



The Penny Drops

"Everything is very big in the UK in the consumer electronics space...the UK is the fastest adopter country of innovation on Planet Earth."

Media analyst

This is the fifth year in which we have undertaken research into consumers' attitudes to convergence.

The context for this survey

As we began work on this year's project, all the talk in the media business pages was of the need to convert internet customers into contributors to the profitability of (or at least have them contribute to reducing the losses suffered by) the businesses whose content they consumed.

At the heart of this debate was, as always, Rupert Murdoch and his commitment to put all of his newspapers' valuable content behind "pay walls", to protect that content from those businesses which are parasitic upon it (chief among whom Rupert Murdoch cites Google, Microsoft and, more surprisingly, the BBC). Although this debate seems to be focused primarily on the delivery of online content to computer screens, it seemed to us to have resonance across every platform and device which is or may be used to consume content in the digital world. On connected TVs and mobile devices, the challenges are the same – which content should be offered for free in order to build or retain brand exposure, and which should be placed behind what we must apparently now call "value gates" (unlike pay walls, value gates can be opened).

This year has also seen the publication of the Government's evolving thoughts concerning a future "Digital Britain". Despite the final report in June turning in at 229 pages, the vast majority of the subsequent debate and policy development has been around the extent to which it is appropriate for ISPs to support rightsholders in their fight against piracy and whether and when can it be proper to deprive users of illegal content of their internet connectivity. That issue is only touched on very tangentially in this Report – we are sceptical that there is anything new to say on that topic at this stage.

The Queen's Speech announced the Digital Economy Bill, which will legislate on that issue and on some of the other key initiatives from the Digital Britain report, although not the Government's commitment to "next generation" broadband or its controversial levy on existing fixed telephony lines in order to help fund this investment. The latter is expected to be dealt with in the forthcoming Finance Bill.

Looking further ahead, 2010 is the year in which, BBC Trust willing, the Corporation and its fellow consortium members are aiming to launch Project Canvas; a specification for the delivery of "over the top" internet content to TV set top boxes and integrated TVs which is designed to set the standard for how the internet will arrive on the main screen in the home – something which previous Olswang convergence

reports have identified as having the potential for unlocking significant consumer demand. This year we come back to this topic and consider the factors that might lead Canvas to succeed sooner rather than later.

Convergence – a refresher

Convergence is an over-used word. Last year we therefore explained what we mean by "convergence" for the purposes of our reports into consumer behaviour, and we restate this definition this year for ease of reference:

"For our purposes, convergence is best defined by its effects: it means the technological developments which result in an end-user having much greater choice and control over his or her consumption of content in the home and/or on the move, such that he or she decides what to watch, when to watch it, and on what devices, rather than this being determined by technological constraints...for us, convergence is...increasingly about how well-informed consumers will use the functionality and content which is available to them across the full range of devices, platforms and services they own or receive".¹

The nature of digital media consumption when we launched our first consumer survey in 2005 required many of our questions to explore what consumers thought they might want to do in the future. The recent pace of technological change makes it all too easy to forget that much of the "convergent" behaviour which we take for granted today was simply not adopted - or was not even possible - just four years ago. No iPlayer, no iPhone, no HD and no broadband services from Sky. Conversely, over this period some ideas have fallen by the wayside, notably DVB-H and plans for a second national DAB multiplex.

Methodology for 2009

For our 2009 Report, we commissioned YouGov to conduct an online poll of 1013 UK adults aged 18-65 (the "**Adults**") and 536 13-17 year olds (the "**Kids**").²

As with last year's survey, we have relied on YouGov's "tech adoption" segmentation, which considers respondents' attitudes to the adoption of new technology. This year we have adopted a slightly more granular approach to tech adoption, with the result that we have identified four distinct groups: the "**Tech Vanguard**", the "**2nd Wave**", the "**Mainstream**" and the "**Laggards**".

This year also saw us extend our methodology in a very important way. For our 2009 Report, rather than simply create a questionnaire, we took the opportunity to seek an industry perspective, both on the possible content for the questionnaire and also on the results.

Over 25 executives from the full range of industries impacted by convergence - music, free and pay-TV, films, newspaper, book and magazine publishing, advertising and marketing services and network

¹ "*But what do we mean by convergence?*"; p.10, *Converging Media: Olswang Convergence Consumer Survey 2008*.

² The Adult survey base was weighted to be representative of the UK online population. The Kids survey base was weighted to deliver a sample which was 50% male and 50% female, with 40% aged 13 and 14 and 60% aged 15 to 17. Fieldwork was carried out in September and October 2009.

operators – were kind enough to spare the time to discuss with us their own perspectives on market developments. Their job titles span a range of senior executive roles, including chief executives, heads of strategy and heads of online, and the organisations for whom they work are both UK and international in scope.

We have used those ideas to inform and add colour to the content of this Report; and we believe that a more authoritative view of the state of the converging industries today is the result.

All of our discussions with these executives were conducted under the Chatham House Rule and accordingly we are not able to thank them in person in this Report, but they all know who they are and we acknowledge here the tremendous value that they have brought to this process.

The Report introduced here contains our opinions about the key issues faced by the industry over the next several years, informed by both the consumer data and our discussions with industry. It includes a number of charts setting out the detailed content of the responses to some of our consumer survey questions. For those interested in the full set of charts, they are available as a separate Annex on our microsite at www.olswang.com/convergence09. Previous years' reports can also be downloaded from the microsite.

"The Penny Drops"?

To those still wondering, the title of our 2009 Report was selected as it seemed apposite to two key themes addressed this year: the realisation throughout the industry that convergence is upon us and that it requires some key decisions to be made very quickly; and the increasing focus on micropayments as a possible mechanism to monetise digital content.

The key findings of the Report can be found in the Executive Summary immediately following this introduction. The remainder of the Report consists of nine individual Chapters which are designed to be read on a standalone basis so that, if you wish, you can read only those Chapters that are of particular interest to you.

We hope you enjoy the Report. We would welcome any feedback you may have via our microsite at www.olswang.com/convergence09.

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Readers are welcome to use any of the data set out in this Report or its separate Annex, so long as they acknowledge as their source the Olswang Convergence Survey 2009.

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