



Content on Demand:

How are Consumers Accessing Entertainment?

What does it mean for the Future?



30th July 2013



What does the future of content-on-demand look like?



What effect will this have on linear TV?

What expectations do consumers have and how inclined are they to pay for content?



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Content on Demand

- 2,000 Online Nat Rep, 1,000 COD users, 200 12-15 yr olds
- (6 monthly, since **Spring 2013**)

Smart TV



- A syndicated quarterly tracking service, delivering data and insights on the shifting state of the Smart/Connected TV market.
- 1,000 Smart TV owners and 2,000 Nat Rep.
- **Since 2012**

Smartphone, Mobile Internet, eXperience (SMIX)



- 4,000 Nat rep
- (quarterly **since 2009**)



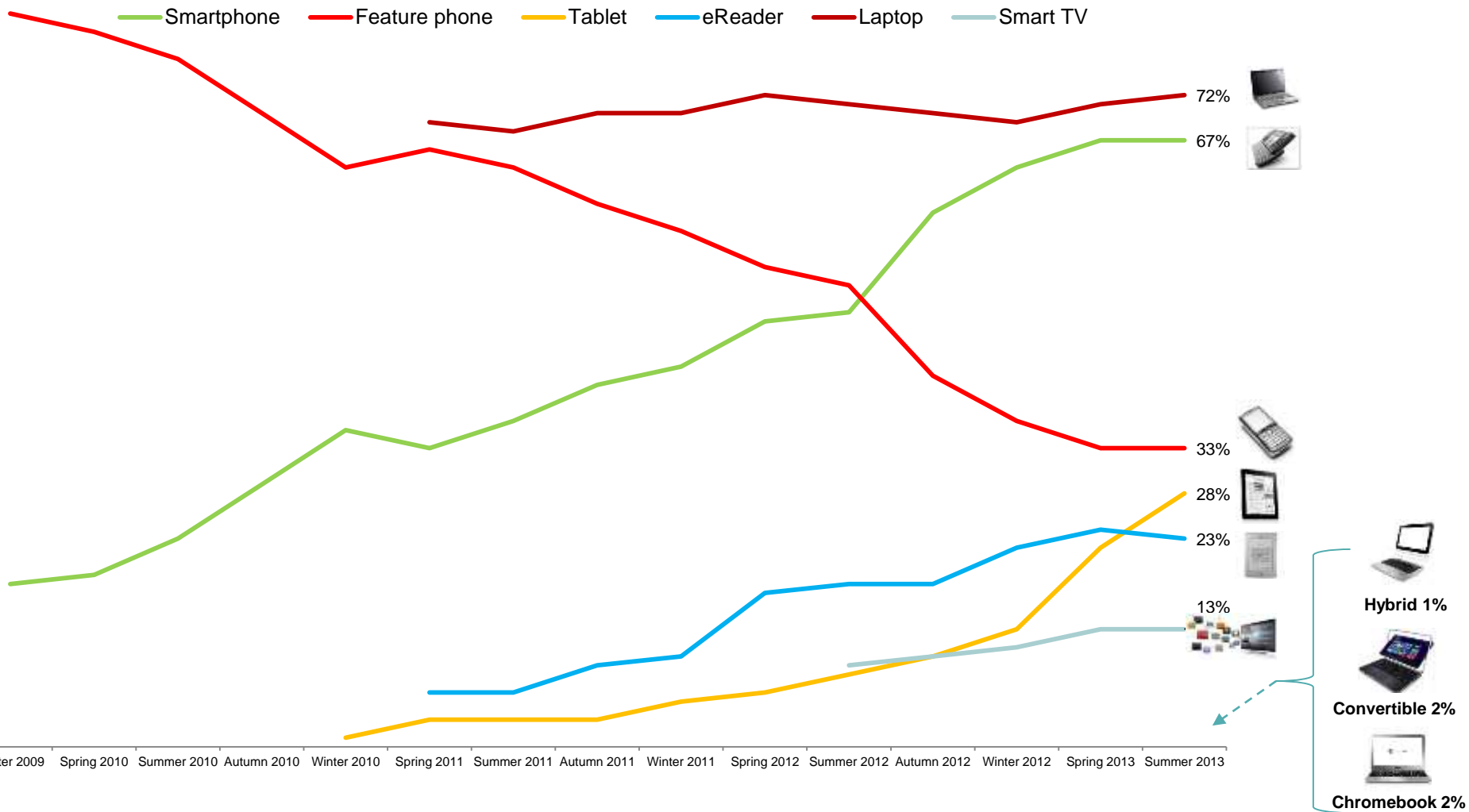
Tablet Track

- Over 1,500 tablet owners and 2,000 Nat rep.
- (quarterly **since 2010**)

Device penetration & trends

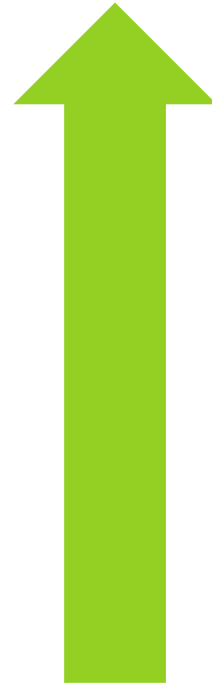


Penetration of devices





18%
in Dec
2009



67%
in June
2013

Smartphone operating system

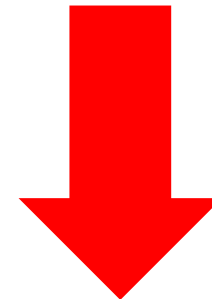
By smartphone total



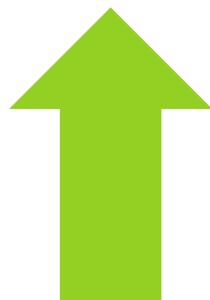
9%
in Dec 2009
41%
in June 2013



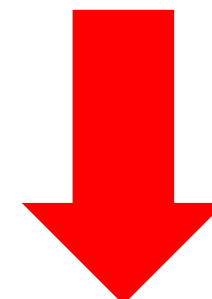
11%
in Dec 2009
8%
in June 2013



20%
in Dec 2009
26%
in June 2013

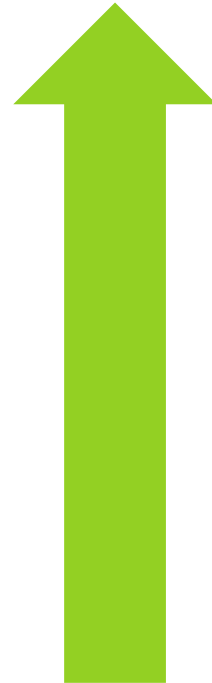


19%
in Dec 2009
4%
in June 2013





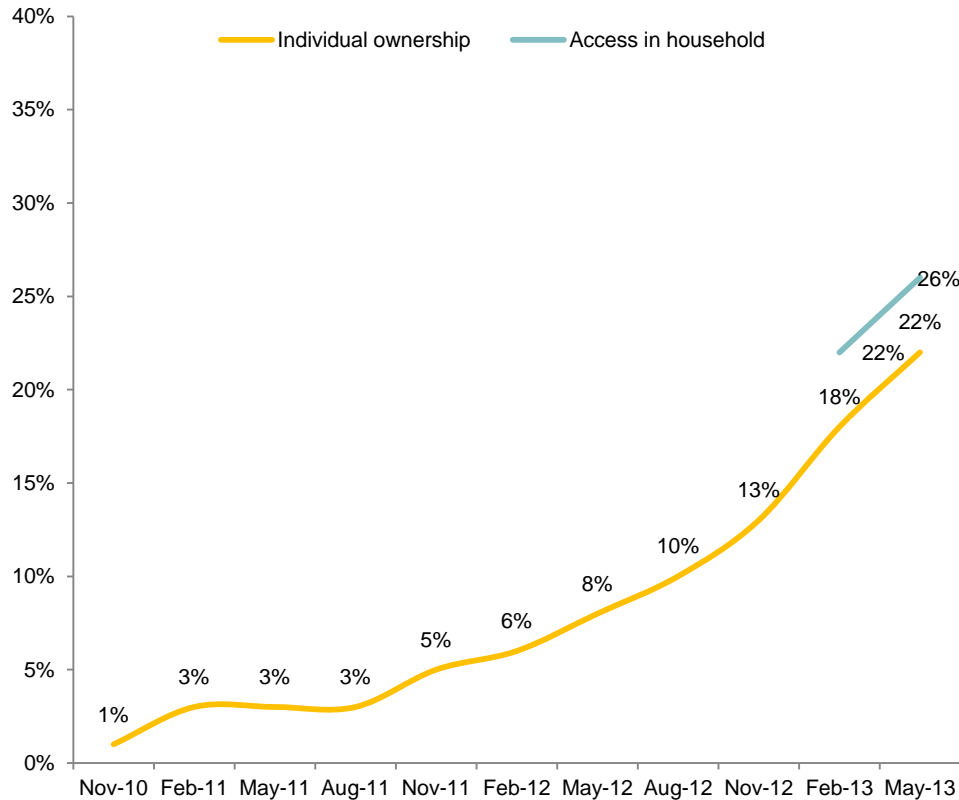
1%
in Nov
2010



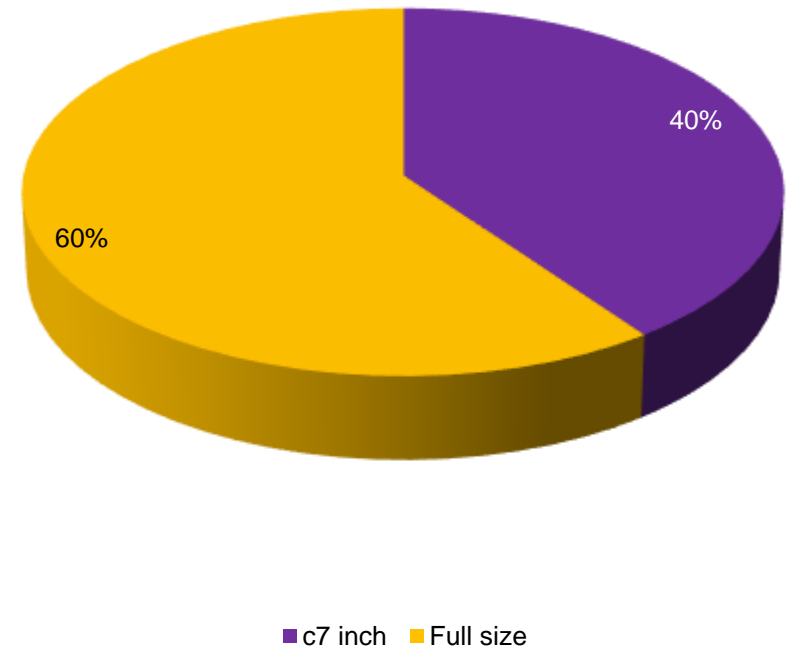
28%
in July
2013

The tablet is both a personal and household device with smaller devices for personal consumption

Tablet household penetration increases to over a quarter



With 40% made up of more personal devices



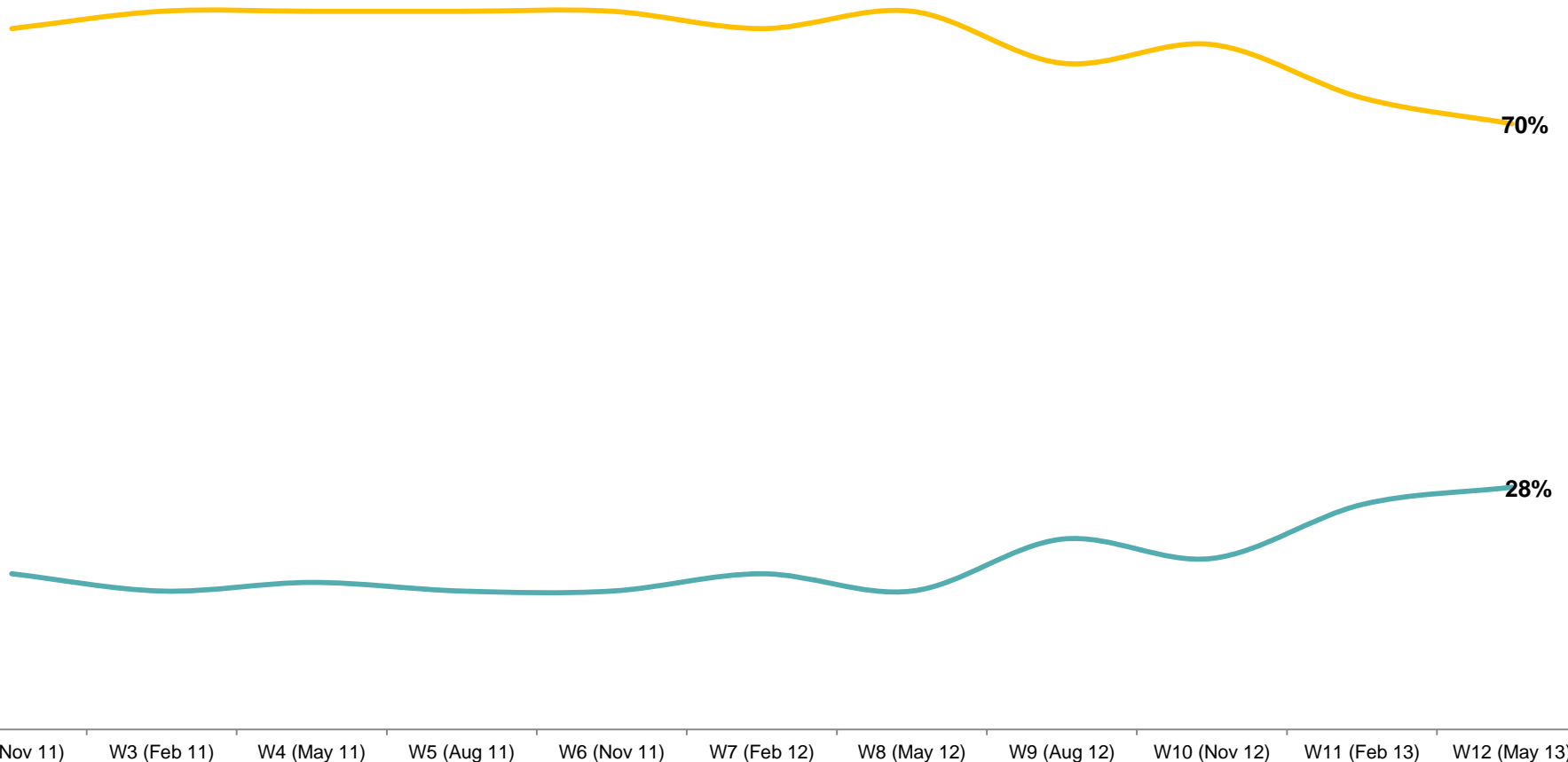
28% of tablet owners have 2 or more tablets in their household... impact on content consumption

10

Number of devices in household

(All tablet owners)

- One tablet
- Two or more tablets

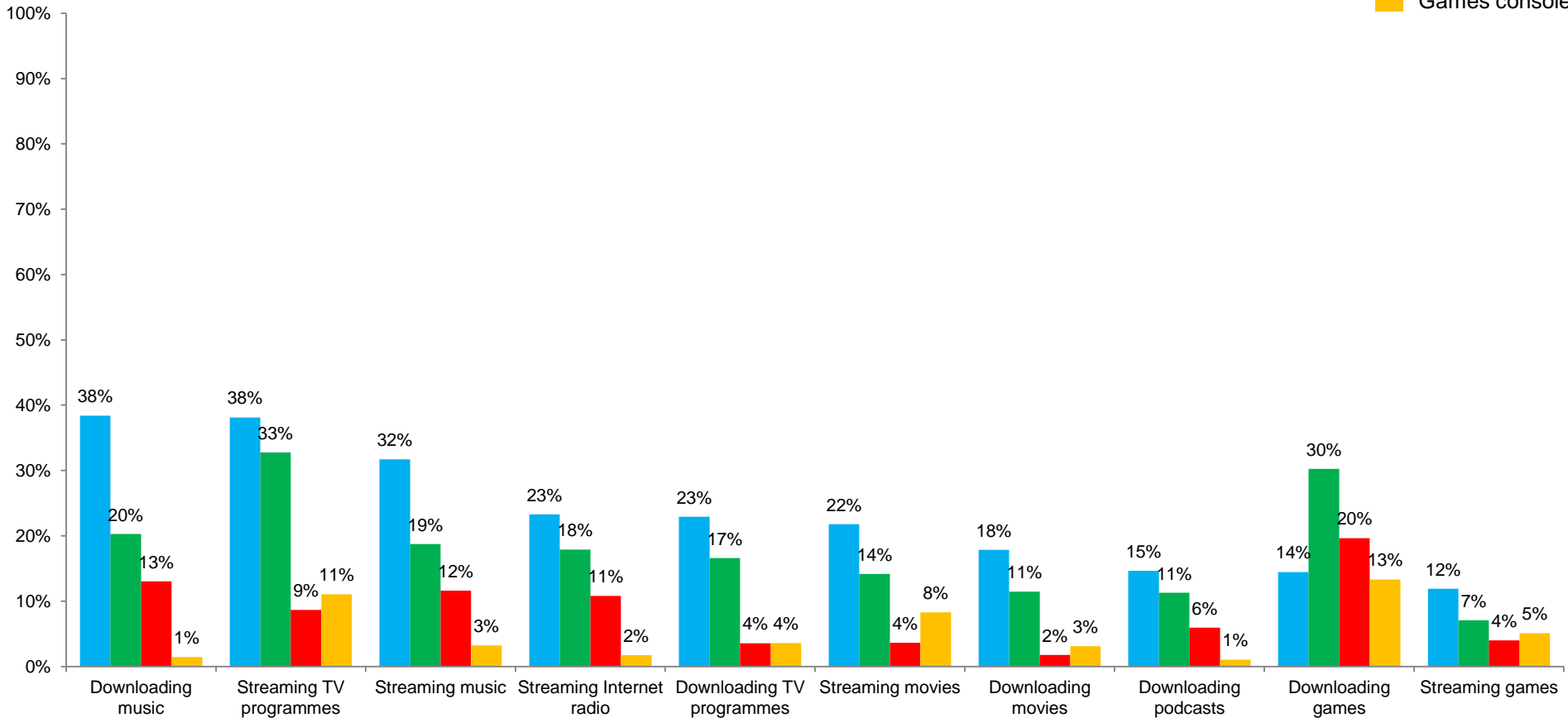
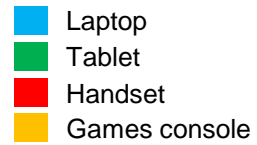


Activities: What they are doing on their devices



Online activities participated in (last 3 months)

(All online rep)

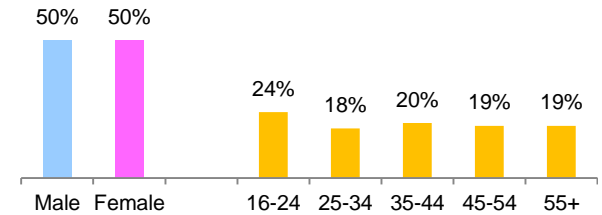
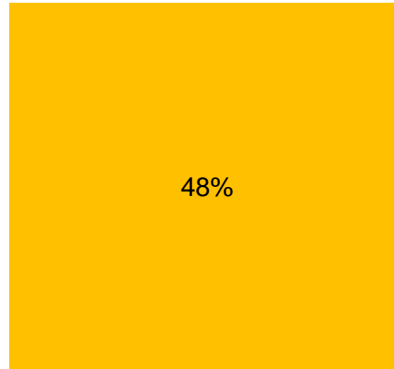


Incidence of online consumption services

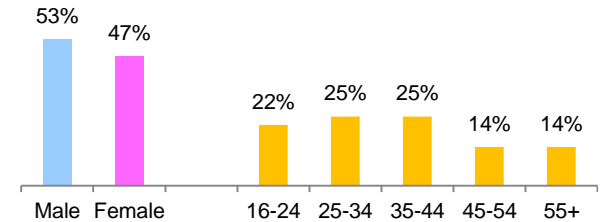
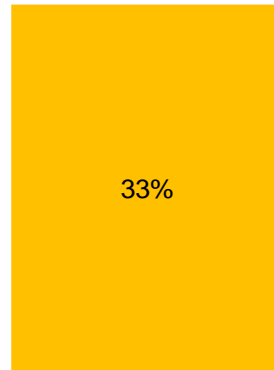
Online nat rep



Catch-up TV



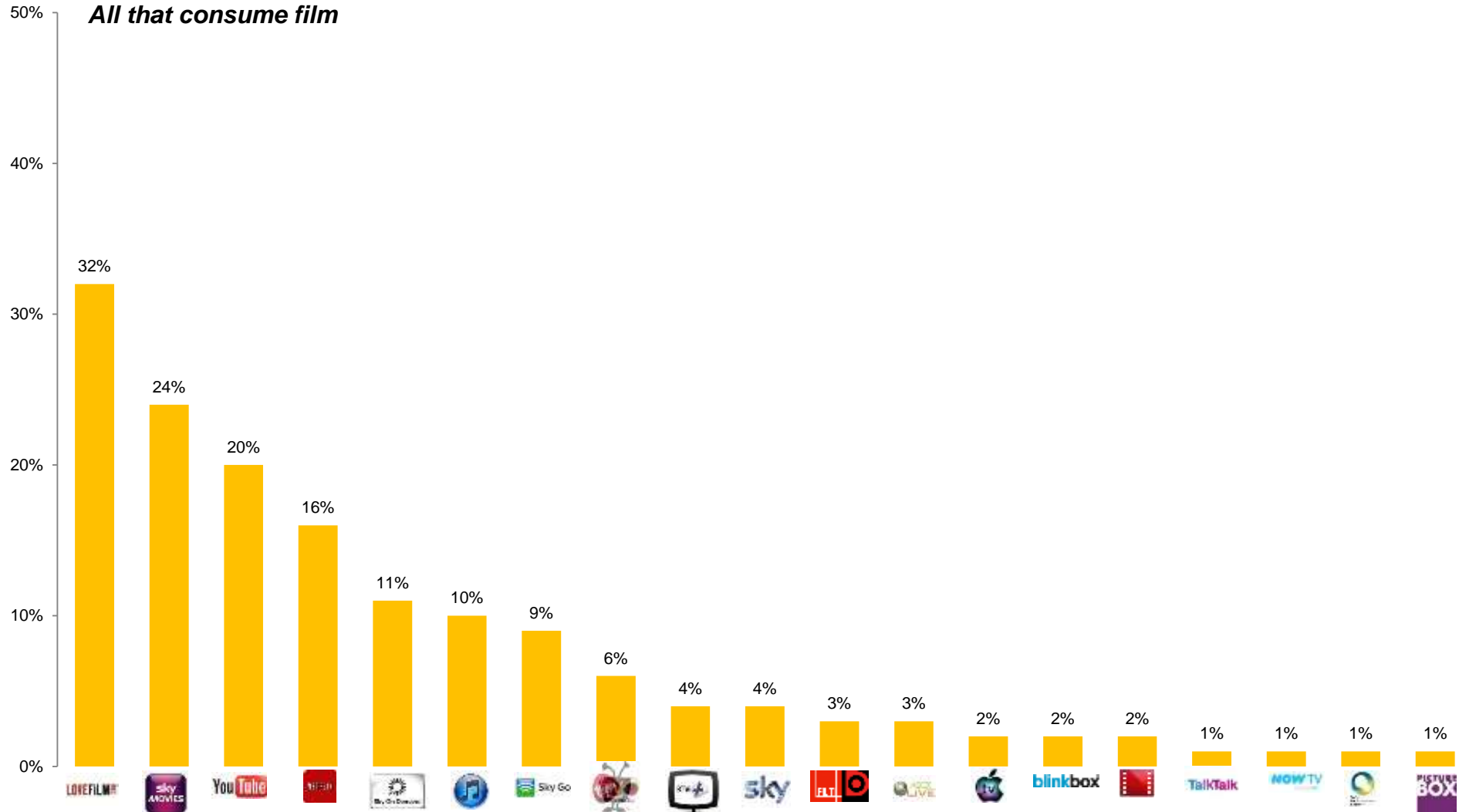
Film



Online Nat Rep

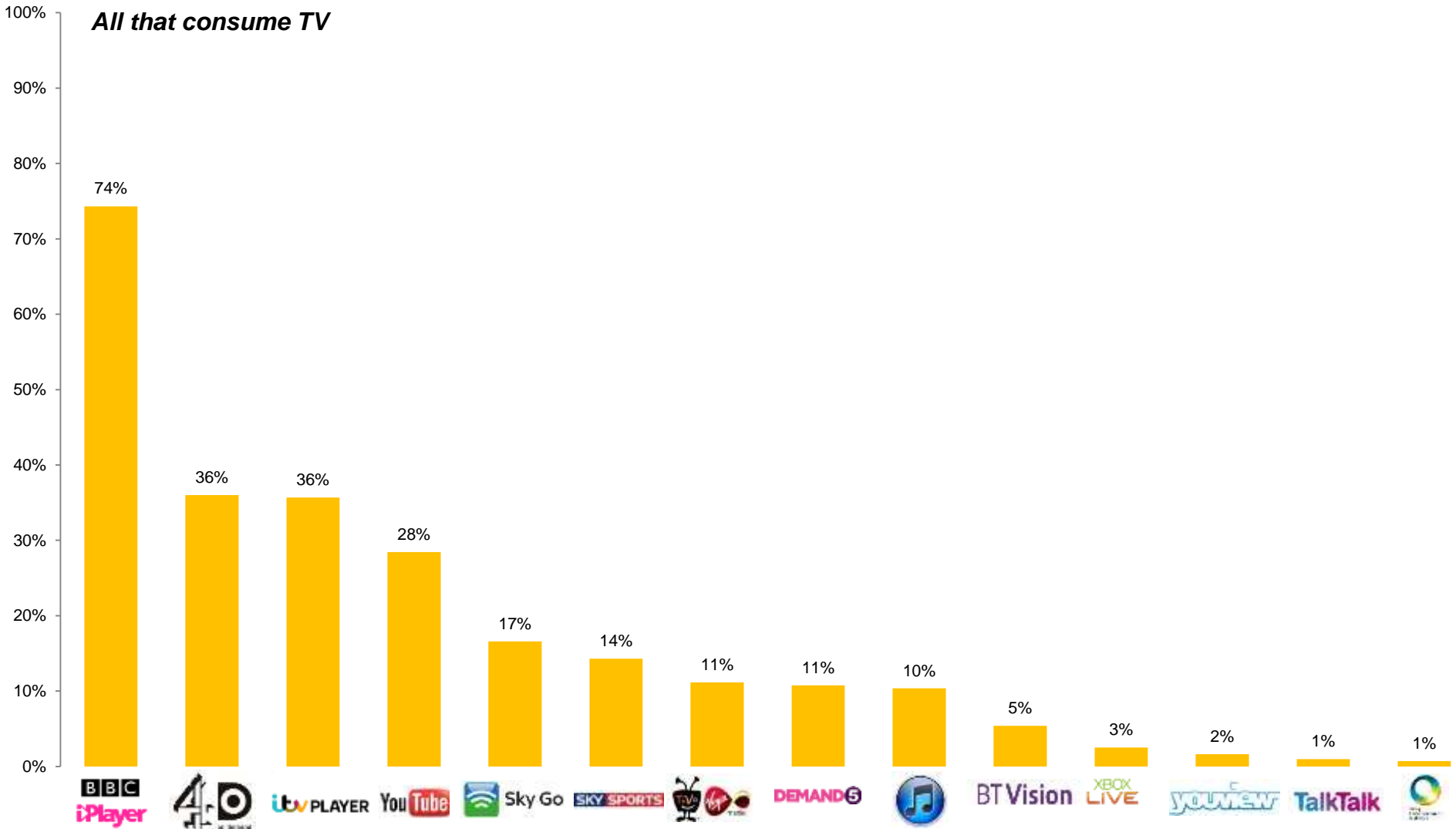
Any access/ subscription used in the last 3 months

All that consume film



Any access/subscription used in the last 3 months

All that consume TV



What does the future of content-on-demand look like?



Of those not currently streaming films and TV:

6% Likely to start in next 12 months

**There will be a battle for customers from
different services**

**As bigger services ramp up marketing spend and
acquire best content, market will become more
consolidated**





TIZEN™



Samsung Apps



blinkbox



CLUBCARD TV
powered by blinkbox



giraffe



Likelihood to use the Ultraviolet service when next purchase a physical Blu-ray disc or DVD

12%

Likely (Total Pop)

22%

Likely (Aware, but not used)

55%

Likely (Used before)

14%

Likely (Low familiarity)

72%

Likely (High familiarity)



Mostly/always use

47%

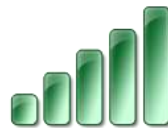


69%

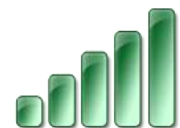


Mostly/always use

12%



11%



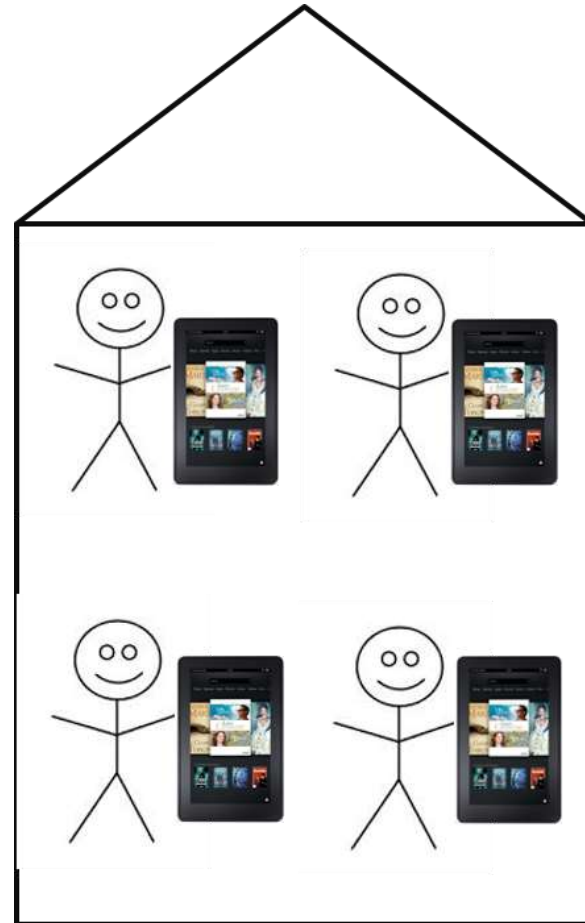
Type of connectivity
(By main tablet)

Whilst tablets become more popular



56%
in Aug 2011

68%
in May 2013



Strain on
broadband
networks



38%
in Aug 2011

17%
in May 2013



Half a million



EE has stated they have half a million subscribers on 4G.

Despite this 35% of all mobile customers show a lack of desire to get 4G



With the main reason for not getting 4G due to cost.



The market is set to get more competitive imminently with O2 and Vodafone launching shortly...



And Three has said it will be Free on Three when they launch at the end of the year.



Three also have another faster technology at the moment called DC HSDPA which is marketed as almost as fast as 4G



What effect will this have on linear TV?



Monthly reach and time spent

thinkbox

UK Population Reach

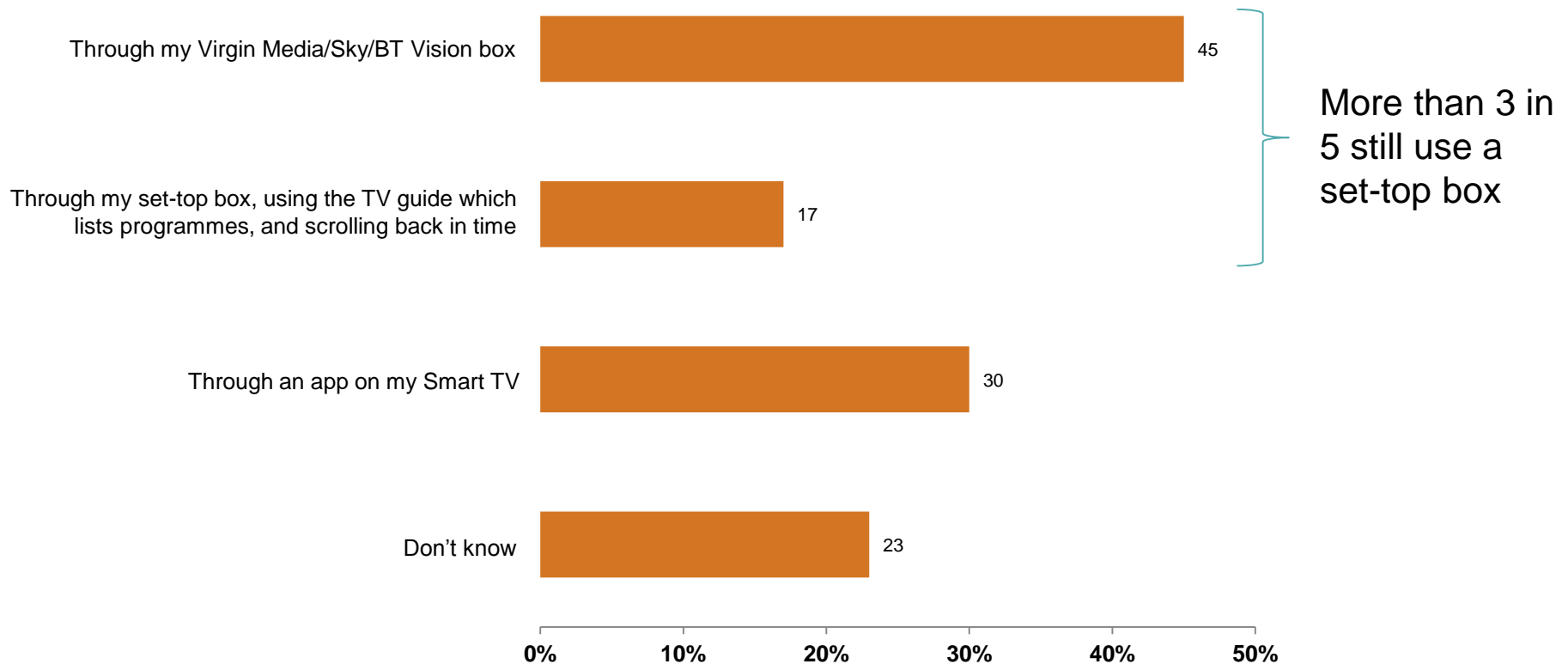
100%



Source: BARB, UKOM, January 2013

(N.B. UKOM data does not yet include mobile. If it did, time spent with the internet and internet-based media featured in the chart could increase by up to 10%).

Of those who have set-top box and a Smart TV, which interface do they use for connected content?



...yet subscription TV services set to slow down

Figure 13 Changes in household spending, by product/service, June 2013

Base: 1,929 adults aged 16+

	Past 12 Months	Next 12 Months	Momentum
	Index	Index	Index
Food shopping	24%	30%	6%
Subscription to TV services	4%	1%	-3%
Broadband subscriptions	4%	4%	0%
Gym and other memberships	3%	0%	-3%
Taking major holidays	2%	4%	3%
Taking short holidays/weekend trips	1%	3%	2%
Newspaper/magazine subscriptions	0%	0%	0%
Hiring videos/DVDs	0%	-1%	0%
Going to clubs	-1%	-1%	1%
Gambling/playing bingo	-1%	-1%	0%
Drinking coffee out of home (e.g. Starbucks)	-3%	-4%	-1%
Mobile phone spending	-3%	-2%	1%
Going to the cinema	-6%	-3%	2%
Eating out	-8%	-6%	2%
Going to pubs/wine bars	-8%	-4%	4%
Buying music or movies	-8%	-5%	3%
Buying clothing and shoes	-11%	-2%	9%

Source: H.E.A.T July 2013

US Cord-Cutters* vs. Total Netflix Streaming Subscribers, by Age, June 2013

% of respondents in each group

18-29



30-44



45-60



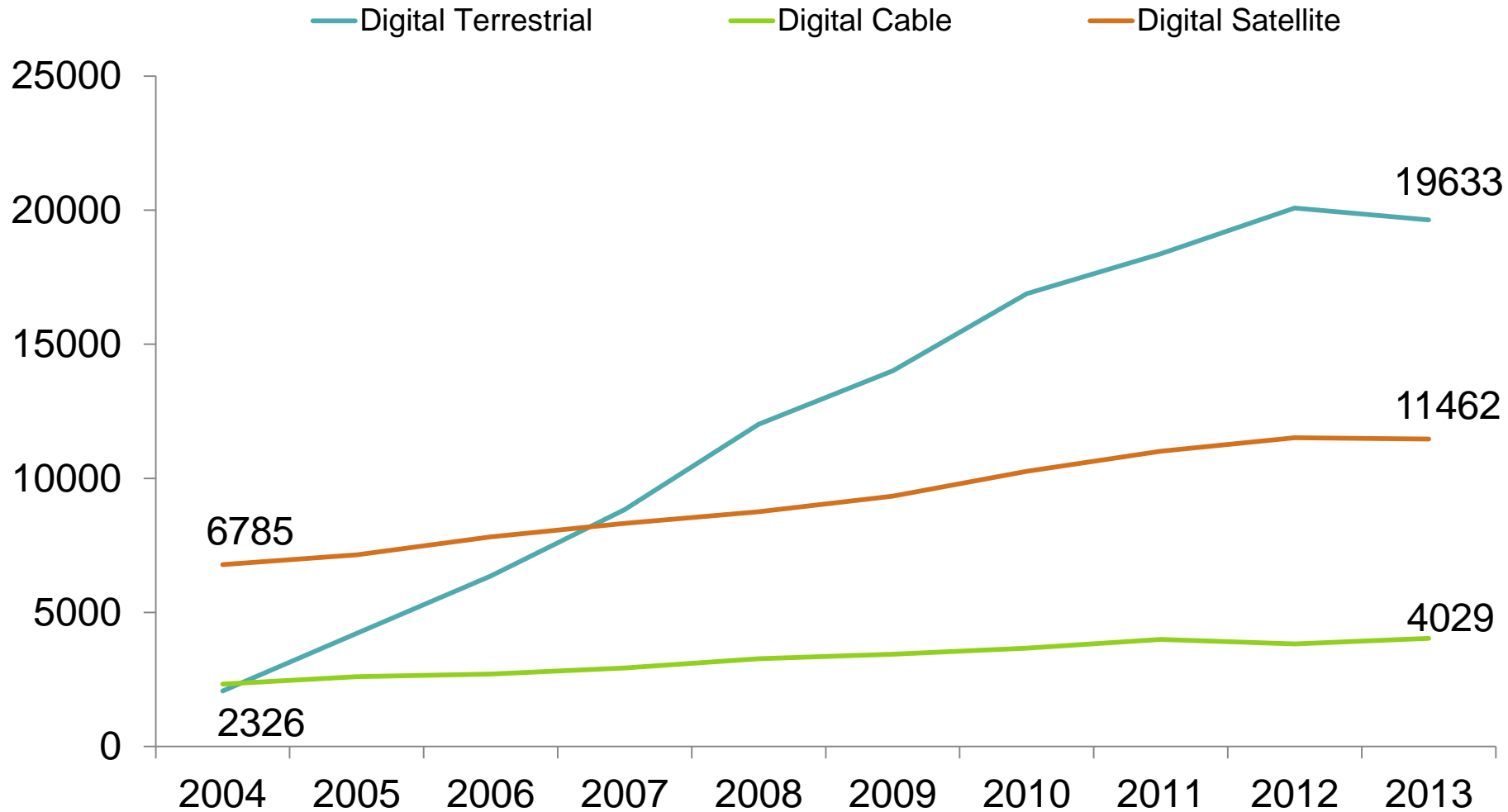
60+



■ Cord-cutters* ■ Total Netflix streaming subscribers

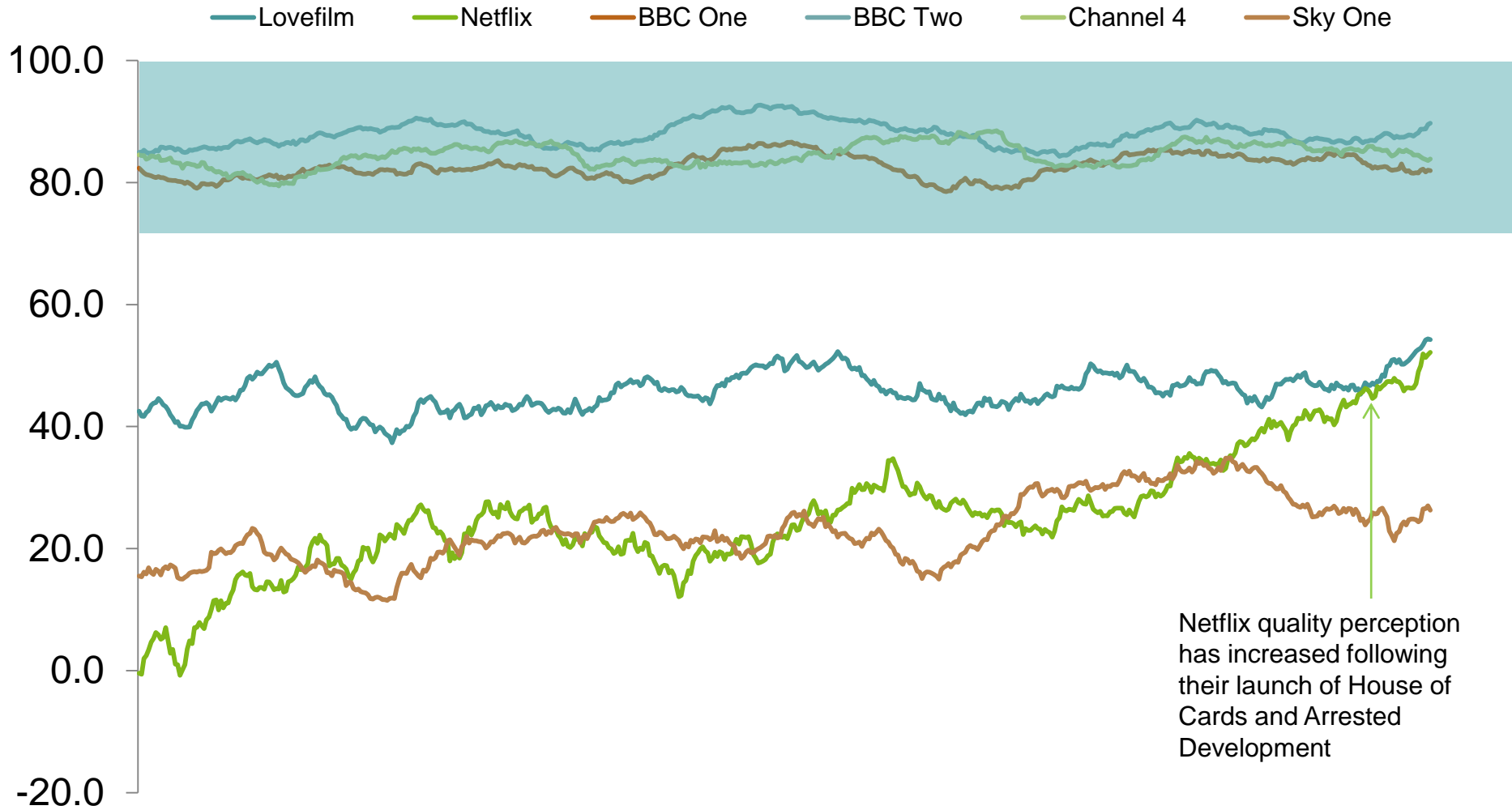
Note: ages 18+; numbers may not add up to 100% due to rounding;
*Netflix streaming subscribers who have shed their video service via a traditional cable, satellite or telco provider
Source: Cowen and Company, "Original Content Survey II: Arrested Development," July 2, 2013

TV Platform Universes (000s)



Source: BARB

Perception of quality is still highest for terrestrial broadcasters



Netflix quality perception has increased following their launch of House of Cards and Arrested Development



House of Cards is the most watched Netflix show ever

Spacey manages to impress subscribers

By [Carly Page](#)

Wed Feb 17 2015, 12:05



TV STREAMING SERVICE Netflix has revealed that its homegrown House of Cards series has become the most watched programme on its service ever.

Speaking at Allthings'd: Dive Into Media conference, Netflix chief content officer [Ted Sarandos](#) revealed the good news but didn't give any official numbers. He said, "We're thrilled. I don't

want to give ratings, because it is a real apples-to-oranges comparison with network ratings."



Netflix fails to meet market expectations



"Blinkbox reports 632% revenue hike after Game of Thrones season three launch" The Drum

The Netflix logo is displayed in white, bold, sans-serif capital letters with a 3D effect, set against a solid red rectangular background.

16% Wave 1



23% Wave 2



Increase of 44%

The Blinkbox logo features the word "blink" in a blue, lowercase, sans-serif font, followed by "box" in a black, lowercase, sans-serif font. A registered trademark symbol (®) is located at the top right of the "x".

2% Wave 1



4% Wave 2



Increase of 100%

What expectations do consumers have and how inclined are they to pay for content?



What are the reasons for accessing content?

Of those consuming TV:

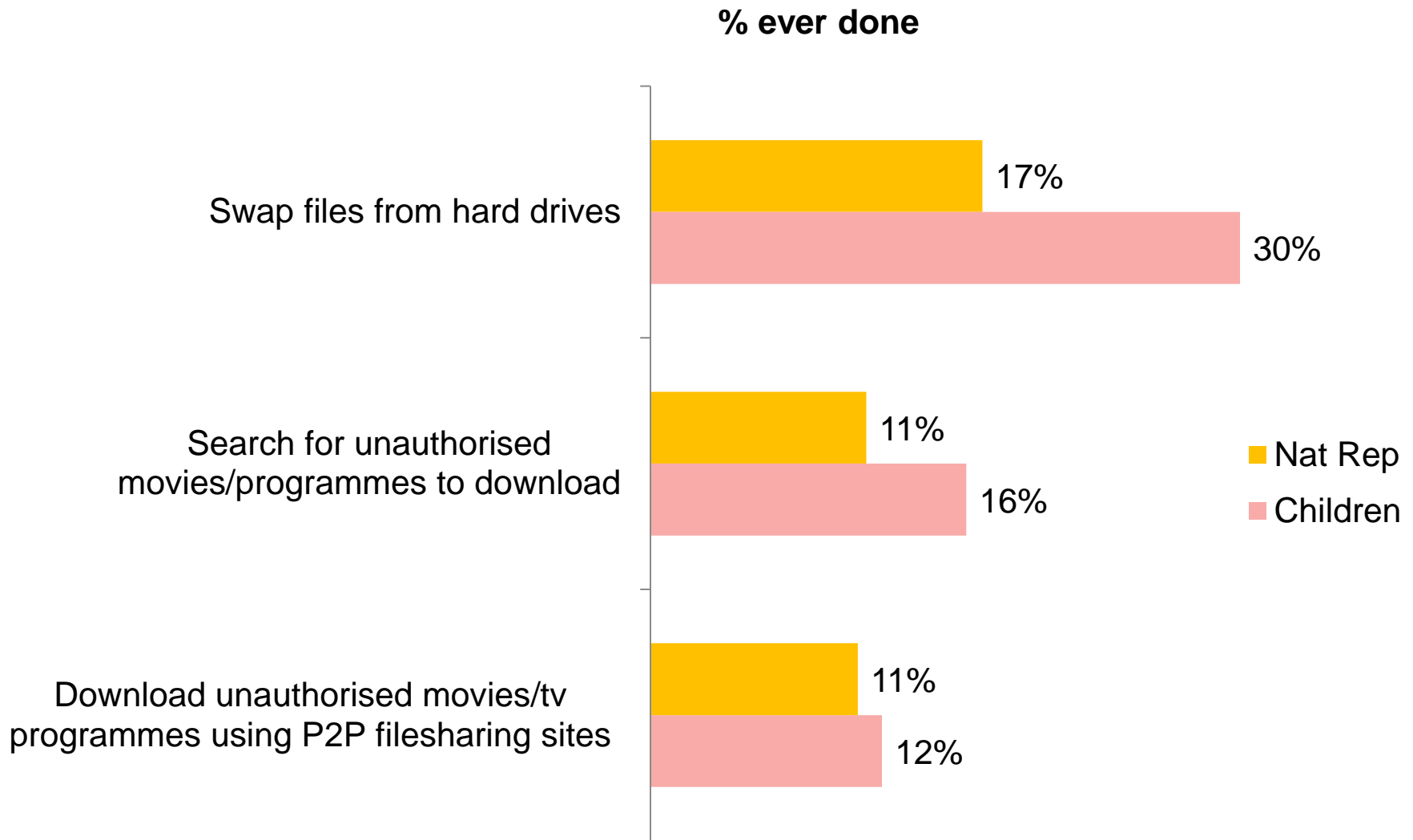
65% say "I can access the service for free"

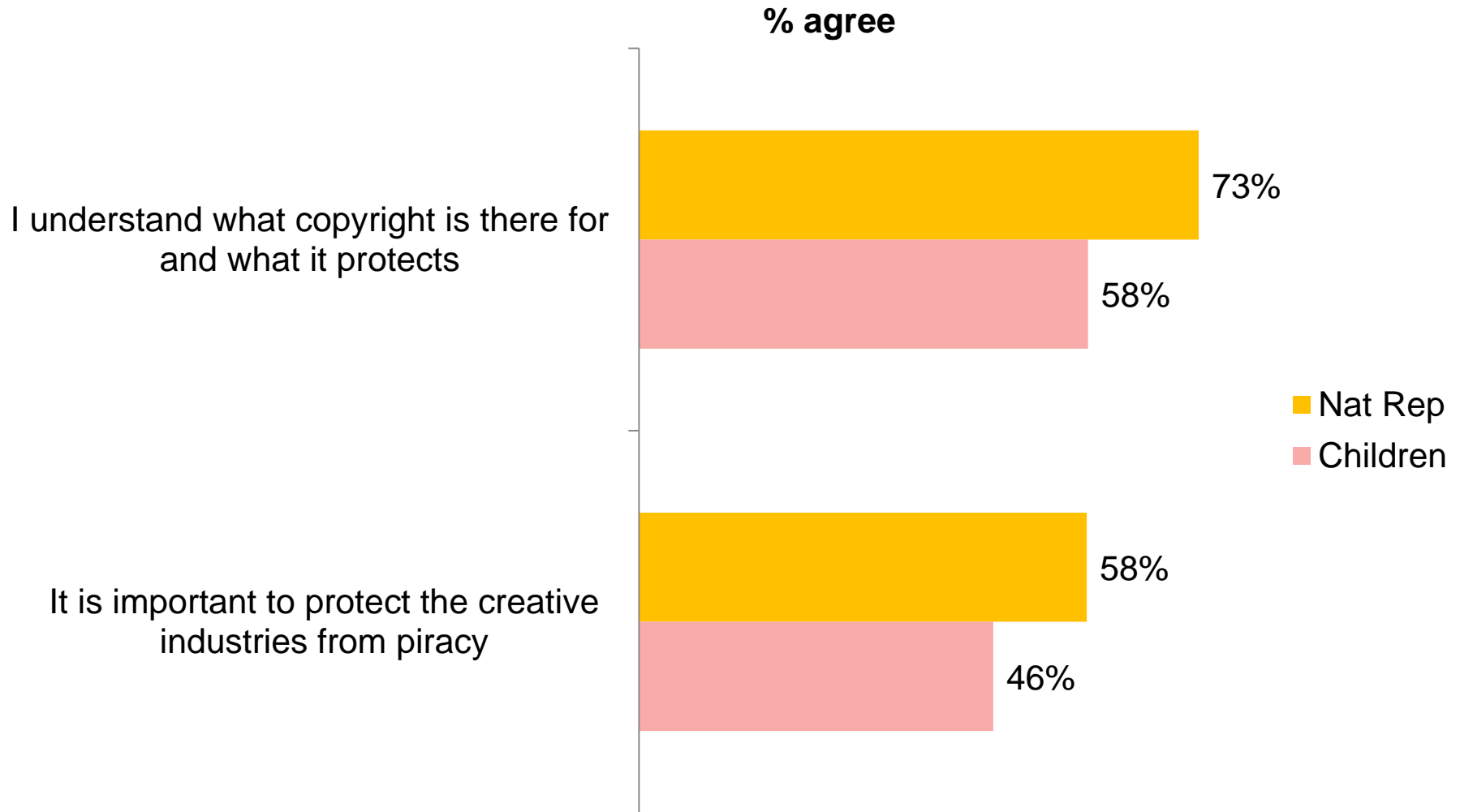
Of those consuming films:

22% say "I was offered it as part of a deal"

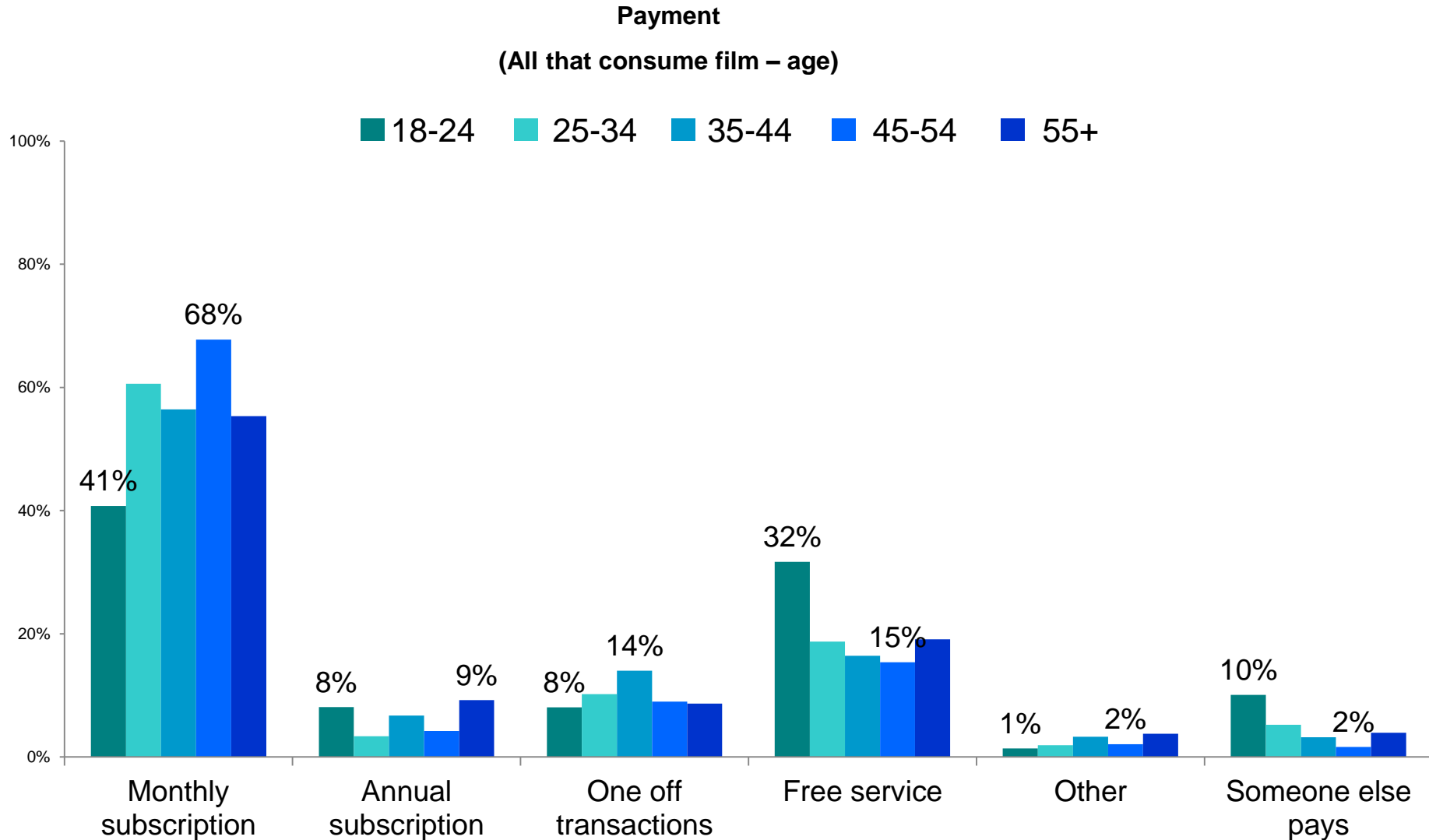
19% say "I can access the service for free"

17% say "The price is better than other services"









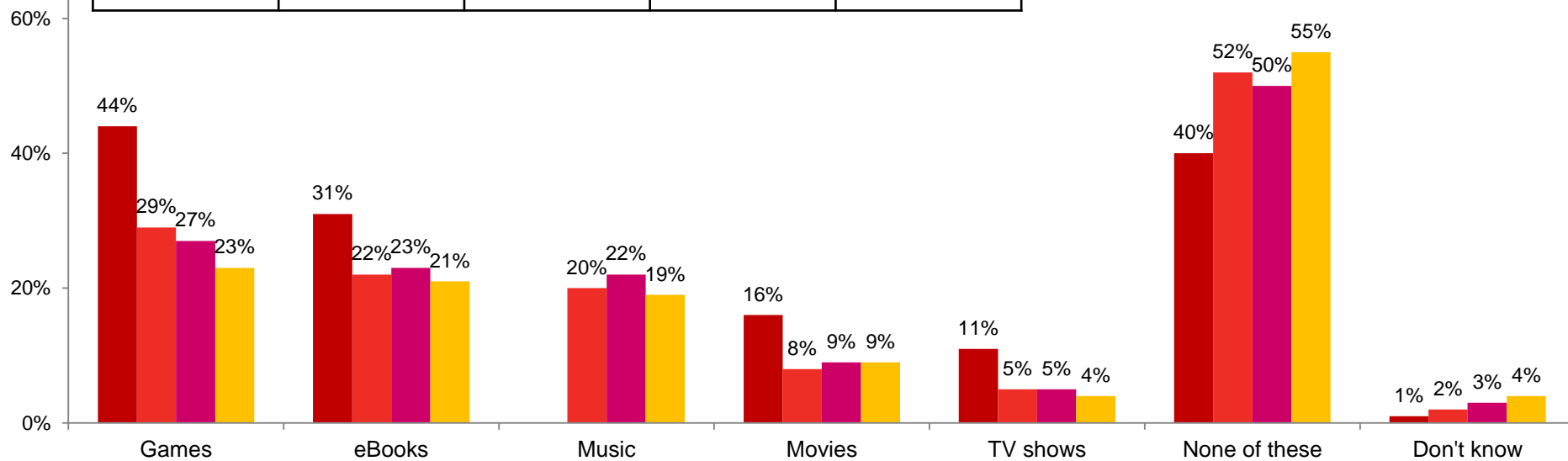
Younger demographics most likely to use free service; Monthly subscription most popular



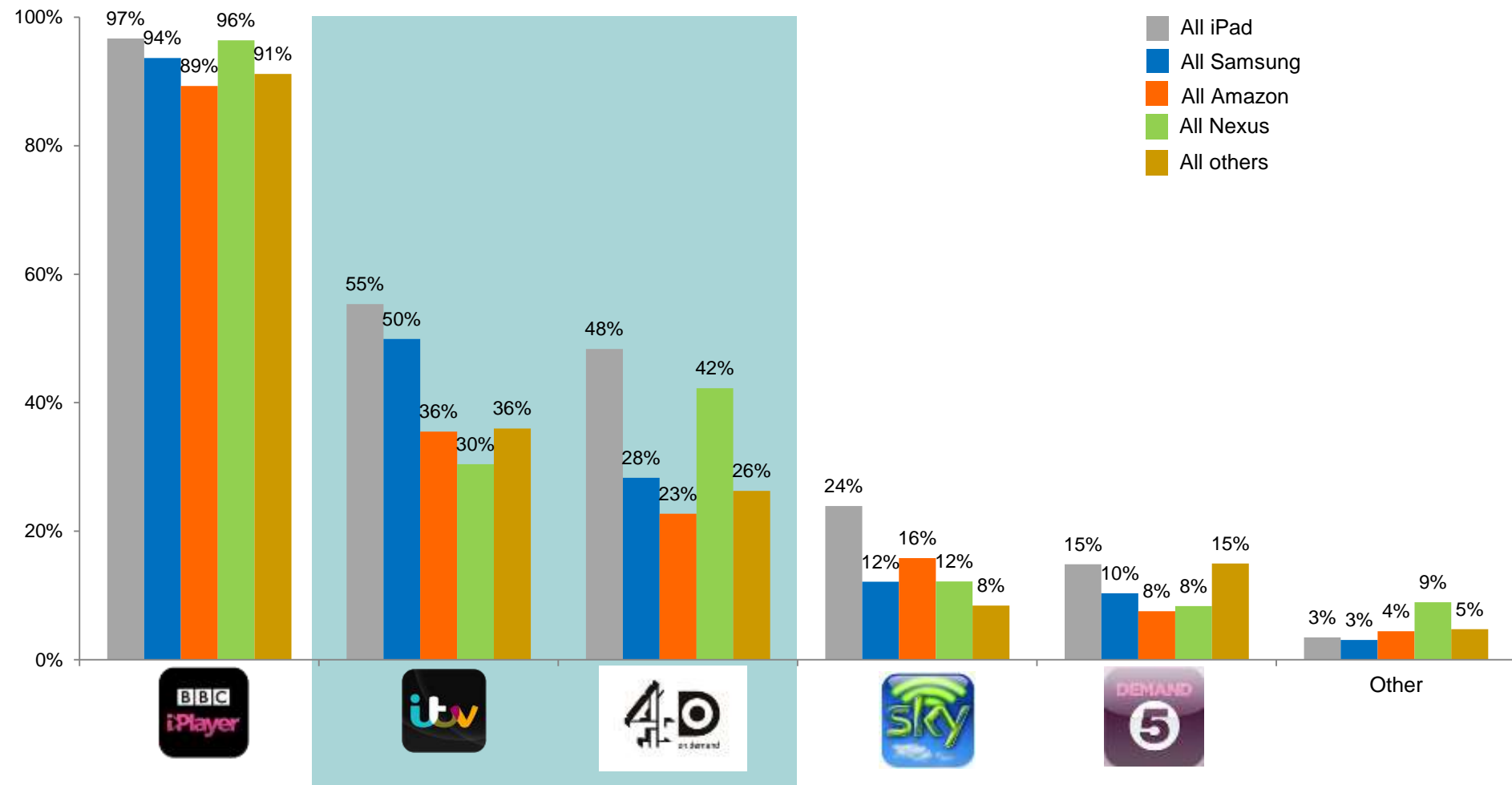
Downloadable content declines for all categories over time

- Wave 12 (May 13)
- Wave 11 (Feb 13)
- Wave 8 (May 12)
- Wave 4 (May 11)

				
Games	29%	7%	22%	24%
eBooks	21%	13%	58%	23%
Music	26%	7%	18%	10%
Movies	11%	7%	8%	5%
TV Shows	7%	2%	3%	2%



TV catch up services used on tablets



- Indications Ultraviolet may prove popular
- 4G not ready to take-off yet due to price points. Majority of viewing will be done via Wi-Fi in the home or downloaded and consumed on the go.
- Our data indicates there is a current fragmented market. This will be consolidated.
- Big players set to shake-up market, those control hardware and content are in the strongest position

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- Majority of TV viewing is still linear
- Set-top boxes are disrupting OTT innovation
- Potential for 'cord-cutting' as OTT services become more seamless
- Linear still has important role to play. On-demand successes still driven by content with linear heritage.

- Free is a key driver, especially for the younger respondents
- Young respondents are pirating more content and don't care about the consequences
- Consumers need to be offered choice
- Will consumers expect that what they buy in one format is theirs to keep on another? And how will this impact the ecosystem?
- Difficult to get users to pay for content once they are used to accessing it for free – YouTube -> Google Play
- Those controlling the hardware and the content have best revenue opportunities

Questions?

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