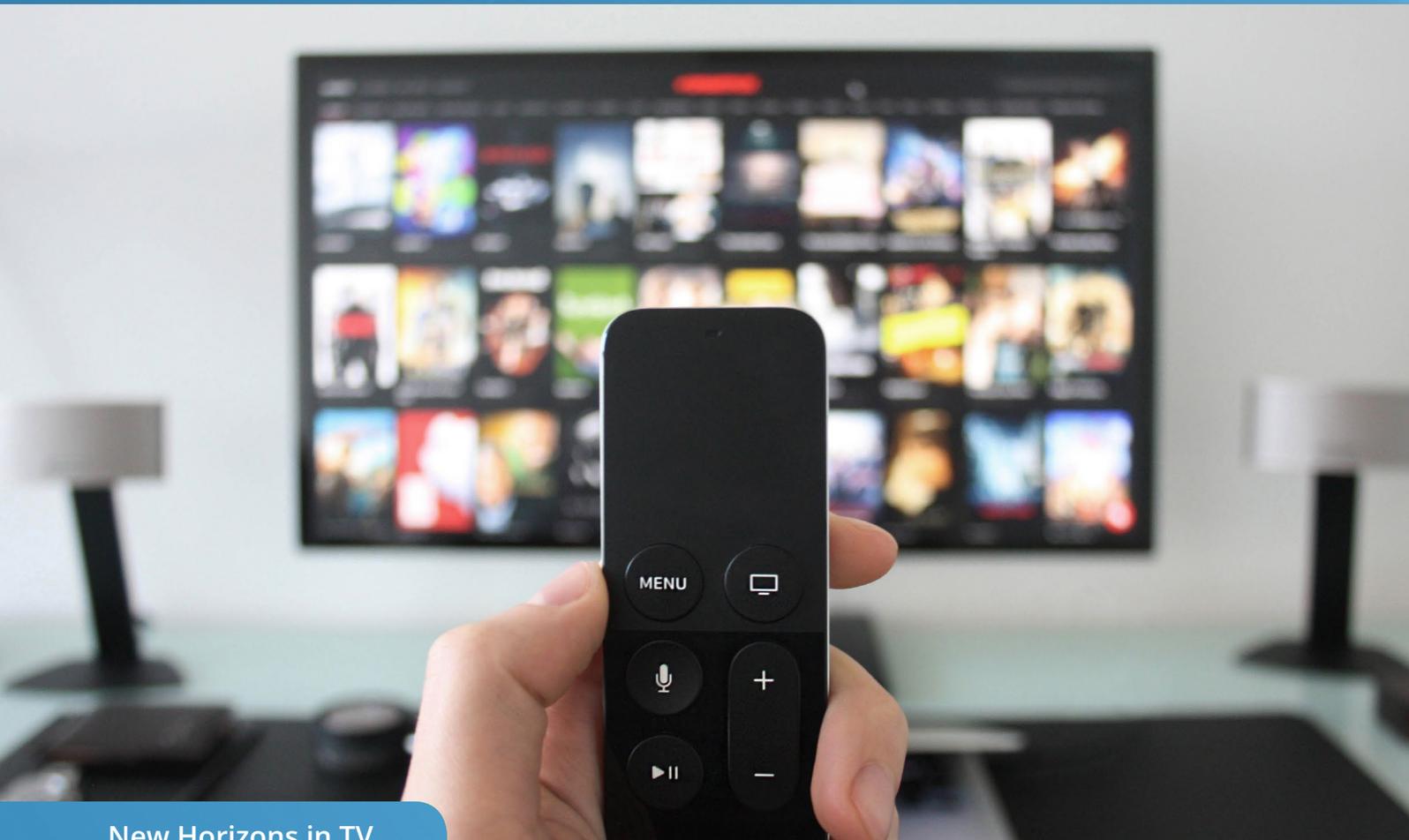




Beyond the Summit New Horizons in TV



New Horizons in TV



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CEO Introduction

Our 2019 Summit boldly explored the big topics. Exploding content choice. Ever smarter technology. And, of course, the changing viewer. We know they're exploring widely too. In this brave new universe, opportunities and partnerships are emerging between sectors that were once separate entities. Faster, more present internet is making video on demand available on a whim in more places. Subscription services have settled into almost half of UK homes next to the traditional public service broadcasters.

Yes, linear viewing may have passed its golden age. But it still has an incredible social and cultural value in making content available to all. In a world of commercial cynicism and 'fake news' controversies, trusted brands clearly still matter. Indeed, there are healthy signs that the emerging powers in video on demand see a value in sharing a platform with the traditional broadcasting establishment.

Then there are the curveballs. The esports phenomenon has been experiencing exponential growth and drawing in audiences, young and old, from all over the world. 2018 saw over 4,000 global tournaments, some created and run by dedicated media channels. On Summit day we crammed in important topics like compression technology for content providers. We paused to consider the 30 second advertising spot. And we debated the broadband rollout in smartphone superpower, China.

We've seen the future of TV and digital content. It's relentless progress.



The Changing Viewer

Changes in the way that television comes into our homes is having a profound effect on viewing patterns.

The combination of high-speed Internet, smartphones, smart TVs, and with them video on demand, has transformed what we watch and how we watch it.

Almost half of UK households are now subscribing to at least one subscription video on demand (SVOD) service. It's actually more likely that such viewers subscribe to two mini-pay services rather than one.

Already, SVOD subscriptions to Netflix and Amazon Prime TV have overtaken the number of traditional pay-TV subscriptions to Sky and Virgin Media.

UK audiences still watch about three and a quarter hours of linear broadcast TV a day. However, that's down some 50 minutes on the 2010 totals and the decline is even more evident among younger audiences – 16 to 34-year olds are watching 34% less than they were in 2010.

On demand content from Netflix, Amazon, and in the future from Disney, NBC, and the BBC-ITV venture Britbox can't be guaranteed to be directly substitutional for the drop in linear viewing. An ever-increasing supply of how-to videos, music streaming, and minority sports are helping to cut the viewing pie into wafer-like slices.

BARB, which measures UK audiences, says unidentified viewing now accounts for 20% of total TV use. The researcher believes this can be attributed to the streamers but cannot be certain until the rollout of technology for router meters, also known as focal meters, into the BARB panel of homes later this year.

The 16 to 34s have seen an even starker change with a 78-minute drop in broadcast TV viewing since 2010.

Some of the content that children are watching on YouTube is like traditional TV programmes, while much of it is markedly different, including vlogs, gaming videos, and craft videos. They are attracted to the fact that YouTube is continually refreshed and tailored to their preference based on what has happened and what they have watched or searched for in the past.

– Yih-Choung Teh, Group Director, Strategy and Research, Ofcom

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Regulator Ofcom is trying to understand the motivation that has led to a doubling of SVOD viewing for 6 to 13 year olds and an increase in viewing to YouTube. Some of the content being watched by the age group on the Google streaming service is not that far removed from what's being enjoyed on linear TV. Arguably the craft videos being watched fit into this category. Gaming is also popular, including tips on playing games such as Minecraft.

Kids have told Ofcom that they identify with the vloggers (video bloggers) that feature in YouTube videos, saying that they feel a sense of connection with them. When 12 to 15-year olds are presented with a collection of content brands, YouTube comes out top, some distance ahead of established broadcasters.

Our research shows that what UK audiences want more than anything else is original, UK produced programmes specific to UK audiences.

– Yih-Choung Teh, Group Director, Strategy and Research, Ofcom

Public Service Broadcasters (PSBs) are rightly nervous. And while they already have catch up TV brands, the BBC and ITV are looking to launch Britbox, a UK version of the subscription service already running in the United States.

78% of regular PSB viewers say that new original content is what's important to them. If that's the case, how much of an impact do their shows have when shown on Netflix? The streaming service doesn't reveal numbers.

But it's not just archive shows that are of interest. Bodyguard is a good example. It's a co-production that was financed by the BBC and Netflix though, perhaps confusingly, produced by ITV Studios.

There have also been changes to the existing players, BBC iPlayer and ITV Hub, as well as All 4 and Demand 5. The viewing windows that started at 7 days and have subsequently been extended to 28 days are now opening wider, allowing archive series to be available to viewers for many months.

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Public Service Media under threat

The threats are various. Children and young adults are turning first to sources like YouTube and Netflix for their entertainment. The growing power of streaming services across the board. Or, in the case of the BBC, a government that wants it to run the broadcaster's social policy by making it responsible for the free TV Licences introduced by a previous administration.

Representing public service broadcasters as a whole, the European Broadcasting Union (EBU) covers 117 members across 56 countries with an output of over 200 channels.

Claudia Vaccarone, Senior Strategy Advisor at the European Broadcasting Union, sees the trust that public broadcasters have enjoyed for decades as now under threat from the rise of populist narratives and parties that over the past few decades have significantly changed the political landscape. "These voices, the new voices have been leveraging the power of the algorithm to spread a culture of division, hate and fear, which has been resulting in a growing polarisation, politically or in society."



New voices have been leveraging the power of the algorithm to spread division, hate and fear, resulting in a growing polarisation, politically or in society.

– Claudia Vaccarone, Senior Strategy Advisor, European Broadcasting Union

It often feels that public service broadcasting has been under threat since shortly after John Reith was appointed Director - General of the BBC.

This lack of trust, argues Vaccarone, has spread from politicians, through institutions and into our broadcasters. At least that's the perception with 7 in 10 across the globe expressing worry at fake news or information being used as a weapon.

Viewers of BBC News will be familiar with the Reality Check segment that is used to counter some claims – even if the original words continue to be repeated elsewhere.

In Sweden, staff members from Sveriges Television (SVT) are going out into the country, and trying to reconnect with the public through the simple Swedish tradition of a cup of coffee. In their homes, places of work and associations.

And while the credibility of our public broadcasters comes under threat, new players are entering the arena, and grabbing our attention.

30 years ago, Sky Television launched its four-channel service, that too was perceived as a threat. But this time it's different. Netflix calls its subscribers 'members' and somehow many people don't perceive its service as being 'pay-TV' in the way most

people in the industry would understand it.

Netflix has used technology to break into our living rooms with ease. Vaccarone says it's daunting.

She makes a distinction between public and the new private media: "While the industry is focusing on customers, for public service media the addressable market is actually citizens, while the industry is focusing on business value, for PSM it's about society, social value."

That social value is represented through the 88% of TV output that comes from domestic and EU origin. And with a nod to the newcomers 86% provide apps to access their free catch-up services.

But perhaps the biggest vote for public service broadcasting came from Switzerland, where the Swiss Broadcasting Corporation (SRG SSR) will continue to be financed through the public licence fee.

The clear majority of voters (71.6%) rejected the idea of its abandonment in a referendum.

BBC

Free to view

Britain's public service broadcasters are at the heart of the free-to-view market. The series of Venn diagrams that interlink Freeview, Freesat, YouView and soon BritBox provide a sometimes confusing picture that is often the same product over a slightly different platform.

At the root of all the services is the desire to keep the public channels at the front of people's minds when they switch on the television.

That includes prominence on smart TV platforms for their catch-up services amid the ability of some platforms to 'buy friends' by having their brands placed in front of the viewer when the quality of some of their content might suggest otherwise. In Sweden, cablenet Com Hem's remote actually features an SVT Play button, offering a direct connection to the public broadcaster's catch-up content.

Visit the TV store and you'll see that a Netflix button is more likely to be found.

EPG real estate will become increasingly important over the next few months as Disney and Apple, among others, look to make their presence felt.

There is also an awareness that TV is for everyone, not just those who want to pay, or stream their content on a tablet.

TV is for everybody; lots of people watch it and still watch it live. However, the change in viewing amongst younger viewers is stark and anyone who wants to engage with that audience, or has a responsibility to reach them, has to think about how they crack that problem.

– Jonathan Thompson, Chief Executive, Digital UK

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The new word for anyone that you do business with is partner, but Freeview's Jonathan Thompson calls it a different way.

He's clear that new entrants Amazon and Netflix are far from partners: "Their overall goal is to transform the nature of national broadcasting in every market in the world, they're doing that territory by territory with the same model, content distribution, content discovery, content monetisation, most of them aren't doing it to make a return from broadcasting, they are doing it to sell other things".

Thompson's views are not held across the free-to-air world, even in one where everyone is someone else's shareholder. YouView's Susie Buckridge says there is a halo effect by having the likes of Netflix and Amazon together on the same platform and to refuse to let Netflix or Amazon in ultimately undermines the power of public service broadcasting.

The role of YouView is to aggregate content in ways that make sense to viewers, so delivering a simple and relevant content discovery experience. They can find content from all of the mainstream video-on-demand services but we ensure content from the PSBs has prominence. Through the YouView user interface we're balancing the [VoD] world in a way that makes sense for the UK audience.

– Susie Buckridge, CEO, YouView

The evolution that the free-to-air platforms are now facing is different to the original premise at the launch of Freeview. Then the choice was simple: free or pay. But now the consumer can seamlessly move between the two and happily declare that they don't subscribe to pay-TV, while at the same time paying £30 a month.

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Esporting chance

In 2018 there were over 4,000 global esports tournaments with a global prize pool of \$200 million. To put that into context, the total prize pool of the ATP tour, including Wimbledon, was a mere €135 million.



“Last year, we had an over-the-top-led, global audience of close to 410 million and when we look at that in terms of an enthusiast, someone consuming more than five hours a week, you’re looking at over 160 million active users on the worldwide scale”

–Carl Hibbert, Associate Director, Consumer Media & Tech, Futuresource Consulting

Esports importance should be looked at within the context of how much we pay for our entertainment across music and home video. It’s gaming that continues to grow faster than the overall average, helped by an audience base as young as four.

Futuresource says over 60% of kids in the UK are doing something else while watching TV with 55% of those playing games.

The technology on which the games are being played continues to evolve - from the traditional platforms of the PC and the games consoles, through to smartphones and a relatively low cost of entry for games that offer in-app purchases to collect your money further down the road.

And the emergence of VR is providing a new platform as new gaming competitions get underway.

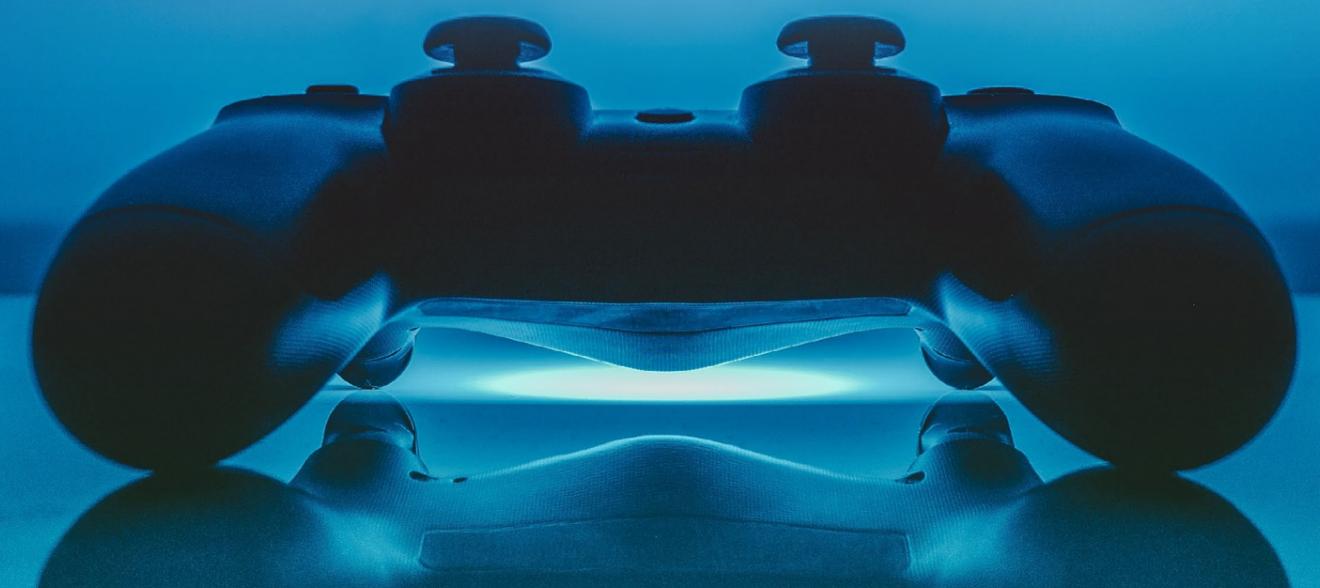


GINX is the world’s largest e-sports channel and can be found in 55 million homes worldwide. It currently runs 10 localised versions that are available around the world.

Its shareholders include ITV and Sky that between them own a third of the channel.

Right now the distribution model is the traditional ‘make yourself available for a carriage fee’, but GINX is also developing its own OTT platform that will put it on a par with the YouTube videos of gamers that are enjoyed by the audience it is targeting, as it encourages viewers to interact with its output.

NBC Universal runs Universal Open, its Universal Open Rocket League Tournament that where players compete across Europe and North America. The Grand Finals take place at the NBC Studios in Stamford, bringing old and new technologies full circle.



The Big Squeeze

The UK is, according to Fabio Murra, one of the leaders in compression technology.

V Nova's Head of Product & Marketing is one of 60 people working out of an office in West London, assisted by a small team in India, where they develop software and software stack solutions.

Content providers have a long list to work their way through. More devices, with more screens, in different sizes, with more delivery networks, through more content and service providers than ever before.

"When you start delivering over different networks to devices with different capabilities, you have to start thinking about how to best serve them to maximise the impact that it has on the viewer and minimise the cost on your deliveries," says Murra.

In the UK, devices other than the big screen account for between 130 and 140 million viewing minutes per month. They are connecting with a large variety of devices with different flavours of technical parameters.

Android devices represent 20% of devices, the newer models supporting VP9, Google's royalty free codec. 40% now support H.264 natively, while H.264 represents another 34%.

When you move to the web the question is becoming ever more complicated. Do you use VP9 or H.264?

Then we add compression, MPEG-2, and MPEG-4, which gave us streaming over the Internet as well as further space saving for broadcast applications.

The recent episode of Game of Thrones 'The Long Night' showed what happens when compression doesn't quite work out. Viewers could have been mistaken for thinking the episode was shot entirely in the dark.



A lot of the problem is that many people don't know how to tune their TVs properly," the episode's cinematographer, Fabien Wagner told Wired. "A lot of people also unfortunately watch it on small iPads, which in no way can do justice to a show like that anyway.

- 'Why is Game of Thrones so dark? We asked the cinematographer' by Chris Stokel-Walker published on wired.co.uk 30 April 2019

Murra explains that compression as a concept can get easier or more complex depending on the part of the picture you analyse.

Innovation in Advertising

Ever since the video recorder made it possible to fast forward through the ads, the 30 second spot has been evolving, though it could be said the ad break has been evolving ever since Gibbs' SR Toothpaste made its debut on ITV's opening night.

That interactive call to action is something TV is looking to replicate.

Channel 4 recently has announced Project Agora, a new innovation in advertising around VOD content.

The in-house technology will enable advertisers to match their own custom audience segments across Channel 4 platforms. The system is GDPR compliant and does not require the use of cookies.

The broadcaster has an active registered viewer base of 20 million viewers.

Over 70 per cent of Channel 4's All 4 revenue is currently generated through advertisers buying against first party registered viewer data.

Earlier this year Channel 4 launched Dynamic TV that allows targeted creative to be delivered to big screen devices including smart TVs.

On Google, the call to action means you can immediately click through to the sponsor, direct from the ad.



Kantar has been looking at the relationship between online and TV. It looked at 500 different campaigns across different channels, comparing the investment in those different channels with the impact on the actual brand metrics.

It found TV to be the strongest connector between all media channels. The strongest of these links were between TV and Facebook; TV and outdoor; and TV and newspapers. In terms of working together, it appears that these three relationships will result in the most effective integrated campaigns.

Sky has been running its Ad Smart service for five years. The broadcaster has picked up a number of smaller advertisers that have previously not thought of using TV and has been continuing to add new ones at a rate of between 5 and 12 a week.

sky | ADSMART

These smaller advertisers might have previously used regional press and regional radio, but the challenge to Sky is to convince them that TV is a viable option.

At the same time, blue chip advertisers are using the addressability offered by Ad Smart to run advertising in a much more targeted way.

Sky is also adopting NBCUniversal's CFlight as its metric across all of Sky Media's content and platforms.

It's designed to capture all live, on-demand and time-shifted commercial impressions on every viewing platform.

The aim is to develop a global standard in measurement. It will launch on Sky Media in the UK this autumn and will be rolled out across Sky's European territories during 2020.

CFlight was launched by NBC in 2018 amid concerns US metrics were unable to capture impressions. Sky itself continues to be a shareholder and champion of UK audience measurement organisation BARB and its Dovetail platform to measure online viewing.

China

When compared to UK broadband rollout, China is steaming ahead.

Paul Lee, Global Head of Technology, Media & Telecoms Research, Deloitte says that 330 million properties in China now have fibre-to-the-premise broadband, 660 times the number in the UK.

China's 1.2 billion 4G subscribers also represent a base from which two-thirds of the population is using mobile internet. This, explains Lee, is not necessarily because it is a mobile-first country, but because it is a smartphone-first country. In comparison, in the West the use of laptops is far more prevalent.

Growing smartphone usage makes video content far more important for retail. The ability to click through from video advertisements to a sponsor's website, where we could buy our favourite action hero's car or a pop star's sweater, finally becomes a reality.

Today, Lee says that typing in a request to a search engine is too slow in comparison to what can be achieved with an image – and in China 25% of search requests start with a picture.

If a screengrab can capture what someone is wearing, a smart e-commerce platform can then take that picture and suggest a similar item available to buy in your size.

Ultimately any image from a catalogue, TV show or football match could be used as the launch-pad to purchase.





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