# A Vital Portal Product and Service Blog A Consumer-Driven Future of Media

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# A Consumer-Driven Future of Media

## Key findings

VR will reignite the campfire experience of TV

Today's video on-demand (VOD) viewing experience is set to become more of a social activity than it is today – this time in VR.

The social and immersive aspects of VR are key reasons why the majority of current and potential VR users believe the technology will be an essential component of TV and video in the future.

Smartphone viewing doubles

Around 70 percent of consumers watch TV and video on a smartphone today – twice as many as in 2012.

Smartphones make up a fifth of total viewing, with approximately six hours per week spent watching TV and video on the device.

TV couch potatoes get up and go

By 2020, only 1 in 10 consumers will be stuck watching TV only on a traditional screen, a 50 percent decrease compared to 2010.
As couch potatoes disappear and high-usage and high-spending multi-screen viewers increase, both scheduled linear TV and on demand services stand to benefit.

Content discovery remains a challenge

As the number of TV and video services increases, so does the average time spent searching for content – it has already seen an increase of 13 percent from last year, reaching almost one hour per day.

Current content discovery capabilities are failing to cope with consumers' usage of multiple video services and devices, which is why 7 out of 10 consumers say a universal search feature would be very useful.

### On-demand soars among teenagers

16–19 year olds spend more than half of their time watching on-demand, an increase of more than 100 percent – or almost 10 hours a week – since 2010.

60–69 year olds, on the other hand, still spend almost 80 percent of their viewing time watching live and scheduled linear TV, which is almost as much as in 2013.

### Mobile and on-demand by 2020

Half of all viewing will be done on a mobile screen, and half of this will be done on the smartphone alone.

About 7 out of 10 consumers will prefer on-demand and catch-up services over scheduled linear TV viewing, and almost half of all viewing will be on-demand.

A third of consumers are projected to use VR.

## Methodology

Quantitative data was collected from 13 markets. Approximately 20,000 online interviews were held with people aged 16–69 in Brazil, Canada, China, Germany, India, Italy, Russia, South Korea, Spain, Sweden, Taiwan, the UK and the US.

All respondents have a broadband internet connection at home and watch TV or video at least once a week, and almost all use the internet on a daily basis. This study is representative of over 1 billion people.

Qualitative insights were gathered through 12 in-depth interviews conducted in virtual reality (VR) with English-speaking users of VR. These respondents all have multiple devices and an internet connection at home.

## The voice of the consumer

Ericsson ConsumerLab has more than 20 years' experience of studying people's behaviors and values, including the way they act and think about ICT products and services. Ericsson ConsumerLab provides unique insights on market and consumer trends.

Ericsson ConsumerLab gains its knowledge through a global consumer research program based on interviews with 100,000 individuals each year, in more than 40 countries – statistically representing the views of 1.1 billion people.

Both quantitative and qualitative methods are used, and hundreds of hours are spent with consumers from different cultures. To be close to the market and consumers, Ericsson ConsumerLab has analysts in all regions where Ericsson is present, developing a thorough global understanding of the ICT market and business models.

## The evolution of the TV user

**In this 8th annual ConsumerLab TV and Media report, which represents the views of over 1 billion people around the world, we describe shifting consumer habits and attitudes. This puts us in a unique position to illustrate the shifts that are occurring, demonstrate the implications, and explore future trends. One important tool that enables us to do this is establishing TV user groups (as seen in Figure 1).**

### The six user groups

Our six TV user groups were carefully created based on our research into consumers' actual TV and video habits. However, it is also possible to identify differences in the demographics between the groups. For example, 35 percent of TV Couch Traditionalists are aged 50–69, compared to 15 percent in the overall sample – a 20 percentage-point over-representation. In contrast, Mobility Centrics have a 14 percentage-point over-representation of people aged 16–24.

Since 2010, TV Couch Traditionalists has shrunk significantly as a group – almost 40 percent – while Screen Shifters has grown by over 40 percent, and Mobility Centrics by more than 320 percent (Figure 2).

The fact that Mobility Centrics is the fastest-growing group underlines the importance of a good user experience on the small screen. It can also be seen as an indication that the ubiquity of mobile viewing will continue to grow – perhaps even to a point where mobile viewing overtakes fixed-screen viewing.

## Changing consumer attitudes

**One way to understand the changes facing the media industry is to pay attention to changing attitudes among consumers, as shown in Figure 3.**

### Wanted: content without limitations

Compared to 2010, there has been significant growth in consumers' preference for on-demand content, with close to 60 percent favoring it over scheduled linear viewing. The need for consumers to take their TV content abroad has also grown since 2014, which indicates that content portability will increasingly become a crucial component in any future media offerings.

Equally, the ability to view entire seasons of TV series immediately, rather than having to wait for single episodes to be released, is essential for consumers – one in two say this is a very important factor. As internet and on-demand services continue to grow and create new possibilities, fewer and fewer consumers believe traditional TV providers can meet their needs, as can be seen in Figure 3.

The number of TV series enthusiasts is on the rise – 42 percent say they binge-watch more TV series today than they did 5 years ago. Also, from Figure 4 we can see that a quarter say they will increase their total viewing time. Furthermore, 27 percent say they will get most of their news from social media within the next 5 years, and 12 percent say they will stop watching TV news completely (Figure 4).

## More content, more choice

**As our research has indicated over the last seven years, the youth are the main driver of VOD usage. For instance, Figure 5 shows how teenagers already spend more than half their time watching on-demand – an increase of more than 100 percent, or almost 10 hours per week, since 2010.**

Even though on-demand viewing remains significant for everyone, its share of viewing time decreases among the other age groups – especially for consumers aged 60–69, where live and scheduled linear TV content still represents almost 80 percent of the total viewing time, which is as much as in 2013.

## Spoiled for choice

The amount of choice when it comes to video is greater than ever before. Consumers are now presented with traditional scheduled linear TV, live and on-demand internet services, downloaded and recorded content, as well as physical media. This multitude of choice has had a significant impact on the lives of consumers, and it is one of the reasons why they now watch a record high of 30 hours of TV and video every week.

Not only are consumers watching more video, but they are also changing the ways in which they watch it: on-demand content already represents over 40 percent of total TV and video consumption (Figure 6). However, scheduled linear TV continues to offer the most-watched content, representing over nine and a half hours of TV series, movie and program viewing every week. Furthermore, 34 percent of all scheduled linear TV viewing is now spent watching live content, a 10 percent increase since 2015.

## The small screen takes over

**Consumers are not only watching more hours of video content, they are also using different devices to do so. Since 2010, the smartphone has been the main device responsible for this growth – it has more than doubled its share of viewing time since 2010, and now makes up almost a fifth of the time consumers spend watching TV and video, or six hours per week.**

This is due to a rise in viewing time per user, as well as an overall increase in the number of consumers using their smartphones to watch TV and video (Figure 7). Today, approximately 70 percent of consumers watch videos on a smartphone – double the amount from 2012.

### The rise and fall of devices

It is no surprise that smartphones have become the most popular device among consumers. Since 2012, smartphone penetration has risen from around 70 percent to almost 95 percent. TVs with higher picture quality are also becoming more prominent – ownership of HD TVs has increased from around 75 percent in 2012 to almost 85 percent in 2017, and 4K/UHD TVs are now present in over a fifth of all homes. In contrast, older devices such as desktop computers and stand-alone DVRs have fallen in popularity, with their share of ownership decreasing in 2012 from 80 percent and 60 percent, respectively, to 72 percent and 38 percent in 2017 (Figure 8).

## The content discovery crisis

**Today, consumers have access to more content than ever, but with a more fragmented market, which in turn leads to a more fragmented user experience, they are struggling to find something to watch (Figure 12). The average number of on-demand services used per household has increased from 1.6 in 2013 to 3.8 in 2017. Content discovery remains a challenge, and consumers are finding current discovery methods unhelpful.**

### So much content, so little time

Over 50 percent of Screen Shifters cannot find anything to watch on scheduled linear TV at least once a day, while slightly more than 30 percent say the same thing about VOD services. For this growing group of advanced users, the old-fashioned TV guide does not help. Their on demand experiences have set the bar too high – even though these services are themselves in need of improvement.

The total average time searching for content is also increasing; since last year, it has risen from 45 to 51 minutes per day (Figure 14). Interestingly, scheduled linear TV accounts for this entire increase, as searches on VOD services have remained constant since last year.

There are also interesting age differences both in terms of viewing and searching patterns. Millennials spend over 50 percent more time searching on VOD services than those aged 35 and up, and they spend over 80 percent more time watching VOD content.

Even in well-established content areas such as sports, consumers see room for improvement – one in three sports viewers thinks it takes too much effort to find the sporting events they like on TV.

All in all, it is no surprise that 7 out of 10 consumers say a universal search feature, including both scheduled linear and VOD content, would be very useful. With as many as 6 in 10 consumers believing content discovery to be a key concern when subscribing to a new TV and video service, development in this area will drive consumer loyalty and satisfaction.

## Ads need to change

**As consumers become increasingly used to ad-free services such as Netflix, advertising interruptions will be perceived as more disruptive than ever before.**

Even if the majority of people still prefer an ad-sponsored on-demand service, almost 1 in 3 prefer to pay USD 5 or even USD 10 extra to reduce or eliminate advertisements altogether.

These preferences differ slightly between TV user groups – TV Couch Traditionalists, with a significantly large viewing time, do not want ads and are willing to pay to get rid of them, while TV Joes prefer brand-sponsored video content (Figure 15). The fastest growing group, Mobility Centrics, show the highest preference for personalized ads.

## Original content in demand

**Over 70 percent of consumers agree that content and price remain at the top of their priority list when evaluating new TV services. However, three in four Netflix subscribers say the most important factor is access to exclusive original content – a sentiment shared by less than half of all consumers.**

As can be seen in Figure 16, there is a significant range between the best and the worst rated services. Even though the graph only shows the US market, a similar range can be seen in all the studied markets.

When comparing the best on-demand service provider with the best linear TV service provider in the US, the former reaches a Net Promoter Score (NPS) of 58, compared with just 39 for the latter. There is a clear correlation between these NPS values and consumer satisfaction with different service components. While video quality satisfaction

is similarly high across both services, for all other aspects the on-demand service is rated significantly higher (Figure 17).



Unsurprisingly, the two components with the largest discrepancy are the price, and consumers' ability to pick and choose content. The difference between paying USD 15 per month for a premium ad-free on-demand service and paying USD 100 per month for hundreds of ad-sponsored TV channels should not be underestimated.

## The shape of spending

**VOD and scheduled linear TV services are also set apart by differences in spending. For instance, US households spend an approximate average of USD 64 a month on their scheduled paid linear TV services and USD 20 on their on demand TV and video services (Figure 18).**

Consumers have similar spending patterns in almost every market, paying over three times more for scheduled linear TV services than VOD. Scheduled linear TV's legacy is not the only explanation for the higher spend – consumers feel that several aspects make scheduled linear TV services worth paying for, such as the ability to relax in front of the screen, being able to watch the best content, and having the opportunity to bond with family members (Figure 19).

The general shape of spending patterns will change slowly, as most consumers have no plans to alter their spending on either scheduled linear TV or VOD services in the next 12 months. However, spending will change eventually, with consumers indicating that VOD will gain a greater share of their income in the future (Figure 20).

## TV in 2020 and beyond

**Since 2010, the Ericsson ConsumerLab TV and Media report has tracked the shift in TV habits. Based on our extensive media insights, it is also possible for us to take a sneak peek into the future with predictions about the years to come.**

## The rise of on-demand

Close to 6 in 10 consumers already prefer on-demand and catch-up TV over scheduled linear TV viewing and we expect the proportion to be about 7 in 10 by 2020. Growth of on-demand viewing is also expected to continue, and will account for almost half of total viewing time by 2020 (Figure 21). For 16–19 year olds specifically, we expect the on-demand share of viewing to reach 65 percent, with the group watching over 25 hours per week by 2020 – a 180 percent increase since 2010.

We have also seen phenomenal growth in the amount of consumers paying for on-demand services. Almost 40 percent now pay for VOD – an increase of 26 percent since 2012.

## Moving to mobile

By 2020, we estimate that half of all TV and video viewing  will be done on a mobile screen – an 85 percent increase since 2010 (Figure 22). Almost a quarter will be on smartphones alone, which is an increase of almost 160 percent since 2010. Total viewing time is also set to increase, reaching approximately 31 hours per week by 2020 – roughly an hour more than today.

Overall, the mobile viewing trend is likely to continue beyond 2020. This will mean an increased need for mobile-friendly content, higher network demands, and also opportunities for new revenue streams. We also predict that more than half of all consumers will be made up of Screen Shifters and Mobility Centrics, with only 1 in 10 being a TV Couch Traditionalist (Figure 23). The decline of these couch potatoes is beneficial for everyone, with consumers evolving into higher-usage and higher-spending multi-screen viewers. Both scheduled linear TV and on-demand services stand to benefit from this transition, as long as business models are adapted to cater for mobile and on demand access.

## A more social reality

Finally, the trend of increased solitary viewing due to the development of personal screens and on-demand viewing could be reversed thanks to the capabilities and promises of VR. Already, two in five VR users are watching TV and video together with other people on virtual sofas around the world.

The majority of current and potential VR users believe VR will be an essential component of TV and video in the future, which bodes well – a third of consumers are projected to be VR users by 2020 (Figure 24).

We are a global leader in delivering ICT solutions. In fact, 40 percent of the world's mobile traffic is carried over Ericsson networks. We have customers in over 180 countries and comprehensive industry solutions ranging from cloud services and mobile broadband to network design and optimization.

Our services, software and infrastructure – especially in mobility, broadband and the cloud – are enabling the communications industry and other sectors to do better business, increase efficiency, improve user experience and capture new opportunities.

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Ericsson is a world leader in communications technology and services with headquarters in Stockholm, Sweden. Our organization consists of more than 111,000 experts who have provided customers in 180 countries with innovative solutions and services. Together we are building a more connected future where anyone and any industry is empowered to reach their full potential. Net sales in 2016 were SEK 222.6 billion (USD 24.5 billion). Ericsson is listed on NASDAQ OMX stock exchange in Stockholm and the NASDAQ in New York.

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