Connected TV Enters the Mainstream

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What is a connected TV?

A television which can display Internet video by any means

Includes

- Smart TVs – a television with built-in Internet connectivity
- Streaming Media Player (SMP) – a set-top box or stick attached to the television
- Game Console
- Internet-enabled DVD or Blu-ray Player

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Agenda

Growth and Use

Devices

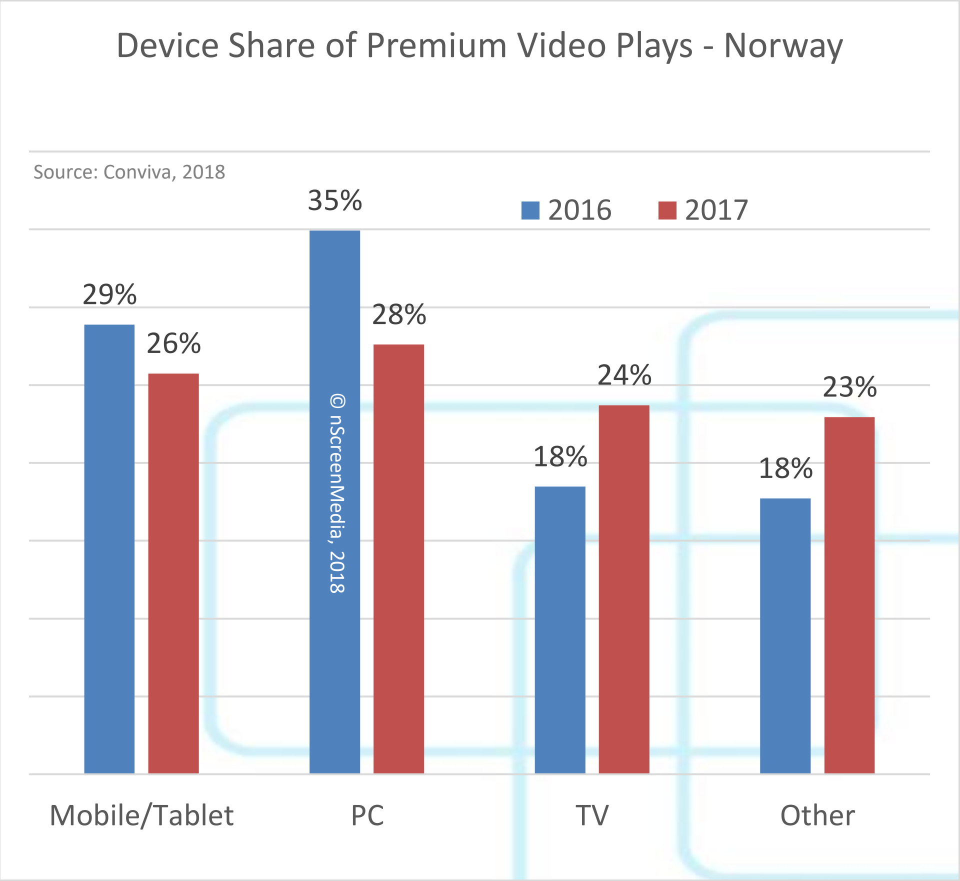
Roku – a case study

Photographer: Jens Kreuter

Norway shows strong growth in connected TV use

Between 2016 and 2017:

- Share of video plays to connected TVs increased one-third to 24%
- PC's share fell 20% to 28%
- Mobile share fell 10% to 26%



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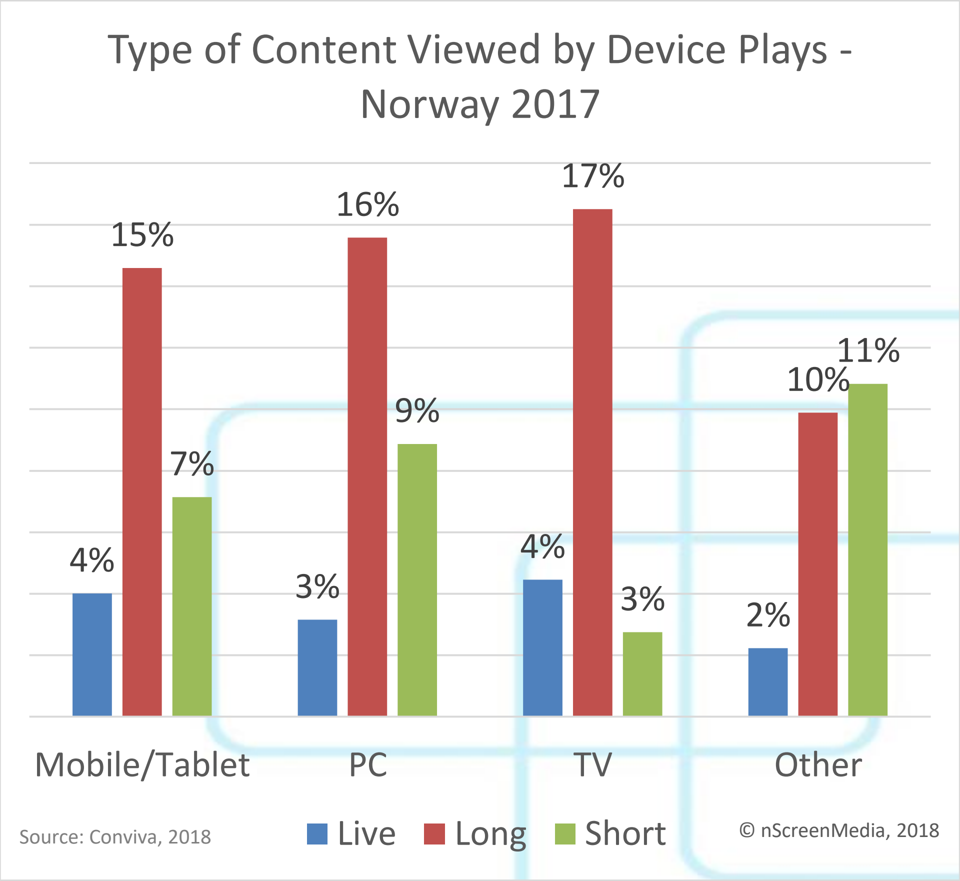
Norway shows strong growth in connected TV use

Norwegians will watch long-form on any screen:

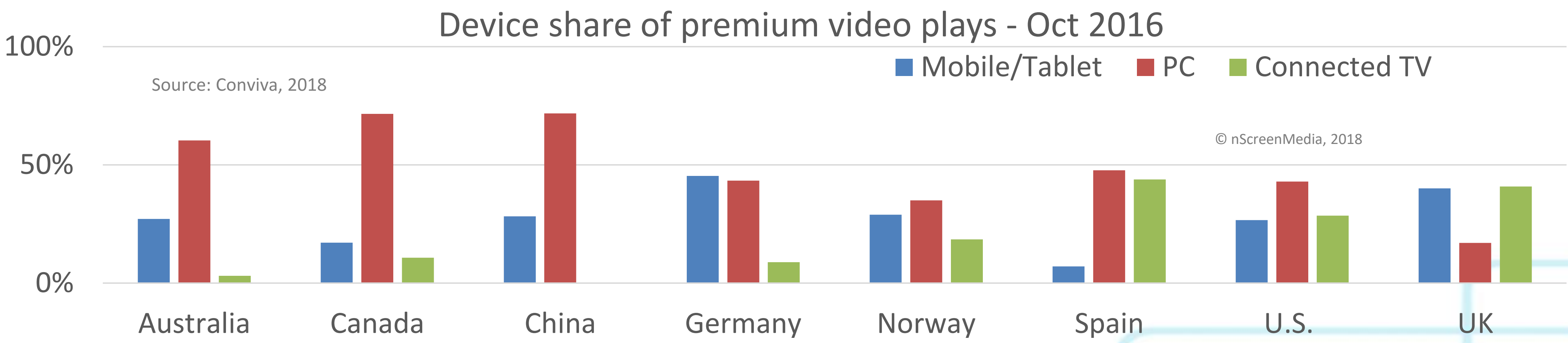
- Share of long-form plays evenly distributed between screens
- At the television, long-form dominates

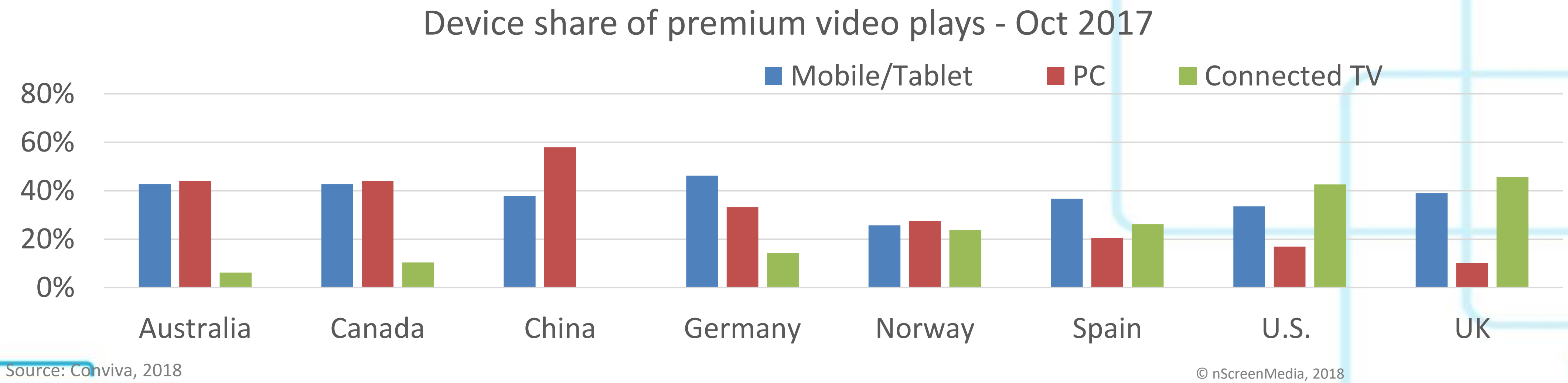
Increasing use of connected TV reflects changing attitude to online content

- It's just TV
- Expectations of quality are higher
- Viewing times are higher
- Engagement is higher



Connected TV around the world





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Not for distribution or publication

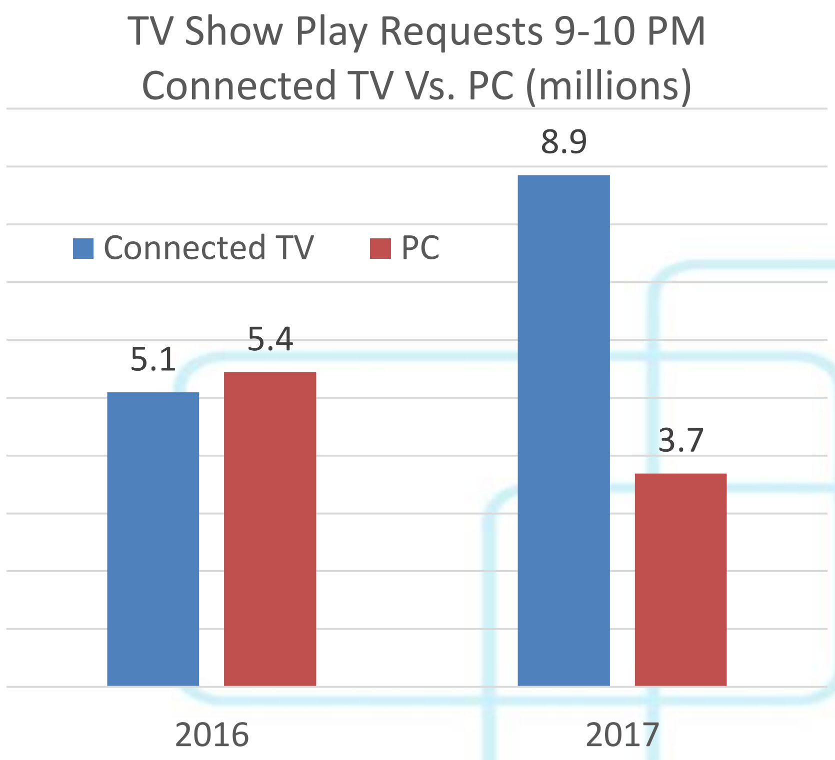
Connected TV usage for premium content

Has seen massive growth over last year

- In 2016, PC and TV were used about equally during primetime
- In 2017, TV requests are more than double PC requests

Number of people that finish viewing a video they started (called completions) higher on TV

- 80% on the TV
- 75% on the PC
- 63% on the tablet
- 50% on the smartphone

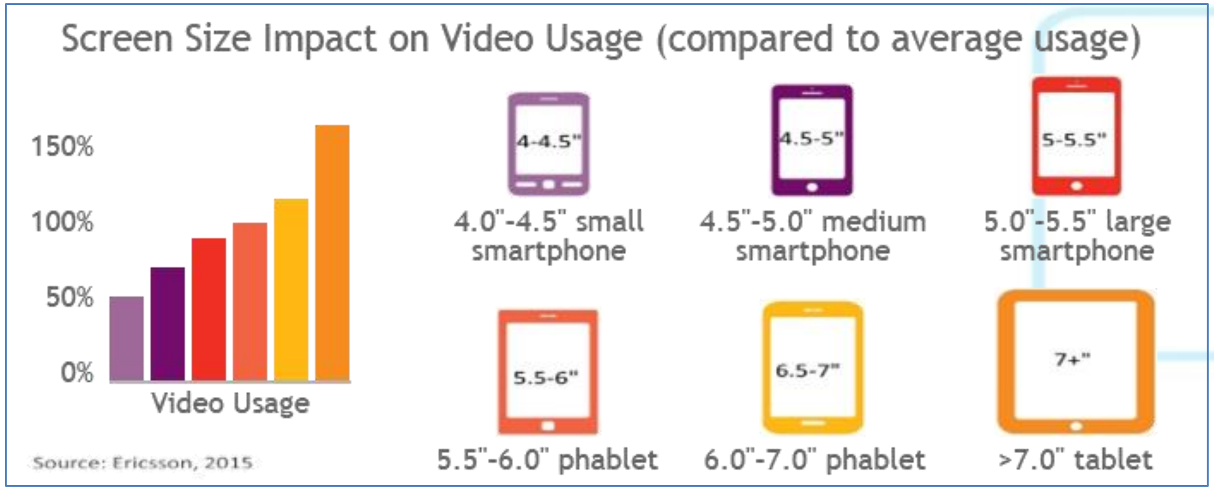


Source: Conviva, 2018

Screen Size matters

Ericsson study found that screen size is directly related to screen usage

- Simply put, the bigger the screen, the higher the usage
- A tablet with a 18 cm screen or larger is used 50% more than average
- A smartphone with a screen 10-12 cms is used 50% less than average



Connected TV engagement for premium content

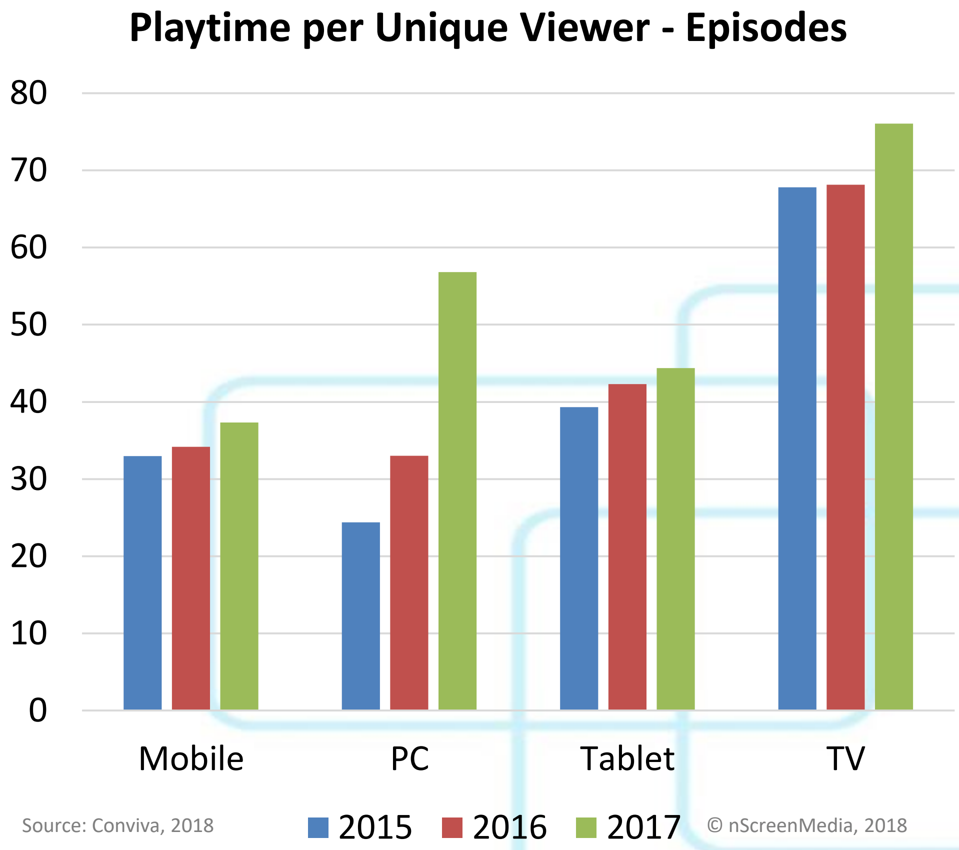
Playtime per unique viewer is the length of a single viewing session and can involve multiple video plays

Over the last 3 years playtime per unique view has increased for every device

- Biggest increase for the PC

Highest engagement is to the television

- 77 minutes per session
- PC 57 minutes
- Tablet 45 minutes
- Smartphone 37 minutes
- Once again, screen size matters



Source: Conviva, 2018

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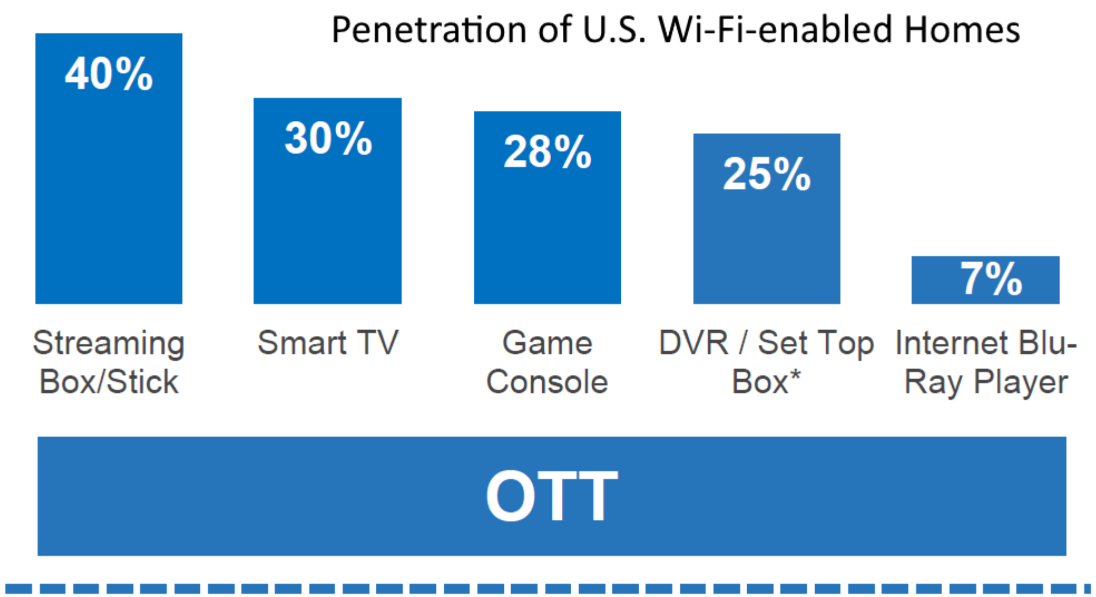
Streaming media player most popular device



Source: comScore Connected Home, U.S., April 2017

** DVR / Set Top Boxes only include those that are internet-enabled*

40% of U.S. Wi-Fi enabled homes have a streaming media player

- 38 million homes have one
- Three-quarters use them to stream video

30% have a smart TV

- 28 million homes have one
- 63% use them to stream video

Roku leads the market

- 16% of Wi-Fi homes have one
- 14% Amazon Fire TV, 8% Chromecast, 6% Apple TV

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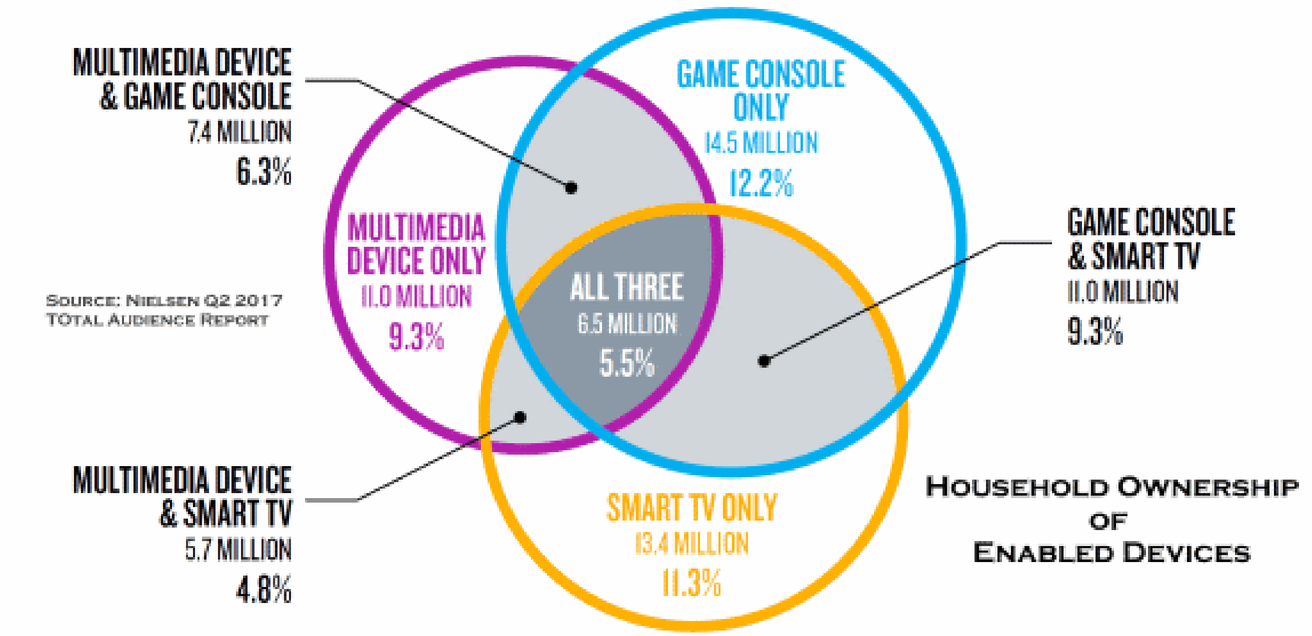
Multi-device ownership is common



In the US, 6.5M own game console, streaming media player, and smart TV

30 million homes own 2 devices

- Over a quarter of homes

39 million homes own a single TV connected device

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Streaming media player (SMP) market is tough

Some vendors selling at or near device cost

- Amazon Fire TV Stick
- Chromecast
- Willing to not make a profit to make it up in services, ads

Roku is the only standalone vendor of streaming media players

- SMPs cost $30-$99
- Q4 2016, SMP margin was 13%
- Q4 2017, margin fell to 9%
- In Q4 2017, Roku lowered price of most expensive player $30
    - **Saw sales grow 25%**
    - **Revenue fell 7%!**

Can the TV be the only device we need?

One day will the smart TV handle all streaming needs?

- Not anytime soon!
- TV lifecycle too long to keep up with app demands
- Waif-thin TV margins restrict what manufacturers can do
    - **“Smart” functionality is “me-too”**
    - **“Smart” components will be as cheap as possible**
- Too many competing smart TV platforms
    - **Samsung Tizon**
    - **LG webOS**
    - **Android TV**
    - **Roku TV**

A cheap $35 Chromecast and an older flat panel TV, possibly handed down from parents, will remain the cheapest way for the young to watch OTT on TV.

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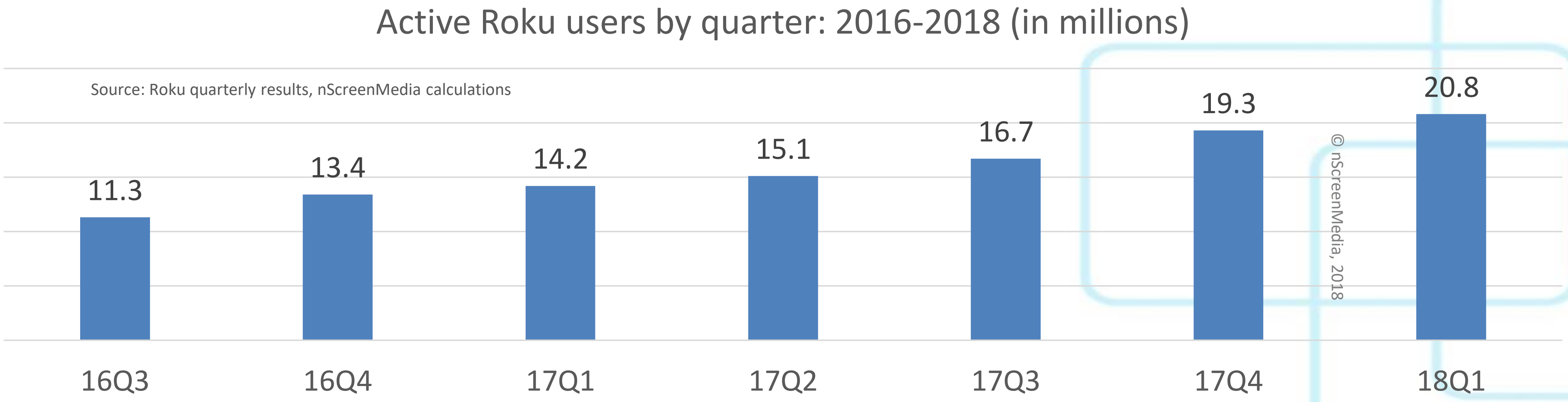
Roku active accounts continue to increase

"Our primary focus in selling players is to increase active accounts; we are not focused on maximizing hardware revenue and hardware gross profit."

Steve Louden, Roku CFO

Added nearly 1.5 million active accounts in Q1 2018

- 5.1 million in 2017
- On track for continued growth in 2018



Roku focuses on “platform” business

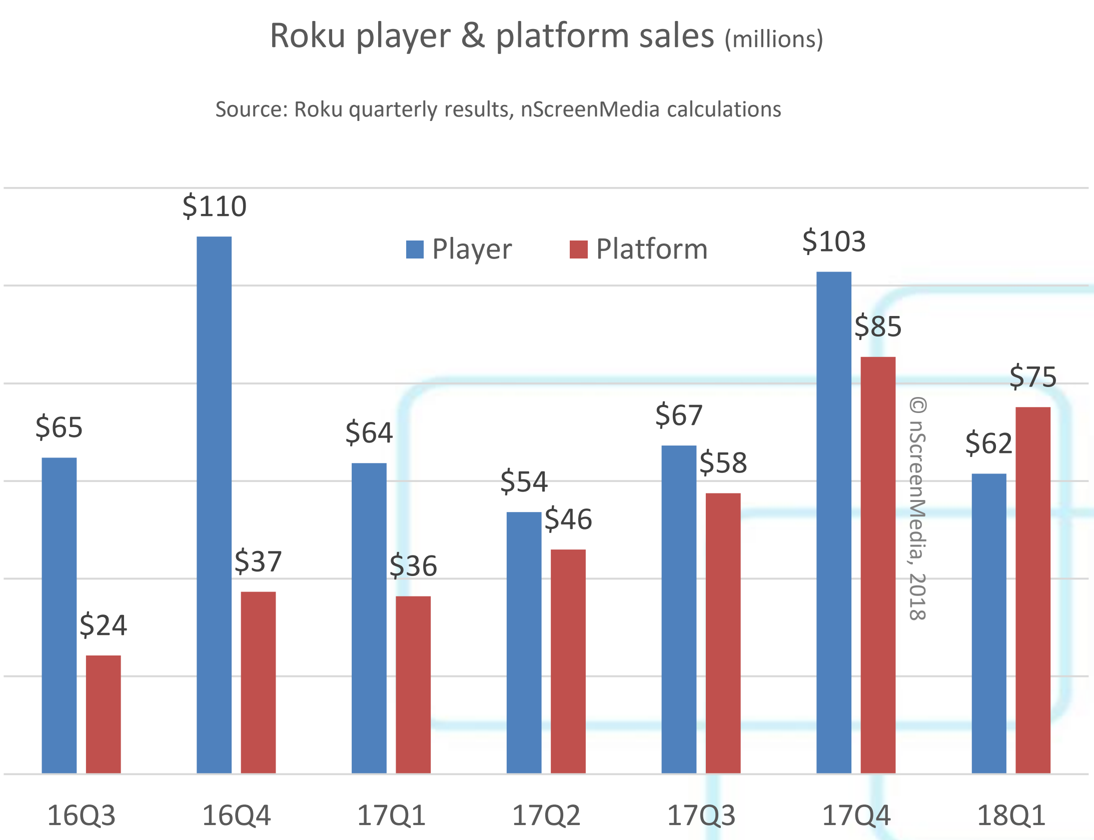
Platform business includes

- Software license sales
- White label box sales
- Advertising

Platform revenue growing fast

- Q1 2018 106% growth over Q1 2017
- Player down 3% YoY

Advertising biggest driver of platform sales



Advertising key to Roku's future

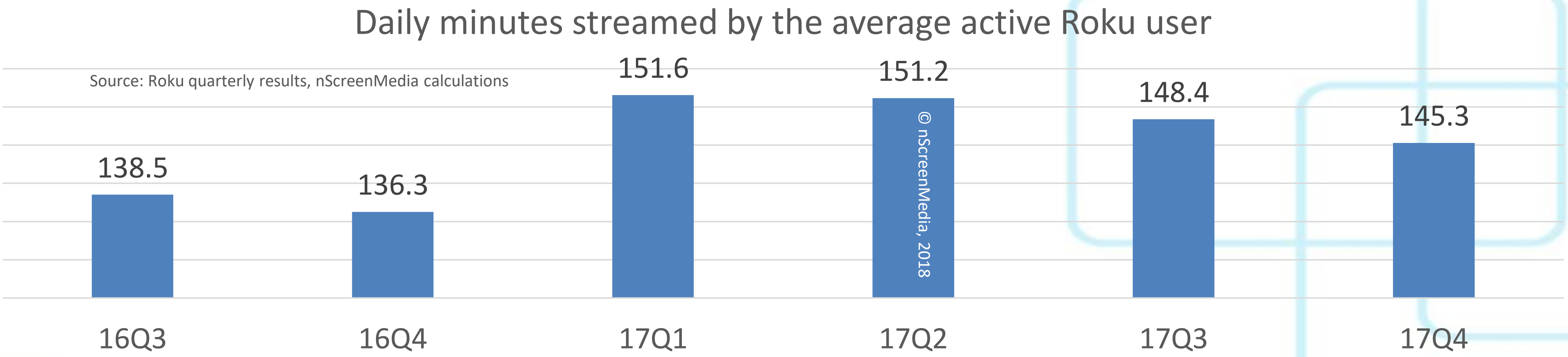
"We are increasingly tapping into the $70 billion that US advertisers spend on TV as the TV ad ecosystem moves online."

Anthony Wood, CEO, Roku

Has launched ad-supported channel

- The Roku Channel
- 2nd most popular ad-supported channel
- On Samsung TVs
- In competition with other channels?

Sells ads in the Roku interface



Conclusion

Connected TV is emerging as the most important for premium content in some, but not all, markets

Streaming Media Players will remain the most important TV connected device for sometime

TV connected devices will not disappear anytime soon

TV platforms are not “neutral”

- Coopertition is the norm
- Some platforms more competitive than others

About nScreenMedia

nScreenMedia is a resource to the Digital Media Industry as it transitions to the new infrastructure for multi-screen delivery. Through a mix of informed opinion, news, information and research nScreenMedia helps you make sense of multi-screen media.

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