THE MEDIA LAND-SCAPE IN IRELAND

RTÉ

AN OVERVIEW.

CONTENTS

PREFACE

Media consumers are faced with an unprecedented choice of content, platforms and devices. This is creating a new, radically different and dynamic landscape.

Public media is evolving to engage audiences with the type of content they want, in the way they want it.

The population is both growing and ageing. RTÉ attracts strong audiences across all demographics, but increasing choice and greater access will lead to further fragmentation.

While linear and traditional live media remain dominant, the consumption habits and patterns – particularly among younger audiences – are in a state of flux.

Consumer appetite for content anytime, anyplace and anywhere has also placed much greater value on content. The competition for ownership, rights and ultimately control of both the creative and distribution processes will become an even higher-stakes game in the coming years.

New distribution models and a drive to control the provision of services are defining the commercial strategies of media companies, large and small.

Funding for public media has declined just as the challenges have become most acute. And, with funding models becoming more varied across Europe, the need for structural reform, both within the organisations themselves, and in how they are supported, has reached a critical moment.

The future is not about the demise of linear media in favour of an on-demand world. The future is far more complex. RTÉ, like many media organisations across the world, must adapt significantly and develop an agile approach to survive and thrive in an environment that will remain in flux for some years to come.

OVERVIEW

RTÉ is unique in Irish life. In any given week, 91 percent of people living in Ireland access RTÉ's channels or services. This broad reach across television, radio, online, mobile, social media, and through live events, gives RTÉ a unique understanding of media audiences in Ireland.

RTÉ, in defining its future strategy, must take account of the interests of people in Ireland, and the dynamics that will impact on how it engages and connects with audiences.

Overall, the habits and rhythms of people's daily lives do not change as quickly or as radically as we may think. While much has changed in the past decade, from a consumer perspective, much has remained the same.

National and local radio continue to attract huge audiences from early morning through to the evening commute, and viewing of live television dominates media consumption in the evening, from six o'clock onwards.

People in Ireland, on average, watch more than three hours of television and listen to more than three and a half hours of radio, every day. Live television and radio remain important, not only to audiences but also as a critical medium for advertisers.

While broad patterns may endure, major changes in the market are shifting consumer behaviour and expectations particularly amongst younger people. The Irish media environment has never been more competitive and a vast range of media, entertainment and communications services are available on multiple devices and platforms at any time of the day.

Audience Fragmentation

The wider choice of content, channels, devices and platforms has driven a surge in media consumption, but in a more fragmented way. The line between "appointment to view" and on-demand viewing is increasingly blurred with people choosing to watch, listen and read in ways that are most convenient to them. Improvements in broadband infrastructure give people more options to consume content via streaming services and on connected devices, such as smart phones and connected TV's.

Younger audiences present a particular challenge and are quicker to adopt new services and new ways of consuming content. Social media is now the most used source for news among adults in the 18-34 age group. Organisations, such as RTÉ must transform to remain relevant to them. Understanding changing needs, through investment in research and data and creating more personalised services and content offerings, will be increasingly crucial for all media. While 15- 34 year-olds spend more time watching RTÉ than any other group of channels in the Irish market, RTÉ must strengthen its offering for younger audiences.

Global Marketplace

With the seismic shifts that have occurred in the media landscape and convergence on a global scale, consumers are living in a global marketplace with a vast range of choice from multiple offerings. There is also more global ownership of Irish media and distribution than ever before.

New platforms, such as Google, Amazon and Facebook are increasingly influential on content discovery, news and entertainment, among younger audiences in particular, many of whom are foregoing their privacy for access to free content.

Brands are flocking to these platforms to connect with so-called 'millennials'. It is estimated that 80 percent of Irish Internet advertising spend now goes to Google and Facebook. Furthermore, 90 percent of any additional growth in online spend is also going to these platforms. This is a challenge for all traditional media organisations, publishers and producers of high quality content and journalism.

Platform companies are mining consumer data to build new products and enter new markets, disrupting long established business models. From grocery home delivery and driverless cars to voice-activated smart home applications, such as Amazon Echo, these companies are investing in new, lifestyle-altering services in a race to 'own the consumer' and disrupt existing industries.

Media companies have responded by partnering with platform companies to explore new ways to reach, engage and entertain audiences. They have also responded to this intense competition by investing in data strategies, innovation, consolidation and cost reduction programmes.

In this landscape, television is no longer an autonomous industry. It has become a battleground for technology, telecommunications and platform companies to compete.

High quality programming

Content sits at the centre of the entire media value chain. It is a key business differentiator for media and communications organisations. Increased competition and global dynamics are driving hyper-inflation in rights costs. The insatiable demand for high quality content is perhaps the only constant in today's dynamic media marketplace.

In Ireland the appetite for high-quality Irish programming, journalism and digital content remains as strong as ever, with Irish entertainment, sport, news and drama all continuing to attract very large and loyal audiences.

RTÉ is now operating in an environment where new transnational and global competitors are investing significantly in content and technology to gain market share, but are not subject to the same accountability as the regulated media industry. While many of these platforms have global scale, they do not have the same focus on distinctive high quality Irish content or command the same levels of trust as public service media.

Locally produced, highly quality programmes and journalism that have a strong resonance with Irish audiences need to be protected to ensure that Ireland continues to have a vibrant creative economy that reflects Irish culture, stories and society.

SECTION 1

A RADICALLY DIFFERENT MEDIA MARKET

Seismic shifts have occurred in the media landscape. A broad range of services is now available to consumers in Ireland, which, combined with convergence on a global scale, has resulted in significant market fragmentation. The changing media landscape has been facilitated by regulatory environments that encourage competition and plurality of ownership. Developments in technology have radically altered the value chain, opened up new markets, enabled media companies to reframe the landscape and have given more power and control to the consumer. Existing channels, modes of engagement and business models are being fundamentally challenged.

SECTION 1

A RADICALLY DIFFERENT MEDIA MARKET

Key dynamics impacting our industry

1.1 The drive to 'own the home'

The convergence of media and telecommunications industries is turning some media players into global media superpowers. In the Irish market, ownership of Irish television and radio services is increasingly global.

- Liberty Global (operator of Virgin Media Ireland) now owns TV3, 3e and be3.
- Sky, with multiple channels and platform penetration of 42 percent of TV homes, is likely to merge with Fox.
- News Corporation acquired seven Irish radio stations last year.

The impact of this is that many of RTÉ's competitors have greater resources to acquire sports rights and premium dramas. In this converged landscape Sky, Virgin Media, eir and Vodafone have all developed products to increase revenue and 'own the home' through a combination of television, broadband, landline and mobile telephone subscriptions.

Despite the larger financial resources available to these companies, RTÉ continues to connect with Irish people and reflect their lives through investment in high quality relevant content. However, with new competitive forces, this will become more challenging.

1.2 Gateway owners becoming more powerful

Distinctive, high quality content is king and ensuring that content is discoverable to consumers on multiple devices and platforms remains crucial.

TV operators (Sky, Virgin, Magnet, eir), device manufacturers (Apple, Samsung, LG) and platform owners (Facebook, Google) are increasingly owning the access routes to audiences and controlling the gateway to content and programming.

Greater integration between web and TV means the interface on TV devices is like an internet experience with curated content and recommendation engines defining what is displayed on the screen. This moves away from Electronic Programming Guides (EPG) where updated menus display programming or scheduling information for a broadcaster channel.

Future 'featured' content is likely to be more personalised based on data the device operator can access about the viewer's personal preferences. It is also likely to include content the operator wants to promote.

This threatens the visibility of the EPG and of the broadcaster channels and will likely require regulatory intervention if the prominence of publicly supported channels and programming is to be maintained.

1.3 Engaging & connecting with consumers

Giving consumers content they relate to and want is vital to future success. The task for media organisations is to invest in data strategies to develop new experiences, content and ways of engaging with consumers to remain relevant.

Building a more multi-layered and direct relationship with diverse audiences helps content owners to understand the type of content consumers want, how they want to consume it and to create personalised recommendations for them.

RTÉ is already connecting with Irish audiences who use RTÉ services through phone lines, emails, mobile notifications and alerts. Last year over 300 million alerts were sent for the RTÉ News Now mobile app, which has resulted in significant growth and engagement.

More than 500,000 people have registered for RTÉ's digital services.

The benefits of engagement are clear, as registered users:

- Spend almost 20 percent more time on RTÉ.ie
- View over 50 percent more content on RTÉ.ie
- Watch 150 percent more video on RTÉ player

1.4 Connectivity and the cloud – new challenges

Reliable and fast connectivity to the cloud is key for both media players and consumers. The shift to cloud services is providing broadcasters with improved agility and flexibility to offer new services to consumers.

Some 70 percent of homes in Ireland[1] have fixed line broadband access, a figure which rises to 80 percent when mobile broadband is taken into account. Average speeds have increased, and the majority of homes now have 30Mbps connections. Eir, Virgin Media and Vodafone are continuing to roll out higher speed networks across the country. The arrival of 5G technology in 2020 will significantly increase mobile broadband speeds.

1. ComReg Market Report Q3 2016.

BETTER INFRASTRUCTURE, BROADBAND SPEEDS & LOWER DATA RATES DRIVE INCREASE IN ONLINE MEDIA CONSUMPTION.

18%
OF RURAL IRISH CAN'T GET BROADBAND

4G
42%
OF MOBILE SUBSCRIPTIONS ARE 4G

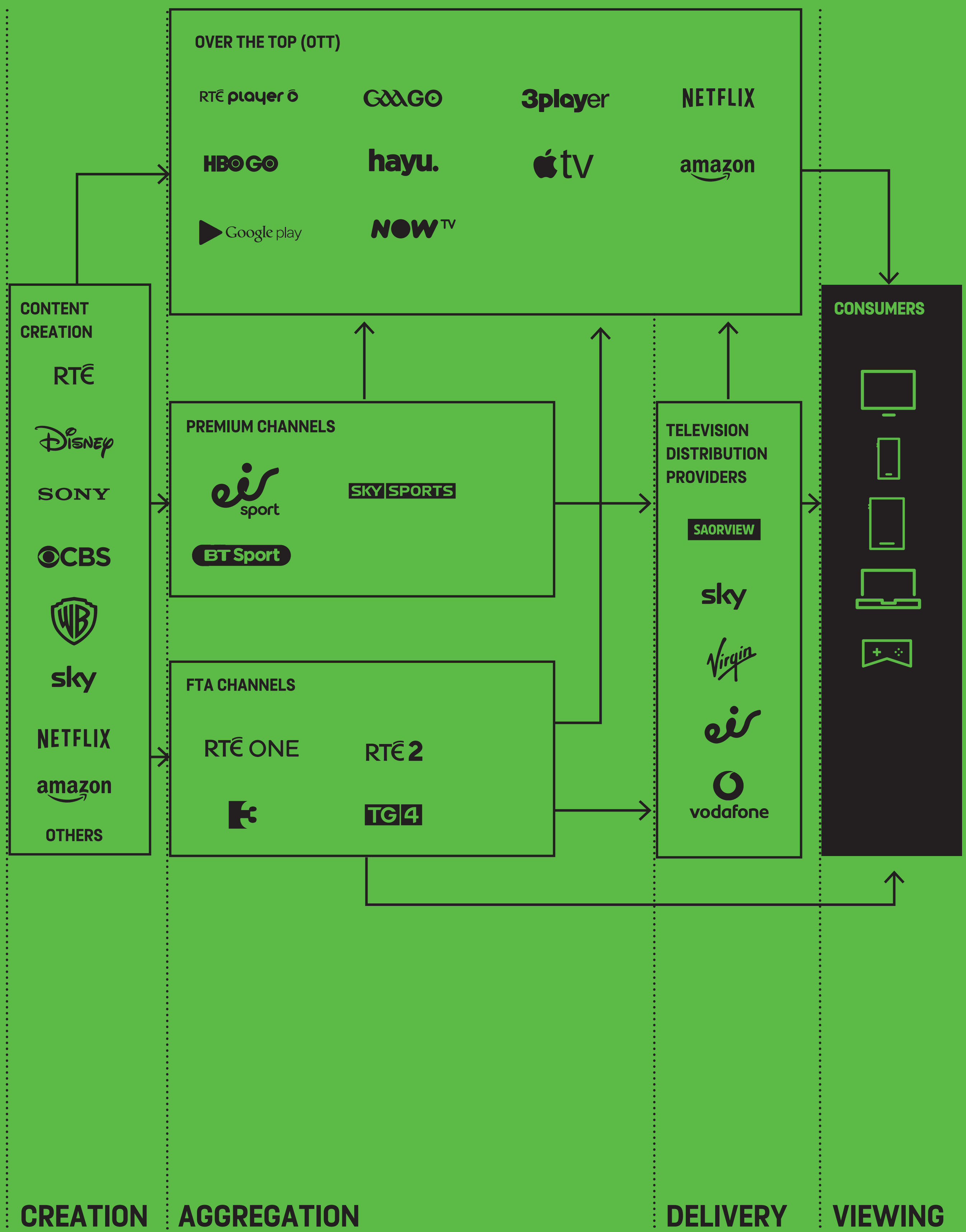
MOBILE DATA USAGE HAS INCREASED
5 FOLD
SINCE Q4 2013

MOBILE
1ST
SCREEN FOR INTERNET

BY 2020 RESIDENTIAL BROADBAND PENETRATION
90%

HIGH-SPEED
BROADBAND AVAILABLE NATIONWIDE BY 2020

CONTENT VALUE CHAIN



The most significant recent development in the media value chain is the emergence of over-the-top (OTT) distribution giving rise to direct-to-consumer (DTC) services.

1.5 Rise of new distribution models

The most significant recent development in the content value chain is the emergence of over-the-top (OTT) distribution giving rise to direct-to-consumer (DTC) services.

These services allow consumers to access music, film and television services over the Internet without requiring a traditional cable or satellite subscription (Apple, Netflix, Spotify, Hayu). Greater broadband connectivity provides new ways to distribute and monetise content. For content owners it opens up new routes to markets and for consumers it means more choice and more access to any content, anytime, anywhere, on any device.

Investment in content, rights, enhanced functionality and technology is needed to successfully compete in the OTT market. Against this background, to keep pace with market developments RTÉ and other broadcasters have invested in the development of OTT services, such as RTÉ Player, RTÉ Radio Player and RTÉ News Now.

TV operators have also moved into the OTT market by offering 'TV everywhere' access, allowing viewers to consume live and on-demand content in and outside the home (e.g. Sky Go, Virgin TV Anywhere) and by developing their own video-on-demand (VOD) offerings.

Greater choice means some consumers are shifting away from the traditional TV model. They are cutting back on full TV bundles and opting for a more selective range of channels or alternative Subscription VOD (SVOD) offers.

More consumers are buying 'skinny bundles' - slimmed down cheaper subscriptions to TV channels or content packages being offered by cable, satellite and OTT providers such as Netflix, BT Sport, eir Sport. All of these new distribution models are challenging long-standing business models.

1.6 Forecasting is difficult

Emerging technologies and the Internet of Things (IoT) will engender changes in content consumption in ways that are difficult to forecast. Media organisations need to assess the importance and relevance of emerging content distribution platforms and tools. They must be able to adapt quickly to remain relevant to consumers. Technology giants (Google, Apple, Facebook, Amazon) are already investing heavily in new platforms and ways to create and consume content. The media-related potential of these technologies is summarised below.

AR/VR

Advanced smartphone technology has effectively given many people a VR headset in their hands. These headsets, along with 360 degree cameras, will allow for a different type of immersive experience. Several entertainment companies and device manufacturers have announced 360 or VR offerings. RTÉ, like other broadcasters, has undertaken pilot projects to test the viability of this technology.

Voice Recognition

Smart speaker developments, such as Amazon's Echo and Google's Home, are driving advances in voice-activated technologies to access media content. Such devices offer other exciting possibilities, but also challenges for radio and audio content.

Driverless Cars

Apple's Carplay and Google's Android Auto are already competing to control content consumption in high-end cars in Ireland. Connected cars offer more choice in terms of listening and potentially viewing.

Wearables

Wearables are also forecast to grow in the next five years and will likely be used for smaller, hyper-relevant pieces of content such as personalised notifications.

SECTION 2

CONSUMER LANDSCAPE: WHAT ARE AUDIENCES DOING?

Audiences are both growing and ageing. People's lives are busier than ever with a premium being placed on convenience and personal or family time. Total media consumption is increasing. Greater choice, flexibility and enhanced experiences are changing consumer expectations forever, with consumers firmly in control. Despite these changes, Irish people still want to watch, listen to and read high quality media content that is relevant to their lives and needs.

While linear and scheduled media remain dominant, consumption habits and patterns – particularly of younger audiences – are in a state of flux. Overall, RTÉ remains at the forefront of the Irish media landscape, despite the substantial innovations in the range and delivery of media content, reaching 75 per cent of Irish adults each day.

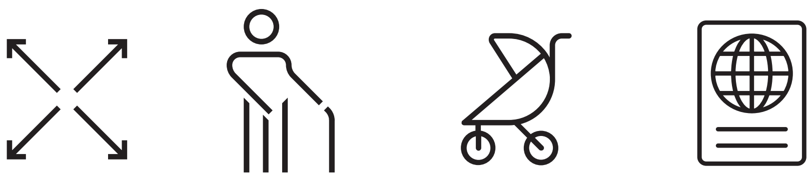
SECTION 2

CONSUMER LANDSCAPE: WHAT ARE AUDIENCES DOING?

2.1 A growing and diverse society

Ireland's population is growing and ageing. Unemployment is at its lowest since July 2008[2]. Linked to an improving economy, Ireland is experiencing net inward migration for the first time since 2009. This is driven predominantly by an increase in non-nationals, but is also due to fewer Irish people emigrating. As a result, Ireland continues to become more diverse, and has the sixth largest non-national population in the EU, with 40 percent of non-nationals either from Poland or the UK[3]. The illustration below shows key demographic shifts by 2021.

People's lives are busier than ever, with a premium being placed on convenience and family time[3]. The population has become more educated and more urban over the past decade. Understanding these changes and responding to them is central to RTÉ's future as an organisation with a remit to serve the entire population.



Population to 5m by 2021
6% growth

Age 50+ growing

New baby boom
0-14s 21%
35-49s 22%
in 2021

Higher immigration

2.2 Media fragmentation in Ireland

The proliferation of media devices means people are spending more time than ever consuming media, but in a more fragmented way. TV programming can be viewed live, recorded on PVR, viewed on-demand via OTT services and on mobile. Television is available on the TV set, on laptops, tablets, and phones, whether at home or on the move. Access to radio services does not require a radio set and there is unlimited access to music and podcasts on almost any topic.

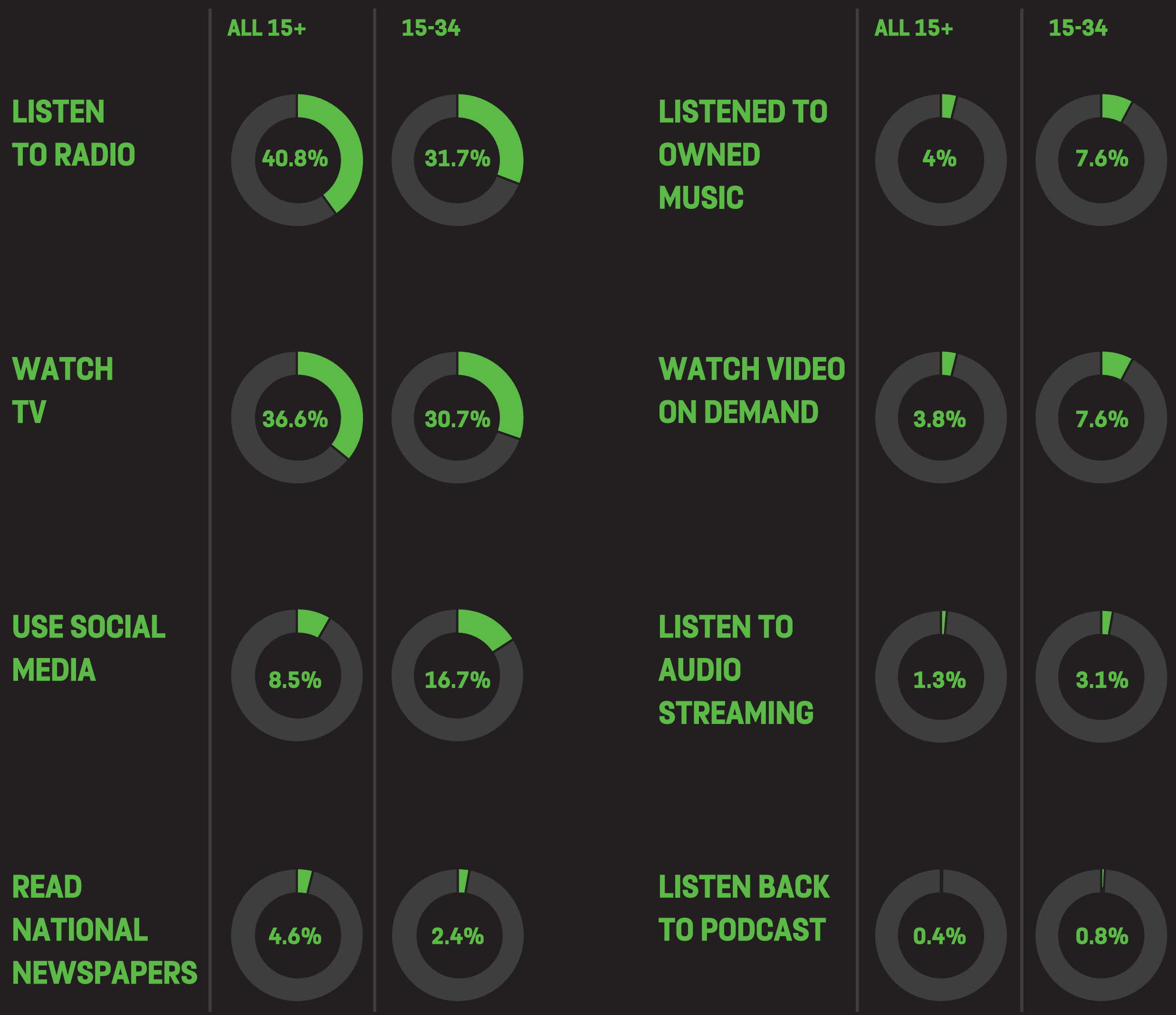
Service	% of Homes Accessing
Netflix	25%
RTÉ Player	24%
3Player	7%
Sky On Demand	12%
Virgin Media On Demand	6%

SOURCE: Nielsen Establishment Survey, Jan 2017

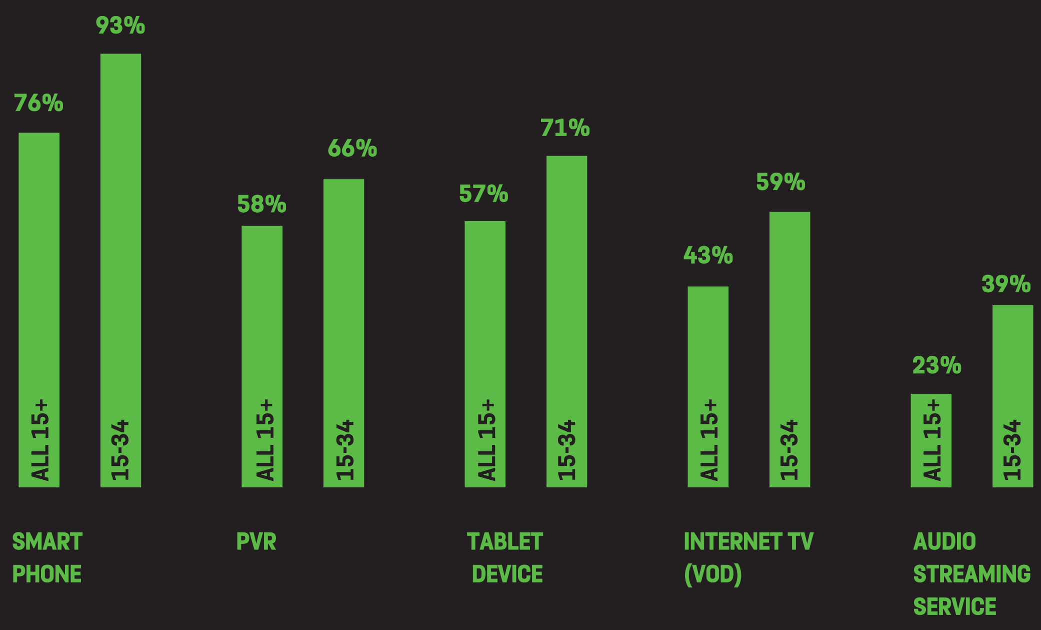
The surge in media consumption is driven by the rapid increase in portable, Internet-enabled devices that are available at consumer friendly price points. This has expanded choice and viewing on connected devices – primarily laptops, smartphones and tablets.

2. Monthly Unemployment, February 2017, CSO
3. Migration and Migrant Population Statistics, Jan 2016, Eurostat

SHARE OF TIME SPENT ON MEDIA, AVERAGE DAY

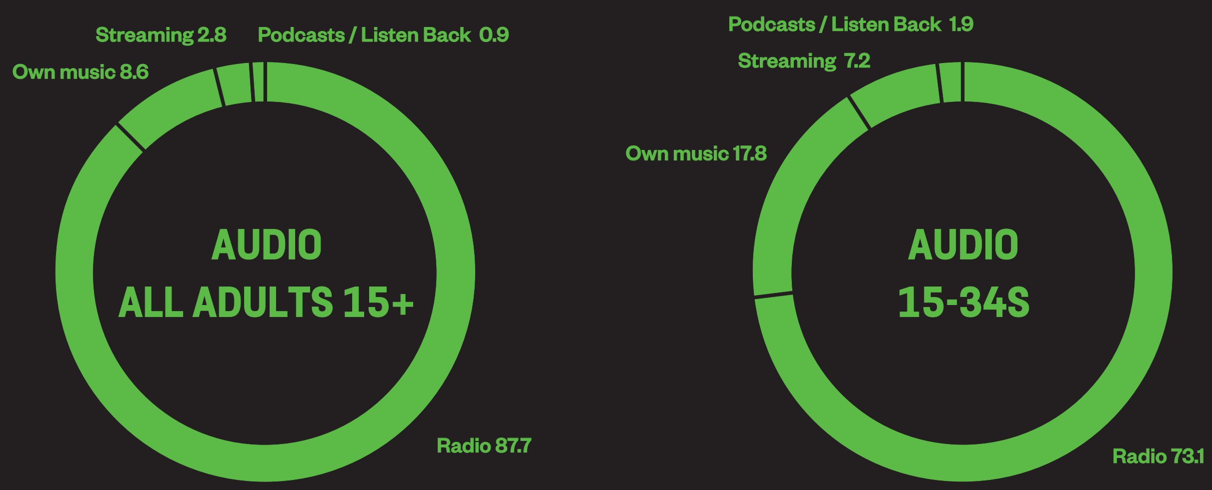


OWNERSHIP

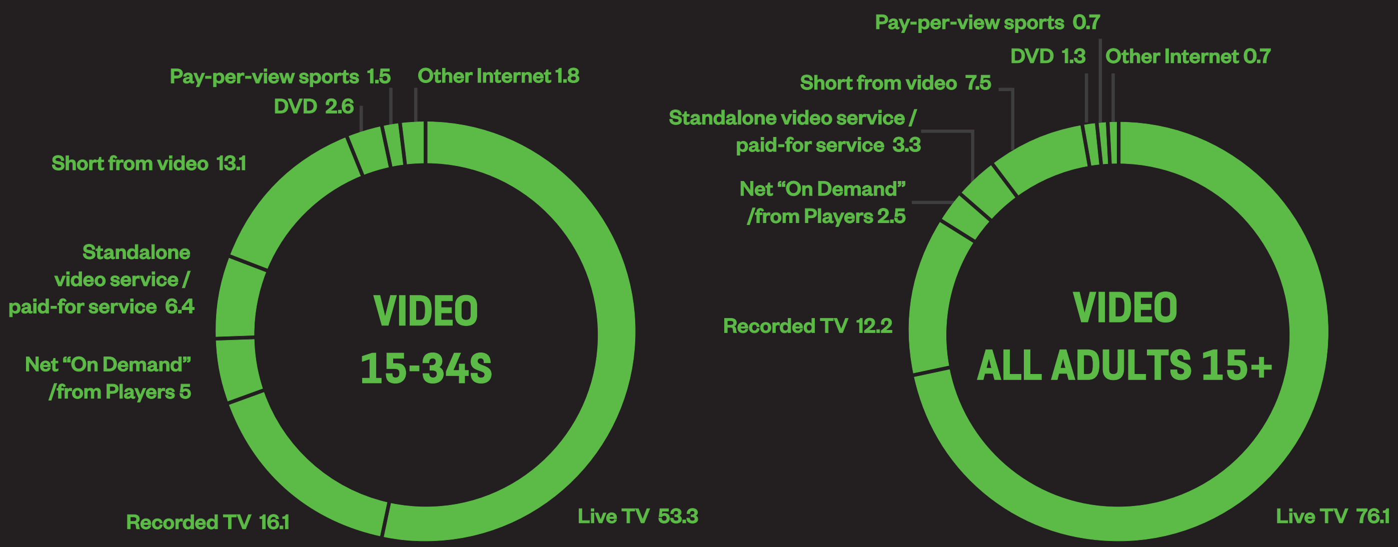


SOURCE: JNLR/Ipsos MRBI, 2016

PERCENTAGE OF TIME SPENT CONSUMING AUDIO & VIDEO



SOURCE: JNLR Media & Platforms Report, 2016



SOURCE: TAM Ireland, Total Viewing Habits Study, 2016

The average person watched three hours and 21 minutes of television daily in Irish homes in 2016

Watching
The average adult watched three hours and 21 minutes of television daily[4] in Irish television homes in 2016. Live television is still the most popular format by far.

On-demand services make up a relatively small proportion of most people's overall consumption, although on-demand viewing is more popular among younger audiences. There is, however, a broader effect on user behaviour and expectations. The line between "appointment to view" and on-demand viewing is increasingly blurred. People still want to watch TV but are choosing to watch it in ways that are most convenient.

Listening
Irish people's affinity with radio continues, with daily reach of radio remaining over 80% in 2016. The average adult listens to more than three and a half hours on these days[5].

More adults in the 55 years and over age group are tuning in to FM radio and they are listening for longer. Among younger audiences radio listening is in decline, but still accounts for almost three quarters of all time spent listening to audio content[6].

Listening on mobile devices accounts for less than three percent of all audio listening among adults although this rises to just over seven percent for younger audiences[7]. Podcasting and streaming on services such as Spotify, while a limited activity, is more popular with younger audiences. In addition, people now access music via YouTube, with as many as one in five young adults listening to music videos on a daily basis[8].

While streaming services currently account for a relatively small share of listening overall, the preference for anytime anywhere convenience, combined with emerging technology and new ways to consume are likely to re-shape listening behaviour in the future.

RTÉ online and Social Media Activity

RTÉ Mobile:
RTÉ apps across news, TV, radio and children's content – downloaded 5.2 million times to date

RTÉ News:
RTÉ News and RTÉ News Now apps - 2.9 million monthly unique browsers (2016)

RTÉ Twitter/Facebook core accounts:
Combined reach of 3 million followers

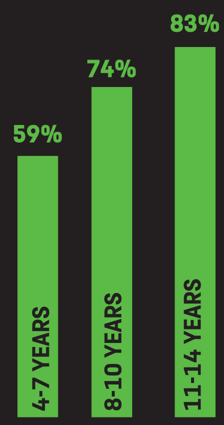
	Social Media Account Ownership % social networking owners in Ireland - Jan 2017	**Daily Usage** % of those who have an account with the listed platforms
	64%	74%
	56%	63%
	28%	56%
	29%	18%
	29%	70%
	29%	33%

SOURCE: Ipsos MRBI Social Networking Tracker, Jan 2017/ Ipsos MRBI Social Messaging Tracker, Jan 2017

4. TAM Ireland/Nielsen TAM, 2016
5. JNLR/Ipsos MRBI 2016/4
6. JNLR/Ipsos MRBI 2016/4 (Jan-Dec 2016) Media & Platform Report
7. JNLR/Ipsos MRBI 2016/4 (Jan-Dec 2016) Media & Platform Report
8. Ipsos MRBI, RTÉ Time Usage Survey, 2016

IRISH CHILDREN'S TV & VIDEO VIEWING

UNDER 14S
WATCHING
TV PER DAY
122
MINUTES



ONLINE
VIDEO
VIEWING

UNDER 14S
ONLINE VIDEO
PER DAY
120
MINUTES

32%
PARENTS SAY YOUTUBE
NOT SUITABLE

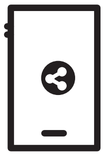
SOURCE: Core Media/Ignite Research, 2016

X2 **DOUBLE**
RECOMMENDED SCREEN
TIME FOR KIDS OVER 2

ALMOST
50%
OF ALL CHILDREN 4-14
WATCHED THE LATE LATE
TOY SHOW IN 2016

SOURCE: TAM Ireland/ Nielsen TAM,
Consolidated data, Nat, Children 4-14, 2016

Further fragmentation is expected as audiences are presented with more choice and greater convenience. Regardless of this, Irish people still want to watch, listen and read high quality media content that is relevant to their lives and needs.



4.9
Average number of connected devices owned by 18-34s

70%
of 18-34s receive main TV signal via pay TV

SOURCE: Ipsos MRBI, RTÉ Time Usage Survey, 2016

Social Media and the impact on News

- Almost half of Irish adults use social media every day. The figure rises to nearly four out of every five adults aged 15-34 years[9].
- Reuters' 2016 Digital News Report shows social media is now the most used source for news among all adults in the 18-34 year age group[10].

It is critical that RTÉ tailor its offering to integrate new ways of consuming news visually and in short form to continue to provide high-quality, accurate and objective news content to younger audiences.

Spotlight on Children

Younger audiences, including children, are a good indicator of the impact and adoption of new media services and the new ways in which media are being consumed.

The chart opposite illustrates the evolving viewing/screen time habits of Irish children.

2.3 The net effect

RTÉ remains at the forefront of the Irish media landscape, despite the substantial innovations in the range and delivery of media content. It reaches 75 percent of Irish adults each day and over 90 percent each week across its various services: radio, television, mobile and online[11].

Younger audiences are using OTT services more than any other group, with 18-34s owning approximately 4.9 connected devices. While 15-34 year olds spend more time watching RTÉ than any other group of channels in the market, RTÉ needs to develop new types of content and experiences to remain relevant to them.

Further fragmentation is expected as audiences are presented with more choice and greater convenience. Regardless of this, Irish people still want to watch, listen and read high quality media content that is relevant to their lives and needs.

In this complex ecosystem, RTÉ will continue to develop its presence across relevant devices and platforms to provide access to high quality content, and, to inform and inspire audiences in new ways.

9. RTÉ Annual Report, 2016/ RTÉ Time Usage survey
10. Reuters Institute Digital News Report 2016 (Ireland), News platforms by age group, p. 29
11. RTÉ Brand Tracker, 2016

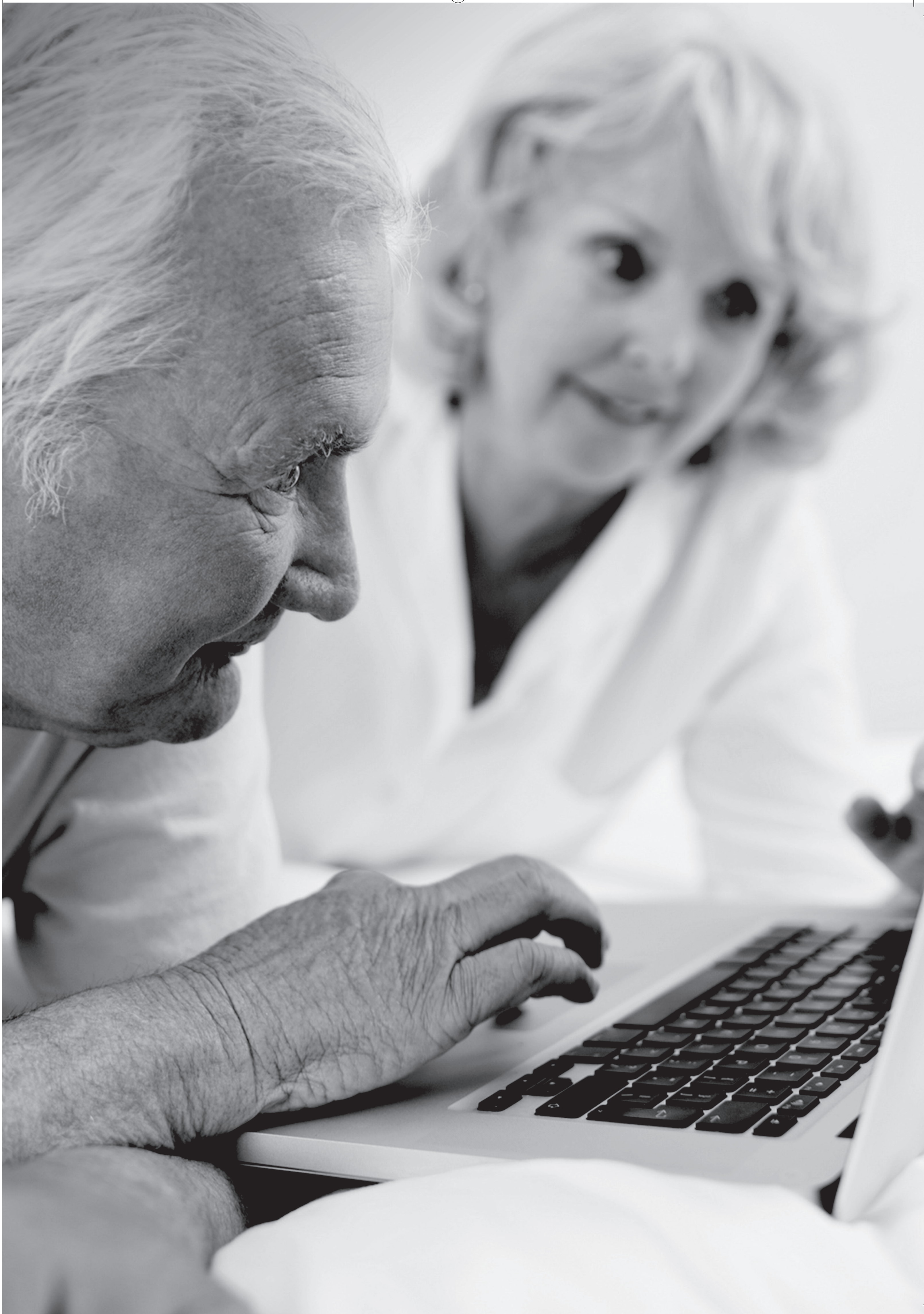
SECTION 3

IT'S ALL ABOUT THE CONTENT

Content sits at the centre of the entire media value chain. It is a key business differentiator for media and communications organisations. The value of audio visual content has never been as high, particularly for broadcast quality television.

Hyper-inflation in the cost of both content rights and talent is shifting the balance of power towards content owners – creators of original content and rights holders – and distributors with global scale and scope. Ownership of content within the media chain remains a central factor in determining the success of media organisations.

The insatiable demand for high quality content is perhaps the only constant in today's dynamic media marketplace. Locally produced high quality programmes and journalism continue to have strong resonance with audiences.



3.1 Content owners

Broadcasters, telcos and platform owners are all now operating in the content market. High-quality content is available from multiple new services, such as Netflix, Amazon Prime Video, Hayu and others.

In the early days of OTT services, the content remained the same but the packaging and distribution changed. Now, however, content is acquired, commissioned and created by new platforms, such as Amazon in pursuit of greater market share.

This has created a dynamic where channels and platforms will spend over the odds on content with competitive well-funded technology platforms investing in video rights and original content.

Telcos and social media companies are pursuing live sports rights. For example, BT bought the UK rights to the Champions League and Premiership Rugby and has a shared interest in The Premiership in the UK.

This, combined with the scheduling of programmes such as Grand Tour on Amazon Prime Video, reinforces the strength of live and scheduled TV to command large audiences and also illustrate the threat from new entrants.

3.2 Key genres

Globally, the most watched genres are news, sport, drama and entertainment, especially formatted entertainment. This trend is also reflected in Ireland. Despite great interest in content from the USA and UK among Irish audiences, there is also strong demand for quality home-produced content across these genres, essential for the success and sustainability of Ireland's creative economy.

The top 20 programmes on Irish television in 2016 were from RTÉ – 12 of these were live sport. On radio, 19 out of the top 20 most listened to programmes in the country are on RTÉ.

RTÉ content attracts viewers across multiple platforms and devices, creates multi-platform conversations, and drives engagement across social media platforms.

This content ranges from home-produced original drama (*Striking Out*), big format family entertainment (*Dancing with the Stars*) and live sport (international rugby and soccer, GAA All Ireland Championship) to lifestyle programming (*Operation Transformation*), arts programming (*Painting The Nation*) and news and current affairs. Furthermore, RTÉ content trends across social media on an almost daily basis, with RTÉ television content frequently filling five or more of the top 10 trends on Twitter in Ireland.

To meet changing audience needs, RTÉ's central news, sport and entertainment output includes significant digital components. The RTÉ News Now app complements television and radio output. GAAGO takes Gaelic Games to a global audience. The availability of all RTÉ produced content including *The Late Late Show, Fair City* and *Operation Transformation* on the RTÉ Player boosts overall audience volumes.

3.3 RTÉ and Ireland's creative economy

RTÉ is the largest and most significant investor in Irish content and the Irish creative economy. It has the greatest impact on the industry.

RTÉ employs approximately 1,900 people and, through its investment in the Irish economy, together with the non-payroll spend by RTÉ, supports almost 3,000 additional jobs.[12]

The value of RTÉ-supported expenditure in the Irish economy for 2016 is estimated at almost €210m

In 2016, 5,027 hours of original home-produced programming were transmitted across RTÉ television, radio and digital services, with 1,376 produced with the independent sector. This investment and support covers a diverse range of output, including factual, drama, sport, comedy, animation, arts and music.

Through this investment, RTÉ makes a significant commitment to the production of content that creates jobs for writers, performers, presenters and producers. It supports new talent and makes a contribution to enriching Irish culture, society and democracy. It engages audiences under-served by the commercial sector.

Recent examples - such as *The Tommy Tiernan Show* (produced by Galway independent company, Power Pictures), contemporary legal drama, *Striking Out* (Blinder Films), Stephanie Preissner's, *Can't Cope, Won't Cope* (Deadpan Pictures) and RTÉ Investigates' powerful exposé of the 'Grace' foster home and Áras Attracta scandals - highlight the extent to which this investment and innovation are spread across genres, and across in-house and independent sector production.

RTÉ is committed to:

- A €40m investment in the independent sector every year
- Exceeding this minimum investment if public funding is increased
- Spending €1.19m in the radio sector with independents – including *The Business, Second Captains, Callan's Kicks* and *The Book Show*

12. PwC Economic Impact Study

KEY GENRES

LIVE SPORTS

PREMIUM CONTENT FOR LIVE TV. COMPETITION WITH TELCOS AND NEW ENTRANTS CAUSING HYPER-INFLATION OF RIGHTS COSTS.

DRAMA

IS THE KEY GENRE. IT IS NOW THE GOLDEN AGE OF TELEVISION DRAMA.

MEGA BRAND FORMATS

SURPRISING SUSTAINABILITY OF MEGA BRAND FORMATS, SUCH AS 'STRICTLY'. CLASSIC PROVEN BRANDS ARE RETAINING VALUE.

ACQUISITIONS & ENTIRE STUDIO PORTFOLIOS

BEING BOUGHT UP WHOLESALE.

NEWS

PROLIFERATION AND ATTENUATION OF NEWS VALUES.

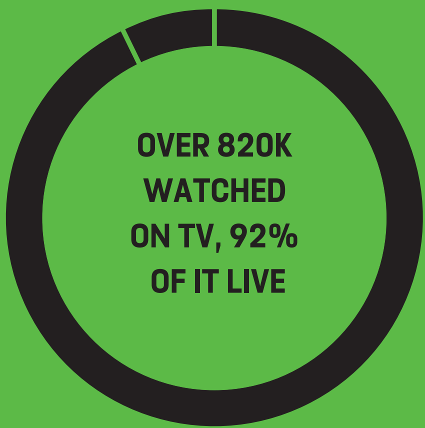
LOCAL CONTENT

DOMINATES IN MOST JURISDICTIONS ON TRADITIONAL TV.

ENGAGING AUDIENCES ACROSS MULTIPLE PLATFORMS - 6 NATIONS 2017: IRELAND V. FRANCE

RTÉ 2

61,000 watched on time shift



760,000 watched on TV live

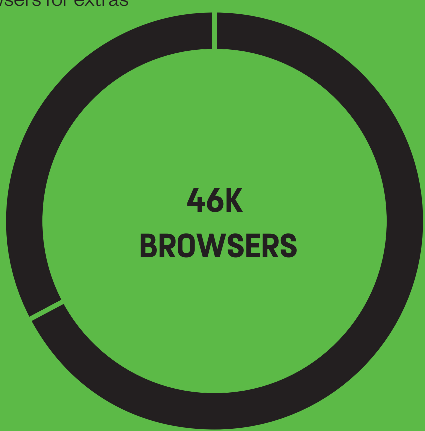
RTÉ RADIO 1

AT LEAST
100K
TUNED IN TO
THE MATCH
ON RADIO 1.

SOURCE: Based on reach for the period Apr 2016 - Mar 2017, 16:30 - 19:00, Adults 15+. JNLR/Ipsos MRBI 2017/1. Streaming data indicates higher than average listening on 25th February.'

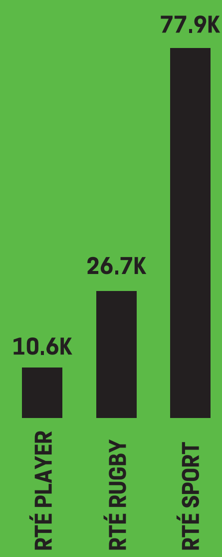
RTÉ player

15,000 browsers for extras



31,000 browsers for match

facebook



AVERAGE
REACH

In recent years RTÉ has responded to the demand for short-form, digitised and shareable news content, while maintaining a strong focus on quality, objectivity and standards.

3.4 Creative partnerships

Local content is increasingly threatened by the consolidation of media organisation ownership and the trend towards production companies forming part of a global network. To compete in this new environment, where bigger budgets are required, smaller and medium sized players increasingly seek partnership opportunities to co-develop and co-produce content. Their focus is on investment at a development stage to avoid being 'locked out.'

RTÉ has also reacted to this environmental shift by co-producing a number of successful titles with the BBC, such as *Mrs Brown's Boys* and *The Fall*.

While greater competition is to be welcomed and while audiences benefit from increased investment, it is essential that RTÉ continues to invest in indigenous Irish content and Irish talent to tell Irish stories which reflect the lives of Irish audiences.

Furthermore, RTÉ has collaborated with the commercial radio sector in Ireland to create the award-winning Irish Radio Player giving audiences an alternative way to listen to national and local radio on smartphones.

3.5 New content creators

With new entrants driving content innovation beyond the TV studio system, a much broader content creator ecosystem has developed. A new breed of digital creators has led to greater experimentation and content innovation.

RTÉ has been actively engaged with new creators on RTÉ Player – including Amanda Byram, Holly Carpenter, Chef Adrian Martin and Roz Purcell – delivering short-form content to audiences who want shorter, 'bite-size' series.

RTÉ has also responded to the demand for short form by clipping more programmes and commissioning online shorts from a new ecosystem of content creators.

In addition, RTÉ is investing in a new, re-imagined RTÉ Player service. This will give a better user experience, more content and better functionality as the platform transitions from a catch-up service into a 'go-to' platform to discover new talent and great original content.

3.6 Diverse audiences, different needs

As audiences are faced with greater choice of content, both long form and short form, media organisations need to adapt to ensure relevance to different audiences at different times.

RTÉ is delivering exceptional content and continuing to attract large audiences. More than three million people, for example, tuned into RTÉ television services across the commemorative Easter weekend 2016 and just under two million people tune into RTÉ Radio each week[13].

Usage of RTÉ digital services, RTÉ Player, RTÉ.ie and RTÉ News Now is also growing. Through the production of quality content, RTÉ champions journalism standards while pushing creative boundaries with strong narratives and storytelling. With formats such as *Operation Transformation* and *Dancing with the Stars*, RTÉ is leading the way in turning television programmes into national events. Major initiatives such as Cruinniú na Cásca, RTÉ at Electric Picnic, Culture Night and Bloom, or the National Ploughing Championships, take experiential content to mass audiences like never before. The chart opposite shows how RTÉ engaged sports fans across multiple platforms during the RBS 6 Nations.

RTÉ must attract younger audiences, in particular those under 35 years and social media and digital content play a key role. Many of RTÉ's main properties require the development of engaging multi-platform content which extends across television, radio, online, mobile and social media. RTÉ's own social media platforms will continue to play an important role in distributing short form RTÉ content to target cohorts and be a platform for content discovery.

3.7 Independent and objective news

While there continue to be large audiences for news on RTÉ radio and television, more than one million people stay up to date with RTÉ News on social media. In recent years RTÉ has responded to the demand for short-form, digitised and shareable news content, while maintaining a strong focus on quality, objectivity and standards.

Impartial and well-funded news and current affairs content and services are the backbone of any functioning society. In this context, the resurgence of the RTÉ Investigates strand and the round-the-clock information supply provided by anchor media such as RTÉ during key news cycles – general elections and times of national crisis or celebration – are important and valued by audiences.

Large media organisations such as RTÉ must balance obligation – dual-language, regional network, multi-platform – against the need to appeal to diversifying and fragmenting audiences. It places RTÉ, and similar organisations, at the frontline of protecting real news and delivering balanced, informed and verified news content.

13. TAM Ireland/Nielsen TAM, 2016, JNLR/Ipsos MRBI 2016/4

SECTION 4

PUBLIC SERVICE MEDIA TODAY

Licence fee funding has declined just as the challenges facing Public Service Media (PSM) have become most acute. In response, PSM funding organisations are becoming more efficient and undergoing reform to support the production of quality original domestic content regardless of how it is consumed.

PSM organisations today continue to occupy a unique place within the media environment in most European countries. For the most part, they retain large audiences, a broad remit and the trust and support of the public.

PUBLIC SERVICE MEDIA TODAY

While funding and revenue have decreased, the scope of activities has expanded, as has the cost of rights in certain genres.

Like all media organisations, PSMs need to re-position themselves in this new competitive landscape. Across Europe, they are adapting at different speeds. In recent years, in order to continue to reach and remain relevant to as many citizens as possible, PSMs have launched new services, including DTT networks, DAB channels and online services. RTÉ now operates 25 distinct services across all platforms.

Media fragmentation has resulted in acute competitive pressures during a period of universal contraction in available public monies. While funding and revenue have decreased, the scope of activities has expanded, as has the cost of rights in certain genres.

In parallel, every PSM across Europe has either undergone or is undergoing significant structural change, funding reviews or changes to their governance structures. Core to the success of any plans to adapt and evolve is a level of financial stability and a regulatory environment sufficiently flexible to enable national media organisations to innovate and respond to audience needs. Both of these issues are central for all operators within the national media landscape. They are especially compelling for RTÉ which has experienced a steep decline in both public and commercial funding, and which remains the most regulated media entity in the country.

4.1 The funding picture

Dual-funded model in Ireland

In Ireland RTÉ, like many PSMs across Europe and beyond, is funded through both TV licence income and commercial revenue (see graph next page). Ireland's economic crash had a devastating impact on RTÉ's overall funding, and in recent years, both sources of funding have sharply contracted. Between 2008 and 2013, RTÉ's income reduced by approximately 30 percent.

RTÉ's commercial income, like that of many other media organisations, has grown since then, but the Brexit vote has had a significant negative impact on RTÉ's commercial revenue. While Brexit was largely unforeseen, it demonstrates the unpredictability and volatility of commercial revenues and their impact on media organisations, including RTÉ.

RTÉ's funding levels are now unsustainable if it is to continue to fulfil its remit, remain relevant to audiences and respond to the multitude of competitive threats it is now facing.

Funding PSM content via the licence fee

A recent report by the European Broadcasting Union notes that the licence fee contributes to two thirds of all EBU PSM income and remains the bedrock of European PSM funding. The licence fee is more transparent and stable than any other funding mechanism. It insulates public service media organisations from commercial pressures, allowing them to take risks and cater to audiences not served by other media providers. Licence fees are collected in 29 EBU countries and the trend across Europe is that the licence fee will remain as the core funding mechanism.[14]

The definition of devices requiring a licence has become more and more complex due to changes in the devices and equipment used by audiences to access content. There is a growing trend towards expanding this definition to include new connected devices, which is more reflective of media consumption patterns today.

Several European countries, such as Denmark and Germany, have taken the position that new devices used for consuming TV and radio content should be charged on the same basis. Since 2016, in the UK, use of the BBC iplayer within a household requires a TV Licence.

As PSMs embrace new services and new distribution channels, the value of PSM content across multiple platforms needs to be recognised in the licence fee.

Current licence fee system is inefficient

The TV licence collection system in Ireland has been highly inefficient for many years. Licence fee evasion in Ireland is among the highest in Europe and millions of euro are being lost each year by both RTÉ and the independent sector. This is to the detriment of original Irish content for audiences Ireland. Changing technology and changing media consumption habits have exacerbated the position even further.

14. EBU Licence Fee 2016, Nov 2016

New entrants in the video-sharing and platforms space fall outside the Irish regulatory framework and are free of any media regulatory obligations.

'No TV' Homes

There are c. 1.7 million households in Ireland. The current TV definition exemptions set by Ministerial order in 2009 are now facilitating 8% (c. 136,000 households) falling outside of the TV Licence system. Since 2009, the number 'No TV' homes has grown by over 200%.

Evasion

Of the remaining 1.56 million households (total minus 'No TV Homes'), Ireland has a TV licence evasion rate of 15% (c. 234,000 households). This is among the highest TV licence evasion rates in Europe.

Costs of Collection

When assessed as a percentage of the revenue collected, at c. 7% Ireland has one of the highest costs of collection for its TV licence system of any country in Europe. In the UK, for example, the costs are under 2%.

Impact of Inflation

Ireland has one of the lowest television licence fees in Europe, both per household and per capita. On a per capita basis it is a little over half that of the UK and under a third of Norway.

The Broadcasting Act clearly envisages a relationship between the TV licence fee level and inflation. Following the substantial rise in the licence fee in 2003 after the last extensive review of RTÉ by Government, the licence fee level tracked inflation for the following five years, rising from €150 in 2003, to €152 in 2004, €155 in 2005, €158 in 2006 and €160 in 2008. Despite cumulative CPI of c. 9% between 2007 and 2016, the licence fee has remained at €160 for almost a decade.

In contrast, a national postage stamp has increased by 42% over the same period. The price of a national postage stamp has risen by a further 39% between 2016 and 2017, from 72c to €1.

There is little doubt that the failure to reform the TV licence system or address persistent shortages in public funding is now costing jobs across the sector, causing a stark reduction in Irish-made TV programming, threatening the provision of trusted news and current affairs and having a stifling effect on the potential of the Irish broadcasting sector as whole.

4.2 Commercial challenges

The dual-funding model requires RTÉ, like many other PSMs, to raise significant revenue in commercial markets in addition to receiving public funding. PSMs, unlike OTT or SVOD Subscription Video On-demand players, have regulatory restrictions on the extent and nature of commercial communications they may use to generate revenue.

This is against a background where digital advertising has become more complex, less transparent and with no industry standard measurement of audience usage.

Advertisers, like consumers, are facing a dazzling array of choices. RTÉ recently commissioned independent research to measure the cross-platform multiplier effect and quality of exposure by advertising across RTÉ television, radio and online, including the RTÉ Player. The study found that brand cut-through increased by 44 percent when it moved from advertising on one platform to advertising on three.

In response to industry dynamics, RTÉ recently consolidated its commercial trading negotiations across RTÉ television, radio, digital and print. This is to ensure that brands can derive maximum return from their investment on RTÉ channels and services.

4.3 Accountability, regulation and responsibility

PSMs (i.e. TG4 and RTÉ) are, and should be, held to account for their use of public funds and the value of their content output. RTÉ has a substantial range of public service obligations and requirements set out in the Broadcasting Act 2009 and elsewhere in legislation.

In addition, because it is in receipt of public funds, it is subject to state aid rules, competition law and high degree of governance and oversight. It is accountable to at least five authorities as well as reporting to the Houses of the Oireachtas.

New entrants in the video-sharing and platforms space fall outside the Irish regulatory framework and are free of any media regulatory obligations. They need to uphold standard consumer contractual obligations and eCommerce rules but they have no public responsibilities and are not accountable to any authority for content standards such as harmful content, decency, protection of minors, or impartiality of news content.

Efforts are being made at EU level to bring some of the audio-visual players such as those on social media platforms into the regulatory fold. The requirements would be at a basic level in a small number of areas relating to content standards. In principle, this would, at a minimum, give greater credence and effect to the regulatory and governance framework for content that has been carefully put in place in Ireland.

SECTION 5

LOOKING AHEAD

The future is not about the demise of linear in favour of an on-demand world. Rather it will be a blend of live viewing and listening across multiple devices complemented by anytime, anywhere on-demand consumption. Media organisations will have to ensure they can offer both, in different contexts, to audiences.

SECTION 5

LOOKING AHEAD

5.1 A blend of content and services

So what will the landscape look like in the future? Will the pace of change continue and herald radically different consumption patterns or are we on an evolutionary path?

There have been seismic shifts in the media landscape in recent years, creating both challenges and opportunities for traditional broadcasters. The TV sector is likely to continue with a mix of free, subscription, linear and on-demand services, offering audiences unrivalled content, choice and flexibility.

Total viewing and media consumption is likely to continue to increase, but with more fragmentation due to the wide choice of content, channels, platforms and more expansive broadband from fixed and mobile providers. While broadband penetration in Ireland is expected to reach 90 percent by 2020, there remains an urban-rural divide which will impact on the ability of some to consume media in new ways.

The future is not about the demise of linear in favour of an on-demand world. Rather it will be a blend of live viewing and listening across multiple devices complemented by anytime, anywhere on-demand consumption. Media organisations will have to ensure they can offer both, in different contexts, to audiences.

5.2 Data strategy

Key to this is a better understanding of audiences and an ability to give them more personalised content and experiences. Media organisations need strategies to build relationships and deliver this enhanced content and experience. A data strategy is essential to compete with newer platforms that are building important connections with consumers.

Emerging technology and IoT will open up new ways to create, distribute and access content. RTÉ will continue to assess these new technological developments, such as AR/VR and voice recognition, and how they could be employed to ensure greater relevance to audiences.

It is clear is that RTÉ will need to invest to optimise discovery of its content on connected devices and to continue to expand distribution of its content and services on new platforms in this much more complex ecosystem.

5.3 Global ownership impact

The insatiable demand for high quality content is one of the only constants in today's dynamic media marketplace. Distinctive high quality content has a greater value than ever before, a factor that has driven up the cost of rights.

Greater global ownership in the Irish market means that investment in Irish content reflecting Irish culture is increasingly under threat. The most powerful competitors - Google, Facebook, Amazon and Netflix- are all US owned companies and have not, to date, invested in Irish programmes or content. Furthermore, TV3 is now owned by Liberty Global and a merger between Sky and Fox seems likely.

In this context, the possible impact on Irish content and culture in the future needs to be fully explored.

RTÉ will continue to evolve, capturing the hearts and minds of audiences in Ireland, with quality Irish content and important Irish stories that our audiences can access anytime, anywhere, across multiple platforms and on multiple devices.

5.4 Strengthening public service media

RTÉ needs to continue to deliver on its public purpose and support the production of quality Irish content, telling real Irish stories and delivering trusted news. While RTÉ remains committed to this and to introducing the changes required to ensure public service media can thrive, RTÉ cannot do this alone.

We need regulators, policy-makers and stakeholders to support the system in which public service media operate to build and strengthen it into the future to ensure it remains vibrant and important.

RTÉ produces a distinctive range of programmes and reaches diverse audiences, providing an effective brand-building medium for advertisers:

RTÉ reaches 91 percent of Irish people in any given week

15-34 yr olds watch more on RTÉ than any other group of channels

RTÉ player is Ireland's leading TV VOD service

However, RTÉ cannot take any of this for granted.

With an increasingly diverse population mix, what appeals to one may not appeal to others, and tastes, as well as behaviours, change over time.

5.5 Supporting diversity

In addition, the availability of a plurality of voices, viewpoints, outlets and sources in Irish broadcast media is essential and should remain a key priority for both government and regulators.

5.6 Future commitment

RTÉ recognises that it cannot stand still. It is committed to innovating and experimenting, to ensuring a diversity of talent, to exploring a wide variety of content and to developing new commercial models for a new generation. Against this backdrop, RTÉ will refresh its thinking about its role as a PSM in a digital world.

Achieving a more open, more creative organisation serving Irish people involves an assessment of how the organisation operates. In this context RTÉ recently announced a new structure to move towards an organisation with one shared vision and purpose.

In the coming years, RTÉ will transform itself to ensure that Ireland has a vibrant PSM into the future; one that is agile, that anticipates and reacts to industry dynamics.

RTÉ will continue to evolve, capturing the hearts and minds of audiences in Ireland, with quality Irish content and important Irish stories that our audiences can access anytime, anywhere, across multiple platforms and on multiple devices.

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