

CONSUMERLAB



TV AND MEDIA 2015

The empowered TV and media consumer's influence



An Ericsson Consumer Insight Report
September 2015

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METHODOLOGY



Base: 9 markets
(Used for showing trends)

Brazil, China, Germany, South Korea,
Spain, Sweden, Taiwan, UK, US

Base: 20 markets

Brazil, Canada, China, Colombia, France,
Germany, Greece, Ireland, Italy, Mexico,
Portugal, Russia, Spain, South Korea,
Sweden, Taiwan, Turkey, UK, Ukraine, US

- Qualitative and quantitative
- Quantitative

Qualitative

There were 30 in-depth interviews in Mexico City, Paris, San Francisco and Stockholm. These respondents all have multiple devices and a broadband internet connection at home, and they watch on-demand content in a range of locations.

On-device measurements

Around 14,500 Android smartphone users in South Korea, the UK and the US (data collected by Nielsen), 5,400 iPhone users and 6,575 Android users in the US were measured (comScore mobile Metrix).

Quantitative

More than 20,000 online interviews were held with people aged 16–59, and over 2,500 with consumers aged 60–69, across 20 markets: Brazil, Canada, China, Colombia, France, Germany, Greece, Ireland, Italy, Mexico, Portugal, Russia, Spain, South Korea, Sweden, Taiwan, Turkey, UK, Ukraine and the US. All respondents have a broadband internet connection at home, and watch TV/video at least once a week. Almost all use the internet on a daily basis. This sample is representative of over 680 million people.

THE VOICE OF THE CONSUMER

Ericsson ConsumerLab has 20 years' experience of studying people's behaviors and values, including the way they act and think about ICT products and services. Ericsson ConsumerLab provides unique insights on market and consumer trends.

Ericsson ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries and 15 megacities – statistically representing the views of

1.1 billion people. Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures. To be close to the market and consumers, Ericsson ConsumerLab has analysts in all of the regions where Ericsson is present, which gives a thorough global understanding of the ICT market and business models.

All reports can be found at:
www.ericsson.com/consumerlab

KEY FINDINGS

Streamed on-demand content is soaring

- > Over 50 percent of consumers state that they watch streamed on-demand video content at least once a day, up from 30 percent in 2010
- > Today, people estimate that they spend 6 hours a week watching streamed TV series, programs and movies on-demand. This has more than doubled since 2011, when weekly viewing was estimated to be 2.9 hours a week

Millennials prefer the mobile screen

- > Those aged 16–34 spend 53 percent of all their video viewing time on a smartphone, laptop or tablet
- > Since 2012 the number of consumers across all age groups who watch video on their smartphones has increased by 71 percent. The average time spent watching video on mobile devices is up 3 hours a week compared to 2012

Linear TV remains key

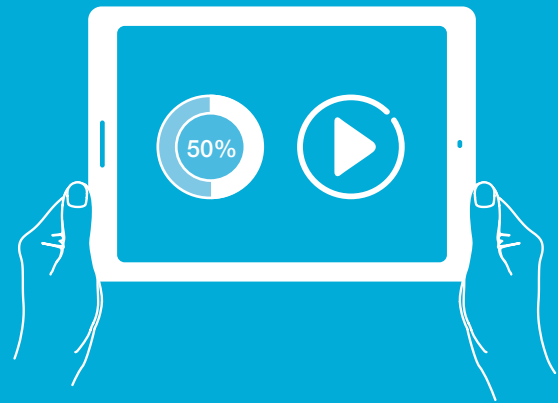
- > The popularity of linear TV remains high, mainly due to its access to premium viewing and live content, like sports, and its social value
- > Linear viewing is linked to age: 82 percent of 60–69 year olds say they watch linear TV on a daily basis, while only 60 percent of millennials (those aged 16–34) do so

The difficulty of finding content

- > Half of consumers watching linear TV say they can't find anything to watch at least once a day. As many as 62 percent of consumers aged 25–34 face this challenge on a daily basis
- > Consumers feel that recommendation features are simply not smart or personal enough

Binge viewing changes the game

- > Bingeing, the watching of multiple episodes of TV and video content in a row, has rapidly become a key part of the TV and media experience
- > This habit is prominent among Subscription Video-on-demand (S-VOD) users, where 87 percent binge view at least once a week, compared to 74 percent of non S-VOD users



Non-believers in traditional pay TV may eventually change their minds

- > For TV cord-nevers (consumers who have never had a pay TV subscription) it is difficult to understand the value as it is offered today. Long binding times, inflexible packages and high costs and advertising cause 50 percent to believe they will not pay for it, even in the future
- > However, 22 percent of cord-nevers are already paying for over-the-top (OTT) content services, indicating a willingness to pay for subscription TV, albeit with a different bundle approach

THE ROLE OF CONTENT

Content viewing is migrating

TV series and movies make up roughly half of consumers' total viewing time.

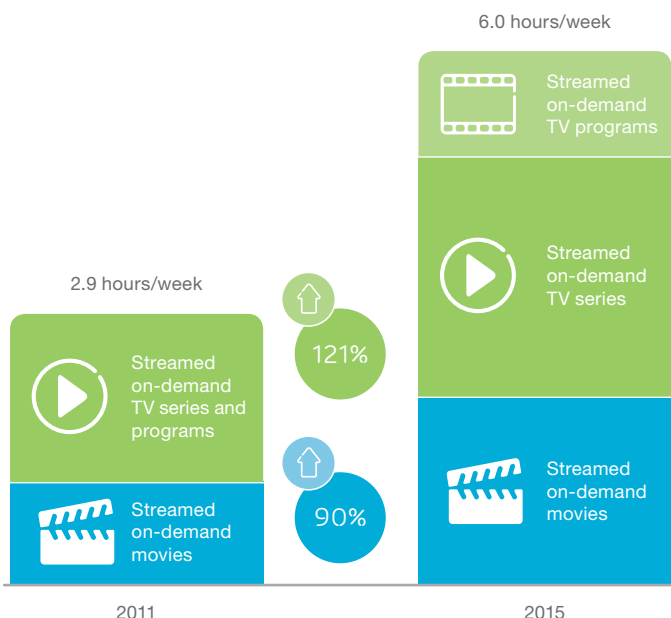
In 2011, people estimated that they spent 2.9 hours per week watching streamed TV series, programs and movies. Now it is 6 hours per week – the viewing has more than doubled (Figure 1).

Emerging content categories are rapidly becoming mainstream. The average time spent watching

e-sports is 46 minutes per week, while educational or instruction videos show even higher usage, averaging 73 minutes per week (Figure 2).

Live sports have the most significant gender differences. On average, men spend over three hours a week watching it, while women only spend an hour. Instead, women spend more time watching TV series, other TV programs and recorded content.

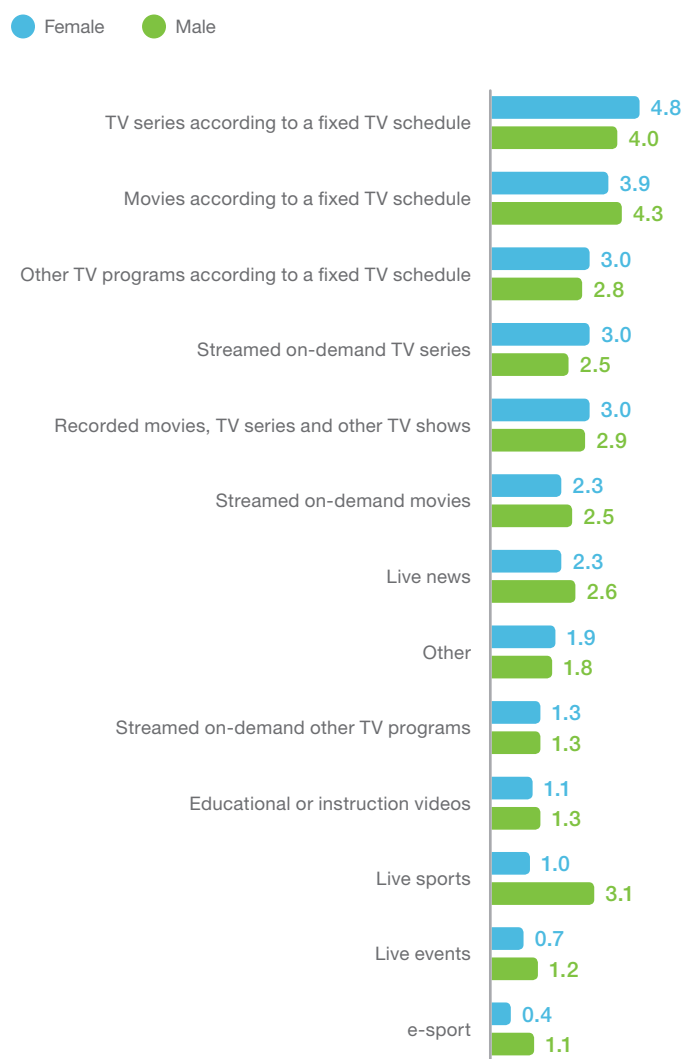
Figure 1: The increase in watching on-demand TV series and movies



Source: Ericsson ConsumerLab, TV and Media 2011 and 2015
Base: At least weekly viewers of video/TV with broadband at home, aged 16-59



Figure 2: Average number of self-reported weekly hours of active TV/video viewing by gender



Source: Source: Ericsson ConsumerLab, TV and Media, 2015
Base: At least weekly viewers of video/TV with broadband at home, aged 16-59, in 20 markets

Growing importance of user generated content

One in three consumers thinks it is very important to be able to watch user generated content (UGC) on their TV at home – an increase of nine percent over one year.

The growing importance of educational or instructional videos tends to emanate from UGC-rich platforms like YouTube.

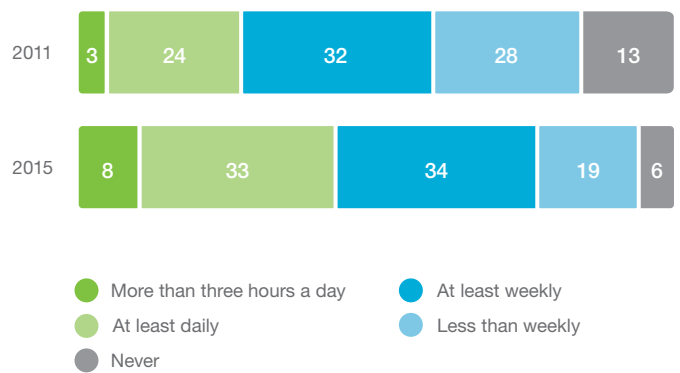


“My wife fixed our iPad and our dishwasher by watching YouTube instruction videos. If a nuclear reactor started leaking, she would go to YouTube and then volunteer to fix it.”

Simon, 44 years old, US

Even though the platform offers more than just UGC content, the staggering growth of YouTube viewing could be used as a clear indication of the growing importance of UGC, as portrayed in Figure 3.

Figure 3: Percentage of consumers watching YouTube with different frequency



Source: Ericsson ConsumerLab, TV and Media studies, 2011 and 2015
Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in 9 markets

Bingeing content

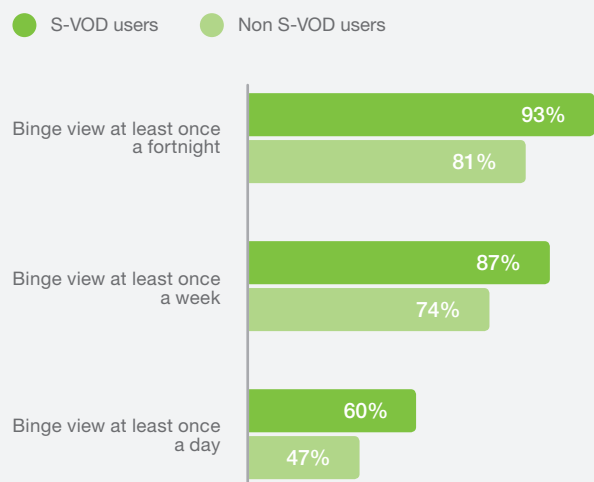
The growing habit of binge watching has taken off with the explosion of on-demand viewing.

Many on-demand services already have the ability to play multiple TV series episodes with little or no interaction, in some cases going as far as skipping the recap and shortening the end credits to create a more convenient experience.

Bingeing is rapidly becoming a preferred practice, with 87 percent of S-VOD users bingeing at least once a week, compared to 74 percent of non S-VOD users (Figure 4). When exposed to simple and reasonably priced bingeing capabilities, consumers are quick to adopt it.

Over 50 percent of the studied consumers binge watch at least once a day, and only 5 percent never binge view.

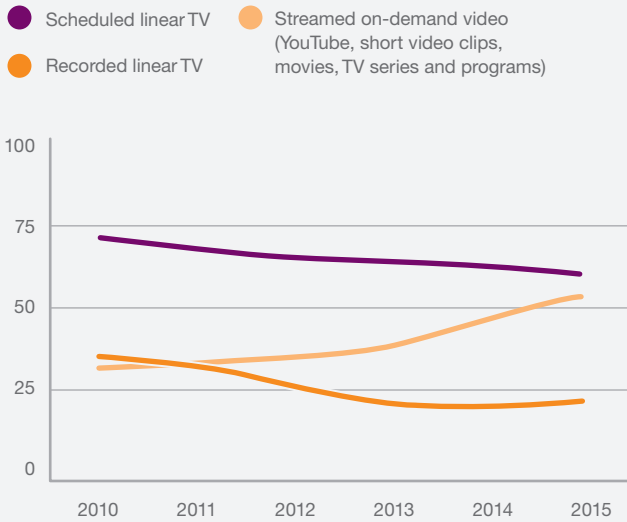
Figure 4: Frequency of watching several TV series, other TV programs or UGC episodes in a row



Source: Ericsson ConsumerLab, TV and Media, 2015
Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in 20 markets

EVOLVING MEDIA HABITS

Figure 5: Percentage of people watching different media types at least once per day



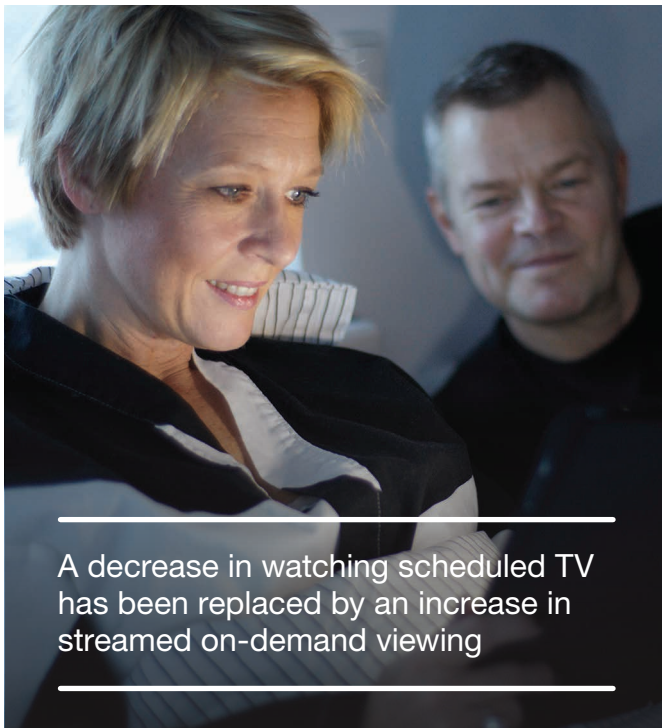
Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in Brazil*, China, Germany, Spain, South Korea*, Sweden, Taiwan, UK, US, *excluded in 2010 figures [Showing: use once per day or more, 3 years moving average ¼, ½, ¾]

This year, just as last year, as many consumers say they watch streamed on-demand video and TV at least once a week, as who watch scheduled linear TV. When looking at daily viewing, linear TV is still dominating, while slightly over 50 percent watch streamed on-demand video and TV (Figure 5).

These changing habits are linked to the proliferation of connected TV screens, where consumers can easily and conveniently access their on-demand content. S-VOD users (that is, those paying for at least one S-VOD service) have a significantly higher penetration of smart TVs and connected, video-enabled devices. 86 percent of S-VOD users have and use a smart or internet connected TV, compared to 64 percent of non S-VOD users.

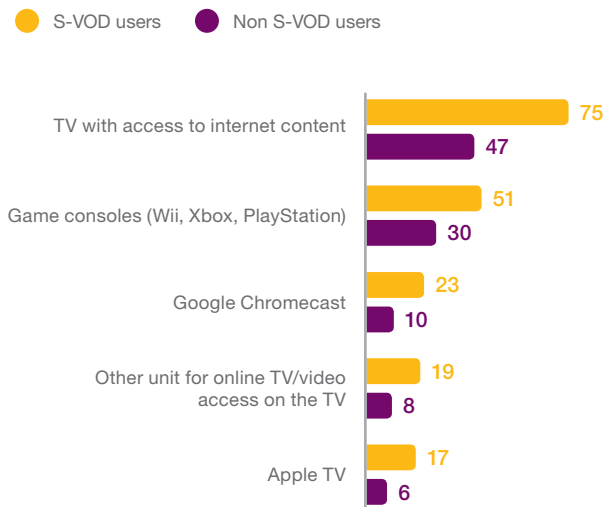
Today, every third hour spent watching TV and video is via video on-demand (VOD).

Almost 8 out of 10 teenagers say they watch on-demand TV and video daily, but among 60–69 year olds, less than 3 out of 10 do so.



A decrease in watching scheduled TV has been replaced by an increase in streamed on-demand viewing

Figure 6: Percentage of consumers that have and use each device



Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in 20 markets

Linear TV remains key for many households

The perceived value of scheduled linear TV remains high, mainly because of its premium content, ease of viewing and social aspects. Linear TV often acts as the ‘household campfire’ in a social respect, as well as enabling the viewing of live content, such as live sports.

The different viewing habits between age groups is significant: 60 percent of millennials watch linear TV on a daily basis, compared to 82 percent of 60–69 year olds. This is a clear indication that linear TV will have to continue to reinvent itself in order to remain relevant to the younger population.

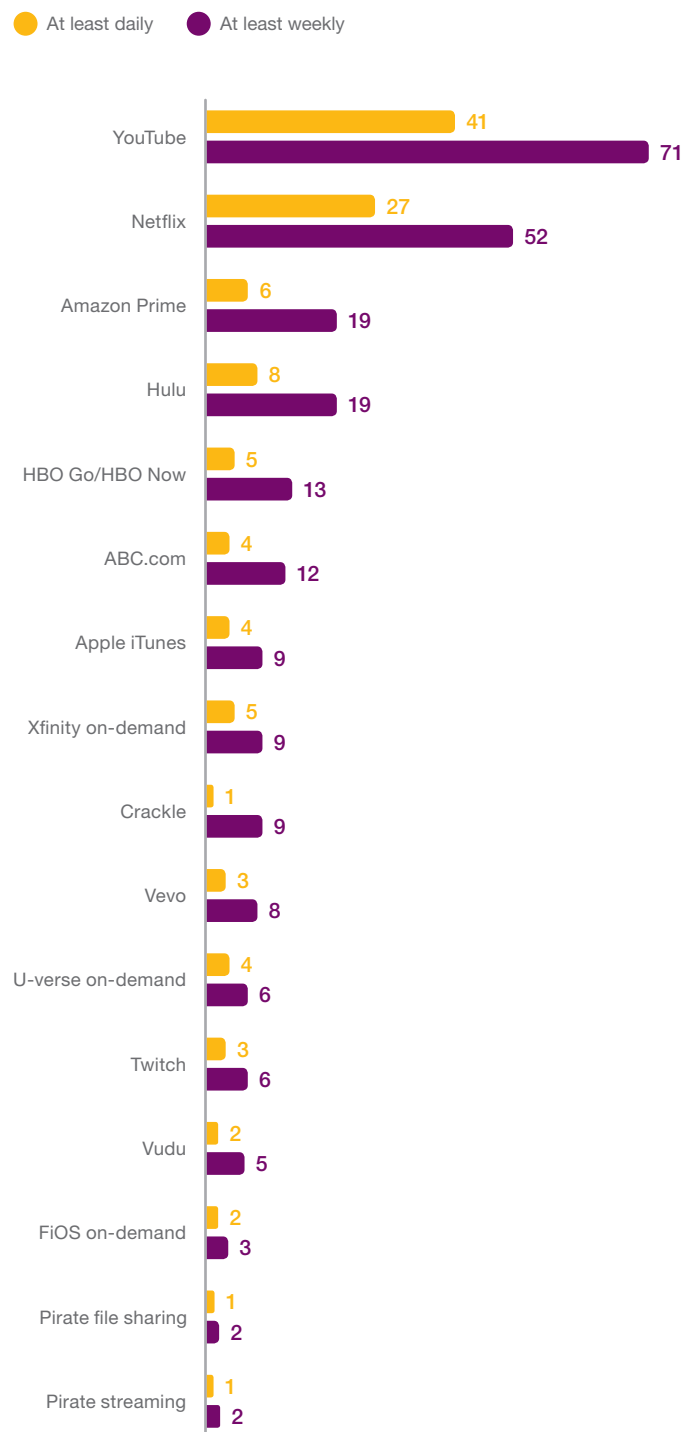


The S-VOD effect is strong

The growth of on-demand viewing can be attributed to easy-to-use and competitively priced or free services, such as Netflix and YouTube. Among the US population studied, as many as 52 percent say they use Netflix at least once a week, and 27 percent use it daily (Figure 7).

YouTube boasts higher penetration, but considering that Netflix is a paid-for service, its performance is even more impressive. When it comes to daily habits, the other top five US on-demand services only manage to capture a fraction of what Netflix and YouTube gather on a weekly frequency. Netflix clearly stands out with its significant ratio of daily viewing.

Figure 7: Percentage of people using each on-demand service, on a daily vs. weekly basis, in the US



Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in the US

VIDEO ON THE GO

Millennials prefer the mobile screen

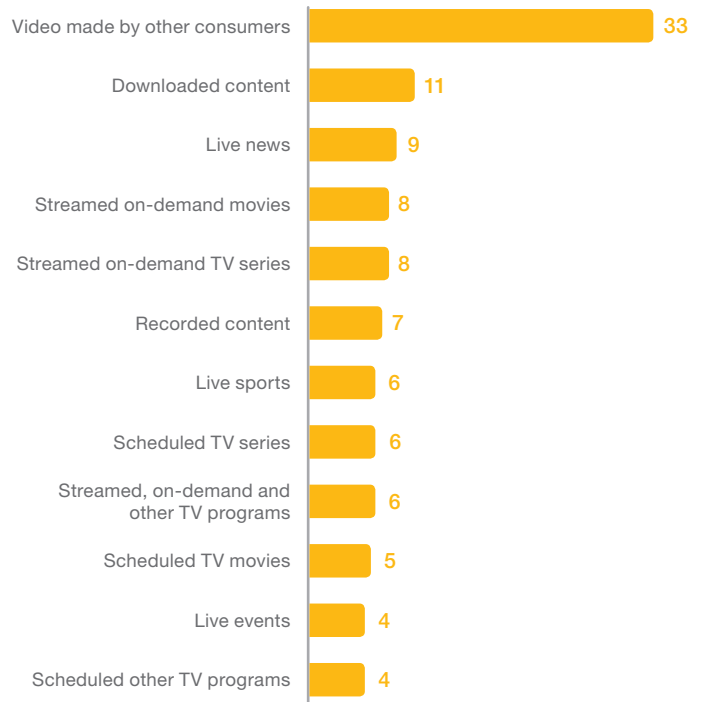
TV and video content is increasingly being accessed via smartphones. In fact, since 2012 there has been a 71 percent increase in the number of consumers who watch video on their smartphones. When taking tablets and laptops into consideration as well, almost two thirds of the time spent watching TV and video among teenagers is on a mobile device.

However, watching video on mobile devices is not limited to the youth. In the US, 86 percent of smartphone users watch video content on their phones. The reach of TV and video content on smartphones has increased significantly over the past few years, and two out of ten consumers regularly watch linear TV on their smartphones.

Smartphone viewing continues to be driven by short video content, with 33 percent watching UGC, but S-VOD services are creating an impact too. One in five watch longer on-demand content, such as TV series and movies, on their smartphones.

All in all, the average time spent watching TV and video on mobile devices, including tablets and laptops, has increased by three hours a week over the past three years.

Figure 8: Percentage of consumers who watch each content type on their smartphone



Source: Ericsson ConsumerLab, TV and Media, 2015
Base: At least weekly viewers of video/TV with broadband at home, aged 16-59, in 20 markets

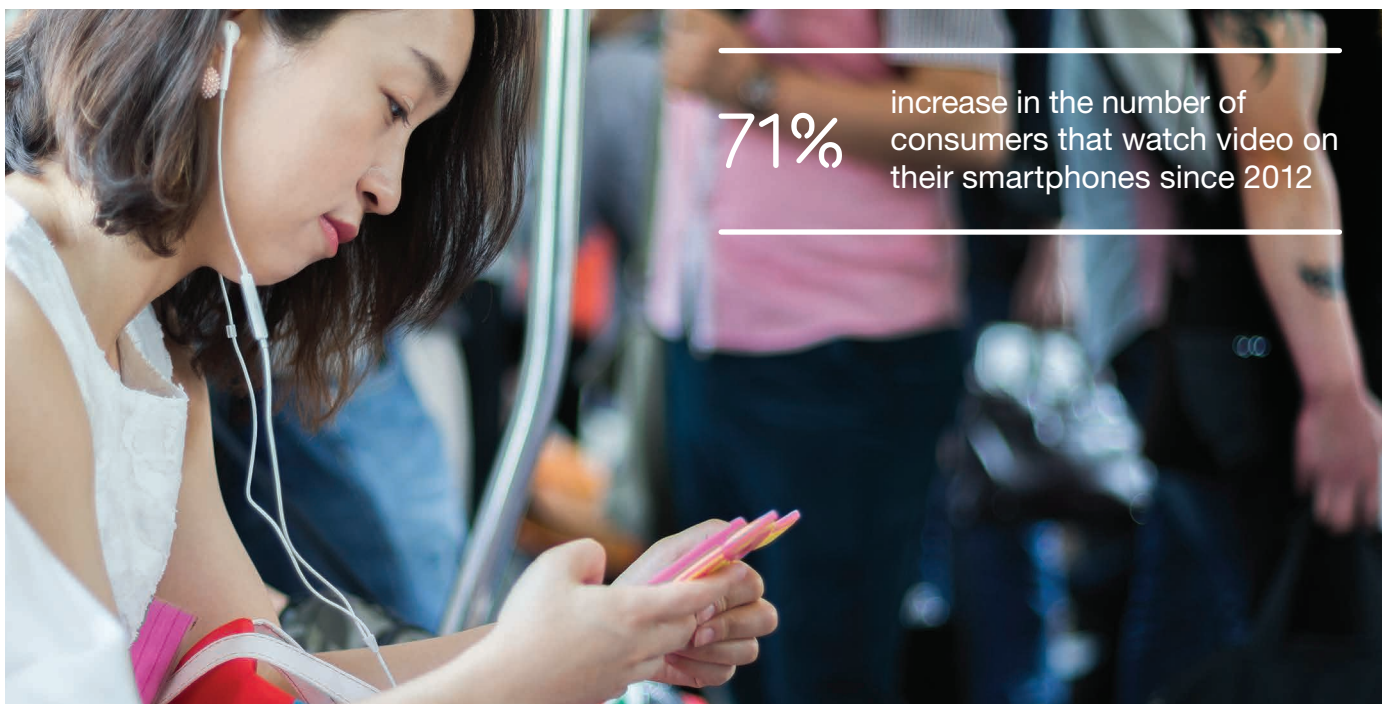
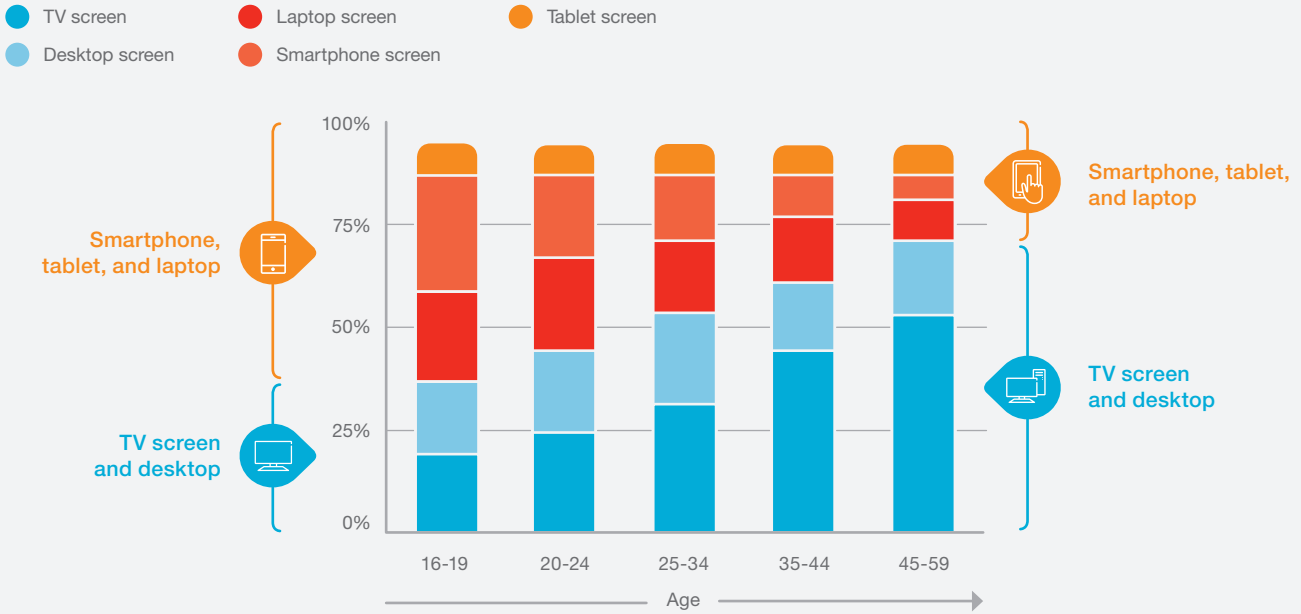


Figure 9: Share of total TV time by age group, measured on respective device



Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16-59, in 20 markets

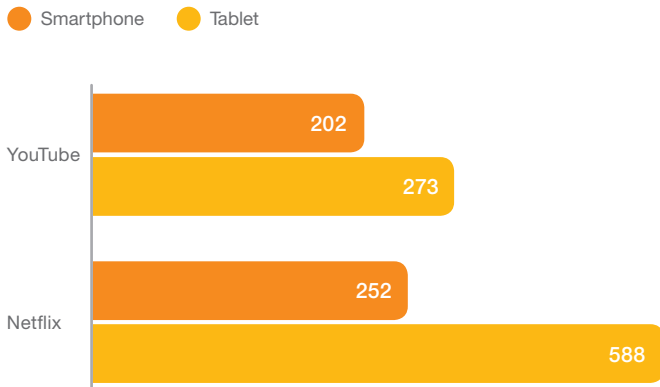
Tablets preferred for longer content

Tablets and smartphones are used equally for watching short video content, but tablets are preferred for watching longer content. In the US, tablets have 588 average viewing minutes of Netflix per user, compared to 252 minutes for the smartphone (Figure 10).

Wi-Fi makes up the majority of mobile viewing

Even though Wi-Fi caters for a significant part of TV and video data traffic, in some markets, like the US, and to some extent also South Korea, mobile data has taken a significant part of the viewing consumption.

Figure 10: Measured monthly average minutes per visitor for on-demand and streaming services

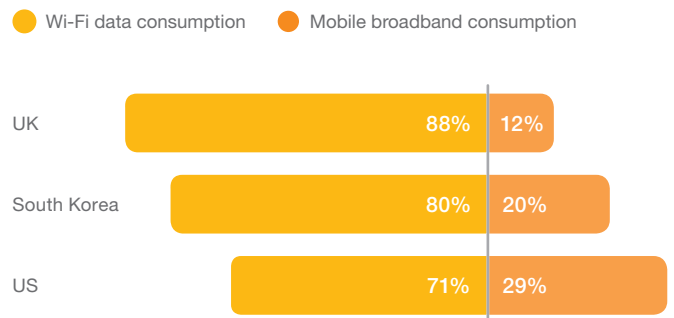


Source: Ericsson ConsumerLab, TV and Media, 2015 study [comScore, MobileMetrix, Jan 2015]
 Base: Android and iOS users in the US accessing Netflix or YouTube on their smartphone or tablet respectively

In the US, cellular data usage makes up almost one third of the total data consumption for TV and video. However, this is dependent on technology. When 3G and 4G users are compared, the latter use significantly more data on TV and video. In the US, 4G users spend 2.5 times the amount of data on their TV and video viewing than 3G users. In the UK it is three times as much and in South Korea four times as much.

Since 37 percent of consumers think the cost of mobile data away from the home is limiting their mobile viewing, continued growth will be dependent on the availability of services that enable cost-efficient mobile viewing, for example through bundling mobile data and video services.

Figure 11: Measured proportion of smartphone usage of Wi-Fi vs. mobile broadband for TV and video apps



Source: Ericsson ConsumerLab, TV and Media, 2015 study [Nielsen on-device metering data]
 Base: Android smartphone users in the US, UK and South Korea accessing video content

CONTENT DISCOVERY

The decision-making process

The growing range of available TV and video services is giving consumers a plethora of options to choose between. The final decision depends on the location, the device at hand, the available services and the available content.

50% of consumers who watch linear TV say they can't find anything to watch on a daily basis

Figure 12: The different decision-making processes when choosing TV or video content to view



Source: Ericsson ConsumerLab, TV and Media, 2015

The difficulties in finding content

Half of consumers that watch linear TV say they can't find anything to watch on a daily basis. Among consumers aged 25–34, it is an even greater challenge, with as many as 62 percent saying they face this.

When consumers can't find anything to watch and recommendation engines fail to help, consumers simply 'default'. Defaulting is when consumers give up and resort to, or settle for, a viewing habit they are familiar with, despite having had other viewing ambitions. Defaulting indicates that the service does not cater to the consumer's needs.

Personal information and the service experience

Consumers are open to providing personal data in order to get a better service experience. 31 percent of consumers would like recommendations based on their own viewing habits and demography.

Sharing personal information differs between generations, with millennials being the most comfortable with data sharing. There is a high level of trust: one in two consumers who have a TV service provider, trusts that their provider will handle data securely and responsibly.

Searching for serendipity

Traditional linear TV has a distinct element of serendipity: discovery through happy coincidence when flicking between channels. In traditional linear TV, it is common for people to accidentally find programs they didn't know about, but are interested by.

In the on-demand environment, consumers often feel they already know what is available in the service, and wish to be positively surprised.

Serendipity is however possible for on-demand services. It can be created, for example, by the interplay between multiple services.

This interplay is evident in the current practice of linked viewing, where friends and family send links to interesting content through social media, YouTube recommendations that engage the viewer, and the promotion of new title releases. There will be a distinct need for on-demand platforms to pleasantly surprise consumers all the time.



Discovering and remembering content

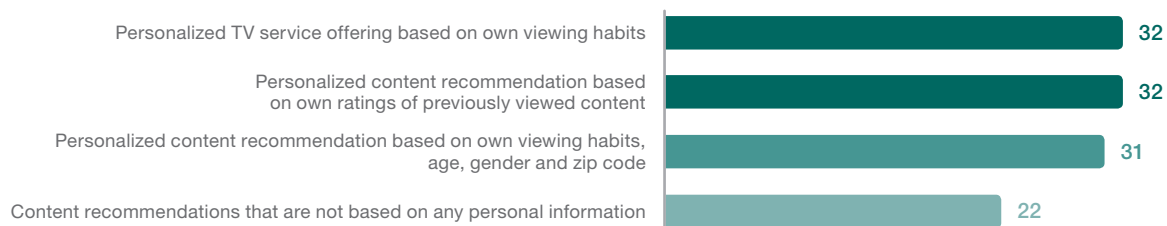
Content discovery for linear as well as for on-demand viewing is a challenge for consumers. They feel that recommendation features are not smart or personal enough: they do not surprise or inspire.

The challenge with receiving numerous suggestions and recommendations throughout the day is

remembering what was worth watching. Coping mechanisms to aid memory include writing lists or photographing title art.

Once in front of the TV, 40 percent of consumers still turn to the TV guide, of which only 29 percent are satisfied with. The consumers' appetite for an inspiring content discovery process is not yet met.

Figure 13: Percentage of consumers interested in different recommendation features for content and TV services



Source: Ericsson ConsumerLab, TV and Media, 2015
Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in 20 markets

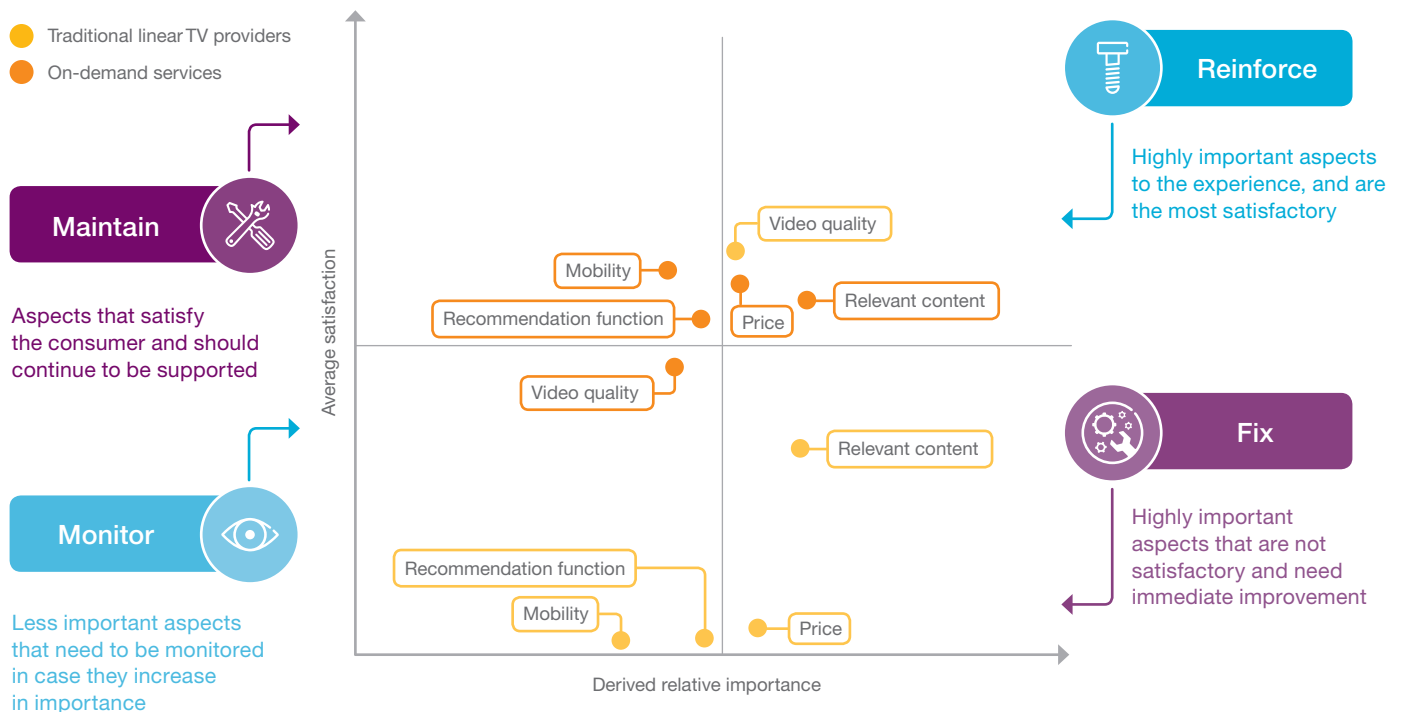
CORD-CUTTERS AND CORD-NEVERS

Catering for consumer needs

Technological innovations and new services allow consumers to migrate their viewing to multiple platforms. Easy-to-use OTT services for both VOD and linear TV give consumers more confidence to move parts or all of their viewing from traditional TV services to OTT services.

One in four consumers studied has cut or shaved their traditional TV service in the past year. This has not changed compared to 2014. 47 percent of these consumers reduced or eliminated it for cost-related reasons, and 33 percent didn't believe they were watching enough TV to justify the cost. This indicates that OTT services are perceived to provide better value for money, as can be seen in Figure 14.

Figure 14: Consumer evaluation of content providers



Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in 20 markets

Traditional linear TV vs. on-demand services

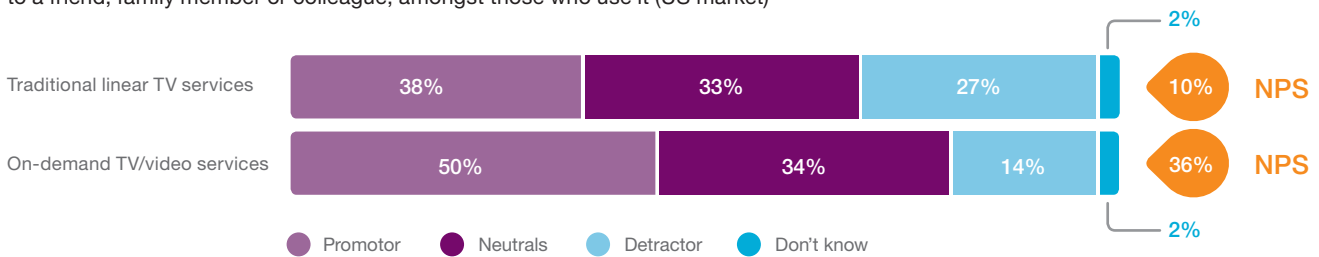
As can be seen in the US data portrayed in Figure 15, there is a significant difference in the Net Promoter Score (NPS) between traditional linear TV services, and on-demand services. The former scores only 10 points, whereas the latter scores 36. The difference is even higher, with a 72 point difference between the highest scoring on-demand service and the lowest scoring traditional linear TV service in the US.

Figure 14 highlights what service providers do well (reinforce), and where consumers feel they can improve (fix). For traditional linear TV services, only video quality ends up under the 'reinforce' segment, and both price and availability of content need to be addressed.

Meanwhile, for on-demand services, price and available content are strong points, with no weak points in any areas. The NPS results are therefore unsurprising.

Interestingly, low scoring linear TV service providers rate significantly better on their on-demand services than on their traditional services.

Figure 15: Likelihood to recommend each type of TV/video service to a friend, family member or colleague, amongst those who use it (US market)



Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16-59, in the US

Converting cord-nevers to pay TV

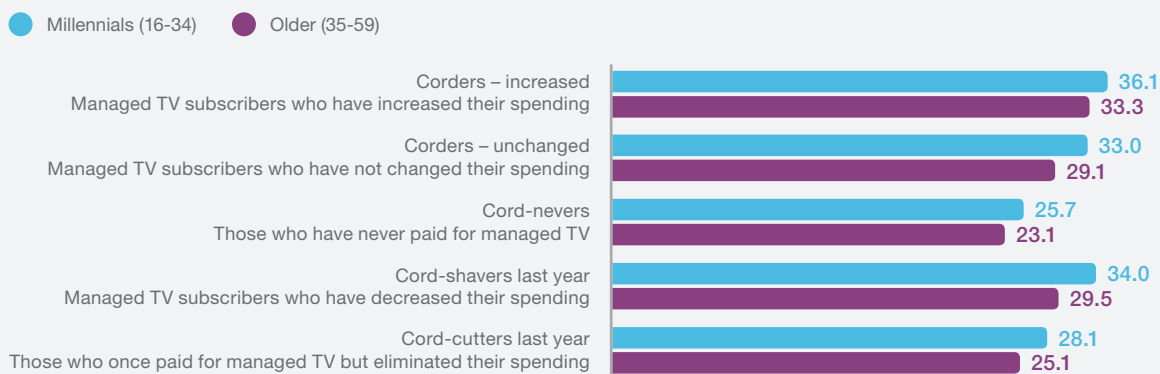
Cord-nevers – consumers who have never paid for managed TV services – already know how to find content. These consumers struggle to understand the value behind traditional linear TV, especially with inflexible packages, long contracts, lots of advertising, and high costs. Half of these consumers believe they will never pay for a managed TV service, even in the future.

However, 22 percent of these consumers are already paying for TV and video in the form of OTT services. This indicates a willingness to pay for subscription TV, albeit with a different approach. In order to meet these consumers’ needs, a pay TV service with a clear value needs to be provided.

Cord-nevers consume less

Those classed as cord-nevers watch less TV and video content in general. They spend less time viewing broadcast TV and downloaded content, and stream less VOD (Figure 16). The majority of the time these consumers spend watching TV and video content is taken up by movies, series and other programs on scheduled broadcast TV. For these consumers, the focus is not on getting more content to consume, but rather having the means of accessing quality content when they have time to spend watching TV and video.

Figure 16: Average number of hours (per week) of active TV/video viewing, split by age and whether they pay for managed TV (over the last 12 months)



Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16-59, in 20 markets

NEW BUSINESS MODELS

In search of a new experience

The emergence of today's demanding consumers puts new requirements and expectations on the TV and media experience. There are three specific areas that influence a consumer's service experience: great content; flexibility; and a high quality overall experience.

The desire for quality content, such as original productions, new releases and sports is not new. It is sustained by significantly higher interest and willingness to pay than for other content types. 50 percent of consumers are very interested in getting the latest theatrical releases direct to TV.

Subscription-based OTT services already offer the ability to 'hop-on hop-off' services without any binding times. 78 percent say they have never done this, but they appreciate the opportunity.

Another highly valued ability is accessing content anytime and anywhere, something 42 percent feel is very important.

Consumers also wish for a TV/video bundle with unlimited mobile data, allowing them to watch content on the go, without the risk of running out of data. This is very important to more than one third of consumers.

To aggregate content on top of bundling broadband, data plans and video would make for a seamless service experience. 78 percent of consumers would prefer to get their TV, mobile and internet service from the same provider.

Overall, supporting these three areas will be crucial when creating the 21st century TV and media offering, and bringing it to consumers.



Changing attitudes and acceptance of advertising

Consumers understand that advertising is needed to finance the production of premium content. However, they feel they are shown meaningless advertising. Over half of consumers say they switch channels to avoid advertising, while 43 percent say that they leave to do something else while adverts are shown.

OTT services such as Netflix and Amazon Prime exclude advertising altogether, creating new expectations of what amount of advertising is reasonable for on-demand services.

Advertising at the beginning of playback, such as with YouTube, is most appreciated when watching online, as the ads rarely interrupt the clip once it has started to play. The online environment is ideal for less intrusive ads, tailored to their audience. 40 percent of consumers state that they would be interested in customizing the ads they see by preference and rating, which would provide a more personalized advertising experience.

However, for now, consumers continue to avoid advertising on traditional linear TV.

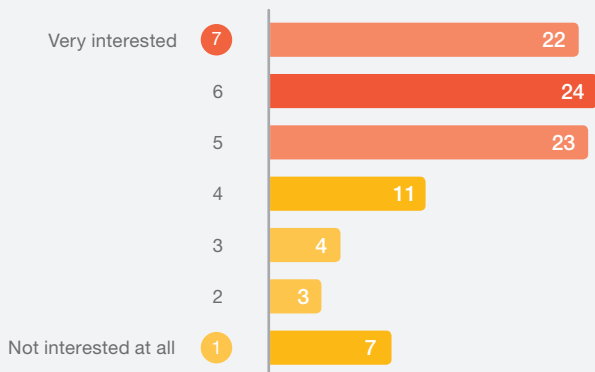
Figure 17: Percentage of consumers who adopt coping mechanisms while adverts play



40% would like to influence ads to show products and areas they are interested in

Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16–59, in 20 markets

Figure 18: Percentage of consumers interested in a TV media offering that combines linear channels, on-demand selections and cross-device access, all in one monthly bill



Source: Ericsson ConsumerLab, TV and Media, 2015
 Base: At least weekly viewers of video/TV with broadband at home, aged 16–59 in 20 markets

Entering a world of entertainment

The traditional TV and media offering, with linear channels as the main product and all other features complementary, is challenged by consumers.

Consumers now want a world of entertainment at their fingertips. Offerings should include a range of added services, such as linear channels, catch-up, VOD capabilities and more, all constructed in a seamless way.

46 percent of consumers show high interest in a service that offers such an integrated experience, together with the ability to view content on any device (Figure 18).

Ericsson is the driving force behind the Networked Society – a world leader in communications technology and services. We are in a uniquely strong position to understand how the worlds of media and telecoms are converging. Our heritage in TV and media spans more than 25 years of cutting-edge innovation, enabling many of the milestone shifts.

Our services, software and infrastructure – especially in mobility, broadband and the cloud – are enabling the telecom industry and other sectors to do better business, increase efficiency, improve the user experience and capture new opportunities.

With approximately 115,000 professionals and customers in 180 countries, we combine global scale with technology and services leadership. We support networks that connect more than 2.5 billion subscribers. Forty percent of the world's mobile traffic is carried over Ericsson networks. And our investments in research and development ensure that our solutions – and our customers – stay in front.

Founded in 1876, Ericsson has its headquarters in Stockholm, Sweden. Net sales in 2014 were SEK 228.0 billion (USD 33.1 billion). Ericsson is listed on NASDAQ OMX stock exchange in Stockholm and the NASDAQ in New York.

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