2019

A VODYSSEY

d.fferentology

The beginning

At d.fferentology we are committed to understanding current and future trends in the ever changing video media landscape

With the monumental shifts towards increase in VOD usage (of all kinds), especially amongst younger audiences, we felt it was the right time to explore this space

We undertook this research to understand current and future trends and where the growth will come from in this emerging and evolving market

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THE WHO AND HOW OF THIS JOURNEY

ODYSSEY

The study was designed and executed by d.fferentology in partnership with Savanta. A big thank you to various Media Owners and Industry Trade bodies who were consulted and fed into the questionnaire design and topic areas

METHOD 15-minute online survey
2029 UK Nationally Representative interviews : (data weighted to ONS Total UK population profile 16+)

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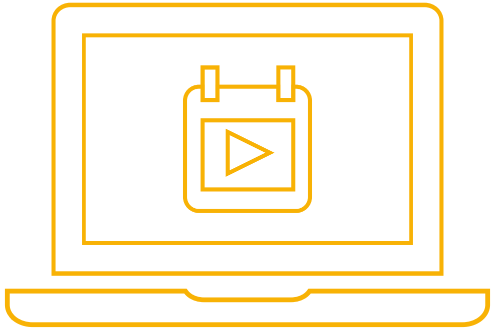
VODYSSEY GLOSSARY

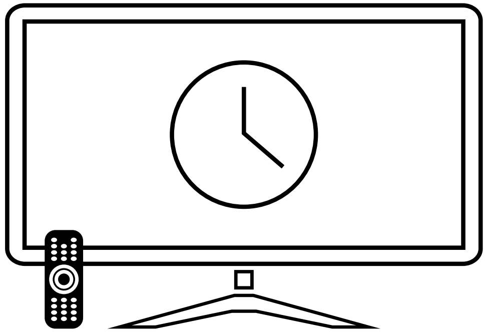
VOD

A service that allows viewers to watch video content whenever they choose, rather than at the scheduled broadcast time, as well as the ability to pause, rewind and record the programme



SVOD

An online service (available via your Laptop, Tablet, Smart/Connected TV or Smartphone) that you pay a monthly fee for, that gives you unlimited access to a wide range of programmes and/or films



LIVE TV

Live TV: TV channels such as BBC1, ITV etc., broadcasting in real-time either on Freeview or Pay TV

Chapter

1

THE QUEST BEGINS

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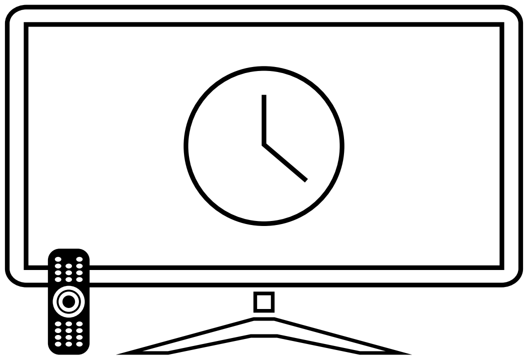
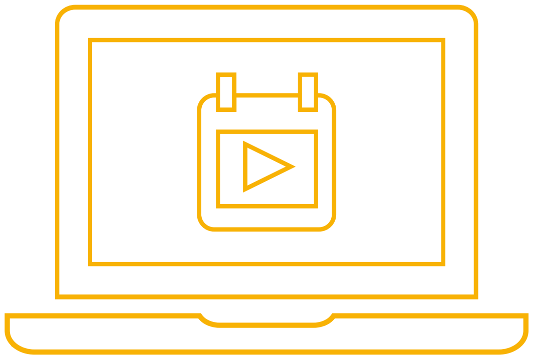
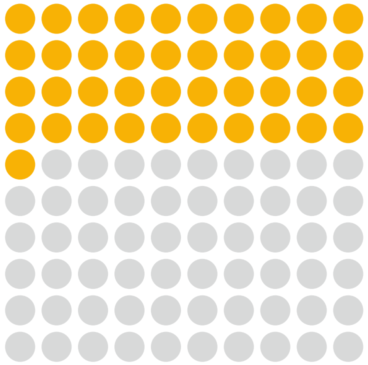
LIVE TV STILL FIRST PORT OF CALL FOR MANY

The proportion of those picking Live TV is still a lot higher, with two fifths of the UK population claiming to always go first to Live/linear TV when deciding what to watch on an average day







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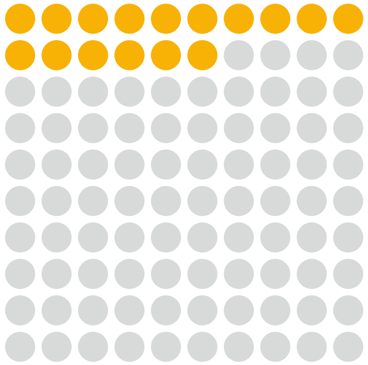


41%

Always go first to Live TV

16%

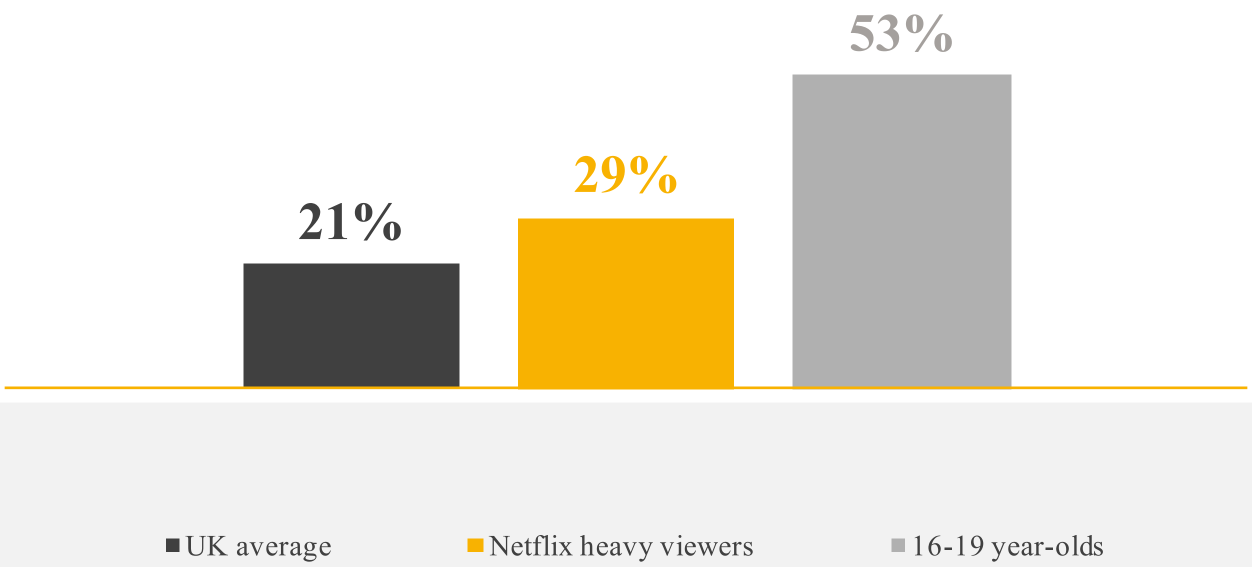
Always go first on SVOD

Q On an average day, when deciding what to watch, which of the following services, if any, do you go to first? Base: All respondents (2,029)

BUT 1 IN 5 GO ELSEWHERE FIRST

Never go first to Live TV

This rises to nearly a third of Netflix Heavy Users and over half among older teens



Q On an average day, when deciding what to watch, which of the following services, if any, do you go to first? Base: All respondents (2,029) | Netflix heavy viewers (751), 16-19 year-olds (129)

SO WHERE'S THE GO-TO FOR YOUNGER VIEWERS?

Where do young people go first for viewing?

Significant (and most likely growing) numbers of young people see streaming services as the starting place for daily viewing

16-19 year olds

Q On an average day, when deciding what to watch, which of the following services, if any, do you go to first? Base: 16-19 year-olds (129)

CHARTING The future

Broadcasters need to understand how to attract these younger cohorts back to their VOD services as ‘starting points’ for habitual viewing.

We know from industry figures that broadcaster VOD still outweighs subscription VOD for total viewing, but it’s clear that there is work to be done to become a place to start a search for content to watch.

Viewers often describe their browsing experience as a journey (“I go there, and from there I might go in that direction…”) and SVOD services are built to facilitate that journey. SVOD also personalise and tailor the content that they offer up on initial first screens. They serve up a range of relevant content right there at first glance with less effort on the viewer’s behalf. The benefit to the user is an interesting selection curated for them which matches what they want without often having to search too hard.

Chapter
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A loyal
crew
VODYSSEY
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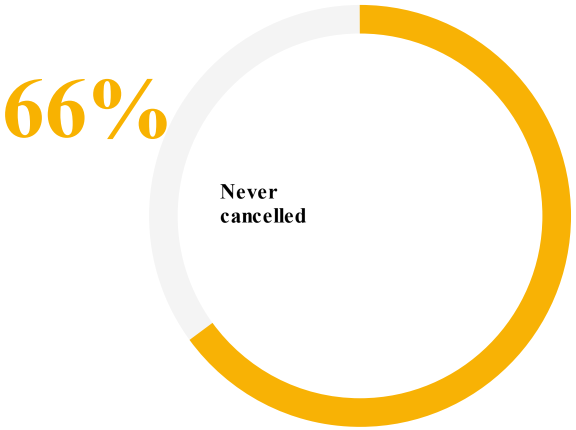
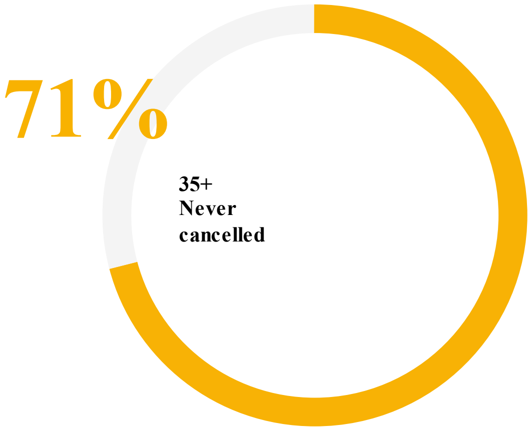
2 in 3 UK SVOD SUBSCRIBERS SAY THEY'VE NEVER JUMPED SHIP

Two-thirds of the UK SVOD subscribers claim to have never cancelled their SVOD service

Older age groups are the least promiscuous, with 71% of consumers aged 35+ never having cancelled their subscriptions





Q Have you ever cancelled your [SVOD service] subscription before? Base: Those who subscribed to at least one SVOD service (1,267), Those who subscribed to at least one SVOD service and 35+ year-olds (729)

THOSE WHO DO QUIT TEND TO RETURN PDQ

And it doesn't take too long for those who quit to come back to the same service again

The UK average of SVOD churning is eight months, which is the similar average for Netflix and Amazon Prime Video churners. After cancelling, a third of SVOD subscribers claim that they wait less than three months to re-subscribe to the same SVOD platform

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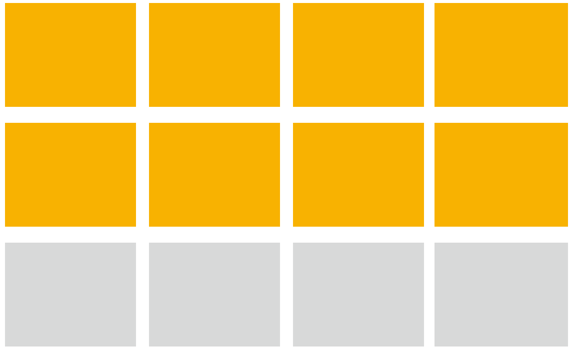
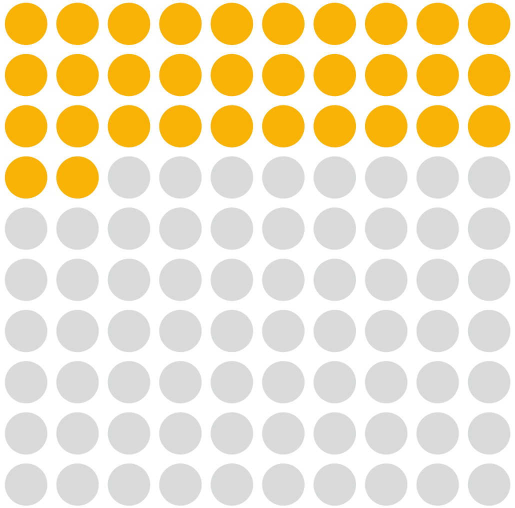
Months (Average UK churn rate)



32%

Wait less than three months before re-subscribing

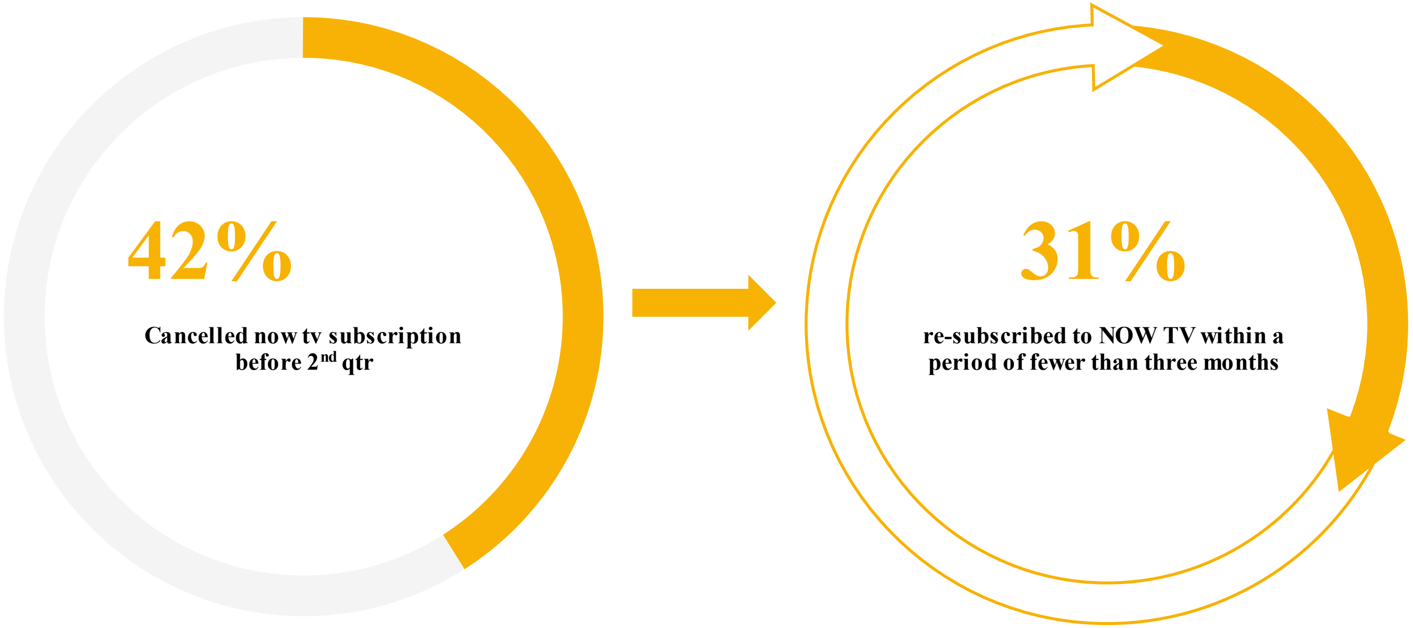


Q You told us you did cancel your [SVOD service] subscription before. How long did you wait before re-subscribing? Base: Those who ever cancelled their current SVOD subscription account before (434)

NOW TV HAS THE MOST CHURN

NOW TV has the highest churner proportion amongst its subscribers

Two-fifths claimed that they cancelled their NOW TV subscription in the past, but then 31% of them re-subscribed to NOW TV within a period of fewer than three months



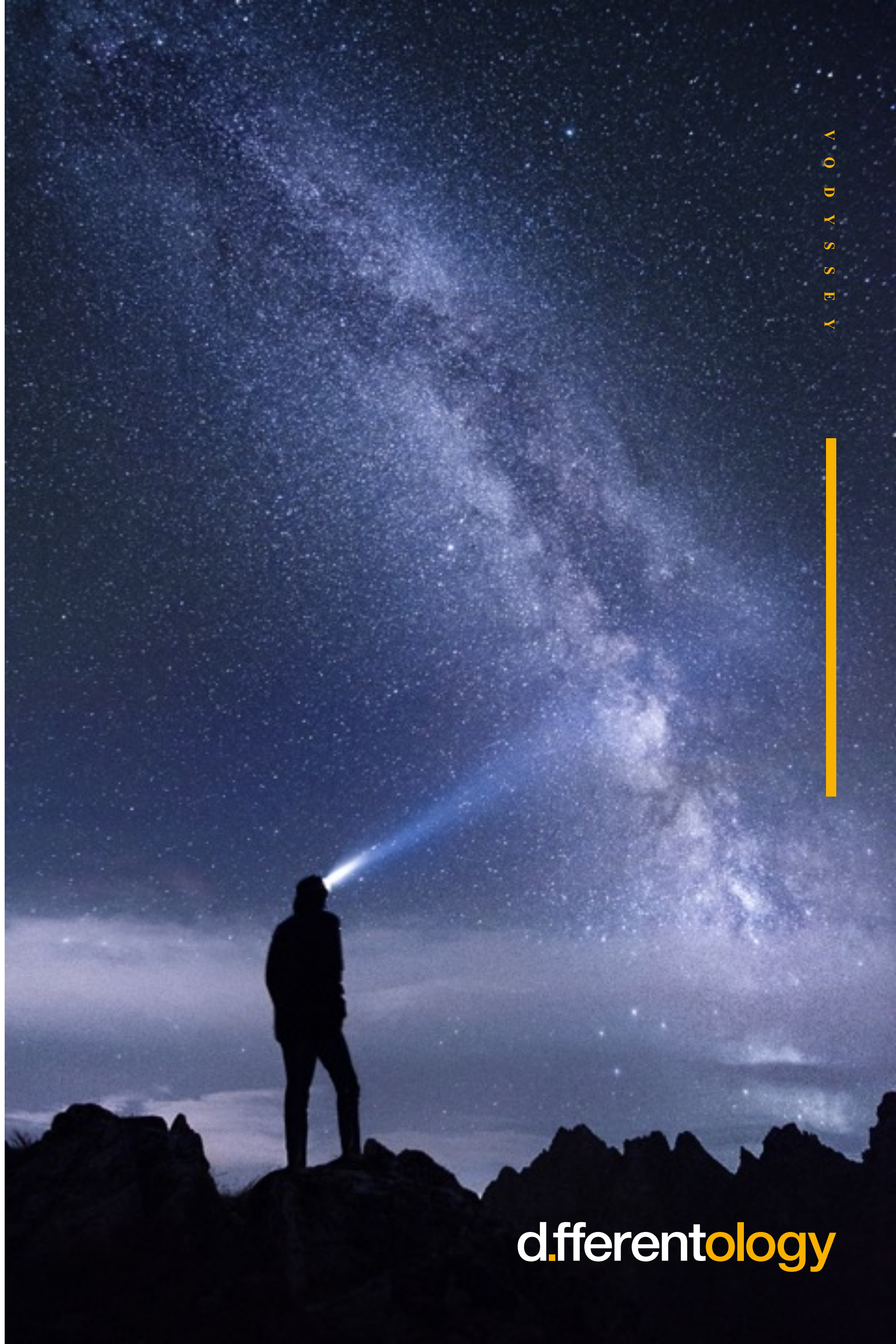
Q Have you ever cancelled your NOW TV subscription before? / Q You told us you did cancel your [SVOD service] subscription before. How long did you wait before re-subscribing? Base: NOW TV Subscribers (322), Those who ever cancelled their NOW TV subscription account before (134)

CHARTING THE FUTURE

The mix of low rolling monthly subscription plus lots of episodic content makes this a category with high levels of loyalty. Even those who do leave come back very quickly. A lot of content with frequent new additions is the obvious way to keep people hooked and to bring churners.

It seems that paying for a service makes you all the more eager to get the full benefits from it (so you watch more to justify shelling out that month). This then becomes a virtuous cycle, it becomes a bigger part of your viewing habits, so you're happy to keep paying.

As a side note, it's worth remembering that viewers often sign up to services which are only ever meant to be 'supplementary' like Now TV Entertainment Pass or Hayu, and they intend to cut them out when the key anchor content is over and done with.



Chapter

3

WHO'S OUR SAFE PORT IN A STORM?

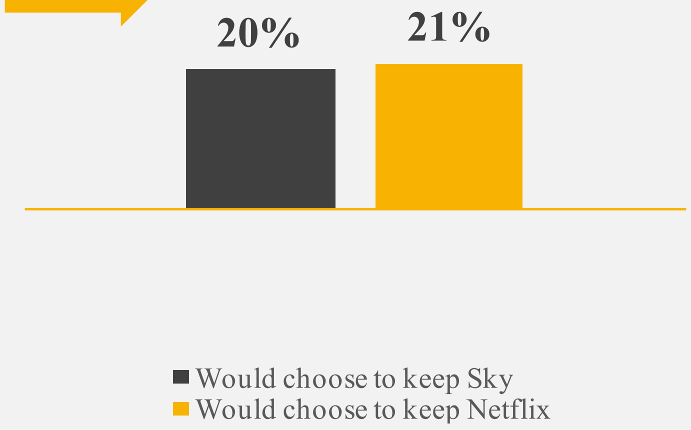
BRITS DIVIDED ON WHICH SERVICE TO KEEP IN A CRISIS

As a nation, we are split right down the middle when deciding which service to keep in a crisis

In a scenario where consumer spending was under pressure, PAY TV subscriptions, with years of legacy and building up customer loyalty, would be equally as vulnerable as new SVOD entrants in terms of overall market share

Thought Experiment:

Imagine a hypothetical situation where there is an economic crisis (post-Brexit) and you can no longer afford to pay for all the services you currently have. If you could afford to keep only one TV/Video service, which one would you keep?



Imagine a hypothetical situation where there is an economic crisis (post-Brexit) and you can no longer afford to pay for all the services you currently have. If you could afford to keep only one TV/Video service, which one would you keep?
Base: All respondents (2,029)

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PAY TV PROVIDERS STILL COMMAND GREATER LOYALTY

But looking at their respective customer bases Pay TV providers still command greater loyalty

Even though, as we just saw, Sky would command equal market share within the total population, it would retain a greater proportion of their own subscriber base

51%

Of Sky TV customers would choose to keep Sky

42%

Of Netflix customers would choose to keep Netflix

Q Imagine a hypothetical situation where there is an economic crisis (post-Brexit) and you can no longer afford to pay for all the services you currently have. If you could afford to keep only one TV/Video service, which one would you keep? Base: Those who have Sky available in the household (803), Netflix Subscribers (1,018)

CHARTING THE FUTURE

Do Pay TV providers need to focus more on US models of OTT skinny bundles - offering selections of live TV channels at comparable price points to the aggressively priced new digital SVOD entrants?

Chapter

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MAPPING NEW TERRITORY

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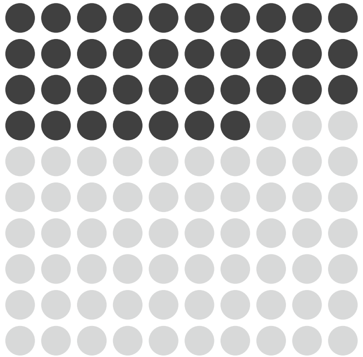
CURRENT USERS MAKE PROMISING PROSPECTS…

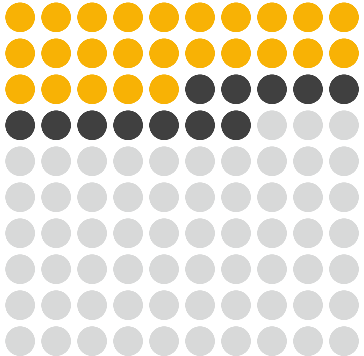
There's plenty of headroom in the SVOD market when we look at current users…

Just over a third of current SVOD subscribers are likely to take up another service in the next 6 months, and NOW TV subscribers are the most enthusiastic group



37%

Likely to subscribe to another SVOD service



65%

Of those 37% say they would subscribe to a new SVOD platform in addition to their existing service(s)

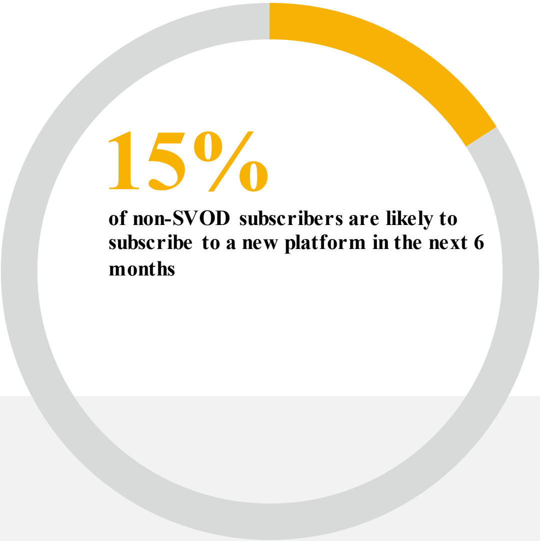
Research commissioned by ITV shows that desire for British content is high - with 43% of all online homes interested in subscribing to a new SVOD service which features British content. This increases to over 50% in homes with a Netflix subscription. This would be in addition to their current subscriptions.

BBC Press Office

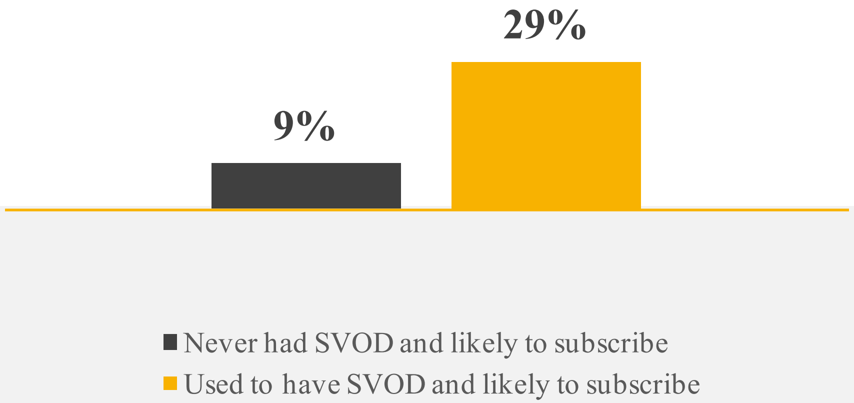
Q You told us you already have a paid subscription video-on-demand service. How likely are you to consider subscribing to another paid subscription video-on-demand service which is currently available in the market in the next six months? / You also told us you have a subscription to [__ SVOD service]. Which of the below best describes your action if you were to take up a new paid subscription video-on-demand service in the next six months? Base: Those who subscribe to at least one SVOD service (1,302), NOW TV Subscribers (322), Those who subscribe to at least one SVOD service and likely to take up another service in the next 6 months (484)

...BUT REELING IN NON-SVODERS IS MUCH TOUGHER

The appetite towards the current platforms is low amongst the non-SVOD subscribers



Having had experience with SVOD in the past makes people more open to the idea, compared to people who never had an SVOD service before

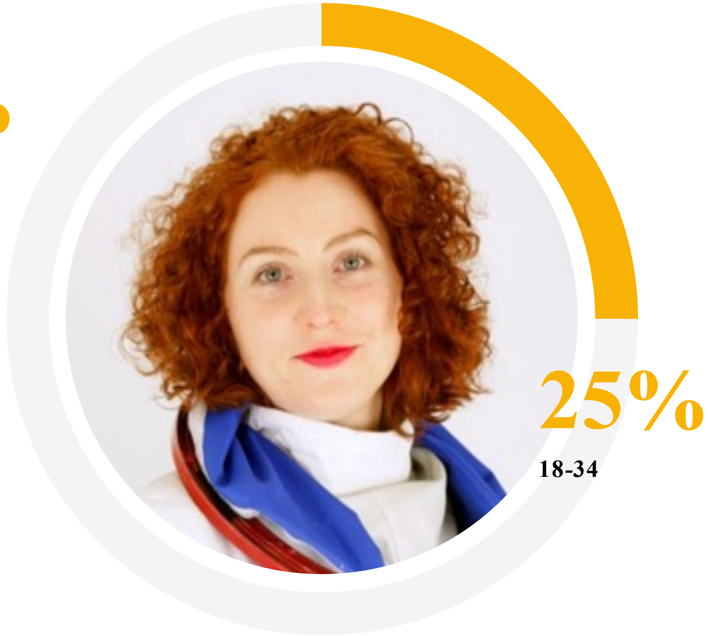


Q How likely are you to consider subscribing to a paid subscription video-on-demand service in the next six months?
Base: Those who do not subscribe to any SVOD service (727), Those who never subscribed to an SVOD service before (429), Those who ever subscribed to at least one SVOD service but do not currently have an SVOD subscription (145)

18-34S KEENER TO GET ON BOARD

The long-term outlook for the younger generation is positive

Those aged 18-34 are more likely to anticipate increase in the amount of SVOD services in their households in the next three years



Q Do you anticipate any changes to the number of paid subscription services in your household in the next 3 years?
Base: 18-34 year-olds (626), 35+ year-olds (1,364)

Charting the future

New offerings could come in as a complement rather than a replacement to existing SVOD services and the easiest wins for new SVOD services are the existing SVOD customers.

Marcomms messages and offers should be focused on adding/expanding the repertoire and ‘compliments’ to existing services, rather than encouraging ‘switching’ behaviour. Younger cohorts also have a healthy appetite to expand their repertoire of SVOD services and all in all, there is still good headroom in this market.

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Chapter

5

Britbox: A new Odyssey for the SVOD generation?

Large appetite for a British-focused service

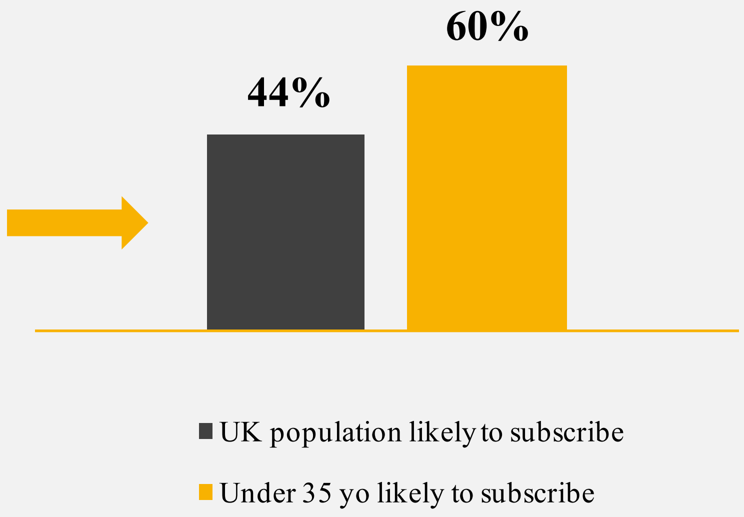
The appetite for a service with a focus on British content is high

Over two-fifths of the UK population claim that they would be likely to subscribe to a concept/proposition similar to the recently announced tie-up between The BBC and ITV, known as Britbox

Thought Experiment:

"Imagine there was a new paid subscription video-on-demand service launching in the UK soon. It would offer a comprehensive catalogue of British TV, from classics to the latest award-winning programmes and documentaries

You could watch a wide range of British TV shows from the British TV broadcasters such as BBC, ITV, Channel 4, Channel 5 etc. which would be available only on this service and nowhere else."



Q If this service was available to you, how likely would you be to take out a subscription?
Base: All respondents (2,029), under 35 (626)

Most prospects see this as an add-on

The majority of those who would take this offer up see this as a complementary service

At the same time, a large proportion of UK SVOD subscribers would either cancel or replace their existing services. The reasons for those cancellations would need to be understood further

55%

Would take it as a supplement to their existing service

43%

Would take it as a replacement to their existing service

Q Which of the below best describes your action if you were to take up this service?
Base: Those who subscribe to at least one SVOD service and likely to take up the new SVOD service (704)

Charting the future

Britbox could be the ‘silver bullet’ that helps the UK traditional broadcasters really target and cater for young, digitally savvy audiences, provided that the delivery platform was genuinely best in class and matching the technical finesse of the global digital giants.

There is a clear appetite for this service, with a focus on great British content, and it could fill the gap for ironic, dry British humour.

Netflix does meet this need with its’ catalogue of old favourites like Peep Show, Office etc., but it’s not as fresh, and there isn’t much of it.

Chapter

6

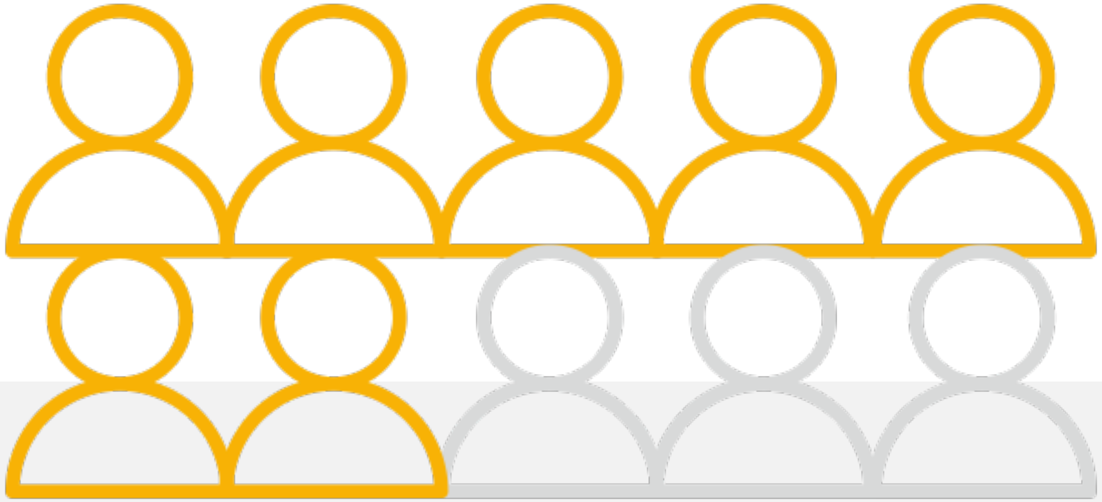
Advertising: Trek or not to trek for SVOD?

Ads ON svod will not sit well with viewers

Introducing ads on SVOD services is currently unlikely to sit well with viewers

Nearly three quarters of SVOD subscribers (who expressed a preference) said they do not consider any form of sponsorship or advertising on these (SVOD) services acceptable

72%



Q Please can you rate to what extent you agree or disagree with each of those statements – "I would not consider any advertising or sponsorship on these services acceptable" Base: all SVOD subscribers who express an opinion (911)

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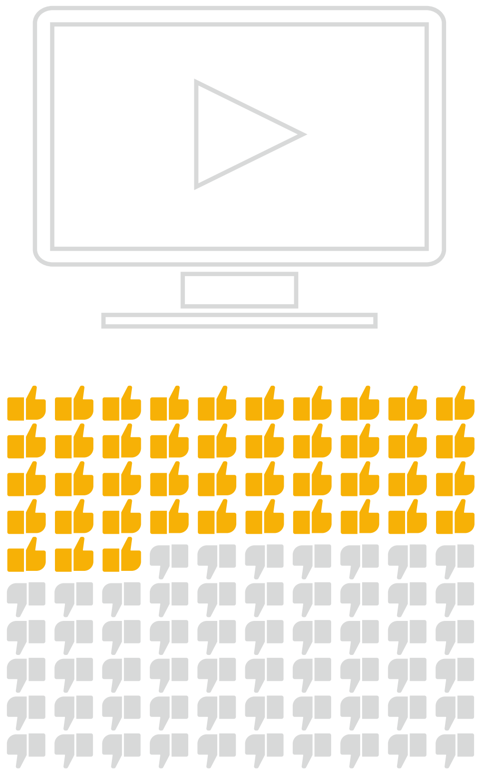
But vod is a different story

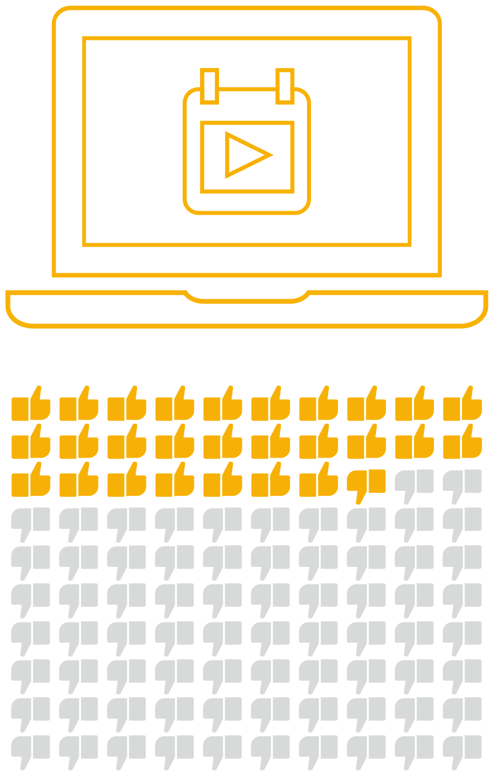
However, it's a different story for VOD services, with their legacy of ad-funded video delivery

SVOD subscribers are more likely to accept and enjoy advertising on VOD services like the All4 or ITV Hub, than on SVOD services



43%

Accept ads on VOD



28%

Accept ads on SVOD

Q Please can you rate to what extent you agree or disagree with each of those statements – "I accept and enjoy advertising on video on demand/catch up services on things like The ITV Hub and All 4" / "I would not consider any advertising or sponsorship on these services acceptable" Base: all SVOD subscribers who express an opinion (912/911)

differentology

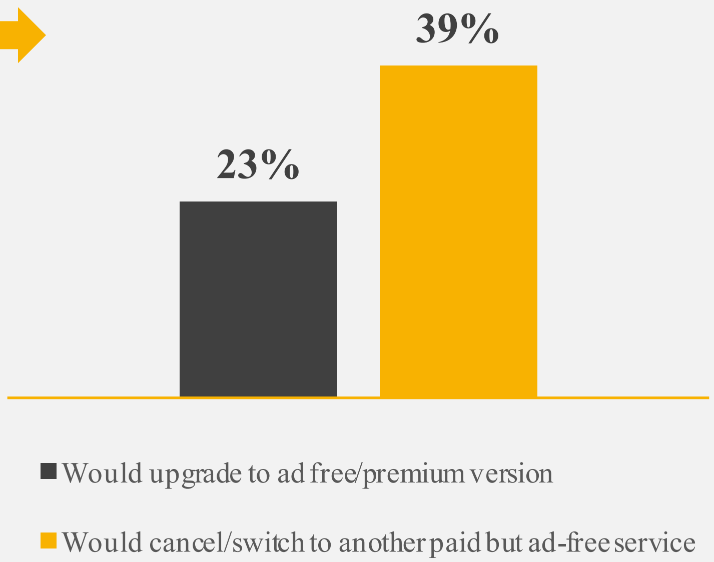
Will Netflix risk rocking the boat?

To challenge this status quo could be a potentially risky move for Netflix

SVOD only entrants should be careful when considering introducing ad-funded models to their services as this could alienate a large part of their customer base

Thought Experiment:

What would you do if Netflix started charging for their services?



Q Imagine [SVOD service] started showing advertising to their users. Imagine they also offer a premium / ad-free subscription plan. Which of the following actions, if any, would you take? Base: Netflix Subscribers (1,018)

Charting the future

Models for any future SVOD services need to understand legacy relationships with existing broadcaster brands where they have consumer 'permission' when it comes to serving ads on their VOD platforms.

This has been made possible by consumers' perceptions of such services as being essentially free at the point of consumption (not including issues around license fee payments which are not normally top of mind for consumers) and paid for by advertising.

Who we spoke to

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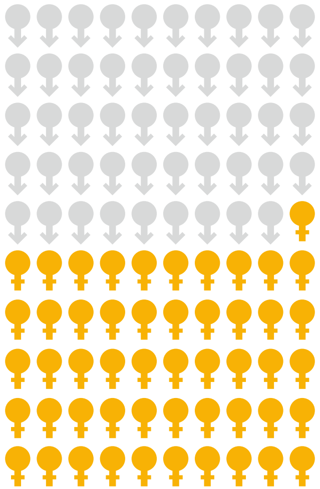
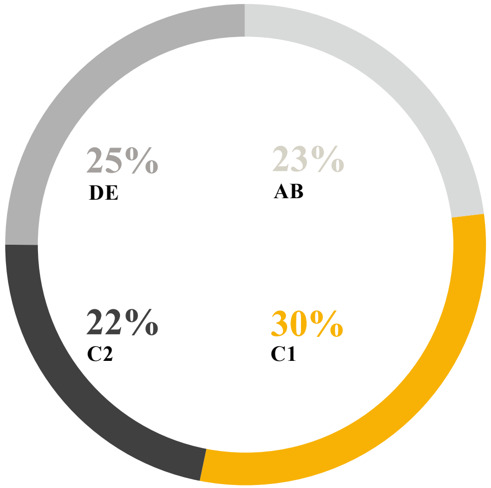
2,029 respondents took part in the study.





23%	NORTH
17%	MIDLANDS
9%	EAST
13%	LONDON
22%	SOUTH
8%	SCOTLAND
5%	WALES
3%	N IRELAND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