

## Audiovisual services

### Introduction

1. This appendix sets out additional evidence that we have taken into account in our analysis of competition in the market for all-TV. This evidence relates to competition between services provided by BSkyB and cable, and to competition between BSkyB and FTA services. In particular, the following evidence has been considered:
  - (a) survey evidence on switching between BSkyB, cable, and FTA services;
  - (b) data on BSkyB subscriber numbers over time;
  - (c) research carried out for BSkyB by KAE on customer responses to a £[~~10~~] price rise and package prices at the time of the research; and
  - (d) BSkyB's econometric study.

### Survey evidence on switching between BSkyB, cable and FTA services

2. Figure 1 is taken from a presentation based on BSkyB's internal survey research. It shows the commitment of BSkyB customers, and the provider that they are most likely to switch to. Likely destinations include a range of pay and FTA services. Figure 1 also shows similar data for cable customers. Of those unlikely to remain with cable, [~~10~~] per cent were most likely to switch to BSkyB.

FIGURE 1

#### BSkyB and cable commitment and likely destination

[~~10~~]

*Source: Sky Tracker State of the Nation Report Jan/Feb/March 2007.*

### Data on BSkyB subscribers over time

3. Figure 2 shows the evolution of BSkyB subscriber numbers between October 1999 and January 2007. Along with this data, the dates of changes to BSkyB's pricing

structure are marked, with a brief description of the nature of those changes. Over this period the proportion of customers who subscribed only to a basic package [%] to [%] per cent.

FIGURE 2

### **BSkyB customer numbers and price changes**

[%]

*Source:* BSkyB, CC analysis.

4. Figure 3 shows the proportion of basic-only customers taking different packages since September 2005. [%].

FIGURE 3

### **BSkyB basic customers**

[%]

*Source:* BSkyB, CC analysis.

## **Research carried out for BSkyB by KAE**

5. Figures 4 and 5 present the results of some research carried out by KAE, a strategic marketing consultancy, on behalf of BSkyB. The research used conjoint analysis to test consumer responses to different packages and prices. Figure 5 shows the impact on churn of a £[%] increase in prices across all packages. [%]

FIGURE 4

### **Impact of a £[%] price rise on BSkyB churn**

[%]

*Source:* BSkyB Re-pricing Research conducted by KAE, March 2007.

6. Figure 5 shows the impact of the same price rise on new additions. The presentation notes that a £[%] price rise decreases new additions by [%] per cent overall, and that the impact is primarily on [%].

FIGURE 5

**Potential impact on additions of a £1 increase in prices**



Source: BSkyB Re-pricing research conducted by KAE, March 2007.

7. Packages prices at the time the KAE research was carried out are shown in Table 1.

TABLE 1 **BSkyB packages prices at the time of KAE analysis**

	£		
	2 mix	4 mix	6 mix
Basic only	15.00	18.00	21.00
1 premium channel	28.00	30.00	32.00
2 premium channels	34.00	36.00	37.00
3 premium channels	38.50	39.50	40.50
4 premium channels	41.50	42.50	43.50

Source: BSkyB.

8. Since then BSkyB has changed its pricing structure for its various packages. The current price structure is described in Table 2.

TABLE 2 **BSkyB current prices**

	£					
	1 mix	2 mix	3 mix	4 mix	5 mix	6 mix
Basic only	16.00	17.00	18.00	19.00	20.00	21.00
Sports Mix	34.00	35.00	36.00	36.00	37.00	38.00
Movies Mix	34.00	35.00	36.00	36.00	37.00	38.00
Sports + Movies Mix	41.00	42.00	43.00	43.00	44.00	45.00

Source: BSkyB website.

**BSkyB's econometric study**

9. In order to assess the specific effect of the availability of DTT on the demand for pay-TV services, BSkyB carried out an econometric study. The study examined how the number of subscriptions to BSkyB varied according to various factors, including the availability of DTT services. It was carried out by BSkyB during 2006/07 for internal purposes.

10. The study sought to understand how the penetration of BSkyB satellite (DTH) subscriptions in a particular geographic area was affected by the availability of DTT in that area. [X]. This took into account factors such as the income of the area in question, the characteristics of the households, and the percentage of households in 'multi-dwelling units'.<sup>1</sup> BSkyB interpreted this as evidence that [X].

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<sup>1</sup>Restrictions on putting up satellite dishes may lead to lower than expected uptake for these households.