MILLENNIALS & ENTERTAINMENT

Final Report // March 2014

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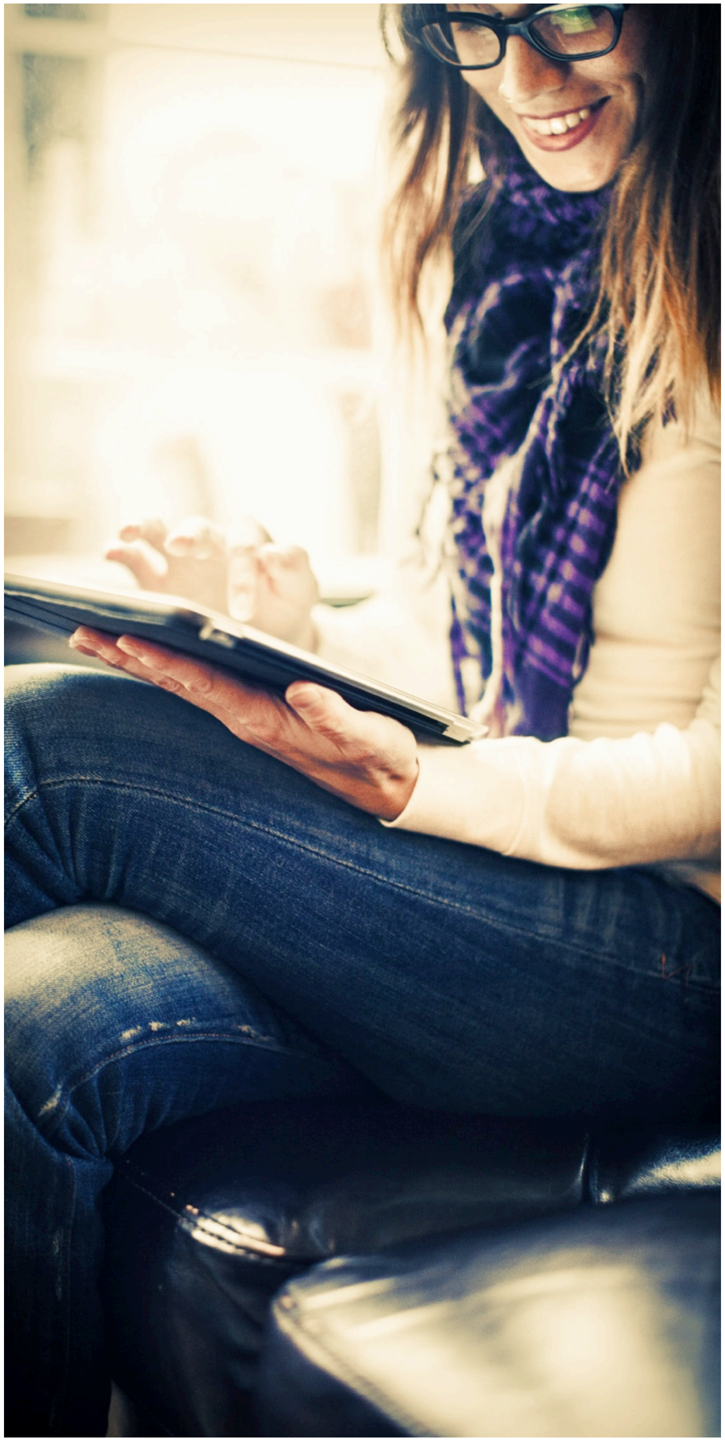
EXECUTIVE SUMMARY

Millennials are commanding change in entertainment, media and brand relationships.



THE DIGITAL MILLENNIAL

As Millennial spending and content consumption continues to increase, companies must seek new methods for maintaining consumer connections, brand relevancy and revenue generation.

Understanding how Millennials – their identities, self-perceptions and values – are driving evolution and revolutions in technology, communications and connectivity, and demanding change in entertainment, media and content distribution is essential.

MILLENNIALS ARE

The largest population demographic in the U.S.

Commanding $1.3 trillion in consumer spending.

Watching 3x as much TV online as non-Millennials.

DIGITAL MILLENNIALS ARE DIGITAL NATIVES

THE GOAL

To clarify fact and dispel fiction, Verizon Digital Media launched a Millennial consumer study to understand how:

- Millennials define themselves differently than how they are perceived
- This generation connects with TV, media, gaming and other content
- Millennial values drive brand adoption and advocacy
- Preferences and patterns impact entertainment and media consumption

STUDY

Two-phased research project including a quantitative survey of 1,000 consumers and qualitative interviews of 8 consumers.

FINDINGS

Relating to personal & values, social media habits, leisure-tech time, entertainment, TV viewing and subscribing, content abandonment, second screening, content marathoning & binging.

IMPACT

Better understand Millennial content and connection habits and demands to transform and accelerate your media distribution planning.

STUDY OVERVIEW

PHASE 1: ONLINE SURVEY

- **Total sample: 1,000 consumers**
- **800 Millennials age (16-34); 200 non-Millennials (age 35-64)**
- **23-minute interview**
- **U.S. Census balanced**
- **Data Collection: November 2013**
- **Significant differences between Millennials and non-Millennials are indicated with either green coding (statistically higher than other segment) or red coding (statistically lower)**

PHASE 2: IN-HOME INTERVIEWS

- **8 interviews with Millennials, 30-40 minutes each**

This report presents findings from two-phased research project on the entertainment habits and personality of Millennials. Both the quantitative online survey and qualitative in home interviews were conducted by Hub Entertainment Research.

FINDINGS

Millennials understand that their voices are being heard, and that en masse, they have the power to drive change in how we work to provide *content a la choice* – when, where and how this generation wants it.

RECENCY, QUALITY, SPEED.

On Demand is being replaced by Real Time. Millennials want to access all of the content they desire without speed and quality being affected:

- **44% want current shows and episodes**
- **41% value high quality viewing experience with minimal pauses, interference and buffering.**
- **37% desire fewer steps between content selection and the moment of viewing**

RICH & PERSONALIZED EXPERIENCES.

Millennials seek features that impact the quality of their viewing and interaction experience:

- **40% want access to live TV online**
- **40% want ultra-high definition video**
- **25% want device and session shifting**
- **19% want interactive TV**

TECHNOLOGY OVER PRICE.

Nearly 40% of Millennials who don not have Pay TV say that it is because they can get all of the programming they need online, but technology challenges increase abandonment:

- **46% if video continues but can not hear audio**
- **45% if audio continues but can not see video**
- **44% if video screen freezes at times**

FINDINGS

The Millennial generation is an ACTIVE audience, not a CAPTIVE audience. They are loyal to brands that are aligned with their own morals and values, and the impact of their choices are amplified by their use of multiple screens and social media.

At least 65% of Millennials use a second device while watching TV, but their second screen (and third and fourth screen) activities are most likely not related to TV content.

So what are they doing?

- **75% post on Facebook**
- **73% shop online**
- **49% Tweet**
- **43% read an e-book**

For Millennials, their brands of choice match the way they consume entertainment. The major broadcast networks don not appear in Millennials' top 10 brands, but all four appear in the top 10 for non-Millennials.

Top 10 Millennials brands include:

Find out more in *New TV Behaviors* and *Products & Brands* on pages X and Y, respectively.

IMPACT

While the focus of our study was in understanding Millennials' interaction habits with media and entertainment, the implications of the study reach far beyond the Media & Entertainment industry.

THE BOTTOM LINE

From global brand leaders to emerging SMB innovators, and from the Internet Retailer Top 100 to upstart online content providers the business paradigm of today is being redefined by Millennials.

HOW THIS IMPACTS YOUR BOTTOM LINE

There is more than $20 billion in revenues being left on the table by global premium content brands due to poor quality experience alone.

With Millennials accounting for $1.3 trillion of consumer spending – 21% of total consumer spending – ensuring that your digital strategy aligns current products and product innovation to Millennial habits, needs, wants, desires is essential.

TOP FINDINGS

How are Millennials different, and why are those differences important?

TOP FINDINGS

FACTS ABOUT MILLENNIALS

- Millennials prioritize value—but they also have strong brand preferences, and in fact are especially likely to spend more to get the best.
- Facebook has become more of a utility to manage large numbers of friends. Self expression is more likely to come through platforms like Instagram.
- Millennials will change the TV industry by consuming content online.
- They consume less linear TV and more online—but the vast majority still have service from an MVPD. And those that do are much more likely to subscribe to things like premium networks

TOP FINDINGS

FACTS ABOUT MILLENNIALS

- Price is a factor—but it is as much related to perceived value (many say they can find all the TV content they want online)
- Their redefinition of the TV experience (e.g. binge viewing, preference for shows with all episodes released at once, viewing on phones or laptops) may have an even larger impact
- Millennials actually have a lower tolerance for problems with audio and video quality, and are more likely to give up on a show or platform if they happen
- They regularly have other devices on while the television is playing—but usually their second screen activities are unrelated to whatever is on TV

BOTTOM LINE FOR DIGITAL MEDIA SERVICES

In order to **stay ahead of or on top of a digital strategy**, potential DMS customers need to provide services which not only reinforce their individual brands but provide a superior customer experience

Without a digital strategy, **potential clients run the risk of losing these brand loyal consumers** who have a loud voice in the marketplace

Digital Media Services' end-to-end services from high quality secure content delivery services for TV Everywhere platforms to advanced advertising to monetize content **provides the necessary technology** for these media companies.

WHAT THIS MEANS TO MEDIA COMPANIES

- **Online video is essential in your distribution model.**

  Millennials have embraced online TV viewing as a way of life. Companies that fall behind on digital video will be at a significant competitive disadvantage.

- **Omni-content distribution in is non-negotiable.**

  TV Everywhere applications need to be a strong priority as Millennials demand access to TV on their own terms.

- **Marathoning and binging must be supported.**

  Millennials preferred viewing habits centered around marathon and binge viewing and your distribution models must allow this habit to continue.

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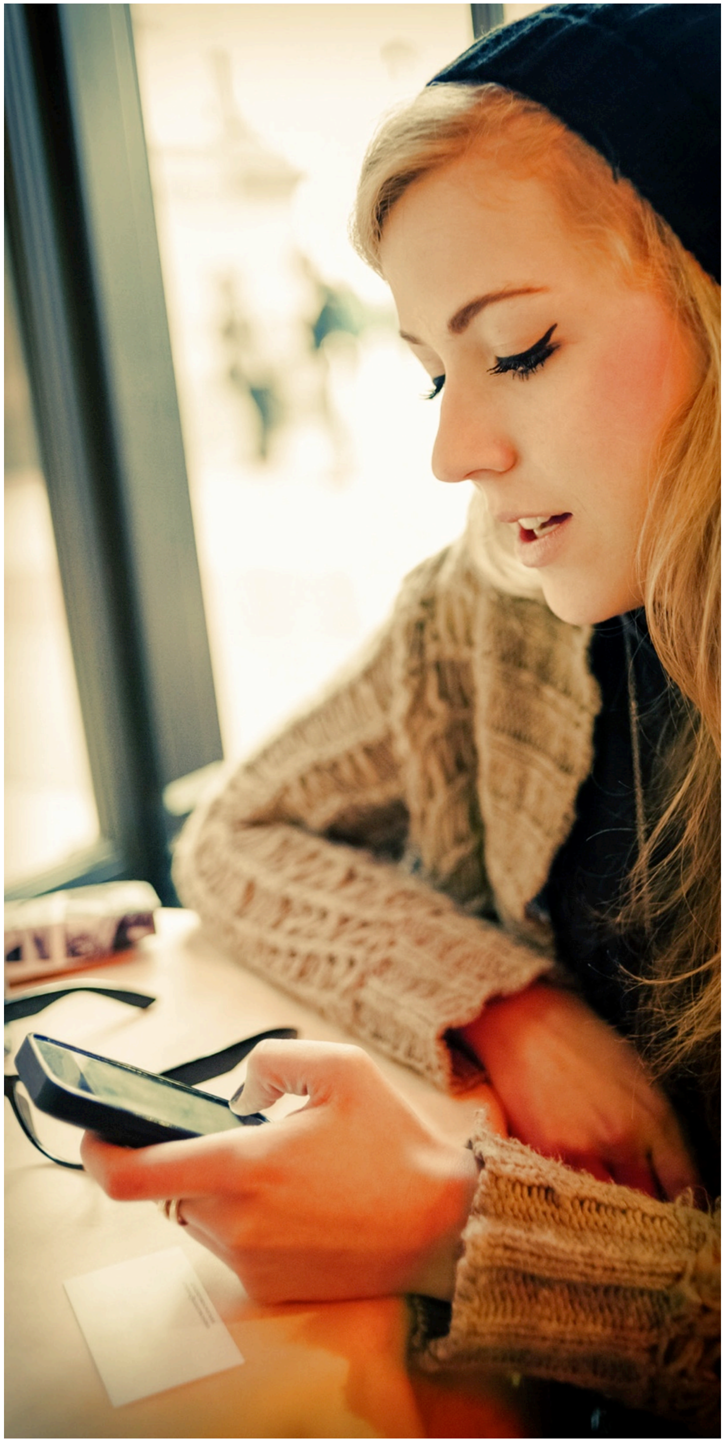
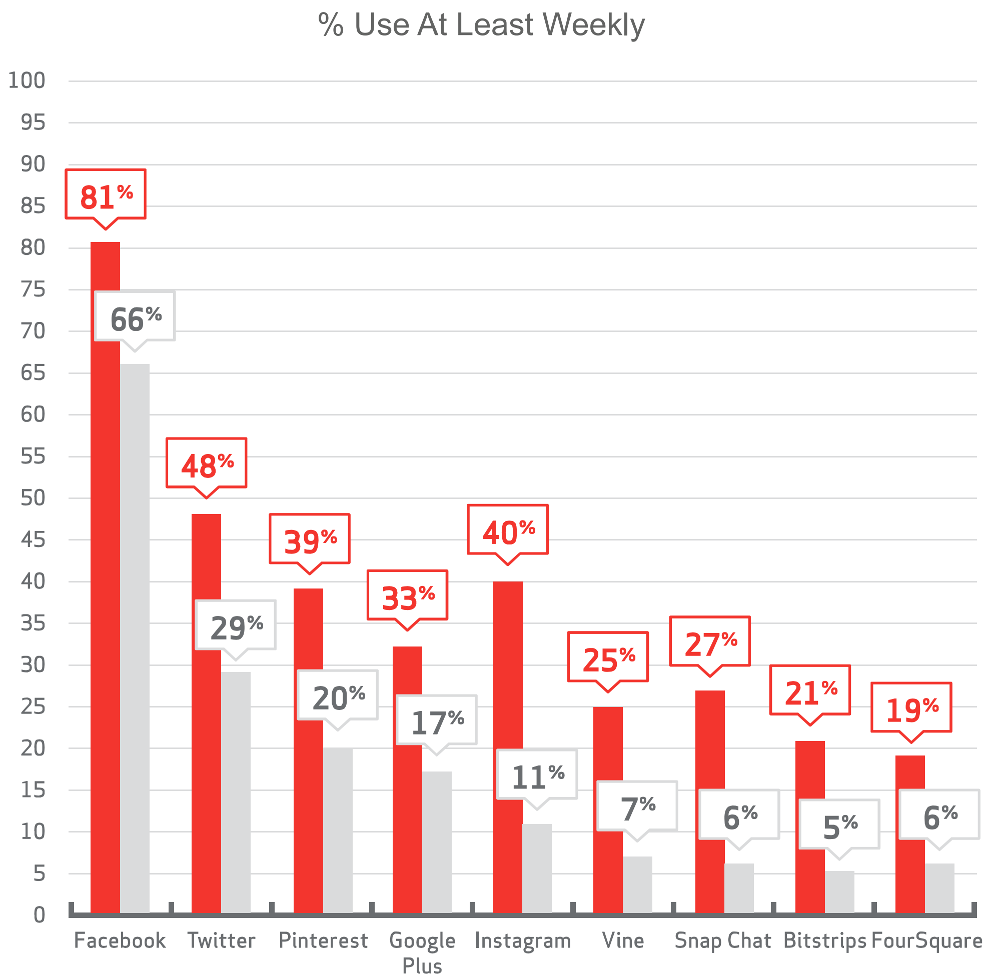
SOCIAL MEDIA

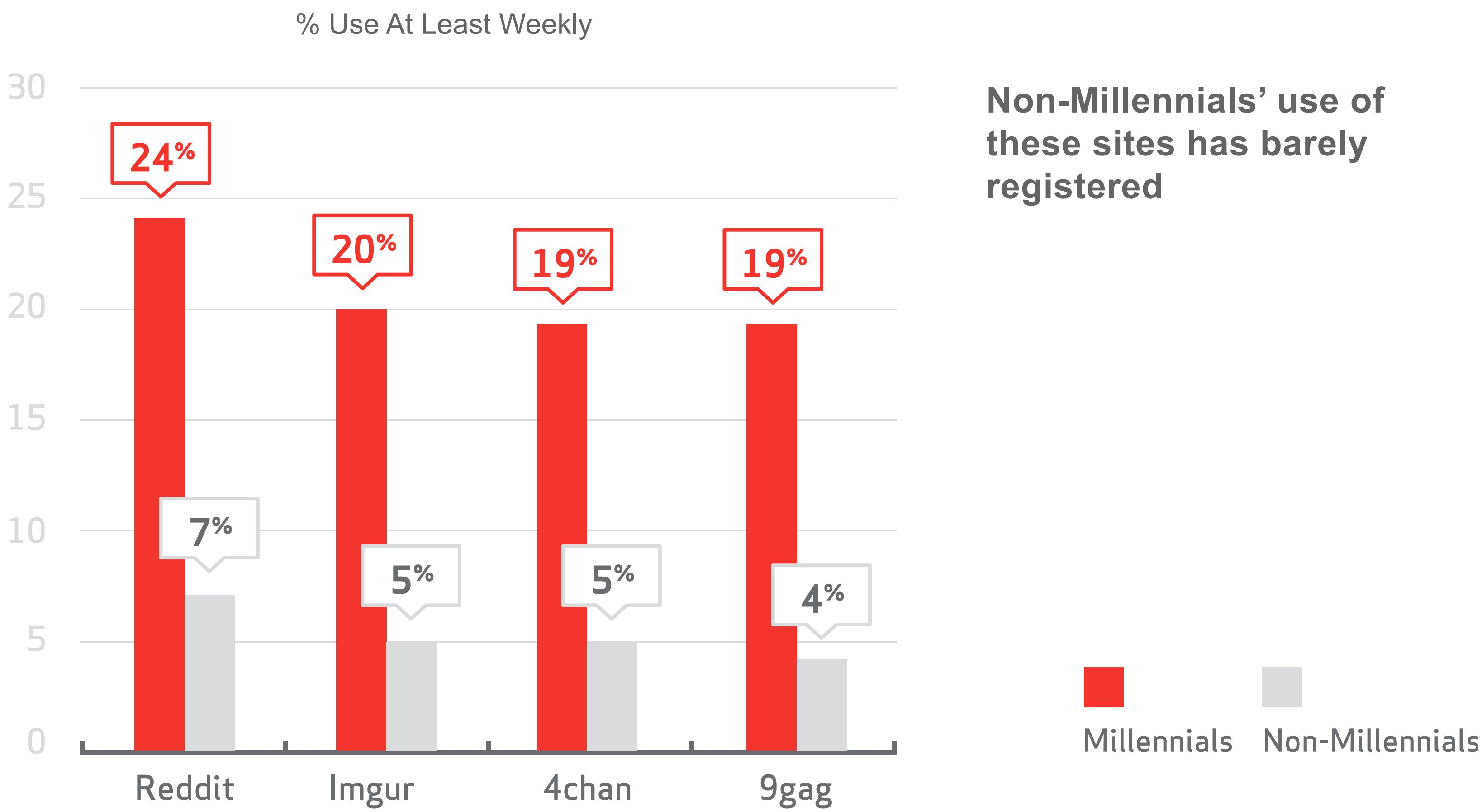


UNSURPRISINGLY, MILLENNIALS USE SOCIAL MEDIA MORE THAN OTHER CONSUMERS



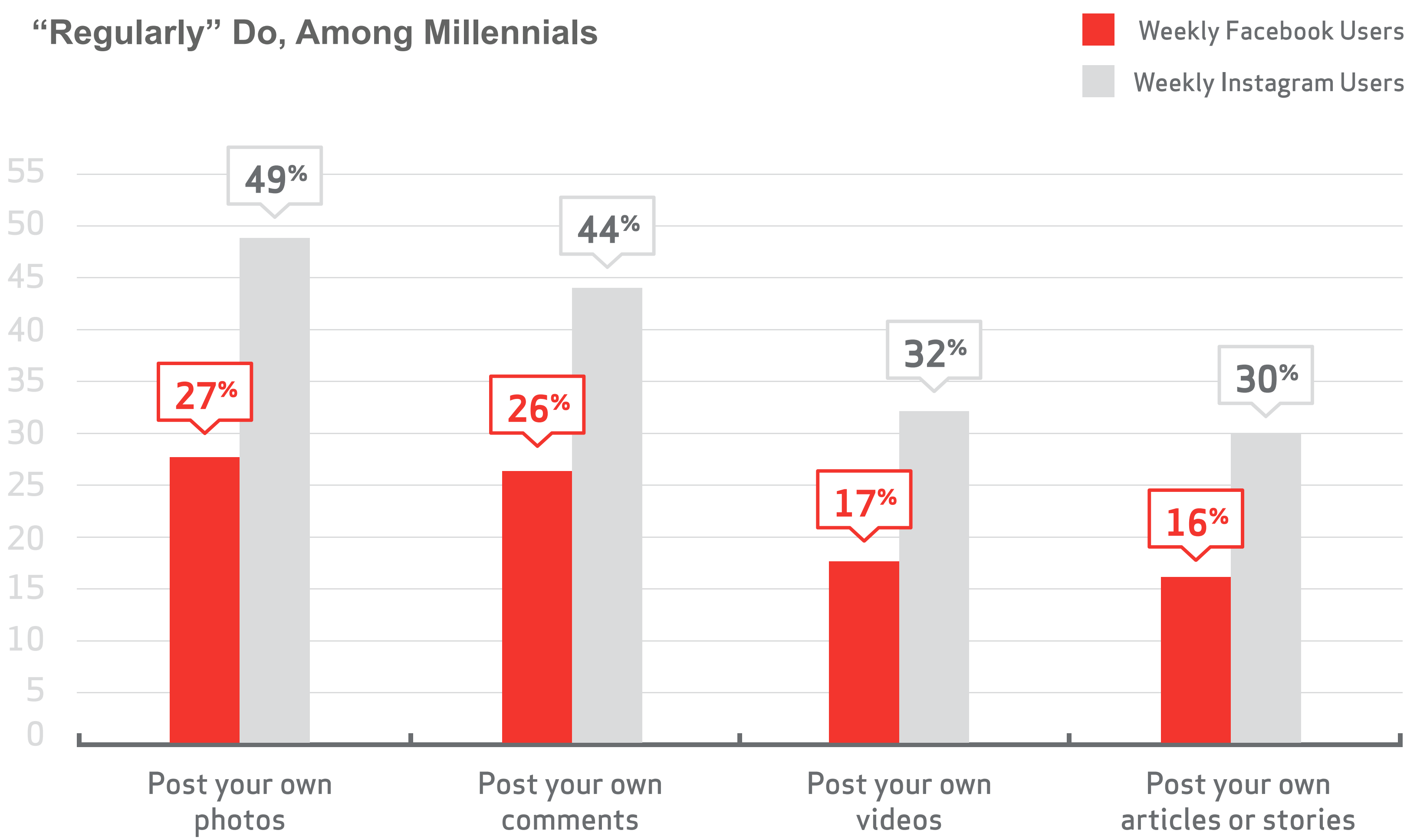
The widest gap is much wider when it comes to applications like Instagram, Vine and Snapchat

AND THEY ARE RELATIVELY STRONG USERS OF COMMUNITY BASED SHARING SITES



Non-Millennials' use of these sites has barely registered

THE DATA ALSO REFLECTS MORE CREATIVE ACTIVITY TAKING PLACE ON INSTAGRAM



ENTERTAINMENT, MY WAY

Millennials' preferences for leisure time

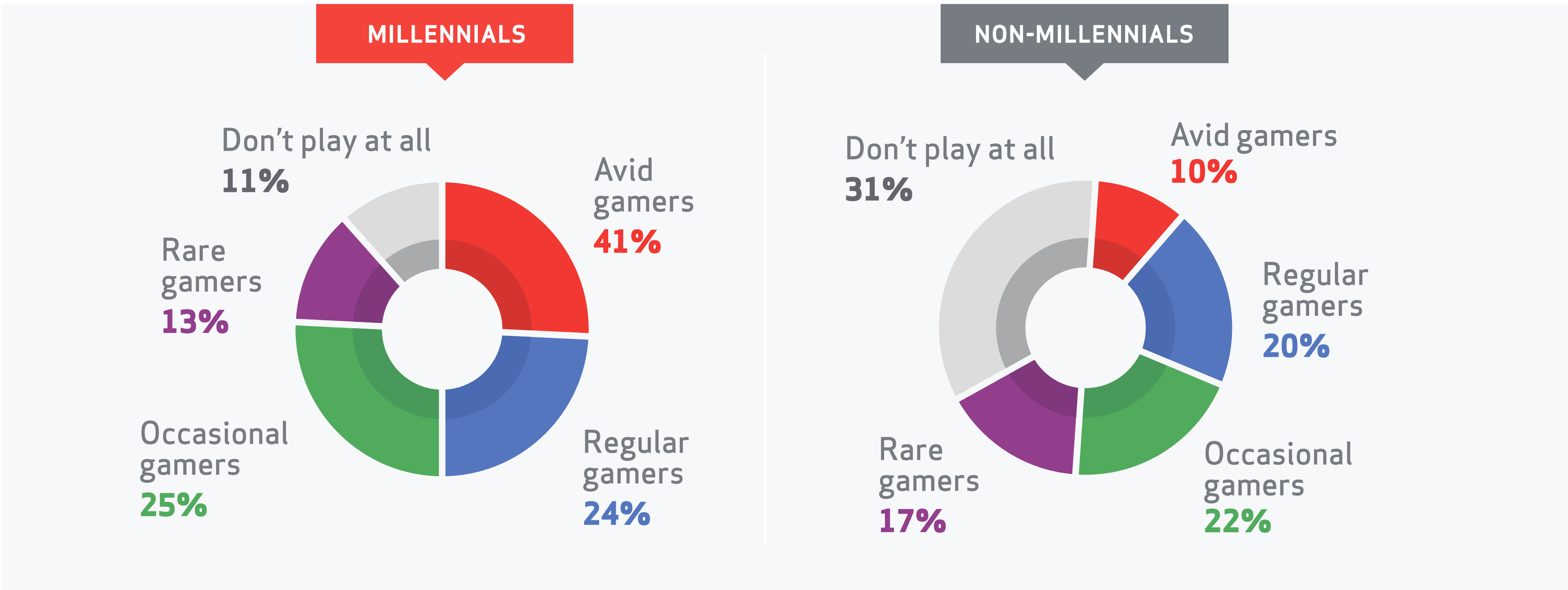
BUT BEYOND THE TOP 3, THE INTERESTS OF MILLENNIALS DIVERGE

Interacting: Social Media, Gaming

RANK	%	MILLENNIALS
1st	49%	Watch a TV program you like
2nd	45%	Listen to music
3rd	40%	Watch a movie you're interested in
4th	32%	Spend time on social media
5th	31%	Play a video game on a game console

GAMING IS ANOTHER AREA WHERE MILLENNIALS AND OTHER CONSUMERS DIVERGE

- Nearly a third (31%) of non-Millennials do not play console or PC videogames (vs. only 11% of Millennials)
- More than half of Millennials are either regular or avid gamers, compared to less than a third (30%) of non-Millennials



MILLENNIALS ARE MORE LIKELY TO SPEND A LOT MORE TIME GAMING

CONSOLE OR PC GAMING

MILLENNIALS

12.4
hours of video games per week

59%
play occasionally against others in the same room

62%
play occasionally against others online

NON-MILLENNIALS

7.9
hours of video games per week

40%
play occasionally against others in the same room

44%
play occasionally against others online

MILLENNIALS ARE MORE LIKELY TO SPEND A LOT MORE TIME GAMING

CASUAL GAMING

MILLENNIALS

12.4
hours of video games per week

59%
play occasionally against others in the same room

62%
play occasionally against others online

NON-MILLENNIALS

7.9
hours of video games per week

40%
play occasionally against others in the same room

44%
play occasionally against others online

5.6 HOURS PER WEEK

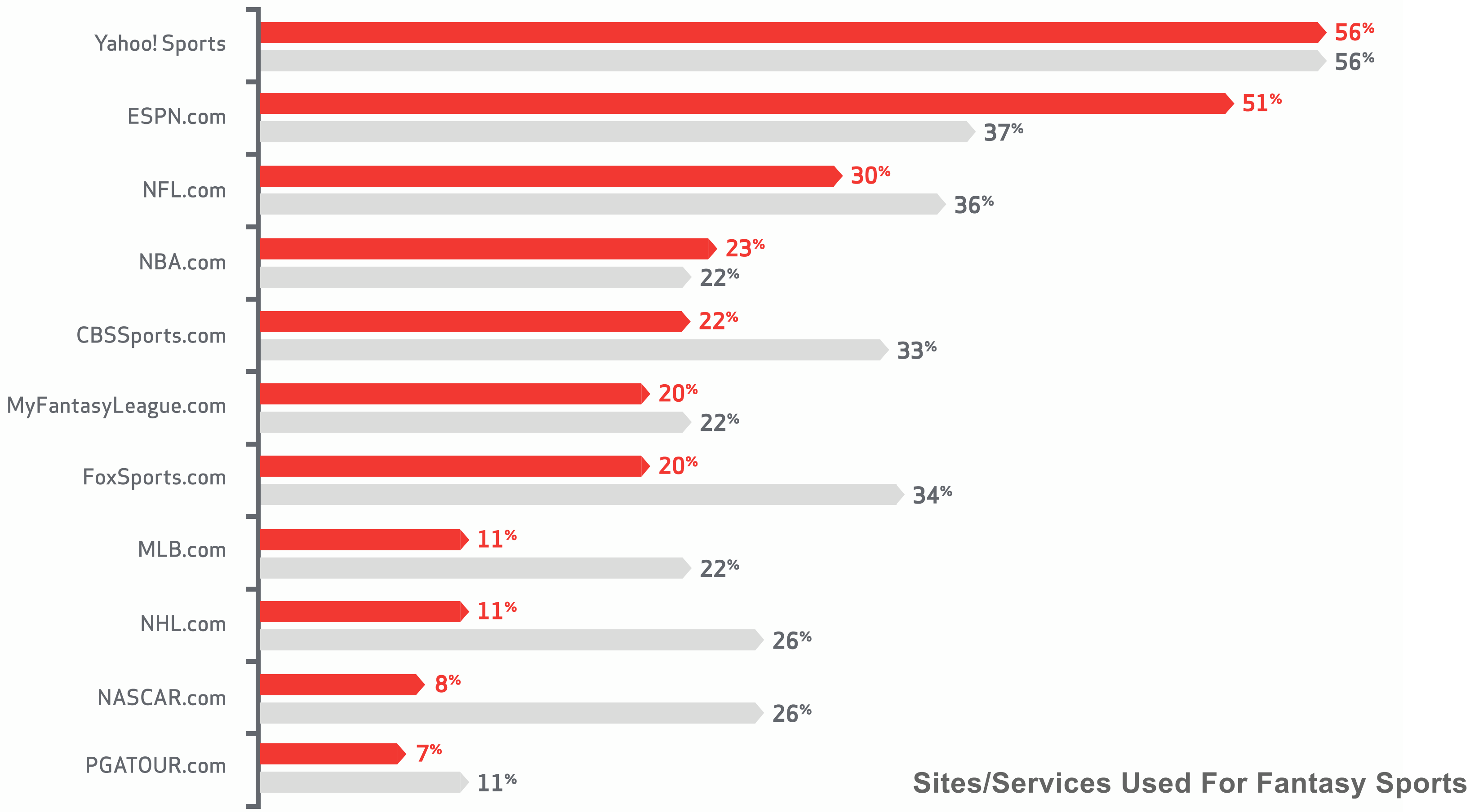
3.8 HOURS PER WEEK

MILLENNIALS ARE MORE LIKELY TO PLAY A BROADER RANGE OF FANTASY SPORTS

20% of Millennials played fantasy sports last year.
Among those who have:

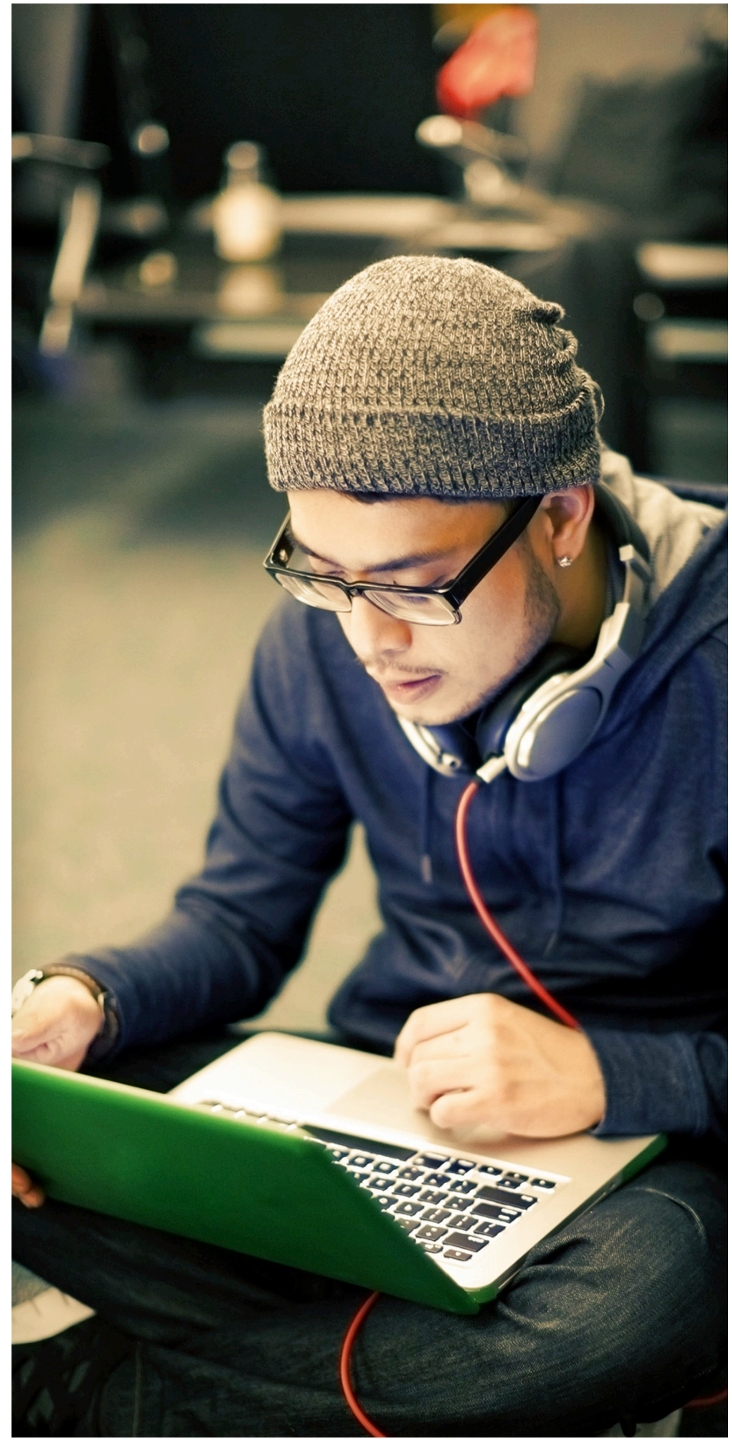
	PAY TO PLAY	PLAY FOR FREE	DID NOT PLAY
NFL	30%	60%	10%
NCAA	25%	29%	47%
NBA	24%	40%	36%
NCAA BASKETBALL	20%	31%	49%
	22%	39%	39%
	21%	34%	45%
	23%	27%	49%
	26%	22%	52%
	20%	27%	53%

MILLENNIAL FANTASY SPORTS PLAYERS ARE MORE LIKELY TO USE YAHOO! AND ESPN



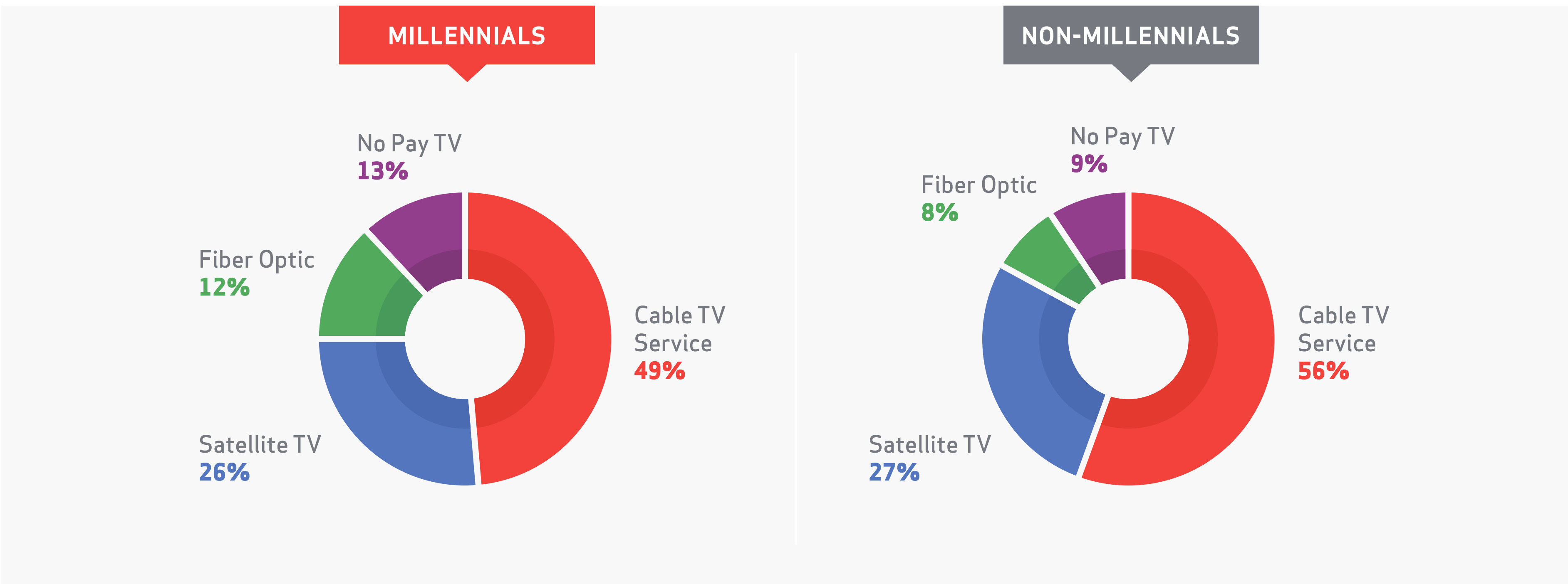
TV, MY WAY

Millennials' preferences and assumptions about how TV should work



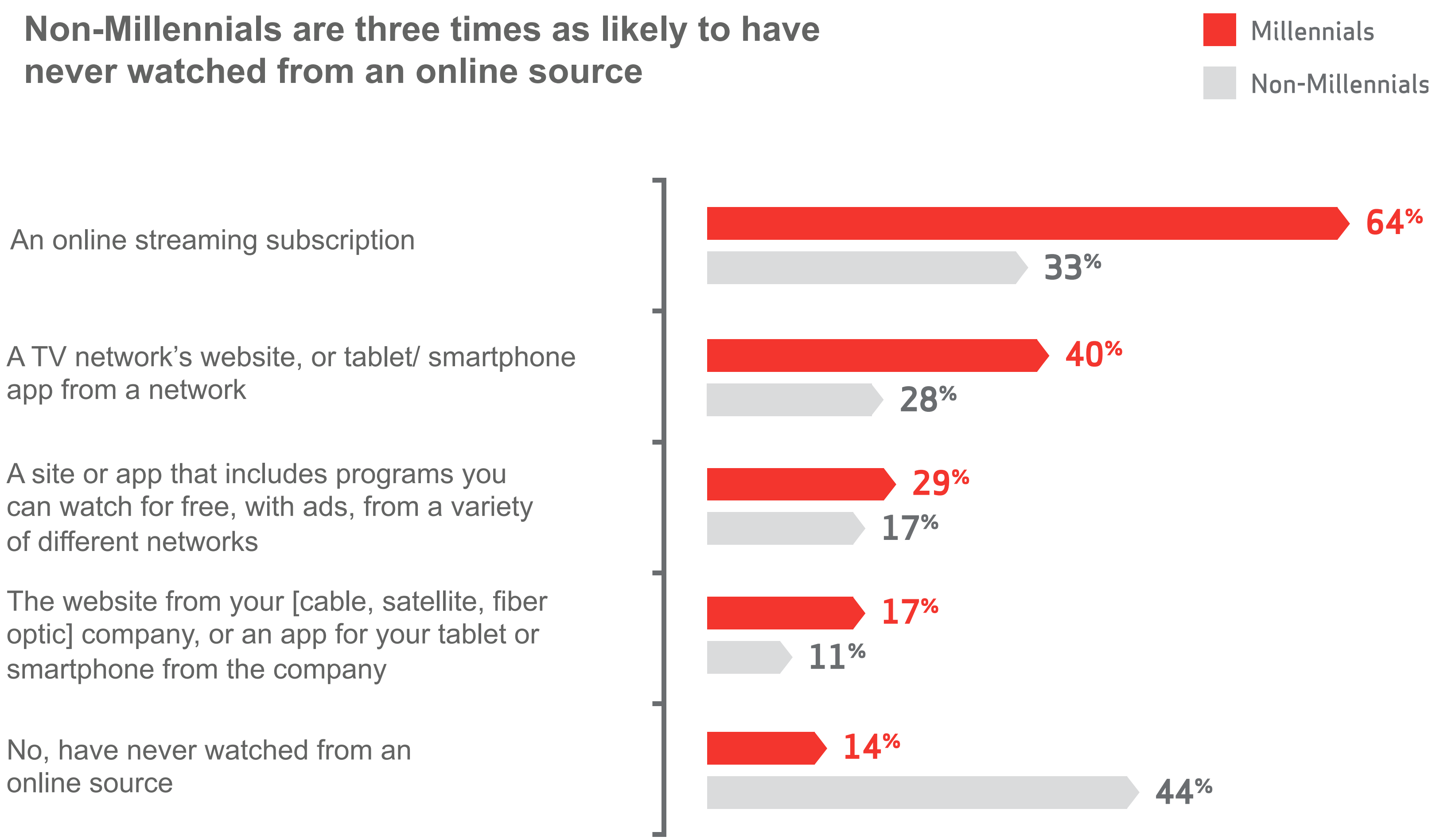
A LOWER TOLERANCE FOR LINEAR TV DOES NOT MEAN THEY HAVE ABANDONED PAY TV SERVICE

The vast majority of Millennials still have service from an MVPD—although they are a bit more likely than non-Millennials to have gone cord-free



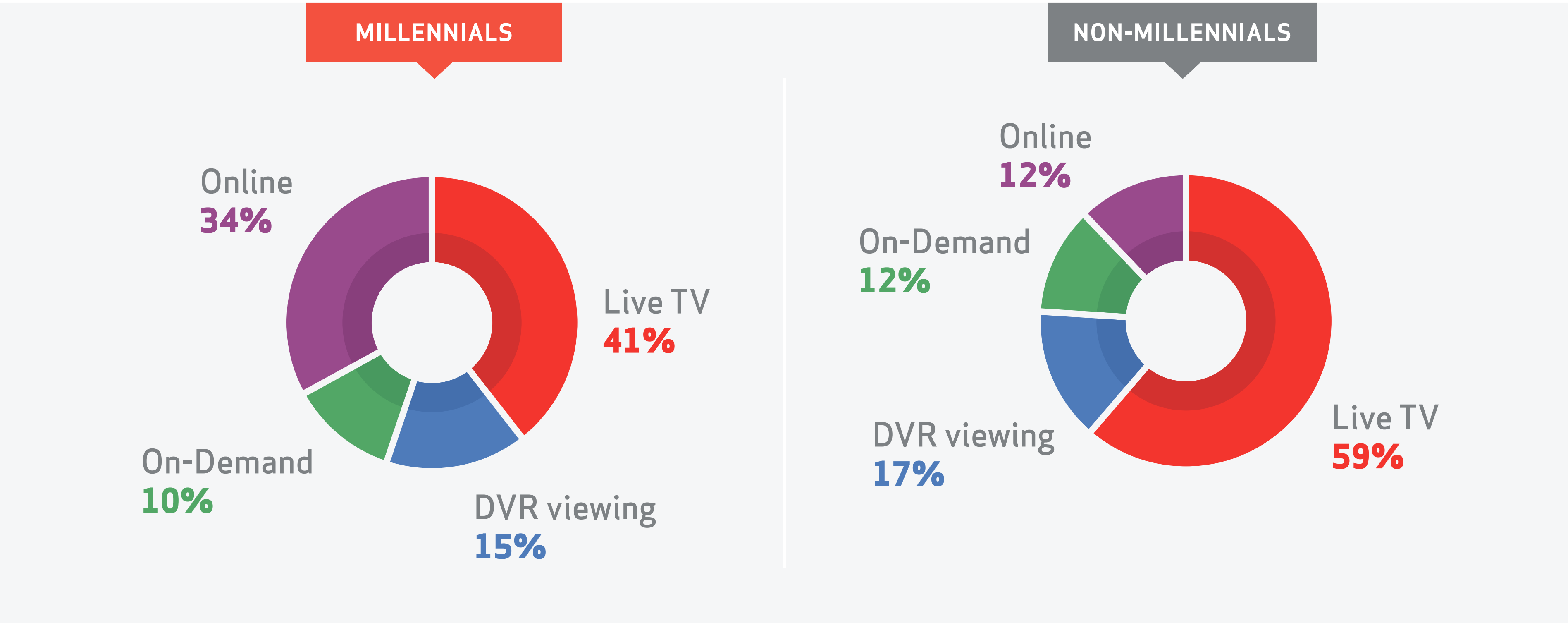
MILLENNIALS ARE OMNIVOROUS, WHEN IT COMES TO TV SOURCES

Non-Millennials are three times as likely to have never watched from an online source



MILLENNIALS SPEND ONE THIRD OF THEIR TOTAL TV TIME ON ONLINE SOURCES

Distribution of Total TV Time

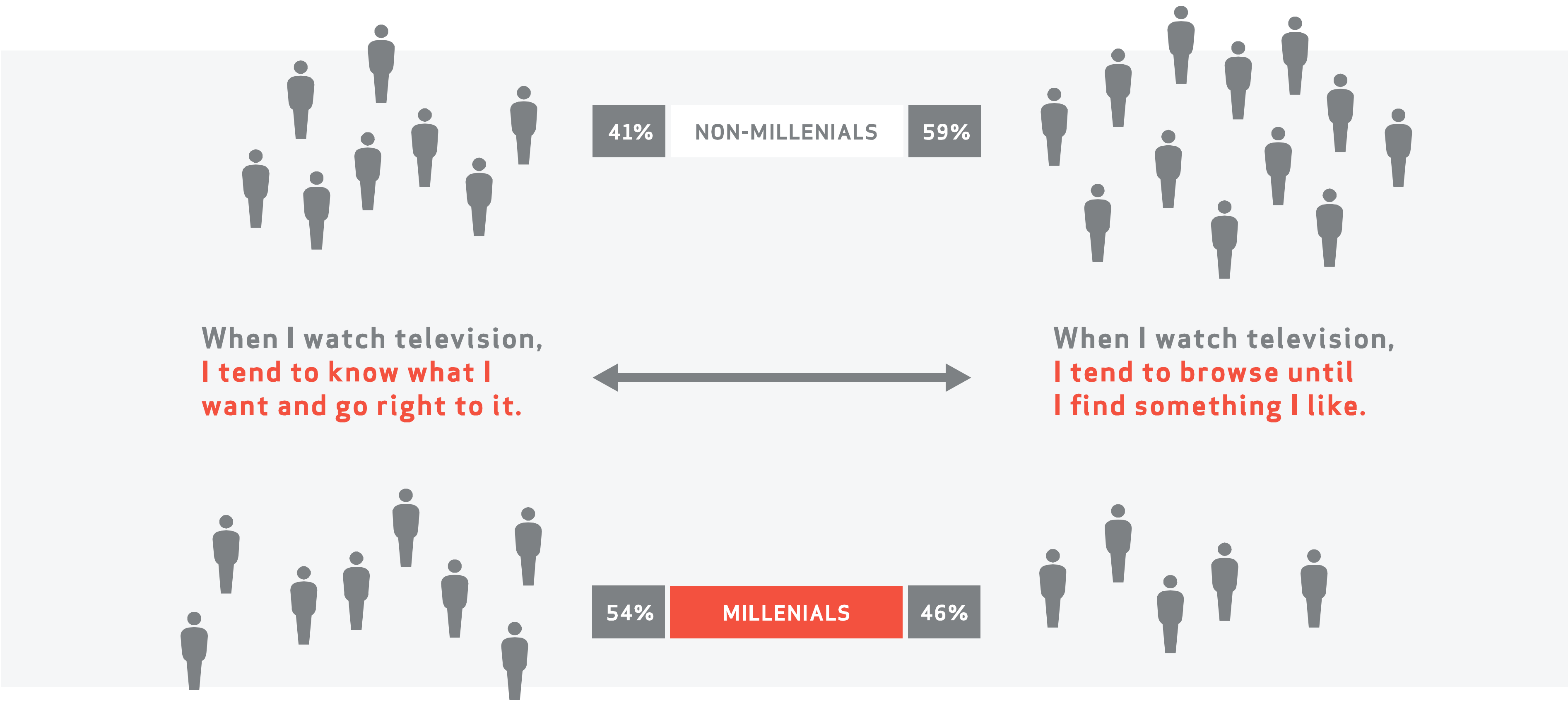


MILLENNIALS WANT MOBILITY

Number of Hours

MILLENNIALS		NON-MILLENNIALS
18.4	MEAN	25.6

MILLENNIALS ARE MORE LIKELY TO SEARCH FOR SPECIFIC SHOWS THAN TO BROWSE



IN GENERAL, MILLENNIALS ARE MORE LIKELY TO USE AD-SUPPORTED SITES

	Millennials	Non-Millennials
hulu (Free Version)	65%	79%
VEVO	27%	22%
CRACKLE IT'S ON	23%	15%

Millennials Non-Millennials

% who use each source

- But among those who do, Millennials are less likely to watch via the free version of Hulu, dominated by broadcast network content
- Another indication that they are less interested in content from those sources

ALTHOUGH USE OF TRANSACTIONAL SITES FOR TV IS LOW ACROSS THE BOARD

Millennials who do use those services are heavily Apple-centric

SERVICES	MILLENNIALS	NON-MILLENNIALS
Apple iTunes/Apple TV	54%	13%
Amazon Instant Video	48%	67%
XBox Marketplace	36%	27%
PlayStation Network	33%	27%
VUDU	19%	14%

JUST AS WITH TIMES, MILLENNIALS ALSO DO NOT WANT THEIR TV TO BE TIED TO SPECIFIC PLACES

They are much more likely to watch on smartphones and laptops; they are less likely to watch on desktops

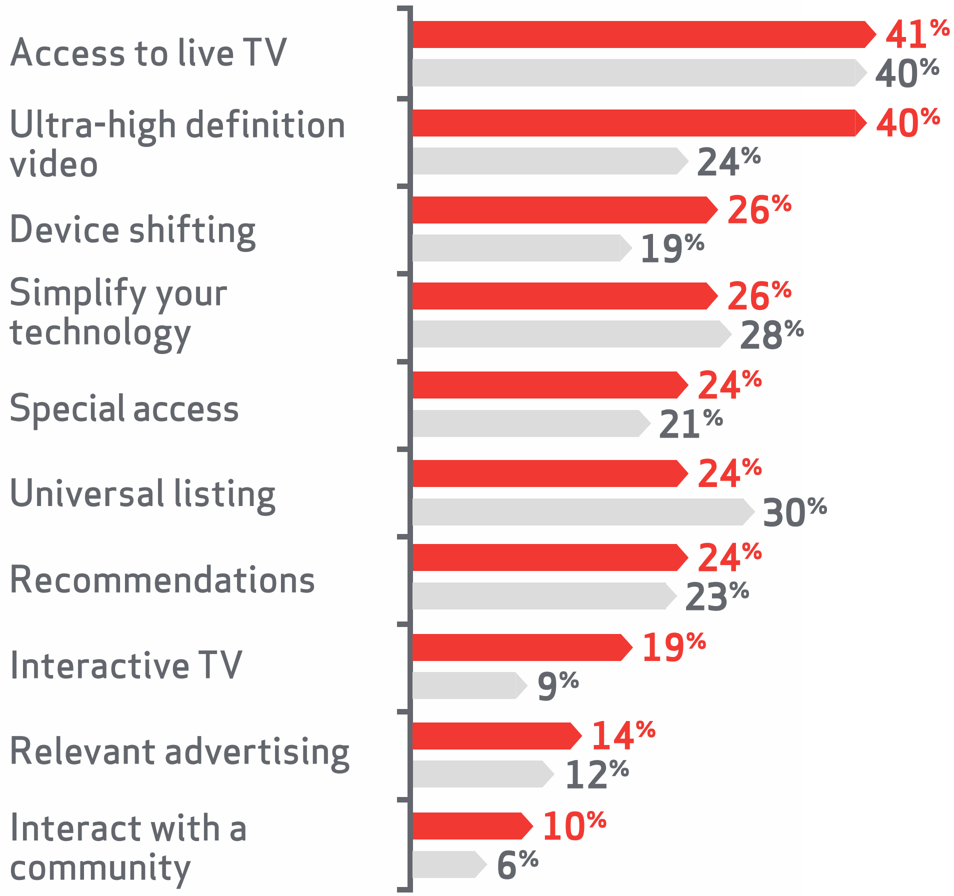
DEVICES	MILLENNIALS	NON-MILLENNIALS
A laptop computer	68%	47%
A desktop computer	44%	52%
A tablet	29%	25%
A smartphone	31%	18%
A TV set connected to the internet (either a built-in connection or through another device)	20%	18%
None of these	4%	9%

MILLENNIALS SAY RECENCY, VIEWING QUALITY, AND SPEED ARE MOST IMPORTANT ONLINE QUALITIES

They are much more likely to watch on smartphones and laptops; they are less likely to watch on desktops

RANK	MOST USED SOURCES TO WATCH TV	
1st	Up to Date: Has current shows and episode	44%
2nd	Viewing Quality: Offers a high quality watching experience, with minimal pauses, interference, or buffering	41%
3rd	Fast: Has the minimum number of steps between deciding what I want to watch and having it on my screen	37%
9th	Personalized: Includes tools that make it easy to find the types of programs I'm most interested in	15%
10th	One-stop Shop: Puts all the content I like in one place	12%
11th (last)	Guidance: Leads me to new shows or movies that I like and didn't already know about	7%

FEATURES THAT INTEREST THEM MOST REFLECT THEIR GREATER COMFORT WITH TECHNOLOGY



- **Millennials are more interested in features that impact the *quality* of the TV experience, like better HD or device shifting**

- **While Non-Millennials are more interested in features that make the TV *experience simpler and easier to use***

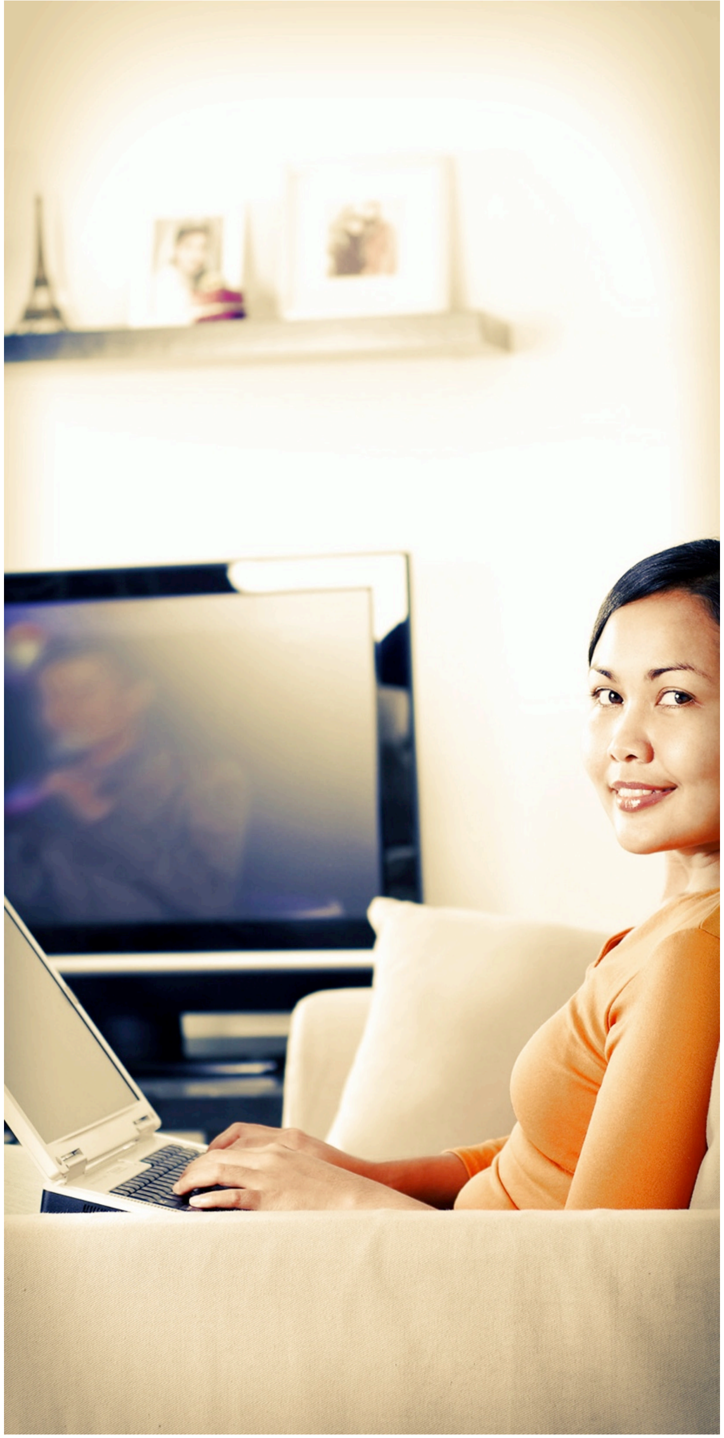
MILLENNIALS ARE MORE LIKELY TO GIVE UP ON A SHOW IF THEY FEEL THE A/V IS NOT GOOD ENOUGH

The greater priority they place on viewing quality suggests they have lower tolerance for video problems than non-Millennials do

MILLENNIALS	% who will usually give up if that problem occurs
46%	Video continues but can't hear audio
45%	Audio continues but can't see video
44%	Video screen freezes at times
41%	Audio is scratchy or popping
41%	Text is corrupted or illegible
40%	Subtitles are garbled or closed captions are illegible
38%	Video blurs or becomes "fuzzy"
38%	Video is pixelated, with blank or misaligned squares on the screen
37%	Graphics are cropped or not sized properly
34%	Audio volume is inconsistent, becoming too loud or too soft
33%	Audio is too loud or too soft

NEW TV BEHAVIORS

Marathoning and second screen



MILLENNIALS LIKE THE IDEA OF HAVING ALL EPISODES OF A SHOW RELEASED AT ONCE

63% Of Millennials have heard about shows released this way

Make you a lot more likely to watch the program	Have no impact on how likely you are to watch	Make you a lot less likely to watch
39%	36%	23%

Interest in entire season release

48% Of Non-Millennials have heard about shows released this way

Make you a lot more likely to watch the program	Have no impact on how likely you are to watch	Make you a lot less likely to watch
26%	34%	39%

Interest in entire season release

- Make you a lot more likely to watch the program
- Have no impact on how likely you are to watch
- Make you a lot less likely to watch

MILLENNIALS HAVE A MUCH GREATER LIKELIHOOD TO MARATHON-VIEW

MILLENNIALS

	Frequently	Occasionally	Rarely	Never
Binge Viewing	39%	41%	16%	4%
Season Squeezing	25%	42%	25%	8%

Highest number of episodes watched in one sitting = 8.2

NON-MILLENNIALS

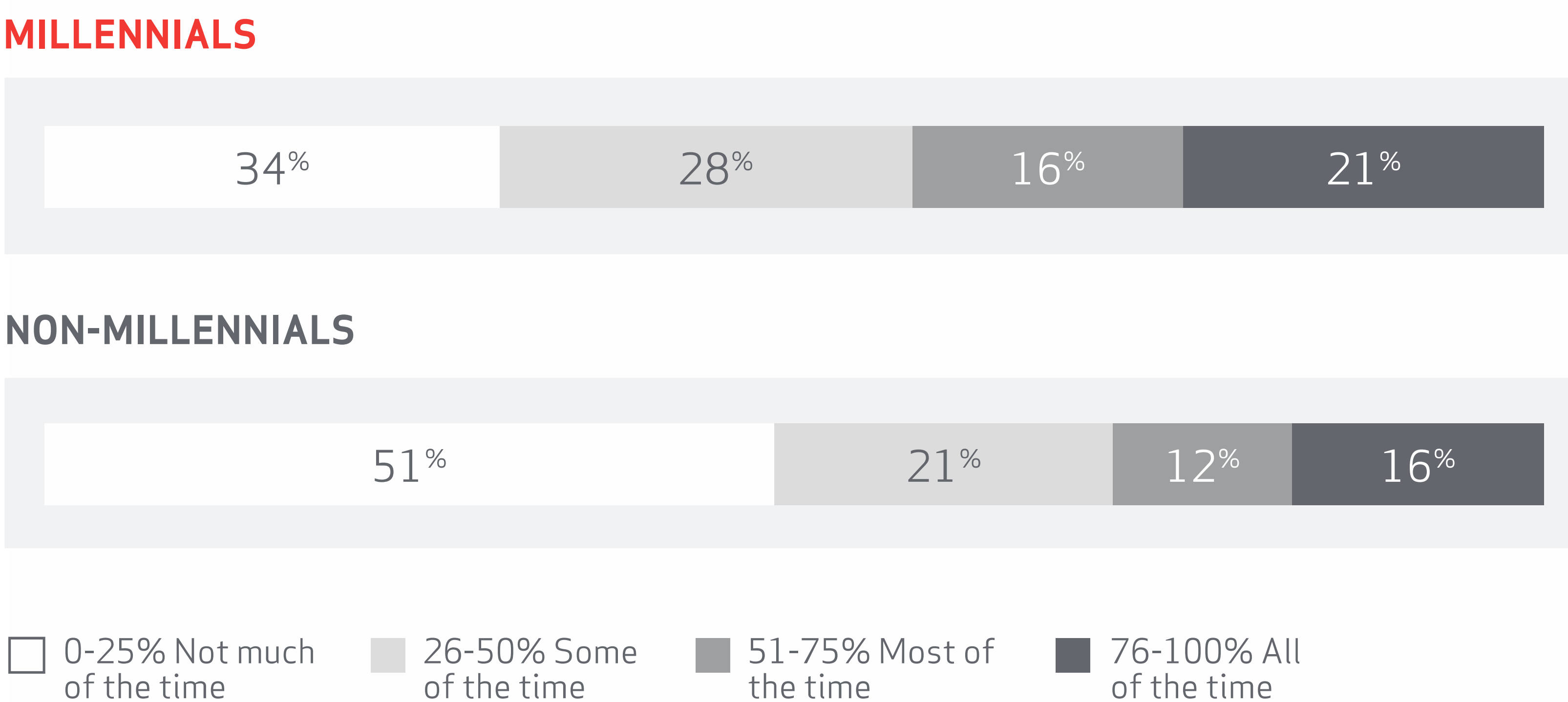
	Frequently	Occasionally	Rarely	Never
Binge Viewing	16%	41%	25%	17%
Season Squeezing	10%	30%	32%	28%

Highest number of episodes watched in one sitting = 6.4

Frequently Occasionally Rarely Never

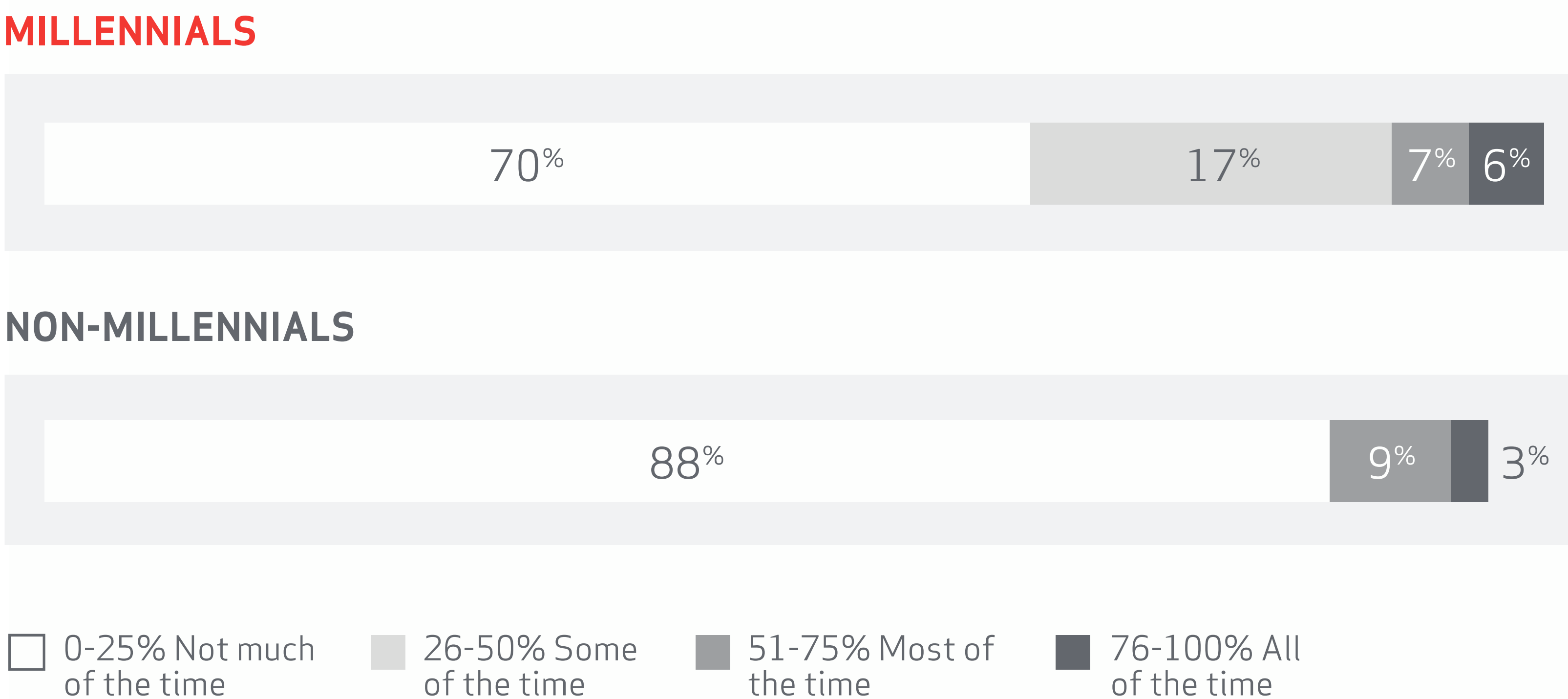
MILLENNIALS ARE VERY LIKELY TO BE USING ANOTHER DEVICE WHILE THE TV IS ON

How Often Use Other Device While Watching TV



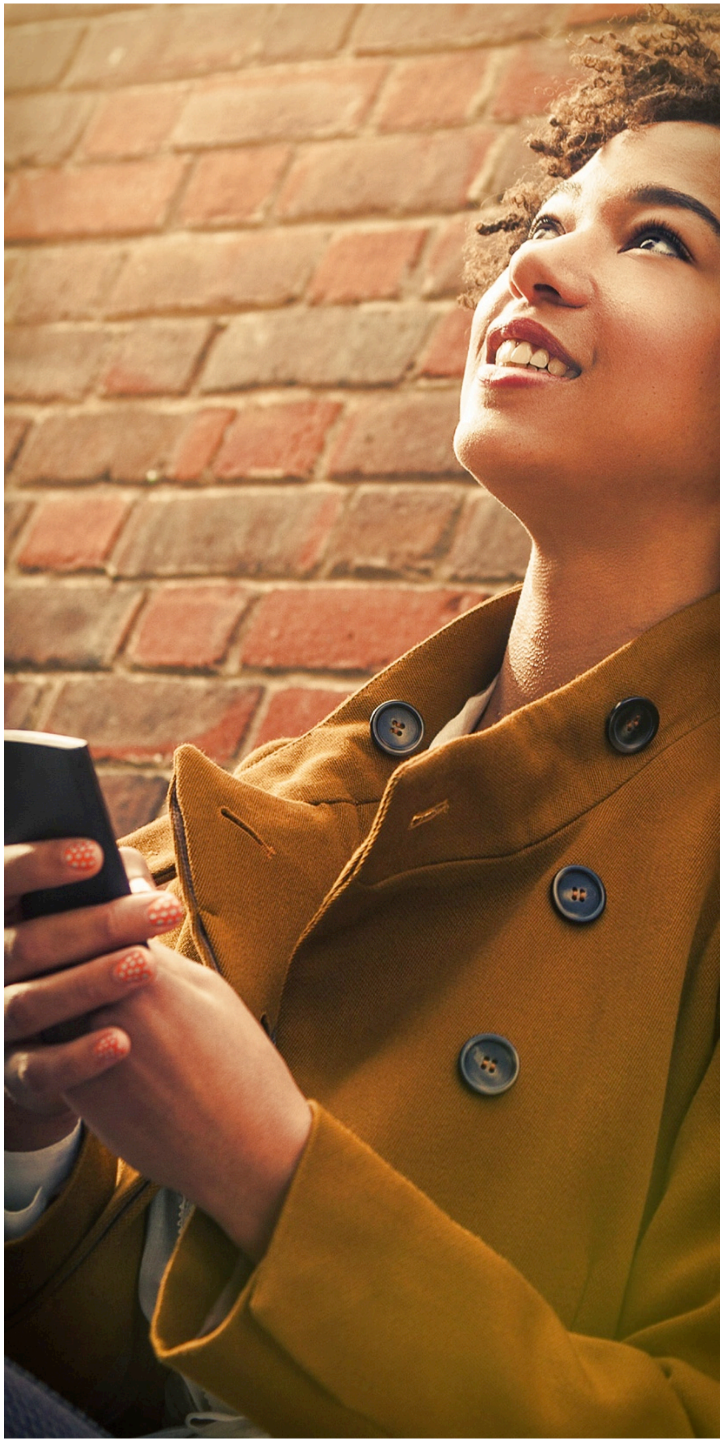
MOST OF THE TIME, MILLENNIALS' ACTIVITY IS NOT RELATED TO WHAT THEY ARE WATCHING

How Often Second Screen Use is Related to Program Watched



LOYALTY & LOVE

Millennials respect both form and function

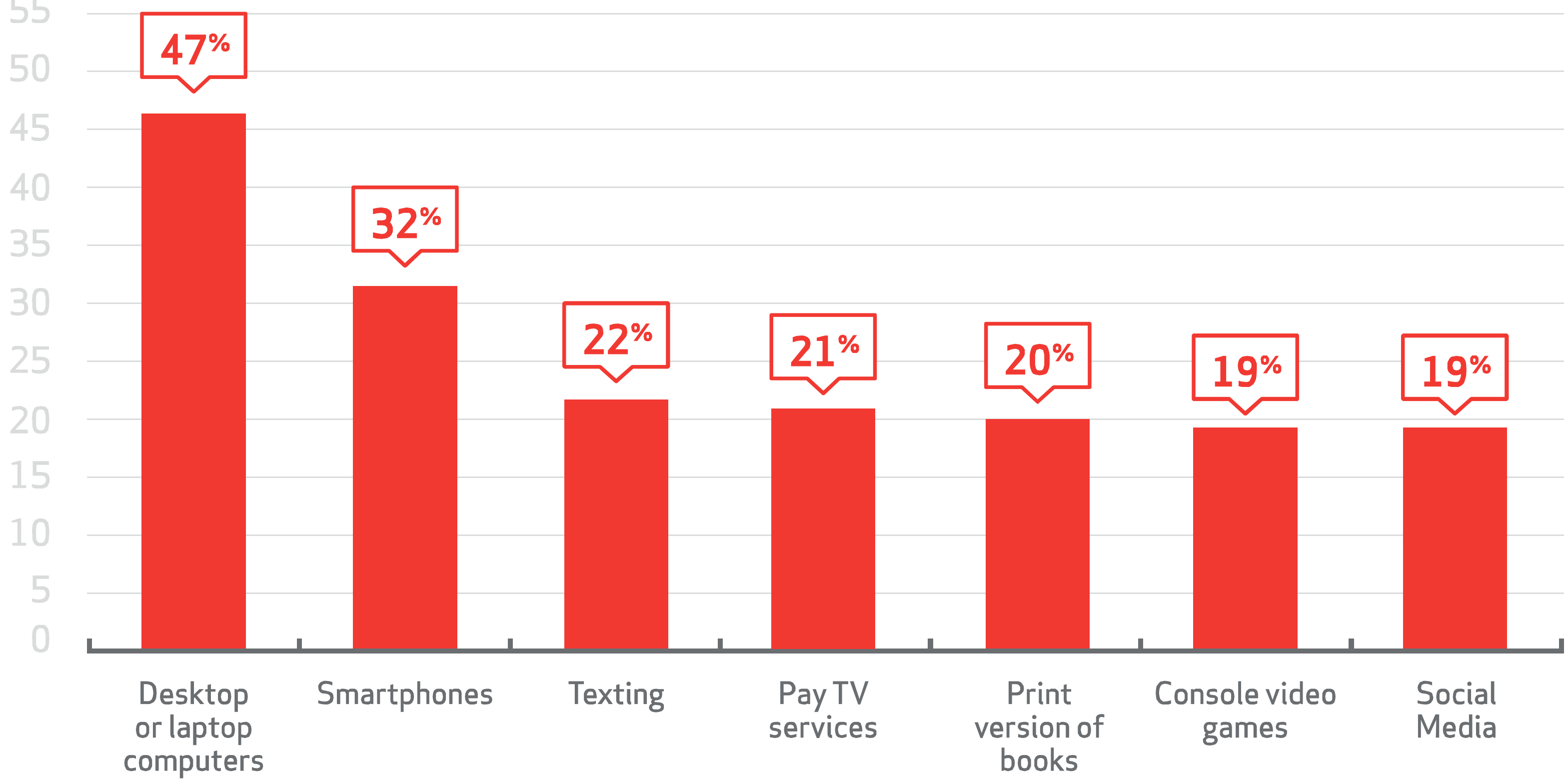


THEY DO NOT BASE ALL THEIR DECISIONS ON COST, THEY CAN BE EXTREMELY BRAND PARTICULAR

- In particular, they are loyal to brands (including TV brands) that match the way they consumer entertainment
- They do not base all their decisions on cost, they can be extremely brand particular
- And they are loyal to brands that communicate the importance they place on form and function—form and function that reflects their values

BUT MILLENNIALS WOULD MISS A DIFFERENT SET OF PRODUCTS/SERVICES THAN NON-MILLENNIALS

MILLENNIALS



ALL FOUR BROADCAST NETWORKS APPEAR IN THE TOP 10 BRANDS FOR NON-MILLENNIALS

RANKINGS	NETWORKS	NON-MILLENNIALS
1	amazon	60%
2	Walmart	50%
3	facebook	45%
4	Microsoft	41%
5	CBS	40%
6	abc	38%
7	Google	37%
8	NBC	37%
9	FOX	34%
10	YouTube	27%
14	verizon	**21%**

NO BROADCASTERS RANK AMONG MILLENNIAL'S TOP 10 BRANDS

RANKINGS	NETWORKS	MILLENNIALS'
1	amazon	54%
2	YouTube	51%
3	facebook	50%
4	Google	48%
5	Walmart	43%
6	NETFLIX	40%
7		31%
8	Microsoft	28%
9	McDonald's	24%
10	SAMSUNG	23%
16	verizon	**19%**

MILLENNIALS WITH PAY TV ARE MORE LIKELY TO SUBSCRIBE TO NEARLY ALL PREMIUM NETWORKS

NETWORKS	MILLENNIALS	NON-MILLENNIALS
HBO	51%	36%
SHOWTIME	38%	27%
starz	30%	22%
cinemax	27%	19%
THE MOVIE CHANNEL	25%	17%
epix	13%	9%
None of these	36%	54%

MILLENNIALS ALSO HAVE BRAND PREFERENCES WHEN IT COMES TO ONLINE SOURCES OF CONTENT

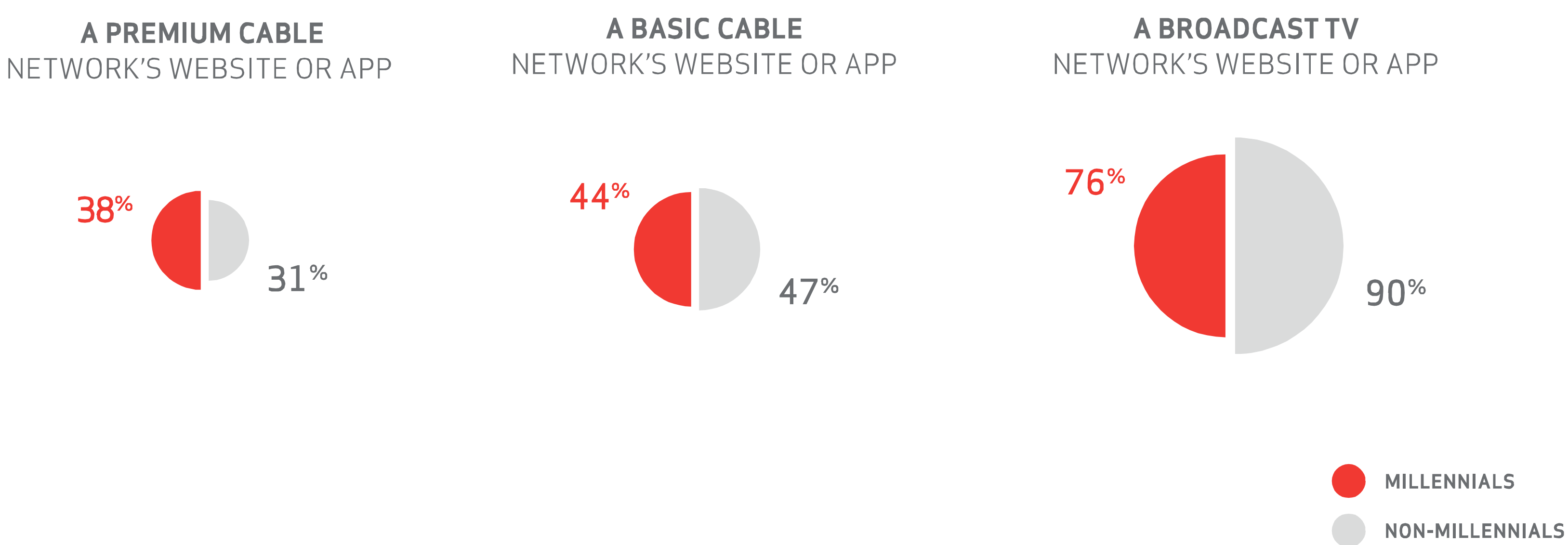
They are much more likely to watch on smartphones and laptops; they are less likely to watch on desktops

Source	Millennials	Non-Millennials
NETFLIX	90%	75%
redbox	12%	11%
amazon.com Prime	29%	37%
hulu PLUS	36%	23%

% who use each source

Millennials Non-Millennials

MILLENNIALS ARE MORE LIKELY TO WATCH THROUGH THE SITE/APP OF A PREMIUM NETWORK



ABOUT US

Verizon Digital Media Services offers a suite of robust end-to-end video solutions for best-in-class TV Everywhere and Over-The-Top experiences. Built on one of the world's most advanced networks in the world, Verizon Digital Media Services delivers a vast range of enterprise-grade content management and delivery services with carrier-grade quality, reliability, security and scale. For more information about Digital Media Services, please visit www.verizondigitalmedia.com.