



International
IPTV Consumer
Readiness Study

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Methodology

The Accenture International IPTV Study is based on structured telephone interviews using a standard questionnaire and quantitative analysis methods across a population of 6,030 consumer respondents in six countries: France, Germany, Italy, Spain, the United Kingdom and the United States. Interviews were weighted by four variables – age, sex, geographic region and race – to ensure a reliable and accurate representation of the total adult population. The geographical spread of the sample is considered statistically sufficient to support global findings, and the results from the individual countries have been aggregated to give a global view. Asia was omitted from the sample, as the response bias in this market would have skewed the overall findings given its more developed position in IPTV. The study's main objectives were to establish how familiar consumers are with the concept of IPTV, and then to gauge their willingness to purchase IPTV services once they understand them.

IPTV: Switching the message from technology to services

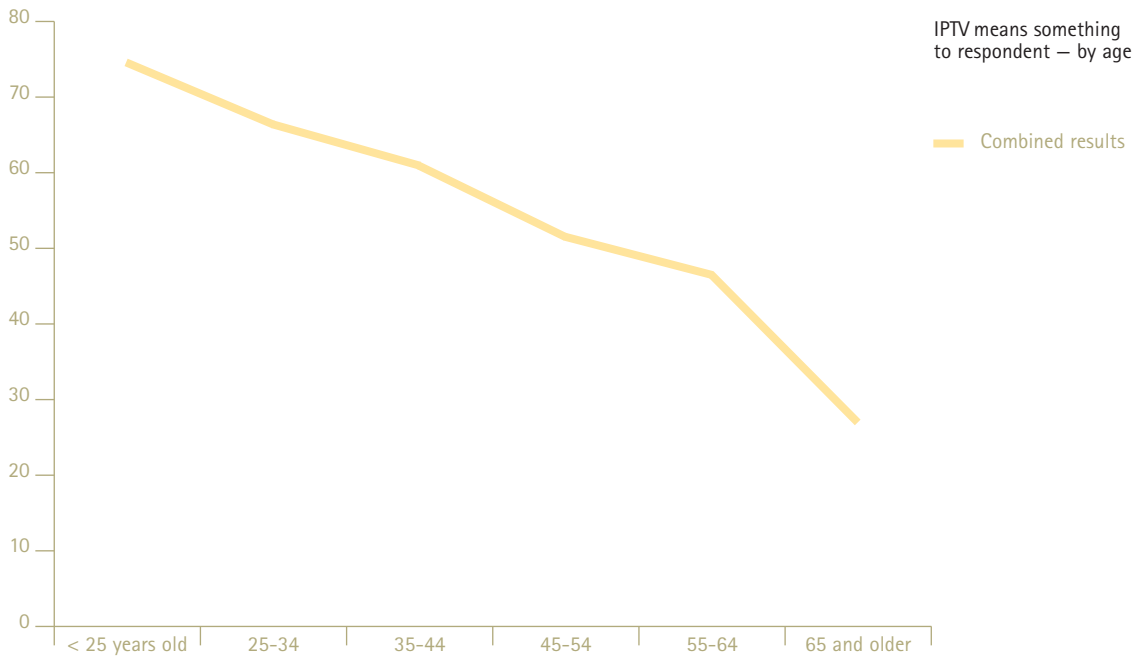
The advent of IPTV – the delivery of broadcast-quality digital television and other services over a broadband network using Internet technology – is likely to fundamentally change the way in which we learn, communicate and entertain ourselves in the coming decades. At this time many major communications providers around the world are poised to enter and scale businesses providing IPTV services but are consumers ready for them?

A new Accenture study covering several thousand consumers across six countries explores their perceptions and attitudes towards IPTV and uncovers a number of findings that have implications for providers.

The study reveals that the term 'IPTV' has very little meaning for many consumers – and even those who know the term have widely differing views on what it actually stands for. Yet, on a more positive note, there is widespread interest in the types of services enabled by IPTV.

The research study, whose methodology is described in the accompanying information panel, also found that cost represents the major barrier to IPTV adoption across all countries and age groups. However, willingness to pay for some of the extra features enabled by IPTV is higher among younger customers than older ones.

Figure 1: What does IPTV mean – by age?



Consumer recognition: a long way to go...

As noted earlier, consumers across our sample exhibit widespread confusion and even a complete lack of awareness over what IPTV actually is. Large proportions of the respondents in all six countries surveyed – 46 percent overall – say they do not know what IPTV is. Even in the US, where respondents have the highest awareness of IPTV, more than one in four (28 percent) are uncertain what IPTV is; this is dwarfed by the lack of awareness in Europe, which reaches 58 percent in the UK.

Even those consumers who claim to be aware of IPTV disagree over how to define it. In every single country, we found that consumers' views on what IPTV means are highly fragmented, with no more than one in five mentioning any single answer. The definitions most commonly chosen by respondents for IPTV include watching TV on a computer, an improved

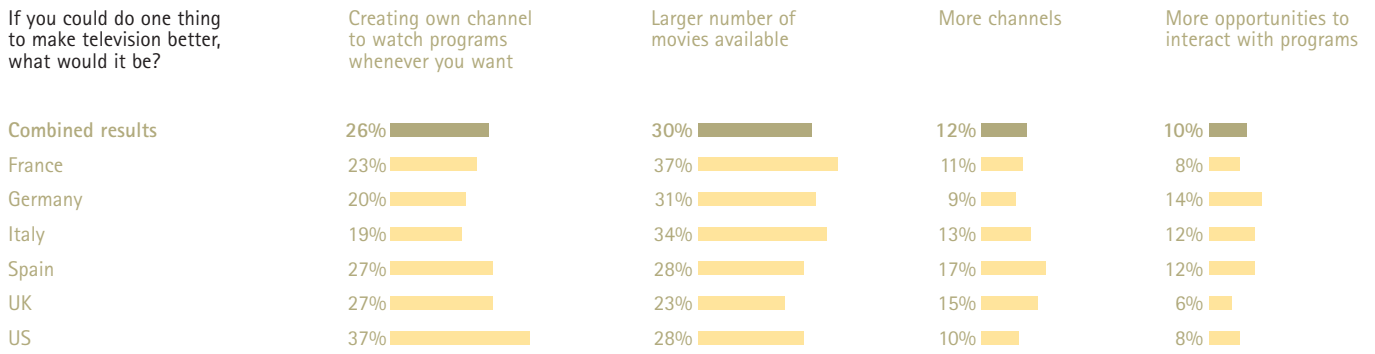
version of cable/satellite TV, and surfing the internet on TV.

...but light on the horizon

However, while there is clearly an education challenge around IPTV, there are also some more positive findings. One is that the level of confusion declines significantly in geographies where IPTV services are gaining acceptance. The most aware countries are US, followed by Italy, Germany, France.

This could be because IPTV offerings are already in place in some of these countries, with the result that press coverage and other forms of consumer education have made people more familiar with the type of services enabled through IPTV. For example, in Italy, where Fastweb has been offering a 'triple play' consumer proposition for some time, only 39 percent of respondents were uncertain about how to define IPTV.

Figure 2: Making TV better



Equally significantly, age represents the strongest influence on people's awareness of what IPTV means. As Figure 1 shows, younger people across our sample countries are more aware of what IPTV means than their parents or grandparents – a finding with possible implications for future take-up.

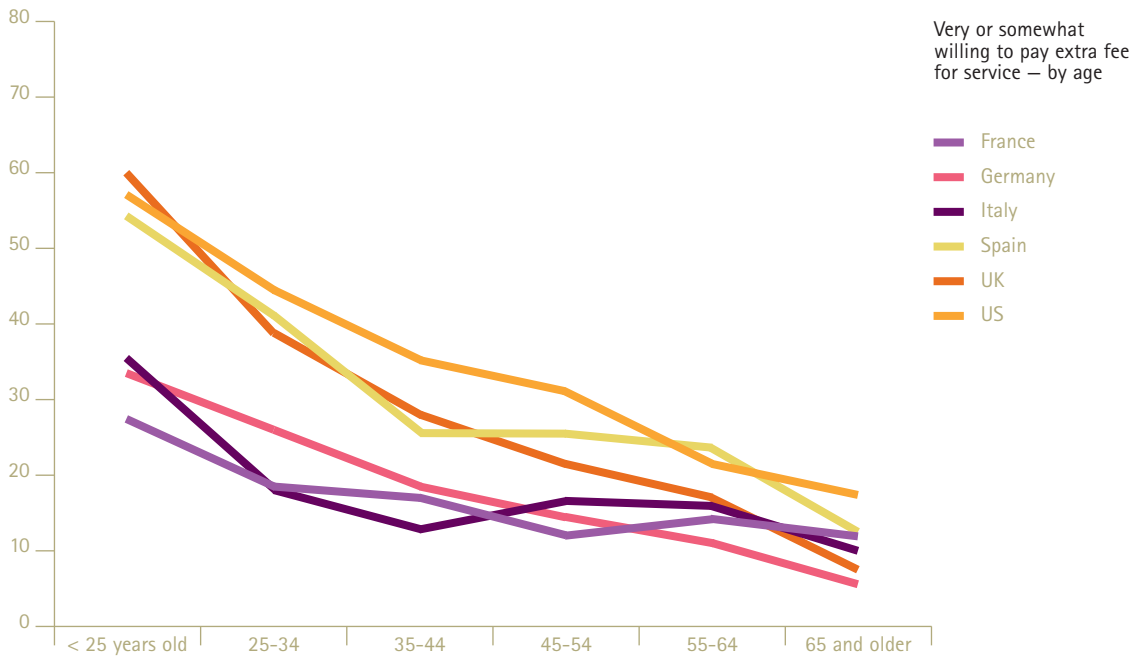
Consumers also express interest in having a greater selection of programmes and access to a large content library. The ability to create a personalized channel attracts the highest level of interest among younger consumers.

Healthy demand for IPTV-type services

The findings are even more encouraging on consumers' attitudes to the kind of services enabled by IPTV. There is widespread interest in these types of services, and consumers strongly appreciate the flexibility that IPTV services could provide.

When asked to name how current TV might be improved, respondents in all countries are very interested in a greater ability to chose specialist programmes and having access to more movies [see Figure 2].

Figure 3: Willingness to pay fee for new TV entertainment service



Cost: the main hurdle to cross

In terms of the principal barriers to IPTV adoption, our research shows that cost is by far and away the most significant impediment across all countries and age groups. The single greatest barrier lies in consumers' concern over having to make additional spending on top of paying for existing TV services. Across our sample overall, 73 percent of respondents are not very willing or not at all willing to pay extra for the ability to search for entertainment content whenever they want it. This proportion varies very little from country to country.

More positively, the degree of willingness to pay for some of the extra features enabled by IPTV is higher for younger customers than older ones [see Figure 3]. This finding may be surprising, given the general perception that younger demographics are used to

downloading content for free. This same demographic is also used to paying for some personalized communications services, such as ring-tones, so they may be more willing to pay for services which are seen as compelling. Men are also slightly more likely than women in all countries to be willing to pay for IPTV-enabled services.

Our research also highlights some further consumer concerns besides cost. Respondents also voice the following concerns over subscribing to television over the internet:

- Reliability of the internet connection may affect quality of TV service (39 percent)
- Virus attack on IPTV service (38 percent)
- The need to purchase new TV equipment (again essentially a cost consideration) (35 percent)

- May end up spending too much time in front of TV (34 percent)
- Don't know how to make it work (worry over the technology) (30 percent)

Attractiveness factors

Our research also highlights some interesting findings in terms of the factors that consumers find attractive about an IPTV proposition. Across all countries, respondents say one of the most convincing selling points for trying a TV service that operates over the Internet is less advertising. Interestingly, many respondents are willing to trade price of an IPTV service against less adverts. This is especially prevalent in the US, where 55 percent are ready to strike this sort of deal.

Perhaps unsurprisingly, the 'killer' selling point remains content (namely TV programmes), with the ability to

choose specialist programmes such as documentaries (47 percent overall) and wider selection of programming (39 percent) also influencing respondents to adopt the service, especially in continental Europe. However, whatever the other attractions, people still want value for their money, with 41 percent of respondents saying they can be persuaded to adopt IPTV service if 'it is priced lower than existing TV services.' The two other significant factors are superior customer service (34 percent) and recommendations from friends/families (29 percent).

The device issue

Our research also looked at consumer preferences as to the devices used for consuming IPTV. The least favored devices on which to watch television are mobile phones and portable music or game players. Across all countries surveyed, the most popular alternative to viewing television on a traditional

television set is a computer – mentioned by 36 percent overall, ranging from 31 percent in Germany to 43 percent in Spain.

Across the sample as a whole, the devices mentioned most frequently after the computer are portables such as the iPod (14 percent), followed by mobile phone (13 percent), and gaming console (12 percent).

Implications for providers

Our findings provide some interesting implications for IPTV providers on how to develop their propositions.

- It is the "TV", not the "IP" that is of interest to the consumer. Consumers are interested in great content and new services made possible by the coming world of almost limitless choice. Audiences don't care about the underlying technology. In their consumer marketing and communications strategies IPTV providers need to focus on the provision of distinctive, original and imaginative content, on increased consumer choice and control, and on what customers are able to do with the content.
- Among the consumers we surveyed there was widespread misunderstanding (or no understanding) of what IPTV is. As with any new service, operators need to proactively encourage the adoption of different consumer behavior in relation to new and different services. Initial launches

should be grounded in terms, services and functions that consumers already understand, introducing more complicated services over time as consumer understanding and familiarity grows.

- IPTV trials must be used, not just to test the stability and scalability of the technology, but to refine the proposition. Smart operators will test the types of services customers show interest in during the trial phase of an IPTV launch program. This should include the testing of different price points.
- When it comes to persuading consumers to receive TV services via telephone lines, reliability and ease of use are key. Our research highlights significant levels of concern among consumers that some of the problems associated with the internet, such as reliability, complexity and viruses, may also be associated with IPTV. Making this as simple, reliable and easy to use as the familiar TV and remote control

is essential to overcoming this barrier and gaining consumer confidence in IPTV services.

- Compelling TV content is the core foundation of any IPTV proposition. Interactive functions, on-demand searching and other advanced services are of interest to consumers, but TV programming – however differently it is presented in the on-demand world – is what will continue to most attract consumers.
- Consumers overwhelmingly prefer to watch television on a television set. In our survey some interest was shown in watching television on other devices, notably the personal computer, but that will not open up the mass market. Delivering IPTV services to a computer or portable device may be a useful stepping stone for operators, but providing a reliable service to a television set is essential for a mainstream service.

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