www.pwc.com

The New Normal is Anything But… How the Consumer Effects Everything

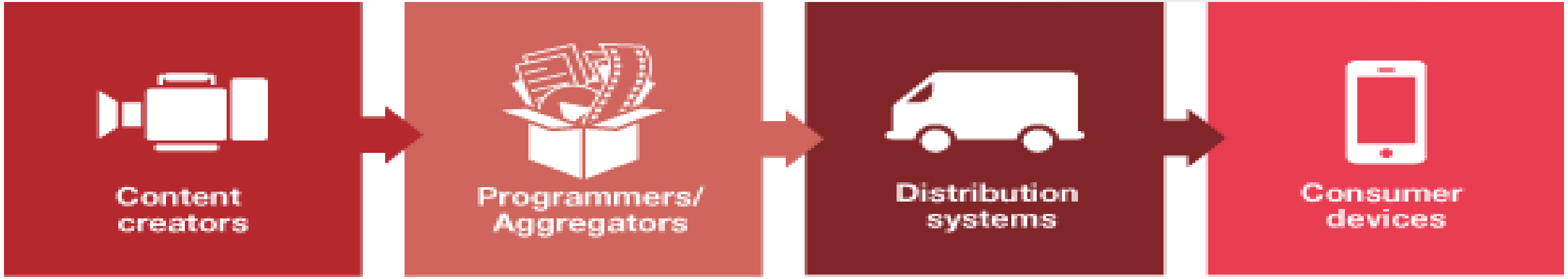
Hollywood Post Alliance Tech Retreat

Blake White, PwC
February 18, 2014

pwc

The Old Normal

Traditional business with a growing digital element

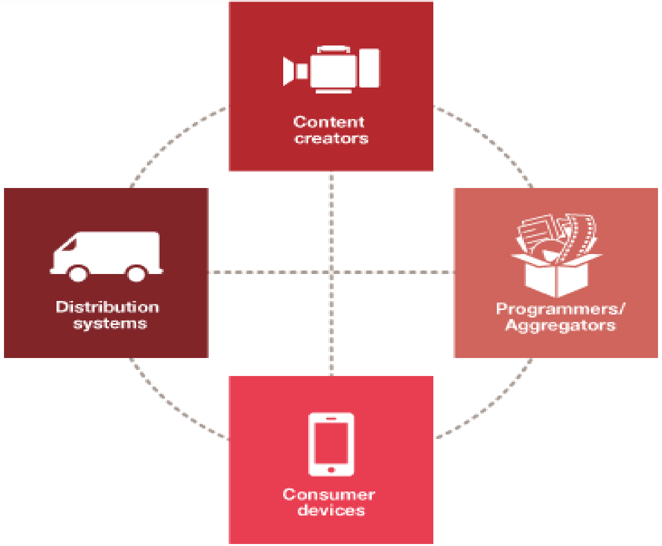


The E&M value chain flowed in a linear, predictable pattern

The New Normal

Digital is the central driver of future operating models, consumer relationships, and revenue growth

The value chain is no longer static and linear, but fluid and multi-directional



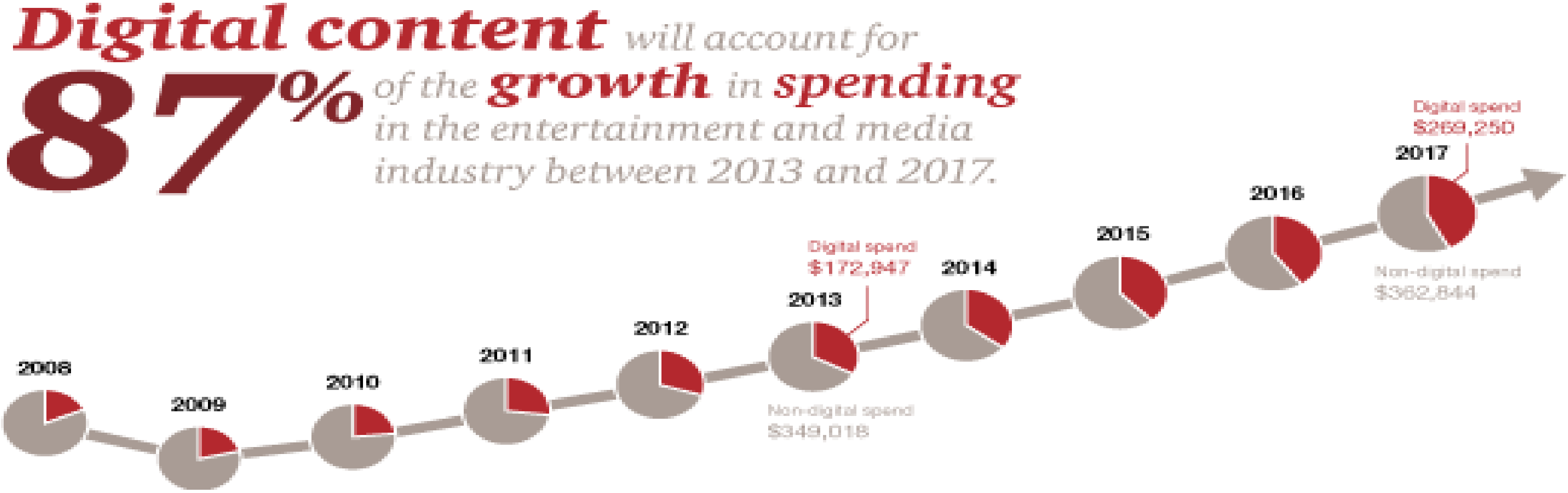
What is driving this ?

Global E&M market

5-yr CAGR of 5.6%

Revenues in 2017 of US$2.2tn, up from US$1.6tn in 2012

Global market indicators are in favor of greater digital distribution… direct to the viewer



Consumers drive the digital "new normal"

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

58% Spend more time using their Internet-connected devices, especially iPads

What do consumers want?

Our research:

- Survey of 1,008 respondents
- Focus groups with consumers 21-34 and 35-49
- Listening campaign of TV related conversations that happened in public forums

What consumers are saying now…

1 **Consumers still see traditional cable subscription as a basic household necessity**

Focus group respondents explained that there's a certain place for traditional video, which other providers cannot match.

Further, consumers believed cable/satellite provides more flexibility to watch shows "when I want."

70%

Subscribe to traditional subscription packages

Cable/satellite delivery is the foundation of the TV viewing experience

"…people have just your basic cable because it's …a basic thing that you get with your house. You get gas, you get basic cable and you get water." (21-34)

Source: PwC consumer research

What consumers are saying now…

2 More content delivered in more ways

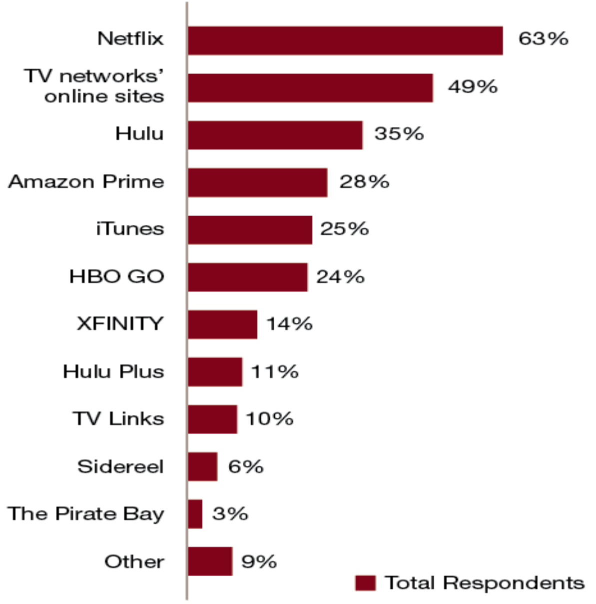
While traditional subscription service still dominates, online content gains momentum, particularly with the younger demographic.

66%

respondents access some content online

Consumers access more TV content from Netflix (63%) than any other option provided.

What sites do you go to access TV content online?



What consumers are saying now…

3 We want what we want when we want it.

The mantra of customization and personalization remains loud and strong

73%

of consumers would prefer to customize their package, picking and choosing the channels that suit their individual interests

For some, there is an expectation that in customizing their own packages, they would save money on their service.

"So, if I can have a package that only fits around my schedule, I can watch what I want to watch, and if I want to watch – oh, my God." (21-34)

What consumers are saying now…

4 Battle for content?

For 35% of respondents, the increased availability of Internet content has little or no effect on the value they place on traditional subscription packages.

What consumers are saying now…

5 Two (or more) screens are better than one

Among this group, 56% say their use of a mobile device while watching TV is sometimes related to a specific show.

What consumers are saying now…

6 Discovering new content

Content Discovery Sources	Total	18-24	25-34	35-49	50-59
Online Services	64%	76%	72%	65%	41%
Online / Internet	53%	60%	56%	57%	38%
Netflix	5%	4%	9%	4%	2%
Hulu	5%	7%	7%	4%	1%
Other Offline Sources	22%	21%	19%	23%	29%
Word of Mouth/ Friend's Suggestion	6%	7%	8%	4%	5%
Newspaper / Magazines	5%	6%	1%	5%	12%
TV Guide	5%	2%	3%	7%	7%
TV Providers	7%	1%	3%	9%	15%
Don't know	6%	3%	4%	6%	10%

Source: PwC consumer research

If you didn't have a TV subscription service, how do you think you might go about finding new content?

In the absence of a traditional TV subscription,

64%

of respondents would look to online sources for automated recommendations on content

while only

6%

of respondents say they would seek friends' suggestions

What consumers are saying now…

7 History repeats itself

When asked which best reflects how you determine what TV shows/ channels you are going to watch?

88%

of respondents said it's a show that I have watched in the past

45%

simply channel surf their way into new programming discovery

There are only so many hours in the day, and consumers want to be sure they watch the shows, series, and movies that they like

59%

of consumers say they are in fact influenced by family and friends when it comes to selecting specific TV shows or channels to watch

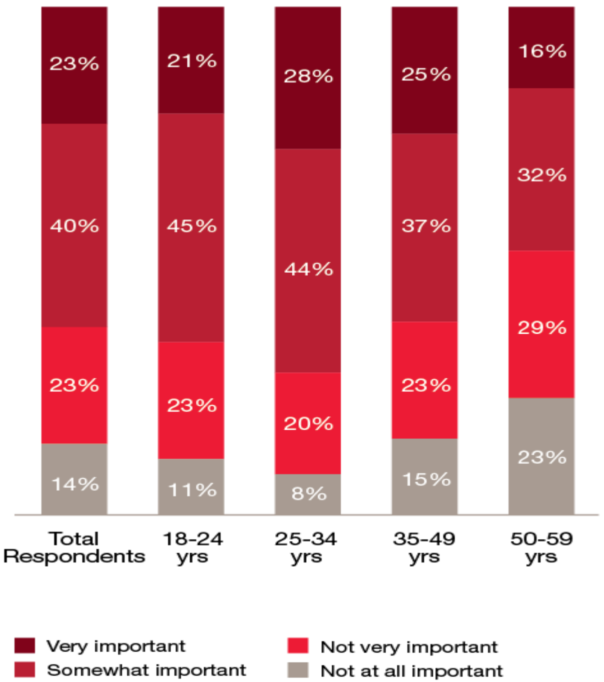
What consumers are saying now…

8 Originality drives interest

63%

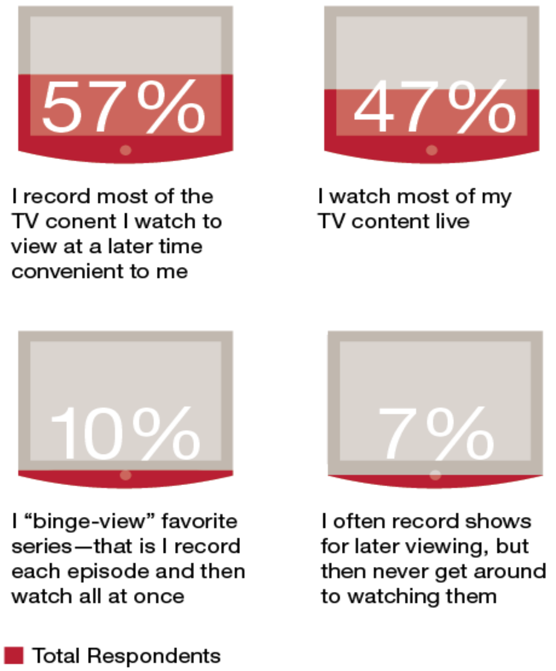
of respondents believe that original programming is important, skewing more so to the 25-34 age group (72%)

“Netflix [was] nominated for Emmys this year. That’s the shocker right there –” (21-34)



What consumers are saying now…

9 No time for real time



Of the following options, which three best reflect how you determine what TV shows/channels you are going to watch?

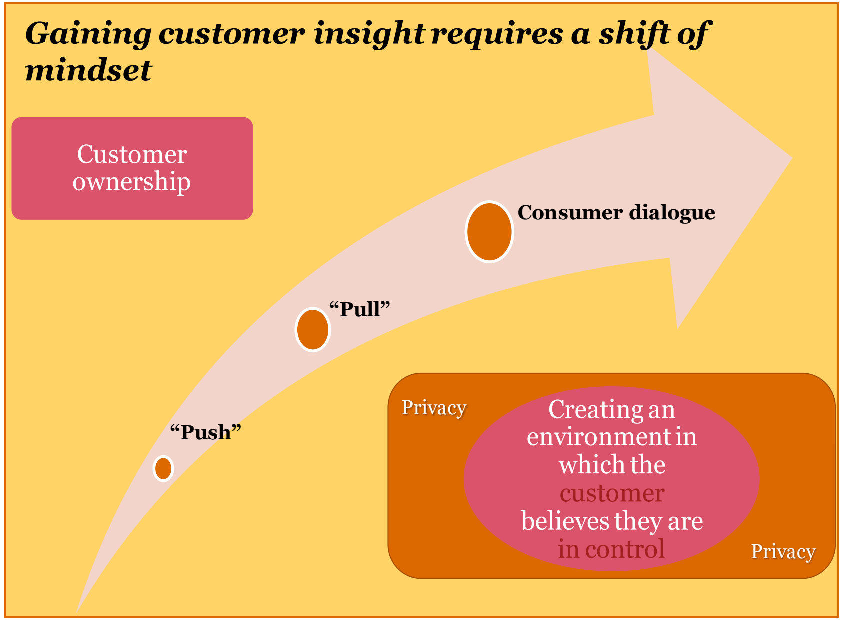
> *“Live [viewing]? Only the news.”*
>
> *(35-49)*

What consumers are saying now…

10 The industry challenge is to engage with customers at an individual, personalized level… in a privacy-assured manner

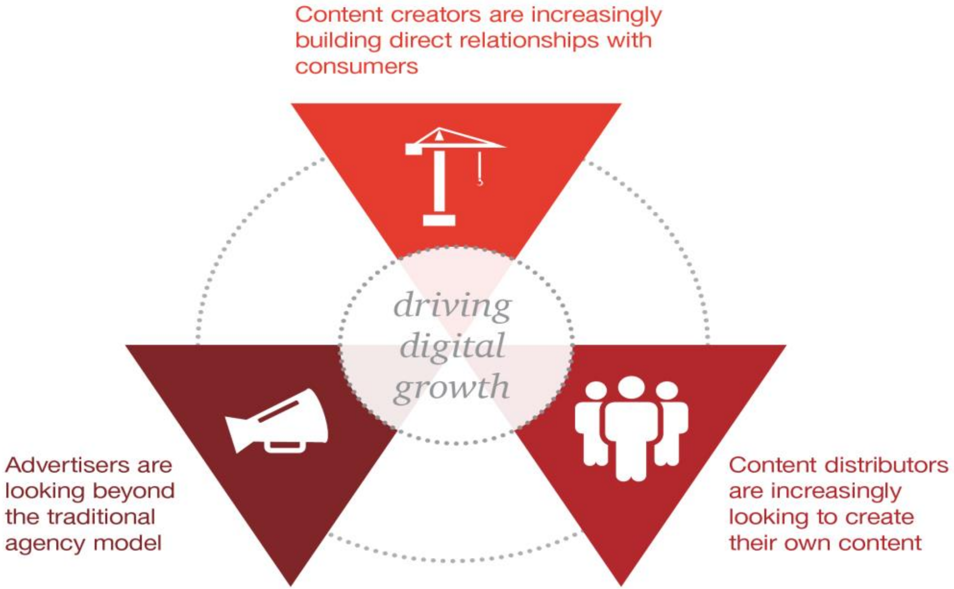
PwC found that:

- **76%** of respondents are willing to share personal information when they were offered free benefits
- **80%** of respondents said they were willing to share personal information if the company lets them know upfront how they are going to use it
- A *Consumer Privacy Bill of Rights* might actually increase consumers' willingness to share information
- **87%** of survey respondents want to be able to manage what and how personal information is used

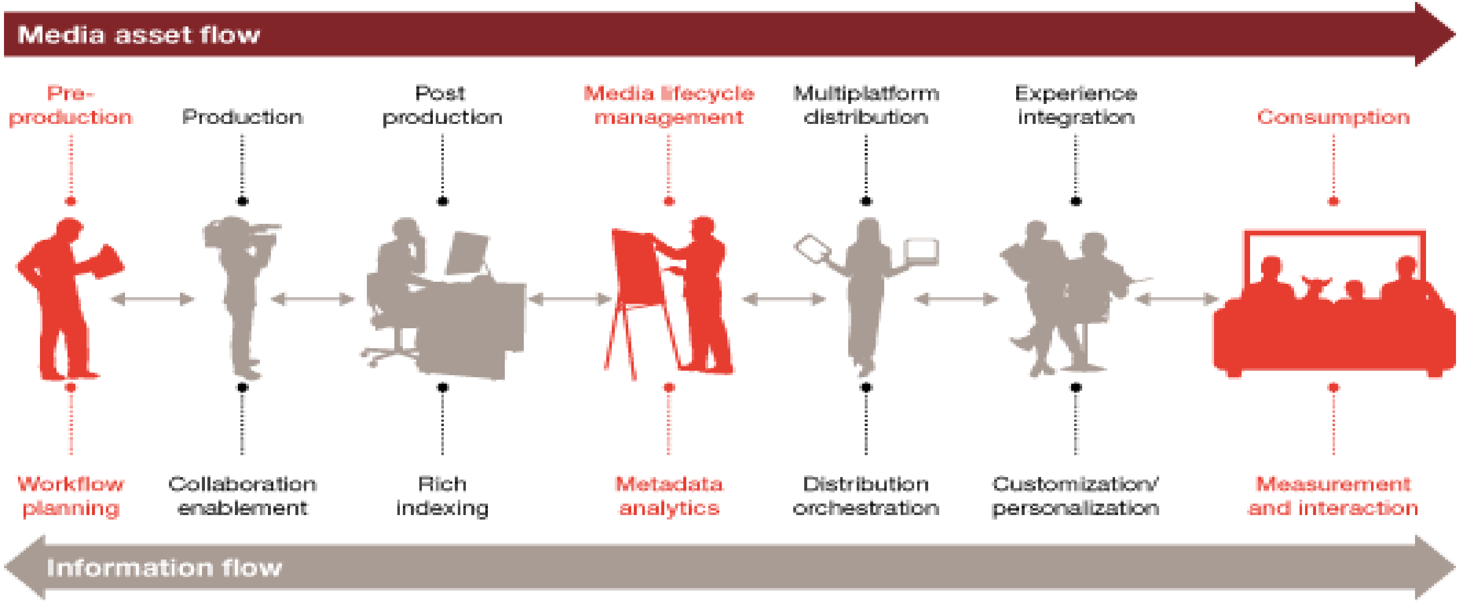


Implications

Content publishers of all types are accelerating their transition to D2C business models in a competition for the Content Ecosystem's multi-screen experiences



It's not a Value Chain anymore… Service infrastructure enables an ecosystem of collaborators



Planning and workflow helps define and manage the interaction across the Value Ecosystem

Collaboration increasingly occurs across communities of creatives or studios in production and post-production

Multi-platform, integrated delivery and personalization creates complexity and pushes requirements upstream

Thank you

Blake White

PwC | Director
408-817-5838
Blake.L.White@us.pwc.com

www.pwc.com/us/em
www.pwc.com/consumerintelligenceseries