

They'll Pay How Much? What's selling and how much are consumers willing to pay for it?

October 3, 2012

Summary of findings from PwC's Consumer Intelligence Series – *Premium content consumption: responding to the “instant access” consumer*





PwC US Research –

>
50%

Spend more time obtaining or viewing online movie and TV content than a year ago, but the same amount of money

66%

Spend a lot of time with TV screens and have a higher number of televisions in homes than Internet-connected devices

Consumers drive the digital “new normal”

58%

Spend more time using their Internet-connected devices, especially iPads

Consumers' new "normal"

The multi-screen experience

The changing reading experience

Recommendations shape choice

'My time', but it's a shared experience

Paying for quality and 'the experience'

Targeted advertising – make it worth it

Connectivity and rights barriers

Work – catching up with the way we play

Love it or hate it, always 'on'

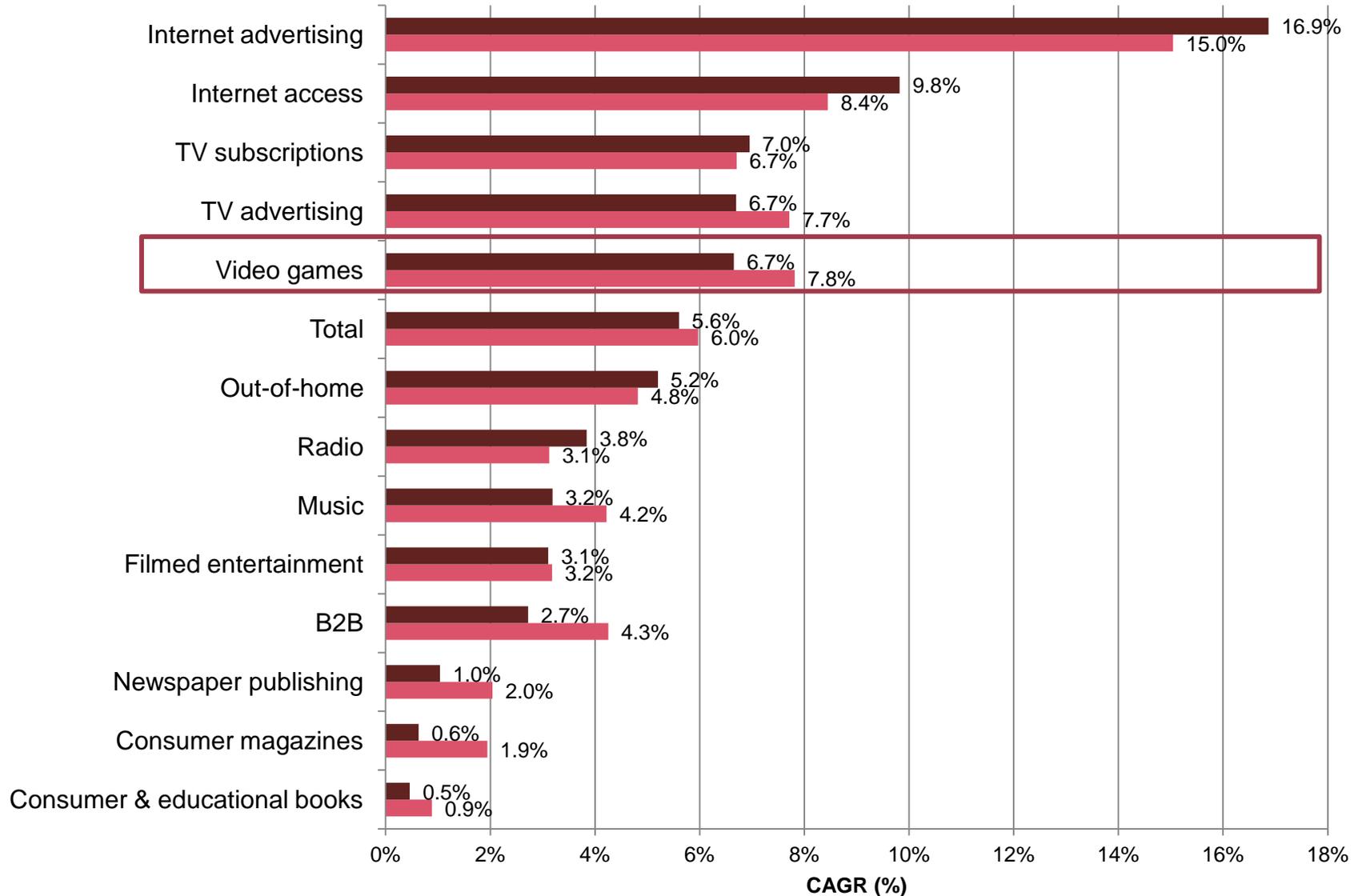
*They are
Mobile*



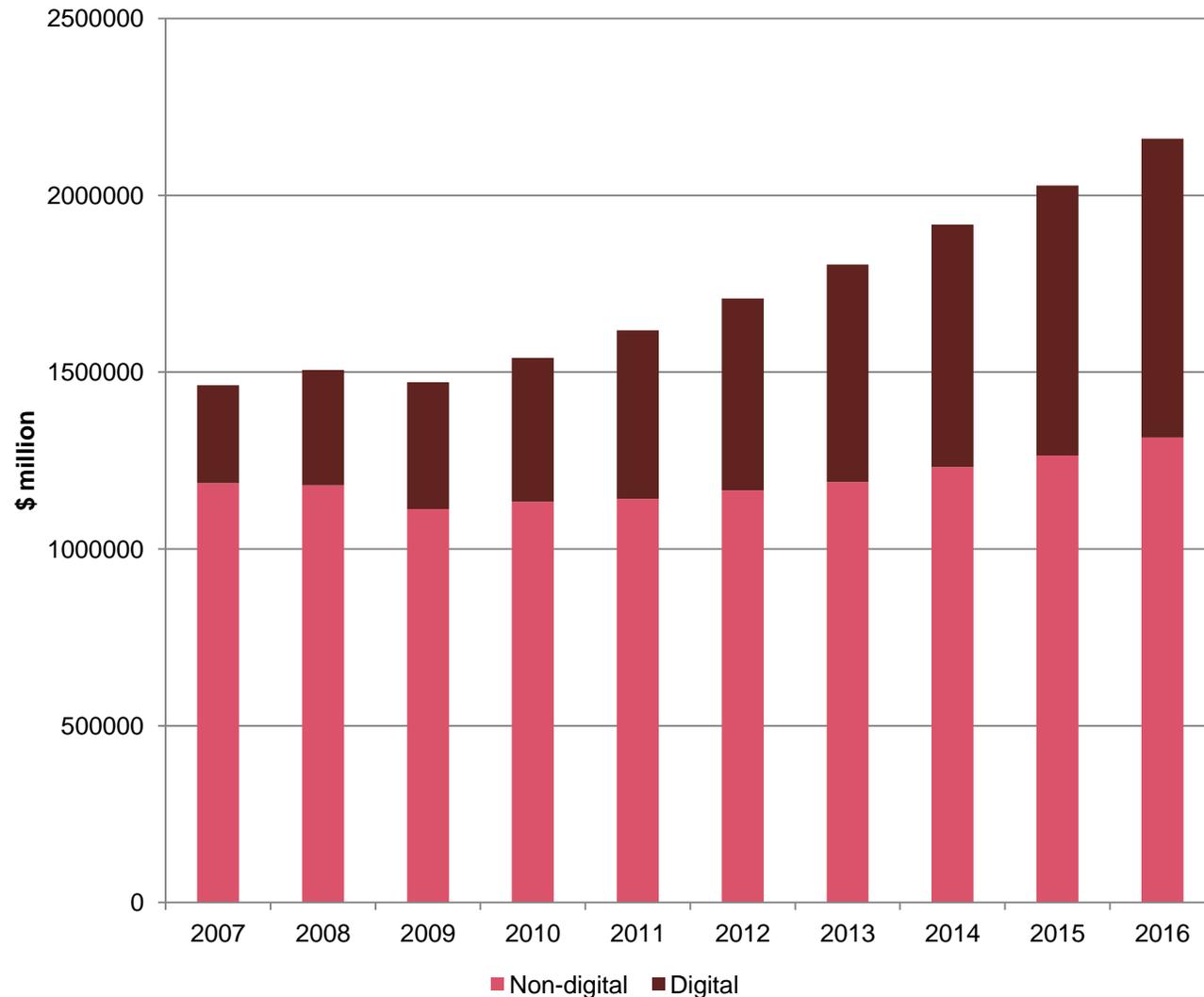
*They are
Social*



Global E&M revenue growth by segment



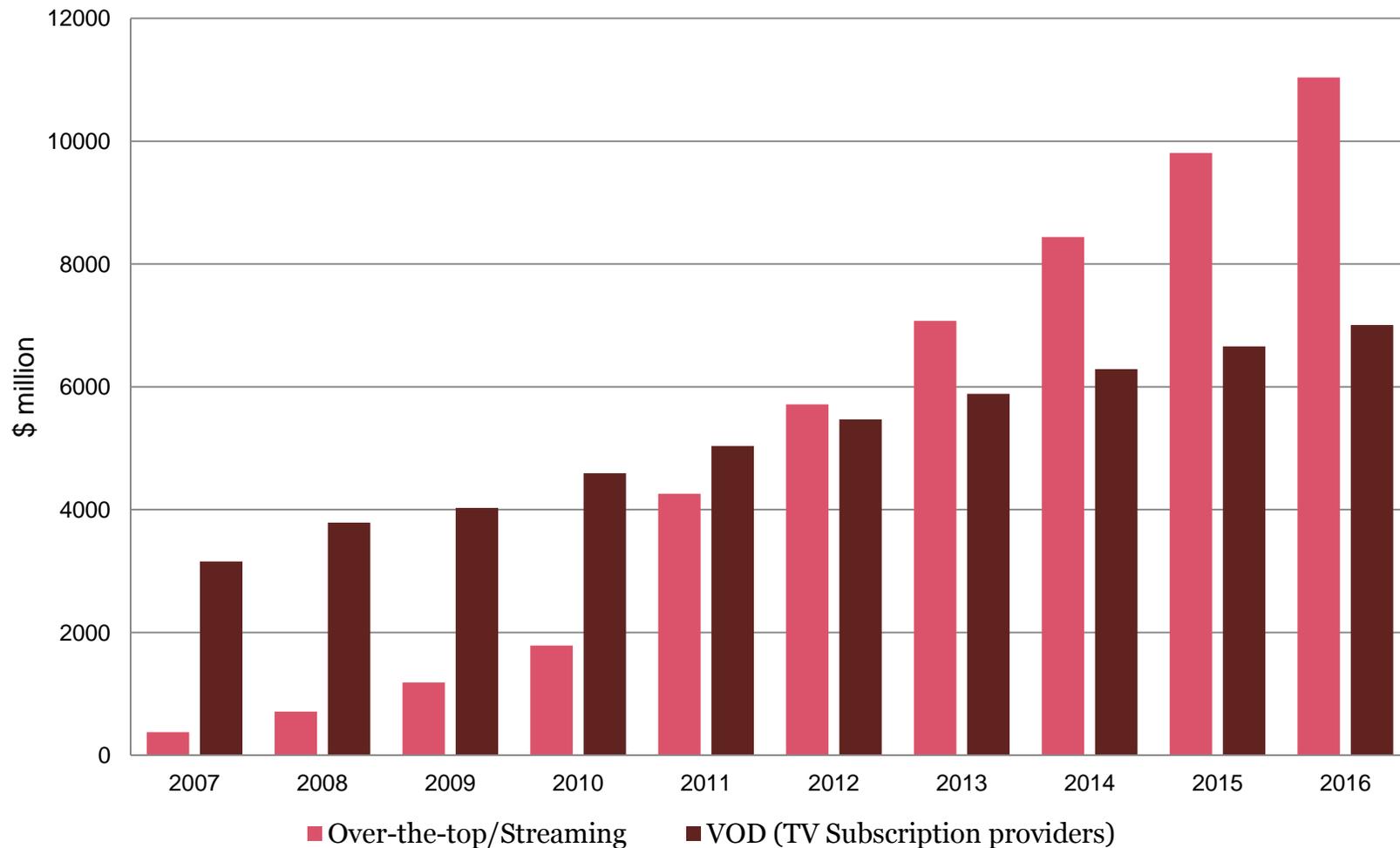
Digital spending drives global E&M growth



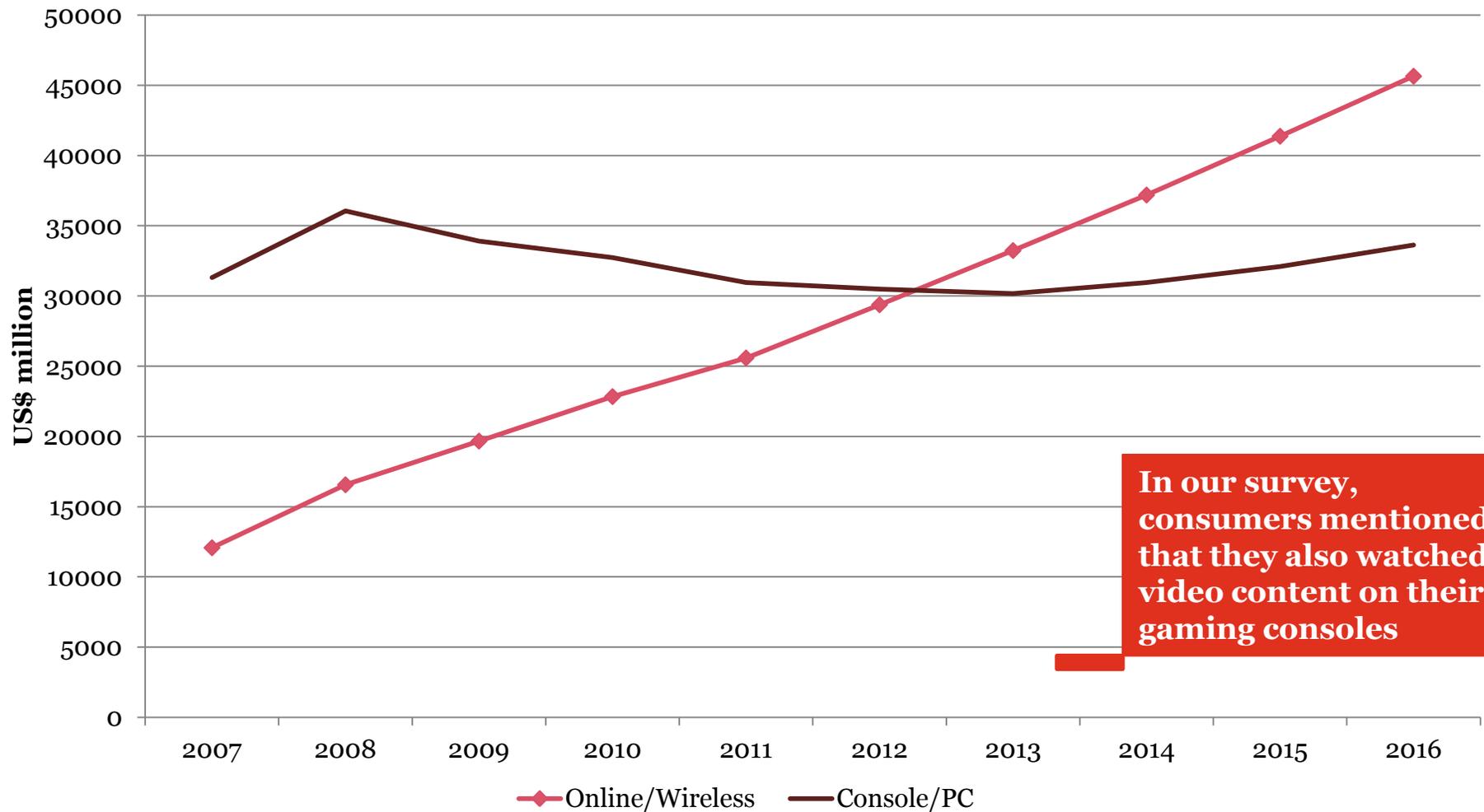
Digital is defined as:

- online and mobile Internet advertising
- mobile TV subscriptions
- digital music
- electronic home video
- online and wireless video games
- digital consumer magazine circulation spending
- digital newspaper circulation spending
- digital trade magazine circulation spending
- electronic consumer, educational, and professional books
- satellite radio subscriptions
- broadband and mobile Internet access

OTT/streamed home video spending overtakes VOD in 2012



Online and wireless games overtake console and PC games in 2013



In our survey, consumers mentioned that they also watched video content on their gaming consoles



Consumer research on premium content consumption

Two-phase program to capture the data on premium content consumption, including PVOD:

Phase 1 – We surveyed a geographically dispersed sample of 312 adult men and women between the ages of 18-59.

- 68% reside in suburban/rural communities, and 27% reside in urban communities.

Phase 2 - We conducted focus groups in Los Angeles among men and women ages 21–45 to explore findings from the survey, discover motivations, and ask follow-up questions.

Consumer research on premium content consumption, cont.

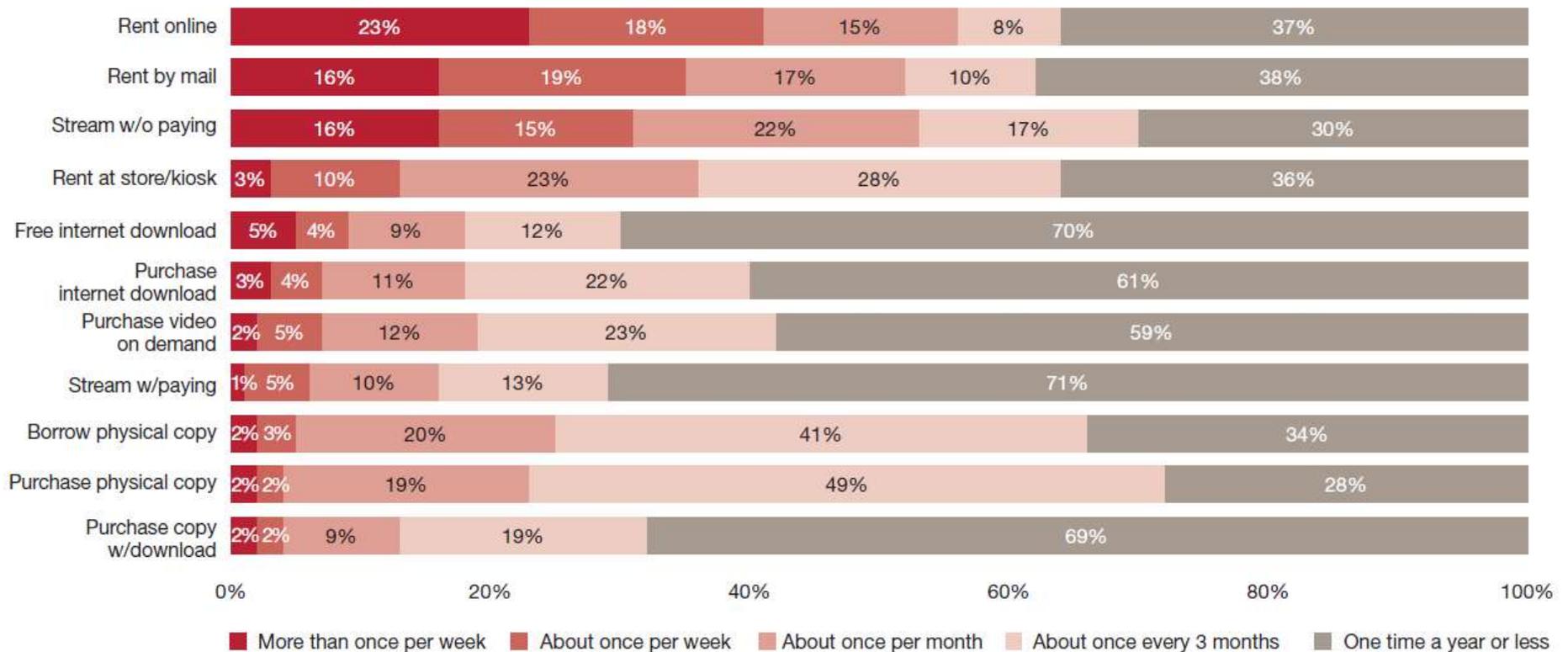
How do consumers categorize the “price,” “quality,” and “speed of access”?

| Quality | Price | Speed of Access |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> ▪ Quality image, clarity, sound—“movie theatre quality” <ul style="list-style-type: none"> ✓ The higher the quality, the more likely consumers are to watch/purchase. ▪ Quality of content — genre; viewing experience <ul style="list-style-type: none"> ✓ Movie that has received a lot of praise or “buzz”. <div data-bbox="210 1128 682 1323" style="background-color: #FFD700; padding: 10px; margin-top: 20px;"> <p>More than half ranked “quality” first, followed by “speed of access” and “price”</p> </div> | <ul style="list-style-type: none"> ▪ Based on perceived value. If the caliber of material is high, there’s more willingness to pay <ul style="list-style-type: none"> ✓ 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”) <ul style="list-style-type: none"> ✓ 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 <ul style="list-style-type: none"> ✓ Everything anywhere for under \$20 per month. | <ul style="list-style-type: none"> ▪ Speed of download=faster access <ul style="list-style-type: none"> ✓ The faster the download, the faster the “access”. ✓ Most consumers assumed this interpretation. ▪ Convenience is really important <ul style="list-style-type: none"> ✓ The faster the download speed, the more convenient. ✓ Will not wait if the download speed is too slow. ▪ Quick buffering <ul style="list-style-type: none"> ✓ Quick and easy transitions from one episode to the next. ▪ Access anywhere ▪ Access relative to release window <ul style="list-style-type: none"> ✓ Readily available soon after it aired or was in theaters. ✓ Today’s movies. Right now. Right here. |

Renting continues to be consumers' preferred method to access movie and television content

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.

Key factors driving renting vs. owning

- Most consumers don't want to view the movie or television show (unless it's a favorite or classic) more than once
- There is a general perception that television content is easier to locate and view online
- Owning is costlier than renting
- Owning takes too much space on a hard drive

"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)

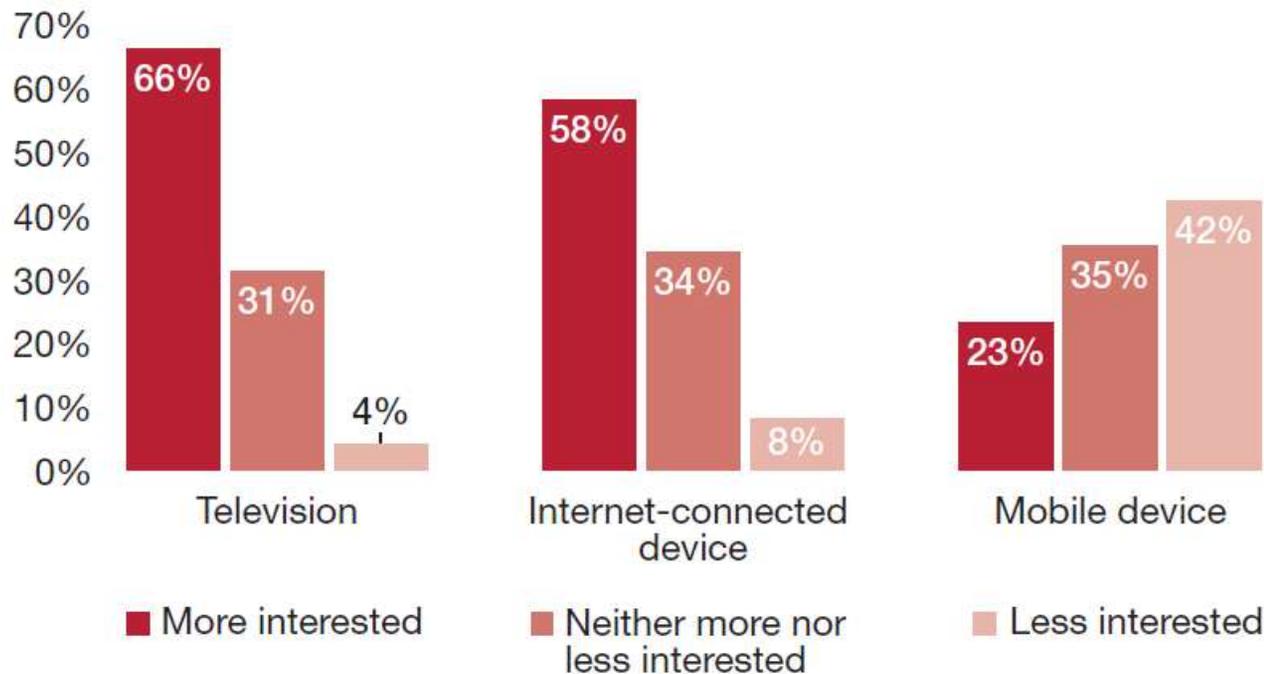
"So, making a decision about renting versus owning would be most impacted by the price."
(Female, age 21-32).

"I was thinking hard drive space the whole time. If you really love movies and you're constantly buying and owning them, it's just going to bog down your computer." (Female, age 33-45).

Consumer interest in premium content by platform

Chart 4

Consumer interest in premium content by platform



“I just don’t watch movies on my phone. It’s small... it drains my battery.”
(Female, age 21–32)

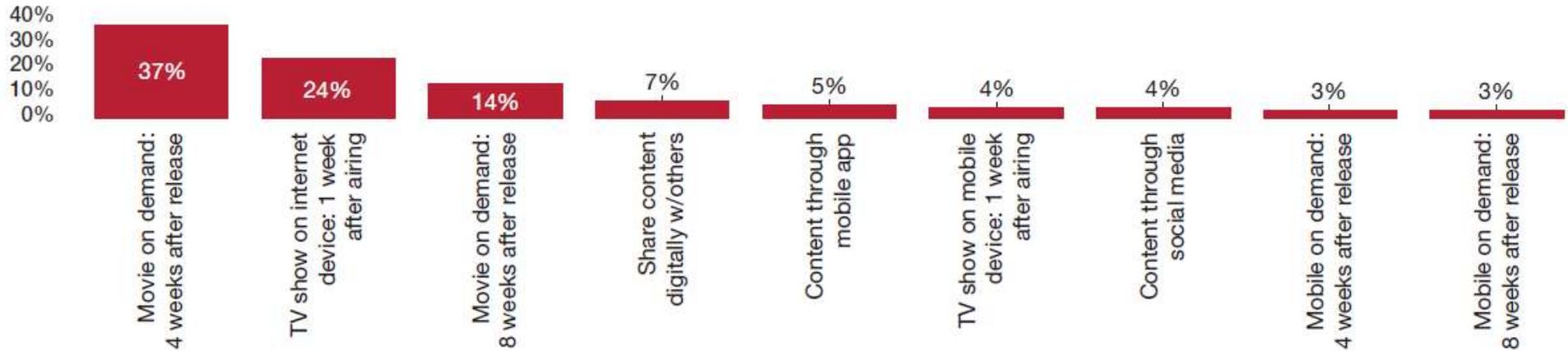
There was interest in tablets - 54% were willing to pay up to \$5 and 27% from \$6-\$10 to watch a movie, that isn’t yet available on DVD and may still be playing in theaters.

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?

Consumer ranking of PVOD offerings

Chart 2

Consumer #1 ranking of PVOD offerings



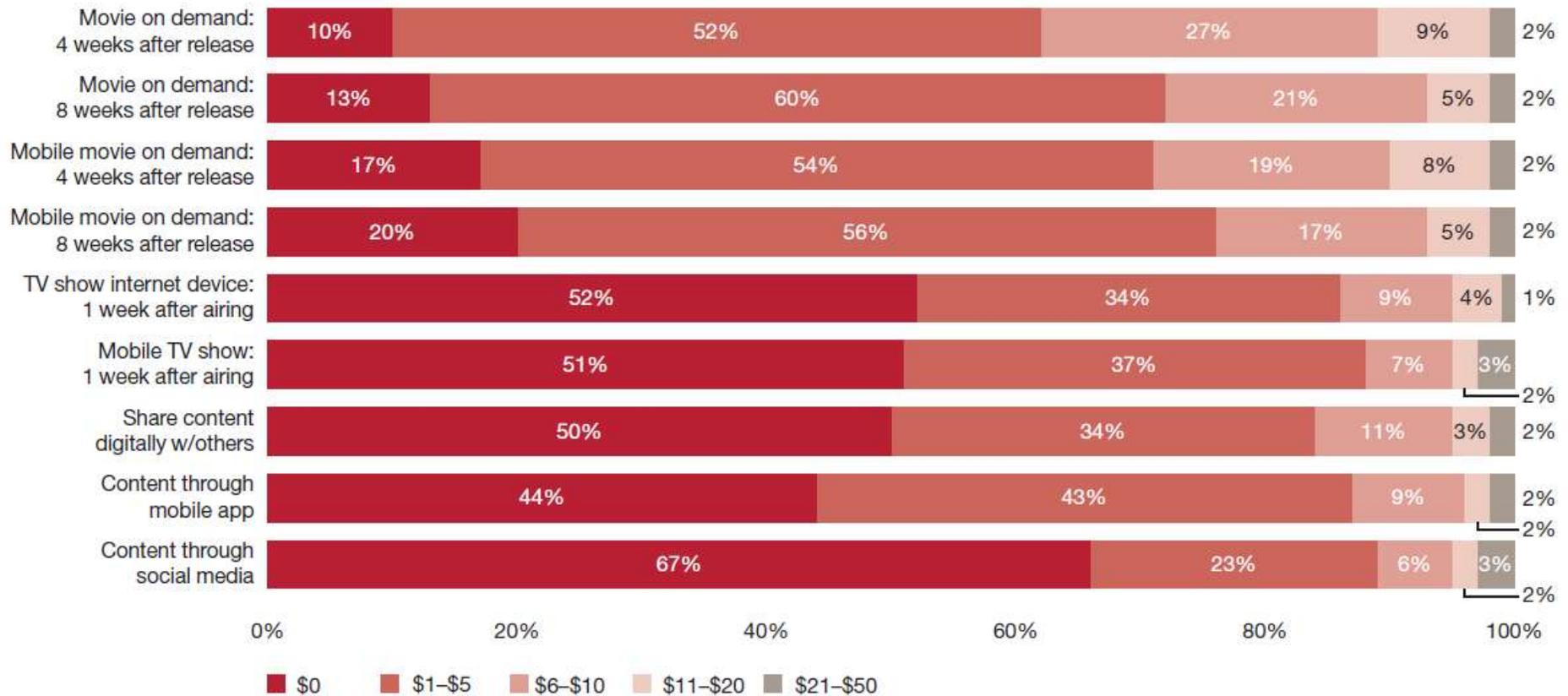
Q: Following are some new ways to watch movies or television shows at your convenience. Assuming there are no additional costs for any of these services, please rank the 5 that appeal to you the most, with 1 being the most appealing.

I don't associate Facebook with movie watching."
(Male, age 33-45)

But, what premium will consumers pay as for “premium” ?

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)

How much are consumers willing to pay for the content access within the four-week window?

- The vast majority (79%) say they would pay incrementally only from **\$1–\$10** for access within four weeks (of these, 52% would pay no more than \$5)
- 11% would be willing to pay incrementally from **\$11–\$50** to have on-demand access to movies within four weeks of the theatrical release
- 10% would not be willing to pay anything for earlier access

“It’s just not worth it.”

“I’d rather wait.”

“\$10 is the same as I’d pay to see at a movie theater.”

Los Angeles consumers are more amenable to pay \$10 or more, since movie costs are greater than \$10 (\$15–\$16)



Piracy is still pervasive and will likely increase with the growth of digital media

Customers have grown accustomed to consuming high-quality media via the internet for **free**.

As such, people have the expectation to consume their favorite digital programming for free as well.

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81%

Plan to continue pirating, mainly through online sources

56%

of consumers who said they pirate don't feel the need to own a physical copy

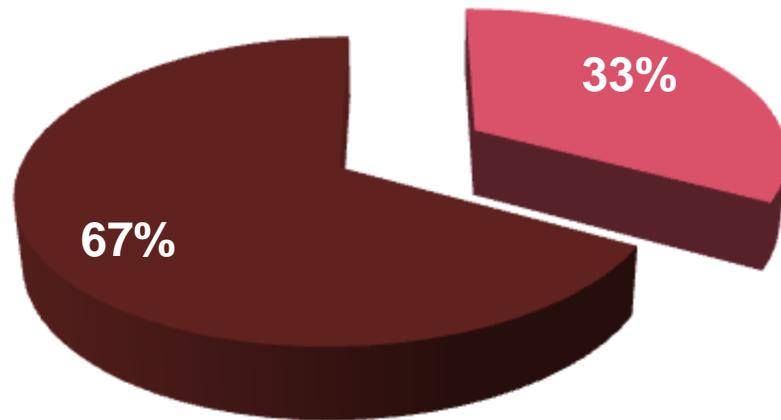
Not paying has become mainstream. More than half agreed that "everyone does it."

Source: PwC consumer research

Global E&M consumer spending

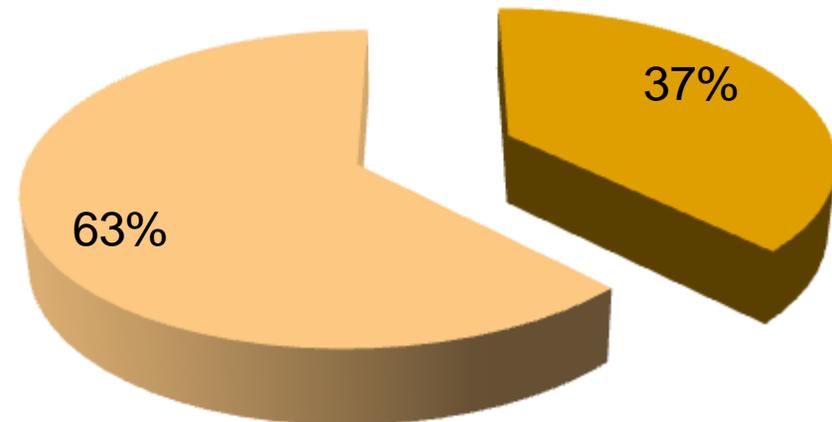
**WW Revenue Growth %
2011-2016**

■ Non-Digital ■ Digital



WW Revenue Share % 2016

■ Non-Digital ■ Digital



Source: PwC Global Entertainment and Media Outlook, 2012–2016



Implications to your industry

- The purchase model can become more attractive – either in **price** or through **content offerings** and **enjoyment**.
- **Quality of viewing experience** is a more important motivator relative to price and speed of access.
- **Earlier access to content** is highly motivating, but consumers need to be educated about the actual or typical window of theatrical release.
- 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 social network model is still unfamiliar, but in qualitative discussions, consumers are receptive to hearing about the benefits of PVID access on their **social network** sites.
- 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.
- **TV is still the primary platform** for viewing movies and television shows.



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