



# Connected Consumer Survey 2019: TV and video services in Australia and New Zealand



Martin Scott and Inigo Barker

## About this report

This report focuses on aspects of Analysys Mason's *Connected Consumer Survey* that relate to the behaviour, preferences and plans of consumers in their use of pay-TV and OTT video services. This is a rapidly changing part of the telecoms and media landscape; the interaction between pay TV and OTT is complex.

The survey was conducted in association with Dynata between July and August 2019. The survey groups were chosen to be representative of the internet-using population in Australia and New Zealand. We set quotas on age, gender and geographical spread to that effect. There were a minimum of 1000 respondents per country.

### KEY QUESTIONS ANSWERED IN THIS REPORT

- Why is pay-TV churn increasing, how is this related to changing video consumption patterns and what can pay-TV providers do to mitigate or adapt to this change?
- How is 'service stacking' (subscribing to multiple services) evolving and how is this likely to change in the future?
- How should pay-TV providers evolve their services in order to remain relevant in a world of changing viewing habits?
- How are consumers' viewing habits changing in light of increased OTT video use?
- Is cord cutting an increasing threat to pay-TV services in all countries?

### GEOGRAPHICAL COVERAGE

#### Developed Asia-Pacific:

- Australia
- New Zealand

### WHO SHOULD READ THIS REPORT

- Product managers and strategy teams working for pay-TV providers or operators with pay-TV operations, or companies that use video services as a value-added service (VAS) to support their core services.
- Marketing executives and product managers for pay-TV providers and operators that are making decisions about TV and video service design and its impact on customer retention.
- Strategy teams for pay-TV providers and operators that are assessing the impact of changing viewing habits on their business – in particular the relationship between pay-TV and OTT video services.

## Executive summary

**The consumption of pay-TV and OTT video services in Australia and New Zealand (ANZ) is changing as the number of providers increases.**

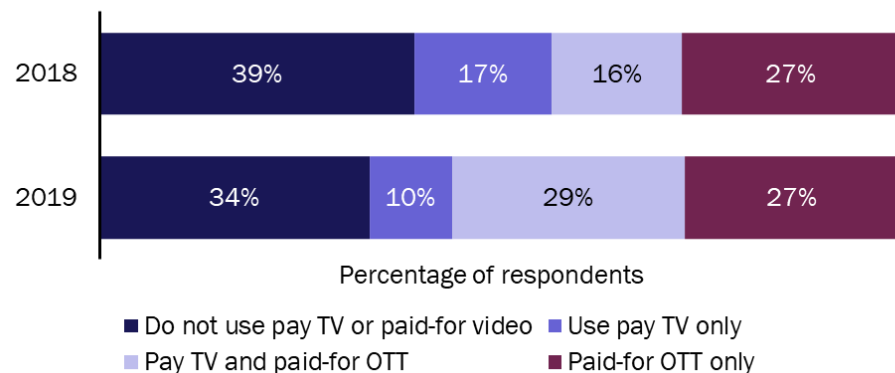
Sports rights are being shared between an increasingly large group of players in both countries, as is dramatic content in Australia. However, content rights in New Zealand are becoming concentrated again, following Spark's sale of Lightbox to Sky in February 2020. Consumers in Australia and New Zealand are increasingly embracing both paid-for video and OTT video rather than opting for one over the other, so as to continue to receive the content that they consider to be the most important.

**There is an upper limit to the number of TV and video services that consumers will use.**

Consumers' willingness to spend more money on OTT video in the future is dependent on a number of factors such as macroeconomic issues and local pricing. There appears to be some appetite to pay more for OTT video services in the future in New Zealand (as demonstrated by the take-up of Spark's Rugby World Cup pass), but Australian consumers appear less-open to spending more. The average number of OTT video services, both free and paid-for, used by consumers in Australia and New Zealand increased from 2.6 in 2018 to 3.2 in 2019. We expect that this will increase further in 2020, but that it will stagnate and start to decline in the medium term.

<sup>1</sup> Please refer to the appendix for sample sizes and relevant survey questions.

**Figure 1: Proportion of respondents taking different video services, Australia, 2018–2019<sup>1</sup>**



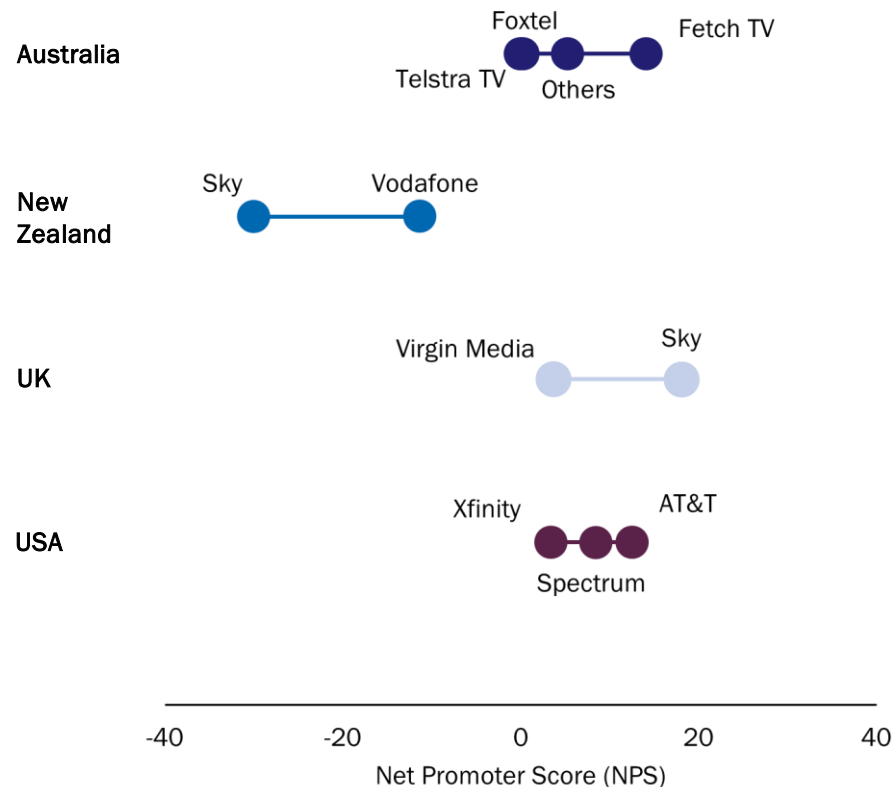
Source: Analysys Mason

**There are a number of things that operators and pay-TV providers can do to improve their services and maintain or grow their market share.**

All operators and pay-TV providers can work to ensure that pay-TV services better fit consumers' wants and needs. Price is still the highest priority for consumers in Australia and New Zealand (cited by 55% and 50% of respondents, respectively), but content is also important. Sport continues to be central to Foxtel's proposition in Australia, but movies and drama are also key areas for competition for OTT players. 4K capabilities and unified search and discovery features are also important, according to our analysis.

## Australian consumers were more satisfied with their pay-TV service in 2019 than in 2018, but the customer satisfaction across ANZ as a whole is still quite low

Figure 2: Net Promoter Score (NPS) for pay-TV services, by provider<sup>1</sup>



Source: Analysys Mason

The pay-TV market in ANZ is changing rapidly. Sports rights are being shared between a larger group of players in both countries: Optus has been improving its football coverage (it gained exclusive rights to the English Premier League in 2019), Fetch now broadcasts Eurosport channels and Spark acquired summer cricket rights in October 2019. Drama series are also being shared between a wider array of pay-TV and OTT players in Australia, though content rights are concentrating again in New Zealand, following Spark's sale of Lightbox to Sky in 2020.

The small size of some of these players means that larger samples are required to gain statistically significant information. For this reason we are confined to analysing only the largest players, as shown in Figure 2. The NPS for operators in ANZ is generally lower than that for those in the UK and USA, and we expect that the lack of consumer choice has a role to play: Vodafone is essentially a Sky reseller. This lack of choice keeps prices high, and the fragmentation of sports rights may make it difficult for sports fans to choose which services to subscribe to.

Customers of smaller players in ANZ are generally more likely to be willing to recommend their provider than those of larger players. This will partly be due to prices but also to changes in perceived value: Foxtel and Sky are losing content rights while smaller players are gaining them. That said, Foxtel's NPS grew by 8 points year-on-year thanks to growing 4K content availability and Foxtel Go.

<sup>1</sup> Respondents were asked to assess the likelihood of recommending their provider on a scale from 0 to 10. NPS is calculated by subtracting the share of detractors (those that gave a 6 or below) from the share of promoters (those that gave a 9 or 10). Please refer to the appendix for sample size and relevant survey questions.



## Contents



Executive summary

The pay-TV market is evolving and churn is likely to rise

OTT video players face stacking and competition challenges

Changes in content and feature sets will affect future customer satisfaction

Methodology and panel information

**About the authors and Analysys Mason**

## About the authors



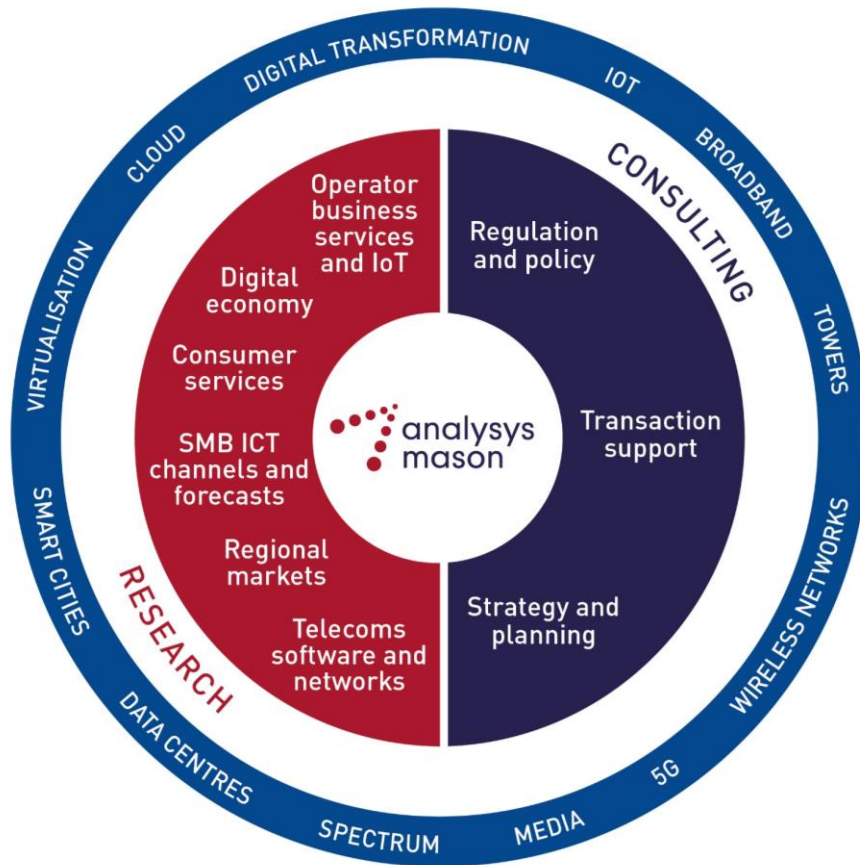
**Martin Scott** (Principal Analyst) co-ordinates Analysys Mason's research initiatives related to media and TV. He manages the Video Strategies research programme. Martin has held numerous positions within Analysys Mason during the last 10 years, including heading the company's Consumer Services, Data and Regional Markets practices. He also launched Analysys Mason's Connected Consumer Survey and Consumer Smartphone Usage series of research. His primary areas of specialisation include telco TV strategy, OTT video and media, consumer smartphone usage, the bundling and pricing of multi-play services, including quadruple-play bundling, customer satisfaction and consumer-facing marketing strategy. He also specialises in statistics, surveys and the analysis of primary research.



**Inigo Barker** (Analyst) is a member of the Consumer Services research team in London, working on the Video Strategies research programme. He previously worked in trade publishing and editing. He holds a first-class BA (Hons) degree in Classics from the University of Cambridge.

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