WARNER BROS. HOME ENTERTAINMENT
UNIVERSITY OF CALIFORNIA SANTA BARBARA

CONNECTED VIEWING INITIATIVE

YEAR THREE
FINAL REPORT

MAY 2015

CWC | Media Industries Project
CARSEY-WOLF CENTER

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The Connected Viewing Research Team

May 15, 2015

Welcome to the third research presentation of the Connected Viewing Initiative, the culmination of a landmark collaboration between Warner Bros. Home Entertainment and the Carsey Wolf Center's Media Industries Project at the University of California, Santa Barbara. Originally conceived as a multiple year project by Thomas Gewecke, the Initiative has thrived under the guidance of Anuraj Goonetilleke, and we thank him for his unfailing support of the work conducted by our research teams studying the changes in media distribution brought about by digital technologies and social networking.

Having delivered findings about the film, television, online media and gaming industries in eight different countries, including the U.S., this year's dossier features projects focused on cross-platform gaming, MCNs, the emerging Russian market, and content discovery among college students. We believe these projects spotlight the most significant contemporary trends, from mobile gaming apps to web series. All of the projects focus on the challenge of reaching new audiences who are consuming content using a host of complex and dynamic practices. We are hopeful these findings will prove valuable for a range of executives and strategies at Warner Bros.

In the past three years, the Connected Viewing Initiative has delivered cutting-edge findings about media collectors, the digital ecosystem, Chinese audiences, cloud technology and policy, and the ownership proposition, among other exciting areas of study. Beyond the individual efforts of each research team, this Initiative has also sparked a truly unique dialogue between Warner Bros. and critical media scholars, as we all strive to make the most interesting interventions in today's digital ecosystem. We are grateful for the support of all the Home Entertainment executives who have been working with us this year, and over the past three years of the project as well. Thomas Geweke's vision for this collaboration argued that academics could provide valuable insights for Warner Bros. beyond market research, and it has been a privilege to share with you our methods and findings, and to learn from all of you along the way.

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Reconstructing Mobile Gaming for the Cross-Platform Franchise

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Beyond Minnows and Whales:
Reconstructing Mobile Gaming for the Cross-Platform Franchise

Executive Summary

This project identifies and evaluates possible methods of employing mobile gaming apps so as to support and increase consumption of cross-platform gaming franchises. In particular, we sought to analyze mobile gaming models that could drive engagement of cross-platform franchise games through connectivity features. We used market analysis, interface analysis, and small-scale focus testing among student gamers in order to identify the most promising engagement and cross-platform connectivity mechanisms given the current state of the mobile market and Warner Bros.' own specific franchise and genre priorities. After producing an overview of the market and a general taxonomy of connectivity mechanisms, we examined the functionality of cross-platform interfaces according to three criteria: connectivity, visual/haptic design, and behavioral incentives. Though we expect publishers to continue to experiment with cross-platform franchise design over the next few years, our research suggests that *unlockables* represent the best mobile-to-console connectivity mechanism for their desirability and simplicity. Once we had concluded our primary research, we then applied our findings to the nascent WBPlay system to suggest how our research might inform WBIE's future strategy with respect to cross-platform apps.

Key Findings

- As of Spring 2015, only three publishers are actively involved in developing cross-platform connectivity in standalone gaming apps: WB Interactive, Ubisoft, and 2K Games. Of these, WB Interactive is the only publisher to have rooted their connectivity system in multi-directional unlockables.

- Unlockables appear to be the most promising mechanism for cross-platform connectivity. They are easy for players to understand, they require little behavioral adjustment from gamers, and they are relatively simple for publishers and developers to design and implement.

- No publisher currently employs in-app transmedia content, despite its potential benefits for lifecycle management, brand management, and revenue generation.

- Nearly all cross-platform systems we examined had serious connectivity problems; these problems run the risk of undermining engagement strategies and generating ill-will to the publisher or franchise.

- WBIE's approach to cross-platform connectivity is momentarily unique. We recommend that WB more strongly promote this feature for relevant games via advertising, interface design, and packaging; however, we recommend they do so *only* once the connectivity system is fully operational and polished.

The Cross-Platform Franchise Mobile Gaming App: Market Overview

We examined 152 major franchise games released for the Xbox 360, Xbox One, PS3, or PS4 between the start of 2012 and the end of 2014. In addition, we examined a limited sample of franchise titles for these systems released during the four months of 2015. Our sample was designed to be as exhaustive as possible and included all major releases from prominent publishers that were either part of long-running gaming franchises or seemed set up to establish new franchises. For each of these titles, we analyzed the interface design, marketing (via publisher-generated product descriptions and advertisements), and reception (via reviews and forum discussions) of any officially associated gaming apps released for Apple's iOS platform. Though we were attentive to Android's place in this market, we focused on Apple because in no case did we find a publisher releasing a franchise app on Android but not iOS, though we did find cases of the inverse. For this analysis, we distinguished between *companion apps*, which required consumers to own the associated console games in order to use the apps, and *standalone apps*, which consumers could use *without* owning the console game.

Of the 152 major franchise games released from 2012-2014, 41% were supported by some form of officially released mobile app. Roughly equal numbers were supported by companion apps (21%) as standalone apps (22%), with two titles supported by both. Broken down year-by-year, the data indicate a notable increase in the percentage of franchise games supported by some kind of app in 2013. They also reveal that, despite an overall rise in app support between 2013 and 2014, this increase was entirely dependent on standalone app support, as the percentage of games supported by companion apps decreased (see Figure 1).
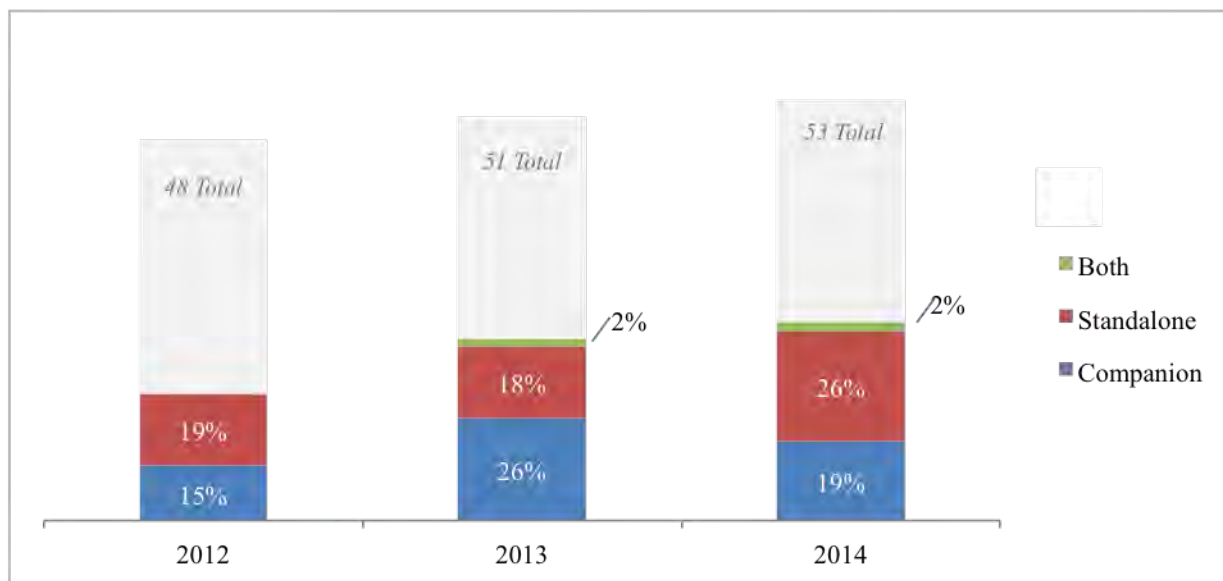
Figure 1. Percentages of major franchise games supported by mobile apps.

By themselves, these figures are limited in their predictive power, but we believe that two clear patterns are emerging, and that these patterns are consistent with our preliminary examination of 2015 franchise games (including product announcements for future games) and our understanding of recent shifts in publishers' mobile strategies. First, we expect a leveling off

over the next few years of growth in the percentage of franchise games supported by mobile apps. Such shrinking growth will reflect a maturing and more competitive mobile gaming market, marked by increased development and marketing costs and longer development windows. Second, we expect publishers to increasingly prefer standalone apps to companion apps, as they offer much greater opportunity for revenue generation and marketing.

Cross-Platform Connectivity: Publishers and Mechanisms

Setting aside companion apps, which are by definition connected to the console game, we identified only 7 standalone mobile apps that featured some element of connectivity to the console game. Three of these were published by Ubisoft (though two of these were for the same game: *Far Cry 4*), two by WB Interactive, one by EA, and one by 2K Sports. Each of these games utilized a different mobile-to-console connectivity mechanism or set of mechanisms: *unlockables*, *resource transfers*, *narrative effects*, *PVP challenges*, and *support features*.

Batman: Arkham Origins, Injustice (both by WB Interactive) and *Splinter Cell Blacklist Spider-Bot* (Ubisoft) make use of console **unlockables**: extra backgrounds, equipment, skins, or multiplayer credits that can be earned on the console game through reaching achievements on the mobile game. For all three games, this extra content is primarily cosmetic and offers little (or no) in-game benefits.

Far Cry 4 Arcade Poker, Far Cry Arena Master, and *Splinter Cell Blacklist Spider-Bot* (all by Ubisoft) employ **resource transfers**. That is, the apps allow you to transfer cash or rankings earned while playing the mobile games to their respective console versions. Generally speaking, the resource transfers provide little in-game benefit unless employed very early in a console game play-through.

One app, *Mass Effect Infiltrator* (EA), utilizes what we call **narrative effects**. By progressing through the mobile game and completing it, points are sent to a player's *Mass Effect 3* console game; these points have no other function than to determine which ending the player receives when completing the console game. This point-based narrative system was universally despised by gamers, as it typically required them to use the app (which cost $4.99) in order to get the "best" ending.

Far Cry 4 Arena Master (by Ubsioft) allows mobile app players to create customized **PVP challenges** (with AI controlling the mobs) for other gamers—or, potentially, for themselves—in the console version of *Far Cry 4*.

My NBA 2K15 (2K Sports) utilized cross-platform connectivity by combining in a single app a standalone game (which itself does not connect to the console version) and a separate set of console **support features** of the kind typically associated with traditional companion apps. Such features include the ability to view your character or team's equipment or status, the ability to access in-game auction houses or stages, and the ability to view multiplayer data.

Though the above mobile-to-console connectivity features could be all employed in the reverse direction—that is, from console-to-mobile—only *Far Cry Arena Master, Batman: Arkham*

Origins, and *Injustice* employed such an approach: *Arena Master* via cosmetic changes to the game map and *Batman* and *Injustice* via unlockables.

Cross-Platform Connectivity in Practice: Interface Functionality

The biggest challenge facing cross-platform mobile gaming apps—whether they be companion or standalone—is what we call interface functionality. We understand interfaces to consist of three separately measurable components: *connectivity*, *visual/haptic design*, and *behavioral incentives*. *Connectivity* refers to the ability of consumers to access the online, cross-platform systems or successfully link accounts. By *visual/haptic design* we refer to the game or app's connectivity features (and not to the design of the game itself): are they clearly identifiable, easy to navigate, logically organized, etc. *Behavioral incentives* refers to the benefit system associated with a cross-platform system—that is, the aspects of it that incentivize use. Though all three components obviously support each other (design, for instance, is irrelevant if connectivity is missing), each depends upon different production processes and implementation practices. In theory, a cross-platform interface could thus have high functionality in connectivity, but low functionality in behavioral incentives. In practice, however, we found most cross-platform interfaces to have low functionality in all three components.

Connectivity

Nearly every app we researched had significant problems connecting to the publisher's cross-platform system. These problems were consistently reported on online forums and in app store reviews, recounted by student gamers during our focus groups and interviews, and encountered directly by ourselves when analyzing the apps. Sometimes these connectivity problems resolved themselves after numerous log-in attempts or app reinstallations, but in many cases they persisted throughout the five-month period of our research, rendering some cross-platform systems (*Injustice*, for example, and *Splinter Cell*) completely non-functional for the two primary researchers and one research assistant.

Even when cross-platform systems were ultimately accessible, logging in often proved time-consuming and overly cumbersome. In our focus groups and interviews, student gamers complained repeatedly about the "pain" of establishing accounts, particularly those that pass through a console network, namely Xbox Live (XBL) or PlayStation Network (PSN), and thus require multiple log-ins on different systems to connect across platforms. Though when pressed, players admitted some uncertainty as to whether the app publisher or the console network was at fault, the participants uniformly assigned blame to the third-party app publishers.

Visual/Haptic Design

Because the entire design of companion apps is in service to cross-platform connectivity, most had high functionality in visual/haptic design. Indeed, almost all of these apps foreground their connectivity features, as there is little do with them besides access console player data or already familiar online features (such as auction houses). By contrast, six of the seven standalone mobile apps in our 2012-2014 sample that offered cross-platform connectivity built it into the app's design as an add-on or "extra" function. This was not surprising, as the apps sought to

foreground the mobile gaming experience itself rather than the cross-platform connectivity. Most of the apps did so, however, in ways that resulted in low functionality for this component of the cross-platform interface.

Of the six cross-platform apps from 2012-2014, only Ubisoft's foregrounded the link to the games' cross-platform system (Uplay) on the main "screen" of the apps. Both EA's *Mass Effect Infiltrator* and WB Interactive's two apps built the link into sub-menus. Though outside our 2012-2014 sample, we note also that WB Interactive's *Mortal Kombat X* app has the least visible link of any connected standalone app we looked at: it is buried two menus down and, curiously, shifted from "settings" (where it was located in the similar *Injustice* app) to "profile." WB's apps (including *Mortal Kombat X*), however, offered the clearest indication that logging in to the cross-platform system provided access to connectivity features, as its interface design makes very clear visually what these features are. In the other apps—for example, *Far Cry 4 Poker*—the app's interface provides no clear information that logging in affects one's gaming experience in either game.

Three cross-platform web portals were operating during our research period—though WB Play was not associated with any cross-platform gaming franchise until 2015. All three were difficult to assess in terms of cross-platform connectivity, as this feature had not yet been well-integrated into any of them. Indeed, all three seemed to use "linked" games only to migrate data and not to provide information about the connectivity features nor even to indicate that they were active. Uplay, for instance, would not visually associate linked mobile games to player profiles. Though outside the scope of design as we have defined it in terms of connectivity, we also note that students in focus groups found UPlay (both on the web and in its standalone app) inviting and fun to use and WB Play confusing and unrewarding.

Behavioral Incentives

Incentivizing consumer behavior through apps is always difficult, as it depends upon both static assumptions about consumer practices/preferences and the ability to construct systems to exploit them. Nevertheless, we can describe three broad requirements for successful incentivization via cross-platform interfaces: (1) the reward or benefit for connecting should be clear, (2) the reward should provide a sense of achievement or accomplishment, and (3) access to the award should require no radical behavioral changes on the part of the player.

Of the connectivity mechanisms currently offered, the only one to meet all three requirements was that of *unlockables*. The mechanism of unlocking additional content was immediately clear to focus groups, in part because all games to utilize this mechanism clearly communicate the unlockable rewards via an interface tab labeled "unlocks." But students also reported being familiar with the underlying achievement system on which the unlockable mechanism is based. When pressed, students in one focus group quickly likened the underlying system to achievements on Xbox, trophies on Playstation, or badges on apps like Foursquare and Audible. Additionally, unlockables require no changes in player behavior to be earned; instead, like most Xbox achievements, they layer over natural play habits, rewarding players for things they are already doing when progressing through the games. Indeed, for this reason the unlockable system is functional even when consumers own only one of the connected games, as it "banks"

unlocked items until the games are linked. Despite the unlockable systems' superiority in terms of behavioral incentives, however, some students did complain that once all the achievements and unlockables are earned, the app may no longer be worth playing. This reflects an expectation—likely derived from experiences with other achievement systems—that unlockable systems will be static and exhaustible.

The other connectivity mechanisms employed by apps failed consistently to satisfy the requirements for incentivization. In many cases, the benefit of connecting was unclear. Indeed, *Far Cry 4 Poker* and *Far Cry 4 Arena Master*—both employing *resource transfers* and the latter also employing *PVP challenges*—failed to communicate within the games or on Uplay what the benefits for connecting were. Though the mechanism of *support features* offers—theoretically, at least—an obvious benefit to players of the console game, students rarely reported feeling a sense of accomplishment for using them. In fact, some students worried that poor implementation of these features in companion apps could undermine the fairness of competitive play, thus associating the mechanism with cheating rather than accomplishment. All the mechanisms besides *unlockables* also required players to learn additional cross-platform game mechanics and adjust their play so as to utilize them.

WB Play: Challenges and Opportunities

Because cross-platform mobile gaming apps remain a relatively new frontier for publishers, we expect to see continued experimentation in their design and implementation over the next three-to-four years, particularly by Ubisoft, but also by Nintendo as it moves into the mobile market. Despite such experimentation, however, **we believe that *unlockables* are currently—and will remain for some time—the *best* mechanism for producing high-functioning cross-platform interfaces.** They are the easiest for players to understand, the most "natural" in terms of player behavior, and the easiest for publishers and developers to design and implement. Though they would seem to apply most easily to fighting and other competition-based games, they are genre agnostic and could, if a publisher wished, even be used to create cross-franchise connectivity.

WB Interactive is thus well positioned to be a leader in cross-platform connectivity thanks to its current success in utilizing unlockables. Indeed, WB Interactive is the only publisher to have developed this mechanism so as to work in both directions: from mobile-to-console and console-to-mobile. **We recommend that WB continue to refine the unlockables mechanism by developing a release schedule for additional unlockable rewards—timed to accompany console DLC packs or transmedia events—or by experimenting with limited-duration unlockable rewards.** If trying the latter, however, WB should be careful to set the duration windows long enough so as not to require players to radically change their play style or to spend real money on in-game resources to earn them. The goal of such rewards should not be to produce directly additional in-game revenue (the internal game design and not the cross-platform connectivity system should be tasked with revenue generation), but rather to extend engagement with the app and console game.

However, **no cross-platform mechanism can drive engagement if players cannot get it to work correctly; indeed, poorly functioning mechanisms may *undermine* engagement and create ill-will towards the publisher or franchise.** We therefore recommend that WB

Interactive's main priority with respect to cross-platform gaming apps be to get the system working. Though all the systems we looked at were buggy, WB's seemed to have the greatest number of problems. Indeed, because the mechanism is so simple—and so similar to smoothly functioning achievement systems with which players are already familiar—gamers are likely to blame the publisher when unable to access their "unlocked" rewards.

For the purpose of extending franchise engagement on both console and mobile platforms, **we also recommend that WB engage in limited experimentation with app-based transmedia bonus features, either freely delivered or integrated into the unlockables system.** These bonus features could include digital comics, webisodes, trailers, or behind-the-scenes featurettes. Indeed, because apps are especially suited to *pushing* media content to consumers, we think using gaming apps to deliver these features would offer WB a powerful means of lifecycle management, brand management, and—if supported by cross-division partnerships—revenue generation. Though publishers have experimented with non-gaming media tie-in apps in the past, none have incorporated them into gaming apps. WB could thus further distinguish its brand and connectivity system by being the first to do so.

Lastly, **we recommend that WB Interactive better promote its cross-platform systems once they are dependably functioning.** Such promotion should occur in advertisements and press releases, but also be better integrated via design into the apps themselves (where the option is often hidden or buried on settings or profile screens) and in console game packaging. With regards to the WB Play web portal, our research suggests that, at least as of mid-April, it is not ready for public release. Indeed, we believe that WB may be undermining its own plans with the service by releasing the web portal side of it to the public in its current state. At the very least, we recommend changing the portal's main page to communicate to consumers that it is a placeholder for a developed site with a specified launch date. We also recommend briefly noting some of the features it will offer or even soliciting feedback from players signed in to the service on the kind of features they would like it to have.

"Commitment Viewing" on Digital Platforms

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"Commitment Viewing" on Digital Platforms

Executive Summary

Our goal in this project was to understand how people watch online video—their routine practices and habits around video consumption via digital platforms and devices. Our starting point was the idea that, in the "network era" of television, a practice called "appointment viewing" was common, and this practice involved loyalty, repetition, emotional investment, and a definite time commitment with respect to specific television programs. We set out to discover whether the "postnetwork era" and digital viewing is seeing the rise of similar practices of video consumption.

Our team (consisting of one faculty member and four graduate students at UC Berkeley) conducted interviews with 50 individuals between the ages of 18 and 53. Here is the breakdown in age groups: 24% of participants were between 18 and 25 years old; 54% of participants were between 26 and 33 years old; 22% of participants were between 33 and 53 years old. Most of our participants were students at UC Berkeley or another university: all of the 18-25-year-olds were undergraduates, all of the 26-33-year-olds were graduate students, and the 33-53-year-olds were divided evenly between graduate students and professionals. Between these three age groups, we found no significant differences in online video viewing habits or practices—all of the modes of viewing we describe below were practiced by all ages.

We recruited study participants who identified themselves as frequent and habitual consumers of online video, of any genre. We learned, from interviewing our participants, about a mode of intensive consumption of online video that we called "commitment viewing," which resembles network-era "appointment viewing" in that it is highly emotion-driven and defined by routine and premeditation. Unlike appointment viewers of the broadcast age, commitment viewers in the digital age have many more choices for video consumption, in terms of the number of content types and titles, viewing platforms, and timeshifting capabilities, so commitment viewing entails constant navigation of, and decision-making in, a complex field of media possibilities.

The online video site cited most frequently in our interviews was YouTube, so we will discuss uses of YouTube in the greatest detail; we will also mention our participants' uses of Netflix, Amazon Prime, Hulu, and smaller video sites.

We found that commitment viewers consume original online content (including both user-generated content and content produced by Internet companies such as Netflix, Amazon, Hulu, and MCNs) and television or film content (that is, television shows that air on broadcast or cable networks but are also available via online platforms, and films that are initially distributed in cinemas but become accessible online) in equal measure. However, commitment viewers appreciate original online content's attention to diversity and its ability to target specific demographic, subcultural, and niche tastes, which contrasts with TV/film's broad appeal to "mainstream" audiences.

Key Findings

- We identified four modes of online video viewing from our participants' descriptions of their viewing habits. All but two participants said they regularly engage in all four modes of viewing:

  o "Commitment viewing" = consuming video (long- or short-form*) in planned durations, usually in a curated flow, for 1-3 hours per night.
  o "Binge watching" or "Falling into the YouTube hole" = consuming video (long- or short-form) in unplanned durations, for 2-12 hours in one day.
  o "Snacking" = consuming short-form video, usually in the daytime, as a "break" from work, ranging from 3 to 20 minutes at a time.
  o "Background viewing" = consuming video at the same time as studying, working, or doing household chores, for 1-6 hours at a time.

* We defined "long-form" video as 15 minutes or longer, comprising genres such as episodes of original online content (Netflix/Amazon/Hulu "originals"), some MCN content installments, longer YouTube user-generated content, episodes of television series, and films. We defined "short-form" video as shorter in duration than 15 minutes, usually 3-4 minutes, comprising genres such as most YouTube user-generated content and some MCN content installments.

- YouTube was, by far, the video site mentioned most frequently by our participants. All but one participant (who was in the 50+ age bracket) said that they regularly watch video on YouTube. Netflix, Amazon, and Hulu were the next most frequently-mentioned video sites. All of our participants used the Internet almost exclusively to access video (sports was the main genre that participants said they "still" watch on broadcast television). Participants practiced all four modes of online video viewing on YouTube.

- The commitment viewing mode seems to be the mode of online viewing that motivates users to pay for video content. Participants said they would not pay for most online video they consumed, but would pay for content that inspired in them a sense of **identification, loyalty, and community**.

- When participants spoke of viewing specific video content in a committed mode, they spoke often of the community or fandom that has formed around the title, and how they felt specifically addressed by the content—that is, how much the content suited their particular interests, needs, and identities. In other words, a "good fit" between content and viewers inspires viewers to feel committed to that content, and to support it with funding.

- Commitment viewing leads to viewers paying for content when the content producers directly request or require funds from viewers. It is the feeling of commitment—the sense of belonging to a community of viewers, of having loyalty to the particular title, and of desiring a series to succeed—that leads viewers to make the decision to pay for online video content.

Four Modes of Online Video Viewing

Our research team primarily asked participants about their "commitment viewing" practices of online video. All of our participants access video almost exclusively via the Internet, including television and films that they watch at home (or on mobile devices)—sports was the one genre of video content that some participants said they still watch via live television broadcasts—so nearly all of their video viewing was online video viewing.

We defined "commitment viewing" for participants as *intensive* (either in time spent or in emotional investment, or both), *repetitious* (they had a routine for watching online video), and marked by *anticipation* (insofar as viewers looked forward to new episodes of certain titles, or knew in advance they would watch specific content at specific times). In their interviews, participants described a range of viewing practices, which led us to more narrowly define commitment viewing and to define the other major viewing modes in which participants habitually engaged.

"Commitment viewing" is planned viewing. It is curated viewing. In the commitment mode of viewing, an individual knows when they will watch video, for what length of time. They know which titles, or episodes, they are going to view, and usually the order in which they will view them. They know the sites they will use to access this video. They have made time in their schedules to watch these titles because they feel attached to and invested in the titles. They find the titles to which they become committed through recommendations, either from friends or the algorithms on the sites they regularly use. Commitment viewing sessions last between 1 and 3 hours at a time.

We expected that much of the content that participants watched in a committed mode would consist of episodic television, and our interviews bore out this hypothesis. But participants also stated that they practice commitment viewing in relation to original online content that targets much narrower demographics and niche taste cultures than any television show does. We expected that many participants would associate platforms rich with long-form original content, such as Netflix, Amazon, and Hulu, with commitment viewing, and while this was the case, YouTube also proved to be a site on which participants view video in a committed way. Commitment viewers access a wide range of content genres on YouTube, including DIY/How-To/Self-Help, Celebrity/Personality, Dance, Music, Fandom, and Game Play videos. Most participants said they discovered new content titles/genres on YouTube through word-of-mouth and friends' or family members' recommendations. Both short- and long-form YouTube videos can be objects of commitment viewing.

The second mode of viewing that we identified from our study is "binge-watching," which is an unplanned, unexpected experience of watching many hours of online video at a time—so many hours that, after a binge-watch, the viewer is surprised, and often dismayed, to realize how long they have been watching video. Our participants associated binge-watching with long-form video, such as television series and Netflix/Amazon/Hulu original series (they pointed to the auto-advancing feature on Netflix, which waits a mere 20 seconds after a TV series episode ends before playing the next episode, as playing a part in their video binges). Participants also

described bingeing on short-form video on YouTube, and borrowing from some of our participants' language, we call this mode of viewing "falling down the YouTube hole." Much like Netflix's auto-advance, YouTube suggests "related videos" to viewers as soon as a video ends, making it easy for a viewer to click on a next video, and a next, and a next, without having intended to spend a great deal of time watching video. Bingeing sessions last between 2 and 12 hours at a time. Participants said that they sometimes felt shame and embarrassment after bingeing or falling down the YouTube hole. There was a sharp contrast between the negative emotions some participants associated with bingeing and the positive emotions they associated with commitment viewing (such as: the reward of relishing a much-anticipated video or series of videos, and the aesthete's pride in setting aside time to enjoy art and accomplishing that goal).

The third mode of viewing is "snacking." Snacking seems to be a daytime activity (commitment viewing and bingeing were described as nighttime activities, although participants said some binges lasted all through the night and into the next day). Snacking lasts only minutes at a time (3 to 20 minutes) rather than hours, and seems to be motivated by a need to "take a break" from a work routine. In the course of a workday, an individual checks their social media sites (e.g., Facebook, Tumblr) and sees a short YouTube video is recommended by a friend, or they find a YouTube video embedded in a post on Gawker, JustJared, or another website they regularly visit, and then they pause for a few minutes to watch that video. Sometimes, snacking involves watching several videos in a row (up to 4—more videos than this, and the viewer finds themselves "falling down the YouTube hole").

The fourth mode of viewing is "background viewing." In background viewing, an individual plays a video but only as "background noise," in order to "keep them company," or to provide a kind of motivating soundtrack, and occasional visual accompaniment, to their studying, working, or chores. Background viewing sessions last between 1 and 6 hours. The students we interviewed said that they found it helpful to have video playing in the background as a study aid, especially when they were already familiar with the video (i.e., when they played episodes of a television show that they had watched before, or VEVO music videos on YouTube that they had seen before). Familiar content, and content that participants simply did not care too much about (e.g., TV shows that participants said they thought were "bad" shows), were the two categories of content used for background viewing.

We noted that participants tended to underestimate the number of hours they spend each week consuming video. In our interviews, we found that participants readily stated how much time they spend on commitment viewing, then, only after answering additional questions, did they reveal that they also engage in binge-watching, snacking, and background viewing. Even when participants offered a total number of hours of video that they watch per week, they would correct themselves as they discussed different modes of viewing, saying to the interviewer, "Oh, does that kind of viewing count [in the total number of hours] *too*?" This defines a possible path for future analysis of our interviews, which is a seeming unwillingness to admit to the amount of time that individuals dedicate to consuming video, in one fashion or another.

Commitment Viewing and Monetization

<u>MCNs</u>
We asked participants whether they watch any MCNs on YouTube, and many mentioned that they watch VEVO videos, several mentioned watching Vervegirl webseries (such as *Carmilla*), and one mentioned having watched Machinima videos—all of these in a commitment viewing mode. However, none of these participants identified VEVO, Vervegirl, or Machinima as an "MCN" or as a "network." Participants considered YouTube, rather than differentiated MCNs, to be the "network" where they watch videos in a committed fashion. **Overall, participants were unaware of the structure and function of MCNs**, and seem to conceive of VEVO, Vervegirl, and Machinima as subdivisions within the YouTube universe, and/or as subbrands of YouTube.

Our study participants said that they do not, and would never, pay for content on YouTube that they watch in a committed mode. They consider YouTube to be an entirely free site. Participants do not think of MCNs on YouTube as entities in their own right, that exist apart from YouTube, and so they never develop identification with, or loyalty to, MCNs, though they may feel invested in a number of personalities (vloggers, celebrities) and series produced by MCNs. Participants have never felt compelled to financially support either MCNs (to which they have never felt any attachment or commitment) or YouTube (which, in their view, has always been a free service, and should always remain a free service).

However, there are sites and titles that participants view in a committed way for which they pay, such as:

<u>Aggregator/Mainstream Sites: Amazon, Netflix, Hulu, Xfinity</u>
All of our participants used at least one of these subscription-based services, all of which aggregate many titles and aim for fairly broad audiences. However, most participants (especially in the youngest age range) said that they do not pay for the service themselves, but are "free-riders" on the subscription of a family member or a friend.

<u>Specialty Sites: Crunchyroll, DramaFever, Black & Sexy TV, LGBTQ Series, Fitness Sites</u>
These are special-interest sites that produce and/or distribute content for highly specific, niche subcultures and taste cultures. Crunchyroll is considered the leading site on which non-Japanese anime fans can access the latest anime titles. DramaFever is a robust site for Korean dramas, or K-Drama. Black & Sexy TV creates several original web series about thirty-something urban African Americans that are intended to attract viewers in that demographic. A number of LGBTQ web series similarly are produced by and for LGBTQ audiences. Some fitness video sites charge a monthly subscription, which fitness buffs gladly pay.

These sites charge between $0.99/month and $37/month; most sites charge approximately $7/month. The highest price point indicates that commitment viewers are willing to pay more for specialty sites than for aggregator/mainstream sites.

Pirate Sites
While many participants said that they regularly pirate video content which they watch in a committed mode (in addition to watching content on YouTube, aggregator/mainstream sites, and specialty sites), most did not say that they pay for their use of pirate sites. However, one interviewee, who pirates video content extensively and who watches many titles—mostly television programs—in a committed fashion, stated that he pays approximately $55 per month to piracy-related services (including a donation to a private torrent tracker, a VPN subscription, and a seedbox subscription). This was the highest price point for online video that we encountered.

The Link between Commitment and Payment
Participants linked their willingness to pay for online video content to their commitment to specific titles and genres. Many reported that the specialty sites that they subscribe to, or supported through donations, offer them content that they feel resonates with their racial/ethnic or sexual identities, or that appeals very directly to their subcultural interests and tastes. The fact that mainstream television and film does not meet these content needs and desires makes the content offered by specialty sites more valuable and appreciated, and fuels viewers' sense of commitment to this content. Participants described how specialty sites solicit funds, appealing to their sense of belonging to a particular community that is addressed and cultivated by the sites' videos. Participants said that they derive feelings of satisfaction, pride, and ownership when they contribute to these sites, as they think the sites would not be able to survive, and continue to create content, without their funding.

Commitment viewing is thus not only determined by the viewer but by content creators and distributors, who can foster attachment, affection, and obligation—which manifests as payment—in their communities of viewers.

Conclusion: Challenges and Opportunities

- While a good deal of commitment viewing is focused on mainstream television content, commitment viewing also arises in relation to "alternative" content, such as original online series about racial/ethnic minorities and LGBTQ people, or content that targets a particular subculture or niche taste culture. Opportunity for WB: Consider developing web series for highly specific audiences, especially audiences whose identities and interests are often under-represented in, or under-served by, studio films and broadcast and cable television (ethnic groups, women and girls, LGBTQ people, popular non-U.S. genres). Machinima targets young men, who already have a plethora of options for media entertainment. But if the WB were to produce original online content that attracts audiences who feel ignored by, and "left out" of, most media productions, these audiences would likely become extremely loyal and committed to that specialized content.

- Commitment viewing can lead to payment for online video. Out of a sense of loyalty to, and a desire to support the production of, specialty sites and titles to which they have become committed, viewers will donate or pay for continued access to those sites and

titles. <u>Opportunity for WB:</u> Experiment with charging subscriptions, priced between $0.99/month to $9/month, for original web series that target niche viewers.

- In order to successfully monetize their video sites, site owners and content producers would do well to cultivate commitment viewers' sense of obligation and investment to those sites. Successful solicitations for viewer funding seem to rely on viewers feeling that they not only identify with the characters in a web series or with the personal trainer in a series of fitness videos, but with the site offering them that series or those videos. The commitment that viewers feel towards a particular title can, and should, be extended into a commitment and obligation that viewers feel towards the site that offers them that title. <u>Opportunity for WB:</u> Promotions for original web series for specialized audiences should emphasize the individual or group that makes the content, as well as the sites that distribute the content. The content creators and the sites should frequently address viewers as a community, e.g., give regular updates to viewers about their series or site's growth and future plans, and offer viewers "behind-the-scenes" videos (interviews with writers, directors, actors, set tours, etc.). All solicitations for funding/subscriptions should come directly from the content creators and the sites, and should be made in a warm, personal, familiar mode of address (not in an impersonal, business-like, "Pay $4.99 to continue viewing this content" mode).

- MCNs on YouTube do not seem to be fostering a feeling of connection between viewers and content producers. The YouTube brand appears to trump all MCN brands in the minds of users, and users do not feel a sense of commitment to MCNs. Commitment viewing on YouTube therefore differs sharply from commitment viewing on specialty sites (such as Crunchyroll, DramaFever, etc.). Viewers who watch a great deal of video on specialty sites are knowledgeable about the sites and their missions, and feel aligned with those missions and are willing to give financial support to those missions, while viewers who watch a great deal of video on YouTube do not think that they should have to pay for any content they access on YouTube, since YouTube is a free site. <u>Opportunity for WB:</u> This is a branding challenge for all MCNs, but we see the biggest opportunity for Warner Bros. in this space to be employing subscription models targeting niche audiences and highlighting the role of individual creators.

Millennial Audience Engagement in Web Series: Best Practices

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Millennial Audience Engagement in Web Series: Best Practices

Executive Summary

This project examines millennial audience engagement with YouTube web series that target female audiences. The female fan audience for web series offers a viewing base that could be equally successful to Warner Bros.' more male-focused MCN, Machinima. Female web series viewers participate actively in transmedia consumer culture and spread buzz across media platforms. They are visible tastemakers and valuable brand ambassadors who would be committed to a series or MCN directed thoughtfully to them. They are also willing to financially support the web series they love through fundraising campaigns and through purchase of affiliated merchandise. WBMR&I told us that YouTube's emphasis on more intimate, "broadcast yourself" authenticity presents a challenge to Warner Bros. as a large-scale studio. However, YouTube web series fans value professional, quality retellings of familiar stories, which bodes well for Warner Bros. expansion into the web series sphere. Through a combination of data scraping and close analysis of audience engagement across media platforms YouTube, Twitter, Tumblr, and Pinterest, I have developed five best practices to cultivate female fan communities for YouTube web series, with special attention paid to the challenges facing a large-scale media corporation entering the YouTube sphere. Following these best practices will help Warner Bros. tap into a new and potentially valuable audience with much promise for future growth.

Key Findings and Recommendations

As Warner Bros. expands into the YouTube/web series arena, I recommend the following to maximize fan engagement and grow audience numbers:

- Develop series that incorporate elements of geek culture, young adult content, and transmedia literary adaptation to tap into a growing and currently underserved female audience.
- Web series material strategically posted across online interfaces (including YouTube, Twitter, Tumblr, and Pinterest) is important to attract and engage potential fans. These transmedia elements will also need to keep pace with rapidly changing audience behaviors in order to reach and feel authentic to viewers.
- Incorporate fan modes of creativity (detailed below) and user-generated content (UGC) into episodes, affiliated material, and/or product placement.
- Promote characters, actors, and creators as fellow participants in digital culture, alongside viewers.
- Encourage feedback in the form of ongoing conversation between series producers and fans on shared social networks including YouTube itself, Tumblr, and Twitter.

Millennial Audience Engagement in Web Series: Best Practices

Emmy winning web series *The Lizzie Bennet Diaries* has inspired a wave of emulators and has cultivated a growing audience of mostly young adult female web series fans. This growing audience brings together three main trends of "hyper targeted content and branding" outlined in the Blue Ribbon Content report on the 2014 Digital Landscape shared with us by WBMR&I: geek culture, content for young adult audiences, and transmedia literary adaptations. For this study, I examined 15 series that exemplify this combination including: *The Lizzie Bennet Diaries*, *The Lydia Bennet*, *Welcome to Sanditon*, *Emma Approved*, *March Family Letters*, *Frankenstein MD*, *The New Adventures of Peter and Wendy*, *Green Gables Fables*, *Nothing Much to Do*, *In Earnest*, *A Tell Tale Vlog*, *The Autobiography of Jane Eyre*, *Squaresville*, *MsSpelled*, and *Carmilla*. The most recent success, *Carmilla*, has received over 6 million views; combined views for the series examined in this study equals 15.7 million. MCNs have emerged to aggregate this content and audience, including the two main contenders, Pemberley Digital and VerveGirl, and several other smaller MCNs noteworthy for their innovative engagement with audiences, including Shipwrecked, Epic Robot TV, Wonderly, and Severe Chill Studios. Coordinated MCNs that link geek culture, young adult culture, and literary adaptation transform actively engaged female web series audiences into larger audiences.

Figure 1: A breakdown of combined views by web series (15.7 million views in total).

In addition to analyzing the data presented above to identify the scale and spread of these series, I have also mapped out hot spots of audience engagement on YouTube, identifying peaks in audience commenting to consider what elements inspire audiences to respond to program content and advertising and to become brand ambassadors for MCNs.

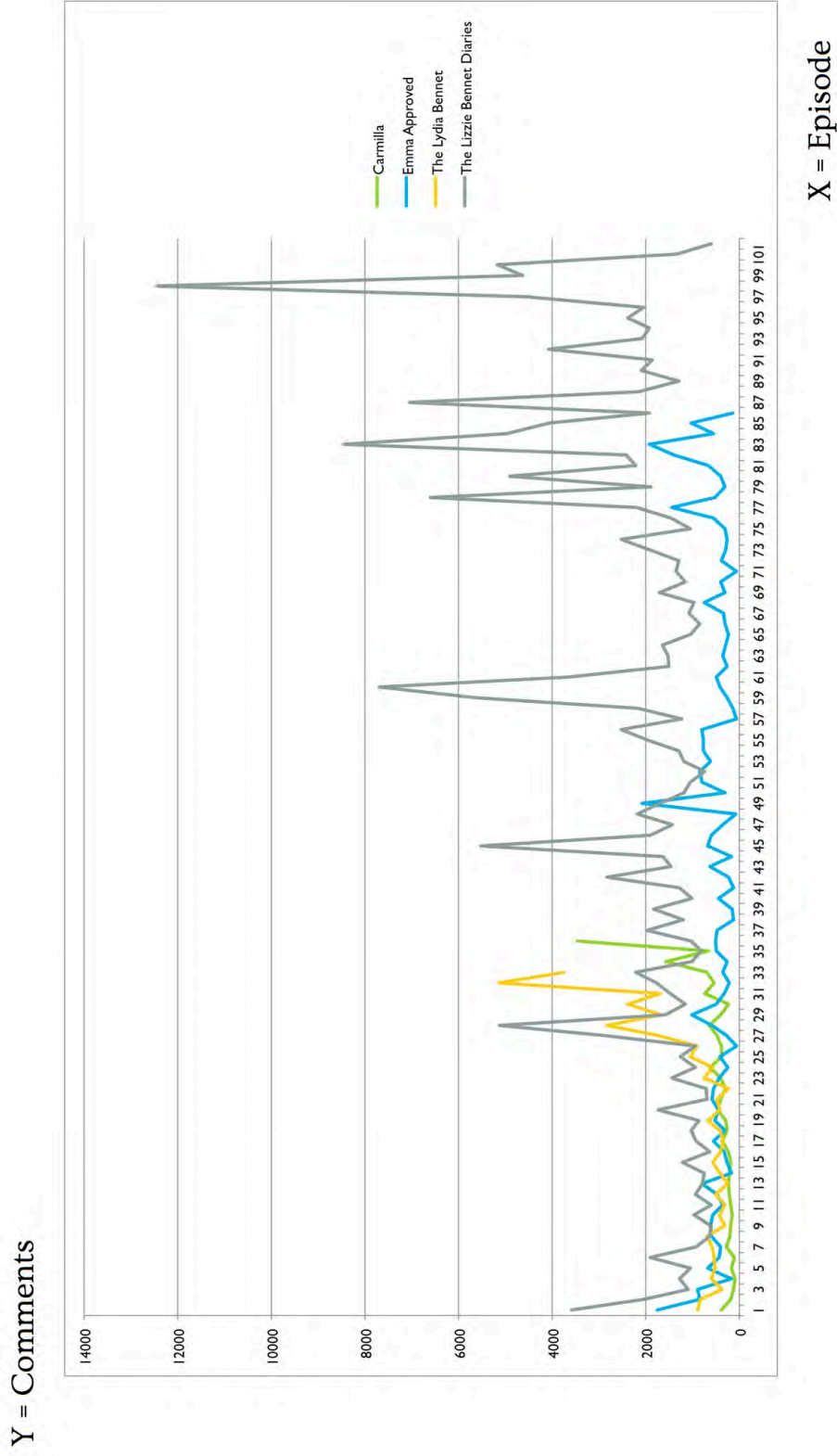# YouTube Comment Activity on Web Series Narratives

Y = Comments

Figure 2: YouTube comments peak at serial narrative climaxes and also when audiences are provided access to the perspectives of actors' and series' producers.

X = Episode

Based on my examination of these comment hotspots, combined with analysis of recurring themes, hashtags, and search terms circulating across fan-favorite sites Twitter, Tumblr, and Pinterest, I offer the following recommendations.

1. Combine the overlapping interests of the YouTube fan base: geek cultures' celebration of popular media overlaps with young adult self-authorship on YouTube and with modern YouTube/transmedia adaptations of classic literature favorites. There is an expanding number of series that bridge these three areas, some created and distributed by amateur producers, others by small independent production companies and MCNs, and this speaks to the growth potential of this form and audience. Larger MCNs transform web series audiences into expansive taste culture communities and in so doing successfully dominate web series viewership.
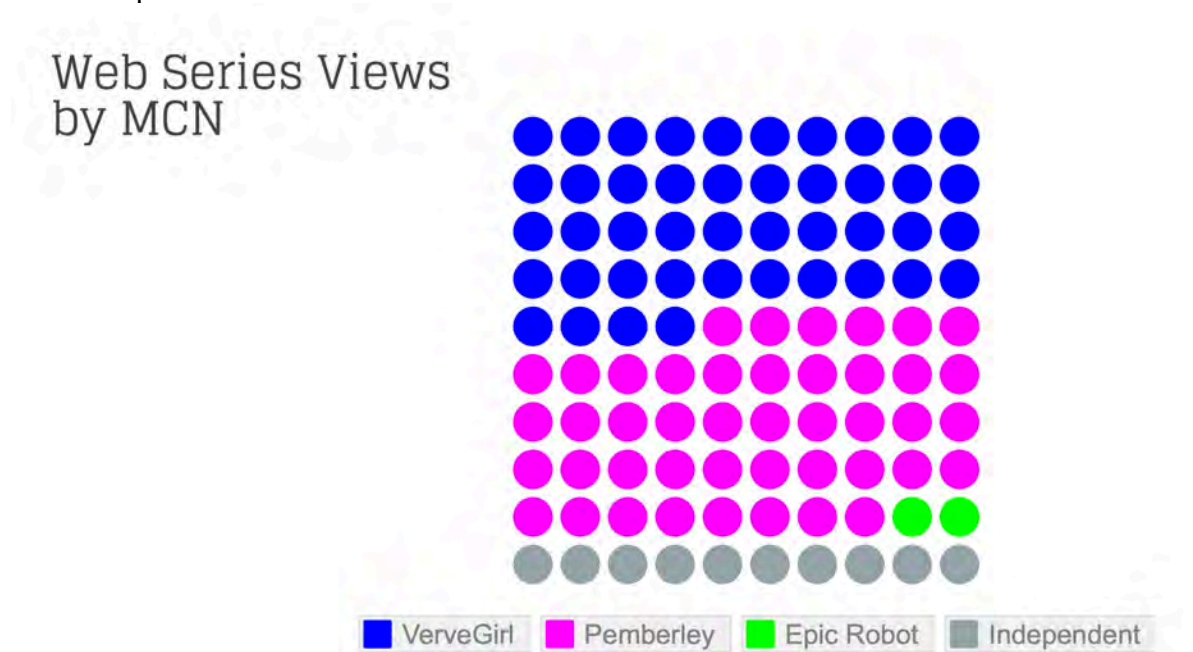

Figure 3: Breakdown by MCN of combined views; out of the 15.7 million views, MCNs Pemberley Digital and VerveGirl dominate with 13.6 million or 87% of the total views.

Smaller series & MCNs also model innovative approaches to building audience community on YouTube and beyond by integrating the overlapping taste communities of geek culture, young adult culture, and literary web adaptations. For example, fans of *The New Adventures Peter and Wendy* (produced by EpicRobotTV) celebrate the series geek/pop cultural sensibilities and informed integration of YouTube young adult vlogging culture. The *New Adventures of Peter and Wendy* combines the web series literary adaptation with the appeal to geek culture and young adult YouTube culture through the following strategies:

- brand affiliation with online youth fashion marketplace ModCloth
- unboxing videos with the "monthly geek and gamer subscription box" LootCrate

- consumption of popular cult media with the cast's "We Review Doctor Who" segments
- casting for the series second season of popular vlogger Meghan Camarena/Strawburry17 and cult TV actor Jim Beaver
- Kickstarter and Indigogo campaigns successful in surpassing funding goals for season 1 and season 2. This series is an example of a small program achieving profound growth, with its support base on Indigogo increasing 900% for the second season.

2. Web series transmedia elements should mirror viewers' everyday online activities across multiple social networks/websites. Posting web series material across online interfaces (including YouTube, Twitter, Tumblr, and Pinterest) in ways that echo and incorporate fan use of these social networks acknowledges the value of fan practices by emulating them and cultivates viewer loyalty. Transmedia elements also need to be continuously informed by current knowledge of the reception for an unfolding series as well as by the specific norms of each interface. Each social media platform offers unique and specific opportunities to build audiences and to monetize content and products related to web series, but such monetization efforts must follow the norms of the site and the fan behavior there.

YouTube fans mobilize word of mouth about web series across platforms, moving from YouTube to Twitter, Tumblr, and Pinterest, and then back to YouTube, cultivating more fans for a series along the way. Fans use these multiple sites in tandem, but in quite specific ways. On Tumblr, fans isolate still images, animated GIF sets, and quotes from favorite moments, and also author longer form critiques. They combine these elements into the flow of collective conversation on Tumblr. On Twitter, fans debate, critique, and post immediate reactions, and welcome the opportunity to engage with series creators and to learn about the process of production. On Pinterest, fans collect hyperlinked images of products and of fan work, collecting these images in bulletin boards that often contain direct links to sites of purchase. Fans respond positively when producers engage with them through these platforms. For example, *Squaresville* adopted fan-created hashtags to connect with viewers and to foster their commitment to their MCN, Wonderly. *Squaresville* used the fan created hashtag #fanartfriday alongside series created hashtags #fighttherobots and #staysquare to create a sense of shared culture and thus brand commitment.

For online audiences, YouTube is part of a mediascape that crosses multiple sites. Web series fans use these multiple sites to build communities and to share media that is meaningful to them, in turn bringing new viewers to web series. Some use all of these sites at once, others focus their daily attention to one site over others. Web series looking to thrive in the YouTube space must have informed transmedia footprints that attend to the specific uses of each interface and also to the way users move from one to the next and back again.

3. Incorporate fan/user-generated content (UGC) modes of creativity into web series and their affiliated material, including product placement. Feature the aesthetic codes of YouTube's do-it-yourself culture, most especially video blog style direct address to the camera, in web series related material and advertising. YouTubers have evolved multiple forms of DIY authorship, in which they actively participate and which they regularly consume; these include:

rants and reviews, "haul" and "unboxing" videos (in which vloggers share the results of recent shopping expeditions), style videos, intimate performances of original music and covers, vlogs, "let's play" videos, videos of people watching or listening to media, book reviews, satiric informational or instructional videos, and remix music videos. In their core narratives and in transmedia extensions, web series can incorporate a range of these daily practices on YouTube by featuring characters who participate in these practices or by inviting viewers to create affiliated material.

Fan and UGC modes of creativity can help overcome viewer ambivalence to corporate participation in the YouTube sphere, while offering opportunities for monetization. For example, the *Carmilla* "U by Kotex" "public service announcements" feature fan-favorite characters playfully extolling the virtues of Kotex pads, calling attention to sponsor U by Kotex and the hashtag #wegotu. These vlog-format spots simultaneously function as narrative extras and as opportunity for Kotex to assert its affiliation with *Carmilla* viewers (including with the series feminist politics). In response, *Carmilla* fans thanked Kotex for providing them with "more *Carmilla*" and added #kotex hashtags to their own posts. Such fan-styled extras create a sense of intimacy and community, fostering allegiance to a series, to its MCN brand, and to its sponsors. The incorporation of these elements situates a fictional series and its affiliated advertising within the intimate collective culture on YouTube.

4. Create a sense of shared community by providing guided access to the creative perspectives and work of series producers on the social networks frequented by web series viewers. The digital landscape positions all participants as potential media producers. With its "Broadcast Yourself" tagline, YouTube especially highlights this expectation that all users are also creators. Web-based media therefore conveys an increased expectation of access to the behind the scenes labor, planning, and perspectives of media producers. As such, creating promotional material that features the perspectives of characters, actors, and creators enhances the connection between fans and the talent. YouTube fans often embrace extra material that situates web series producers (including actors) as fellow fans and creative authors**.** Savvy web series provide access to their creative personnel (including actors) in guided and respectful ways (respectful to both the producers and the fans and viewers).

Cultivating an ethos of a shared creative community is essential for fostering a committed fan base in the YouTube sphere. *The Lizzie Bennet Diaries* has modeled the potential of this type of exchange: with co-producer Bernie Su's Tumblr account, co-producer Hank Green's accessibility through his well known vlog (thevlogbrothers), and stars Mary Kate Wiles' and Ashley Clements' active participation in Tumblr culture. An alternate model, *Carmilla* offers YouTube question and answer sessions with the actors that take on the force of an alternate narrative. *The New Adventures of Peter and Wendy* offer "We Review Doctor Who" and actor Unboxing videos. Fans especially appreciate the positioning of actors and creators as fellow creatives and participants in consumer culture. VerveGirl's *Carmilla* has demonstrated success building audience enthusiasm for material related to the show, including advertising, by providing access to series actors.

5. Encourage feedback in the form of ongoing conversation between series producers and fans on shared social networks. YouTube fans gravitate toward properties familiar from other media, but can be quite critical of how those properties are adapted. Especially when adapting an already existing media property/literary text as these web series often do, fans appreciate acknowledgment of their knowledge of the source text and the stakes of adaptation; when handled well, fans and series producers form a bond based on their shared love for the source being adapted. Failure to maintain the feedback loop can result in problems, for example in the audience outcry and drop in views when the *Jane Eyre* web series recast a main character without explanation, and likewise when *Peter and Wendy* temporarily removed all episodes (likely because of an ongoing MCN merger) without sufficient explanation.

Thus it is key that web series producers and/or distributors maintain consistent communication channels with their audiences. Invite feedback, including critical feedback, through comments on YouTube, Twitter live chats, or Tumblr posts and hashtags. Critique is a creative process that, if welcomed, can inspire dedication to a web series and its MCN brand context. It is important not only to allow critique but to encourage it with invitations for feedback and opportunities for conversation between web series creators and fans. Most independent, fan-created web series model this well, with actors and characters responding to comments on YouTube, to "asks" on Tumblr, and to mentions on Twitter. Some web series build this feedback loop into the episode content itself; for example, in the closing moments of each *Squaresville* episode, the actors invite fan response under officially affiliated hashtags.

Much of the pleasure for web series fans comes in the form of exercising authority through critique and through conversation with producers. Engaging with or inviting feedback contributes to a sense of shared creative culture and thus fosters fan commitment to a series and MCN.

Conclusion: Challenges and Opportunities.

The viewing practices on YouTube increasingly are shaping viewer expectations for television and film, as well as online media consumption. Warner Bros. has the opportunity to foster growing but underserved audiences willing to contribute money to the media they consume and open to appropriately targeted product placement and affiliated advertising.

Reaching an underserved but significant audience

The five approaches outlined above map out best practices for developing and fostering a millennial female audience for web series on YouTube, an audience community that is as of yet untapped by Warner Bros. Following the best practices outlined above, Warner Bros. could cultivate a strong new YouTube fan base. Young adult female audiences on YouTube are a rapidly growing viewership. The success of relatively small but coordinated MCNs Pemberley Digital and VerveGirl show the potential for growth in this area. These series and MCNs combine young adult/girl culture with geek culture and literary adaptations, thus tapping into three core currents of YouTube interest. In so doing, these series and MCNs inspire dedicated fans who pursue advertising content, support fundraising campaigns, and act as brand ambassadors and series advertisers.

The challenge of authenticity

The relationship between YouTube web series and their audiences depends on a sense of intimacy, a do-it-yourself spirit, and an acknowledgement of the viewers' and creators' shared roles as producers in digital culture. But at the same time fans gravitate toward well-budgeted, professionally-produced adaptations of beloved texts. Warner Bros. could overcome viewer ambivalence to its perceived legacy stature by incorporating user-generated content creative practices, by strategic participation in transmedia social networks, by providing access to the perspectives of series producers, and by participating in a continuous feedback loop with YouTube audiences. These elements can help Warner Bros. to overcome resistance to corporate production within YouTube and to innovate and grow a large and dedicated audience.

Web series unfold within a transmedia landscape that is already heavily consumer oriented. YouTube fan practices include product-centric material such as shopping "haul" videos, unboxings, fashion and style advice, and monetary support in the form of Kickstarter and Indigogo campaigns. Female millennial fans of web series actively participate in these new forms of consumer culture and media funding. Warner Bros. engagement with these consumer-oriented practices as part of web series can overcome concerns about authenticity and offer promising opportunities for monetization. Some monetization examples might include: sustained product sponsorship and product-focused additional material, online marketplace partnerships, and crowd-sourced funding campaigns.

Cultivating the College-Age Media Audience:
Incentivizing Content Discovery and the Ownership Proposition

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Cultivating the College-Age Media Audience:
Incentivizing Content Discovery and the Ownership Proposition

Executive Summary

This project investigates media discovery strategies among college students. We have defined "discovery" as an extended process that begins with learning about unfamiliar film or television content and ends with the decision to view and/or purchase that content. In particular, we focused attention on whether college students buy movies or television (on disc or online), the reasons some students do not purchase content, and possible incentives to encourage EST consumption. Conducting both an online survey (with 100 respondents) and a series of half-hour interviews with 50 undergraduate students, we inquired about student habits and also asked students for feedback about a series of incentives to stimulate purchase. Students' viewing and purchasing strategies are idiosyncratic during the college years because they do not yet have reliable salaries and often live with other students. Nevertheless, during the college years students can develop brand loyalties and habits of seeking out content in specific places that can follow them into their adult years. Students who identify as fans of film franchises or TV series are most invested in purchasing content. More broadly, even students who are resistant to purchasing content expressed a willingness to rent, to subscribe to streaming services, and, most importantly, to complete purchase opportunities that provide financial incentives. Attempts to inculcate a buying habit in students will be most successful if they are paired with deals, freebies, unique access opportunities, or other "value added" features.

Key Findings

- Students are most likely to discover new content if their risk—both financial and time expended—is reduced. Warner Bros. can stimulate increased discovery by reducing or eliminating costs for sampling content.

- Viewing rental and EST transactions as interconnected could stimulate more media purchases. Offering purchase at a reduced price after renting may provide a gateway to EST.

- Students have grown comfortable with delayed viewing because digital windows reward patience through profound price reductions and ample content availability. This has profoundly damaged motivation to purchase content but can be reversed through incentives like priority access in theaters or online.

- Some students distrust the EST marketplace due to anxiety that purchased content will disappear or become inaccessible, while other students worry about space limitations on their hard drives. Incentivized EST purchase opportunities will increase familiarity levels with EST procedures and build consumer trust in the ownership proposition.

- Students are interested in buying content when paired with incentives including priority access to theatrical films, merchandise, or discounts in the form of bundles.

Cultivating the College-Age Media Audience:
Incentivizing Content Discovery and the Ownership Proposition

Introduction: The Millennial Audience

Millennials are promising as a consumer demographic, but they also pose certain challenges for media companies. As many research studies have shown, millennials are the most diverse and highly educated generation of Americans, but they are also economically challenged, having grown up during the Great Recession and having acquired record debt earning their college degrees.[1] In terms of media, they are voracious, spending eighteen hours a day[2] engaging with content in some way, watching more television online, and playing more games than other generational demographics.[3] For our study, we focused specifically on college students, with an audience sample concentrated in the 18-23 age range. This segment of the millennial audience feel particularly cash strapped and declare themselves to be very busy and therefore highly discriminating in how they spend their time and money on media.

We analyzed how this cost-conscious but media-hungry generation approached their personal buying decisions regarding film and television. We defined "new" content as any content previously unwatched by the respondent to acknowledge that the web's deep library allows young consumers to find a wide range of historical content that for them is a fresh discovery. Our conversations with Warner Bros. led us to develop a definition of "discovery" that accounted for the initial introduction to new content and extended to the reasons motivating students to watch and/or purchase that content. While many of our respondents reported Netflix (and to a lesser degree other SVOD services like Hulu and Amazon Prime Instant Video) as a significant discovery vehicle, our questions encouraged them to explore the wide range of influences that might introduce them to new content, from social media to traditional promotional strategies. We also asked in detail about recent purchasing history and general attitudes towards buying movies and television programs.

Based on our research, college students are not necessarily transforming historical viewing patterns, but they are adapting or adding new modes of engagement. For example, 48% of our sample do *not* subscribe to cable while at school, and 70% of the interview subjects watch live television less than once a week. Quite a few of the students interviewed watch content primarily on their laptops (63%)—they describe being curled around their machine, appreciating the closeness of the viewing experience. More than half 54% binge-view television at least once a week. Traditional modes of addressing consumers—through trailers and other promotional efforts centered on stars and directors—remain viable and effective, but our findings also indicate new opportunities to address students through the shifting viewing patterns described above to encourage increased consumption, particularly EST.

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[1] http://www.pewsocialtrends.org/2014/03/07/millennials-in-adulthood/sdt-next-america-03-07-2014-0-01/, http://www.nielsen.com/content/dam/corporate/us/en/reports-downloads/2014%20Reports/nielsen-millennial-report-feb-2014.pdf, http://www.uschamberfoundation.org/millennial-generation-research-review
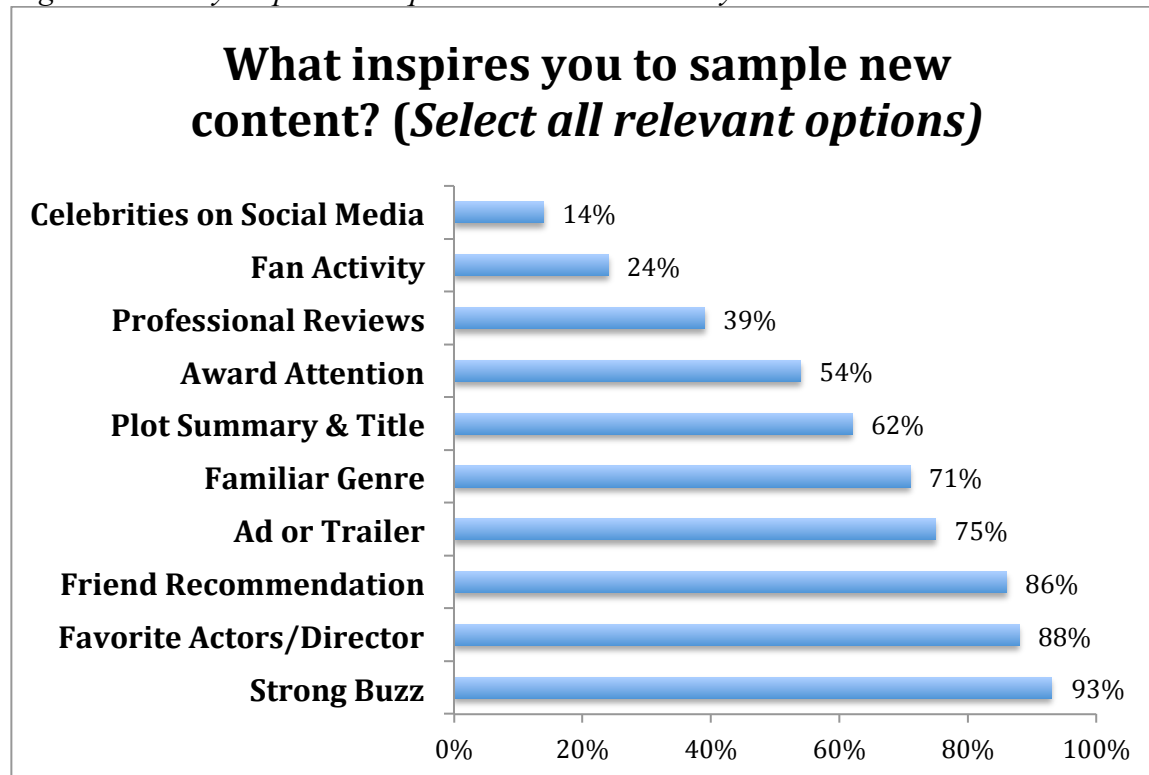
[2] http://blogs.wsj.com/digits/2014/03/13/data-point-how-many-hours-do-millennials-eat-up-a-day/

[3] http://www.verizondigitalmedia.com/content/newslides_full_final_noconj_v2.pdf

Discovering and Sampling New Content: Risk and Repetition

Discovery is a process of repeat engagement with content, and it covers a variety of consumption opportunities, from the viewing of the trailer to streaming the film online to eventual purchase. Through our survey and interviews, we identified the primary influences that motivated college students to sample content that was new to them, including buzz, favorite actors/directors, and friends' recommendations.

Figure 1: Survey responses to questions about discovery.

What inspires you to sample new content? (*Select all relevant options*)

- Celebrities on Social Media — 14%
- Fan Activity — 24%
- Professional Reviews — 39%
- Award Attention — 54%
- Plot Summary & Title — 62%
- Familiar Genre — 71%
- Ad or Trailer — 75%
- Friend Recommendation — 86%
- Favorite Actors/Director — 88%
- Strong Buzz — 93%

They key factors that shape discovery and viewing lead to the reduction of risk in sampling new content. Students do not want to waste their time on content they won't enjoy, so their discovery strategies aim to reduce that risk as much as possible in as efficient a manner as possible. While professional reviews rank low in terms of influence, students cited sites like Rotten Tomatoes and Metacritic as crucial, perhaps because these sites offer a series of shortcuts to information about content ranging from the aggregated quality scores calculated by the sites to the short excerpts from professional and user-created reviews. Students also tend to be persuaded by influencers that speak directly to their particular media interests and priorities. As a result, friend recommendations and favorite actors/directors score highly in our findings. In fact, one complaint about Netflix recommendations, which students do use with some regularity to find new content, was that it was too focused on genre and therefore not personalized enough to accurately predict student tastes.

When asked about purchasing content, students cited three factors as crucial—whether they had seen the film before, whether they felt emotionally attached to the film, and the likelihood of

watching the content more than once. Among the survey respondents who purchased a physical disk in the past year, 87% had seen the film previously. In terms of television, only 27% purchased an episode or season of television online in the past year, but 88% of those buyers had previously watched the show. Interviews bore out a divide between film and television purchasing in that more students buy movies than television. Students who had bought movies usually felt a strong affinity for the specific films purchased and for the medium of film in general. Consider student "SJ": "If I'm buying, it means most likely I've seen it and I really enjoy that movie. The last movie I bought online was *Pitch Perfect*, and I watched that movie every day for a month." Certainly some students had purchased content for other reasons—they could not find it streaming or they needed to study the movie for a class—but broadly undergraduates who buy movies do so because they love a film and plan to watch it more than once. Moreover, students who identify as fans are more likely to buy content than casual viewers. This is a subset of potential buyers, however, so new incentives to purchase are needed to guide even casual viewers toward content ownership.

Surprisingly, a strong minority of students continue to avoid purchasing digitally because they fear a technical problem will delete their collection. Expressing this anxiety was "AH": "You can never trust fully [buying a movie online]. I feel like when you have something hard and tangible in your hand, it is completely different." Many students also value the physical item—as something to own—and a few even describe this preference as nostalgic. "I may prefer physical copies even just to preserve the nostalgia of what life used to be like," says DVD buyer "SB." For those students who prefer purchasing the physical disc, increased incentives to purchase digitally may help them to become more comfortable with a new mode of ownership as their trust increases through the experience of the EST model.

One point of confusion that arose repeatedly involved the difference between EST and rental. When asked if they had bought a movie online in the past year, a number of respondents replied in the affirmative. Yet subsequent questioning revealed that while they had rented a film from Amazon or another online streaming service, they had not purchased a digital copy of a film. For the students, the idea of "buying" content involves any paid transaction; they distinguish these sorts of per-use fees from the SVOD model, which seems "free" to them because it requires no transaction cost with individual viewing experiences. Despite the fact that students are not in the habit of purchasing content as an individual transaction, they are comfortable with the rental model because it reduces the price point and therefore the risk of financial investment.

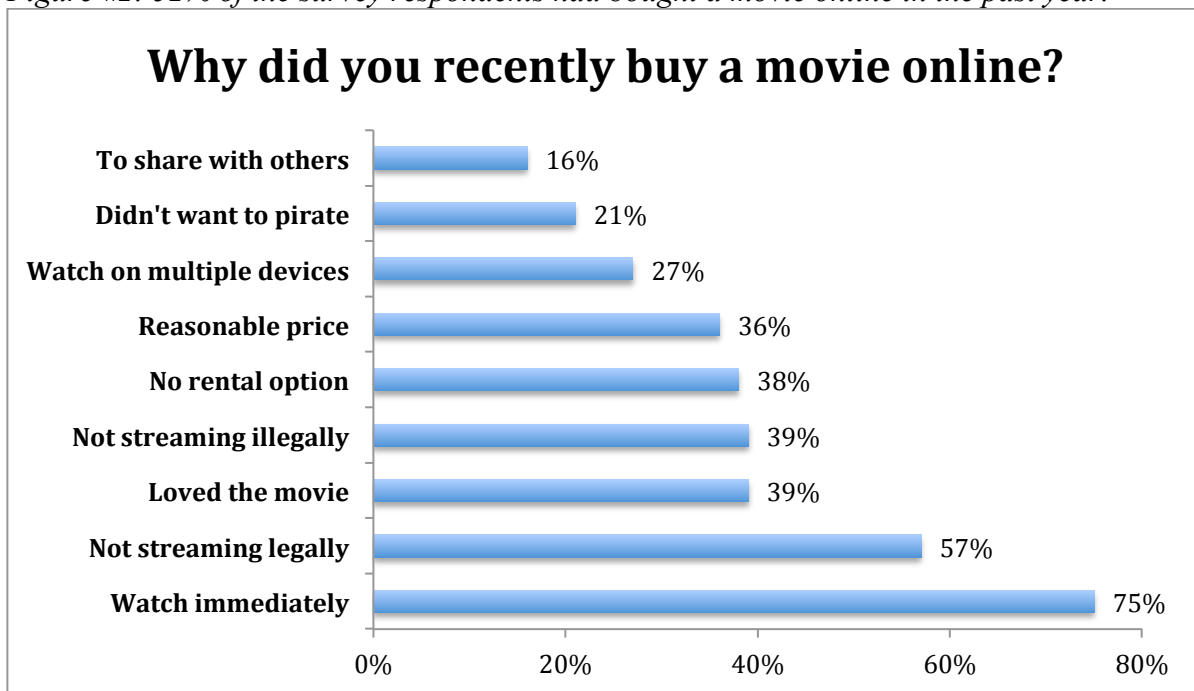**Factors Inhibiting Purchase: Plenitude and Patience**

The undergraduate demographic is incredibly patient, delaying their viewing of a particular film or TV program for days, weeks, or months, depending on their primary method of viewing and the windowing timelines established by the industry. Says "LH" about delaying viewing: "I don't need to watch things when they first come out. I am A-OK waiting until it comes to Netflix or is online somewhere for free." Because most students watch the majority of their content on their laptops through streaming (rather than live or via DVR), they are *always* watching content on a delayed timetable. Whether the delay is one day (Hulu, cable on demand services, etc.) or many months (Netflix binge viewing), students have developed a new habit of postponing viewing,

particularly if deferral will allow them to watch content for free. Because many students are comfortable with delayed gratification, they expressed a reduced incentive to buy.

Students are more price-sensitive than they are quality-sensitive. We asked each respondent how important image quality was to them, and almost all replied that image quality mattered significantly. Nevertheless, when asked a follow-up question about if they would be more likely to pay for a higher-quality image than to view a free, lower-quality image, almost every student opted to view the free, lower-quality image. Many students lack access to a DVD/Blu-ray drive in their laptops, so hard copy rental or purchase is impossible. Quality alone, therefore, is not a strong enough inducement to buy content for many college students.

Factors Driving Purchase Decisions: Affinity and Access

Figure #2: 52% of the survey respondents had bought a movie online in the past year.

Why did you recently buy a movie online?

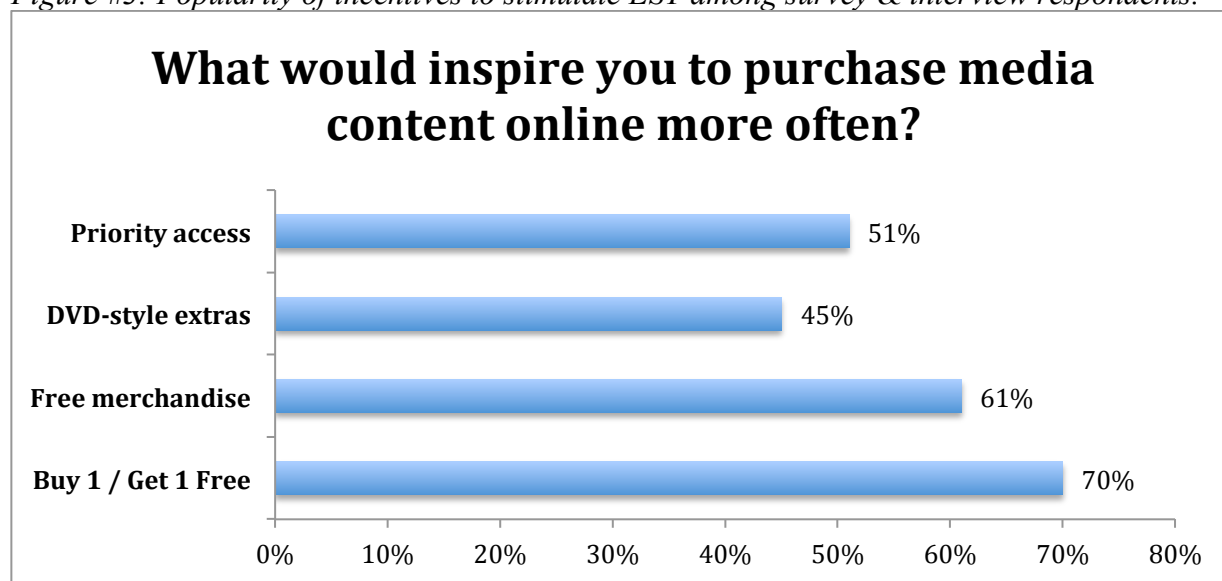| Reason	Percentage
To share with others	16%
Didn't want to pirate	21%
Watch on multiple devices	27%
Reasonable price	36%
No rental option	38%
Not streaming illegally	39%
Loved the movie	39%
Not streaming legally	57%
Watch immediately	75%

The number one explanation for the decision to purchase content, as reflected in the survey, was immediate access, but this was an exceptional situation for buyers who only purchased once or twice in the past year. It is important to note that some respondents purchased a significant amount of content due to special affinity for media or financial means, but these sorts of mega-buyers are the exception. When asked about immediacy, our respondents described hanging out with friends on the weekend and wanting to watch a movie *at that moment*. When watching alone on their laptops, however, which is how many college students watch movies and TV a majority of the time, immediacy was less important. Other reasons motivating students to buy content online included travel and coursework (so they could re-watch many times). Additional incentives are therefore necessary to create a culture of buying among college students.

We approached possible incentives to buy through three sets of questions. First, we asked about a series of free accompaniments to gauge student level of interest in those items, including

traditional extra features (like behind-the-scenes content, director's cut versions, or other making-of materials), merchandise related to the feature content (including t-shirts, bags, mugs, keychains, jewelry, etc.), and two-for-one purchase opportunities (with students allowed to choose a film of equal or lesser value). 45% of students felt extras, as long as they were exclusive, would encourage them to purchase, while 61% were persuaded by free merchandise. Being able to get a free film of their own choosing as part of a buy 1/get 1 free deal, however, was the most popular incentive, with 70% of students agreeing they were more likely to buy content that way.

Another popular incentive to purchase was priority access—a privilege that would be particularly attractive if extended only to those who purchased content online and if it was for an upcoming film that is part of a franchise. We polled about a few different types of priority access, but the one that resonated most strongly was the day-and-date release option: students agreed they would buy a film if it meant they could watch it at home, online, when that film was released in theaters. Other types of priority access, like being able to watch the premiere of a new season of television, polled lower in popularity but could be effective for the most popular of programs, like *Game of Thrones*. Another TV-specific form of priority access would allow those who buy the full season through EST in advance to access the complete season at once, allowing a binge viewing—this resonated with respondents. Priority access appeals to students as a privilege, yet from the perspective of content makers and distributors, it also creates a habit of buying among students who currently tend not to purchase television online.

Figure #3: Popularity of incentives to stimulate EST among survey & interview respondents.

What would inspire you to purchase media content online more often?

Incentive	Percentage
Priority access	51%
DVD-style extras	45%
Free merchandise	61%
Buy 1 / Get 1 Free	70%

Finally, we asked students to describe to us the ideal streaming media service that would target the particular habits and priorities of college students. Most frequently mentioned, of course, was access to a deeper library of content for film, television, and music, no delays in access, and no ads. Some wanted more versatile recommendation systems (built upon more than genre), and some wanted to be able to customize their service to show only the content in which they were most interested. But students also brought up many other ideas to indicate the type of rich service that could be developed as a means to engage directly with college students. In terms of access,

students would appreciate a service that delivers sneak peaks and movie premieres online. They also would like to see a greater variety of content available, from increased documentaries and international content to locally produced or student-directed films. Educational content would also appeal to students, including lectures, study aids, and access to movies and TV programs taught for courses on campus.

We also asked about one additional model to encourage the purchase of content: a rewards system designed to incentivize college consumers to purchase through EST. Students were asked if they would be willing to share their viewing histories and contribute other feedback to a media company in exchange for points that they could collect and then spend on the purchase of content online. 71% of respondents were enthusiastic about this sort of unique exchange. As EST is still relatively new—and because these students are only starting their lives as independent adults— their years in college offer a unique opportunity to encourage consumption behaviors that will carry beyond their university years.

Conclusion: Challenges and Opportunities

The challenges are relatively clear with the millennial college student demographic. They tend to have less expendable income than adults in the workforce, they are balancing many responsibilities that compete with their leisure time, and they are highly discriminating consumers. Nevertheless, Warner Bros. can encourage the development of new habits that increase viewing and consumption by appealing to students' preference for personalized appeals and financial incentives.

The two tactics we found most likely to encourage students to buy content more often included bargains and priority access. While students may be reluctant to spend money on content, they are eager to be addressed in a manner that incentivizes their engagement. The specific recommendations described below could be adapted in a variety of ways to suit WB's specific goals and partnerships, but the key elements of any address of college students must acknowledge the importance of a value-added EST experience. The larger goal is to create a habit of digital purchase that they will continue after completing their degree, despite no longer having access to unique college-focused discounts.

Recommendation 1: Online rental should operate as a gateway to EST rather than as a separate form of consumption (DirecTV has created a form of this model). For example, companies could offer students multiple opportunities to purchase rented fare at a discount before the 24-hour rental window expires. A similar concept would invite students to sample a film online, but at a specifically designated point (appropriate for the film's content), viewers would be prompted to purchase the film to continue. Crucial here is that the request to pay be non-disruptive, with an easy click of a button accepting or rejecting the offer.

Recommendation 2: Among the purchase incentives we examined, students responded most enthusiastically to a buy-one-get-one-free offer, as long as they get to pick the second film (of equal or lesser financial value). Other incentives that could stimulate EST among college students include priority access streaming, free merchandise, and production-focused extras like interviews, behind-the-scenes specials, and blooper reels. With all incentives, exclusivity is

crucial—the extras cannot be available through another platform, like YouTube. Franchise films and serial TV programs, in particular, may inspire the strongest participation with incentivized EST opportunities. One type of extra that resonated with students invited them to participate in a chat with select members of the cast and creative team for a specific film or television show. This would be an exclusive streaming event (a video-enabled form of Reddit's "Ask Me Anything"), attended only by those who had purchased the content in advance of the event, and participants would have the opportunity to submit questions.

Recommendation 3: With binge viewing increasingly in popularity, the EST model could adopt a form of binge viewing to stimulate the purchase of television online. Offer students the opportunity to buy a full season of television, at a discounted rate, up front and in advance of the premiere by at least one week. Students may then watch the entire season at their own pace, and they will feel privileged to set the conversation about that season's content and themes.

Connected Viewing in Russia Since 2010

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Connected Viewing in Russia Since 2010

Executive Summary

It is generally assumed that foreign media companies have limited information about the Russian market. In addition, Western investment in the Russian digital market is challenged by the slowdown of the Russian economy, political authoritarianism, and ongoing international sanctions restricting Russia's corporate access to Western capital markets. However, Russia remains critical to the European entertainment market and has the potential to become a key player in Asia as well. It is clear that a developing broadband infrastructure, rapidly proliferating mobile Internet access, and new monetization models are going to significantly impact the future success of content companies in the Russian digital landscape. This project assesses the regulatory scene, a maturing technological infrastructure, the varied regional and demographic nature of consumption, and shifting attitudes towards engaging media content. Focusing on understanding recent digital distribution trends and shifting forms of consumer engagement, our research findings are based on communication with Russian academics and media professionals and an engagement with the extant market research and policy literature.

Key findings

- In a contradictory policy environment, the most predictable regulatory area is the mobile sector because it is clearly geared towards greater geographic coverage, greater competition, and lower prices.

- Despite increased online revenues following 2013's anti-piracy legislation, it is not clear that state investment in digital networks is designed to curb foreign content piracy despite Russia's avowed anti-piracy rhetoric (cf. China).

- Given the Russian preference for low-cost or freely available content downloaded from Russian-language social networking sites, monetizing digital media content in Russia remains a major challenge. However, making content affordable and conveniently accessible might shift consumer attitudes: for example, by offering flexibility to support dual advertising and subscription-supported content.

- Localization is essential. Forming partnerships with Russian companies to get around laws that restrict foreign ownership, promoting content that aligns with audiences' patriotic interest in themes such as history and nature, and promoting services on Russian social networking sites are indispensable strategies.

- State commitment to building robust broadband infrastructure throughout Russia means that, in the coming years, a huge consumer base will be linked up outside of the western urban centers of Moscow and St. Petersburg. Mobile penetration has already dramatically increased in regional areas.

Connected Viewing in Russia Since 2010

Introduction

Despite global media interest in the BRIC economies, Russia continues to challenge academic and industry research. Russia is a strange amalgam of industrialized nation, emerging market, and developing economy. Russia struggles under Western economic sanctions. Falling global oil prices have taken a huge bite out of Russian exports. The downturn has affected the Russian consumer: shopping mall traffic is down considerably and Russians are tightening their spending as wages have fallen dramatically.

The combination of economic strife and the Kremlin's authoritarianism has depressed international retail confidence. Furthermore, international investment in the digital market is impeded by corruption, censorship, and cumbersome regulation. Yet, as a key global market, Russia's entertainment and media market is forecast to grow at an annual 10% rate through 2018.

Fast-growing broadband access has greatly increased Russian consumers' desire for different media sources. In addition, mobile Internet access has taken off in Russia since 2010, with 115 million mobile Russian users forecast to access the Internet monthly in 2015. In 2014, revenues from mobile Internet services finally surpassed revenues from fixed-line broadband access. While people under 25 overwhelmingly prefer mobile access, it is also critical to consider demographic data about Russia's aging population given that those over 65 will outnumber those under 14 in 2023. Migration to mobile devices will also increase for this vastly under-appreciated media audience.

State power plays a significant role in influencing Russian viewers' attitudes and monetization opportunities. The state recently reduced the foreign ownership shares in Russian media and extended its control from broadcasting to the Internet, with the consequence that social network ownership is increasingly proximate to the Kremlin. While Internet regulation is touted as a way to protect copyright owners from piracy and protect consumers from obscenity, it also makes selling content to legitimate viewers more difficult.

We think that, similar to China, anti-piracy legislation might distract from the expansion of state control, whose purpose might be to exploit patriotic bonding and anti-Western paranoia among Russian consumers for the government's own political surveillance, data mining, and content promotion. This is particularly true for social media, which serve distinctive functions for Russian consumers. Most prominently, Vkontakte, or VK, which has 57 million monthly users (compared to Facebook's 25 and Twitter's 12 million), is a platform for illegal content-sharing, as well as a online dating and porn access. VK, along with other major social networking sites such as Odnoklassniki (43 million users) and Moi Mir (31 million) are spaces of trust among Russian users.

Our research assesses this complex and rapidly transforming media environment and offers suggestions for Warner Bros. and its partners. Our findings are based on extensive communications with media analysts, journalists, lawyers, and policymakers. In addition, our research draws on academic sources, management consultancy and policy literature, and existing survey data.

Regulation and Technology

The impact of Russian media regulation on monetizing foreign content is hard to assess because it is driven by contradictory purposes: attracting foreign direct investment and expanding the government's political and financial control over the entire market. The technological context is characterized by the same contradictory tendencies: while the state is committed to the geographical expansion of modern broadband infrastructures across Russia, the state-owned broadband network company Rostelecom has implemented this expansion.

A touchstone case in point is the 2013 anti-piracy law, which beefed up enforcement, prosecution, and surveillance of Internet providers in line with international treaty obligations. The chief legislative targets are social networking sites, particularly VK, which has facilitated unrestricted content sharing. While digital content revenue has increased in the wake of the anti-piracy law, it is likely that part of the law's purpose is to demonstrate the Putin regime's compliance with international IP protection standards while extending its own control from broadcasting to the Internet, fearing the subversive political potential of online social networking and looking to capitalize on the promotional opportunities available on these sites. VK, once a platform for anti-censorship activism, is now under the financial and ideological control of Mail.ru, owned by Putin's allies. Mail.ru has also acquired Odnoklassniki, the second-largest online social networking site in Russia and popular outside of Moscow.

An even more controversial piece of legislation is the 2014 law that limits non-Russian media ownership to 20% by the end of 2016, a considerable lowering of previously more generous limits set closer to 50%. This measure undercuts Russian independent broadcasting companies and severely affects Disney TV channels and Russian-language versions of Western TV channels available on cable, such as Discovery, TV 1000 and Eurosport. Foreign investors will have to find Russian buyers for their shares. The law has been severely criticized for undercutting free market operations along with free speech.

Broadband development has been a major strategic goal in Russia's modernization program and a reassuring factor for foreign investors in the media market. *The government plans to make 100 Mbps or Ultra-Fast Broadband (UFB) available to 95% of households by 2020.* Extending broadband across a range of incomes and diverse geographic locations is recognized as key to job creation and business competitiveness, attracting foreign direct investment, and developing sustainable infrastructure. Currently, fixed broadband access is available in 57% of Russian households, close to the EU's rate of 79%. Russia's FTTH (Fiber-to-the-Home) network actually exceeds that of many European countries that have copper-based broadband infrastructure.

Mobile broadband access also has growth potential. Russia has a high rate of mobile penetration, which facilitates a relatively easy transition to 3G and 4G. A 2013 regulation mandated that operators must provide coverage of small localities by 2020. This should make mobile broadband available to 90% of the population. In 2013, about 73% of Russian Internet users had connection speeds above 4 Mbps and the number of connections above 10 Mbps increased to 21%, comparable to many countries in the EU.

Despite this commitment to building broadband capacity, three factors jeopardize sustained development. The first is the sheer size and geographic diversity of the country, which favors dense connectivity in the western urban areas. The second is the emergence of an oligopoly under the domination of the state-owned broadband network company Rostelecom. The third, related factor is ambiguous regulation, which fails to monitor anti-competitive practices. Spectrum allocation is sub-optimal and heavily influenced by security and military concerns. In addition, lengthy administrative procedures also hamper business development.

Regulation of the mobile market may be more conducive to attracting foreign investment. Russia's mobile economy is now experiencing important changes due to the recently introduced mandates of technological neutrality. This allows more players to enter the mobile telecommunications market, which has until now been dominated by three major operators, MTS, VimpelCom and MegaFon. As a result of increasing competition, the quality of services is improving, and prices are declining gradually. Moreover, mobile operators are now legally bound to provide coverage in all towns with a population over 1000 in order to obtain or extend their licenses.

More than two-thirds of mobile devices in Russia run on Android. The prospects of iOS in Russia are dim due to Apple's decision to raise iPhone ruble prices by 70% in December 2014. The mobile penetration rate was 80% in 2014 and the number of mobile Internet users in Russia is expected to increase from 62 million in 2014 to 88 million by 2017. Russia now has the largest mobile market in Europe, with more than 241 million subscriptions. 2014 was marked by a sharp increase in the sales of smartphones and tablets: 26 million smartphone devices were sold in Russia, 47% more than in 2013.

Monetization

Existing survey data suggests that less than 15% of Russians are prepared to pay for digital content. In addition, e-commerce is still relatively new in Russia, with online sales comprising only 5% of total retail sales (cash-on-delivery is still common). Currently, there are approximately 30 million credit cards (up from 11 million in 2011) and almost 200 million debit cards in circulation in Russia. Credit delinquency rates are fairly high. International sanctions recently imposed credit-processing restrictions, forcing the Russian government to ban payment systems based outside the country. Now, foreign companies like Visa and Mastercard will process Russian transactions through a local payment system to allow continual functioning. It remains to be seen if this new system is stable.

It's important to recall that shaky online payment platforms caused Netflix problems with processing electronic payments during its Latin America rollout. Netflix's turn to *a pre-paid model* in Mexico may be a lesson for Russian payments as well. Certainly, *the lack of a broadly socially accepted and financially stable electronic payment culture will mean that both ad-supported and subscription-based monetization strategies will remain important.*

However, in the video-on-demand sector, the existing perception is that the principal opportunities for growth seem to be in advertising-driven rather than subscription-based monetization. On the other hand, there is the sense that there are untapped opportunities in the

electronic-sell-through market, given increasing use of smart devices and lower pricepoints for Russian consumers than their European counterparts.

Despite the entrenched nature of online media piracy and the relative underdevelopment of credit and electronic payment culture, there are some broader initiatives to shift consumer attitudes towards monetizing content.

Several Russian newspapers have introduced paywalls, with varying degrees of success. In addition, digital book readers with access to paid online content have also begun to emerge, suggesting new ownership and collecting possibilities. We also have some anecdotal evidence that CD sales in Russia do not seem to have eroded as dramatically as other places and that *Russia may be a market like Japan, Germany or France, where music physical formats are still somewhat resilient* (unlike Sweden, for example).

Recognizing an under-monetized subscription service, Russia's leading on-demand music service Zvooq recently dropped its paywall in favor of a "freemium" model with audio ads. Zvooq and some other on-demand companies think that an easily accessible content stream with easy search and customization will build the future commercial potential of a content back-catalog. This is seen as preferable to legally enforcing more rapid changes in consumer habits.

The gaming sector seems to have shown a shift in monetization attitudes. While many online gaming stores in Russia have complicated registration requirements and burdensome fee structures, game piracy has declined quite dramatically with the introduction of online platforms like Steam and game distribution services like GOG (which operates without digital rights management). These platforms and services allow online gaming and downloadable content purchase, offered at dramatically lower prices than in the US and region-locked to Russian IP addresses. These services also promise access to thousands of games and an enormous online community, facilitating gifting and trading practices and "entertainment anywhere" options. *Prioritizing interface design, cross-platform capability, and content-richness above all, these services demonstrate the possibility of tapping into a large market by combining convenient access with lower prices*.

Geographic Differences

Many have noted Russian military belligerence, the reemergence of imperial ambition, and the proliferation of xenophobic patriotism. The Russian media is the principle vehicle for disseminating increasingly anti-Western sentiment centered on the critique of American foreign policy. Market research suggests that 75% of Russians see America as hostile, but it is important to note that *Russians are most patriotic about the country's natural resources, historical achievements, sports, and culture*. Warner Bros. should capitalize on these audience preferences by engaging content, branding, and partnering in these areas.

Patriotism seems to have had a negligible economic impact on the popularity of Hollywood in Russia and even Putin seems to bracket Hollywood when it comes to his position on trade with the U.S. We found that there is a sense that Hollywood can play an important role in the

infrastructural development of Russian media and joint ventures with Russian companies are seen as productive way for American studios to voice their interests.

International differences are matched by Russia's regional differences. In fact, while presenting itself as a snapshot of the national media audience, we find that the existing market research focuses on elite media activity in Moscow and St. Petersburg, which has unintended consequences of overestimating national Internet penetration (75% of Internet users live in these European parts of Russia). The unwitting nationalization of local trends also obscures the subtle differences between the two major centers: for example, VK is the preferred social network in St. Petersburg and Facebook is more popular in Moscow. Much more attention needs to be paid to the Russian regions, particularly since they represent areas for growth in technology areas like broadband infrastructure, which remains underdeveloped beyond the major urban centers (see graphic below). We think that *the existing regional digital divide should narrow under the broadband access mandated by various state initiatives, which should provide greater broadband coverage for smaller localities by 2020.*
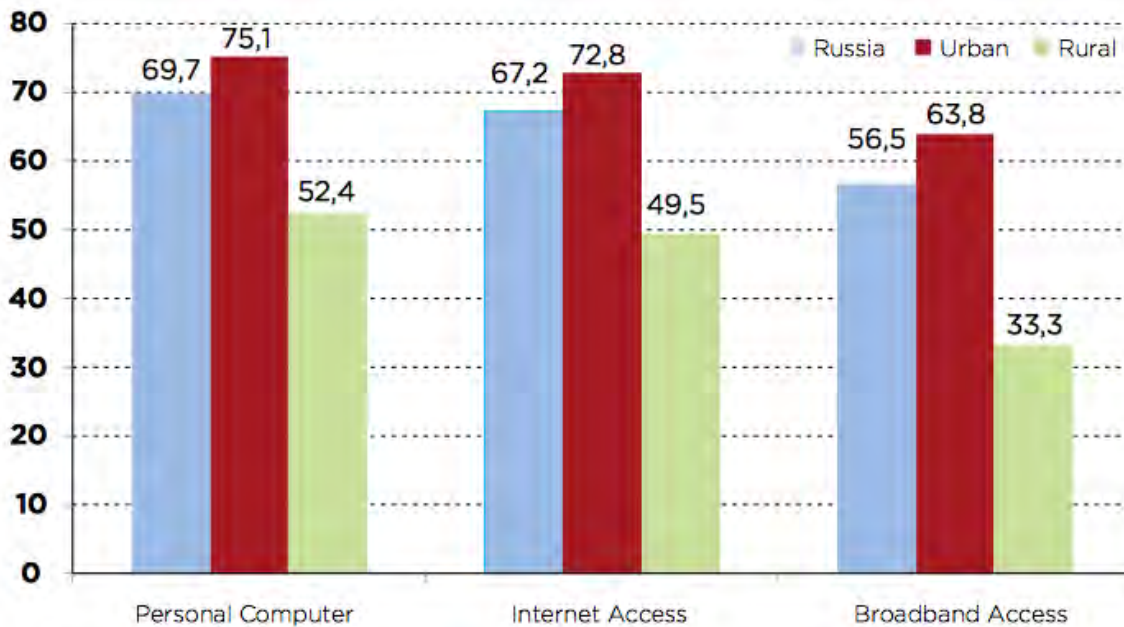

Figure 1: ICT use in Russian households, by settlement (October 2013), Source: Worldbank

Another important regional distinction not represented in the prevailing market research is the lack of a broad market to spur and support advertising sales, particularly in the social media space. This means that, outside the major urban centers, political patronage predominates as a means of economic support in social media.

Our research suggests that the importance of Russian regional centers will grow. Yekaterinburg, in the Midwest of the country, will house one of three Russian theme parks being built by DreamWorks Animation. East of the Urals, Novosibirsk, the third most populous city in Russia, has historically been critical to the Russian national radio network. Vladivostok is the administrative center of a region that borders China and the Korean peninsula. Given its

historical and cultural proximities, this region is more Asian than European, and we strongly believe that it will be critical to Russian media alignments with China.

Conclusion: Challenges and Opportunities

While legislation has moved towards international standards of IP protection and creating a technological infrastructure of a global standard is a high priority for the government, monetizing content is not simply a matter of blocking sites that violate copyright.

Russian enforcement authorities report being overwhelmed by blocking requests from international studios and other copyright holders. Other than legal enforcement or simply blocking content access, a longer-term strategy is needed to build content awareness and transform consumer attitudes.

In order to reach Russian media consumers, it seems necessary to "go Russian." This implies several strategies:

- forming partnerships with Russian companies in order to get around legislation that severely limits foreign ownership of media;

- offering content that appeals to Russian consumers' strong patriotic interest in history, the environment, and anything Russian-themed;

- making access both affordable to consumers of limited means and convenient to find, sacrificing up-front profits for valuable data on consumer preferences;

- consistent promotion in Russian in online spaces favored by the majority of Russians, such as social networking sites;

- and investing in the mobile market, given its rapid proliferation into under-served regional areas in Russia.

Affordability and *convenience* of access are the two most important factors in monetizing content. There is evidence from the game industry that Russians prefer to have legitimate non-pirated content whenever they have the economic and technological capacity to do so. There is also evidence that anti-Western government propaganda does not undermine widespread Russian interest in American entertainment.

Russia holds enormous untapped market potential. While the government's political and economic centralization and contradictory legislation in the media require vigilance, the commitment to broadband and mobile expansion and the sheer size and diversity of the market promise significant ongoing opportunities for Western media investment.

About the Researchers

Connected Viewing Research Team

Dr. Abigail De Kosnik is an Assistant Professor at the University of California, Berkeley with a joint appointment in the Berkeley Center for New Media (BCNM, bcnm.berkeley.edu) and in the Department of Theater, Dance & Performance Studies (TDPS, tdps.berkeley.edu). Her book on digital archives, *Rogue Memory*, is forthcoming from MIT Press in 2015. She has published articles on media fandom, popular digital culture, and performance studies in *Cinema Journal*, *The International Journal of Communication*, *Modern Drama*, *Transformative Works and Cultures* and elsewhere. She is the co-editor, with Sam Ford and C. Lee Harrington, of the edited essay collection *The Survival of Soap Opera: Transformations for a New Media Era* (University Press of Mississippi, 2011). She and Sam Ford also wrote the annotated bibliography on "Soap Operas" for Oxford Bilbliographies Online (OBO).

Dr. Nitin Govil is an Associate Professor of Critical Studies in the School of Cinematic Arts at the University of Southern California. He works on globalization and culture with a focus on media in comparative contexts. His books include *Orienting Hollywood: A Century of Film Culture between Los Angeles and Bombay* and the coauthored *Global Hollywood*, *Global Hollywood 2*, and the forthcoming *Indian Film Industry*. He is currently working on a new book on transnational media during the Cold War and a coauthored textbook on global media.

Julia Havard is a first year Ph.D. student at UC Berkeley in the department of Theater, Dance and Performance Studies, studying interpersonal violence, queer communities, and performance as a site of resistance and recovery from trauma. Prior to beginning her studies at Berkeley, Julia worked at an LGBTQ healthcare center in New York, educating individuals about the Affordable Care Act and doing research on access to healthcare. She founded a performance collective in New York that produced original works with the goal of creating dance theater collaborations about queer history and bringing together people in community around performance. She has presented research at OCAD University in Toronto and at the UC Berkeley Townsend Queer Working Group conference. She graduated from Harvard University with a B.A. in History of Science and Dance.

Dr. Jennifer Holt is an Associate Professor of Film and Media Studies at the University of California, Santa Barbara and Director of the Carsey-Wolf Center's Media Industries Project. She is the author of *Empires of Entertainment* (2011) and co-editor of *Media Industries: History, Theory, and Method* (2009); *Connected Viewing: Selling, Sharing, and Streaming Media in the Digital Era* (2013); and *Distribution Revolution: Conversations about the Digital Future of Film and Television* (2014). Her work has appeared in journals and anthologies including *Cinema Journal*, *Moving Data* and *How to Watch Television*. Currently, she is working on a book about policy issues related to digital media infrastructure, including broadband regulation, distribution protocols and platforms, cloud-based media, and data servers.

Dr. Aniko Imre is an Associate Professor in the School of Cinematic Arts of the University of Southern California. Her work revolves around global media, with a special interest in (post)socialism. Her books include *Identity Games: Globalization and the Transformation of Media Cultures in the New Europe*; *Transnational Feminism in Film and Media*; *East European Cinemas*; *Blackwell Companion to Eastern European Cinemas*; and *Popular Television in Eastern Europe During and After Socialism*. Her book on television and socialism is forthcoming from Duke UP.

Patrick Johnson is a Ph.D. candidate at the University of California, Berkeley in the Social and Cultural Studies program in the Graduate School of Education. His research interests include critical media literacy, memory, remix theory, and politics of representation. Patrick's research situates past black television as a pedagogical resource that shapes black collective memory and from which black young adults learn about race and gender. He has a bachelor's degree in broadcast journalism from Howard University and graduated from the Cultural Studies of Sports in Education M.A. program at the University of California, Berkeley.

Dr. Melanie E.S. Kohnen is a Visiting Assistant Professor in Media, Culture, and Communication at New York University. Her research focuses on how digital media challenge us to rethink diversity in relationship to cultural identities, technological infrastructures, and the media industry. Her book *Queer Representation, Visibility, and Race in American Film and Television: Screening the Closet* will be published by Routledge, and her work has also appeared in several anthologies and journals, including *Creative Industries* and *Journal of Popular Television*. Her current research project maps cultural and technological diversity in the convergence era through an examination of industry discourses, production practices, consumption habits, user-generated content, social media platforms, digital infrastructures, and public policies.

Kate Mattingly is a Ph.D. candidate at the University of California, Berkeley in Performance Studies. Her undergraduate degree is from Princeton University and her M.F.A. degree is from New York University's Tisch School of the Arts. Her articles about dance and the arts have been published in *Dance Research Journal*, *The New York Times*, *The Village Voice*, *The Washington Post*, *SF Examiner*, and many other publications and websites. Her article on flash mobs and the circulation of dance on screens will appear in the anthology *Dance in American Culture*, forthcoming from University Press of Florida. From 2012 to 2013 she was a visiting faculty member at George Washington University.

Renée Pastel is a Ph.D. Candidate in Film & Media at the University of California, Berkeley, with a Designated Emphasis in New Media. Her dissertation is on the reception and impact of fiction and nonfiction films, television, and new visual media (like YouTube), especially in their influence on public opinions of the War on Terror. Other research interests include filmic sex and violence, film and media as cultural memory, and the intersection of neuropsychology and film theory. She serves on the Berkeley Center for New Media Executive Committee, and is co-organizer of the New Media Working Group. She holds an M.A. in Film & Media from UC Berkeley, and an A.B. in VES from Harvard, with a Secondary Field in Neuroscience and Citation in French.

Dr. Matthew Thomas Payne is an Assistant Professor of Telecommunication and Film at The University of Alabama. His research interests include video games and interactive entertainment, convergent media industries, new media literacy, media representations of war, and ethnographic audience research. Dr. Payne is currently working on a book manuscript that examines the production and reception of military-themed shooter games following the September 11th terrorist attacks.

Dr. Karen Petruska is the Project Lead for the Media Industries Project's Connected Viewing Initiative at UC Santa Barbara. Her research interests include digital distribution, television history, and regulatory policy. Her work appears in *The Velvet Light Trap*, *Creative Industries*, *Spectator*, *Popular Communication*, *In Media Res*, *Antenna*, and three anthologies.

Dr. Louisa Stein is an Assistant Professor of Film and Media Culture at Middlebury College. Her work explores audience engagement in online culture, with emphasis on questions of gender, generation, and audience authorship. She is book review editor for *Cinema Journal* and *The Journal of Transformative Works and Cultures.* Dr. Stein has published in a range of journals and edited collections including *Cinema Journal* and *How to Watch Television*. She is co-editor of *Teen Television: Essays on Programming and Fandom* and *Sherlock and Transmedia Fandom*. Her forthcoming book, *Millennial/Fandom*, explores the relationship between the millennial generation and popular notions of media fandom.

Dr. Gregory Steirer is an Assistant Professor of English and Film Studies at Dickinson College. His main research fields are media industries, digital culture, history of the book, and IP studies. His recent work has appeared in *Television & New Media*, *The Journal of Graphic Novels & Comics*, *Creative Industries Journal*, and *Postmodern Culture*. He is currently working on a book manuscript about corporate authorship.

Additional Team Members

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Juan Llamas-Rodriguez is a Research Assistant with the Carsey-Wolf Center's Media Industries Project and a Ph.D. student in Film and Media Studies at the University of California, Santa Barbara. His research encompasses the practices and materialities of media distribution, popular cultures around the Mexico-US border, and the precarity of contemporary creative labor. In addition to working for MIP, Juan is also a member of the *Media Fields Journal* collective.

Dr. Constance Penley is a Professor of Film and Media Studies and Co-Director of the Carsey-Wolf Center at the University of California, Santa Barbara. Her major areas of research interest are film history and theory, feminist theory, cultural studies, contemporary art, and science and technology studies. She is a founding editor of *Camera Obscura: Feminism, Culture, and Media Studies* and editor or co-editor of the influential collections *Feminism and Film Theory*, *Male Trouble*, *Technoculture*, *The Visible Woman: Imaging Technologies, Science and Gender*, and *The Feminist Porn Book: The Politics of Producing Pleasure* (with Tristan Taormino, Mireille Miller-Young, and Celine Parreñas Shimizu). Her books include *The Future of an Illusion: Film, Feminism, and Psychoanalysis*, *NASA/TREK: Popular Science and Sex in America*, and the forthcoming *Teaching Pornography*. Penley is a recipient of the MacArthur Foundation Digital Media and Learning Award, the Kenneth Burke Society Prize in Rhetorical Criticism, and the International Association for the Fantastic in the Arts Distinguished Scholar Award.

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Dr. Kevin Sanson is the Research Director of the Carsey-Wolf Center's Media Industries Project at the University of California, Santa Barbara, where he also teaches in the Department of Film and Media Studies. His current book project focuses on the spatial dynamics of global media production and examines issues of location, labor, and creative identity. He is co-editor of *Connected Viewing: Selling, Streaming, & Sharing Media in the Digital Era* (Routledge 2014) and *Distribution Revolution: Conversations about the Digital Future of Film and Television* (UC Press 2014).

Sheila Sullivan is Acting Executive Director of the Carsey-Wolf Center. Her areas of expertise consist of personnel management, vision setting, program development, program management, students services, and career services, with proven success in promoting a positive environment for student interaction and engendering a spirit of collaboration within a diverse workforce. After 15 years at the American Film Institute, Sheila left her position as Vice Dean of the AFI Conservatory in 2009 to join the University of San Francisco. At USF, she was an Associate Dean of the School of Management, Director of Student Advocacy, and Co-Director of Student Leadership and Engagement.

About the Media Industries Project

The Media Industries Project (MIP) is a trusted authority on the study of media globalization, digital distribution, and creative labor.

By examining the dramatic changes affecting the global media landscape, MIP offers critical insights about the media industries and their publics. Our research and programming foster dialogue between professionals and scholars, encouraging innovative thinking about the prospects of modern media. MIP is an initiative of the Carsey-Wolf Center.

About the Carsey-Wolf Center

The Carsey-Wolf Center supports research, teaching, and public programming about media. The Center aims to foster the creativity, critical skills, historical understanding, and new forms of literacy that students need to be informed citizens in the 21st Century. Engaging industry professionals and policy makers, as well as students and scholars, the Center seeks to increase public understanding of the role of media in society and to inform policy debates. It is the institutional home of the Media Industries Project.

About UC Santa Barbara

Part of the world-renowned ten-campus University of California system, the University of California, Santa Barbara has been recognized as a major center for teaching and research. It is an elected member of the Association of American Universities, placing it with Harvard, Stanford and UC Berkeley among the 63 leading research institutions in North America. UC Santa Barbara faculty have won numerous honors, including six Nobel Prizes, Guggenheim fellowships, National Endowment for the Humanities fellowships, Fulbright Fellowships, major book prizes, and memberships in the National Academy of Sciences. Faculty in the humanities and social sciences have national and international reputations for research in global studies, religious studies, and film and media studies. More than half of all graduating seniors report having collaborated with faculty members on original research or creative projects. Demand for admission to UC Santa Barbara is highly competitive, with nearly 60,000 applications for an entering class of 4,000.