

Factsheet 7 – Video on demand

Ofcom

Oxford Media Convention 2 March 2016

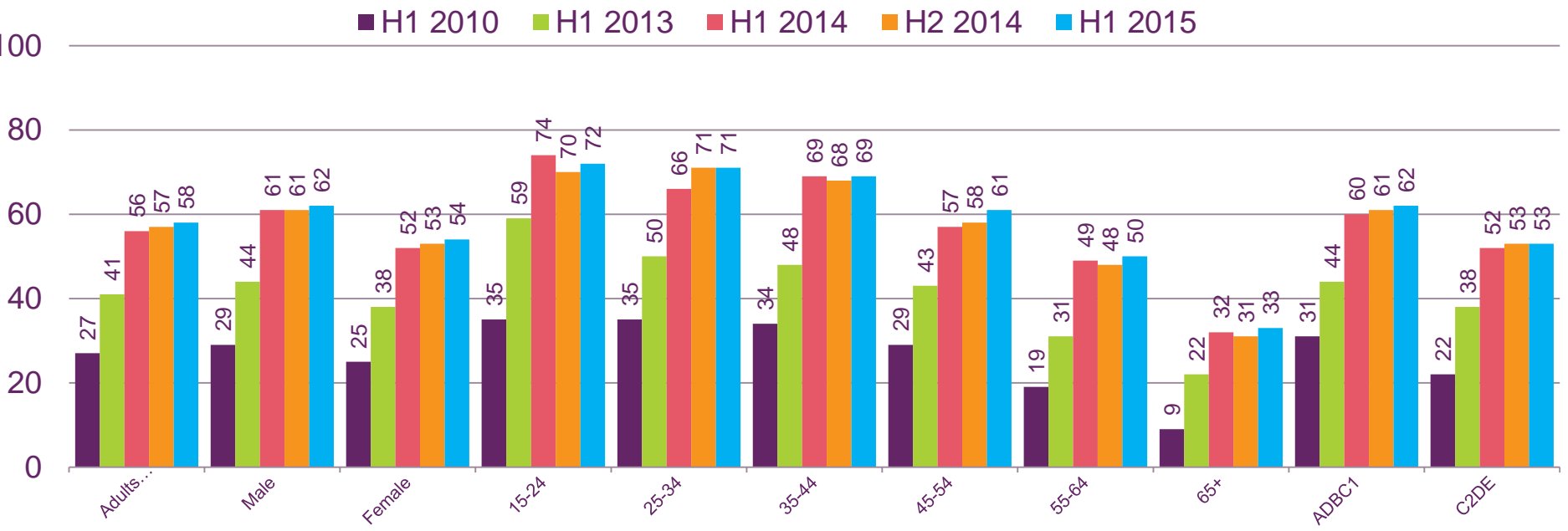
This factsheet has been compiled by Ofcom and provides some background information to aid discussion at the 2016 Oxford Media Convention. It focuses on video on demand (VoD) and provides an overview of use of VoD in the UK. The following slides contain data published in Ofcom's CMR 2015 Report.

Video-on-demand continues to grow in the UK, but at a slower rate



- Since H1 2010, reach of VoD services has grown by 31pp to reach 58% of UK adults aged 15 and over. This growth is likely to have been driven by the increased take-up of connected devices and the range of VoD services available. However, between H1 2014 and H1 2015 the growth in VoD was slower (up 2pp). Use of VoD varies by age group. Consistent with historical trends, adults under 35 have the highest use of VoD and in H1 2015 around seven in ten 15-24s and 25-34s claimed to have used it in the past 12 months. VoD services are used the least among adults aged 65+, with one third doing so.

Figure 1 – Reach of VoD services in the past 12 months



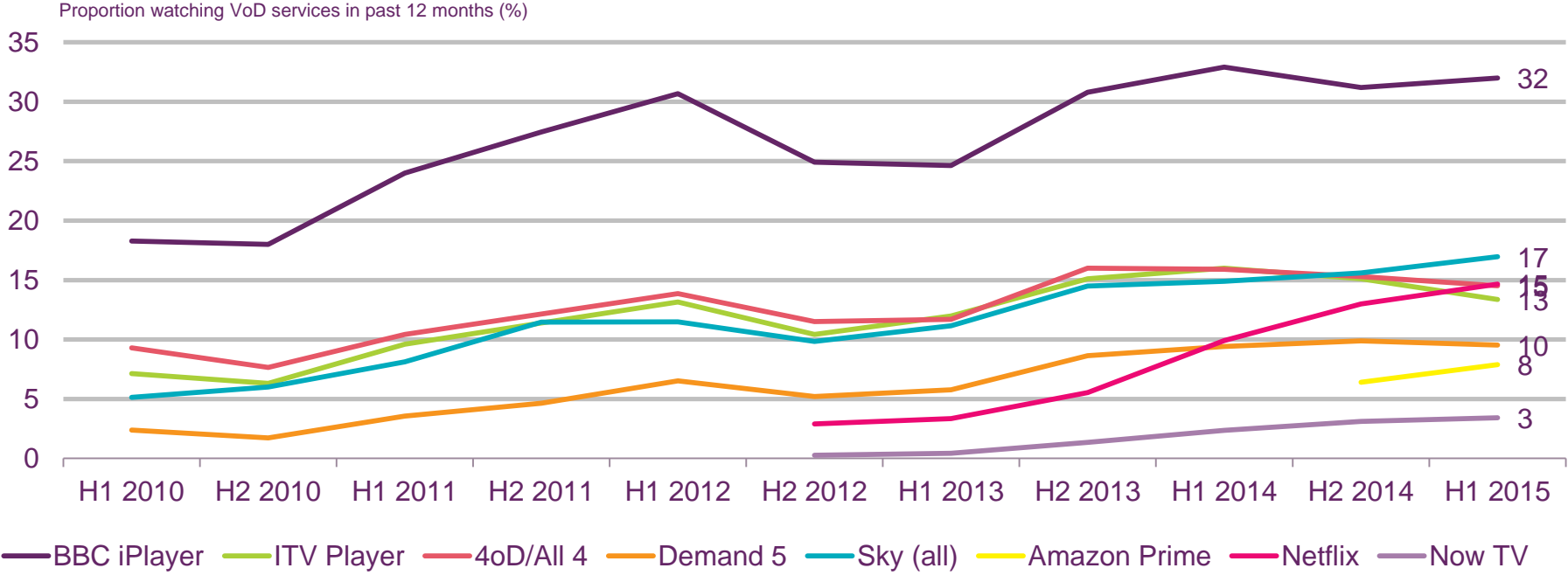
Source: Kantar Media TGI
 Base: GB adults aged 15+, H1 2010 n=12226, H1 2013 n=11853, H1 2014 n=11657, H2 2014 n=12849.

BBC iPlayer is still the most popular VoD service among UK adults



- 32% of UK adults claimed to have used the service in the past 12 months, as of H1 2015 (Figure 2). Sky has the second largest reach in the UK, with 17% of adults using the service. Its popularity may be due to its wide box-set library (containing acclaimed US dramas) and Sky's deal with film studios, enabling the latest movies to appear on Sky Movies sooner than other rival VoD services. Similar proportions of respondents (15%) used All4 and Netflix.

Figure 2 – Reach of selected VoD services over time



Source: Kantar Media TGI
 Base: GB adults aged 15+, all devices. Reach refers to use in previous 12 months H1 refers to January – June, H2 refers to July - December

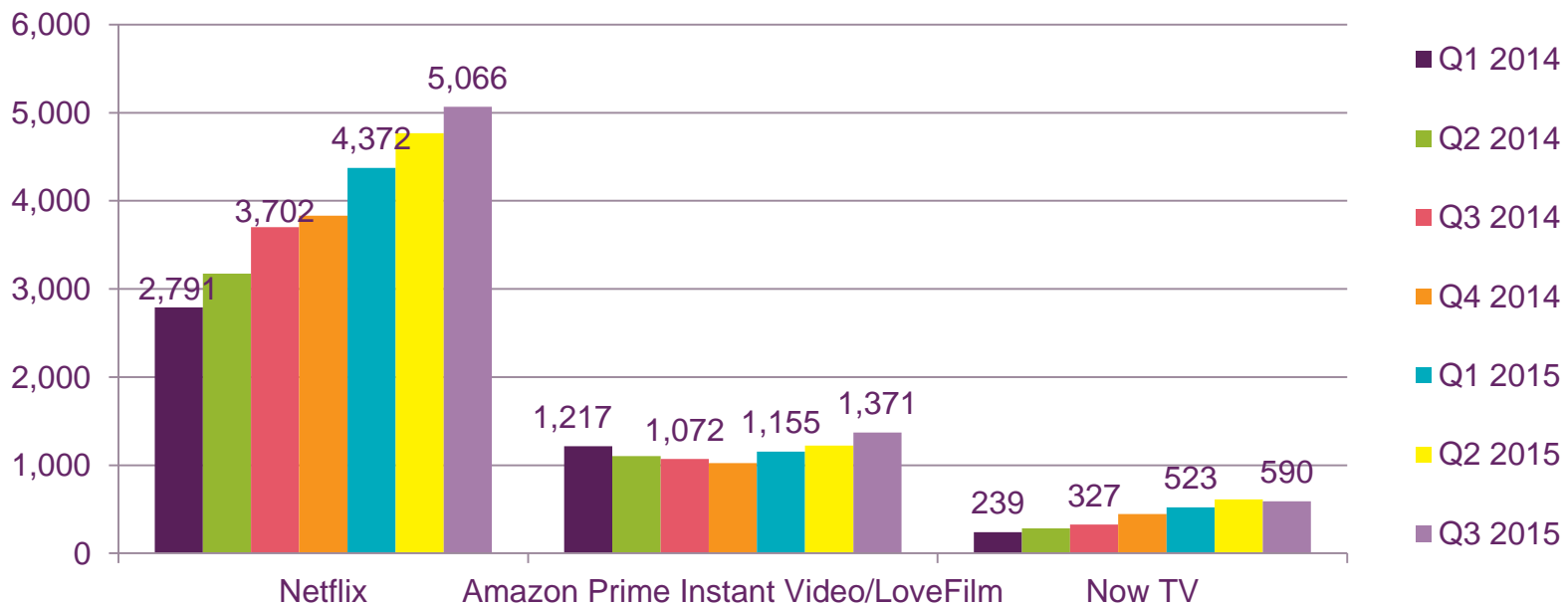
The take-up of over-the-top SVOD services has also increased



- According to BARB's Establishment Survey, over 4.3 million UK households had a paid subscription to Netflix in Q1 2015 (up 36% since Q1 2014). The number of UK households subscribing to Amazon Prime has fluctuated but still remains lower than 1.5 million households, while take-up of Sky's NowTV service increased to ~500,000 households in Q1 2015. In absolute terms, the number of households with Netflix and NowTV subscriptions have increased each quarter between H1 2014 and H1 2015

Figure 3 – Subscription VoD service take-up, by household

Subscription-VoD service take-up (HH)
Universe (000s)

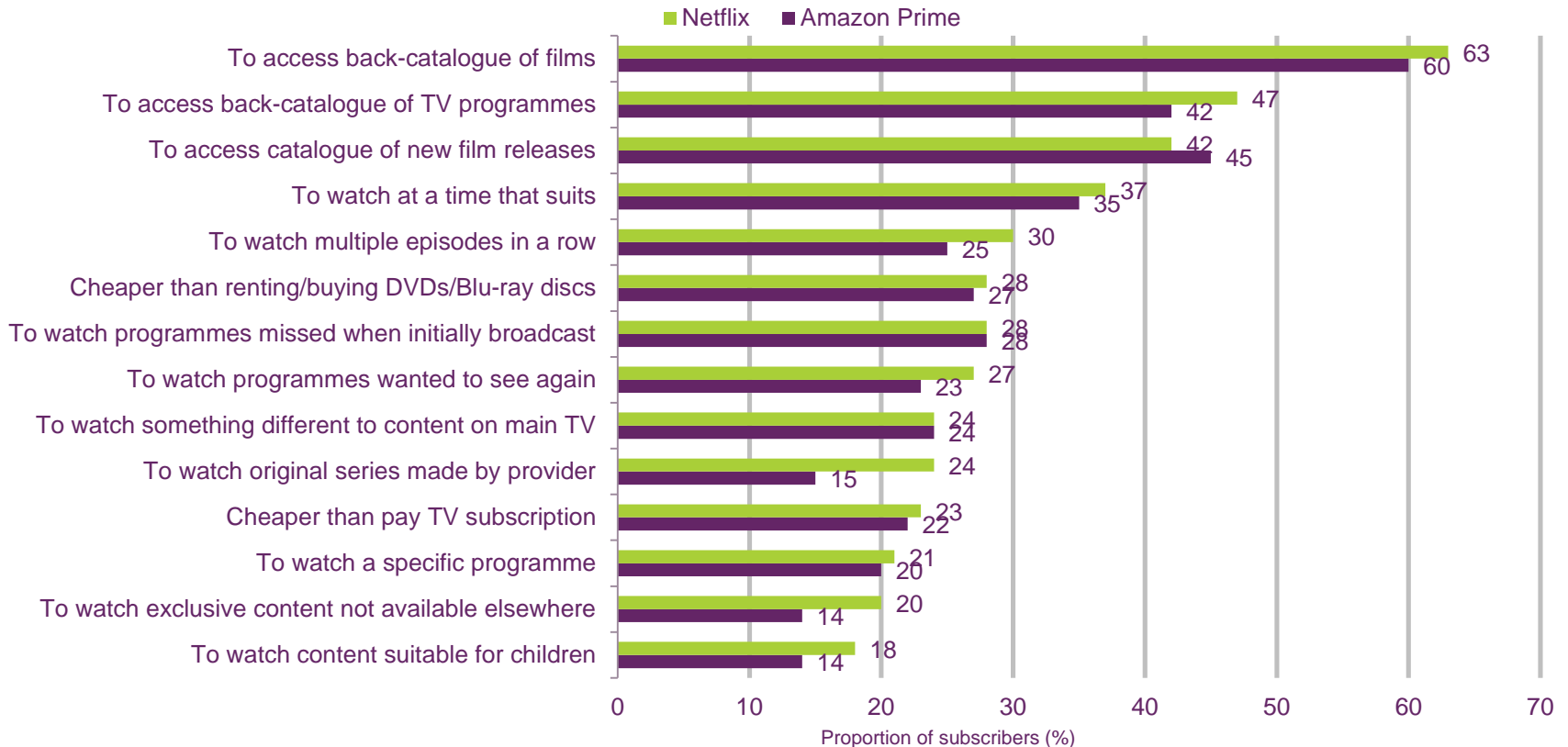


Source: BARB Establishment Survey Q1 2014 – Q3 2015. *Q – Do you or anyone in your household, subscribe to any of the following...? (LoveFilm/Amazon Prime Instant Video; Netflix; NowTV) . Note: subscription numbers potentially may include households currently on free trials. There may be overlaps in each type of subscription home

Access to back-catalogue content is the most common reason for use of SVoD

- Among Amazon Prime and Netflix users, the most popular reasons given were access to back-catalogue film and TV content, and access to new film releases.

Figure 4 – Reasons for using Amazon Prime Instant Video / Netflix

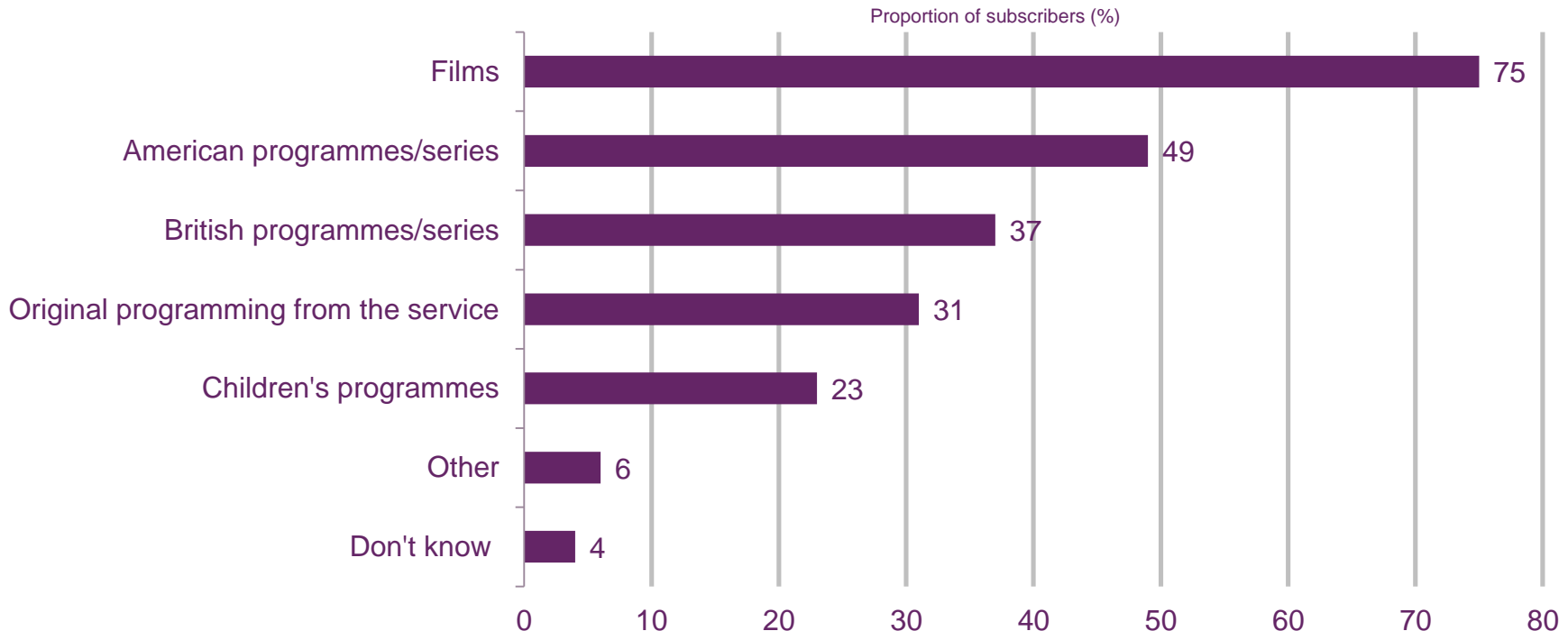


Source: Ofcom CMR 2015, GfK SVOD Tracker, Pilot Wave, Q1 2014
 Base: All Amazon Prime Instant Video / Netflix users

Film content was the most popular type of content consumed among monthly paying subscribers to VoD services.

- Among monthly subscribers, 75% watched film content. American programmes/series was the second most popular category (49%) while British programming was consumed by 37% of subscribers. Just under a third (31%) consumed original programming from the service.

Figure 5 – Programmes watched, among subscribers to VoD services with a monthly subscription



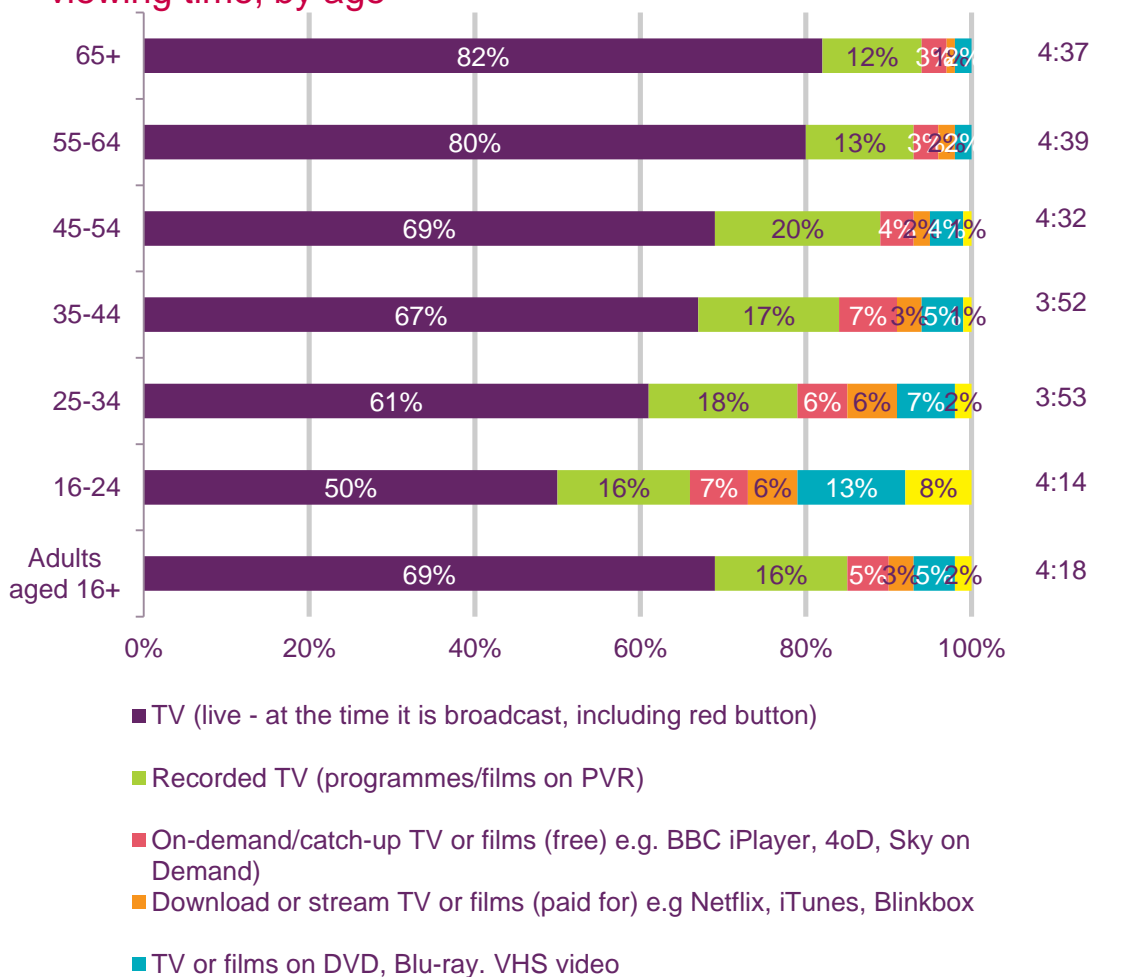
Source: GfK NOP omnibus, April 2015. Base: all who have a subscription to services (402) QH, which of these types of programmes do you or your family watch through (name/s of on-demand subscription services).

Viewing of paid-for VoD services make up a minority of total viewing time



- Just 3% of total viewing time among UK adults aged 16 and over was spent watching paid-for VoD content. UK adults spend more time viewing content on the DVR (16%), free VoD services (5%) and physical media (5%). Across all age groups, most viewing is still to traditional TV. However, audiences are increasingly using many other forms of video; DVR and on-demand viewing has gained traction among all age groups.
- The 16-24 group is of particular interest, as their viewing time is evenly split between viewing TV content at the time of broadcast and viewing content outside the linear TV schedule. They spend more time watching DVDs/Blu-rays than any other age group (13%) and are alongside the 25-24s in spending the most time watching paid-for VoD (6%). Also, they consume more short-form content than any other age group (at 8%). This is likely to reflect the widespread take-up of connected devices among this age group, as these devices are better suited to this particular activity.

Figure 6 – Proportion of viewing activities, % of total viewing time, by age



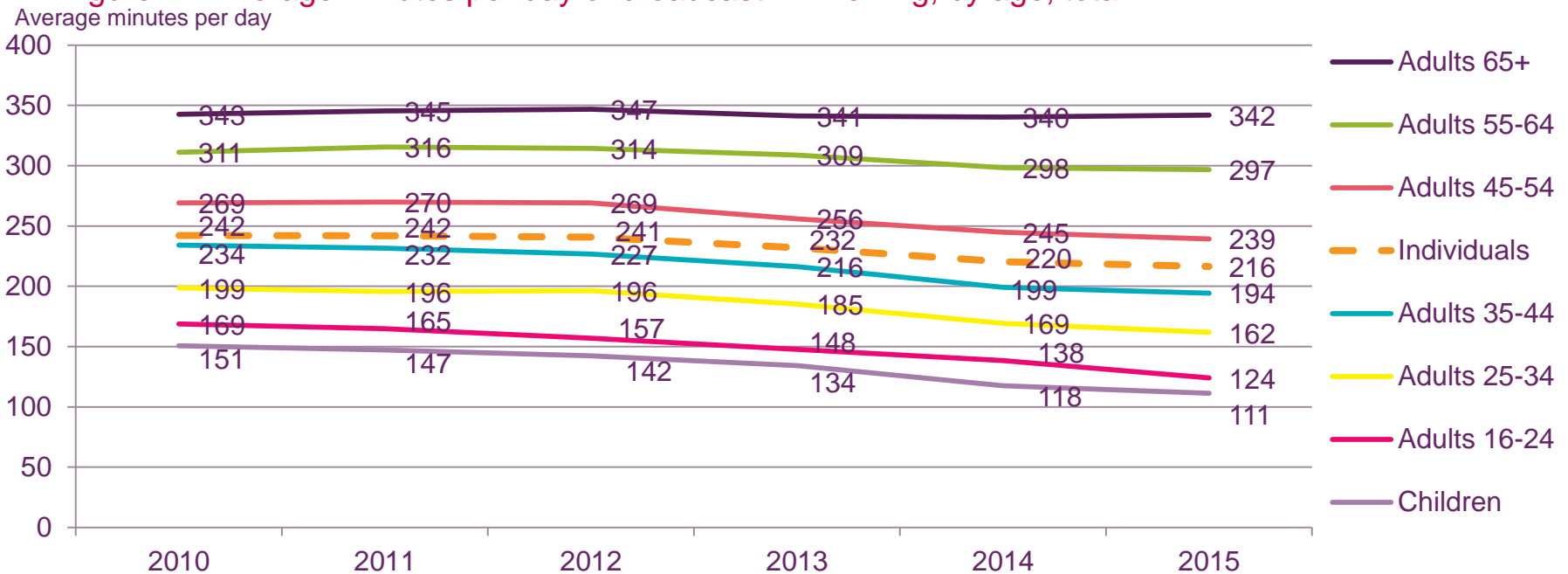
Source: Ofcom Digital Day 7=day diary 2014

Base: all aged 6-11 (186), 11-15 (173), 16-24 (101), 25-34 (225), 35-44 (348), 45-54 (400), 55-64 (311), 65+ (259). *Average time spent is the total average daily time spent watching media, including simultaneous activity

Viewing of traditional TV has decreased

- In 2015, the average number of minutes of broadcast TV viewing on a TV set was 3 hours 36 minutes per person (aged 4+) per day (Figure 7). This was down by 4 minutes (1.9%) year on year and continues the decline in traditional TV viewing seen since 2012, but it has slowed, compared to a 3.7% drop between 2012 and 2013 and a 4.9% drop between 2013 and 2014. Average daily viewing has fallen across all age groups during the five years to 2015, with viewing among the under-45 age groups (including children) falling every year since 2010. The greatest absolute decline in TV viewing compared to 2010 was among 16-24s (-45 mins), followed by adults 35-44 (-40 mins), and children (-39mins). Proportionally, the greatest drop in viewing compared to 2010 was among 16-24s (-26.5%) and children (-26.2%). The smallest decline was among the over-65s, at one minute (0.2%).
- The growth of VoD services is just one of the many factors that explain the decline in TV viewing. Other factors, such as the take-up of additional AV activities (such as gaming) or health factors such as employment rates, may also contribute.

Figure 7 – Average minutes per day of broadcast TV viewing, by age, total TV



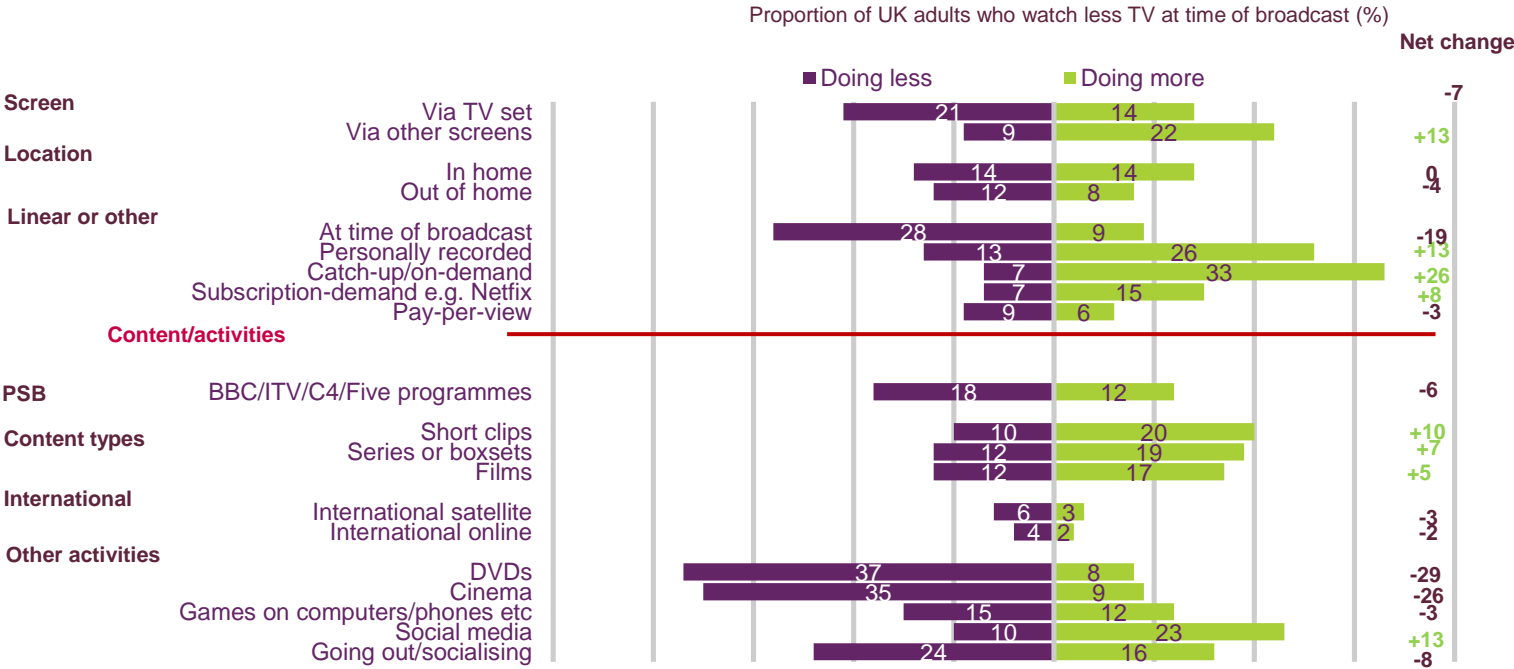
Source: BARB, network total TV. Average minutes of viewing per person a day.

Consumer viewing activities have changed



- To better understand the decline in traditional TV viewing (as seen in Figure 7), Ofcom commissioned omnibus research on the changes in consumer viewing habits.
- Catch-up/on-demand viewing had the biggest net gain, with 26% more respondents doing it more than less, compared to a year ago. Viewing on screens other than the TV set, and watching recorded TV, both showed net gains up 13%, while 8% more respondents claimed greater use of SVoD services such as Netflix.

Figure 8 – Claimed changes in viewing method and content over the past year

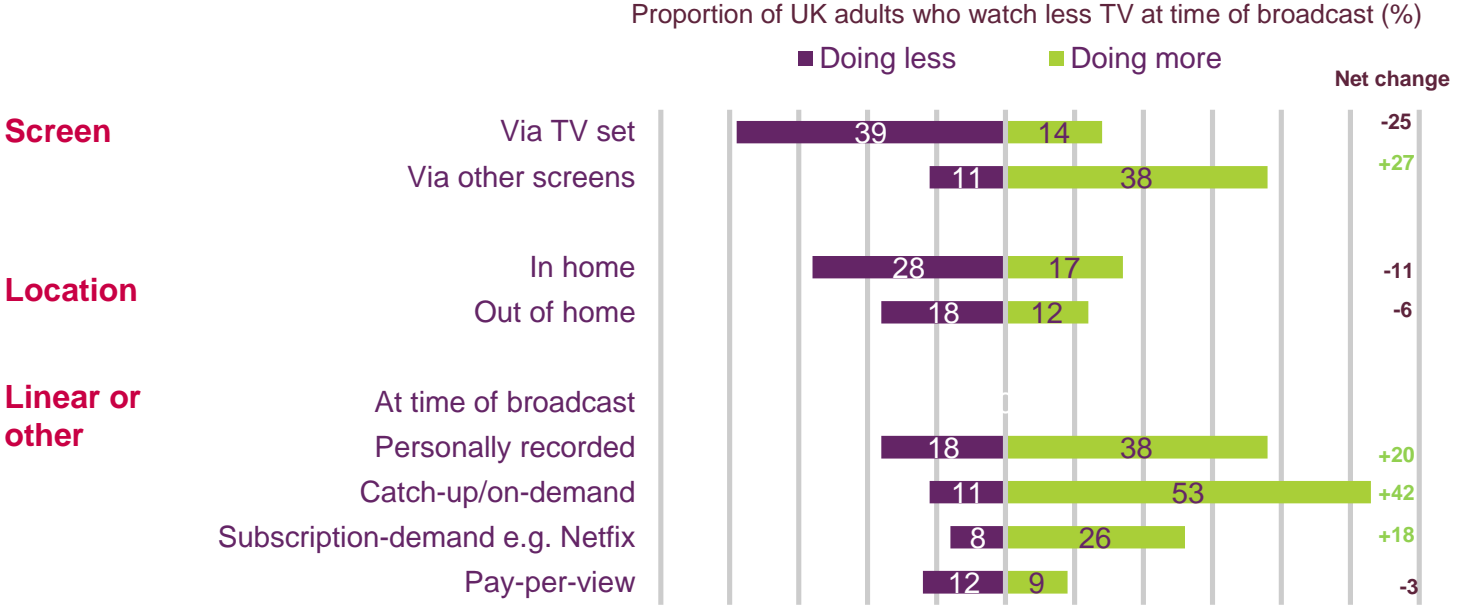


Consumer viewing activities have changed



- Viewing broadcast TV had the greatest net loss, with 19% more respondents saying they did it less than a year ago. Among those claiming to watch less broadcast TV than a year ago (Figure 8), 53% claimed to watch more catch-up/on-demand (+42%), with 38% doing more DVR viewing and 26% using SVoD services more.

Figure 9 – Claimed changes in viewing devices, location and means of viewing among those watching less TV at time of broadcast compared to a year ago



Source: GfK NOP omnibus, April 2015, Base: all adults who claim to watch less TV at the time of broadcast (475)
 QA: For each of the following activities please say if you are doing this more, the same amount, or less now compared to a year ago>?