

Videoquake 4.0: Binge, stream, repeat - how video is changing forever

Consumer Intelligence Series



Introduction

2016 was a watershed year for video consumption. Against the backdrop of the most divisive presidential election of the modern era, the first Chicago Cubs World Series win in 108 years, the Olympic Games in Brazil and racially charged shootings of civilians and law-enforcement officers, audiences were glued to their screens, big and small, all the time and everywhere.

Thanks to new technologies including Facebook Live and Periscope, major events and small life moments could be broadcast live from individual smartphones and then, after the fact, shared far and wide on TV and across the web.

In 2016, consumers' relationship with video content changed, driven further by an abundance of original content from streaming services such as Netflix, Hulu, Amazon Prime and from short-form distributors such as YouTube and apps like Snapchat and Instagram Video.

So what does the consumer make of all these changes? Are they reeling or simply looking for something good to watch? Or both? This report provides a consumer-based view of these sweeping trends that are transforming the video landscape.



Methodology

For the last three years, our annual research has tracked the impact of the changing TV landscape and the audiences that engage with it. As in the past, this year we set out to explore the many ways in which video content consumption has continued to change throughout 2016 and what this means for consumers and the industry at large.

Using focus groups, a field survey and social listening, we were able to paint the full picture of the evolution of content.



Focus groups

In September 2016, we conducted two consumer focus groups in Los Angeles. One group focused on Millennials and Gen Z, the other on traditional pay TV subscribers and cord trimmers.

Consumer survey

We sampled over 1,200 US consumers via a nationally representative online survey to explore consumer attitudes toward video content and corresponding behavioral shifts. The survey was conducted among adults 18-59, with household incomes above \$40,000. We analyzed our results against similar studies we conducted in fall 2015, fall 2014, and fall 2013 and also added new topics to explore for 2016.

Social listening

PwC created a comprehensive search of relevant key words, fine-tuning based on results, and then analyzed the data against situational context. Over a three month period we examined social media mentions, analyzing them for insight into how consumers consume video content.

Rise of mobile viewing



It is clear that not only are audiences consuming more content than ever – but they are also doing so more than ever on smartphones and tablets. For example, Facebook, available across all screens, with its one billion users worldwide, has adopted a “mobile first” strategy and believes mobile video is the key to its future. AT&T has also adopted a mobile first strategy integrating mobility and video offerings allowing customers to consume content anytime, anywhere. It allows customers to watch DirecTV on their mobile devices, and just launched DirecTV Now, a new mix of pricing and channel lineups.

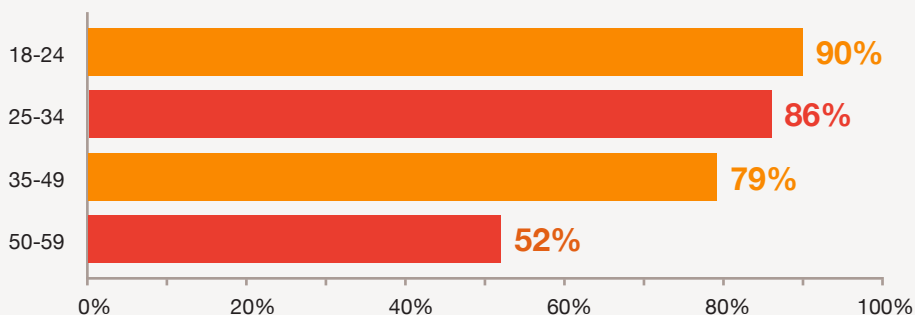
This mobile video trend is driven in part by substantial increases in access, both from mobile and smartphone data subscriptions as well as the expansion of broadband and WiFi infrastructure, but also by the emergence of new, young adult consumers for whom a world without smartphones, tablets and streaming services is unknown. For younger segments such as Gen Z (born 1995 and thereafter) and the tail-end of Millennials, the smartphone is the undisputed screen of choice for communication, content and commerce. They watch more video, more often on their mobile devices than their older counterparts.

But, in truth, the mobile screen is becoming increasingly important across all demographic groups. 90% say they believe that using mobile for video is on the rise. Nearly all (91%) of our respondents owned smartphones, and the vast majority of those (76%) view video on their mobile devices. More than half do so on a daily basis. 76% say they are watching video more on their smartphones than they were a year ago, and 50% are watching on their tablets more than a year ago. Nearly 60% reported that their smartphone was the primary place they view video content, which includes short-form video, TV shows and in some cases, full-length films. This number increases to nearly 70% among 18 to 24-year-olds.

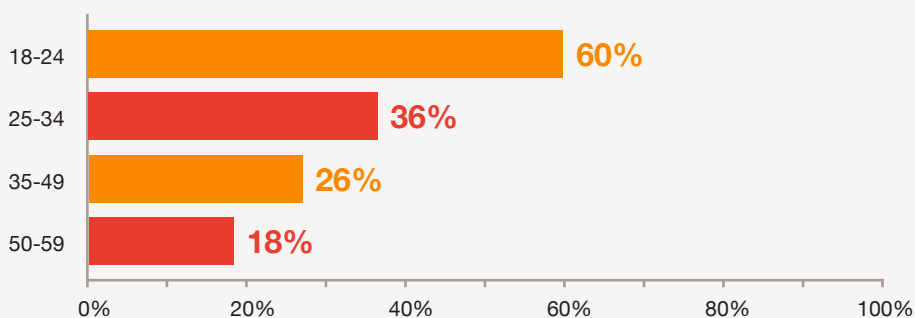
Our findings indicate that smartphones are often used while doing other things, including watching regular TV. 80% of respondents said they watch videos on mobile devices at home vs. only 52% “on the go,” indicating mobile viewing may be happening on additional screens, as viewers maximize their growing access to data plans and WiFi, while others in the household are viewing on other (presumably larger) screens. In fact, consumers are more agile than ever before when it comes to second screens –



Do you watch video on your mobile device?

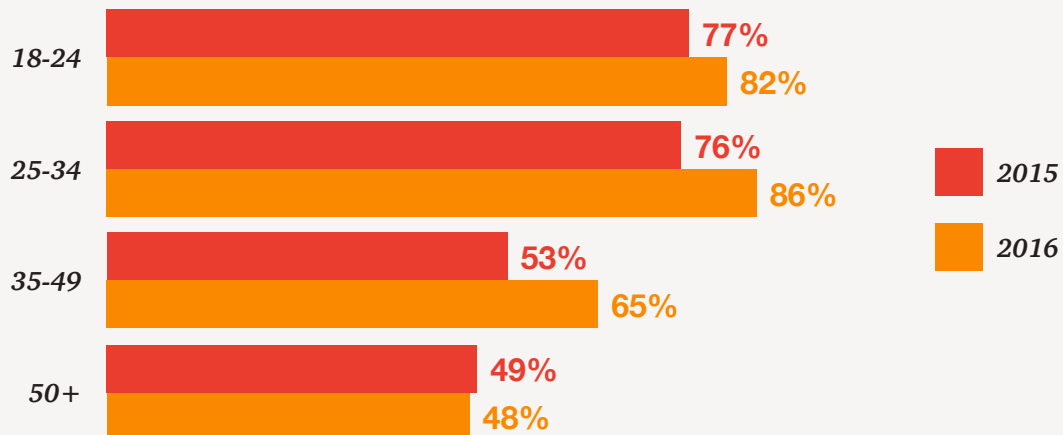


Watch video content on mobile phone: several times a day





Access TV content from the internet



58% say they watch TV while also using their laptop and mobile device, compared to 53% last year. They are also more likely to access TV content from the internet.

While, in general, people tend to watch short-form content (i.e. YouTube or other social media videos) on their mobile devices, a considerable proportion of younger consumers are watching long-form content such as TV shows and movies on their mobile devices. 62% of 18 to 24-year-olds report watching TV shows on their mobile devices (of which smartphone viewing is the majority). Men are more likely to watch this content live with – 52% report watching most content live, compared to only 39% of women.

And, while most say they are generally satisfied with their mobile viewing experience, the number one thing that would induce them to view more video on mobile is: a bigger screen.

This indicates a positive environment for growth of larger screen mobile devices like “phablets” and also demonstrates the continued importance of connected device eco-systems.

With large screens still the favorite venue for long-form content, it is becoming increasingly important for providers to create systems that allow viewers to transition seamlessly between screens.

The subject of advertising on mobile phones has seen a lot of controversy in recent years. Some industry observers believe it disrupts the consumer experiences on smaller screens, annoys consumers, and thus isn’t very effective. The good news for advertisers: most of our respondents say they pay at least some attention to ads on mobile phones. This holds true even for the notoriously ad-resistant Gen X and Gen Y demographics.

One of the biggest disruptors in the video ad space is the impact of personalization, which has potential to increase consumer acceptance of advertising as part of the overall experience. However, only 18% of consumers find brands’ efforts to send them personalized content very satisfactory, indicating that there is still room to improve targeting and personalization in video advertising content.¹

“Screens are ubiquitous. So are content offerings. Therefore, the mobility of content across screens has never been more important. In order to gain and retain consumer share of voice, content should be customized to this multiscreen lifestyle and flow from platform to platform, best optimized for each unique user experience.”

– Deborah Bothun, Global Leader Entertainment & Media and US Leader Entertainment, Media & Communications, PwC

¹Forrester. (2016). Inspire Customers With Emotionally Engaging Content. Retrieved November 28, 2016, from http://lp.persado.com/rs/880-EHZ-626/images/Persado_ForresterTLP.pdf

The future of video is mobile-first

The mobile viewer is changing content creation and curation



Video rules the small screen

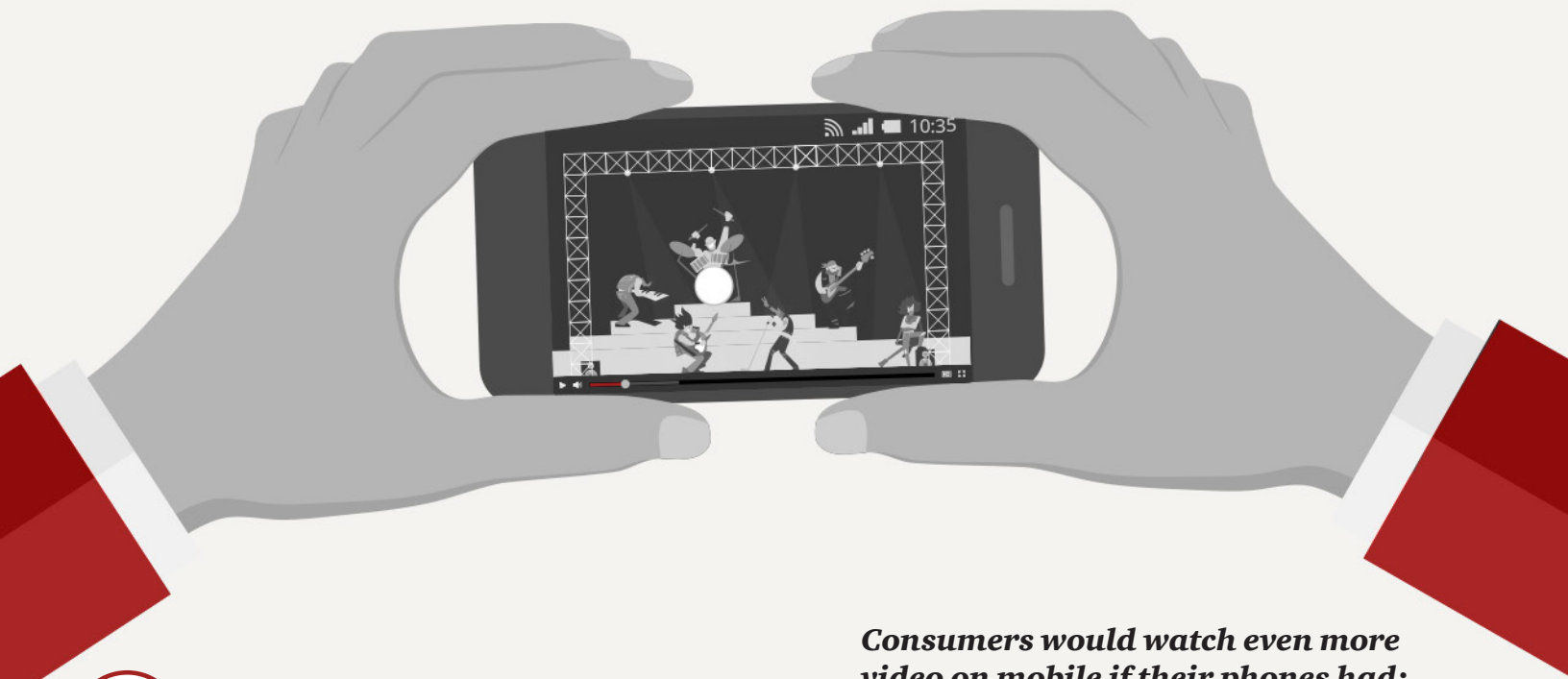
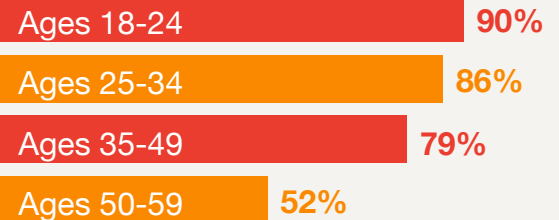
- 91%** of respondents own a smartphone
- 76%** view video on their mobile devices
- 60%** report that their smartphone was the primary place they view video content

And this is even more true among young consumers:

- 70%** of 18-24 year olds say their phone is the primary place they view video content



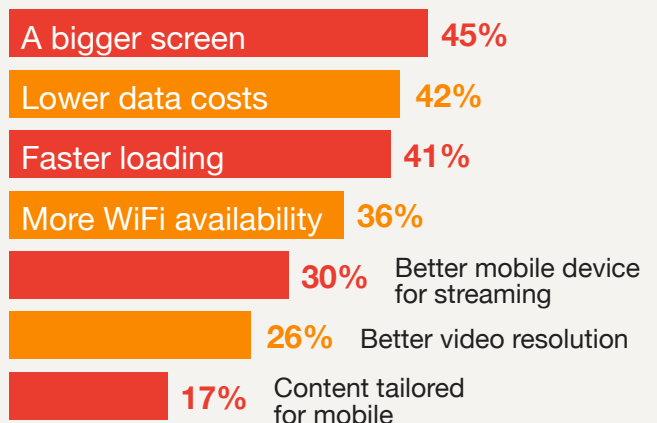
Gen Z is leading the charge in mobile phone viewership:



Across all audiences, mobile viewership is increasing

- 90%** say they believe that using mobile for video is on the rise
- 76%** are watching video more on their smartphones than they were a year ago
- 60%** are watching on their tablets more than a year ago

Consumers would watch even more video on mobile if their phones had:



Here come the super streamers



Gaining a better understanding of heavy streamers has been a priority for both content and platform providers. Earlier this year, Nielsen reported a surprising statistic: 6% of viewers watch 87% of streaming video.² We also investigated this population an audience of what we call “super streamers” further in our research to learn more about their behaviors. In our data, this group watches at least 12 hours per week of streaming video, while 43% say they stream 30+ hours per week. Based on this extreme video viewing volume, they do indeed have many of the hallmarks of being both a lucrative and vanguard segment.

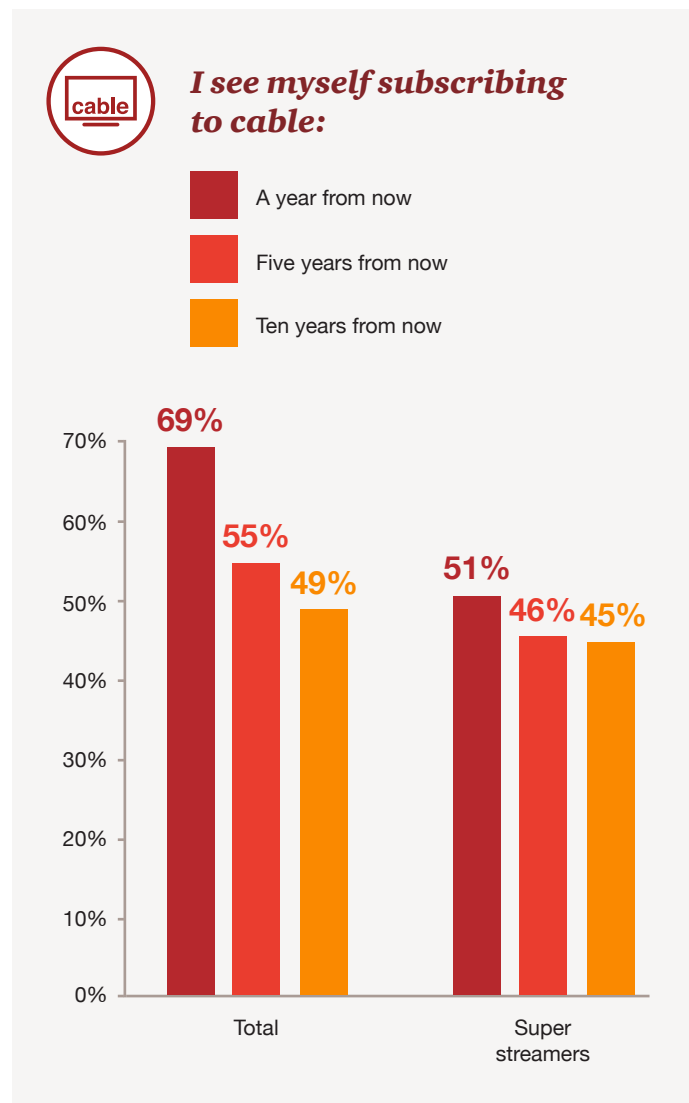
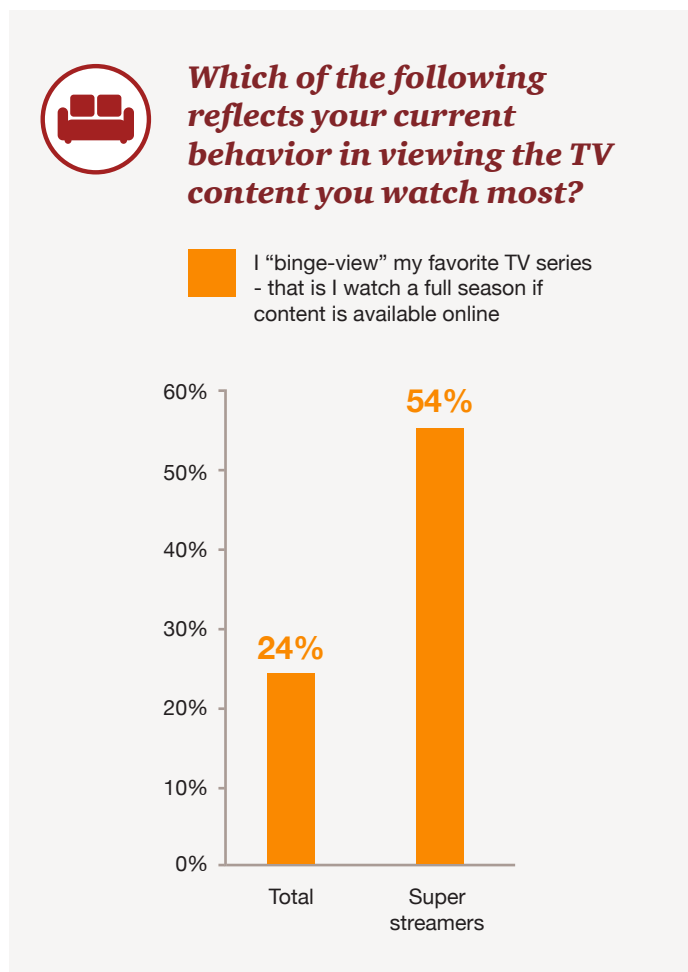
Demographically, the super streamers skew female, they skew younger (58% are 18-34) and, like many younger target groups, tend to have lower household incomes.

They are more likely to be cord cutters, trimmers and nevers rather than traditional pay TV subscribers. 21% of cord cutters are also super streamers, while 8% of cord trimmers and 7% of traditional pay TV subscribers fall into this mega-viewer category. With their strong desire for original programming from streaming services, the very high penetration of the three leading streaming services – Netflix, Amazon Prime and Hulu – is not surprising.

While many of the consumers we surveyed report being overwhelmed by the amount of video content available to them, super streamers can’t seem to get enough. 59% report that they are keeping up with more shows than they were a year ago.

If you’ve ever wondered who is driving the binge viewing trend, look no further. Super streamers represent the largest proportion of binge viewers of any video segment we examined. Over half (54%) report binge viewing their favorite TV series. In fact, it’s their most common type of TV viewing.

Super streamers seem to have ambivalent feelings about pay TV. They are less likely than viewers overall to see themselves subscribing to pay TV in the future – yet 45% still see themselves having cable in 10 years. Implication: These are clearly video enthusiasts – maybe playing to that mindset can help cable retain more of them. If cable, satellite and Telco services can create an offering that allows super streamers to customize their content, they may well be able to retain and attract them in the future.



²Video Advertising Bureau. (2016). Requiem for a Stream. Retrieved November 18, 2016, from <http://www.thevab.com/wp-content/uploads/2016/09/VAB-Requiem-For-A-Stream-PartII-Report.pdf>

Meet the super streamers

“Super streamers” represent only 10% of all viewers



They spend a lot of time watching content

They watch at least **12 hours** of streaming video each week

43% stream more than **30 hours** of video per week



They watch content everywhere

Over **50%** of super streamers report viewing video content in the bathroom

Nearly **60%** of super streamers say they view video at work



They're looking for more

59% report that they are keeping up with more shows than they were a year ago

54% report 'binge-viewing' their favorite TV series (compared to 24% of consumers overall)



For them, content rules over the cord

61% of super streamers are cord cutters, nevers and trimmers compared to only

46% of average consumers

39% subscribe to traditional pay TV, compared to

54% of average consumers



Relationship with “the cord”



In September, the “Nielsen Q2 2016 Total Audience Report” revealed that Americans’ time spent consuming media continues to rise, albeit within a limited sphere of channels.³

“Viewers watch a relatively small percent of the television networks available to them,” the report noted.

“[But]... over the years, both channels available and channels viewed have increased. We now find that channels receivable has started to decrease somewhat, as a result of lower multichannel penetration and cord-shaving.”

In other words, many consumers, especially Millennials, are investigating so-called skinny bundles in which they pare down their pay TV packages because they are not interested in watching or paying for extraneous content. ISI Research this year predicted that, if current trends continue, 16% of the overall US pay TV base will be “skinny” by 2020.⁴

As one of our focus groups respondents said, “I’ve trimmed down my packages, mainly because I don’t watch cable as much as I did a couple of years ago. There is no more value for me.”

Against this backdrop, we did a deep-dive into the full spectrum of the relationships consumers have with “the cord” – from cord traditionalists who retain full cable or satellite packages, to cord trimmers, cutters and nevers.



Understanding the four segments

Here are some more details on each segment:



Traditional pay TV subscribers:

- Skews 35+ (69%)
- Oldest group of all
- Report highest household income of all 4 groups



Cord trimmers:

- Under 35
- Over 1/3 are 18 to 34 years old
- Many are adopters of the skinny bundle to lower cost



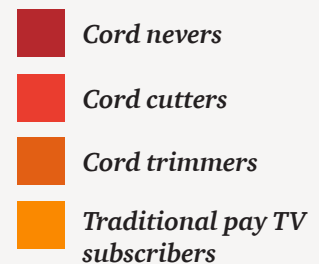
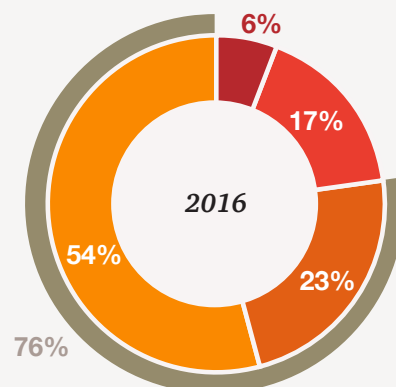
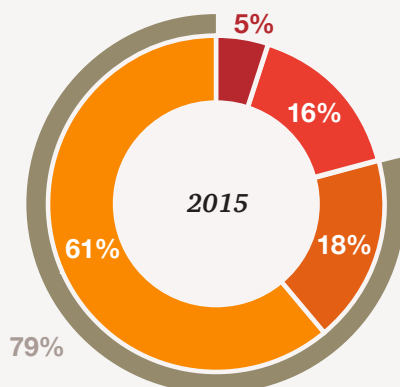
Cord cutters:

- Skews younger than 35
- Lower than average disposable income



Cord nevers:

- The youngest group in the survey
- 68% are younger than 35
- Never subscribed to pay TV
- Prefer to cherry pick content
- Report lowest household income of all 4 groups



³Nielsen. (2016). The Nielsen Total Audience Report: Q2 2016. Retrieved November 18, 2016, from <http://www.nielsen.com/us/en/insights/reports/2016/the-nielsen-total-audience-report-q2-2016.html>

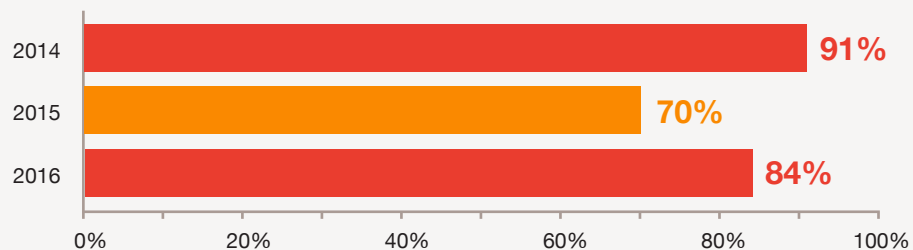
⁴Evercore ISI Group, via Multichannel News. (Jan. 1, 2016). “16% of Pay TV Base Will Be ‘Skinny’ in 2020.” Retrieved November 18, 2016 from <http://www.multichannel.com/news/content/16-pay-tv-base-will-be-skinny-2020/396747>

While we continued to see a dip in traditional pay TV subscribers this year, we didn't see the surges in cord cutting that many expected. Outlined in the chart below, we see more cord trimming, with percentage of total pay TV subscribers holding fairly steady (76% in 2016 vs. 79% in 2015).

Moreover, when we ask pay TV subscribers as a whole if they expect to subscribe to cable one year from now, we don't see huge declines over time. In fact, we see a slight uptick in 2016, indicating that cord cutting may continue at a much slower rate than predicted.



Pay TV subscribers: Do you expect to subscribe to cable one year from now?

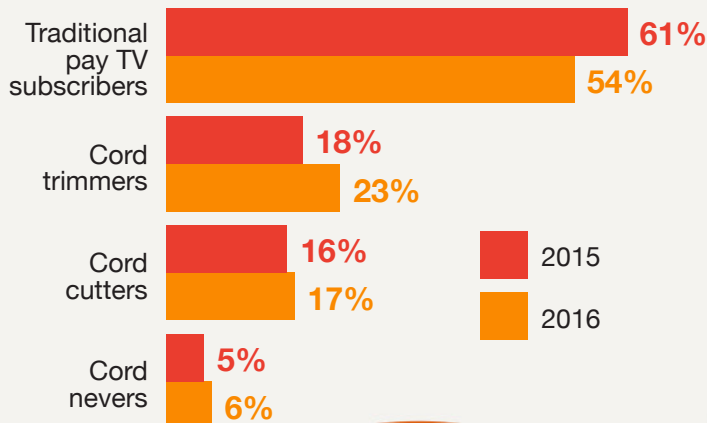


Cutting the cord

More people are bored with the cord



Younger viewers continue to scale back traditional pay TV



43% of cord nevers pay less than **\$20** for video content each month, *while*

35% of traditional pay TV subscribers pay over **\$400** each month

But they also spend the most time viewing

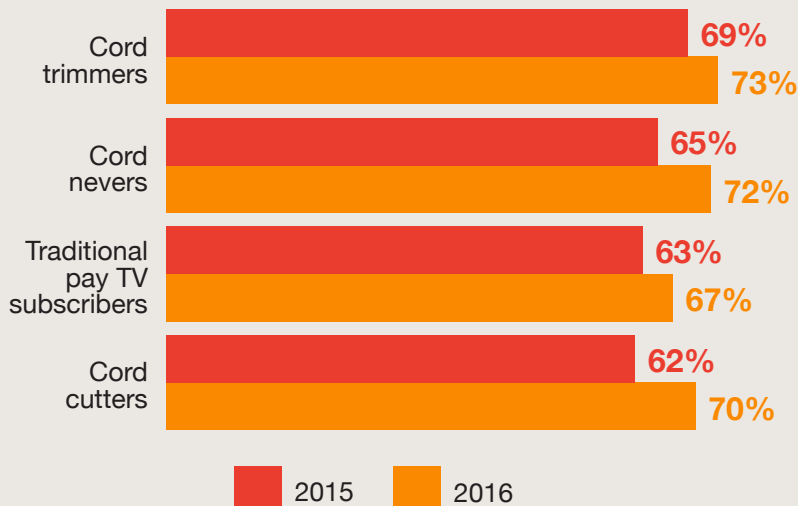
46% of traditional pay TV viewers spend more than 15 hours a week consuming video content



What about content overload?

Across groups, the majority agree that they're overwhelmed with the amount of content available to them:

"The amount of TV content is overwhelming"



So how do they choose what to watch?

76% say "It's a show I've watched in the past"

45% say "It was recommended to me directly by a friend or family member"

41% say "Flipping through the channels"

For cord nevers, trimmers and cutters, **online reviews** are the key to their selection

*Spending, time spent and
how they are choosing*



Spending

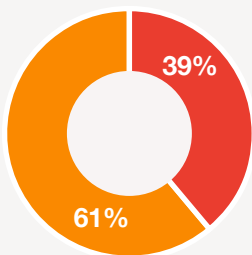
Unsurprisingly, the way each group interacts with content, and on which sites and platforms, is varied. Media fragmentation furthered by economics, life stage, context, content and platform ratchets up the power of the videoquake and will continue to do so.

Monthly spending on video is in line with what might be expected based on our earlier findings that older traditional pay TV subscribers spend the most money for content: upwards of \$100 per month. They are followed in order by cord trimmers, cord cutters and cord nevers.

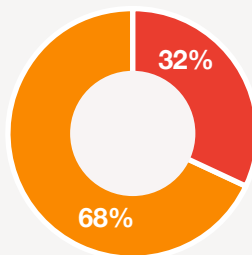
Paradoxically, the research revealed that more than half of cord trimmers, who expressed a desire to reduce their bills by reducing their TV bundles, said they now pay more for video content than they did one year ago. Apparently, trimming the cord did not save them money, likely because they added costs of streaming services or paid apps. This indicates they are willing to pay extra for a more streamlined or focused experience on where they find value. All groups expect to pay more for video content in the future than they do today.



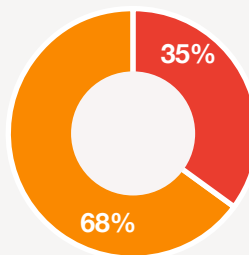
Are you paying more today for video content than you were five years ago?



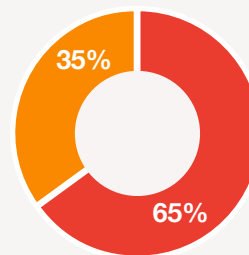
Total



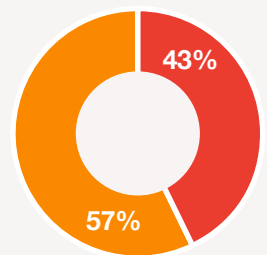
Traditional pay TV subscribers



Cord trimmers



Cord cutters

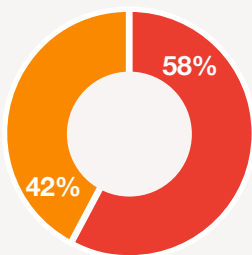


Cord nevers

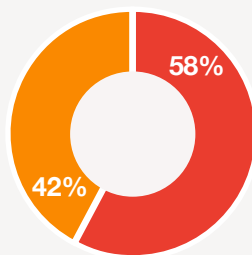
No Yes



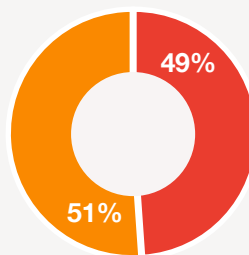
Are you paying more today for video content than you were one year ago?



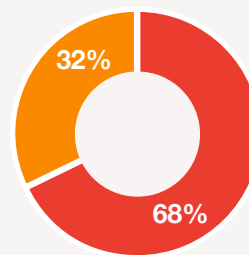
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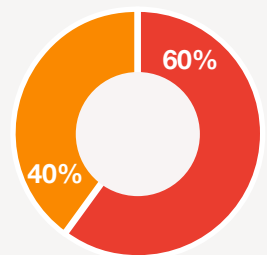
Pay TV non-trimmers



Cord trimmers



Cord cutters



Cord nevers

No Yes

Time spent

The relationship each group has with the cord also has a strong relationship with how much time they spend viewing video content. Nearly half of traditional pay TV viewers, who paid the most for their video content, reported spending more than 15 hours per week consuming video content, followed by 37% of cord trimmers, 35% of cord cutters and 17% of cord nevers.

Cord cutters were the heaviest streamers. 48% of them devoted the most viewing hours (more than eight per week) to streaming.

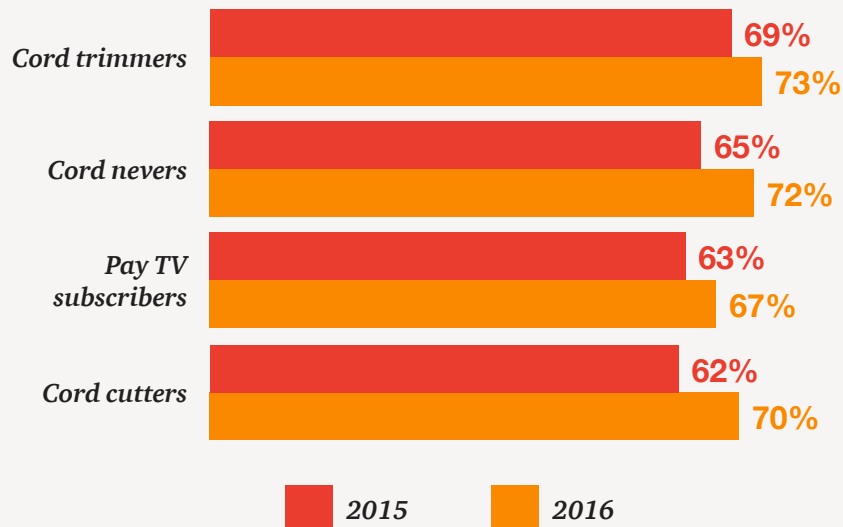
How they choose

Content overload

Contrary to the super streamers, more than two-thirds of our total survey respondents reported feeling content fatigue, calling the amount of TV content from which they must choose, “overwhelming.” Half said there are too many good shows to watch and not enough time to watch them, while many admitted to having a large backlog of shows to watch.



Do you agree that the amount of TV content available today is overwhelming?



Choosing content

Given content overload, how are consumers choosing what to watch? Recommendations from friends and family, especially on social media, heavily influence video selection. Our data shows that cord trimmers, cutters and nevers were more influenced by personal recommendations than traditional pay TV subscribers when it came to original programming.

How do consumers become engaged with a series? A closer look indicates that the quality of the first episode is the most important factor in getting a newcomer to keep up with a show – which means, episode one better be a knockout. Nearly half of the respondents said they decide whether or not to continue engaging with a show depending on what they think of the first full installment.

The second most important factor is how long they stay with the first episode. If they watch it in its entirety, viewers are more likely to come back for ensuing episodes. Another 37% said they decide within the first 15 minutes whether they like a show enough to follow it. Fewer than 20% need to see more than one episode of a show before deciding to commit.

Choosing a package/service

The overwhelming number of respondents in each group prefers to have pay TV packages that allow for customization in terms of which channels they can select and which they can eliminate.

Just as the cost of the monthly bill for content and number of hours spent watching are correlated, so, too, is their relationship with the cord and the number of channels they want in their pay packages.

Once again, traditional pay TV viewers lead the way. 83% of this group expressed the desire to have upwards of 10 channels in their monthly packages, followed by 76% of cord trimmers, 64% of cord cutters and 46% of cord nevers.

If selecting an a la carte/custom package, most would opt for basic cable channels and premium channels vs news channels or premium sports ones.

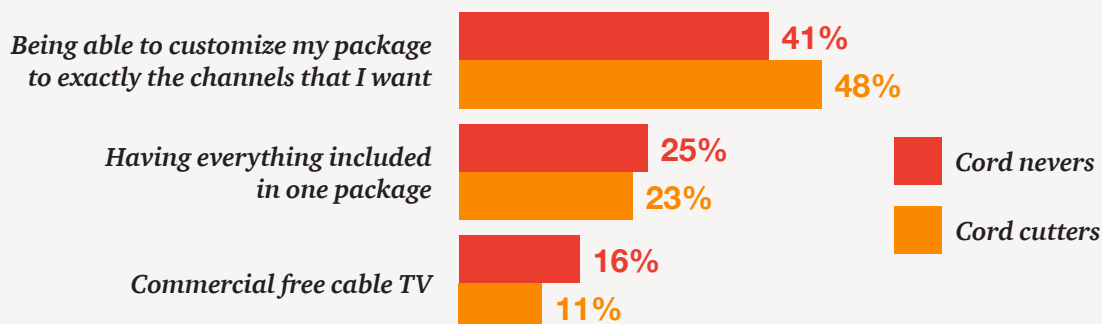
Why not cut the cord?

Access to sports programming and variety of content across pay TV services are the main drivers for subscribing to cable or satellite services.

Additionally, the majority of cord cutters and nevers indicate they would subscribe or re-subscribe to pay TV services if they could get customized bundles, which should be cause for optimism among cable and satellite and Telco companies, although there are some business challenges to consider. There's an opportunity to design tailored bundles at attractive price points for consumers of all incomes.



Which of the following would most interest you in subscribing or re-subscribing to cable?



Implications

Continued rise of mobile video as a dominant form of viewing

1. The rise of the mobile-driven video viewer among Gen Z and Gen Y is changing the video content creation and distribution industry. Providers will need to think very differently about where, when and how video is being consumed. Gone are the only days of the big screen in one room – viewing is now happening everywhere, all the time, across many devices.
2. A major question remains – is today’s content truly optimized for mobile viewing? Our data indicates consumers aren’t lodging huge complaints. But it seems clear much of what’s created today was NOT intended for a mobile-sized screen due to its restricted fit and format. This creates an opportunity for industry players to differentiate themselves with mobile-first strategies that supplement large screen offerings.

Streaming continues to be a dominant force in the market, driven by the “super streamers”

1. Content creators and distributors will want to watch this group closely, if for no reason other than the huge volume of video content they consume as they will likely influence the success of major video content. Their adoption of a new series, for instance, could have a positive effect on the show’s run.
2. Can pay TV retain or win back these consumers? It’s a bit murky: they are less likely to see themselves subscribing to cable in the future – yet large proportions still see themselves having cable in 10 years.
3. Super streamers are growingly enthusiastic video viewers. Content providers and distributors should invest in better understanding this audience – what types of content they like to watch, when, for how long, and why – to tailor offerings that play into this “enthusiast mindset.” For example, our research indicates that providing options for customization and access to high quality content are priorities for this group.

Cord cutting is slowing as consumers seek huge variety and volume of content

1. 2016 data shows that cord cutting is happening at a slower rate than predicted, and fewer cable subscribers see themselves cutting the cord in the future than they did last year. While some cord cutting may continue, we believe it will be at a much slower pace than many previously expected. Streaming services will continue to grow as ADDITIONS to pay TV packages, not wholesale replacements, as exemplified by Comcast’s new partnership with Netflix. Ultimately, it appears that the availability of more great content in more formats may not be the death of traditional pay TV – but rather the beginning of a world in which pay TV is just one of a myriad of video services consumers use.
2. One reason for this may be that cord trimming is not resulting in the reduced price consumers are seeking. In fact, as they continue to watch more video overall, in many instances across multiple services, they end up paying more for it, and expect to pay even more in the future.
3. It appears that the growing enthusiasm for a new generation of high quality video content is reducing pricing sensitivity – even among consumers with lower incomes.
4. This indicates that for cable, satellite and any enterprise creating video content, success isn’t about price; it’s about access to great content – at an acceptable price, and sometimes even at a premium price. It appears cord cutters are leaving pay TV more because of value for money than anything else. Streaming services are delivering this value through personalized, high quality content. That said, with the right balance of content/choice selection and pricing, there appears to be no reason consumers would not return to cable or satellite, especially for news and live sports content.

Conclusion

In 2016, both demand for video and options for viewing continue to increase in a fragmented market, putting consumers in the driver's seat. We saw more audiences customizing their pay TV bundles through trimming, even as they consume more content than ever before. Their demands got louder in terms of what kind of content they pay for and how and when they access it. And, as the first wave of Gen Z reaches age 18 and begins to make their own subscription selections, the smartphone screen is increasingly the screen of choice for video content.

Audience behavior continues to be a major factor in evolving content delivery and consumption. Quality of content is driving increased subscriptions to streaming services. Disruption will continue in the foreseeable future regarding media consumption, as digital natives move through various life stages.

Will mobile viewers and super streamers define the video future? Time will tell.

For more information on this research, the PwC Consumer Intelligence Series, or how changing consumer preferences are shaping the entertainment, media, and communications industries, please contact one of our specialists:

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