How to build digital business with consumers and advertisers*

PwC Advisory and Luntz Maslansky Strategic Research Study Findings

Situation

Today's media consumer is very different from the consumer of even a year ago. They want more control over what content they watch, when they watch it, and where they watch it. Armed with bandwidth and the latest technology, consumers have taken control by personalizing their entertainment and media experience.

PricewaterhouseCoopers and Luntz Maslansky Research recently conducted a new round of focus group research which reinforced findings and trends from research completed in 2005—confirming the gap between ever changing consumer preferences and content and advertising delivered today.

Perspective

Consumers in our 2005 and 2006 focus groups confirmed three major themes in regards to preferences for advertising: 1) they would pay attention to messages concerning products or services if they are aligned with their preferences and interests and they're open to giving up more information about themselves to get personalized ads, 2) consumers want their advertising to be less intrusive—they dislike pop-up ads and tolerate upfront or pre-roll 30 second spots especially for free content, and 3) they want quality content and quality ads regardless of method of distribution and are increasingly making decisions regarding how to watch a move based on price/value relationships between the theater and the home.

How consumers are impacting advertising

Consumer trends confirmed from Fall 2005 to Winter 2006:

- Consumers are increasingly seeking free content and experiences
- How content is being watched is just as important as what is being watched
- Consumers want less intrusive advertising and are willing to give up personal information for advertising more aligned to their interests. Profiles seem to be the "new ratings."

What's new?

- Social network sites create a culture of sharing and present an immense opportunity for targeted advertising
- Consumers want more from their "third screen (mobile/iPod screens)" but they're not sure of what they want
- Consumers are not sceptical of product sponsored content especially if it means free content.

*connectedthinking

About PwC Advisory's Focus Group Studies

Starting in the fall of 2005, PricewaterhouseCoopers' Entertainment & Media Advisory Practice and Luntz, Maslansky Strategic Research, a division of Omnicom, began a study conducted through a series of focus groups with consumers and media buyers in order to better understand the emerging advertising trends in the age of digital content delivery.

A new series of focus groups was recently conducted in February 2006 with the same demographic in order to validate and strengthen the initial findings. Customer research was conducted in New York, NY and Los Angeles, CA in focus groups consisting of a total of approximately 60 participants. Each group participated in discussions about key media consumption preferences and priorities.

These groups allowed us to develop a framework for understanding the direction in which consumers are likely to go in the future and to identify the business models and approaches most likely to be attractive to them. Though not quantitative in nature, the results of these focus groups suggest strong directional support for the findings and implications set forth in this briefing.

To learn more
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Luntz, Maslansky strategic research

PricewaterhouseCoopers

Perspective: How advertisers are responding

Although advertisers recognize the seismic shifts in how different demographic groups consume media, their advertising media mix and spend looks remarkably similar to what it did a few years ago. Media buyers and advertisers are certainly willing to reach out to consumers—words like “authentic,” “interactive,” “opt in” and “engaging” represent the new approach for these marketers. They no longer want to simply get in front of their customers—they want to connect with them in an environment where the customer is receptive to their message and responds with an action. And, although there appears to be some forward movement to engage the consumer, there are only a handful of advertisers willing to challenge the traditional approach. It appears that having consumer profiles is quickly becoming the new measurement on part with Television ratings, page views or unique visitors.

So why is there still very little action to move in the direction of the consumer? The simple answer: money, time, and risk. Most marketers with whom we spoke say that there is approximately 10% to maybe 20% of advertising spending that can shift from year to year, but often much less. The consensus amongst advertisers in our New York session was that even though new media may make up only 20% of the budget, executing new media advertising takes up 50% of the time. Marketers argue they barely have enough time to execute on the plans they are comfortable with (e.g. TV), and because new ideas take more time, they are less likely to take them on. We also heard from our advertisers that they don’t want to test untested ad models—they want to see that the model has worked for others before trying it themselves. And to that point, they are also more likely to follow the competition once they have seen someone else try a new idea. As a result, when one brand in a market segment leads the way, many others quickly follow.

Implications

Consumers are demanding a different type of relationship with advertisers—one that is permission based but “value driven”. The main theme that bubbled up from our consumer groups was pretty simple: Consumers agree they would pay attention to messages sent to them concerning products or services which are aligned with their preferences and interests. They accept more advertising when they feel they are getting something in exchange. As we have seen for two quarters now, consumers do not think they get anything today for what they give up in time spent watching ads. In other words, the advertiser needs to establish a two-way relationship with the consumer where the benefit is clear.

Social network sites present an immense opportunity for targeted advertising—as long as the consumer remains in control. The majority of consumers even agree they would willingly promote goods and services on their profiles if approached by marketers. Savvy content owners, distributors, and advertisers are directly integrating consumer ideas, leverage content that consumers create. Social network sites also offer tremendous value in capturing rich data on consumer lifestyle preferences and behaviours from the profiles they create. Advertisers that can collect more data on their target audience will benefit from higher return on advertising investment

Innovative advertisers have already jumped ahead with integrated media campaigns and if the “follow-the-leader” rule is true, we soon will see a rapid movement in this direction. For example, Dove has launched a campaign for its Nighttime Classics product line that includes a 30 second TV commercial featuring Felicity Huffman who points viewers to the Dove website to view three world premiere “webisodes” where the product is featured and an offer for a free sample is made by filling in the request form—collecting valuable data about the consumer. The campaign even incorporates viral marketing elements by providing a link to IM or email a friend. Audi is another example with the launch a new campaign targeting tech savvy audiences for its A3. Consumers were captured by a mystery thriller, “The Art of the H3ist”, where consumers played a role in the developing the plot of a mystery thriller featuring a contest to find the stolen Audi A3. These types of campaigns truly integrate content across media platforms and offer a new form on entertainment for the consumer that engages them on their terms.