



Free-to-air television

Executive summary

Free-to-air (FTA) television has never been more accessible for the Australian consumer. In 2019, the definition of FTA includes in-home linear viewing (via a television device), live streamed content (via a connected device), recorded or playback viewing (via a television device), and broadcast video-on-demand¹ (via a connected device).

Advertising revenue will be boosted by new cross screen measurement from Nielsen and OzTam, combining unduplicated audience estimates across FTA and BVOD services for the first time, facilitating easy and precise cross platform management of the reach and frequency of campaigns for advertisers. FTA and BVOD are also valued by advertisers for its brand-safe environment. The closed platform and professionally produced content of BVOD provides a trusted environment. This differentiates the BVOD proposition for brands, despite the mass reach and targeting capabilities of online platforms. This factor may see BVOD continue to enjoy the premiums it has demanded compared to YouTube, Facebook and other advertiser supported video platforms.

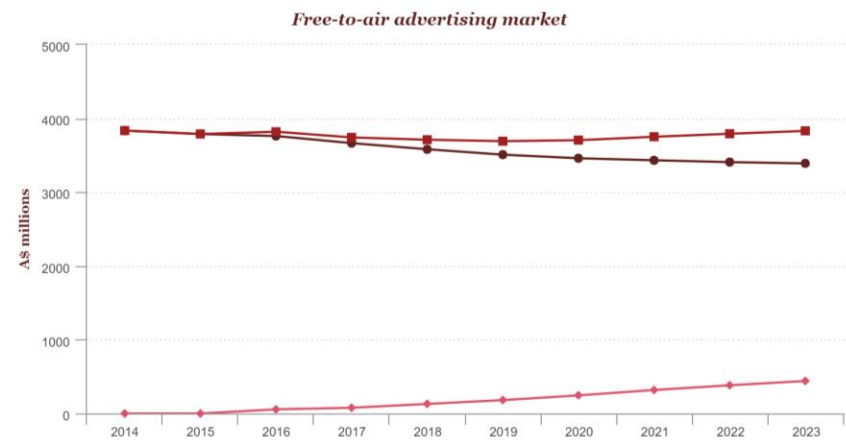


Growth Drivers

1. Broadcast video-on-demand (BVOD) audience growth
2. Cross platform measurement
3. Format licensing and production

Forecasts at a glance

Advertising revenue in BVOD is expected to grow strongly over the next five years



CAGR 2019-2023

Linear TV	-1.1%
BVoD	27.7%
Total market	0.6%

News and reality formats drive viewing for the free-to-air TV networks

The most watched programs on FTA networks are those that are best enjoyed live in order for consumers to benefit from the social currency of watching it at the same time as friends, family and colleagues.² These include News and Reality, which are enjoyed by 61 percent and 41 percent of Australians weekly.³ Genres such as Drama and Comedy have been largely ceded to the likes of Netflix and Stan, in part due to the high production costs.

'We need to be where the audiences are. It's not for us to tell people how to consume our content, it's for us to create the best experience in a way that audiences want.'⁴

James Taylor, Managing Director, SBS

BVOD services allow access to content on-demand

It has almost been a decade since the introduction of broadcast video-on-demand (BVOD) services to the Australian market, and while BVOD viewing still makes up a relatively small portion of overall FTA viewing, its usage is on the rise (up 43 percent⁵, a year from February 2018). This indicates that Australians are increasingly consuming their preferred content in the way and at a time that suits them.

"We will provide something which is relevant to the Australian people, uniquely an Australian story, where we have diversity in our content, diversity in our people, and diversity in our voices."⁶

David Anderson, Managing Director, ABC CEO, ThinkTV

Given increased competition within the online video landscape, BVOD providers must continue to invest in the experience of their platforms, and quality of catalogue within them, in order to drive continued growth.

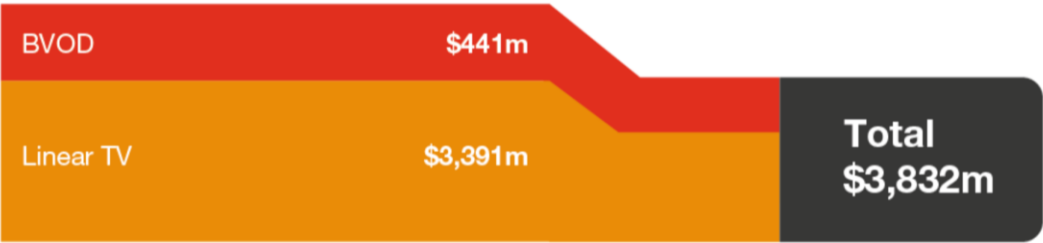
Revenue growth will come from integration and licensing of IP

FTA television networks are owning more of the content supply chain in order to create efficiencies and revenue opportunities through licensing and IP sales. Seven West Media's production company, Seven Studios, is an important capability which facilitates the creation, ownership and monetisation of new content.⁷ This focus has seen them become Australia's number one producer of premium long-form video.⁸ Nine Entertainment Group are employing a similar premium content production monetisation strategy, with a pledge to 'pursue opportunities where it can increase its content and rights to use content...and broaden the utilisation of this content across its own integrated platform as well as third-party platforms'.⁹

"The mix of US vs. Australian content probably hasn't changed in percentage volume, there is just more of everything."

Beverley McGarvey, Chief Content Officer, Network Ten

Australia’s total spend by 2023 (A\$ millions)



De-duplicated FTA and BVOD measurement now a reality

Currently, there is no single source of truth available to advertisers seeking to measure the reach and frequency of their integrated FTA TV campaigns. Soon, advertisers and media agencies will have a single view of consumers’ FTA viewing habits, regardless of where, or on which screen they are consuming content. Nielsen and OzTam have worked together to produce this Total TV database, *Virtual Australia (VOZ)*, which makes this de-duplicated audience measurement possible.¹⁰ This will improve advertising investment planning and reporting for all of the metropolitan commercial FTA channels, and Foxtel.

"The art of show selection can now be also be informed by the science of data."¹¹

Kurt Burnette, Chief Revenue Officer, Seven West Media

The ability to target via addressable means

The proliferation of internet enabled devices that are being used to consume FTA network content has reached a critical mass, and addressable advertising solutions are increasingly becoming a reality. The devices that carry the capability to target in this way already reach more than 9 million Australians.¹²

Addressable advertising is where the specific advertisement that an individual consumer sees is more relevant, based on behavioural insights gained through analytics. Media holding company Group M has invested in a new business, *Finecast*, to help advertisers best take advantage of this capability, with specialist addressable TV buyers increasing adoption and trial from brands.¹³

FTA networks carry a heavier regulatory burden

There exists a regulatory imbalance¹⁴ between FTA networks and international streaming services, where there are incentives for all, but obligations are only placed on FTA networks.

Content producers and distributors in Australia enjoy tax offsets.¹⁵ This incentive to film and produce content in Australia has controversially been extended to international SVOD platforms.^{16,17} However, only FTA broadcasters carry a range content regulations of obligations that they must meet. These include minimum local content requirements, restrictions on advertising to certain groups (like children), and the time that content can be broadcast (depending on its classification).¹⁸ While this imbalance remains, the fairness of the playing field between FTA and SVOD services is affected.

Free-to-air total market (A\$ million)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2019-2023
	Historical data					Forecast data					CAGR
Linear TV	3,835	3,789	3,762	3,665	3,581	3,509	3,460	3,432	3,408	3,391	
% change		-1.2%	-0.7%	-2.6%	-2.3%	-2.0%	-1.4%	-0.8%	-0.7%	-0.5%	-1.1%
BVOD	-	-	57	78	130	182	246	319	383	441	
% change		0.0%	0.0%	36.8%	66.7%	40.0%	35.0%	30.0%	20.0%	15.0%	27.7%
Total	3,835	3,789	3,819	3,743	3,711	3,691	3,706	3,752	3,792	3,832	
% change		-1.2%	0.8%	-2.0%	-0.9%	-0.5%	0.4%	1.2%	1.1%	1.1%	0.6%

¹⁰2014 - 2017 figures have been updated to reflect most recently available information