The speed of life

Consumer intelligence series

Premium content consumption: responding to the "instant access"consumer

Summary

As studios experiment with premium models, consumer behaviors related to movie and television shows continue to evolve. Most consumers, consistent with recent trends, still prefer to rent their content rather than buy it. Plus, consumers appear optimistic and enthusiastic about new features and platforms that enhance their viewing experience. Consumers are particularly interested in obtaining content sooner, and expressed a willingness to pay a modest premium (incrementally from $1–$10). For studios, this represents an opportunity to shape their business models to demonstrate the value of ownership and premium offerings, such as by highlighting certain movies that are best watched more than once (i.e. specific genres or classics) and emphasizing the ability to store and share content digitally across devices and among multiple users via digital rights storage.

Series overview

Through PwC's ongoing consumer research program, we gain directional insights on consumer attitudes and behaviors in the rapidly changing media landscape. The latest topic in our series is premium content consumption, including premium video on demand (PVOD). Specifically, we explored how much consumers are willing to pay for various types of premium content, the role of new platforms in obtaining movie and television content, and the importance of timing of availability of content. These findings include quantitative insights from an online survey conducted in Spring 2011 among a geographically dispersed sample of 312 men and women ages 18–59, as well as qualitative discoveries gleaned from focus groups conducted in Los Angeles among men and women ages 21–45. Qualitative discussions were used to explore findings from the survey, discover motivations, and ask follow-up questions.

I. Overview

1. **Renting continues to be consumers' preferred method to access movie and television content.** As confirmed by multiple surveys and qualitative research studies conducted by PwC during the past year, the majority of consumers are more likely to rent than purchase movie and television content and will continue to do so over the next six months. This is particularly true for television content. Three critical factors are driving this behavior:
   - Consumers typically don't intend to view most movie and television content more than once, particularly television content.
   - Consumers see renting as less expensive than purchasing.
   - Consumers are concerned that owning too much content can overwhelm their computer's hard drive.
     - The only exception to the rental preference occurs when consumers say the primary motivation for owning content is that the content is especially enjoyable or is a favorite (e.g. "True Grit") or a classic (e.g. "Titanic") that they intend to view multiple times.

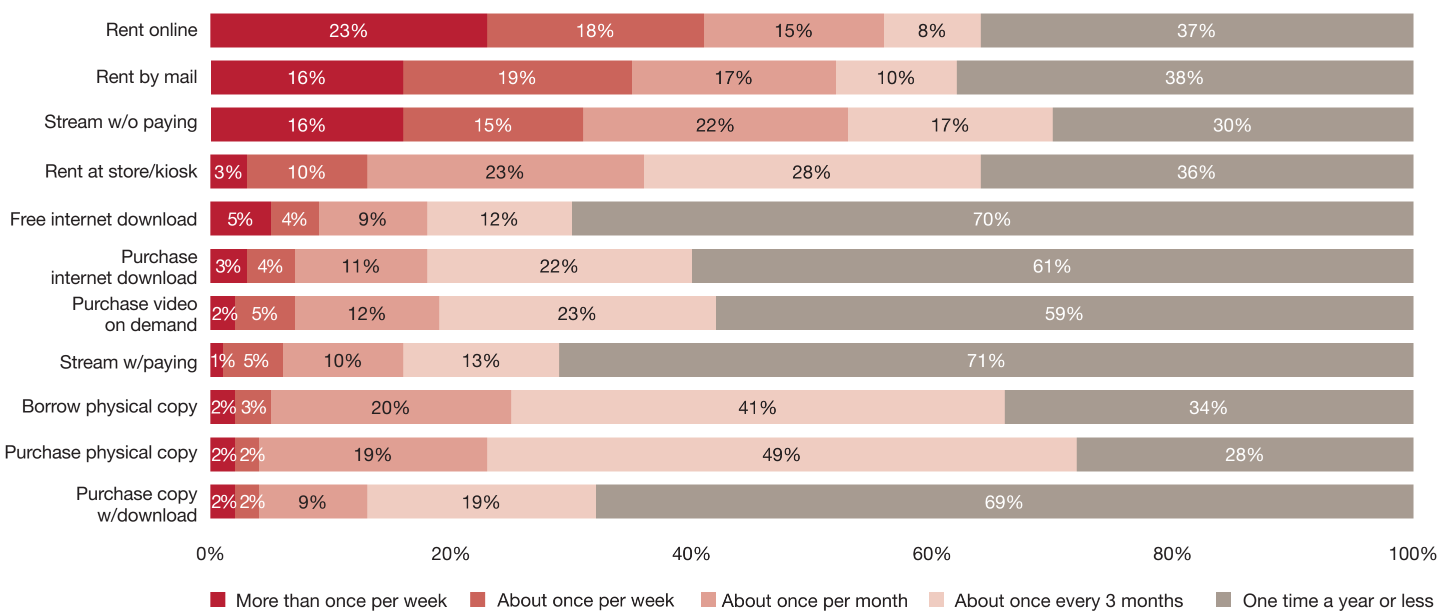
2. **Faster access to content is the most appealing PVOD feature — but most consumers are willing to pay only small incremental amounts of a maximum of $5–$10 to get it.** Out of nine premium features available via PVOD, the majority of consumers (37%) ranked "getting a movie on demand four weeks after theatrical release" as the most appealing feature. However, nearly 80% of respondents said they would pay only $1–$10 for this feature. Although the largest percentage of consumers want content within four weeks of release (currently not a contemplated model by content owners and distributors), there was also still a strong preference for obtaining the content within eight weeks (ranked number three of nine premium features).
    - It is important to note that among online survey respondents for this study, 68% reside in suburban/rural communities, and 27% reside in urban communities. Consumers who live in cities where movie tickets are more expensive — in urban communities — may be willing to pay slightly higher premiums for video on demand, because they see it as a better value than going to the theater. Supporting this hypothesis are the findings of the focus groups conducted in Los Angeles, where consumers were willing to pay $10 and higher for premium video content on demand four and eight weeks post-theatrical release.
    - Movie content acquisition (both rental and purchase) occurs more frequently than TV content acquisition, due primarily to consumers' belief that they can already watch TV content free the day after it originally airs, combined with the fact they would likely not be watching TV shows over again (as they might with some movies).
        - "Well, first of all, many shows are about a half an hour to an hour long. ... And I would never want to own ... like, permanently own a series, because I'm never going to go back to rewatch all those episodes again." (Female, age 21–32)
3. **Reaction is mixed to new distribution channels, such as mobile apps, content rentals through social networks such as Facebook, and digital lockers, depending on the specific channel, but consumers appear interested.** Consumers seem more aware of technology evolutions and appear more receptive this year than last to considering new channels, especially digital lockers, due to similar offerings for music content and the imminent rollout of video lockers. However, one of their primary concerns is related to striking the right balance between price and the value of ownership. Regardless of distribution channel, consumers show strong interest in being able to share content across devices and users.
4. **Consumer involvement in movie and TV content is increasing.** Consumers are spending more time, about the same amount of money, on online consumption, as the number of free venues grows and consumers actively seek them out.
    - Despite spending more time on online venues, consumers still see television as the most influential platform relative to interest in acquiring new PVOD features. As consumers still rely on television to watch movies and TV shows, any new PVOD feature must be compatible with this platform.

II. Detail of key findings

1. **Renting remains the preferred method for acquiring movie and especially TV content.**
    - As confirmed by PwC research studies, consumers generally rent movies and television shows more often than they purchase them. **See chart #1.**
    - More than half of our surveyed respondents rent movies between once a week and once a month, by mail via subscription service (52%) or online subscription (56%).
    - More than half of the surveyed respondents (53%) stream movies for free, while 54% stream TV content for free between once a week and once a month. Note that there was no distinction made in the survey between legitimate and illegitimate sites.
    - More than 40% rent DVDs by mail or borrow a physical copy between once a week and once every three months.
    - Buying Blu-ray or on-line copies is rare: The vast majority of consumers report making purchases via Blu-ray or Internet downloads only once a year or less; (69%) of respondents purchase movies on Blu-ray, and 61% buy via an Internet download only one time per year or less.

Chart 1

Content engagement



Q: When answering the next three questions, please think about the ways in which you BUY OR RENT MOVIES for personal viewing (e.g., at home, on your computer, on your mobile device). Please do not consider the movies you have seen in a movie theater. Please indicate how often over the past year that you have obtained movies.

- And 80% of all respondents purchase TV content on Blu-ray, 76% via VOD, and 75% via Internet download only one time per year or less.

This is primarily driven by the following factors:

- Most consumers don't want to view the movie or television show (unless it's a favorite or classic) more than once.
- Owning takes too much space on their hard drive.
- There is a general perception that television content is easier to locate and view online.
- Owning is costlier than renting.
  - "So just rent it for a while, send it back and get something else. And it's cheaper to rent than buy something that you're not going to watch again." (Female, age 21–32)
  - "I'm okay with accessing once and then letting it go, because I don't usually watch movies several times. I just usually watch a movie once or twice. I don't usually keep returning to it." (Male, age 33–45)
  - "I was thinking hard drive space the whole time. If you really love movies and you're constantly buying them and owning them, then it's just going to bog down your computer." (Female, age 33–45)
- Both quantitative and qualitative research indicates two factors drive consumers to rent versus own:
  - Content appeal/overall enjoyment—They will occasionally buy a movie or television show if they intend to watch it multiple times. This extends to favorite TV shows among children, who tend to watch over and over again.
  - Price—Consumers believe it is less expensive to rent than to purchase something they may watch only once.
    - "So, making a decision about renting versus owning would, I think, be most impacted by the price." (Female, age 21–32)
- Acquisition of movie content (via renting and purchasing) occurs more frequently than acquisition of TV content, primarily because consumers believe they can already watch TV content for free the day after it originally airs, and the fact they would likely not watch TV shows more than once (as they may with certain movies).

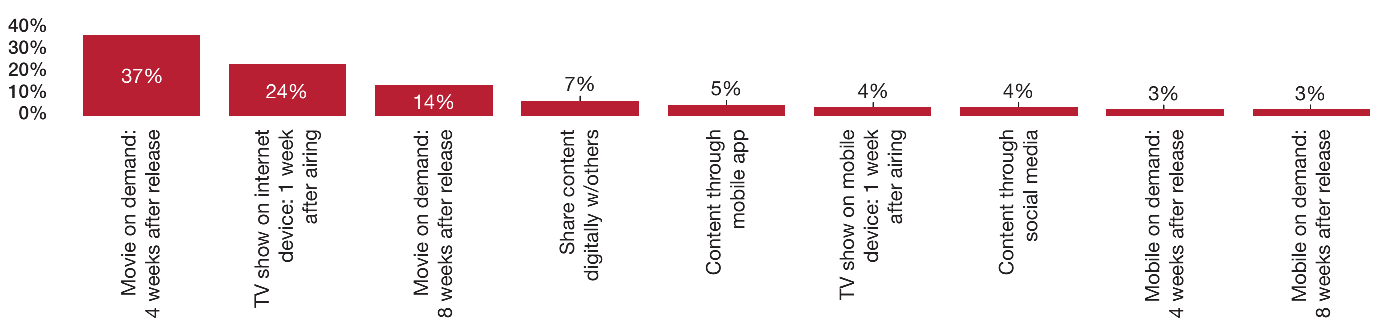
- The only exception to the rental preference is that some consumers will purchase a physical movie DVD. The majority of respondents (72%) say they purchased a physical DVD between once a week and once every three months in the past year. Only 44% purchased TV content on a DVD over the same time period.

2. **Faster access to content (within four weeks of the theatrical release) is the most appealing PVOD feature — but most consumers are willing to pay only about $5 to get it, and no more than $10.** Among nine PVOD features, consumers ranked their top three based on faster on-demand access. **See chart #2.** Those features were:

   - Getting a movie on demand that may still be playing in theaters, before you can get it on DVD (about four weeks after the theatrical release). (37%)
   - Getting a TV episode on your Internet-connected device within one week of the original airing. (24%)
   - Getting a movie on demand that may still be playing in theaters, before you can get it on DVD (about eight weeks after the theatrical release). (14%)
   - In a world of instant access, obtaining movie content via on-demand access within four weeks of the theatrical release is the most appealing feature because it means consumers can view the movie on their timetable while it's still "fresh" — when there's still buzz about the movie. Four weeks doesn't seem long because consumers often don't have the chance to see all the movies they want to see within four weeks of release. This is compounded by the fact that consumers do not understand and are not interested in the industry's windowing strategy.
   - Early access to content will give consumers control as well as the element of convenience. They can decide when they watch and can enjoy the movie within the comfort of their home. Several consumers mentioned that the potential of using early access to create a social opportunity, such as holding a movie night with friends.
     - "It still has that buzz ... they're still showing it, previews [are still] on TV ... so you're still excited about seeing it. … Four weeks after the movie (premieres), people are still talking about it." (Male, age 33–45)
     - "Also, there are so many movies that come out and you easily miss some. So, four weeks is not that long to still be catching up." (Female, age 33–45)
     - "I like to watch movies with groups, so you could make it an event in the comfort of your own home. You can have dinner while you're watching the movie." (Female, age 21–32)
   - Significantly, there is a common misperception about the window of accessibility for first-run movies. Most consumers perceive movies to be accessible for rental about eight weeks after theatrical release. Given this perception, the most motivating PVOD feature is a four-week post-theatrical release — twice as fast as the normal wait.
     - "Isn't that already what it pretty much is? It seems like it. It seems like after about two months, it's already available to watch in my house." (Male, age 21–32)

Chart 2

Consumer #1 ranking of PVOD offerings

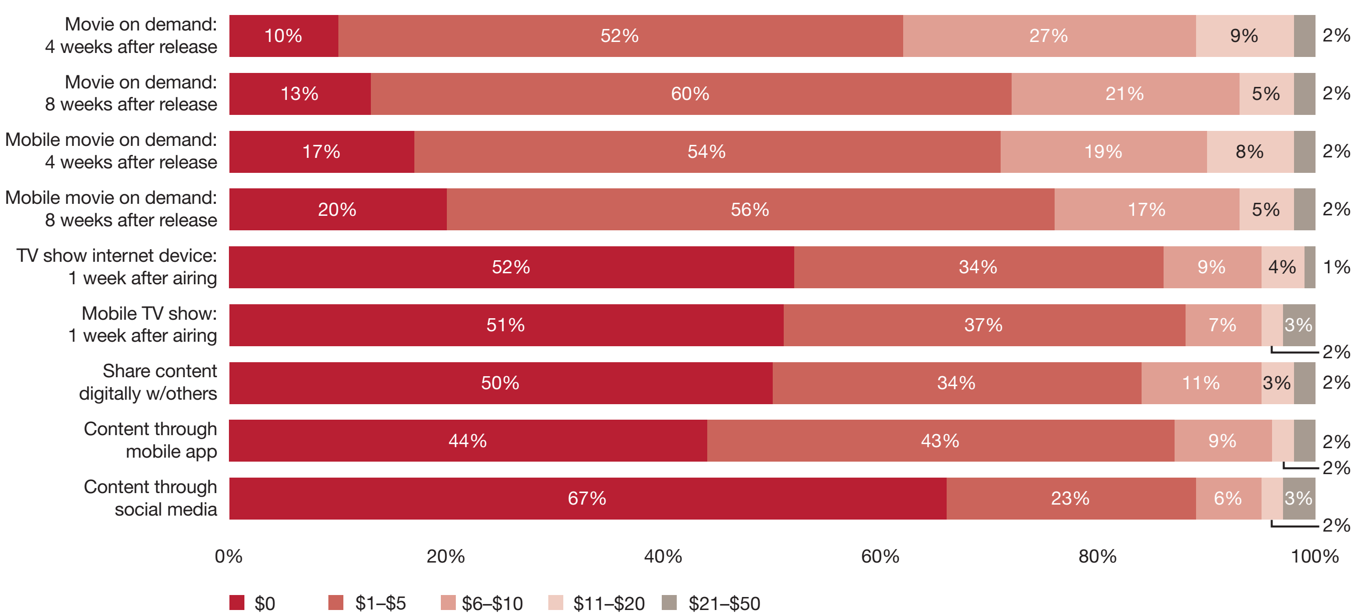


Q: Following are some new ways to watch movies or television shows at your convenience. Assuming there are no additional costs for any of these services, please rank the 5 that appeal to you the most, with 1 being the most appealing.

- However, even the strong interest and appeal of accessing content within the four-week window comes with a limit on how much consumers are willing to pay. **See chart #3.**
  - The vast majority (79%) of respondents say they would pay incrementally only from $1–$10 for access within four weeks. Of these, 52% would pay no more than $5.
  - Only 11% of respondents would be willing to pay incrementally from $11–$50 to have on-demand access to movies within four weeks of the theatrical release.
  - And 10% of respondents would not be willing to pay anything for earlier access.
- The quantitative research uncovered three primary reasons why consumers are not willing to pay an incremental $10 or more:
  - "It's just not worth it." (42%)
  - "I'd rather wait." (Part of " just not worth it" mentions above)
  - "$10 is the same as I'd pay to see at a movie theater." (33%)
- However, in our live discussions in Los Angeles, consumers seemed more amenable to pay an incremental $10 (or more), since movie costs were reported to be greater than $10 ($15–$16) and consumers saw more value for the price related to cost-effectiveness, social opportunities, and convenience.
  - "I just took my kids and my girlfriend to see "Thor" in I-Max 3D. It cost me $75 just to get in the door. So, even if they charged a crazy premium of about $25, I'm saving a lot of money. That covers all the food and everything." (Male, age 33–45)
  - Although consumers ranked the ability to view television content within one week after its original air date as the second most appealing PVOD feature, this incentive lagged far behind the perceived value of seeing a movie four weeks after its theatrical release, because most consumers felt they already have immediate access to TV shows.
  - "It would be nice, but I don't think it would be something I would pay for because there's Hulu. There's everything out there that I can access, and it's (available) within a couple of days." (Female, age 21–32)

Chart 3

Pricing for premium services—what consumers are willing to pay as a "premium" or in addition to existing price



Q: For each of the following new benefits/services, please indicate the amount you believe would be a fair price to pay for these benefits/services (this price is in addition to the existing price for obtaining the movie/television shows)

The following table summarizes the primary way consumers categorize components of each element.

Quality	Price	Speed of Access
• **Quality image, clarity, sound—** "movie theatre quality" – The higher the quality, the more likely consumers are to watch/ purchase. • **Quality of content—** genre; viewing experience – Movie that has received a lot of praise or "buzz".	• **Based on perceived value** If the caliber of material is high, there's more willingness to pay – But consumers want to limit the amount they pay for something they watch at home. • **Looking for "bang for the buck"—** paying to see a movie that is worth it (such as tentpole releases like "Dark Knight") – Don't want to pay incrementally to what they're already paying for subscription service. • **Pay a specific set price—** per episode or per month – Everything anywhere for under $20 per month.	• **Speed of download=faster access** – The faster the download, the faster the "access". – Most consumers assumed this interpretation. • **Convenience is really important** – The faster the download speed, the more convenient. – Will not wait if the download speed is too slow. • **Quick buffering** – Quick and easy transitions from one episode to the next. • **Access anywhere** • **Access relative to release window** – Readily available soon after it aired or was in theaters. – Today's movies. Right now. Right here.

- The importance and interest of "speed of access" relative to price was confirmed qualitatively. As part of a pre-group "homework" assignment, consumers were asked to rank "price," "quality," and "speed of access" in order of importance.
- More than half ranked "quality" first, followed very closely by "price," while two-thirds of consumers ranked "speed of access" last. However, it should be noted that those consumers widely misinterpreted "speed of access" to mean faster downloads.
  - In qualitative discussions, once consumers understood that "speed of access" meant "access relative to the theatrical release window," some consumers changed their rankings, making "speed of access" the second most important feature.
- There was also some general consumer surrounding the benefits of buffering content.

3. Reaction to new distribution channels is mixed, but optimistic.

- Mobile viewing and mobile apps—viewing and/or accessing movie or television content on a mobile device versus other PVOD features is not overly appealing.
  - Consumers ranked the ability to obtain content through a mobile app for a specific film/TV show as the second least appealing feature. Of the nine possible options, this was ranked eighth in appeal; 44% said they would pay nothing for this option, while 43% would pay only up to $5. The main reason for a lack of interest is that watching movies on a small phone screen is seen as a less enjoyable experience.
  - In qualitative discussions, the younger consumers were adamant—they simply don't watch much content on their phones. Older consumers (ages 33–45) were somewhat more receptive to the idea, but with a lot of caveats (such as blockbuster movies only or the ability to transfer the purchase to other platforms).
    - "I'm on the go ... I'm on my phone a lot. I just don't watch movies on my phone. It's small. There are other things I do and then it drains my battery." (Female, age 21–32)
    - "Why would you access it on your phone if you're not going to watch it on your phone?" (Female, age 21–32)

- However, there was interest in watching this content on tablet devices due to sufficient screen size, and there was increased interest for tablet owners.
  - Getting a movie on demand on your mobile device that is not yet available on DVD and may still be playing in theaters (about four weeks after the theatrical release) was ranked number five overall in appeal, with 54% willing to pay up to $5 and 27% willing to pay from $6–$10. **See chart #3.**
    - The lack of general appeal is due to the less enjoyable experience of watching movies on a small screen. This makes paying an incremental $10 even less relevant.
- Social networks: Obtaining content through social networks was ranked dead last among surveyed respondents, with 67% of respondents saying they are not willing to pay anything for this feature, and only 23% willing to pay up to $5. The rationale was that Facebook is free and should remain so.
  - There was slightly more tolerance and consideration about this idea in the qualitative forum. While the idea did not initially generate much enthusiasm, there was some willingness to consider the idea, at least among older age groups, especially after the functionality and benefits were described to them.
    - "I was thinking, you know, I'm already on there a few times a day. It's a free medium, so I thought it would be appealing." (Male, age 33–45)
    - "It's something I would have to get used to. … I don't associate Facebook with movie watching." (Male, age 33–45)
  - The younger group had a more difficult time understanding the benefits and considered it simply another obstacle in accessing content.
    - "I see no point to this. That's not why you go on Facebook. You go to interact with people …" (Female, age 21–32)
    - "If you're on your computer, you could still watch a movie. … Just open up another tab which is running a movie. I don't get it." (Female, age 21–32)
- Cloud access/digital lockers: Access to cloud-based content was much more interesting to consumers and generated significantly more enthusiasm than last year. While this distribution method ("UltraViolet" was shown as an example) was not explored quantitatively, consumers expressed considerable interest during qualitative discussions—especially in comparison with discussions on the same topic a year ago in the same market, when there was much less awareness and much less inherent interest.
- Consistent with last year's findings, "mature" audiences (consumers in their mid-30s to early 40s) seemed to grasp the concept of digital locker storage more quickly and were more receptive, given their personal experience with the evolution of storage technology and the relative ease with which they could envision using this technology in their everyday life.
  - "It's not taking up space and you have six household account users, so everyone can view it and it's not like you're just buying one movie for one mobile phone or a laptop. I mean, 12 devices, that sounds like it would suit a family." (Male, age 33–45)
- The younger consumers were intrigued by the idea, but had many questions, particularly related to cost, which was unknown.

4. **Consumer involvement in movie and TV content is increasing—especially with online movie/ TV consumption.**

- More than half of surveyed respondents say they spend more time obtaining or viewing online movie and online television content than they did a year ago—but about the same amount of money.
  - This is explained by the proliferation of free content that has cropped up over the past year. So while consumers may spend more time viewing online movie and television content, much of that incremental time is spent viewing free content. Additionally, much of this content is consumed in a multitasking environment across multiple devices.
- Consumers' overall interest in premium services is influenced by the platform on which it will be viewed. **See chart #4.**
  - **TV generates the most interest (66%).** Consumers still spend a lot of time with their television screens, viewing individually as well as with family members or a group. They generally have a higher number of televisions in their homes than Internet-connected devices.

– **Internet-connected devices (58%), such as computers and tablets, are becoming more influential.** More than half of surveyed respondents said they spend more time now viewing movie and television content online than they did a year ago. This was further validated in qualitative discussions, where consumers confirmed that they spend more time using their Internet-connected devices, especially iPads.

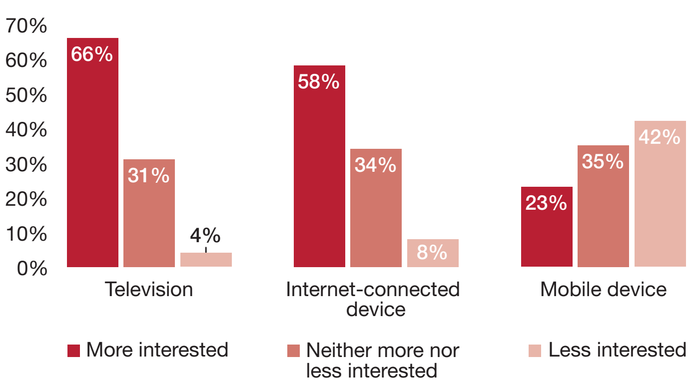
– **Mobile is a distant third (23%).** Consumers say they are less interested in premium offerings of film and television content for their mobile devices. This is a finding consistent with several research studies conducted over the past 18 months. Viewing movie and television content is not an optimal experience on mobile devices (especially cell phones) due to the small screen and slow speed, which detract from the viewing experience.

  - One note, in our qualitative research, one exception was content delivered over mobile networks to tablet devices.

– **Gaming consoles are convenient.** This platform was not researched quantitatively; however, in group discussions, a few consumers mentioned that they watched video content on their gaming consoles. This choice was primarily influenced by which room the console was in when they decided to watch a movie. It was definitely not considered to be their primary platform for viewing movies.

Chart 4

Consumer interest in premium content by platform



Q: Thinking about the new service and ways in which to watch movies or television shows, how much is your interest influenced by the device/platform use for viewing?

- "Actually, it depends on what room I'm in. If I'm in the living room and, like, we're eating dinner or something and we want to watch TV, the Wii is out there, so we can just stream directly to the Wii. But if I'm in my bedroom or something … it depends on what room I'm in—because the Wii is just in my living room." (Female, age 21-32)

III. Implications

- **The purchase model can become more attractive—either in price or through content offerings and enjoyment.** There is an opportunity to increase consumer awareness about certain movies that are best watched more than once and thus are more conducive to ownership rather than "rentalship." Repeated viewing supports ownership. There may also be an opportunity to create the desire (or necessity) for repeated viewing based on storyline content, humor, or complexity.

  – Given many digital distribution companies' changing business models, where consumers do not have the same extended access to content, there is more of a true benefit to ownership. Ownership becomes the true definition of a more personal on-demand experience.

  – Given what could be a greater degree of receptivity and willingness to pay for PVOD services among those who reside in urban markets, exhibitors need to consider this geographic distribution in developing premium content pricing as well as determining the timing and availability of premium offerings based on that distribution.

- **Quality of viewing experience is a more important motivator relative to price and speed of access.** Consumers define "quality" in two ways: "quality of image, clarity, sound" and "quality of content relative to viewing experience." There is an opportunity for content owners/distributors to recognize the importance of quality and provide high-quality viewing experiences across media as a way of influencing consumers' willingness to pay incrementally for PVOD content.

- **Earlier access to content is highly motivating, but consumers need to be educated about the actual or typical window of theatrical release.** There is an opportunity for marketers to correct the perceptual gap that exists between a typical home entertainment release window (16 weeks) and consumers' perception of that timing (8 weeks). Current perception of timing is driving consumer apathy about an 8-week post-theatrical release. Marketers need to better deliver consumer-relevant benefits — such as speed of access — and create value so that consumers will be willing to pay more than $5 incrementally. Correcting the perceptual gap on home release can be one critical way to create such value.

- **Given the growing number of consumers who own tablets, businesses must change the way they market the ability to watch movies or television shows on mobile devices.** The tablet is perceived as a wholly different mobile viewing experience than the typical smartphone, and premium offerings and distribution methods such as mobile apps and social networks accessible on tablets are likely to be more appealing because of the larger screen.
- **The social network model is still unfamiliar, but in qualitative discussions, consumers are receptive to hearing about the benefits of PVOD access on their social network sites.** Movie studios/television networks have an opportunity to tap into the benefits inherent in social media and market the social aspects of watching movies or TV shows there. Benefits include a shared experience while the content owners/distributors can market directly to the consumers.
- **Access to cloud-based content (digital locker ownership) is generating much more interest now. Consumers are more informed about cloud technology and generally have a better understanding and appreciation of the benefits.** Businesses have an opportunity to focus on the most desirable benefit: the ability to store and share content digitally across devices and among multiple users. Also using gaming consoles to access digital lockers may provide a legitimate consumer-friendly interface. Further, this can be an additional way to address consumers' concern about "bogging down" their hard drive by owning too much movie or television content.
- **TV is still the primary platform for viewing movies and television shows.** As television technologies continue to advance (such as 3-D and Internet-connected devices), PVOD may become more interesting while at the same time feature development needs to accommodate and address these changes.

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