

Communications Chambers

**Forecast consumption and preliminary market impact
assessment of revised BBC services**

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Disclaimer

The opinions offered in this report are purely those of the authors. They do not necessarily represent the views of the BBC, nor do they represent a corporate opinion of Communications Chambers.

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1. Executive Summary

The BBC is proposing to:

- Move BBC Three online
- Launch a BBC One +1 channel
- Add two hours per day of CBBC, from 7 to 9pm
- Enhance BBC iPlayer

These changes are likely to be subject to a Public Value Test. In this context, this paper provides forecasts of the usage impact of these changes, and a preliminary assessment of their market impact. In considering market impact, we focus on broadcast TV, online TV and supply of TV content and online content.

TV consumption (live plus time shifted) has been broadly stable, with today's levels roughly equivalent to those in 2007 (though within this period there has been a rise and a fall). However, within this 16-24 and 25-34 year olds are seeing a decline, with each seeing their viewing dropping approximately 14% over the last four years.¹ Online consumption of long form content is growing fast, but remains a relatively small portion of the total at around 5%. However, for 16-24 year olds, 28% of such viewing is online, and expected to rise to 40% by 2020.² In our forecast, we anticipate these trends continuing.

We further assume that (absent the proposed changes) both BBC One and BBC Three will have steady share. However, CBBC has seen a material drop in share, and we assume this will continue, with a further drop from 0.6% to 0.4%.

In assessing the impact of the changes, we start by developing a baseline forecast reflecting the reduced CBBC share, and a proposed £30m increase in the budget of BBC One.³ We then assess how the proposed changes to BBC Three would alter consumption of BBC and third party services. This forecast reflecting the BBC Three changes then serves as the baseline for assessing the impact of the other services changes.

The difference in consumption of third party services between the scenarios with and without the BBC Three changes (say) enables us to assess the likely market impact of those changes.

¹ BBC analysis of BARB data

² Enders Analysis

³ BBC, [BBC announces plans to close BBC Three as a TV Channel in 2015](#), 6 March 2014

BBC Three

We split our analysis of BBC Three between the impact of the loss of broadcast and the impact of the revised online service.

BBC Three has a viewing share (linear+PVR) of 1.5%. Clearly this would be lost if the channel was no longer broadcast. This viewing would (primarily) be redistributed amongst other linear channels, including other BBC portfolio channels. In aggregate, this results in a 2.7% loss of viewing hours for the BBC, and gains of 1.3 – 1.6% for each of the commercial broadcasters in 2017.⁴ (We use this as our reference year in the body of this report, since the impacts of most of the various changes are broadly stable by then, but provide detailed figures over time in an annex to this report).

This additional viewing will give the commercial broadcasters extra ad impressions to sell – however this benefit is mitigated by the likely ad-rate reductions caused by this increased supply. Depending on assumptions about this ‘price elasticity’, the resulting total revenue impact could range from a loss of £17m to a gain of £10m (compared to total industry advertising revenue of £3.7bn). This magnitude of change – spread across all commercial broadcasters - seems unlikely to lead to material market impact.

For example, if we assume an elasticity of 1.25 then the ITV group and Channel 4 would see revenue gains of just £3m and £4m respectively from the closure of BBC Three. Conversely with an elasticity of 0.75, they would see losses of £8m and £2m.

BBC Three will continue online via BBC iPlayer and/or other BBC online offers. Levels of consumption will be influenced by: ongoing online TV growth; the shift of some previously linear consumption online; the benefits of being ‘built for online’; the loss of the promotional power of the linear channel; and the roughly 44% reduction in relevant content budget for the channel. In combination, we believe these will result in a 21% increase in BBC Three online consumption as compared to a scenario where the channel continued as today. (This increase is however less than 0.1% of total TV viewing). Such a moderate change is unlikely to lead to material market impact.

BBC One+1

To understand the incremental viewing capture of such a channel, we have analysed other parent/+1 pairs, to identify what portion of

⁴ Each of the PSBs treated separately, and non-PSB channels treated as a single group

their viewing derives from the +1, and how this portion correlates with the size of the parent and the EPG position of the +1 channel relative to the parent. As might be expected, higher EPG position is important to the +1 performance, and +1s associated with smaller parent channels do proportionately better.

We have also analysed the launches of several +1 channels, to understand whether their viewing is truly incremental, or simply cannibalised from the parent.

Based on this analysis, we believe that a BBC One +1 channel will capture 1.6% of viewing, of which 70% will be incremental. (This is based on the assumption that the new channel replaces BBC Three in the EPG, other than on Freeview where it will take a lower slot). This incremental viewing will in part be captured from other BBC portfolio channels, and in part from third parties. In 2017 we forecast the +1 channel will result in a 2.5% increase in viewing hours for the BBC portfolio, and a 1.1-1.4% loss for each of the commercial broadcasters. Taking the same approach as for BBC Three, this results in a total financial impact on the commercial channels ranging from a loss of £11m to a gain of £13m.

If we assume an elasticity of 1.25 then ITV group and Channel 4 would see revenue losses of £6m and £2m, and with an elasticity of 0.75 they would see gains of £4m and £3m.

CBBC

Our analysis of the extra two hours of CBBC is based on an assumption that the new channel will follow the same 'share trajectory' between 7 and 9pm as other children's channels aimed at the same age range. On this basis we estimate that the extra two hours will increase CBBC's viewing share by 0.03 percentage points in 2016. This is unlikely to have material market impact.

BBC iPlayer

The key proposed changes to BBC iPlayer are more premiering and the inclusion of third party content.

We have modelled the impact of premiering for 25 titles per year. We estimate this would result in a 1.8% uplift in BBC iPlayer consumption, or around 1 minute per person per week in 2017.

The impact of third party content is challenging to quantify – it will likely change discoverability rather than availability. However, the

mooted content is likely to be of niche rather than mass-market interest.

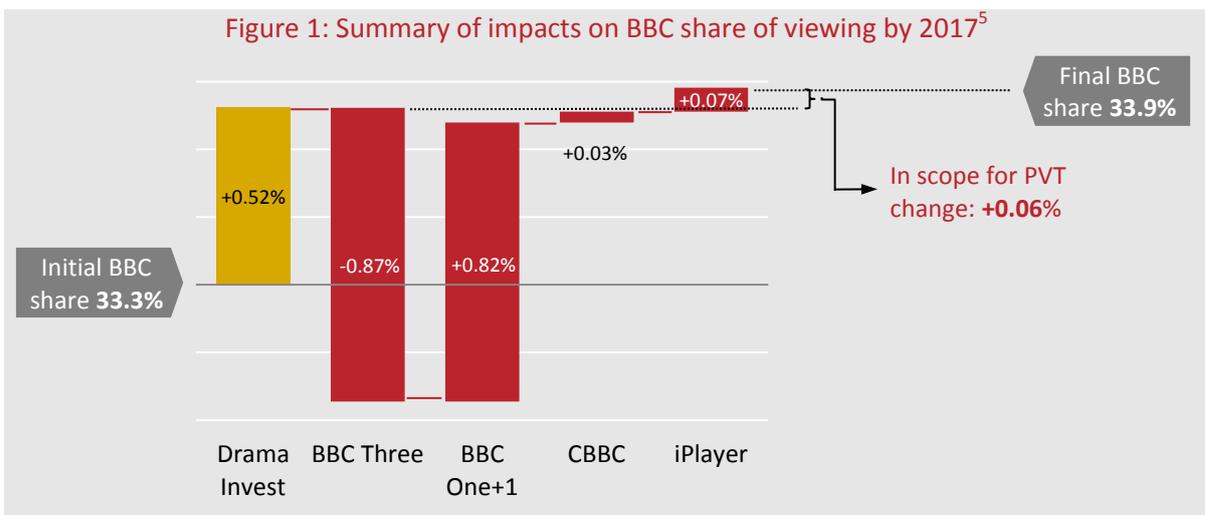
Overall we believe the changes are unlikely to have material market impact.

Aggregate impact

The most substantial changes are the closure of BBC Three and the addition of BBC One +1. These two changes are offsetting (both for the BBC and third parties). Depending on the elasticity assumption, the commercial broadcasters either benefit from the closure of BBC3 and lose from the launch of BBC1+1 or vice versa. The net impact of the changes is therefore inevitably small.

Overall, including all in-scope changes, we expect the BBC to see a 0.2% gain in viewing hours, and commercial groups to see changes ranging from a 0.2 loss to 0.1% gain.

Thus while the market impact of the individual changes is small, the aggregate impact is even smaller.



⁵ Communications Chambers analysis

2. Introduction

The BBC is proposing to make a number of changes to its services, in summary:

- The closure of BBC Three's broadcast channel, and its reinvention online
- The addition of a BBC One +1 channel
- An additional two hours per day of CBBC, from 7 to 9pm
- Enhancements to BBC iPlayer, including more premiering of content and inclusion of relevant third-party content

These changes are likely to be subject to a Public Value Test (PVT), to assess their public value, and to determine whether this is likely to outweigh any potential negative market impact. This paper (prepared by Communications Chambers on behalf of BBC management) provides:

- Forecasts of the change in usage and reach of the services
- A preliminary assessment of the market impact of the service changes

It is for the benefit of the BBC Executive, and (at their discretion) may serve as an input to the Trust's (and Ofcom's) consideration of public value and market impact.

We first set out some conceptual issues relevant to the assessment of these particular services. We then provide an overview of the market context, and likely future trends. Next we review the recent performance of the relevant BBC services and provide our assumptions as to how they would develop in the counterfactual (in the scenario where the proposed changes do not go ahead).

Then we set our methodology for forecasting consumption of each of the services, and our results. We also assess which third-party services are likely to see a change in consumption.

Finally, we assess the market impact of such changes of third party consumption on the providers in question.

3. Assessing Market Impact

In this section we briefly outline the key components of the public value test. We then consider the new conceptual issues thrown up by the particular services considered in this public value test. Finally we discuss the appropriate scope of the PVT, addressing which sectors to include within 'relevant markets', and which to exclude.

Public Value Tests

In assessing new BBC services or substantial changes to existing services, the BBC Trust conducts a Public Value Test. This has two key components:

- A Public Value Assessment (PVA), which considers the extent to which the proposed changes create value for the BBC's audiences.
- A Market Impact Assessment (MIA), conducted on the Trust's behalf by Ofcom, which considers the impact on competition and market development.⁶

The impacts on market participants may be positive or negative. For instance, a new BBC service may capture valuable share from a commercial player. Conversely, by educating consumers about a new type of service, they may help create a new market opportunity for third parties. The MIA seeks to address and (where practical) scale such impacts. The Trust is then in a position to balance the public value created against any net negative market impact.

This report provides a preliminary market impact assessment. Though not as detailed as Ofcom's MIA, it seeks to identify key impacts, their scale, and the parties most likely to be affected.

Novel issues in this Public Value Test

While the process of PVTs is now relatively well established, the nature of the changes currently proposed and their interrelation create a number of novel or unusual issues.

Service closure to meet budget constraints

The first of these is that the closure of a service is proposed - BBC Three is to cease linear broadcast. All previous PVTs have considered an expansion of the BBC. Almost by definition, the closure of a service is likely to result (of itself) in a reduction of

⁶ Ofcom's approach is set out in Ofcom, [Methodology for Market Impact Assessments of BBC Services](#), 22 May 2007

public value, since the current consumers are deprived of the value they derive from it.

Naturally, this doesn't mean a closure is necessarily a bad idea - the value created by a service might not justify its cost and (negative) market impact.

However, in this particular case the closure of linear BBC Three is not driven by an assessment that it was not good value for money (indeed, its cost per viewer hour is moderate).⁷ Rather, in the face of budget constraints, the BBC needed to find savings, even if this meant closing a service creating value.

This creates a number of issues for the PVA of the BBC Three changes, though these are out-of-scope for this document. However, there are also issues for the assessment of market impact, which primarily relate to the counterfactual.

It is standard practice in assessing market impacts to consider a counterfactual - the likely developments absent the proposed changes. These represent a baseline view of the market. In the case of PVTs, these naturally reflect developments relevant to both the BBC and other market participants.

In assessing the impact of closure of BBC Three, we take as our counterfactual a 'business as usual' case, where the channel continues much as it is today. (We do not net off any impact of alternative savings and conversely, in assessing the impact of the new services, we do not net off the impact of any alternative spend.)

In assessing the other proposed changes, we use as our counterfactual the case where linear BBC Three has been closed – so, for example, the impact of BBC One +1 is greater, because BBC One itself is larger as a result of capturing share from BBC Three. This, for the purposes of an MIA, is a conservative approach.

Diverse but linked service changes

The second unusual aspect of this PVT is the diverse nature of the services. Previous PVTs have been of a single service (such as HDTV), or of thematically linked extensions (for instance, the extended availability of both audio and TV on demand content).

The set of services under consideration here is more diverse - three different broadcast channels and various changes to BBC iPlayer.

⁷ Below that of BBC Two and CBBC, and comparable to BBC Four. BBC, [Annual Report and Accounts 2013/14](#), 21 July 2014

The linkage between the proposals is in part financial⁸, borne out of the need to make savings. However the proposals also represent a strategic rebalancing of the BBC's portfolio away from linear to online services, in response to changing audience behaviour.

Thus we believe the appropriate approach is to have four 'sub-PVTs', in two groups as follows:

- 1) Re-inventing BBC Three (in the context of enabled service enhancements). This comprises both the closure of linear BBC Three and the associated impact on BBC Three BBC iPlayer viewing⁹
- 2a) Launch of BBC One +1
- 2b) Extension of CBBC
- 2c) BBC iPlayer enhancement

We will separately forecast the change in consumption resulting for each of these, as well as addressing the market impact of each. We will in addition provide estimates of the aggregate impact of these changes.

Relevant markets

An important consideration in market impact assessments is the determination of relevant markets. In theory, an increase in TV consumption could, say, reduce time spent eating out, with an associated market impact on the restaurant industry. However, as a practical matter MIAs focus on those markets most likely to suffer a material impact - i.e. those featuring services which are likely to be the closest substitute to the proposed new service.

'Focus' markets

We believe the most relevant markets for this PVT are:

- Broadcast TV (whether consumed live or via PVR), which may be affected by BBC share loss or gain
- Catch-up and VOD services, delivered via the internet (such as BBC iPlayer, 4OD, Netflix and so on), which similarly may be affected by changes in BBC consumption
- Independent TV production, which may be affected by changes to the BBC's commissioning budget

⁸ Other linking factors include available EPG and DTT slots. The closure of linear BBC Three will free these up for other services

⁹ Note that some BBC Three programmes may be shown on other BBC linear channels, displacing existing programmes on those channels

- Independent producers of online-only content (which may have some overlap with TV producers)

In addition to the focus markets, we also discuss (more briefly) the potential market impact on several other sectors, namely: online content services¹⁰ other than TV (such as YouTube, BuzzFeed, Vice and so on), TV platforms (such as Sky and Virgin); and ISPs.

¹⁰ We use this term broadly, to cover platforms, aggregators and those creating their own content

4. Market context

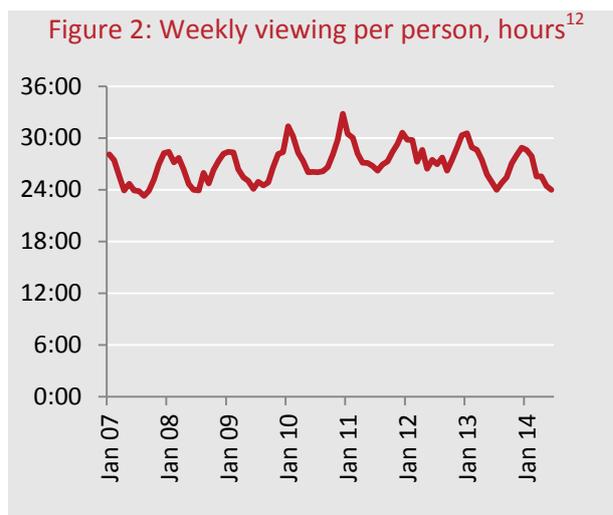
In this section we set out the market context for the changing services, looking at market structure, recent trends and likely future developments. We consider broadcast and online TV, and the independent production sector.¹¹

Broadcast TV

Channel consumption and share

Despite the rise of the internet, television viewing has been stable, although the first half of 2014 is down 6% on the same period for 2013 (Figure 2).

Within overall viewing, time shifted viewing via PVR has been growing, and as of September 2013 stood at 11% of total.¹³ However, this growth has been driven by increased PVR adoption rather than increased use by those who have them. Consequently, time-shifting appears likely to plateau at around 16%, the level of time shifting in households with PVRs, a figure that has been roughly steady since 2007. Catch-up viewing (via services such as BBC iPlayer) remains small, at 5% of total viewing.¹⁴



¹¹ The great majority of relevant content from these providers will be long form TV – though note that some of the proposed BBC Three content may be short form

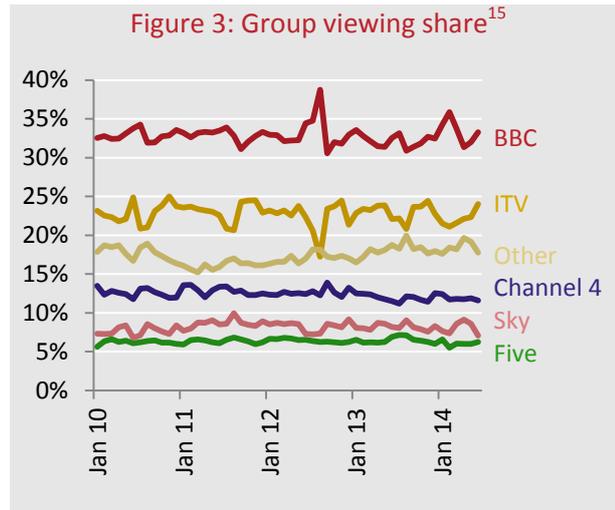
¹² BARB. Note that BARB had a panel change in January 2010, which resulted in a 4% uplift in reported viewing

¹³ BARB, [PVR ownership](#) [Accessed 22 July 2014]

¹⁴ Ofcom, [Communications Market Report 2014](#), 7 August 2014

In recent years group viewing share has also been relatively stable, in part due to the completion of DSO (Figure 3). However, portfolio mix has changed. For instance, the commercial PSBs' portfolio channels (such as ITV 2) have generally gained share while their flagship channels have seen some contraction.

In aggregate, the major channel groups represent a substantial part of total viewing. The PSBs, Sky, UKTV, Discovery and Viacom between then capture 91.8% of viewing.¹⁶



Advertising revenue

In 2013 UK TV spot advertising totalled £4.2bn, down from £4.4bn in 2011.¹⁷ However, the market is expected to return to growth, for a total of £4.7bn in 2015. Going forward, TV's share of the total advertising market is expected to be steady, at approximately 24%.

Subscription revenue

Total UK TV subscription revenues were £5.9bn in 2013.¹⁸ This sum covers the costs of the pay platforms themselves, sports and other rights and pass-through to third-party pay channels (amongst other costs).

Business models

The business models of UK TV channels, and in particular of the prime competitors of BBC One, BBC Three and CBBC, are diverse. ITV and Channel 5 are commercial and (as far as their channels go) largely advertising funded. Other sources of revenue for these groups are electronic sell-through of programming, and international sales of rights.

Channel Four has similar revenue streams, but is government owned and not-for-profit.

CITV and the BBC channels aside, the key children's channels are predominantly subscription channels, available on the pay-TV platforms (though there are a few channels, such as Sony's Pop, available free-to-air). These subscription channels are mostly

¹⁵ BARB

¹⁶ BARB, week ending 6 July 2014. CSC, CBS, Disney, NBC Universal, Turner and A+E in aggregate capture a further 4.5%.

¹⁷ AA/WARC, [UK adspend hits £17bn in 2012 – the first time since 2007](#), 9 May 2013. AA/WARC, [Shift to digital will push UK advertising to a record £20bn+ in 2015](#), 28 April 2014. Note that these figures include commission, unlike the NAR figures published by Ofcom

¹⁸ Ofcom, [Communications Market Report 2014](#), 7 August 2014

owned by large US groups such as Disney, Turner and Nickelodeon. In addition to their share of subscription revenues, they also receive advertising income. While some of their content is commissioned locally, much is international, recovering the cost of production across multiple markets.

Long form TV Online

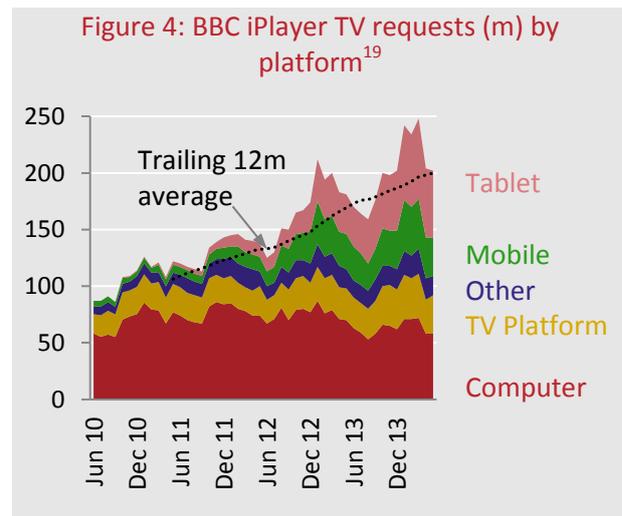
Catch-up TV

As noted, catch-up TV remains a relatively small part of total consumption of broadcast TV at 5% of viewing. That said, it is growing steadily. Figure 4 shows monthly BBC iPlayer requests by way of example. Over the last three years, usage has roughly doubled, with the bulk of this growth coming from tablets and mobile phones. Smartphone adoption has now reached 57% (and may now be slowing).²⁰ Tablet adoption is currently 41%.

Use of BBC iPlayer skews towards somewhat younger audiences - for instance, just 24% of BBC iPlayer users are 55 or older, compared to 35% of the population as a whole. However, this is in part because those with home broadband also skews young, with just 31% of this group being 55 or older.²¹ Overall, as of Q1 2014 38% of adults reported having used BBC iPlayer in the last month.²²

Other broadcasters are also seeing online growth. For ITV, 22% of adults reported usage in the last month, up from 17% a year prior.²³ The company's long-form video requests were up 16% in 2013, to 577m (a figure roughly one-quarter that of the BBC). There have been 11.7m downloads of the ITV Player app. ITV is monetising this usage both through advertising and viewer payments. ITV's online, pay and interactive revenues were £118m in 2013, up from £102m in 2012.²⁴

Channel 4's service, 4OD, had 476m view in 2013, up 6% on a year prior, and had 10.2m registered users. The company's online



¹⁹ BBC, *iPlayer monthly reporting packs*, Communications Chambers estimates. Note that there have been minor technical changes to BBC iPlayer usage tracking in this period

²⁰ Ipsos Media CT, *Tech Tracker Q2 2014*, 9 May 2014

²¹ BBC, *iPlayer Monthly Performance Pack, May 2014*, 1 July 2014

²² Ofcom, *Communications Market Report 2014*, 7 August 2014

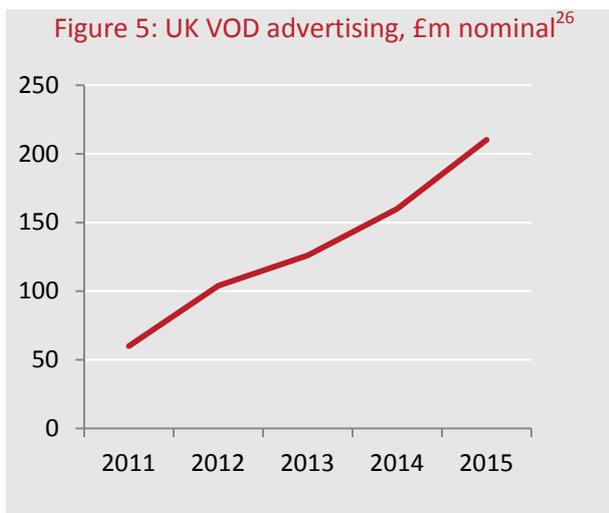
²³ Ibid

²⁴ ITV, *ITV plc Annual Report and Accounts for the year ended 31 December 2013*, 26 February 2014

activities generated £61m of revenue. Both ITV and Channel 4 report that mobile devices are key drivers of growth.²⁵

Catch-up services are now widespread across the larger broadcasters, with Channel 5, Sky and UKTV each having their own services. These are generally ad-funded, though Sky's service is a component of its wider subscription offer (and enables remote access to live streams of the subscriber's channels, in addition to on-demand content).

The TV VOD advertising market has been growing steadily, and AA/WARC²⁷ expect compound annual growth of 29% over the next two years (Figure 5). This will be driven by increased consumption, increasingly sophisticated ad targeting and increasing advertiser familiarity with the medium.



Subscription VOD providers

In addition to the catch-up services of broadcasters, there are now a number of players offering subscription video-on-demand (SVOD) services via the internet, most notably Netflix and Amazon/LoveFilm. Their UK revenues totalled £112m in 2013, up from £64m a year prior.²⁸

Netflix now has more than 50m subscribers globally, of which 14m are outside the US.²⁹ Netflix's global revenues, at \$4,058m (£2.4bn) are roughly equivalent to ITV's, albeit growing more rapidly.

Netflix launched in the UK in 2012 and as of Q1 2014 has 2.8m subscribers (10% of households).³⁰ Netflix usage represents 17.8% of peak internet traffic in the UK and Ireland, second only to YouTube (19.9%). The BBC and Amazon are in each in the range of 1-3% of traffic.³¹ (Amazon currently has 1.2m subscribers in the UK).³²

²⁵ Channel 4, [Channel Four Television Corporation Report and Financial Statements 2013](#), 8 May 2014

²⁶ AA/WARC, [UK adspend hits £17bn in 2012 – the first time since 2007](#), 9 May 2013. AA/WARC, [Shift to digital will push UK advertising to a record £20bn+ in 2015](#), 28 April 2014

²⁷ Advertising Association and the World Advertising Research Center

²⁸ Ofcom, [Communications Market Report 2014](#), 7 August 2014

²⁹ Netflix, [Q2 14 Letter to shareholders](#), 21 July 2014

³⁰ BARB, [Establishment Survey Q1 2014](#)

³¹ Sandvine, [Global Internet Phenomena Report, 1H 2014](#), 14 May 2014. Note that the population of the UK is ten times that of Ireland, suggesting that the percentages for the UK are likely very close to those for the two countries combined

³² BARB, [Establishment Survey Q1 2014](#)

Netflix offers a range of films and TV content, for a monthly subscription starting at £5.99 (with higher rates for simultaneous use of multiple screens). While Netflix's content is primarily acquired, it is increasingly commissioning its own flagship series, such as *House of Cards* and *Orange is the New Black*. Generally such commissions are aimed at a US or international market.

Amazon too is investing in new commissions (such as *Ripper Street*). However, its business model is considerably more complex than Netflix's. For instance, its online video offering is bundled into its Amazon Prime offer, which also offers accelerated shipping on purchases made from Amazon. Thus its video is a feature of a wider product, rather than a standalone offer.

Future trends

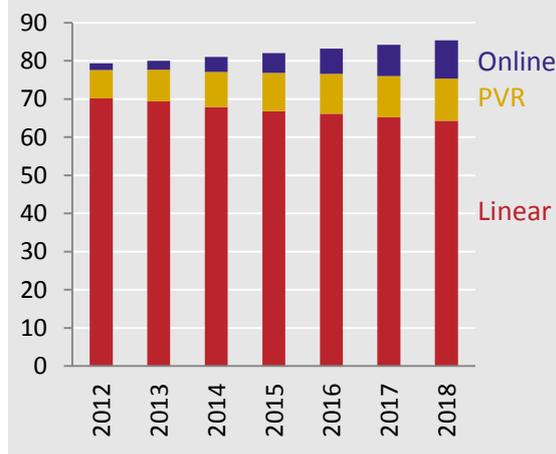
Broadly analysts expect relatively stable viewing of broadcast channels, albeit with increasing time-shifting. Mediatique, for example, expect total UK viewing to rise from 80bn hours in 2013 to 85bn in 2018, but with PVRs' share of this rising from 9% to 13%, and online from 3% to 12%.³⁴

The migration to PVRs poses some threat to advertising revenues, in that viewers may fast-forward through adverts. This is particularly problematic for drama, which is both relatively expensive to produce and particularly likely to be time-shifted.

Catch-up viewing typically carries less advertising minutage than linear TV, but does have the advantage that the advertising can be customised to the individual viewer, increasing its effectiveness and hence price per impact.

As we have noted, in the short term at least TV advertising is expected to grow, at around 6% per year to £4.7bn in 2015 (helped by the growing economy). TV VOD advertising is due to grow at 29%, to £210m.³⁵ Consumer spend on online video (VOD and EST³⁶) is expected to rise to approximately £600m in 2015, and keep rising

Figure 6: TV consumption (bn hrs) by platform³³



³³ Mediatique, [Implications of a change in the BBC's TV on-demand permissions](#), 14 October 2013

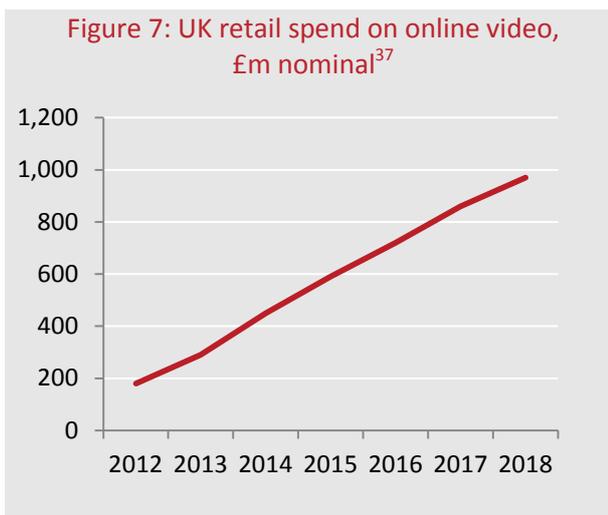
³⁴ We have also considered other independent forecasts of on-demand viewing. The Mediatique estimates were in the middle of the range of forecasts we looked at and thus we used Mediatique's figures since they represent a middle case

³⁵ AA/WARC, [Shift to digital will push UK advertising to a record £20bn+ in 2015](#), 28 April 2014

³⁶ Electronic Sell Through - purchases such as via iTunes

rapidly thereafter (Figure 7), driven in part by the expected growth of services such as Netflix.

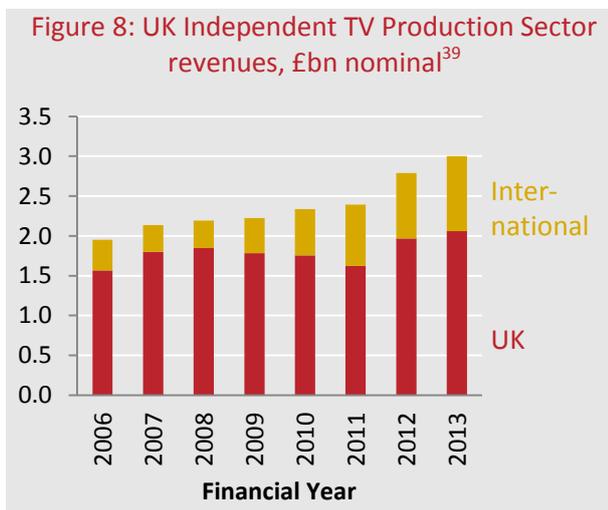
TV platform share is expected to be broadly stable. While some anticipate Netflix and other SVOD services putting pressure on pay TV subscriptions, current Netflix penetration in pay households is 14% compared to 6% in DTT-only households.³⁸ This suggests that (at least currently) consumers do not necessarily see Netflix as a substitute for pay TV as a whole, though it is possible they are reducing spend on, for example, movie channels within pay TV bundles.



Independent TV production sector

The UK independent TV production sector has grown its revenues to £3bn, of which just over 30% comes from overseas (Figure 8). Margins have been under pressure, falling to approximately 5% in 2012 and 2013, compared to historical levels of 7-9%.

The independent production sector has seen substantial consolidation, including acquisitions by large international groups. Indies owned by Discovery, NewsCorp, NBC Universal and Time Warner now represent 45% of the UK sector.⁴⁰



Online content production sector

In addition to the TV production sector, there is also an adjacent (and partially overlapping) group of companies who produce online-only video content of the type which BBC Three intends to distribute. Market data on this sector is limited. However, total web agency revenues are estimated at £2bn.⁴¹

³⁷ Futuresource, *Connected Home Market and Trends*, April 2014

³⁸ BARB, *Establishment Survey Q1 2014*

³⁹ Oliver & Ohlbaum Associates (for PACT), *Independent Production Sector Financial Census and Survey 2013*, June 2013.

PACT, *Record £3bn revenues*, 17 July 2014

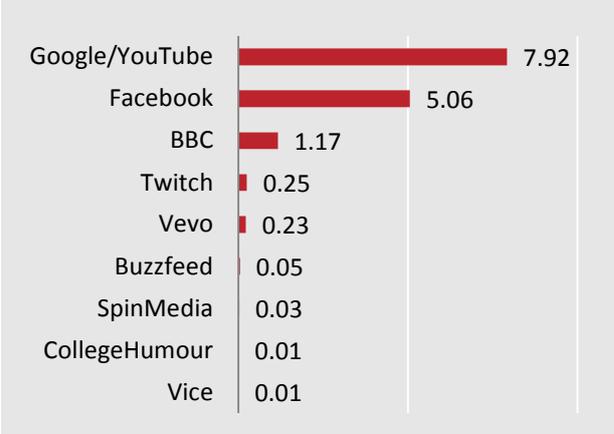
⁴⁰ Prospero, *Independent production – what next?*, 2014

⁴¹ MTM, *BBC – Online External Supply Review*, September 2012

Online content services

Finally, we turn to consumer-facing companies delivering non-TV video and other content aimed at 16-34 year olds. This includes platforms such as YouTube (serving third party content) as well as content creators such as Vice or CollegeHumour. In practice, the former category represents far more consumption than the latter. The content creators represent a very small percentage of online time for this age group - BuzzFeed, for example, takes just 0.1% share.

Figure 9: Monthly minutes of use (bn), individuals aged 18-34, select sites⁴²



⁴² UKOM. Google is both the search site and YouTube. CollegeHumour includes Cracked Network

5. BBC services in the counterfactual

In this section we consider the likely performance of the relevant services, absent the proposed changes. In large part, our expectations for future performance are based on each service's performance in recent years. Note that our model runs until 2018, but since most of the impacts have broadly stabilised by 2017, for simplicity we will use 2017 as our 'reference year' in discussing our results.

BBC Three

BBC Three's viewing share has been approximately flat this decade. Its key rivals, E4 and ITV2,⁴⁴ have seen moderate growth and recent decline respectively. (Though ITV2 remains above its 2010 share).

For the purposes of the counterfactual, we assume that BBC Three's share continues to be stable at its current level.

BBC One

Of the five flagship PSB channels, BBC One is the only one to have gained (moderate) share since 2010. The ITV channel is down over this period, but has recently returned to growth. Channel Four has (proportionately) seen the greatest pressure, losing a fifth of its share.⁴⁶

For the purposes of our counterfactual, broadly we assume that the channel's viewing share remains flat. Its average share in 2013 was 21.0%. However, one proposed component of the wider set of planned BBC changes is an increase of £30m in BBC One's budget for drama. While we understand this change does not require Trust approval, it nonetheless affects the baseline for analysis

Figure 10: BBC Three and competitor channels viewing share⁴³

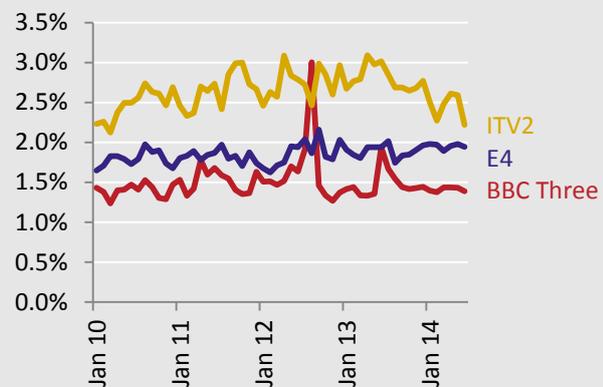
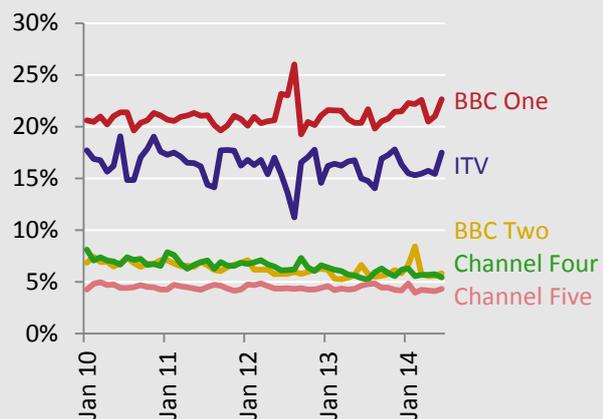


Figure 11: Flagship PSB channels viewing share⁴⁵



⁴³ BARB. +1 versions included

⁴⁴ Note that while E4 and ITV2 are the major channels which BBC Three viewers are *disproportionately* likely to watch, the heaviest viewing of BBC Three viewers is still of BBC One and ITV – even audiences which are somewhat less likely to watch these channels nonetheless watch a lot

⁴⁵ BARB. +1 and HD versions included

⁴⁶ H1 2014 vs H1 2010

of the changes to services which are the focus of this PVT.

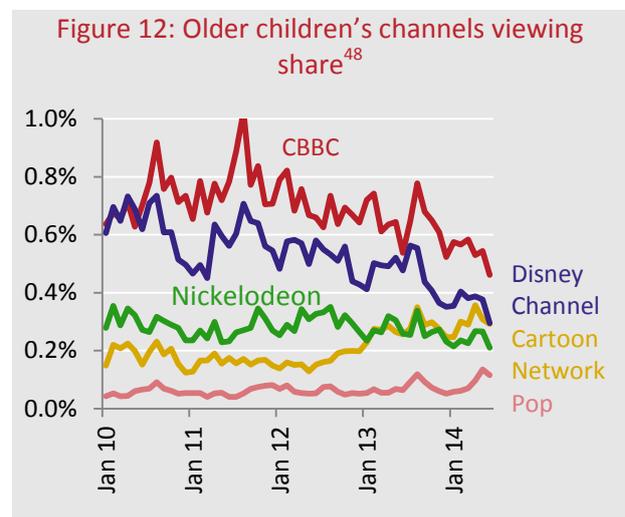
This extra £30m is relatively small compared to BBC One's content budget, which was £1,024m in 2013/14. The extra funding also needs to be seen in the context of continued reductions in the channel's budget, which fell £105.5m from 2012/13.⁴⁷

We have assumed that the £30m additional spend results in a pro-rata increase in consumption - consequently our base case share for BBC One is 21.7%, compared to the current 21.0%. (However, the overall share gain for the BBC is 0.5%, since some of BBC One's gain is from other BBC channels). We have also adjusted iPlayer consumption for the increased BBC One spend, although the absolute impact is minimal.

CBBC

CBBC has seen significant share contraction, dropping from around 0.8% at the start of the decade to 0.5-0.6% currently. The Disney Channel has had a similar contraction. Cartoon Network, Nickelodeon and Pop have been more steady, albeit from a lower base. However, since the beginning of the decade these channels have in aggregate lost approximately 15% of their viewing share.

In part this is due to a decline in children's total viewing, which fell 11% between 2010 and 2013, compared to a 3% fall for adults.⁴⁹



In our counterfactual, we have assumed that CBBC's share falls to 0.4% and then stabilises at this level. For the purposes of assessing market impact, this is a conservative assumption relative to assuming continuing declines, since it increases the incremental consumption resulting from the proposed service change.

⁴⁷ BBC, *Annual Report and Accounts 2013/14*, 21 July 2014

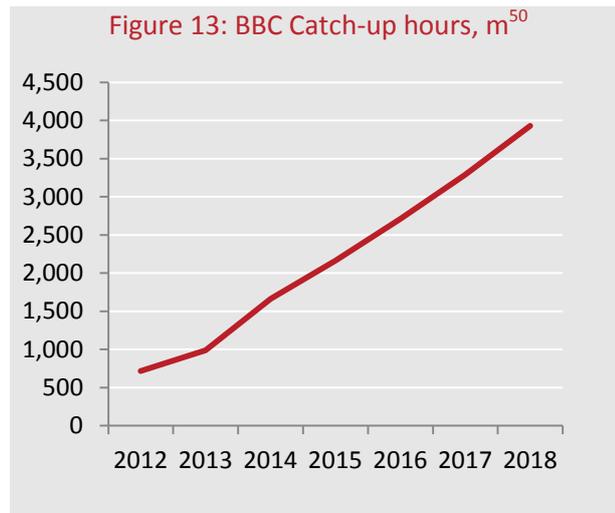
⁴⁸ Channels aimed at broadly similar age range to CBBC. BARB. +1 versions included

⁴⁹ BARB, *Trends in Television Viewing 2013*, March 2014

BBC iPlayer

As noted, BBC iPlayer usage has doubled over the last three years, and growth is expected to continue. This growth has recently been forecast by Mediatique, in the context of the regulatory assessment of the extension of the BBC iPlayer catch-up window. While Mediatique predict strong absolute growth for the BBC, this is in the context of robust market growth, so that the BBC's share online falls from 42% today to 40% in 2018.

We have used this forecast (reflecting the granting of permission of this extension in the BBC iPlayer catch up window to 30 days) as the starting point for our analysis of the impact of the changes proposed under *this* PVT. As noted above, we have made an adjustment for the impact on iPlayer consumption of increased BBC One drama investment.



⁵⁰ Mediatique, [Implications of a change in the BBC's TV on-demand permissions](#), 14 October 2013

6. Changes to BBC Three

We now consider the impact of the various proposed changes, starting with BBC Three. We look at the consumption impact of the closure of the linear service, and then the impact on BBC iPlayer. Finally we turn to the associated market impact.

Forecast consumption impact

TV viewing share

In 2013, BBC Three (linear and time-shifted) had an average viewing share of 1.48%. Its average weekly 15 min reach was 20.5%.⁵¹ Its unique reach (those who watch BBC Three but no other BBC channel) was 1.8%. The total volume of viewing (linear and PVR) was 1.15 billion hours in 2013, and forecast to be 1.12 billion hours in 2017, our reference year for our analysis (by which date the impact of the various changes is expected to have largely stabilised).⁵²

Were BBC Three to cease broadcast, this viewing would be lost, but the BBC can expect to recapture some of it via two mechanisms – via a redistribution of viewing to other channels (including other BBC portfolio channels)⁵³ and increased online viewing of the BBC Three content available online (discussed in the next sub-section). Note that we assume that overall viewing of TV programming is fixed – the service changes redistribute this viewing, but do not change overall levels.

To understand who would capture the 1.12 billion hours of viewing lost from BBC Three, we have (for simplicity) considered the mix of viewing of those viewers who are heavy watchers of BBC Three.⁵⁴ We define heavy users as those who, in aggregate, represent roughly 90% of the viewing of the channel.⁵⁵ The lost viewing (available for capture) will come primarily from these heavy viewers.

Were we instead to work of the viewing mix of *all* BBC Three viewers, we would unduly upweight the viewing share of the light viewers, who have little BBC Three viewing to ‘offer’ to other channels.

⁵¹ BARB. Reach is 15 minute consecutive monthly reach (4+). BBC iPlayer consumption not included

⁵² Figures for the impact by year are available in the annex to this report

⁵³ This capture by other channels includes both linear/PVR and online consumption

⁵⁴ Ideally we would weight the mix of viewing based on each BBC Three viewer’s consumption of that channel, but this would add considerable complexity

⁵⁵ Note that some estimation is involved in assessing the threshold level of consumption which qualifies a viewer to be in this heavy user category. However, this estimation is likely to have minimal impact on our results

As might be expected, the viewing mix for heavy BBC Three viewers is different from the overall average mix. For example, while the Channel 4 group has 11.0% share of overall viewing, amongst heavier BBC Three viewers, it has a 12.8%. It is this latter figure that we use to calculate the redistribution of BBC Three linear viewing.

This approach gives the following results:

Figure 14: Redistribution of BBC Three viewing by group, 2017, billion hours unless stated⁵⁶

Group	Base viewing	BBC Three viewing loss	Viewing Redistribut'n	Net viewing impact	Resulting viewing	Change in group viewing
BBC	28.5	-1.12	0.37	-0.76	27.8	-2.66%
ITV	18.3		0.24	0.24	18.6	1.33%
Channel 4	9.2		0.15	0.15	9.3	1.59%
Channel 5	5.3		0.07	0.07	5.4	1.35%
Other	23.0		0.30	0.30	23.3	1.29%
	84.4	-1.12	1.12	0.00	84.4	

The BBC loses the 1.12 billion hours of BBC Three viewing but regains 0.37 billion hours from increased viewing of other BBC channels, for a net loss of 0.76 billion hours of viewing. This implies a loss of 2.66% of the BBC's viewing. Conversely, ITV (for example) sees a 1.33% increase in viewing. BBC's resulting share of all viewing⁵⁷ declines by 0.9% to 32.9%.

Note that the above analysis does not include any 'recovered' viewing via broadcast of BBC Three content on other BBC channels. We have excluded this for two reasons. Firstly, the BBC's Public Value Assessment indicates that this would likely be a transitional arrangement only. Secondly any BBC Three programme on another BBC channel would displace another programme for that channel (presumably one selected to be optimal for that channel's existing audience). Thus the net impact on BBC consumption is likely to be minimal.

Impact on BBC Reach

To understand the implications of the closure of linear BBC Three for BBC reach, we have considered the channel's unique 15 minute weekly reach, which is 1.6% for 2014.⁵⁸ This group watch less than 15 minutes of any other BBC channel. Indeed, the great majority

⁵⁶ BARB, Communications Chambers analysis. Two decimal places are provided because of the small magnitude of some of the impacts, not because this level of accuracy for the forecasts is claimed

⁵⁷ Including online TV viewing

⁵⁸ As with all reach figures, this is reach as measured by BARB. It does not include reach via iPlayer, which it is currently untracked by BARB

watch less than 3 minutes. (Unique 3 minute weekly reach is approximately 1.2%).

While we assume that there is some viewing recapture via the other BBC channels (including the from BBC Three programmes to be shown on those channels), it seems likely that the vast majority of this viewing recapture will come from BBC Three viewers with some relationship with those other channels, rather than from the uniquely reached group, which effectively only have a relationship with BBC Three. Thus we assume that 80% of the uniquely reached group will simply be lost to the BBC, resulting in a 1.3 percentage point drop in overall BBC linear/PVR reach,⁵⁹ from 83.9% to 82.6% in 2017.⁶⁰

The impact is more acute for those aged 16-34. BBC Three provides 3.7 percentage points of unique reach to this age group. Based on the same 80% loss assumption, this would imply that the closure of BBC Three linear would result in a drop of 15 minute weekly reach of the BBC from 72.5% to 69.5% amongst those aged 16-34.

Impact on BBC Three online consumption

There are four factors (two positive, two negative) which will drive the change in BBC Three consumption on BBC iPlayer and elsewhere online as a result of the service changes:

- The capture of consumption that would previously have taken place via the linear schedule, but will (per force) happen online
- The loss of promotion by a linear channel
- The benefits of BBC Three becoming 'built for online'
- The reduction in content budget

We discuss these in turn, in each case making assumptions as to the consumption impact of the relevant factor. We then combine these assumptions to develop a forecast of the overall change in BBC iPlayer consumption as a result of the changes to BBC Three.

Note that we do not address online 'EPG prominence'. While this may be an important issue in the future, it is speculative at this time, and any such prominence will support BBC Three iPlayer consumption with or without the service changes.

⁵⁹ Note that a portion of this group will be consumers of BBC online or radio services

⁶⁰ If instead we assumed that 50% of the unique reach is lost, the resulting BBC total reach would be 83.3%

Online substitution

If a programme is only available online, then those who know of it and might previously have watched on TV may shift their consumption to online, increasing BBC iPlayer usage (assuming they have broadband).⁶¹ This may be an effect which fades over time. Initially there may be viewers with strong relationships with BBC Three series built via the linear schedule, who will follow that programming online. Over time, however, such familiar shows will drop out of the schedules, and thus BBC Three BBC iPlayer consumption will be increasingly dependent on online discovery. This is a particular challenge, since just 20% of current viewers of BBC Three in a given week also access BBC iPlayer in that week.⁶²

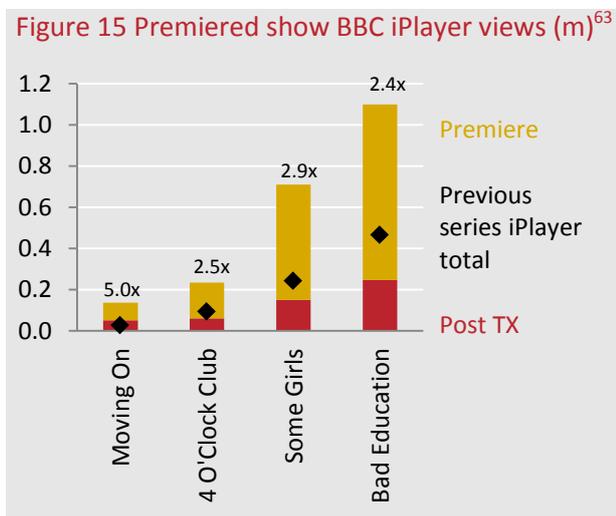
Moreover, a significant portion of current BBC Three linear viewing is not transferrable online, since rights issues mean it cannot be distributed this way. *Family Guy*, a staple of the BBC Three schedule, is one example of a programme not available via iPlayer.

To understand the potential initial effect of online substitution, we have looked at the performance of shows that premiered online. For the period before linear broadcast, viewers are obliged to seek out the programmes via BBC iPlayer, rather than via broadcast, a proxy for the situation when the programmes will *only* be available online.

The comparison of online viewing for premiered programmes to the online viewing of previous series without premiering gives an indication of the uplift in online viewing that will result from online-only availability.

Figure 15 shows the results for premieres with matching prior series. Online viewership for the premiered series is between 2.4x and 5x, with a simple average of 3.2x. However, some of this uplift will be as a result of the general growth in BBC iPlayer viewing with the passage of time, and we need to remove the effect of this growth to identify to specific impact of premiering.

For instance, between the first and second series of *Bad Education* there was a 1.3x growth in BBC iPlayer usage, suggesting that the



⁶¹ Note that we do not explicitly treat growth of broadband adoption in our analysis, because it is based on forecasts of iPlayer consumption for the counterfactual which already incorporate this factor

⁶² BBC

⁶³ BBC

uplift due to premiering was 1.8x. (Multiplied, these two factors give the total growth of 2.4x for *Bad Education*).

Based on all the above, we assume that the average benefit of 'capture' of broadcast viewing is a 2.5x increase in BBC iPlayer consumption of BBC Three programmes compared to the level projected in the counterfactual in 2017

It could be argued that using premiering as a proxy for online-only availability could lead to underestimate of usage, since some potential users of BBC iPlayer in the premiering scenario might have simply decided to wait for the linear broadcast - an option they would not have in the online-only scenario. However, for the two BBC Three programmes above (*Some Girls* and *Bad Education*), consumption via BBC iPlayer with premiering represented over 43% of the total viewing of each programme. Thus the remaining 57% of consumption is the maximum increment available. The 'waiters for linear' will only be part of this viewing - it likely includes many viewers who simply stumbled across the programme in the EPG, those who are not BBC iPlayer users, and so on. Even for the waiters, there is no guarantee that the disappearance of linear broadcast would cause them to transfer their consumption online - the fact that they were willing to delay their consumption despite the programme already being available suggests that their relationship with the programme may not be that strong.

Loss of promotion by linear

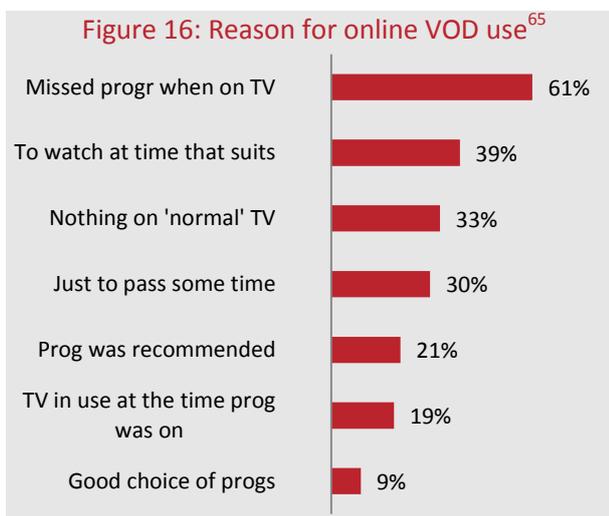
In the above analysis BBC iPlayer viewing is still benefiting from the powerful promotional benefit of linear broadcast. We do not refer here to trails on TV of the content, but rather the awareness built by broadcast. An individual may discover a programme on TV, but later consume it online. Friends and family may discuss programmes they've seen broadcast, prompting an individual to seek the programme out. Or media outlets may review a broadcast programme, building awareness.

The reverse is also true, of course (someone may find a programme online and then later watch it on TV, for example). However, given that linear is the by far dominant mode of consumption, it is much more likely to promote online consumption than vice-versa. Thus the loss of linear broadcast is likely to reduce online consumption.

Evidence for this comes from recent BBC/Communications Chambers research, which found that just 25% of users of online TV services had used them to discover a new programme in the last

month (on any such service).⁶⁴ Of users 73% reported that they used such services only or mainly for specific programmes, with just 6% reporting they mainly browsed (and even browsers may be selecting amongst programmes they know, rather than trying new programmes). Such evidence suggests that online TV services are (primarily) a delivery mechanism, rather than a discovery mechanism.

Ofcom research points in the same direction. Figure 16 shows the reasons consumers report for using online VOD.⁶⁵ By some margin, the leader is “Missed the programme/ film when on TV and use/d to catch up”, suggesting that TV-based consumption and awareness is a key driver of online consumption. Some of the other reasons cited also stem in part from linear broadcast.



Thus linear promotion is an important driver of online consumption. However, the impact of the loss of linear promotion is challenging to determine. We have assumed that it initially results in a 50% (or a factor of 0.5x) loss of BBC Three online consumption.

However, as consumers become more sophisticated and diverse in their use of services such as iPlayer, they may be more likely to use them as a destination in their own right, and to discover new content through them. This has been the trend to date. For example, in 2009 just 20% of iPlayer users visited without a specific programme in mind, but by 2013 40% did so.⁶⁷

Thus we assume that over time the loss of linear promotion becomes less critical, and by 2018 it results in only a 25% loss of online consumption (or a factor 0.75x).⁶⁸

‘Built for online’

At the moment, BBC Three content is commissioned primarily (though not exclusively) with traditional TV consumption in mind. A

⁶⁴ Pulse panel survey, August 2014

⁶⁵ Ofcom, [Communications Market Report 2014](#), 7 August 2014

⁶⁶ VOD content accessed through a website via any connected device; results are broadly similar for VOD through TV platforms

⁶⁷ Ofcom, [BBC Trust Significance Test – Links between BBC public services and BBC Store](#) [Letter to BBC Trust], 10 December 2013

⁶⁸ As a sensitivity, if the loss of online consumption remained at 50%, then total BBC consumption would be reduced by 0.1% in 2017

'built for online' BBC Three would be freed of the constraints set by traditional TV and could be optimised for the internet. For instance, short form content is much more suited to the internet than linear TV consumption, and is widely consumed online (as evidenced by YouTube, BuzzFeed, College Humour and many other existing sites).

Building for online is not just a matter of the format of content commissioned – it also includes discovery. For instance, the service proposition for the new BBC Three proposes greater integration with social media, already an important complement to TV. At peak times, 40% of UK Twitter traffic relates to TV. This is also an area where BBC Three is already performing well - its share of Twitter TV traffic is approximately 3x its share of viewing.⁶⁹

The new BBC Three will build on this social media success, with (for example) a presence on Facebook which will help drive traffic to the new BBC Three online website.

Clearly 'built for online' is likely to increase consumption relative to today's more constrained offer (all else being equal). However, it is challenging to estimate how great an increase might result. We have assumed the greater flexibility would bring a 25% uplift (or a factor of 1.25x).⁷⁰

Budget changes

The final, substantial impact is the proposed reduction in the BBC Three content budget, from approximately £60m (of which £54m was spent on originations including repeats in 2013/14) to c£30m⁷¹ (including repeats and acquisitions) by 2016/17.⁷² This reduction is clearly likely to have a dramatic impact on consumption levels. We have assumed that they fall pro-rata to spend, implying a 44%⁷³ reduction in BBC Three online consumption (or a factor of 0.56x). This may be somewhat conservative as a key ambition of the new proposal is to increase quality which may actually mitigate the audience loss.

⁶⁹ Kantar Media, *A year in the life of TV & Twitter in the UK*, 24 September 2014

⁷⁰ As a sensitivity, if this assumption was increased to a 50% uplift, consumption of BBC Three content online would increase by just under 1 minute per person per week, a 0.06% increase in viewing share

⁷¹ This will be spent on a mix of short form and long form content (though still predominantly AV content). As noted above under 'built for online', we believe short form content may (in an online context) be more efficient in capturing audiences than an offering purely built around long form content. This issue is treated within the 1.25x factor for 'built for online', and thus we do not address it within the budget changes

⁷² Note that this figure includes repeats but excludes acquisitions. The vast majority of acquisitions are not anyway available on iPlayer, and thus a reduction in spend on these will not impact iPlayer consumption

⁷³ This is based on a comparison the proposed £30m budget to the £54m originations/repeats budget. We have used the £54m figure rather than the £60m current budget, since the latter figure includes acquisitions. The vast majority of these (for example *Family Guy*) are not currently available on BBC iPlayer for rights reasons. Thus the loss of this portion of spend will have minimal impact on iPlayer consumption

Combined impact

Thus the various impacts on iPlayer consumption are (for 2017):

Online only availability	2.53x
Change of budget	0.56x
Loss of linear promotion	0.69x
'Built for online'	1.25x

Multiplying these four factors to calculate their aggregate impact gives an increase in online consumption of BBC Three content of 1.21x (compared to the projected level of viewing of BBC Three content in BBC iPlayer in the baseline in 2017). This is equivalent to a gain of less than 0.1% of total TV viewing for that year.

Associated market impact (other broadcasters)

Impact of viewing changes

The increased viewing of the commercial channels would increase their inventory of ad impressions. However, it is unlikely that this would result in a pro-rata increase in revenues, since the increased supply of impressions would likely reduce airtime prices.

Past research is inconclusive. Some studies suggest that an increase in airtime supply will result in a modest overall increase in TV advertising income. Others suggest that airtime price falls may match or indeed exceed the increase in airtime supply, so that overall ad revenues would stay flat or fall.⁷⁴ Ofcom's most recent report in this area (by Analysys Mason) found that "an increase in the supply of impacts will have negative revenue implications".

The 2011 House of Lords inquiry into TV advertising concluded that one of the key reasons for the *decline* in TV ad revenues in the preceding years was "increased supply of television advertising airtime through the creation of new channels".⁷⁵

Note that this does not mean that it is bad for a particular commercial broadcaster (ITV, say) to gain share from the BBC. While this would increase the supply of airtime and thereby decrease prices, *all* commercial broadcasters would suffer from the price reduction, whereas only ITV would have gained share of impressions and thereby would increase its revenues.

⁷⁴ PwC [for Ofcom], [Economic Analysis of the TV Advertising Market](#), December 2004; Analysys Mason & Brand Science [for Ofcom], [An Econometric Analysis of the TV Advertising Market](#), 11 March 2010; Analysys Mason [for Ofcom], [Supplementary report on the econometric analysis of the TV advertising market](#), 17 December 2010. See also Patrick Barwise and Robert G. Picard [for the Reuters Institute], [What If There Were No BBC Television?](#), February 2014, for a detailed discussion of research in this area

⁷⁵ House of Lords Select Committee on Communications, [Regulation of TV advertising](#), 17 February 2011

It is beyond the scope of this report to take a definitive view of the elasticity of the TV advertising market. We have therefore considered the consequences of three possible price elasticities: 0.75, 1.00 and 1.25. This range is intended to cover the spectrum of opinion on the actual elasticity.

Based on the viewing gains and initial advertising revenues of the various groups and these elasticity assumptions, we estimate revenue impacts as follows:

Figure 17: Financial impact of viewing share capture from BBC Three closure⁷⁶

Group	Change in viewing	2013 Estimated Net advertising rev (£m)	Rev impact (£m) by Price Elasticity of Demand		
			PED=0.75	PED=1.00	PED=1.25
ITV	1.33%	1,542	-8	-1	3
Channel 4	1.59%	825	-2	2	4
Channel 5	1.35%	360	-2	0	1
Other	1.29%	970	-5	-1	2
Total	1.36%	3,697	-17	0	10

(Note that we have analysed the financial impact using 2013 revenue figures - we have not sought to forecast overall revenues for these groups, but instead have focused on the relative impact of the service changes).

The impact on revenues is minimal in all cases (either up or down). The worst potential case is ITV, if elasticity is assumed to be 0.75. In this case the increased ad impressions resulting from the closure of BBC Three result in greater price reductions than ITV's gain in viewing, and the company sees an £8m loss in revenue, representing 0.5% of ITV's total. (This assumes the revenue loss drops straight to the bottom line and ITV takes no mitigating action). However, with this elasticity assumption ITV would see a £4m revenue *gain* from the launch of BBC One+1, for a net impact of a £4m loss from the two service changes (see page 39 below).

Conversely, in the best case Channel 4 could see a £4m (0.5%) increase in revenues. This compares to the company's 2013 operating deficit of £15m.

Such static impacts (and similar impacts on other market participants) are moderate, and seem unlikely to lead to any dynamic impacts (positive or negative).

⁷⁶ Communications Chambers analysis, Ofcom, *Communications Market Report 2014*, 7 August 2014. ITV, *ITV plc Annual Report and Accounts for the year ended 31 December 2013*, 26 February 2014. Channel Four, *Report and Financial Statements 2013*, 8 May 2014, Channel 5 Broadcasting Limited, *Report and Financial Statements for the year ended 31 December 2012*, 19 April 2013

However one possible exception is local TV. As a result of BBC Three leaving the Freeview EPG, these stations will jump from LCN 23 to LCN 9. This increase in prominence on one platform may have a material positive impact on their viewing, albeit from a low base.

'Market experiment'

In transitioning a broadcast channel online, the BBC is taking a step not yet planned by any other broadcaster in the UK (and perhaps globally). As such, the reconfiguration of BBC Three is a useful experiment for the industry (including the BBC itself), providing valuable lessons regarding viability and approach.

Associated market impact (Long form TV Online)

As discussed above, BBC Three online consumption will see a moderate proportionate increase. However, this is small in absolute terms. Moreover, it is not clear that increased usage of the BBC online results in decreased usage of other online services. Thus we are unable to quantify any material impact to our relevant markets as a result of the increase in BBC Three online viewing.⁷⁷

Associated market impact (Production)

TV production

As noted, BBC Three's content spend will decline by approximately £30m as a result of the service changes. Of this change, we have assumed for the purposes of this analysis that perhaps half (£15m) will be lost external commissions (as opposed to acquisitions and in-house production). The impact on profitability will be less than the impact on revenues, since by its nature the sector has relatively high variable costs.

The BBC's total spend on external commissions was £441m in 2012, and the PSB total was £1,145m.⁷⁸ There is additional spend by non-PSB broadcasters, who spent £187m with independent producers that year (and £206m in 2013).⁷⁹

In this context, the loss of the £15m BBC Three spend is likely to have only moderate impact on the independent TV production sector.

⁷⁷ See page 47 for a discussion of the (small) impact of the various service changes on providers of other forms of online content

⁷⁸ Ofcom, *PSB Output and Spend*, August 2013

⁷⁹ Oliver & Ohlbaum [for COBA], *COBA Census 2014*, June 2014

Online production

The proposed changes to BBC Three will also result in a moderate (but unknown) increase in commissions of non-traditional online content. As well as commissioning short form and new form content from TV production companies, traditional digital agencies, games developers and interactive agencies etc, the BBC intends to engage with a wider supply base. This could include companies and individuals who are creating content in the wider online spaces including specialists in creating GIFs, vloggers, mash ups and so on.

These new commissions may provide a small positive market impact for independent producers of these various forms of content.

The BBC will also be investing in its in-house skills for production of this type of content. Given the fluid nature of the BBC's staff base (which includes many freelancers), this investment will, in time, also benefit the commercial sector.

7. BBC One +1

Forecast consumption

In assessing the incremental viewership and reach of BBC One +1, we believe there are three issues to consider:

- What share of viewing is the channel likely to capture?
- How much of this is capture of viewing from the parent channel, and how much represents true incremental viewing of BBC One?
- Of this incremental viewing, how much is captured from other BBC services and how much comes from third parties?

Share of viewing of +1 channel

To underpin our estimate of BBC One +1 viewing share, we have undertaken an analysis of the drivers of +1 channel share relative to the relevant parent. This allows us to scale from existing BBC One consumption to the likely consumption of BBC One and its +1.

Note that while there are many +1 channels, we consider that the dynamics for very small channels are materially different than for larger channels (such as BBC One). Moreover, the statistical noise is more significant in the measured viewing of very small channels, which makes them less useful for our purposes. Thus we have used as comparators the four main ITV channels; Channel 4; Channel 5; E4; and Dave (and their respective +1s).

We believe there are two main factors which determine the viewing of a +1 channel relative to its parent: the EPG 'gap' between the parent and the +1, and the scale of the parent channel.

The EPG 'gap' is intuitive. All else being equal, if a +1 is far down the EPG from the parent, it is likely to get less viewing than if it is immediately below – EPG prominence is an important driver of viewing.

We believe the scale of the parent also matters. Large channels may have more appointment-to-view programming, and thus may be less dependent on a time-shifted version. Larger channels are likely to have a higher EPG slot, meaning they already have higher profile and thus benefit proportionately less from the additional 'shelf space' a second slot for a +1 brings.

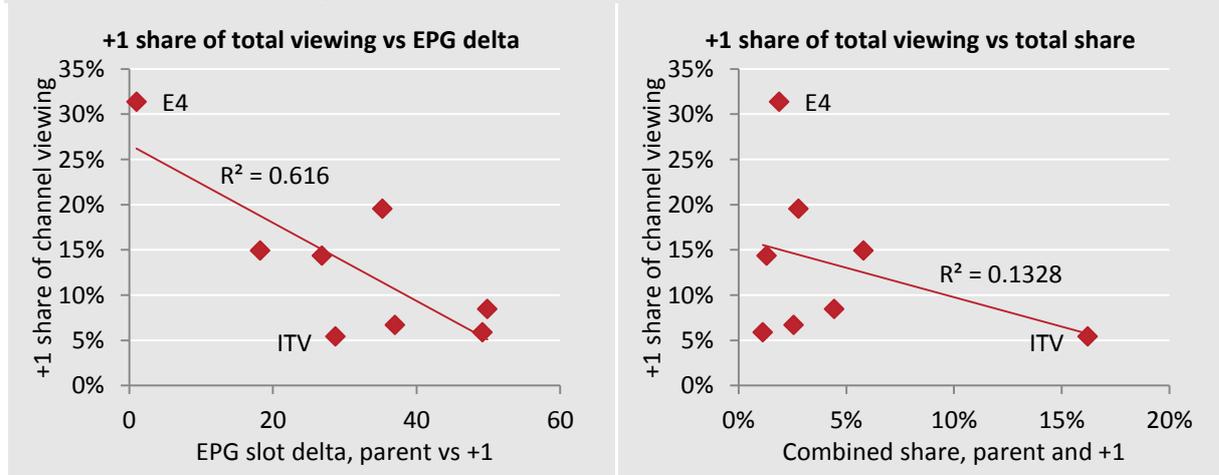
For our comparator channels, the key metrics are as follows:

Figure 18: Parent and +1 channel performance and EPG positions⁸⁰

Channel	2013 Viewing share			+1 share of total viewing	EPG Delta
	Parent	+1	Total		
ITV	15.3%	0.9%	16.2%	5.4%	28.7
ITV2	2.2%	0.5%	2.8%	19.5%	35.3
ITV3	2.4%	0.2%	2.6%	6.7%	37.0
ITV4	1.1%	0.1%	1.1%	5.9%	49.2
Channel 4	4.9%	0.9%	5.8%	14.9%	18.2
five	4.1%	0.4%	4.4%	8.5%	49.9
E4	1.3%	0.6%	1.9%	31.4%	1.0
Dave	1.1%	0.2%	1.3%	14.4%	26.8

In looking at EPG position, we have calculated an average 'EPG Delta'. This is the number of slots by which the +1 channel is below the parent channel, weight-averaged across the different platforms based on their respective viewing share. E4+1, for example, is one slot below E4 on each of Sky, Virgin and Freeview.⁸¹ Channel 4+1 is nine slots below its parent on Freeview and Virgin, but 31 slots below on Sky, for a weight-average of 18.2.

Figure 19: Drivers of +1 share relative to total share⁸²



Both EPG delta and the total share appear to be relevant to the share captured by the +1 channel, though clearly the former is more significant.

To understand the combined impact of these two variables, we have undertaken a multivariate linear regression.⁸³ This allows us to

⁸⁰ BARB, Communications Chambers analysis. EPG deltas allow for empty slots

⁸¹ Note that we have omitted Freesat and other smaller platforms

⁸² BARB, Communications Chambers analysis. Viewing shares are 2013 averages

⁸³ In so doing, both EPG delta and combined share were each statistically significant at the 5% level

create a formula to calculate the +1 share based on the parent channel share and the EPG delta. This in turn enables us to estimate the share for BBC One +1, given the current share of the parent and an assumed EPG delta.

Thus a key question is the EPG position of BBC One +1. For the purposes of this analysis, we have assumed that this new channel replaces BBC Three in all EPGs except that for Freeview, where it would move 22 slots below BBC One. These would be relatively prominent slots, giving an average EPG delta of 16.4 (below BBC One's number one slot on all platforms).

This replacement of BBC Three with BBC One +1 may or may not be achievable in practice. However, from a market impact perspective it is a conservative assumption (since it increases viewing for the new channel and hence increases the impact on other market participants). Thus we have taken it as the basis for our analysis.

These assumptions imply that the +1 channel would capture an ongoing viewing share of 1.6%.

As a sensitivity, we have also considered the impact if BBC One +1 were to have the same EPG delta as ITV +1, namely 28.7 slots. In this case BBC One +1's viewing share would drop dramatically, to just 0.3%.

Incremental share of +1 channel

As we have noted, much of the viewing of +1 channels is likely captured from the relevant parent. A viewer may take advantage of the +1 to delay viewing of a particular programme, and instead view another channel in the original schedule slot. Also, by definition, the programming of the +1 channel will appeal to exactly the same audience as the parent channel.

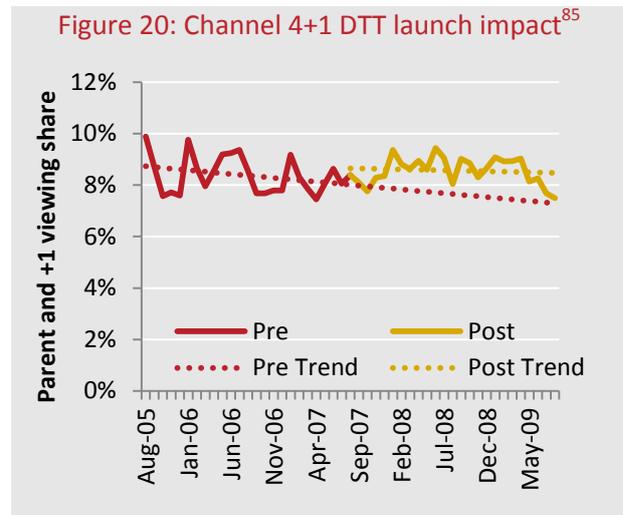
To understand this issue, we have examined the launch of a large number of PSB +1 channels, and in particular the difference they made to the trend lines of total viewing for the channel on the relevant platform. If (for example) the share of the +1 channel on DTT was 0.3% , but the combined share with the parent channel was only 0.1% higher than before the launch of the +1, then this would suggest that only one-third of the +1 channel's viewing was truly incremental.

Our analysis is based on calculating the trendlines of channel share on a given platform, for 24 months before and after launch, and comparing the difference in the trendlines in the post-launch period

to the average share achieved by the +1 channel in the same period.⁸⁴

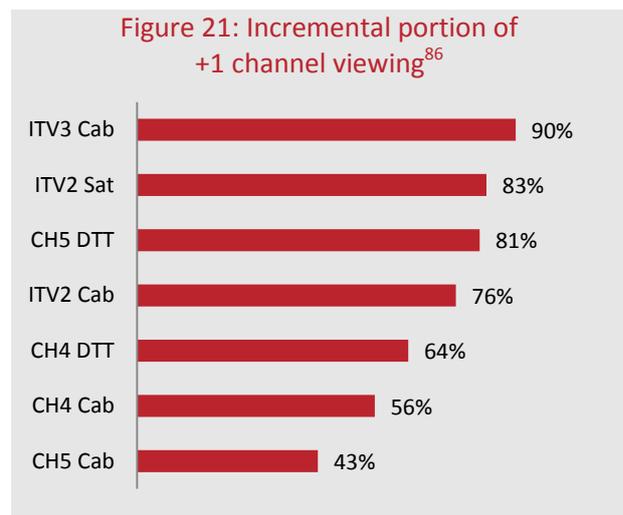
For example, see Figure 20 for the impact of Channel 4+1's launch on DTT. The trendline of total share (+1 and parent) after the August 2007 launch of the +1 channel on DTT is 0.91 percentage points above the trendline based on Channel 4's pre launch share.

However, DTT viewing share of Channel 4 +1 in the post launch period (not shown on the chart) was 1.42 percentage points. This suggests that the *incremental* share of the +1 channel was just 64% (or 0.91/1.42) of the total viewing of that channel.



This analysis is not without challenges. For instance, if a channel's programming quality improves at about the same time as the launch of its +1, then this may be the cause of any increase in aggregate share, rather than the +1 itself. Moreover, for channels where the +1 channel provides a small share of total channel viewing, general noise in the data can swamp the specific impact of the +1 channel. Finally, we have chosen to exclude launches where the analysis would include periods more than ten years ago, since such historic consumption patterns may no longer be relevant.

After making these exclusions, we are left with seven PSB +1 channel launches on various platforms. The portion of viewing of the +1 channel that is incremental (as opposed to cannibalised from the parent) ranges from 43% to 90%, with an average of 70% (Figure 21).



Unfortunately for the launch of ITV+1 (which would have been the best comparator for understanding the impact of the launch of BBC One+1) our analysis was unable to detect a measurable uplift in the viewing share trend lines. This does not necessarily mean that there was no uplift

⁸⁴ In two cases where the +1 launch was less than 24 months ago, or where the +1 launch was less than 24 months after the launch of the parent channel, we have based our analysis on the preceding and following 12 months

⁸⁵ BARB, Communications Chambers analysis

⁸⁶ Ofcom, [Communications Market Report 2014](#), 7 August 2014

as a result of the launch of ITV+1 - it may simply be that the uplift (within ITV+1's relatively low viewing) was swamped by other drivers of the channel's share.

However, it could be that +1 channels are less likely to produce incremental viewing for larger channels. (As we have already seen, all else being equal, larger channels have lower proportionate *total* viewing of their +1s). To be conservative from a market impact perspective, we have not made such an assumption, but rather have assumed that the incremental viewing from a BBC One +1 channel would be similar to that for the comparator set in Figure 21. We have therefore worked on the basis that 70% of BBC One +1's viewing is incremental to that which BBC One would otherwise receive by itself.

Consequently, our estimate is that BBC One's 2017 viewing share of 22.0% (allowing for the additional drama spend and the closure of linear BBC Three) would rise to a total of 23.1%, comprising 21.5% from BBC One and 1.6% from BBC One +1. Thus the incremental viewing captured as a result of the +1 channel would be 1.1 percentage points of linear TV. (However, if BBC One +1 had the same EPG delta as ITV +1 this would fall to 0.2%).

Source of captured viewing

In understanding which channel groups lose from the share capture of BBC One +1, we take the same approach we used above to understand the gainers from the share loss of BBC Three - that is, we look at the consumption patterns of heavier viewers of BBC One. (As with BBC Three, these are defined as the viewers who in aggregate represent 90% of the channel's total consumption). This gives the following results:

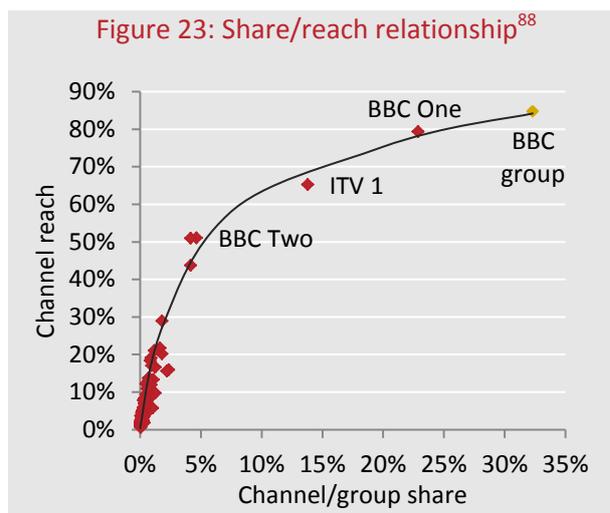
Figure 22: BBC One +1 viewing impact by group⁸⁷, bn hrs unless stated

Group	Viewing post BBC Three	BBC One+1 viewing gain	BBC One+1 viewing source	Net impact	Resulting viewing	Change in group viewing
BBC	27.8	0.85	-0.15	0.70	28.5	2.44%
ITV	18.6		-0.25	-0.25	18.3	-1.39%
Channel 4	9.3		-0.12	-0.12	9.2	-1.25%
Channel 5	5.4		-0.07	-0.07	5.3	-1.23%
Other	23.3		-0.26	-0.26	23.0	-1.13%
	84.4	0.85	-0.85	0.00	84.4	

⁸⁷ Communications Chambers analysis. Two decimal places are provided because of the small magnitude of some of the impacts, not because this level of accuracy for the forecasts is claimed

Impact on BBC Reach

To understand the implications of this increase in BBC One viewing for BBC reach, we have relied on a historically consistent curve linking a channel's share with its reach (Figure 23). Smaller channels quickly gain reach as they gain share – there is a large pool of previously unreached viewers to capture. However, for larger channels the pool of unreached is smaller, and thus incremental viewing is less likely to bring incremental reach.



Based on this relationship, we estimate that a one percentage point change in BBC total viewing implies a 0.36 percentage point change in reach. Thus the 0.8% gain in share for the BBC⁸⁹ implies a 0.3% gain in the BBC's total TV reach, from 82.6% to 83.0%. For those aged 16-34, we estimate BBC One +1 will deliver 0.5% gain in reach.⁹⁰

Associated market impact (other broadcasters)

To understand financial impact, we again use the same approach used for BBC Three with the following results:

Figure 24: Financial impact of viewing share capture by BBC One+1⁹¹

Group	Change in viewing	2013 Estimated Net advertising rev (£m)	Rev impact (£m) by Price Elasticity of Demand		
			PED=0.75	PED=1.00	PED=1.25
ITV	-1.39%	1,542	4	-3	-6
Channel 4	-1.25%	825	3	0	-2
Channel 5	-1.23%	360	1	0	-1
Other	-1.13%	970	5	1	-2
Total	-1.23%	3,697	13	-2	-11

Note that given the uncertainty and small scale of the financial impact of the closure of BBC Three, we have not adjusted the initial revenues of the other groups for that impact.

The worst potential absolute impact is on ITV, which could see a revenue loss of £6m if elasticity is 1.25. However, with this elasticity assumption ITV would see a £3m revenue *gain* from the closure of

⁸⁸ BARB, Communications Chambers analysis

⁸⁹ The 1.1% gain from the launch of the +1, net of cannibalisation of other BBC linear viewing

⁹⁰ Based on a 0.75 reach point gain per share point, given the BBC's lower share in this age group

⁹¹ Communications Chambers analysis, company accounts (note that 2012 is the latest year for which NAR figures are available for all the main commercial broadcasters)

BBC Three, for a net impact of a £3m loss from the two service changes.

If elasticity is 0.75, then commercial broadcasters would see an aggregate gain of £13m as a result of the increased scarcity of advertising impacts.

Once again, these static impacts are small, and seem unlikely to lead to any dynamic impacts (positive or negative). This is doubly so when the net impact of BBC One +1 and BBC Three is considered, an issue we consider in more detail below.

Associated market impact (online)

The addition of a +1 channel will make no additional content available on BBC iPlayer. Thus we do not anticipate any increase in BBC online competition. The +1 channel could increase overall linear TV consumption, and this could potentially substitute for a portion of online TV consumption, but we believe this impact to be minimal.

8. CBBC Extra hour

Forecast consumption impact

To understand the likely consumption of CBBC between 7 and 9pm, we have looked at the profile of viewing of comparator channels from the afternoon into the evening. Our comparator set is Cartoon Network, the Disney Channel, Nickelodeon and Pop (and their relevant +1s).⁹²

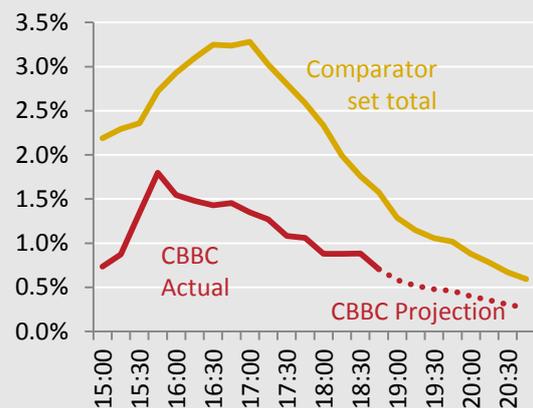
There are a number of factors that will drive evening consumption of CBBC, including the available audience of children, whether their preference is for children's or general programmes, whether children or adults are in control of the remote, and so on. However, these factors will also affect the comparator channels, and thus their viewing profile is likely to be a good guide to the potential profile of CBBC.

Figure 25 shows the profiles and the projection for CBBC share from 7 to 9pm. In this period, the predicted weight average share for CBBC is 0.4%. Since this peak period of the day represents 21% of total viewing (across all channels), this implies that CBBC's 0.4% share from 7-9pm represents just under 0.1% of total viewing. A viewing share capture of less than 0.1% will likely make minimal difference to the BBC's TV reach.

Note that this analysis is based on CBBC's current overall share, though as we have noted, this is falling - we assume it drops to 0.4% by 2017 and scale consumption accordingly.

As with other share changes resulting from the proposed services changes, this one will be at the expense of a range of other channels, including other BBC portfolio channels. However, these impacts are generally minimal - a 0.011% loss of viewing share for ITV in 2017, for example. (The impact on revenue will be even less, since most advertising is sold on the basis of adult impressions, and thus lost viewing by children is less relevant).

Figure 25: Comparator and CBBC viewing share in relevant homes by time of day⁹³



⁹² We omit CITV which ceases broadcast at 6pm

⁹³ BARB, Communications Chambers analysis. Data for H1 2014. 'Relevant homes' are those with TV platforms where the channel is available - for instance, Cartoon Network is available only in Pay TV homes

The share capture may be relatively more significant for the other children's channels (from which viewing may disproportionately be captured). However:

- While CBBC audience members do index high for other children's channels - for instance, they consume roughly 4x more of the Disney Channel than the average - nonetheless, these other channels are a small part of their total consumption. Disney Channel viewing is just 0.97% of the total viewing of CBBC audience members
- A substantial portion of the viewing captured by CBBC is likely to come from non-children's channels - 89% of children's viewing is to channels outside the comparator set. The top programmes in this time slot for this age group are *Eastenders* and *Coronation Street*
- There is currently no uptick in the viewing of our comparator set at 7pm when CBBC ceases transmission (Figure 25) - this suggests that there is not material migration of CBBC viewers to these channels, and by extension if those viewers were able to continue watching after 7pm, there would unlikely be material loss for the comparators
- One reason for this is that of those ceasing to watch CBBC between 6.50 and 7pm, 40% turn the TV off. If an extension of CBBC encourages these viewers to continue watching, this will represent share growth from increased overall TV consumption, *not* share capture from any other channel

Associated market impact

Broadcasters

Given the limited share impact, market impact will, if any, be on the children's channels.⁹⁴ However, as we have seen, even these channels are likely to see minimal share loss. Moreover the financial impact will be mitigated since these channels are only in part ad-funded. They are *pay* channels, and thus also subscription funded, mitigating the impact of any moderate viewing loss. (We also regard the risk of any material reduction in pay TV subscriptions as a result of these changes as minimal).

Finally these children's channels are international, and thus less exposed to a loss of share or income in any one market. Moreover, given that they primarily have globally fixed costs of production, the gross margins associated with any one country (before any

⁹⁴ Excluding CITV, which is off air in the relevant time slot

allocation of central costs) are likely to be relatively high, meaning that a small loss of share is unlikely to result in a market exit.

Thus we believe that the risk of any dynamic market impact from the proposed change to CBBC is minimal.

Online services

There will be no additional content spend as a result of the extended hours, and thus no increase in the programmes available on BBC iPlayer. Thus the proposal is unlikely to lead to online share capture.

It is possible that the increased consumption of broadcast content will substitute for some online activity. However, this effect is likely to have little market impact. The scale of the increase in TV consumption is small, only some of this increase will be substitutional and even then the prospect of market impact is low, given that many of the services popular with this age group (such as YouTube) are well financed global players.

9. Enhanced BBC iPlayer

Forecast consumption impact

The proposed changes to BBC iPlayer comprise

- More premiering
- Inclusion of third party content

Increased premiering

The BBC's service proposal suggests that 25 titles would be premiered online annually. Assuming 10 episodes per title, and 100,000 requests per episode,⁹⁵ this implies a base total of 25m requests, or just over 2m per month. As we have discussed above, premiering might increase consumption by 2.5x. This implies 3.2m additional requests per month.

This compares to the average over 2013 of 181m. Thus premiering could drive a 1.8% uplift in BBC iPlayer consumption, or around 1 minute per individual per week in 2017.

Inclusion of third party content

This is challenging to quantify. Since (say) the Open University video in question may well be directly available from the OU's own site, its inclusion in BBC iPlayer enhances discovery rather than availability. Moreover, while valuable, the mooted content appears likely to be of niche rather than mass market interest.

These factors suggest that such content is likely to have limited impact on BBC iPlayer consumption.

Market impact

Given the moderate impact on consumption of BBC iPlayer (which is anyway low in absolute terms relative to broadcast TV and larger online players), we do not anticipate material market impact from the proposed changes to BBC iPlayer.

⁹⁵ The strongest performing episodes on iPlayer from CBBC receive 100,000 to 500,000 requests, and those from Cbeebies receive 60,000 to 260,000. However, these figures already reflect some benefit from premiering, and premiering would not be exclusively focused on the highest profile content. Hence we use an assumed average request figure of 100,000 for the purposes of forecasting

10. Combined impact

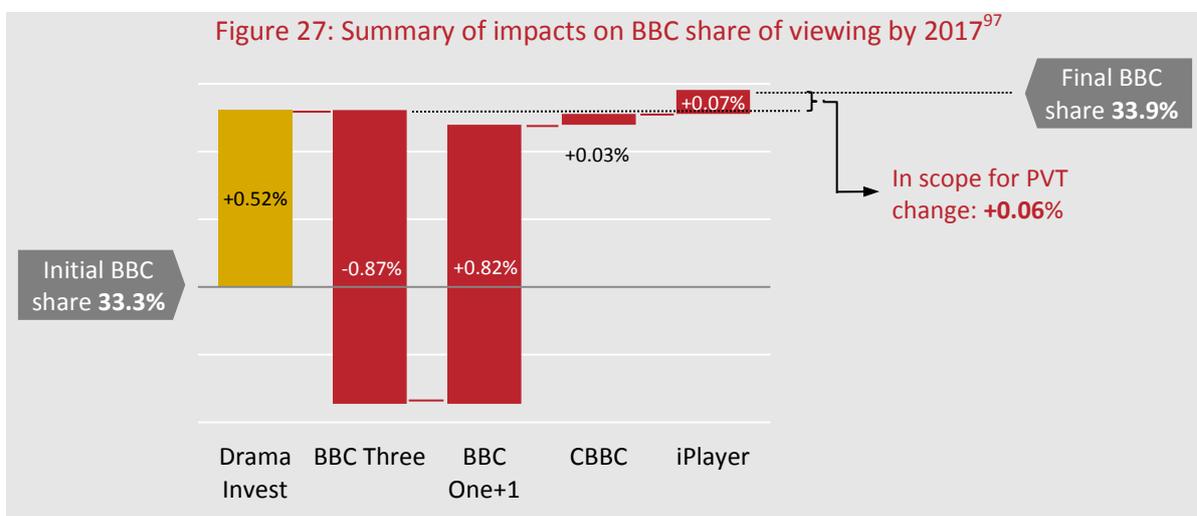
Viewing impact

Having considered the four proposed service changes separately, we now turn to their aggregate effect. The combined impact of the four service changes on TV viewing is as follows:

Figure 26: Aggregate impact on TV viewing, 2017 (bn hours unless otherwise stated)⁹⁶

Group	BBC		BBC			Net impact	Net viewing	Net impact (%)
	Base viewing	Three impact	BBC One+1 impact	CBBC impact	iPlayer impact			
BBC	28.55	-0.73	0.70	0.03	0.06	0.05	28.60	0.17%
ITV	18.34	0.24	-0.25	-0.01	-0.01	-0.04	18.30	-0.22%
Channel 4	9.19	0.14	-0.12	0.00	-0.01	0.01	9.20	0.09%
Channel 5	5.33	0.07	-0.07	0.00	-0.01	0.00	5.32	-0.07%
Other	23.01	0.29	-0.26	-0.01	-0.03	-0.01	22.99	-0.06%
	84.41	0.00	0.00	0.00	0.00	0.00	84.41	

The BBC will see a 0.17% gain in viewing (or less than a 0.1 percentage point increase in share). Figure 27 shows how the various service changes build to this impact, and also sets this alongside the impact of the increased investment in drama.



The associated drop in BBC reach is from 83.9% to 83.0%.

For each of the commercial groups, the aggregate shift in 2017 viewing is a between a gain of less than 0.1% to a loss of 0.2%.

⁹⁶ BARB, Communications Chambers analysis

⁹⁷ Communications Chambers analysis

Financial impacts

As we have seen, shifts in viewing translate into smaller shifts in advertising revenues:

Figure 28: Aggregate financial impact on TV ad revenue from service changes⁹⁸

Group	Change in viewing	2013 Estimated Net advertising rev (£m)	Rev impact (£m) by Price Elasticity of Demand		
			PED=0.75	PED=1.00	PED=1.25
ITV	-0.22%	1,542	-2	-2	-2
Channel 4	0.09%	825	2	1	1
Channel 5	-0.07%	360	0	0	0
Other	-0.06%	970	1	0	0
Total	-0.09%	3,697	1	0	-1

Overall, the impact on commercial broadcasters' revenues is expected to be minimal. However, there are some differential effects for individual players, since the service changes trigger a slight redistribution of share between groups. Thus in the worst case scenario of a 0.75 elasticity, ITV could lose 0.1% of its revenue. Conversely, Channel 4 could see a gain of 0.2% if elasticity is 1.25.

⁹⁸ Communications Chambers analysis

11. Market impact on other sectors

Thus far we have focused on the market impact on linear and online TV providers and the production sectors. In this section we consider the impact on some adjacent sectors, namely TV platforms, online content providers (other than TV) and ISPs.

TV Platforms

We believe the impact on TV platforms (pay and free satellite, cable, DTT) will be minimal. The proposed changes to the BBC linear channels will take effect on all platforms - in particular, they will each lose BBC Three and gain BBC One +1. This does not *necessarily* imply zero impact on the market share of the various platforms. For instance, it might be argued that a new channel on all platforms favours DTT, since it reduces the percentage of channels that are only available on pay TV.

However, we believe the practical effect on platform share will be minimal for two reasons. Firstly, the change in content is small relative to the overall pay offer, as evidenced by the very small net impact on consumption. Secondly pay platforms sell much more than simply a portfolio of channels. For instance, components such as PVRs and broadband are important elements of their offer.

Thus it seems unlikely that the new services will have material market impact on the TV platform market.

Other online content providers

In our analysis thus far, we have assumed that additional time spent viewing BBC services is at the expense of other broadcasters and long form content providers. However, some of the additional time spent using BBC online content (and particularly new 'short form' content) could be at the expense of other online services, such as YouTube, Facebook, Vice, BuzzFeed and many many others.

That said, we do not believe this could lead to material market impact, for the following reasons:

- The increase in iPlayer consumption from all the proposed service changes is equivalent to 1.8 minutes per person per week in 2017 (compared to 25.6 *hours* of total time online)⁹⁹

⁹⁹ eMarketer, [Digital Set to Surpass TV in Time Spent with Media in the UK](#), 18 March 2014

- Online consumption is highly diffuse, meaning that the impact on any one player is likely to be small
- Leading online providers are generally multinational, meaning that changes within any one country are less likely to have material impact on their total business. Moreover, because these companies generally have very low variable cost, they are most unlikely to exit a particular national market as a result of a small share loss
- As media-stacking increases, additional usage of BBC services need not be substitutional for other online services
- Some of the online video services are substantially larger (in consumption terms) than the BBC. For instance, YouTube (and other Google video sites) have 33.5m monthly UK visitors, compared to 7.4m for the BBC¹⁰⁰
- This is not a nascent market. For example, BuzzFeed was founded in 2006, and Vice's video site (then called VBS.tv) started in 2007.

For these reasons we believe both the static impact (immediate effect on consumption and revenues of rival services) and the dynamic impact (longer term effects on availability of and investment in rival services) will be small for online services not focussing on long-form content.

ISPs

The market impact on ISPs is also likely to be minimal. If we take the conservative assumption that all BBC online consumption is incremental (rather than substitutional for other online TV services), then the 1.8 minutes per adult per week of additional iPlayer consumption in 2017 would be approximately 20 minutes per household per month.

The extra viewing would be equivalent to 0.3GB of additional traffic per month per household. This is approximately 1% of 2013 consumption,¹⁰¹ and is likely to be a far lower proportion of 2017 consumption. Moreover, traffic costs represent just 14% of an ISP's network costs,¹⁰² and a lower percentage of its overall costs. Thus the extra costs triggered for ISPs are likely to be minimal.

¹⁰⁰ comScore, *UK Digital Market Overview*, May 2014

¹⁰¹ Ofcom, *Infrastructure Report 2013*, 6 December 2013

¹⁰² ARCEP, *Report to Parliament and the Government on Net Neutrality*, September 2012

12. Conclusions

The proposed service changes result in a slight overall gain in viewing for the BBC, of 0.17% in 2017.

This viewing gain for the BBC results in results in small changes in viewing for the commercial broadcasters, ranging from +0.09% for Channel 4 to -0.22% for ITV. This, combined with the mitigating impact of advertising elasticity, means that the static market impact of the changes is likely to be nominal.

By extension, it seems very unlikely there would be dynamic market impacts, particularly given the international nature of many market participants, the improving state of UK TV advertising, the growth enjoyed by online TV and so on.

On this basis, we do not make recommendations as to how market impact might be mitigated.

13. Annex – Impact of changes on BBC over time

	2013	2014	2015	2016	2017	2018
Viewing share						
Base viewing before drama impact	33.03%	33.04%	33.14%	33.23%	33.30%	33.36%
BBC One drama investment impact	0.00%	0.00%	0.13%	0.52%	0.52%	0.52%
Base viewing	33.03%	33.04%	33.27%	33.75%	33.82%	33.88%
Linear BBC Three Linear Closure Impact	0.00%	0.00%	-0.24%	-0.92%	-0.90%	-0.88%
BBC Three Online Impact	0.00%	0.00%	-0.00%	0.01%	0.03%	0.06%
BBC One+1 Impact	0.00%	0.00%	0.15%	0.65%	0.82%	0.80%
CBBC Impact	0.00%	0.00%	0.01%	0.03%	0.03%	0.03%
iPlayer Impact	0.00%	0.00%	0.01%	0.06%	0.07%	0.08%
Combined impact	0.00%	0.00%	-0.07%	-0.16%	0.06%	0.09%
Final viewing	33.03%	33.04%	33.20%	33.59%	33.88%	33.98%
Viewing hours, bn						
Base viewing before drama impact	26.46	26.85	27.28	27.69	28.11	28.55
BBC One drama investment impact	-	-	0.11	0.44	0.44	0.45
Base viewing	26.46	26.85	27.38	28.13	28.55	29.00
Linear BBC Three Linear Closure Impact	-	-	-0.19	-0.76	-0.76	-0.75
BBC Three Online Impact	-	-	-0.00	0.01	0.03	0.05
BBC One+1 Impact	-	-	0.12	0.54	0.70	0.69
CBBC Impact	-	-	0.01	0.03	0.03	0.03
iPlayer Impact	-	-	0.01	0.05	0.06	0.07
Combined impact	-	-	-0.06	-0.13	0.05	0.08
Final viewing	26.46	26.85	27.33	27.99	28.60	29.08
Viewing hours, mins per person (4+) per week						
Base viewing before drama impact	501.56	505.58	510.05	514.06	518.27	522.89
BBC One drama investment impact	-	-	2.02	8.10	8.14	8.19
Base viewing	501.56	505.58	512.07	522.16	526.41	531.08
Linear BBC Three Linear Closure Impact	-	-	-3.62	-14.20	-13.99	-13.77
BBC Three Online Impact	-	-	-0.00	0.18	0.48	0.88
BBC One+1 Impact	-	-	2.29	10.10	12.83	12.57
CBBC Impact	-	-	0.13	0.51	0.50	0.50
iPlayer Impact	-	-	0.18	0.91	1.09	1.30
Combined impact	-	-	-1.03	-2.49	0.91	1.48
Final viewing	501.56	505.58	511.04	519.67	527.33	532.55
Reach						
Base before drama impact	84.20%	84.09%	83.98%	83.87%	83.76%	83.65%
Drama Impact	0.00%	0.00%	0.04%	0.17%	0.17%	0.17%
Base reach	84.20%	84.09%	84.02%	84.04%	83.93%	83.82%
BBC Three linear closure impact	0.00%	0.00%	-0.32%	-1.28%	-1.28%	-1.28%
BBC Three Online Impact	n/a	n/a	n/a	n/a	n/a	n/a
BBC One +1 impact	0.00%	0.00%	0.06%	0.26%	0.33%	0.33%
CBBC extra hours impact	0.00%	0.00%	0.00%	0.01%	0.01%	0.01%
iPlayer changes impact	n/a	n/a	n/a	n/a	n/a	n/a
	0.00%	0.00%	-0.26%	-1.01%	-0.93%	-0.94%
Final reach	84.20%	84.09%	83.76%	83.03%	82.99%	82.88%