



Oliver & Ohlbaum

Understanding the UK's TV production sector

Prepared for Ofcom by Oliver & Ohlbaum Associates

August 2023

Introduction and scope of work

Ofcom commissioned us to conduct a study on the UK TV production sector from 2011 to 2021. Our study covers all TV production companies with a UK presence that have been commissioned at least once during the review period

Project phases:

- 1 Introduction**
 - Overview of production value chain and its role in the wider TV sector
 - Overall production sector revenues
- 2 Production finance and costs**
 - Analysis of production finance trends and production cost trends
 - Review of relative importance of financing from different sources, including differences between PSB and SVOD commissioning
 - Review of production cost inflation and skills shortages
- 3 Demand and supply assessment**
 - Demand side assessment: analysing commissioning trends for PSB channels, UK multichannel and global SVODs
 - Supply side assessment: reviewing number of producers active in the market
- 4 Future of the sector**
 - Revenue forecast for sector from 2023 to 2030
 - Discussion of key threats and opportunities for the sector
 - Setting out policy considerations for Ofcom

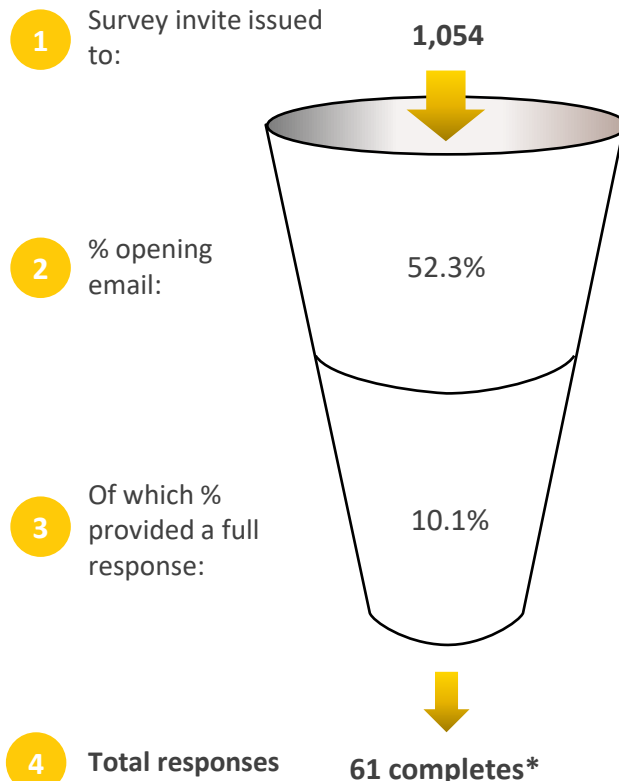
We used three main research techniques for this study

We surveyed 61 producers, interviewed nine producers, and conducted in-depth data analysis to explore trends in commissioning, number of active producers per year and producer revenues

Data analysis

- 1 **Commissioning trends:**
 - Number of commissions per year from broadcasters and SVOD services
 - Sources include O&O programme database, Ampere analysis
- 2 **Production company trends:**
 - Review of the number of production companies in the market, cut by size/status, location and turnover band
 - Sources include, Pact Census, Ofcom CMR, Pact Export Report
- 3 **Sector revenues:**
 - Estimating total sector revenues by type
 - Sources include: Ofcom data, Pact Census, Pact export report, COBA Content investment report

Producers survey



Producer interviews

- 1 Number of producers interviewed: **9 producers**
- 2 Producer split across N&R:
 - N&R = 4** **London = 5**
- 3 Producer split across NQI and QI:
 - NQI = 3** **QI = 3**
 - PSB Studios = 3**

Note: *a further 43 production companies provided partial responses to the survey, bringing to a total of 104 responses

1. Introduction

2. Production finance and costs

3. Supply and demand assessment

4. Future of the sector

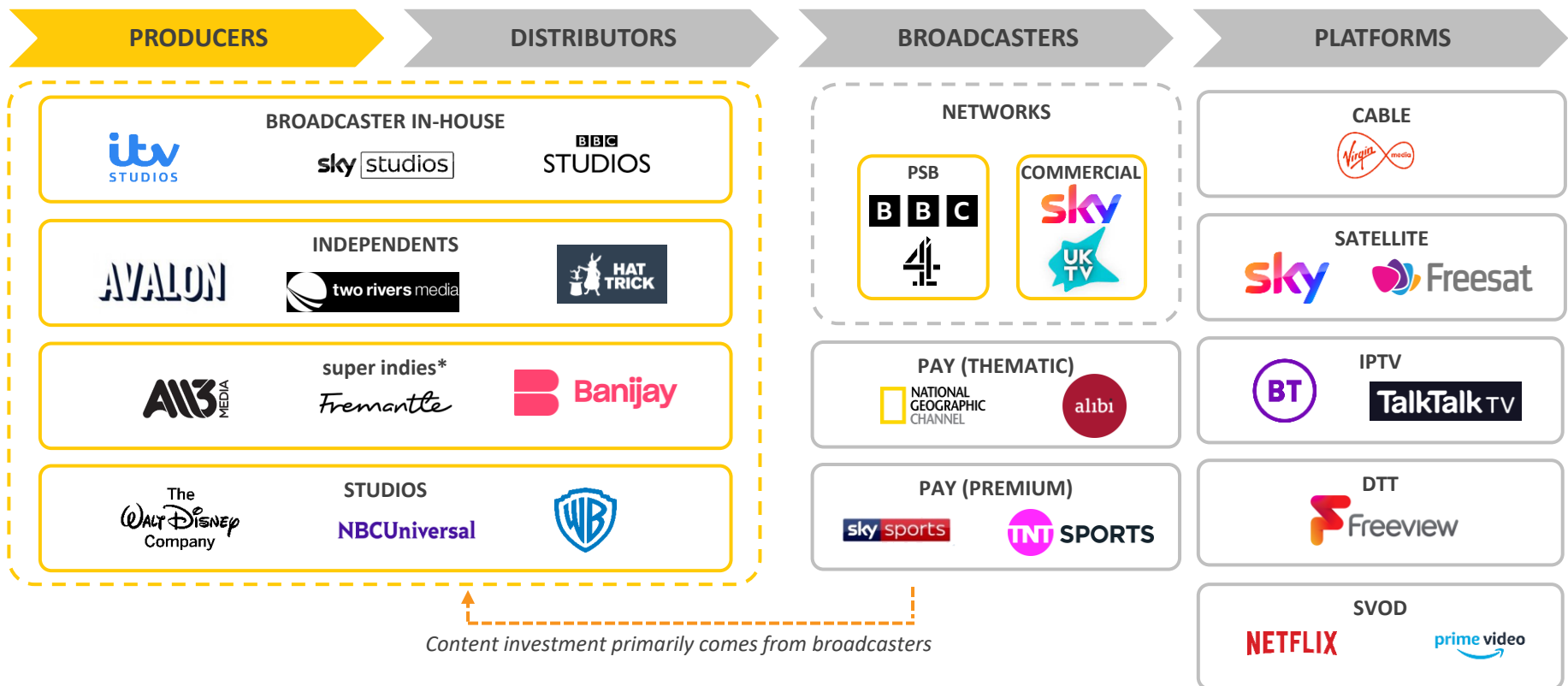
APPENDIX

A. Methodologies

The TV market has been divided into four groups...

Producers make content for broadcasters, which is either provided directly or via a distributor. Broadcasters' channels are transmitted to consumers via platforms

Example players in the UK TV value chain



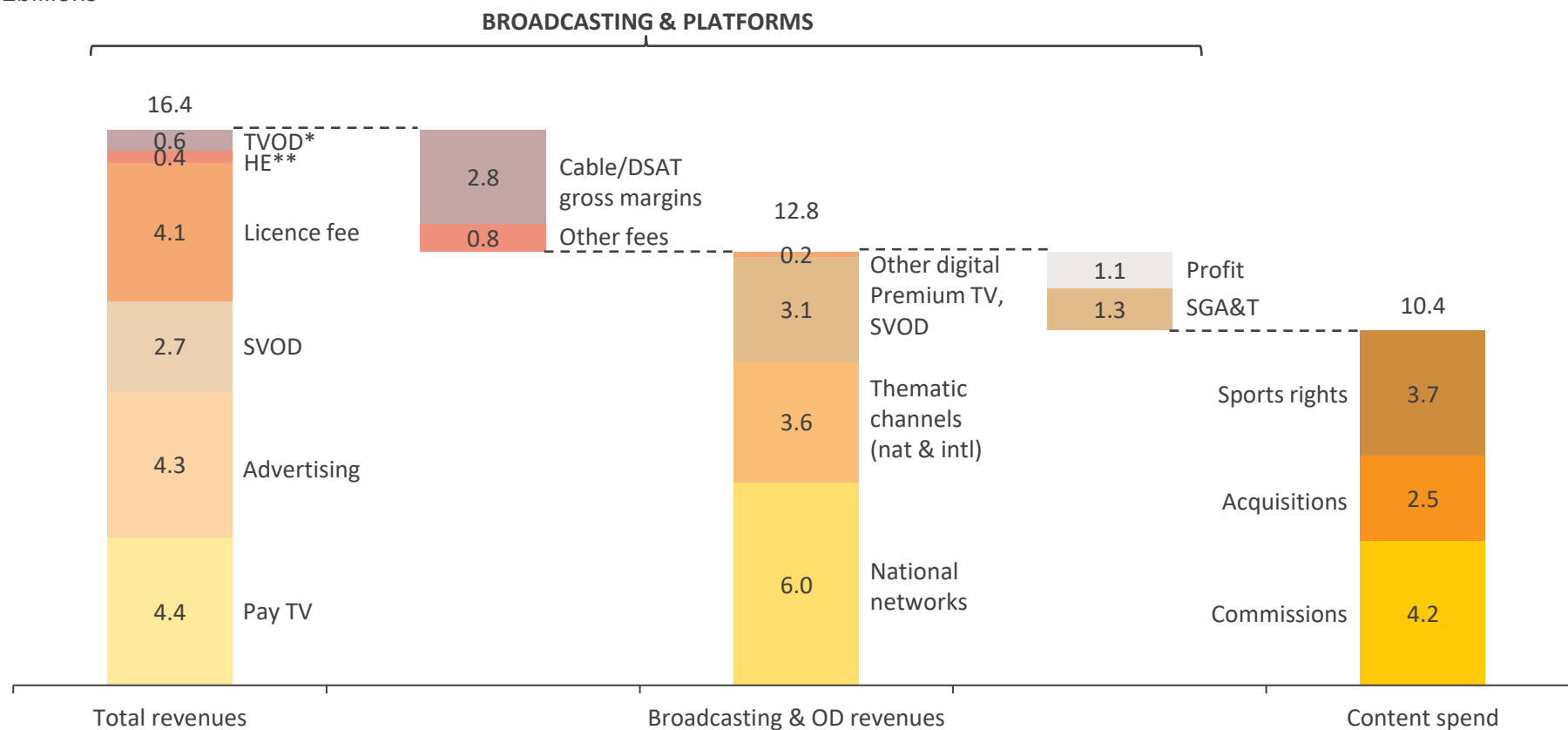
Note: All3media and Fremantle are defined as super indies despite being part of larger media groups as they operate independent of groups' broadcasting activities 5
Source: Oliver & Ohlbaum analysis

...and in 2021, it was worth an estimated £16.4 billion

The UK production sector supplies content for the UK TV industry, via commissions and acquisitions

UK TV industry's flow of funds, 2021

£billions



Note: *TVOD = Transactional VOD – services such as iTunes where consumers buy or rent AV content. **HE = Physical home entertainment such as DVDs
 Source: PwC Global Entertainment & Media Outlook, Zenith, Kagan, OBS, Oliver & Ohlbaum analysis and estimates

In the UK, there are four main types of production activity

Our study is focused on smaller independents, super indies and UK in-house studios (with global studios excluded)

Smaller independents (all QIs)

- Majority of the UK production market (by number of companies)
- Focus on all genres
- Acquisition targets for super indies, UK in-house studios and global studios



UK in-house studios

- Focus on producing content for the broadcaster
- Some focus on international expansion
- UK scripted dramas and entertainment formats have proven popular overseas

Super indies and global studios labels (mostly NQIs)

- Larger production Groups with multiple labels
- Either independent (super indies) or subsidiaries of Global Studios

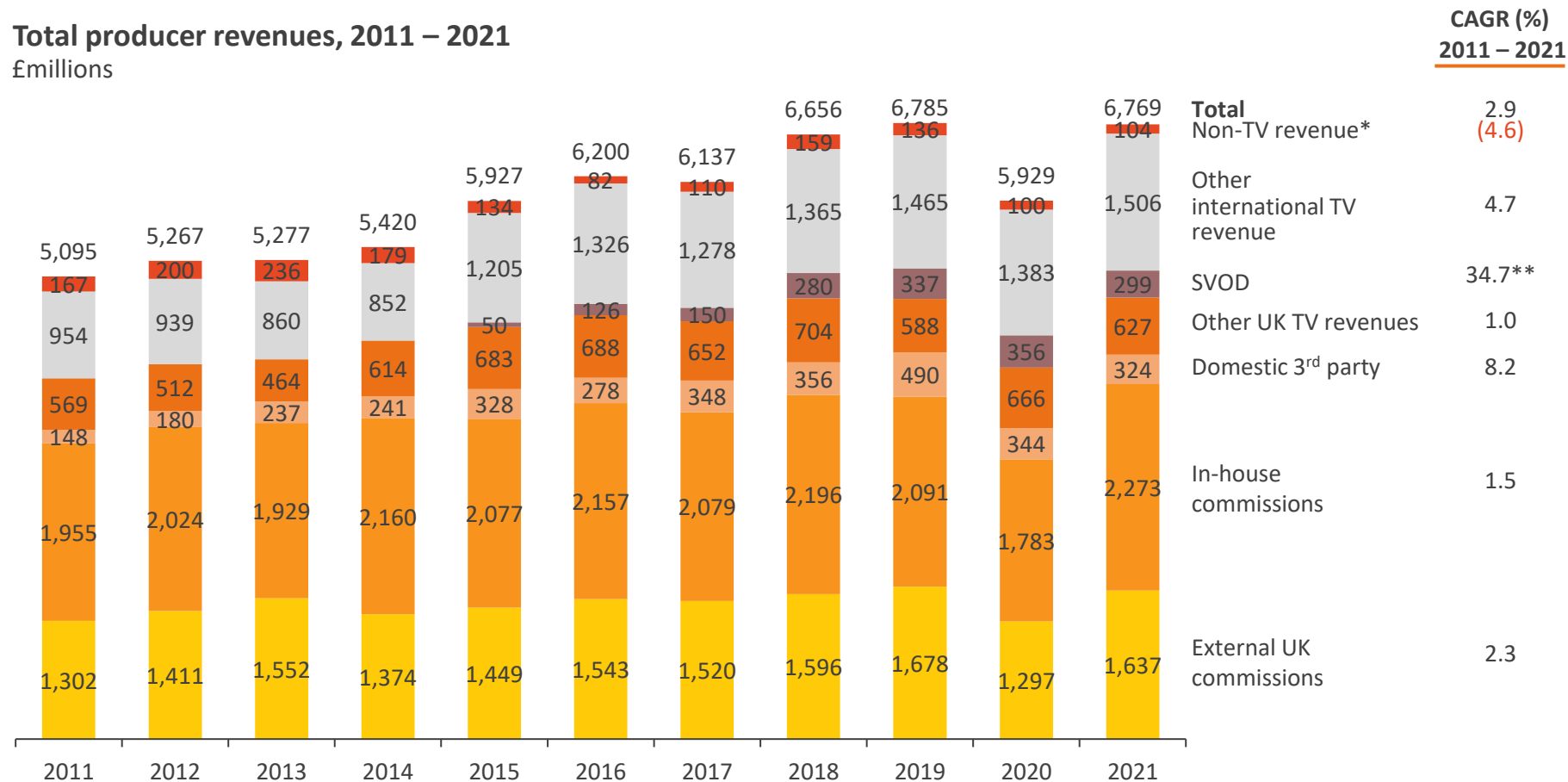


Global studios

- Mostly global operations of US Studios
- Produce content in the UK as foreign service production (but this is out of scope of the study)

The UK production sector generated £6.8 billion in 2021

The majority of revenues were derived from domestic UK commissions. The largest growth in the market has come from SVOD commissions, which grew with a CAGR of 34.7 per cent between 2015 and 2021



Note: *Non-TV revenue includes corporate production, new media and other non-TV activities such as online publishing, talent management, promotions, public relations and feature films. Excludes financing from third-party sources. **SVOD CAGR shown from 2015-21

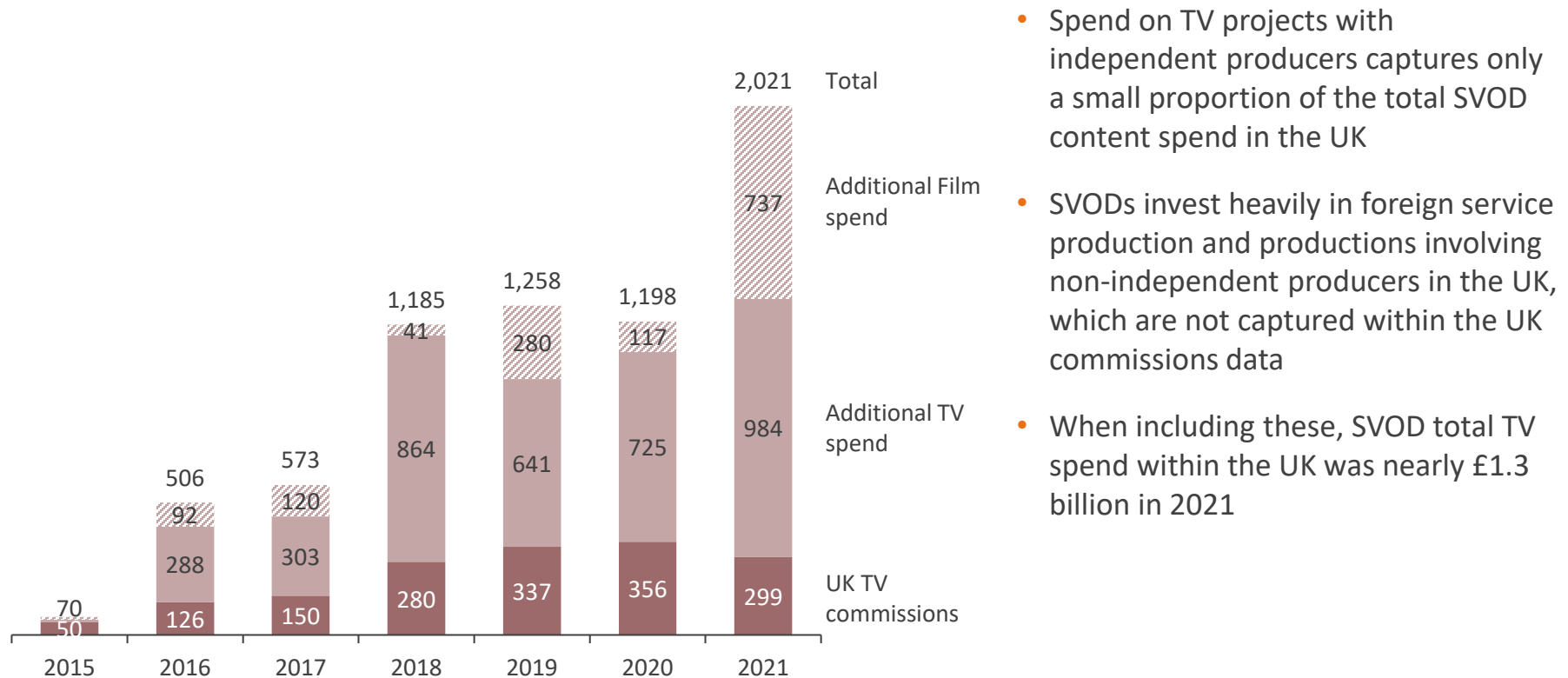
Source: Ofcom, Pact Export report, Pact UK Television Production Census 2022, COBA Content Investment report, Oliver & Ohlbaum analysis

UK TV commissions account for only a small proportion of SVOD spend in the UK

The majority of SVOD spend in the UK is on foreign service productions, or productions involving in-house or non-independent UK producers

Total SVOD content spend in the UK, 2015 – 2021

£millions



- Spend on TV projects with independent producers captures only a small proportion of the total SVOD content spend in the UK
- SVODs invest heavily in foreign service production and productions involving non-independent producers in the UK, which are not captured within the UK commissions data
- When including these, SVOD total TV spend within the UK was nearly £1.3 billion in 2021

Note: Film Spend approximated using BFI reporting on spend from productions which have applied for certification through the HETV tax relief scheme as long-form single episode projects

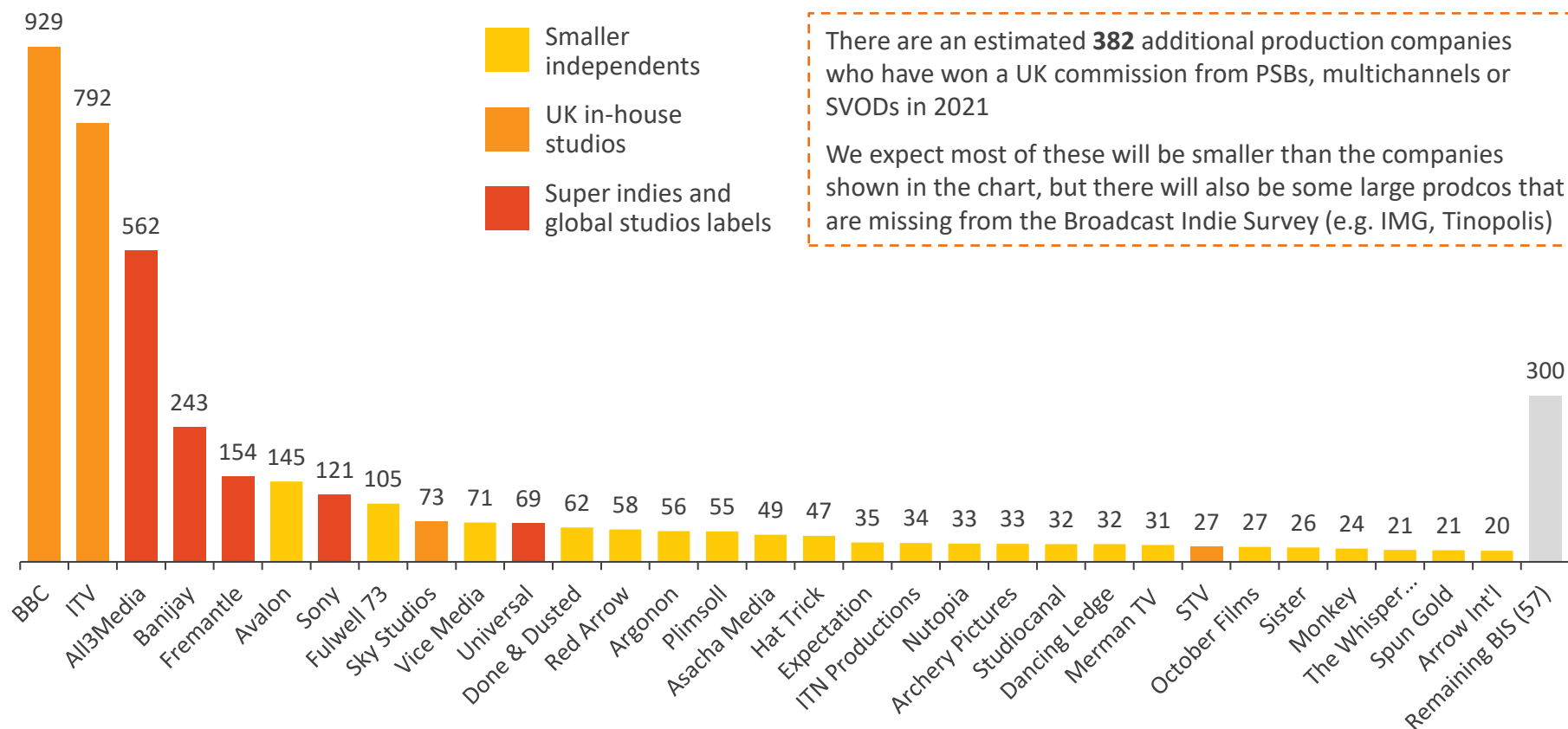
Source: Pact Export report, Pact UK Television Production Census 2022, COBA Content Investment report, Ampere Analysis, BFI, Oliver & Ohlbaum analysis

In-house studios and the larger super indies account for most of the market

We estimate the UK production sector to be worth £6.8 billion in 2021. 63 per cent of this is captured by BBC Studios, ITV Studios, and the 86 companies listed in the 2021 Broadcast Indie Survey

UK production company revenues, 2021

£millions



Note: Covers revenues for UK entities. Several major producers are missing from this dataset e.g. IMG and Tinopolis

Source: Annual reports, Broadcast Indie Survey 2022, Oliver & Ohlbaum analysis

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APPENDIX

A. Methodologies

In this section, we've looked at production finance and production costs

Production finance analysis looks at how productions are funded, and costs analysis looks at how the money is spent

A

Production finance

- Production finance relates to the sources of funds used to pay for production
- Traditionally the majority of funding was provided by the commissioning broadcaster in exchange for first window distribution rights
- But today production finance can be very complicated with a lot of variation by genre and type of commission

B

Production costs

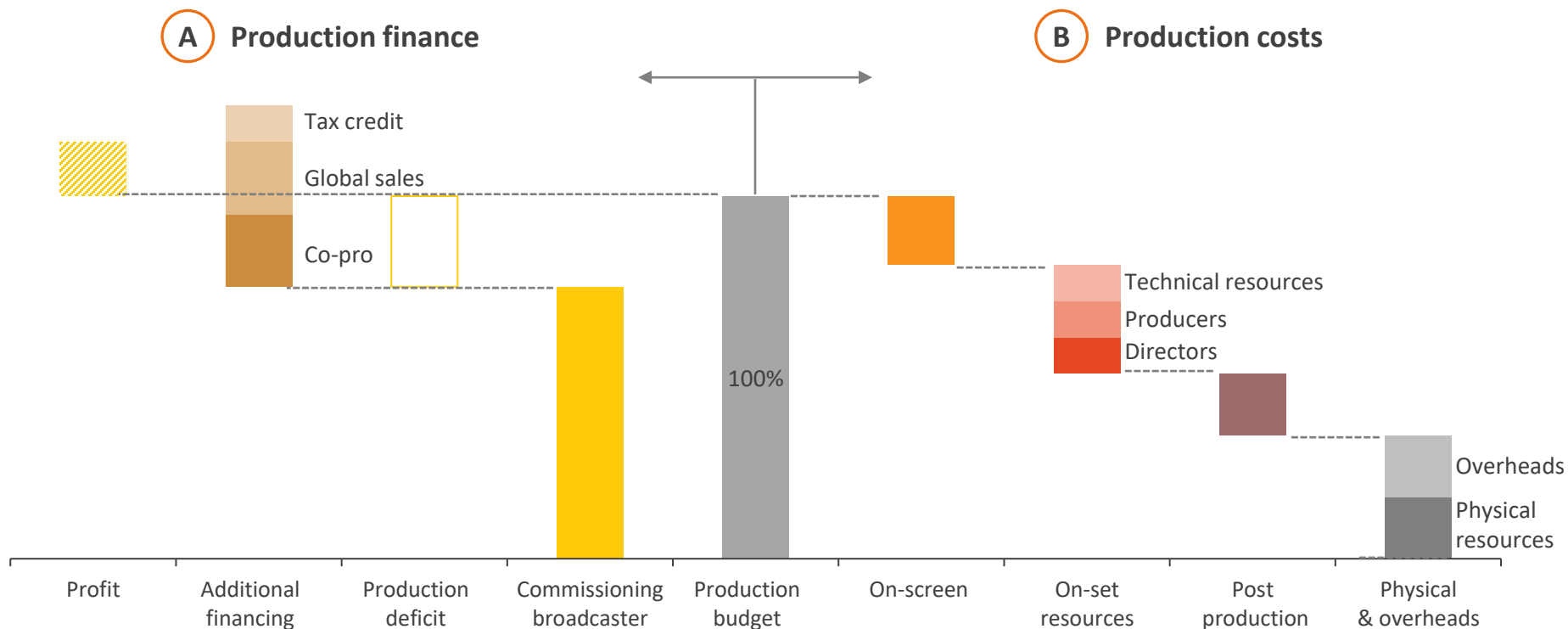
- Production costs looks at how the production budget is spent on different types of production resource
- This includes on-screen talent (e.g., actors and presenters), senior onset resources (e.g., producers and directors), and other technical resources (e.g., camera operators and hair & makeup)
- It also includes post production, physical resources and overheads
- Like production finance, costs can vary significantly by genre and type of commission

Production finance and costs are closely linked

Pressure on elements of production financing or costs can have knock-on impacts across other components over the production. Both production finance and costs can vary significantly by genre and commissioner

Production finance and cost illustrative schematic diagram

% of production budget



A. Production finance

Producers use financing from many sources to fund productions

The most common forms of financing are the commissioning licence fee from the commissioning broadcaster or VOD service, global sales from a distributor and tax credits (for select genres and budgets only)

- i** Commissioning licence fee

 - This is a payment (or series of payments) from the commissioning broadcaster or VOD service in exchange for broadcaster and/or VOD rights
 - For most genres, this is typically the main source of financing
 - In the UK, Terms of Trade set standard terms which enable the producer to retain IP for PSB commissions; typically, this allows producers to exploit the IP internationally and only in the UK following a period of exclusivity. VOD services and international channels typically buy out all international distribution rights in exchange for a higher licence fee
- ii** Global sales

 - This is payment from a distributor for international rights to the programme which they intend to sell on to international channels and VOD services (for super indies and in-house productions, distribution is often vertically integrated within the same company)
 - Global sales potential varies significantly by genre, with scripted content generally having more potential than unscripted
- iii** Tax credit

 - A tax credit paid by the government to incentivise production in the UK for specific genres
 - For TV, there is a tax credit for high-end TV (minimum spend of £1 million per hour), and children's live action and animation content
- iv** Additional financing

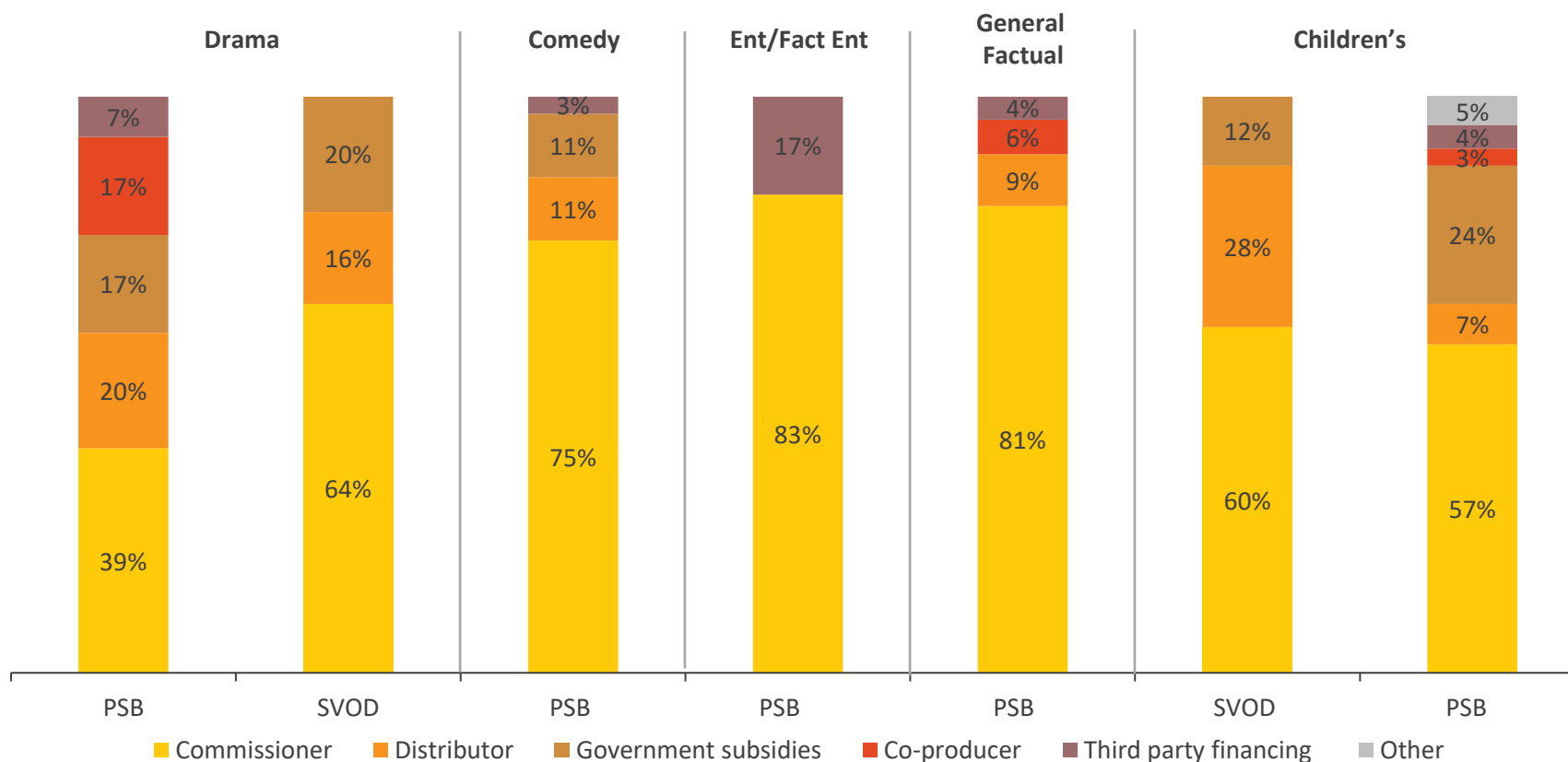
 - Producers increasingly have to find additional sources of financing to cover production deficits where the primary sources of financing don't cover the entire production budget
 - This can include financing from a co-producer or co-commissioner (e.g., PSB + SVOD commission), third-party financing from a bank or other source of funds, or self-funding from a larger super indie

Production financing models vary greatly by genre and type of commissioner

For Drama, PSBs only provided 39 per cent of financing whereas SVODs contributed 64 per cent. However, for lower budget comedy and non-scripted programming, PSB commissioning fees still contributed the majority of financing

Indicative contribution from production financing, select genres, PSB vs SVOD

% of total production financing



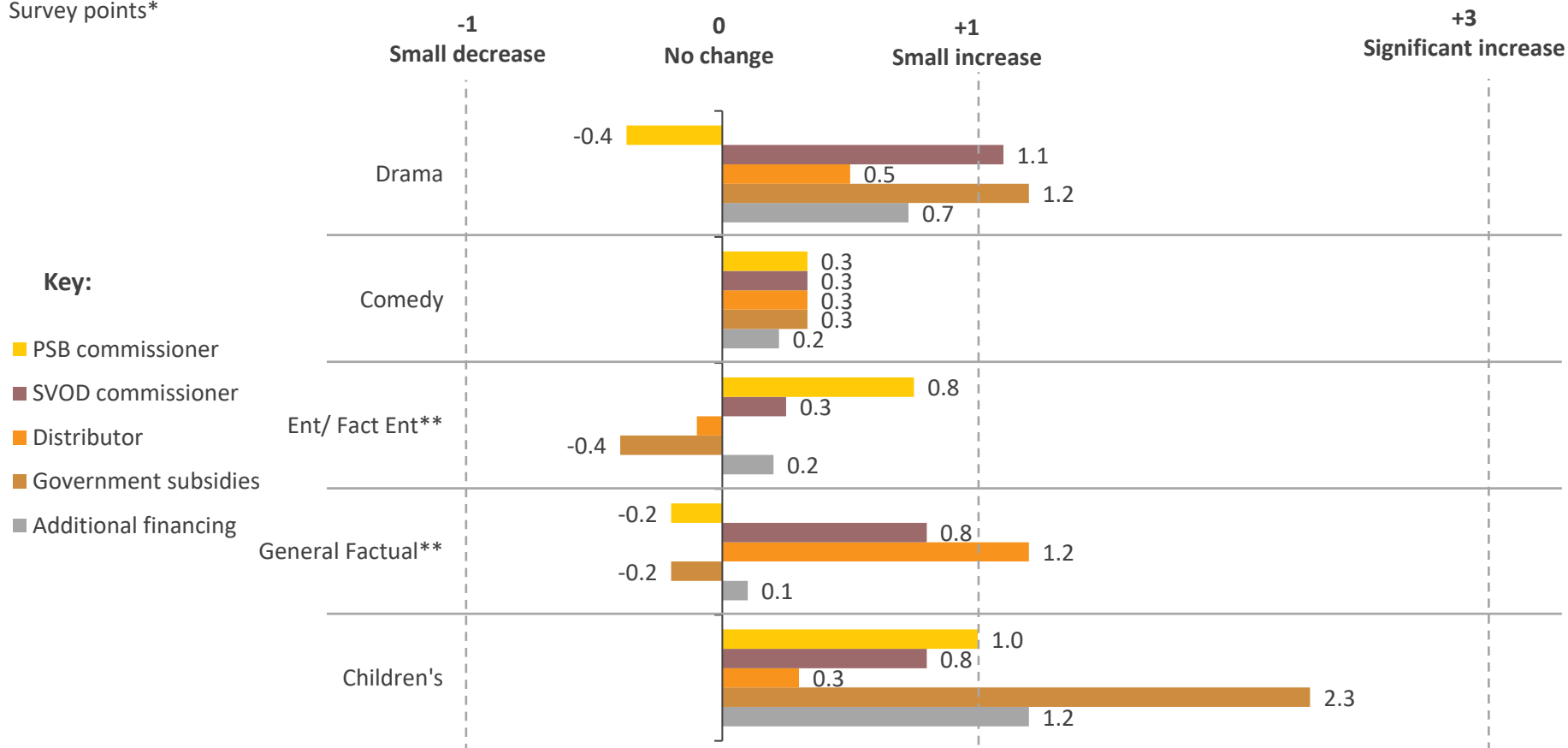
Source: Fly Research, (Drama PSB, n=8, SVOD, n=5, Comedy, n=3, Ent/Fact Ent, n=7, General Factual, n=8, Children's SVOD, n=1, PSB, n=5), Oliver & Ohlbaum analysis

The importance of each source has evolved significantly over the last five years...

Most notably, PSB commissioner fees for Drama have decreased in significance, whilst government subsidies have increased in importance the most for both Drama and Children's

Change in relative importance of production finance sources, select genres

Survey points*



Q: "For the genre in which you generated the most revenue last year, how important is each source of finance for your productions compared to 5 years ago?"

Note: * Respondents' answers on the scale of 'significantly less', 'less', 'same', 'more', and 'significantly more' were converted to a numerical scale from '-3' to '+3', respectively. This allowed responses to be averaged. **Tax credit data for Ent/Fact Ent and General Factual excluded as does not apply

Source: Fly Research (Drama, n=18, Comedy n=3, Ent/Fact Ent n=8, General Factual n=12, Children's n=6), Oliver & Ohlbaum analysis

..and these trends were echoed by the producers we interviewed

*“In the last few years, we have moved away from fully-funded financing models, towards **mixed-model financing**.”*

“Producers are constantly engaging the editorial ambition of broadcasters. If they're paying X, they should expect editorial ambition to reflect X, but what they want is X plus Y plus Z in terms of their editorial ambition.”

Producer, regional in-house studios

*“Ever since I have started working in the industry there's **never been enough money** ...The lack in financing is even more prevalent now, particularly since the COVID-19 pandemic and Brexit”*

Producer, small indie

*“**Complex funding models** where producers have to fill the gap will become more and more the norm. The idea that one broadcaster is going to fully fund something is becoming less and less likely.*

In turn, this will mean production companies have to become more business/commercially oriented, and we will have to be open to that.”

Producer, medium sized indie

“We all naively chase the holy grail of fully funded commissions which is becoming more of a challenge. On peak time shows, raising finance for drama is a nightmare ... and we're now talking about investing in some expertise around co-production financing to see what opportunities there are globally. There's more pressure on the producer to come up with the solutions.”

Producer, regional in-house studios

B. Production costs

We've looked at production cost trends across six categories

These are on-screen talent, Directors/DOPs, producers, on-set technical resources, post production and physical resources

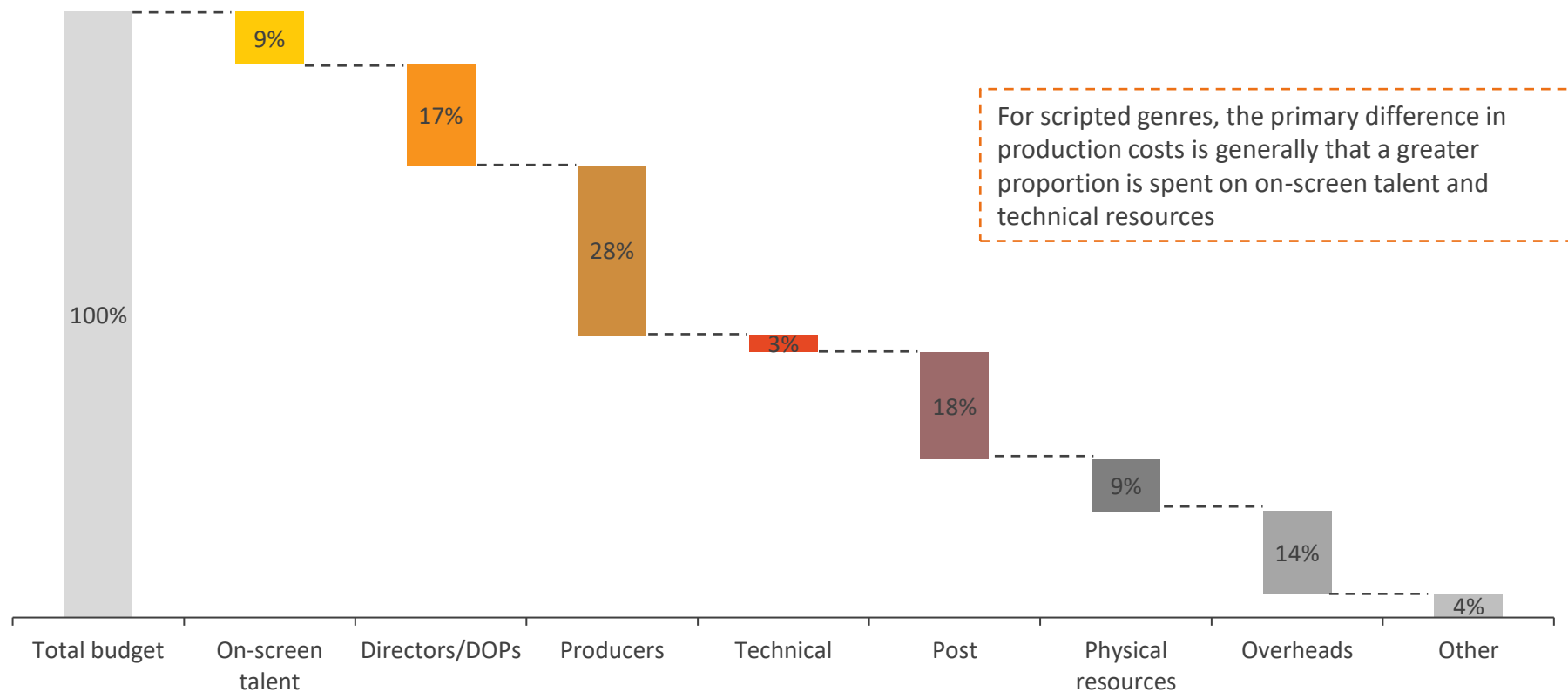
- A** **On-screen talent**
 - In scripted, these are primarily leading actors, supporting actors and extras
 - In non-scripted, these are predominantly presenters and guests, which we have defined as 'other on-screen contributors'
- B** **Directors/DOPs**
 - Directors and Directors of Photography
 - These are highly paid and in high demand
- C** **Producers**
 - These are non-technical production resources across a range of seniority
 - Includes senior Executive producers, producers and line producers
 - Also includes non-technical production support (e.g. runners)
- D** **On-set technical resources**
 - Highly skilled technical on-set resources
 - Includes camera operators, sound recordists, production designers, costumes, hair and makeup, and additional technical resources (e.g. riggers)
- E** **Post production**
 - Post production resources
 - Includes editors, music supervisors / composers, VFX, CGI and colouring
- F** **Physical resources**
 - Physical non-personnel resources
 - Includes equipment, studio/location hire and travel, transport and sustenance

Production costs can vary significantly by genre

Some of the producers we interviewed were willing to share production budgets for their programmes. Below we have provided an example for a long running General Factual PSB commission

Production budget for a returning commission of a General Factual series for a UK PSB

%

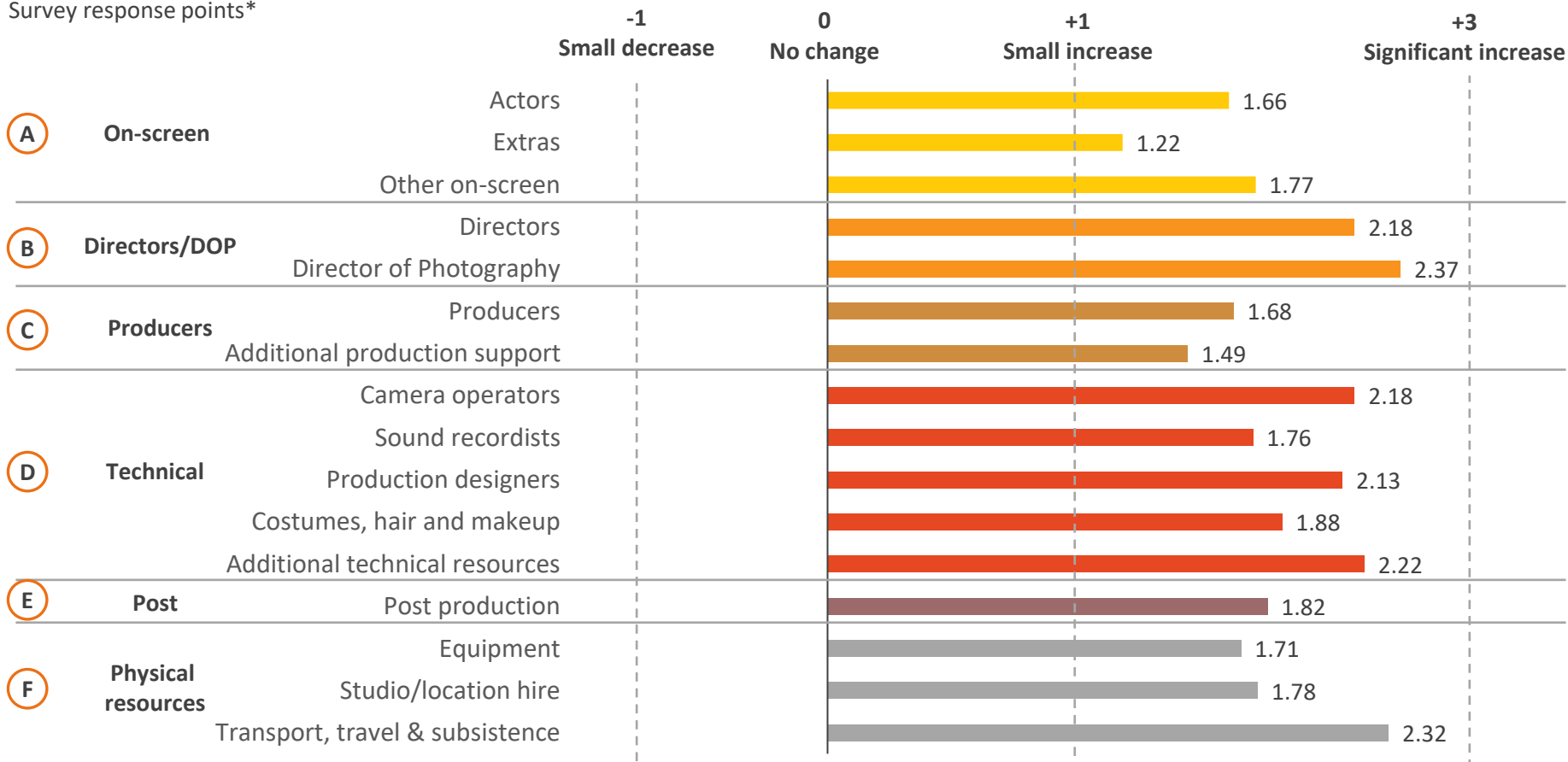


Every type of production resource has got more expensive over the last five years

Across all genres, the most significant cost inflation has been with technical resources, directors & directors of photography, and transport, travel & subsistence

Cost inflation over last five years, by production resource type, average for all genres

Survey response points*



Q: "How have typical market prices for the following production resources changed (on a like for like basis) over the past 5 years?"

Note: * Respondents' answers on the scale of 'significant decrease', 'small decrease', 'no change', 'small increase', and 'significant increase' were converted to a numerical scale from '-3' to '+3', respectively. This allowed responses to be averaged.

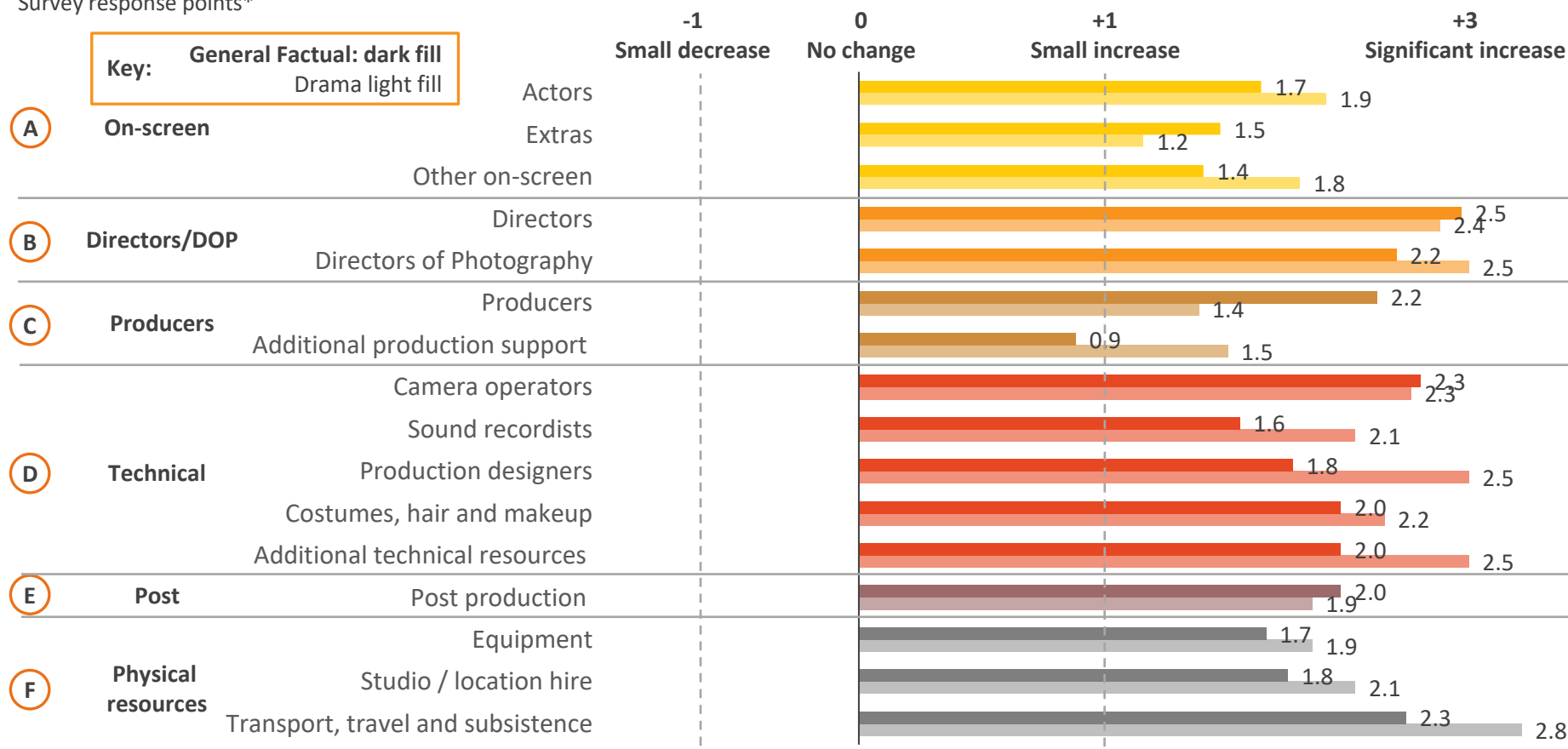
Source: Fly Research (n=65), Oliver & Ohlbaum analysis

Costs have risen more for Drama than General Factual

In particular, Drama productions have seen greater cost inflation than General Factual productions for on-screen, technical, and physical resources

Cost inflation over last five years, by production resource type, average Drama vs General Factual

Survey response points*



Q: "How have typical market prices for the following production resources changed (on a like for like basis) over the past 5 years?"

Note: *Respondents' answers on the scale of 'significant decrease', 'small decrease', 'no change', 'small increase', and 'significant increase' were converted to a numerical scale from '-3' to '+3', respectively. This allowed responses to be averaged.

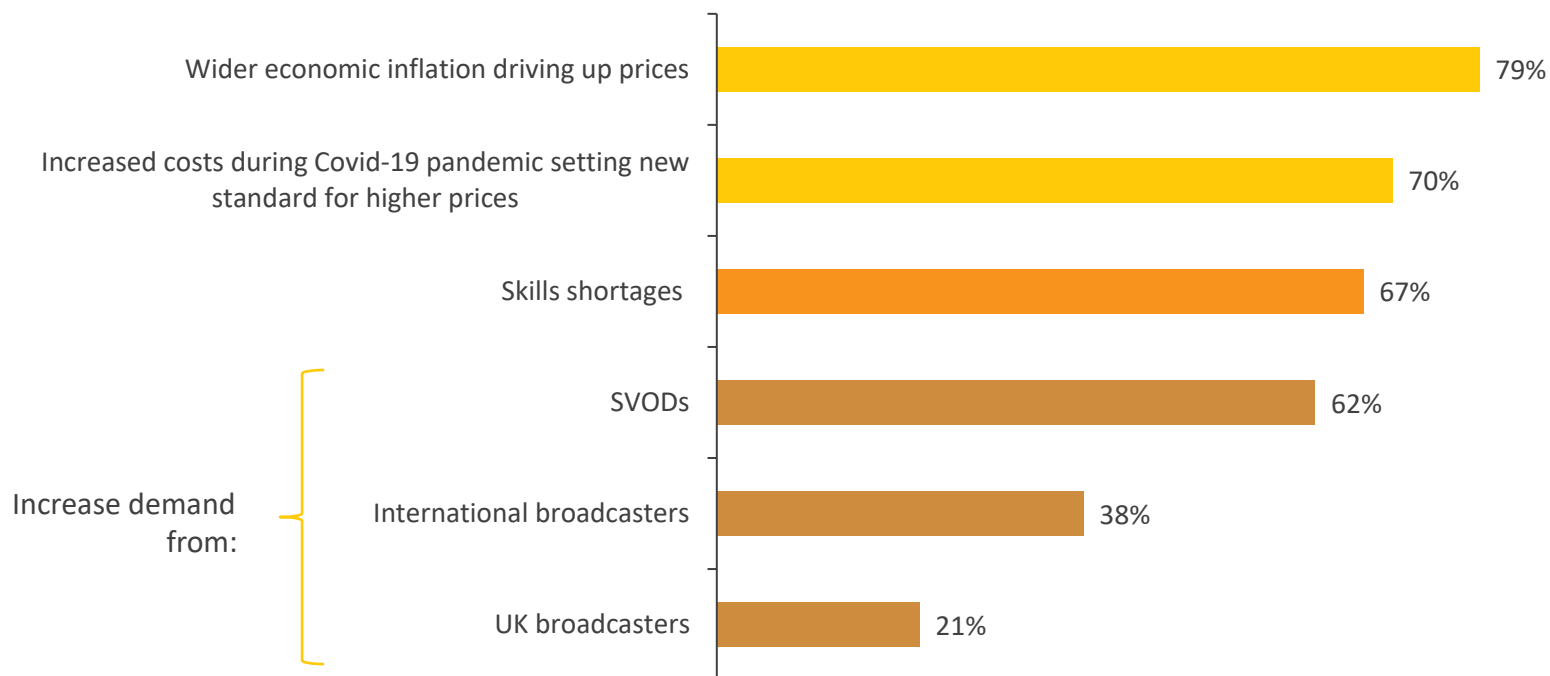
Source: Fly Research (Drama, n=18, General Factual n=13), Oliver & Ohlbaum analysis

Covid-19, wider inflation and skills shortages are the main reasons for higher costs

79% of respondents felt wider economic inflation was one of the main reasons production costs have increased, compared to 70% for Covid-19 impact and 67% for skills shortages. 62% of respondents felt increased demand from SVODs was a major reason

Proportion of producers who agree the following drivers have caused production costs to increase

% who think each driver is 5 or 4*



Note: *Chart shows proportion of survey respondents who selected 4 or 5 for the question "What do you think are the main reasons why production costs have increased over the last five years? Please rank each response option from 1 to 5 where 1 = not a reason at all, and 5 = one of the main reasons

Source: Fly Research (n=61), Oliver & Ohlbaum analysis

Covid-19 had many direct and indirect impacts on the production sector

Restrictions as a result of the pandemic affected both the buyers and sellers of content – halts in production and sport, changes in spend and added costs are all factors that impacted the market

Summary of COVID impacts on the UK production sector

Impacts on demand

- 1 **Reduced advertising spend:**
 - TV ad market fell by 15% from 2019 to 2020
- 2 **Sudden schedule changes:**
 - Lack of sports content and increased news created unusual schedule changes
 - Changed demand for content
- 3 **Reduced spend on content:**
 - Broadcasters reduced spend to de-risk their businesses
 - ITV and C4 both c. 20% reduction

Short-term impacts on production

- 1 **Halts in production :**
 - Initially lockdown halted all productions
 - For subsequent lockdowns production could continue under special circumstances
- 2 **Additional costs:**
 - Productions had to socially distance and regularly test
 - Added c. 35% to production costs
- 3 **Insurance challenges:**
 - In many cases insurance became prohibitively expensive
 - In some case the government stepped in to underwrite productions

Long-term impacts on production

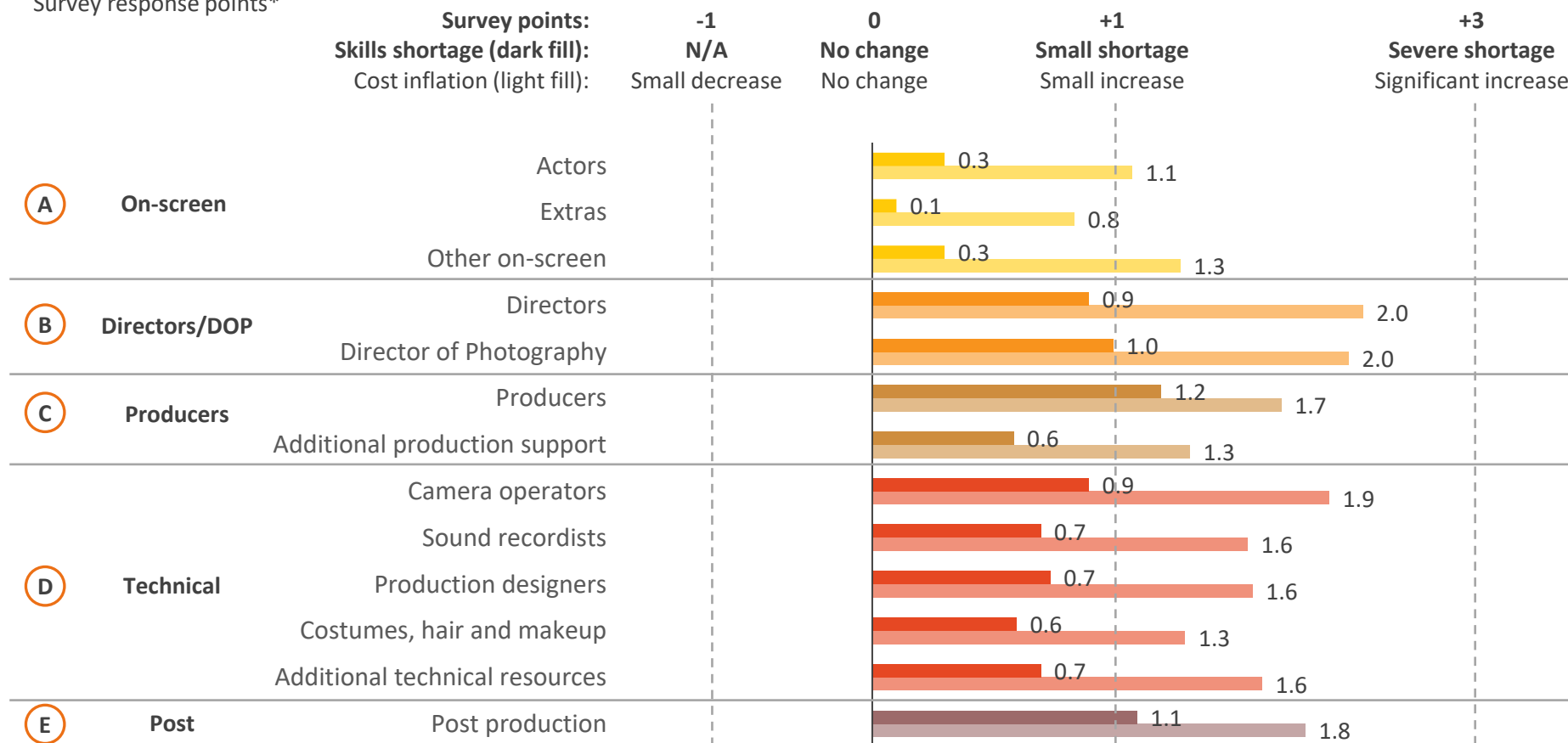
- 1 **Talent/crew leaving sector:**
 - Some production crew and talent left the sector following lack of work in 2020/2021
- 2 **Long term cost inflation:**
 - Reduced supply from crew and talent leaving sector has contributed towards increased costs

Producers feel skills shortages aren't the only reason why costs are increasing...

Survey respondents felt production costs have gone up more strongly than they felt there are severe skills shortages. However, respondents felt there are skills shortages across all resource types, particularly with producers and post

Skills shortages compared to cost inflation over last five years, by production resource type, average for all genres

Survey response points*



Q: "To what extent do you think there are skills shortages for the following types of production resources?"

Note: *Respondents' answers on the scale of 'significant decrease', 'small decrease', 'no change', 'small increase', and 'significant increase' were converted to a numerical scale from '-3' to '+3', respectively. This allowed responses to be averaged.

Source: Fly Research (n=61), Oliver & Ohlbaum analysis

..and this was echoed by the producers we interviewed

*[on post-Covid and the increase in commissions] “I think an awful lot of people were **promoted too fast and too quickly**, so a lot of people were jumping from a producer to executive producer, from coordinator to production manager, and these things **drove rates up**”*

Producer, regional in-house studios

*“The **cost-of-living crisis** has led to salary expectation in the sector increasing. Additionally, since Covid-19, rates are going up, petrol is going up [Ukrainian war] etc and the budget hasn’t. The pressure to deliver on same funding model isn’t easy. And this trend isn’t slowing down any time soon.”*

Producer, medium sized indie

*“**Costs increased due to safety measures** that had to be applied to operations and productions ... We were making drama at the time and there was an additional about **36%** cost attached to the dramas we were making”*

Producer, regional in-house studios

*“Since the **Covid-19 pandemic, and other associated macro-economic events**, there has been a real tightness on trying to find the right staff and crew members. Everything feels very tight and more expensive.”*

Producer, small indie

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- A. Methodologies

Our market sizing analysis looks at the sector through two lenses

This includes a review of demand by looking at commissioning trends and a review of supply by looking at production company trends

A

Demand: commissioning trends

- Analysis on the number of commissions per year from 2011 to 2021
- Covering five main PSB channels, PSB portfolio channels and other UK multichannels, and major SVOD services
- Analysis cut by genre, producer size/status, and producer location

B





Supply: production company trends

- Review of the number of production companies in the market per year from 2011 to 2021
- Analysis cut by producer genre focus, number of commissioners per year, main commissioners, producer size/status, location and turnover band

A. Demand: commissioning trends

Our study covers three of the four main buyers of content

Whilst PSBs continue to make up the majority of content spending, their share of spend is decreasing. PSB spend on commissions has remained flat as SVOD s compete for subscribers with increased content offerings

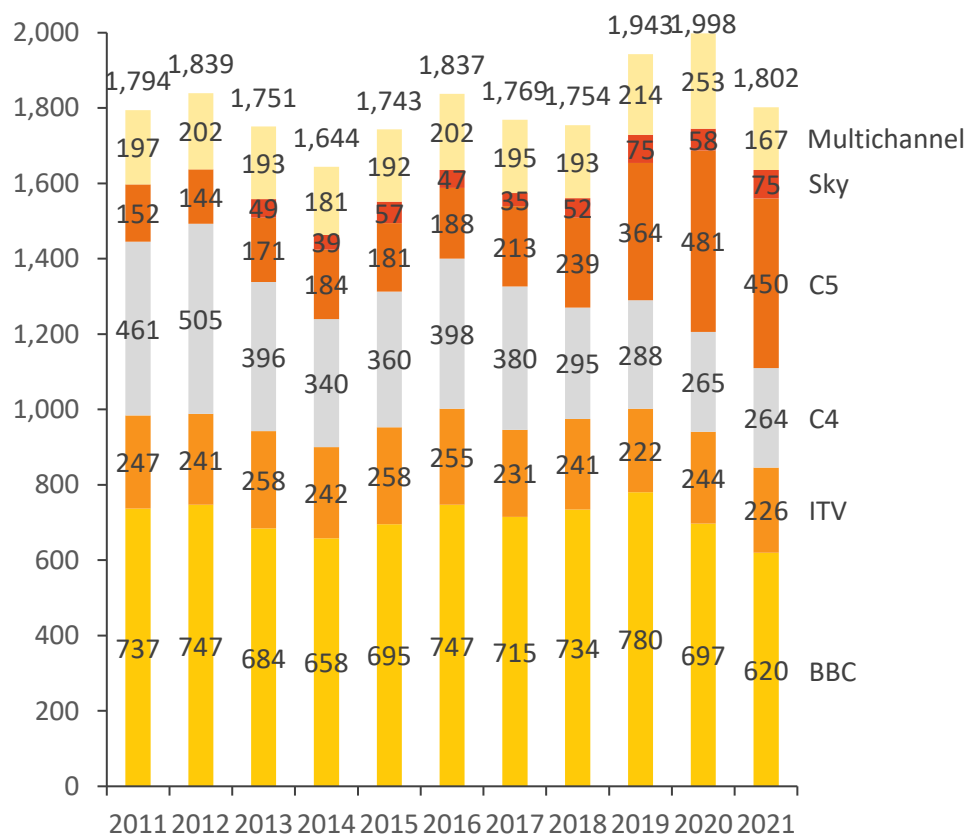
TYPE	DEFINITION	EXAMPLES	SOURCE FOR ANALYSIS
PSB channels	<ul style="list-style-type: none"> Five main PSB channels make up the majority of the commissioning market Commission from both in-house and indie sector 		<ul style="list-style-type: none"> O&O programme database (proprietary resource)
PSB portfolio channels and UK multichannels	<ul style="list-style-type: none"> PSB portfolio channels UK based free-to-air multichannel broadcasters, basic pay and premium pay channels 		<ul style="list-style-type: none"> O&O programme database for Sky One/Sky Showcase O&O multichannel database (created for this project)
SVOD	International and domestic subscription-video on demand services		<ul style="list-style-type: none"> Ampere analysis Covering Netflix, Amazon Prime Video, Disney+ and Apple TV+
Other international buyers	Other international broadcasters or media networks		<ul style="list-style-type: none"> <i>Out of scope for study</i>

Total UK commissioning has remained broadly stable over the past decade

Within this, the number of titles commissioned by C5 has surged since the Viacom acquisition in 2014, while other PSBs have declined. SVOD commissioning has grown significantly since 2015, with Netflix the most active

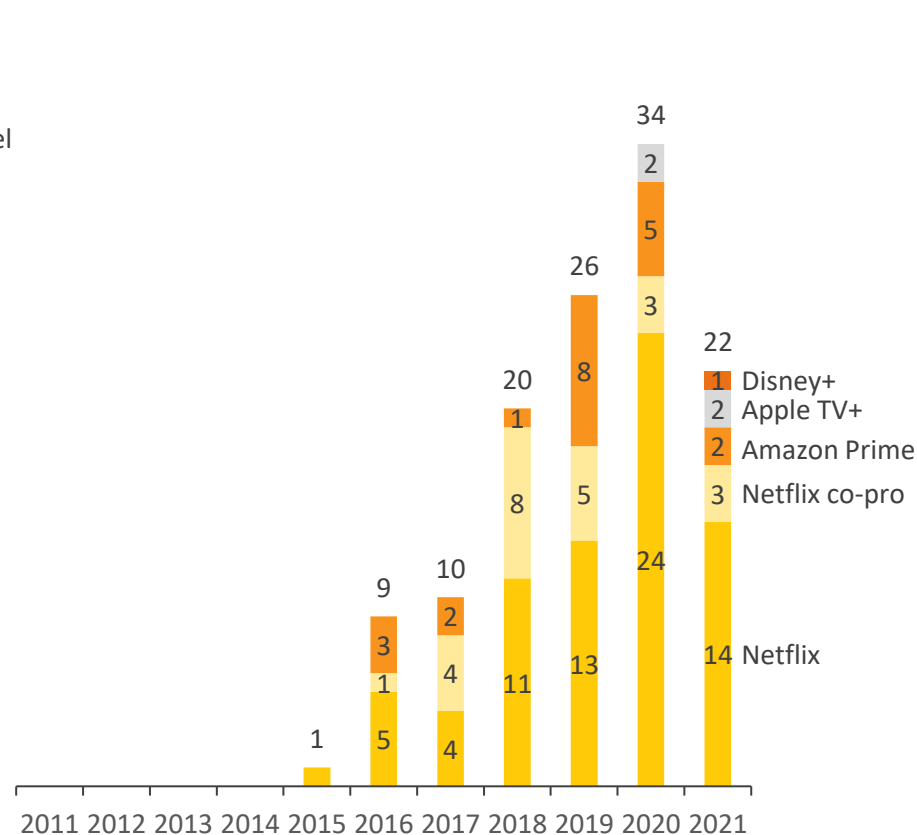
UK commissioning activity, 2011 – 2021

Number of UK commissions



SVOD UK commissioning activity, 2011 – 2021

Number of UK commissions



Note: Commissions include returning series. BBC includes commissions on BBC One and Two. Sky covers Sky One/Showcase

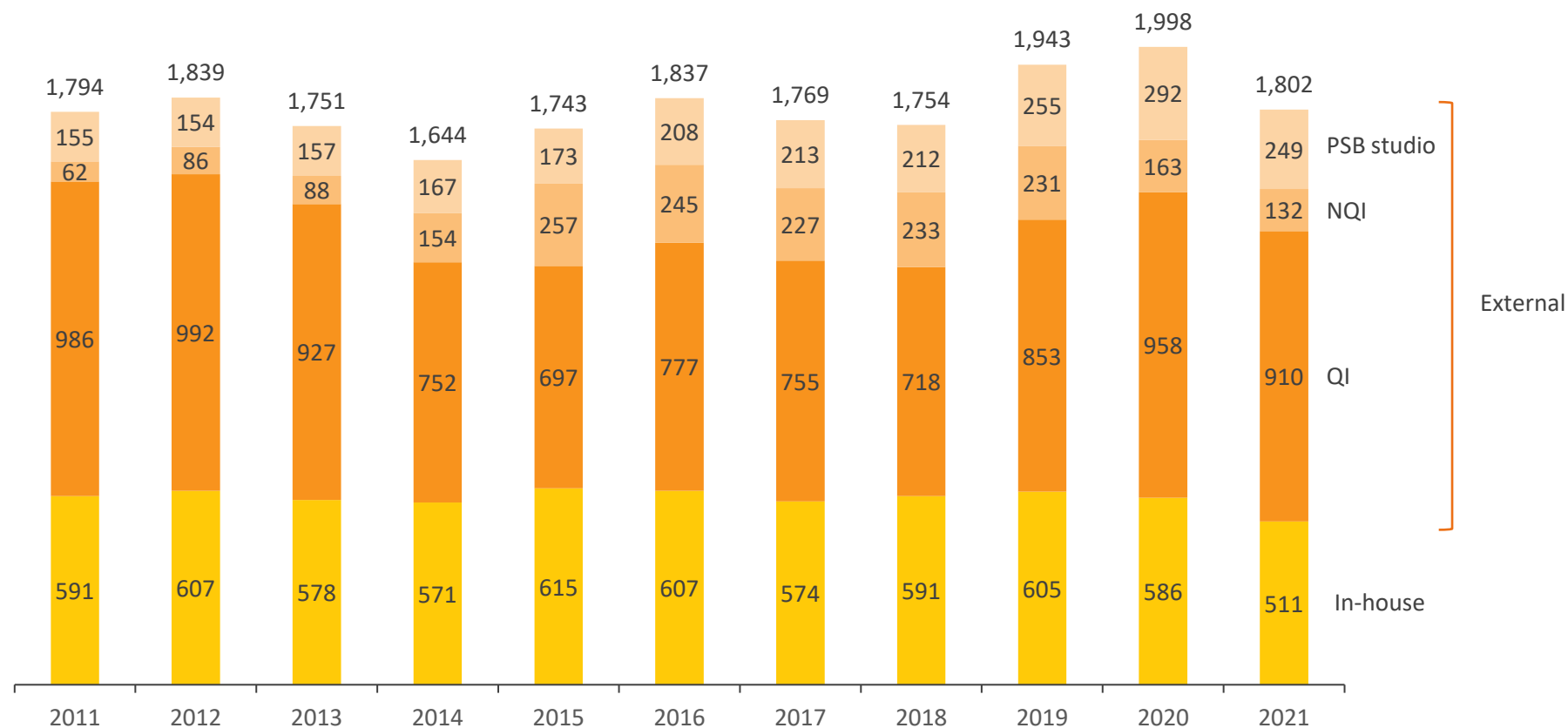
Source: Ampere Analysis, O&O Programme Database, Oliver & Ohlbaum analysis

NQIs have grown their share of PSB and multichannel commissioning

Since 2011, the number of non-qualifying indie commissions on the five main PSB channels and major multichannels has increased significantly

UK commissioning activity by producer type, 2011 – 2021

Number of UK commissions



Note: Commissions include returning series

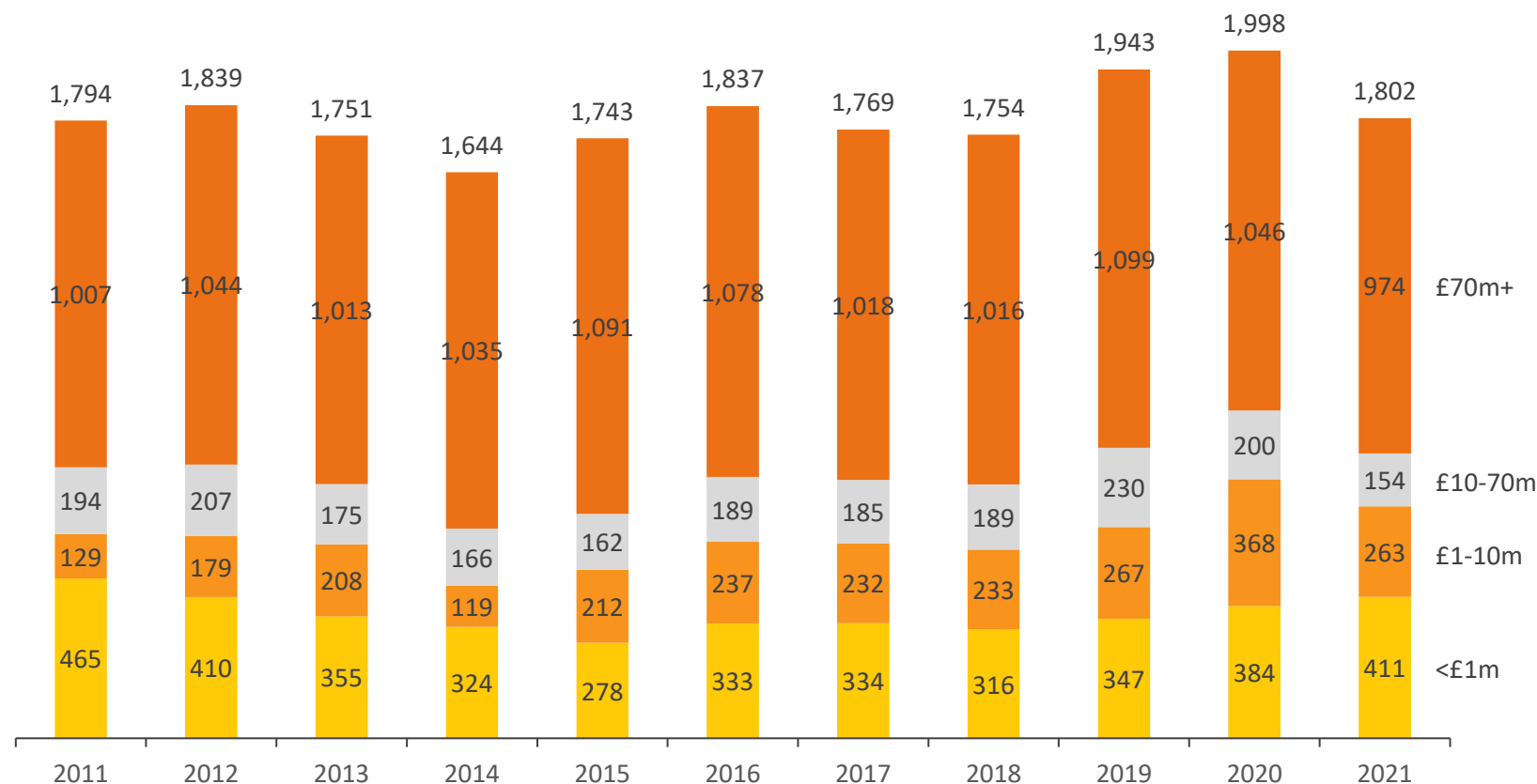
Source: Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

The largest producers accounted for 56 per cent of UK commissions in 2021

Producers with a turnover of more than £70m per year consistently accounted for the majority of UK commissions since 2011, while those with a turnover of less than £10m per year have grown their share of the market

UK PSB + multichannel commissioning activity by producer size, 2011 – 2021

Number of UK commissions



Note: Commissions include returning series

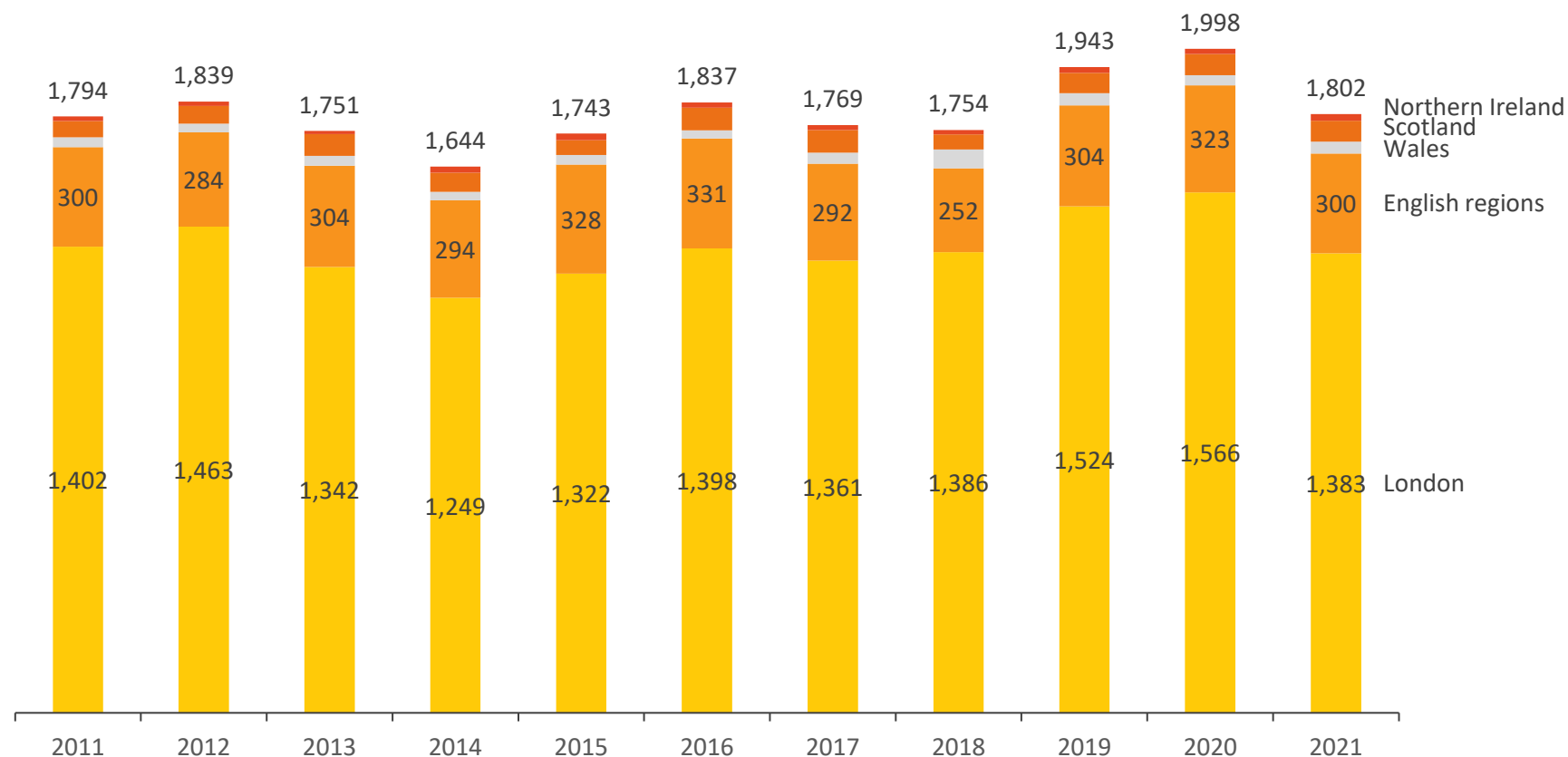
Source: Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

The majority of commissions are produced by companies with London HQs

While producers with a London headquarter consistently accounted for at least 77 per cent of UK commissions since 2011, their share of the total market declined, with producers in Scotland and Northern Ireland growing the most

UK PSB + multichannel commissioning activity by producer location, 2011 – 2021

Number of UK commissions



Note: Commissions include returning series

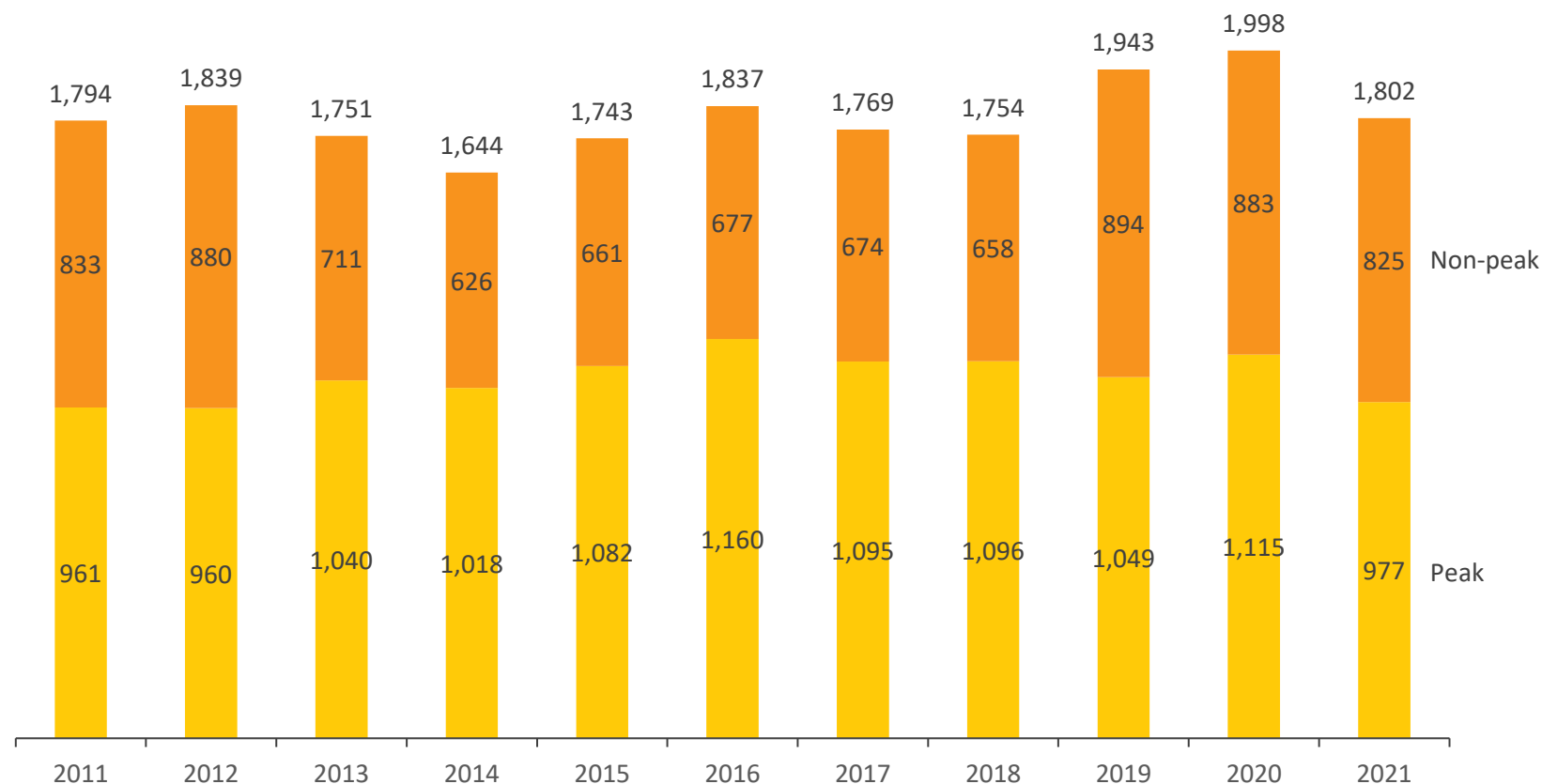
Source: Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

The split of commissions by daypart has remained relatively stable since 2011

Commissions broadcast in peak hours consistently accounted for the majority of all UK commissions since 2011, representing 54 per cent of the market in 2021

UK PSB + multichannel commissioning activity by daypart, 2011 – 2021

Number of UK commissions



Note: Commissions include returning series

Source: Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

Broadcasters are starting to invest more in digital-first content

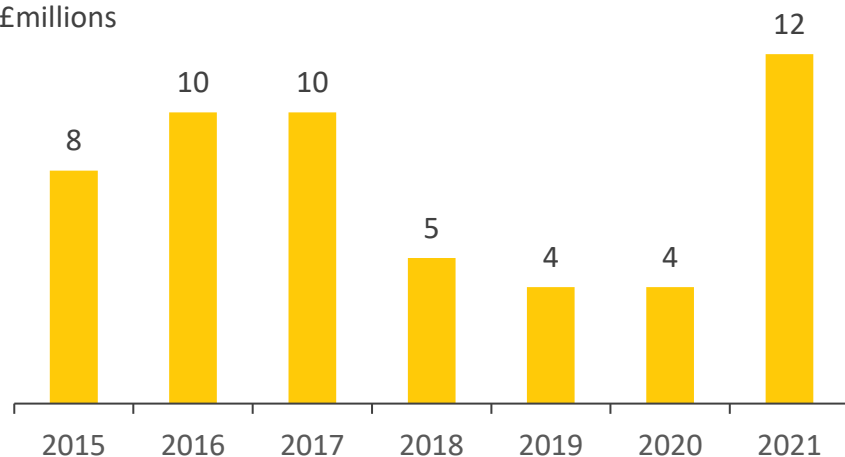
This includes short-form digital content and exclusive long-form digital content for their BVOD players

Channel 4

- Channel 4 commissions originated content for All4, social media and other online platforms
- Launched Channel 4.0, a new space on YouTube and social media, in October 2022 as a platform for short form and digital-first commissions, in collaboration with existing online content creators

Digital media commissioning spend, 2015 – 2021

£millions



BBC

- BBC commissions originated content for iPlayer, Red Button and other online platforms
- It announced a new 'digital-first' approach in May 2022, diverting resources towards online content
- The DG set out the need for the BBC to prepare for a digital-only future over the next decade, with **£300m** in initial investment to drive this approach

ITV

- ITV commissions originated content for ITVX, BritBox and other online platforms. Total spend on these platforms (including commissions and acquisitions) grew from **£54m 2021 to £92m in 2022**
- ITV plans to spend **£160m** on digital-first content for ITVX in 2023, up from £15m in 2022 (including commissions and acquisitions)

Note: Digital media includes BVOD and other platforms

Source: Broadcaster reports, Oliver & Ohlbaum analysis

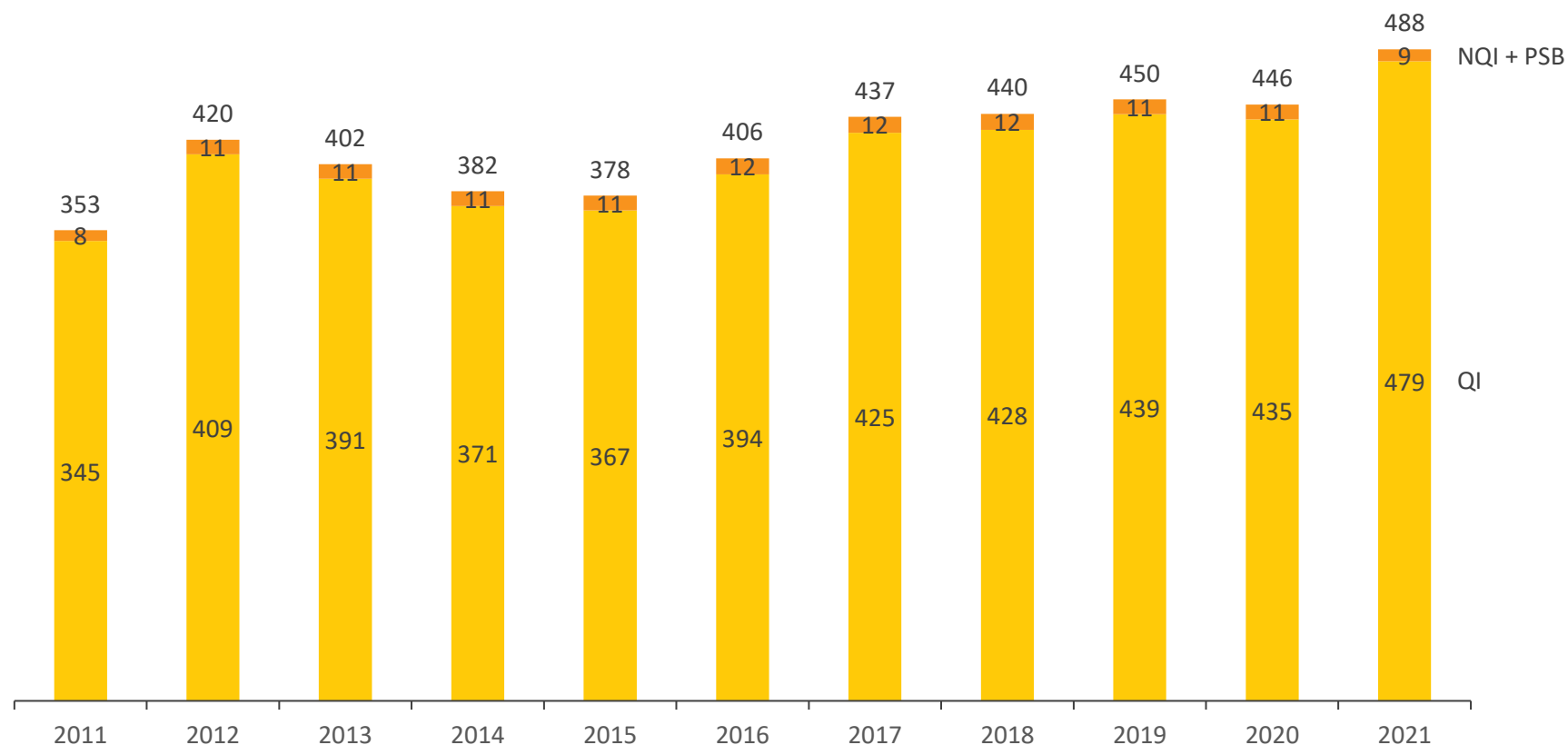
**B. Supply: production
company trends**

The number of active producers has risen since 2011...

There has been growth in the sector since 2011, coming largely in an increase in the number of QIs; fluctuation has occurred in the number of NQIs through M&A activity and as Sony launched and closed its channels

Number of producers, by qualifying status, 2011 – 2021

Number of active producers



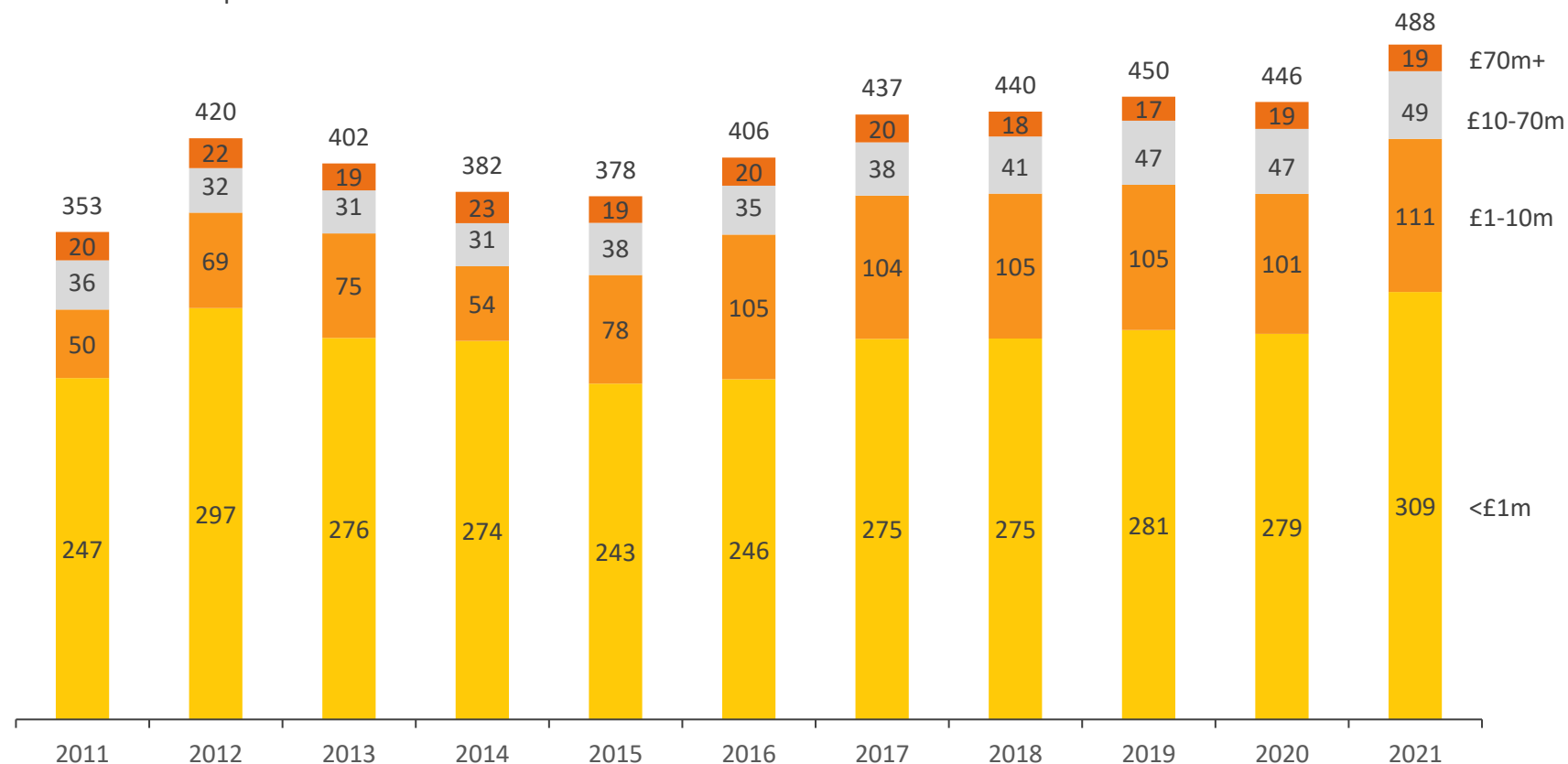
Note: Covers producers with commissions from PSB channels, multichannels, and major SVODs. PSB studios (BBCS, ITVS, C5 in-house) are included with NQIs
 Source: Ampere Analysis, Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

...despite this, the distribution of company sizes has remained broadly similar...

While consolidation has caused market changes, the distribution of companies by turnover band has stayed stable since 2011. Companies with a turnover less than £10 million make up about 85 per cent of the market

Number of producers, by size, 2011 – 2021

Number of active producers



Note: Covers producers with commissions from PSB channels, multichannels, and major SVODs

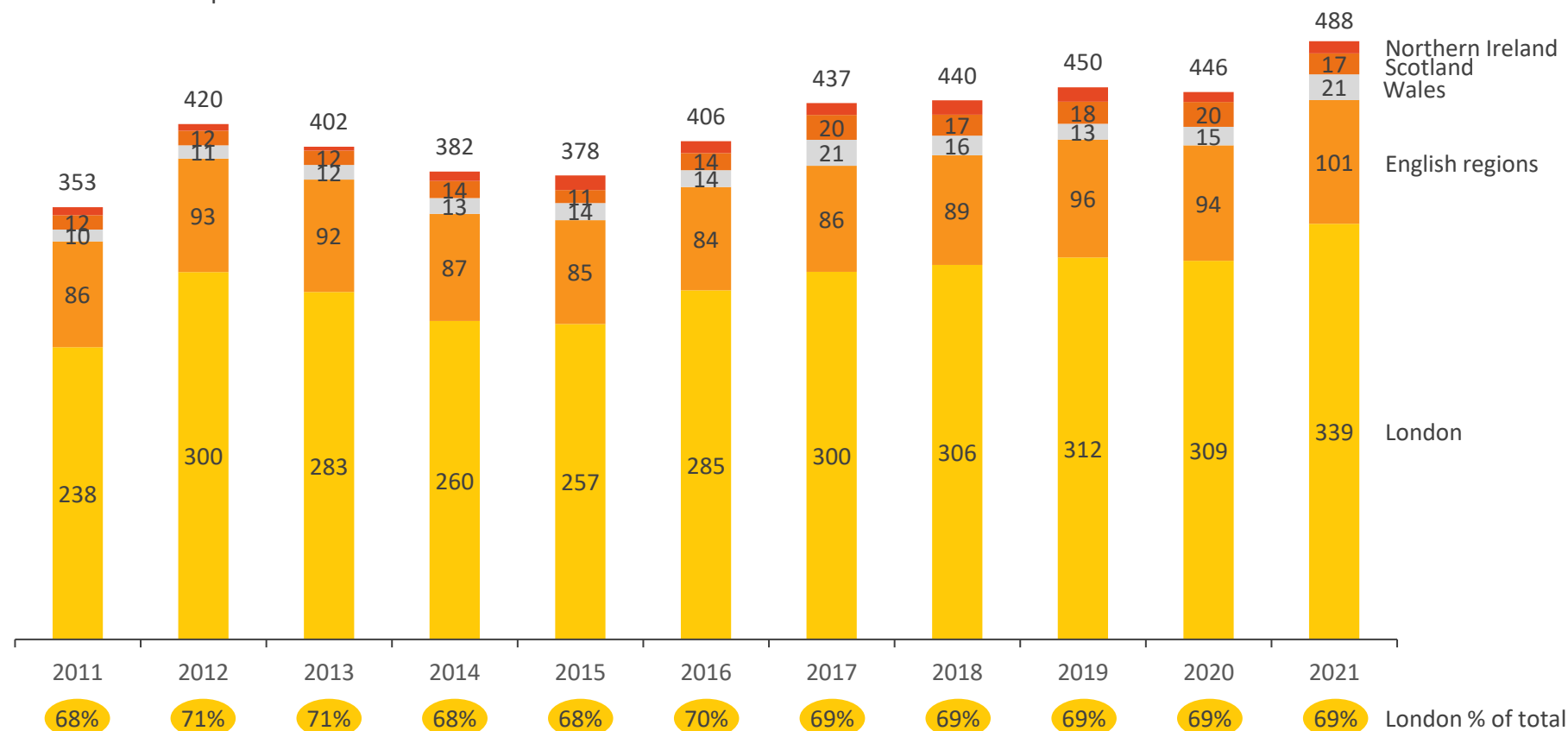
Source: Ampere Analysis, Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

...and London has consistently accounted for more than 68 per cent of producers

London remains the single largest production hub by number of companies; while there has been some growth in the nations' share of the total number of producers since 2011

Number of producers, by company headquarter location, 2011 – 2021

Number of active producers



Note: Covers producers with commissions from PSB channels, multichannels, and major SVODs

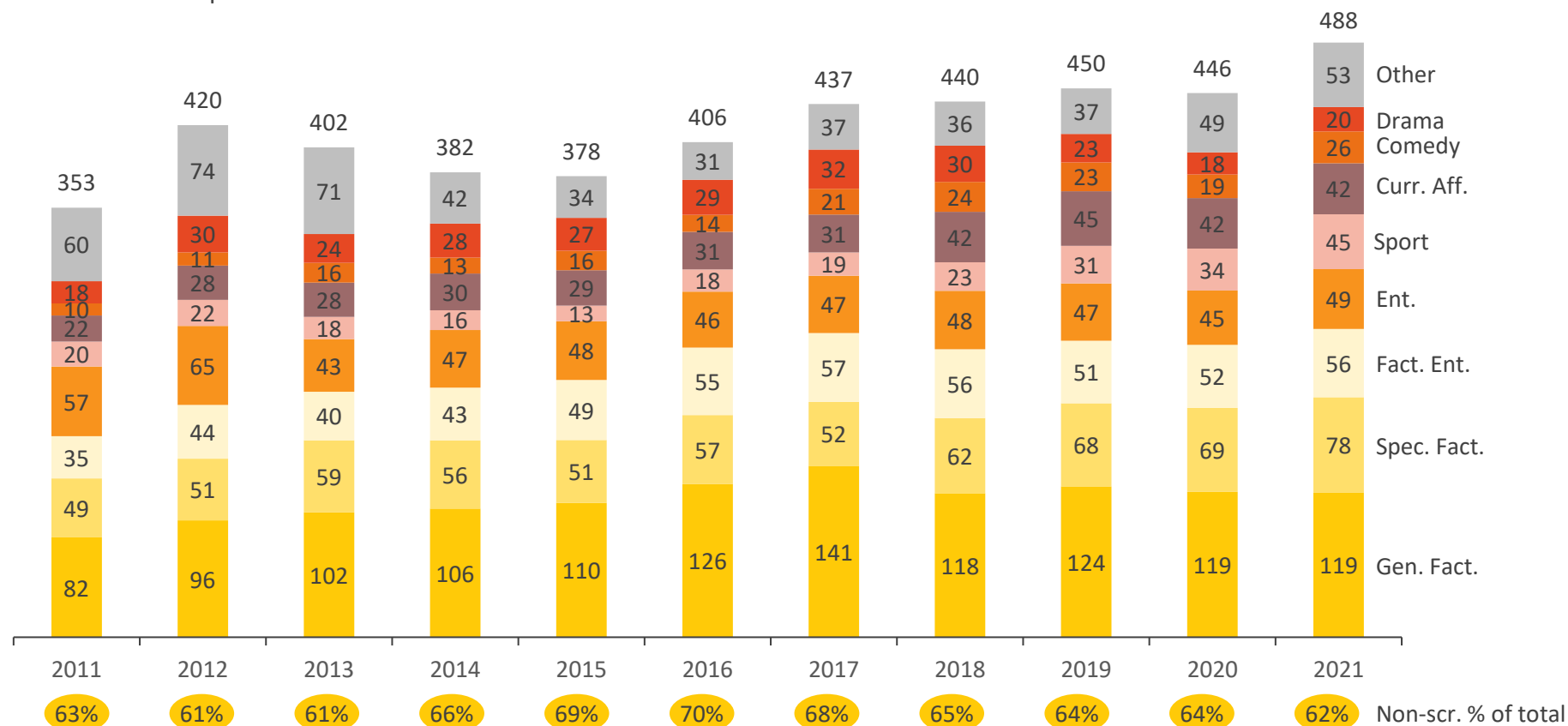
Source: Ampere Analysis, Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

The majority of UK producers focus on non-scripted content

More than 62 per cent of producers have a main focus on general factual, specialist factual, factual entertainment, and entertainment programming

Number of producers, by genre focus, 2011 – 2021

Number of active producers



Note: Covers producers with commissions from PSB channels, multichannels, and major SVODs

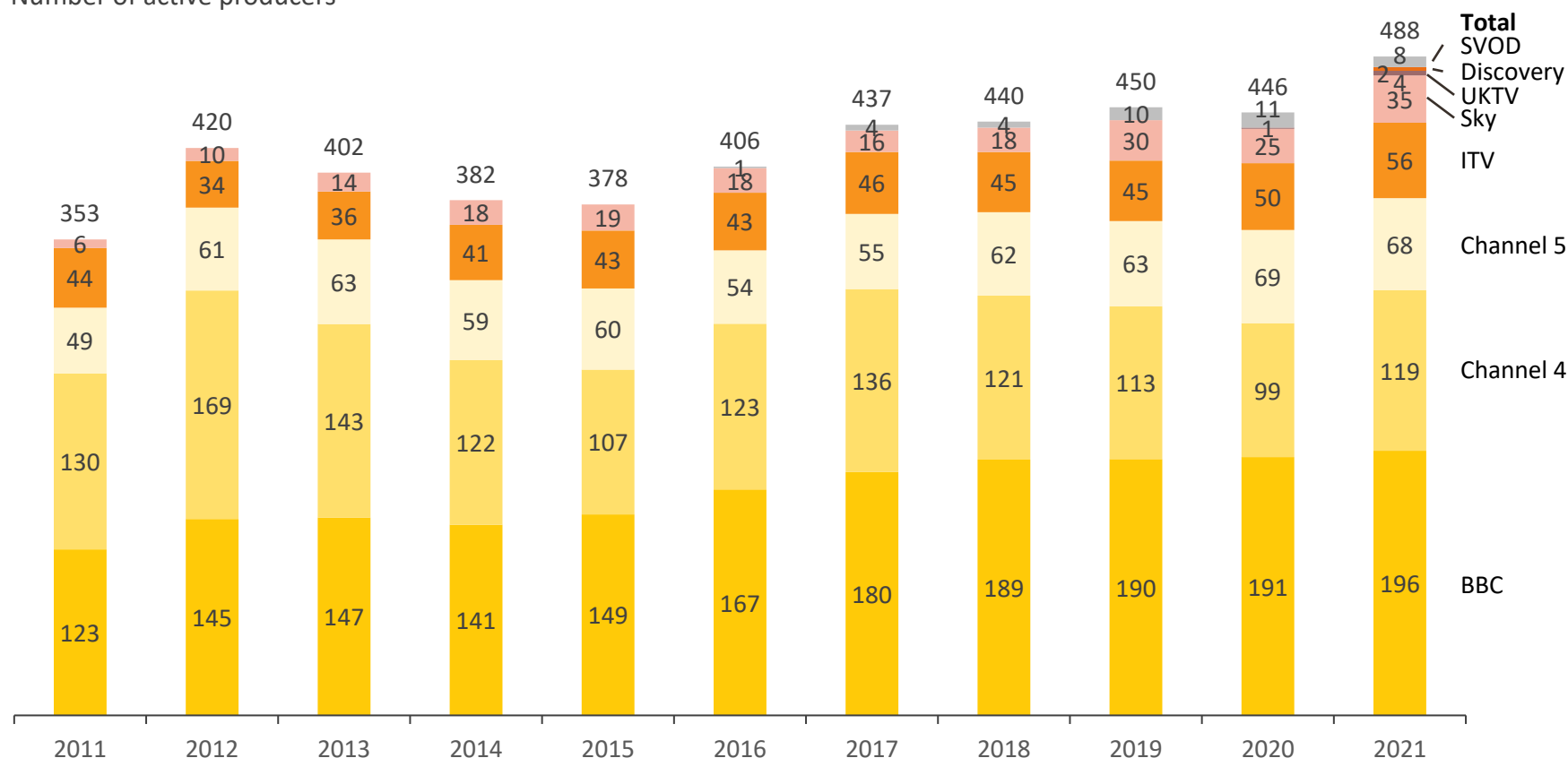
Source: Ampere Analysis, Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

The BBC has been the main commissioning source for most producers since 2011

The PSBs were the main source of commissioning for over 90 per cent of producers in 2021, however since 2011 multichannel, commercial broadcasters and SVODs have increased their share

Number of producers, by most commonly commissioned broadcaster / SVOD, 2011 – 2021

Number of active producers



Note: Covers producers with commissions from PSB channels, multichannels, and major SVODs

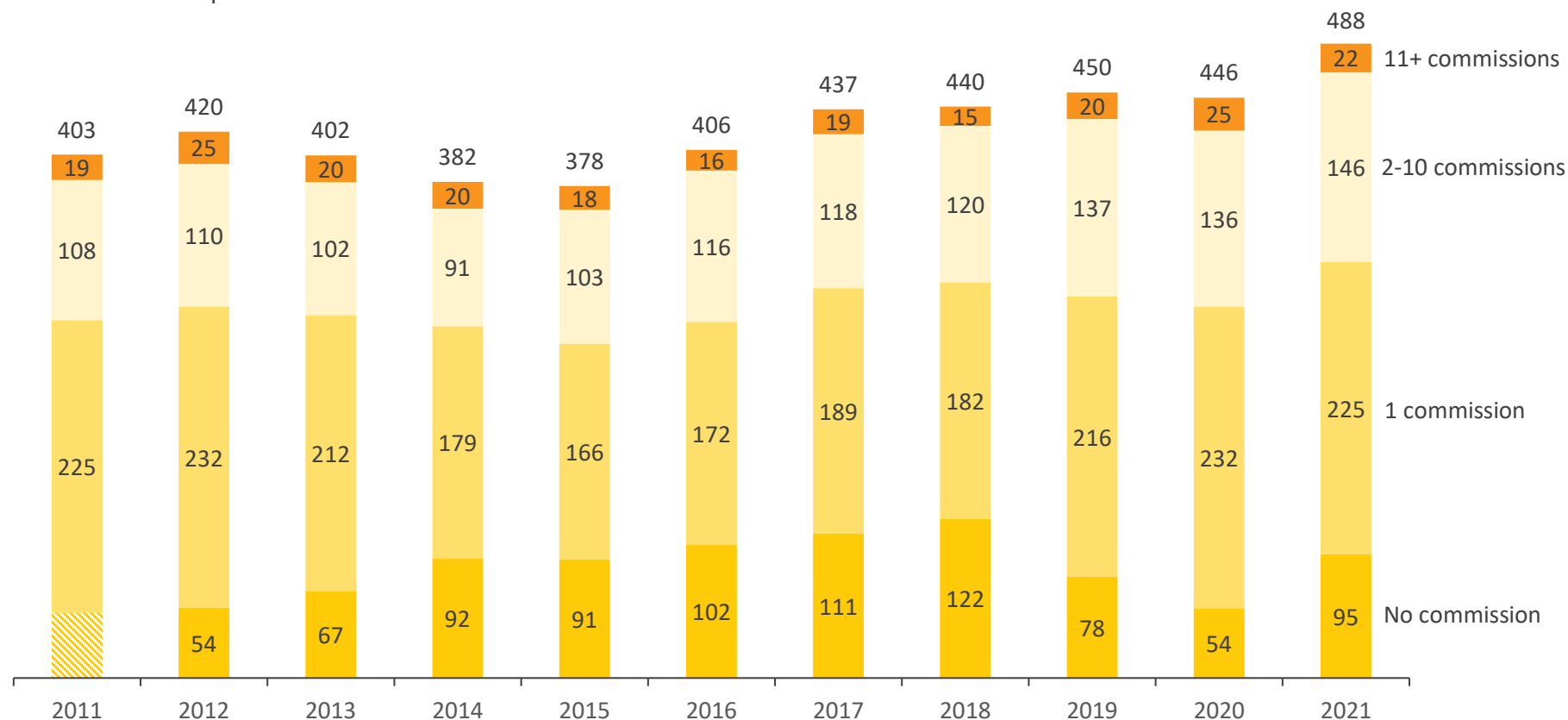
Source: Ampere Analysis, Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

Almost half of all UK producers received only one commission in 2021

Since 2011, most production companies in the UK received one or no commission in each year, however the number of producers receiving between 2-10 commissions per year increased significantly in recent years

Number of producers, by number of commissions per year, 2011 – 2021

Number of active producers



Note: Covers producers with commissions from PSB channels, multichannels, and major SVODs

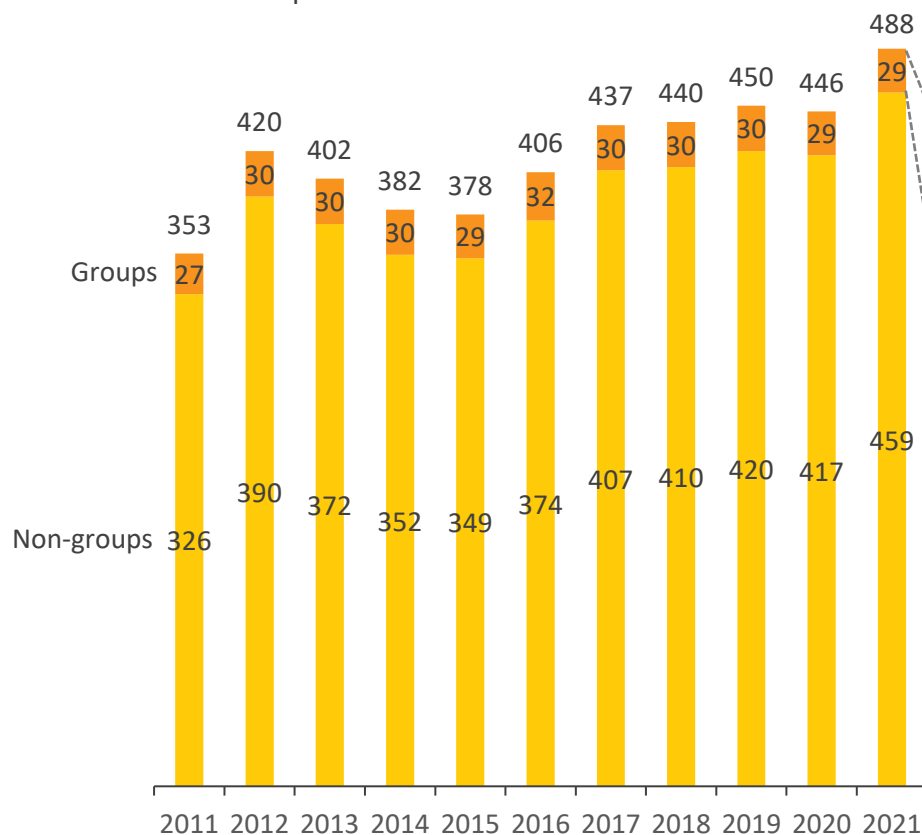
Source: Ampere Analysis, Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

In 2021, the UK's 29 production groups accounted for 188 subsidiary producers

This makes up nearly one third of the total number of production labels in the UK. With 32 labels, Banijay is the largest group, followed by ITV Studios and All3Media

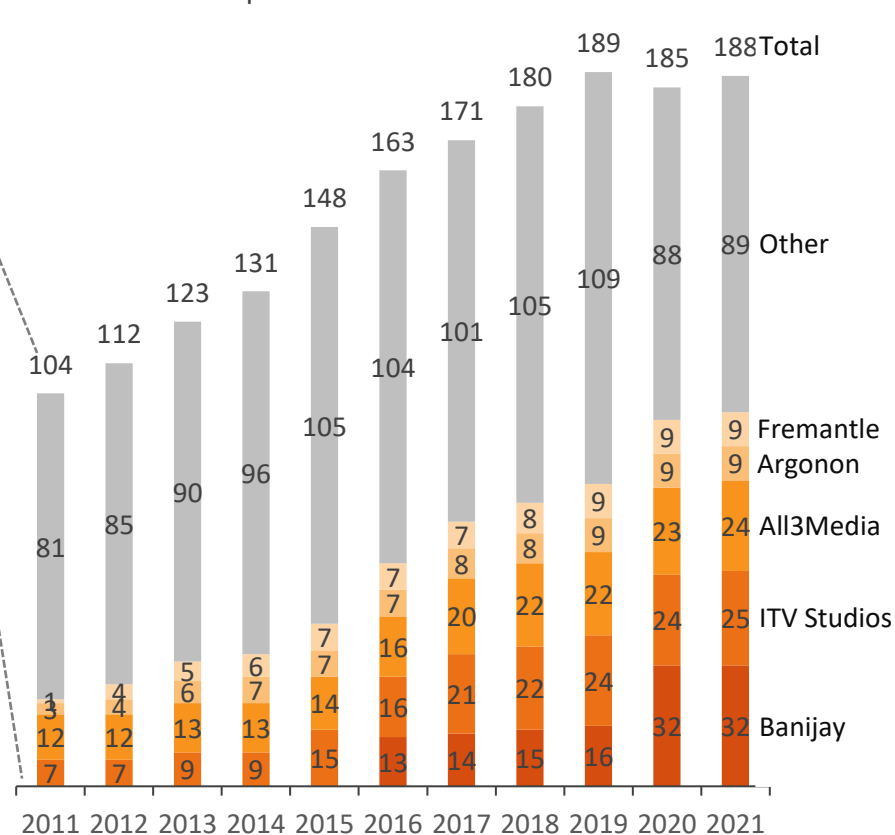
Number of producers, by group status, 2011 – 2021

Number of active producers



Number of labels, by group 2011 – 2021

Number of active producers



Note: Covers producers with commissions from PSB channels, multichannels, and major SVODs

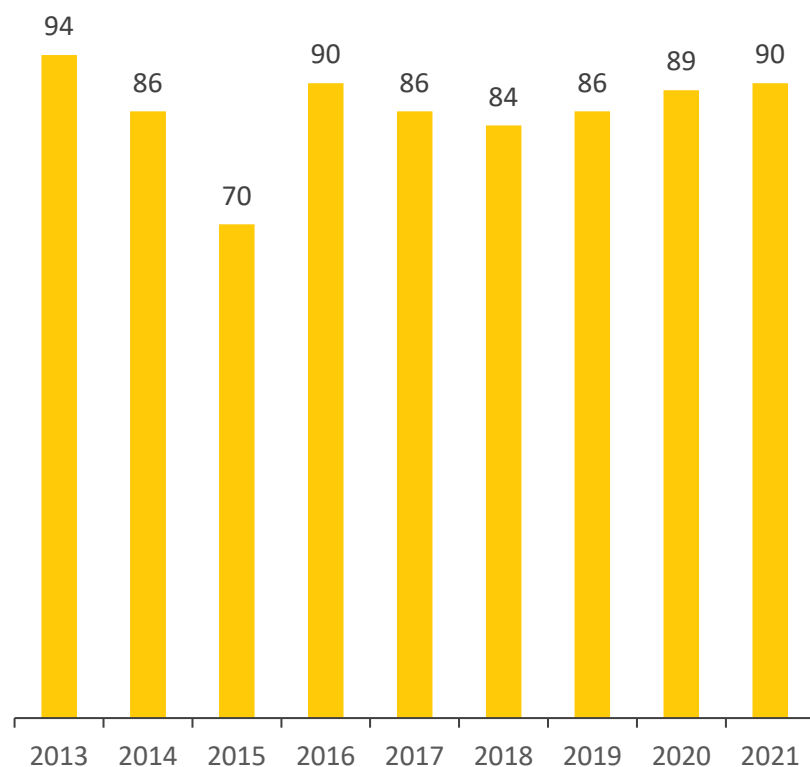
Source: Ampere Analysis, Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

The market is highly dynamic with a lot of new entrants and M&As

The level of new entries indicates relatively easy market entry, but survival may be more challenging as total market growth hasn't mirrored that of new entries each year. M&A activity has remained high with both QI/label acquisitions and group mergers

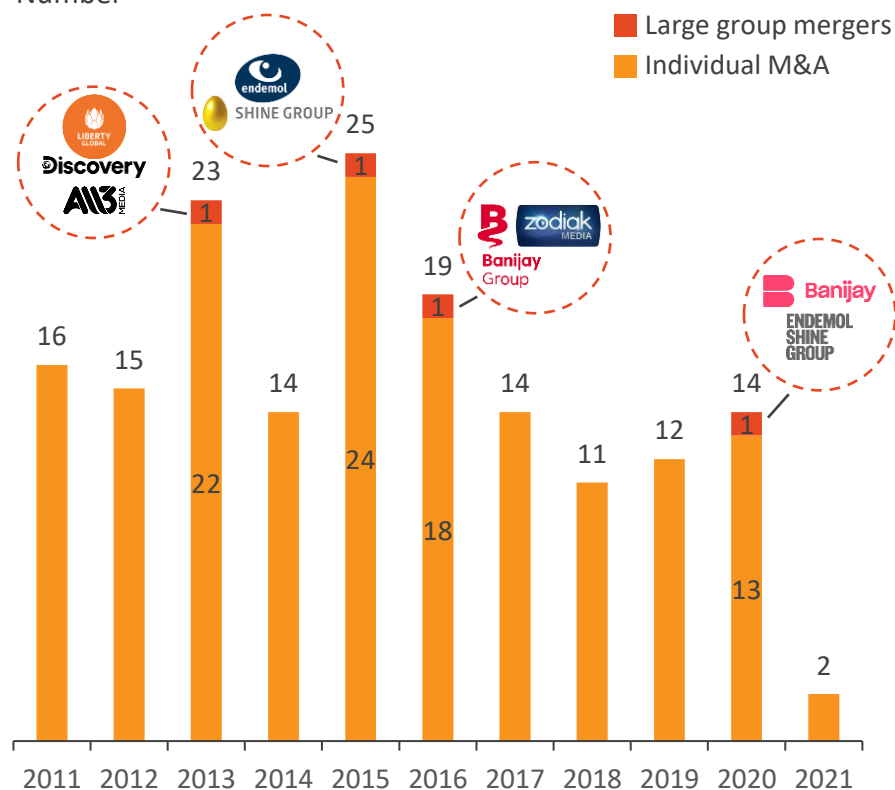
Number of new* producers, 2013** – 2021

Number



Number of UK producer mergers and acquisitions

Number

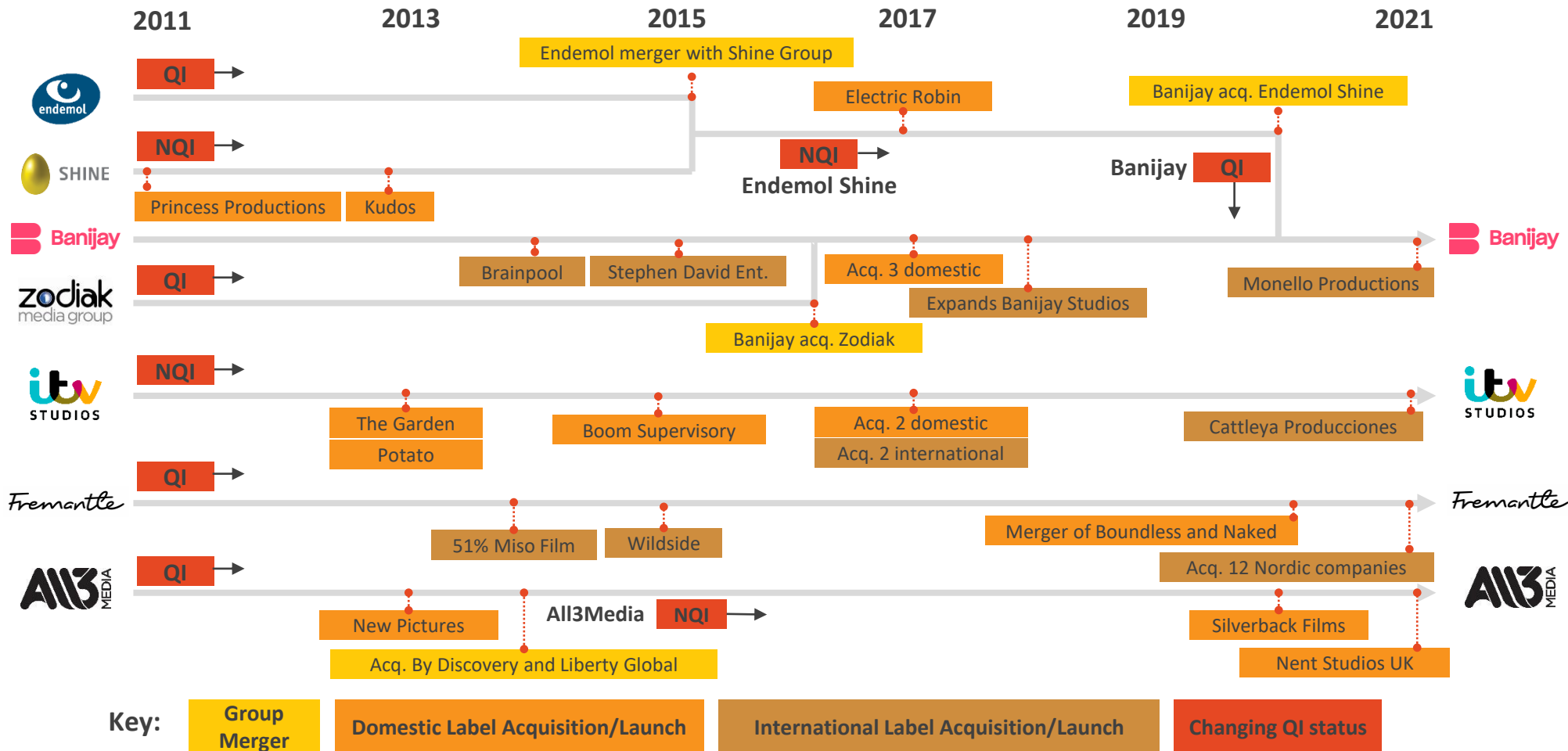


Note: *new defined as not previously active in our dataset. **chart presented from 2013 as 2011 and 2012 likely contains multiple producers that were active before our dataset's range

Source: Ampere Analysis, Broadcast Indie Survey, O&O Programme Database, Pact, Oliver & Ohlbaum analysis

M&A activity can result in QI / NQI status changing

Endemol went from QI to NQI when it merged with Shine to become Endemol Shine, then became a QI again when it was bought by Banijay








Note: Label acquisitions are non-exhaustive
 Source: Company websites, Oliver & Ohlbaum analysis

More producers are focusing on digital and short-form content

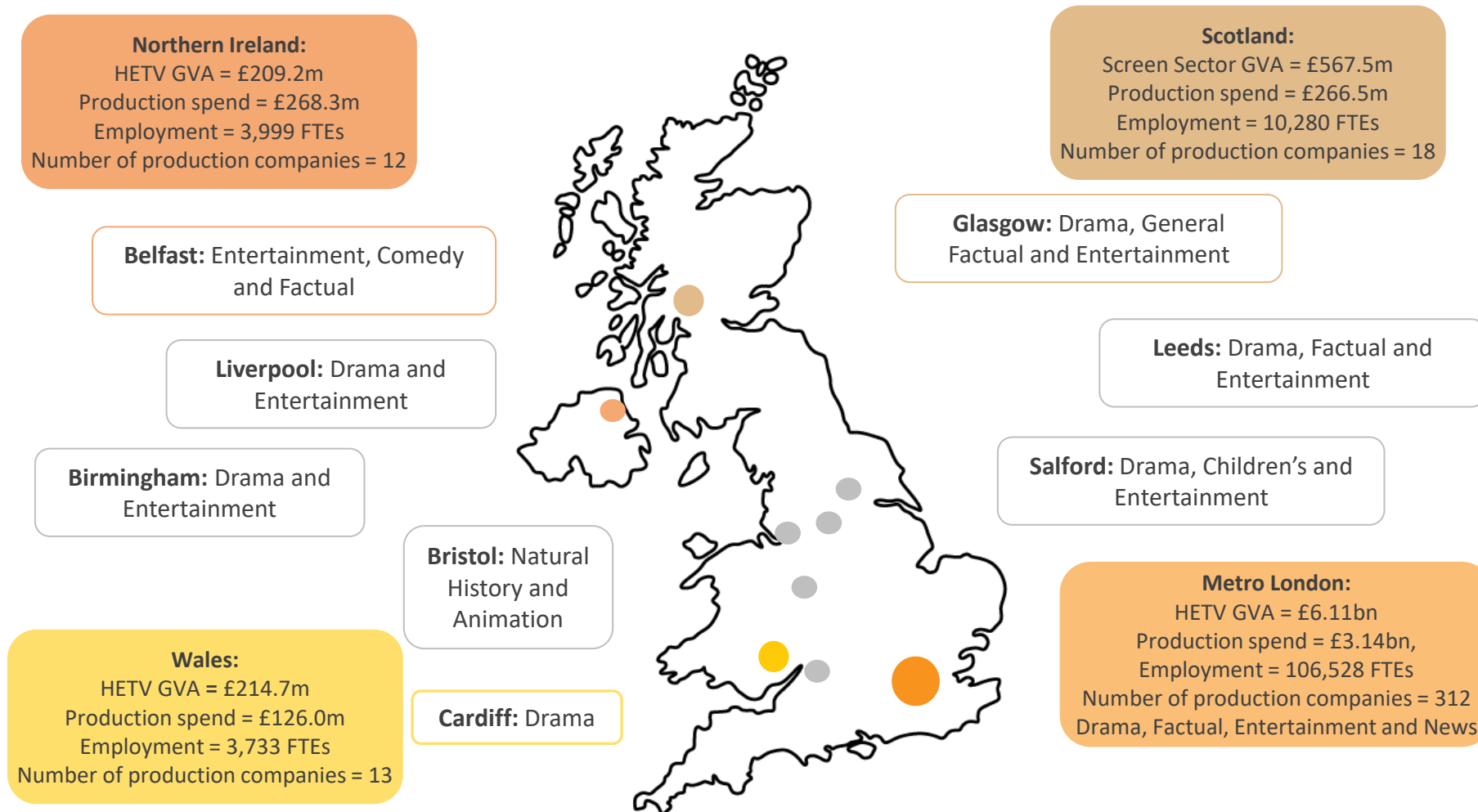
Looking at the producers that had short form digital content commissioned by BBC, C4 and ITV, it seems that most of them were established production companies that started in linear and have diversified into digital content

Example of producers that make short form digital content

Producer name	Example Programmes	BVODs commissioned	Incorporated date	QI/NQI	Group vs indie	Linear commissions
	What If...? With Munya Chawawa	Channel 4	2010	QI	Indie	Linear and Digital
	Random Acts	Channel 4	2011	QI	Indie	Digital only
	Secret Sauce (season 2)	Channel 4	2011	QI	Indie	Linear and Digital
	How this blind girl...	BBC	1994	ITV Studios	Group	Linear and Digital
	Claude Shorts	ITV	1954	ITV Studios	Group	Linear and Digital

The UK's Nations & Regions contain many creative clusters

In particular, several key TV production hubs have emerged along the West coast



Note: Screen sector GVA and FTE available for Scotland via Screen Scotland. For other Nations, Screen sector GVA and FTE unavailable, so BFI HETV data used
 Source: Screen Scotland, BFI Screen Business 2017-2019, Oliver & Ohlbaum Analysis

We zoomed in on three of the UK's key TV production regions outside of London

Key PSB offices have relocated to destinations such as Glasgow, Salford and Bristol, enhancing the production sector

Cluster	Production spend	FTE	Screen sector GVA	Genre focus	Skills & facilities	Studios
Glasgow	£42.4 million (2021)	3,720 (2019)	£214.9 million (2019)	Drama, General Factual and Entertainment	The Glasgow Collective: collaborative studio space	<ul style="list-style-type: none"> BBC Pacific Quay STV Studios, Channel 4 Creative Hub
Bristol	£17 million (2019-2020)*	2,760 (2022)	£197.5 million** (2020-21)	Natural History and Animation	Bottle Yard Studios: largest dedicated production space in West of England	<ul style="list-style-type: none"> BBC Bristol BBC Natural History ITV West
Salford	-	3,207 (BBC 2019)	£277 million (MediaCityUK, 2016)	Drama, Children's and Entertainment	MediaCityUK: home to production companies, TV studios and post-production facilities	<ul style="list-style-type: none"> Dock 10 (BBC, Channel 4, ITV) Quay House (BBC)

Note: *Direct expenditure facilitated by BFO and TBYS ** GVA data unavailable so provided total independent screen sector turnover (not including BBCs)
Source: Screen Scotland, Bottle Yard Studios, UWE Bristol, KPMG, Oliver & Ohlbaum Analysis

Producers had differing views on the success of the Nations & Regions

“Covid-19 increased the accessibility of meetings and this became a big drawing factor for people to leave London.

***You no longer have to be in London to be in contact.** It has been both liberating and democratising.”*

Producer, regional indie

*“There is an **East West split** in the UK ... the East coast has a much smaller industry.”*

Producer, regional indie

*“**The Ofcom requirement is in hours which is unfair**, they should do it in spend because it’s more expensive to make things outside of London so they should move more expensive projects ... there’s more room to use money to train people or ship in the people they need.”*

Producer, large indie

*“If you really look at Ofcom’s register of TV productions made outside of London, **its not robust enough**. Wales is really skewed by drama commissioned by BBC. And skew is also coming from production companies headquartered in London.”*

Producer, regional in-house studios

*“No question at all that **change to level up the nations in commissioning is definitely happening** ... that sense of opportunities being there for producers in nations to thrive and develop their businesses and be part of the mainstream conversation is there.”*

Producer, medium sized indie

1. Introduction
2. Production finance and costs
3. Supply and demand assessment
4. Future of the sector

APPENDIX

- A. Methodologies

Our analysis on the future of the sector contains two components

These are a base case revenue forecast and an analysis of threats and opportunities to the sector

A

Base case revenue
forecast

- Forecast for total UK production sector revenues through to 2030
- This includes an estimate for revenues in 2022 followed by forecasts for 2023 onwards

B

Threats and
opportunities

- Discussion of primary threats and opportunities for the UK production sector identified from producer survey and interviews
- Covering commissioning role of SVOD, UK commissioning budgets, role of in-house studios and continued cost inflation and skills shortages

**A. Base case
revenue forecast**

Four main drivers underpin our base case market forecast

We have assumed a continuation of current trends with no major market entries or exits, or pivoting business models

TV advertising market

- The future of the TV advertising market has a significant impact on UK production spend as three of the four biggest commissioners – ITV, C4 and C5 – are majority ad funded
- In the short term we expect a decline due to the **economic downturn**
- In the longer term we expect **addressable advertising** to normalise market CPTs and negatively impact the larger networks

BBC funding model

- BBC funding is under pressure due to the nominal licence fee settlement
- For the base case, we forecast that this will continue through to 2030 but without a major change in how the BBC is funded – therefore **licence fee model continues in 2027 Charter renewal**

Regulatory environment

- We've assumed a **continuation of current Ofcom production quotas** (including QI & MoL)
- We've assumed that **C4's publisher broadcaster status is removed** and it's able to gradually build in-house production capability (but not to the same extent of ITV or BBC)

SVODs

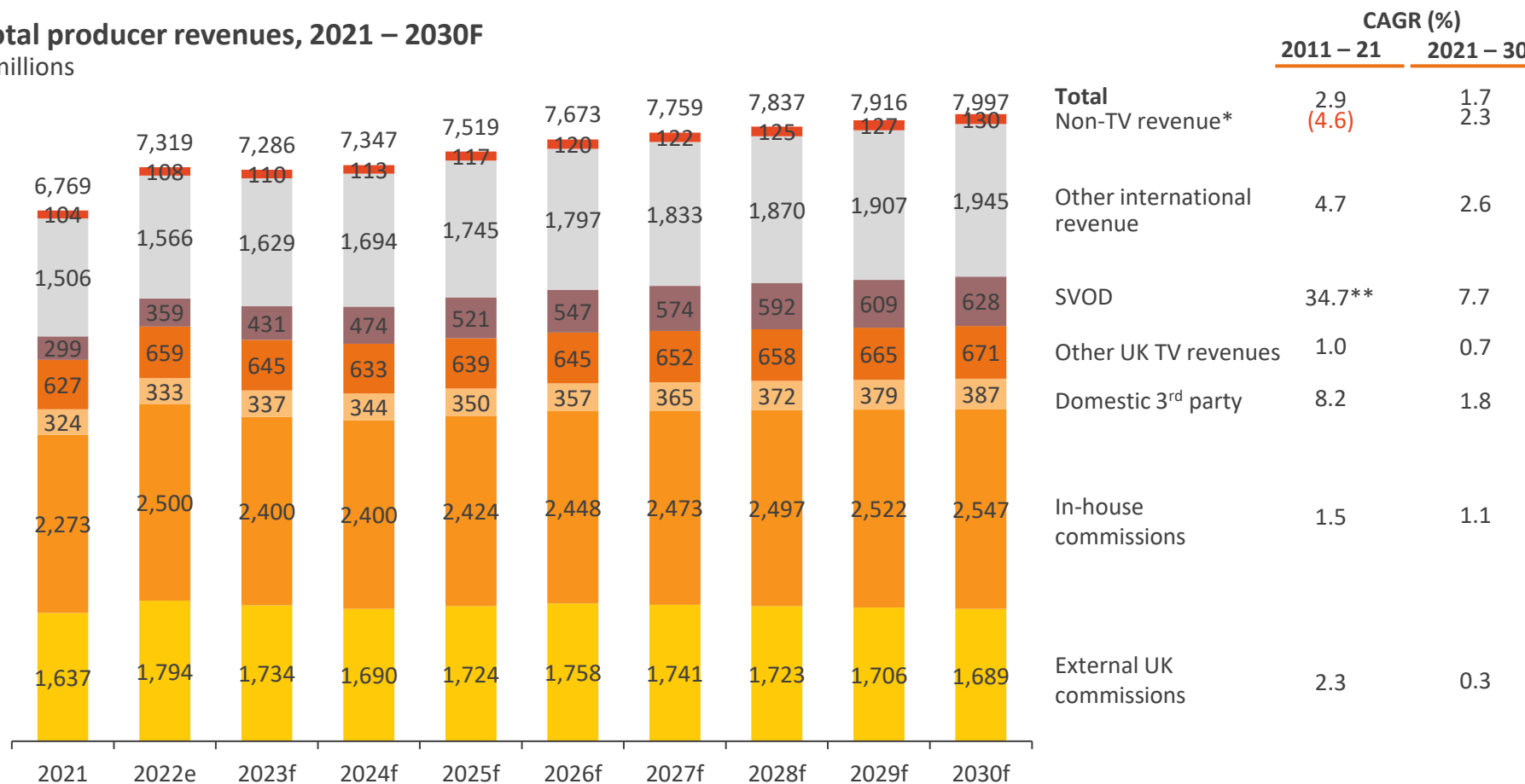
- SVOD commissions were the fastest growing segment for UK producers between 2015-21
- We forecast **SVOD growth will continue through to 2030**, further propelled by AVMSD regulation – but will not accelerate beyond its growth over the last five years

We forecast sector revenues will grow to c. £8 billion by 2030

We forecast total sector growth with a CAGR of 1.7 per cent from 2021 to 2030. The largest growth is from SVOD commissions, followed by other international revenues and UK in-house commissions

Total producer revenues, 2021 – 2030F

£millions















Note: *Non-TV revenue includes corporate production, new media and other non-TV activities such as online publishing, talent management, promotions, public relations and feature films. Excludes financing from third-party sources (i.e., non-commissioners). **SVOD CAGR shown from 2015-21
 Source: Ofcom, Pact Export report, Pact UK Television Production Census 2022, COBA Content Investment report, Oliver & Ohlbaum analysis

B. Threats and opportunities

Producers identified four primary threats and opportunities for the sector

These relate to the level of SVOD involvement in the commissioning market, the size of UK commissioning budgets in general, use of in-house studios and cost inflation and skills shortages

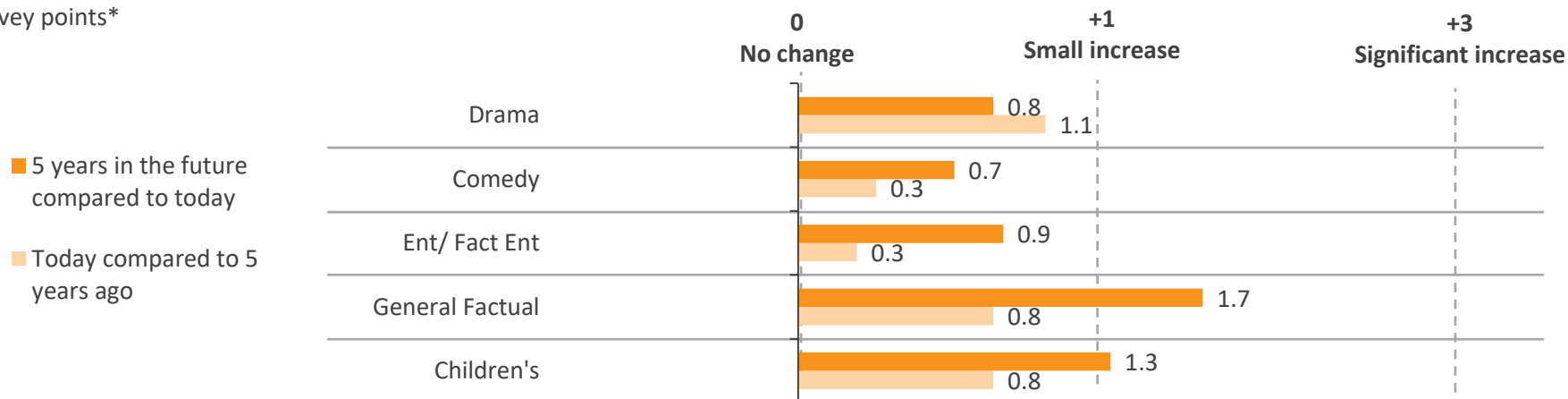
	Threat/opportunity	Details	Producer impact assessment		
			Likelihood	Level of threat	Level of opportunity
i	SVOD involvement in the UK commissioning market could accelerate	<ul style="list-style-type: none"> Increase in spend for both SVOD co-pro and direct commissions Implications for type and genre of content produced for SVOD commissions 			
ii	There could be a more rapid reduction in UK commissioning budgets	<ul style="list-style-type: none"> Particular squeeze felt in PSB budgets Potential pressure on BBC public funding level (and a potential change to the licence fee model in 2027) 			
iii	There could be a faster pivot towards in-house production	<ul style="list-style-type: none"> Broadcasters continuing to expand in-house production capabilities Channel 4 publisher-broadcaster status removed SVODs build UK in-house studios or establish more partnerships with producers 			
iv	There could be more aggressive cost inflation and skills shortages	<ul style="list-style-type: none"> Significant impact on supply of new content Implications for volume, type and genre of content produced for broadcasters and SVOD 			

i SVOD involvement in the UK commissioning market could accelerate

With the exception of Drama, most producers from our survey felt that SVOD commissions would become increasingly important in five years' time compared today, particularly in General Factual and Children's content

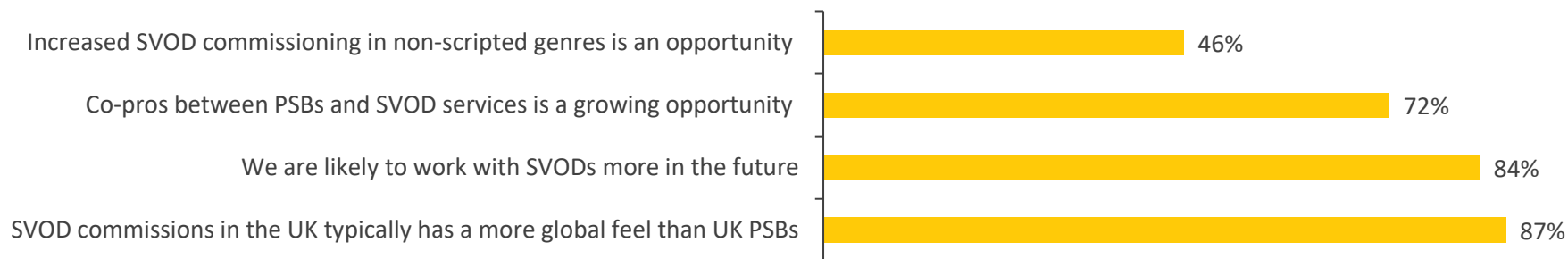
Change in relative importance of SVOD commissioning, select genres

Survey points*



Producers' views on SVOD involvement in UK commissioning market

Proportion who agree or strongly agree



Q: "How important is each source of finance for your productions compared to 5 years ago?" / "To what extent do you agree with the following statements?"

Note: * Respondents' answers on the scale of 'significantly less', 'less', 'same', 'more', and 'significantly more' were converted to a numerical scale from '-3' to '+3', respectively. This allowed responses to be averaged.

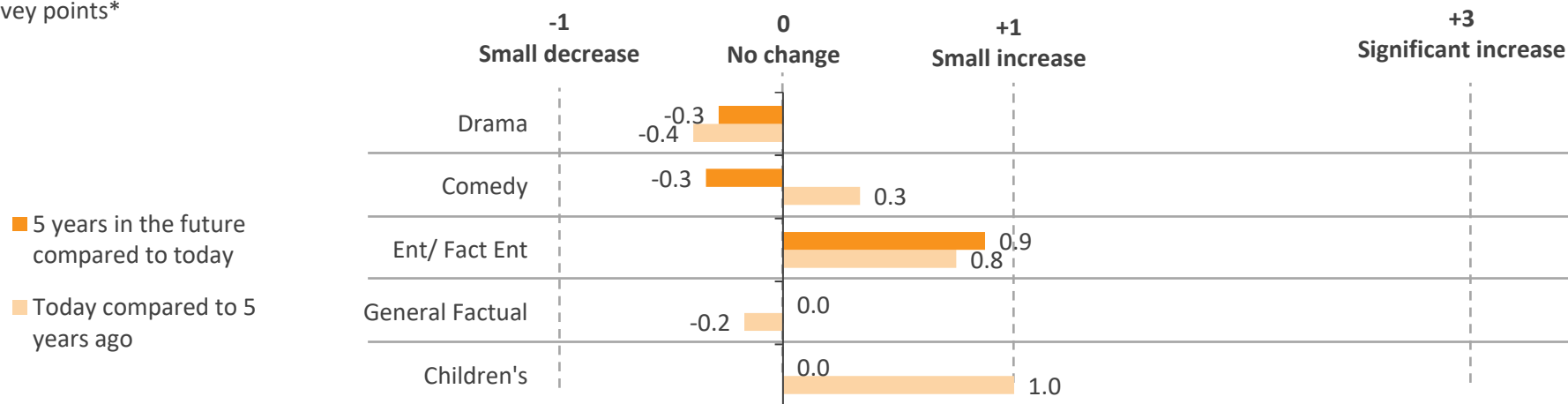
Source: Fly Research (Drama, n=18, Comedy n=3, Ent/Fact Ent n=8, General Factual n=12, Children's n=6), (n=61) Oliver & Ohlbaum analysis

ii There could be a more rapid reduction in UK commissioning budgets

Most felt that the importance of PSB budgets will either decrease or remain the same. 97 per cent of surveyed producers agreed PSB budgets overall will be squeezed with a focus on ‘doing more with less’

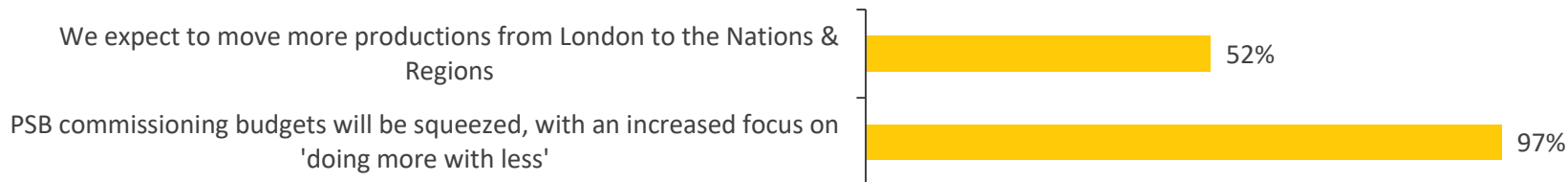
Change in relative importance of PSB commissioning, select genres

Survey points*



Producers' views on commissioning budgets

Proportion who agree or strongly agree



Q: “How important is each source of finance for your productions compared to 5 years ago?” / “To what extent do you agree with the following statements?”

Note: * Respondents' answers on the scale of 'significantly less', 'less', 'same', 'more', and 'significantly more' were converted to a numerical scale from '-3' to '+3', respectively. This allowed responses to be averaged.

Source: Fly Research (Drama, n=18, Comedy n=3, Ent/Fact Ent n=8, General Factual n=12, Children's n=6), (n=61) Oliver & Ohlbaum analysis

iii There could be a faster pivot towards in-house production

Producers were concerned with the potential impact of Channel 4 being permitted to build in-house production capabilities. Only 10 per cent of producers agreed the sector has the right balance of prodco sizes

*“The quid pro quo with BBC was contestability... however there are certain areas e.g. events, where the BBC continue to hand out massive contracts to its in-house production. Given the BBC is such a big commissioner for content in the UK, **that cord needs to be cut.**”*

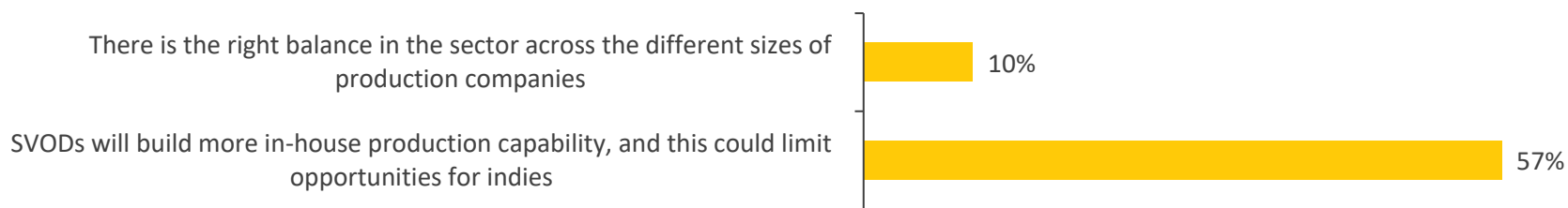
Producer, regional indie

*“The Channel 4 in-house proposal has **potential to have a big impact** on the sector from an external supplier perspective.”*

Producer, regional in-house studios

Producers' views on greater in-house production

Proportion who agree or strongly agree



Q: “To what extent do you agree with the following statements?”
 Source: Industry stakeholder interviews, Fly Research (n=61), Oliver & Ohlbaum analysis

iv There could be more aggressive cost inflation and skills shortages

Whilst only 33 per cent of producers felt the impact of Covid-19 would still be felt in 5 years' time, c. 84 per cent were worried about cost inflation and continued skills shortages

*“A lot of work needs to be done to upskill people that come from more underrepresented talent... the issue is **the communication of funding**. A lot flows through higher or further education and conversation doesn't happen sufficiently between education and industry.”*

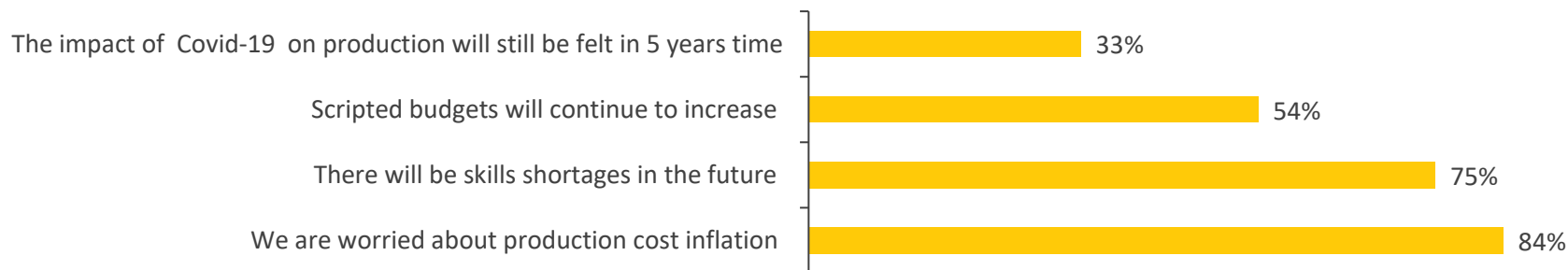
Producer, regional in-house studios

*“During Covid-19 those who are quite experienced left the industry, and then in 2021/22 **people are scrambling around trying to find people to work on their shows**. Particularly production management on the unscripted side has been challenging, and accountants are a key role on a big scripted show but they are also just not out there or swept up by massive Netflix productions.”*

Producer, large indie

Producers' views on cost inflation and skills shortages

Proportion who agree or strongly agree



Q: “To what extent do you agree with the following statements?”

Source: Industry stakeholder interviews, Fly Research (n=61), Oliver & Ohlbaum analysis

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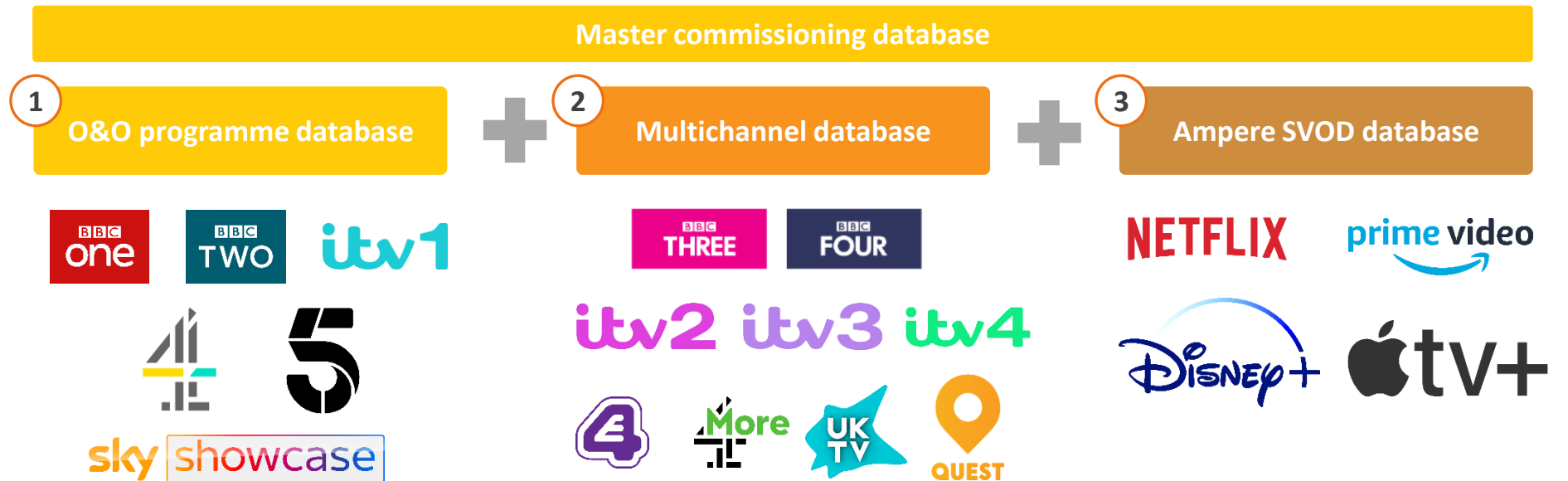
APPENDIX

- A. Methodologies

Supply and demand analysis

Our commissioning database contained three primary inputs

It included the O&O programme database for the six primary UK commissioning channels, a multichannel database and an Ampere SVOD database



- Proprietary O&O database maintained for the six largest UK commissioning channels
- Includes all programmes broadcaster on these channels from 2011 to 2021
- Includes metadata for daypart, genre producer, producer group, turnover band, producer status, producer location

- Bespoke database created for this project, focusing on the portfolio channels of BBC, ITV and Channel 4, and UKTV channels and Quest
- Manually coded metadata, covering the same fields as the O&O programme database

- SVOD catalogue data showing originated content produced by UK production companies
- Manually coded metadata, covering the same fields as the O&O programme database

We converted our commissions data into supply data showing the no. of prodcos...

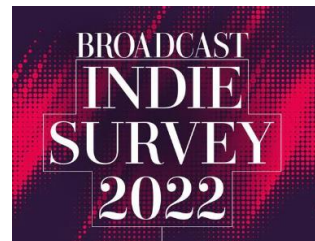
To calculate the number of producers per year, we looked at the distribution of commissions for all producers in our Programme Database. We then determined where producers didn't have a commission but were still active

Extract from O&O Programme Database – methodology for calculating number of producers per year

Row Labels	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
360 ENTERTAINMENT		4									
3DD ENTERTAINMENT	4	12	1								
40 PARTNERS					1						
42 M&P									1 Y		1
679 RECORDINGS		1									
7 WONDER				1 Y		6	6				
72 FILMS							3	2	7	4	6
AARDMAN ANIMATIONS	1 Y	Y		1	2	2 Y	Y	Y		2	1
ABBOT VISION					1 Y		1	1 Y	Y		1
ABSOLUTELY DELICIOUS	1										
ABSOLUTELY PRODUCTIONS	1										
ACADEMY 7								2	1		
ACADEMY FILMS									1	1 Y	
ACCESS MOVING IMAGE		1									
ACME TV		3	3 Y	Y	Y		2 Y		1	3	3
ACORN PICTURES					1						

...then supplemented this with additional input to form the producers database

The additional input included the Broadcast indie survey, which includes a list of the top 80-100 producers by revenue per year, and Pact's membership list



- Full view of the UK commissioning market from broadcasters and SVODs

- Survey of the largest producers in the UK conducted by Broadcast
- Typically returns between 80 to 100 production companies with revenue data

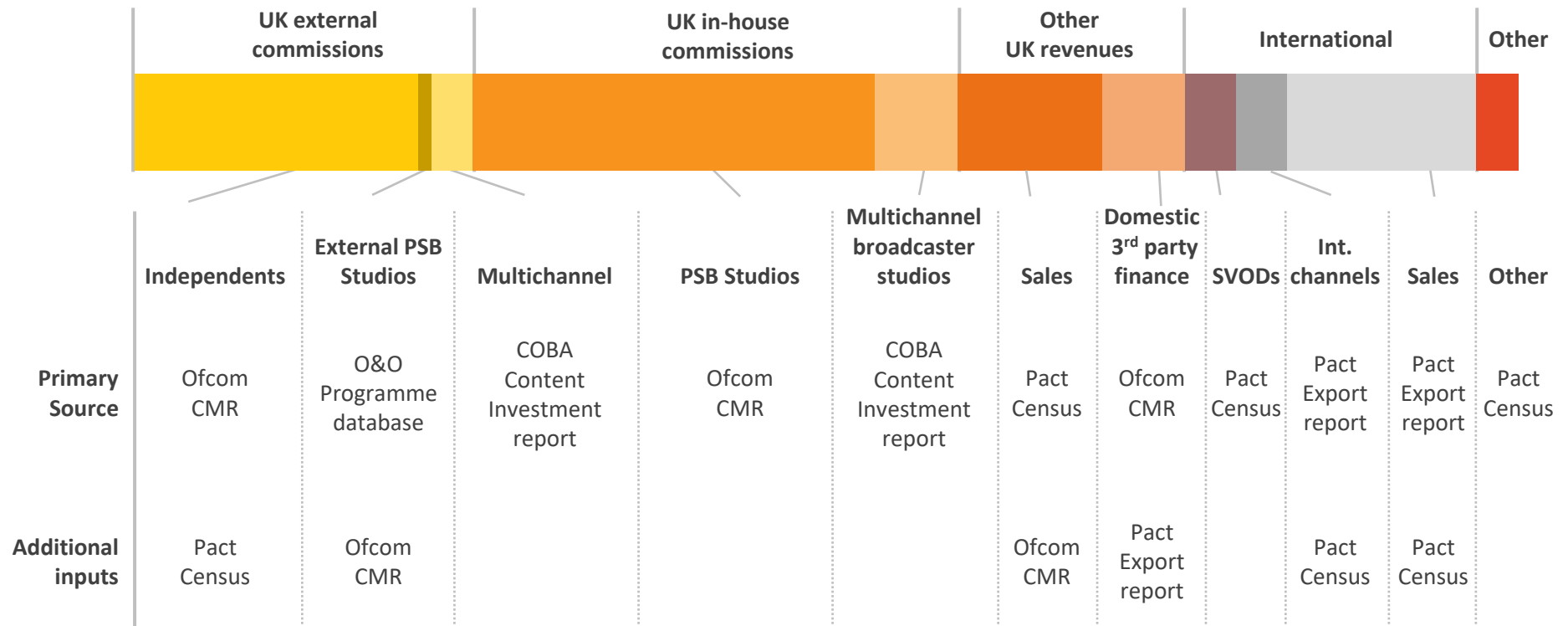
- Independent producers trade association
- Maintains a publicly available membership list of producers

Sector revenues

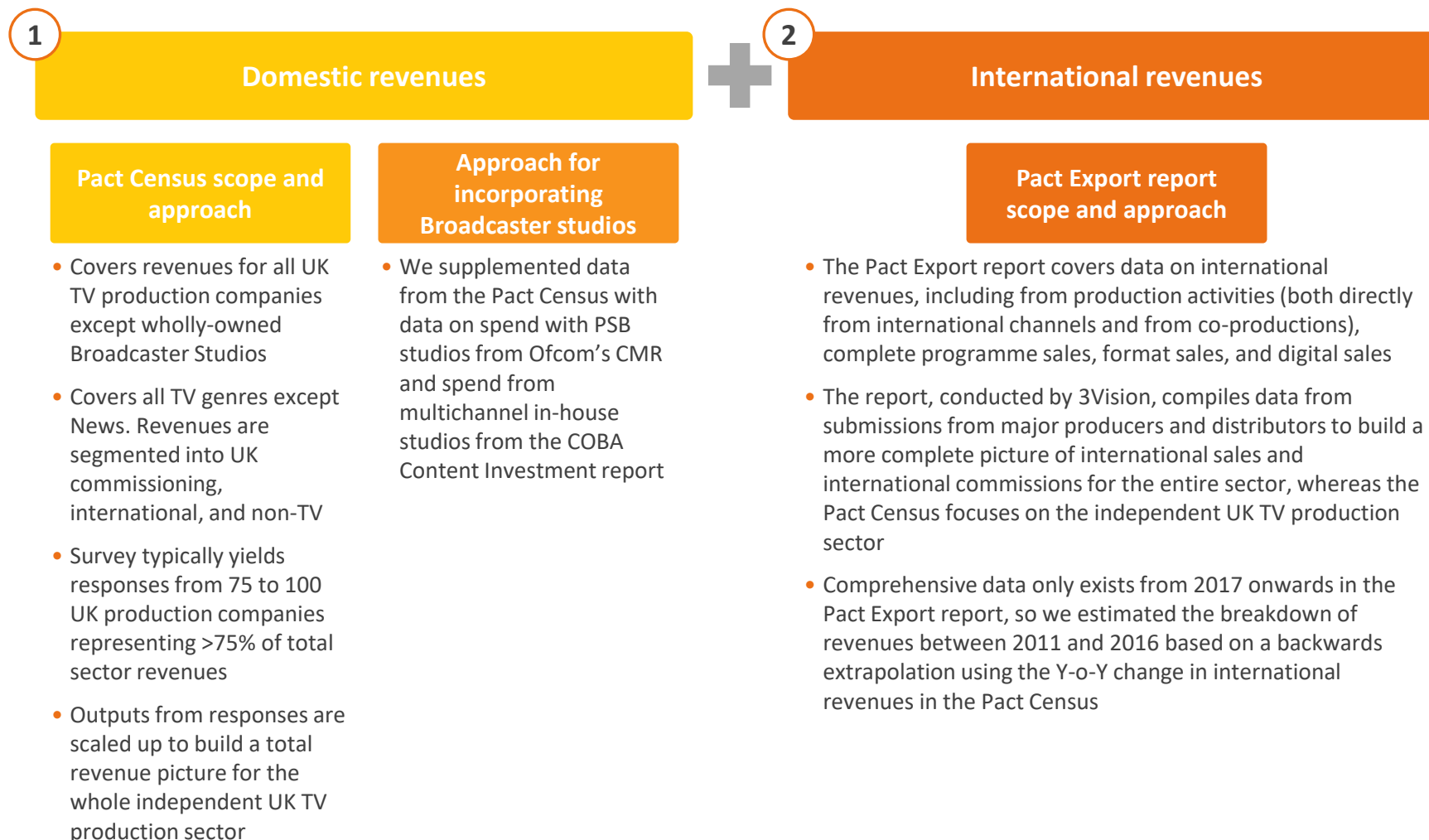
We identified multiple sources for UK producer revenues

This covers both the independent sector and in-house studio revenues

UK production sector schematic and sources used



We brought these sources together, reconciling differences where necessary



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