

TV+ technology: The ‘noughties’ in review

Short-term change is typically overestimated, but long-term change is underestimated.

Television is one media that bucks this trend. Although many new technologies have been touted as a television-killer over the past decade, threatening to disrupt business models and consumption patterns, these purported threats have mostly not materialised.

Digital television, the personal video recorder, video-on-demand, social networks, Internet television and the Web per se have all had fairly little impact, relative to initial expectations, on the way in which or the amount of television we consume.

Change that has occurred has more typically augmented, rather than dissipated, pre-existing television behaviours – particularly with regard to the volume of television watched and the amount spent per head on television.

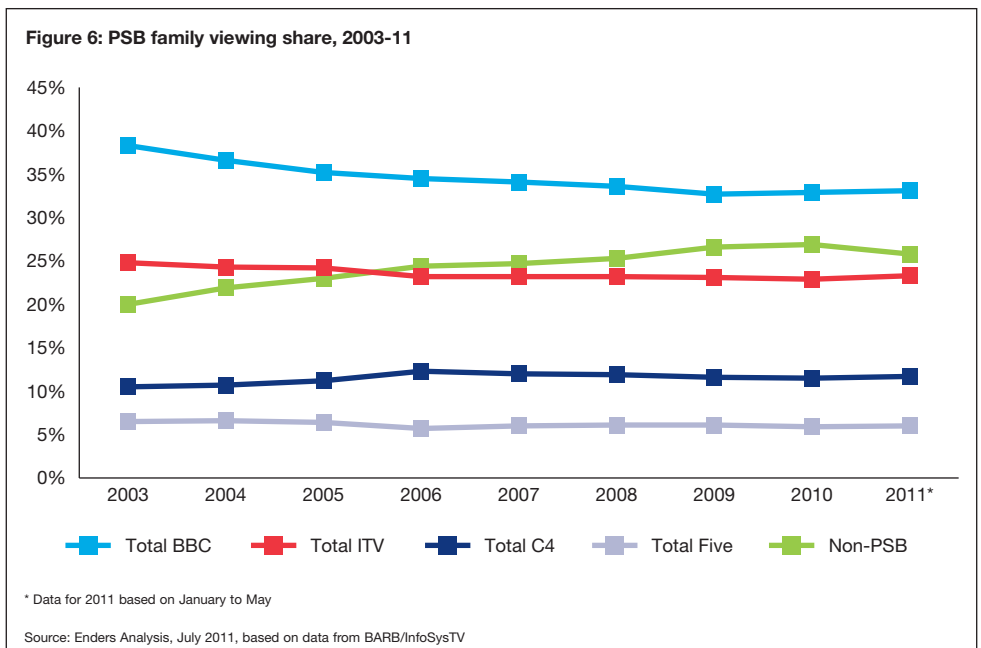
Technological advance has had a greater impact on underlying industry economics. Access to devices, particularly the PVR, and to superior services, such as HD content or high-speed broadband, are key catalysts that have driven demand for premium television.

Digital switchover has precipitated fragmentation. But ‘PSB family’ channels still have 74 per cent audience share.

The past decade has seen a steady migration from analogue to digital transmission of television signal. Analogue switch off, which will be complete in 2012, has provided millions of households with access to multi-channel television.²³ This means access to at least dozens of channels via Freeview and Freesat and hundreds of channels via digital satellite or digital cable. Broadband households have access to tens of thousands of broadcast-quality programmes-on-demand via their PC or, in some cases, connected TV.

Digital switchover was expected to catalyse a steady, inexorable fragmentation of channels, with the original PSB channels expected to be the biggest losers. Viewers were expected to spread their TV viewing across dozens if not hundreds of channels.

The past decade has seen a steady decrease in share of viewing for the PSB family (BBC, ITV, Channel 4 and Five). However despite this steady decline the PSB family’s channels still garner the majority of viewing, claiming more than seven in every ten hours of TV watched in the United Kingdom (see Figure 6).²⁴



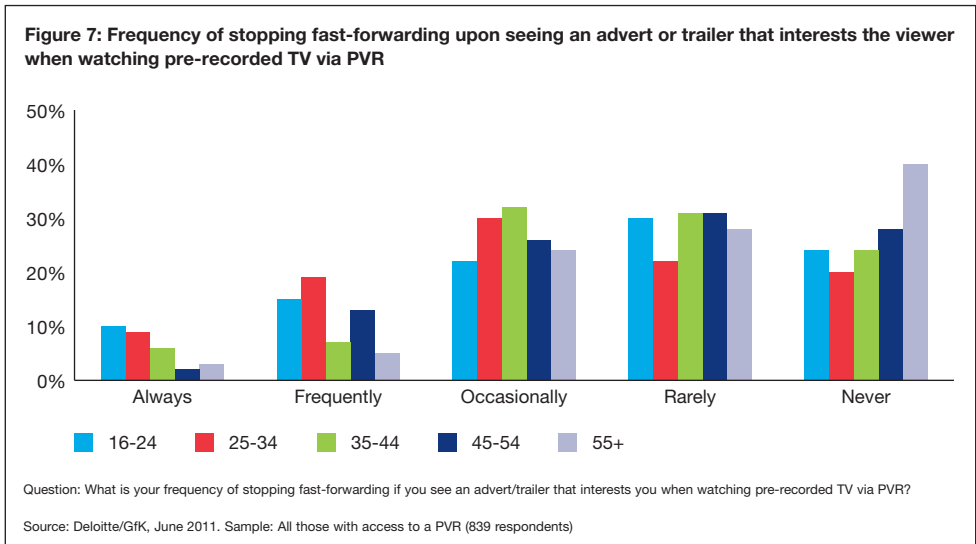
PVRs have encouraged ad-skipping and diminished the proportion of TV watched live. But, as PVR penetration surpasses 50 per cent of UK households, TV ad revenues are forecast to grow. Over 90 per cent of TV in the United Kingdom is still watched live.

The personal video recorder, first launched in the United Kingdom just over ten years ago, was expected to have a profound impact on advertising.²⁵ It was expected to encourage large-scale avoidance of TV advertising. Furthermore, by enabling viewers to watch just what they want to watch, it was expected to reduce overall consumption of TV and fundamentally change the requirement for there to be linear TV channels.²⁶

In 2011, PVR penetration is forecast to exceed 50 per cent for the first time. As the PVR reaches into the majority of UK homes, its actual impact has been largely counter to initial expectations.

The ad-skipping forecast has come true at least as far as PVR owners' perceptions are concerned. PVR users claim to skip over the majority of pre-recorded adverts.²⁷ However automated measurement in selected PVR households indicates that ad-skipping is significantly over-claimed.²⁸ TV advertising is being consumed in greater quantities than ever before, with an estimated 47 adverts per person viewed daily in 2011, up from 34 in 2002 (see Figure 15, in the chapter **TV+ advertising**).²⁹ TV ad revenues are forecast to grow this year.³⁰

Deloitte's research into ad-skipping behaviour has also found that fast-forwarding through adverts is itself subject to interruption: 47 per cent of 16-24 year old PVR owners "always", "frequently" or "occasionally" stop fast-forwarding through ads if they see an advert or trailer that interests them. Fifteen per cent of all PVR owners do this "frequently" or "always".

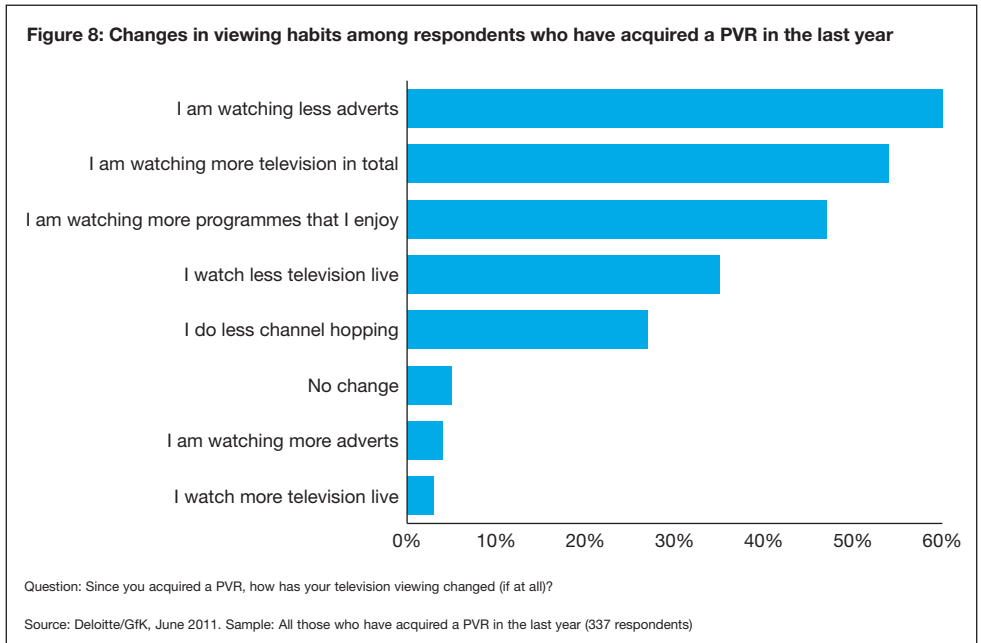


Our research also shows how the PVR may be changing the value of the position in an advertising break. Almost half of all PVR owners “always” or “frequently” stop fast-forwarding adverts when sponsorship appears.³¹

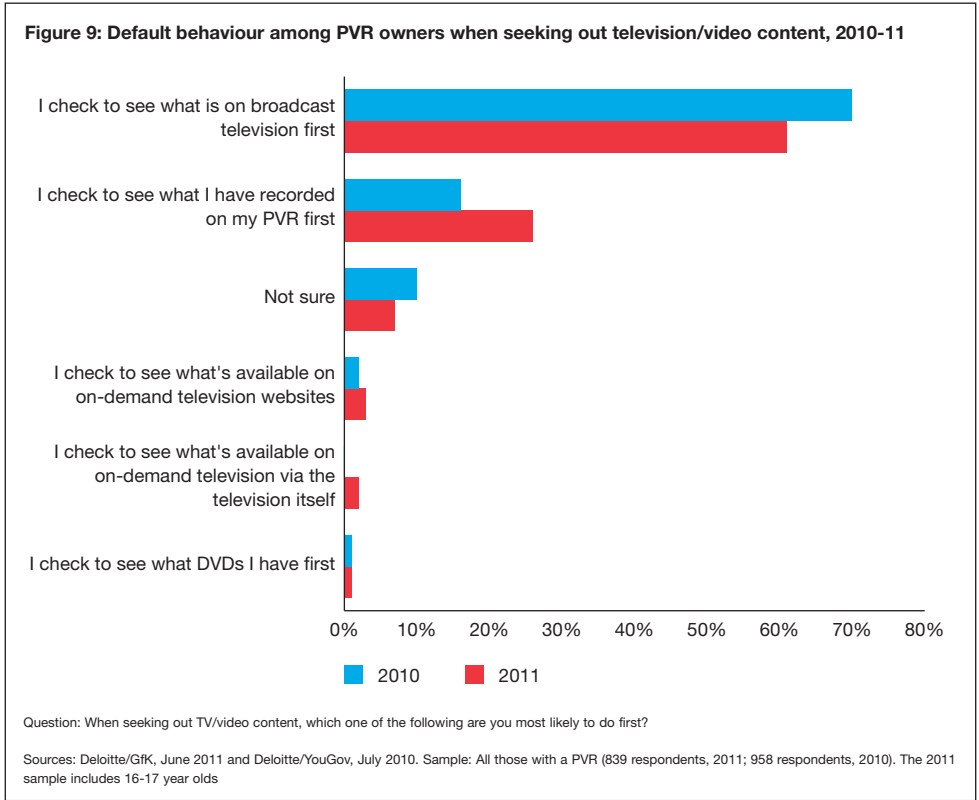
In cases where all advertising is fast-forwarded, there can still be an impact from advertising as viewers’ recognition of just a single image from the advertisement can aid recall.³²

As for the postulated shift to watching all TV pre-recorded, presently the average PVR household watches less than 15 per cent of its television pre-recorded. This proportion has increased only very slightly over the past few years.³³ In 2006, ‘live’ represented 88 per cent of all viewing in PVR households; in 2010 the proportion was 86.4 per cent.

Regarding the anticipated reduction in TV viewing among PVR owners, often the converse has occurred: PVR owners end up watching more. A PVR household is now able to watch talent shows broadcast simultaneously in sequence; previously only one of the shows could have been watched. The only decision required is who gets to watch their preferred programme first. Over half the respondents we surveyed who had acquired a PVR in the last year were watching more television (see Figure 8).



PVRs, in enabling viewers to control what they watched and when they watched, were also expected to render the professional scheduler irrelevant. The outcome has been markedly different: the schedule remains integral to television consumption and the vast majority of PVR owners default to the schedule when they turn on their televisions, as they did in 2010 (see Figure 9). However the proportion of those checking broadcast first fell nine percentage points year-on-year. If there is a further fall of equivalent size in 2012, this would suggest a change in behaviour.



The content most commonly recorded and watched typically aligns with the most popular programmes on the schedule.

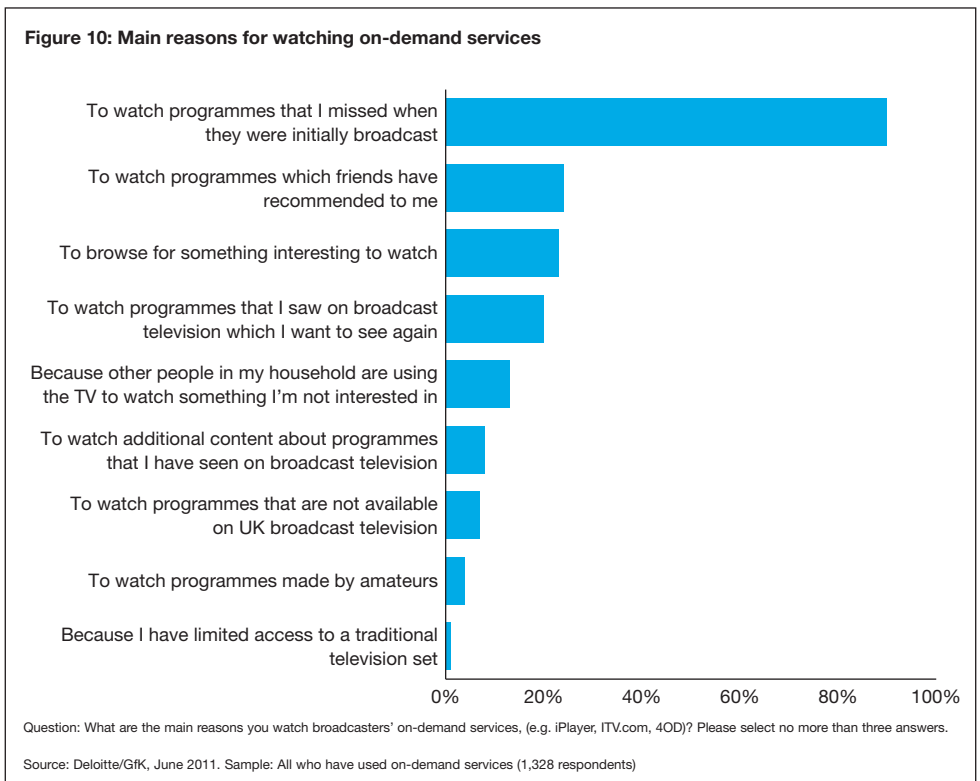
Online video sites promised an infinite palette of user-generated content. Today, they're focused on professionally produced content, with television programmes featuring prominently.

In 2006, the emergence of online video sites, most significantly in the form of YouTube, represented a challenge to television that combined the PVR's ability to avoid the schedule and virtual worlds' offer of user-generated story lines. Over the latter half of the last decade, dozens of online video sharing sites emerged.

By 2010, YouTube had diversified its approach, with its home page highlighting its wide portfolio of TV programming. It had also announced its first major investment in content – to the value of \$100 million.³⁴

Currently the amount of TV watched on-demand in the United Kingdom remains a small proportion of the total. On an average day, about four hours of broadcast TV and about ten minutes of on-demand online TV is watched. Of the latter, the majority is adult content; on-demand viewing of broadcasters' content averages less than a minute a day.³⁵

As with PVRs, the key motivation for using on-demand services – common to 90 per cent of users – is to watch programmes missed when initially broadcast (see Figure 10).



Social networks promise the reach of television and the depth of the Internet. That promise has yet to manifest – but it's still early days for social networks.

Social networks are also expected to compete with traditional television for eyeballs and for advertising revenue. In May 2011, aggregate consumption of television in the United Kingdom was 6.4 billion hours, or 118 hours per viewer.³⁶ By contrast, aggregate consumption of three of the best known social networks, Facebook, Twitter and LinkedIn, was 182 million hours across all users, equivalent to about three per cent of the time spent watching television.

As for the fight for advertising budget, in 2010 Facebook's UK advertising revenue was estimated at about £100 million. This is significant, but minor compared to the £3.42 billion generated by television in that year.³⁷

What matters far more is social networks' trajectory – if advertising and eyeballs continue to grow rapidly they could at some point make a significant dent in the traditional television model. (For a further analysis on TV's relationship with social networks, see the chapter **TV+ social networks**).

The Web was perceived as vying with television for eyeballs; the outcome so far has been more complementary than competitive.

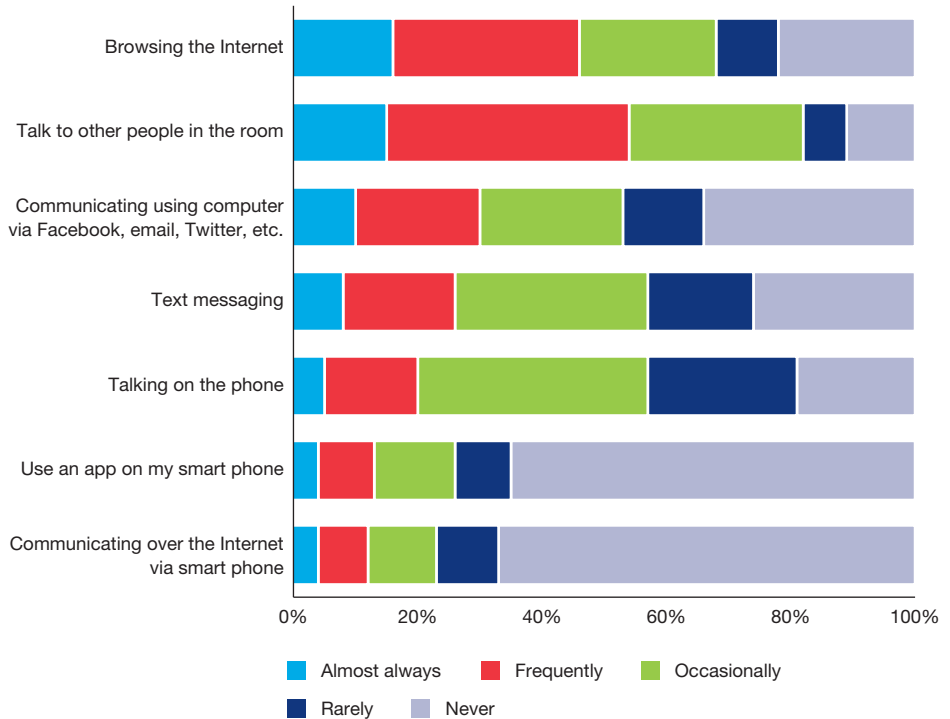
At the start of the last decade, broadband penetration was virtually zero.³⁸

Broadband presents two major potential threats. Firstly it offers, via many devices, access to an infinite range of content, delivered over ever faster broadband connections. Secondly broadband-connected TV sets enable broadcast TV to be usurped by Web content. Both threats imply reduced TV viewing.

Broadband reaches about three quarters of UK households.³⁹ It has been in excess of 50 per cent for five years.⁴⁰ According to our survey, at least 40 per cent of respondents have the capability to access the Web via their television sets, through a games console, BluRay player or integrated capability. Presently over ten per cent of TV sets sold in the United Kingdom are Internet ready.⁴¹

The UK public already seems an avid consumer of the Web while watching TV. Almost half of all respondents claimed to browse the Web "almost always" or "frequently" (see Figure 11). And while it is true that the UK public has for years blended TV viewing with other activities – and indeed over half the respondents surveyed for this report talk to other people in the room "almost always" or "frequently" – chatting to someone else doesn't (necessarily) require eyes to be taken off the screen.

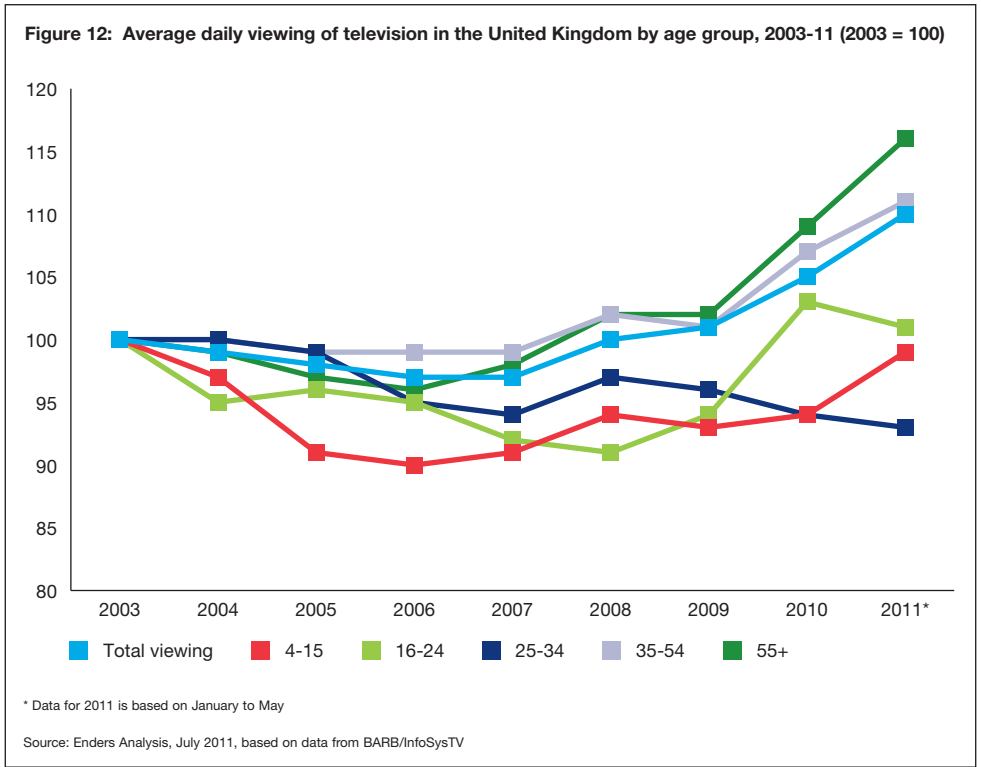
Figure 11: Frequency of doing other things while watching television



Question: How often do you do the following while watching programmes on your television set?

Source: Deloitte/GfK, June 2011. Sample: 2,000

Given the frequency of usage of the Internet one would expect that television viewing figures should suffer accordingly. In 2003 over two-thirds of Internet subscriptions were on dial-up; broadband penetration was 17 per cent.⁴² It is now over 75 per cent.⁴³ Over the same period overall consumption of TV has risen by ten per cent (see Figure 12). Among some age groups, consumption of television has declined, but only moderately. This would suggest that watching TV and browsing the Internet can take place concurrently.



Technology has been neither nemesis nor panacea. Overall it has been positive for the industry.

The one constant for the television industry, as with other media sectors, is that technological advance will unrelentingly evolve the way in which we consume television, as well as influence the underlying business model.

However profound changes, from TV screen technology to 3D production, will be additive as long as they enhance what TV excels at: delivering world-class audio visual content.