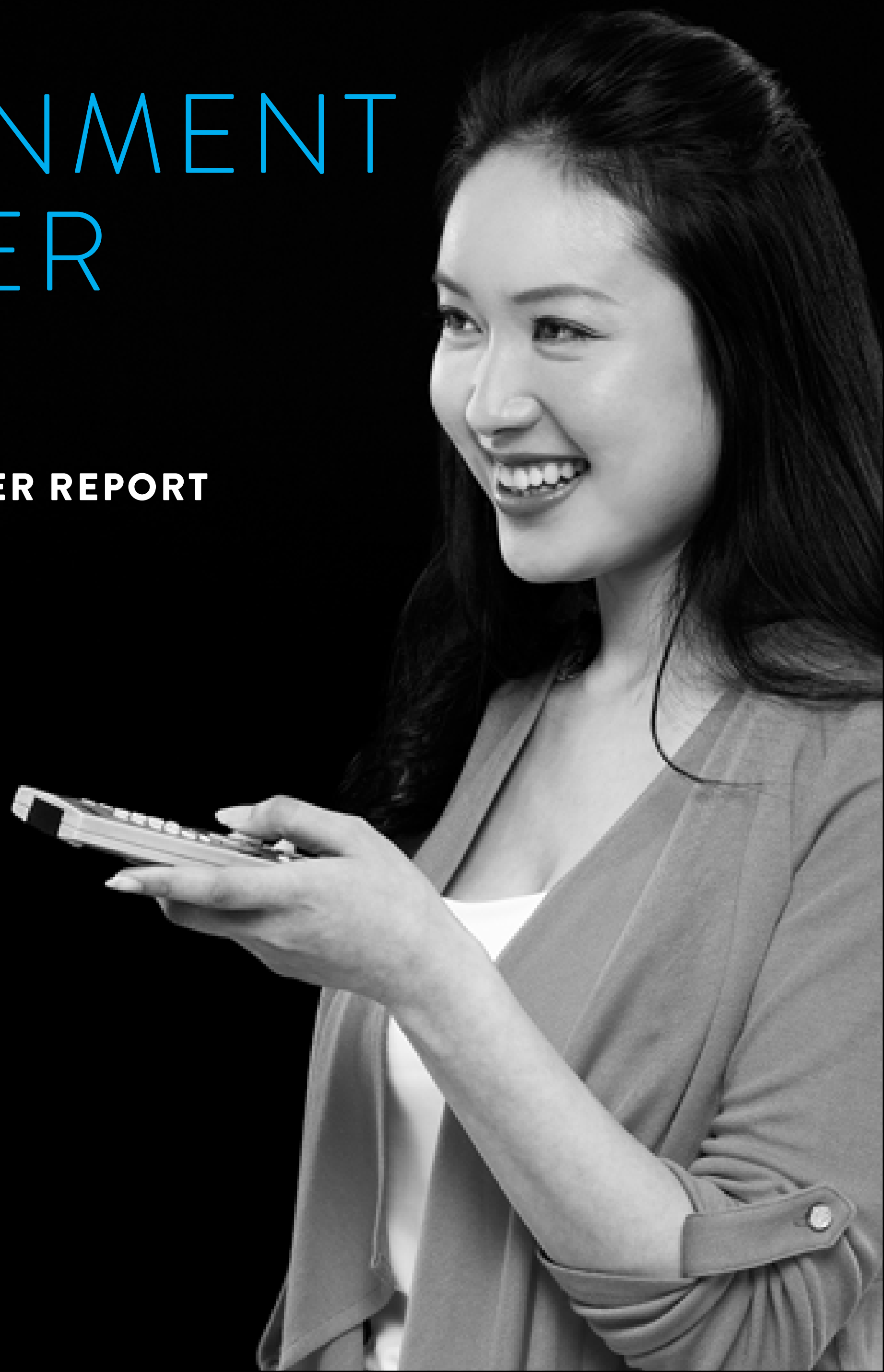
HOME ENTERTAINMENT CONSUMER TRENDS

DIGITAL TRANSITION TRACKER REPORT

MAY 2015



nielsen

AN UNCOMMON SENSE OF THE CONSUMER™

BACKGROUND

Over the past few years, there has been a significant evolution in the way that TV and movie content is consumed. With consumers now having more control over how and what content they watch, their attitudes and behaviors toward TV and movies have shifted over time.

Nielsen's Digital Transition Tracker provides a comprehensive view of the home entertainment category, which includes any paid format used to access TV and movie content at home or on a mobile device, such as DVDs or Blu-ray discs, digital rentals, Pay Per View, or subscription streaming. The report looks at findings among the general U.S. population and measures the overall size of the category over time for both TV and movies.

BROADLY, THE STUDY COVERS THE FOLLOWING TOPICS

Home Entertainment Landscape

- Incidence & Frequency
- Share of Time & Wallet
- Segmenting Consumers

Key Motivations and Barriers of viewing methods

- Key motivations that drive usage of each of the viewing methods
- Barriers to viewership methods

Deep dive into Home Entertainment methods

- Subscription Streaming
- Digital Buying
- Digital Renting
- Disc Buying

METHODOLOGY

N=2,828 interviews were collected online among the general population of American consumers age 12-74 and an augment of N=948 interviews among key segments.

Data was collected from **March 21th – March 30th, 2015**

Quotas were set to ensure a readable base size among the following key segments:

Segment	COMPLETED INTERVIEWS
GENERAL POPU LATION Age 12-74	2,828
HISPANICS Age 12-74	400
SUBSCRIPTION STREAMERS (streamed 2+ TV shows or movies in the past 6 months)	1,216
DIGITAL BUYERS (EST) (bought 2+ TV shows or movies in a digital format in the past 6 months)	424
VOD USERS (watched 2+ TV shows or movies via Video on Demand in the past 6 months)	566
PHYSICAL DISC BUYERS (bought 2+ TV shows or movies via disc format in the past 6 months)	1,103

Notes: Data was weighted on demographics to reflect the universe of U.S. gen pop consumers age 12-74.

To ensure results are representative of all Hispanics living in the U.S., Nielsen's household language usage estimates were leveraged to define sample quotas by age and language dominance.

KEY FINDINGS

- **73% of Americans 12+ are active consumers of movies and TV shows for home viewing,** with the incidence of buying/renting movies (past 6 mos.) higher than that of TV shows.

- **Digital adoption is widespread, but few (12%) have shifted entirely to digital viewing methods.** Over half of home entertainment customers are using physical and digital methods to access their TV/Movie content, while 20% exclusively use physical methods.

- **The largest share of consumers' time and money, nearly half, is spent on watching live or time-shifted TV.** Meanwhile, paid home consumption of movies and TV content accounts for a quarter of the entertainment wallet and clock.

- **While physical transactions lead in terms of share of consumer dollars, consumers spend more time viewing digital content.** Across both movies and TV, the average consumer is spending about twice as much money on disc purchases & rentals as on digital ones. However, consumers devote 25% less time to watching disc content than digital content, with subscription streaming accounting for the bulk of all digital viewing.

- When asked about their entertainment over the past year, **consumers indicate they're going to the theater less and watching fewer movies in favor of viewing TV shows via subscription streaming and watching more free TV content.**

HOME ENTERTAINMENT CONSUMER SEGMENTS

Based on their home entertainment opinions and behaviors, six distinct consumer segments emerged from this study:

MATRIARCHS are well traveled, active older women who tend to watch time-shifted TV and rent movies from kiosks.

OLD SCHOOL HOMEBODIES are older adults who are price-conscious, conservative, serious and self-reliant ("DIYers") and tend to watch live TV and prefer to watch movies via pay-per-view and video on demand.

MAN CAVE COLLECTORS are older males who prefer classic movies and TV to modern fare, consider themselves film buffs and like to have a collection of their favorite TV and movies on disc to watch over and over.

STREAMAHOLICS are younger women highly engaged with movies and TV via subscription streaming and, in the case of movies, also in theaters. They describe themselves as tech-savvy, liberal, novelty-seeking, independent and as couch potatoes.

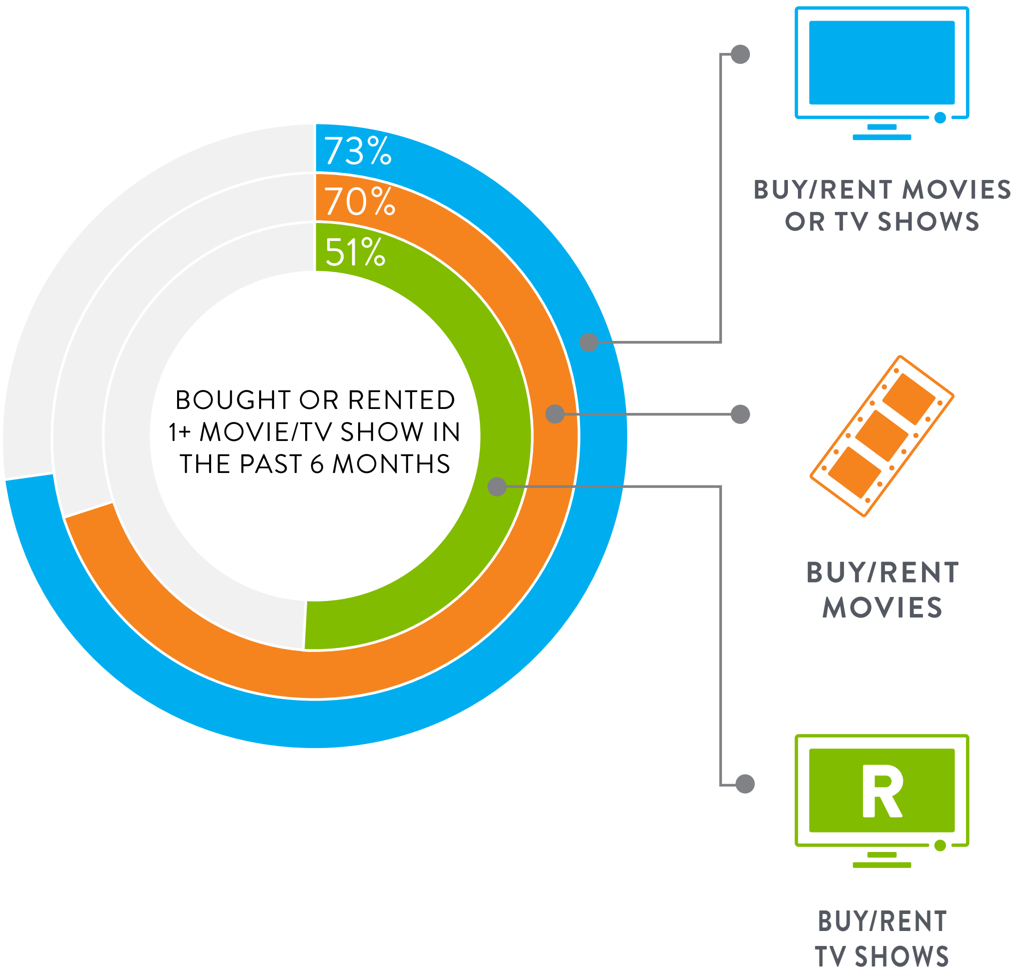
CONTENT KINGS are early-adopting, adventurous, non-price conscious males under age 35 who are very active in the home entertainment category. They invest in the latest entertainment equipment, collect Blu-ray discs for their superior quality and buy digitally for early access and portability.

CORDLESS CREATIVES are millennials with modest incomes who value the ability to watch their content cheaply (if not free) and on-the-go. They often use another (usually mobile) device to surf the web and view content, both related and unrelated to what they're watching.

3 IN 4 AMERICANS AGED 12+ ARE ACTIVE HOME ENTERTAINMENT CONSUMERS

Consumers are much more likely to report buying or renting movies than TV shows.

PAID HOME ENTERTAINMENT INCIDENCE (BUY OR RENT)



(N=2,828 General Pop Consumers Age 12-74)

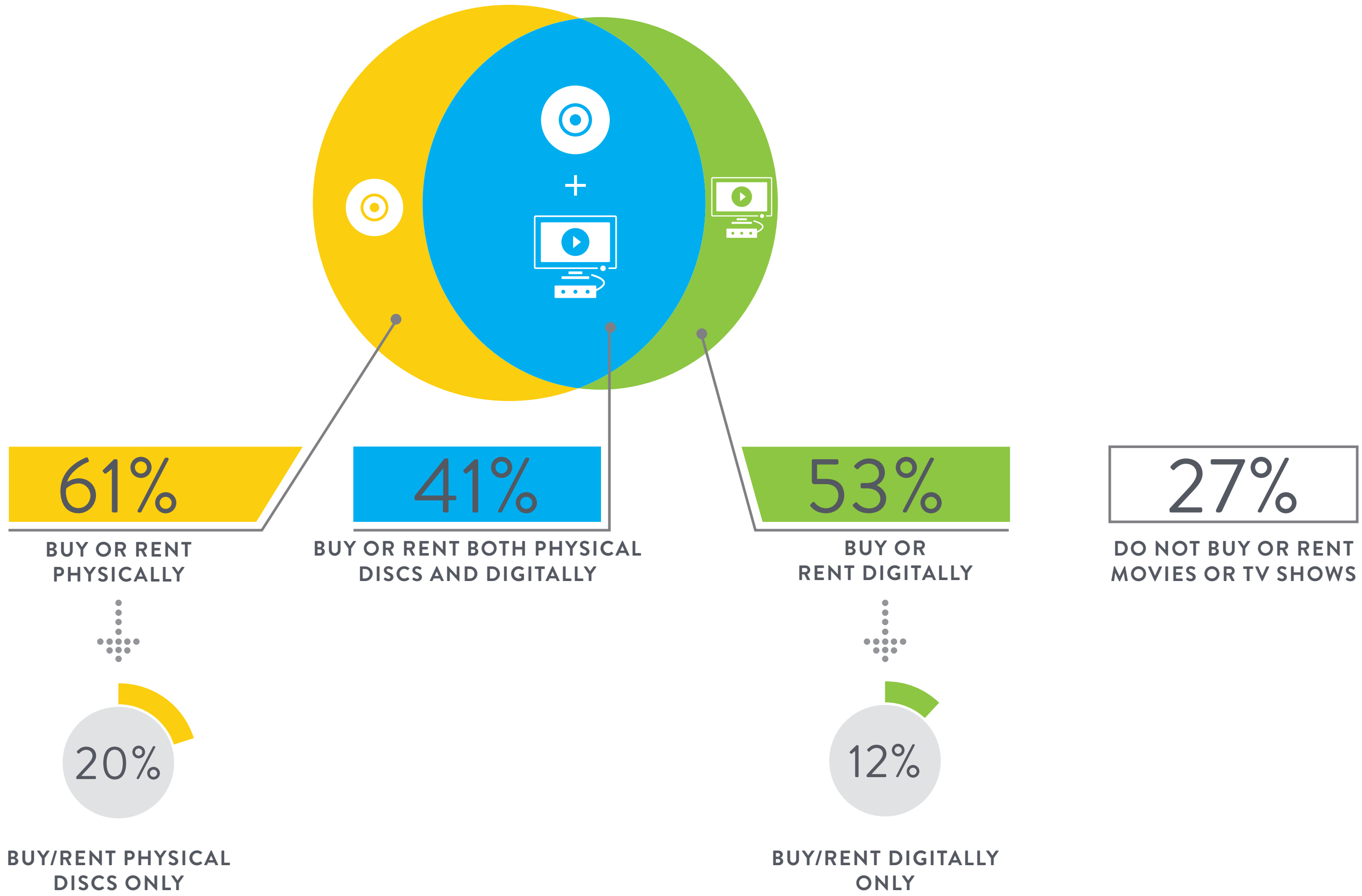
Q: In the past 6 months, how many times have you done the following TV activities? And in the past 6 months, how many times have you done the following movie activities?

DIGITAL ADOPTION IS HIGH, THOUGH FEW HAVE SHIFTED ENTIRELY TO DIGITAL METHODS

Half the population age 12+ has bought or rented TV/movies digitally in the past 6 months, but very few (12%) have shifted exclusively to digital viewing methods

OVERLAP OF PHYSICAL AND DIGITAL HOME ENTERTAINMENT CONSUMERS

PAID FOR 1+ HOME ENTERTAINMENT ACTIVITY IN THE PAST 6 MONTHS



(N= 2,828 General Pop Consumers Age 12-74)

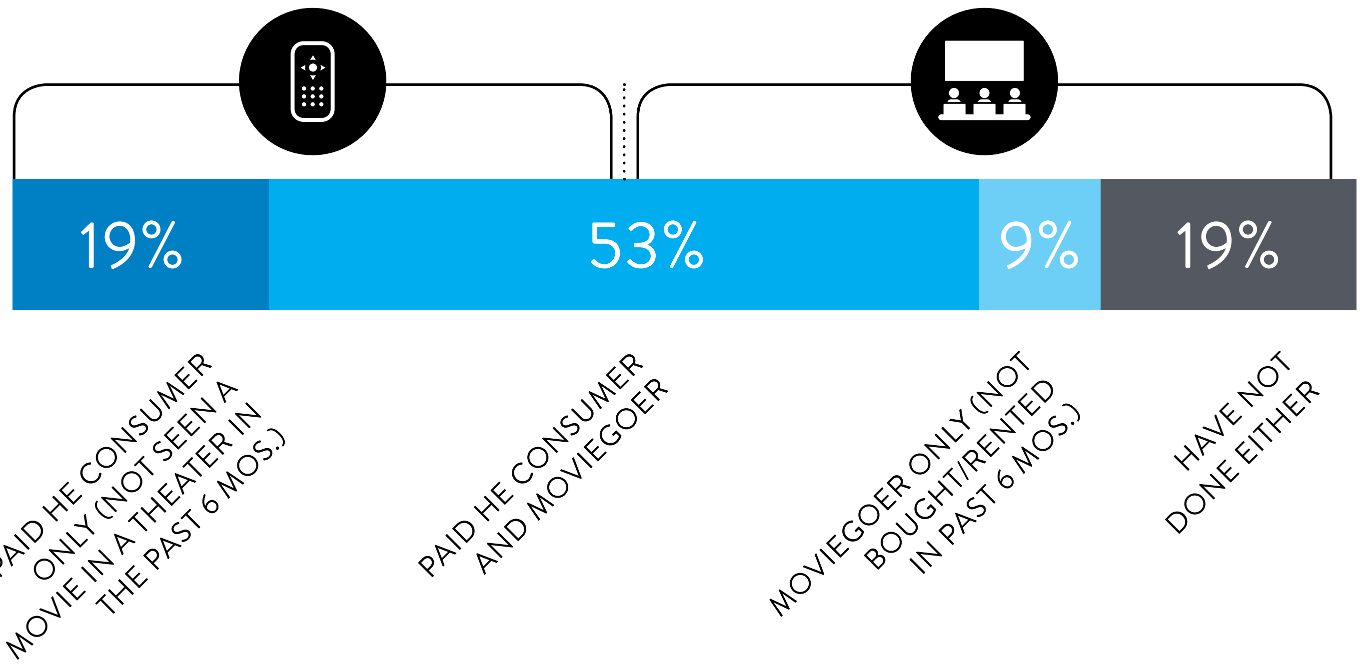
Q: In the past 6 months, how many times have you done the following TV activities? And in the past 6 months, how many times have you done the following movie activities?

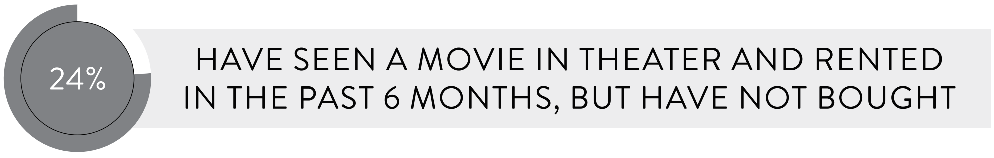
THE MAJORITY OF HOME ENTERTAINMENT CONSUMERS ARE ALSO MOVIEGOERS

Nearly 1 in 5 consumers only buy or rent TV/movie content and have not seen a movie in the theater in the past 6 months.

HOME ENTERTAINMENT CONSUMPTION AND MOVIEGOING

1+ INCIDENCE PAST 6 MONTHS





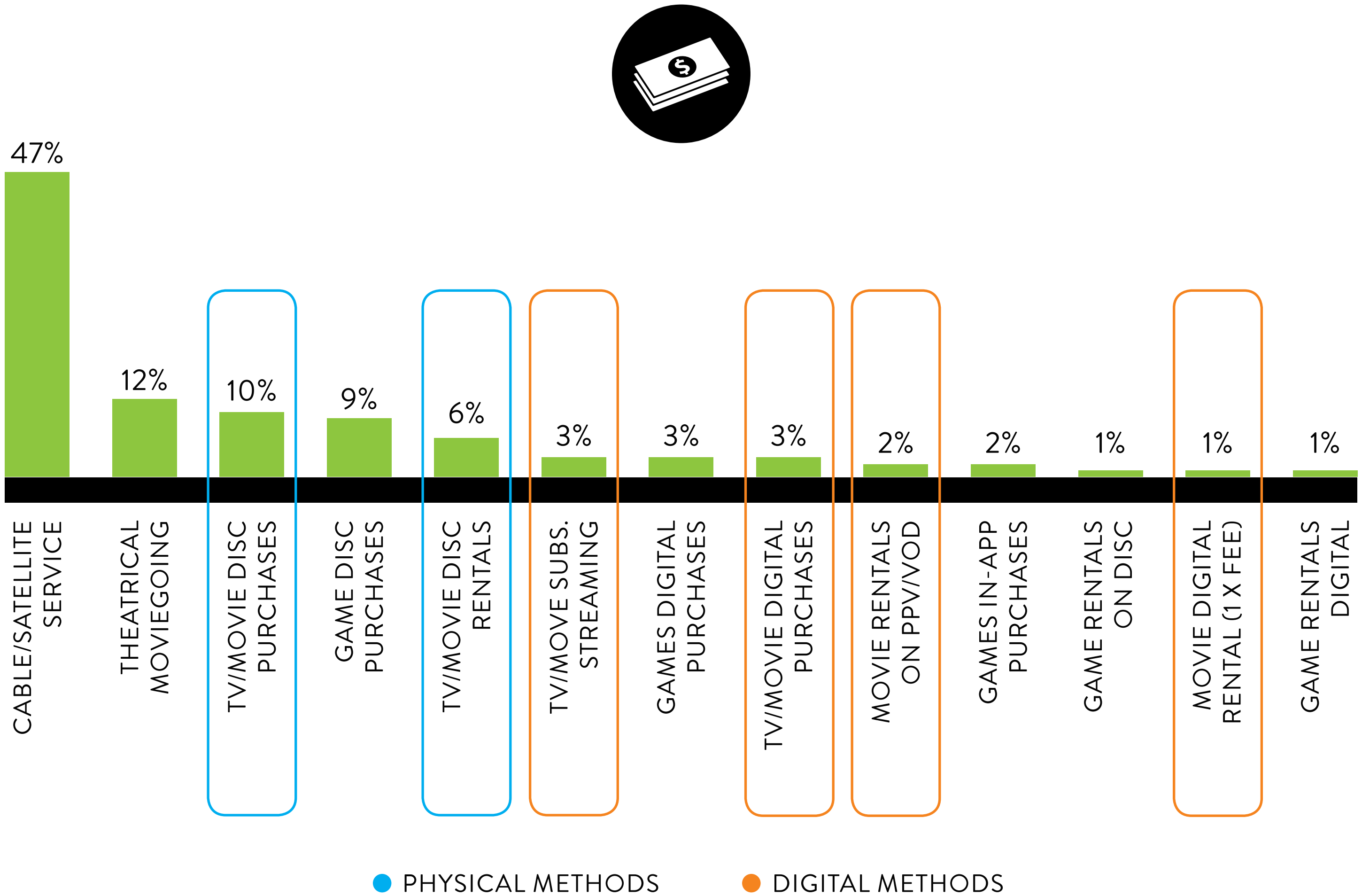
(General Pop Consumers Age 12-74)

Q: In the past 6 months, how many times have you done the following TV activities? And in the past 6 months, how many times have you done the following movie activities?

THE LARGEST SHARE OF CONSUMERS' DOLLARS- NEARLY HALF-IS SPENT ON CABLE/SATELLITE SERVICES

Consumers spend a larger share of dollars on physical disc purchases than on any digital TV/movie viewing methods

SHARE OF DOLLARS SPENT PAST MONTH AMONG TOTAL POPULATION



Base: Total Ent. Dollars Spent Past Month

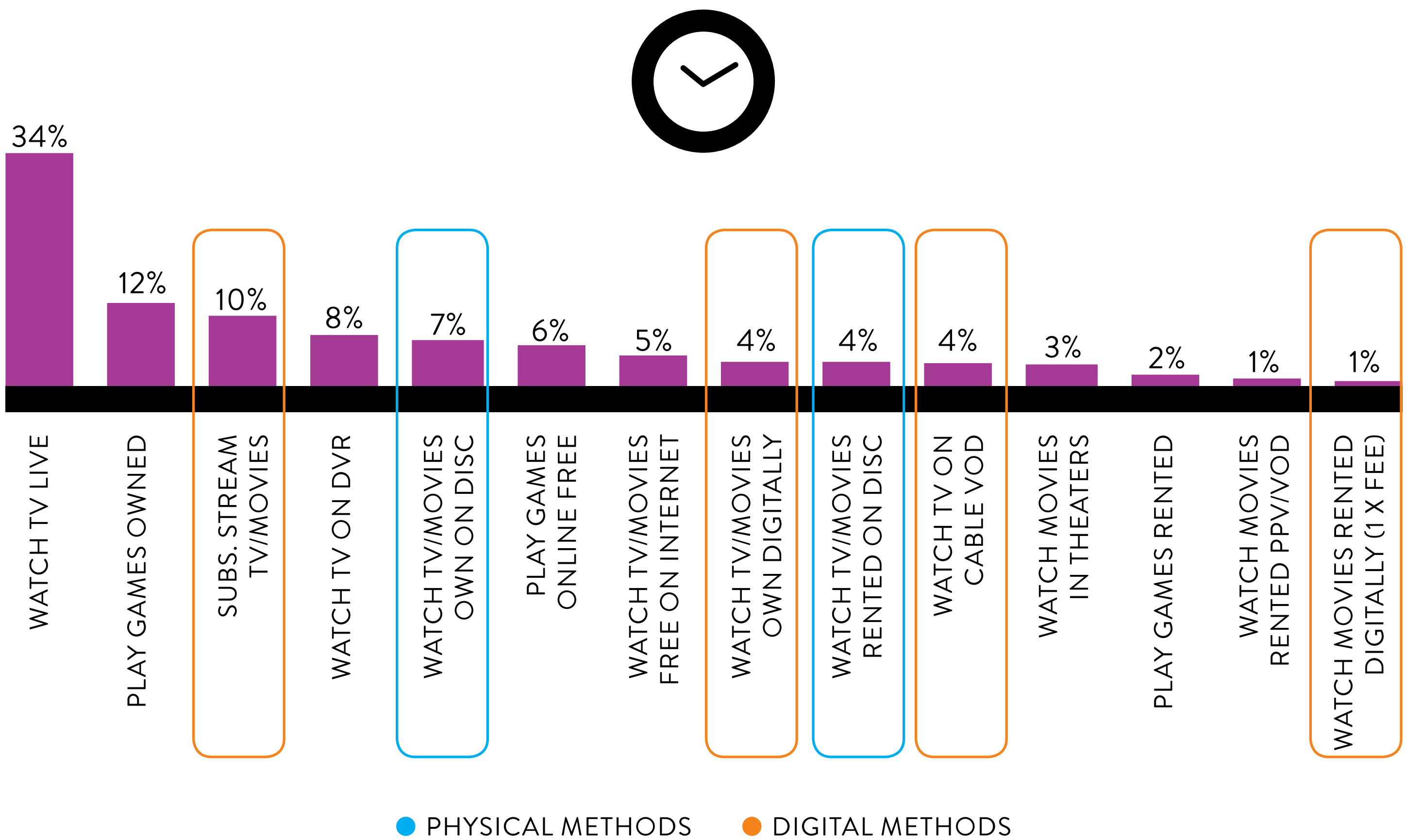
Q: Still thinking about this past month, how much money would you estimate you have spent on each of the following activities?

LIVE TV CONTINUES TO DOMINATE CONSUMERS' SHARE OF VIEWING HOURS

Following watching live TV, playing games that one owns and subscription streaming exceed all other entertainment methods in terms of share of hours

SHARE OF HOURS IN PAST/TYPICAL WEEK AMONG TOTAL POPULATION

ENGAGED IN 1+ ACTIVITY IN THE PAST 6 MONTHS



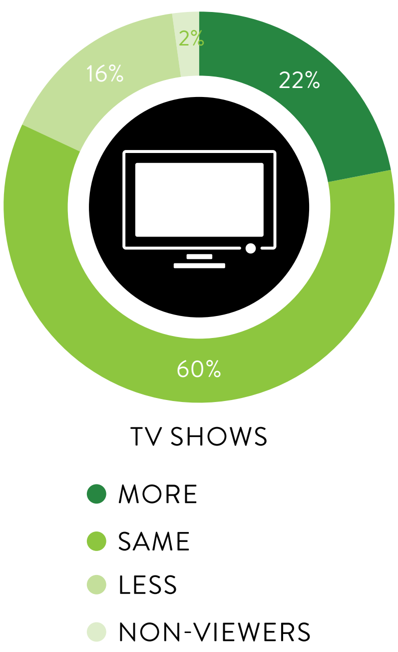
Base: Total Viewing Hours Past Week

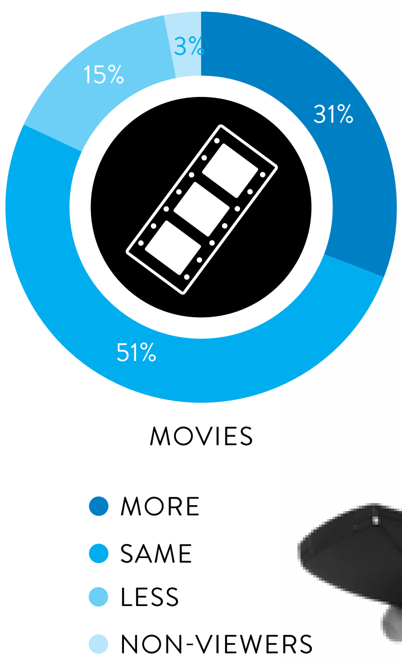
Q: Now please think about your viewing and gaming activities over the past week. Or if this week was not a typical week for you, please think about a typical week. How many hours a week did you spend doing each of these activities?

OVER THE PAST YEAR, CONSUMERS HAVE INCREASED USAGE OF SUBSCRIPTION STREAMING AND ARE WATCHING MORE CONTENT FOR FREE

Despite watching about the same amount of TV and movies overall, consumers say they are going to the theater less and buying fewer movies in favor of subscription streaming and watching content for free.

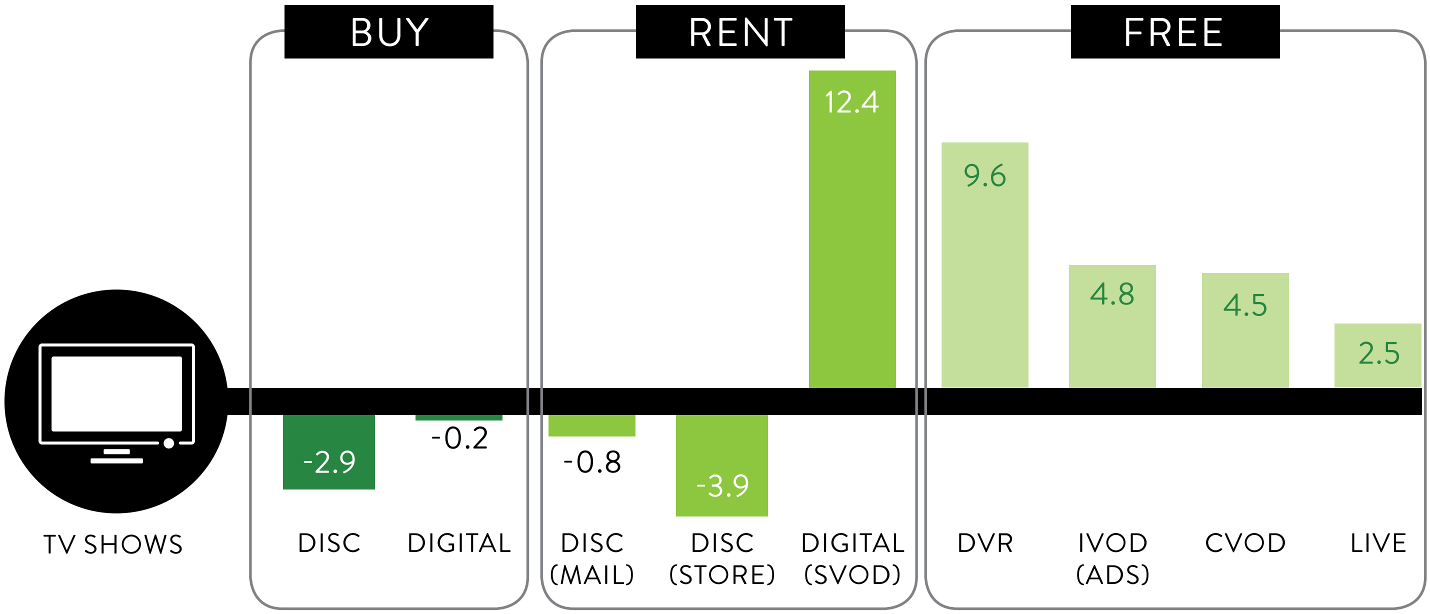
ENGAGEMENT COMPARED TO A YEAR AGO

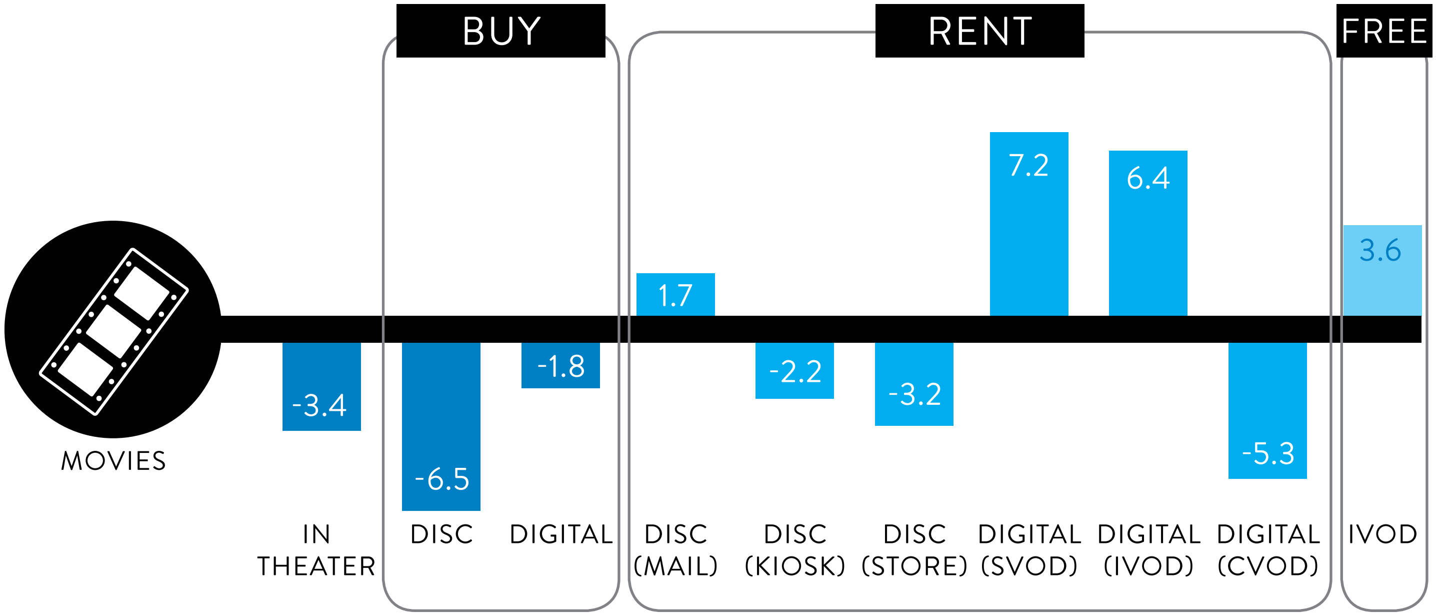




Q: Thinking about all the ways you watch television shows, how do the following activities compare to last year? Now thinking about all the ways you watch movies, how do the following activities compare to last year?

WATCHING MORE/LESS VS. LAST YEAR – NET EFFECT SCORE*





(N= 2,828 Gen. Pop Consumers age 12-74)
*Net Effect Score-
For ease of comparison across activities, a Net Effect Score was created to simplify the 6-point respondent scale (i.e., “much more often” to “much less often”). This composite score measures the relative size and direction of the perceived change in consumer activity when considered as a whole. A higher positive score indicates that respondents overall are more likely to be increasing than decreasing an activity. A score closer to zero indicates little change in the net amount of activity among respondents as a whole.

Q: Thinking about all the ways you watch television shows, how do the following activities compare to last year? Now thinking about all the ways you watch movies, how do the following activities compare to last year?

WE SEGMENTED THE POPULATION BASED ON THEIR BEHAVIORS & OPINIONS WHEN MAKING HOME ENTERTAINMENT FORMAT CHOICES…

CONSUMER SEGMENTS % OF POPULATION

Matriarchs	Old School Homebodies	Man Cave Collectors	Streamaholics	Content Kings	Cordless Creatives
19%	28%	9%	19%	17%	9%

MATRIARCHS

MATRIARCHS are well travelled, active older women who tend to watch time-shifted TV. High definition is a key selling point for this group, although they generally opt to rent their movies from kiosks instead of buying.

OLD SCHOOL HOMEBODIES

OLD SCHOOL HOMEBODIES are older adults who are price-conscious, conservative, serious and self-reliant ("DIYers") and tend to watch live TV and heavy movie renters via PPV/VOD. They are wary of sharing information online, a key barrier to this group buying digitally.

MAN CAVE COLLECTORS

MAN CAVE COLLECTORS skew older males and are most likely to have never subscribed to cable / satellite services. They are heavy disc buyers, who prefer to collect their favorite TV and movies on DVD disc so they can watch them over-and-over again and watch bonus features.

STREAMAHOLICS

STREAMAHOLICS are younger women highly engaged with movies and TV via subscription streaming. They enjoy binging on TV shows and movies – and like original, unique programming (such as Orange is the New Black). They consider their subscription streaming service to be their personal library, and no longer feel the need to buy/own their favorite shows and movies.

CONTENT KINGS

CONTENT KINGS are early-adopting, and non-price conscious males under age 35 who are very active in the category. They are heavy disc buyers and renters, often opting for Blu-ray discs for the superior video quality. They also buy digitally for early access and portability.

CORDLESS CREATIVES

CORDLESS CREATIVES are millennials cord cutters who describe themselves as artsy, creative, and musical. While they value portability and immediacy, they are also price-conscious and are more likely to stream for free.

N= 2,828 General Pop Consumers Age 12-74

GLOSSARY

Home Entertainment

Anyway consumers PAY to watch a movie or TV show at home or on a mobile device. This includes buying DVDs, Blu-ray discs and digital downloads, any form of DVD/Blu-ray disc rental, any form of digital rental (PPV, VOD, etc.), and subscription streaming.

Electronic Sell Through (EST)

Buying movies and TV shows digitally

Moviegoer

Attended 1+ movie in a theater in the past 6 months

Subscription Video on Demand (SVOD)

Streaming from the Internet from a paid subscription video on demand service, such as Netflix, Amazon Prime and Hulu Plus

Internet Video on Demand (IVOD)

Renting a digital copy of a TV show or movie for a one-time fee (not part of a subscription) to stream from the Internet from a site like Vudu or Amazon Instant Video

Cable Video on Demand (CVOD)

Ordering on demand or Pay Per View through a cable or satellite provider for a one-time fee

Traditional TV

Watching live or time-shifted content on a television set

ADDITIONAL INFORMATION

For more information or to purchase the full report, please contact digitaltransition@nielsen.com

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ABOUT NIELSEN

Nielsen N.V. (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 across all devices where 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 provides its clients with both world-class measurement as well as analytics that help improve performance. Nielsen, an S&P 500 company, has operations in over 100 countries that cover more than 90 percent of the world's population.

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