



Qualitative Research
Report of Findings to Communicorp – DTT Multiplex
Sky Subscribers Focus Group
Conducted April 17th and 18th 2008
Prepared by focusgroupsonline.ie
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Introduction

The following report sets out the key findings from one focus group conducted online across two days April 17th/18th 2008. It is structured in 3 main areas defined under Key Market Drivers for Television Subscription Services.

These are Service, Channel Choice and Value/ Pricing.

Service

Many participants had personal experience of Chorus NTL. Poor service experiences, for both transmission and customer service drove many existing Sky Subscribers away from Chorus NTL.

“Watching the British Open and Tiger Woods about to take an important shot then....blank screen. Irish Multichannel/Chorus were living up to their reputation as being the worst TV provider. Then decided to take the plunge with Sky. Down here in the mid-west we didn't have any other choices. RTE via Analogue/Chorus or Sky were the choices we had.”

Clare Male 41

Permission to Compete requires Technological Services

The market has become more sophisticated in recent years and Sky subscribers expect and place significant importance on the added services that are available now. For permission to compete against Sky, some minimum technological service offerings will likely be required from a new entrant. The Sky plus 1 service, Red Button and digital recording came in for particular mention.

The internet is impacting on consumer expectations in an increasingly powerful way and setting higher expectations for their tv viewing experience.

Greater flexibility to watch what they want when they want is being driven by Internet behaviour and their experience of Sky.

“Sky Plus and the red button are important. HD is brilliant for sport and nature but too dear for the number of channels available on HD.

If I switched I could not do without the feature for Pre-Recording.” **Kildare Male 56**

“The entertainment value. I have Sky+HD and am really impressed with the incredible pictures on my HDTV.” **Clare Male 41**

“I also like that you can schedule your program and it comes on automatically if you forget that you wanted to see something. I like the fact you have program schedules on the tv that you don't have to go hunting for a magazine.” **Cork Female 56**

“I watch a lot of news programmes and enjoy the red button facility that sky has. I don't have a sky plus box but intend to get one , but any hard drive recordable facility would be very useful as long as you can record a couple of programmes at the same time.”

Kildare Male 43

“I currently have Sky box + and I think it is great being able to record and rewind live TV. It ensures you do not miss any of your favorite program even when you are away from the TV. I do not think I can do without that now.

I'm a recent convert to SKY so I'm just getting used to SKY+ but it is very handy so a competitor would have to offer something similar or a better choice at half the price I currently pay. I might be able to live without it then.” **Non-National Male 36**

Channel Choice

There was wide recognition of the many channels they have that they don't watch. Tele-Shopping, Religious, Foreign Language and Channels repeating old programmes came in for particular mention as having no interest or value for many.

However despite this they equally value the wide choice available to them and the specialist programmes that meet their unique viewing needs. This presents a substantial challenge to a new entrant targeting Sky subscribers.

"I'm a big fan of choice so the more channels I have (assuming no extra cost) the more chance there will be something on when I get time to watch " **Wicklow Female 31**

"I like having a lot of channels so there is always something for the mood I am in. Also I love having the tv guide built into the system (information and programming). I like being able to see what is on next on the system" **Dublin Female 27**

"The main thing I like about my service is that no mater what time of day you come in you will always find something on to watch, as a lot of the channels have a plus 1 channel so if you missed a favourite show you get it a hour later. In 6 years our service has never gone down. And with my service I can set it to record a show anytime and watch it whenever I want."

Dublin Male 41

"The quality of image, the choice of programming even though I know I watch very little of what's available , the fact that (there is) so much is available is still amazing to me"

Kildare Male 43

"(I like) The huge variety and quality of the service ranging from superb to the downright awful." **Clare Male 41**

"I also like the plus one channels. It's just you have so much choice & there is usually something for everyone's interests on one of the channels. I also like the TV guide on the screen." **Galway Female 35**

"The ease with which new channels appear on the Sky network especially the free-to-air channels. The vast number on channels on Sky all amaze me." **Non-National Male 36**

Special Interest Programming Attract and Retain Subscribers

Sky subscribers cherish a wide range of channels dependent on their unique interests and life stage. These can range from areas such as food, sport, kids, to ethnic and hence present a challenge to a new provider targeting this variety of eclectic tastes.

“... The specialisation of channels makes it easier to find programmes you are interested in.”

Cork Male 37

“With 3 young kids the Disney Channels are a welcome relief and there would be an all out strike if these were removed! For the adults the Discovery Channels/Movie Channels, E4 and when Munster are on the rampage the Sports channels.”

Clare Male 41

“The food channel I sometimes watch for 2 to 3 hours a day. They (Sky) have some great cooking shows that are not on any other (provider) and I would really miss this if it was gone.”

Dublin

Male 41

“sky news; well that’s obvious, I love the choice of topic under the red button”

Kildare Male 43

“The main considerations (for choosing) the provider that would deliver some African channels like AIT, Nollywood Movies, Movistar, BEN, and others which only Sky seem to be delivering”

Non-National

Male 36

“Sky seemed reliable and my boyfriend wanted the educational channels they provided.”

Meath Female 28

Community of Interest

People who have common viewing channels can share their viewing experiences with those who are important to them. This extends beyond sport and other more popular interests into areas such as the kids playground – where desire for inclusiveness at this level can influence choice of provider.

“We just wanted our son to be able to see BEN10 which all the kids in his class were talking about. I threw in the education package as well just in case.”

Cork Male 43

Importance of Sport

Sport Channels are particularly important and a critical driver for selection of service provider

“...you just don’t get sports anywhere like you do on sky - not only football but I love all the tennis tournaments and I would go mad if I didn’t see them” **Dublin Male 41**

“I can’t remember considering any other provider, at the time all my work mates had sky for the sports so I just went with them” **Kildare Male 43**

“It came down to 2 things (when choosing a provider). The first was Sky sports for soccer matches and the Heineken Cup. The second was the amount of documentary channels. At the time competitors did not have the variety.” **Cork Male 37**

The Channels that Appeal

The focus group (6 females and 8 males) were invited to create their ideal package of 20 channels (for their household) from a list of 76 Channels and to rank them in order of priority.

While not statistically representative, a number of notable findings emerged.

From the list of 76 Channels provided for their consideration, an expansive 65 channels featured across these participants ideal Top 20, indicating the breath of interest that specialised Channels hold for viewers. It further emphasises the challenge of satisfying the variety of interests through a “lighter” package of channels.

The top 20 Channels that featured most frequently for viewers were as follows:

- 1) Channel 4
- 2) ITV/UTV
- 3) BBC1
- 4) Sky Sports 1
- 5) E4
- 6) BBC2
- 7) Discovery
- 8) Sky News
- 9) Setanta 1
- 10) Paramount Comedy 1
- 11) Sky One
- 12) Living
- 13) National Geographic
- 14) Film 4
- 15) UKTV Gold
- 16) Sky Box Office
- 17) Sky Sports 2
- 18) Sky Movies Premier
- 19) Setanta 2
- 20) Nick Junior

Many participants felt that their package of 20 channels would be worse than their existing package as it still did not include additional channels that they like to watch

Cable and Satellite Subscribers – Common Channel Appeal

It is also interesting to note a good level of commonality between the Sky Subscriber focus group and the Cable Subscriber focus group (conducted April 15th and 16th) in terms of their top 20 Channels

13 Channels featured in common from their respective favourite 20 Channels. Sky subscriber participants were asked not to consider the Terrestrial Channels. Results have been adjusted to exclude Terrestrial Channels from Cable Subscribers choices. This is drawn from data from two focus groups and hence is not statistically representative.

These are:

Channel 4

BBC2

Sky Sports

UTV

Discovery

Sky News

Setanta 1

Paramount

Living

Sky Sports 2

Nick Junior

E 4

Value

There was a general sense that people do not feel they are getting value for money from Sky. This perception of lack of value is a function of a number of factors.

They feel that they are paying for a lot of “rubbish that comes with your packages and can’t get rid of unless you want to loose channels you actually like”

The multi-room service is also seen as “*a bit pricey seeing as the service is already coming into your house.*”`

Meath Female 28

*I pay around 56 euros a month for a service that I honestly think is worth about 35-40. It’s completely over priced. Sky have its customers over a barrel because there is **no product out there that stands up to it at the moment.** If there was more competition in the market where a reliable service could be offered I would seriously consider moving*

Cork Male 37

But from the exercise where they chose their favourite 20 channels, the value that they assigned to their own individually created packages fell largely below €25 indicating they see them as basic packages that would not stand up to the breath of offering they expect. This is despite the fact that many participants who assigned these lower values currently pay in excess of €60 for their monthly subscription – some as high as €80.

Sky subscribers on larger packages feel they are paying too much for what they get; in the main suggesting that around 50% cheaper would be fairer.

Subscribers to lighter packages seemed happier with the pricing

“I reckon it is fair enough and given all the free hardware supplied a competitor would have to be coming in at half the price plus a 5 year price freeze guarantee with flawless service and probably a better package all round to tempt me away.” **Cork Male 43**

Consumers seeking extra value

Consumers are becoming increasingly savvy and happy to re-structure their service to optimise the value they get.

Main reason for getting rid (of Premier Movie) was the change of set up meant that Premier Movie channel changed and showed the same 5 movies all week , basically a movie feast on Saturday night and nothing new to watch for the rest of the week! On top of this I noticed that all the good movies were coming only on box office and would be about 6 months later on the standard movies... I was paying about €60 p.m. for the premium package , and when they announced yet another price to €68 increase for an inferior service especially where movies and sport are concerned (you end up paying extra to get the good stuff) , so we dropped to the Entertainment mix for €30. If we really want a movie or football match thats only on Sky (happens about once every 3-4 months) we pay the box office price. Still a saving. Limerick Female 38

Opportunity to Re-Shape Consumer Value Perceptions

Participants perceive BBC, UTV, Channel 4 and others as free-to-air as well as the 4 terrestrial channels, and hence do not put a monetary value on them relative to the paid channels such as Sky Sports, Setanta and Movies.

This is apparently being driven by confusion as to what the License Fee is for where some consider the License Fee charge as covering the transmission method (aerial).

“I would make RTE broadcast for free. We pay them the Licence fee and we pay Sky to receive them also. Surely the national broadcaster should have embraced FTA satellite broadcasting by now. “

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Wicklow Female

There may be an opportunity to re-shape consumer expectations and hence pricing for what channels are free-to-air and which are not.

Summary

Despite their feeling that they are not getting value for money from Sky there was an overriding sense that they see Sky as the superior service provider and are attracted by the expansive choice of channels and additional services.

“I have thought about it (switching) but no-one steps up the mark set by Sky.”

Cork Male 37

“No, (I wouldn’t switch) as I would miss the extra features of Sky such as HD, Recording on Hard Disk and facility to view all forthcoming programmes for up to week in advance.”

Kildare

Male 56

“It would need to provide a range of channels especially sport, ...They would need to do this at a cheaper price and with excellent customer service”

Cork Male 45

“The main thing would be for me to consider a move is price of the packages and to offer more channels and more importantly good customer service”

Dublin Male 41

“They would have to offer a similar package for a much cheaper fee. And not just for the first 3 months , it would have to be cheaper in the long run.”

Galway Female 35

There may be opportunities to create compelling channel packages that could pick off key discreet segments of the market such as a comprehensive Sports Package offering. But based on the findings from this focus group, it appears that it would be very challenging for a new entrant with a limited number of channels to offer the market to attract a broader base of Sky subscribers.

Dave Hanley