Executive Summary
Chapter 1  Internet Access

In this Chapter we explore broadband internet access - people's current internet speed, their satisfaction with that speed and their desire for faster speeds; we also explore the "net neutrality" debate.

Our view:

⇒ A significant majority of respondents say that they would like faster broadband, but many consumers (including those with "slow" broadband connections) consider that their existing broadband speed is adequate for the activities they currently undertake on the internet.

⇒ Although we see a case for super-fast broadband in the event of mass market demand for internet-delivered, HD quality streamed video, we suggest this demand is itself dependent on the widespread adoption of the internet as a delivery mechanism to the main TV in the home.

⇒ The "net neutrality" debate which has consumed the US does not translate into the UK market.

Chapter 2  Unmet Demand?

We explore the range of different devices on which people currently access various different types of content and services - social networking, on-demand TV, music services and newspapers; and which devices they wish to use in the future. From this, we draw out some of the business opportunities and challenges in following customers as they move from device to device.

Our view:

⇒ The "connected device" is beginning to drive truly convergent behaviour amongst consumers.

⇒ We see a particular demand amongst Kids for the consumption of social media on TV screens and mobile devices.

⇒ Although certain respondents are keen to consume on-demand TV services on TV screens and mobile devices, many consumers still primarily associate this activity with the home computer.

⇒ The commercial reality of convergence is a chaotic, "divergent" set of business relationships and technical solutions, creating a risk of customer confusion in the short- to medium-term.
Chapter 3  Connected Main Screens

We look at the factors which will lead to the success (or failure) of delivering connectivity and IP-based content to the main screen in people's homes; and what business models it might sustain.

Our view:

→ Project Canvas currently appears to be the focal point for debate about the future of TV – amongst both established television businesses and potential new entrants to the TV market from other media.

→ A key dependency for the success of "over the top" TV services is consumer demand for on-demand TV.

→ Many executives remain convinced that linear consumption will remain the default behaviour for the mass market and, for millions of consumers, increased choice and control over TV viewing is in any event already delivered through a PVR.

→ As the upgrade cycle for consumer electronics devices shortens, "connected televisions" which are not dependent on a separate device for the delivery of online content may prove to be game changing.

Chapter 4  E-book Readers and Smartphones

We look at e-book readers: how successful first generation devices are likely to be and what other devices offer a competitive threat to them; we also explore smartphones and the transformative effect they are beginning to have on consumer behaviour on the move.

Our view:

→ First generation electronic readers are best targeted at the small (but profitable) book-loving demographic which is more concerned by the experience of reading an e-book than by the underlying functionality of these devices.

→ The overall appeal of e-book readers may increase as the underlying technology improves and the price comes down but, for the non-core demographic, more sophisticated devices such as "tablet" computers may ultimately prove more compelling.

→ Smartphones such as the iPhone are changing consumer behaviour. The activities of the iPhone user base make us more optimistic than previously about the future consumption of mobile TV and other rich media services on the third screen.
Chapter 5  Music and Radio

We explore how people consume music and music-based services in their different daily activities and look at the possible impact of future connected devices on this consumption.

Our view:

→ Kids are more enthusiastic than Adults about forms of listening which provide them with increased choice and control. The radio industry fears that this generation is lost to radio forever.

→ Radio is still primarily listened to on dedicated devices. Unless and until connected devices reach the kitchen and the car, the threat of convergence to radio broadcasters is relatively limited.

→ For Kids and the Tech Vanguard in particular, new streaming music services have a significant appeal across a range of devices and are displacing traditional radio.

Chapter 6  Online vs. Offline

We explore the factors that will encourage people to switch from consumption of physical products to digital services and, in particular, the effects of pricing and of the windowing of movies.

Our view:

→ Key drivers for the adoption of online alternatives to physical products such as DVDs are price and ease of access to legitimate online content.

→ The "permanent availability" of online content also offers opportunities to boost sales (and potentially to limit piracy).

→ For movies, established windowing practices inhibit this approach and those who benefit today from those windows will fight to protect their place in the value chain.

→ Amongst Laggards, in particular, demand for online content is likely to be constrained by a continuing desire for a physical artefact.
Chapter 7  How to Make Money

We explore which business models might be successful in a connected world; looking at free, subscription, micropayments and “freemium” services.

Our view:

→ Free content, whether pirate or legitimate, will always operate to constrain the opportunities for paid-for services in any connected environment.

→ The easy availability of payment solutions, especially when integrated into a device or platform, increases consumers' willingness to pay. This is particularly evident in the increased willingness of iPhone users to pay for content of all types.

→ Micropayments present opportunities for a range of content types and even for some types of content (such as catch-up TV) which are currently provided for free. However, these opportunities do not appear to extend to newspapers, with only 19% of Adult respondents indicating any willingness to make micropayments for newspaper articles or columns in any circumstances.

Chapter 8  Search, Recommendation and Personal Data

In a world of infinite choice, we explore how people might be able to find content; the use of search and recommendation tools; and the extent to which they might share data with service providers.

Our view:

→ The "tyranny of choice" created by an infinite supply of content requires solutions that enable consumers to find their content of choice. Search is of value only to the extent that the consumer knows what he/she is looking for.

→ Recommendation engines are likely to offer more effective navigation than search. Consumers will look to "trusted guides" to help them find their way, and are generally willing to share personal information to improve the quality of the recommendations they receive.

→ In the absence of meaningful regulatory protection, the content of smaller players risks getting "lost" in a connected world.
We examine the role of aggregators and gatekeepers in a connected world and how businesses might respond in order either to protect themselves from aggregators taking over their markets or to dilute the existing power of the gatekeepers.

Our view:

➢ Businesses from a range of media sectors identify Google’s online dominance as an actual or potential threat to their businesses, but consumers’ attitudes to Google are overwhelmingly positive.

➢ In sectors which do not yet include a dominant online player, now is the time to develop industry-led solutions which will enable content creators to retain control over distribution to the consumer.

➢ For those sectors where aggregators are already dominant, a delicate balance must be struck between maximising commercial opportunity (even if that means cutting a deal with the aggregator) and nurturing alternative routes to market, whether through innovation or through partnerships with less established players.