



**Over-The-Top Video
Viewing Habits Update
(United States)
January 2010**



Over-The-Top Video Viewing Habits Update

This report is an update to our online consumer survey on the Over-The-Top Video viewing habits. Over-The-Top (OTT) Video is also referred to as "Internet Video", "Web Video" and "IPTV", although IPTV is usually the term used for a dedicated IP network used for video service such as AT&T's U-Verse service. OTT video is simply video that is delivered over the Internet to a PC or to a device that is connected to the Internet, like a Roku Set Top Box or an X Box.

What Questions will this Report Answer?

- What has happened in the market?
- Who are the new market players and what are they doing?
- Are retailers the new video Service Providers?
- How have US consumers changed in this period?
- What are the new products and services?
- How can Service Providers benefit from these changes?

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1 Update Summary

1.1 Market Overview Update

The market has seen a substantial amount of activity in the past year and will see even more activity in 2010. This activity is across the board from hardware and software manufacturers to service providers.

During one of the worst economies we have ever seen people spent \$9.97 billion to get out of the house, according to Adams research, to see a movie last year, up 10 percent from 2008. At the same time, Disc sales (DVD and Blu-ray included) were down 13 percent to \$8.73 billion but most of the decrease was due to the lack of increase of Blu-ray sales. VOD rentals via cable and satellite services brought in \$1.27 billion, while digital downloads from the Internet only managed \$0.36 billion, not even 5 percent of what Disc sales brought in. What probably did cut into Disc sales more than anything else though was DVD rentals, which rose 1.8 percent to \$8.15 billion -- no wonder Warner made a deal with Netflix and other studios withheld titles from Redbox. (Netflix is following their guidelines for premium content while RedBox is not). US Theater revenue increased from \$9.85 billion in 2008 to \$10.49 billion in 2009, an increase of 6.5 percent. So it appears that OTT has not been disruptive, at least not yet.

1.2 Key Market Happenings

- Consumer Electronic (CE) companies have brought more OTT products to market

Sony, LG, Samsung and Vizio have all added more OTT content to their platforms.

- Retailers are becoming more aggressive, especially Best Buy, in the OTT market

Best Buy has announced plans to increase their retail activities with a wide range of vendors not just in their Magnolia stores but also in their traditional stores. They have not yet unveiled their plans with the Sezmi product but this is expected to be the first replacement service that would compete directly with traditional video Service Providers.

Walmart has acquired Vudu but they have tried to get into the electronic content market before with a music service without success. They will need to provide substantial in-store training and areas where consumers can see the service option(s).

- Game consoles have added more OTT services

Sony PlayStation and Nintendo Wii have added the Netflix service.

- Internet STBs (ISTBs) have also added more services

Roku and others have expanded their OTT offerings.

- Netflix has become the "must-have" OTT service

As mentioned above, Netflix is now available on a much broader range of CE and ISTB products.

- Hybrid ISTBs have launched in Europe and will soon launch on the US



Sezmi and Entone both have plans to launch this year. Entone has two models; one with a DTT interface and another with a Cable interface.

- The first ILEC has used an OTT service for their on-demand service

Toledo Telephone has successfully launched with the Vudu service.

- Advertising still holds promise but it is not here, yet

Even Hulu is talking about a paid option. There still are not enough OTT subscribers to be attractive to the major advertisers.

- TV Everywhere will slow down the increase of OTT service

The cable and IPTV companies are launching their own flavor of OTT that will address their own subscriber's desires and will give them a product to sell in areas where they don't have a traditional service.

2 Consumer Survey Results

This section has the results of a web survey conducted last June and then again in January of this year on Internet TV viewing habits and preferences. The survey had 1,000 completed responses giving a confidence rating of 98%. The key questions are listed here with the statistics for each.

Do you presently watch Internet video?

1/15/2010	6/25/2009	
63%	57%	Yes
32%	38%	No
4%	4%	Doesn't apply

This shows a definite increase in watching all types of Internet video which is consistent with Comscore data as well.

Do you presently watch Internet video on your TV set through a PC or other device?

1/15/2010	6/25/2009	
27%	25%	Yes
65%	66%	No
8%	8%	Doesn't apply

Overall the trend of watching Internet video on a TV set is about the same.

What type of device(s) do you use to watch Internet video on your TV set?

1/15/2010	6/25/2009	
34%	40%	PC connected to TV
4%	5%	Set top box (eg Roku or Vudu)
36%	29%	Game console (eg Xbox, Playstation, Wii)
10%	8%	Internet Blue-ray player
6%	7%	Tivo Series 2 or 3
11%	11%	Internet TV set (Sony, Panasonic, Vizio, etc.)

The biggest change is for Game Consoles which is consistent with other market data, especially now that Netflix is available on the PS3 and the Wii. This was not the case back in June of 2009.

What do you watch on the Internet?

1/15/2010	6/25/2009	
39%	35%	Premium movies
67%	63%	TV Shows
33%	23%	Sports
11%	16%	Foreign films
73%	71%	Music
15%	20%	Local Events
51%	67%	News

Watching sports on the Internet is the biggest change possibly due to the increasing awareness and availability on other platforms besides the PC. Music, premium movies, TV shows and news are still roughly twice as big as sports.



What would prompt you to change?

1/15/2010	6/25/2009	
65%	63%	Lower price
24%	28%	Getting content I can't get on my present service
11%	11%	Getting content on other devices like the iPhone

These results are about the same. Lower price is a substantial factor.

What is your age group?

1/15/2010	6/25/2009	
13%	7%	Under 18
56%	55%	18 - 35
21%	27%	36 - 50
9%	11%	Over 50

The age group is heavily oriented towards the 18 to 35 year old demographic. This is consistent with other market data and for the general Internet age demographic.

2.1 Summary

There has been an increase in watching video on the Internet as well as watching Internet video on the TV set. Game Consoles are still growing the fastest as the platform of choice however we do anticipate that Internet TV sets and Internet Blu-ray players will gain more in the future. While sports are growing in popularity premium movies, TV shows and music are still the biggest attractions.

3 Conclusions

- What has happened in the market?

There have been more products and services announced flooding the market and creating more awareness but also more confusion.

- Who are the new market players and what are they doing?

Leading CE companies are leading the charge in the retail space but are still mainly competing for the in-home video rental market.

Cable and IPTV companies have announced and are launching "TV Everywhere" that will help stave off competition and secure content deals.

Advertisers are still unsure about the value of online video advertising. Revenue and CPMs are still much higher with traditional video advertising.

- Are retailers the new video Service Providers?

Possibly but this will remain to be seen. They could go after the low end of the video market. The premium content is still locked up with the traditional service providers.

- How have US consumers changed in this period?

There are some minor trends, game consoles for example, where consumer behavior has changed but it is uncertain whether this is just a younger-age demographic or whether this behavior will stick with them as they age.

- What are the new products and services?

There are not really "new" services but more of the ones that you find on traditional platforms.

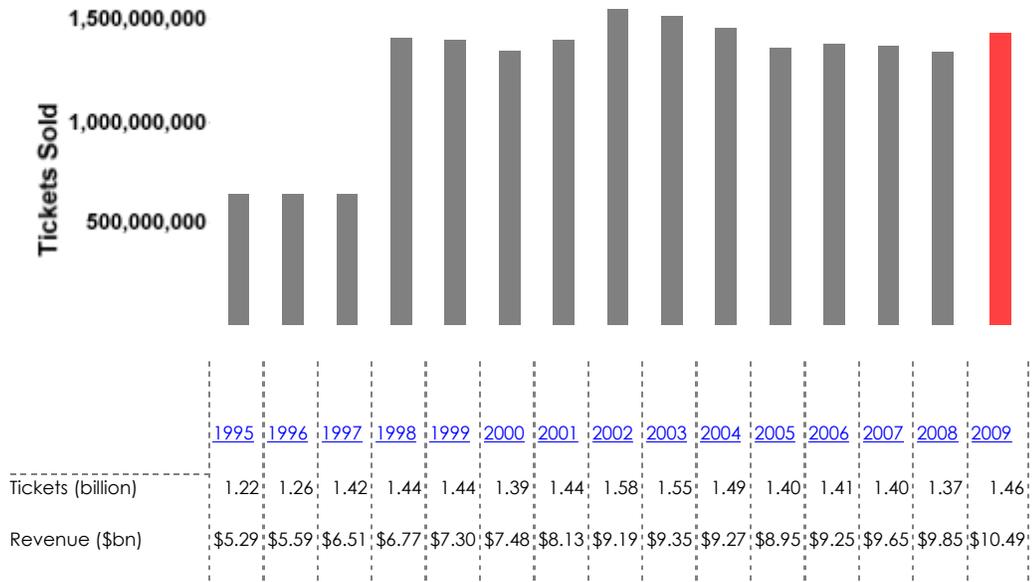
- How can Service Providers benefit from these changes?

The traditional service providers are doing a good job of delivering online video to an ever increasing range of end devices. They are also adding more content that previously was only available through the Internet. This will lead to other forms of revenue both paid and ad supported.

4 Reference Information

4.1 Annual Ticket Sales

US Theater Sales



Source: The Numbers (www.the-numbers.com)