

POWERINSIGHT

Tech Savvy and Price Sensitivity

RESIDENTIAL PAY-TO-VIEW STUDY

The J.D. Power and Associates 2011 Residential Pay-to-View StudySM provides the industry with unique insights concerning the attitudes, viewing preferences, behavior patterns, awareness, and experiences of pay-to-view customers of the major home television and video service providers across the United States.

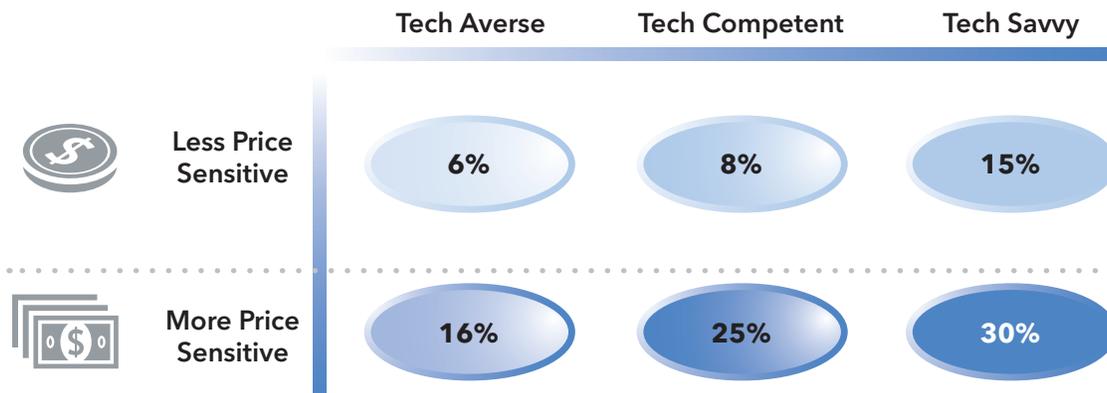
This inaugural study identifies two key factors influencing customers' purchase decisions and usage of pay-to-view movie services: technology and price. The level of customers' technological skill and their sensitivity to price fluctuations also impact their overall experience with video on demand and video streaming. Understanding how these dynamics impact purchase decisions is critical as video service providers expand their content libraries, adjust their pricing and distribution channels, and forge new distribution partnerships.

To understand how customers' technological competence and price sensitivity impact their preferences and user experience, J.D. Power utilized data from the study to develop profiles based on several variables. Technological competence levels were determined based on customers' level of agreement with the following three statements: *I am always one of the first of my friends to try new products or services; Technology has little impact on my daily life; and I am among the first of my friends and colleagues to try new technology products.*

Similarly, customers' price sensitivity was determined by their level of agreement with the following statement: *Price is more important to me than brand names.*

The above classifications were combined to create the following six-cell customer segmentation:

// The level of customers' technological skill and their sensitivity to price fluctuations also impact their overall experience with video on demand and video streaming. //



Source: J.D. Power and Associates 2011 Residential Pay-to-View StudySM

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Additional layers of segmentation overlay generational considerations, offering study subscribers the ability to view the data by generational groups; e.g., Baby Boomers, Generation X, and Generation Y.¹

By customer segment, tech savvy customers represent 45% of the sample; tech competent customers represent 33%; and tech averse customers comprise 22%. Nearly three-fourths (72%) of customers are in the more price sensitive category.

Overall satisfaction with pay-to-view video service providers is 743 on a 1,000-point scale, which is significantly higher than overall satisfaction with television service providers (638).²

Satisfaction with pay-to-view providers among tech savvy/less price sensitive customers is 769. Among customers who are tech competent/price sensitive, satisfaction is 730, compared with 724 among those who are tech averse/price sensitive. Customers who are tech savvy/less price sensitive are more likely to take advantage of product features, high-definition content, and the video exchange methods available to them, which results in higher satisfaction levels.

While generational differences in psychographic profiles are expected, a deeper analysis provides additional insights into those disparities. Gen Y video service customers are 65% more likely to be tech savvy/more price sensitive than are Baby Boomers. The study also finds that Baby Boomers are the least price sensitive among the three generational groups—77% of Gen Y customers are more price sensitive, compared with 73% of Gen X and 69% of Baby Boomer customers.

Understanding where current customers fall in the level of technological competence/price sensitivity matrix is important because it provides insight into their future intentions and spending. For example, access to live television on such mobile devices as smartphones and tablets is significantly more important to Gen Y and Gen X customers, compared with Baby Boomers with the same psychographic profile. Among customers who are tech savvy/less price sensitive, Gen Y and Gen X customers are 55% more likely than Baby Boomers to say the ability to watch live content on their mobile device is “very important.” While tech savvy Baby Boomers may be more likely to be interested in high-definition content and home theatre systems, they are not yet as interested in viewing content on a mobile device. Stay tuned! The 2012 Residential Pay-to-View Study will be released on June 21st.

¹ J.D. Power and Associates defines Baby Boomers as those born 1946-1964; Generation X as born 1965-1976; and Generation Y as born 1977-1994.

² Source: J.D. Power and Associates 2011 Residential Television Service Satisfaction StudySM

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