Audience attitudes to the licence fee and public service broadcasting provision beyond the BBC

A report by Human Capital

Based on data collected by Ipsos MORI and the Knowledge Agency

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HUMAN CAPITAL
STRATEGY • RESEARCH • DEVELOPMENT

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1 Executive summary

1.1 Introduction

This report sets out the audience research commissioned by the BBC to inform its submission to Ofcom as part of Phase 2 of the Second Review into Public Service Broadcasting (PSB).

Human Capital, an independent media consultancy, was commissioned to analyse and draw together all strands of research, including data collected by Ipsos MORI and the Knowledge Agency as part of the BBC's Phase 2 response to this Review.

Building on a large body of existing evidence around PSB, this research focused specifically on two issues where it was felt that further audience insight would form a useful contribution to the debate:

- The licence fee – what is the extent of public awareness about what the licence fee funds? To what extent is there a link between audiences, the licence fee and BBC provision?
- Future priorities and willingness to pay for PSB on commercially funded public service broadcasters – what are audience priorities when faced with difficult decisions about the provision of at-risk genres beyond the BBC and to what extent would audiences be willing to pay for at-risk genres on ITV1, Channel 4 and Five?

The research into the licence fee draws primarily on questions included on an omnibus survey of over 2,000 UK adults aged 15+ and six focus groups. The research on PSB provision beyond the BBC and willingness to pay for at-risk genres draws on a nationally representative quantitative survey of over 1,600 UK adults, aged 16+.

1.2 The licence fee research

1.2.1 Understanding of the licence fee

The research demonstrates high levels of awareness and accuracy in audience understanding of what the licence fee funds.

- In the omnibus survey, when asked unprompted which broadcaster(s) the licence fee funds, a majority of respondents (70%) spontaneously identified that the licence fee funds the BBC. This increased to 86% when respondents were presented with a list of broadcasters to choose from and to 87% when prompted with a list of services.

- Among those who were actually responsible for paying the licence fee, awareness was higher still – 77% of those who pay the licence fee spontaneously mentioned the BBC in the *unprompted* question, and 91% of people who pay the licence fee selected BBC services in the *prompted* service question.
- It was clear to the majority of respondents that the only broadcaster funded by the licence fee is the BBC. Unprompted, only 6% misattributed licence fee funding to other broadcasters and 68% mentioned only the BBC. When prompted with a list of services, 12% misattributed the licence fee and 77% correctly mentioned only the BBC or digital switchover. At the same time, a proportion was uncertain: unprompted 26% of respondents said they did not know which broadcasters the licence fee funds, and after prompting 10% remained unsure.
- When asked to identify specific services funded by the licence fee in response to the prompted question, BBC One and BBC Two were identified by the greatest number of respondents (86%). In terms of other BBC services, awareness of licence fee funding was higher among respondents who were regular users of these services:
    - 69% of the total sample identified one or more BBC digital TV channel(s), rising to 86% among regular viewers of BBC digital channels;
    - 58% of the total sample identified BBC radio, rising to 69% among regular listeners to BBC radio;
    - 51% of the total sample identified BBC online, rising to 76% of those who had used bbc.co.uk in the last month.
- At this very early stage in digital switchover, in the *prompted* services question just 4% of the sample correctly identified that funding from the licence fee contributed towards the cost of digital switchover and the help scheme.
- The exploratory focus groups added further insight on awareness of what the licence fee funds. When discussing what the licence fee is for, most participants instinctively understood payment of the licence fee to mean that they had the right to watch TV. In parallel, and in line with the findings of the omnibus survey, the great majority of participants in these groups also had a strong awareness of what the licence fee revenue is actually used for (funding a range of BBC services across different media). These two ideas were generally understood concurrently, and are both, of course, correct.

1.2.2 Expectations placed on the BBC

The research shows that there are considerably higher expectations of the BBC in terms of accountability to the public compared with the other main broadcasters.

- In the omnibus survey, the vast majority of respondents (84%) agreed that the BBC should be answerable to the public when it comes to how it spends its income. This was significantly higher than the results for other broadcasters where between 45% (Sky) and 51% (ITV1) of respondents agreed. 49% agreed that Channel 4 should be answerable to the public in this way, and for Five the figure was 46%.

- Equally, 84% of respondents agreed that the BBC should be answerable to the public for what it does and what it shows. Again, this was significantly higher than for other broadcasters where the level of agreement ranged between 58% (Sky) and 65% (ITV1).

1.2.3 The audience, the licence fee and the BBC

The research suggests that there is a link between the audience, the licence fee and the BBC.

- Results from the omnibus survey showed that the greater the awareness of what the licence fee pays for, the greater the expectation of the BBC. Respondents with the greatest knowledge of the services funded by the licence fee had significantly higher levels of agreement that the BBC should be accountable to the public than those who were less aware of the BBC services funded by the licence fee:
    - Amongst respondents who identified three or more types of BBC services as being licence fee-funded, at least 90% agreed that the BBC should be answerable to the public for how it spends its income;
    - Amongst respondents who did not identify any BBC services as licence fee-funded, 62% agreed that the BBC should be answerable to the public for how it spends its income.
- At the same time, respondents who identified three or more types of BBC services as being licence fee-funded also had much higher expectations of the BBC in this regard compared with their expectations of the other broadcasters (ITV1, Channel 4, Five and Sky). Respondents with no knowledge of the BBC services funded by the licence fee had broadly similar levels of agreement across the five broadcasters.
- A similar pattern of results was also evident when respondents' level of agreement that the BBC should be answerable to the public for what it does and shows was analysed by their knowledge of what the licence fee funds.
- Moreover, the small number of respondents who thought that ITV service(s) or Channel 4 service(s) received the licence fee had higher levels of agreement that these broadcasters should be answerable to the public compared with those who did not think ITV service(s) or Channel 4 service(s) received this funding:
    - 75% of the small number of respondents who thought ITV service(s) received the licence fee agreed that ITV1 should be answerable to the public for how it spends its income, compared to 49% of those who did not

think that ITV service(s) were funded in this way. The figures for Channel 4 were 69% and 48% respectively.

- In combination, these findings support the general conclusion that there is a relationship between perceived licence fee funding and audience expectations of a broadcaster (in terms of accountability) and that the particular conclusion that there is a link between the audience, the licence fee and the BBC.
- The exploratory focus groups add further insight to these findings. Because of its public funding, and its important role in their lives, participants felt that they had the right to be critical of the BBC. Equally, however, many (including some of those who were most critical) demonstrated a deep level of real affection for their favourite BBC programmes.
- Participants in the focus groups had a strong sense of what the licence fee brings in terms of benefits. It was felt to guarantee many valued characteristics of the BBC, including a range of high quality output for everyone, independence from commercial and political pressures, and services which are free from commercial advertising.
- However, for most this did not translate into a sense of having (or wanting) an individual stakeholder relationship with the organisation. Most were happy to remain as consumers.

1.2.4 Serving all audiences

With its range of services, the great majority of respondents believed the BBC provided different styles and something for everyone.

- Over three-quarters (77%) of respondents agreed that the BBC provided different styles across its different channels, programmes and services, and a similar proportion (78%) agreed that it provided something for everyone.

1.2.5 Use of the licence fee to fund PSB provision beyond the BBC

In the focus groups, initial reactions to this idea were mixed. However, following more detailed discussion of the potential benefits and drawbacks, alternative funding methods were overwhelmingly preferred in all but one of the six groups.

- Much of the discussion in the exploratory focus groups aimed to explore the appeal of using the licence fee to fund public service broadcasting on the commercially funded PSBs.
- When first presented with the idea of using money from the licence in this way, respondents were initially interested in the idea and found it equitable.
- After discussion, however, many displayed reservations, particularly that the use of the licence fee in this way would dilute the quality of the BBC's output.

- Although respondents valued the status quo in terms of PSB provision, when faced with difficult funding decisions, most, on reflection, would rather that the BBC maintained and/or increased both quantity and quality of its output ahead of funding PSB obligations on commercial channels.
- Instead of using the licence fee, alternative funding methods were preferred in all but one of the six groups. This was in line with findings from the quantitative survey of 4,577 UK adults reported in the BBC's response to Phase 1 of Ofcom's Review.[1]

All in all, these findings show that there is a high degree of awareness and accuracy in terms of what the licence fee pays for among respondents. In this study, a clear majority of the public knew that the BBC is the only broadcaster to be funded in this way. Expectations of the BBC in terms of its accountability to the public are substantially higher than they are for other main broadcasters. Moreover, analysis showed that the greater the awareness of what the licence fee pays for, the greater the expectation of the BBC. These findings support the conclusion that there is a link between the audience, the licence fee and the BBC.

[1] See www.bbc.co.uk/thefuture for a summary of the Phase 1 audience research

1.3 Future priorities and willingness to pay for PSB on commercially funded PSBs[2]

1.3.1 Desire for provision beyond the BBC

Overall, the quantitative survey revealed that there was an appetite for provision on the commercially funded PSBs beyond the BBC for some at-risk[3] genres. However levels of need varied by genre, and when we asked why respondents felt provision was essential, motivations were diverse.

- This part of the research covered all genres currently provided on the commercial PSBs, not just those which are at risk. This gave context to respondents' views about the at-risk genres.
- The majority of respondents (84%) identified at least one programme type, across all 18 tested, in which their household would feel it was essential to have provision on ITV1, Channel 4 or Five in addition to the BBC.
- Looking specifically at the at-risk genres, there was considerable variation in the proportion of respondents who identified provision by the commercially funded PSBs, beyond the BBC, as essential. Out of all 18 genres, such an essential need was most commonly identified for national and international news and regional news, cited by around half of the respondents. However, for some other at-risk genres – arts and classical music and religious programming – only small numbers (under 15%) saw provision by one or more of these channels, in addition to the BBC, as essential. UK-made children's programming was essential for almost half of parents with children at home, making this the second highest priority for this group after national and international news. However, for the sample overall, UK children's programmes were less of a necessity.
- To understand the key drivers behind these responses, those respondents who had stated that it was essential for their household to have the programme type on

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[2] Given that the questions in this section concern television viewing habits and preferences and willingness to pay for television content/channels, the data reported in this section is based on adults with a television in the household (that is 98% of the adult population). In the survey respondents were asked to think from a household perspective, including when answering questions on willingness to pay.

[3] Market modelling carried out for the BBC has identified the following genres as being at risk: current affairs; national and international news; regional news; other regional programming; UK-made serious factual programming (e.g. on arts, classical music, history, religion and science); UK-made children's programming. See CapGemini, *An Analysis of Market Provision of Public Service Content and an Evaluation of Funding Options for Content in At-Risk Genres.* Available at www.bbc.co.uk/the future

ITV1, Channel 4 or Five, in addition to the BBC, were asked to indicate their main reason for this from a list of options[4].

- The results suggest that the motivation underpinning these respondents' desire for provision on ITV1, Channel 4 or Five was mixed. Across all 18 genres, there was an approximately equal three-way split between the available reasons:
    - Approximately one-third of respondents were keen to see a range of styles,
    - Another third were prompted by their tendency to watch the genre on ITV1, Channel 4 or Five, and
    - The final third wanted more volume of output.
- This final reason – the desire for more volume in a genre – is, however, subtly different in kind from the other two options, since it does not inherently place importance on which particular broadcasters provide that content. (Evidently, though, this was the ideal for the respondents here in expressing a need for provision on ITV1, Channel 4 or Five in addition to the BBC.)

<u>1.3.2 Willingness to pay for provision beyond the BBC</u>

Overall, the estimate from the quantitative research indicates that the average level of willingness to pay for at-risk genres (£1.28 per month) was under half of the amount found in research published by Ofcom in September 2008 (£2.92 per month based on all respondents). We believe differences are attributable, at least in part, to changes in the economic situation denting consumer confidence[5], and also to differences in question method and in the genres included.

Levels of willingness to pay varied between the at-risk genres, and were highest in national and international news, particularly on ITV1. There were lower levels of willingness to pay in other at-risk genres.

- Our principal means of assessing respondents' willingness to pay for at-risk genres was adapted from a methodology employed by the Work Foundation when

[4] The options given were as follows: 'We / I would want <u>more</u> of this type of programme on TV overall and more opportunities to come across this type of programme'; 'We / I would want a <u>range of different styles</u> of this type of programme; 'We / I <u>tend to watch</u> this type of programme on ITV1, Channel 4 or Five'; 'None of these'.

[5] 32% of consumers cited the economy as an issue in June 2008 (when fieldwork was conducted for Ofcom's survey), compared with 62% by November when the fieldwork was carried out for this study. Source: Ipsos Mori tracking study of issues facing Britain today

ascertaining willingness to pay for the BBC for DCMS[6]. This approach first involved ascertaining respondents' willingness to pay subscriptions at a channel level for each of ITV1, Channel 4 and Five. Then, those respondents who were willing to pay for the channel were asked to divide 100 points between the genres currently shown (including those at risk and not at risk) based on the amount their household valued watching them. A proxy for willingness to pay for each genre was then created by multiplying the proportion of points each respondent allotted to the genre by the total sum they would pay for the channel overall.

- The investigation found that, on average, respondents were willing to pay a total of £1.28 per month for the at-risk genres on ITV1, Channel 4 and Five.
- At a channel level, respondents were willing to pay the most for at-risk genres on ITV1 (£0.68), then on Channel 4 (£0.40) and then Five (£0.20) (although different numbers of genres appeared on the lists for each channel, reflecting what they currently show).
- One of the benefits of this willingness to pay method is that, as well as enabling a comparison across at-risk genres, it also allows for a comparison of willingness to pay between genres that are and are not at risk. For each channel, approximately one-third of the total amount that respondents were willing to pay was allocated to at-risk genres and two-thirds to genres that are not at risk.
- Analysis showed that generally the at-risk genres are not those for which respondents would pay most. The exception to this is national and international news, which ranks highly for willingness to pay amongst all genres despite being an at-risk genre.
- Of the at-risk genres, respondents would pay most for national and international news on ITV1. Indeed, of the at-risk genres, willingness to pay was highest for national and international news across all three channels.
- Across the whole sample, respondents said they would pay least for UK-made children's programming on ITV1 and Five. However, parents with children in their household would pay double the average for this content.

The research also included a line of questioning specifically about future provision of at-risk genres on commercially funded PSBs. When told that certain genres on ITV1, Channel 4 and Five could be reduced in the schedule and also informed about the type of programmes that could take their place, levels of audience concern were mixed.

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[6] Willingness to pay for the BBC during the next charter period: A report prepared for the Department for Culture, Media and Sport (The Work Foundation, 2006). Available at: http://dev2.theworkfoundation.com/Assets/PDFs/DCMS.pdf

- For most at-risk genres, a clear majority of at least two-thirds or more of respondents said they would be satisfied with a reduction in provision, bearing in mind the context we gave them about what might be shown in its place.
- There were only two programme types where the sample was more evenly split between those who were satisfied and dissatisfied with a potential reduction: regional news on ITV1 and national and international news on ITV1.
- Compared with the sample overall, there were higher levels of dissatisfaction amongst parents with children in the household at the notion of a reduction in children's programming on Five and on ITV1. That said, in both cases it was still a majority of around 60% of parents who were satisfied with a reduction.
- Those respondents who were dissatisfied with reductions in at-risk genres were then asked about alternative options on how the shortfall could be met: would they be prepared to pay a charge to ensure provision; or have BBC One and BBC Two provide more of the genre to make up the difference for no extra charge (which would mean the BBC would show less of other types of programmes); or, on reflection, would they be prepared to see a reduction after all?
- In the context of the options we gave them, very few of those respondents who wanted to maintain provision were willing to pay for it. Depending on genre, between 9% and 19% of those respondents who would be dissatisfied with a reduction were willing to pay.
- Extended provision by the BBC, to make up the difference in any reduction on commercially funded PSB, was a more popular option (depending on the genre, this was chosen by 54% and 63% of respondents who had wanted to see provision continue on ITV1, Channel 4 or Five). In most genres there was also a core minority (16%-28% depending on the genre) who, given the options, would reluctantly accept a reduction in a genre, rather than pay for provision to be maintained, even though they had previously been dissatisfied at the prospect of a decrease in output.
- Using this methodology, 15% of the overall sample was willing to pay for at least one genre/channel combination.[7]

[7] To complete this line of questioning, respondents who had said that they were willing to pay to maintain the current level of provision were then asked the maximum amount per month their household would pay for that genre on that channel. However, owing to the fact that few respondents had been willing to pay, the sample sizes at this stage of the questionnaire were very small (ranging from 11 to 63 respondents depending on the genre), and it is therefore not possible to report meaningful willingness to pay figures based on this.

All in all, this evidence showed that audience attitudes towards provision of at-risk genres beyond the BBC are complex. Their priorities for provision on ITV1, Channel 4 or Five, in addition to the BBC, are national and international news and regional news, as well as children's programming among parents. Audiences' motivation for seeking provision beyond the BBC is mixed and can be attributed as much to securing volume of output as it can be to securing a range of approaches or because of habitual viewing patterns. There is willingness to pay for at-risk genres, though this varies by genre, and in this research the figure was under half of what Ofcom found. The difference, we believe, is due to declining consumer confidence as well as to differences in question method and in the genres included. Provision of at-risk genres on ITV1, Channel 4 and Five is valued, but not at any cost. When specifically told that at-risk genres on these channels could be reduced, informed of the programme types that could take their place and offered alternative ways to make up the shortfall, far more respondents accept a reduction in each at-risk genre or accept an increase in BBC provision in its place than say they would pay to retain it on commercially funded PSB.

1.4 About Human Capital

Human Capital is an independent research, strategy and development consultancy, specialising in the media sector.

For more information, please see www.humancapital.co.uk

2 Introduction

2.1 Overview

This report sets out the audience research conducted on behalf of the BBC to inform its submission to Ofcom as part of Phase 2 of the Second Review into Public Service Broadcasting (PSB).

Human Capital, an independent media consultancy, was commissioned to analyse and draw together all strands of research, including data collected by Ipsos MORI and the Knowledge Agency as part of the BBC's Phase 2 response to this Review.

There is a large body of existing data, including work conducted by Ofcom in two phases of the Review[8] and by the BBC Executive as part of the BBC's Phase 1 submission[9]. This research therefore focused specifically on two issues where it was felt that further audience insight would form a useful contribution to the debate:

- The licence fee – what is the extent of public awareness about what the licence fee funds? To what extent is there a link between audiences, the licence fee and BBC provision?
- Future priorities and willingness to pay for PSB on commercially funded public service broadcasters – what are audience attitudes towards provision of PSB beyond the BBC and to what extent would audiences be willing to pay for at-risk genres on ITV1, Channel 4 and Five?

2.2 The evidence base

The research into the licence fee draws on four pieces of evidence:

- Licence fee omnibus survey – The main source of data is taken from questions included in an omnibus survey conducted by Ipsos MORI between 24th October and 1st November 2008, and asked to over 2,000 UK respondents, aged 15+. This covered knowledge of what the licence fee pays for and attitudes towards a range of broadcasters (BBC, ITV, Channel 4, Five and Sky).
- Licence fee exploratory focus groups – Consisting of six focus groups held between 22nd and 29th May 2008. This qualitative research by an independent research agency, The Knowledge Agency, was intended to provide insight into the relationship between the audience and the BBC and to gauge initial responses to

[8] Ofcom's research is available at http://www.ofcom.org.uk/consult/condocs/psb2_phase2/; http://www.ofcom.org.uk/consult/condocs/psb2_1/

[9] The BBC's Phase 1 research is available at: http://www.bbc.co.uk/thefuture/submission.shtml

the idea of allocating part of the licence fee to commercially funded PSBs to support their public service obligations.

- Quantitative survey from Phase 1 – Relevant findings have also been taken from the large-scale survey to 4,577 UK adults commissioned by the BBC executive as part of the BBC submission for Phase I of the PSB review. This was a wide-ranging questionnaire, the findings from which have already been published, and data collected in relation to the licence fee, particularly around audience reaction to its use as a means of funding PSB content on ITV1, Channel 4 and Five, has been included in this report as applicable. It is included in order to draw all the relevant material and data into a comprehensive report into this complex issue [10].

The research into provision of PSB beyond the BBC and willingness to pay for at-risk genres draws on the following evidence:

- Quantitative survey – This was a specially commissioned survey of a nationally representative sample of 1,601 UK-based respondents, aged 16+, conducted by Ipsos MORI between 25th October and 16th November 2008. In this survey respondents were asked about the genres which they were keen to see provision continue on ITV1, Channel 4 or Five in addition to the BBC, and their reasons for this. The questionnaire also sought to ascertain how much households would be prepared to pay for at-risk genres on these channels. In a third line of enquiry, the questionnaire investigated whether respondents and their households would be satisfied or not if provision of at-risk genres was reduced on ITV1 or Channel 4 or Five, and amongst those respondents who were dissatisfied with such reductions, probed their views on alternative options that could potentially address the issue.

Please note that more detail on the research objectives and methodology, as well as the research instruments themselves, will be made available at www.bbc.co.uk/thefuture.

2.3 Structure of the report

Human Capital has drawn together and analysed all the data collected by Ipsos MORI and the Knowledge Agency on behalf of the BBC. Following the Executive summary (Section 1) and this Introduction (Section 2), the report is structured as follows:

- Section Three – Licence fee research
- Section Four – Future priorities and willingness to pay for at-risk genres on commercially funded public service broadcasters.

[10] See 'PSB now and in the future: audience attitudes. A report plus research appendix by Human Capital' available at http://www.bbc.co.uk/thefuture/submission.shtml.

2.4 Comparisons with Ofcom data

As part of its audience research for the PSB review, Ofcom has covered similar lines of enquiry. Where applicable, any similarities or differences in the findings of the research carried out for the BBC and that conducted for Ofcom are highlighted.

2.5 About Human Capital

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For more information, please see www.humancapital.co.uk.

3 The licence fee research

3.1 Key points from the licence fee research

Drawing primarily on data collected via an omnibus survey to over 2,000 UK adults aged 15+, and six focus groups, the purpose of this part of the research was, first, to explore the extent to which audiences understand what the licence funds and how much it costs and, second, to investigate the extent to which there is a link between audiences, the licence fee and the BBC.

- The research demonstrates high levels of awareness in audience understanding of what the licence fee funds among respondents.
- In the omnibus survey conducted as part of this research programme, a clear majority of the public knew that the BBC is the only broadcaster to be funded in this way.
- In the focus groups, the licence fee funding mechanism was felt to guarantee many facets of the BBC that participants valued: high quality programmes, a range of output (something for everyone) and independence from commercial and political pressures. It was also felt to guarantee that the BBC would be kept free of commercial advertising.
- The omnibus survey shows that there are considerably higher expectations of the BBC in terms of accountability to the public compared with other main broadcasters.
- Moreover, analysis showed that the greater the awareness of what the licence fee pays for, the greater the expectation of the BBC. These findings suggest that there is a link between the audience, the licence fee and the BBC.
- In the focus groups, initial reactions to the idea of using the licence fee to fund PSB on commercial channels were mixed. Participants could identify some benefits to using the licence fee in this way. However, many had reservations about the impact on the BBC, and after discussion alternative funding methods were overwhelmingly preferred in all but one of the six groups.

3.2 Introduction

The purpose of this part of the research was sought to address two questions.

- What is the extent of public awareness about what the licence fee funds?
- To what extent is there a link between audiences, the licence fee and BBC provision?

3.3 Public understanding of the licence fee

The first element of the research focused on understanding whether respondents were aware of the cost of the licence fee and whether they were aware of the broadcaster and services that are funded in this manner.

3.3.1 Cost of the licence fee

As part of the Omnibus survey, respondents were asked, ”Who pays the licence fee in your household?” and were invited to choose one of five response options:

- ‘I do’
- ‘Someone else pays’
- ‘I share the cost with others’
- ‘I/we are given it for free because somebody in the home is over 75’
- ‘I don’t need a licence’
- ‘Don’t know’.

Approximately two-thirds of all the respondents interviewed were responsible for paying their own licence fee, either by themselves (55%) or by sharing the cost with others (11%). The remainder either benefit from someone else paying (23%), live with someone aged over 75 and therefore do not have to pay (6%) or do not need a licence (3%). In addition, 1% did not know. Those people who were either solely or jointly responsible for paying the licence fee have been analysed as a subgroup and are referred to throughout this section of the report.

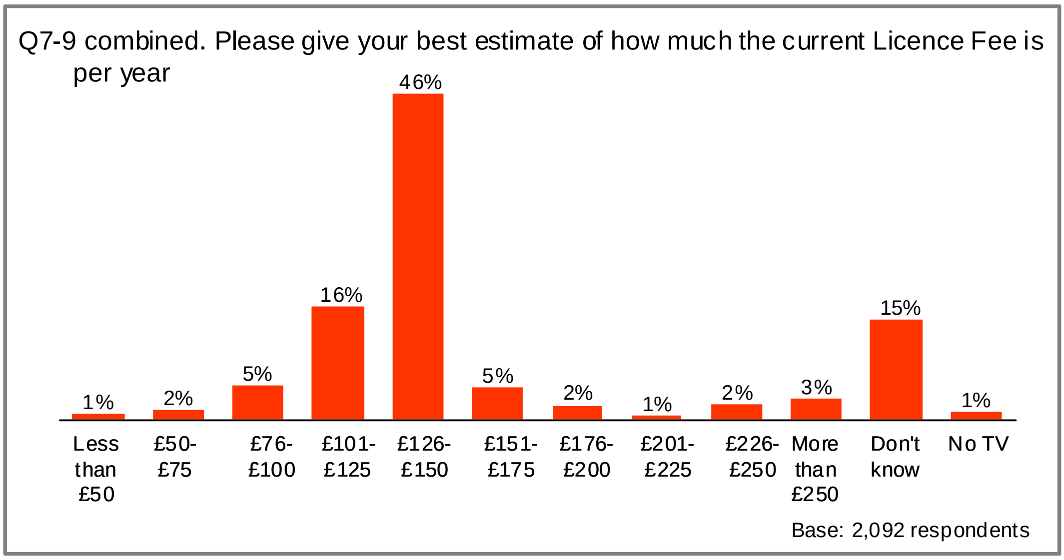
Respondents in the Omnibus survey were asked to estimate the current cost of the licence fee (currently it is £11.63 per month or £139.50 per year). Those who paid monthly were asked to estimate their monthly payments, those who paid annually were asked to estimate their annual payment, whilst all other respondents[11] chose from a list of price bands.

[11] This group comprised respondents who did not know whether they paid monthly or annually, those who did not need a TV licence and those who answered “don’t know” when asked to estimate either the monthly or annual cost.

- Those who paid for their licence fee monthly estimated on average that they paid £13.36 per month (£160.32 per year);
- Those who paid annually gave an average estimate of £131.19 per year;
- Combined, these two groups estimated the licence fee at an average annual cost of £146.79.

The estimates from these respondents were then combined with the results from the remainder of the sample who had selected the cost of the licence fee from a list price bands (Figure 1). At this total sample level, 46% correctly estimated the cost between £126 and £150 per year[12]. 15% of the sample did not know how much the licence fee cost, though this was substantially higher among those who were *not* responsible for paying the licence fee (31%) than those who were responsible (7%).

Figure 1: Estimates of the annual cost of licence fee



3.3.2 Understanding of the services the licence fee funds

In the Omnibus survey, three questions were used to determine whether respondents knew what the licence fee funds.

- Firstly, they were asked an unprompted question, “To the best of your knowledge, what broadcaster or broadcasters does the money from the licence fee fund?”
- Secondly, they were asked a prompted question, “From this list, which of these broadcasters do you think the licence fee funds? Please select as many as you think apply”.

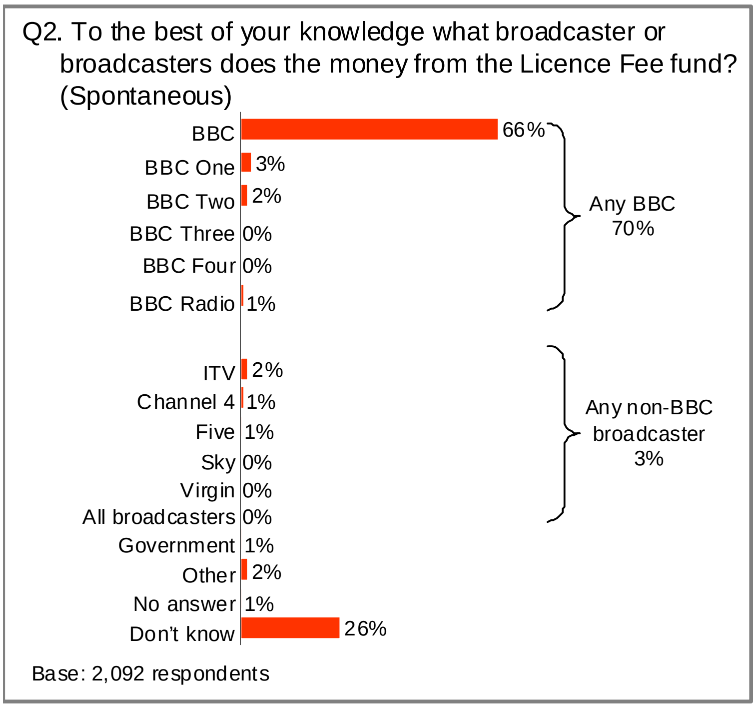
[12] Ofcom’s research found that 43% estimated the amount to be within this band, available at http://www.ofcom.org.uk/tv/psb_review/

- Thirdly, they were asked a further prompted question, “From this list, which services do you think the licence fee funds? Please select as many as you think apply”.

3.3.2.1 Knowledge of what broadcaster(s) the licence fee funds – unprompted

Seven out of every ten respondents (70%) could spontaneously identify the BBC as being funded by the licence fee (that is, they mentioned either the broadcaster or one of its services unprompted) (Figure 2). This rose to 77% amongst those solely or partly responsible for paying the licence fee.

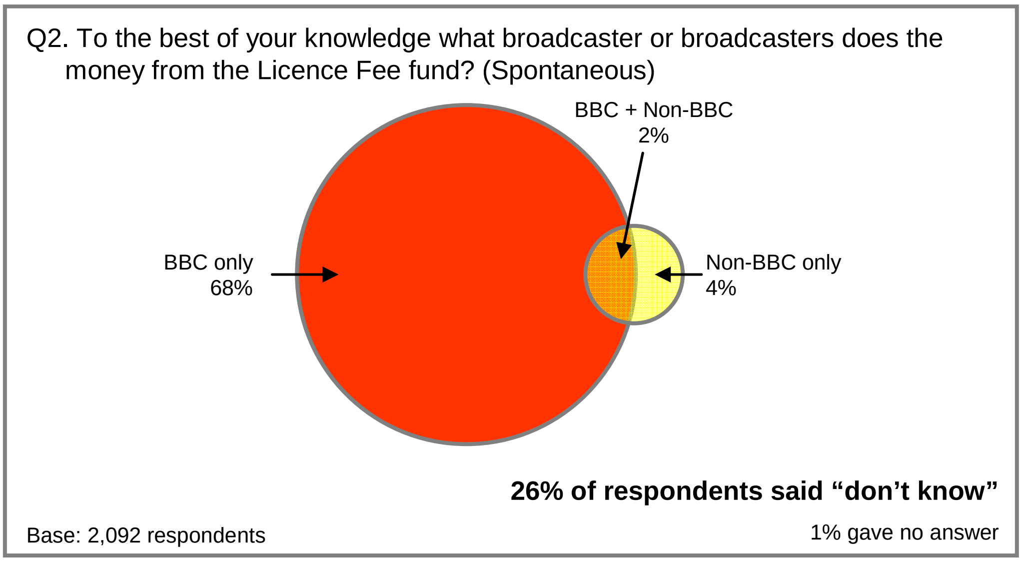
Figure 2: Spontaneous awareness of broadcasters funded by the licence fee



68% of respondents knew that the BBC is the *only* broadcaster to be funded in this way (Figure 3), rising to 75% amongst those solely or partly responsible for paying the licence fee. Very few respondents (6%) said that broadcasters other than the BBC (e.g. ITV, Channel 4, Five, Sky, Virgin) were funded by the licence fee.

However, there was uncertainty amongst some respondents at this question: one-quarter of the total sample (26%) said that they did not know which broadcasters were funded in this way. After mention of the BBC, “Don’t know” was the most frequently cited answer to this unprompted question.

Figure 3: Spontaneous awareness of broadcasters funded by the licence fee – summary



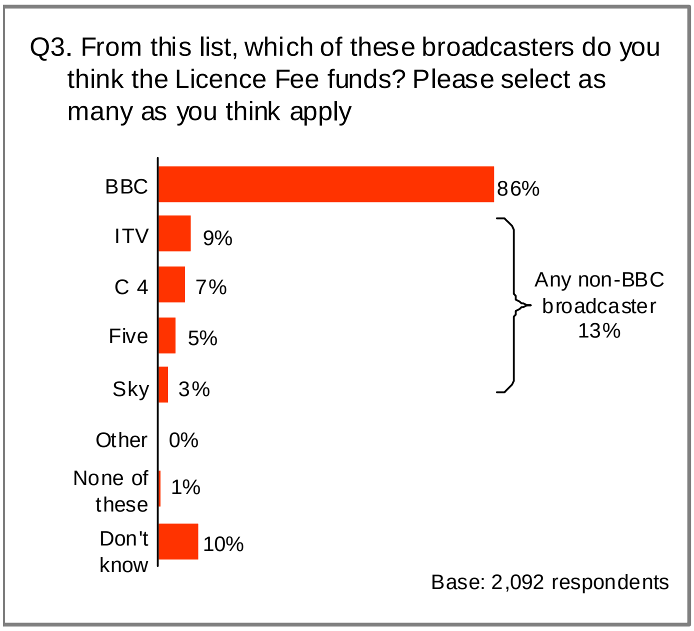
Ofcom's audience research programme also included an unprompted question probing the public's understanding of what the licence fee funds. The research conducted for Ofcom found that 44% of respondents mentioned the BBC in relation to any service, activity or aspect. This compares with 70% of respondents in this research. The difference in results is likely to be attributable to variation in the question wording. Ofcom's research used a broad wording: "What do you think the money from the licence fee pays for?", whereas this study took a more focused approach by specifically asking respondents to identify "the broadcaster or broadcasters" that the money from the licence fee funds. This approach served to reduce the proportion of general answers being given, such as 'staff costs/running costs' or 'TV channels/programmes/technology', which are difficult to classify.

The focus groups also added some insight on the issue of awareness. When discussing what the licence fee is for, most participants instinctively understood payment of the licence fee to mean that they had the right to watch TV. In parallel, the great majority of participants in these groups also had a strong awareness of what the licence fee revenue is actually *used* for (funding a range of BBC services across different media) in line with the findings of the quantitative work above. These two ideas were generally understood concurrently, and are of course both correct.

3.3.2.2 Knowledge of what broadcasters the licence fee funds – prompted

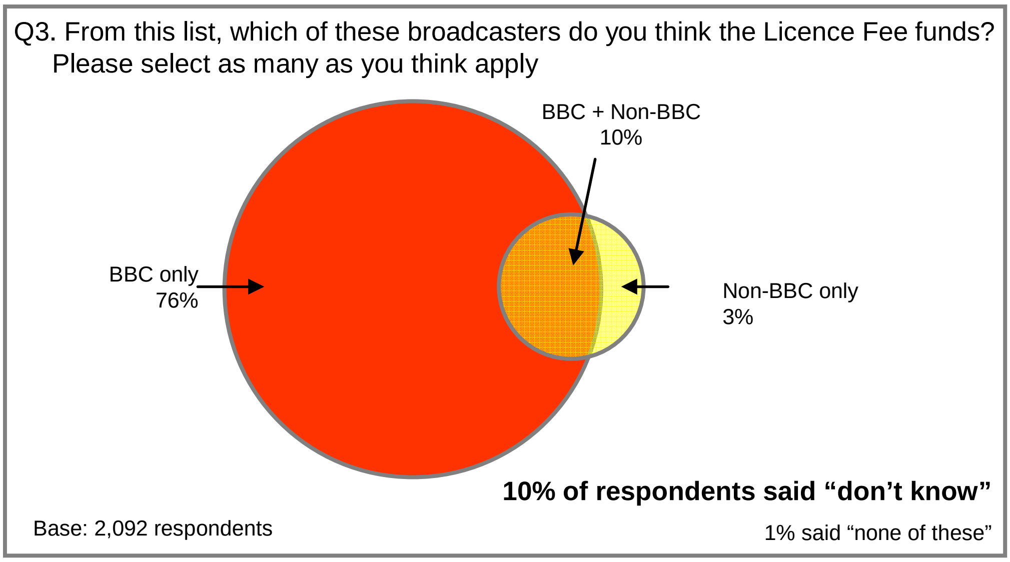
When asked to select the *broadcasters* that the licence fee funds from a given list, a total of 86% of respondents identified the BBC as receiving licence fee funding (Figure 4).

Figure 4: Prompted awareness of broadcasters funded by the licence fee



A large proportion of respondents had a clear understanding of what the licence fee funds, with 76% of respondents identifying the BBC as the only broadcaster funded in this way (Figure 5). The proportion of respondents misattributing the funding mechanism to other broadcasters was low, with only 13% believing ITV, Channel 4, Five, Sky or another broadcaster to be licence fee-funded (including 3% selecting non-BBC broadcasters exclusively). 10% of respondents did not know which broadcasters were funded by the licence fee after prompting.

Figure 5: Prompted awareness of broadcasters funded by the licence fee – summary



3.3.2.3 Knowledge of what services the licence fee funds – prompted

When respondents were asked to select which services the licence fee funds from a given list, 87% were able to identify that at least one correct service was funded in this way (i.e. BBC services or Digital Switch Over (DSO)/help for older or less well off people) (Figure 6). 48% of respondents were able to select all the listed BBC services without omission (not including DSO).

Asking a similar question, Ofcom's research also found that 87% of respondents identified at least one BBC service, though in its study the proportion selecting all BBC services was lower at 37%. The difference in responses may be attributable to different question structures.

As can be seen in Figure 6:

- The services identified by the greatest number of respondents as licence fee-funded were BBC One and BBC Two, mentioned by 86% of respondents.
- In terms of other BBC services, awareness of licence fee funding was higher among respondents who were regular users of these services:
    - 69% of the total sample selected any BBC digital channel, rising to 86% among regular viewers of BBC digital channels;
    - 58% of the total sample selected BBC radio, rising to 69% among regular listeners to BBC radio;
    - 51% of the total sample selected BBC online, rising to 76% of those who had used bbc.co.uk in the last month.
- Just 4% of respondents correctly identified that the licence fee helps to fund digital switchover. (This is a smaller proportion than the corresponding proportion who selected switchover in Ofcom's study, where the figure was 17%. However, Ofcom's list included two switchover options whereas the list used in this survey included only one).
- 10% did not know what the licence fee funded even after prompting.

Figure 6: Prompted awareness of services provided by the licence fee

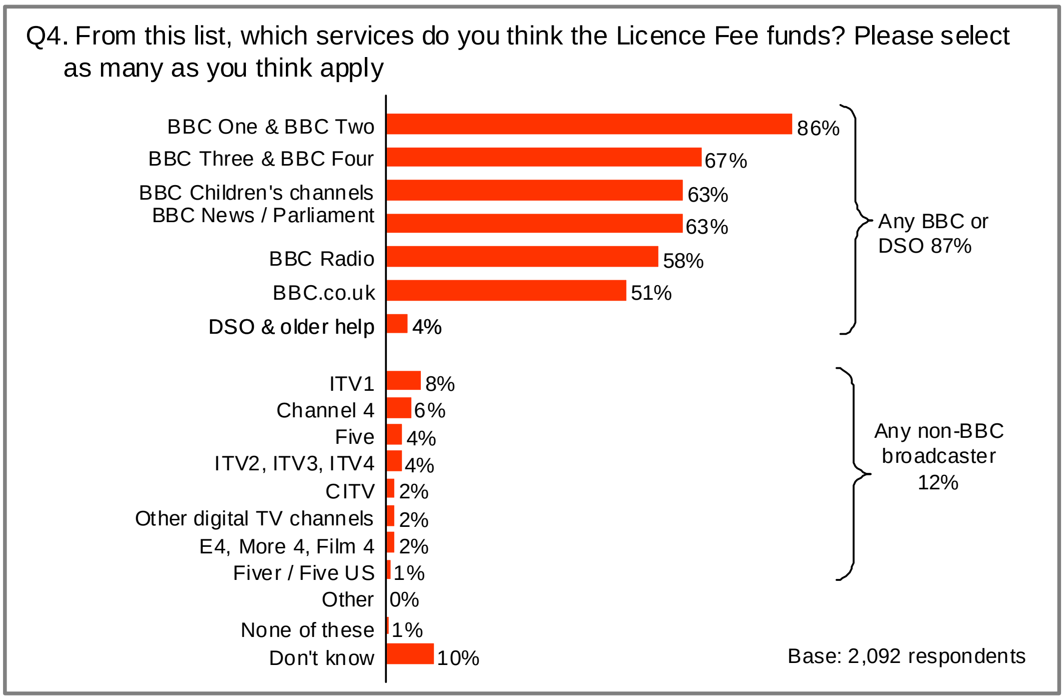
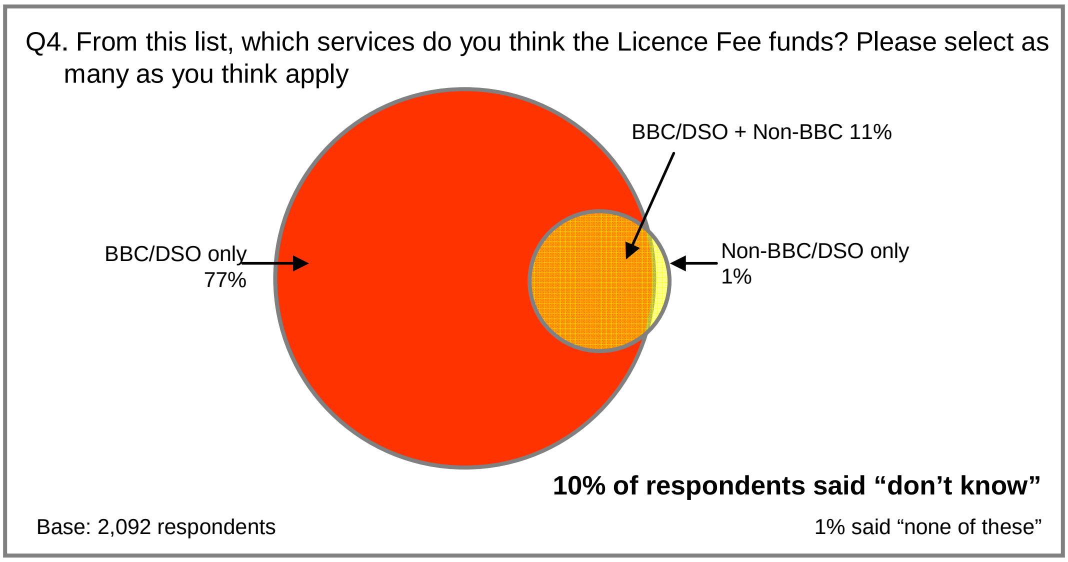


Figure 7 shows that respondents had a high level of understanding of the licence fee funding, with 77% exclusively identifying BBC services or digital switchover.

12% of respondents thought that services from ITV, Channel 4, Five or another broadcaster were licence fee-funded. (This is lower than Ofcom's figure of 21% though, again, the difference may be owing to different question structures).

Figure 7: Prompted awareness of services provided by the licence fee - summary



3.4 Link between the audience, the licence fee and the BBC

In this section of the research, the aim was to understand the public's attitudes towards different broadcasters. In particular, it sought to investigate whether respondents felt differently about the BBC compared with other broadcasters and, if so, whether the way in which the BBC is funded has any impact.

3.4.1 Qualitative insights on the BBC and the licence fee

The exploratory focus group research explored the connection between audiences, the BBC and the licence fee.

Most participants in the focus groups said that they strongly valued elements of the BBC's output (e.g. favourite programmes, radio stations, the website). This was reflected in the spontaneous examples they gave when asked to think about valued PSB programming: many (but not all) of the examples they gave were from the BBC. Participants' associations of the BBC brand were generally positive: trustworthy, reliable, high quality, British and many were proud and protective of the BBC and its global reputation.

Discussion about the licence fee led to some grumbles about the universal nature of the charge. Many disliked having to pay the licence fee, but were resigned to doing so. Despite this, however, the licence fee funding mechanism was felt to guarantee many facets of the BBC that they truly valued:

- The level of quality for which the BBC is famous, and its ability to produce programmes with high production values;
- A range of output designed for the collective benefit (something for everyone);
- Independence from commercial and political pressures;
- Keeping the BBC free of commercial advertising.

They also expected the BBC to ensure that its content is widely available (e.g. via iPlayer) and well-publicised.

Because of its public funding, and its important role in their lives, participants felt that they had the right to be critical of the BBC, and indeed many were critical of specific issues, especially the volume of repeats, the absence (or in some cases the prominence) of sports coverage, and the salaries paid to star presenters. Equally, however, many (including some of those who were most critical) demonstrated a deep level of real affection for their favourite BBC programmes.

While participants had a strong sense of what the licence fee brings in terms of benefits, for most it did not translate into a sense of having (or wanting) an individual 'stakeholder' relationship with the organisation. Most did not want to have this kind of active involvement with the BBC themselves and they were happy to remain consumers. However, some participants did feel that the BBC could do more to canvas their opinions and keep them informed. There was low awareness across the groups of published information about how the licence fee is spent, for example, or of ways of contacting the BBC.

3.4.2 Accountability

Within the Omnibus survey, respondents were presented with two attitudinal statements, which were applied to all five major broadcasters (BBC, ITV, Channel 4, Five and Sky) in turn, with the order of broadcasters rotated. The statements were:

- <This broadcaster> should be answerable to the public when it comes to how it spends its income
- <This broadcaster> should be answerable to the public for what it does and what it shows

Respondents were asked, for each broadcaster, to what extent they agreed with each statement. The scale used was: 'Strongly agree'; 'Tend to agree'; 'Neither agree nor disagree'; 'Tend to disagree'; 'Strongly disagree'.

Agreement with both of these statements for the BBC was significantly higher than for all the other four broadcasters. (Figure 8 and Figure 9)

- 84% of respondents agreed (with 48% strongly agreeing) that the BBC should be answerable to the public when it comes to how it spends its income. Only 4% disagreed. This was significantly higher than the level of agreement expressed towards other broadcasters where between 45% (Sky) and 51% (ITV1) agreed that they should be answerable to the public in this regard.
- Equally, 84% of respondents agreed (with 45% strongly agreeing) that the BBC should be answerable to the public for what it does and what it shows. Again, this was significantly higher than for other broadcasters where the level of agreement ranged between 58% (Sky) and 65% (ITV1).

Figure 8: Attitudes to accountability: how broadcaster spends its income

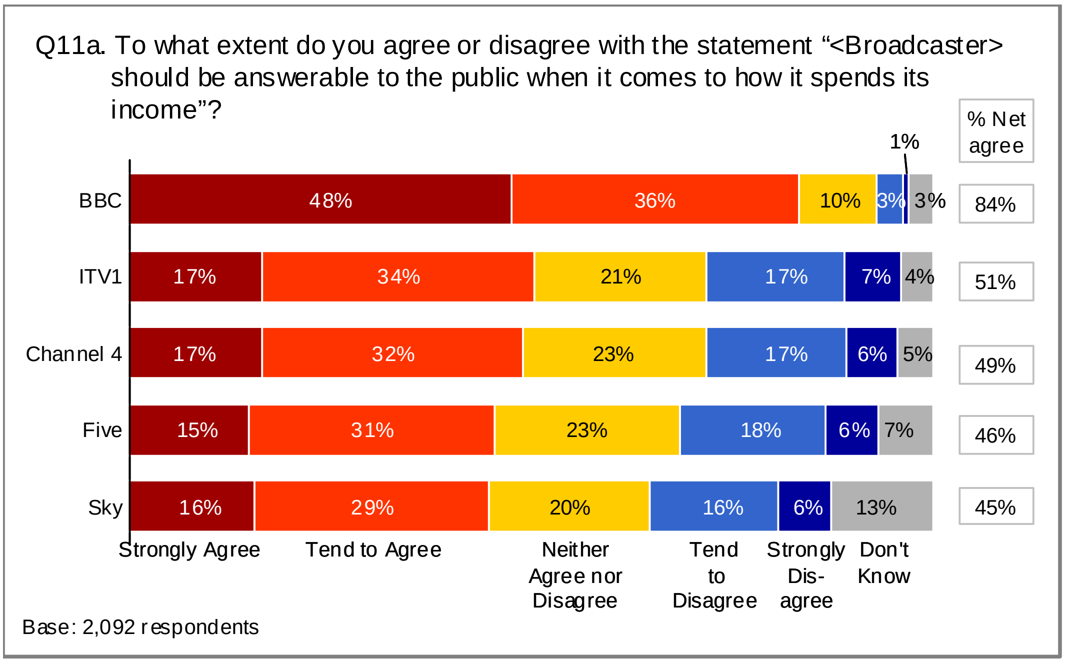
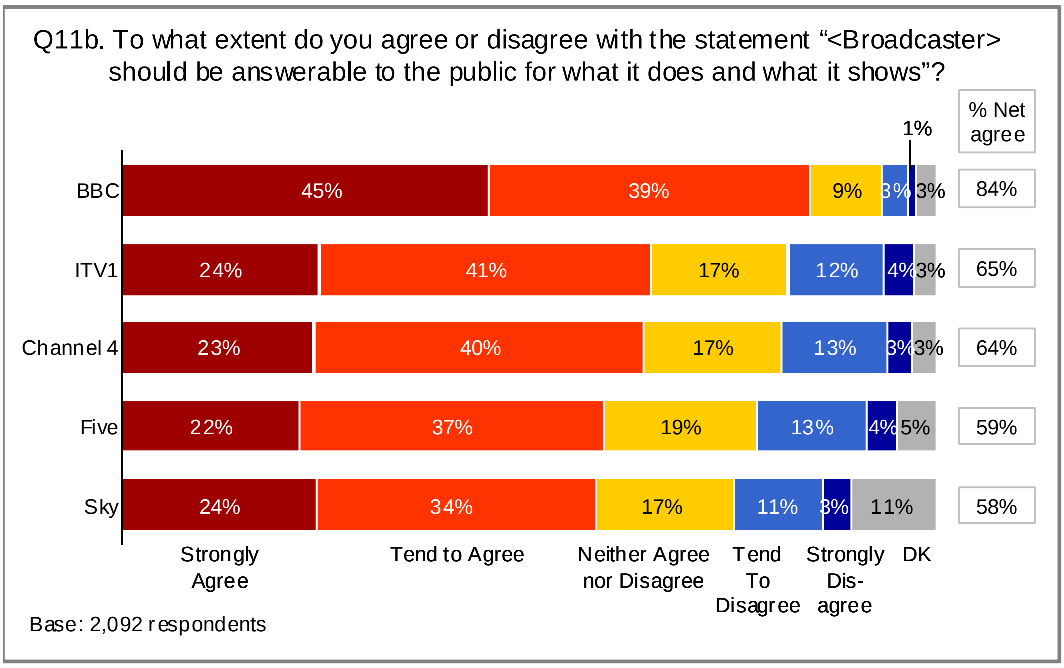


Figure 9: Attitudes to accountability: what the broadcaster does and shows



3.4.3 Links between the licence fee and accountability

A useful way to investigate any link between the audience, the licence fee and the BBC is to compare the views of those with different levels of awareness of the services funded by the licence fee.

The omnibus research allows respondents to be grouped according to the number of BBC services that they recognised were funded by the licence fee. For analysis purposes, the relevant questionnaire choices[13] were organised into four categories:

- BBC terrestrial channels (i.e. "BBC One and BBC Two")
- BBC digital channels (i.e. "BBC Three and Four", or "BBC Children's channels (CBBC and CBeebies)", or "BBC News Channel and BBC Parliament")
- BBC radio (i.e. "BBC Radio")
- BBC online (i.e. "BBC Online / bbc.co.uk").

Respondents were then grouped according to the number of BBC service types they identified as licence fee-funded:

- No services identified as licence fee-funded (13% of respondents)
- One type of service identified as licence fee-funded (17% of respondents)
- Two types of services identified as licence fee-funded (12% of respondents)
- Three types of services identified as licence fee-funded (9% of respondents)
- Four types of services identified as licence fee-funded (49% of respondents).

When the attitudinal statements are cross-analysed by awareness of what the licence fee pays for, the results showed that the greater the awareness of what the licence fee pays for, the greater the expectation on the BBC (Figure 10). Respondents with the greatest knowledge of the services funded by the licence fee had significantly higher levels of agreement that BBC should be answerable to the public for its spending and what it does and shows (Figure 11). These respondents also had lower expectations of accountability from other broadcasters. At the same time, respondents who identified fewer BBC services as being funded by the licence fee had significantly lower levels of agreement that the BBC should be answerable to the public for its spending and what it does and shows. In fact, this group had similar levels of agreement with these attitudinal statements across the five broadcasters.

In more detail, the pattern which emerged was as follows:

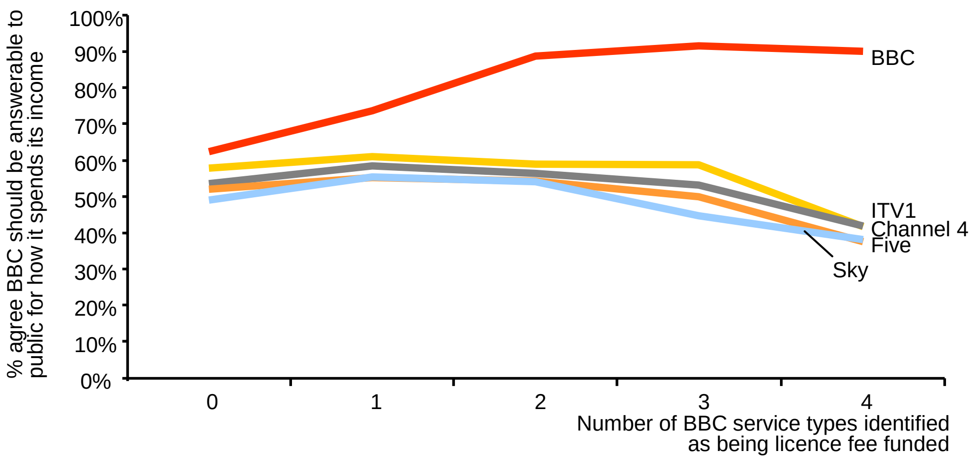
- Amongst those respondents who did not identify any BBC services as licence fee-funded, 62% agreed that the BBC should be answerable to the public when it comes to how it spends its income.
- Amongst those respondents who identified one type of BBC services as licence fee-funded, 74% agreed that the BBC should be answerable to the public when it comes to how it spends its income.

[13] Question 4 in the licence fee omnibus questionnaire

- Where two types of BBC services were identified, 89% agreed that the BBC should be answerable to the public when it comes to how it spends its income.
- Where three or more types of BBC services were identified as being funded by the licence fee, at least 90% agreed that the BBC should be answerable to the public when it comes to how it spends its income.

Figure 10: Agreement that the BBC should be answerable to the public for how it spends its income by identification of BBC services funded by the licence fee

Level of agreement with the statement: 'BBC should be answerable to the public when it comes to how it spends its income' (Q11a) by the number of BBC service types identified as being funded by the licence fee (Q4)



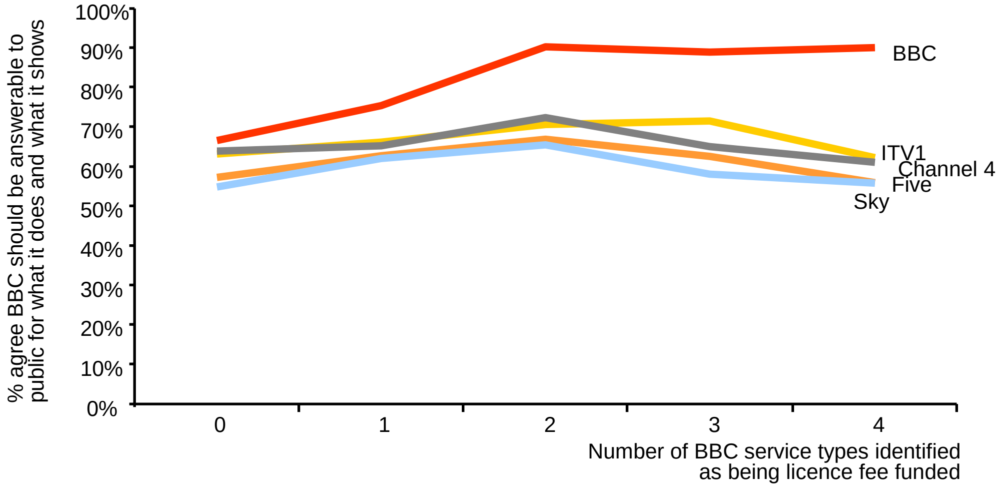
Base: 2,092 respondents

For the second statement "<This broadcaster> should be answerable to the public for what it does and what it shows", all respondent groups had higher expectations of the BBC than they did for other broadcasters, though the gap was smaller than for the previous statement.

The link with awareness of the licence fee was similar to that for the previous statement in that the more BBC services a respondent believed the licence fee paid for, the more they agreed that the BBC should be answerable for what it does and shows. Agreement was significantly higher amongst those groups who identified more BBC services as licence fee-funded. At the same time, the expectation of accountability for other broadcasters was lower amongst those who could identify more services funded by the licence fee.

Figure 11: Agreement that the BBC should be answerable to the public for what it does and what it shows by identification of BBC services funded by the licence fee

Level of agreement with the statement: 'BBC should be answerable to the public for what it does and what it shows' (Q11b) by the number of BBC service types identified as being funded by the licence fee (Q4)

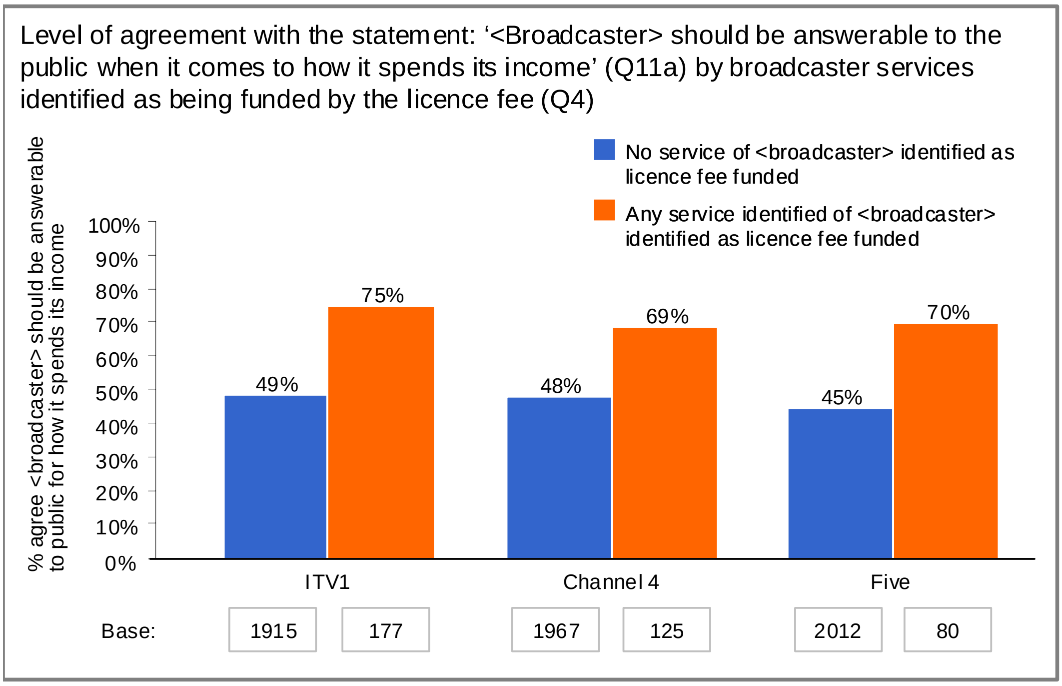


Base: 2,092 respondents

The relationship between awareness of the licence fee and accountability is further demonstrated by looking at the small number of people who erroneously identified non-BBC services as licence fee funded.

- 75% of respondents who thought ITV service(s) received the licence fee agreed that ITV1 should be answerable to the public for how it spends its income, compared with 49% of the group who did not think that ITV services were funded in this way. (Figure 12)
- Similarly, 69% of respondents who thought any Channel 4 service(s) received the licence fee agreed that Channel 4 should be answerable to the public for how it spends it income, compared with 48% of the group who did not think that Channel 4 service(s) were funded in this way.

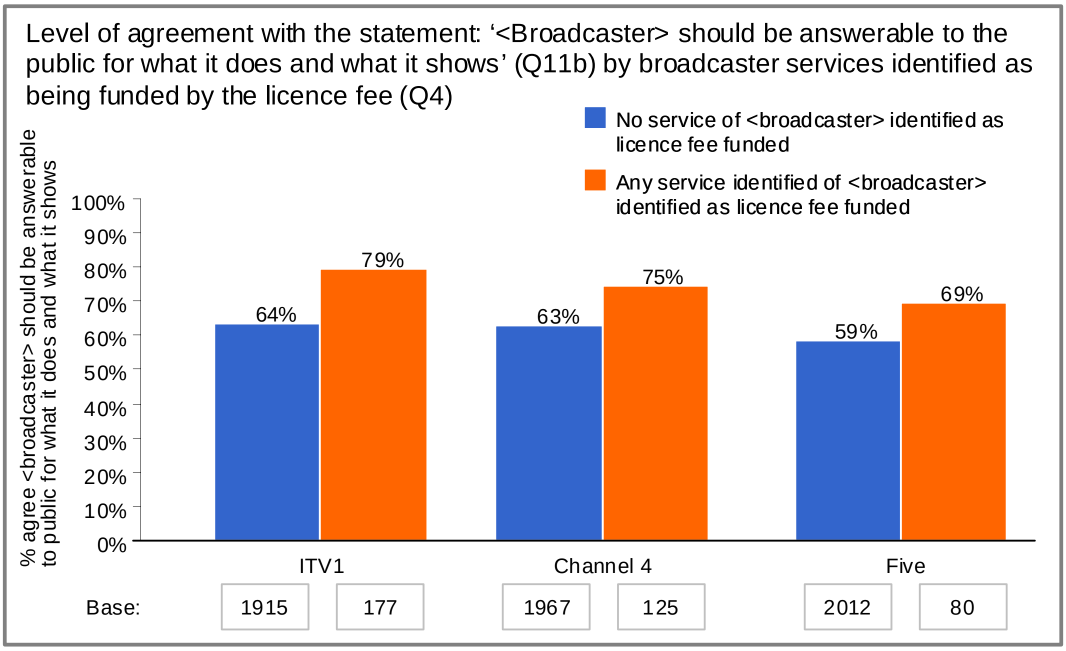
Figure 12: Agreement that each broadcaster should be answerable to the public for how it spends its income by identification of broadcaster service(s) funded by the licence fee



In relation to accountability for actions, a similar picture emerges.

- Of the small group who erroneously thought ITV service(s) were paid for by the licence fee, 79% thought that it should be answerable to the public for its actions, compared with 64% amongst those who did not think ITV was funded this way (Figure 13)
- Likewise, 75% of those who thought Channel 4 services were funded by the licence fee agreed that Channel 4 should be answerable to the public for its actions, compared with 63% amongst those who did not think the licence fee paid for Channel 4 services.

Figure 13: Agreement that each broadcaster should be answerable to the public for what it does and what it shows by identification of broadcaster service(s) funded by the licence fee



In combination, these findings support the general conclusion that there is a relationship between perceived licence fee funding and audience expectations of a broadcaster (in terms of accountability) and that the particular conclusion that there is a link between the audience, the licence fee and the BBC.

3.4.4 Serving all audiences

Participants in the exploratory focus groups felt that one of benefits of the licence fee funding mechanism was that it allowed the BBC to produce a range of output designed for the collective benefit (or something for everyone). We therefore included two statements in the Omnibus research designed to test whether this was something which respondents felt the BBC was currently achieving.

The statements, which were asked for each of the different broadcasters in turn, were as follows:

- <This broadcaster> provides something for everyone
- < This broadcaster> has different styles across its different channels, programmes and services

Respondents were asked to what extent they agreed with each statement. The scale used was: 'Strongly agree'; 'Tend to agree'; 'Neither agree nor disagree'; 'Tend to disagree'; 'Strongly disagree'.

The statements were asked for the BBC as a whole, but only for the main channels of each of the commercially funded PSBs (ITV1, Channel 4 and Five). This was because it is only on the main channels where formal PSB obligations apply. However, it is likely that a different response pattern might have been obtained if we had asked about these broadcasters' full portfolios.

- Agreement with both of these statements for the BBC was higher than for all the other four broadcasters.
- Over three-quarters (77%) of respondents agreed that the BBC provided different styles across its different channels, programmes and services, which was higher than other broadcasters. ITV1 was the next closest broadcaster with 64% of respondents agreeing with this statement, with agreement at 57% for Channel 4, 55% for Sky and 44% for Five. (Figure 14)
- In terms of providing something for everyone, the level of agreement for the BBC was higher than for the other broadcasters, though some of the differences were not as pronounced as they were for the other statements tested. 78% agreed that the BBC provides something for everyone, and the next highest broadcaster was ITV1 where the level of agreement was 71%. Agreement was 58% for Sky, 56% for Channel 4 and 44% for Five. (Figure 15)

Figure 14: Attitudes towards the range of styles covered by broadcasters

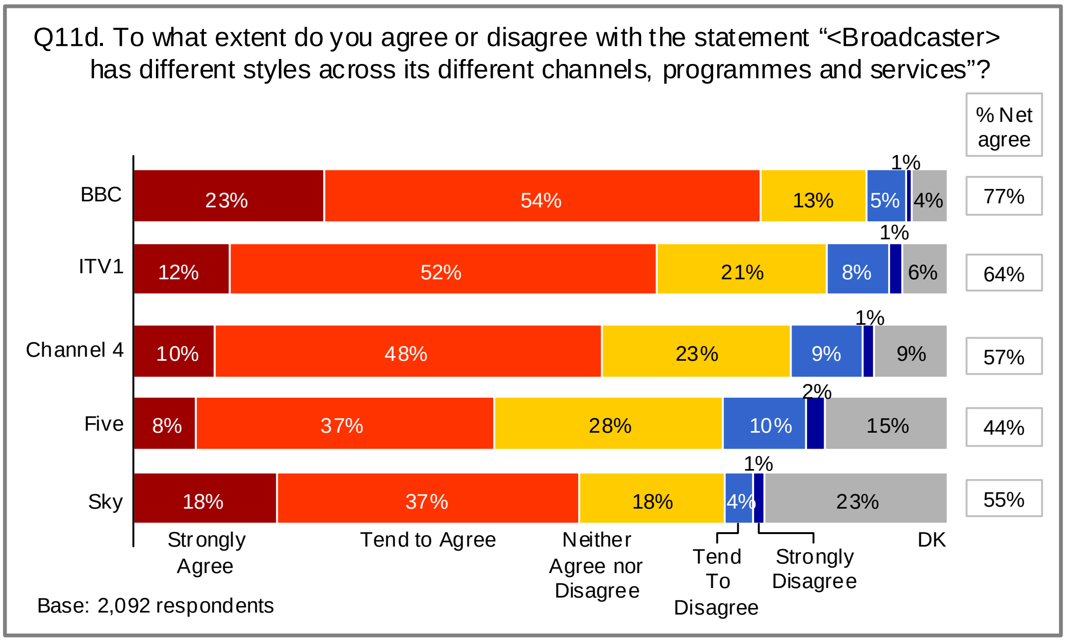
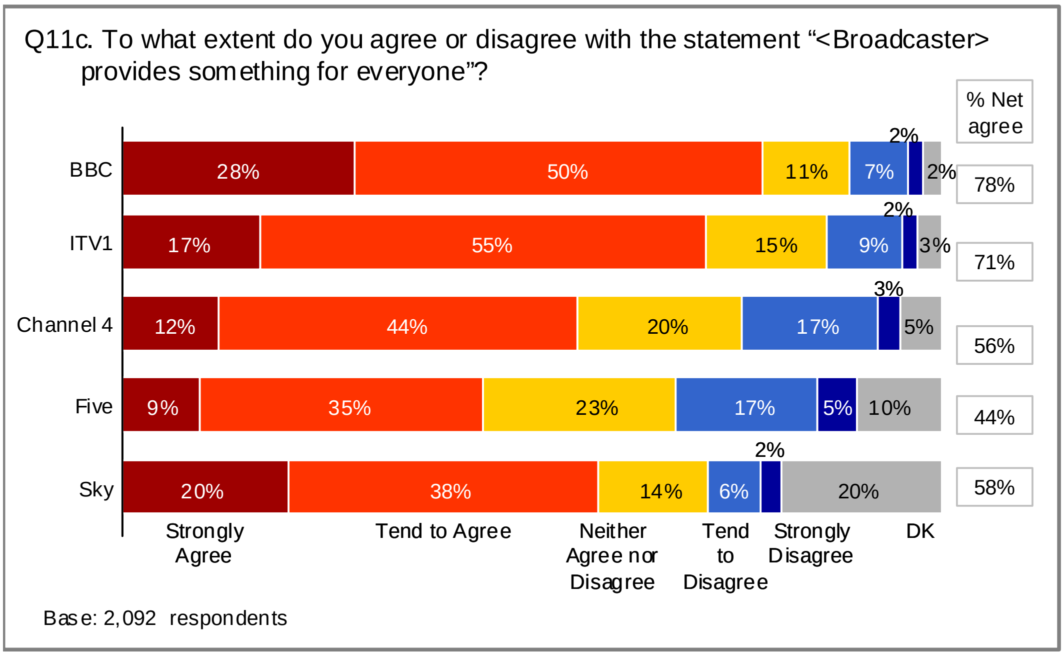


Figure 15: Attitudes towards broadcasters providing for all



3.5 Use of the licence fee to fund PSB provision beyond the BBC

Much of the discussion in the exploratory focus groups explored the appeal of the idea of using part of the licence fee to fund public service broadcasting on the commercially funded PSBs.

Initial opinions were divided on whether licence fee funding for PSB on these channels was appropriate: many could see that it would be fair for the licence fee to be shared between broadcasters, although a minority were happy for PSB to be the sole domain of the BBC.

In discussion, participants identified some benefits to using the licence fee this way, in particular that it would ensure Channel 4, ITV and Five continued to make PSB programming at existing (or greater) levels of provision, whilst other broadcasters and new providers might also be able to contribute (although some felt that there were already adequate opportunities for third parties to pitch for PSB funding via existing commissioning structures).

However, on reflection, and when the possible drawbacks of using the licence fee in this way were discussed, the majority of those who had initially been in favour changed their minds. Many were concerned about the impact of top-slicing on the BBC, in particular, the potential dilution of quality, whilst others did not wish to see the range of programmes and services produced by the BBC reduced.

Moreover, many feared that the licence fee would simply rise proportionally to cover the extra funding, and that even using a small amount of the licence fee could be 'the thin end of the wedge'. This would mean either a continuing loss of income for the BBC, or a steady increase in the licence fee, neither of which was an acceptable outcome.

Some research participants spontaneously questioned whether commercial companies should be allowed to carry advertising in any publicly funded programmes: on the whole they felt that they should not.

A range of other funding methods were briefly discussed. In all but one group (in Belfast) one or more of the alternatives was always overwhelmingly preferred ahead of using the licence fee to fund PSB beyond the BBC. However, participants did not feel well qualified to express a definitive decision as to which would be the most appropriate way to fund PSB on the other channels.

The general consensus from the exploratory focus groups was that most participants valued BBC content and wished that it would produce more – both in volume and quality. They respected and valued the status quo in PSB and, on the whole, would rather that it did not change. Faced with a straight trade-off, however, most participants felt that it was more important that the BBC was able to maintain (and ideally offer more/better) PSB programming, than other broadcasters being able to offer PSB

Broadly speaking, similar findings occurred in the Phase 1 quantitative survey commissioned by the BBC in May 2008. When asked to consider a range of alternative funding methods that could be used to fund PSB on the commercially funded PSBs, respondents indicated that none of the funding methods proposed was particularly popular. Accordingly, all of the funding methods received relatively low favourability scores. Use of the licence fee was one of the least preferred options, receiving a mean score of 4.6 out of 10 (Figure 16). When presented with a full range of funding options, only 13% of respondents interviewed felt that it would be their preferred method of funding PSB obligations on ITV1, Channel 4 and Five.[14]

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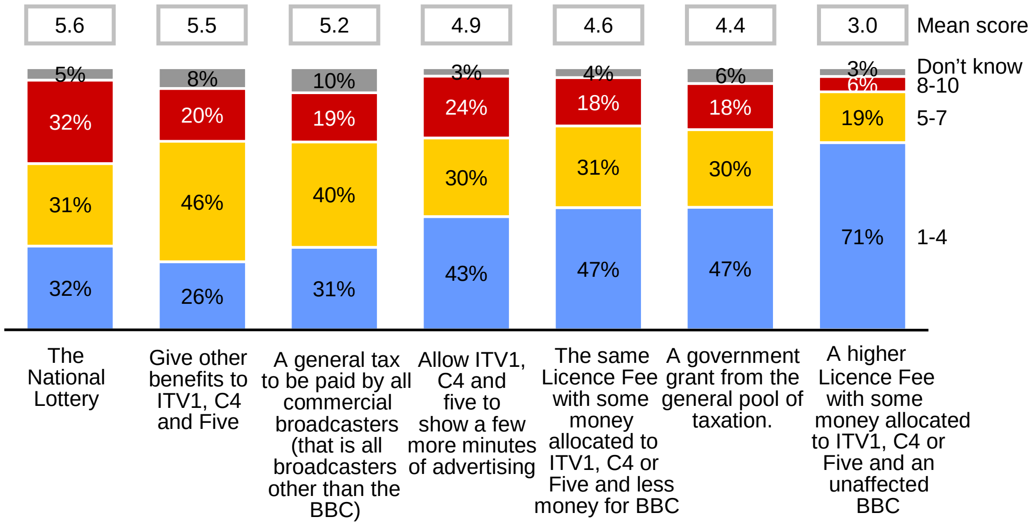
[14] Both the focus group research and the phase 1 quantitative survey looked at the overall principle of using money from the licence fee to support PSB on commercially funded broadcasters, in the context of alternative sources of funding. Neither piece of research specifically discussed the potential use of the part of the licence fee which is currently allocated to digital switchover.

Figure 16: Attitudes to potential sources of funding from the Phase 1 quantitative survey

Quantitative Survey: How do you feel about the different possible ways in which funding could be provided to ITV1, Channel 4 and Five in the future so that they can show programmes with the public service aims? (On a scale of 1-10, where 1 means 'extremely unfavourable' and 10 means 'extremely favourable')



Base: 4,577, Ipsos MORI Quantitative Survey

4 Future priorities and willingness to pay for PSB on commercially funded PSBs

4.1 Summary of the research

This research used data from a quantitative survey of a nationally representative sample of 1,601 UK-based respondents, aged 16+, conducted by Ipsos MORI. The purpose of the research was to explore audience priorities for the provision of at-risk genres[15] beyond the BBC and to investigate the extent to which audiences would be willing to pay for at-risk genres on ITV1, Channel 4 and Five.

- The evidence shows that audience attitudes towards provision of at-risk genres beyond the BBC are complex.
- The quantitative survey revealed that there was an appetite for provision on the commercially funded PSBs beyond the BBC for some at-risk genres.
- Overall, audiences' top priorities for provision on ITV1, Channel 4 or Five, in addition to the BBC, are national and international news and regional news, as well as children's programming among parents.
- Audiences' motivation for seeking provision beyond the BBC is mixed and can be attributed as much to securing volume of output as it can be to securing a range of approaches or because of habitual viewing patterns.
- The results suggest that provision of at-risk genres on ITV1, Channel 4 or Five is valued, but not at any cost. When specifically told that at-risk genres on these channels could be reduced, informed of the programme types that could take their place and offered alternative ways to make up the shortfall, more respondents accept an increase in BBC provision in its place or accept a reduction in the at-risk genre after all than say they would pay to retain it on commercially funded PSB.
- There is some willingness to pay for at-risk genres though this varies by genre. Overall, the estimate from this quantitative research indicates that the average level of willingness to pay for at-risk genres (£1.28 per month) was under half of the amount found in research published by Ofcom in September 2008 (£2.92 per month).

[15] Market modelling work by CapGemini for the BBC has identified the following as "at-risk" genres: national / international news, regional news, other regional programming, current affairs programmes, UK-made serious factual programmes (including arts, classical music, history, religion, science) and UK-made children's programmes.

- We believe differences are attributable, at least in part, to changes in the economic situation denting consumer confidence, and also to differences in question method and in the genres included.

4.2 Introduction

This element of the research sought to address the following questions:

- What are audience attitudes towards provision of PSB beyond the BBC?
- To what extent would audiences be willing to pay for at-risk genres on ITV1, Channel 4 and Five?

Please note that the base for the questions reported here was respondents with a television in the household, since this was deemed most appropriate given the nature of these questions. Where reference is made to 'all respondents' in this section, this means respondents with a TV in their household.

This section of the questionnaire used a series of inter-linked questions to understand audience priorities on this complex subject in some detail. The findings have been presented here in sequential order, to allow a detailed understanding of the interview flow, however the key messages come from analysis of these questions as a set.

The questionnaire asked respondents to give their answers thinking about their household, and covered three main areas, as follows:

- Firstly, the questionnaire covered the extent to which respondents' households would want ITV1, Channel 4 or Five to continue to show various types of programming in future, in addition to the BBC. If respondents felt there was an essential need for provision of the genre on ITV1, Channel 4 or Five, they were then asked to indicate their main reason for this.
- Secondly, it explored respondents' willingness to pay for genres on ITV1, Channel 4 and Five, including those genres identified as being at-risk of reduction in output hours.
- Thirdly, the questionnaire investigated whether respondents and their households would be satisfied or not if provision of at-risk genres was reduced on ITV1 or Channel 4 or Five, and how those respondents who were dissatisfied with such reductions felt about alternative options that could potentially address the issue.

Respondents were not informed of the genres that are at risk until the third part of the interview. This meant that when they considered which genres needed to be shown on ITV1, Channel 4 and Five for their household, and in the willingness to pay exercise, they gave their unprompted views of what their household most valued.

4.3 Attitudes to provision of genres by commercially funded PSBs

This line of enquiry is relevant to the Ofcom review because of on-going changes in the market environment for commercial PSBs, which mean that for certain genres the amount of UK-originated output is at risk of being reduced. In particular, market modelling carried out for the BBC has identified the following at-risk genres:

- Current affairs;
- National and international news;
- Regional news;
- Other regional programming;
- UK-made serious factual programming (e.g. on arts, classical music, history, religion and science);
- UK-made children's programming.

Hence, the objectives for this part of the research were, first, to determine the extent of audience desire for the provision of these at-risk genres by the commercially funded PSBs beyond BBC provision and, second, to identify the main reasons driving any such demand.

4.3.1 Priorities for genre provision on ITV1, Channel 4 and Five

In order to give context to respondents' views, questions were asked about 18 genres covering the range of programme types currently provided on the commercially-funded PSBs, not just those which are at-risk. Respondents were asked to rate each of the 18 genres thinking about the degree to which, in the future, their household would want this to be shown on ITV1, Channel 4 or Five, alongside provision by the BBC. Specifically, respondents were asked to indicate whether their household:

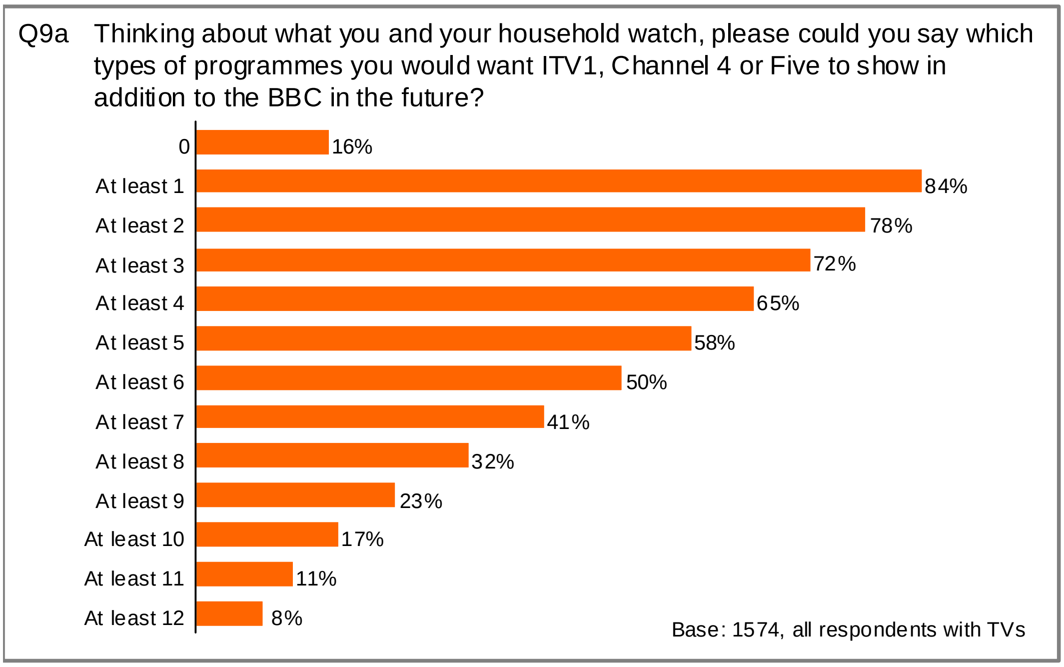
- … felt it was essential for this type of programme to be shown on ITV1, Channel 4 or Five in addition to the BBC;
- … might need this to be shown on ITV1, Channel 4 or Five in addition to the BBC;
- … would not need this to be shown on ITV1, Channel 4 or Five in addition to the BBC.

Respondents were informed that ITV1, Channel 4 and Five may need to prioritise the genres they broadcast in future because of increasing pressures on advertising in the television market, but respondents were, at this point in the interview, not told which genres would be at risk.

Responses to this question indicated that there was an appetite for provision of content beyond the BBC.

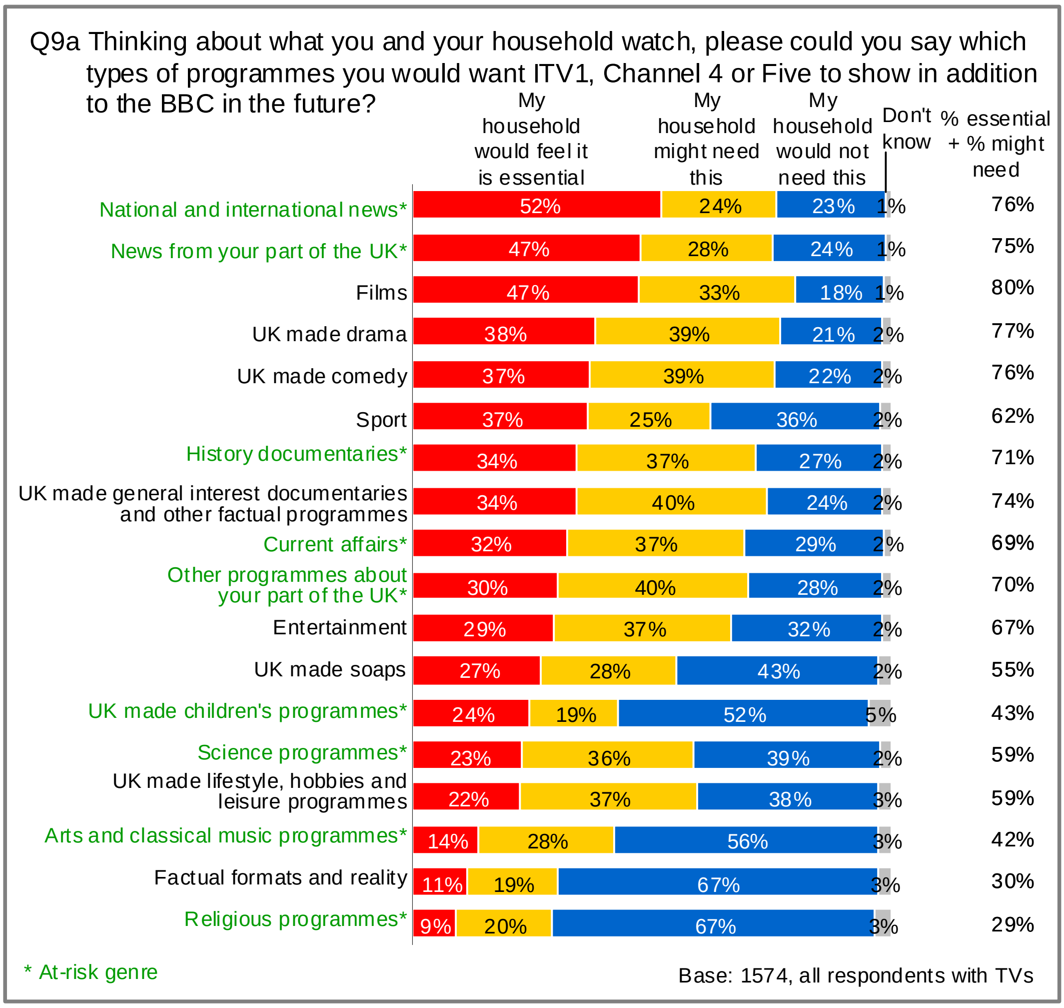
First of all, the vast majority of respondents (84%) identified at least one genre, across the 18 tested, that their household felt was essential to have provision on ITV1, Channel 4 or Five, in addition to the BBC, and half of respondents identified at least six genres they believed to be essential. (Figure 17)

Figure 17: Number of genres for which there was an "Essential" need on ITV1, Channel 4 or Five



Nevertheless, for most individual genres, it was fewer than half of respondents who said that provision of that genre by the commercially funded PSBs, in addition to the BBC, would be essential for their household, national and international news being the exception. (Figure 18)

Figure 18: Q9a - need for provision of genres on commercially funded PSBs



Looking specifically at the at-risk genres, there was considerable range in terms of the proportion of respondents who said that provision by the commercially funded PSBs, in addition to the BBC, was essential for their household.

- Looking at where the at-risk genres sit in the full list of 18 programme types, national and international news (52%) and regional news (47%) were ranked in the top two of the 18 genres.
- History documentaries (34%), current affairs (32%) and other non-news regional programmes (30%) were middle ranking, each cited as an essential need by around one-third of respondents.
- Science programmes and UK-made children's programmes came lower down, cited by 23% and 24% of respondents respectively, though amongst parents with children at home the figure for children's programming was 48%, making this the second highest ranking genres for parents after national and international news.

- Arts and classical music programmes (14%) and religious programmes (9%) came at the bottom end of the ranking.

4.3.2 Reasons for wanting genre provision on commercially funded PSBs

In a follow-on question in the quantitative survey, respondents who had stated that it was essential for their household to have the programme type on ITV1, Channel 4 or Five, in addition to the BBC, were asked to indicate their main reason for this. As far as is possible in a quantitative survey, this question was attempting to unlock what was motivating respondents when they expressed an essential need for provision of a genre on commercially funded PSB as well as on the BBC, for their household. In particular, this question was seeking to understand whether this need was because of a desire to see different styles or approaches in the genre, or because it reflected their habitual viewing preferences or because they wished to see greater volume of output. To this end, for each genre where respondents felt provision was essential for their household on ITV1, Channel 4 or Five, in addition to the BBC, they were asked to select the one principal reason for this from the following list of options:

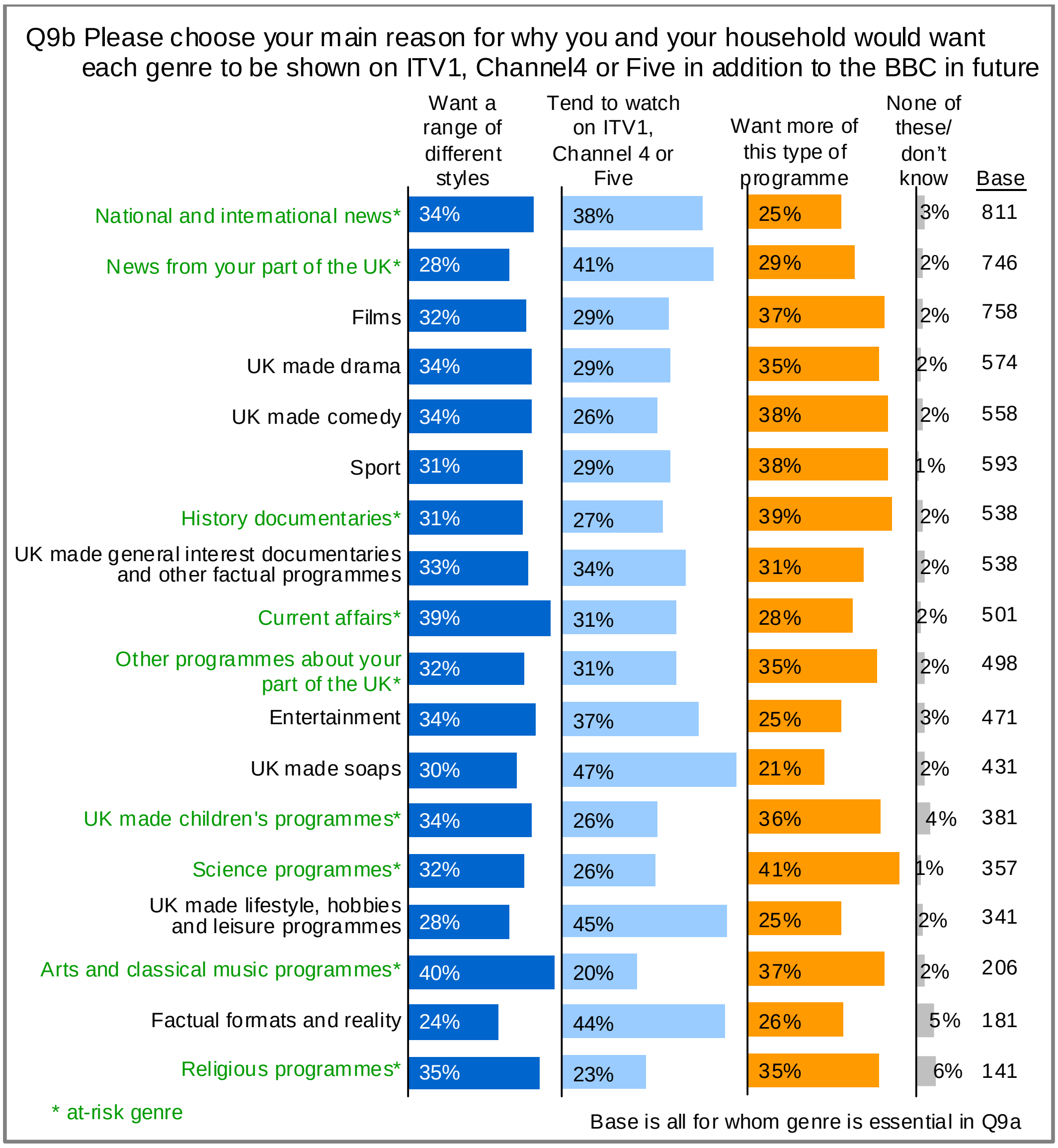
- We / I would want more of this type of programme on TV overall and more opportunities to come across this type of programme
- We / I would want a range of different styles of this type of programme
- We / I tend to watch this type of programme on ITV1, Channel 4 or Five
- None of these.

For each of the 18 genres, there was an approximately equal three-way split between these three available reasons.

Nevertheless, some genres skewed towards one reason in particular, and this varied by programme type (Figure 19). For example, of the reasons probed, a tendency to watch UK-made soaps, lifestyle, hobbies and leisure programmes or factual formats and reality on ITV1, Channel 4 or Five was the strongest driver behind an essential need for this provision on these channels. With regard to the at-risk genres, there were significant skews towards the following reasons:

- Range of styles: current affairs (39% of those respondents who felt that provision of this genre on ITV1, Channel 4 or Five was essential) and arts and classical music programmes (40%);
- Tendency to watch on ITV1, Channel 4 or Five: regional news (41%) and national and international news (38%);
- Desire for more on TV: science programmes (41%) and history documentaries (39%).

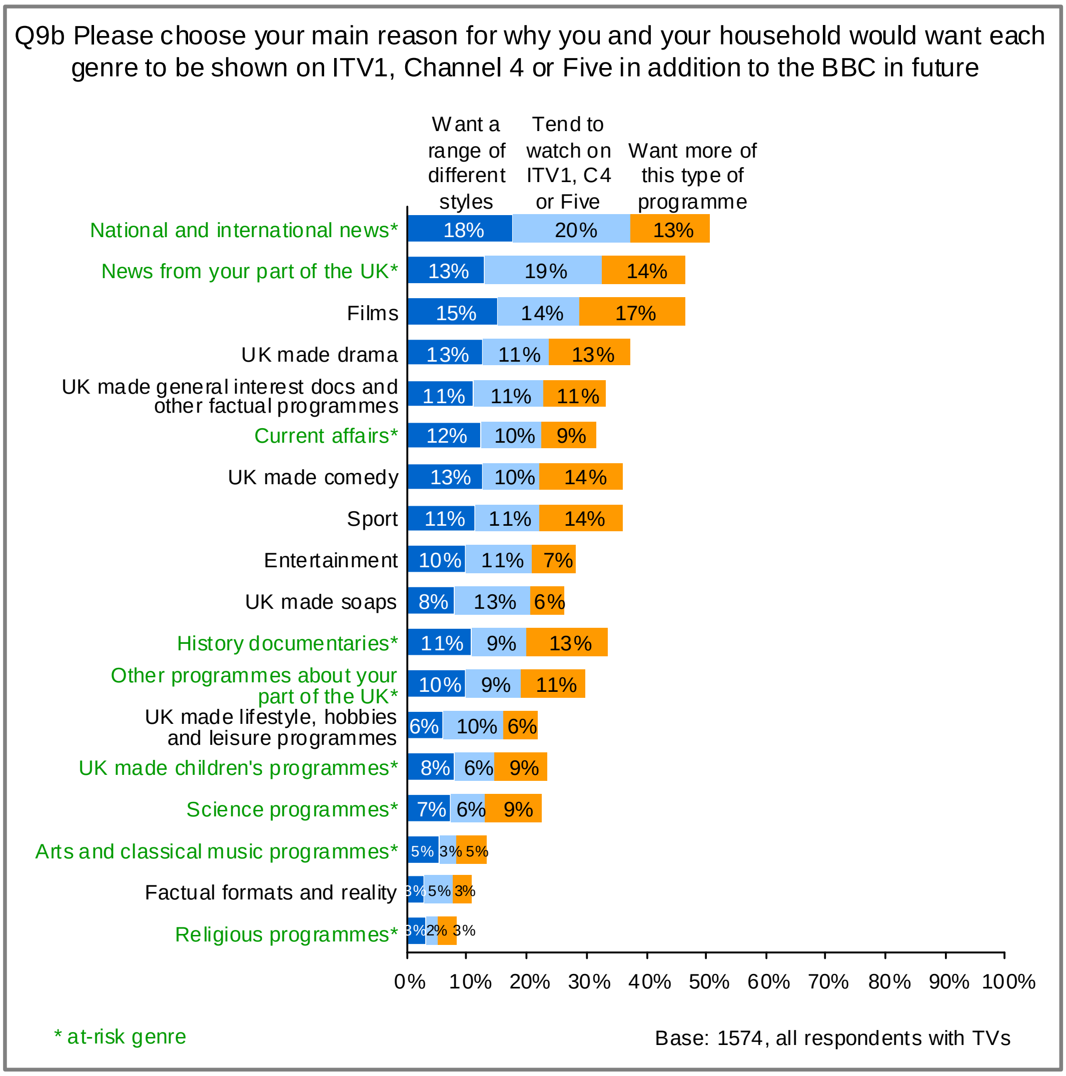
Figure 19: Q9b - Main reason for wanting provision of each genre on ITV1, Channel 4 or Five



These results suggest that the motivation underpinning respondents' desire for provision on ITV1, Channel 4 or Five is mixed. It can be ascribed to a preference for a range of styles and in equal measure can be driven by existing viewing habits and also by a simple desire for more volume of output. This desire for more volume in a genre is subtly different in kind from the other two reasons, since it does not inherently place importance on which particular broadcasters provide that content. (This response was evidently the ideal for the respondents here, however, in expressing an essential need for genre provision on ITV1, Channel 4 or Five in addition to the BBC). We shall consider further how respondents prioritise provider and volume in a later section when reporting the decisions that they made when faced with difficult choices about retaining at-risk genres on ITV1, Channel 4 or Five (section 4.5).

So far, this section has presented the three reasons cited by those respondents who said each genre was essential on ITV1, Channel 4 or Five, and therefore sample sizes vary. It is worth looking at the proportions citing each reason based on all respondents in order to gain a sense of scale and priority in the context of the sample overall. This is presented in Figure 20.

Figure 20: Q9a/b – Main reason for wanting provision of each genre on ITV1, Channel 4 or Five –



4.4 Willingness to pay for at-risk genres on the commercially funded PSBs

This section of the research investigates households' willingness to pay for the provision of at-risk content on ITV1, Channel 4 or Five. This is important since the current levels of funding for PSB programming on the commercially funded PSBs may not be sustainable in the future. Research in this area is likely to be helpful in assessing whether there is support for intervention to preserve at-risk genres on these channels.

4.4.1 Background

Understanding the willingness of audiences to pay for a channel or a service is complicated, particularly for commercially funded PSBs such as ITV1, Channel 4 or Five since, as advertiser-funded services, viewers currently receive them for free. It is even more difficult to understand the willingness to pay for individual genres on these channels as respondents are unused to considering these concepts.

4.4.2 Literature review

The methodology used in this research builds on previous research undertaken in this area and is intended as a means of contributing to the debate on how to calculate willingness to pay. Previous approaches have included:

- MORI for Ofcom, 2004[16]
    - Ofcom conducted deliberative research to understand how much value viewers placed on PSB output once costs are attached from a societal point of view using five different scenarios.
- Human Capital for the BBC[17], 2004
    - This focused on willingness to pay for the BBC, as well as determining the worth of the BBC to consumers and citizens. The study also contained a referendum question. The willingness to pay analysis used the Gabor Granger[18] method using a Yes/No/Don't know scale with price points presented randomly. The value of the licence fee was not stated.

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16 Valuing PSB: the view from the audience. A deliberative research project carried out by MORI for Phase 2 of Ofcom's PSB Review (2004)

17 Measuring the value of the BBC: a report by the BBC and Human Capital (2004)

18 The Gabor Granger method was developed in the 1960s. Respondents are asked to complete a survey where they are asked whether they would pay for a product at a given price. This price is altered and respondents are asked again whether they would be willing to pay. This allows an optimum price to be determined for each individual.

- Work Foundation for Department of Culture, Media and Sport (DCMS)[19], 2006
    - Their research investigated willingness to pay for the BBC and new activities proposed for television, radio and online overall at household level (data was collected from a 'standard' and 'public value' perspective). This also used a Gabor Granger method using a Yes/No/Don't know scale with a smaller range of price points than the Human Capital research presented in descending sequential order. The value of the licence fee was stated. Having ascertained how much respondents said they would be prepared to pay for the BBC and proposed new activities *overall*, the research then examined how much they would pay for *individual* BBC services / new activities. This was approached using a points allocation exercise where the respondent shared 100 points between individual BBC services / new activities based on how they would like the licence fee to be allocated. A proxy for willingness to pay for these individual BBC services/new activities was then created by multiplying the proportion of points each respondent allotted to the service/activity by the total sum they would pay for the BBC/all new activities overall.
- Holden Pearmain for Ofcom[20], 2008
    - In addition to examining willingness to pay for the BBC, the Holden Pearmain research extended willingness to pay beyond BBC to consider respondents' willingness to pay for PSB on ITV1, Channel 4 and Five, and all PSB (BBC + PSB on ITV1, Channel 4 and Five). This research used the Gabor Granger method using a scale ranging from 'very willing' to 'very unwilling' and 'Don't Know' with price points presented randomly. Willingness to pay was asked from a personal and societal point of view. The value of the licence fee was stated.
    - Holden Pearmain also conducted conjoint analysis to determine audiences' willingness to pay for PSB on ITV1, Channel 4 and Five.

4.4.3 Approach used in this research

The method used in this study is based on the above approach used by the Work Foundation for DCMS in 2006 to calculate respondents' willingness to pay for the BBC at a service level and for proposed new activities. The Work Foundation research employed a two-stage process:

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[19] Willingness to pay for the BBC during the next charter period: A report prepared for the Department for Culture, Media and Sport (The Work Foundation, 2006)

[20] Assessing the value of public service broadcasting on ITV1, Channel 4 and Five, Holden Pearmain (2008)

- First, the amount respondents would be willing to pay for the BBC / new activities overall was determined using price points;
- Second, respondents were asked to share 100 points between individual BBC services / new activities based on how they would like the licence fee to be allocated.

From these estimates, a proxy of the amount respondents were willing to pay for each individual BBC service / proposed activity was calculated by multiplying the proportion of points allocated to an individual service by the total price that each respondent was willing to pay for the BBC / all proposed new activities overall.

This study adapts the Work Foundation's method to develop an understanding of audiences' willingness to pay for different genres on ITV1, Channel 4 and Five within the context of willingness to pay at the overall channel level.

The research reported here used the following two-stage process:

- First, respondents were asked how much their household would be willing to pay to receive ITV1, Channel 4 and Five on a subscription basis[21]. Whilst they do not explicitly pay for these channels at the moment, it was felt reasonable to ask respondents to imagine paying on a subscription basis. The research used an open question that asked respondents to indicate the maximum amount that their households would be willing to pay per month for each channel (respondents could give pounds and/or pence and could say zero if they did not wish to subscribe to the channel). This is different from the Work Foundation's research which asked respondents to respond to fixed price points. The Work Foundation's study was carried out in relation to the BBC and so the licence fee provided a frame of reference for the price points. In this research, however, there was no equivalent frame of reference for ITV1, Channel 4 or Five. Hence, the "open" question format was adopted.)
- Second, respondents then proceeded to participate in a points allocation exercise for each channel that they said they would pay for. Each respondent was told that

[21] Respondents were told that their household would still get all BBC services and any other digital channels that their household receives. They were informed that any subscription for ITV1, Channel 4 or Five would be additional to both the licence fee and to any other television subscriptions that their household paid, and they were asked the maximum their household would be willing to pay per month to receive each individual channel. Those respondents who said they would not be willing to pay any amount were assigned a value of zero for the calculation of the mean amongst the total sample. After having answered for each of ITV1, Channel 4 and Five, respondents were informed of the total cost they said they would pay and asked to verify that they would pay this. If they did not, they were given an opportunity to revise their prices for the channels.

the price they were willing to pay for the channel was equivalent to 100 points. They were asked to allocate the 100 points across different programme types based on the amount that they (and the other members of their household) valued watching them on the channel. Respondents were able to allocate zero points to any genre and could also allocate all 100 points to one genre if they so wished.

The list of programme types presented to respondents was unique to each channel and included all the main genres that the channel broadcasts (Figure 21). Respondents were not told of the genres that are at risk in the point allocation exercise in order to get unprompted sense of what they valued most.

The allocated value for each genre was calculated, at a respondent level, by multiplying the proportion of points allocated to each genre by the price each respondent was willing to pay for the channel. Therefore, this exercise did not specifically ask how much respondents were willing to pay for individual genres. However, in an approach similar to that used by the Work Foundation in their work, respondents were asked to imagine that the price they would pay for the channel overall was equivalent to the 100 points that they then divided between the genres, and a clear inference of willingness to pay per genre can therefore be drawn from the responses given.

The method used in this study has attempted to build on the learning from the previous work that has addressed the complex challenge of assessing willingness to pay. One of the benefits of the approach used here is that it gives an indication of the at-risk genres that respondents would pay most readily for and also allows for a comparison of willingness to pay between genres that are and are not at risk. While no individual piece of research or methodology can provide a definitive answer, we believe that the methods used in this research can provide a useful contribution to the debate.

Figure 21: List of genres for each commercial PSB channel

itv 1	4	FIVE
Programmes from the USA and overseas *e.g. Pushing Daisies*	Programmes from the USA and overseas *e.g. Ugly Betty, Desperate Housewives*	Programmes from USA and overseas *e.g. CSI, Neighbours, House, Grey's Anatomy*
UK-made drama & soaps *e.g. Emmerdale, Heartbeat, Trial and Retribution*	UK-made drama & soaps *e.g. Hollyoaks, Shameless*	UK-made drama & soaps *e.g. Suburban Shoot-out, Perfect Day*
UK-made entertainment & comedy *e.g. X Factor, Ant & Dec, Harry Hill's TV Burp*	UK-made entertainment & comedy *e.g. Big Brother, Deal or No Deal, IT Crowd, 4Music Presents …*	UK-made entertainment and comedy *e.g. entertainment, comedy, factual formats and reality e.g. Superstars*
UK-made serious factual programmes on arts, classical music, history, religion or science *e.g. South Bank Show, Malcolm & Barbara*	UK-made serious factual programmes arts, classical music, history, religion or science *e.g. The Seven Wonders of the Muslim World, Monarchy by David Starkey*	UK-made serious factual programmes on arts, classical music, history, religion or science *- e.g. The Singing Estate, Nigel Marven's …*
UK-made general interest documentaries and lifestyle programmes *- i.e. on consumer affairs, human interest, hobbies, leisure e.g. Real Crime, Police, Camera, Action*	UK-made general interest documentaries and lifestyle programmes - i.e. *on consumer affairs, human interest, hobbies, leisure* e.g. *Grand Designs, Jamie's Ministry of Food, Supernanny*	UK-made general interest documentaries and lifestyle programmes - i.e. *on consumer affairs, human interest, hobbies, leisure e.g. Extraordinary People, Hotel Inspector, Fifth Gear*
National and international news *e.g. News at Ten*	National and international news *e.g. Channel 4 News*	National and international news - *e.g. Five News*
News from your area and other local programming	--	--
Current affairs programmes *e.g. Tonight*	Current affairs programmes e.g. *Dispatches*	Current affairs programmes - e.g. *It Pays to Watch*
UK-made children's programmes	--	UK-made children's programmes *- e.g. Milkshake, Peppa Pig*
Film	Film	Film
Sport *e.g. Champions' League, Formula One*	Sport *e.g. Channel 4 Racing*	Sport - *e.g. cricket, UEFA Football, US Sports*

4.4.4 Willingness to pay for channels

In line with the methodology described above, the first step of this analysis asked respondents to imagine themselves in a situation where their household may no longer have access to ITV1, Channel 4 and Five. It then asked them to say how much they and their household would be prepared to pay on a subscription basis to continue to receive each of the channels. Respondents had been informed in the course of the question that this would be in addition to the licence fee that pays for BBC services and in addition to any subscription that their household might currently be paying for other channels.

Responses to this stage were purely generated as a step in the analysis about direct payment for genres and they were not intended to reflect the full value, in a broader sense, which people may attach to these channels in their current free-to-air form (for example, the amount of worth these channels have to themselves as citizens or the amount of value they contribute to society).

Amongst all respondents with a television, 33% of respondents said they would be willing to pay to receive ITV1; 30% to receive Channel 4; and 18% to receive Five.

Amongst those willing to pay on a subscription basis, the mean values given were £5.79 per month for ITV1, £4.35 for Channel 4 and £3.76 for Five. Averaged across the whole sample, the figures therefore worked out as: ITV1: £1.91 per month; Channel 4: £1.29 per month; Five: £0.68 per month.

Each respondent's price for each channel was taken forward into the analysis[22], and were combined with the results of the genre points allocation exercise.

4.4.5 Value allocated to genres ITV1, Channel 4 and Five

Respondents who were willing to pay a subscription for these channels were asked about the extent to which they (including other members of their household) valued different genres broadcast by these channels. As discussed above, this was conducted using a points allocation method. Respondents were told that the monthly amount that they were willing to pay to view a channel was equivalent to 100 points. They were provided with a list of genres and asked to divide the points between the genres for each channel. As illustrated in Figure 21 (above), the list of programme genres was unique to each channel.

Respondents who participated in the points allocation exercise assigned points across the genres differently for ITV1, Channel 4 and Five (Figure 22).

- Those who were willing to pay for ITV1 allocated the most points, on average, to UK-made drama & soaps (16.8) and UK-made entertainment & comedy (12.8);
- Respondents who were willing to pay for Five allocated the most points, on average, to film (16.3) and programmes from the USA and overseas (16.1);
- For Channel 4 UK-made general interest documentaries and other factual programmes (14.0) and film (13.9) were the genres to which most points were allocated. However, respondents distributed points relatively evenly across genres for Channel 4 compared with the other channels.

[22] Two respondents who gave a value of over £100 per channel were excluded from the analysis. All other respondents were included in the analysis.

- The genres with the lowest point allocations on each channel were UK-made children's programmes for ITV1, sport for Channel 4 and current affairs programmes for Five.

Figure 22: Allocation of points by genre for ITV1, Channel 4 and Five (Respondents who answered Q11 – Q13 only)

Q11-13 Please divide 100 points between the types of programmes you and your household watch on ITV1/Channel 4/Five based on the amount you value watching them. Mean points by genre (respondents willing to pay for each channel)

	ITV1	Channel 4	Five
UK-made drama & soaps	16.8	10.8	7.2
UK-made entertainment & comedy	12.8	13.2	8.4
National and international news*	11.2	11.3	9.7
Film	10.2	13.9	16.3
UK made general interest documentaries and other factual programmes	9.7	14.0	12.7
Sport	9.0	7.0	9.3
News from your area and other local programming*	8.4	--	--
UK made serious factual programmes on arts, classical music, history, religion or science*	6.6	11.2	7.9
Current affairs programmes*	5.5	9.5	5.6
Programmes from the USA and overseas	5.4	9.2	16.1
UK-made children's programmes*	4.3	--	6.8
Total	**100**	**100**	**100**
Base:	502	458	268

* at-risk genre

Base is all who would pay for channel in Q10

In order to calculate a proxy for the amount respondents would be willing to pay for different genres on each channel, the proportion of points (i.e. points divided by 100) that respondents allocated to each genre was multiplied by the amount they were prepared to pay for the whole channel. This provided an approximation of respondents' willingness to pay by genre. The values mentioned in Figure 23 and Figure 24 show mean prices per genre per channel across all respondents, including all respondents who were not willing to pay for ITV1, Channel 4 or Five. (As these respondents said they would pay zero for the channel, they were assigned a value of zero for the calculation of the mean price for each genre on the channel.)

Following this approach, respondents indicated they would be willing to pay most for the following genres on each channel:

- ITV1: UK-made drama & soaps (£0.32 per month) and UK-made entertainment & comedy (£0.25 per month);
- Channel 4: UK-made general interest documentaries and other factual programmes (£0.17 per month) and film (£0.18 per month). (Note, however, that the range of values across genres was relatively small on Channel 4 compared to that for ITV1);
- Five: imported programmes (£0.12 per month) and film (£0.11 per month).

For each channel, approximately one-third of the total amount of allocated value was allocated to at-risk genres and two-thirds to genres that are not at risk. This was broadly consistent across all three channels:

- ITV1: 35% of total value allocated to at-risk genres;
- Channel 4: 31% of total value allocated to at-risk genres;
- Five: 30% of total value allocated to at-risk genres.

Figure 23: *Mean price respondents are willing to pay per month, by genre by channel, based on all respondents in households with TV*

(Source data: the total amount respondent is willing to pay for each channel (Q10), multiplied by the proportion of points they allocated to each genre on the channel (Q11-13))

	itv 1	4	FIVE
UK-made drama & soaps	£0.32	£0.15	£0.05
UK-made entertainment & comedy	£0.25	£0.17	£0.05
National and international news*	£0.21	£0.15	£0.07
UK made general interest documentaries and other factual programmes	£0.20	£0.17	£0.08
Film	£0.19	£0.18	£0.11
News from your area and other local programming*	£0.16	--	--
Sport	£0.16	£0.10	£0.06
UK made serious factual programmes on arts, classical music, history, religion or science*	£0.12	£0.13	£0.05
Programmes from the USA and overseas	£0.11	£0.12	£0.12
Current affairs programmes*	£0.11	£0.12	£0.04
UK-made children's programmes*	£0.08	--	£0.04
Total	£1.91	£1.29	£0.68

* at-risk genre

Base: 1574, all respondents with TVs

Not all of these genres are at risk. The table below (Figure 24) looks specifically at the proxy values attributed to the at-risk genres. This analysis shows, on average, respondents were willing to pay £1.28 per month for all the at-risk genres on ITV1, Channel 4 and Five.

Figure 24: *Mean price respondents are willing to pay per month, per at-risk genre by channel, based on all respondents in households with TV*

(Source data: the total amount respondent is willing to pay for each channel (Q10), multiplied by the proportion of points they allocated to each genre on the channel (Q11-13))

	ITV1	Channel 4	FIVE	Total
National and international news	£0.21	£0.15	£0.07	£0.43
UK made serious factual programmes on arts, classical music, history, religion or science	£0.12	£0.13	£0.05	£0.30
Current affairs programmes	£0.11	£0.12	£0.04	£0.27
News from your area and other local programming	£0.16	--	--	£0.16
UK-made children's programmes	£0.08	--	£0.04	£0.12
All non-at-risk genre	£1.23	£0.89	£0. 47	£2.59
Total at-risk genre	**£0.68**	**£0.40**	**£0.20**	**£1.28**

Base: 1574, all respondents with TVs

Respondents were willing to pay the most for the at-risk genres on ITV1 (£0.68), then on Channel 4 (£0.40) and then Five (£0.20). Fewer at-risk genres were tested for Channel 4 (reflecting current provision, children's and regional programming were not included for this channel). However, a like-for-like comparison across all channels shows that respondents were willing to pay £0.44 for the combination of national and international news, serious factual programmes and current affairs on ITV1, compared with £0.40 for the same combination of genres on Channel 4 and £0.16 on Five.

Of the at-risk genres, willingness to pay was highest for national and international news across all three channels, with approximately one-third of the total for at-risk genres allocated to this programme type out of the five at-risk genres included in the analysis.

Comparing willingness to pay across each of the channels, respondents said they would pay £0.21 for national and international news on ITV1. This was approximately equal to the combined amount they said they would pay for national and international news on Channel 4 and Five (£0.22).

After national and international news, amongst the remaining at-risk genres respondents gave the next highest willingness to pay scores to serious factual programming and then current affairs.

Willingness to pay for regional news and other local programming came fourth out of the five tested at-risk genres. It should be noted that the tested genres reflected the current provision on ITV1, Channel 4 and Five, so regional news and other local programming was included only on the ITV1 list of at-risk genres. For this reason, respondents had only one opportunity to state a willingness to pay for regional news and other local programming (on ITV1) compared to three opportunities to state a willingness to pay for national and international news, current affairs and serious factual programming (on ITV1, Channel 4 and Five). When looking at individual genre and channel combinations, rather than looking at the totals across all channels, willingness to pay for regional news and other local programming on ITV1 was second only to national and international news on ITV1.

While respondents overall would pay least for UK-made children's programming, those with children in their household would pay approximately double the average for children's programming on ITV1 (£0.15 per month) and Five (£0.09 per month). Indeed, after programmes from overseas, children's programming (along with film) was the genre on Five for which parents said they would pay most.

One of the benefits of the willingness to pay approach described above is that, as well as enabling a comparison of willingness to pay across at-risk genres, it also allows for a comparison of willingness to pay between genres that are and are not at risk (Figure 25):

- National and international news on ITV1 was the at-risk genre for which respondents would pay most and was placed third in a willingness to pay ranking across all genres;
- Regional news and other local programming on ITV1 ranked ninth;
- The other at-risk genres were placed lower in the ranking in terms of willingness to pay;
- Genres that are not at risk took eight of the top ten places in a ranking of genres by respondents' willingness to pay.

From a household perspective, then, the research suggests that generally the at-risk genres are not the genres for which respondents would be most willing to pay, the exception being national and international news and regional news and other local programming.

Figure 25: Mean price respondents are willing to pay per month, top ten genres, based on all respondents in households with TV

(Source data: the total amount respondent is willing to pay for each channel (Q10), multiplied by the proportion of points they allocated to each genre on the channel (Q11-13))

Rank	National and international news	Channel	WTP amount
1	UK-made drama & soaps	itv1	£0.32
2	UK-made entertainment & comedy	itv1	£0.25
3	National and international news*	itv1	£0.21
4	UK made general interest documentaries and other factual programmes	itv1	£0.20
5	Film	itv1	£0.19
6	Film	4	£0.18
7	UK-made entertainment & comedy	4	£0.17
8	UK made general interest documentaries and other factual programmes	4	£0.17
9	News from your area and other local programming*	itv1	£0.16
10	Sport	itv1	£0.16

* at-risk genres

Base: 1574, all respondents with TVs

4.5 Future provision of at-risk genres on the commercially funded PSBs

The questionnaire included a further line of questioning to understand audiences' attitudes to preserving genres at risk on ITV1, Channel 4 and Five and, in particular, to gauge audiences' reaction to different options for making up the potential shortfall in provision of these genres on these channels.

It was explained to respondents that, in the future, ITV1, Channel 4 and Five might not be able to keep showing the same mix of programmes as they do now, because the channels are mainly funded by advertising, and changes in the television environment mean that some types of programmes may become unprofitable. They were told that the types of programmes affected are those that are expensive to make, or have fewer viewers and therefore attract less advertising. For the first time in the interview, they were told that the genres at risk were UK-made serious documentaries on arts, classical music, history, religion and science; current affairs; national and international news; regional news and some children's programmes. They were informed about the type of programmes that could take their place if there was a reduction in these genres. They were told that the commercially funded PSBs would show programmes which could attract more viewers in their place, for example, entertainment, lifestyle, some drama, programmes from the US/overseas and some repeats of these kinds of programmes. Respondents were also informed that the BBC would keep showing all types of programmes, and that digital channels would show some of these programmes as well.

Following this, a three-step approach was taken:

1. Taking one genre and channel combination at a time, respondents were asked whether they (including all other members of their household) would be satisfied or not if provision of the genre (see below) were reduced on ITV1 or Channel 4 or Five.

   The key purpose of this first question was to identify the proportion of respondents who would be content with reductions in the amount of at-risk content broadcast by the commercially funded PSBs beyond the BBC, in the context of the growing pressures on at-risk genres and the programme types that could potentially fill the gaps in the schedule left by any such reductions.

2. For each genre/channel combination, respondents who said they would be dissatisfied with lower provision were then asked about alternative options on how the shortfall could be met: would they be prepared to pay a charge, in addition to the licence fee, to ensure provision; or have BBC One and BBC Two provide more of the genre to make up the difference for no extra charge (which would mean the BBC would show less of other types of programmes); or, on reflection, would they be prepared to see a reduction after all?

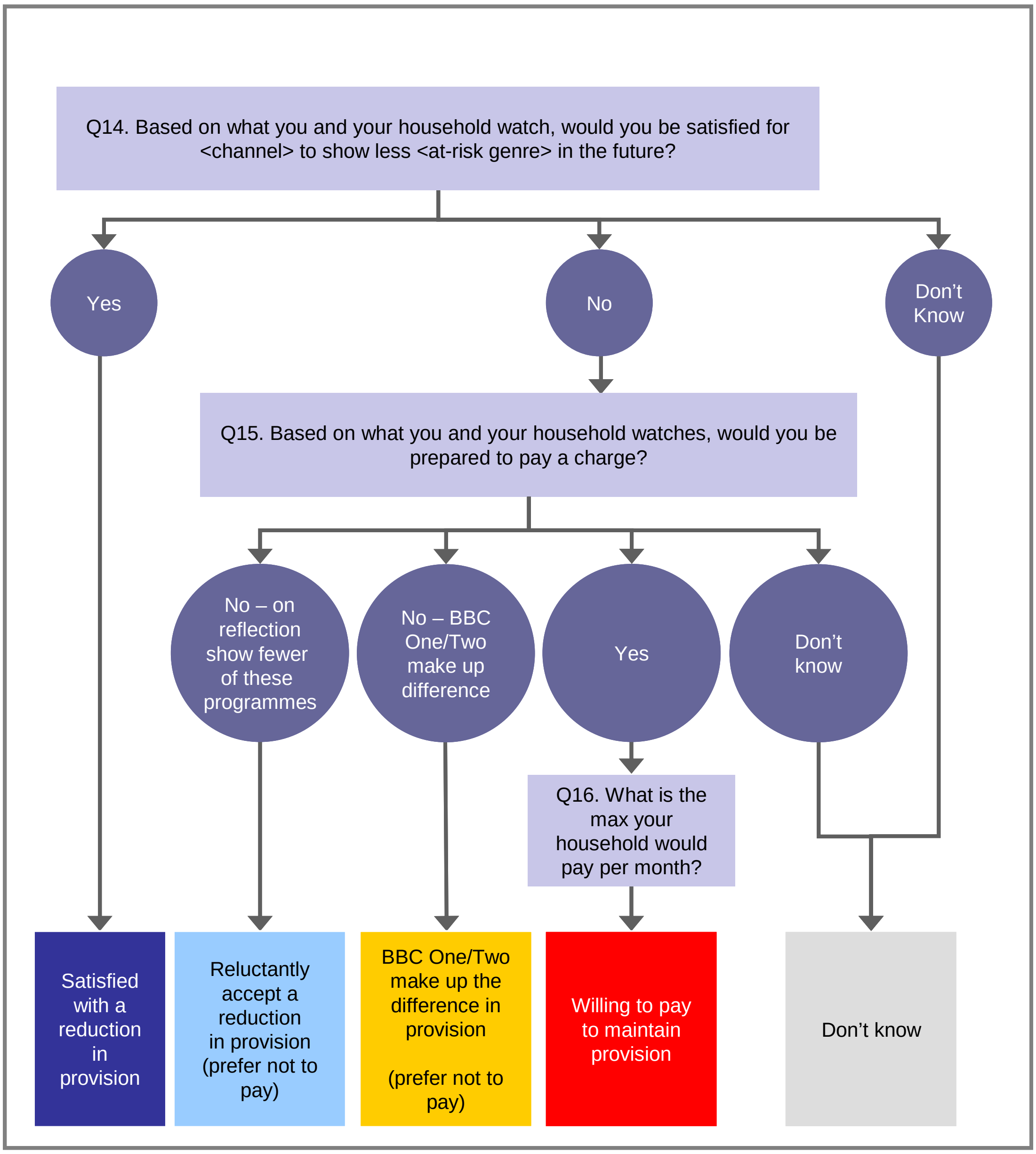
   The key purpose of this second question was to explore how those respondents who were dissatisfied with reductions in at-risk genres felt about alternative options that could potentially address the issue.

3. Respondents who were willing to pay to maintain the current level of provision were then asked the maximum amount per month their household would be willing to pay for that genre on that channel.

   The purpose of this question was to allow comparison with the willingness to pay data from the points allocation method described above in section 4.4. However, in the event, the sample sizes at this stage of the questionnaire were too low for meaningful analysis of the amounts given.

Figure 26 illustrates the flow of the questions described above. This illustration corresponds with the data found below in Figure 30.

Figure 26: Flow chart explaining routing for questions 14-16



Whilst 12 at-risk genre / channel combinations were tested in this part of the research, respondents were randomly divided into two groups to ensure they were only asked about six genres, in order to reduce the levels of respondent fatigue. Within each group, the order of the six genres was randomised for each respondent. Figure 27 illustrates how the genres were split for the two groups.

Figure 27: Division of at-risk genres across sample halves

SAMPLE 1

A. UK-MADE SERIOUS FACTUAL PROGRAMMES ON ARTS, CLASSICAL MUSIC, HISTORY, RELIGION OR SCIENCE ON CHANNEL 4
B. UK-MADE SERIOUS FACTUAL PROGRAMMES ON ARTS, CLASSICAL MUSIC, HISTORY, RELIGION OR SCIENCE ON ITV1
C. NATIONAL AND INTERNATIONAL NEWS ON CHANNEL 4
D. CURRENT AFFAIRS PROGRAMMES ON ITV1
E. CURRENT AFFAIRS PROGRAMMES ON FIVE
F. UK-MADE CHILDREN'S PROGRAMMES ON FIVE

SAMPLE 2

G. UK-MADE SERIOUS FACTUAL PROGRAMMES ON ARTS, CLASSICAL MUSIC, HISTORY, RELIGION OR SCIENCE ON FIVE
H. NATIONAL AND INTERNATIONAL NEWS ON FIVE
I. NATIONAL AND INTERNATIONAL NEWS ON ITV1
J. NEWS FROM YOUR AREA AND OTHER LOCAL PROGRAMMING ON ITV1
K. CURRENT AFFAIRS PROGRAMMES ON CHANNEL 4
L. UK-MADE CHILDREN'S PROGRAMMES ON ITV1

4.5.1 Satisfaction or dissatisfaction with reductions in the provision of at-risk genres on ITV1, Channel 4 or Five

Step 1: To begin with, then, the research sought to identify the proportion of respondents who would be content with reductions in the amount of at-risk content broadcast by the commercially funded PSBs beyond the BBC, in the context of the growing pressures on at-risk genres and the programme types that could potentially fill the gaps in the schedule left by any such reductions.

With this aim in mind, taking one genre and channel combination at a time, respondents were asked whether they (including all other members of their household) would be satisfied or not if provision of at-risk content were reduced on ITV1 or Channel 4 or Five.

The results from the research were as follows:

- Approximately two-thirds (67%) of respondents identified at least one at-risk genre that they would be *dissatisfied* to see reduced on ITV1, Channel 4 or Five.
- However, almost all respondents (93%) identified at least one at-risk genre that they would be *satisfied* to see reduced on ITV1, Channel 4 or Five.
- Moreover, three out of every ten respondents (30%) said that they would be satisfied to see reductions on the commercially funded PSBs in all of the six genres/channels they were asked about.

Looking at the responses to particular genres and channels, respondents were more polarised in their responses to two of the at-risk genres:

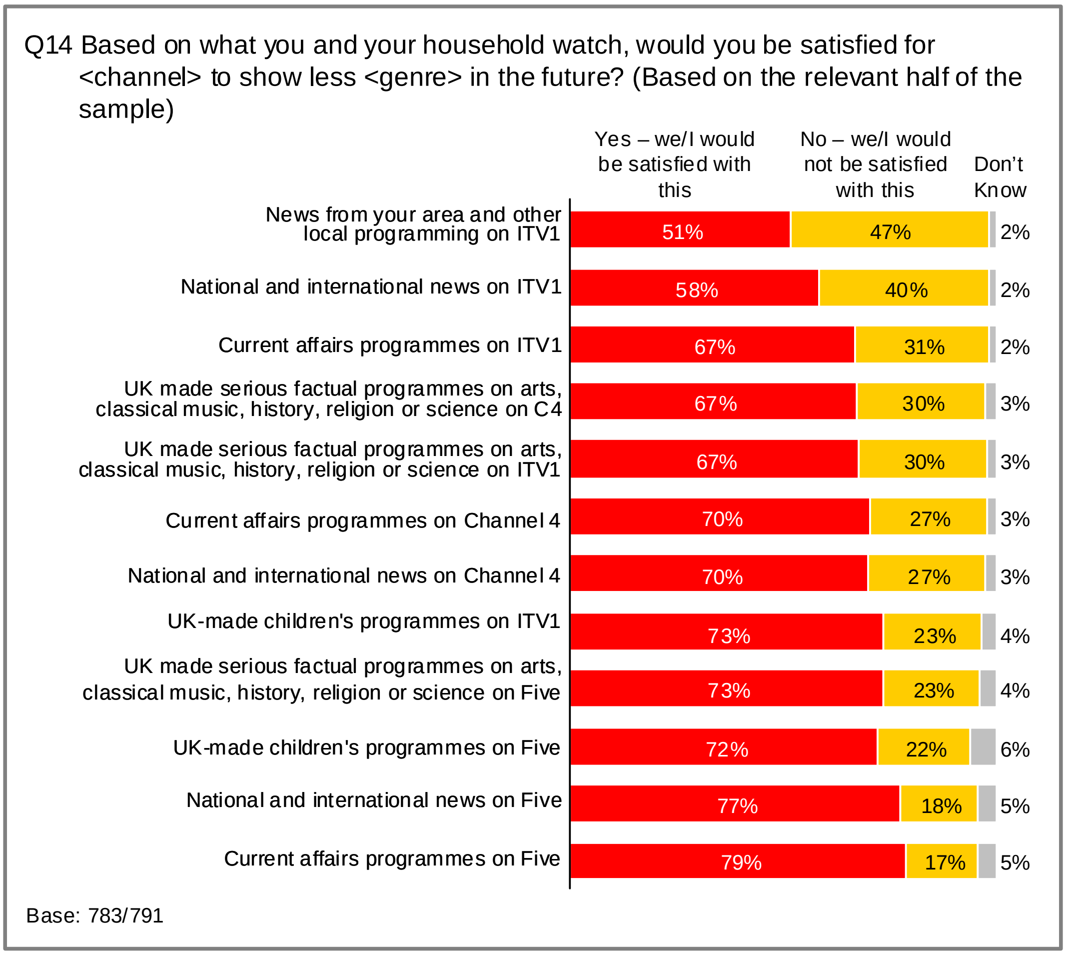
- Regional news and other local programming on ITV1 (47% were dissatisfied, and 51% satisfied with a reduction);
- National and international news on ITV1 (40% were dissatisfied, and 58% satisfied with a reduction). (Figure 28)

With regard to the other at-risk genres, however, at least two thirds of respondents said they would be satisfied to see reductions in provision on the commercially funded PSBs.

Compared with the sample overall, parents with children in their household were more dissatisfied at the prospect of a reduction in UK-made children’s programmes on Five and ITV1. Nevertheless with regard to both of these at-risk genres, a majority of parents with children at home said they would be satisfied with reductions:

- For UK-made children’s programmes on Five, 60% of parents were satisfied with a reduction, compared to 72% satisfied amongst respondents overall;
- For UK-made children’s programmes on ITV1, 63% of parents were satisfied with a reduction, compared to 73% satisfied amongst respondents overall.

Figure 28: Q14 - Attitudes to reduced broadcasting of at-risk genres on ITV1, Channel 4 & Five



4.5.2 Alternative options to preserve provision of at-risk genres

<u>Step 2</u>: The next stage of the questionnaire sought to explore how those respondents who were dissatisfied with reductions in at-risk genres felt about alternative options that could potentially address the issue.

These questions were only asked to those respondents who had said they would be dissatisfied with a reduction in the genre on the commercially funded PSBs at the previous question (that is a minority of the sample: between 17% and 47% of the sample depending on the genre). These respondents were asked if their household would be willing to pay to maintain provision (and were informed that any charge would be in addition to the licence fee that pays for the BBC). They were given four options:

- Yes, we/I would be prepared to pay a charge for <channel> to show these programmes.

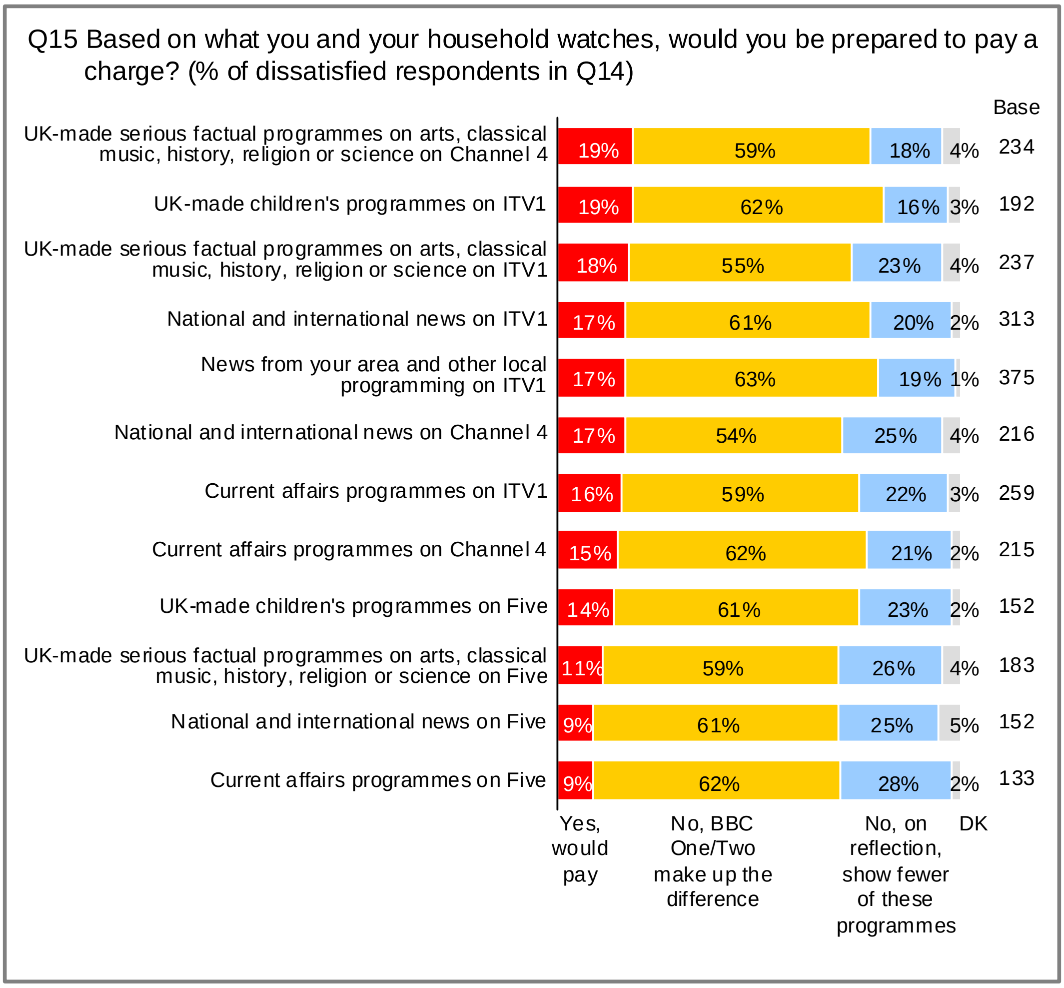
- No, we/I would rather BBC One and BBC Two made up the difference by showing more of these programmes for no extra charge. (This would mean that BBC One and BBC Two would show fewer of other kinds of programmes.)
- No, on reflection, we/I would rather <channel> showed fewer of these programmes even if BBC One and BBC Two did not provide more of them.
- Don't know

Respondents were reminded that in place of each at-risk genre, ITV1, Channel 4 or Five would show programmes that attract more viewers, for example, entertainment, lifestyle, some drama, programmes from the US/overseas and some repeats of these kinds of programmes.

As discussed above (in 4.5.1), between 17% (for current affairs on Five) and 47% (for regional news and other local programming on ITV1) of respondents said they would be dissatisfied to see reductions in at-risk genres on the commercially funded PSBs. Figure 29 shows the results from step two of the research across those respondents who said they would be dissatisfied in each genre. (Figure 30 will later present the results across all respondents.)

- Amongst dissatisfied respondents for each at-risk genre, a minority said they would be willing to pay to preserve provision on the commercially funded PSBs. The proportion who were willing to pay ranged from 9% of those dissatisfied with a reduction in current affairs on Five, to 19% of those dissatisfied with a reduction in UK-made serious factual on Channel 4 or UK-made children's programming on ITV1;
- While the option of paying for provision to continue proved relatively unpopular, the most popular option was for the BBC to make up the difference in provision instead, though it would mean that the BBC would show less of other kinds of programmes. For each at-risk genre, a majority of dissatisfied respondents said they would not be willing to pay to preserve at-risk content on the commercially funded PSBs, but wanted the BBC to make up the difference instead. The percentage who wanted the BBC to make up the difference ranged from 54% of those dissatisfied with a reduction in national and international news on Channel 4, to 63% of those dissatisfied with a reduction in regional news and other local programming on ITV1;
- A core minority of dissatisfied respondents changed their minds on reflection, and said they would accept a reduction in provision of at-risk content after all, rather than having to pay for it (even though they had initially expressed dissatisfaction with a decrease in output). The proportion of dissatisfied respondents indicating such a reluctant acceptance of a reduction in provision ranged from 16% (UK-made children's on ITV1) to 28% (current affairs on Five).

Figure 29: Q15 - Willingness to pay for at-risk genres on ITV1, Channel 4 and Five amongst those dissatisfied with a reduction in provision on these channels



Amongst respondents who were dissatisfied with a reduction, parents with children living in their household displayed a slightly greater willingness to pay for UK-made children's programming than the average dissatisfied respondent:

- For Five, 19% of dissatisfied parents said that they would be willing to pay to maintain provision of children's programming on Five, compared to 14% across all dissatisfied respondents;
- For ITV1, the proportion willing to pay was the same for dissatisfied parents as for the dissatisfied sample as a whole (19%).

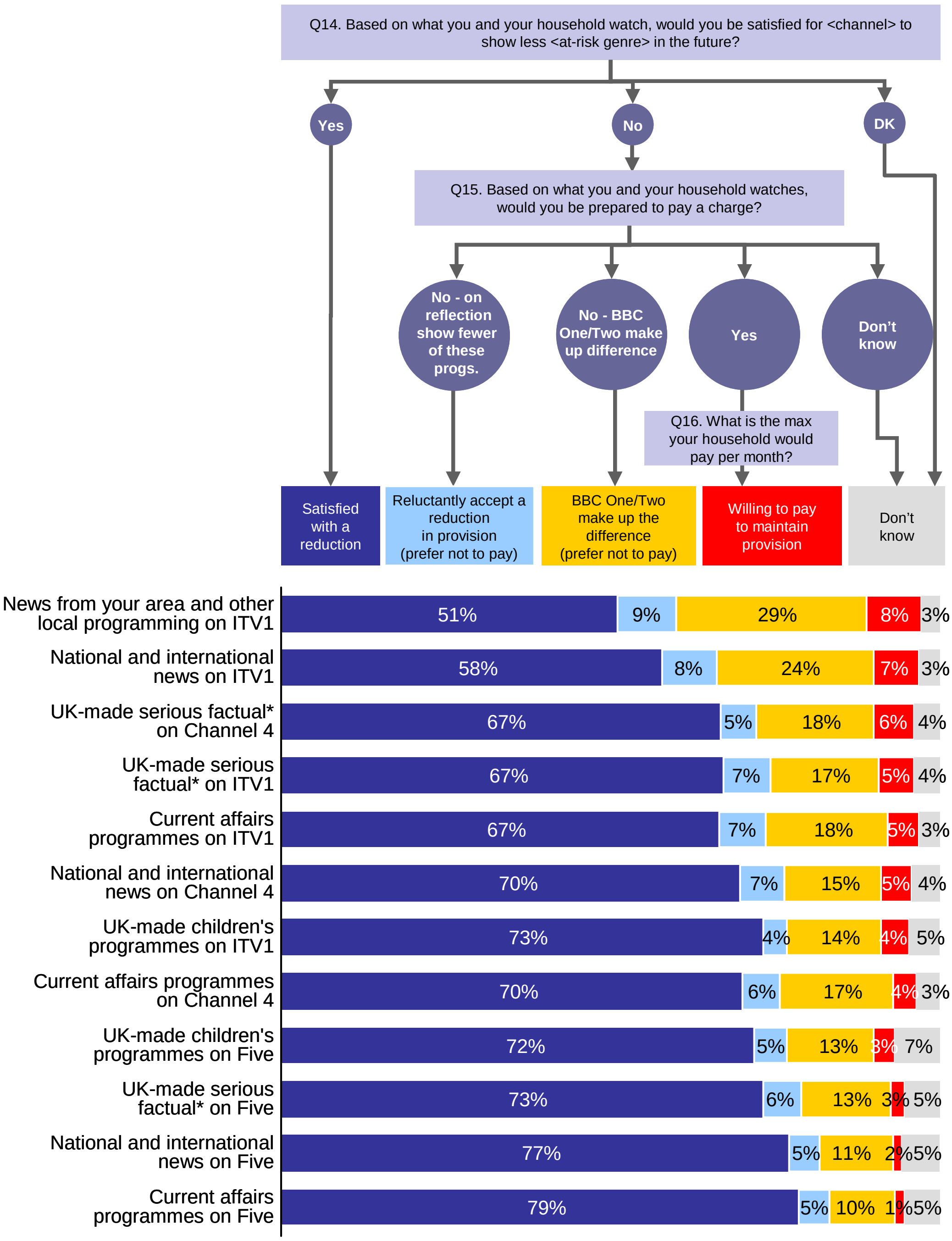
The results discussed above report on those respondents who had initially said they would be dissatisfied to see reductions in at-risk content on the commercially funded PSBs. Figure 30 presents the picture across all respondents. Thus, it shows an overview of responses that links back to the question flow chart at Figure 26.

Figure 30 shows the following.

- In all but two genres, a clear majority of respondents (at least two thirds) said they would be satisfied to see reductions in provision on the commercially funded PSBs. The exceptions to this were national and international news on ITV1 and regional news and other local programming on ITV1 where respondents were somewhat more polarised,.
- Where there was dissatisfaction with a reduction in a genre, increased provision on BBC and BBC Two was the preferred option to fill the shortfall.
- This means that in the case of each at-risk genre, fewer than 10% of respondents said they would be willing to pay to preserve provision on the commercially funded PSBs.
- The genres that they said they would be most willing to pay for were:
    - Regional news and other local programming on ITV1 (8% of all respondents who answered for this genre);
    - National and international news on ITV1 (7%);
    - UK-made serious factual programming on Channel 4 (6%);
- Looking across all genres, 15% of all respondents said they would be willing to pay for at least one at-risk genre. This was in the context of having been informed of the growing pressures on at-risk genres, told about the programme types that could potentially fill the gaps in the schedule left by any such reductions and given an alternative option (in this case, enhanced BBC provision) to fill the shortfall in provision.

Figure 30: Preferences for future provision of at-risk genres on ITV1, Channel 4 and Five amongst respondents with a TV in the household

Overview of Q14 and Q15 flow and results: Q14 Based on what you and your household watch, would you be satisfied for <channel> to show less <PSB genre> in future? Q15 Based on what you and your household watches, would you be prepared to pay a charge?



* Programmes on arts, classical music, history, religion or science

Base: 783/791

4.5.3 Willingness to pay values

Step 3: In the final stage of this part of the research respondents who had said that they were willing to pay to maintain the current level of provision were then asked the maximum amount per month their household would be willing to pay for that genre on that channel.

However, owing to the fact that few respondents had been willing to pay in the previous question, the sample sizes at this stage of the questionnaire were small. As a result of these small sample sizes (ranging from 11 to 63 respondents depending on the genre), it is not possible to quote meaningful willingness to pay figures based on this method.

4.6 Comparison of willingness to pay results

This section compares the result from the willingness to pay research in this study with those obtained in work by Holden Pearmain for Ofcom, published in September 2008[23].

4.6.1 Differences in approach

The approach undertaken in this report generated willingness to pay values (£1.28) that are under half those generated by the research conducted by Holden Pearmain for Ofcom (for example £2.92, personal perspective, Gabor Granger approach[24]). Several reasons may explain the different willingness to pay values.

Firstly, the changing economic circumstances in the UK are likely to have impacted on audiences' responses to willingness to pay for at-risk content on the commercially funded PSBs.

- According to the Nationwide Consumer Confidence Survey[25], the proportion of adults that viewed the current economic situation as "bad" increased from 25% in January 2008 to 52% in May 2008. By October 2008, the figure was 75%.
- Figures from Ipsos MORI's tracking survey of issues facing Britain show that 32% of respondents cited the economy as an issue in June 2008 (when Holden Pearmain conducted their fieldwork), whereas the figure was 62% by November when the fieldwork was carried out for this study.

Secondly, there was a difference of definition, in terms of the genres included in the analysis of the different studies:

- The research reported here examined willingness to pay for genres defined as 'at-risk'.
- The Holden Pearmain research for Ofcom examined willingness to pay for PSB on ITV1, Channel 4 and Five, which was defined in terms of genres on these channels. For the most part, the genres specified matched those used in this study. However, the Holden Pearmain work also included experimental programming on Channel 4 and UK drama and comedy on Channel 4. Channel 4 UK drama and

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23 Assessing the value of public service broadcasting on ITV1, Channel 4 and Five, Holden Pearmain (2008)

24 In Holden Pearmain's report it is quoted that respondents were willing to pay an average value of £3.50 per month from a personal perspective, though this is based on 83% of sample (as those who answered 'very unwilling' or 'don't know' or a combination of the two at every price point throughout the Gabor Granger question were excluded). With Ofcom's help, the average value has been re-calculated based on all respondents and this produces a figure of £2.92 per month.

25 http://www.nationwide.co.uk/consumer_confidence/data_download/default.htm

comedy was not included as an at-risk genre in this research as it did not emerge as such in market modelling work conducted by CapGemini for the BBC.

There are also differences between the samples and the methodologies employed in this research and those in the research conducted by Holden Pearmain for Ofcom. In particular:

- Respondents in the Holden Pearmain research were presented with pre-determined price points and were asked whether they were willing to pay for the service described using the scale “yes, very willing”, “yes, fairly willing”, “no, fairly unwilling”, “no, very unwilling” and “don’t know”. The research reported here asked respondents to give a numerical value for the amount they would be willing to pay for the channel and assigned a value of zero if they were not willing to pay.
- The Holden Pearmain research did not include any “counterfactual” in its research. It was not explained to respondents that a reduction in PSB programming on ITV1, Channel 4 and Five would lead to those channels showing more programmes that attract more viewers (e.g. entertainment, lifestyle, drama, overseas imports and selected repeats). This was included in this research in the questions that asked respondents whether or not they would be satisfied with a reduction in at-risk genres and, if they were dissatisfied with this, if they would be prepared to pay a charge to maintain provision.

Previous studies have illustrated that such significant methodological differences can have an impact on outcomes. For example, willingness to pay figures for the BBC in the Work Foundation study for DCMS in 2006 were lower than those for Human Capital (2004). In part, this could be attributed to respondents being informed of the cost of the licence fee in the Work Foundation study and the use of different price points.

The method used in this study has attempted to build on learnings from previous work in this area. This study has the advantage of giving some insight into the variation in willingness to pay across the at-risk genres. As stated earlier, while no individual piece of research or methodology can provide a definitive answer, we believe that the methods used in this research can provide a useful contribution to the debate.

4.6.2 Similarities in genre rankings

Notwithstanding the differences between studies described above, it is possible to compare the rankings obtained in each research programme.

- Holden Pearmain found that ITV1 accounted for 50% of the relative value for at-risk genres from the conjoint analysis, followed by Channel 4 (41%) and Five (9%).

- Using the points allocation method of this research, the same order is followed with ITV1 accounting for 53%, Channel 4 31% and Five 16% of attributed value, respectively, though the proportions differ.
- UK news was the most highly ranked genre for Holden Pearmain in their conjoint analysis and in a card-sorting exercise that was undertaken. It was also the genre that respondents were prepared to pay most for in the points allocation exercise in this research.