
Review of the BBC's materiality assessment of proposed changes to BBC Sounds

Non-confidential version for publication [3<]

Summary of our decision

- 1.1 We have reviewed the materiality assessment (MA) provided by the BBC on 2 February 2023 in relation to its proposals to make certain changes to BBC Sounds.
- 1.2 Based on the BBC's MA, further information received from the BBC, and stakeholder engagement, we consider that the proposals constitute changes to BBC Online,¹ an existing UK Public Service. However, **we do not consider the changes, individually or cumulatively, are ones that may have a significant adverse impact on fair and effective competition, so we do not consider the changes to be material.**² Therefore, we have decided not to require the BBC to carry out a Public Interest Test (PIT) for these proposals.

Summary of BBC's proposals

- 1.3 The BBC has proposed four changes relating to the type, availability and distribution of audio content on BBC Sounds:
- delivering new short-form content (less than ten-minutes) across a range of genres on BBC Sounds;
 - increasing the amount of podcast acquisitions available on Sounds, on a non-exclusive basis;
 - exercising flexibility in how and where it releases on-demand speech audio content (i.e. podcasts) that has previously been released concurrently on BBC Sounds and on RSS³ (so also having the option to make existing podcasts available only on BBC Sounds, or on BBC Sounds first); and
 - delivering 'BBC Sounds-only Radio Programmes' which will provide on-demand only audio content containing both music and speech.
- 1.4 The BBC states that all the proposals for changes relate to an evolution of BBC Sounds as part of the BBC Online offering and, as such, it concludes the changes do not constitute a new UK Public Service either individually or cumulatively. The BBC's stated objectives for the changes are to:
- deliver more on-demand content on BBC Sounds which targets underserved younger audiences (16 – 34 year olds);
 - more easily deliver content on BBC Sounds at pace;
 - deliver innovative content formats which enable greater retention of audiences to BBC Sounds; and
 - drive more listener activations to introduce audiences to more of what BBC Sounds has to offer.

¹ BBC Sounds is part of BBC Online, a UK Public Service.

² BBC Agreement, clause 7(7).

³ RSS is an acronym of either 'Really Simple Syndication' or 'Rich Site Summary'. It refers to a news feed that is generated by the content on a website, but which visitors can select to have delivered to their internet device without visiting the source website. Podcasts are often released to aggregator platforms via use of RSS.

Background

- 1.5 How audiences access and listen to audio services is changing. Although listening to live radio (on a radio set or online) remains the most popular audio activity amongst all audiences, radio consumption is gradually decreasing whilst listening to on-demand audio (such as music streaming and podcasts) has grown in popularity.⁴
- 1.1 The BBC's share of total audio listening in this context has decreased from 43% of all adults aged 15+ in 2015 to 33% in 2021, and from 21% to 11% for those aged 15-24 across the same period.⁵ Using RAJAR MIDAS data, the BBC estimate its share of the on-demand speech and on-demand music market to be 34% and 4% respectively.
- 1.2 In assessing the BBC's materiality assessment, we have considered BBC Sounds' overall position within the UK audio sector as set out in our 2022 Consultation on how Ofcom regulates the BBC's impact on competition⁶ and 2021 Statement on the Market Position of BBC Sounds.⁷

BBC Sounds Trials (2022)

The proposed changes to BBC Sounds summarised above are based on the BBC's trial changes to BBC Sounds undertaken in 2022.

We reviewed the BBC's materiality assessment of the proposed trial changes and did not require the BBC to carry out a PIT in relation to its proposals. We concluded that the changes were not material, principally because of their relatively small scale and temporary nature.⁸

We noted that the BBC would submit a further materiality assessment if it wished to proceed with any element of the trials, either at a similar scale or scaled up.

Ofcom's review of the BBC's proposals

- 1.6 We have carefully reviewed the materiality assessment including the results of the trials and other information provided by the BBC, alongside other evidence available to us including information provided by Radiocentre, Global and Bauer.⁹
- 1.7 We have considered the impact of each proposed change individually and taken together. We have focused our review on the potential concern that the proposals 'crowd out' commercial rivals.¹⁰ We have also considered other proposal-specific concerns, as appropriate.

⁴ Wider developments in audio services are set out in the Radio and Audio section of our [Media Nations report \(2022\)](#).

⁵ [Consultation: How Ofcom regulates the BBC's impact on competition: proposals for changes to guidance and requirements \(November 2022\)](#).

⁶ [Statement: Market position of BBC Sounds \(November 2021\)](#).

⁷ [Consultation: How Ofcom regulates the BBC's impact on competition: proposals for changes to guidance and requirements \(November 2022\)](#).

⁸ Materiality Assessment: [BBC Sounds Trial \(February 2022\)](#).

⁹ [Radiocentre](#) is the industry body for UK commercial radio representing over 300 radio licensees. [Global](#) and [Bauer](#) are major UK commercial radio groups.

¹⁰ Crowding out can occur if the BBC changes its services in a way that leads audiences to switch away from commercial services to BBC services, such that it reduces commercial providers' revenue to an extent that they reduce investment in

- 1.8 We have considered whether the BBC's proposed changes are material changes, i.e. may have a significant adverse impact on fair and effective competition. Under the Charter and Agreement, we would review the BBC's assessment of the public value of the proposed changes only if they were material and a competition assessment was required.¹¹ Ofcom also has ongoing duties to hold the BBC to account for its performance. As part of this, we separately review the contribution that BBC Sounds is making to the delivery of the BBC's Mission and Public Purposes.¹²
- 1.9 In the sections that follow, we provide an overview of the evidence and analysis that we have used to inform our decision. While we are not required to publish such a document when reviewing materiality assessments the BBC shares with us, we do so where we consider it might be helpful for stakeholders to more fully understand Ofcom's view.

BBC's general approach in its Materiality Assessment

- 1.10 The BBC's general approach in assessing the impact of the proposed changes has been to estimate the average additional listening hours per week from the trials and scale this impact up to reflect their proposed changes.
- 1.11 In doing this analysis the BBC has taken a static approach.¹³ It notes that, in reality, it would assume some of the additional listening is likely to be diverted from other BBC Sounds listening and some is likely to be organic growth. The BBC states that "as such the total growth is likely to be lower than these estimates."
- 1.12 Whilst we agree that there is likely to be an element of substituted listening from other BBC Sounds listening, we also consider that it is likely that some of the new listeners will go on to consume additional content on BBC Sounds (indeed that is a stated aim of the proposed changes). As such, there is some uncertainty as to whether the total growth is likely to be slightly higher or lower than the static estimates.
- 1.13 Overall, we consider the BBC's general approach is appropriate and proportionate for the purpose of assessing whether the proposed changes are material in this case.
- 1.14 The BBC's approach to assessing the impact of the proposed change to the way it distributes its existing podcasts is based on evidence from its trials. In considering this proposed change below, we note the limitations with this approach and set out how we have addressed these limitations in reaching our view on the materiality of this change.

Short-form content

- 1.15 The BBC plans to increase the number of short-form podcasts (less than 10 minutes each in length) available on BBC Sounds. The materiality assessment estimates that, in total, the volume of short-form podcasts will increase to 21 hours of off-schedule content per

their services. This would lead to a consequent reduction in overall choice, quality and range of content for audiences. In some extreme cases, commercial providers may cease providing services altogether.

¹¹ BBC Agreement, clause 10.

¹² Ofcom uses a range of regulatory tools to hold the BBC to account for its performance in relation to its output and services (see [BBC regulation and Operating Framework](#)).

¹³ It has not sought to estimate the extent to which this listening has replaced other listening on BBC Sounds or to what extent new listeners go on to consume additional content on BBC Sounds.

quarter available on BBC Sounds. The BBC has currently budgeted [3<] for short-form content in 2023/24.

- 1.16 Based on the results of the trial, the BBC estimates this proposed increase would result in a 0.7% to 1.7% increase in the average hours of on-demand speech listening to BBC Sounds each week. This equates to a 0.2% to 0.5% increase in total weekly listening to BBC Sounds.
- 1.17 We consider these estimates are reasonable. Given the expected impact on listening of this proposed change is relatively small we do not consider it is one that may have a significant adverse impact on fair and effective competition.

Podcast acquisitions

- 1.18 The BBC plans to expand the volume of acquired podcasts it makes available on BBC Sounds to a total of 50-100 titles per year. The podcasts will be acquired on a non-exclusive basis meaning acquisition by the BBC will not preclude availability on other platforms. It has currently budgeted [3<] on acquisitions in 2023/24.
- 1.19 During the trial, the BBC acquired 10 podcasts for BBC Sounds which remained available on RSS. The BBC reported that the trial showed that engagement with acquired podcasts on BBC Sounds had an overall positive impact on consumption of those podcasts, with little to no impact on their off-platform (RSS) consumption.
- 1.20 Based on the results of the trial, the BBC estimates that this change could lead to a 1.9% to 3.7% increase in the average hours of on-demand speech listening to BBC Sounds each week, which would equate to a 0.5% to 1.1% increase in total weekly listening to BBC Sounds.¹⁴
- 1.21 We note that there was significant variation in how the 10 podcasts in the trial performed. It is reasonable to assume that the BBC learns from what acquired content proved more or less successful with audiences during the trial when acquiring subsequent podcasts, such that the additional hours of listening generated may be higher than the estimates above which are based on the average from the trials. For example, if future podcast acquisitions performed as well as the top 5 performing podcasts in the trial this could lead to a 3.4% to 6.9% increase in the average hours of on-demand speech listening to BBC Sounds (1% to 1.9% increase in total listening to BBC Sounds). We have taken account of these higher estimates of additional listening in reaching a view on this proposed change.
- 1.22 We also considered the potential impact on the wider podcast market. The BBC considers that the proposed change would have a positive market impact on UK podcast producers and other creative talent involved in making this content. It contends that the change would provide independent producers and talent with a BBC 'shop window', which would increase the profile of the titles and their future value. We agree that the proposed change might result in this positive impact but also note Radiocentre's concern that, by promoting the podcasts it acquires, the BBC could effectively elevate the podcasts it pays for (which

¹⁴ These are revised numbers provided by the BBC in response to our questions. These differ from those presented in the original Materiality Assessment which contained an error. The figures presented in the Materiality Assessment were an increase in average weekly on-demand speech listening on BBC Sounds of 1.3% to 2.5%, and a 0.4% to 0.7% increase in all BBC Sounds listening hours.

also compete in a commercial market for advertising) to 'leading titles' and in doing so distort the market to some extent.

- 1.23 While there is uncertainty about the impact on the podcast production market that might result from the BBC acquiring a greater volume of podcasts, the audience evidence clearly indicates that most on-demand speech listening currently occurs on platforms other than BBC Sounds,¹⁵ with listeners often using multiple platforms. Drawing on this data coupled with the fact that the BBC is acquiring the podcasts on a non-exclusive basis such that they will continue to be available on other platforms, we do not consider that the proposed change is one that may have a significant adverse impact on fair and effective competition.

BBC Sounds Only Radio Programmes (SORP)

- 1.24 The BBC plans to increase the volume of available BBC Sounds-Only-Radio-Programmes (SORPs). These are 30-60 minute shows similar to radio programmes which include music and speech, and are intended for on-demand listening. Under this proposal, the BBC proposes to make around 300 SORPs available per month (at any one time) and has budgeted [£<] for this content in 2023/24. During the trial the BBC made available an average of around 60 SORPs each month.
- 1.25 Based on the results of the trial, the BBC estimated that if scaled up to around 300 at any one time, SORPs could deliver an estimated 33.6% increase in weekly on-demand music listening to BBC Sounds, and a 2.5% increase in total weekly listening to BBC Sounds.
- 1.26 We consider that these estimates are reasonable for the purposes of this materiality assessment. We note that there was significant variation in how the different SORPs in the trial performed¹⁶ and it may be reasonable to assume that, if the BBC learns from what was more or less successful in the trial, the additional hours of listening generated may be slightly higher than the estimates above.
- 1.27 The BBC considers providers of on-demand music products to be the most relevant competitors. It noted that these are typically global in size (i.e. Spotify, YouTube, Apple Music, Amazon Music) and therefore considers any impact would likely be negligible.
- 1.28 We understand from our engagement with Radiocentre that a number of UK commercial radio services have also started to launch on-demand music products and that these may play an increasing part of product mixes and commercial strategies in the future. This includes Global's offering which has featured more prominently on Global Player since November 2022.
- 1.29 In our view the proposed change is likely to lead to a large increase in on-demand music listening hours on BBC Sounds. However, we do not consider that this proposed change is one that may have a significant adverse impact on fair and effective competition. This is because the BBC's share of on-demand music listening is very small (the BBC estimates its share of on-demand music listening to be around 4%), and both the BBC and UK commercial rivals currently compete primarily with the large global players such as Spotify in this space. We do not consider that the uplift in listening to BBC Sounds is likely to draw

¹⁵ The BBC estimates its share of on-demand speech listening to be 34% (Q4 2021) - BBC analysis of RAJAR MIDAS data.

¹⁶ For example, the average weekly hours of listening to the top performing SORP was a little over double the overall average.

particularly from specific UK commercial rivals given the on-demand music products of the large global players are also likely to be close substitutes for the proposed SORPs. We will continue to monitor developments in this area as on-demand music products being launched by UK commercial services become more established parts of business models.

- 1.30 If the BBC sought to increase the number of SORPs beyond the amount set out in its proposal, we would expect it to consider if this constituted a material change and in doing so assess the impact on the most relevant competitors.

Expanding the BBC's flexibility in its distribution arrangements to podcasts already available on BBC Sounds

- 1.31 The BBC plans to employ greater flexibility in how it distributes its existing library of podcasts available on BBC Sounds to reflect the approach it already adopts for distributing new on-demand audio content. For new content, the BBC distributes only on BBC Sounds, first on BBC Sounds before releasing to RSS, or concurrently on BBC Sounds and on RSS. At present, for new releases of *existing* titles, the BBC typically distributes concurrently on BBC Sounds and RSS.
- 1.32 The BBC has told us that there are 155 titles to which this proposal would relate, including some of the BBC's most popular titles. In total, these titles account for around 1.5m hours of weekly on-demand listening on BBC Sounds equating to about one-third of on-demand speech listening on BBC Sounds.
- 1.33 Based on the results of the trial, the BBC estimated that applying 28-day windowing (i.e. released first on BBC Sounds before being released 28 days later on RSS) across all these titles would increase average weekly listening of on-demand speech on BBC Sounds by 8.8%. It also estimated that RSS downloads are likely to drop by an average of 26% for the affected titles.
- 1.34 While the trial assessed the impact of moving titles from being released concurrently on BBC Sounds and RSS to a situation where the BBC applied 28-day windowing, the proposal in the Materiality Assessment is broader.
- 1.35 To reach a view on the materiality of the proposal, we have considered the potential materiality of the proposal in its most expansive form: a scenario where the BBC decided to release those 155 titles only on BBC Sounds in the future.¹⁷
- 1.36 The BBC has said that the majority of listening to its biggest podcasts occurs off-platform (i.e. on platforms other than BBC Sounds). Its data showed that, in 2021, 40% of interactions with BBC podcasts occurred on BBC Sounds. Applying that 40% figure to the 155 titles would imply that there are currently around 2.3m hours of listening per week to the 155 titles on other platforms. Whilst not directly comparable, we note that according to RAJAR MIDAS data there were around 70m weekly hours of listening to podcasts in summer 2022.¹⁸

¹⁷ We note that this is not what the BBC is proposing to do but is what the flexibility it is proposing to have would allow it to do. The BBC has said that the commissioning and production teams will determine which distribution pattern will best suit each podcast.

¹⁸ [RAJAR MIDAS Summer 2022 update](#)

- 1.37 If those titles were no longer available on other platforms, that would be an important change.¹⁹ However, our view is that such a change would not be likely to have a significant adverse impact on fair and effective competition.
- 1.38 This is because we do not consider that the loss of BBC podcasts from other podcast platforms would have a material impact on those platforms' revenue (especially given BBC podcasts are necessarily advertisement-free so do not directly generate revenue for those platforms) or their overall listening (given that most listening on other platforms is to non-BBC podcasts). Radiocentre did not consider the presence of BBC podcasts on other platforms to be a significant factor in retaining and/or increasing their listenership. However, Radiocentre did note that if audiences listen to BBC content via an RSS feed these audiences might be more likely to listen to commercial content that is also made available via RSS.
- 1.39 We also note that listeners tend to use multiple platforms to access podcasts, with regular podcast listeners using an average of 2.5 sources, increasing to 3.6 for those who use BBC Sounds to listen to podcasts.²⁰ We do not consider that listeners switching to consume BBC podcasts on BBC Sounds would therefore materially impact other platforms' ability to compete for those listeners' other audio consumption. We do not consider that the increased consumption of BBC podcasts on BBC Sounds is likely to draw particularly from specific UK commercial platforms given that the majority of UK podcast listening takes place on large global players.
- 1.40 The BBC considers the proposed change to its distribution arrangements for its existing library of podcasts on BBC Sounds is consistent with its distribution strategy and policy, and relevant regulatory requirements.
- 1.41 The purpose of the analysis we set out in this document is to consider whether the proposed changes may have a significant adverse impact on fair and effective competition. In relation to the BBC's strategy for how it distributes its public services, Ofcom has set requirements on the BBC which we consider necessary to protect fair and effective competition in the UK.²¹

Cumulative impact of the proposed changes

- 1.42 In addition to looking at the proposed changes individually we have also considered their cumulative impact. To do this, we first considered the cumulative impact of the three proposed content changes and then the cumulative impact of these alongside the proposed change to podcast distribution arrangements.

Cumulative impact of the proposed content changes

- 1.43 Taking the upper end of the BBC's estimated ranges for each of the content changes, taken together, these changes would lead to a 4% increase in total weekly listening to BBC

¹⁹ For some topical podcasts where most listening happens within a short time window, a relatively short windowing period could have a similar effect to only releasing the podcast on BBC Sounds.

²⁰ [Ofcom Podcast Survey, March 2022](#)

²¹ [Distribution of BBC Public Services: Ofcom requirements and guidance \(March 2017\)](#). In enforcing these requirements, we consider third party complaints we receive about the BBC's distribution arrangements, including arrangements for its online services such as BBC Sounds, which have not been appropriately resolved by the BBC. In that event, we would look at the specifics of each case and assess whether the BBC has complied with our requirements.

Sounds.^{22 23} We estimate that this equates to an 11% increase in average weekly hours of on-demand listening to BBC Sounds.²⁴

- 1.44 In our view the magnitude of these increases is not such that we consider that cumulatively these changes may have a significant adverse impact on fair and effective competition. BBC Sounds' position in online-only content overall is small and, to the extent this cumulative increase in listening comes from competitors, we expect the individual impact will be diluted given the range of services (including the large global players) it is likely to be drawn from. We also note that over half of the estimated total increase in weekly hours of listening to BBC Sounds from these three proposed content changes will be in on-demand music which, as discussed above, is an area where the BBC's current position is very small.

Cumulative impact of all proposed changes

- 1.45 When thinking about the potential impact on fair and effective competition, we consider that there is a difference between additional listening to BBC Sounds as a result of the proposed distribution change and additional listening as a result of the content changes, such that aggregating them to assess the cumulative impact is not particularly meaningful. This is because the content changes involve offering new (or new to BBC Sounds) content with a view to that content attracting additional listening which could come at the expense of other listening on rival services. The distribution change seeks to shift existing consumption of BBC podcasts from other platforms to BBC Sounds (with a view to then encouraging listeners to consume other content on BBC Sounds).
- 1.46 Therefore, to look at the cumulative impact of the distribution and content changes, we have started with our view of the distribution change and then considered whether the content changes are such that when considered together this would change our conclusion.
- 1.47 As set out above, we do not consider that the proposed increase in the BBC's flexibility in its distribution arrangements would have a material impact on other podcast platforms' revenues or their ability to effectively compete for listeners' other audio consumption. We do not think that the proposed content changes would affect that conclusion, that is, we do not consider that the content changes alongside the distribution change would significantly inhibit other competitors' abilities to effectively compete for listeners' other audio consumption. This is because we do not consider that the addition of the new content to BBC Sounds is of a scale that would significantly alter other competitors' abilities to effectively compete for listeners' other audio consumption.
- 1.48 Therefore, our view is that we do not consider that the cumulative impact of these changes may have a significant adverse impact on fair and effective competition.

²² For the reason set out in footnote 14 this figure is slightly higher than the one set out in the Materiality Assessment.

²³ As set out above we undertook a sensitivity analysis to recognise the podcast acquisition figures could be higher. Using that estimate would lead to an increase in total weekly listening to BBC Sounds of 4.9%. Even if we used that higher figure in considering the cumulative impact, our view is that it would not change our conclusions set out in this section.

²⁴ This consists of a 5.4% increase in on-demand speech (from the short-form content and podcast acquisitions proposals) and a 33.6% increase in on-demand music (from the BBC Sounds Only Radio Programmes proposal).

Conclusion

- 1.49 We do not consider the BBC's proposed changes, either individually or cumulatively, are ones that may have a significant adverse impact on fair and effective competition, so we do not consider the changes to be material. Therefore, we have decided not to require the BBC to carry out a Public Interest Test (PIT) for these proposals.
- 1.50 If the BBC seeks to increase the volumes of audio content available on Sounds beyond the amounts set out in its proposals, we expect it to consider whether such proposed increases constitute a material change under the BBC Agreement.