



BBC iPlayer Public Interest Test

April 2019

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1 Executive Summary

- The BBC Board is satisfied that the proposals to improve the availability of content on BBC iPlayer clearly meet the Public Interest Test.
- To serve the new demands of audiences the BBC is proposing:
 - A new standard availability of at least 12 months for all commissions;
 - Full box sets of selected returning titles; and
 - A selection of non-returning programmes extended for longer or brought back from the archive.
- It is clear that these proposals will create great public value. 63% of people surveyed felt our changes would mean better value for the licence fee, while ensuring that we deliver a universal service that meets their current expectations.
- The proposed changes will not crowd out competition. They simply bring BBC iPlayer into line with the industry standard and will allow the BBC to stop the continued decline of BBC iPlayer we would otherwise expect to see over the next five years.
- The proposed changes are the minimum necessary to enable the BBC to serve all audiences as required by our Mission and Public Purposes. If the BBC is unable to make these changes BBC iPlayer will fall further behind the market and jeopardise the BBC's ability to fulfil its Mission and Public Purposes, particularly for younger audiences.
- The Board expects that given these findings that Ofcom will be able to undertake a short competition assessment on our proposed changes, which will avoid any further unnecessary delay.

1. The BBC was founded almost a century ago with a mission to inform, educate and entertain. Ever since, our responsibility has been to deliver on that founding vision by providing high-quality, distinctive content and services, funded primarily by licence fee payers, and available to everyone.
2. This mission has never been defined or limited by technology. From the early days of radio we have continually innovated in order to deliver it, whether through the birth of television channels or the launch of high-quality services via the internet.
3. In 2007 we launched BBC iPlayer, which allowed licence fee payers to catch up online with TV programmes they had missed. Initially audiences could do this for seven days, then for 30 days from 2014, and in 2015 we added live viewing of linear channels.
4. BBC iPlayer not only represented a step forward for the BBC. Our investment in technology and the creative industries has always fuelled innovation, grown new markets, and created whole new creative ecologies. This has been vital in helping the UK's creative sector to secure and maintain its status as one of the finest in the world.

5. Today, the role of UK public service broadcasting remains invaluable. The BBC is needed more than ever by its audiences and by the broader creative economy. We continue to lead the way in investing in bold, British programmes from the widest range of UK producers. We continue to provide audiences with a rich variety of quality British content across all genres and subjects that reflects the diversity of the UK and helps the country understand itself and the wider world.

The challenge

6. In recent years, the TV market has changed profoundly. Where once, TV services were run territory by territory, the internet has enabled new well-funded global giants to emerge, capable of creating content once and distributing to many subscribers across countries simultaneously.
7. These new video on demand (VOD) services, such as Netflix and Amazon Prime Video, have set a new benchmark for what audiences expect from online platforms. All broadcasting organisations, including the PSBs, are responding to these challenges.
8. These changes have seen audiences make the shift from watching broadcast television to viewing programmes online, on demand. For many audiences, watching TV content on-demand is now the default.
9. Increasingly, audiences expect to be able to access VOD services whenever, wherever, and however they want. They expect a wide choice of content, with the vast majority of series having all episodes available at once. They also expect box sets with all or most series of a programme. This is particularly true for younger audiences. And, crucially, there is no sign that today's younger audiences will return to linear viewing as they get older.
10. Recognising this increasing importance to audiences of accessing content on demand, it is clear that BBC iPlayer is absolutely vital for the BBC to continue to serve all audiences with our public service mission now and in the future.
11. It is not a "nice to have" for the BBC, or an extension of our linear TV services. More and more, it is through our digital services that our audiences expect to get value for their licence fee. BBC iPlayer is therefore central to our current and future ability to deliver our Mission and the Public Purposes by which our public service impact is measured.
12. Right now, despite its reputation for quality and the strength of its brand, BBC iPlayer is not keeping up with audience expectations.
13. In today's media landscape, audiences do not understand why programmes drop off BBC iPlayer after 30 days, or why sometimes the first episodes of series are not available. They are left frustrated by the lack of box sets and confused as to why some shows are available for longer, and others are simply not there at all.
14. In this context, BBC iPlayer is falling behind. And this is not only when compared to the big new global players. We are also failing to match audience expectation when compared to other traditional broadcasters and platforms.

15. Channel 4, for example, has developed a sizeable box set offer on All4, with content available for several years. Enders Analysis reported All4 as having 378 complete series available in December 2017.¹ Channel 5 has the ability to make series available for more than 12 months on its My5 VOD service.²
16. As a result the BBC is losing share of viewing. In 2014, our share of VOD viewing was over 40%, reflecting how ground breaking and successful BBC iPlayer was when it was first launched. If we do not adapt quickly to respond to audiences' new expectations, we expect our share of VOD viewing to continue to decline over the next five years, from around 15% today, to around 12% by 2024 (a fall of c.20%). This will threaten the BBC's very ability to deliver its Mission to serve all audiences and provides viewers with value for their licence fee.
17. This is a huge challenge for the BBC and we are working hard to address it on every front. This includes an even greater focus on cutting-edge creativity and taking risks to provide the most distinctive content. It also includes commissioning content from the broadest range of producers across the UK and supporting the smaller, more specialist producers which are so vitally important to us and to British creativity.
18. Succeeding is not just about the programmes we commission, and the way we market them, but also how we get them to our audiences.
19. When audiences are asked what they most dislike about BBC iPlayer they tell us there are two main issues:
 - Limited availability – Programmes are not there when audiences expect, creating an unreliable service;
 - Limited range of content – There is not enough volume or range of content “for me”.
20. We can solve the first of these issues by extending availability of our content – creating a more reliable offer. More importantly, extending the availability of content also helps to solve the second issue, by creating a greater range and depth of content at any one time.

Our proposals

21. We have formulated a set of proposals to address these issues and ensure BBC iPlayer will continue to be an integral part of a vibrant UK media ecosystem. This will transform BBC iPlayer from a catch-up service into a destination with a rich and reliable selection of content, whilst balancing affordability and achievability in the market. We are proposing:
 - A new standard availability of at least 12 months for all commissions;
 - Full box sets of selected returning titles; and

¹ Enders Analysis, [Video On Demand Insights, January 2018](#).

² http://www.cdn3.channel5.com/wp-content/uploads/2016/01/11193930/CF-Pact-MOU-Published_Fully-Signed_11.9.18.pdf.

- A selection of non-returning programmes extended for longer or brought back from the archive.
22. Most VOD services have programmes available for many years or in perpetuity. However, we have balanced the need for a strong audience offer with what is achievable in the market. 12 months is a fundamental minimum to transforming BBC iPlayer and halting the decline in its share of viewing. 12 months is necessary to ensure a reliable, consistent offer across all content, in particular:
 - A significant range and depth of content at any one time;
 - One full series of each current title typically available, as most returning shows have an annual pattern, therefore reducing searches resulting in dead ends;
 - A strong offer across the year, regardless of the rhythm of the linear schedule;
 - Bolder commissioning decisions to enable more ambitious shows that may underperform in a linear schedule, but would deliver value over 12 months on BBC iPlayer; and
 - A stronger platform to showcase British talent and programmes, with more opportunities to find audiences and grow, and avoid being drowned out by US rivals.
 23. This is a balanced response to improve our offer to audiences and to ensure the UK remains the most creative country in the world, attracting investment for the most ambitious projects and retaining choice for the consumer. Audiences will continue to be able to access the BBC through their preferred method whether that is broadcast television, BBC iPlayer as an online service, or within a pay platform. We have structured our proposals to be complementary to other UK PSB services.
 24. The proposed changes for BBC iPlayer have been carefully developed to balance the continued delivery of our public service mission for licence fee payers, with continued support for a healthy commercial video market in the UK.
 25. BBC iPlayer is, and will remain, one player among many VOD services operating in a thriving UK creative economy. In parallel with the changes proposed to BBC iPlayer, the BBC is planning to join forces with ITV – and potentially other PSBs – to create BritBox, a new ‘best of British’ SVOD service for UK audiences. This will sit alongside BBC iPlayer and the other PSB players, and become home to the largest volume of British TV box sets of any commercial service in the UK market.
 26. Given the scope of the changes to BBC iPlayer, Ofcom decided that the BBC’s 2018/19 changes to content availability on iPlayer were material, and directed us to undertake a Public Interest Test. This test, set out in our Royal Charter and Agreement, is designed to ensure that when the BBC makes material changes to its public service activities, we are able to demonstrate that the additional public value outweighs any potential adverse impact on our competitors or the market.
 27. To help us with this analysis, we have commissioned MTM to carry out qualitative and quantitative research; Communications Chambers to model the impact of the proposals; and Frontier Economics to assess the competitive impact.

Our proposals will create great public value

28. The MTM research clearly shows that our proposals would significantly enhance the value audiences they get from their licence fee. 63% of people surveyed felt our changes would deliver better value for the licence fee, while ensuring that we deliver a universal service that meets their current expectations.
29. 71% of respondents felt they would watch more BBC iPlayer than they would in the absence of our proposed changes; 21% would expect to use BBC iPlayer a lot more. 66% of adults surveyed felt the changes would make BBC iPlayer more appealing to people generally and 63% felt that the changes would make it appeal to a wider variety of people.
30. Audiences felt that the changes would allow them to watch content more flexibly. As one participant in the audience research put it:

“This will make BBC iPlayer better. Having programmes on for 12 months minimum not 30 days gives people enough time to watch.”

31. This analysis also clearly illustrates that our changes will safeguard the relevance of the BBC by enabling us to continue to deliver our Mission and Public Purposes.

Market impact

32. The modelling carried out by Communications Chambers estimates that our proposals will increase the reach of BBC iPlayer to 13.6% (an increase of 11.5% compared to the counterfactual, i.e. what would happen if we did nothing). The proposals will also increase time spent with BBC iPlayer by 29.5% compared to the counterfactual.
33. However, this will not result in an increase to the BBC’s overall share of VOD viewing compared to today. The proposals will simply allow the BBC to stop the continued decline we expect to see over the next five years. As can be seen in Figure 1 below, we forecast that while our proposals will lead to greater growth in BBC iPlayer viewing, given the growth of other VOD providers BBC iPlayer’s share of VOD viewing will remain largely unchanged from its current level. As such we consider that the proposed changes are the minimum necessary to enable the BBC to serve all audiences, as it is required by its Mission and Public Purposes.

Figure 1: BBC iPlayer estimated minutes of viewing and share of VOD viewing



Source: BBC analysis of Communications Chambers

34. We find no evidence that our changes risk crowding out competition. Frontier Economics' report finds that the proposals may result in a small decrease in viewing for some of our competitors – potentially up to a 3.4% loss in viewing for other broadcaster video on demand (BVOD) services – when compared to what would happen if we do nothing. This could in turn have a very small impact on the profitability of these competitors' services, but not at a level which risks crowding out competition or has a significant adverse impact on the market.
35. This small impact on profitability is highly unlikely to have any significant adverse impact on fair and effective competition, as our competitors are clearly capable of improving their own customer offer to respond to our plans, particularly given the pace of change in this highly competitive market and the huge success of the global SVOD services.

Public Interest Test

36. This analysis validates the BBC Board's initial conclusion that the planned changes to BBC iPlayer are not material. The evidence is clear that all of these changes are the minimum necessary for the BBC to retain share, and continue to deliver public value to all audiences. Furthermore, the evidence is clear that any impact on fair and potential competition is likely to be outweighed by the substantial public value that our proposals will generate. The BBC Board is therefore satisfied that they clearly meet the Public Interest Test.
37. We expect that, given these findings, Ofcom will be able to undertake a short competition assessment on our proposed changes, which will avoid any further unnecessary delay in implementing them. The greater the delay in making changes that

will simply bring BBC iPlayer into line with the industry standard, the greater the likelihood that the BBC's offer will fall further behind the competition and jeopardise the BBC's ability to fulfil its Mission and Public Purposes, particularly to younger audiences.

38. In this context, we think that in the future BBC iPlayer should be enabled to innovate and keep pace with the competitive market around us. We believe that the current regulatory approach, based on setting arbitrary limits, has become outdated in a fast-changing market. It leads to unnecessary restraints on our ability to deliver what our audiences expect.
39. Instead we think the BBC should be free to operate on a level playing field with our competitors – shaped by audience need, and within the very real constraints of the BBC's budget and the rights we can acquire in the market.
40. We can see (evidenced in Section 2) how rapidly the giant global players are moving within the market around us. We can see how quickly audience behaviours are changing and the speed at which services like BBC iPlayer need to respond. It is clear that this is a market in which to stand still is to go rapidly backwards.
41. Given the speed of change, any limits placed on BBC iPlayer are sure to become rapidly out of date and need to be replaced. More fundamentally, wherever such limits require regulatory approval to change, they would uniquely disadvantage the BBC in a competitive market, and therefore represent a significant risk to the BBC being able to adapt and fulfil its Mission and promote its Public Purposes, and provide viewers with value for their licence fee.

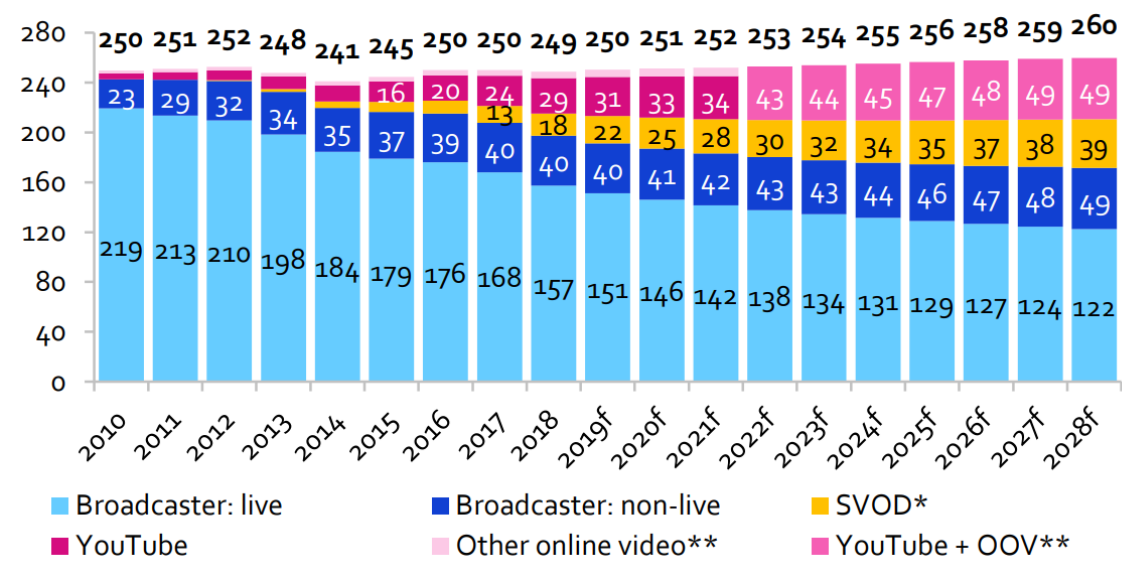
2 Audience and market context

42. In this section we set out details of the how the market in which the BBC operates is changing, and how this is affecting the BBC’s viewing both on linear TV services and on-demand.

2.1 Audiences are transitioning to watching video on demand

43. Viewing of live broadcast television is declining and shifting to online services at an unprecedented speed – and this trend is forecast to continue over the next decade (see Figure 2).

Figure 2: Average Viewing, all UK individuals 4+ (mins/day)

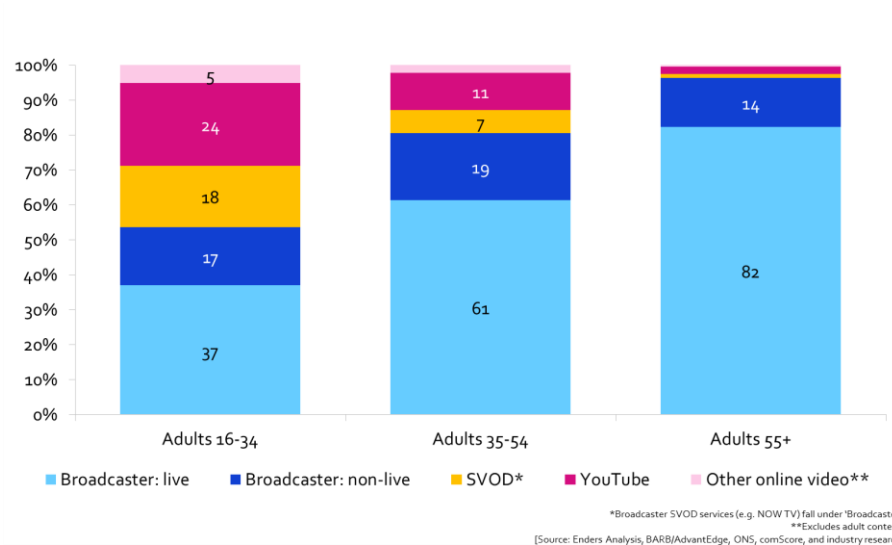


Source: Enders Analysis³

44. This shift is especially pronounced in younger audiences. Figure 3 below sets out the stark generational differences in viewing habits between different age groups; younger audiences consume much more online video and VOD, and much less linear TV than older generations.

³ Enders 2019, Enders Analysis, The future of video viewing: forecasts to 2028 [2019-023]. Enders Analysis of BARB/AdvantEdge, ONS, Comscore, and industry research. Broadcaster SVOD services (e.g. NOW TV) fall under ‘Broadcaster’. Other Online Video (OOV) excludes adult content.

Figure 3: Average daily viewing minutes by age (% of total)

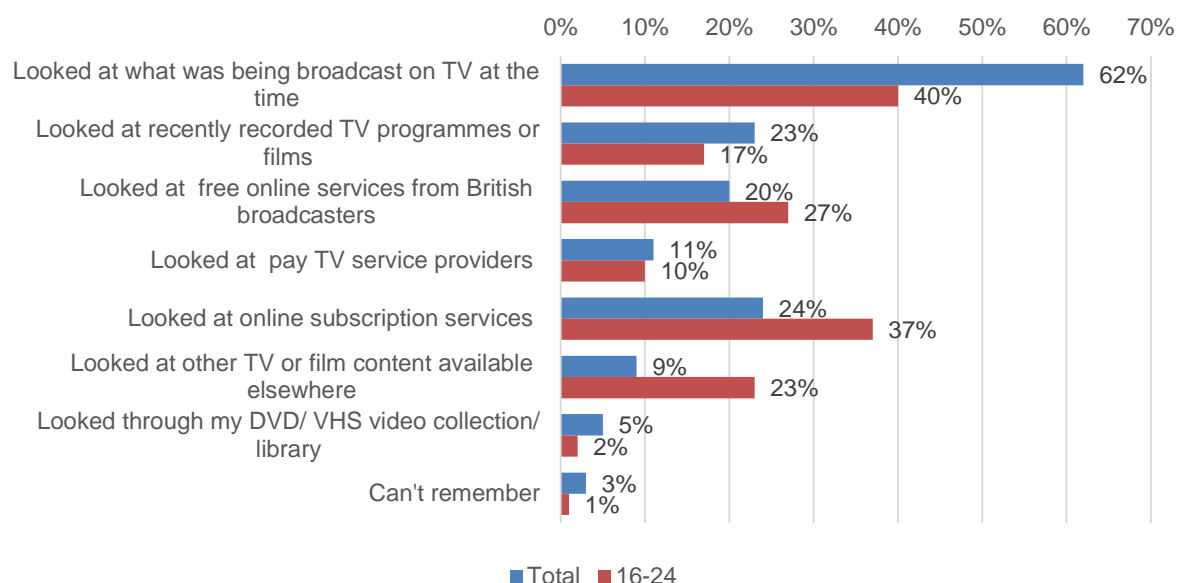


Source: Enders Analysis⁴

45. Whilst live viewing time in older audiences still remains relatively strong, this is forecast to change as penetration of smart TVs continues to grow.
46. Driving these overall trends is the fact that audience behaviours have changed. We have very diverse audiences across the UK and we now see a spectrum of different viewing behaviours – from more traditional audiences focused on live TV, to others who now almost exclusively watch online, on-demand.
47. And whilst viewing of broadcast TV is still the biggest volume of viewing overall, this masks different behaviours. For some audiences – often younger demographics – who are losing touch with the linear schedule, online services are now often their first port of call when deciding what to watch, as Figure 4 below makes clear.

⁴ Source: Enders Analysis, 2019.

Figure 4: Where do people search for a TV programme or film before deciding what to watch?

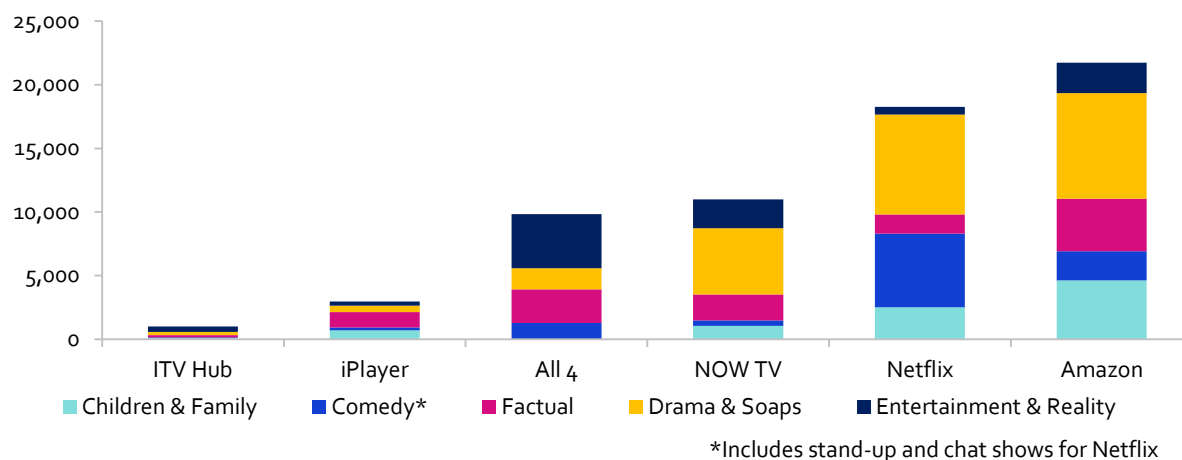


Source: Frontier Economics analysis of MTM data⁵

48. With the BBC's mission to serve all audiences, BBC iPlayer is not a "nice to have" for the BBC, or an extension of our linear TV services – **BBC iPlayer is central to our current and future ability to deliver the Mission and Public Purposes.**
49. Success in VOD requires a different approach than linear TV. On demand services now offer unprecedented choice and audiences now expect a greater range and depth of content at any one time. Audiences come to on-demand services to browse for something to watch, and they expect to find a range of content when they do.
50. However, for BBC iPlayer to be competitive with some of these new services it would effectively need to recreate a fresh library of comparable choices every 30 days, which its fixed income does not allow it to do. The result is an audience offering that feels thinner and less likely to satisfy those who have become accustomed to greater choice over what and when they watch. This means that the volume and range of content that we are able offer our audiences is no longer meeting their expectations of value from the BBC.

⁵ Based on Frontier Economics analysis of responses to QB6 of MTM's quantitative audience research.

Figure 5: Total hours across main five TV genres by service, October 2018



Source: Enders Analysis⁶

51. Figure 5 above demonstrates the limited volume of content on BBC iPlayer compared to other on demand services at any one time. One of reasons that other on-demand services are able to offer significantly more content than BBC iPlayer is that they have much longer availability of content.
52. SVOD services like Netflix and Amazon usually make their acquired content available for three years or more and originations available in perpetuity (for example, Netflix's *House of Cards* and *Orange is the New Black*, and Amazon's *The Man in the High Castle* and *Transparent*). They also typically offer them as complete box sets (i.e. all series).⁷
53. UK Broadcasters and traditional platforms have also responded to this changing audience expectation:
 - Sky is able to offer 1,222 TV titles to customers through NOW TV and Sky Box Sets, including some of the best US drama and comedy from HBO and Showtime, as well as Sky's original productions.⁸ Sky has also recently done a deal with BBC Studios to offer a number of BBC box sets on its platform.
 - Channel 4 has developed a sizeable box set offer on All4, including commissions and acquired content, with content available for several years. Enders Analysis reported All4 as having 378 complete series available in December 2017.⁹
 - Channel 5 has the ability to make all series available for more than 12 months on its My5 VOD service¹⁰ and has entered into commercial partnerships to also include third party content.¹¹

⁶ Enders Analysis, [SVOD in the US and the UK: a tale of three-player markets](#), December 2018.

⁷ BBC analysis.

⁸ Enders Analysis, [SVOD in the US and the UK: a tale of three-player markets](#), December 2018.

⁹ Enders Analysis, [Video On Demand Insights, January 2018](#).

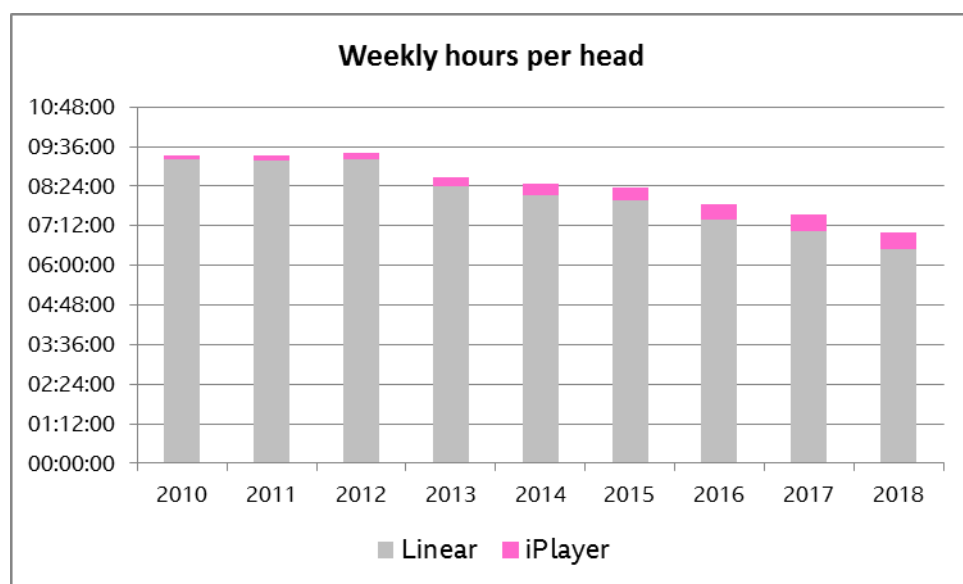
- ITV has recently amended its terms of trade, which will in future give it the flexibility to make all programmes available for over a year and offer full multi-series box sets, either within ITV Hub or through the new BritBox service. This gives it optionality to react to changing behaviours – and grow its audience offer – either through an advertising or subscription business model, as required.

54. It is clear that from these developments that there is significant competitive interaction between players in the current market, and that is leading to innovation to try to attract and maintain audiences. This delivers benefits to consumers. The BBC is one source of such competition, but regardless of the BBC's investment and changes to BBC iPlayer, all VOD and pay-TV operators will continue to innovate, as they have to date.

2.2 BBC iPlayer is not making up for the BBC's losses in broadcast

55. Against this backdrop the BBC's broadcast viewing is set to continue to decline over the coming years and BBC iPlayer is not making up for the losses (see Figure 6).

Figure 6: BBC viewing across linear and on-demand



Source: BBC analysis of DAX and BARB OPTIM data. Mid-year population estimates from the ONS.

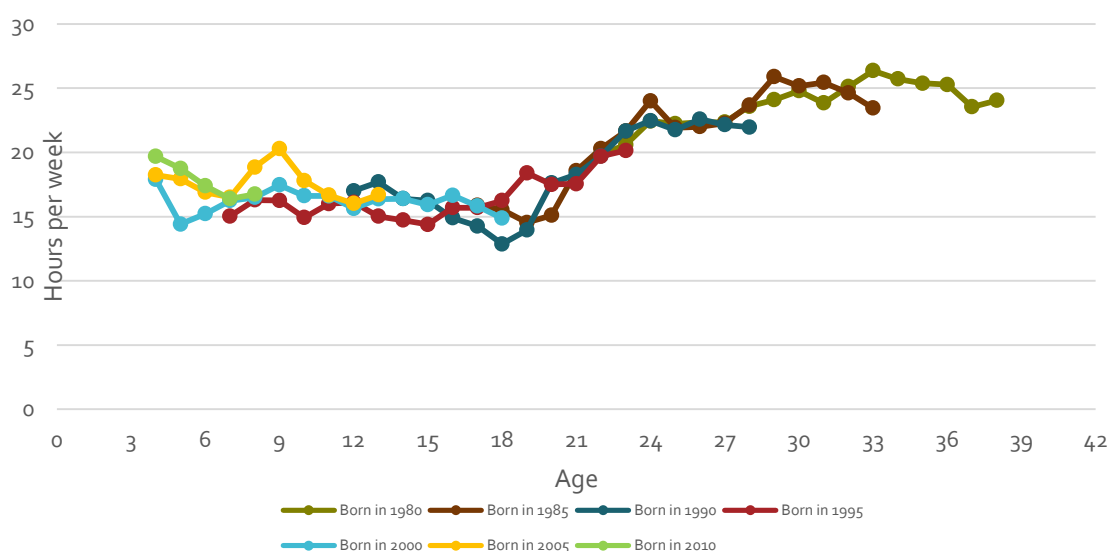
56. Launched in 2007, BBC iPlayer has gone from being the one of the first to market and a trail-blazer, to now lagging behind the market – and BBC iPlayer is losing share. Absent any changes, we expect our share of viewing in VOD to decrease further from around 15% today, to around 12% by 2024, i.e. over the next five years. This is our central forecast that underpins the analysis set out in this document – the ‘counterfactual’ of what we expect to happen if we do nothing.

¹⁰http://wwwcdns3.channel5.com/wp-content/uploads/2016/01/11193930/C5-Pact-MOU-Published_Fully-Signed_11.9.18.pdf.

¹¹<https://www.broadbandtvnews.com/2018/07/04/channel-5-signs-new-streaming-deals/>.

57. BBC iPlayer is a genuine “public service” where we strive to add value to the viewing experience through our unique breadth and range of content, our curation and the onward journeys we create for viewers. If BBC iPlayer cannot compete with others, then there is a further loss to the UK public that goes beyond simply a loss of viewing to our programmes. We therefore do not consider that doing nothing is an option for the BBC. If we fail to take action to respond to these market trends, then we put the whole future of the BBC at risk.
58. It has long been the case that, to some extent, younger audiences tend to consume less BBC content and then spend more time with the BBC as they get older and we have seen a clear trend of this behaviour across generations.

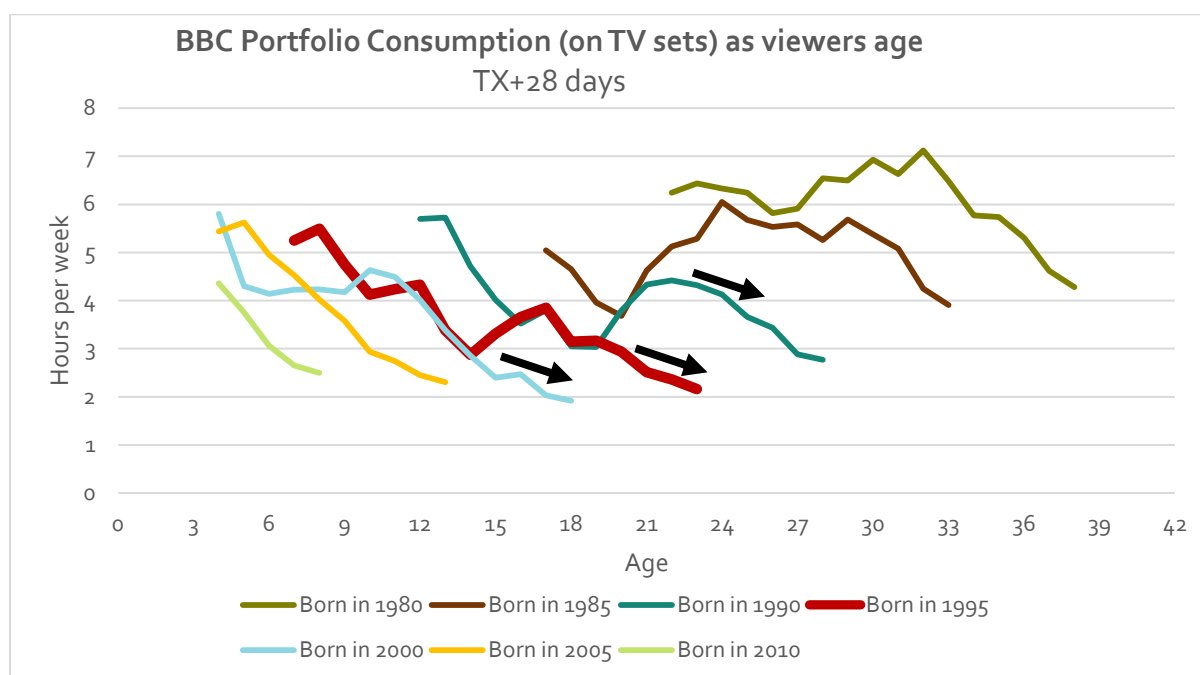
Figure 7: Total TV Consumption (on TV sets) as viewers age, TX+28 days



Source: BARB live viewing, recording, Timeshift 1-28, vosdal.

59. However, we are now seeing a profound change in consumption habits. Figure 8 below shows different generations’ consumption of BBC viewing as they age. It is clear that younger generations are now spending less and less time with the BBC, but perhaps more importantly, we are no longer seeing the usual trend of audiences coming back to the BBC in their early 20s and their consumption going back up. Instead, we are seeing these audiences transition much of their viewing to US-based SVOD competitors.

Figure 8: BBC Portfolio Consumption (on TV sets) as viewers age, TX+28 days



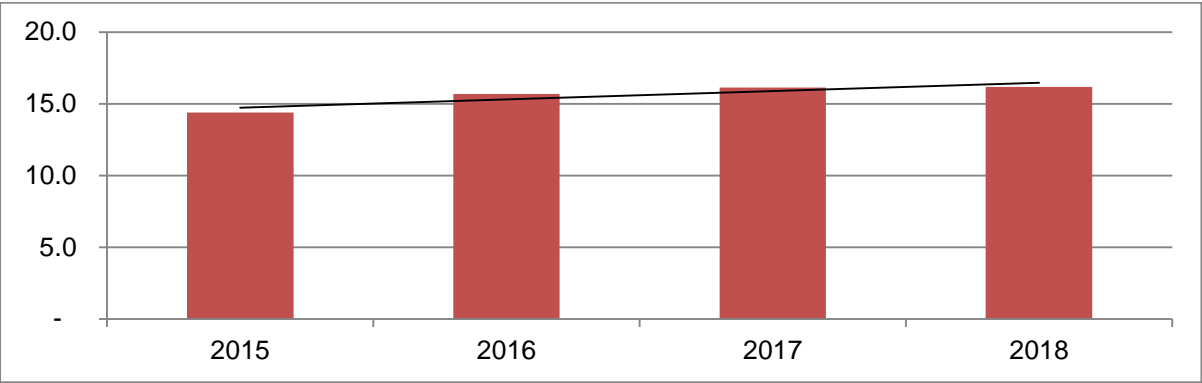
Source: BARB live viewing, recording, Timeshift 1-28, vosdal.

60. We expect that, unless we can do something to make our offer more relevant to our audiences, over time this may lead to people turning away from the BBC for good, challenging the core purpose of the BBC to provide a universal service.
61. This is a huge challenge for the BBC and we are addressing it on every front: in the content we commission, the way we market it and the way we get it to audiences. We will also continue to improve the BBC iPlayer user experience. We consider that changes to the functionality of BBC iPlayer are business as usual and are therefore not relevant to this Public Interest Test. We set out further details on functionality in Annex 3 for background.
62. As outlined in our Annual Plan, we have already committed “in 19/20 and beyond to refresh our content across all genres and all platforms to appeal to younger audiences” and this is reflected in the focus of all our commissioners and supported by additional investment for BBC Three.
63. Succeeding is not just about the programmes we commission, but how we get them to our audiences too.

3 **Understanding the challenge for BBC iPlayer**

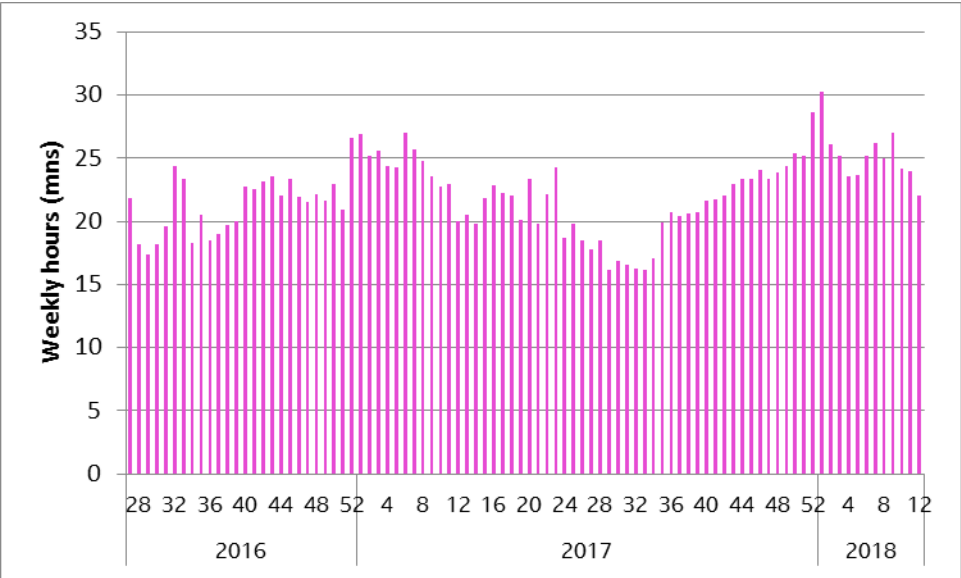
- 64. In this section we set out further details of the challenge facing BBC iPlayer, including details of what our audiences currently think about the service.
- 65. Whilst audiences are increasingly spending more time watching online and overall VOD viewing is rapidly growing, BBC iPlayer’s reach has remained broadly flat over the last four years (see Figure 9). Viewing of BBC iPlayer has been on a slightly upward trend (see Figure 10).

Figure 9: Millions of weekly unique browsers to BBC iPlayer, 2015-19



Source: BBC analysis of BBC iPlayer usage data.¹² Chart shows calendar-year weekly average.

Figure 10: Weekly time spent in hours (HY2016-18/19)



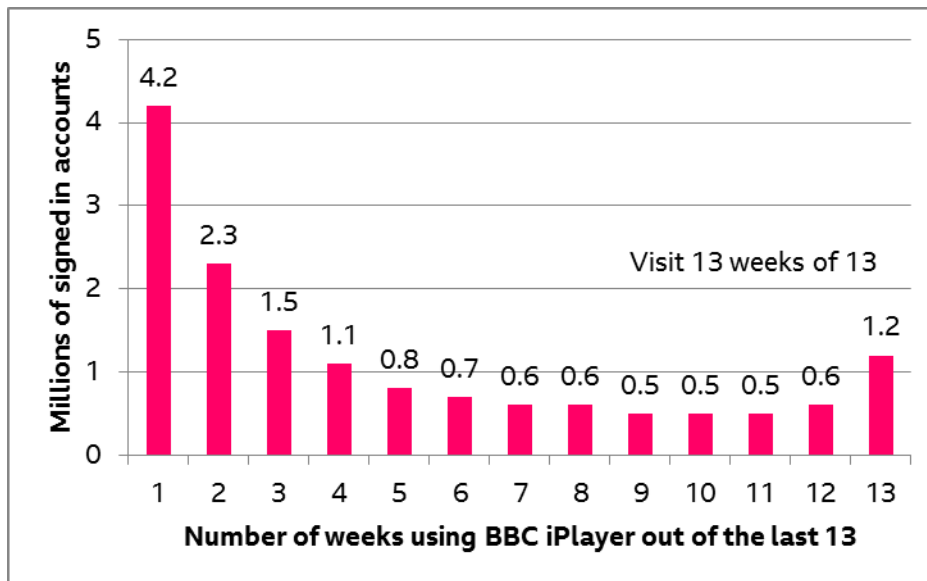
Source: BBC analysis of BBC iPlayer usage data

- 66. Our research into BBC iPlayer usage helps us to understand some of the reasons that BBC iPlayer growth is likely to remain low. As Figure 11 shows, we see that BBC iPlayer

¹² Based on BBC analysis of the number of people using BBC iPlayer each week.

is not a weekly habit for most people. In fact, many audiences only come to BBC iPlayer once or twice in a quarter.

Figure 11: Frequency of visits to BBC iPlayer



Source: BBC analysis of BBC iPlayer usage data

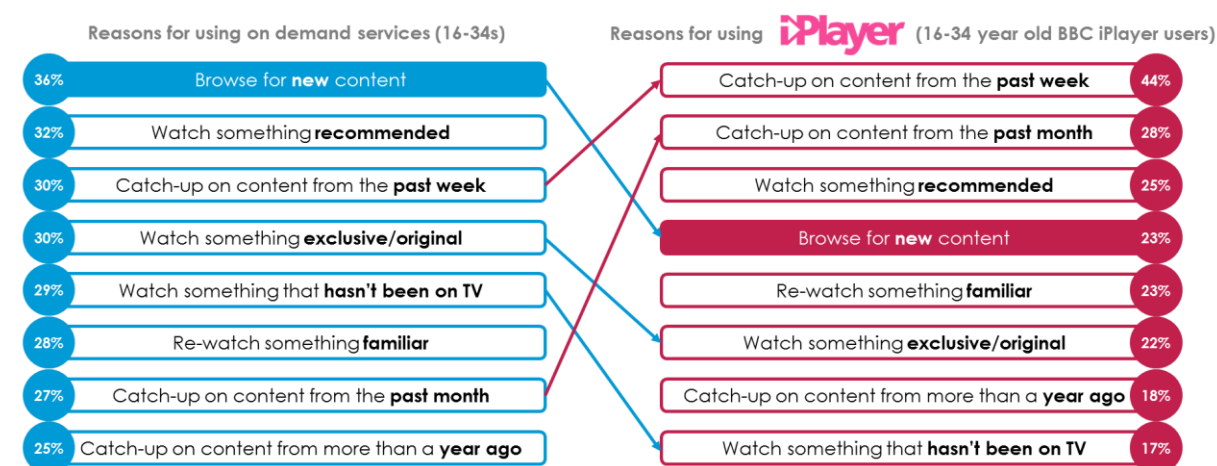
67. With most programmes only available in BBC iPlayer for 30 days, infrequent users inevitably get a poor view of what the BBC has to offer them. This might include:
- **Missing programmes** – e.g. searching for a programme recommended by a friend and then finding it is not available to watch.
 - **Missing episodes** – e.g. finding a programme to watch, before realising that it is a six part series but only the final two episodes are available to watch.
 - **Single series** – e.g. deciding to start a new drama, but realising you can only start watching from partway through the third series, not from the very beginning.
 - **Not enough breadth to deliver recommendations** – e.g. finishing watching a programme that you have enjoyed, but because there is currently nothing similar available, BBC iPlayer is unable to recommend you anything suitable to watch next.
68. Instead, audiences expect a rich content mix and consistent availability with coherent onward journeys. Figure 12 outlines an illustrative example for a music fan.

Figure 12: Illustrative examples of some potential onward journeys



69. As well as failing to meet audience's expectations of a good content offer and service, more fundamentally, we are preventing them from being able to access the content that the BBC has commissioned in return for their licence fee, in a way that meets their reasonable expectations.
70. With this limited and unreliable content availability, MTM's research (see Figure 13) makes it clear that our audiences, particularly younger demographics, primarily use BBC iPlayer as a catch up service.

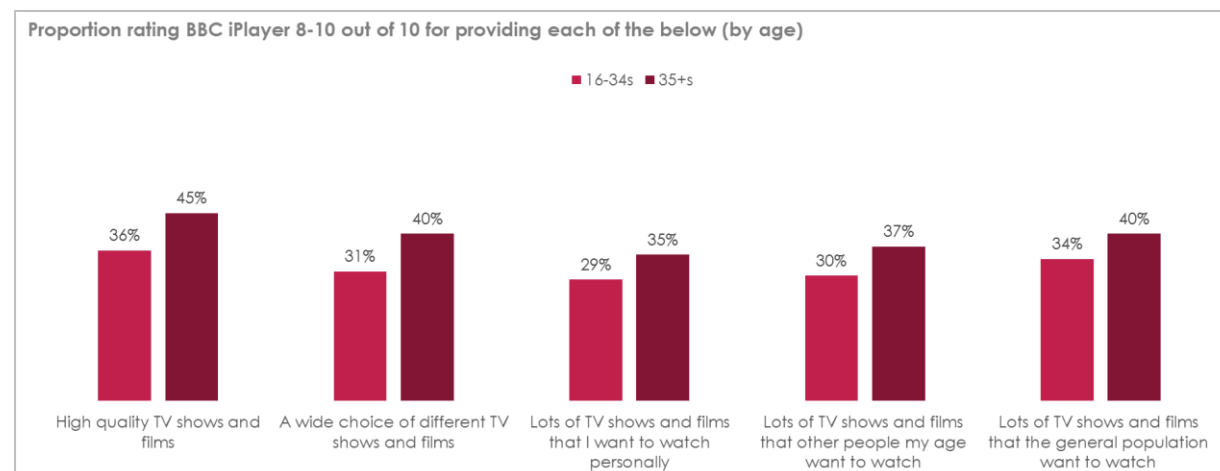
Figure 13: Audience reasons for using on demand services and BBC iPlayer (16-34s)



Source: MTM¹³

71. One participant in our qualitative research neatly summarised the issue:
- “It’s not a go-to service. I would only watch it to catch up on something I missed or heard that was very good”.*
72. These limitations in BBC iPlayer’s current offer are clearly illustrated by our quantitative research findings. Figure 14 shows that well under half of users rate BBC iPlayer highly for the breadth and choice of content, and significantly fewer 16-34 year olds.

Figure 14: Audience ratings of BBC iPlayer's content offer



Source: MTM¹⁴

73. When audiences are asked what they most dislike about BBC iPlayer they tell us there are two main issues:
- **Length of programme availability** – programmes disappear or are not there when they expect them to be, creating an unreliable service.

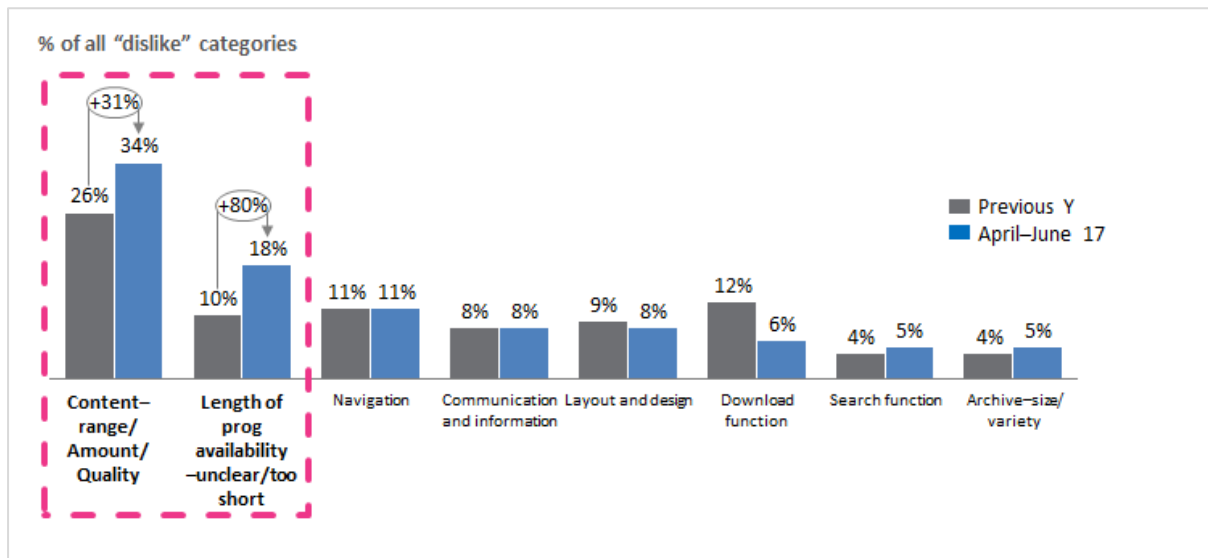
¹³ MTM research, page 13.

¹⁴ MTM research, page 16.

- **Content range** – there is not enough volume or range of content “for me”.

74. Figure 15 below, based on audience views from 2017, i.e. before we began making changes to extend availability, sets out the challenge in perception we need to address.

Figure 15: Audiences tell us that content range and length of availability are what they most dislike about BBC iPlayer



Source: BBC analysis of Online Quality Survey¹⁵

75. We can solve the first of these issues by extending availability of our content – creating a more reliable offer.
76. More importantly, extending the availability of content also helps to solve the second issue, by making available a greater range and depth of content at any one time. In the next section we set out further details of our proposed changes to BBC iPlayer.

¹⁵ Analysis based on verbatim responses to a BBC audience survey from 2017 (i.e. before 2018 box set experimentation).

4 Our proposals for BBC iPlayer

77. In this section we set out what we aim to achieve, our proposals themselves, including indicative volumes of additional content we expect to publish on BBC iPlayer, as well as how our proposals fit with the commercial market.

4.1 What we are aiming to achieve

78. In order to address the issues laid out in Section 3, we need to adapt BBC iPlayer to meet new audience expectations and deliver two main outcomes:

a) A rich content mix

- **Sufficient range and depth of programming at any one time** – to reflect a range of interests and satisfy the breadth of UK audiences – from classical music to crime drama; from sitcoms to sci-fi; from natural history to cooking shows.
- **Sufficient depth at title level** – once a viewer has discovered a programme, ensure they can watch from the start of a series and ensure there are enough episodes available for them to binge on and meet their new viewing habits and expectations.
- **To engage audiences** who have lost touch with the linear schedule and give more opportunities to watch. The quality of the BBC offer each person gets for their licence fee should not be based on when they choose or are able to come to us. You should always be able to find the BBC's current programme brands at any time of the year.
- **Enable a personalised service** – enough programmes available at one time, of a type or on a topic, to meet audience expectations of personalised curation, recommendations and satisfying onward journeys for all viewers regardless of their interests.

b) A consistent audience “promise”

- **A reliable and consistent offer** that audiences can understand – not ad-hoc and variable.
- **Fewer frustrations** of programmes not being there when you want to start them, or disappearing before you have finished watching.
- **Change audience perceptions of BBC iPlayer** to a destination in its own right – a place to discover great content, whether live or on-demand, brand new or archive. BBC iPlayer will no longer be just a catch-up service.

4.2 Our proposals in detail

79. We have developed proposals for a rich and reliable content offer, whilst balancing affordability and achievability in the market. In this section we have laid out what this is likely to mean for the content on BBC iPlayer for the next three years.

4.2.1 A new standard availability of at least 12 months for all commissions

80. We plan to make all BBC commissioned programmes available on BBC iPlayer until at least 12 months from when the final episode in the current series is first published on BBC iPlayer.
81. In practice this will mean some episodes are available for slightly longer than others, but will remove audience frustrations of individual episodes disappearing on different days.
82. 12 months is an important minimum availability on all programmes to ensure:
- A **significant range and depth of content** at any one time;
 - There is **typically one full series available of each current title**, as most returning shows have an annual pattern, and therefore reducing searches resulting in dead ends;
 - A **strong offer across the year**, regardless of the rhythm of the linear schedule;
 - **Enable bolder commissioning decisions** of more ambitious shows that may underperform in a linear schedule, but would deliver value over 12 months on BBC iPlayer;
 - **Provide a stronger platform to showcase British talent and programmes**, with more opportunities to find audiences and grow, and avoid being drowned out by US rivals;
 - BBC iPlayer begins to **meet audience expectations** of other services where programmes are available for years, rather than days; and
 - overall, ensure a **reliable, consistent offer across all content** – a clear promise to audiences so they know what they will get when they come to BBC iPlayer – all content for at least a year.
83. Audiences are now used to VOD services making their commissioned programmes available for many years or in perpetuity. However, we have balanced the need for a strong audience offer with what is necessary and achievable in the market. 12 months is a fundamental minimum to transforming BBC iPlayer, the minimum for halting the decline and preventing BBC iPlayer from losing further share. With a standard 12 months availability on BBC iPlayer our analysis predicts an increase in viewing on BBC iPlayer of 1.9 minutes per person per day. But this gain in BBC iPlayer viewing is still lower than the equivalent losses from linear viewing in the last two years of c.8 minutes per person per day.¹⁶ 12 months is therefore an absolute minimum, not to deliver expansive growth, but to ensure the BBC continues to maintain value for audiences from each of its commissions.
84. A full year as a minimum standard will mean that audiences are able to access the full range and breadth of content the BBC commissions, whatever time of year they visit BBC iPlayer. The release patterns of our broadcast schedules have been developed over

¹⁶ Based on BBC analysis.

many years, based on an understanding of TV consumption patterns. However, online behaviours and expectations are different to those of linear TV. 12 months availability is a minimum allowing us to present one cycle of our annual offer, exposing the full range of the topics and genres covered across a year and allowing viewers to navigate on their own terms.

85. We also expect the new standard of at least 12 months availability to enable us to commission more innovative programming and evolve our content mix more rapidly. The current model of transmission plus a short catch up window means that some programmes struggle to cut through. Programmes can sometimes fail to reach the right audiences immediately, but longer availability can allow time for a programme to find its audience, and for that audience to build a relationship with the story and characters and, in turn, to start spreading the word that this is a programme to seek out. A good example of this is *Fleabag* on BBC Three, which started quietly in series one, but over time has grown a passionate following, paving the way for series two to become a cultural phenomenon. As we continue to develop our commissioning strategy to respond to changing audience tastes and needs, a 12 month standard availability will enable us to evolve our content mix while ensuring we deliver value for money.
86. There will be some exceptions to this 12 month availability policy – one of which is a new proposal, and the others a continuation of the existing approach.
87. First, we propose to make all BBC commissioned children’s programmes available on BBC iPlayer for the full BBC licence period of five years:
 - We have always taken a slightly different approach with children’s programmes, which already have a different availability pattern on BBC iPlayer.
 - We currently have a five year exclusive licence period that enables high broadcast repeat levels on CBBC and CBeebies, and is designed to ensure that the BBC maximises full public service use from its programming.
 - This means that we can already achieve near continuous availability on BBC iPlayer for multiple years, driven by the number and sequencing of repeats on television.
 - With new generations of children, programmes can constantly find new audiences and deliver value over a long period. However, it is suboptimal to schedule linear channels in order to use the rights we acquire to achieve the necessary availability on BBC iPlayer to meet the expectations of today’s audiences. In future we therefore seek to decouple BBC iPlayer availability from linear broadcast, and make Children’s commissions available for the full five year BBC licence period as standard.
88. Second, while we plan to make all programmes on BBC iPlayer available for at least 12 months, there are some areas of content which we are not proposing to change. Specifically:
 - BBC Three and selected current affairs programmes (e.g. *Panorama*) will continue to have different patterns of availability in line with their remits (and already allows for longer than 12 months availability).

- BBC Four permanent collections will continue to be available permanently on BBC iPlayer, in line with the previous BBC Trust agreement.
 - BBC news and sport coverage have different patterns of availability, which are typically shorter than 30 days. Sports availability is dependent on the rights the BBC can secure in the market; we have no plans to change how we buy sports rights as part of our BBC iPlayer proposals. News content is unlikely to be relevant to audiences beyond a fairly fixed catch up window. As such we would not expect it to follow the same availability as our other content.
89. If programmes are subsequently repeated on our linear channels outside of an existing period of on demand availability, such linear repeats shall be accompanied by 30 days BBC iPlayer availability from the linear transmission repeat of the final episode in the series, to stop episodes of a series expiring on BBC iPlayer on different days.
90. We will continue to acquire programmes (not commissioned by the BBC) in the secondary market as a small proportion of our overall offer. The availability for acquired programmes can vary, as the BBC has to buy acquisitions in an open market and the terms are set by the seller. We will seek at least 12 months of BBC iPlayer availability on acquisitions to strive for consistency, but in practice, accept that acquired content may be available on BBC iPlayer for different periods. Crucially we must not limit the value of the licence fee payer for acquired programmes where a longer licence is being sold. This reflects the need to not set arbitrary limits which reduces the BBC's ability to maximise the public value of some content, whilst recognising that these titles are also likely to be commercially exploited and not always exclusive.

4.2.2 Full box sets of selected returning titles

91. As set out in our consultation we propose to make selected returning titles available as full box sets of all series, whilst the title is still being commissioned. For example, we would make all series of *Our Girl* available as a box set on BBC iPlayer whilst it is still a returning title.
92. For returning titles with multiple series, availability as full box sets is the market norm and an audience expectation from online services. Our audience research highlighted that full box sets are seen as a significant part of our content offer, a key element of our proposals and would deliver significant value for licence fee payers.
93. Offering full box sets will:
- Enable audiences to discover and **join the series when they choose**.
 - Enable audiences to **start from the beginning** (e.g. Series 1, Episode 1).
 - Make a **significant volume of episodes** available to meet new viewing habits and enable audiences to binge.
 - Make the most of each new series commission, **capitalising on new marketing spend when a series returns**, making sure it is never too late to join, and **not excluding audiences who have lost touch with the linear schedule**.

94. Our audience research makes clear that full series box sets are now seen as integral to bringing BBC iPlayer into line with other VOD services. They are therefore a core element of our proposals, and our ability to remain relevant with our audiences.
95. Full box sets are particularly important for drama, scripted comedy and children's titles. We have balanced a strong audience offer, with affordability and achievability, and set out in Figure 16 the volumes of programmes we expect to make available as full box sets over the next three years.

4.2.3 A selection of programmes extended for longer or brought back from the archive

Extending programmes beyond their initial window

96. Where programmes are not returning but are still important to the overall content mix on BBC iPlayer, we will select a limited number to keep up for a further 12 months, beyond their initial window.
97. We expect no more than half of our recent non-returning drama and scripted comedy series to be kept up beyond their new standard availability. In other genres, we plan to select key titles with continuing relevance and value to our overall editorial offer. For modelling purposes we have assumed 100 individual series and singles in other genres are kept available each year (as seen below in Figure 16). These might range from impactful natural history programmes such as *Dynasties*, factual entertainment and lifestyle such as *Amazing Hotels: Life Beyond the Lobby*, to a wide range of factual and documentary titles such as *Civilisations*, *The Truth About Obesity*, *What Do Artists Do All Day* or *Inside The Foreign Office*. Some of these programmes may not always drive high levels of viewing on BBC iPlayer but could offer strong public value to audiences by being available. We do not expect this to be necessary for Children's titles, which will have longer availability in any case, due to the proposed standard five year availability.

Selected archive titles

98. Whilst our focus is around our current titles, we plan to bring back selected archive titles (i.e. that are no longer being commissioned) to enrich the BBC iPlayer offer at any one time and give audiences greater range and depth of programming in return for their licence fee. Programmes can have enduring value and selecting key archive titles will help us to fulfil our public service mission and drive significant public value, as set out further in Section 5. We have always brought back well-loved programmes at suitable times in the form of linear repeats. Audiences value that opportunity and it represents good value for licence fee payers. What we are proposing is essentially a modern day repeat strategy, adapted for an on-demand service. It should be noted that once archive programmes are out of licence, the BBC will need to secure these programmes in the open market and we should be free to negotiate with producers.
99. Like other types of programme, we would also typically expect these titles to be available for around 12 months at a time, to achieve a clear audience proposition for BBC iPlayer that is easily understood and provide enough opportunities to view. As noted in figure 16

below, we are proposing to bring back a very small part of our archive (e.g. up to 35 scripted archive titles at any one time, 50 children's archive titles, etc.) based on editorial reasons where we think it is of relevance to the audience.

100. Making available programmes that are no longer being commissioned – either by extending, or bringing back from the archive – has proved to be a critical part of the overall BBC iPlayer offer. These are key parts of our proposal to enhance the content mix, plugging any gaps in the offer such as familiar easy-watching brands which are important to lighter users and to create fulfilling onward journeys.
101. A 30-day “slice” of our broadcast programmes represents just a fraction of our overall output and, as we have seen Section 3, creates a frustrating experience for our users. We cannot commission enough programmes every 30 days to present a truly rounded mix of topics and genres that satisfies our diverse audiences in a VOD environment. The first part of our proposal, a new standard of at least 12 months on new commissions will help to improve the offer considerably and smooth out the peaks and troughs of supply within the annual cycle of the broadcast schedule.
102. Nevertheless, there could still be gaps in our content offer, creating frustrations for viewers and dead-ends in their journeys. The ability to extend certain titles and bring back archive will allow us to minimise these issues. For example, if we have a year with no sci-fi drama commissions, or nothing on a certain genre of music, then bringing back programmes from these genres will be hugely valuable in enriching the overall mix of programme available, and therefore in fulfilling our ambition of serving all UK audiences.
103. We have balanced a strong audience offer, with affordability and achievability, and set out in Figure 16 the volumes of extended and archive programmes we expect to make available over the next three years.

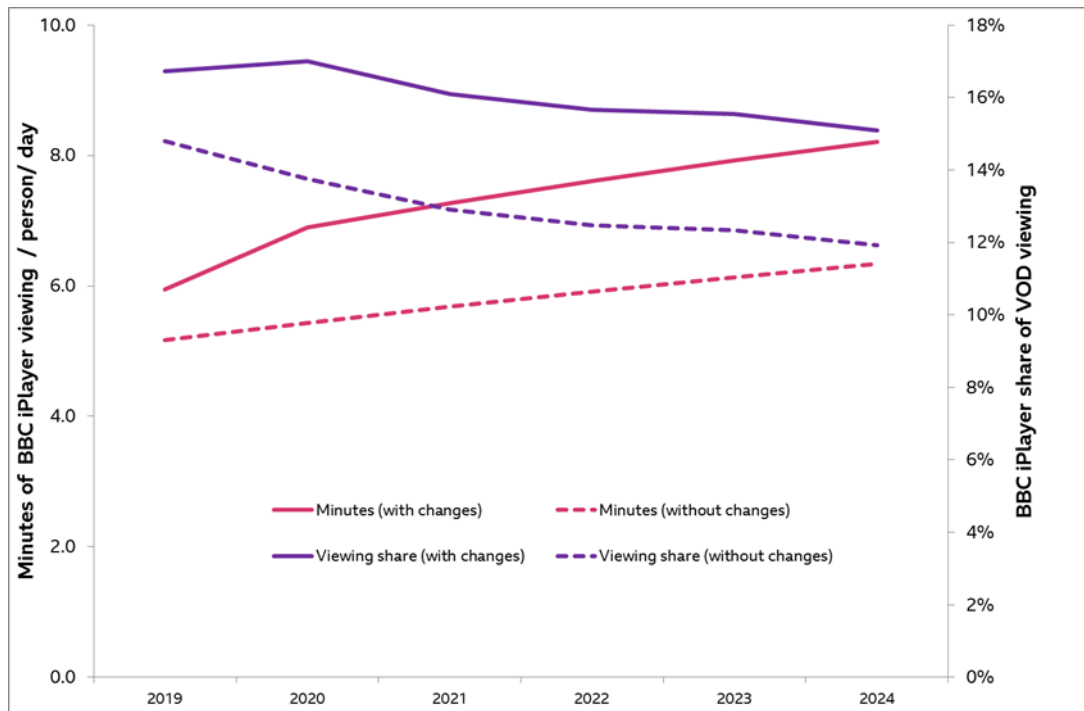
Figure 16: Indicative volumes and durations of content on BBC iPlayer each year (for next three years)

Category		Standard availability for all commissions	Returning titles Multi-series box sets of returning titles	Non-returning titles Additional availability on top of the standard 12 months for select titles	Archive titles (no longer being commissioned)	Linear repeats
Proposed Volumes	Drama and scripted comedy commissions	All programmes – standard 12 months from first availability of the final episode in the current series <i>(BBC Three commissions have longer availability, as now)</i>	Up to 50% of current returning scripted titles available as Box sets (all series) <i>(excluding acquisitions and scripted commissions for BBC Children's and BBC Three)</i> c.25 titles each year	Up to 50% of non-returning scripted titles available for a further 12 months <i>(excluding acquisitions and scripted commissions for BBC Children's and BBC Three)</i> c.25 titles each year	Up to 35 scripted archive titles available at any one time <i>(excluding acquisitions and scripted commissions for BBC Children's and BBC Three)</i> Titles can change year to year	For all repeats outside of the initial or extended VOD availability, 30 days from repeat of the final episode in the series
	Children's commissions (0- 16s)	All programmes – standard 5 year availability (full period of BBC licence)	Returning titles available as full box sets (all series) c.30 titles at any one time	N/A – due to 5 year standard	c.50 Children's archive titles available as full box sets (all series) at any one time	
	All other commissions	All programmes – standard 12 months from first availability of the final episode in the current series <i>(BBC Three commissions, some acquis itions and some archive collections have longer availability, as now)</i>	Returning titles available as full multi-series box sets For modelling purposes only, c.25 titles at any one time	Variable volume of predominantly non- commercial singles and one-off series available beyond initial 12 months For modelling purposes only, c.100 individual series each year (estimate)	Variable volume of predominantly non- commercial titles. For modelling purposes only, c.50 individual series each year (estimate)	

4.3 Assessing the impact of our proposals

104. In Section 6 we provide a detailed, evidence based assessment of the potential uplift we expect to achieve in BBC iPlayer viewing and the impact of our proposals on fair and effective competition. This analysis clearly shows that the uplift in viewing is barely enough to maintain, let alone grow, our share of viewing, and not sufficient to have an adverse impact on fair and effective competition.

Figure 17: BBC iPlayer estimated minutes of viewing and share of VOD viewing



Source: BBC analysis of Communications Chambers

105. In modelling this potential uplift in viewing, Communications Chambers have accounted for the impact of each element of our proposals as described above. They have also calculated an additional uplift to account for the combined impact of all the elements of our proposals working together, as a proxy for the behavioural change we intend our proposals to drive – transforming BBC iPlayer into a destination.
106. The evidence is clear that all of these changes are the necessary minimum for the BBC to retain share, and continue to deliver public value to all audiences.
107. MTM's audience research also makes clear that, for our audiences, all elements of our proposals work as a package, and work together to bring BBC iPlayer into line with their expectations.
108. Our ability to adequately respond to market trends by making programmes available to audiences as proposed, is currently limited by a regulatory cap on the volume and duration of availability on BBC iPlayer. Most programmes are limited to only 30 days availability, following a linear broadcast.

109. Given that analysis clearly shows that our proposals are unlikely to have significant impact on competition and consumers, we do not consider there is robust justification to continue to set arbitrary limits around the volume and duration of content on BBC iPlayer. This would enable BBC iPlayer to operate in line with the market, limited not by an arbitrary cap but instead operating within the limitations of its budget and the rights it can acquire in the market and shaped by audience needs.
110. To be clear, this would not mean that the BBC will be able to put whatever it wants on BBC iPlayer. The BBC will face very real constraints from the industry and affordability given the BBC's fixed budget, of which by far and away the majority is focused on commissioning original programmes:
- For new commissions from independent producers, we are constrained by the terms of the business framework we negotiate with rights holders;
 - We have to compete with other broadcasters and well-funded global VOD service providers to secure rights for acquisitions and archive material in an increasingly competitive market; and
 - For archive programmes, even where the BBC owns the intellectual property, we need to pay underlying rights holders (e.g. writers and actors) if we want to make this content available on BBC iPlayer.
111. This would align with other PSB on-demand services, all operating without regulatory limits on content volume or availability and enabling them to develop strong box set offers with long availability.
112. We can see (evidenced in Section 2) how rapidly the giant global players are moving within the market around us, how quickly audience behaviours are changing and the speed at which services like BBC iPlayer need to respond. It is a market in which to stand still is to go rapidly backwards. Given the speed of change, any limits placed on BBC iPlayer quickly become out of date and need to be replaced. More fundamentally, if these limits required regulatory approval to change, they would uniquely disadvantage the BBC in a competitive market, and therefore represent a significant risk to the BBC being able to adapt and meet its Mission and deliver the Public Purposes.

4.4 How our plans fit with the commercial market

113. When we commission content, we currently buy an exclusive five year licence. After an 18 month exclusive "holdback" period, we typically consent to release a programme into the UK secondary television and commercial VOD markets at such a point the BBC considers this would not conflict with the rights it has acquired and the investment it has made.¹⁷ The proposed new standard availability of at least 12 months on BBC iPlayer would in most cases be within the BBC's existing exclusive holdback period where programmes are not available for commercial exploitation in the UK secondary market.

¹⁷ Note that for commissions of one-off episodes, the holdback is currently six months.

114. The proposed model of a new standard period of availability and then a mechanism for buying further BBC iPlayer availability beyond has been tried and tested with BBC Three and demonstrated as a working model, beneficial for audiences and positive at driving revenues for producers.
115. We need to ensure that the BBC – and UK PSBs more widely – are able to harness our existing strengths in linear and translate that into a stronger offer for audiences in an IP-delivered, on-demand world. Our plans for BBC iPlayer are an important element of that response, but not the only one. The development of BBC iPlayer balances the BBC's public service obligations and ambitions for audiences with the need to secure commercial revenues, to support future programme investment, and the interests of producers and distributors. For example, we are not seeking to buy all rights to our programmes. Beyond the initial 12 months of availability, we will strike a balance to deliver the necessary public service availability whilst enabling continued commercial exploitation of commercially valuable genres.
116. The BBC's plan to join forces with ITV, and potentially other broadcasters, to launch a new UK PSB subscription service in the UK demonstrates how the BBC is balancing the need to deliver value for all licence-fee payers through BBC iPlayer, with the need to establish a UK PSB-led commercial competitor to the US-based global SVOD services, offer a branded and controlled commercial route to market for UK PSB content and deliver a new opportunity to producers, including BBC Studios and ITV Studios, to secure commercial VOD revenues from their content.
117. The BBC will continue to provide audiences with access to a wide range of BBC programmes (alongside original commissions and other acquired titles) through UKTV, the commercial linear channels business, which will soon be wholly owned by the BBC's commercial subsidiary BBC Studios. The BBC will also continue to supply some BBC programmes to those channels that Discovery is taking control of.¹⁸ BBC Studios also recently concluded a deal with Sky UK to provide a limited volume of mainly archive box-sets, closely linked to the titles available on UKTV linear channels.
118. Finally, at all times, independent producers will continue to make commercial decisions about the way that they commercially distribute their programmes during the BBC's licence period and beyond.

4.5 Why we are confident our proposals will be successful

119. Whilst most commissioned programmes are currently available on BBC iPlayer for 30 days, BBC Three programmes already have an initial 24 month window on BBC iPlayer with a mechanism for an extension, or a return onto BBC iPlayer at a later date. These arrangements, tried and tested with BBC Three, are very similar to our proposals in this paper for all other BBC commissions. BBC Three has demonstrated this as a working

¹⁸ On 1 April 2019, the [BBC and Discovery announced](#) that Discovery was to take full ownership of UKTV's lifestyle channels and BBC Studios of UKTV's entertainment channels.

model, increasing content availability on BBC iPlayer for audiences whilst enabling producers to generate sales revenues in the UK market and around the world.

120. Alongside our experience on BBC Three, we experimented throughout 2018/19 with increasing content availability in BBC iPlayer on a selection of titles across genres.
121. From these experiments, we have been able to test our proposals and see how programmes are likely to perform on BBC iPlayer. This data is the basis for the detailed market impact analysis in Section 6. It also highlights a number of key points:

Our experiments have shown the value of a longer window, across genres

122. Whilst the biggest drivers of viewing in our experiments were drama and comedy programmes, they have shown the importance of increasing availability across a range of genres including children's, entertainment, natural history and a broad range of documentaries and factual programming. For example, *Civilisations*, an arts history documentary series, has now been available on BBC iPlayer for 12 months. Over this period viewing has tailed off as expected and its monthly viewing is now only about 4% of its viewing in its first month. But cumulatively the additional BBC iPlayer availability from this experiment has added 10% to the viewing of the programme overall (on television and BBC iPlayer), delivering greater audience value.¹⁹

Our experiments were particularly effective with younger audiences

123. The profile of audiences watching content with extended availability – box sets of returning or archive titles, or viewing new titles beyond their first 30 days – is younger than average on BBC iPlayer. In our experiments in 2018, on average 18% of the requests for “extended content” were from people aged 16-24, compared with the BBC iPlayer average of 13%. This is even more pronounced for some specific titles – for example 31% of requests for the boxset of past series of *Doctor Who* were aged 16-24, compared with those watching the latest series in its first 30 days, where only 21% were aged 16-24.²⁰

Our experiments attracted new users to BBC iPlayer

124. When “new” users come to BBC iPlayer – those who have not visited in the past 13 weeks – we look at what programmes they watch first. Past series of returning titles, archive box sets and current series outside of their initial 30 day window all feature highly in the top titles viewed first by these users, particularly when looking at 16-34 audiences.²¹ So crucially, not only do our proposals drive time spent, this indicates they can also attract new users.

Our experiments enabled a more consistently stronger offer across the year

125. The 30 day catch-up window meant previously that the offer in BBC iPlayer was driven by the rhythm of linear schedule. However, in 2018, the boxsets we made available in our experiments began to enable a richer offer across the year. They helped provide

¹⁹ BBC analysis of BBC iPlayer viewing data.

²⁰ BBC analysis of BBC iPlayer viewing data.

²¹ BBC analysis of BBC iPlayer viewing data.

more alternatives for example, when the linear schedules were covering live sport and music events, or helped enhance value to audiences at a particular time of year such as family focused treats around Easter, Christmas and summer holidays. The box sets in our experiments were amongst the most viewed BBC iPlayer programmes by young audiences this summer. For example, full box sets of *Our Girl* and *Doctor Who* put them in the top five programmes for 16-34 audiences, behind only *Match Of The Day* and *EastEnders*.²²

126. The evidence above makes clear that our audiences welcome these changes. In the next section, we set out further details on how they will provide additional public value.

²² BBC analysis of BBC iPlayer viewing data.

5 Public Value Assessment

127. In this section we set out how our proposals to adapt BBC iPlayer will deliver public value – both for individuals and for society as a whole – in line with our Mission and Public Purposes.

5.1 Personal value: reach and viewer benefits

128. A key driver of public value is the extent to which our changes will meet audience expectations, continue to offer them a truly universal service, and therefore provide good value for money for the licence fee. This direct personal relationship with our audiences is fundamental to enable the BBC to deliver the Mission and Public Purposes. Our audiences are customers of the BBC and they must feel like the BBC delivers value for money on the licence fee across a range of its services.

129. Our analysis – based on audience research and responses to our consultation – indicates that the personal value of our proposals is likely to be high, because:

- These changes are necessary for the BBC to continue to be relevant with all audiences;
- Our proposed changes will result in significantly better value for money for our online services; and
- Our proposals will increase reach and time spent with BBC iPlayer by 2024 by 11.5% and 29.5% respectively, maintaining better public value.²³

5.1.1 Relevance of the BBC with all audiences

130. The evidence from our stakeholder consultation and audience research²⁴ is clear that our changes will improve BBC iPlayer, and that this will in turn safeguard the relevance of the BBC as more and more people watch TV programmes using VOD services, and their expectations are conditioned by SVOD providers.

131. This was one of the main themes emerging from responses to our stakeholder consultation.²⁵ For example, S4C noted that the other UK PSBs have already changed their online provision to reflect trends in viewer habits, including itself with S4C Clic, and said there would be a substantial inconsistency among UK public service broadcasters if the BBC could not respond to trends in viewer expectations and offer its content more extensively. It said such an inconsistency would weaken the PSB

²³ Relative to the counterfactual by 2024, based on Communications Chambers analysis.

²⁴ We commissioned MTM to undertake independent audience research to provide evidence for this Public Interest Test. See Annex 1 for further details.

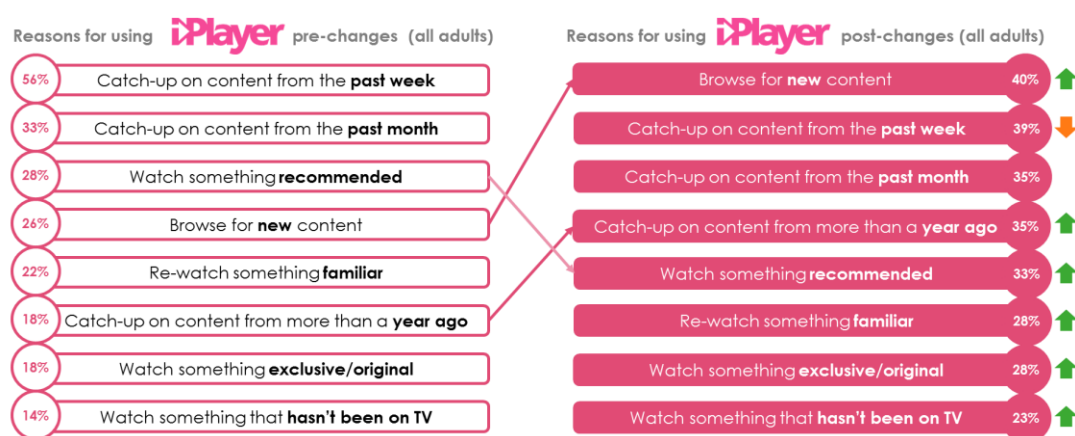
²⁵ Annex 2 sets out further details of these responses. All non-confidential responses have also been published alongside this document.

landscape in general, and mark the image of PSB provision as inferior to that of international SVOD services.

132. From our research, we found that audiences also clearly understood, and supported, the BBC's aims to remove a number of the current frustrations with BBC iPlayer, and provide a service that better fits around people's expectations and consumption habits:

- Audiences felt that the changes would allow them to watch content more flexibly. As one participant in the audience research put it: *"This will make BBC iPlayer better. Having programmes on for 12 months minimum not 30 days gives people enough time to watch."*
- Audiences' overall impression of BBC iPlayer as a service changed after seeing details of our proposals in our audience research from being catch-up service to a destination, by being a more reliable service. They also felt that longer availability would help to shift perceptions of BBC iPlayer as a catch-up only service.
- Significantly, following the changes, audiences felt that the most common reason for visiting BBC iPlayer would be to browse for new content – a marked difference from now where it is seen largely as a catch-up only offering, as set out in Figure 13. This is clearly reflected in MTM's findings about the reasons that people would expect to use BBC iPlayer before and after our proposed changes, as set out in Figure 18.

Figure 18: Reasons for using BBC iPlayer before and after our proposed changes



Source: MTM²⁶

133. There was overwhelming audience support for extending content availability beyond the 30-day catch up window. The limited window was one of the key frustrations with the current service that audiences raised unprompted in the qualitative research. Therefore, audiences strongly welcomed the plan to extend availability. We consider this is crucial for the future of our relevance to audiences, and at the heart of what we want to achieve with BBC iPlayer.

²⁶ MTM research, page 29.

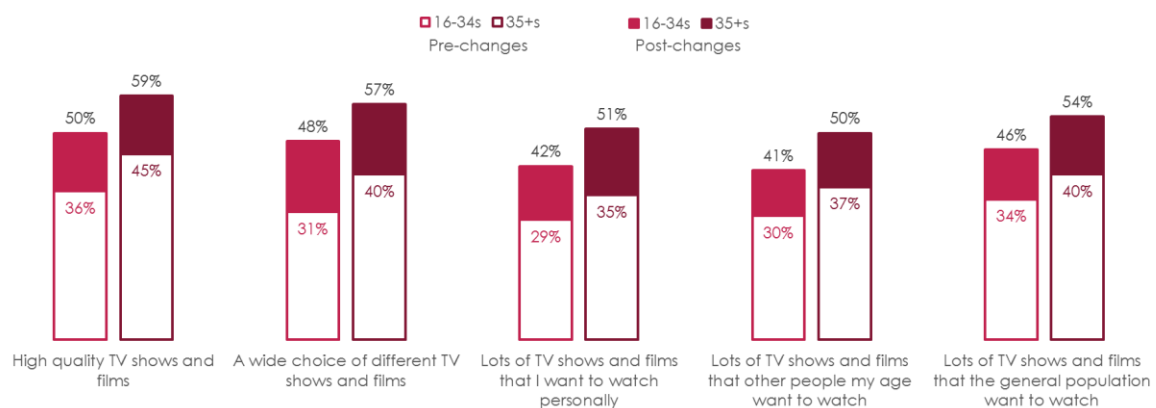
134. Furthermore, audiences welcomed the clear message that making these changes signalled about the BBC's desire to improve its online service and keep pace with the rest of the market. This is a significant finding given the need for the BBC to remain relevant with all audiences. As one participant in the qualitative research noted:

*"The BBC have seen that they're falling behind other services and they're making an effort to be more competitive. I think it's a really positive step."*²⁷

135. The positive audience impact of these changes is clearly reflected in MTM's findings. For example, following the changes, audiences' impressions of BBC iPlayer and what it would offer improved across a wide range of measures, as Figure 19 illustrates.

Figure 19: Audience rating for BBC iPlayer's content offer

Proportion rating BBC iPlayer 8-10 out of 10 for providing each of the below before and after the changes (by age)



Source: MTM²⁸

136. A number of current non-BBC iPlayer users surveyed through our audience research said that they would start using the service following our changes. This goes to the heart of our aim to ensure that in enhancing our BBC iPlayer offering we are able to continue to reach a wide range of people. In particular:

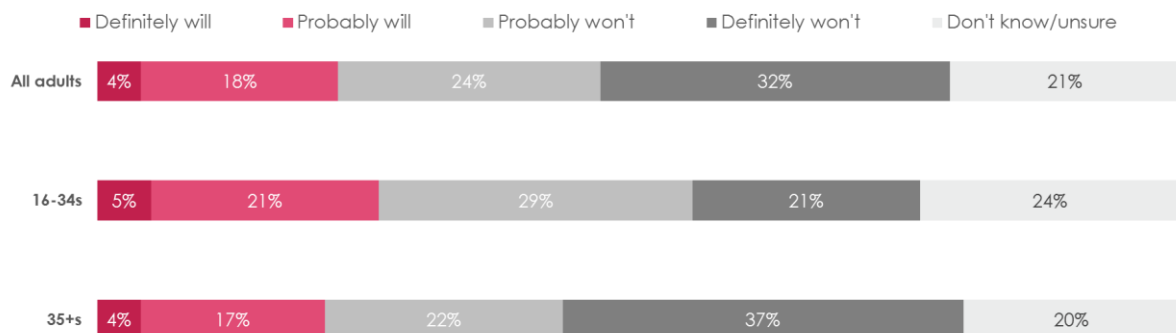
- There was a large increase in the number of people who rarely or never use BBC iPlayer who said they would start, or start using it more often, as Figure 20 below shows.
- 22% of current non-BBC iPlayer users indicated that following the changes they would probably or definitely start using BBC iPlayer. This was even higher for 16-34 year olds surveyed at 26%.

²⁷ MTM research, page 53.

²⁸ MTM research, page 28.

Figure 20: Likelihood people would start to use BBC iPlayer following our changes

Non-users who would start using BBC iPlayer after the changes (non-iPlayer users)



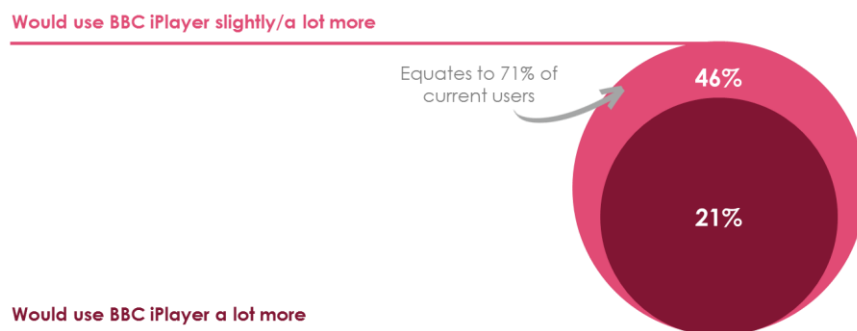
Source: MTM²⁹

5.1.2 Uplift in reach and time spent

137. We asked audiences a series of questions in the quantitative survey to help us estimate the impact on usage. Figure 21 summarises the findings.

Figure 21: Proportion of viewers who would expect to use BBC iPlayer more following our changes

Proportion who'd spend more time with iPlayer after the changes (total sample)



Source: MTM³⁰

138. This research found that:

- People who use BBC iPlayer less often or never would have significantly higher favourability of it following the changes;

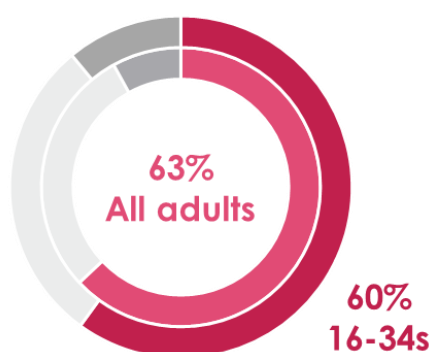
²⁹ MTM research, page 44.

³⁰ MTM research, page 46.

- People would be more likely to visit BBC iPlayer to look for something to watch, not simply to catch up on something that had been missed; and
- As a result, 46% of all respondents said they would watch more BBC iPlayer than they would in the absence of our proposed changes; 21% of all respondents would expect to use BBC iPlayer a lot more.
- 71% of current BBC iPlayer users said they would watch more BBC iPlayer than they would without our proposed changes.³¹

139. Our qualitative deliberative research also explored with audiences how likely they were to use BBC iPlayer more (or to start using BBC iPlayer if they did not already) following our changes. This research found that increased availability of content – including box sets and archive content – would be likely to lead people to use BBC iPlayer more, or to start using it if they currently do not. Further, a number of people in the deliberative research would be more likely to browse BBC iPlayer for something to watch, or felt that the expanded content offer would be more likely to appeal to them. As Figure 22 sets out, 63% of people surveyed would be more likely to browse BBC iPlayer for new programmes.

Figure 22: Likelihood of people using BBC iPlayer to look for new programmes



People would be more likely to look for **new programmes** on BBC iPlayer

- Slightly/Strongly agree
- Neither agree nor disagree
- Slightly/Strongly disagree

Source: MTM³²

140. Finally, as we set out further in Section 6, our modelling of take up and usage estimates that our plans will increase current viewing of BBC iPlayer. We consider that weekly

³¹ MTM research, page 44.

³² MTM research, page 34.

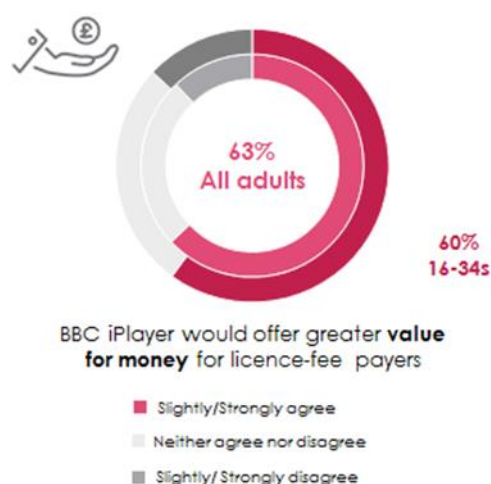
reach of BBC iPlayer will increase by around 11.5%, from 12.2% to 13.6% (for all adults) in 2024 as a result of our changes. We consider that time spent with BBC iPlayer will increase by 1.9 minutes per person per day as a result of our proposed changes, a 29.5% increase relative to the counterfactual, in which viewing of the BBC declines.³³ We consider this increase demonstrates the high personal value, and therefore public value, of our proposals.

5.1.3 Value for money of the licence fee

141. Audiences were clear that our proposal would represent better value for money for the licence fee. In particular:

- Audiences welcomed increased availability, and noted that it would bring BBC iPlayer into line with other VOD services, as well as providing a greater breadth of content to watch, and so encourage them to visit.
- 63% of all adults surveyed felt that our changes would result in better value for the licence fee compared to the current BBC iPlayer proposition as Figure 23 below demonstrates.

Figure 23: Perceptions of BBC iPlayer value for money



Source: MTM³⁴

142. In summary, we consider that our analysis – based on audience research and responses to our consultation, and as set out above – indicates that the personal value of our proposals is likely to be high.

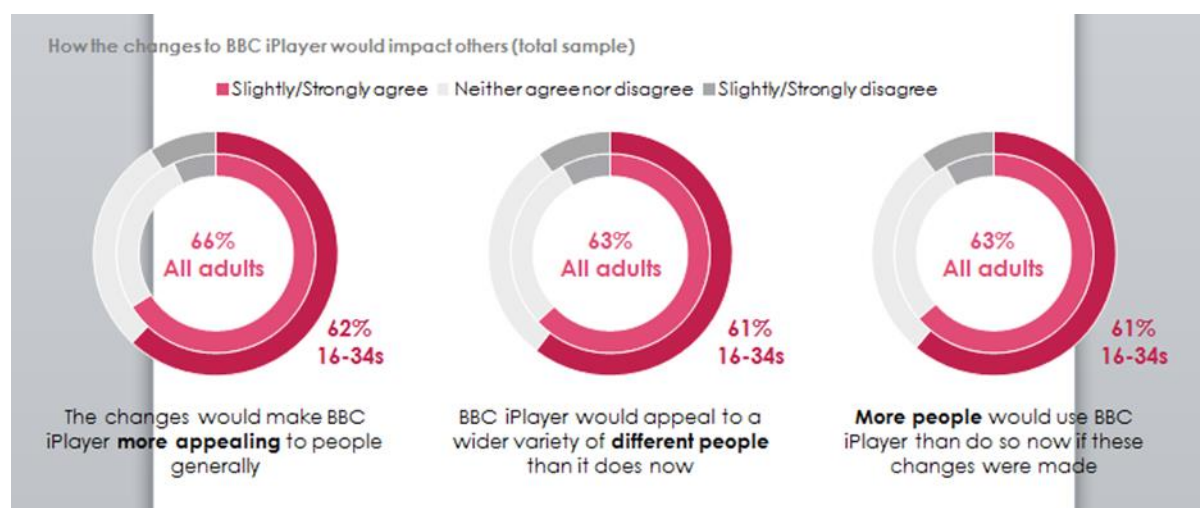
³³ Based on Communications Chambers analysis.

³⁴ MTM research, page 52.

5.2 Social value: The BBC's Mission and Public Purposes

143. An additional driver of public value is the extent to which our changes can promote social value. We define this principally by reference to how a change will enable the BBC to better deliver our Mission and promote the Public Purposes.
144. Article 5 of the Charter states that:
- “The Mission of the BBC is to act in the public interest, serving all audiences through the provision of impartial, high quality distinctive output and services which inform, educate and entertain.”
145. Article 6 of the Charter sets out the Public Purposes of the BBC:
- (1) To provide impartial news and information to help people understand and engage with the world around them;
 - (2) To support learning for people of all ages;
 - (3) To show the most creative, highest quality and distinctive output and services;
 - (4) To reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions and, in doing so, support the creative economy across the United Kingdom; and
 - (5) To reflect the United Kingdom, its culture and values to the world.
146. Our analysis – based on audience research and responses to our consultation – indicates that the social value of our proposals is likely to be high, because our proposed changes will safeguard our ability to deliver the Mission and Public Purposes, and therefore the long term future of the BBC.
147. Audiences were clear that they would expect our proposals to make BBC iPlayer a better service for all types of users, rather than only for them personally. As Figure 24 below sets out, 66% of adults surveyed felt the changes would make BBC iPlayer more appealing to people generally and 63% felt that the changes would make it appeal to a wider variety of people.

Figure 24: How changes to BBC iPlayer would be seen to affect others



Source: MTM³⁵

148. In the qualitative research audiences considered that our proposals would help us to deliver the Mission and Public Purposes in the following ways:

- They would help to support the second Public Purpose to deliver learning to people of all ages by allowing users to access more educational and factual content. People also felt that there were specific opportunities in bringing back a lot of archive educational and factual content. One participant in the qualitative research for example noted that: *“it supports learning because they’ll make documentaries available for longer... it was Blue Planet that sparked a lot of the conversation around plastic and the environment”*.³⁶
- People also felt that the changes would help to deliver the third Public Purpose, allowing the BBC to deliver more creative and distinctive content. While audiences did not generally feel that the BBC iPlayer platform, would be distinctive – because there are other VOD platforms – they did consider that the enhanced content offer would help the BBC to deliver more high quality distinctive content through BBC iPlayer.³⁷
- Audiences also felt that the changes would help the BBC to deliver the fourth Public Purpose by better enabling the BBC to reflect and represent everyone in the UK. Specifically people felt that the expanded content offer would provide more variety and choice for BBC iPlayer users, and therefore help people access content that reflects their lives. This applied to content from the Nations and Regions in the UK, as well as different age groups.³⁸

³⁵ MTM research, page 61.

³⁶ MTM research, page 58.

³⁷ MTM research, page 59.

³⁸ MTM research, pages 63-65.

149. Finally, audiences felt that the changes could benefit some by providing better value for money for the licence fee, specifically for people who are unable to pay for services like SVOD or pay-TV. The improved availability would significantly enhance the content choice available. One participant in the qualitative research noted that the changes “will be better for those people who can’t afford to pay for things like Sky and Virgin and Netflix”.³⁹
150. A number of respondents to our stakeholder consultation also set out ways in which our proposals would secure social value.
151. Several respondents considered that the proposed changes to BBC iPlayer would be positive for the availability of learning and educational content:
- The provision of archive content was noted by many respondents as a proposal that would deliver significant public value.
 - A stakeholder noted that the proposals would enable teachers to enhance their teaching through broadcast material, and the BBC can better deliver its education mission.
 - Professor Catherine Johnson of the University of Huddersfield noted that with the proposals the BBC could use its curation and recommendation technologies to encourage a broad diet of consumption.
152. Some stakeholders raised the importance of the BBC in delivering British content. In particular:
- Voice of the Listener and Viewer (VLV) highlighted the benefits of PSB programming and viewing, including increasing civic engagement, improving social cohesion and informing democratic debate, and providing key genres not generally provided by the market, such as arts, children’s and religious content. This supports our ambitions to make children’s content available on BBC iPlayer for the full BBC licence period of five years, which will deliver significant public value.
 - The Writers’ Digital Payments group said that the BBC should provide a buffer against American cultural imperialism, and that removing the 30-day limit on content would enhance the profile of indigenous productions and talent.
153. Several accessibility groups supported the provision of more content on BBC iPlayer provided this content was made available with appropriate accessibility services.
154. VLV also said that innovating with BBC iPlayer would enable the BBC to deliver on its purpose in the Charter to promote technological innovation, and take a lead role in research and development in this area.
155. However, some audiences did not consider that our proposals for BBC iPlayer would necessarily be sufficient to alter audience behaviour:

³⁹ MTM research, page 62.

- Some of those surveyed cited the need to continue to commission content relevant to all age groups, and specifically 16-24s, as an important factor to catering to this group.⁴⁰ As set out, this will continue to be a focus for the BBC irrespective of how long content is available for on BBC iPlayer. We also note that the relevance of our content offer is largely driven by duration of content availability on BBC iPlayer – if it is not on BBC iPlayer, then people will be unable to find it.
- Some also noted the need to ensure that licence fee payers were aware of the changes, in order to drive additional viewing. There was a general perception among audiences that without promotion and marketing there would be limited impact – noting the points about perception of current windowing and content types available.⁴¹ We plan to promote these changes to ensure lack of awareness does not undermine the realisation of public value they will bring.
- Audiences were generally not able to perceive any potential impact around the first Public Purpose to provide impartial news.⁴² This was generally seen as less relevant to how people perceive BBC iPlayer and these potential changes.

156. In summary, we consider that our analysis – based on audience research and responses to our consultation, and as set out above – indicates that the social value of our proposals is likely to be high.

5.3 Costs of the proposals and potential foregone public value in other services

157. Balanced against the potential high personal value and significant social value, we have considered the extent to which our proposals could negatively impact on public value elsewhere. This could occur, for example, if the BBC was planning to curtail existing UK public services to or divert significant funding from other existing UK public services, leading to a potentially detrimental impact on this offer for audiences.
158. We have considered the potential impacts by 1) quantifying the additional potential cost to the BBC to deliver these changes, and 2) assessing how this additional expenditure is likely to be met from within the BBC's budget. We have also considered whether audiences will switch from other BBC services to BBC iPlayer, and what this might mean.
159. The potential costs relevant to scope of this Public Interest Test – i.e. the additional cost of extending availability – are uncertain and depend on a range of factors, including the rights we are able to secure in the market. Any costs associated with the proposed changes would be a very small proportion of the BBC's overall content spend budget for television of £1,612m for 2019/20.

⁴⁰ MTM research, page 66.

⁴¹ MTM research, page 50.

⁴² MTM research, page 68.

160. We do not consider that the additional cost to the BBC will result in any forgone public value across other BBC services. Specifically we consider that the expected ongoing costs are likely to be met by efficiencies from across the BBC. As of 2018/19, the BBC has delivered almost £410m of annual recurring savings since 2016/17, and has a target of £800m by 2021/22. The BBC has no plans to close any current services, or to make any significant changes to such services, as a result of these planned changes. As such, we do not consider these changes will have any discernible effect on the audience offer in other UK Public Services, and therefore on public value.
161. We set out in Section 6 the uplift in usage of BBC iPlayer we expect from our proposals. Some of this uplift will occur as a result of people switching from linear TV to VOD services. This would be a continuation of the existing trends. Our BBC iPlayer proposals may increase the rate at which viewing behaviours transition from linear television to VOD, by making BBC iPlayer a more attractive consumer proposition.
162. However, we do not consider that audiences switching from one platform offering BBC TV programmes to another offering a broader range of BBC TV programmes is likely to lead to foregone public value. Audiences are clearly demanding an improved BBC iPlayer experience and increased usage of BBC iPlayer compared to other BBC platforms is therefore to be expected.
163. We therefore do not consider that there will be any significant detrimental impact on public value elsewhere as a result of our proposals.

5.4 Summary of the public value of the proposed changes

164. In summary, we consider that our changes will result in both high personal and high social value.
165. The evidence demonstrates that our proposals will provide significantly better value to licence fee payers, secure the continued relevance of the BBC with all audiences, and enable the BBC to better deliver the Mission and Public Purposes.
166. In the next section we set out details of the potential impact of our changes on fair and effective competition.

6 Potential impact on fair and effective competition

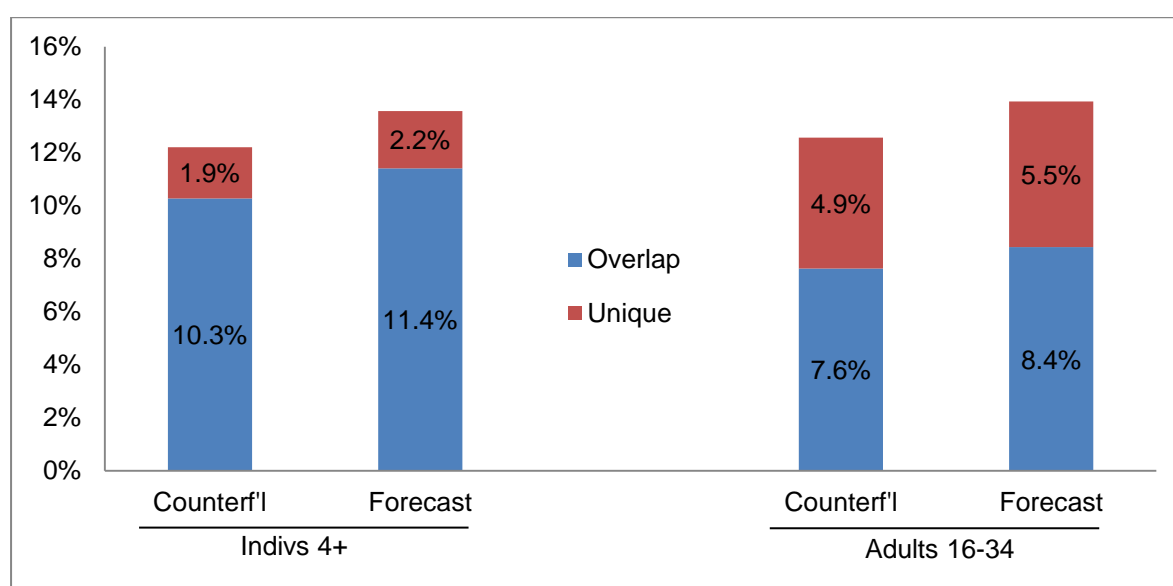
168. In this section we set out the potential increase in viewing we expect to achieve, and summarise our analysis, which indicates that this is unlikely to have a significant adverse impact on fair and effective competition.
169. In order to measure the impact of BBC iPlayer changes, we have established a counterfactual to use as a baseline. This forecasts how time spent on BVOD, SVOD, broadcast TV and time online (on mobiles and PCs) was likely to change if we did nothing, and what the usage of BBC iPlayer would have been absent our changes. The counterfactual industry forecasts are based on Ofcom and Enders data, and the counterfactual BBC iPlayer usage is based on our own data on BBC iPlayer streamed hours.
170. If we do nothing to respond to audiences' new expectations, we expect our share of VOD viewing to continue to decline over the next five years, from around 15% today, to around 12% by 2024 (a fall of c.20%).

6.1 Uplift in BBC iPlayer viewing

171. Building on our audience research carried out by MTM, as well as our own BBC iPlayer data, including data on viewing of programmes available for more than 30 days, we have estimated the impact on reach and time spent with BBC iPlayer as a result of the changes set out in Section 4.
172. We commissioned Communications Chambers to analyse these effects.⁴³ Communications Chambers' findings indicate that:
- BBC iPlayer weekly reach would increase by 11.5%, from 12.2% to 13.6% (an increase of 1.4 percentage points) by 2024 compared to the likely reach if we were to not make these changes (i.e. the counterfactual). This increase is broadly consistent across all age groups as Figure 25 below shows.

⁴³ Communications Chambers full report and methodology is [published](#) alongside this document.

Figure 25: BBC iPlayer reach forecast following our changes



Source: Communications Chambers

- Time spent with BBC iPlayer would increase by 1.9 minutes per person per day (29.5%) relative to the counterfactual, by 2024. Time spent with the BBC across all video (i.e. including linear TV) would increase by 1.7 minutes per person per day (3.5%) by 2024.
- Among 16-34 year olds, by 2024 time spent with the BBC would increase by c.10% relative to the counterfactual to 21.4 minutes per person per day. This is a significant increase among this age group, which is a key focus of our proposals.⁴⁴

6.2 Risk that our proposals will crowd out competitors

6.2.1 Which of our competitors might be affected?

173. Broadcasters must compete hard for the attention of consumers who have a massive array of choice for what to spend their time on, ranging from VOD, to gaming to audio services like Spotify.
174. BBC iPlayer competes in a wide, but differentiated market that includes other BVOD services, SVOD services and linear TV, as well as other services like gaming. The combination of a diverse set of providers who compete to meet demand from a diverse set of consumers means that assessing the impact of changes to BBC iPlayer is best done by taking a nuanced approach that examines the impact on a competitor by competitor basis. This comes out clearly from our audience research, which shows that different consumers have different preferences, and the degree to which they consider other

⁴⁴ Based on Communications Chambers analysis.

providers – ranging from Netflix to ITV Hub to linear TV – as substitutes for BBC iPlayer, varies widely. This makes it difficult to group services by their degree of substitutability.

175. In addition, a nuanced approach also better captures the dynamic nature of competition between the different services. As the degree of substitutability ebbs and flows over time: one service will innovate and others will follow in order to catch up, bringing all services closer for a period of time, until another service innovates again to differentiate themselves, thereby providing something that makes them stand out to attract consumers.
176. This is true of BBC iPlayer. The digital disruption caused by the global tech firms has led the BBC to improve its own proposition. In doing so, it will evolve from being a catch-up service (and in this sense a closer substitute to certain BVOD services than to SVOD services such as Netflix) to being a destination (and therefore becoming a closer substitute to SVOD services).
177. Nevertheless, as a matter of practicality, and for modelling purposes, it is helpful to group providers into different categories. Communications Chambers analysis examined four broad types of provider that compete with BBC iPlayer and are most likely to be affected:
- BVOD – this includes BBC iPlayer alongside services such as ITV Hub, All4 and My5.
 - SVOD – this includes Netflix, Amazon, NOW TV, ITV Hub+ and, in future, BritBox. We have classed NOW TV as an SVOD because we believe that the way in which consumers pay for and consume the service is more likely to determine their behaviour, and therefore patterns of substitution, than the fact that the content on NOW TV is linked to Sky's linear channels.
 - Linear TV – this includes pay-TV services and free-to-air (FTA) services. Pay-TV services are encoded broadcast services for which the consumer pays a subscription.
 - Other audio-visual content – this includes YouTube on a TV or device, other video on a TV or device and gaming on a console connected to a TV.
178. We consider this approach robust. We think it would be unnecessarily reductive to simply focus on one category of service, or to make arbitrary distinctions between different types of providers within specific categories of service. For example, we do not consider that the characteristics of NOW TV are sufficiently different from other SVOD services to conclude that it should be considered separately to other SVOD services.
179. To model the uplift in BBC iPlayer usage, the report we commissioned from Frontier Economics⁴⁵ measures the degree of substitution with BBC iPlayer. This is necessary to understand how any increase in viewing on BBC iPlayer will affect our competitors. Frontier Economics has concluded that we cannot simply look at the closest substitute; we need to look across all potential competitors and analyse how a loss of viewing caused by an increase in viewing in BBC iPlayer is likely to be distributed.

⁴⁵ Frontier Economics' full report and methodology is [published](#) alongside this document.

180. Frontier Economics considered:

- Levels of diversion from other services (i.e. if people watch more BBC iPlayer what will they watch less of). We have gathered data to inform this analysis through the MTM audience research.
- The characteristics of different services (such as genre, volume of content, technical features or price), attitudes and preferences of viewers when consuming BBC iPlayer and its substitutes, as well as audience demographics. This is based on a qualitative analysis of VOD services.

181. Frontier Economics then calculated the impact on different categories of services. The impact is determined by both the volume of consumption of different services and the relative strength of substitution between different services. Taking both of these factors into account, Frontier Economics has concluded that:

- BVOD is the closest substitute to BBC iPlayer. Users of BVOD are most likely to watch less BVOD if they watch more BBC iPlayer, than were users of other services. This was clearly reflected in MTM's research when analysing responses from people who use particular services. But BBC iPlayer users who also use SVOD services would also use less SVOD if they watched more BBC iPlayer, just to a lesser extent than BVOD and linear TV.
- However, there is greater consumption of linear TV and/or SVOD services than of BVOD services. This means that, despite BVOD being a closer relative substitute for BBC iPlayer, linear TV and SVOD services will bear more of the impact on an increase in viewing in BBC iPlayer in absolute terms (i.e. minutes per person per day).
- In relative terms (taking into account the baseline level of usage of these services), again, BVOD is expected to be the most adversely impacted. This is simply because people in general watch less BVOD than they do SVOD or linear TV, so any reduction in BVOD usage will therefore be higher when expressed as a percentage of total viewing.

182. Frontier Economics recognised that these broad categories could mask differences in terms of substitutability within the BVOD, SVOD and linear TV services and therefore drill down deeper to analyse the impact on individual services.

183. We expect that our changes to BBC iPlayer will result in a minor reduction in the viewing for other services relative to the counterfactual. Figure 26 below sets out Communications Chambers' modelling of the expected impact on viewing for affected categories of service relative to the counterfactual, and in line with the above analysis on substitutability.

Figure 26: Static impacts on viewing in 2024

	Counterfactual viewing (mins/indiv/day)	Impact of BBC iPlayer changes (mins/indiv/day)	% change
BBC iPlayer	6.3	1.9	29.5%
Other BVOD	6.7	-0.2	-3.4%
SVOD	40.1	-0.4	-1.0%
Linear (inc. PVR)	175.0	-0.7	-0.4%
Other on TV set	27.4	-0.1	-0.4%
Other on other device	188.3	-0.4	-0.2%

6.3 Static impacts on revenues and profitability

184. Static impacts are the potential direct effects of the proposals on the identified sectors. For example, whether increased content on BBC iPlayer could decrease the advertising revenues that broadcasters including ITV and Channel 4 receive from their VOD services.
185. Frontier Economics analysed the impact of the estimated changes in viewing on the profitability of the key competitors.

6.3.1 BVOD profitability

186. Figure 27 and Figure 28 below set out details of the potential decline of revenues and profit margins for BVOD services as a result of our changes. This is based on the relative substitutability between BBC iPlayer and different BVOD services calculated by Frontier Economics based on MTM's audience research, and their own analysis of how this would affect revenues and profits.

Figure 27: Change in BVOD provider revenues (%) resulting from changes to BBC iPlayer – against counterfactual revenues (£m) in italics⁴⁶

	2019	2020	2021	2022	2023	2024
ITV Hub	-0.8% <i>241.5</i>	-1.6% <i>288.2</i>	-1.8% <i>335.5</i>	-1.9% <i>383.8</i>	-2.1% <i>369.9</i>	-2.1% <i>420.3</i>
All 4	-1.0% <i>102.0</i>	-2.0% <i>121.8</i>	-2.2% <i>141.8</i>	-2.3% <i>162.1</i>	-2.5% <i>156.3</i>	-2.5% <i>177.6</i>
My5	-1.5% <i>38.5</i>	-2.8% <i>45.9</i>	-3.0% <i>53.5</i>	-3.3% <i>61.2</i>	-3.5% <i>59.0</i>	-3.6% <i>67.0</i>
Other	-0.8% <i>81.6</i>	-1.5% <i>97.4</i>	-1.7% <i>113.4</i>	-1.8% <i>129.8</i>	-1.9% <i>125.1</i>	-2.0% <i>142.1</i>

Figure 28: Potential impact on BVOD provider profit margins (percentage points)⁴⁷

	2019	2020	2021	2022	2023	2024
ITV Hub	-0.6pp	-1.2pp	-1.3pp	-1.4pp	-1.5pp	-1.6pp
All 4	-1.1pp	-2.1pp	-2.3pp	-2.4pp	-2.6pp	-2.7pp
My5	-1.3pp	-2.5pp	-2.8pp	-3.0pp	-3.2pp	-3.3pp

187. Figure 28 indicates that the percentage point reduction in margins is most significant for My5. However, its profit margins would still be larger in 2024 than they were in 2015. Furthermore, while the results suggest a loss on All4, Channel 4 is not run for a profit, and has run deficits in four of the past six years. Given that All4 has continued to innovate during this time, it is likely that it will continue to do so. We note that the fall in My5's profit margins and the losses that All4 would make would be spread across Channel 4 and Channel 5's linear broadcasting services as well, which would lessen the impact. We examine this combined impact below.
188. Frontier Economics has concluded that the relationship between changes in BVOD viewing and advertising revenues is unlikely to be linear, because a reduction in the supply of digital advertising may lead to an increase in price. Though digital advertising is sold alongside linear TV advertising, the two are not necessarily direct substitutes, given that broadcasters have stated intentions to develop their VOD services to offer enhanced advertising to their customers (e.g. with more targeted advertising), and differentiate this from their linear offering. The estimated reduction in revenues and consequent impact on profit margins is small. Frontier Economics has assumed as the

⁴⁶ Frontier Economics

⁴⁷ Frontier Economics

central case for their analysis a 0.67:1 relationship between digital revenues and viewing. This ratio has been used in previously published analysis by Ofcom.⁴⁸

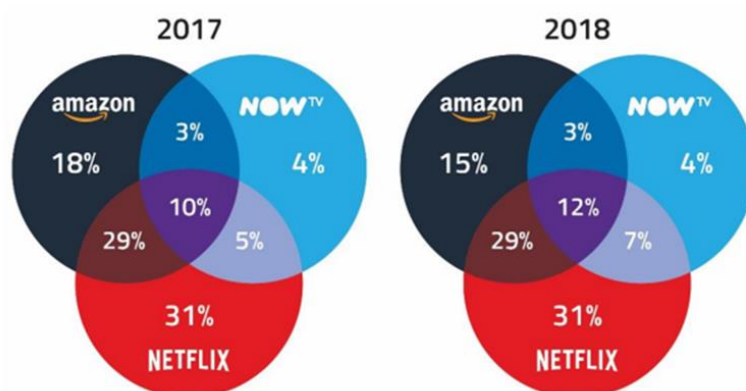
6.3.2 SVOD revenues and profitability

189. While Communications Chambers' analysis estimates there will be a 1.0% decrease in the viewing of SVOD, Frontier Economics conclude that the relationship between SVOD viewing and revenues is complex, and is unlikely to be a linear relationship. There are several key reasons for this:

- The relationship between SVOD revenues and viewing depends on the relationship between viewing and the propensity to subscribe. It is unlikely that a marginal decline in the volume of viewing to SVOD due to the additional availability of content on BBC iPlayer would impact a viewer's propensity to subscribe to an SVOD service.
- There are many reasons that viewers choose to subscribe to an SVOD service and these would remain, irrespective of whether the BBC decided to add incremental content to BBC iPlayer.
- Many customers already have subscriptions to multiple services and this behaviour makes a reduction in subscriptions, resulting directly from any changes to BBC iPlayer, less likely. This is because when a subscriber to more than one service notes that it would cancel a subscription, it is likely it would only cancel one service, not several. Drawing on the GfK SVOD tracker, Ofcom show that in Q1 2018, 71% of those with an SVOD subscription also had a pay-TV service, which is similar to the level in 2017 (72%). Moreover, a large number of SVOD subscribers also subscribe to multiple services, as Figure 29 below sets out.

⁴⁸ Ofcom in its previous assessments of the impact of BBC services on TV advertising has assumed that an increase in consumption of BBC which leads to a reduction in consumption of commercial broadcasters content, and thereby reduce the supply of TV advertising impacts.

Figure 29: Proportion of SVOD users who subscribe to multiple services, 2017 vs. 2018



Source: GfK sVOD Tracker, Q1 2017 and Q1 2018 January to March. Notes: RS2 Services used. Base: all respondents, 2017:2398, 2018:3324.

- A significant number of subscribers to Netflix and Amazon Prime Video choose to do so because of the original content provided by these services, or because they produce content not available elsewhere. 32% of Netflix subscribers, and 18% of NOW TV subscribers stated that reason for signing up was ‘to watch exclusive content not available elsewhere’. The fact that the services are so differentiated is another reason that consumers often have multiple subscriptions.
- Consumers highly value the bundle of services that is often available through their SVOD provider. For example, the key reason for subscribing to Amazon Prime is often to receive free delivery of shopping, rather than watch its video content.⁴⁹

190. Frontier Economics noted that the MTM survey indicated that 6.8% of respondents who subscribe to an SVOD service said they would definitely cancel a subscription as a result of the changes to BBC iPlayer, and 14.1% said they would consider cancelling a subscription. We note that this number is likely to overestimate the percentage of individuals who would actually cancel their subscription as a result of the changes for the following reasons:

- First, as a general point, consumers tend to overstate their likelihood of acting to cancel a subscription.⁵⁰ Second, in the MTM survey, when asked which specific

⁴⁹ 51% of Amazon Prime Video subscribers said that ‘to obtain free shipping’ was the reason for signing up. See GfK SVoD Tracker, Q1 2018 (cited in Ofcom – Media Nations Report, 2018).

⁵⁰ Behavioural economic literature tells us that people are likely to overestimate their propensity to cancel subscriptions. See for example ‘Paying not to go to the gym’ Stefano DellaVigna and Ulrike Malmendier, *The American Economic Review*, Vol. 96, No. 3 (Jun., 2006), pp. 694-719, which finds that “Consumers overestimate, for example, their future self-control or their future efficiency in pursuing costly activities. This leads to overestimation of attendance and of cancellation in automatically renewed contracts”.

services they would cancel, only 0.8% of SVOD users would definitely cancel, and 3.9% stated that they would consider cancelling.

- Many individual SVOD subscriptions are used by multiple people: multiple people are likely to watch a programme at once, and services such as Netflix offer subscription packages where up to four users can use the subscription at once.⁵¹ As such, the decision to cancel the subscription may not belong to the individual responding to the question and the number of users will be greater than the number of subscribers.
- As noted above, customers increasingly subscribe to multiple services. The question in the MTM survey asked respondents if they cancel a subscription service, not all of their subscription services.

191. Frontier Economics' analysis has drawn on this data, alongside the number of SVOD households and taking into account the factors above, to estimate a potential 1.9% decline in SVOD subscriptions and therefore SVOD revenues.⁵²

192. Applying this decline in subscriptions results in the following reductions in revenue in each year compared to the revenue that would have been achieved in the counterfactual:

Figure 30: Changes in SVOD provider revenues (£m) resulting from changes to BBC iPlayer – against counterfactual revenues (£m in italics)

	2019	2020	2021	2022	2023	2024
Netflix	-7.4 <i>929.4</i>	-15.1 <i>1056.1</i>	-18.8 <i>1182.8</i>	-20.1 <i>1267.3</i>	-21.5 <i>1351.8</i>	-22.8 <i>1436.3</i>
Amazon Prime	-5.3 <i>462.0</i>	-10.8 <i>525.0</i>	-13.5 <i>587.9</i>	-14.4 <i>629.9</i>	-15.4 <i>671.9</i>	-16.3 <i>713.9</i>
NOW TV	-3.0 <i>227.3</i>	-6.1 <i>258.3</i>	-7.6 <i>289.3</i>	-8.1 <i>309.9</i>	-8.7 <i>330.6</i>	-9.2 <i>351.3</i>
ITV Hub+	-0.1 <i>12.9</i>	-0.2 <i>14.7</i>	-0.3 <i>16.4</i>	-0.3 <i>17.6</i>	-0.3 <i>18.8</i>	-0.3 <i>20.0</i>

Source: Frontier Economics

193. Such an impact – less than 2% of each of the SVOD's UK revenues – is unlikely to alter competitors' ability or incentives to invest.

⁵¹ Evidence suggests sharing of login details is common <https://techcrunch.com/2016/01/11/netflix-ceo-says-account-sharing-is-ok/>.

⁵² Frontier Economics takes the survey data on the proportion of subscribers that would cancel their subscription and notes that (based on prompted responses) 6.8% of SVOD subscribers would definitely cancel their subscription, and unprompted 0.8% of subscribers would definitely cancel their subscription. Conservatively taking the higher of these estimates and adjusting it to account for bias, multiple occupancy and multi-homing, this equates to a 1.9% reduction in subscription revenue.

6.3.3 Commercial linear television and other viewing on TV sets

194. Linear TV viewing is expected to only see a small reduction in usage as a direct result of the changes to BBC iPlayer – 0.7% lower in 2024 relative to the counterfactual. This includes a reduction in viewing for BBC linear TV. Frontier Economics has assessed what this might mean in terms of reduced revenue for linear TV providers, set out in Figure 31 below:

Figure 31: Potential decline in commercial linear television revenues

	2019	2020	2021	2022	2023	2024
ITV	-0.2%	-0.3%	-0.3%	-0.3%	-0.4%	-0.4%
Channel 4	-0.2%	-0.3%	-0.3%	-0.4%	-0.4%	-0.4%
Channel 5	-0.2%	-0.4%	-0.4%	-0.4%	-0.4%	-0.5%
Sky	-0.2%	-0.4%	-0.4%	-0.4%	-0.4%	-0.5%
Other	-0.2%	-0.4%	-0.4%	-0.4%	-0.4%	-0.5%

Source: Frontier Economics

195. By 2024 revenues for linear TV are projected to be approximately 0.4% to 0.5% lower than in the counterfactual.

6.3.4 Combined impacts across all segments

196. Broadcasters that offer services across different segments (BVOD, SVOD and linear) will consider whether to invest and innovate by looking at both their digital or linear advertising revenues collectively. Frontier Economics has therefore considered the impact of the BBC iPlayer changes on the combined revenues and profits of ITV, Channel 4, Channel 5 and Sky (revenues only), as set out below.⁵³

Figure 32: Annual percentage change in revenues as a result of the changes to BBC iPlayer

	2019	2020	2021	2022	2023	2024
ITV	-0.3%	-0.5%	-0.6%	-0.7%	-0.7%	-0.8%
Channel 4	-0.3%	-0.6%	-0.7%	-0.7%	-0.8%	-0.9%
Channel 5	-0.3%	-0.7%	-0.8%	-0.9%	-1.0%	-1.0%
Sky	-0.6%	-1.1%	-1.2%	-1.3%	-1.4%	-1.4%

Source: Frontier Economics

197. By 2024 revenues for ITV, Channel 4 and Channel 5 are projected to be up to 1% lower than in the counterfactual, and Sky 1.4% lower. Figure 33 below shows the projected

⁵³ This combined revenue includes digital and linear TV advertising revenues and, in the case of ITV, estimated revenues from ITV Hub+.

impact on profit margins. The reduction in revenues, when considered across all types of revenues, is smaller than for BVOD alone.

Figure 33: Annual impact on combined profit margins (percentage points)

	2019	2020	2021	2022	2023	2024
ITV	-0.2pp	-0.4pp	-0.4pp	-0.5pp	-0.5pp	-0.6pp
Channel 4	-0.3pp	-0.6pp	-0.7pp	-0.8pp	-0.8pp	-0.9pp
Channel 5	-0.3pp	-0.6pp	-0.7pp	-0.8pp	-0.9pp	-0.9pp

Source: Frontier Economics

198. Frontier Economics has estimated that ITV's profit margins will decline by 0.6 percentage points and both Channel 4 and Channel 5's by 0.9 percentage points compared to the counterfactual. The reduction in profit margins, when considered across all types of revenues, is smaller than for BVOD alone.

6.4 Dynamic impacts

199. Dynamic impacts are the potential effects which result from other providers changing their behaviour, for example, whether the proposals could lead Netflix to further increase spend on UK content in response to the BBC's improved box set offer.
200. While there will be some static impact on competitors' services, and therefore revenues, we do not consider there will be any adverse dynamic impacts, and therefore any potential adverse impacts on fair and effective competition. Our proposed changes to BBC iPlayer will not affect the incentives that our competitors have to innovate, invest and commission content.

6.4.1 Potential impact on incentives to invest

201. The static impact of BBC iPlayer changes on commercial linear television revenues is very small – between 0.4% and 0.5%. Such a low static impact is unlikely to affect the linear providers' incentives to invest, nor their ability to respond to increased competition, and therefore unlikely to have any impact on dynamic competition.
202. Even with conservative assumptions, there is only a small impact on revenues and/or profit margins of BVOD suppliers: the decline in ITV Hub's profit margins are expected to be 1.6 percentage points and the increase in All4's loss is expected to be 2.7 percentage points. My5's profit margins are expected to decline by 3.3 percentage points. The potential (negative) change in revenues and profits should be seen in the context of an overall growing market. For example Channel 4's digital revenue grew by 22% between 2016 and 2017 and Frontier Economics has estimated that digital advertising revenues for BVOD services will grow by 63% in the between 2018 and 2024. Furthermore, ITV, Channel 4 and Channel 5's investment decisions will be made across both their BVOD and linear services. As shown above, the reduction in revenues and margins is forecast to be considerably smaller across the piece (-0.6, -0.9 and -0.9

percentage points respectively) than for BVOD alone. We note that Ofcom's previous assessments of the impact of changes to BBC services is consistent with the assumption that a revenue impact of less than 1% is unlikely to harm the commercial viability of firms and their incentives to invest.⁵⁴

203. Similarly, the impact on revenues is small for SVOD suppliers (less than 2%) and digital revenues are growing. After the launch of Netflix in 2012, followed by Amazon Prime Video in 2014, subscriptions to on-demand video services increased from 14% of households in 2014 to 39% in 2018.⁵⁵
204. Furthermore, with respect to SVOD services, Netflix and Amazon's incentives to invest in content and technology are made on global basis and a small change of UK revenues would only have a minor impact on global investment decisions. We note that NOW TV is part of Sky, which itself is part of Comcast. As such, NOW TV does not commission in isolation, but only as part of the wider Sky / Comcast / NBC Universal Group. Therefore, Sky / Comcast's incentives to invest are across the whole platform, not just NOW TV and incentives are not driven by SVOD considerations alone. In addition, NBC Universal's recent purchase of Sky indicates that in future, NOW TV's incentives to invest may also be driven by global considerations.
205. Finally, the 0.4% predicted decrease in pay-TV viewing resulting from changes to BBC iPlayer is so small that it is unlikely to impact on subscriptions and therefore revenues.
206. Changes in consumer behaviour and advancing technologies are encouraging all broadcasters to innovate and invest in their digital offerings. The potential small negative impact on revenues and profits for broadcasters is also unlikely to be sufficient to dampen the ability of any broadcaster to continue to compete.
207. We therefore do not consider that our proposed changes are likely to have any overall impacts to BVOD or SVOD investments. Moreover, there are broader changes in the industry which should continue to ensure that competitors continue to invest, specifically around changing consumer behaviour and the need for broadcasters and SVOD providers to evolve with these changes. These include:
- audiences are migrating from linear to VOD, meaning that without a compelling digital service, broadcasters' content will be less relevant to viewers;
 - broadband technologies have lowered barriers to entry and we expect a more competitive less concentrated market in future as broadcasters that can leverage a content (such as Disney or TimeWarner) enter the market;

⁵⁴ See for example, Ofcom (2018) BBC Scotland Competition Assessment, Final Determination https://www.ofcom.org.uk/_data/assets/pdf_file/0016/115270/BBC-scotland-statement.pdf and, Ofcom (2018) BBC Scotland Competition Assessment, Consultation on Ofcom's provisional determination https://www.ofcom.org.uk/_data/assets/pdf_file/0018/113184/consultation-bbc-scotland-provisional-determination.pdf

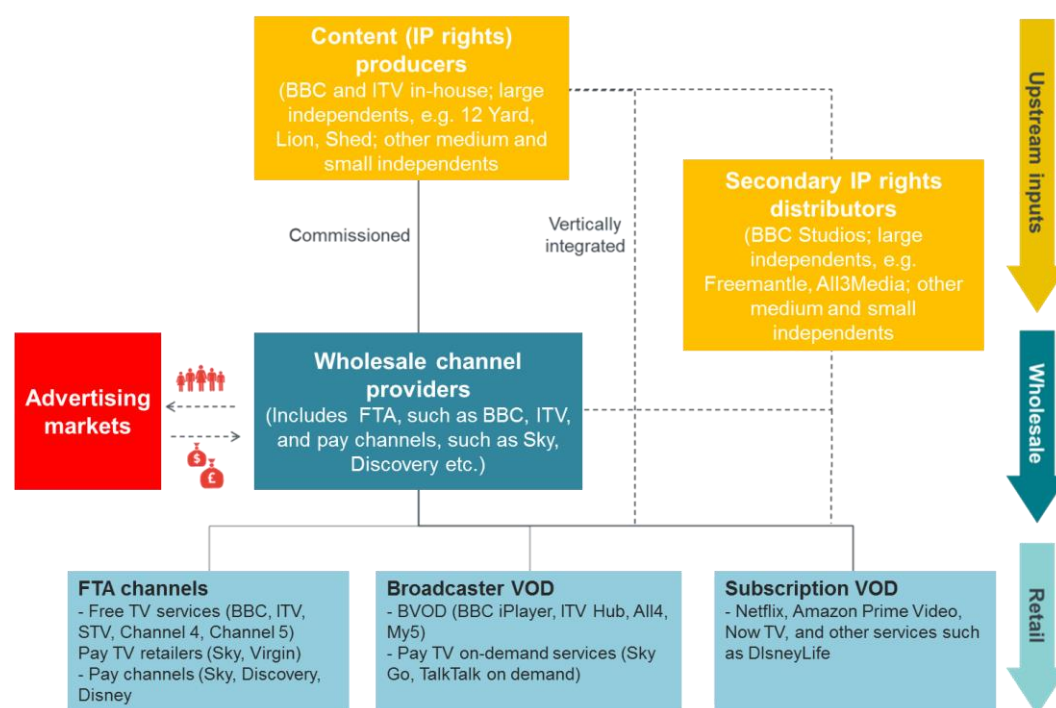
⁵⁵ Channel 4 Annual Report, 2017; Ofcom Communications Market Report 2018 (page 25).

- broadcasters now compete with many more services for our screen time whether social media, short form video or gaming; and,
 - broadcasters have to ensure that their advertising can offer comparable value to other online digital advertising (in terms of targeting or engagement).
208. The recent announcement from ITV and the BBC that we are working together to deliver BritBox, a new UK SVOD service, should be seen in this light. To date, our UK focus has been on 'B2B' (business to business) licensing deals, with our programmes supplied to competitor third-party SVOD services, most notably Netflix (but also to Amazon and others). The BBC's involvement in BritBox would offer the BBC a Direct-To-Consumer SVOD route to market in the UK, while also supporting our ambitions for BBC iPlayer as our VOD priority for audiences.
209. For the reasons above, we do not consider that the small impact on revenues and/or profit margins of the BVOD, SVOD or commercial linear television suppliers would alter their ability or incentives to invest, nor their ability to respond to changes to BBC iPlayer (nor indeed competition from others). The conclusion applies equally when considering the impact on the total revenue of those broadcasters – ITV, Channel 4 and Channel 5 – that provide services across more than one category.

6.5 Potential vertical supply chain impacts

210. To understand potential vertical impacts, we asked Frontier Economics to undertake analysis on the current broadcasting value chain.

Figure 34: Broadcasting value chain



Source: Frontier Economics⁵⁶

211. Frontier Economics considered the most likely potential impacts of our proposals and identified that the following are most likely to be affected, and therefore considered further:

- Content producers;
- Distributors of content (not first run originations); and
- TV platforms.

6.5.1 Content production and financing

212. We do not consider that the BBC has the ability or the incentive to adversely affect the content production market in the UK. Specifically we consider that:

- The BBC's incentives to commission the best quality content from independent producers to fulfil the BBC's Mission and Public Purposes are unaffected by these changes. In other words, the BBC still wants to show the best, most distinctive programmes that appeal to our audiences; and

⁵⁶ For simplicity in this stylised illustration of the value chain we have omitted providers of TV distribution services. TV distribution platforms include the Freeview platform on Digital Terrestrial TV, the Digital Satellite platforms supplied by Sky in the UK and FreeSat, and YouView. TV distribution platforms typically provide services to two groups of customers: end users (who buy set top boxes either directly from, or using IP licensed by, the TV distribution platform) and broadcasters who purchase transmission services and EPG services.

- The proposed changes are unlikely to affect the range of content the BBC currently commissions – there are a number of factors including regulatory quotas that drive the volumes of first run originations commissioned and shown on the BBC, across the full range of genres and from the widest range of British producers.
213. We reiterate that a strong creative economy is in the BBC's interests. As we recognise in this document, quality of content remains a key driver of success, and the BBC has no incentive to reduce the quality of content we can commission, as this would have a detrimental effect on our audiences. This is particularly true in light of the shift to viewing on-demand given the much wider consumer choice offered by VOD services relative to a linear TV schedule.
214. In response to our public consultation, Pact raised several points about the potential impact of the proposed changes on content production financing. In particular:
- Pact is concerned that our proposals to make all programmes available on BBC iPlayer for at least 12 months will diminish the subsequent value of programmes in the UK secondary market once out of holdback (typically after 18 months). This, in turn, could harm independent producers' ability to raise upfront investment in their productions.
 - Pact believes that smaller producers will be disproportionately affected by the changes as larger companies and BBC Studios will have the financial means to cash flow the production or secure a bank loan to bridge the gap.
 - Pact is also concerned that the BBC will lose revenues as a result of a decrease in sales in the secondary market. This could have an impact on the BBC's content spend, which would ultimately harm the quality of content and the type of content commissioned.
215. We note that each of these concerns focusses on the ability of producers to finance and produce content and rests on the premise that changes to BBC iPlayer will result in a decrease in the value of programmes in the UK secondary market. This premise is likely to be unfounded for two reasons.
216. First, the potential impacts on programme funding are likely to be limited to a small proportion of BBC commissions.
- Of the BBC network hours in 2018 that were commissioned from indie producers, over half were fully funded by the BBC, and so the continued funding of these programmes is unlikely to be affected by the proposed changes to BBC iPlayer.
 - Of the programmes that receive third-party investment, a proportion of these have not been licensed in the UK secondary TV or SVOD markets and so their funding is not dependent on revenues from these sources.
 - Of the programmes that do generate revenues from the secondary TV and SVOD markets in the UK, a number of programmes (particularly in drama) fully recoup their upfront investments from international revenues – before the programme is available for sale in the UK market (i.e. during the 18 month holdback).

217. For these reasons, any impact is likely to be focussed on the subset of programmes that generate secondary revenues in the UK and these revenues are an important factor in raising upfront investment in the programme.
218. Second, increasing the availability of programmes available for longer on BBC iPlayer would not necessarily reduce the potential to earn commercial revenues in the UK. For that to be the case, it is necessary to assume (i) that longer availability on BBC iPlayer results in fewer potential viewers once the programme is available on other outlets such as SVOD and pay TV services and (ii) that the value of content to individual users diminishes after watching it for the first time.
219. Frontier Economics modelled the relationship between availability of content on BBC iPlayer and the value of the content in secondary rights markets based on an analysis of 108 series that were first broadcast by the BBC between 2008 and 2017. Their analysis did not support the premise that lengthening the availability of programmes on BBC iPlayer reduces producers' ability to generate commercial revenues in the UK. In fact it suggested the opposite – i.e. that producers are able to achieve higher commercial revenues in the UK when the series is shown on BBC iPlayer for longer. This could be because increasing the availability of a programme on BBC iPlayer enables it to have a greater reach than otherwise might have been the case, and this in turn can drive increased commercial revenues in the UK.
220. There are also other potential upsides of longer availability to producers:
- If a programme performs well on the BBC's UK public services it may make the programme more attractive to buyers overseas. This hypothesis is strongly supported by Frontier Economics' econometrics analysis.
 - Making programmes available for longer on BBC iPlayer enables programmes to attract a larger audience, thus leading to greater chance of a recommission.
221. Lastly, we note, that even if increasing the availability of programmes on BBC iPlayer were to lead to a reduction in future commercial revenues, in a competitive market, a reduction in the value of the secondary window could, all other things being equal, lead to an increase the price of primary commissions.

6.5.2 Content distribution

222. A further possible concern is that the BBC could use its upstream position to disadvantage VOD competitors downstream. The question is whether, as a result of our changes to BBC iPlayer, the BBC might (i) have a small increased incentive to restrict access to BBC-controlled IP on other VOD services and (ii) whether the BBC has an ability to harm competition. Frontier Economics has examined this possible concern and concluded that this is unlikely. Even if the BBC were to retain certain titles for BBC iPlayer and as a result they were unavailable to competitor VOD services, or if the BBC were to stop selling some of its IP to competitors, this would not harm these competitors.
223. There are several potentially balancing factors relevant to the BBC in relation to licensing its programmes to other VOD services via BBC Studios:

- The BBC plans to turn BBC iPlayer into a VOD destination; this potentially creates an incentive to restrict supply of BBC IP to other VOD services if the BBC considers these compete with BBC iPlayer for viewers.
- Critical to the remit of BBC Studios is the ability to commercially exploit BBC programmes around the world to earn a commercial return. As a commercial activity of the BBC, BBC Studios is required by its shareholders and by the BBC Charter to seek to make a profit. The BBC benefits from this commercial activity – both by directly receiving a share of revenue from exploitation of its programmes, and in receiving an annual dividend from the profits of BBC Studios – which the BBC is then able to reinvest in its public services for UK audiences. The BBC is therefore highly incentivised to enable BBC Studios to generate commercial revenues, where this does not conflict with the rights the BBC has acquired, the investment it has made and its ability to deliver its Mission and Public Purposes for UK audiences.

224. While the BBC may have somewhat mixed commercial incentives to restrict access to BBC-controlled IP on other VOD services following this change, the BBC does not have the ability to harm competitors through the restriction of the supply of the secondary rights to its IP. The BBC does not have ‘market power’ over content as BBC content does not drive subscriptions or switching decisions of its competitors for several reasons:

- The BBC does not control the IP of a large proportion of the content it distributes and therefore cannot restrict its supply. When BBC Studios distributes content produced by independent producers, it does so in a way that is consistent with maximising the returns on the content to the IP holder.
- UK content competes with US content so there are substitutes for BBC content.
- BBC-controlled IP forms a small part of the SVOD services’ overall catalogue of titles.
- There are other routes to sourcing content for the BBC’s competitors e.g. own commissions and co-productions.
- BBC-controlled IP does not form part of the major SVOD services’ key strategy which is to source their own original content as this drives subscriptions.

225. Frontier Economics report sets out full details of the analysis that supports this conclusion.⁵⁷

6.5.3 Distributors of BBC iPlayer

226. Frontier Economics has concluded that there would be no impact on distributors of BBC iPlayer, on the basis that extended availability of content would also be made available to these platforms.

⁵⁷ Frontier Economics.

6.6 Conclusions on the BBC's potential impact of fair and effective competition

227. We do not consider that the uplift we forecast in BBC iPlayer viewing is sufficient to have an adverse impact on fair and effective competition that is not necessary for the effective fulfilment of the BBC's Mission and the promotion of the BBC's Public Purposes. Nor do we consider that our proposals risk adversely affecting other companies in the supply chain.
228. The analysis set out in this document and in the supporting reports by Communications Chambers and Frontier Economics therefore clearly confirms the original decision of the BBC Board that these proposals do not constitute a material change to the BBC's UK Public Services.
229. We also consider it is important that any analysis used to inform decision making around the potential impact of the BBC's activities on fair and effective competition adequately accounts for the market context, and is based on robust data and assumptions. This is particularly important in light of the ex ante nature of the legal test around potential material changes, as set out in the Agreement. Given the inherent uncertainties that result from forecasting what might happen if the BBC makes certain changes, we consider there is rightly a high evidential bar for regulatory intervention to prevent or constrain such changes being made, that must be based on robust and credible data and analysis.
230. Applying the Public Interest Test (or indeed the materiality test) cannot reasonably start from a presumption that all innovation by the BBC, even where this may result in a short term increase in the BBC's share of viewing, should necessarily be seen to have an adverse impact on fair and effective competition. We consider there are – and long have been – a range of incentives on the BBC's competitors to continue to innovate to respond to competitive pressure. The BBC is only one such source of competition, and so any potential adverse impact we could be seen to have on fair and effective competition must be seen within that context.
231. We consider that there is competition for audiences' time and attention between broadcasters – across linear TV, BVOD services, SVOD services, and a range of other media including gaming. There are several areas where these parties compete:
- Content – the quality of content is fundamental to attracting and maintaining audience interest.
 - Functionality – the quality of products that parties are able to offer their customers; this is one of drivers behind the migration from linear to VOD.
 - Price and advertising – essentially how much providers charge to access their services, or for BVOD providers how much they charge advertisers, or the quality of service they are able to offer.
232. The long term decline of linear viewing in favour of VOD, and the growth of the large SVOD players with their high-quality content and impact on advertising revenues, each provides broadcasters with a clear incentive to innovate in the digital space by developing their VOD services.

233. In this context, other UK broadcasters are taking steps to improve their VOD services. The announced launch of BritBox, a new UK SVOD service from ITV and the BBC, is a good example of such innovation.

7 The Public Interest Test

7.1 Background

234. The Charter and Agreement place a number of obligations on the BBC when it would like to make changes to its UK public services. In particular the Agreement⁵⁸ stipulates that the BBC may only make a material change to its UK public services where:
- The BBC has carried out a Public Interest Test on the proposed change;
 - The BBC has determined that the Public Interest Test is satisfied; and
 - Ofcom determine that the BBC may carry out the proposed change.
235. A material change is defined to include:
- (a) the carrying out of any activity as a new UK Public Service; and
 - (b) any change to a UK Public Service which may have a significant adverse impact on fair and effective competition.
236. The Agreement⁵⁹ also explains what a Public Interest Test involves. Specifically the BBC must be satisfied that:
- The proposed change to the UK public services contributes to the fulfilment of the Mission and the promotion of one or more of the BBC's Public Purposes;
 - It has taken reasonable steps to ensure that the proposed change has no adverse impact on fair and effective competition which is not necessary for the effective fulfilment of the Mission and the promotion of the Public Purposes; and
 - The public value of the proposed change justifies any adverse impact on fair and effective competition.
237. In addition, the Agreement also requires that the BBC, in carrying out the Public Interest Test, must consider the scale and likelihood of any public value relative to the scale and likelihood of any adverse impact on fair and effective competition. It is recognised that the determination will require qualitative assessments to be made and that direct comparison of factors relating to public value and factors relating to risks to fair and effective competition may not be possible.⁶⁰
238. For BBC iPlayer, Ofcom has directed the BBC to undertake a Public Interest Test for our 2018/19 BBC iPlayer content proposals, after finding that these were a material change because they might have a significant impact on fair and effective competition.⁶¹ The

⁵⁸ Clause 7, [BBC Agreement](#), December 2016.

⁵⁹ Clause 8(1), [BBC Agreement](#), December 2016.

⁶⁰ Clause 8(2), [BBC Agreement](#), December 2016.

⁶¹ Ofcom, [Review of the BBC's Materiality Assessment of proposed changes to BBC iPlayer](#), November 2018

proposals described in this document reflect the BBC's aims for BBC iPlayer, which include our more limited 2018/19 BBC iPlayer content proposals.

239. We set out below our findings under the Public Interest Test in the light of the research and analysis we have conducted and the consultation process.

7.2 Does the proposed change contribute to the fulfilment of the Mission and promotion of the Public Purposes?

240. The BBC is satisfied that our proposals will deliver high public value and will contribute to the fulfilment of the Mission and the promotion of several of the Public Purposes. Our analysis, based on our audience research, responses to our consultation and modelling of take up and usage, demonstrates that:

- Our changes will operate in the public interest and serve our audiences by improving the quality of BBC iPlayer, a core BBC service. These changes have broad audience support, and will remove many of the current frustrations with BBC iPlayer. As a consequence our changes will increase reach (by 11.5%) and time spent (by 29.5%) with BBC iPlayer, including among underserved demographics (specifically 16-34s) as our audiences will find more on BBC iPlayer to inform, educate and entertain them.
- By improving our offer and increasing usage of BBC services, we will increase audience's confidence that they are receiving value for money for their licence fee. 63% of people surveyed felt our changes would deliver better value for the licence fee. Taking into account our plans to commission better content for younger audiences, our changes will make BBC iPlayer a more relevant service for this group, driving up usage more than it will for other groups.
- Our plans will help us to better deliver the BBC's Mission and Public Purposes by having more diverse British content conveniently discoverable in one place. 66% of people surveyed felt the changes would make BBC iPlayer more appealing to people generally and 63% felt the changes would make it appeal to a wider variety of people. As a result BBC iPlayer will be a more distinctive service than others due to this enhanced content offer, and will deliver significant social value.

241. In reaching these conclusions, we have taken particular account of our audience research which clearly demonstrates that our proposals will contribute to the delivery of our Mission and the Public Purposes. Specifically, as summarised in Section 5.2, audiences were clear that the changes would support the delivery of the second (to support learning for people of all ages), third (to show the most creative, highest quality and distinctive output and services) and fourth (to reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions) Public Purposes through providing more content on BBC iPlayer.

7.3 Has the BBC taken reasonable steps to ensure the proposed change has no adverse impact on fair and effective competition which is not necessary for

the effective fulfilment of the Mission and the promotion of the Public Purposes?

7.3.1 Potential adverse impact on fair and effective competition of the proposed change

242. In order to determine what reasonable steps might be needed to avoid any unnecessary adverse impact on fair and effective competition, it is necessary to identify what adverse effects might flow from the proposed changes (and if so, whether they are necessary for the effective fulfilment of the BBC's Mission and the promotion of its Public Purposes).
243. We consider that our proposals are the minimum necessary to achieve our Mission and deliver the Public Purposes. Our analysis indicates that these are unlikely to have a significant adverse impact on fair and effective competition. As such, we consider that our proposals will not have an adverse impact on fair and effective competition which is not necessary for the effective fulfilment of the Mission and the promotion of Public Purposes. The conclusion is based on our analysis (set out in more detail in Sections 5 and 6) which demonstrates that:
- Our changes will improve BBC iPlayer, and that this will in turn safeguard the relevance of the BBC as more and more people watch TV programmes using VOD services, and their expectations are conditioned by SVOD providers. They are the minimum necessary for the BBC to retain share, and continue to deliver public value to all audiences. To the extent, therefore, that our proposals might have some effect on competitors, this impact would be as a result of the BBC improving its service so that it can keep pace with the market and meet reasonable audience expectations. This element of the test does not require that any adverse impact on competitors must be eliminated but that the BBC must be satisfied that it has taken reasonable steps to avoid any unnecessary adverse impact on competition. As can be seen from Ofcom's decision on BBC Scotland, an impact on a competitor may be a possible outcome of a new or changed service but still be justified by the uplift in public value from the proposals in question. Indeed this is inherent to the Public Interest Test.
 - Our changes are likely to result in a small increase in the BBC's overall share of VOD – around a 3 percentage point increase – relative to our counterfactual, purely as a result of increasing the scale of content on BBC iPlayer. However we note that this increase should be seen in the context of an anticipated decline of the BBC's share of viewing in VOD over the same period. The impact of our changes will therefore simply maintain our existing share of viewing.
 - The impact of an increase of this level against the counterfactual is likely to be a very small decrease in competitors' revenues and/or profits. We estimate there would be 1.9% decrease in Netflix, Amazon and NOW TV revenues. It is important to highlight that this is, in any event, a conservative assessment as it is highly unlikely that people will drop subscriptions, and that many will continue to subscribe to multiple different providers. For BVOD, we estimate that there will be a decline in profitability of 1.6 percentage points for ITV Hub, 2.7 percentage points for All4 and

a 3.3 percentage point decline for My5. We note that ITV, Channel 4, Channel 5 and Sky's investment decisions will be made across both their BVOD and linear services. The reduction in profit margins is forecast to be considerably smaller across the piece (-0.6, -0.9 and -0.9 percentage points respectively) than for BVOD alone. We do not anticipate that this level of decrease in revenue or profitability would significantly affect their incentives to invest or the ability of any of competitors to respond to our proposals, and therefore to continue to compete fairly and effectively.

- In terms of the impact on the production sector, our research indicates that there are some potential positive upstream impacts on indies/producers – put simply there is more chance of producers having a hit with a bigger (longer) shop window on the BBC. We therefore do not consider that our proposals will adversely affect the production and distributions sectors.
- Finally, we do not consider that there is a risk that we adversely impact downstream markets (content supply to other VOD providers). While there is a risk that we may be seen to have a greater incentive not to sell BBC IP to other VOD services – as they will compete more closely with BBC iPlayer – we are unable to foreclose a competitor by restricting the supply of BBC content.

244. The BBC is therefore satisfied that to the extent the proposals may have some impact on our competitors, this impact is limited and cannot be further reduced without jeopardising the improvements to BBC iPlayer and the public value that our analysis has evidenced will flow from those improvements.

7.3.2 Consideration of reasonable steps to ensure that the proposed change has no adverse impact on fair and effective competition which is not necessary for the effective fulfilment of the Mission and the promotion of the Public Purposes

245. The BBC has considered, in light of stakeholder responses and the evidence we have gathered through audience research and economic analysis, whether there are any reasonable steps the BBC needs to take to mitigate any adverse impacts on fair and effective competition that are not necessary for the effective fulfilment of the Mission and promotion of the Public Purposes.

246. In the light of our conclusions that our proposals are unlikely to have an adverse impact on fair and effective competition, we do not consider that any such steps are necessary.

7.4 Does the public value of the proposed changes outweigh any adverse impact of fair and effective competition?

247. As the BBC's analysis indicates that our proposals are unlikely to have an adverse impact on fair and effective competition, our assessment of whether this limb of the Public Interest Test is met had to be approached in that light. Our conclusion is that:

- We are satisfied that our package of proposals to extend availability on BBC iPlayer strikes the right balance between ensuring that our audiences get value for money for the licence fee via an appropriate use of the Public Service window, while not eroding any of the potential commercial revenues in the secondary market. It does not give rise to an undue risk of an adverse impact on fair and effective competition which requires us to assess the relative weight of each as required by this limb of the test.
- We are satisfied that our proposals around the volumes of content we would make available on BBC iPlayer for longer – including archive and returning series – are also not likely to give rise to any risks of an adverse impact on fair and effective competition. As set out above, we do not consider that our proposals risk crowding out competitors, based on our current plans. We note that there are practical limits to the volumes of additional content the BBC can make available on BBC iPlayer – including the rights we are able to secure in the market – which will limit the volumes of content we can put on BBC iPlayer. These are reflected in our proposals. As such, the balancing exercise in this limb of the test is, again, not engaged.

7.5 Conclusion

248. The BBC is satisfied that all elements of the Public Interest Test are met. Moreover, as our findings show that the proposed changes are unlikely to have an adverse impact on fair and effective competition, the BBC still considers these changes are not material within the meaning of Clause 7(7) of the Agreement.
249. Against that background, we therefore continue to consider that BBC iPlayer should be free to operate without any caps on volumes or durations of content – the same conditions as any of its competitors. Our analysis around potential adverse impacts on fair and effective competition is based on the rights we expect to secure in the market. This analysis indicates that the uplift in availability and volumes that we are likely to secure does not pose a risk to fair and effective competition in a highly dynamic market characterised by well-resourced incumbents and prospective entrants. This means that we consider BBC iPlayer will be constrained in the long term through the BBC's fixed budget, the rights that the BBC is able to secure in the market, and not by arbitrary windowing policies which risk introducing unnecessary rigidity. Given the current UK market dominated by global players it is highly unlikely that the BBC risks distorting that market or adversely impacting fair and effective competition. We consider this proportionate approach is necessary to ensure that we are able to compete on a level playing field with other broadcasters and SVOD providers who do not have to meet arbitrary caps on their content supply for their services.
250. To impose limits on BBC iPlayer – as there are today – risks undermining the BBC's ability to continue to innovate and evolve our service in line with changing market norms and audience expectations. During the previous Charter period the BBC Trust considered four separate BBC proposals around changes to content availability on BBC iPlayer. Of these two were subject to a full Public Value Test assessment. This highlights

the extent of rapid evolution in the market, and the constant need for the BBC to make changes to BBC iPlayer to continue to be relevant. We do not consider that it is economic or efficient to replicate this pattern under the BBC's new regulatory regime as the pace of change in the market and the underlying technologies increases.

251. Regulation needs to be fit for purpose – in the digital age this means that it must be able to accommodate the fast pace of change in digital markets and digital products like BBC iPlayer. Regulation also needs to be targeted to protect consumers from potential harm. The analysis we set out in the document clearly demonstrates that the risk of potential harm to consumers through our proposed changes is very low. It would therefore be disproportionate to introduce regulatory limits to protect against any potential harm that our BBC iPlayer proposals may have on fair and effective competition.
252. As such, we consider that BBC iPlayer should not in general be subject to arbitrary limits on the availability of content. Such further steps would carry a substantial risk of undermining the public value that the proposals can deliver. This would be a perverse outcome in a situation where our proposals clearly satisfy the Public Interest Test. In our view such an approach would be neither proportionate nor targeted at situation where there was a proven need for ex ante regulatory caps on the BBC's ability to improve BBC iPlayer.

Annex 1: Research and analysis

In conducting this assessment, we have taken an evidence-based approach. We have commissioned research, modelled the impacts of our proposals, and analysed the responses to our public consultation to help understand the scale and the likelihood of any public value relative to the scale and likelihood of any adverse impact on fair and effective competition.

Our assessment has drawn on a wide range of evidence and research including:

- Audience research undertaken by MTM;
- An online self-selecting survey conducted by the BBC in December 2018;
- Modelling by Communications Chambers;
- A report by Frontier Economics on the impact of the proposed changes on competition; and
- The responses we received during our public consultation (see Annex 2 for further details).

MTM

We commissioned MTM to undertake both qualitative and quantitative audience research. The purpose of the qualitative research was to understand whether people thought our proposed changes to BBC iPlayer would personally benefit them, and whether there would be a wider social value from the changes. The quantitative research was commissioned so we could understand these views on a larger scale, and also establish whether viewers would switch to BBC iPlayer from commercial services.

The fieldwork for the qualitative research was conducted in January 2019 across the UK. There were 126 participants, split into 18 groups for extended discussions. The participants were aged 16-55+ from across the UK, and included heavy, medium, light and non-users of BBC iPlayer. In the group discussions, we asked for people's perceptions of BBC iPlayer at three different stages: i) on first impression; ii) after considering the current BBC iPlayer service in more detail; and iii) after considering the service with our proposed changes incorporated.

The quantitative research consisted of an online survey, which was completed in January and February 2019. There were 2,200 respondents to the survey, who were all aged 16+ and residents in the UK. The final response data was weighted to ensure the results were made up from a representative profile of the British population. This was calculated by age, gender, ethnicity, region of the UK, usage of BBC iPlayer, and favourability toward the BBC. In the online survey, we asked about TV viewing behaviours and perceptions of BBC iPlayer, both currently and with our proposed changes incorporated.

Online self-selecting survey

The BBC ran an online pop-up survey of over two and a half thousand people who used BBC iPlayer during the period 6 December 2018 to 20 December 2018. At the end of the programme they had viewed, users who agreed to take part were redirected to a separate

browser tab to complete the survey. One of the questions that respondents were asked was what they would have most likely done if the programme that they had just watched had not been available.

Communications Chambers

We commissioned Communications Chambers to model take-up and usage of BBC iPlayer following our proposed changes, and impacts on other BBC and other comparable commercial services. Key inputs to the model were data on:

- Historic usage of BBC iPlayer;
- Use of series which were available for longer than 30 days in the second half of 2018 as part of a trial; and
- Historic data on usage of other services and audio-visual content which may be watched on a TV or other device, e.g. other commercially funded VOD services (BVOD and SVOD), linear TV services and other content.

For the purposes of the modelling the change in viewing on BBC iPlayer, we assumed that the BBC will make the following number of series available on BBC iPlayer:

- A new standard availability of 12 months for all commissions and of 5 years (60 months) for children's commissions. This is on the assumption of this applying to all commissions, with some exceptions as described in Section 4 (e.g. BBC Three titles which already have longer availability);
- A selection of programmes extended for longer: 25 scripted series and 100 series in other genres kept available for a further year (i.e. 24 months in total);
- Full box sets of selected returning titles:
 - 25 returning scripted titles available as full box sets each year, each with an average of four past series, i.e. 100 past scripted series, available for 12 months;
 - 25 returning titles in other genres available as full box sets each year, each with an average of four past series, i.e. 100 past other series, available for 12 months;
 - 30 returning children's titles available as full box sets each year, each with an average of four past series, i.e. 120 past children's series, available for 12 months;
- A selection of archive programmes each year, with 12 month availability:
 - 35 scripted archive titles (150 series);
 - 50 individual archive series from other genres;
 - 50 children's archive titles (150 series).

For the purposes of the modelling we have assumed that the volume of series set out above will be available from the start of 2019 and every year until 2024.

Key outputs from the model were forecasts for usage of BBC iPlayer and other commercially funded BVOD, SVOD and linear TV services in the counterfactual i.e. absent the proposals, the uplift in BBC iPlayer usage and the subsequent impact of that increase in usage on other BVOD, SVOD services and other content viewed on TVs and other devices.

As part of the modelling we also examined the impact of the proposals on the reach of BBC iPlayer.

Frontier Economics

We also commissioned Frontier Economics to provide an analysis of the impact of the BBC's proposals on fair and effective competition, taking into account Communications Chambers' modelling work.

All the supporting evidence has been [published](#) alongside this document.

Annex 2: Consultation responses

On 7 January 2019 the BBC launched a stakeholder consultation on plans to change BBC iPlayer from a catch up service into a destination.

The purpose of our consultation was to seek views, primarily from industry stakeholders, to help us to refine our proposals. This was a necessary step, given the need for us to undertake robust analysis on both the public value of our proposals as well as the potential impact on fair and effective competition, as required by the Public Interest Test.

We received 83 responses to our consultation, consisting of 32 from industry stakeholders, and 51 from members of the public. We here summarise these responses and set out how we have taken relevant feedback into account. All non-confidential responses have been [published](#) on our website alongside this document.

Stakeholder feedback

Nearly all respondents to our consultation recognised the need for the BBC to take action given the changes to the market and in viewing habits in recent years. While there were differences of opinion around potential impact of our proposals on audiences and on fair and effective competition, we consider that there is clear support for the BBC to do something to improve the BBC iPlayer offer.

We received positive support from a number of stakeholders. VLV said availability of content beyond 30 days was essential to our ability to deliver the Mission and Public Purposes, and highlighted the wider social benefits of increased viewing of PSB content. It also suggested that the proposals would lead to greater innovation in the market, just as in 2007, the launch of BBC iPlayer set a high standard for future VOD development. S4C noted that the other UK PSBs have already changed their online provision to reflect trends in viewer habits, and said there would be a substantial inconsistency among UK public service broadcasters if the BBC could not respond to trends in viewer expectations.

A confidential stakeholder said that with the addition of more archive material, educators could enhance their teaching through broadcast material, and the BBC could better deliver its education mission. Doc Society said public value would be enhanced and that extended BBC iPlayer availability would enable the BBC more easily reach out to younger and BAME viewers. We received responses from three groups representing accessibility interests.⁶² These responses supported the provision of more content on BBC iPlayer provided this content was made available with appropriate accessibility services.

A small minority of industry stakeholders (techUK, Cognizant) were of the view that our proposals would either be unlikely to have any significant impacts on fair and effective

⁶² Action on Hearing Loss, National Association for Deafened People, Royal National Institute of Blind People

competition, or that focusing on delivering for audiences was a higher priority than worrying about competitive impact. Cognizant suggested that competition was already skewed due to the significantly higher content budget global SVOD providers have compared to the BBC, therefore downplaying the extent to which this would be concern.

Responses from members of the public

We received 51 responses from members of the public, of which 39 are relevant to the scope of the Public Interest Test. There was strong public support for our proposed changes. Almost everyone who wrote in was supportive of our proposals. They felt that our changes would be of great benefit to audiences who commonly watch content on demand. Regarding public value, it was suggested by some that increased availability of archive content could unite older and younger audiences, and improve their collective experience.

Respondents also noted that increasing the availability of content that had been paid for with licence fee payers' money could only be of benefit to viewers. People said that audiences, particularly those who do not currently value the BBC, would value the BBC more, given the increased amount of content made available to audiences and licence fee payers.

Where we received negative responses from members of the public, these were mostly focused on other issues outside the scope of this Public Interest Test, primarily quality of content and functionality of BBC iPlayer, including accessibility for non-UK residents.

Stakeholder concerns

Stakeholders raised concerns about our proposals in a number of areas including:

- The type of content offered on BBC iPlayer and how this relates to our objectives;
- The full extent of our plans;
- The potential impact of our plans on fair and effective competition;
- Marketing and promotion of BBC iPlayer;
- Our consultation process and how this relates to the BBC Board's assessment of the proposals;
- How we expect to acquire additional on demand rights for content on BBC iPlayer;
- The need for clarity around the potential costs of our proposals and any impacts on other BBC services; and
- Our distribution policy for BBC iPlayer content.

We here consider responses concerning each of these areas, and explain how the BBC has taken account of the points raised.

The BBC's content commissioning

A number of respondents, including Pact, highlighted the importance of the BBC commissioning the best, most distinctive content for our audiences as a key determinant of the BBC's success. Respondents here downplayed the impact of duration of

availability alone as a driver of additional public value, and of additional reach and share of viewing for the BBC. This was specifically in connection with our stated desire to continue to reach younger audiences, and Pact highlighted our track record to date with BBC Three as evidence that content rather than availability is the most significant factor in driving viewing. In a confidential response a broadcaster said that simply adding titles and hours to BBC iPlayer would not automatically add public value.

We agree that it is imperative that we continue to focus on commissioning the best, most distinctive content for all our audiences. However, it is also vital that our audiences are able to access and discover that content on BBC iPlayer. This is at the core of our proposals to increase the scale of content on BBC iPlayer. We consider that the content we commission is a vital part of our audience offer, but is not within the scope of the Public Interest Test. The BBC should always be free to compete on the basis of the content that we commission in line with the Mission and Public Purposes and relevant regulatory requirements.

The full extent of our plans

Some stakeholders disputed our definition of the market including both linear and VOD viewing, and criticised our stated ambitions to compete with global SVOD providers. They pointed to the continued dominance of linear viewing, for example Sky cited that 85% of all viewing of content in the UK is of live linear broadcast or within seven-day catch up. Virgin Media said that putting greater emphasis on BBC iPlayer as “the main way that audiences watch BBC television programmes” was a significant change which could encourage consumers to bypass pay-TV platforms.

Separately, a number of stakeholders (Sky, Pact) commented in their responses on a lack of detail around the full extent of our proposals. They also raised concerns about the impact of this on their ability to respond meaningfully to our consultation, and called for us to launch another consultation on our final proposals or said that Ofcom should initiate a BBC Competition Assessment.

There were also concerns about the potential extent of our plans in the absence of any clarity about the volumes of content that would be available on BBC iPlayer. Pact’s response questioned whether we intended to become solely a streaming service rather than a public service broadcaster as a potential consequence of some of our proposals.

Taking the concerns raised by stakeholders into account we have considered carefully:

- How much information we can provide around our aspirations for BBC iPlayer, given ongoing commercial negotiations; and
- Whether we need to consider setting any formal limits on the duration and volume of content that we would make available through BBC iPlayer.

We note that, at the time we published our consultation, our proposals were continuing to develop. As we highlighted in the document, the extent of what we can offer licence fee payers also depends on our ability to secure rights in the market. This limits the level of certainty we can provide to stakeholders about our plans.

We have set out in full our expectations for the volumes of content on BBC iPlayer in Figure 16. Further details of the assumptions we have made can be found in the Annex 1 and Communications Chambers' report. We consider that this detail and transparency allows stakeholders, including Ofcom, to fully understand our aspirations for BBC iPlayer and the potential implications.

Potential impact on fair and effective competition

Various industry stakeholders were concerned about the potential impact our proposals could have on fair and effective competition.

Depriving competitors of audiences and advertising revenue

In a confidential response a broadcaster said a more dominant BBC iPlayer would come at the expense of the other PSBs, reducing their audiences and ability to generate revenue. Another broadcaster similarly said that our proposals would come at the expense of other PSB VOD providers and have minimal impact on global SVOD providers. Sky said that the proposals risk diverting audiences away from competitors, which could reduce the revenue and profitability of other VOD services, reducing their willingness to invest in content.

Restricting production sector and secondary rights market

There were some concerns raised about impacts on commercial revenue for both the production sector and other secondary market products such as VOD and DVDs.

Virgin Media agreed, saying that the BBC may reduce its ability to deliver the mission if revenue from the secondary market were reduced. It argued:

- Consumers would be encouraged into a gated environment given the increased content, which could impact others' advertising revenues
- The BBC is at risk of devaluing its content in (or removing it altogether from) the secondary market, which would impact its budget and ability to deliver its mission
- Placing BBC iPlayer as "the main way that audiences watch BBC television programmes" is a significant change, encouraging consumers to bypass pay-TV platforms.

Pact's main argument is that our proposals would pose a severe risk to the UK production ecosystem. Pact suggested that any reduction in primary investment due to the loss of investment from UK secondary sales could lead to reduced quality in programming and therefore limited international exploitation of content. Pact felt that smaller producers in particular would face increased challenges in gathering finance in the UK market, reducing their ability to compete with larger entities. Meanwhile, SVOD services may decide to fully finance more productions, rather than continue co-productions with the PSBs, meaning the independent production sector would lose valuable IP rights.

We thank stakeholders for including these points in their responses. This has, as was the intention of our consultation, enabled us to consider all of these points in our analysis. We have taken account of such factors in our modelling. We consider that our analysis,

as set out in this document, provides sufficient clarity over the work we have undertaken to understand the potential impact on fair and effective competition that could result from our changes.

Cross promotion of BBC iPlayer

Several respondents to our consultation highlighted the importance of marketing and promoting BBC iPlayer, suggesting that this would help to drive additional viewing. In doing so they downplayed the importance of content availability, given the other factors that affect viewing. Some other respondents also suggested that BBC iPlayer already enjoys advantages relative to its peers in the market because of the opportunity for cross promotion from the BBC's UK Public Services.

We agree that marketing and promotion can be significant. While we do not consider that any plans we have to promote BBC iPlayer are part of the scope of this Public Interest Test – because they do not constitute a change to our existing strategy – we do intend to continue to make people aware of BBC iPlayer and the content it offers. This will include cross promotion from the BBC's other UK Public Services. We will do so in line with our editorial guidelines and Charter and Agreement requirements.

We note with interest the contrast between some stakeholders' perception that BBC iPlayer enjoys a competitive advantage through BBC cross promotion with audience perceptions and lack of awareness in what it offers (discussed in Section 3). This suggests to us that there is not an effective competitive advantage for BBC iPlayer as a result of BBC cross-promotion, as some stakeholders have suggested. As such we continue to consider it is appropriate for us to include some promotion of BBC iPlayer from our other UK Public Services.

Our consultation process

A number of stakeholders raised concerns with the level of detail provided in our consultation. Some (e.g. Sky, Pact, Virgin Media) suggested it was insufficient to enable them to respond meaningfully to our consultation. Some suggested that we should consult on our proposals when they were at a more developed stage to enable more meaningful responses, and several noted that they expected the BBC to undertake further work to understand the potential market impact of these proposals, noting that the level of analysis presented in our consultation insufficient to enable the BBC Board to take a meaningful decision.

Some stakeholders (e.g. Sky, Pact) noted that we had cited "internal research" without making this available to stakeholders. A small number of respondents also set out that they considered our consultation unfair, (e.g. 'not balanced' according to COBA), given the balance of detail provided between the reasons the BBC wants to make the changes and analysis on the potential impacts.

We continue to consider that our consultation was appropriate. We note that no BBC Board decision on the potential materiality of our proposals was taken on the basis of the information set out in our consultation document. We included a number of details related to the market and audience content to explain to stakeholders why we consider

the changes we propose to make are necessary for the BBC. We continue to consider it was important and entirely appropriate for the BBC to explain the rationale for our proposals.

With respect to the lack of detailed information on the potential impact of our proposals on fair and effective competition, we also do not consider it necessary to have included this in the consultation document. This present document, which is the basis for the BBC Board's decisions on whether the changes meet the Public Interest Test, considers in full the potential impact on fair and effective competition. In undertaking this analysis we have taken on board all relevant points raised by stakeholders in responding to our consultation. The purpose of us consulting was to understand stakeholders' views on what the potential impacts could be. We consider the responses we received to the consultation enabled us to refine our analysis in light of such concerns, as is the intention of our consultation.

We also consider that, in this instance, Ofcom's decision of 2 November 2018 that our 2018/19 BBC iPlayer plans constituted a 'material change', may have also contributed to stakeholders' expectation that the BBC would publishing further details and analysis.

The proposals that we set out in our consultation were significantly different to the previous proposals that the BBC Board considered did not constitute a material change. Specifically:

- Our 2018/19 proposals were essentially a trial for one year to assess the impact of extending the availability of content on BBC iPlayer. Our current proposals would apply to all future years; and
- Our current proposals are more far reaching than our 2018/19 proposals and reflect the BBC's overall BBC iPlayer strategy.

As such, we do not consider that it would have been appropriate or relevant to have provided any of the supporting evidence from our previous materiality assessment.

We further note that, following the publication of this document, Ofcom will consult further on our proposals and its decisions. This will offer interested stakeholders an opportunity to further input to the process, including when they have seen further details of our proposals and supporting analysis for our Public Interest Test.

Acquiring additional rights for BBC iPlayer

A number of stakeholders raised concerns relating to how the BBC expects to acquire additional rights for BBC iPlayer, in line with our proposals. Specifically some respondents to our consultations raised concerns about the potential for our plans to disrupt the current terms of trade and business frameworks we have in place.

Various bodies representing creative talent and rights holders⁶³ responded to us, and were overall appreciative of our intentions, indicating that extended availability would be good for licence fee payers who had funded the content. They generally said though that the BBC should ensure it continues to pay a fair commercial rate to artists and for rights to content, particularly given the increased availability of content. There were concerns that if use, availability and/or provision of content were extended, then rights holders might not be appropriately compensated.

As we set out in our consultation document, we have started negotiation with rights holders to secure the extended availability we expect to require to deliver our proposals. This has included engaging with a numbers of the stakeholders who submitted responses to our consultation. We are committed to working with rights holders to secure a new rights framework for the BBC that is in the interest of the BBC and rights holders.

Potential costs of our proposals

Several stakeholders commented on the lack of information about the costs of our proposals, in some instances challenging the position set out in our consultation that revealing any detailed information may be commercially sensitive information.

Some were concerned about a lack of detail about funding for proposals, and compared this with the level of detail we had provided in our consultation on funding licences for the over-75s. COBA said that it as it was not clear whether our proposals would necessitate cutbacks in other public service activities, it could not see how the BBC Board can gauge whether public value outweighs market impact.

In a confidential response a broadcaster stated that extending BBC iPlayer must not dilute the BBC's ability to invest in Freeview and Digital Terrestrial Television (DTT), while another broadcaster warned against diverting BBC funding away from investment in original production.

We continue to consider that to set out publicly details of the expected costs of our proposals risks distorting the market by disclosing details that may be relevant to the BBC's negotiating strategy around additional rights. We discuss potential costs in Section 5.3. In summary, we do not consider the costs of our proposals are likely to be significant, nor would result in significant changes to other areas of the BBC.

Distribution of BBC iPlayer content

Pact claimed that our proposals were in contravention of Ofcom's Operating Framework and the BBC's Distribution Policy. It said that as BBC content would not be available to other content providers until its value had significantly declined, the marketplace would be distorted since new SVOD or multi-channel entrants would not be able to licence BBC

⁶³ British Association of Picture Libraries and Agencies, Directors UK, Equity, Incorporated Society of Musicians, Mechanical-Copyright Protection Society, Music Publishers Association, Musicians Union, PRS for Music, UK Music, Writers' Digital Payments, Writers' Guild of Great Britain

content that would enable them to compete. Pact argued that the BBC would not be making its content available on a wide range of platforms in line with the regulation around distribution. Sky noted that negative impacts could be mitigated if any additional content and functionality should also be made available on bespoke services, such as through Sky's pay-TV service.

We do not consider there to be anything in the proposals that contravenes the BBC's Distribution Policy, or implies additional restrictions on the availability of the UK Public Services, including BBC iPlayer, which is already more widely available than any other on-demand video service.

As Sky notes, the BBC will continue to seek to distribute the UK Public Services in full to any platform that meets the conditions of the Distribution Policy, as currently with the Sky TV platform and thousands of other TV devices. Consequently, the proposals will allow such platforms to offer greater availability of BBC content to their users at no extra cost.

Stakeholder proposals

As part of our stakeholder consultation we specifically asked stakeholders whether there were any steps we could take to minimise any potential negative effects on fair and effective competition, or to promote potential positive impacts.

There were mixed views in responses from stakeholders. Members of the public who responded generally proposed that we should focus on the positive audience impacts, rather than be too concerned about the impact on the market.

There were suggestions that more work should be done to understand or explain the extent of our work. Several (e.g. Musicians Union, TAC) proposed that we undertake detailed research and analysis on the potential impacts of our proposals, while Virgin Media proposed that we should draw up a set of guidelines about the length of availability of content.

Several commercial stakeholders suggested we limit the extent of our proposals. In a confidential response a broadcaster said that it would be reasonable to extend availability for around six months, subject to commercial negotiations around rights. In a confidential response another broadcaster proposed that the BBC consider alternative options that may potentially have a reduced impact like shorter windows or not 'series-stacking'.

In response to some of these suggestions raised by stakeholders, we note that:

- As set out in Section 4, we expect to negotiate fairly with rights holders around any additional rights we need to secure for BBC iPlayer;
- We set out in Section 4 further details of the reasons we do not plan to change our distribution policy or strategy as part of the changes; and
- Section 6 sets out further detail on the potential impact of our proposals on fair and effective competition; we have also published Frontier Economics' report alongside this document.

Several organisations said there should be increased transparency around viewing data. Some, including Directors UK and Equity, called for the BBC to conduct a more substantive competition assessment, with particular attention paid to rights holders and the impact of our proposals in different geographic markets.

Summary of main points raised by respondents

All3Media

All3Media is the largest production company conglomerate in the UK. It raised concerns that any added public value would not counteract knock-on effects on the production sector. It said SVOD services might be less willing to contribute funds to co-productions if the value of the secondary window is diminished by extended BBC iPlayer availability. Hence viewers could miss out on high-quality premium content expected from the BBC. All3Media also commented that an enhanced BBC iPlayer would reduce the capacity of producers and creative talent to monetise content, and that they may have less incentive to produce new content for the BBC. It suggested that by limiting the extent of increased availability, this would preserve the commercial window for producers and not undermine the market.

Commercial Broadcasters Association (COBA)

COBA said the proposals would have a significant market impact, and that BBC iPlayer already enjoys a range of competitive advantages. It suggested we had not published a ‘balanced consultation’ given the lack of detail, and contrasted this with the level of detail provided in the over-75s consultation. COBA said that it was not clear whether our proposals would necessitate cutbacks in other public service activities, it could not see how the BBC Board could gauge whether public value outweighs market impact.

Pact and Teledwyr Annibynnol Cymru (TAC)

Pact said there was a lack of evidence in our consultation to support and justify our proposals, noting that we had cited “internal research” without making this available to stakeholders. It argued that our proposals contravene our distribution policy and Ofcom’s operating framework. It said that as BBC content would not be available to other content providers until its value had significantly declined, the marketplace would be distorted since new SVOD or multi-channel entrants would not be able to licence BBC content that would enable them to compete. Pact also said that a 12-month window of free content on BBC iPlayer would affect competition in the VOD market, where players are relying on subscription or advertising-funded models.

Pact’s main argument, which it supported with additional research, is that our proposals pose a severe risk to the UK production ecosystem. Any reduction in primary investment due to the loss of investment from UK secondary sales could lead to reduced quality in programming and therefore limited international exploitation of content. Smaller producers in particular would face increased challenges in gathering finance in the UK market, reducing their ability to compete with larger entities. Meanwhile, SVOD services may decide to fully finance more productions, rather than continue making co-

productions with the PSBs, meaning the independent production sector would lose valuable IP rights.

Pact criticised the amount of information in our consultation document, and said there should be further information on the scale, budget and volume of content on the new BBC iPlayer service. It said we should have published initial findings of the analysis of the potential loss to commercial UK income based on the planned BBC iPlayer changes. It argued that the BBC should compete for content, looking for the best IP in the marketplace, rather than close itself off from the market.

TAC noted the benefits of increased availability to licence fee payers and the positive social impact, but was concerned that the BBC should give due consideration to rights holders and financial recompense. It argued the BBC should outline a new strategy covering both new and archive content, and set out how this would be funded.

S4C

S4C noted that the other UK PSBs have already changed their online provision to reflect trends in viewer habits, including itself with S4C Clic, and said there would be a substantial inconsistency among UK public service broadcasters if the BBC could not respond to trends in viewer expectations and offer its content more extensively. It said such an inconsistency would weaken the PSB landscape in general, and mark the image of PSB provision as inferior to that of international SVOD services. S4C noted that there could be S4C content available on BBC iPlayer for a shorter period than BBC content, if it could not negotiate a 12-month window, which might confuse or provoke a negative reaction among viewers.

Sky

Sky said that the proposals risked diverting audiences away from competitors, which could reduce the revenue and profitability of other VOD services, reducing their willingness to invest, and impact on the production sector. It said impacts could be mitigated if additional content and functionality were also made available through other platforms such as Sky's pay-TV service.

Sky disputed our definition of the market including both linear and VOD viewing. It pointed to the continued dominance of linear viewing (e.g. 85% of all viewing of content in the UK is of live linear broadcast or within seven-day catch up). It said we had not provided enough detail on our proposals (such as around number of box sets and funding), and we had not made explained our internal research. It said we should reconsult on our final proposals.

Virgin Media

Virgin Media said that there was a potential material impact on TV platforms, and in production and secondary rights markets. It argued:

- Consumers would be encouraged into a gated environment given the increased content, which could impact others' advertising revenues
- The BBC is at risk of devaluing its content in (or removing it altogether from) the secondary market, which would impact its budget and ability to deliver its mission

- Placing BBC iPlayer as “the main way that audiences watch BBC television programmes” is a significant change, encouraging consumers to bypass pay-TV platforms.

It said that the BBC’s appeal to younger audiences has been an ongoing issue, more so than the availability of its content, and that we had not provided information about how younger audiences are engaging with content currently available through BBC Three.

Virgin Media said the proposals, if approved, should be subject to an annual review by Ofcom. It said we should consult on a set of guidelines for how long content would be kept on the platform, and noted a lack of detail in the present consultation, not offering enough detail for a proper assessment by stakeholders.

Voice of the Listener and Viewer (VLV)

VLV said availability of content beyond 30 days would be essential to our ability to deliver the Mission and Public Purposes. It highlighted the benefits of increased PSB programming and viewing, including increasing civic engagement, improving social cohesion and informing democratic debate, and providing key genres not generally provided by the market, such as arts, children’s and religious content. VLV also said that innovating with BBC iPlayer would enable the BBC to deliver on its duty in the Charter to promote technological innovation, and take a lead role in research and development in this area. It suggested that the proposals would lead to greater innovation in the market, just as in 2007, the launch of BBC iPlayer set a high standard for future VOD development.

Unions and rights holders: British Association of Picture Libraries and Agencies, Directors UK, Equity, Incorporated Society of Musicians, Mechanical-Copyright Protection Society, Music Publishers Association, Musicians Union, PRS for Music, UK Music, Writers’ Digital Payments, Writers’ Guild of Great Britain

Various bodies representing creative talent and rights holders wrote to us. These responses were generally appreciative of our intentions, indicating that extended availability would be good for licence fee payers who had funded the content. They generally said though that the BBC should ensure it continues to pay a fair commercial rate to artists and for rights to content, particularly given the increased availability of content. There were concerns that if use, availability and/or provision of content on particular platforms were extended, then rights holders should be appropriately compensated.

Several organisations said there should be increased transparency around viewing data. Some, including Directors UK and Equity, called for the BBC to conduct a more substantive competition assessment, with particular attention paid to rights holders and the impact of our proposals in different geographic markets.

Writers’ Digital Payments said that the BBC should provide a buffer against American cultural imperialism, and that removing the 30-day limit would enhance the profile of indigenous productions and talent.

Technology: techUK, Cognizant

techUK, representing the technology industry, supported the proposals due to the added benefits to users through increased availability and choice of content. It was interested to understand more about implementing BBC iPlayer personalisation and recommendations on shared user devices. Cognizant, a technology company, supported the proposals, and said the BBC had a long history of driving up standards and forcing Sky and the other PSBs to meet its challenges. It disagreed that content should be commissioned primarily for linear, and recommended a data-driven strategy for commissioning, so that content would be made available where it would be enjoyed by its intended audience.

Accessibility groups: Action on Hearing Loss, National Association of Deafened People, Royal National Institute of Blind People

We received responses from three groups representing accessibility interests. These responses supported the provision of more content on BBC iPlayer provided this content was made available with appropriate accessibility services.

Education stakeholders, including: Doc Society, Prof Catherine Johnson

In a confidential response a stakeholder noted that the proposals would enable teachers to enhance their teaching through broadcast material, and the BBC could better deliver its education mission. Doc Society said public value would be enhanced and that extended BBC iPlayer availability would enable the BBC more easily reach out to younger and BAME viewers. Professor Catherine Johnson of the University of Huddersfield noted that with the proposals the BBC could use its curation and recommendation technologies to encourage a broad diet of consumption.

Members of the public

We received 51 responses from members of the public, of which 39 are relevant to the scope of the Public Interest Test. There were a number of themes within these responses:

- There was strong public support for our proposed changes. Almost everyone who wrote in was supportive of our proposals. They felt that our changes would be of great benefit to audiences who commonly watch content on demand.
- Respondents also noted that increasing the availability of content that had been paid for with licence fee payers' money could only be of benefit to viewers.
- Several respondents described situations where they had been frustrated at having tried to start a series currently being broadcast, or catch up on a previous series of a programme before a new series was transmitted, only to find the first episode of the series was not available on BBC iPlayer.
- Regarding public value, it was suggested by some that increased availability of archive content could unite older and younger audiences, and improve their collective experience.
- People said that audiences, particularly those who do not currently value the BBC, would value the BBC more, given the increased amount of content made available to audiences and licence fee payers.

- Where we received negative responses from members of the public, these were focused on other issues outside the scope of this Public Interest Test (primarily quality of content and functionality of BBC iPlayer, including accessibility for ex-pats outside the UK).

Annex 3: Functionality proposals

In this annex we present further analysis of our functionality proposals for BBC iPlayer and the reasons we do not consider that these are relevant to the change we are assessing under the Public Interest Test.

Background:

When we notified Ofcom of our 2018/19 proposals around BBC iPlayer we included within our assessment of the materiality of the proposed changes details of related – but distinct – plans to improve the functionality of BBC iPlayer. Our assessment of materiality set out that “In addition to the content changes, as indicated in the 2018/19 Annual Plan, we are also planning enhancements to the user experience, more personalisation and more live content.” It went on to note that “The plans to change the backend of BBC iPlayer including enhancements to the user experience and more personalisation are Business as Usual developments and therefore are not expected to have a significant adverse impact on fair and effective competition”.⁶⁴ As such we did not include them within our assessment.

Ofcom’s decision that our proposed changes to BBC iPlayer represented a material change to our UK Public Services then set out that:

“In relation to its Functionality Proposals, the BBC has concluded that these are ‘business as usual’ developments and that they are therefore not expected to have a significant adverse impact on fair and effective competition. At this stage we have limited information on these proposals. However, as set out above, we consider that the BBC’s Content Proposals are themselves material. It follows that the Proposed Change as a whole is material, including the Functionality Proposals. We therefore expect the BBC to include its Functionality Proposals in the PIT that we are directing it must carry out on the Proposed Change.”⁶⁵

Supporting evidence and analysis:

We continue to consider that any proposed changes to functionality we plan to make are not part of the scope of a change that is potentially relevant to the materiality provisions in the Charter and Agreement and therefore this PIT.

We consider that there are two main reasons for this:

1. The nature of functionality changes for digital products like BBC iPlayer is iterative, ongoing and based on user testing and feedback. We therefore cannot be specific about the scope of potential changes we will make over a given period of time as any such changes will evolve. There is also no clearly defined end point at which we expect to stop making improvements, which is why we consider these

⁶⁴ BBC Materiality Assessment for BBC iPlayer 2018/19 proposals

⁶⁵ Ofcom, [Review of the BBC’s Materiality Assessment of Proposed Changes to the BBC iPlayer](#), November 2018, p15

changes to be BAU. The evidence on the potential impact of changes also demonstrates that most functionality changes on their own would be unlikely to increase viewing significantly, if at all.

2. Any functionality changes we do make are unlikely to be directly relevant to any of our content proposals. They were included within our materiality assessment as shared with Ofcom for completeness only, not because they were directly related to the changes

We discuss these areas further below.

Iterative nature of changes

Like all VOD products BBC iPlayer is developed continuously, both to respond to external requirements and to evolve the product. Individual changes are gradual and tested with audiences. Of the previous 15 audience tests no change affected more than 2% of BBC iPlayer viewing.

This is broadly in line with the market (for example, the BBC iPlayer iOS app updates at around the same rate as ITV Hub and half the rate of Netflix) and while BBC iPlayer does have distinctive features related to the BBC's particular activities (such as live restart) product development focuses primarily on enabling the navigation and consumption of the existing content proposition rather than changing that proposition.

Since this is the normal business activity of operating a VOD product and since few of the current roadmap items relate at all to the PIT proposals, and all are required even for the current content offer, there have been no relevant product development details to include.

We also consider that a number of our proposed changes are unlikely to have a significant impact on viewing. We have analysed the changes that we have made to BBC iPlayer over the past year to understand the contribution of these to overall viewing.

We note that, as set out above, the process of iterative development means that not all changes that we try will have any impact. Moreover, some potential changes we trial have had a negative impact on viewing.

To illustrate we set out below details of the two most significant functionality tests we have made in the past year in the table below:

What was tested?	Date run	Platform	No. of users in experiment	Test Results	Estimated impact on overall viewing after changes went live
Under 13's homepage feed	20.03.18-12.04.18	Web	15K	10% increase in play starts and play completes per browser	0.008% uplift in overall BBC iPlayer usage
Autoplaying a personalised recommendation at the end of playback (if no next episode in series)	14.09.18-15.10.18	TV app	870K	9.1% increase in play starts and 7.4% increase in play completes per browser. The latter is equivalent to an estimated 1.2% uplift across the whole of BBC iPlayer.	

Source: BBC analysis of BBC data on BBC iPlayer usage

It is also clear from this data that experiments, and the roll out of new functionality, are not uniform across devices. So users have different 'versions' of the BBC iPlayer platform with different functionality depending on whether they are watching on a web browser, smart TV or mobile app. This further complicates the potential to consider the relevance of functionality changes within the scope of a Public Interest Test.

Links between functionality changes and our content availability proposals

We do not consider that there are likely to be a significant number of direct linkages between future BBC iPlayer functionality changes and our extended availability proposals. In part this is due to the nature of product development set out above. However, it also reflects the fact that future BBC iPlayer development is not contingent on greater availability of content in BBC iPlayer. We would seek to improve our BBC iPlayer functionality whether we were planning to implement these proposals or not. The table below summarises a range of past BBC iPlayer functionality changes, and sets out the extent to which they are connected with our proposals. The BBC will continue to update BBC iPlayer functionality in line with market norms; however, none of our current planned changes have a direct link to the proposals.

PAST 6 MONTHS:	Impact	Relevance to expanded content proposals
Roll out of cross-platform personalised home screen	Personalised selection of content on homepage	Helps navigate a larger amount of content, but necessary for current content volume – not particularly box set focused in its implementation
Evolution of personal channel (e.g. autoplay recs on TV)	Increase the ability of BBC iPlayer to act as a 'channel' for lean back watching – in this case by improving the recommendations of the next autoplay item	No direct link to proposals
Improvements to images incl. A/B testing	The right image can help encourage a user to watch content	No direct link to proposals
Rollout of Mandatory Sign-In on connected TVs begun	All users (this is the last screen to go) will be signed in and be able to get personalisation and restart across devices	No direct link to proposals
Green button Live Restart trigger roll out on smart TV	Easier use of the live restart / integration of BBC iPlayer into the channel experience	No direct link to proposals
Playback enhancements – e.g. UHD for Dynasties, visual seeking on connected TVs	Offering better broadcast experiences in BBC iPlayer	No direct link to proposals
Complete rollout of MSI on connected TVs	All users (this is the last screen to go) will be signed in and be able to get personalisation and restart across devices	No direct link to proposals
Optimising experience for full series and multiple series	Makes it easier to navigate around the content within a full series. At the moment this is arguably below the market norm	<p>As box sets will be full series this will make it easier to navigate through them. However it is necessary to the existing more limited box set range on BBC iPlayer already (to avoid wasting money on this) including those that have been available for some time such as BBC Three content</p> <p>This is matching market norm across the likes of All4 as well as bigger rivals like Netflix</p>

Annex 4: Glossary

BVOD	Broadcaster video on demand. BBC iPlayer, ITV Hub, All4 and My5 are BVOD services.
CC	Communications Chambers.
Co-commission	Two or more channels commissioning a television programme, with both having editorial input.
Counterfactual	The alternative scenario which would occur if BBC iPlayer did not evolve. This alternative scenario is used to assess the changes that would result from the changes to BBC iPlayer.
Creative Industries	Industries which employ a significant proportion of creative people, including fashion, film making, music production, software design and television.
Cross-commissioning	Commissioning which involves multiple related programmes across different channels or platforms. For example, <i>Strictly Come Dancing</i> and <i>It Takes Two</i> .
DTT	Digital Terrestrial Television.
Dynamic impacts	These are the potential effects which result from other providers changing their behaviour
EPG	Electronic Programme Guide.
FRAND	Fair, Reasonable And Non-Discriminatory terms.
Frontier Economics	An economic consultancy.
FTA	Free To Air.
HD	High-definition.
BBC iPlayer	Online, on-demand catch-up BBC service, which typically allows users to watch BBC programmes from the previous 30 days.
Linear content	Scheduled broadcast television content.
PACT	The trade association representing the commercial interests of UK independent television, film, digital, children's and animation media companies.

MTM	Market research company.
Pay-TV	Linear television channels which are only available to subscribers.
PVR	Personal video recorder.
SD	Standard definition.
Smart television	A stand-alone television set with inbuilt internet functionality. Users connect to the internet via a broadband router or modem.
Static impacts	These are the potential direct effects of the proposal on the identified sectors
SVOD	Subscription video on demand. Amazon Prime, Disney Life and Netflix are SVOD services.
Terms of Trade	An agreement between the BBC and Pact which sets out a business framework for the commissioning of qualifying independent productions.
TV platforms	Services which offer viewers a bundle of linear television content. Freeview, Freesat, Sky, Virgin Media and YouView are TV platforms.