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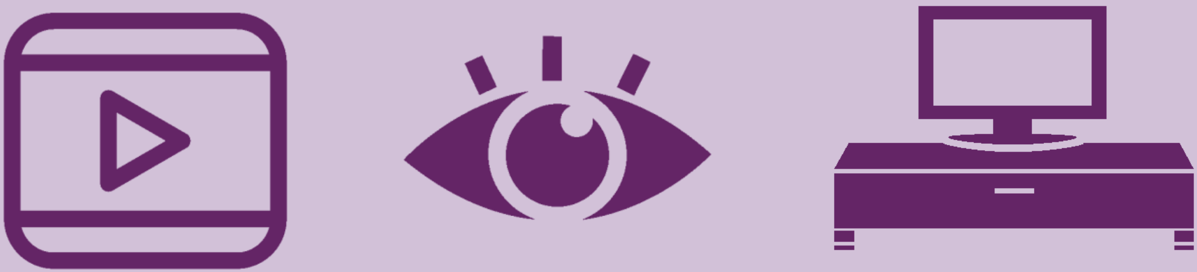
FACTSHEET 7

Video on Demand

Oxford Media Convention March 2017

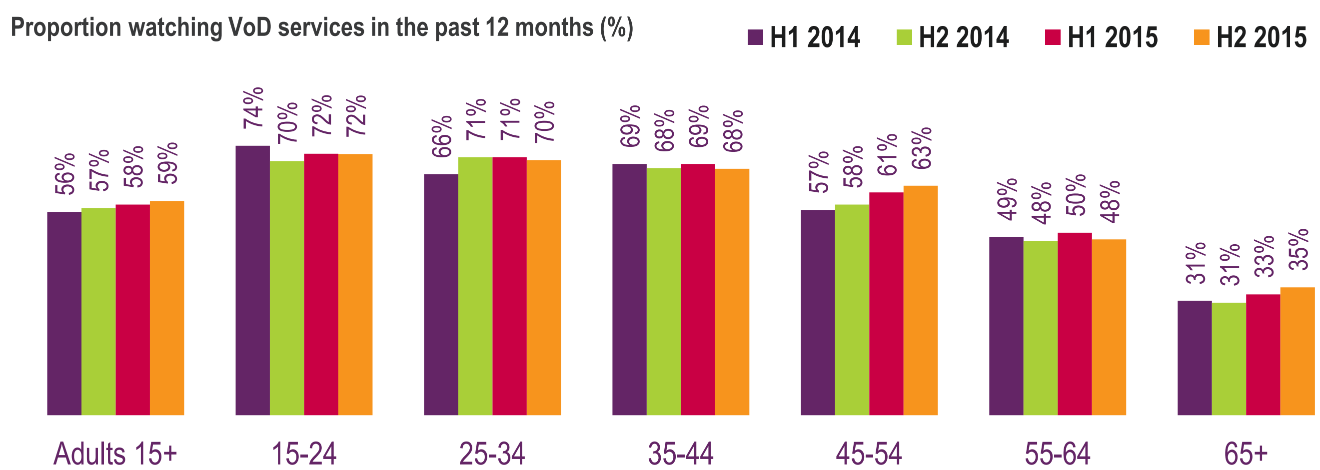


This factsheet has been compiled by Ofcom and provides background information to aid discussion at the 2017 Oxford Media Convention. It looks at take-up and consumption of Video on Demand (VoD) services in the UK in 2015 and 2016, including how usage differs by age, drawing on Ofcom consumer research, much of which featured in Ofcom's CMR 2016 Report.

Key points

In 2015, 59% of GB adults claimed to watch VoD in the last 12 months, up 1.7pp year-on-year. Use of VoD among adults under the age of 45, appears to have been broadly stable year-on-year. However, there has been some growth in use of VoD among older adults, with the 45-54s growing the fastest (up 5pp year-on-year). 15-24 year olds have the highest consumption of VoD, with almost three quarters (72%) in 2015 claiming to have watched VoD in the last 12 months.

Figure 1: Reach of VoD services by age: 2014 to 2015



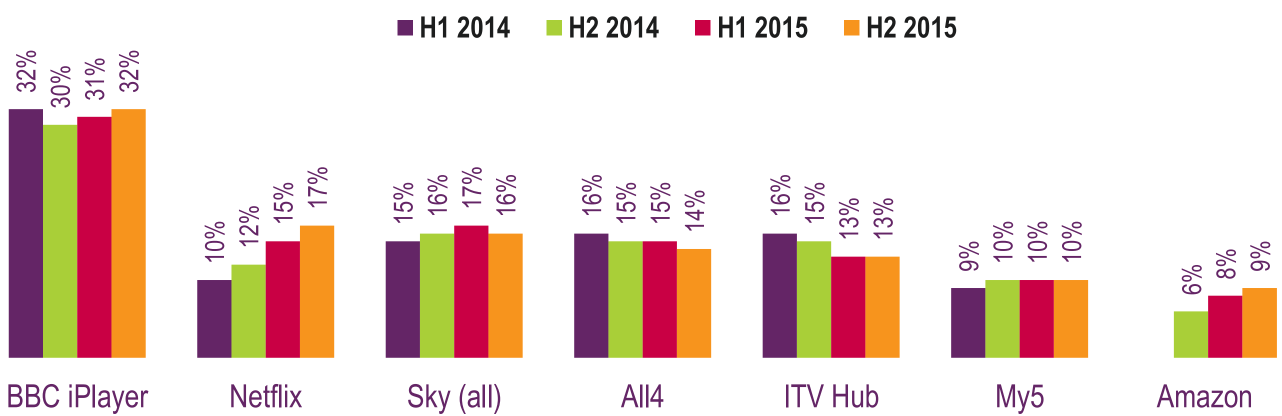
Source: Kantar TGI. Base: GB adults 15+. H1 2014 = 11657, H2 2014 = 12894, H1 2015 = 11972, H2 2015 = 12310.

Key points

BBC iPlayer remains the UK's most popular VoD service, with take-up growing 1pp year-on-year to reach 32% of UK adults (more than twice as much as All4 (14%) and ITV Hub (13%).

However, Netflix is the UK's fastest growing service, growing 5pp year-on-year to reach 17% of adults. Take-up of Amazon Prime reached 9% of UK adults in 2015.

Figure 2: Reach of selected VoD services over the past 12 months: 2014 to 2015



Source: Kantar TGI. Base: GB adults 15+. H1 2014 = 11657, H2 2014 = 12894, H1 2015 = 11972, H2 2015 = 12310. Sky (all) includes Sky on Demand/Anytime, Sky Box Office, Sky Go and Sky Store. Virgin (all) includes Virgin on Demand and Virgin Media Player/TV Anywhere

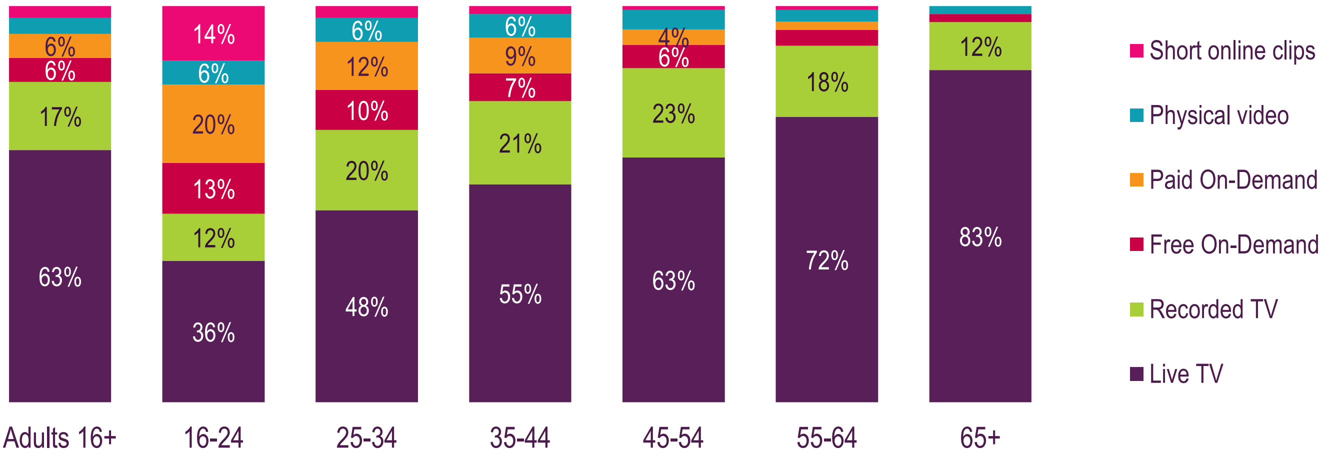
Market Context

Key points

Since 2014, the time spent watching free or paid-for VoD among 16-24s increased to 33% of their total watching time, a broadly similar proportion to their time spent watching live TV in 2016 (down 14pp to 36%).

Out of all age groups, the 16-24s are the heaviest users of paid-for VoD (such as Netflix). Time spent watching these services grew 14pp to 20% of their total viewing time in 2016.

Figure 3: Proportion of time spent watching, by age group: 2016



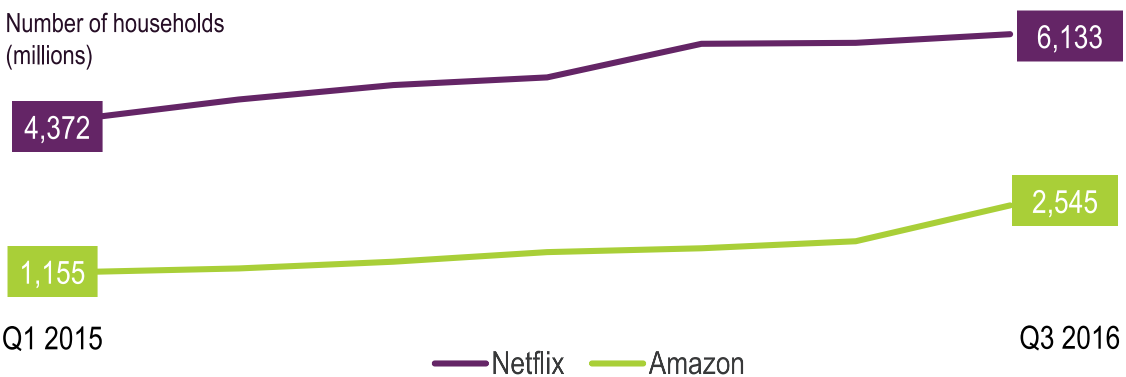
Source: Ofcom Digital Day 2016
Base: Adults aged 16+ (1512), 16-24 (129), 25-34 (189), 35-44 (282), 45-54 (299), 55-64 (259), 65+ (354)

Key points

Netflix remains the UK's most popular SVoD service, with over 6 million households taking up a subscription in Q3 2016, an increase of over a million households (21.2%) year-on-year.

However, Amazon saw the largest absolute and proportional year-on-year growth in household subscriptions – adding 1.17 million households to reach just over 2.5 million households in Q3 2016, a year-on-year growth of 85.6%. This growth could be driven by The Grand Tour, the service's most expensive original production.

Figure 4: Subscription VoD service take-up by household: Q1 2015 to Q3 2016



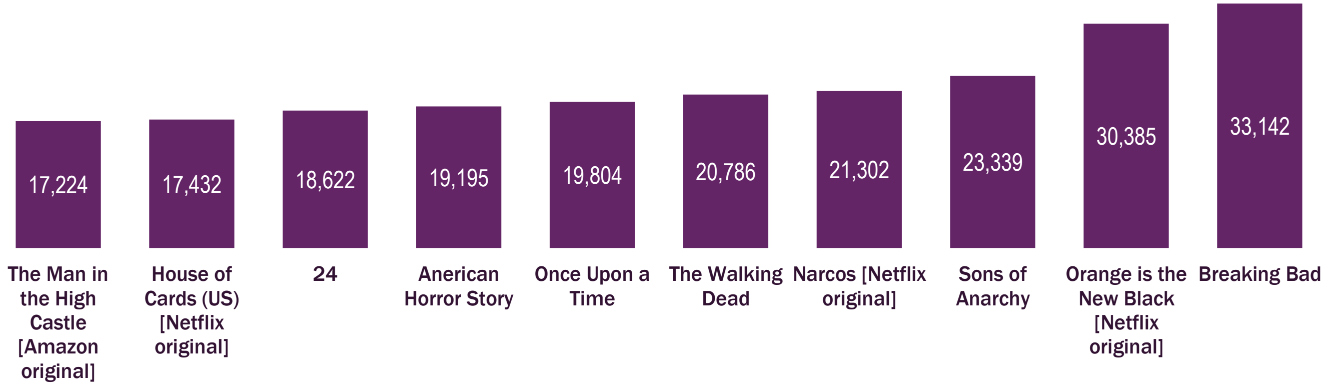
Source: BARB Establishment Survey Q1 2015 – Q3 2016. *Q – Do you or anyone in your household, subscribe to any of the following…? (Amazon Prime Instant Video; Netflix). Note: subscription numbers potentially may include households currently on free trials. There may be overlaps in each type of subscription home

Key points

The top ten television programmes consumed among all SVoD users in Q4 2015 was all US-produced content.

Original content made by the provider (which is often also exclusive to that service) was also popular, with four original productions featuring in the top ten.

Figure 5: Top ten television programmes consumed among all SVoD users: Q4 2015



Source: GfK SVoD Tracker Q4 2015. Base: All respondents (3258)

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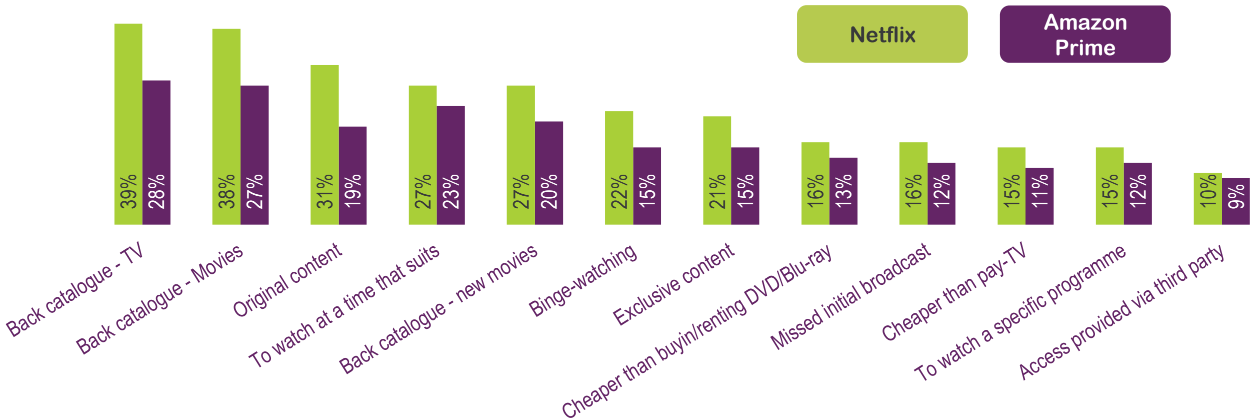
Key points

Access to "back catalogue" content is the most cited reasons for signing up to Netflix and Amazon. Netflix's original content is also a major reason for sign-up (31%) to the service.

Few Netflix and Amazon users signed-up because they are cheaper than pay-TV. This can be seen to counter the view that SVoD is cannibalising pay-TV and instead adds weight to the argument that the two services are complementary and fulfil different consumer needs.

Figure 6: Selected reasons for signing-up to SVoD services: Q4 2015

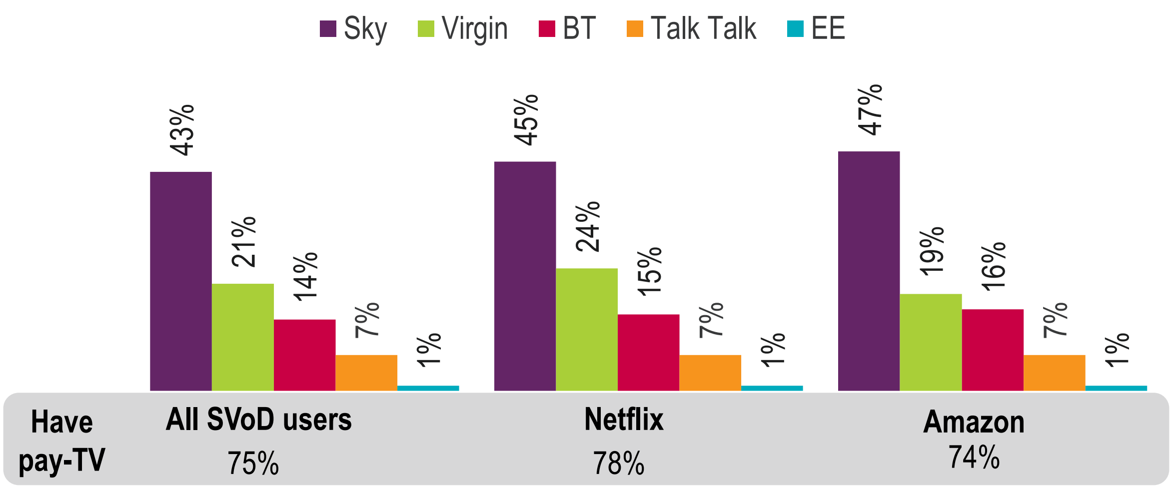


Source: GfK SVoD Tracker Q4 2015. Base: Netflix users (2457), Amazon Prime users (1353)

Key points

Three quarters (75%) of all SVoD users have at least one pay-TV service, with Sky being the most popular. This dual take-up could be due to a range of factors:
Pay-TV provides services/content that SVoD does not, such as linear TV, catch-up services and movie rental/retail stores.
Consumers may take-up pay-TV as part of a bundle with other services.
Some SVoD services are present on pay-TV platforms.

Figure 7: Proportion of SVoD users with a pay-TV service: Q4 2015



Source: GfK SVoD Tracker Q4 2015. Base: All respondents (3258). Netflix users (2457), Amazon Prime users (1353)