Digital TV Migration: What will change for TV audiences?

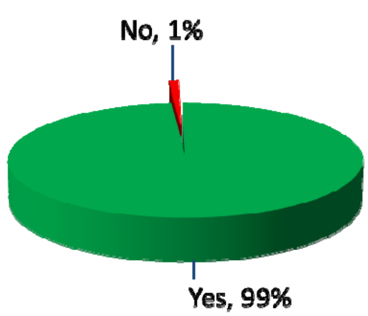
A recent survey conducted in Nairobi reveals nearly all Nairobi TV owners are aware of the TV digital migration. In spite of this, majority (68%) seem not to feel the urgency to purchase a Set Top Box (STB) but intend to do so soon. Only a third indicates that cost is a key barrier to purchase.

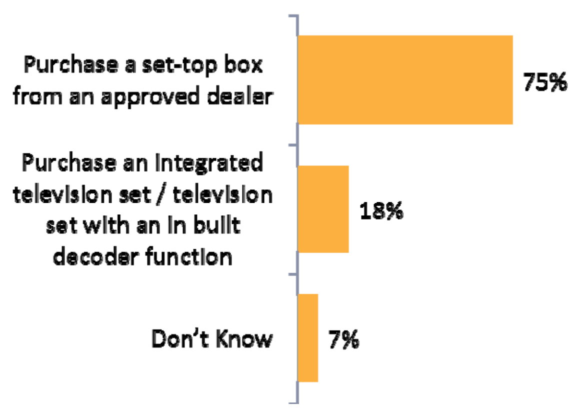
Universal awareness of TV digital migration in Nairobi

The importance of TV as a key channel for reaching consumers cannot be over emphasized. According to the 2009 census, there are 2.4 million households with TV sets nationally with 610,709 in Nairobi.

Ninety nine percent of TV owners are aware of the digital TV migration and the need to purchase a STB. Another 75% know of the importance of purchasing a STB from an approved dealer or the need in future to purchase a TV set that has an in built STB (18%). Awareness and understanding of the STB is quite impressive due to the coverage the issue has received on the media.

Q. Are you aware that Kenya will be migrating from analogue to digital transmission for TV by 2015?
Q. What do you need to do in order to watch television once the digital migration has happened?





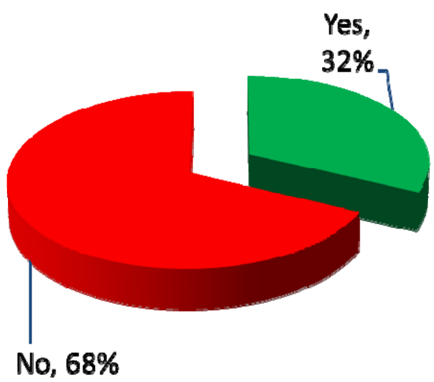
Source: Nairobi Digital Migration Survey, March 2014

Low Ownership of STB in Nairobi

Ironically, only 32% of those who own a TV set have purchased a STB. This percentage is very low considering that migration was supposed to have taken place by December 2013.

"The *switch off scare* where selected TV stations put off their TV Signal for a day, appears to have had no impact on the purchase of a set top box. With the media houses in court, Nairobians are probably hoping that the digital migration will be postponed. Should the migration go ahead, most of them will have to contend with blank screens for a while" states Ms Margaret Ireri, Ipsos Managing Director.

Q. Have you purchased a set-top box / integrated television set from an approved dealer?



When did they purchase:

- Majority purchased the STB in December

Factors Driving Purchase of STB:

- To access a variety of content – 61%
- Compliance with digital migration – 28%

Will the purchase STB:

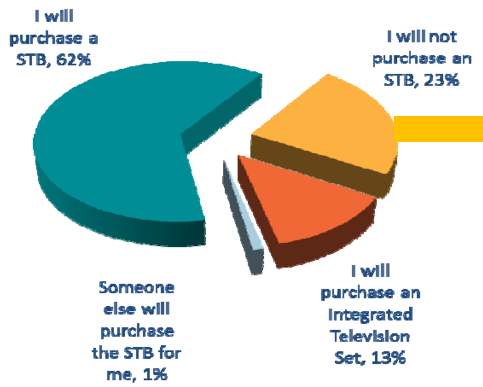
- 65% of those without a STB intend to purchase one "eventually".

Source: Nairobi Digital Migration Survey, March 2014

"It is interesting to note that although the STB is required for compliance purposes, most of those who purchased one were motivated by the need to access a wider variety of content. We can therefore conclude that diverse content is the *bait* that has gotten consumers to purchase STBs" says Ms Ireri.

Barriers to Purchase of STBs

Cost is the key prohibitive factor that explains why some TV owners will not to purchase the STB.

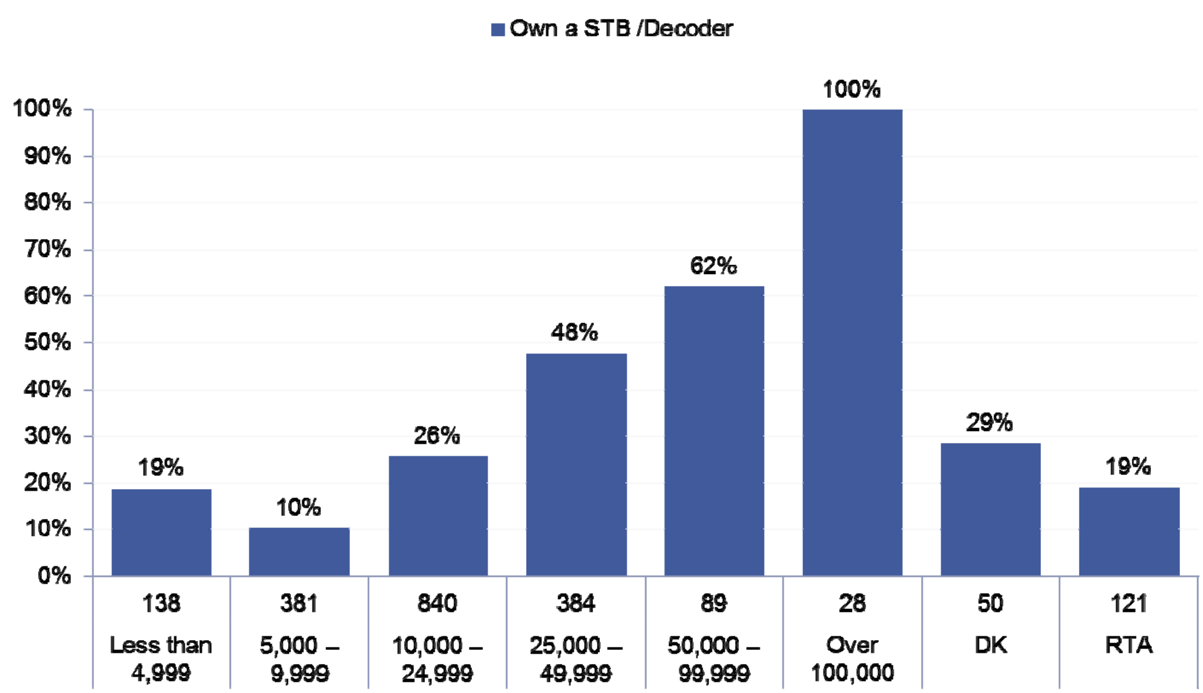


Barriers to Purchase:

- Lack of money to purchase one 74%
- I have other more pressing obligations – 16%
- I do not have to watch TV – 6%
- Can access content from another source – 3%

Base: those without a STB
Source: Nairobi Digital Migration Survey, March 2014

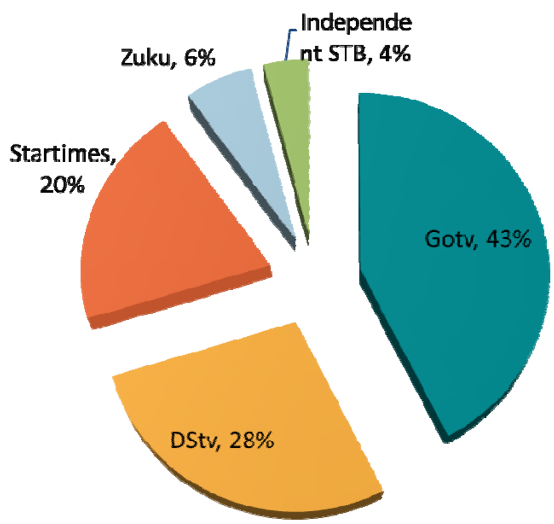
The study findings also indicate that low income earners are less likely to own a STB as compared to the high income earners – further supporting the notion that cost is a barrier.



Set To Boxes Suppliers

There are over forty companies that have been approved to sell the DVB-T2 set top boxes by CCK.

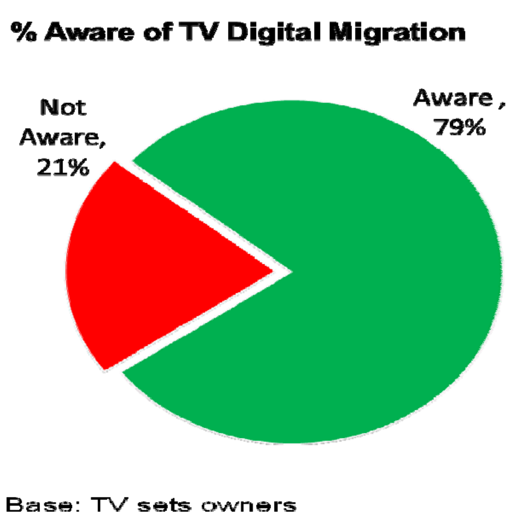
The Ipsos survey shows that 43% of TV owners claim to have purchased one from GoTV. 28% of respondents use the DSTV decoder.

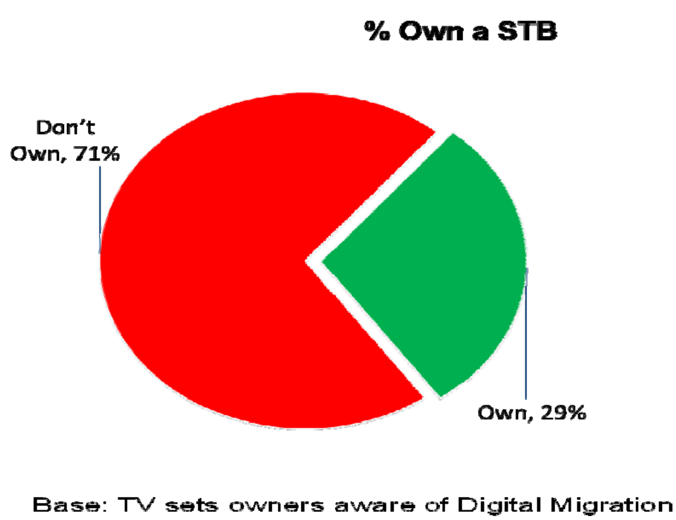


Source: Nairobi Digital Migration Survey, March 2014

Nationwide - Low Ownership of a STB and Low Awareness

A separate study conducted nationwide in March 2014 indicates that only 21% of TV owners are aware of the TV digital migration. The incidence of those who have STB is quite low at 29%.





Source: Countrywide Digital Migration Survey,
Base: those who own a TV set
February 2014

"Many Kenyans countrywide are in dark about the TV digital migration process and this could be attributed to poor public awareness campaigns. The media owners who have a stake in the migration need to educate consumers on the need to purchase a set top box so that their advertising revenue is not affected in future. As it is a right for Kenyans to access information, the government needs to be an active player in raising awareness of the STB and reducing the costs of purchasing the equipment. " says Ms Ireri.

Impact of TV Digital Migration (short term)

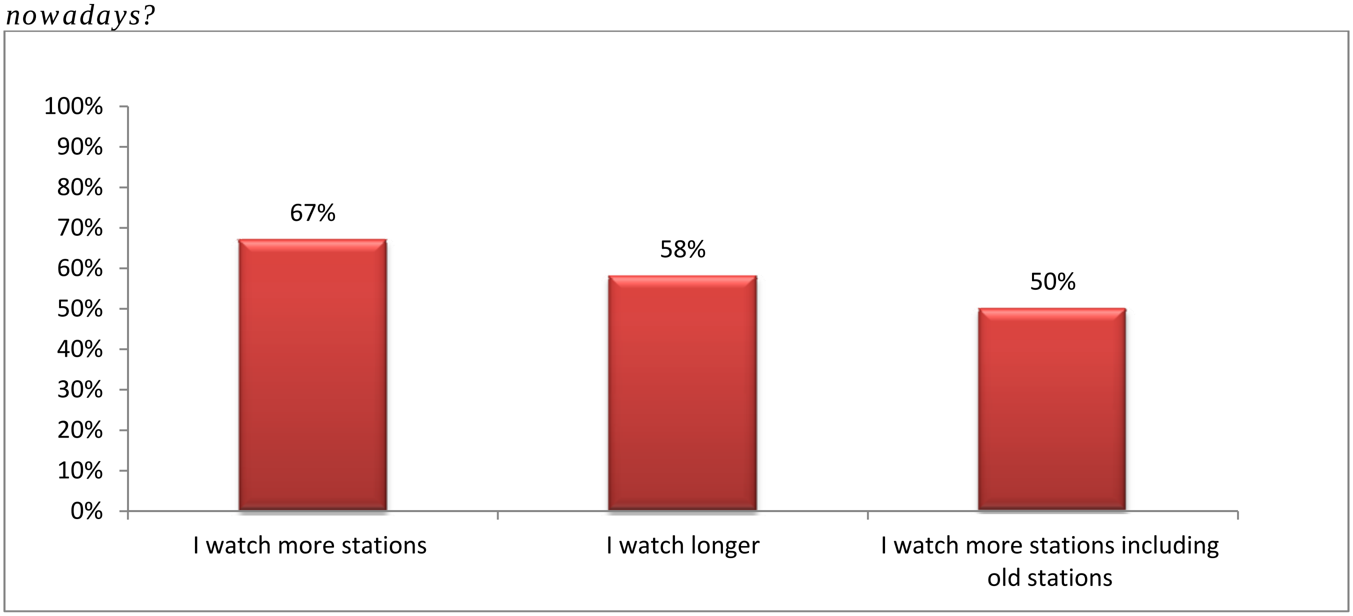
In determining the impact of TV digital migration, a number of sources have been considered:

- What Nairobi TV viewers indicated
- Case study from Tanzania; a market that has gone through TV digital migration
- Analysis and deduction from KARF data
- TV Advertising Expenditure Trends

Impact 1: Audience fragmentation

The Nairobi survey findings indicate that TV viewers with a STB are watching for a longer period of time, watching more stations but they are still loyal the old (previously watched) TV channels. This means that consumers are increasingly watching television content on multiple platforms, contributing to the fragmentation of the traditional TV viewing experience.

Q. Which of the following statements best describes the amount of time you spend viewing television nowadays?

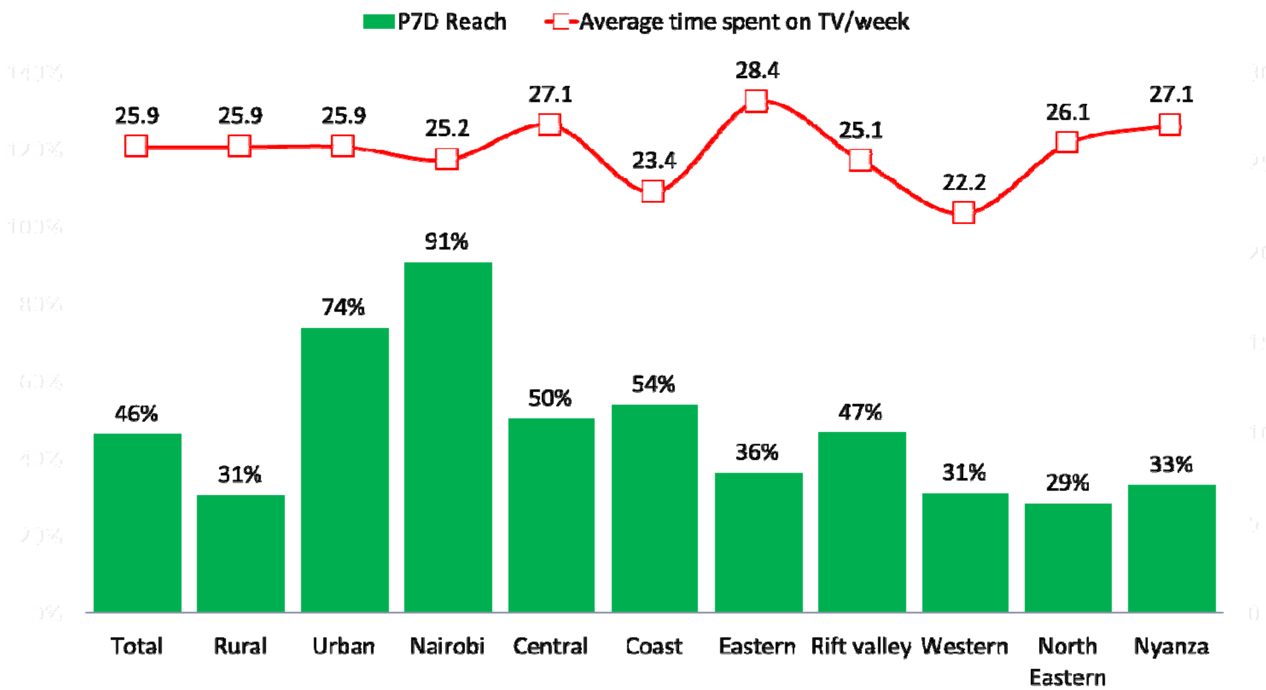


Base: Those who currently own a Decoder/ STB
Source: Nairobi Digital Migration Survey, March 2014

Impact 2: TV Viewership in Nairobi may Decline

The KARF industry research findings (Quarter 4 2013), shows that Nairobi has the highest incidence of TV viewership at 91% compared to 46% at the national level. Incidence is based on past 7 day's viewership (P7D) which is the international standard measurement classification for regular TV viewers. The average time spent on TV per week is 25.9 hours nationally whilst those in Nairobi spend 25.2 hours in a given week.

If the Nairobi TV Digital migration survey findings are anything to go by, the incidence of TV viewership and average time spend on TV is likely to decline if the general public does not purchase the STBs.

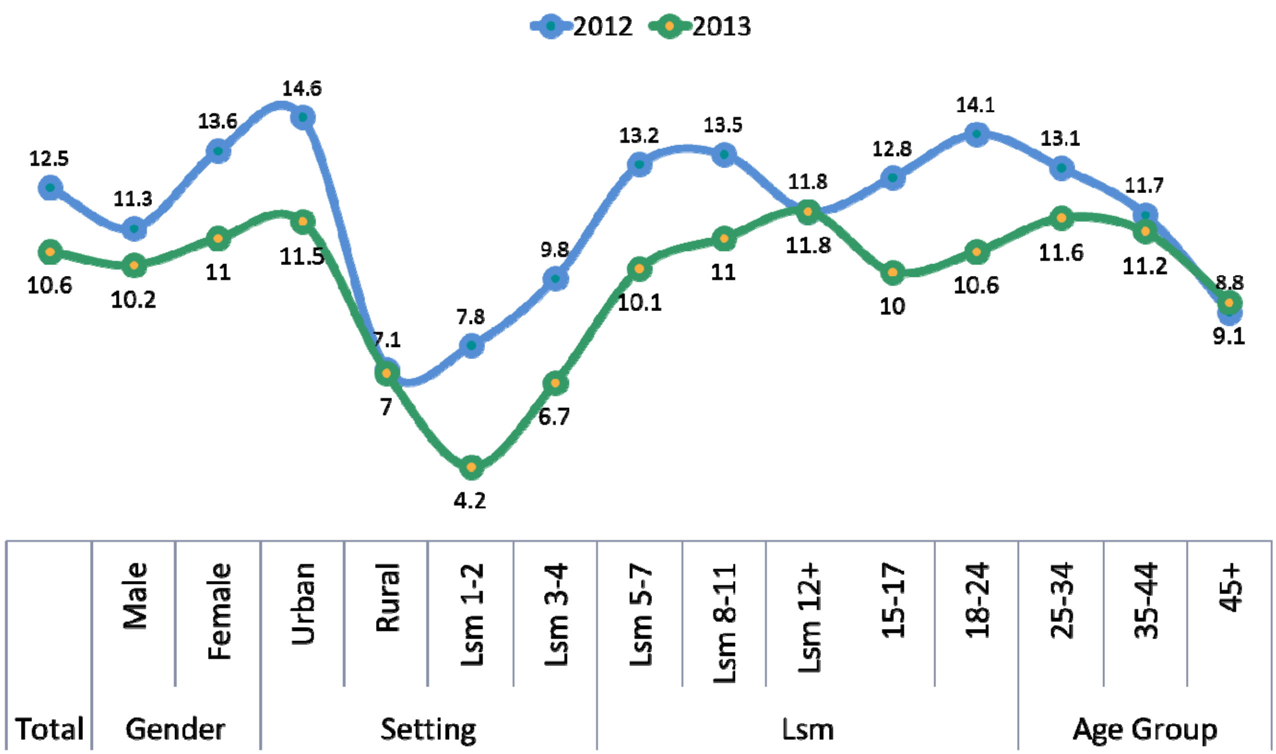


Source: KARF Report Quarter4 2013

Impact 3: TV viewership may not affect Older, Affluent and Urban Viewers
Ipsos conducted a national TV viewership research before and after the TV digital migration in Tanzania in 2012 and 2013 respectively. There was a significant decline in the weekly average time spent watching TV from 12.5 to 10.6 hours.

Time spent watching TV declined across various demographics except amongst the rural folk, respondents in LSM 12+and amongst those aged 45+ years. These findings show that the TV digital migration is likely to have no impact on Older, Affluent and Urban Viewers.

Time Spent Viewing TV per week 2012 vis a vis 2013 (before and after TV digital migration)

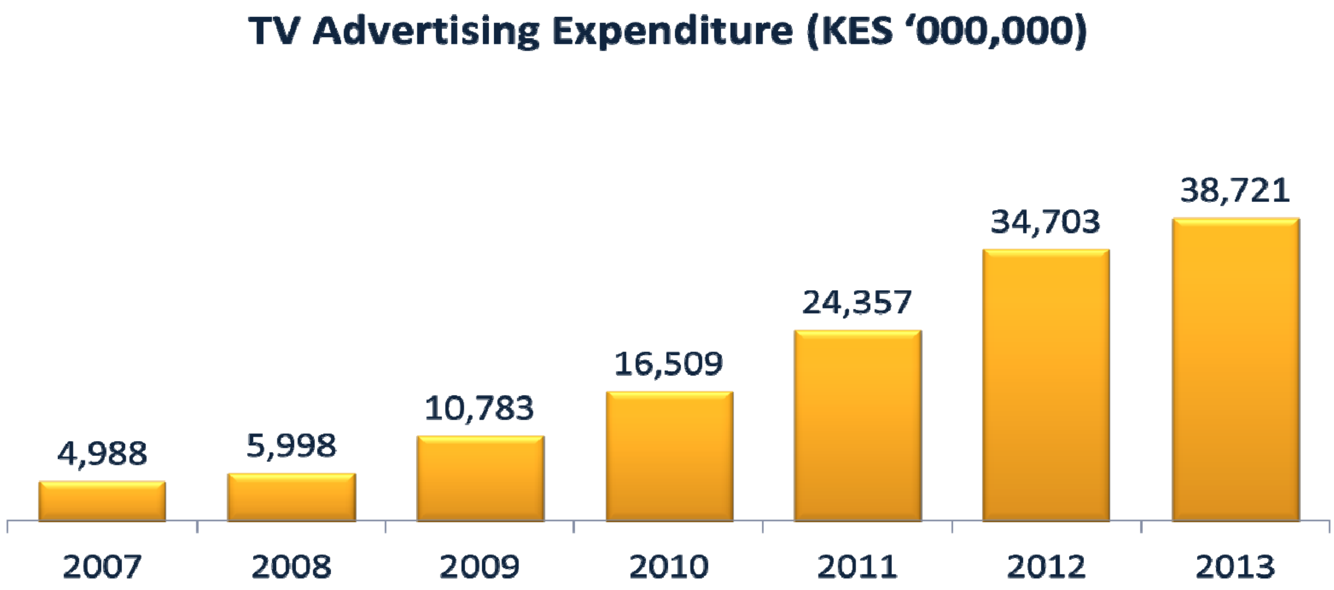


Tanzania All Media Products Survey (TAMPS)
Nation Survey
Base: 25 Million (15yrs and above)

Impact 4: Cautious Spending by Advertisers

The advertising expenditure has been growing by an average of between 30% and 40% year on year from 201o to 2013. In 2013, the total (TV, radio and print) advertising expenditure amounted to Kshs 94billion. Out of this, 40% of the expenditure was on TV. Should the TV viewership ratings decline, there is likelihood that the advertisers will hold back their expenditure on this medium.

“Should the migration happen before Nairobians purchase set top boxes, the number of audiences being reached by TV stations is likely to decline. The implication is that advertising expenditure on this medium could decline” notes Ms Ireri.



Ipsos MediaCT Division

Impact 5: Out of home viewership

Considering that majority of the TV owners have not purchased a STB, there is a likelihood that TV out of home viewership will decline from the current 92% of in-home viewership. There is a possibility that public place viewership could increase as TV viewers seek to watch key programmes like prime time news.

Survey Methodology

Nairobi Digital TV Survey:

- The target population for this survey was Kenyans aged 15 years and above.
- The respondents were past 4 weeks TV viewers.
- The sample size was 517 TV owners living in Nairobi (achieved after a contacting 1,000 respondents)
- The fieldwork dates for this survey was between 4th and 5th March 2014.
- Data was collected through telephonic interviews.
- Ipsos funded the survey.

Nationwide Digital TV Survey:

- The target population for this survey was Kenyans aged 18 years and above. The respondents were past 4 weeks TV viewers.
- A nationally representative sample total of 2,031 respondents were contacted. Of these 48% were regular TV viewers interviewed on the awareness and access to STB.
- Margin of error +/- 2% with a 95% confidence level
- The fieldwork dates for this survey was between 8th to 15th February 2014
- Data was collected through face to face interviews.
- Ipsos funded the survey.

For further details on this press release please contact:

Margaret Ireri
Managing Director
margaret.ireri@ipsos.com

Tom Mzungu
Audience Research Manager
tom.mzungu@ipsos.com