

The Speed of Life*

2009 Consumer Intelligence Series



Impact of economic downturn on media habits and acceptance of advertising on personal mobile devices: Consumers demand for more control and benefits

Online community dialogue conducted December 2008

Series overview

As part of our global consumer research program, PricewaterhouseCoopers' Entertainment, Media, and Communications practice is conducting a series of consumer discovery sessions to elicit candid feedback and gain new understanding of consumer attitudes and behaviors in a rapidly changing media landscape. This research yields powerful business insights that help our clients identify and capitalize on emerging trends.

The following is a summary of what we discovered during a discussion with an online community of over 750 consumers, ages 18-60, about the economic downturn and its effect on their media habits, usage, and attitudes. This online community augmented our qualitative focus group research and provided additional insight into our continuing research on the impact of the economic downturn on media habits.

Summary: Consumers aim to keep media & technology services, but demand more control and benefits

Today's economy poses many uncertainties for media and technology companies. But here's one bright spot: consumers say they're not about to give up their media must-haves — chiefly, their Internet access and cell phones. Although some are trimming media and technology expenses, particularly premium services, most consumers say they see those services as essential and that they'd rather cut other areas of their budget first. For media and technology companies, that means there is still ample opportunity to grow and build loyalty, especially if companies focus on providing the services consumers want most: cost savings, excellent customer service, and the ability to customize plans and features.

Compared with our prior sessions, the new findings demonstrate how consumers' budget-minded decisions are potentially impacting their attitudes towards brands. The themes from these new findings include:

- **My must-haves: media, technology and value:** Even in today's weak economy, consumers are resistant to cutting back on tech and media usage — they rely on these as critical necessities to their everyday lives. The Internet especially has emerged as a critical "lifeline" tool. However, as their personal budgets shrink, consumers seek brands that will provide greater value - cost savings and better deals.

- **Save me the money – my way:** Cost-saving measures — like bundling or advertising on cell phones — are only valued if they are tailored to the needs of the individual and not broadly mandated by the provider. Flexibility and personalization in packaging products and services is an opportunity to generate appeal and differentiate for companies that can deliver.

"I wish these companies would be more flexible with their packages...to get the one thing I would pay for it seems like I would have to sign up for loads of junk I don't want."

- **If you care, I'll care:** Consumers yearn for reliable, quality products and caring customer service — another perceived gap area. Companies can build loyalty by providing good products and good service and recognizing and rewarding good customers.

"One way for a company to gain my loyalty is to offer excellent customer service — something so many companies have forgotten in recent years."

- **Don't call me, I'll call you:** Advertising on personal media (like cell phones) is frowned upon as invasive. This kind of advertising needs to provide choice — so the consumer feels he/she is "opting in" as well as a clear benefit (free minutes?) in exchange for entry into this "personal space."

"I don't want my calls interrupted!"

Key findings

Here is how consumers say they are reacting to the economic downturn:

1. Trimming the “fat”: Consumers have begun to identify and curtail the “extras” in their media and technology spending.

- **Back to basics:** Premium cable channels and cell phone services are under heavy scrutiny.

“I don’t use cable the way I used to and paying for a lot of channels I never watch is a waste.”

- **If I had to choose:** When asked to prioritize, landline phone service and cable TV are cited as most expendable. They are used less or duplicate services available on multi-function platforms, such as cell phones or the Internet.

“I would cut back on my cable service, like HBO. TV is optional in my life. My cell phone and the Internet are not.”

2. Choosing Internet first: The Internet has become consumers’ top priority in spending decisions for media and technology.

- **Versatility:** The Internet is viewed as both a personal and professional tool for communication and information – a critical lifeline to the outside world.

“I could never give up my internet...I use it constantly and it is my lifeline for everything.”

- **Value:** Its versatility as a multi-platform device coupled with its relatively low cost put the Internet at the top of the technology “must have” list.

“The Internet is a source of entertainment, information, social connection and so much more. I remember life without it and love the advantages we have with it.”

3. Seeking the personal touch: Customization and personalization remain largely unmet needs – and the idea of bundling with pre-ordained packages, products and services often conflicts with the desire to personalize.

- **Not their way:** The ability to bundle multiple media services from one provider has the recognized potential for efficiency, but many are dissuaded by concerns over contracts and commitment levels – especially for things they don’t need.

“I don’t like the idea of bundling because it’s too much hassle if you’re not happy with the service. Then you’re stuck with something you don’t want.”

- **My way, instead:** Consumers want more control over their service plans to better economize. They want to create their own “packages” instead of feeling constrained by dictated options.

“I think these companies should let us choose which services we want and get rid of their ‘packages.’ Just let us pick and choose what we need.”

4. Looking for loyalty: Loyalty is seen as a two-way street and consumers aren’t feeling appreciated for their faithfulness.

- **Rewarding tenure:** Companies can demonstrate and build loyalty (and differentiate) by providing free or improved services (and customer service) and more customization options to customers based on their length of affiliation.

“I would like the corporate content behemoths to practice a little customer loyalty. How about a free month of each premium for every year you stay subscribed? If they are not going to be loyal to me, why should I be loyal to them?”

- **Don’t favor the new guy:** Cable and telecom companies are perceived as too focused on attracting new customers instead of maintaining and rewarding existing ones. This perception is reinforced by contract incentives and options that are offered only to new customers.

“I hate when they give the new customers deals but the loyal customers are given nothing but rate increases.”

5. Considering acceptance of mobile ads – for a price: Advertising that adds value and is received on their terms is the cost of entry for consumers to allow ads on their personalized media devices.

- **Don’t intrude:** Advertising needs to be received at a time and manner amenable to the consumer, e.g. texts vs. calls.

“Don’t call me...My phone calls are my private time and I don’t want the intrusion.”

- **Make it worth my while:** Financial incentives – like lower monthly bills – are necessary as compensation of advertising’s “intrusion”.

“Lower rates would encourage me to receive ads on my cell phone – but only at a reasonable rate of ads.”

Implications to your business

- 1. Show you care:** Consumers crave personal attention – something they feel is sorely lacking in today's hectic world and particularly in the current economic climate. Companies can show they care by providing empathetic customer service that helps address relevant needs of the individual; excellent service, such as high speed access or no dropped calls; and consistently quality products.
- 2. Prove your loyalty:** Incentivize and reward through things like cross-platform customer loyalty programs that show consumers how they might get more in exchange for their allegiance to your business. Bundling as a loyalty device must bring value to the consumer.
- 3. Provide freedom of choice:** Consumers want to save money and are willing to bundle services if they can have what they want and avoid or eliminate what they don't want – such as mandated products, services, or contract commitments. The ability to customize and personalize provides a differentiating advantage to companies by empowering consumers in a climate where they have little control over economic levers; it can also build both loyalty and value perceptions by showing greater customer empathy and demonstrated cost efficiency opportunities.
- 4. Trade rewards for advertising:** Explore meaningful incentives as a way to break down resistance to advertising on personal media and communication devices. In a sluggish economy, financial incentives (e.g., lower bills or bonus services) are likely to be even more motivating and may have the potential to pave the way for continual acceptance once the economic situation improves.
- 5. Use ads that add value:** Advertising on personal media and communication devices will be more readily accepted if it adds value, like personally relevant products, services, discounts, or entertainment. Consumers' ability to customize and personalize is critical.

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Methodology - Research activities took place during the first two weeks of December 2008. 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.

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