The Speed of Life*

2009 Consumer Intelligence Series

TV viewership and on-demand programming

Online community dialogue conducted in March 2009

Series overview

Through PricewaterhouseCoopers' ongoing consumer research program, we gain directional insights on consumer attitudes and behaviors in the rapidly changing media landscape. This report summarizes consumer insights gained through a two-week survey with two established online communities[1] on the subjects of television usage in the economic downturn; viewership of local network TV & websites; and interest in access to 'on-demand' programming in exchange for advertising.

Summary: evolving TV distribution models

Today's uncertain economic climate has many consumers taking a hard look at their expenses, and their media and television services are no exception. A quarter of the consumers we surveyed reported making changes to the way they watch or pay for television programming, and many more are considering similar changes. Consumers still express a strong desire for television programming and services, however, and may be open to receiving certain kinds of advertising in exchange for reduced or eliminated, programming fees.

- Companies may be able to mitigate potential losses by offering "economy" packages tailored to cost-conscious consumers or alternative services options that allow customers to scale back instead of cutting off their service altogether.
- Companies should look to capitalize on more positive trends and habits such as consumers' consistent desire for customization options and on-demand services.
- Companies should focus on consumers' strong loyalty to their local network television stations for news, weather, and sports programming by becoming local media destinations across platforms enabling companies to monetize alternative distribution platforms and increase advertising.

Key findings

The following findings are based on responses from female (ages 18-60) and male (ages 25-59) community members. The survey response rate was 96% for the 322 female members and 36% for the 480 male members.

[1]Methodology—Research activities took place over two weeks of March 2009. **Communispace Corporation** provided access and facilitation services for online discussions with two proprietary communities: (1) 480 members, males ranging in age from 25-59 and (2) 298 members, females ranging in age from 18-60. All community members resided in the United States at the time of the recruitment. Communispace assembles its online communities through a "by invitation only" approach; its members access secured sites to join discussions; facilitators provide ongoing and/or interval-based contact. Communispace discussions yield an average participation rate of 30%. Communispace is an independent, privately-held consumer research organization based in Watertown, MA.

I bundled my TV with my phone and Internet, but it meant taking a cut in what I was offered on the television. It saved me $70 a month, however, so I can live with that fact.

—Female

1. Consumers looking for strategies to reduce subscription TV spending

Consumers are seeking ways to cut back on video subscription fees. About a quarter of consumers surveyed recently changed the way they watch or pay for television programming due to changing economic conditions, and many more say they are considering changing their subscriptions to cut costs.

- About 24 percent of the respondents have already made some changes, including cutting costs and changing how or when they view TV programming.
- While the majority of consumers have not yet made any changes, many said they will consider changing their habits if their individual circumstances change, or if they are offered an attractive, alternative pricing or programming scenario.
- Consumers are researching ways to lower costs, including scaling back from premium packages and/or channels; seeking out bundling options; and changing providers. Many are concerned that they are not getting the best deals from their current providers.

Related consumer trends include:

- **A desire for flexibility/customization:** Consumers want to watch programs on their own time, such as through a DVR or the Internet (through services like Hulu) or alternative TV platforms, such as ZillionTV.
- **Women are more likely to seek better prices:** They seek out more favorable packages/bundles so they can still see their favorite programs, but at a better price.
- **Men are more willing to change how they watch to save money:** Men say they'll watch programming on websites or download movies as a cost-saving alternative.

2. Local news is still most popular on network affiliates

TV stations owned by major broadcast networks or their affiliates still "own" the local TV news audience.

Local network affiliates are still the preferred medium for local news consumption:

- Most consumers surveyed (90 percent) watch local news on a broadcast-network owned (or affiliated) television station (such as ABC, CBS, or NBC) about once a day.
- Consumers say they choose local news programming for regional or neighborhood news, weather, and sports. Some watch just out of habit or because it best fits their lifestyles.

News online is real-time and I can choose my area of interest, like business, sports, etc. You can't do that with TV.

—Male

Local network affiliates (vs. independents) are perceived to "have it all:"

- Local affiliates deliver both national and local news, weather, and sports.
- Consumers trust and prefer their local on-air personalities.
- Local news allows viewership to flow to and from other content on those stations.

Local networks affiliates are viewed frequently:

- The majority of consumers (57 percent) reported watching at least once a day.
- About a fifth (20 percent) watch local affiliates more than once per day.

Mornings and evenings are prime time for tuning into local TV news: Evening viewership is at 75 percent, with viewership taking place before or after their preferred programming or content.

- Morning: 45 percent
- Late evening: 40 percent
- Afternoon: 15 percent

3. TV station websites are not yet a popular news source

Only a small minority (20 percent) of consumers report using TV stations' websites as a frequent news source. A third of all respondents said they have never accessed news content through a TV station's website.

TV news websites are infrequently accessed. Customers report that they:

- Never accessed news through TV websites (33 percent)
- Access a few times per month (26 percent)
- Access a few times/week (16 percent)
- Access once a week (4 percent)
- Access once a day (10 percent)
- Access more than once a day (10 percent)

Men are more unlikely to get their news from TV station websites than women.

- 31% of women respondents vs. 37% of men respondents reported that they "never accessed local news from local TV websites."

I used to watch both local and cable news daily, but now since I do not have cable, I just watch local. They are informative stations, and I can get local and some national news.

—Female

4. Convenience and control draw some consumers to local TV websites

Nearly half of consumers who get their news online (40 percent) say they check local TV station websites more than once a week. They cite the following assets:

- Convenience—it's quick and easy
- Control—they can read what they want, when they want. The viewer is in control of the actual content and the depth of detail
- It's easy, especially when they're already using the computer for other reasons (such as work)
- They can get updates and more information about stories they viewed previously on TV
- They can get breaking news immediately

Online viewership hits its peak in the afternoon, while TV news viewership is at its lowest.

- Consumers log on to TV station websites for news most often during the afternoon.
- Afternoon usage makes sense because this is a popular time to be online (when many people are working).
- They check the sites less at night; in contrast, their TV news viewing takes place most frequently at night.

5. Consumers look everywhere for ads for local businesses

Virtually all consumers surveyed said they seek out ads for local businesses, such as restaurants or car dealerships. They look in a wide variety of places, with newspapers, the Internet, and television most frequently cited.

Their top choices for where to look for local advertising include:

- Newspapers (48 percent)
- The Internet (46 percent)
- TV (31 percent)
- Yellow Pages (29 percent)
- Radio (19 percent)
- Magazine (9 percent)

I'll watch TV on the Internet now, like on Hulu.com. [I'm] using more online downloading of movies and programs.

—Male

- Other, such as direct mail, Entertainment Books or recommendations from friends (7 percent)
- Mobile devices (3 percent)

6. Consumers want more on-demand services and devices

The majority of respondents liked the idea of viewing on-demand content from alternative services or devices on their TV (such as Hulu, Crackle, Joost, Slingbox, or Apple TV vs. traditional pay-TV services), especially if it's free. But their enthusiasm is qualified:

- Awareness of on-demand content from alternative services or devices is strong. About two-thirds (63 percent) are aware of or use services or devices such as Hulu, Crackle, Joost, Slingbox, or Apple TV.
- Men report significantly more interest than women: 66 percent versus 44 percent
- Consumers say it's acceptable to have these options available as long as:
  - They're still free; consumers are used to watching ads on TV, so there's no behavioral adjustment.
  - They get more control of what is viewed and when.
  - The viewing experience is enhanced by watching on TV instead of a computer screen.

Consumers have specific advertising preferences related to these non-traditional services:

- Minimize the interruptions: There is resistance to "overkill" on the volume and placement of ads.
- Integrate, don't interrupt: consumers desire ads that are the most relevant or are integrated into programming.
- These findings are consistent with what consumers say about advertising in general.

Audiences have specific desires related to these services:

- The TV viewing experience needs to meet or exceed the online viewing experience. The expectation is that transmission speed and picture quality should match or exceed what they're experiencing online.
- Not surprisingly, DVR owners showed less interest in these alternative services and devices.

They show what is going on in my area as well as regional news; it's basically more personal to what impacts me and my family immediately.

—Female

Implications to your business

1. **Customer spending changes due to the recession could adversely impact subscription-based companies, such as cable and satellite.** Twenty-four percent of consumers surveyed have made recent changes due to changing economic conditions, and many more noted they are considering changing their subscriptions. Providers should be flexible and explore offering "economy" packages, and proactively develop alternatives that allow the consumer to scale back instead of cutting off their service altogether.

2. **Local TV news websites represent a largely untapped source to reach consumers.** Not surprisingly, most consumers still perceive broadcast network stations and affiliates as the top source for local news. At the same time, however, few consumers report that they visit these stations' websites for local news. Consumers who do visit these sites emphasize the importance of getting detailed and current information. This underscores the importance of maintaining a local news brand, and these sites are a key touchpoint that broadcasters can better use to create greater consumer awareness, interest, and involvement with their programming.

3. **One-third of consumers associate TV stations with local-business advertising.** Eighty-one percent of respondents seek out ads for local businesses, with 33 percent turning to television. This is still a significant percentage that should not be overlooked or underutilized in multiplatform worlds. While only 3 percent of the respondents pointed to mobile devices as a source for advertising, the rapid growth of smartphones and 3G networks presents a "green field" opportunity for broadcasters to increasingly leverage their brand, content and association through local advertising.

4. **It is increasingly important that broadcast networks and their affiliates determine how to monetize the on-demand trend.** Consumers want alternative services or devices that allow them to watch shows over the Internet. They have different wants and needs, but overwhelmingly want free television content. For example, during our survey there were several answers where the participants asked how they can get a service like ZillionTV.

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