

CONSUMERLAB



TV AND MEDIA

Identifying the needs of
tomorrow's video consumers



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Methodology



- Quantitative
- Qualitative

Quantitative

- > **Main sample:** ~15,000 online interviews (1,000 per country) aged 16–59 in Brazil, Canada, Chile, China, France, Germany, Italy, Mexico, Russia, Spain, South Korea, Sweden, Taiwan, UK, US. All respondents have a broadband internet connection and watch TV/video on a weekly basis. Almost all use internet on a daily basis. This sample is representative of over 550 million people, or around 54 percent of consumers aged 16–59 in the studied countries.
- > **Additional sample:** ~2,300 online interviews with respondents aged 60–69 who fulfill the same recruitment criteria and live in the

same countries as those from the main sample. This sample is only used for the age comparison illustrated in figure 3. It is representative of around 35 percent (ranging from 5 percent in Mexico to 75 percent in Sweden) of the consumers aged 60–69 in the studied countries.

Qualitative

- > 30 in-depth interviews in Sao Paulo, Seoul, Stockholm and New York. These respondents all had multiple devices and a broadband internet connection and watched on-demand content in and outside their homes.

Expert interviews

- > Niclas Ekdahl, CEO, Viaplay, Sweden
- > Kjell Häglund, Chief Editor, DGC and Weird Science, Sweden
- > Dante Compagno, Pay TV Director, GVT, Brazil
- > Jose Raimundo Lima, Technical and Operations Executive Director, SBT, Brazil
- > Suzanne Stein, Assistant Professor, OCAD University Toronto and Foresight Expert, 2020 Media Futures Project, Canada
- > Media Futures Project, Canada

ERICSSON CONSUMERLAB VOICE OF THE CONSUMER

Ericsson ConsumerLab has more than 15 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 regions where Ericsson is present, which gives a thorough global understanding of the ICT market and business models.

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

TIMES ARE CHANGING

The explosion of connected mobile devices in the home has opened a whole new world of possibilities when it comes to viewing TV and video content. Consumer viewing habits now involve so much more than just the living room TV and traditional broadcast services. Today people take their entertainment with them around the house – and beyond. Viewing TV and video is now something that happens throughout the day, and as our exposure to content increases, so does our attitude and behavior towards it.

The modern consumer has a wealth of choice over their device and content sources, allowing them to adapt their viewing experience to suit their needs and putting them in charge of their TV and video consumption. However, this abundance of choice creates greater complexity for users. There is now an opportunity for service providers to forge new aggregate services that will help consumers simplify the management and selection of their content, enabling them to enjoy the TV and video experience of tomorrow.



I don't think that the mass market will tolerate less than having it all in one, or at the most, two different services.”

Niclas Ekdahl,
CEO, Viaplay

KEY FINDINGS

Mobile devices make up an increasing share of TV and video viewing

- > 72 percent use mobile devices at least weekly for video viewing. 42 percent do this outside the home.

TV is becoming a multiscreen and multitasking activity

- > 75 percent multitask by using mobile devices while watching TV. 1 in 4 even watch multiple video sources at the same time.



Even late adopters are becoming advanced video users

- > As many as 41 percent of 65–69 year olds studied stream on-demand/time shifted TV and video content, including YouTube, on a more than weekly basis.

Video-On-Demand (VOD) is increasingly used for relaxation viewing while linear and scheduled TV is shifting to appointment viewing

- > The value of linear TV is becoming more focused on live sports, events and other content with high 'here and now' appeal. Social viewing continues to be closely linked to this kind of content.

User-Generated Content (UGC) is becoming increasingly important

- > It is not only being used for entertainment, but also for education, how-to guides and watching product reviews. In fact, 82 percent use YouTube or a similar service at least monthly.

We are witnessing the birth of aggregated, pick-and-mix TV solutions

- > The quest has begun to become the first easy to use, à la carte TV solution provider that aggregates consumer TV and video needs. Consumers rank having an à la carte TV offering as the fifth most important aspect of their viewing experience.

NEW HABITS

Figure 1 shows the percentage of people who watch traditional media more than weekly. Overall it presents a fairly stable picture. The consumption of physical media, such as DVDs and Blu-ray on a more than weekly basis is continuing on a gradual, medium-term downward trend. On the other hand, scheduled broadcast viewing has remained steady.

Figure 2 shows people's on-demand habits. The picture here is more dynamic, with viewing of recorded broadcast TV and downloaded movies and shows dropping significantly. Streaming of on-demand and timeshifted content, including YouTube, is growing at a steady, gradual pace.

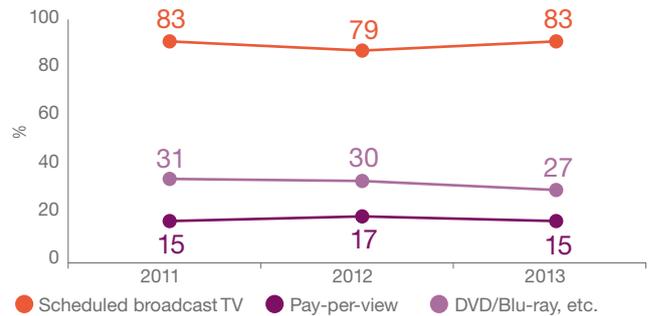
Figure 3 shows that the number of people in the older age groups who stream content is increasing. Since 2011, there has been a 24 percent rise in the number of late adopters who do not want to follow a TV schedule. In fact, over half of all people state that their computer and internet connection are integral parts of their TV and video consumption habits.

Source moments

New TV habits evolve on a trial-by-error basis as consumers discover sources of entertainment. Viewing situations therefore become associated with the source from which a person initially discovered the content.

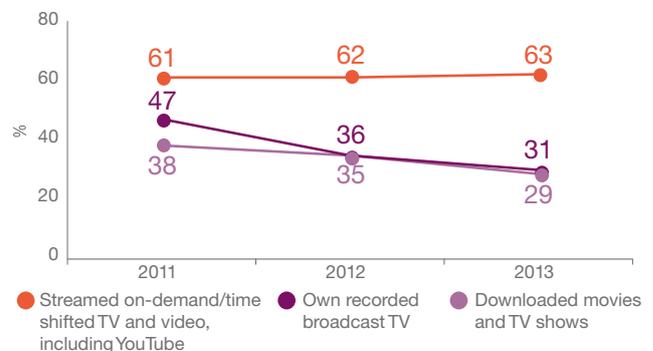
Because of this, the way people view their choices is increasingly moving away from one that is based around TV schedules and a single domestic device, to one where the source is chosen based on what is available and best suited a given situation. It is now common for different content sources to be used in specific situations – for example watching an episode from a Netflix series at lunch, but viewing YouTube while on the bus.

Figure 1: People who watch traditional media more than weekly



Source: Ericsson ConsumerLab TV and Media study 2013
Base: US, UK, Germany, Sweden, Spain, Taiwan, China, South Korea and Brazil

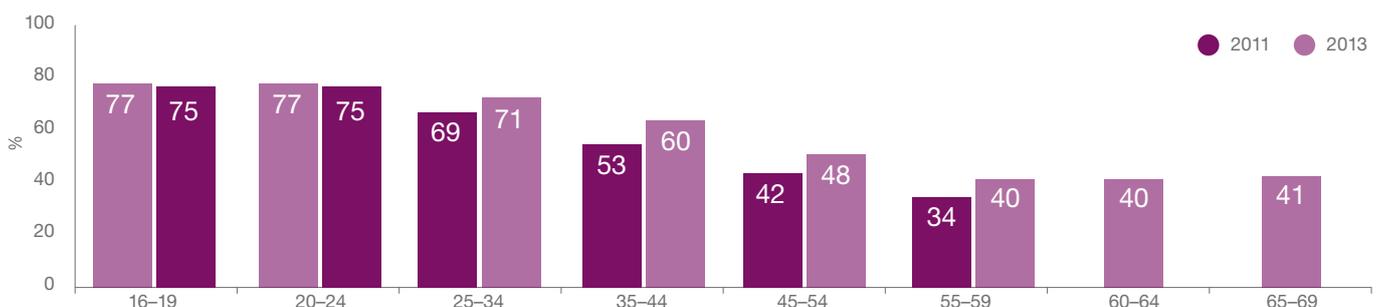
Figure 2: People who watch on-demand media more than weekly



Source: Ericsson ConsumerLab TV and Media study 2013
Base: US, UK, Germany, Sweden, Spain, Taiwan, China, South Korea and Brazil

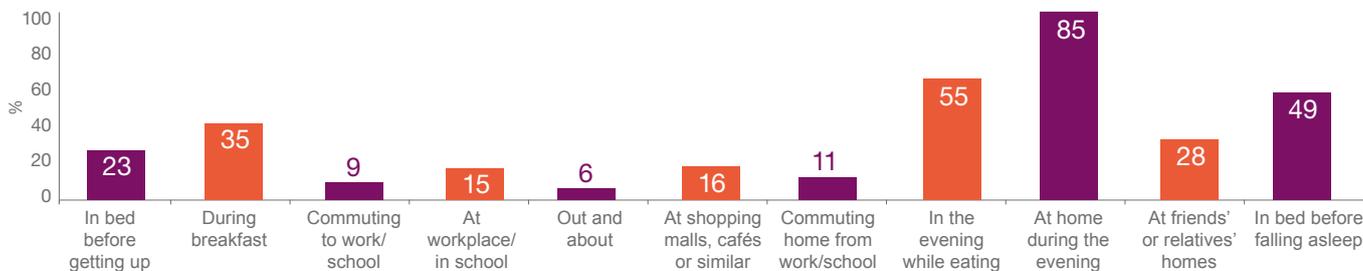
 "I don't always watch content to the end. A film can last days for me."
Fredrik, 42, Sweden

Figure 3: Percentage that stream on-demand/time shift TV and video including YouTube, more than weekly, by age group



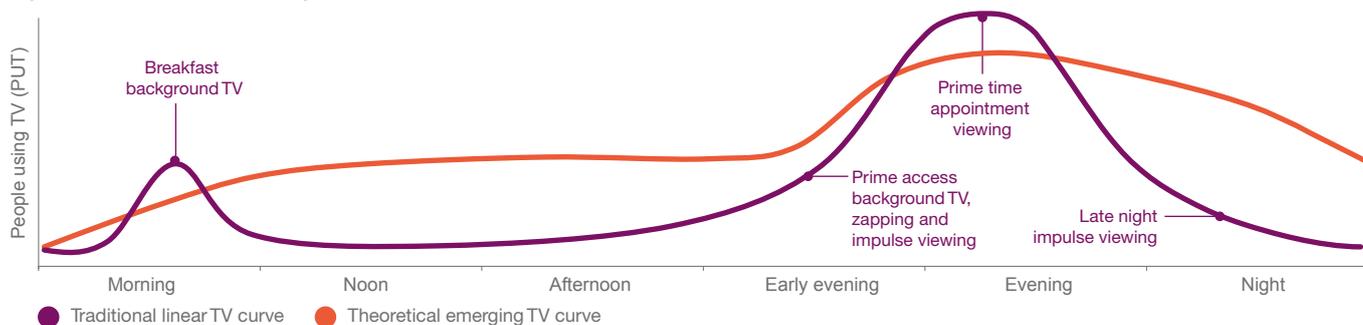
Source: Ericsson ConsumerLab TV and Media study 2013
Base: US, UK, Germany, Sweden, Spain, Taiwan, China, South Korea and Brazil

Figure 4a: Percentage of people who watch any kind of TV and video at least once a week



Source: Ericsson ConsumerLab TV and Media study 2013
Base: All 15 markets

Figure 4b: TV and video viewing curves



Source: Ericsson ConsumerLab TV and Media study 2013
Base: Qualitative results

With a huge range of devices now enabling users to enjoy content throughout the day, the traditional TV viewing curve is being flattened out. Figure 4a shows consumer video habits throughout the day. It indicates a change from the traditional TV viewing curve shown in figure 4b, where a peak at breakfast is followed by a drop-off throughout the day, followed by a larger peak in the evening. The emerging curve however, sees sustained higher viewing levels throughout the day. The usage is flatter and continues into the night.

Viewing content is becoming a continuous activity rather than one that is treated as an act of relaxation and luxury. TV is now seen as an ever-present commodity, which people expect to be able to access anywhere and any time.

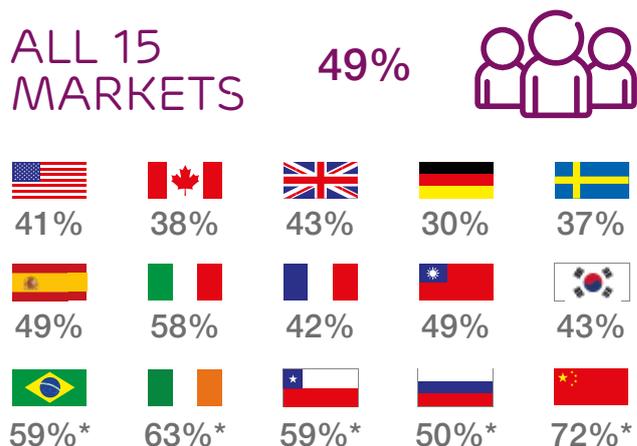
Place-shifted viewing

The 'continue viewing' function of many on-demand services is driving a new phenomenon known as place-shifted viewing. This involves consumers watching one piece of content over a period, in a number of different situations by using the same service on different devices. It enables them to break-up the viewing of the content and turn a single episode or film into a mini-series – for example they may watch the first five minutes on the bus, followed by half an hour at lunch and then finish the episode while waiting for friends at a café.

Social TV

Social networking sites and forums are used on a weekly basis by 59 percent of people while watching TV.

Figure 5: Percentage of people within market who use apps or browse the internet to find out more about what they are currently watching



Source: Ericsson ConsumerLab TV and Media study 2013
Base: All 15 markets
*These measurements represent an urban sample rather than a national sample

49 percent will use apps or browse the internet to find out more about the content they are watching, while almost 1 in 3 will discuss what they are currently viewing over social networks or chats.

Mobiles and laptops are used to discuss TV content and are now also becoming part of the home TV setup. They not only allow social interaction, but also enable internet multitasking whilst viewing.

Using social media while watching TV is seen across all age groups. During 2011, only 19 percent of those aged 55–59 engaged in this behavior on a weekly basis. Today, this figure has increased to no less than 37 percent.

MULTISCREEN LIFE



I have the Netflix streaming option. It makes my workout go so much faster.”

Michelle, 50, USA

Today, screens have broken out of the living room and video has found its way into new situations throughout our daily lives. From catching a final episode on a tablet before going bed, to watching a short video on a smartphone while waiting for friends at a café, the increasing number of mobile devices has enabled us to bring our content with us wherever we go.

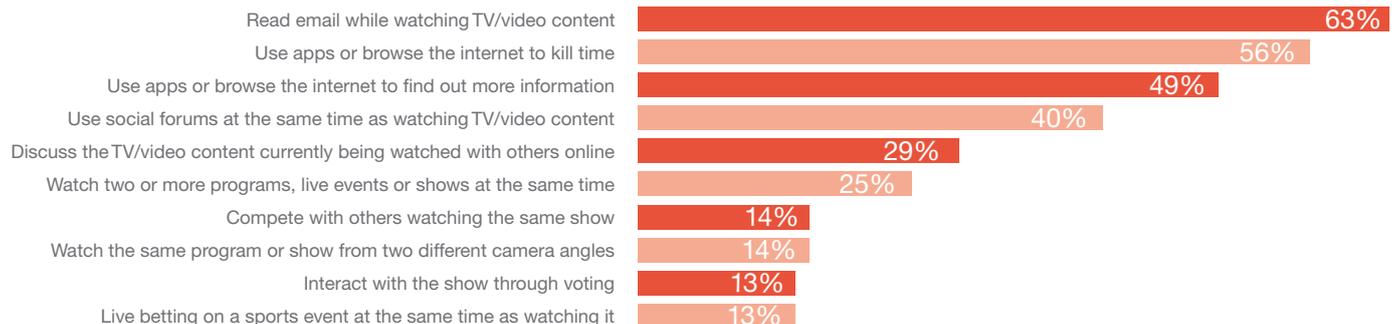
Figure 6 shows the average number of hours that people spend watching video on their devices each week. Even though TV screen viewing is decreasing, it is still the device most used for video consumption. However the use of laptops, smartphones and tablets is rapidly increasing – 72 percent use a mobile screen for viewing content each week.

One TV, many devices

The average home entertainment setup is moving away from using separate TVs in each room. Instead, a growing number of households use a large main TV supplemented by a number of mobile devices that provide access to services from anywhere in the home.

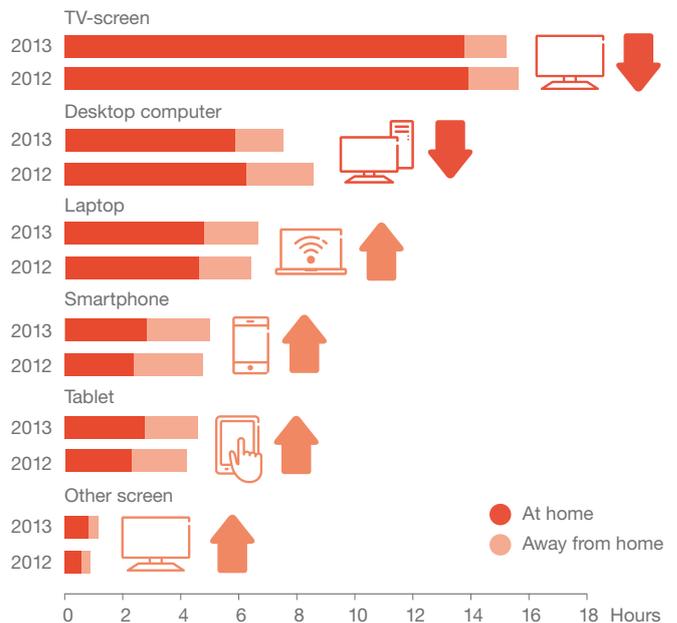
Many households will still have more than one TV, however mobile connected devices will be prioritized over the secondary TV sets, as they offer greater access to content, flexibility and convenience. TVs and smartphones still make up the core screen combination, but consumers will use whatever device is close at hand when they need it.

Figure 7: Activities on second screen by popularity



Source: Ericsson ConsumerLab TV and Media study 2013
Base: All 15 markets

Figure 6: Average hours spent watching video on device per week



Source: Ericsson ConsumerLab TV and Media study 2013
Base: US, UK, Germany, Sweden, Spain, Taiwan, China, South Korea and Brazil, those who have and use the device

These viewing habits are having social implications. In the past, the TV has served as a point of focus for households, acting as a kind of ‘campfire’ which people would sit around and watch together in the evening. Having multiple screens throughout the household is changing this traditional activity. Nowadays, household members are also engaging in individual viewing on the living room sofa using headphones as well as retreating to their own space to watch their second screen.

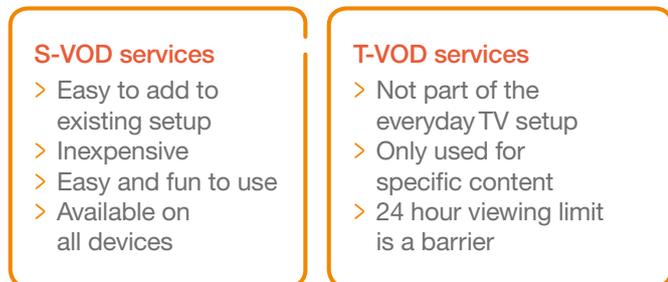
Multitasking

Figure 7 shows the most popular activities conducted on a second screen. Reading email and browsing the web are the most common of these activities, however one in four people are now using additional devices to watch multiple programs at the same time at least once a week.

EVOLVING PRIORITIES

Figure 8 shows the benefits of each of the two main models for providing VOD services – Subscription-based VOD (S-VOD) and Transaction-based VOD (T-VOD). Whether it's a more traditional TV service provider or an Over The Top (OTT) player, the main driver for S-VOD remains the same. The subscriber makes one purchase decision at the beginning of the subscription period, with the perceived value for money increasing after each use of the service. T-VOD services still play an important role, particularly when it comes to niche viewing, such as new movies and premium sport events.

Figure 8: S-VOD and T-VOD features

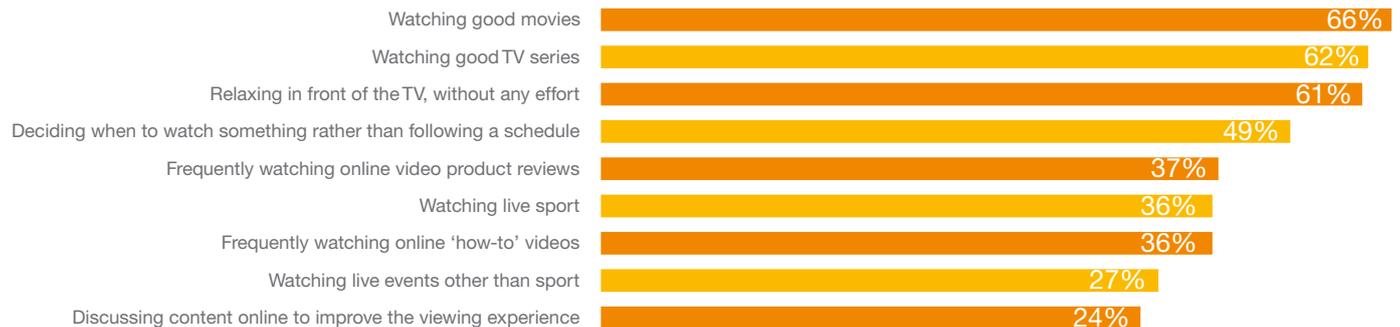


Source: Ericsson ConsumerLab TV and Media study 2013
Base: US, UK, Germany, Sweden, Spain, Taiwan, China, South Korea and Brazil

Figure 9 shows people's viewing priorities. It reveals that while a relaxing viewing experience is important to many, the ability to be free from schedules is now important to around half of all people.

Because of this, on-demand services viewed over mobile devices used for relaxation viewing are becoming increasingly important. There is decreasing dependency on linear TV channels and the main household television. Linear TV is becoming more associated with planned appointment viewing.

Figure 9: Viewing priorities



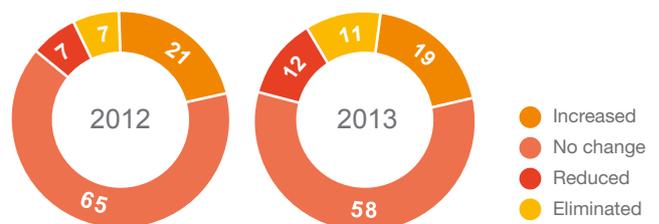
Source: Ericsson ConsumerLab TV and Media study 2013
Base: All 15 markets (showing top two answers on a seven-point graded scale)



Cord cutters and shavers

Figure 10 shows the way people have changed their TV spending in the last year compared to the previous 12 months. There are now more people who have reduced or eliminated their TV package spending than those who have increased it. The exception continues to be China, which has seen 30 percent of people put more money towards their TV viewing. This is partly due to the country's improving economy, but also a result of terrestrial TV network digitalization. The cost of managed TV subscriptions is still the main reason for people to reduce their spending – either they perceive their package as too expensive or they do not watch enough TV to justify having it.

Figure 10: Global subscription changes, 2012–2013



Source: Ericsson ConsumerLab TV and Media study 2013
Base: US, UK, Germany, Sweden, Spain, Taiwan, China, South Korea and Brazil

PROSUMERISM

THE MAIN FEATURES OF PROSUMERISM

- > Linear TV used as just one ingredient
- > Quality of content is very important
- > Lock-ins and binding times are avoided
- > Bundles are replaced or reduced
- > Using different devices and services for personalization

Apps and OTT services are enabling consumers to proactively take control of their viewing experience and create their own solution by picking and mixing services. For the purposes of this report we will call this 'prosumerism'.

This behavior creates a challenge for many existing business models, which are based heavily around being the sole provider of content. The simplicity of setting up and using OTT channels, along with easy access to the internet and technology further compounds this and means that there are very few barriers to prosumerism.

Today, a new model is evolving in which content producers are able to sell directly to consumers. At the same time, aggregators are beginning to produce their own programs in order to remain a relevant and attractive choice.

Consumers are also increasing their involvement in content production, thereby increasing their influence in the one area of the viewing experience still controlled by commercial producers.

Content discovery

With so many different ways of accessing, discussing and viewing video, the process of discovering new content has become vital to individual consumers. Each person's approach to discovering new entertainment is highly unique and complex,

and the decision-making process is subject to a range of different influences.

It is not a linear process, and many develop their own individual patterns which they resort to when trying to reduce the complexity of choices. These patterns become habits that govern the consumers' usage of services. They judge content sources based on first impressions and stop exploring functionality. This means they often miss out on new features.

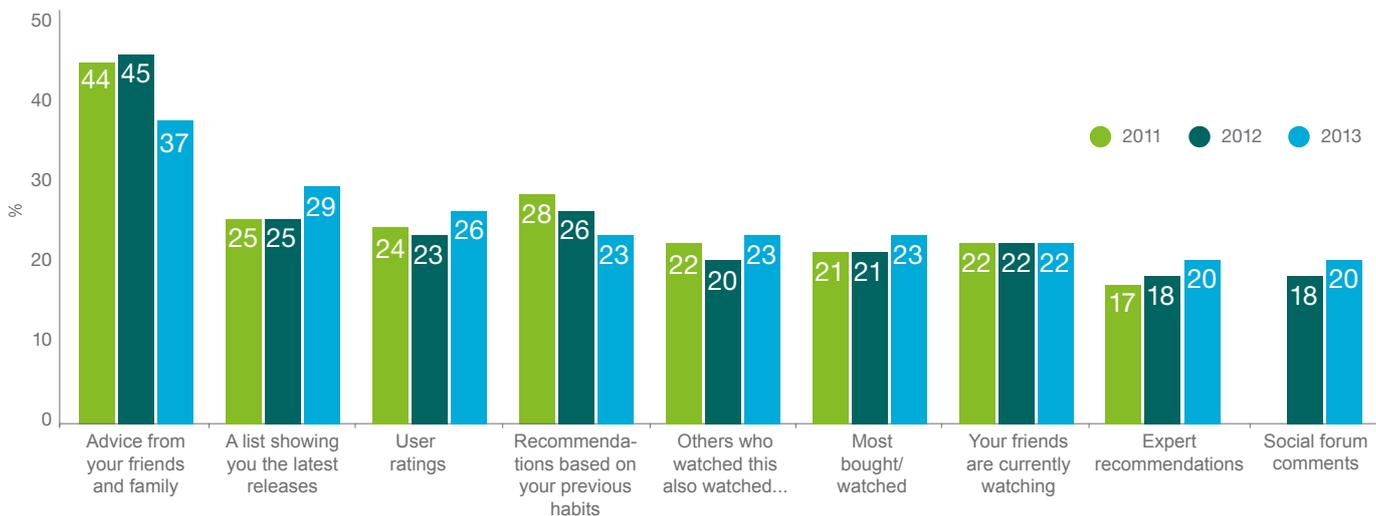
Content discovery is not just conducted on the device used for viewing – it is an ongoing process which starts before watching the program and continues after. For example, a consumer may discover a program on a social network, or while browsing the S-VOD library on their mobile phone, but instead of watching it directly they add it to their playlist to watch later on any connected device.



It is going to be the viewers' market more than the producers'."

Kjell Häglund,
DGC and Weird Science

Figure 11: Recommendations sources by popularity



Source: Ericsson ConsumerLab TV and Media study 2013
 Base: US, UK, Germany, Sweden, Spain, Taiwan, China, South Korea and Brazil

The discovery of content in itself has become something which consumers are seeking to simplify – they want a recommendations solution that offers high flexibility.

Figure 11 shows which sources of recommendations people consider most useful. Advice from friends and family is still the most common way for new content to be discovered, although other forms of online recommendations are gaining popularity.

The User-Generated Content explosion

Like many technologies, video production equipment has become smaller, cheaper and more advanced. This has made it much easier for UGC to be produced. Free publishing services such as YouTube have enabled consumers to become producers and distributors – today 100 hours of video are uploaded to YouTube every minute.

This has created an explosion in UGC, with content covering a wide range of interests and purposes. As many as 82 percent use YouTube or a similar service at least monthly. According to YouTube, mobile viewing makes up over 25 percent of its global viewing time.

“There won’t be a general rule saying that a production company has to be just a production company. Who’s doing what will be a creative and entrepreneurial chaos.”

Kjell Häglund,
 DGC and Weird Science

UGC EXAMPLES

Unbiased product reviews – consumers trust UGC reviews more than those by the companies themselves.

DIY and instruction videos – from sewing to applying filters in Photoshop, instruction videos can be found for almost anything. They tend to be comprehensive and easy to understand.

Education and learning – there is a wealth of information in this area from both the public and schools and universities.

Gaming videos – there are a range of different gaming video formats, from coverage of professional eSports to tutorials on how to complete games.

Subtitles, video mash-ups and sweded content – a controversial area, as it is linked to copyright-protected material. It includes fan-based translations of foreign movie dialogue, amateur mergers or even homemade versions of well-known movies.

A CHANGING BUSINESS

When it comes to paying for content, consumer logic has changed. In the past, TV packages would provide a wealth of channels that were charged at a premium and included services which the customer did not use. Today, new S-VOD offerings are perceived as being affordable and consumers are happy to add these services to their mix.

Consumers have historically accepted that advertising is part of the equation when receiving free content, yet it frustrates them when it is used with content they have paid directly for. Personalized advertising is set to be an industry focus point, with consumers likely to experience non-disruptive ads as an integral and acceptable part of their media consumption – especially on new devices.

The wide range of on-demand services means that in advanced markets many different payment models are often used simultaneously by individual consumers. This leads to the desire for ‘one-bill solutions’ that can cover all of these potential payment approaches, but still offer a personalized model.

Models for the future

The emergence of new technologies is the key driving force behind the development of new business models. However, the consumer need for an aggregated experience will be the factor that shapes the media landscape of tomorrow.

As the traditional aggregated broadcast market is challenged by new technically advanced consumer solutions, video sources have become more complex and more suitable for active and advanced users. Emerging models are therefore likely to involve an even mix of consumer and market forces. Experience-related factors will be valued higher and will be marked by a greater willingness to pay.

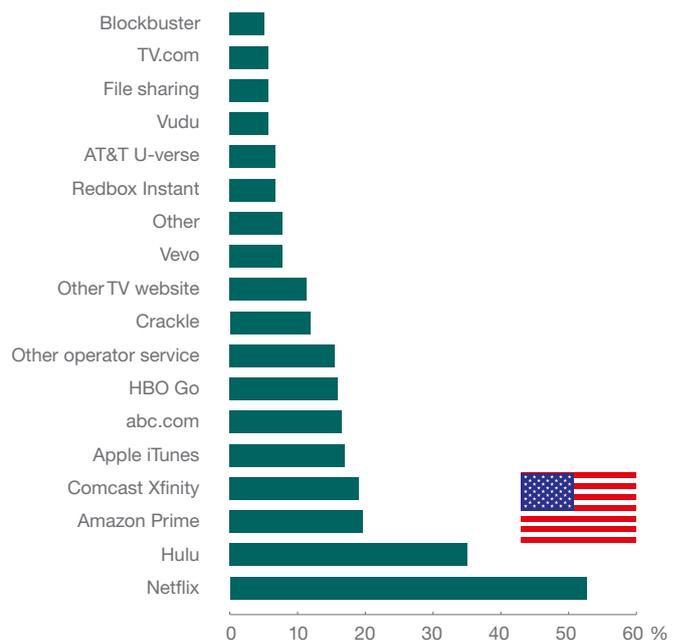
In terms of payment, future models are likely to consist of a combination of affordable monthly subscriptions with no binding time, coupled with unobtrusive advertising. This would be complemented by T-VOD and pay-per-view services for specific premium content such as new movies, live sports and events.



I don't think that consumers will need a massive line-up of linear channels in the future, but rather fewer linear streams."

Nicalas Ekdahl,
CEO, Viaplay

Figure 12: Evolution of TV and video solutions



Source: Ericsson ConsumerLab TV and Media study 2013

Base: Spain and US, those who watch streamed movies and TV programs/series or downloaded movies or TV series at least several times a month.

Piracy loses ground

Illegal downloading is still used for specific purposes such as downloading new film releases that are only available at cinemas or have been held-back. Despite this, illegal downloading is losing ground to P2P streaming and legal on-demand TV and video services that are convenient to use.

Markets offering attractive legal alternatives that are – among other things – easy to use and that offer broad content libraries, are reducing piracy.

Figure 12 shows how in Spain, where legal on-demand services have been less popular, the use of illegal file sharing is high, despite having decreased in recent years. Compared to 2011, the number of people in Spain that use file sharing has decreased by more than 20 percent. In the US on the other hand, where



The owner of content is king. The one developing content has an advantage over the one distributing it.”

Raimundo Lima, SBT

easy-to-use legal alternatives have been abundant, the level of illegal file sharing and piracy is much lower.

The only market where legal downloading has any significant role to play is South Korea, where legitimate file sharing websites are very popular.

THE OPTIMAL TV AND VIDEO EXPERIENCE

Today, consumers are looking for one simple, convenient experience that combines their TV and video content and services. Figure 13 shows which aspects of the consumer’s TV experience would be important for such a service. This would simply need to be an interface between other providers, offering one simple united experience that would facilitate content discovery and consumption.

Cross-media experiences

Increasingly, media experiences are not only consumed across devices and time but also across services. Figure 14 shows how this would work for a football match. Providing such experiences improves the relationship with the consumer, improves interest in and loyalty to the content, and provides new entry points to the overall experience.

Figure 13: Importance of services in TV and video experiences



Source: Ericsson ConsumerLab TV and Media study 2013
Base: All 15 markets

Figure 14: Continuous experience across devices for a football match



Source: Ericsson ConsumerLab TV and Media study 2013

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