OVUM

WHITE PAPER

Consumer Trend Research: Quality, Connection, and Context in TV Viewing

Five key insights for media professionals into viewing behavior and monetization in a world of digitization and consumer control

July 2013

SUMMARY

Background

Today's multi-screen media environment has fundamentally altered the relationship between consumer and producer. A once-passive mass audience has become socially connected, interactive, and intent on taking control of their personal viewing experiences. While major landmark events such as the Olympics or the Soccer World Cup will continue to be enjoyed by billions of people, the perspective that viewers take on these events has become increasingly personal and focused on connecting with others based on shared areas of interest rather than physical location.

This change has substantial implications for the industry's distribution, operations, and business models, which will need to see change that goes far beyond today's video on-demand (VoD) services.

Research Phase 1 – Media Industry Perspectives

A joint study conducted by Ovum and Avid found that broadcast and studio executives expect a rapid transition of the multi-screen web delivery model. Of survey respondents, 71.5% believe that over 11% of average audience viewing time will be delivered by web services by 2017. More than a quarter of all respondents predict that over 30% of audience viewing time will be delivered by web services in 2017, which is an astonishing predicted increase of almost 10× in just four years on rates seen in the US and Western Europe today. The market is at its point of inflexion, and broadcast and studio executives see these new web-delivered services as revenue drivers, with 91% of respondents citing multi-screen delivery as a key source of growth.

Research Phase 2 – Consumer Insights

To effectively respond to this change, media executives will need better insight into patterns of audience behavior, priorities, and preferences. Hence, Avid commissioned a second study with Ovum, this time surveying consumers directly to identify patterns of consumer activity and their impact on monetization models for premium video content. Avid and Ovum conducted a web-based survey of 3,011 consumers across the US, UK, Germany, and Brazil, seeking to better understand issues such as:

- How are consumers discovering new shows, and is there any difference in viewing platform between discovery, engagement, and loyal viewing?
- With multi-platform delivery options, is media viewing becoming more personal, more social, or a combination?
- What motivates consumers to purchase content?
- How are consumers using VoD and digital video recorder (DVR) technologies, and what is the impact on ad viewership and attitudes toward advertising?

This paper reports on the results of this second phase of research and provides five key insights.

Research highlights:

1. **Quality continues its long-standing reign:** In a rapidly evolving market where significant time and effort goes into developing new ways to approach audiences, the strongest driver of audience engagement is still high-quality content with outstanding image and audio rendering.
    a. Of respondents, 65% identified the visual and audio experience as a key driver of enjoyment.
    b. Of respondents, 66% watch ads if both the editorial content and the advertising content are high quality.
2. **High-quality content is also the key to ad engagement:** The quality of ad content is vital to driving ad recall. Of respondents:
    a. 47% recall ads because they are funny
    b. 32% recall an ad because they found the story engaging
    c. 31% recall ads that have well-developed characters.
3. **Multi-platform delivery drives value across the viewer lifecycle:** Delivering shows via online, social, and mobile platforms not only allows consumers to personalize their viewing experience, but also lets broadcasters move audiences to the platform that maximizes the value of media assets.
    a. Of consumers in this research, 14% are already testing out new shows on laptops, tablets or smartphones, a figure that is set to rise over time, while 30% are returning to appointment-based viewing once they have become fans.
4. **There is profit in media archives with the right metadata strategy:** Consumers will pay for archive content, but this demands that producers create effective metadata strategies.
    a. Of consumers, 37% are prepared to pay for old episodes of their favorite shows when offered in context, which is more than are prepared to pay a premium for news or scheduled entertainment content such as scripted or non-scripted reality.
    b. However, Phase 1 of our research showed that while media producers could monetize as much as 33% of their archives to take advantage of those opportunities, most of that archived material is currently inaccessible.
5. **Second screens create opportunity in mass media events**: Mass media events are increasingly experienced on the second screen. This emergence of the "digital water cooler" requires high-level, end-to-end workflows with an integrated capability to publish to second-screen web services.
    a. While watching the Olympics on TV, 63% of consumers with a PC, tablet, or smartphone were simultaneously looking at other scores or match information.

Key Findings

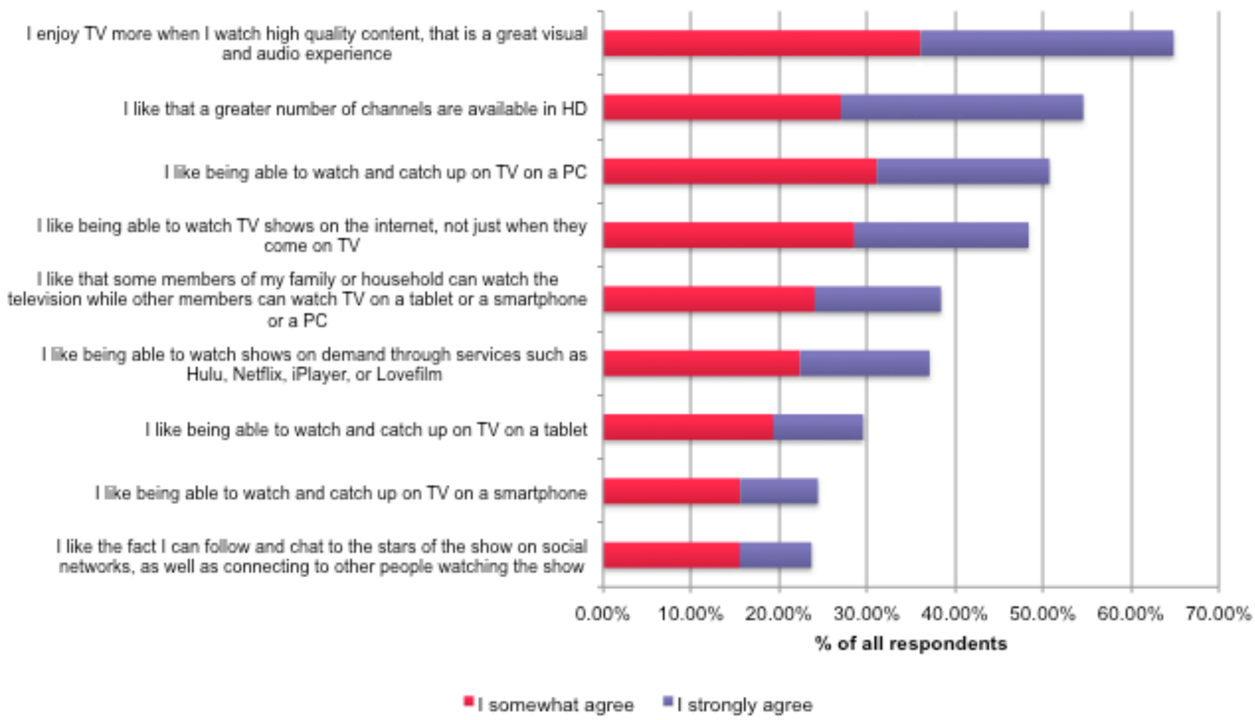
1. Quality reigns supreme: audiences value content, image, and sound quality above all

As broadcasters and other content service providers experiment with new ways to engage their audience, such as multi-screen services, social networks, and second-screen companion applications, the most powerful tool to engage consumers continues to be high-quality inspiring content, where quality is defined as excellent creative execution, quality of production values, and a great audio experience.

In Phase 1 of this research, 63% of the media executives we surveyed said that they see multi-platform delivery driving a need for high-quality content. In Phase 2 of the consumer research, Ovum and Avid wanted to test how important high-quality content is for audiences themselves, in the context of the new innovations being pushed into the market. High-quality content, with great image quality and a great audio experience, is the strongest driver for audience engagement, with 65% of all respondents saying that this is a driver for their enjoyment of television, beating growth in the number of HD channels at 55% and even the availability of on-demand, multi-screen services at 51%.

For studios, channel programmers, and broadcasters, this signals the continued importance of professionally produced content that is created, finished, and distributed through professional production, asset, and workflow management systems. Yes, audiences are responding positively to new market innovations such as multi-screen, but high-quality content is still king.

Figure 1: What drives audience engagement with broadcast services?



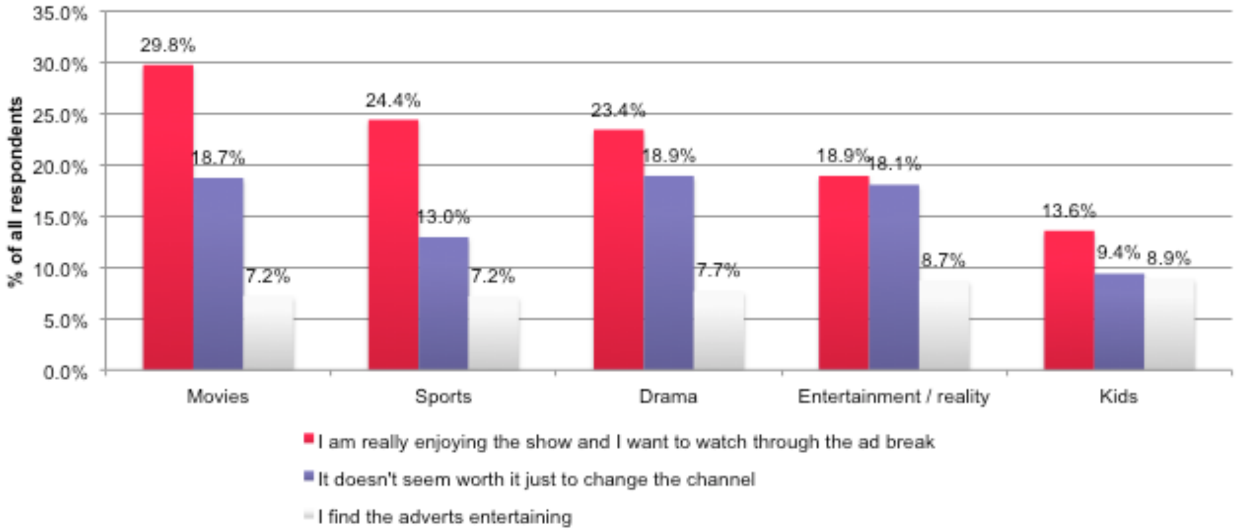
Source: Ovum Multi-market Audience Insights, n=3,011

2. High-quality content is also the key to ad engagement

Despite growing DVR penetration, there has been little direct correlated impact on TV ad spending. This may be partially due to the impact of DVR viewing and ad skipping being buried in ratings methodology, but empirically, DVR usage has not resulted in the collapse of broadcast ad spend that some observers originally predicted in the early days of TiVo.

However, as DVR usage continues to grow, and advertisers use advanced ad insertion and household-level audience behavior metrics to get better intelligence on which ads are being watched and which are not, how can both broadcasters and advertisers defend against the impact of the DVR and make the evolving broadcast ad more engaging?

Figure 2: Why do audiences watch TV ads? (split by genre)

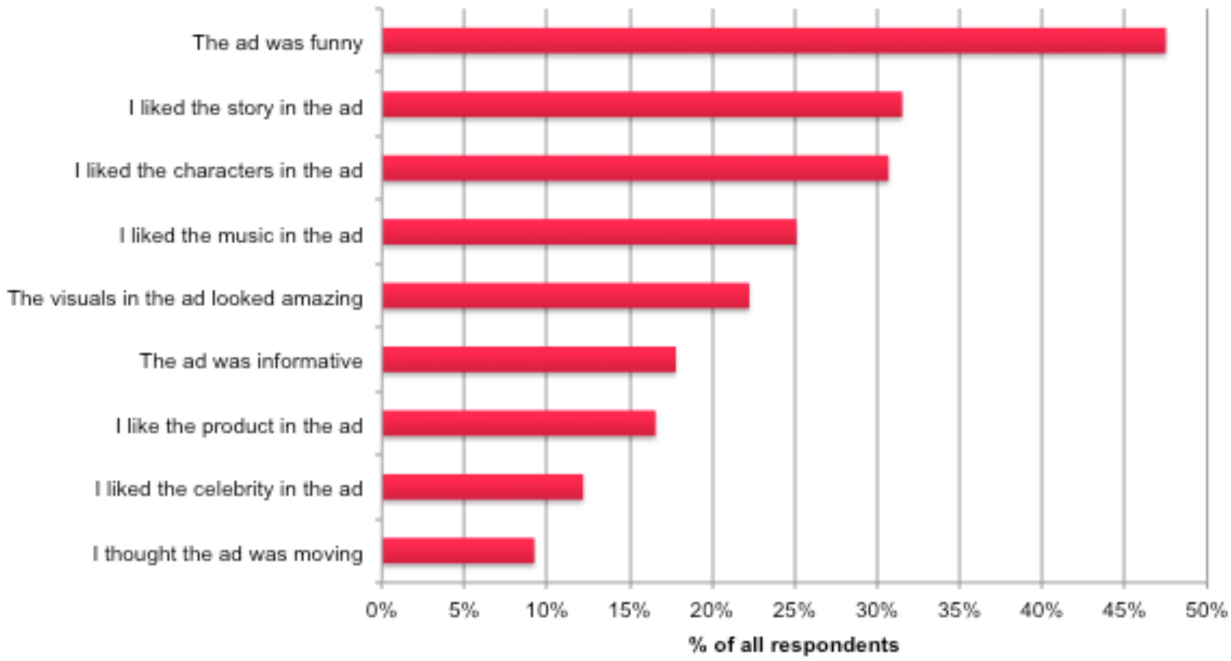


Source: Ovum Multi-market Audience Insights, n=3,011

Ovum and Avid asked why audiences continue to watch TV ads, when there are so many opportunities to skip ads, change channel, or simply do something else on the second screen. If we split the data by genre, we see that high levels of engagement with sports and movies keeps audiences watching throughout the ad break. For kids and reality/entertainment, passive viewing habits are relatively more important. Across all genres, the quality of both the editorial content and the ad content is vital in driving engagement.

As the fight for engagement in the living room heats up, broadcasters, ad producers, and creative agencies will all play a symbiotic role in maintaining and growing audience engagement with TV ads. They must deliver high-quality inspirational content that delivers an appealing visual and audio experience, as well as great characters, a great narrative, and – importantly for ads – delivering comedy.

Figure 3: What did audiences enjoy about the last ad they thought was memorable?



Source: Ovum Multi-market Audience Insights, n=3,011

The need for producers of both editorial programming and ads to deliver engaging content places an onus on both to deliver creative executions that can connect with the audience and carry the desired message, while at the same time delivering a high-quality audio and visual experience.

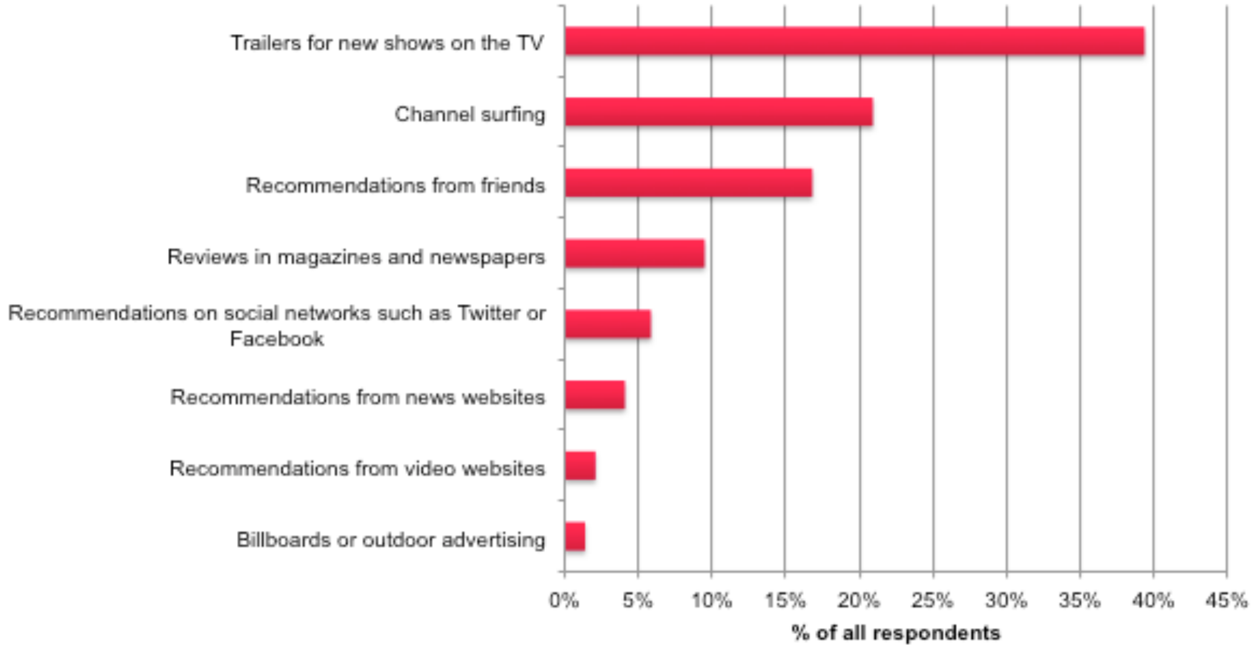
Platforms that enable collaboration between production teams to realize a creative vision within agile workflow frameworks, backed by end-to-end professional production workflows, will be an important weapon in the fight for audiences.

3. Personalized, socially connected on-demand services can drive appointment-based TV viewing

Multi-platform on-demand services are personalizing the broadcast experience, but as multi-platform usage grows in scale, it is vital for broadcasters to understand how to use this service model to drive fan creation, audience stickiness, linear schedule consumption, and hence ratings.

Ovum and Avid wanted to understand the patterns of content discovery, experimentation, and fan engagement in the context of the growing use of social media, on-demand services, and the DVR. The data tells us that across all respondents, TV-based promotion is still the best way to market TV shows, with 39% of all respondents saying that their most common way to discover new shows is from trailers, and 21% from channel surfing.

Figure 4: How are audiences discovering new TV shows (all age groups)

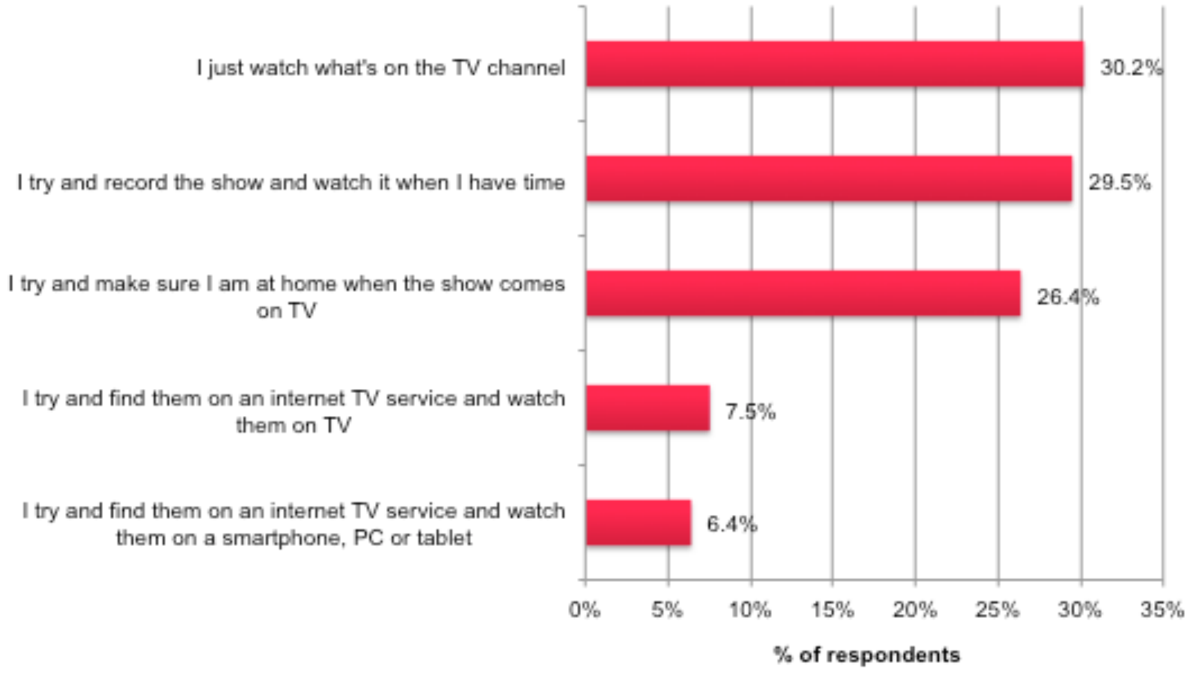


Source: Ovum Multi-market Audience Insights, n=3,011

Interestingly, the data signals that for youth audiences social networking is becoming an increasingly important channel to discover new content, and this segment is becoming less dependent on trailers and magazine/newspaper listings.

Social media offers opportunities for broadcasters and producers to gain insight into how content is perceived and how to create audience advocacy. To fully exploit this opportunity and be able to respond to new sources of audience sentiment, without sacrificing the quality of content, broadcasters and producers need collaborative production platforms to deliver high-quality, inspiring content across all engagement channels in an agile way.

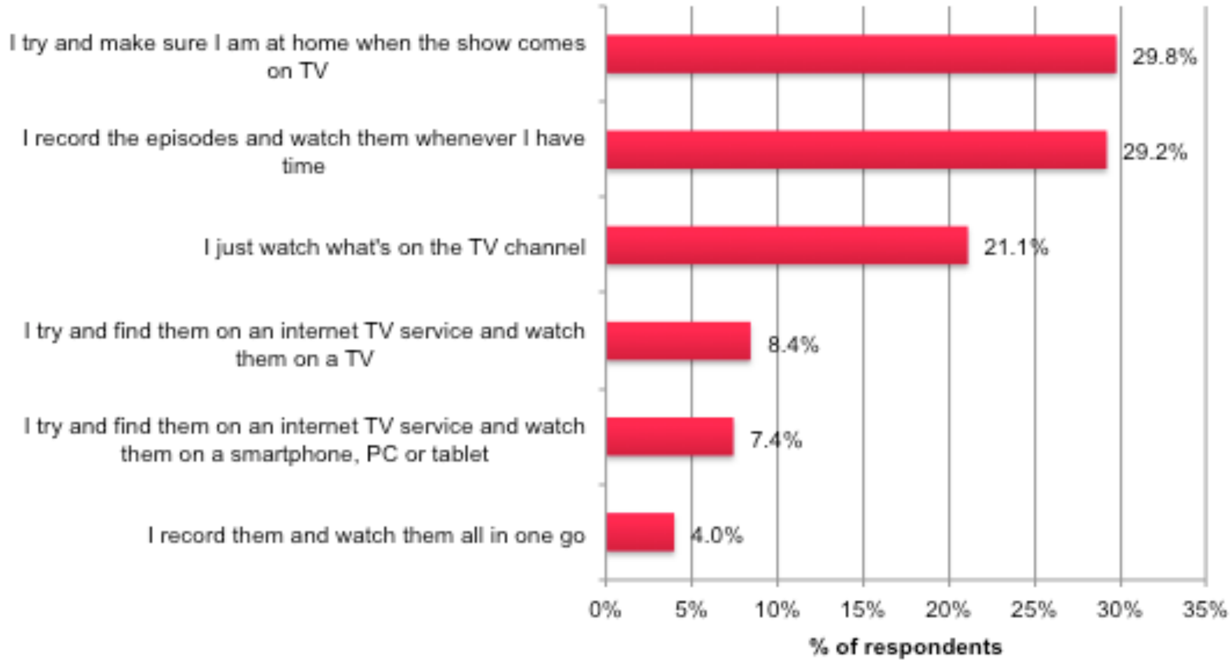
Figure 5: How do audiences like to experiment with shows that appeal to them?



Source: Ovum Multi-market Audience Insights, n=3,011

Once audiences have discovered shows they might like, how do they like to try them out? In Figure 5, we see that audiences are using a DVR (29%) or using a catch-up service via the television or an alternative video-capable screen (14%) to test content that appeals to them. Service personalization on web-delivered platforms and driving audiences to DVR content are key for broadcasters looking to create fan bases around new shows.

Figure 6: How do audiences like to continue to consume new shows?



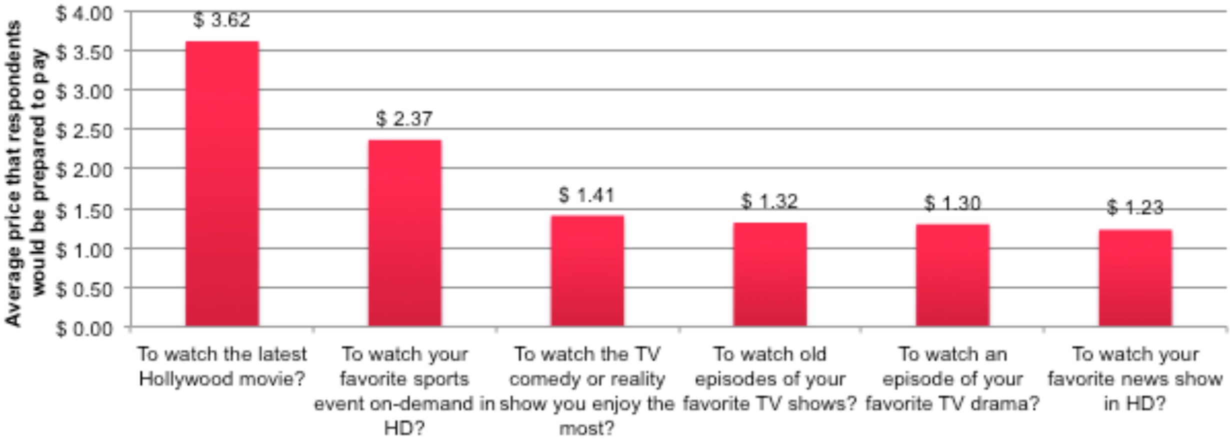
Source: Ovum Multi-market Audience Insights, n=3,011

It is a logical but under-examined behavioral assumption that if audiences become fans of a new show they discover online, they will then want to view future episodes as soon as they become available, leading to a rise in appointment-based viewing. We see this in Figure 6, where the percentage of respondents making sure they are in front of the TV increases for a show for which they have become a fan. It may seem counter-intuitive, but in the new TV market, personalizing on-demand service and driving users to DVR content is an important content marketing strategy to drive growth in linear audiences.

Integrated approaches to content marketing and management of linear and non-linear service will enable broadcasters to enhance the audience experience, but it will also move audiences to the platform that maximizes the value of media assets.

4. There is profit in the archive, with the right metadata strategy

Figure 7: How much would audiences pay to watch the following genres (US)?



Source: Ovum Multi-market Audience Insights, n=1,006

Ovum and Avid wanted to take a reading of the relative propensity of audiences to pay for content. This exercise was not designed to give a definitive reading on the price elasticity of demand for different content types. Rather, it was designed to illustrate the propensity to pay for different genres.

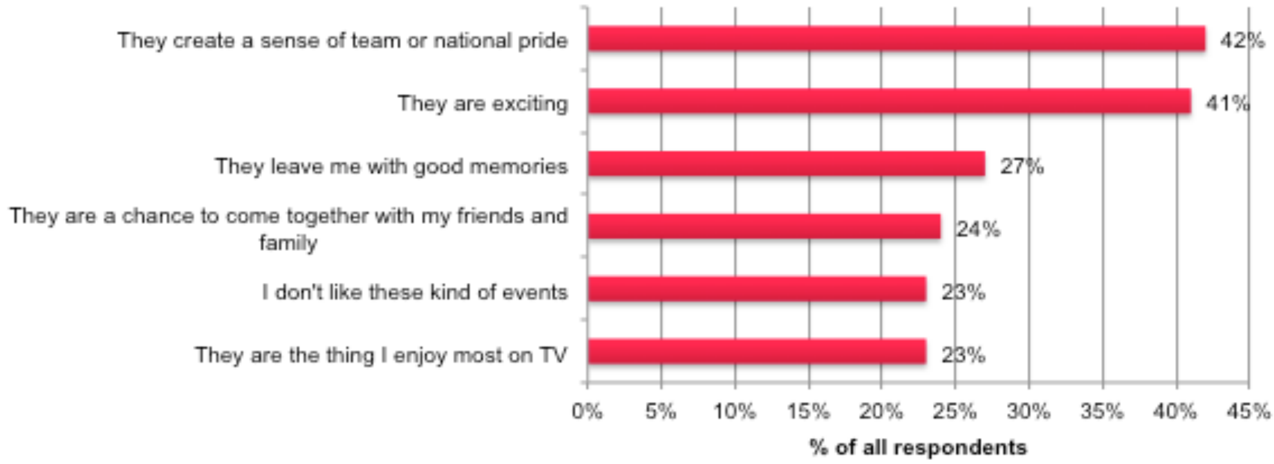
What individuals will pay is very much a function of preference and context. Of course broadcasters need to be able to deliver against audience preference behavior and context, but they also must be able to match this to the right asset at the right price.

An effective metadata strategy is at the heart of this ability, and an end-to-end production workflow that enables broadcasters to create, preserve, and exploit metadata will give them a competitive advantage over their peers that are unable to effectively extract value from their output. Standardization and automated translation of metadata schemas along the video supply chain are pre-requisites for such an effective strategy.

5. Mass media events continue to be primary revenue drivers; second screens create new engagement opportunities

Mass media, complex, live broadcast events continue to be hugely valuable to audiences. Audiences identify them as creating national or team pride and bringing excitement to their lives. They reinforce tribal identities, create memories, and bring together families and other social groups. In our new socially connected experience economy, these events are the experience factories.

Figure 8: What value do audiences get from major mass media events such as the Olympics?



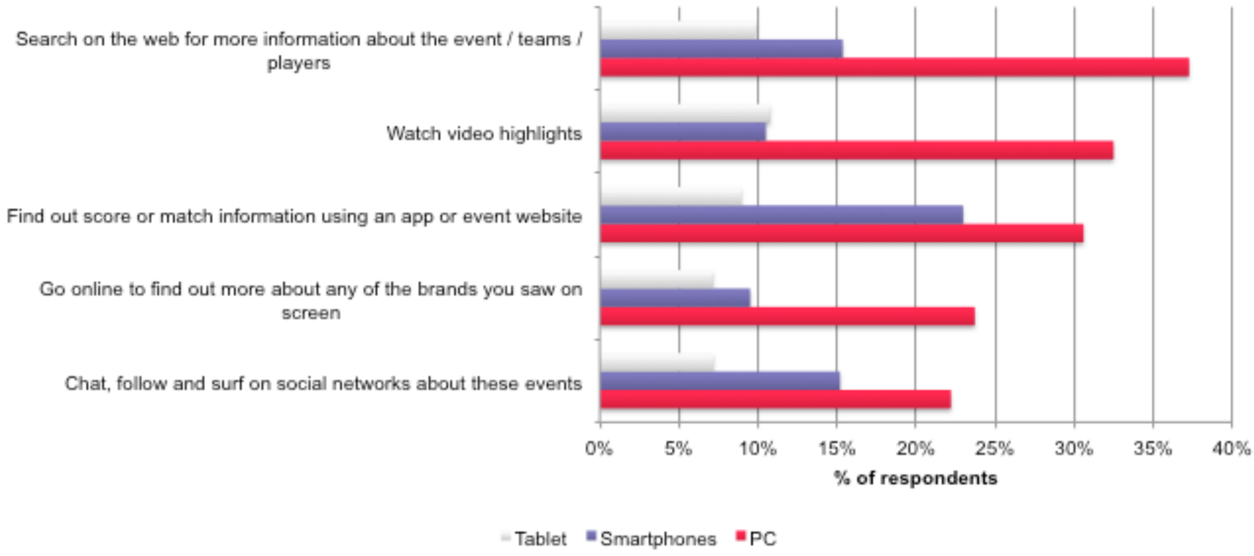
Source: Ovum Multi-market Audience Insights, n=3,011

The paradox is that while audiences are experiencing these events in an increasingly individualized way, they are also more socially connected. Even when viewing as a group experience, audiences are being delivered their own personal perspective and a set of media experiences unique to the individual or social group. The high rate of second-screen engagement during the 2012 Olympics tells us that audiences are voting with their eyeballs for this model.

As we see in Figure 9, it is becoming vital for live broadcasters to deliver content to the second screen that can exploit the engagement opportunities of these devices. This creates additional production and publishing complexity, as content needs to be tagged with the appropriate metadata and then pushed to a platform that can deliver the right format to the right screen, and this is subject to the content rights being cleared.

Multi-screen and companion applications demand professional end-to-end workflows with an integrated capability for editors to publish to second-screen web services. This has to be supported by an intelligent approach to investment in metadata creation and, crucially, the right taxonomy to optimize the value of content assets.

Figure 9: What did audiences do during the 2012 Olympics on the second screen?



Source: Ovum Multi-market Audience Insights, n=3,011

Conclusion

Quality content reigns supreme

In a market that is evolving rapidly and experimenting with new ways to engage audiences, high-quality content with great image quality and a great audio experience is the strongest driver of audience engagement, with 65% of all respondents saying that this is a driver for their enjoyment of television. High-quality, inspiring content will drive audiences to view, engage, and purchase.

It is also vital for advertisers to grasp the critical importance of delivering similarly high-quality, inspiring advertising content. Of consumers, 66% will watch advertising – regardless of the technology they have to ad skip or alternative screens they have to look at – if both the editorial content and the advertising content is engaging and delivers a great audio visual experience.

Putting the audience in control can drive appointment-based viewing

It may seem a paradox, but giving audiences the opportunity to catch up on and discover new shows on-demand can drive appointment-based viewing. Multi-platform web video services, whether delivered via subscription VoD or catch-up models, create the opportunity for audiences to experiment with new shows at their own convenience. Consumption can now happen anytime or anywhere across a range of new video-capable screens.

However, if consumers become fans of new shows they discover on-demand, this will drive them back to the schedule. Audiences still want high-quality, fresh content as soon as it becomes available.

How audiences are discovering content is also changing, with social media becoming an increasingly important discovery channel for new shows, particularly for youth audience segments.

It is not simple to extract, but there is revenue in the archive

More than one-third of consumers said they would pay for archive episodes of their favorite shows. However, their willingness to both view and pay is highly dependent not just on the personal preference and profile, but also on context.

If producers and content service providers are able to dynamically match content with context, they will be able to protect and maximize the value of their media assets, and potentially dynamically price that content. At the heart of the solution to this challenge is an effective metadata strategy and an end-to-end production workflow that enables a broadcaster to create, preserve, and exploit standardized metadata. The producers and broadcasters that get this right will have a competitive advantage over their peers through their ability to generate an increased return on media assets.

Personalized mass media requires fast collaboration

Broadcast audiences continue to value major mass media events such as the Olympics or Soccer World Cup, but the way audiences are experiencing these events is ever more personal and socially connected. While watching the Olympics on TV, 63% of consumers with a PC, tablet, or smartphone were simultaneously looking at other scores or match information.

It is becoming vital for live broadcasters to deliver content to the second screen that can exploit the additional engagement potential of these devices. However, this creates additional production and publishing complexity. It also requires collaboration platforms that enable publishers to quickly respond to the unpredictable ways that socially connected audiences engage with live content.

APPENDIX

Methodology

- Survey of 3,011 consumers across the US, UK, Germany, and Brazil
- Consumers surveyed via web panel from a representative age, demographic, and gender distribution.

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Ovum Consulting

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