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Changing Models:
A Global Perspective
on Paying for
Content Online

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Executive Summary

Will consumers pay for online news and entertainment they now get for free?

Nielsen asked more than 27,000 consumers across 52 countries, and the answer is a definite “maybe.” As expected, the vast majority (85%) prefer that free content remain free. Yet there are opportunities to be found in the details. Indeed, when asked to focus on specific types of content, survey participants are more willing to at least consider paying for particular categories, especially if they have done so before:

- Online content for which consumers are most likely to pay – or have already paid – are those they normally pay for offline, including theatrical movies, music, games and select videos such as current television shows. These tend to be professionally produced at comparatively high costs.
- Consumers are least likely to pay for content that is essentially homegrown online, often by other consumers at fairly lowcost. These include social communities, podcasts, consumer-generated videos and blogs.
- In between are an array of news formats – newspapers, magazines, Internet-only news sources and radio news and talk shows – created by professionals, relatively expensive to produce and, in the case of newspapers and magazines, commonly sold offline. Yet much of their content has basically become a commodity, readily available elsewhere for free.
- As a group, they are ambivalent about whether the quality of online content would suffer if companies could not charge for it – 34% think so while 30% do not; and the remaining 36% have no firm opinion.
- But they are far more united (62%) in their conviction that once they purchase content, it should be theirs to copy or share with whomever they want.

Whatever their preferences, consumers worldwide generally agree online content will have to meet certain criteria before they shell out money to access it:

- Better than three out of every four survey participants (78%) believe if they already subscribe to a newspaper, magazine, radio or television service they should be able to use its online content for free.
- At the same time, 71% of global consumers say online content of any kind will have to be considerably better than what is currently free before they will pay for it.
- Nearly eight out of every ten (79%) would no longer use a website that charges them, presuming they can find the same information at no cost.

Despite growing consensus that the media may only be able to generate appreciable online revenues by charging consumers for content, there is little agreement on just how to do that. Companies are experimenting with a range of payment models, from full service subscriptions to individual transactions, or micropayments. Among those surveyed by Nielsen, about half (52%) favor the latter, albeit micropayments have proved cumbersome to implement in the past. But a more manageable system may be no more enticing. Only 43% say an easy payment method would make them more likely to buy content online.

Regardless of what systems they choose, media companies will almost certainly not abandon advertising; and consumers will doubtless still see ads along with paid content. For the 47% of respondents who are willing to accept more advertising to subsidize free content, that may be tolerable. Yet it will probably not sit well with the 64% who believe that if they must pay for content online, there should be no ads.

Of course, these are not the last words on the subject. It is still early in the process and consumers will have a lot more to say. More importantly, over time they will decide for themselves the value of content online.

Introduction

It is not as if the media's current efforts to charge for content online are the first attempts to get consumers to pay for what has, ostensibly, been free. For half-a-century, American television audiences have steadily migrated from over-the-air broadcasts to cable, satellite and now telephone company subscription services. More recently, millions of satellite radio listeners have followed a similar route. But unlike in the past, this latest endeavor is taking place simultaneously across the entire media landscape; and on a truly global scale.

The New York Times' decision in January to initiate a metered service beginning next year resembles a similar system launched six months earlier by Internet radio company Pandora Media. And there is considerable speculation that Hulu – the video website created by a consortium of U.S. TV networks and studios – will begin charging for episodes of some popular shows. Elsewhere, pay walls are going up around France's national newspaper Le Figaro, Great Britain's Times of London and several papers belonging to German publisher Axel Springer.

To gauge the potential outcome of these and like-minded efforts, Nielsen asked more than 27,000 consumers in 52 countries their opinions on paying for content online. The survey, which was conducted during the Fall of 2009, covers nations in five geographical regions – Asia Pacific, Europe, Middle East/Africa/Pakistan (MEAP), Latin America and North America – and includes respondents of both genders and various ages. Moreover, it measured consumers' willingness to pay for 13 specific types of content, as well as their general attitudes on related issues.

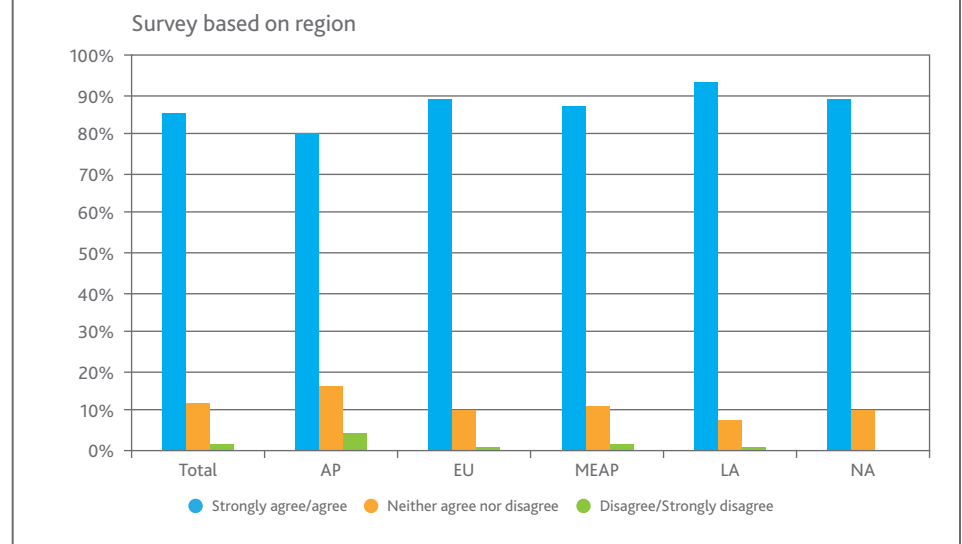
Consumers Prefer Free Content, But ...

Not surprisingly, almost any attempt to generate new revenues from online content faces an uphill battle. Among respondents across all regions, an overwhelming majority (85%) believe that what is presently free online should remain so.

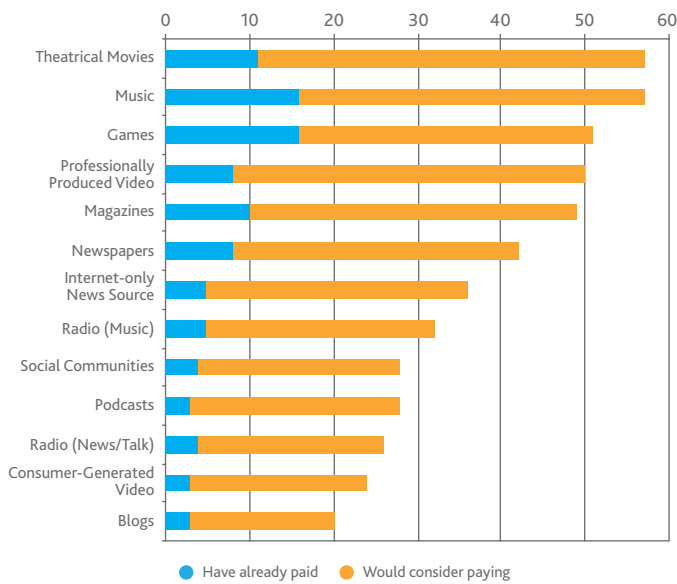
This sentiment is strongest in Latin America, where 91% of those surveyed favor the status quo. But even in Asia Pacific, where support is weakest, 80% of respondents agree. Furthermore, the opinion is shared by better than 85% of men and women in every age group.

When offered a simple choice between free and priced content, most consumers will choose the former. But when asked specifically to consider paying for different content formats, survey participants are more open-minded. Though no single format scores positively above 50%, several show promise. And assuming that those who have already opened their wallets will do so again, the prospects are raised even more.

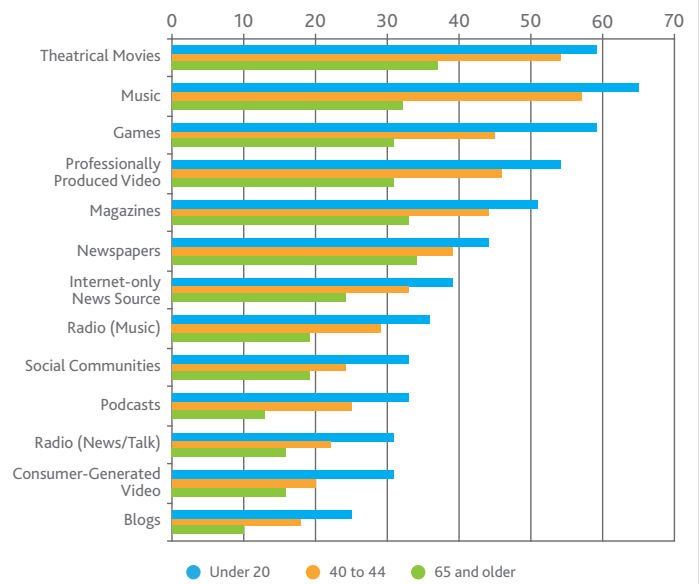
Free content on the Internet should remain free



Percent of consumers who have already paid or would consider paying for:



Source: The Nielsen Company



A Matter of Perspective

Willingness to pay for online content can be measured along a spectrum that may be viewed from a variety of perspectives:

- Professional to amateur quality content
- High to low production costs
- Content that has originated off-line to content indigenous to the Internet

For example, consumers globally are nearly three times more likely to pay for theatrical movies or music online than for blogs.

Differences also exist among regions. With respect to almost every content type, consumers in North America and Europe are least eager to pay. Given that they generally have the longest histories with the Internet, they can be expected to be more attached to the concept of “free” than those in other parts of the world. On the other hand, many respondents in Asia-Pacific, MEAP and Latin America represent an emerging global middle class with increased discretionary income. Historically, as people enter the middle class they are more inclined than other sectors of the population to invest in new technologies.

At the same time, the younger the consumers the more apt they are to have already paid, or be willing to pay, for various types of content. This may seem counterintuitive considering that many so-called “digital natives” know how to end-run pay sites and have done so in the past. But it reflects a realization that they are now in a world where the value of content is platform-agnostic; and video consumed online may be no less valuable than watched on television.



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Willingness to Pay for Content – The Top Tier

Online content most likely to be purchased is professionally produced at relatively high cost. What is more, these top tier formats have traditionally existed on other platforms. As such, global consumers are most willing (46%) to pay for Theatrical Movies; though only 11% actually have.

The percentages are even higher in Latin America and Asia Pacific, where more than six in ten consumers express such willingness. Yet theatrical movies is one of only two categories for which respondents across MEAP nations are least inclined (38%) and most resistant (51%) to pay.

The other is Music, which has the highest share of respondents who have previously paid for the content (16%), including double digit percentages for every age group under 60. Indeed, with some of the most evolved monetization models to date, the recorded music industry already generates more than a quarter of its worldwide revenues from digital channels such as download stores and other subscription and streaming services.¹

Music also registers positively with 41% of all participants with respect to possible purchases. But as they were with movies, consumers in MEAP nations are most resistant (53%) to the idea. Interestingly, North Americans are second to MEAP consumers in terms of not wanting to pay for music (48%), but score highest (20%) among those who already have.

The same, however, cannot be said for Radio Music, which does not actually reside in the top tier. Though radio stations in nearly all of the nations surveyed by Nielsen provide access online, barely 5% of consumers worldwide have paid to listen, and just 27% would consider it.

Here, the challenge is less a perception about professionalism or production value than the result of a deeply embedded economic model. Most consumers around the world are accustomed only to free, ad-supported radio, as opposed to a relatively small population of satellite subscribers.

Willingness to Pay for Content – The Top Tier

To what extent are you willing to pay for the following sources of online content:

Theatrical Movies						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	11%	13%	9%	11%	12%	9%
Would consider	46%	48%	43%	38%	52%	43%
Will not pay	43%	38%	49%	51%	36%	48%
Music						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	16%	15%	15%	14%	17%	20%
Would consider	41%	46%	40%	33%	44%	32%
Will not pay	43%	39%	45%	53%	38%	48%
Radio (Music)*						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	5%	6%	5%	6%	7%	3%
Would consider	27%	33%	21%	24%	33%	20%
Will not pay	67%	61%	74%	69%	60%	76%
Games						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	16%	18%	13%	16%	15%	15%
Would consider	35%	39%	31%	38%	37%	32%
Will not pay	49%	43%	56%	47%	47%	54%
Professionally Produced Video (including current TV shows)						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	8%	11%	6%	11%	9%	5%
Would consider	42%	47%	37%	43%	51%	34%
Will not pay	50%	42%	57%	46%	40%	61%

* Not a top tier content type, despite being professionally produced at a high level of quality and cost.
Source: The Nielsen Company

Games, on the other hand, are certainly universal, and globally 16% of consumers have paid for video games online. Another 35% say they would be willing to buy online games, with those in Asia Pacific (39%), MEAP (38%) and Latin America (37%) scoring above the worldwide average. Additionally, while 40% of respondents ages 21-24 and 30-34 are most likely to pay for games, one in four participants over 50 would consider doing so, too.

But it is growth of video online that will continue to be a hot topic in 2010, as programmers look beyond its promotional value and increasingly see the Internet as a primary distribution platform for professional content.

Currently, eight percent of online consumers have paid for Professionally Produced Video; and another 42% look favorably on the idea. But once again, Asia Pacific (11%/47%), MEAP (11%/43%) and Latin America (9%/51%) outscore the global average. Among all age groups, 40% would consider paying for video of this quality.

¹ International Federation of the Phonographic Industry

Nonetheless, traditional forms of television viewing remain popular. Worldwide, TV consumption throughout 2008 averaged two hours, 48 minutes a day; while in the U.S. viewers watched an average of 151 hours a month during last year's final quarter. Looking ahead, the next generation of television technology will enable universal access across platforms as diverse as Internet-TVs, mobile devices and video game consoles. Hence, recent initiatives by some U.S. cable companies to make their television shows available to subscribers for free on other screens.

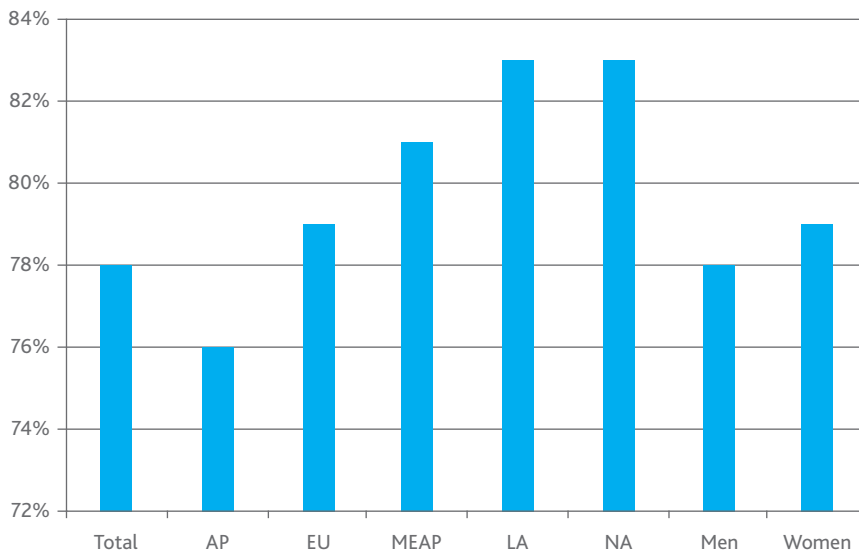
Who Should Pay, and for What?

Efforts such as these should find support among the more than three-quarters (78%) of all survey participants who believe that if they already subscribe to a newspaper, magazine, radio or television service they should be able to access its online content for free. At 83%, consumers in North and Latin Americas are most agreeable. Both men and women (78% and 79%) also agree, as do more than 75% of all age groups.

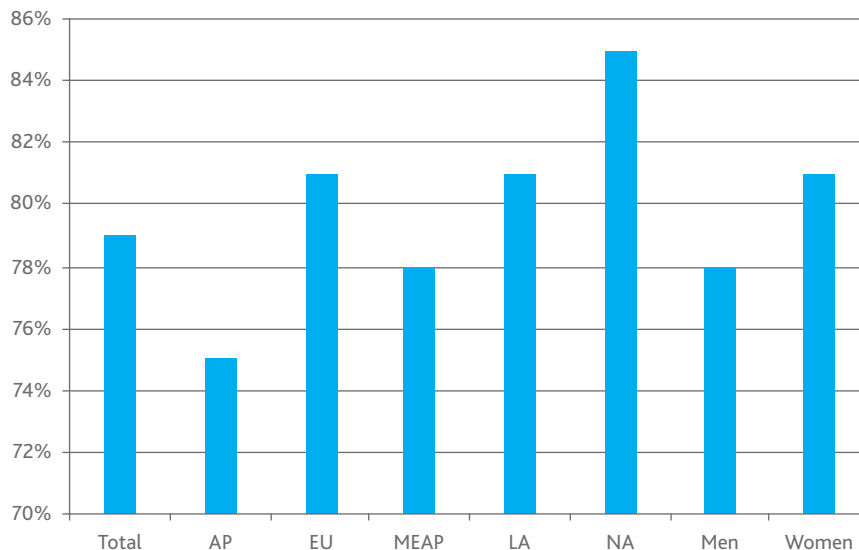
Even so, 71% of respondents in all regions believe online content of any kind will have to be significantly better than what is currently available before they pay for it. This may account for why consumers are less willing to purchase news online than other forms of high quality material. Though professionally produced, and often at great cost, much of what resides on many news sites has effectively become a commodity.

Should the majority of news sources put most, if not all, of their online content behind pay walls, 79% of respondents say they would no longer go to their websites, taking it for granted they can find the same information elsewhere at no cost.

If I already subscribe to a newspaper, magazine, radio or television service, I should be able to use its content for free



I will stop using a web site if I have to pay for the content because I can find the same information on a free site





Willingness to Pay for Content – News Sources

Consequently, only about one-third (34%) of those surveyed entertains the notion of paying for newspaper content. Support is strongest in Latin America (40%), Asia Pacific (36%) and MEAP (35%) – parts of the world where print circulations are actually still growing. These regions also score highest among respondents already paying for access to newspaper websites. In addition, consumers under the age of 35, who are generally perceived as shunning conventional newspapers, are more willing to pay for them online than their elders.

Magazines do slightly better than newspapers, with 39% of respondents expressing their willingness to pay online. On average, over 40% of consumers under age 40 also would consider paying for online versions of periodicals. Here too, Asia Pacific (12%), Latin America (13%) and MEAP (14%) are regions where the highest percentages of respondents are already paying for content.

With respect to online-only news sources, a smaller percentage of consumers (31%) would consider paying for them than for either web-based newspapers or magazines. This is the case across all regions, both genders and almost all age groups. Still, it is a higher percentage than among respondents willing to pay (22%) for Radio News or Talk online.

The Value of News – News Sources

To what extent are you willing to pay for the following sources of online content:

Newspapers						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	8%	10%	6%	13%	12%	6%
Would consider	34%	36%	32%	35%	40%	27%
Will not pay	58%	54%	62%	52%	48%	66%
Magazines						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	10%	12%	7%	14%	13%	6%
Would consider	39%	44%	35%	40%	44%	31%
Will not pay	52%	44%	58%	46%	43%	63%
Internet-only News						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	5%	7%	4%	9%	6%	2%
Would consider	31%	37%	28%	33%	37%	22%
Will not pay	63%	56%	68%	57%	56%	76%
Radio (News/Talk)						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	4%	5%	3%	7%	4%	3%
Would consider	22%	29%	17%	25%	30%	13%
Will not pay	73%	66%	80%	68%	66%	84%

Source: The Nielsen Company

Payment Models

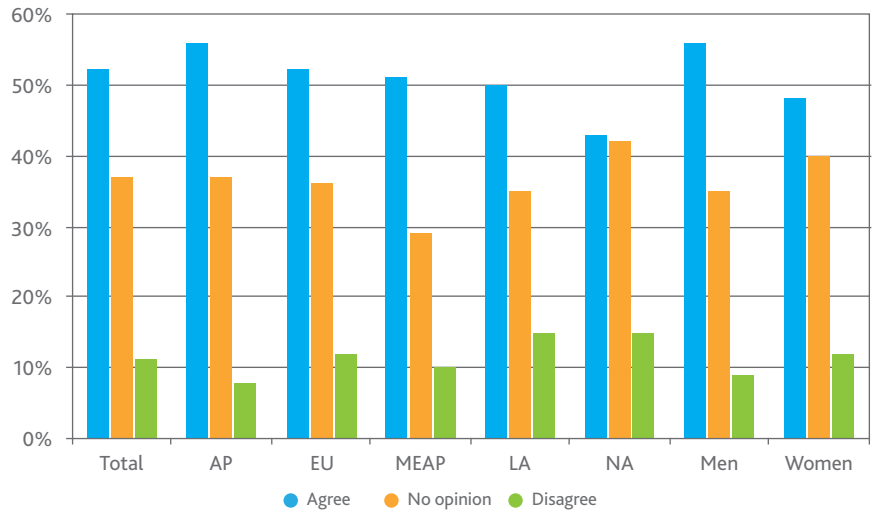
Even as more news organizations gravitate toward charging their readers, they must also determine the most effective means to do so. Two of the more successful ventures to date are from The Financial Times – which uses a metered system and saw its digital revenues grow 30% in 2009 – and The Wall Street Journal, which offers multiple subscription options.

Yet slightly more than half (52%) of survey participants prefer using some form of micropayments to buy specific content rather than to subscribe to an entire website. This preference is most robust in MEAP (61%) and lightest in North America (42%).

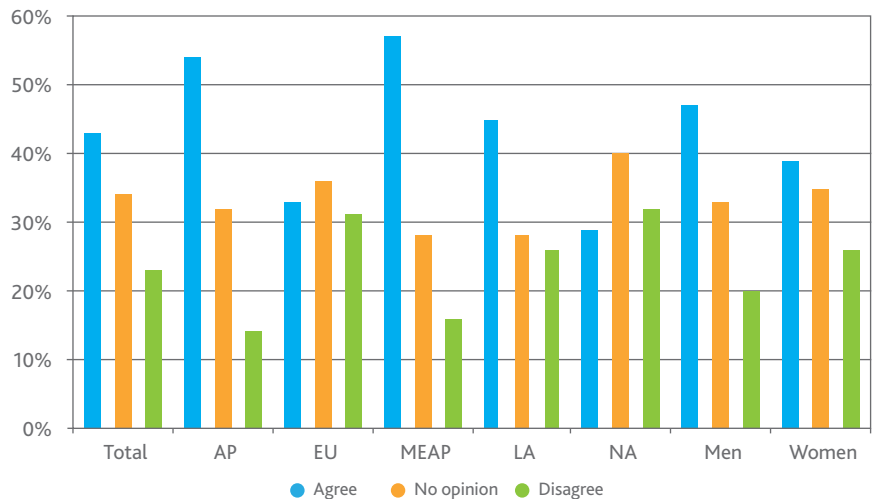
How much a payment system might cost consumers appears to trump how easy it is to use. Globally, only 43% say an easy payment system would make them more likely to buy content online. Respondents in Asia Pacific (54%) and MEAP nations (57%) find the option more appealing than their counterparts in North America (28%). Ease of use is a greater incentive for men (47%) than women (39%), as well as for those under 30 (50%) as opposed to just 31% of those 50 and older.



I would rather pay for individual pieces of content (micropayments) instead of subscribing to an entire web site



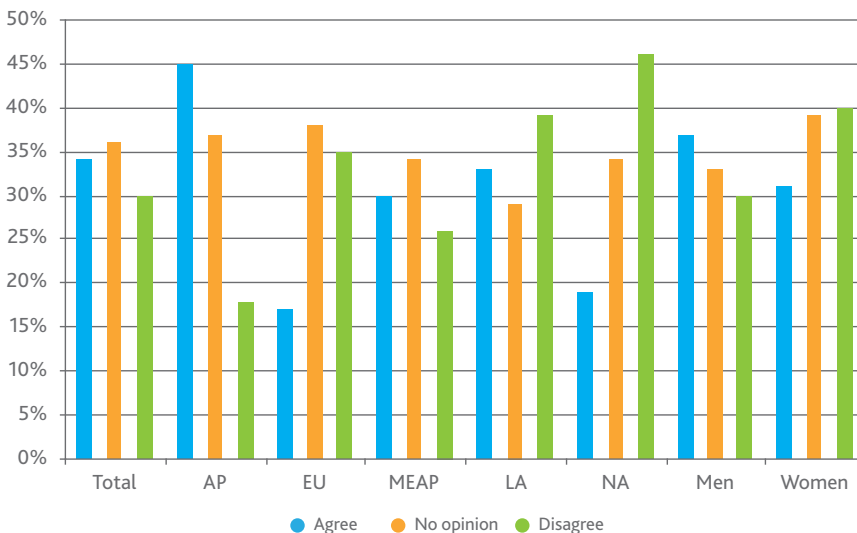
I am willing to pay for content on the Internet if the payment system is easy to use



One of the most compelling arguments for payment systems being made by publishers – as well as by content producers and distributors in general – is that free content undermines the ability to produce quality. But consumers around the world are fairly evenly split about whether the quality of online content would really suffer if companies could not charge for it. While 34% believe it would, 30% do not, and the remaining 36% have no firm opinion. In fact, the latter comprise the largest group of respondents in all regions.

There is considerably more accord around the rights that should come with payment. Nearly two-thirds (62%) believe that if they buy content online, they are entitled to copy and share it with others. That attitude is consistent across all regions and age groups.

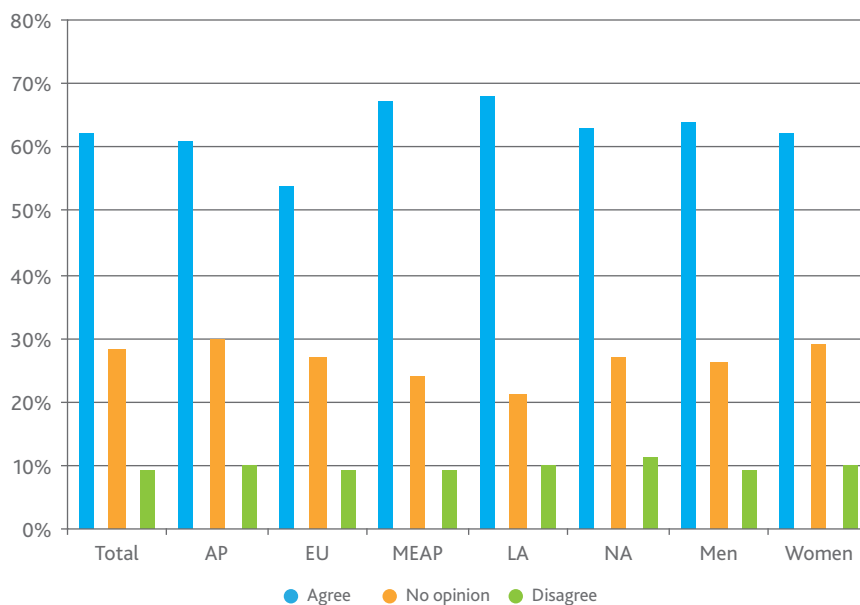
The quality of content on the Internet will decline unless companies can charge for it



Willingness to Pay for Content– Social Media

There is no question the appeal of sharing information online keeps growing. During the past three years, for example, global² traffic to social networking sites like Facebook and Twitter has steadily increased – up 82% in 2009 alone. But while Internet communities are among the oldest forms of paid content – tracing their roots back to the thousands of moderated forums on Compuserve and America Online's multiple chat rooms – this newest breed has yet to convert many members into willing patrons. In fact, less than one in four consumers would consider paying to belong to a social community, and only 4% currently do so.

If I pay for content online, I should have the right to copy it and share it with others



² U.S., U.K., Australia, Brazil, Japan, Switzerland, Germany, France, Spain and Italy

Peer-to-Peer Content – Social Media

To what extent are you willing to pay for the following sources of online content:

Social Communities						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	4%	6%	4%	8%	4%	1%
Would consider	24%	30%	18%	31%	27%	14%
Will not pay	72%	64%	78%	62%	70%	84%
Podcasts						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	3%	4%	3%	6%	2%	3%
Would consider	25%	30%	20%	31%	29%	18%
Will not pay	72%	66%	77%	62%	69%	79%
Consumer-Generated Video						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	3%	4%	3%	6%	3%	2%
Would consider	21%	27%	16%	26%	25%	13%
Will not pay	75%	69%	82%	68%	72%	85%
Blogs						
	Total	AP	EU	MEAP	LA	NA
Have already paid for	3%	5%	2%	5%	2%	1%
Would consider	17%	22%	13%	24%	19%	10%
Will not pay	80%	73%	85%	71%	78%	89%

Source: The Nielsen Company

Podcasts engender about the same level of support (25%); and only 21% of global consumers, would spend money on the types of consumer-generated videos that populate sites like YouTube – while more than 70% of all age groups would not. Willingness to pay for such videos varies considerably by region, with Asia Pacific Internet users twice as likely to pay as North Americans. Accordingly, YouTube is reportedly negotiating with some U.S. studios for pay-per-view streaming rights to films and television shows.

But of all content categories, blogs appear the least likely to generate revenues from direct payments, with 80% of all respondents saying they would not pay. Across all age groups, resistance ranged from 74% for ages 21-29 to 90% among those older than 60.

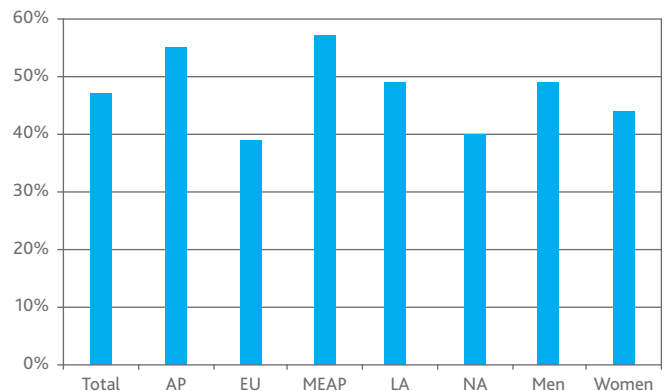
Advertising is Still Relevant

The urgency surrounding monetizing online content is largely born of the realization that advertising alone may not carry most media companies on the Internet. True, sundry web-based firms remain focused on exploiting advertising models. In the U.S., for example, the newly independent AOL is rolling out a high-tech system for mass producing web media content optimized for search and display advertising across platforms like Facebook, YouTube and Twitter.

And Chinese search engine Baidu.com recently announced it will open a separate company that offers ad-supported videos, including movies, TV series and sporting events. But industry consensus is that the future will be a combination of advertising and direct payments, not unlike cable television and satellite radio.

To that point, global consumers are of mixed minds. When asked if they are willing to accept more advertising to subsidize the cost of online content, 47% are open to the idea. Respondents from MEAP markets (57%) and Asia Pacific (55%) are the most agreeable, while North American consumers are the least (40%). There is also a clear relationship between age and the willingness to accept more advertising, as support drops from 54% among Internet users ages of 21-24, to just 36% of respondents 65 and older.

I am willing to accept more advertising on the Internet in the future to support the cost of content



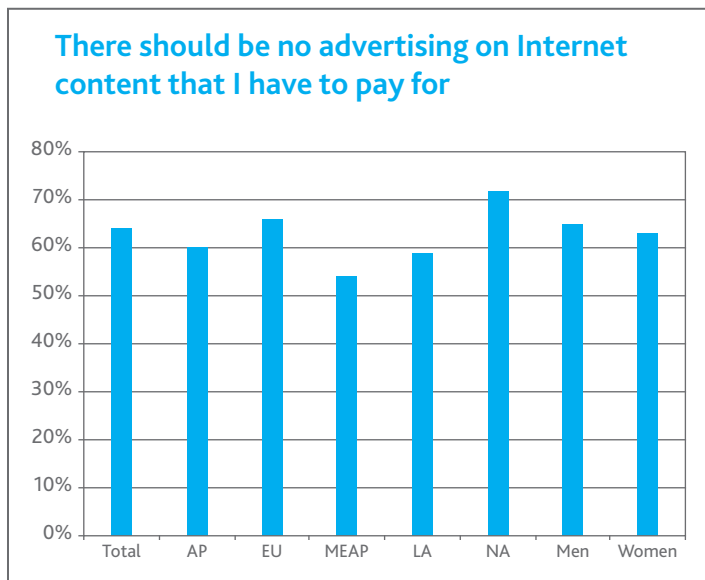
For many other consumers, however, advertising and pay models are mutually exclusive. Sixty four percent agree that if they must pay for content online, it should have no ads. Over half of respondents across all regions concur, along with more than 64% of all age groups.

A Work in Progress

In light of the relative handful of actual attempts so far to bill for content online – and even fewer bona fide successes – the issue remains principally the subject of speculation and debate. Momentum is evidently behind such a drive, particularly as more news outlets get on board. Yet they do so in the face of strong headwinds.

At this point, no one can say for sure how deeply embedded the free-information ideology is among consumers. As noted earlier, it is presumably strongest in developed countries with the largest populations of online veterans. But those also tend to be regions where economies have been slow to rebound. So it is unclear how, even if they accept the inevitability of having to pay for online content, consumers will deal with a flood of new charges.

The war for consumer time, attention and money may also be overwhelming, as countless companies conditioned to competing only locally and within specific media will have to battle in a multi-platform, global arena. Plus, the increasing popularity of smart phones with their myriad apps, and the introduction of new technologies such as Apple's iPad, will surely prolong the polemic.



About The Nielsen Company

The Nielsen Company is a global information and media company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and business publications. The privately held company is active in approximately 100 countries, with headquarters in New York, USA.

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