

Impact case study (REF3)

Institution: University of Birmingham		
Unit of Assessment: UoA 17, Business and Management Studies		
Title of case study: Enabling BBC Worldwide to compete in the digital era		
Period when the underpinning research was undertaken: 2017-2018		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Ferran Vendrell-Herrero	Senior Lecturer in Business Economics	2013-present
Ganna Pogrebna	Professor of Behavioural Economics and Data Science	2017-present
Emanuel Gomes	Senior Lecturer in Strategic Management and International Business	2014-2017
Simon Collinson	Professor of International Business and Innovation	2012-present
Period when the claimed impact occurred: 2015-2020		
Is this case study continued from a case study submitted in 2014? No		
1. Summary of the impact		
<p>Dr Vendrell-Herrero and colleagues' research has contributed to BBC Worldwide's digital transformation, such that they can compete in the streaming and on-line media market place. Their windowing strategy, of free sample content, was adopted by the BBC Worldwide and this led to two key impacts:</p> <ol style="list-style-type: none"> 1. BBC Worldwide's consumer base has been increased, such that, three years after the strategy was implemented, subscriptions to BBC Worldwide's YouTube channel almost doubled from 6.4m to 12.1m. 2. BBC Worldwide revenues increased as did the profitability of the corporation. Specifically, the corporation's earnings before interest increased by more than 10%, from £242.6m to £269m. According to a conservative estimate, windowing caused the corporation's revenues to increase by £1.2m/year. 		
2. Underpinning research		
<p>In the last fifteen years, the media industry has seen major changes in the ways in which content is delivered to consumers. It was only thirteen years ago that BBC iPlayer was set up and British consumers could begin watching BBC content on demand. Similarly, in 2009, just 10% of US households subscribed to a video on demand service, while in the UK Netflix only launched in 2012. However, today, watching TV on demand has become so common that millennials do not even know what a TV guide is, and an estimated 37% of the world's internet users now use Netflix.</p> <p>Dr. Vendrell-Herrero and colleagues' research has been important in anticipating and responding to the opportunities and challenges presented by this developing market. Their work analyses the propensity to purchase/spend in a continuously changing and highly digitalised TV industry. This work has been important to reshaping processes of value capture in the media and entertainment industries. Their research is a continuation of previous work on the music industry conducted with consumer survey data (collection year: 2010), which concluded that 52.6% of UK consumers would be willing to pay for digital formats, including streaming services [R1]. Significantly, this work</p>		

was produced at a time when key stakeholders in the industry were doubtful of the subscription model.

Dr. Vendrell-Herrero and colleagues' subsequent project, undertaken 2015–2017, investigated the antecedents of foreign consumer purchasing of monthly subscription services of entertainment content produced in the UK. Their analysis was based on cross-section and multi-country (fourteen countries) consumer survey data (collection year: 2013).

The first part of this project investigated how the windowing business model could be used in the television industry to capture more value [R2]. Windowing is a strategy where copyrighted content is released via different distribution channels using a phased schedule in order to maximise revenues. Dr. Vendrell-Herrero and his colleagues proposed a windowing approach that follows a 'low fee–high fee' strategy; i.e., offering advert-supported content free of charge (e.g., YouTube free content) to increase consumers' propensity to purchase in the future (e.g., premium subscription services). The team's findings supported this hypothesis; namely that a windowing strategy enables television-broadcasting firms to capture a higher streaming market share. Specifically, those individuals consuming YouTube's free content are 13% more likely to form a potential client base for paid TV content than other individuals not subjected to YouTube.

In the second part of the project, the team investigated how extrinsic attributes influence consumers' purchase intentions [R3]. They focused on the flag-brand congruence; i.e., the joint perceived value of country-of-origin (UK) and company or corporation brand (BBC). Their findings indicated that advertising campaigns jointly emphasising the 'Britishness' of the content and the 'brand reputation' will increase the propensity to purchase for those consumers initially disengaged from the content. Such disengaged consumers account for 70% of foreign markets. It has been found that in contexts such as South East Asia, flag-brand congruent campaigns can increase propensity to purchase by 5%.

Key findings from the team's research:

- F1.** 52.6% of UK consumers were willing to pay for downloads and streaming services [R1].
- F2.** There is a market for successful distribution of TV content using a windowing strategy via social media (e.g., YouTube) which is often overlooked [R2].
- F3.** By exposing consumers to a controlled quantity of free content, greater value can be captured at later stages with an estimated free-to-fee conversion rate of 13%. This means that BBC Worldwide could convert 13% of YouTube subscribers to payment subscribers [R2].
- F4.** Foreign consumers use their combined perception of Britishness and corporate brand reputation to inform their purchasing decisions [R3]. In South Asian markets, flag-brand congruent campaigns can increase sales by 5%.

3. References to the research

R1. Vendrell-Herrero, F., Myrthianos, V., Parry, G., and Bustinza, O.F. (2017). Digital dark matter within product service systems. *Competitiveness Review: An International Business Journal*, 27(1): 62–79. DOI: 10.1108/CR-11-2014-0037

R2. Parry, G., Pogrebna, G., and Vendrell-Herrero, F. (2018). Windowing Television Content: Lessons for Digital Business Models. *Strategic Change*, 27(2): 149–158. DOI: 10.1002/jsc.2190

R3. Vendrell-Herrero, F., Gomes, E., Collinson, S., Parry, G., and Bustinza, O.F. (2018). Selling digital services abroad: How do extrinsic attributes influence foreign consumers' purchase intentions? *International Business Review*, 27(1): 173–185. DOI: 10.1016/j.ibusrev.2017.06.003

4. Details of the impact

The research has underpinned changes in the business practice of the BBC worldwide, resulting in two demonstrable impacts. Specifically, a windowing strategy was implemented which resulted in an **increased consumer base** and **increased profitability and revenue**.

1. BBC Worldwide's consumer base has been increased

BBC Worldwide's decision to **adopt a windowing strategy** in November 2015 was shaped by research conducted by Dr. Vendrell-Herrero and colleagues [S1]. In the three years following the implementation of the windowing strategy, there was an **increase in the free-to-fee conversion rate** (from 13% to 23%) [S2] and **in worldwide YouTube subscriptions** (up by 89.1%) [S2].

The team had initial meetings with BBC Worldwide in the Summer and Autumn of 2014, in which the Corporation's strategic objectives were explained, including the need for the Corporation to enter digital direct-to-consumer services, and whether windowing could play a central role in accomplishing this strategic objective [S1, S3]. Based on the team's findings, **BBC Worldwide adopted a windowing strategy via YouTube** [F1, F2, F3] and **emphasised Britishness and the BBC's corporate brand reputation in its internationalisation strategy** [F4]. The team was credited by the Executive Vice President of Consumer Insights for "analys[ing] data, employing a number of different statistical techniques to produce empirical reports that inform business strategy by bringing new empirical and theoretical perspectives [...] to windowing and internationalisation strategies for TV content. The analysis [...] and [its] results influence[d] our recommendations to senior leadership at the company" [F2, F3, F4].

Across BBC Worldwide, data clearly demonstrate that the inclusion of windowing in their digital strategy has produced the following benefits:

- **The sensitivity to switch from free-to-fee TV services increased by ten percentage points between 2013 and 2017.** In the original investigation conducted in 2013, the use of windowing through YouTube attracted 13% of additional customers to buy licenced products (subscriptions) from BBC Worldwide. In the survey conducted in 2017, **the sensitivity of windowing through YouTube increased to 23%** [S2].
- **BBC Worldwide achieved a year-on-year growth rate for video views and subscriptions of 42% and 30%, respectively, leading to additional estimated minimum turnover of £1.2m/year.** BBC Worldwide collects global data on video views and free subscriptions for the big-four YouTube channels (Top Gear, BBC Earth, Doctor Who and BBC Studios). At the end of 2015, the company had 480m video views and 6.4m subscriptions. By the end of 2018, the company had doubled video views (increase to 1.08b) and subscriptions (12.1m) [S2].

2. BBC Worldwide revenues and profitability increased

Combining survey and market data enables a prudent estimate of the increase in revenues directly associated to windowing to be made [S2]. Considering that between 13% and 23% of consumers might subscribe to premium services because they were previously exposed to free subscriptions, that exposure to windowing has risen by 5.7m in the period 2016–2018 (free YouTube subscriptions), and that the minimum subscription service is priced at £5 (e.g., Britbox currently sells for \$US6.99/month), estimates suggest that windowing has **increased the Corporation's revenues in the range of £3.6m and £6.5m in the three-year period to 2018**. Therefore, windowing has enabled the BBC to generate an additional estimated minimum turnover of £1.2m/year as a corporation.

Moreover, there is also **evidence of increased profitability as a result of the adoption of the windowing strategy**. According to Bureau Van Dijk financial data (FAME) data, in the three years following the implementation of the windowing strategy, BBC Worldwide's turnover increased from £851.3m in 2015 to £868.3m in 2018 [S4]. Approximately 80% of these revenues come from outside of the UK. The Corporation's profitability, measured as Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), rose from £242.6m in 2015 to £269m in 2018 (10.9% increase) [S4]. This rise in profitability is significant as profits in the previous three-year period were practically unchanged (EBITDA in 2012 was £241.8m).

Additionally, **there was a reduction in the negative economic impact of market changes on BBC Worldwide**. Prior to Dr Vendrell-Herrero and colleagues' collaboration with BBC Worldwide, doubts were expressed in the industry about the benefit of sharing content for free. As stated by the Head of Audience Measurement at BBC Studios [S5], "In 2013, it was unclear whether windowing strategy was an effective way to capture new subscribers. There were industry reports (e.g., 2013 Spotify's report titled "*Adventures in the Netherlands: Spotify, Piracy and the new Dutch experience*") arguing that sharing free content would not be economically successful". Had BBC Worldwide not received the timely, research-led evidence in support of the windowing strategy provided by Dr Vendrell-Herrero and his colleagues, the Corporation would have not been able to build its consumer base overseas as successfully as it has and would have seen its market share and profitability reduced. The Corporation also would have been less prepared to compete with new entrants into the changing marketplace (e.g., Netflix).

5. Sources to corroborate the impact

S1. Testimonial - Executive Vice President (EVP) Insight, BBC Worldwide, London (20 January 2018). [Available as PDF]

S2. BBC Consumer Survey Data and Market Survey Data. Consumer survey data provided to Dr Vendrell-Herrero and team by the former EVP Insight, BBC Worldwide (2017). Market survey data provided by the Head of Audience Measurement, BBC Studios (13th August 2020). [Available as PDF]

S3. BBC Chief Executive's Review: *Transformation from a Strong Base* (2017). [Available as PDF]

S4. FAME DATA BBC: [balance sheet & income statement](#) for relevant years (2012, 2015, 2018). [Available as PDF]

S5. Testimonial - Head of Audience Measurement, BBC Studios, London (4 September 2020). [Available as PDF]