RESEARCH

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Connected Consumer Survey 2018: TV and video services in Australia and New Zealand

Martin Scott

About this report

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

The survey was conducted in association with Survey Sampling International (SSI) between July and September 2018. 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.

GEOGRAPHICAL COVERAGE

KEY QUESTIONS ANSWERED IN THIS REPORT

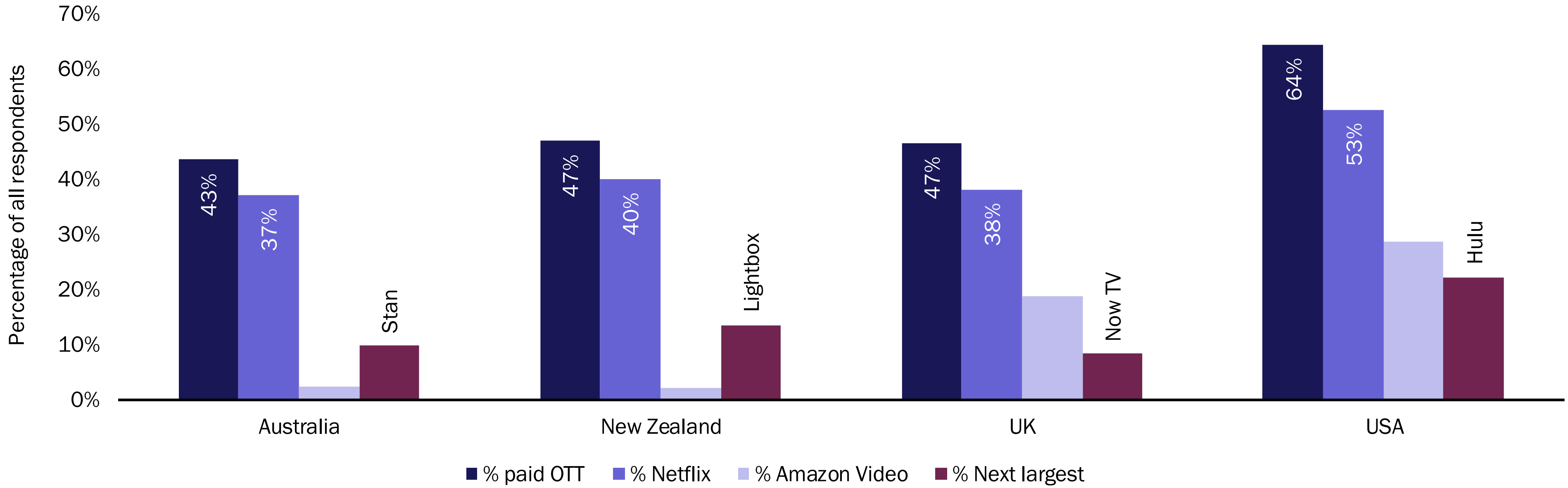
- Why is pay-TV churn increasing, how is this related to changing video consumption patterns, and what can pay-TV providers do to mitigate or adapt to this change?
- How is 'service stacking' (subscribing to multiple services) evolving and how is this likely to change in future?
- How should pay-TV providers 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 use of OTT video?
- Is cord cutting an increasing threat to pay-TV services in all countries?

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.

Netflix is universally dominant in Australasia, Europe and the USA, but local services also perform well

Figure 6: Penetration of paid-for OTT video services overall and also for selected players in each country[1]



Source: Analysys Mason

Netflix had by far the highest penetration of any paid-for TV video service among respondents in all four countries of Australia, New Zealand, the UK and the USA (see Figure 6). Amazon Video has not been established in Australia and New Zealand for long, and the amount of content that they make available is limited compared to that which is available in the UK and the USA. Local players in both Australia and New Zealand have performed reasonably, compared to their British and American peers.

Netflix's role could be interpreted by some as 'king maker', given its high penetration – whichever provider can successfully negotiate to integrate Netflix's content library with their own is likely to benefit. In February 2019, Foxtel announced the integration of Netflix into its forthcoming iQ4 set-top box, but the degree of service integration was not yet apparent. No such partnership exists in New Zealand.

[1] See slide 26 for sample size and slide 27 for relevant survey questions.

Australian consumers currently watch Foxtel for sport, Netflix or Stan for drama – there are opportunities for further specialisation in documentaries and e-sports

Figure 9: Percentage of respondents that selected a content genre as one of their three most viewed and the percentage point variation from the average for users of selected OTT and pay TV services, Australia[1]

Content type	% of panel who chose	YouTube	Netflix	Stan	Foxtel Now	Foxtel	Non-Foxtel
Drama	43%	-4%	5%	11%	-1%	1%	0%
News	40%	1%	-9%	-8%	-12%	3%	-1%
Documentaries	32%	2%	-1%	2%	-3%	-1%	0%
Sports	32%	0%	-2%	-8%	20%	15%	-4%
Feature films	26%	1%	7%	10%	-2%	-5%	1%
Music videos	22%	7%	1%	-1%	1%	-6%	1%
Sitcoms	19%	1%	4%	13%	1%	3%	-1%
User-generated content	12%	5%	2%	1%	4%	-1%	0%
Children shows	11%	1%	3%	0%	1%	-1%	0%
Soaps	11%	-2%	0%	-5%	1%	3%	-1%
Panel/interview/ chat/table talk	6%	-1%	-2%	1%	0%	-3%	1%
e-sports	3%	0%	1%	-1%	6%	0%	0%

Key: x% −y% Strongest positive/negative variation away from the average for each service

Source: Analysys Mason

[1] See slide 26 for sample size and slide 27 for relevant survey questions.

Which content a company chooses to use to differentiate its service when consumers take multiple services side-by-side is important. We can identify a clear affinity between particular OTT video services and content genres. Figure 9 shows the elevation of interest in genres among customers of different services.

- 43% of Australian respondents selected drama as one of their top three most important genres. This is where Netflix (and Stan) excel and will be a key motivation for Foxtel's partnership with Netflix, as announced in February 2019.
- YouTube users are much more likely to value music videos, more so than user-generated content. The launch of YouTube Music, in mid-2018, suggests valid synergies.
- Foxtel's appeal is heavily tied to sports – 47% of Foxtel customers consider sports a priority compared to 28% of non-customers. We note Optus' attempt to break this dominance, as well as its plans to partner with YouTube and Twitter for free broadcasts (they used SBS in 2018).
- A notable opportunity for engagement may exist among consumers who value documentaries – 32% of respondents identified it as key. Fetch TV appears to be addressing this.
- e-sports may also present a deeper opportunity for Foxtel Now. Foxtel Now users were three times more likely to be interested in e-sports. Foxtel has made forays in this area, broadcasting the FIFA18 E-league on Fox Sports in 2018.

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About the author

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.

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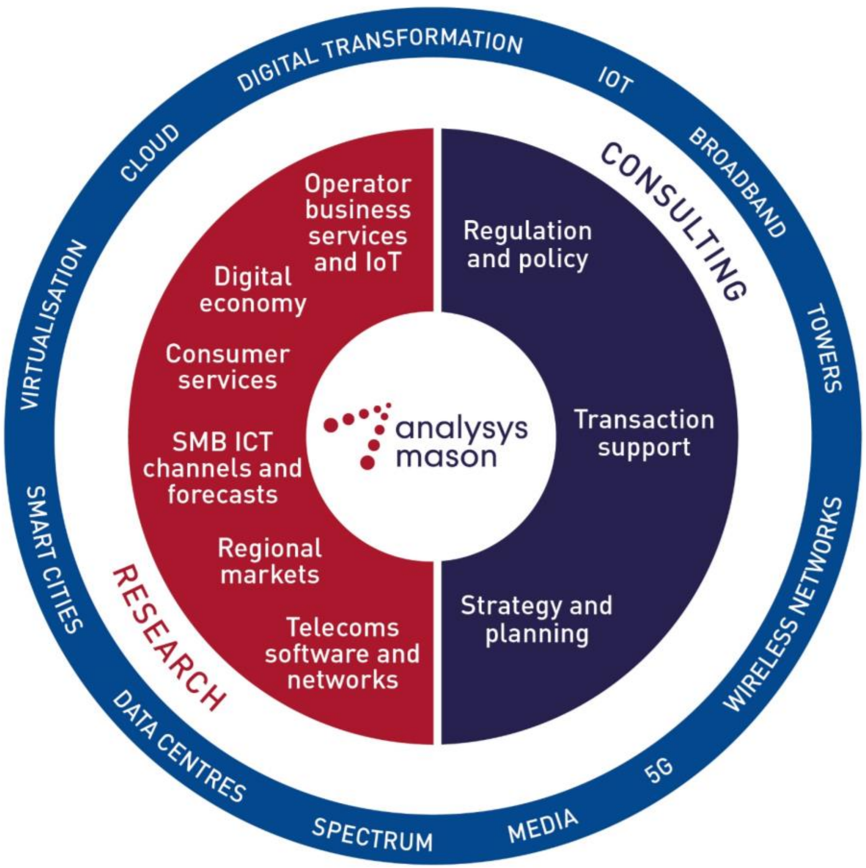

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