

---

Broadcast Media and Covid-19:  
**Lessons of the Lockdown**

---







# A Time of **Change**

The 2020s may come to be looked back on in the broadcast media sector as the ‘pandemic decade;’ in which everything was redefined because of Covid-19 and its aftermath: what constituted entertainment and information, what audiences wanted, which methods they used to hear about and share content, and most importantly how programmes and content were made, and at what cost.

Each of the last three decades has seen seismic shifts in media consumption in the UK that could only have been glimpsed at the start of each period.

The 1990s in the UK was the era of multichannel TV via satellite and cable; BSkyB was formed in 1990, and by the end of the decade had seen off commercial competition, reaching 27% of UK homes, whilst cable had 3.5 million subscribers by 2000.

The 2000s were surely the digital era; the number of homes accessing digital terrestrial television (DTV) went from 300,000 in January 2000 to nearly 17 million by 2010.

During the 2010s we witnessed the explosion of streaming; the BBC iPlayer launched in the late noughties and saw huge growth during this decade along with other on-demand platforms, such as Netflix, which only launched in the UK in 2012 but had nearly 10 million paid subscribers by the end of 2019.

So, what do the 2020s hold for UK broadcasting and programming?

With the first case of Covid-19 being detected on the very last day of 2019, it's certain that the pandemic will, in a matter of a few months, have had a major impact on how the next ten years unfolds. When attempting to digest the scale of recent changes, one is reminded of Lenin's famous words: “There are decades where nothing happens; and there are weeks where decades happen.”

Here we will explore what those impacts will be, and how they will affect the different players in the market.

---

The 2020s may come to be looked back on in the broadcast media sector as the ‘pandemic decade;’ in which everything was redefined because of Covid-19 and its aftermath.

---

# Impact on the **Sector**

In its simplest form, the UK broadcast media sector is about creating content, attracting an audience to watch that content and then monetising that audience, either by selling the content directly via subscriptions or selling advertising to sit alongside the content. Covid-19 is having a huge impact on each of those three core pillars:

## Content

The tap supplying new TV content hasn't been turned off, but it has reduced to a mere trickle. Production on all soaps has ceased and airing frequency reduced - Eastenders airing twice a week instead of four times and Coronation Street three shows a week instead of six - aimed at keeping the shows on air until the summer when hopefully production can, in some form, recommence.

Other dramas are no longer filming, delaying the next season of popular UK shows such as Line of Duty and Peaky Blinders as well as big US shows such as Stranger Things and Succession. Some new content has launched during lockdown, such as Killing Eve and Normal People, but that supply will soon run out. Entertainment shows have tried to continue in some form; Graham Norton video-conferencing stars from his home and Ant & Dec introducing old Saturday Night Takeaway content from their sofas.

Finally, but potentially the most impactful, is the effect on live sport, which brings in 6-8% of total TV viewers and has all but stopped (PDC darts is continuing from players' living rooms!). If the lockdown, or at least some form of restrictions continues into the summer, we are likely to start noticing the reduction in content on our screens.

---

The tap supplying new TV content hasn't been turned off, but it has reduced... If the lockdown or at least some form of restrictions continues into the summer, we are likely to start noticing the reduction in content on our screens.

---





## Audience

Perhaps the most obvious and immediate impact to broadcasters is the influence social distancing has had on viewing figures. With lockdown creating a form of captive audience, broadcasters have seen record audiences; Nielsen are predicting as much as a 60% increase in SVOD viewing and traditional broadcasters have seen large audience figures.

In particular, and not surprisingly, news has seen a major boost as, now more than ever, the public demand and consume more trusted news sources. This has seen the BBC getting audiences of more than 20 million a week across its evening news bulletins and ITV News seeing audiences 20% up year-on-year. Furthermore, with schools closed and kids at home to entertain, video media provides an easy outlet for parents, as shown by the recent popularity of Joe Wicks PE lessons with a million people live streaming.

Netflix reported new subscriber numbers in the first three months of this year were double the figure from the last three months of 2019 and has (with Amazon) reduced streaming speeds to ensure broadband networks could cope with the surge. It's also worth noting that social and gaming platforms have experienced equally substantial streaming gains; meaning broadcasters are not the only show in town when it comes to winning audience time.

## Monetisation

The restrictions on socialising, and the uncertainty over the future economic climate has prompted businesses in many sectors to tighten the purse strings and, as is often the case, the marketing budget is one of the first to be squeezed.

Two sectors with the largest advertising budgets – Entertainment & Leisure and Travel – have been the hardest hit by the lockdown restrictions. Naturally, this is significantly impacting those broadcasters who rely heavily on this form of revenue, with forecasts indicating a 50% reduction in advertising spend for April and May. Only recently, Channel 4 announced it is cutting £150 million from its programming budget to offset this short fall in revenue, with analysts estimating that Channel 4 had the finances to survive for only six months without making further cuts.

Business leaders everywhere will be speculating when, how and where the ad market will bounce back. The World Advertising Research Centre (WARC) is forecasting that all categories of ad spend will still be in year-on-year decline in Q4 (down 8.9%), bouncing back in 2021 (13.6% growth) but still not recovering the 2020 decline (down 16.7%). However, compared to a 39.1% decline in Q2, this provides some hope for the back-end of the year, when media owners will be hoping key spend drivers, such as a new football season, Black Friday, the launch of 70 plate car registrations and the holiday season, will provide a boost.

Subscription services are not immune to the impact of the virus either – both BT and Sky have allowed customers to pause subscriptions whilst there is no live sport to show, a decision that could cost them up to £1 billion.

# Impact on the **Broadcasters**

**A**s we've seen, the Covid-19 crisis poses an interesting paradox of impacts on broadcasters; on one hand there are record audience figures, but on the other an inability to produce new content to serve that demand and a serious handicap on their ability to monetise the audience. With the diverse set of commercial models in place across the sector, the effects will be felt differently from one party to the next:

## **Production companies**

From independents through the consolidated groups and including those studios attached to broadcasters; all production companies are being impacted. However, without size, scale, or additional revenue streams to tide them over during this period, this could be an existential threat to the smaller players. The BBC recently announced a package of measures to maintain creative health of the independent production sector during this period, doubling investment in the Small Indie Fund from £1 million to £2 million as one of many measures. Whilst BBC Studios and ITV Studios are also challenged, they have some security in being vertically integrated.

As with many things Covid-related, the key variable is time; if production companies are still not rolling in August, that could spell trouble even for the larger players. Potentially the only glimmer of light for production companies is for those who retain ownership in content IP as, with the new content tap drying up, they can at least monetise existing content. ITV have stated that demand from overseas broadcasters for their content during the pandemic has been "strong"; the same will apply to those who have a deep catalogue, such as BBC Studios, Endemol Shine, All3media and Freemantle.

---

Potentially the only glimmer of light for production companies is for those who retain ownership in content IP as, with the new content tap drying up, they can at least monetise existing content.

---



## Publicly funded PSBs (BBC)

Not only is the BBC well placed to weather the crisis; with 75% of revenues coming from TV licence fees, one could argue that this crisis has lobbied the need for a publicly funded service broadcaster better than any politician could. In times of national crisis, people turn to things that give them comfort and a feeling of familiarity and, it seems the BBC fills some of that need, with huge numbers watching the Queen's speech or Boris Johnson's March 23rd statement versus any other outlet.

In this environment, it's easy to forget that only at the turn of the year rumours were rife about government plans to push the BBC to a subscription model and / or sell off a swathe of assets. Having said all this, given the Covid-induced spending spree from the treasury, there will inevitably be pressure for years to come on government budgets and the BBC will have to take its fair share of that burden. The mid-term review of the BBC charter is due in the spring of 2022, and one can easily imagine an outcome along the lines of a proposal to reduce the licence fee from £154.50 a year to, say, £99 and to instruct the BBC to cut its cloth accordingly.





## Commercial PSB (C4, ITV, C5)

These broadcasters are going to be significantly impacted with a heavy reliance on advertising revenue, often above 50%. If they can weather the storm, it is likely to be some time before advertising spend bounces back and it is questionable whether it even can rebound to pre-Covid levels.

If the 08/09 recession is anything to go by, UK advertising shrank by 13%. In response to this crisis, Channel 4 announced it is cutting £150 million from production budgets and furloughing staff, with ITV bosses taking 20% pay cut as bonuses are scrapped. In an industry that has seen significant M&A activity over the last decade, ITV remains a UK-listed company. However, with a market capitalisation half what it was at the turn of the year, perhaps it has become a prime target for a bigger, global player to get access to a premium UK channel.

Channel 4 of course sits in a peculiar position being publicly owned but commercially funded and as part of the 2016 BBC charter review, then Culture Secretary John Whittingdale recommended that Channel 4 be privatised. That fate was avoided, but fast forward six years and the same man will lead the 2022 mid-term charter review; one must ask whether the outcome this time will be different?

---

Broadcasters are going to be significantly impacted with a heavy reliance on advertising revenue... it is likely to be some time before advertising spend bounces back and it is questionable whether it even can rebound to pre-Covid levels.

---

## Commercial channels (Sky, BT)

Underpinned by subscription models, both BT and Sky are more protected than some other commercial broadcasters from the advertising downturn. However, as referenced earlier in this piece, without live sport, more and more subscriptions are being paused, leaving a potential £1 billion black hole for the two providers. The question for these broadcasters is what recourse they have over the sports' rights owners.

Contractually, Sky would be due £371 million from the Premier League if the 2019/20 season is cancelled, though it is expected they will not claim that money, instead negotiating another settlement (extended agreement or more games?). On the flip side, these providers are benefitting from the general increase in audience, which they can directly monetise; Sky's Now TV increased subscriber numbers by 10.8% versus Q4 2019.



## SVOD (Netflix, Disney+, Amazon)

Disney launched their streaming service Disney+ in the UK in the same week that lockdown was enforced; the global impact of Covid-19 is tragic, but the timing for Disney is serendipitous. It's unclear how many subscribers the service has in the UK, but the total subscriber count leapt from 26.5 million in early February to 50 million only two months later, during which time the service launched across Western Europe. To put this into perspective, Netflix took seven years to hit the 50 million number.

With little reliance on advertising revenue, it's difficult to see how the SVOD services will not benefit from the pandemic. Many had previously predicted a ferocious battle for eyeballs amongst streaming services in a pre-Covid battle to compete with Netflix. Within weeks, we'll see the launch of Quibi, Roku and Acorn TV in the UK, not to mention HBO Max in the US later in May. In 2019 Ofcom reported that nearly 20% of households in the UK had at least two SVOD subscriptions when the choice was limited to Now TV, Amazon and Netflix.

Although audiences are craving content, many people are also on reduced income and one must question how many SVOD subscriptions will be too many. Inevitably, even within the current turbo-charged landscape, there will be losers.

# What Can **Be Done**

Unfortunately, there is no silver bullet solution to the broadcasting industry challenges. However, there is an underlying demand for great content that will continue to exist beyond the end of the current crisis. Broadcasters clearly need to take decisive actions to weather the current economic storm, but in ways that best position them to outperform and win when more stable times return. We've outlined below six key considerations:

## **Continued cost consciousness**

As a short-term response but also more generally, cost saving opportunities need to be a key focus for broadcasters (both platforms / distributors and producers). Healthy cash levels are vital to effectively operate, continuing to pay salaries whilst ensuring business continuity. Broadcasters need to take clear and decisive actions in the short term to protect their long-term viability, such as Channel 4 moving 10% of their staff onto furlough.

Coming out of the crisis, broadcasters need to take learnings and question whether there are longer-term cost savings to be had. That could be looking at production quality, perhaps appreciating, for example, that Robert Peston broadcasting from his front room demonstrates that the glitz and glamour of studio production is not essential for great quality content. Also, it could be a recognition that with millions of people now effectively working from home, large and expensive office space in London is perhaps surplus to requirements.

---

Broadcasters clearly need to take decisive actions to weather the current economic storm, but in ways that best position them to outperform and win when more stable times return.

---



## Innovative content

Broadcasters need to think outside the box when it comes to filling the depleted schedule. It is essential to captivate the audience, whether that's developing innovative new formats, leveraging the back catalogue directly or applying that innovation to getting the most from their archive. Now TV has reported that Dad's Army, at over fifty years old, is the programme with the highest surge in viewership since lockdown. But that's an anomaly and there will be a question whether broadcasters are nimble enough to be innovative, traditionally relying on big studios, heavy equipment, and large production crews.

Already YouTube and social media were demonstrating that an audience could be attracted without high-end production values. With the advancements of technology, it is now possible to buy high specification cameras from the open market and it is becoming simple enough for everyday users to point and shoot. Post crisis, there is a huge opportunity for production companies to embrace the Covid-19 learnings to create great content but with fewer crew, more green-screen, fewer crowd scenes, simpler formats, cheaper equipment and increased use of technology.

## Content curation

Although Covid-19 is driving audience figures up, data from Enders Analysis suggests that the post-lockdown increase in traditional TV viewing (23%), is far smaller than for unmatched (75%), which includes SVOD and online. The opportunity is there for traditional broadcasters to combine the reputation they have as quality and trusted brands with the shareability and reach of social media platforms. Could ITV and Channel 4 be the ones curating and disseminating the funny / quirky / sad / important video clips on WhatsApp and other platforms?

Broadcasters must see their value as trusted editors, schedulers and aggregators of content, and position themselves as the place where viewers know they will be spared the 'chaff' and will see only the 'wheat'. With the proliferation of streaming platforms, there may also be the opportunity to be the aggregator amongst aggregators; for example, Sky TV is already offering complimentary Netflix subscription within some packages.





## Strong content catalogue

With the present restrictions on creating new content, a light is being shone on the importance of quality back catalogues. This isn't entirely new; prior to the crisis there was plenty of activity as various companies vied to build their catalogues, either organically (Netflix investing \$15 billion in new content during 2019), or inorganically (Baniijay becoming the largest non-US player after acquiring Endemol Shine in late 2019).

With the organic route temporarily closed, the crisis is likely to accelerate the inorganic route through either content acquisition or content repurposing. On the acquisition front, some struggling businesses could find themselves targets of opportunistic, cash-rich investors and we might even see the streamers rapidly vertically integrate by acquiring, either in part or in whole, smaller production companies. The cheaper and more likely option is repurposing. Broadcasters that can exploit technology to cheaply unearth and re-version / re-format content either in the form of 'best of' or 'top 100' shows or by making intelligent catalogue recommendations, will be better positioned than those that don't.

## Revenue diversification

As in any sector, revenue diversification is and remains a key tool to spread risk and mitigate losses in a downturn. Ironically, Covid-19 has so broadly impacted all walks of life in all corners of the globe that whether prior diversification decisions have proven successful or not is largely down to luck. During the crisis, the market capitalisation of Netflix (not diverse) did briefly overtake that of Disney (very diverse). In the current crisis, Disney+ and their ability to monetise content is propping up their theme parks, cruise ships, retail outlets and production studios. In a future crisis, it may be the streaming business that needs propping up and how then will Disney and Netflix relatively figure? The lesson here is not to abandon diversification.

Bringing it back to UK broadcasters, greater focus needs to be on driving online offerings, attempting to build subscription-based models, looking at rights ownership and syndication. Revenue diversification isn't a simple fix and will take a long-term and consistent approach, but it can be done; ITV have nearly doubled their non-advertising revenue (£1.5 billion) versus ten years ago, nevertheless advertising still represented 53% of their 2019 revenue.

---

Greater focus needs to be on driving online offerings, attempting to build subscription-based models, looking at rights ownership and syndication.

---

## Long-term strategy

Broadcasters need to not forget about long-term strategy in their short-term crisis response. They need to understand what might drive value in the future and focus on finding opportunities now to position themselves for that. During this crisis, broadcasters will look to pull back on spending but must differentiate “good” costs – those in revenue generative areas with strong growth prospects – from “bad” costs – those linked to legacy activity, not directly driving revenue or linked to future strategy. Those broadcasters that understand their long-term strategy and continue to invest in those areas will be better positioned coming out of the crisis. A great example is Britbox, which has been pushed heavily by ITV, capitalising on empty advertising slots and interstitial airtime to promote a 30-day free trial.

Another key consideration for companies that are in the public spotlight, as many broadcasters are, is the future PR impact of decisions they make during the crisis. Some of the smaller production companies should also be exploring the opportunity to capitalise on the accelerated growth of streaming platforms; Disney+, with subscriber numbers already three years ahead of plan, must need more content to satisfy that demand.

---

During this crisis, broadcasters will look to pull back on spending but must differentiate “good” costs – those in revenue generative areas with strong growth prospects – from “bad” costs – those linked to legacy activity, not directly driving revenue or linked to future strategy.

---



# What then for the 2020s?

**T**he pandemic has transformed the socioeconomic landscape in a matter of weeks, creating uncertainty and challenges that no one could have predicted across the breadth of the economy and broadcasting is not immune. Operations are affected with productions grinding to a halt, and revenues will be reduced where there is a reliance on advertising spend. What was expected to happen throughout the 2020s could well be condensed into just 2020.

With this in mind, there is a requirement to balance short term cost cutting with an understanding of how Covid-19 has accelerated long-term trends, and fundamentally impacted future media consumption. Broadcasters and production companies need to recognise this seismic shift and allocate some resource to best position themselves to capitalise on these changes. If broadcasters can strike the right balance during these difficult times, it could enable them to not only to survive but to capitalise on the opportunities presented in an industry that was already seeing significant change.

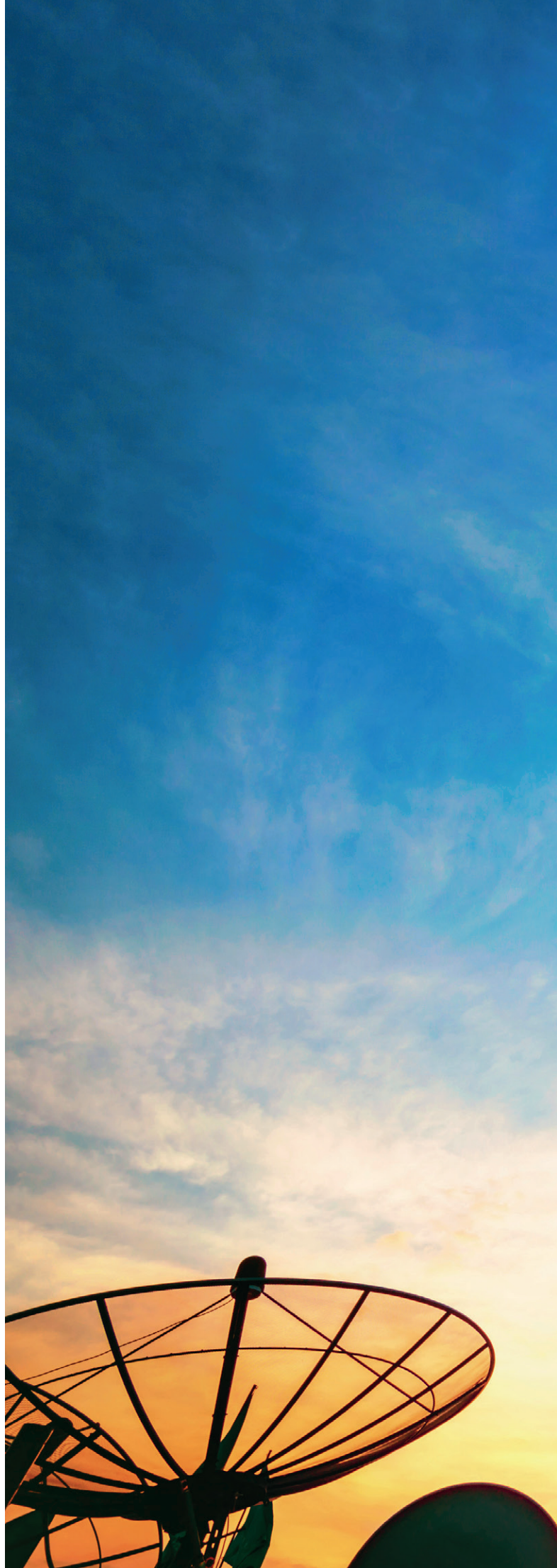
## Want to learn more?

Find out how Vendigital can help.

Simon Woodcock  
Director

e: [simon.woodcock@vendigital.com](mailto:simon.woodcock@vendigital.com)

[vendigital.com](http://vendigital.com)





# VENDIGITAL<sup>®</sup>



[vendigital.com](https://vendigital.com)



[vendigital-ltd](https://www.linkedin.com/company/vendigital-ltd)



[@VendigitalLtd](https://twitter.com/VendigitalLtd)