

Consumers of all ages are going over-the-top

Results of the 2011 Accenture Video-Over-Internet Consumer Usage Survey


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The era of Internet video is here, and it's influencing the viewing behaviors of more than just younger generations. According to new research from Accenture—the 2011 Video-Over-Internet Consumer Usage Survey—more than three-quarters of consumers of all ages in major geographies around the world are now watching video content over the Internet via a PC or TV—also called “over-the-top TV” (see Figure 1).

Of course, the fact that 85 percent of people ages 18 to 24 are Internet video consumers is hardly surprising. But even among consumers over the age of 65, two-thirds of our survey respondents are joining the Internet video movement. And 82 percent of those in one of the most important demographics to advertisers (ages 35 to 44) are now accessing and interacting with video over desktops, laptops, Internet-connected TVs and mobile devices.

These are numbers that cannot be ignored. Consumption of video over the Internet is now more than a millennial-generation phenomenon; it is an activity that crosses all ages. Video over the Internet is on its way to becoming the new mass media.

Although considerable challenges lie ahead for broadcasters, telcos and other companies looking to position themselves optimally within the Internet video ecosystem, it's clear that consumers are ready—and in some instances may even be ahead of the companies—in terms of their vision for how, when and where they watch and interact with video content in the digital age.

New research from Accenture: consumer trends in the Internet video industry

The amazing growth of broadband is shaking up how people around the world watch TV and, in general, how they consume all types of video content across all types of devices. It's also shaking up business models and entire industries, as Web-enabled platforms drive a rapid uptake of digital video services.

In this environment of overwhelming market potential, it's more important than ever for all the players in this market space—broadcasters, content providers, network operators and other

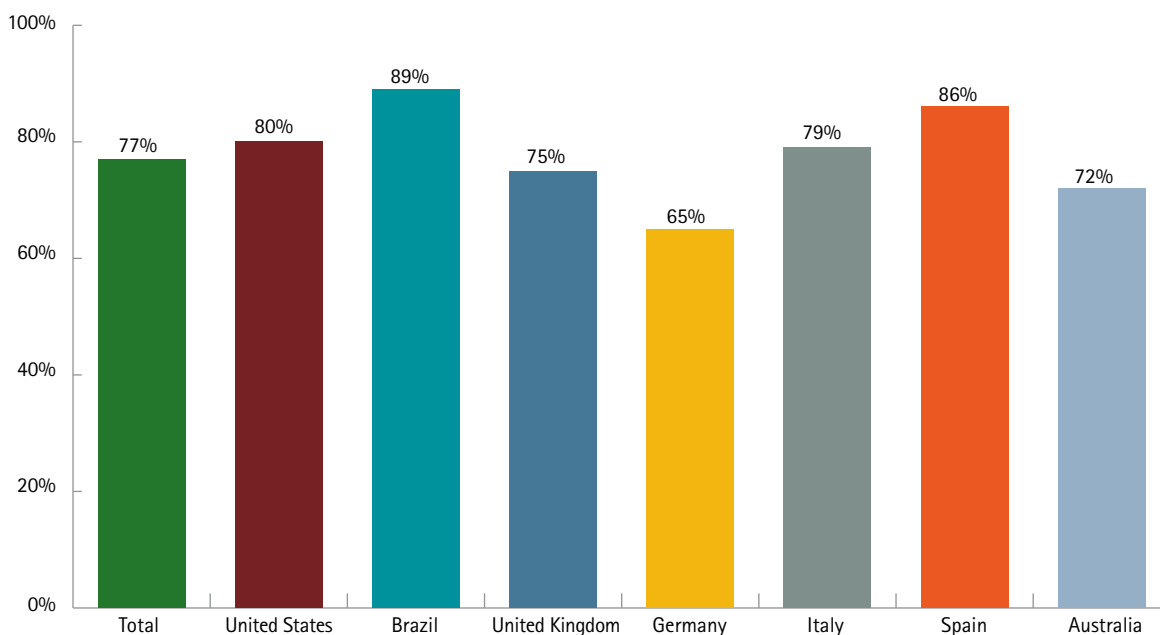
communications companies—to have a better understanding of changing consumer behaviors and interests, so they can direct their investments properly.

To give companies deeper insights into their target customers as they launch or extend broadband TV and video capabilities, Accenture has conducted a global survey of more than 6,500 consumers around the world across major geographies: the United States, United Kingdom, Australia, Brazil, Germany, Italy and Spain.

The results give companies a look not only at current trends, but also at where those trends are leading, in terms of both video viewing habits and where revenue growth is most likely to occur. Although traditional linear TV offerings still dominate consumer viewing habits, that dominance is already in question.

Case in point: two-thirds to three-fourths of consumers are already using other devices including desktop computers, laptops, DVD players, mobile devices and even broadband-enabled TVs to watch video.

Figure 1. Proportions of consumers (total and by geography) who watch video over the Internet



Consumers are still watching traditional TV, but they're also viewing content over an amazing range of other devices and interacting with content and people during the viewing experience.

The need for over-the-top players to adopt new capabilities and business models may increase the demand for specialty firms and partners with both the technology and experience to bring compelling offerings to market at an accelerated pace. This demand is heightened by a constantly evolving landscape of services and devices which, our research finds, are increasingly compelling to consumers all over the world.

Video on everything? The growth of video watching across devices

Watching TV certainly isn't what it used to be. Once confined to a single kind of device, and an experience that involved an undifferentiated audience "leaning back" to enjoy content pushed to them, the video experience has become much more of a "lean-forward" activity that involves choosing, interacting and sharing.

This is a trend that's been growing in the marketplace, and our research confirms it. The consumers participating in the Accenture Video-Over-Internet Usage Survey are certainly still watching traditional, passive, linear TV, but they're also accessing and viewing content over an amazing range of other devices and using other means to interact with content and people during the viewing experience.

For example, seventy-five percent of consumers globally have used a desktop computer to view video content; 72 percent have watched video on a laptop; and 63 percent have watched video on a mobile device or Internet-connected TV. Tablet computers such as iPads—which are new in the marketplace—lag the pack, with only 21 percent of consumers saying they've used them for video watching (see Figure 2).

What does it mean that devices (Internet-connected TVs) so recently introduced have already reached a level of acceptance equal to the use of mobile devices to watch video? The finding may reflect the "form factor" challenge when it comes to mobile video viewing: with broad access to video across devices with larger screens, mobile video viewing will rarely be the first choice among many consumers. Providers will need to focus even more on video content created specifically for the small screens of mobile phones.

Looking at geographic differences, several areas of the world are out in front. Brazil leads the way in desktop video watching (82 percent) and Italy in mobile video watching (76 percent). Consumers in the United States lag behind in several respects when it comes to video over the Internet: as compared to other geographies surveyed, the fewest percentages watch video on laptops (64 percent) and mobile devices (47 percent). Brazil's consumers again lead the pack when it comes to using Internet-connected TVs (78 percent) while Australia shows the lowest level of usage (55 percent).

However, it's the pervasiveness of Internet video-watching across age groups and genders that is truly an outstanding development. Nearly equal percentages of the men (79 percent) and women (75 percent) surveyed are online video consumers. Numbers across the most profitable age demographics are also extremely strong: 85 percent of 18 to 24 year-olds; 84 percent of 25 to 34 year-olds; and 82 percent of 35 to 44 year-olds (see Figure 3).

Figure 2. Proportions of consumers (total and by geography) who watch video—by device

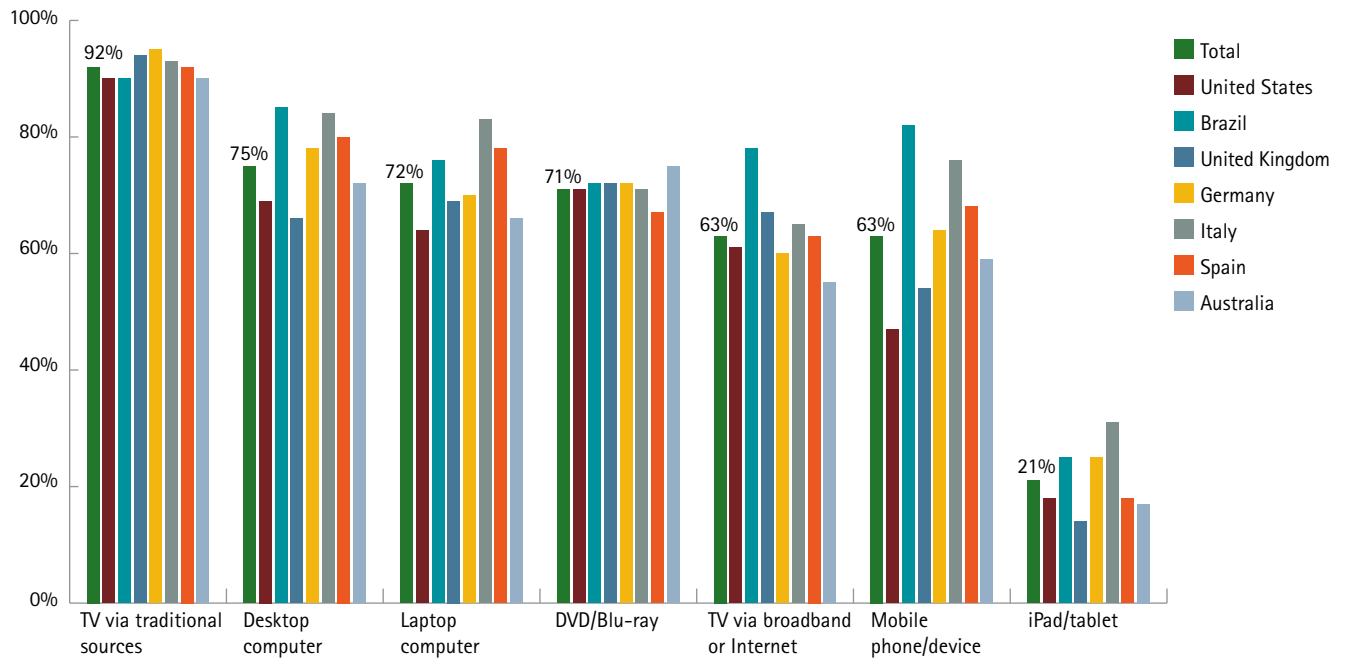
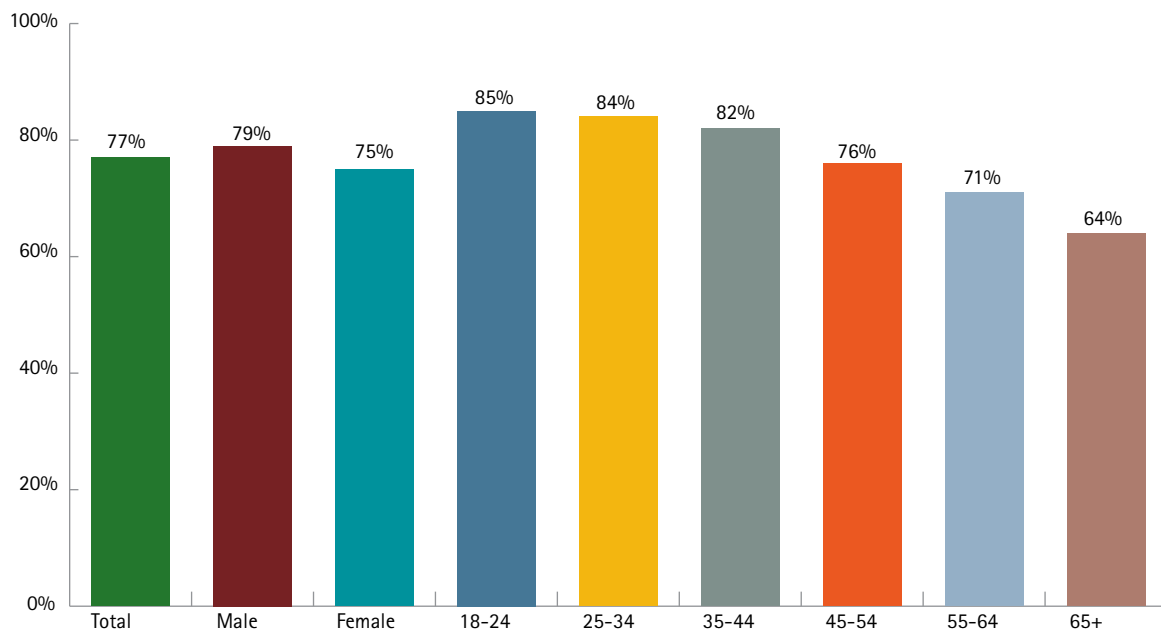


Figure 3. Proportions of consumers who watch video over the Internet—by age and gender



Trending upward, across all age groups

Equally compelling are the trend lines. Our global survey respondents indicated that they were increasing their use of non-traditional devices to watch video. Viewing increased in the past year on laptops (35 percent), desktops (28 percent), Internet-enabled TVs (26 percent) and mobile devices (23 percent) (see Figure 4).

And these trends are showing up in age groups beyond the expected numbers of the millennial generation. Indeed, for most devices, growth numbers are nearly identical for the 25-34 year-old category as for the 18-24 year-old category. Thirty-one percent of consumers in both age groups, for example, have increased their video viewing on desktops; 34 percent in both groups have increased video viewing on laptops; 34 percent in both groups have increased video viewing on mobile devices.

The viewing of video over a laptop has dramatically increased among 18 to 24 year-olds (54 percent) and 25 to 34 year-olds (46 percent), but has also increased by about one-third for consumers between the ages of 35 to 54 (see Figure 5).

Figure 4. Proportions of consumers (total and by geography) whose video watching increased on each device in the past year

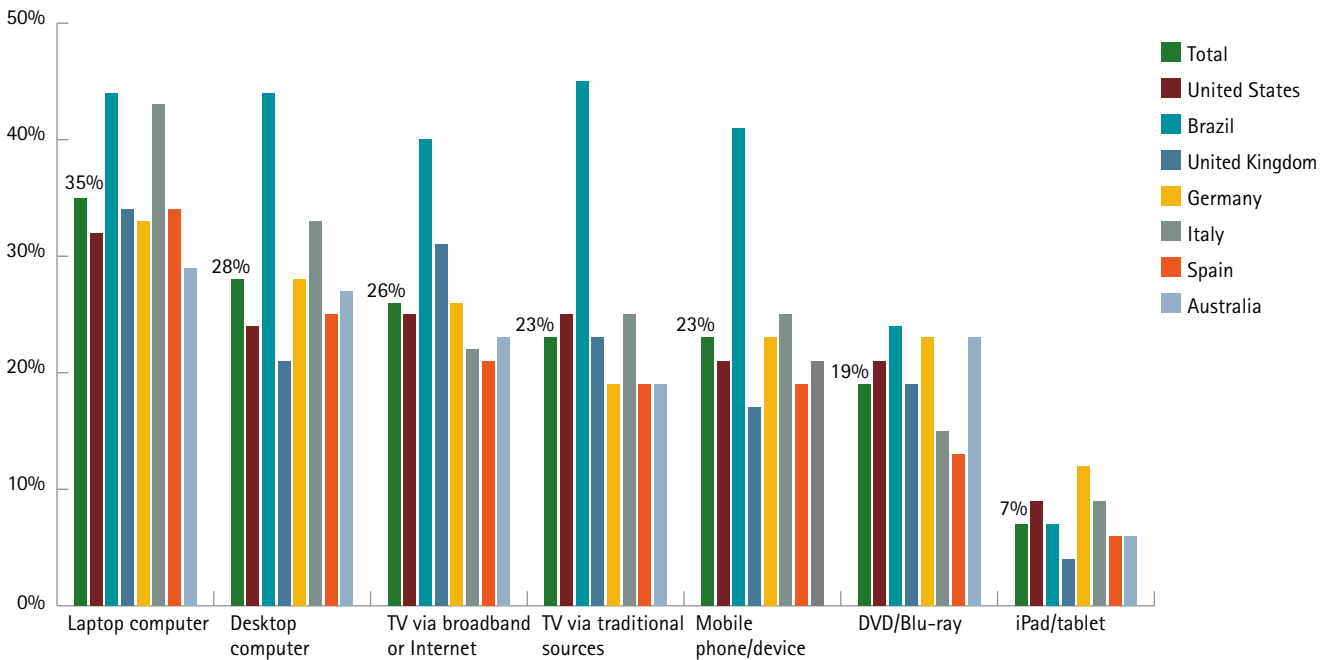
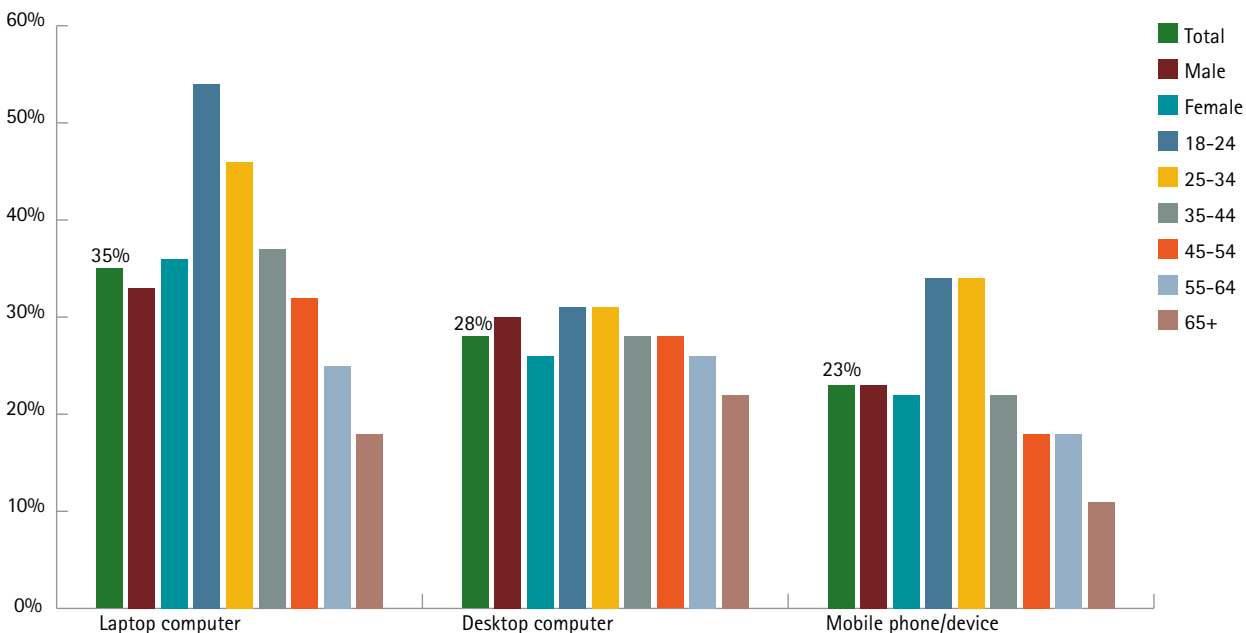


Figure 5. Proportion whose video viewing has increased on each device in the past year—by gender and age



Dealing with a more fragmented viewing experience

The “lean forward” experience enabled by the digital world is also changing the very nature of TV and video viewing. There is no longer any delivery channel or device that receives the uninterrupted attention of viewers. The viewing experience is now made up of an ever-changing mix of different devices for different reasons, all at the same time.

The economics of free-to-air, advertising-funded broadcasting were based on the economy of attention: the ability to capture and maintain people's attention during commercials, at scale. These traditional economics are now in question according to survey results, as eighty-one percent of consumers multi-task with other devices while watching TV, and presumably, this behavior is intensified during 30-second advertising spots. Almost half of consumers (48 percent) use a laptop computer while watching; 41 percent use a mobile device; and 23 percent use a desktop computer. The

analog world isn't going away, either: about one-third of consumers regularly read a book or newspaper while watching TV.

Again, nearly identical percentages of 18 to 24 year-olds (94 percent) and 25 to 34 year-olds (92 percent) multitask. About three-fourths of those ages 45 to 64 also are engaged in multiple media experiences as they watch TV.

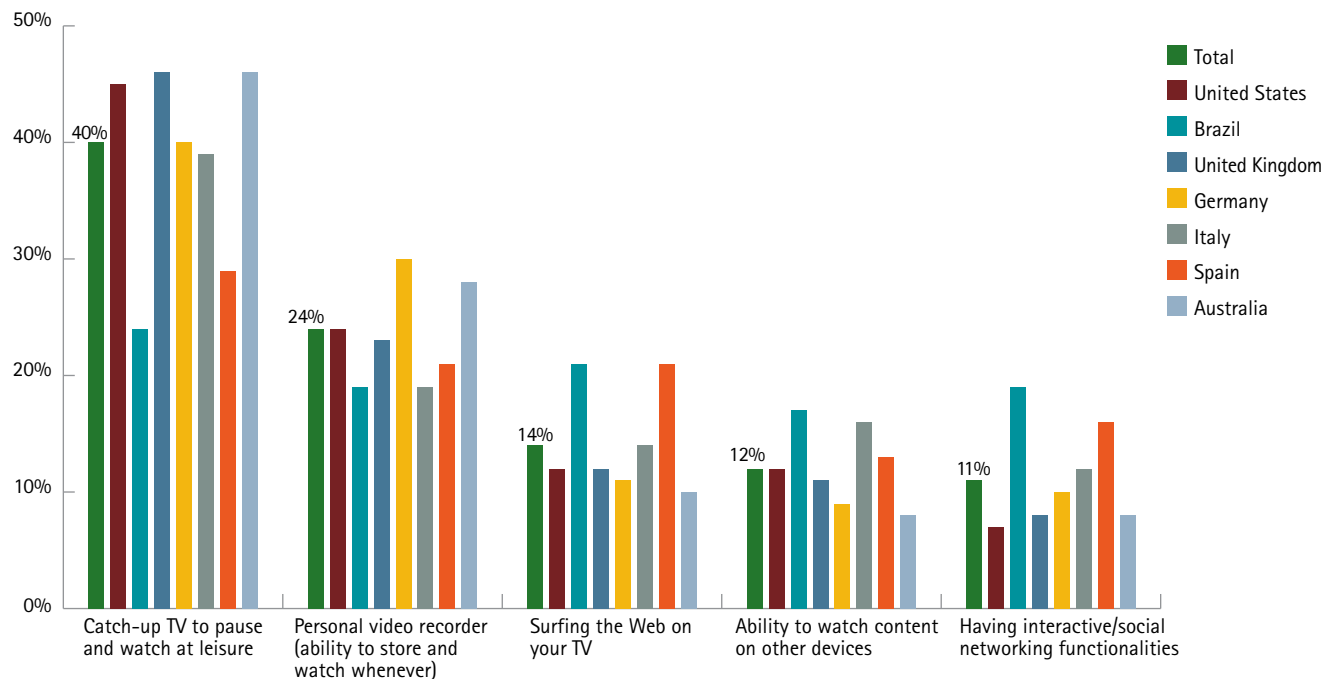
This fragmented viewing experience might at first appear to present challenges to groups such as traditional advertisers looking for a share of dedicated consumer “eyeballs.” On the other hand, companies able to leverage this multi-device, multichannel experience to reinforce messages or content across devices have an opportunity to gain even more viewer awareness and loyalty. Today, very few broadcasters and content providers have truly compelling multi-device services that can leverage these consumer behaviors. Yet consumers are clearly indicating that they have the mental bandwidth to cope with additional information, services and entertainment.

What do consumers want?

What features and functions of Internet/broadband TV are most appealing to consumers? The largest share of respondents—40 percent—pointed to functionality with which they are already familiar: catch-up TV that enables viewers to watch content they may have missed, recorded up to a week or so in the past. This finding is additional support for the contention that consumers are ahead of the market: they want unlimited content at their convenience and actually see less value in the more traditional, but constrained, model of the personal video recorder (PVR) (see Figure 6).

Looking at other service features of video over the Internet, the survey results point to the fact that consumers are now looking to experience the same kinds of freedom, unlimited choices and compelling user experience with their video and TV viewing that they have grown accustomed to on their computers. However, they do not necessarily want to surf the Web and see relatively little value in using the TV as a device for widgets.

Figure 6. Most important Video-Over-Internet service feature: total and by geography



Consumers are indicating that good content is as important as ever, but the key driver for adopting a new service is to package that content with an eye toward a more personalized experience. They want to watch video on their terms—not by appointment.

On the horizon are functions related to social networking. These are features that providers will have to increasingly incorporate into their offerings. Although the numbers of interested consumers appear low at this time, these lean forward capabilities represent a growing trend in the industry. Interest in social networking as a service feature provided through Video-Over-Internet was slightly higher among 18 to 24 year olds (16 percent) than for those ages 25 to 64 (10 to 11 percent).

The greater issue here is control: once consumers experience control over what content they watch and when, it's only a small step to additional matters of control such as on what device and with whom they watch and interact.

Compelling functions for PC and laptop video viewing

The Accenture Video-Over-Internet survey also asked consumers about specific features and functions they would be interested in across different devices. More than half pointed to one of the key capabilities of Internet TV: the ability to store and record content locally, and then view it on multiple devices at their convenience. In this case, the ability to record content on the PC and then watch it later either on that computer or on a TV was compelling functionality to majorities of consumers across most geographies (see Figure 7).

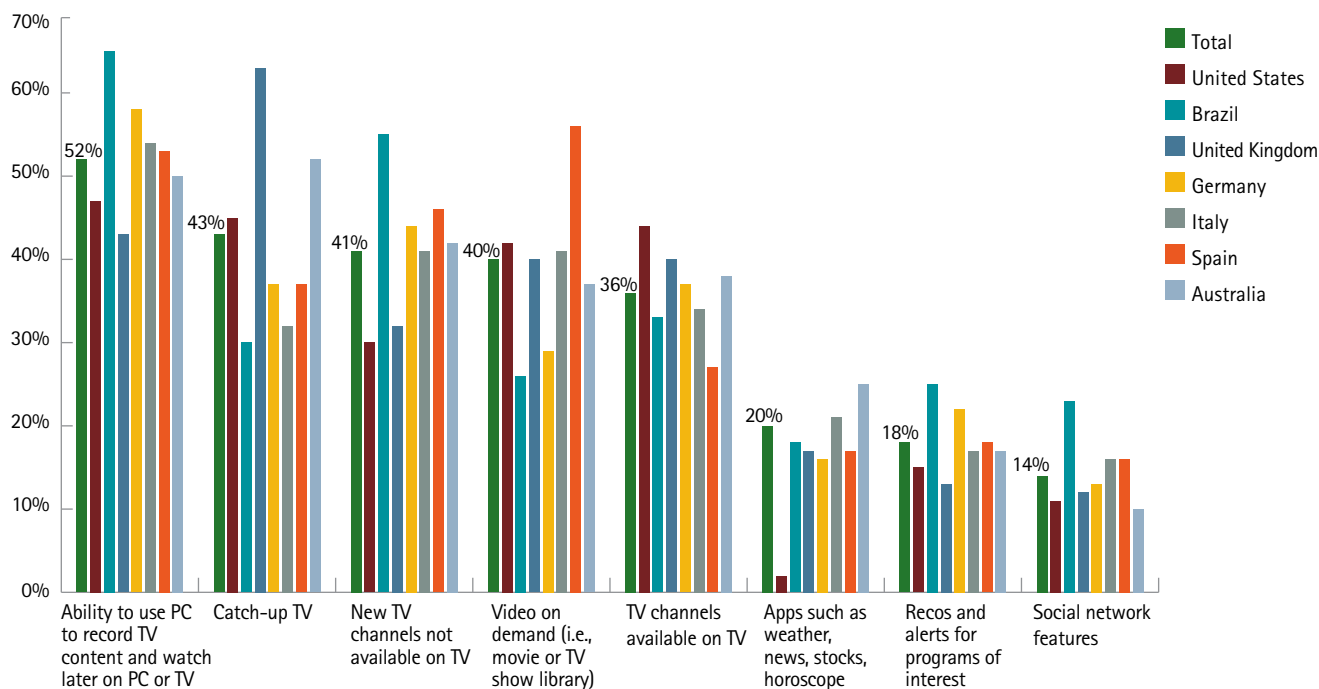
Employing a catch-up feature on a computer was of interest to 43 percent of consumers, and video on demand was of interest to 40 percent. Forty-one percent were interested in the more expansive set of TV channels that can be made available to them through Internet-enabled TV.

Tablets: supporting a more interactive experience

As noted previously, iPads and other tablet computers are just now entering the arena and thus are not yet a significant factor in Internet video by consumers. However, consumers are already aware of how the tablet might change their viewing experience. Although the greatest percentage of consumers (54 percent) are interested in using their tablets for fairly standard video-on-demand and catch-up functions, another 44 percent cited interest in the ability to interact with an on-air program to receive additional content related to what's being viewed. Another 39 percent were interested in access to interactive content during a show (e.g., placing a bet on a game or voting).

These findings again point to a trend that is likely to dramatically alter how video content is provided to consumers and how other media and devices will be used to reinforce the primary experience and device being used.

Figure 7. Preferred services from content providers via Internet on a computer/laptop—total and by geography



Quality is king

"Content is king" has been a standard phrase of the broadcast industry for many years. The statement remains true, but the technical delivery quality of that content is now on the minds of many consumers as well. Asked to name the most important technical feature of Internet TV, about half of consumers around the world (slightly higher in the United Kingdom and Australia) cited quality of service (specifically, clarity of the picture and speed of content delivery). These numbers are almost uniformly consistent across all age groups, too.

The desire for quality viewing far outranked other features such as high-definition (27 percent), the ease of the user interface in enabling search and content management capabilities (14 percent), and the use of recommendation engines to point viewers toward content in which they might be interested (11 percent) (see Figure 8).

This concern about quality was underscored by another finding from the survey: the biggest frustration consumers currently experience with Internet video is the time required to buffer, download and play a video. Clearly, one of the issues providers must anticipate and solve if they are to be successful in the IP video marketplace is the ability to handle congestion on the network and perform streaming in such a way as to deliver a high-quality experience.

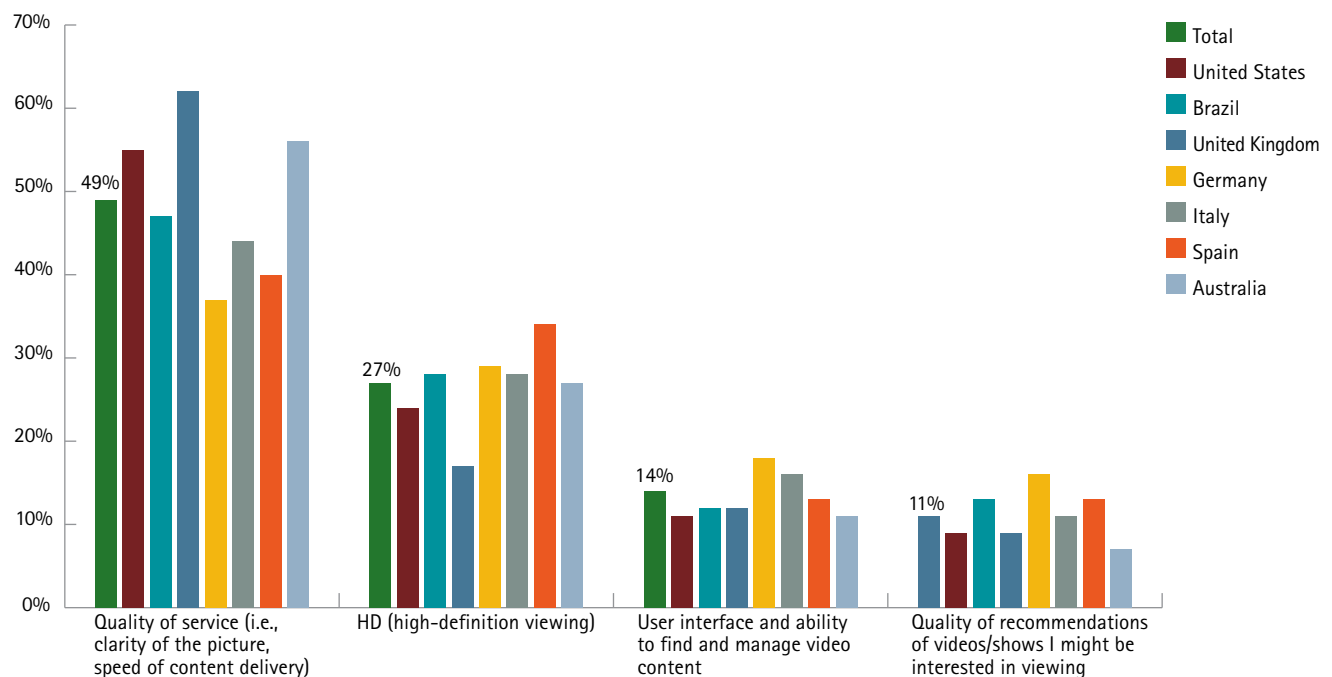
The need for quality becomes a kind of "reality check" for the over-the-top TV era. Yes, exciting functionalities are here because of broadband-enabled video: multidevice convergent experiences, catch-up TV, video on demand, unlimited channels, personalized playlists and more. But simply offering these services is not enough; based on consumer feedback, quality will play a key role in separating winners and losers. "Best effort" quality is no longer acceptable.

As opposed to other areas of our survey where consumers across all age groups shared similar interests, the quality

issue looks to be a growing concern of younger consumers, who appear to be more impatient: 61 percent of consumers ages 18 to 24 are concerned about the time required to download and buffer videos. That percentage consistently drops about seven percentage points as one moves up the age levels. But that also means that quality will be a growing concern as those millennials become key buyers in the future (see Figure 9).

In general "poor video quality" was a concern of more than one-third of consumers (35 percent). Concerns about advertising interfering with the viewing experience was named by about the same number of respondents (36 percent). Costs were not cited as a primary concern: only 16 percent of consumers are worried about increased broadband data costs from downloading videos, though that number was much higher in Brazil (30 percent).

Figure 8. Most important Video-Over-Internet technical feature: total and by geography



Managing the effects

Is Internet TV beginning to surpass other important sources of revenue such as premium subscription services? These effects are only beginning to be seen and are unclear as of yet. Although about two-thirds of consumers (fairly consistently across geographies) have not changed their premium channel subscriptions because of Internet TV, results indicate an initial net loss of premium channel subscriptions of about eight percent. Consumers are possibly not fully convinced that over-the-top video is a full substitute for premium pay TV, but as consumers test new, over-the-top services, a progressive downgrading of subscriptions may occur.

Similarly, Internet video has had only a modest effect on video-on-demand (VoD) purchases. About three-fourths of respondents said their VoD purchasing habits have remained about the same; eight percent or so claim to have reduced VoD purchases, but about an equal amount say they are now actually purchasing more.

Conclusion: Listening to the consumer

Different types of companies are experimenting with Video-Over-Internet services, and savvy players are learning both from past mistakes and current stumbles. Original IPTV offerings, for example, did not meet expectations because they tried to imprison consumers in proprietary, walled gardens. Mobile video has struggled with overcoming the restrictions of smaller screens and devices.

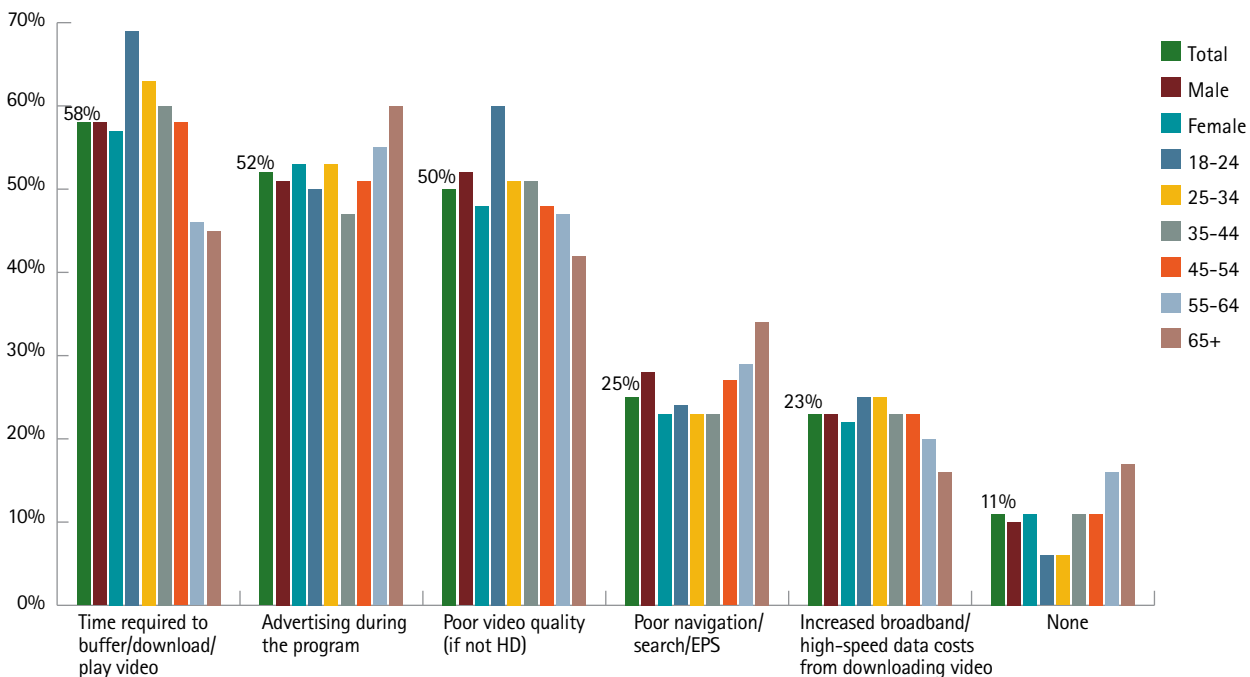
In general, openness is becoming an important marketplace characteristic, and also a key to success. Since the birth of commercial television, TV broadcasting has been a business dominated by a fairly limited number of stakeholders. Today, many players are jockeying for position. New stakeholders—telcos, Web search engines, portals, device and software giants, and others—are looking to play a key role in how the industry evolves. This is now a wide-open—and increasingly global—playing field.

The ultimate stakeholder, however, is the consumer. Understanding consumer Video-Over-Internet preferences is critical to success, regardless of where a company seeks to position itself in the overall ecosystem.

Video delivered over broadband connectivity is no longer a phenomenon confined to younger generations. As the 2011 Accenture Video-Over-Internet Consumer Usage Survey shows, growing percentages of consumers across all age groups are watching video on Internet-enabled devices.

Consumers are indicating strongly that they are ready for a true multi-device experience—one that goes beyond simply replicating traditional TV on another device to creating a new experience where content is important, quality is critical and personalization of the service is a must. Over-the-top TV can succeed—if companies understand and embrace new consumer behaviors.

Figure 9. Frustrations about viewing Internet video on computer, TV and other devices—by gender and age*



*Data in the chart is reflective of the 4,566 survey respondents who are currently viewing Internet video on their computer, laptop, mobile phone, tablet, or other device.

Contact

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