Connected Entertainment UK: Behavior, Taste, Experience, and Value

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Executive Summary

As new access and delivery models transform the business, technology, and consumption of film and television in the UK, media companies can no longer rely upon old certainties regarding consumer preferences and behaviors. This project provides new insight into how British consumers use connected entertainment services and how such use aligns or breaks with older patterns of television and film consumption. Focusing on teenagers and young adults in the UK, we used online surveys and a series of focus groups to explore how these demographics interact with connected viewing services by way of the following four themes: viewing behavior, taste, experience, and value.

Key Findings

- Connected viewing represents an extension of well-established viewing habits rather than a radically new method of consumption.

- Free catch-up TV services—particularly the BBC iPlayer and Channel 4's 4oD—offered by established national public service broadcasters are the most popular sources of online viewing in the UK. They have set seemingly high benchmarks for quality and range of content amongst consumers.

- There exists a strong desire amongst UK consumers for non-UK content; current windowing practices pose a major barrier to legal access of such content.

- Consumers do not recognize much value in paying to rent or purchase content online.

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Since the arrival of consumer video in the late 1970s, the UK has remained the largest market for home entertainment in Europe. As catch-up TV and video-on-demand transform the business, technologies, and consumption of film and television, this project surveyed the current market context for online entertainment in the UK and explored user interaction with connected viewing services through four themes: *taste, viewing behavior*, *experience*, and *value*.

Secondary data on the UK film, television, and home entertainment markets was gathered from the BBC, British Film Institute, BSkyB, Channel 4, International Video Federation, Ofcom, the Office of National Statistics, *Screen Digest*, and Virgin Media, and the tariffs from a selection of VOD providers. Primary data concerning user viewing behavior, tastes, experiences, and perceptions of value was collected using an online survey (156 respondents) and four focus groups conducted with 20 participants aged 16-18 yrs, 21-24 yrs, 24-26 yrs and 25-29 yrs in the cities of Nottingham and Newcastle.

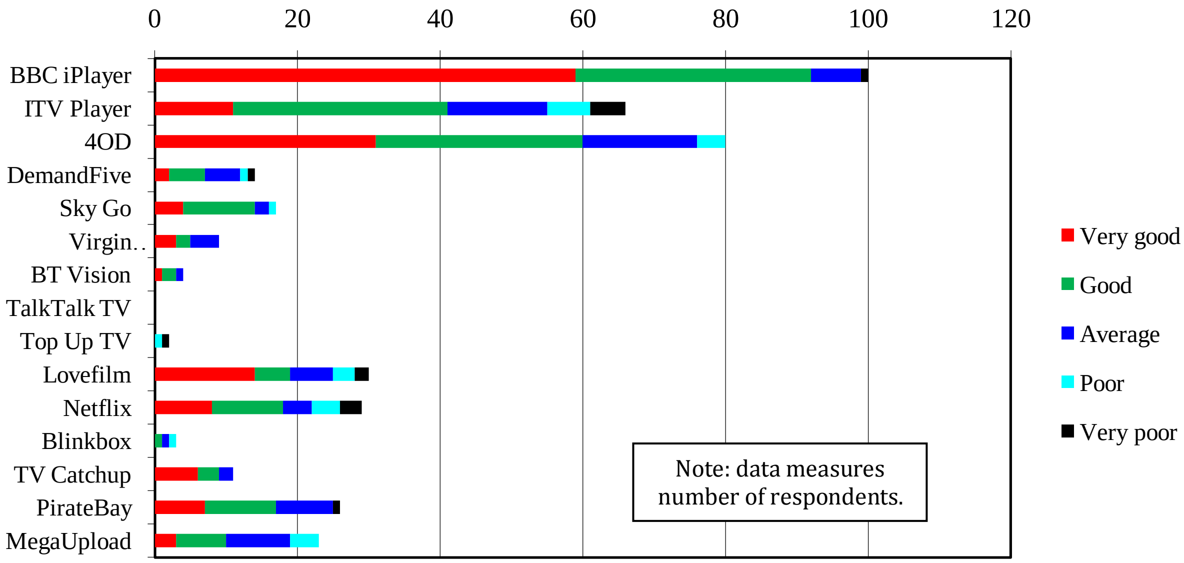
Taste

Free catch-up TV services from established national public service broadcasters are the most popular sources of online viewing in the UK. Per month, the BBC's iPlayer averages over 140 million requests for television programs and Channel 4's 4oD service attracts an average 43 million VOD views. Considering that over the decade 2001 to 2011 the combined audience share of the five main television networks (BBC 1 and 2, ITV, Channel 4 and Channel 5) declined from 80.5% to 53.7%, the success of iPlayer and 4oD suggests the parent broadcasters have proved particularly successful in transposing their brands to the online environment and developing new audiences. Consequently, public service television continues to represent a strong and enduring ethos in the online universe that is winning audience trust and loyalty.

Comparing a selection of legitimate VOD, DTO/EST, SVOD services and illegal file sharing sites, iPlayer and 4oD were the services most widely used and highly rated by respondents to the survey: 85% of respondents judged iPlayer to be very good or good, while 59% similarly rated 4oD. Although VOD services from rentmailers LOVEFiLM and Netflix were used by smaller numbers of respondents (respectively 32% and 31%), they are at the forefront of pay service options.

Asked what they like about these services, respondents rated the quality and range of content, together with ease of access, as favorite features. Delays with the speed of connection (expressed in focus groups as complaints about prolonged buffering during streaming) was the main reason for not liking services, with other criticisms relating to website design. Participants voiced frustrations with how iPlayer/4oD restrict the range of content by limiting the availability of programs to 7 days post-transmission.

Chart 1: Ratings - selected online film and TV services

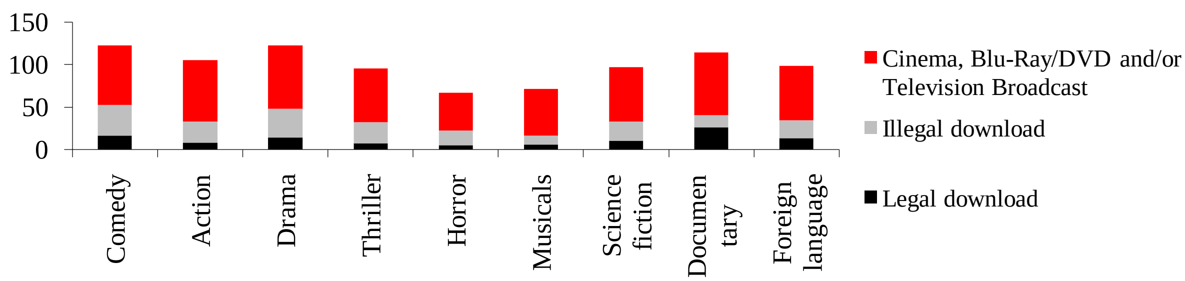


Viewing Behavior

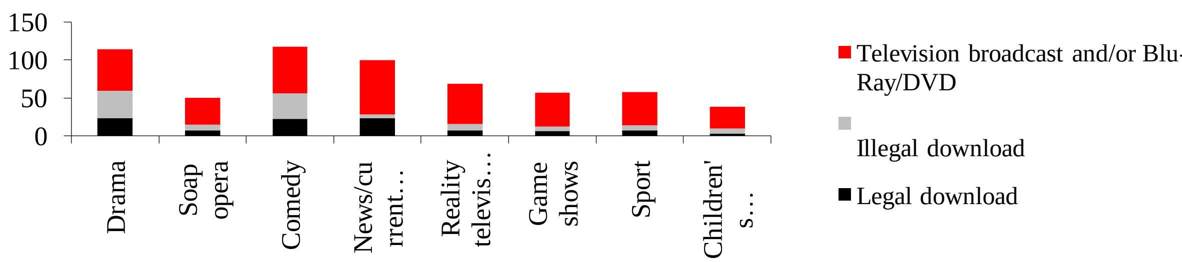
Connected viewing represents an extension of well-established viewing habits rather than a radically new method of consumption. 88% of respondents had used an online service for watching film or television content, although most usually watched content using offline media.

Charts 2 & 3: Viewing habits by genre

Q. How do you usually watch the following film genres?



Q. How do you usually watch the following television genres?



Despite the opportunities that connected viewing offers for flexible and mobile consumption through multiple devices, consumers are using online services to watch films and programs in conventional ways familiar from broadcast television and home video. Streamed or downloaded content is generally viewed during early evening and primetime hours and at home with less than one percent watching on the go.

Experience

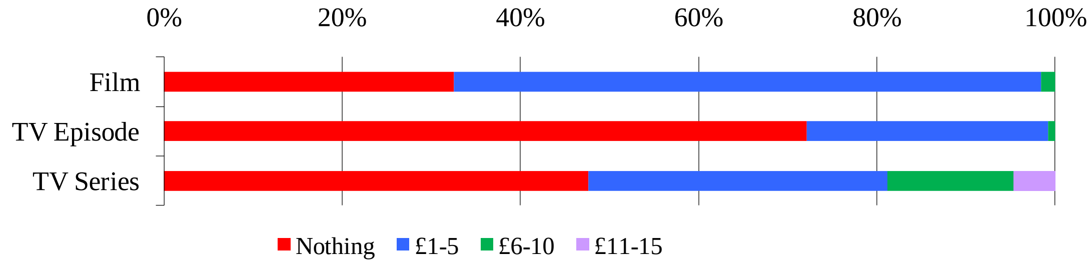
For many users, the greatest benefit of connected entertainment is the opportunity to access—particularly through illegal channels—non-UK films and programs. The popularity of catch-up TV from the PSBs is contradicted by the forms of popular taste expressed by survey respondents and focus groups. According to BBC and C4 reporting, on iPlayer and 4oD popular taste is defined by domestically produced reality TV (iPlayer: *Dragons' Den*, *The Apprentice*, *The Voice*; 4oD: *Big Fat Gypsy Weddings*, *Made in Chelsea*), drama (iPlayer: *Doctor Who*, *Eastenders*, *Sherlock*; 4oD: *Misfits*, *Shameless*, *Skins*), and comedy (iPlayer: *Outnumbered*, *Russell Howard's Good News*; 4oD: *The Inbetweeners*). iPlayer hits also include BBC-produced infotainment (*Top Gear*) and documentary (*Frozen Planet*), while on 4oD, US imports (e.g. *90210*, *Homeland*, *New Girl*, and *The Big Bang Theory*) are prominent. In focus groups, however, participants said they mostly used online services to watch non-UK produced programming. This included US imports (*Breaking Bad*, *Family Guy*, *Glee*, *New Girl*, *The Big Bang Theory*) that are legally licensed for UK broadcast, but also programming otherwise unavailable in the UK, including German drama (*Forbidden Love*), Dutch entertainment and news, and international sports through Iraqgoals.net. With windowing restrictions delaying UK broadcast, several participants had instead viewed imported programming through illegal services (e.g. *Game of Thrones*).

Value

Consumers do not recognize much value in paying to rent or purchase content online. Significant proportions of survey respondents indicated they believe no charge should apply for renting films (33%), television episodes (72%), or TV series (48%). This distinction between the value placed against film over television was echoed amongst respondents who did accept a charge, with nearly 66% prepared to pay between £1 to £5 to rent a digital copy of a film but only 27% agreeing the same for a television episode, although 34% accepted prices in that range for renting a whole series.

Chart 4: Willingness to pay for digital rentals

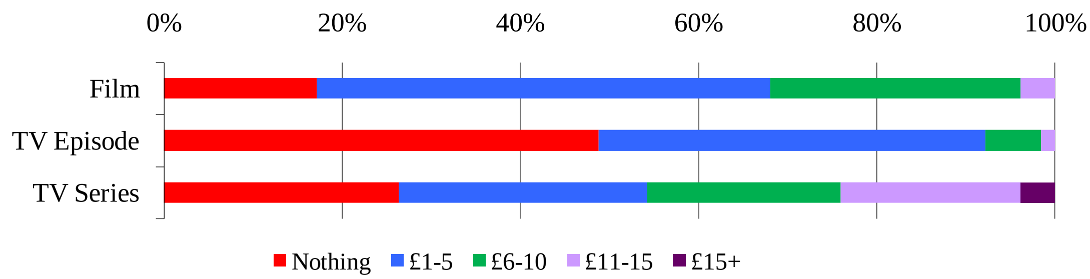
Q. How much would you be willing to pay to rent digital versions of content?



Consumers are more accepting of costs for purchasing content, although the same distinction between film and television applies: to buy films, only 17% of respondents said they would pay nothing, 51% were comfortable with a charge of £1-5, while over 28% were willing to pay £6-10. In comparison, 49% would not pay for television episodes, but 43% were agreeable to paying in the £1-5 price band, and over a fifth were prepared to pay up to £11-15 for a whole series.

Chart 5: Willingness to pay for digital purchases

Q. How much would you be willing to pay to own digital versions of content?

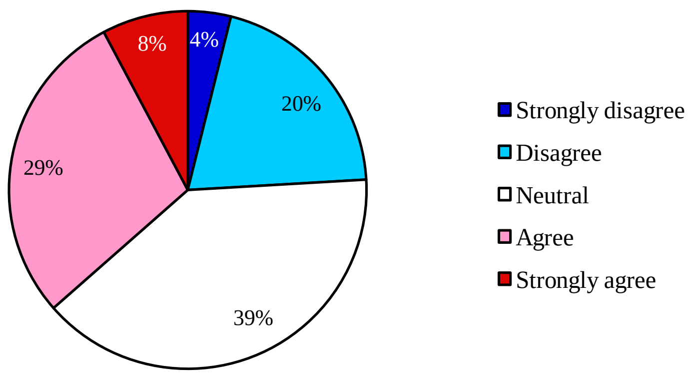


These preferences are consistent with the levels of charge currently levied for online rental and sell-through: film rentals are priced between £0.99 to £3.99 and television rentals start at £0.50, while download-to-own prices range from £4.99 to £10.99 for feature films against £1.89 to £2.99 for television episodes or £5.99 to £21.99 for series.

In part, the reluctance to pay for content may be explained by the popularity of the well-stocked catch-up TV services (described above), which not only represent trusted alternatives to pay services but also continue the embedded public-service principle of free-to-access television. A second explanation is common acceptance of unauthorized downloading: only 37% of survey respondents considered the practice unacceptable.

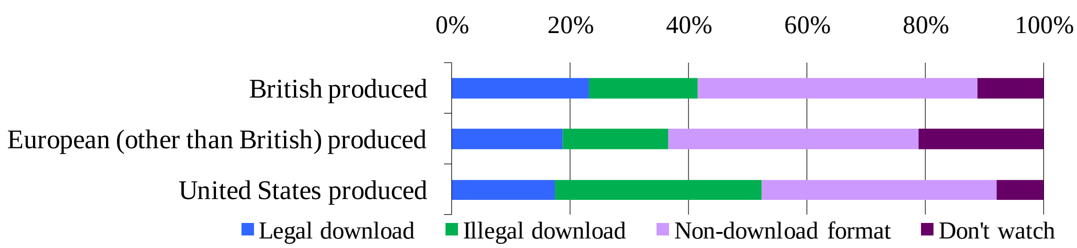
Chart 6: Feelings about piracy

Q. Do you agree or disagree that downloading film or television content through illegal sources is wrong?

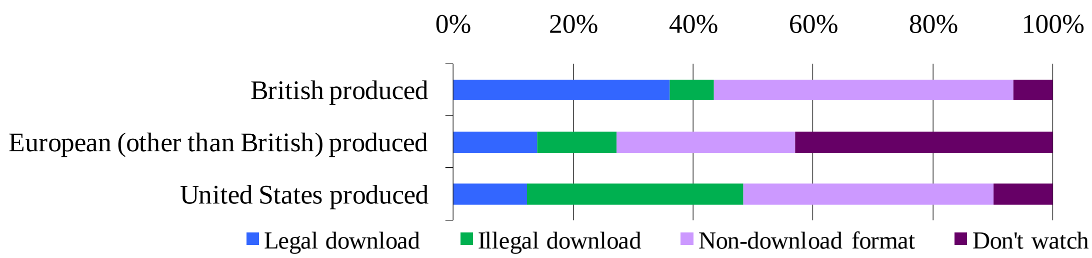


Charts 7 & 8: Viewing methods

Q. How do you most frequently watch the following kinds of film?



Q. How do you most frequently watch the following kinds of television?



Among reasons identified for illegally downloading were the pricing of cinema tickets or DVDs, restrictions on availability imposed by windowing, widespread peer group acceptance of the practice, and the age barriers created by film ratings. Comments such as "it's free," "there's no stigma attached to it," and "everyone else does it," are representative of attitudes towards unauthorized downloading. Just as iPlayer and 4oD are respected providers in the legal market, so Kickass Torrents and isoHunt were identified among trusted providers in the illegal market.

Although UltraViolet launched in the UK during December 2011, all survey respondents and focus group participants were unaware of the service. After participants watched the short promotional video from the UV website, all grasped the concept of “your movies in the cloud.” None were persuaded, however, by the attractions of this offering, with concerns voiced over the problems of streaming or otherwise rejecting the principle of storing and owning. Participants did not see advantages in opportunities to watch anywhere at anytime.

Conclusions: Challenges and Opportunities

These findings suggest that as PSBs define popular use of online entertainment, other services must match the benchmarks they have set for quality and range of content. There is a strong desire amongst UK consumers for non-UK content, whether by legal or illegal services, although windowing currently presents a major barrier to access. An advertising-supported VOD service carrying imports (such as 4oD) would provide a solution that balances the benefits of connected entertainment against the challenges of illegal downloading and consumer reluctance to pay for content. This may not work, however, for films, where ad interruptions are not expected. Based on this study, we are now interested in conducting similar research in China and India, and have established links with institutions in those territories to partner in the work.