

Frank N. Magid Associates, Inc.



Magid Media Futures™ 2009: Opportunities In Online Video

Sponsored by:



**Master Deck
June 2009**

CONFIDENTIAL AND PROPRIETARY Copyright 2009 by Frank N. Magid Associates, Inc. Any duplication, reproduction, or usage of this document or any portion thereof without the written consent of the firm is prohibited.

Frank N. Magid Associates, Inc.

- Frank N. Magid Associates has been the leading research-based strategic consulting firm in the media, entertainment and communications industries for 50 years. We interviewed over one million consumers by phone, online, and in-person in 2008, and have conducted thousands of B2B executive and professional interviews.
- At the core of our work is our intense study of consumer behaviors and attitudes towards all aspects of communication and entertainment. These insights form the nucleus of our operational and strategic consulting services. Our staff also has deep operational experience in all media platforms.
- Magid has been instrumental in the success of hundreds of TV stations, networks, cable operators, wireless entities, newspapers, web sites and other media assets.
- Magid Advisors, the strategy and investment consulting group, has worked with public and private media companies in overhauling corporate strategies, advising investment firms on prospective investments, and conducted major due diligence efforts. We have worked on over \$7B in due diligence engagements.



Magid is regularly featured in the press, including in these publications in 2008 & 2009.

Magid Media Futures™ Practice

- Consulting service for Magid clients to help analyze, determine, and implement product and marketing strategies
- Nationally representative online survey of 1,927 people, of whom 1,697 were between the ages of 18 and 64 and 230 were between the ages of 12 and 17. The study evaluates attitudes and behaviors of media and entertainment consumers.
- The sample matches the US Census in terms of gender, age and race distribution.
- Data were collected from April 20 through April 25, 2009.
- A high quality online research panel and data collection firm was used for recruitment and data collection.

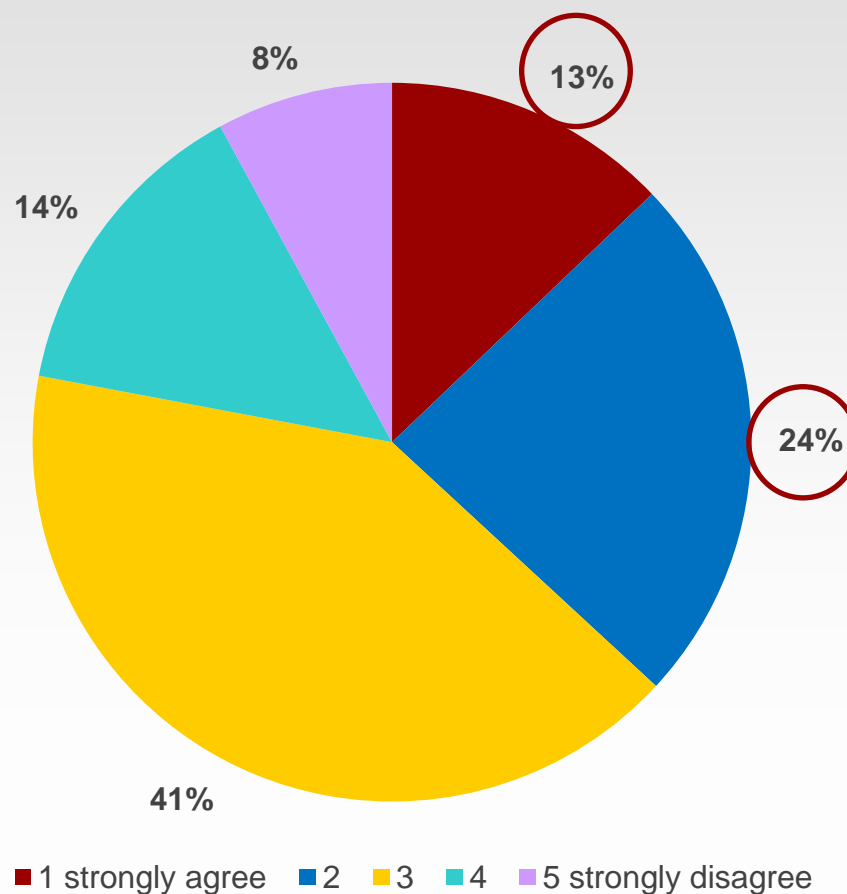


Overview Of Key Findings

- Many consumers find short high quality online video equal or superior to TV programming.
- Short form video dominates the most popular forms of online video, including eight of the top ten video genres.
- Online video viewing has reached critical mass, with 77% of Internet users ever viewing videos, 43% doing so weekly, and 12% viewing daily.
- Frequent online video viewing extends across all demos. Although males 18-24 are the heaviest online video viewers with 70% viewing weekly, one third of all 55-64 year olds are weekly viewers.
- Weekly online video viewers are much heavier traditional and new media consumers compared to non-online video viewers. Double the percentage of online video viewers own an iPhone, and 60% more own a smartphone.
- Watching TV and using the Internet are favorite leisure activities, and most consumers are doing these activities at the same time.
- Online video cannibalization of TV viewing on a TV set is small but significant.

Short Professional Online Video Clips Rival Television For Entertainment Value

37% Of Consumers Who Watch Short Professional Clips Online Find These Videos Equally Or More Entertaining Than Full-Length TV Shows On A TV Set

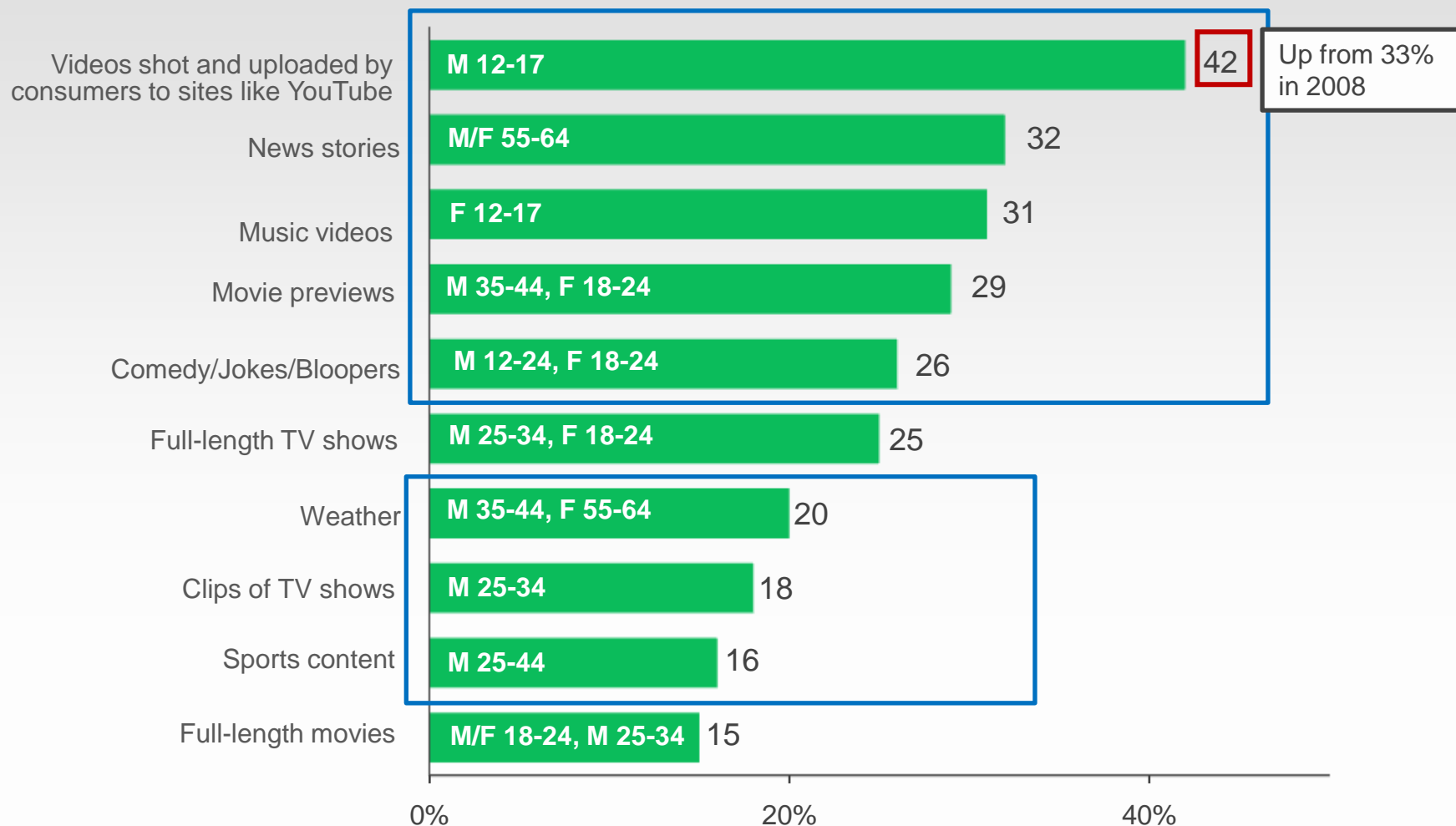


Base: Those online video viewers who watch short professional clips online, N=882

Q.102 How much do you agree with the following statement: Watching short online videos made by professionals, such as TV clips, movie trailers, sports highlights, music videos and video game trailers, is just as entertaining or more entertaining to watch than full-length TV shows on your TV set.

Short Form Video Dominates The Most Popular Forms Of Online Video

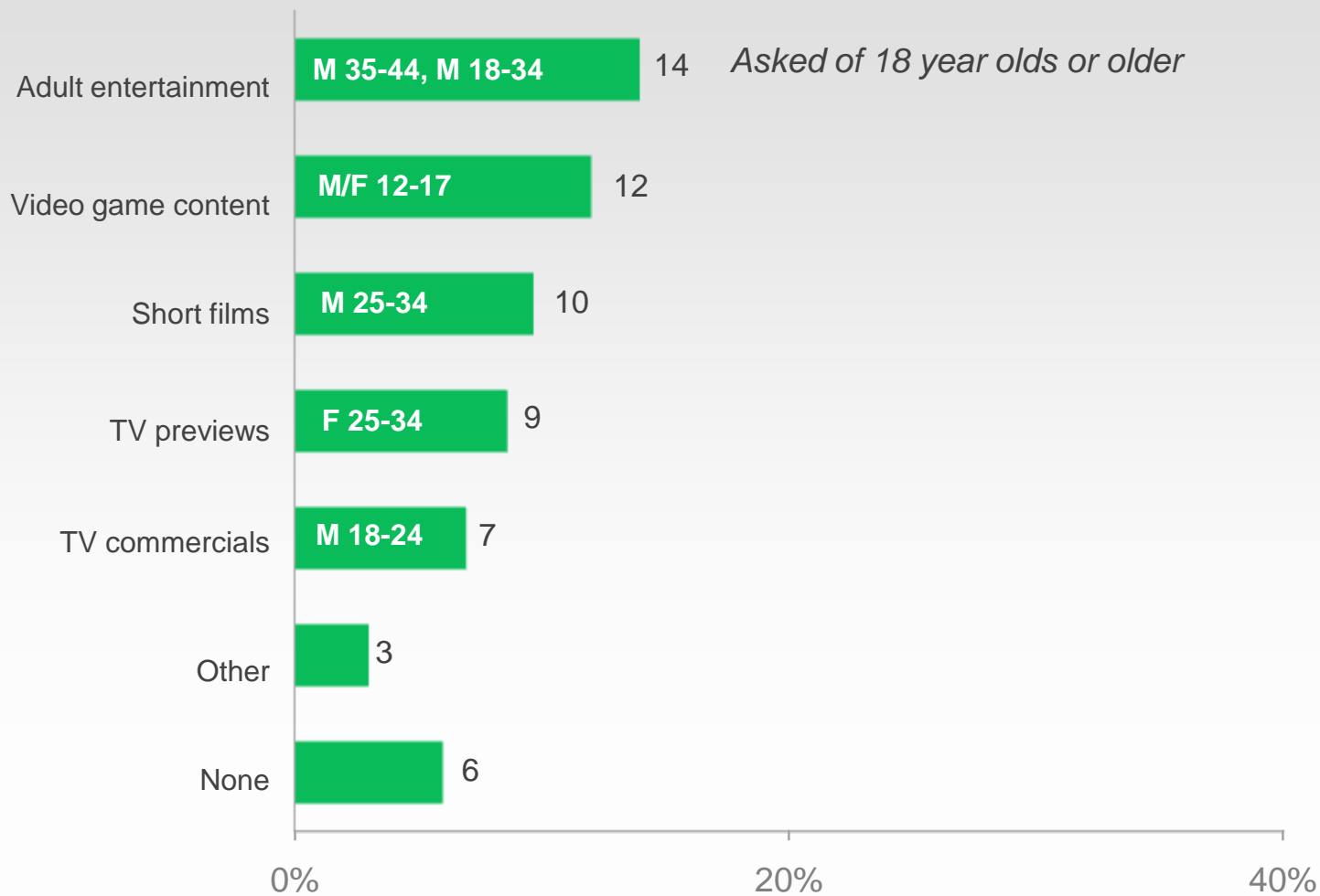
Consumer Created Video Clips & Professional Short Form Videos Are The Most Popular Video Genres



Base: Those who ever watch online video content, N=1279

Q. 84 Which of the following types of online video content do you watch regularly? Select all that apply.

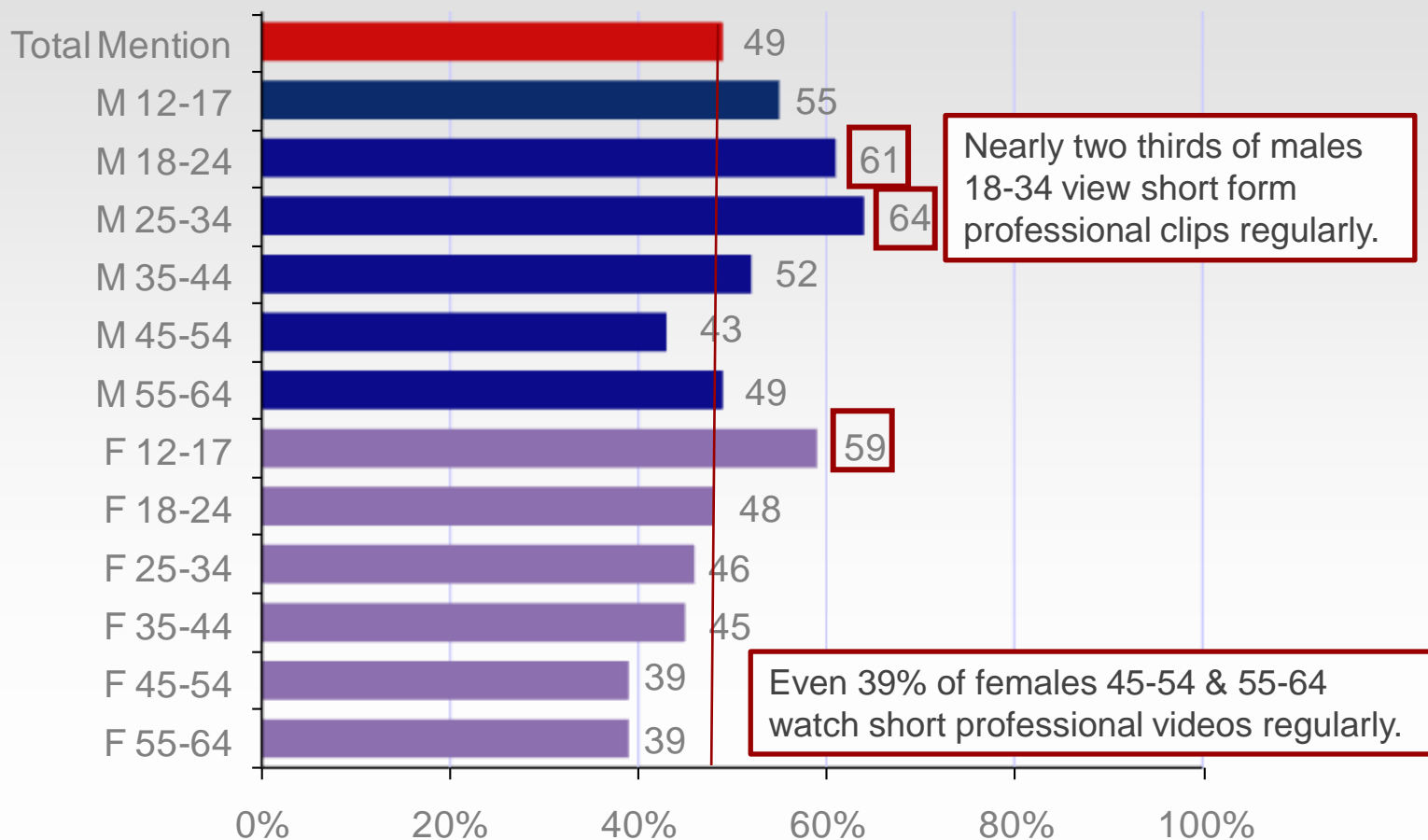
Other Types of Online Video Watched Regularly



Base: Those who ever watch online video content, N=1279

Q. 84 Which of the following types of online video content do you watch regularly? Select all that apply.

Professional Short Form Online Video Is Viewed In Large Numbers By All Age Groups



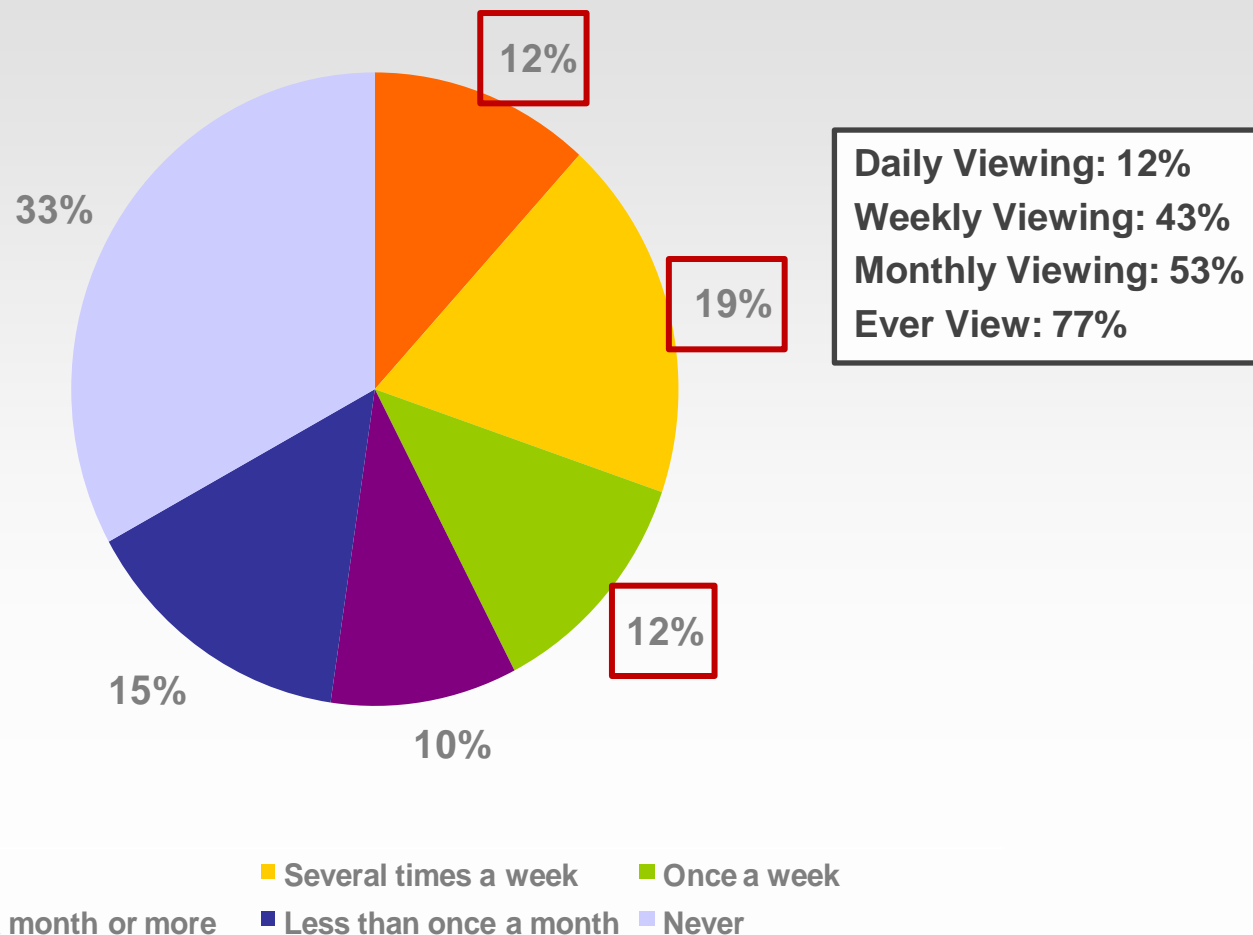
Base: Those who ever watch online video content, N=1279

Q. 84 Which of the following types of online video content do you watch regularly? Select all that apply.

Those who answered: Music videos, news stories, movie previews/trailers/clips, short films, TV show clips, TV previews, weather, video game content, TV commercials

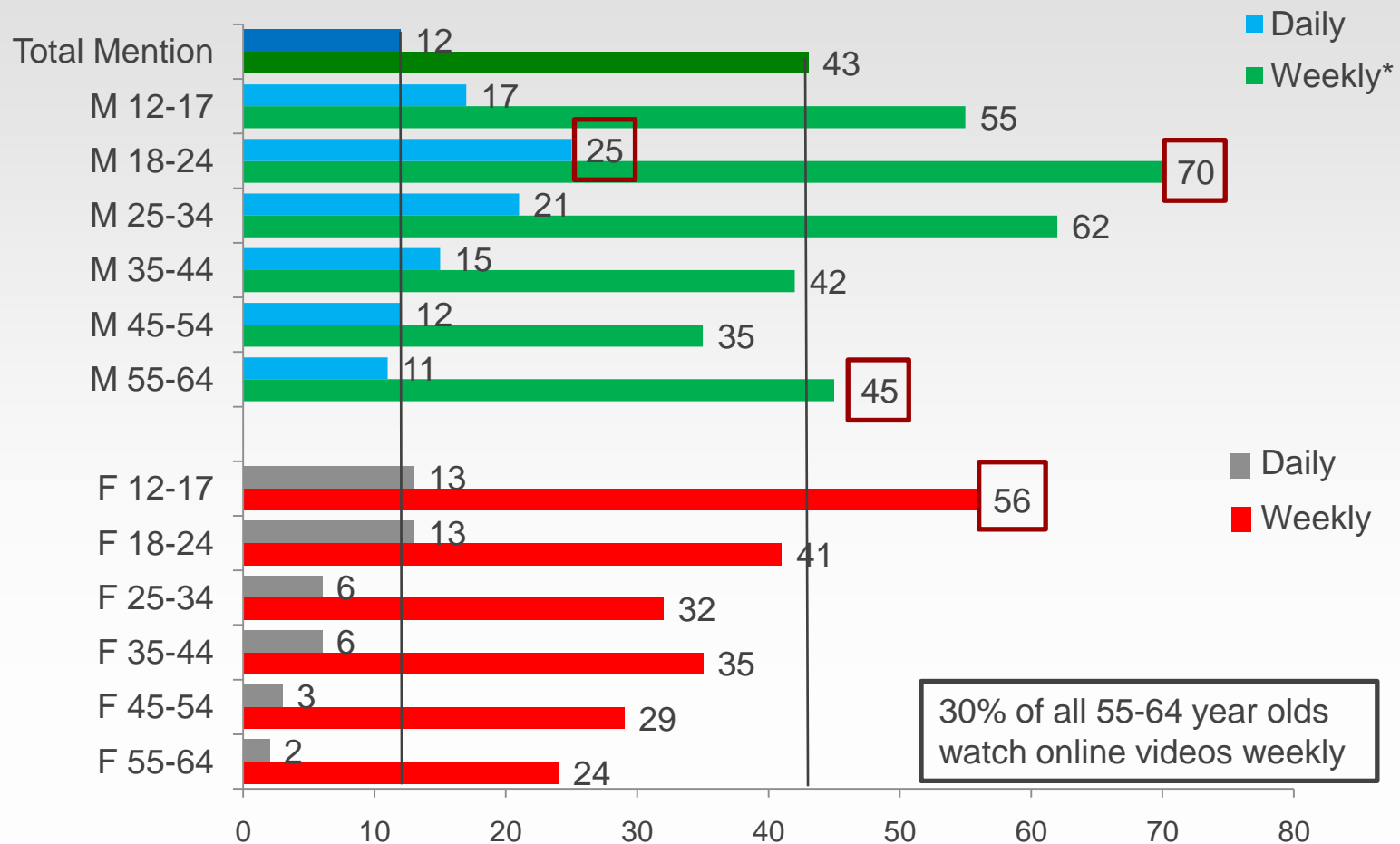
Online Video Viewing Has Reached Critical Mass

43% Of Internet Users Watch Online Videos Weekly



Base: Total respondents, N=1927
Q.83 About how often would you say you watch any type of video content online on a computer?

70% of Males 18-24 View Online Video Weekly, And Nearly Half Of Males 55-64 Are Weekly Online Video Viewers



*Weekly includes daily, several times/week and once/week viewing

Base: Total respondents, N=1927

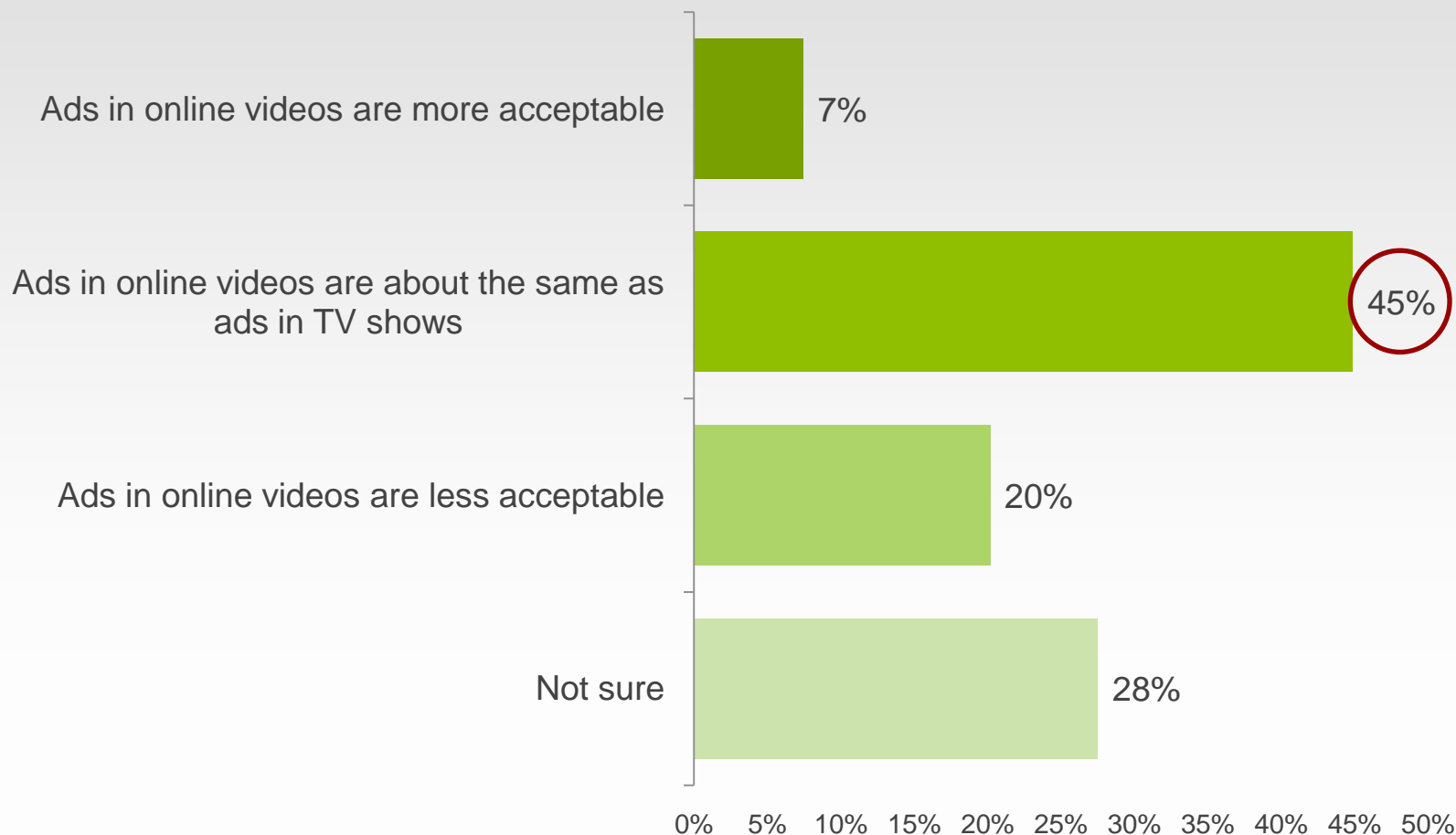
Q.83 About how often would you say you watch any type of video content online on a computer?

Weekly Online Video Viewers Are Much Heavier Traditional & New Media Consumers Compared To Non-Online Video Viewers

		Non-Online Video Viewers <i>N=648</i>	Weekly/Daily Online Video Viewers <i>N=809</i>
Traditional Media Ownership & Consumption	Own an HDTV	40%	47%
	Heavy DVD renters (Weekly)	17	28
	VOD Users (Frequently/Occasionally)	15	28
	Personal digital music player (iPod, mp3 player)	42	58
	Personal digital media for video & music (Video iPod, PSP, Zune, etc.)	23	41
Internet	Purchased virtual goods online in the last 12 months	7	17
Video Game Consumption	Play video games	47	70
Wireless Ownership	Smartphone owner	7	11
	iPhone owner	2	5

Online Video Advertisements Are Just As Acceptable As Television Advertisements

52% Of Online Video Viewers Find Online Video Ads Just As Or More Acceptable Than TV Ads



Base: Those who ever view online video content, N=1279

Q.106 Think about ads that you see in online videos and ads that you see on TV shows. In your opinion, are ads in online videos more acceptable, less acceptable or about the same compared to ads in TV shows? How acceptable are ads in online videos compared to ads in TV shows?

Watching TV & Using The Internet Are Favorite Activities, And Most Consumers Are Doing These Activities At The Same Time

Television And The Internet Are Important But Console Gaming Is Top Choice Among Younger Males

Favorite Leisure Activities	Total sample	Total Males	Males					
			12-17	18-24	25-34	35-44	45-54	55-64
Using the Internet	19%	17%	9%	20%	20%	21%	13%	21%
Watching television	18	18	3	10	10	27	29	21
Reading books	11	5	2	3	4	5	6	12
Listening to music	8	9	8	10	13	6	9	7
Playing games on consoles like PlayStation3, Xbox 360, Wii, etc.	7	12	36	21	14	6	2	1
Playing sports or exercising	7	11	13	16	10	11	9	8
Watching DVDs or VHS tapes	5	6	2	2	8	6	9	4
Playing PC games	4	5	7	6	7	4	3	4
Playing free Web-Based games (Pogo.com, Yahoo! Games, etc.)	3	3	2	3	3	2	4	2
Reading newspapers/ magazines	2	1	0	0	0	1	3	3
Texting on your cell phone	2	2	9	2	0.6	0.5	0.5	0
Talking on your cell phone	1	1	2	1	2	1	0	0
Talking on your home phone	0.7	0.3	0.8	0.8	0.6	0	0	0
Other	9	9	4	5	5	8	12	16
None	2	2	3	2	3	3	2	2

Base: Total respondents 12-64, N=1927

Q.1 You have the option of using your leisure time for a number of different activities. Which of the following is your favorite leisure activity? Select one.

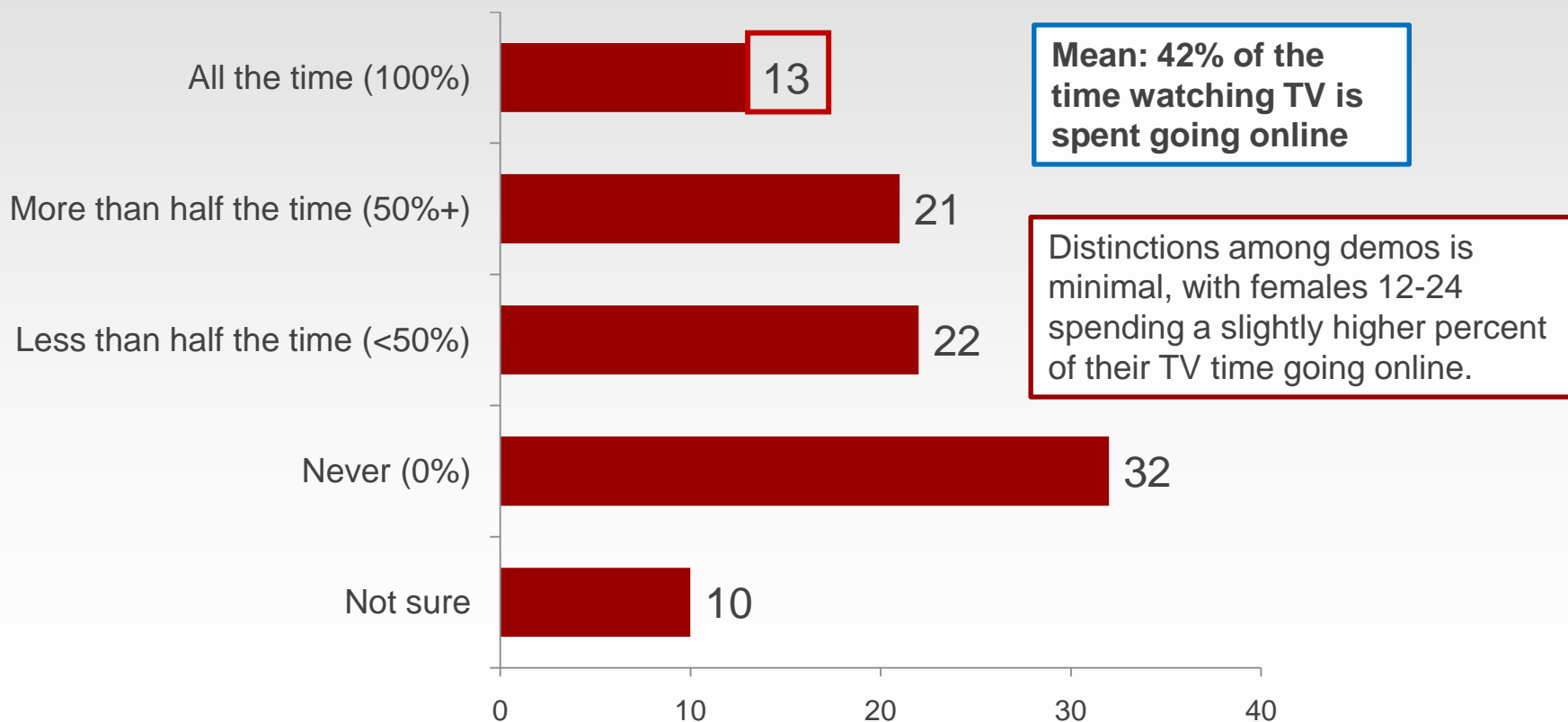
Women's Favorite Leisure Activities Are Also Television And The Internet; Women 25 & Older Are Also Strong in Reading Books

Favorite Leisure Activities	Total sample	Total Females	Females					
			12-17	18-24	25-34	35-44	45-54	55-64
Using the Internet	19%	21%	23%	26%	20%	23%	19%	14%
Watching television	18	19	10	13	20	21	22	20
Reading books	11	16	10	10	20	16	18	24
Listening to music	8	8	15	10	12	6	5	2
Playing games on consoles like PlayStation3, Xbox 360, Wii, etc.	7	3	6	5	3	1	0	1.6
Playing sports or exercising	7	4	5	4	5	5	2	0.8
Watching DVDs or VHS tapes	5	4	5	4	3	5	4	6
Playing PC games	4	4	2	5	4	3	4	3
Playing free Web-Based games (Pogo.com, Yahoo! Games, etc.)	3	4	2	2	4	4	5	8
Reading newspapers/ magazines	2	2	0	2	0	3	4	3
Texting on your cell phone	2	3	15	5	1	1	1	0
Talking on your cell phone	1	2	5	3	4	0.4	0.5	0
Talking on your home phone	0.7	1	1	0.8	1	1	1	2
Other	9	9	2	9	6	8	13	13
None	2	1	0	0.8	2	2	1	2

Base: Total respondents 12-64, N=1927

Q.1 You have the option of using your leisure time for a number of different activities. Which of the following is your favorite leisure activity? Select one.

Over Half Of TV Viewers Go Online Using Their Computer While Watching TV; 13% Do So During All Of Their TV Viewing Time



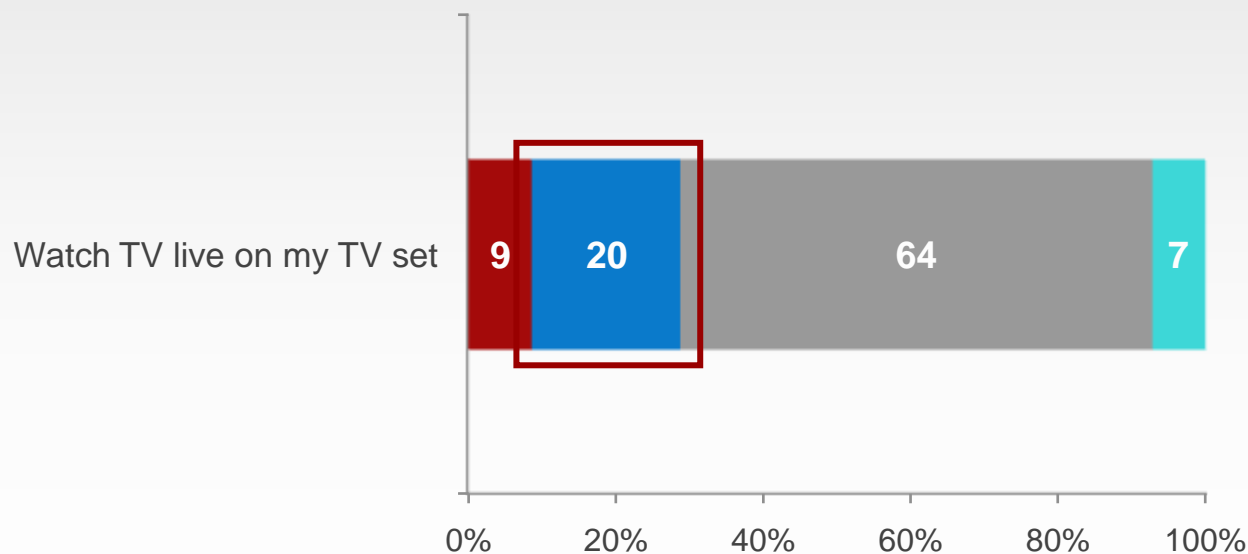
Base: Those who have a working television, N=1953

Q.55 What percent of the time that you're watching TV are you also online on your computer at the same time?

Online Video Viewing Cannibalization Of TV Viewing On The TV Set Is Small, But Significant

20% Of Online Video Viewers Are Watching Less TV On A TV Set Because Of Their Time Spent Watching Online Videos

■ More ■ Less ■ The same amount ■ Don't spend any time doing that activity



Key Points:

- 20% of online video viewers equates to 14% of the total population ages 12-64 watching less TV.
- Males 12-34 represent the largest group watching less TV because of online video viewing.

Base: Those who ever watch online video content, N=1279
Q.86(A-D) Because you spend time watching online videos, do you do more, less or the same amount of the following activities?

Frank N. Magid Associates, Inc.

Sponsored by:

