

One Out Of Two US 18-34 Year Olds Is Interested In A Fee-Based Online TV Viewing Option

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Most Americans had never heard of Hulu when they launched their advertising campaign during the Super Bowl on February 1, 2009. However, they quickly have become the leader for online TV show episode viewing.

In fact, according to Ipsos OTX MediaCT's LMX MOTION study, past 30 day streaming on Hulu among those who view digital video online rose from 3% in the fall of 2008 to 20% in the spring of 2010.

Looking Forward

We looked at specific digital scenarios reflecting the most common offerings available today, assuming a free, ad-supported model wasn't available. To make the scenario as realistic as possible, the Netflix subscription was priced at \$9 per month, the iTunes downloads were priced at \$1 with no advertising support, and Hulu streams were priced at \$1 with advertising support.

Youth Audience Impacts

As content providers push more aggressively to monetize their content, it is becoming more likely that consumers will have fewer content options available to stream for free.

When analyzing differences by age, it was clear that young adults (18-34 years old) were driving growth in paid viewership through digital platforms, with over half (51%) interested in viewing their regularly watched programs through a fee-based Hulu, Netflix or iTunes option.

While Hulu has set a precedent for free post-airing streams with ad support, growth continues to be driven by the 18-34 year old audience as more post-broadcast content is moved into payment models such as monthly subscriptions and per download/stream fees. The young adult population clearly has an appetite for accessing their regularly watched shows and are willing to pay for that access. Further, the fee-based market is competitive with no dominant service. explains Brian Cruikshank, EVP at Ipsos OTX MediaCT.

For both Apple and Hulu, the per stream payment model will fuel the strongest growth in online TV viewing. Not surprisingly, Apple's pay per download/stream follows the model established with music.

Netflix has a strong installed base who will continue to get their streams bundled through a monthly subscription. Hulu's payment model will have an impact on determining the short term growth in fee-based online TV viewing on a digital platform.

The strength of a per download/stream model is particularly acute for the 18-34 year old audience who are coveted by advertisers. Among this age group, a Hulu TV show stream for \$1 with ad support rivals the Netflix monthly subscription and iTunes per stream options.

Ipsos found the share of preference results were consistent across Hulu, Netflix and iTunes among those who selected a fee-based digital viewing option for their regularly watched shows.

Content Matters

Before the trade-off exercise consumers were asked to classify 20 popular modern TV shows ranging across genres, into different "involvement" categories. It was determined that consumers are more likely to want to re-watch comedies than the other genres, and that reality TV viewing after broadcast is more of an occasional activity.

Furthermore, while genre had very little impact on share-of-preference for Hulu, consumers are more willing to choose the Netflix monthly subscription model for dramas than comedies after broadcast airing, likely to catch up on entire season that may have been missed.

The specific TV shows watched can impact whether someone chooses to watch a TV show online at all. Most shows had 40-50% of regular viewers willing to select one of the post-broadcast airing digital options highlighted here.

However, approximately 60% of those who regularly watch highly acclaimed documentaries (Planet Earth, The Pacific) and niche shows with a dedicated following (Mad Men, True Blood) will choose one of these fee-based post-broadcast digital options.

Brian Cruikshank concludes, "While price, recency and advertising certainly come into play when looking at fee-based online TV show viewing options, knowing which shows to carry is also imperative. The most highly rated shows are not necessarily what the 18-34 year old audience will be looking to stream online in a fee-based world, highlighting the need to understand the impact the digital platform can make with this audience for any particular show."

Methodology

Data were sourced from the June 2010 wave of Ipsos OTX MediaCT's LMX MOTION study, a study of the online digital video marketplace and trends. The LMX MOTION study featured a trade-off exercise to understand consumer preferences for post-airing TV show viewing through a digital platform, when presented with a mix of existing and expected marketplace offerings.

Before the trade-off exercise, consumers were exposed to 20 current/recent TV shows, representing different genres such as comedies, dramas, reality TV and documentaries.

Respondents classified each show in terms of "involvement": whether they watch (and re-watch) the show regularly, watch regularly (but don't re-watch), watch only occasionally, or don't have interest in the show.

These personalized designations of TV show "involvement" were then used to frame each survey respondent's trade-off scenarios. Each scenario included options ranging across full-season purchase or rental, monthly mail or online subscription, or single-episode viewing or purchase.

Providers included the most prominent in the digital video space today: Amazon, Blockbuster, Hulu, iTunes, Netflix, and Redbox, as well as big-box retailers and cable/satellite providers.

The analysis of study results focused on the content each respondent watches regularly, as these provide the most potential upside for programmers.

Clients use LMX MOTION to understand trends in digital video behavior and the evolving role of emerging digital entertainment-driven devices (PCs, media hubs, DVRs, smartphones, Tablet PCs, etc.) in digital video acquisition, viewing and file management. The study is conducted via online interviews among a representative online population aged 12 years and older.

To learn more about LMX MOTION, a biannual syndicated study tracking the U.S. online video market, please visit: http://www.ipsosmediact.com/products/motion_overview.aspx

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