TV & MEDIA 2017

A CONSUMER-DRIVEN FUTURE OF MEDIA

Ericsson ConsumerLab

ERICSSON CONSUMERLAB
THE VOICE OF THE CONSUMER

REPRESENTING
1.1 BILLION
PEOPLE

100,000
RESPONDENTS

MORE THAN
40
COUNTRIES

22
YEARS
OF RESEARCH

GLOBAL KEY INSIGHTS:

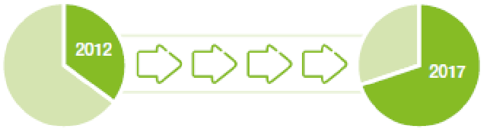
TV Media 2017

VR will reignite the campfire experience of TV

- Today's solitary video on demand (VOD) viewing experience is set to become more of a social activity than it is today - this time in VR
- The social and immersive aspects of VR are key reasons why the majority of current and potential VR users believe the technology will be an essential component of TV and video in the future

Smartphone viewing doubles

- Around 70 percent of consumers watch TV and video on a smartphone today – twice as many as in 2012
- Smartphones make up a fifth of total viewing, with approximately six hours per week spent watching TV and video on the device



TV couch potatoes get up and go!

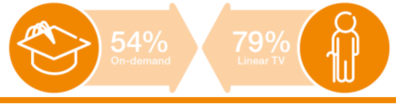
- By 2020, only 1 in 10 consumers will be stuck watching TV only on a traditional screen, a 50 percent decrease compared to 2010
- As couch potatoes disappear and high-usage and high-spending multi-screen viewers increase, both scheduled linear TV and on-demand services stand to benefit!

Content discovery remains a challenge

- As the number of TV and video services increase, so does the average time spent searching for content – it has already seen an increase of 13 percent from last year, reaching almost one hour per day
- Current content discovery capabilities are failing to cope with consumers' usage of multiple video services and devices, which is why 7 out of 10 consumers say a universal search feature would be very useful

On demand soars among teenagers

- 16–19 year olds spend more than half of their time watching on-demand, an increase of more than 100 percent – or almost 10 hours a week – since 2010
- 60–69 year olds, on the other hand, still spend almost 80 percent of their viewing time watching live and scheduled linear TV, which is almost as much as in 2013

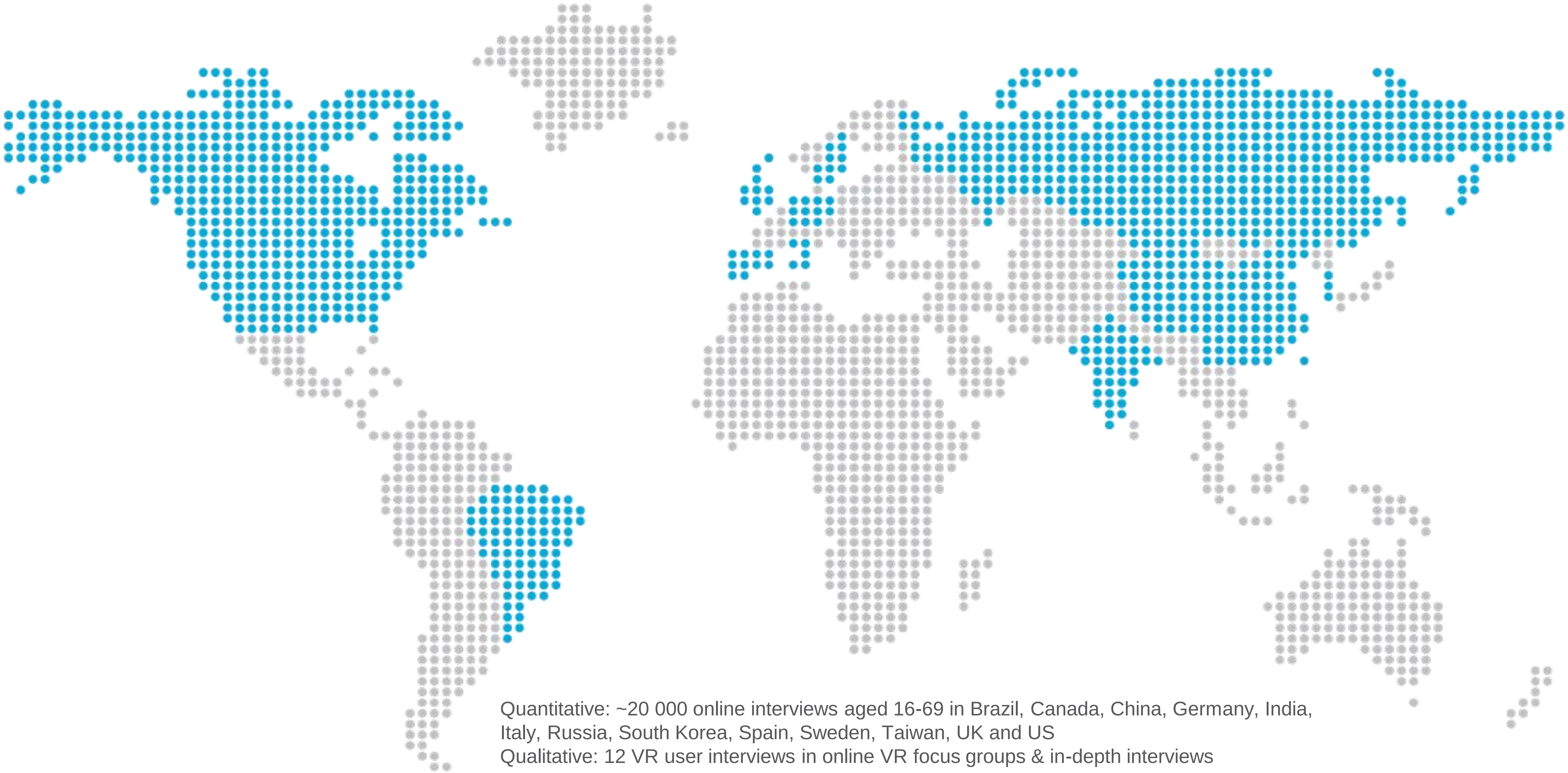


Mobile and on-demand by 2020

- Half of all viewing will be done on a mobile screen, and half of this will be done on the smartphone alone
- About 7 out of 10 consumers will prefer on-demand and catch-up services over scheduled linear TV viewing, and almost half of all viewing will be on demand
- A third of consumers are projected to use VR

Source: Ericsson ConsumerLab TV & Media 2017 Study

REPRESENTING OVER 1 BILLION CONSUMERS

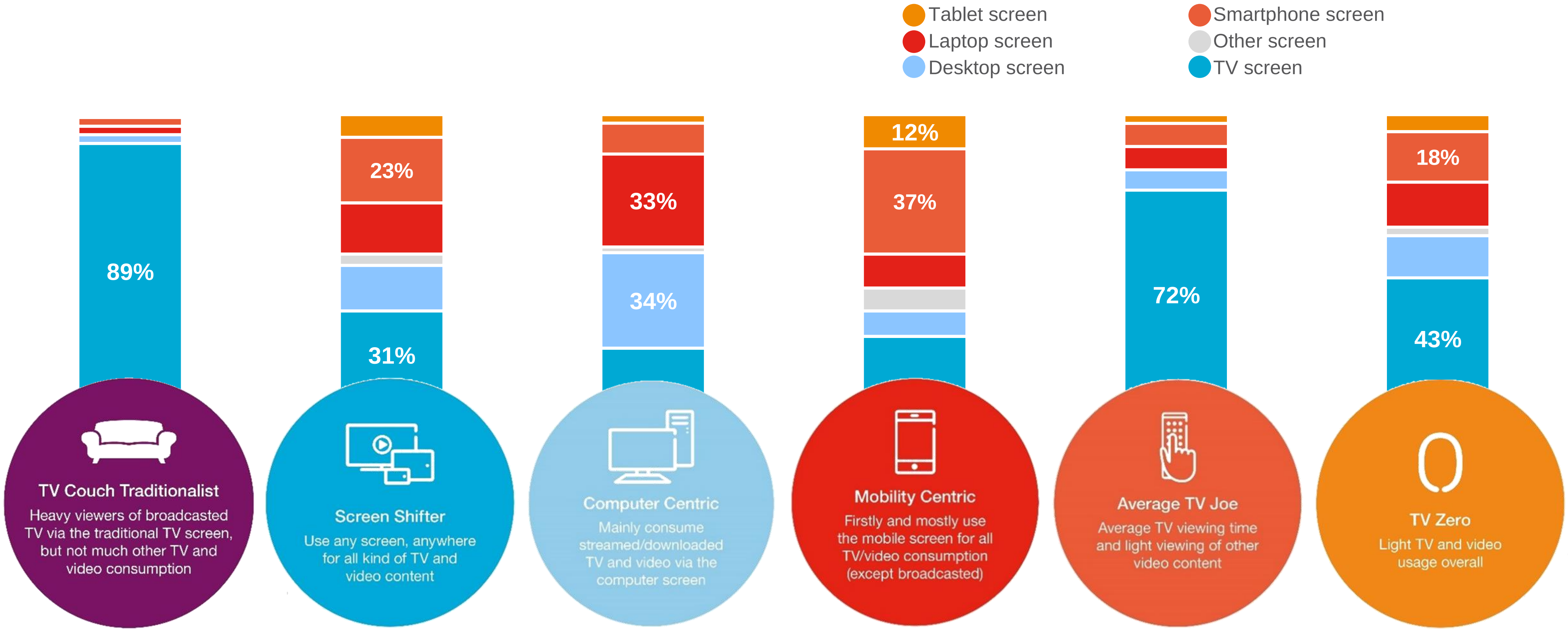


Quantitative: ~20 000 online interviews aged 16-69 in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK and US
Qualitative: 12 VR user interviews in online VR focus groups & in-depth interviews

Source: Ericsson ConsumerLab TV & Media 2017 Study

TV-USER GROUPS – WHAT IS THAT?

Definition of TV-user groups based on total weekly TV and video active viewing time spent on each device/screen [self-reported]

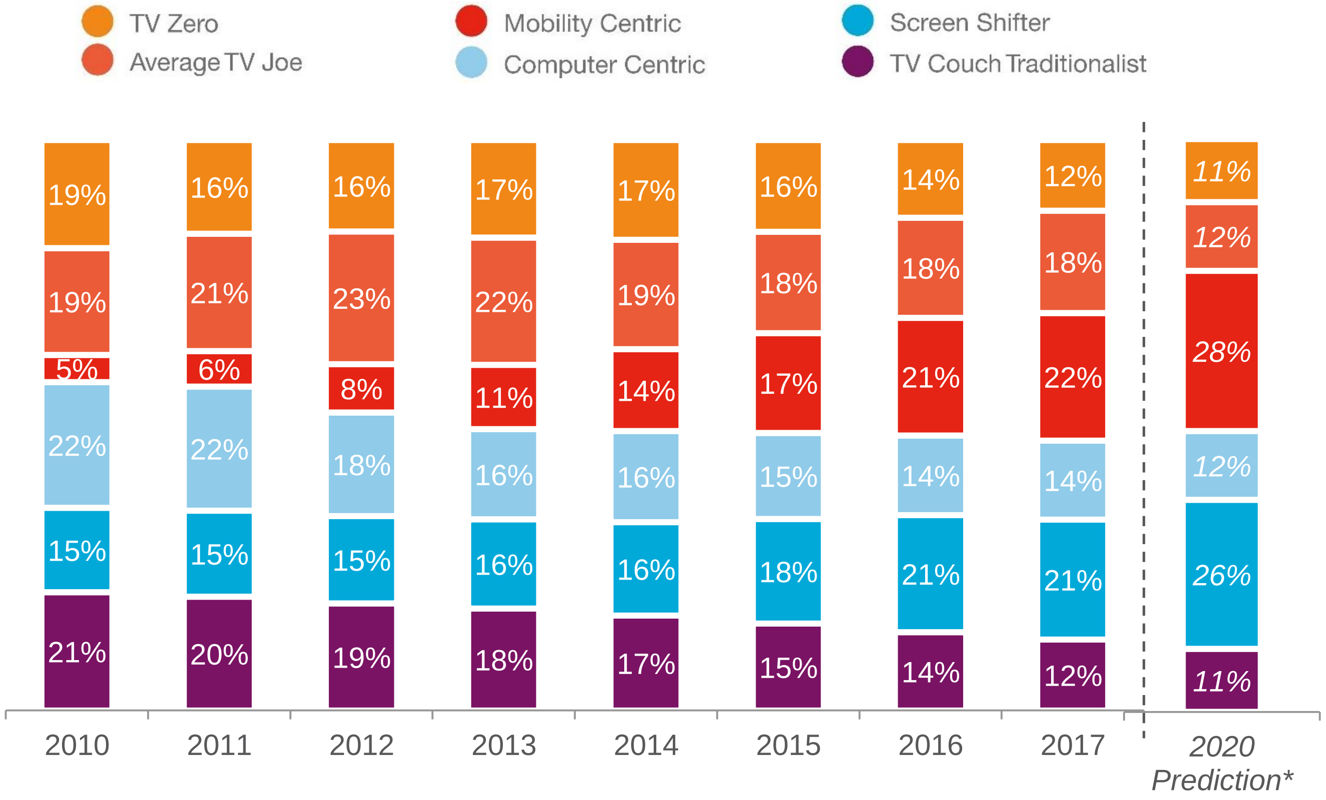


BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

BY 2020, TV COUCH TRADITIONALISTS WILL HAVE SUNK INTO OBLIVION

Percentage of population belonging to each user group respective year [Self-reported]



* based on best-fit-regression analyses

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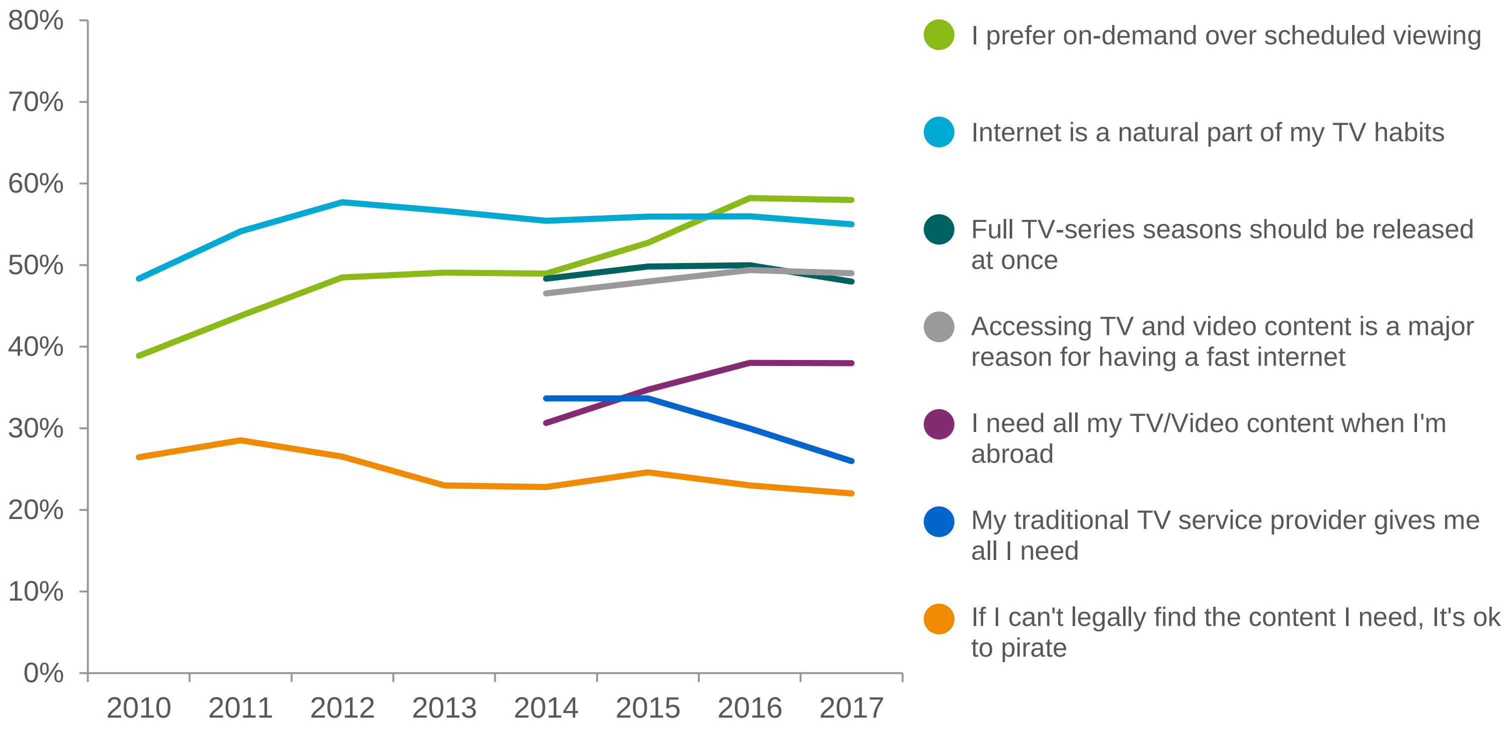
Source: Ericsson ConsumerLab TV & Media 2017 Study

TV-ATTITUDES 2010-2017

- TV and media attitudes have changed a lot over the past 7 years
- Close to 60% of the consumer prefer on-demand over schedule viewing, and internet and TV continues to walk side by side
- Internet and on-demand service continues to put pressure on traditional providers, less and less consumers believe their traditional TV providers can give them all they need

TV and media attitudes (showing top 2 answers on 7-graded scale) [self-reported]



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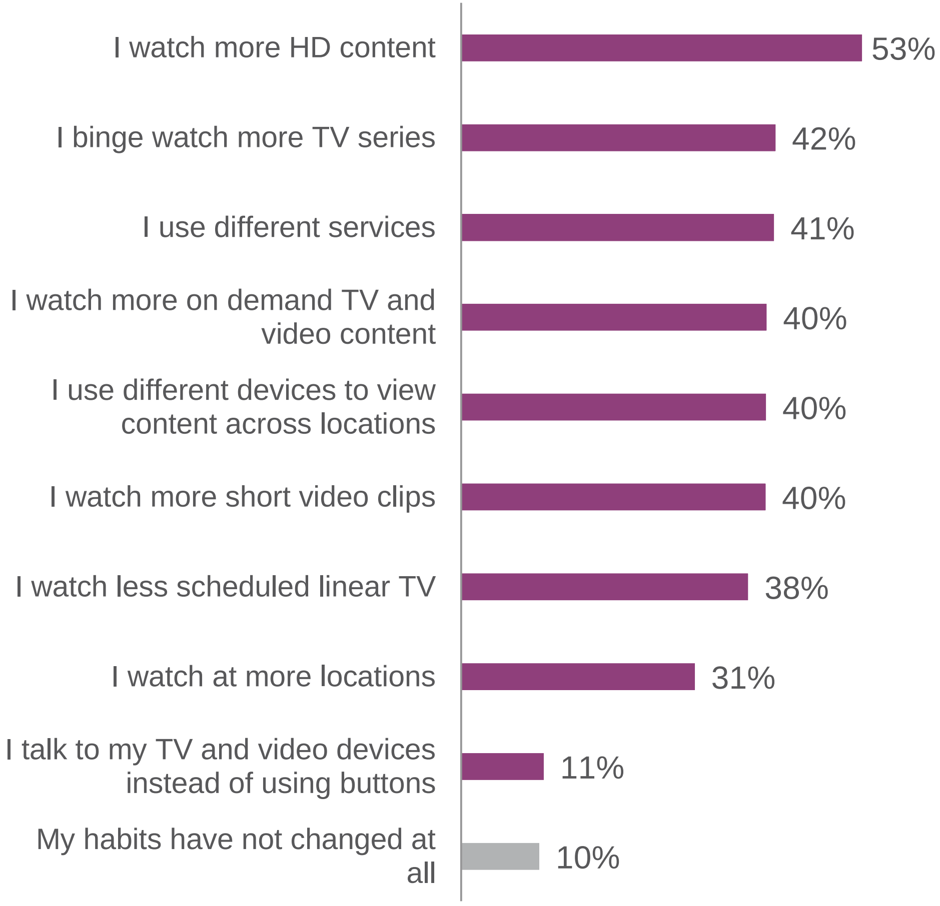
Source: Ericsson ConsumerLab TV & Media 2017 Study

5 YEARS CAN MAKE A HUGE DIFFERENCE

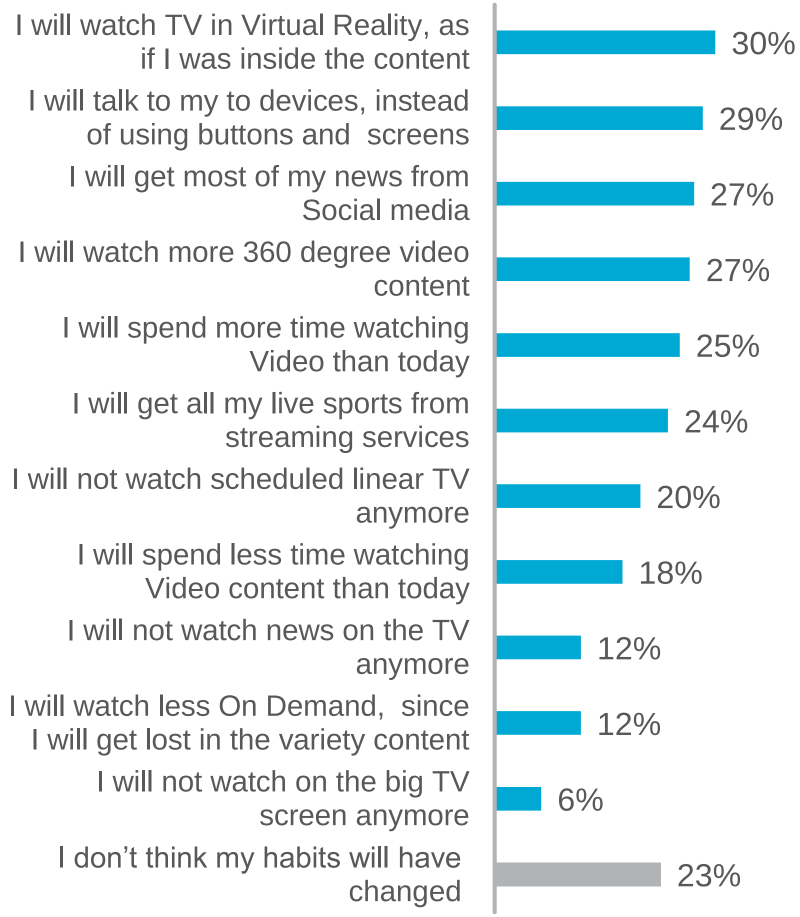
Percentage of consumers that have changed their habits **in the past 5 years**, overall (Self-reported)



What has changed from 5 years ago

What will change in 5 years time

Percentage of consumers that believe they will change their habits **over the next 5 years**, overall (Self-reported)



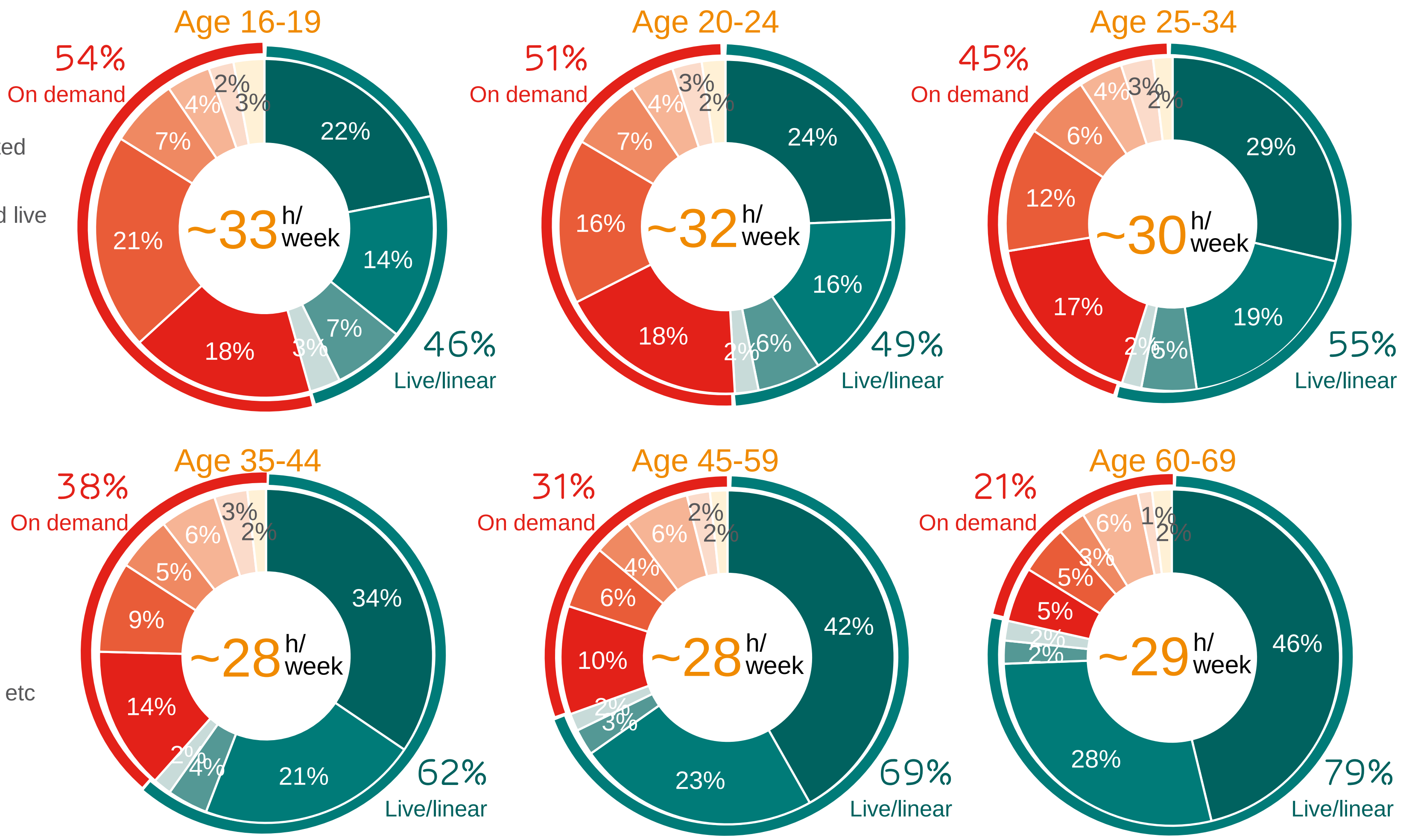
BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

16-69 YEAR OLD'S SPEND OVER HALF OF THEIR VIEWING TIME WATCHING ON-DEMAND CONTENT

Average share of total hours active viewing TV/video per week 2017 (for different kinds of content) [Self-reported]

- Movies, TV-series & other TV programs when broadcasted
- Live News, Sports & other Events (both broadcasted and live streamed)
- UGC & e-sport Live
- Other live or linear content
- Movies, TV-series & other TV programs streamed on-demand
- UGC & e-sport On-demand
- Movies, TV-series & other TV programs downloaded
- Movies, TV-series & other TV programs recorded
- Movies, TV-series & other TV programs on DVD/Blu-ray etc
- Other on-demand TV & video content



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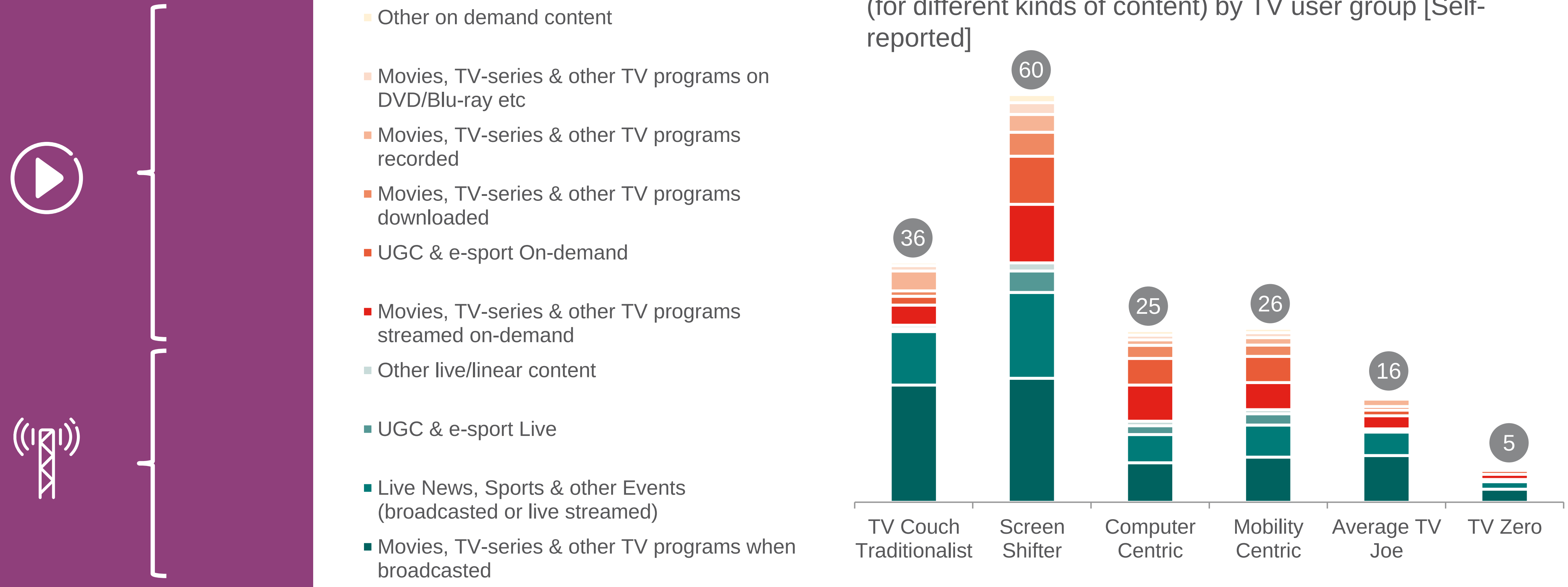
Source: Ericsson ConsumerLab TV & Media 2017 Study

VIEWING HABITS DIFFER BETWEEN TV USER GROUPS TOO

Share of total weekly hours active watching TV/video (for different kinds of content) by TV user group [Self-reported]

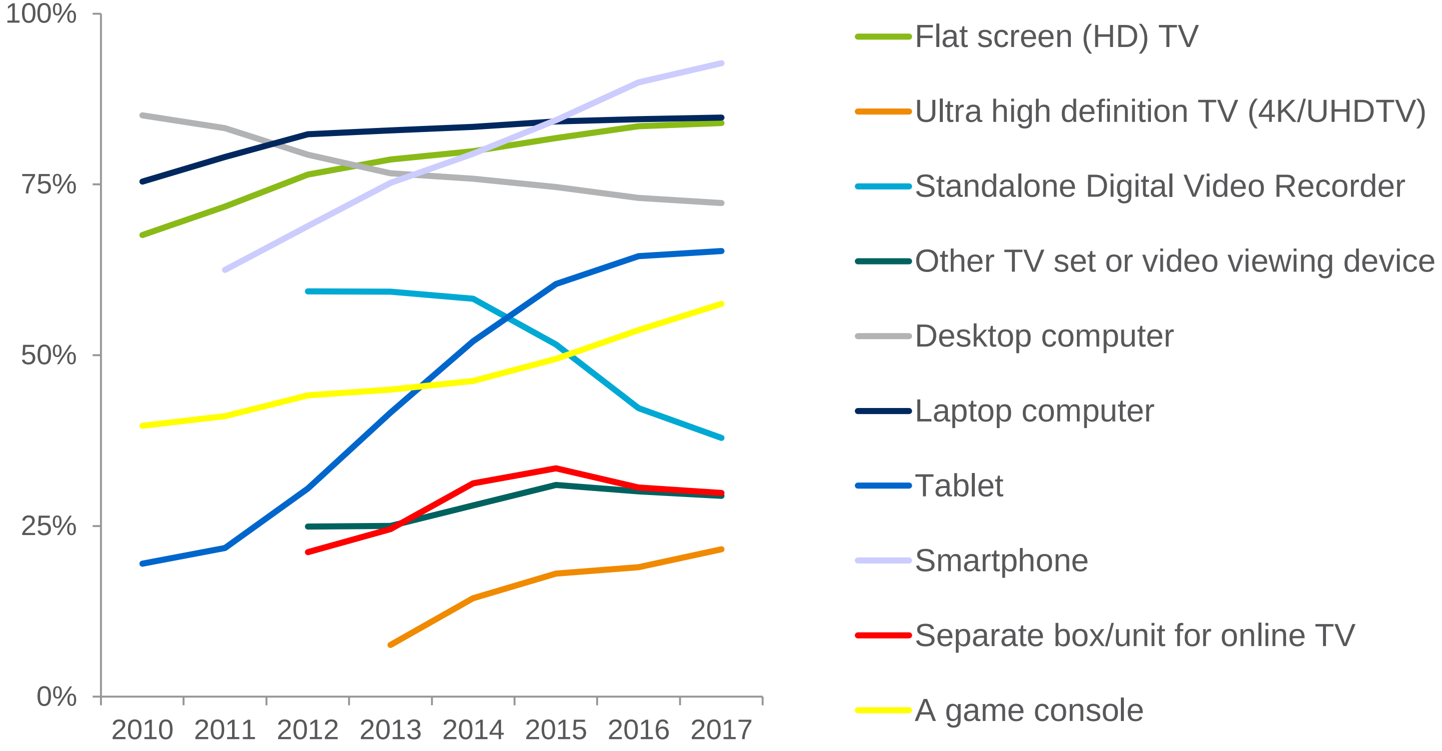


BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

INCREASED CHOICE OF TV/MEDIA SCREENS DRIVE SCREEN SHIFTING

Percentage of population that have each device within the household [self-reported]



› Smartphones continues to grow in penetration, becoming consumers all-in-one favorite device.

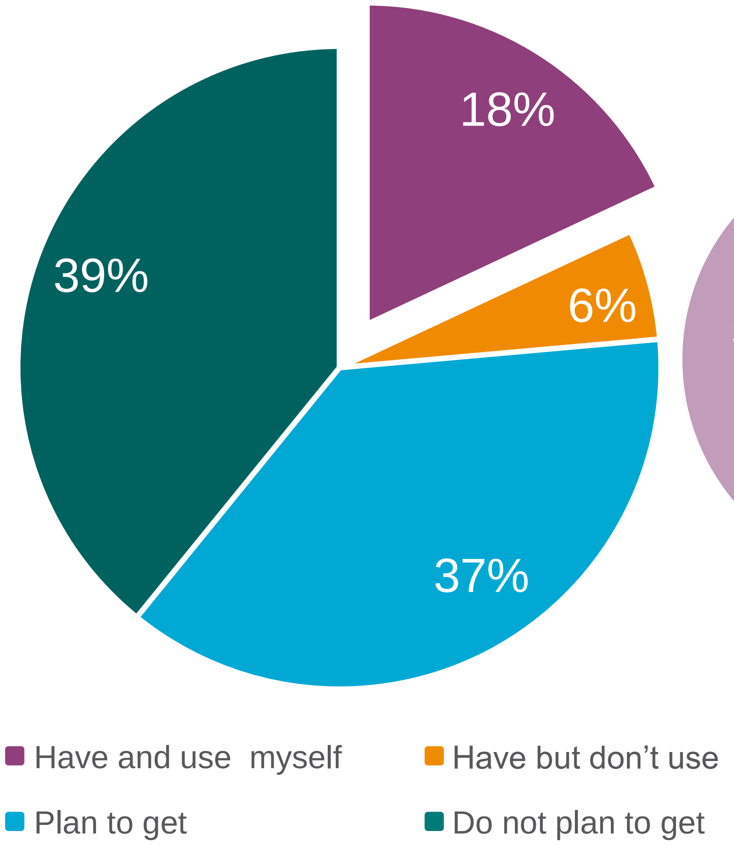
› 4K/UHD TV´s are already present in close to a quarter or the households.

› Desktops and DVR´s continue their free falling as consumers have more attractive options of services and devices to fulfill their needs.

BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US
Source: Ericsson ConsumerLab TV & Media 2017 Study

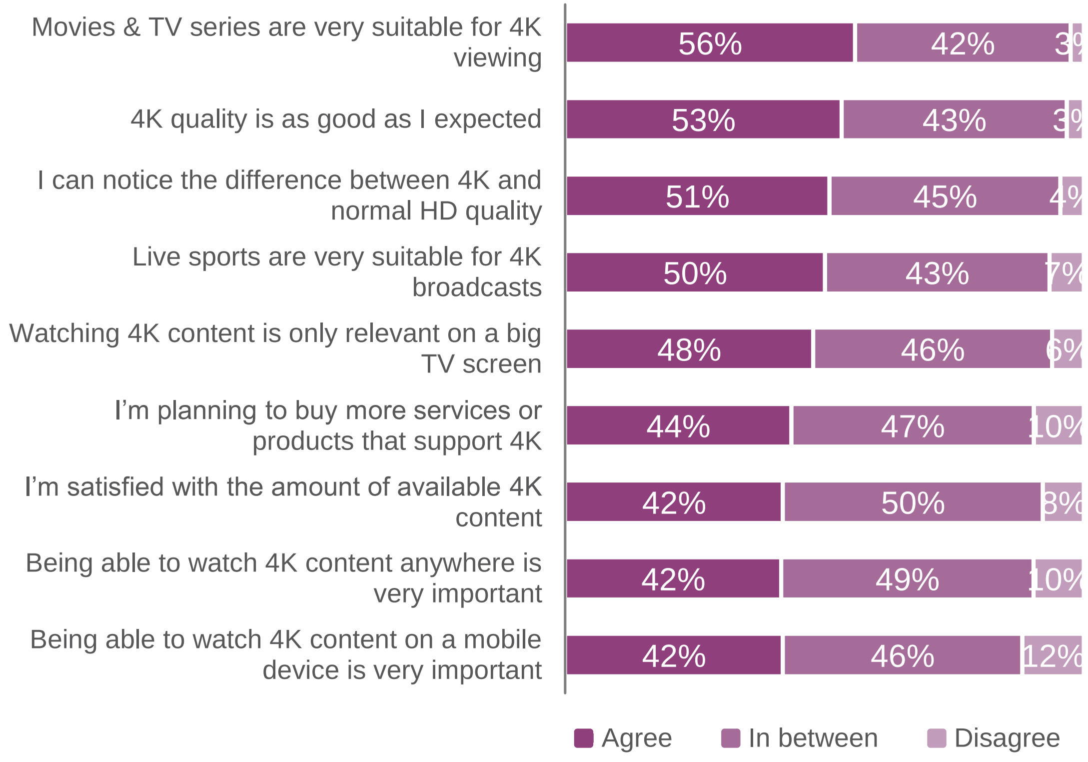
MOVIES & TV SERIES ARE PRIMED FOR 4K VIEWING

Penetration of 4K/UHD TV screens at home, (Self-Reported)



ONLY 3%
say movies & TV-series are NOT suitable for 4K viewing

Percentage of 4K/UHD users that agree with each statement (Self-Reported)



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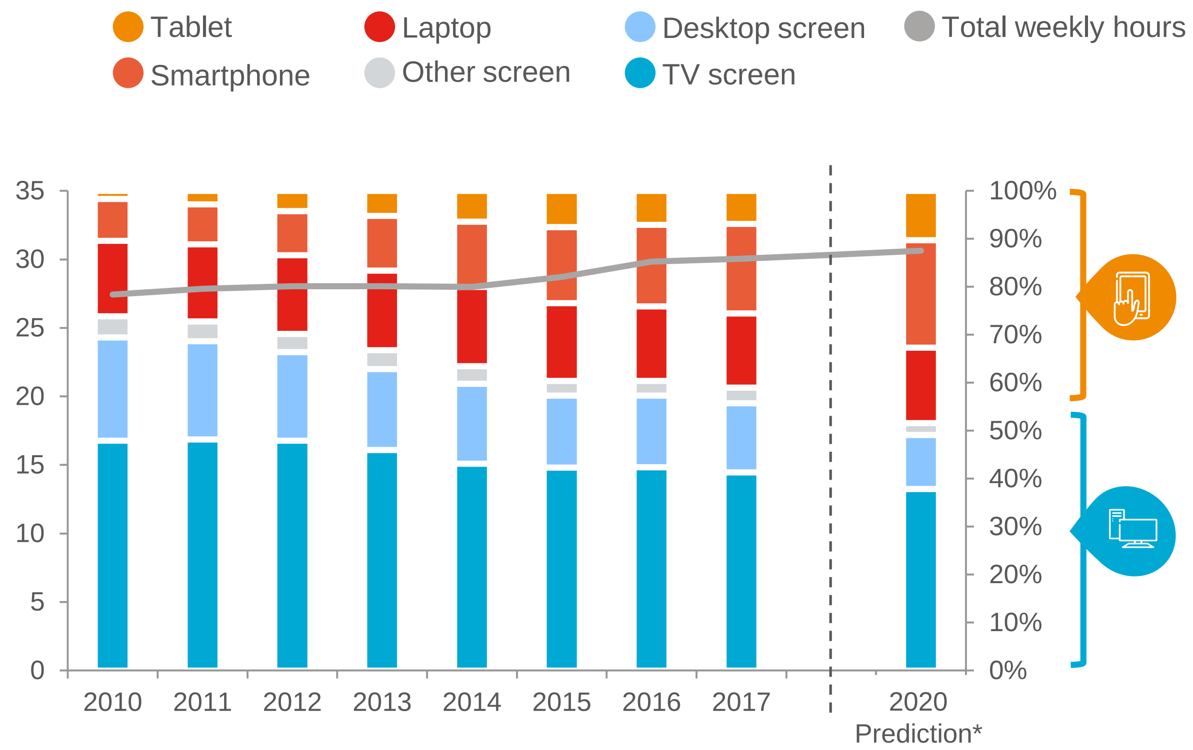
Source: Ericsson ConsumerLab TV & Media 2017 Study

BY 2020, 50 PERCENT OF VIEWING WILL BE ON MOBILE SCREENS

Share of total TV/video-time done on respective device screen on right axis, and average total nr of hours per week watching TV/video on left axis [self-reported]



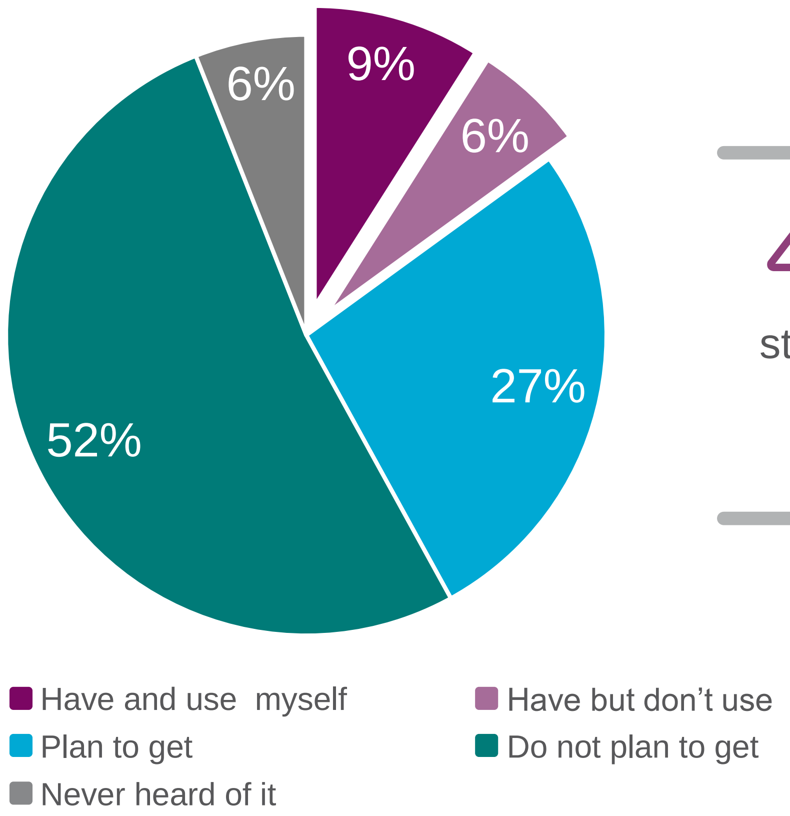
- By 2020, half of all viewing will be done on a mobile screen, an 85 percent increase since 2010
- Almost 1/4 will be done on the smartphone alone, an increase of almost 160 percent since 2010
- In the same time, total viewing time will have increased some 10 percent, reaching almost 31 hours per week by 2020

* based on best-fit-regression analyses

BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US
Source: Ericsson ConsumerLab TV & Media 2017 Study

BY 2020, 1 IN 3 CONSUMERS WILL BE VR USERS

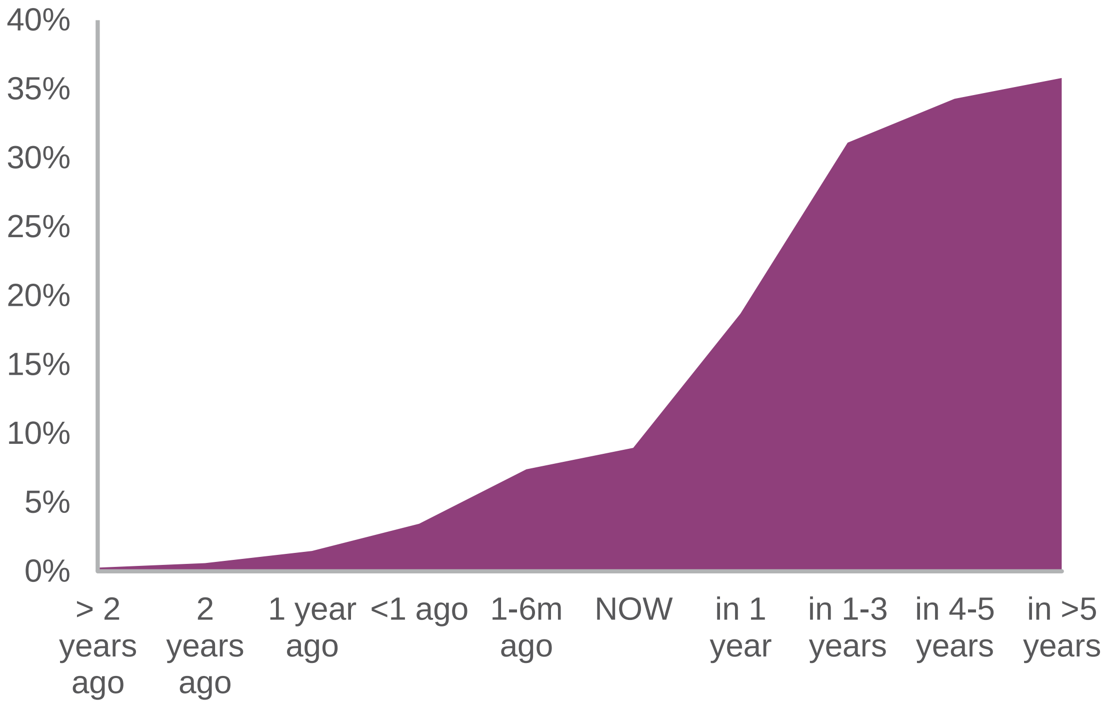
Percentage of consumers owning Virtual Reality headsets, (Self-Reported)



4 IN 5

started using VR less than one year ago

Percentage of consumers that use Virtual Reality, when they started and when they will start (Self-Reported)



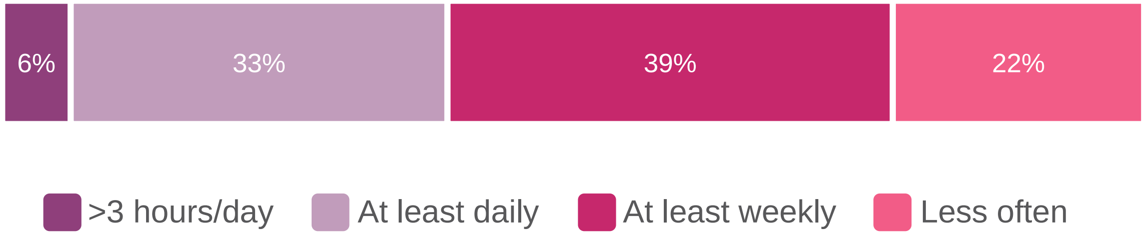
BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

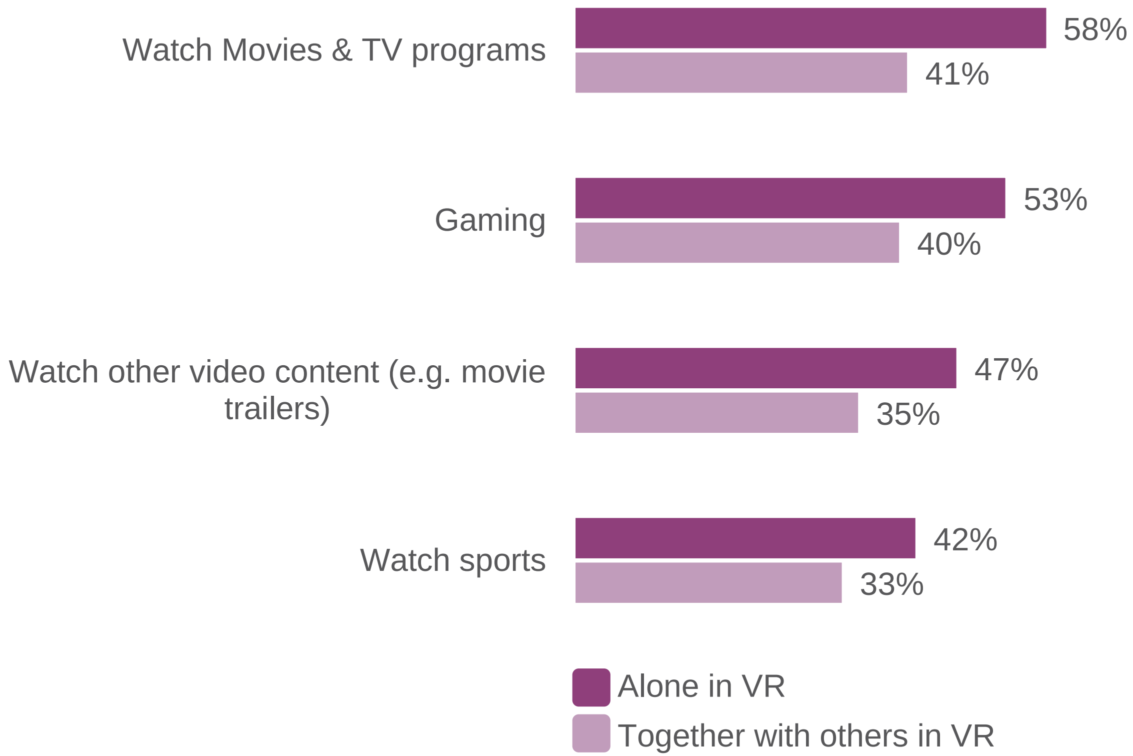
VIRTUAL REALITY USAGE

Almost 40% of the VR user are using VR every day, with 6% using it more than 3 hours a day. Watching video content and playing games are currently the main activities consumers are doing on Virtual Reality.

Frequency of using Virtual Reality Headsets for any purpose amongst VR users [self-reported]



Percentage of VR users doing different activities using their VR headsets [self-reported]



BASE: VR users aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US
Source: Ericsson ConsumerLab TV & Media 2017 Study

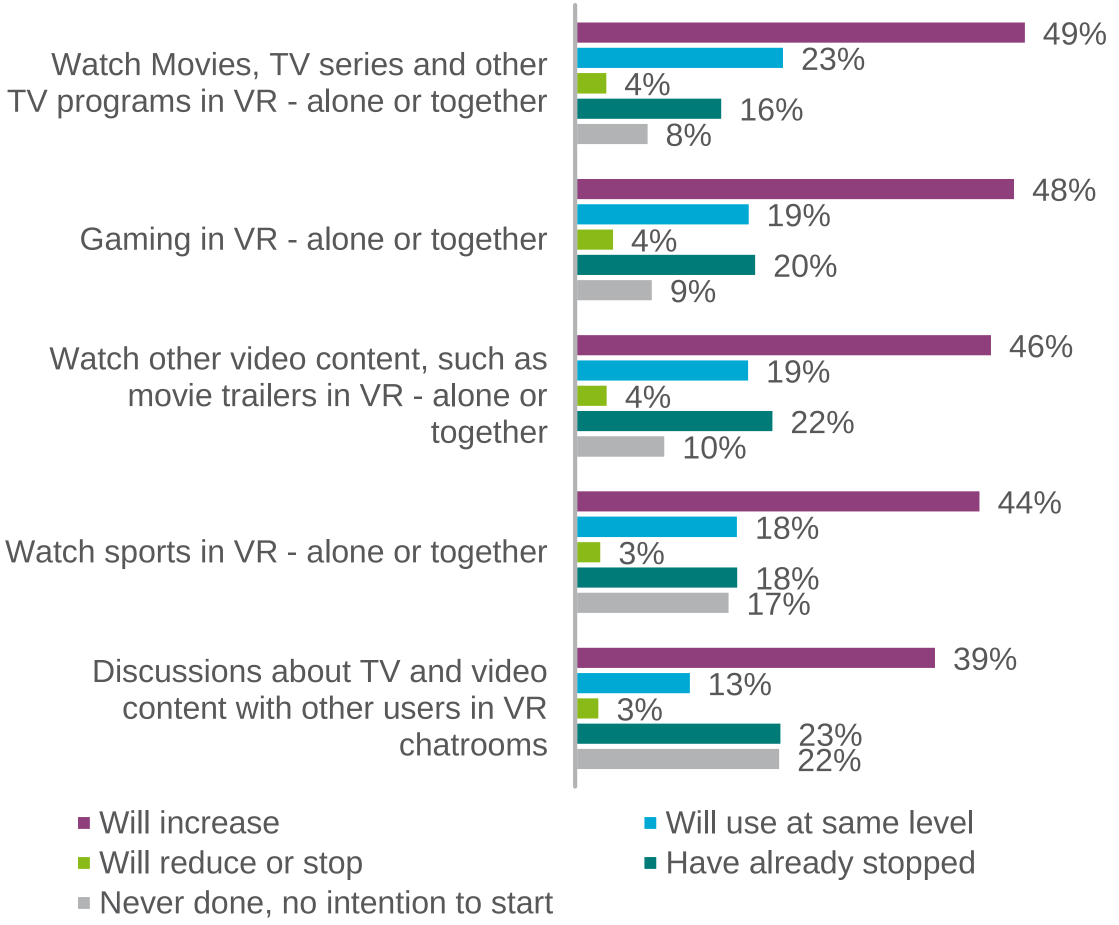
VR IS NOT THE NEW 3D!

<4% Of the VR users believe their usage of gaming and video activities in VR will reduce over the next 5 years.

59% Of the VR users believe their overall usage of VR will increase over the next 5 years

57% Of the VR user believe VR will be a natural part of the TV experience within 5 years. And 48% of the potential users agree with them.

How VR users believe their activities in VR will change over the next 5 years (Self-reported)



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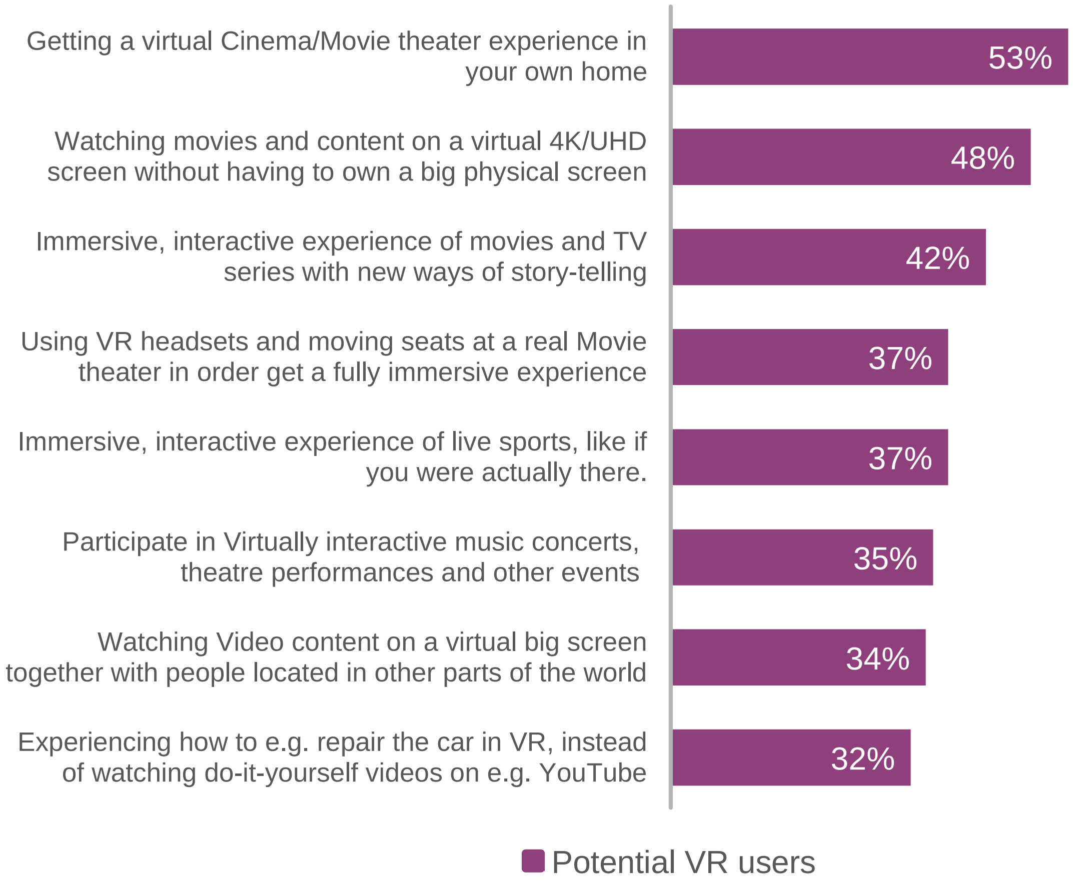
Source: Ericsson ConsumerLab TV & Media 2017 Study

WHAT DO THEY WANT TO DO WITH IT?

Percentage of potential VR users that believe they will regularly do each VR activity in the future (Self-Reported)



46% Of the potential VR users believe VR will be popular for watching TV and video together with remote friends and family

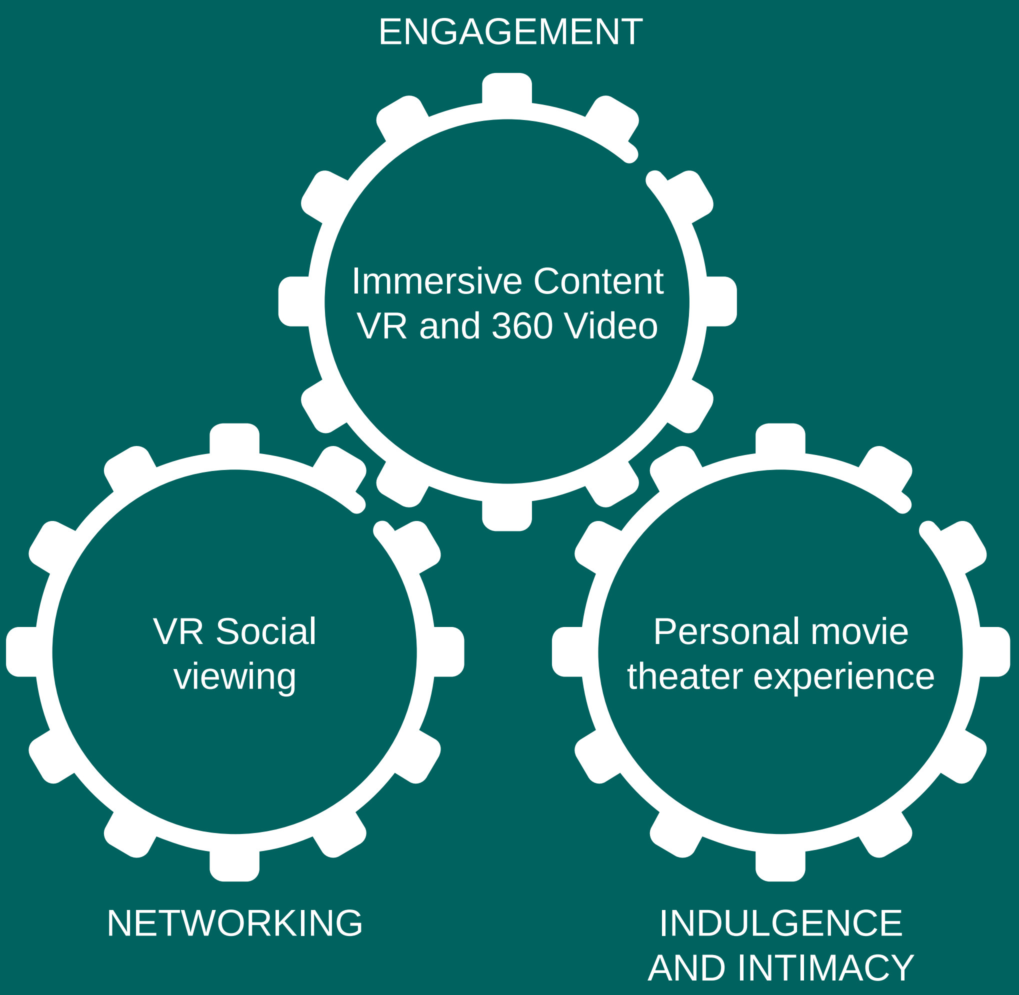
54% Of the potential VR users believe Video viewing will be one of the most popular uses of VR

2 IN 3

VR users are also very interested in getting a virtual movie theater experience in their own home

BASE: Potential VR users aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US
Source: Ericsson ConsumerLab TV & Media 2017 Study

DIFFERENT DRIVERS FOR VIDEO IN VR



“I can meet people from all over the world, and watch videos with them on a giant virtual screen. So if you live alone like me, this is a big deal!”
– Chuck

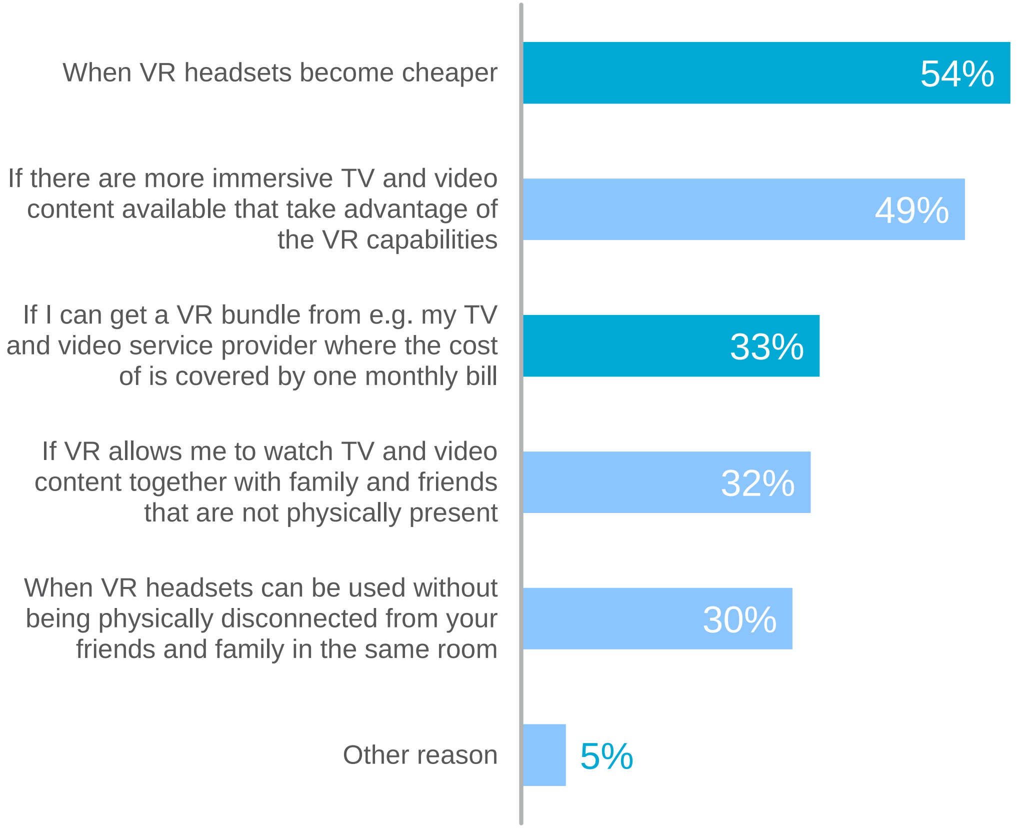

VR users watching Youtube together on the app AltspaceVR

“A big positive of video in VR is privacy, especially if there are people around, since nobody else can see your screen. If I could view it on a flight or while commuting, it would be great.”
– Jeremy

Source: Ericsson ConsumerLab TV & Media 2017 Study

SPEEDING UP THE VR ADOPTION

Percentage of potential VR users that agree each development would add to their interest in Virtual Reality (VR) [Self-Reported]



- Cost is currently the main barrier for VR headsets adoption
  - More than half of all potential VR users would be more interested if VR headsets were cheaper
- A third of them would like to have VR as part of a TV or internet bundle

- Lack of VR enabled content is mentioned by 1 in 2 potential VR users

"Why would you have this headset on, when you can't even pick up a drink?"

BASE: Potential VR users aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US
Source: Ericsson ConsumerLab TV & Media 2017 Study

FINDING CONTENT WORTH WATCHING IS HARD

- Consumers are using more video services today than ever before
- The average number of used on-demand services have increased from 1,6 in 2013 to 3,8 services in 2017
- Finding content within and between a growing number of services is getting increasingly complex

6 IN 10

Think content discovery is very important when subscribing to a new service

1 IN 8

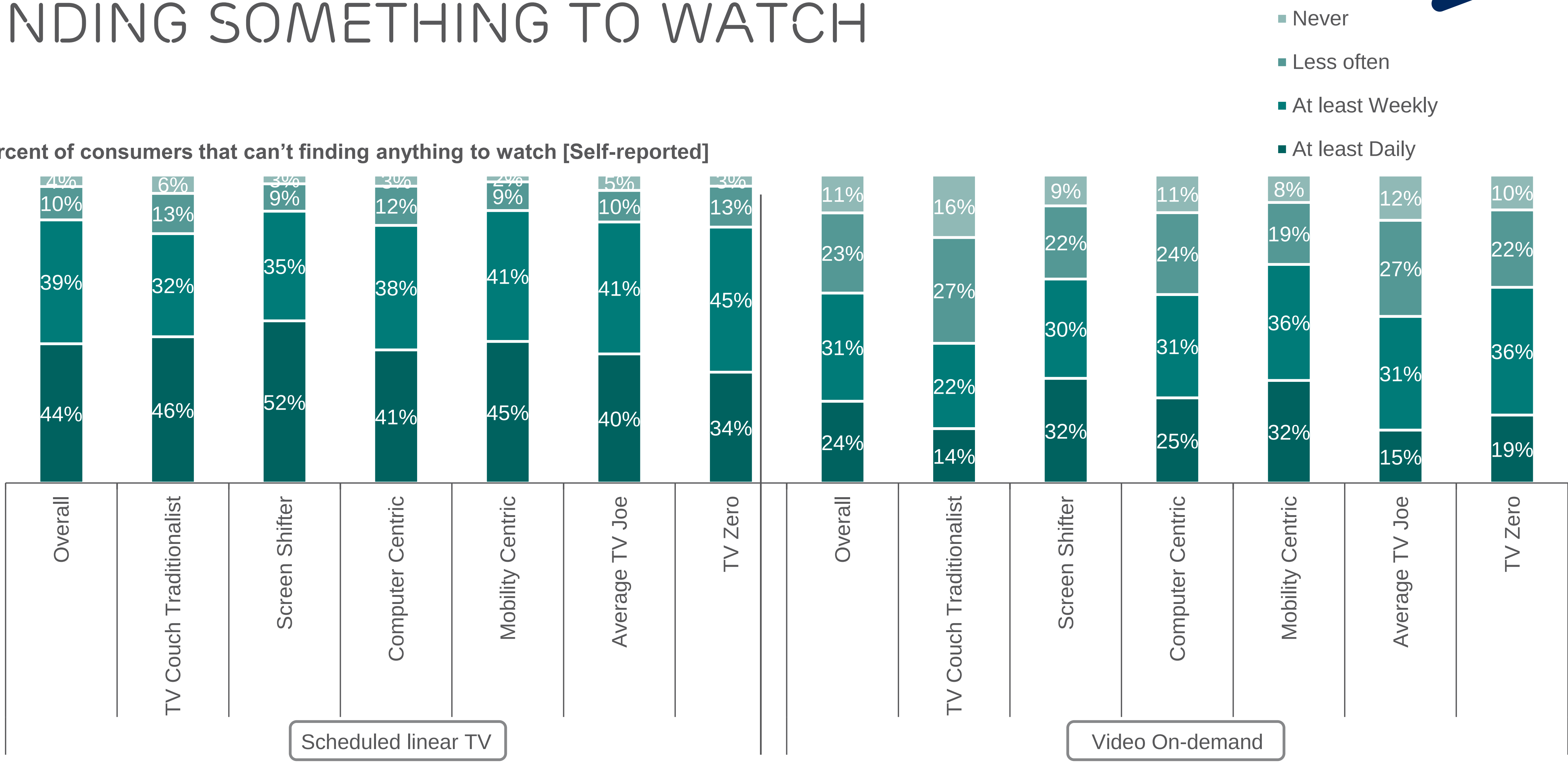
Believe they will get lost in the vast amount of available content in the future

BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

SCREEN SHIFTERS HAVE THE BIGGEST PROBLEM FINDING SOMETHING TO WATCH

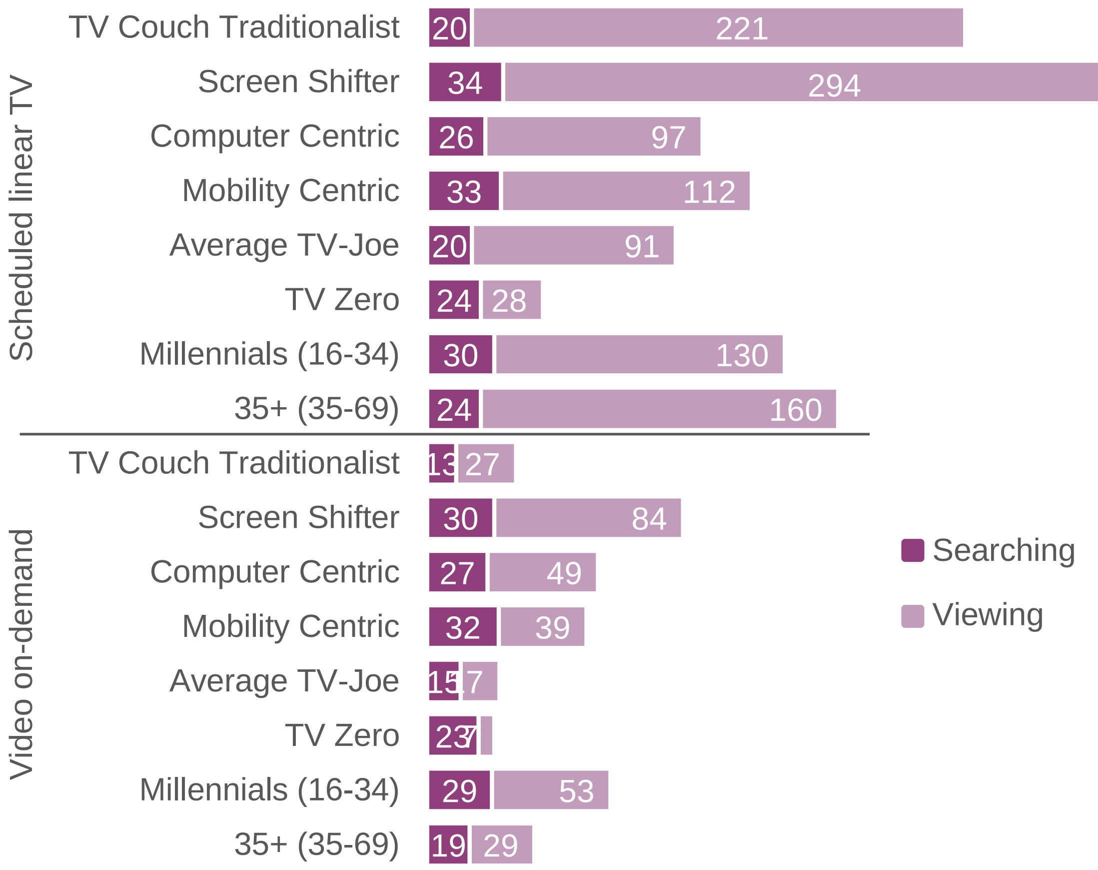
Percent of consumers that can't finding anything to watch [Self-reported]



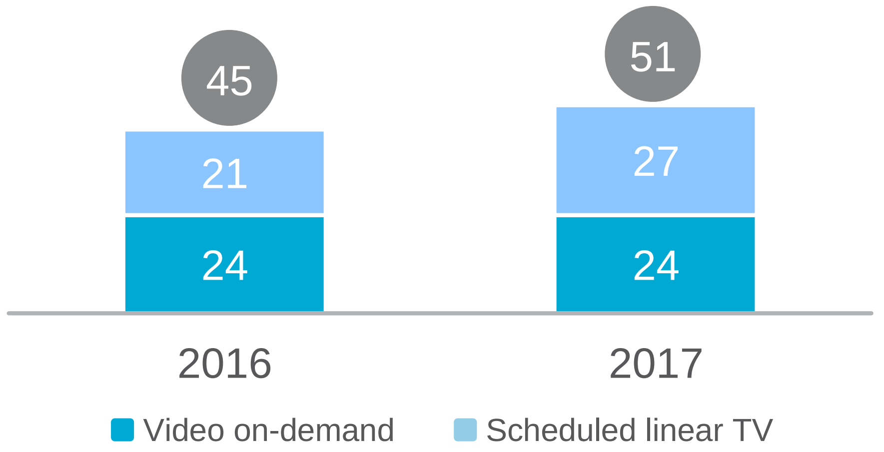
BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US [users or each type of service]
Source: Ericsson ConsumerLab TV & Media 2017 Study

MILLENNIALS SPEND 53 PERCENT MORE TIME SEARCHING VOD THAN THOSE AGED 35+

Average minutes per day spent searching for content per before starting to watch something across user groups (Self-reported)



Average minutes per day spent searching for content per before starting to watch something (Self-reported)



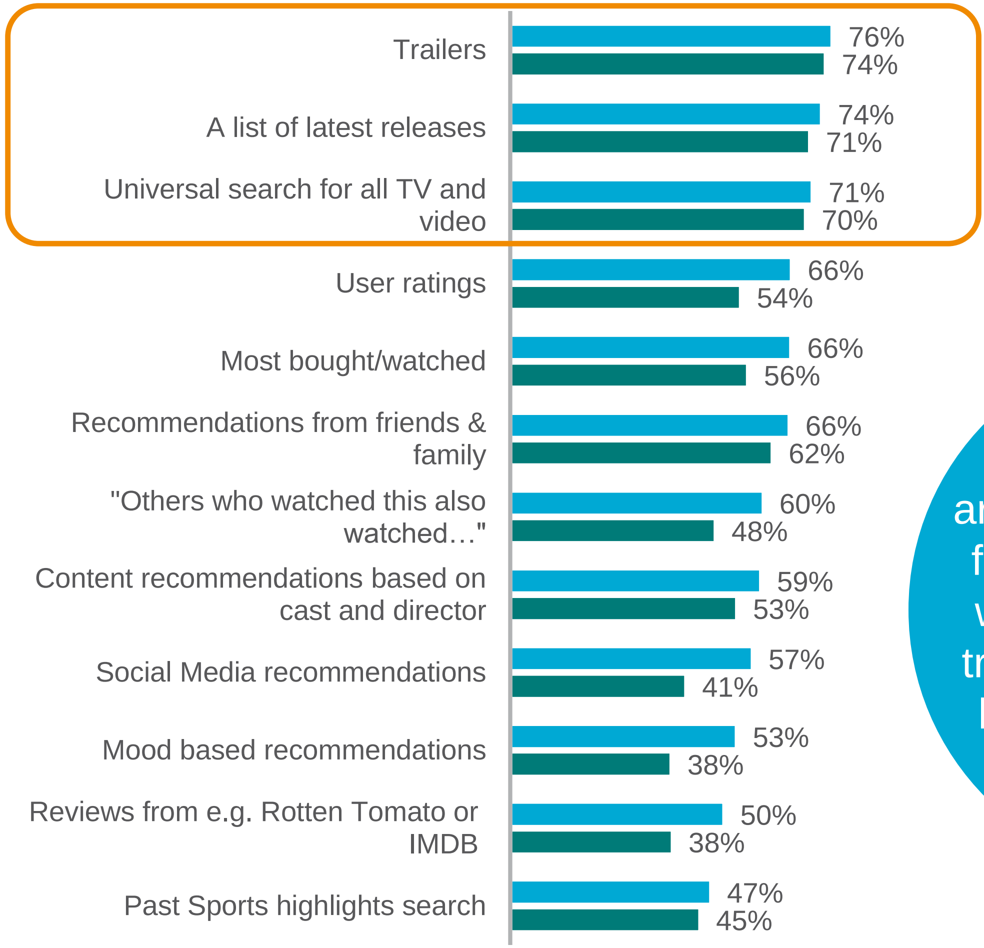
The average time spent searching for something to watch has increased by **13 percent** since last year

BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

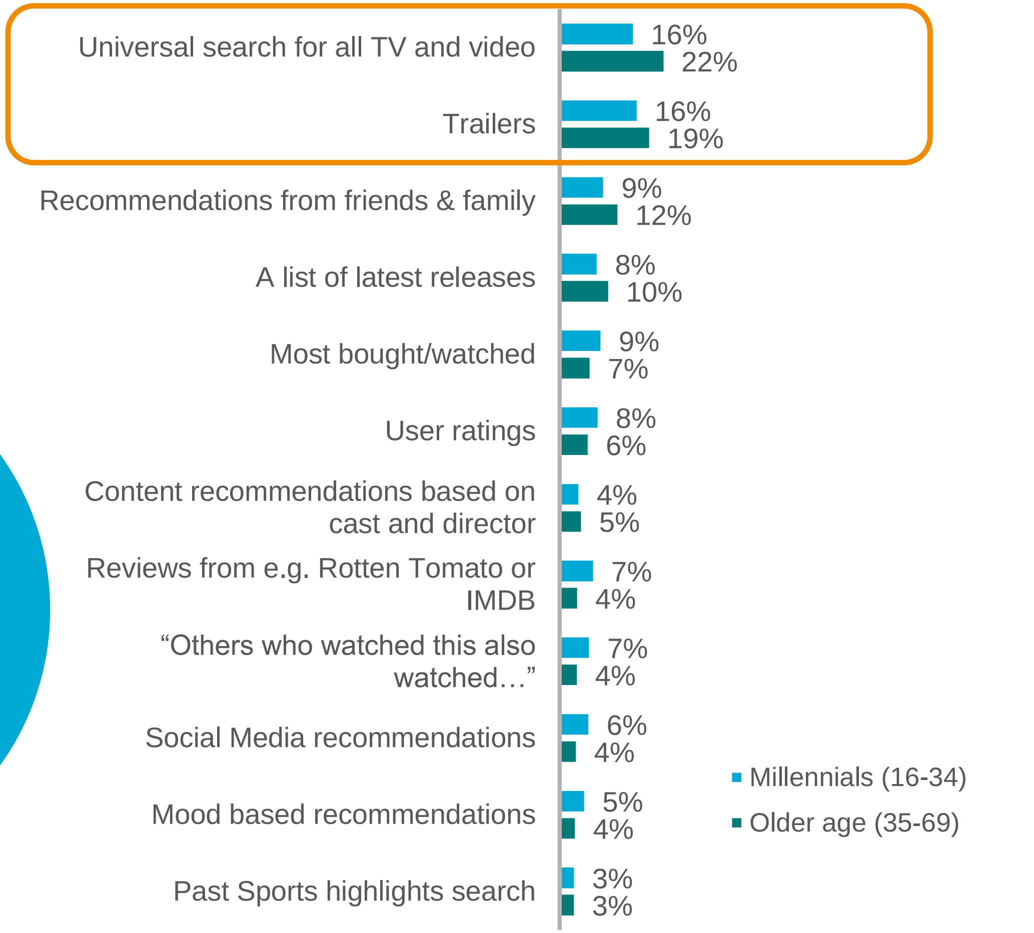
Source: Ericsson ConsumerLab TV & Media 2017 Study

CONSUMERS LONG FOR UNIVERSAL SEARCH

Percentage of consumers that find the following features useful Multiple choice (self-reported)



Percentage of consumers that find the following features useful Single choice (self-reported)



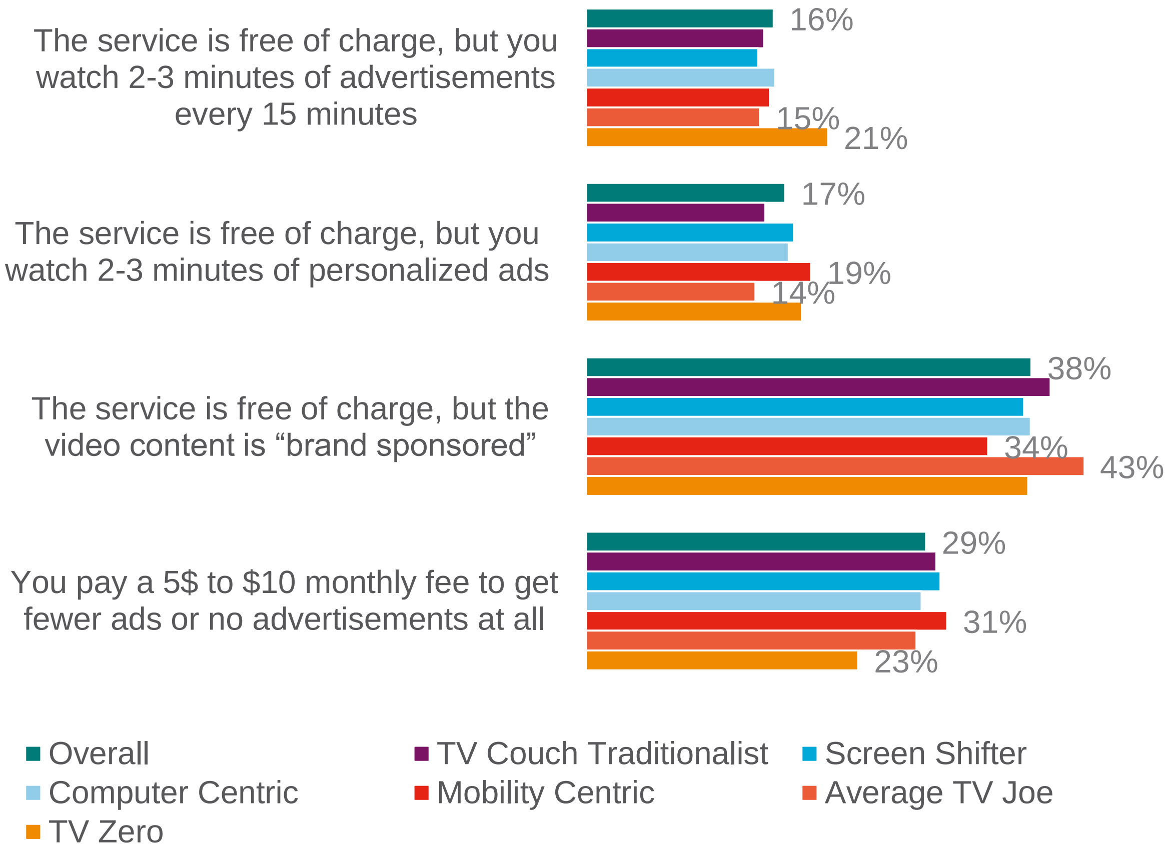
People in small towns & rural areas find most search functions less useful, with the exception of trailers and lists of the latest releases, both of which appeal to everybody

BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

USERS WANT THE BEST OF BOTH WORLDS

Preferred way of paying for on-demand TV and video services across user groups [Self-reported]:



- A vast majority of people choose a non-paid ad sponsored or brand sponsored on-demand service as their first choice
- However, almost 1 in 3 say they prefer to pay extra to reduce the duration of advertisements to minimum or eliminate them all together

BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

USERS SHOW HIGHER TRUST

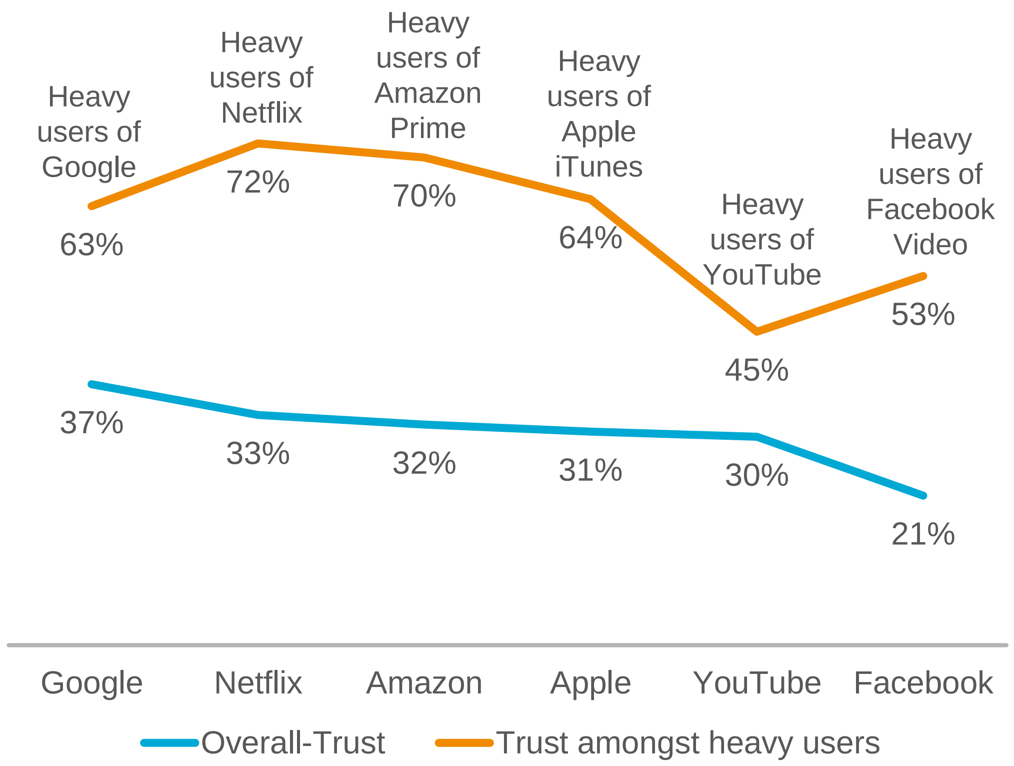
For their own service providers

› The overall level of trust people have for services providers is low

› However, the trust amongst users of each service is almost twice as high as the total overall sample

› This indicates that once a person becomes used to a service, the trust in that service provider grows

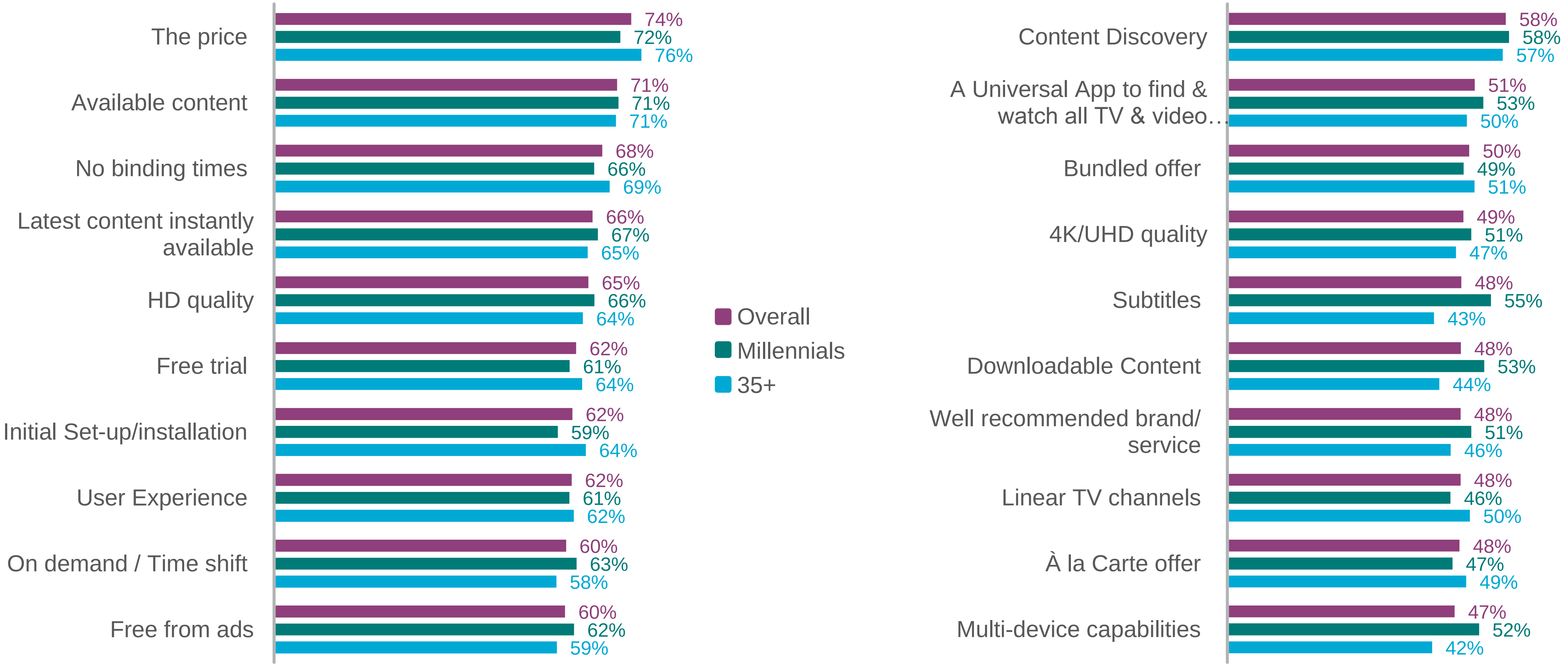
Percentage of consumers that trust each service when it comes to handling their personal data in a responsible way (Self-reported)



BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US
Source: Ericsson ConsumerLab TV & Media 2017 Study

PRICE AND CONTENT ARE MOST IMPORTANT WHEN SUBSCRIBING TO A NEW PAID SERVICE

Top factors important when picking a new paid TV service (Self-reported - Top 2)

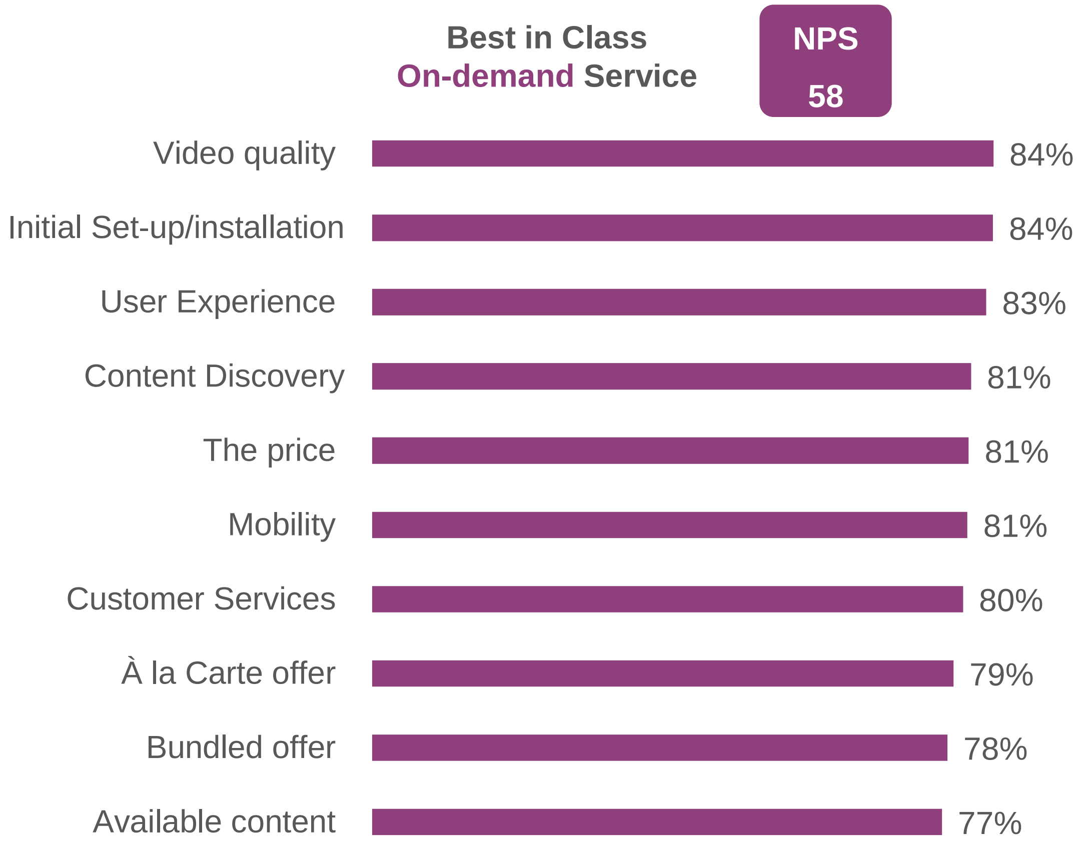


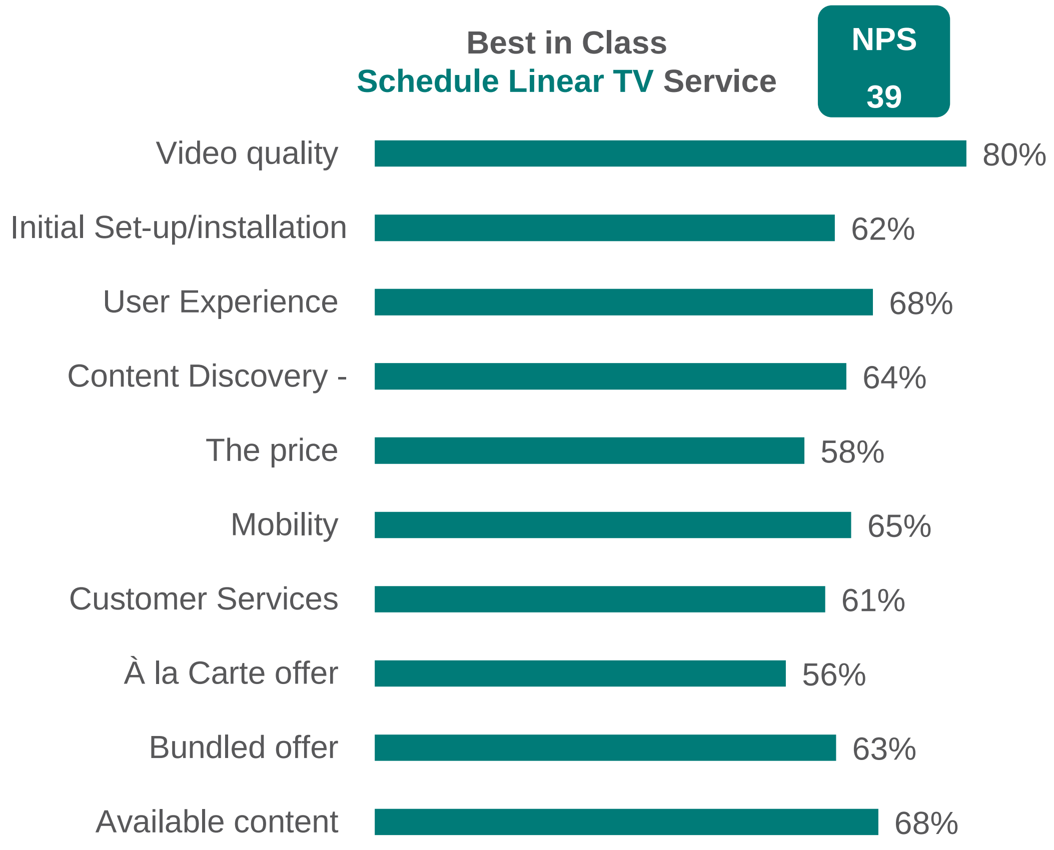
BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

BEST IN CLASS SERVICES RATED DIFFERENTLY

Percentage of US consumers who are satisfied with different features (top 3 alt. in a 11-point scale) [self-reported]

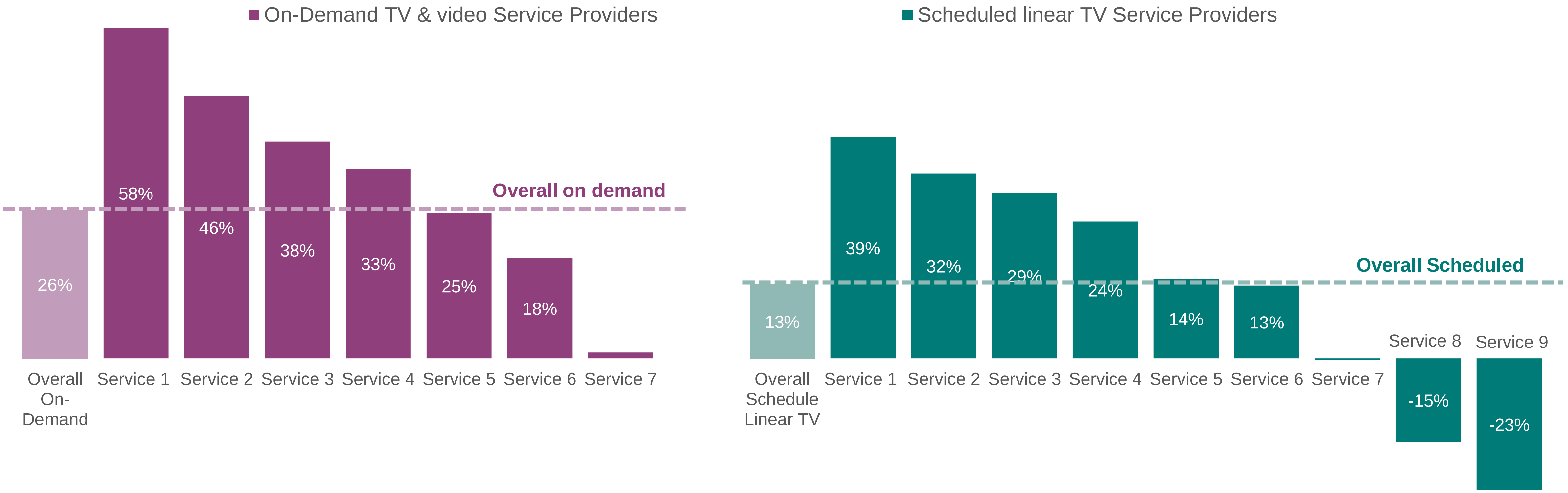




BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home US [Users of each service]
Source: Ericsson ConsumerLab TV & Media 2017 Study

ON-DEMAND SERVICES STILL OWNING THE WORD OF MOUTH

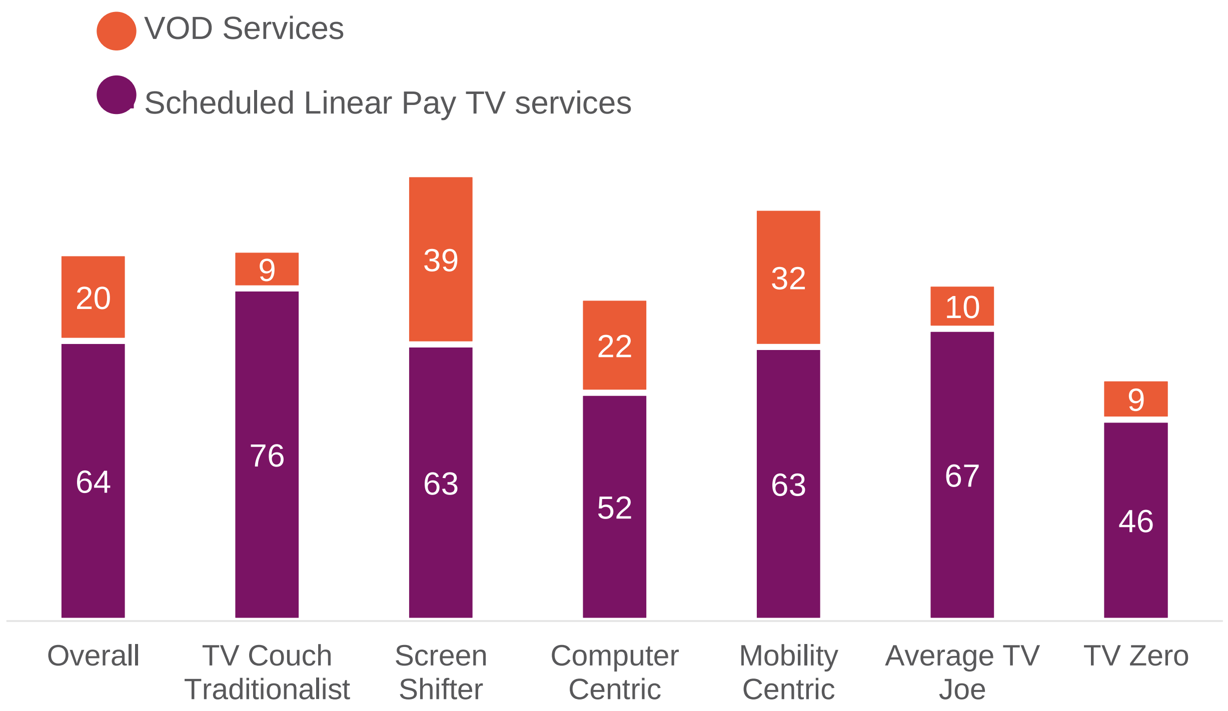
Likelihood to recommend each TV/Video service to a friend, family member or colleague, amongst those who use it [Self-reported]



BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in US
[Users of each service]
Source: Ericsson ConsumerLab TV & Media 2017 Study

SCREEN SHIFTERS AND MOBILITY CENTRICS ARE THE HIGHEST SPENDERS

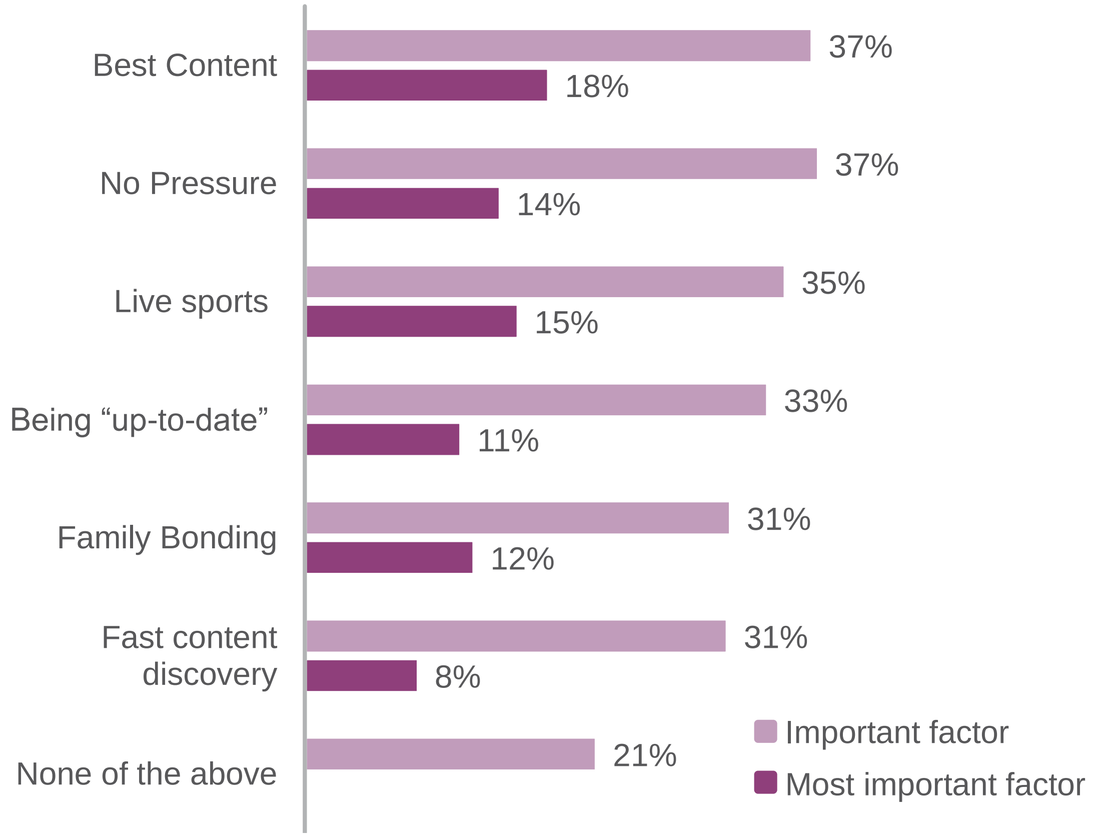
Average US monthly household spend on Scheduled linear pay TV and Video on Demand, per TV user group, in USD [Self-reported]



BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in US
Source: Ericsson ConsumerLab TV & Media 2017 Study

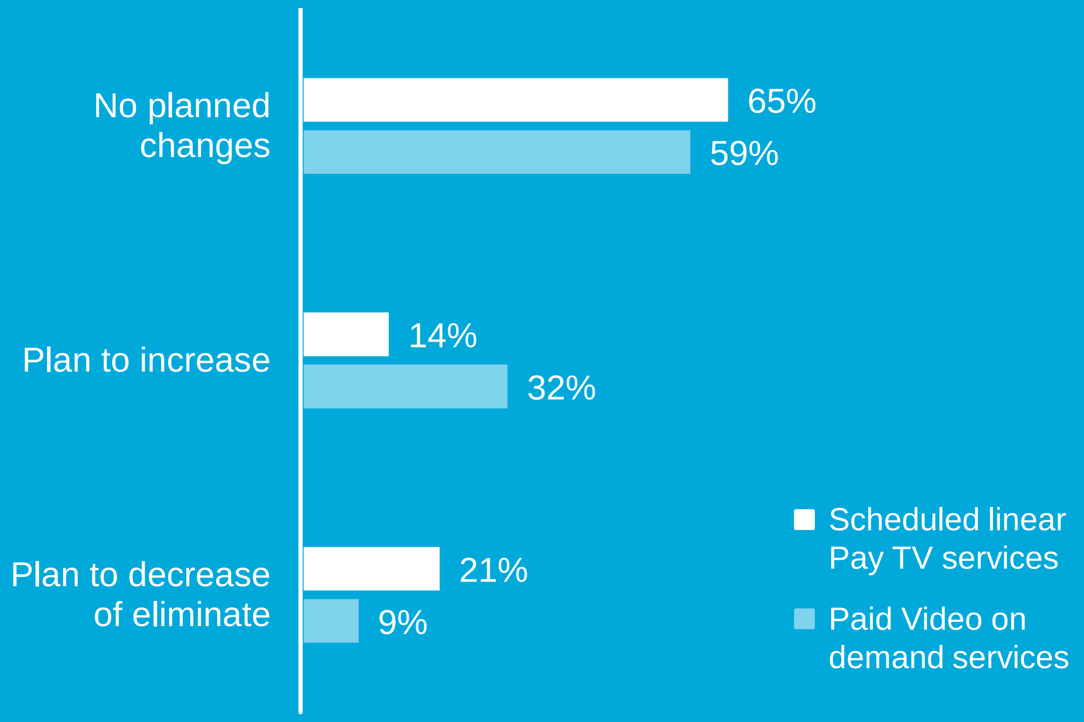
WHY DO CONSUMERS PAY FOR TRADITIONAL TV?

Percent of consumers that agree each factor makes it worth paying for scheduled linear Pay TV (Self-reported)



And are they planning to change it?

Plans to change TV and media spending in the next 6-12 months, scheduled linear Pay TV vs. paid video on-demand services (self-reported)



BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

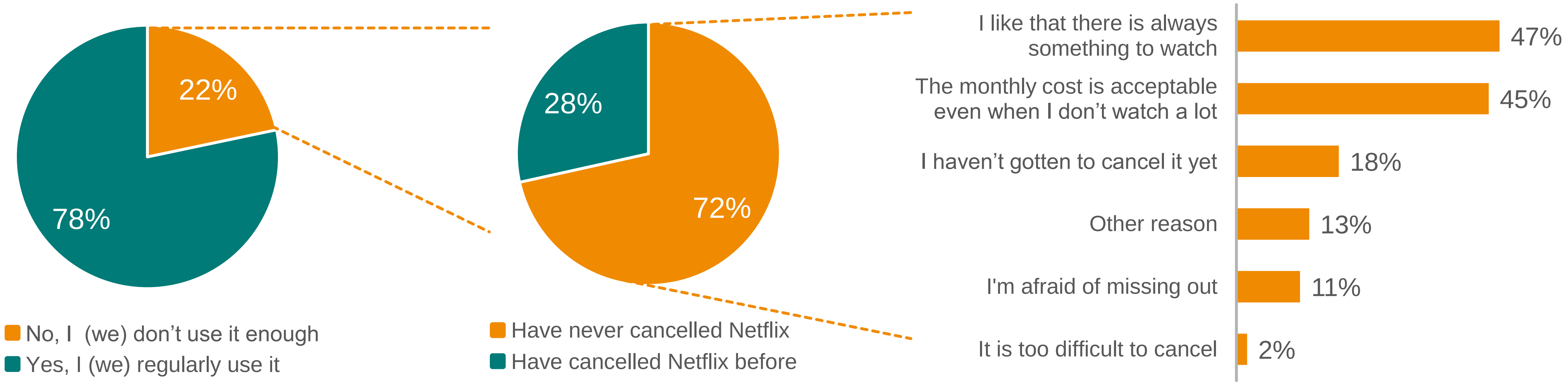
Source: Ericsson ConsumerLab TV & Media 2017 Study

1 IN 5 NETFLIX USERS DON'T USE IT ENOUGH, BUT STAY ANYWAY

Netflix user attitudes to if they use the service enough to motivate the cost (Self-reported)

Percentage of Netflix uses that don't use the service enough, that have cancelled the service (Self-reported)

Reasons why Netflix users that feel they do not use the service enough, still pay for it (Self-reported)

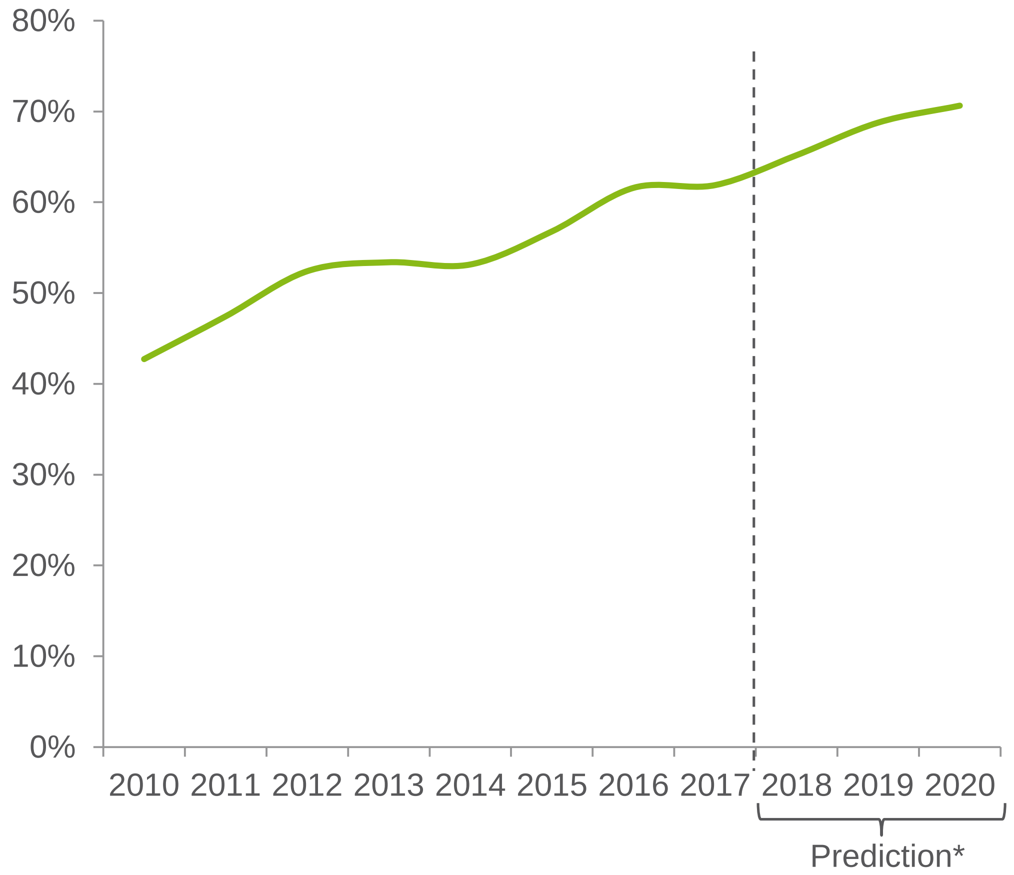


BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

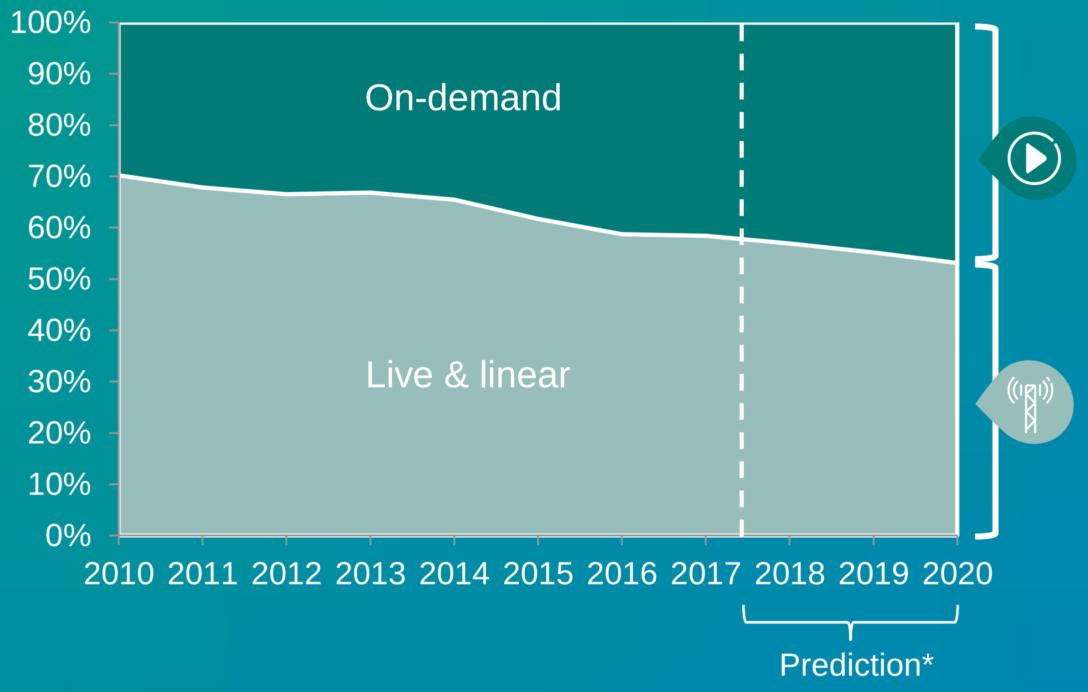
Source: Ericsson ConsumerLab TV & Media 2017 Study

BY 2020, ON-DEMAND WILL MAKE UP ALMOST HALF OF THE TOTAL VIEWING

Percentage of millennials that prefer on-demand and catch-up over linear scheduled viewing [Self-reported]



On-demand vs. live/linear viewing share of active viewing hours [Self-reported]



* based on best-fit-regression analyses

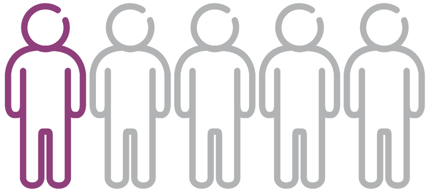
BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

THE FUTURE IS BRIGHT, IF YOU ARE READY…

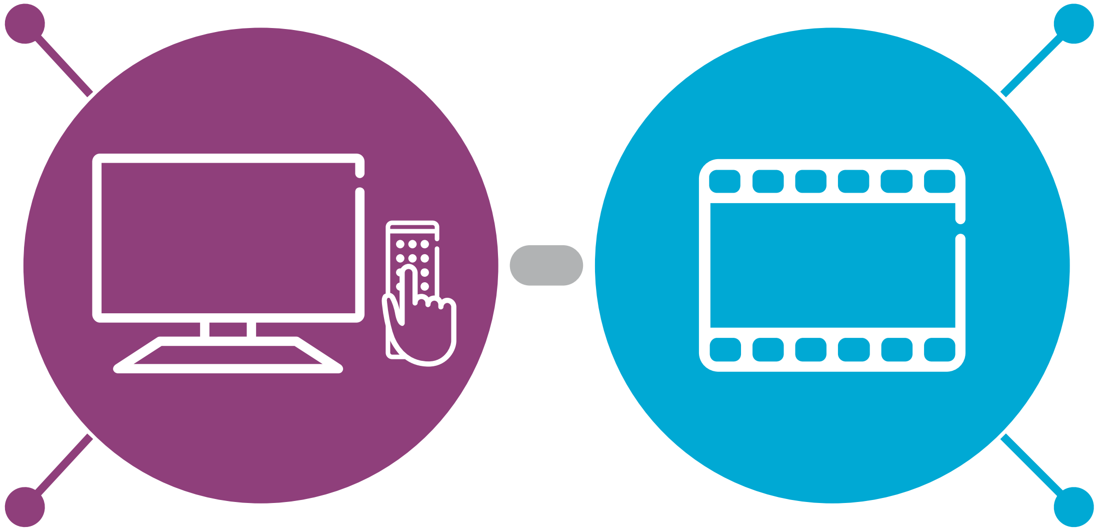
21%

of consumers say they will **decrease** or eliminate their scheduled linear Pay TV spending in the next 6-12 months, and



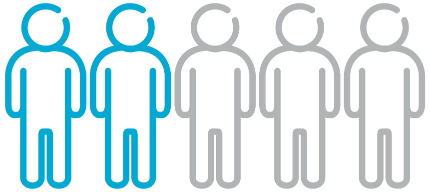
1 IN 5

say nothing makes scheduled linear Pay TV worth paying for…



32%

of consumers say they will **increase** their on-demand spending in the next 6-12 months, and already today



2 IN 5

pay for on-demand TV and video services

BASE: Population aged 16-69 watching TV/Video at least weekly and having Broadband at home in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, UK & US

Source: Ericsson ConsumerLab TV & Media 2017 Study

GLOBALLY, BY 2020…

~1/4

of all viewing will be done on a smartphone

~1/2

of all viewing will be on-demand

~1/3

of consumers will be VR users

Source: Ericsson ConsumerLab TV & Media 2017 Study

ERICSSON