

The Speed of Life*

2009 Consumer Intelligence Series



Transitional business models — Monetizing content effectively in an ever-changing media landscape

Consumer discovery sessions and online discussions conducted in June 2009

Series overview

Through PwC's ongoing consumer research program, we gain directional insights on consumer attitudes and behaviors in the rapidly-changing media landscape. This report reveals what we learned about how to effectively monetize content among the "Gen Y" target, ages 18 to 24, relative to advertising availability, the current economic downturn and consumer perception of piracy relative to media content.

In addition to group sessions held on June 18 in Santa Monica, CA., discussions were also conducted with an online panel. In total, 55 men and women participated in ongoing chats. We asked for their feedback on a very specific question: *"If you ruled the world, what would advertising be like and why? And if in your world there is no advertising, then what model(s) would you use instead to pay for the content, and why would you choose that?"*

Summary

Learning and insights from this session confirm past discussions relative to advertising and content. The generation generally has a tolerance for the status quo of advertising in the many forms of media currently available. The traditional ad-supported model for obtaining free content is generally accepted and preferred — especially compared with the alternative of paying fees to access ad-free content. However, Gen Y consumers expressed a strong desire to see advertising improved to make it more useful, relevant, and entertaining and less annoying and interruptive. And there is a persistent desire for advertising frequency to be as minimized as possible (for example, one sponsor/product per program as with Hulu) and to be well-integrated into the content so as not to be intrusive. This is particularly important in the case of online advertising.

Messaging specific to an individual's interests (e.g., "addressable") is interesting in that it communicates something that matters or that is personally important. Many consumers say they would like to self-select which products and services are advertised to them. This would provide the ability to customize the advertising they experience to fit their personal needs and lifestyles and give them more control. Gen Y consumers praise the growing number of Web tools that better target them with relevant advertising based on identification of preferences via past purchases/behavior, such as on merchant Web sites Amazon and Pandora. They do not want the onus to be on them to provide personal areas of interest through such methods as soliciting — them with a laundry list of questions. The concern for privacy here is outweighed by the benefits of more personalized and relatable messaging without consumers having to do much work to provide it.

Offer personalized, but not one-dimensional, ads. Although addressable advertising is appealing, some young consumers express concern that its subject matter might be too narrowly confined. They are curious about new things and so do not want to limit their exposure to only current areas of interest.

The idea of scanning technology is interesting because it empowers consumers with more information. Consumers can learn about a product or service before they buy or try, and 2D bar code scanning allows them to compare features, benefits, and pricing — which some are already doing. The scanning becomes more interesting if it means consumers get something different or extra using this technology (e.g., extra chapters of a book, author insights, etc.).

“Instead of interrupting the flow of your program, there can be some sort of in-between programming, commercials for whatever. I think there’s a different kind of an impact to seeing a character in a show that you like using a product, and then having an uninterrupted program. ...It’s going to sustain me. I’m not going to get up and leave.”

“If we’re getting ads that are specified to us, how are we going to see other ads of other things?”

The perception of piracy has a wide and loose range, but is generally considered to be the acceptable norm. In general, consumers feel that they are entitled to whatever is on the Internet and that if they search enough, they will find what they are seeking for free. Further, the perception is that taking without paying has become the norm — and if “it is the norm, then it’s no longer stealing.” Viewing or listening to streamed content is not at all considered to be in the piracy range. Consumers’ perception is that unless it is downloaded so as to become owned by them, they are just viewing what everyone else is viewing — and why should that be paid for? For some, acts of Internet piracy are perceived to be more pervasive among younger consumers who “don’t know better.”

Key findings

1. Ideal world of advertising: It’s all about what’s in it for me.

Gen Y consumers complain of being continuously bombarded by a cacophony of advertising. They are forced into self-selecting what interests them, based on format or subject material, and this becomes increasingly difficult and annoying given the volume of ads to sort through.

In their ideal world, advertising is:

- **Limited in frequency and duration:** Ads might be book-ended before and/or after the content they are enjoying, as on Hulu. Many like the idea of one sponsor per program. The ads are short and the consumer is not forced to endure long breaks, which can bore them and tend to prompt them to ignore the ads altogether.
- **Better integrated and less interruptive:** The ads fit with the programming, like sports products in sports programming, and they coexist more seamlessly — and don’t stop the flow of enjoyment with the content, such as product placement in shows.
- **Custom tailored:** Ads for products and services relate to one’s specific lifestyle and interests, like consumers have experienced with the Facebook model. (“It’s related to you — I like that. It gets you. You want to click on it.”)
- **Informative and useful:** Ads explain or teach you about products and services — especially new things. Consumers are looking for more substance and less fluff and say informative advertising adds value. An honest and straightforward message (and one that is not confusing) has greatest credibility. (“If you can’t get the meaning of the advertisement, then it’s useless!”)
- **Memorable and entertaining:** Amid the clutter, consumers like ads that they remember as being funny, entertaining, unique, and/ or innovative. They find these ads more relatable and enjoyable, and so they also add value.
- **Genuine and real:** Gen Y consumers seek a direct, honest approach. They prefer a straightforward tone and transparency in message. Testimonials by real people can be more credible than celebrity endorsements, unless there is a celebrity expertise related to the products. Fine print, sped-up voiceover copy, and disparagement of competitors are generally frowned upon and can impinge credibility.

“It’s not want, but sometimes it’s need. ... What if you need a window or something? What if all my ads are for fashion and growing stuff, but I need something else? There’s something to be said about if it’s too niche that I’m not being exposed to things that I might want to be exposed to, if it’s too catered towards what they think I’m going to like.”

“There are some things that you see sometimes and you just don’t know where to buy it, or you want to know more about it before you buy it. So, if you scan it and then you have that in your phone, you can go back to it whenever.”

- **Chosen freely:** There is an interest in having the ability to select or even vote on the specific advertising executions to which one is exposed. This would make for a more interactive and engaging viewer experience because viewers could watch their favorite ads and conversely avoid ones they don’t like.
- 2. Addressable advertising: Personalize but don’t one-dimensionalize me!**
Consumers in this age group are responsive to advertising messages — both in traditional media and online — that reflect products and services they are interested in. Again, the Facebook model is a frequently cited example of how this works.
- **More engaging and helpful:** For most, it makes the advertising message more relevant and so “less annoying” (“I don’t want to see female products if I’m a male.”) and even useful to the extent it reminds them of products/services they need.
 - **But not too limited:** Consumers strongly object to being targeted only for messages that reflect their current personal interests and proclivities, since they feel they might be missing out on products, services, or information about which they might develop a new interest.
 - **And don’t expect me to do too much:** The onus cannot be on consumers to do too much in the way of actively providing information about personal interests. They expect advertisers to determine their interests based on their (online, cable TV) current behaviors.
- 3. Scanning technology (2D bar codes) as interactive media: Great if it means something EXTRA for me!** Scanning technology is very interesting to consumers in this segment. It is a method for gaining instant information about a product or service, enabling them to compare prices, features, and benefits before they buy.
- **Feeling empowered:** Consumers like the sense of being in control of the purchase process with this technology; they can retain the information and store it for future reference when they’re ready to act. In fact, some are already familiar with this capability on Google’s G1. The potential pervasiveness of the 2D bar codes (for example, on movie posters, books, and boarding passes) and myriad applications are captivating and fit in with this target’s mobile lifestyle.
 - **Adding value:** The element of true innovation accorded this technology becomes evident only if it provides something MORE from the product/service than what is currently available, such as extra discounts or extra benefits.
 - **Some privacy concerns:** The only slightly voiced concern was relative to where information scanned into consumers’ phones was going if it at all merged with their personal data (e.g., contact lists, photos, etc.), and was sent somewhere unknown to them.

“It’s more sharing than stealing.”

4. Piracy perceptions in online media content: It’s there for me to take!

Among these groups, there was a polarity in their perception of pirating media content — even somewhat of an internal conflict.

- **Downright stealing:** For some, it was considered wrong. They acknowledged that it was, in fact, stealing — something they used to do when they were younger with less money, when they didn’t know any better, but don’t do anymore.
- **Probably wrong, but ... oh well:** For others, even though it was acknowledged that it likely wasn’t the right thing to do, there was little remorse about it (“I don’t feel morally bad about it.”) and no indication that behavior will change any time soon.
- **The norm — mine if it’s on the Net:** There is a general attitude that piracy — while not technically legal — is basically justified since it has simply become the norm. The consumers admit that fundamentally it is theft, but they feel OK about it since everyone else is doing it as well. (“We live in an age where the definition is changing.”). In fact, some feel a sense of entitlement to whatever is available on the Internet. This age group seems to have staked a claim in the contents of the Internet — it is rightfully theirs if it is online. (“Don’t put it on the Internet if you can’t [aren’t supposed to] access it.”) One consumer captures this sentiment succinctly: “It’s there for me to take, so why should I not take it?”

“I think content should always be free, and I’m willing to deal with advertisements in order to keep it free.”

Implications for your business

1. **Ideal advertising:** Above all, advertising needs to be engaging, personally relevant, and preferably limited in its pervasiveness and scope.
 - **Being engaging** means a message that is interesting, informative, and delivered in an entertaining and innovative way about a product or service that is inherently relevant. The delivery of this message should be consistent — integrated — with the type of programming they are watching as opposed to being interruptive and, therefore, annoying.
 - **Being relevant** means understanding the personal needs of the consumer and targeting advertising for products and services aimed at their interests. Consumers value communication that is targeted and succinct and delivers a straightforward, informative message — “practical and useful.”
 - **Being limited** in frequency, duration, and intrusiveness means making ad messages as short and noninterruptive as possible.
2. **Addressable advertising:** Personalizing ad content provides an immediate way to enlist engagement with a message.
 - **Target based on personal behaviors and interests:** The Facebook model (as well as Amazon.com) is an acceptable and mostly effective way for advertisers to target and communicate with consumers and halos positively to the advertiser.

- **Include tangential and new interests, too:** There is also the opportunity to continue to target consumers with messages for products/services that may coincide with their interests or the interests of their peers, as well as introduce them to new areas of potential interests.

3. Scanning technology (2D bar codes): This is the next wave.

- **Consumers are comfortable and ready:** Consumers are set to engage in this type of media and technology interaction — it is a very interesting concept for them. The idea of using their cell phones for multiple functions (such as taking a picture) is very familiar.
- **Advertisers can build brand image and consumer relationships:** Companies pioneering this technology in their respective categories — providing incremental benefits accompanying the use of scanning — can foster a more “high-tech” persona and long-term communication relationship with consumers.

4. Piracy: For media content developers, the area of piracy is a slippery slope.

- **The Internet is perceived as free:** Consumers feel they have a right to everything on the Internet and are used to having free access to a wide array of entertainment, information, and services.
- **Need to change consumer perceptions by adding value to paid content:** Curtailing piracy behavior — which has become a widely accepted consumer norm — is not about attempting to shift values and morals. Instead, it is about creating a higher sense of value/quality associated with paid content that cannot be obtained via piracy (for example, advice, interviews, venue/celebrity access, upfront ticketing opportunities, coupons, promotions, offers, movie passes, etc.).

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