

# **The BBC Executive's response to the BBC Three PVT provisional conclusions**

## **1. Introduction**

On 30 June 2015, the BBC Trust published its provisional conclusions on proposals submitted by the BBC Executive in December 2014 to change BBC Three, BBC One, BBC iPlayer and CBBC. This document sets out the BBC Executive's response to those conclusions.

- Section 2 of the document includes a summary of the BBC Executive's overall views and presents some broad comments in response to the Trust's provisional conclusions;
- Section 3 provides some comments on the implications of the provisional conclusions on service licences;
- Section 4 responds to the specific requests for further information from the BBC Trust.

## **2. Summary of the BBC Executive's views**

In December 2014 the BBC Executive submitted a package of proposals to change the BBC's service portfolio. Under the BBC Agreement, the BBC Executive is required to seek the BBC Trust's approval when it wishes to make a significant change to the BBC's public services.

The BBC Executive sought BBC Trust approval to:

- Close BBC Three as a broadcast channel in the autumn of 2015 and reinvent it online;
- Launch a BBC One+1 channel;
- Use the capacity freed up from the closure of BBC Three to extend CBBC hours from 7pm to 9pm; and
- Enhance BBC iPlayer by (i) premiering programmes and (ii) including selected content from third parties.

The BBC Executive welcomes the Trust's provisional conclusion that the public value of the proposed changes to BBC Three, CBBC and BBC iPlayer outweigh the market impact. Overall, we agree with much of the BBC Trust and Ofcom's analysis, and believe that for the most part the Trust's conclusions have been based on a detailed, well-evidenced and rigorous process of assessment. We are, however, disappointed that the BBC Trust rejected the proposal for a BBC One+1 channel.

The BBC Executive's proposals respond to the challenges facing the BBC due to funding pressures, a change in the competitive landscape and a shift in audience viewing habits from linear to online viewing – particularly amongst 16-34s. The Trust's provisional approval of three out of the four changes to the BBC's service portfolio will therefore enable the BBC to deliver its strategic objectives – to make the most creative and distinctive output, to improve value for money, to serve all audiences and to innovate online.

## **2.1 Reinvention of BBC Three Online**

The BBC Trust's provisional approval of the BBC Executive's proposal to close BBC Three as a broadcast channel and reinvent it online represents an important step towards allowing the BBC to innovate with new ideas and new forms of content for younger audiences.

Moving BBC Three online provides an exciting opportunity to redefine public service broadcasting in the internet age, building on BBC Three's existing strengths – in original UK content, in best in class story-telling, in curation, in reflecting the diversity of the UK and in innovation.

The new BBC Three will be more than just an online version of its linear predecessor or a handful of long form programmes within a BBC Three branded space in BBC iPlayer. Our ambition is that the new BBC Three will reach a wide range of 16-34 year olds in the UK each week with content that enriches, stimulates and informs them. We would like to encourage involvement by ensuring that the majority of 16-34 year olds feel that they are a part of BBC Three. We want to innovate and build new forms of content and to expand the market for providers of youth-focused digital entertainment, information and education. We want to aid the discovery and promotion of the best of British talent.

In developing the new BBC Three offering, the BBC Executive has put the editorial offer front and centre of the new proposition focusing on content that will resonate with younger audiences – comedy, personality-led entertainment, drama, factual, documentaries and current affairs – in areas which audiences tell us that they value most from BBC Three. Talent will play a key role in creating and curating BBC Three content, fostering a more personal and habitual relationship with audiences.

Rather than creating a single destination for BBC Three audiences, we would like BBC Three content to be available across the BBC's services – on a dedicated branded space on [bbc.co.uk](http://bbc.co.uk), on programme pages on BBC Online, on BBC iPlayer, on BBC One and BBC Two and on Connected Red Button. In line with the BBC's Syndication Guidelines some content will be available on third party platforms and services (e.g. IPTV, web, cable or satellite).

In short, moving BBC Three online will allow us to react to significant changes in technology and audience behaviour and reinvent public service broadcasting for younger audiences. Moreover, the closure of BBC Three releases funding for investment in drama on BBC One, in keeping with the Trust requirement that the BBC Executive should 'improve the quality, variety and originality of new drama on BBC One particularly in peak time'<sup>1</sup>.

## **2.2 Changes to BBC iPlayer**

The changes to BBC iPlayer – enabling online premiering and making selected third party content available in BBC iPlayer – are part of a wider set of proposals to evolve BBC iPlayer from a predominantly catch up and live streaming service to one which includes more online-first and online-only content.

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<sup>1</sup> See [http://www.bbc.co.uk/bbctrust/our\\_work/strategy/](http://www.bbc.co.uk/bbctrust/our_work/strategy/)

We agree with the BBC Trust's conclusion that there is public value in developing BBC iPlayer beyond its original remit. As we move to a world where more video is watched online, BBC iPlayer will become increasingly important to the BBC's ability to deliver its public service mission.

### **2.2.1 Online premiering**

The plan to offer online premieres (particularly for programmes commissioned by CBBC and CBeebies) will give audiences an opportunity to see programmes in advance of linear transmission, building on the success of programmes such as *Hank Zipzer*, *the Four O Clock Club* and *Car Share*. Premiering can bring many benefits. It can help to build a 'buzz' around new programmes. It can bring audiences to programmes which they would not otherwise watch at the times they are scheduled. It can provide audiences with more choice and flexibility in when and how they watch programmes. It can enhance the viewing experience amongst those who like to watch programmes online whilst simultaneously sharing the experience with their friends on social networking websites. Furthermore, in line with the Trust's assessment, premiering will better serve a young and hard to reach audience.

### **2.2.2 Selected third party content in BBC iPlayer**

The proposals to include selected third party content in BBC iPlayer aim to open up BBC iPlayer to other public service institutions which share the same values and objectives of the BBC and whose content would be of value to users of BBC iPlayer.

Over the course of this Charter period the BBC has successfully partnered with cultural and other organisations such as the Arts Council England, the Tate Gallery and the Public Catalogue Foundation. The inclusion of S4C programmes in BBC iPlayer (on a trial basis since December 2014) has successfully enhanced the visibility of Welsh language content, contributing to the BBC's public purpose of reflecting the UK's nations, regions and communities.

In its third review of public service broadcasting<sup>2</sup>, Ofcom recognised the role that cultural partnerships can play by enabling fresh thinking and the development of new ideas, and sharing some of the skills and experience of the broadcaster, such as guaranteeing high quality video production expertise, and offering compelling brands which attract creative talent and audiences.

The proposal to host individual programmes or collections made by third parties in BBC iPlayer is therefore intended to enhance the BBC's partnership activities by providing a platform for a wider range of content that is complementary to BBC programmes and is of interest to licence fee payers. Furthermore, the proposals are consistent with the BBC's wider ambition to foster growth in the creative industries. We recognise that we must establish clear, objective criteria for selecting third party content. We address this issue later on in our response.

## **2.3 Extension of CBBC hours**

The proposal to **extend CBBC broadcast hours by two hours per day** will ensure that the BBC's younger audiences aged 6 to 12 have an opportunity to watch the channel in the early evening rather than when they are at school.

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<sup>2</sup> Ofcom *Public Service Content in a Connected Society*, December 2014

## 2.4 BBC One+1

We are disappointed that the BBC Trust did not approve the **launch of BBC One+1**. Our audience research showed that there was strong support for the BBC One+1 proposal. The launch of a time shift version of the UK's most-watched channel would have provided a simple and cost effective opportunity for those homes without broadband, or without access to BBC iPlayer or a Personal Video Recorder, to catch-up on BBC One content. The launch of BBC One+1 would also have helped to mitigate some of the short-term impact of having to close BBC Three – BBC One delivers the most unique reach of any of the BBC's services amongst younger audiences by some margin<sup>3</sup> - and at a low cost.

Ofcom's analysis of the market impact of a launch of a BBC One+1 channel on third parties' advertising revenues raises some questions. Ofcom's approach to understanding the relationship between advertising slot prices and commercial impacts was to consider scenarios where price changes offset (respectively) a third, a half and two-thirds of the potential change in revenue. Ofcom was reluctant to draw on explicit elasticity<sup>4</sup> assumptions although it acknowledged that its approach could be taken to imply a particular view of demand elasticities. However, Ofcom's implicit assumptions about the relationship between changes in commercial impacts and changes in advertising slot prices - at 3, 2 and 1.5 respectively<sup>5</sup> - were towards the high end of previous studies<sup>6</sup>. Had Ofcom used values towards the middle of the range identified in previous studies to reflect the responsiveness of changes in commercial impacts to changes in advertising slot prices, then the impact of a BBC One+1 channel on commercial broadcasters would have been materially lower.

## 3. Proposed changes to BBC Service Licences

In the BBC Trust's provisional conclusions, the BBC Trust stated that it is planning to publish proposed changes in the wording of the relevant service licence as part of its consultation on the provisional PVT conclusions. Specifically the BBC Trust stated that "Since the BBC Three proposal involves the closure of a broadcast channel and the launch of an online offering, it would require changes to its service licence to accommodate this".

Whilst we recognise that the contents of Service Licences are set out in clause 17 of the BBC Agreement and it is a matter for the Trust to decide upon the wording of any Service Licence changes, we think that the reinvention of BBC Three as an online service provides an opportunity for the BBC Trust to develop a more flexible and proportionate regulatory framework which is appropriate for a pathfinder new service which is neither a traditional TV service nor a wholly online service. As it is the first time that we have moved a broadcast service online, we recognise that BBC Three may need to evolve in its early years and it is therefore important that BBC Three's new Service Licence enables the new service to evolve in response to audience feedback.

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<sup>3</sup> Over the period Jan 2014 – Oct 2014 average weekly unique reach (3+ min) was 954k amongst 16-34s. The next most popular service amongst this demographic was BBC Online which has average weekly unique reach (3+ min) of 455k. Source: CMI.

<sup>4</sup> A price elasticity of demand is a measure used to show the responsiveness, or elasticity, of the quantity demanded of a good or service to a change in its price, all other things being equal.

<sup>5</sup> Minus signs for elasticities have been omitted.

<sup>6</sup> For example, David Hendry, *An Econometric Analysis of TV Advertising Expenditure in the UK*, 1992; PwC, *Economic Analysis of the TV Advertising Market*, December 2004; Analysys Mason & Brand Science, *An Econometric Analysis of the TV Advertising Market*, 11 March 2010.

We would also like the Trust to consider whether changes to the BBC Online service licence are required to ensure that there is clarity on how online-only content (in addition to that commissioned by BBC Three) is considered within the Service Licence framework.

## **4. Additional information**

In the provisional conclusions, the BBC Trust asked for further information in a number of areas. The remainder of this response addresses these issues.

### **4.1 BBC Three**

#### ***4.1.1 Migration of BBC Three audiences online***

The BBC Trust has sought further details on the planned activities and costs of transitioning audiences online, including a period of parallel running. In particular the BBC Trust requested the provision of a fully costed plan for executing and marketing the transition, which should evaluate the options for a period of parallel running.

#### **Options for parallel running**

Three options were considered for dual running of BBC Three's linear and online offering to encourage audiences to migrate online:

- (i) Running BBC Three in its current form in parallel with BBC Three Online until the end of 2015/16<sup>7</sup>;
- (ii) Running a lower cost version of BBC Three with fewer hours of first run originated content in parallel with BBC Three Online until the end of 2015/16; and
- (iii) Having a broad based phased transition based on closure of BBC Three as a broadcast channel in January 2016 and using the vacated distribution capacity for a promotional transitional channel to run alongside BBC Three Online until the end of February 2016.

In the current financial climate, it was concluded that option (iii) - running a temporary transitional channel until the end of February 2016 alongside BBC Three Online – would be the optimal way of moving audiences over to the online offering and would avoid additional costs in the region of £4m compared with dual running of a full linear service to April 2016.

Whilst using BBC Three as a broadcast channel is an effective way of targeting existing BBC Three audiences, there is more likelihood of growing the BBC Three audience through a broad based phased transition comprising the following elements:

- Gradual ramping up of BBC Three online activity starting in summer 2015;
- Increasing the volume of BBC Three programmes on BBC One and Two in autumn 2015;
- Increased marketing including greater use of social media activity;
- A transitional temporary BBC Three channel which will run from January 2016 until the end of February 2016, subject to compliance with relevant TV platform policies, aimed at informing remaining audiences who were not aware that BBC Three was moving online.

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<sup>7</sup>For the purposes of this note, we have assumed closure of the broadcast channel and the launch of BBC Three Online in the middle of January 2016 although the exact date in January has not yet been confirmed.

It would have been possible to develop similar phased plans around options (i) and (ii), but it was not clear that the benefits of running a comprehensive marketing campaign (including a launch budget of £ [X] in 2015/16) combined with a long period of dual running of BBC Three in its current form and a fully-fledged BBC Three Online offering would have outweighed the costs.

Option (ii) was rejected on the grounds that running a reduced version of BBC Three would damage the BBC Three brand and would potentially cause audiences to move away from the channel thus limiting the likelihood that BBC Three audiences would be willing to make the transition online.

A full assessment of the potential costs and benefits of each of the options is presented in Annex 1 to this submission and more detail on option (iii) is provided below.

### **Phased approach to transitioning BBC Three Online**

The transition plan builds on the following elements:

- Gradual ramping up of BBC Three online activity starting in summer 2015;
- Increasing the volume of BBC Three programmes on BBC One and Two in autumn 2015;
- Increased marketing including greater use of social media activity;
- A transitional temporary BBC Three channel which will run from January 2016 until the end of February 2016, subject to compliance with relevant TV platform policies.

These elements will be rolled out over the coming months. Subject to the BBC Trust approving the reinvention of BBC Three online in October 2015, we are planning around four distinct phases:

- Phase 1 will run from the summer to October 2015. During this time we will see increased online activity around the development and gradual release of short and new forms of content, which will appear on external (social) platforms within the BBC's Syndication Guidelines.
- Phase 2 will run from October 2015 through to January 2016 when the linear channel closes. During this time we will be able to start informing BBC Three audiences that the linear channel will be closing. This phase will incorporate an element of dual running of the linear service and a ramped up online offering on the BBC Three website (although the new elements of the BBC Three website may be running in a beta version). The focus during this phase will be on a) pushing audience to the BBC Three's ramped up website and b) navigation of audiences to BBC Three repeats on BBC One and BBC Two.
- Phase 3 will start in January 2016 and will end on 29 February 2016 – key elements of this phase will involve converting the existing BBC Three offering into a transitional channel and full launch of BBC Three Online. The focus will continue to be on a) pushing audiences to the new BBC Three Online and b) navigation of audiences to BBC Three repeats on BBC One and Two.
- From 1 March 2016 – BBC Three will exist as an online service only. The focus will continue to be on a) pushing audiences to the new BBC Three Online and b) navigation to BBC Three repeats on BBC One and Two.

Clearly the sooner we can start promoting the new BBC Three the better. Our plans are based on the assumption that the BBC Trust will publish their final conclusions in October 2015. If this decision is

delayed then this could have an impact on the timing and effectiveness of our efforts to encourage the migration of audiences online.

Further details of the different strands of activity are provided below, including a summary of the costs.

### **Gradual ramping up of the BBC Three online offering**

The BBC Executive is planning to develop the BBC Three website over the coming months. Although the proposals have partly been prompted by the desire to launch BBC Three Online (subject to the Trust's final approval), all the plans for the coming months are consistent with the existing BBC Three Service Licence. This states that BBC Three "should offer programme-related content on [bbc.co.uk](http://bbc.co.uk)", and "should encourage innovation within the BBC by experimenting with new digital technologies and a significant proportion of the channel's output should have interactive support. It should exploit digital platforms such as the internet, mobile devices and interactive TV, making a significant investment in exploring new forms of content and in giving its audiences more control over how, when and where they access and interact with the content".

In the event that the Trust decided against closing BBC Three as a broadcast channel, it is likely that there would be a revamp of the BBC Three website anyway, so that this development work would not be wasted.

We are planning a gradual roll out of the changes beginning in the summer with increased online social activity and then in autumn with a beta version or under an 'innovation' label – similar to BBC Taster of the BBC Three website. Further changes would then be introduced over the course of the remaining autumn months. The full version of the website will be operational from the time that BBC Three as TV service (in its current form) is switched off in January 2016.

Thus over the autumn we would like to publish and curate new content on a daily basis in the form of a limited version of the daily content stream. Over the course of the autumn, where possible, we will also reveal small changes to the BBC Three iPlayer pages to make them feel and look more in line with a new BBC Three as well as the release of a BBC Three mobile app by early next year.

The full version of the website will not be available until January 2016.

### **BBC Three programming on BBC One and Two**

Historically late night slots on BBC One and BBC Two have been used to showcase BBC Three programmes (e.g. *Cuckoo* and *Bluestone 42*) and audience data indicates that these late night slots are generally attractive to younger audiences<sup>8</sup>. We plan to increase the number of BBC Three programmes on BBC One and Two from the autumn to increase brand profile and form new viewing habits amongst audiences ahead of linear switch off.

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<sup>8</sup> Between 2200 and 2359, both the overall volume and profile of 16-34 audience is at least 5% higher than the full day average. (Data based on total TV viewing weeks 1-26 2015, consolidated data, run in 30 min increments, profile based on comparison vs. individuals 4+)

## Marketing the new BBC Three

The successful marketing of BBC Three from a linear channel into a fully-fledged online proposition is dependent on the following:

- Audience understanding and a high level of awareness of the new brand proposition;
- Audience understanding and discovery of what relevant content is available to them and where;
- Audiences getting into the habit of accessing BBC Three content daily and online platforms;
- Being open, transparent and helpful in particular to those audience members that are most resistant / unsure of the changes.

The marketing plan addresses all of these factors and comprises a number of strands/distinct activities. As BBC Three's marketing activity is funded within the overall BBC Marketing budget, there are no incremental costs associated with BBC Three marketing. We have estimated that the launch budget for the new BBC Three will be in the region of £[<] and that the overall marketing budget for the service in 2015/16 will be £[<], equivalent to roughly half of the BBC's overall off air marketing budget for that year. A detailed breakdown of the marketing plan is included in Annex 2.

Elements of the marketing plan to support the transition of BBC Three from a broadcast to an online channel include:

- Cross promotion of BBC Three over the summer on BBC One/Two and other appropriate BBC services to build a strong foundation for launch;
- Active transitioning audiences from BBC Three linear to BBC Three Online and third party platforms;
- A strong launch campaign; and
- Running a range of content and marketing messages on a temporary transitional channel to explain the BBC Three proposition and explain how to find our content (See Annex 3 for further information).

## Estimated costs of the transition plan

The BBC Trust recently published service budgets of £54.8m for BBC Three as a television channel from April 2015 to January 2016 and £14.1m for the online offer for 2015/16, assuming BBC Three Online launches in January next year. This gives a total of £68.9m across both services.

The one off and transition cost budget for reinvention of BBC Three to online was estimated to be between £[<] to £[<] in our PVT application in December 2014. Allowing for updated transition plans, the estimate is now in the region of £ [<] to £ [<].

The BBC Executive's December 2014 submission did not include any information about BBC Three's allocation of the pan-BBC marketing budget, nor any detailed breakdown of the costs of transitioning BBC Three audiences online. These costs had not been confirmed at that time. The table below includes a breakdown of the costs of the transition plan and highlights potential additional costs by service and transition phase which were not included in the BBC Executive's original PVT submission in December 2014.

	Phase 1: Up to Oct	Phase 2: Oct – Jan	Phase 3: Jan – Feb	Phase 4: Online only
<b>BBC Three linear in current form</b>	Budgeted for within existing service budget of £54.8m published by Trust covering April 15-Jan 16		Not relevant	Not relevant
<b>BBC Three Online</b>	In December 2014 we estimated one-off and transitional costs to be £ [x]-£ [x]. <i>Now estimated to be between £ [x]-£ [x], an increase of c£ [x]-£ [x].</i>		Funding as set out in service budget of £14.1m published by Trust covering Jan 16-Mar 16	
<b>BBC Three on One and Two</b>	<i>Rights costs – c£ [x]</i>		<i>Rights costs – in the region of c£ [x]</i>	
<b>Marketing</b>	Budgeted for within existing marketing budget	Increase spend on media from overall BBC marketing budget	<i>£ [x] launch budget to cover paid for media and production of launch campaign funded from overall BBC marketing budget</i>	Funded as part of Business As Usual BBC Three marketing budget
<b>BBC Three temporary transitional channel</b>	Not relevant	Not relevant	<i>Technical, rights and marketing costs of c£ [x]<sup>9</sup></i>	Not relevant

*Notes: Information not previously included in PVT application shown in italics*

The additional cost impact (i.e. over and above those costs which were budgeted for in the December 2014 submission) need to be considered in relation to service licences<sup>10</sup>.

- BBC Three Online: The costs of the transitional channel have been minimised to ensure value for money. Any additional rights costs associated with the transitional channel will need to be reflected in the 2015/16 BBC Three Online service licence.
- BBC Three on BBC One and BBC Two: The additional rights cost will be absorbed within existing BBC One and BBC Two service licences.

#### **4.1.2 BBC Three programmes on BBC One and BBC Two**

The Trust asked us to consider making clearer commitments to programming on BBC One and/or BBC Two that appeals to a younger audience, including the use of those channels to continue broadcasting long-form BBC Three programmes until such time as the audience is confidently finding the content online<sup>11</sup>.

The BBC has a strong commitment to all audiences, and in our commissioning decisions we actively think about those audiences that we are at risk of delivering less value to. Younger audiences

<sup>9</sup> The rights element of this total is dependent upon the editorial mix of content but it is likely be less than £ [x] and probably closer to [x].

<sup>10</sup> As the figures presented in the table above are estimates we will need to keep the content spend under review post launch. These budgets include allocations of costs which may vary and will be finalised as we progress through the year and the actual split of funding across the broadcast and online service may vary from these figures due, for example, to uncertainties around programme completion dates. As such, costs may need to be revisited if plans change.

<sup>11</sup> [x]

already derive more value from programmes on BBC One and Two than from other BBC services, but we recognise a need to increase our provision further. With the current market-wide downward trend in young audience viewing behaviour, 16-34s are a particular consideration for us. Recent commissions have been made with a younger demographic in mind – including *The Billion Pound Chicken Shop*, *Cuffs*, *The Bin Laden Conspiracy*, *Back In Time for Dinner* and *Japan: Earth's Enriched Islands*.

However, we do not believe that the answer is to commit a particular level of spend, number of hours or portion of schedule within BBC One or Two. The reasons for this are:

- We believe that services like BBC One and BBC Two exist for all audiences – we should be seeking to serve this demographic across all that we do. A specific commitment or ring-fence risks undermining the remit and editorial approach of the channels.
- Many of the programmes that have greatest value to young audiences are programmes that appeal to a wide audience (e.g. *Poldark*, *The Missing*, *Eastenders*, *Strictly*, *Bake Off*) – these big, broad-appeal titles would be unlikely to be captured within or generated from a formal commitment.
- In a world of declining resources, increasing quotas and targets will further constrain our flexibility and agility. This will likely impact our ability to commission the best programmes, and to do so in the most agile, cost effective way.
- Having a BBC Three branded zone is unlikely to be the best way to deliver targeted content to young audiences, as it would limit flexibility to find the best slot in the schedule for the individual piece of content.

We agree with the Trust, that there will be significant audience value from broadcasting long-form BBC Three originally commissioned programmes on BBC One and Two, and will commit to all original BBC Three long form commissions having a broadcast TV transmission<sup>12</sup> until such time as the audience is finding the content online. This will ensure BBC Three long form is universally available from launch. We will explore re-showing BBC Three originations in different slots on BBC One and BBC Two, which are best suited to the individual piece. This approach will allow us to:

- Find the right slot to fit with the programme editorially and in terms of tone.
- Leverage audience inheritance from appropriate programmes in BBC One and BBC Two's schedules.
- Use marketing intelligently to help drive audiences to BBC Three online (for example scheduling the transmission on BBC One / BBC Two shortly before the release of the next episode on BBC Three). We will also explore how best to brand content.
- Retain freedom about the length, style and amount of BBC Three long form video though remaining within the parameters stated in the new BBC Three service licence.

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<sup>12</sup> Note that this does not include acquisitions.

Later night slots are the most favourable for younger audiences, as their viewing peak tends to be later than for an older demographic.

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We already air BBC Three repeats on BBC One and Two<sup>13</sup>, including *Cuckoo*, *Life and Death Row*, *Him and Her* and *Family Guy*, and would like to experiment with this further over the autumn -i.e. ahead of linear closure to:

- Boost the linear performance of BBC Three in these last few months;
- Familiarise audiences with finding younger-skewing programmes on BBC One and Two sooner – to smooth the transition;
- Ensure we have maximum time to try things out and learn from them before linear switch off<sup>14</sup>.

We anticipate showing 1– 2 hours of BBC Three originated content per week on BBC One and/or BBC Two. Possible slots for us to explore in the current BBC One and BBC Two schedules include:

- Showcasing BBC Three entertainment and comedy on BBC One after the *Graham Norton Show* on Friday nights (11.25pm);
- Showing BBC Three factual output on BBC One at 10.35 on weekday evenings;
- Showing BBC Three output on BBC Two on Sunday evenings at 10.30pm – after *Family Guy*.

BBC Three titles we are considering testing on BBC One and Two from the autumn are:

- [ ✂ ] (title tbc) – after *The Graham Norton Show* on Friday nights on BBC One
- Race, Online and Gender seasons, midweek at 10.35pm on BBC One.
- Explore opportunity for comedy repeats such as [ ✂ ] and [ ✂ ] on Sunday evenings on BBC Two (after *Family Guy*), or at 10pm throughout the week, possibly stripped.
- Repeats of factual content on Thursday nights post *Newsnight* on BBC Two.

Whilst the audience reach and time spent delivered will vary, depending on the title, channel on which it is transmitted, and slot in which it is placed, we believe that on average, showcasing BBC Three long form on BBC One and BBC Two could generate 11m hours of viewing a year among 16-34s<sup>15</sup>.

Titles will be counted as BBC One / Two originations for quota purposes by Ofcom definitions<sup>16</sup> if they have not previously been shown on a broadcast channel.

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<sup>13</sup> Section 4 of the BBC Three service licence states that “New programmes made for BBC Three should also be made available to enhance the appeal of BBC One and BBC Two to young adults”.

<sup>14</sup> Until linear switch off, repeats of BBC Three programmes on BBC One and Two will be managed under existing rights frameworks and within existing service budgets.

<sup>15</sup> For the purposes of analysis, this estimate is based on 85 minutes of content per week over 52 weeks assuming programmes perform at the same level as BBC Three repeats have done in the past. If programmes performed in line with slot averages (150k for 16-34), this would create around 660m minutes – or 11m hours - of viewing a year among 16-34.

<sup>16</sup> For example in the context of the Independent Production Quota

#### 4.1.3 A commitment to a creative risk taking space on television

One of the conditions the Trust imposed was that the Executive should make a commitment to a creative risk taking space on television where new talent and ideas can be tested and developed.

Continued innovation, creative risk taking, and development of new talent are at the heart of the BBC. These are the ways in which the BBC can continue to offer the freshest and best services to its audiences, and we want these to run all the way through our programmes and services.

This said, inevitably, there will be a different balance in each service between the established and the new. BBC One will always showcase a greater proportion of established titles and talent. BBC Three has played a significant role in developing new titles that have transferred to other channels; developing new talent for the creative sector as a whole, and taking greater creative risks in the format and subject of its programming.

There has been a concern that, with BBC Three moving online, there will be fewer opportunities for new talent, and innovative content ideas. However, we believe the new BBC Three represents an enhanced commitment in this area:

- Although the number of originated long form hours will reduce, those that remain will be heavily focused on developing new talents and new ideas. The types of programmes that BBC Three will no longer commission include long running formats (e.g. [ *Ant & Dec's Saturday Night Takeaway* ]) and [ *Ant & Dec's Christmas Special* ] which had less potential for talent and idea development.
- By showcasing all BBC Three long form originations on BBC One and Two, we will increase the exposure for these programmes. This will increase the focus on creative risk taking on BBC One and Two, and will allow the new talent and ideas to reach a wider audience.
- In addition, the new BBC Three will include our biggest commitment to short form and new form; creating a forum for a new type of emerging talent. We will showcase a range of young emerging on and off-screen talent with something genuine to say to a young audience rather than traditional broadcast presenters; and this reflects our expectations around changing audience appetites, and consequently the changing shape of BBC services. As we re-balance our portfolio to include these new forms of media, it is appropriate that some of the creative pipeline will come from these new forms too<sup>17</sup>.

Besides BBC Three, there are a number of ways for new talent to be developed through the BBC, including the following:

- BBC Two and BBC Four also act as nursery slopes for new talents and programme ideas. *Only Connect* started on BBC Four before moving to BBC Two; titles like *The Great British Bake Off*, *Masterchef* and the *Apprentice* started on BBC Two before moving to BBC One.
- Daytime remains a vital area for experimenting with new titles (for example *Pointless* and *The Sheriffs Are Coming*) and talent (for example, Denise Lewis is currently presenting the consumer affairs show *Right on the Money*).
- BBC Television and Radio work closely together in some genres, and we use radio programmes as a way to develop and try out new talent. For example Miranda Hart was

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<sup>17</sup> New form is unlikely to be shown on TV.

originally commissioned by Radio 2 before being featured on BBC Two, with her programme then moving to BBC One.

- Specific slots / commissions such as *Live at the Apollo* also allow us to specifically showcase new talent.
- The BBC's commitment to creative risk-taking runs through established programmes as well as new commissions. For example, *Eastenders* has continually innovated over its 30 year history to stay one of the most relevant programmes for young audiences. In February it broadcast a live week of episodes, tripling its Instagram following.
- *E20*, the successful spin-off to *Eastenders*, ran for three years, was written by 17-21 year olds who created a number of young, largely BAME characters most of whom crossed-over to the main *Eastenders* show. As well as young actors and writers, the production team also recruited young composers and re-mixers to work on the show.
- The BBC's services in the Nations have also provided an opportunity to grow talent with, for example, Huw Stephens and Alex Jones appearing on BBC programmes early on in their careers.

Going forward, we will have a renewed emphasis on ensuring our underserved audiences are better served by BBC One and BBC Two. As part of this, we will be exploring the mix of new commissions on the channels, to ensure that the tone, content and format is inclusive of younger audiences, and as part of this, would expect greater risk taking in voice, innovation in format and new opportunities for up and coming talent.

#### ***4.1.4 Further information on watershed protection given that BBC Three content will be available on demand***

All BBC Three video content viewable in BBC iPlayer will benefit from the standard iPlayer parental lock features.

All online content which has more adult material will have a G for Guidance label, which will give the user information about the type of content e.g. offensive language, sexual scenes etc. Those parents activating the parental lock will be able to ensure that their children are not able to access any content which carries a G for Guidance label.

The BBC Three site intends to carry some clear information about content. Stronger content will not only clearly labelled but will not be positioned directly next to those shows which attract higher levels of children. Therefore in reality, BBC Three Online will carry more content information and, if parents activate the parental lock, will have greater safeguards than a linear or digital television channel which can be accessed via a television or an "on the go" service. But there is no fool-proof system to ensure children cannot access content – anymore than there is with a traditional television set.

All BBC Three Online content will abide by Editorial Guidelines and the Ofcom Code, unlike much of the content available online.

#### ***4.1.5 Further information on how BBC attribution will be protected when BBC Three content is available on third party sites***

We are very keen to ensure that BBC Three is well branded particularly on third party platforms and on small screen devices. To that end we will optimise BBC Three branding for digital platforms including third party sites.

We are also producing branding guidelines for commissioning and production teams particularly of new form and short form content on how to increase brand attribution within content through verbal and visual branding cues.

We have considerable learnings on how to optimise brand attribution from recent work with BBC Radio 1 which we can apply in the context of BBC Three.

#### ***4.1.6 How the spectrum available from 9pm to 7am (freed up from the transition of BBC Three online) will be used***

We have considered a number of channel service options for the broadcast capacity vacated by the closure of BBC Three<sup>18</sup>. Part of that vacated capacity will be taken up by the extension of CBBC/CBBC HD by two hours, so the net vacated capacity will be a slot commencing at 2100 and ending at 0700 next morning. The spare capacity available on each platform is as follows:

On DTT – two separate tranches of capacity will exist upon the closure of BBC Three:

- a 2100-0700 slot on Multiplex 1 which currently carries the standard definition BBC Three service; and
- a 2100-0700 slot on Multiplex B which currently houses the high definition version of BBC Three.

On digital satellite – two separate tranches of capacity will exist upon the closure of BBC Three:

- a 2100-0700 standard definition slot on one of our satellite multiplexes; and
- a 2100-0700 slot on a second satellite multiplex which houses the high definition version of BBC Three.

On cable – any cable network capacity vacated by the closure of BBC Three and BBC Three HD remains under the control of the network owner, Virgin Media. As such, cable capacity is not under consideration here.

It should be noted that options for future use of vacated capacity are distinct from future uses of LCN<sup>19</sup> allocations which are subject to the rules of each platform provider and are not considered here.

#### ***Options for the future use of any potential capacity for BBC services***

Options for the future use of any potential distribution capacity available as a result of the closure of BBC Three as a broadcast channel fall into two categories (i) using the capacity for other BBC services and (ii) releasing any excess capacity. Releasing capacity raises a number of issues including:

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<sup>18</sup> Assuming that BBC Three closes as broadcast channel in January 2016, then the distribution capacity will be available from that point, although as we have highlighted we are proposing to run a transitional BBC Three channel for a limited period in order to encourage the migration of audiences online.

<sup>19</sup> Logical Channel Number – the position in the EPG listing allocated to the service by each platform operator.

- The utility of the slots vacated on both the SD DTT multiplex and the HD DTT multiplex is likely to be somewhat restricted by the 9pm start time.
- Multiplex 1 (the SD DTT multiplex on which BBC Three SD is currently located) is gifted to the BBC in order to operate public-service channels and there are restrictions in the BBC Agreement about alternative non-BBC uses of this capacity. There are no such restrictions on the sale of slots on Multiplex B.

In light of these complexities and the trade-offs involved, the BBC Executive has not yet made a decision about the potential future use of this capacity and will not do so until the BBC Trust has made a final decision to close BBC Three as a broadcast channel and we therefore know if any vacant capacity could be available. We would need to undertake a thorough appraisal of the costs and benefits of different options.

***Potential uses of the vacant distribution capacity for BBC services***

[ ✂<sup>20</sup>  
  
].

***Commercialising the spare capacity on DTT***

[ ✂  
  
].

**4.2 Changes to BBC iPlayer**

***4.2.1 Third party commissioned content on BBC iPlayer***

The BBC Trust asked the Executive to clarify criteria for selecting third party partners and explain how it will guard against the risk of third party partners being unfairly excluded.

Video is an ever more important component of audiences’ use of the internet. The BBC was an early mover in this space, investing in the technology, capabilities and processes that make up BBC iPlayer, creating a service that continues to deliver immense public value to Licence Fee payers, and in doing so seeding the now flourishing market for internet video services in the UK.

The BBC can often deliver the greatest possible public value through working in partnership with others. To this end, opening up BBC iPlayer to selected third-party partners can bring benefits to licence fee payers and to the UK creative sector. It means that audiences can benefit from having a wider range of editorially relevant content than they otherwise would have done. In turn, partners can benefit from increased exposure to their content.

The Executive has therefore proposed that permissions be granted in the relevant service licences for content provided by public service institutions to be made available within the BBC iPlayer

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<sup>20</sup> [ ✂ ].

service. The volume of content will partly depend upon our editorial priorities. Any additional content will need to be editorially linked to the BBC's own content available in BBC iPlayer. We propose to review the impact of this activity within the first twelve months of the permission being granted.

The following text provides the clear, objective criteria the BBC would apply in selecting suitable partners.

## **Criteria**

Any third-party content hosted in BBC iPlayer must meet the following criteria:

### **A. Content must be editorially consistent with the BBC iPlayer brand**

Users have developed expectations of what sort of content they will find on BBC iPlayer.

Although these expectations continue to evolve over time (for example, BBC iPlayer currently contains some shorter programmes), audiences should not encounter content that appears out-of-place, or undermines the coherence of the BBC iPlayer offer.

### **B. The content must be editorially consistent with existing BBC iPlayer content and demonstrably be connected to, extend and enhance our creative offering.** For example:

- i. Production standards and editorial quality must be sufficiently high.
- ii. Content should be self-contained and have currency with audiences.
- iii. The content must not be unduly promotional for the third party, delivering audience value in its own right.
- iv. Content might offer access to archive or additional content from the partner which extends related BBC content.

**C. Content must have public service value and deliver against the Public Purposes.** For example, the inclusion of S4C content in BBC iPlayer contributes to the Public Purpose of reflecting the UK's nations, regions and communities. All choice of partners should comply with principles on partnership outlined in the BBC Editorial Guidelines. It is intended that partners will be primarily public service institutions.

### **D. Content must meet the expectations of BBC iPlayer audiences**

It should add clear value to their experience, understanding and enjoyment of BBC iPlayer content

**E. The content provider must enter into an appropriate licensing arrangement with the BBC and have sufficient permissions from the content producer and underlying rights-holders for the BBC to make the content available on BBC iPlayer** For the avoidance of doubt, the content need not be made available exclusively on BBC iPlayer (and we would anticipate in most instances it would not be).

The BBC would envisage accepting such content on cost neutral basis with the BBC receiving content of value to its viewers and the providers of content having access to this platform to show their content having met the necessary criteria. In deciding whether to host content of this nature, the

BBC would always prioritise content which would deliver the most value to its audiences and this new category of content could not benefit from any fixed reserved capacity.

### **Preventing unfair exclusions and taking into account potential market impact**

In selecting content for its on-line offering, the BBC gives primacy to editorial considerations driven by audience expectations and what is editorially appropriate and creatively relevant for the BBC. The criteria set out above should ensure that: only content which deliver against Public Purposes and which is editorially consistent with BBC standards and the BBC iPlayer offering and brand is selected; and additional third party content will have a specific artistic, cultural or educational focus and appropriate connectivity with existing BBC content to ensure our public service offering will be extended and enriched.

Against this background, the BBC will, in line with its Fair Trading Guidelines, take a proportionate approach to assessing negative competitive impact paying particular attention to the scale of the activity (i.e. the inclusion of content by reference to the above criteria) relative to the size and scale of the overall market for the supply of content.

This should involve a review of the market impact of the inclusion of this new content to identify if any negative market impact is occurring and if so what mitigations are required to address this. The review would be after the initial twelve months post permission.

### **Prominence and curation**

Third party content in BBC iPlayer will be curated alongside BBC-commissioned content and will be accessible within the relevant 'category' area, through search, and potentially on the BBC iPlayer home screen and within personalised recommendations. Any promotion of third party content must be clearly editorially justified. The prominence granted to individual items will therefore remain at the BBC's editorial discretion and subject to regular checks and review.

### **Content moderation**

Editorial responsibility for content on its services rests with the BBC. The BBC must ensure that any content it places on BBC iPlayer meets the BBC Editorial Guidelines. All content will have appropriate BBC labelling and guidance. The BBC may suggest appropriate editing in order to ensure compliance. There may be a cost to this compliance activity which may need to be recovered from partners so as not to present an additional cost to licence fee payers.

## Annex 1: Evaluation of the different options for parallel running

Three options were considered for dual running to ensure a carefully managed transition of BBC Three audiences from a broadcast to an online service.

- Running BBC Three in its current form in parallel with BBC Three Online until the end of 2015/16;
- Running a reduced version of BBC Three with fewer hours of first run originated content in parallel with BBC Three Online until the end of 2015/16; and
- A phased transition plan comprising several elements including closing BBC Three as a broadcast channel in January 2016 and running BBC Three Online alongside a promotional transitional channel until at least the end of February 2016.

A high level assessment of the additional content costs of each of these options for dual running is provided in the table below. Our estimates are based on the assumption that it would be possible to show long form programmes commissioned for BBC Three Online for the remainder of this financial year on BBC Three as a broadcast channel over the same period<sup>21</sup>. The estimates assume the same mix of long form programmes strengthened for the online launch period.

### Illustration of approximate content cost impact for each of the options

	<b>Option 1: Running BBC Three in current form alongside BBC Three Online (2.5 months)</b>	<b>Option 2: Running reduced hours BBC Three alongside BBC Three Online (2.5 months)</b>	<b>Option 3: Running a temporary transitional channel alongside BBC Three Online (6 weeks)</b>
Linear channel content cost required for parallel run	c.£[redacted estimate is less than £15m]	c.£[redacted]	c.£[redacted]
Long form content commissioned for BBC Three Online to be used on linear parallel run	c.-£[redacted estimate is less than £11m]	c.-£[redacted]	Zero
<b>Additional cost to complete the schedule</b>	<b>c.£4.0m</b>	<b>c.[redacted estimate is c.25% of the cost of option 1]</b>	<b>c.£[redacted estimate is c.5% of the cost of option 1]</b>

Notes: The costs shown in the table are in addition to the costs previously provided to the BBC Trust covering e.g. rights for BBC Three on BBC One and BBC Two, one off costs and IP distribution costs. The table focuses on BBC Three content costs and excludes allocated costs (e.g. copyright) which are shared across the BBC's services. Additional costs associated with continuation of BBC Three in its current form may vary between £ [redacted]-£[redacted] dependent upon exact mix of content. Similarly rights costs for the temporary promotional channel are dependent on the editorial mix of content but are likely to be less than £ [redacted] and probably closer to [redacted].

### High level evaluation of the options

<sup>21</sup> The BBC Three Online Service Budget from January 2016 to March 2016 is £14.1m. Deducting content related costs (e.g. copyright) of £ [redacted] gives a total content budget of £ [redacted]. We have assumed that 80% of this content budget (excluding some elements such as news) would be devoted to long form programmes and therefore £ [redacted] worth of long form programmes would be available for broadcast on BBC Three as a linear channel (equivalent to roughly 2 hours of programming a week) over a 2.5 month period.

( [redacted] [redacted] )).

### ***Running BBC Three in its current form in parallel with BBC Three Online until the end of 2015/16***

Under this option, BBC Three would be kept running in its current form until the end of March 2016 and BBC Three Online would launch as planned in January 2016. The schedule for BBC Three (as a broadcast channel) would therefore be similar to what it is currently.

Reach: We estimate that the reach and share of the channel over this period would be similar to current levels.

Quality/Impact: As the channel would continue to meet its existing remit and Service Licence obligations, quality (as measured by AIs) and impact would remain at current levels.

Cost: The incremental costs of this option would be in the region of £4m for the remainder of this financial year (£1.6m per month) as explained in more detail below.

- We estimate that the cost of running BBC Three in a form that would be consistent with the channel's current remit and objectives would be around £[X] for a 2.5 month period.
- We have assumed if we were to parallel run BBC Three as a broadcast and online channel, all long form content commissioned for BBC Three Online (estimated to cost £ [X] and equivalent to roughly 2 hours of new programming per week) could be shown on BBC Three as a broadcast channel, so the net increase in content costs would be c. £4m.
- We have assumed distribution costs would be unchanged from those set out in our PVT submission.
- We have assumed that we would not reduce our proposed marketing budget for BBC Three. Therefore we would still incur a launch budget for BBC Three of £ [X] and that BBC Three's on-going marketing budget for 2015/16 would be £ [X], giving a combined total of £ [X] (equivalent to around half of the BBC's paid for marketing budget in that year).

The main benefit of this option is that it would enable the promotion of BBC Three Online to existing BBC Three audiences (thus giving viewers time to adjust their viewing habits) whilst still maintaining the performance and quality of the service. Protection and strengthening of the BBC Three brand during the last few months' of BBC Three's existence as a broadcast channel will be critical in helping to encourage as large a number of viewers as possible to transition across to BBC Three Online. However, this option entails additional costs of c£4m until the end of March 2016.

While we have not undertaken any detailed modelling of the effectiveness of different initiatives to encourage audiences online it is likely that a broad based marketing campaign (see Annex 2 for further detail) would be more effective in growing the number of people who might watch BBC Three Online compared with the more targeted approach of parallel running. For this reason, and because of the high costs involved of running BBC Three in its current form alongside a comprehensive marketing plan with a total budget of nearly £[X] in 2015/16 (equivalent to around half of the BBC's overall paid for marketing budget in the same year), this option was rejected.

### ***Running a reduced version of BBC Three alongside BBC Three Online until the end of the financial year***

Under this option we have assumed that we would not commission any new content for BBC Three as a broadcast channel but that all long form programmes commissioned for BBC Three Online for

the period January 2016 to March 2016 (roughly 2 hours per week) would be shown on BBC Three. The remainder of the BBC Three schedule would therefore be likely to comprise of repeats and acquisitions and as a result the schedule would look very different to what it does currently.

Reach: We have not undertaken any detailed modelling of the likely impact on audience reach but we anticipate that reach and share of a reduced version of BBC Three would be lower than at present.

Quality/Impact: It is likely that quality metrics for a channel which comprises only 2 hours of first run originated programming per week would be much lower than at present.

Cost: The additional cost of this option would be c£ [redacted estimate is c25% of the cost of option 1] until the end of the financial year (c. £ [redacted] per month). This is because:

- The content costs for a reduced version of BBC Three would be around £ [redacted] for the 2.5 month period between mid-January 2016 and the end of March 2016.
- This is based on the cost of using long form programmes commissioned for BBC Three Online for the period January 2016-March 2016 on BBC Three as a broadcast channel (£ [redacted] would provide around 2 hours of long form programming per week).
- The rest of the schedule would comprise programmes which are associated with repeats and acquisitions. The additional costs to complete the schedule would be around £ [redacted estimate is c.25% of the cost of option 1] over this period.

This option was rejected because:

- Running a reduced version of BBC Three could drive BBC Three audiences away from the channel permanently and damage the BBC Three brand at the very time that we are trying to encourage audiences to transition online.
- We have publically stated we were closing the channel in January 2016 and therefore to keep the channel running in a diminished form may cause audience confusion.
- It would not be clear what the regulatory status of this channel would be - it would clearly not meet the objectives stated in the current BBC Three Service Licence and the channel would struggle to meet Ofcom's originations quota.

***Closing BBC Three as a broadcast channel in January 2016 and running a temporary transitional channel until the end of February 2016***

This option would involve a phased launch of BBC Three Online over Autumn 2015, closure of BBC Three as a broadcast channel in January 2016, full launch of BBC Three Online in January 2016 and the running of a temporary transitional channel (purely promotional in nature though it would broadcast 12 hours per week of BBC Three archive programming late night to meet platform provider requirements) up until the end of February 2016.

The short time period for running the temporary channel and limited content offer were chosen on the grounds of cost, potential audience and adverse market impact and to avoid any regulatory confusion about the status of the channel from a Service Licence perspective and in terms of compliance with Ofcom quotas.

Reach: As the purpose of the temporary transitional channel would be purely promotional rather than a destination in its own right, reach is not a relevant concept. Indeed, as explained in Annex 3, as the point of the temporary channel is to encourage audiences to switch online, we would expect that its reach would diminish over time.

Quality/impact: Positioning the channel as a purely promotional tool to provide information about the new BBC Three Online could help improve perceptions of quality of BBC Three's offering online.

Cost: As explained in more detail in Annex 3, the cost of this option would be around £ [X] over a 6 week period.

Within the current financial climate, this option was identified to be the strongest of the three because the incremental audience benefit of parallel running BBC Three as a broadcast channel (either in its current form or in a reduced hours' form) would be unlikely to be high relative to a broader based plan for transition which included a limited form of parallel running complemented by a comprehensive marketing plan. Therefore this option would offer better value for money.

## Annex 2: Marketing plan for BBC Three Online

The successful marketing of BBC Three from a linear channel into a fully-fledged online proposition is dependent on the following:

- Audience understanding and a high level of awareness of the new brand proposition.
- Audience understanding and discovery of what relevant content is available to them and where.
- Audiences getting into the habit of accessing BBC Three content daily and online platforms
- Being open, transparent and helpful in particular to those audience members that are most resistant / unsure of the changes.

The marketing plan addresses all of these factors and comprises a number of strands/distinct activities. As BBC Three's marketing activity is funded within the overall BBC Marketing budget, there are no incremental costs associated with BBC Three marketing, although budget has been prioritised to support the transition of the channel online. We have estimated that the launch budget for the new BBC Three will be in the region of £ [X] and that the overall marketing spend for the service in 2015/16 will be £ [Y]. BBC Three was 18% of the overall BBC paid for media spend in 2014/15 and is planned to be roughly half of the BBC's overall paid for marketing budget in 2015/16.

We are proposing to take forward the following to support the transition of BBC Three from a broadcast to an online channel.

### **1. Build a strong foundation for launch**

We intend to sustain BBC Three brand awareness during the transition period from the summer by increasing marketing support across the relevant BBC promotional inventory and via paid for media. This will give us the strongest foundation to inform and transition the audience to new types of content and new platforms from the BBC Three linear channel in advance of full launch. The planned activity will include:

- Cross promotion on BBC One and Two – for example upweighting campaigns as well as potentially running them for longer, to increase reach and frequency of messages and increasing navigation opportunities such as end credit squeezes, continuity switch over messages etc. This could translate to a weekly presence of BBC Three on BBC One and Two, increasing average reach amongst 16-34s by nearly a million per campaign, and adding extra opportunities to see those messages.
- Upweighted marketing on targeted BBC promotional inventory for example by increasing BBC Three's promotional presence on key sites such as the BBC Online homepage, BBC Sport, iPlayer; running cross promotional messages on BBC Radio 1 and 1Xtra; and exploring cross promotional opportunities on BBC Radio 5 Live around younger shows/and or where editorially relevant

We also plan to increase off air paid marketing on priority campaigns.

### **2. Active transitioning of the audience from BBC Three linear to BBC Three Online and third party platforms**

The linear channel offers an effective opportunity to transition the audience so that they are clear where to go and what to expect from the new content online through, for example:

- BBC Three product messages in the extra quarter from October 2015 to January 2016 will explain what the new products are e.g. website/daily stream of content;
- Trails and navigation pushing to the ramped up BBC Three website;
- A new visual identity to be introduced in November ahead of launch, so audiences can become familiar with the new branding pre-launch;
- Increased trails/navigation to push to social channels (especially short form content on [X]);
- Increased BBC iPlayer pushes to encourage current audiences to consume BBC Three content off channel.

BBC Online and existing BBC Three social channels can also help to grow and effectively and efficiently transition our audience online pre-launch. We could push users to - and grow users of - the BBC Three website through support via cross promotion on [bbc.co.uk](http://bbc.co.uk). We also plan to strengthen BBC Three's social media presence in scale and content. For example, we have a strategy in place to grow social channels (especially [X]) and experiment with new ones (e.g. [X]). We could also push users to new content via social media channels and produce and support standalone short form content as well as promoting linear programming.

### ***3. A strong and impactful launch campaign***

A significant marketing and launch campaign is planned to run from January 2016 to communicate the launch of the new service to 16-34s. This campaign is funded within the overall BBC Marketing budget and BBC Three is one of the key BBC priorities for 2015/16. The use of paid for media in digital spaces is both effective and efficient as we are able to analyse exact cost per engagement compared to industry standards to ensure effectiveness and efficiency in these environments.

The campaigns will also be seen by other Licence Fee Payers so they understand what the BBC is doing for younger audiences even though the service is not directly aimed at them. This campaign will use BBC media inventory and paid for media to target 16-34s and BBC inventory only to reach the broader licence fee payers.

### **Annex 3: Further details on the temporary transitional channel**

From October 2015 to January 2016, certain elements of the new BBC Three proposition will have become available i.e. the ramped up BBC Three online offering and we will be including more BBC Three programming on BBC One and BBC Two. However, it is only from January 2016 that the full BBC Three Online proposition will have been realised and we will then be able to communicate to viewers the breadth of the new BBC Three experience. At this stage we believe there would be significant value to audiences in being able to direct them from the broadcast BBC Three service to the newly fully established online destinations. As part of a phased approach to migration, we propose from January 2016 to use the broadcast channel for a limited period of time to facilitate the transition of audiences to places where they can find BBC Three Online content and provide a highly targeted opportunity to promote the breadth of the Three Online offer. This is subject to compliance with relevant TV platform policies and subject to the final PVT decision.

#### **Proposition – a transitional channel**

The main objective of the transitional channel is to inform audiences about the new BBC Three online service (i.e. the new BBC Three website, the daily content stream, a BBC Three mobile app, content on BBC iPlayer, social media presences, etc.) and its availability, as part of a wider transition and audience-migration plan.

The primary form of content in the peak day part of the transitional channel schedule will comprise clips and information videos whilst long-form television programmes will be played out overnight. The transitional BBC Three will show a minimum 12 hours of non-unique repeating long-form programming per week, in line with platforms' EPG listing policy requirements around programming.

The channel will be available from January 2016 and will broadcast to audiences on DTT, satellite and cable between 7pm/9pm to 6am daily. The exact start date is to be confirmed and will depend upon the date of closure of BBC Three as a broadcast channel in its current form.

We anticipate the channel in its transitional form should run for a period of just over a month until the end of February 2016. It would be inappropriate to run it for a long period as this could merely serve to cause confusion to the audience and the market. CBBC has also indicated that it would like to extend its hours from 1 March 2016.

The transitional channel will signal to viewers that BBC Three is developing and building up its online presence and that BBC Three will no longer have a broadcast presence after the end of February 2016. As the schedule on the channel will be significantly reduced compared to the current Three schedule, we intend to avoid any viewer confusion between 'old linear Three' and 'new online Three'.

At any time, through red button calls to action, we will be able to direct viewers on connected TV platforms so that they can get BBC Three content on BBC iPlayer.

## **Editorial content**

During peak hours the channel will show clips and trailers for the new offering. We will use trails<sup>22</sup> for the BBC Three Online service to describe the alternative methods of accessing BBC Three content and, through red button calls to action, we will be able to direct viewers on connected TV platforms so that they can get BBC Three content on BBC iPlayer.

The transitional channel will be programmed using existing rights packages of BBC Three programming and archive BBC Three programming to avoid confusion between the new BBC Three proposition which will be fully underway by January 2016. Aside from the promotional scheduling of new BBC Three titles in BBC One and BBC Two slots, all new BBC Three content will be hosted in the online platforms and can be promoted via clips from the transitional channel – those clips will serve as tasters on the transitional channel, thus incentivising viewers to either press red or go to the new BBC Three Online destinations and sample the new content.

## **Audience analysis**

We recognise that not all BBC Three viewers are ‘high-tech enabled’ so doing something via existing BBC iPlayer technologies on the big TV screen helps provide and promote a means of access for those viewers to the new content.

In terms of impact, BBC Audiences team looked at four scenarios<sup>23</sup>. Assuming that the transitional BBC Three channel achieved half the reach of the linear BBC Three channel and that Red Button conversions are higher than average, then they estimate of the c. 11m connected-TV homes that can access BBC iPlayer – taking into account the number of BBC Three fans in those homes and typical ‘press red’ rates - 0.5m BBC Three fans would be likely to press red and sample the content. There is, however, good reason to think that the red button conversion rate on the transitional channel would be higher than normal – the normal usage case in terms of red button conversion is that viewers are watching one programme, decide they may want to watch something else, and then subsequently see and act on a screen-corner prompt to press red. In the case of red button usage on the transitional channel, the nature of the promotional material/clips is such that we would not expect a long ‘dwell time’ on the transitional channel and that the whole channel will be prominently stressing the immediate benefits of pressing red and/or accessing content via other means.

We also anticipate a number of viewers converting to other online platforms (PC, tablet, phone) from seeing promotional material on the transitional channel – however, this is more challenging to measure and we do not have much precedent to refer back to. Indeed, one significant benefit of the BBC Three transitional channel will be to enable the BBC to understand what works best when transitioning audiences from linear broadcast to digital and this instance could give us real intelligence on how effective it might be for future reference.

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<sup>22</sup> The Gary Lineker trail produced for London 2012 provides an example where channel talent can be used effectively to advise and instruct viewers on how to access a new online service.

<sup>23</sup> Audiences modelled audience impact over a one month period on the basis of a number of assumptions. In particular they considered different assumptions about the number of 16-34s watching the transitional channel and the number of those that would press the Red Button to get to the BBC Three proposition on their connected TV.

Compared to buying equivalent airtime on a third party TV channel in order to target the BBC Three audience, the transitional channel can effectively offer 'free' TV airtime to directly advertise and promote the BBC Three Online offer to BBC Three's current audience.

Thus, the deployment of a transitional channel for a period of time is seen to be a most effective way of getting the migration message across to those viewers who have not responded to earlier calls to action to sample new BBC Three content via iPlayer on their TV or through the alternative means.

## **Costs**

The main additional costs associated with the transitional channel are the following:

- Technical – these relate to the linkage of the transitional channel to BBC iPlayer.
- Rights costs – these will depend upon what type of long form is shown on the channel and are likely to be minimal.
- Marketing – any bespoke trails specifically for the transitional channel are likely to be in the region of c. £ [X] if we aim to minimise costs.

These additional costs are estimated to be c. £ [X] in total.