

# The challenges facing UK broadcasting and the PSBs

Jocelyn Hay Lecture

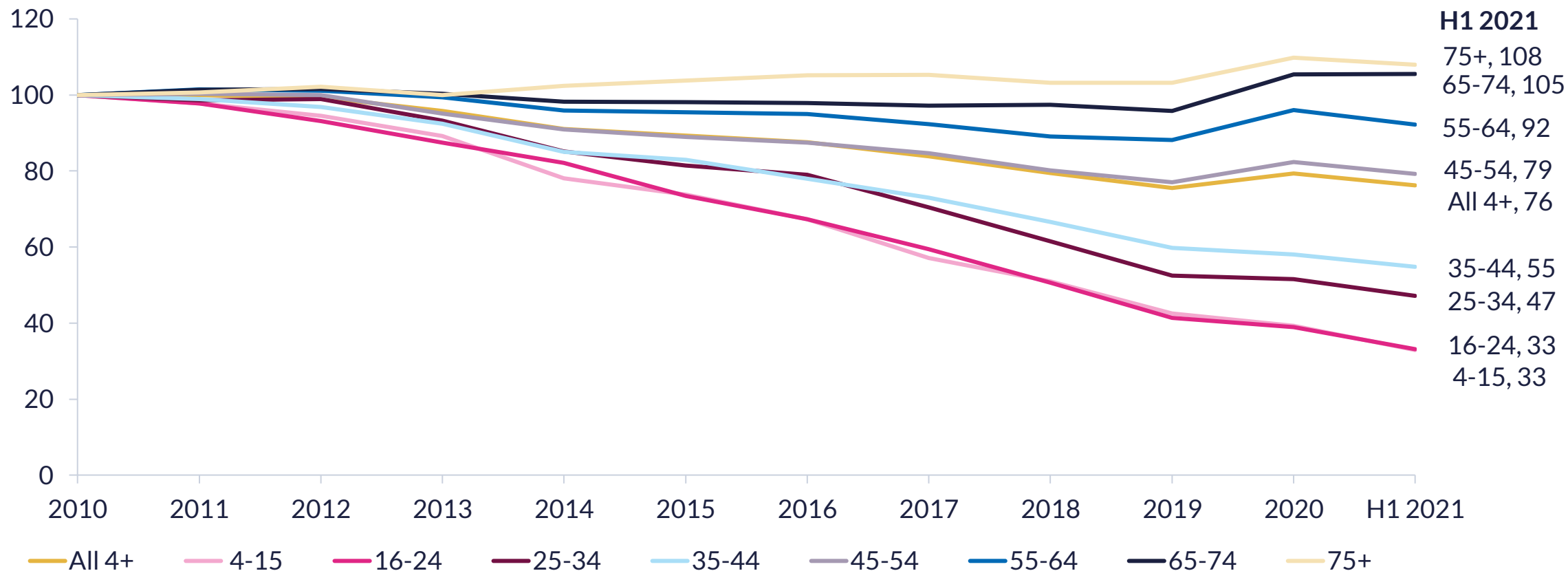
---

Claire Enders

[claire.enders@endersanalysis.com](mailto:claire.enders@endersanalysis.com)

# Older audiences watch just as much TV as ever

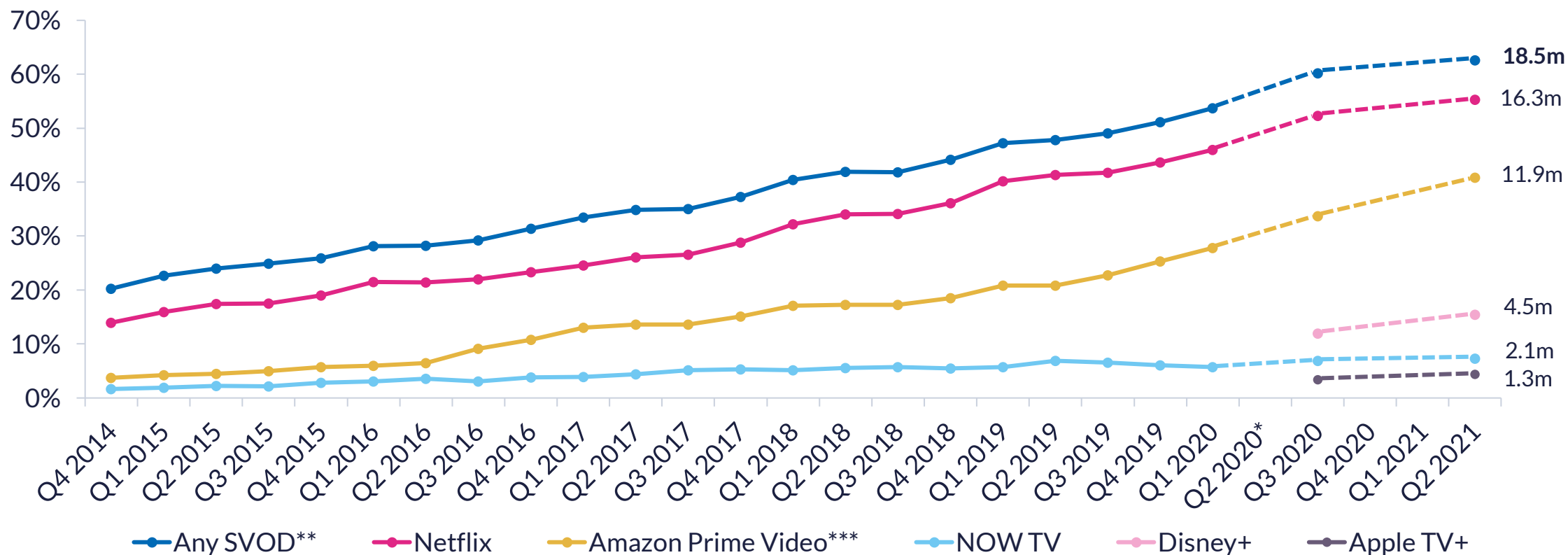
Consolidated TV set viewing by age group (index 2010=100)



Base: Individuals 4+ in TV households.  
Viewing which is live or timeshift/catch-up within 7 days of the original broadcast.  
[Source: Enders Analysis, BARB/AdvantEdge]

# SVOD subscriptions soared during lockdown

## SVOD penetration of UK households (%)



Disney+ launched in the UK in March 2020.

\*Q2 2020 data not available due to COVID-19 disruption. Q1 and Q3 data also affected.

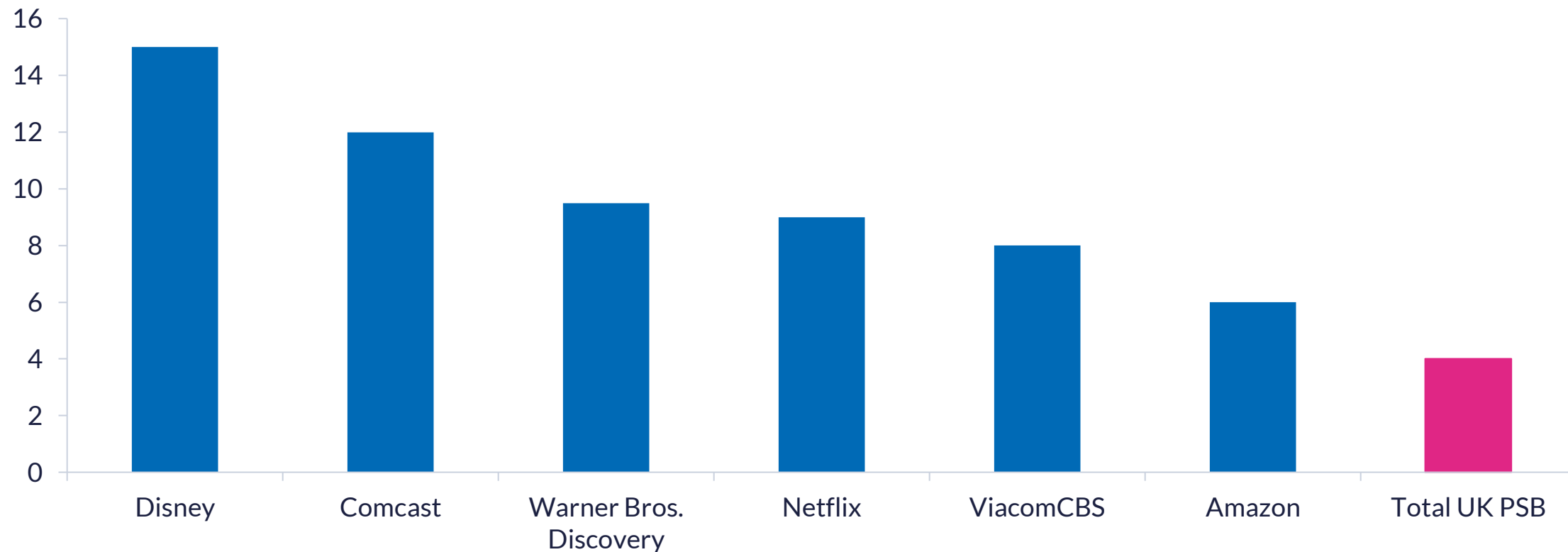
\*\*Over time, SVOD services have been added to the survey question.

\*\*\*This is a proxy for the number of Amazon Prime Video users, as opposed to the number of subscribers to Amazon Prime, all of whom have free access to the video service.

[Source: Enders Analysis, BARB Establishment Survey/RSMB]

# UK PSB content spend pales by comparison

Estimated 2020 content spend by media group, excluding news/sport outside the UK (\$billions)



Note: P&L not cash spend—as such, Netflix may look underrepresented here—does not include sport or news. Some content spend may be double counted e.g. production spend by one group and acquisition cost of same programming by other group.

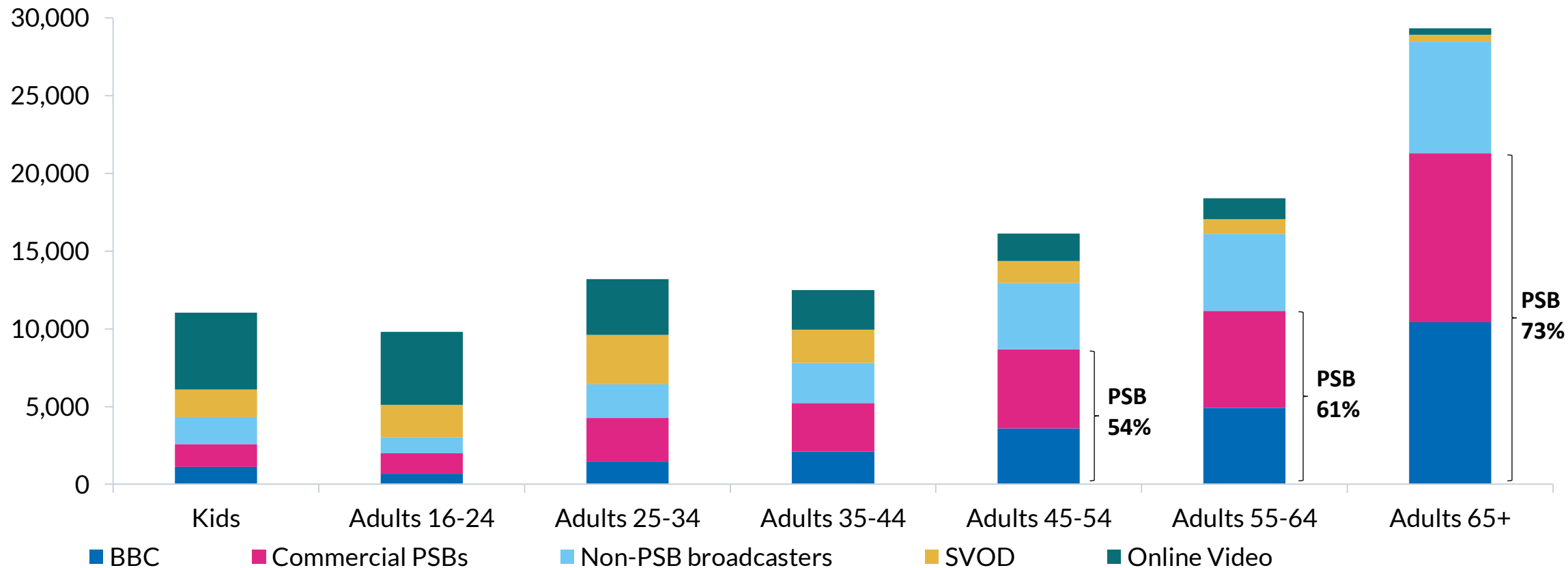
Total spend and not spend on first-run originated content.

Warner Media and Discovery content spend added together to reflect forthcoming merger.

[Source: company reports, Ofcom CMR 2021, Enders Analysis]

# The UK public really value PSB content

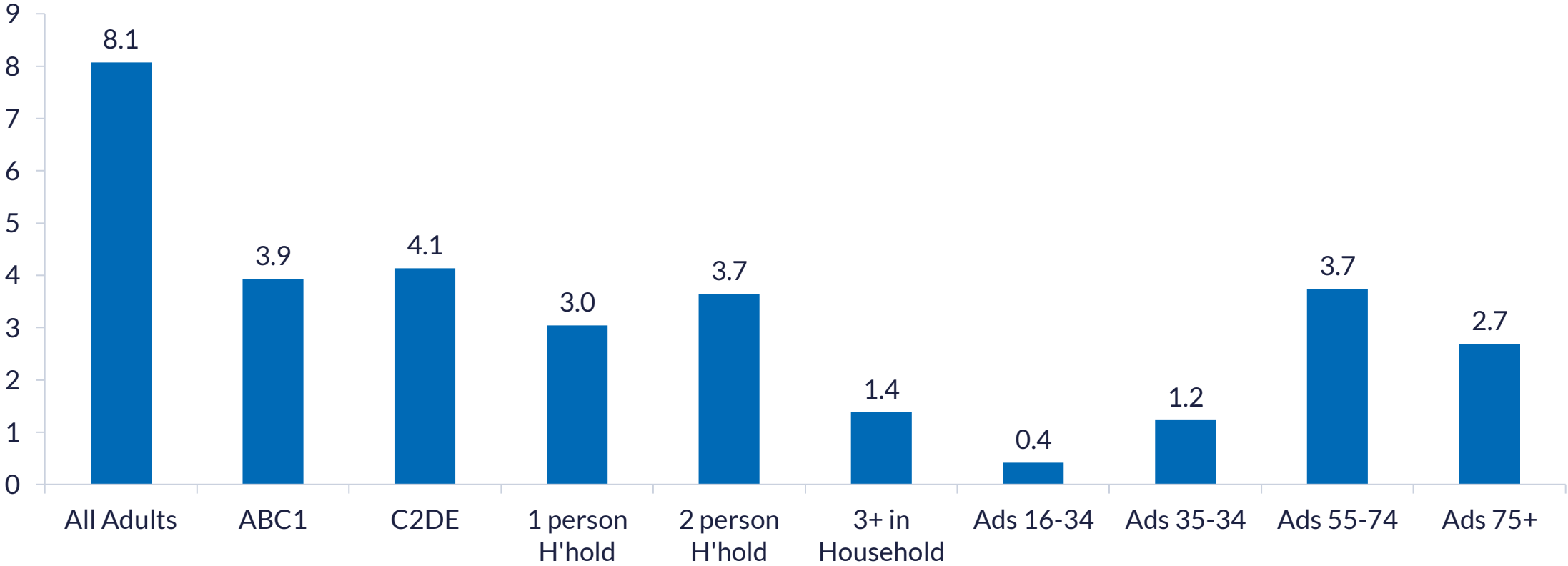
Total annual viewing by demographic and activity, 2020 (m hours)



Excludes non-monetisable social video and online adult content.  
 \*NOW TV is included in the broadcaster categories, not SVOD.  
 [Source: Enders Analysis, ONS, BARB/AdvantEdge, Comscore, industry research]

# Over 8 million adults don't want to, or cannot afford to pay for TV

Universe of adults who just watch FTA TV and do not subscribe to any SVOD service, H1 2021 (m)

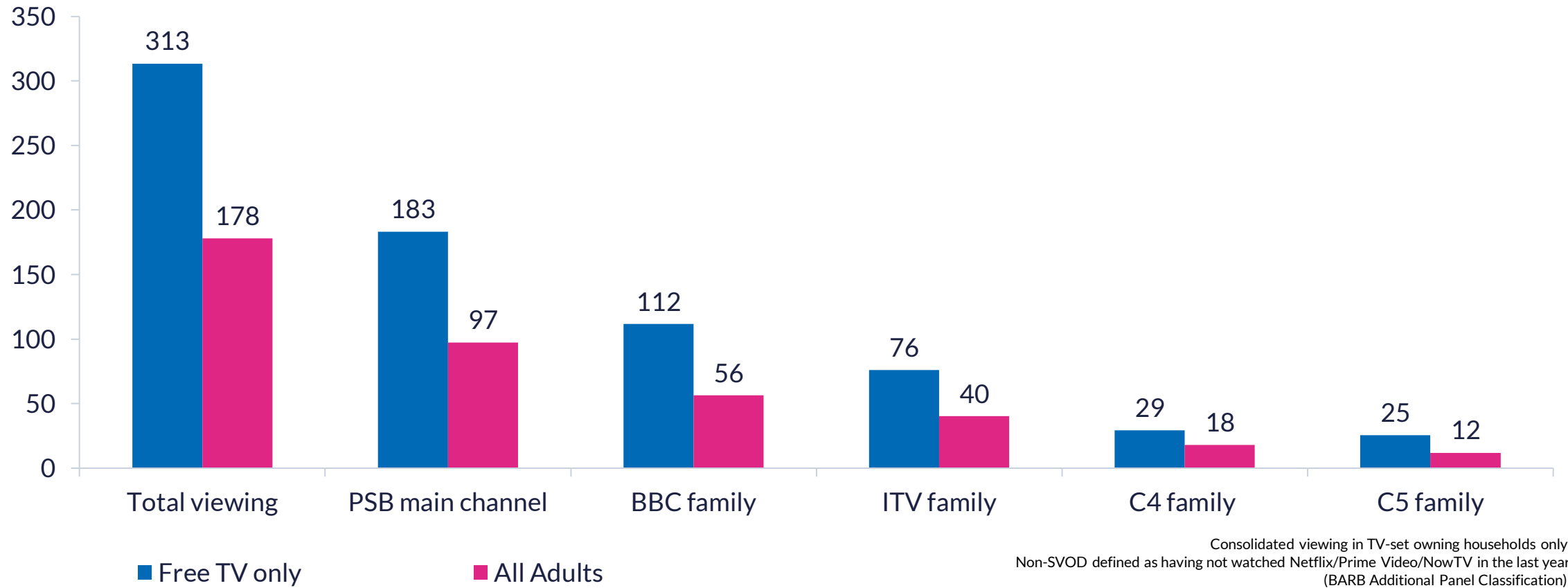


Non-SVOD defined as having not watched Netflix/Prime Video/NowTV in the last year (BARB Additional Panel Classification).  
[Source: Enders Analysis, BARB/AdvantEdge]

# They are heavy TV viewers, especially of the BBC

- Those with only Freeview and Freesat watch over two hours more television per day, and spend twice as much time watching the BBC

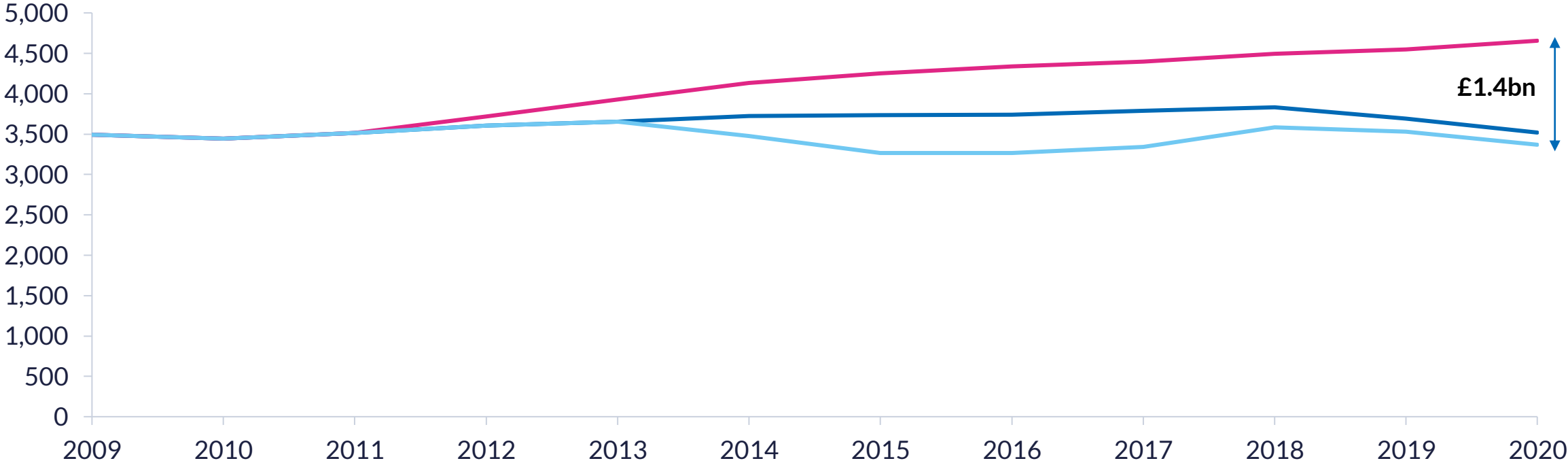
## Average daily viewer minutes, Adults, January – August 2021



Consolidated viewing in TV-set owning households only.  
Non-SVOD defined as having not watched Netflix/Prime Video/NowTV in the last year  
(BARB Additional Panel Classification).  
[Source: Enders Analysis, BARB/AdvantEdge]

# Government intervention since 2010 reduced the BBC's funding by £1.4 billion (30%) in 2019/20

BBC licence fee income with/without interventions (£m)



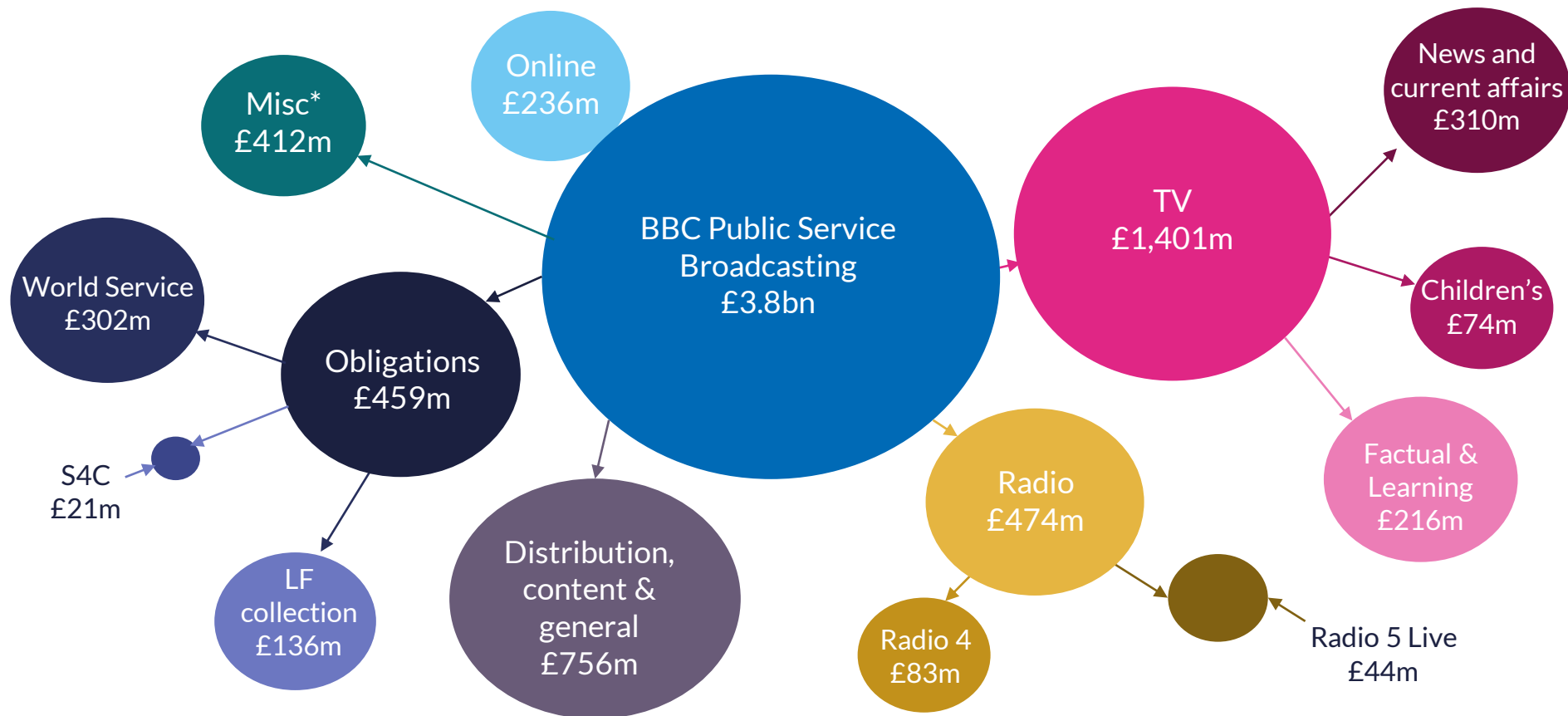
- Actual licence fee income
- Licence fee - no government interference
- Licence fee less additional spend requirements

Note: CPI average 12 months to September. Additional spending requirement for BBC Monitoring, Local TV, S4C, BBC World Service, broadband rollout. [Source: Enders Analysis based on BBC annual reports]



# 71% of BBC PSB expenditure goes directly to producing and delivering content

BBC Public Service Broadcasting expenditure, 2020-21 (£bn/£m)



Note: bubbles denote relative size of expenditure, but are not to scale.  
\*Includes: restructuring costs, development costs, PSB costs incurred to generate non-licence fee income and other costs totalling £90m\*  
[Source: company reports, Enders Analysis]

# Impending Licence Fee settlement could impact output

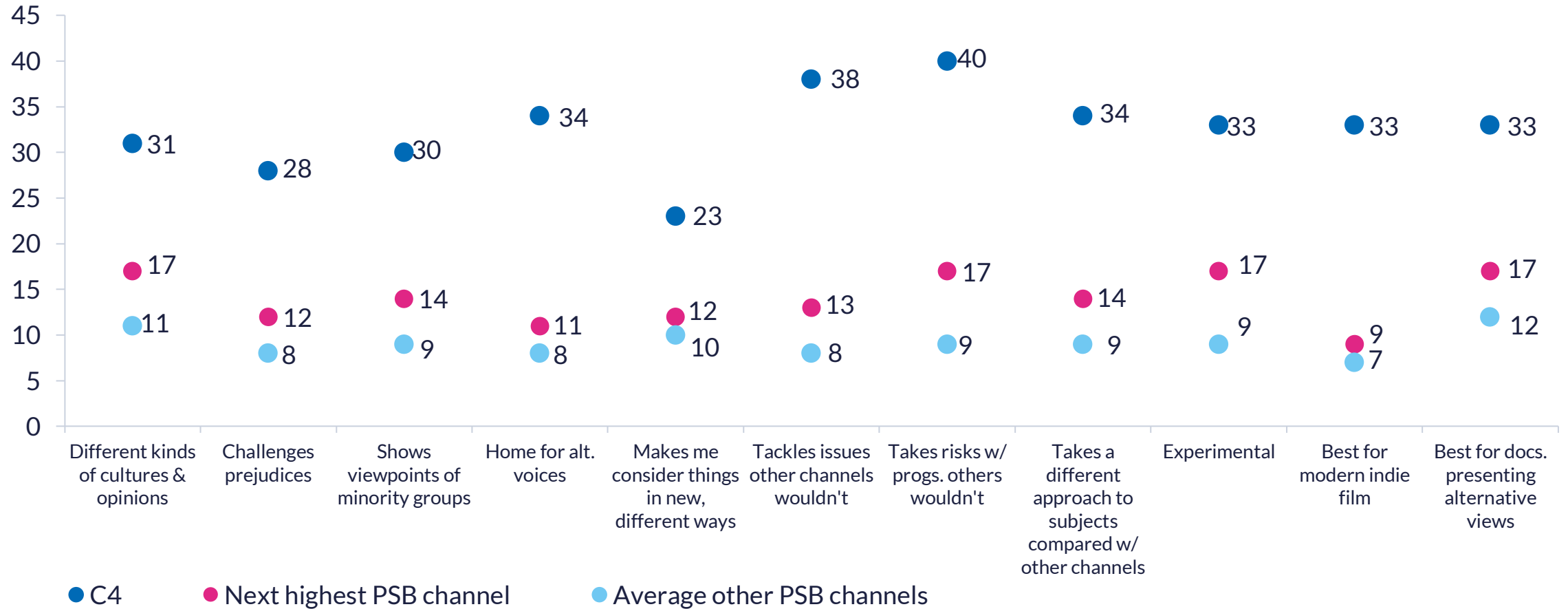
- Rises below inflation may result in a real term shortfall of hundreds of millions by 2027
- The BBC has already substantially shrunk its cost base, which is down £463 million since 2015
- Further reductions in income could mean cuts to:
  - The breadth of the services provided
  - Investment in the Nations and Regions
  - programming expenditure

# Channel 4 must continue to play a pivotal role in public service broadcasting

- Government recognises C4 “provides significant economic, cultural and democratic value to viewers across the whole of the UK”
- Unique remit with greater public service objectives than other commercial PSBs
  - demonstrate innovation, experiment, and creativity;
  - appeal to the tastes and interests of a culturally-diverse society;
  - exhibit a distinctive character
- C4C has wider obligations
  - support young and innovative talent
  - promote alternative views and new perspectives
  - participate in the making of high quality UK cinema films

# Channel 4's remit is enshrined in the company's culture

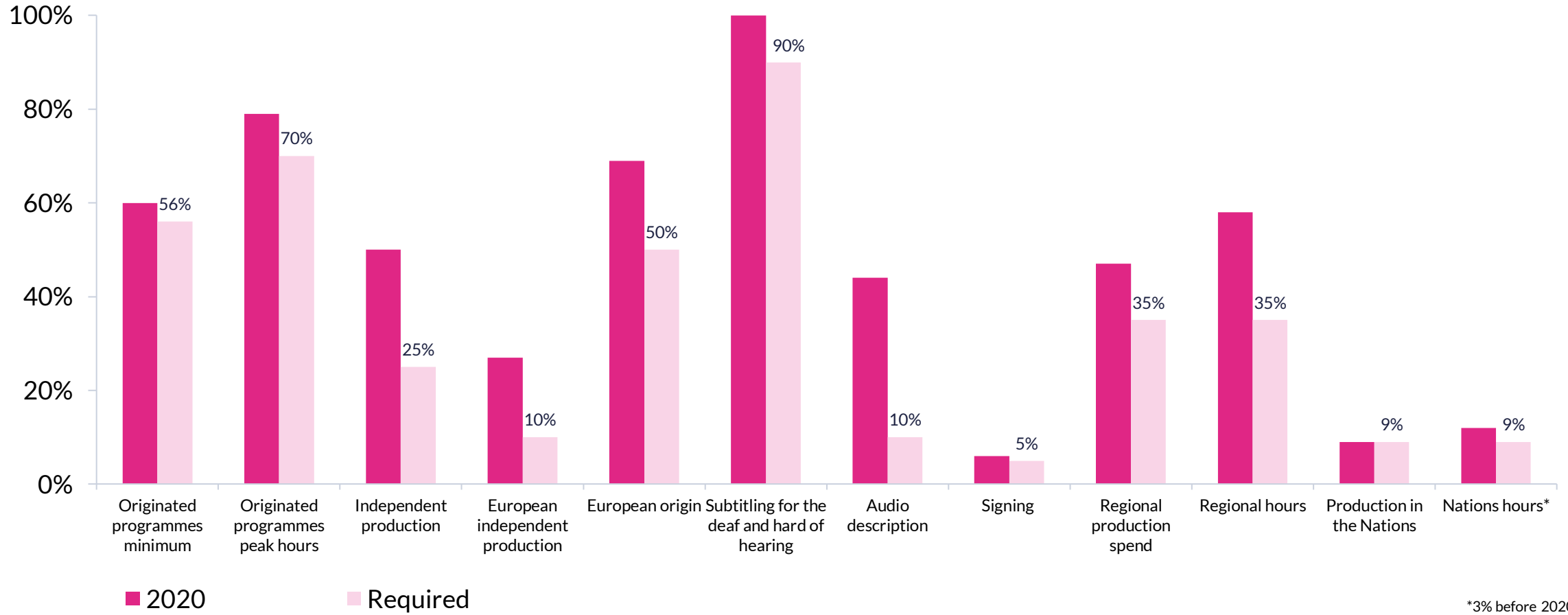
## Audience perceptions against reputational statements, 2020 (%)



[Source: IPSOS MORI commissioned by Channel 4]

# C4's quantifiable remit could be strengthened

Proportion of hours/spend compared to minimum required, 2020 (%)



\*3% before 2020  
[Source: company reports, Enders Analysis]

# Opportunity to secure the long term future of FTA PSB

- Licence fee settlement
- Legislation for PSB prominence extended to online platforms
- Renewal of PSB licences for 10 years
- Successful Channel 4 transition

Thank you

# Disclaimer

**About Enders Analysis** Enders Analysis is a research and advisory firm based in London. We specialise in media, entertainment, mobile and fixed telecoms, with a special focus on new technologies and media, covering all sides of the market, from consumers and leading companies to regulation. For more information go to [www.endersanalysis.com](http://www.endersanalysis.com) or contact us at [info@endersanalysis.com](mailto:info@endersanalysis.com).

**Important notice:** By accepting this research note, the recipient agrees to be bound by the following terms of use. This research note has been prepared by Enders Analysis Limited and published solely for guidance and general informational purposes. It may contain the personal opinions of research analysts based on research undertaken. This note has no regard to any specific recipient, including but not limited to any specific investment objectives, and should not be relied on by any recipient for investment or any other purposes. Enders Analysis Limited gives no undertaking to provide the recipient with access to any additional information or to update or keep current any information or opinions contained herein. The information and any opinions contained herein are based on sources believed to be reliable but the information relied on has not been independently verified. Enders Analysis Limited, its officers, employees and agents make no warranties or representations, express or implied, as to the accuracy or completeness of information and opinions contained herein and exclude all liability to the fullest extent permitted by law for any direct or indirect loss or damage or any other costs or expenses of any kind which may arise directly or indirectly out of the use of this note, including but not limited to anything caused by any viruses or any failures in computer transmission. The recipient hereby indemnifies Enders Analysis Limited, its officers, employees and agents and any entity which directly or indirectly controls, is controlled by, or is under direct or indirect common control with Enders Analysis Limited from time to time, against any direct or indirect loss or damage or any other costs or expenses of any kind which they may incur directly or indirectly as a result of the recipient's use of this note.

©2021 Enders Analysis Limited. All rights reserved. No part of this note may be reproduced or distributed in any manner including, but not limited to, via the internet, without the prior permission of Enders Analysis Limited. If you have not received this note directly from Enders Analysis Limited, your receipt is unauthorised. Please return this note to Enders Analysis Limited immediately.