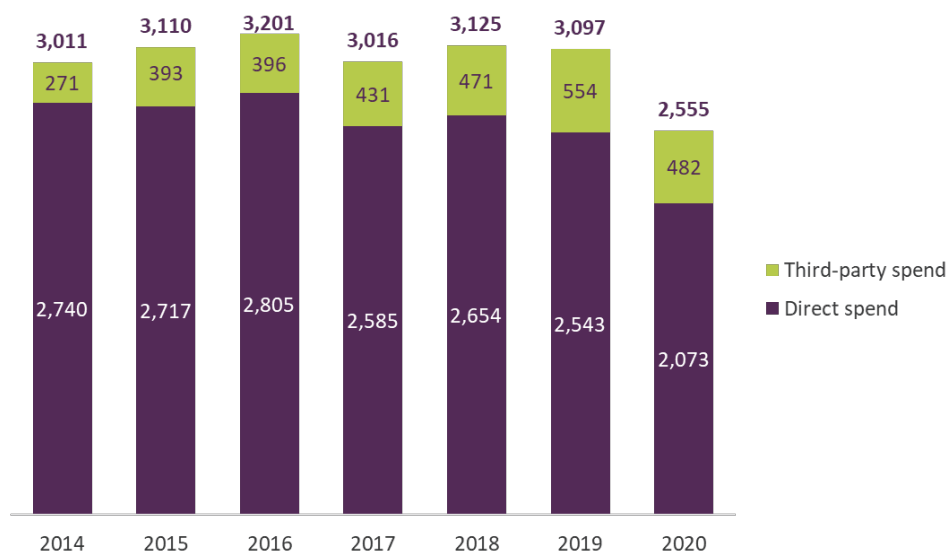
Figure 4.6: Spend on HETV production and average cost per title (£m)



Source: BFI

Over 2014-2019, the trend of cost inflation for high-end UK productions was reflected via growing third-party contributions to the cost of PSB programming. While direct spend from content commissioners continues to make up the bulk of programme funding in the UK, with PSBs still providing the majority of that spend, contributions from other sources have helped in offsetting a decline in direct spend from the PSBs, which the chart below shows. Third-party spend comes from a variety of sources, such as co-productions with other commissioners, government high-end TV tax credit, deficit financing, or advances from independent producers.

In 2020, the additional spend from third parties on PSB originations was £482m, down 13% from £554m in 2019. Much of this was due to the general disruption in TV production during the pandemic, as noted above, which resulted in some titles being delayed, and therefore unaccounted for in 2020 spend figures. As a proportion of all PSB origination spend (i.e. direct spend by the PSBs *plus* contributions from third parties), third-party spend has increased from 9% in 2014 to 19% in 2020. However, growth in third-party spend may start to flatten out over the next few years, as most areas where there is opportunity for outside financing have already been explored by PSBs.

Figure 4.7: PSB spend on first-run originations – direct spend and third-party contributions (£m)

Source: Ofcom/broadcasters.

Drama represented 45% of total PSB third-party spend in 2014, growing to 74% by 2020. Children's and factual content also continue to be significant – respectively representing 11% and 7% of contributions in 2020. While the availability of tax credit partly explains this growing spend, the co-production opportunities that PSBs have had from international commissioners are also important. Co-productions, where a title is jointly commissioned by two players, with both sharing production costs and editorial control of the title, have proliferated recently with the entry of global players. Examples of co-productions include *Good Omens*, co-produced by Amazon and BBC and due to start filming its second season later this year, and *The End of the F***ing World*, produced between Channel 4 and Netflix.

The lasting effects of the pandemic could accelerate the existing trend of consolidation in the independent production sector

The production sector has seen a trend towards consolidation in recent years, which may be accelerated if smaller producers struggle to stay in business after the pandemic. Broadcast estimates that 250 production companies were operating with less than £1m turnover in 2019, 50% less than the 500 producers quoted in 2014.¹⁷⁷ In addition, according to Pact, 201 production companies had a turnover of more than £1m in 2019, up from 119 in 2014. The proportion of companies falling in the mid-range turnover bracket (£5m to £25m) has increased, from 35% in 2014 to 44% in 2019, suggesting a trend of consolidation among smaller producers. There has been more evidence of this in 2020 and 2021 so far – in July 2020, Netflix invested in Broke and Bones, the production company founded by *Black Mirror* creators Charlie Brooker and Annabel Jones. In June 2021, Asacha Media Group bought a majority stake in *Death in Paradise* producer Red Planet Pictures.

¹⁷⁷ Broadcast data quoted in [Pact Census 2020](#).

As mentioned above, smaller production companies are more likely to be affected by inflationary costs and insurance issues caused by the pandemic. While these companies may be able to rely on accumulated savings or the Government initiatives outlined above, difficult conditions may prompt further consolidation in the independent production sector as some independent production companies affiliate with large, vertically-integrated groups to protect themselves from the financial impacts of Covid-19.

If international investment continues to grow, it may result in output that is less reflective of UK life and culture overall

The number of UK-produced originals available on global streaming services is increasing, as we discussed in the previous chapter. According to Ampere Analysis, Netflix is now the largest commissioner of scripted European content, surpassing the BBC in the number of new commissions across Europe in 2020.¹⁷⁸ This commissioning activity by players with a global focus may mean that new output reflects UK culture and values less well than content produced by UK broadcasters.

Research carried out by Enders Analysis earlier this year investigated the ‘Britishness’ of content by quantifying the number of “British terms, culturally-loaded references to objects, people or places, along with idioms” seen in a range of shows produced by broadcasters and international streaming services.¹⁷⁹ Of course, describing or quantifying ‘Britishness’ is inherently subjective, and the research was carried out on a relatively small sample of 27 shows. Nevertheless, the research found that British-produced programmes commissioned by streaming services had comparatively fewer British touchpoints than similar shows commissioned by broadcasters. For example, Channel Four’s *Peep Show* contained more than 30 British references per hour, compared to the ‘most British’ SVoD commissioned series *Top Boy*, commissioned by Netflix for its third season, which had 15 references per hour. *Top Boy*, along with *Black Mirror*, was one of two (originally) Channel Four titles which had fewer British references once commissioned by Netflix (although the decline for *Top Boy* was marginal).

The significance of this depends on public attitudes towards content produced for a global audience, and current research on such attitudes is mixed. Our research in December 2020 found that about one in five people surveyed considered “programmes which reflect UK life and values” societally important, and 65% of those surveyed thought that PSBs were better at doing this.¹⁸⁰ But Oliver & Ohlbaum Associates’ (‘O&O’) research on the ability of non-PSB services to provide PSB-like content generally found little discrepancy between audience perceptions of PSB and non-PSB content.¹⁸¹ While O&O’s research did find slightly more approval of PSB titles when focusing on the ability to reflect UK cultural identity, it also noted particularly high scores for titles such as Netflix’s *The Crown*.

¹⁷⁸ Ampere Analysis Commissioning insight, July 2021.

¹⁷⁹ Enders Analysis, [Outsourcing culture: When British shows aren’t ‘British’](#), February 2021 [last accessed 15/07/21]. The report focused only on British-produced programmes, but it is likely that the same phenomenon would also apply to shows made in Northern Ireland.

¹⁸⁰ Ofcom, [Public service broadcasting: quantitative research findings](#), December 2020 [last accessed 07/07/21].

¹⁸¹ Oliver & Ohlbaum for Pact, 2020. Strengthening UK culture and creativity in a globalising TV marketplace. O&O surveyed consumer response to a sample of titles across PSB, multichannel and SVoD, using Ofcom’s PSB purposes and characteristics as a measure for rating titles.

Radio and audio

Introduction: a sector continuing to innovate

In this chapter we look at some key consumer and industry trends concerning the radio and audio sector in the UK.

Consumers continue to listen to radio and audio content on a wide range of devices. Although listening to live radio on a radio set has been in decline for the past few years, for adults overall it continues to account for much of their audio consumption. Conversely, consumption of digital audio services, including online live radio, music streaming services and podcasts, has grown over time, especially among adults aged 15-34 for whom live radio on a radio set now accounts for less than a quarter of listening.

Despite the challenges of the pandemic, which have affected radio advertising revenues in particular, the industry has continued to take advantage of DAB and online platforms to innovate. Meanwhile, both consumer expenditure on recorded music and digital audio advertising expenditure stayed on a growth trajectory in 2020.

In the past year radio broadcasters in the UK have launched new stations and services, while streaming platforms have continued to expand their products to include higher-quality audio and podcasts, including some exclusive to the platform.

Note that due to the pandemic and the associated restrictions, the radio industry audience measurement body RAJAR suspended its fieldwork from the end of Q1 2020. As a result, we are unable to present the extent of radio consumption data we have done in previous years. Instead, we have drawn from a range of Ofcom's own, syndicated and third-party consumer research to provide a snapshot of audio consumption in 2020. These are indicative, and not directly comparable with RAJAR.

Radio and audio consumer trends

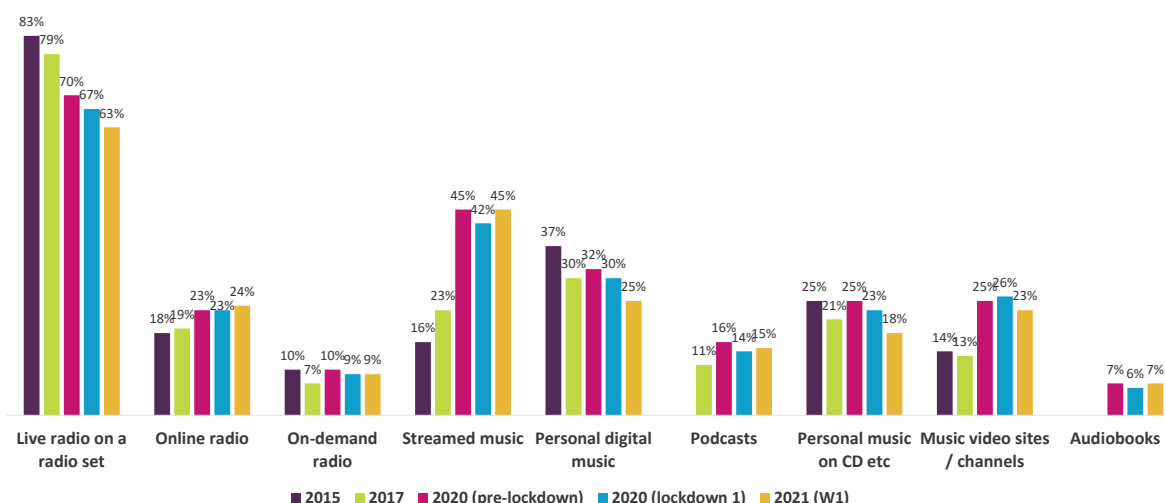
Live radio listening on a radio set is still the audio activity with the highest weekly reach, although it continues to decline

Radio listening continues to be a staple of the media diet, with about two-thirds of adults listening to live radio on a radio set each week in the first quarter of 2021. Although this was the most common audio activity for UK consumers, the proportion of adults listening to the radio this way has continued to decline steadily each year as more people turn to online sources, including online radio.

But not all online audio has grown in the last six years; the weekly reach of podcasts remains relatively low at 15% of adults (and 28% of 15-34s), despite a bounce back to pre-lockdown levels in 2021. Most of the growth has been in streamed music services, which have benefited from consumers' gradual shift away from using personal music collections. Streamed music services were

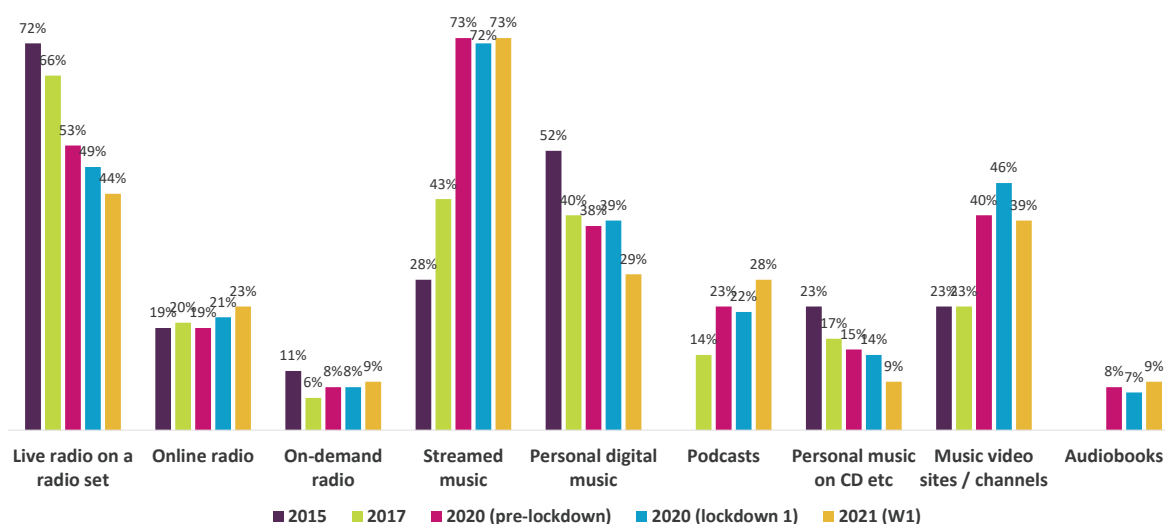
used by 45% of adults at the beginning of 2021. This trend is more pronounced among young adults aged 15-34, for whom listening to streamed music was the most common weekly audio activity, at three-quarters of this age group. Listening to radio on a radio set has declined more steeply among 15-34 year-olds, used by less than half of this age group, although the numbers listening to online radio have increased to almost one in four. This continues to be in favour of traditional broadcast services from BBC and commercial radio rather than new online-only services without broadcast distribution.

Figure 5.1 Weekly reach of selected audio activities (all adults 15+)



Source: TouchPoints. GB adults 15+. 2020 (pre-lockdown) fieldwork - Jan-March 23rd; 2020 (lockdown 1) fieldwork – 24th March-16th April 2020.

Figure 5.2 Weekly reach of selected audio activities (adults 15-34)



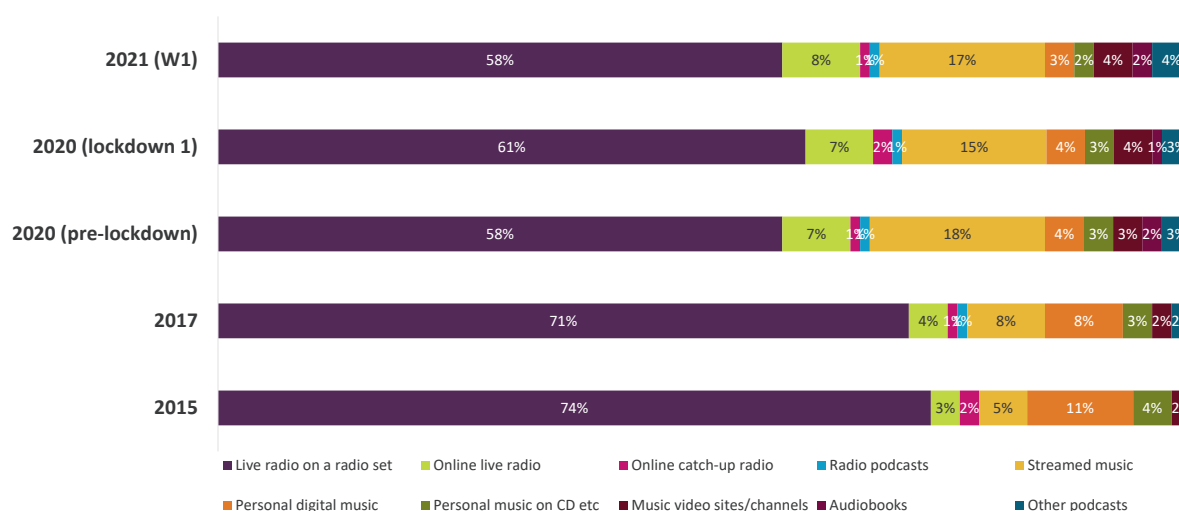
Source: TouchPoints. GB adults 15-34. 2020 (pre-lockdown) fieldwork – Jan - 23 March; 2020 (lockdown 1) fieldwork – 24 March-16 April 2020.

Live radio on a radio set continues to account for most of adults' weekly audio time

Overall time spent listening to audio fell steeply in 2020 following the lockdown restrictions, with live radio on a radio set accounting for most of this decrease. This may be linked to the reduced time spent commuting for those working from home, and lower levels of travel, particularly in the car.

As of Q1 2021, live radio on a radio set accounted for 58% of total audio consumption in an average week by adults aged 15+, continuing to represent the majority share of audio listening. But this was down from 71% in 2017, a 13pp decrease over four years. In the same period, streamed music's share increased from 8% in 2017 to 17% in Q1 2021. Radio's overall share of listening, including live, catch-up and podcasts, still accounted for the majority of audio time, at 68%.

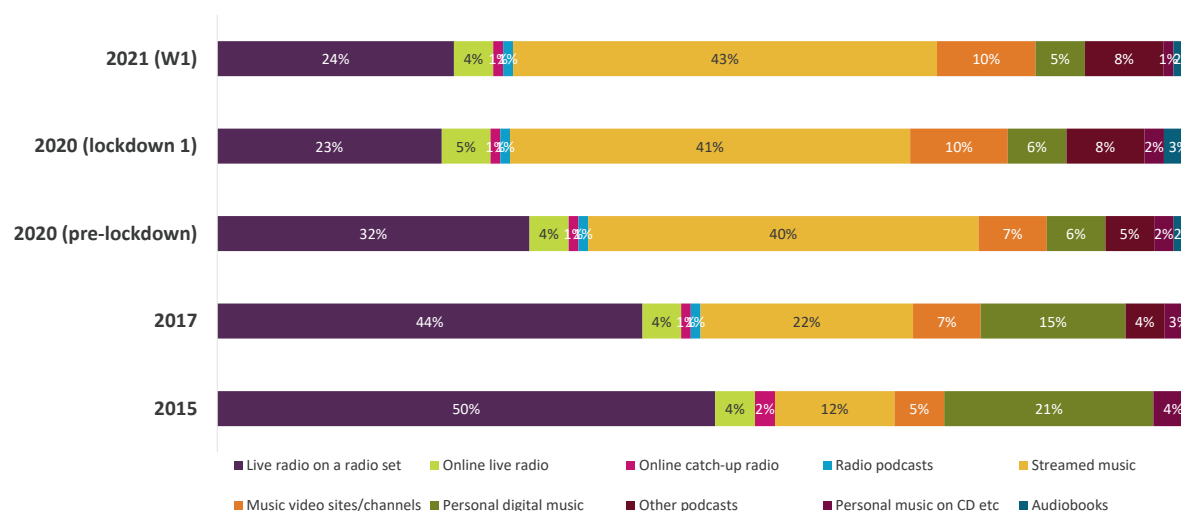
Figure 5.3: Proportion of weekly audio time, by audio activity: adults 15+



Source: TouchPoints. GB adults 15+. 2020 (pre-lockdown) fieldwork - Jan-March 23rd; 2020 (lockdown 1) fieldwork – 24th March-16th April 2020

The composition of young adults' audio activity looks very different to that of an average adult; it has changed significantly over the past six years. Listening to music streaming services formed the largest component of their overall audio activity, accounting for 43% in 2021. In contrast, listening to live radio on a radio set accounted for just under a quarter of the total, down from 32% in 2020 and from 50% in 2015. For this age group, radio's share of total listening, including live, catch-up and podcasts, is 30%, less than half that of a UK adult.

Figure 5.4: Proportion of weekly audio time, by audio activity (adults 15-34)



Source: TouchPoints. GB adults 15-34. 2020 (pre-lockdown) fieldwork - Jan-March 23rd; 2020 (lockdown 1) fieldwork – 24 March-16 April 2020.

Radio listening

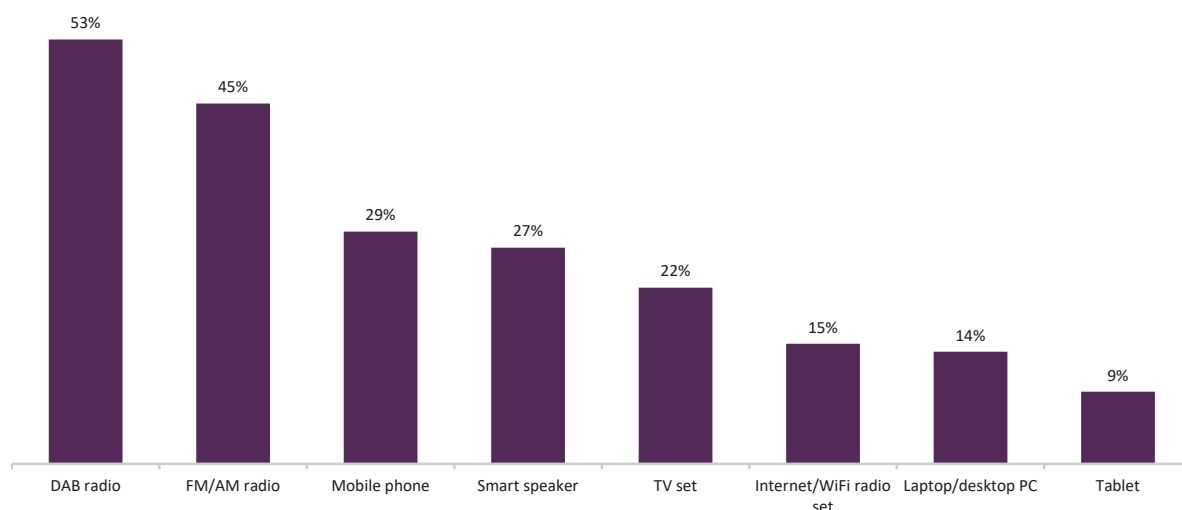
Listening via a DAB radio is the most common way people listened to live radio in 2021

UK adults listen to live radio using many different digital and analogue platforms and online devices. According to Ofcom's Technology Tracker 2021, 56% of adults have DAB radio in their home or their car, with no significant difference in ownership between the nations. Among those aged 55 and over, 65% had any DAB radio, a greater proportion than those in younger demographic groups.

More than half (53%) of UK adults who listened to live radio did it via a DAB set, compared to 45% of live radio listeners who used an AM/FM radio. Radio listening via a DAB radio was more likely among 35s and over than among under-35s, and using AM/FM radio was more likely among those aged 55+, with 55% doing this, compared to 34% of 16-24s.

Since their introduction into the UK market in 2016, smart speakers have steadily grown in popularity and are now owned by 50% of UK adults. In 2021, over a quarter of those listening to live radio are using a smart speaker, although take-up is less common among older age groups. We look at the use of smart speakers among those who own them later in the chapter.

Figure 5.5. Ways of listening to live radio



Source: Ofcom Technology Tracker 2021. QP26A. Which devices do you ever use to... Listen to live radio (so at the same time as the show is broadcast)? (MULTI CODE) Base: Those who ever listen to live radio.

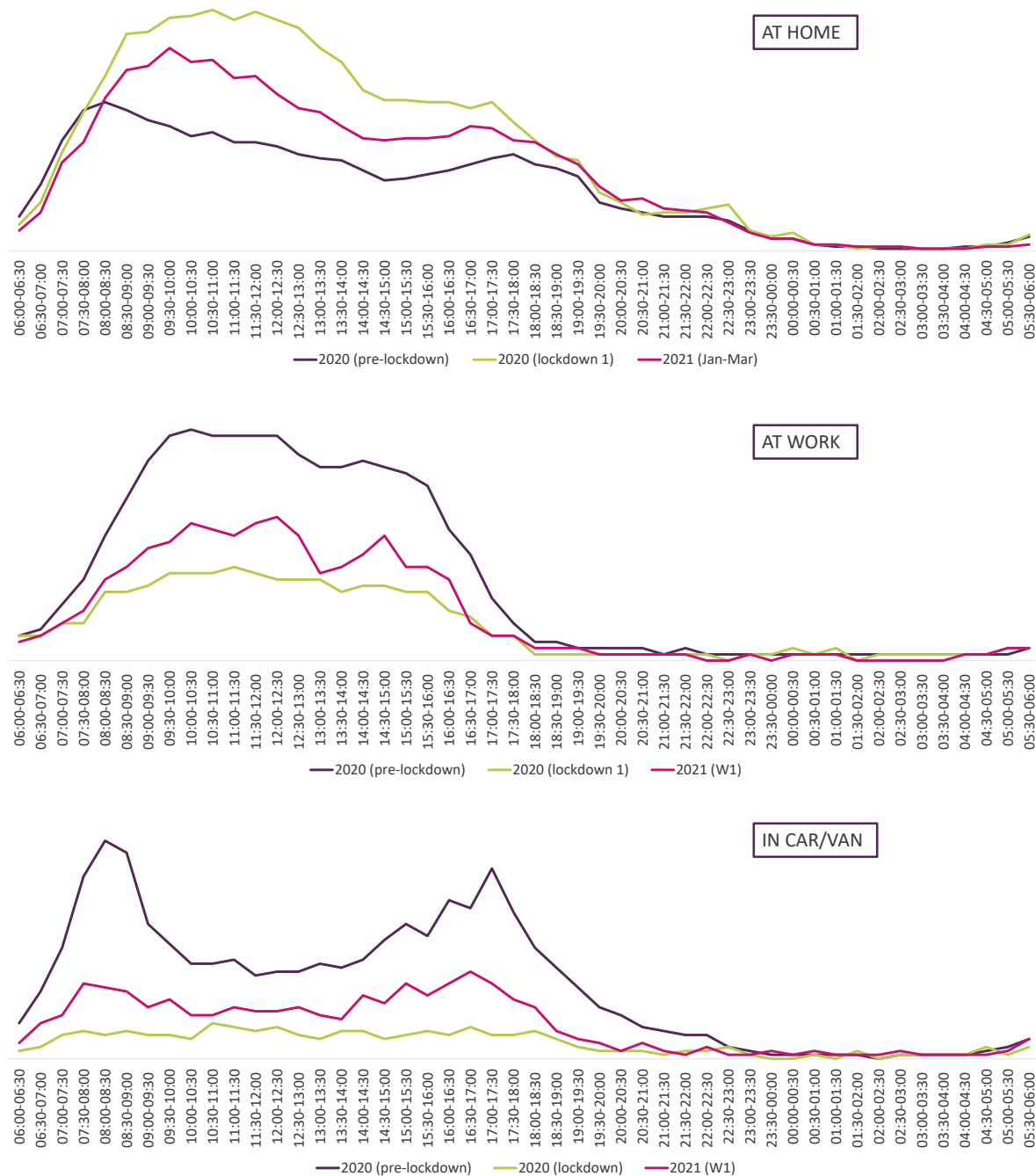
The first national lockdown had a huge impact on patterns of radio listening across the day, and varied by location

We can see how the pattern of radio listening shifted in response to the Covid-19 pandemic and the restrictions associated with it. The first lockdown in March 2020 had an extreme impact on listening, with fewer people listening to the radio while commuting. Before the imposition of Covid-19 restrictions, 36% of adults and 33% of 15-34 year-olds listened to the radio while travelling to work or education during the week. This dropped to 10% during the first lockdown for adults and 8% for 15-34s, though by early 2021 it had partially recovered to 18% for both age groups¹⁸².

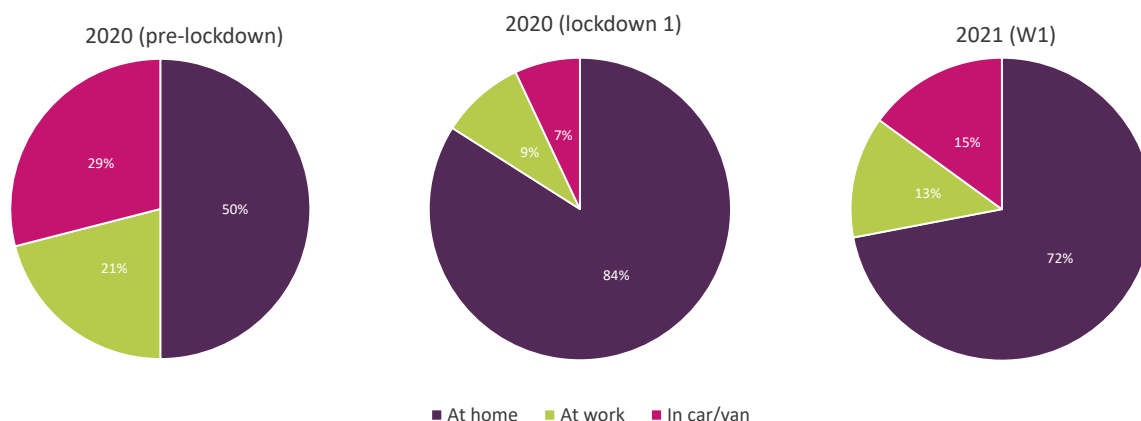
In the past year, there has been a clear uplift in at-home listening across the day, balancing the reduced in-car/van listening (see Figure 5.6). The survey data we have used includes location, so home listening figures will include people working from home as well as those who were furloughed. So far in 2021, at-home listening levels remain above pre-Covid levels, and less commuting means that in-car listening levels remain lower than before the pandemic. The charts below show that the average daily listening peak, typically seen at around 08:00-08:30 during weekdays, has shifted to late morning.

¹⁸² TouchPoints 2021 (W1) GB adults 15+

Figure 5.6: Pattern of radio listening across the day (Mon-Fri)



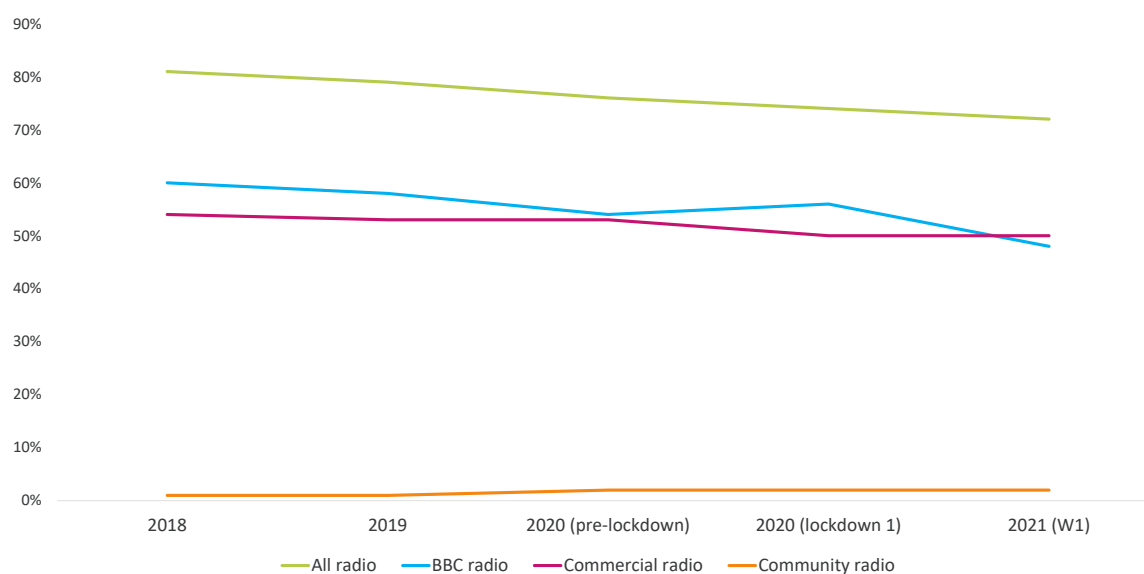
Source: TouchPoints. GB adults 15+. 2020 (pre-lockdown) fieldwork - Jan-March 23rd; 2020 (lockdown 1) fieldwork – 24 March-16 April 2020.

Figure 5.7: Share of radio listening, by location (Mon-Fri)

Source: TouchPoints. GB adults 15+. 2020 (pre-lockdown) fieldwork - Jan- 23 March; 2020 (lockdown 1) fieldwork – 24 March-16 April 2020.

Overall radio audiences are still declining slowly

As we have no official industry data (RAJAR) to show the overall performance of the radio industry, we have drawn on TouchPoints data to understand whether the long-term trends that we are tracking have continued. The data suggest that the number of people listening to the radio each week has continued to decline, although there has been some fluctuation between BBC radio and commercial radio, linked to lockdown restrictions. Community radio stations are starting to see modest growth.

Figure 5.8: Weekly reach, by radio sector

Source: TouchPoints. GB adults 15+. 2020 (pre-lockdown) fieldwork - Jan-March 23rd; 2020 (lockdown 1) fieldwork – 24 March - 16 April 2020.

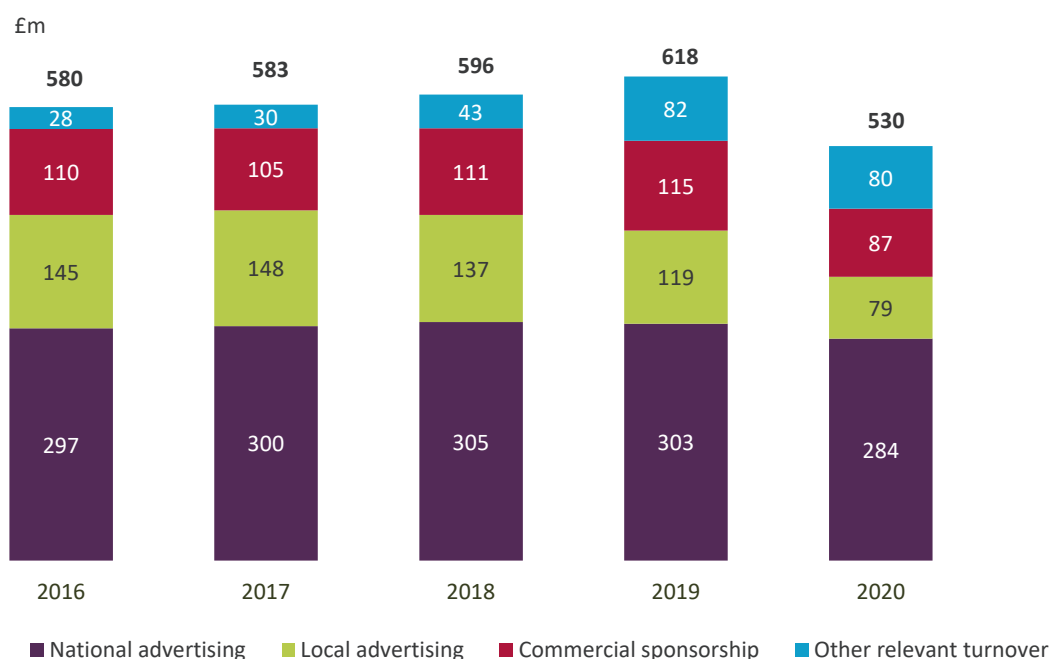
Radio and audio revenues

Radio advertising revenue fell by 14% in real terms in 2020 due to the wider advertising market recession linked to the pandemic

During 2020, the downturn in advertising expenditure across the UK economy had a significant impact on radio advertising revenues. Overall reported radio revenues¹⁸³ fell by 14% between 2019 and 2020, and increases in other relevant turnover, such as income from premium-rate SMS, used to enter competitions, were not enough to offset an overall decline of 16% in advertising and sponsorship revenues.

The changes in advertising revenues between 2019 and 2020 reflect an acceleration of previous trends. Local advertising (down 33% year on year in real terms) continued to be less resilient than national spot advertising (down 6%).

Figure 5.9: Radio revenues (£m)



Source: Ofcom/broadcasters. Note: 2019 data includes broadcaster restatements. Adjusted for CPI at 2020 prices by Ofcom.

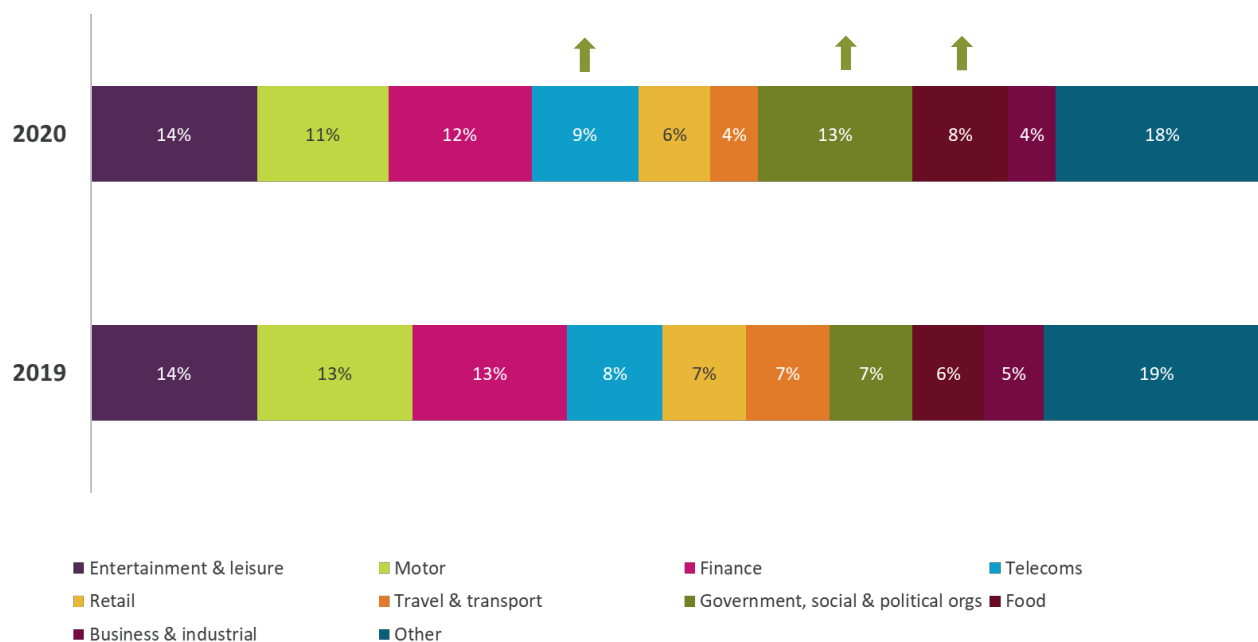
Although the economic downturn of 2020 caused a recession in the UK advertising market overall, the effect of the pandemic differed across advertising categories. With the closure of many non-food retail stores, and restrictions on leaving home for significant periods in 2020, the retail, travel, and

¹⁸³ 'Radio revenues' defined as relevant turnover i.e. turnover generated by activities resulting from holding a broadcasting licence, including local and national spot advertising, sponsorship and other revenues with a link to the licences service, such as premium-rate phone and SMS revenue arising from an on-air call to action (such as a competition). It excludes income from events, promotions, the provision of services and other activities which have no direct or indirect link to the licensed service.

transport sectors' share of radio advertising expenditure fell. In contrast, sectors such as food and telecoms increased their share of overall radio advertising expenditure.

The largest change in advertiser mix was from government, social and political organisations, which increased their radio advertising expenditure from 7% of overall advertising spend in 2019 to 13% in 2020, with expenditure growing 76% in real terms¹⁸⁴. This reflects the various public health information campaigns launched across the UK.

Figure 5.10: Share of radio advertising expenditure, by advertiser type: 2019 vs 2020



Source: Nielsen from AA/WARC Expenditure Report. Ofcom analysis.

Digital audio advertising in the UK grew year on year, but is still in its infancy

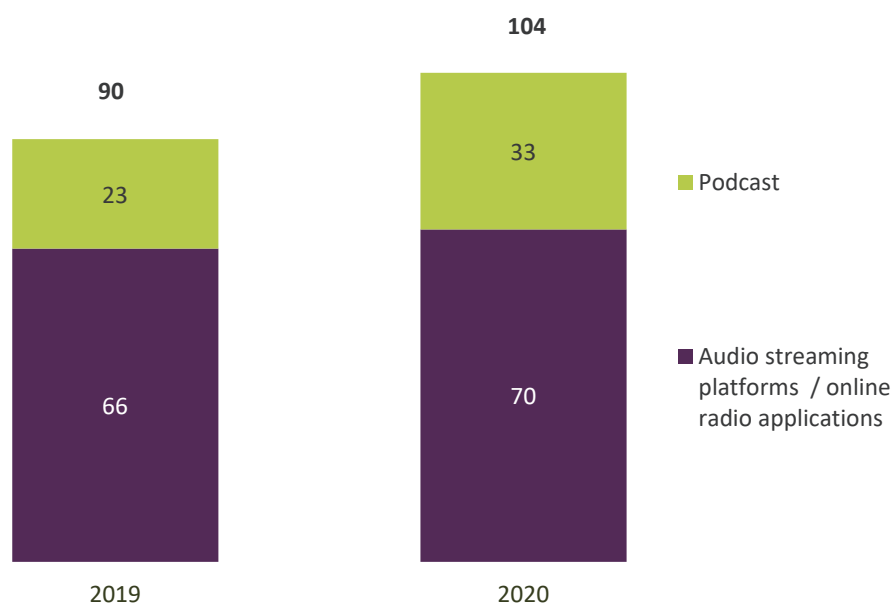
In absolute terms, at £104m, expenditure on digital audio advertising is relatively small, accounting for less than 1% of total digital advertising expenditure in the UK and a fraction of expenditure on traditional broadcast radio. However, the UK's digital audio advertising market is the largest in Europe, in absolute terms, with expenditure in 2020 more than double that of Germany, the second largest market¹⁸⁵. On a per-capita basis, UK digital audio advertising expenditure lags behind that of Sweden, reflecting Sweden's developed digital audio market.

The majority (£70m) of UK digital audio advertising expenditure in 2020 was on audio streaming platforms and online radio applications. However, advertising expenditure on podcasts grew quickly from a low base, at 43% in the year.

¹⁸⁴ Adjusted for CPI at 2020 prices by Ofcom. Note the definition of expenditure may differ from the advertising revenue data presented by Ofcom.

¹⁸⁵ IAB Europe.

Figure 5.11. Digital audio advertising expenditure (£m)



Source: IAB UK / PwC Digital Adspend Study 2020. Adjusted for CPI at 2020 prices by Ofcom.

UK consumer expenditure on recorded music grew by 6% in real terms in 2020

Despite the challenging macroeconomic environment, consumer expenditure on recorded music in the UK grew by 6% in real terms in 2020 to over £1.5bn. Overall expenditure on subscription services accounted for 77% of total consumer expenditure on music in 2020, compared to only 37% in 2016. However, at 15%, the real-terms year-on-year growth rate of expenditure on subscription services decelerated compared to previous years, potentially reflecting the maturity of this market.

Expenditure on physical formats fell by 15% in real terms to £279m, due to a continued decline in sales of CDs. In contrast, sales of older physical formats continued to grow, with vinyl sales growing to reach £110m in 2020 – in particular towards the latter part of the year when lockdown restrictions began to ease, and specialist retail stores could re-open. In 2020, the number of cassette albums sold in the UK grew by 95% to reach over 156,000, the highest annual total since 2003.

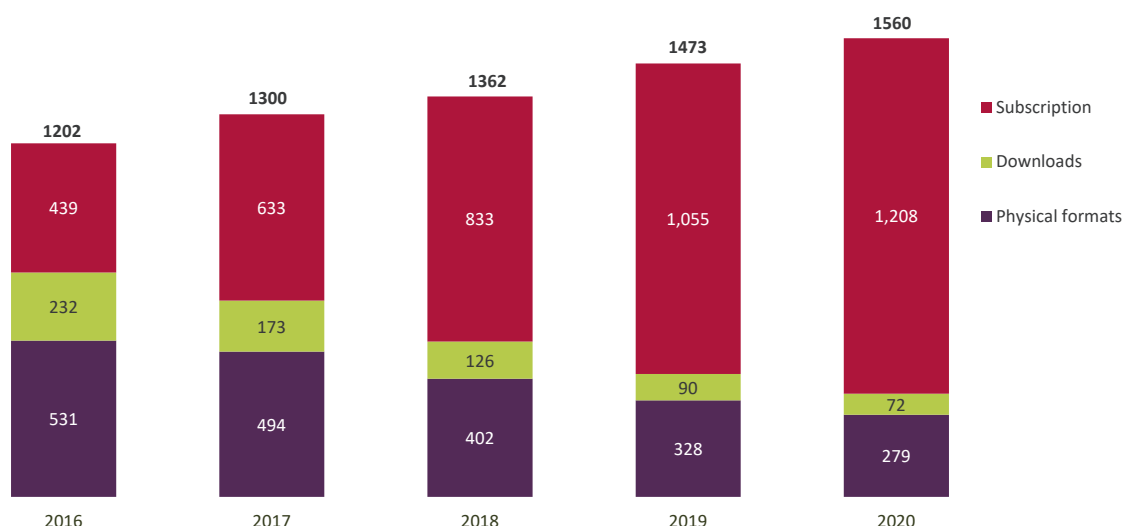
Growth in sales in older physical formats for music was also seen on the Discogs website which includes a crowdsourced catalogue of music releases and an online marketplace allowing users to buy and sell CDs, vinyl and cassettes, with the volume of sales across all formats increasing year by year between a third and 40%.¹⁸⁶ The volume of sales on the marketplace grew significantly between

¹⁸⁶ Discogs, [The State of Discogs 2020: End-of-Year Report](#), 17 February 2021.

March 2020 and April 2020 as sellers switched to making sales online following lockdowns in many countries.¹⁸⁷

The increased interest in physical formats may have been driven in part by the pandemic, as people spent more time at home and may have taken the opportunity to rediscover their physical music collections. Furthermore, the lack of live music events in 2020 may have shifted some music fans' expenditure away from concerts to purchasing music on vinyl.¹⁸⁸

Figure 5.12: Consumer expenditure on recorded music (£m)



Source: Official Charts Company, ERA estimates. Adjusted for CPI at 2020 prices by Ofcom.

Radio and audio industry trends

Availability of broadcast radio services in the UK

In the year to March 2021, the overall number of analogue commercial stations declined due to the closure of seven local AM services (the continuation of a long-term trend), while the number of FM services increased by one. The number of community stations has continued to grow, and stood at 306 stations broadcasting in March 2021, a year-on-year increase of nine stations. The overall number of BBC analogue services remained the same as in 2020, with a total of five UK-wide networks, 40 local stations for England and the Channel Islands, and two stations in each of the devolved nations. In addition to these services, the BBC trialed hyperlocal radio services providing content targeted at Bradford, Wolverhampton and Sunderland; these services ceased on 31 March 2021. All three of these services were available on DAB and online; the Bradford service was also available on MW AM using Radio Leeds 774kHz AM frequency.

¹⁸⁷ Discogs, [Mid-year report](#), August 28 2020.

¹⁸⁸ Music Week, [Turntable Talk: How the vinyl boom is continuing during lockdown three](#), March 11 2021.

In May and June 2021 the BBC ceased broadcasting nine of its local and nations services on MW AM, including Radio Leeds.¹⁸⁹ These services continue to be available on FM, DAB, digital television and online.¹⁹⁰ It also reduced AM coverage of a further two services (Radio Wales and Radio Gloucester).

The commercial radio sector has also continued to reduce its AM footprint, with Global ceasing its MW Smooth Radio services in Luton and Bedford in late 2020. In April 2021, Bauer ceased MW AM broadcasts of Greatest Hits Radio in Leeds, Manchester and Lancashire, and Magic in Humberside.

Figure 5.13: UK radio services as at March 2021

	AM	FM	AM/FM total
Local commercial	43	236	279
UK-wide commercial	2	1	3
BBC UK-wide networks	1	4	5
BBC local and nations	19	46	46
Community radio stations	24	282	306

Source: BBC/Ofcom. Note AM figure excludes Radio 4 LW and MW.

Coverage of the national DAB multiplexes has remained unchanged from last year; the BBC's national DAB multiplex covers 97.4% UK homes, while Digital One is available to 91.7% homes and Sound Digital 82.6%. The coverage figure for local DAB multiplexes is unchanged at 91% of UK homes.

Between March 2020 and March 2021, the total number of services on UK-wide commercial DAB multiplexes was up to 44, with two services having been added to the Digital One multiplex. The total number of commercially licensed services carried on the 55 local multiplexes grew by 53 to reach 519 in March 2020.

Figure 5.14: Services on DAB: March 2021

	BBC UK-wide	UK commercial 92% coverage (Digital One)	UK commercial 83% coverage (Sound Digital)	Local commercial services
Number of multiplexes	1	1	1	55
Number of services	11	23	21	519

Source: BBC/Ofcom. Note: the figure for the number of services on local commercial multiplexes includes all commercial services carried on each multiplex, meaning that a service may be counted more than once. BBC local and nations services are also carried on local commercial multiplexes.

¹⁸⁹ Other services were BBC local services for Essex, Cambridgeshire, Devon, Sheffield, Hereford & Worcester, Stoke and Lancashire and BBC Radio Ulster / Radio Foyle.

¹⁹⁰ BBC Media Centre, [Next Phase of change to some local BBC radio medium wave services](#), 14 April 2021.

Broadcasters have continued to launch new stations on digital platforms

Despite the challenges of the pandemic, and the closure of some stations, broadcasters are continuing to innovate and launch new stations on digital platforms. In June 2020, Wireless Group launched speech station Times Radio, which we discussed in last year's Media Nations Report¹⁹¹. In December 2020, Jack Media launched two new national stations on Sound Digital's national DAB multiplex – Union JACK Dance and Union JACK Rock, closing JACK Radio, which had launched in 2018. In April 2021, Nation Broadcasting launched Nation Player, its own dedicated online player for its services, alongside three new services: Nation 70s, Nation 80s and Nation 90s.¹⁹² Another station to launch on the Sound Digital multiplex in 2021 is Boom Radio, a station focused on serving baby-boomer audiences, while in November 2020 Global launched Capital Dance on the Digital One multiplex.

Over the past year, there has been further consolidation within the UK radio sector, with the motivation for deals including the expansion of geographic coverage of analogue networked services. In October 2020, Bauer acquired Revolution 96.2, allowing it to expand coverage of its Greatest Hits network in the Oldham area. It followed this by acquiring two Imagine radio stations from Like Media in June, in order to increase coverage of Greatest Hits to the Stockport and High Peak (Derbyshire) areas.¹⁹³

Around the country, several local stations have been launched on digital platforms, some by people who previously worked for a local analogue service. These aim to offer their listeners greater 'localness' than the increasingly networked services. Examples of these stations, some of which are broadcast on DAB as well as being available online, include York Mix, Bucks Radio in Buckinghamshire, and Westway Radio, covering Tayside and Fife. But some of the new local services have closed, with West Yorkshire Radio, one of several services launched by YO1 Enterprises, ceasing its service in April 2021 after failing to generate sufficient revenue to sustain its programming.¹⁹⁴

Stakeholders linked to the UK radio sector have also been active in financial activity in other countries. In early 2021, a year after acquiring 8.7% of US radio group iHeart Media, Global Media & Entertainment Investments (GMEI) sought regulatory permission from the Federal Communication Commission (FCC) to acquire up to 49.99% of the US group at a later date.¹⁹⁵ In response, iHeart Media petitioned the FCC to allow GMEI to hold up to 9.99% of the group.¹⁹⁶ In Ireland, Bauer Media Audio announced in June 2021 that, following approval from the Irish authorities, it had completed its acquisition of Communicorp's business in the Republic of Ireland. This included Communicorp's two national commercial stations, several local stations and digital assets.¹⁹⁷ This means that following the acquisition, both Wireless Group and Bauer have stations both in Northern Ireland and the Republic, potentially allowing for cross-border advertising sales.

¹⁹¹ Ofcom, [Media Nations 2020](#), pg. 71, 5 August 2020.

¹⁹² Radio Today, [Nation Broadcasting launches new radio and app](#), 6 April 2021.

¹⁹³ Radio Today, [Bauer buys Imagine to extend Greatest Hits Radio](#), 17 June 2021.

¹⁹⁴ Radio Today, [All presenters have left West Yorkshire Radio](#), 3 April 2021.

¹⁹⁵ Bloomberg, [iHeart Investor Global Media Looks to Buy Nearly Half of Company](#), 15 March 2021.

¹⁹⁶ Radio and Television Business Report, [Global Assails iHeart Foreign Ownership Thwart As FCC 'Poison Pill'](#), 11 May 2021.

¹⁹⁷ Bauer Media, [Bauer Media Audio completes acquisition of Communicorp Group](#), 1 June 2021.

Online distribution offers broadcasters the opportunity to launch subscription radio services

Outside the US and Canada, subscription radio services (historically broadcast on satellite platforms) have generally struggled to gain traction.¹⁹⁸ But now, increasing numbers of consumers pay a monthly subscription to stream music online without adverts, and online distribution allows linear radio stations to sit behind a paywall.

In May 2021, Bauer launched a subscription radio service across its Scala Radio, Jazz FM, Planet Rock and Kerrang! Radio services. Priced at £3.99 per month, it allows subscribers to listen to an online livestream of these stations without advertising, and to access additional online-only spin-off stations and on-demand content. According to Bauer, this option was more likely to be taken up by ‘superfans’ rather than the majority of listeners, but in June 2021 it announced that 85% of those trialling the services had become paying subscribers.¹⁹⁹

The first small-scale DAB multiplex licences have been awarded by Ofcom

In the first half of 2021, Ofcom awarded the first small-scale DAB multiplex licences, advertised in September 2020, in 25 areas.

On 1 June 2021, Ofcom advertised the second round of small-scale DAB multiplex licences, covering locations in north-west England and north-east Wales.²⁰⁰ In contrast to the first licensing round, a ‘macro-block’ approach has been adopted, with all the licences in the area being awarded at the same time, reflecting spectrum availability and the need for coordination between services.

Measures to support the radio sector continued beyond summer 2020 into late 2020 and early 2021

In 2020-21, the Audio Content Fund awarded grants totalling £1.7m, in five rounds, to 90 successful bids accounting for 420 hours of public service content, an increase of 160% in funding on the previous year.²⁰¹ Following £400k of project funding, brought forward to April 2020 due to the pandemic and later replaced by DCMS, an additional £300k funding was provided by DCMS to the Fund for a special round, later in the year, to fund content to help relieve loneliness in the winter.

In December 2020, Arqiva announced that it would continue to offer a 50% discount on transmission fees to 77 small stations until the end of January. This follows a package of discounts that Arqiva put in place in 2020 at the start of the pandemic.²⁰²

¹⁹⁸ For example, subscription satellite radio service WorldSpace, launched in 1999 and covering Africa and parts of Eurasia, entered bankruptcy protection in 2008 with services going offline in 2009.

¹⁹⁹ [Interview with Paul Keenan](#), President of Audio Bauer on BBC Media Show, 9 June 2021.

²⁰⁰ Ofcom, [Advertisement of licences for small-scale radio multiplex service](#), 1 June 2021.

²⁰¹ Audio Content Fund Annual Report 2020-21 <https://www.audiocontentfund.org.uk/wp-content/uploads/2021/06/ACF-Annual-Report-2020-21.pdf>

²⁰² Radio Today, [Arqiva extends financial support for the radio industry](#), 4 December 2020.

The final funding round of the Radio and Audio Emergency fund, launched by the Radio Academy in April 2020, closed in April 2021. By mid-April 2021 the fund, which supports people working in the radio and audio sector affected by the pandemic, had made 165 grants of up to £1,000 each.²⁰³

The Radio and Audio review is expected to publish its recommendations later in the year

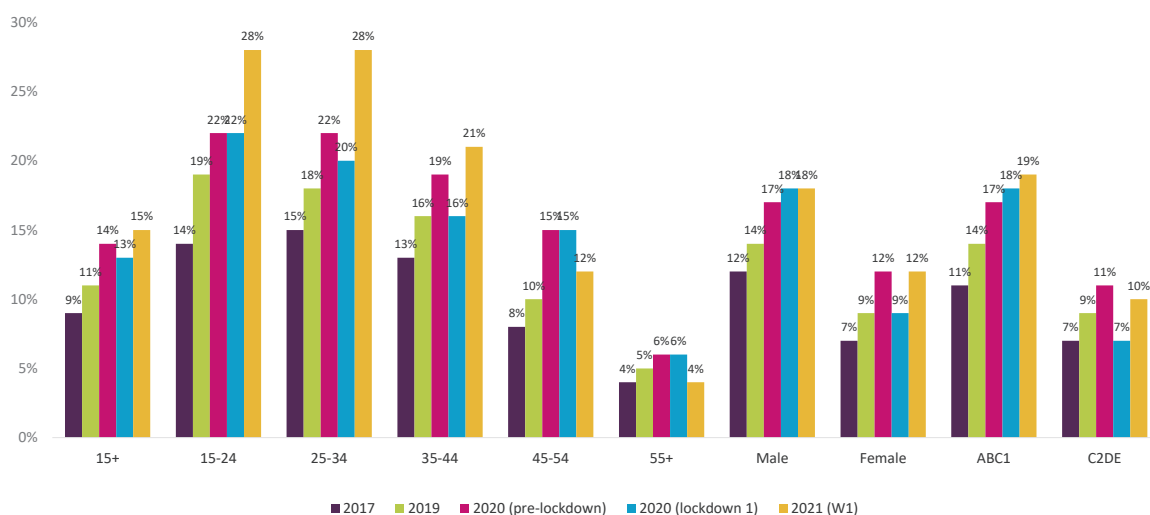
The Government's Digital Radio and Audio review, first established in 2019²⁰⁴, has continued working with government and industry stakeholders to find ways of ensuring a sustainable and vibrant radio and audio sector for the UK in the long term. At the time of writing the review is expected to publish its findings and recommendations later in 2021.

Podcasts

Growth in podcast listening slowed during the pandemic

There has been a lot of interest in podcasts in recent years, with many audio platforms expanding their podcast offerings. As mentioned above, podcasts are listened to by 15% of UK adults on a weekly basis, with a skew towards younger and male demographics, and those in higher socio-economic groups. Before the first national lockdown in 2020, there were increases in listening to podcasts across all demographics. But almost two-fifths of weekly podcast listeners (38%) had been listening while travelling or at the gym – activities which were abruptly halted in March. The pandemic appears to have also had an impact on those new to podcast listening; the previous increase in numbers of early adopters has slowed in 2021.

Figure 5.15: Weekly listening to podcasts, by demographic



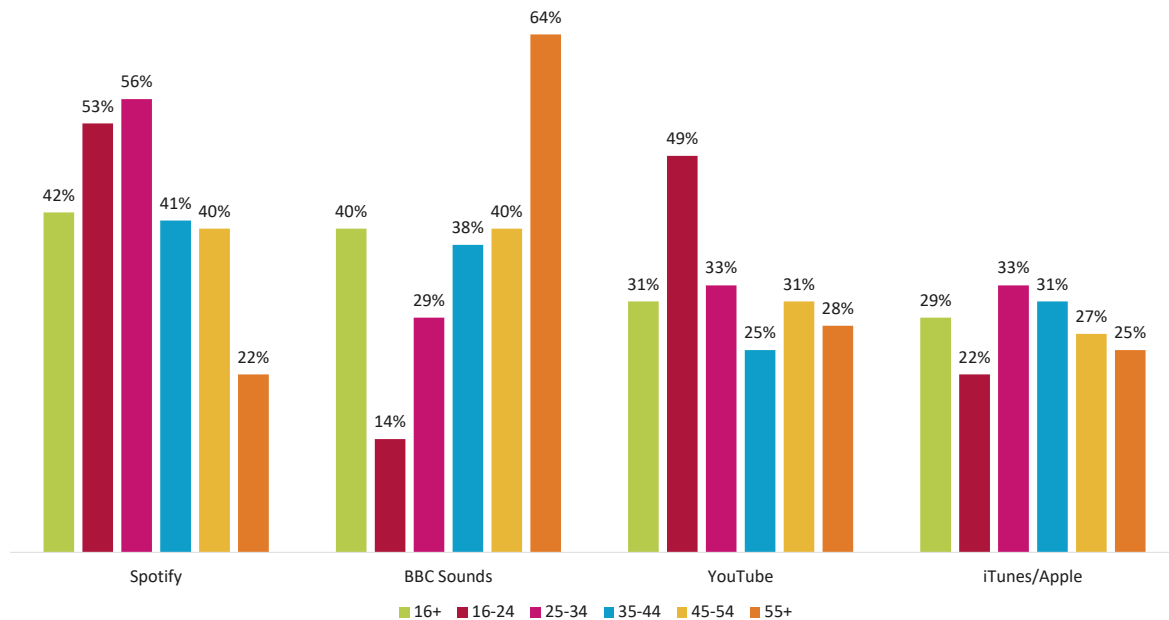
Source: TouchPoints. GB adults 15+. 2020(pre-lockdown) fieldwork - Jan-March 23rd; 2020 (lockdown 1) fieldwork – 24 March-16 April 2020.

²⁰³ Radio Today, [Audio & Radio emergency fund gives out over £77,000](#), 12 April 2021.

²⁰⁴ DCMS, [Government announces details of new review to protect the future of radio](#), 27 February 2020.

Spotify and BBC Sounds are the most popular platforms for podcast listening, used by a similar number of listeners (each about two-fifths). Figure 5.16 shows the varying age profiles of each platform, with Spotify appealing more to younger age groups and the use of BBC Sounds increasing with age.

Figure 5.16: Podcast platforms used by weekly listeners



Source: Ofcom Podcast Survey 2021. Q19. And how do you tend to access the podcasts you listen to? By this we mean the app or website you use to listen to the podcast, not necessarily who created it.

Base: Weekly podcast listeners, ranked by adults 16+, showing those with overall reach above 20%.

Large audio platforms continue to develop their podcast businesses, building or acquiring tools to aid the monetisation of their podcasts. In November 2020, Spotify announced its acquisition of podcast hosting and advertising platform Megaphone²⁰⁵, allowing it to sell advertising inventory across both its exclusive Spotify on-platform podcasts, as well as podcasts from third parties, using Megaphone's platform. Building on this in February 2021, Spotify announced the launch of the Spotify Audience Network.²⁰⁶ This allows advertisers to buy advertising spots across Spotify's own podcasts, third-party podcasts on Megaphone and Anchor (acquired in 2019), and music streams.

In February 2021, Amazon completed its acquisition of podcast network Wondery, which is planned to be integrated into Amazon Music, while in June 2021 Spotify was reported to have paid \$60m for three years' exclusivity of the *Call Her Daddy* podcast from July 2021. Users of Spotify's ad-funded

²⁰⁵ Spotify Investors, [Spotify Announces Strategic Acquisition of Podcast Technology Leader](#), Megaphone, 11 October 2020.

²⁰⁶ Spotify Advertising, [Taking Podcast Advertising To The Next Level](#), February 2021.

tier will be able to access this podcast²⁰⁷. Also in June 2021, Sony Music acquired UK audio content producer Somethin' Else as part of a move to expand its podcast production business.²⁰⁸

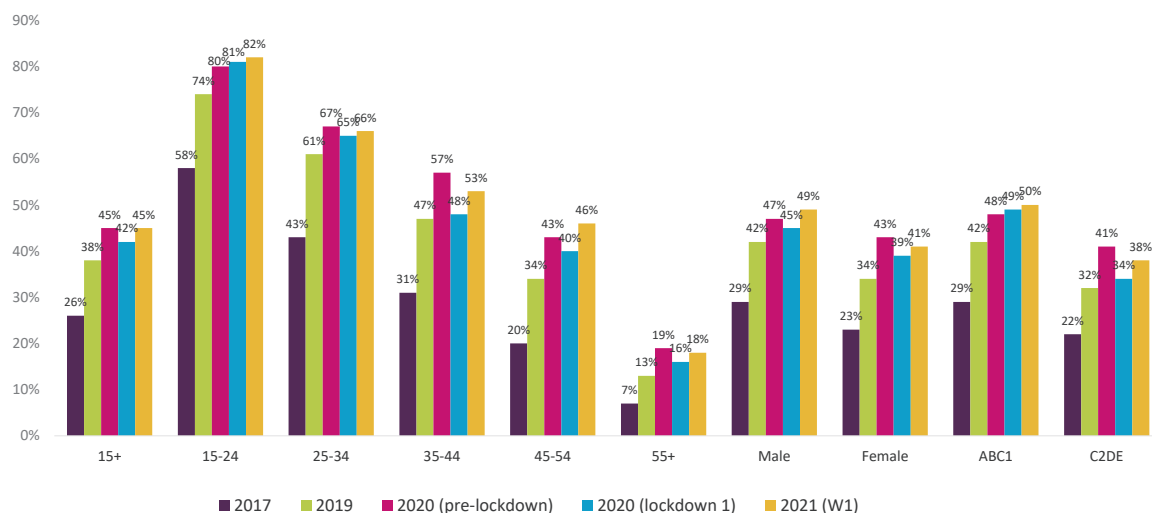
In June 2021, Apple launched its Apple Podcast Subscriptions service across 170 markets.²⁰⁹ This allows creators to use Apple's podcast platform to make and manage paid-for access to podcasts. This is a significant departure from Apple's historic approach to podcasts, in which Apple's services were primarily tools for discovery rather than for hosting and monetisation.

Music streaming

Unlike the acceleration in SVoD adoption, music streaming did not appear to benefit from lockdown measures

In the UK, 45% of adults listened to online music streaming services in 2021, increasing to 82% of 15-24 year-olds. There was a dip in reach during the first national lockdown, particularly driven by the 35-44 age group, whose use of these services has not yet recovered to pre-Covid levels. As with radio listening, this is likely to be due to the reduced commuting time.

Figure 5.17: Weekly listening to music streaming services, by demographics



Source: TouchPoints. GB adults 15+. 2020 (pre-lockdown) fieldwork - Jan- 23 March; 2020 (lockdown 1) fieldwork – 24 March-16 April 2020.

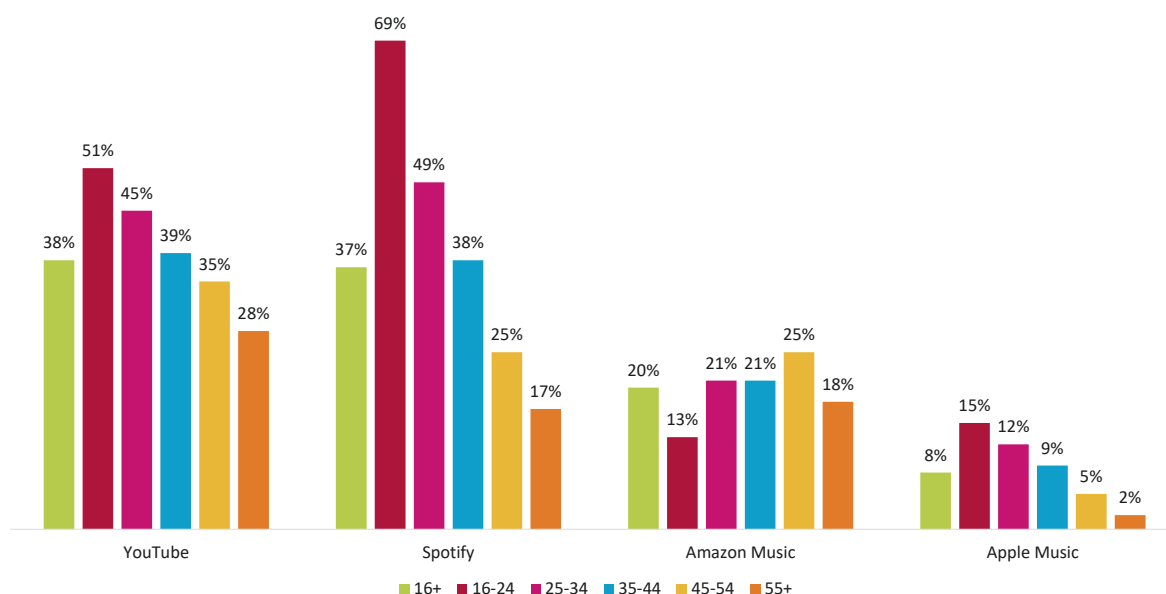
Spotify and YouTube are the most-used online music services, each reaching about two-fifths of adults. However, Spotify is by far the most popular service among 16-24s, used by almost seven in ten of this group. This is driven by the paid-for version of the service, used by 42% of all 16-24 year-olds (19% of all adults).

²⁰⁷ Variety, [Spotify Clinches \\$60M-Plus Deal With Alex Cooper for 'Call Her Daddy' Podcast, Yanking It Away From Barstool](#), 15 June 2021.

²⁰⁸ Sony Music, [Sony Music launches new expanded podcast division with acquisition of leading UK audio producer Somethin' Else](#), 16 June 2021.

²⁰⁹ Apple Newsroom, [Apple Podcasts Subscriptions and channels are now available worldwide](#), 15 June 2021.

Figure 5.18: Music streaming platforms used each week (by those who listen to online music)



Source: Ofcom Audio Survey 2021. Q4c: Thinking specifically about listening to online music (not including radio), which of these ways do you listen? Q4d: And how often do you use each of these platforms to listen to online music? Base: Those who listen to online music weekly or more often.

A key development this year has been a focus by the platforms on higher-quality lossless audio streams, with Spotify announcing in February 2021 that it intended to launch a premium Spotify hi-fi service in some markets later in the year.²¹⁰ In May 2021, Amazon and Apple announced that their high-resolution audio streaming services, previously available only as an additional subscription tier, would become accessible to subscribers on basic-tier subscriptions.²¹¹ The announcements followed Spotify's decision to increase the prices of some of its plans from April 2021.²¹²

In October 2020, the Commons Digital, Culture, Media and Sport (DCMS) Select Committee announced an inquiry into the economics of music streaming, to examine the impact of music streaming on artists and record labels, and on the overall sustainability of the sector. The resulting document, published in July 2021, stated that the music streaming industry was in need of reform, with the pandemic highlighting that musicians' decrease in revenue, from being unable to perform live, has not been sufficiently offset by revenue from recorded music.²¹³

²¹⁰ Spotify Newsroom, [Five Things to Know About Spotify HiFi](#), 22 February 2021.

²¹¹ Music Business Worldwide, [The music industry just took a backwards step on streaming pricing in glorious HD](#), 17 May 2021.

²¹² In the UK the price of premium student rose from £4.99 to £5.99, Premium Duo increased by £1 to £13.99 a month, with Premium Family increasing by £2 to £16.99.

²¹³ Digital, Cultural, Media and Sport Committee, UK Parliament, [Economics of Music Streaming](#).

Smart speakers

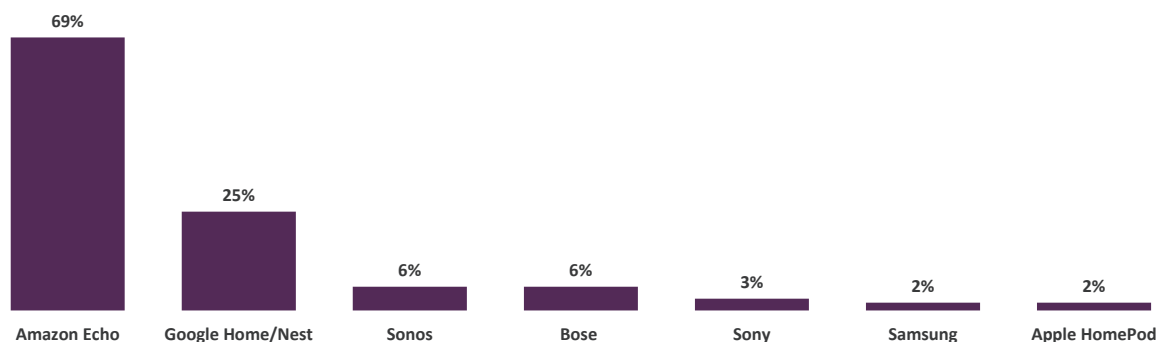
A smart speaker is a voice-activated device, designed for the home, with integrated virtual assistant technology that enables it to respond to voice commands. Smart speakers can be used to listen to radio stations and music streaming services and to help with everyday activities. Popular brands of smart speakers include the Amazon Echo, which launched in the UK in September 2016 and uses Amazon's Alexa virtual AI assistant technology; Google Nest (previously Google Home) which uses Google Assistant and launched in the UK in April 2017; and Apple's HomePod, released in February 2018, which uses Apple's Siri. Most smart speakers are audio-only and do not have a screen, apart from the Amazon Echo Show and Echo Spot, the Facebook Portal, and the Google Home Hub.²¹⁴

Half of UK households now have a smart speaker

In 2021, 50% of adults claimed to have a smart speaker in their home. For those aged 55 and over, take-up of smart speakers was slightly lower than among younger age groups, at 45%. Smart speaker household penetration was higher in Wales (57%) than in England (49%); penetration for Scotland was 54% and for Northern Ireland was 53%.²¹⁵

Personal use (rather than household ownership) of smart speakers is lower, with 42% of adults in 2021 reporting the use of a smart speaker. This is lower among the 55+ age group (38%) than among 25-34s and 35-54s (46% and 45% respectively). Amazon Echo is the most common smart speaker brand in the UK. Among those with a smart speaker in their household in 2021, 69% had an Amazon Echo device, followed by Google Nest at 25%. All other smart speaker brands had penetration below 10%.

Figure 5.19: Smart speaker brand ownership



Source: Ofcom Technology Tracker 2021.QV3. Which brands or types of smart speakers do you have in your household? Base: Those who have a smart speaker in the household.

²¹⁴ Terzopoulos, George; Satratzemi, Maya. [Voice Assistants and Smart Speakers in Everyday Life and in Education](#), Informatics in Education, v19 n3 p473-490 2020.

²¹⁵ Ofcom Technology Tracker 2021.

Smart speakers were mostly used to listen to music streaming services and live radio

The most popular activity by those who used smart speakers in 2021 was listening to music via a streaming service, at two-thirds of UK adults, followed by listening to live radio (60%) and getting weather reports (45%)²¹⁶.

Smart speakers, with their voice assistant technology, can also be used as immersive learning tools. Voice assistants rely on a cloud-based architecture; most of the computing and artificial intelligence processing happens in the cloud and not in the device itself. The voice request is streamed through the cloud where it is converted into text. This functionality can be used to enhance learning for children and adults, such as through educational quizzes and games, Story Time features, or by helping with language learning.²¹⁷ Currently, Amazon Alexa speaks seven languages, Google Assistant 13 and Siri 21.²¹⁸

Figure 5.20: Smart speaker activities among users



Source: Ofcom Technology Tracker 2021.QV4. 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? Base: All adults aged 16+ who use a smart speaker, ~Postal online population 2060). Note change in methodology in 2021 means that it is not possible to make direct comparisons between 2021 and previous year's data.

²¹⁶ Ofcom Technology Tracker 2021.

²¹⁷ Digital Trends, [5 useful smart speaker features for virtual learning at home](#), 9 December 2020.

²¹⁸ Terzopoulos, George; Satratzemi, Maya. [Voice Assistants and Smart Speakers in Everyday Life and in Education](#), Informatics in Education, v19 n3 p473-490 2020.

Smart speakers provide a variety of opportunities for the industry

Third-party content and downloadable tools

Smart speakers enable access to third-party content and services via downloadable tools; these are known as ‘skills’ via Alexa, and ‘apps’ on Google Home. Skills and apps have a range of uses, such as home security (e.g. notifications from smart speakers such as Alexa Guard picking up potentially alarming sounds in the home) or emergency assistance (e.g. Alexa’s ‘Ask My Buddy’ skill, which can send notifications to the user’s emergency contacts). Many radio broadcasters and music streaming services have developed skills and apps to reach consumers listening to audio on their smart speakers.

By January 2021, almost 40,000 Alexa skills were available in the UK market, second only to the US, with just over 80,000. Following rapid growth in the number of new skills between 2018 and 2019, this has slowed considerably, rising by 8% between 2020 and 2021.

Services for children

In July 2021, Amazon launched a new version of the Echo Dot smart speaker, designed for children. The UK launch followed the ‘Echo Dot Kids Edition’, released in the US in 2018. Services such as these can be integrated with companies’ other commercial products; for example, Amazon’s Echo Dot Kids provides access to its Amazon Kids services. Amazon has also partnered with the UK-based children’s radio station Fun Kids to provide child-friendly radio stations for the service.²¹⁹

Audio advertising

The interactivity of smart speakers enables experimentation in audio advertising, although this has yet to take off in the UK. For example, in late 2020, Bauer and Wireless’s Octave digital audio platform, along with advertising agency PHD and advertising platform AdTonos, began running interactive audio adverts on the smart speaker.²²⁰ People listening to Absolute Radio, Kiss Radio and Magic Radio on Amazon Alexa smart speakers were played an audio advert containing a trigger for interaction. Listeners could respond to the advert to ask for more information and would then be returned to the broadcast content at the end of the interaction.

Digital healthcare

Research has shown that smart speakers can be used to check heart rates remotely as accurately as an electrocardiogram.²²¹ The Amazon Echo and Google Nest brands of smart speakers can do this already, as reported by a US research paper.²²² In recent years, major media and technology firms

²¹⁹ Radio Today, [Amazon Kids+ service launches with Fun Kids on board](#), 30 June 2021.

²²⁰ AdTonos, [AdTonos launches interactive radio ads via Alexa](#), 3 December 2020.

²²¹ Voicebot.ai, [Researchers prove smart speakers can hear your heart beat and judge its health](#), 15 March 2021.

²²² Wang, A., Nguyen, D., Sridhar, A.R. *et al.* [Using smart speakers to contactlessly monitor heart rhythms](#). *Commun Biol* 4, 319 (2021). <https://doi.org/10.1038/s42003-021-01824-9>

have increased their investment in healthcare technology, so future smart speakers may have additional digital health functionality.²²³

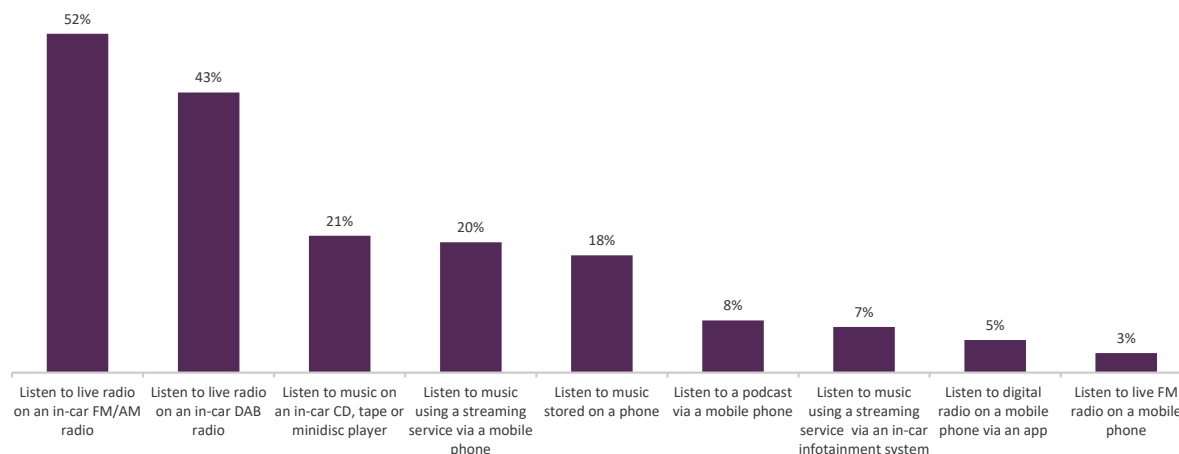
Audio and cars

Listening to live radio on an AM/FM radio was the most common in-car audio activity in 2021

As mentioned previously, in-car listening declined in the past year due to restrictions on travel due to the pandemic. But in-car listening continues to be a significant part of UK adults' audio consumption. Listening to live radio on an AM/FM radio was the most common audio activity in cars in the UK in 2021. Among radio listeners, 52% said they listened to live radio in the car on an AM/FM radio, compared to 43% on a DAB radio. This varied by demographic; people aged 55 and over were more likely than those aged under 35 to listen on an AM/FM radio, while those aged between 35 and 54 were more likely than other age groups to listen on a DAB radio.²²⁴

One in five adults used a mobile phone to access music streaming services while in the car, ranging from 42% of 16-24 year olds to 8% of those aged 55 and over. In contrast, use of an inbuilt infotainment system to stream music was less common, with 7% adults doing this. Again, younger people were more likely to do this than those aged 55 and over.

Figure 5.21: In-car audio activities



Source: Ofcom Technology Tracker 2021. QP22. Do you personally use a car at all - as a driver or passenger? IF YES: Which of these ways do you ever listen to audio content in a car? (MULTI CODE).

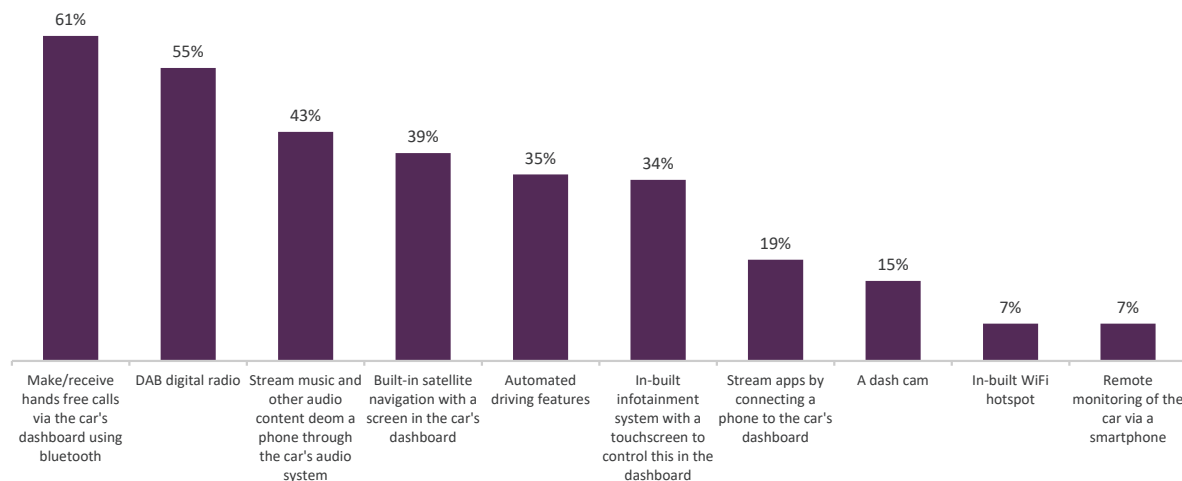
²²³ Business Insider, [Here's where tech giants like Microsoft and Amazon stand in their race to revolutionize healthcare](#), 13 April 2021.

²²⁴ Ofcom Technology Tracker 2021, excluding those completing a paper questionnaire.

Connected cars

With the rise of connected devices, an increasing number of UK adults engaged in internet-enabled activities in the car. Six in ten households with a car can make or receive calls hands-free via the car's dashboard and a Bluetooth connection to the phone, while over half (55%) of households with a car have an in-car DAB radio.²²⁵

Figure 5.22: Connected car features



Source: Ofcom Technology Tracker 2021. QV9. Does anyone in your household have a car? IF YES - Does any car used by someone in your household have any of these features? (MULTI CODE). Base: Those in a household where someone uses a car, excluding those completing a paper questionnaire.

The connected car ecosystem is complex, with original equipment manufacturers ('OEMs'), platforms (such as Google and Apple), device manufacturers, broadcasters and content providers forming partnerships and agreements with each other to help secure their position in the in-car environment.

As a recent example of this, BMW Group and Radioplayer's March 2021 agreement states that from 2022, radio receivers in BMW cars sold in Europe will use metadata provided by Radiocentre via an IP connection to the car. This allows the user interface, including the EPG, to be tailored for the in-car environment, while the radio service itself will continue to be received via over-the-air broadcast. Radioplayer has previously signed a similar agreement with the VW Group.

Technology firms continue to develop connected car services and partner with manufacturers. In November 2020 Hyundai Motor Group announced that it would use NVIDIA's DRIVE connected-car platform in its future cars.²²⁶ Hyundai and its Kia business have also been linked to talks with Apple

²²⁵ Over 90% new cars sold in the UK are now sold with a DAB radio. From 1 September 2020, DAB compatible radios have been mandated in new cars sold in the UK in cases where the car is sold with an integrated radio (Regulation 22 of The Road Vehicles (Approval) Regulations 2020).

²²⁶ Hyundai Newsroom, [HMG launches NVIDIA DRIVE 'connected car' infotainment and AI platform](#), 9 November 2020

about developing electric cars, though these are said to have been paused, with Apple reportedly also speaking to other car manufacturers.²²⁷

In early 2021, Ford, which currently uses a QNX-based operating system for its SYNC infotainment platform, announced that from 2023 it would use Android and Google Assistant in its car infotainment, as part of a six-year deal with Google.²²⁸ Volvo has signed an agreement with Google to use its Android Automotive platform in its infotainment system and is continuing to roll the system out across its models.²²⁹ In May 2021, Google announced tools that would make it easier for app developers to develop for both Android Auto and Android Automotive.²³⁰

Tesla, which uses its own proprietary infotainment system in its cars, has also continued to develop its connected car platform. In early 2021 it announced a new infotainment system for its Model X and Model S cars, based on the AMD Ryzen processor.²³¹ As this includes a dedicated graphics processing unit, it is expected that the system will be able to play complex and graphically intense games.

Finally, some online platforms are developing interim standalone car products, as many cars do not have infotainment systems that support online audio listening. In April 2021, Spotify launched 'Car Thing'²³² in the US, a device which allows Spotify Premium subscribers to access their Spotify account. This is the first venture into hardware by the Swedish music streaming company and is currently offered only to US customers.

Social audio and other new audio formats

In 2020 several developers released social audio apps combining elements of podcasts and conference calls

In 2020 and 2021 there was a rise in the number of social audio products in the US and the UK. 'Social audio' refers to audio-based social networking sites and apps that often allow users to interact with content and creators via live conversation and chat rooms. Clubhouse, founded in April 2020, is a social network app that offers live-audio-only conversations between users. The platform is a key player in the social audio space, with podcast hosts using it to promote their content. According to Comscore, 122,000 UK adults visited the Clubhouse app in March 2021 (0.3% of the online UK digital population).²³³

Established social media companies have also recently been launching their own social audio functions. In May 2021 Twitter launched 'Spaces', which allows accounts with 600 or more followers

²²⁷ Bloomberg, [Apple talks with Hyundai, Kia on electric car paused recently](#) 5 February 2021.

²²⁸ PC Mag UK, [Ford Cars to Run Google's Android OS, Starting in 2023](#), 1 February 2021.

²²⁹ Volvo Newsroom, [Volvo Cars brings infotainment system with Google built in to more models](#), 9 March 2021.

²³⁰ Android Auto allows consumers to mirror apps and services on a car radio or a built-in screen from their mobile device. Android Automotive is a version of Android designed as an operating system for the car's in-built infotainment system. <https://techcrunch.com/2021/05/18/google-is-making-it-easier-to-bring-android-apps-to-your-car/>

²³¹ The Verge, [AMD confirms it's powering the gaming rig inside Tesla's Model S and Model X](#), 1 June 2021.

²³² Spotify, [Car Thing](#).

²³³ Comscore MMX Multi-Platform, Clubhouse: Drop in audio chat, Age: 18+, March 2021, UK.

to host live audio conversations.²³⁴ Through the Ticketed Spaces feature, Twitter allows creators to monetise their live events; they can charge users a fee for access to workshops or virtual meet-ups.²³⁵ Reddit introduced , its own audio-based feature, Reddit Talk, in April 2021, where community moderators are the only users currently able to start a talk.²³⁶ Meanwhile, Facebook is also reportedly testing a live web audio discussion service called Hotline.²³⁷ In June 2021 Facebook rolled out Live Audio Rooms and podcasts, as part of its wider strategy for social audio.²³⁸ Users can join live conversation with public figures, who can also invite any user to speak. Users can enable live captions, 'raise a hand' to ask to join the conversation and use reactions to participate in real time. To show support, users can send 'stars' during the session to bump themselves up to the 'front row', which is a section to highlight people who have sent stars, so that hosts can recognise their supporters.

In March 2021, Discord, a messaging and communications platform, launched Stage Channels, its space for hosting publicly-available audio events, in which moderators can choose which participants are 'on stage' and which are the audience. In June 2021 Discord developed Stages further by introducing Stage Discovery; this allows users to browse and join open events from all sorts of Communities, making it easier to find new content and friends.²³⁹ Discord plans to make further developments in this space, and is testing paid, ticketed audio events. This will be the first feature where creators can make money from the platform.²⁴⁰

Squad, an app for meet-ups, relaunched during the pandemic as a social audio app through which to send voice messages. The basis of the app is a news feed of voice message updates from close friends, which expire after 24 hours. Users can add up to 12 friends to their 'squad', and squad members can respond to a post by sending an emoji or private voice message.²⁴¹

More established audio platforms are preparing for future audio formats

In June 2021 Spotify released its social audio platform Greenroom, a rebrand of the live audio app Locker Room.²⁴² Earlier in the year Spotify had acquired BettyLabs, the makers of Locker Room, with plans to expand Locker Room into an enhanced live audio experience for a wider range of creators and fans. Each room has a side chat area for text conversation, and users can find and post GIFs. A key feature is its inbuilt audio recording option: once the chat is over, the room's creators can save the audio files and share them on other social platforms.²⁴³

As more platforms develop audio-based social networking features, there is a move towards broadcasting live events. Live music, in the form of virtual concerts, will drive audiences to audio

²³⁴ Twitter blog, [Spaces is here, let's chat](#), 3 May 2021.

²³⁵ Twitter Help Center, [About Ticketed Spaces](#), accessed 5 July 2021.

²³⁶ TechCrunch, [Reddit unveils its Clubhouse clone, Reddit Talk](#), 19 April 2021.

²³⁷ BBC News, [Facebook creates Clubhouse clone Live Audio Rooms](#), 20 April 2021.

²³⁸ Facebook, [Live Audio Rooms and Podcasts on Facebook](#), 21 June 2021.

²³⁹ Discord blog, [Discover the Next Great Community in Stage Discovery](#), 1 June 2021.

²⁴⁰ Reuters, [Chat app Discord to test ticketing, make audio events easier to find](#), 13 May 2021.

²⁴¹ TechCrunch, [If you love voice messaging, you'll love Squad](#), 22 June 2021.

²⁴² Spotify Newsroom, [Spotify Acquires Locker Room and Announces Plans for a New Live Audio Experience](#), 30 March 2021.

²⁴³ Voicebot.ai, [Spotify Officially Launches Social Audio App and Clubhouse Rival Greenroom](#), 16 June 2021.

platforms. In April 2020, US hip-hop artist Travis Scott's performance, inside the online multiplayer video game Fortnite, broke records by attracting a global live audience of over 12 million players.²⁴⁴ This year, the UK band Easy Life worked with the games developer Epic Games to stream their live concert inside Fortnite.²⁴⁵ Meanwhile, social platform Discord has partnered with GitHub to encourage users to host virtual hackathons; via Discord, for example, with the aim of making it easy for anyone to host live online events.²⁴⁶

Streaming live events can be profitable for both the creator and the platform. Facebook allows creators to earn revenue from hosting live events; for example, musicians can charge listeners a fee for access to their livestreamed virtual gigs. Social audio online spaces are also popular for broadcasting Q&As, live readings, poetry events and karaoke.

²⁴⁴ The Verge, [More than 12 million people attended Travis Scott's Fortnite concert](#), 24 April 2020.

²⁴⁵ BBC, [Fortnite: UK band Easy Life to play virtual gig](#), 24 June 2021.

²⁴⁶ Discord blog, [Discord & GitHub Help Make Online Hackathons Easier for Everyone](#), 24 June 2021.