The Future of Flow TV

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Agenda

TV Viewing Trends

Pay TV Trends

vMVPDs (Skinny Bundles)

What is TV industry doing about it?

Linear Alternatives

Conclusion

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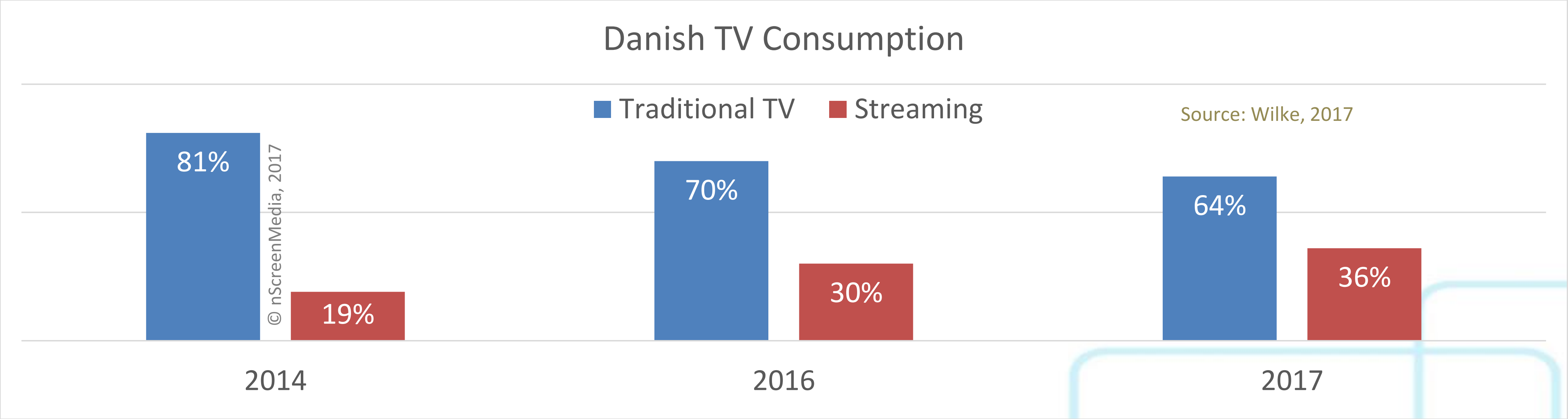
Live viewing is declining in Denmark



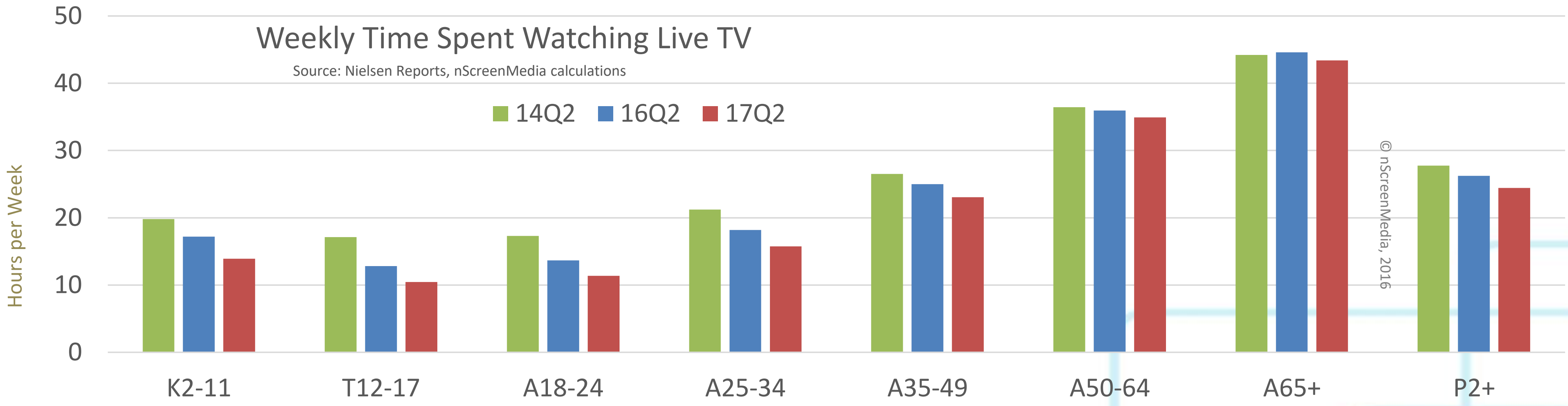
Flow TV consumption fallen consistently over last 4 years

- 81% of total TV viewing time in 2014
- 64% in 2017
- Down 17%

Online streaming grown strongly over the same period

- 19% of total TV viewing time in 2014
- 36% in 2017
- Up 17%

Live viewing is declining in the U.S.



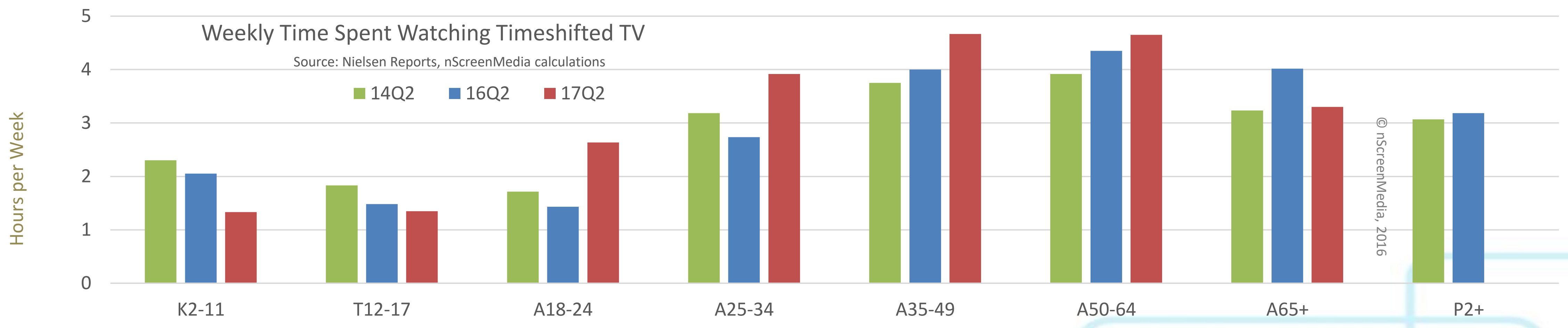
Average adult in the US watches about 24 hours 26 minutes of live (flow) TV per week

- About 3 hrs. 34 mins per day
- 7% year-over-year decline
- Down 12% from 2014

In the young decline much more rapid

- 18-24 down 17%YoY, 34% down since 2014
- 12-17 down 40% since 2014
- 50-63 down 2% since 2014

DVR and operator VOD viewing



DVR/VOD viewing not making up for loss in live viewing

- Live weekly viewing is down 3 hrs. 20 mins since 2014
- Timeshifted viewing increased by 27 mins over same period

Timeshifted TV viewing declining in the young

- 12 to 24 year-olds watch less than an hour and a half a week

Overall, older Americans have increased total TV viewing time

- 65+ watching 37 minutes more since 2014
  - **The only age group to increase TV time**

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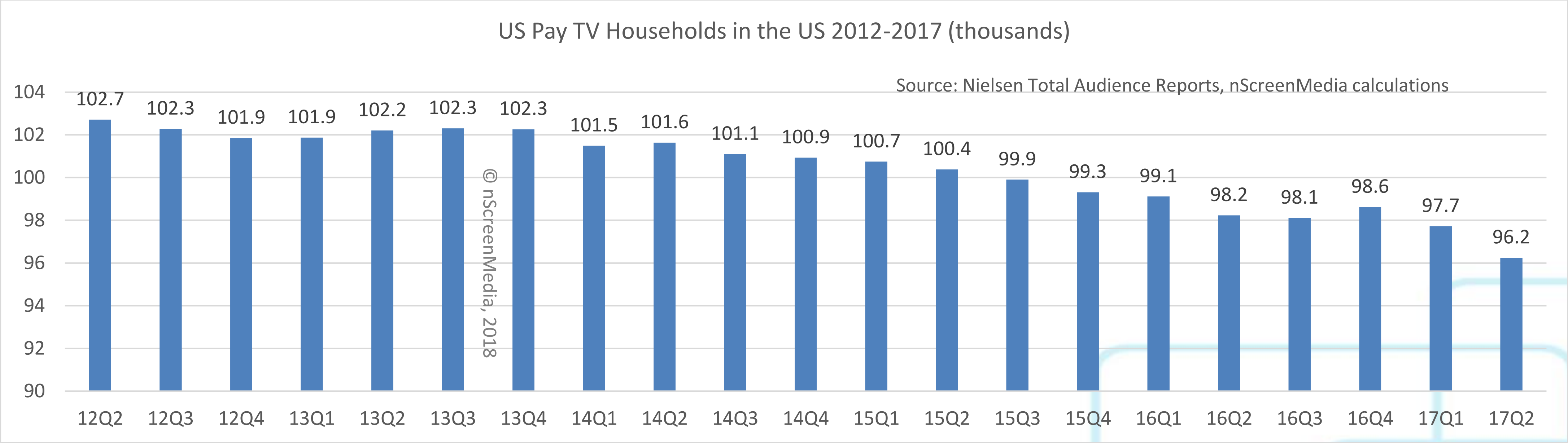
Pay TV is declining



Number of US homes with pay TV declined steadily since 2012

- Down almost 6 million 2012 to 2017
- 2017 decline estimated at 3.5M

Penetration had fallen steadily too

- Q1 2017, 82.1%
- 2012, 87%

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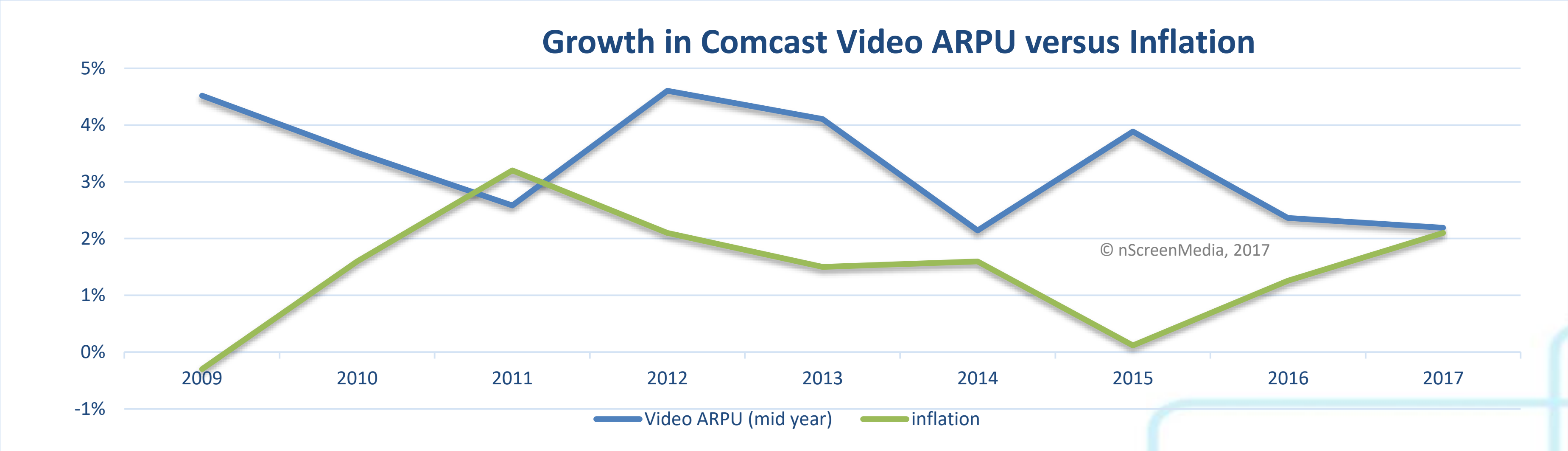
What’s so bad about the big bundle – consumer I



Pay TV takes a bigger part of the household budget each year

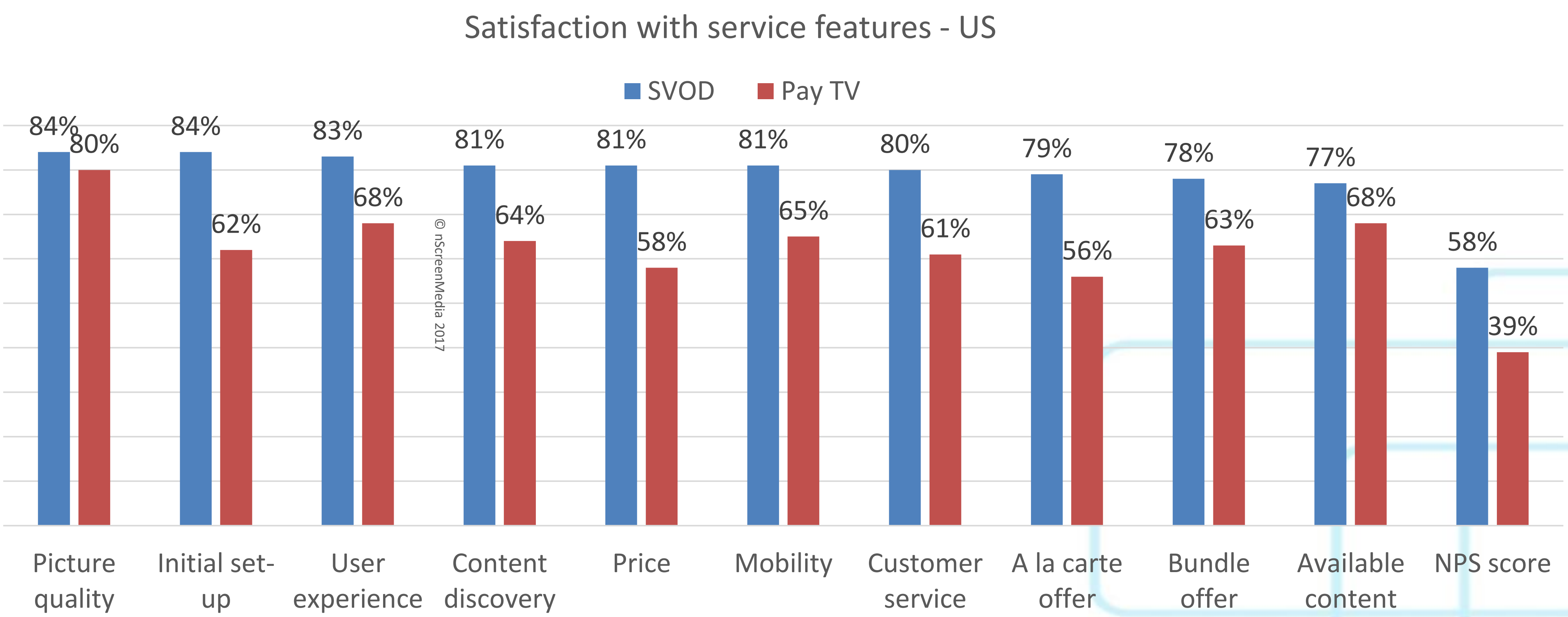
- Above inflation increases in 7 of the last 8 years
- ARPU increase is often 3% more than inflation

In real terms, Comcast pay TV is 20% more expensive now than in 2009

- Video ARPU 2009: $65.80
- Video ARPU 2017: $84.50

Middle class wages increased very little over the period.

What's so bad about the big bundle – consumer II



Source: Ericsson, 2017

What's so bad about the big bundle - operator?

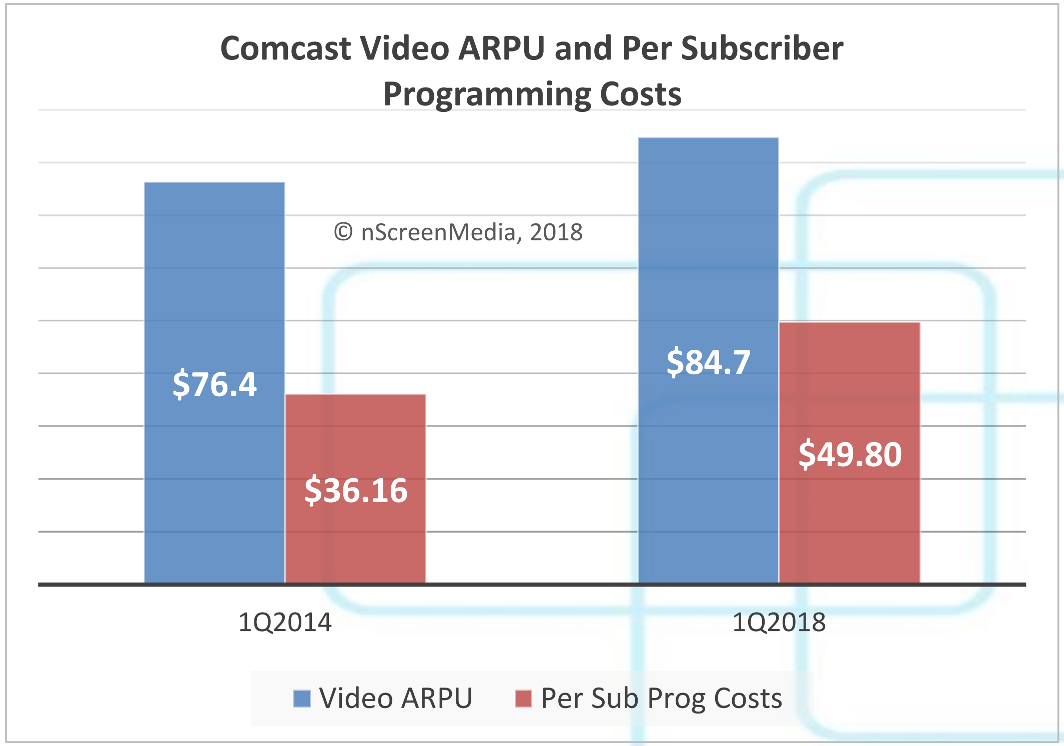
Big ARPU increases contribute to cord-cutting, cord-shaving, and unrest

But operators have not been passing along all the content licensing fee increases

- In 2014, content license fees amounted to $36.16 per subscriber
    - **47.2% of ARPU**
- In 2017, content license fees were $48.59
    - **58.7% of ARPU**

Pay TV margins eroded 11% in 5 years at Comcast

- The situation is much worse for smaller operators



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What are “vMVPDs”?

Pay TV delivered entirely online

Focused on linear television

Often with a much smaller number of channels than traditional pay television

- “skinny” bundle versus the “big” bundle
- 20 – 100 channels versus 100 - 300

Friendlier business terms than regular pay TV

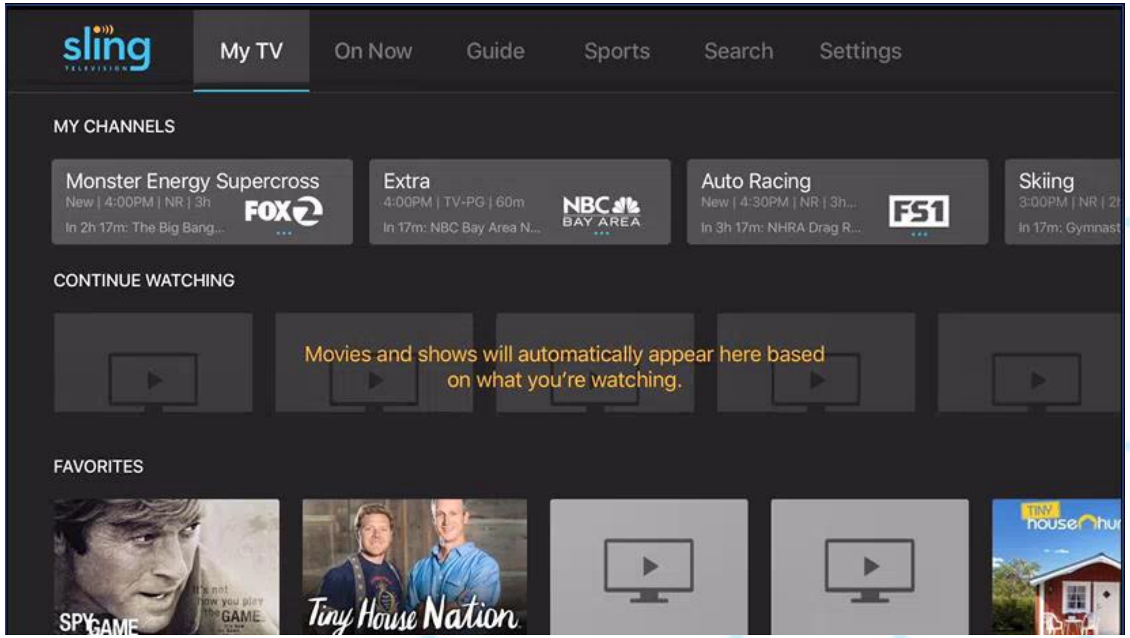
- Monthly commitment
- $20 - $60 per month

US vMVPDs

- Launched: Sling TV, DirecTV Now, PlayStation Vue, FuboTV, YouTube TV, Hulu Live
- Preparing a package: Verizon, Comcast

Some form of vMVPD will arrive in all regions

- Lower cost because no in-home physical presence required



vMVPD Services

	Price	Channels	Streams	DVR	Hightlights
Sling TV	$20	30	1	Yes*	ESPN, TNT, TBS, HGTV, AMC, Disney, Comedy Central
DirecTV Now	$35	60	2	No (In beta)	ESPN, TNT, TBS, HGTV, A&E, Disney, FS1, History, Comedy Central
PlayStation Vue	$39.99	49	5	Yes	Fox, ABC, NBC, ESPN, Disney, Fox Sports, TNT, TBS, HGTV, USA
YouTube TV	$40	40	3	Yes	ABC, CBS, NBC, Fox, SyFy, USA, The CW, ESPN, Fox Sports, RSNs
Hulu Live	$39.99	50+	2	Yes	ABC, CBS, NBC, Fox, ESPN, HGTV, USA, SyFy, A&E, Disney Channel, CNN
fuboTV	$49.99	51	2	Limited	NBC, Fox, FS1/2, RSNs, Fox Soccer Plus, SyFy, A&E, Fox Deportes

"One of the objectives was to make it as simple as possible. The $20 price point was really critical for us. The easiest thing would have been to do the traditional pay TV deals. We would have completely missed the market we were going after. The more challenging thing was to get programmers to agree that this is going after a different market, so we need a different model."

Roger Lynch, Sling TV CEO May 2015

How are vMVPDs doing?

Top 3 providers have 3.1 million subscribers

- Sling TV ~1.5 million
- DirecTV Now 0.8 million
- PlayStation Vue ~0.8 million

vMVPDs growing while pay TV shrinks

- In Q3 2017, U.S. pay TV lost ~1 million subscribers
- There are still 98 million U.S. pay TV households
- vMVPDs gained 0.9 million

Other vMVPDs also growing

- FuboTV has 100,000+ subscribers

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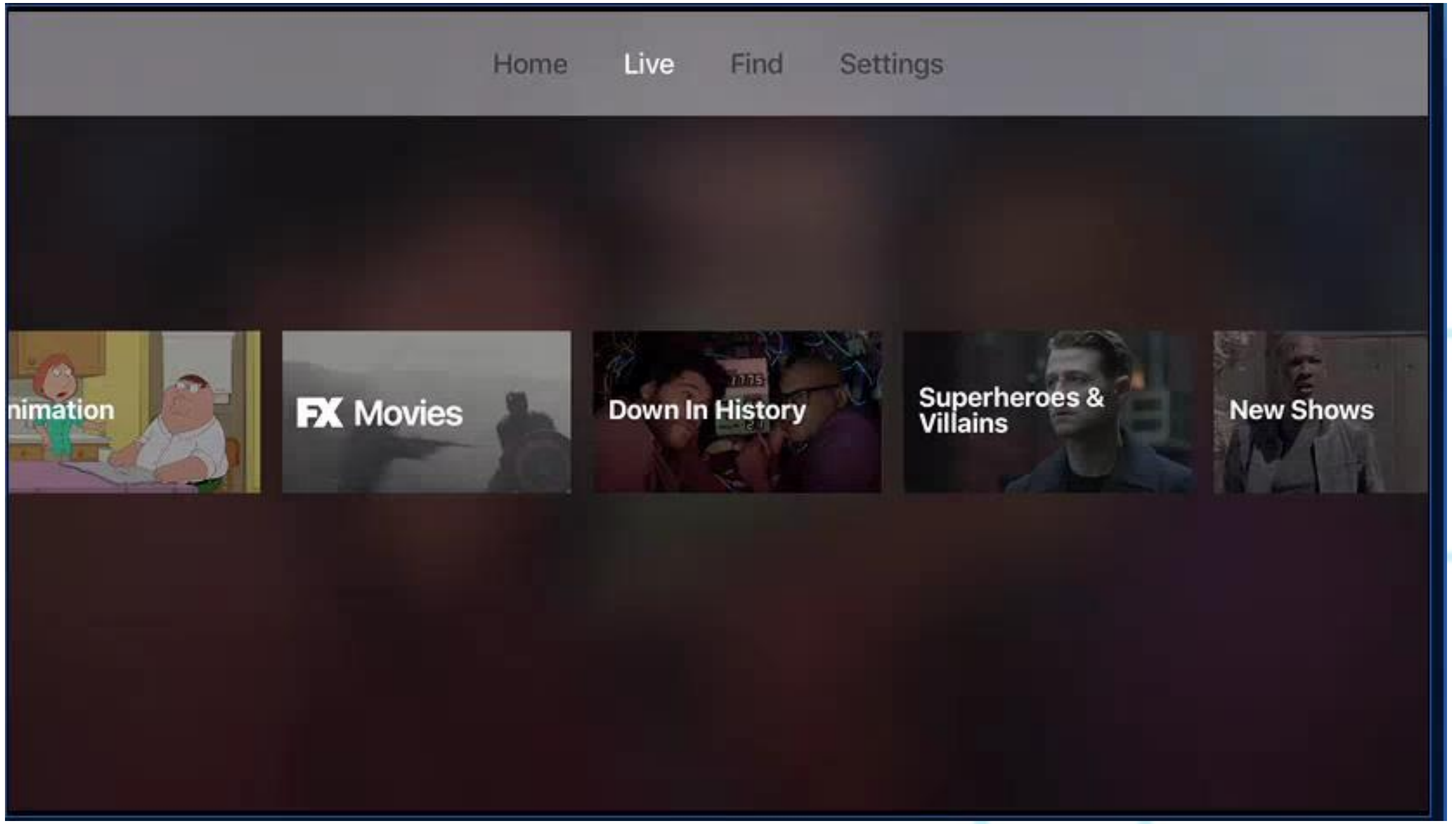
Authenticated services - Fox Now

Just released Fox app for Apple TV

Combines Fox family of channels

- Linear channels as broadcast on TV
- Some content blacked out due to license restrictions
- Includes a linear guide
    - **With catchup**
- Includes on-demand content

Preparing for an SVOD future?



TV2 Play

TV2 Play delivers all 6 broadcast channels online

Large library of on-demand assets

Restart services

Packages for every taste

- Ad-free
  - **129DKR a month TV+VOD**
  - **69DKR a month VOD only**
- With Ads
  - **99DKR TV+VOD**
  - **39DKR VOD**

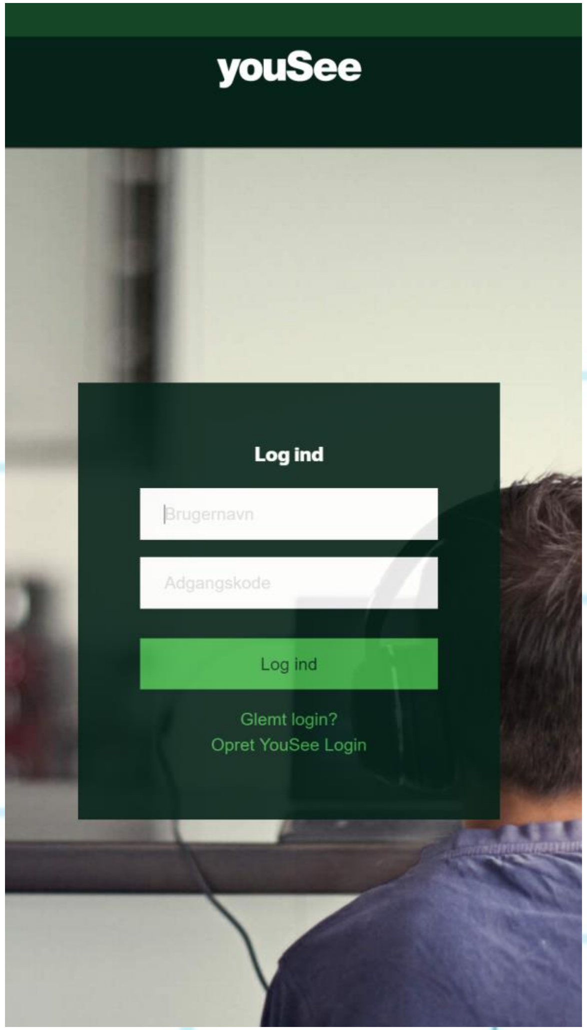
Authenticated services – Operator Portals

Most operators have launched their own video portals

- Includes linear and on-demand content

Usage is increasing among subscribers

- 50% of U.S. subscribers are aware their operator providers multiscreen access
- 31% of pay TV subscribers accessed an operator portal in the US in the fourth quarter of 2016
- Up from 22% the year before
- 61% of TVE users watch through operator app weekly
- A quarter watch daily



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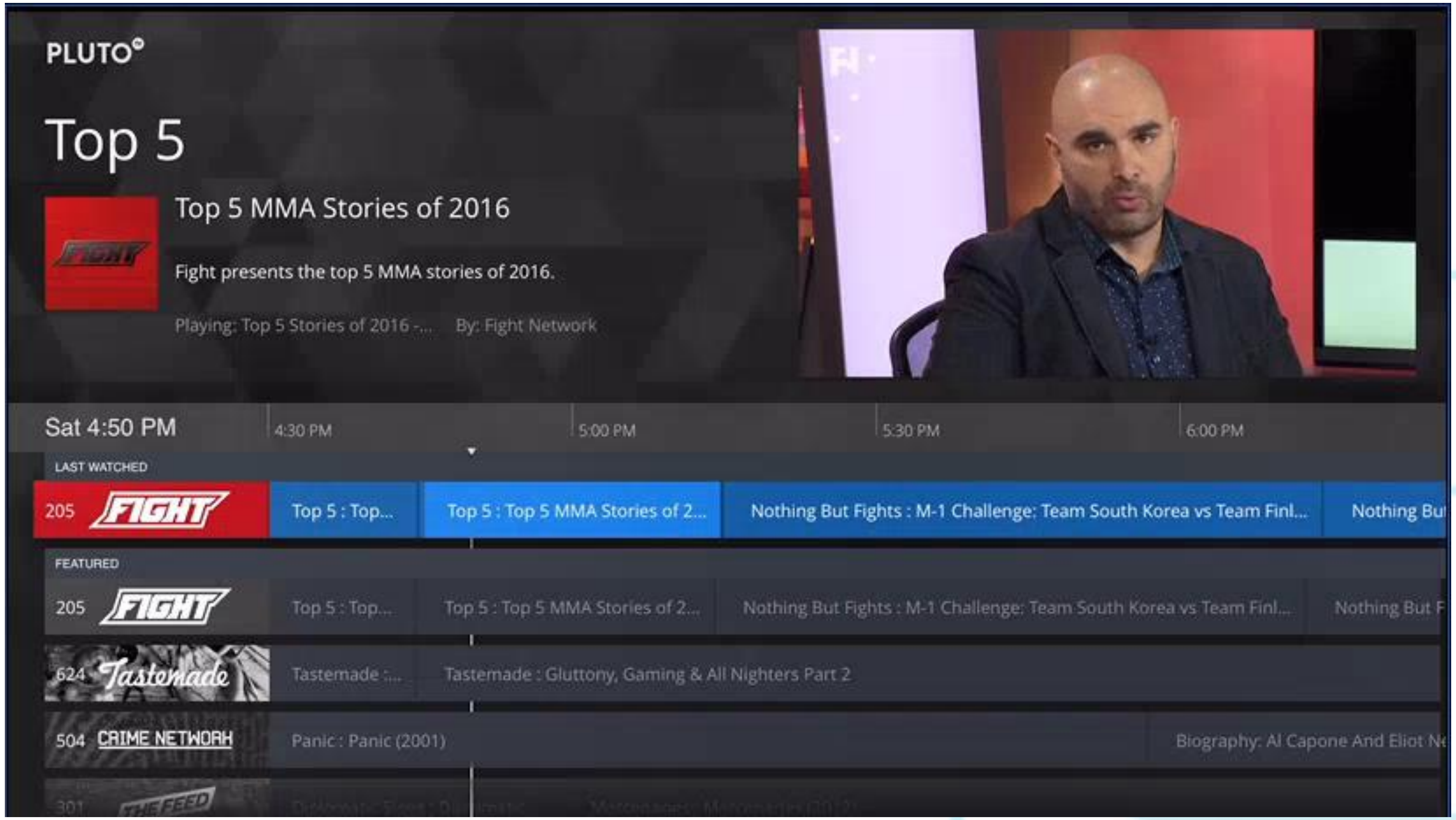
New linear services – Pluto TV

“It’s true that lots of shows that have traditionally been appointment based are perfect for on-demand viewing. However, the majority of viewing time is with the TV on and running in the background, not specifically appointment based.”

Tom Ryan, CEO of Pluto TV



New linear services – Rheo

"A continuous stream of curated and personalized video delivered to you effortlessly"

Alan Cannistraro, CEO of Rheo

"Instead of it being organized by channel or genre, it is organized by moods."

Charles Migos, Chief Product Officer of Rheo

Hear more at:

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Linear TV will make the transition online

- The format serves a valuable viewing need of consumers
    - **Answers approximate needs – What's happening in the news**
    - **Answers the tyranny of choice**
    - **Handles mass-market sports very well**

Usage of traditional "programmed" linear will be much less than it is today

- Traditional channels, particularly broadcast channels, are the unique construction of bandwidth-restricted TV
- vMVPDs will be part of the content mix for some, but will be the main part for few

Online linear-like services will come to replace some of programmed linear

- Better answer to tyranny of choice (Pluto TV)
- Better for ambient and mood type needs

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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