

TV Viewing: The New Dynamic

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Image: Victoria. ITV Studios

TV viewing is changing. No one would argue with that. The proliferation of devices capable of screening video; the explosion of non-linear viewing platforms and services; and the entrance of completely new competition for viewing time and attention in the form of online and social media platforms means that **today's TV viewer is bombarded with options.**

Changes to viewing behaviour and service choice impact every aspect of the TV industry from the subscription and advertising models used to fund television, to the economics of programme production. That's why understanding these changes, sifting the truth from the hype, and predicting where viewing will be in a few years time are absolutely essential.

It's easy to get lost in the hyperbole and hysteria of media reports that talk of the death of linear TV; the desertion of broadcast by younger viewers and the dominance of new SVoD entrants setting a new expectation in terms of cost and advertising. That makes a proper understanding of what the changes are, what they mean, and which ones are important matters more than ever.

This report takes a look at the reality of the changing dynamics of TV viewing, from the impact of devices, through non-linear platforms and technology to the emergence of new device-driven primetimes. Using data from Ampere Consumer, a twice-yearly survey of 26,000 consumers, and economic analysis of TV funding models and income, it attempts to delineate the positives and negatives of TV viewing changes and suggest where strategists need to be looking to future-proof their business.

The report also **contains interviews with senior executives involved in the day-to-day monitoring of TV viewing trends** and asks their views on the impact of TV's evolution on their businesses. Transcripts of interviews with experts from UK commercial channel and studio ITV, US broadcast network NBC, regional SVoD provider Voyo and streaming device platform Roku, add genuine insight to the raw data. So let's take a look at the truth about TV viewing.

The classic chicken and egg question

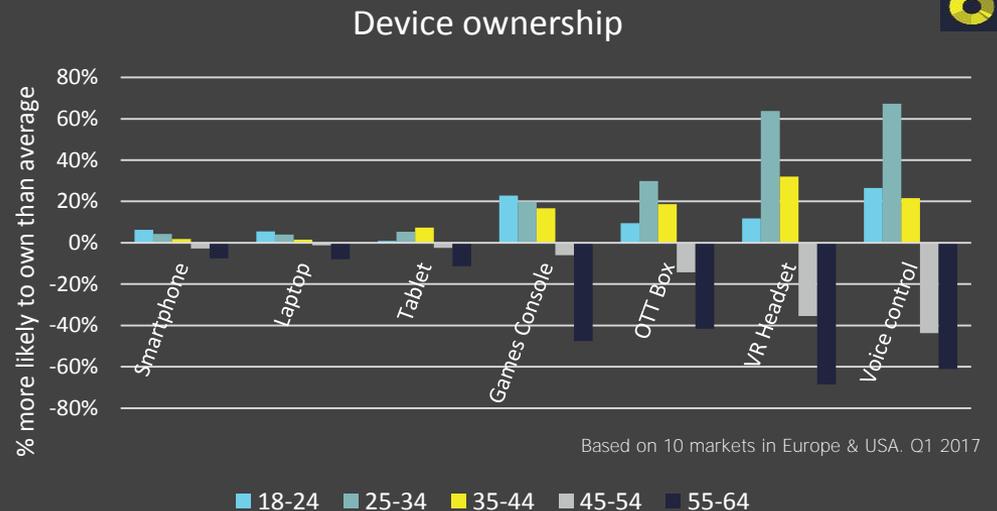
Why asking if devices drive change matters

The changing dynamics of TV viewing represent a classic ‘chicken and egg’ conundrum. If devices are the chicken and content the egg, then understanding which comes first is key. Why? Take this question raised by NBC’s Jeff Bader: Will the rise of Virtual Multichannel Video Programme Distributors (vMVPDs) bring the ‘lost youth’ viewer back to broadcast TV?

In other words, are younger people watching less broadcast TV because, hitherto, they have not had access to broadcast channels on their favoured devices, and will the launch of streams of the broadcast networks on vMVPDs mean they will now return to broadcast content? The answer lies in the chicken and egg question. If devices are the main driver of viewing change, then the answer should be yes. If content and viewing dynamics and expectation are the reason, then they may well not.

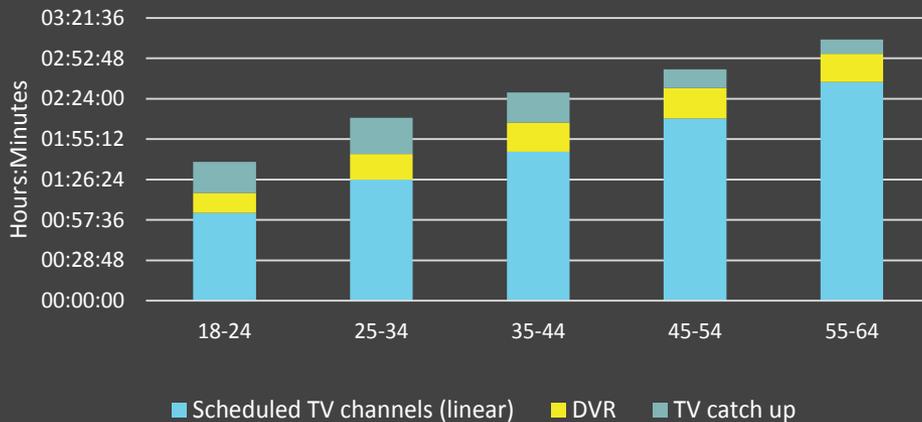
Those aged 18-35 over-index noticeably for tablet, smartphone and laptop ownership and, very significantly, for future viewing/navigation tech like Over-The-Top (OTT) streamers, VR headsets and voice control hardware. Certainly the device environment in the home is set-up for next generation viewing of those under 45.

But several questions remain: what is the relationship between device environment and viewing behaviour?; Is there a direct relationship between device viewing and a viewer’s consumption of linear TV and scheduled TV channels? If there is a relationship, will this behaviour be carried forward into later life?



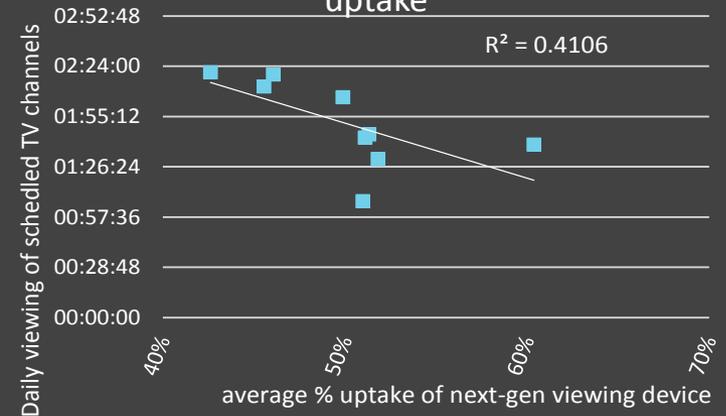
Clearly there is a strong demographic relationship to viewing behaviour, with the youngest age segments watching the least traditional TV (including scheduled TV channels, DVR recordings and TV catch-up) and the oldest watching the most. What's interesting is that there does appear to be a relationship between device uptake and viewer-relationship to scheduled TV. The higher the uptake of non-linear viewing devices in a given country, the lower the viewing time spent on scheduled TV. While this doesn't help us solve the 'which comes first' question, it does indicate that the provision of linear channel streams on platforms that target these devices could well be positive for the broadcast channel and content business, as some executives are surmising.

Traditional viewing by age



Source: Ampere Analysis

Viewing scheduled TV vs. key device uptake



Based on 9 markets in Europe. Q1 2017. Excludes USA.

Source: Ampere Analysis

There are several other indicators that suggest that embracing, rather than fighting, broadcast viewing changes are positive for the channel business overall. So the strategy highlighted by interviewees of ensuring channel availability on every platforms and every device seems key.

The SVoD switch

Age groupings show mirror-image behaviour

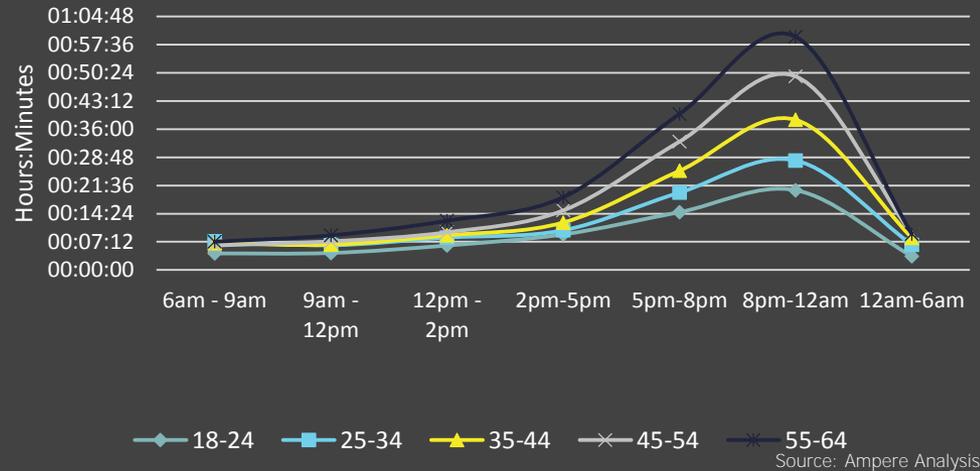
What is very stark, however, is the polarity of viewing behaviours between the age groups. Plot scheduled TV channel viewing throughout the day, and it forms a perfect age-ladder from youngest to oldest with a peak for viewers in their 50s.

By contrast, plot SVoD viewing or free online viewing and the ladder flips in a perfect mirror-image relationship with viewing time increasing as age decreases. What's interesting is that the way in which scheduled TV is used is very different throughout the day (note scales on graphs are different).

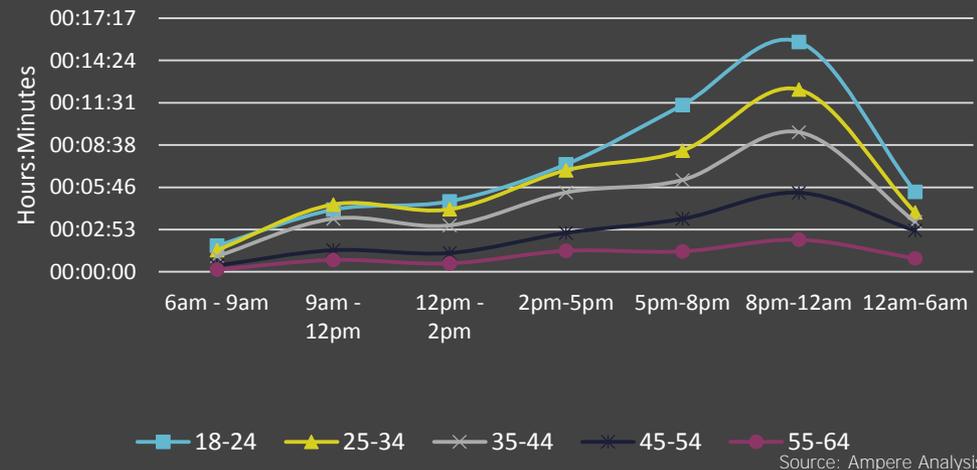
Scheduled channel viewing has a very precise evening peak which begins between 5pm and 8pm and peaks between 8pm and midnight. By contrast, SVoD viewing has a much wider rump of viewing, beginning to accelerate rapidly from 2pm onwards. And while the SVoD 'primetime' aligns with broadcast's, its overall effect is to spread viewing more widely across the day.

Similar patterns can be seen in the device behaviours associated with this viewing, particularly catch-up on TV channels, which has a major peak at lunchtime.

Viewing of scheduled TV channels by day part



Viewing of SVoD by day part



Device driven primetimes

Breakfast and lunchtime now have device peaks

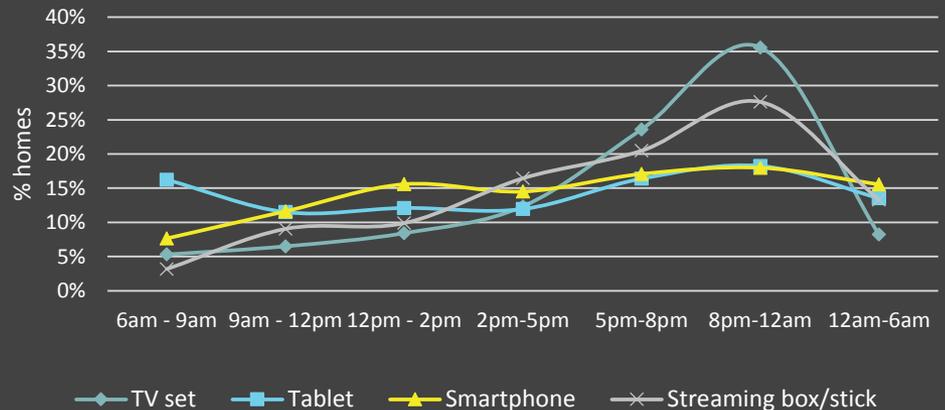
This combination of influence driven by viewing platform and device opportunity has led to the emergence of device-specific primetimes. Let's be clear, the main TV set remains the key device for all viewing and particularly evening viewing, but other devices have their own mini-primetimes which are worth considering in a content strategy. Note that overall minutes viewed on devices like smartphones and tablets are much lower than on larger screens, but the trends are nonetheless clear.

The graph shows total viewing on the named device. The peaks and troughs sum to 100% of viewing on that device, so that a given line being higher than another does not mean total minutes viewed is greater, only that the peaks of viewing for the device are different. The lines refer to video viewing, not to other uses for the devices.

What is clear is that specific devices are developing very noticeable behaviours. The tablet has a noticeable peak at breakfast then declines until the evening...perhaps tablet video taking the place of the traditional morning paper?

The smartphone ascends rapidly throughout the morning, having its own personal 'primetime' at lunchtime. Then throughout the afternoon, main TV sets and OTT streamers ascend towards the standard TV primetime evening slot, with the notable point that all non-TV devices extend their viewing a little later into the night.

Daily device viewing by daypart



Source: Ampere Analysis

Continuing behaviour

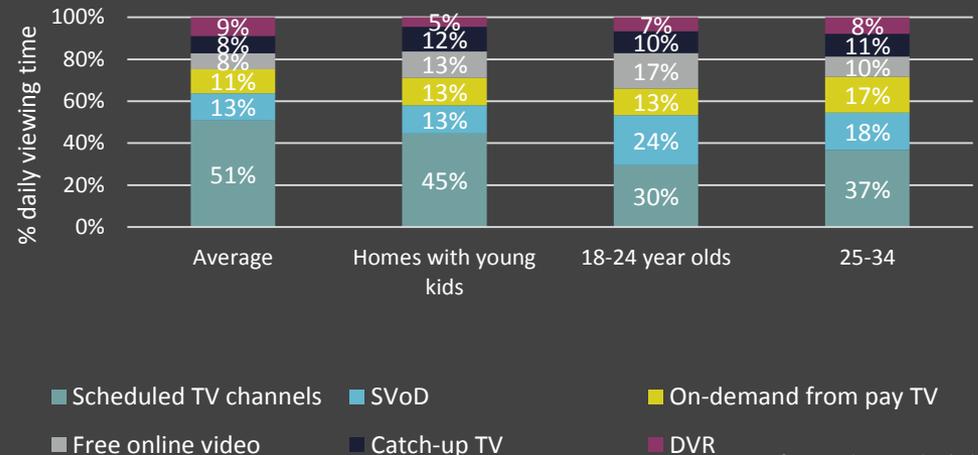
Data suggests behaviour may accelerate

One of the key questions facing TV audience research has been: to what extent is behaviour exhibited by the young, carried forward into adulthood? If you look at the average viewing behaviour and compare it to homes with young kids where the influence of a child is already impacting viewing, the most notable shifts are the far-greater use of free online video in homes with young kids; much more catch-up and a little more SVoD. In other words, there is an increasing move towards time-shifting and non-linear. Look now at the 18-24 year old category and the trend is concerning.

Linear TV viewing drops off considerably, free online shoots up and SVoD accounts for nearly a quarter of self-reported viewing time. But it's easy to draw potentially wrong conclusions from this pattern, which seems on the face of it to be a natural progression with age, because looking at the 25-35 age category (remember this group still fall into the category of Millennials), behaviour is again shifting back to scheduled TV and linear. SVoD remains a significant part of the viewing day for this age group, but free online video drops away noticeably; catch-up and DVR usage stabilises and a portion of on-demand viewing shifts to traditional pay TV operators.

So, while the answer isn't 100% clear-cut, it does seem that, while certain behaviours around non-linear engagement persist, they are attenuated and altered with age...even for Millennials.

Continuing behaviour: daily viewing



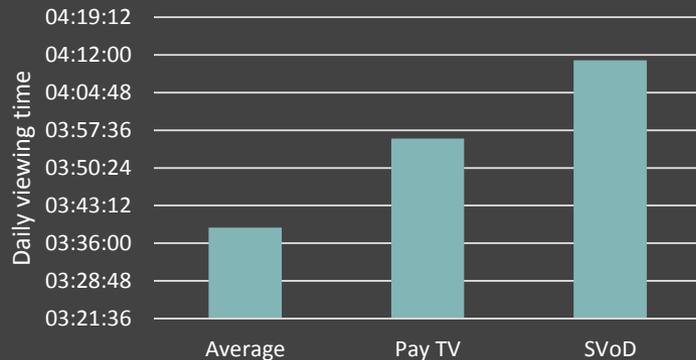
Source: Ampere Analysis

Layering additional services increases viewing

SVoD grows viewing, but pay TV is biggest boost

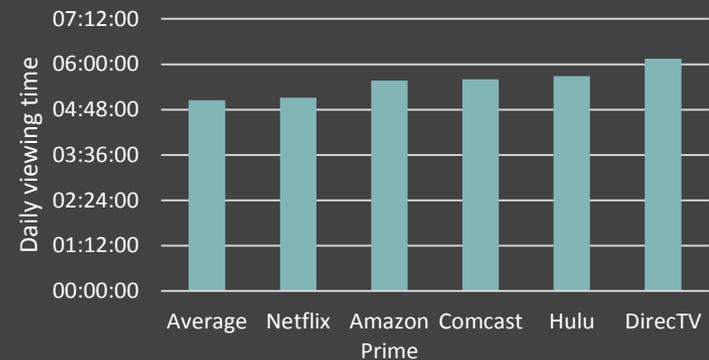
The other key developing trend in viewing environment is the service mix in the home. Think back just a few years and the in-home TV provision was either free TV or free TV with pay TV. There wasn't really any other combination. Today, with SVoD, consumers are layering multiple services, often having free and pay TV and multiple additional SVoD additions. Further, there is a growing minority of homes that use SVoD combinations as their main form of TV. Then, of course, there is the growing prominence of online native platforms.

Impact of services on total daily viewing



Source: Ampere Analysis

USA: Impact of TV provider on total daily viewing



Source: Ampere Analysis

The impact of service layering is generally positive for TV viewing and content overall. Adding pay TV to a home results in a significant increase in daily viewing time. Adding SVoD (often as well as pay TV) sees a further step-up. What's interesting is the impact of provider choice on viewing time. Using the US market as a case-study shows that DirecTV and Comcast homes view more than Netflix and Amazon homes and Hulu sits right between. Here breadth of content offer is likely the main driver, although it's important to note that the DirecTV, Comcast and Hulu homes may well also have an SVoD service; the majority of US pay TV homes now have an SVoD service as well.

Embracing Over-the-Top key

Broadcasters boosted by online services

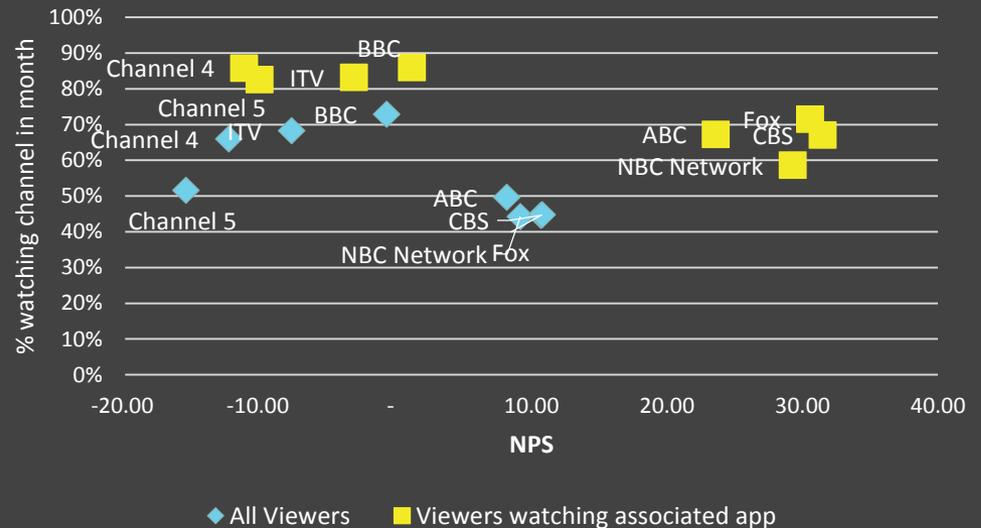
So, much of the data so far points to potentially positive impact on viewing over all of the combined impact of device/platform and technology environment. Strategies that embrace change—while ensuring that brand is protected—thus look to be the best option for linear and scheduled channels and broadcast groups. Looking at major national broadcast networks in the UK and USA, there is a very clear impact of an associated catch-up OTT service.

Using Net Promoter Score (NPS) as a measure—an indication of consumer satisfaction with a service and brand—shows that where viewers also make use of a broadcaster’s catch-up OTT service, their opinion of the brand improves in every single case.

Embracing OTT is positive overall for linear broadcasters and their brand. The effect is particularly noticeable among US broadcast groups.

Broadcasters are increasingly embracing OTT as a means to take their content offer beyond catch-up with the emergence of a trend for ‘augmented catch-up’ where strategies include offering content not broadcast on the main channels within the OTT service and of experimenting with windowing and box-set availability.

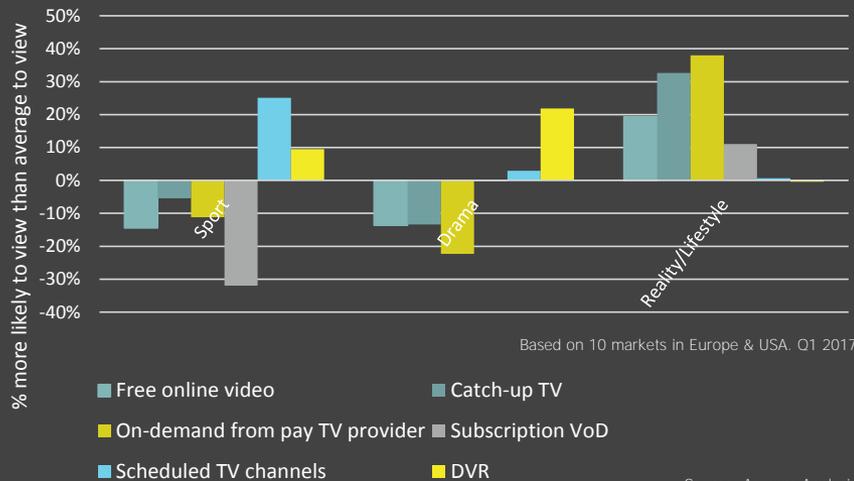
Impact on NPS of using Catch-up online



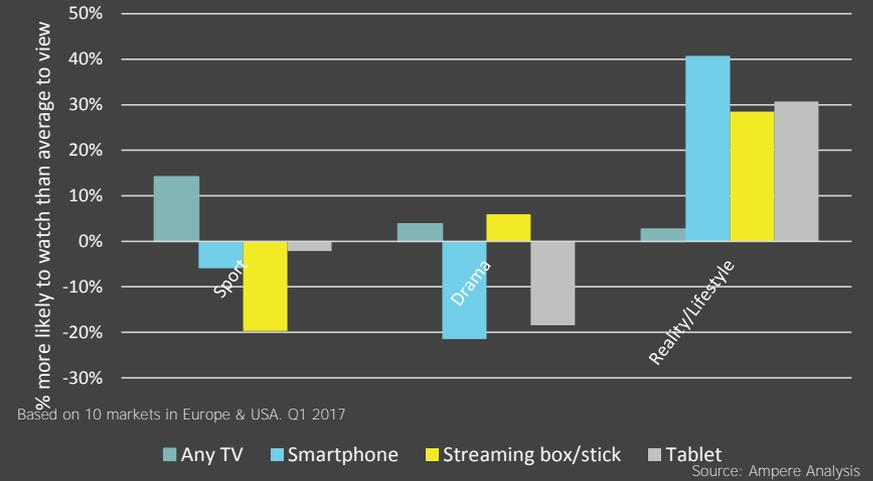
Source: Ampere Analysis

We've looked at the complex interaction of device/technology and platform as well as the multi-layering of services in the home. But what impact does content preference have? Another facet of the evolving viewing landscape and flexibility is the ability to focus-in more routinely on specific types of content. The charts below analyze sub-groups who identified either sport or drama or reality/lifestyle as their favourite genre of TV programming.

Impact of favourite genre on viewing choice



Impact of favourite genre on device choice



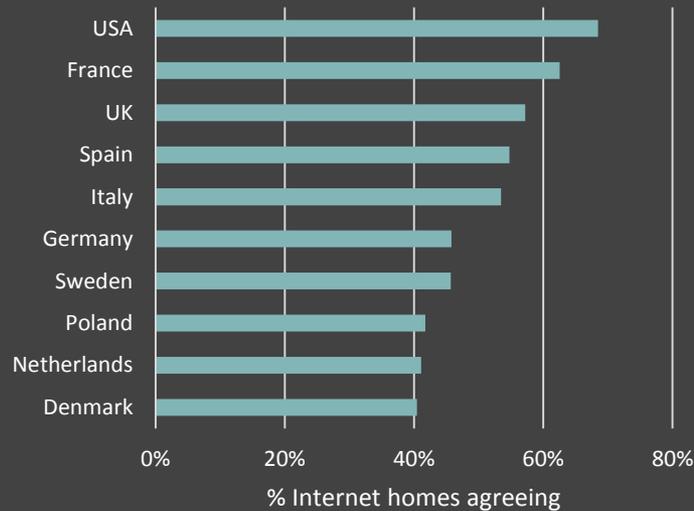
The differences are stark. Sport fans are the most conventional, favouring scheduled TV channels and a bit of DVR (not surprising given the live nature of their favourite content). Drama lovers also trend towards traditional viewing outlets; doubtless a factor of the long engagement times involved in drama viewing. They have a strong skew for DVR usage (the original binge device), but interestingly are average for SVoD viewing. The most dynamic fans are those who favour reality and lifestyle content. They skew heavily for watching free online content, catch-up and pay TV on-demand and favour mobile devices for viewing.

Binge viewing

A different business model

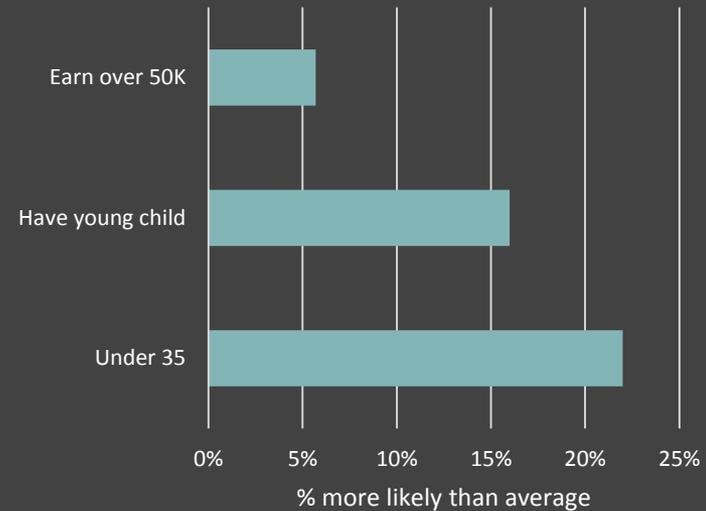
It's impossible to talk about viewing trends today and ignore the phenomenon of binge viewing. On average, just over half of all homes in the ten markets surveyed below, binge view regularly. The US has the highest rate of binge viewing at 69%, followed by France (surprising given relatively low SVoD uptake, but likely showing the importance of DVR and catch-up to bingeing in that country).

Regularly binge view



Source: Ampere Analysis

Characteristics of binge viewers



Source: Ampere Analysis

The characteristics of binge viewers offer some interesting insights. Not surprisingly they skew younger, being 22% more likely to be under 35. They skew towards having young kids (possible a sub-factor of the age skew), but most surprising is that they skew to wealthier households, being 6% more likely to earn over \$50,000. Here again, we have the interplay of device, access and viewing with the slightly wealthier homes having greater access to technology and additional platforms like SVoD.

The interviewees generally agreed on the direction and impact of viewing behaviour changes on the wider business and on content and many of the insights offered align well with the data just analysed. Full transcripts follow. Key findings include:

- Viewer engagement and navigation is changing. But this has actually led to a fragmentation of in-home environments and discovery behaviours: every home has a 'different strategy for finding what they want to watch'. Where and on what device people choose to watch is now also 'case by case'.
- There is a strong demographic split between broadcast TV and other forms of digital viewing. But in the digital environment, there are noticeable shifts that appear to be reversing this trend.
- Content that skews to an old audience in broadcast can develop a much younger audience skew in the digital and OTT environment.
- Availability of broadcast content and channels on streaming platforms does seem to be having an impact in bringing back younger viewers to the 'traditional' channels and their content.
- This is having a knock-on effect on advertising, with ad-supported streaming content viewership growing more rapidly than any other segment.
- The increasing availability of linear and broadcast feeds on vMVPDs is likely to accentuate this.
- There is a new excitement about TV among viewers because of the power that new devices and platform choices have provided. The TV conversation is now central to social interaction and acts as a key recommendation and discovery engine.
- Binge viewing is making more noise than direct economic impact. As a proportion of all content consumed, it remains a small segment of behaviour. Monetising binge viewing is a specific business, but broadcasters are experimenting with windows and stacking.
- Scripted content has developed an incredibly long viewing cycle thanks to catch-up, original content investment is increasing across all outlets.
- Repeats have far less importance to broadcast than a few years ago. The availability of content on multiple platforms mean viewers expect more new content and more originals from their main linear channels.



The US Broadcast Network
Jeff Bader, President, Program
Planning, Strategy and Research,
NBC Entertainment

NBC Entertainment develops and schedules the network's primetime, late-night, and daytime entertainment programming. NBC's programmes have earned the network critical acclaim, numerous awards and ratings success, including most recently winning the traditional September-to-May season in primetime's key demo, marking the network's third win in four years.

NBC's key scripted, alternative and late night content include the #1 new series and #1 broadcast drama, "This Is Us," #1 new summer series "World of Dance," "The Voice," "America's Got Talent," "Saturday Night Live," the "Chicago" dramas, "The Blacklist," "Shades of Blue," "Superstore" and "The Good Place."

NBC Entertainment is a part of NBCUniversal, which owns and operates a portfolio of news and entertainment television networks, a premier motion picture company, significant television production operations, a leading television stations group, world-renowned theme parks and a suite of leading internet-based businesses. NBCUniversal is a subsidiary of Comcast Corporation.



We're seeing an incredibly long tail for scripted On-demand viewers watch more, over a longer period

Cutting through the hype, how would you summarise the key changes in the way consumers are watching and engaging with TV?

The whole ecosystem is changing and where people are choosing to watch their video is case-by-case now. You are seeing the younger audience watching their video game consoles, and Internet connected boxes are really starting to pick up. So we're just seeing people accessing programming everywhere and there is a demographic divide. We can see ratings by device now; we can track where people are watching digitally; we know people's behavior: if they are watching live...if they are watching on-demand they are going to watch more episodes over a longer period than if they are watching traditional live. Also there are differences for a broadcast network, many of the changes in behavior relate to scripted entertainment, not to the wider programming that the networks are scheduling.

So for that wider programming is there a skew towards live viewing still?

As a network we schedule 14 hours a day across our affiliates and over the course of a year we are 80-90% original and 50% live so much of the viewing is close to where we air. As opposed to the entertainment programming where if you break that out there is a huge tail over 35 days, 100 days, 200 days and we are seeing an incredibly long tail now for scripted programming.

Does this place the advertising model under threat and what can broadcasters do to mitigate ad-spend migration?

We're not a single stream business now and we are not just making money from the commercial ratings. That's still the largest part of our revenue, but now we monetize in different ways on different platforms...whether that's sub fees or a portion of sub fees. Now with the new Virtual Multichannel Video Programming Distributors (VMVPDs) we can get the retrans (fees) for that as well. So we are monetizing our viewership not just through commercials.

Primetime is still relevant But the rules have changed dramatically

How does the changing device usage for viewing TV content impact the concept of primetime...for example, is there now a mobile-screen primetime as well as a main-screen prime time. Is the concept of primetime still relevant?

Primetime is still relevant for us because, as a network we don't broadcast, we have 240 affiliates that broadcast and they primarily sell live or same day, so primetime is very important to them. We just went through our whole upfront process, devoted to the primetime schedule with the understanding that that's just a portion of our business, but it's an important portion. For people that watch regular linear TV, that's what primetime is about. For a lot of people, they don't watch 'primetime', they watch shows, and we acknowledge that.

What's the knock-on effect on content the type of programming that is scheduled throughout the day?

As of today, for a broadcast network, the bulk of our revenue still does come from primetime revenue. Obviously it's something that we pay attention to. The rules have changed dramatically for how you determine what that primetime schedule will consist of. There are certain axioms that still hold true: programme flow matters. But we're aware of that...older viewers watch more of the schedule than younger viewers. The average audience for live TV is in their 50s. The average audience for Over-the-Top (OTT) is in their 30s. We know that. We are already beginning to see shows renewed for primetime that in the past, based on ratings, you might say 'why is that show coming back' and you can surmise because its making money somewhere else. So in the holistic view of our business, it makes sense to keep that show in in primetime as well.

Have you noticed that the types of content or the genres of content that drive viewing are changing, and is there a content preference segmentation emerging between different age groups?

We are seeing changes, but its not always what you would expect. For example, Law and Order Special Victims Unit (SVU) skews older in the broadcast realm with an average viewer age of 50 in primetime, but surprisingly has a younger average age on digital than for *This is Us*, which surprised me. So the average age of Law and Order SVU is 30 when you include OTT, which is young. [Continued...](#)

We encourage catch-up

We are really at a crossroads right now

...You have a different audience by device, but we are still learning that a show that would be narrow in the old days of broadcast, wouldn't be narrow on OTT as well. We are now turning the corner with the younger people who grew up with it (digital and online), they watch on their devices, their iPads and they know they have access to all the shows that are airing and it will be interesting to see what happens with these Virtual MVPDs that are coming out. Now they will be able to watch live TV on their devices as well...so will we see a broadening out of audience on some of these shows that were really only on broadcast. We are really at a crossroads right now.

What impact is binge viewing having on the economics of programme making and of advertising?

Monetising binge viewing is a different business. We still talk about it as a way for people to catch up, so they discover programming and they come back to the live or DVR/VOD that we are airing. But we are trying to encourage people to binge view, we encourage them to go and catch-up then we monetize them digitally. Whether they watch over 12 weeks or 12 days, it's still the same number of (advertising) impressions.

With the migration towards non-linear viewing, how does the concept of 'a channel' or 'a network' need to evolve?

A lot of time is spent discussing brand and what it means to watch on the NBC network. So if you watch it on NBC it is important to air it in your own environment, but we know that is not going to be the case in the future. So in some cases we will be able to push the NBC brand along with the show and in some cases people will be watching a show that Netflix is showing.

Is there a shift among platform operators to re-focus from channel brand to the show brand?

We are trying to find the balance (in branding). We would love to have our shows where ever they are airing to have some sort of indication that they are an NBC show, because we do have a studio that produces shows for the network, but it would be nice if people were aware that this show is coming from our company. Some people are continuing to push their apps, we are all getting behind the serious aggregators of networks where we are allowed to live in our own branded environment, hopefully that will be the majority of where people will discover our shows.

Increasing the number of original programmes Repeats is not what people come to broadcast for

What's your view on the current drive for high-budget scripted drama, opinions on whether this is a bubble about to burst seem mixed?

There are so many shows out there that but it's still our bread and butter. We are not cutting back, we are increasing the number of original programmes. Our primetime schedule has gone from 55% original ten years ago to over 80% original now. People don't come to us to watch repeats.

Is the increase in originals a direct response to Netflix?

No, it used to be the only place you could watch the shows was on the outlet that was providing them so if you wanted to watch an NBC show you had to watch it on the network. Now the repeats are available everywhere, you can watch them on Hulu or other platforms. So, we still air some repeats but we know that (repeats) are not what people come to the broadcast network for.

What can broadcasters and networks do around content and ancillary services to attract and retain Gen Z viewers (young viewers just entering their teens)?

It's just trying to make sure that we are on every new platform as it evolves. But the new Virtual MVPDs will create a change because it will be an opportunity for young people to watch live programming on their devices, which they haven't been able to do until now. We've come through a period where with broadcast programming we haven't really had an opportunity to reach (those viewing on devices) but now we will be able to reach them.

ROKU



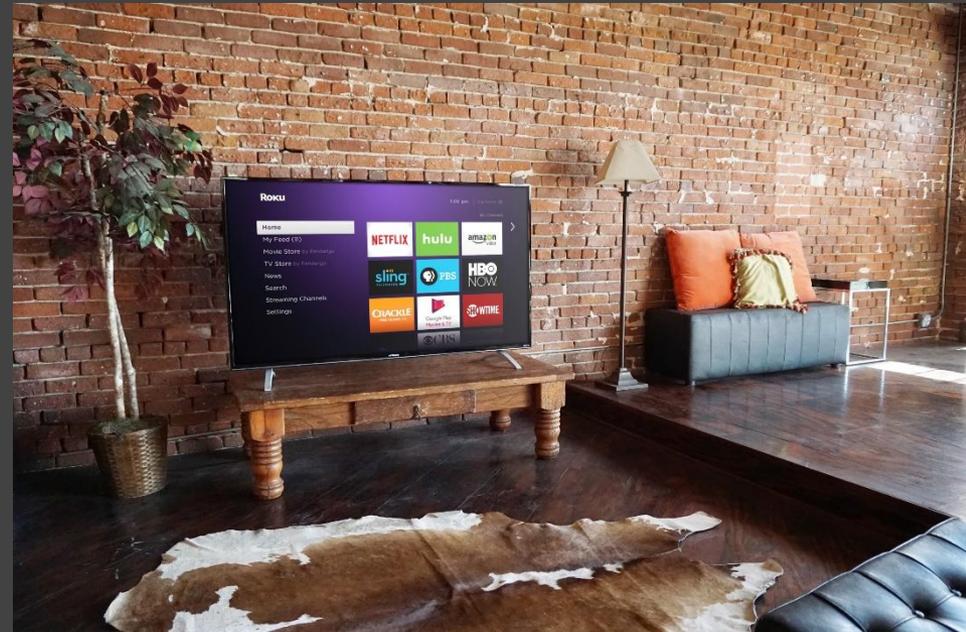
The Streaming Platform

Steve Shannon, GM Content and
Services
Roku

Roku is an online TV streaming platform with a device-driven strategy through its Roku Players, Streaming Sticks and Roku TVs all powered by a proprietary operating system (Roku OS). Content owners can launch branded streaming channels on the Roku platform.

Revenue comes from selling Roku streaming players in retail, through licensing arrangements with TV OEMs and pay TV operators, and from content consumption, promotion and advertising sales on the platform.

The company is driven by a belief that all television will be streamed, and that all TVs and set-top-boxes will be powered by software-based operating systems that provide a dramatically better user experience than has existed historically for the TV.



Streaming allows fans to tune in to what they love

Each TV show is almost a brand of its own

How much of the change in behaviour is driven by content?

While I believe that most of the change in behavior is driven by the fact that consumers now have full choice and control over what they watch, content certainly has an impact too. In what some call the golden age of television there is more TV content available to consumers which also allows for greater variety.

What's your view on the impact of OTT and SVoD services like Netflix on the type of content that is being produced and where do you think the content business is heading?

With on demand services the 'network effect', where top-tier shows attract the audience and then they stay to watch lower tier programming, is a lot smaller. As a result, each TV show is almost a brand of its own and has to engage and retain its own audience. This certainly has an impact on the overall quality of the content and the competition among creators.

One of the consequences of OTT is the proliferation of niche content services leading to both content and audience fragmentation...what do you think the long-term trends will be with regard to fragmentation...do we need to look at re-aggregation?

Consumers who love horror movies or are avid cricket fans didn't have a great experience with a standard linear TV package. Streaming allows these pockets of fans and enthusiasts to tune in to what they love. I don't believe that there is a need for aggregation as long as discovery of content is easy enough for the consumer.

For content owners who may be thinking of going direct to consumer through a platform like ROKU, what things should they be considering?

We believe that offering publishers a comprehensive TV platform is key with all the tools they need to be successful, from development to measurement and monetization. Publishers on the Roku platform can opt to build their own custom channel, but can also launch a channel in a matter of hours on the Roku platform through a tool, called Direct Publisher that simply uses a feed. We also offer billing, analytics, audience development and have a very advanced advertising platform.

Linear TV is making a comeback

Data has a massive impact on TV advertising

What unique insights have you gained from the data that is now available from devices like ROKU on the way people are watching TV?

There are several trends that we are seeing:

- Linear and live TV is making a comeback on the Roku platform. With more vMVPD services and TV Everywhere channels available the percentage of live/linear TV viewing is increasing.
- Ad-supported (free) content is growing rapidly, and is the fastest growing category on our platform currently.
- OTT viewing is inversely correlated with traditional TV seasonality.

How important is big data to the evolution of the ROKU offer and service, including the content offer?

TV used to be a one-way street – now publishers can track and offer better recommendations. Data also has a massive impact on TV advertising. By marrying the measuring and targeting capabilities of digital platforms to the powerful big screen in the living room advertisers can better target their ads to specific audiences.

What's your view on the future of traditional cable and satellite pay TV platforms...are they under threat and, if so, what do they need to be doing to survive?

Through the Roku Powered licensing program, operators can license our hardware and streaming platform to deliver their streaming service to their customers. Two of our customers, Sky and Telstra, are great examples of how pay TV companies can thrive by embracing streaming. Satellite operator Sky extended its market reach by launching the NOW TV streaming service, 90% of NOW TV customers never considered a Sky service. Telstra has been able to launch a video service to its customers with the Roku Powered Telstra TV box, and gained #1 market share in merely a year in Australia against Chromecast and Apple.

Pace of streaming transition picking up quickly Average Roku account streams 80+ hours a month

Where does the concept of 'a channel' fit into the new world order?

On the Roku platform you can still find 'channels' and it actually is very similar to the linear broadcast model. Each channel on our platform is an aggregator of content, often in a specific genre with its own specific audience.

Can the current economics of the content business stand up to the downward pressure on access price driven by Netflix and others?

There will be winners and losers for sure and the answer to the question ranges by region. Cross-platform video viewership will remain strong and video ad rates will go up due to demand for free content and improved targeting. It's hard to say whether the deep pockets of new digital entrants will outweigh budget reductions relating to cord-cutting.

In your view, how long before the majority of viewing time will be spent streaming?

The pace of the streaming transition is picking up quickly. The average Roku account is streaming , more than 80 hours per month.



The Commercial Channel

Neil Mortensen, Director of
Audiences

ITV

ITV is the UK's largest commercial broadcaster with a suite of eight UK channels, included dedicated pay TV service ITV Encore. In recent years it has invested heavily in independent production companies buying 23 production entities since 2006. Original content has also been a focus and it has built content arm ITV Studios into a global production and distribution powerhouse, reducing the group's overall reliance on advertising revenue.

ITV Studios makes over 3,500 hours of television every year and its distribution division represents a catalogue of 40,000 hours of film and TV content.

ITV's Audience research group has a long-running research project called Six Up that looks at audience behaviour on a regular basis. The research was recently expanded beyond the UK to look at viewing changes in other parts of Europe and the USA.



People are really excited about TV Ensuring we make best possible programmes

How does ITV interpret the changing power balance in TV viewing and how can broadcasters turn these changes into opportunity?

We've seen every family take more control of their TV choices and time-shifting and on-demand services play an increasingly important part in that. What is interesting is how that powershift is being introduced, when we first went into people's homes they were running wires everywhere and using all sorts of wacky ways to get their favourite shows. Integrated platforms have changed this. We noticed that there would often be an evangelist in the house...quite often one of the kids...giving access to new platforms to the parents. So for us, as a broadcaster, it's exciting for us. People are really excited about TV and excited about the control they now have. For us it's about ensuring that we make the best possible programmes that we can make, that people want to watch...it sounds simple, but that's what it's all about, and the second thing is to make sure we are distributed on as many platforms and territories as possible...

In your international research, have you picked up any distinct differences between different countries in the way power is shifting?

There are fundamentals that are the same for every marketplace, just because of human nature and they have all pretty much got similar types of (technology). So there are similarities. There were also differences. There is so much broadcast legacy ecology in each of the countries...whether free or public service broadcasters, then there are cultural differences around the rhythms of people's days, times people go to bed and eat etc. So there are nuances in all of the markets. The Swedes were more at the front of the curve when it comes to technology but watch less TV overall. The UK and US were pretty similar and the Spanish watched a bit more TV than we thought they would.

Given that there is now a greater range of viewing options than ever before, how do broadcasters ensure they remain top viewing destinations?

People really like the choice and the options around viewing that they get today. The nuance that we picked up in our research is that control feels really good when you know what you want to watch and it feels like really hard work when you don't know what you want to watch...Continued

...So I think that people still need a channel brand or a trusted editor...because TV brands stand for something and they simplify things. And in the UK, with the public service broadcasters, you can trust them and rely on them to bring you something new. What we are learning in ITV Hub (ITV's OTT streaming service) is how to promote things, shift things and personalise the options. So we look at all the platforms we are on and work at finding more sensible ways for the viewers to get to their favourite shows. The other interesting thing we've found is that because of the different technology set-ups in the home, no two homes are alike anymore and different families have different strategies to find what they want to watch.

Binge viewing was another trend that came out in that video, we've seen broadcasters like the BBC begin to embrace box sets and bingeing, what's your view on this as a content model?

There's a huge amount of press about binge viewing. When we look into the data, we can see that some people do it, but it's really small. When we consider there is 80-90 billion hours of TV consumed in the UK each year...the amount of that that is binge viewed is fractional. So it's not something that we are going to be too worried about, but we do think about trialling new ways to release different series. I don't think it cannibalises live viewing that much because the binger and the live viewer are often two different types of audience.

In some ways, multiscreen devices can push people into separate viewing experiences, but then about how people also enjoy watching together...what have you picked up on that dichotomy?

New TV technology enables people to come together in new ways. In the 90s and 00s people were often watching the same show in separate rooms. We are now finding that new technology is allowing people to get together and re-defining togetherness. The ability to pause and watch when you want to watch...you can have different viewing experiences, like saving a special show to watch with your partner, or people pausing a show and waiting for the rest of the family to get together. Even though sometimes kids can be in the lounge on an iPad doing something completely different with their headphones on, but parents really enjoy the fact that they are in the room.

TV is used for all sorts of different need states

You can now be 'well watched'

What sort of content encourages viewers to watch together?

There are certain shows still that people enjoy watching together...particularly Saturday night entertainment shows...they are more enjoyable together when it's all about the chat in the lounge. Not all TV is about totally immersing yourself in a drama. TV is used in all sorts of ways and for all sorts of different need states.

How do you think the position of TV in society has evolved?

I think TV is now seen as time well spent in society and we certainly see people talking about TV differently. As well as being well read now, you can be well watched. You can make a social faux pas by revealing details about a storyline...there are spoiler alerts everywhere. People watch episodes at all sorts of different paces. So even in newspapers, when TV is talked about, they talk in different ways (than they used to)...like the budget, the director, the broader issues behind the programme. It's really interesting that there is a longer lead time for these conversations and there is real social capital in making recommendations. People swap TV shows (recommendations) like they used to swap books.

Viewers today often also act as promoters for key shows, how can broadcasters capitalize on that?

In the UK, the broadcasters think a lot about how they can promote their new shows via recommendation. We all now try and give viewers a sense of the provenance of a show which often helps them spread the news. So we can gain a lot from talking about who directed it, what they directed last...making a bit effort to talk about the key talent that is in it.

What impact is the growing 'quality' expectation having on the industry?

We are already seeing the cost of all TV production going up, but the rewards are often bigger. There is more quality stuff being produced but the ratio of hits is going down. You just can't watch everything. I think there is bound to be some consolidation in the future. Not everyone can carry on producing the amount of stuff they are producing at the moment. The issue is that it's not just the cost of drama that is going up but the cost of all production is going up. Not everyone can sustain that level of output.

TV viewing will grow rather than decline TV will be properly measured

So in summary, what do you think TV viewing will look like in ten years' time?

I think it will still be dominated by linear viewing although that is getting nibbled away. My prediction would be that we will see TV viewing growing rather than declining. Some of the technological advances in the way we measure TV means we will soon be able to measure a lot more of the TV that isn't measured at the moment. (The UK audience measurement body) BARB measures TV over seven days and we know the way people are viewing is changing and becoming over a longer period. So we will start to see a growth in TV because it will be properly measured.





AMPERE
ANALYSIS



The SVoD Provider

Blaž Bezek, Programme
Development, Head of VOYO
PRO PLUS

VOYO is owned by **Central European Media Enterprises Ltd. (CME)** and runs a Subscription Video on Demand (SVoD) service in Slovenia, Croatia, Romania, Bulgaria, Slovakia and the Czech Republic. The service has moved quickly to embrace new business models that engage Millennials.

VOYO is used as an 'augmented catch-up' service with all local content from free and pay channels, additional show content (behind the scenes, 24/7 reality) and original short-form content that makes use of Millennial talent sourced from YouTube (e.g. Alfa Mikić, the 'alpha male').

VOYO is already working with traditional pay TV operators to carry VOYO in channel carriage deals as well as developing apps around key shows to stream 24 hours from the set top box.



As an SVoD service in a smaller market, are you noticing any specific change in the way your viewers are engaging with TV?

The ability to watch content at any time through the catch-up services of pay TV and OTT has highly influenced viewers' habits. Viewers want to watch their favourite show when they want to. Time-shift viewing has grown substantially in the past years, 25% of households already use it on pay TV in Slovenia. However flagship reality and entertainment, fiction and sports are still events that gather families together and are viewed predominantly in linear mode. Our SVoD service VOYO is mostly used as a catch-up/archive service; our peaks of viewing of a certain local show follow linear TV by two hours.

How does the SVoD service work alongside the parent channel group and what synergies are there between the two?

Our Media Company PRO PLUS operates three divisions – TV (broadcasting/production), Online (publishing websites 24ur.com) and SVoD (VOYO). In this sense we have the leverage to fully seize all possible synergies between traditional TV and online. Beyond the availability of a complete library of local TV Content on SVoD VOYO, we also offer 24/7 streaming of TV reality shows, backstage and extra content, previews of episodes – all behind the pay wall of SVoD. On the other hand, we have an online publishing team producing short-form videos and articles about local shows, boosting and promoting content, TV channels and SVoD (24ur.com has a 64% reach of monthly internet users). Last but not least, we engage with our audience on social media – Facebook, Instagram, Snapchat, YouTube to boost TV and S-VoD content.

How does the concept of 'a channel' need to evolve in order to become future proof?

If we leave aside best in-class content development and scheduling for channels' target audience, I believe channels need to embrace the non-linear technology, which is inevitable. Channels need to acknowledge the power of search & recommendation novelties, meaning much has to be done on gathering the best in-class metadata for service providers and their technological innovations. In the future, this will have an important effect on viewers' choices and habits in the linear world.

Local content drives viewing and subscriptions And local appeal overrides production value

Some of your content strategies focus very much on Gen Z (young viewers just entering their teens), tell us what you have been up to there?

In the digital native space, we have seen great talent producing content for Gen Z. It was really inspiring to see great stories and production value on YouTube by young Vloggers with close to zero budgets. But given the size of our market and lack of global appeal of such local content, these projects had a tough time monetising their work – so we offered a hand. In 2016, we have launched the first 10 episode web-series *Paired-Up* that was very successful, not just in terms of viewing and subscriptions, but also in terms of great publicity and buzz it created. That's how the story of Voyo originals for Gen Z started. Since then talent has approached us and new projects were launched, entertainment shows like Alfa Mikic and Sketchoholics, both returning with a second season. The next season of the web-series *Paired-up* will now be produced broadcasting ready; it will travel from digital to TV.

Are you noticing any specific changes in the types of content or the genres of content that are driving viewing?

Local, local, local. Local content drives viewing and subscriptions. Its authenticity and local appeal overrides production value. And not just on SVoD. In Slovenia, we just witnessed the power of Digital Space. Famous Youtubers, who had been producing content on Youtube for more than a decade, produced a low budget movie *Pr'Hostar*. It became the second most viewed movie in Slovenia's cinema history. And now it is No. 1 movie on VOYO. Digital Space is a cradle of talent and promotion value.

Does content need to evolve to fit the new TV viewing dynamic?

We are witnessing an explosion of content and available ways to consume it, a really dynamic and cluttered market, with ever more fragmented audience, where the importance of standing out is crucial for a successful launch of a show. However, the core remains – creating truly authentic content for the target audience. [Continued...](#)

Mobile viewing has had a substantial growth Content needs to be authentic in its story-telling

...Apart from the obvious exclusivity, content needs to be unique and authentic in its story-telling and this should also be transferred into engaging the audience on different platforms, digital or non-digital, adjusted according to the target audience. Engaging the audience in a unique and authentic way is the next important step in traditional TV.

What trends are you noticing with regard to viewing on devices other than the main TV set and what implications does this have for content strategy?

Strategically, we were only pursuing long-form content for SVoD, which could change in the future.

Mobile viewing has had a substantial growth; in the past three years, viewing on mobile devices has grown by 244% on VOYO, especially with Gen Z and Y. These generations spend considerable amounts of time on social media, where content is consumed and dismissed instantly. Since this type of content consumption is growing rapidly, it could be an opportunity for VOYO as well. We have launched a local VOYO short-form Hidden Camera project recently, which proved that there is audience for short-form on VOYO as well.

SVoD has driven binge viewing, does that impact the economics of programme making and of the advertising market?

It is market specific; binge-viewing has had an effect on linear TV scheduling, however no substantial economic impact has been detected on our market yet. OTT services, that mainly offer binge viewing, are still a small market. This will change in the future.

How would you describe your strategy around local content and are you investing in local drama or other content distinct from your parent channel?

We are investing in comedy series and shows with an appeal for Gen Z and Y audience. This type of contents' production value can be justified economically and is appealing for the targeted audience on VOYO. Local drama is currently overambitious for our SVoD service, but something is cooking, I just cannot disclose yet.

About the Author

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Guy Bisson is research director of Ampere Analysis, a new breed of analyst firm founded January 2015 by an experienced team of sector-leading industry analysts. Ampere specialises in research, forecasts and insight on pay & multiscreen TV and next-generation content distribution. Market insight, data and forecasts are based on a variety of complimentary research methodologies and delivered through three online data services, all with global coverage:

- **Ampere Markets**: Global company-level KPIs, analysis and forecasts on the pay TV, OTT, broadband and multichannel markets covering customers, revenues, ARPUs and growth, providing an informed view on the future winners and losers in the fast-evolving TV distribution space.
- **Ampere Consumer**: Insight on the TV consumption behaviour, device trends and content preferences of TV viewers in 13 key markets, including the USA. Based on regular 26,000-sample surveys, Consumer helps you to understand how your audience is reacting to the changing media landscape.
- **Ampere Analytics**: A deep-dive analysis of the content market and content licensing at a title level, Ampere Analytics' Content Track provides key metrics about the world's leading VOD and SVoD services across international markets, focusing on the pricing and availability of TV and film titles by country and service.

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