



nielsen

AN UNCOMMON SENSE
OF THE CONSUMER™

VIDEO ON DEMAND

HOW WORLDWIDE VIEWING HABITS ARE
CHANGING IN THE EVOLVING MEDIA LANDSCAPE

MARCH 2016



THE TOPSY-TURVY VIDEO-VIEWING LANDSCAPE



AROUND THE WORLD

- Traditional definitions of what it means to watch TV are changing, and consumers are in control.
- Nearly two-thirds of global respondents say they watch some form of video-on-demand programming (includes long- and short-form content).
- Most viewers appear to be supplementing, rather than replacing, paid traditional TV services (received through a cable or a satellite). Nearly three-quarters of global online respondents say they pay such a service to watch programming; just over one-quarter say they pay an online-service provider (such as Hulu, Netflix or Amazon).
- Nearly two-thirds of traditional TV-package subscribers in the survey plan to maintain their subscriptions, but nearly one-third say they plan to cancel their service in favor of an online-only provider. (Although a recent Nielsen study found that very few of those who say this actually do cancel their service.)
- Video on demand is becoming a part of daily viewing habits for many. Among those who watch any type of VOD programming, 43% say they watch at least once a day.
- More than half of global respondents (51%) somewhat or strongly agree that ads displayed before, after or during video-on-demand programming give them good ideas for new products to try, and 59% say they don't mind getting advertising if they can view free content.

Not long ago, “watching TV” meant sitting in front of the screen in your living room, waiting for a favorite program to come on at a set time. Today, the growth of video-on-demand (VOD) programming options where viewers can download or stream content from either a traditional TV package or an online source is creating extensive opportunities for consumers who have greater control than ever before over what they watch, when they watch and how they watch. And the number of self-reported VOD viewers is significant. Nearly two-thirds of global respondents (65%) in a Nielsen online survey in 61 countries say they watch some form of VOD programming, which includes long- and short-form content.

Viewing habits are not the only things changing. Traditional advertising models are changing as innovative technologies such as programmatic and addressable ads allow advertisers to reach consumers in new and creative ways. Many traditional TV providers, including networks and multichannel video-programming distributors (MVPDs), are reevaluating their business models in order to adapt better to consumers’ evolving habits. While it’s clear that business-as-usual methods won’t work in a landscape that is changing so rapidly, the field is wide open, as all players are looking to expand share.

“Today’s media landscape is complex, but the growth of video-on-demand programming services can create opportunities for all players in the media ecosystem,” said Megan Clarken, president, Nielsen Product Leadership. “For audiences, advertisers and content providers alike, advantage will be gained with an in-depth and keen understanding of not just how consumer viewing dynamics are changing, but why they are changing. Two things were never truer than they are today: Content will always be king, and consumers will continue to demand greater control and customization of the viewing experience. Providers who exceed standards on both fronts will have an advantage.”

The Nielsen Global Video-on-Demand Survey polled over 30,000 online respondents in 61 countries to gauge worldwide sentiment about VOD viewing and advertising methods. We examine who’s watching on-demand content, how they’re watching and why. We also explore how online-service providers are affecting the traditional TV landscape and offer insights about how to adapt as the ecosystem continues to evolve.

ABOUT THE GLOBAL SURVEY METHODOLOGY

The findings in this survey are based on respondents with online access in 61 countries (unless otherwise noted). While an online survey methodology allows for tremendous scale and global reach, it provides a perspective only on the habits of existing Internet users, not total populations—something particularly relevant when reporting an activity such as watching video-on-demand. In developing markets where online penetration is lower, audiences may be younger and more affluent than the general population of that country. In addition, survey responses are based on claimed behavior rather than actual metered data. Cultural differences in reporting sentiment are likely factors in the outlook across countries. The reported results do not attempt to control or correct for these differences; therefore, caution should be exercised when comparing across countries and regions, particularly across regional boundaries.

ARE VIEWERS REPLACING OR SUPPLEMENTING SELECTIONS?

VOD is popular around the world, but are viewers replacing one video service with another, or are they adding new services to their viewing repertoire?

Just over one-quarter of global online respondents (26%) say they pay to watch broadcast or VOD programming via subscription to an online-service provider such as Hulu, Netflix or Amazon, compared with 72% who say they pay to watch via a traditional TV connection. Considering this, it appears that more supplementing than shedding is taking place around the world. But responses vary widely from region to region.

North America and Asia-Pacific lead the way, with 35% of respondents in North America and 32% in Asia-Pacific indicating they pay an online service provider for programming content. Self-reported usage in Europe falls well below the global average, with a response rate of 11%. Just over one-fifth of online respondents in Latin America and the Middle East/Africa say they subscribe to an online-service provider (21% each).

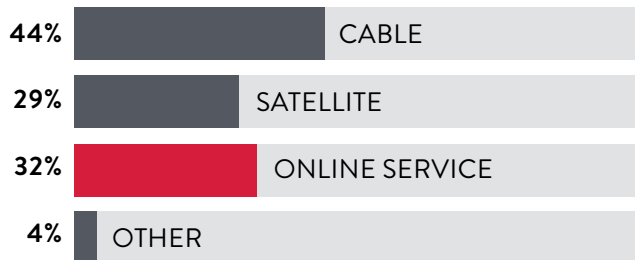


WATCHING VIDEO PROGRAMMING VIA A PAID ONLINE-SERVICE PROVIDER IS MOST POPULAR IN NORTH AMERICA AND ASIA-PACIFIC

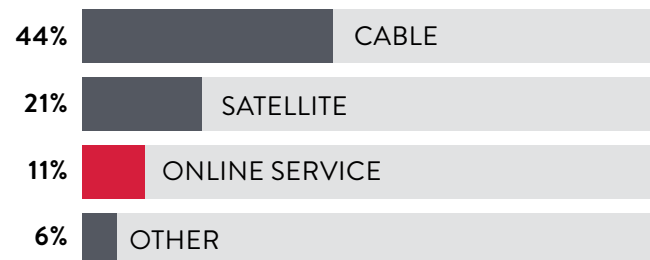
SELF-REPORTED PAID SERVICES USED TO WATCH BROADCAST AND/OR VOD PROGRAMMING*



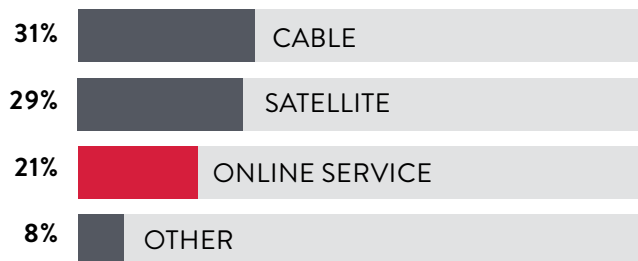
ASIA-PACIFIC



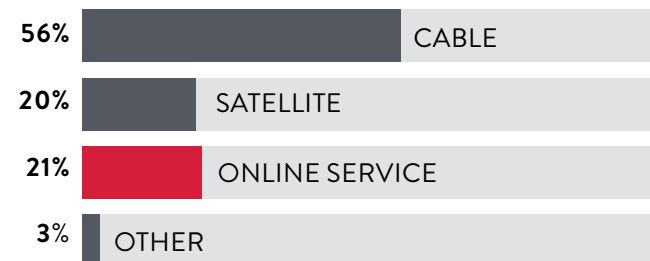
EUROPE



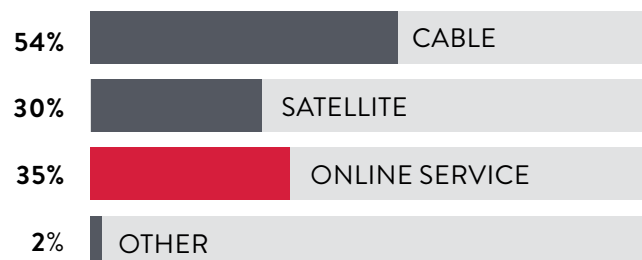
MIDDLE EAST/AFRICA



LATIN AMERICA



NORTH AMERICA



*Respondents could select multiple service providers. Does not include respondents who do not subscribe to any paid service.

Source: Nielsen Global Video-on-Demand Survey, Q3 2015

FULL STREAM AHEAD?

So what does the rising popularity of VOD services mean for future viewing patterns?

Looking specifically at the U.S. market, where VOD continues to gain strong momentum, Nielsen metered panel data shows that homes with subscription video-on-demand (SVOD) services watch less TV. A major reason for this is that SVOD users tend to be younger and more affluent—two groups that customarily have lower TV viewing levels. SVOD households also have higher TV-connected and digital device ownership than the general population, but traditional TV still accounts for the majority of viewing in these homes.

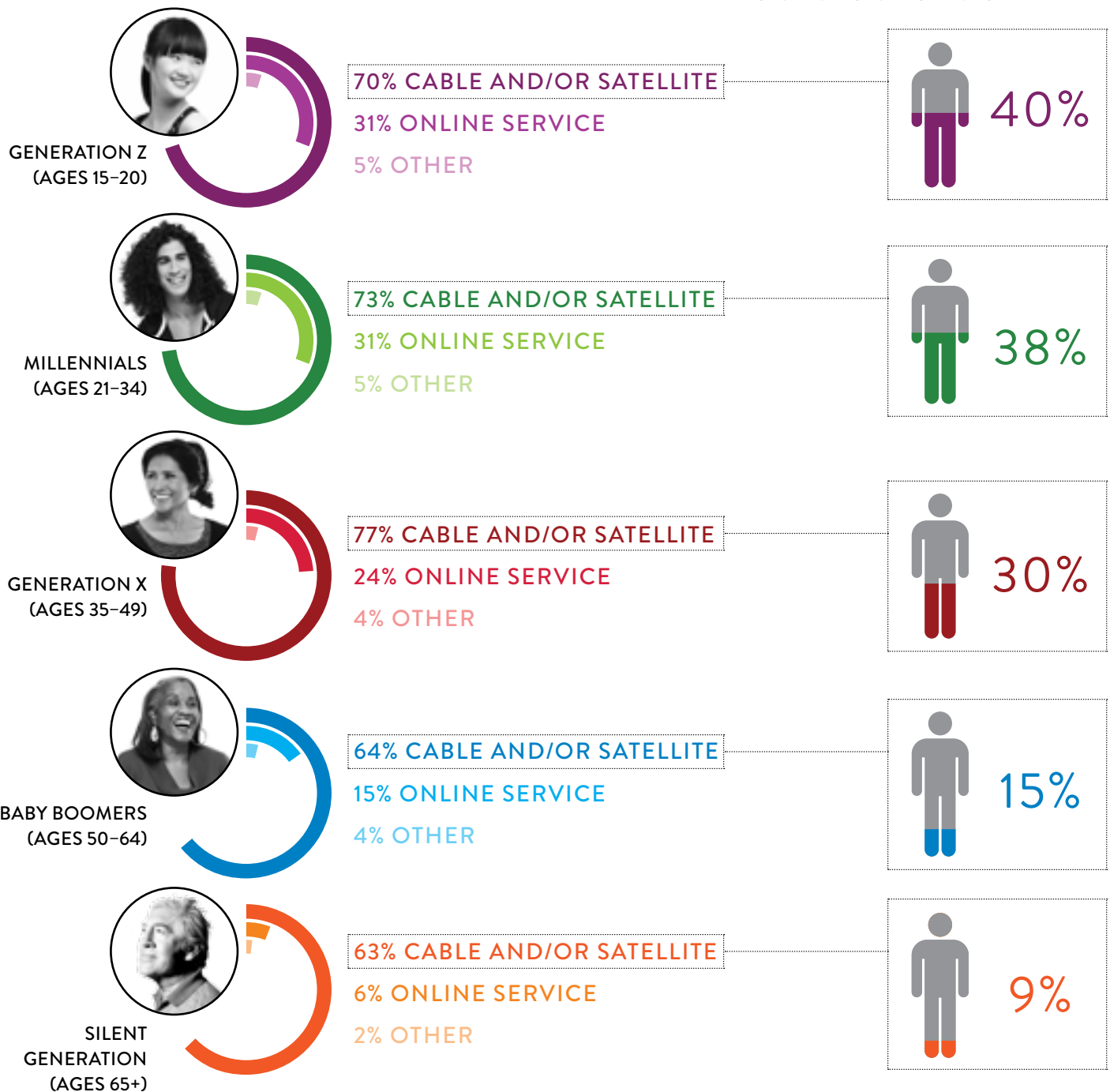
While the majority of respondents in the global online survey (68%) say they have no plans to cancel their existing traditional service in favor of an online-only service, almost one-third (32%) say they plan to cut the cord. Responses were highest in Asia-Pacific, where 44% of respondents indicate they plan to cancel their cable or satellite service for an online-only service. Less than one-quarter of Latin American (24%), North American (22%) and European (17%) respondents have plans to cancel. It should be noted, however, that the desire to cut the cord doesn't necessarily translate to actual behavior. In fact, a recent Nielsen study in the U.S. shows that only a very small percentage of those who expressed a desire to drop their multichannel service actually did so.

The long-term impact of growing online-service subscriptions is amplified by their popularity among younger consumers. Globally, 31% each of Generation Z (ages 15–20) and Millennial (ages 21–34) respondents say they pay an online-service provider for content, compared with 24% of Generation X (ages 35–49), 15% of Baby Boomer (ages 50–64) and 6% of Silent Generation (ages 65+) respondents. And roughly four-in-10 Gen Z (40%) and Millennial (38%) respondents who subscribe to cable or satellite say they have plans to cancel their service in favor of an online-only option—a rate that is nearly three times higher than for Baby Boomers (15%) and four times higher than for Silent Gen respondents (9%).

YOUNGER RESPONDENTS ARE MORE LIKELY TO USE AN ONLINE-SERVICE PROVIDER AND TO PLAN TO CUT THE CORD

PERCENTAGE OF RESPONDENTS WHO CURRENTLY PAY PROVIDER FOR PROGRAMMING*

PERCENTAGE OF CABLE/SATELLITE SUBSCRIBERS WHO SAY THEY PLAN TO CANCEL SERVICE IN FAVOR OF ONLINE-ONLY SERVICE



*Respondents could select multiple service providers. Does not include respondents who do not subscribe to any paid service.

Source: Nielsen Global Video-on-Demand Survey, Q3 2015

“The increasing popularity of online-only video services will continue to put pressure on networks and MVPDs, but a substantial replacement of one for the other is unlikely,” said Clarken. “While some consumers are cutting back on traditional TV services, many aren’t severing the cord completely. For most viewers, online and traditional services are not mutually exclusive, but complementary. Moreover, online-only services, networks and MVPDs face many of the same challenges, including rapidly evolving consumer preferences, an overabundance of choice and rising content costs. In the near term, cord shaving is likely the biggest threat as consumers evaluate the benefit of premium services or networks and consider slimmer channel packages that provide a better match for both preferences and wallets.”

One clear advantage for networks and MVPDs is that there is no simple replacement for live news and sports programming. In addition, these providers maintain live access to programs, some of which don’t become available on demand until long after they’ve originally aired. It’s also true that dealing with a single provider rather than managing multiple accounts can be easier for consumers.

“Some networks and MVPDs are turning to a business model referred to as ‘TV Everywhere,’ which allows their customers to access content from their network through Internet-based services—either live or on demand,” said Clarken. “This type of service is a win-win for audiences and TV providers alike: Customers get more ways to view the content they’re already paying for, at no additional cost, while networks and MVPDs give consumers one less reason to explore alternative providers. The ability to access content anytime, anywhere, on any device represents the ultimate in convenience and choice for consumers, but not all networks and MVPDs have been able to check all of these boxes. To drive mass adoption of TV Everywhere, providers need to boost awareness, do a better job communicating the value proposition, and consolidate and simplify the user experience.”

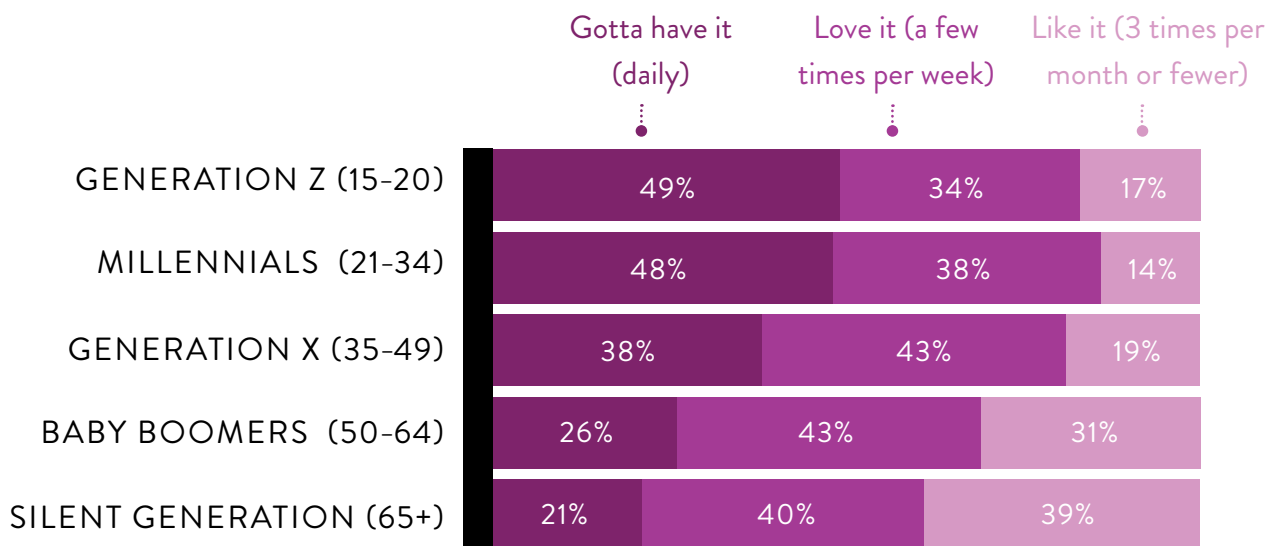
THE INS AND OUTS OF ON-DEMAND

On-demand is fast becoming an integral part of daily viewing habits for many. In fact, among those who watch any type¹ of VOD programming (65%), more than four-in-10 global respondents say they watch at least once a day (43%). And it's not just the youngest respondents viewing on-demand programming. While a higher percentage of Generation Z and Millennial respondents report watching on-demand content daily or more often (49% and 48%, respectively, watch daily or more often) than their older counterparts, more than one-fifth of Silent Generation respondents (21%) and one-quarter of Baby Boomers (26%) say they watch at least once a day.

Movies dominate the type of VOD content watched across all regions and generations. Eighty percent of global respondents who watch on-demand content say they view movies, followed by on-demand TV programs (50%). When it comes to popular program genres, comedies (38%) and original series (32%) rank the highest globally, followed by sports and documentaries (31% each). Twenty-two percent of global respondents say they watch short-form video content (videos of 15 minutes or less in length).

THE MAJORITY OF VOD VIEWERS OF ALL AGES WATCH PROGRAMMING A FEW TIMES A WEEK OR MORE OFTEN

SELF-REPORTED VIEWING FREQUENCY AMONG THOSE WHO WATCH ANY TYPE OF VOD PROGRAMMING ON ANY ONLINE DEVICE



¹VOD programming can include long- and short-form content.

Source: Nielsen Global Video-on-Demand Survey, Q3 2015

GROWTH DRIVERS AND DETERRENTS

There's no question that VOD services are transforming the ways audiences consume video. But while several strong motivating factors will support continued growth, there are a few barriers to be mindful of, too.

Not surprisingly, convenience is a very important factor in the decision to watch VOD programming. Among those who watch VOD, more than three-quarters of global respondents (77%) somewhat or strongly agree they do so because they can view content at a time that is convenient for them. Agreement was highest in Latin America (82%), North America (81%) and Europe (80%) and slightly lower in the Middle East/Africa (77%) and Asia-Pacific (76%).

Respondents are also watching VOD content because it allows multiple people in the household to watch different programming on different devices at the same time. Two-thirds of global respondents who watch VOD agree this is a reason for viewing (66%). In addition, among those who watch VOD content, binge-watching is popular and driving viewership. Sixty-six percent of global respondents say the ability to watch multiple episodes in a single sitting is a motivator for watching VOD content. This attribute is more appealing in North America (73%) and Africa/Middle East (70%) than globally. And while Millennials and Generation X are the most likely to agree they watch VOD because they like to catch up on multiple episodes at once (68% and 67%, respectively), almost half of respondents in every other generation somewhat or strongly agree with this statement.

The perception of cost is another potential driver fueling VOD growth. Nearly six-in-10 global respondents who watch VOD programming say it is less expensive than programming from a cable or satellite provider (59%), with above-average agreement in Latin America (67%) and North America (64%).

For all its benefits, VOD has shortcomings. Among those who watch VOD content, more than seven-in-10 global respondents (72%) say they wish more programming choices were available. In a separate U.S. online survey of SVOD viewers, limited content selection was among the top reasons SVOD subscribers were streaming less content than when they first started.

Two-thirds of global respondents (67%) agree watching VOD programming on an online or mobile device is not as good as watching on a bigger screen. Sentiment is similar across regions and generations.

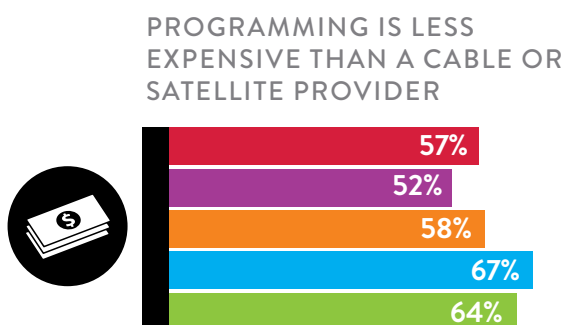
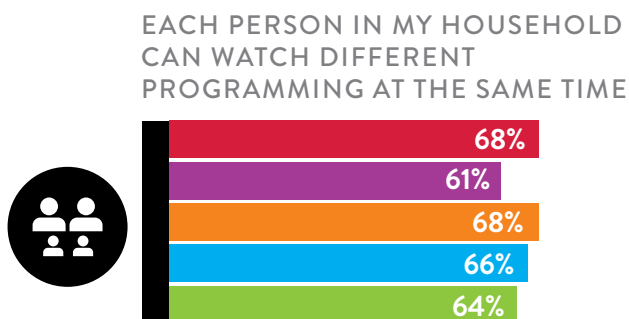
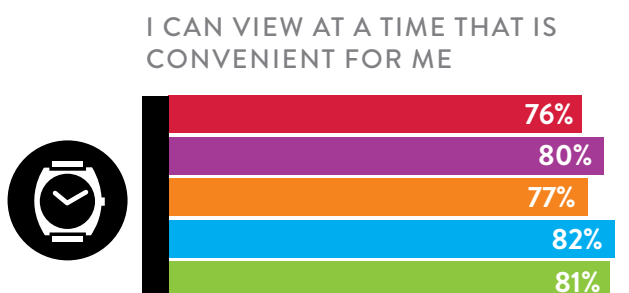


CONVENIENCE IS THE PRIMARY DRIVER OF VOD VIEWING

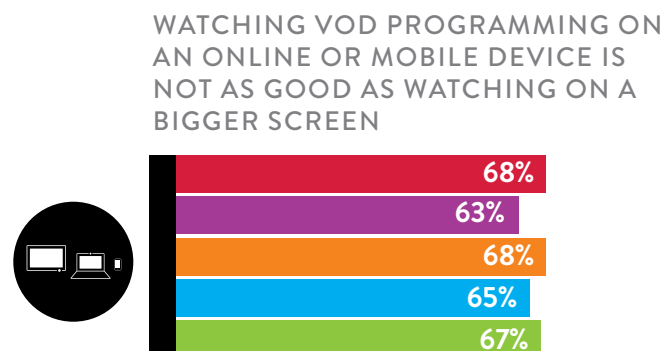
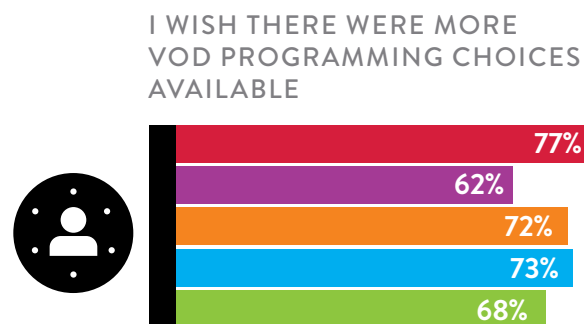
PERCENTAGE OF VOD VIEWERS WHO SOMEWHAT/STRONGLY AGREE WITH STATEMENT

● ASIA-PACIFIC ● EUROPE ● MIDDLE EAST/AFRICA ● LATIN AMERICA ● NORTH AMERICA

DRIVERS



DETERRENTS



Source: Nielsen Global Video-on-Demand Survey, Q3 2015

OLDER RESPONDENTS BINGE-WATCH LESS VOD, BUT RESPONDENTS OF ALL AGES LOVE THE CONVENIENCE OF VOD

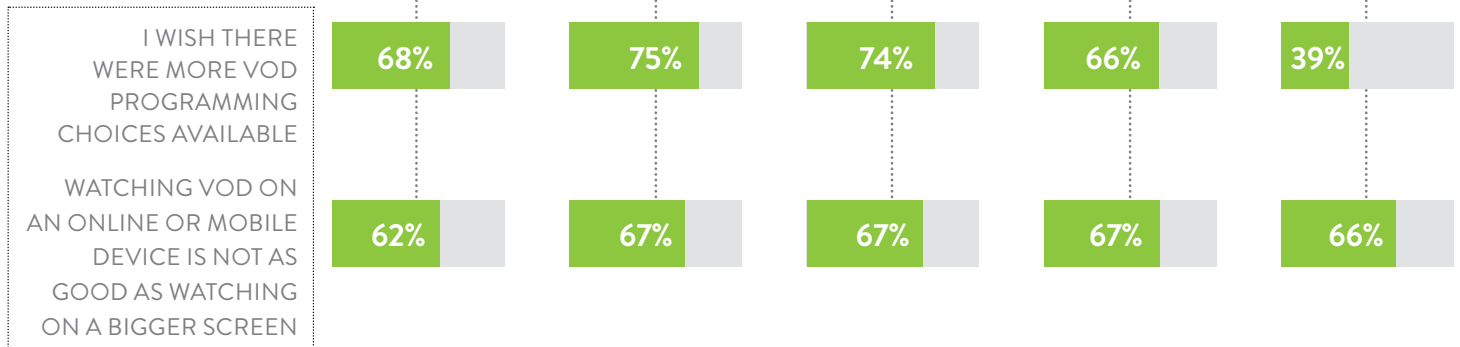
PERCENTAGE OF VOD VIEWERS WHO SOMEWHAT/STRONGLY AGREE WITH STATEMENT



DRIVERS



DETERRENTS



Source: Nielsen Global Video-on-Demand Survey, Q3 2015

STAYING AFLOAT IN A SEA OF ADVERTISING

Greater programming choices also mean more competing advertising messages for audiences. Consumers are inundated with an overwhelmingly high number of ads on a daily basis, and they're looking to cut through the clutter. Sixty-two percent of global respondents who watch VOD say online ads displayed before, during or after VOD programming are distracting and two-thirds (65%) wish they could block all ads.

The good news for advertisers is that many consumers see value in ads, but the value proposition must be right. In fact, more than half of global respondents who watch VOD (51%) somewhat or strongly agree that ads in VOD content give them good ideas for new products to try and nearly six-in-ten (59%) say they don't mind getting advertising if they can view free content. This sentiment is particularly strong in North America, where 68% are willing to trade their time and attention for free programming.

What's clear, however, is the need for more relevant ads that speak directly to consumers. Two-thirds of global respondents say most ads in VOD content are for products they don't want (66%).

"In a crowded media environment, relevant ads and brand experiences are critical for engaging consumers," said Clarken. "Just as technology has made it easier for consumers to control the amount of advertising they see, it has also made it easier for advertisers to reach the right consumers at the right time and in the right place. The advertisers with the greatest brand and sales impact will naturally be those that connect messages about products and services with the people who want them."

GLOBALLY, MOST WANT LESS AD CLUTTER AND MORE RELEVANT ADS

PERCENTAGE OF VOD VIEWERS WHO SOMEWHAT/STRONGLY AGREE WITH STATEMENT ABOUT ADS DISPLAYED BEFORE, DURING OR AFTER VOD PROGRAMMING

● ASIA-PACIFIC ● EUROPE ● MIDDLE EAST/AFRICA ● LATIN AMERICA ● NORTH AMERICA

UNFAVORABLE

MOST ADS ARE FOR PRODUCTS I DON'T WANT



ONLINE ADS ARE DISTRACTING



I WISH I COULD ONLY SEE ADS THAT ARE FOR PRODUCTS THAT INTEREST ME

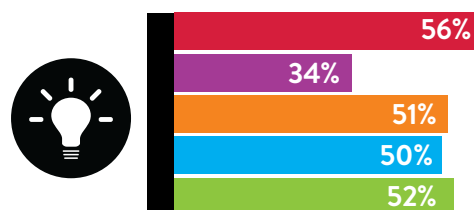


MORE FAVORABLE

I DON'T MIND GETTING ADS IF I CAN VIEW FREE CONTENT



ADS GIVE ME GOOD IDEAS FOR NEW PRODUCTS I WANT TO TRY



I DON'T MIND ADS THAT DIRECTLY REFLECT PURCHASES I'VE MADE IN THE PAST



Source: Nielsen Global Video-on-Demand Survey, Q3 2015

NAVIGATING WHAT COMES NEXT

In the current media environment, the only constant is change. VOD may be one of the more recent entrants in the fragmentation foray, but it represents a continuation of the wild ride the industry has been on for more than a decade. And the pace of change isn't likely to slow anytime soon. Winning over viewers has never been more challenging. While change and uncertainty can be difficult, content providers must stay agile, flexible and ahead of whatever challenge comes next. For successfully navigating the new media landscape, a few reminders are worth noting:

- **Content is king.** It's been said time and time again, but it bears repeating: Good content is good content, regardless of the platform or device on which it is viewed. The evolving media landscape has not lessened the demand for quality, professionally produced content. If anything, it has gained importance, as viewers are unlikely to settle for something that is simply acceptable given the abundance of choices available. Quality, not quantity, of content must be the focus.
- **Content discovery is gaining importance.** Quality content is a necessity, but it's not enough. Programming is destined to fail if audiences don't know about it or can't easily access it. With a huge—and growing—number of choices available, mastering content discovery becomes even more critical. Smarter discovery interfaces and content recommendation algorithms that predict what users may like should be a key innovation area for content providers.
- **Personalization is a huge opportunity.** Consumers are watching content on their own terms and they're demanding even more control. Increasingly, they're piecing together packages that deliver all the programming they want without the surplus of channels they don't. Savvy content providers are recognizing this trend and catering their offerings accordingly. In addition, seamless integration of content across devices will be critical as consumers grow accustomed to watching content anywhere, anytime, on any screen. And helping consumers wade through the abundance of available content and select the programming that is most likely to be of interest will be paramount.

- **Dual advertising models are emerging.** The personalization trend also holds for advertising. Technological advances like programmatic and addressable advertising are unlocking opportunities for marketers to reach viewers more precisely. Perhaps one day, the 65% of respondents who wish they could block ads will instead intentionally tune in for them. Despite the potential for programmatic and addressable advertising, there remains a powerful case for broad brand advertising, as the two models serve different purposes. One will not replace the other.
- **Engagement will drive success.** In a socially engaged, buzz-driven world, content can go viral in an instant. Increasingly, passionate fans, not just viewers, drive successful content. Fifty-eight percent of global respondents say they like to use social media while watching VOD programming. And it's not just on-demand programming that benefits from social-media buzz. It's an even bigger draw for live TV. In fact, a U.S. Nielsen Social study showed that, on average, 68% of weekly Twitter activity for series programs occurs during live program airings (three hours before through three hours after). Highly social series episodes, with more Twitter impressions (number of times Tweets are seen) during live airings, see a stronger boost in +7 ratings (ratings for live plus seven days), compared to less social episodes. Specifically, a 10% increase in impressions from live airings corresponds with a 1.8% increase in the +7 audience. So, the more Tweets are seen from live episode airings, the greater the audience may be looking to catch up on an episode later that week. Consequently, content providers should look for ways to engage viewers by integrating digital content and social media in their offerings.

COUNTRIES IN THE STUDY

ASIA-PACIFIC

MARKET	INTERNET PENETRATION
Australia	93%
China	50%
Hong Kong	81%
India	30%
Indonesia	31%
Japan	91%
Malaysia	68%
New Zealand	94%
Philippines	43%
Singapore	82%
South Korea	92%
Taiwan	84%
Thailand	56%
Vietnam	50%

LATIN AMERICA

MARKET	INTERNET PENETRATION
Argentina	80%
Brazil	58%
Chile	72%
Colombia	59%
Mexico	49%
Peru	53%
Venezuela	62%

EUROPE

MARKET	INTERNET PENETRATION
Austria	83%
Belgium	85%
Bulgaria	57%
Croatia	75%
Czech Republic	80%
Denmark	96%
Estonia	84%
Finland	94%
France	84%
Germany	88%
Greece	63%
Hungary	76%
Ireland	83%
Israel	75%
Italy	62%
Latvia	82%
Lithuania	82%
Netherlands	96%
Norway	96%
Poland	68%
Portugal	68%
Romania	56%
Russia	71%
Serbia	66%
Slovakia	83%
Slovenia	73%
Spain	77%
Sweden	95%
Switzerland	87%
Turkey	60%
United Kingdom	92%
Ukraine	43%

MIDDLE EAST/AFRICA

MARKET	INTERNET PENETRATION
Egypt	55%
Morocco	61%
Pakistan	15%
Saudi Arabia	66%
South Africa	49%
United Arab Emirates	93%

NORTH AMERICA

MARKET	INTERNET PENETRATION
Canada	95%
United States	87%

Source: Miniwatts Marketing, Internet World Stats, Nov. 30, 2015, www.internetworldstats.com

ABOUT THE NIELSEN GLOBAL SURVEY

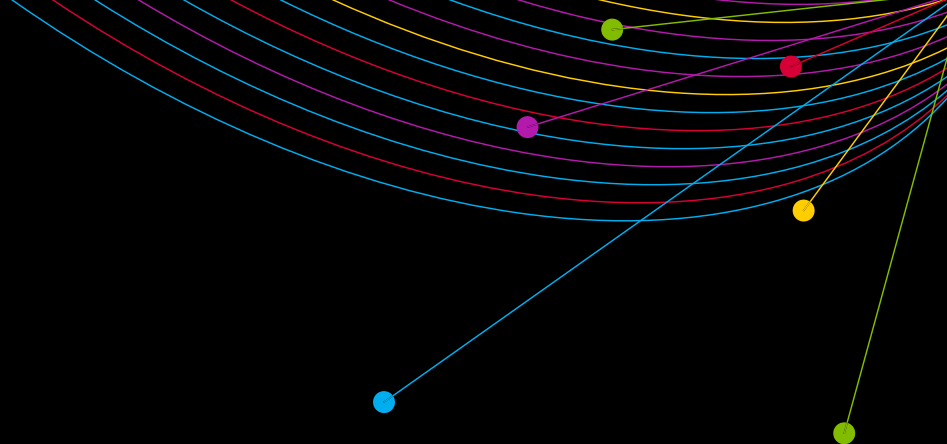
The Nielsen Global Video-on-Demand Survey was conducted Aug. 10—Sep. 4, 2015 and polled more than 30,000 online consumers in 61 countries throughout Asia-Pacific, Europe, Latin America, the Middle East/Africa and North America. The sample includes Internet users who agreed to participate in this survey and has quotas based on age and sex for each country. It is weighted to be representative of Internet consumers by country. Because the sample is based on those who agreed to participate, no estimates of theoretical sampling error can be calculated. However, a probability sample of equivalent size would have a margin of error of $\pm 0.6\%$ at the global level. This Nielsen survey is based only on the behavior of respondents with online access. Internet penetration rates vary by country. Nielsen uses a minimum reporting standard of 60% Internet penetration or an online population of 10 million for survey inclusion.

ABOUT NIELSEN

Nielsen Holdings plc (NYSE: NLSN) is a global performance management company that provides a comprehensive understanding of what consumers watch and buy. Nielsen's Watch segment provides media and advertising clients with Total Audience measurement services for all devices on which content — video, audio and text — is consumed. The Buy segment offers consumer packaged goods manufacturers and retailers the industry's only global view of retail performance measurement. By integrating information from its Watch and Buy segments and other data sources, Nielsen also provides its clients with analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries, covering more than 90% of the world's population.

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