Covid-19 Effect on Linear & Video Consumption

Short-term consumption trends during Covid-19 & lockdown

We are of course seeing spikes in linear and unmatched TV according to BARB (Broadcasters' Audience Research Board), but one interesting observation is that although linear is still way ahead of where it would normally be, it is lessening whereas unmatched (that could include broadcaster VOD not in the BARB recognised library, as well as Subscription VOD and gaming) has remained at high levels. It is not a surprise as the general public gets bored of the standard news cycle they are looking elsewhere for entertainment.

Viewers have gone from information consumption, live news spiking linear in the first few weeks, to escapism and entertainment on demand.

More time at home means more time to discover alterative entertainment sources, and this whole situation will only aid the acceleration of on demand culture. Pure OTT still has a long way to go compared to the saturation seen in the US from the multitude of players, but many new OTT operators in the EU now have a strong chance of accelerating plans based on the current behaviour (if they get their user experience and content right). The obvious Global forces of Netflix, Amazon and Disney are of course playing a huge part, but a multitude of AVOD (Advertiser Video on Demand) solutions are also seeing ad call spikes around 30% as people explore their offerings.

It has left more time to explore popular series' Broadcast or OTT, more time to investigate new mediums/channels previously untouched or not considered. It has undoubtedly unearthed more time needed to entertain the kids! (thinkbox)

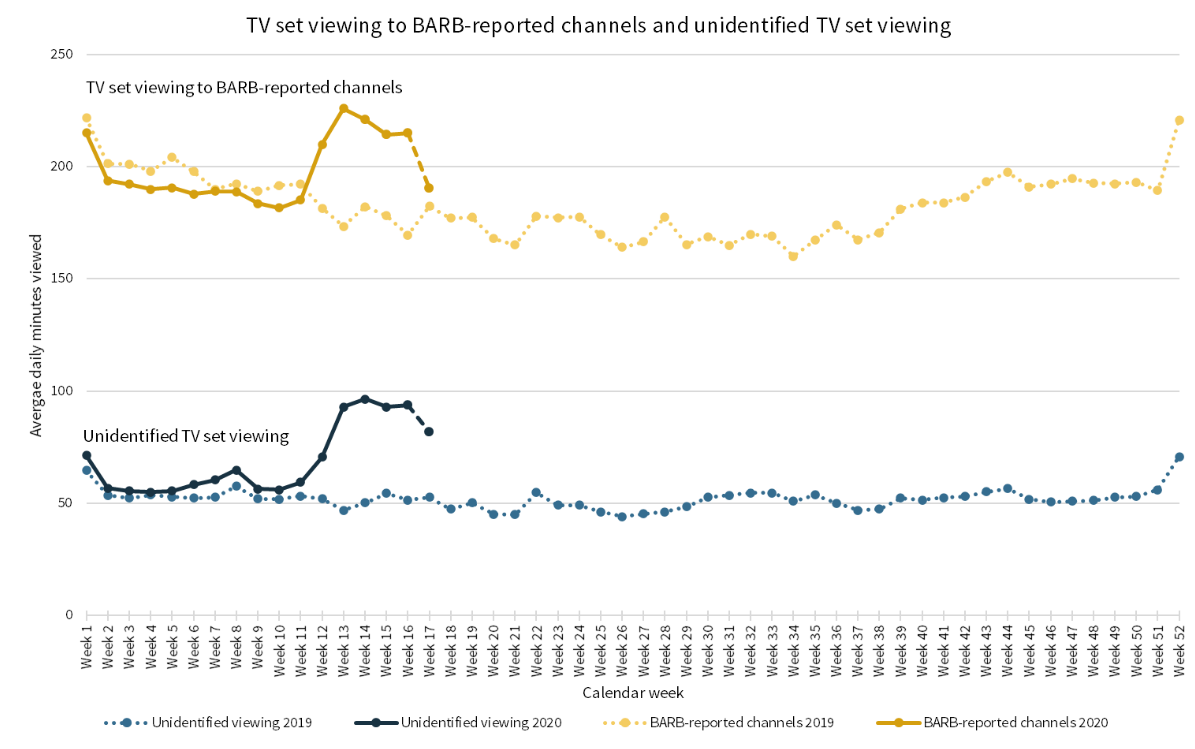
The trends being seen (BARB):

- Overall, traditional broadcast seeing 30% spike in viewing YOY, other activity through the TV screen seeing 100% increase, a major part of that likely to be SVOD & some gaming.
- For the week ending March 29th 2020 (calendar week 13), consolidated 7-day TV set viewing to BARB-reported channels was 226 minutes a day on average, an increase of 16 minutes a day versus the previous week.
- Week 13 this year was 53 minutes a day higher than week 13 in 2019. At 3 hours and 46 minutes a day, we were seeing TV set viewing levels that are greater than the annual peak. Week 16 is seeing this decline from those heights down 10 mins.
- The level of unidentified* viewing remains high. Week 13 saw more growth for this figure, up to 93 minutes per day, an increase of 46 minutes compared with week 13 in 2019. Week 16 came in at 94mins.
- As time goes on it is notable that the spike in linear driven by news is beginning to decline, (graph below – BARB) though still well up on last year, whilst unmatched remains fairly stable at its new heights. This is driven by audiences search for entertainment and escapism away from the "new reality"

*All types of TV set use that isn't viewing to a BARB-reported channel or service… so this can include SVOD/AVOD/Gaming & some BVOD that doesn't appear in BARB's library

Source: thinkbox weekly report (thinkbox)
Source: What people watch edition 2 (BARB)
Source: What people watch edition 5 (BARB)

29/04/20



Source: BARB, individuals 4+. Viewing to BARB-reported channels is consolidated 7-day viewing up to week 16 (solid line), Live & VOSDAL for week 17 (dashed line).

Source: [What people watch edition 5](BARB) (BARB)

Broadcasters Video on Demand platforms have seen huge surges:

- ITV: Viewing on ITV Hub is up across all days of the week c 30% (April 9th edition, likely to have risen in line with the others below). Overall consumption hours are up 80% for the quarter YOY which implies this current situation is only accelerating the momentum in this direction, already underway.
- C4: Over the last week All4 experienced its biggest week ever up 57% YOY.
- Sky: has seen 52% increase in on demand and 48% on demand movies specifically

Source: ITV Viewer Report 9th April
Source: ITV viewer report 17th April
Source: 4 sales viewer report 22nd April
Source: Sky Media viewer report 18th April

Current Benefactors: SVOD (Subscription Video on Demand) & YouTube

- No official numbers of course but Amazon Prime, Netflix & Disney+ have had most success. Disney + being the biggest benefactor.
- There is a 100% increase in unidentified viewing at 46 extra minutes, BVOD is likely to account for between 10-20 mins of that average (looking at the % rise in their numbers) and so plenty of room to view alternative entertainment sources.
- Different market, but interestingly in a recent "Source of Truth" webinar (29/4/20) Nielsen have seen streaming numbers over double in the US.

- As the likes of Netflix & Prime are already house hold names and already had a growing footprint, consumers with more time on their hands are going to watch more if they have it or invest in it to see what the fuss is about if they were considering it.
- Disney + was just pure chance, the "king of kid's content" just happens to launch prior to a pandemic when kids are all at home and need entertaining while parents work… you can't write that! (AdWeek)
- It will be interesting to see official numbers as the weeks roll on but looking at US centric numbers, subscriptions to SVOD services have jumped around 32% (Market Watch)
- YouTube were already seeing huge numbers through the TV screen pre-Covid c24% of impressions, this period will have increased overall YouTube volumes and likely that % above through the TV screen.

Source: Disney Hits 50m Subscribers in less than 5 months (AdWeek)
Source: Streaming pioneer may have the edge on competition (Market Watch)

Potential long-term benefactors: AVOD (Advertising Video On Demand)

- Samsung TV Plus, Roku, Rakuten, Pluto TV and the many more coming to market are seeing inventory spikes as high as that of the broadcasters c30% (according to exchanges such as SpotX % spike in ad calls is reflective of this)
- No gold rush as they still haven't fully established themselves as key parts of media plans yet in the UK, but they are beginning to gain traction.
- This current crisis will accelerate on demand behaviours and make people seek a breadth of entertainment options outside of the traditional mainstays, some of these behaviours will stick. This opens the window for increased growth the other side of lockdown.
- Life after lockdown will not be the same for some time, people will continue to spend more time at home than they were doing previously and if AVOD can promote services & capitalise on the additional audiences they will begin to become part of "the entertainment package".
- Previous to current events it was thought households would top out at around c3-5 subscription services (combinations of pay TV &/or SVOD services, as high as 8 in the US - Ampere Analysis – Connected TV summit 18th March).
    - The next 18 months will inevitably create some huge changes in behaviour with more moments to consume, but economically less money in pocket to reach these multiple subscription levels.
    - If the newer OTT AVOD services get the user experience/content offerings right they could really create a "mainstay status" within consumption habits.

Short term wins *may* be at the cost of long-term: Broadcasters and Pay TV

- As good as it has been for the broadcasters in terms of viewers and impacts/impressions served, they haven't had the advertisers to fill the airtime.
- There have been some excellent adaptions to live TV programming with video calls etc. but the ad market is expected to be down 40% over the next 3 months, series' and soaps are having to be stretched out so content doesn't run too thin.
- Live sporting events shifted to next year will aid recovery, but the behaviour change accelerated by this period to on demand and new mediums is going to play havoc with their

go to commercial model based around linear programming as the anchor to deals. The whole process of change will accelerate for them....they need to keep pace.

- There will always be a place for the broadcasters, they will survive, but the competition is heating up, and adaption of commercial models will need extensive and quick thought as they make the shortfall up with changing consumer behaviours in to on demand.
- There has been glimmers of what is to come with flexibility around spends, concertinaed timelines, new format styles like ITV shout outs & creative help/talent access to advertisers on C4 (Videonet). Ongoing addressable tech investment across all three will aid the situation, but integrating it fully into the breadth of the TV sell is now key.
- Sky at least has subscribers to fall back on, but this *could* be a watershed moment where consumers open their eyes up to and test alternative models for their household's entertainment needs. With the inevitable "V shaped" recession, cited by Sir Martin Sorrel in a recent interview (Beet.tv), which will no doubt have huge ripple effects over the next couple of years, subscribers will now think twice about their package renewal when that comes round a year to 18 months down the line.
    - Very different scenario but… "The 2008 financial crisis caused a sharp reduction in both TV advertising revenue growth and online advertising revenue growth, and caused a later hit to the pay TV market, as unemployment and wage contraction filtered through to in-home subscription spending." (Ampere Analysis) – Video Ad News, newsletter

Source: What leading UK broadcasters have done to mitigate the Covid-19 crisis (Videonet)
Source: Digital Will Accelerate Through V-Shaped Recession (Beet.tv)

What short-term effects will last post lockdown?

- Post lockdown will still have some restrictions, life will not snap back, and some behaviours will start to ingrain in people i.e. stay home one night when previously going out was the only option, avoiding large social gatherings etc.
- A lot of people are going to be really cautious about spending money too with the UK potentially seeing as many as "2m out of work if there is a 3 month lockdown" (Times 14/4/20).
- With all this, the year ahead is without doubt going to see more media consumption than pre-Corona even when lockdown is wound down.
- This means TV will continue to be cheaper in the mid term with more supply and hesitant advertiser spends – those advertisers that can take advantage and test further "advanced TV" opportunities will be well placed
- TV Broadcasters will have to accelerate their plans to become nimbler (both process & commercial wise) to grab as many advertising pounds as they can get their hands on.
- On Demand activity and opportunity for new entrants to the TV advertising space (CTV/OTT) will continue to increase at pace.
- SVOD will continue to benefit from their subscriber bump in the mid-term, but possibly faulter with the economic difficulties' households will see through the next couple of years, there will always be room for advertiser funded VOD within the entertainment mix, "who" provides it will be an interesting journey.

Source: Three-month coronavirus lockdown 'could put 2m people out of work' (The Times)