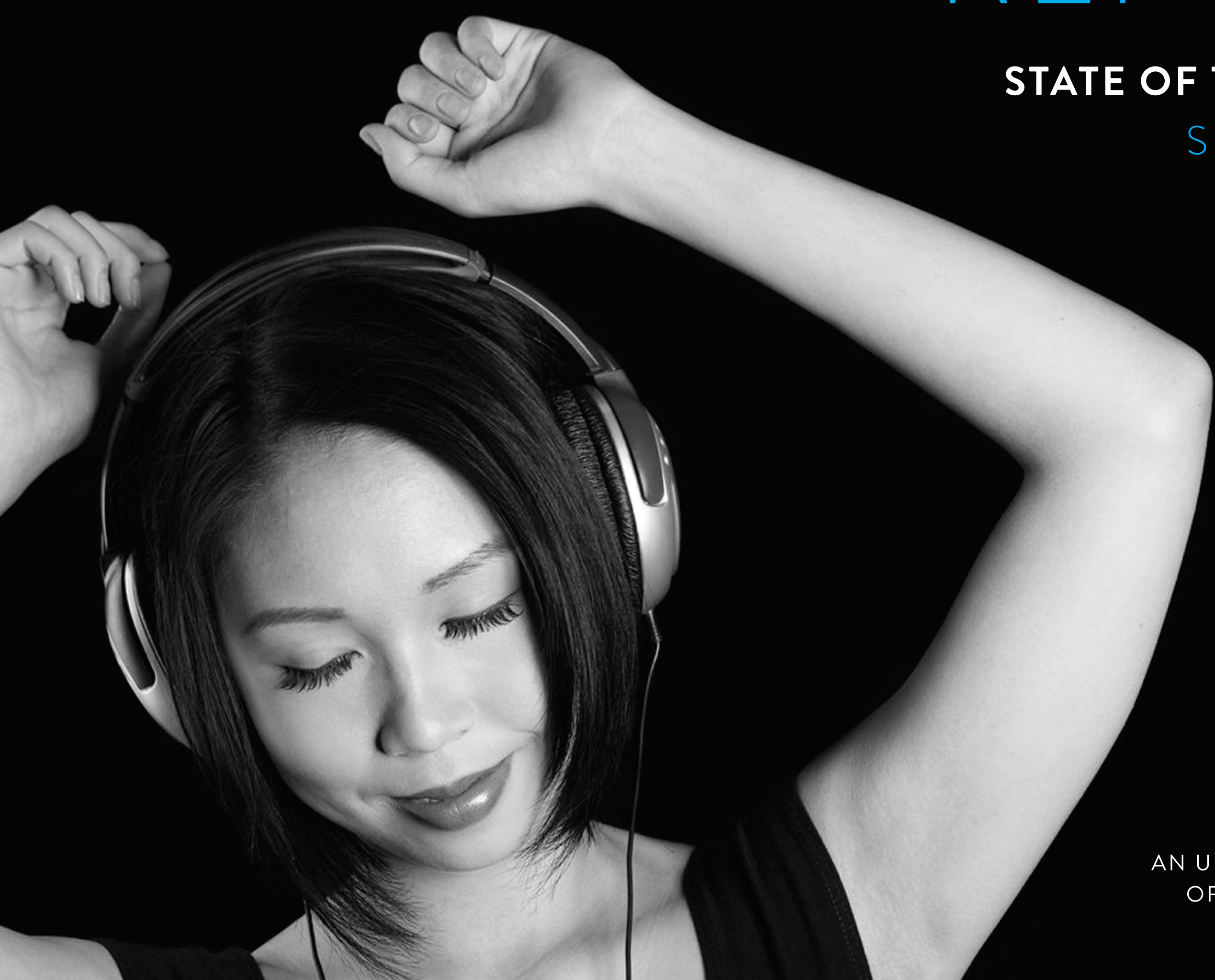
THE U.S. ENTERTAINMENT CONSUMER REPORT

STATE OF THE MEDIA

SPRING 2013



nielsen

AN UNCOMMON SENSE
OF THE CONSUMER™

WELCOME

HOWARD APPELBAUM
President, Entertainment
Nielsen

We are excited to bring you Nielsen's first-ever Entertainment Consumer Report, which explores how we listen to, buy, play and watch content in the U.S. When it comes to music, home video, books and games, consumers have more choices than ever thanks to digital formats and connected devices. CD or digital album? Print or e-Book? DVD or Netflix? Video game console or smartphone? These questions led us to three distinct types of entertainment consumers based on their spending across activities ranging from reading to video games to watching movies at home. We found that people are buying and consuming all formats and those that spend the most on entertainment also divide their time across more activities.

This concept of "more" presents an interesting opportunity for content providers to engage consumers over longer periods of time, as people immerse themselves into the same content across multiple platforms. We saw this with Suzanne Collins' *The Hunger Games*, which was the top selling music soundtrack, third most-purchased DVD title, and fourth best selling print book of 2012. This phenomenon now extends beyond the book-to-movie experience and was especially evident in how people use their game consoles. Although game play is still the top activity, we found that people are spending more of their overall console time streaming videos.

Report highlights include:

- High entertainment spenders are taking part in a larger variety of activities, giving them less time to spend on each.
- Home entertainment consumers are embracing digital at a higher rate than ever before, as we see double-digit percentage increases in both one-time purchases and content subscriptions.
- Even with a preference for physical books, print book buyers are still just as engaged as their e-book-buying counterparts online.

We hope you will enjoy these Nielsen insights on the entertainment fans—who they are, how they're engaging and how to best reach them.

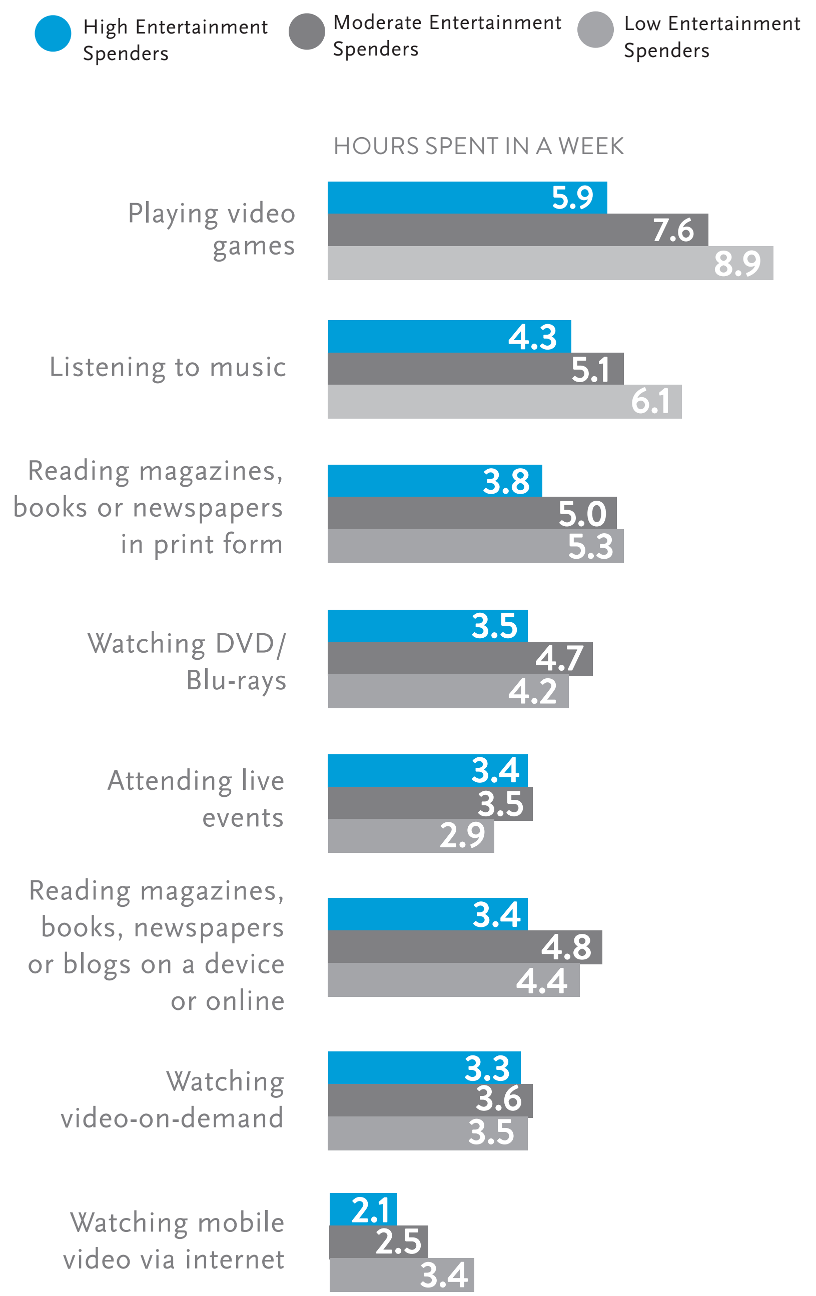
CONTENTS

WHO IS THE HIGH ENTERTAINMENT SPENDER?

The high entertainment spender is the ultimate home entertainment consumer, representing a third of the U.S. population and accounting for over 70 percent of spending across entertainment categories TV, music, books, home video, games, and mobile. High entertainment spenders are more likely than moderate and low entertainment spenders to be female, ethnically diverse and have young children in the household.

	HIGH ENTERTAINMENT SPENDERS	MODERATE ENTERTAINMENT SPENDERS	LOW ENTERTAINMENT SPENDERS
Average Household Income	$66K	$51K	$52K
Female	53%	50%	46%
Teens	5%	8%	19%
Hispanic	19%	11%	10%
Other (neither Caucasian nor African-American)	26%	16%	15%
Kids under age 6 in the Household	24%	17%	17%

HIGH SPENDERS ENGAGE IN MORE ACTIVITIES BUT SPEND LESS TIME ON EACH



HIGH SPENDERS' SHARE OF TOTAL ENTERTAINMENT DOLLARS BY CATEGORY

79%
VIDEO-ON-DEMAND OR PAY-PER-VIEW

76%
VIDEO GAMES

78%
MUSIC

70%
SATELLITE RADIO SUBSCRIPTION

71%
FEATURE FILMS ON DVD, BLU-RAY OR VIDEO BUYING OR RENTING

70%
MAGAZINE, BOOK OR NEWSPAPER PURCHASES OR SUBSCRIPTION FEES

"IT'S ALL ABOUT THE BENJAMINS"

It was all about digital in 2012, as consumers purchased 118 million digital albums in 2012, up 14 percent from the prior year. They also purchased an impressive 1.3 billion digital tracks—the most digital tracks ever purchased in a single year—up 5 percent from 2011.

While digital ruled overall music sales, resurgent format vinyl saw the largest year-over-year sales increase, as consumer purchases in 2012 climbed 17.7 percent. This marks the seventh straight year of growth for the vinyl format.

MUSIC SALES	2012	2011	% CHANGE
OVERALL	1.66B	1.61B	3.10%
PHYSICAL: CDS	193.38M	223.51M	-13.48%
PHYSICAL: LPS	4.55M	3.87M	17.66%
DIGITAL: ALBUMS	117.68M	103.11M	14.13%
DIGITAL: TRACKS	1.34B	1.27B	5.09%

WHO'S BUYING MUSIC?

Compared to the average adult online, digital music buyers are 45 percent more likely to be aged 25-34, while those who purchase physical CDs are most likely to be between 35 and 44 years old. Internet users who purchase digital music are also more likely than the average adult online to be Asian (8% more likely) and Hispanic (5% more likely).

U.S. MUSIC BUYERS

(AMONG ADULTS ONLINE, INDEX V. U.S. INTERNET USERS 18+)

PHYSICAL CD BUYERS

GENDER		AGE		RACE/ETHNICITY	
Female	111	98	18-24	102	African-American
Male	88	94	25-34	91	Asian
		111	35-44	95	Hispanic
		109	45-54	101	White
		106	55-64		
		72	65+		

DIGITAL MUSIC BUYERS

GENDER		AGE		RACE/ETHNICITY	
Female	106	131	18-24	100	African-American
Male	93	145	25-34	108	Asian
		142	35-44	105	Hispanic
		90	45-54	99	White
		56	55-64		
		24	65+		

Read as: Adult internet users who purchased physical CDs are 11 percent more likely than the average U.S. adult online to be female.

HOW DO WE LISTEN TO MUSIC?

STREAMING* (2012)

37.0B	24.0B	6.1B	6.9B
OVERALL	SONGS ON-DEMAND (CHOSEN BY THE LISTENER)	SONGS PROGRAMMED (CHOSEN BY THE SERVICE)	VIDEO ON-DEMAND

> 18-24 YEAR OLDS ARE DRIVING MUSIC CONSUMPTION IN THE U.S. AND SPEND MORE THAN 6 HOURS PER WEEK LISTENING TO MUSIC – ABOUT A FULL HOUR MORE THAN ADULTS 25+

AIRPLAY

	2012	2011	% CHANGE
RADIO PLAYS (TERRESTRIAL AND SATELLITE)	161.0M	158.0M	.02%
TV VIDEO PLAYS (MUSIC VIDEO CHANNELS)	.70M	.75M	-.07%

* Includes music streams from: Akoo, Guvera, MediaNet, Rhapsody, Rdio, Slacker, Spotify, Thumbplay, VEVO, Yahoo!, and others. YouTube data was integrated into Nielsen's music streaming measurement in January 2013.

WHO ARE ON-DEMAND MUSIC STREAMERS?

THEY'RE SOCIAL AND SPEND BIG

Compared to the average U.S. Internet user, on-demand music streamers are:

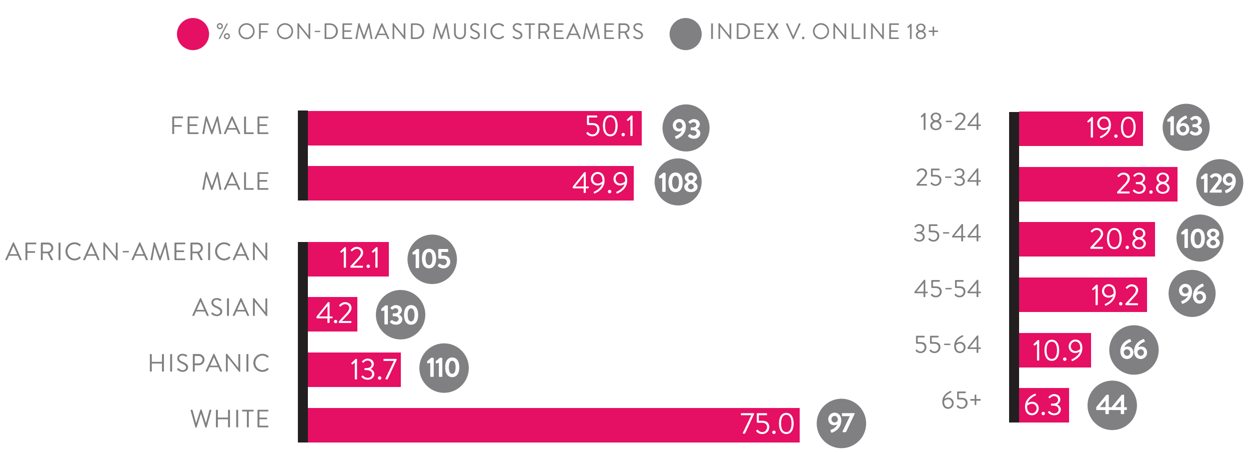
96% MORE LIKELY to follow a celebrity on a social network

75% MORE LIKELY to follow a brand on a social network

91% MORE LIKELY to post links, articles, videos or web sites on a social network

90% MORE LIKELY to be heavy spenders on music

50% MORE LIKELY to be heavy spenders on event tickets



Read as: Nineteen percent of on-demand music streamers are aged 18-24, 63 percent more likely than the average adult online to be this age.

29% OF CONSUMERS ARE LIKELY TO PURCHASE NEW MUSIC AFTER HEARING IT THROUGH A STREAMING SERVICE

HOW WE USE SOCIAL MEDIA TO INTERACT WITH MUSIC

HOW WE'RE USING SOCIAL MEDIA TO INTERACT WITH MUSIC

Social media has increasingly become an important platform for music artists and labels to share and promote their music to the masses. In the U.S., consumers are highly engaged with music content on social sites such as Facebook and Twitter. A Nielsen survey of music consumers found that more than half (55%) read Facebook posts from artists and bands on their mobile device and 26 percent keep up with those artists' tweets.

SOCIAL ENGAGEMENT WITH MUSIC ON MOBILE

% of consumers who use Facebook and Twitter to follow artists/bands

55%
Read Facebook posts from artists/bands

53%
"Like" Facebook posts from artists/bands

30%
Comment on Facebook posts from artist/bands

28%
Click on posts from artist/bands from Facebook timeline

26%
Read tweets from artist/bands

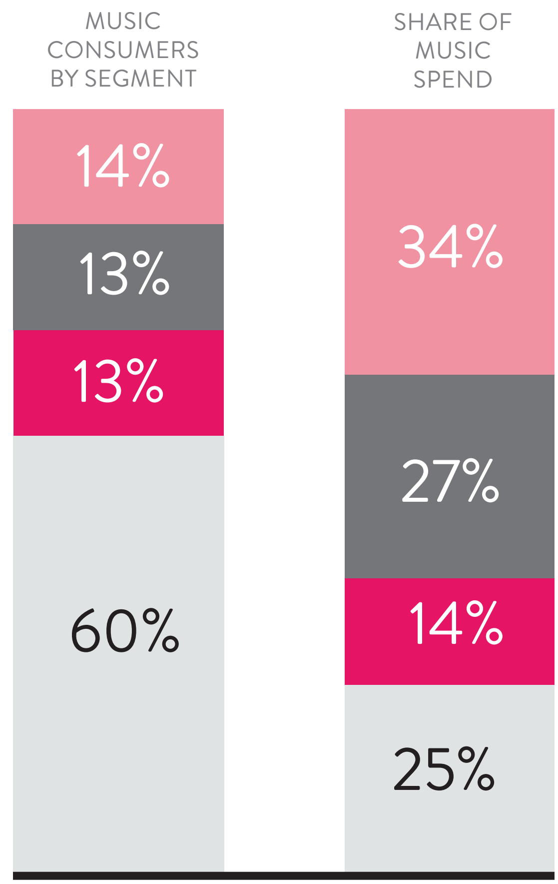
15%
Share posts from artist/bands

14%
Retweet artist/bands

PROMOTIONAL PERSUASION

MUSIC FANS & BRANDS

A recent Nielsen study found that music fans – who make up 40 percent of music consumers but account for 75 percent of spending – not only have love for their favorite artist or band, but also appreciate the brands who sponsor an artist event or concert.



AFICIONADO FANS:
Loves music, very engaged, wants content, understands the music industry, very social, attends live events

DIGITAL FANS:
Engaged, listens through Facebook, shares playlists, smartphones are their entertainment hub, influenced by reviews

BIG BOX FANS:
Claims to have a very intense relationship with music, heavily influence by deals, likes music heard in movies, likes brand endorsements

OTHER MUSIC CONSUMERS

BONDING WITH BRANDS

% who will try a product if they sponsor an event for an artist they like

23% OF AFICIONADO FANS

30% OF DIGITAL FANS

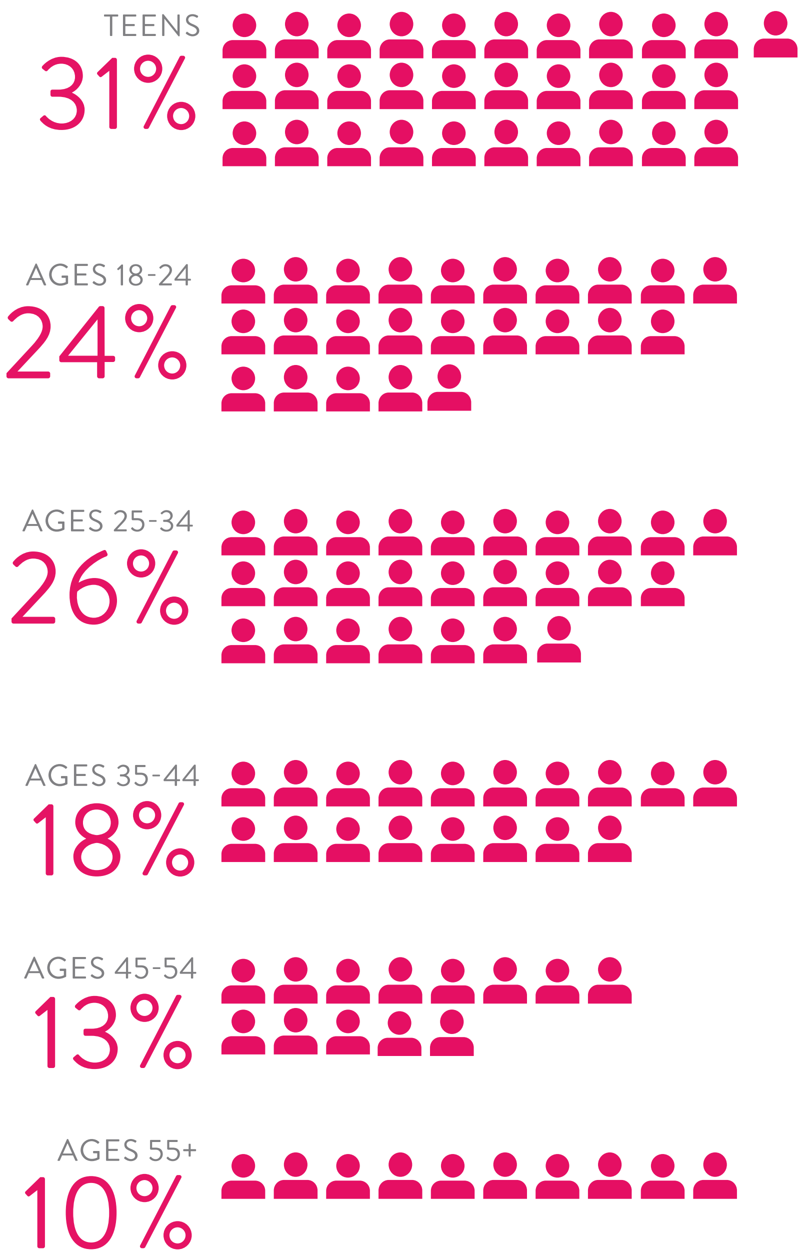
28% OF BIG BOX FANS

43%

OF FANS NOTICE WHEN A BRAND/PRODUCT SPONSORS AN ARTIST/BAND

HOW WE ENGAGE WITH SPONSORSHIPS

% of consumers who will try a product if they sponsor an event for an artist they like



BRAND ENDORSEMENTS

AN ENDORSEMENT CAMPAIGN WITH A MUSIC ARTIST HAS BEEN SHOWN TO INCREASE BUY RATES OF A PRODUCT BY AS MUCH AS 28% AMONG THE ARTIST'S FANS

AN ENDORSEMENT CAMPAIGN BY AN ARTIST HAS BEEN SHOWN TO INCREASE A BRAND'S MARKET SHARE BY AS MUCH AS 2.4 POINTS AMONG THE ARTIST'S FANS

A WORLD VIEW: GLOBAL GROOVES

AIRPLAY

74.6M

RADIO SPINS 2012 (EUROPE)

DIGITAL TRACKS

492.4M

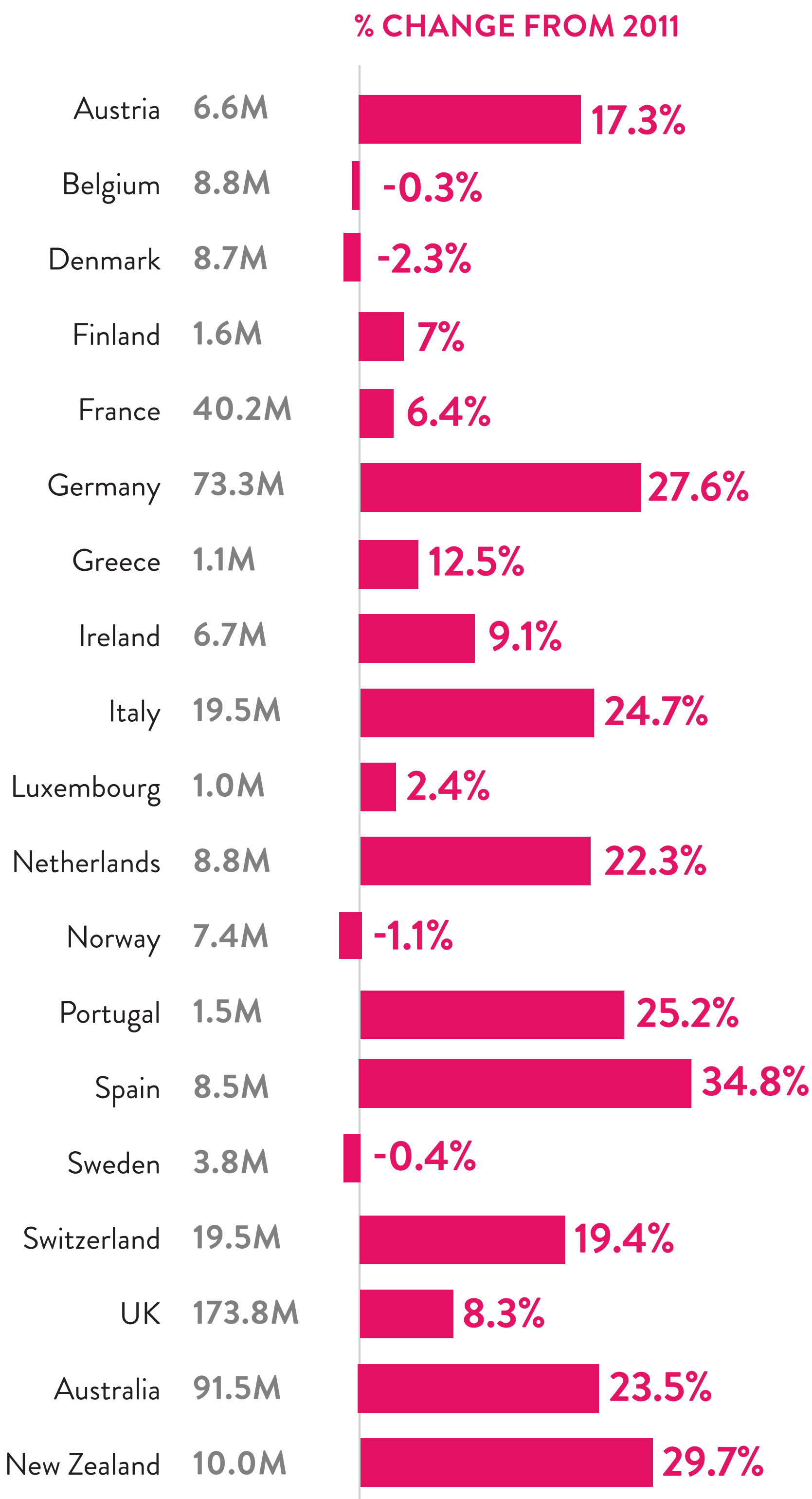
DIGITAL TRACK SALES 2012 (EUROPE AND OCEANIA)

> GOTYE FEAT. KIMBRA'S "SOMEBODY THAT I USED TO KNOW" WAS THE MOST HEARD SONG IN 9 EUROPEAN COUNTRIES IN 2012.

39%

OF DIGITAL TRACK SALES AND RADIO AIRPLAY IN THE U.K. IN 2012 ARE FROM AMERICAN ARTISTS

2012 DIGITAL TRACK SALES



HOME SWEET HOME ENTERTAINMENT

People no longer have to wait weeks or even months to catch up on that missed movie or TV series. Now consumers have a plethora of home entertainment options at their fingertips and can time-shift, stream, rent and purchase videos—all from the comfort of their couch.

People do still purchase and rent physical DVDs and Blu-ray Discs, but streaming services such as Netflix and Hulu continue to gain traction as a convenient alternative, accessible through a variety of devices.

THE DEVICES WE USE TO WATCH VIDEO AT HOME

Device penetration among U.S. TV Households (Sept 2012)

83.6%
DVD PLAYER/
BLU-RAY PLAYER

44.1%
DVR

45.1%
VIDEO GAME
CONSOLE

WHO'S PURCHASING AND WATCHING?

U.S. DVD AND STREAMING SERVICE BUYERS

(AMONG ADULTS ONLINE, INDEX V. U.S. INTERNET USERS 18+)

	GENDER		AGE		RACE/ETHNICITY	
MOVIE/TV DVD BUYERS	Female	108	18-24	97	African-American	97
	Male	91	25-34	123	Asian	108
			35-44	121	Hispanic	99
			45-54	106	White	100
			55-64	83		
			65+	54		
STREAMING SERVICE BUYERS	Female	89	18-24	87	African-American	86
	Male	112	25-34	132	Asian	173
			35-44	128	Hispanic	128
			45-54	90	White	98
			55-64	101		
			65+	42		

Read as: Adult internet users who purchased movie or TV DVDs are 8 percent more likely than the average U.S. adult online to be female.

HOW WE WATCH VIDEO AT HOME

(# OF PAID TRANSACTIONS IN THE LAST 6 MONTHS, DEC 2012 V. DEC 2011)

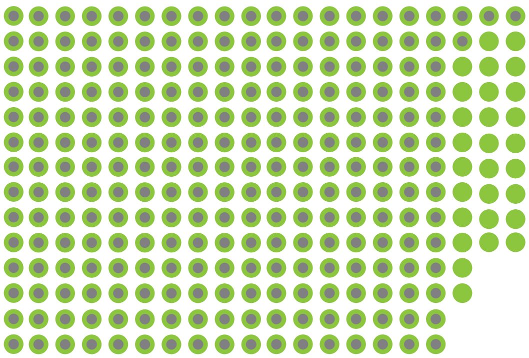
MOVIES			TV SHOWS	
0.6	32%	Streamed from the Internet for a 1-time fee	29%	0.4
6.7	12%	Streamed from the internet through a subscription service like Netflix	24%	5.9
1.4	-8%	Ordered through premium video-on-demand (VOD)	7%	0.9
1.3	-1%	Ordered through VOD for a 1-time fee	21%	0.5
4.4	-1%	DVDs bought	5%	2.0
2.4	14%	Blu-ray Discs bought	25%	1.1

OUR FAVORITE MOVIES IN 2012

TOP DVD & BLU-RAY DISC GENRES OF 2012 BY SALES UNITS

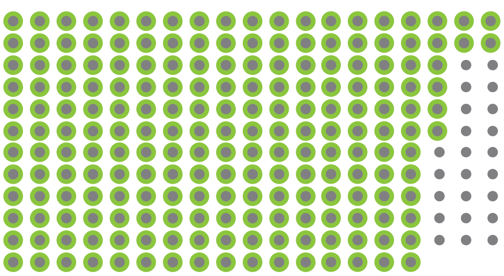
ACTION/ADVENTURE ↑ 24%

2012-**126.2M** | 2011-**102.1M**



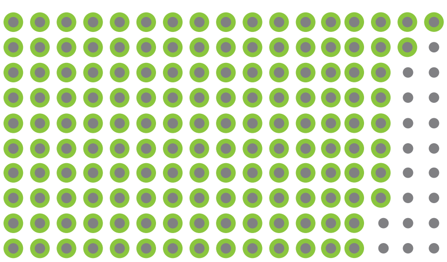
COMEDY ↓ -12%

2012-**103.7M** | 2011-**118.5M**



FAMILY ↓ -11%

2012-**97.3M** | 2011-**109.7M**



TOP DVD & BLU-RAY DISC TITLES OF 2012 BY SALES UNITS

7.1M

THE AVENGERS

6.4M

THE TWILIGHT SAGA: BREAKING DAWN - PART 1

6.3M

THE HUNGER GAMES

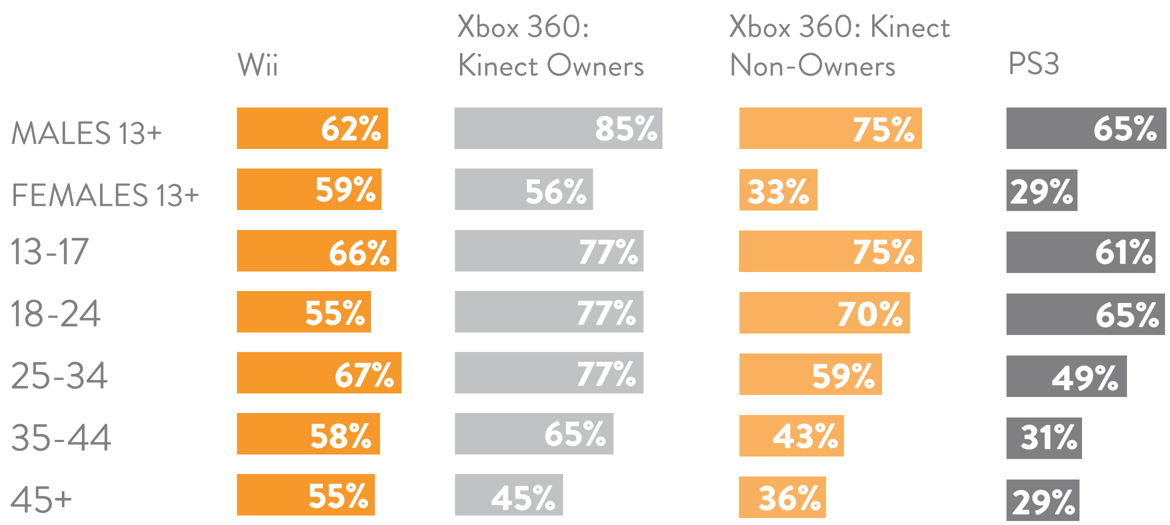
IT'S A GAME PLAYER… IT'S A VIDEO STREAMER…

IT'S TODAY'S MODERN GAMING CONSOLE

Today's game console is truly a super hero. With the ability to play games, stream video, connect to the internet and more, it's no longer a device for just the avid gamer and allows users to master multiple levels of entertainment.

THE CONSOLES WE USE TO PLAY

PLAYERSHIP ON 7TH GENERATION SYSTEMS (2012)



Read as: During 2012, 62% of males aged 13+ who report living in a household that owns a Wii play it.

INTEREST IN 8TH GENERATION CONSOLES

- In October 2012, about 40 percent of U.S. households that owned an Xbox 360 or PlayStation 3 said they “definitely” or “probably” will buy the successor to their respective console when it becomes available
- Over one-quarter (27%) of Wii-owning households said they “definitely” or “probably” will buy the recently-released Wii U

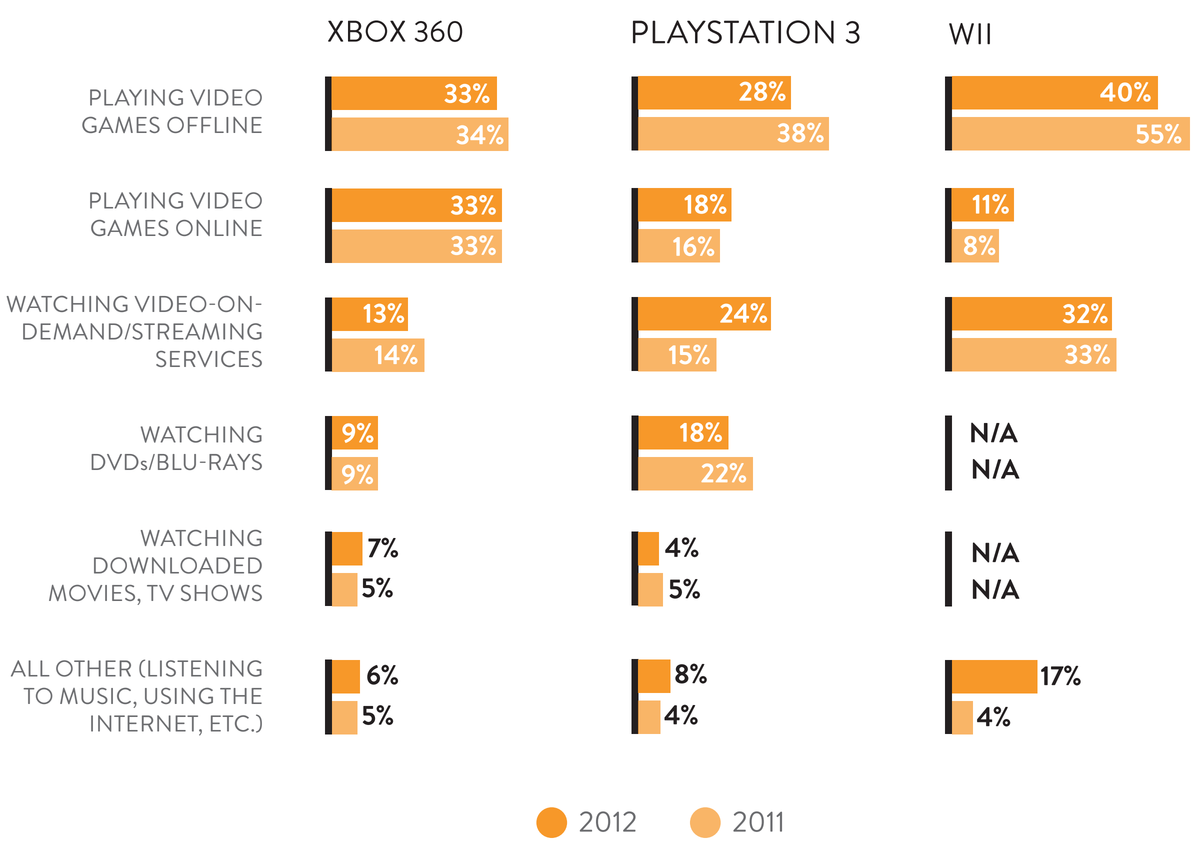
TO PLAY OR TO STREAM?

In 2012, game play accounted for 10.3 percent of gamers' overall entertainment time, up from 9.1 percent in 2011. On consoles, gaming accounted for the majority of time among Xbox 360 and Wii users, while the use of streaming services and video-on-demand (VOD) made up a larger portion of time among PS3 users.

For the third year in a row, 7th gen users spent more of their overall console watching video through streaming services and VOD. These services accounted for 22 percent of users' console time in 2012, up from 19 percent a year ago.

HOW WE'RE SPENDING TIME WITH OUR GAME CONSOLES

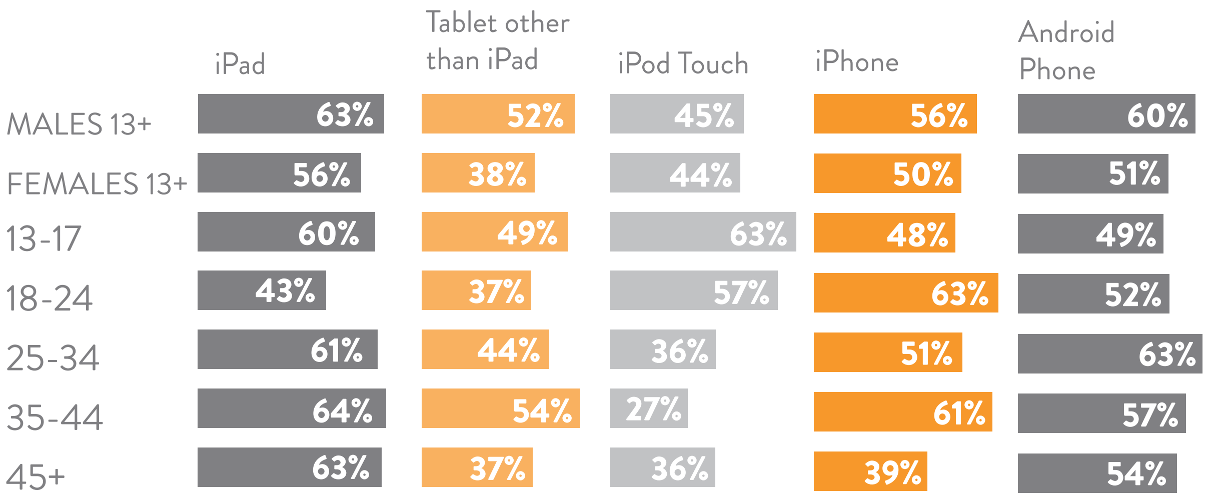
(SHARE OF CONSOLE TIME AMONG USERS AGED 13+, 2012 V. 2011)



GAMING ON THE GO

The rapid adoption of mobile devices and tablets can expand game play beyond the traditional console and PC realms.

HOW WE'RE PLAYING GAMES ON MOBILE AND PORTABLE DEVICES (2012)



Read as: During 2012, 63% of males aged 13+ who report living in a household that owns an iPad play games on it.

WHO'S PURCHASING BOOKS?

Consumers are embracing digital formats across all categories of entertainment, and the divide between digital and physical users seems vast. But when it comes to books, print and eBook buyers aren't that different at all. A Nielsen analysis of adult internet users in the U.S. found that book buyers—regardless of format—are more likely than the average adult online to be female and between 55-64 years old.

When not engrossed in their latest books, the reading continues online. Both physical and e-book buyers are more likely than the average adult internet user to read product reviews and technology news.

U.S. PRINT AND E-BOOK BUYERS

(AMONG ADULTS ONLINE, INDEX V. U.S. INTERNET USERS 18+)

PRINT BOOK BUYERS

GENDER		AGE		RACE/ETHNICITY	
Female	118	85	18-24	95	African-American
Male	79	88	25-34	100	Asian
		103	35-44	87	Hispanic
		96	45-54	102	White
		112	55-64		
		116	65+		

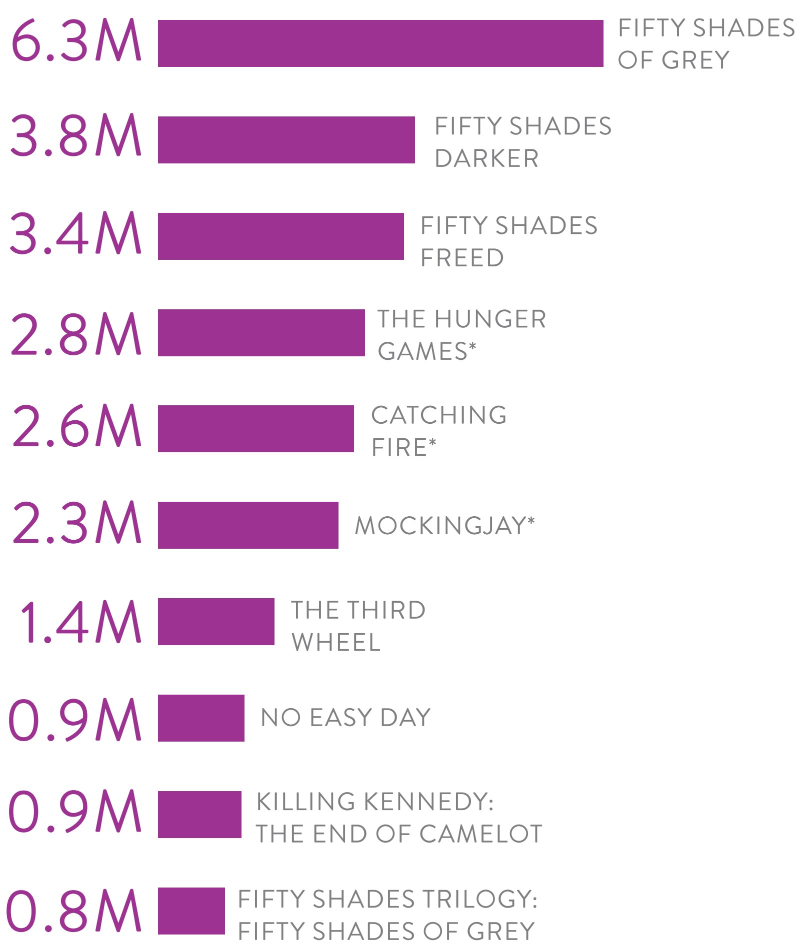
E-BOOK BUYERS

GENDER		AGE		RACE/ETHNICITY	
Female	121	69	18-24	95	African-American
Male	76	101	25-34	89	Asian
		111	35-44	78	Hispanic
		106	45-54	102	White
		111	55-64		
		92	65+		

Read as: Adult internet users who purchased print books are 18 percent more likely than the average U.S. adult online to be female.

OUR FAVORITE BOOKS OF 2012

TOP TEN PRINT BOOKS OF 2012 BY UNIT SALES



*These editions were first published prior to 2011

> 7 OF THE TOP 10 BEST-SELLING TITLES OF 2012 WERE EITHER E.L. JAMES' *FIFTY SHADES OF GREY* OR SUZANNE COLLINS' *HUNGER GAMES* TITLES

WHAT ELSE ARE BOOK BUYERS DOING ONLINE?

ONLINE ACTIVITIES AMONG BOOK BUYERS

(AMONG ADULTS ONLINE, INDEX V. U.S. INTERNET USERS 18+)

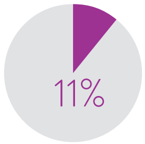
ONLINE ACTIVITIES AMONG BOOK BUYERS	PRINT BOOK BUYER	E-BOOK BUYER
BUILD OR UPDATE PERSONAL BLOG	123	151
DOWNLOAD ONLINE COUPONS	122	143
READ TECHNOLOGY NEWS	127	157
READ OR POST PRODUCT REVIEWS	135	176
HAVE ONE OR MORE SOCIAL NETWORKING PROFILES	104	111

HOW MOMS ENGAGE WITH BOOKS

Compared to the average adult internet user in the U.S., moms online are:

more likely to shop for books online

more likely to have purchased an E-Reader



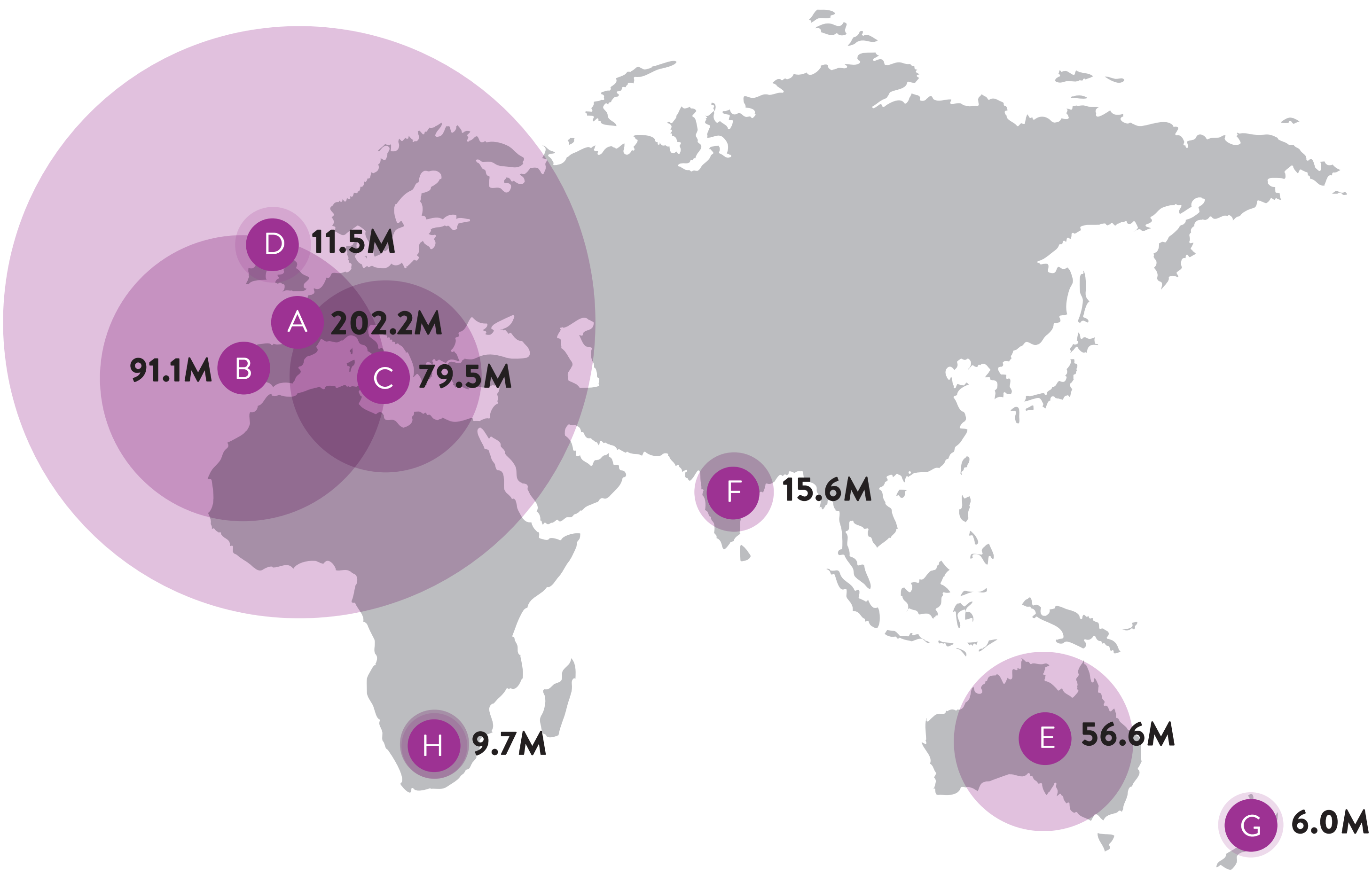
more likely to purchase magazine or newspaper subscriptions

more likely to be heavy spenders on books

Read as: Adult internet users who purchased print books are 23 percent more likely than the average U.S. adult online to build or update a personal blog.

BOOK SALES TOP ONE BILLION* IN 2012

2012 PRINT BOOK SALES



- A UK
- B SPAIN
- C ITALY
- D IRELAND
- E AUSTRALIA
- F INDIA
- G NEW ZEALAND
- H SOUTH AFRICA

* Including U.S.

SOURCES

PAGES 3-4 Who is the High Entertainment Spender?; High Spenders Engage in More Activities but Spend Less Time On Each
Nielsen Music 360 Report 2012.

PAGE 5 "It's All About the Benjamins"
Nielsen SoundScan. 2012. Point-of-sale transactions for physical and digital music.

PAGE 6 Who's Buying Music?
Nielsen @Plan, Release Q3 2012. Among U.S. adults online, index v. Internet Users Aged 18+. Physical music buyers: purchased CDs/Tapes in-person, online, or by phone/mail. Digital music buyers: online purchases only.

PAGE 7 Streaming , Airplay
Nielsen Broadcast Data Systems (BDS). 2012. Airplay includes: U.S. Terrestrial, Satellite, and TV Video.

Teens Driving Digital Consumption
Nielsen Music 360 Report 2012.

PAGE 8 They're Social and Spend Big
Nielsen @Plan, Release Q4 2012. On-demand music streamers: Listened to streaming music/audio on-demand in the last 30 days.

Consumers Likely to Purchase New Music After Streaming
Nielsen Music 360 Report 2012.

PAGE 10 Social Engagement With Music on Mobile
Nielsen Music 360 Report 2012.

PAGE 11 Promotional Persuasion
Nielsen and SXSW Present: The Buyer and the Beats 2013.

Bonding with Brands
Nielsen and SXSW Present: The Buyer and the Beats 2013. Respondents agree strongly or agree somewhat with the statement "I will usually try a brand/product if they sponsor an event/concert for an artist/band that I like".

PAGE 12 How We Engage With Sponsorships
Nielsen Music 360 Report 2012. Respondents agree strongly or agree somewhat with the statement "I will usually try a brand/product if they sponsor an event/concert for an artist/band that I like".

Brand Endorsements
Nielsen Homescan. 2011. Custom analysis.

PAGE 13 Radio Play 2012
Nielsen Music International. 2012. Plays aggregated from 1,000 music radio and TV radio stations in Austria, Belgium, Denmark, Finland, France, Germany, the Netherlands, Ireland, Italy, Norway, Poland, Portugal, Spain, Switzerland, Sweden, Turkey and the U.K.

Digital Track Sales 2012
Nielsen SoundScan International. 2012. Digital track sales from digital services and mobile operators reporting weekly throughout Europe and Oceania. Does not include Amazon data.

Most Heard Song
Countries include: Austria, Denmark, France, Germany, Ireland, Poland, Portugal, Spain and Switzerland.

American Artists
% of songs by artist nationality. Base is Top 1000 radio airplay songs and Top 1000 digitally downloaded tracks in the U.K.

SOURCES

PAGE 14 2012 Digital Track Sales
Nielsen SoundScan International. 2012.

PAGE 15 Home Sweet Home Entertainment
Nielsen Media-Related Universe Estimates, September 2012.

PAGE 16 Who's Purchasing and Watching?
Nielsen @Plan, Release Q3 2012. Among U.S. adults online, index v. internet users aged 18+. Movie DVD buyers: purchased movie DVDs/tapes anywhere in the last 6 months. Streaming Service buyers: any paid audio or video subscription service.

PAGE 17 How We Watch Video at Home
Nielsen Home Entertainment Tracker, December 2012 v. December 2011. Paid transactions in the last 6 months among U.S. home entertainment users aged 13-54.

PAGE 18 Our Favorite Movies in 2012
Nielsen VideoScan. 2012. Point-of-sale transactions for VHS, DVDs, HD DVDs, and Blu-ray Discs.

PAGE 19-22 The Consoles We Use to Play; To Play or to Stream?; Gaming on the Go
Nielsen U.S. Gaming: A 360° View 2012.

PAGE 24 U.S. Print and E-book Buyers
Nielsen @Plan, Release Q3 2012. Among U.S. adults online, index v. internet users aged 18+. Physical Book buyers: purchased physical book anywhere in the last 6 months. E-Book buyers: purchased e-book online in the last 6 months.

PAGE 25 Our Favorite Books of 2012
Nielsen BookScan. 2012. Point-of-sale transactions for physical print books.

PAGE 26 What Else Are Book Buyers Doing Online
Nielsen @Plan, Release Q3 2012. Online activities among U.S. adults online, index v. internet users aged 18+. Physical Book buyers: purchased physical book anywhere in the last 6 months. E-Book buyers: purchased e-book online in the last 6 months.

PAGE 27 Book Sales Top One Billion* in 2012
Nielsen BookScan. 2012. Point-of-sale transactions for physical print books.

NIELSEN MUSIC 360° REPORT 2012. Data for this study was collected May 15-21, 2012 via 3,000 consumer online surveys using Nielsen's proprietary high-quality ePanel in the U.S.

NIELSEN AND SXSW PRESENTS: THE BUYER AND THE BEATS 2013. Data for this study was collected January 23, 2013 and February 12, 2013 via 4,000 music listeners, South By Southwest Festival attendees, and Pledge Music (direct-to-fan crowdsourcing website) users via consumer online surveys using Nielsen's proprietary, high-quality ePanel in the U.S.

NIELSEN U.S. GAMING: A 360° VIEW 2012. Annual survey of 2,500+ general population consumers (including game console users)conducted in October 2011 and October 2012 via consumer online surveys using Nielsen's proprietary, high-quality ePanel in the U.S.

ABOUT NIELSEN

Nielsen Holdings N.V. (NYSE: NLSN) is a global information and measurement company with leading market positions in marketing and consumer information, television and other media measurement, online intelligence, mobile measurement, trade shows and related properties. Nielsen has a presence in approximately 100 countries, with headquarters in New York, USA and Diemen, the Netherlands.

For more information, visit www.nielsen.com.

For more information about Nielsen's Entertainment insights, email know@nielsen.com or follow us on Twitter at @nielsen_ent.

AN UNCOMMON SENSE OF THE CONSUMER™

nielsen

AN UNCOMMON SENSE
OF THE CONSUMER™