WHAT WILL THEY PAY FOR?

THE MIND OF THE MODERN SUBSCRIBER

A new exclusive study into Subscriber Motivations featuring consumer data from PCH Consumer Insights with narrative analysis from Evan Shapiro

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Most Americans would prefer not to pay for content. When you start with that premise, media's current twister game in streaming is substantially more understandable.

Yes, most Americans currently DO pay for some sort of content or another – Pay TV, streaming subscriptions, audio subscriptions, movie tickets, news subscriptions. However, the number of different things they are now asked to pay for has skyrocketed; while the interoperability of those subscription-based walled entertainment gardens has made consuming all that content a massive social experiment in choice paralysis. This is why SVOD peaked in 1Q 2022. This is why subscriber growth on Spotify has flattened. This is why TV's great disruptor, Netflix, now finds itself disrupted.

It is not binary. We know nothing beats free. Yet we also know that people will pay, at the right price, for the right stuff. With digital subscriptions, however, "paying" is a temporary state of mind. It is easier to cancel an entertainment subscription now than it ever was with Pay TV or the Columbia Records Club. We also know, thanks in large part to Meta, that one cannot live on ad impressions alone.

> **In a world of infinite media choice, the big question is:**
> **What will people pay for? Who will pay for what?**
> **What will keep subscribers subscribed?**

Recently, I approached my partners at Publishers Clearing House (PCH Consumer Insights) to survey Americans on their willingness to pay for various genres of media.

PCH Consumer Insight's ability to immediately assemble a panel of consumers from their community of 22 million active registered members, across 14 thousand individual audience attributes made our project simple and exciting; and our results accurate and actionable.

We asked 15,000 Americans about their interest in paying for content and which content they'd be willing to buy. The results (email [here]() for full results) offer a window into the mind of the modern subscriber…

After the age of 18, the younger a consumer is, the more likely they are to pay for content. While this data does not account for password or family sharing of media accounts, it does show that **adults 18-34 are the most likely of all entertainment consumers to choose to pay for content.**

This may feel counter-intuitive (younger people tend to have less income, there are undoubtedly students in this group). But then consider that Spotify, Apple Music and Amazon Music have approximately 300 million paying subscribers combined; and gaming is now the largest segment of the media economy, with $200 billion in sales in 2021. Aging consumers are less likely to pay. This is likely due in some part (for many Americans) to a decline in earnings after the age of 60; it also has to do with plain old muscle memory. Many of us over 55 remember when water, Radio, and TV were ALL free.

With about 2/3 of American consumers under the age of 45 willing to pay for media, it's clear that "you get what you pay for" has been successfully engrained into the minds and hearts of America's most important long-term consumers. This acceptance of content toll bridges crosses economic lines as well...

Regardless of age, however, the more money you make, the higher the likelihood that you are willing to pay.

Even though the majority of consumers in homes that earn less $75K per year would prefer not to pay for media, 48% in homes with less than $35K HHI and 49% in homes with $35-74K HHI are willing to pay. America's median household income is $79,900. Interestingly, that seems also to be the tipping point for a household's willingness to pay for content. Over $75K, the data flips: The majority of higher income consumers are willing to pay, and as you go past HHI of $150K, that majority grows.

So, most consumers under 55 and over $75K HHI are willing to pay for their media. Question is, what are they willing to pay FOR?

No surprise: Movies and scripted TV series top the list of content people will pay for – across all ages and incomes.

Key Takeaway: Movies and scripted TV are no longer differentiators for premium streamers.

Every service has them, a lot of them, and all are at relatively and equally high quality. Docu-series are also desired among subscribing consumers – although given the raft of true crime and other docus in the ecosystem, I truly thought this number would be higher. But again, there aren't any major services without docu and reality programming. Having it only puts you in the Squid Game, it guarantees you no safety.

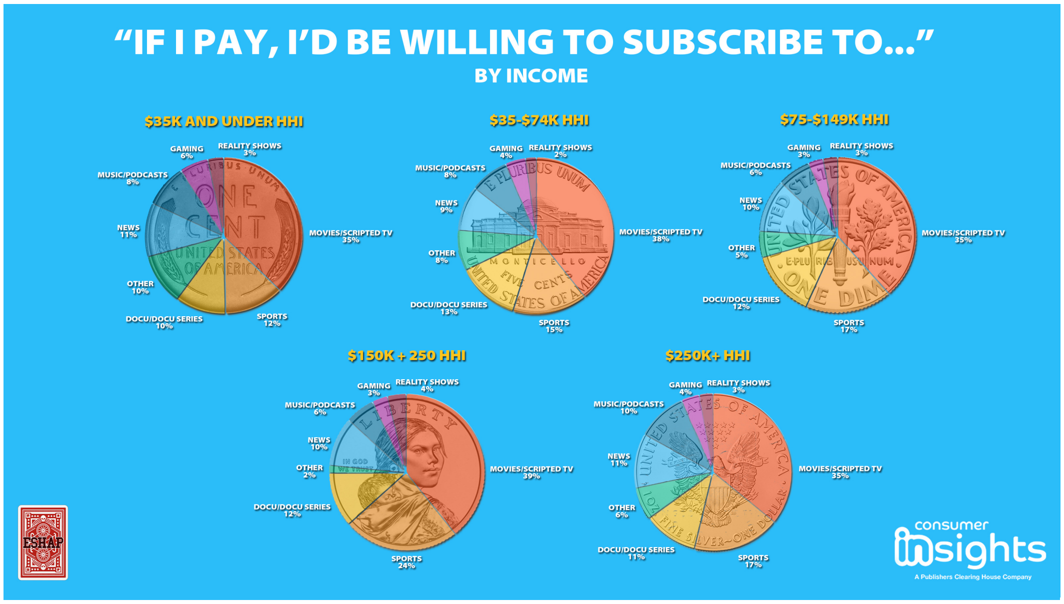
A key finding in the data is how important Sports and Audio are to paying subs: Both higher than any other single genre, other than scripted and movies. And keep an eye on "Other." It is significant.

When you dig into the demos and incomes, the story gets richer and interesting-er.

Among adults **18-34, willingness to pay for gaming is more than 2X the gen pop; and 50% higher for audio subscriptions.** Yet their interest in paying for sports halves the norm. Among consumers 35-44, Sports remains of equal interest as all adults; but Gaming and Audio index much higher.

Interest in audio and sports subscriptions remain high among A45-54, with desire to pay for gaming diminishing as people age. What will be interesting to watch is whether this is an issue of age or generation: Will the willingness to pay to games decrease as they age; will the generations raised on gaming continue to want to pay for gaming in their golden years: or will they "grow out of it?"

When you break it down by income, the results are even more complex.



The willingness to pay for sports is clearly generational, and not based on income, with every single income group indexing as high as the gen pop.

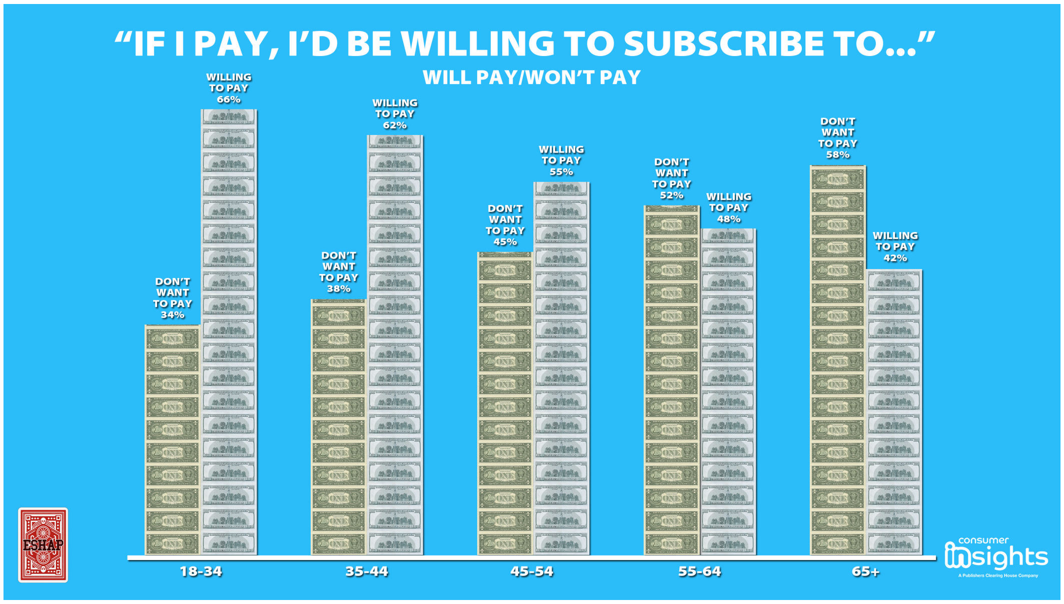
And, as incomes increase, the interest in paying for sports content increases, dramatically. Those most willing to pay for any content ($75K+) over-index on paying for sports – from 40% higher than the norm to 200%.

When you look at Apple and Amazon's major sports moves, Disney's doubling down on sport and the launch of Bally Sports+, you can see clearly where they think the money is. When it comes to Netflix's and other platforms' lack of sports, you can see where their problems lie.

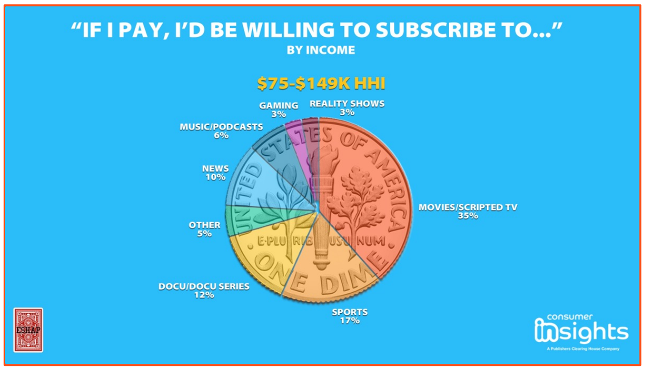
Urgent programming like Sports not only enhances the subscriber experience, it heightens the value of your advertising environment as well. 17 weeks of the NFL or 3 months of baseball offers live concurrent viewing, among highly engaged audiences. This makes lower priced ad-supplemented tiers more attractive for both revenue streams: subscribers and marketers. Paramount+, Peacock, HBOMax, Amazon, Apple, Disney and many others have figured this out.

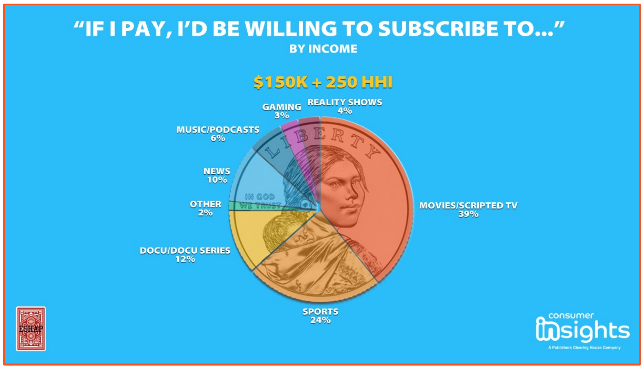
The most interesting aspects of the the modern subscriber's mind are revealed when you zoom out.

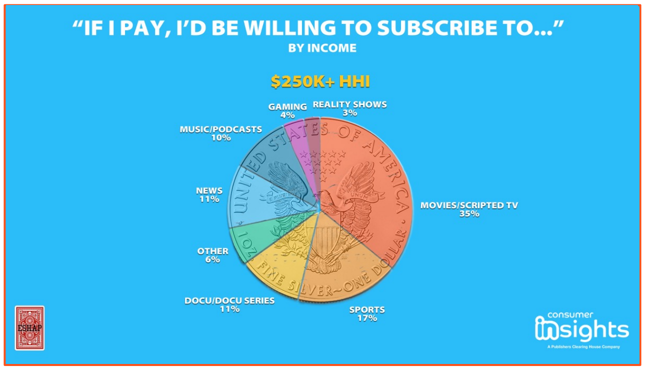
Most consumers with HHIs under $75K do not want to pay for most content. Most people over $75K HHI are ok with paying for a lot of different content. This BEGS for the tiering system that nearly all SVOD platforms have moved towards and is clearly a driving force behind Netflix's churn increase. As Netflix has raised prices – especially without expanding their content offerings or creating a less expensive ad supported tier – the most cost-conscious consumers left; HHs on the lower end of the income scale, and/or consumers over a certain age.



And when we look at what consumers who are most-likely to subscribe will pay for…







It is glaringly clear is that having movies and TV shows are now, simply, table stakes. They are not at all a differentiator: Every service has them. In streaming TV, scripted and non-fiction TV are an expensive, hit-driven, share-shift model. Consumers of all ages and incomes will sign up for them, to binge something. But if that is ALL you have, they will not stick around.

However, when you look at a package of films and TV, WITH music/audio, gaming, news, sports, or the elusive "Other" (we told you to keep an eye on it); staying with a paid service becomes more attractive – because it is also more convenient.

Apple and Amazon both offer films, TV, sports, audio and gaming. Amazon offers free home delivery; and that specific "Other" is a key to the lifetime value, low churn and high revenue per user of their huge Prime membership. Disney+ only has movies and TV. But their Disney Bundle offers sports, news, and even local content. This is why their bundle churn is now lower than Netflix's, and how they surpassed Netflix for subscribers worldwide. Paramount+ offers TV, film, sports, news and local content; and they recently created a bundle with Walmart, a very significant "other," that specifically caters to the most price sensitive of subscribers.

As in every era of consumerism, the more products you sell to a home, the more loyal they become – in large parts out of habit and convenience. Look at the charts above as a shopping list. The more products platforms can offer each household they serve, with or without ads, and at various prices, the longer those platforms can count on keeping those subscribers, and those viewers.

Offering just TV and Film won't cut it anymore. Nor will providing only audio or gaming.

It's no surprise that the two streaming players with the most data – Apple and Amazon – are both heavily invested in bundling numerous genres of services. It makes perfect sense that Microsoft, who already offers gaming and productivity products is getting into business with Netflix – and the likelihood of a bundle for all of them is high.

The cable bundle and Triple Play both got dismantled by streaming. But it didn't replace it. The closest anything has come to replacing the OG bundle is Amazon Prime – a package of Film, TV, audio, now sports – and a whole lot of "Other."

While there is ample data on consumer behavior, there is not enough actionable insight on consumers' true motivations. We asked Real Americans what they would pay for, beyond the spectrum of any one current genre offering, and outside the context of any specific brand names. They told us, in relatively clear terms.

Bundles of content and services, with flexible pricing, will satisfy more paying consumers, from more walks of life, longer, than any one form of media or service can by itself. Increasingly, media services will be expected to cross all these genres AND provide their customers a tangible "Other" as well.

Thanks so much to PCH Consumer Insights and Smriti Sharma, Head of PCH Consumer Insights for their wonderful collaboration on this research project. They've built a first-rate insights machine on the foundation of a huge and highly engaged community. For more information, or more detailed cuts on the data, please reach out to PCH Consumer Insights at this link.

- EVAN SHAPIRO

THANK YOU

FOR THE COMPLETE *MIND OF THE MODERN SUBSCRIBER* STUDY, OR FOR MORE INFORMATION ABOUT PCH CONSUMER INSIGHTS:

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