

# VEED

video services intelligence

## New Kids on the Block - Sky targeting the Kids Market in Germany

Market Overview and Benchmark Analysis

# veed snapshot

July 2016

# Sky Kids and its environment

## Walkthrough Sky Kids

# With Sky Kids, Sky aims to intensify the reach to the family target group by providing direct on-demand access to kids content

## Strategic Rationale:

- Sky launched its Sky Kids app which offers a specific on-demand access to content from Boomerang, Cartoon Network, Disney Channel, Disney Junior, Disney XD and Junior, but in contrast to Sky Go does not offer live streaming
- Sky Kids is bundled into the Sky Entertainment package at no extra cost to ensure a high adoption rate of the app and to improve the attractiveness of the Sky Entertainment package
- Sky indirectly increases the stickiness of Sky Entertainment through locking in the kids of its customers



## Offering Details:

- Proposition:** Sky Kids offers generation z a state of the art video experience including safety features for parents, which according to Sky will be enriched soon
- Pricing:** No extra pricing for Sky Kids. Bundled into Sky Entertainment package
- Availability:** DE launch in July 2016 (UK Launch already in March 2016), the service is available on selected iOS and Android tablets
- Highlight features:** Nearly textless UI, profiles for up to 10 children, parental control based on youth protection ratings



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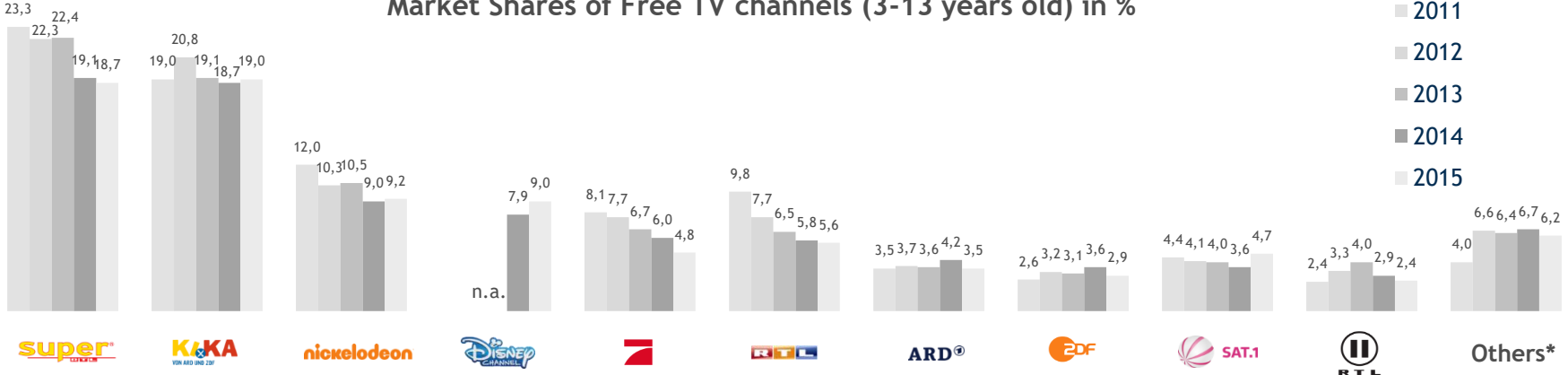
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Source: veed analytics, company websites



# The Free TV world is dominated by Super RTL and KiKA, but their market shares decreased during the last years

Market Shares of Free TV channels (3-13 years old) in %



- The leading FTA kids channels, Super RTL and KiKA, account for one third of the kids FTA TV market in Germany in 2015
- Entering the FTA market in 2014, Disney Channel cut off a significant part of Super RTL's, KiKA's, and Nickelodeon's market shares
- Consequently, Super RTL launched a streaming app just for kids due to rising competition from linear and non-linear providers
- The public broadcasters ARD, ZDF, and its subsidiaries offer dedicated program blocks just for kids mainly on the weekend
- Linear TV is clearly falling behind in satisfying kids' needs to repeatedly watch their favorite series or movies and to switch the content whenever they want
- During the last 5 years, the viewing time of kids between 3 to 13 years old has been stable at approximately 160 min. per day

\* Nine channels are aggregated  
Source: veed analytics; AGF, GfK, TV Scope, Fernsehpanel (D+EU)

# Pay TV kids channels are attractive add-ons for TV operators and often bundled into Pay TV packages

Tier overview		T		sky		vodafone		unitymedia		MagineTV		ZATTOO		TV SPIELFILM	
		HD	HD	HD	HD	HD	HD	HD	HD	HD	HD	HD	HD	HD	HD
Time Warner		Kids	Kids	Basic.	n/a	Pay TV	Pay TV	Pay TV	n/a	Kids	n/a	n/a	n/a	n/a	n/a
		Kids	Kids	Basic	n/a	Pay TV	Pay TV	Pay TV	n/a	Kids	n/a	n/a	n/a	n/a	n/a
Disney		Kids	Kids	Basic	Pay TV	Pay TV	Pay TV	Pay TV	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		Kids	Kids	Basic	n/a	Pay TV	Pay TV	Pay TV	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		Pay TV	n/a	Pay TV.	Pay TV	via Sky	via Sky	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nickelodeon		Kids	n/a	n/a	n/a	n/a	Pay TV	Pay TV	n/a	Kids	n/a	n/a	n/a	n/a	n/a
		n/a	n/a	n/a	n/a	n/a	n/a	Pay TV	n/a	Kids	n/a	n/a	n/a	n/a	n/a
		n/a	n/a	Basic	n/a	via Sky	n/a	via Sky	n/a	n/a	n/a	n/a	n/a	n/a	n/a
		n/a	n/a	n/a	n/a	n/a	n/a	Pay TV	n/a	Kids	n/a	Pay TV	n/a	n/a	n/a

- Unitymedia has the broadest kids Pay TV portfolio, although it does not offer any of these channels in HD quality
- Telekom, Sky and Vodafone also recognize the importance of a portfolio targeted for children, but only Telekom offers a special package for children
- Magine is the only OTT service, that offers a significant number of Pay TV channels specifically for kids; they're all bundled in its kids package
- Average prices for kids Pay TV channels are 43% higher than for usual Pay TV channels. Though there are huge price differences between the various operators

# Plenty of on-demand options for young eyeballs

	Catch-up libraries*	Integrated offer	Stand-alone offer
<b>Offer</b>	Broad catch-up libraries of FTA kids channels with content access via PCs, tablets, smartphones, operator and OTT STBs	Integrated kids/family sections within existing VoD services. Content presentation may differ from other genres	Standalone services dedicated to kids' requirements. Mainly SVoD business models to ease the use for kids and parents
<b>Goal</b>	Leverage linear channel brand awareness to the preferred youth consumption pattern on-demand	Lock-in of kids to the service and upselling scenarios for parents	Access to new target groups within an economically stable environment (parents) and early brand recognition
<b>Risk</b>	High fragmentation of service availability with potential performance challenges	Different target group requirements may lead to biased service awareness by parents	Lock-in effects may disappear, content offering is limited to certain age groups and challenging to refinance

Service overview (selection)



# Benchmark of key stand-alone VoD offerings for kids in Germany



Parental Control		PIN code	✓	✓	✗
		Profile	✓	✓	✓
		Timer	✓	✓	✗
		History List	✓	✓	✗
	FSK	Age filters	✓	✓	✓
		Rating options	✓	✓	✗
Content Variety			43 series	137 series 88 movies 45 audio books	120 series
Ease of Use			High due to textless user interface (UI) with characters of movies/ series as key icons; access to content in 1- 2 clicks	High due to textless UI and individual recommendations, but no characters as key icons; access to content in 2 clicks	High due to textless UI and recommendations; access to content in 1-4 clicks
Price			€ 4.99/month <sup>1</sup>	€ 6.99/month <sup>2</sup>	Bundled into Sky Entertainment package at no extra cost



# Summary and Outlook

## Kids as promising target group for the whole industry...

- Kids are one of the most internet savvy age groups that are used to handling connected devices such as smartphones or tablets, making them more independent from their parents in terms of media consumption
- So far linear TV remains still relevant even for younger age groups. Kids and their parents have a broad access to specific kids channels even bundled in dedicated kids packages
- Beside the “classic” linear offerings, various existing players with different backgrounds extended their offerings into dedicated kids on-demand services
- The availability of kids content especially on-demand on other devices than TV will remain critical to compete early enough with changing consumption patterns and with other mobile substitutes such as mobile games (e.g., Pokemon go)

## ... and for Sky

- Sky is leveraging existing content and makes it even more attractive especially for families
- The bundled strategy increases stickiness of the existing packaging structure and helps to generate valuable additional data about its customers consumption patterns



video services intelligence Source: veed analytics

If you would like to **discuss** the impact of kids offerings on your business or the different market scenarios, please get in touch with:

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Sky Kids and its environment

## Walkthrough Sky Kids

# Sky Kids Walkthrough (1/3): Strong parental control is a clear strength of the app

Profil-Erstellung

Hallo Eltern!

Erstellen Sie, zusammen mit Ihrem Kind, ein Profil und wählen Sie eine Altersbeschränkung, damit Ihr Kind altersgerechten Inhalt sieht.

Spitzname

Mädchen  Junge

Bitte wählen Sie eine Altersbeschränkung für Ihr Kind aus.

ab 0 Jahre  ab 6 Jahre  ab 12 Jahre

Profil speichern

- Individual profiles help to get an overview of the kids' TV watching habits
- Suitable age groups can be defined

Abmelden Profile bearbeiten Weiter

Hallo Eltern!

Hier können Sie das Profil Ihres Kindes bearbeiten und weitere Profile hinzufügen.

Natalie Thomas Yulia Bernd Julia

Axel Michael Florian Cristiana

Profil hinzufügen

- Various Profiles with different icons can be created and changed only in the parents area
- Access to parents area with PIN code only

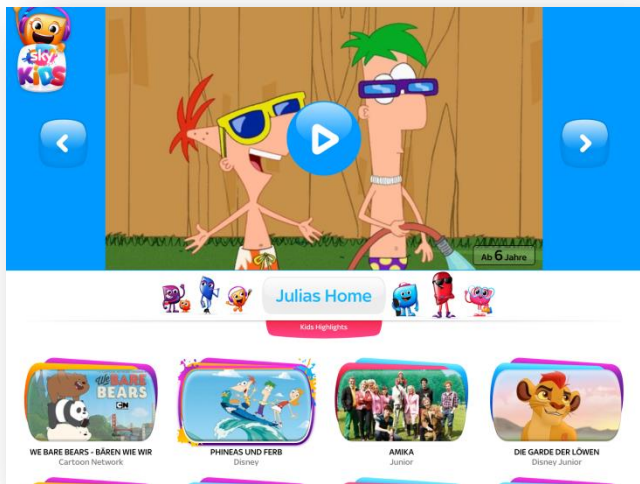


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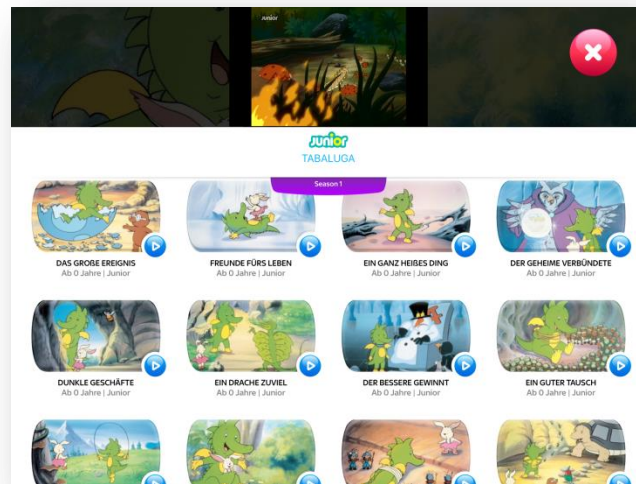
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Source: veed analytics, company websites

# Sky Kids Walkthrough (2/3): High ease of use through nearly textless UI, attractive content discovery and short click paths



- The front page gives easy access to content separated into various categories (most viewed, new, highlights,..)
- Textless and colorful front page

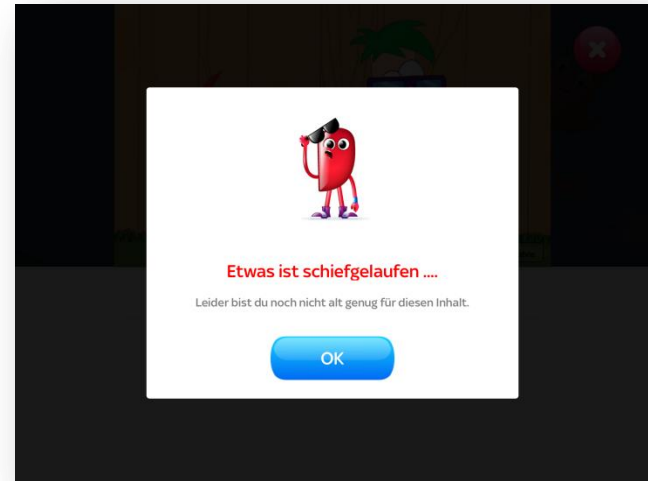


- The kids can click on a series on the front page to see all available episodes
- Videos can be started with only one click

## Sky Kids Walkthrough (3/3): Strong control of available content



- If content is recommended for the kids' age group, the video starts



- If they are not old enough for selected content, an error screen appears