



**THE FUTURE OF THE VIDEO DOWNLOAD MARKET**

**JULY 2006**

**Market Research Study**

**Commissioned by BiBC**

**Designed and conducted by ICM based upon fieldwork undertaken  
during June / July 2006**

**ICM Research**

marketing



## About BiBC

---

BiBC is the leading British digital services provider, specialising in media distribution.

We help companies make money through selling content securely and profitably via digital stores. Some companies sell their own content, others leverage their brand names to enter the digital distribution market, by selling the content BiBC has aggregated through its partners. We also enable companies to create unique content to sell, which is unavailable anywhere else.

We have invested heavily in technology innovation to develop MediaMaster™ our unique digital distribution platform and managed service offering. MediaMaster efficiently handles all key stages involved in video content distribution, to include: content digitisation and packaging; assigning digital rights management; distribution; billing and royalties management.

For more information, please contact:  
www.bibc.com  
Email: [sales@bibc.com](mailto:sales@bibc.com)  
Tel: 01142 796511

## Executive Summary

---

As the video download revolution gathers pace, there is a real need for the industry to have a period of self-examination as it moves forward. To fully understand the direction that the digital content industry is taking, there needs to be a stronger grasp of the opportunities and threats for the industry. This research report set about examining the present and future states of the video download industry in an attempt to analyse both the progress and the future prospects for video downloads.

This report looked at the pricing of digital content and potential subscription models, analysed which consumers are buying and will buy into the video download revolution, and examined consumers' current perceptions of the market. Once the results are examined it becomes clear that this report delivers the most complete analysis so far of the video download market, giving answers to questions that have been perplexing those involved with the video download industry.

## Introduction to the Market Research Report

---

In February 2006, iTunes had its 1 billionth download, a mark of the huge success that it has enjoyed. Up until 2005, the music download industry flourished, but the UK video download market was hampered by a lack of technology and risk of piracy. In 2005, video downloads became a reality, and have been spoken of as the future of the online music industry, but it remains to be seen whether they can capture the nation's imagination in quite the same way that music downloads clearly have.

With devices constantly becoming more technologically advanced, there is a need for more widely available exciting and innovative content for consumers to devour. It is vital for the industry to ascertain whether video downloads are what consumers want – in terms of content, price, quality etc...

BiBC here sets out to discover whether consumers have truly taken to the digital content industry, and whether they will do so in the near future. What do people think of the concept of video downloads in itself, the various media on which they could be viewed and the various methods of downloading content?

## **Purpose of the Research**

---

This study was commissioned and undertaken to gauge the opinions of consumers regarding the present and (potential) future states of the video download market.

Within this overall objective, the purpose was to discover why certain people purchased video downloads, and what could persuade other people to follow suit. Included in this are the questions of pricing, payment methods and other factors that might hold people back from purchasing videos for download over the internet.

The study also investigated issues that surround the video download industry, for example the proprietorial stance taken by Apple in the relationship between iTunes and the iPod. The question of the integration of digital TV and the internet is also examined.

This report summarises the key findings from the study.

## Objectives

---

The objectives of this research were to find out:

- Whether people were downloading videos or were interested in downloading videos.
- What type of videos / content people were downloading
- Why people were held back from downloading from the internet.
- How people would most like to pay for video downloads and the level of pricing that they would be prepared to pay. What pricing models people were interested in
- Which devices people would you prefer to view downloaded movies and other visual media on.
- The threat that downloads pose to high street retailers.
- The major benefits of downloading from the internet.
- Who will be the winners in the download market?

## Methodology

---

ICM is a member of the British Polling Council and abides by its rules. Further information at [www.icmresearch.co.uk](http://www.icmresearch.co.uk).

- ICM conducted 1008 interviews among consumers, 65% (654) of whom had internet access (questions were only completed by those with internet access i.e 654).
- All figures given in this report are based on those respondents aged 18-60 with internet access who download, or would download<sup>1</sup>. This amounts to 402 people.
- The survey aimed for an even split amongst all demographics.
- 52% of respondents were female. 48% of respondents were male.
- 28% were aged under 34
- 37% were aged between 35 and 54
- 35% were aged 55+
- 25% of respondents were social class AB
- 29% of respondents were social class C1
- 21% respondents were social class C2
- 25% of respondents were social class DE
  
- 27% of respondents were based in the South-East of England
- 26% of respondents were based in the Midlands
- 24% of respondents were based in North England
- 14% of respondents were based in Wales and the South-West
- 9% of respondents were based in Scotland

---

<sup>1</sup> There are three exceptions: which, if any, of the following items (music videos, news items, movies etc) would you download / be interested in downloading from the internet (a question which asked all respondents aged 18-60 with internet access); which websites do you most often download content from (asking only those who download); have you heard of boxoffice365.com (asking only those with internet access who download).

## Key findings

---

- 71% of interviewees who had internet access (79% of males, 63% of females) showed an interest in downloading, both in terms of the present and the future. A higher percentage of people were interested in downloading music videos (31%), than movies (24%), TV programmes (19%), comedy sketches (18%) or sports programmes (14%).
- The remainder of the questions were asked to the 71% of respondents with internet access who download or would download between the ages of 18 and 60 (unless stated).
- 39% of people have been prevented or limited from downloading by the quality of downloads. Other people have been held back by the fact that there are limited platforms for viewing content (35%), that downloading videos is no cheaper than buying the hard copy (33%), that there is not enough content available to select from (33%) and that people are concerned about deleting or losing downloaded content (31%).
- 41% of respondents would be willing to pay £2-£5 to download a movie that could be kept permanently, however 24% would pay nothing.
- 24% of people prefer buy-to-own movies (rising to almost 1/3 in the 18-24 age category), yet 36% would prefer an all inclusive monthly fee with unlimited viewing (almost ½ in 18-24 age category). 28% would only be willing to pay less than £10/month for the monthly subscription, whilst 40% would be willing to pay above £10.
- Of all the respondents with internet who download or would download, 85% would buy movies or other visual media downloaded from the internet.
- Almost the same number of people would like to view downloaded movies on a PC (81%) as a TV (83%). However, only 21% said they would like to watch downloaded movies on a mobile phone.

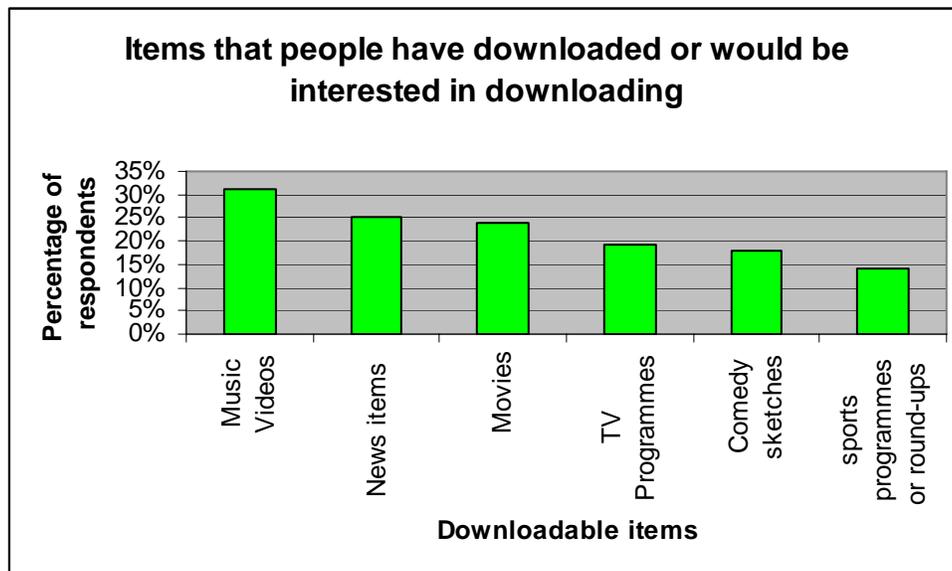
- Two-thirds of people said that the concept of digital TV integrated with broadband would appeal to them. The age category 35-44 was particularly interested in this concept, appealing to 71%.
- 59% of people are aware that iTunes and iPods are mutually exclusive, with the younger generation (ages 18-34) particularly clued up about this issue (75% awareness). 58% of respondents think that this is bad for the consumer (55% of 18-24 year olds).
- Over 2/3 of people agreed / strongly agreed that within three years it would be standard to download music and movies over the internet rather than buy them from the high street. Only 8% strongly disagreed.
- When asked about the major benefits of downloading music, movies and other items off the internet, 34% (the highest percentage) said that delivering a true on-demand offering was the most important.
- 30% of people downloaded from licensed download sites such as iTunes, whilst 26% of people download from free download sites. High-street retailers have yet to fully make their presence felt on-line with only 16% downloading from their sites.

**Research results**

**Video download market**

Of those with internet access, almost 1/3 have downloaded or would be interested in downloading music videos from the internet. Yet there has not yet been the proliferation of video download sites that might be expected. iTunes continues to dominate the music download market, recently reaching its billionth download, yet video downloads remain most popular in the sphere of personal video sites such as MySpace and Youtube.

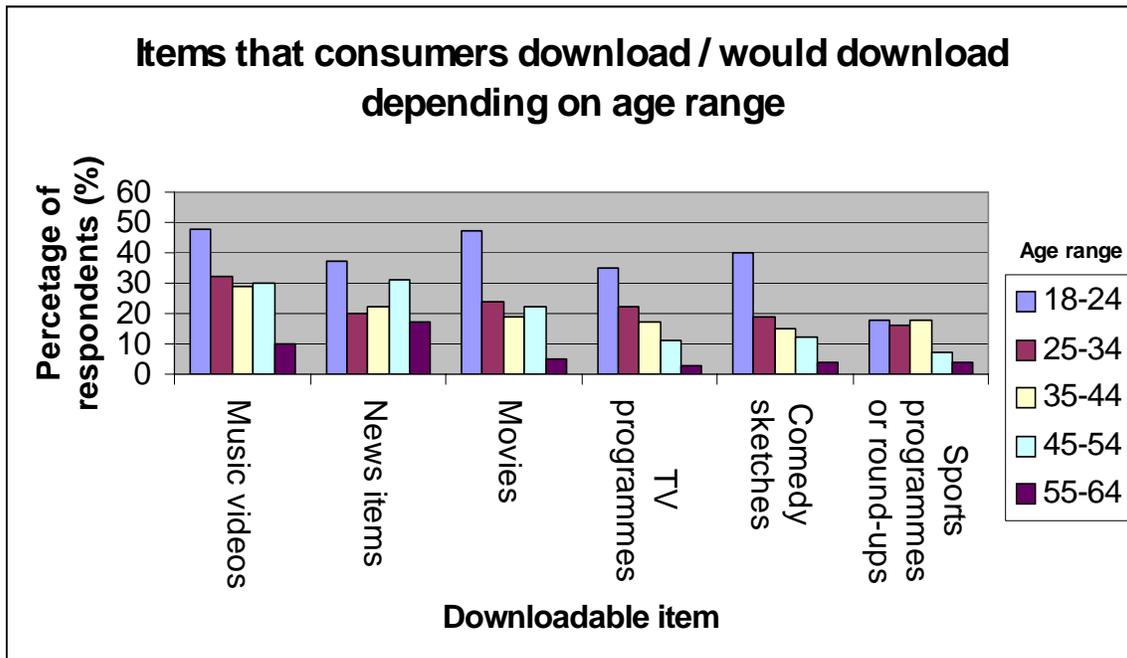
More people would be interested in downloading music videos than news items, movies, sports programmes, comedy sketches, or TV programmes. This is a clear indication that the industry has immense untapped potential. With young people especially interested in downloading (only 14% of 18-24 year olds with internet have not downloaded and will not do so in the future) the video download industry has room to grow and a willing market ready to receive it.



Those from the highest social class (AB) (32%) have downloaded or are interested in downloading music videos to a greater degree than those from the lowest social class (DE) (27%). This is supported by the fact that in the South East, traditionally the most affluent area of the UK, a greater percentage of people have downloaded or would be interested in downloading from the internet.

This encompasses music videos, where 34% from the South East have downloaded / would be interested, compared to only 18% in Wales and the South West, as well as other types of downloadable media (e.g. news items - 31% from the South East compared to 21% from Wales and the South West).

Unsurprisingly it is the younger generation who are the most keen on downloads. Only 14% of those in the 18-24 age range have never downloaded anything and would not do so in future. This is opposed to 48% in the 55-64 age range.

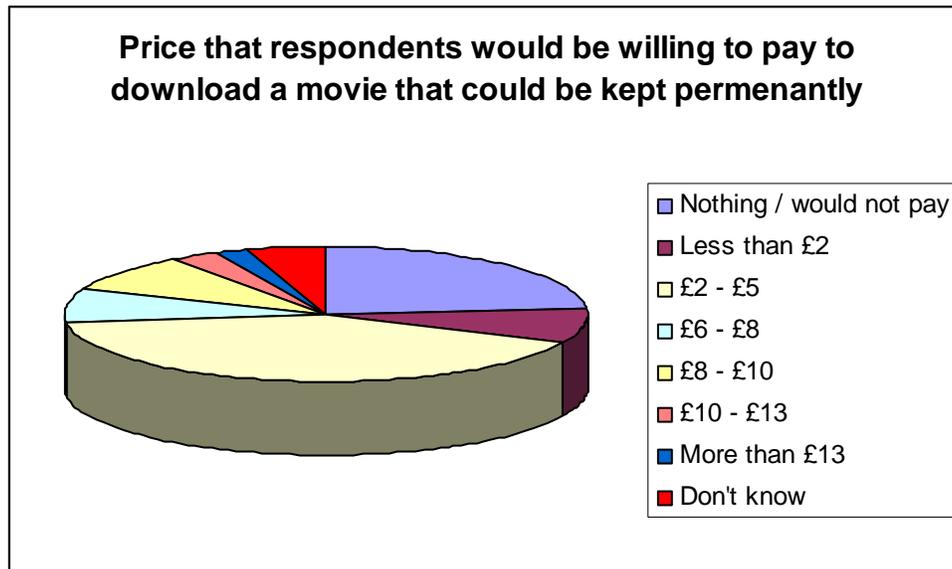


**Pricing of video downloads**

There are certain things that are holding the video download industry back. Over one in three respondents expressed concern about the quality of downloads, the limitation of platforms for viewing content, the price (no cheaper than buying hard copy), and the lack of availability of content. A combination of these things is bound to hold the whole industry back. Advertising and marketing for the video download industry needs to stress that a lot of these faults have been eliminated (which they have!)

Males are much more worried about price and quality than females. 45% of males said that quality of downloads were not high enough, compared to only 32% of females, and 38% of males claimed that it was no cheaper downloading content on-line, as opposed to only 27% of females.

Those from the lowest social class (DE) have the greatest fear of deleting content. Whilst only 25% of those from the highest social class are concerned about losing / deleting the content by mistake, this is much more important for those from the lowest social class (38%). For marketing purposes this is an interesting statistic, as one of the benefits of the video download market is the ability to own content and this needs to be stressed.



Pricing is obviously a key issue for consumers. Almost a quarter of those with internet access who download or would download would not pay to download a film that could be kept permanently, whilst almost 50% would only pay up to £5 for the film. When one considers the prolific DVD industry (which has recently brought down its costs but remains over £10 for new film releases) it is surprising that people are so reticent about buying on-line. People do not seem to consider some of the natural advantages of buying on-line films – lack of packaging, environmental benefits etc.

One incongruity within the statistics is that when asked what payment packages people would prefer when buying movies and other visual media downloaded from the internet, 15% (of those with internet access who download / would download) said that they would never buy movies or other visual media downloaded from the internet, whilst the same sample were asked how much they were willing to pay to download a movie that could be kept permanently, and 24% said that they would pay nothing. This difference could be attributed to people's willingness to pay for other visual media (not movies), or the continued competition offered by the free / illegal download market.

The younger generation would be more likely to pay a high price to download a movie that could be kept permanently. 23% of 18-24 year olds would pay over £8 per movie, as opposed to 12% of 25-34 year olds, 13% of 35-44 year olds, 10% of 45-54 year olds and 7% of 55-64 year olds. This suggests that younger people have a more realistic idea of the price of video downloads. The 18-24 year olds were the only age group where over 30% would pay over £5 to download a movie to keep permanently. As this is likely to be the cost of a movie, particularly a new release, it shows that marketing needs to target this age range and educate the others as to the realistic cost of movie video downloads.

### **Subscription sites best?**

In the US many of the sites are subscription based, and 36% of respondents (with internet access and who have downloaded / would download) favour an all-inclusive monthly subscription with unlimited viewings of movies and other visual media. This might well be the future of video downloading. The subscription based model is based on the principle that people are going to be less likely to pay per video when they can watch them for free (albeit on illegal sites and at lower quality), but may pay a subscription to download as many videos as they want.

In terms of an unlimited monthly subscription fee, 33% of respondents would be happy to pay more than £14, whilst 23% would pay between £8 and £14. This demonstrates that there is general interest in the subscription model and people would be prepared to pay for it. That said 25% would not be interested in subscription packages at all.

Once again young people are more prepared to splash the cash on downloadable content, with 48% of 18-24 year olds favouring an all inclusive monthly subscription fee with unlimited viewing, as opposed to only 39 % of 25-44 year olds, the next highest.

### **Which medium best for watching downloads?**

Almost as many people would prefer to watch downloaded movies and other visual media on a PC (81%) as on a TV (83%). This suggests that people view the PC as a viewing platform on a par with the television. Only 21% would want to watch on a mobile phone, 27% on a gaming console and 43% on an MP3 player. It is important to entertain the possibility that people wouldn't want to watch clips on a mobile phone, because of the size of the screen, and the fact that watching movies is largely a communal activity.

Young people are especially keen on the PC as a viewing platform, with 94% viewing the PC as a device that they would be receptive to watching downloaded content on, as opposed to 77% on a TV.

66% of respondents were interested in the concept of digital TV integrated with broadband to deliver alternative on-demand programmes. This shows that there is the potential for on-demand television, as explored by both Sky and Home Choice. The integration with broadband would offer an extra dimension and this is something that consumers might well be interested in.

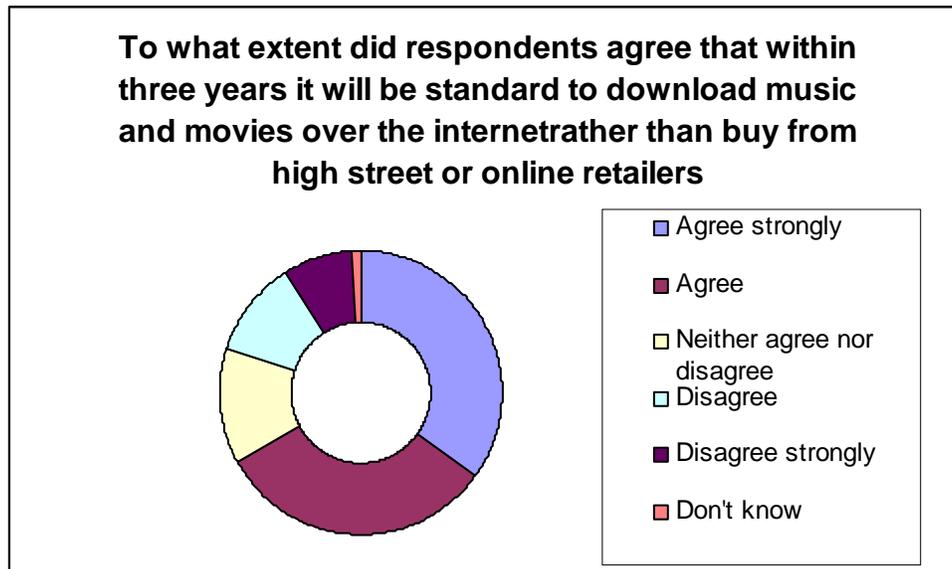
**iTunes proprietary**

Only 59% of respondents aged 18-60 who download / would download know that iTunes and the iPod are mutually exclusive. 66% thought that this was a bad thing for consumers. This goes to show that people are becoming aware that the relationship is becoming harmful for consumers and an alternative needs to come and compete in this marketplace.

On the flip side, even of those who knew about the relationship between Apple and the iPod, 36% thought that it is a good thing for consumers. To compete with the 'iPod effect' any marketing would have to combat this consumer dedication to the iPod.

There is a clear gulf in knowledge in that area between men and women. 66% of men (with internet who download / would download) were aware of the proprietary nature of iTunes, as opposed to only 50% of women. This is heightened by the fact that 39% of female respondents thought that the proprietary relationship is a good thing for consumers, and only 51% of females saw it as a bad thing for consumers (as opposed to 63% of males).

**Death of the high street retailer for entertainment**



67% of respondents agree that within three years it will be standard to download music and movies over the internet rather than buy them from the high street or online retailers. Following Dixons' recent decision to move all of their shops on-line, many consumers are realising the ease of on-line shopping.

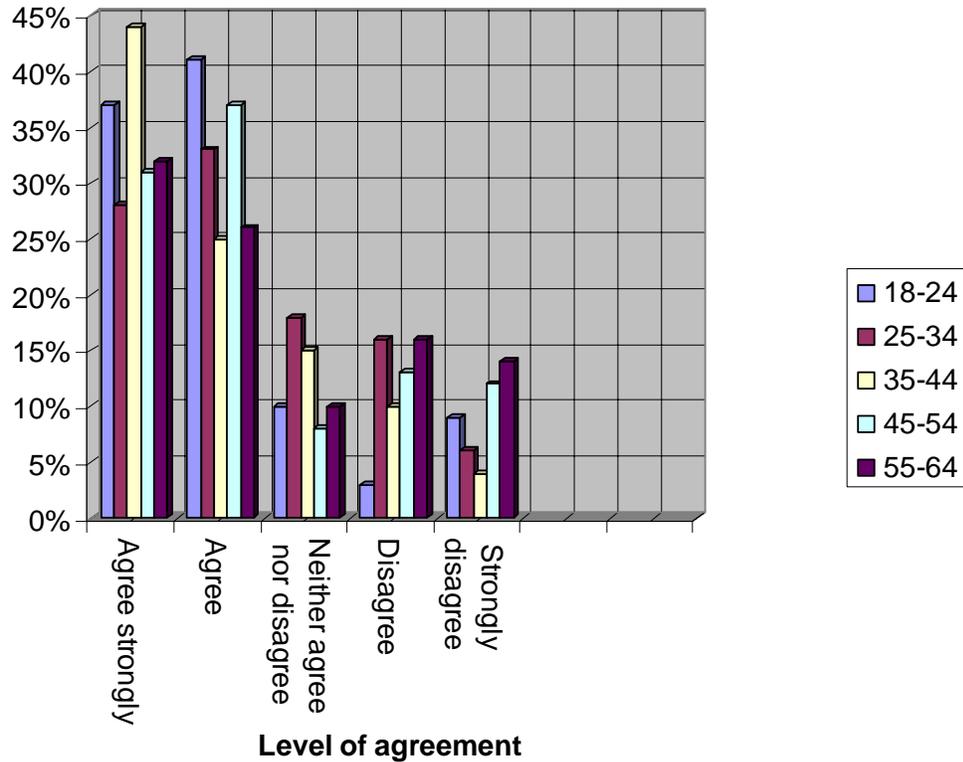
With only 8% strongly disagreeing with the statement, it seems that owning a physical product is becoming less important to people than being able to watch the movie or music video.

This statistic holds true for all of the regions involved in this study. Over 65% of people in all regions agree (either agree or agree strongly) that within three years it will be standard to download music and movies over the internet rather than buy them from the high street or online retailers.

Unsurprisingly, it is those with internet at both home and work who most strongly agree that downloading is taking over from high street or online retailers (only 11% disagree, and 6% disagree strongly). Those without internet at home are the strongest believers in the power of the high street to retain its current stronghold on entertainment retail, with 29% strongly disagreeing that it will be standard to download music and movies over the internet rather than buy them from the high street or online retailers within 3 years.

The younger generation are the most firm believers in the power and growth of the internet, with 78% of 18-24 year-olds agreeing (either strongly or simply agreeing) that it will be standard to download music and movies over the internet rather than buy them from high street or online retailers, as opposed to 58% of 55-64 year olds.

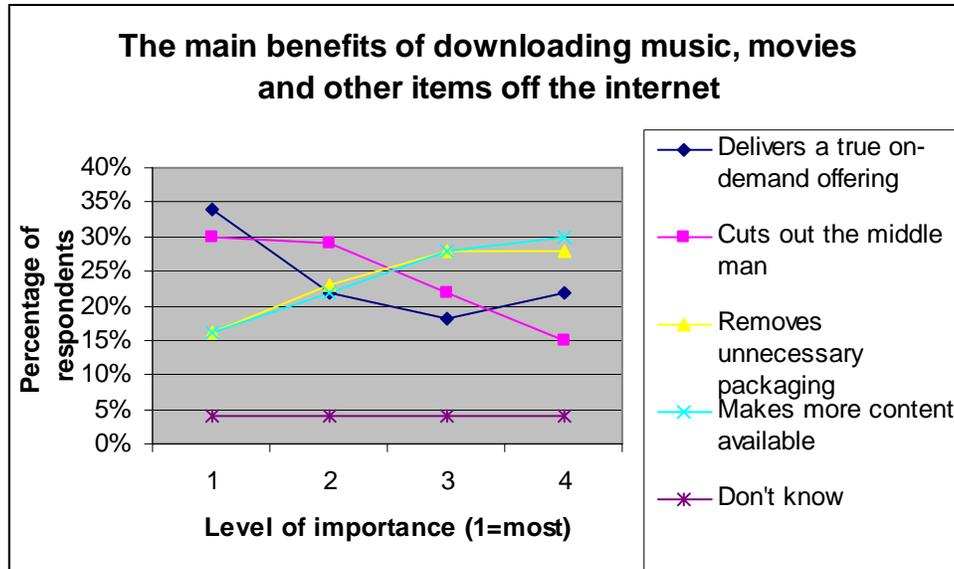
**Degree that various age groups believe that within 3 years it will be standard to download music and movies over the internet rather than buy them on the high street**



**People want an on-demand offering**

The consumer society in which we live brings the demands of instant gratification and this is reflected in the fact that people see the key benefit of downloading from the internet as being that it delivers a true on-demand offering. The people with internet access who download / would download were asked to rank in terms of importance the following benefits of downloading music, movies and other items off the internet: delivers a true on-demand offering – what I want when I want it; cuts out the middle man, making items cheaper; removes unnecessary packaging, making it more environmentally friendly; makes more content available than presently available from the high street and online retailers and traditional media sources.

34% of people saw the fact that the internet delivers an on-demand offering as most important, whilst another 22% of people saw this as second most important. The second most popular benefit that people saw from the internet was that it cuts out the middle man, thus making items cheaper.



The difference between the demands of men and women is highlighted strongly in this question. 34% of women thought that cutting out the middle man, thus making items cheaper, was the most important factor, thus making it the most popular benefit of downloading music and movies for women. Men were more keen on the fact that downloading offers a true on-demand offering (39% seeing this as the most important benefit). Only 27% of men saw cutting out the middle man as the most important benefit of downloading.

People were least interested in the environmental issue, with 56% of people ranking it least important or 2<sup>nd</sup> least important. Only the older generation felt that environmental concerns were important, with 53% of those between 55 and 64 ranking it either most important or second most important, as opposed to 38% of 18-24 year olds.

**Where people download from**

Another point to suggest that retailers need to prove their worth was the question relating to which websites people would download content from. Only 16% said they would download from a major retailers' site. More people are likely to download from licensed download sites (30%) or free download sites (26%).

Unsurprisingly, those from the lowest social backgrounds are more likely to download from the free download sites. Those from more affluent backgrounds are more likely to use licensed download sites such as iTunes, possibly due to their susceptibility to advertising/ marketing – they have the disposable income to spend on these sites.

## Conclusion

---

The video download revolution is gathering pace! People are interested in downloading content from the internet, particularly music videos, news items and movies. Although the industry has been held back, particularly by the lack of quality content and the limitation of platforms for viewing content, people are now thinking seriously about the prospect of downloading, with the PC rated highly as a viewing platform. People are becoming suspicious of the proprietorial relationship between iTunes and the iPod, and feel that as and when this is overcome, and the industry moves forward, that it will become standard to buy movies and music over the internet in the near future.