

**Presentation for Global Kids Media Congress, Angouleme**

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Presentation

# **Children's content goes on demand and online**

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ihsmarkit.com

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# Changes in the TV landscape

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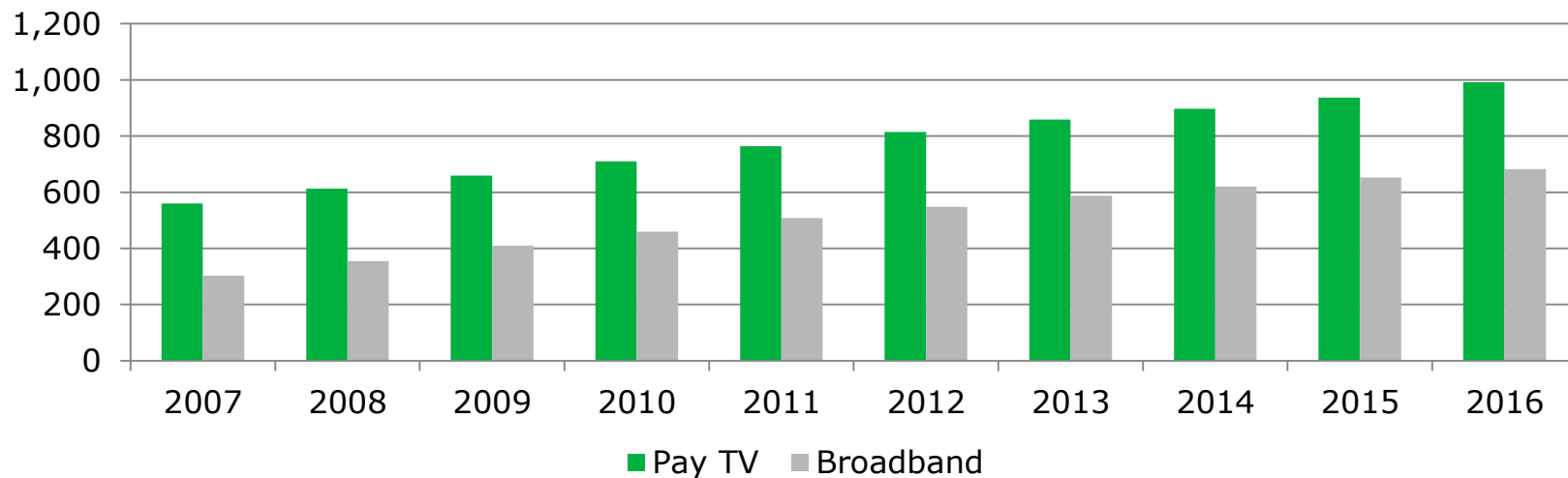
## Netflix: we are now in the new era of internet TV

'People love TV content, but they don't love the linear TV experience, where channels present programs only at particular times on non-portable screens with complicated remote controls. Now internet TV - which is on-demand, personalized, and available on any screen - is replacing linear TV.'

Netflix *Long-Term View*, Feb 2017

## Worldwide, the number of broadband-connected households has almost trebled in the last decade

Pay TV and broadband households, worldwide (millions)

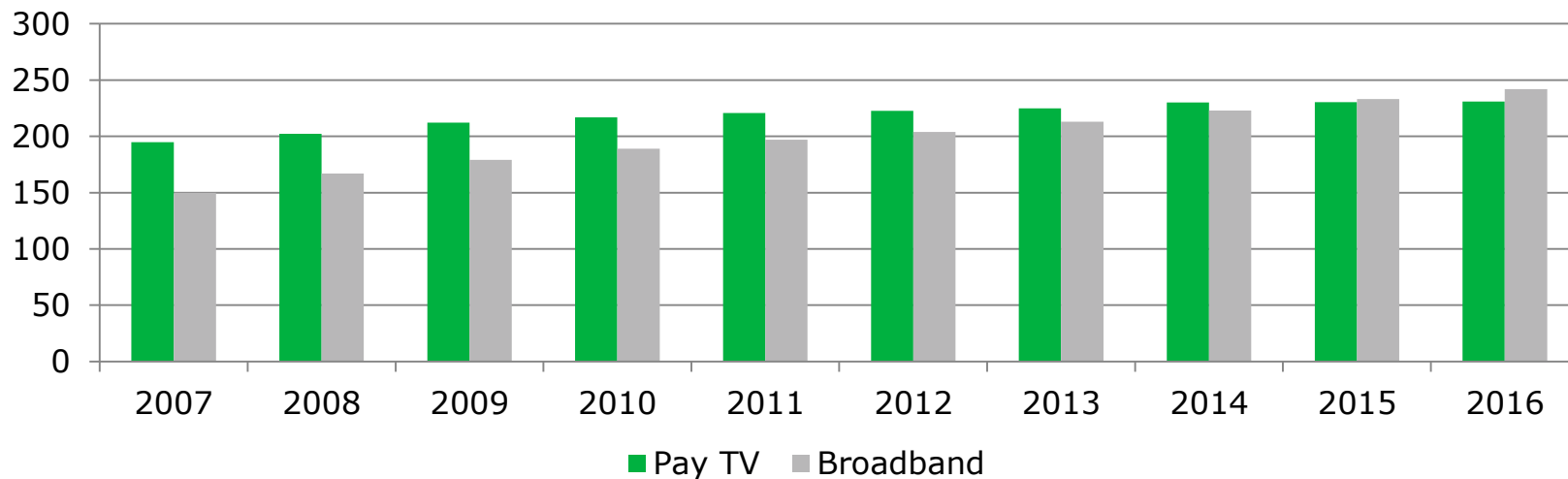


Source: IHS Markit

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## Leaving out Asia's massive pay TV market, there are already more broadband than pay TV homes

Pay TV and broadband households, North America and Western Europe (millions)

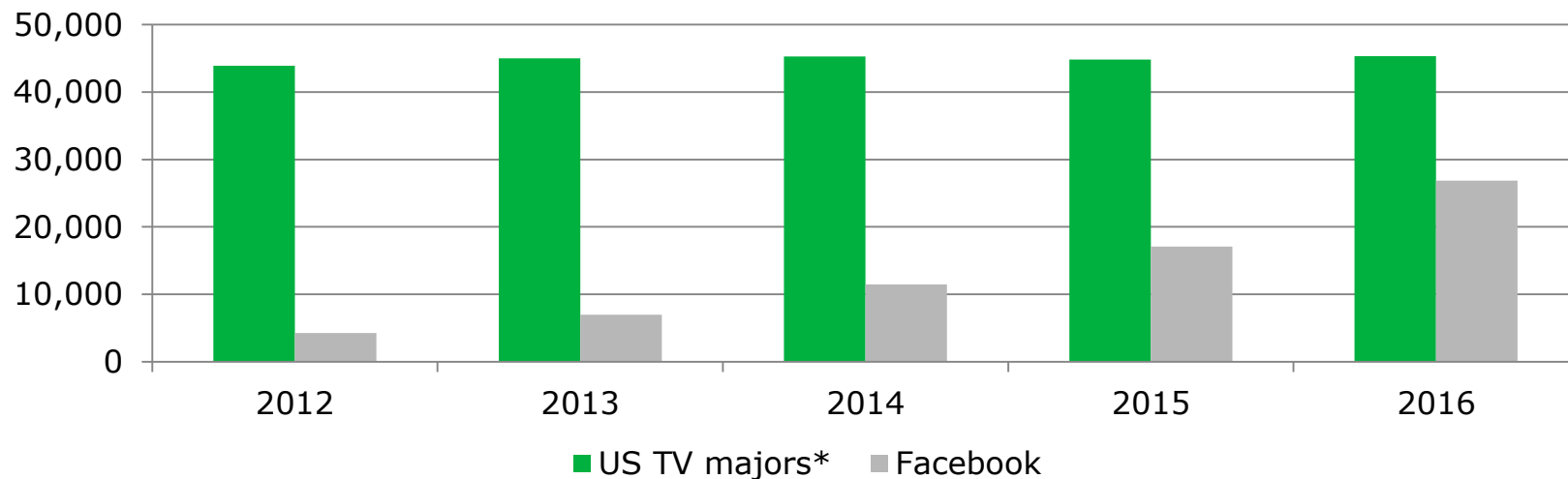


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## Online giants are capturing an increasing share of advertising budgets...

Annual advertising revenue (worldwide, \$m)



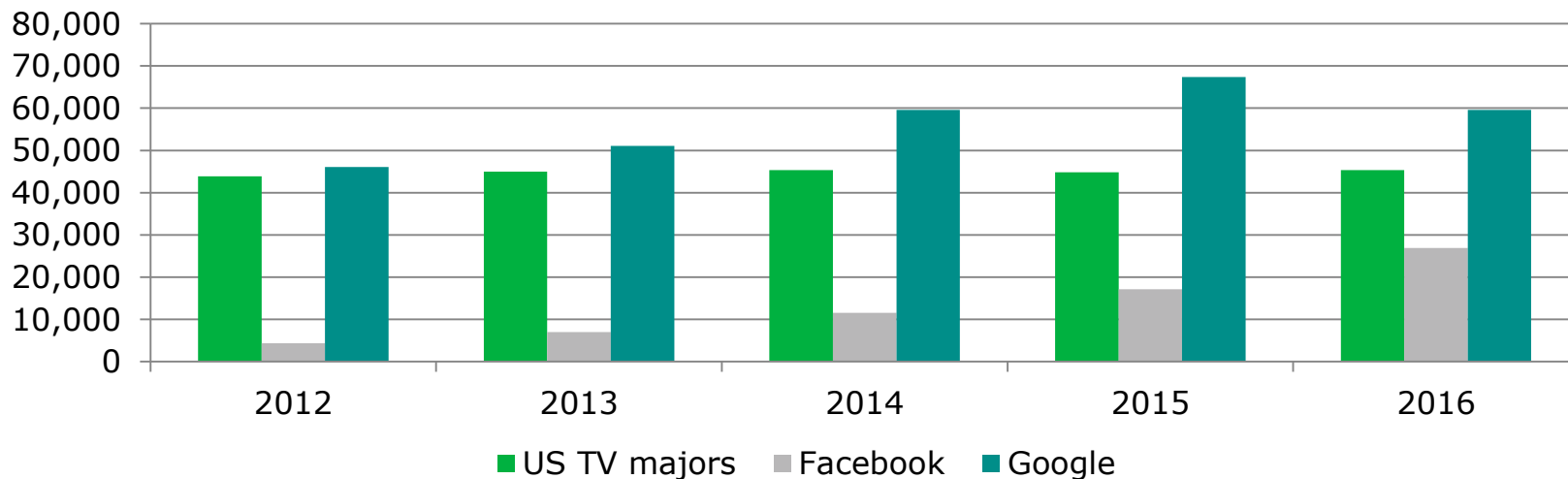
Source: IHS Markit

\* 21st Century Fox, CBS, Discovery, NBC Universal, Time Warner, Viacom, Walt Disney

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## ...Google has already outgrown even the combined big seven US TV companies

Annual advertising revenue (worldwide, \$m)

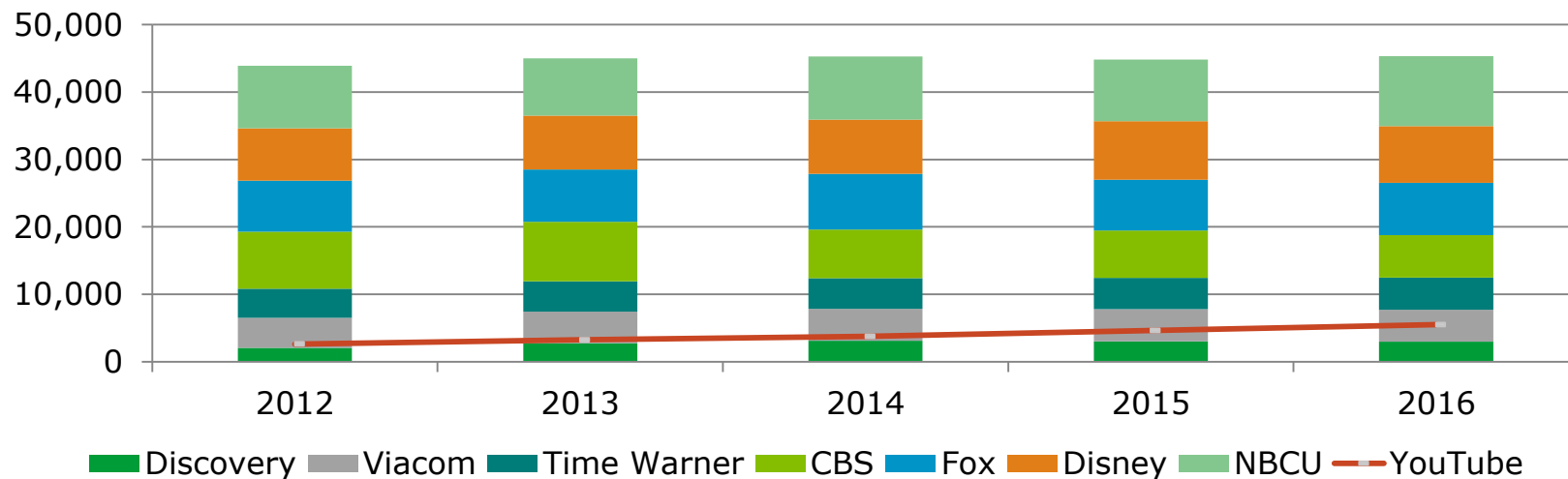


Source: IHS Markit

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## ...Though YouTube is a better comparison: it sold more ads than Discovery, Viacom and Turner last year

Annual advertising revenue (worldwide, \$m)



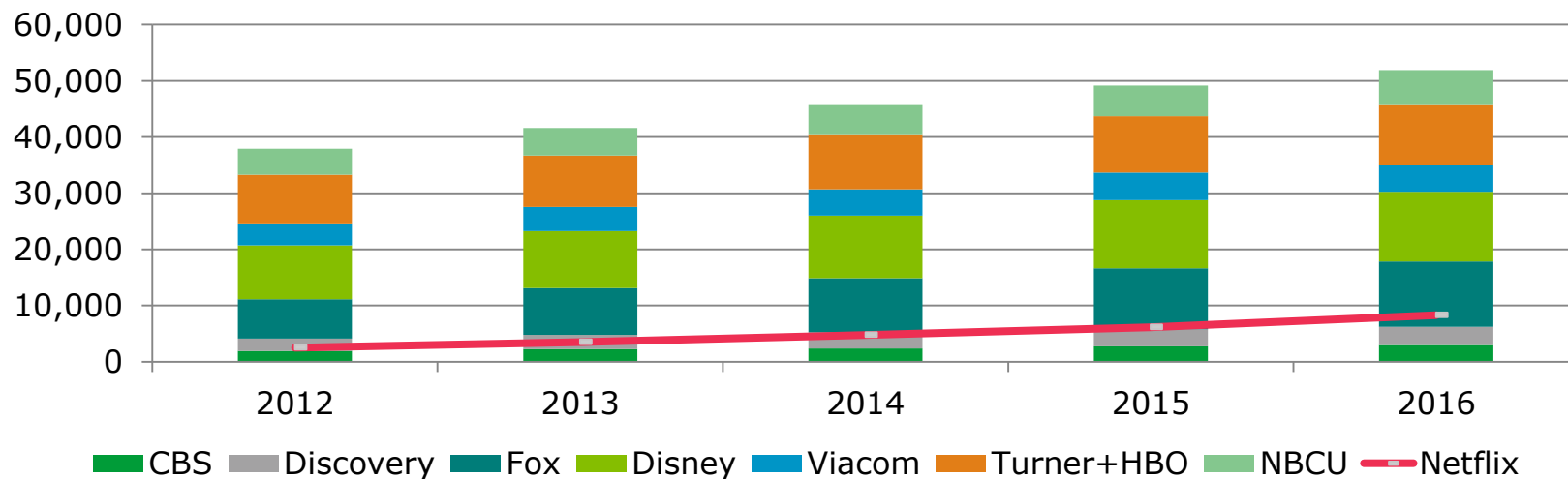
Source: IHS Markit

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# Netflix is already making more from subscription than CBS and Discovery

Annual revenue from affiliate fees and subscription (worldwide, \$m)

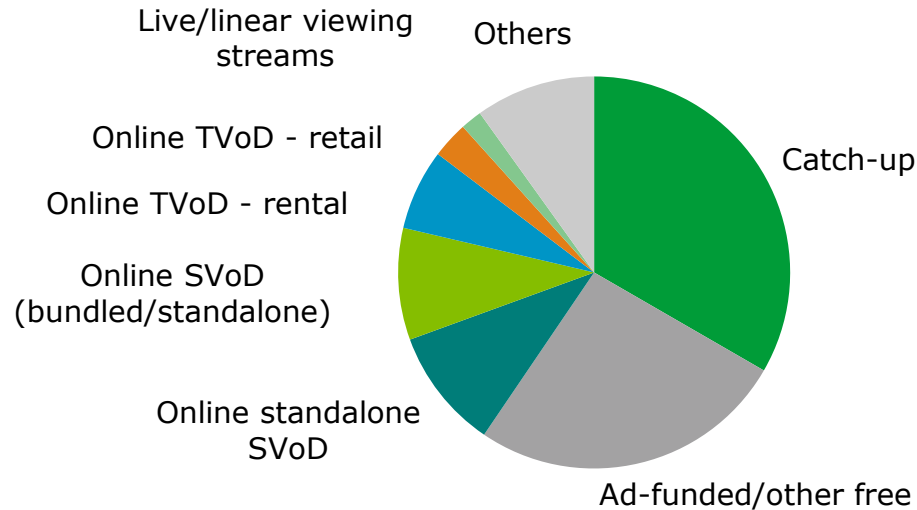


Source: IHS Markit

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# IHS Markit counted more than 2,000 unique on demand services worldwide last year

## On demand services business models (Q3 2016)



Source: IHS Markit

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## The key online players are operating at a global level



**NETFLIX**

**Switched on in 190 territories worldwide in January 2016**



**amazon Prime**

**Worldwide launch of Amazon Prime Video from December 2016**



**You Tube**

**You Tube Kids app launched in US February 2015, now in 26 countries**

# So what does this mean for children's content?

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# What the new online and on demand world looks like...



Free, licence fee-funded

Free, advertising-funded

Bundled with pay TV subscription

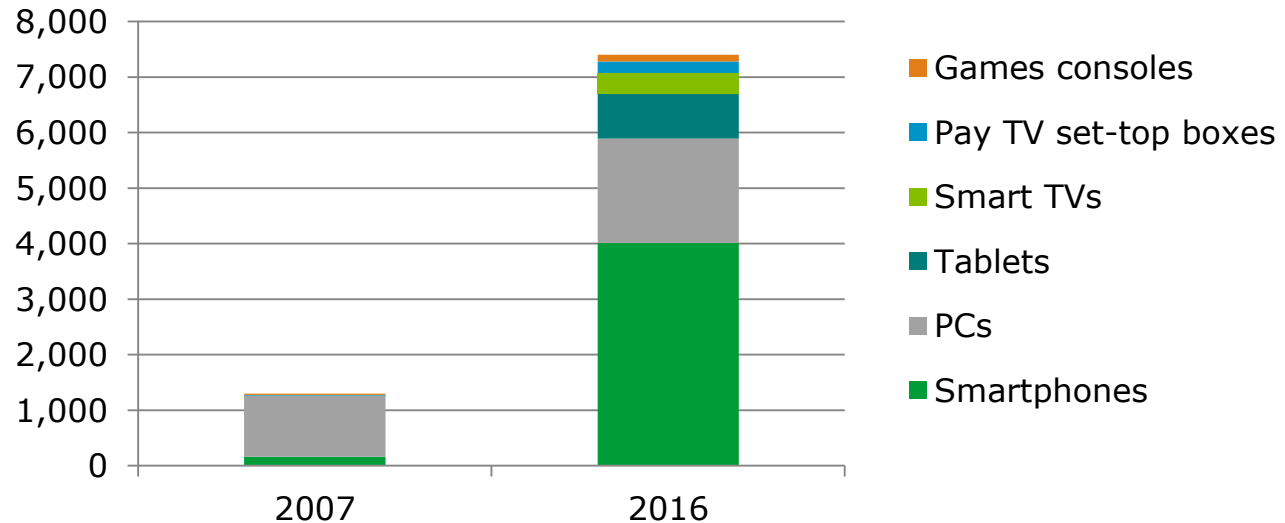
Paid-for, standalone

## Reasons for growth of on demand and online

- More widespread, faster broadband and more connected devices
- Increase in exclusive, original content online
- New revenue streams from subscription and online payments
- Advent of new players from outside the traditional TV business
- Apps offering a protected environment for children – especially young children
- Mobile, internet-connected devices creating new viewing habits in places it was not possible before

# As broadband connections have grown, internet-connected devices have proliferated

Internet-connected devices, worldwide, 2007 and 2016 (millions)

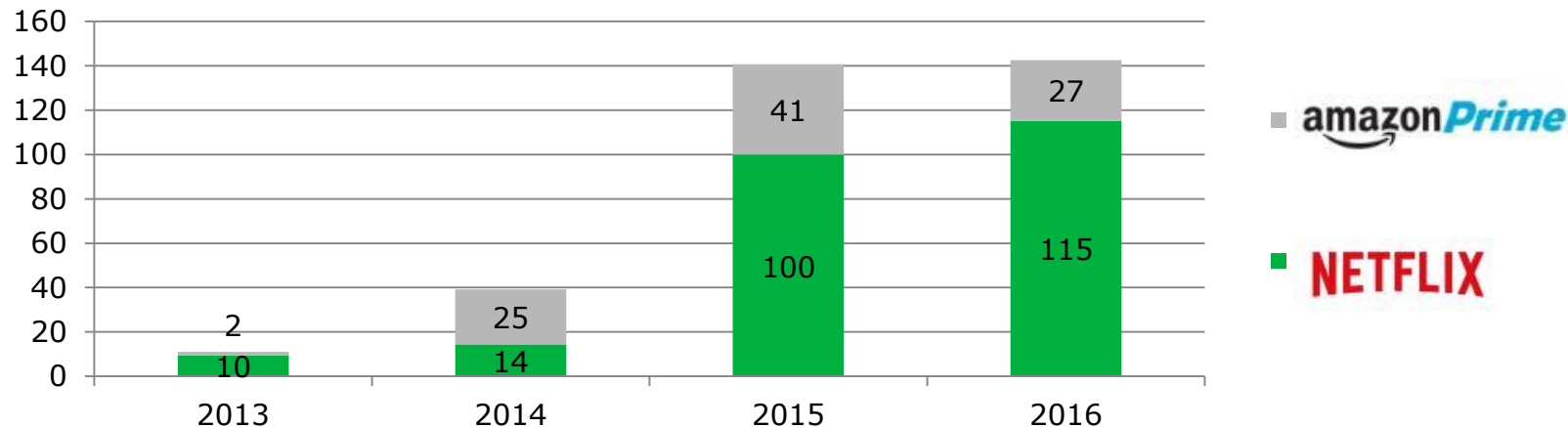


Source: IHS Markit

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## Netflix – in particular – has dramatically increased production of live action and animation

Original children's productions (year of transmission, hours)



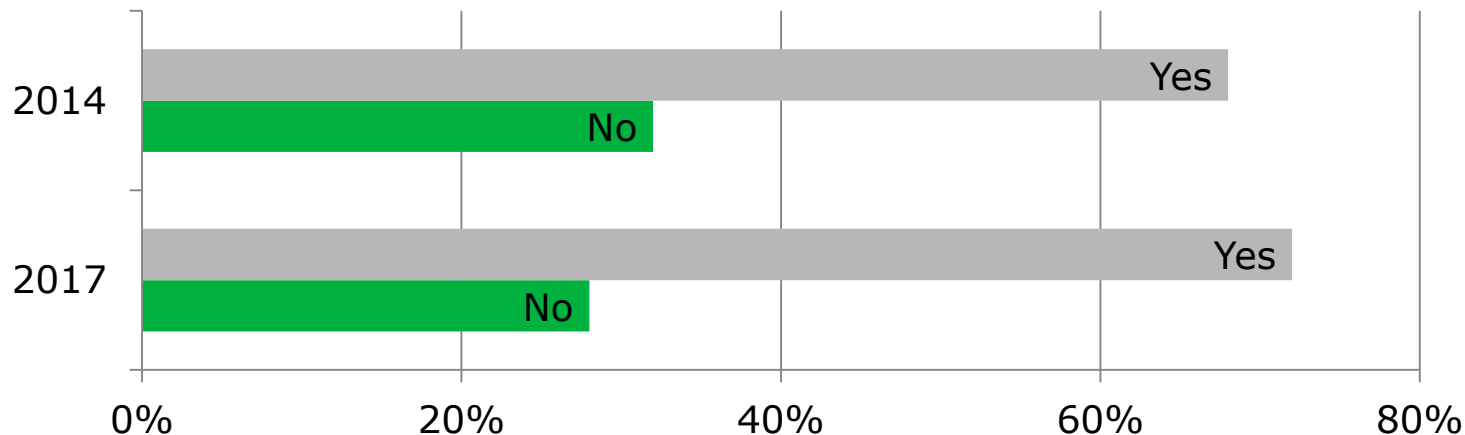
Source: IHS Markit

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## More full-length episodes are being streamed online

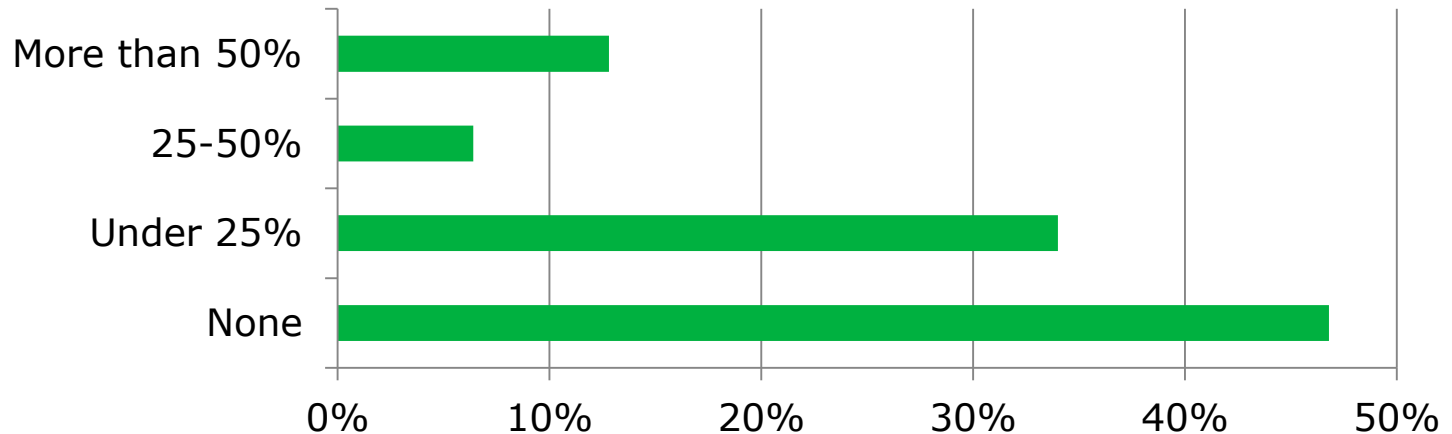
**Do you offer full-length episodes of your children's programming online?**



Source: IHS Markit surveys Dec- 2016-Jan 2017 based on 47 replies; Jan-Mar 2014 - 52 replies

# A growing amount of children's content is distributed online before linear TV

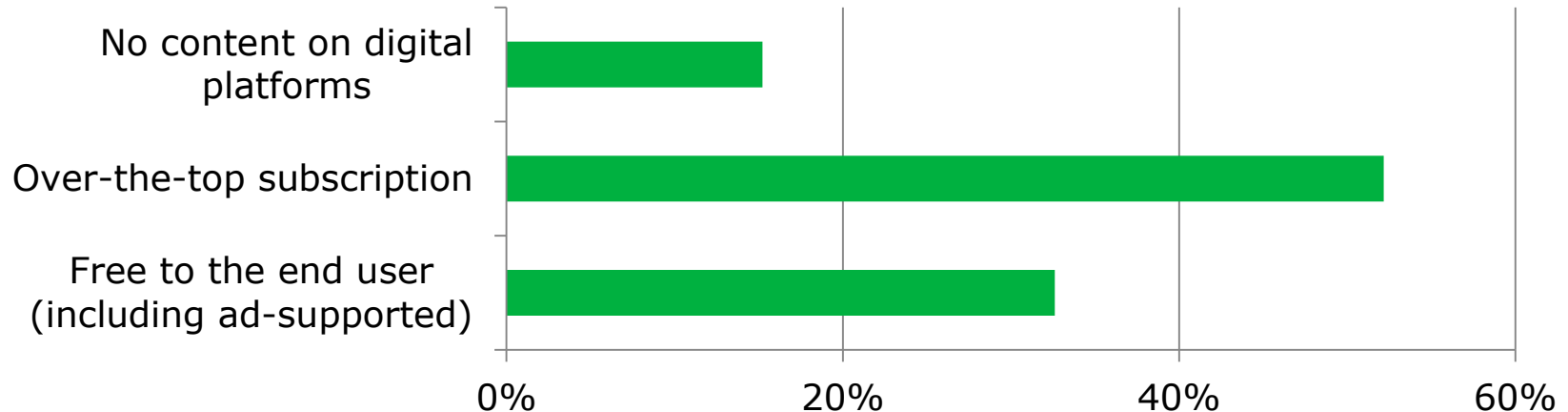
**How much of your originated children's programming is made for primary online distribution?**



Source: IHS Markit survey Dec- 2016-Jan 2017; based on 47 replies

# Subscription services are generating more income for children's content than ad-supported

**What type of digital platforms are generating the MOST significant revenues for children's content?**



Source: IHS Markit survey Dec- 2016-Jan 2017; based on 46 replies

## Many of the new players are entering the children's on demand space from other businesses...



Pay TV broadcaster with no linear kids channels, launched on demand platform



Founders are husband and wife Douglas and Estelle Lloyd, with backing from private investors and partnership with children's charity, the NSPCC



Launched in October 2011 to give children 'what they want to watch when they want to watch it.' Now available in 196 countries



Set up by three ex-Google developers and new parents – curriculum developed by educational psychologist



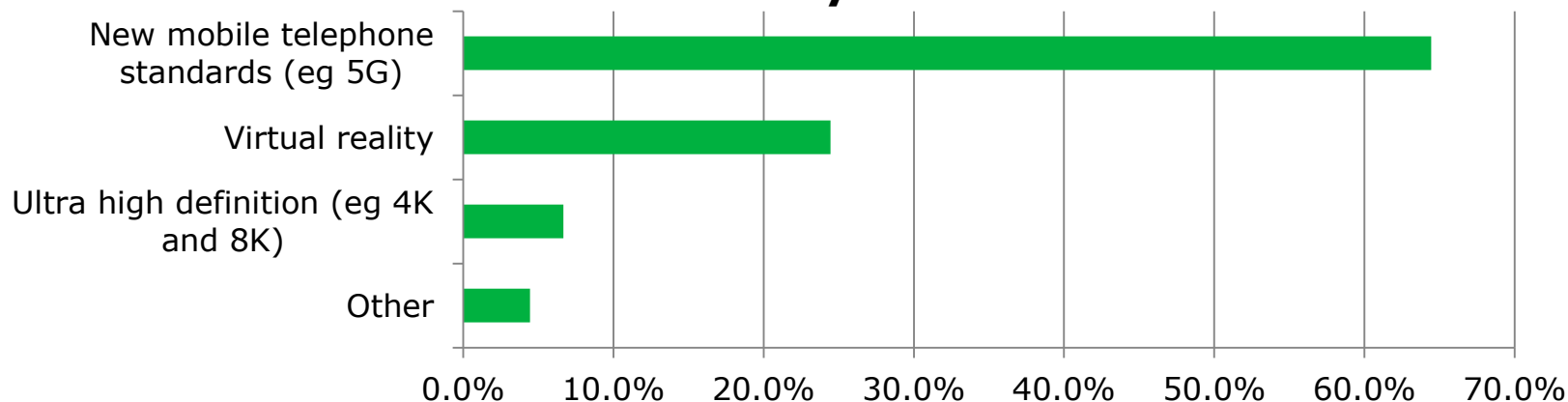
## On demand on mobile devices is creating new opportunities to view

- Linear TV viewing time is declining, but mobile devices allow viewing on the move (the car, waiting rooms), or in other parts of the home...
- VOOT Kids (India): 90% of viewing for ad-supported service on mobile devices. Children's 'primetime' is around 9pm
- Kidjo (USA/Europe): consumption split 60% mobile/40% tablet



## While children's content producers have high expectations of mobile technology

**What new technologies do you expect to have the most significant impact on children's TV production over the next five years?**



Source: IHS Markit survey Dec- 2016-Jan 2017; based on 45 replies

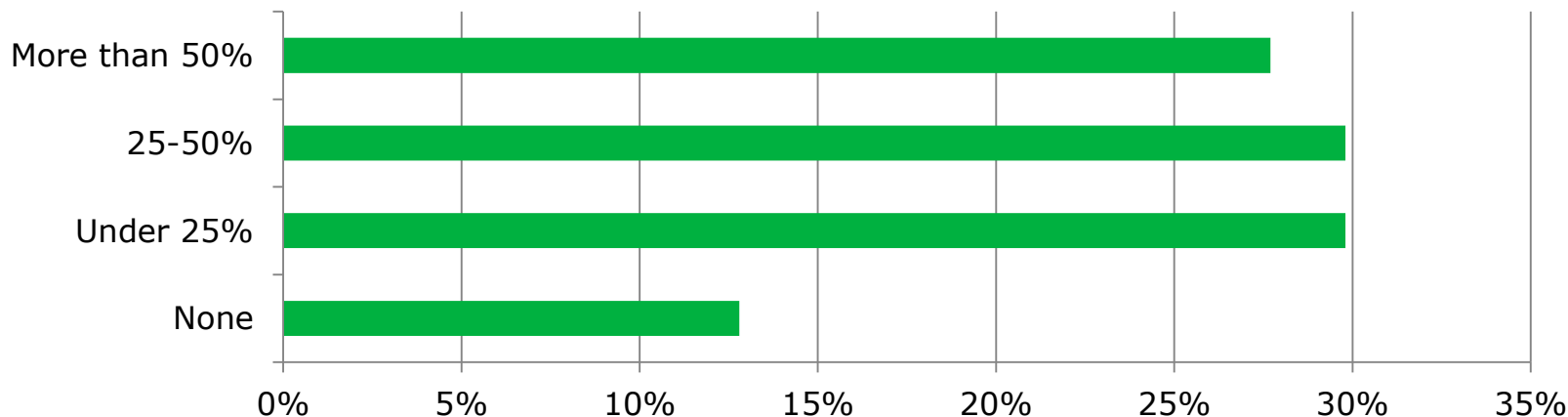
# So what does this mean for traditional linear TV?

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## The traditional models of linear TV production are persisting

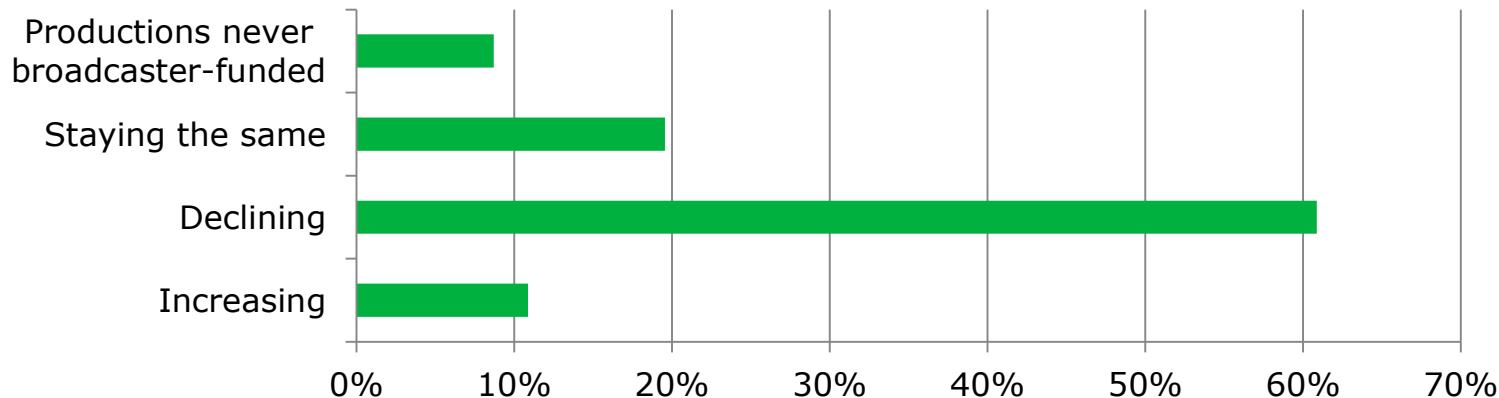
**On average, what proportion of your children's TV production budgets is provided by broadcasters?**



Source: IHS Markit survey Dec- 2016-Jan 2017; based on 47 replies

## ...Even though producers are fairly pessimistic about the future

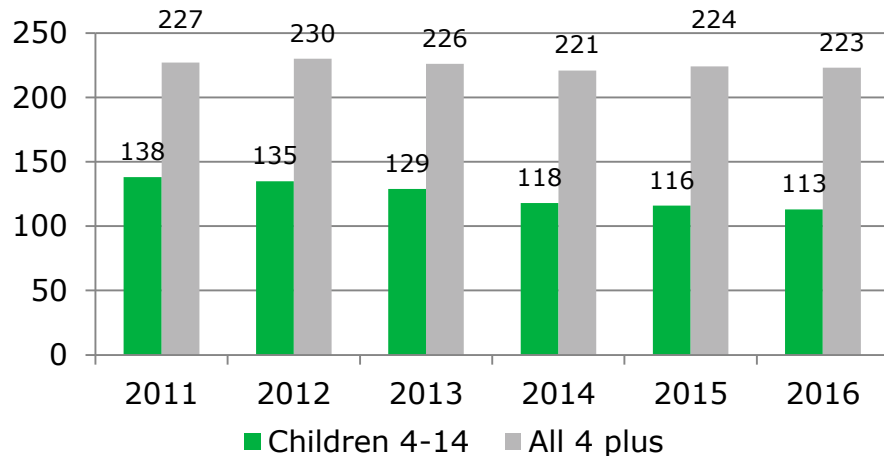
**Would you say that children's TV broadcaster commissioning budgets are increasing, declining, or staying the same?**



Source: IHS Markit survey Dec- 2016-Jan 2017; based on 46 replies

## In France, TV viewing by children has declined by 25 minutes a day in the last five years

France: average daily viewing by age group (mins)



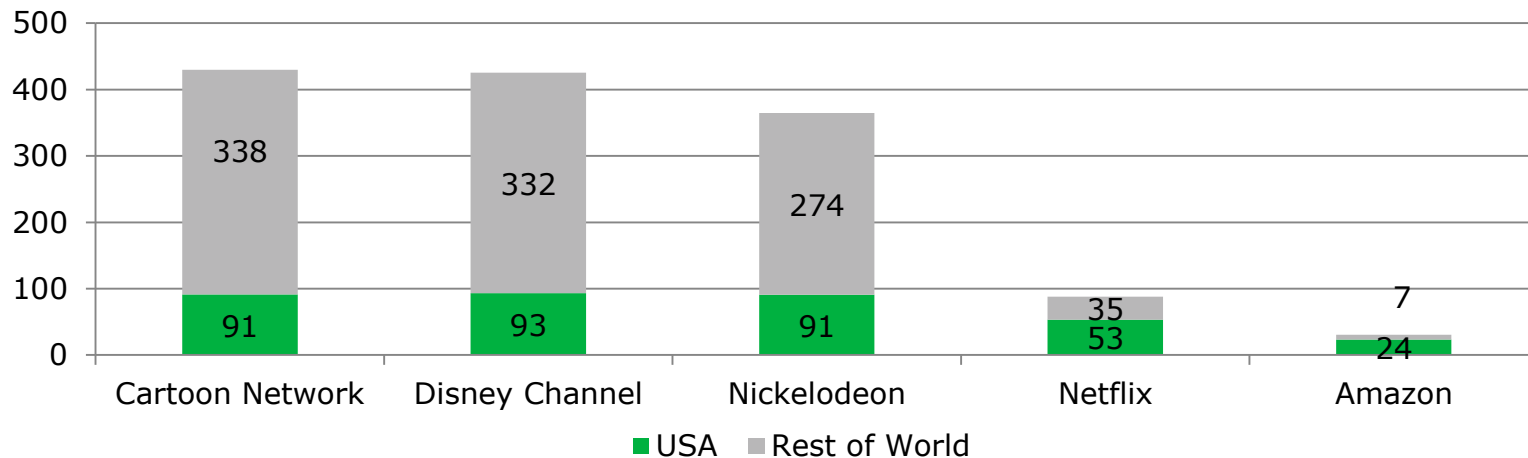
Source: Médiamétrie

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- But what about non-linear TV viewing? We need joined-up media consumption measurement to answer the question
- In any case, linear TV may be declining, but it's not disappearing

## While the footprint on even the SVoD giants is small compared to free TV and pay TV channels

Distribution by world region at the end of 2016 (million households)



Source: IHS Markit

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## To conclude...

- On demand content has been embraced by consumers and is here to stay
- Traditional models of content creation are persisting, but new models are being developed
- Linear TV may be declining, but is still a key part of media creation and consumption
- 'Existing linear networks that offer compelling internet TV apps will generate more viewing and become more valuable' – Netflix, *Long Term View*

# Thank you!

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