

Consumers Call VOD 'Last Resort,' Prefer Free, Ad-Supported Options

by Erik Sass, Tuesday, Feb 21, 2006 7:00 AM EST

FOR ALL THE HYPE SURROUNDING video-on-demand TV services, usage remains low, it's getting few new subscribers, and people who do sign up tend to view it as a "last resort for television." Those are the main conclusions of "Video on Demand: Attitudes and Opportunities," a new report from consumer researcher E-Poll. What's wrong? and what has to change for VOD to succeed?

Above all, consumers say VOD should be offered free, which may be good news for advertisers, indicating that advertising may be a more viable alternative to pay-per-view and subscription-based pricing models. "There are a couple forces that are driving advertising for VOD," advises Gerry Philpott, E-Poll's president and CEO. "For cable to be competitive [other TV service providers] they'll have to offer a fair amount of free programming on demand."

Consumers appear to be even more amenable to receiving targeted advertising as part of free VOD deals.

"Many of the cable operators can provide really precise targeted advertising," Philpott went on. For example, "Comcast is able to offer targeted advertising based on certain regions."

According to E-Poll's report, based on a study of 2,109 TV watchers, VOD's chief appeal is that it allows users to watch feature-length movies at more convenient times. Regular television programming simply doesn't make the cut for most users, the report goes on, noting that VOD is not most viewers' "first stop" after turning on their TVs--in contrast to the interactive program guide (IPG), which is viewed as an invaluable "go-to."

This is due in large part to the fact that more than three-quarters of the consumers surveyed reject the idea of paying for content--period. VoD especially suffers in comparison to digital video recorders, where for a flat subscription fee, users can not only choose content, but enjoy VCR-like functions such as pause, fast-forward, and rewind. In this context, the idea of paying for VOD offerings--which are only available at fixed times and in fixed format--is especially objectionable.

Even worse, according to E-Poll's breakdown of the survey, a sizable number of those surveyed said VOD's content was in some way sub-par. And this number actually increased among people who had used VOD, with 18 percent saying they can't find anything they want to watch and another 18 percent saying not enough programs were available. Meanwhile, 22 percent said they "already have enough programs available," and 24 percent said they saw no reason to pay for content they could get for free "in a few months" (it's important to note that many of these figures overlap).

Not surprisingly, when asked which pricing model they would prefer for an ideal VOD service, more than 75 percent of respondents opted for "free"--meaning no monthly subscription fee and no per-show fee. And there's some good news for advertisers: the same proportion of respondents said they would accept a 60-second pre-roll commercial if it meant VOD were free. What's more, 83 percent said they would accept a 60-second commercial "for a product they are interested in"--holding out the promise of targeted TV advertising that could compete with targeted Internet ads.