Consumers' Association

TURN ON
TUNE IN
SWITCHED OFF

Consumer attitudes to digital TV

March 2001

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Contents

Consumers' Association (CA) is an independent UK consumer organisation with over 700,000 members. Entirely independent of Government and industry, we are funded from subscriptions to our consumer magazines and books. We are also a member of BEUC, the umbrella organisation of European consumer bodies. Our director is Sheila McKechnie, OBE, who is also currently president of BEUC.

The history of Consumers' Association's involvement in communications policy issues can be traced back nearly a quarter of a century. Recently we have produced policy reports on regulation and the need for consumer representation in communications, presented evidence to the National Heritage Select Committee and the Davies review of the funding of the BBC, and we have responded to the Communications White Paper.

In relation to digital television, CA sits on the government's Viewers' Panel, and we have worked with government and industry through the digital television action plan group and various technical committees including the UK's Market Transformation Programme. Our consumer magazine, *Which?* has regularly published reports on digital television equipment and services.

INTRODUCTION

Digital television is central to current debates over the future of the communications. It lies at the heart of three trends in convergence – between networks, platforms, and the ways in which consumers use them – and is likely to be the most pervasive converged technology for a number of years. It is also central to the Government's agenda - as set out in two recent White Papers on Communications and Competitiveness – and its approach to achieving new forms of democracy, literacy and access through digital technologies. The issue of analogue switch off must therefore inform the wider debate about regulatory reform, the role and powers of OFCOM, and the effectiveness of a regime which largely relies upon competition, industry and technology to deliver benefits to consumers.

Consumers' Association (CA) argues that there is an urgent need to consider both the viability and the legitimacy of the government's intention to switch off the analogue television signal. The government's position is that the analogue signal will be switched off if three consumer-based tests are met, and CA has supported this approach. Under the availability test, all viewers who can receive analogue television now (99.4 per cent) must be able to receive the main free-to-air channels digitally; under the take-up test, 95 per cent of consumers must have a digital receiver in the home; and under the affordability test the switch to digital must be within reach of people on low or fixed incomes. The Government expects the tests to be met between 2006 and 2010.

However, it has recently become clear that the government's key tests are unlikely to be met within its proposed timetable. Research by Optimedia suggested that more than 30 per cent of homes in Britain will still be watching analogue television by the start of 2006, the first trigger date at which the Government had hoped to switch off the analogue signal. These problems have already been recognised by government, most notably in the forthcoming digital action plan. The recent DTI Competitiveness White Paper also included plans to encourage more homes to switch to digital TV, while on the same day, the Government announced that the search is under way to appoint a "champion" to lead the drive to convert the UK to digital television as soon as possible.

CA is concerned that the government agenda continues to focus on driving switch-off without sufficient consideration of whether this will actually deliver benefits to consumers. There seems to be an assumption that the advantages of digital television are clear and uncontested by consumers, and that the only issues to be addressed are about getting the technology right, providing consumers with adequate and unbiased information, and ensuring access for those who would otherwise be excluded. It is absolutely vital that these issues are dealt with, but the policy agenda signally fails to address the fact that many consumers simply don't want digital television.

Our survey reveals fatal flaws in a government's strategy for switch-off which assumes that the current commercial offering will persuade the majority of consumers to switch to digital television. Just over a quarter of consumers have gone digital, led by the choice of channels and their willingness to pay for additional services. Only a further quarter of consumers expect to adopt digital television in the next 5 years. The remaining half of the population has not even looked into going digital, and of these, roughly half say that they will never switch. With a quarter of consumers saying that they never want digital television, the government has some hard choices to make about analogue switch-off.

This research suggests that there are currently 3 key reasons for non-adoption, which require different policy responses:

1 For those don't yet have digital television but intend to get it in the next few years, it is essential that the remaining technical issues are resolved before launching an information campaign to deal with existing retail confusion.

2 For consumers who currently can't get digital because of economic or geographical constraints, there are issues to be resolved in relation to universal service, physical networks and spectrum allocation.

3 For the considerable number of consumers who simply don't want digital television, the government faces some hard choices about how to persuade them to adopt digital TV, and whether to provide for or coerce them.

Policy initiatives to date have largely focused on the first two groups ("not yet" and "can't") while largely ignoring the much harder issues concerning the third group ("won't").

This report identifies the constraints and drivers on digital take-up. We highlight groups who are *unable* to get digital television, *unclear* and confused about it, *unconvinced* by the current digital offering, and *unwilling* to switch to digital. This raises a number of key issues which require urgent attention and consideration of our recommendations.

OUR RESEARCH

CA commissioned a survey to gain a better understanding of consumer attitudes to, and awareness of, digital television, particularly in the light of the government's intention to switch off the analogue television signal in the next 10 years. Anecdotal evidence from *Which?* members letters suggests that consumers are concerned about a range of issues. Among adopters of digital television, we have received complaints about poor customer service, billing errors, equipment failure, the cost of bundled channels and difficulties in getting free-to-air-only packages. From members who have not yet bought digital television there is evidence of confusion at the retail level, pressure to migrate from analogue platforms to digital, and poor awareness and concern about analogue switch-off. CA works for the interest of all consumers, so this research was intended to investigate whether these issues have wider currency among UK consumers.

We asked a series of questions seeking to investigate the main issues and concerns of both adopters and non-adopters of digital television.

Among those who have already got access to digital TV we asked:

- What is the profile of people who have already got access to digital TV?
- What attracted them to getting digital TV?
- What do they like and dislike about digital TV now that they have got it?

Among those who do not have access to digital TV we asked:

- Have they looked into the possibility of getting digital TV?
- When do they think they will get access to digital TV at home?
- What has stopped them getting digital TV already?
- Are they aware of, or attracted by, the benefits that digital TV offers?

General questions asked of all:

- Are people aware that the analogue signal may be switched off sometime in the future?
- Do people expect to have to pay more for television once the analogue signal has been switched off?
- Do people feel the need to have more than the 5 existing terrestrial channels?
- Do people feel they know enough about the benefits that digital TV can offer?

A full list of the questions asked and the research methodology is contained in the appendices, together with a full report

10 KEY FINDINGS

1 Just over a quarter (26%) of British adults have Digital TV at home. Take-up has been most popular among people with children and under 55's. The market is dominated by digital satellite, specifically BSkyB, and by access through a set-top box.

2 Pay-TV is a key driver of digital take-up. Almost three quarters of adopters (73%) mentioned a particular channel type, mostly films and sport, as an important factor in their choice. The vast majority (88%) of adopters are subscribing to one or more services, and over half (56%) are paying for premium channels. The majority of those with digital TV (62%) had some other kind of pay-TV before they went digital.

3 Reasons for going digital are changing over time. Early adopters were particularly keen on access to sports channels whereas more recent adopters are more likely to mention other features. More recently, new services such as email and internet access have attracted more consumers to go digital. The threat of the analogue signal being turned off does not appear to be an important driver.

4 Non-adopters do not seem to be in any particular hurry to go digital. Two thirds (66%) have not even looked into the possibility of getting it. Furthermore, of those who had looked into the possibility of going digital only a quarter have decided to definitely get it.

5 Just under a third of non-adopters (32%) said that they would never get DTV, and 50% of older and retired people never want to switch. The majority (64%) of those who say they will never get digital television only want to watch the existing free channels after switch-off.

6 Of the 50% of non-adopters who felt they could give an estimate of when they thought they would have digital TV, only 12% said 'in the next 12 months'. Only 1 in 3 (37%) of non-adopters expect to have digital television by 2006, the government's earliest intended date for turning off the analogue signal.

7 A range of reasons was reported for not going digital. The expense of DTV is a key barrier for take-up, particularly among the young, those with children and those in lower social grades. Others (21%) feel that they don't need or wouldn't use the extra channels. Lack of awareness and consideration of the benefits were also important reasons, particularly for the over 55s.

8 Just under half of non adopters (49%) are aware that the government is planning to switch off the analogue signal in the next 5-10 years. Perhaps unsurprisingly, adopters were much more knowledgeable on this issue – 66% were aware.

9 Nearly half of non-adopters (48%) feel that they will only want to watch the 5 existing channels after the analogue signal has been turned off, despite high levels of awareness about the extra channels which digital television offers. There is confusion among both adopters and non-adopters on whether you will have to pay for the five terrestrial channels after the analogue switch off. Only 29% were correct in thinking that these channels would not cost any extra.

10 There are low levels of awareness about the benefits of digital television. 56% of non-adopters feel that they don't know enough about the current digital television offering and even a quarter of adopters feel this way.

SURVEY CONCLUSIONS

Key factors

There are a number of factors which seem to be central to whether or not consumers decide to go digital. Few of these factors are in themselves decisive, yet they represent key axes of difference between adopters and non-adopters:

- Willingness to pay for additional services (and the perception that this is inevitable after switch off)
- Prior access to analogue pay-TV (indicating both willingness to pay and migration pathway)
- Desire for extra channels
- Awareness of digital television (including issues of switch-off, benefits and cost)

These factors are central to both the drivers of, and constraints on, digital take-up identified below.

Key drivers

The fact that just over a quarter of consumers have switched to digital means that we should not be too cynical about the existing digital television offering. Despite relatively high churn rates, particularly for terrestrial digital services, the majority (80%) of those who have gone digital are happy with their decision, despite complaints about the cost of subscribing and channel bundling. Digital television is clearly an attractive product for those who want more channels and are willing to pay for them.

The single most important driver of digital television take-up is the availability of extra channels (73%). The vast majority of adopters subscribe to a basic channel bundle, while more than half also pay for premium channels. The fact that the majority of adopters (62%) previously had pay television suggests that consumers willingness to pay is a key factor affecting take-up, as such consumers were already over the barrier of paying extra for their television before they got digital. Current adopters are likely to prioritise choice and the number of channels available through digital television above cost, and are consequently more likely to be willing to pay for platforms and services. Although only 9% mentioned the availability of a free set top box as a key driver, rates may also reflect consumers' willingness to pay for extra channels in order to switch to digital without also paying for equipment.

One of the more surprising findings of the survey research was that nearly half (48%) of consumers with digital television cited picture quality as a key attraction, although a small number (6%) also mentioned poor picture quality as a dislike. In addition, just over a fifth (22%) of non-adopters expected digital television to provide better picture quality. This apparently contradicts recent *Which?* tests which found that a good analogue signal feeding a given TV receiver will currently provide a better quality picture for the majority of broadcast material, particularly sport, than the equivalent digital transmission viewed on the same receiver. This finding may be partly explained by digital adopters replacing old analogue televisions and portable aerials with newer equipment, and by professional installation of digital equipment. It is also worth noting that 38% of digital adopters had analogue satellite before getting digital television, which tended to have very poor picture and sound quality.

Key constraints

The cost of digital television has an important influence on its adoption, but it is a *relative* rather than an *absolute* constraint. Expense is identified by non-adopters as a key barrier for take-up, particularly by the young, those with children and those in lower social grades, but demographic comparison of adopters and non-adopters shows that take-up is also high among these groups. This suggests that this is an issue of spending priorities rather than absolute constraints, particularly in the light of longer-term downward trends in both television viewing and in-home leisure spending. For some, the availability of a wide range of in-home entertainment may outweigh the financial burden, while for others, the ability to spend discretionary income on other activities means that digital television isn't a priority, even though they could afford it. Although there are groups who cannot afford digital television at all, many more people are simply deciding that digital television is currently not worth the expense, even if they can afford it. Again the issue of willingness to pay is a key factor in the digital decision.

In general, poor knowledge of digital television has a key influence on adoption. Nearly half (47%) of adults aware of digital television feel that they do not know enough about the benefits, including a quarter of adopters, and only just over half of consumers (54%) are aware of analogue switch-off. There is also confusion about whether the existing television channels will cost more after switch-off. Only 3 in 10 consumers are aware that the existing public service channels will remain free after switch-off, reinforcing the general concern that digital television means pay-TV. It is also worth remembering that the majority of non-adopters (66%) have not even looked into getting digital television, and of those who have, three quarters remain undecided or have decided not to get it.

However, this is not just an issue of awareness. For instance, while the majority of non-adopters (53%) are aware that digital television provides more channels, a similar proportion (48%) are adamant that they only want to watch free-to-air channels after switch-off. This reinforces the conclusion that, while pay-TV has been a key driver of adoption, many consumers simply don't want more channels and are unable or unwilling to pay for them. These findings suggest that there are large numbers of consumers who are unaware of, confused and unconvinced by the existing commercial digital television offering.

Key groups

This research identifies four broad groups of consumers. Roughly a quarter of consumers already have digital television. Those consumers who have not yet taken up digital television divide into three categories: those who can't because of various constraints; those who are currently not convinced by digital television but intend to get it in the next few years; and a significant group of people who claim that they will never want it. These groups have different needs which policy initiatives must address, and the implications of this are addressed below.

POLICY IMPLICATIONS

It is important to recognise that the factors which have driven digital adoption to date are unlikely to deliver the levels of take-up which will allow the government to switch off the analogue signal, or even set a date for doing so, within the next 10 years. Whether because of geographical and economic constraints, current uncertainty about what and when to buy digital, or simple rejection of the whole idea of going digital, it is clear that many people can’t or won’t switch. This has important implications for policy, since most current initiatives are based on the assumption that the “rump” of consumers who won’t have digital when the government announces switch-off will be a *small* group consisting of those who *can’t* switch. This research suggests that this group may be larger than the government thinks, and that it may contain a large number of people who remain *unconvinced* or simply *refuse* to go digital.

This section identifies the implications for policy concerning those consumers who can’t, won’t or don’t yet want to switch to digital. For those who don’t yet want to switch to digital, policy initiatives need to deal with a number of unresolved issues relating to technical standards and the information provision. For those who can’t switch to digital, attention is needed on issues of universal access, spectrum allocation and management, and the role of public subsidy. For those who simply don’t want digital television, the government needs to consider issues about the role and funding of public service broadcasting in the digital age, and make some hard decisions about how and whether to coerce, make public provision for, or persuade this group to go digital. It is important to recognise that these groups are not mutually exclusive, either analytically or in the survey findings, since many consumers will have multiple reasons for non-adoption. Many concerns, such as those relating to universal service and public service broadcasting, are common to all groups.

For those who can’t switch to digital

While the advent of digital television has great potential for social inclusion through the provision of greater choice, niche services and new forms of digital democracy, there are also dangers that new forms of exclusion will emerge. These do not just result from market failure (economic constraint) and poor access to physical infrastructure (geographical constraint), but also from certain groups of consumers being “left behind”, remaining information-poor in an information-rich society because of a lack of skills, outdated equipment or inappropriate access provisions (e.g. public internet terminals). So conceptions of universal service are not fixed, but should reflect patterns of need, expectation and actual consumption in society as a whole.

It is therefore vital that the government gives greater consideration to the likely ecology of access to digital television after switch-off. Without some understanding of “who will have what” over the next few years, the government cannot decide what universal service will mean after switch-off or how this will be achieved. For instance it is important for the government to consider the role of digital television in achieving its vision of online Britain by 2005, and whether narrowband networks will provide sufficient speed or functionality, if internet-through-TV is not just to be token interactive technology. This is also vital if the government is to consider funding some form of “minimum solution” for those consumers unable or unwilling to switch to digital.

Although many of the following issues are being addressed in the context of the digital action plan, it is worth highlighting the key issues that still need to be resolved:

- The government should give urgent consideration to the role of digital terrestrial in providing universal service, and whether it is prepared to alter spectrum plans and/or provide public money to ensure universal access to the entire UK population given current coverage problems. We believe that digital terrestrial provides essential competition to satellite and cable, and it is likely to be the *de facto* key platform for consumers who only want basic free-to-air services, particularly if forthcoming industry campaigns are successful. If full coverage is not possible via digital terrestrial, the government needs to consider how universal service might otherwise be provide through satellite or cable. Attention to the ecology of public service is again essential if the government is to ensure access for geographically excluded consumers.
- CA has welcomed the government's commitment to the three tests – accessibility, affordability and take-up – but is concerned that these are based on unreasonable and inaccurate assumptions about access through high quality fixed aerials and single household televisions. Efforts to address these issues amount to a fudge (e.g. in-home UHF distribution), and CA argues that the 3 tests and spectrum plans should take account of these access constraints, particularly for consumers who rely on portable television sets and aerials
- A number of issues remain to be resolved in the government's approach to spectrum trading. Firstly we are concerned that it is unlikely to lead to efficient solutions for consumers if the value of spectrum comes to exceed the revenue gained from its use, creating a risk of redundancy. Secondly, spectrum trading is likely to put further pressure on broadcasters to use this resource more "efficiently" through dynamic multiplexing and squeezing more channels onto the available bandwidth, unless technical quality standards are introduced. Finally, the risks from multiple uses and interference (e.g. from PCs) means that trading is unlikely to value all spectrum equally, creating a need for controls on technical quality and type of use which are likely to make this approach unviable in the long term
- We agree with the ITC that plans for spectrum allocation and sell-off must be based upon tried and tested spectrum models, rather than the maximisation of revenue for the Treasury. Given its importance to many digital non-adopters, CA argues that spectrum must be reserved for new public broadcasting services, and the government should consider the creation of a public service multiplex on all networks.
- Despite the finding that cost is overwhelmingly an issue of willingness to pay, there remain a significant number of consumers who will be unable and unwilling to pay for digital television. CA believes that the government should consider spending the digital windfall on the provision of infrastructure and equipment, but the government faces hard choices about who will be eligible for public subsidy. It is clearly unacceptable for consumers to be forced to pay for digital television if they do not want it, but a means-test might form part of the solution.
- It is essential that the quality of the analogue signal should be maintained until it is switched off. It is clearly not acceptable for transmitter power to be further reduced to improve the coverage of digital terrestrial television, since this would be to the detriment of non-adopters, and would unfairly serve to pressurise consumers and exaggerate the benefits of going digital. We are concerned that this may already be the case in some areas of the country.

- Although few respondents identified the availability of free set-top boxes as a key factor in their decision, it seems likely that this was a key factor in persuading the more cost-sensitive groups to adopt digital television. It is therefore vital for the government to consider whether adoption rates among these groups will fall dramatically if these offers become uneconomic for the platform providers, and whether this will leave adopters among this group with outdated first generation technology before long.
- For the large number of consumers (48% of non-adopters) who only want to watch free-to-air channels after switch-off, it is essential that a low cost "minimum solution" is developed which will allow them to access these channels. Although such solutions are currently being developed by some manufacturers (e.g. Pace) these should not be seen as transitional technologies, or have shorter replacement cycles than the average television, and should provide the same functionality as existing basic analogue systems.

For those who don't yet want to switch to digital

This group - consisting of the non-adopters who are most likely to be aware of digital television, and most likely to get it in the next few years - has a very similar profile to that of existing adopters. In many ways this is the easiest group to deal with in policy terms, since the digital offer goes some way to addressing their needs, although issues of confusion at the retail level, resistance to pay-TV, low awareness of switch-off and poor knowledge of the benefits of digital television are all still important.

Current efforts to address the needs of this group focus on the provision of information. However, CA is concerned that this approach assumes that the benefits of digital television are clear and uncontested, while ignoring various technical issues which need to be resolved before an effective and honest campaign can be launched. Many of these issues have not been dealt with in first generation equipment, both because technical standards had not been developed by industry in some cases, and because these issues were seen as less important while set-top boxes were "free" (i.e. subsidised by subscriptions and t-commerce). However, pressure to recoup this investment, and the lack of interest in subscription channels among current non-adopters, means that these issues can no longer be ignored.

The following issues need to be addressed before any public information campaign can be launched:

- For consumers to invest in digital television equipment, it is essential that the remaining technical issues are resolved in a way which ensures that consumers are not repeatedly left with obsolete equipment. There also remain a number of unresolved issues relating to interoperability and conditional access systems. We would welcome a software-led approach to this which allows consumer equipment to be upgraded rather than replaced.
- All set-top boxes should allow consumers to use the services, equipment and additional features which they currently receive on analogue. This means that even the "minimum solution" should include a dual tuner (to allow consumers to watch one programme while recording another), an EPG (electronic programme guide), PDC (to compensate for small variations in programme running times), an EPG-VCR control link (to allow timed recording on more than one channel) and Teletext support.
- We are concerned that the technical quality of digital services should not be used to promote the uptake of digital television as claims of higher quality are, at present,

unverifiable in much of the UK and are therefore potentially misleading for consumers. CA also believes that "bandwidth greed" and dynamic multiplexing is reducing the technical quality of digital signals to below that of analogue. Consumers are therefore not receiving a major theoretical benefit of digital television. While data rate standards would be impossible to enforce, some form of technical quality control is clearly needed to prevent further deterioration. Neither the government's proposed information scheme nor the DVB kitemark scheme should make such claims in the meantime.

- Forthcoming industry information campaigns are promoting IDTV (Integrated Digital Television) as a suitable solution for those consumers who only wish to access free-to-air channels after analogue switch-off. Given the length of current replacement cycles for TV sets, and the fact that last year's Pace report found that that 38% of consumers will only switch to digital when they have to change their television sets, it is particularly important that these technologies are as "future-proof" as possible. As a bare minimum, this means that the "minimum solution" outlined above should be mandated in the technical specification. We would also like to see provision for multiple conditional access systems, the potential for multiple/improved EPGs (if future terrestrial bandwidth allocation allows it), automatic widescreen switching (although this may also rely on quality control of source format descriptors) and the potential for in-home distribution/re-broadcasting (if this is the government's proposed solution to the "portable problem").
- CA recognises that it is currently impossible to mandate technical standards for certain aspects of digital television under European legislation, but we believe that the government should have a key role in encouraging participation and brokering agreement between industry bodies. It is vital that the government manages this process to ensure that digital equipment offers consumers acceptable levels of both functionality and longevity, and that technical standards are developed early in the product lifecycle and remain reasonably future-proof.

For those who don't ever want to switch to digital

These consumers have been neglected in digital television policy initiatives, perhaps because many of its members are unaware of digital television and happy with existing services, or because they are assumed to be among the other groups identified above. Yet CA argues that this group is both distinct and key to the flaws in the government's digital strategy, which relies on the assumption that commercial multichannel digital television will attract this group to go digital. Our survey shows that this will not be the case.

This group consists of 1 in 3 non adopters (32%), roughly a quarter of all consumers. It cuts across demographic and class lines, although its members are slightly more likely to be retired (46%) and on fixed or low incomes (social grade E). When asked about digital television, 41% had never considered it, 24% said they didn't need the extra channels and 17% said they wouldn't use it. They're also very unlikely to want anything other than PSB, and very few (2%) are over the pay-TV barrier. Willingness to pay is a key issue for this group, despite variations in the reasons for this. While some consumers on low or fixed incomes have more urgent spending priorities, many others simply don't wish to pay for more channels. Hence while there are high levels of adoption among families with children, the same cohort among non-adopters cite cost as a key constraint, because for some it's evidently worth the expense, while for others the general pattern of increased leisure spending means that they choose to spend it elsewhere. CA is concerned that consumers should not be forced to pay for a service that they don't want simply because they can afford it.

It will be hard for the government to develop policy initiatives to address the needs of this group. Much can be done from maintaining and adding to the value of public service broadcasting through digital services, but the government also faces some hard decisions about whether to coerce or persuade this group to go digital. The following issues need to be considered:

- CA opposes coercion, but our survey suggest that the commercial offering is unlikely to convince this group to switch to digital. Nearly half (48%) of people who currently don't have digital television say that they will only want to watch the free-to-air channels after analogue switch off, while a quarter (26%) of adopters said that continued access to public service channels was a key attraction of digital television. It is clear from the survey that public service broadcasting will remain important in the future. CA considers that mixed-schedule networks, free at the point of use, funded through advertising and the license fee, will continue to be the best way to deliver an effective public service broadcasting regime for the foreseeable future. There will need to be guarantees that the shift to digital does not mean a shift to a completely pay environment.
- It is vital that the government ensures that both choice and plurality in public service broadcasting are maintained. CA argues that it is essential for OFCOM to review individual broadcasters' annual statements in the light of the overall ecology of public service broadcasting. This is vital to ensure a balanced range of content is available, free at the point of consumption, to those consumers who rely solely on free-to-air channels, as well as ensuring that publicly funded broadcasters provide content which is not available elsewhere and which does not unnecessarily duplicate market offerings.
- There is still an important role for government in addressing market failure through public service broadcasting. While the market may in future provide much of what is currently understood by public service broadcasting, the market will not necessarily secure pluralism, or access for consumers who cannot or will not pay for additional services. It is vital that the government considers the future role of commercial broadcasters in the provision of public service. Proposals in the Communications White Paper potentially allow the erosion of ITV's public service remit if downward trends in advertising revenue continue. This will disadvantage consumers who are reliant on public service broadcasting unless alternative sources of funding are considered. While many so-called "niches" may represent large or lucrative markets, others are unlikely to attract sufficient advertising revenue to operate on a purely commercial basis. This may also be the case with regional services. There needs to be more detailed consideration of how these needs will be addressed in the future, whether by the BBC, by commercial broadcasters, or through the sort of seed-fund initiatives recently proposed by the Media Trust.
- The BBC has a central role in the public service ecology, providing a benchmark of quality and innovation as well as providing services which the market will not provide. However, there are a number of urgent issues which need to be dealt with before the BBC charter review in 2006: accounting separation between commercial and public services; scrutiny of new public services; and regulation by OFCOM against an agreed remit, as with other broadcasters, to ensure consistency, coherence, a distinctive BBC role within a balanced digital television ecology. CA welcomes the recent DCMS consultation on the new services, which must ensure that new BBC digital services expand the Corporation's remit and offer added value to consumers who are reliant on free-to-air public service broadcasting.

CONCLUSIONS AND RECOMMENDATIONS

CA is concerned that the Government's agenda for switch-off does not focus sufficiently on delivering actual benefits for consumers and concentrating instead on mere technological take-up. This raises questions about the legitimacy and the practicalities of switch-off which government, industry and regulators need to resolve before the analogue signal can be switched off. The current agenda focuses on delivering commercial and competitive advantages, rather than on what consumers want and expect of digital television. CA believes that this means that switching off the analogue signal is unlikely to be possible within the government's planned 5-10 year time frame.

There are a series of key differences between adopters and non-adopters, which have important implications for the government's digital strategy. This research suggests that the population can be roughly divided into 4 groups - those that have digital, those that will get it before long, those who can't get it and those who don't want it – with different but overlapping implications for government, regulation and industry:

- For those that already have digital television, the government must ensure that the regulatory framework provides greater choice, pluralism and competition. Regulation should ensure that competition concerns, gateway issues and concerns relating to bundled equipment, channels and services are addressed. Industry must work to resolve current interoperability and future compatibility problems to avoid the need for future intervention.
- For those who are planning to take-up digital television, the government must resolve a number of technical and network issues before delivering a public information campaign which helps consumers to make effective choices between platforms and services. Regulation must ensure that platform and technical gateways do not restrict choice or create the risk of buying "dead end" technologies. Industry must help to deal with retail confusion through effective and honest information campaigns, and improved training for sales staff.
- For those who cannot get digital television because of economic, geographical or other constraints, the government must take a series of key decisions about the scope and funding of universal service. While initial decisions about digital spectrum allocation and coverage will be taken by government, OFCOM must ensure that adequate spectrum is reserved for public service broadcasting. Industry also has a role in developing "minimum solutions" for consumers who want free-to-air-only access.
- For those who are currently unlikely to switch to digital television for the foreseeable future, the government must recognise that the current commercial digital television offer is unattractive to consumers who do not wish to have or pay for more channels. The challenge for government is to persuade this group to go digital without coercion. Regulation must monitor, maintain and extend the diversity of public service broadcasting as a means of adding value for consumers. Industry must recognise the value of such provisions in gaining access to consumers who do not wish to use commercial services.

While a number of these issues are already being addressed through the digital action plan, the Viewers' Panel and other initiatives, CA is concerned that these initiatives are not based on research into the attitudes and expectations of consumers towards digital television. Our research suggests that that the "rump" of consumers who will not switch to digital in the next 10 years is going to be much larger and much harder to deal with than the government has recognised. The issues to be dealt with are not just those of affordability and awareness, but a fundamental rejection of the current multichannel subscription-driven digital television offering.

The government therefore faces a series of hard choices about the legitimacy, the funding and the political will behind its decision to switch off the analogue signal:

- Option 1: delay. The government could admit that it is unlikely to meet the 3 key tests within the next 10 years, and abandon its commitments to achieving an inclusive competitive, information literate, broadband, online digital society in the next few years. This would not benefit consumers, or indeed industry and the economy.
- Option 2: coercion. The government could abandon its commitment to the 3 key tests and announce an early switch off date. This would be very unpopular with consumers, and would require massive public subsidy to ensure universal access after switch-off.
- Option 3: persuasion. The government could focus on delivering – not just promoting - the benefits of digital technology to consumers rather than relying on the commercial offering to provide the “added value” that consumers demand in switching to digital. This means ensuring universal access for all, providing greater choice and pluralism in public services, and determining the role of digital television in the government’s targets for achieving broadband Britain and UK online.

We are strongly in favour of option 3. CA urges the government to reaffirm its commitment to satisfying the 3 tests – accessibility, affordability and take-up – which have to be met before the analogue signal will be switched off.

CA believes that technological convergence, additional channels, industry initiatives, consumer information and competitive markets can only get us so far along the road to digital switch-over. Now the government has some tough decisions to make about how it is going to address the concerns of the large number of consumers who fear being left behind by analogue switch-off. CA believes that the government can only achieve a popular and early digital switchover by listening to consumer demand and delivering clear additional benefits to consumers.

APPENDIX 1 - METHODOLOGY

To answer these questions, a number of questions were placed on the Ipsos-RSL face-to-face omnibus (Capibus). This is a weekly survey where a representative sample of 2,000 British adults (NB: Northern Ireland is not included) aged 15+ is interviewed about a variety of subjects. A copy of the full questionnaire is included below.

For our survey, 1,918 interviews were carried out between 23rd February and 1st March 2001 using CAPI (Computer Assisted Personal Interviewing). These 1,918 interviews form the basis of this report. The data for this survey has been weighted to ensure that our sample is representative of the British adult population. So all percentages quoted in this report are *weighted* percentages that should reflect attitudes and behaviour across the whole of Great Britain. Base sizes, where quoted, are *un*weighted, so they show the actual number of people who were asked each given question.

APPENDIX 2 - QUESTIONNAIRE

I would now like to talk to you about digital television.

ASK ALL
KK01
Do you currently have digital television at home? This could either be through a set-top box or by having a digital decoder built in to your television?
SP

Yes
No
Don't know/don't know what digital TV is

THOSE CODING '1' AT KK01, GO TO KK02. THOSE CODING '2' AT KK01, GO TO KK09.
THOSE CODING '3' AT KK01, CLOSE.

ASK ALL THOSE WITH DIGITAL TV (THOSE CODING '1' AT KK01)
KK02 ALLOW DK
Do you have a set-top box, or do you have a digital decoder built in to your television?
SP

Set-top box
Built-in decoder/integrated TV
Other

KK03 SHOWCARD KK03
How do you access digital television programmes? CODE NULL FOR NONE OF THESE
MP ALLOW NULL/DK

Sky Digital (via a satellite dish)
On Digital (terrestrial – through your aerial)
NTL (via cable)
Telewest (via cable)
Other (please specify)

KK04 SHOWCARD KK04
When did you first get access to digital television at home?
SP ALLOW DK

Within the last 3 months
4 to 6 months ago
7 to 12 months ago
More than a year, but less than two years ago
Two or more years ago

KK05 SHOWCARD KK05
Which of the following do you currently do? CODE NULL FOR NONE OF THESE

SP ALLOW DK/NULL

Only access the 5 existing terrestrial channels plus other free digital channels
Also subscribe to a basic package of additional channels
Subscribe to a premium package of additional channels (i.e. basic package plus additional sport or film channels)

KK06 SHOWCARD KK06 PLEASE REVERSE SHOWCARD
From this list, which 3 things most attracted you to digital TV? CODE NULL FOR NONE OF THESE
INTERVIEWER: MAX. OF 3 MENTIONS. RECORD FIRST, SECOND, THIRD.
MP ALLOW DK/NULL

Picture quality
Sound quality
Access to sports channels
Access to film channels
Access to other subscription channels
Access to other free channels
I always like to get the latest technology
Ability to access the Internet and send e-mail via my TV
Interactive services (e.g. shopping, banking, etc.) via my TV
Availability of a free set-top box
I was given it as a present
It was recommended to me by a friend/relative
Because the analogue signal may be turned off
Availability of electronic programme guide (EPG)

KK07
What, if anything, do you NOT like about digital television? INTERVIEWER: DO NOT PROMPT
CODE NULL FOR NOTHING I DON'T LIKE
MP ALLOW DK/NULL

Picture quality
Sound quality
Quality of the programmes
Doesn't work with my video/problems with VCR compatibility
Can't record certain programmes
Cost of subscribing to programmes
Cost of new TV
Had to replace TV(s)
My TV/set-top box will soon be out-of-date
Cost of set-up box
Having to subscribe to channels I'll never use
Can only access it on one television
Kids watching inappropriate TV
Limited to only those channels offered by my digital supplier/can't access all channels
Had to connect set-top box to phone line
Set-top box always has to be turned on/plugged in/using electricity

Other (please specify)

KK08
Knowing what you know now about digital TV, if you could turn back time, which of the following would you do? CODE NULL FOR NONE OF THESE
SP ALLOW DK/NULL

I would still get digital TV, and still use my current service provider
I would still get digital TV, but I would use a different service provider
I would not get digital TV at all

NOW GO TO KK14

ASK ALL THOSE WHO DO NOT CURRENTLY HAVE DIGITAL TV (THOSE CODING ‘2’ AT KK01)
KK09 SHOWCARD KK09
Have you actually looked into the possibility of getting digital TV?
SP

Yes – and I think I will get it
Yes – but I’m not sure yet whether or not I’ll get it
Yes – but I decided not to get it
No – I haven’t looked into it

KK10 SHOWCARD KK10
When do you think you will have digital TV at home, if ever?
SP ALLOW DK

Within the next 6 months
In 7 to 12 months
In 1 to 2 years
In 3 to 5 years
In more than 5 years time
Never

KK11 SHOWCARD KK11
Which of the following are reasons why you have not got digital TV already? CODE NULL FOR NONE OF THESE
MP ALLOW DK/NULL

I haven’t even considered it
I wouldn’t know how to go about getting it
I wouldn’t use it
I don’t need any extra channels
I already have satellite TV
I already have cable TV
It’s too expensive
I don’t know enough about it
I don’t want the kids watching too much TV or unsuitable programmes

It’s too complicated to install
I’m waiting for cheaper integrated digital TVs
I don’t think it would work with my existing TV

KK12 SHOWCARD KK12
And which ONE of these would say is the single most important reason why you have not got digital TV already? CODE NULL FOR NONE OF THESE
SP ALLOW DK/NULL

I haven’t even considered it
I wouldn’t know how to go about getting it
I wouldn’t use it
I don’t need any extra channels
I already have satellite TV
I already have cable TV
It’s too expensive
I don’t know enough about it
I don’t want the kids watching too much TV or unsuitable programmes
It’s too complicated to install
I’m waiting for cheaper integrated digital TVs
I don’t think that it would work with my existing TV
Other (please specify)

KK13
What do you think digital TV gives people that normal analogue TV doesn’t already offer?
INTERVIEWER: DO NOT PROMPT
CODE NULL FOR NOTHING – IT DOESN’T OFFER ANYTHING EXTRA
MP ALLOW DK/NULL

More channels (without specifying type)
More sports programmes /channels
More films/film channels
More kids programmes/channels
More recent films/newer releases
Clearer picture
Better sound quality
Access to the Internet
E-mail
Interactive services (e.g. shopping, banking, etc.)
Other (please specify)

ASK ALL (THOSE CODING ‘1’ OR ‘2’ AT KK01)
KK14 SHOWCARD KK14
I’m going to show you a list of things you can, or will be able to get via digital TV. Please tell me which of them you would expect to have to pay for if you had digital TV. CODE NULL FOR NONE OF THESE
MP ALLOW DK/NULL

BBC1/BBC2

ITV/Channel 4/Channel 5
Digital only channels from existing terrestrial TV companies (e.g., ITV2, BBC News 24, E4)
Sports channels
Film channels
Kids channels
Internet access
E-mail
Use of interactive services (e.g. shopping, banking)

KK15
ASK NON-DIGITAL USERS (THOSE CODING '2' AT KK01): Do you currently have any of the following services at home?
ASK DIGITAL USERS (THOSE CODING '1' AT KK01): Did you have any of the following services before you got access to digital TV?
CODE NULL FOR NONE OF THESE
MP ALLOW DK/NULL

Analogue satellite TV
Analogue cable TV
Any other subscription TV service

KK16
Before today, were you aware that in 5 to 10 years time, the Government may be switching off the analogue television signal, meaning that you would have to have digital TV if you wanted to watch television?
SP

Yes, I was aware
No, I wasn't aware

KK17 SHOWCARD KK17
I'm going to read you some statements that other people have made about digital TV. Could you tell me how much you agree or disagree with each one, using the scale on the card?
SP ALLOW DK

After the analogue signal is switched off, I will only want to watch the 5 free channels (BBC1, BBC2, ITV, C4, C5)
Even just watching the 5 existing TV channels will cost more once the analogue signal is turned off
I don't really know enough about what benefits digital TV offers

Possible answers

Agree strongly
Agree slightly
Neither agree nor disagree
Disagree slightly
Disagree strongly

CLOSE

APPENDIX 3 - SURVEY REPORT

Summary of Findings

- Just over a quarter (26%) of British adults have Digital TV at home. Take-up has been most popular among people with children and under 55's.
- The majority of those with digital TV (62%) had some other kind of Pay TV before they went digital.
- The availability of extra channels is the main driver in the choice to go digital. Almost three quarters of adopters (73%) mentioned one or more type/s of channel as an important factor in their choice. Film and sports channels were the highest mentioned channel types.
- Picture quality is also an important factor, mentioned by almost half (48%) of those who have gone digital.
- Reasons for going digital are changing over time. Early adopters were particularly keen on the access to sports channels whereas more recent adopters are more likely to mention other features of DTV unrelated to channels such as Internet access or e-mail.
- Just over half of adopters (56%) spontaneously mentioned dislikes with DTV. A wide range of issues were raised but the most commonly mentioned complaints were the cost of subscribing and having to subscribe to channels they'll never use.
- However, the dislikes raised by adopters cannot be too serious as 4 in 5 said that if they could turn back time they would still get DTV and still use their current supplier (this is particularly true for Sky Digital customers). Only 5% said they would not get DTV at all.
- Non-adopters do not seem to be in any particular hurry to go digital. Two thirds (66%) have not even looked into the possibility of getting it.
- Furthermore, of those who had looked into the possibility of going digital only a quarter have decided to definitely get it.
- Just under a third of non-adopters (32%) said that they would never get DTV.
- Of the 50% of non-adopters who felt they could give an estimate of when they thought they would have digital TV, only 12% said 'in the next 12 months'.
- The expense of DTV is a key barrier for take-up particularly for the young, those with children and those in lower social grades.
- Older and wealthier people had different reasons for not going digital. Lack of necessity was mentioned frequently by both groups. Lack of knowledge and/or consideration were also important reasons for over 55s.

- Just over half of adults (54%) aware of digital TV were also aware of the analogue switch-off. Adopters were much more knowledgeable on this issue – 66% were aware.

- The variety of channels offered by digital technology would appear to have limited appeal as 4 in 10 people (41%) feel that they will only want to watch the 5 existing channels after the analogue signal has been turned off.

- There is confusion among both adopters and non-adopters on whether you will have to pay for the five terrestrial channels after the analogue switch off. Only 29% were correct in thinking that these channels would not cost any extra.

- Around half (47%) of British adults who are aware of DTV feel that they don't know enough about its benefits. Even a quarter of adopters feel this way.

Digital TV – Basic facts and figures

Summary Section

- Just over a quarter (26%) of British adults have Digital TV at home. Take-up has been most popular among people with children and under 55's.

- The majority of those with digital TV (62%) had some other kind of Pay TV before they went digital.

- A set top box is the most common way to access digital services and Sky Digital is by far the biggest supplier with a 70% market share.

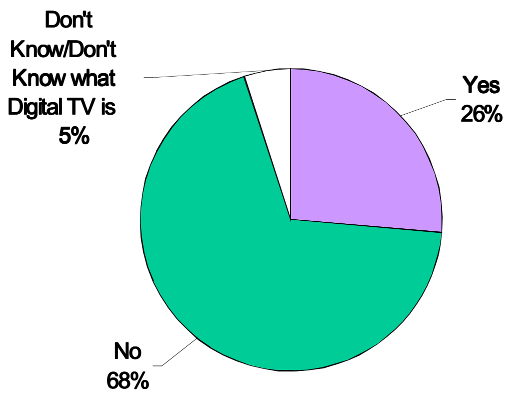
- Premium packages of channels are popular across the board but particularly with Sky customers and in Scotland. At any rate, the vast majority of adopters (88%) pay for at least some of their DTV services either through a premium or basic package.

Penetration rates

According to our survey, just over a quarter (26%) of British adults have digital TV at home.

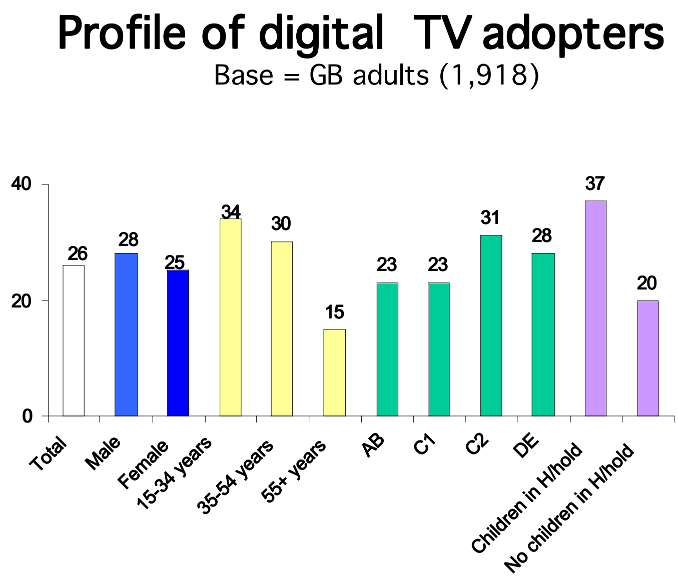
Do you currently have digital TV at home?

Base = GB adults (1,918)



It is interesting to note that when asked whether they had DTV at home, 1 in 20 people (5%) said that they didn't know or that they don't actually know what DTV is. This proportion is even higher for over 55s (8%) those living in rural areas (9%) and people living in the Midlands (9%). These people are excluded from much of the further analysis as it was felt that they would not be in a position to answer further questions on the subject.

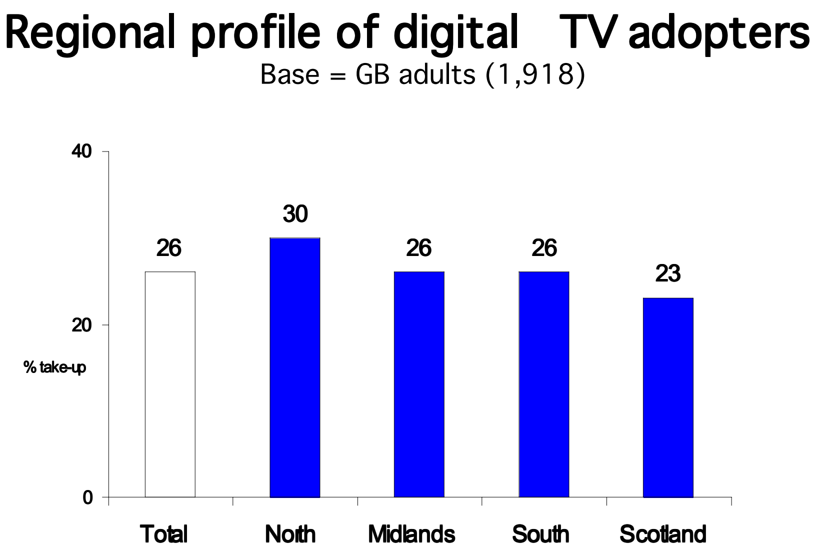
There are significant variations in the proportion of people who do have access to digital TV across different demographic groups, as the chart below shows.



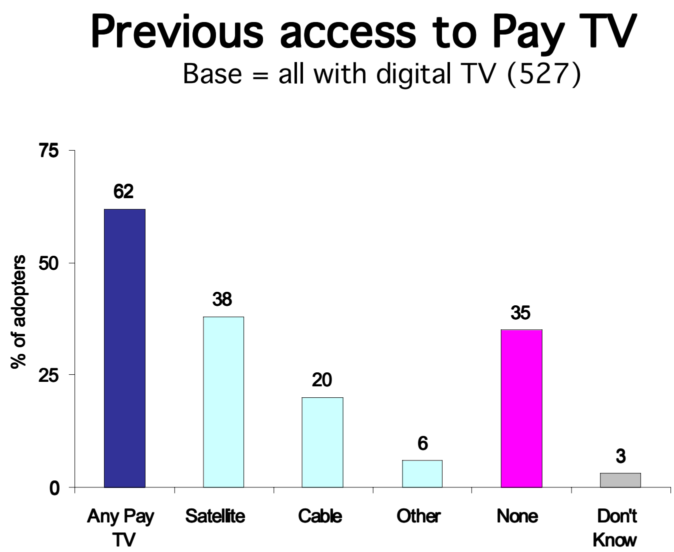
For example, take-up seems to be highest among families with children. 37% of all households with children have gone digital compared with 20% of child-free households. Tied in with this are the variations in take-up by age; under 55s (ie people of family age) are significantly more likely to have gone digital whereas only 15% of over 55s have taken this step.

Variations by social grade are less clear cut. C2s were the most likely group to have gone Digital (31% have DTV) but there are no significant differences between any of the other social grades. Therefore, there is no evidence to suggest that lower income households (DEs) are less likely to have DTV than more affluent people.

At the broad level, there are no differences in take-up between regions.

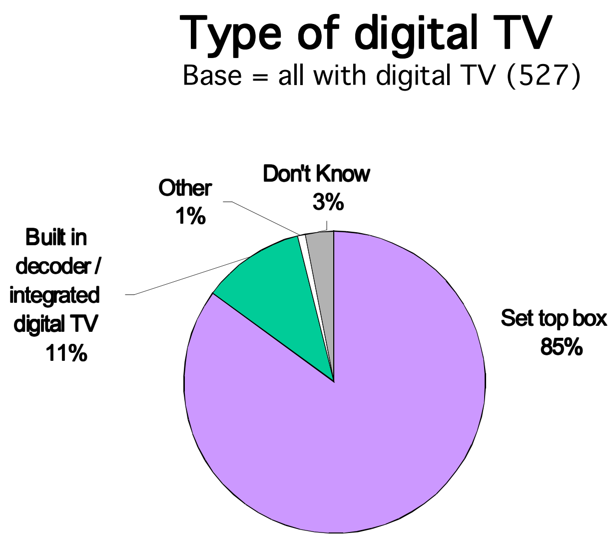


The majority of those that have gone digital (62%) had some kind of pay TV before they got access to DTV. As the chart below shows, 38% of adopters had access to satellite TV and 1 in 5 had cable before they went digital. Just over a third (35%) had no pay TV services before they went digital.



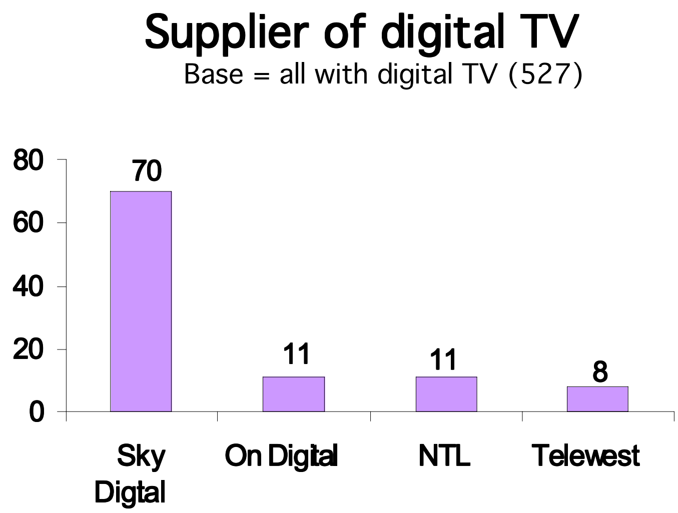
Type of equipment

The majority of those with DTV (85%) use a set top box. 11% have a built in decoder or an integrated TV and the remainder (4%) said they had something else or they didn't know. Built-in decoders seem to be more popular with people without children (15%) and also with people living in urban areas (26%).



Suppliers of Digital Services

Sky Digital is by far the largest provider of digital services; supplying 7 out of 10 adopters. On Digital (which is supplied through a standard aerial) and NTL (supplied via cable) have equal market shares of 11% each and Telewest (also supplied via cable) the smallest of the 4, supplies 8% of adopters. A very small proportion of adopters have more than one supplier of digital services.



Social grade would appear to be a factor in which digital supplier is chosen. Satellite Digital is particularly popular among C2s and DEs; at least three quarters of adopters within each of these groups have access to Sky Digital's services. On Digital appears to have a slightly more up-market base (although these findings are not statistically significant) whereas NTL is particularly popular with C1s.

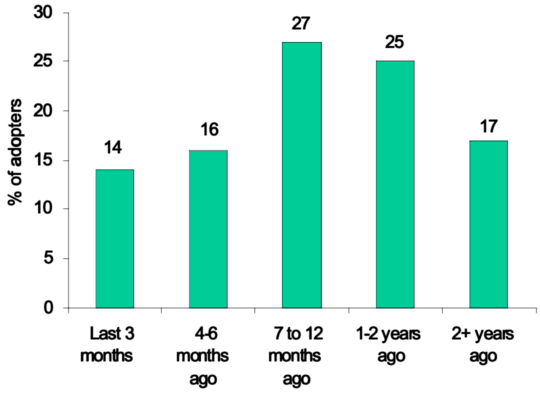
There are also some regional differences in supplier. Sky Digital is less dominant in the South as other suppliers such as OnDigital and Telewest have a slightly larger share (not statistically significant). None of the adopters in Scotland have NTL (probably due to the distribution network).

Take-up Date

Of those that have gone digital, 30% have done so within the last 6 months (14% in the last 3 months). Just over a quarter (27%) first accessed DTV between 7 and 12 months ago and a further quarter (25%) between 1-2 years ago. Thus in terms of our analysis, 42% have had at least a year's experience of digital TV services and 57% have had less time to assess the pros and cons of DTV (the remaining 2% said that they did not know when they went digital).

When first accessed digital TV

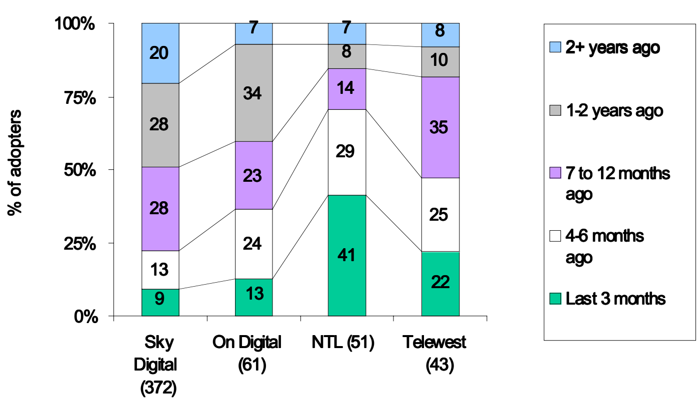
Base = all with digital TV (527)



There are of course variations in take-up date by service supplier due to differing launch dates. For example, Sky Digital's customers signed up 15 months ago on average whereas NTL and Telewest's customers are much more recent adopters (signing up on average 7 and 9 months ago respectively).

When first accessed digital TV by supplier

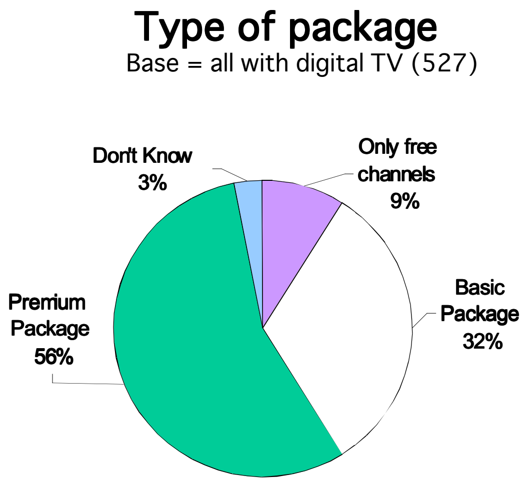
Base = all with digital TV



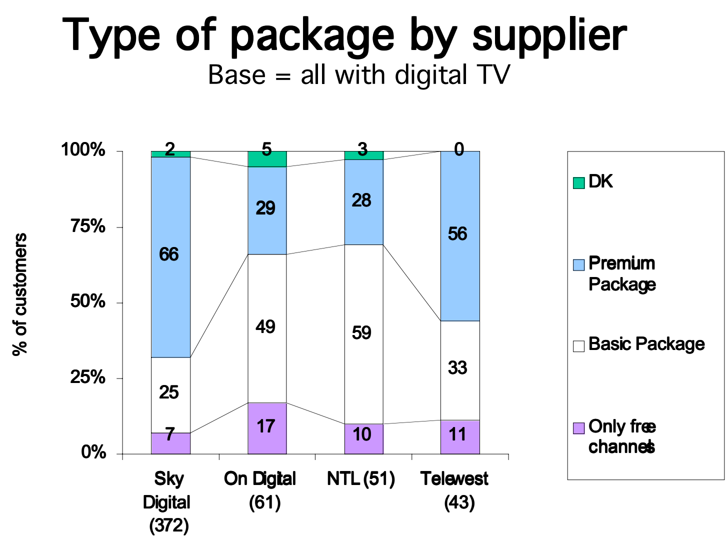
Type of Package

Overall, just over half (56%) of adopters subscribe to a premium package of additional channels and a further third (32%) subscribe to a basic package of additional channels. Thus in total, the vast majority (88%) pay for some of their DTV services.

Of the remainder, 9% said that they only access the 5 existing terrestrial channels plus any other free digital channels and 3% said they didn't know what they subscribed to.



The types of package subscribed to vary considerably by supplier. For example, two thirds of Sky Digital subscribers opt for a premium package. This compares to just 29% of On Digital subscribers and 28% of NTL customers. The split for Telewest's customers is very similar to the overall picture.



Households without children are more likely to opt for free channels only (12% compared to 6% of households with children) and premium packages are more popular with higher social grades (ABs) compared to middle class C1s. However, there is no evidence to suggest that people from lower social grades are less likely to take up premium packages. Indeed 60% of DE adopters have premium packages.

Premium packages are very popular in Scotland (70%) and to a lesser extent in the South (61%) whereas the Midlands has a higher proportion of people opting for a basic package (38%).

Digital TV Adopters

Summary Section

- The availability of extra channels is the main driver in the choice to go digital. Almost three quarters of adopters (73%) mentioned one or more type/s of channel as an important factor in their choice. Film and sports channels were the highest mentioned channel types.

- Picture quality is also an important factor, mentioned by almost half (48%) of those who have gone digital.

- The threat of the analogue signal being turned off does not appear to be an important driver at present.

- Reasons for going digital are changing over time. Early adopters were particularly keen on the access to sports channels whereas more recent adopters are more likely to mention other features of DTV unrelated to channels such as Internet access or e-mail.

- Just over half of adopters (56%) spontaneously mentioned dislikes with DTV. A wide range of issues were raised but the most commonly mentioned complaints were the cost of subscribing and having to subscribe to channels they'll never use.

- There are variations in the number and type of dislikes by supplier. Telewest appears to have fewer complaints but is a fairly new supplier. OnDigital and Sky Digital have a similar level of complaints but the types of dislikes are quite different.

- The DTV viewing experience in Scotland does not appear to be as good as in other areas of the country. Scottish adopters were more likely to dislike both the picture and sound quality.

- However, the dislikes raised by adopters cannot be too serious as 4 in 5 said that if they could turn back time they would still get DTV and still use their current supplier (this is particularly true for Sky Digital customers). Only 5% said they would not get DTV at all.

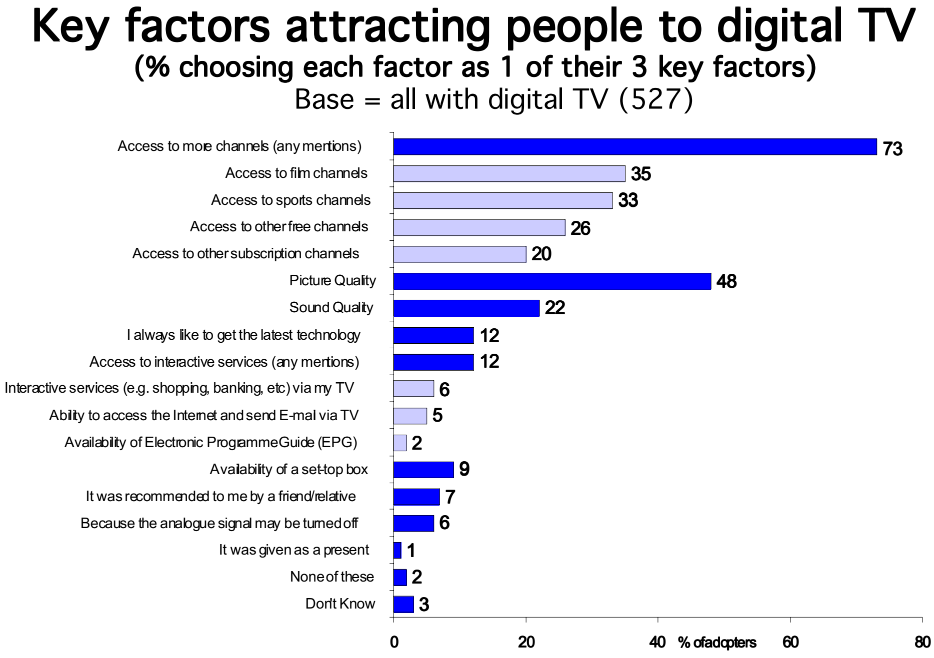
Key drivers for going digital

Respondents were asked to choose which factors had most attracted them to Digital TV from a list of possibilities. Their first 3 mentions were recorded. From this it appears that the availability of extra channels is the most important driver in the choice to go digital. Overall, 73% of adopters mentioned any type of channel as a reason for going digital; more specifically film channels were mentioned by 35%, sports channels by 33% and free channels by 26%.

The quality of the viewing experience was also a main attraction. Picture quality was mentioned by almost half of adopters (48%) and one in five felt that sound quality was an important factor.

Other facilities that DTV can offer, such as Internet access or Interactive shopping/banking services are viewed as much less important in the overall decision making process (just 12% mentioned any of these factors).

Similarly, the threat of the analogue signal being switched off does not seem to have been a key factor in the decision to go digital to date (only 6% mentioned this overall and only 8% of those that were actually aware of the switch-off). However, this may obviously become a more important driver as time progresses.



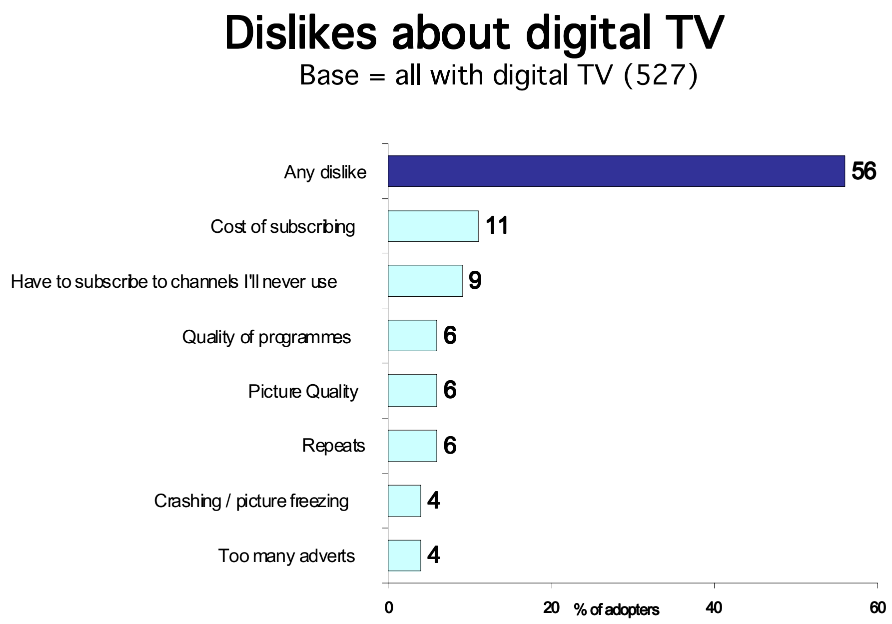
There do seem to be some differences in the reasons for going digital depending on when people first got access to DTV. For example, almost half of those (49%) who went digital two or more years ago claimed that access to sports channels was a main attraction. This compares with just 19% of those who have gone digital within the last 3 months. The appeal of other channel types has remained relatively stable over time.

Very recent subscribers appear to be more interested in the additional features that DTV can offer. For example, 16% of subscribers in the last 3 months said that the ability to access the Internet and send e-mail via the TV had attracted them (compared to 5% overall).

Digital TV Dislikes

Just over half of the people (56%) who have access to DTV spontaneously mentioned one or more things that they did not like about it (41% had no complaints and 4% did not know).

The most common complaint was the cost of subscribing to programmes (mentioned by 11%). Having to subscribe to channels they'll never use was another bugbear (9% mentioned this). Three other dislikes were mentioned by 6% of adopters; quality of the picture, quality of the programmes and probably linked to this, the number of repeats shown.



A wide variety of other dislikes were mentioned (all by 4% or less of adopters). A full list of these is given in Appendix A.

Comparing dislikes across the different suppliers, it appears as if Telewest has significantly fewer complaints than either Sky Digital or OnDigital. Only 34% of Telewest customers mentioned one or more dislikes with digital TV compared to 56% overall. However it is worth bearing in mind that Telewest subscribers are generally quite recent and have therefore not had as long to find out about any dislikes.

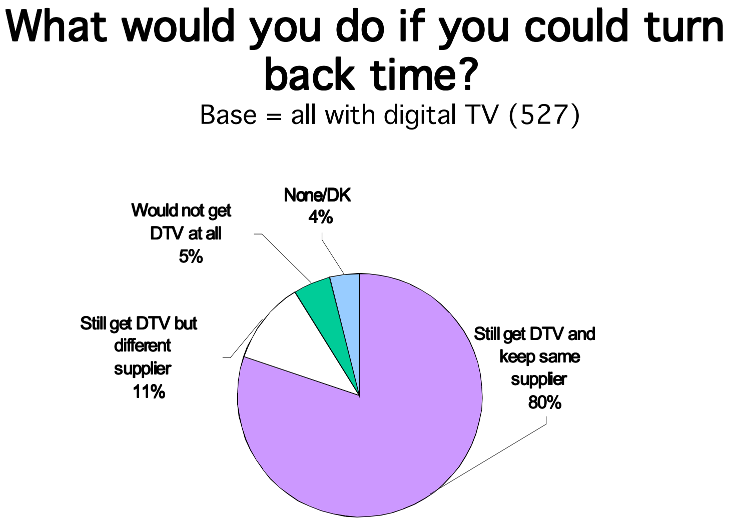
A similar proportion of Sky Digital and OnDigital customers mentioned something they dislike about DTV but there are differences in the type of complaints observed. For example, OnDigital subscribers were significantly more likely to be unhappy with both the quality of the programming and the picture quality compared with Sky customers. They were also more likely to have problems with VCR compatibility and recording certain programmes (possibly related?). Sky subscribers mentioned a broader range of problems but there are no particular issues that stand out as being significantly worse compared with OnDigital.

There are also some regional differences apparent. Scottish adopters are particularly unhappy with the quality of the viewing experience (14% mentioned picture quality as a dislike, 11% mentioned sound quality). Those in the Midlands were more likely to complain about the cost of subscribing to programmes and (along with the Scots) having to subscribe to channels they'll never use compared to those in the South.

There are very few differences in dislikes depending on when adopters first went digital.

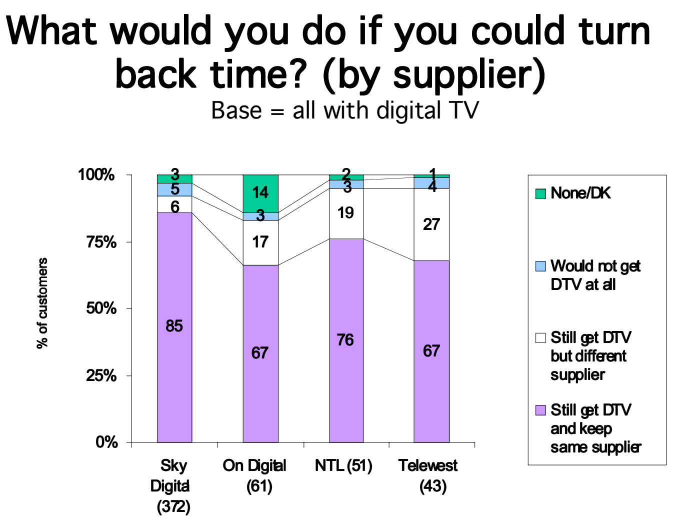
Overall satisfaction with digital TV and suppliers

Despite the problems mentioned in the previous section, 4 out of 5 adopters say that if they could turn back time they would still get Digital TV and still use their current provider. Only 5% said that they would not get Digital TV at all.



Women were more likely than men to reject digital TV altogether (7% compared to 2%) but across the other demographic groups there is little variation.

Sky Digital subscribers appear happiest with their service. 85% of their customers say that they would still get DTV and keep the same supplier. This compares with 76% for NTL and 67% for both OnDigital and Telewest. Thus despite mentioning fewer problems overall, Telewest customers were actually more likely to want to switch supplier compared to Sky customers.



Digital TV Non-Adopters

Summary Section

- Non-adopters do not seem to be in any particular hurry to go digital. Two thirds (66%) have not even looked into the possibility of getting it.

- Furthermore, of those who had looked into the possibility of going digital only a quarter have decided to definitely get it.

- Just under a third of non-adopters (32%) said that they would never get DTV.

- Of the 50% of non-adopters who felt they could give an estimate of when they thought they would have digital TV, only 12% said ‘in the next 12 months’.

- The type of people who showed most interest in DTV are very similar to the existing profile of adopters, i.e. interest was highest among those with children and those under 55 years.

- The expense of DTV is a key barrier for take-up particularly for the young, those with children and those in lower social grades.

- Older and wealthier people had different reasons for not going digital. Lack of necessity was mentioned frequently by both groups. Lack of knowledge and/or consideration were also important reasons for over 55s.

- The perceived benefits of going digital among non-adopters were mainly channel rather than technology related.

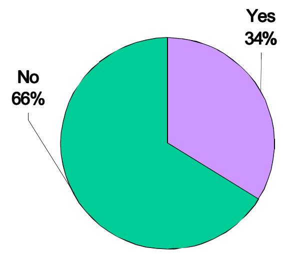
- A lack of awareness of the advantages of digital TV exists among non-adopters (20% did not know of any benefits). Women and over 55s show the lowest levels of awareness.

Future take-up

Respondents were asked two questions on the subject of future take-up of DTV; have they actually looked into the possibility of getting it and when they think they will get it. Two thirds of people (66%) without access to DTV said that they had not even looked into the possibility of getting it.

Have you looked into the possibility of getting digital TV?

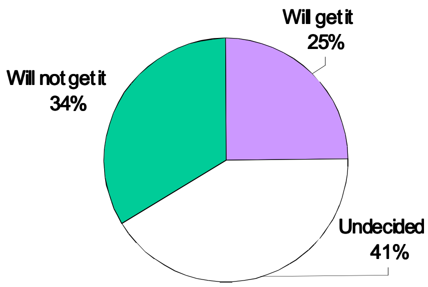
Base = all with no digital TV (1,288)



Of those who had looked into it, a quarter thought that they would get it, 34% had decided against it and the remainder (41%) were undecided.

Will you get digital TV?

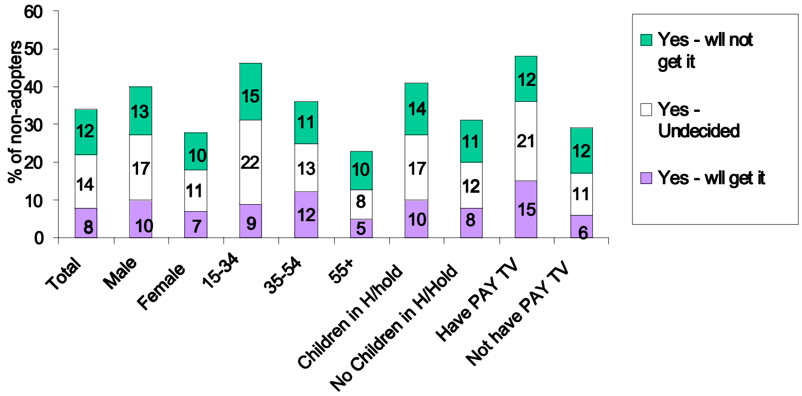
Base = all those with no digital TV who have looked into getting it (43



The type of people who have shown most interest in DTV are very similar to the profile of existing adopters. Thus, interest was highest among under 55s and those with children in the household. In addition those with existing access to any type of pay TV are much more likely to have considered DTV (and to think that they will actually get it) compared to those without. Almost half of Pay TV customers have looked into the possibility and 15% think they will get it.

Have you looked into the possibility of getting digital TV?

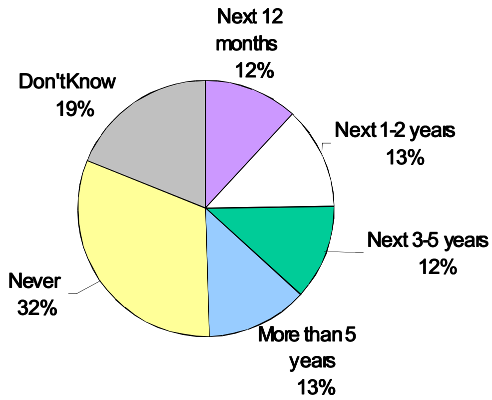
Base = all with no digital TV (1,288)



All those who do not currently have digital TV (regardless of whether they had looked into getting DTV) were then asked when they thought they would have digital television at home. It would seem that for most people there is no particular rush to get digital TV. Only half (50%) were able to specify a time at all and just 12% thought that they would go digital in the next year, rising to around a quarter (24%) for in the next two years. The average figure for the 50% that mentioned a specific time was just over three years (37 months).

When do you think you will have digital TV at home?

Base = all with no digital TV (1,288)



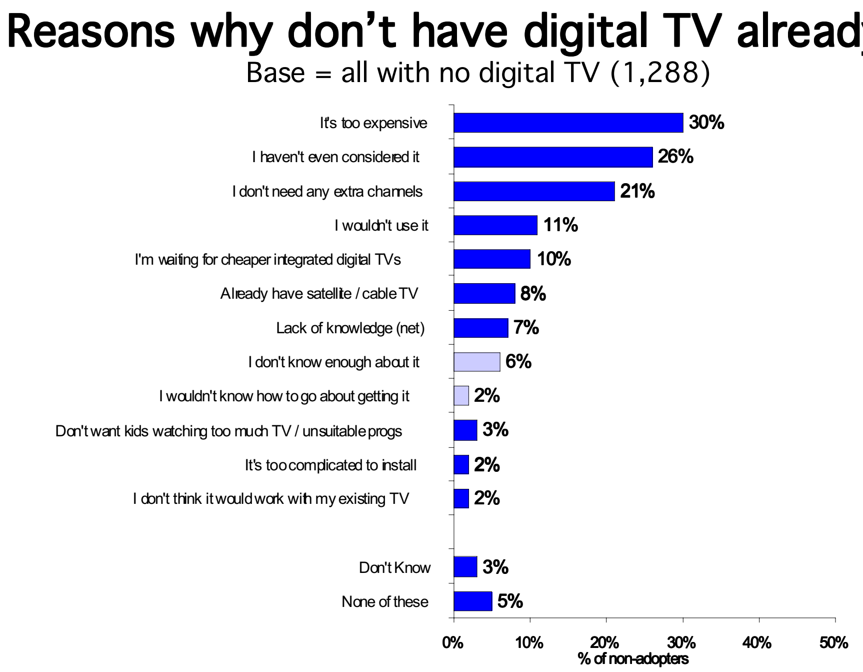
Of those that said they had looked into the possibility of DTV and thought they would get it, 45% said that this would be in the next 6 months, rising to 70% within the next year.

Just under a third (32%) of non-adopters said that they would never get DTV (this question was asked before we made respondents aware of the analogue switch-off!). A further 19% didn't know when they would get it.

Barriers to DTV

The cost of going digital seems to be the main barrier to take-up at this stage. When asked why they did not have digital TV already, 3 in 10 said the expense was one of the reasons. Furthermore, the majority of these people considered it the single most important reason.

The next two most mentioned factors were; I haven't even considered it (26%) and I don't need any extra channels (21%). Other seemingly less important barriers are 'I wouldn't use it' (11%), 'I'm waiting for cheaper digital TVs' (10%), 'I already have cable/satellite TV' (8%), and 'I don't know enough about it' (6%). The full list of factors is given in the chart below.



Barriers to take up vary considerably across the demographic groups. The cost of DTV is a particularly important issue for younger people (15-34 years), those with children and the lower social grades. 38% of DE respondents for example said that it was too expensive compared to just 16% of ABs. Compared to those in the South, non-adopters in the Midlands and North of the country were also more concerned about the cost issue.

Older age groups are more likely to not have even considered going digital or to feel that they don't really need any extra channels. Lack of knowledge is also a more important barrier for older people; 8% of over 55s said that they didn't know enough about it (compared to 5% of 15-34s).

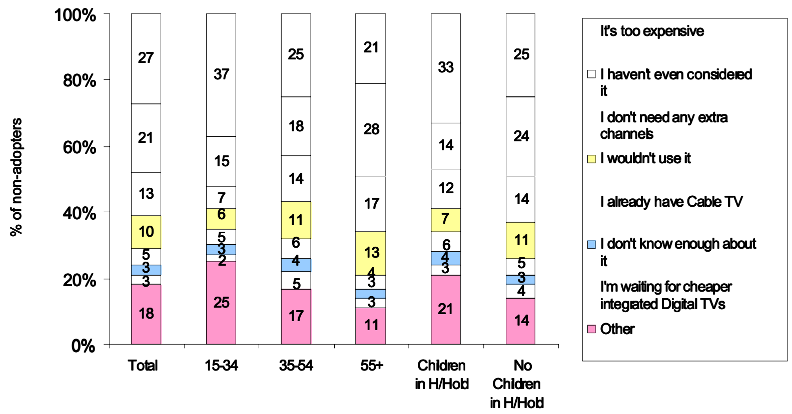
People of higher social grades also seem to have slightly different reasons for not going digital. Lack of necessity seems to be the main theme coming out; 27% felt that they didn't need any extra channels and 15% thought that they would not use it. In addition, they were the most likely to say that they were waiting for cheaper integrated digital TVs.

There are also clear differences between those who have some kind of Pay TV already and those that don't. A key reason for Pay TV subscribers not going digital is the fact that they already have cable or satellite services. In addition, the cost of DTV (although mentioned by 24%) was not as much of an issue compared to those with no existing Pay TV services (mentioned by 32%). This could well be because they already pay for some of their TV services and therefore don't consider cost to be so much of an issue.

The charts below show the differences in barriers across different groups – NOTE: these charts show the ***single most important reason*** only (unlike the last chart that showed all reasons that non-adopters mentioned).

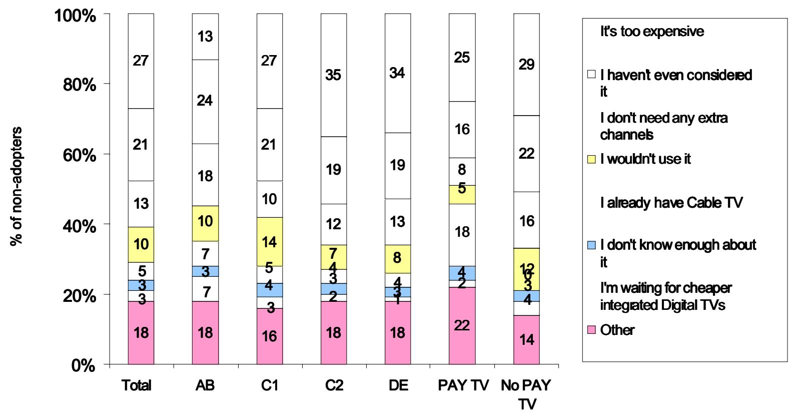
Single most important reason why don't have digital TV already

Base = all with no digital TV (1,288)



Single most important reason why don't have digital TV already

Base = all with no digital TV (1,288)



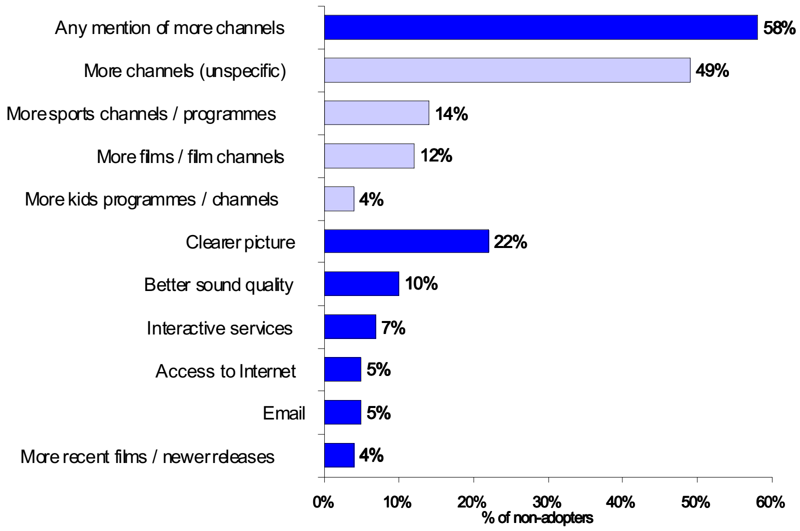
Perceived Benefits

Non-adopters were then asked an un-prompted question about the benefits of DTV. The most popular responses related to the variety of channels available. Overall, 58% spontaneously mentioned any type of channel - almost half (49%) mentioned more channels without specifying the type, 14% said more sports channels and 12% more film channels.

Despite being a key driver for people that have already gone digital, the benefits of a clearer picture were only mentioned by 1 in 5 non-adopters (22%). Better sound quality was mentioned by 1 in 10 (10%) and the other, more technical uses of DTV such as e-mail or interactive services by a small minority of non-adopters.

What does digital TV offer that standard terrestrial TV does not offer?

Base = all with no digital TV (1,288)



Awareness of the technical advantages of DTV appears to be particularly low among people who do not currently have any Pay TV services. For example, 28% of current Pay TV subscribers mentioned picture quality compared to 20% of non-subscribers.

Women, over 55s, and people of lower social grades were also less likely to mention picture or sound quality as advantages of going digital.

Furthermore, 1 in 5 people (20%) overall did not know what benefits digital TV offered over analogue TV and 7% said that it didn't offer anything extra. Again women and older people were less likely to know what the benefits were; 24% of women and 34% of over 55s said that they didn't know of any advantages (there are no significant differences between social grades).

DTV issues – Adopters and Non-Adopters

Summary Section

- Just over half of adults (54%) aware of digital TV were also aware of the analogue switch-off. Adopters were much more knowledgeable on this issue – 66% were aware.

- The variety of channels offered by digital technology would appear to have limited appeal as 4 in 10 people (41%) feel that they will only want to watch the 5 existing channels after the analogue signal has been turned off.

- There is confusion among both adopters and non-adopters on whether you will have to pay for the five terrestrial channels after the analogue switch off. Only 29% were correct in thinking that these channels would not cost any extra.

- Around half (47%) of British adults who are aware of DTV feel that they don't know enough about its benefits. Even a quarter of adopters feel this way.

- Generally, interest and knowledge of DTV is lowest among women, older people and those without children in the house.

Awareness of Analogue Switch-Off

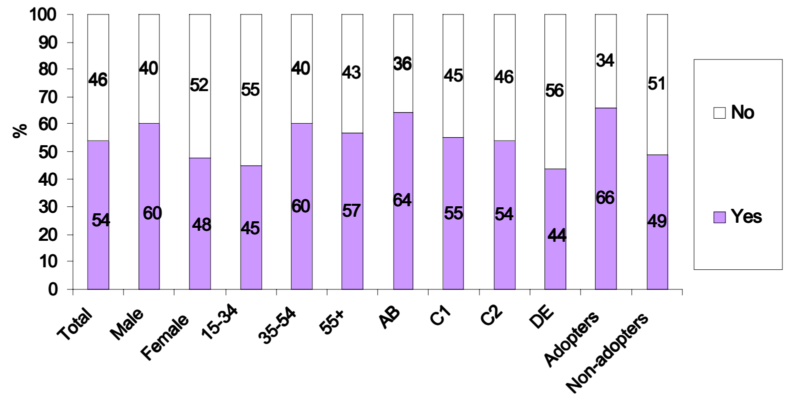
Just over half of adults (54%) who were aware of digital TV were also aware that in 5-10 years time the analogue signal may be switched off. Note that this figure may actually over-represent the awareness of the switch-off in the general population as people who were not aware of digital TV at all (and therefore unlikely to be aware of the switch-off) were not asked the question.

Those least aware of the switch-off were women (48% aware), 15-34 year olds (45% aware), those in the Midlands (46%) and those in social grades D or E (44% aware).

Adopters of digital TV were much better informed about the switch-off, two thirds (66%) were aware of it compared to just under half (49%) of non-adopters.

Whether aware of analogue switch-off

Base = all who know what digital TV is (1,815)



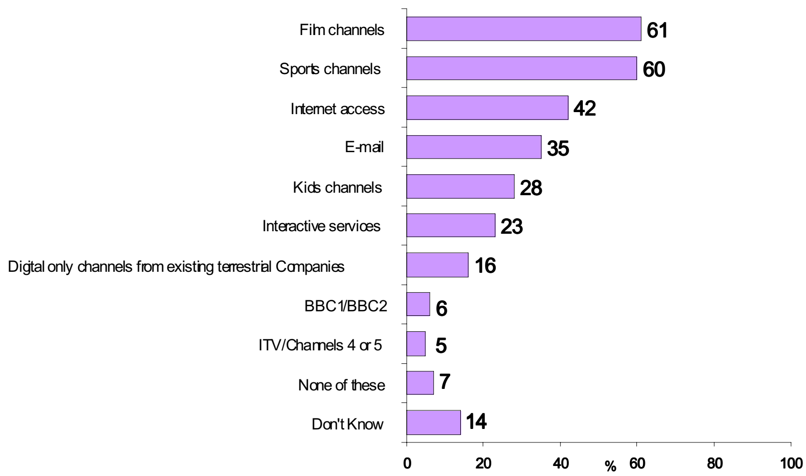
Which services you would expect to pay for?

6 out of 10 people who are aware of digital TV would expect to pay for film or sports channels. Fewer people expected to have to pay for Internet access (42%) or e-mail (35%) but there may be some confusion here relating to payment for access or call charges.

A very small proportion of adults expected to pay for the existing terrestrial channels; 5% for the independent channels and 6% for the BBC channels.

What would you expect to pay for with digital TV?

Base = all who know what digital TV is - both adopters and non-adopters (1,815)

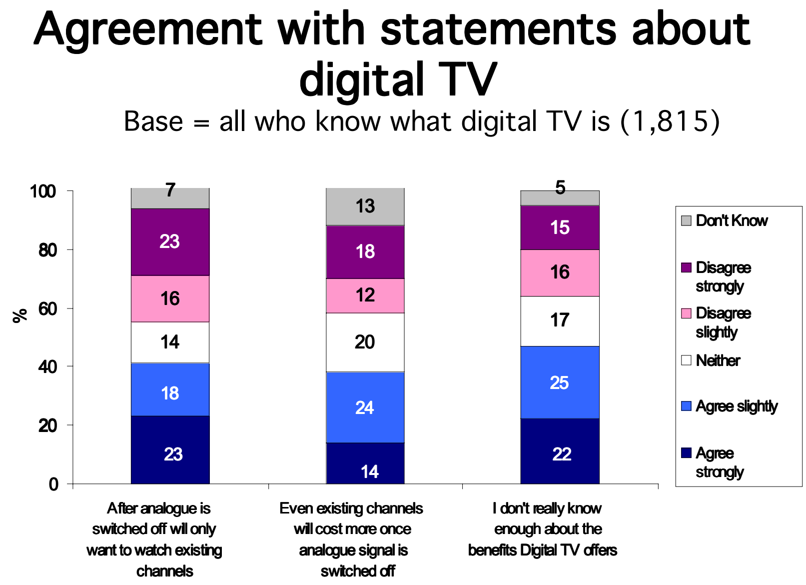


There are actually few variations between adopters and non-adopters on this issue. Adopters were more likely to expect to pay for sports or film channels but other than that there are no real differences.

However, it is worth bearing in mind that 14% of adults overall and 17% of non-adopters did not know anything about which services they could expect to pay for.

Agreement with statements about digital TV

To finish off, respondents were asked their opinion on a few statements relating to Digital TV. The chart below summarises their responses to the three statements.



Each statement is covered in more detail below, splitting responses by those who already have digital TV at home and those who do not.

Interest in extra channels

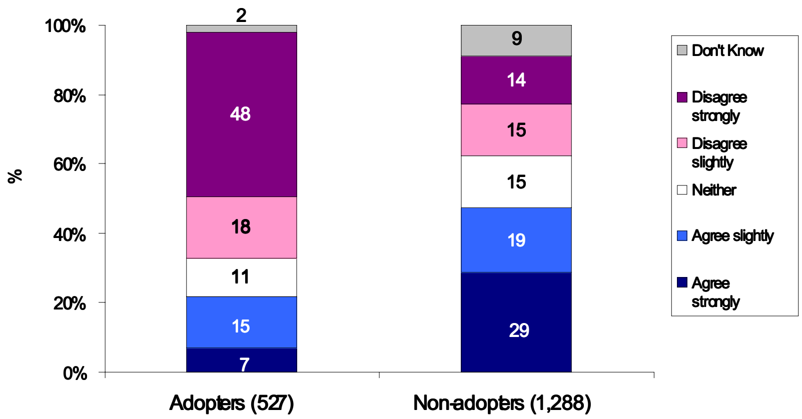
The first statement asked them whether they would only want to watch the existing five free channels after the analogue signal has been switched off.

The split between agreement and disagreement is fairly even for this statement, 41% agreed overall and 39% disagreed. Those most likely to be in agreement (i.e. most likely to only want to watch the 5 free channels) are women (44% agreed, 26% strongly), over 55s (56% agreed, 39% strongly) and people without children (45% agreed, 27% strongly).

The differences in opinion between those who have already gone digital and those who haven't are much greater as we might expect. Whereas 48% of non-adopters agreed that they would only want to watch the 5 free channels after the switch-off, only 21% of adopters could say the same.

Therefore it would seem that the variety of channels offered by digital technology have limited appeal, particularly among those who have not yet gone digital.

"After the analogue signal is switched off I will only want to watch the five free channels"

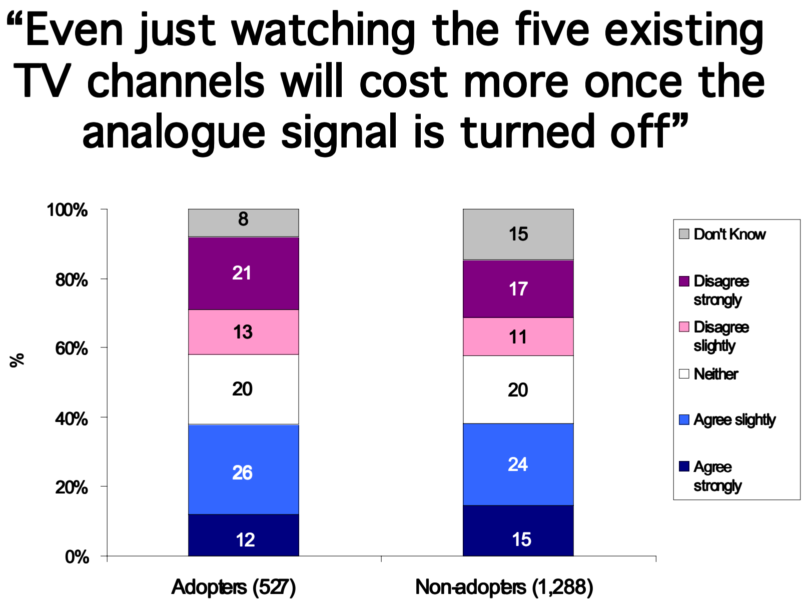


Awareness of costs after the analogue switch off

Respondents were then asked whether they thought that just watching the 5 existing free channels will cost more once the analogue signal is turned off. This is in fact false, there will be no extra charge, so we would expect people to disagree with the statement if they were knowledgeable about the charges.

However, the results show some confusion among the population. 3 in 10 (29%) were correct in thinking that these channels would not cost any extra whereas 38% actually thought they would cost more. The remaining third were unclear and either said that they did not know outright or that they neither agreed or disagreed.

Certain groups such as men, 35-54 year olds, those with children or adopters of digital TV were more likely to disagree that there would be an extra charge but even so the bulk of people within these categories either agreed that it would cost more or were unsure.

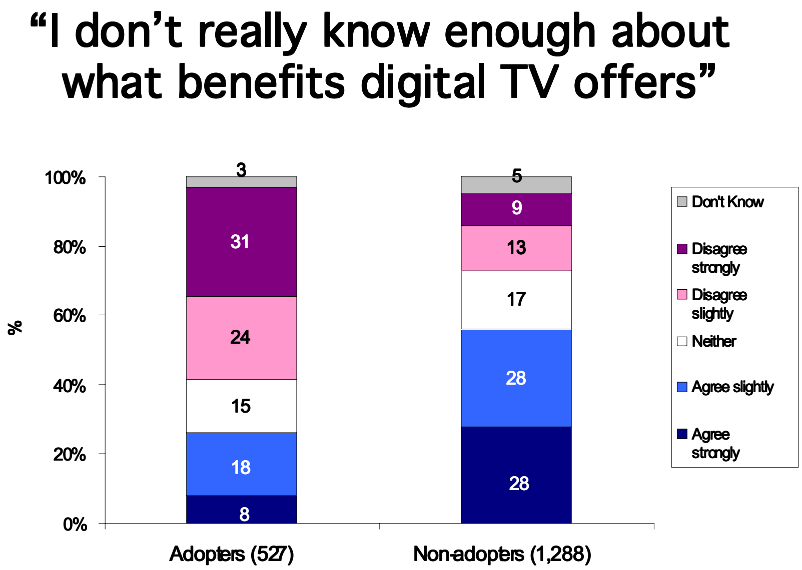


Knowledge of DTV benefits

Lastly, a question on knowledge of the benefits digital TV offers was asked. Just under half of adults aware of DTV (47%) agreed that they didn't really know enough about the benefits. Of course, the figures are very different depending on whether or not they have already gone digital - more than double the number of non-adopters agreed with the statement (56% compared with 25% of adopters).

However, it is still interesting to note that a quarter of those who actually have digital TV at home feel that they do not know enough about the benefits.

Of the non-adopters it is women and over 55s who feel they know least, 65% of people within these groups agreed with the statement.



APPENDIX 4 - OTHER DISLIKES ABOUT DIGITAL TELEVISION

Base (weighted): 504 respondents	**%**	**No of responses**
Cost of subscribing to programmes	*11*	57
Having to subscribe to channels I'll never use	*9*	47
Quality of programmes	*6*	30
Picture Quality	*6*	29
Repeats	*6*	29
Crashing out/crashing pictures/freezing pictures	*4*	18
Too many adverts	*4*	18
Can only access it on one television	*3*	14
Sound quality	*3*	14
Kids watching inappropriate TV	*3*	14
Limited to only those channels offered by my digital supplier/ can't access all channels	*2*	12
Costs/ too expensive	*2*	11
Can't record certain programmes	*2*	10
Doesn't work with my video/problems with VCR compatibility	*1*	7
Cost of set-up box	*1*	6
Poor service from Sky	*1*	6
My TV/Set top box will soon be out of date	*1*	4
Cost of new TV	*1*	3
Had to replace TV(s)	*	1
Had to connect set-top box to phone line	*	1
Other	*7*	38
None of these	*41*	204
Don't Know	*4*	19