



# GLOBAL TV AND VIDEO

**FIVE TRENDS CONTRIBUTING  
TO THE CONTINUED RISE OF DIGITAL**

**SPOTX**



## INTRODUCTION

TV is in the midst of a technological revolution. With more ways to consume video content than ever before, the definition of TV has never been more ambiguous. Unsurprisingly, the primary driver of this shift is the internet. Rapid advancements in broadband and mobile networks have catalyzed new viewing habits. The entrance of subscription video on demand (SVOD) platforms like Netflix, and virtual multichannel video programming distributors (vMVPDs) like fuboTV, enable audiences to consume content in new ways, within and away from the traditional living room setting. These fundamental changes aren't unique to any one country, so we've highlighted five global trends that help describe the current situation and our evolution in how we define and consume video of all kinds.

1

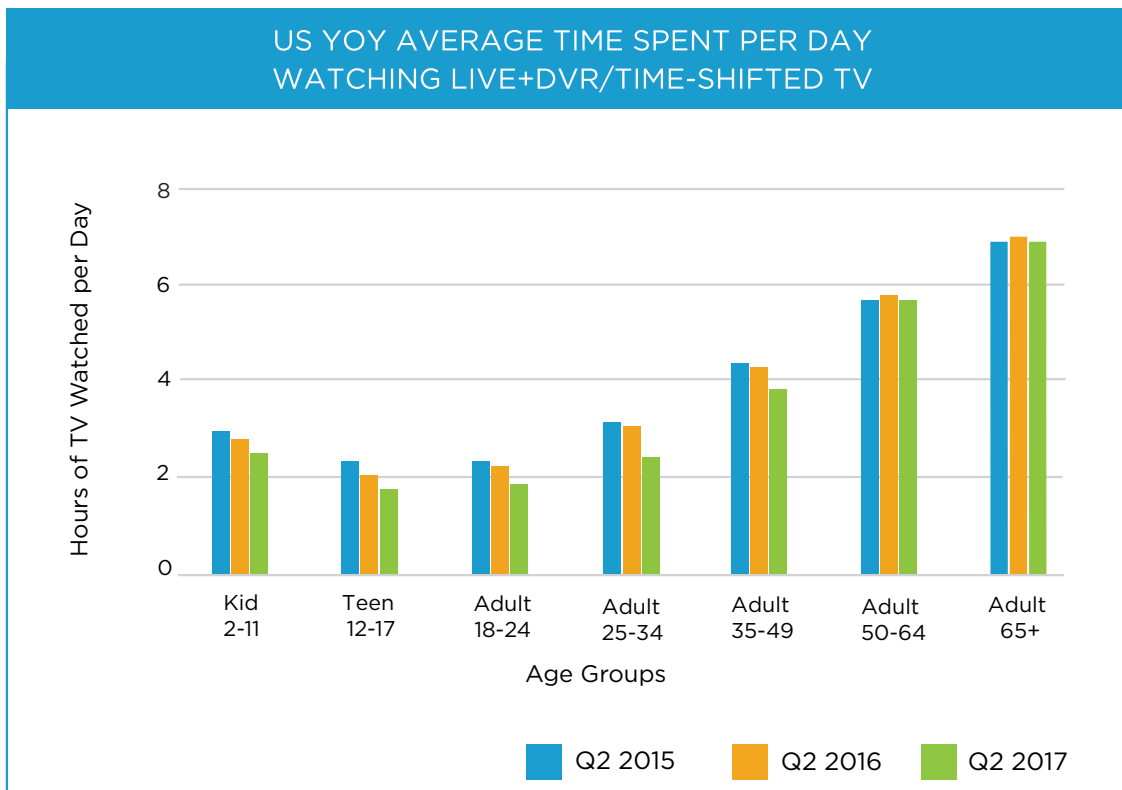
# LINEAR TV CONTINUES TO DRAW VIEWERS

For nearly a decade, our conception of television has been changing. Internet-connected TVs ushered online content and downloadable apps into the living room, while traditional TV programming now follows us on the road, as people enjoy their favorite shows from the convenience of their smartphone.

TV has gone beyond the television set—it's expanded into this idea of Total Video, a phenomenon that spans all screens and all streams, with consumers able to access content anytime, anywhere, on any device. For example, if someone says they're going

to stay in and watch TV, they may be watching Netflix on their iPad. Total Video gives consumers more control over their experience than ever before.

Amidst this new on-demand reality, old-school linear TV often gets a bad rap. However, contrary to what you may have heard, live viewership isn't going anywhere. While Deloitte Global notes in their 2018 predictions that linear viewing will likely taper 5-15% among 18 to 24 year olds, the category as a whole remains a cornerstone of daily consumption behavior.<sup>[1]</sup>



Source: The Nielsen Total Audience Report<sup>[2]</sup>



According to a recent report from Eurodata TV Worldwide, the global daily average for TV viewership clocked in at nearly three hours per person, with wide variations across continents.<sup>[3]</sup> Linear TV is particularly strong in the US and North America, compared to countries across the Asia-Pacific region.

Average Individual TV Viewing Time:



**NORTH AMERICA:**

4 hours and 3 minutes



**EUROPE:**

3 hours and 49 minutes



**ASIA:**

2 hours and 25 minutes

Even though there are more ways than ever to watch video, these numbers show that audiences still love linear TV and are far from abandoning traditional live programming. Part of linear TV's enduring appeal is its ability to facilitate a communal experience, a tradition that harkens back to families gathered around the living room radio. There's something special about joining friends and family for a live broadcast, or favorite TV program. Despite the on-demand nature of digital, people aren't going to watch the World Cup final a week after the fact, or throw a party for the Game of Thrones season premiere on a Tuesday evening when it first aired on Sunday.



## 2

## FASTER INTERNET OPENS THE GATE TO QUALITY VIEWING

The continued evolution of the internet, through faster broadband speeds and more connected devices, is the largest contributor to the growth of non-traditional TV consumption. Per Ookla, the company behind Speedtest, fixed broadband speeds **jumped over 30% last year**, from approximately 28 Mbps to 40.11 Mbps.<sup>[4]</sup>

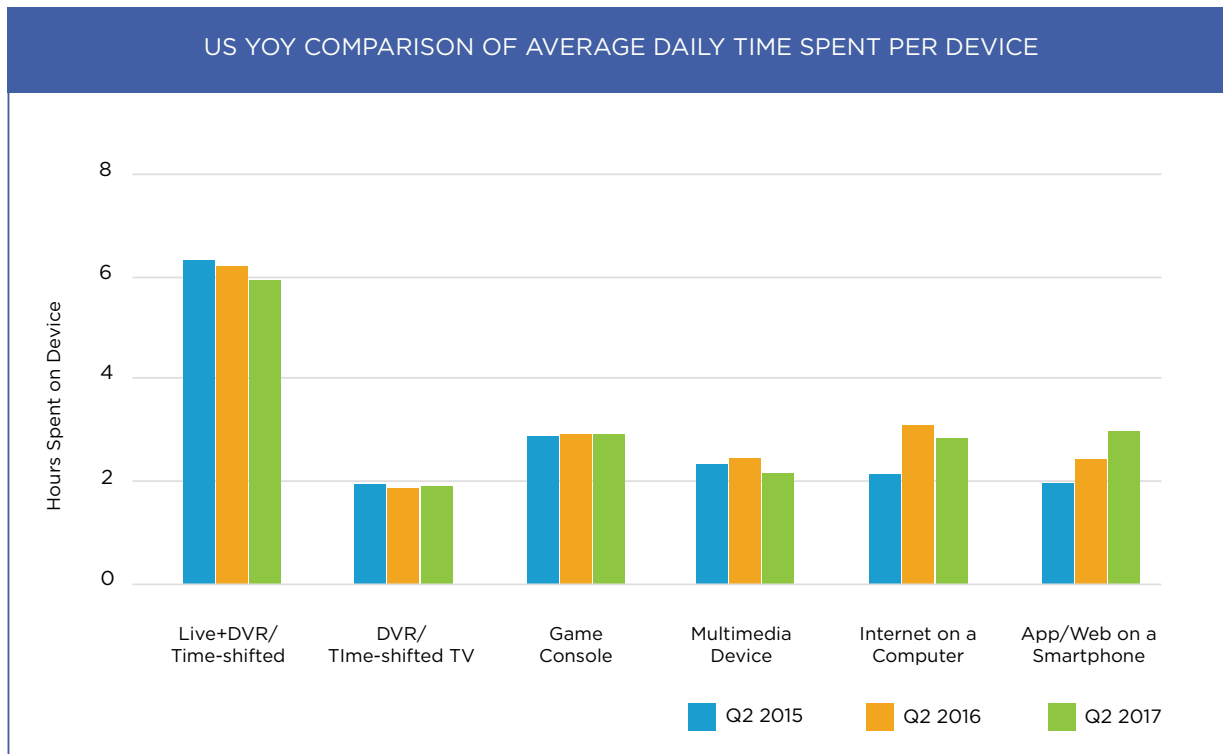
As networks improve their download speeds, **viewers are dedicating more of their device usage to online video.** In its recent “Zettabyte Era” report, Cisco forecasts that video will reach approximately 82% of global internet traffic by 2021, with the vast majority consisting of long-form VOD.<sup>[5]</sup>

Why are these technical improvements such a game-changer when it comes to video? Quality. Quality is immersive, helping to transport you away from your couch, bed

or wherever you are and into the bleachers, mountains or dystopian citadels of the future. Quality is why people are willing to pay a premium for IMAX theater experiences. In the early days of internet, when connections were still crawling along, it was nearly impossible to enjoy quality video on anything except a TV or movie theater screen. Imagine the agony of trying to stream 4K content over a 56k modem connection.

But it’s not just quality that has reshaped video behavior. It’s distribution, too. As more devices are connected to the internet, **consumers can increasingly access linear-quality experiences on a wider variety of devices without traditional home cable subscriptions** piping content directly to their TVs. As seen in the Nielsen numbers below, US consumers are steadily increasing their time spent on computers and smartphones.

“Video will reach approximately 82% of global internet traffic by 2021, with the vast majority consisting of long-form VOD.”



Source: The Nielsen Total Audience Report<sup>[6]</sup>

New distribution also includes the digital “pipes” that are fast replacing cable. SVODs can easily distribute high-quality content through their apps and websites, while vMVPDs broker skinny bundles that deliver linear content straight to smart TVs or set-top boxes over the internet without the need for a traditional cable subscription. This is a game-changer for viewers who don’t

need or want a plethora of channels at their fingertips. For years, the only way to tune into your favorite sports programming was to purchase a large bundle with dozens of channels you probably would never watch. While this is still somewhat the case, skinny bundles offer cheaper and more customizable options that appeal to the growing number of cord-cutters and cord-nevers.

**“Consumers can increasingly access linear-quality experiences on a wider variety of devices without traditional home cable subscriptions.”**

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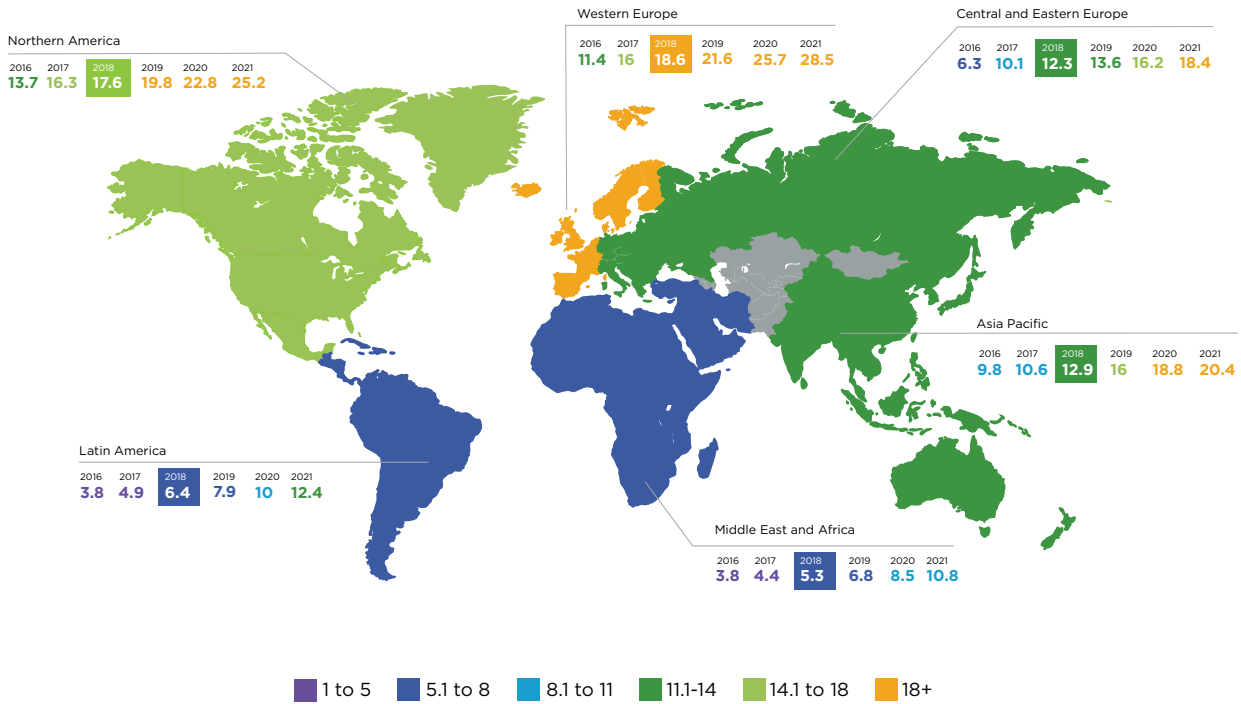
# MOBILE, BRINGING ALL STREAMS TO ALL SCREENS

**TV is no longer confined to just your living room.** Total Video means being able to access content on the go and on your preferred devices. In addition to faster internet speeds, improvements to the bandwidth of mobile

networks and smartphones have transformed the TV and video landscape. Just like traditional broadband, mobile networks are getting faster and, as a result, inducing new viewing habits.

## GLOBAL AVERAGE AND PROJECTED MOBILE INTERNET SPEEDS BY REGION

Speeds in Mbps (Megabits per second)



Source: Cisco, The Zettabyte Era: Trends and Analysis<sup>[7]</sup>



Consider the quantum leap made between the EDGE and LTE networks. While streaming over EDGE, with download speeds of roughly 135 kbps, is a definite step up from the 56k modem, odds are you're still staring at a screenful of pixels while watching online video.<sup>[9]</sup> LTE's high-speed standard—averaging 37 Mbps for three of the largest US carriers—has finally made quality mobile video a reality.<sup>[9]</sup>

Another growth factor can be seen in the changing size and precision of smartphone screens. For example, imagine watching your favorite shows on the 3.5-inch screen of a first-gen iPhone, versus the 5.8-inch screen of the iPhone X.<sup>[10]</sup> The iPhone X's 2436x1125 resolution rivals that of many high-def computer monitors, while the first-gen iPhone's measly 320x480 is technically incapable of delivering 4K video.<sup>[11]</sup> Presently, mobile networks have become so fast, and smartphones so technologically sophisticated, that a growing portion of consumers use mobile-only connections for

their home internet, eschewing traditional broadband services. Per Deloitte Global's 2018 predictions, mobile-only home internet is already surprisingly commonplace, with rates as high as 27% in Turkey and 19% in the US.<sup>[12]</sup> Mobile video, in particular, is growing incredibly fast due to emerging regions skipping over fixed connectivity. Cisco's Zettabyte Era projects a 15% compound annual growth rate from 2016-2021 for mobile video compared to just 6% for online video in the same time period.<sup>[13]</sup> This explosion in mobile video is most evident in the APAC region. Mobile measurement firm, AppAnnie, noted that the region viewed 40 billion hours of video on Android devices in the last two years while excluding China; APAC now consumes nearly half of all global mobile video.<sup>[14]</sup>

With faster networks, higher resolution screens, and a robust menu of content providers, audiences finally have the potential for **exceptional viewing experiences in their pocket wherever they go.**





## 4

## SVODs AND vMVPDs, PIONEERS OF A NEW AGE IN TV AND VIDEO

If technology is responsible for the major shift in video consumption, SVOD and vMVPD platforms are the businesses capitalizing on that disruption by forging a new post-cable order.

The poster child at the center of it all, of course, is Netflix. From its humble beginnings as a DVD rental business to its present reign as an online streaming behemoth boasting 125 million worldwide subscribers, Netflix's runaway success has allowed them to fundamentally rewrite the ways that video content is created, distributed, and enjoyed by audiences.<sup>[15]</sup> Aside from proving that SVOD is a viable business model, Netflix was the first major player to experiment with original online content that never airs linearly as well as the "all-at-once" release format.<sup>[16]</sup> As Parrot Analytics noted in their Global Television Demand Report, content investments among the three largest SVOD platforms more than doubled between 2013 and 2017, from \$5.5B to \$13B.<sup>[17]</sup> To the delight of binge watchers around the world, this has led to a **five-fold increase in original streaming content**, with the number of new

shows ballooning from just 21 in 2013 to 114 in 2017.<sup>[18]</sup>

vMVPDs like Sling TV and fuboTV operate differently than streaming services and help bridge the gap between traditional cable offerings and SVOD platforms. Many vMVPDs use a skinny bundle approach, **offering cheaper and more streamlined channel packages to consumers via connected TV devices** like Roku, Apple TV, Amazon's Fire TV or gaming consoles.<sup>[19]</sup> Skinny bundles allow consumers to pay only for channels they want to watch, opening up a new market for digitally savvy or cash-strapped audiences previously dissuaded by bloated cable packages.

It's important to note that **the lines are already blurring between SVOD and vMVPD platforms**. Some traditional SVOD platforms like Hulu and Amazon have entered into live programming via Hulu Live and Fire TV's "On Now" category, while vMVPDs like Sling TV and fuboTV, among others, offer VOD services.<sup>[20][21]</sup> This trend towards convergence will almost inevitably continue into the future.

## SVOD

Subscription video on demand is a paid service that provides consumers with unlimited access to a wide range of programming such as movies or TV shows.

Examples: Netflix, Hulu, Amazon Prime Video

## vMVPD

A virtual multi-channel video programming distributor is an over-the-top (OTT) TV provider that enables streaming of linear TV content over the internet without requiring a traditional cable subscription.

Examples: fuboTV, Sling TV, DirecTV Now

## 5

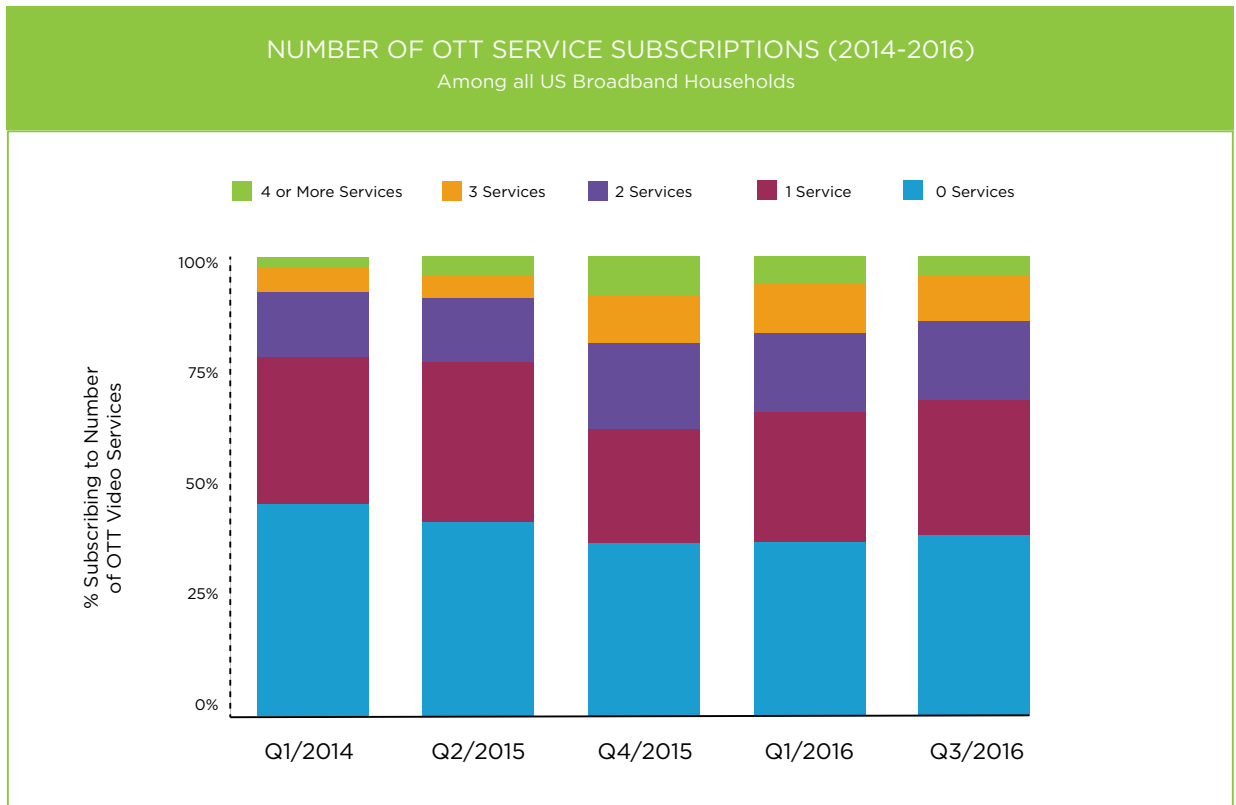
## STACKING SUBSCRIPTIONS

With the success of SVOD and vMVPD platforms, it was only a matter of time before **media owners like Disney and even companies like Formula One Group started getting into the subscription game** themselves.<sup>[22][23]</sup> These companies sit on troves of IP and media content waiting to be monetized, creating an incentive toward setting up their own subscription service to reap the benefits more directly instead of choosing a third-party distributor like Netflix or Amazon. Further, since media owners have a habit of keeping their IPs close, **we'll likely see a lot more exclusive content fractured across disparate platforms.** And if companies with lots of existing IP avoid making it available on third-party platforms, there may be an even larger surge in original

video content produced by SVODs to compensate.

These are exciting developments, but they also open the floodgates onto an already crowded market. Many broadcasters have by now launched one-to-one subscription services for their channels through TV Everywhere apps or vMVPD subsidiaries (e.g. Sling TV is owned by Dish Network). For consumers, this means **you will likely need more subscriptions in the future to access the full range of content you want.** On the next page is an overview of how many OTT subscriptions are held by US broadband households, and even in 2014, over half of respondents already had at least 2 services.<sup>[24]</sup>





Source: Parks Associates Media Research <sup>[25]</sup>

This phenomenon isn't limited to the US. In fact, the previously mentioned Deloitte Global report notes that UK soccer fans typically subscribe to two TV services, as Premier League broadcast rights have traditionally been split between two national broadcasters.<sup>[26]</sup> From the phones we use to the subscriptions we choose, the gift of

technology is the gift of options. Right now, there's more content coming from more sources than at any other point in recorded human history. The increasing complexity of figuring out what mixture of options works best for us just happens to be the price of progress.

**“Over half of US broadband households already had at least 2 OTT subscriptions in 2014.”**



## CONCLUSION

It's clear that recent technological advances will continue to shift how we define and consume TV and video. Contrary to popular opinion, linear TV and traditional broadcasters are not dying but evolving to cater their offerings towards the new digital reality.

Those who remain uncertain about the future of TV can find guidance in the legacy of radio, which was once a living room staple. Today, very few, if any, people gather

together in their living rooms for a radio program, but plenty of people listen to radio in their cars. Similarly, TV isn't going anywhere, though it will continue to evolve as programming surfaces on new screens and streams, heralding the era of Total Video. With so much territory up for grabs, the stakes have never been higher, and we expect to see continued experimentation in the marketplace, from non-traditional contenders to original business models all vying to better serve us – the viewers at home and on the go.



## GET IN TOUCH

If you're interested in activating connected TV opportunities or would like to learn more about SpotX and our offerings, reach out to us at [info@spotx.tv](mailto:info@spotx.tv) or visit us at [www.spotx.tv](http://www.spotx.tv).

Check out our research offerings at:  
<https://www.spotx.tv/resources/research-success/>

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