### Solon Video Survey 2011: Methodology and survey set-up

A parallel survey of online users in 5 countries covering
- Linear broadcast TV and
- All three types of non-linear video:
  - Managed Platform Video-on-Demand (VoD) from cable and telecom providers
  - Online over-the-top video as paid OTT video
  - Online over-the-top video as ad-financed / “free” OTT video

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Source: Solon Video Survey 2011
Solon Video Survey 2011: Europe follows U.S. trend – Online video is making its way into the consumers’ living rooms

- Many respondents are not satisfied with the video content offering, especially younger age groups are very demanding
- In the US, Linear TV is already under pressure as usage time starts to shrink – every third online user claims to watch linear TV less than once a week
- Available video services do not yet fulfill consumers’ demand to watch attractive content whenever they want: new and better offers needed and ease of use on own TV sets has to be improved

Linear broadcast TV under pressure

- Especially younger viewers are using non-linear offers and thus make themselves independent from linear TV – overall more than a third of internet users also use online video at least weekly
- Europe expected to see substantial growth especially in paid OTT services, as already happening in US and UK – driven by relevant young generation maturing (with age) to higher income levels
- Willingness to pay for premium Video-on-Demand offers differs by country and is significantly higher in the UK than in Germany

Non-linear video push needed in Europe

- The TV screen is key for success: Watching shows and movies on smaller laptop or mobile screens less attractive to consumers
- Price is key obstacle to paid OTT services, especially for youngest age group, but more than half of the non-users do not name price among the reasons for refraining from use of online video, indicating major growth potential
- Consumption of illegal online video content strongly differs between the surveyed countries: usage of illegal sources rather low in Germany but almost “normal” in Spain – this directly impacts willingness to pay, inhibiting adoption of paid OTT services

Clear success factors for online video offers

Source: Solon Video Survey 2011
Many respondents are not satisfied with the available video content offering, especially younger age groups are very demanding.

Dissatisfaction with availability of TV and video content
% of respondents, at least weekly, 2011

- Satisfaction with availability of TV and video content increases with age – youngest age group is most demanding
- More users have difficulties finding anything interesting to watch. Fewer users have the problem of not finding the specific show they were looking for

“How often does the following happen to you: I have trouble finding something interesting to watch”

“How often does the following happen to you: The movie/TV show I want to watch is not available”

Base: Total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP), 1008 (U.S.); Source: Solon Video Survey 2011
In the US, Linear TV is already under pressure as usage time starts to shrink – every 3rd online user claims to watch linear TV less than once a week.

- In Europe, non-linear video has not yet affected linear TV usage.
- In the U.S., however, strong online video has lead to significant changes in TV viewing behavior: Only 66% of respondents say they are watching TV during its normal broadcast time at least weekly (only 35% watch it daily).
- Lower usage of linear broadcast TV is mainly driven by younger age groups (only 54% of 25-34 years old Americans watch linear TV at least once a week).

1) Differs by country: 14-49 yrs (GER), 16+ yrs. (UK), 16-49 yrs (POL), 16-54 yrs. (ESP), 18-49 yrs. (U.S.) Base: Total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP), 1008 (U.S.).

Source: IP RTL, Solon Video Survey 2011
In the U.S., trend of declining linear TV usage continues with all age groups claiming less intensive usage than they did a year ago

Watch TV shows/movies during normal broadcast time
% of respondents, at least weekly, 2010/2011, U.S.

- Compared to last year’s results, 2011 results reveal a further decrease in intensity of linear TV usage: fewer respondents are watching TV shows and movies during their normal broadcast time.
- The 18-24 year olds are leading the trend of turning away from linear TV – only 42% say they watch scheduled TV at least once a week (down from 65% in 2010).
The opportunity for new offers: Available video services do not meet consumers’ demand to watch attractive content whenever they want

“The movie/TV show I want to watch is not available”
% of respondents with respective service, at least weekly occurrence, 2011

“I have trouble finding something interesting to watch”
% of respondents with respective service, at least weekly occurrence, 2011

- Users of non-linear video services (of any type) are more demanding and even less satisfied with the content available to them than people who do not use any non-linear service
- This shows latent demand for the increase and improvement of non-linear video offers

Base: Total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP), 1008 (U.S.); Source: Solon Video Survey 2011
Germany lags behind with only 33% of German internet users saying that they’re watching non-linear video offers at least weekly

33% of German internet users say they are watching non-linear video services such as managed VoD, paid OTT and ad-financed OTT at least weekly - this is a lower non-linear video penetration than in any other of the surveyed countries – UK with 41%, US with 46%

More remarkably, German usage is predominantly in the Free OTT area, whereas in the UK we see a significant usage of paid managed VoD offerings that surpasses free and paid OTT with a compelling and easy-to-use proposition.
Managed VoD services and OTT services compete for the paid non-linear market – Europe expected to see boost catching up with US and UK penetration rates

Watching TV shows/movies from different non-linear sources
% of respondents, at least weekly, 2011

- U.S. most developed and dynamic market in terms of paid non-linear video services – equally for managed VoD and paid OTT services
- In the UK, strong penetration of managed VoD services is mainly driven by highly competitive offer from Sky successfully keeping paid OTT services at a distance
- Poland, Spain and Germany are still lagging behind. We expect German market to see strongest boost – Spanish and polish growth somewhat mitigated by strong free (ad-financed and illegal) sources

Size of bubble indicates share of weekly users watching TV shows/movies from ad-financed OTT sources

1) Illegal sources, e.g. BitTorrent, excluded. Base: Total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP), 1008 (U.S.);
   Source: Solon Video Survey 2011
Online video is making its way into consumers‘ homes; boost expected for paid online OTT services in Europe

Watch TV shows/movies from ad-financed OTT sources¹
% of respondents, at least weekly, 2011

- **Free OTT sources**
  - BBC iPlayer
  - hulu
  - MyVideo
  - iplex

- **Paid OTT sources**
  - LOVEFiLM
  - maxbome
  - blinkbox
  - VUDU
  - onet.pl
  - VOD

**GER** | **UK** | **PL** | **ESP** | **U.S.**
--- | --- | --- | --- | ---
28% | 17% | 48% | 40% | 23%

**GER** | **UK** | **PL** | **ESP** | **U.S.**
--- | --- | --- | --- | ---
7% | 7% | 11% | 8% | 24%

- In Poland high usage numbers for ad-financed OTT due to good availability of video content – Spain similar
- In the UK, TV provider Sky successfully fends off free and paid OTT offers, while paid OTT offerings are generally less successful in European countries than in the US

¹) Illegal sources excluded, 2) excl. VoD from TV service providers; Base: Total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP), 1008 (U.S.); Source: Solon Online Video Survey 2011
Especially younger viewers are using OTT offers and make themselves independent from scheduled TV and established platforms – further growth foreseeable over time.

Watch TV shows/movies from *ad-financed* OTT sources
% of respondents, at least weekly, 2011

Watch TV shows/movies from *paid* OTT sources
% of respondents, at least weekly, 2011

*How to read (example for Germany):* Amongst the 18-24 years old, the penetration of viewers who watch ad-financed OTT videos at least weekly is 64% higher than in the total population.

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1) Illegal sources, e.g. BitTorrent, excluded. Base: Total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP), 1008 (U.S.);
Source: Solon Video Survey 2011
Respondents show a substantial willingness to pay for video content with only Spanish users being in their majority unwilling to pay

Willingness to pay for online video content
% of respondents, agree/strongly agree, 2011

“I am unwilling to pay for TV shows/movies because I know I can find them online for free.”

“Video on the internet should be free. I would never pay for it.”

Base: Total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP), 1008 (U.S.); Source: Solon Video Survey 2011
Consumption of illegal online video content strongly differs between the surveyed countries: usage of illegal sources almost “normal” in Spain

Watch TV shows/movies from illegal online sources
% of respondents, 2011

- Watching illegal online video content is “normal“ in Spain: 72% of Spanish respondents admit to using illegal online sources for TV shows and movies “at least rarely“
- Almost 50% of Spanish users are watching illegal content at least once a month – compared to ~16% in Germany
- Illegal content is less of a problem in Germany and UK: 70% of German and British online users claim to never have watched TV shows or movies from illegal online sources

Base: Total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP);
Source: Solon Video Survey 2011
Even among *non-users* only half name high price as a key obstacle to buy paid OTT video services – ease of use on TV-set is a core requirement especially in Germany.

### Reasons for not watching TV shows/movies through paid OTT services

**% of respondents not using paid OTT services, 2011**

- **Too expensive**
- **Want to watch on TV set**
- **Inconvenient to access**
- **Rather watch online videos for free**
- **Low video quality**

*Zoom-in: by age group*

**Not watching paid OTT videos: Too expensive**

% of respondents, not watching paid TV shows/movies, 2011

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Base: Non-viewers within total base of 1202 respondents (GER), 1140 (UK), 1240 (PL), 1225 (ESP), 1008 (U.S.);
Source: Solon Video Survey 2011
Solon Video Survey 2011:
Recommendations for existing and future video players

Five key take-aways for the video business

1. There is demand for new and better non-linear video offerings in Europe – large parts of the business potential are not yet being realized by existing players

2. Consumers are willing to pay for convenient and attractive video offerings: Even among non-users more than half do not name price as a key obstacle for usage of paid video services

3. Illegal platforms such as BitTorrent are a serious threat for the future video market development as customers get used to illegal sources – but usage differs strongly by country

4. Managed Platform providers can fend off competition from OTT players – if they aggressively roll-out non-linear offerings themself

5. Two key success factors for non-linear video products: convenient availability on TV screen and country-specific price point (as discovered in a conjoint analysis conducted in parallel)
Solon Video Survey 2011

Solon Management Consulting

- Founded 1996
- Specialized in the media and telecommunications industries
- Combination of commercial and technical expertise as well as capital markets perspective
- Trusted advisor to C-level executives of blue-chip companies throughout Europe
- Over 500 client engagements in 28 countries
- Team of 60 professionals in three European offices
- Strong transatlantic partnership with Altman Vilandrie & Company (Boston and New York)

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Source: Solon