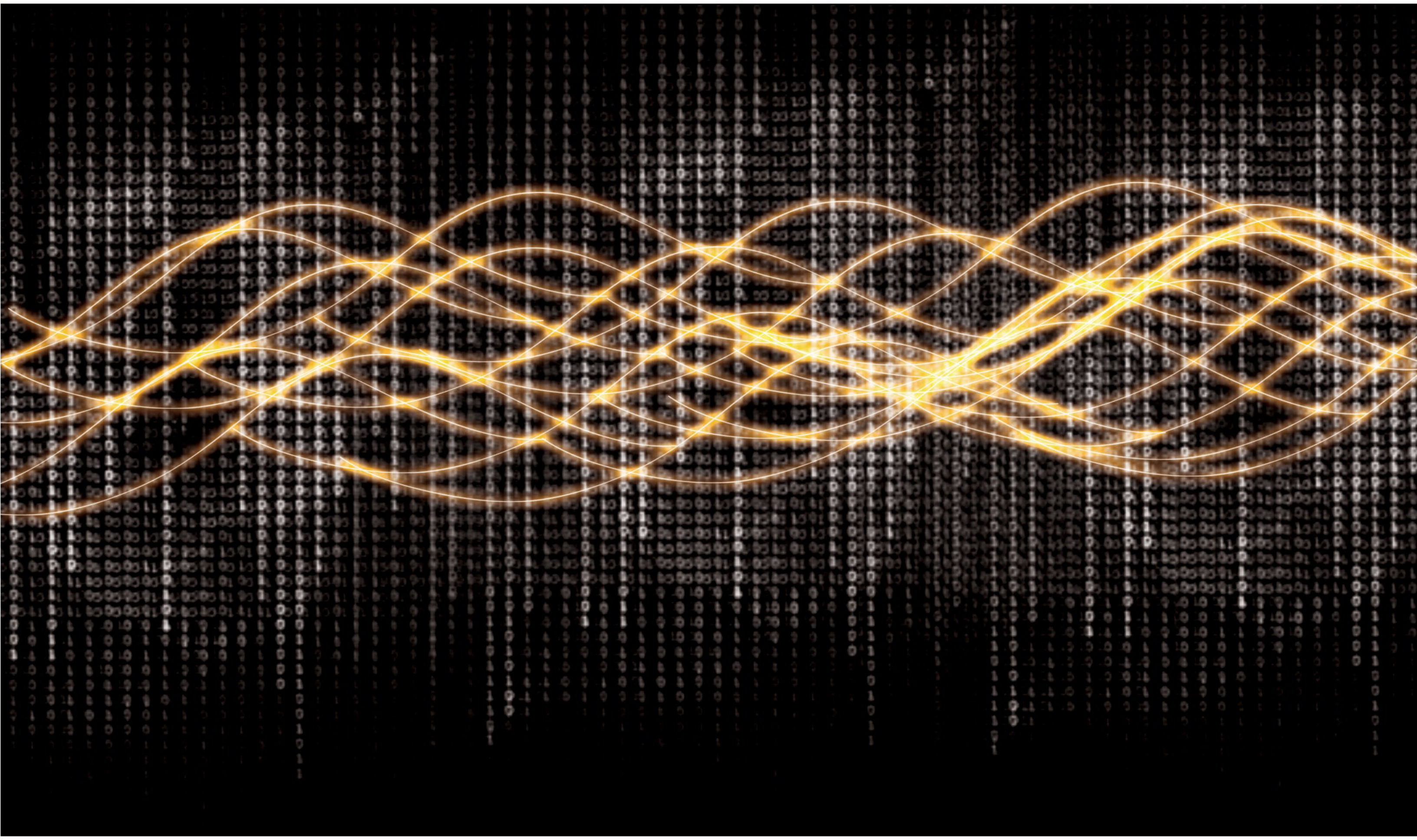
Connected Viewing Initiative



Final Report

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Media Industries Project

UC Santa Barbara

The Connected Viewing Research Team

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September 7, 2012

Welcome to the Connected Viewing Summit!

This research initiative is a collaboration between Warner Bros. Digital Distribution and the Carsey Wolf Center's Media Industries Project (MIP) at the University of California, Santa Barbara. It began two years ago when MIP interviewed Thomas Gewecke about the changes in media distribution brought on by digital technologies. Today, it has evolved into an international research team of leading scholars examining the future of connected viewing as it relates to consumer engagement, audience expectations, regulatory challenges, international markets, and windowing strategies.

The definition of connected viewing has evolved quite a bit throughout our year of focused research. Our initial inquiries into the multi-screen, socially-networked entertainment experience have grown into international conference proceedings, roundtable discussions, and various publications – all of which have significantly expanded our thinking about this moment of uncertainty and opportunity for content providers and their audiences. The Connected Viewing Initiative has stimulated a devoted and growing community of research around this area of inquiry, and the reports that follow represent the start of something truly original, innovative, and exciting in academic-industry partnerships.

It has been our privilege to work with our imaginative, diligent researchers and the WB Digital Team on this project. Thomas Gewecke's vision provided tremendous inspiration for our collaboration, and the dedicated stewardship of Anuraj Goonetilleke and Daniel Ornstein ensured our success. We are confident that all of you will find something productive to take away from the wide spectrum of findings shared by our researchers today.

On behalf of the Carsey-Wolf Center and the entire MIP team, we thank you all for your participation and look forward to the conversation ahead.

Jennifer Holt and Michael Curtin
Co-Directors, Media Industries Project

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The Personal Media Collection and the Electronic Sell-through Marketplace

Executive Summary

Despite increased efforts by media producers and distributors to sell digital video directly to consumers, consumers have so far resisted treating such products as conducive to collecting. In order to understand the potential reasons for this resistance, I used anthropological, marketing science, and consumer behavior scholarship to develop a conceptual framework for collecting that can be applied to digital media. After applying this framework to a large sample of electronic sell-through services to determine how they did and did not facilitate collecting, I developed five best practices that an electronic video sell-through service such as UltraViolet can use to encourage consumers to collect long-form digital video. These best practices focus on meta-data, windowing, secondary markets, DRM, and communication tools.

Key Findings

- Customizable meta-data is essential for any electronic video sell-through service that wishes to encourage collecting.

- Electronic video sell-through services should consider implementing artificial supply constraints on digital video products—either through limited sales windows or as part of a versioning strategy—in order to spur collecting.

- An in-service resale market would increase the value of ownership for consumers; if fees are priced correctly, such a market should not result in decreased revenue.

- A Digital Rights Management system that managed and provided for the exercise of consumers' rights in addition to those of copyright holders would supply added value to digital video; such a service could also be used to rehabilitate DRM in the eyes of consumers.

- A digital video service could obtain a strong competitive advantage by fully integrating its own Web 2.0-styled communication tools; too heavy a reliance upon external social networking services such as Facebook hinders the formation of service-based communities.

The Personal Media Collection and the Digital Sell-through Marketplace

Despite increased efforts by media producers and distributors to sell digital video directly to consumers, consumers have so far resisted treating such products as conducive to collecting. Through my research, I identify potential causes for this resistance and suggest ways sell-through services might be modified to overcome it.

In the first phase of the project, I used anthropological and consumer behavior scholarship to develop a conceptual framework for collecting that can be applied to digital media. Using document and interface analysis, I then applied this framework to a large sample of electronic sell-through services to determine how they did and did not facilitate collecting. In this analysis, I examined the services themselves, their marketing communication, and consumer feedback/responses.

Why Consumers Collect

Compared to traditional consumers of media products, collectors place lesser emphasis on their ability to *use* the product in its proscribed or traditional manner; for collectors, value comes instead from their ability to do *other* things with the product. Traditional consumers purchase videos, for instance, primarily to *watch* them (use in the narrow sense), while a collector purchases videos to do such things as organize them, trade them, handle them, develop expertise in them, "mis-use" them (for video projects, mash-ups, etc.), or display them (use in the broad sense). Through such broad uses, collectors develop relationships with the products they own, and, in many cases, come to see their collections as extensions of themselves.

Value for a collector is not only produced by use in the broad sense, however; value can also be created through the acquisition process itself—for instance, by hunting for a desired product, waiting for the release of a desired product, discovering a new product before one's peers, or receiving a product from a friend or family member. In these instances, the acquisition process endows the product with a personal, non-transferable value. For the collector, the acquisition process thus creates a special relationship with the product that comes before use and other activities and persists for the duration of ownership.

Five Methods to Encourage Collecting of Long-form Digital Video

1) Integrate Customizable Meta-Data into the User Experience

Collectors frequently devote more time to the organization of their collections than to actually using (in the narrow sense) the goods that constitute them. This imbalance can be partly explained by the collector's need, especially in the case of large collections, to keep track of what is owned and ensure that it is accessible for future use. More importantly, however, organizing activities allow collectors to personalize their collections by arranging them to reflect their own priorities and associative linkages.

In recent decades, computer programs and services that allow users to enter customizable meta-data to help manage collections have become essential elements of the collector's toolkit. Some, such as Collectorz' *Movie Collector*, function as standalone personal databases, while others, such as Rodney Kerstetter's *MetaX*, allow users to edit otherwise hidden or locked meta-data fields in iTunes and Windows Media Player.

Currently, iTunes is the only major digital video service that has fully integrated customizable meta-data for digital video. Indeed, iTunes' dominance within the market can be partially explained by its dual function as media file manager and media shop. Other services have sought to provide a simpler experience for consumers by automating file management via the cloud; however, in doing so they have removed the meta-data feature partially responsible for iTunes' success. The absence of customizable meta-data within these services may also have inadvertently served to make purchased media less attractive to collectors than pirated and "ripped" video files, since meta-data for the latter can always be customized.

Though integrating customizable meta-data into a cloud-based or mobile sell-through service poses some design challenges, a service that includes it will be more attractive to collectors and should be better positioned to compete with both iTunes and pirated video files.

2) Impose Artificial Supply Constraints

Perceived or anticipated supply constraints are a primary factor motivating collectors to purchase goods for their collections. Though this seems partly the result of rational economic calculation (a widely available good has less market value than a scarce good), the preference for limited-supply goods also stems from the collector's desire to distinguish his or her own collection from that of others. Collecting goods that are (or will eventually be) difficult to acquire ensures that one's collection cannot be easily duplicated by another. Indeed, collectors often derive satisfaction and—in some cases, prestige—by possessing goods that are not readily attainable by others.

Because digital video, like other digital media goods, lacks natural supply constraints, it has tended not to be suitable for traditional collecting-based consumption. Existing in unlimited supply—and typically decreasing in price over time—digital video confers to its owner no special distinction save the mere fact of ownership. Anyone's collection can, at any time, for little cost, and with virtually no effort, be duplicated by another.

This state of affairs could be rectified, however, through the imposition of *artificial* supply constraints. One method of doing so is by instituting limited-duration release windows for digital video. Another is by limiting digital sales of a given video to a predetermined number (in effect, mimicking the natural sale window of a physical production run). Either method could be made part of a versioning strategy and applied solely to "deluxe" or "collector's" editions if that is preferable to limiting the supply of a digital video in its entirety. In both cases, however, the supply limitations must be clearly communicated to consumers and be universally enforced for all electronic sell-through platforms.

3) Enable the Trading and Selling of Digital Files as Part of the Service

Most adult collectors engage only infrequently in acts of trading or selling the goods that make up their collections. Nevertheless, the *ability* to trade or sell such goods is both highly valued by collectors and essential to the formation of collecting communities. Indeed, many consumers (both collectors and non-collectors) believe that the freedom to engage in such activities is an integral and—in principle, inalienable—right of ownership. Even for a collector not interested in exercising this right, the existence of a secondary market can, through non-MRP pricing, provide confirmation (or refutation) of the collector's taste, the wisdom of his or her past purchasing decisions, and the overall value of the collection.

Current copyright laws in the US and EU seem to place digital media files outside the remit of the first sale doctrine. The logic underpinning these laws is premised upon the impossibility of transferring such files without duplication. Whether such laws apply to digital video services that rely on cloud-based streaming or account-based DRM is currently unclear, as the transfer would be for an access right or license rather than a file. Though the *Vernor v. Autodesk* (2011) decision in the US seems to deny the right of consumers to transfer legally acquired licenses, a more recent ruling by the EU Court of Justice (*UsedSoft GmbH v. Oracle* [2012]) explicitly upheld such a right.

Given the value collectors place on the right of resale and the possibility of a legal mandate requiring that such a right be capable of exercise (one company, ReDigi, has already been launched to facilitate the transfer of licenses for iTunes music files), video sell-through services such as UltraViolet may find it beneficial to enable consumers to engage in resale. If handled correctly—by wrapping the resale marketplace into the service itself and charging flat and/or percentage-based fees for transactions so that the cost of transfer is always at least the cost of rental—such activity could lead to increased revenue over time. In addition, a resale marketplace would increase the value of ownership for all consumers and allow the service to better compete with physical video products to which the right of resale already applies.

4) Create DRM that Adds Rather than Subtracts Value

Many consumers—both collectors and non-collectors—occasionally take pleasure in using goods in ways that these goods' creators had not originally intended. Sometimes such mis-use bears no relation to the use originally intended (using a book as a doorstop), but often—and especially in the case of media products—the mis-use serves to deepen or expand the consumer's relationship with the media product's content. With video products, such mis-use includes capturing stills, creating mash-ups, re-dubbing, re-scoring, and adding sub-titles or commentary.

It is unclear whether these forms of use are legally protected (some would seem to be under fair use exemptions). Whether legal or not, however, Digital Rights Management (DRM)—as currently employed by most video sell-through services—has made them technically impossible. For this and other reasons (such as the restriction of resale and imposition of switching costs), DRM *subtracts* value from the video product for consumers rather than adds it. As a result, digital video, despite its higher price, offers consumers less value than DVDs or Blu-rays.

Nothing about DRM as a technology, however, necessitates subtracted value. A strong DRM could, on the contrary, produce added value for consumers by effectively managing and enabling *their* rights (specifically those rights granted under the Fair Use doctrine of US copyright law) and not merely the rights of copyright holders. Such rights might include the ability to create video mash-ups or alternate audio tracks for the purpose of parody or commentary and the ability to incorporate clips or stills for educational/scholarly purposes or criticism. A consumer-friendly DRM could thus still effectively prevent piracy while simultaneously enabling some of the activities characterized previously as mis-use. By integrating the ability to make things such as mash-ups, alternate audio tracks, or video commentaries into the video service itself, a service provider such as UltraViolet could grant consumers increased opportunities to engage with purchased products while at the same time providing copyright holders with greater ability to monitor and control how their products are actually used.

5) Integrate Robust Communication Tools into Sell-through Services

Most collectors devote significant time to studying and researching the goods that make up their collections. Not only does the knowledge gained through these activities allow a collector to develop a deeper personal relationship with the collected goods, it also allows for heightened interpersonal relationships with other collectors. Collecting communities are in fact formed and sustained through the circulation of such knowledge.

Given the importance of interpersonal communication for collecting, it is startling how poorly electronic video sell-through services have integrated communication tools. Most offer none at all save for simple five-star rating systems, instead relying upon external social networking services such as Facebook (which are, in turn, poorly integrated). Only Amazon currently offers onsite the kind of full communication toolset—including reviews, comments, user-generated guides, video reviews, and forums—associated with Web 2.0 technology (traditionally defined as web interfaces and apps that revolve around user participation instead of passive consumption).

In a competitive market, collectors will gravitate towards those video sell-through services that provide a full range of easy-to-use communication tools. A service like UltraViolet could thus obtain a competitive advantage by fully integrating Web 2.0 communication tools. Because collectors place a high value on the ability to make *new* connections with other collectors, the service should take care not to prevent such connections by relying too heavily upon external social networking services such as Facebook and Google+.

Conclusions: Challenges and Opportunities

The five methods highlighted above constitute best practices for capturing (or, as the case may be, creating) the market for collectible digital video. Though UltraViolet's multiple-provider model poses some challenges to the implementation of these practices, the potential benefits of an increased user-base and revenue provide incentives for the providers to work together. Even without such cooperation, however, Warner Bros. alone could implement some or all of these practices through Flixster (if made into an actual sell-through service) and gain a stronger hold on the digital video market.

Regulating Connected Viewing: Media Pipelines and Cloud Policy

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Regulating Connected Viewing: Media Pipelines and Cloud Policy

Executive Summary

This project examines the regulatory policies that will have the most significant impact on connected viewing for content providers and their ability to exert control in the digital landscape. It is focused on policies that relate to cloud-based data storage and broadband service. My research has shown that the most crucial developments in the regulatory arena for the connected viewing ecosystem are related to the enforcement of *net neutrality* and the regulation of *managed services*, the implementation and legality of *bandwidth caps and metered billing*, and the legal *jurisdiction over data servers* supporting the storage and transmission of cloud-based media. These issues will ultimately determine the future dimensions and viability of connected viewing initiatives.

Key Findings

- Net neutrality is vital to the long-term success of a diverse connected viewing ecosystem.

- Partnership with or pioneering new managed services (such as CDNs and apps) will be central to the success of connected viewing strategies for content providers, especially those who do not own broadband networks.

- Bandwidth caps and metered pricing structures will become increasingly significant impediments for content companies that want to connect directly with consumers.

- Policies related to the legal jurisdiction for data centers supporting the storage and transmission of cloud-based media—especially those placed internationally—are currently in flux, and pose a host of potential problems for content providers.

- Warner Bros. has the opportunity to affect the trajectory of regulation by thinking like a tech company in the lobbying space and inserting itself more forcefully into the debates over cloud policy, which are currently being framed and driven by private companies as opposed to government regulators.

Regulating Connected Viewing: Media Pipelines and Cloud Policy

Policy is about power. This project is about who will have the power to control connected viewing in the next decade. My research examines the regulatory policies that will have the most significant impact on connected viewing for content providers and consumers of streaming media. It is focused on policies that relate to cloud-based data storage, broadband pipelines, and consumer access. The current regulations affecting the "shareability" and unencumbered flow of media across broadband networks—critical elements for any connected viewing strategy—are presently undergoing intense negotiations as the FCC, the broadband industry/ISPs, content providers, and public interest groups engage in protracted debate. Right now, little has been decided; consequently the current moment is crucial for the future viability of connected viewing. How broadband pipelines and servers are regulated, how data is governed when stored in remote locations, how pricing structures and models for access evolve: these decisions will determine whether connected viewing has a bright future, or if the connected viewing infrastructure is subject to regulation that privileges ISPs over consumers, and therefore cuts content companies off from their connected audiences.

My project has been informed by studying the legal history of cloud computing issues and broadband policy, as well as personal interviews with FCC senior staff, MPAA staff, former authors of the National Broadband Plan, public interest advocates, legal counsel for various connected viewing interests, and policy advisors for major cloud computing corporations. From this research, it is clear that the most crucial developments in the regulatory arena for the connected viewing ecosystem are related to the enforcement of *net neutrality* and the regulation of *managed services*, the implementation and legality of *bandwidth caps and metered billing*, and the *jurisdiction over data servers* supporting the storage and transmission of cloud-based media. These issues will ultimately determine the future dimensions and viability of connected viewing initiatives. What follows is a brief outline of each major policy issue and the implications for content companies like Warner Bros.

Net Neutrality and Managed Services

Net neutrality is the most important policy issue facing content providers and consumers of cloud-based media today because the principle, if supported properly through law, can be used to wrest control of the Internet from ISPs and ensure a free and open Internet. This framework basically applies the principle of common carriage (requiring all content to be delivered at the same speed, regardless of who is sending it—something phone companies are currently required to do) to broadband service. Presently, the viability of net neutrality is in crisis. Broadband is currently being regulated without common carrier requirements, theoretically allowing service providers to charge more for certain content to be delivered quickly and privilege that content in a digital "express lane" of sorts.

Internet service providers were reclassified by federal agencies and the courts four times in five years between 2000-2005 and finally wound up in the Supreme Court, which essentially removed any common carriage requirements. Their decision also rendered the FCC somewhat powerless in the arena of broadband regulation, putting the bulk of power into the hands of ISPs as gatekeepers. The FCC set out net neutrality rules in 2010 anyway, even though their authority to do so is questionable at best after the DC Circuit Court of Appeals ruled against the FCC earlier that year in *Comcast Corp. v. FCC*. In that decision, the court determined that the FCC did not have authority over ISPs or the Internet without reclassifying broadband as a telecommunications service. This effectively vacated the legal argument for the FCC's net neutrality rules as well.

It is significant that the 2010 net neutrality rules put forth by the FCC do not apply to wireless. It is also worth noting that they are currently being challenged in the courts, as Verizon is claiming that the rules violate ISPs' rights to free speech and are unconstitutional. MetroPCS, the 5th largest wireless carrier in the US, has also joined Verizon's suit.

In my research, it is clear that the resurrection and survival of actual net neutrality—for both wired and wireless—has become the critical policy issue for the sustainability of widespread connected viewing. So long as the principles of net neutrality and an open Internet remain legally vulnerable, so do content companies that are not partnered with ISPs (e.g., NBCUniversal and Comcast).

There is one key set of players that have an exemption to any current net neutrality regulations: managed services, such as those offered by Content Delivery Networks (CDNs) like Akamai, Level 3, and Limelight. These networks are not regulated by or under the purview of the FCC. Partnerships and/or involvement with this category of provider will be beneficial to the success of connected viewing strategies for content companies, particularly those companies that do not own broadband networks. By way of example, Netflix announced in the summer of 2012 that it would be following companies such as Apple, Amazon, and Google and building out its own CDN, called Open Connect.

The bottom line for content companies: *Net neutrality is vital to the success of long-term connected viewing initiatives and would ultimately serve to connect consumers to content on the content companies' own terms.* Although mobile media usage is growing, Wi-Fi traffic is not subject to net neutrality rules. Consumers are also becoming increasingly dependent on wired infrastructure to provide mobile access to streaming media and connected viewing experiences. Therefore, it is necessary to preserve neutrality for both wired and mobile usage of the Internet if content companies want to remain in control of their product.

Data Caps for Consumers

Data caps imposed by broadband providers and new metered pricing structures for the distribution of content over broadband and mobile networks are also evolving policy issues for content providers to watch. These measures have the power to render streaming media prohibitively expensive or inaccessible. The price and ease of "tethering" (linking multiple devices together so that consumers become their own hotspots) will be additional key factors in determining the influence of bandwidth pricing structures and data caps on consumer engagement with digital content. In the unlikely event that ISPs decide to make tethering affordable and simple, content providers would definitely stand to benefit from the improved access to their mobile audiences.

The recent decision that Comcast made to exempt its Xfinity "On Demand" service for the Xbox 360 from counting against data caps is one example of how problematic the issues of managed services and data caps can be for content companies and their ability to compete with the power of ISPs. This issue will start to become even more prominent as broadband speeds increase in the US and pipelines are capable of delivering media more quickly.

The bottom line for content companies: *Data caps and metered pricing will become increasingly significant challenges for content companies that want to engage consumers in the digital space.* The turn away from unlimited access is inevitable for ISPs; even FCC Chairman Julius Genachowski has publically supported metered billing as a consumer-friendly move that would help drive efficiency in networks and encourage competition. Right now, however, there remains a great deal of uncertainty about the specifics of new pricing models and their implementation.

Jurisdiction over Data Servers

Data centers are expanding rapidly—their carbon footprint will surpass that of air travel by the next decade. The physical component of the cloud has been dispersed all over the world into these data centers, which have found some precedent as the legally defined geographic location of data in the cloud. Whether data are legally determined to exist in one place (that of one data center) or multiple locations (wherever the data are collected, processed, and stored, usually in fragments at a variety of centers) remains unresolved. Overall, the jurisdiction and governance of data, particularly that which is stored internationally and accessed domestically, is extremely complex, ill-defined at the present time, and potentially problematic for content providers and their customers.

Where companies decide to locate their data centers for cloud-based computing and connected viewing initiatives is determined by a variety of factors; these include geographical proximity to both affordable electricity and other energy resources, the sophistication of local infrastructure, and beneficial tax codes. The allure of cheaper energy to power data centers often creates jurisdiction shopping for global hosting and with it, serious privacy concerns about the security of data. In the US, the Patriot Act has significantly expanded the US Government's ability to compel the handover of data from US companies, regardless of where the data is located; this has caused major concerns for European and Canadian companies focused on the security of data in their own countries. The lack of clarity in this policy arena will likely cause considerable challenges for hosts and providers of cloud-based, connected viewing entertainment experiences moving forward. Almost everyone I interviewed acknowledged this was a major problem on the horizon with no solution in sight.

The bottom line for content companies: *Companies like Warner Bros. would benefit from thinking about connected viewing as the international trade of data.* This would help preserve a focus on key policy issues and their importance when determining where to house data. In fact, the worst-case scenario for policy developments in relation to content could likely be found in this arena of foreign-hosted data centers. The benefits of inexpensive real estate and energy costs could be entirely undermined by the potential loss of access to data and the resulting breakdown of consumer confidence and brand loyalty.

Conclusions: Challenges and Opportunities

The economist Peter Drucker has said, “The greatest danger in times of turbulence is not the turbulence; it is to act with yesterday’s logic.” Today’s policy is being made with yesterday’s logic; of that there is no doubt or even much debate. Content companies can deal with today’s turbulence most strategically, particularly as it exists in the policy realm, by thinking with tomorrow’s logic. Invitations for this approach abound:

- *Currently, private companies—and not the government—are setting policies for cloud computing.* There are tremendous opportunities for leadership in this area, particularly on the content side. The Broadband Internet Technical Advisory Group (BITAG) is one entity gaining momentum in this vacuum. Disney, Fox and Viacom are all members—Warner Bros. should be represented there as well. Currently the makeup of the group is quite ISP-heavy.

- *Content companies should think of themselves as tech companies.* This means recognizing that the lobbying agendas of tomorrow should look different than they do today. The various silos or divisions of many media conglomerates face clear internal conflicts when it comes to lobbying and policy. What a digital division needs to thrive, particularly in the arena of broadband policy, is almost the opposite of what studio groups want as they grapple with piracy and its many implications. This has created a situation where a company’s policy goals as a major, varied content provider are not necessarily in sync or unified with their goals as a digital distributor. Ultimately, it would behoove content companies with robust digital divisions to consider diverging from the MPAA’s more conservative lobbying agenda in the tech arena, and advocate for their own interests, which include the free-flow of content and widespread consumer access. The logic of tomorrow—that which propels the digital distribution of content—should prevail.

Connected Viewing at Work, in Class, and on the Go: The Unintended Uses of CV Products and Services

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Connected Viewing at Work, in Class, and on the Go: The Unintended Uses of CV Products and Services

Executive Summary

As the global market for mobile applications is projected to reach $17.5 billion this year, my project analyzed the functionalities that users of connected viewing apps value. Over the course of three months, I taught an undergraduate course at UC Santa Barbara devoted to researching connected viewing. I consistently found students were willing to pay for connected viewing apps that provided control over their favorite media content. In short, students desired the ability to integrate their favorite media content into their daily activities, including those taking place during commutes, at work, and while studying. My research shows digital access to content alone was not a valuable incentive to students. Instead, students expressed the desire to bookmark and create playlists of their favorite scenes, share screen captures, listen to multiple commentary tracks, and generally use their favorite media content as the wallpaper of their social network pages and their lives.

Key Findings

- Students will pay between $3 and $7 for apps that provide control over content.
- Students want a connected viewing app that allows them to easily use media content in a variety of contexts (e.g., while in the breakroom) and for a variety of tasks.
- Students want more than just streaming access; they want to be able to easily integrate their favorite content into their social and personal activities.

Connected Viewing at Work, in Class, and on the Go: The Unintended Uses of CV Products and Services

In this project, I use the term "connected viewing apps" (CV apps) to describe digital applications, products, and services that provide consumers with digital access to content, the ability to manipulate this content, and the freedom to share content on social networks. For example, the HBO GO App enables mobile access to HBO's library of content, and the IntoNow App by Yahoo! syncs with content playing on a television and provides users with information and social network integration. Both CV apps offer the opportunity to engage with content on mobile screens, but students in my sample were reluctant to pay for these apps because of their limited functionality.

My project was designed to discover what functionality students valued in connected viewing apps. Through interviews, focus groups, and an analysis of the reception diaries my students kept throughout the course, I discovered how they use (and want to use) CV apps in different contexts. My research revealed that these students are currently frustrated with CV apps but that they are willing to pay for apps with more versatility and applicability to how they actually use media in their daily lives.

Students Will Pay for Connected Viewing Apps

After testing a variety of apps and discussing ways of improving these products, I asked the students how much they would pay for an ideal CV app. Their answers varied depending on four different categories of apps: Second Screen Apps, Social Apps, TV/Movie Apps, and Over-the-Top Apps.

1. **Second Screen Apps**: *Average amount for App = $3*

    Second screen apps are specifically designed to synchronize with the living room television and facilitate "multi-tasking" behavior.

    > *Apps Tested:* Universal My Clips, Universal My Chat, Universal PocketBlu, Universal UControl, Universal MyVideoCommentary, Universal VideoMashup, Disney Second Screen, Sony BD Live, Disney BD Live, Miso, Connect TV, and IntoNow by Yahoo!

2. **Social Apps**: *Average amount for App = $3*

    Social apps aggregate and curate social network conversations around specific television shows, movies, or media companies.

    > *Apps Tested:* Official Twitter Hashtags, Facebook Groups, HBO Connect, Showtime Social, USA Chatter, Bravo's Tweet Tracker, NBC Live, Facebook Social Theater, Facebook Rentals, GetGlue

3. TV/Movie Apps: *Average amount for App = $2*

TV show/movie apps bring together a variety of online activities including social networking services, cloud access, interactive chats, and games on a mobile platform.

<u>Apps Tested</u>*:* Warner Bros. Movie Apps, USA "*Psych* Vision," *Glee* Superfan Viewer, TNT *Leverage*, TNT *Rizzoli and Isles*, TNT *Falling Skies*, Comedy Central *Tosh.0*, Fox *Terra Nova*, E! *The Soup*, Harry Potter App Edition, *Archer*, Adult Swim, *Big Bang Theory* App, X-Games Mobile App

4. Over-the-Top Apps: *Average amount for App = $6.50*

Over-the-top apps provide access to streaming content on multiple platforms.

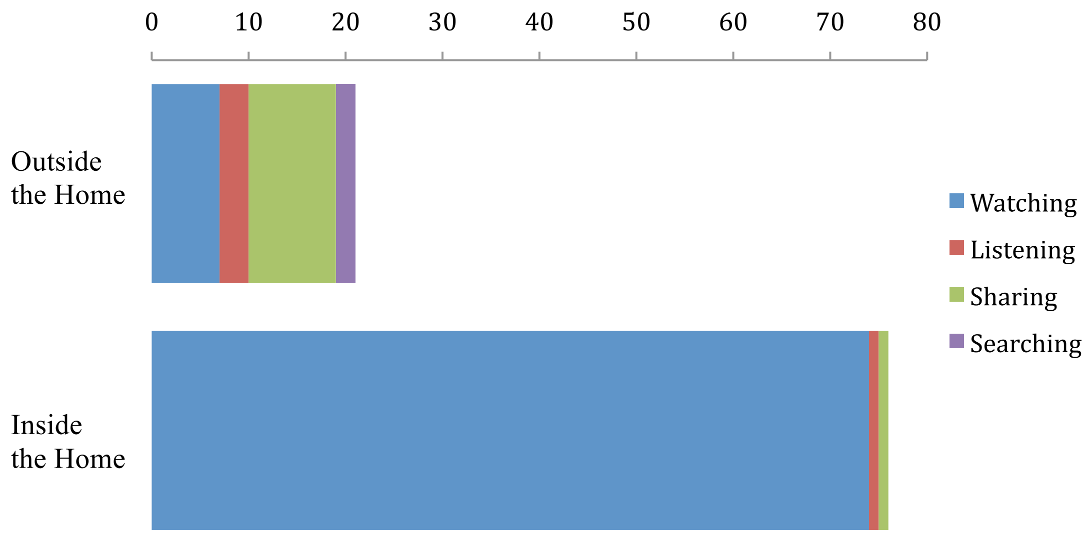
<u>Apps Tested</u>*:* Netflix App, Hulu App, Flixster App, CNN App, PBS App, NBC App, TNT App, USA App, TBS App, Crackle App, ABC Player App, Showtime Anytime App, Watch ESPN App, and HBO GO App.

Students Want Connected Viewing Apps to Be Versatile

The students tested CV apps in a variety of contexts and found that what they liked about these apps was how the apps allowed them to interact with their favorite media franchises in a variety of settings. For example, a student on her commute relied on dialog from a connected viewing app as an alternative to music or talk radio. In the work environment, students turned to connected viewing apps during breaks as relief from their responsibilities and as a way to connect with co-workers or show-off with friends. Connected viewing apps were also popular when students were waiting for something, as it provided a way to get their mind off of a stressful meeting or interview, or kill time by checking in with their favorite media franchise.

In the past year, the Pew Internet and American Life Project reported that 52% of adult cell phone owners use their phones while watching TV, while Nielsen revealed that 44% of the home audience checked social network sites while in the living room. Indeed, my own research shows that students are most likely to be using connected viewing apps in-sync with the living room television, ***but*** they were nevertheless willing to pay for apps that gave them interactive options outside of the home. Table 1 shows that students used a greater variety of app functions when operating CV apps outside of the home. Students valued the variety of options CV apps provided but they would have liked these apps to be more attuned to the ways they integrate media into their daily lives. Given that the students I interviewed used their mobile phones nearly as much as they watch television, there is a great opportunity to create CV apps that meet the needs of the mobile audience.

Table 1: Instances of Activity



Recommendations

In focus groups, students described the following functionalities that would encourage them to purchase connected viewing apps.

- *CV apps need to integrate popular social network services and should not force users to stay within one platform.* Many of my students believed there was no need for CV apps because they already use Facebook and Twitter to interact with media franchises. The IntoNow by Yahoo! App (a second screen service), for example, came close to meeting all of the students' connected viewing needs, yet the students became frustrated because it had limited Facebook and Twitter integration. In particular, the IntoNow App provided no way for users to look at their Facebook walls. Faced with such a limitation, my students were more likely to delete the app and find another way of sharing content with friends (often via illegal services).

- *Students want more control over the apps and services they use.* Students want to have more control over purchased content. For example, they want to be able to listen to just the audio if they are multitasking or commuting. They also want to be able to share quotes, clips, and scenes through an easy-to-use interface, like those of YouTube and Facebook. Additionally, they want their content to be more personalized, allowing them to bookmark favorite scenes, create playlists, and set-up reminders about future airings. I pointed out to the students that many of these features are currently available, but they explained that the current offerings were too cumbersome.

- *Additional audio tracks would incentivize re-playing favorite TV shows and films.* My students agreed that CV apps create an incentive to revisit favorite TV shows or movies. They suggested a series of podcasts in which celebrities or media personalities record a commentary track discussing their favorite TV shows or movies. For example, they reported being eager to pay for a CV app that allowed them to re-watch an episode of *The Real Housewives of Orange County* while listening to the cast of *Mike and Molly* discuss it.

- *Sharing features should enable competitive and performative behavior*. One of the recurring conversations we had in class was about the way connected viewing content encouraged competitive and performative behavior. My students enjoyed showing off their technology and creativity but felt that most connected viewing “share features” were limited. They wanted to see more contests that allowed them to use their creativity and vote for a winner. They liked services such as GetGlue and Facebook that recognized fan dedication but they still wanted a more involved and possibly crowdsourced game (similar to the Miso CV app).

Conclusions: Challenges and Opportunities

Students explained that they were most likely to use CV apps **the second time** they viewed a show or a movie since they did not want to be distracted by a second screen during their initial viewing. They felt that CV apps made repeat viewing more enjoyable because they offered a way to relive the content. If CV apps were designed to complement repeat viewing (similar to the “maximum movie mode” offered on Harry Potter DVDs) and as a platform for fans to bring their favorite content into their everyday activities, these apps would not only compete with other popular mobile services but offer consumers a level of interactivity currently missing from the market.

If this research were to continue, I would like to analyze how access to high quality clips and screen grabs would influence conversations about culture. My students often have a lot to say about the culture they consume, but they are only able to express themselves in 140 characters on Twitter. YouTube- and Facebook-embedded clips offer users an opportunity to share or forward a clip but not to put their own stamp on it. I want to know how a more developed CV app that allows users to express themselves through clips and screen grabs would influence media circulation. The project would offer the opportunity to better understand how consumer attitudes about “control” and “functionality” ultimately relate to perceptions of value and the sharing of content.

The Immersive TV Project:
Connected Viewing Among College Students in the US and Portugal

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The Immersive TV Project:
Connected Viewing Among College Students in the US and Portugal

Executive Summary

We gathered survey data in 2011 from university students in the US and Portugal, and under the Connected Viewing Initiative in 2012 we added eight focus groups and a sample of community college students in order to diversify our demographic. Our primary questions concerned (1) how people engage content—which devices and platforms they use and how they assess their attributes; (2) the role of social media for selecting, creating, or circulating content; and (3) how obtaining content from authorized sources such as Netflix or iTunes compares to obtaining content from file sharing services (such as through a BitTorrent client).

Key Findings

- Recording programs and especially accessing them from online sources is the norm in both the US and Portugal. Most people prefer an on-demand style of watching media as opposed to a flow style ("regular" TV). Cable-based VOD is largely supplanted by web-based services for television and film, propelled by motivations for instant gratification and low cost. *Time available* is critical in determining what is watched when and where.

- Higher cost, confusing interfaces, too many ads, and inconsistent audio-visual quality are the most significant disincentives for using various services; for example, filesharing sites bring uncertain quality while VOD options may be too costly.

- Respondents frequently use Facebook, YouTube, and Netflix to find things to watch. Facebook is a central means for both the American and the Portuguese students to find and share content. Many people access FB through their phones and end up browsing content linked through FB on their devices. Content *consumed* on phones is generally short format, sports, and news.

- A slight preference for using file sharing over authorized services in the US is a reflection of cost, ease of use, and filesharing services' ability to provide the content people want when they want it. In Portugal the much higher preference for file sharing is probably a reflection of the absence of authorized services.

- People justify using unauthorized sources by pointing out deficiencies in the distribution system that prevent them from legally accessing the content they want. They express willingness to pay (but not too much!), but above all they want access at the right time.

The Immersive TV Project:
Connected Viewing Among College Students in the US and Portugal

The Immersive Television project investigated the uses of and motivations for using mobile and "alternative" screens and entertainment platforms. It became clear during this research that the plethora of services, platforms, and devices muddy the language around "second screens." Digital production and digital distribution foster new patterns of engaging with media, patterns affected by the viral qualities of social media as well as increased accessibility (authorized and unauthorized) to a wide variety of content. The population we studied includes predominantly college-age individuals, a choice predicated on the notion that this group is more open to entertainment options beyond conventional cable and over-the-air television. These individuals are also socially networked and generally interested in popular culture, and in this sense they function as bellwethers. In this project we examined:

1. How viewers/users engage with new, especially second screen, "television" or visual entertainment, particularly with respect to the role of user generated content;

2. How Facebook or other social media function in selecting or creating and circulating content;

3. The role of authorized and unauthorized services in downloading or streaming content.

Data and Method

We administered surveys to three different populations and conducted eight focus groups, all with people attending college. Our non-random survey samples included community college students (N=433), four-year public university students (N=490), and elite university students in Portugal (N=500).[i] We have organized our findings around three categories: *engagement, Facebook and social media*, and *authorized/unauthorized content*.

Engagement

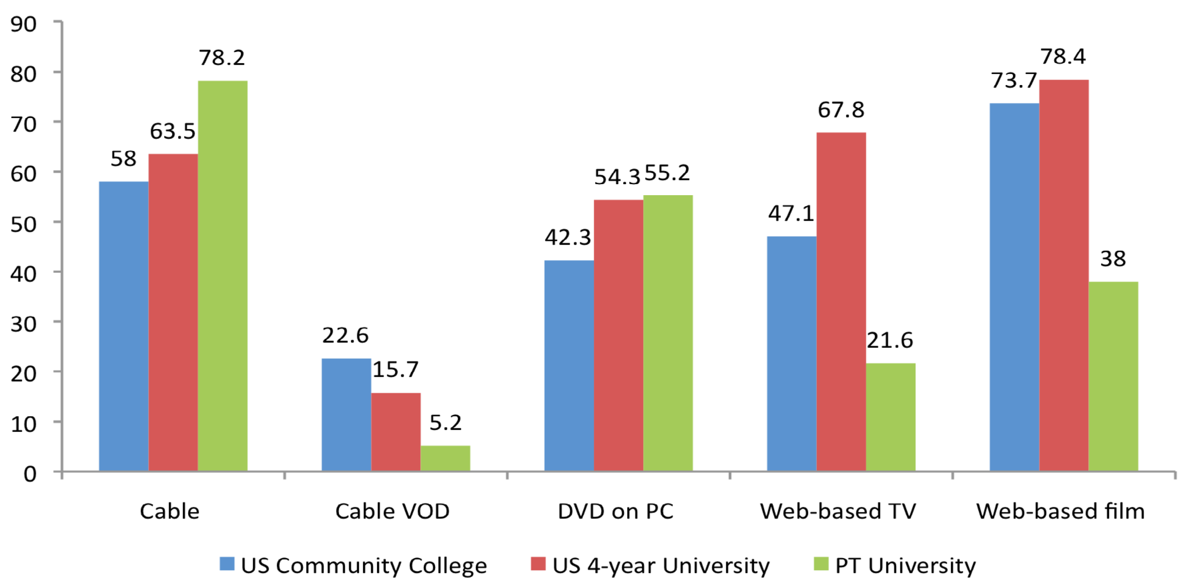
It is clear from our results that different platforms are amenable to different engagement styles. So-called "second screens" are mislabeled. The critical questions regarding what screen is used have to do with time available, content type and viewer investment, and whether the consumer is in an environment conducive to group viewing as opposed to personal viewing.

The *laptop screen* is the screen of choice for many because of its ability to easily link to streaming content, its ability to play DVDs, and its portability to different viewing environments. It is viewed as a personal device, and one amenable to both multitasking and selecting content that is pleasing just to oneself. The *smartphone screen*, on the other hand, supports viewing bursts and short content, its size allowing it to be personal even if it is used in a public space. It serves to fill in otherwise unoccupied (or lightly occupied) time periods.

All three of our sub-samples exhibit high rates of subscription to cable television services but rather low rates of using cable VOD. The utilization of web-based services such as Hulu or

NBC.com for television programs dramatically exceeds cable VOD for the US population, as does using web-based services such as Netflix and YouTube for film/TV (Chart 1). Correspondingly lower figures in web-based services for Portuguese students reflect the lack of such services' availability. Hulu and Netflix are valued because they are legal, present no concerns about viruses, and are convenient and easy to use. The problem of data caps was mentioned by several people, however, and many consider this an issue in their choice of how to obtain programming.

Chart 1: "Regularly used" program services by sample (percent)

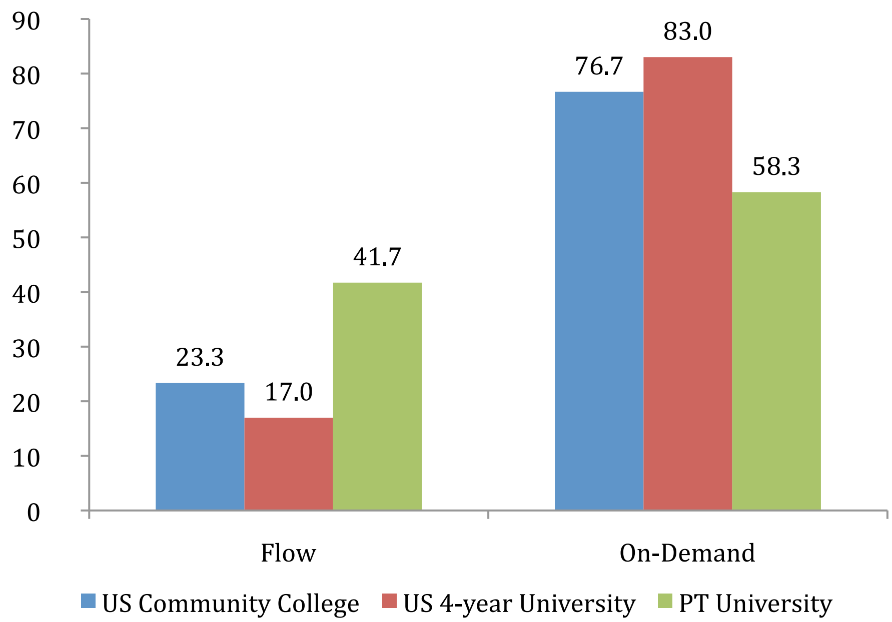


Our populations do watch DVDs on their PCs, often obtaining them from Redbox (in the US) or from friends. Using DVDs seems to reflect interest in a higher quality image, in particularly valued content, or in content amenable to group viewing when the DVD is linked to a full screen TV. Interestingly, when people *download* content, a significant majority preferred to keep the file on a hard drive for a long time as opposed to deleting it soon after viewing.

Recording programs and especially accessing them from online sources are the norm. A busy lifestyle raises expectations and motivation for immediate gratification regarding video content. Interestingly, in our focus groups people often expressed frustration with not being able to get just-aired TV content right away, and this became a motivation to turn to other, unauthorized, sources for content. The large percentage of people who prefer an on-demand style of watching media as opposed to a flow style ("regular" TV) underscores this drive (Chart 2). As one respondent said, "It seems that like our generation is very...uh....very in the now. It's not.... we don't want to wait, you know, we're really impatient. You know, so there's something really cool that just comes out, we're like, yeah, we have to see it. If we have to wait a week? We cannot wait one week. If it's two days? We still don't want to wait two days."

Focus groups also confirmed a certain amount of account sharing among family members and friends in order to access on-demand content through Slingbox or HBO GO.

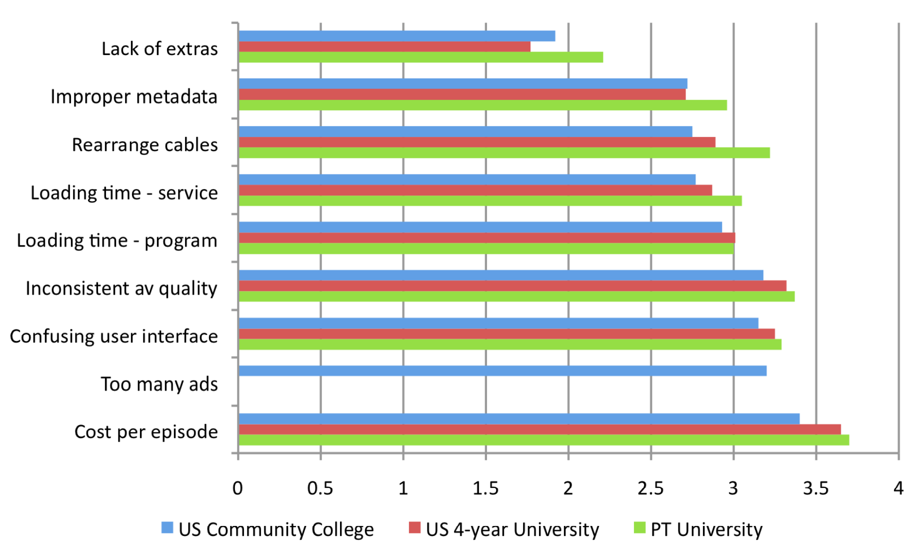
Chart 2: Preference for flow or on-demand by population (percent)



We interpret the lower numbers for the Portuguese sample in the "on demand" category as indicative of more limited opportunities for streaming options.

Higher cost, confusing interfaces, too many ads, and inconsistent audio-visual quality created disincentives for using certain services (Chart 3). Focus group respondents noted a certain number of ads are tolerable, but too much clutter and pop-ups are negatives.

Chart 3: Annoyance ratings (1=no effect, 4=much less likely to use)



Facebook and Social Media

Facebook (FB) is central to both the American and to the Portuguese students, who use it not only to keep up with friends and family but also to recommend viewing content and to take a look at what others have recommended. Importantly, many people access FB through their phones and end up browsing content linked through FB on their devices. Even people who rarely post still browse FB and follow up on people's recommendations for content; our focus group commentary illustrates that many people sign up as fans for celebrities, movies or other programs. Respondents frequently used FB, YouTube, and Netflix to find things to watch. FB users in particular relied on friends, group recommendations, and links to clips for referrals.

Chart 4: Average frequency of use for discovering content (1=rarely, 4=frequently)

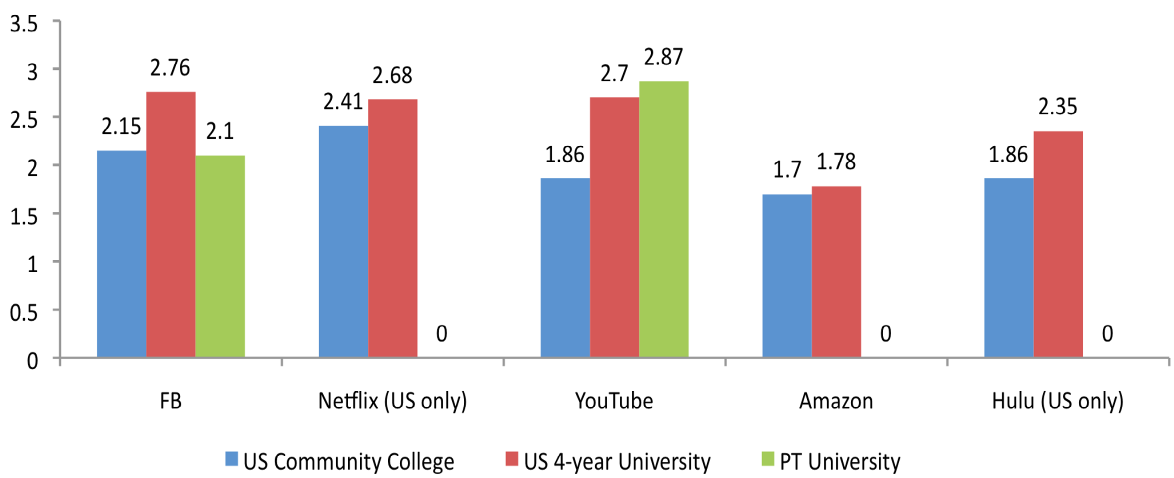
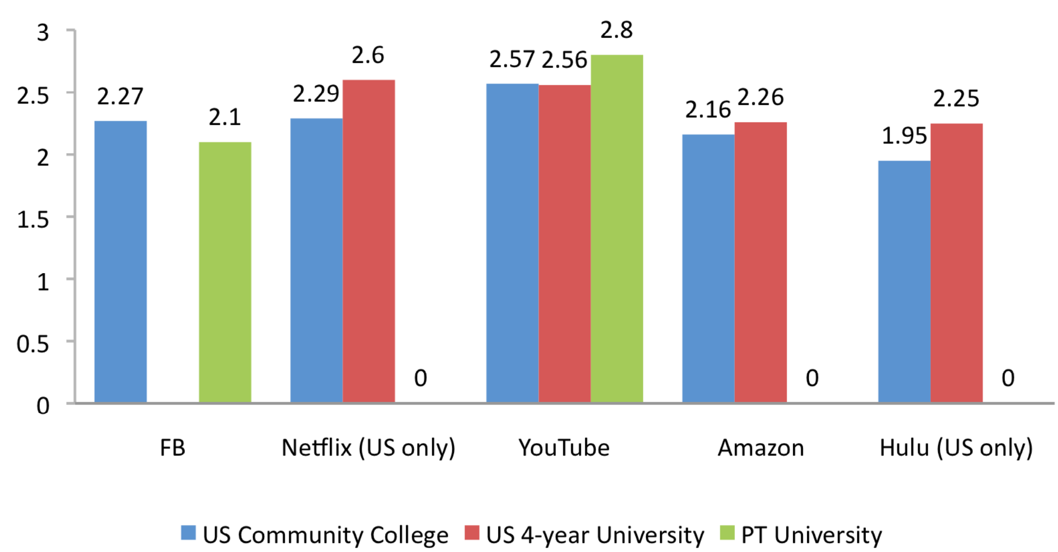


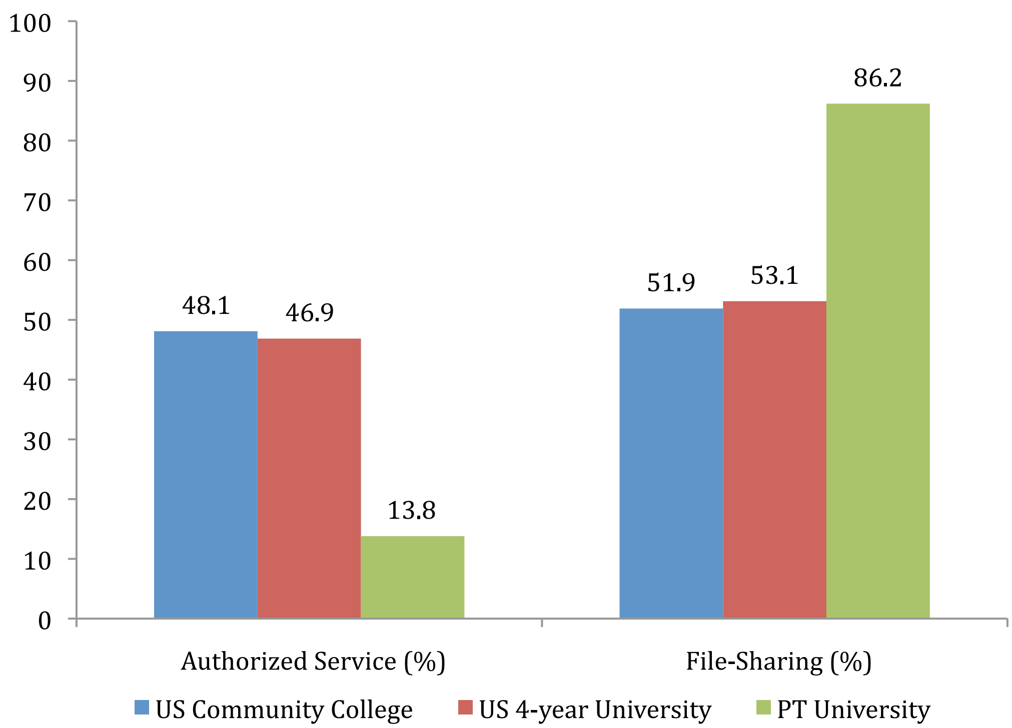
Chart 5: Average helpfulness for discovering content (1=low, 4=high)



Authorized/unauthorized Content

In response to the question "Given a choice between file sharing and using an authorized source which would you choose?" a stark contrast is evident between Portugal and the US (Chart 6), probably because Portugal lacks many authorized streaming services. The slight preference for file sharing over authorized services within the US represented in survey results is probably a reflection of cost, ease of use, and filesharing services' ability to provide the content people want (according to our focus groups). Students are familiar with a plethora of sources for unauthorized programming, but they say they actually would prefer an affordable, user-friendly, authorized alternative.

Chart 6: "Given the choice between downloading a TV program from a file-sharing service or downloading from an authorized service such as iTunes, which source do you typically use?" (percent)



Although US respondents expressed concern over poor image quality, viruses, and possible litigation when using unauthorized services, these did not seem to deter use. Several people explained that deficiencies in the official distribution system encouraged their use of such services. From their perspective, the market successfully creates desires to watch, but then inhibits viewing.

Conclusions: Challenges and Opportunities

Our research suggests that a major challenge has to do with the value proposition for the audience. Value is not an attribute solely of the specific content; rather it is a function of when and where people view and with whom. Content providers must consider unique marketing, pricing, and delivery mechanisms that can take advantage of the variety of separate circumstances in which content is used or consumed.

In doing so, they must take care to emphasize ease-of-use and convenience. The stark differences in preferences for unauthorized sources of programming among our Portugal population compared to the US population, as well as our focus group results, suggest the appeal of user-friendly, authorized sources for streaming and downloading. Enabling easier and timely viewing at what people consider an affordable and justifiable cost is a challenge that, if met, will enhance the uptake of authorized programming sources.

Some possible actions to consider include the following:

- *Programmers should maximize low-cost options for viewing certain kinds of programs shortly after they are released in established venues such as broadcast/cable.* The marketing behind film and television programs successfully incites demand to the point where consumers will look to unauthorized sources if content is not available easily and affordably through authorized ones. Immediate viewing options would capitalize on the buzz and the social media traffic that occur shortly after a program's airing.

  This is one possible way to think of this:

Table 1: Viewing options based on content type and associated viewing patterns

TIME	CONTENT	WHERE	WHO	SOURCE
Now	Sports	TV/large monitor; scores & info – mobile;	group	Live; often 2nd screen for add'l info
Soon after release; event programming an exception (must be live)	Contemp TV	Laptop or lg monitor	Group; friends	Hulu, Netflix, other online
Reasonably soon, depending on buzz and interest	Contemp Film	Laptop, DVD	Alone or with good friend(s)	Redbox; Netflix, other online
Whenever	Older content	Laptop	Alone; passing time	Netflix, DVD, Hulu
As circulates thru social media; downtime	Clips (e.g., YouTube); FB links	Mobile device	Alone; social connections thru fan clubs, etc.	YouTube, FB

- *Consider ways to facilitate the circulation of clips and short segments from films and other popular fare*. Rather than hurting the commercial potential of a film, short clips (beyond trailers) in circulation may actually help it and can entrench the film into the culture or even create a viral phenomenon through FB and YouTube. There may be copyright implications here.

- *Help create streaming services in international markets*. If our findings based on the Portugal sample are generalizable, there are opportunities to establish lucrative and popular streaming services internationally.

Our future research has two trajectories. One will consider how people find engaging content and the broader behavioral patterns at work when they add their own voices or work to the mix of content. The second will examine the interplay between market, regulation, and technological opportunities, combining ethnographic work with viewers/users as well as industry analyses.

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[i] While demographically similar to our US sample, college students in Portugal seek and engage content in a context characterized by limited opportunities to access legal, streaming program sources. Students in the United States typically have ready access to Wi-Fi as well as wireless broadband on their campuses and in their homes. In Portugal, by contrast, access is present but not as well-integrated into daily routines. Our community college sample differs from our four-year college sample in that the students are ethnically more diverse, exhibit a wider range of incomes and ages, and often are working part time. In this, they perhaps more closely resemble the general population.

Connected Entertainment UK: Behavior, Taste, Experience, and Value

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Connected Entertainment UK: Behavior, Taste, Experience, and Value

Executive Summary

As new access and delivery models transform the business, technology, and consumption of film and television in the UK, media companies can no longer rely upon old certainties regarding consumer preferences and behaviors. This project provides new insight into how British consumers use connected entertainment services and how such use aligns or breaks with older patterns of television and film consumption. Focusing on teenagers and young adults in the UK, we used online surveys and a series of focus groups to explore how these demographics interact with connected viewing services by way of the following four themes: viewing behavior, taste, experience, and value.

Key Findings

- Connected viewing represents an extension of well-established viewing habits rather than a radically new method of consumption.
- Free catch-up TV services—particularly the BBC iPlayer and Channel 4's 4oD—offered by established national public service broadcasters are the most popular sources of online viewing in the UK. They have set seemingly high benchmarks for quality and range of content amongst consumers.
- There exists a strong desire amongst UK consumers for non-UK content; current windowing practices pose a major barrier to legal access of such content.
- Consumers do not recognize much value in paying to rent or purchase content online.

Connected Entertainment UK: Behavior, Taste, Experience, and Value

Since the arrival of consumer video in the late 1970s, the UK has remained the largest market for home entertainment in Europe. As catch-up TV and video-on-demand transform the business, technologies, and consumption of film and television, this project surveyed the current market context for online entertainment in the UK and explored user interaction with connected viewing services through four themes: *taste*, *viewing behavior*, *experience*, and *value*.

Secondary data on the UK film, television, and home entertainment markets was gathered from the BBC, British Film Institute, BSkyB, Channel 4, International Video Federation, Ofcom, the Office of National Statistics, *Screen Digest*, and Virgin Media, and the tariffs from a selection of VOD providers. Primary data concerning user viewing behavior, tastes, experiences, and perceptions of value was collected using an online survey (156 respondents) and four focus groups conducted with 20 participants aged 16-18 yrs, 21-24 yrs, 24-26 yrs and 25-29 yrs in the cities of Nottingham and Newcastle.

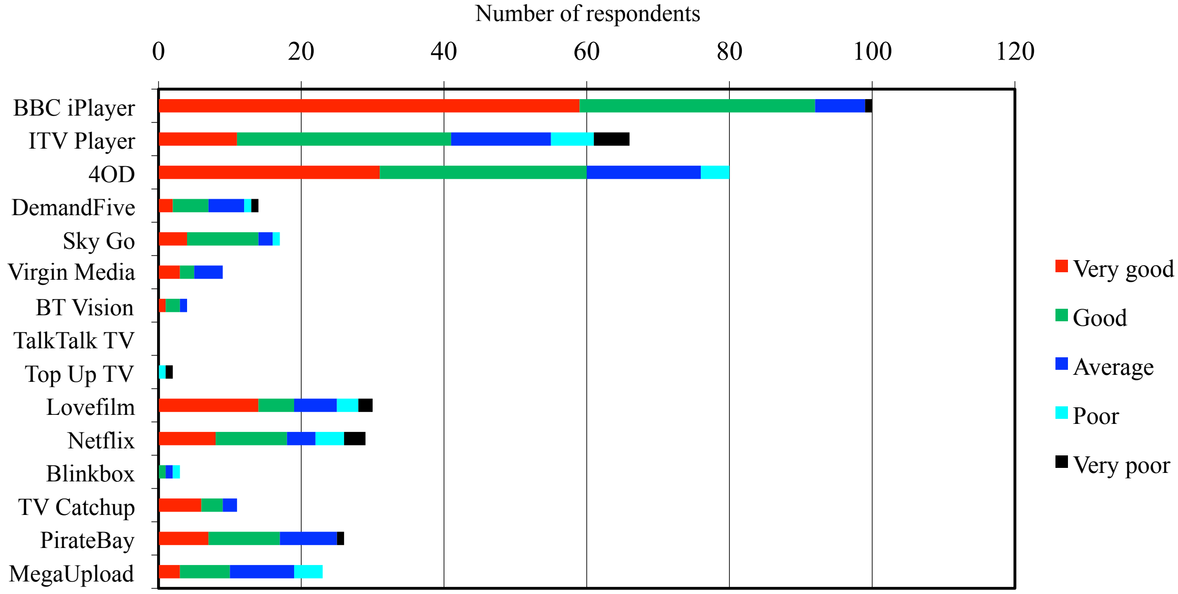
Taste

Free catch-up TV services from established national public service broadcasters are the most popular sources of online viewing in the UK. Per month, the BBC's iPlayer averages over 140 million requests for television programs and Channel 4's 4oD service attracts an average 43 million VOD views. Considering that over the decade 2001 to 2011 the combined audience share of the five main television networks (BBC 1 and 2, ITV, Channel 4 and Channel 5) declined from 80.5% to 53.7%, the success of iPlayer and 4oD suggests the parent broadcasters have proved particularly successful in transposing their brands to the online environment and developing new audiences. Consequently, public service television continues to represent a strong and enduring ethos in the online universe that is winning audience trust and loyalty.

Comparing a selection of legitimate VOD, DTO/EST, SVOD services and illegal file sharing sites, iPlayer and 4oD were the services most widely used and highly rated by respondents to the survey: 85% of respondents judged iPlayer to be very good or good, while 59% similarly rated 4oD. Although VOD services from rentmailers LOVEFiLM and Netflix were used by smaller numbers of respondents (respectively 32% and 31%), they are at the forefront of pay service options.

Asked what they like about these services, respondents rated the quality and range of content, together with ease of access, as favorite features. Delays with the speed of connection (expressed in focus groups as complaints about prolonged buffering during streaming) were the main reason for not liking services, with other criticisms relating to website design. Participants voiced frustrations with how iPlayer/4oD restrict the range of content by limiting the availability of programs to 7 days post-transmission.

Chart 1: Ratings – selected online film and TV services

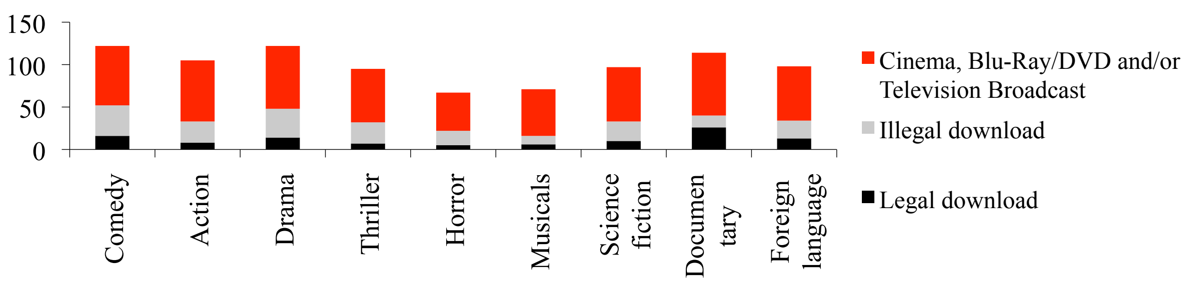


Viewing Behavior

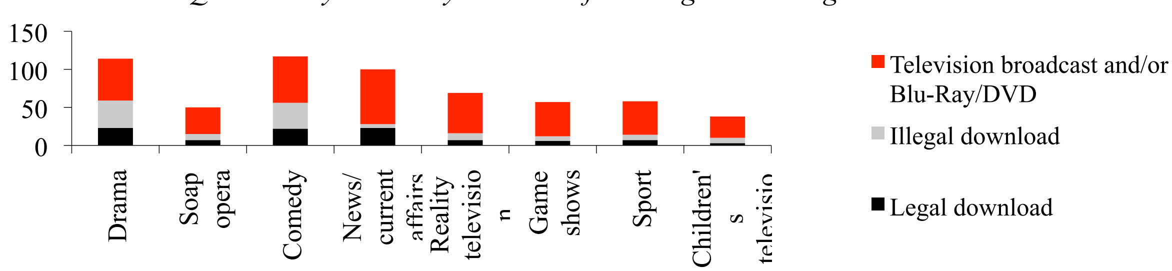
Connected viewing represents an extension of well-established viewing habits rather than a radically new method of consumption. 88% of respondents had used an online service for watching film or television content, although most usually watched content using offline media.

Charts 2 & 3: Viewing habits by genre

Q. How do you usually watch the following film genres?



Q. How do you usually watch the following television genres?



Despite the opportunities that connected viewing offers for flexible and mobile consumption through multiple devices, consumers are using online services to watch films and programs in conventional ways familiar from broadcast television and home video. Streamed or downloaded content is generally viewed during early evening and primetime hours and at home with less than one percent watching on the go.

Experience

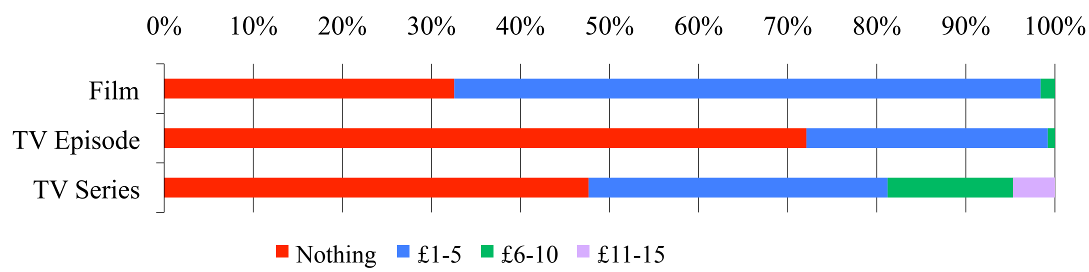
For many users, the greatest benefit of connected entertainment is the opportunity to access—particularly through illegal channels—non-UK films and programs. The popularity of catch-up TV from the PSBs is contradicted by the forms of popular taste expressed by survey respondents and focus groups. According to BBC and C4 reporting, on iPlayer and 4oD popular taste is defined by domestically produced reality TV (iPlayer: *Dragons' Den*, *The Apprentice*, *The Voice*; 4oD: *Big Fat Gypsy Weddings*, *Made in Chelsea*), drama (iPlayer: *Doctor Who*, *Eastenders*, *Sherlock*; 4oD: *Misfits*, *Shameless*, *Skins*), and comedy (iPlayer: *Outnumbered*, *Russell Howard's Good News*; 4oD: *The Inbetweeners*). iPlayer hits also include BBC-produced infotainment (*Top Gear*) and documentary (*Frozen Planet*), while on 4oD, US imports (e.g. *90210*, *Homeland*, *New Girl*, and *The Big Bang Theory*) are prominent. In focus groups, however, participants said they mostly used online services to watch non-UK produced programming. This included US imports (*Breaking Bad*, *Family Guy*, *Glee*, *New Girl, The Big Bang Theory*) that are legally licensed for UK broadcast, but also programming otherwise unavailable in the UK, including German drama (*Forbidden Love*), Dutch entertainment and news, and international sports through Iraqgoals.net. With windowing restrictions delaying UK broadcast, several participants had instead viewed imported programming through illegal services (e.g. *Game of Thrones*).

Value

Consumers do not recognize much value in paying to rent or purchase content online. Significant proportions of survey respondents indicated they believe no charge should apply for renting films (33%), television episodes (72%), or TV series (48%). This distinction between the value placed against film over television was echoed amongst respondents who did accept a charge, with nearly 66% prepared to pay between £1 to £5 to rent a digital copy of a film but only 27% agreeing the same for a television episode, although 34% accepted prices in that range for renting a whole series.

Chart 4: Willingness to pay for digital rentals

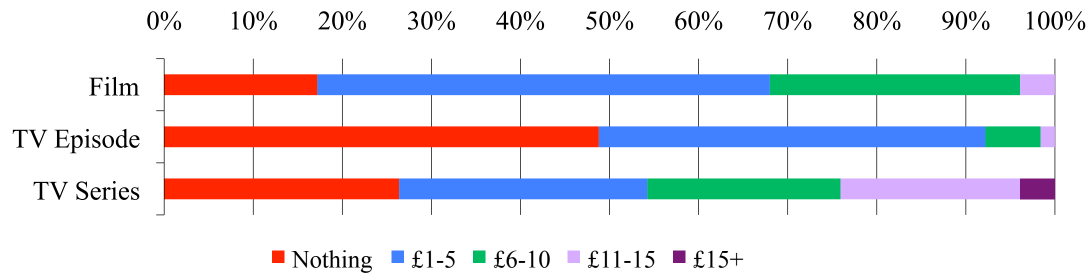
Q. How much would you be willing to pay to rent digital versions of content?



Consumers are more accepting of costs for purchasing content, although the same distinction between film and television applies: to buy films, only 17% of respondents said they would pay nothing, 51% were comfortable with a charge of £1-5, while over 28% were willing to pay £6-10. In comparison, 49% would not pay for television episodes, but 43% were agreeable to paying in the £1-5 price band, and over a fifth were prepared to pay up to £11-15 for a whole series.

Chart 5: Willingness to pay for digital purchases

Q. How much would you be willing to pay to own digital versions of content?

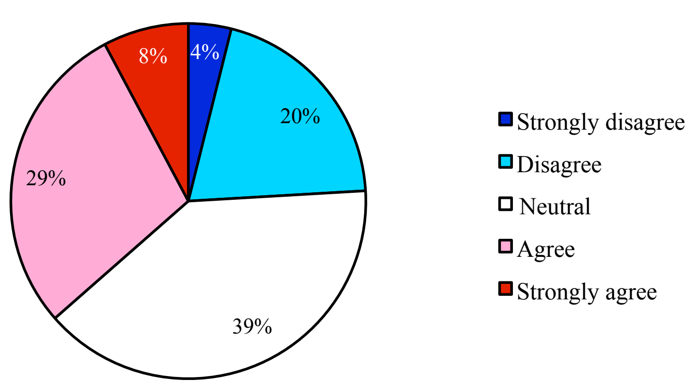


These preferences are consistent with the levels of charge currently levied for online rental and sell-through: film rentals are priced between £0.99 to £3.99 and television rentals start at £0.50, while download-to-own prices range from £4.99 to £10.99 for feature films against £1.89 to £2.99 for television episodes or £5.99 to £21.99 for series.

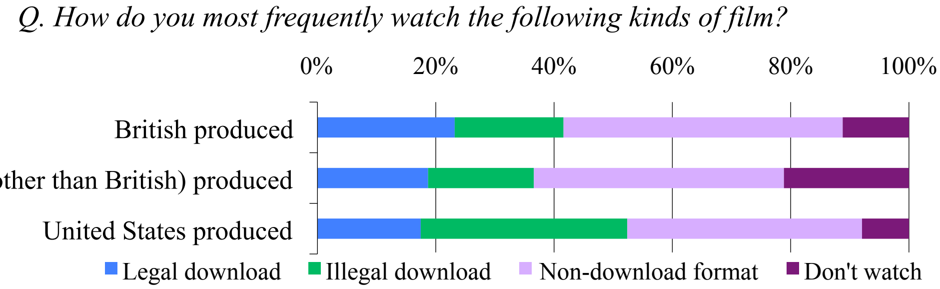
In part, the reluctance to pay for content may be explained by the popularity of the well-stocked catch-up TV services (described above), which not only represent trusted alternatives to pay services but also continue the embedded public-service principle of free-to-access television. A second explanation is common acceptance of unauthorized downloading: only 37% of survey respondents considered the practice unacceptable.

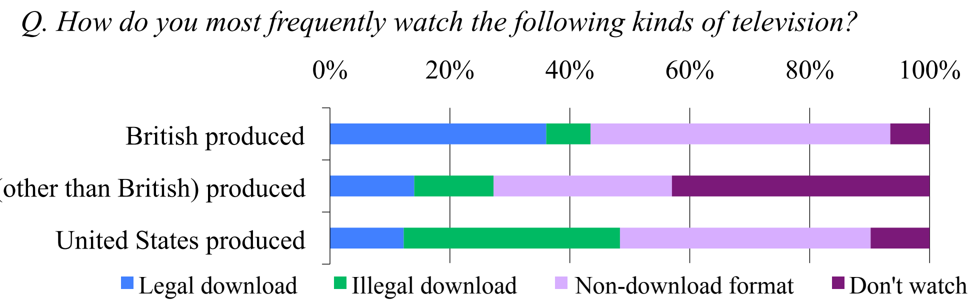
Chart 6: Feelings about piracy

Q. Do you agree or disagree that downloading film or television content through illegal sources is wrong?



Charts 7 & 8: Viewing methods





Among reasons identified for illegally downloading were the pricing of cinema tickets or DVDs, restrictions on availability imposed by windowing, widespread peer group acceptance of the practice, and the age barriers created by film ratings. Comments such as "it's free," "there's no stigma attached to it," and "everyone else does it," are representative of attitudes towards unauthorized downloading. Just as iPlayer and 4oD are respected providers in the legal market, so Kickass Torrents and isoHunt were identified among trusted providers in the illegal market.

Although UltraViolet launched in the UK during December 2011, all survey respondents and focus group participants were unaware of the service. After participants watched the short promotional video from the UV website, all grasped the concept of "your movies in the cloud." None were persuaded, however, by the attractions of this offering, with concerns voiced over the problems of streaming or otherwise rejecting the principle of storing and owning. Participants did not see advantages in opportunities to watch anywhere at anytime.

Conclusions: Challenges and Opportunities

These findings suggest that as PSBs define popular use of online entertainment, other services must match the benchmarks they have set for quality and range of content. There is a strong desire amongst UK consumers for non-UK content, whether by legal or illegal services, although windowing currently presents a major barrier to access. An advertising-supported VOD service carrying imports (such as 4oD) would provide a solution that balances the benefits of connected entertainment against the challenges of illegal downloading and consumer reluctance to pay for content. This may not work, however, for films, where ad interruptions are not expected. Based on this study, we are now interested in conducting similar research in China and India, and have established links with institutions in those territories to partner in the work.

Streaming U: College Students and Connected Viewing

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Streaming U: College Students and Connected Viewing

Executive Summary

How do college students choose between the many connected video platforms and services available to them? To address this question we conducted focus groups, surveys, and in-depth interviews on two American college campuses. Although undergraduate college students access video in a variety of different ways, four priorities consistently influence their viewing choices: *flexibility*, *convenience*, *shareability*, and *value*. The market is ripe for an electronic sell-through (EST) service that caters to these priorities.

Key Findings

- Students see video as a social medium. They share content, and they also share passwords. Many use their parents' accounts to access Netflix, Hulu+, or HBO GO. Roommates and friends share these passwords casually, like they do DVDs.

- Students are badly misinformed about the cost and value of video content. A significant number mistakenly regard streaming content as free, as the actual costs they pay to access it are hidden from them.

- Students are open-minded about where they get their video from and harbor few attachments to specific platforms and providers. That said, they show little interest in existing EST options. Cost is a major factor, but so is the fact that existing EST options prohibit video sharing.

- Students desire to own content, and will embrace an EST solution that is platform-agnostic, offers student discounts, allows limited sharing, and is integrated with Facebook.

Streaming U: College Students and Connected Viewing

America's 14 million full-time college students are at the cutting edge of the digital delivery revolution. For Warner Bros. to extend its leadership into emerging home entertainment markets—markets that today's college students will help to define—it will be essential to understand the habits and expectations of this population. Our study of college students' connected viewing habits reveals that how students watch varies dramatically from campus to campus and even from dorm to dorm. We have, however, identified four priorities that many students share:

- **Flexibility:** Students are open-minded about where they get their video from and harbor few attachments to specific platforms and providers.

- **Convenience:** Students seek out the path of least resistance to content. They value convenience as much as, if not more than, they value content.

- **Sharing:** They regard video as a social medium and desire the ability to share their viewing experiences with others.

- **Value:** They are badly misinformed about the cost and value of video content.

This study was conducted over the spring of 2012 at two American universities: Northwestern University (NU), a selective private university; and Fayetteville State University (FSU), a public, Historically Black University whose student body includes a large number of non-traditional students. 124 students at NU and 135 students at FSU responded to an online survey. Twelve one-hour, one-on-one follow-up interviews were conducted at NU, and fourteen were conducted at FSU.

Research Findings

Students are masters of making do. How they watch changes based on the resources available where they live. In dorms, where TV sets are scarce but bandwidth is abundant, laptop viewing is the norm. However, students who move off campus often acquire TV sets and cable subscriptions. Contrary to popular belief, students have not rejected conventional ways of watching video. In fact, many of our participants regret that their budgets and schedules prevent them from buying DVDs, subscribing to cable, or watching appointment TV.

Students seek out the path of least resistance to content. Netflix, which 44.6% of NU respondents and 34.4% of FSU respondents identified as their primary source for video content, may be the single greatest beneficiary of this tendency. While many students are not thrilled with Netflix's selection, most identified it as the most convenient VOD source. Students watch Netflix like their parents watch television. Some use it to sample content that they would not watch otherwise, simply because it is easily available. FSU respondents spoke approvingly of how easy it is to discover new content on Netflix, with one favorably comparing surfing Netflix to channel surfing.

Students have no patience for inconvenience. They are unlikely to use platforms or providers if they perceive them to be inconvenient. An unresponsive user interface or a cumbersome authentication/login process is all it takes to drive students away. Students want to do the right thing by content creators, whether that means paying for access or watching ads. But when “the right thing” is something they regard as unnecessarily inconvenient they find paths with less resistance. For example, NU students expressed frustration about how inconvenient it is to catch up on *How I Met Your Mother* at CBS.com. Some now watch the show on P2P sources, while others have given up on watching it altogether.

Shareability is of great importance. “Sharing” means two things to students: lending content to friends and sharing information about what they watch. The DVD remains the students’ preferred format for both types of sharing. Lending someone a DVD is an important method of making and cementing social bonds. Much like the posters that adorn their dorm room walls, students use DVDs to communicate their tastes. But while the students identified discs as the ideal way to share content, most had cut back on their disc purchases. Approximately 33% of NU respondents and 26% of FSU respondents no longer purchase discs. The students in our sample have not embraced EST and digital-rights locker systems. One reason why may be DRM schemes that prohibit sharing. Many students buy content with the intention of sharing it. When sharing is prohibited, ownership ceases to be an appealing proposition.

While students are well-versed in how to find content, few understand its value. 70% of NU respondents and 67% of FSU respondents estimated their monthly budget for movies and television as less than $25. We believe that these estimates are too low. Many aspects of college life insulate students from becoming aware of the real cost of the content they consume. On campuses “free” content abounds. DVDs may be borrowed from the library or from dormmates. Netflix, Hulu+, or HBO GO accounts are shared, as is information about the newest P2P sites. Many students are ignorant of how much they (or their parents) pay for cable and Internet access. For these reasons, it comes as little surprise that many of our respondents believe that video—and television in particular—is or at least should be free.

Recommendations

The marketplace is ripe for services that make EST as convenient, reliable, and social as Netflix streaming. Such a service would ideally offer advanced search functionality, a collaborative filtering recommendation system, one-click purchasing, social network integration, and one-step authentication. It would be platform agnostic and deliver the same user experience on every device. Its DRM scheme would allow for sharing, display, and remixing, within limits. The service we propose would satisfy students’ desires for convenience and shareability while educating them about the value of video content.

Flixster presents a logical starting point for such a service. Flixster is available on all platforms and devices used by members of this population. Furthermore, its use of Facebook Authentication streamlines access to the site. (The students in our survey were quite vocal about their dislike for multi-stage authentication processes such as the ones used by UltraViolet and HBO GO). The use of Facebook Authentication would allow students to log in to the service using their existing Facebook accounts, as opposed to requiring them to create a separate account for video viewing. In turn, content providers would gain access to the public data stored in students' Facebook profiles. This information could be used to generate detailed demographic information or to create recommendations for future purchases.

To entice students to use this service we recommend that Warner Bros. offer discounts on EST purchases to students with valid university email accounts. The Amazon Student Program (which allows college students to sign up for Amazon Prime for a discounted rate of $39/year) and Apple's education-pricing program offer models of successful student discount programs. Discount programs such as these have a proven record for overcoming students' brand disloyalty. The video provider that is willing to offer a student discount program will forge goodwill and regular purchasing habits that will continue after graduation.

To overcome students' reservations about EST, Warner Bros. should devise a way to allow all consumers to legally share their EST purchases. A truly social EST service would offer customers the option of displaying video purchases and the ability to engage in limited forms of lending. Amazon's Kindle provides one example of what digital video sharing might look like. At the discretion of the publisher or rights holder each Kindle book may be loaned once to another reader for a period of fourteen days. A social EST solution could include a similar affordance: for example, a film could be lent twice a year for a period of forty-eight hours. Facebook presents the most logical way of enabling both forms of sharing. Many students' Facebook profiles already include long lists of their favorite films and TV programs. An EST solution that allows consumers to display and lend their purchases via Facebook will provide college students (and many others) with incentives to buy video content.

Warner Bros. should invest in educating this population about the value of content. A discount program offers one way of teaching students about the value of the videos they purchase, as well as about their responsibilities as purchasers. Students must be reminded that content is not free, and that even if they do not directly pay for it themselves, someone else does. Every purchase made with this EST service should show students how much they saved with their discount. In addition, Warner Bros. should press its distribution partners to clamp down on the widespread practice of account sharing. As long as students continue to labor under the misconception that Netflix and other accounts can be shared freely they will continue to regard them as "free," and as preferable to EST.

Conclusions: Challenges and Opportunities

Content companies face many challenges in cultivating college students as purchasers of films and television programs. These challenges are not, however, insurmountable. In fact, students' connected viewing habits also present Warner Bros. with new opportunities to increase the legal consumption of its video properties. We see the main opportunities as follows:

- *In Flixster Warner Bros. has the opportunity to develop an EST service every bit as convenient as Netflix*. Netflix has set a high benchmark for convenience. Students have no loyalty, however, to Netflix or any other platform/provider. If Warner Bros. can provide students with a path of least resistance that terminates in transactions on Flixster it will earn their business. This "path of least resistance" would be characterized by:

- A simplified, one-step login process (optimally using Facebook Authentication).
- Facebook integration for lending and displaying content.
- One-click purchasing (via credit card, Paypal, or Google Checkout).
- Platform agnosticism.
- Advanced search functionality (e.g., by genre, actor, keyword, etc.).
- A streamlined graphical user interface (TiVo or Apple are benchmarks).

- *Warner Bros. can gain an edge on its competition by offering consumers a legal way of sharing their video purchases.* Although Apple and Amazon have jumped out to an early lead in the EST market, neither allows sharing. Student's connected viewing is organized around sharing. They share DVDs, passwords, and files. They also share information about the content they love. The company that finds a legal way of satisfying students' passion for sharing will overcome this population's lingering resistance to EST.

- *Students respond favorably to companies that recognize the unique circumstances of college life and solicit their feedback.* Amazon and Apple have successfully used discount programs to overcome students' brand disloyalty. So far, however, content companies have not followed suit. In fact, some have taken an adversarial stance toward college students, going so far as to prosecute them for content sharing.

- *Instead of regarding students as adversaries, see them as assets.* Win their loyalty by offering them discounts on EST purchases. Use social networks to monitor how they watch, lend, and display these purchases. Solicit their feedback online, using the incentives of deeper discounts to entice students to fill in surveys. Even more importantly, solicit their feedback in person. Create a campus affiliate program that will enlist students to publicize Warner Bros. products and services to their classmates. Tap these affiliates to learn more about the unique viewing cultures that exist on their campuses. Hold contests in which students create a video or a Tumblr blog documenting their connected viewing habits. Conduct a nationwide campus tour to publicize new releases and demonstrate new home entertainment products. These small investments will pay large dividends when students enter the workforce.

No student that we spoke to expressed a desire to watch fewer movies or television shows. Many already had elaborate visions in their minds of the home entertainment centers and video libraries they plan on acquiring after graduation. The company that is sensitive to students' priorities and willing to teach them about the value of the content they are passionate about will transform them into lifelong customers.

Reimagining Television Distribution and Economics

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Reimagining Television Distribution and Economics

Executive Summary

This project speculates on how digital tools alter fundamental distribution and economic processes for content industries. The project delivers a plan for developing a series of Creative Property Models and best digital practices strategies for each model that would optimize the different content features and related audience experiences.

Key Findings

- "Digital" is not an add-on, a separate division. It is how content producers reach audiences now and in the future.

- The era of mass audiences and a "one size fits all" approach to content creation has ended. Digital tools enable varied types of content that must be strategically marketed, distributed, and monetized.

- Making the best use of these tools and opportunities requires strategic development of content from day one.

- The profit potential of digital tools might be most extensively realized through cutting costs rather than in new revenue opportunities.

Reimagining Television Distribution and Economics

Content producers create content to sell to audiences. At various times, new technologies have shifted this business incrementally, as when television developed as a competitor and new outlet for studios in the 1950s. At other times, changes have been more substantial, as when the video sell-through market created a way to sell movies, then seasons of television shows, directly to audiences and created entirely new revenue streams. The implications of digitization, however, are not merely about a new window for content producers. The notion of incremental change is inadequate for responding to what is both a revolutionary disruption and a new opportunity; digitization instead requires rethinking the business of content production from the ground up.

Digitization includes a vast portfolio of digital tools (see list in Appendix A). Some, such as streaming web shorts, are already commonplace now; others, such as tablet and laptop streaming, are common to those on the leading edge of technology adoption. And new ways for content to reach audiences or for companies to market that content to audiences will continue to emerge for the foreseeable future. Though many of these digital tools seem revolutionary, at their core they merely create new ways for audiences to access content (distribution) or for content industries to tell audiences about content (marketing).

Content industries developed certain tools and strategies before the digital era that optimized their use of the major technologies of the time. Many of these tools have remained adequate in the last decade, as video content production and distribution has experienced slower technological disruption than the print or music industries. But as processing speeds and cost-effective storage expand, video content also faces a radical challenge to these pre-digital tools and strategies.

The Importance of Content

The analog media era was built on creating blockbusters and leveraging economies of scale. Without digital marketing and distribution tools, specific audiences could not be reached, so an era of mass audiences became the gold standard. But this was never the most desirable state of affairs for audiences, and now that technologies and economic strategies enable more direct targeting, audiences have turned their attention to the content most reflective of their individual interests.

The vast new opportunities for distributing and monetizing content require rethinking existing and generalized categorizations of content. The “one approach fits all” strategy has doubtlessly always been suboptimal, but so long as a mass audience was the target, it had been infeasible to create multiple, research-based strategies for the marketing, distribution, and monetization of content. Digital tools now enable the content industry to develop and implement a variety of considered strategies from the beginning of the development process that might eliminate or reduce some of the long-challenging aspects of these businesses.

The key word here is *content*. Not film. Not home video. Not digital. Content might be all of these at some stage based on the inherent narrative features of the content. The tools associated with “connected viewing” afford content creators with the opportunity to create strategies that acknowledge that different types of content benefit from variant distribution, marketing, and monetization strategies.

A first step requires breaking from traditional categorizations of content and developing models of content—preliminarily identified here as Creative Property Models—that are built to take advantage of the variable strategies digital distribution allows. Indeed, some Creative Property Models bear great similarity to existing categorizations—the "blockbuster" or "tent-pole" for example—but reconceptualizing even these categorizations will be helpful in refining more accurate tools.

Put another way, content attractive to a property with an established fan audience (*Watchmen*) should not be developed, marketed, distributed, and monetized in the same way as a creative property meant to be a global event property (*John Carter*). The preliminary, "thought-leadership"-type research that is the scope of this project only goes so far as to hypothesize a few Creative Property Models (Global Event Phenomenon, Fan Darling, Prestige Hit) for the purpose of illustration. Given time and space constraints consider the difference between:

Global Event Phenomenon

- Has a wide appeal to both domestic and international audiences
- Recently, a pre-sold property with established mass familiarity (*Harry Potter*), though not an inherent requirement
- Narratives often focus on action sequences and fantasy elements or non-human characters, thereby allowing for the use of massive special effects, with less emphasis on narrative (*Transformers*)
- Often franchise properties with open-ended narratives that spawn sequels, themed entertainment ventures, and ancillary products including games and toys

Fan Darling

- Has high value to a particular audience that may be geographically dispersed (*Watchmen*)
- Typically a pre-sold property (though familiar more narrowly), but a Fan Darling relationship can also be cultivated with new content (*Lost*)
- Often narratively complicated

In brief, even though such projects might have widely discrepant budgets, they also require tailored digital strategies. The *Global Event* (especially those without pre-sold mass audience awareness) requires digital marketing likely to expand knowledge of and interest in the property. Given the high promotion budget, a shorter lag among distribution windows may help theatrical promotion carry-over into subsequent windows. Audiences are motivated to see such movies because of "relevance" in popular culture, making digital extras or opportunities for deeper engagement of little interest or added value. The *Fan Darling* property, in contrast, can be mined for passion. Here, conventional marketing may provide a lower return, but digital tools that enhance the engagement are most appreciated by consumers and may even be monetized. Such tools include ARGS, dedicated apps, and social media contests, (e.g. Facebook promotions; games that reward users based on certain social media activity, such as likes, mentions, and tweets; and facilitating the creation and publication of user-generated content).

Building Creative Property Models

The above examples present only preliminary sketches of two Creative Property Models and hints of particularized strategies. To be truly helpful, these models require further refinement through more extensive collaboration with content creators, such as explanations of existing strategies and accurate accounting of revenue from various windows. Data derived from past projects may not provide a complete story. For instance, many examples of "Fan Darling" media become so without a strategic effort; in such cases there is no way to know what "might have been" if content were developed strategically to maximize these inherent textual qualities from the start.

In developing Creative Property Models, content creators might follow many industries across the global economy that are exploring how the possibilities of mining "big data" might revolutionize their businesses. What can big data teach content industries? Creative industries have long struggled with the peculiar aspect of creating content, best expressed in the axiom that "nobody knows" (what will prove successful). In response to the high uncertainty and sunk cost requirements such an axiom entails, they have sought to hedge their interests through significant overproduction and by creating artificial scarcity through windowing and differential pricing. These strategies made sense in the pre-digital era when few ways to reach audiences existed, content was more similar, and companies lacked cost effective ways to respond to various audiences. In the digital era, however, overproduction and artificial scarcity are not valuable tools. Instead, "intelligent" production derived from mining data and building Creative Property Models that understand the exploitable differences in content become crucial tools. Likewise, distribution strategies that account for the possibilities and realities of a digital era are needed.

Big data can be used to develop more robust understandings of content creation in the digital era, answer questions such as how variant distribution and monetization tactics may yield better results, or provide evidence supporting this call for differentiated content categorization and strategies. By refining the models, companies can embrace the new opportunities of digitization and reduce wasted efforts and capital. The financial benefit of digital tools may be most significant not through new revenue opportunities, but through reduced spending by cutting costs that do not return their investment. How might new measures of audience interest be used to help industries develop content and learn from mistakes? Can the old practices of focus groups and content testing be adapted to a digital age to test creative visions and audience interest through less-capital-intensive development processes? What happens when entertainment companies rethink how digital tools might revolutionize the processes of content creation and distribution instead of merely forcing digital tools onto the practices of previous eras?

This proposal represents the perspective of an outsider who understands how content industries work at a macro level, but who has little access to the micro-level data that is needed to develop it further. Operationalizing this proposal would require more detailed information-gathering into the existing ways content is developed (interviews and observation), so as to further develop the above-mentioned Creative Property Models (plus additional ones) and enhance them through actual cost and revenue data. These models might then be tested through economic analysis that might help content creators build models of development portfolios that suggest an optimal balance of different types of creative properties—in short, replacing *overproduction* with *intelligent production*.

Conclusions: Challenges and Opportunities

Many of the central challenges of the content industry have not fundamentally changed because of digital media. Content providers still need to find audiences interested in and willing to pay for the content they create. But the world around content creation has changed in ways that require strategies of content providers to evolve as well.

Digital is not an add-on, not a separate unit. From the moment an idea that will become a movie or television show is purchased, it should be stewarded by a team that understands what it needs to be and has access to reams of data. This data *should not be* about how to market, distribute, and allocate a budget for a generic "movie," but rather *must be* how to market, distribute, and allocate a budget for a specific property model (e.g. "fan darling"). As distributors such as television networks reconfigure their businesses, they will seek content creators who can differentiate between content that is a "low-budget burner" and that which aspires to be a "prestige treasure" because each has a place in a diversified production portfolio. The challenge lies in evolving established businesses into the conditions and norms of a digital era and developing the strategies that leverage the specificity that digital distribution and marketing enable. The opportunity resides in realizing these strategies early.

Strategies for digital marketing, distribution, and monetization that do not begin with content development, with an understanding of the inherent features of the content itself, and with a strategic appreciation of how various content is advantaged and disadvantaged by various aspects of digital media era force these industries to leave the opportunities of the digital era unrealized.

Appendix A: Digital Tools

<u>Digital Distribution Tools</u>
Any technology or service that connects audiences with content.

1) Internet Streaming (Websites)
    - Hulu
    - Netflix
    - Amazon Prime/Instant Video
    - Cinema Now
    - Google Play
    - Facebook Social Theater
    - UltraViolet
2) Cloud-based
    - iTunes
    - UltraViolet
    - Amazon Instant Video
3) Internet Download
    - iTunes
    - UltraViolet
    - Cinema Now
4) OTT Set-Boxes
    - Tivo Premiere
    - Gaming Consoles (Sony Playstation, Microsoft X-Box, Nintendo Wii)
    - Apple TV
    - Roku
    - Boxee
    - Slingbox
    - Blu-Ray Players
    - Media Streaming Players (WD, RCA, Netgear, Funai)
    - Smart TVs
5) Mobile Apps
    - Available Hardware
        - Apple Products (iPad, iPhone, iTouch)
        - Android Products (Phones and Tablets)
        - Other Tablets (Blackberry and Microsoft)
        - Amazon Kindle Fire
        - Barnes and Noble Nook
        - Gaming Handhelds (Nintendo 3DS, Sony Vita)
        - Nexus 7
    - Software
        - Movie Apps (e.g. *Inception, The Dark Knight*)
        - Streaming Site Apps (Netflix, Hulu, Amazon, etc.)
        - Boxee App
        - Flixster App

- Slingplayer App (for Slingbox; available on iOs and Android)
- Network Apps
- MVPD Apps
    - Dish Remote Access
    - XFinity TV
    - ATT U-Verse
    - Cox TV Connect
    - TWC TV

Digital Marketing Tools
Any technology or service that provides a way to inform audiences about content of interest.

1) Third-party Second Screen Apps
    - Movie Night Out with Cinema Sync
    - GetGlue
    - Viggle
    - Miso
    - IntoNow
    - Zeebox
    - Sidecastr
    - Buddy TV Guide
2) Studio-owned/Co-Viewing Apps
    - HBO GO
    - Showtime Social
    - USA
    - MTV WatchWith
    - VH1's CoStar
    - SyFy
    - Bravo Now
3) Movie Apps/ TV Show Apps
    - Team Coco Tablet App
    - *Harry Potter*
    - *Sherlock Holmes*
    - *Vampire Diaries*
    - Sony Pictures App
4) Alternative Reality Games
    - Why So Serious Campaign
    - Dexter: The Infinity Killer ARG Game (SCVNGR App)
5) Movie/TV Show Websites
6) Social Media Sites
    - Facebook
    - Twitter
    - Flixster
    - Myspace

Your Entertainment Set Free? Connected Viewing in Sweden

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Your Entertainment Set Free? Connected Viewing in Sweden

Executive Summary

This project investigates changes related to the consumption of video entertainment (feature films, TV series) in Sweden. Focusing on Swedish online distribution markets and viewing practices, it investigates the usage of existing services (legitimate and not), the ownership of media (including via UltraViolet), and the impact of windowing on demand. Although Sweden's home video entertainment market is small, Sweden is understood as a paradigmatic case by which the future of digital distribution in Europe can be evaluated. It has one of the highest (and fastest) fixed broadband penetrations in Europe, demonstrates a strong technology uptake, and leads in online shopping; its telecom infrastructures have also largely remained in Swedish hands. Given these advantages, why then has Sweden failed to pioneer or implement legal distribution services?

Key Findings

- Disproving the default explanation that piracy has discouraged innovation and uptake, this study reveals a drastic failure by media companies to match supply to demand.

- Most Swedes never use iTunes, Lovefilm or local platforms. Instead, consumers choose Swedish television's free authorized VOD streaming service, followed by non-authorized services. The Pirate Bay has defined the expected standard of service.

- Windowing—and in particular the delayed broadcasts of TV shows—has a detrimental effect on the constitution of an otherwise loyal Swedish viewership. Swedes are willing to invest, but not willing to wait.

- With HBO Nordic and Netflix not yet introduced, business models and services pioneered in the music and gaming industries are seen by consumers as models for future online viewing, with a "Spotify for video" being mentioned as the ideal solution.

- Cultural content is seen as "pure information" and, accordingly, ideas of ownership relate less to forms of physical than to virtual ownership—to the ownership of control over viewing.

Your Entertainment Set Free? Connected Viewing in Sweden

This research is designed to track changes relating to the consumption of video entertainment (feature films, TV series) in Sweden. Although Sweden's home video entertainment market remains comparatively small, Sweden is a paradigmatic case by which the future of digital distribution can be evaluated. It has one of the highest and fastest fixed broadband penetrations in Europe (83% of all households/enterprises with 49% having at least a 100 Mbps connection), demonstrates a strong technology uptake, and leads in online shopping. At the same time, and despite a consistently high market share for US entertainment (64.7% in 2011), Sweden so far has failed to introduce successful online services. Online video only accounts for slightly over 1% of total home video revenue.

Although piracy has become the default explanation for this trend, our research shows it has little relationship to the changes (or regularities) structuring Swedish online consumption. Instead, we observe that the primary structuring principle is a *drastic failure by content providers to match supply to demand*. Our hypothesis is that unauthorized platforms offer better services to Swedish viewers, who would *prefer to buy online* if convenient delivery platforms existed. We tested this hypothesis by investigating the country-specific use of services (authorized and unauthorized), the impact of windowing on demand, the interest of consumers in owning media, and the uptake of UltraViolet.

Data and Research Method

Market research surveys usually track behavioral and attitudinal metrics for consumption methods in a given home entertainment market, with the latter seen as an abstract, static background for a sum total of transactions. Our premise is that this understanding of markets is insufficient for analyzing connected viewing, since connected viewing is not a method for, but *an outcome* of a practice—the practice of digital distribution. This practice involves complex and unstable relations—relations between infrastructure, servicing platforms, consumer hardware ecology, content, and viewers. It is thus necessary to look more carefully into the network of these relations, rather than just measuring what appears to be their outcome. Consequently, we followed an inductive *practice approach to markets*, focusing on the processes through which connectivity is established, value is defined, and markets are made.

A first explorative online survey identified relevant consumer practices among Swedish consumers (n=174 adults and teens 18-25, April 23-24, 2012, sample generated via Facebook). This non-representative convenience sample was supplemented by two focus groups, conducted in Stockholm and using a semi-structured questionnaire (n=5, adults and teens ages 18-25, 60 minutes, May 16-June 18, 2012). To give a more representative picture of Sweden's online population, a second survey was conducted (n=1147 teens and adults ages 16-30, July 25-31, 2012), with national representativeness sampled on region and gender and individual quotas on age (16-18 years: 200; 19-25: 500; 26-30: 300). Findings were largely consistent through all our samples.

How Consumers Connect

Despite Sweden's strong broadband infrastructure, mobile technology uptake, and online activities (with 88% of Sweden's 9.5 million inhabitants over the age of 12 regularly using the Internet in 2011), networks of viewing engagement remain surprisingly small and local.

Selective Connectivity
Online video is a "small world," with viewing ecology marked by a limited number of ties between infrastructure, platforms, and content.

- Though key infrastructure remains in Swedish hands—with most fixed broadband subscriptions provided by suppliers Telia or ComHem—75.7% of all online content (authorized and non-authorized) watched regularly is from the US, dominated by recently released American television series (53.2%).

- Regarding platforms, most Swedes report "never" using iTunes (76.3%), Lovefilm (82.5%), Headweb (85.1%), Film2Home (88%) or Mubi (90.9%). Netflix, Hulu, and Amazon are not available in Sweden yet. Also, 74.4% of our respondents "never" use unauthorized IP unblocking services (such as Unblock-US) to overcome the inaccessibility of platforms such as Netflix.

- Average consumers choose Swedish television's free authorized VOD streaming service SVT Play, TV4 Play, or TV3 Play. Ranking clearly revealed free streaming via SVT Play and other national services to be the first, pirate platforms to be the second, and commercial services to be the third choice for accessing content. Key reasons for this trend include a norm of free quality viewing established through the Swedish public broadcasting model; consumer behaviour marked by brand loyalty, rather than the desire for unlimited choice; and an understanding of filmed entertainment as being "pure information" (interviewee) expected to be freely accessible.

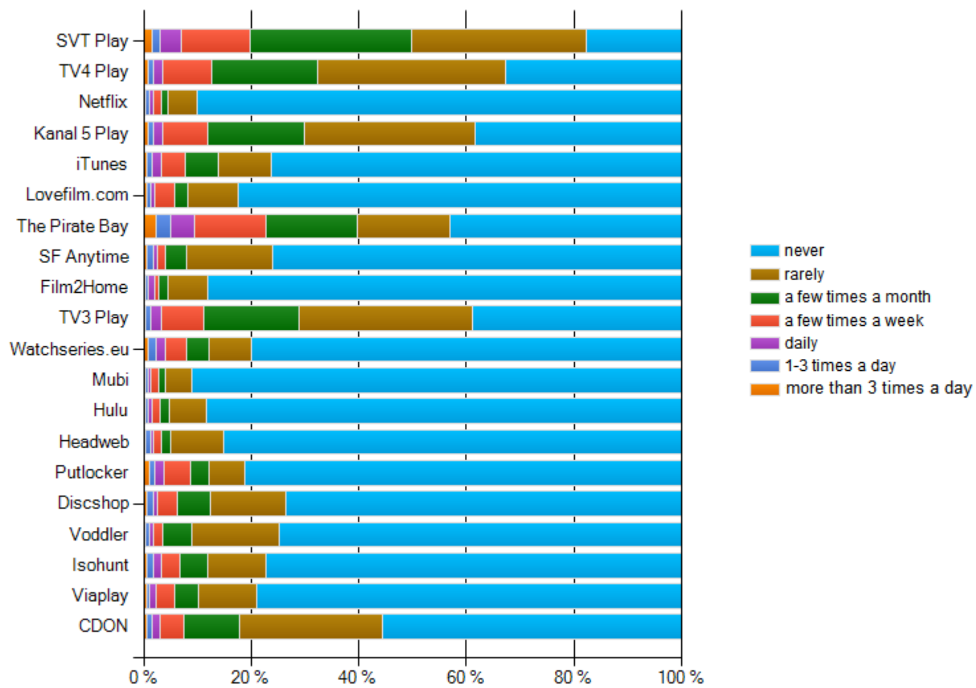
Home-based Viewing
Viewing entertainment also remains largely home-based and marked by local viewing communities.

- Despite the spread of portable devices, mobile viewing has not become a trend yet. A majority of Swedes (69.4%) watches in the evening at home "very often" and "sometimes" (41.6%) at a friend's place. While watching, a majority never engages in activities such as tweeting (73.9%), blogging (77.4%), or chatting (33.1%), and only 12.7% communicate at all during consumption.

- Watching at home entails using a desktop/notebook computer to stream or download (45.2%), with regular free public service TV turning into a "second screen" (often used only for background viewing). A majority (52.7%) spends up to 6 hours weekly streaming or downloading (more than 6 hours: 35.6%), and most Swedes (49.1%) watch 1-2 hours of entertainment on both computer and television daily.

- Swedish online viewers connect to other viewers locally, rather than nation-wide. While 81% of our respondents are on Facebook, 49.9% communicate with less than ten people about a show, with most respondents talking to fewer than five people. Networks largely consist of friends and family living in the same city (54.4%). Direct oral (rather than written) recommendations are used "often" (37.1%; "very often": 21.8%), followed by online reviews.

Chart 1: "How often do you use the following services?"



How Value Is Defined

Piracy Sets a Standard of Service

Unauthorized platforms are the most widely used online video services, especially among average and heavy viewers.

- 54.3% of respondents gave a 50:50 ratio in regard to authorized/unauthorized services used. Only 17.5% indicated never using unauthorized platforms (while 11.1% reported never using commercial).

- Key reasons for the support of unauthorized services include the lack of very new content on authorized services (74.9%) and discomfort with authorized pricing models (70.2%). Unauthorized services were also perceived as offering the best search options (63.7%) and shortest time span to find what one is looking for (61.8%).

- In this context, bit torrent tracker The Pirate Bay (TPB) has become the best-known brand name for an expected standard of service not achieved by authorized EST or PPV platforms. TPB's brand image of flexible market adoption, commercial disinterest, user-friendly design, and compliance with a cultural norm of free quality viewing has made it the preferred "one stop shop" without obtrusive advertising, paywalls, or technical barriers.

Ownership Means Owning Control Over Viewing

The value of owning a physical copy is measured against three parameters: social use, newness/uniqueness, and ideas of ownership modelled on the consumption of music and games.

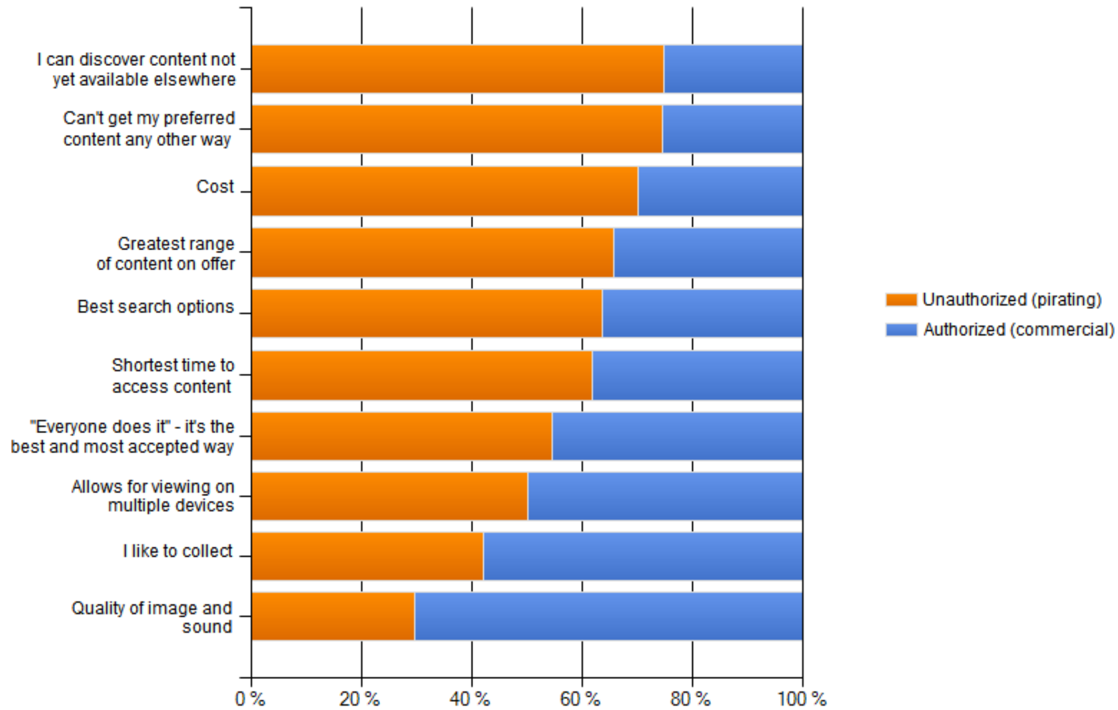
- Comparing online viewing to cinema-going and DVD consumption, Swedes prefer cinema over online video, and online over physical video. While 48.4% never rent, most Swedes continue to buy DVDs, although no more than 1-6 DVDs per year (1-2: 21.5%; 3-4: 10.2%). Key reasons include the higher sociability of cinema-going.

- While the willingness to pay for a feature film depends on its uniqueness as event, serialized TV content is valued by its newness. Non-authorized consumption is the result of an information problem explained by interviewees through an analogy to the spoiler phenomenon: some forms of fictions, such as feature films, "can wait however long," but television series are "fresh produce" in demand of immediate consumption. Swedes are willing to invest, but not willing to wait.

- Games and especially music shape expectations regarding online video. Spotify is the most consistently mentioned model for future online viewing. "You don't want to pay for just a view," an interviewee expressed. "You want the feeling of ownership, even if, at the end, you only own the playlist." Ownership is less about physical counter-value than about owning control over access to content.

UltraViolet was unknown to all interviewees, and when the concept was explained, participants questioned the validity of moving the consumer from physical to online, instead of vice versa. As one consumer queried, "What am I supposed to do with the DVD, once I have bought it?"

Chart 2: "How important are the following reasons for your choice between 'authorized' and 'authorized' services?"



Conclusion: How Markets Emerge

The Swedish market poses major challenges for a content company like Warner Bros. These include small inactive viewing networks, a cultural norm of free quality viewing, a standard of service set by pioneering and/or unauthorized "out of the market" solutions, and a definition of ownership value that emphasizes full control over access to content.

Given the persistent demand for US entertainment, however, success in this market should be possible, given that most of our respondents (72.9%) see the Internet as stimulating the desire for ownership, rather than reducing it. In fact, the three predominant reasons offered for using existing EST platforms are the expectation of superior sound and image (70.4%), an interest in building up collections (57.9%), and the possibility of moving content across platforms (49.8%).

Methods might include greater price elasticity, matching the online release of new TV shows with their original air dates, and developing a subscription streaming service modeled on Spotify. Key features of a Spotify-for-video might include: a service integrating what Swedes are already used to (see TPB); a P2P-based (microtransactions) or cloud storage (subscription streaming) business model; clearly specified (i.e. serialized US-produced) content, rather than "everything"; a built-in video player; the possibility to compile, archive, and share playlists; and the option to obtain a hard copy.

American Media Behind the Great Fire Wall: Social Media and Film Viewing in China

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American Media Behind the Great Fire Wall: Social Media and Film Viewing in China

Executive Summary

This project examined how Chinese consumers use Douban and similar social networking websites to structure viewing habits, engage with new releases, and communicate with other consumers. The first phase of the project explored how consumers used these websites in relation to two Warner Bros. films released in 2012. The second phase analyzed the relationships between sites like Douban and the online distribution of these films in China. The study revealed that such sites help build user awareness by drawing from consumers' previous viewing habits and preferences. Unfortunately, these sites currently offer limited capability to direct users to legal theatrical viewing and no capability to direct users to legal digital viewing. Film fan-oriented social media sites thus present a potential challenge to content providers as they may encourage users to desire immediate access to a film that is only available illegally.

Key Findings

- Government restriction of social media sites in China remains a concern for investment. Sites with greater potential for commercial use and less potential for social engagement offer safer bets (e.g. group buying sites). However, because of the potential for social mobilization on social networks, social media sites will continue to be highly regulated spaces lacking in transparency for investors.

- The most prominent form of "connectivity" in the context of Douban is the way in which it steers users to other films that they may like based upon expressed preferences stored on the site. Users must, however, still *find* the films on their own (through legal or, more frequently, illegal means).

- Though infrastructure is in place digitally to steer fans to theaters, online ticket purchasing capability is barely functional at this point, even in large markets.

- Online discussions prior to the release of the two Warner Bros. films in China indicate that consumers are able to access the films up to two months prior to releases in domestic markets.

- Increasing linkages between fan communities and digital distribution platforms may enhance the monetization potential for films.

American Media Behind the Great Fire Wall: Social Media and Film Viewing in China

Social media in China is a delicate compromise between popular aspirations for access to foreign media content and government policies aimed at social control and stability, or *hexie shehui* (harmonious society). Sites like Douban, one of China's leading social media platforms, offer anonymous spaces for fans to discuss, find, and informally distribute international filmed entertainment. This form of viewing is extraordinarily popular, especially among young audiences, many of whom are frustrated by government impediments imposed by the Chinese State Administration of Radio, Film and Television (SARFT). State bureaucrats currently regulate the distribution of foreign media through an unpredictable and highly intrusive top-down framework, including a thirty-four-film import quota and stringent Sino-US co-production regulations. In response, audiences have developed elaborate strategies to circumvent such controls, but many remain dissatisfied with the impediments and uneven quality of service.

This study examined how several user groups in Chinese social media become aware of products, how they discuss them, and how they gain access to them despite distribution and regulatory obstacles. The research took place in two phases. In the first phase, case studies were performed on *Sherlock Holmes: Game of Shadows* (2011) and *Happy Feet 2* (2011), two Warner Bros. films that were released in China under the country's quota system in January 2012, in order to understand how US blockbusters function in the Chinese social media context. In the second phase, I analyzed the relationships between sites like Douban in relation to the reality of and potential for online distribution of these films.

Popular Sites Enhance Awareness in China, but Popularity Leads to Political Vulnerability

The Chinese market for digital distribution via social media positions media corporations in such a way that they must use the most popular sites to access viewers. Case studies revealed user-generated awareness of two Warner Bros. releases, *Sherlock Holmes: Game of Shadows* and *Happy Feet 2* on Douban, a social media fan site. Notably, reviews of the films began when they were released legally outside of China, rather than within China. Sites like Douban build awareness and steer users toward relevant films for consumption through peer recommendations and reviews. However, it should be noted that this access only applies as long as there is active involvement by users on the site. After attempting to navigate to the pages of *Sherlock Holmes: Game of Shadows* and *Happy Feet 2* eight months following their release dates, *Sherlock Holmes* showed an access error, and *Happy Feet 2* only offered access to a related coloring book. Thus, the site is useful for generating awareness as long as there is still active user engagement.

While the hypothesis of this project was that users would continue to use the site for fan activity over time, in the case of the two films, this effect did not appear to be present. It is possible to approach leveraging the time-sensitive awareness of films facilitated by social media through the creation of legal, web-enabled access through popular social media sites. Yet, at the same time, the most popular sites are the most vulnerable for increased regulation and/or service stoppages due to their potential for social mobilization.

Social Networking Sites Currently Present a Challenge to Profitability

Increased awareness correlates negatively with increased legal profits from digital. Social networks like Douban do offer platforms through which to increase awareness of American media products. However, at present, there do not appear to be digital means through which to reliably monetize this increased awareness. In fact, because Chinese social media sites offer Chinese consumers information about film releases as much as several months prior to planned theatrical releases in China (if release plans even exist), the social media sites may actually decrease the potential to derive profit from the consumers' exposure to the films, that is, without direct intervention by transnational corporations to use these sites in ways that direct consumers toward legal film viewing.

Illegal access is cheap and easy. Even if companies were to take on greater roles in integrating Douban into marketing campaigns, the problem of immediacy of access would still persist. Until corporations provide Chinese consumers with similar levels of access locally and legally, consumers will be drawn to content available on sites like PPS.tv.

Users have a wide range of free entertainment options. The tagline of PPS.tv highlights one of the central principles of connected viewing: *Pei ni kan shijie* means to "accompany you while you watch the world," suggesting the broadly expanded array of options for media consumption. Hollywood film releases in the Chinese digital space are also competing with free Chinese dramas, Chinese films, Korean dramas, Korean films, and American premium television series. Most are available free and immediately to Chinese consumers, who frequently discover them through recommendations on Douban and are subsequently able to access them with only very limited Internet search requirements.

Conclusions: Challenges and Opportunities

The most popular sites, while offering an excellent opportunity to access the most eyeballs, also present a continuous potential threat in service breakage, changes in user registration requirements, and government censorship. Social media sites, even those focused almost exclusively on entertainment, threaten Chinese government regulators because they present the potential for mass mobilization. Any entrant into this market must therefore focus on three practices for developing a strong Chinese audience base:

- *Ensure the strong and continuous backing of regulators in any platform choice.* This needs to continue even beyond the point where the new system is already functional and in place. It is essential to have Chinese partners who know regulators well, but it is equally important to have someone from the foreign corporate team continue to cultivate regulator relationships in conjunction with the Chinese partner. This offers the opportunity to potentially access information about regulatory changes at an early stage. For any new venture that engages Chinese audiences to succeed, there must be regulatory support for the project in addition to a strong partnership.

- *Offer audiences legal access to films in a timely manner.* Discussion of foreign films on Chinese social media reduces the likelihood that audiences will want to pay to see these films in the theater. Generally, these films can be viewed easily and for free on HD digital websites. One of the main weaknesses Douban revealed was the existence of commentary about specific Warner Bros. media products prior to their actual release date. Wherever possible, Warner Bros. should focus on aligning worldwide release dates so that there is a stronger relationship between the date the film is released in the US and the date released in China. This could be made possible by increasing film co-production with Chinese partners (which ensures both more timely release and a greater share of distribution profits.)

- *Offer engaging free content when it is not possible to offer audiences access to films in a timely manner.* Chinese audiences respond well to free content. When it is not possible to release a film at the same time globally, offer free webisode content at regular intervals linked to social media groups to maintain interest in the film even after its international release date.

There is a lot of anxiety over which platform (SVOD, TVOD, EST) might be the best fit to monetize the demand of Chinese consumers. I would argue that the question of platform is decidedly secondary to the question of the best partner with the most stable regulatory relationship. Even if consumers love the content producer's choice to go with SVOD over EST, it ultimately does not matter if the service gets shut down because one of the Chinese partners angers a Chinese regulator or if regulators choose to favor another approach. Chinese Internet regulation is an extremely fragile and unpredictable beast, particularly as it relates to content distribution. The method of digital distribution that will win is the one that has the best political backing combined with savvy business partners, not necessarily the one that is the most popular or even efficient.

An excellent example of taking strong government investment as a guiding principle is the case of Sina's Weibo microblog. Weibo is a continuous thorn in the side of Chinese regulators. However, at the same time, Sina has extremely close government relations and has been a pillar of Chinese digital innovation since the end of the 1990s. Therefore, while a robust microblog may not have been politically feasible for another company, it is for Weibo (even though Sina still has to continuously contend with political attacks). It cannot be overstated: *Prioritize politically savvy partners.*

Ultimately, while there may be ways to enhance market share by leveraging social media spaces (such as increasing feed-in to bricks and mortar theaters), the unpredictable regulatory environment of the Chinese social media space at this point suggests that any investment in the market needs to be viewed with a long-term lens.

Popular Online Serial Genres and the Potential for Monetizing Short-form Content

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Popular Online Serial Genres and the Potential for Monetizing Short-form Content

Executive Summary

This research study approaches connected viewing from the perspective that watching online content on computers is an entirely different experience from watching content on a traditional television set. The viewer's experience is often solitary (viewers watch alone), on small screens (computers or cell phones), and in non-traditional locations and time frames. Viewer expectations and the gratification received from viewing are very different from those we have come to expect from viewing traditional television in half-hour, hour, or two-hour formats, with high quality production values and structures that conform to traditional broadcast "seasons" and commercial breaks for advertising. Therefore, this project interprets connected viewing as both the viewer connected to content *through* the Internet, as well as how the viewer *relates to content* by choosing genres of serial content. Ultimately, we sought to learn whether viewers are willing to pay for online serial content, and if so, what type of content, delivered by what mode of distribution?

Key Findings:

- Both adult and teen audiences in our study were most willing to pay for online short-form content; while all participants preferred seeing commercials to offset the cost of online content, teens and adults were most likely to say they would include purchase of online content as part of their monthly entertainment expenditure ($20-40 per month—exclusive of cable subscriptions).

- Overwhelmingly, audiences were drawn to short-form content with cliffhanger endings.

- College viewers' knowledge of online content and access to these programs were split, with students living in residence halls (freshman and sophomores aged 18-19) having accessible broadband and older students living off campus (aged 20-23) having less access to broadband. College students were also least likely to be willing to pay for online content.

- Teens in more affluent areas had more knowledge of online content (serial and individual episodes); urban students (predominantly from a location with high unemployment and poverty) had little knowledge of online content and less access to computers.

- Of the adult focus group participants, those who watched alone (primarily over the age of 55) were particularly interested in being able to share content with friends. This audience may, therefore, be an as-yet untapped market for online content.

Popular Online Serial Genres and the Potential for Monetizing Short-Form Content

The Study

The research used two methods of inquiry. Paper surveys were distributed to 450 individuals to find out what television shows these individuals watched; how often they watched traditional television; the individuals' knowledge of online short-form content in general, as well as how often they watched entertainment programs online; their knowledge of a number of specific popular serial programs (and single episode programs, for comparison); their involvement in online fan communities; and how much money each respondent spent for entertainment each month for DVD rentals, VOD, SVOD, EVOD content, cinema-going, etc. We excluded the cost of an individual or family's cable subscription, because many individuals from different age groups did not know this information.

Secondly, we held 6 different focus groups per viewer age group, resulting in more in-depth discussions with 40 teens (aged 14-18 and still in high school), 38 college students (aged 18-23), and 34 adults (over the age of 24). Each focus group was shown four examples of short-form content from the Internet. Two examples were from series programs (one produced by a major production house, and the other made on a much lower budget and posted to YouTube by an individual or small group, using shared resources), one was a single, non-serial episode, and one was an episode of "extra content" produced by a major production company, related to a prime time television program.

Examples of serial programs used for the focus groups included: *Aim High, The Guild*, *617*, *Dark Pool*, *Children's Hospital*, *Mis-adventures of an Awkward Black Girl, The Walking Dead*, and a locally produced web-series distributed on a local media Internet channel titled *Arts in the Community*. Examples of single, non-serial programs included episodes of *Funny or Die, Fred Figglehorn*, and *Man in the Box*. Examples of extra content produced to accompany prime time programs included a musical segment from *How I Met Your Mother*, and a discussion by the two actors from *Psych*; these were used to determine if viewer preferences related to non-serial content or extra content from known TV shows.

The study was conducted in western Massachusetts, a moderately populated region where there are pockets of highly educated adults, five Universities, and a small city (Springfield) with a racially and ethnically diverse population and an average income level of $36,235. Respondents for surveys were recruited from local community centers, regional media centers, arts groups, libraries, high schools and universities. All survey respondents were anonymous, but the location for survey distribution and collection represented specific categories of racial, ethnic, and income diversity.

Results

<u>Teens</u> consumed the most television and the most online content, and found out about series by surfing online. Zombie-themed, high-school-situated programs, and loud, action-adventure genres were consistently the most "liked" programs and extra content in focus groups. *Aim High* and *The Walking Dead* scored highly in terms of humor, format, and style. Teens were familiar

with a variety of single programs from *Funny or Die*, but no particular programs were reported as "favorites."

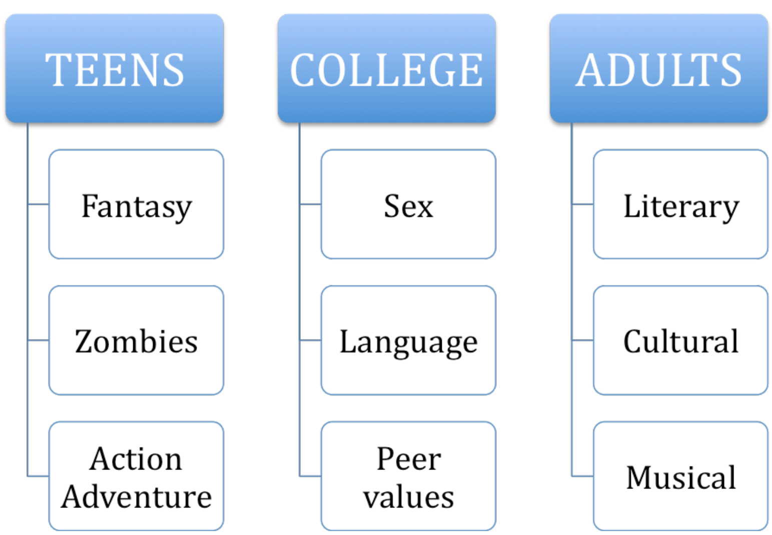
College students were the most diverse in terms of their television consumption, knowledge of online content, and willingness to pay for online content. In the college focus groups, approximately 75% of participants were willing to accept commercial advertisements as a way to pay for online content; but they preferred (slightly) to purchase or rent DVDs. Students who lived in residence halls had greater knowledge of online content, and greater access to high quality broadband than those who lived off campus. College students who lived on their own and had to pay for Internet access often chose not to have home Internet access and preferred to use the Internet and online services in hot spots where service was free.

Adults reflected a range of consumption patterns, but most of the adults who filled out surveys or participated in focus groups had home computers and knew how to access online content. Younger adult respondents (primarily with children in the home) watched the least amount of television and online content, but articulated an interest in allowing their own small children to watch content online, without the commercial advertisements available in regular television programs. However, older adults who primarily watched television and/or online content alone were most enthusiastic about the potential to share content they liked with others (family or friends), especially if they could do so on their own time frame. As a result, older adults may be a receptive audience for more online serial content.

Genres

The following chart indicates the type of programs preferred by age groups (as a result of self-reported data on surveys and responses to programs shown in focus groups).

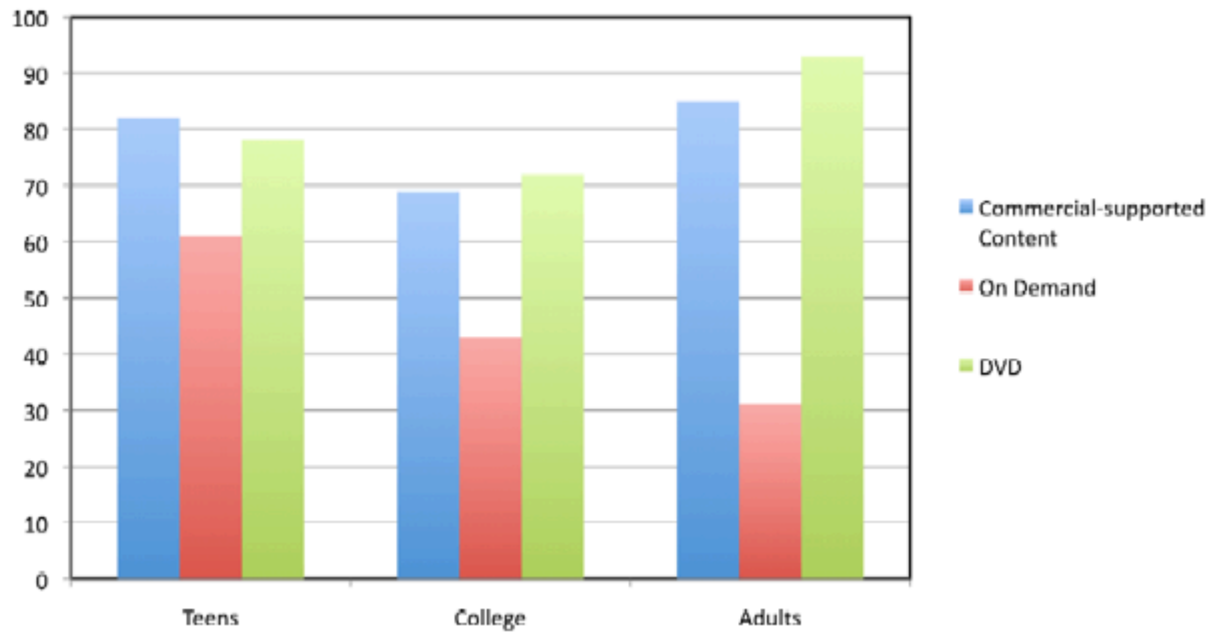
Chart 1: Type of programs preferred by age groups



Willingness to Pay for Serial Online Content

When it came to a willingness to pay for the type of content shown in the focus groups, participants reported a variety of reactions.

Table 1: Preferences for online pay models by age groups (percentage of respondents)



Conclusions: Challenges and Opportunities

Viewers in this study were not willing to increase the amount of money in their monthly budgets to pay for online content. A typical budget (excluding cable subscription) was $20-40 per month. Low cost DVDs (and collections of series episodes streamed through Netflix and available through Redbox) were cited as the most preferred way of accessing collections of serial content.

The digital divide is still an issue in lower socio-economic groups. While most homes in economically disadvantaged communities had television and cable, few had computers or broadband connections. Members of these households had little knowledge of what serial content would be available to them if they had technology and access.

Social networks may be poor tools for distributing online serial content because social network users are skeptical about data mining of their personal information. Focus group participants preferred to inform friends and family about serial content they liked through word-of-mouth or short-form messaging. They did not like the idea of distributing content via Facebook or other social networking tools. (It is possible that this study was influenced by news programs highlighting Facebook's new privacy policy and Google's selling of personal information to third parties—both of which became the subject of news shows while this research project was underway. Teens and college students were particularly critical of data mining by social networking organizations and less willing to distribute any content that might suggest they would be targeted because of choice of content).

Consumers cared little for expensive production qualities, leading us to think that the personal nature of connected viewing emphasizes a relationship with content (values, language, humor) deemed appropriate by age group. Low-cost content that reflected peer interests suggests that a long-tail marketing model may be appropriate. In other words, content that is created at low cost to producers and distributors may have a long life as viewers change lifestyles, and packaged online serial content finds new audiences over a long period of time.

Older adults (age 55+) may be an untapped market. Based on the enthusiastic response to online content by older adults in our study, this audience might be an untapped source for content that reflects cultural values (literary adaptations) and multicultural arts.

Traditional distribution companies may benefit from rethinking their audiences and product distribution methods. Because connected viewing creates new relationships among viewers and technology, and viewers and content, traditional advertising structures, target audiences, and type of content available may need to be reconsidered in order to effectively monetize online serial content.

Broadband of Brothers: Fostering Gameplay Across Screens

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Broadband of Brothers: Fostering Gameplay Across Screens

Executive Summary

This report evaluates the efficacy of second screen applications to incentivize repeated gameplay sessions in online, multiplayer video games. Specifically, this research project analyzes the multiplatform support applications for two best-selling military shooters: "Elite," for Activision's *Modern Warfare 3*, and "Battlelog," for Electronic Arts' *Battlefield 3*. During the project's six-week data gathering phase, fifteen participants kept journals chronicling their hundreds of hours of collective gameplay while using these apps. The participants also completed numerous questionnaires during that period. The data was later coded and analyzed to assess if "Elite" and "Battlelog" positively affected the participants' online experiences. The report finds that the second screen applications amplified participants' engagement with the video games because "Elite" and "Battlelog" gave the participants insider knowledge and strategies for subsequent play sessions.

Key Findings

- Firms should utilize second screen applications to add value to their core properties. "Elite" and "Battlelog" extend the technological and sociological reach of their games to secondary screens and to players' social networks. This expansion of the game makes the core IP "stickier" and helps it gain traction in a competitive marketplace.

- Second screen apps are powerful assets for publishers because they allow these firms to frame, structure, and privilege certain content and activities over others, which gamers learn to value and desire.

- Support applications need to do just that: *support* users. Features that did not noticeably improve participants' game sessions discouraged them from using the applications and made them less inclined to play the game.

- Despite the benefits involved in linking second screen applications to social networking sites like Facebook, the apps should not insist too strongly on the use of such functions. Due to the perceived social stigma of gaming, participants did not want their gameplay activities advertised to their non-game social networks.

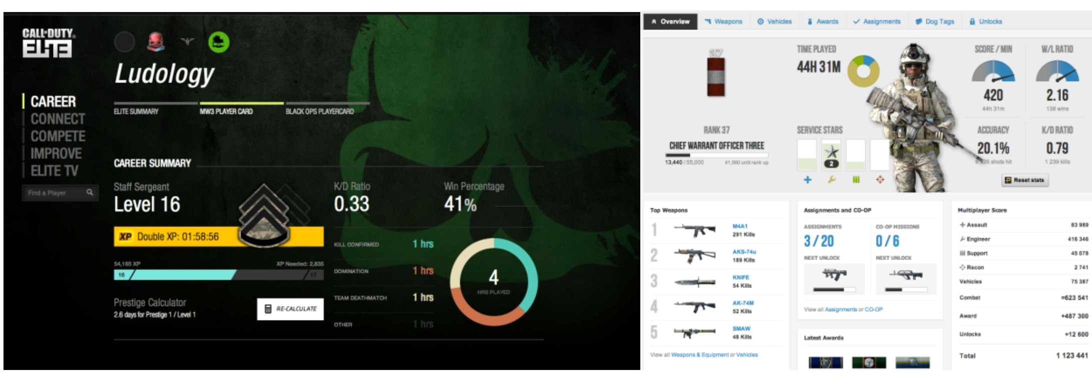
- Participants were suspicious of the firms' strategies to monetize their future gaming experiences by charging for "premium" content promoted by the apps. The players worried that this trend might result in creating tiered groups of gamers—those who pay for additional items, and those who do not. Instead, the participants accepted paid content so long as it did not adversely affect the title's gameplay balance.

Broadband of Brothers: Fostering Gameplay Across Screens

Video game publishers for the home console market have, until recently, abided by a regrettable but necessary maxim: "release-and-forget." Without the technological means of extending their games' shelf lives—either by fixing broken code, or by adding new content—producers had to hope that the enthusiasm and profits from one title would help bankroll the next. Fortunately, for producers *and* for consumers, this is no longer the case. Taking a cue from the world of PC gaming, this generation's major consoles have their own online gaming services, which means that publishers can update their titles as needed and offer downloadable content that extend the playability of their games while generating an additional revenue stream. But this is not all. The popularity of mobile devices—in particular smart phones and tablets—in tandem with the availability of fast Internet connectivity are enabling console producers to extend the reach of their titles across screens. This project examines one effort central to the forging of connected play across these new screens: the development of the "second screen support application."

This project examines the game support applications crafted by game industry juggernauts Activision and Electronic Arts (EA). These companies' applications were selected not only because they were among the first to market, but also because the popularity of their franchises will likely define support applications to come. "Elite" for Activision's *Call of Duty* franchise and "Battelog" for EA's *Battlefield* series are accessible from web browsers, smart phones and tablets, and via the Xbox 360 and PlayStation 3 console interfaces. Using these support services, players can customize their profiles, share their accomplishments via Twitter and Facebook, manage their player groups, and even mine their data to improve their gameplay. They can consult these online resources while they play or when they are away from their home consoles.

Figures 1 & 2: *Call of Duty*'s "Elite" app (L), and *Battlefield*'s "Battelog" app (R)



Services like "Elite" and "Battlelog" function as part social networking hub (complete with message boards and user-submitted videos) and part reference library (with a bevy of data tracking tools). These types of services are particularly popular for gamers because they give users access to information that can directly improve their gameplay. Furthermore, because enhancing one's knowledge of video games bolsters one's "gaming capital" (one's familiarity and literacy about a game's history, control interfaces, rules of play, etc.), fostering this social interaction may increase one's interest in the game, leading to additional interactions with the company's IP over time and across screens.

This project's research question was two-fold: do support apps like "Elite" and "Battlelog" affect participants' in-game activities; and, if so, do they incentivize additional interactions with the game and with its support application? This line of inquiry explicitly addresses two of the key questions shared by Warner Bros. and the Connected Viewing Initiative: namely, what kind of extra content do fans value and what do they value about digital ownership?

Data and Research Method

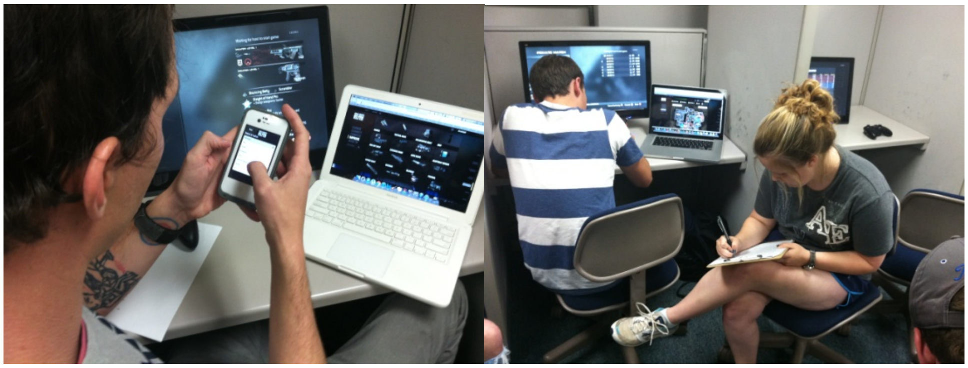
The project's fifteen research participants were selected from the undergraduate and graduate sections of my spring 2012 "Video Game Studies" class. Of the eleven undergraduate and four graduate students, two were women, and two were students of color. The majority of the research participants, like the primary consumers of these games, were white men. All of the participants were young adults (20-somethings) attending a public university in the US south.

Figures 3 & 4: Participants play and take notes on their gameplay

Over the course of six weeks, the fifteen participants played—collectively—approximately 550 hours of *Modern Warfare 3* and *Battlefield 3* while utilizing the titles' support applications. They accessed the games' support apps through a variety of communication devices, including smart phones (e.g., Android, iPhones), tablets (e.g., iPad), Mac and PC laptops, and the lab's desktop PC.

The participants kept daily logs of their online play and took notes on their research partner's gameplay activities. Additionally, the students responded to weekly take-home reflection prompts, and completed questionnaires regarding their use of the support applications. As the gameplay journals and take-home responses were submitted, the graduate students and I worked together to organize and collate the data. This information was then synthesized and used to generate more precisely worded prompts and questionnaires. These responses were, in turn, then coded and collated. This process resulted in the refinement of the project's concepts and themes, until the participants' core experience of using these apps came into focus.

Figures 5 & 6: Participants take notes on their use of second screen support apps



Research Findings

“Elite” and “Battlelog” are promising support apps because they function as mobile, easy-to-access repositories of producer and user-generated data. Moreover, competitive gamers can utilize the information on these sites to gain advantage over others, thus amplifying their personal sense of gaming capital and status within their play communities. *This is their key attraction for players*.

To attract users, second screen apps must (1) differentiate themselves from free Internet offerings *and* (2) add value to the user’s gameplay experiences. Once they convince gamers of their practical benefit, these support applications can become the springboard for promoting additional content such as new levels, weapons, and items (though most new content is not sold through the apps themselves). Apps like “Elite” and “Battlelog” are curated spaces crafted to extract additional payments from information-hungry gamers. *This is their key attraction for publishers*.

What follows are the study’s most notable findings:

- “Elite” and “Battlelog” *did* amplify the participants’ enjoyment of their games. However, because games and apps are not created equal, they neither engaged nor held the participants’ attention uniformly. At the time of the study, *Call of Duty*’s “Elite” service offered more functionality than did *Battlefield*’s “Battlelog,” and the participants preferred this “deeper” service.

- While these apps gave participants a bevy of gameplay feedback, they were not remedies for poorly designed content. Indeed, the close feedback that the apps provide actually drew players’ attention to the game producers’ choices. Thus, there is a potential downside to producing these apps as they highlight good *and* poor design choices. For example, participants lamented the construction of one of *Modern Warfare*’s levels after they reviewed how gameplay unfolded using one of Elite’s combat analysis tools.

- Perhaps the *greatest strength* of these applications is their ability to shape the participants’ in-game activities and discussions. The Internet is a fantastically unruly and unpredictable place; the same can be said for online game venues. But over the course of using these apps, it became evident that the participants were relying on them both as the primary instrument for evaluating their gameplay and as the platform for devising their collective strategies. Thus, support apps can aid publishers in shaping the kinds of conversations and gameplay activities that are sanctioned and rewarded. Support apps like "Elite" and "Battlelog" are potentially powerful tools for publishers because they allow firms to frame, structure, and privilege certain gameplay acts and information over others, which the gamers come to value. The more popular the support app becomes, the greater its potential ability to control and shape its gamers' interests, activities, and purchasing decisions.

Conclusions: Challenges and Opportunities

Well-crafted apps amplify the players' gaming experiences and could motivate consumers to purchase additional content. Moreover, because these efforts are relatively new, there remain weaknesses and room for improvement. The following points are recommended for improving current and future second screen support applications:

- *Support apps should be targeted at gamers who are already playing the games they support; these apps are of limited use for attracting new players.* "Elite" and "Battlelog" have steep learning curves that fail to court novice gamers. In this study, the participants who most appreciated these tools were those who had played *Modern Warfare 3* and *Battlefield 3* previously.

- *Though support apps offer opportunities for new revenue streams, firms should avoid consumer backlash by taking care not to create tiered groups of gamers through the monetization of certain premium content and services.* This study's participants were suspicious of the firms' strategies to monetize their future gaming experiences by creating tiered groups of gamers—those who pay for premium content and services and those who do not. This was especially the case for powerhouse publishers like Activision and Electronic Arts because of the participants' shared feeling that these companies are doing well financially and need not charge for all manner of additional content.

- *<u>All</u> users should be given free trial access to explore a game's premium content.* Users want to know what they'll be missing if they go without. The game's support app—which may or may not link directly to the property's paid, premium content—should remain free, however.

- *Support apps should not insist too strongly on the consumer's use of social networking sites like Facebook and Twitter.* Although there are benefits involved in linking second screen applications to social networking sites, due to the potential stigma of gaming, many participants in this study did not want their gameplay advertised to their networks (but they liked having the option).

- *Second-screen apps should add some or all of these features*:
  - Access to video replays, and ability to share clips via Facebook or Twitter
  - Ability to buy additional content through the second screen application
  - Access to level/map generators and more user-generated content

- Ability to comment on levels, maps, guns, load-outs
- Real-time communication with community managers through the app
- Ability to report cheating, “trolling,” or “griefing” players through the app
- Player-to-player alerts notifying friends of future play times

If game producers wish to charge money for their second screen support applications, or if they plan to use them as free promotional platforms for selling additional content, then these utilities *must* add appreciable value to the user’s gaming experience; they cannot be just another means of delivering digital content.

This recommendation is not limited to the world of video games and game publishers. Indeed, content creators of all stripes—whether they work in film, television, comics, or another expressive medium—should do their best to give users the opportunity to experience a felt sense of connection to their firm’s IP. *Support apps succeed when they function as a framework for one’s personal achievement over the IP*. Consumers who are motivated enough to seek out second screen aids do so because they want to be more than knowledgeable consumers. *Put simply: they want to master the property*.

To that end, producers should evolve their second screen apps into better instruments by which consumers can master IP. This means increasing the functional connectivity between primary and secondary screens. Currently, most support apps are little more than informational resources. However, producers *could* make primary and secondary screens communicate with one another in real time to deliver unique, multi-screen experiences. For instance, Microsoft’s new “SmartGlass” technology for the Xbox does exactly that. This tech no longer serves as a window for better understanding the primary screen, but as a means of controlling it. “SmartGlass” is not a data window; it is a remote control.

To conclude: game publishers should use second screen utilities to help combat the history of release-and-forget productions by framing their apps as *community outreach*. In practice, this might mean releasing free apps for popular titles. It might also mean giving users limited access to premium content. Or it could mean giving users gameplay data that only the publisher has access to. Regardless of the specific tactic, a good faith effort should be made to convince gamers that the publishing firm is a trustworthy partner. After all, gamers have already proven their deep-seated investment in their online identities and accomplishments through their many hours of play. The open question moving forward is whether the game publisher, with a little more investment, can deliver a rewarding experience that not only extends the game’s shelf life over time, but also expands the game’s screen life across mobile devices and Internet windows.

About the Researchers

Connected Viewing Research Team

Dr. Joshua Braun is Assistant Professor in the Department of Film, Video, and Interactive Media at Quinnipiac University and a former graduate fellow of the National Academy of Sciences. He received his Ph.D. in Communication from Cornell University in 2011, where his dissertation work earned him the Anson E. Rowe Award for outstanding research. His work examines sociological questions surrounding the online distribution of television and news. Braun is currently a member of an NSF working group on cultural production in the digital age, and his papers have appeared in a number of journals, including *Communication Theory* and *Journalism Practice*. He is currently working on a book about the evolution of online distribution efforts at MSNBC and NBC News. Braun is also a former science journalist whose work has appeared in Seed magazine and WNYC's *Radiolab*.

Dr. Max Dawson is Assistant Professor in Northwestern University's Department of Radio, TV & Film, where he teaches classes on the television industry, new media, and popular culture. He has published articles in *Convergence, Technology & Culture, The Journal of Popular Film and Television,* and *Popular Communication*, and has contributed chapters to the edited collections *TV as Digital Media, Ephemeral Media, Media Studies Futures*, and *American Thought and Culture in the Twenty-First Century*. He also provides private consulting services to a variety of media industry clients on topics including video distribution and reality TV.

Dr. Elizabeth Evans is Lecturer in Film and Television Studies at the University of Nottingham, UK. Her research focuses on the relationship between technology and audience engagement with narrative forms. She is the author of *Transmedia Television: Audiences, New Media and Daily Life* and her research has been published in the journals *Media, Culture and Society*, and *Participations*.

Dr. Jarice Hanson is Professor of Communication at the University of Massachusetts-Amherst, where she was a 2011 Distinguished Lecturer, and a 2010 recipient of the Distinguished Teaching Award from the College of Social and Behavioral Sciences. She has authored, co-authored, and edited over 25 books and numerous articles on the social effects of technology and international media policy. She recently concluded a seven year Endowed Chair position at Temple University as the Verizon Chair in Telecommunications, where, in addition to her research, she produced two web conferences in collaboration with WHYY-TV in Philadelphia which were transmitted live, via the Internet to countries around the world. Prior to receiving her Ph.D. at Northwestern University in Radio, Television & Film, she worked at WBBM-TV in Chicago, and the BBC in London.

Dr. Jennifer Holt is Associate Professor of Film and Media Studies at the University of California, Santa Barbara and a research affiliate with the Center for Information Technology and Society. She is the author of *Empires of Entertainment* and co-editor of *Media Industries: History, Theory, Method*. Her work has appeared in journals and anthologies including *Film*

Quarterly, Jump Cut, Moving Data, and *Media Ownership: Research and Regulation*. She is also the Co-Director of the Carsey-Wolf Center's Media Industries Project at UC Santa Barbara.

Dr. Aynne Kokas is a Postdoctoral Fellow at the Chao Center for Asian Studies at Rice University and a Rice Scholar of Chinese Media Studies at the Baker Institute for Public Policy. At Rice, her research focuses on the digital circulation of environmental media between Chinese and American social media networks. She is also currently revising a book manuscript that examines the international industrial cultures of production that have emerged as part of the Sino-U.S. media co-production process. Her scholarship has been supported by the Fulbright Foundation, the Social Science Research Council, and the East-West Center. Kokas has presented original research at the Getty Research Institute, the Shanghai University School of Film and Television, and the United Nations Economic and Social Commission for the Asia-Pacific, among other places. She received a B.A. from the University of Michigan, and a Ph.D. from University of California, Los Angeles.

Dr. Amanda D. Lotz is Associate Professor of Communication Studies at the University of Michigan. She is author of *The Television Will Be Revolutionized, Redesigning Women: Television after the Network Era*, and *Cable Guys: Television and American Masculinities in the 21st Century* (Forthcoming). She is co-author of *Understanding Media Industries* with Timothy Havens and *Television Studies* with Jonathan Gray, and she edited the collection *Beyond Prime Time: Television Programming in the Post-Network Era*. She has participated in a variety of media industry programs for academics, such as the NATPE Faculty Fellow and Faculty Development Grant Programs, AEF Visiting Professor Program, and the ATAS Faculty Seminar. She has also been involved in consulting activities with Competing Values' work with NBCU owned-and-operated stations and with Detroit Public Television, and made presentations for Google and IFC.

Dee Majek is a M.A. student at the Department for Cinema Studies, Stockholm University. A trilingual Swedish, Canadian, and Polish citizen who has been living in Sweden for the past five years, Majek has assisted in managing academic conferences at the Department for Cinema Studies, and has been a network coordinator for Media Industries Network Europe (MINE) since Fall 2011. Majek is further working to complement her graduate studies in film with a diploma in Construction Management.

Dr. Paul McDonald is Professor of Creative Industries at the University of Nottingham, UK. He is the author of *Video and DVD Industries* and co-editor of *The Contemporary Hollywood Film Industry*. For the British Film Institute he jointly edits the International Screen Industries series. As part of his service to the international academic community, he founded and now co-chairs the Media Industries Scholarly Interest Group of the Society for Cinema and Media Studies.

William Moner is a Ph.D. student in Media Studies at the University of Texas at Austin and an instructor of Web Design and Interactive Media. He has been teaching interactive media design since 2005, and is teaching Introduction to Digital Media at UT in Fall 2012. His research interests include media production as shaped by participatory media cultures and the implications of copyright enforcement as related to the future of digital media distribution and open systems.

Dr. Elissa Nelson is the Project Lead of the Connected Viewing Initiative at the University of California, Santa Barbara. Her recent projects include a comprehensive content and contextual analysis of teen films of the 1980s, an examination of the increasingly connected structures of the television and music industries, and an in-depth analysis of the Internet Movie Database. She is currently focusing her research on the developing connections between Hollywood and the Internet, genre studies, and youth in film and marketing. She received her B.F.A. and M.A. from New York University and her Ph.D. from the University of Texas at Austin.

Anders Nilsson is a M.A. student at the Department for Cinema Studies, Stockholm University. Since 2002 Nilsson has been working as a professional songwriter/producer, penning songs for boybands, Idol artists, and electronic music acts in Northern America, Europe, and Asia. In 2010 he started his own music publishing company. He is co-author of the coffee table book *USA in 30 Days* (*USA på 30 dagar*).

Christine Olson is pursuing her M.A. in the Department of Communication at the University of Massachusetts-Amherst. She earned her B.A. in Communication and English at Boston College in 2011. As an undergraduate she traced representations of gender through the history of US sitcoms and gender identity discourses in feminist periodicals. These interests in identity and discourse communities extend into Olson's present explorations of fan engagement with media content. Through investigations of fan communities and popular Internet personalities, she studies the affective attachments that individuals develop for the current online media landscape. Olson's other research interests include online activism and media literacy programs.

Dr. Matthew Thomas Payne is Assistant Professor of Telecommunication and Film at the University of Alabama. He earned his Ph.D. in Media Studies from the University of Texas at Austin and holds an M.F.A. in Film and Video Production from Boston University. His research interests include video games and interactive entertainment, convergent media industries, new media literacy, media representations of war, and ethnographic audience research. Payne is a co-editor of *Flow TV: Television in the Age of Media Convergence* and *Joystick Soldiers: The Politics of Play in Military Video Games*, and has work appearing in *Playing the Past: History and Nostalgia in Video Games*, *War Isn't Hell, It's Entertainment*, *The War on Terror and American Popular Culture,* and *The Machinima Reader***.**

Dr. Gregory Steirer is an independent scholar specializing in cultural economics, contemporary media, aesthetic theory, and the entertainment industry. His work has appeared in *The International Journal of Comic Art*, *Women and Performance*, and *ImageText***.** He also manages the blog, Cultural Production, which publishes work on convergence culture, media studies, and the digital humanities. He received his Ph.D. in English and Cinema Studies from the University of Pennsylvania and currently teaches at the New York Film Academy (Los Angeles).

Dr. Sharon Strover is the Philip G. Warner Regents Professor in Communication at the University of Texas at Austin where she teaches communications and telecommunications courses and directs the Telecommunications and Information Policy Institute. Her research investigates the relationship between economic outcomes, policy, and investments in digital media programs; social media; the digital divide; rural broadband deployment; e-government; and market structure and policy issues for international audio-visual industries. She has worked with several international, national, and regional government agencies on telecommunications policy matters and has published books, articles, and chapters on subjects related to technology. She recently stepped down from chairing the Department of Radio-TV-Film in order to work on a national broadband infrastructure program with the federal government in Washington, D.C. Strover received her undergraduate degree from the University of Wisconsin-Madison and her graduate degrees from Stanford University.

Dr. Chuck Tryon is Assistant Professor in the English Department at Fayetteville State University, where his teaching and research has focused on various aspects of film, television, and convergent media. He is the author of *Reinventing Cinema: Movies in the Age of Media Convergence* and the forthcoming book*, On-Demand Culture: Digital Delivery and the Future of Movies,* which explores the role of VOD in changing the post-theatrical market for video content. He has also published essays in *The Journal of Film and Video, Screen, Film Criticism, Jump Cut, Popular Communication*, and *The Essential Science Fiction Reader*. Most recently, he published an article on Redbox for *The Canadian Journal of Film Studies*.

Dr. Ethan Tussey is Assistant Professor of Communication at Georgia State University. His research interests include new media studies, media industry studies, and reception and audience studies. His work examines the relationship between the entertainment industry and the digitally-empowered public. He has written articles on digital media creative workers, online sports viewing, and workplace media usage. While completing his graduate education, he also worked for a variety of sports video departments, including ESPN and UCLA Athletics. Tussey has taught courses on Media Criticism, Film Studies, Viral Video, and Media Industries.

Dr. Patrick Vonderau is Associate Professor and Senior Lecturer in Film Studies at the Department for Media Studies, Stockholm University. He is co-editor of *Moving Data: The iPhone and the Future of Media*, *The YouTube Reader*, and *Films that Work: Industrial Film and the Productivity of Media*. Since 2000 he has co-edited *Montage AV*, Germany's leading media studies journal. He is a co-founder of the European Network for Cinema and Media Studies (NECS) and the Media Industries Network Europe (MINE).

Additional Team Members

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Dr. Kevin Sanson is Manager of the Media Industries Project, where he is in charge of research initiatives, educational resources, and related publications. His research focuses on the shifting role that media production plays in the cultural and economic development strategies of "peripheral" societies. He recently completed an in-depth study of screen media industries in Glasgow, Scotland.

John Vanderhoef is a Research Associate with the Media Industries Project and a Ph.D. student in the Film and Media Studies Department at the University of California, Santa Barbara. His research interests include gender, race, and sexuality across media forms, especially in digital games, gaming culture, and the digital games industry. Other interests of his include issues of cultural hierarchy, creative labor, and power in the media. Additionally, he is an active editorial member of the *Media Fields Journal*.

Richard Hutton is Executive Director of the Carsey-Wolf Center and Adjunct Professor in Film and Media Studies at the University of California, Santa Barbara. He previously held executive and producer positions with Vulcan Inc., Disney, and the Public Broadcasting System (PBS). He has extensive experience with the media, education, museum, and entertainment sectors.

About the Media Industries Project

The Media Industries Project (MIP) is a trusted authority on the study of media globalization, digitization, and creative labor.

By examining the dramatic changes affecting the global media landscape, MIP offers critical insights about the media industries and their publics. Our research and programming foster dialogue between professionals and scholars, encouraging innovative thinking about the prospects of modern media. MIP is an initiative of the Carsey-Wolf Center.

About the Carsey-Wolf Center

The Carsey-Wolf Center supports research, teaching, and public programming about media. The Center aims to foster the creativity, critical skills, historical understanding, and new forms of literacy that students need to be informed citizens in the 21st Century. Engaging industry professionals and policy makers, as well as students and scholars, the Center seeks to increase public understanding of the role of media in society and inform policy debates. It is the institutional home of the Media Industries Project.

About UC Santa Barbara

Part of the world-renowned ten-campus University of California system, the University of California, Santa Barbara has been recognized as a major center for teaching and research. It is an elected member of the Association of American Universities, placing it with Harvard, Stanford and UC Berkeley among the 63 leading research institutions in North America. UC Santa Barbara faculty have won numerous honors, including five Nobel Prizes, Guggenheim fellowships, National Endowment for the Humanities fellowships, Fulbright Fellowships, major book prizes, and memberships in the National Academy of Sciences. Faculty in the humanities and social sciences have national and international reputations for research in global studies, religious studies, and film and media studies. More than half of all graduating seniors report having collaborated with faculty members on original research or creative projects. Demand for admission to UC Santa Barbara is highly competitive, with nearly 60,000 applications for an entering class of 4,000.