

UK

UK key data 2017

Population (m)	66.2	Consumer spending on digital video and TV VoD (EUR m)	1,830.3
TV households (m)	27.5	Comparison with 2016 (%)	12.2
Consumer spending on physical video software (EUR m)	892.0	Exchange rate EUR/GBP	0.88
Comparison with 2016 (%)	-22.4		

General

The views provided below are all based on the UK local currency.

- The UK market saw a third consecutive year of growth in 2017, with sterling spend coming in at £2,389 billion, a near 5% increase on 2016.
- Due to the fluctuating GBP > EURO exchange rate, the UK market size for the past two years has shown slight declines (at -2% for 2017), however since 2010 the UK market is actually showing a 1.2% compound annual growth rate (CAGR).
- There are two significant economic forces at play in the British entertainment retailing market; falling real wages, the slowdown in economic growth and the threat of more interest-rate rises have all dented consumer spending – especially discretionary spending – and wobbly Brexit negotiations, which have created a very uncertain economic outlook. Indeed, non-food sales fell by 1.4% over the last three months of 2017, according to figures from the British Retail Consortium. But video entertainment sales bucked the trend, with rising average disc selling prices and sales over the fourth quarter, traditionally by far the strongest for home entertainment performance.
- Market performance over the trend period has seen the development of digital platforms, including subscription services. Nevertheless, the transactional sector (physical & digital) continues to be the driver of the market, representing 58% of all spend, with over 17.6m people (36% of the adult population) across the UK consuming transactional content.

Physical

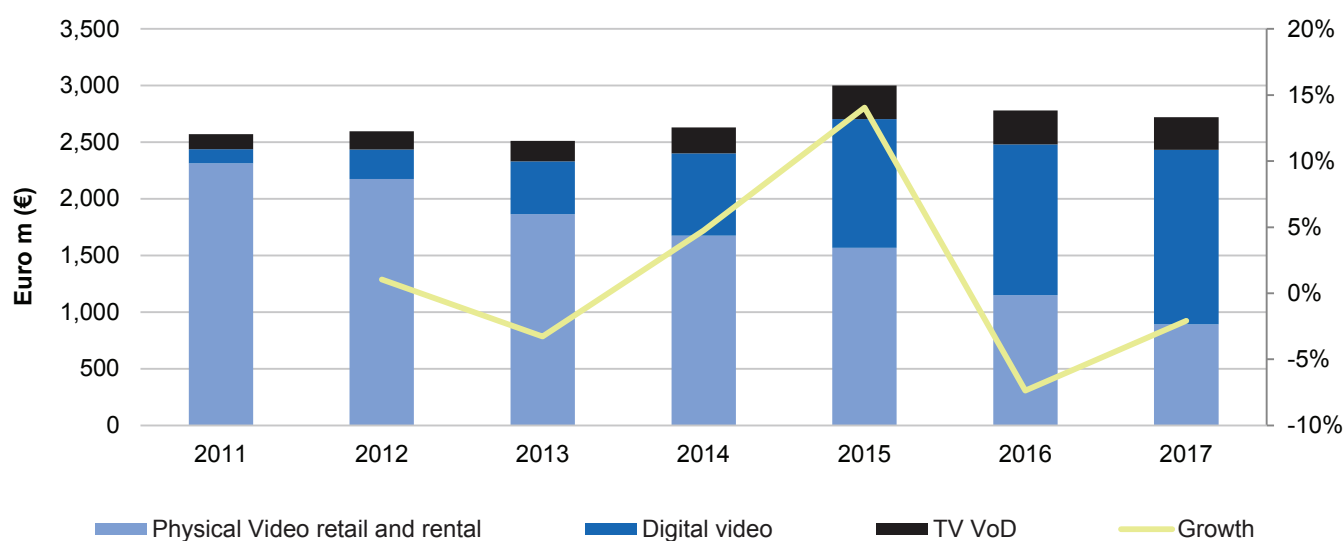
- The UK disc business declined by 17% (GBP), which was a shallower drop-off than that experienced by Total Europe, heavily influenced by the decline in disc rentals. The UK physical disc market is led by retail, representing 95% share of the market, and within this Blu-ray performance continues to prove a robust format. Although representing a smaller share of the market than the likes of Germany, thanks to the growing spend achieved on 4K UHD (tracking at 12% of Blu-ray sales half way through 2018) the average retail selling price across the Blu-ray format rose for a third year, up 1.4% in 2017 to £13.50, with the average 4K UHD nearly £9 higher.
- In 2017 the physical rental market saw Amazon close their disc by post service via Lovefilm, which had in the previous year represented over 65% of the rental disc market. This market is now down to £40m, with less than 2% of the population renting last year.
- Specialist and online retailers continue to play a key role in the market, with the likes of HMV, Amazon and the Hut Group (Zavvi.com) driving over half disc sales, whilst the four big UK grocers continue to develop their offering, with Instore Theatre as one of their clear initiatives for 2018.

Digital

- Across the trend period digital retail, rental and subscription has seen rapid developments, with a CAGR of near 50%, as OTT services continue to expand. Most key traditional UK Pay TV operators have OTT services offering consumer choice and flexibility on how, where and when they can watch content.
- Whilst subscription services now account for 42% of the UK market and continue to see the largest YoY growth levels, when it comes to the transactional market, digital retail has experienced double digit growth (GBP) and now represents 26% of the £1 billion spend across retail.
- With more digital platforms offering multiple purchase options compared to traditional physical retailers, their eco-system provides an important marketing tool in keeping households engaged with audiovisual content available online. A key route to this is having subscription service Netflix included in the overall package, as currently offered by Pay TV operator Virgin Media, shortly to be bundled with BSKYB and in 2019 will be available via the BT TV service.
- UK consumers enjoy huge choice and flexibility and a wide variety of content. Alongside BASE digital education initiatives and activation of industry campaigns, 2018 will prove to be another dynamic year for video entertainment within the digital market.

This commentary was provided by BASE, the British Association for Screen Entertainment

Consumer spending by segment



Video market: UK

	2011	2012	2013	2014	2015	2016	2017	16/17 %
GENERAL								
Population (m)	63.8	64.3	64.6	65.0	65.4	65.8	66.2	0.6
TV households (m)	26.2	26.4	26.6	26.9	27.1	27.3	27.5	0.6
Population Total Europe (m)	622.4	623.8	624.9	626.1	627.7	629.4	630.9	0
TV households Total Europe (m)	250.8	253.2	255.0	257.3	259.3	261.3	263.2	1
Broadband households (m)	19.0	20.0	21.0	21.9	22.8	23.6	24.3	2.7
Nominal GDP (EUR m)	1,884.7	2,078.9	2,063.3	2,279.5	2,603.0	2,396.5	2,327.9	-2.9
Consumer price index (100 in 2010)	108.4	110.2	111.4	119.1	110.6	98.4	96.3	-2.1
Exchange rate EUR/GBP	0.87	0.81	0.85	0.81	0.73	0.82	0.88	7
DVD Video player/recorder (%)	90.4	88.8	84.9	78.2	72.8	68.9	63.0	-8.5
Blu-ray Disc player/recorders penetration (%)	12.8	18.1	21.7	22.3	23.6	23.1	22.8	-1.4
DVD Video player/recorder Total Europe (%)	76.7	76.1	73.9	71.8	69.2	67.1	64.5	-3.9
Blu-ray Disc player/recorders penetration Total Europe (%)	6.8	11.2	15.4	18.4	20.7	21.7	22.3	2.5

Total video software market

	2011	2012	2013	2014	2015	2016	2017	16/17 %
CONSUMER LEVEL ALL VIDEO								
<i>Total market figures include consumption of both physical and digital video</i>								
Total spending on video (GBP m)	2,232.9	2,105.5	2,134.6	2,123.6	2,178.5	2,279.4	2,388.5	4.8
Total spending on video (EUR m)	2,571.0	2,597.5	2,512.5	2,631.5	3,001.1	2,780.4	2,722.2	-2.1
Growth (%)		1.0	-3.3	4.7	14.0	-7.4	-2.1	
Total spending on video Total Europe (EUR m)	9,124.9	8,847.3	8,466.8	8,587.3	9,356.6	9,718.8	10,448.2	7.5
CONSUMER LEVEL PHYSICAL VIDEO – TOTAL SPENDING								
<i>Total market figures include consumption of legacy formats not broken out separately (eg, VHS, HD-DVD, UMD) where relevant.</i>								
Physical video rental (GBP m)	261.9	221.4	146.3	87.6	63.0	48.5	40.0	-17.4
Physical video rental (EUR m)	301.6	273.1	172.2	108.5	86.8	59.1	45.6	-22.9
Physical video rental Total Europe (EUR m)	984.8	865.3	683.8	526.9	430.8	293.7	213.4	-27.3
Physical video retail (GBP m)	1,748.9	1,542.7	1,438.0	1,264.0	1,075.3	893.5	742.6	-16.9
Physical video retail (EUR m)	2,013.7	1,903.2	1,692.5	1,566.3	1,481.4	1,089.9	846.4	-22.3
Physical video retail Total Europe (EUR m)	7,193.4	6,606.9	5,808.7	5,181.8	4,753.6	3,991.3	3,317.4	-16.9
Physical video software (GBP m)	2,010.8	1,764.1	1,584.3	1,351.5	1,138.3	942.0	782.6	-16.9
Physical video software (EUR m)	2,315.3	2,176.4	1,864.7	1,674.8	1,568.1	1,149.1	892.0	-22.4
Physical video software Total Europe (EUR m)	8,178.2	7,472.2	6,492.5	5,708.7	5,184.4	4,285.0	3,530.9	-17.6
CONSUMER LEVEL DIGITAL VIDEO (OTT) – TOTAL SPENDING								
<i>The purchase or rental of films and TV series delivered over the open internet through transactional models (also known as EST, DTO, Internet VOD) or on a subscription basis. This category specifically excludes sports, live events and adult content to ensure it is comparable to physical video data.</i>								
Retail digital video (GBP m)	80.3	96.9	126.0	162.4	194.2	234.8	258.2	10.0
Retail digital video (EUR m)	92.5	119.6	148.3	201.3	267.5	286.4	294.2	2.7
Rental digital video (GBP m)	24.0	38.4	56.4	81.2	90.0	98.1	101.2	3.2
Rental digital video (EUR m)	27.6	47.4	66.4	100.6	124.0	119.7	115.4	-3.6
Subscription digital video (GBP m)	3.9	74.8	213.6	343.0	540.1	760.0	993.3	30.7
Subscription digital video (EUR m)	4.4	92.3	251.4	425.1	744.0	927.0	1,132.1	22.1
Total digital video (GBP m)	108.1	210.1	396.0	586.6	824.3	1,092.8	1,352.7	23.8
Total digital video (EUR m)	124.5	259.2	466.1	726.9	1,135.5	1,333.1	1,541.7	15.6
Total digital video Total Europe (EUR m)	393.6	703.5	1,232.2	2,012.1	3,152.8	4,322.7	5,708.3	32.1
CONSUMER LEVEL PAY TV TRANSACTIONAL VOD – TOTAL SPENDING								
<i>The rental of film and TV content on a transactional (VoD, NVoD/PPV) basis via cable/satellite/IPTV services. These, paid for at the point of consumption, transactions occur only on set-top-boxes or through online services provided as part of a wider pay TV package to which consumers must subscribe prior to purchase. This category specifically excludes sports, live events and adult content to ensure it is comparable to physical video data.</i>								
Pay TV TVOD (GBP m)	113.9	131.2	154.4	185.5	215.9	244.6	253.2	3.5
Pay TV TVOD (EUR m)	131.2	161.9	181.7	229.8	297.4	298.3	288.6	-3.2
Pay TV TVOD Total Europe (EUR m)	553.1	671.6	742.1	866.5	1,019.4	1,111.2	1,209.1	8.8

Notes: 1) Consumer level digital video (OTT) and pay TV transactional VOD figures may differ from locally published figures due to the application of different definitions. 2) Historical numbers in this section may differ from those published in previous years owing to changes in IHS Markit methodology. 3) The current online figures are a snapshot of the market in June 2017. Figures are updated regularly and so it may not be possible to compare directly to figures published after this date. 4) Total Europe include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Croatia, Czech Republic, Hungary, Poland, Russia, and Slovakia.

Key players in the market (in alphabetical order)

Physical

- Amazon
- Asda
- HMV
- Morrisons
- Sainsburys
- Tesco
- The Hut Group (Zavvi)

Digital

- Amazon Prime Video
- BT Store
- Google Play Store
- iTunes
- Netflix
- Now TV
- Rakuten TV
- Sky Store
- Sony - Playstation.Store
- TalkTalk TV
- Virgin Media Store

Share of European market 2017



Physical retail
21.4%



Physical rental
25.5%



OTT
27%



Pay TV TVOD
23.9%

Average home entertainment spending



Spending per TV household (EURO m)

€99.2

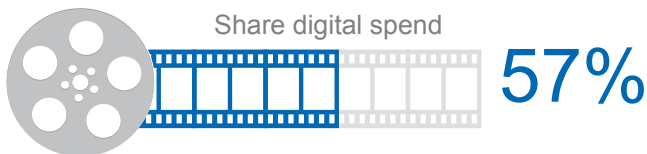


Spending per broadband household (EURO m)

€112.2



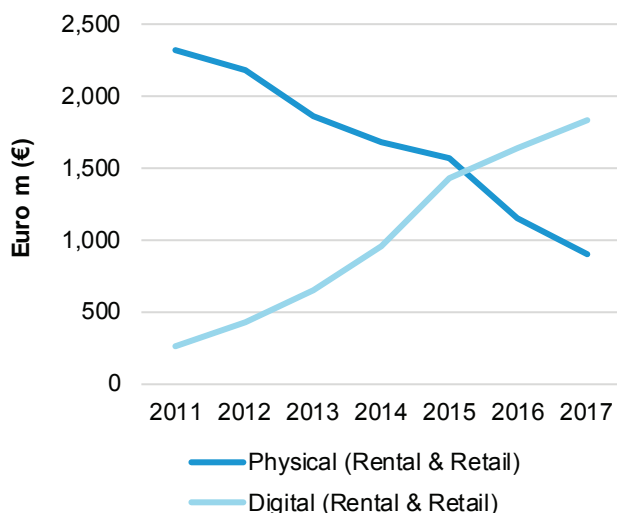
Digital share of spend vs. broadband speed



Broadband download speed rank
(ranked across the 9 IVF countries)

#5

Comparison Physical vs Digital



Comparison Retail vs Rental

