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PRESS RELEASE

goetzpartners analysis

Consumer willingness to pay for IPTV

Munich, February 22, 2012. Consumers in Germany, the UK and France are more willing to pay for IPTV products, content and better quality, but above all for content that is not freely available via other platforms. In terms of IPTV products, video-on-demand offerings are leading the way followed by interactive features. In contrast, the vast majority of consumers do not consider being able to use content on a mobile basis to be worth paying much more for. There are common denominators with regard to content – football, erotic content and movie packages. Around 40% to 50% of those surveyed are willing to pay more for HDTV, 3D content and better audio quality. These findings are the results of the latest IPTV study by goetzpartners based on a representative consumer survey conducted in Germany, France and the UK. Content providers must address willingness to pay by providing requirements-led offerings in order to maximize content financially.

How willing are consumers to pay when it comes to IPTV products, content and better quality? goetzpartners examined this issue in a representative survey among the population aged 14 to 69 in Germany, the UK and France.

Main challenge – meeting consumer requirements

Consumers are especially willing to pay for components and IPTV content that they are not able to use with their traditional TV connection. "The results of our analysis show that consumers are willing to pay significantly more, in particular, for VoD offerings, interactive features, such as access to an app portal, and content in 3D and HD," explained Henschel. A key success factor for content providers now is taking account of current developments with regard to consumer requirements and systematically expanding their portfolio by offering content in demand and supplementary functions and services. This is the only way in which they can maximize their own content financially.

VoD and new interactive features have a positive impact on willingness to pay

As part of the survey, consumers were presented with various different technical product bundles, each of which contains four of the following six elements:

- Traditional TV on the TV set via DSL internet
- Pay TV on the TV set
- Video-on-demand on the TV set (subscriptions/pay-as-you-go)
- Mobile usage (e.g. on the move on the smartphone)
- Access to web TV content on the TV set
- Access to new interactive TV applications

The evaluation of all product bundles[1] shows that VoD, mobile usage capability and interactive applications have a positive impact on consumer willingness to pay in Germany. Pay TV achieved the most positive effect. Consumers are used to paying for content that improves their range of content in terms of quality and quantity. There is low willingness to pay for bundles with traditional TV and access to web TV content as this is available free-of-charge. The price of such bundles therefore works out as expensive.

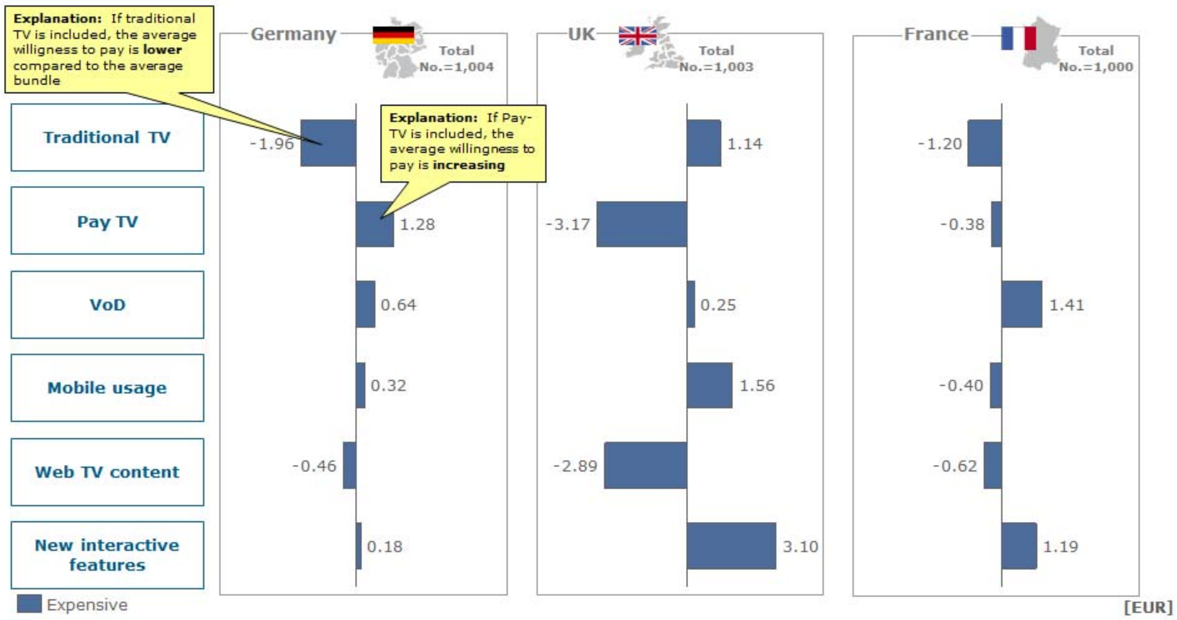

Fig. 1: International comparison of willingness to pay; Source: goetzpartners representative consumer survey 2011

"VoD and new interactive features have a positive effect on average consumer willingness to pay in Germany as well as in France and the UK," summed up Marcus Worbs-Remann, a partner at goetzpartners Management Consultants and one of the authors of the study. However, there was a major difference in the UK in a country comparison. Pay TV clearly had a negative effect here, which is explained by the high market penetration of pay TV in the UK (36.5% regular users). The consumers therefore regard an IPTV-based pay-TV offering as redundant and reject it.

Great demand for football as a content package

In addition to the technical product bundles, the consumers in the IPTV study were also presented with various content packages, each of which contains four of the following seven elements:

- Movies package
- TV series package
- Sports package (excluding football)

[1] The Van Westendorp method allows consumer willingness to pay to be identified based on the impact of adding or taking away individual elements in these product bundles. Product bundles, each consisting of four of the six possible components, were used for all of the comparisons. Isolating the price effect of individual components in the product bundle allows how much more (or less) a consumer is willing to pay to be determined if a particular component is included in the bundle with three additional IPTV components.

- Football package (Bundesliga, Premier League, Ligue 1)
- Erotic package
- Documentaries
- Family package

The country comparison shows that the football offering is found in each of the top 3 most in demand content packages. Football is in the top 3 in Germany alongside the erotic and movies packages. A sports package (excluding football) is top in the UK. This is explained by the fact that, in addition to football, other sports, such as rugby, cricket and golf, attract high viewing figures in the UK. The TV series package completes the top 3 in the UK. The erotic package was in top position in France, followed by movies and football.

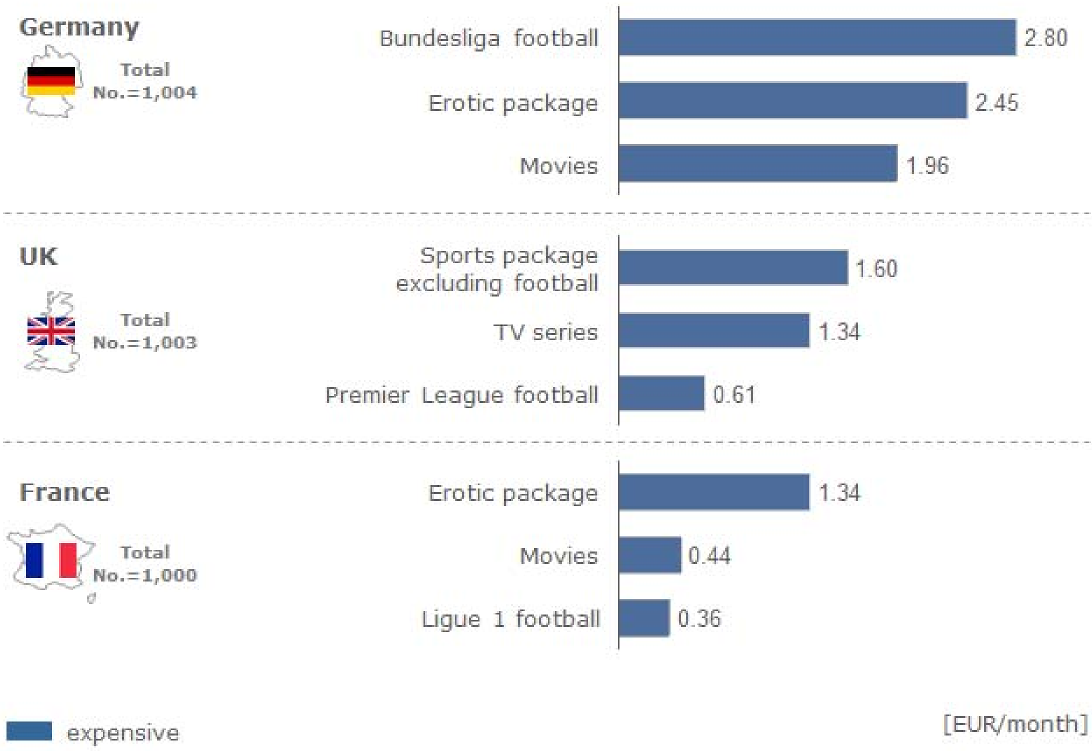

Fig. 2: Top three content packages in Germany, the UK and France; Source: goetzpartners representative consumer survey 2011

HDTV, 3D content and better sound quality – yes please

goetzpartners has surveyed consumer willingness to pay for particular features in previous IPTV studies. “In comparison to 2010, the willingness of German consumers to pay more for HDTV than for their normal TV package has increased by 5 percentage points to around 45%,” underlined Dr. Alexander Henschel, Managing Director of goetzpartners and the person responsible for the study. Furthermore, there is a high willingness to pay for 3D content (38% of those surveyed) and for better sound quality (just under 40%) in Germany.

The willingness to pay for better quality is even higher in France and the UK. 48% of those surveyed in France and over 52% in the UK are prepared to spend more for HDTV. More people were also interested in 3D TV in France and the UK. Just under 44% of those surveyed in France and the UK were willing to expend more for 3D TV. A similar picture emerges in the survey on the willingness to pay for better sound quality – almost half of those surveyed in France and the UK were prepared to dig deeper into their pockets for improved sound.

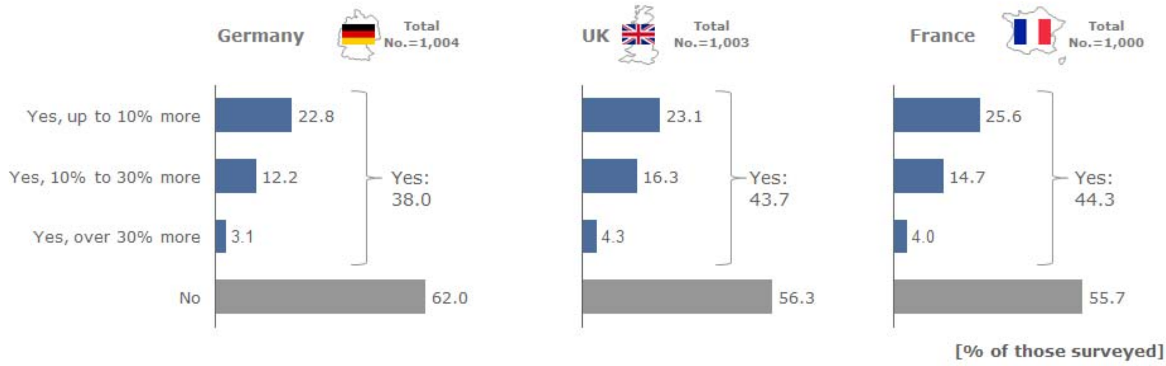

Fig. 3: Willingness to pay for HDTV; Source: goetzpartners representative consumer survey 2011

About goetzpartners

goetzpartners is a leading independent European consulting company that combines M&A (mergers & acquisitions) advisory and management consulting under one roof. With this unique service offering goetzpartners advises companies along their whole value chain, thus creating sustainable value for them. The Group is represented with offices in Munich, Düsseldorf, Frankfurt, London, Madrid, Moscow, Paris, Prague and Zurich, and maintains international cooperation ventures. goetzpartners Management Consultants concentrates mainly on the fields of strategy, operational excellence, and business transformation. goetzpartners Corporate Finance focuses on M&A advisory services.

Contact person:
goetzpartners Management Consultants GmbH
Manuela Nikui
Director Marketing/PR
Prinzregentenstr. 56
80538 Munich
Tel.: +49 89 29 07 25-117
Fax: +49 89 29 07 25-215
Email: nikui@goetzpartners.com
www.goetzpartners.com