

Consumer Intelligence Series:

Product and Services Innovation for TV and the Internet

I. Series Overview and Study Objectives:

Through PwC's ongoing *Consumer Intelligence Series*, we gain directional insights on consumer attitudes and behaviors in the rapidly changing media and technology landscape. This report focuses on the desires and perceptions of consumers and small businesses toward converged services for TV and Internet. We conducted two separate online surveys of both groups in April 2013, as well as follow-up focus groups for each segment, exploring the topic of "converged services for TV and Internet." This report summarizes key findings from the 1,000 respondents who participated in the online surveys (500 consumers, 500 small businesses) as well as the focus groups for each segment. The goal of this research was to explore the desires and perceptions of both target groups toward TV and Internet features and functionality, with a specific focus on:

- Product/Service bundles
- Desired features
- Multi-device
- Best method for educating consumers and small businesses on new features
- Customer Care and Self-Support (account management)



II. Executive Summary

High speed Internet. Multi-room DVRs. Movies. OnDemand. Cloud storage. Sports packages. Five hundred channels. When it comes to digital TV and Internet services, today's consumers have a dizzying array of features and options. But what do consumers and small business owners really want from their Internet and digital TV providers?

For consumers, control and flexibility are key – especially when it comes to their digital TV service. They want to choose what they watch and when and how they watch it, whether that means using OnDemand to stream movies, watching prime time shows at 5 a.m., or storing an entire season of a show on their DVR. They want their Internet speed to be fast and reliable. And if something goes wrong, they want their providers' website and customer service representatives to help them quickly and easily solve the problem.

Cost-conscious small business owners, however, care more about the value these services can bring to their business – and how much they will cost. They are keenly interested in selecting their own services and features to fit their business needs as a way to be more cost efficient, rather than relying on pre-configured "bundles," and they want their providers to help them review those choices periodically to make sure they're getting the most value for their money. Unlike consumers, they see Internet service as much more important than digital TV, as the Internet is often a vital function of their business. That also means that they want 24/7 customer service, including a phone line, so their business doesn't suffer due to a service outage.

Though their priorities are different, both consumers and small businesses represent fresh opportunities for providers. Improved website design and navigability and proactive customer service are highly appealing to both segments. Both groups lack full understanding of high-speed Internet options and cloud storage, so providers have an opportunity to promote those services through education. And both segments want more flexibility and control, so providers could appeal to this desire by offering the chance to customize packages while continuing to promote on demand-style features for consumers. Both consumers and businesses want choice, but they want it delivered in a manner that makes it personal and accessible to them.

III. Key Findings - CONSUMER (N = 500)¹

1. Control and flexibility are key: Three of the top five basic TV features that consumers consider most important indicate a desire to use features on their terms.

- DVR service (considered important/very important by 72%) and On Demand indicate consumer desire for TV content to be available to them when they want it.
 - *“On Demand streaming You kind of watch what you want, when you want it.”*
 - *“I switched to Direct TV because of the whole home DVR service where you have one DVR and multiple boxes throughout the house, so you only have one DVR, so that’s a pretty unique feature.”*
 - *“DVR is important to everybody.”*

2. Of 15 basic digital features to choose from (from music channels to parental controls to 3DTV and more), only five were considered important/very important by at least half of the sample. Interestingly, not everyone who considered a feature important actually had that feature at the time.

- DVR service is considered important by 72% of the sample, but only 60% actually had/used a DVR service.
- The largest opportunity for providers relates to the feature that allows consumers to have up to 80 digital channels; 65% considered this important, but only 35% had that feature.

| CONSUMERS: Basic Digital Feature | % Consider Important/Very important | % Have | % Δ |
|--|--|---------------|------------|
| DVR Service | 72 | 60 | +12 |
| 80-299 digital channels | 68 | 45 | +23 |
| Up to 80 digital channels | 65 | 35 | +30 |
| On Demand Services (streaming, premium TV, movies) | 61 | 46 | +15 |
| On Demand offer of shows | 53 | 40 | +13 |

3. Consumers want technology to adapt to their lives and schedules – their ranking of innovative features confirms their desire for control and flexibility.

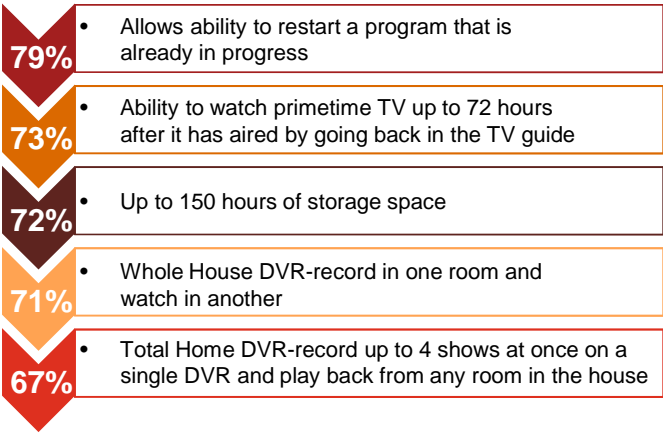
- *“I have an Apple product at home. When I call Apple’s number, it has a very advanced voice recognition system where I can ask the question and it will usually give me an answer right away or tell me where to go for an answer exactly. And that advanced voice recognition system really helps me. I know it still involves calling a number, but it usually gives me another option.”*
- Almost 80% of consumers want the ability to restart a live program in progress. Consumers are interested in features that would essentially make the TV function like the Internet (e.g., being able to stop and start a program or watching a program whenever they want)
 - *“It’s like you’re watching it on TV where the function is like Internet and you can just pause.”*

¹ Demographics: 47% male; 52% female

- 20% aged 18-29
- 41% aged 30-44
- 38% aged 45-59
- 1% aged 60-74

- 72% are looking for 150 hours of storage space – in case they want to save an entire series.
 - *“I like watching series all at once. That’s why I like watching them on Netflix. So, [as] I have the ability to save a season at the end of a season, sit down and chill out and watch that show, that’s what I would use it for.”*
- 71% are looking for whole house DVR – the ability to record in one room and watch in another.
 - *“I have one that controls two rooms . . . So, the one on my TV is where the main, regular size DVR box is, and then the one in my bedroom is like a smaller one and I can watch whatever is taped in both rooms.”*

CONSUMERS: Importance of Innovative Digital TV Features (% rating “important/very important”)



4. Consumers have a need for speed: Speed is the most important Internet feature – and many consumers don’t have it.

- In our qualitative discussion, it seemed as though “speed” is the only thing that matters relative to Internet features, although consumers are often not sure of the speed they have now and if their “upgrades” have actually netted them increased speed.
- *“Speed is the most important thing to me, just like an always-on connection, and it irritated me when, being that that’s my most important thing, I think when I signed up like 4 or 5 years ago, it was one package. And then they started signing on different grades of speed service and when they did that, my price stayed the same, but I had a marked difference in speed quality. So if I wanted to go up to the level where I was, I had to start paying the \$10-\$20 extra.”*
 - *“I don’t know the speed, but me and my roommate, we were on a promotion package and then they said – ‘oh, in order to continue, we’re going to get you at this rate.’ Like the promo is over and as you get the higher price, you’re going to get faster Internet, so we’re like – okay. We didn’t want to change the provider.”*
 - *“I know there’s stuff offered, it’s just stuff I don’t use. I know there’s email... I don’t use a service provider’s email, I use my own email”*

| CONSUMERS: Internet Features & Functionality | % Consider Important/ Very Important | % Have | % Δ |
|--|---|-------------------|------------|
| Modem with free home Wi-Fi | 76 | 43 | +33 |
| Offers speed of 50 Mbps (megabits per second) | 76 | 19 | +57 |
| Offers speed of 105 Mbps (megabits per second)* | 67 | 7 | +60 |
| Internet security features | 62 | 37 | +25 |
| Password protection, Norton Security Suite, secure backup & share and identity guard | 61 | 19 | +42 |
| Access to Wi-Fi hotspots | 61 | 21 | +40 |

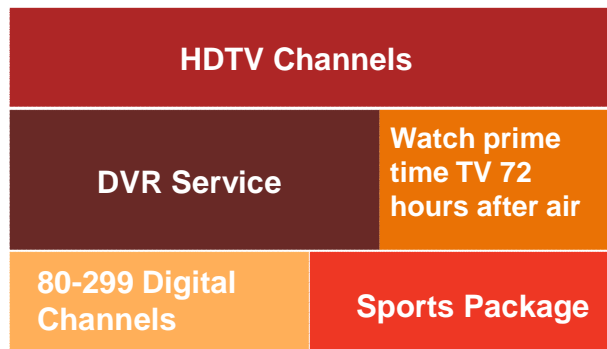
* Many consumers did not understand the difference between 50 Mbps and 105 Mbps and the impact of their daily activities (e.g., downloading content) could have on their experience.

5. For consumers, the “ideal” service bundle is all about innovative TV features – and nothing about Internet features. TV is the portal to their entertainment.

- Even so, most consumers surveyed are willing to pay no more than \$139 per month for their “ideal” package.
- 55% (the largest percentage) would be willing to pay between \$110-\$139 for their ideal bundle.
- 17% would pay between \$140-\$169
 - *“The Internet is just Internet. You just want to know you have it, so it’s not really any additional features or anything.”*
 - *“Because you want to pick what exactly is going to be there when you go to turn it on . . . the TV is just always on.”*
 - *“But I think you use Internet for specific things. I think it’s only like a small fraction of*

the population that maybe will be more dependent on the Internet because they watch TV online or whatever. So otherwise, if you’re looking up something on a computer, that’s the only thing the Internet . . . Most people in their house, they only really use it for music or email. It’s just limited. TV, you just want to have choices. So it gives you more options in what to watch.”

Most ideal bundles of services



6. Consumers are looking for the most basic functionality when it comes to managing their Internet/digital TV account. They want website navigation for service to be clearer and better organized to help with their specific request.

- In fact, in our qualitative discussion, there was some frustration expressed about the difficulty of navigating most websites and the inability to find information specific to their problem/issue.

Top 5 features rated “important/very important”

- 87% - View/Pay Bill
- 82% - Account Overview
- 81% - Channels not working (seeking help)
- 80%- See TV Listing
 - Manage Internet Issues/Check repair requests
 - 24/7 Online Support
- 77% - Add email account
 - No TV or Channels
 - Quick Fix/Program DVR
 - Get Wi-Fi settings

– *“I get frustrated when I go to a website where I might search for something, but the results are totally irrelevant, where there might be pages and pages of results that really have nothing to do with answering your question.”*

– *“Yeah, when you type in something on the Web page nothing comes up, I feel like typing it into Google is more effective than going to a [provider] message board and finding out what other people had to go through to get to the answer is actually a lot easier than looking at the provider’s page.”*

– *“Yeah, you put into Google, but then Google takes you to the right resource over the actual provider’s page. They tweak their search engine or something or the keywords that they use. Whatever algorithm [the providers are] using needs to be more intuitive.”*

7. There are few incremental services that consumers desire but feel they aren’t getting—especially around home control/automation.

- There was some confusion and lack of consumer knowledge surrounding home automation offerings. Interest existed when services were defined.

- In our qualitative discussion, one suggestion was for a feature that would allow people without a landline to connect to the doorbell or buzzer at their home.
 - *“The one thing I would like . . . is that I couldn’t get my doorbell to buzz open because I didn’t have a landline. \$5.00 a month, I would pay for that, because two flights of stairs . . . to be able to hook into a line so that it buzzes in my house, so I can hit a button right in the house. It just needs to link into something.”*
- Other features consumers were interested in were being able to access archived and current TV content on their mobile device, and also being able to view that content when they are offline.

IV. What this means for your business: Consumers

1. **Consumers want control and flexibility – especially in the area of digital TV, where there is the greatest level of engagement.** Providers have an opportunity to continue to connect with consumers on these levels with services/features that put them in charge of the experience. Give them what they want, how they want it, when it's convenient for them.
2. **The need for speed is critical – and it's an area that consumers perceive to be currently lacking among all providers.** Significantly, however, they are confused about what constitutes "high speed." Providers have an opportunity to better educate consumers on what they get when they upgrade components of speed (mbps) - and importantly - what they **Need** for the utility they want.
3. **Packages and bundles should focus on combining innovative digital TV features and services that offer control and flexibility.** Internet components are viewed as less important (unless they focus on speed), so providers should focus on TV, and educate consumers surrounding benefits of new features such as home automation.
4. **Provider websites need to be more user friendly and better organized and navigable so consumers can easily find the information they want and answer specific questions.**
 - The most important components of account management are the ability to view/pay bill online and 24/7 online support for questions or when features/services break down.
 - It is also important to offer a phone feature in case an Internet service interruption is one of the problems they seek to solve.

Consumers are also interested in proactive customer service– for example, texting a company to inform them of a service issue and providing a phone number

so that the next available representative can contact them.

5. **Consumers are content with the features/services currently being offered to them.** The opportunity for providers is to better educate them on what features exist (storage solutions, for example), why they might like to know more about them, and how they could benefit from them.

V. Key Findings - Small Businesses (N = 500)²

1. **Small business customers are a tough nut to crack. Of 17 services/features presented, only two generated an interest level above 50%. Our qualitative discussion confirmed that cost was the most interesting feature.**

- “High Speed Internet for \$29.90/month:” 82% were somewhat to very interested (40% were “very interested”)
- “Bundle Phone and Internet for \$84.99 month:” 60% were somewhat to very interested

2. **Packages and bundles of services are very appealing to the small business customer for providing the best value. Qualitatively, these are also viewed as generally more “convenient” since the package is pre-configured.**

- *“Because you get a three-course meal for one price . . . That’s what a bundle means to me.”*
- The most appealing packages, however, are those that allow small business customers to select the features their business needs most, rather than a pre-selected “bundle.” This enables them to avoid features they don’t need or want (such as phone service).

- *“If I could pick specific features and then pay the package price, then I would. I guess it’s just ingrained in the human conscious that “package” equals cheaper.”*
- *“I’m planning to get that next as soon as my contract expires, but the one thing that they could put in there too for that bundle package is my cell phone. We don’t really even use the house phone unless it’s clients calling in, but you have to have a phone to have Internet.”*
- *“I very specifically did not want the phone as part of the package because . . . I had some general horror stories at my old location, and in trying to get those fixed and researching online a lot of people’s difficulties, it seemed that when the phone went out, which is something that we wouldn’t even use because we have cell phones, but a lot of times when the phone goes on that Triple Play, it takes down your Internet and your TV. I can’t. It would be risking having a feature that would never be used for any good purpose, which has the potential to take down something that’s absolutely vital to what I do every day.”*

² Demos:

- 95% of businesses have high speed internet
- 35% of businesses have digital TV

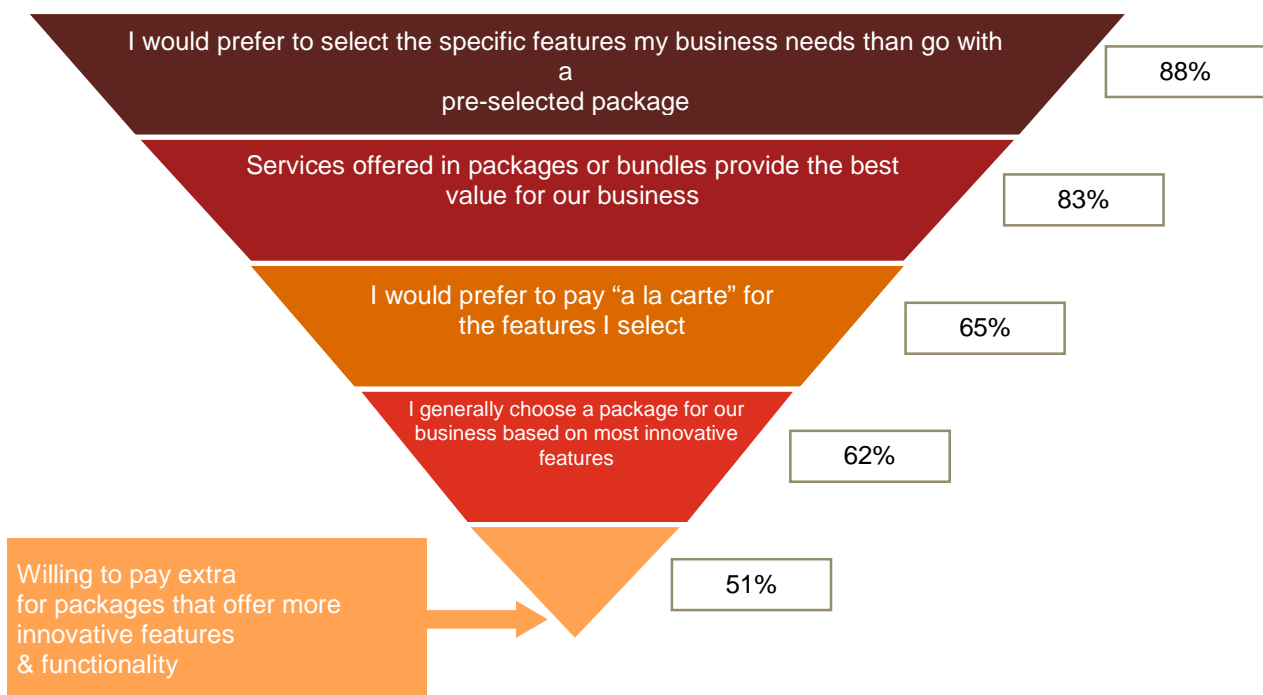
Business Size/Description

- 45% office provision/management of the sale of goods and services
- 41% have between 1-5 employees
- 30% 11-20 employees
- 29% 6-10 employees

Current digital:

- 40% have package/bundle of services
- 69% have wireless phone system
- 74% have wired phone systems

- However, small business customers are generally less willing to pay extra for innovative features/functionality.
- In our qualitative discussion, small business customers are looking for part of the service “bundle“ to include a quarterly review or assessment of services to be sure they have the “right” bundle as well as advise on how to save.
 - *“I would like a quarterly review of the equipment and the services that I use, for them to look at it say – ‘we can save you some money if you do this.’ In other words, ‘we see you’re doing this, this, this and this. If you use this service, we can save you \$20 a month.’ It’s not a big deal, but \$20 will add up.”*



3. Of all the Internet features and packages provided, small business owners/managers are most interested in two very basic packages of services:

- Phone + Internet/Ethernet
- Business Applications
 - Apps Integration (mail, calendar, docs, video)
 - Online back up and sharing services
 - Internet Security

4. Small business owners/managers are also looking for basic account management features. The most important features are the ability to “view and pay” their bill online and to have an account overview.

- 24/7 online support is also highly important since many businesses don’t always operate on a 9-5, Monday-Friday work schedule. This gives them more flexibility, control and peace of mind. However, in our qualitative discussion, some expressed frustration with not having phone access 24/7 as well in the event of a connection disruption.

– *“A lot of times, you find a problem during the weekend and you call an office and nobody is there. And if there is 24/7 support, even if they tell you – ‘well, we’re going to work on it,’ at least you’ve told somebody and you’ve got the process moving along, instead of getting ‘our office hours are Monday, 8:30 to whatever’, and you have to call back Monday morning. You stew all weekend. So I think that’s probably why it’s important. It’s a peace-of-mind thing.”*

– *“I mean, if I’m having a problem at a strange hour with the Internet, I don’t imagine I’d be able to get to the online support. I would only be contacting them if I couldn’t use the*

Internet, and if I can’t use the Internet, I wouldn’t be able to contact them.”

Top 5 features rated “important/very important”

- 76% - View and pay bill
- 73% - Account overview
- 70% - 24/7 online support
- 66% - Add/change requests
- 58% - Check equipment status

5. Given less involvement with digital TV overall for small businesses, account management issues seem to focus on a “quick fix for DVR problems.”

(Top 5 rated “important/very important”)

- 71% - Quick fix for DVR
- 49% - Check a repair request
- 46% - TV or channels not working
- 44% - Reboot box
- 41% - Notify when weather is causing issues

6. Staying connected is critical to running a business – so it’s no surprise that small business owners/managers want a quick resolution to any connection interruptions or e-mail problems.

(Top 5 rated “important/very important”)

- 71% - Address connection/router issues
- 70% - Fix an e-mail problem
- 68% - Check a repair request
- 67% - Set up Wi-Fi on devices
- 64% - Storage/Log-in issues

7. The most important solution sought by small business owners/managers is to have more storage solutions.

- However, in our qualitative discussion, general knowledge about cloud-based storage solutions was mixed.
 - *“I have multiple hard drives, but I do want to get into cloud storage. It’s just, once again, the upload time. It’s just such a waste of my time. Otherwise, if it was faster, I would do that.”*
 - *“Yeah, I do physical storage and backup as well, but I’m not sold for multiple reasons on the cloud storage. But some storage or backup solution could potentially be useful because I do have a lot of data.”*
 - *“And to know that it’s safe because I have that external backup, too, that I have to connect every so many months to make sure I have everything. But I would like to know that it’s secure. I don’t really understand the cloud thing, though. You see it like for the Kindle and everything.”*

If I’m starting to think faster than the computer is, theoretically, then there’s something wrong.”

- *“Time is money.”*

8. One of the most critical factors for all small business owners is **time.**

- *“The one thing I do find is that if I have a problem with [my provider], I call and get to a human being usually within a minute or less. If I have a problem with [my old provider], I go through prompts after prompts after prompts... it’s very frustrating. And then you don’t always get the right person or the right department and that’s incredibly frustrating because I don’t have the time to do that.”*
 - *“... I do want to get into cloud storage. It’s just, once again, the upload time. It’s just such a waste of my time. Otherwise, if it was faster, I would do that.”*
- *“I’ll go on the computer at work and I’ll be so frustrated, I’m ready to throw it through a wall.”*

VI. What this means for your business: Small business owners/managers

- 1. Cost consciousness is quite prevalent for small business owners/managers.** They need to balance their Internet and digital TV choices with other business requirements. Given a set of choices, the lower price wins in the absolute. And since they are not willing to pay extra for innovative features or functionality, the opportunity for providers is to increase awareness on the importance of these features to running their business more successfully.
- 2. There is an opportunity for features “bundles” to include more than just features, but also add value-added services to small businesses, such as quarterly account reviews.** Since their priority is saving money, small business customers would consider a review of their features usage and recommendations for changes to be a value-added service.
- 3. Offering a package that small business managers or owners can select themselves is appealing.** They would select the package of services/features that makes the most sense for their business, giving them more control. It also provides a more customizable component, which can be marketed to address varying needs of various types of businesses.
- 4. Adding a “call” feature to the 24/7 service offer** addresses their perceived “helplessness” of not being able to do anything about an Internet problem if their service is down.
- 5. Small business customers are looking for more and faster storage solutions.** Specifically, there is an opportunity for providers to offer more education on the capacities – and importantly, safety – of cloud-based storage/digital lockers.

For more information on this research, the PwC Consumer Intelligence Series, or how digital transformation is shaping the entertainment and media industries, please contact one of our specialists:

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