



THE UK TELEVISION LANDSCAPE REPORT

A quarterly review of population
trends and changes in how people
can watch television

Q4 2015



Insight and analysis by





THE UK TELEVISION LANDSCAPE REPORT

HELLO,

Welcome to the first edition of The UK Television Landscape Report, a new report from BARB.

Interest in television as a cultural and commercial phenomenon remains as high as at any time since it became a mainstream medium over 50 years ago. Advances in technology have brought new ways for broadcasters to distribute their content and made it easier for viewers to watch their favourite programming.

News coverage of these marketplace trends is extensive, not least because of the dominant place that television still occupies in our collective consciousness. Yet frequently, this coverage can overstate the impact of the new and overlook enduring strengths of the television industry.

Each year, BARB interviews over 53,000 people for our Establishment Survey. It is a vital part of the services that we commission to deliver daily viewing data from a representative panel of over 5,100 homes. It helps us to understand shifts in the landscape that we have to monitor, while also providing new panel homes and details for our weighting scheme.

Household demographics are naturally an important part of what we ask about in the Establishment Survey, although we also focus on the ways in which people can watch television.

We ask about ownership of TV screens and a range of other devices that can be used to watch television programmes. We explore which distribution platforms are available in homes across the country. We also investigate the take-up of subscription VOD services that are delivered by new entrants in the television ecosystem.

The Establishment Survey is one of the largest, on-going research studies in the UK. It yields tremendous insight, both in snapshot analysis and through longer-term trendspotting. The UK Television Landscape Report will appear every three months and will feature articles that take a deep dive into certain parts of the data. For the first report we're focusing on:

- the growth of Netflix and other SVOD services
- platform take-up in an era of increased fragmentation, and
- the growth in the number of homes that choose to have no TV screen.

For BARB customers, there are additional interactive features to this report. You'll find these after you've logged in to our website.

What this report won't do is explore changes in viewing behaviour. That remains the principal focus for our annual publication, The Viewing Report. Side by side, these two complementary reports will provide insight on the changing ways in which people can watch television and the ways in which they do.

I hope that you enjoy the first edition and welcome your feedback.

Justin Sampson
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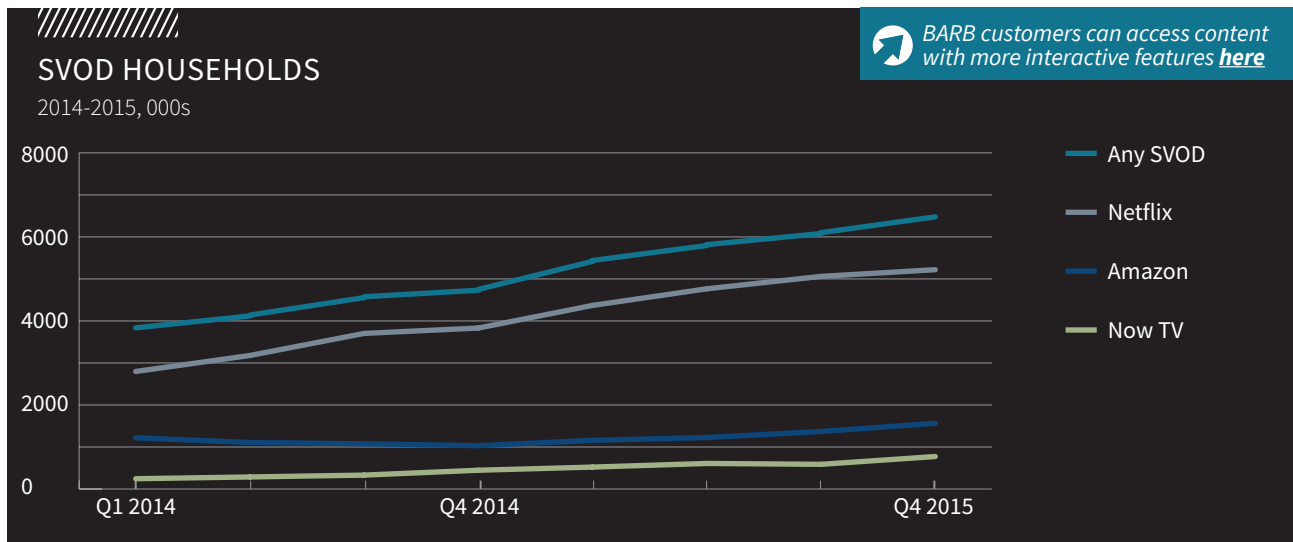
**IS NETFLIX
TAKING OVER?**



IS NETFLIX TAKING OVER?

Subscription video on demand (SVOD) services continue their onward march in the UK market. Now nearly a quarter of UK households claim to subscribe to one of the three main SVOD suppliers. Netflix is by some margin the market leader, and its growth continues easily to outpace the other services. While Netflix is the big success story of the past three years, findings from the Establishment Survey do not support some of the more dramatic rhetoric emanating from Netflix HQ: SVOD appears to be complementing rather than replacing traditional linear TV.

SVOD is on a roll. Adoption continues to grow at a rapid rate. 24% of UK households subscribed to Netflix, Amazon Video or Sky's Now TV in Q4 2015, compared to 14% in Q1 2014. Amazon Video and Now TV are both seeing growth, although Netflix continues its dominance. The number of households with the Netflix service grew by 1.4m between Q4 2014 and Q4 2015, compared to an increase of 0.5m households for Amazon Video and 0.3m households for Now TV.

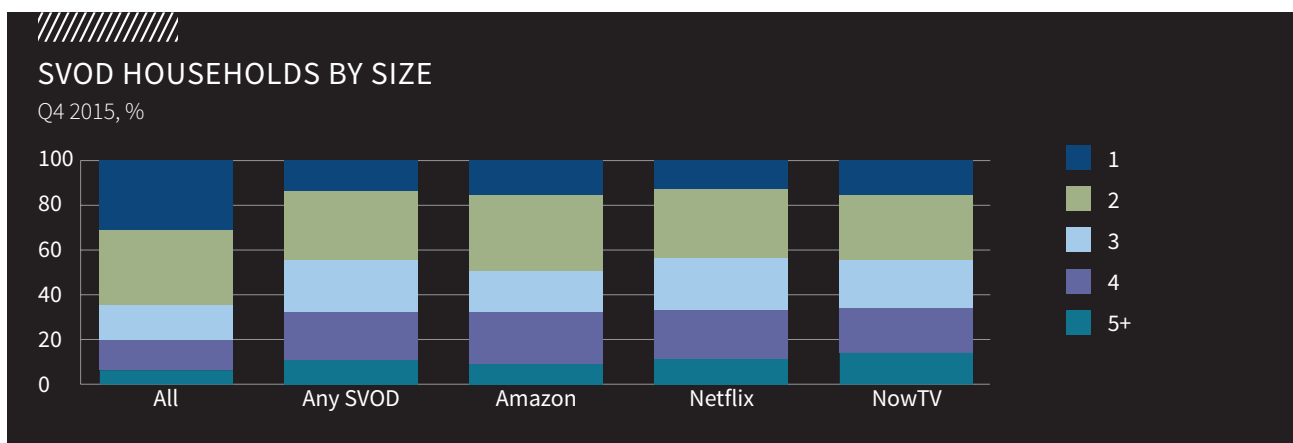


THE IMPENDING DEATH OF TRADITIONAL TV?

The picture we glean from the Establishment Survey does not support the more evangelical rhetoric about the evolution of SVOD heralding the end to mainstream TV as we know it. The Establishment Survey focuses on claimed uptake of SVOD and so does not tell us about the viewing habits of SVOD homes. But it does tell us about the types of households that subscribe, and we can draw some

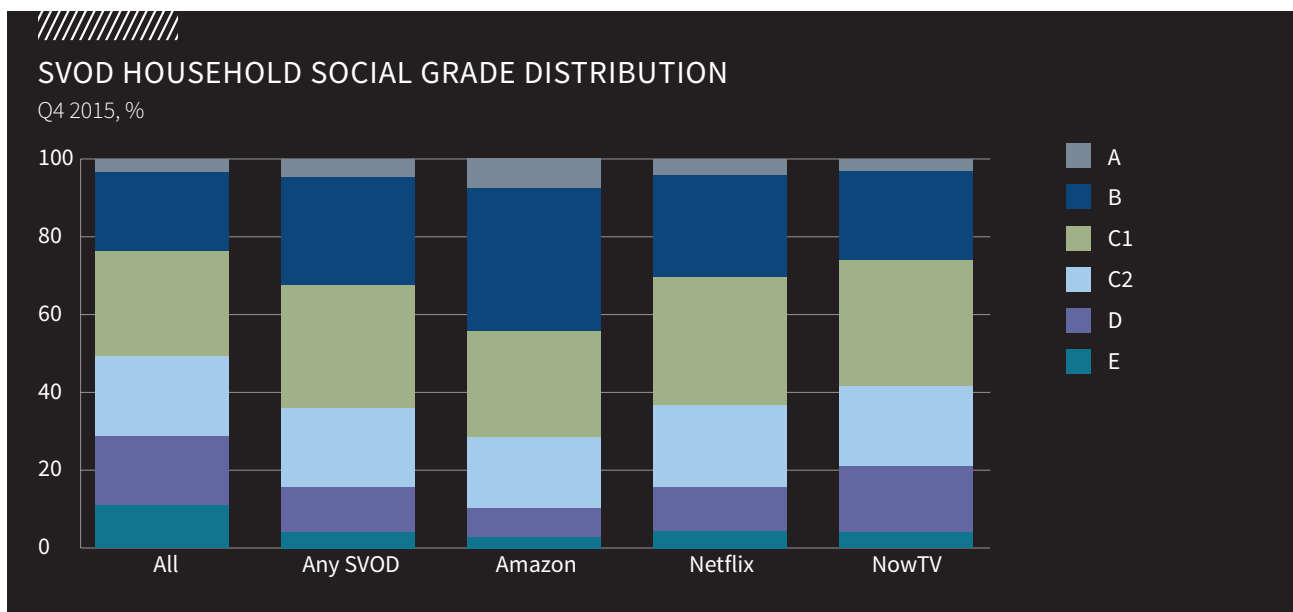
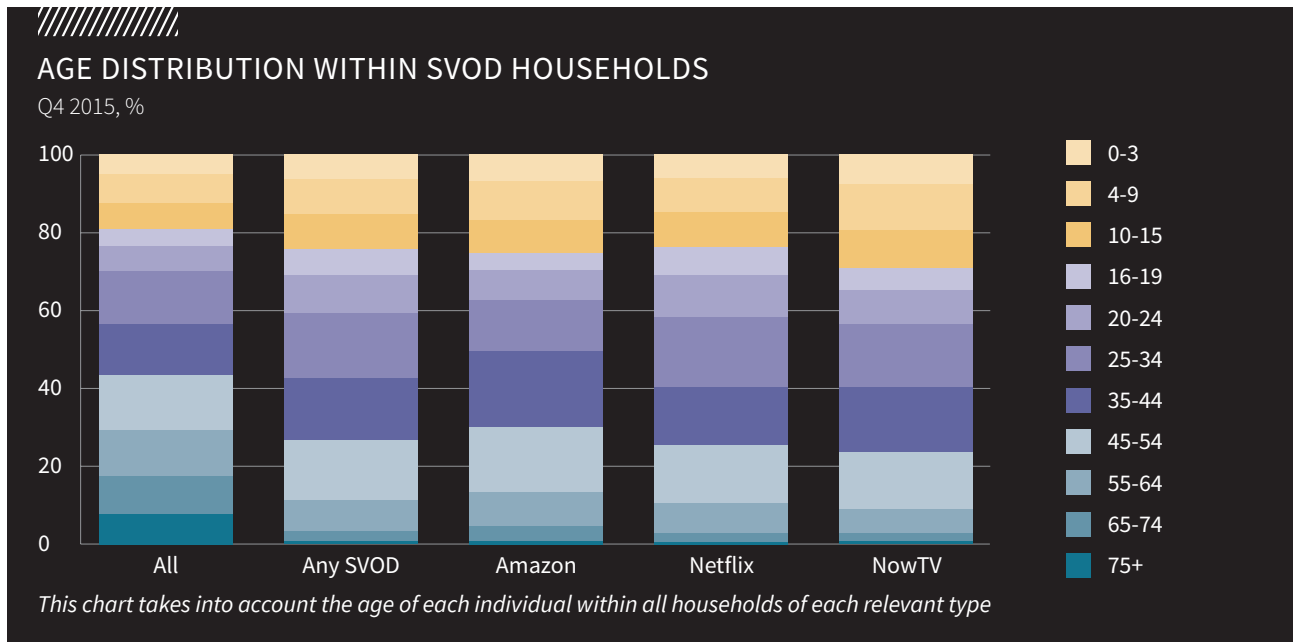
inferences about how viewers see their purchase of an SVOD service.

The data suggest that SVOD appeals to households who already consume a great deal of TV. The chart below shows that 55% of SVOD households are large (three or more occupants) compared with 35% of the overall household population.



SVOD homes also skew younger and more up-market than the average: 40% of the occupants of SVOD homes are aged 24 or under, compared to 30% in the population as

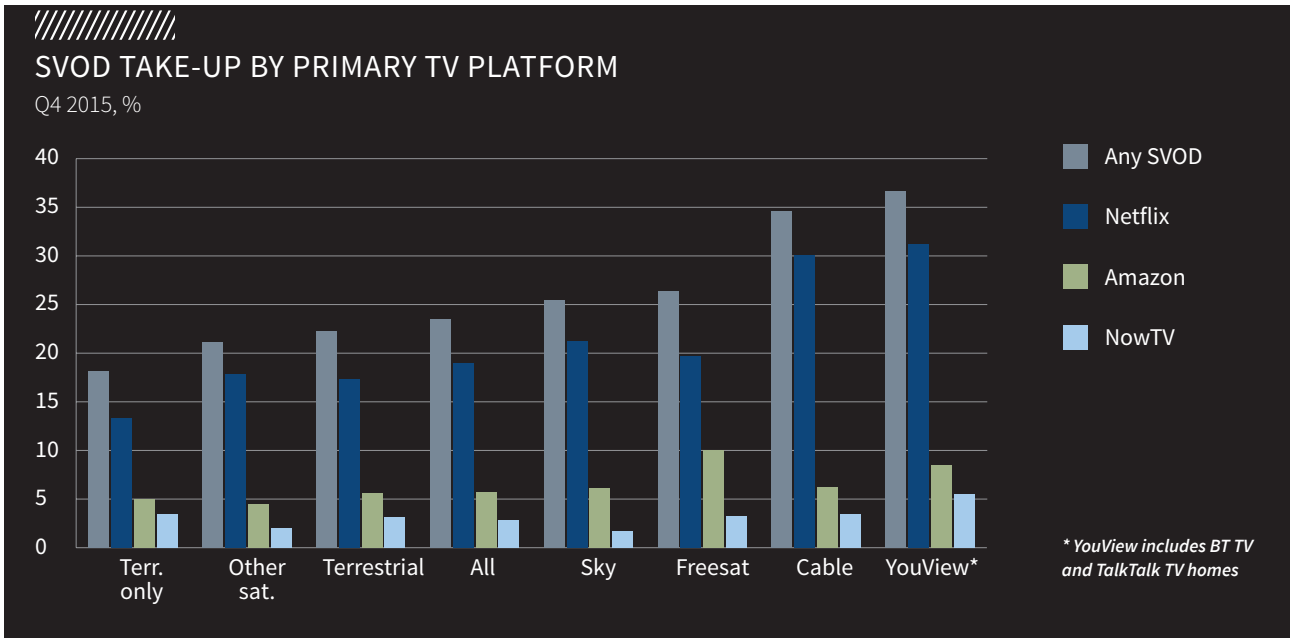
a whole; 64% of SVOD homes have an ABC1 social grade, compared to the national average of 51%.



The bias towards homes which already have pay TV services is clear when we look at the penetration of SVOD services by primary platform. Netflix and Amazon Video homes are significantly more likely to be cable or Sky subscription homes than average; this is not true for Now TV, which is marketed at terrestrial viewers. Penetration in cable and YouView homes is particularly high because of the deals Virgin Media, BT and TalkTalk have made

with Netflix; 30% of cable homes and 31% of YouView homes take Netflix compared to 13% of terrestrial only households. One factor that contributes to this disparity is the lower broadband take-up rate in terrestrial only households. Broadband take-up in YouView, Sky and cable households is well over 90%, while in terrestrial-only homes it is only 71%. Homes need broadband to use SVOD.

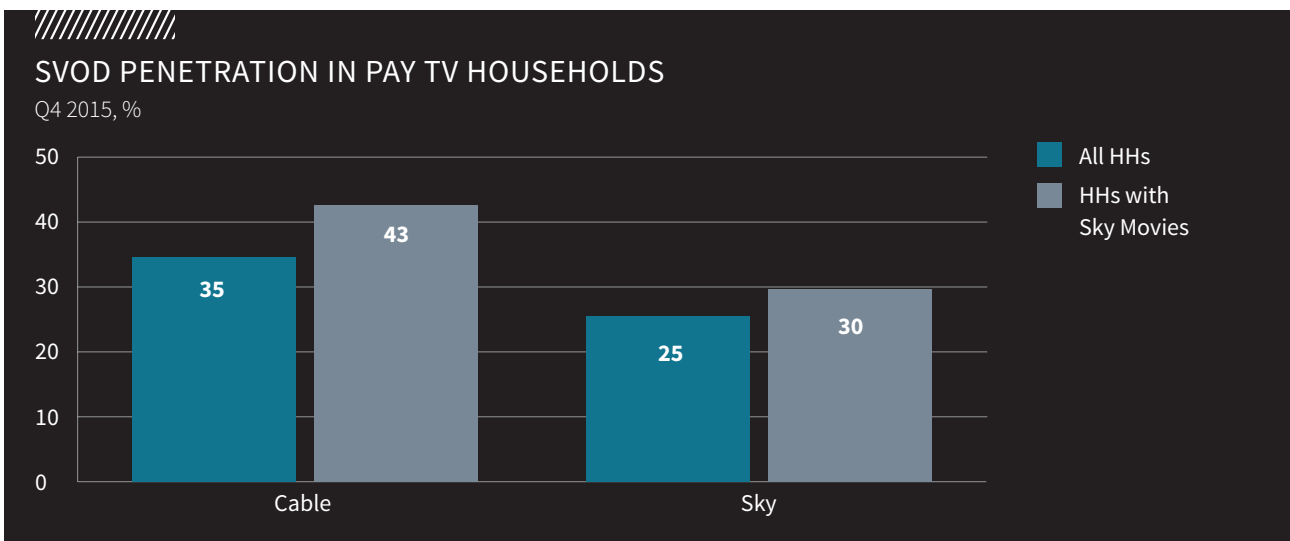




The overlap between SVOD services and very similar traditional services is particularly stark when we compare SVOD penetration in pay TV households which have Sky Movies – a service which is usually thought of as a direct competitor to Netflix and Amazon Video. In reality, it is less a competitor than a companion: SVOD penetration goes up

from 35% in cable homes to 43% within cable homes that already have a Sky Movies subscription.

The picture is clear: SVOD homes are not swapping out their traditional TV for SVOD, they are using SVOD services to get even more of what they already have.

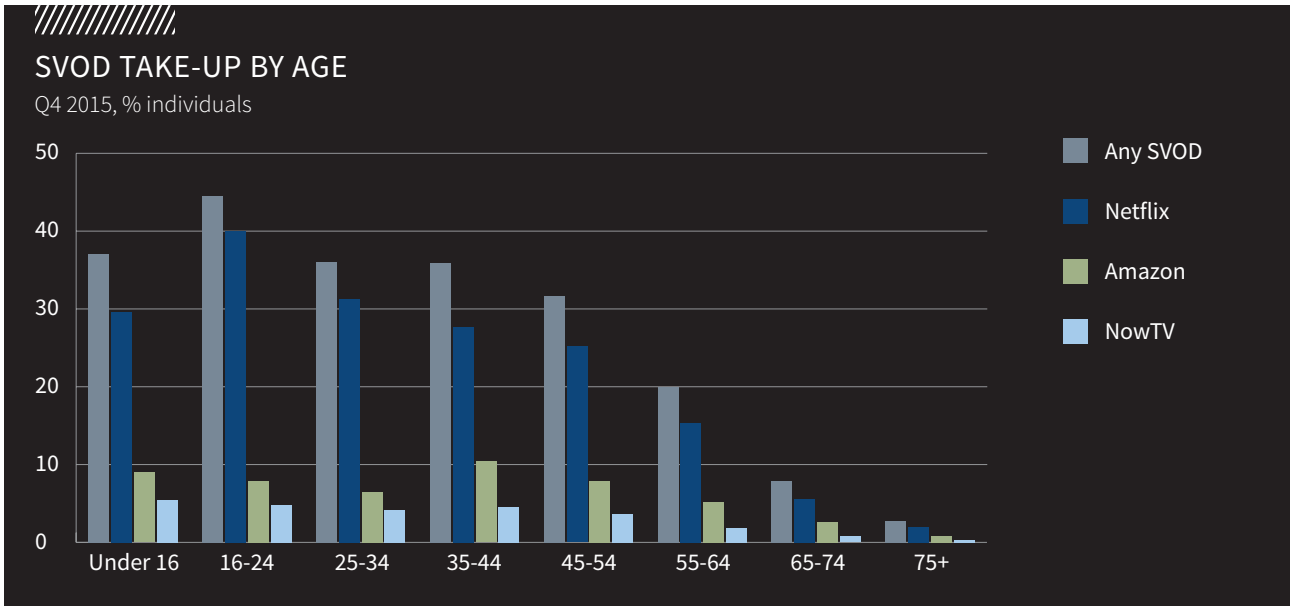


The data from the Establishment Survey show that SVOD services are significantly more popular in larger households with children. However, it does not support the commonly expressed view that an entire generation of young people has more or less abandoned traditional TV in favour of binge viewing on Netflix or Amazon Video. The next chart shows the proportion of the population within different age bands which has access to SVOD services. SVOD take-up is highest amongst children and young adults, but it is still the case that less than 50% of 16-24 year-olds has access to an SVOD service. And for

all the hype that children are glued to Netflix, the reality is that only three in ten children live in a household that subscribes to this service.

The take-up figures in the age group chart appear overall to be slightly higher than the take-up figures by platform; this is because the platform figures are by household, and the age group figures are for individuals. SVOD is skewed towards larger households; since there are more people in SVOD homes, SVOD take-up by individuals is higher than it is by household.

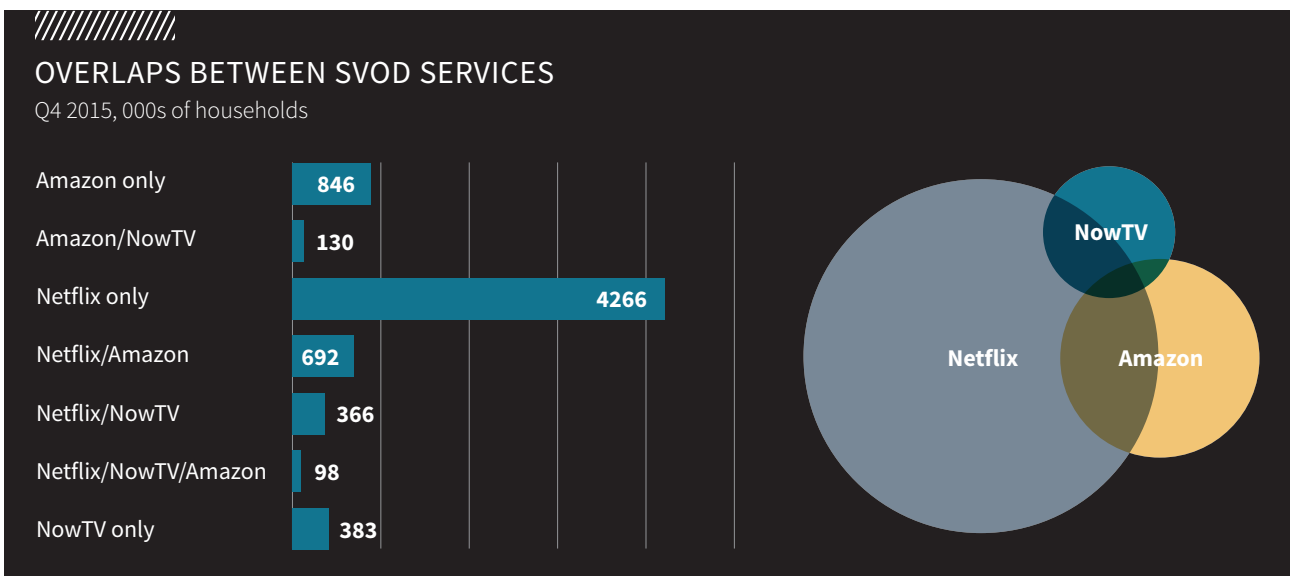




NOT ALL SVOD SERVICES ARE CREATED EQUAL

The Establishment Survey data underline Netflix's dominance among SVOD services when we look at the proportion of users who use only one service. A much higher proportion of Amazon Video and Now TV households also have Netflix than the other way round. 82% of Netflix households subscribe to only one SVOD service, compared with 49% for Now TV and 54% for

Amazon Video. This points to a higher level of service satisfaction with Netflix. It may also be the case that the bundling of Amazon Video with Amazon Prime means that some Amazon users are less directly committed to the service, since their primary motivation is the other benefits of Amazon Prime rather than the video service.



**WHAT'S IN A
PLATFORM?**



WHAT'S IN A PLATFORM?

Defining the different platforms on which we watch TV has become more challenging, as television providers rush to make their programming available across multiple devices and delivery networks. The Establishment Survey gives us consistent insight into the number of households using different means to access television services. The picture it presents is one of remarkable stability: despite the rapid changes in the underlying technology, the numbers using the major platforms have remained surprisingly constant.

DEFINING THE PLATFORMS

Today the picture is a lot more complicated. Not only is television viewed on multiple screens, but there are multiple variations of satellite and terrestrial TV as platforms are making increasing use of multiple delivery methods. How do we define BT TV or TalkTalk TV customers who watch the PSBs via the signal from their aerial and their pay channels via broadband? They can't simply be defined as terrestrial or IP viewers.

Satellite and terrestrial platforms like Sky and YouView are increasingly going to become hybrid, using the bandwidth of broadcast transmission to provide linear channels, complemented by IP delivery to provide access to content on demand and on mobile devices. In this more complex world, platforms will be defined by brands (BT, Freeview, Sky, Virgin Media, Sky, etc.) rather than by transmission method. However, in the period before we achieve this multi-device, multiple delivery technology future, we need our own hybrid approach to defining the platforms viewers use to watch TV which combines brands and delivery methods.

Our definition focuses on the platforms viewers use to watch linear TV. There are plenty of successful non-linear platforms (Apple TV, Netflix, Now TV, Roku, etc.), but while the majority of most people's viewing remains live to linear programming, these non-linear platforms will remain a complement to rather than a replacement for the main linear platform. To put this in context, in the final quarter of 2015 the Establishment Survey shows there are 0.44m homes (out of a total of 27.6m) that claim to have a TV but not to have access to a linear platform.

The platform categories we will use are as follows.

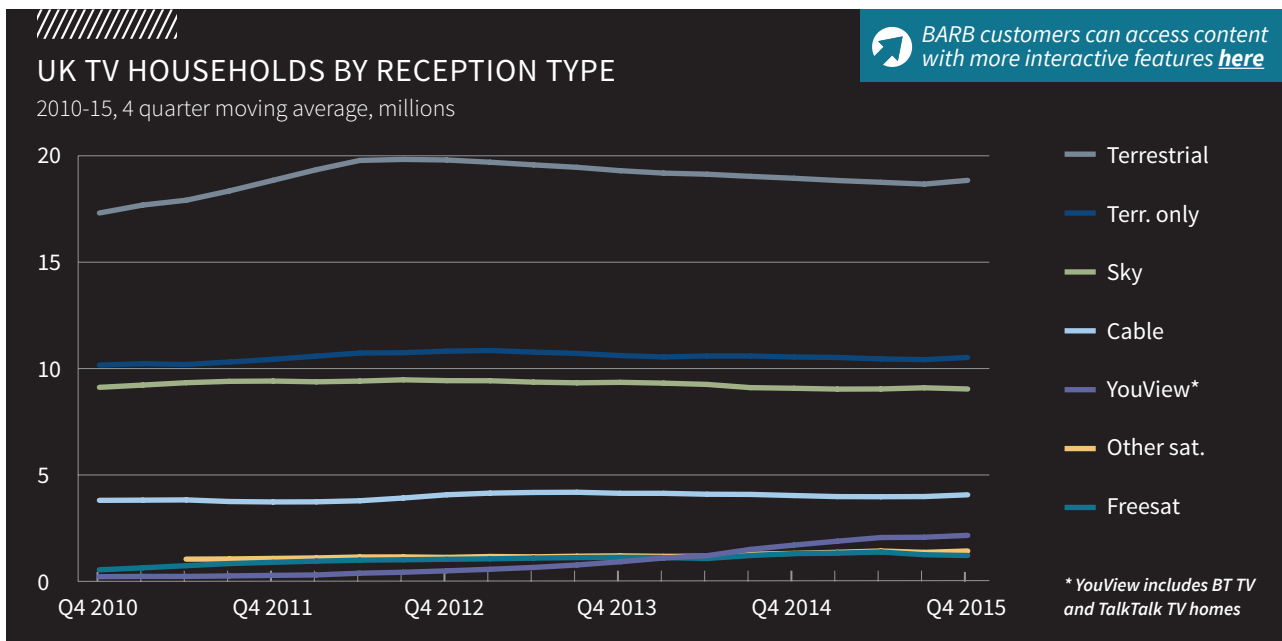
- 1 Cable:** households that claim to receive cable; these households are almost entirely Virgin Media customers.
- 2 Freesat:** homes which have access to Freesat, either through a set top box or integrated into the TV set. This does not include former Sky homes who no longer have a live subscription but continue to use their Sky set top box to watch free satellite channels.
- 3 Other satellite:** this category includes former Sky subscribers as well as viewers watching smaller, typically international, satellite service providers like Polsat.
- 4 Sky subscription:** homes who pay for a Sky subscription package (not including Now TV customers who don't pay for a Sky subscription package).
- 5 Terrestrial:** all homes which have access to terrestrial TV via their aerials. This includes any homes across all categories which also have access to terrestrial.
- 6 Terrestrial only:** the subset of terrestrial households that do not have access to cable and satellite reception as well (including most BT TV, TalkTalk TV and YouView homes).
- 7 YouView:** all households who have the BT, TalkTalk or YouView platforms. The great majority of these homes will be using the YouView interface, but the figure will include a small number of homes using older versions of BT TV and TalkTalk TV.

We should highlight that the numbers we report for these platform categories are survey findings among private households. Platform operators have various means for determining the size of their customer base. In the case of pay platforms these will be derived from tracking the number of paying customers that they have.

These platform categories are not mutually exclusive, as there are significant overlaps. We will investigate these in a moment.

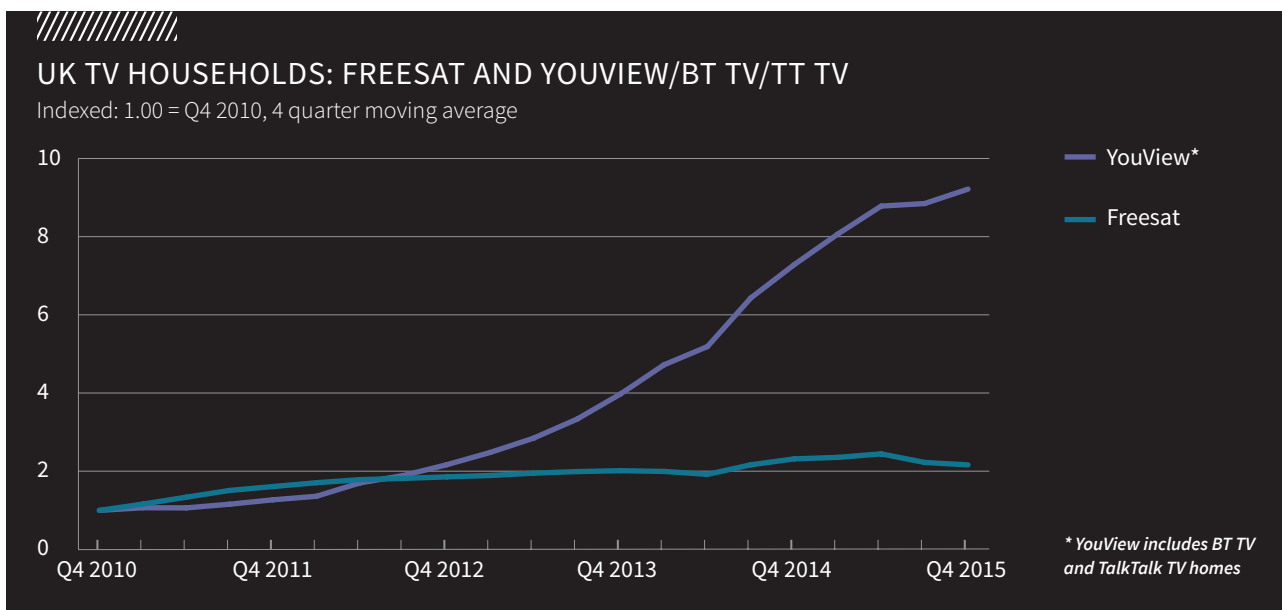
The following chart shows the number of households with access to these different linear platform types over the past five years. The figures for the Q4 2015 are affected by the change in the BARB definition of a TV household, which has increased the total number of TV households slightly (look [here](#) for a detailed description of the change in the definition).





There has been remarkable stability for the main linear platforms: the number of cable and Sky subscription households has been extremely consistent across the past five years. Up to 2012 the terrestrial platform grew rapidly, but it has declined by 6% from its peak in mid-2012. The terrestrial figures are for digital terrestrial rather than analogue, so the increase is likely to be the result of

homes acquiring new digital sets in advance of the switch-off of analogue signals in the digital switchover process. Analogue signals finally ceased in the fourth quarter of 2012, so there would have been a strong incentive for viewers to acquire new sets before then. The subset of terrestrial only households followed the same trajectory, but with lower initial growth.



The significant growth has been for newer platforms. Freesat and YouView, including BT TV and TalkTalk TV, have increased rapidly over the past five years from small

initial bases. There are signs that Freesat's growth has plateaued over the last two years, but YouView seems to be continuing its growth as a platform.

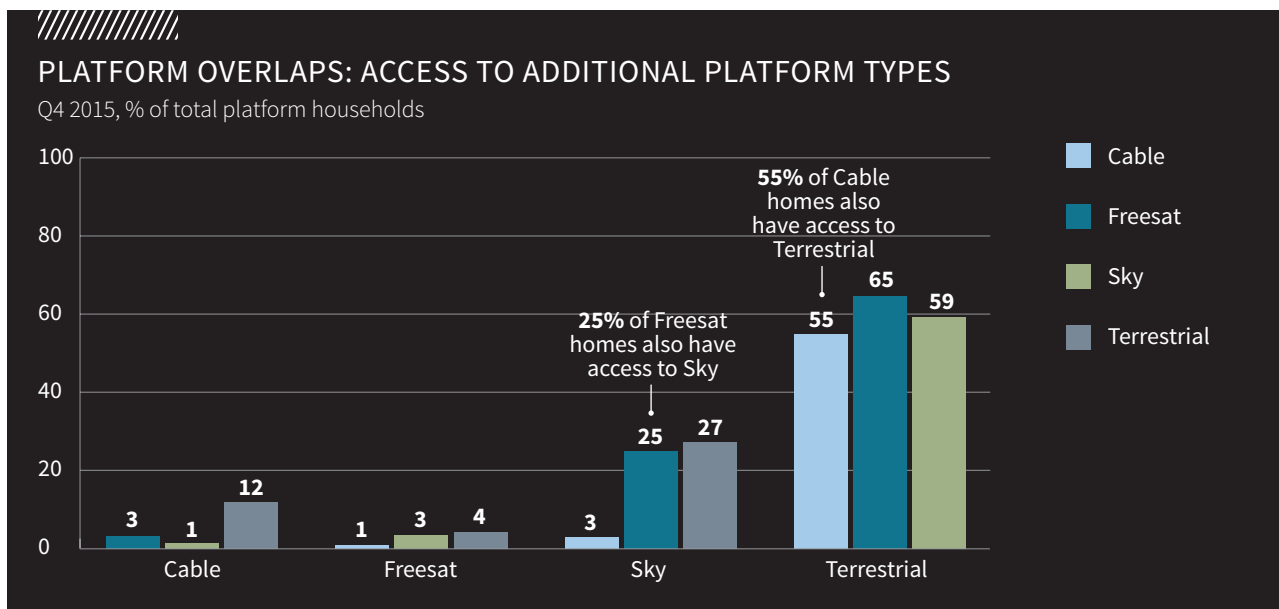


PLATFORM OVERLAPS

There is overlap between the major platforms: the next chart shows the percentage of each platform that also has access to each other major platform type. The graph shows the extent to which terrestrial is used as a second platform by households who have other platform types. In comparison, the overlap between pay platforms is predictably low, and even Freesat has relatively low overlap with other platforms.

The overlaps show that terrestrial is overwhelmingly the main choice as secondary platform, with over 50% of all homes using other platforms also having access to a terrestrial signal.

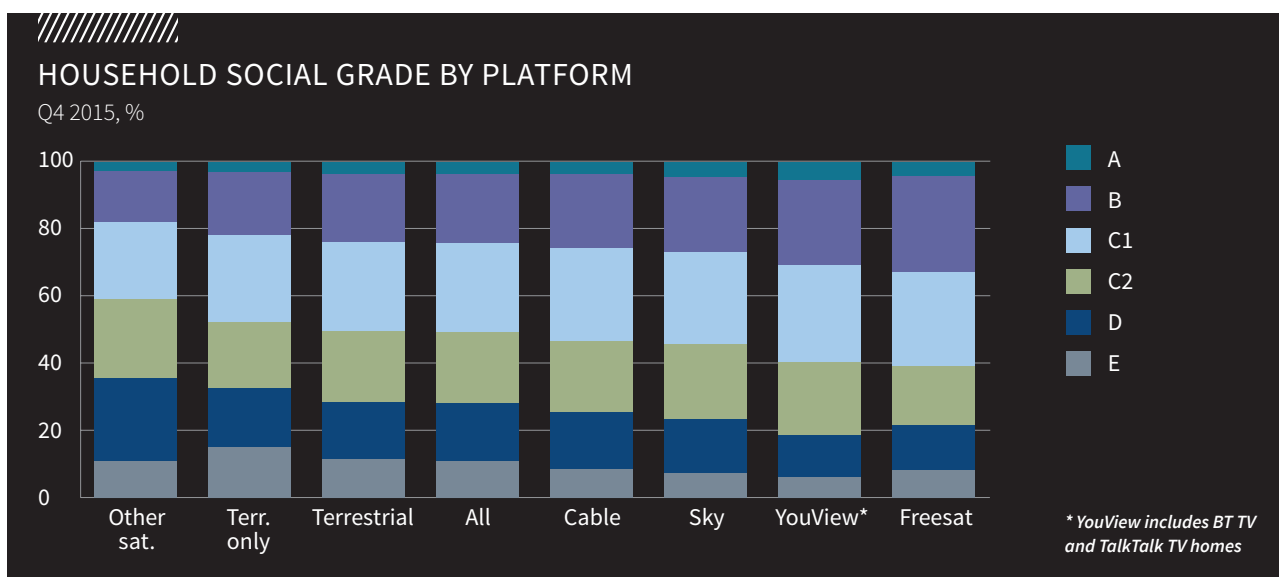
Unsurprisingly, the overlap between the major pay platforms is very small.



PLATFORM DEMOGRAPHICS

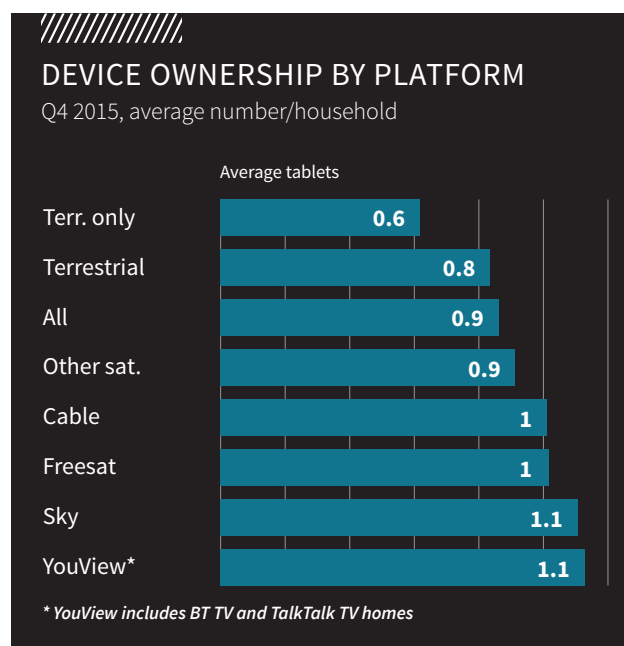
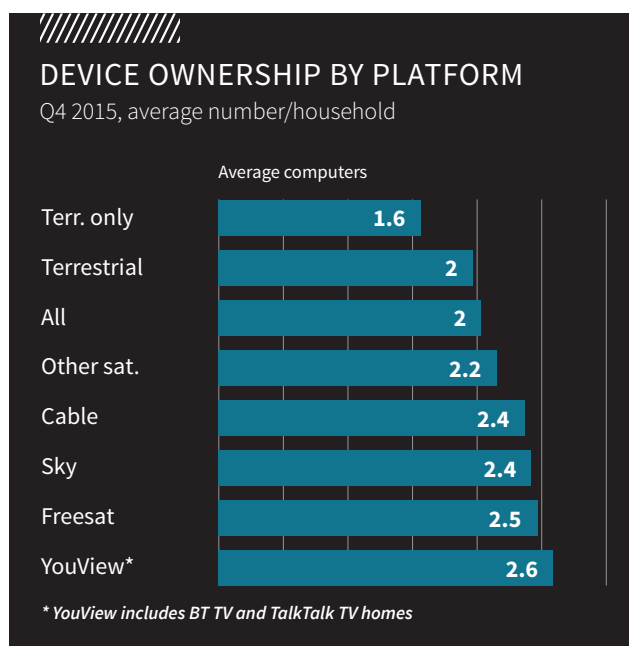
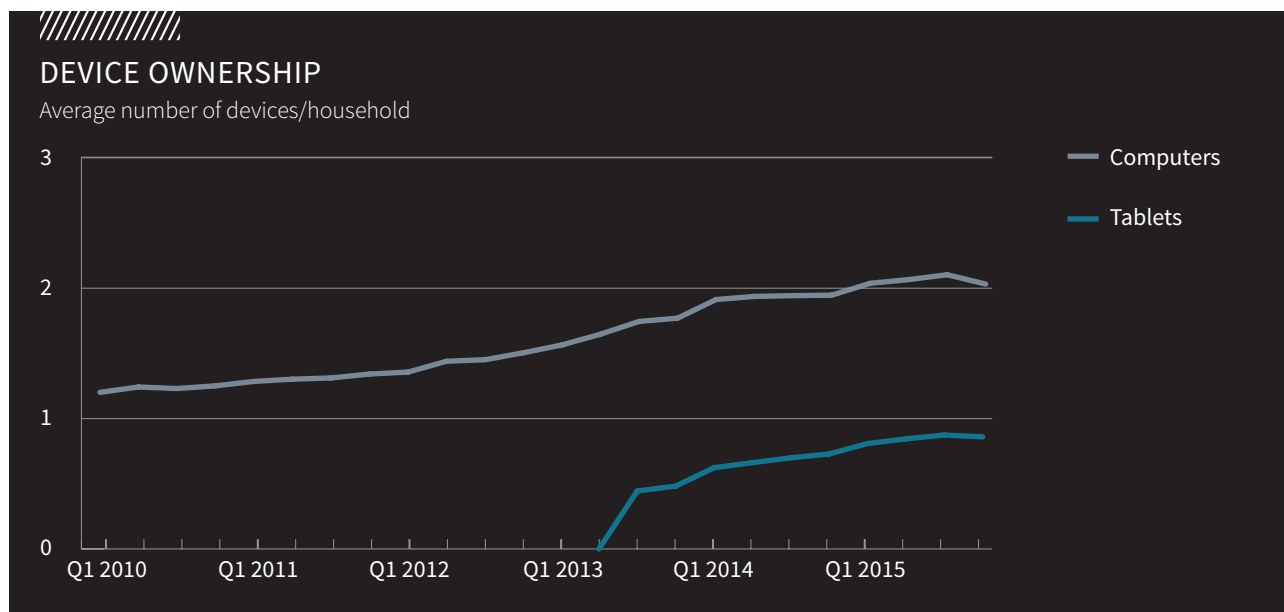
The social composition of different platforms appears as might be expected, with the pay platforms (BT/TalkTalk/YouView, Sky and cable) all skewing slightly towards higher social grades. Freesat skews highest of all for AB

households, which is unusual for a free-to-air platform. There is a remarkable difference comparing Freesat to the other satellite category, which includes households which have churned off Sky.



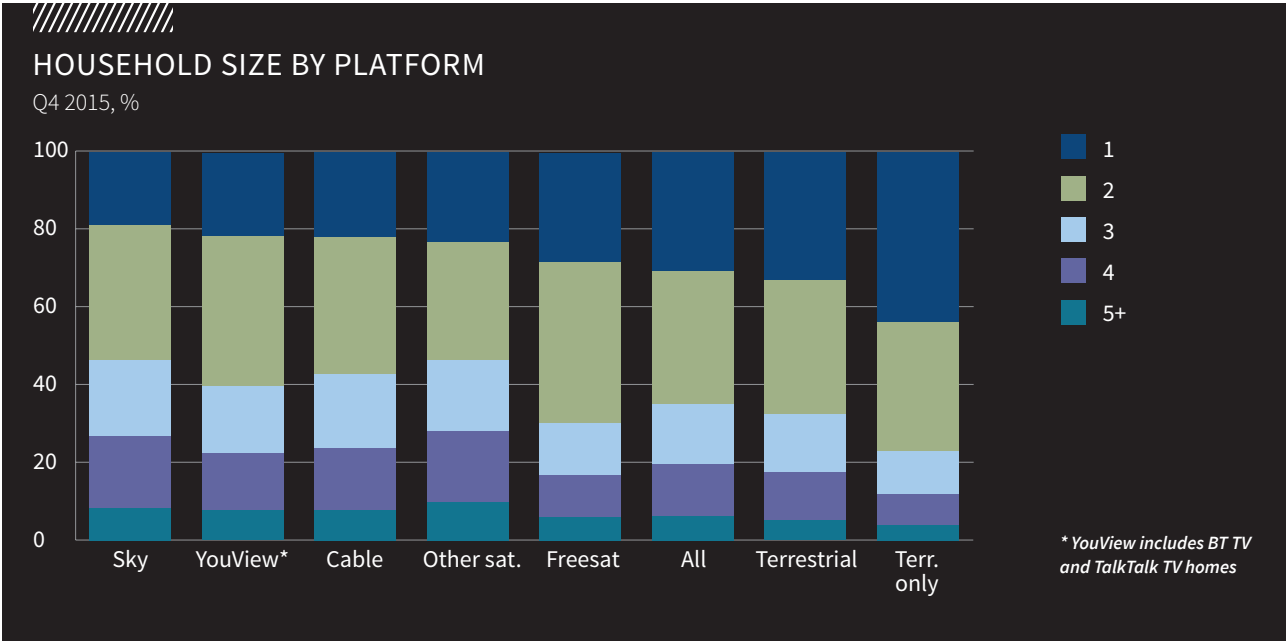
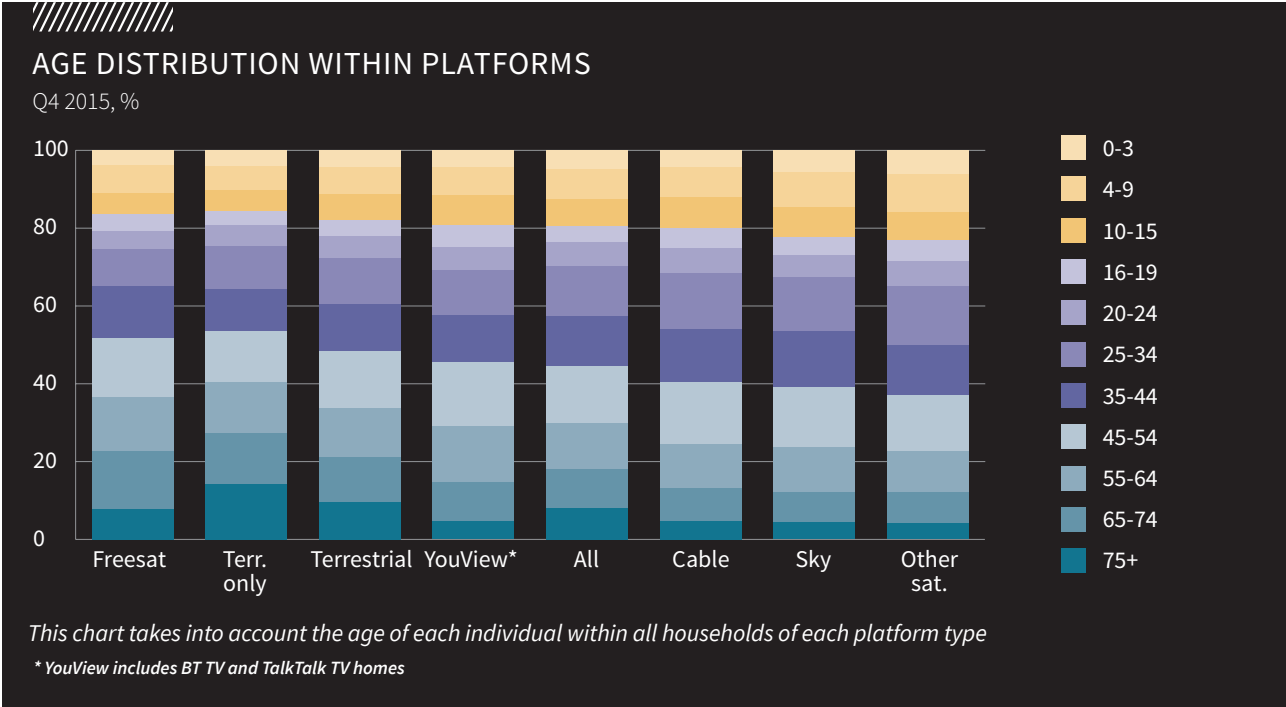
When we look at ownership of other devices, which is likely to be correlated with social grade, it confirms this picture. The chart below shows that Freesat households are nearly

as likely to have PCs and tablets as Sky and cable homes, and significantly more likely than terrestrial and other satellite homes.



Otherwise Freesat confirms to the accepted picture of a free-to-air platform: it skews older and more towards smaller households (see following two graphs). Sky and cable, on the other hand, have the youngest profiles and

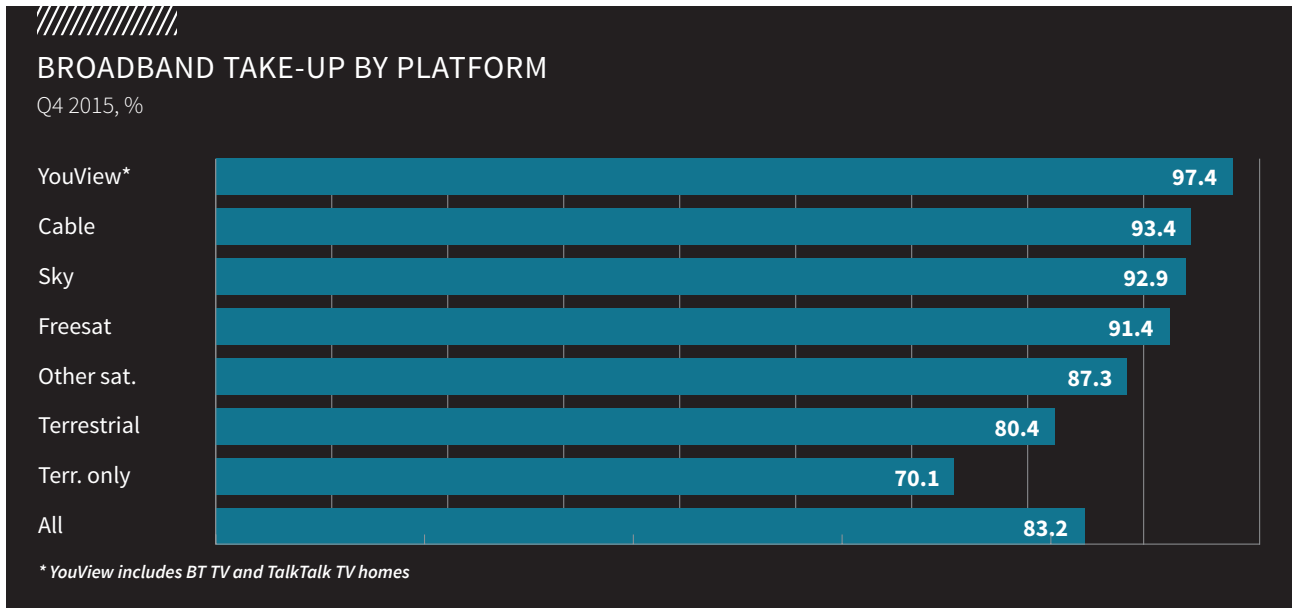
the largest households: these are the households with the greatest demand for TV. Terrestrial skews slightly older and towards smaller household size than Freesat.



BROADBAND PENETRATION

Broadband penetration is significantly higher for pay platforms than free-to-air platforms. Where the UK average is 83% broadband penetration, all the pay platforms have over 90%, while terrestrial only homes only reach 70%.

Freesat is the highest of the free-to-air platforms at 91%. This is a natural result of the investment made by pay providers in broadband marketing and delivery.



**WHO DOESN'T
OWN A TV?**



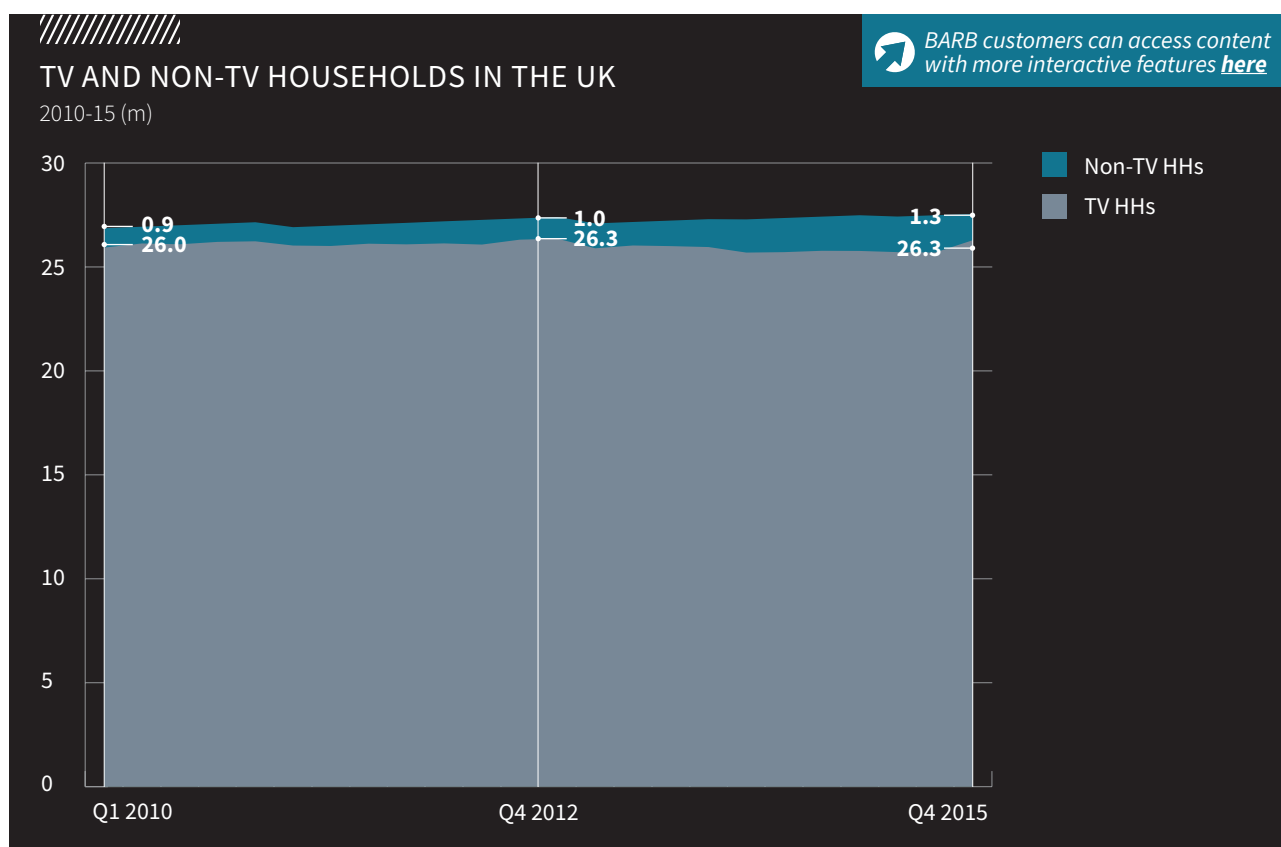
WHO DOESN'T OWN A TV?

For many years, it was widely assumed that pretty much every home in the UK had a TV. This can no longer be taken for granted. The number of non-TV households is growing: BARB's figures for Q4 2015 show 1.3m or 4.7% of UK households now make do without a TV. The growth in the number of households without a TV has picked up over the last two years: in both 2013 and 2014 the number increased by over 200,000 homes. There was a reduction in the final quarter of 2015, but this is the result of change in BARB's definition of a working set.

The exhibit below shows the steady increase in the number of non-TV households over the past six years. There is a reduction in the number of non-TV households in the

final quarter of 2015, but this is the result of a change in the way the Establishment Survey defines a household without a TV rather than a real change in behaviour. BARB used to define households which claimed to have a TV but not to have used it to watch TV programmes in the past six months as non-TV households; as from Q4 2015, these households are now counted as TV households. BARB also used to exclude households who had a TV but could not specify the means of reception (cable, satellite, terrestrial, etc.); these are now counted in.

BARB's detailed statement about the change in the definition of a TV household can be found [here](#).



WHY DOES IT MATTER?

If viewers' lack of a TV set means they no longer watch live TV, under current legislation they no longer need to pay for a TV licence, so the growth of non-TV households has implications for the BBC's funding base. This may change as a result of the current debate about whether access to BBC iPlayer will be restricted to licence-fee payers.

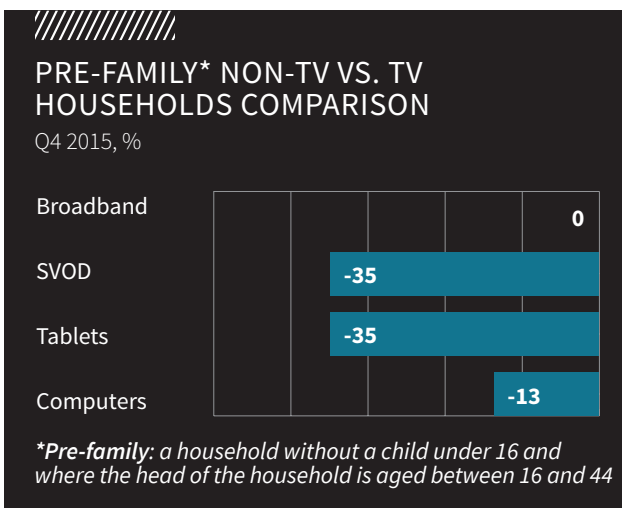
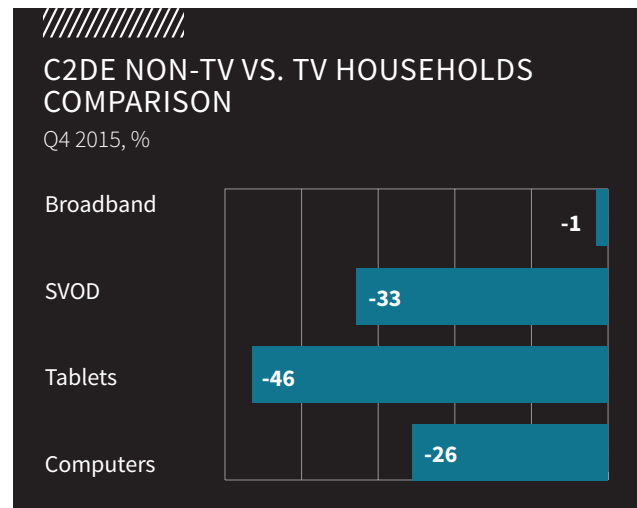
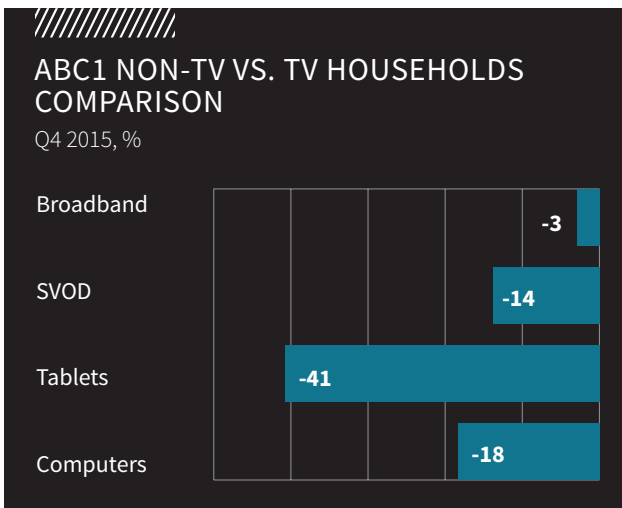
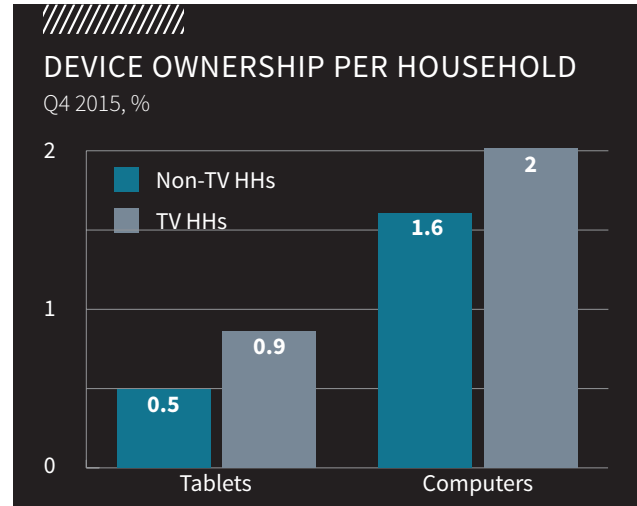
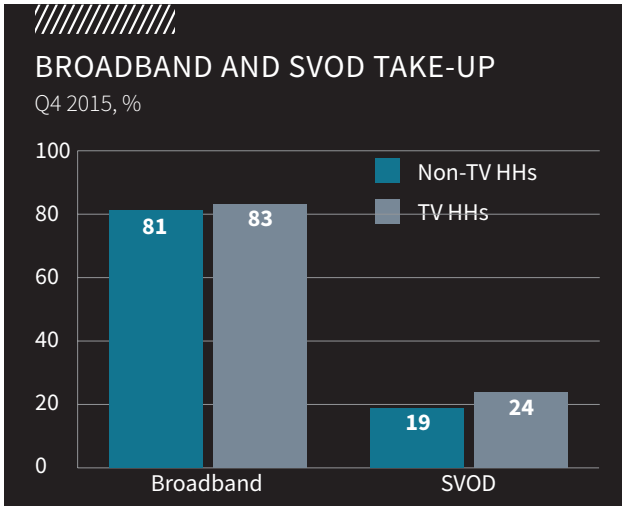
Households without a TV still have access to video content, but are likely to watch it using a computer device, which means that what they watch and how they watch it is likely to be significantly different.



COMPARING TV AND NON-TV HOUSEHOLDS

One theory is that non-TV households are online pioneers who are keen on TV but prefer to use computer devices to access it. However, the figures suggest that those without TV sets are generally less interested in the TV experience: they have a lower level of broadband take-up, and they are significantly less likely to have SVOD or own a tablet or a PC.

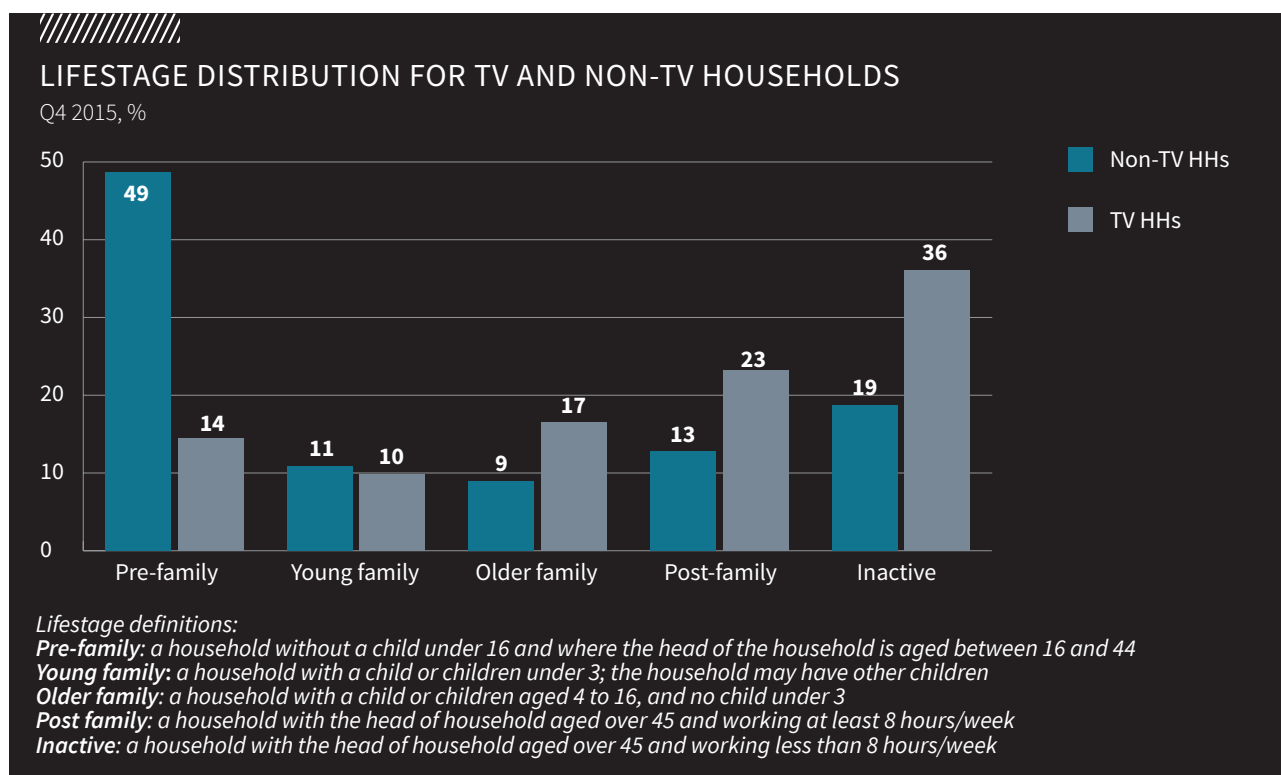
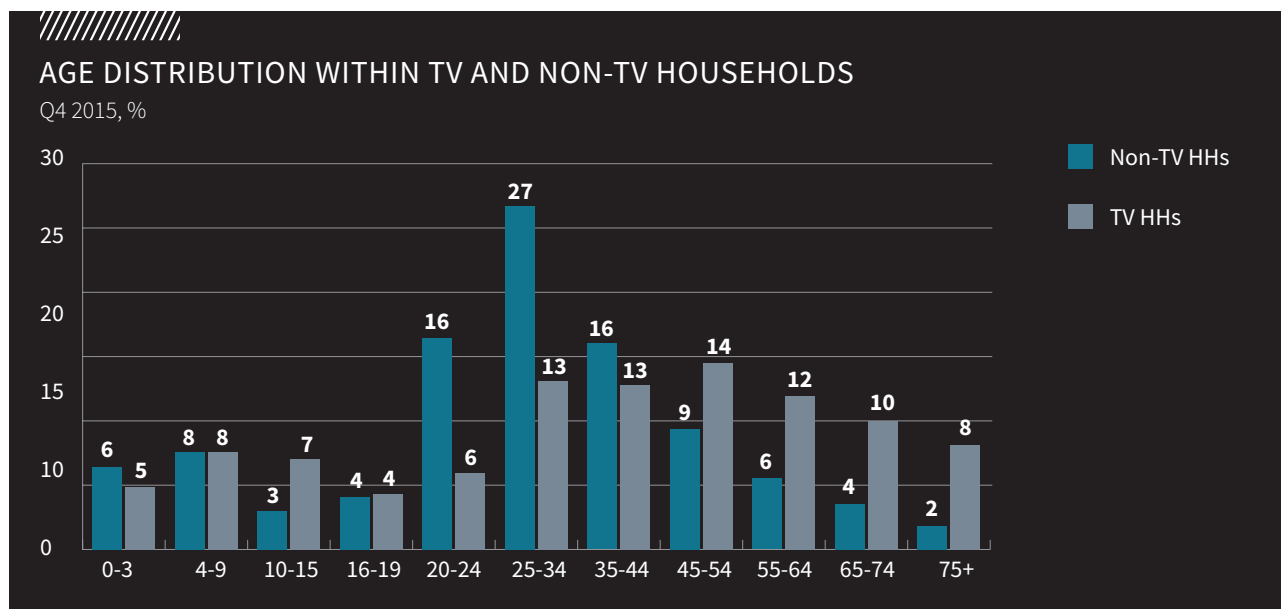
Drilling down to look at equipment ownership by social class (ABC1 or C2DE), it seems as though non-TV households right across the social spectrum are less likely to use broadband or SVOD, or to have computers and tablets.



WHAT CHARACTERISES NON-TV HOUSEHOLDS?

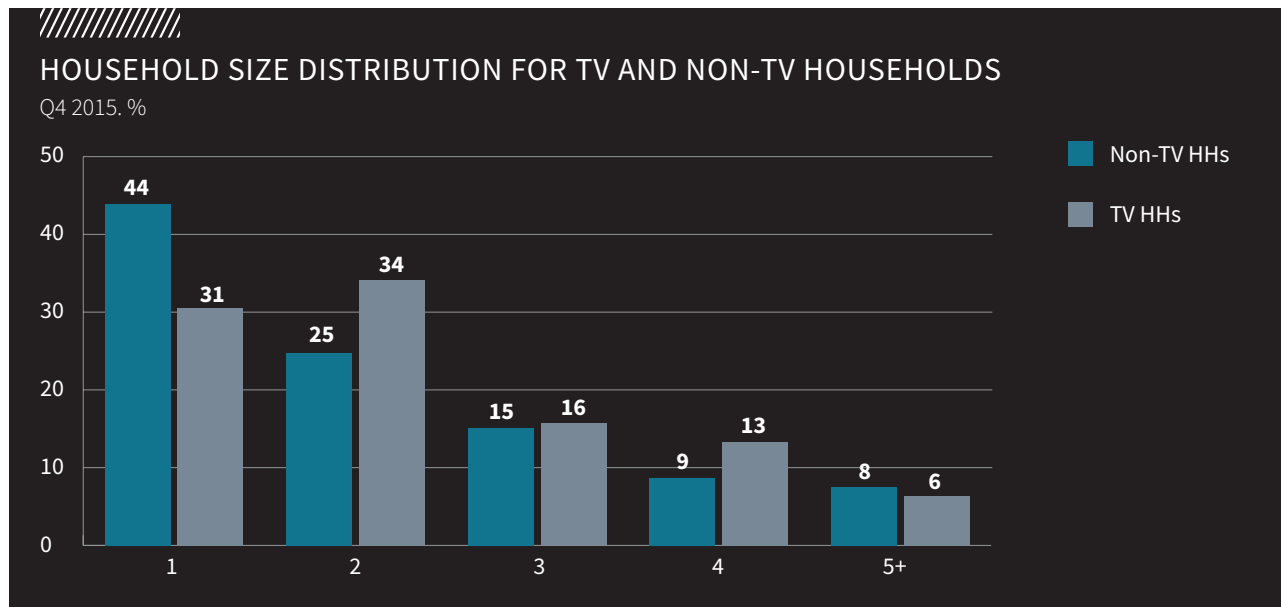
Non-TV households are heavily skewed towards the 16-34 age group: 47% of the occupants of non-TV households fit into this age bracket, compared to only 23% of occupants in households with TV sets. Non-TV households are much younger. Comparing the lifestage of non-TV households with those that do have a TV reinforces this idea: 49% of non-TV households are defined as pre-family, i.e. with the

head of household between 16 and 44 and no children. Only 14% of TV households are in this lifestage, a huge disparity. The big question this leaves open is whether today's pre-family homes will be able to survive without a television once they have children and move to the next cohort. This is definitely a trend to keep our eye on.



Non-TV households are likely to be smaller: the average household size is 1.96 compared to 2.35 for households with TV sets. 44% of non-TV households are single person households compared to 31% of TV households, a 13%

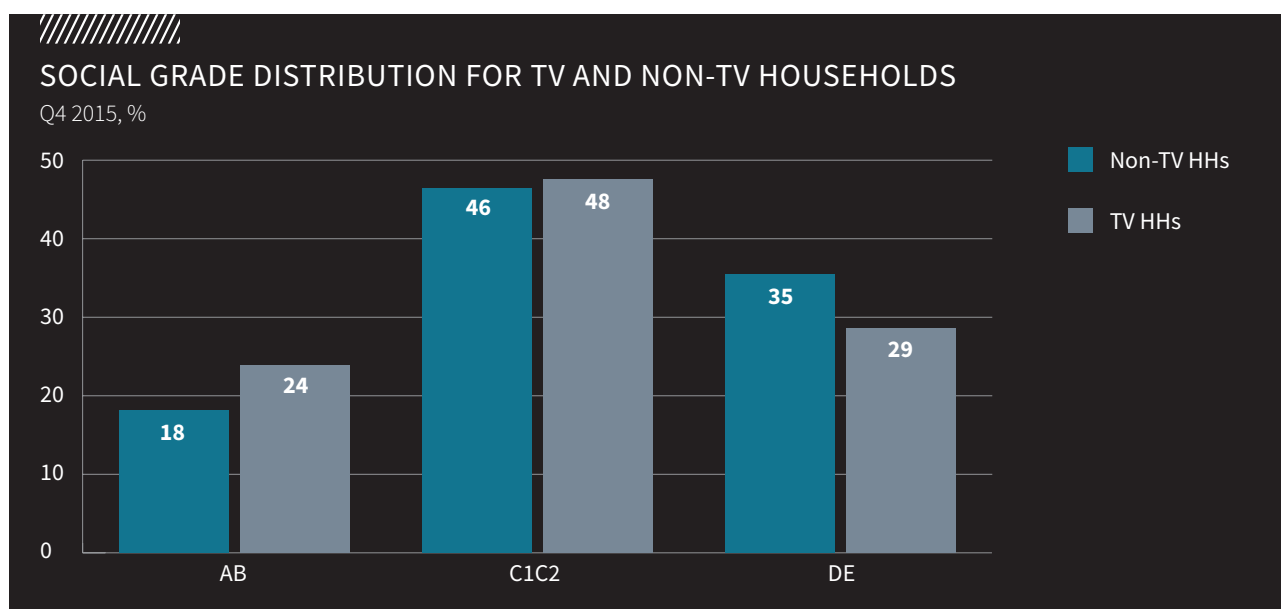
difference. Unsurprisingly, non-TV households are half as likely to have children: only 19% of households without TV sets contain children compared to 26% of households which have TV sets.



The data on the social grade of non-TV households completes the picture: non-TV households are skewed towards DE and away from AB social grades; the proportion of C1C2 is slightly lower.

either not got round to buying a TV, or perhaps don't find it easy to afford one. That said, it is worth noting that the number of people who do not feel it is essential to have a TV seems to be growing; is this the harbinger of a gradual lessening of TV's hold on our attention? When the number of households without a TV hovers down around 5% it is far too early to draw such a conclusion, but this is an area we will continue to monitor and report on.

So the picture that is emerging clearly is that non-TV households are most likely to be younger singles or couples who are just setting up home, and who have

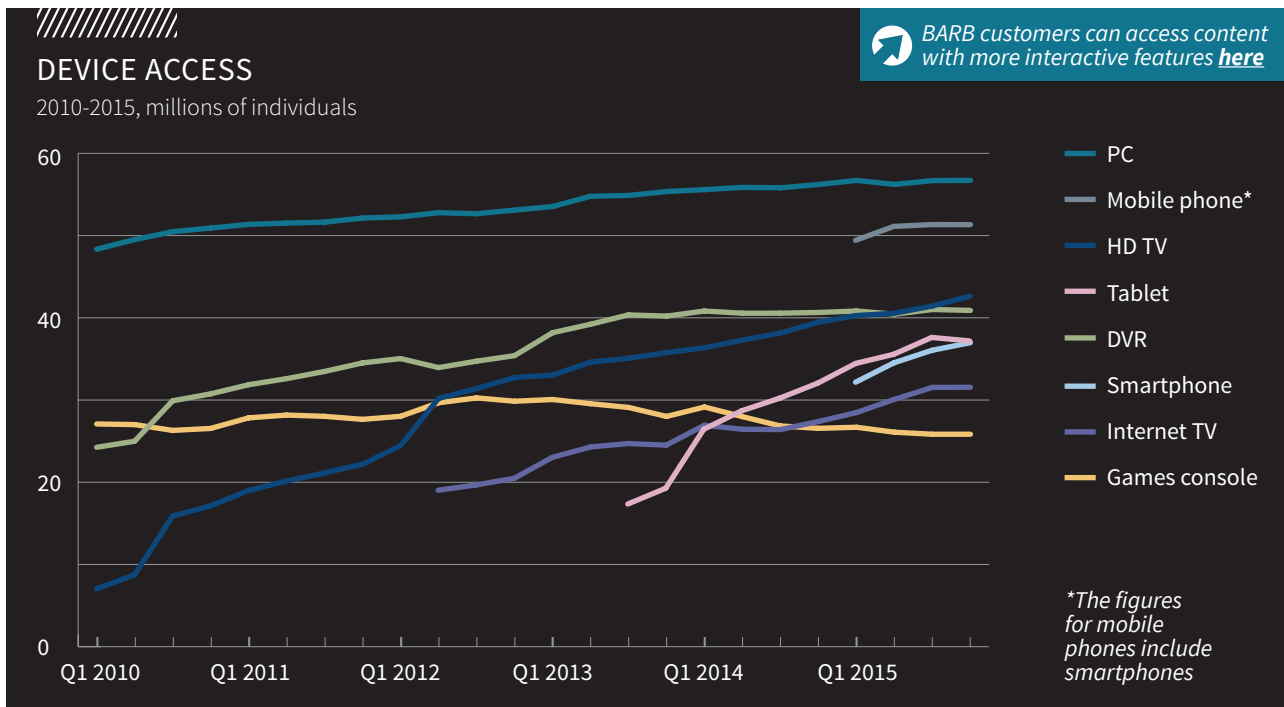


TV LANDSCAPE TRACKERS

The UK Television Landscape Report will track key metrics which define the TV landscape over time. The trackers will feature in each edition of the report, and we will add to the number of tracker charts as we go.

Tracking key metrics offers insight into the changing nature of the UK TV landscape. In many cases, the pace is slow; the question is, how steady?





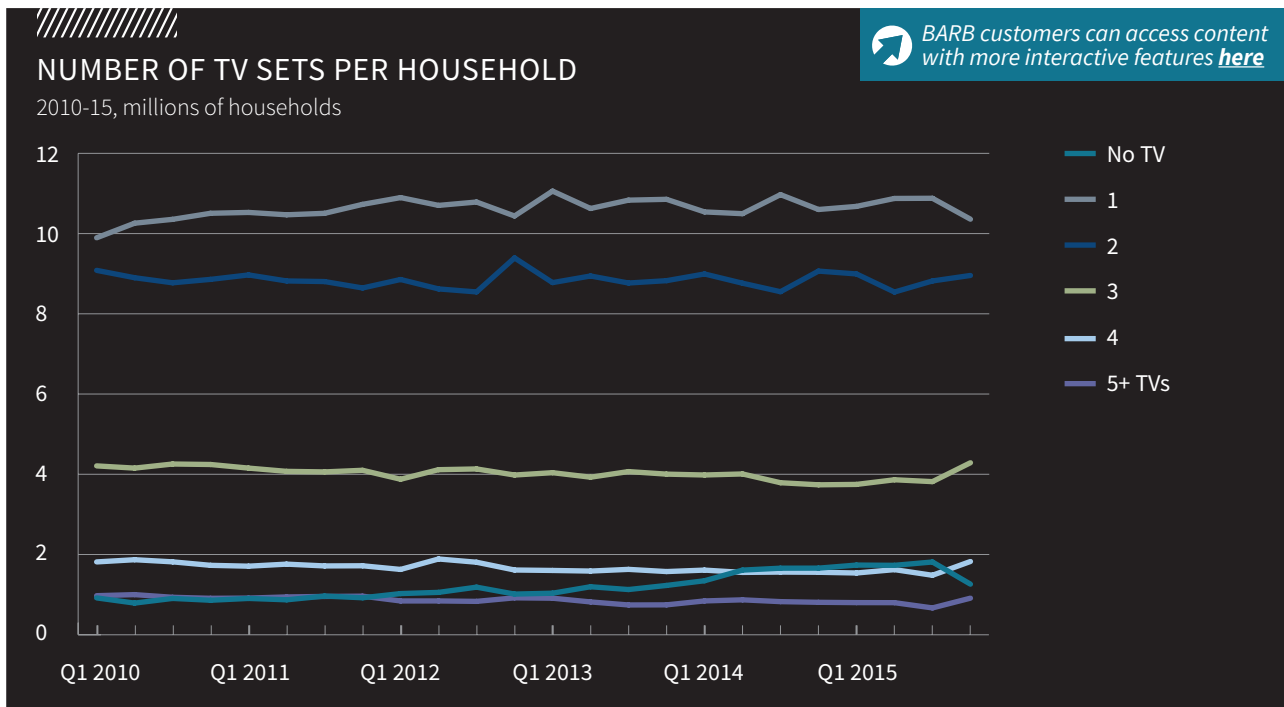
The chart shows the number of individuals who have access to each type of device. In the case of devices which are available to the whole household (such as HD TVs, PCs and games consoles), the figures include every person in the household. For devices which are owned individually (such as mobile phones and smartphones), the figures are for the number of individuals owning the device. This means that even though there are fewer PCs than mobile phones, the figures show that more people have access to a PC than a mobile phone.

The data suggest that while there is still robust growth for smartphones and HD TVs, growth is plateauing for PCs,

mobile phones in general and DVRs. The strong growth in tablets stalled in the final quarter of 2015; it may pick up again in the first quarter of 2016 as Christmas gifts have an impact. Internet TVs have also seen weakening growth in the final quarter of 2015, a trend to follow in the next few trackers.

Games consoles are the laggards; the data show that the number of homes with access to a games console peaked during 2012, just as the last generation of consoles was being introduced, and numbers have been falling steadily for the past two years.





The number of TV sets per household is a useful measure of the British public’s continuing fascination with the TV experience. The figures have been very stable, albeit with a slight long term decline in the number of households with three or more TV sets. There is a marked uptick in the number of homes with two TV sets in mid-2012; this may be due to viewers acquiring a second set to watch the Olympics. Or it could be connected to the purchase of new digital sets in response to the final stages of digital switchover.

The definition of a working TV set changed at the end of 2015. We previously did not count sets which respondents claimed had not been used to watch TV over the past six months; these are now included. We also used to exclude sets for which respondents could not specify the means of reception (cable, satellite, terrestrial, etc.); these are

now counted in (look [here](#) for a detailed description of the change in the definition).

The result of the change has been to increase the number of working sets, so there is an increase in the number of households with two, three, four and five or more sets. There has been a decrease in the number of households with no set.

There has also been a decrease in the number of households with one set. This is likely to be the result of a quirk in the mathematics. There are many more households with one set than there are with no set. This means that when the definition changed, the one set category lost more households to the two set category than it gained from the no set category.



Insight and analysis by

