

MEDIA MARKET ASSESSMENT

October 2022



INTRODUCTION	3
Chapter 1 THE MEDIA MARKET SINCE 2016	6
Chapter 2 THE BBC SINCE 2016	32
Chapter 3 DEEP DIVES	46
3A BBC AND LOCAL NEWS	48
3B BBC SOUNDS	55
APPENDIX: METHODOLOGY	62



INTRODUCTION

NOTE ON REPORT PURPOSE

Oliver Wyman were commissioned by DCMS in Autumn 2022 to conduct this independent analysis to contribute to the evidence base informing work on the BBC Mid-term review of the BBC Charter.

The scope of this report is media consumption in the UK, the media market in the UK, consumption of BBC media, the BBC's provisions, and the interrelationship between BBC and other media. The focus is how these have evolved 2016–2022, corresponding to the period of the current BBC Charter. Whilst the regulatory and policy environments are an important backdrop to market and BBC changes, they are not a focus of the report.

Where **future opportunities** for the BBC or broader market have been identified, these are intended as a starting point for discussions among industry stakeholders and subject to regulatory considerations. **These should not be taken as Oliver Wyman recommendations of courses of action and are by no means a statement of government policy.**

SUMMARY OF REPORT FINDINGS

Chapter 1: The Media Market Since 2016

The **shift to digital** has driven major changes to media consumption and the media industries since the end of the last BBC Charter period

TV: increased consumption for video on demand (VOD) platforms; broadcasting declines. International VOD platforms achieving unrivalled scale

Audio: improved monetisation in national commercial radio & expanded content provision in digital sphere, aided by the rise of smart speakers; international streaming platforms increased share of on-demand audio listening, creating new challenges for UK commercial players

News: revenues in the sector are declining, though national publishers and local digital websites are beginning to improve their reach and monetisation online; consumption of news via social media continues to increase

Chapter 2: The BBC Since 2016

The BBC's **popularity remains strong** but it faces growing challenges in perceptions of its public purpose

The BBC's **reach remains strong** but is in decline, especially among younger consumers, and trust in the BBC as a news source is down

In response to shifting consumer behaviour and a decline in real-value income, the BBC has frozen spend on TV and audio and cut costs in news whilst it **increases investment in online services**

Chapter 3A: BBC and Local News

Traditional local news outlets have seen **sharp decline in circulation** and, in a market **dominated by conglomerates**, are increasingly facing closure

Despite this, the commercial outlook for the local news market is beginning to show promise due to **innovations in online reach and business models**

Yet **challenges remain** for the commercial sector, with key challenges coming from technology platforms

As well as considering the BBC's impact on the commercial local news market, it is important to consider the BBC's **valuable consumer proposition in local news**

Chapter 3B: BBC Sounds

Online audio listening is growing, especially among younger audience, and Sounds is the BBC's response to this

The impact of the BBC's existing collaborations with the commercial audio sector & community media (e.g. Radioplayer) has been limited across the sector as a whole

Recognising the increasing dominance of international platform players within the UK audio market, there is clear opportunity for the BBC to **partner with the UK commercial audio sector on a more ambitious scale**, for example to create a major platform for the breadth of UK content



CHAPTER 1

THE MEDIA MARKET

SINCE 2016

SUMMARY OF FINDINGS:

CHAPTER 1 – THE MEDIA MARKET SINCE 2016

The shift to digital has driven major changes to media consumption and the media industries since the end of the last BBC Charter period

Consumer access of media is shifting to the digital sphere and to an increasing variety of distribution channels, which is in turn increasing the consumption of content that is on-demand and targeted

- Traditional media players are increasingly reaching consumers through international technology platforms, which creates opportunities for increased reach but challenges around monetisation in a market where first party data becomes a key commodity

In TV, consumption has increased for Video On Demand (VOD) platforms whilst broadcasting declines and international VOD platforms are creating scale challenges for national platforms

- Video on demand viewing has grown, both from international providers (30% compound annual growth rate (CAGR) since start of Charter) and UK broadcasters (BVOD, 40% CAGR), cannibalising TV broadcast viewing (-3% CAGR, 25pp decline in share)
- Scale is an advantage to international streaming services over BVOD due to the benefits of larger data sets and larger content offers for consumers
- The drive towards larger content libraries has created growth in the UK independent production market (9% annual growth pre-Covid)

In audio, the national commercial radio sector has flourished in the shift to digital, aided by the rise of smart speakers, whilst international streaming platforms have increased share of audio listening in on-demand music and speech content

- National commercial radio (3% annual revenue growth) has been able to increase its audience, expand its content provisions for consumers, and improve its monetisation via data collection in digital mediums
- Yet the audio market has also been captured by international streaming platforms (including YouTube for 'visual audio') and smart speaker providers, who present a risk to UK audio players' prominence and access to customer data

In news, revenues are declining, though national publishers and local digital websites are beginning to improve their reach and monetisation online, whilst social media continues to increase its reach for news consumption

- The Guardian's total revenue grew over the period, with over half its revenue coming from digital
- 46% of UK adults now use social media for news, where BBC is the most followed news outlet

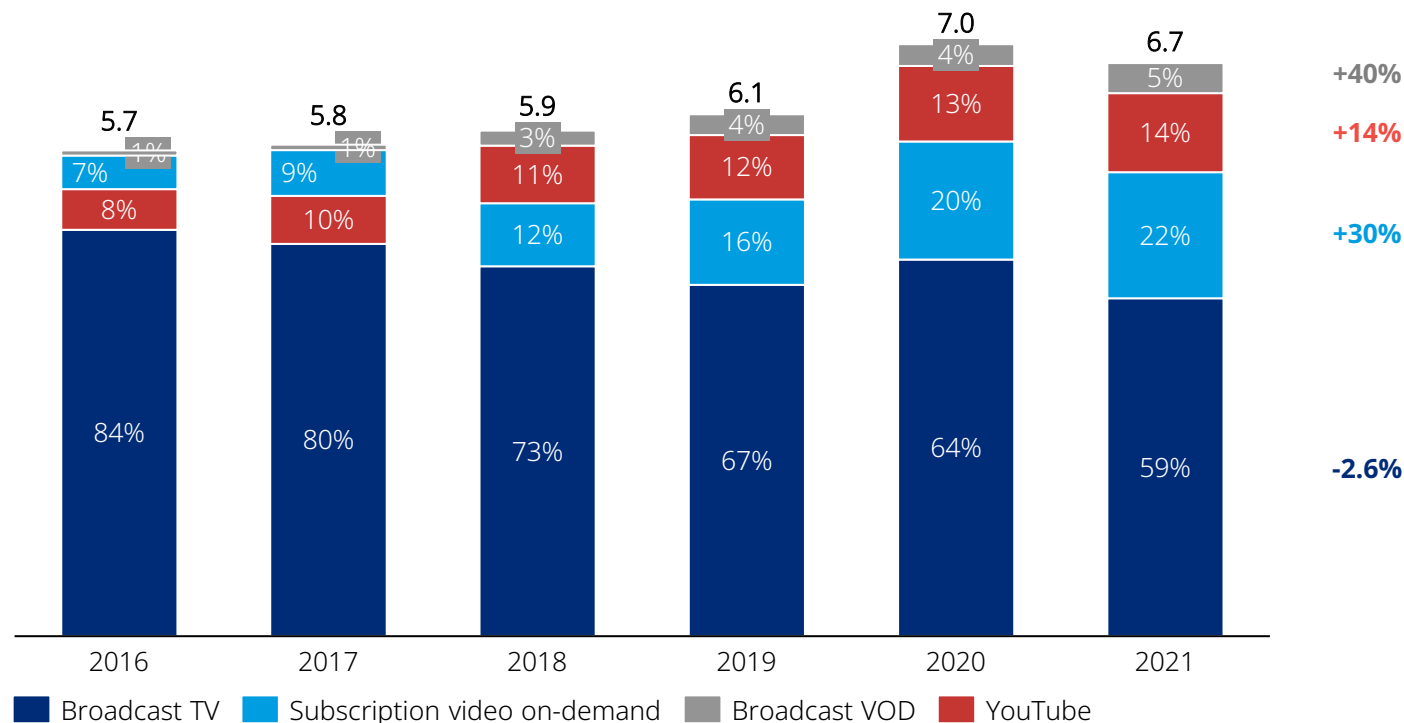
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THE TV MARKET SINCE 2016

BROADCAST TV HAS LOST 25 PERCENTAGE POINTS (PP) SHARE OF VIEWING TO VIDEO ON DEMAND (VOD) AND YOUTUBE SINCE LAST BBC CHARTER PERIOD

Monthly viewing time for TV, VOD and YouTube
Bn hours, UK, 2016–2021

Annual growth
2016–2022



Source: Oliver Wyman UK Media Market Model, Ofcom

ANALYSIS

The growth of subscription video on demand (SVOD) has transformed UK TV viewing, with more now going to SVOD first for something to watch than broadcast TV:

- 40% go to SVOD first, 37% broadcast TV, 11% YouTube, and 7% Broadcaster VOD (BVOD)

YouTube is a video sharing platform (VSP) and more similar in consumption habits to other social video, but important to TV market given:

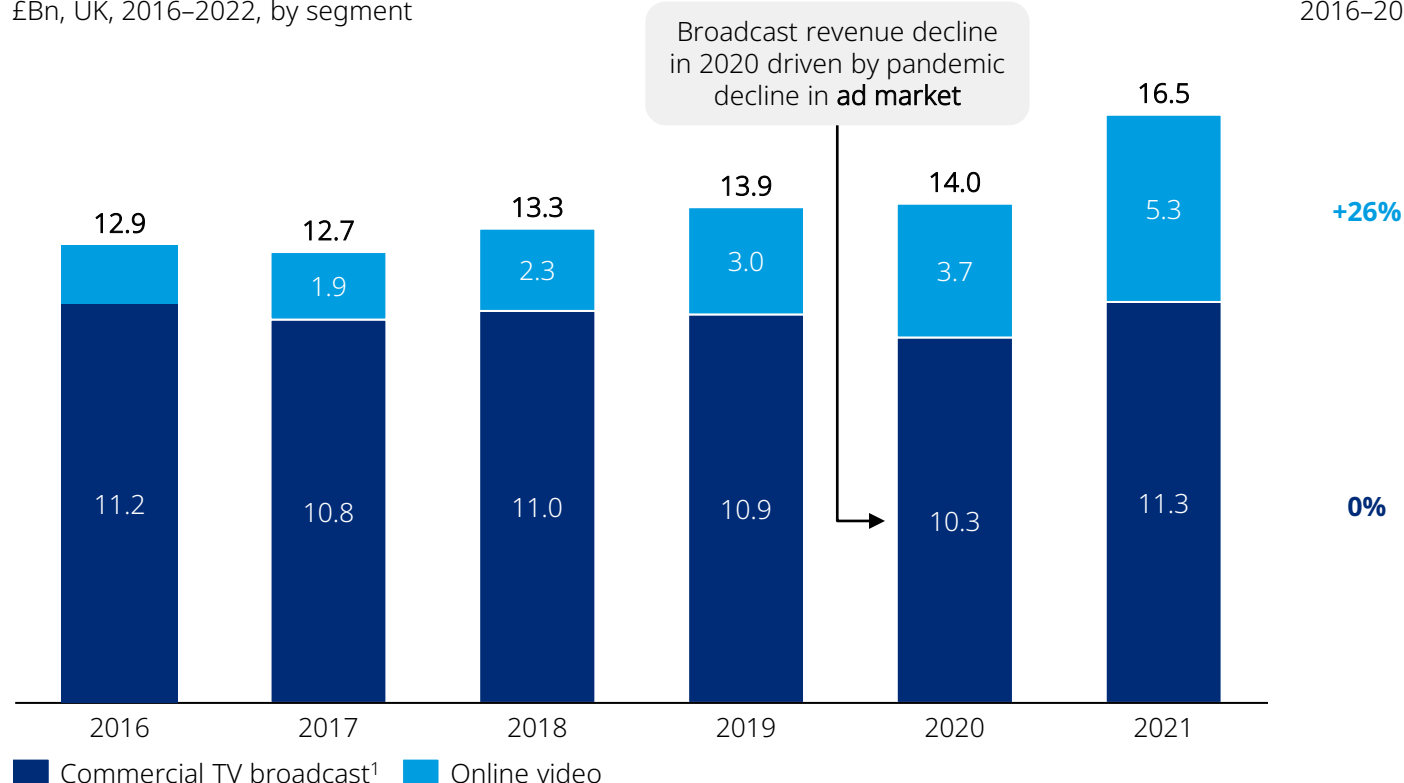
- YouTube largest share of video advertising revenue
- Overlap with TV style content
- UK broadcasters putting content segments on YouTube, with implications for reach, access to viewer data and monetisation

Broadcasters hold 64% of viewing between TV and BVOD and if growth rates continue on current trajectory, would retain just over half of viewing by the end of the current charter period

COMMERCIAL TV BROADCAST REVENUES HAVE REMAINED STABLE SINCE LAST CHARTER PERIOD DESPITE GROWTH OF ONLINE REVENUES

Total TV revenue
£Bn, UK, 2016–2022, by segment

Annual growth
2016–2021



1. Commercial TV broadcasting defined as non-public service broadcasters. UK commercial broadcasters have **both types of revenue** (from their TV channels and BVOD services)

Source: Ofcom, Oliver Wyman analysis

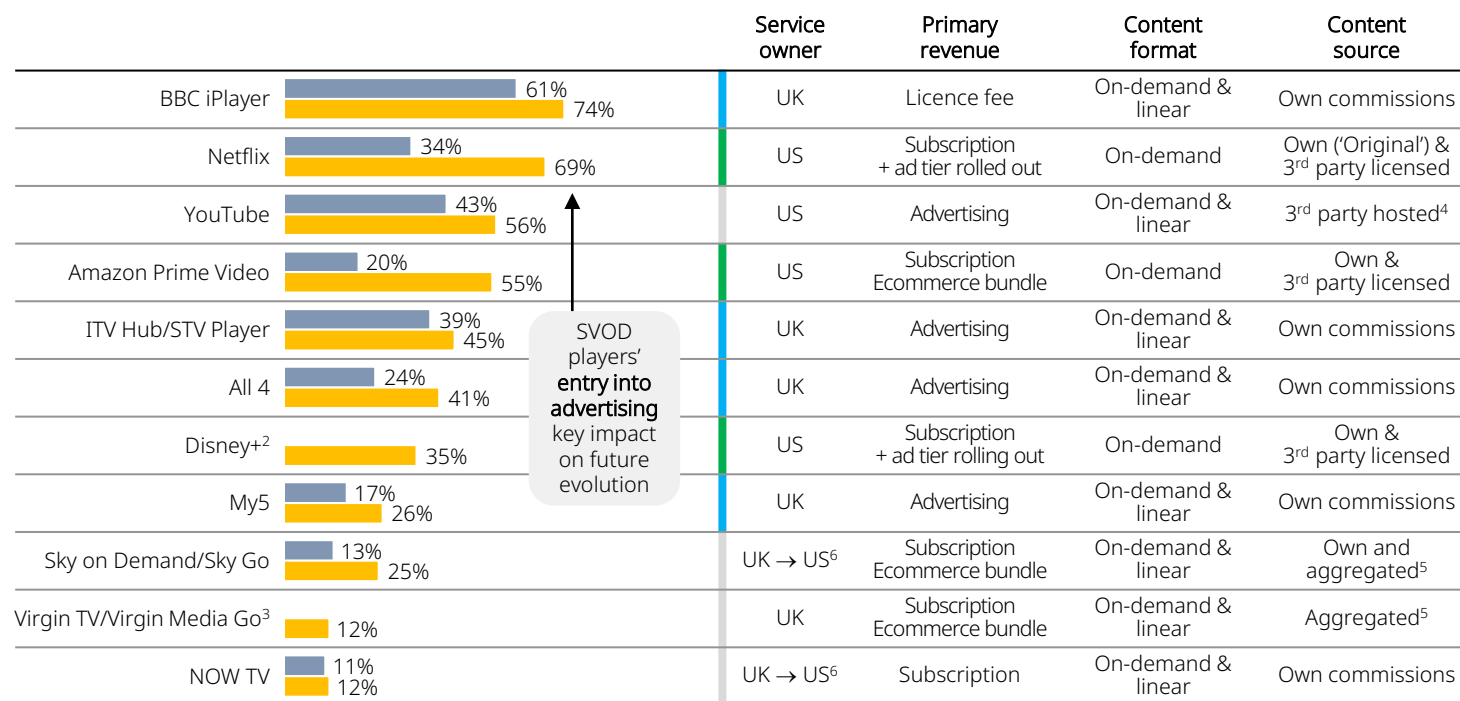
ANALYSIS

The growth of online video revenues has driven the overall growth of TV revenues, with commercial TV broadcast revenues remaining stable

Commercial TV broadcast revenues are expected to decline going forward as broadcasters shift strategic focus to online propositions

THE VIDEO ON DEMAND MARKET HAS GLOBALISED THE SET OF COMPETITORS IN THE UK MARKET BUT UK BROADCASTERS HAVE ALSO GAINED A STRONG FOOTHOLD IN VOD

Top VOD services in the UK by reach
% of UK adults and teens¹, 2016 and 2022



■ 2016 ■ 2022

— International SVOD (subscription video on demand) — UK BVOD (broadcaster video on demand) — Other

1. Adults & teens reach reported together for 2022, reported separately for 2016; combined 2016 number calculated from survey sample sizes;
2. Launched 2020; 3. Launched 2018; 4. YouTube is a Video Sharing Platform rather than a Video on Demand service as allow user uploading as well as viewing; 5. 3P TV channels or VOD platforms aggregated within platform; 6. Now US-owned; 7. iPlayer/Netflix streams from different sources
Source: Ofcom, Company websites, Oliver Wyman analysis

ANALYSIS

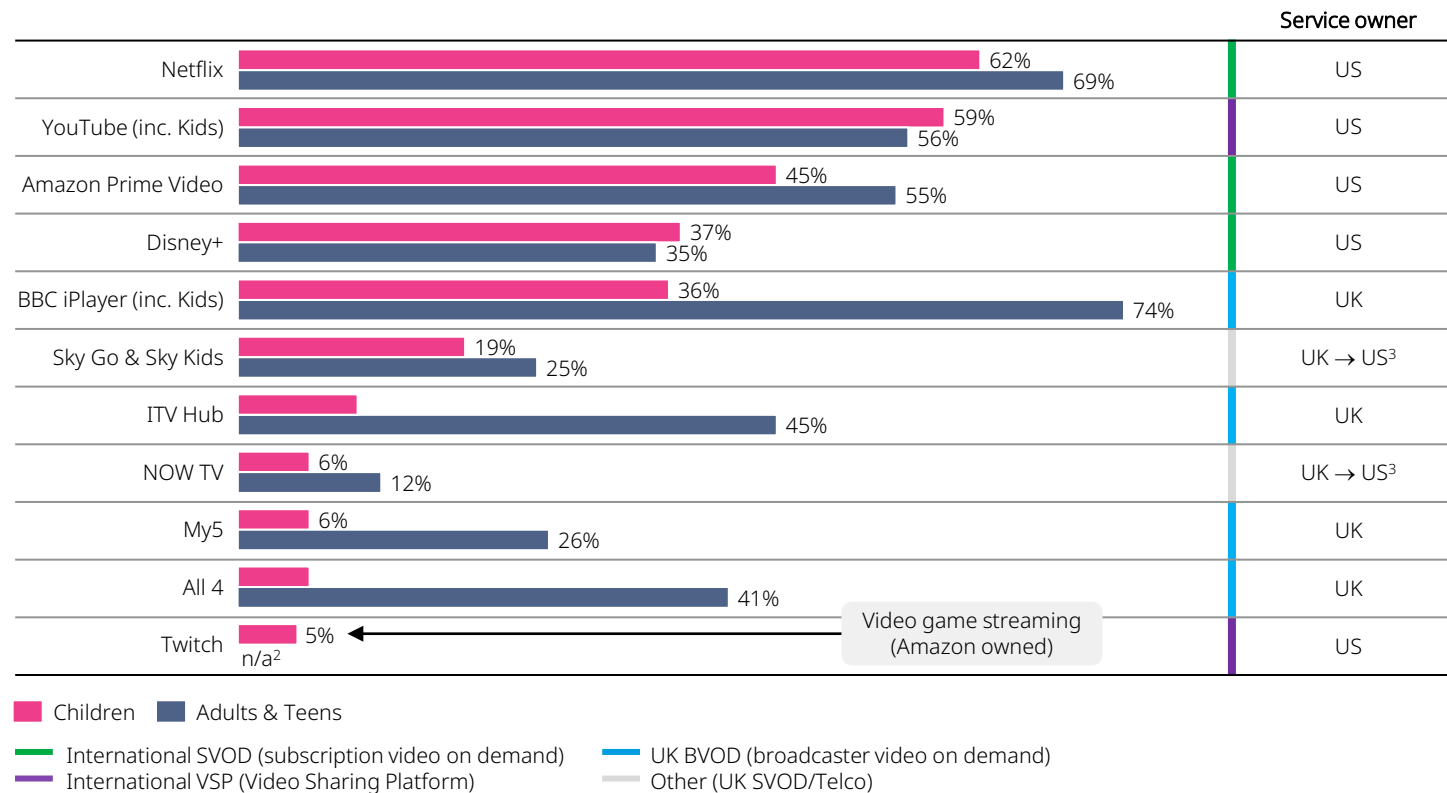
The reach of BVOD services is inflated given they are free to access. Notably access to BBC iPlayer is possible, even if not permitted, without the payment of a licence fee

SVOD comparatively has a higher time spent and a greater number of streams

- For example, in 2021 iPlayer had 6.5Bn streams, compared to 20.1Bn⁷ on Netflix

AMONG YOUNG DEMOGRAPHIC, THERE IS A GREATER USE OF US SVOD AND VIDEO SHARING PLATFORMS THAN UK BVOD

Top VOD services in the UK by reach
% of children¹ vs. adults and teens, UK, 2022



1. Adults and teens reach over 3 months, children (3–12) any use; 2. Reach too low to report among adults & teens, under 2%; 3. Now US-owned
Source: Ofcom, Company websites, Oliver Wyman analysis

ANALYSIS

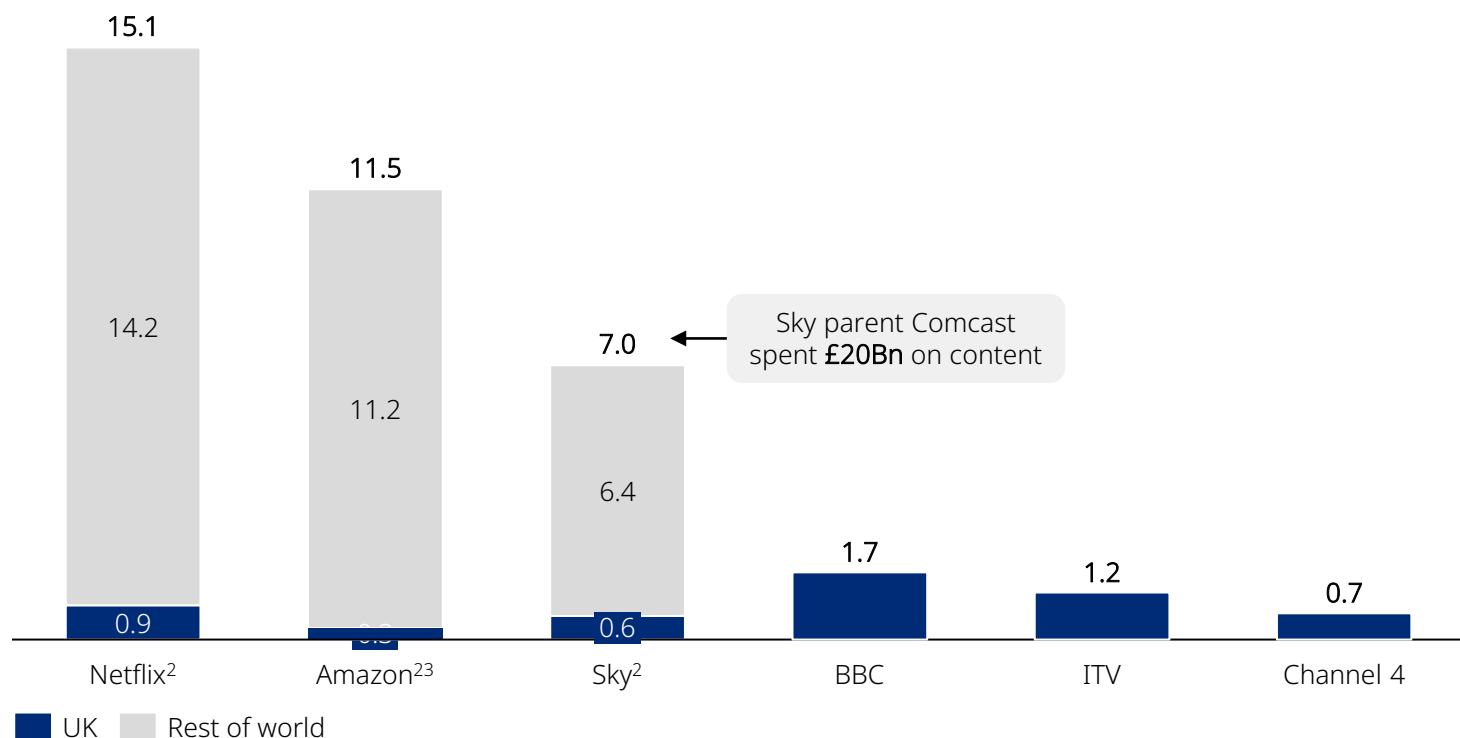
Digital natives, younger demographics are more likely to consume content via SVOD and video sharing platforms, such as YouTube, rather than through UK BVODs. Wider literature supports this suggesting an increased preference for short form content that is more likely to be hosted on video sharing platforms

The greater reach for US services reflected in the data suggests a less strong preference for UK content among young audiences, though it should be noted that UK content is still watched on US platforms

THE SCALE OF INTERNATIONAL VODS CREATES HEIGHTENED PRESSURE ON CONTENT SPEND, WITH STREAMING SERVICES DWARFING SPEND BY UK PLAYERS

Selected TV and VOD platforms content spend

£Bn¹, spend on video content in the UK and rest of world, 2021



1. Converted from dollars at 0.88 and euros at 0.87; 3. UK proportion of spend approximate; 4. Spend includes music; Source: Company reports and press releases, Ampere analysis, Ofcom, Enders Analysis, Oliver Wyman analysis

ANALYSIS

Spend on video content by Netflix nearly ten times that of BBC, although BBC remains the largest commissioner of UK content

UK platforms continue to have more UK content given slightly outspending international players and lower content costs per hour

- 38% of UK consumers still prefer UK content
- But only 17% of 13-17 year olds prefer UK content and 18% prefer US

UK consumers are still looking for UK content on SVODs although their content is 'less British'

- 5 of Netflix's 10 most popular titles in the UK (Q1 2022) were UK produced
- UK SVOD commissioned content has fewer British expressions and references (Enders analysis)

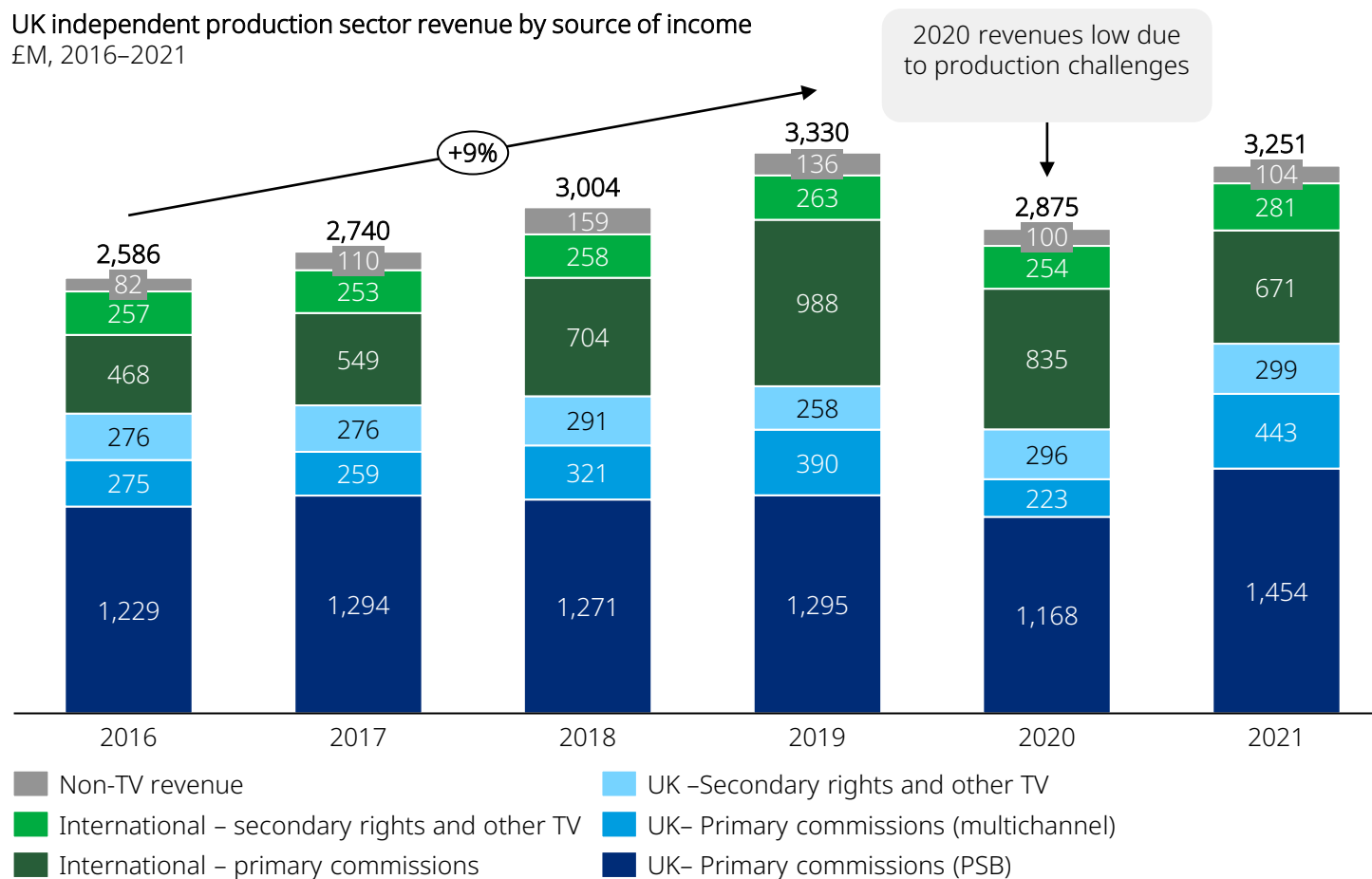
Over half of UK consumers like UK and US programming equally; for these, a larger library of US and UK content like Netflix and Amazon's, is more appealing than a small UK library

There is demand for UK content internationally: on international streaming services, where 18 million hours of Netflix's *The Crown* were watched globally, and UK VOD BritBox has 4 million global subscribers

BBC remains the largest commissioner of UK content and there remains a strong cross-platform demand for UK content domestically and overseas

INCREASED CONTENT SPEND FROM INTERNATIONAL COMPANIES LED TO 9% ANNUAL GROWTH IN THE UK PRODUCTION MARKET PRE-PANDEMIC

UK independent production sector revenue by source of income
£M, 2016–2021



1. Budgets over £1M per episode, length over 30 minutes; Source: Pact Census 2021, Ofcom, Oliver Wyman analysis

ANALYSIS

International investment the most significant driver of production growth

- Partly driven by focus on high budget TV; over half of high end¹ productions in the UK in 2021 were internationally commissioned
- International growth stronger up to 2019; caution due to Covid 19 remains

Growth has benefited the UK production sector with increased investment and jobs, however smaller production companies are facing acquisition due to increasing cost pressures caused by

- Higher demand driving inflation
- Implementing Covid safety measures
- Shortages of skilled crew




The “indie” production market (not owned by UK broadcasters) is highly consolidated

- Revenues concentrated in top companies
- International media conglomerates now own 8 of the top 10 UK production companies

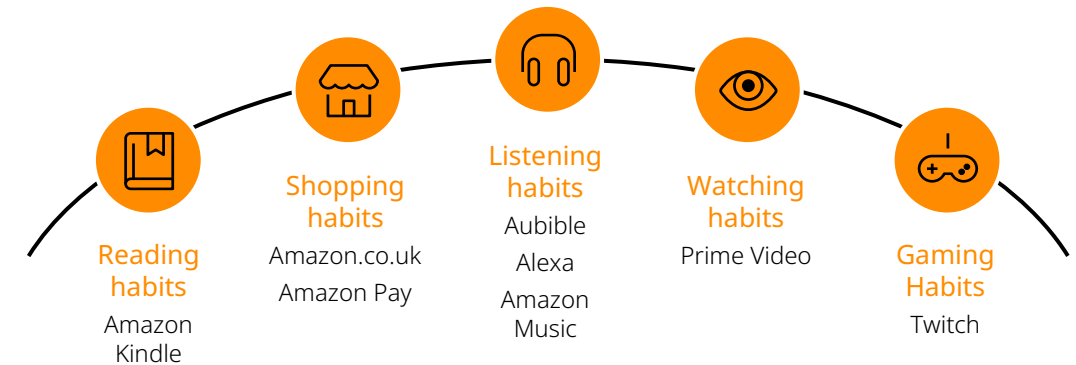
The UK production market is now significantly funded and predominantly owned internationally

DATA, PARTICULARLY END USER DATA, IS BECOMING CRITICAL IN THE VOD MARKET WHICH COULD BE A CHALLENGE FOR UK BROADCASTERS

CASE STUDY: Selected uses of audience data by Netflix Non-exhaustive

Use	Description
 Audience segmentation	Netflix does not collect demographic data on users, instead creating audience segments based on content genre preferences
 Content commissioning	Netflix conducts analysis of audience content preferences to inform mix of content in portfolio and individual commissioning decisions
 Recommendation engine	Netflix generates personalised recommendations for each user based on their previously watched content and that of similar users

CASE STUDY: Types of Amazon customer data Non-exhaustive



ANALYSIS

Data analysis is a powerful tool across media to better understand users in order to improve services and monetise

For VOD, Netflix pioneered many of these data use cases, but national BVOD platforms are increasingly employing similar techniques

Yet for all of these applications, scale matters for volume of data and resources to analyse it, leaving UK BVODs at a permanent disadvantage to international VODs such as Netflix and Disney+ with over 200M subscribers and \$100Bn market cap each

ANALYSIS

Beyond volume, breadth of data is valuable for developing a deeper understanding of users

Technology companies with VOD services and international reach, such as Amazon, benefit from leveraging data across its services to improve effectiveness of advertising for its core ecommerce business

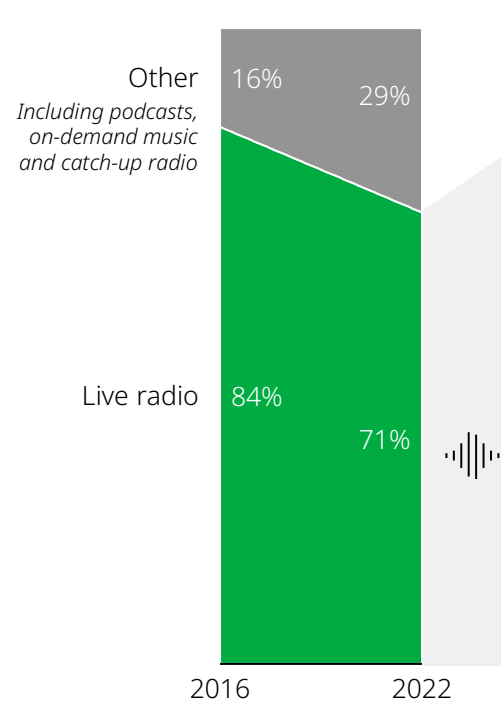
On a smaller scale, BBC is incorporating sign in across its online services including news, audio and video; its primary aim is improving its service for users

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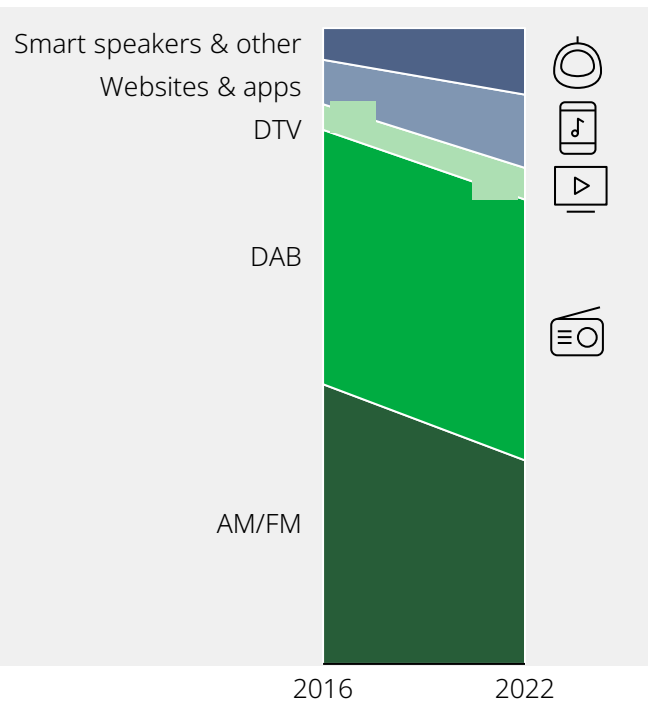
THE AUDIO MARKET SINCE 2016

18PP SHARE OF AUDIO LISTENING HAS MOVED FROM RADIO TO PODCASTS AND ON-DEMAND MUSIC SINCE THE LAST CHARTER AND RADIO LISTENING IS MIGRATING TO ONLINE

Share of audio listening for key content types
% of listening for key content types
(other audio types excluded), 2016, 2022 estimate¹



Share of live radio listening by platform
% of live radio listening, 2016, 2022



ANALYSIS

Share of listening for podcasts and on demand music has more than doubled since the start of the charter

- The younger demographic is driving the shift towards online and on demand, with music streaming now the top form of listening for 16-35 year olds

Radio remains the dominant type of audio listening, and is expected to remain so until at least the end of the current charter period

- Radio is accessed primarily via analogue and digital broadcast
- Online radio listening has grown to a quarter of radio listening

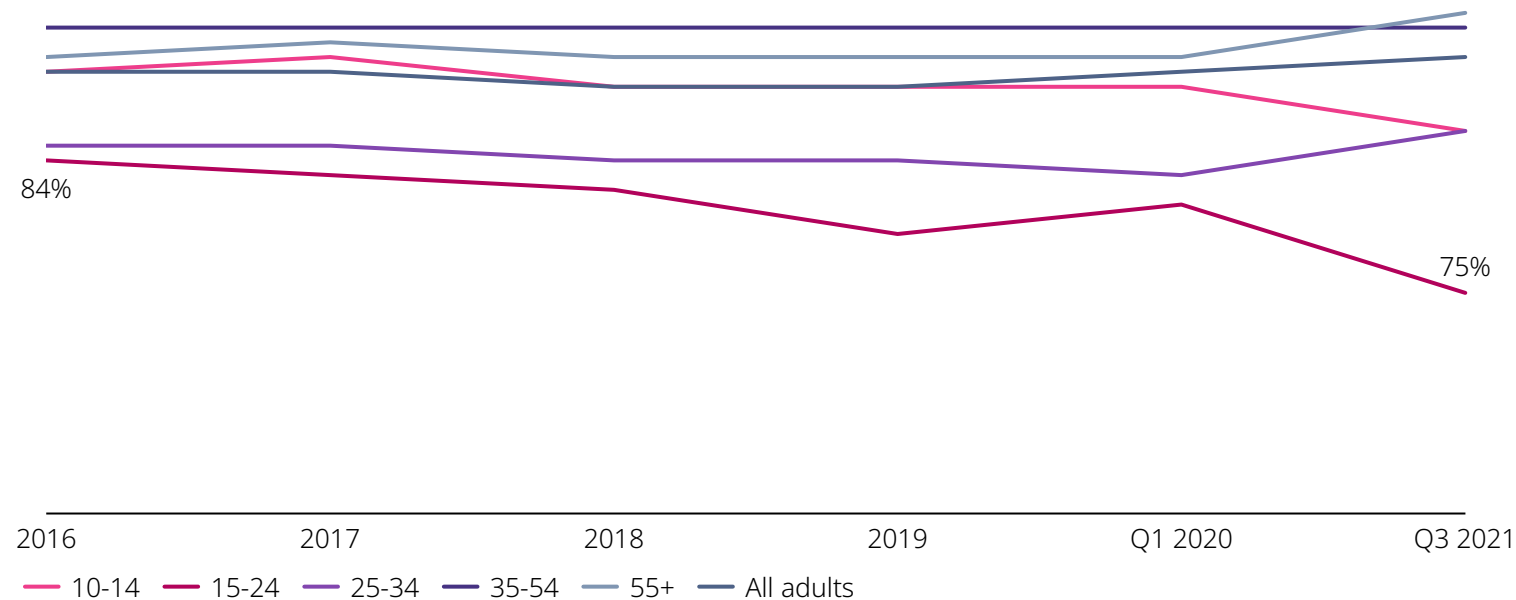
Smart speakers important for the future of radio as more consumption moves online

- Smart speakers have seen greatest increase in share of radio listening
- Over half of all listening on smart speakers is live radio

RADIO REACH HAS ENDURED THE SHIFT TO DIGITAL BUT YOUNG AUDIENCE PREFERENCE FOR ON-DEMAND CONTENT COULD SUGGEST A FUTURE DECLINE

Radio weekly reach by age
% of UK population, 2016–Q3 2021

Underlying data not available



Source: RAJAR, Enders Analysis, Oliver Wyman analysis

ANALYSIS

Reach of radio has so far remained stable despite rise of on demand audio content, although listening time has seen slight decline

When segmented by age group, radio's performance shows cause for concern

- Radio reach is declining in young audience
- Stable reach relies on 55+ demographic growth

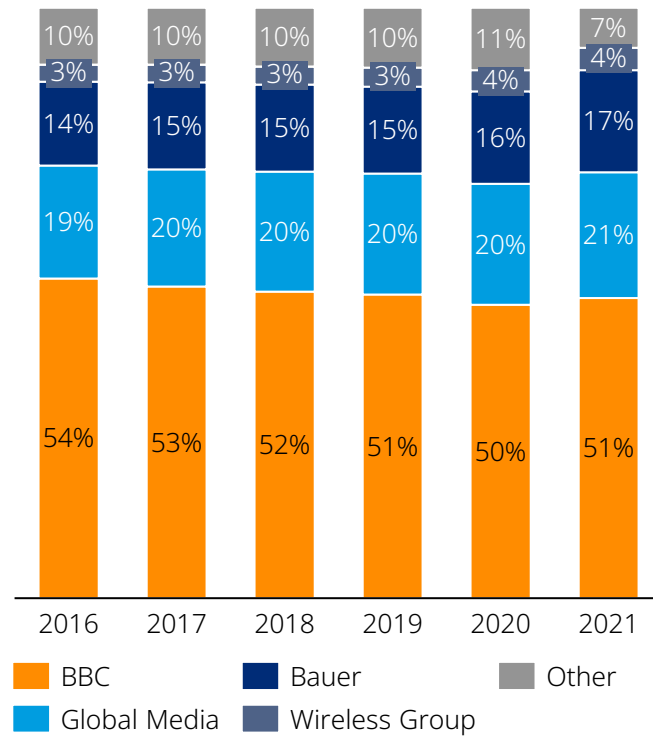
In car radio has also been important to maintaining radio reach, but some cause for concern here too

- Connected cars and using smartphones for streaming in cars increasing
- This increases opportunities for on demand listening in cars

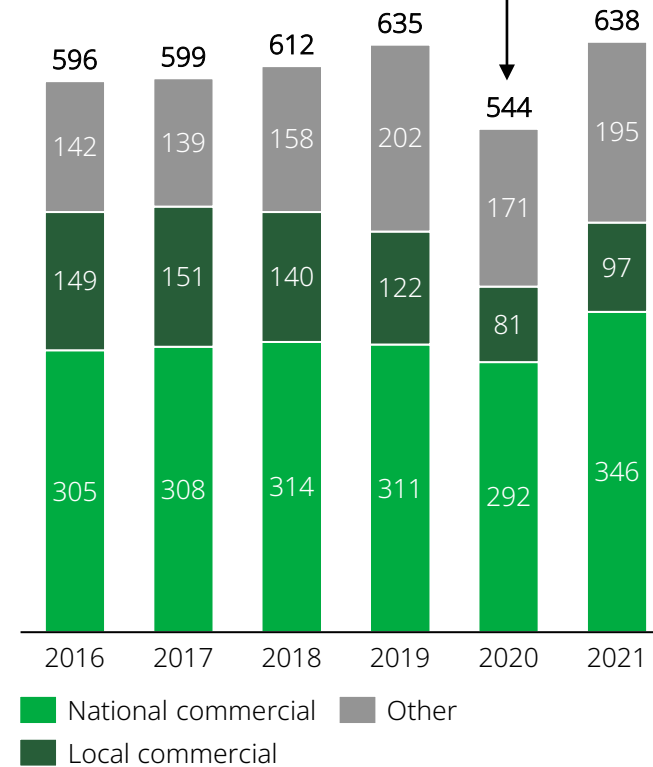
As has played out in the TV market over the last ten years, changes in the preferences of young audiences can foreshadow cross-demographic migration to online and on-demand audio services

THE UK COMMERCIAL RADIO MARKET REMAINS STRONG, WITH INCREASED REVENUES DRIVEN BY NATIONAL COMMERCIAL RADIO

Radio shares of listening
% of live radio listening, 2016–2021



Total UK commercial radio revenues
£M, 2016–2021



Source: RAJAR, Ofcom, Oliver Wyman analysis

ANALYSIS

BBC has the largest radio audience, dipping just below 50% in Q1 2022

The commercial radio market is highly consolidated, with Global and Bauer capturing $\frac{3}{4}$ of non BBC listening

Commercial revenues are growing, driven by growth in national radio whilst local station revenues decline

Expansion of radio stations enabled by DAB has increased the attractiveness of national radio proposition to consumers, e.g. through brand extensions

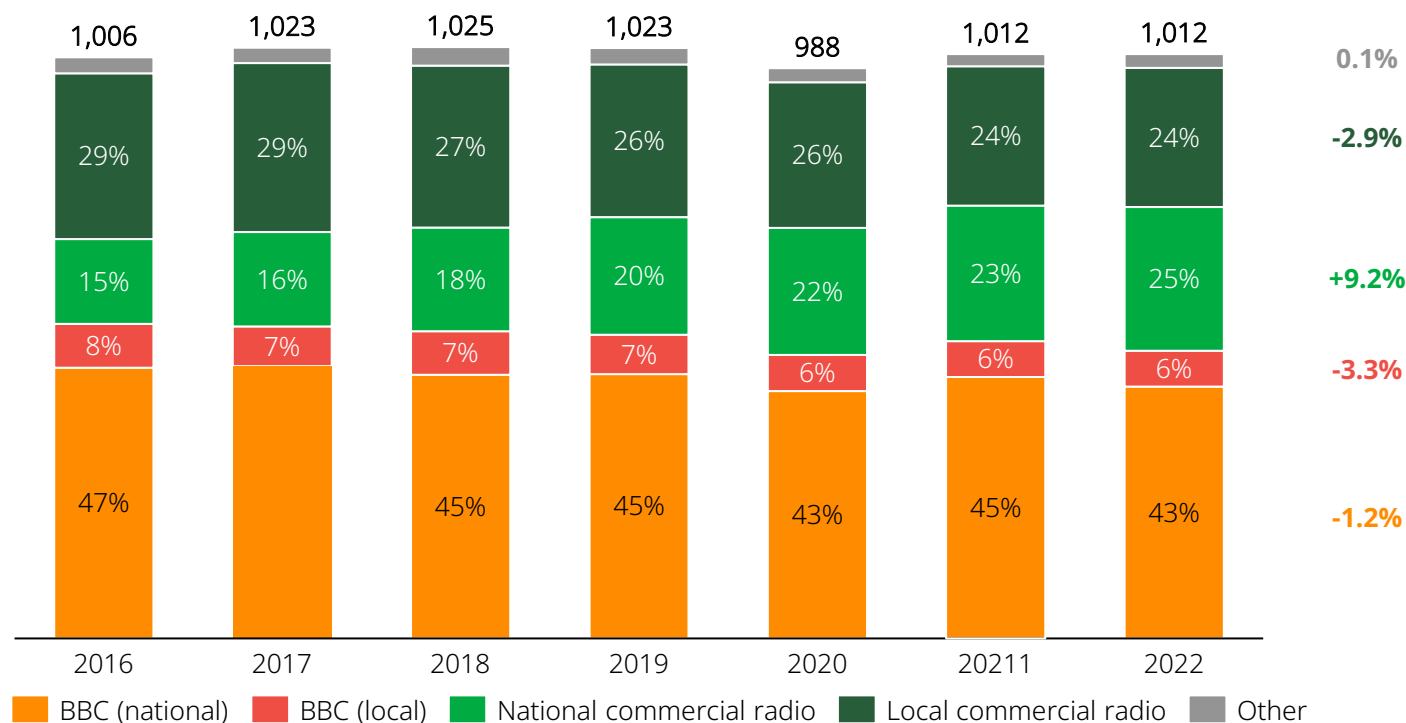
In the shift to digital, commercial stations have been able to benefit from access to first party audience listening data for the first time

- Data improves value proposition for advertisers, raising CPMs (cost per mile – the cost an advertiser pays for one thousand impressions)

LOCAL RADIO IS DECLINING IN LISTENING AS IT STRUGGLES TO MAINTAIN AN ATTRACTIVE PROPOSITION AGAINST NATIONAL AND ONLINE CONTENT

Total listening hours on UK radio
M hrs, % share of hours, Q1 2016–2022

Annual growth
2016–2022



ANALYSIS

Local radio stations have declined in listening whilst national commercial radio stations increased since the last Charter period

- National commercial radio stations have improved propositions e.g. via brand extensions enabled by DAB
- Local commercial and BBC struggling to maintain a competitive proposition, although some local stations benefit from national content depending on ownership
- Local radio also competing with proliferation of on demand audio and hyperlocal social media content

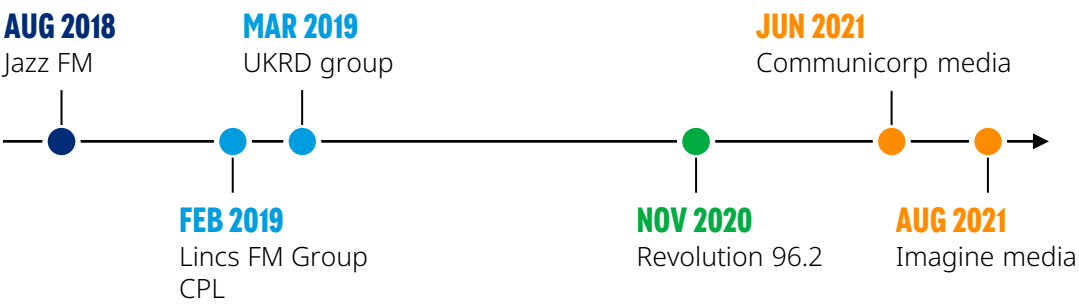
At the same time, community radio stations have grown in popularity

- Effective in reaching underrepresented and minority audiences including audiences from lower socio economic backgrounds
- Rollout of small scale DAB opportunity for online stations to access in car listening
- Growth supported by public grants; industry stakeholders have observed local commercial radio also providing valuable service and could be provided better opportunities to access funding

1. Q3 used for 2021 due to survey limitation; Source: RAJAR, Radiocentre, DCMS Digital Radio and Audio Review, Oliver Wyman analysis

NATIONAL PLAYERS ARE LEADING MARKET CONSOLIDATION AND EXPANSION INTO ON-DEMAND FORMATS

CASE STUDY: **Bauer** is consolidating smaller radio stations
Recent acquisitions by Bauer
Non-exhaustive



ANALYSIS

Bauer has seen its reach of the UK adult population grow from 31% in Q1 2017 to 35% as of Q1 2022 following a string of acquisitions

Bauer has been able to leverage Ofcom's relaxation of localness guidelines to reduce staff numbers and streamline studio locations over the last 3 years

Online, Bauer has launched ad free subscription across its stations for £3.99 per month

Source: RAJAR, Enders Analysis, Oliver Wyman Analysis

CASE STUDY: **Global Media** is investing in on-demand audio
Assets owned by Global Media
Non-exhaustive

	Radio	Capital FM	Classic FM	Heart	LBC
	Audio articles	Remixd			
	Podcasts	Capitvate			

ANALYSIS

As of 2022, Global's radio stations reach 44% of the UK's adult population

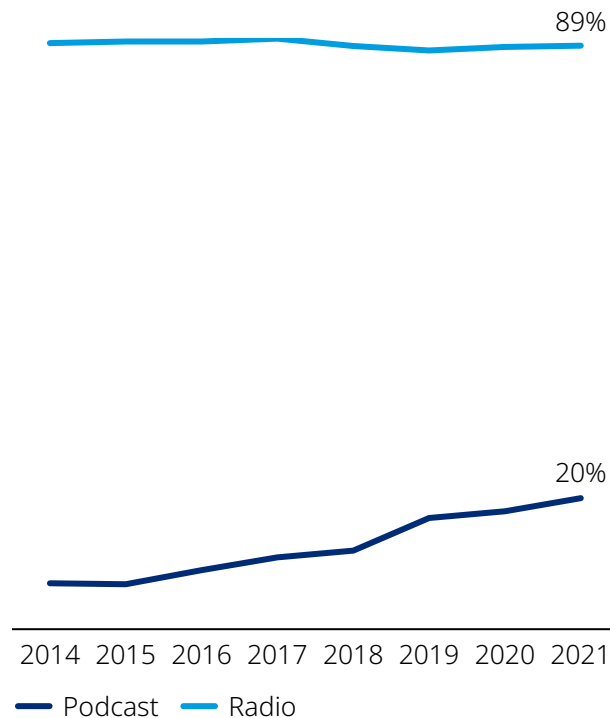
In 2021, Global acquired the US digital audio start up Remixd, which developed AI technology to convert online written articles into audio content with targeted ads inserted

Global also acquired podcast hosting and monetisation platform Capitvate in 2021

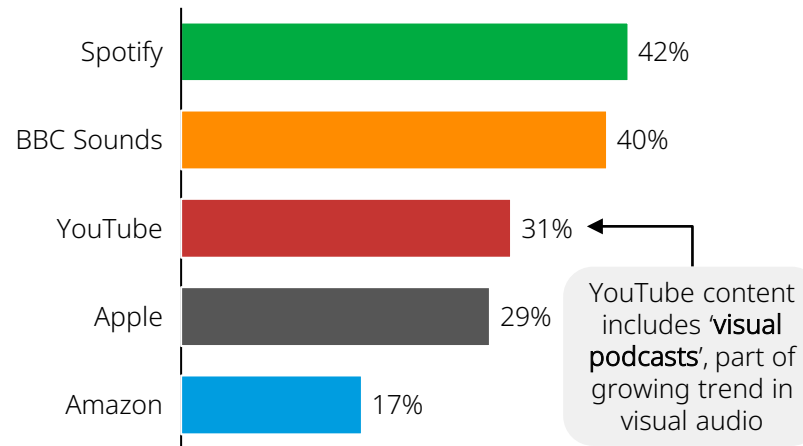
On demand audio enables radio sector to generate incremental revenue, largely leveraging existing content

PODCASTS HAVE GAINED SIGNIFICANT REACH BUT REVENUES IN THE UK MARKET REMAIN SMALL

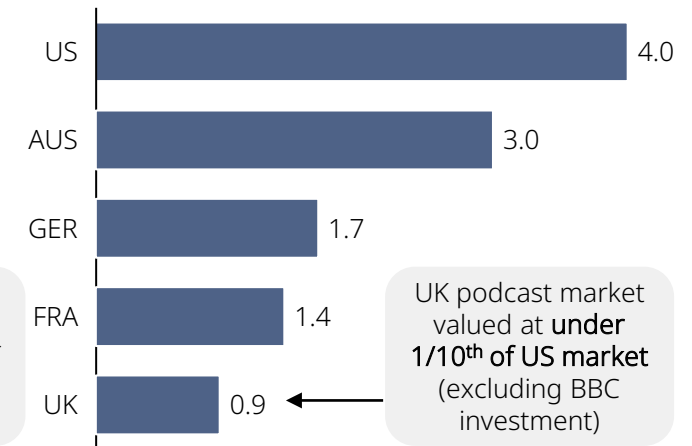
Reach of podcasts and radio in the UK
% of UK adults listening per week



Top podcast distributors
UK, % of weekly podcast listeners using, 2021



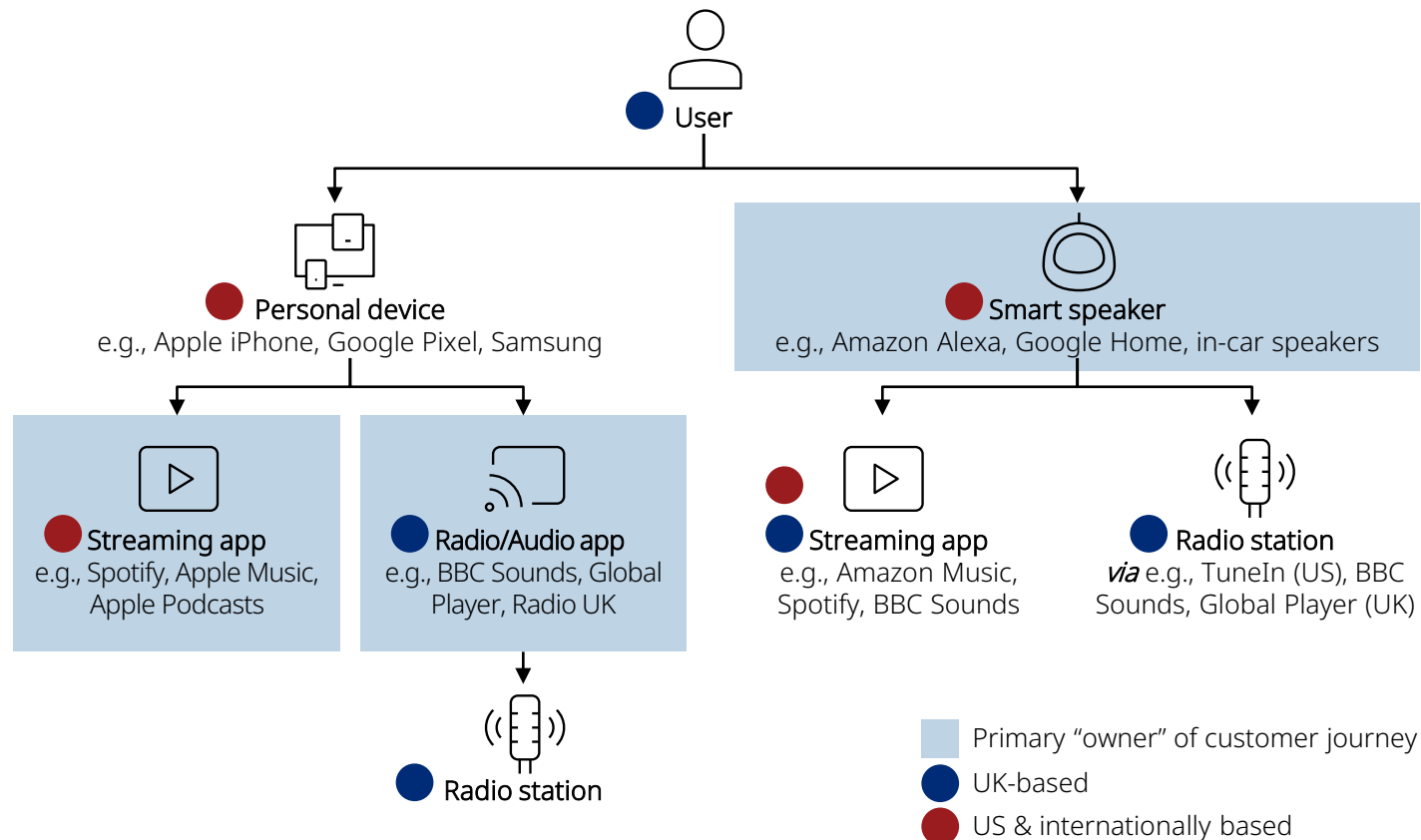
Podcast advertising revenue by country
£, revenue per monthly listener, 2020



Spotify and Apple are investing strongly in the podcast market, including introducing paid podcasts, signalling continued growth for the sector and a potential shift towards greater profitability

ONLINE AUDIO CONSUMPTION CREATES OPPORTUNITIES FOR THE UK RADIO SECTOR TO GROW ITS REACH BUT ACCESS TO CONSUMERS IS INDIRECT

Illustrative customer journeys for audio consumption online
For UK users, journeys simplified and non-exhaustive



Source: Oliver Wyman analysis

ANALYSIS

On personal devices, apps are the primary owners of customer journeys, with access to user listening data, control over prominence of certain content, and ability to monetise, primarily via subscription or advertising

- International companies that own personal devices are able to take some measures to promote own streaming apps on devices
- Only major players of UK Radio (BBC, Global, Bauer) have audio apps with significant reach

On smart speakers, it is the speaker that can access user listening data and direct users to their own streaming apps via default settings

- Smart speakers benefit apps and radio stations through providing a new channel through which to reach users and monetise, although with limited user data advertising CPMs are lower
- Radio stations may be reached through UK apps or US app TuneIn (often default aggregator)
- Individual radio stations must be requested with a voice command, limiting user discoverability

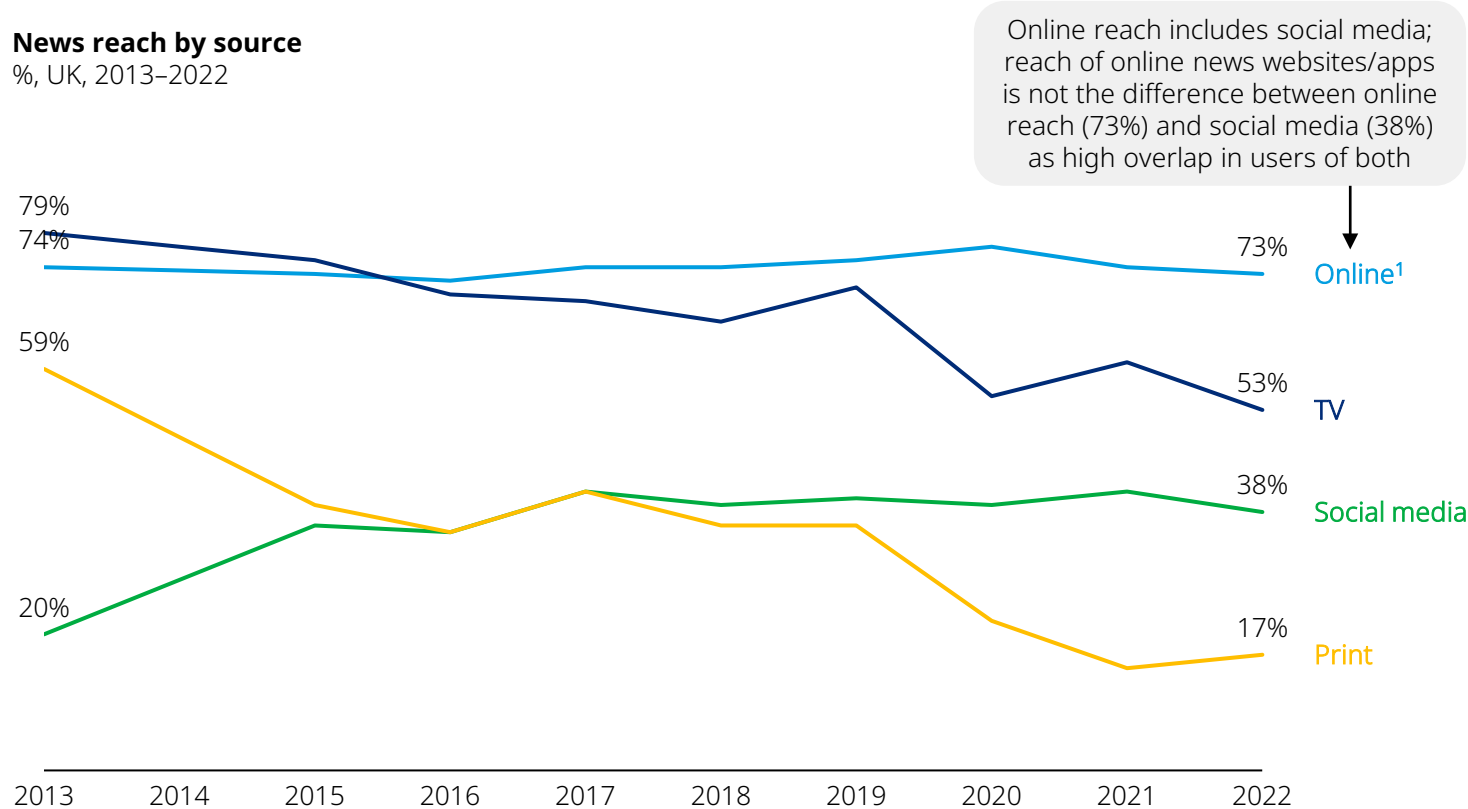
Prominence and access to user data on third party platforms key concerns for UK public service and commercial sectors across media

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THE PRINT AND ONLINE NEWS MARKET SINCE 2016

NEWS CONSUMPTION HAS SHIFTED AWAY FROM PRINT AND TOWARDS ONLINE, WHICH HAS LED TO INCREASED PERSONALISATION OF NEWS AND EXPANSION OF CONTENT FORMATS

News reach by source
%, UK, 2013–2022



1. Ofcom records slightly lower reach for online news: 48% in 2016 and stabilising around 66% 2018–2022; Source: Reuters, Ofcom, Oliver Wyman analysis

ANALYSIS

Around the start of the current BBC Charter period (2016), there were two major turning points in news consumption

- Online became the primary form of news consumption, displacing TV, although BBC One TV channel remains the single most used of any individual news source

- Social media overtook print as a destination for news consumption

This shift to online and social media news has made news consumption personalised

- For TV broadcasts and newspapers, news is put out in a single programme or newspaper
- Online, news outlets publish a higher volume of content so users can consume content in line with their preferences
- On social media, algorithms and peer to peer sharing create “echo chambers, filter bubbles and polarisation” (Reuters) in news consumption

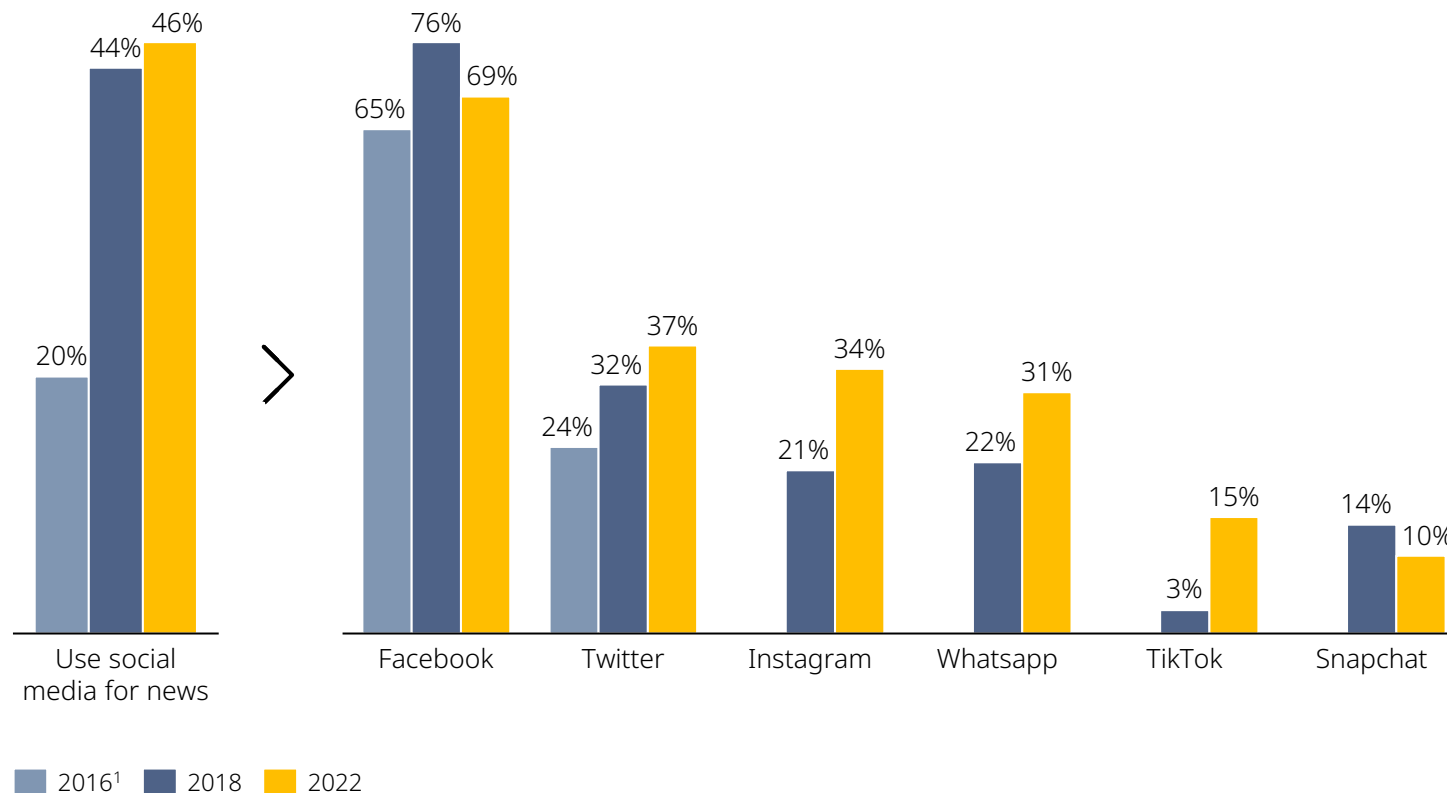
Newspaper publishers are pivoting to multimedia

- To provide a compelling offer and increase reach online, newspaper publishers are increasingly expanding to speech audio and short form video

SOCIAL MEDIA IS INCREASINGLY BEING USED FOR NEWS, DISINTERMEDIATING UK NEWS OUTLETS AND INCREASING CONSUMPTION OF UNVERIFIED NEWS

News consumption on social media

% among population who use social media for news, % of those who use each platform, 2022



1. Use across all platforms not reported in 2016; 2. Social media users measuring the trustworthiness of news they consume; Source: Ofcom News Consumption in the UK 2022 report, Reuters Digital News Report 2022, Oliver Wyman analysis

TRENDS

46% of UK adults now use social media for news and this proportion rises to 79% among 16-24 year olds

Facebook remains the most popular platform but has declined slightly from highs of 76% in 2018 (among social media news users)

Short form video platform TikTok has seen strongest recent growth

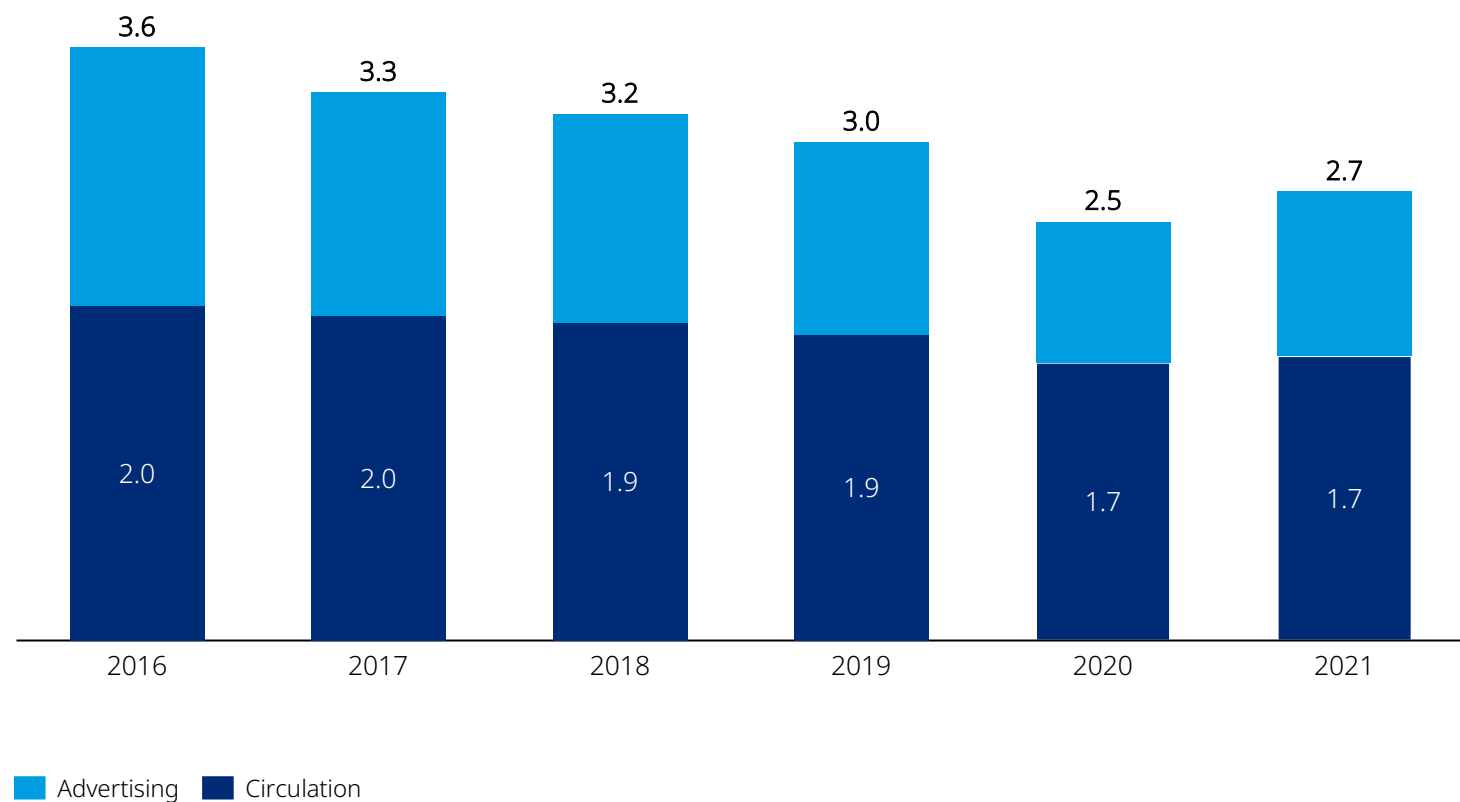
Users have the option to share news articles and follow news sources on social media, with BBC most followed news source in the UK across platforms

However, social media also introduces user generated (as opposed to journalist generated) forms of news, for example shared via community groups on Facebook or Tweets by public figures; this is not subject to the same journalistic standards of verification

News on social media rates lowest in consumer trust, at 35%², compared to 67% for print newspapers

PRESSURE ON NEWS PUBLISHERS CONTINUES AS PRINT REVENUES DECLINE BY ¼ SINCE LAST CHARTER PERIOD

UK Newspaper industry print revenues
£Bn, 2016–2021



Source: PwC, Oliver Wyman analysis

ANALYSIS

In recent years, the decline in consumption of print newspapers has continued, with resulting declining print revenues across circulation and advertising for news outlets

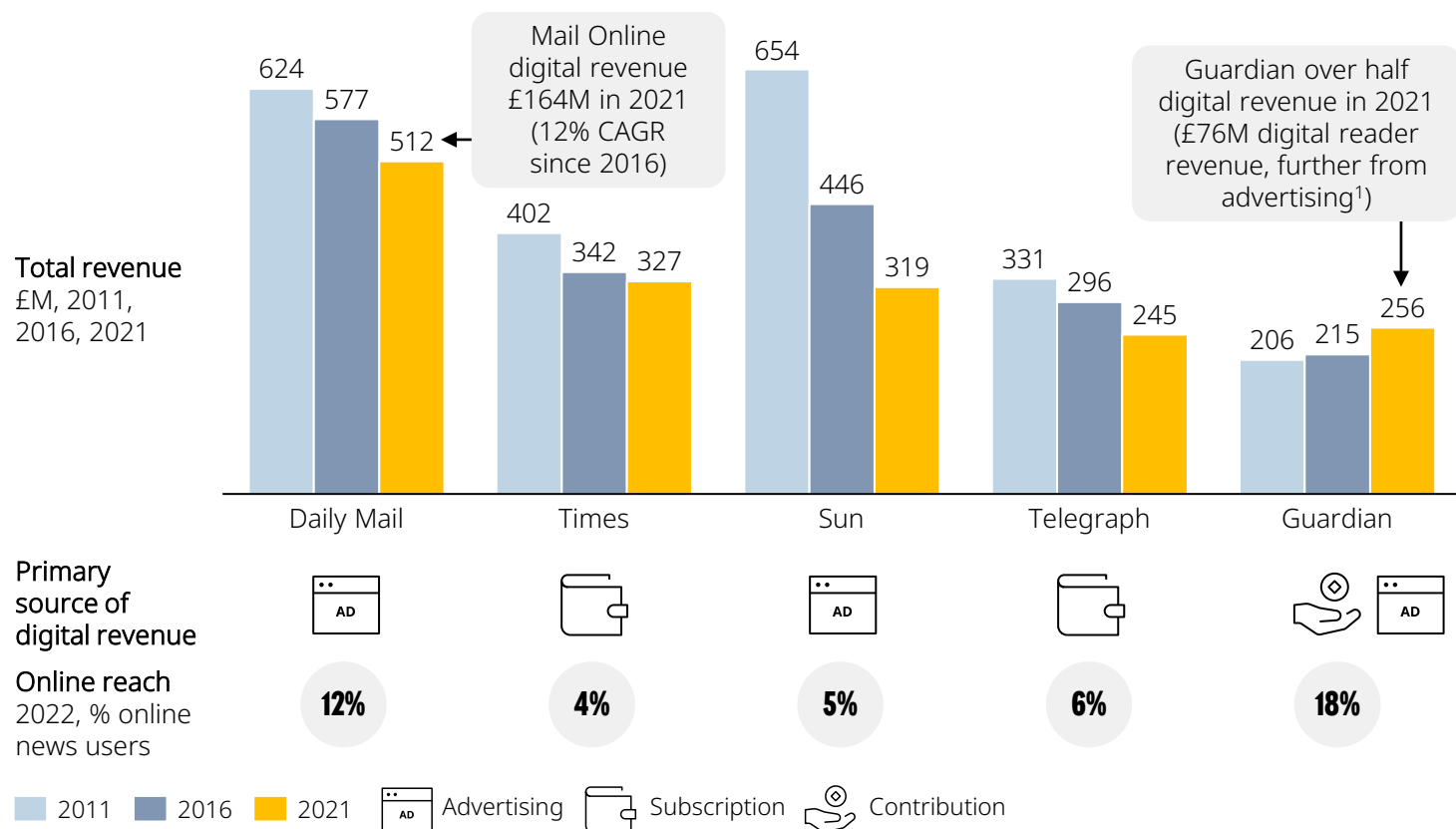
Advertising revenues have declined more strongly over the period, as declining reach combines with cannibalisation of print advertising spend by digital advertising

- Online advertising is dominated by Amazon, Google and Meta, who together capture 67% of all online advertising spend in the UK

To offset decline in print, newspapers are focused on increasing digital revenues, whilst undergoing aggressive cost cutting to preserve profitability

WHILST REVENUES FOR MOST NATIONAL NEWS PUBLISHERS STILL DECLINING, PROSPECTS HAVE IMPROVED OVER THE CURRENT CHARTER PERIOD WITH DIGITAL REVENUE GROWTH

Revenue of selected national news brands
£M, 2011, 2016, 2021



1. Advertising revenue from print and digital sources not separated in 2021 annual report; Source: Press Gazette, Annual Reports, Press Releases, Reuters, Omdia, Oliver Wyman Analysis

ANALYSIS

Digital revenue streams (advertising, subscription, contribution) are forming a greater share of total revenue

The Guardian's passed the milestone of over half its revenue coming from digital in 2018, enabling it to be the only player to grow total revenues over period (4% CAGR 2016-2021)

The Guardian has also benefited from access to international consumers online: in '21/22, 31% of their revenue and over half of digital revenue was from outside the UK







For the Daily Mail, digital revenue rose from 16% of total revenue in 2016 to 32% in 2021; past digital growth due to strong reach of the free MailOnline but from this year could see significant growth in subscription revenue with the relaunch of Mail+

Digital advertising revenues are a challenge for publishers as market dominated by Big Tech, hence moves into subscription and other revenue streams

The Telegraph has focused on subscriptions with ratio of print to digital subscribers now almost 1:4, however total subscribers in decline in 2022

NEWS PUBLISHERS ARE ADAPTING TO DIGITAL BY EXPANDING REVENUE STREAMS AND CONTENT FORMATS

Overview of news monetisation strategies Non-exhaustive

Revenue stream		Examples		
	Advertising	Communication of a product or service to users	Google Amazon Meta	3 players (Amazon, Google, Meta) capturing 67% of all online advertising spend in the UK
	Subscriptions	An arrangement to access to exclusive content through a fee	The Economist	The Economist relied on an analytics to boost subs whilst increasing prices
	Content syndication	Repurposing content and resources for other markets	The Guardian	The Guardian offers extensive content syndication to a multitude of clients
	Events	A planned public or social occasion leveraging brand or content	Financial Times	The Financial Times annual conference, The Global Boardroom, assembles leaders in business, economy and policy to discuss sustainable global growth
	Affiliate marketing	Commissions based on traffic or leads generated to 3P product/service	Future	Future Plc (<i>NB: magazine not news</i>) strong proposition for affiliate marketing given portfolio of specialist interest magazines
	Assets	Offering expertise in services or access to underutilized assets to others	BBC News Labs	BBC News Labs program supports media technology start-ups by offering work space and mentoring resources

Source: WNIP, Omdia, Oliver Wyman analysis

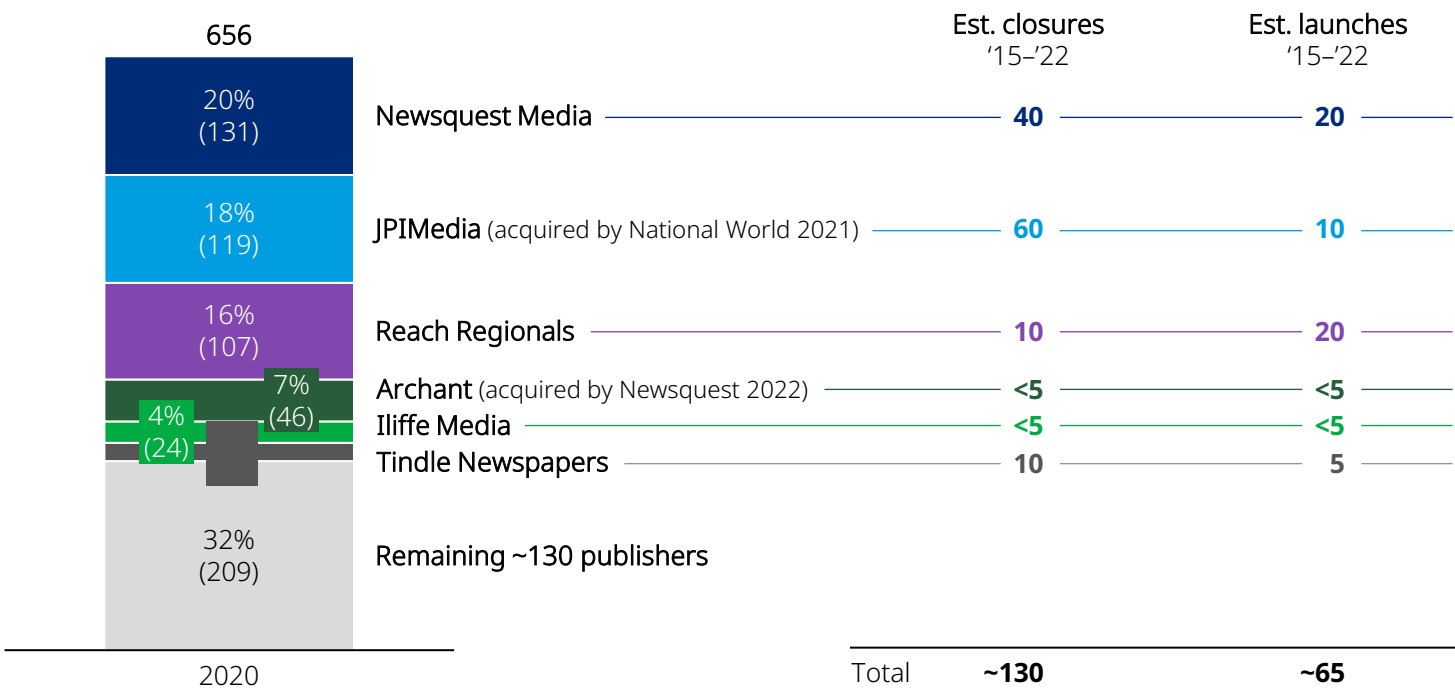
Overview of innovations in news content Non-exhaustive

Form		Innovators	
Written	Newsletters	Atlantic	Produces newsletters heavily focused on “authored analysis” and written by well respected personalities
	Niche content	Future	Publishes magazine content for specialised interests (e.g., photography, gaming) attracting loyal subscriber bases
Video	Short form	Harvard Business Review	Produces short form videos of their own TV shows on TikTok to raise profile of brand with younger audience
	Streaming	Big Issue	Recently launched own documentary-focussed platform “Big Issue TV”, regaining control of distribution from Big Tech platforms
Audio	Podcast	Die Zeit	Produces extensive podcast catalogue including a daily “FT News Briefing” on the most important global stories, available via multiple distributors such as Apple and Spotify
	Audio articles	Washington Post	Releases edition in audio read by professional broadcasters other players opting to use AI to auto-generate

Publishers increasingly competing with tech platforms as distributors of newsletters (Twitter’s Revue), video (YouTube), and podcasts (Apple)

AS LOCAL NEWS STRUGGLES TO SHIFT TO DIGITAL, THE MARKET IS BEING CONSOLIDATED AND MANY TRADITIONAL OUTLETS CLOSED

Local news publishers market share
Share of total titles (2020), estimated¹ closures and launches (2015–2022)



1. Bottom-up estimate based on announcements of individual closures, non-exhaustive;
Source: Economic Insight, Company accounts, Press Gazette, Oliver Wyman Analysis

ANALYSIS

- Local newspapers are suffering declines in circulation
- For top local news titles, this has meant losing half their circulation in five years
 - For some smaller titles, this has meant closure
- The local news market is consolidated with 68% of UK local newspapers owned by five companies (with the acquisition of Archant by Newsquest in 2022)
- Top conglomerates have closed at least ~130 local titles since 2015 and consolidated functions across titles to cut costs
- JPI closed over 60 primarily print titles and launched over 10 digital titles
 - Staff requirements evolving with demand now for digital skills
- The shift to digital has not been a seamless transfer
- New digital titles replacing print not opening comparable jobs for journalists
 - Revenues have not been preserved due to challenges of digital monetisation

Growth in reach of local news websites/apps (5–13%) has offset print decline (17–12%) over Charter period, but revenues not offset

YET INNOVATIONS IN ONLINE BUSINESS MODELS AND REACH ARE BEGINNING TO SHOW A ROUTE TO RECOVERY FOR LOCAL NEWS

Innovations in local news
Non-exhaustive

Trend	Revenue diversification subscription	Revenue diversification casual payments	Hyperlocal focus
Examples	JPI Media UK local news conglomerate rolling out digital subscriptions	Axate UK news tech start up offering casual payment tools for small publishers	Nub News New digital first hyperlocal news provider growing reach in small UK towns
Further details	<p>JPI Media, now owned by National World, second largest local news conglomerate in UK by titles, majority of which are print</p> <p>Digital revenues 23% YoY growth 2020–2021, driven by rollout of subscriptions across daily sites to complement advertising revenue</p> <p>Print revenue decline meant a 2% decline in total revenue YoY as digital still only 15% of revenue</p>	<p>Axate start-up (est. 2013) providing the technology to enable local and specialist news providers to implement micropayments</p> <p>Axate clients include The Yorkshire Post, Barnsley Chronicle, Slough Express, and other UK local news brands</p> <p>Industry commentators advocate for local news to introduce micropayments, e.g., for access to single articles or daily access, as closer to historic consumer experience of buying a newspaper</p>	<p>Nub News (est. 2018) set up to fill a perceived gap in current local news provision by providing hyperlocal online news coverage for small UK towns; currently over 150 towns covered, aiming to be in all 700 small towns (5–100K population) in the UK in coming years</p> <p>In 2021 Nub News had a total of 800k unique monthly users and continues growing</p> <p>Trend towards hyperlocal news consumption mirrored in proliferation of community social media groups to share news peer to peer</p>

The local news sector is still in the early stages of digital innovation and faces risks to success from macroeconomic challenges

Source: Press Gazette, Reuters Institute, Company websites & annual reports, Nub News founder interview with PHA Group, Oliver Wyman analysis

A person in a dark jacket is holding a professional video camera with a large, fluffy microphone attached to the top. The camera is black and has various buttons and dials. In the background, another person is holding a similar camera, but they are out of focus. The overall scene suggests a professional video production environment.

CHAPTER 2

THE BBC

SINCE 2016

SUMMARY OF FINDINGS: CHAPTER 2 – THE BBC SINCE 2016

The BBC's popularity remains strong but it faces growing challenges in perceptions of its public purpose

- The BBC's overall reach is strong (90% of the population) but has declined 5pp since the end of the last Charter period, as decline in reach across broadcast television and radio have not been offset by growth in online services
- Whilst perceptions of the BBC are positive among a strong majority of the population, there is mixed understanding of its role as a public service broadcaster and a declining proportion of the population consuming BBC licensable content
- In a climate of increased political polarisation, BBC has not been immune to declining consumer trust in news; trust in the BBC as a news source has fallen to 55% from 75% in 2018 (Reuters), but remains the most trusted news source (ITV also 55% trust) and is playing a role in fighting misinformation

BBC is making changes in its provisions in line with shifts in consumer behaviour and decline in its real-value income

- BBC has frozen spend on majority of its broadcasting provisions, whilst increasing online spend in line with changing consumer demand
- In TV, investment in BBC One has come at expense of other channels; in radio, content spend has been frozen and services reduced; online, BBC has invested in its platforms, including launching BBC Sounds; in news, BBC has made cost savings through reducing services and staff
- BBC has announced forward-looking strategies outlining new 'Digital-first' and 'Across the UK' priorities

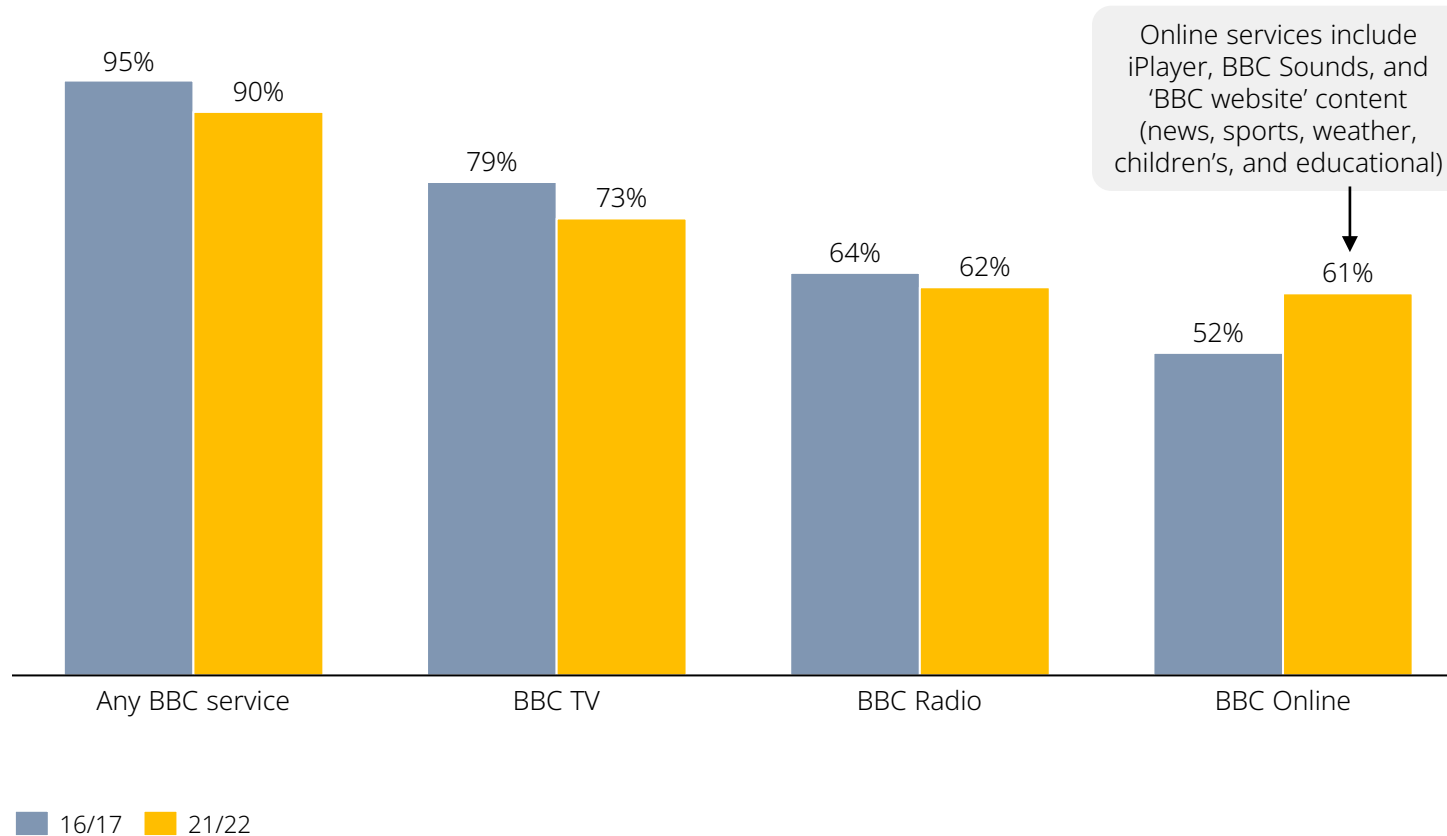
Since the start of this Charter period, notable changes to the BBC's provision have included:

- BBC Scotland launch, iPlayer changes, BBC Sounds launch and BBC Three linear relaunch

THE RELEVANCE OF BBC IS HIGH BUT HAS DECLINED; INCREASED REACH OF ONLINE SERVICES HAS NOT OFFSET DECLINE OF TV AND RADIO SINCE THE END OF THE LAST CHARTER

Weekly reach of BBC services

% of population who use services each week, FY 2016/17 and FY 2021/22



COMMENTARY

BBC's historic focus on broadcasting has led to a decline in overall relevance as consumers shift towards digital media consumption

Ongoing risk to BBC's relevance as reach lower (81%) among 16-34 year olds, who are first movers in digital consumption

BBC Online has seen significant uptick in reach, reflecting success of BBC in capturing audiences with pivoted digital services, despite increased competition from international technology platforms in digital realm

- iPlayer top reach in the UK followed by Netflix, however Netflix had significantly more total streams (20.1Bn) than iPlayer (6.5Bn) in 2021
- BBC Sounds a top 5 audio platform in the UK¹, all other top 5 platforms are international
- BBC Online #2 online source for news in the UK after Facebook

Not captured in reach data provided by BBC is BBC's influence on social media, with BBC short form video output increasingly used to promote TV content and reach younger audience with news

1. By Google Play Store downloads of audio listening apps and reach for podcasts; Source: BBC Annual Reports, Ofcom, Google Play Store, Oliver Wyman analysis

PERCEPTIONS OF THE BBC ARE LARGELY POSITIVE, WITH THE MAJORITY OF THE POPULATION BELIEVING BBC ACHIEVES ITS DEFINED PUBLIC PURPOSES

BBC's public purposes as per the Royal Charter and Agreement

- 1** To provide **impartial news and information** to help people to **understand** and engage with the world around them
- 2** To support **learning** for people of **all ages**
- 3** To show the most **creative, highest quality and distinctive** output and services
- 4** To reflect, **represent and serve the diverse communities** of all the United Kingdom's nations and regions and support the creative economy
- 5** To **reflect the United Kingdom, its culture and values to the world**

Public perception of BBC's fulfilment of its public purposes

- | | |
|----------------|---|
| 70% | believe BBC News helps them understand the UK and world
<i>73% in 2017</i> |
| 60% | believe BBC supports learning (60% for children's learning, 61% for adult learning)
<i>62% children's and 67% adult in 2017</i> |
| >60% | believe BBC content is high quality (67%), creative (61%), distinctive (61%) and varied (63%)
<i>72%, 65%, 66%, 69% respectively in 2017</i> |
| >50% | believe BBC content is representative (54%) and diverse (59%)
<i>56% for representative; diverse not reported in 2017</i> |
| >60% | believe BBC content is effective at reflecting the UK to the world (63%)
<i>67% in 2017</i> |

Source: BBC annual reports

MIXED UNDERSTANDING ABOUT PUBLIC SERVICE BROADCASTING, ALONGSIDE CHANGES IN WIDER MARKET DYNAMICS, COINCIDES WITH REDUCED TAKE-UP OF BBC SERVICES

Perceptions of public services broadcasters

Qualitative findings from 'Routes to Content' study (abridged quotes), 2020

“

BBC is run by licence fees and also the **government funding**, so they don't want to risk things. Netflix is more progressive basically.

Jared, 19

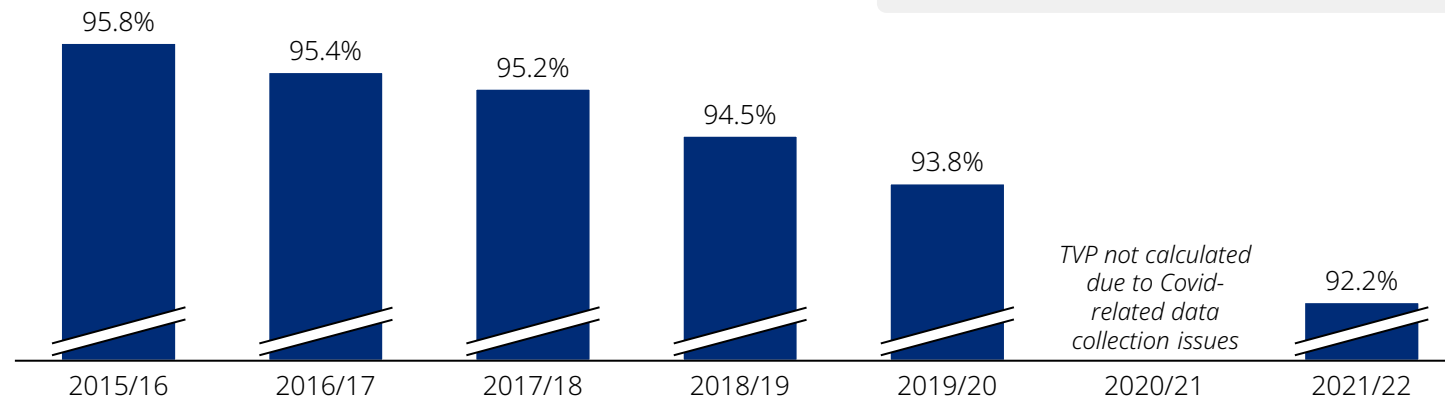
“

We **haven't got a public service** television programme as such in the UK. I suppose BBC are most likely to provide something of that nature.

Liam, 68

BBC's estimated television penetration rate (TVP) ¹

% of TV households per BBC own analysis, FY 2015/16 –2021/22



1. The BBC estimates the TVP by adjusting BARB data upwards to account for households watching licensable content on non-TV devices, and downwards to account for households using a TV to watch non-licensable content only.

Source: Johnson, C., Dempsey, & L., Hills, M., Routes to Content, University of Huddersfield, 2020; BBC Trust Statements; Oliver Wyman analysis

ANALYSIS

When asked about the BBC's defined public purposes around informing, educating and entertaining the public, the majority of the population consider the BBC to be successful

However, when considering the BBC's overarching role as a public service broadcaster (PSB), there are mixed levels of understanding:

- Lack of awareness that BBC is a PSB
- BBC's sources of funding, which include licence fees, government grants, and commercial income, not well understood or conflated with government ownership

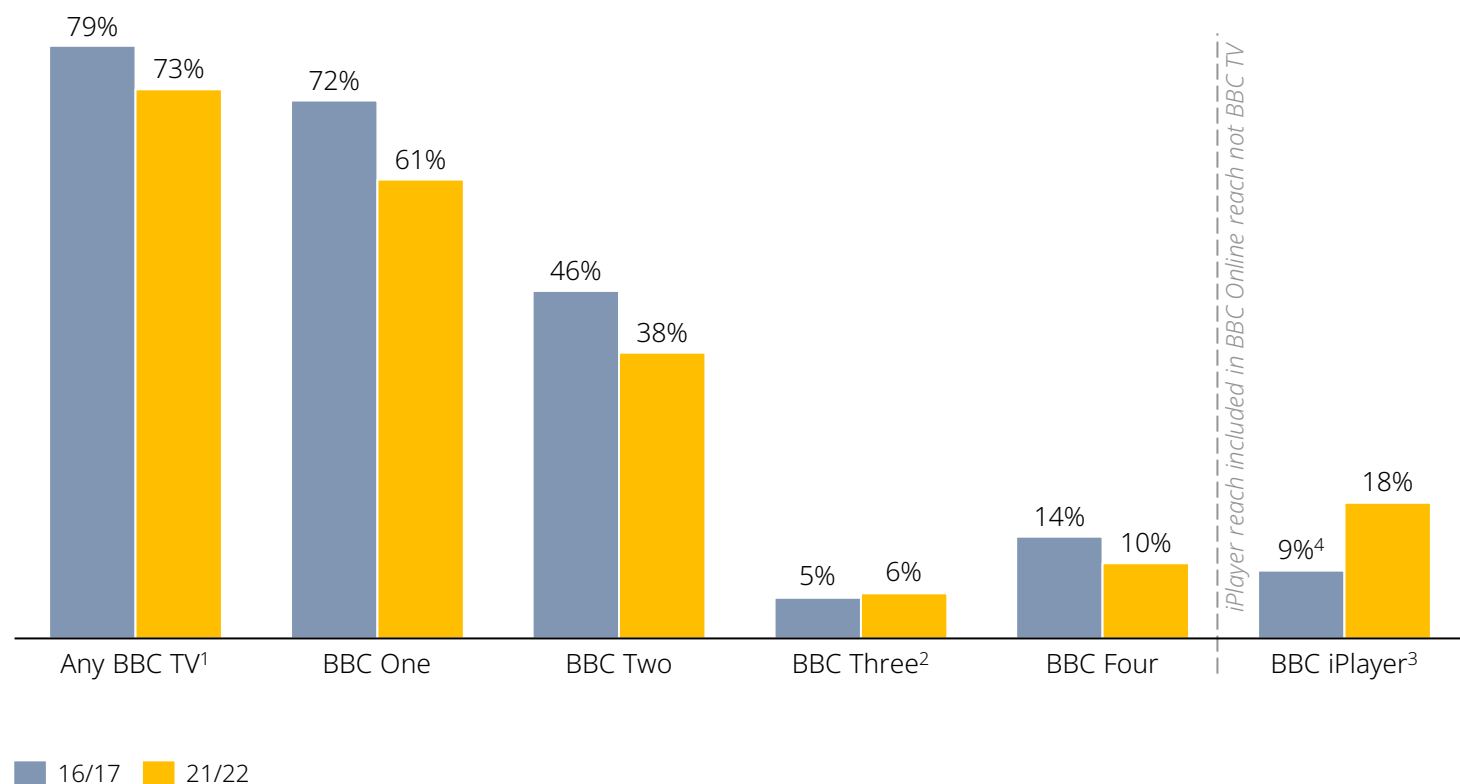
There is also evidence that the BBC is struggling to resonate with younger audiences: its reach among 16-34s is 81% vs. 90% average

This, alongside the proliferation of new content offers in the market (see Chapter 1) has seen a declining proportion of the population consuming BBC licensable content, lowering the BBC's licence fee income

AMONG BBC SERVICES, TV HAS SEEN THE MOST SIGNIFICANT DECLINE IN REACH, WITH KEY CHANNELS LOSING ~10% OF THE UK POPULATION; BBC IPLAYER IS GROWING REACH

Weekly reach of BBC TV services

% of population who use services each week, FY 2016/17 and FY 2021/22



1. Excludes online services BBC Three and BBC iPlayer; 2. Reach among target demographic of 16–34 year olds; 3. Reported as number of weekly accounts, calculated as a % of UK population (approx. 67m); 4. Standalone iPlayer reach not reported in FY 16/17, growth rate from 19/20 to 21/22 applied to calculate; Source: BBC Annual Reports, ONS census data, BARB, Ofcom, Oliver Wyman analysis

COMMENTARY

BBC TV has experienced decline in recent years, as consumers migrate to digital consumption but retains relevance for key national events, with record audiences for coverage of Queen Elizabeth II's funeral (28M) and the Women's Euros final (18M)

BBC One, the flagship channel, remains the #1 source of news in the UK, but has lost 11pp in reach despite increased share of BBC's TV budget at the expense of other channels

BBC Three hasn't found an online audience to match its historic reach as a linear channel (~20%); it was moved online in 2016 and returned to linear in 2022

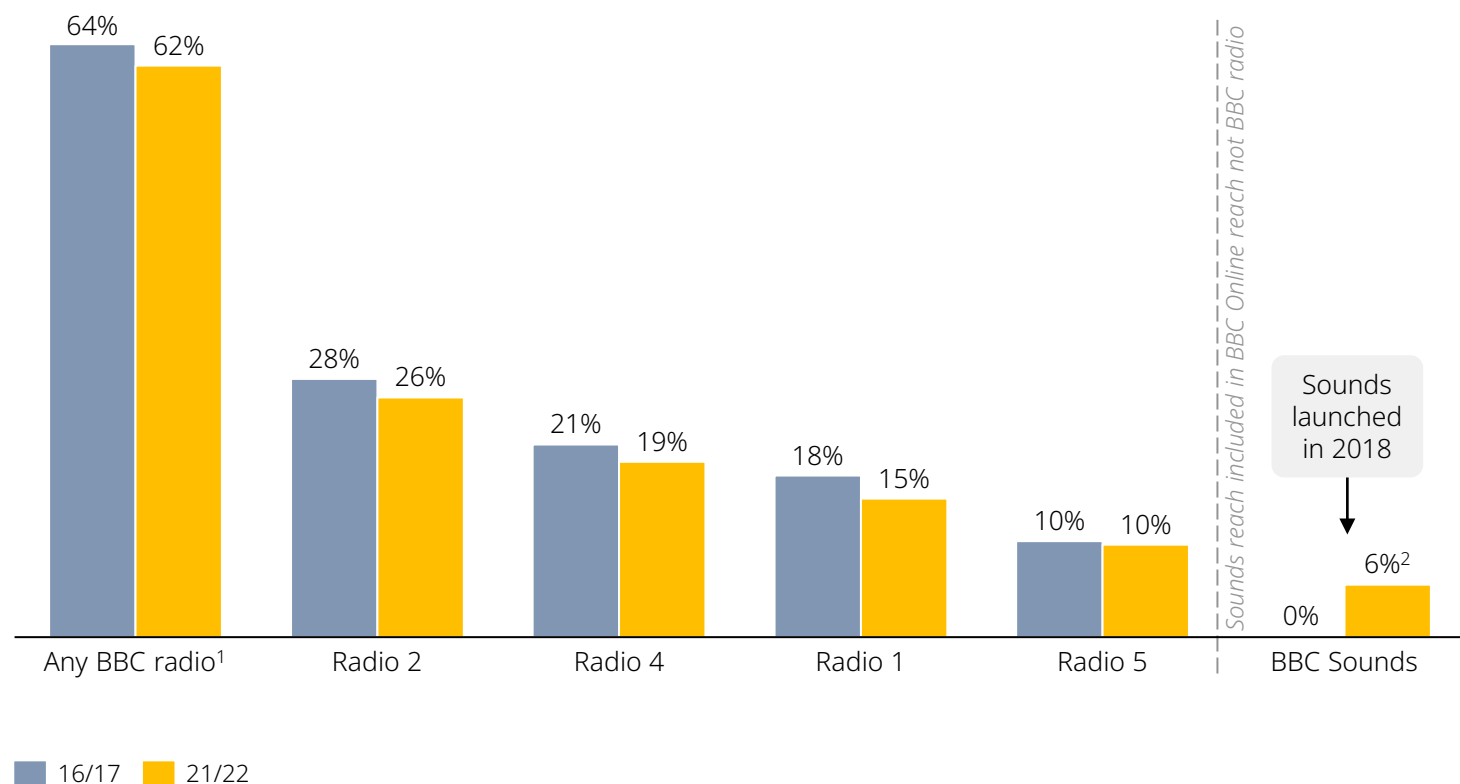
iPlayer still lower influence compared to traditional broadcast channels

- iPlayer #1 VOD platform in the UK by reach with Netflix #2, however Netflix higher total streams (20.1Bn) than iPlayer (6.5Bn) in 2021
- Average weekly hours played through iPlayer 45M in 2021/22, which was 16% of BBC TV viewing

BBC RADIO HAS SEEN SLIGHT DECLINE IN REACH DUE TO LOW REACH WITH YOUNGER AUDIENCE; BBC SOUNDS HAS GAINED 6% REACH IN ITS FIRST THREE YEARS

Weekly reach of BBC audio services

% of population who use services each week, FY 2016/17 and FY 2021/22



1. Excludes BBC Sounds; 2. Reported as 3.8m weekly accounts, calculated as a % of UK population (approx. 67m); Source: BBC Annual Reports, ONS census data, Ofcom, Oliver Wyman analysis

COMMENTARY

BBC radio has experienced slight decline across its stations, largely due to lower reach among younger audiences: overall reach among 16-34 year olds is 47%, compared to 75% among 55+ age group

- In contrast, commercial national radio has retained strong reach with young generation (62% for 15-24s) and its reach has not declined

BBC consumer proposition has remained similar over period whilst commercial radio has capitalised off shift to DAB from AM/FM. Commercial has expanded its content offer with brand extensions and niche stations, providing a breadth of content for young consumers

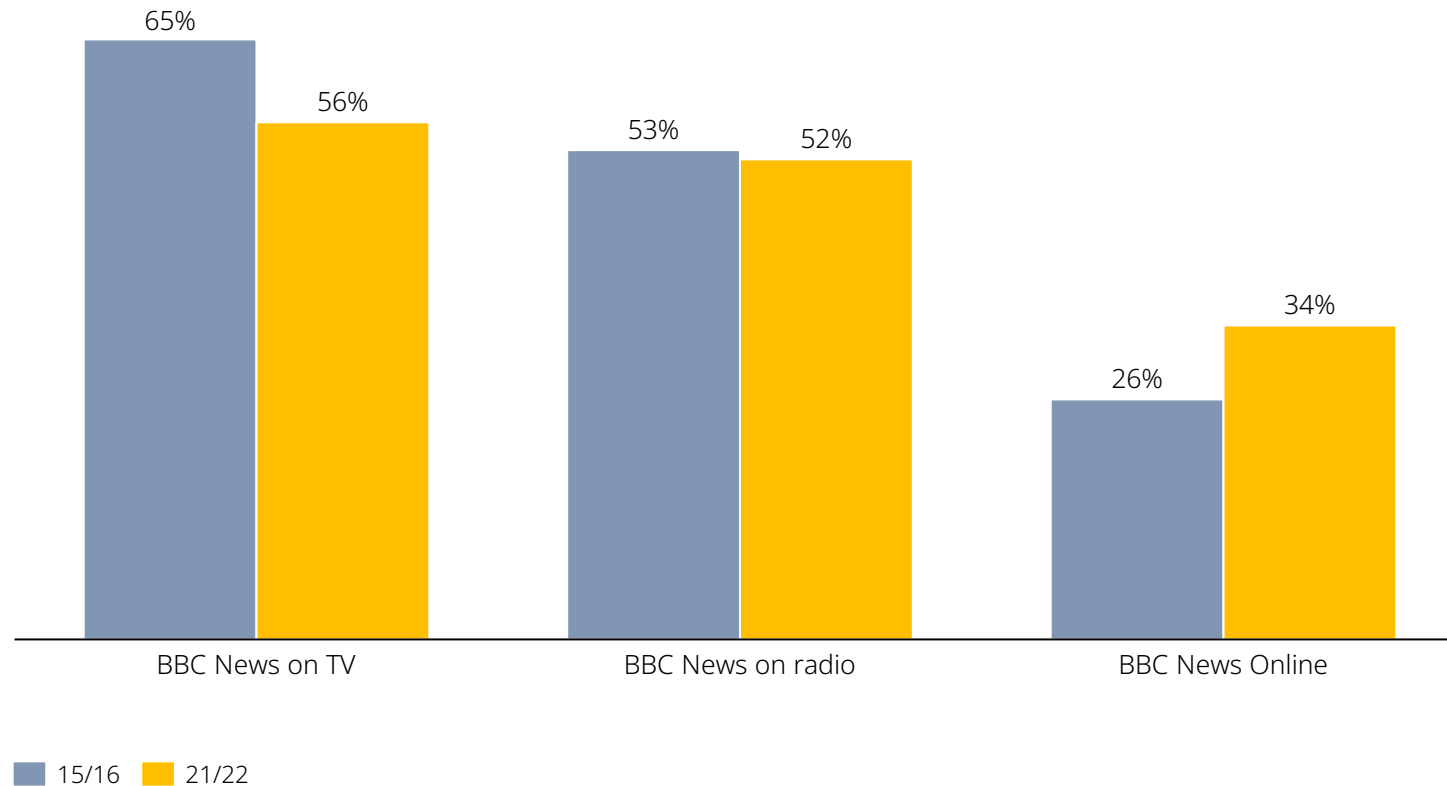
BBC Sounds has found a significant audience since launch

- #2 podcast platform in the UK, in a market otherwise dominated by international technology platforms (e.g. Spotify & Apple Music)
- Average weekly hours played through Sounds reached 13M in 2021/22, 1/3rd of time spent on iPlayer

REACH OF BBC NEWS REMAINS STRONG AND IS FINDING AN IMPORTANT GROWING AUDIENCE ONLINE AND VIA SOCIAL MEDIA

Weekly reach of BBC news services

% of population who use services each week, FY 2015/16¹ and FY 2021/22



1. News data not broken out in '16/17 annual report; Source: BBC Annual Reports, Reuters Institute Digital News report 2022, Ofcom, Oliver Wyman analysis

COMMENTARY

BBC News consumption via TV and radio have declined in line with overall BBC propositions in TV and radio, reflecting shifting consumer habits, yet BBC One remains the #1 source of news in the UK

BBC News Online has grown in relevance as consumers shift to online news and is the #2 website for consuming news in the UK after Facebook

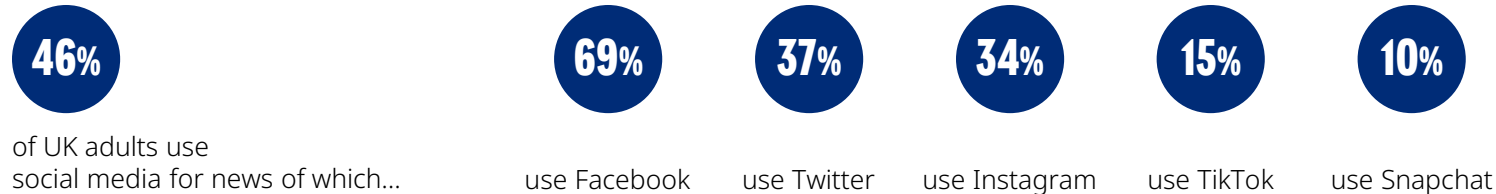
- Facebook's relevance has grown more: the BBC was the #1 website for consuming news since the end of the last Charter period
- Further, BBC is an important source within social platforms

On Facebook, and the next top four social media sites, BBC News is the top platform followed for news, although there it competes for reach against individuals as well as other news outlets

SOCIAL MEDIA IS INCREASINGLY BEING USED FOR NEWS AND BBC IS THE MOST FOLLOWED SOURCE IN THE UK ACROSS PLATFORMS

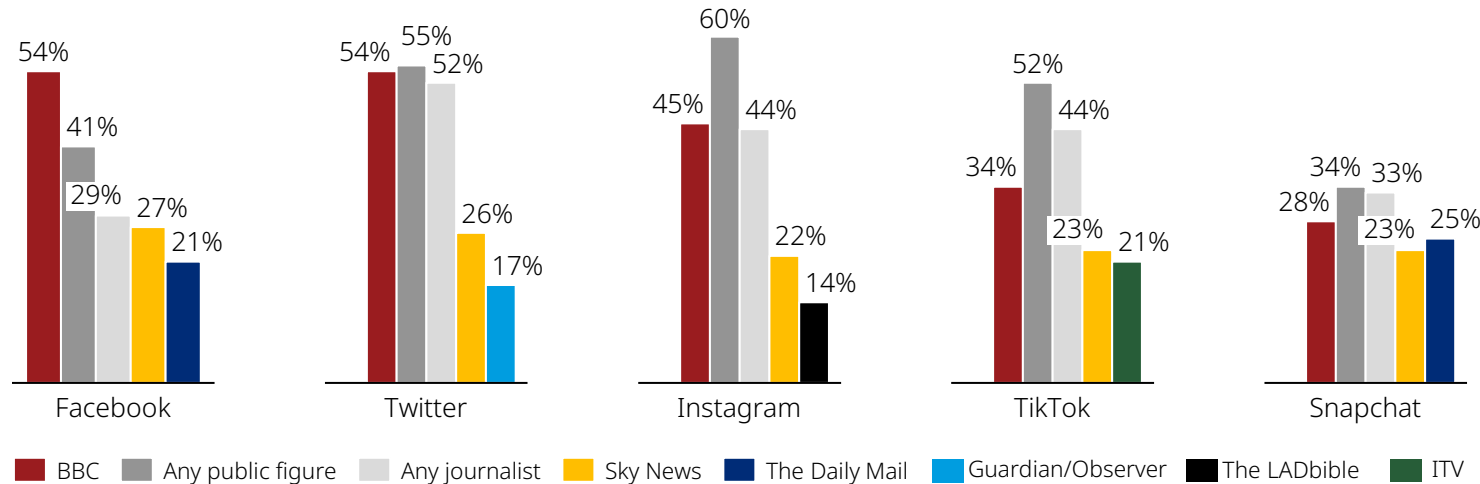
Top platforms for news consumption

% individuals who use social media for news, % of those who use each platform, 2022



Top news sources followed on each social media platform

% following source of those who use platform for news¹, 2022



1. For respondents who accessed news via that social media site, survey question was "Which, if any, of the following news sources do you follow on [social media site]?" 2. Proportion of respondents consuming news via that social media site, among individuals who consume news on social media; Source: Ofcom News Consumption in the UK 2022 report, Reuters Digital News Report 2022, Meta, Oliver Wyman analysis

TRENDS

46% of UK adults now use social media for news and this proportion rises to 79% among 16-24 year olds

Facebook remains the most popular platform but has declined from 76%² in 2020 to 69% in 2022 as new platforms gain popularity, with TikTok growing from 3%² in 2020 to 15% in 2022

BBC News has a strong presence as the most followed news organization across key platforms

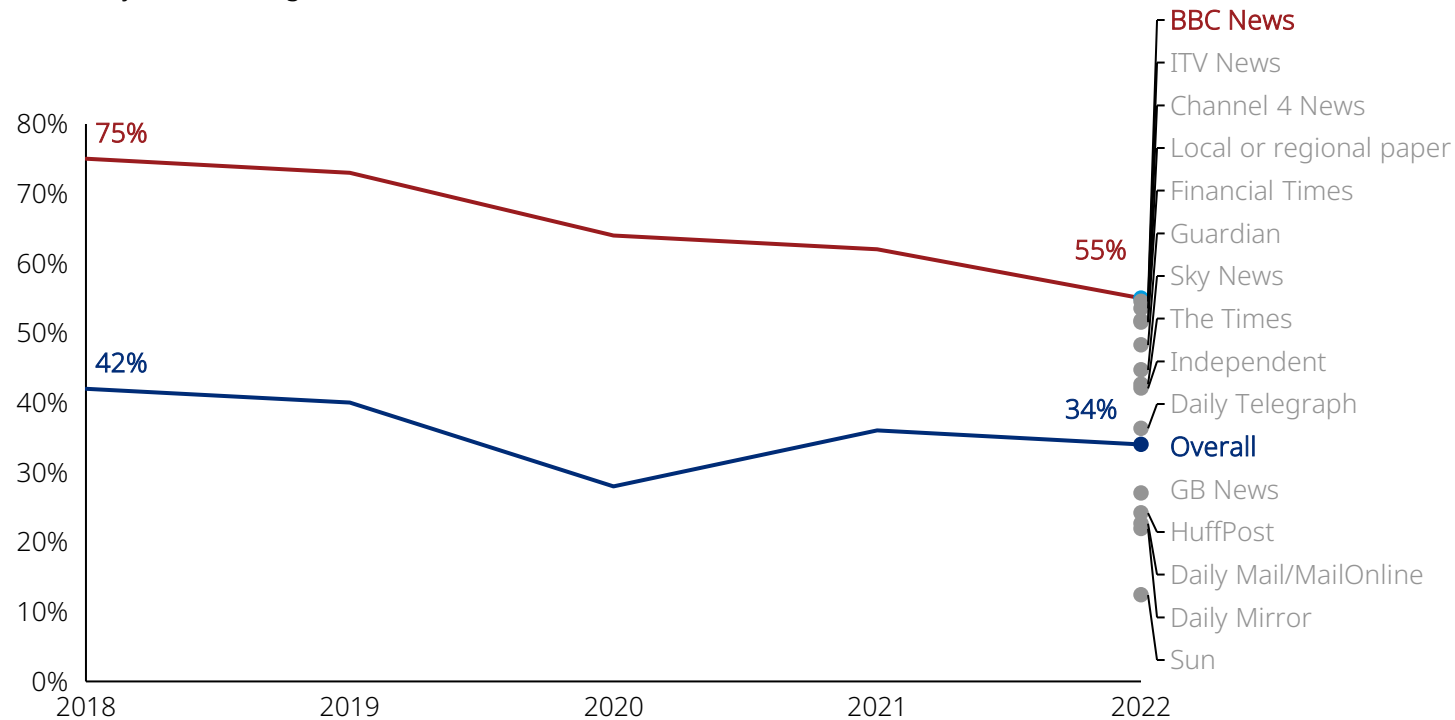
- BBC journalists further increase the BBC's reach, e.g. Laura Kuenssberg (@bbclaurak) has 1.4M Twitter followers (@bbcnews has 14.6M)

Unverified news (often referred to as 'fake' news) is shared on social media that has not come from traditional news outlets

- Individual public figures are more widely used for news than individual journalists
- News is shared peer to peer via Facebook community groups and WhatsApp group chats
- BBC launched its TikTok account early in 2022, in response to misleading information on war in Ukraine on the platform

BBC HAS NOT BEEN IMMUNE TO DECLINING CONSUMER TRUST IN NEWS

Consumer trust in news, overall and of selected individual news brands
% of surveyed who recognised brand, UK, 2018–2022



Source: Reuters Digital News Report 2022, BBC Annual Reports, Oliver Wyman analysis

ANALYSIS

Overall public trust in news has declined, driven by broader societal factors including global political changes and impact of social media

The BBC has not been immune to this decline in trust, although it remains the UK's most trusted news source, with ITV and Channel 4 close behind

Belief in the BBC's impartiality has declined slightly, although it remains the leading source of impartial news

- 39% of UK turn to BBC first for impartial news coverage, compared to 47% in 2018

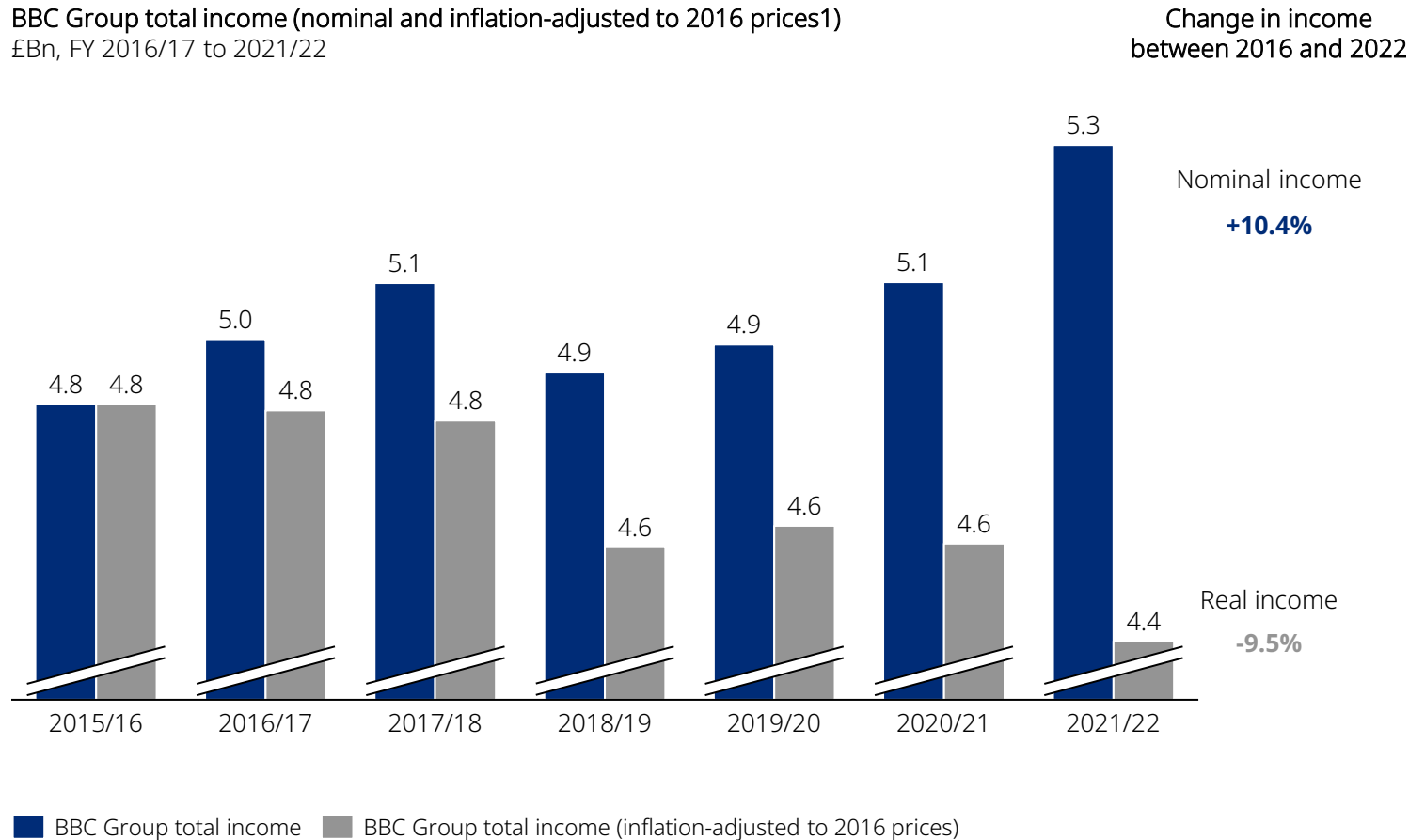
These societal shifts pose a fundamental challenge to the BBC: impartial news coverage is BBC's first Public Purpose 'the cornerstone of who we are and what we do' (BBC Annual Report 2021/2022) and a key part of its brand to consumers

The BBC is taking measures to increase trust in the BBC and news more broadly

- As part of its 10 Point Impartiality Plan (announced 2021), rolling out impartiality training and adopting new editorial policies

IN REAL TERMS, THE BBC'S INCOME HAS FALLEN BY 9.5% BETWEEN 2022 AND 2016

BBC Group total income (nominal and inflation-adjusted to 2016 prices¹)
£Bn, FY 2016/17 to 2021/22



1. ONS CPI index (all items, August) was used to perform the analysis.
Source: BBC Annual Reports, ONS, Oliver Wyman analysis

ANALYSIS

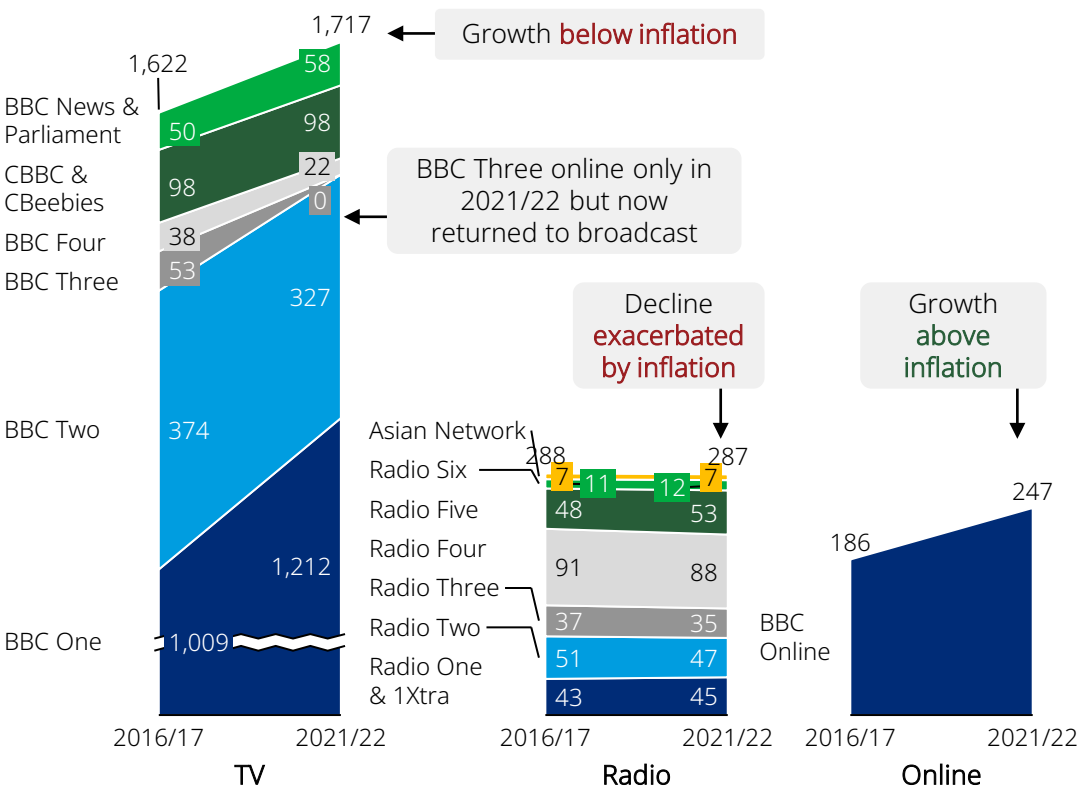
Despite an increase in nominal income, the BBC's real income has fallen by nearly 10% since 2015/16

The marked decrease between 2017/18 and 2018/19 can be explained by lower total commercial revenue and a fall in licence fee revenues, despite a £4.50 increase in the licence fee level

As inflationary pressures continue to rise, we would expect this trend to continue

IN RESPONSE TO DECLINE IN REAL INCOME, BBC HAS REDUCED (REAL) SPEND IN TV AND RADIO WHILST INVESTING IN ONLINE

BBC Content Spend¹ on TV, Radio and Online Services
£M, FY 2016/17, 2021/22



BBC changes in provisions

TV	Focus on flagship BBC One channel as TV spend declines in real value: <ul style="list-style-type: none">Higher proportion of spend on BBC One, but reach still declined for channelBBC Three returned to broadcast, BBC Four moving onlineBBC remains largest commissioner of UK TV content, followed by ITV, however content spend by Netflix in the UK not far behind
Radio	Content reduced as spend has declined in real value; spend moving out of London: <ul style="list-style-type: none">No significant reallocations either by station or between national and local spendCommitted to 50% spend outside London by 2028 (and 60% of TV spend)Plans to stop broadcasting BBC Radio 4 Extra & scheduling separate content for Radio 4 Long Wave confirmed
News	Aiming for cost savings to be a quarter of required annual savings: <ul style="list-style-type: none">Some news programmes cancelled or reduced budget e.g. NewsnightReductions in journalist staff (e.g. 520 closures announced 2020), whilst some new digital-focused roles (e.g. 100 new local digital reporting roles, 2021)Announced merging of UK-focused and World News channels
Online	Spend has increased above inflation, as BBC becomes focused on digital: <ul style="list-style-type: none">Improvements to iPlayer and catch-up window extended from 1 to 12 monthsBBC Sounds launched 2018Online spend across services still smaller than TV & radio, though TV/radio content reused online so online spend not representative of online provision

1.Spend as reported in BBC Performance Data Packs not expenditure tables. Further breakdown not available for Online Content Spend;
Source: BBC Annual Reports

THE BBC HAS ANNOUNCED A NUMBER OF FUTURE STRATEGIC PRIORITIES, WITH A FOCUS ON BECOMING A DIGITAL-FIRST ORGANISATION THAT DELIVERS ACROSS THE UK

Recent BBC Vision Statement

“ Our focus must be to ensure that we deliver outstanding and unique **value to all audiences** – those who pay for us and are in effect our customers – in return for their licence fee. To do this we will need to keep reforming the BBC with urgency so that we are trusted, relevant and indispensable in this digital age.

Value for All vision
September 2020

Recent Published BBC Strategies Non-exhaustive

The BBC Across the UK strategy

March 2021

Commitment to regionalisation, moving more resources outside of London:

- 400 jobs will be shifted to other regional hubs, notably Manchester and Leeds
- 60% of TV and half of audio spend will be made outside of London by 2028
- Relocation will cost £700 million and generate £850 million of economic benefit

A digital-first BBC speech

May 2022

Commitment to focus on digital services, with increased investment

- The BBC will invest £300 million in becoming 'digital-first'
- Investment will mostly be related to improving iPlayer and BBC Sounds platforms
- Target is for 75% of their total viewers to come through iPlayer each week
- £50 M to be invested in product development, better enabling curation of content experiences, although this would require increase in sign on rates

Delivering on these strategies will require significant reallocation of BBC investment to regions outside of London and to online services with the backdrop of ongoing cost pressures

THE BBC HAS CONSULTED ON MAJOR INDIVIDUAL CHANGES TO BBC'S PROVISION SINCE 2016, NOTING THESE ARE NOT REPRESENTATIVE OF BBC'S OVERALL EVOLUTION

Change		Date	Proposed Changes	Change drivers	Example Stakeholder Concerns
BBC Scotland	Launch of new broadcast TV channel	2017	<ul style="list-style-type: none"> Launch a new channel for Scotland that would broadcast from 7pm every evening with an initial budget of over £30M Close BBC Two Scotland, transferring c£12m funding 	<ul style="list-style-type: none"> Changes in the political, social and cultural context Growing importance of the creative industries in Scotland 	<ul style="list-style-type: none"> BBC modelling may underestimate channel take-up, underplaying potential financial impact on commercial services
iPlayer	Redefining the role of iPlayer	2019	<ul style="list-style-type: none"> Turn BBC iPlayer from a catch-up service into a destination for audiences Make most BBC programmes available for 12 months+ 	<ul style="list-style-type: none"> Changing consumer behaviours 	<ul style="list-style-type: none"> Concern a more dominant iPlayer would come at expense of other PSBs & PSB VOD providers
BBC Three	Return of channel to linear broadcast	2021	<ul style="list-style-type: none"> Restore BBC Three as a broadcast channel (after moving it exclusively to iPlayer in 2016) 	<ul style="list-style-type: none"> Increasing the BBC's impact with younger audiences 	<ul style="list-style-type: none"> Other PSBs and Pay TV broadcasters sceptical of linear TV strategy as a means to reach younger audiences
iPlayer	Increasing online service's archive and boxset offer	2022	<ul style="list-style-type: none"> That the BBC have the freedom to improve and increase the availability of programmes on BBC iPlayer 	<ul style="list-style-type: none"> Increasing competitiveness of the market Evolving audience expectations 	<ul style="list-style-type: none"> Audiences not online (e.g. older and poorer households) may be less well served by changes

In 2021, a market position assessment was conducted for BBC Sounds but the change in provision was not deemed sufficiently material to warrant further consultation (see Chapter 3B)



CHAPTER 3

DEEP

DIVES

OPINIONS DIFFER ON HOW THE BBC'S RELATIONSHIP TO THE COMMERCIAL MARKET IN THE UK SHOULD BE UNDERSTOOD


The BBC's relationship with the market

- As set out in the BBC's Charter, their public purposes include 'to show the most creative, highest quality and **distinctive** output and services' and serve 'all of the United Kingdom'
- Not all stakeholders agree that the BBC's provision is, or ever has been, truly 'distinctive' and hold the view that public service media '**crowd out**' commercial players
- A subset of this view sees the BBC's role as being to fill '**market failures**' (i.e. service parts of the market not met by commercial actors), though this might conflict with BBC purpose to serve all
- Academic literature seeks to emphasise the potential for holistic BBC provision to positively '**shape**' or '**make**' **commercial markets**, in a rapidly changing industry (i.e. taking proactive action to build a dynamic ecosystem and push the frontiers of the market)
- For example, BBC can benefit industry by taking risks necessary for new markets to emerge
- 2021 research found that every £1 of the BBC's economic activity generates a total of £2.63 for the economy
- The lack of consensus is further exacerbated by **variance between the markets that the BBC operates in**, with the nature and scale of commercial activity looking very different across TV, Audio & News (as set out in Chapter 1)
- With this in context in mind, Chapters 3A & 3B explore the BBC's provisions in **online local news** and in **audio** to examine how the BBC's evolving offer interacts with commercial markets and the resulting provisions for consumers

Source: EJC, UCL, KPMG

Illustrative academic & economic research



A person wearing a dark jacket is shown from the chest down, holding a white coffee cup in their left hand and a smartphone in their right hand. They are standing on a city street with blurred cars and buildings in the background. The text "CHAPTER 3A BBC AND LOCAL NEWS" is overlaid on the left side of the image in white, bold, sans-serif font.

CHAPTER 3A BBC AND LOCAL NEWS

SUMMARY OF FINDINGS: CHAPTER 3A – BBC & LOCAL NEWS

Traditional local news outlets have seen sharp decline in circulation and, in a market dominated by conglomerates, are increasingly facing closure

- Revenues are declining across the sector as print circulation declines (circulation has halved in five years for top local news outlets)
- Declining revenues are leading to closures: key local news conglomerates have collectively closed 128 titles 2015–2022

Despite this, the commercial outlook for the local news market is beginning to show promise due to innovations in online reach and business models

- New digital services are being launched, for example Nub News with focus on hyperlocal reach
- Revenue streams are expanding beyond advertising to subscription (e.g. JPI Media) and casual payments (e.g. via start-up Axate)

Yet challenges remain for the commercial sector, with key challenges coming from technology platforms

- Amazon, Google and Meta capture 67% of online advertising spend in the UK, cannibalising a key revenue stream for local news
- Increasing news consumption via social media platforms including Facebook and Twitter are impacting reach and monetisation of local news

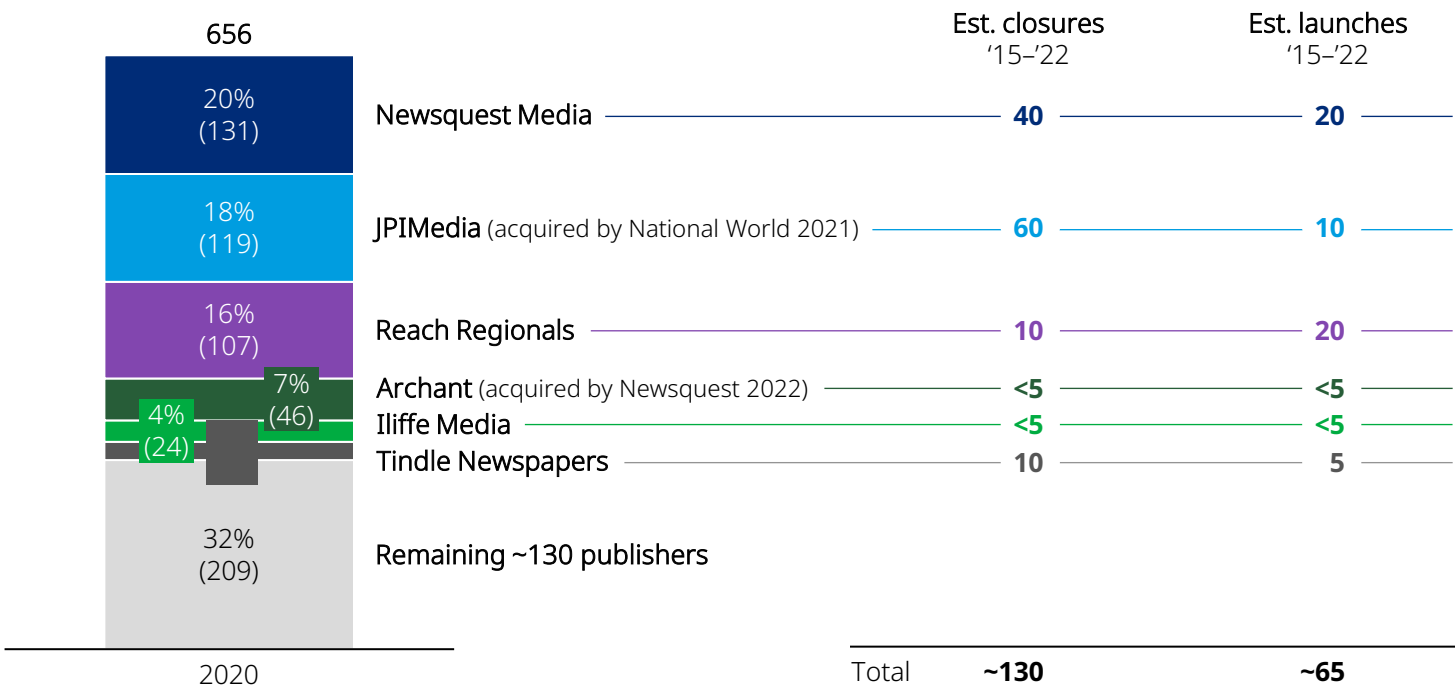
- The BBC's provisions of local news have also been identified as a challenge to commercial outlets, although there is limited recent evidence to confirm or disprove 'crowding out' concerns
- Considering the BBC's consumer proposition in local news is an important part of understanding its positioning alongside the commercial sector
- In terms of partnership with the commercial sector, the Local News Partnerships delivered with the News Media Association (inc. News Hub, Shared Data Unit & Local Democracy Reporters Scheme) is a model for collaboration with the sector; there has been some pressure to do more

As well as considering the BBC's impact on the commercial local news market, it is important to consider the BBC's valuable consumer proposition in local news

- BBC's local news proposition includes targeted and important public interest news, as part of its 'Value for All' strategy, including via partnership with the commercial sector
- The local news provided by the BBC is predominantly public interest reporting, whereas online news distributed via other providers is typically more varied (including also soft news and community news)

AS LOCAL NEWS STRUGGLES TO SHIFT TO DIGITAL, THE MARKET IS BEING CONSOLIDATED AND MANY TRADITIONAL OUTLETS CLOSED

Local news publishers market share
Share of total titles (2020), estimated¹ closures and launches (2015–2022)



1. Bottom-up estimate based on announcements of individual closures, non-exhaustive;
Source: Economic Insight, Company accounts, Press Gazette, Oliver Wyman Analysis

ANALYSIS

- Local newspapers are suffering declines in circulation
- For top local news titles, this has meant losing half their circulation in five years
 - For some smaller titles, this has meant closure
- The local news market is consolidated with 68% of UK local newspapers owned by five companies (with the acquisition of Archant by Newsquest in 2022)
- Top conglomerates have closed at least ~130 local titles since 2015 and consolidated functions across titles to cut costs
- JPI closed over 60 primarily print titles and launched over 10 digital titles to address demand for local news online
 - Staff requirements evolving with demand now for digital skills
- The shift to digital has not been a seamless transfer
- New digital titles replacing print not opening comparable jobs for journalists
 - Revenues have not been preserved due to challenges of digital monetisation

INNOVATIONS IN ONLINE BUSINESS MODELS AND REACH ARE BEGINNING TO SHOW A ROUTE TO RECOVERY FOR LOCAL NEWS

Innovations in local news
Non-exhaustive




Trend	Revenue diversification subscription	Revenue diversification casual payments	Hyperlocal focus
Examples	JPI Media UK local news conglomerate rolling out digital subscriptions	Axate UK news tech start up offering casual payment tools for small publishers	Nub News New digital first hyperlocal news provider growing reach in small UK towns
Further details	<p>JPI Media, now owned by National World, second largest local news conglomerate in UK by titles, majority of which are print</p> <p>Digital revenues 23% YoY growth 2020–2021, driven by rollout of subscriptions across daily sites to complement advertising revenue</p> <p>Print revenue decline meant a 2% decline in total revenue YoY as digital still only 15% of revenue</p>	<p>Axate start-up (est. 2013) providing the technology to enable local and specialist news providers to implement micropayments</p> <p>Axate clients include The Yorkshire Post, Barnsley Chronicle, Slough Express, and other UK local news brands</p> <p>Industry commentators advocate for local news to introduce micropayments, e.g., for access to single articles or daily access, as closer to historic consumer experience of buying a newspaper</p>	<p>Nub News (est. 2018) set up to fill a perceived gap in current local news provision by providing hyperlocal online news coverage for small UK towns; currently over 150 towns covered, aiming to be in all 700 small towns (5–100K population) in the UK in coming years</p> <p>In 2021 Nub News had a total of 800k unique monthly users and continues growing</p> <p>Trend towards hyperlocal news consumption mirrored in proliferation of community social media groups to share news peer to peer</p>

The local news sector is still in the early stages of digital innovation and faces risks to success from macroeconomic challenges

Source: Press Gazette, Reuters Institute, Company websites & annual reports, Nub News founder interview with PHA Group, Oliver Wyman analysis

CHALLENGES REMAIN FOR THE LOCAL NEWS SECTOR, WITH THE GREATEST THREATS COMING FROM TECHNOLOGY PLATFORMS

Challenges for commercial local news
Non-exhaustive

Challenge	Description	Level of threat	Mitigations
Digital advertising revenue cannibalised by Big Tech	<ul style="list-style-type: none"> Amazon, Google and Meta capture 67% of all online advertising spend in the UK, dominating market Targeted advertising via Google Search more effective and affordable for small businesses than taking out an ad in local news, cannibalising a key revenue stream Advertising market strongly correlates with GDP so challenging economic climate will further impact publisher ad revenues 		<ul style="list-style-type: none"> Commercial local news diversifying revenue away from advertising, including launching paywalls and casual payments; further revenue diversification by national news sector provide models for local news The creation of the Digital Markets Unit within the Competition and Markets Authority has been tasked with operationalising the future pro-competition regime for digital markets Google launched a €150M Digital News Innovation Fund in 2015, supporting 600+ projects (15% local news focus), from refining subscription strategies to creating a Public Notice Portal
Social Media disintermediateing local news	<ul style="list-style-type: none"> Peer to peer sharing and public figure-generated content replacing consumption of news from news outlets Platforms incentive to keep users in platform, taking eyeballs away from publisher outlets and impacting ability to monetise Facebook Instant Articles feature directs users to publisher content but takes up to 30% of revenue 		<ul style="list-style-type: none"> Commercial local news adapting to provide content which can generate engagement via social media, though this can have negative impacts on the quality of news for consumers Meta launched the Meta Journalism Project in 2017 to provide support to news outlets including, for example, providing training on using social video to increase engagement for the Eastern Daily Press in the UK
Competition with BBC for local news audience	<ul style="list-style-type: none"> BBC's consumer offer without paywall or advertising has the potential to devalue commercial local offers BBC's presence potential challenge to local news outlets reaching consumers 		<ul style="list-style-type: none"> Commercial local news providing distinct propositions including hyperlocal and community news not within scope of BBC provision Ofcom requires BBC to provide external links to local news articles to help drive traffic

See next slide for analysis

Source: Omdia, Google, Meta, Expert interviews, Oliver Wyman analysis

THERE IS NO CONSENSUS ON HOW TO UNDERSTAND THEIR RELATIONSHIP, BUT LIMITED EVIDENCE TO DATE THAT BBC HAS A NEGATIVE IMPACT ON COMMERCIAL SECTOR

Selected industry perspectives	Evidence
The BBC's free to access content creating monetisation challenges for commercial outlets	2016 Reuters study found no evidence to support that public service media (PSM) news consumption decreased likelihood to pay for online news, but acknowledged this is not enough to conclude that free PSM news has no negative impact on commercial providers
Introduction of paywalls in local news making it more important for BBC to remain free to access to support universal provision	2019 Reuters report found evidence that the significant expansion of paywalls may be affecting user experience and pushing users towards content aggregators: 46% of UK online news users regularly bump into a paywall and only 7% of make an ongoing news payment
The BBC's cross-media presence & scale crowding out commercial local news	A 2020 study of media across Europe found little evidence to show 'crowding out' by PSM and found that, for online news, whilst impacts aren't clear, factors outside the influence of PSM are most likely affecting the sector; the study recognised data limitations
The BBC's production of 'soft' content directly takes eyeballs away from commercial news	A 2019 Cardiff University Study found around 14.7% of the BBC's online news is 'soft', compared to 85.3% categorised as 'hard news'; there is additional non-news content on the broader BBC website
The BBC is not doing enough to support the commercial sector through article linking	A Cardiff University Study found only 12.5% of hyperlinks on BBC online news articles redirect readers to UK newspapers (compared to 41.1% to Twitter)
The BBC's current partnership with the commercial sector is effective but limited	A BBC 2020 review of the BBC & News Media Association (NMA)'s Local News Partnership concluded it to be a ' great success ' that delivers public interest value for audiences. To the DCMS Select Committee, the NMA chief argued the broader partnership could be expanded , e.g., by BBC purchasing local news articles from commercial providers

Source: EJC, Reuters, Cardiff University, BBC Reports, Expert interviews, Oliver Wyman analysis

Expert interview perspectives



*National newspapers also used to **blame the BBC for their problems**, but as they have started to understand how to survive, to **take ownership of their commercial future**, and with Big Tech starting to realise its responsibility to the sector, the BBC narrative has disappeared.*

News executive

*Local news struggles **are not a UK problem** but a global one. US local media is starting to recover, but UK local news will need to **mature its revenue models** to survive.*

Media research executive

*BBC's **regional approach** to local news doesn't resonate, people only care about **own communities**.*

Independent radio owner


BBC DELIVERS PURPOSE THROUGH INTEGRATED NEWS OFFER WITH AN IMPORTANT FOCUS ON PUBLIC INTEREST STORIES

BBC local news provision Analysis

BBC Purpose	<p>The BBC Charter states its public purposes, which include providing “impartial news and information” and serving “the diverse communities of all the United Kingdom’s nations and regions”; hence the BBC provides local news to serve communities, with a focus on informative ‘hard news’</p> <p>BBC’s ‘Value for All’ strategy 2020 sees local news less focused on regional coverage, instead targeting key issues from across the UK to bring consumers the most impactful stories</p>
Consumer proposition	<p>BBC provides a holistic news proposition for consumers, integrated across national and local news stories</p> <p>BBC’s presence in local news is valuable to consumers in providing targeted public interest news on important topics</p> <ul style="list-style-type: none"> • This focus on public interest is distinct from commercial sector where there are increased pressures to provide higher-engagement ‘soft news’ • Within targeted approach, BBC does not cover community news, which consumers access from commercial local news and social media <p>Provision of impartial and trustworthy news a privilege many consumers internationally struggle to access</p> <ul style="list-style-type: none"> • Some of the local news consumed on social media is misleading, polarising and generated by individuals or public figures not journalists • BBC’s standards of reporting and impartiality aim at providing consumers with news they can believe
Partnership with industry	<p>BBC collaborates with the News Media Association on the Local News Partnerships:</p> <ul style="list-style-type: none"> • Local Democracy Reporting Service: 165 reporters funded by the BBC but employed in local news outlets across TV, radio, online and newspapers; reporters have specific ‘democracy’ remit, to cover public service organisations; some have observed majority of reporters are at local news conglomerate outlets and scheme could further support independent local news • Shared Data Unit: staffed by BBC and local news reporters generating data-driven stories and providing training to build crucial data journalism capacity in the industry • Local News Hub: Free access to BBC video material for local news outlets to use online <p>There is appetite in the sector for the expansion of these schemes or other BBC/sector collaboration</p>

There is an opportunity for increased collaboration between BBC and local news industry as both seek to provide a strong consumer proposition online

Source: BBC annual reports and press releases, Reuters, Expert interviews, Oliver Wyman analysis

A close-up, high-angle shot of a person's head and shoulders. The person has long, thick braids in shades of black, white, and teal. They are wearing a dark green jacket with white drawstrings. In their right hand, they hold a black smartphone, which is displaying a video of a person. The background is a blurred, light-colored surface.

CHAPTER 3B

BBC

SOUNDS

SUMMARY OF FINDINGS: CHAPTER 3B – BBC SOUNDS

Online audio listening is growing, especially among younger audience, and Sounds is the BBC's response to this

- Younger audiences have a preference for on-demand music and audio content over linear, with 79% reach of music streaming and 43% reach of podcasts among 16–24 demographic
- As has played out in the TV market over the last ten years, changes in preferences of young audience can foreshadow cross-demographic migration to online and on-demand, although, as in TV, we expect radio broadcast to endure (the joint government / industry Digital Radio and Audio Review 2021 predicted live radio to account for over half of listening into the mid 2030s)
- BBC Sounds, bringing together BBC iPlayer Radio and BBC Music, is the evolution of the BBC's public service remit to provide audio, to meet changing consumer demands
- Since launching in 2018, BBC Sounds has become the second most used platform for podcasts in the UK

The impact of the BBC's existing collaborations with the commercial audio sector & community media has been limited across the sector as a whole

- BBC Sounds is currently piloting hosting a limited selection of third party podcasts, with potential for future expansion

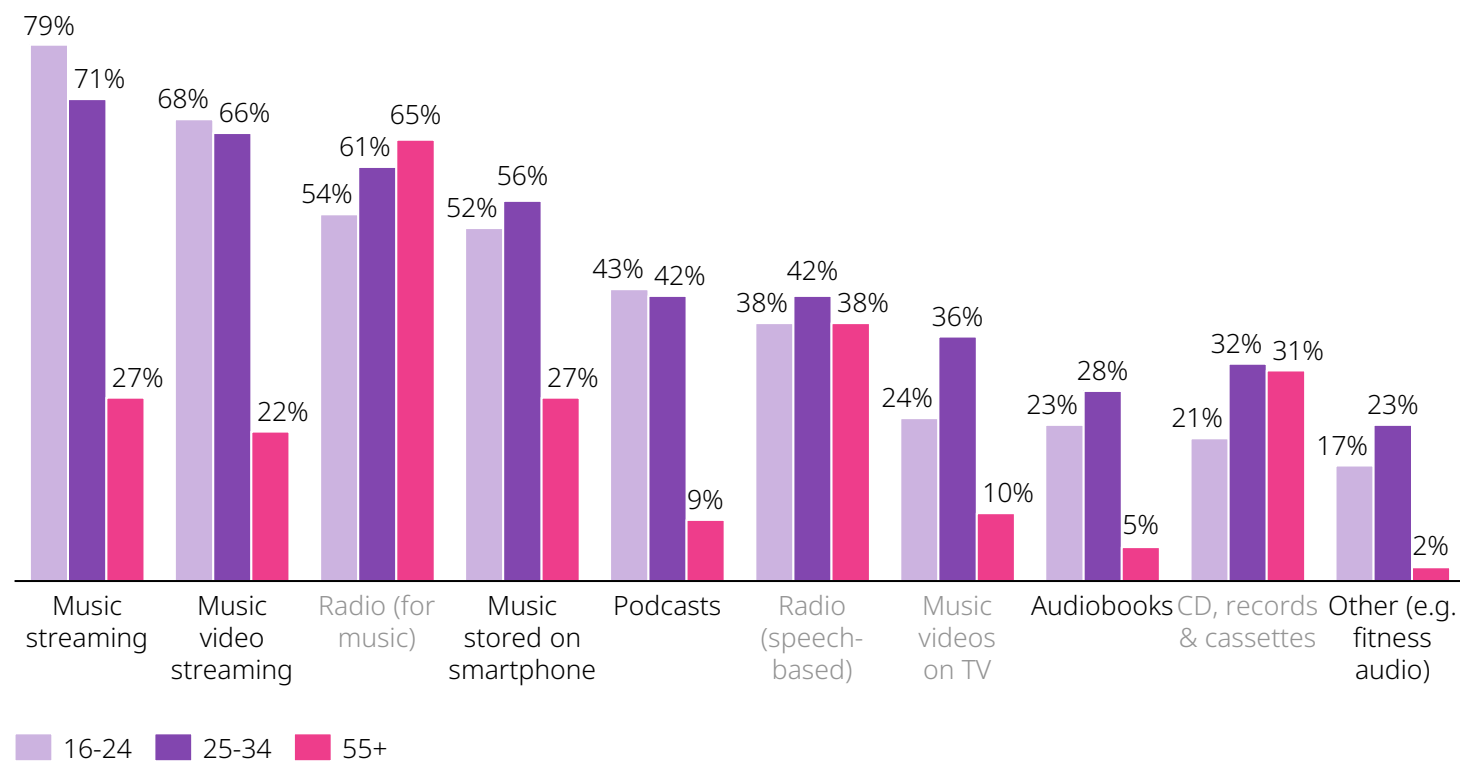
- BBC Sounds is not currently hosting third party radio. The narrow strategic focus of Radioplayer (the BBC's main partnership with the commercial audio sector) on in-car listening suggests there remains a gap for further collaboration across digital audio.

Recognising the increasing dominance of international platform players within the UK audio market, there is clear opportunity for the BBC to partner with the UK commercial audio sector on a more ambitious scale, for example to create a major platform for the breadth of UK content

- In order to secure the buy-in of commercial players, any future collaboration initiatives, would have to be a genuine partnership with the commercial audio sector, rather than simply hosting third party content on BBC Sounds.
- While the development of a consolidated UK audio platform provides a route for smaller scale players in the commercial audio sector to access consumers on a high-reach UK platform, significant investment to-date by larger commercial players in their own digital platforms could decrease appetite for partnering on a new platform initiative

YOUNGER AUDIENCES NOW PREFER ON-DEMAND AUDIO CONTENT OVER RADIO BROADCAST: MUSIC STREAMING PREFERRED OVER MUSIC ON RADIO AND PODCASTS OVER SPEECH RADIO

Listening habits by generation
% weekly reach, 2022



XX 'New' (21st c.) audio types
XX Legacy (20th c.) audio types

Source: Ofcom Audio Survey 2022, RAJAR, Enders Analysis, Oliver Wyman analysis

ANALYSIS

Young consumers (16-24) driving migration towards online, on demand consumption and these habits are increasingly appearing in 25-34 generation signalling a permanent shift (visible across both PSB & commercial)

Listening occurring across a breadth of types of platforms, including 'visual audio' platforms, e.g. YouTube, for music video streaming

BBC's priority is to provide a rich online provision of both live and on demand audio content, particularly for younger consumers less engaged with broadcast provisions

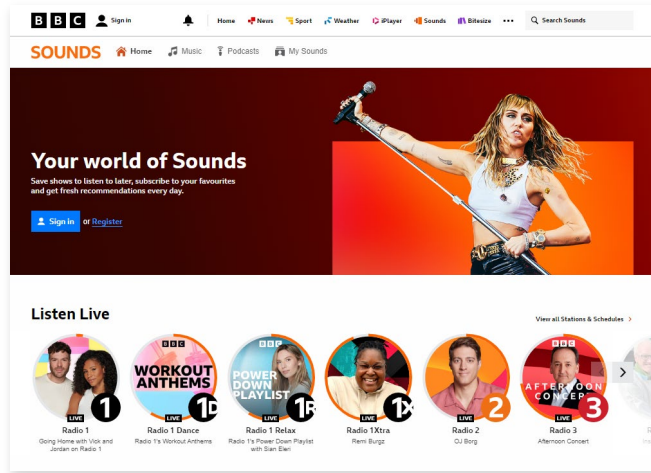
To fulfil this priority may require significant hosting of third party content, including radio, on BBC Sounds as content from commercial UK radio is better resonating with young consumers than BBC radio

- Reach among 15-24 audience 62% commercial vs. 44% BBC
- For 65+ it is 55% commercial vs. 76% BBC

BBC Sounds is the evolution of the BBC's audio public service remit to meet changing consumer demands

SINCE 2018 LAUNCH, BBC SOUNDS HAS ACHIEVED STRONG REACH IN A MARKET DOMINATED BY INTERNATIONAL PLAYERS

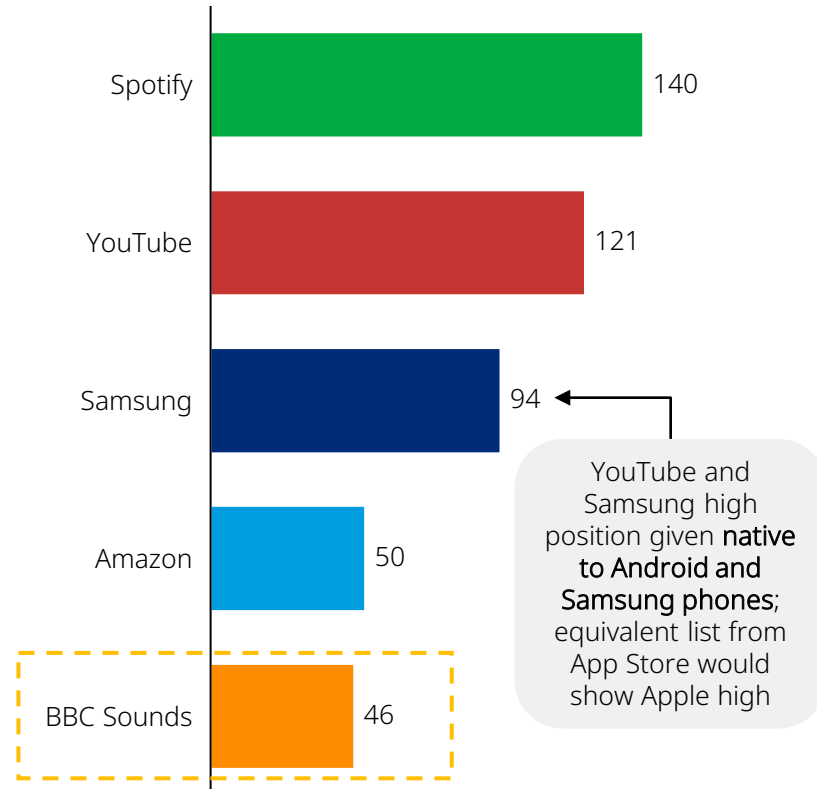
BBC Sounds provisions Overview



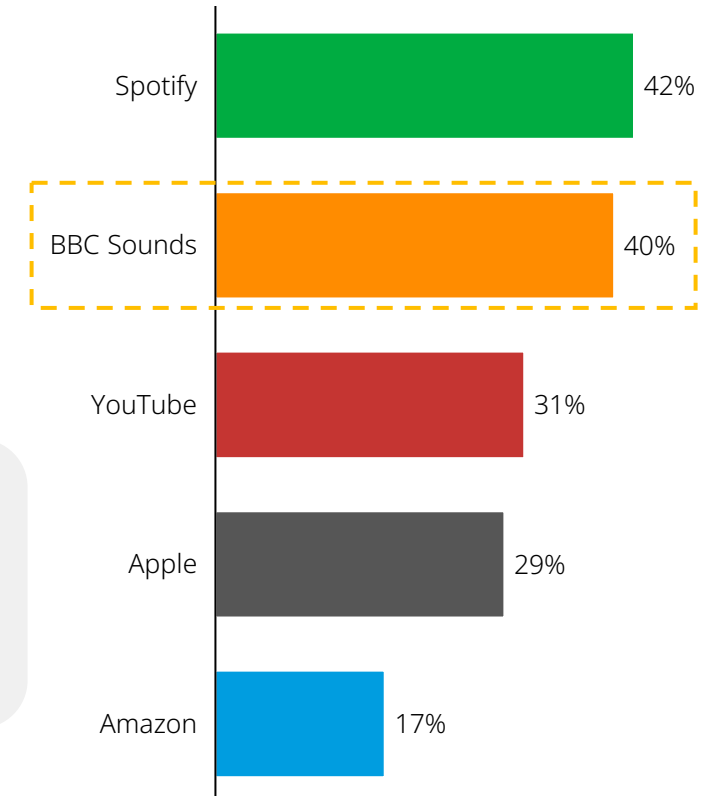
- Online radio live and catch-up
- Podcasts including limited third party podcasts
- Limited selection of **on-demand music**

1. Shazam omitted from list as a music discovery app rather than audio player app
Source: Statista, Ofcom BBC Sounds statement, Oliver Wyman analysis

Top audio¹ apps by Google Play downloads UK, thousand downloads, September 2022



Top podcast distributors UK, % of weekly podcast listeners using, 2021



BBC HAS MULTIPLE ONGOING COLLABORATIONS WITH THE UK RADIO AND AUDIO SECTOR BUT OPPORTUNITIES TO LEVERAGE BBC SOUNDS ARE STILL IN THEIR INFANCY

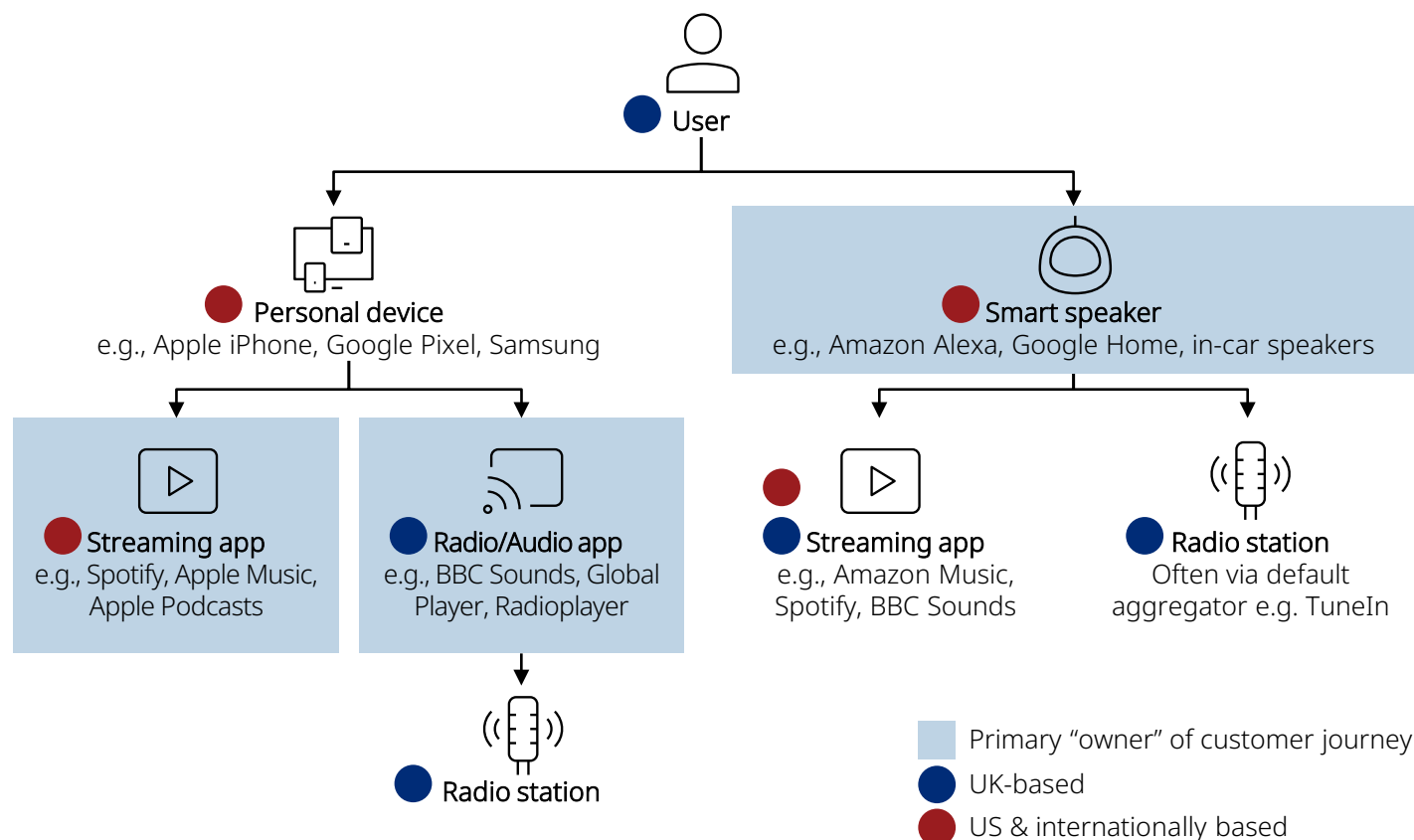
Examples of BBC collaboration with UK audio sector
Non-exhaustive

Initiative	Radioplayer platform	Third party podcasts on BBC Sounds	Community radio initiatives
Partners	Radio Player	Stories of our Times	Community Media Association
Details	<p>Non-profit organisation set up by BBC and largest commercial players Global and Bauer</p> <p>Strategy optimised for providing consumers access to UK radio stations in-car, establishing partnerships with key car manufacturers</p> <p>Radioplayer downloads on Google Play Store¹ of 1M+, compared to 5M+ for BBC Sounds and 500K+ for Global Player</p> <p>Given RadioPlayer's focus on in-car, there is a clear opportunity for a flagship collaboration with commercial providers in digital audio</p>	<p>BBC announced its intention in 2020 to host podcasts from third party UK podcasts</p> <p>A limited number of third party podcasts, e.g. 'Stories of our times' from Wireless Group (News UK), are now hosted on BBC Sounds as part of an early trial; largest conglomerates Global and Bauer focused on own apps/platforms</p> <p>BBC Sounds is not currently hosting third party radio given Radioplayer collaboration, although significantly higher reach of BBC Sounds raises question of whether hosting on BBC Sounds would provide better opportunity for UK radio</p> <p>Podcasts from new creators are also hosted on BBC Sounds, as part of the BBC Audio Lab programme</p>	<p>BBC & Community Media Association initiative launched during pandemic where community radio stations had free access to BBC local news content</p> <p>BBC committed to expanding partnerships between BBC Sounds and community radio in annual plans, and stakeholders have also identified opportunities for further collaboration</p> <p>Collaboration valuable to BBC in honouring its public service remit given community radio effective in reaching underrepresented audiences, including those from Black and Asian backgrounds, who are underserved by BBC provisions²</p>

1. Google Play Store provides app downloads for android devices, not representative of overall reach of respective apps; 2. BBC provisions have 77% reach among Black, Asian and Minority Ethnic groups, compared to 92% in white demographic; Source: Ofcom Digital Radio and Audio Review 2021, Google Play Store, Expert interviews, Oliver Wyman analysis

ONLINE, CONSUMER AUDIO JOURNEYS ARE BEING CAPTURED BY TECH PLATFORMS, CREATING CHALLENGES FOR CONSUMERS AND THE UK AUDIO SECTOR

Illustrative customer journeys for audio consumption online
For UK users, journeys simplified and non-exhaustive



Source: Oliver Wyman analysis

ANALYSIS

Audio listening online is captured by streaming apps and smart speakers

For consumers, this has advantages of increased convenience and access to a wealth of content, but also leaves consumer experiences and data in the control of international tech platforms

For the UK audio sector, online consumption presents opportunities of new avenues to reach consumers, increasing reach and engagement

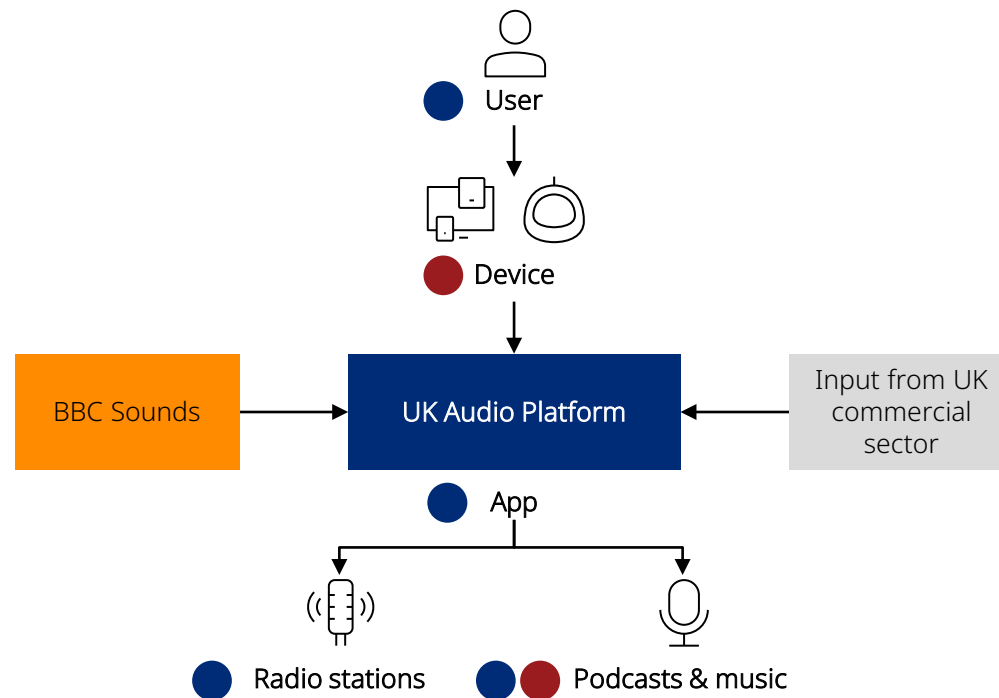
However, where UK audio is being accessed via international technology and platforms, access to first party data for monetising content can be inhibited and where UK content is less prominent or discoverable, reach may be limited (see Chapter 1)

Among UK audio apps, only BBC Sounds has comparable reach to international streaming apps in the UK, making it the key 'UK owned' customer journey

These challenges for consumers and the UK audio sector will become increasingly important as online share of listening increases

BBC SOUNDS COULD PLAY A KEY ROLE IN IMPROVING ONLINE AUDIO CONSUMPTION FOR UK CONSUMERS AND INCREASING PROMINENCE OF UK CONTENT

Illustrative future customer journey in UK audio
For UK users, journey simplified



Source: Oliver Wyman analysis, expert interviews

ANALYSIS

Current state

With audio listening online captured by streaming apps and smart speakers, technology platforms control consumer experiences and data and can create prominence challenges for UK audio

Among the top streaming apps in the UK, BBC Sounds is the only UK based app, with Spotify and YouTube top apps

BBC Sounds currently hosts BBC radio and BBC podcasts, with limited music streaming and third party podcasts

Possible futures

BBC Sounds could look to partner with the UK audio sector to create a major platform for the breath of UK content. In order to secure the buy in of commercial players, this would have to be a genuine partnership, rather than simply hosting third party content on BBC Sounds

The value for consumers would be in a platform whose recommendations and user experiences are designed with public service and safety at the forefront rather than revenue; such a platform could recommend podcasts that challenged rather than reinforced views and provide a range of content to reflect the diversity of the UK audience

The value for UK commercial audio would be the ability to access consumers on a high reach platform, without relying on international streaming

Achieving this would not be trivial, requiring significant investment in technology and data and buy in from UK commercial audio, recognising key players have already invested in own platforms

Bringing together BBC & commercial provision could deliver increased consumer value, as well as supporting smaller market players

APPENDIX
REPORT
METHODOLOGY

REPORT METHODOLOGY OVERVIEW

Report structure

Chapter 1
**THE MEDIA MARKET
SINCE 2016**

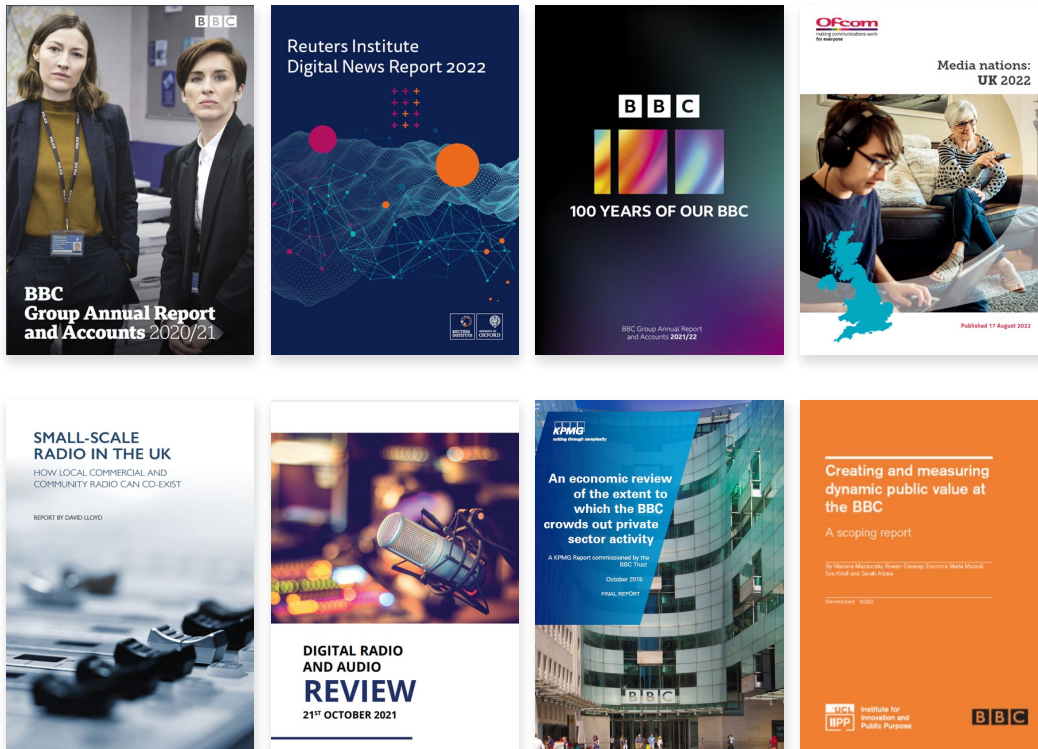
Chapter 2
**THE BBC
SINCE 2016**

Chapter 3A
**DEEP-DIVE:
BBC & LOCAL NEWS**

Chapter 3B
**DEEP-DIVE:
BBC SOUNDS**

**APPENDIX:
METHODOLOGY**

DESK BASED RESEARCH



Key source materials

For report chapters 1 to 3 (modelling data evidenced separately); non exhaustive

BBC statements and reviews

BBC Group Annual Reports and Accounts 2016/17 – 2021/22

BBC Trust Statements 2016 – 2022

National Audit Office, Departmental Overview 2020–21: The BBC Group

The BBC Across the UK 2021

BBC Media Centre press releases (various)

BBC Market Position Assessments, Public Interest Tests and Ofcom reviews (various)

Media market data

Ofcom Media Nations: UK 2018 – 2022 (and similar releases for 2016, 2017)

Ofcom Audio Survey 2022

Ofcom News Consumption in the UK 2016 – 2022

Reuters Digital News Report 2016 – 2022

RAJAR MIDAS Audio Surveys 2016 – 2021

Economic Insight Press Sector Financial Sustainability 2021

PwC Entertainment & Media Outlook 2021

Enders analysis Podcasts gain momentum 2021 (and further media reports)

Academic, economic and policy documents

DCMS Digital Radio and Audio Review 2021

University of Huddersfield Routes to Content 2020

UCL Creating and measuring dynamic public value at the BBC 2020

EJC Crowding out: Is there evidence that public service media harm markets? 2020

Cardiff University The Range and Depth of BBC News and Current Affairs 2019

Radiocentre Small-Scale Radio in the UK 2018

Reuters Paying for Online News 2016

KPMG An economic review of the extent to which the BBC crowds out private sector activity 2015

EXPERT INTERVIEWS: WHO WE SPOKE TO

Selected experts interviewed
Current and former employees of organisations included



ENDERS | ANALYSIS

University of
HUDDERSFIELD
Inspiring global professionals

Approach

We sought to gain insights from across the TV, audio and news industries as well as from independent experts

Insights provided were primarily used as context for evidence-based enquiry

Perspectives throughout the report should not be attributed to any of the organisations listed

Oliver Wyman would like to thank those interviewed for the generosity of their time and expertise

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