Online and on demand

Trends in Australian online video use

Screen Australia

MUCH CHANGE has already occurred in the ways we expect to consume screen stories.

Australian audiences are ‘leaning in’ and taking charge. We haven’t yet dropped our old habits entirely – we are simply seeking more convenient ways to watch our preferred shows and movies. And we haven’t radically shifted the kinds of content we are seeking – online platforms just enable our personal interests to come to the fore as watching becomes less collective and concurrent than when we share the remote or the popcorn.

Australian content continues to comprise a meaningful part of our screen diet, with most of us still turning to the broadcast schedule to access Australian screen stories. Without the central platform provided by broadcast television to inform our viewing choices, we will need to know more about alternatives to ensure we can continue to find local content into the future.

If we see online services continuing to enhance the choice, convenience and quality viewing experiences they offer – and some much heralded game-changers are on the horizon – we can anticipate an increase in online viewing.

So how do we fund quality content creation in this new landscape? What are the opportunities for Australian screen stories and the Australian screen production sector?

The challenge now for industry is to find and adopt business models that adapt to the new ways we watch while creating a compelling enough offer, or clever enough platform, to monetise it. Meeting this challenge is vital if content creators are to continue financing and making stories that will capture our imaginations into the future.

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ABOUT THE REPORT

To understand what people are watching online and how, Screen Australia commissioned Nielsen to facilitate a series of focus groups and survey Australians aged 14+ who watch professionally produced content online. The research provides an evidence base around current behaviours, drivers and barriers to online viewing to help predict the likely shape and behaviour of the online audience in the near term.

Online and on demand: Trends in Australian online video use is Screen Australia's third in a series of audience research reports exploring changing screen content consumption patterns, and their implications for audience engagement with Australian screen content. *Beyond the box office: understanding audiences in a multiscreen world*, published in 2011, provided a benchmark to measure the changing size and shape of audiences for feature films across each release platform. 2012's *What to watch? Audience motivation in a multiscreen world* broadened the research focus to 'screen stories' – feature film, television drama and documentary - examining the motivations underpinning decisions to watch different types of content on different platforms.

Observations and insights

1 Online viewing is for everyone

All types of people are watching content online – all ages, income levels, males and females, in the cities, towns and rural areas. The introduction of catch-up television services made VOD accessible to everyone with an internet connection – online viewing became just another way to watch your favourite shows when it suits you.

Currently 50 per cent of Australian internet users watch movies and television content online.* Although there's lots of talk about watching content online, it still only comprises a small proportion of overall viewing. As a group, VOD viewers spend more time watching on traditional platforms: more hours spent watching broadcast television than VOD, and more frequent cinema-going and DVD viewing than renting or buying content online. However, the people who regularly pay for their VOD content via transactional models (online rental or download-to-own) tend to be screen-hungry across all platforms, including cinema and broadcast television.

For content creators, this means you can find audiences for your content online in addition to the traditional distribution platforms – it's another avenue to reach them.

* This data comes from Nielsen's *Australian Connected Consumer 2014* report, which describes 50 per cent of the online audience as watching internet TV (where the 'online audience' is defined as the 81 per cent of Australians over 16 who use the internet at least once a month).

2 On-demand facilitates individual choice: you can watch solo or with others

The reasons why viewers like VOD are clear – they can watch at any time on any device and in any place of their choosing. Watching movies and television shows was often considered a group activity, in part because of only having one screen (cinema or television) to watch. With the multiplication of screens in households, we are seeing a growing trend for people to watch alone. Almost all VOD viewers are watching VOD by themselves some of the time, with over half nominating solo viewing as the main way they watch content. VOD enables the individual to make their own viewing choices. Even though this may mainly be a singular activity, we still want the option to watch with others.

3 Friends and family remain the most potent content discovery tool

With so much content available online, it can be overwhelming to find things to watch. Viewers continue to rely on familiar trusted sources even with recommendation engines often subtly pushing content choices. First and foremost among these trusted sources is talking to friends and family, followed closely by traditional advertising, program guides and then social media recommendations from friends and family. The continuing popularity of the more traditional discovery tools highlights why the marketing of content ahead of its first release (whether in theatres or on television) is vital to ensure viewers find out about new things to watch.

4 Local series shine on catch-up television services

Television series drive VOD viewing across all online platforms. The catch-up TV services have the strongest audience for Australian series, where they are neck-and-neck with foreign series. Foreign series are strongest on all other VOD platforms but Australian programs are not too far behind.

The appetite for Australian content is strong, with 96 per cent of VOD viewers watching it across various platforms and around half are watching it online. The survey results reaffirm the role of the broadcast television industry in bringing local content (including Australian films) to Australian audiences both as programmed television and the broadcasters' own catch-up services. Although audiences generally don't want to pay much, more than half see Australian content being of equal value to foreign content.

There is an opportunity for distributors and producers to connect with existing audiences for Australian content on VOD platforms. Australian broadcasters and their programming decisions will, however, remain very important for access to Australian content for the foreseeable future.

"The appetite for Australian content is strong, with 96 per cent of VOD viewers watching it on various platforms..."

5 Niche content can find bigger audiences online

Foreign drama series drive online viewing, and Hollywood dominates movie choices. However, this doesn't mean audiences aren't also watching other types of content. Movie tastes are more diverse on VOD and on other 'small screens' than at the cinema. VOD, like DVD, has a role in enabling niche content to reach audiences: science fiction and horror both 'over-indexed' on VOD and DVD. That is, although they were not the most popular genres overall, their popularity was closer to that of the top genres on VOD and DVD than was the case for cinema and television.

Specific types of factual content also find audiences online. Although they account for a low proportion overall, those who watch documentaries on VOD services are tending to choose different genres than on other platforms, with science and natural history documentaries in particular having a strong showing relative to other genres.

As online shelf space is 'unlimited', there is plenty of room for niche content that may otherwise be in short supply on mainstream platforms. There is potential to tap into specialised audience demand, target key demographics and use communities of interest to make sure they can find the content they like.

6 Internet speed influences our viewing choices

There is a relationship between connection speed and propensity to use paid services. Over half of VOD viewers said not having faster internet was one of the barriers to watching more VOD and, for 18 per cent, internet speed was the single most important barrier.

Unsurprisingly, subscription VOD take-up is higher amongst VOD viewers with a high-speed internet connection with a quarter already subscribing to different services. VOD viewers with a high-speed connection were almost twice as likely to consider using subscription VOD services in the future over online rental or download-to-own models.

However, lack of technical knowledge can still be a problem for people with high-speed connections, with difficulty in configuring their systems the most commonly cited barrier to watching more via VOD.

"VOD offers the potential to tap into specialised audience demand..."

7 People don't expect to pay much

The research demonstrates a reticence to pay for content among VOD viewers. The catch-up television services (such as iview) and ad-supported services (such as YouTube) are best known and most used, and so far there aren't enough drivers to encourage many of us over to paid services. Although the majority of people are aware of at least some of the paid services, their uptake remains quite low – well under half of all VOD viewers use them.

Cost of content is a key factor cited by people who regularly access VOD illegally. For the 3 per cent of VOD viewers who only watch in this way, low bandwidth and lack of awareness of many of the legal services also play a role. Those who access VOD both legally and illegally (about a quarter of VOD viewers) are discouraged by perceived limitations of the available legal services – both the range of content available and the price.

We are generally happy to watch content on ad-supported platforms and do so in big numbers. This is the same business model employed by traditional commercial broadcasting that enables to us to watch television content for nothing. Savvy producers and distributors willing to explore opportunities on the ad-supported platforms might find an additional income stream but they must be prepared to see this as a long-term return.

What is this thing called VOD?

Video-on-demand or VOD has become the catch-all term for watching movies, television programs and other digital content online – via the internet – an increasingly available alternative to DVDs in allowing the viewer to watch what they want, when they want.

Online viewing can be via a temporary or permanent download or streamed. It covers **catch-up television** services, **ad-supported** services such as YouTube, **subscription** VOD services such as Quickflix or Foxtel Presto, and **transactional** (online rental or download-to-own) services such as iTunes.

The common thread is that the viewer decides what they want to watch and when they want to watch it, with a range of online services evolving to enable them do this.

8 Potential for growth as VOD business models establish themselves

The online video market in Australia is still fragmented. Although VOD viewers have a good awareness of some of the available services we certainly don't know about all of them. For example we may know of and use one catch-up television service but not know about the others. As more Australians start watching VOD, we can expect to see the different services seek to expand their reach and capture new users.

The market is set to undergo a shake-up in 2015 with several key changes about to influence the playing field: Foxtel's new subscription offers at lower price points, the impending arrival of Netflix, and the entrance of new providers like the subscription VOD service Stan, a partnership between Fairfax and Nine.

There is an opportunity for both new and established service providers and producers to target those who would consider subscription VOD services in the future. A real opening exists to capitalise on the 1 in 5 VOD viewers with a high-speed internet connection who said they would consider signing up to an subscription VOD service. However, in order to convert considerers to subscribers, the offer needs to be compelling, with quality content, at a reasonable pay point and provide a superior viewing experience.

Thus the challenge. Developing quality screen content is a costly business. There is a tension between the interests of producers in monetising their content and the interests of platforms in creating a compelling and commercial offer at the right price point. A further tension emerges for both in marrying these interests with audience expectations of this viewing experience.

"There is a tension between the interests of producers in monetising their content and the interests of platforms in creating a compelling and commercial offer at the right price point..."

Ways to watch

The VOD market in Australia encompasses a variety of business models, content offerings and modes of access. The market continues to evolve. More long-form video is now available and, in line with international trends, film and television content that premieres on other platforms such as cinema or broadcast television is being released through VOD sooner.

VOD viewing is a growing pastime for Australians. 81 per cent of all Australians over 16 are identified as active online (ie, have used the internet in the past month). We spend on average one full day every week connected to the internet across all our devices: laptops, mobiles, PCs, tablets and increasingly smart TVs.

Half of these 'connected Australians' are watching professionally produced film and/or television content online. Although this represents an increase from 43 per cent in 2012, it has far to go to reach saturation point.

Online viewing is particularly pronounced amongst the younger demographic of 16–24 year olds. Two-thirds watch television content online, only just behind the 75 per cent that watch broadcast television. They are more likely to have a television connected to the internet via a separate device such as Apple TV, or via an HDMI cord. They are also more likely to have a Netflix connection, which they access via a VPN (virtual private network) to circumvent geo-blocking. Another trend has seen older users starting to watch online. In contrast to younger viewers, however, they are more likely to watch television than movies, having discovered catch-up television services as well as YouTube.

Online viewing shares primetime with television, a sign of online's growing dominance in the home and as an integral part of our screen media diet. Exemplifying how online viewing is complementing other viewing, online audiences peak later in the evening than broadcast television. This suggests that people are still watching programs such as news, current affairs and reality programs which are generally scheduled earlier in the evening, but follow this up with online viewing. VOD is also providing an alternative to viewers who may have previously had to 'share a screen' in a household and as a result couldn't watch as much content as they wanted to.

"Two-thirds of 16–24 year olds watch television content online..."

Overall, internet-connected Australians are still watching broadcast television for an average of 14 hours and 42 minutes per week, representing the greatest amount of time spent dedicated to other media after the internet. However, Screen Australia's survey shows that those who watch film and television content online tend to be watching less broadcast television – approximately 11 hours on average.

Except where noted, the data in this section is drawn from Nielsen's *Australian Connected Consumers 2014* report.

VOD SERVICES

There are four main business models for delivering online content:

- **free-to-view models:**
  - **catch-up television, such as ABC iview, SBS On Demand, PLUS7 etc;**
  - **ad-supported services such as YouTube.**
- **paid models:**
  - **subscription VOD services such as Quickflix and Foxtel Presto;**
  - **transactional services (including both online rental and download-to-own) such as iTunes.**

Catch-up television

Television broadcasters are building their cross-platform offerings and supplementing their live-to-air offering with free-to-access online catch-up services: iview (ABC), PLUS7, TENPlay, SBS On Demand and 9Jumpin. These are now an integral part of the free-to-air networks' offerings and attract millions of views each month.

The content on the free-to-air catch-up television services mainly comprises recently broadcast new and repeat programming. Recently broadcast content is available to view for between one and four weeks, while some content from each station's back catalogue is available indefinitely, such as *Sea Patrol* on 9JumpIn and documentary series *Immigration Nation* on SBS On Demand.

iview has the most extensive range of its organisation's broadcast content available and is the only service to offer a significant amount of children's content. SBS On Demand is distinguished by its regular offering of foreign feature films. TENPlay, PLUS7 and 9Jumpin have smaller content offerings. Content on these services includes some primetime drama and reality series from Australia, the USA and the UK, as well as a limited amount of non-primetime content including documentary, reality and children's content.

Ad-supported free-to-access services

Ad-supported services carry advertising and are free to access. This is a very common way for Australians to watch video online, in part due to the popularity of YouTube. Other ad-supported services include smh.tv/age.tv, which carries a large range of documentary content but also movies, series, lifestyle, entertainment and current affairs programming.

> "Australian viewers are increasingly using YouTube to access movies and television programming..."

Given its ubiquity as an easy-to-use platform for online video, YouTube is a main source of content for many Australians. 23 per cent of internet-connected Australians use it to view TV snippets or entire shows. The service is particularly popular with children, teens and young adults.

YouTube carries a tremendous range of content – everything from homemade cat videos, to short programs made specifically for YouTube channels, and snippets and full-length television and movie content, both legally and illegally uploaded for viewing. It has much greater brand awareness than all the official catch-up television services. Australian viewers are increasingly using it to access movies and television programs.

Transactional services (digital video rental and retail)

Transactional video-on-demand incorporates both online rental, whereby the consumer pays for access to content for a limited period like a rental (generally 48 hours for a new-release film) and download-to-own. Businesses offering these services, such as iTunes and Google Play, offer content either to rent and/or to buy, depending on the rights deal. Some services like Foxtel On Demand, Fetch TV and Bigpond Movies/TV offer content on an online rental basis only.

iTunes and Bigpond Movies/TV are the most established digital video services in Australia, with newer entrants including Google Play, EzyFlix and Dendy Direct. iTunes has the largest library of new-release and back catalogue content comprising tens of thousands of titles. Bigpond Movies/TV also has a large catalogue of content with over 6,000 titles available to rent. Subscription VOD services Foxtel and Fetch TV offer movies for online rental only to subscribers, while Quickflix and Foxtel Presto offer new-release titles for both online rental and download-to-own for subscribers and non-subscribers alike. The amount and type of back catalogue content available varies between services.

The digital rental and retail market is growing quickly but from a small base, and revenue is tiny compared to physical video revenues, although it is growing.*

* Village Roadshow's Annual Report for 2013/14 noted that strong growth was recorded for the year and the digital market now represents $153 million in sales for the total Australian market, split fairly evenly between Electronic Sell Through and Video on Demand. This is, however, still only a small amount in relation to overall DVD/Blu-ray revenue.

Subscription VOD services

Subscription VOD services offer subscribers access to a library of content that can be streamed on demand for a monthly fee. Australian services include Quickflix, which includes movie and television content, and Foxtel Presto, which currently offers movies only. Both Quickflix and Presto also offer new-release content for online rental for subscribers and non-subscribers. Foxtel television subscribers can access up to 1,000 television and movie titles through Foxtel Go, a Foxtel platform for mobile devices, depending on their subscription package.

Quickflix's online subscription catalogue includes back catalogue BBC and ABC television series, children's content and a range of movies largely from Hollywood studios. The Foxtel Presto subscription catalogue comprises movies currently airing on Foxtel's linear movie channels. To date neither Foxtel Presto nor Quickflix have commissioned original content.

Australian audiences are yet to take full advantage of online subscription services, which is a relatively new market with still low penetration. Some Australians access international subscription VOD services that have not yet launched in Australia via a Virtual Private Network (VPN), a service that hides the geographical location of the user's IP address. Leading international subscription VOD services include the US-based Netflix and Amazon Prime. Both services consist mainly of film and television content that has already been released on other platforms or in other territories, although they also offer some original content commissioned by the platform.

The new screen diet

Around 50 per cent of internet-connected Australians currently watch some kind of professionally produced film or television content online. How do these ‘VOD viewers’ mix their online consumption with viewing across television, cinema, DVD and other platforms? Why are they watching online, and what prevents them from watching more?

AWARENESS AND USE OF VOD SERVICES

» As a group, the catch-up television services have the highest level of awareness among VOD viewers – 84 per cent of VOD viewers are aware of at least one catch-up service, and on an individual basis, most services have awareness levels over 50 per cent.

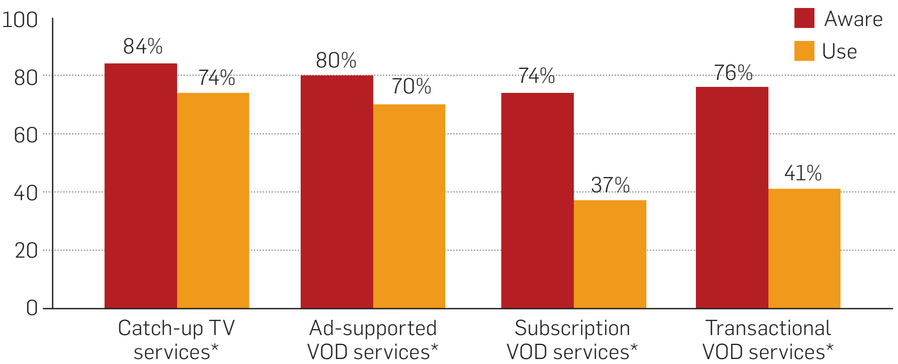
The ad-supported services follow, with overall awareness of 80 per cent, almost all related to YouTube. Awareness of subscription VOD varies (most services between 40 and 50 per cent but under 5 per cent for some), with 74 per cent aware of at least one. And the transactional services clocked up overall awareness of 76 per cent, with most between 40 and 60 per cent, and a couple under 20 per cent.

“Many VOD viewers use more than one type of VOD model...”

For catch-up and ad-supported VOD, most of the people who are aware of services are also using at least one of them. But a much smaller proportion of those aware of at least one subscription VOD or transactional service are translating their awareness to use (half in the case of subscription).

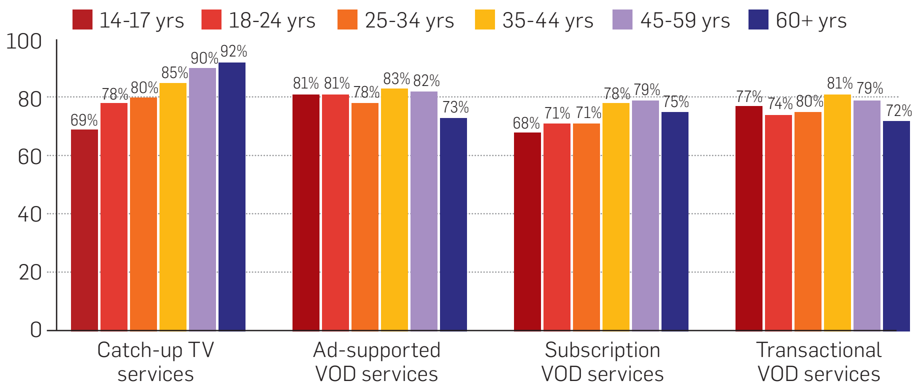
Many VOD viewers use more than one type of VOD model. For example, more than half of all the people who use each of the ad-supported, subscription and transactional platforms also use catch-up TV.

Percentage of VOD viewers aware of and using VOD services*

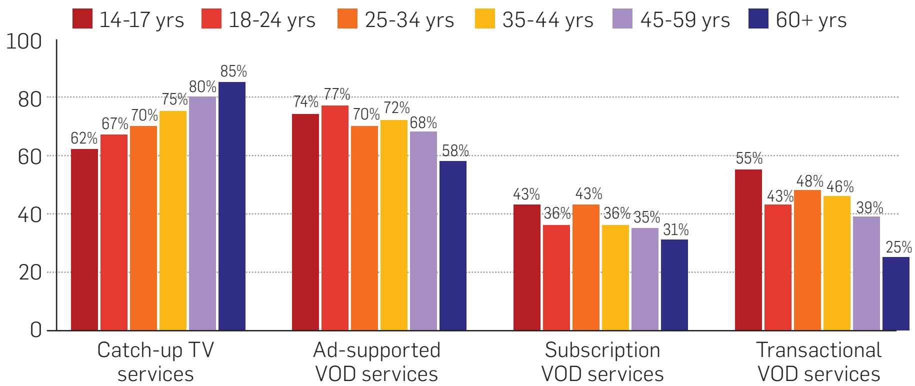


Both awareness and use of catch-up television services increase with age. Use of all other service types tends to decrease with age, but awareness remains relatively high, so the drop-off does not appear to be linked to lack of awareness of available services.

Awareness by age



Use by age

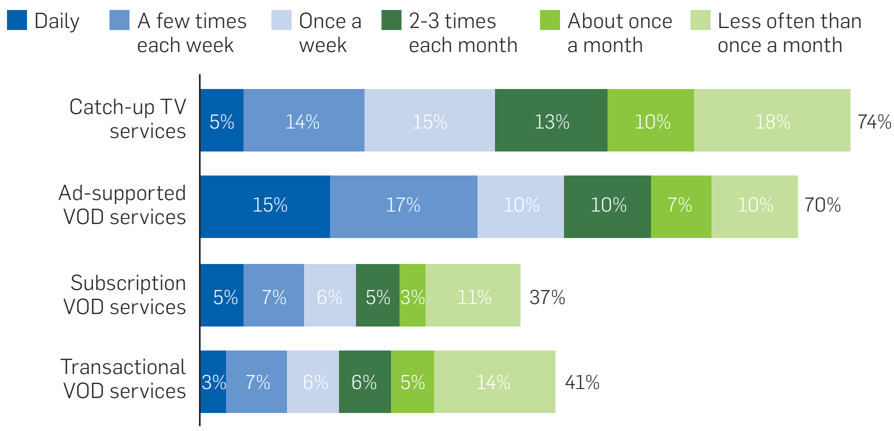


* At least one specific service in each case
Catch-up TV: ABC iview, SBS On Demand, PLUS 7 (Seven Network), 9Jumpin (Nine Network) and TENplay (Network Ten)
Subscription VOD: Foxtel's online services (Foxtel Play, Foxtel Go, Foxtel Presto and Foxtel Anytime), Quickflix, Fetch TV, BBC iPlayer, Amazon Prime Instant Video, Netflix
Ad-supported VOD: YouTube, SMH.TV / theage.tv
Transactional VOD: iTunes, BigPond Movies, Google Play, Fetch TV, Xbox Video

Free-to-view platforms are the most frequently used ways of watching VOD

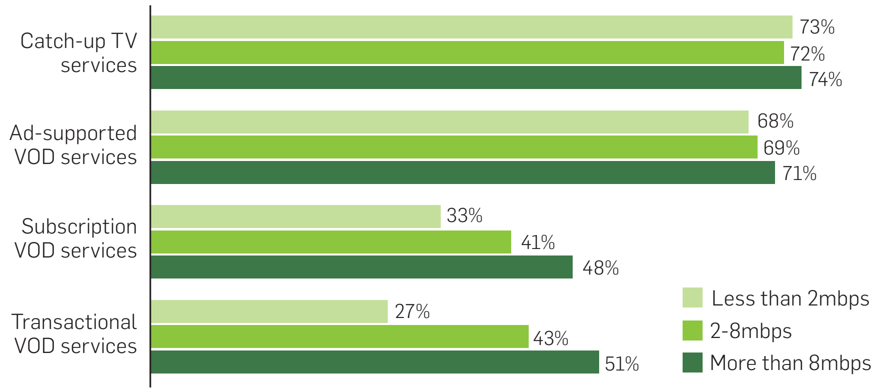
Amongst all VOD viewers, 56 per cent watch catch-up TV and 60 per cent use ad-supported services at least once a month; for the paid services, 26 per cent watch subscription VOD this often and 27 per cent transactional (online rental or download-to-own). Ad-supported VOD is the most likely to be used daily and transactional VOD is the least likely.

Frequency of use among VOD viewers



For the paid services – subscription and transactional VOD – the proportion of people using them increases as the speed of the internet connection increases. Connection speed has a minimal impact on the use of catch-up television and ad-supported VOD services.

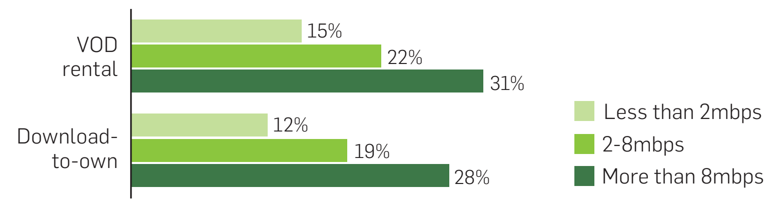
Use by internet connection speed



Looking more closely at the transactional services, both online rental and download-to-own services exhibit the same relationship between connection speed and propensity to use. The likelihood of using these services at least once every two months increases as connection speed increases.

Regardless of internet speed, consumers are slightly more likely to watch content via online rental than download-to-own.

Use of transactional VOD by internet connection speed*



* Among people renting or downloading-to-own at least once every two months.

OTHER VIEWING HABITS OF VOD VIEWERS

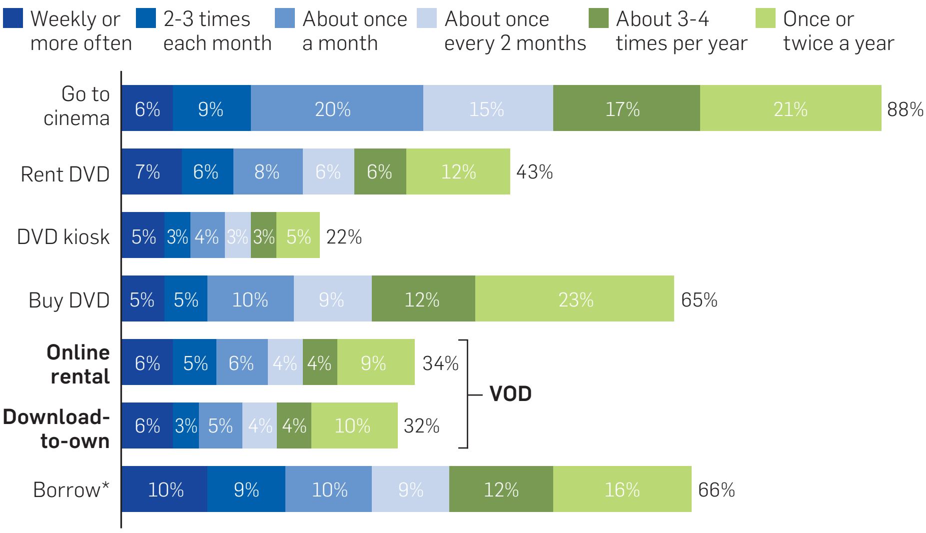
Online content comprises a relatively small proportion of the overall screen diet of the average VOD consumer, although regular VOD users tend to be keen consumers of content on other platforms as well.

As a group they spend more time watching on traditional platforms than via VOD, with more hours spent watching broadcast television than any form of VOD (paid or unpaid), and at least twice as many going to the cinema on a monthly basis than either renting or buying via VOD on a monthly basis.

Paid VOD platforms are still used by VOD viewers less frequently than traditional platforms like DVD and cinema

Concentrating on transactional VOD (online rental and download-to-own), and its traditional equivalents – cinema and DVD viewing – VOD viewers still go to the cinema and watch DVDs a lot more regularly than they rent or download online content. Half of the VOD viewer group as a whole goes to the cinema at least once every two months – more than double the proportion that rents or downloads via VOD every two months. And more people (38 per cent) are watching content they've borrowed from other people (whether on DVD, USB stick or through file sharing) at least once every two months.

Frequency of watching movies and TV programs on various platforms among VOD viewers



*Borrowing or exchanging movies or television content with friends or family via USB stick, DVD or through filesharing.

"VOD viewers still go to the cinema and watch DVDs a lot more regularly than they rent or download online content..."

LUCY IS A LIGHT ONLINE CONTENT VIEWER FROM REGIONAL NSW. SHE DOWNLOADS CONTENT FOR HERSELF AND HER DAUGHTER.

She is a 37-year-old public servant, married to a shift worker, and they have a two-year-old daughter.

On a typical day she watches 3.5 hours of broadcast television, taking in programs like *Home and Away*, *Neighbours* and reality TV like *House Rules* and *Master Chef*. She also does a lot of recording but is now discovering the benefits of catch-up TV:

"I regularly watch catch-up (particularly a series) on my iPad with 9Jumpin. For example, *Love Child* – I watched it (online) because it was on at the same time as another show."

However, she is not happy with the ads on catch-up television services as she feels they interrupt her viewing. "Some catch-up sites have compulsory ads. If you stop it, you have to go back to the beginning or go back to the ads you have seen."

Lucy is using YouTube to access content for her two-year-old daughter.

"I download my daughter's TV shows too on YouTube while I watch my show. *Peppa Pig*. But it has adult advertising."

And television still accounts for the lion's share of hours watched

The average number of hours spent watching content on 'small screens' is another indicator that VOD has a long way to go before it replaces the traditional forms.

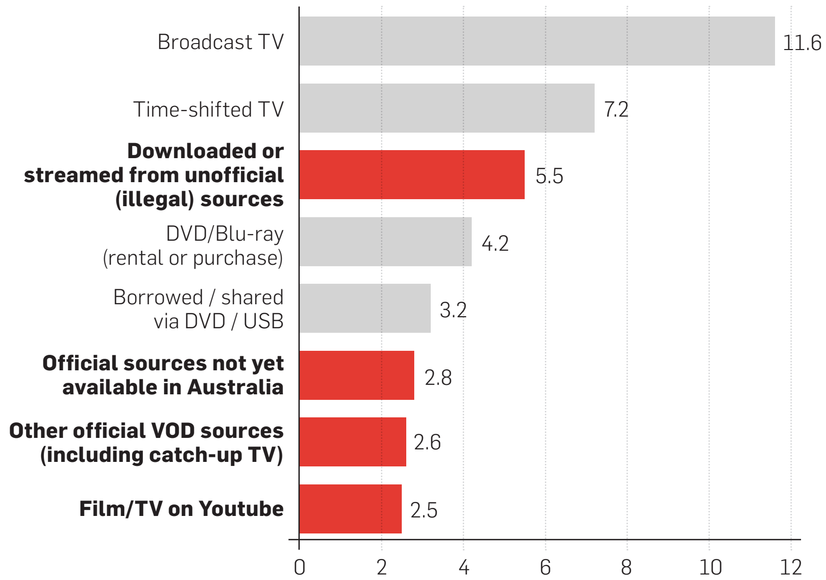
Viewers of movie and television content on YouTube reported watching an average of 2.5 hours per week that way (clips and/or whole programs), and people who used other legal VOD services (including catch-up TV, subscription VOD, online rental and download-to-own) reported an average of 2.6 hours per week watching on those services.

By contrast, the broadcast television viewers amongst our VOD viewers reported an average of 11.6 hours per week and time-shifters 7.2 hours.*

A considerable number of people (18 per cent of total VOD viewers) also reported using official online services that are not yet available in Australia (such as Netflix, Hulu, Amazon Prime, BBC iPlayer, LoveFilm Instant and ITV Player). These people spent an average of 2.8 hours watching these sources.

Hours spent per week by viewers of various platforms watching movies or TV programs on those platforms

For example, people who watched broadcast TV (90 per cent of VOD viewers) spent an average of 11.6 hours per week doing so, and people who watched time-shifted TV (50 per cent of VOD viewers) spent 7.2 hours.

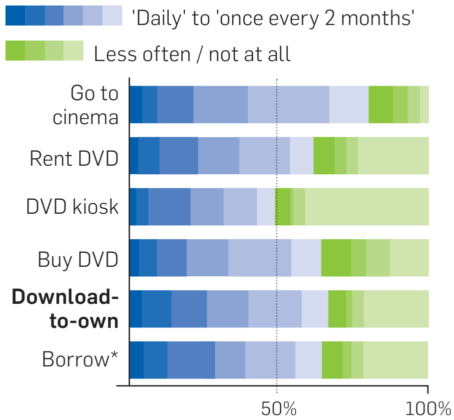


* Although not directly comparable, these figures are on par with OzTam's measure of Australians watching 22.3 hours per week of combined live and playback television (OzTam, Australian Multi-Screen Report Q3)

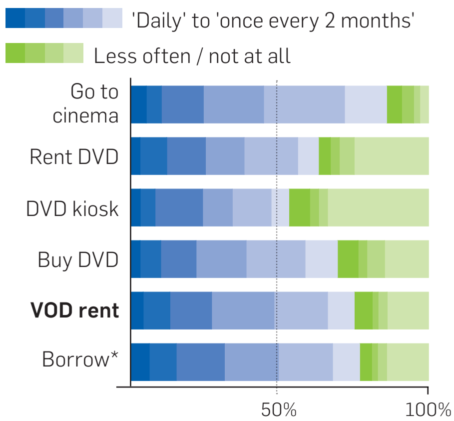
But people who regularly pay for their VOD content tend to be screen-hungry

Regular paying VOD viewers (the 21 per cent who pay to rent and 18 per cent who download-to-own content online at least once every two months) also tend to watch content regularly in other ways, particularly at the cinema – 80 per cent of regular VOD renters go to the cinema at least once every two months, as do 86 per cent of those who regularly download-to-own.

VOD viewers renting online at least once every two months, who:



VOD viewers downloading-to-own at least once every two months, who:



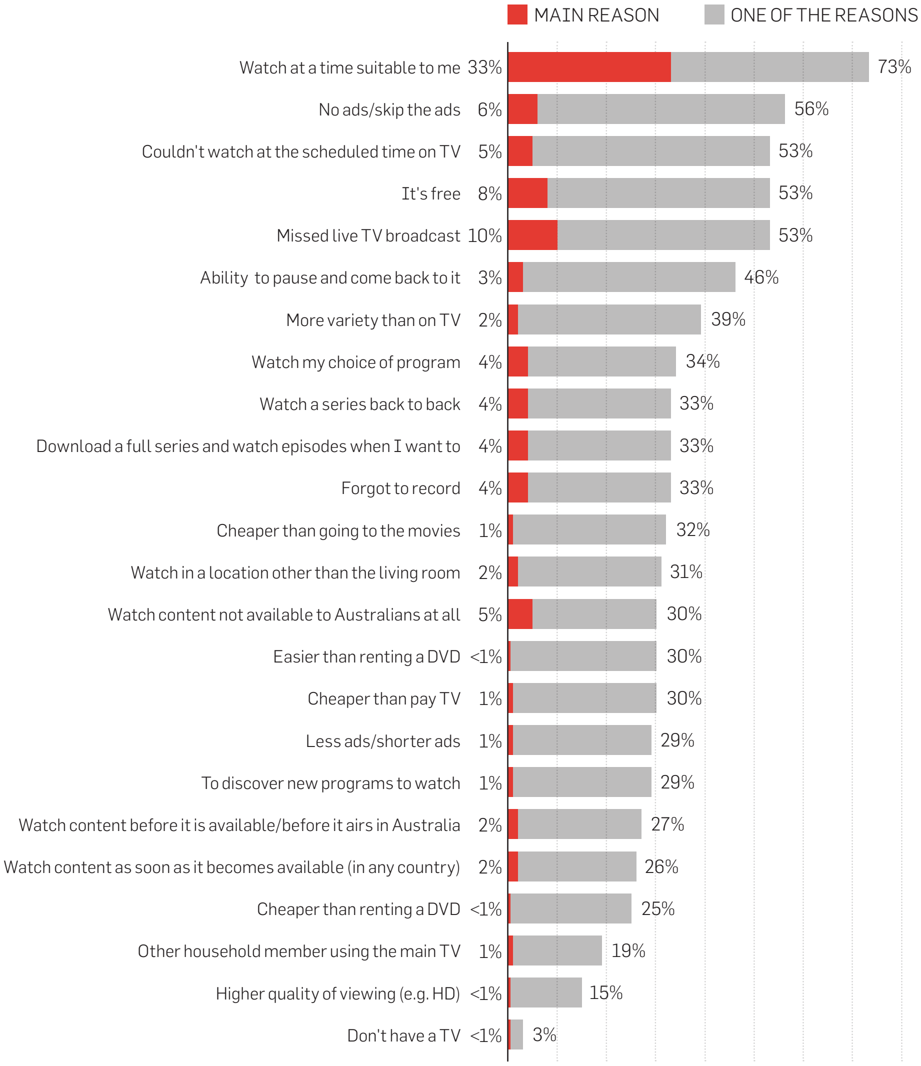
*Borrowing or exchanging movies or television content with friends or family via USB stick, DVD or through filesharing.

WHAT MAKES PEOPLE WATCH VOD?

The top reasons cited for watching VOD (unsurprisingly) relate to the convenience associated with online viewing: watching programs at a time suitable to the viewer was the most common response (73 per cent). Over half (56 per cent) of VOD viewers were attracted by the lack of advertisements or the ability to skip them – and these reasons resonated most with viewers of subscription VOD services. Cost was also a factor, with 53 per cent (predominantly viewers of ad-supported VOD) drawn by free content online, and around a third by VOD's affordability compared to both cinema and subscription television.

Over all, reasons related to catching up on broadcast TV were cited by 81 per cent (predictably, these were predominantly viewers of catch-up TV services). Reasons related to content unavailable or not yet available in Australia were cited by 47 per cent. And all the factors associated with content (choice, variety, the ability to binge) were strongest for people using paid VOD models (subscription VOD and transactional).

When asked for the single most important driver to watching VOD, the top response by far (at 33 per cent) was the freedom afforded to watch at a suitable time.

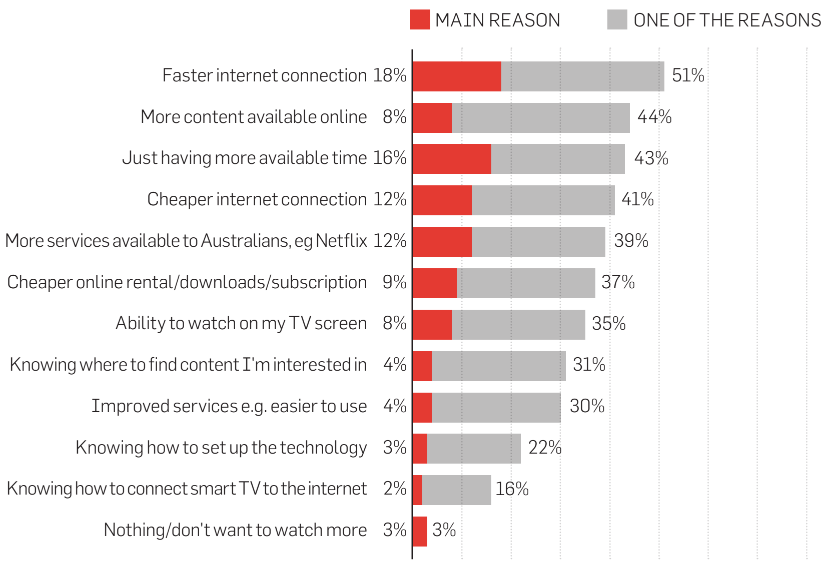


WHAT HOLDS THEM BACK?

Nearly all VOD viewers (97 per cent) were able to nominate barriers to watching more content online, and a wide variety of obstacles were reported. Viewers of transactional and subscription VOD services were more likely to mention almost all barriers. Connection speed was the most common, affecting 51 per cent of people, while 44 per cent would watch more if a wider variety of content was available, and 43 per cent if they simply had more time.

When responses relating to a lack of technical knowledge required to set up VOD or connect the smart TV to the internet were combined, this was mentioned by 47 per cent. It was also the most common barrier for those with the fastest internet speed (over 8mbps).

When asked to nominate the single most important barrier, internet speed topped the list, followed by needing 'more available time' to watch.



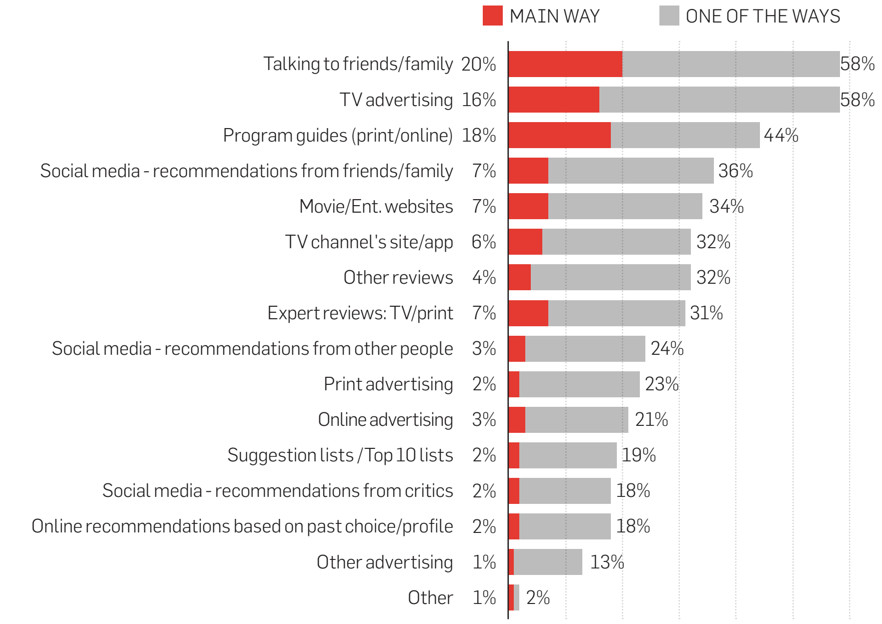
Discovery – finding what to watch

With new movies and programs available for viewing at an ever-increasing rate across traditional and new platforms, it's interesting that old-fashioned word of mouth and television advertising are the most common ways that our VOD audience hears about new screen content they want to watch, regardless of how they'll be watching it. However, social media is not far behind, with half of all VOD viewers using various social media recommendations to discover new things to watch.

Word of mouth also came out on top when people were asked to nominate the single greatest influence on discovery of new content, followed closely by program guides (print and/or online) and television advertising.

The role of social media as a discovery tool for new content came through strongly in Screen Australia's 2012 report *What to Watch? Audience motivation in a multi-screen world*. This report identified how the buildup of awareness through different platforms played a very important role in guiding the decisions of people seeking out content online. The use of social media for finding new content was particularly marked for users of paid VOD services (ie, subscribers and users of transactional services) as well as people accessing VOD illegally, or using international services unofficially. These consumers are screen-hungry and actively seek out new things to watch that may or may not yet be officially available in Australia, so they may be drawing particularly on international social media sources.

How do you hear about movies or TV shows that you want to watch?



Screen Australia's research has shown how vital it is for content to generate buzz on all platforms when first released in order to build an audience on ancillary platforms like DVD and online. For example, *Beyond the Box Office* demonstrated how publicity around an Australian film's theatrical release feeds the audience over the long tail. The results of this survey reinforce the importance of advertising across different media platforms to guide content decisions.

KATE IS A HEAVY CONSUMER OF A RANGE OF GENRES, THOUGH MAINLY OVERSEAS TV SHOWS. SHE HAS A FOXTEL SUBSCRIPTION BUT ALSO USES SITES LIKE UTORRENT REGULARLY.

Kate watches a lot of online content. She is 28 years old and works as an Executive Assistant in a metro area.

She watches about four hours of online content per week and 10 hours of broadcast television, including Foxtel. She also views content through uTorrent quite regularly and says she is satisfied with the quality.

Kate enjoys watching some old movies online, like *The Little Mermaid* and a Halle Berry movie, *The Call*. However, she mainly watches TV shows like *Game of Thrones* and she loves the Kardashians. She is not interested in downloading Australian television programs as she can find this content on broadcast television.

She watches online video content on the couch with the TV connected to the laptop via HDMI:

"I prefer watching on the TV screen. I watch YouTube through the iPad but that's about it. I sometimes watch TV shows on YouTube but I prefer to download. I very occasionally watch films on YouTube but not often because it uses bandwidth."

Kate mainly views internet TV alone "60 per cent of the time" and for the rest of the time she watches with friends; the social versus solo decision will depend on what it is she is watching.

A lot of what she watches comes from friends' recommendations and word of mouth:

"With *Jonah*, I heard about it through friends; it wasn't advertised much. I got told, went on YouTube to check it out and then watched it on traditional TV...
I also watched the *Blackfish* documentary online; I heard about it through people at work."

The content – what's watched where

What types of programs are people watching across the range of VOD services? How does this compare to what they're watching on traditional platforms?

TV drama series, both Australian and foreign, account for the highest proportion of viewers across all VOD service types. Hollywood still dominates online movie viewing, but VOD (like DVD) has a role in enabling more niche content to reach audiences. While documentary viewing on VOD is still at a fairly low level, different genres tend to be watched on VOD compared to other platforms such broadcast TV.

ANGELA IS 58, AND WORKS PART-TIME AS AN ADMINISTRATIVE ASSISTANT.

She actively seeks out niche content online that suits her interests. She's discovering new sites and is slowly becoming more tech savvy, driven by her search for alternative content. She enjoys the ABC and SBS catch-up TV sites.

In terms of her television viewing, Angela is only interested in content from the public broadcasters. She has an extensive DVD library but is now seeking out even more entertainment online. She enjoys catch-up television sites like iview, and has discovered that *The Age* website has a good selection of documentaries, and there are overseas sources of free, niche movies.

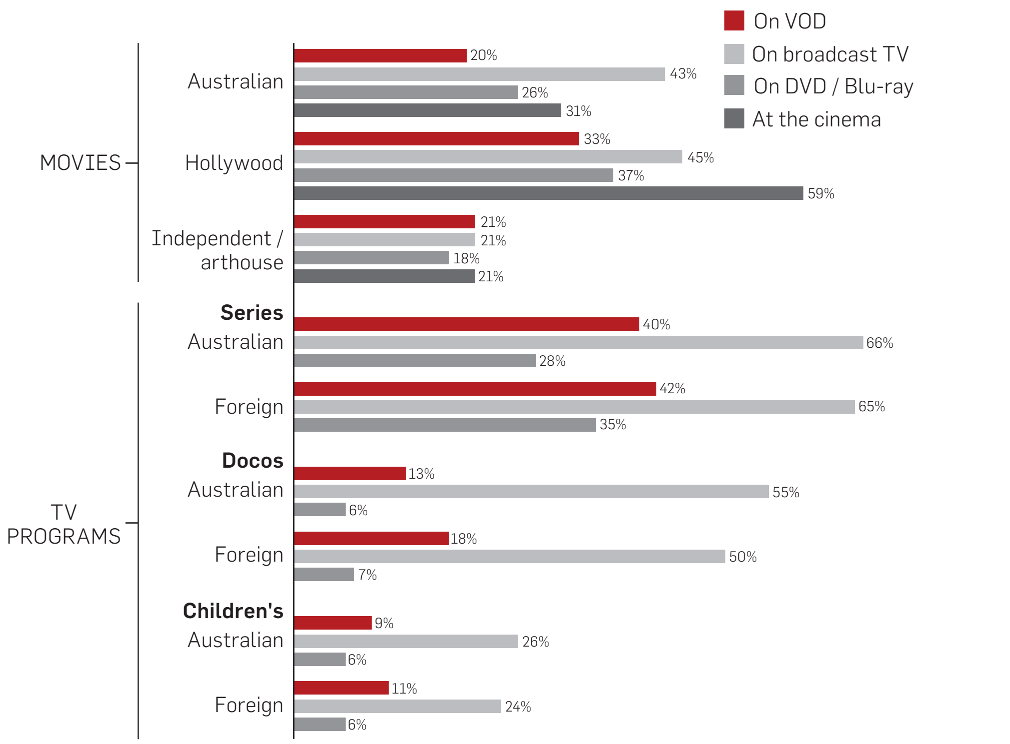
Her online viewing choices have become more expansive compared to her broadcast television preferences due to the variety of content online, free programs and niche genre movies.

"I have probably expanded from what I watched on TV. Archive.org has thousands of films which are free to download, I've discovered I really liked film noir."

Angela watches online content on her computer but is currently looking for something that will 'convert it' onto the bigger TV screen.

THE CONTENT DIET OF VOD VIEWERS

Percentage of VOD viewers who watch:



A third of all VOD viewers surveyed watch Hollywood films online and a fifth watch Australian and independent/arthouse films. While the vast output of Hollywood dominates movie viewing at the cinema, on all of the 'small screens' (including VOD) people are more inclined to mix Australian and/or arthouse films with Hollywood fare.

"I have probably expanded from what I watch on TV..."

Broadcast television is the most popular platform for watching Australian films (with 43 per cent of VOD viewers saying they do this, very close to the 45 per cent watching Hollywood films on TV), and cinema is most popular for Hollywood films. Independent/art-house films were the most 'platform-agnostic', with cinema, television and the internet equally popular ways of viewing these films.

However, television series tend to drive viewings on VOD. While Australian series are slightly ahead of foreign series on live television (in terms of the proportion watching), foreign are slightly ahead of Australian on VOD. Both account for higher proportions of viewings on VOD than on DVD. This was the case across all VOD services, not just catch-up television with its strong connection to TV programming through the broadcast schedule.

Viewing of documentaries and children's programs still sits strongly with broadcast television. Both are currently driving fairly small proportions of VOD viewing, although for children's programs this is obviously impacted by the 14+ survey sample. And like drama series (and unlike Australian and Hollywood films), VOD viewers are watching these programs at higher rates on VOD than they are on DVD.

VOD, like DVD, has a role in enabling niche movie genres to reach audiences [A]

To a large extent, the popularity of movie genres on VOD mirrors the traditional platforms, particularly DVD. Comedy attracts the highest proportion of viewers on VOD, as it does for all of the 'small screen' platforms (whereas action/adventure comes out on top for cinema, probably due to its ability to capitalise on the 'big screen' experience).

However, VOD, like DVD, has a role in enabling niche content to reach audiences: science fiction and horror are both over-represented on VOD and DVD. That is, although they are not the most popular genres overall, their popularity on VOD and DVD is closer to that of the top genres than is the case for cinema and television.

TV series [B] are more commonly viewed on VOD than DVD/Blu-ray, especially foreign drama, comedy and thriller/mystery/crime

For TV series, genre data is available for both foreign and Australian content, with foreign drama and comedy the most popular genres across all platforms, closely followed by foreign thriller/crime/mystery. When it comes to Australian programs, VOD viewers are much more likely to be watching them on broadcast television than on other platforms, in fact for most genres on television, viewers are just as likely to be watching Australian series as foreign.

In all cases, a higher proportion of people are watching TV series on VOD than on DVD/ Blu-ray, with Australian drama slightly more popular than Australian comedy.

Science, natural history and environment are the most popular documentary genres online [C], while factual entertainment is tops on broadcast TV

[A] Movie genres watched by VOD viewers in the last six months

	On VOD	At the cinema	On DVD / Blu-ray	On broadcast TV
Comedy	**27%**	40%	31%	44%
Drama	**24%**	35%	28%	41%
Thriller/mystery/crime	**24%**	33%	26%	40%
Action/adventure	**24%**	45%	29%	42%
Sci-fi	**22%**	32%	25%	30%
Family	**20%**	28%	23%	36%
Romantic comedy	**19%**	28%	21%	33%
Horror	**15%**	15%	15%	17%
Musical	**12%**	17%	15%	22%
Western	**9%**	11%	11%	19%

[B] TV series genres watched by VOD viewers in the last six months

		On VOD	On DVD / Blu-ray	On broadcast TV
Drama	Australian	**23%**	13%	49%
	Foreign	**35%**	18%	49%
Comedy	Australian	**21%**	14%	49%
	Foreign	**34%**	18%	52%
Thriller/mystery/crime	Australian	**19%**	13%	42%
	Foreign	**31%**	18%	46%
Historical	Australian	**14%**	7%	40%
	Foreign	**21%**	10%	40%
Family	Australian	**14%**	12%	39%
	Foreign	**21%**	15%	38%

[C] Documentary genres watched by VOD viewers in the last six months

	On VOD	On DVD / Blu-ray	On broadcast TV
Science	**13%**	4.3%	42%
Natural history and environment	**13%**	4.2%	43%
History and national identity	**12%**	4.6%	45%
Social contemporary	**11%**	4.1%	37%
Factual entertainment series	**10%**	3.3%	46%
Art and culture	**9%**	3.5%	31%
Religion and ethics	**8%**	3.3%	23%

While there is generally fairly minimal variation in the popularity of documentary genres on any particular platform, the survey does reveal some patterns.

On VOD, science and natural history/ environment are the most popular genres. On broadcast television, on the other hand, factual entertainment was the most watched (by 46 per cent of VOD viewers), followed by history/national identity by 45 per cent. And compared to drama, the viewing pattern of documentary genres on VOD is not so aligned with DVD, where the favourite was history/ national identity.

WHAT CONTENT ON WHICH SERVICE?

Each of the four VOD models has some correlations with traditional platforms in the way they monetise content and deliver it to audiences.

The catch-up TV and ad-supported services mirror free-to-air television most closely, in that they deliver content free to audiences, and use advertising (or Government support in the case of ABC iview and SBS On Demand) to finance that delivery.

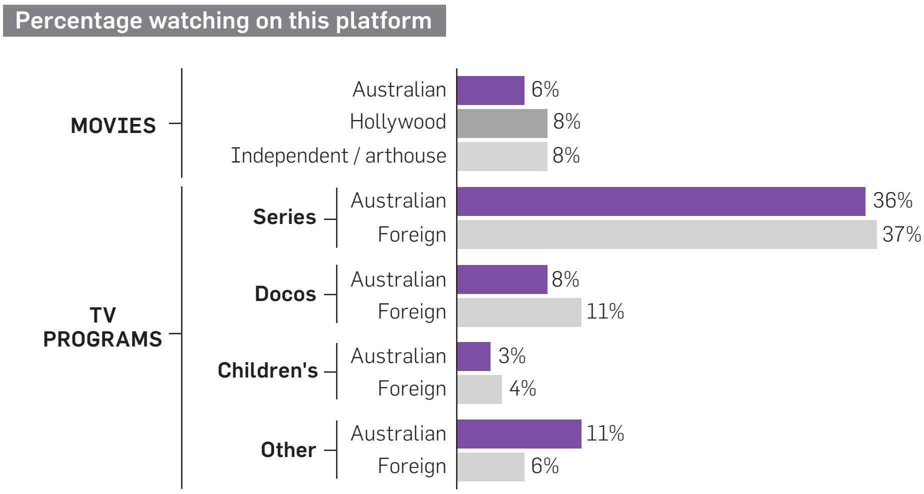
Relying on direct payment from viewers for the content they watch, subscription and transactional VOD services parallel cinema and DVD viewing. Broadly speaking, engagement with particular types of content across different VOD service types reflects some of these business model correlations.

“Drama, both Australian and foreign, is the most popular genre for TV series on catch-up TV...”

The survey asked people what type of content they watch on the VOD services they use (ABC iview, YouTube, iTunes, Foxtel Play/Foxtel Go, etc).

In summary, with its connection to the heavily Australian broadcast schedule, catch-up TV has the strongest audience for Australian TV series (neck-and-neck with foreign TV series). Foreign TV series are the standouts on subscription, transactional and ad-supported services, and Hollywood films are more popular on subscription services, compared to the other VOD models.

Catch-up TV:



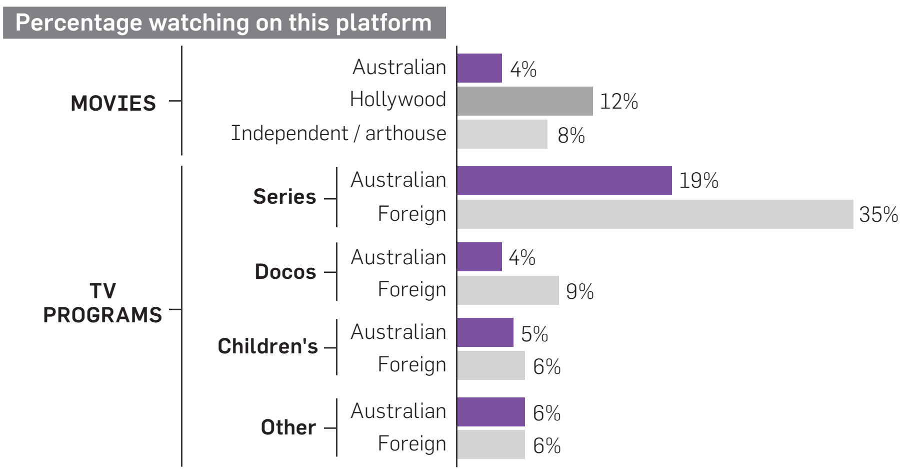
Series, both local and foreign, are the most popular programs on catch-up TV. Hollywood and independent/arthouse films are equally popular, with 8 per cent watching each and 6 per cent watching Australian films.

The most popular movie genres are comedy and drama, closely followed by thriller/ mystery/ crime.

Drama, both Australian and foreign, is the most popular genre for TV series on catch-up TV. Foreign thriller/mystery/crime and Australian comedy follow.

11 per cent of catch-up viewers watch foreign documentaries and 8 per cent watch local. Science is the most popular genre.

Ad-supported VOD:

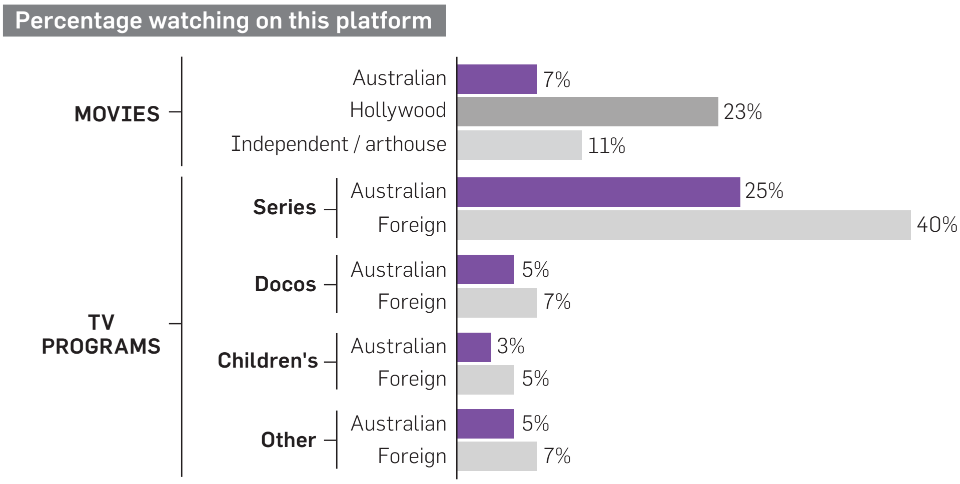


For viewers of ad-supported VOD, foreign series are the most popular programs, followed, as with subscription VOD, by Australian series. Foreign comedy topped the list for TV genres.

Although less popular than on subscription VOD, Hollywood films are still the most common film choice on ad-supported services, and comedy is the most popular genre.

The documentary audience on ad-supported VOD favours foreign documentaries (9 per cent compared to 4 per cent for local programs). Science is most the popular genre, closely followed by natural history/environment and history/national identity.

Subscription VOD:



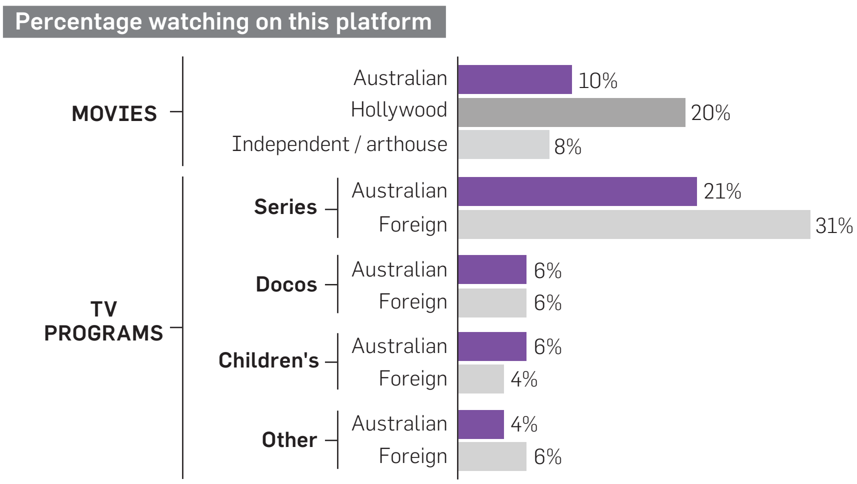
For subscription VOD viewers, foreign series are by far the most popular forms of programming, watched by 40 per cent of subscribers. Australian series follow at 25 per cent, despite relatively sparse offerings through subscription VOD services.

Comedy, drama and thriller/mystery/crime are the most popular foreign TV series genres.

Hollywood movies are watched by 23 per cent of subscribers, well ahead of the 11 per cent for independent/arthouse films and 7 per cent for Australian films. The most popular genres are action/adventure, comedy and drama.

7 per cent of subscription VOD viewers watch foreign documentaries and 5 per cent watch local documentaries. Natural history/environment documentaries are the most popular.

Transactional VOD:



For viewers who rent online or download to own, foreign TV series are also the most commonly watched content. Australian series nudge out Hollywood films for second place.

Comedy and drama are the top movie genres.

Foreign comedy and drama are the top genres for TV series.

Natural history/environment and science are the top documentary genres. Local and foreign documentaries are equally popular.

WHAT GENRES ON WHICH SERVICE?

Percentage watching on each platform

MOVIE GENRES

	Catch-up TV	Ad-supported VOD	Subscription VOD	Transactional VOD
Action/adventure	5%	6%	16%	11%
Comedy	8%	10%	16%	12%
Drama	8%	7%	16%	12%
Thriller/mystery/crime	7%	7%	12%	8%
Romantic comedy	4%	6%	9%	7%
Sci-fi	5%	7%	9%	9%
Family	6%	7%	9%	8%
Horror	3%	4%	8%	6%
Musical	3%	2%	8%	3%
Western	3%	2%	3%	3%

TV SERIES GENRES

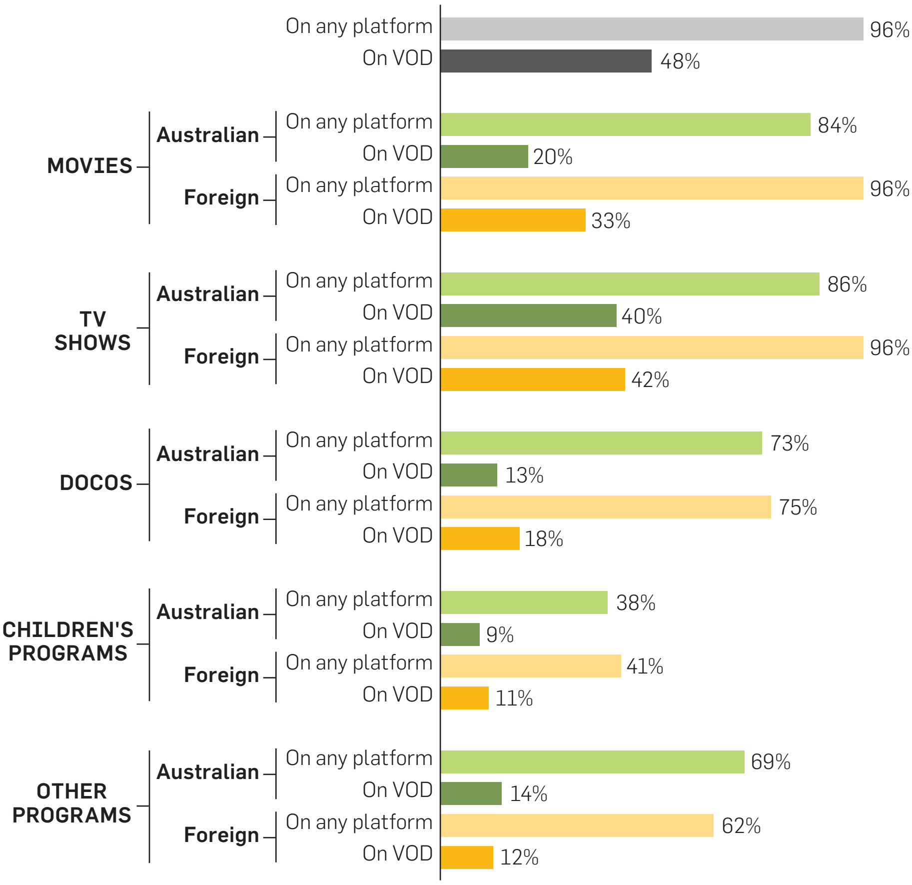
		Catch-up TV	Ad-supported VOD	Subscription VOD	Transactional VOD
Comedy	Australian	15%	8%	7%	6%
	Foreign	14%	18%	20%	13%
Drama	Australian	19%	6%	11%	6%
	Foreign	19%	13%	19%	12%
Thriller/mystery/crime	Australian	11%	5%	8%	5%
	Foreign	15%	10%	16%	8%
Historical	Australian	10%	5%	4%	3%
	Foreign	8%	7%	10%	4%
Family	Australian	7%	4%	5%	6%
	Foreign	7%	8%	10%	6%

DOCUMENTARY GENRES

	Catch-up TV	Ad-supported VOD	Subscription VOD	Transactional VOD
Science	8%	7%	3%	4%
History/national identity	7%	6%	4%	3%
Natural history/environment	7%	6%	5%	4%
Social contemporary	6%	4%	4%	2%
Factual entertainment	5%	4%	4%	3%
Religion and ethics	4%	4%	1%	2%
Art and culture	4%	4%	2%	3%

OVERVIEW OF AUSTRALIAN CONTENT

Content watched by VOD viewers on VOD and other platforms:



>> The VOD services currently available in Australia offer a wide range of Australian and foreign content depending on the rights arrangements, and these days all Australian television drama is available on catch-up television soon after broadcast for up to two weeks in most cases. Depending on the rights deals, some series are 'stacked', meaning that all episodes remain available via catch-up television for a show's run.

All Australian feature films released since 2011 are available for online rental or download-to-own following their theatrical release. As of November 2014, current offerings on transactional VOD services such as iTunes include *The Rover*, *Tracks*, *The Railway Man* and *Wolf Creek 2*. TV programs include dramas *Offspring*, *The Slap*, *Redfern Now* and *House Husbands*, documentaries *All This Mayhem*, *Once upon a Time in Punchbowl* and *First Footprints* and children's programs *Dance Academy*, *dirtgirlworld*, *Mako Mermaids* and *Hoopla Doopla*.

Australian offerings on subscription VOD services such as Quickflix and Foxtel's VOD services are somewhat sparser, but cover a range of content including movies *Chopper*, *Drift*, TV dramas *Crownies* and *Summer Heights High*, documentaries *Bra Boys* and *Whitlam: The Power and the Passion* and children's programs *Giggle and Hoot* and *The Wiggles*.

On the ad-supported VOD services, full-length Australian content available on YouTube includes documentary series *Bondi Rescue* and drama series *Neighbours*; and smh.tv/ theage.tv is offering documentaries *The Kangaroo Gang* and *Coniston*, and the feature film *The Tunnel*.

VOD viewers have a strong appetite for Australian content, with nearly all watching it across various platforms, and just under half are watching it online. This provides an opportunity for VOD services to further harness the existing audience with their Australian offerings online.

The information on pages 14 and 15 shows the relative popularity of Australian programs and their foreign equivalents.

The rights deals that shape the content offering

Whether or not and when content is available on the different online platforms in Australia is determined by complex rights deals.

- Broadcaster-commissioned Australian content almost always includes rights for online catch-up viewing for a certain time period.
- Broadcaster acquisitions, particularly foreign content, are more likely to have restrictions on when and for how long they can be available through catch-up and broadcasters are not always able to secure the catch-up television rights for every program.
- New series (whether Australian or foreign) that are broadcast on Australian television are commonly made available for digital purchase (sometimes episode by episode) after their broadcast premiere; however, the length of time between broadcast and appearing on transactional platforms varies.
- For feature films that have a theatrical release in Australia, the standard amount of time between the film appearing in cinemas and being available on transactional home entertainment platforms is generally around 120 days.
- Movies and television programs generally appear on subscription VOD services after they have been released on all other platforms, for example transactional home entertainment and/or free-to-air or subscription TV broadcast.

The order in which content appears on various platforms may change if the platform is willing to pay a premium for an earlier window.

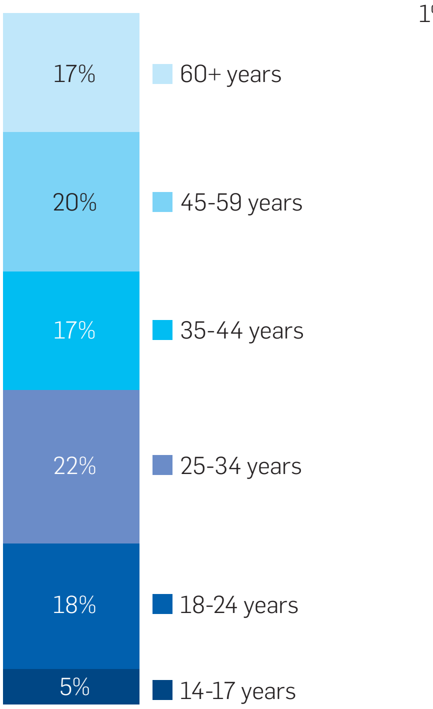
Who’s watching?

How do VOD viewers compare to the general population of internet-connected Australians? And what characterises the audiences for each VOD platform?

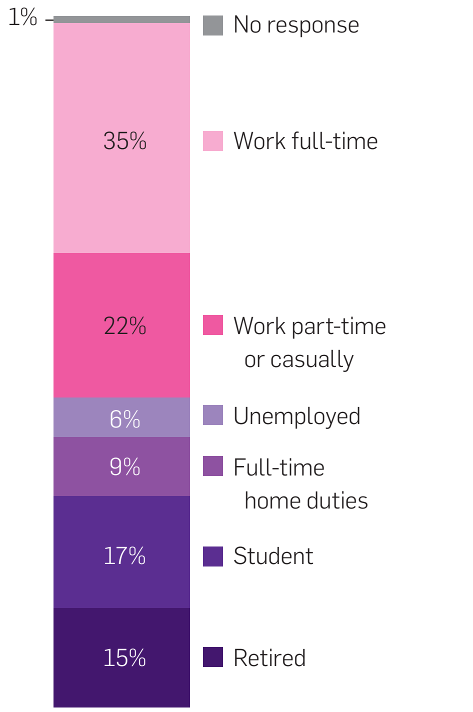
» VOD viewers come from all walks of life and are largely representative of the general population* in terms of where they live (capital city, regional or rural locations), gender, education levels, income and occupations.

They tend to be slightly younger. As a result, students are marginally over-represented, and retirees under-represented. Similarly, there’s a slight skew away from ‘empty-nesters’ towards families with teenagers or adult children living at home and people living in peer groups.

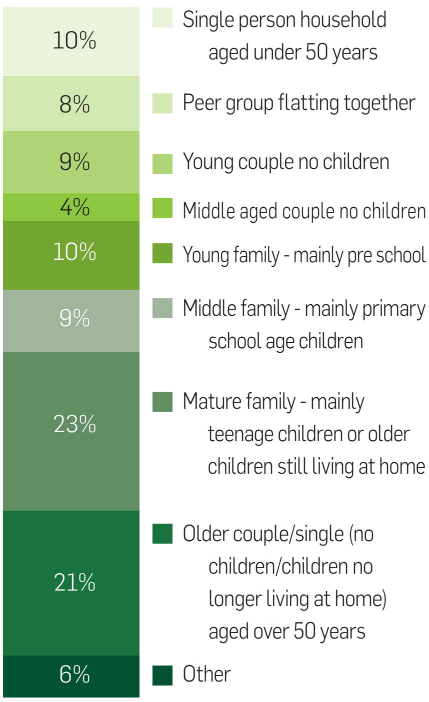
Age profile



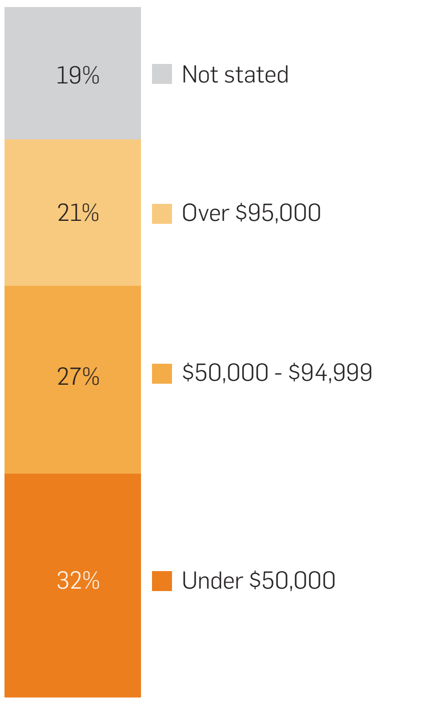
Occupational status



Household structure



Income before tax

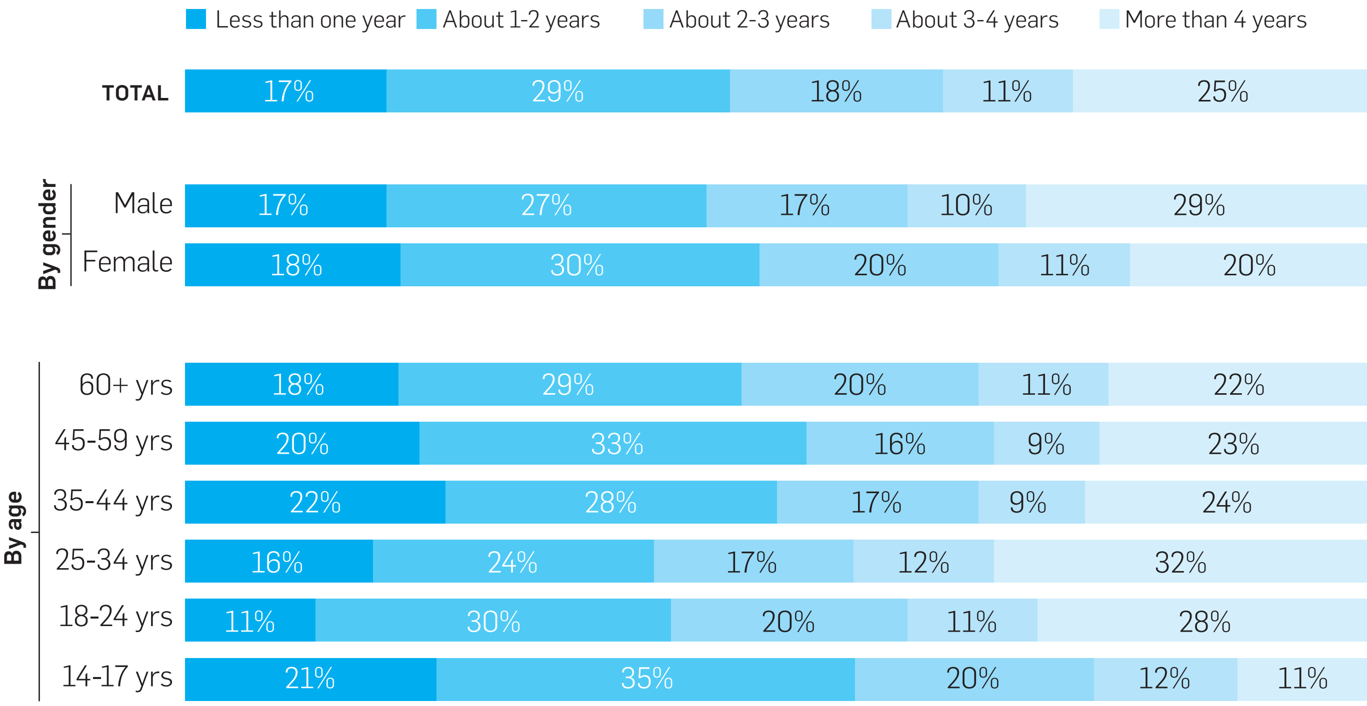


*The ‘general population’ is based on Nielsen’s *Australian Connected Consumers 2014* report, which is demographically representative of the Australian population in terms of age, gender and location.

HOW LONG HAVE THEY BEEN WATCHING?

» Just over half the VOD viewers have been watching online for more than two years. Males are more likely than females to have been using VOD for longer, and those aged 18 to 34 have been using it for the longest.

Percentage of VOD viewers who have been watching for:



TOM IS VERY KEEN ON SUBSCRIPTION VOD MODELS, AND IS ALREADY USING NETFLIX. HE STREAMS A LOT OF SPORTS AND OVERSEAS SERIES FROM UNOFFICIAL SOURCES BUT HAS TO HUNT AROUND FOR REASONABLE QUALITY STREAMS.

Tom is a Generation Y student, living in a metro area and working casually as a sales consultant.

He doesn't do much downloading anymore as he doesn't have enough space on his devices.

"I tend to stream more videos and music." He uses different streaming sites to find the best quality version of international and HBO programs.

"I would stream more sports if the quality was better."

He has become fairly selective with what he watches due to the range of options he has online.

"I watched *House of Cards* on Netflix and I really like the Netflix model."

He still watches broadcast television: less than an hour of news in the morning and whatever's on at 7pm when he arrives home, like reality shows. He watches different content online compared to broadcast television. His online viewing consists of US dramas, movies and sport.

"I watch US dramas and movies online, not reality TV like I watch on the TV."

Tom prefers watching content from his TV but thinks mobile is good for the train and the iPad is good in bed. He bought a new mobile recently and likes the convenience of viewing content from his mobile.

VIEWER PROFILES BY PLATFORM

To help understand what VOD means to audiences, we have analysed what characterises each group of viewers. The resultant profiles are based on people who reported using a particular online platform to watch content at least once over the six months leading up to the survey. Although not mutually exclusive given that online viewers access different platforms at different times, the profiles show what audiences look like for each platform.

CATCH-UP TELEVISION VIEWERS

Three-quarters of all online viewers report using one or more of the catch-up television services (ABC iview, SBS On Demand, 9JumpIn, Plus7 or TENPlay). Of this total, 62 per cent report watching catch-up television online at least two to three times a month.

■ **Demographics:** Viewers of catch-up television are broadly representative, but with a higher proportion of older viewers (over 45) than the other groups.

■ **Screen diet:** They aren't the most avid content consumers at the cinema or on DVD, compared to other VOD viewers, although they still watch broadcast television.

■ **Viewing behaviour:** They predominantly watch by themselves on laptops/PCs or tablets but also watch with a partner sometimes.

■ **Content discovery:** They are more likely than the average VOD viewer to use television advertising, channel websites, program guides and print or television reviews from experts to discover content.

■ **Why VOD?:** They use catch-up television services for exactly that reason: to 'catch-up' on broadcast television. They are less likely to see the availability and immediacy of content or cost concerns as barriers.

■ **Paying for content:** They have less interest in paid online content models than VOD viewers as a whole, and are more open to ad-supported services. They don't want to pay much for accessing content online.

■ **Australian content:** They value Australian content and in particular Australian television, which they are more likely to watch than the average VOD viewer, regardless of platform. They also have an expectation that Australian content should cost the same as foreign content.

USERS OF AD-SUPPORTED SERVICES

70 per cent of all VOD viewers report using ad-supported services and the majority access these services frequently, at least two to three times a month. They are more likely than average to use catch-up television services, but roughly only a third reporting using paid VOD services.

■ **Demographics:** People who use ad-supported VOD services were well represented across all income brackets. There is no dominant age-group or gender.

■ **Screen diet:** Overall, they are occasional content consumers. They watch content less frequently on all platforms than the average VOD viewer.

■ **Viewing behaviour:** They are solitary viewers and are more likely to watch on laptops or PCs, although sometimes they watch with a partner.

■ **Content discovery:** They rely on reviews from experts, TV advertising and program guides to discover new content; however, they consider talking to friends and family their number one source.

■ **Awareness and use:** Despite using ad-supported services, and therefore free services, they have comparatively lower levels of awareness of catch-up television services and use these services less frequently than average.

■ **Why not more VOD?:** They find the limited content options in Australia, awareness of services, speed and cost of internet services and a lack of time to be barriers to watching more VOD content.

■ **Paying for content:** They are more likely to look for the lowest prices for VOD services but compared to the broader group they feel more strongly about paying the same for Australian and foreign content. This is although they are slightly less likely to watch Australian movies overall.

■ Of those who access content illegally, if they could no longer do so they would continue to use ad-supported services. They have little interest in using subscription and rental/download-to-own services, although they are slightly more willing to consider subscription or VOD rental services if they were unable to pirate.

VOD SUBSCRIBERS

37 per cent of online viewers report using a subscription VOD service. Of this group, two-thirds access the service at least two to three times a month. They are less aware of catch-up television services than other groups but are otherwise frequent users of most services.

■ **Demographics:** Typical subscribers to VOD services tend to be younger (under 35) and cover all income ranges.

■ **Household type:** They come from all sorts of households. However, they are more likely to have young people in the house, either as part of a mature family with teens/older kids or a young family with pre-schoolers. Households of older couples (over 50) without kids at home are also over-represented.

■ **Internet speed and satisfaction:** They are generally satisfied with their internet bandwidth but they are also more likely to have a faster connection.

■ **Screen diet:** They are very active content consumers across all platforms, attending the cinema at least once a month, hiring and purchasing DVDs several times a year and accessing VOD content via transactional models.

■ **Viewing behaviour:** Watching content is a social activity. On average, they are more likely to watch with others, either at a friend's or family member's place than the broader group. Overall they are technology savvy, accessing content across all devices even though VOD viewing on a mobile is still low overall.

■ Alongside their subscription use, they are also likely to use online rental and download-to-own models, with 34 per cent accessing transactional VOD two to three times a month.

■ **Content discovery:** They are more likely than average to discover new content through talking to friends or family either by word of mouth or social media, as well as through program guides, movie and entertainment websites, channel websites or apps.

■ **Why VOD?:** They see a number of advantages to watching VOD content and in particular cited reduced advertising, ability to binge-watch and varied content offering as some of the drivers.

■ **Why not more VOD?:** They cite internet speed, content availability, and cost as specific barriers, regardless of platform.

■ **Australian content:** They value content, including Australian screen stories, demonstrated by their willingness to pay more than $10 per month for a VOD subscription (they are likely to be paying more already for their current subscription) and relative openness to paying more for Australian content in general. They are more likely than the broader group to watch Australian films on broadcast television or purchase them on DVD.

TRANSACTIONAL VOD USERS

41 per cent of VOD viewers use transactional VOD, with just over half these people using online rental or download-to-own services at least two to three times a month. The majority also use catch-up television and ad-supported services several times a month and just under half are also VOD subscribers.

■ **Demographics:** They tend to be under 35 and with a mid to high household income. Females are slightly over-represented in comparison to all VOD viewers.

■ **Internet speed:** They are more likely than the broader group of VOD viewers to have a high-speed connection.

■ **Screen diet:** They are avid consumers of screen stories across all different platforms on a very regular basis. Almost half the group goes to the cinema at least once a month.

■ **Viewing behaviour:** Overall they are technology savvy, accessing content across all devices. Although off a low base, they are also proportionally high users of mobile phones to watch content. Given their stronger than average mobile use, it's less of a surprise that they are more likely to watch while commuting than the average.

■ **Content discovery:** To find content, they are more likely than other groups to use television advertising and program guides as well as movie, entertainment and the broadcaster websites or apps, and social media more broadly. However, talking with friends and family remains number one.

■ **Why VOD?:** They see many advantages to watching via VOD, with cost, convenience, variety of content and no advertising as the biggest drivers. At the same time, similar factors hold them back from watching more: the speed and cost of internet services, the limited content and services available in Australia, and limited set-up knowledge are cited as the main barriers.

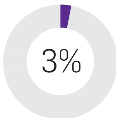
■ They are more likely than average to use a variety of VOD services to get their content fix and are open to paying a little more for VOD services.

■ **Australian content:** They value Australian screen stories, and are open to paying more for Australian content. They enjoy Australian movies but are more likely to watch these on broadcast television or borrow them from friends than other VOD viewers. They are also more likely to watch Australian television documentaries and children's programming.

PROFILES BY LEGALITY OF VIEWING

Although illegal viewing was not the prime focus of the survey, it is difficult to consider audience behaviour online without looking at accessing of illegal services.

The survey results show that VOD viewers access VOD both legally and illegally. Only a very small group uses almost solely illegal services whereas a much larger proportion of VOD viewers use only legal services. There are then two groups of viewers who mostly use legal services and those who mix their use of legal and illegal services.



MAINLY ILLEGAL VIEWING (those who access legal services less than once a month)

People who mainly access VOD illegally only represent around three per cent of all VOD viewers.

- **Demographics:** They are more likely than average to be male and have a low to mid-range income. Although only a small number of VOD viewers live in regional areas overall, the number of mainly illegal viewers who live in regional areas is proportionately high.

- **Internet speed and satisfaction:** They tend to be less satisfied than average with their internet speed but are also less likely to have a fast internet connection.

- **Screen diet:** They are considerably more likely to borrow content and less likely to go to the cinema, pay to rent or own content via VOD or DVD, demonstrating an overall unwillingness or inability to pay for content. This is although they watch less broadcast television than the broader group.

- They access illegal services to watch foreign television comedy, drama and sci-fi as well as Hollywood movies.

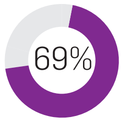
- **Content discovery:** To find things to watch, they are much more likely to use social media recommendations from friends and family and rely more broadly on word-of-mouth than others.

- **Awareness and use:** They tend to have very low awareness of catch-up television, and consequently their use of these services is also low.

- **Why VOD?:** They want timely access to new-release content and they want it for as little as possible.

- **Paying for content:** They have less interest in any paid VOD service but, if pushed, are more likely to consider subscription services.

- **Australian content:** They feel strongly that Australian content should be priced the same as overseas content even though they are less likely to pay for it, regardless of platform; borrowing it instead from friends and family.



LEGAL VIEWING ONLY

People who only access VOD legally represent over two-thirds of VOD viewers.

- **Demographics:** Whilst broadly representative of VOD viewers, a bigger proportion is older (over 45), and female.

- **Internet speed and satisfaction:** They are generally satisfied with their internet connection speed even if it isn't the fastest available.

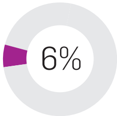
- **Screen diet:** Their participation rate in screen stories is much in line with the average. They are less likely to borrow content from friends and family. They are more likely to watch Australian films at the cinema than the broader group but also watch them on broadcast television or record and watch them later.

- **Content discovery:** They use television advertising and talking to friends and family to find their favourites, but rate program guides their number one source.

- **Awareness and use:** They are recent adopters of VOD, having moved to watching online content in the last two years. They have good awareness of catch-up services and regularly access these each month, with half doing so at least several times a month. Their awareness of paid VOD services varies but most are aware of at least some.

- **Paying for content:** They are more likely to use online rental but only 1 in 5 use it more than once a month. They are also slightly less likely than average to consider subscription services, suggesting that they are more selective about choosing individual titles to watch.

■ They are more likely to appreciate the cost of content and tend to be more open to paying a little more for paid VOD services.



MOSTLY LEGAL VIEWING (using legal services at least once a month and illegal services less often)

People using legal services at least once a month and illegal services less often are a small proportion of the overall group, representing six per cent of VOD viewers.

■ **Demographics:** The 'mostly legals' tend to be male, have middle to high household incomes and are proportionately more likely to live in regional and rural areas, even though 60 per cent still live in metro areas.

■ **Internet speed and satisfaction:** They are less satisfied with their internet connection but are also less likely to have the fastest connection.

■ **Screen diet:** They have lower screen participation rates, watching screen content less frequently than the broader group.

■ **Viewing behaviour:** They tend to watch on their own rather than with their spouse/partner, and usually in a room other than the living room, although this is followed closely by the living room.

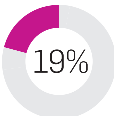
■ **Content discovery:** They are more likely than average to discover new content by word of mouth, either by talking to friends and family or via social media, but also use entertainment websites and channel websites.

■ **Awareness and use:** They have significantly higher levels of awareness of some legal VOD services, and three-quarters of the group are aware of Netflix. Use of these services was, however, often much less frequent in comparison to the group, with the exception of ad-supported services. Almost three-quarters used ad-supported services two to three times a month.

■ **Why not more VOD?:** To watch more online, they would like faster internet, and a greater range of available content and services at a lower price point. Fewer are held back by knowledge or technology barriers compared to other groups.

■ **Paying for content:** Their preference for free content is clear: they are more likely to access ad-supported services. They cite lower cost, convenience and content choice as reasons for watching VOD.

■ **Australian content:** They watch fewer Australian movies and television programs generally, but when watching television content online, they are more likely to watch Australian comedy and drama, as well as foreign comedy, drama and sci-fi.



MIX OF LEGAL AND ILLEGAL VIEWING (using both legal and illegal services at least once a month)

About one in five VOD viewers uses both legal and illegal services at least once a month. For their legal viewing, around half watch VOD via paid services with the majority also watching via catch-up television or ad-supported services.

■ **Demographics:** This group skews male and young, with two-thirds being under 35, and with above average household incomes.

■ **Internet speed and satisfaction:** They are not particularly concerned about the speed of their internet connection but are more likely than average to have the fastest speed.

■ **Screen diet:** They are screen-hungry and are more likely to undertake all screen activities at least once every two months, and in particular borrow or exchange content with friends and family.

■ **Awareness:** They have good general awareness of the different ways to access VOD and in particular illegal sites, which they use 2–3 times a month.

■ **Content discovery:** To find what they want, they're much more likely than average to rely on word-of-mouth both in person and via social media, as well as movie/entertainment websites and expert reviews for content recommendations.

■ **Why VOD?:** They are very motivated to watch VOD, citing the convenience, variety, lack of ads and cost as strong motivators. They see the limited services available in Australia and the desire for cheaper content as holding them back from watching more online. They're also more likely than other groups to see faster internet as the biggest barrier.

■ **Paying for content:** Whilst they're open to paying something for content, they are less likely to want to pay the max, and they'd consider a VOD subscription or download-to-own service if the range of content and timely availability at a good price were right.

■ **Australian content:** They are more likely to watch independent films and less likely to watch Australian films than the group as a whole, but those who do, watch online. They are more likely to watch action, sci-fi and horror films at the cinema.

Viewing behaviour

What are people using to watch content online?
Where are they watching and who with?

DEVICES

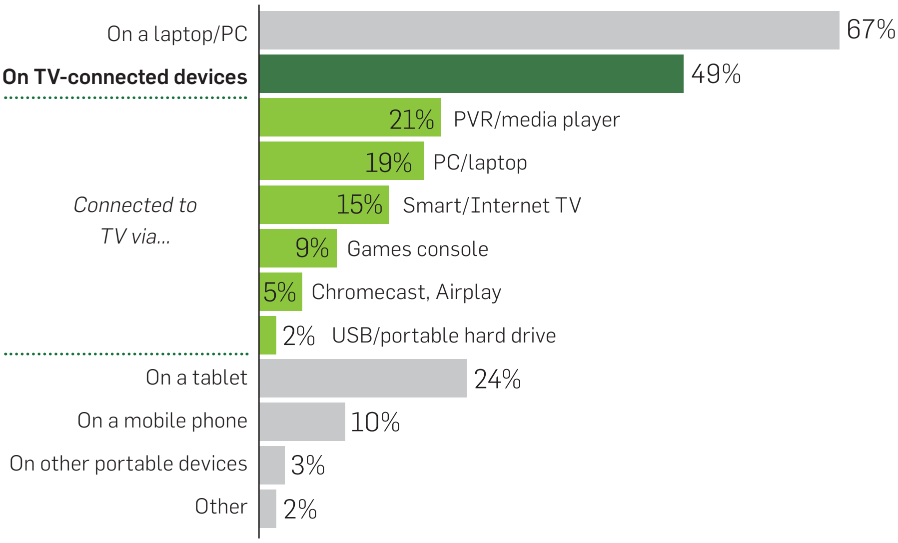
Smart TVs are part of the trend to watching content online, with one in four households reported to own one, according to Nielsen's *Connected Consumers 2014*. Some of them might not actually be hooked up to the internet, but this is changing: connected television sets recorded an increase in online access from 2012 to 2013. In general, Australians own a lot of technology, with 48 per cent of households reported to have four or more connected devices in 2013. Tablet ownership reached maturity in 2013 and these devices are playing an increasing role in online viewing; their use as a screen for accessing online content almost doubled from 2012 to 2013.

"Around a quarter of people reported watching via a tablet..."

In the current research, standalone laptops or PCs are the most commonly reported device for accessing video online, with 67 per cent of people watching this way. Nearly half watch through their television, predominantly those aged between 25 and 34 years.
PVR/media players are the most popular method for connecting to the TV for the over-35s, and PCs/laptops for the under-35s.

The propensity to watch through a device connected to the television increases with internet connection speed, and watching through a standalone PC/laptop decreases. Around a quarter of people reported watching via a tablet, fairly consistently across age groups but strongest amongst 14–17-year-olds. Only 10 per cent use mobile phones, predominantly the younger age groups.

Percentage of VOD viewers who watch:



By age group

	14-17 yrs	18-24 yrs	25-34 yrs	35-44 yrs	45-59 yrs	60+ yrs
Laptop/PC	77%	76%	58%	62%	66%	75%
TV-connected devices	**42%**	**41%**	**61%**	**53%**	**50%**	**39%**
PVR/media player	17%	14%	23%	22%	25%	18%
PC/laptop	25%	17%	25%	21%	18%	14%
Smart/Internet TV	11%	8%	19%	19%	16%	13%
Games console	13%	14%	15%	8%	5%	2%
Chromecast, Airplay	7%	6%	6%	7%	3%	4%
USB/portable hard drive	<1%	1%	1%	1%	4%	1%
Tablet	29%	23%	22%	26%	25%	21%
Mobile phone	21%	15%	13%	12%	4%	3%
Other portable devices	12%	3%	3%	2%	1%	1%
Other	2%	1%	2%	1%	5%	2%

By internet connection speed

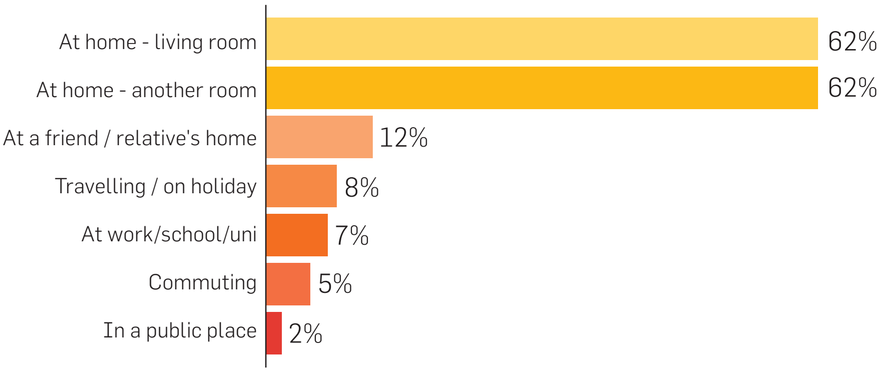
	Less than 2mbps	2-8mbps	More than 8mbps
Laptop/PC	70%	67%	60%
TV-connected devices	**41%**	**54%**	**62%**
PVR/media player	19%	21%	28%
PC/laptop	20%	20%	24%
Smart/Internet TV	8%	18%	20%
Games console	8%	10%	13%
Chromecast, Airplay	3%	7%	8%
USB/portable hard drive	3%	2%	1%
Tablet	21%	27%	25%
Mobile phone	10%	12%	12%
Other portable devices	2%	2%	4%
Other	4%	3%	1%

LOCATIONS

VOD viewers are overwhelmingly watching online content at home. Males are slightly more likely to watch in the living room and females in another part of the home. There is a very low incidence of watching in other locations such as hotels or while commuting, perhaps due to download limits on mobile plans. Younger people are more likely than other groups to watch outside the home, mainly at a friend or relative's home. Viewers of the paid services (transactional and subscription VOD) are most likely to watch in the living room, and viewers of the unpaid services (ad-supported and catch-up TV) are most likely to watch in another room.

"Younger people are more likely than other groups to watch outside the home..."

Percentage of VOD viewers who watch:



By age group

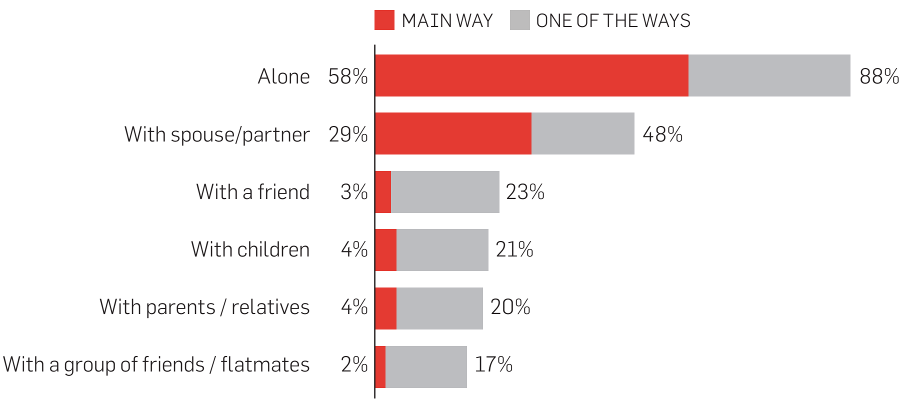
	14-17 yrs	18-24 yrs	25-34 yrs	35-44 yrs	45-59 yrs	60+ yrs
At home - living room	50%	50%	71%	69%	66%	52%
At home - another room	73%	76%	53%	58%	55%	66%
At a friend / relative's home	26%	20%	16%	9%	5%	4%
Travelling / on holiday	11%	9%	12%	7%	8%	6%
Work/school/uni	13%	12%	7%	4%	6%	2%
Commuting	7%	8%	7%	6%	4%	2%
Public place	2%	3%	3%	2%	1%	1%

COMPANIONS

VOD viewing is predominantly a solitary activity – 88 per cent of people reported that they watch alone, and 58 per cent that they most commonly watch alone. This was particularly the case for viewers of catch-up TV and ad-supported services. The next most common way to watch was with a spouse or partner. This stands in contrast to other platforms such as cinema, where socialising and joining in with others is one of the primary motivations for watching content on that platform.

"Most people reported they watched VOD alone..."

Percentage of VOD viewers who watch:



But where's the money?

What's the appetite for the various paid models among VOD viewers? How much are people willing to pay to watch professionally produced content online?

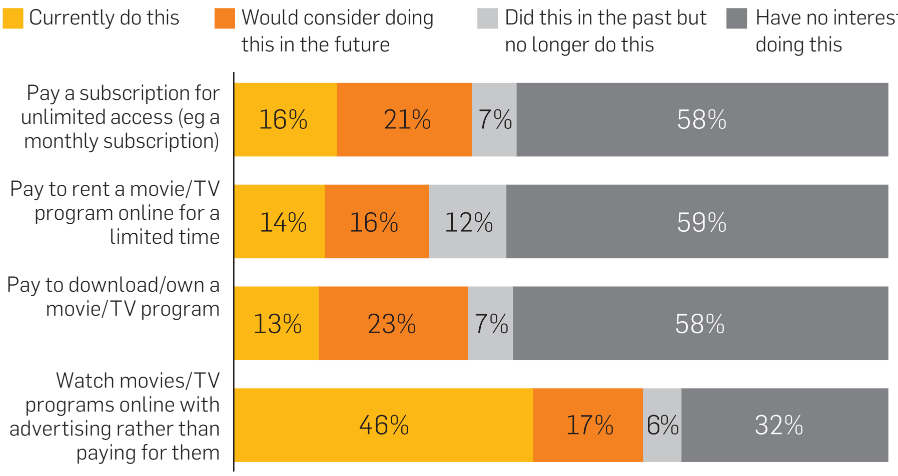
Business models vary across the four main methods of watching content via VOD.

As an extension of live broadcast, there are no costs incurred by viewers of Australia's free-to-air catch-up television services other than paying for the necessary bandwidth. Similarly, ad-supported VOD is free to viewers as its business model is based on carrying paid advertisements.

The other platforms monetise the content they deliver though payments by the viewer – either through a flat payment for unlimited access (eg a monthly VOD subscription), or through individual transactions for each piece of content viewed, whether for a limited time (online rental) or permanently (download-to-own).

INTEREST IN PAID MODELS

Percentage of VOD viewers who say they:



The free (to the viewer) VOD models are currently the most regularly used (see page 6).

More than 50 per cent of viewers report having no interest in the paid models: 58 per cent say they have no interest in 'paying a subscription for unlimited access'; 59 per cent say they have no interest in 'paying to rent a movie/TV program for a limited time'; and 58 per cent have no interest in 'paying to download/own a movie or TV program'. However, this is not as negative as it seems: a significant proportion of those with no interest (39–47 per cent) are currently paying through one or more of the other models. And to a degree the immaturity of the Australian VOD market and available services is impacting those attitudes, as some people who reported using particular services did not recognise them as such when asked about their current or future interest.

Around 20 per cent of VOD viewers would consider paying for a subscription for unlimited access and/or download-to-own in the future.

PETER SAYS HE CAN FIND A WIDE RANGE OF CONTENT FOR FREE ONLINE SO DOESN'T LIKE TO PAY FOR IT. HE DOWNLOADS A LOT OF CONTENT DUE TO VARIABILITY OF HIS WORKING HOURS.

Peter is a heavy internet TV viewer from regional NSW. He is 39 and works as a shift worker. This makes it hard for him to watch broadcast television so he is downloading a large amount of content to watch when it suits him.

Watching broadcast television is a way for him to relax and unwind after work rather than be actively engaged. He watches about an hour a day, "as much as I can."

"I download everything. I like *Puberty Blues* because it is a flashback to when I was young. I wait until the series is finished, then download the episodes."

As a keen downloader, Peter is re-discovering programs from his youth from a variety of online sites. He also likes accessing content online that cannot be found in Australia such as British comedy. He looks at lists online with recommended content:

"I was on Facebook and it had, 'The 10 Best Shows you can't watch on television' and there was an Irish comedy – I downloaded that, it was good."

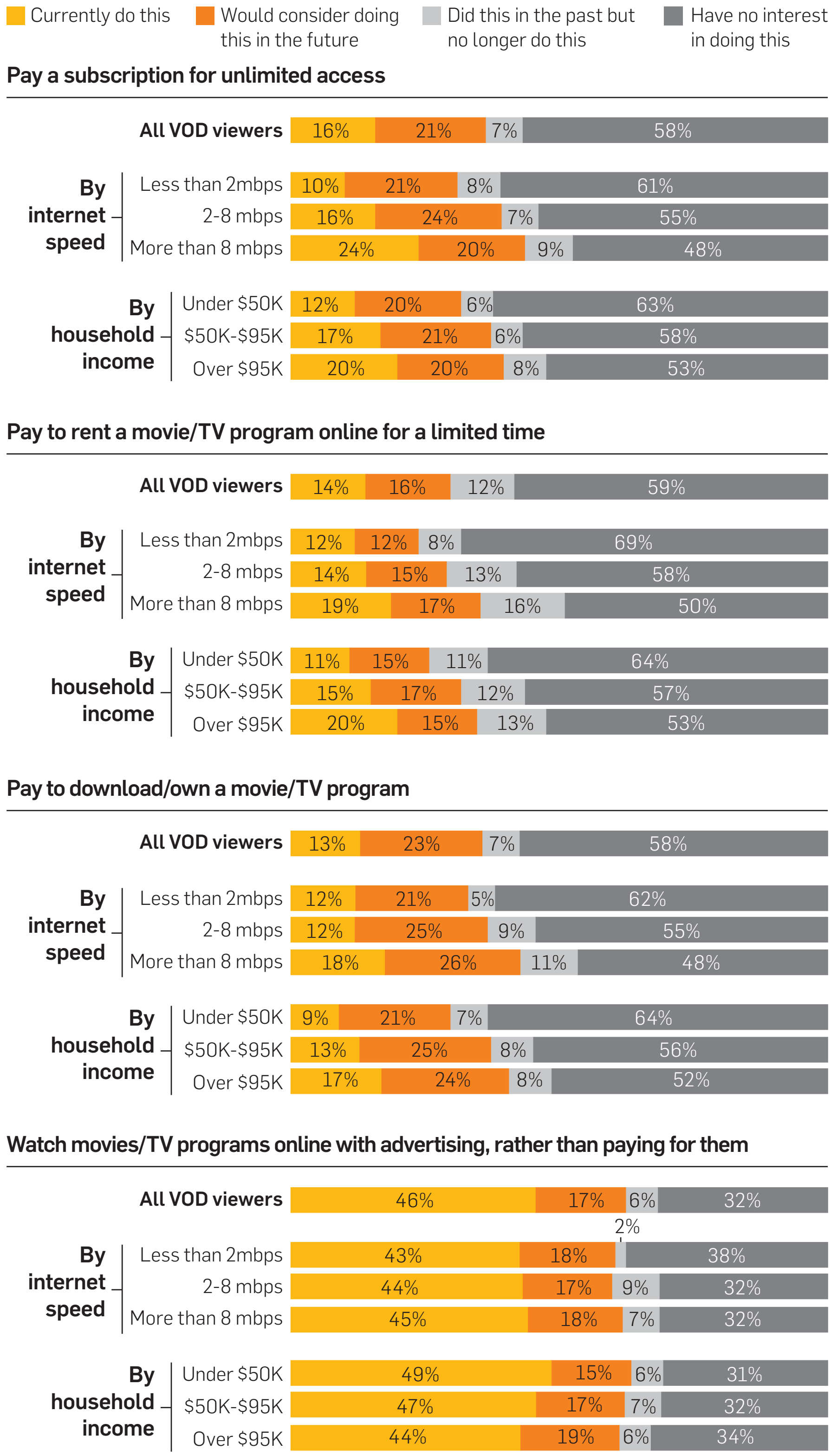
Peter says he can find most of the content he likes online for free.

"Most of the stuff you can get for free; that's the biggest issue. You can still download it free without ads. You can get any of those movies from any website (for free). You look at documentaries; they're available on catch-up TV so why would you pay for it? I have *Wentworth* on my hard drive... I really want to watch it."

People with higher internet connection speeds and higher household incomes are more likely to be willing to pay for content

It may be that some people are unwilling to pay for content through a VOD subscription or transactional VOD service because of limitations around their connection speed: willingness to pay increases somewhat with connection speed, whereas connection speed does not impact on the propensity to watch VOD via free-to-view ad-supported services.

There is also a relationship between household income and willingness to pay for content online. Engagement with the paid models increases with household income, whereas use of (and interest in) the advertising-supported model is not affected.



HOW MUCH ARE WE PREPARED TO PAY?

Whether it is a monthly VOD subscription for unlimited access to movies/TV, online rental of movies and TV, or paying to own a movie or full TV series, VOD viewers are in agreement that, in general, they only want to pay the minimum amount possible, regardless of the service.

When VOD viewers who said they would use a monthly VOD subscription for unlimited access to content were asked how much they would pay, over half (59 per cent) expected to pay $10 or less per month, with more than a third (34 per cent) nominating $5 to $10.

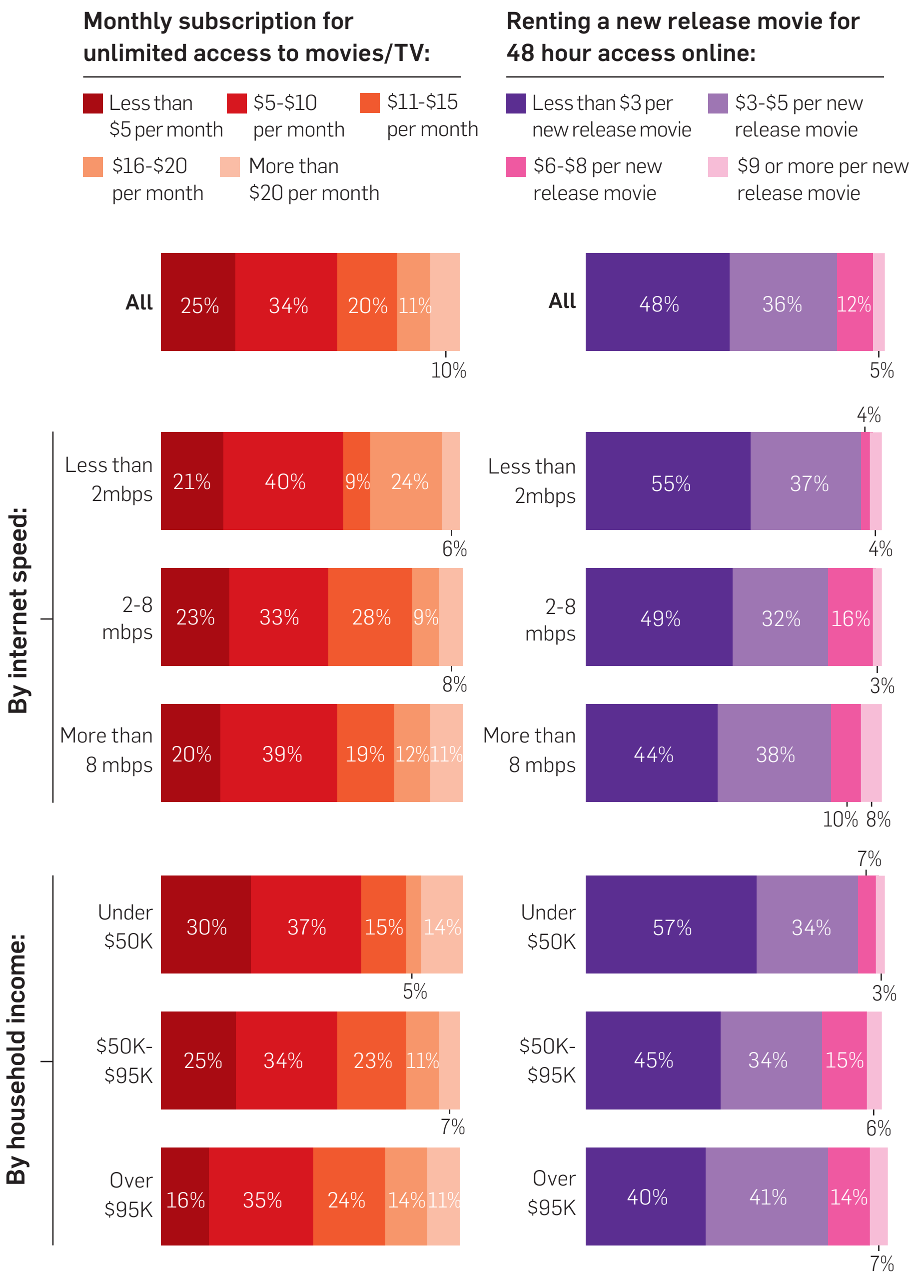
To rent a new-release movie with online access for 48 hours, 84 per cent of those interested in that model would pay $5 or less, with a new-release film on DVD costing $5–8 at a bricks and mortar store or $3.50 at a kiosk. To rent an episode of a television program online (48-hour access) 58 per cent would pay less than $1 with very few prepared to pay more than $3.

It was much the same story for people interested in the download-to-own model. The majority selected less than $10 to own a new-release movie and less than $15 to own a full TV series. This is significantly less than the price of new-release content on DVD in Australia, which is generally around $20–30 for a movie and $20–50 for a TV series (depending on the title and the retailer).

There is evidence of some connection between high-speed internet and readiness to pay more to watch content online. While very few people indicated a willingness to pay the top price ranges, almost all of those who did, also reported having high-speed internet connections.

There is also some relationship between willingness to pay and income level but the pattern is not straightforward. As household income level increases, so too does readiness to pay higher rates, with the exception of the top price range: those in the lowest household income bracket (less than $50,000) were more willing to pay the top rate than those on higher incomes. This was the case across all paid models.

Amount people are willing to pay for:



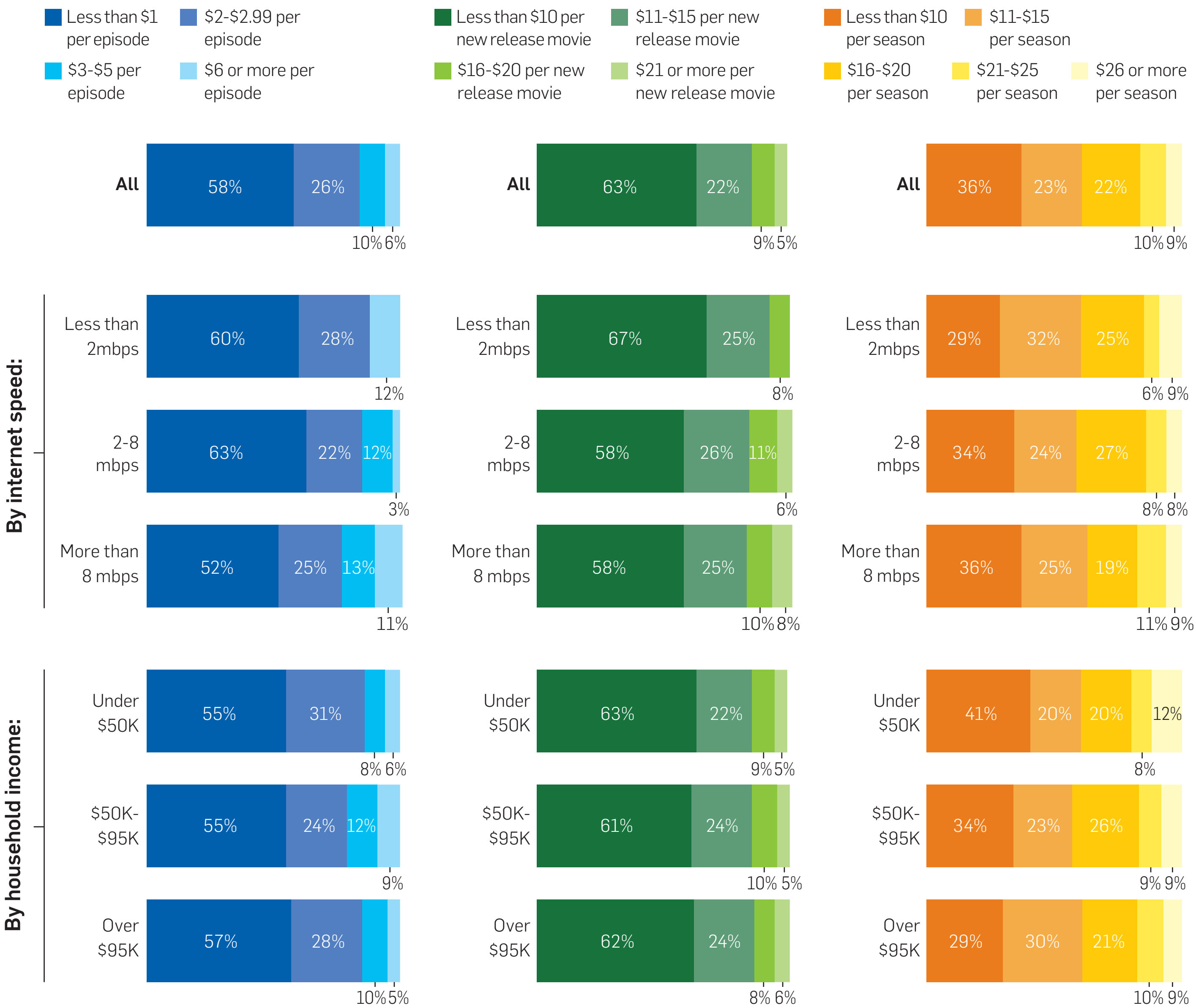
How much does it actually cost?

In November 2014:

■ Foxtel Presto and Quickflix both charge **$9.99** for a standard monthly subscription.

■ **The price of a standard-definition new-release movie for online rental is typically $6.**

Rent TV episode for 48 hour access online: | **Downloading-to-own a new release movie:** | **Downloading-to-own a full TV series:**

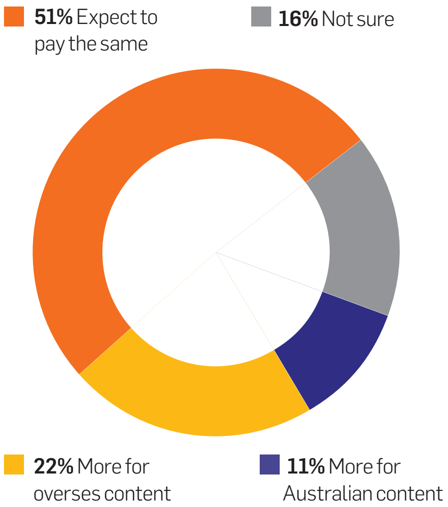


■ TV shows are less commonly available to rent online. It costs **$2** to rent a TV episode on Bigpond Movies.

■ **The price for a standard-definition new-release feature film for download-to-own is around $15–20.**

■ Typical cost to download a new-release TV episode is **$3**. Cost of a whole series varies, but it is usually cheaper than episode by episode.

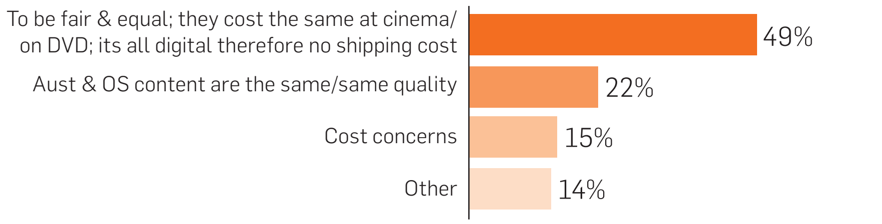
ATTITUDES TO PAYING FOR AUSTRALIAN CONTENT



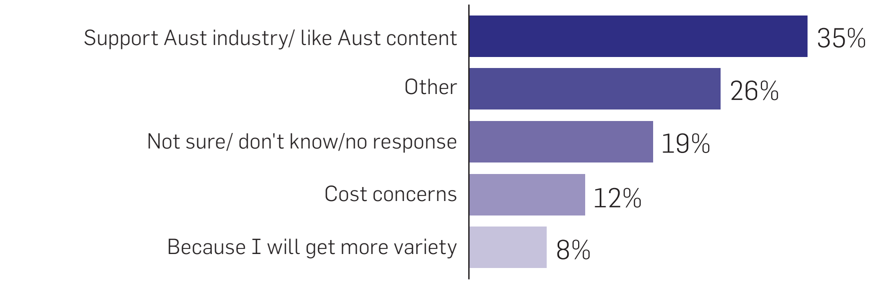
>> Just over half the VOD viewers expect to pay the same price for the Australian and overseas content they watch online. They mainly cite fairness as the reason for this, given that they don't see a distinction between the price of local and foreign content on other platforms, or because they see no difference in quality.

For the 22 per cent who would pay more for overseas content, it was mainly due to a preference for foreign films and programs, and for the 11 per cent who would pay more for Australian content, it was mainly to support the industry or because they preferred local films and programs.

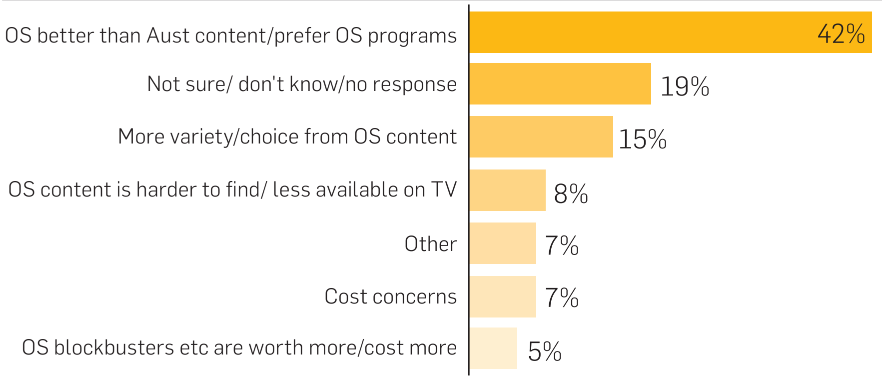
Reasons to pay the same for Australian and overseas content



Reasons to pay more for Australian content



Reasons to pay more for overseas content

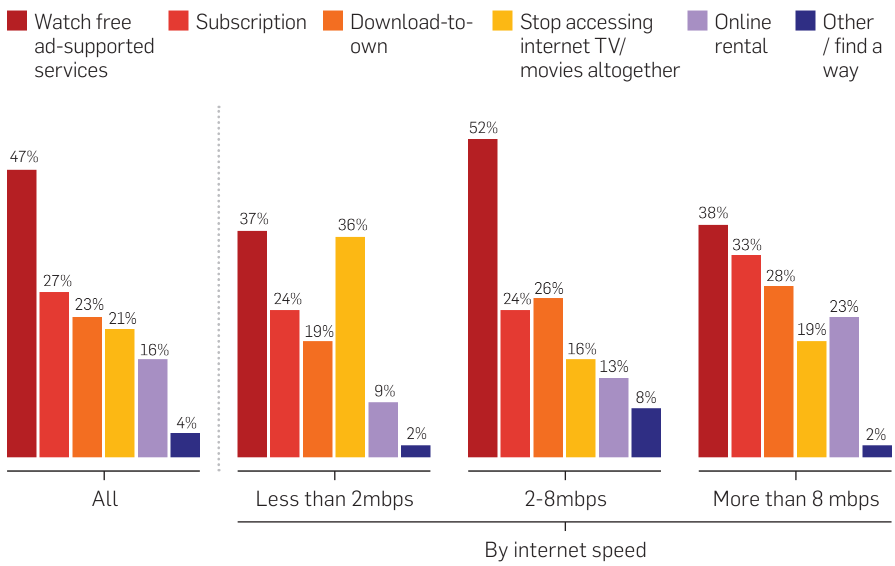


WHAT IF ILLEGAL VIEWING WAS NO LONGER POSSIBLE?

>> Given viewers' stated reluctance to pay for content, it is not surprising that a high proportion would turn to ad-supported services if they could no longer access content illegally. When those who indicated that they were viewing VOD illegally were asked to indicate their preferred service if they could no longer do so, the top response, at 47 per cent, was to watch ad-supported services, followed by subscription services (27 per cent) and download-to-own (23 per cent). One in five (21 per cent) indicated they may stop accessing films and TV programs online altogether.

Those with slowest internet speeds were the most likely to stop accessing online content, and those with the highest internet speeds were the most likely to turn to the paid alternatives (subscription, online rental and download-to-own).

Preferred alternatives if illegal sources were no longer available



VOD SERVICES

List of legal VOD services available in Australia at the time of research (May – August 2014)

- **ABC iview**
- **Foxtel Go**
- **Google Play**
- **SBS on Demand**
- **Vimeo on demand**
- **BBC iPlayer**
- **Ezyflix.tv**
- **Foxtel Play**
- **iTunes**
- **PLUS7**
- **smh.tv/theage.tv**
- **YouTube**
- **Bigpond Movies**
- **Fetch TV**
- **Foxtel Presto**
- **9JumpIn**
- **Quickflix**
- **TENPlay**
- **Mubi**

METHODOLOGY

Screen Australia commissioned Nielsen to conduct the qualitative and quantitative research that forms this report.

The questionnaire design for the quantitative stage was informed by four focus groups held in May 2014 in Melbourne and regional New South Wales as well as Nielsen's annual study of Australians' media consumption – *Australian Connected Consumers 2014*. This stage explored different audience behaviours online, and tested awareness of and preferences for content, platforms, pay points, discovery and barriers and drivers. The focus group participants were recruited by telephone from a random sample of Australians living in the target locations.

The statistical results are drawn from an online survey among respondents to Nielsen's Australian Connected Consumers 2014 database as well as a survey among 14 and 15-year-olds from Nielsen's partner research panel. There were 1593 respondents in total. The accuracy of the results at an overall level is +/- 2.5% at the 95% confidence interval.

Further analysis and comparisons draw on Nielsen's deep dive analysis of existing data sets: *Nielsen Australian Connected Consumers Report 2014*, *Nielsen Consumer and Media View*, and *Nielsen Online Ratings*, as well as Screen Australia's previous research reports *Beyond the Box Office* and *What to Watch?*.