

The Speed of Life

Consumer Intelligence Series



Seeing it Now: The Hidden Value of Digital Rights Lockers.

Consumer discovery sessions held in March 2010.

Overview

Through PwC's ongoing consumer research program, we gain directional insights on consumer attitudes and behaviors in the rapidly changing media landscape. Our 2009-2010 series explores Digital Transformation in the Entertainment, Media and Communications industry.

As traditional DVD sales continue to decline, we recently explored consumer interest in the potential use of "Digital Rights Lockers" for film distribution. This report summarizes our learnings from two discovery insight sessions held in Santa Monica, CA., with consumers aged 18-24 and 25-30.

Summary

For today's tech-savvy consumers, the shift from physical media to online distribution is all about gaining the ability to access and manage content on demand. They want to access content from multiple devices: mobility is key. They also want—and expect—the ability to download, share, and store everything from videos and music files to full-length movies.

Enter digital rights lockers (DRLs). Based on cloud storage technology, DRLs have unlimited storage capacity, allow for lightning fast downloads, and improve the ability to access and share content across multiple devices. Yet even tech-savvy consumers appear to have little awareness and understanding of proposed commercial uses of DRLs to manage media and entertainment content. Many don't see the benefits, while others express concern over security, privacy, and quality. Businesses have an opportunity to reach consumers by clearly demonstrating the value proposition for DRLs with respect to quality, interoperability, and the threat of technological obsolescence.

Key findings

1. Consumers have little awareness and understanding of digital rights storage:

- There is a basic need for businesses and marketers to clearly explain the value of DRLs. While consumers appear to be somewhat familiar with the concept of cloud storage, they do not have a solid understanding of the benefits and advantages. However, they appear to be interested in learning more, especially related to:
- **Unlimited storage capacity.** Consumers expressed an interest in the possibility of storage beyond their current hard drives—but haven't made the cost/benefit connection to limitations on their existing hard drive capacity. As one consumer put it, "You can always update your hard drive."
 - **Speed.** The ability to rapidly access and download to multiple devices is highly appealing. ("Having something that's instantly saved and archived, ready for you, is great.")

“If you load up your locker with all sorts of stuff, who’s to say that you’re not going to start selling your user name to give other people access to all of this stuff that you bought?”

Consumer, 18-24

- **Unlimited ability to access/share content and improved interoperability of devices.** This is critical to promotion of digital rights lockers. For most, the ability to share content—especially across multiple platforms—is a huge benefit. Digital rights lockers shift the burden of transcoding and storing extremely large video files away from individual users.

When asked to envision the future of movie ownership, consumers consistently identify several key themes, including:

- One place to store everything
- Ability to share content with peers (especially important among younger group)
- Ability to download instantly to any and all devices without restriction
- Ability to access anywhere – mobility remains key
- Quality is undiminished and not restricted by device

Consumers still have concerns and questions about digital rights storage. Key concerns include:

- **Ownership:** Who is responsible for maintaining the locker?
- **Obsolescence:** What happens to the content of your locker if the next big storage option comes along? Will they have to pay for their content all over again?
- **Interoperability:** What if all the major studios and device manufacturers don’t participate in a common DRL approach? Will we have another platform battle like Blu-Ray/HD-DVD or VHS/Beta? Malware? As one consumer said, “What if somebody uploads a virus? Then you’d have a virus on a multitude of things.”
- **Theft:** Concern that someone could amass content in a locker, then sell the password.

2. Consumers have mixed reactions to advertising and pricing models. Most consumers resist certain advertising models, and simply do not see cost reductions on content or subscriptions as an incentive if it means they have to endure advertising—especially if it interrupts their movies.

Advertising

- **Advertising is more palatable on free content:** Some older consumers said advertising would be acceptable if the content is free, but most said that if they’re paying for content, they shouldn’t have to watch ads. The younger group was more receptive to an ad-supported model if they could select the ads they want to view.
- **The model exists:** Consumers can watch movies on Hulu or Pandora for free, but still see ads. The reality is that they accept an “ads for content” model, but do not associate the lower price with the presence of ads. Only “free” makes advertising relevant.

“It would be a lot cheaper than actually buying the tangible DVD, and it would have to be cheaper than going to the movies.”

Consumer, 18-24

Pricing

- Some young consumers can envision paying a one-time fee that would give them unlimited usage/rights to content, if it were less than what they pay now for on-demand services, such as Netflix.
- Paying for extras, such as director’s interviews, appears to be less appealing because consumers feel they can already get that kind of material online for free.
- Overall, perhaps as a direct result of confusion and doubts about the technology, specific price points were referenced in terms of limits. There was strong agreement that price would be paramount. For those who were willing to pay for a digital rights locker approach, several reference price points were suggested:
 - Not more than their monthly spend on movie theater tickets.
 - Not more than their current Netflix subscription rates.
 - Not more than what they would spend for increasing laptop storage.

3. Consumers are increasingly interested in getting earlier access to new film releases.

- **Same-day is highly appealing:** Consumers said they’d pay a subscription to access movies the same day they become available in the theater. However, a two-week delay between theatrical and home video release dates seemed to be of little value: “If you’re going to wait two weeks, what’s going to stop you from waiting three or four weeks to get it for free?” In fact, the younger group we interviewed suggested that they would wait 72 hours, at most, for access to new movie releases. Many referenced sites where they can download or stream films after the first weekend of release—for free and without ads.
- **More personal flexibility is appealing:** The older group appeared more willing to entertain different scenarios for new releases, but increased flexibility made the idea more appealing. Waiting two weeks to view a movie an unlimited number of times within a certain time period is acceptable, but they don’t want to be constrained by a specific time period to watch it. For example, while a 24- to 48-hour window of unlimited viewing is fine, they would like to pick the 24 to 48 hours that best fits their schedule.
- **Quality is important—but not critical to all consumers:** Older consumers described movie watching as an “experience,” where quality of the video file copy is very important. The younger group claimed they are fairly satisfied with the quality they get now from both downloaded and streamed sources (including pirated content). Both groups said video quality requirements

“If I could actually watch them at home whenever I was free and didn’t have to go to the movies anymore (and) pay another \$10—if I just had that one fee to watch all those movies that came out, whenever I was free to watch them—that would be very good.”

Consumer, 18-24

depend both on the device (cell phone viewing typically means less quality) and on the content (some movies require better resolution than others).

- **Consumers recognize the tradeoffs between downloading and streaming films:** They are interested in downloading movies they might want to watch again, share with friends, or view on multiple devices. However, if they only intend to watch a film once, they are more likely to just stream the content on their laptops.

Implications to your business

- **The value proposition for DRLs must be very clearly communicated by highlighting key benefits relevant to the consumer, including:**
 - Unparalleled storage capacity—ability to view video content on multiple devices of the consumers’ choice, with the same high quality across devices.
 - Time savings—there’s no need to wait for downloading to your device.
- **2. Marketing efforts and monetization options (in both advertising and pricing models) need to address the technology “generation gap” and market accordingly:**
 - Younger consumers are more savvy and receptive to technology developments. In general, they are more willing to accept the idea that “the next big thing” is something they will probably want—and it will be better than what they have now.
 - » They are viewing on multiple devices. DRLs have more inherent benefits for them.
 - » Many illegally stream or download movie content from pirate sites. Films distributed via DRLs will have to compete with this form of “free” just like other online video models (such as Netflix and iTunes) already do.
 - » They generally watch movies only once. Marketing around repeat viewing will likely resonate less.
 - » They actively share content with their peers—and want their peers to reciprocate. Touting ease of sharing will likely resonate.
 - » Quality only needs to be “decent” or “good enough”—not great. Consistent or high definition-style quality is not the lead-in selling point for this demographic.

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- » They are more willing to accept advertising as a way to reduce costs. Personalized ads make the idea even more acceptable.
- **Older consumers have different viewing behaviors and a greater appreciation for the “experience” of movie viewing.**
 - » This group sees quality as a key benefit. Marketing efforts around quality will likely resonate.
 - » They don’t view movie content on mobile devices. Small screens inhibit the quality and may impact the pleasure of the viewing experience; thus, interoperability may draw less interest.
 - » They have more concerns about safety, privacy, and security, as well as technological obsolescence.
 - » They are less receptive to advertising—even if it means a cost savings to them—because of perceived intrusion on the viewing experience, which they see as paramount. They are also wary of personalized ads, as that may require revealing personal information.
- **There is a willingness to pay for early-release of content:**

The industry has taught the consumers that online content is free (legal or not). This means the ante of what they are willing to pay for keeps increasing.
- Consumers expressed a strong interest in getting same day (“day-and-date”) access to movies released in theaters. Although it may not be feasible from an industry standpoint, consumers are interested in—and willing to pay for—early access to content, provided it’s available before they can find it on the Internet (legally or illegally).

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