Amazon vs Netflix in the Subscription VOD market

CONNECTED SCREENS

Whitepaper H1 2018
Released: September 2018

mediatel

INTRODUCTION

Subscription VOD

Over the past few years, subscription video on demand offerings have begun to cross into the mainstream, with increasing numbers of UK consumers using these services on a regular basis.

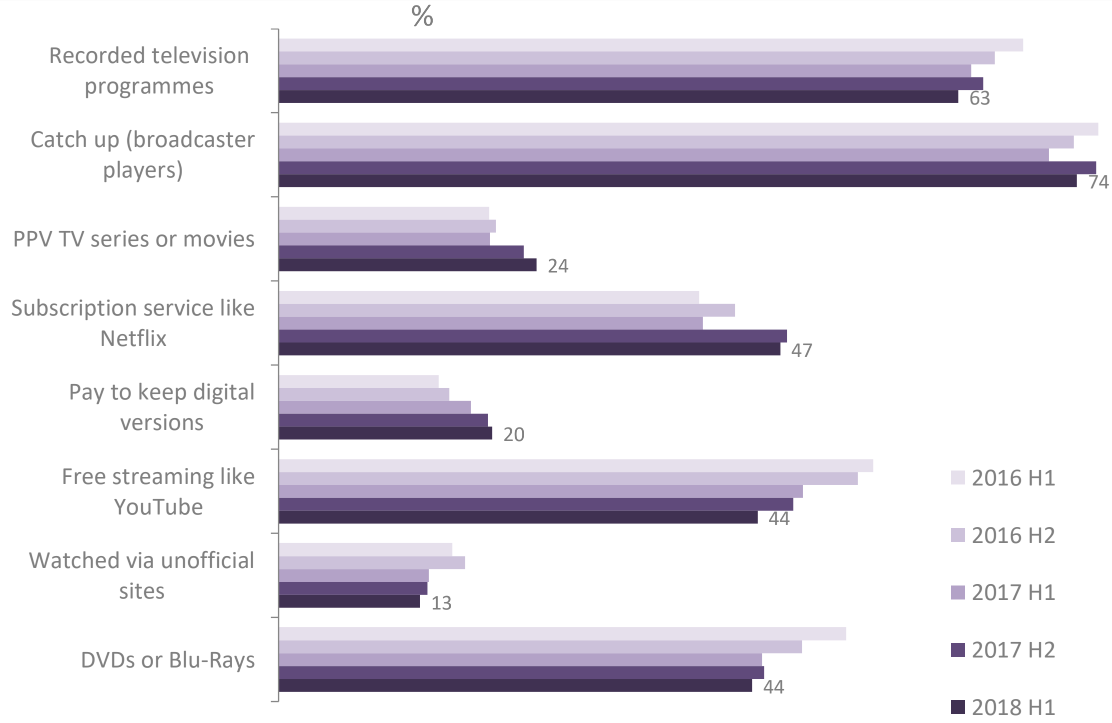
Once compelling original content began to appear on Netflix, and later Amazon, sign ups to these services began to increase. Both services have pumped millions of pounds into original content over the past few years, producing critically acclaimed and star-studded, binge-worthy content to draw in lucrative subscribing homes. “House of Cards” and “Orange is the New Black” began the process whilst, more recently, “The Grand Tour” on Amazon and also “The Crown” have broadened the demographics of the services’ subscriber bases.

So where are we now? How many are using these services and how? And how does subscription VOD usage compare with other methods of watching content?

This whitepaper will shed some light into the UK market. Data is taken from Mediatel’s Connected Screens tracker, which now has nine waves of trend data, allowing easy insight and analysis on how this market is shifting and consumer behavior is changing.

Subscription VOD is just one aspect of the complex screen and video UK market that is covered by Mediatel’s Connected Screens survey. For further information on the survey, please see Page 9.

TV/video related activities in past year: any screen



Source: Mediatel Connected Screens survey - **Q:** TV, video & radio activities: undertaken in past 12 months

Base: All adults in broadband homes (2000/2001/2002/2004/2007)

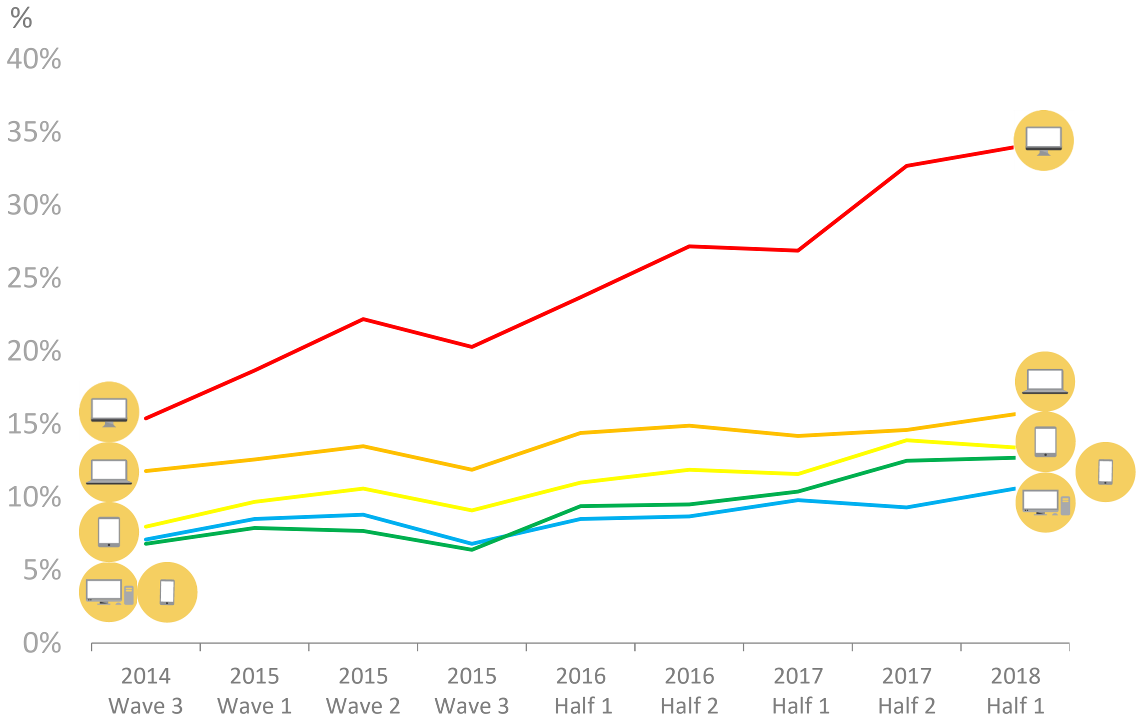
In order to get a context for the scale of subscription VOD services in the UK, this introductory chart demonstrates how subscription VOD services have grown in popularity over the past few years, compared to other forms of content viewing.

- A total of 47% claim to have watched subscription VOD in the past year on any screen. This is higher than those who have used free streaming sites such as YouTube, which sits at 44%, following a period of continued decline.

- By comparison, 63% have watched television programmes they have recorded themselves, whilst 74% claim to have used a broadcaster player such as Player for catch-up services. It is worth noting that both these TV/ video activities have also shown declines over the past couple of years after several years of continual growth.

- Also, to set a context, it's worth noting that 44% of respondents have still used DVDs or Blu-Rays in the past year. This is on a definite line of decline, however, it is still a significant number of people who are continuing to use a physical product as opposed to a digital file for their content.

SVOD viewing: by screen over time



Source: Mediatel Connected Screens survey - **Q:** Subscription services: personally used

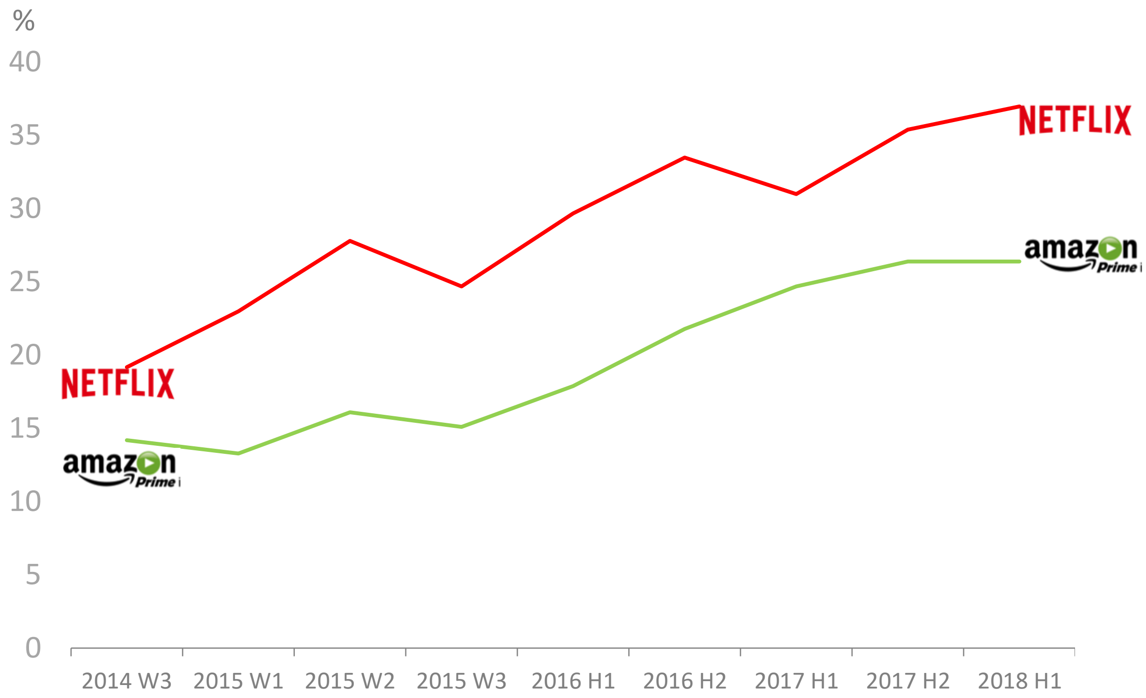
Base: All adults in broadband homes (2001/2003/2000/2005/2000/2001/2002/2004/2007)

If we take a closer look at those who have claimed to use subscription services such as Netflix or Amazon Prime, we can see some definite behavior changes since the advent of the survey in 2014.

- The first wave of fieldwork had televisions as the most used screen for subscription VOD viewing, however, only 15% of respondents were using this type of screen, only three percentage points higher than laptops, which were sitting at 12%. Fast forward to the latest wave from first half of 2018 and the number viewing by television has leapt to 34%, whilst the laptops has only increased to 16%.

- Laptops, desktops, tablets and smartphones have all had minimal increases over that time, but overall have stayed relatively static, with smartphone overtaking desktops to have a similar number of people using that screen to tablets.

Subscription TV: services personally used



Source: Mediatel Connected Screens survey - **Q:** Subscription services: personally used

Base: All adults in broadband homes (2001/2003/2000/2005/2000/2001/2002/2004/2007)

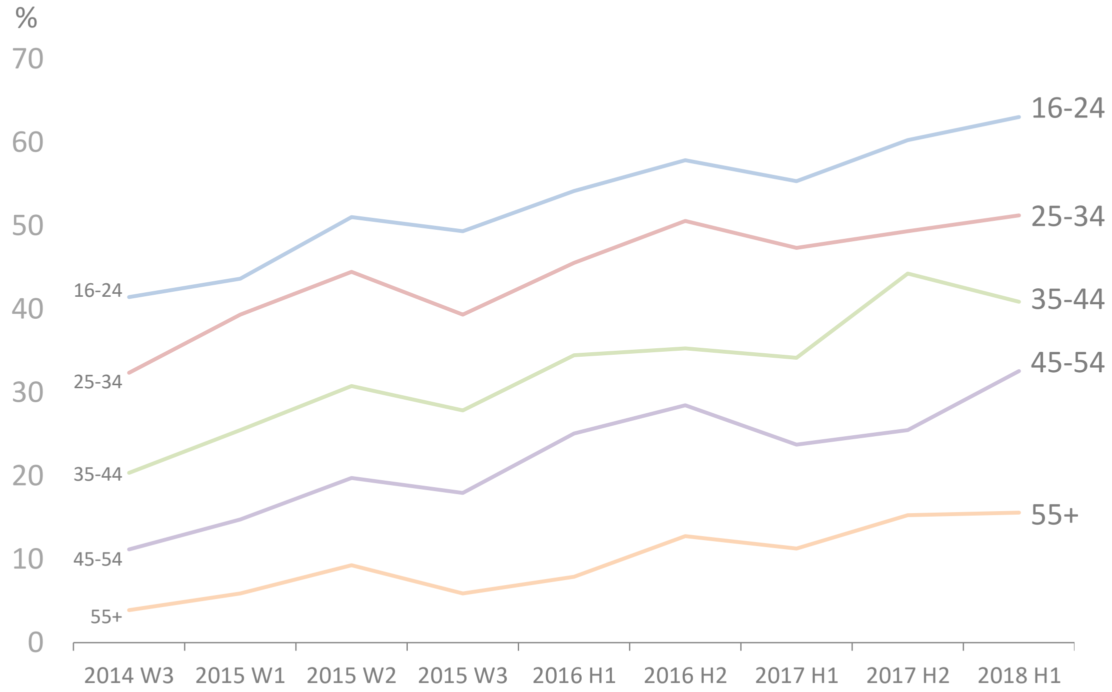
Focussing in on the two main subscription VOD services in the UK, Netflix and Amazon Prime, we can see strong upward trajectories for both services.

- Netflix is now claimed to be used by 37% of respondents, while 26% claim to use Amazon Prime. However, after several waves of strong growth, Amazon usage has plateaued in the latest fieldwork.

- Content on both services has improved in parallel with the increase in users, with peaks visible in late 2016 with the launch of critically acclaimed series "The Crown" on Netflix and Clarkson and the boys big return to TV with "The Grand Tour" on Amazon.

- Netflix's growth will also be aided by its increasing availability across platforms, including the majority of the TV platforms and the Amazon Fire Stick itself, which is demonstrating great household penetration over the past couple of waves of fieldwork, and has certainly bolstered Amazon's overall figures.

Netflix: personally used by age



Source: Mediatel Connected Screens survey - **Q:** Subscription services: personally used

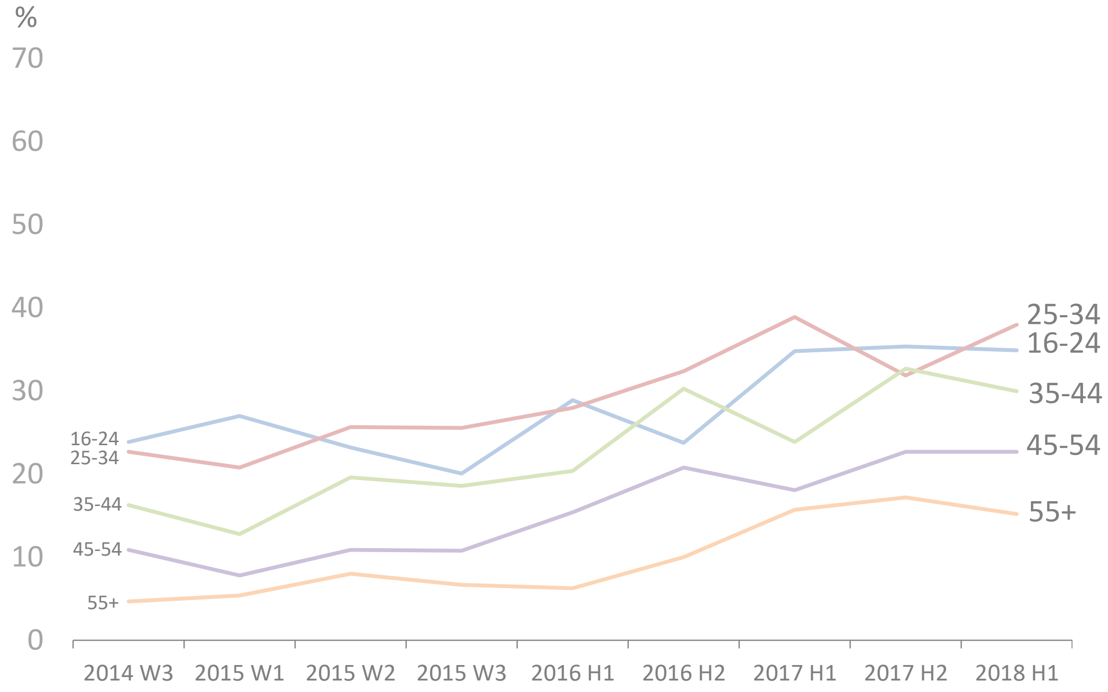
Base: All adults in broadband homes (2001/2003/2000/2005/2000/2001/2002/2004/2007)

If we look at Netflix usage trends by age we can see that the service is skewed towards younger groups.

- That skew has been maintained as the service has grown, but growth has come across all age bands and arguably the older age bands are gradually catching up, particularly the 45-54 age group, 33% of which are now users.

- “The Crown” effect can be clearly seen on this chart, with the demographics of 45-54 and 55+ age groups embracing Netflix during the second half of 2016, but then dropping off again after the series was watched.

Amazon Prime Video: personally used by age



Source: Mediatel Connected Screens survey - **Q:** Subscription services: personally used

Base: All adults in broadband homes (2001/2003/2000/2005/2000/2001/2002/2004/2007)

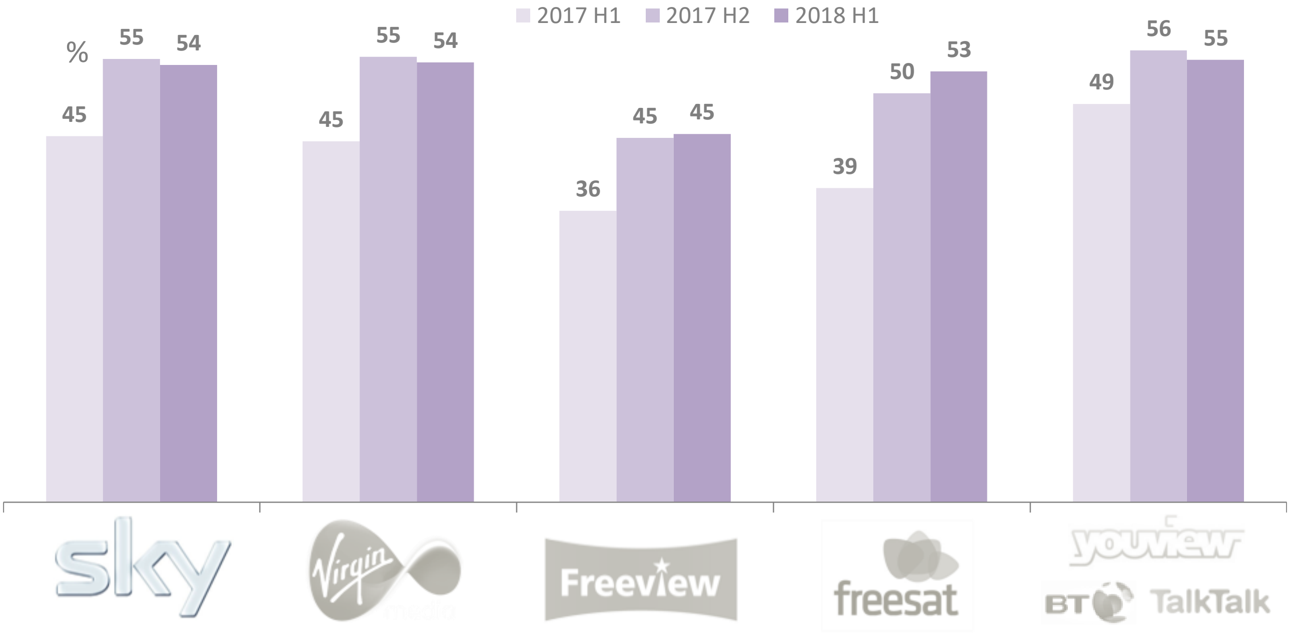
The Amazon Prime charts follow a similar trajectory to the previous Netflix charts, although there is more interchange in the younger age groups on which age group is the top user.

- Currently, 25-34 years olds are the top users, whilst a third of all 16-44s now use Amazon Prime, with some age groups dropping in usage and some increasing.

- Taking the same axis scale as the previous Netflix chart demonstrates the lower levels of usage overall of Amazon Prime as compared to Netflix across all the different age groups.

- The older age group of 55+ has seen a steady increase over the duration of the survey and there are now roughly the same number of users of Amazon Prime as of Netflix within this age group.

Netflix: personally used, split by platform in household



Base: All households with each service

Source: Mediatel Connected Screens survey

Cutting the Netflix user data by the TV platform used in the household shows that fewer people with Freeview are users of the SVOD service than for the pay TV services.

- Freeview and Freesat were at much lower levels at 36% and 39% respectively just a year ago, whilst the Pay-TV services all had usage in the mid to late 40s, suggesting a tendency for those who were already au fait with paying for content to take the small leap to subscribe to VOD services, but that those with free TV were not as likely to pay for content.

- However, fast forward a year and Freesat is now at similar numbers to the Pay-TV services, suggesting that perhaps that theory is becoming out dated, as the consumers become increasingly used to the concept of small monthly subscription costs.

CONNECTED SCREENS

Introducing Connected Screens

Connected Screens is a study designed and commissioned by Mediatel to track media use and advertising across multiple screens on an ongoing basis, to help understand how consumers juggle the range of screens available to them to connect with broadcast and broadband media, and advertising.

The objective of the survey is to provide a definitive context for understanding media access across screens. It has been established with the following core principles:

- Connected Screens encompasses the full range of available screens for media consumption – from a smartphone through to digital outdoor screens.
- It provides a media-neutral view of media use across screens, encompassing video, text, audio, outdoor and social media.
- The survey is consumer centric. Having established what screens people have access to, we then focus on what they actually use them for.

Methodology

Connected Screens survey started in Autumn 2014, with continuous fieldwork and waves of data released every six months. For this ninth wave, 2,007 interviews were completed with quotas placed on age, gender, working status and social grade. The sample represents a universe of adults 16+ in UK broadband homes. Fieldwork was conducted online by Alligator research, part of the BDRC Continental Group.

Survey Partners

We partner with a select number of companies who can join us as survey partners on Connected Screens. Partners are able to add their own business specific questions to the survey, subsequently allowing them to cross analyse these with the rest of the questionnaire, providing unique insight into this complex market.

Our founding survey partner was Videology, with News UK and Ocean Outdoor coming on board from Wave 2 2015. If you would like to discuss becoming a survey partner, please contact Anne Tucker, Head of Research & AV at Mediatel (anne.tucker@mediatel.co.uk).

Further information

The full dataset from this Connected Screens study is available within the Connected Surveys module of:

mediatel connected

Connected Surveys is a simple yet powerful tool which makes quick work of interrogating hundreds of questions from four key media surveys about the connected consumer:

Mediatel Connected Screens survey 6 monthly 2,000 respondents, nationally representative Online survey, broadband households Track screen ownership and screen behaviour	**Ofcom Technology Tracker** 6 monthly Around 3,000 face-to-face home interviews Nationally representative Track attitudes and behaviour on broadcasting
BARB Establishment Survey Quarterly, constant fieldwork 53,000 interviews per year Nationally representative Device ownership and subscription levels	**YouGov Video and Voice** 6 monthly 2,000 respondents, online Nationally representative Watching brands around video and voice

Connected Surveys is just one of many data modules provided by Mediatel, the UK media industry's number one destination for media data, planning tools, market insight, news and conferences: mediatel.co.uk

This report was authored by Anne Tucker, Head of Research & AV at Mediatel. For more information on the report or the Mediatel Connected tool, please contact **screens@mediatel.co.uk** or call 020 7420 3252

Mediatel
1st Floor
Burleigh House
357 Strand
London WC2R 0HS
T: 020 7420 3252
mediatel.co.uk