ERICSSON

MADRID INNOVATION ROADSHOW 2015

LET'S TURN CHANGE INTO GROWTH

OCT 20TH 21ST 22ND

MADRID R&D

PASSION FOR INNOVATION

TV & MEDIA 2015 SPAIN REPORT

The empowered TV & media consumer’s influence

Ericsson ConsumerLab

Enrique Villar, Head of TV&Media

Chema Casaos, Head of IT Services and Solutions TV&Media

Iván Rejón, Head of Strategy, Marketing and Communications


ERICSSON CONSUMERLAB ANNUAL RESEARCH
REPRESENTING
1.1 BILLION
PEOPLE
100,000
RESPONDENTS
MORE THAN
40
COUNTRIES
15
MEGACITIES
STUDIED

GLOBAL FINDINGS

On-demand soars

Linear remains relevant

Binge integral part of VOD

Mobile on the rise

Discovery can be improved

Cord-Nevers get tempted

GLOBAL FINDINGS

On-demand soars

50% stream everyday (was 30% in 2010). 6 hours weekly streaming of longer programs (was 3 hours in 2011)

Linear remains relevant

80% everyday with seniors, 60% with millennials

Binge integral part of VOD

close to 90% weekly with S-VOD users

Mobile on the rise

since 2012 time spent on mobile platforms increased by 3 hours , >50% viewing time with millennials; number of smartphone viewers increased by 71%

Discovery can be improved

>50% can't find what to watch on broadcast services at least once a day, current TV guide not perceived as smart enough

Cord-Nevers get tempted

Although 50% don't get the value of standard payTV, as many as 22% already subscribe to OTT VOD

SPAIN FINDINGS

On-demand soars
>40% TV & Video viewing on-demand
>50% people stream contents everyday

Linear remains relevant
77% people watch linear TV every day
90% everyday with seniors, 70% with millennials

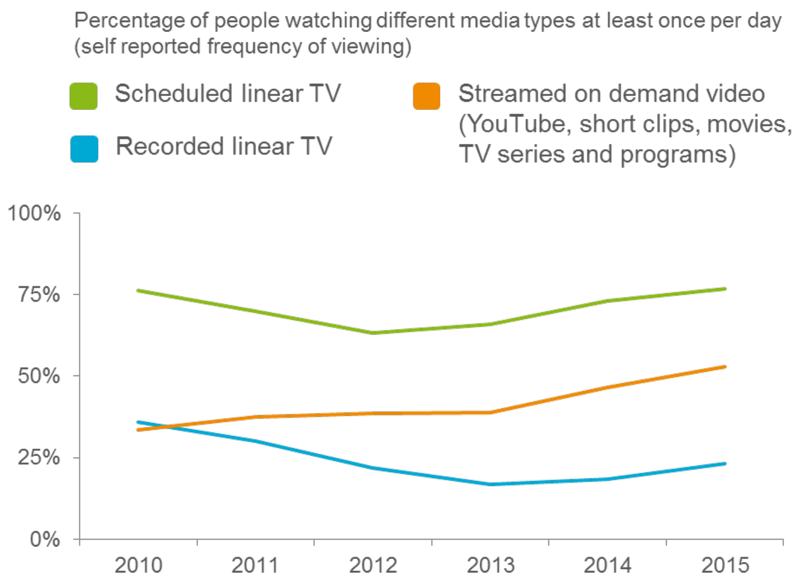
Binge integral part of VOD
TV series show highest viewing: 47% of on demand streamed viewing. 94% S-VOD users binge weekly, 51% everyday

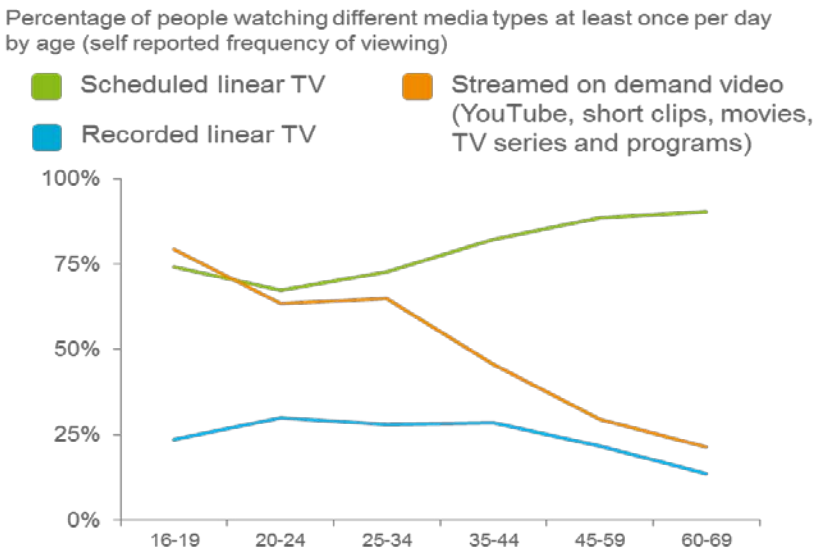
Mobile on the rise
45% of viewing time on mobile platforms (65% with teenagers); 63% watch video on smartphones (27% in 2012,increase by 133%)

Discovery can be improved
50% can't find what to watch on broadcast services at least once a day, recommendation engine not perceived as smart enough

Some Cord-Nevers get tempted
Although 50% don't get the value of standard payTV, 7% already subscribe to OTT VOD

DAILY MEDIA HABITS





>50%

watch streamed on-demand each day up from >30% back in 2010

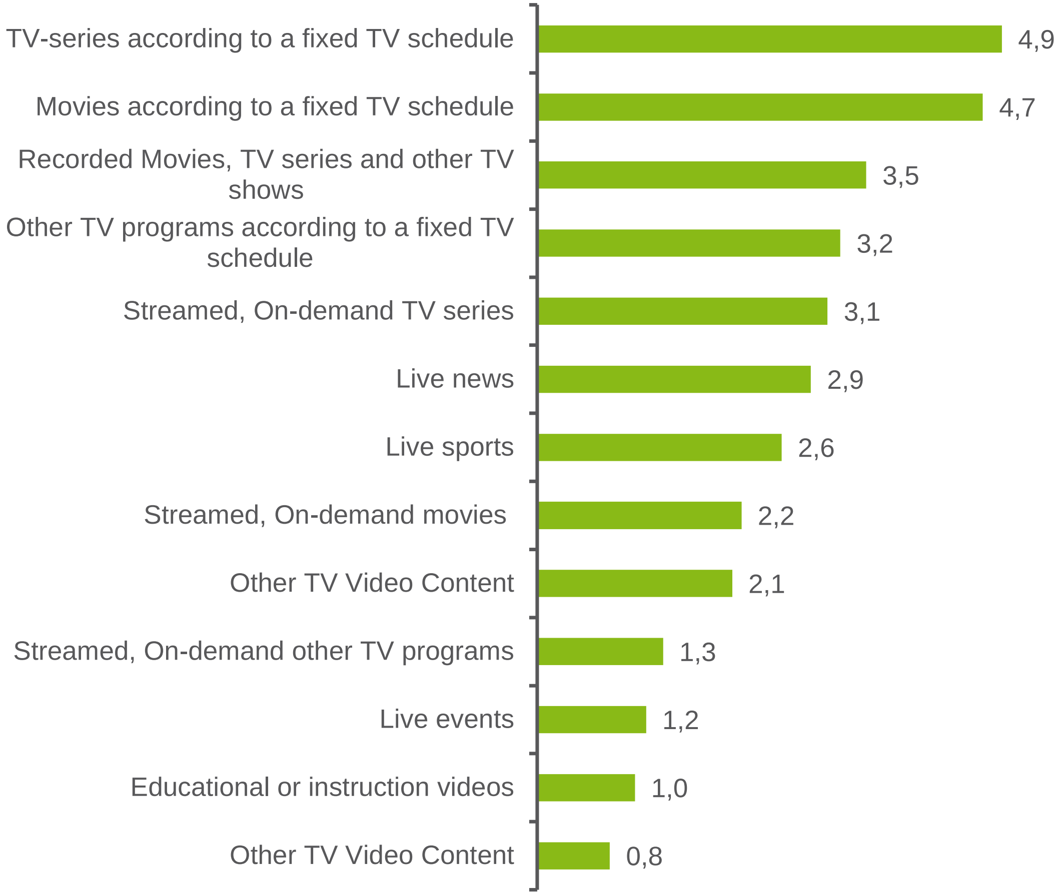
LINEAR REMAINS RELEVANT

BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain ** *3 years moving average ¼, ½, ¼*
[Showing: Use once per day or more]

Source: Ericsson ConsumerLab TV & Media 2010-2015 Study

HALF OF VIEWING TIME IS TV SERIES & MOVIES

Average nr of self-reported hours watching per week and type



"Family movies. More than series, family movies, funny movies. Sometimes I like to mix, start with children movies and then go on with action movies and closing with a funny movie to go to sleep happy."

- Veronica, 40 years, Mexico

34 HOURS

per week is the average weekly active viewing time

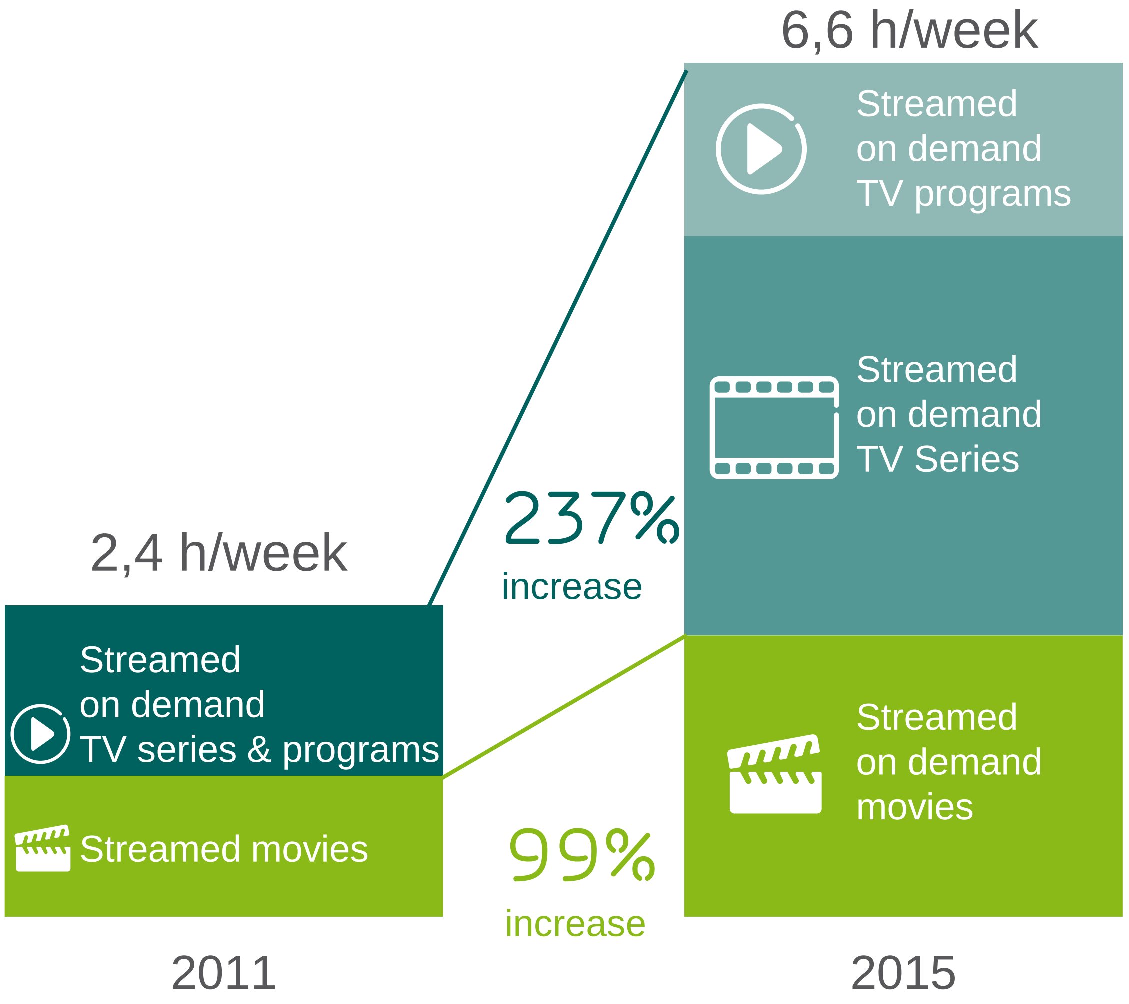
BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain
Source: Ericsson ConsumerLab TV & Media 2015 Study

TV SERIES IS THE NEW BLACK

- Since 2011, the average time spent on watching streamed on demand long content has increased by 4,2 hours per week (~175 percent increase)
- While viewing has grown for all content types, TV series and other TV programs show no less than 237% increase
- Out of the total 6,6 hours per week, TV series is today the content type with the highest viewing – claiming no less than 47 percent of the total on demand streamed viewing

> "The world of series is so, so huge now, there's so many of them. And that's taken over from normal films from cinema."
>
> \- Anne, 38 years, France

Average number of self reported weekly hours of active TV/video viewing:



BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain
Source: Ericsson ConsumerLab TV & Media 2011 & 2015 Study

S-VOD SERVICES DRIVE BINGE VIEWING

Although binging has been possible for a long time, e.g. by purchasing DVD boxes with entire TV series seasons, only with the advent of S-VOD services that enable easy binging at an affordable cost, has it become mainstream

94%

of S-VOD users binge view at least once per week, compared to 83% of non-SVOD users

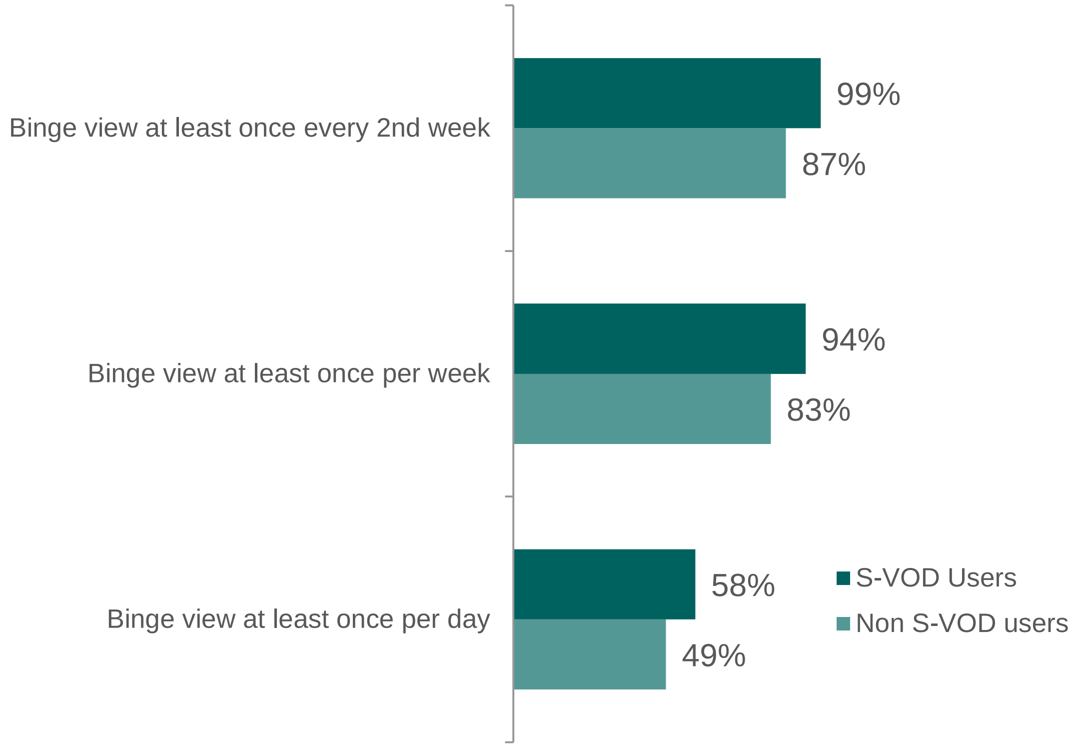
51%

binge daily

4%

never binge

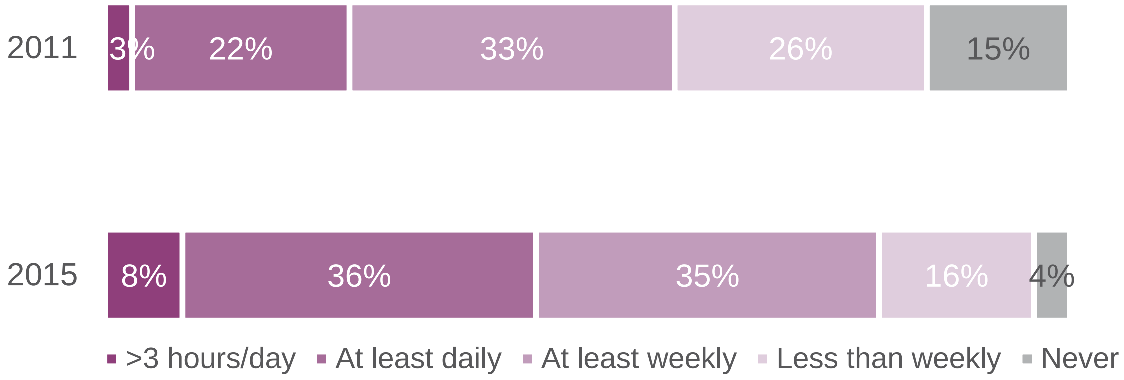
Self reported frequency of watching several TV series, other TV programs or user generated content (UGC) episodes in a row (so called binge viewing)



BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain
Source: Ericsson ConsumerLab TV & Media 2015 Study

YOUTUBE
2011 VS 2015

Percentage of consumers watching YouTube with different frequency
(self reported frequency of viewing)



>190%

increase in number of consumers that watch YouTube for more than 3 hours per day since 2011

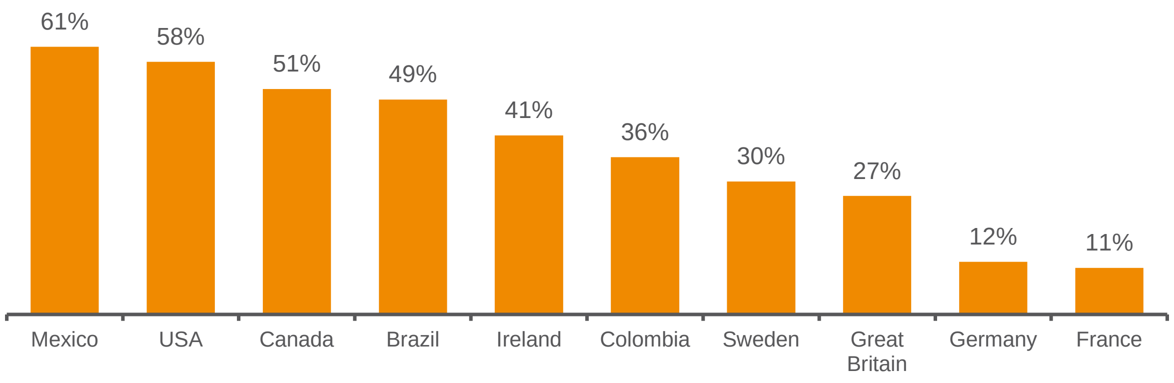
BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain
Source: Ericsson ConsumerLab TV & Media 2015 Study

NETFLIX ACROSS THE GLOBE

>10%

say they use Netflix in France and Germany, less than 8 months after launch!

Percent of people stated being Netflix users, per market



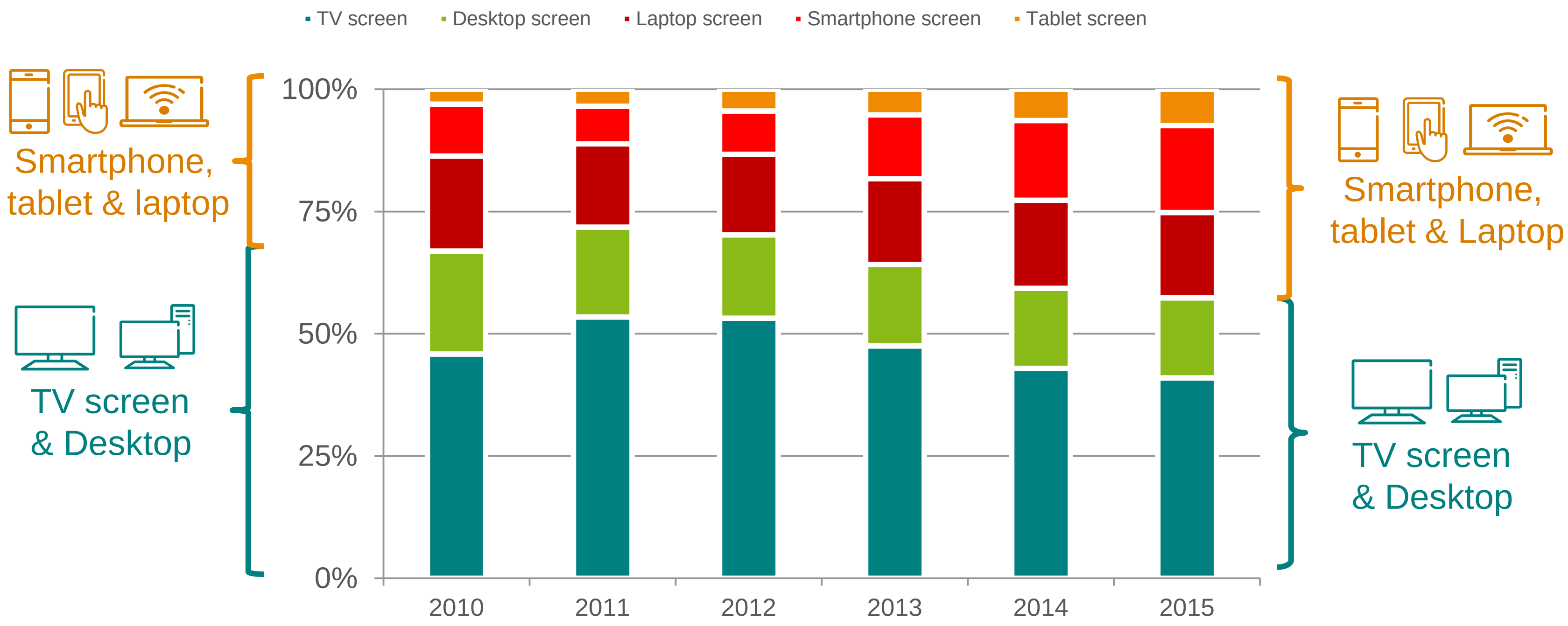
BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Mexico, USA, Canada, Brazil, Ireland, Colombia, Sweden, Great Britain, Germany, France

Source: Ericsson ConsumerLab TV & Media 2014-2015 Study

PLACE & DEVICE VIEWING

A SHIFT FROM FIXED TO MOBILE VIEWING

Share of estimated total weekly TV/video viewing time, per year, done on respective device **



~65%

of consumers watch TV & video on their smartphones, and increase of >135% since 2012

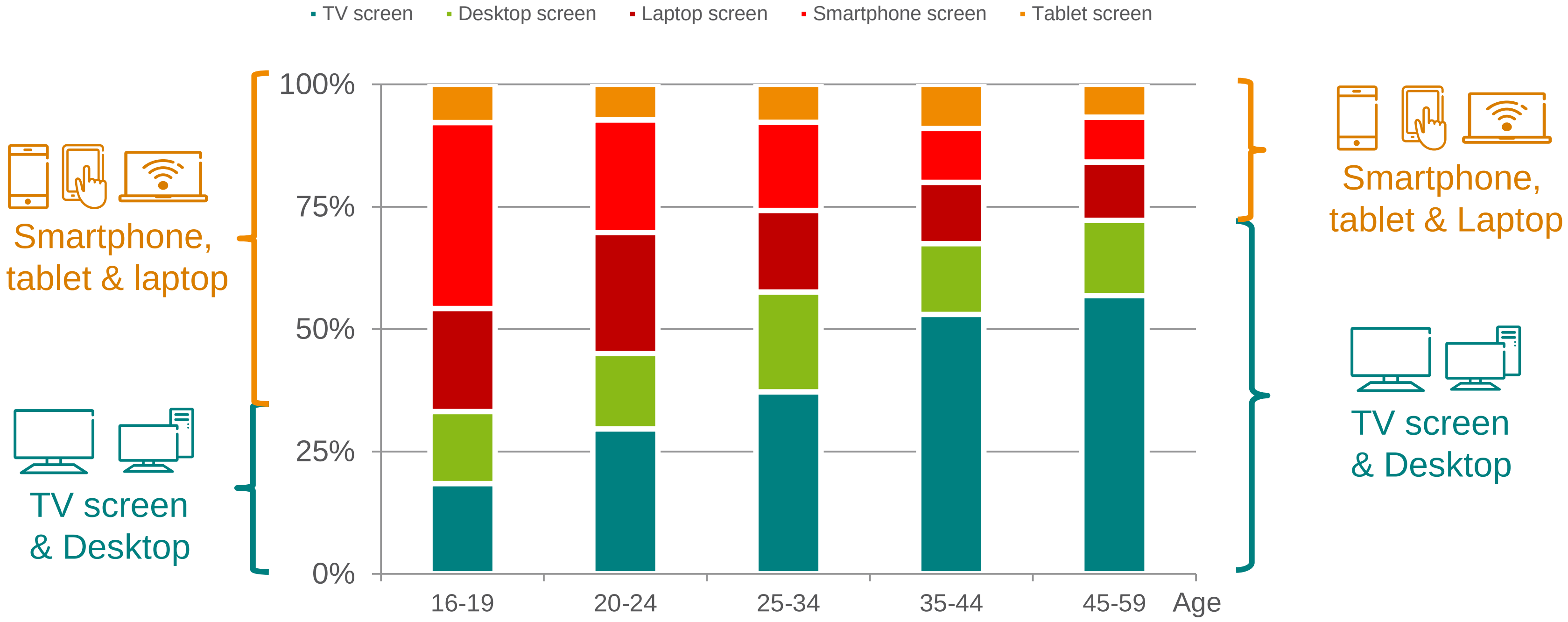
41%

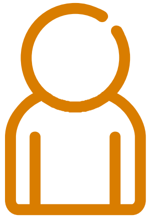
think it is very important to watch their TV and Video content wherever they are

BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain.
** excluded. in 2010 figures, ** 3 years moving average ¼, ½, ¼*
Source: Ericsson ConsumerLab TV & Media 2010-2015 Study

MILLENNIALS = MOBILE VIEWING

Share of total TV-time by age group, done on respective device **





65%

of all TV/video viewing hours are spent on a Mobile device screen among teenagers

BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain

Source: Ericsson ConsumerLab TV & Media 2015 Study

PLACE- AND DEVICE SHIFTING GROWS

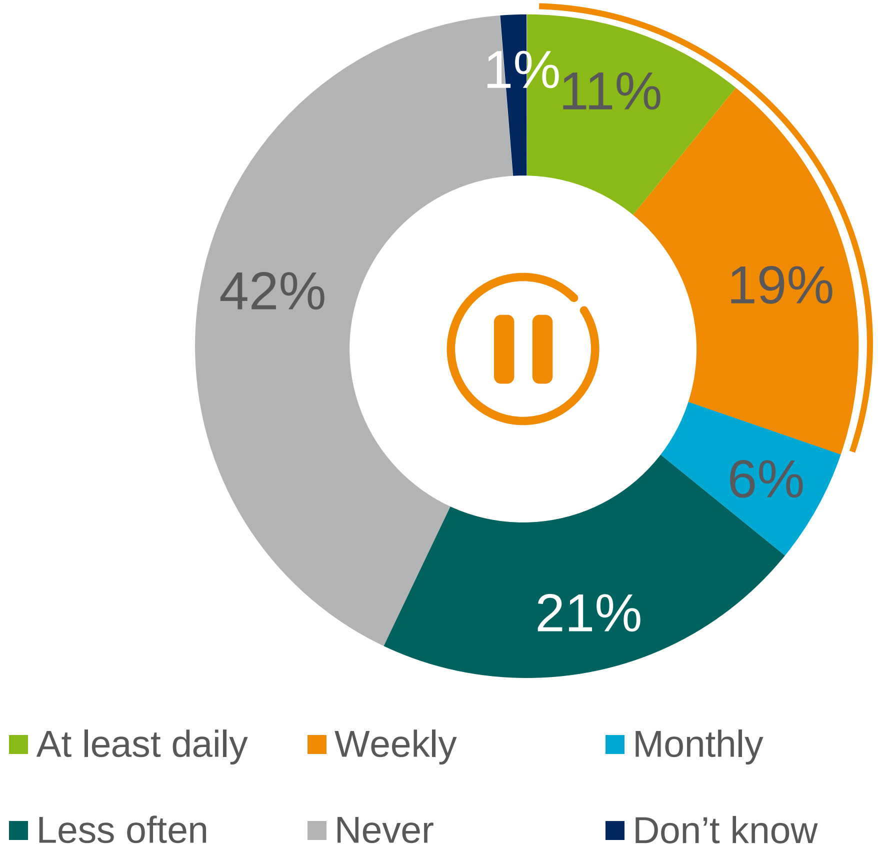
30%

start watching on one device, and continue on another at least once per week, up 19 percent since 2014

56%

amongst S-VOD users place- and device shift!

Self-reported frequency of watching a specific TV program, show or movie on one device, interrupt or pause it and then continue watching it on another device:



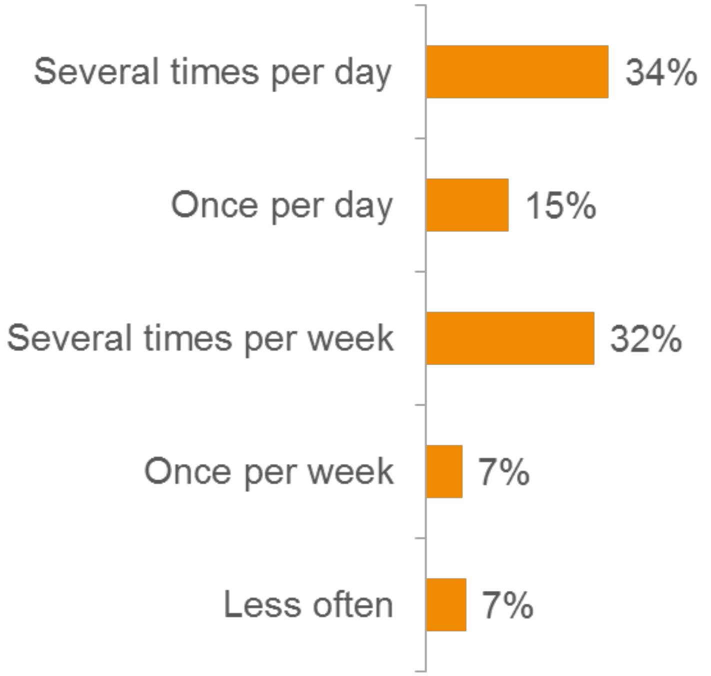
BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain

Source: Ericsson ConsumerLab TV & Media 2015 Study

CONTENT DISCOVERY

WHEN FINDING CONTENT IS TOO DIFFICULT

The consumer stated frequency of difficulty in finding something to watch on their traditional broadcast TV service:



50%

of traditional broadcast TV consumers in Spain say they can't find anything to watch - on a **daily basis**!

BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in, Spain
Source: Ericsson ConsumerLab TV & Media 2015 Study

TV MEDIA FEATURES - IMPORTANCE & WILLINGNESS TO PAY

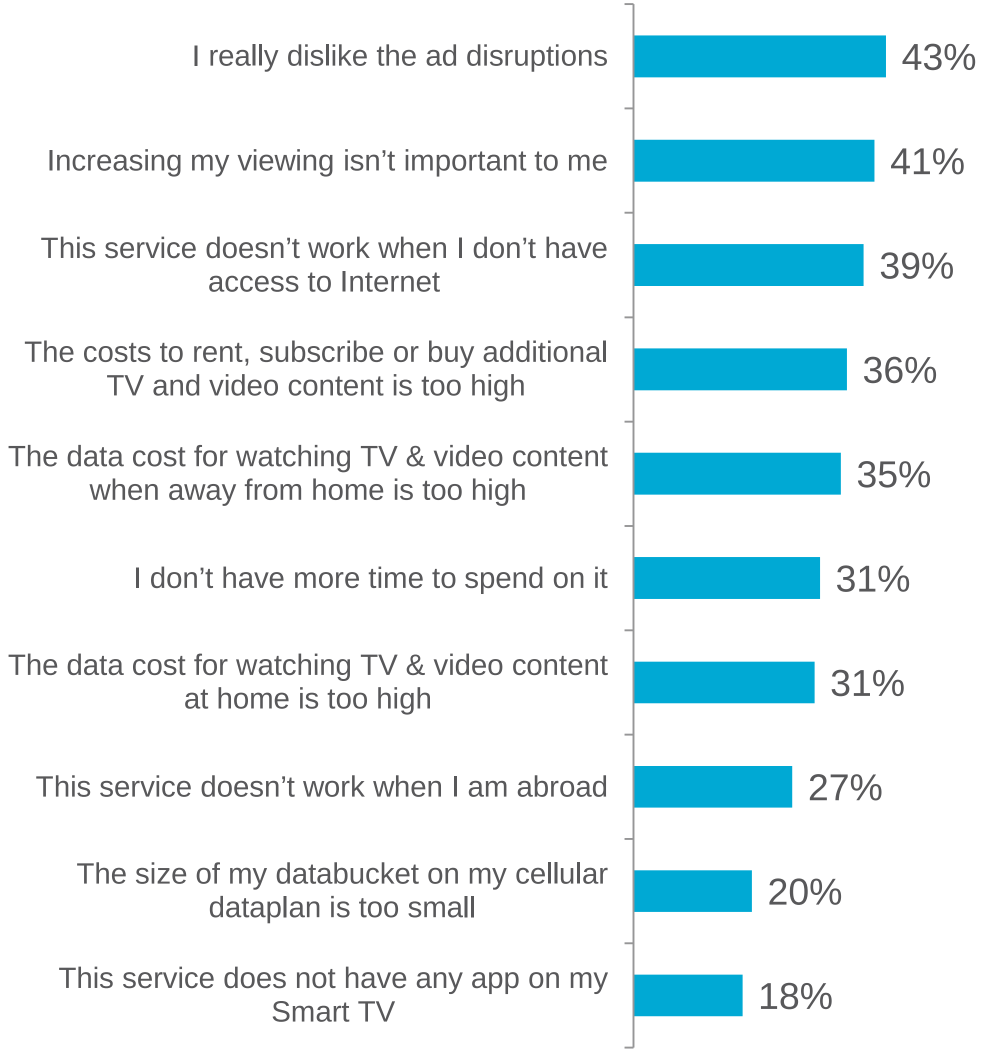
ERICSSON

BARRIERS TO INCREASED CONTENT CONSUMPTION

43%

of consumers dislike the disruptions

In percent the most common barriers to consumers consuming even more content on any of their devices:



BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain
Source: Ericsson ConsumerLab TV & Media 2015 Study

IMPORTANCE OF QUALITY

HD QUALITY

58% say it is very important

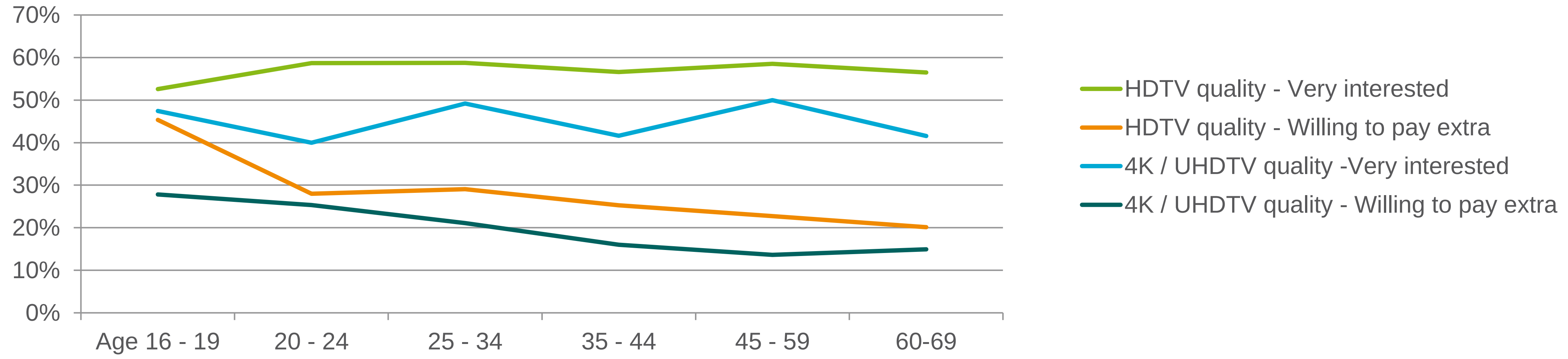
28% say it is worth paying extra for

UHD QUALITY

46% say it is very important

20% say it is worth paying extra for

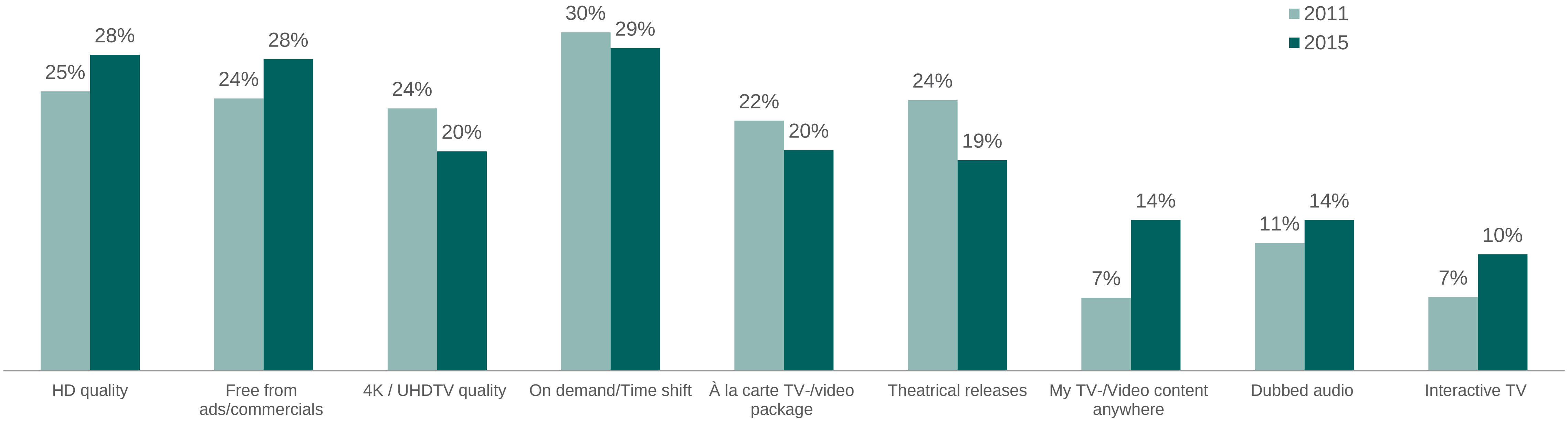
Percentage of consumers stating that HD and UHD quality is very important and worth paying extra for, by age [self-reported]:



BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain
[Interest, top 2 answers on 7-graded scale and willingness to pay]
Source: Ericsson ConsumerLab TV & Media 2015 Study

TV MEDIA FEATURES WORTH PAYING FOR – TRENDS

Percentage of consumers that say each TV Media feature is worth paying extra for:



BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain
Source: Ericsson ConsumerLab TV & Media 2011 & 2015 Study

CORD CUTTERS & CORD NEVERS

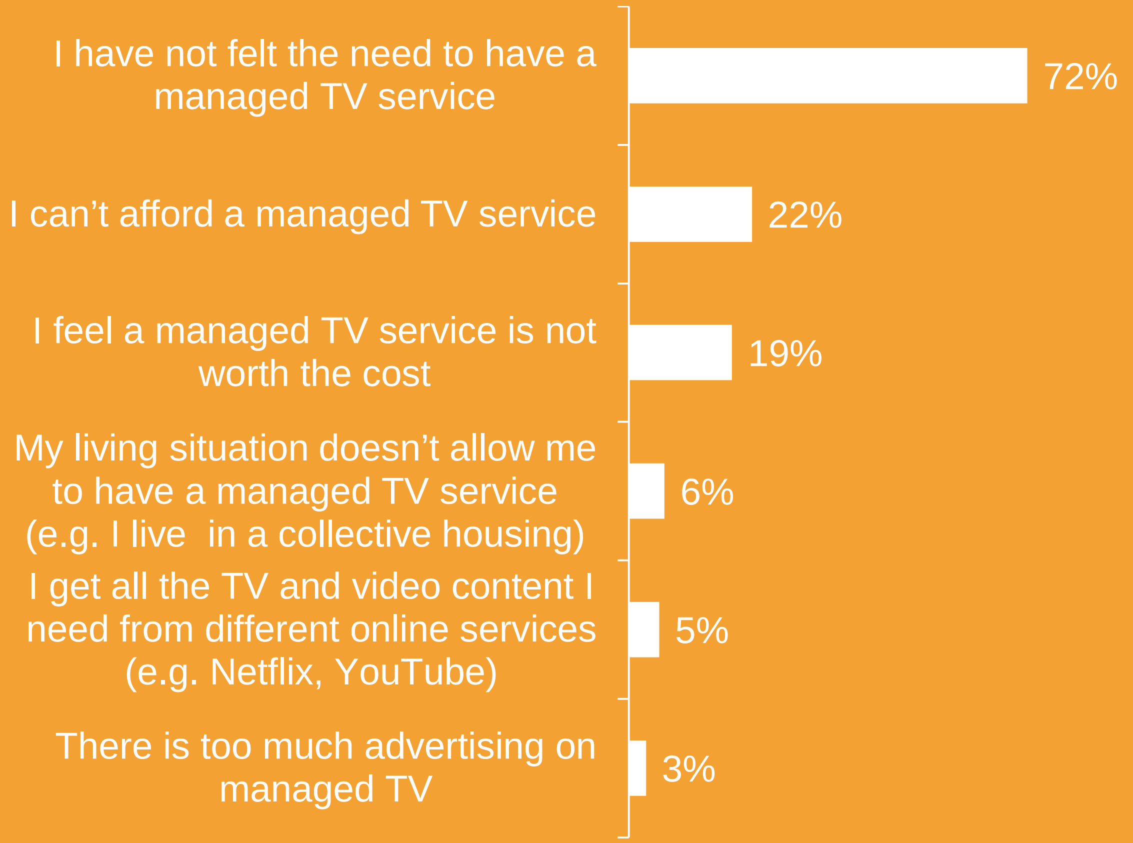
NO CLEAR VALUE FOR CORD NEVERS

Consumers that have never paid for managed linear TV have a hard time seeing any need to acquire it later on

REASONS TO AVOID

- TV providers give little value for money
- Save money
- Limited habits of viewing linear TV
- Linear TV can easily become a time thief in everyday life
- OTT services are readily available
- Weariness with TV advertising

Reasons for never paying a managed TV service:



BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain [those who have never paid for a managed TV service]
Source: Ericsson ConsumerLab TV & Media 2015 Study

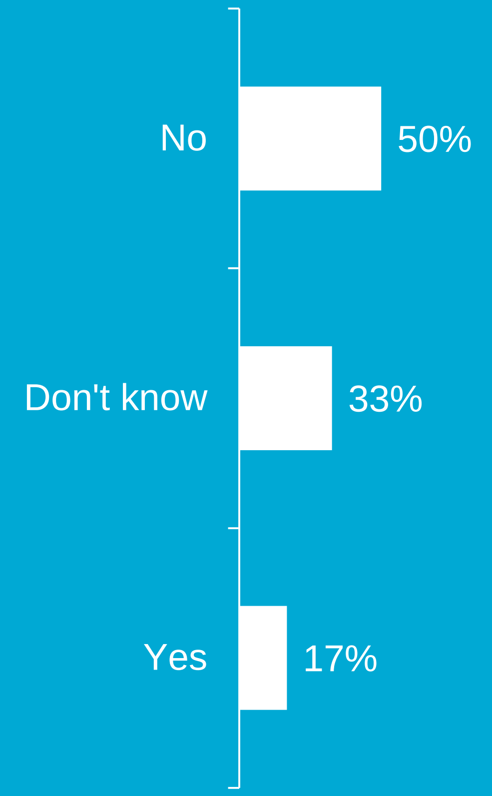
CONTINUING WITHOUT A CORD

Consumers that have never become paying subscribers to managed TV services have a difficulty in understand any value behind managed linear TV as it is being offered today. Especially with packages, binding times and the high costs

BARRIERS TO PAYING FOR MANAGED TV

- OTT on demand services already cater to core needs
- Managed TV feels redundant
- Limited perceived value in increased TV and video viewing
- More value for money with OTT options
- No acceptance to having binding contracts

Percentage of cord nevers that may or may not pay for traditional managed TV services in the future:



BASE: Population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly in Spain [those who have never paid for a managed TV service]

Source: Ericsson ConsumerLab TV & Media 2015 Study

BUSINESS MODELS & OPPORTUNITIES

CONSUMER EXPECTATIONS

To meet the needs and expectations of consumer today, there are three specific areas that have strong influences on the service experience for the consumers. Aspects such as aggregating and offering content at the convenience of the consumer, creating flexible offerings and packages as well as focusing on providing high quality content.

Great overall experience

› Bundling fixed with mobile data
› Bundling of services

Great content

› Sports
› Live content
› Original productions

Great flexibility

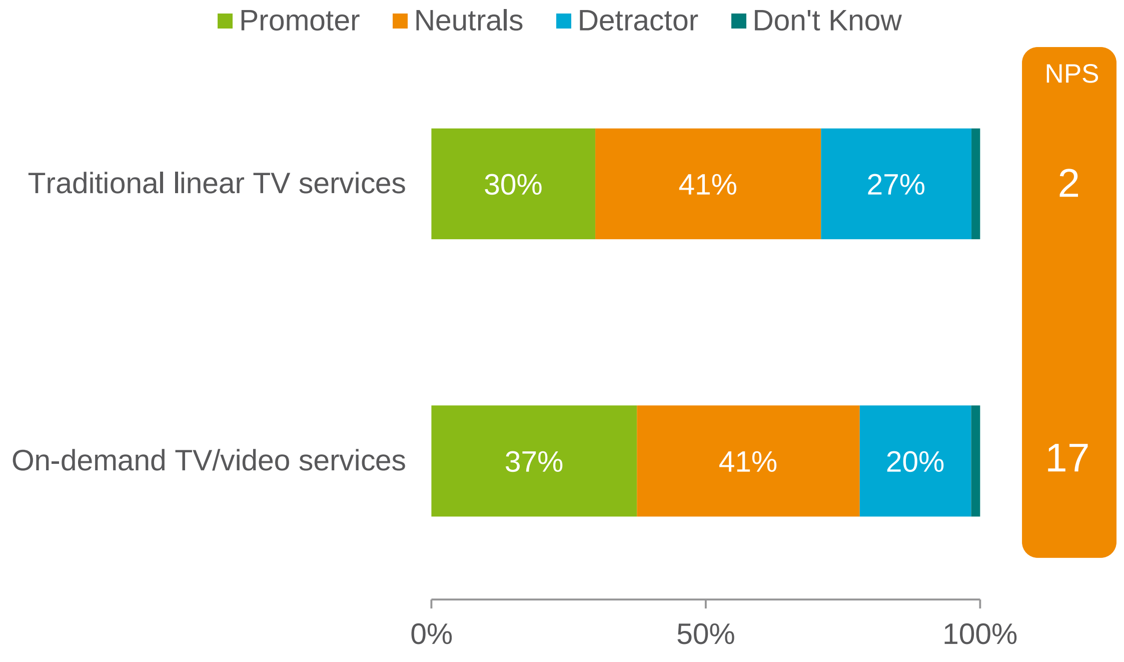
› Pick n' mix TV
› Cross-device availability

Source: Ericsson ConsumerLab TV & Media 2015 Study

NET PROMOTER SCORE (NPS), SPAIN

- There is a significant difference in NPS between the highest and the lowest ranked services, both amongst the traditional managed TV services, as well as amongst the on-demand services
- The highest rankings can be found amongst the on-demand services, where the best service scores 32 in comparison to the best traditional linear TV service which scored 20
- The lowest score in the group of traditional linear TV services is only -11
- The best on-demand service from a traditional TV provider on the other hand scores 19 points, which is 26 points better than the traditional service, which brings into the top 3 leader board!

Likelihood to recommend each type of TV/video service to a friend, family member or colleague, amongst those who use it , for the US market

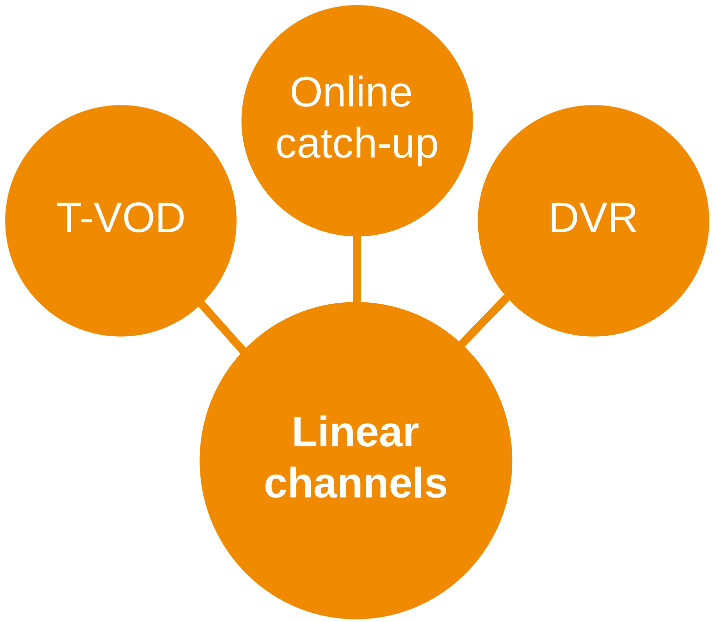


BASE: Spain population aged 16-59 with broadband at home who watch any type of TV/Video at least weekly [Current users of each service]
Source: Ericsson ConsumerLab TV & Media 2015 Study

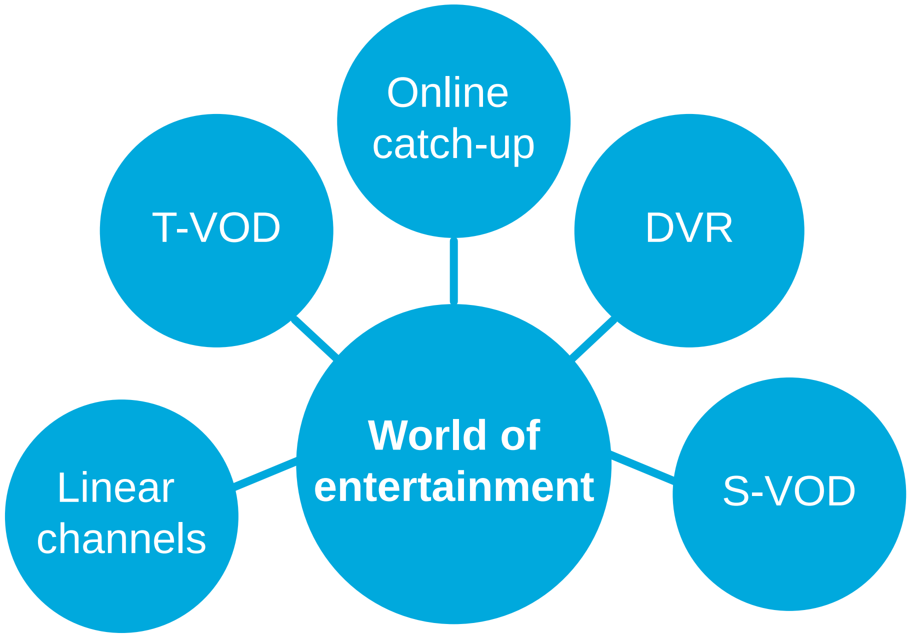
THE WORLD OF ENTERTAINMENT

TV has become a combination of linear, DVR and catch-up services, which is consequential for managed TV users.

TRADITIONAL USER EXPERIENCE



USER EXPERIENCE RATIONALE TODAY



Source: Ericsson ConsumerLab TV and media 2015

ERICSSON