Hakuhodo DY media partners

NEWS RELEASE

May 12, 2016
Hakuhodo DY Media Partners Inc.

Institute of Media Environment Conducts Second Market Structure Survey on SVOD Services

Number of Users Up Slightly, Devices Shifting to TV Screens, Services Overwhelmingly Used at Night

The Hakuhodo DY Media Partners Institute of Media Environment, located in Minato-ku, Tokyo, and headed by Masataka Yoshikawa, has been conducting its Second Market Structure Survey on Subscription Video On Demand (SVOD) services. A variety of SVOD services have entered the Japanese market since the first survey was conducted last October, so this second survey conducted in March was a means of identifying the most recent changes in the market structure.

Key findings are described below.

- **The total number of current and prospective users of SVOD services increased since the last survey from 18.7% to 20.9%. Market structure has not changed significantly in this regard, with potential viewership still at around 20% of the total (see figure 1). There has been an increase in the number of female service users age 20–59, as well as a high rate of increase in prospective users among teenage girls (see figures 2 and 3).**

- **The percentage of users who indicated that they use their TV with the service increased from 34.7% to 40.7%, indicating a shift in devices towards the TV screen (see figure 4).**

- **In terms of the general situation in which the services are used, 80.7% of respondents said that they watched “at night, when relaxing at home”, while 27.8% said that they watched “in bed, before falling asleep”. These results indicate overwhelming nighttime usage (see figure 5).**

- **For the first time, *sei-katsu-sha* said that they evaluated SVOD services based on “being able to watch wherever and whenever I want, as many times as I want”, “being able to watch multiple programs at the same time”, and “high-quality original programming”. This shows that they are adopting perspectives that reflect a familiarity with actual use of the services (see figure 6).**

- **The percentage of users who said that they are fine with commercial interruptions (advertisements) if it means they don’t have to pay for the service increased slightly over the last survey, topping 40% (see figure 7).**

Note: SVOD services are defined as both Japanese and overseas video services offering unlimited access to popular television drama series, anime, movies, and similar content for a flat monthly fee in the JPY 500–1000 range. Content can be viewed on all devices, including televisions, computers, smartphones, and tablets.

■ Second Market Structure Survey on SVOD Services: Overview

Region: Nationwide
Method: Internet survey
Target: Men and women age 15–69
Sample size: 4532
Survey period: March 12–13, 2016 (Saturday and Sunday)

(REFERENCE) First Market Structure Survey on SVOD Services: Overview

Region: Nationwide
Method: Internet survey
Target: Men and women age 15–69
Sample size: 3400
Survey period: October 17–19, 2015 (Saturday through Monday)

■ For more information, contact:

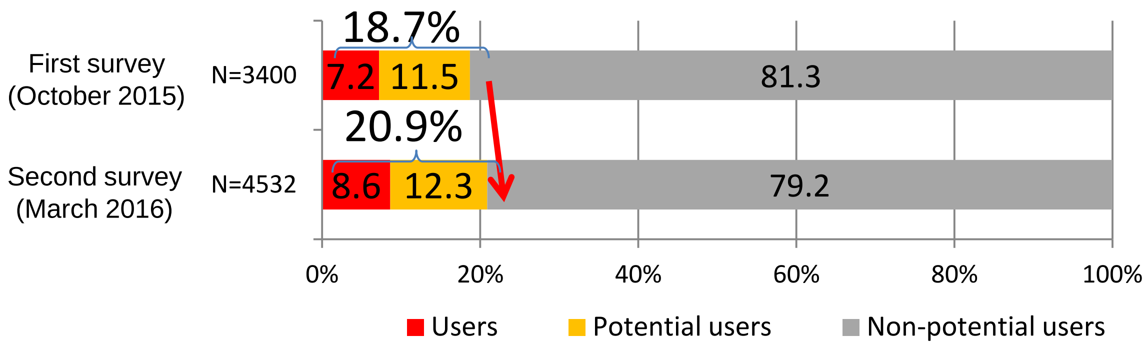
Hakuhodo DY Media Partners
Public Relations Group c/o Yamasaki/Yamazaki TEL: +81-3-6441-9347
Institute of Media Environment c/o Kato TEL: +81-3-6441-9713

■ Key findings

1) Service usage

- A total of 8.6% of survey participants SVOD services, while 12.3% are potential users interested in using these services in the future. The remaining 79.2% are non-users who said that they do not intend to use these services in the future either.
- Total potential viewership (current users plus those who intend to use the services in the future) increased slightly over the last survey, from 18.7% to 20.9%.

Figure 1. Service usage



2) Age distribution of users and potential users

- A comparison of male and female users indicates that usage is up across the board for women age 20–59.
- Potential users also include a rising percentage of teenage girls. Numbers are increasing for men age 30–59 as well. At the same time, the number of teenage boys intending to use the services is becoming a smaller percentage of total users.

Figure 2. Service users by age and gender

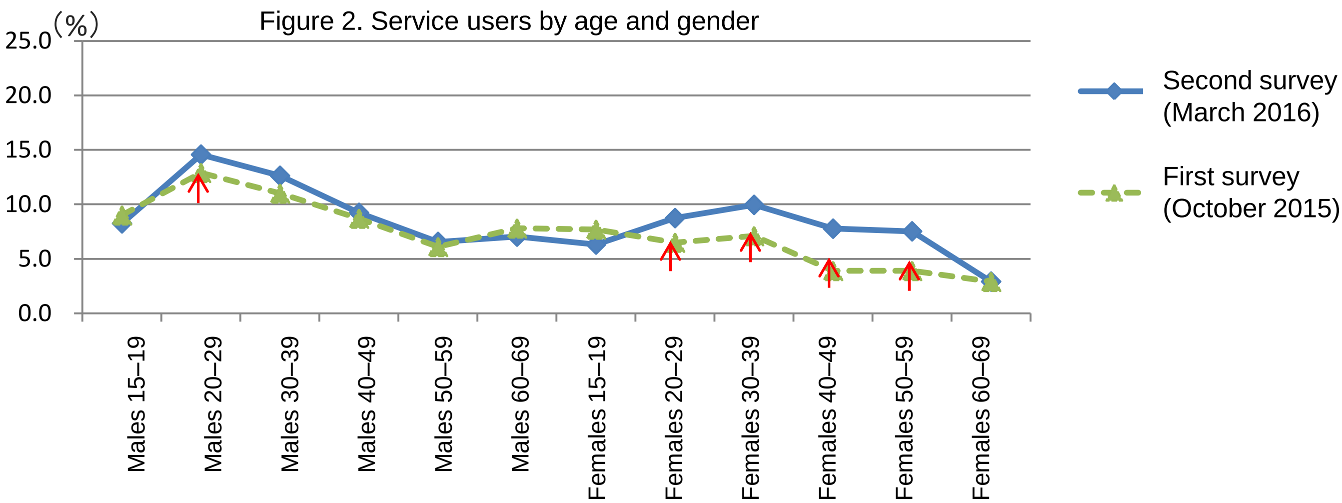
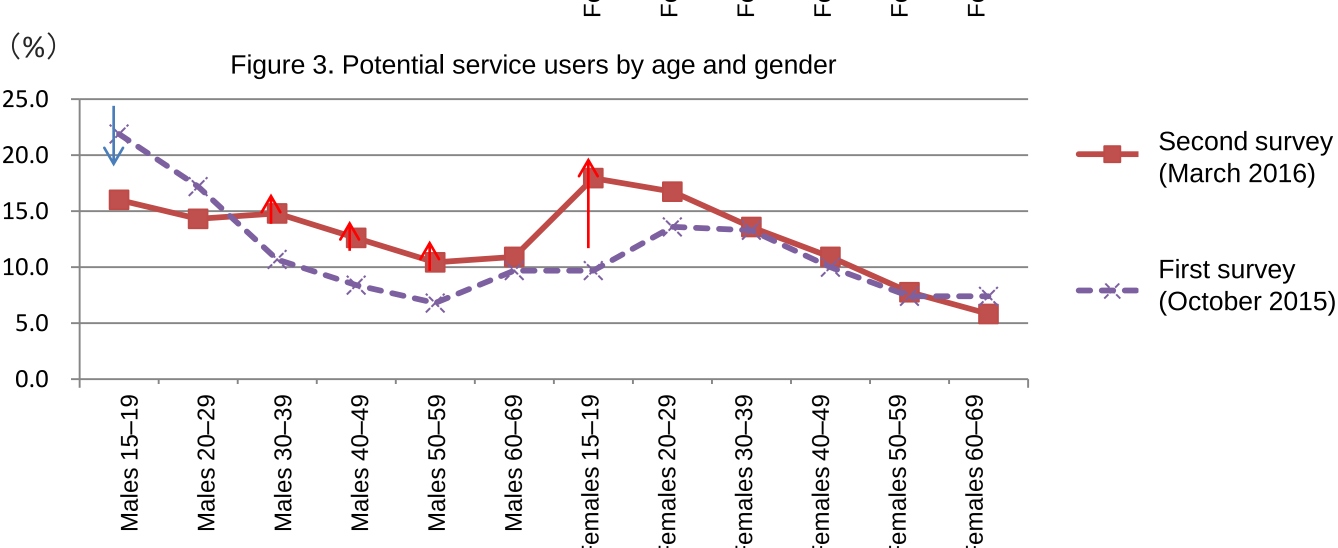


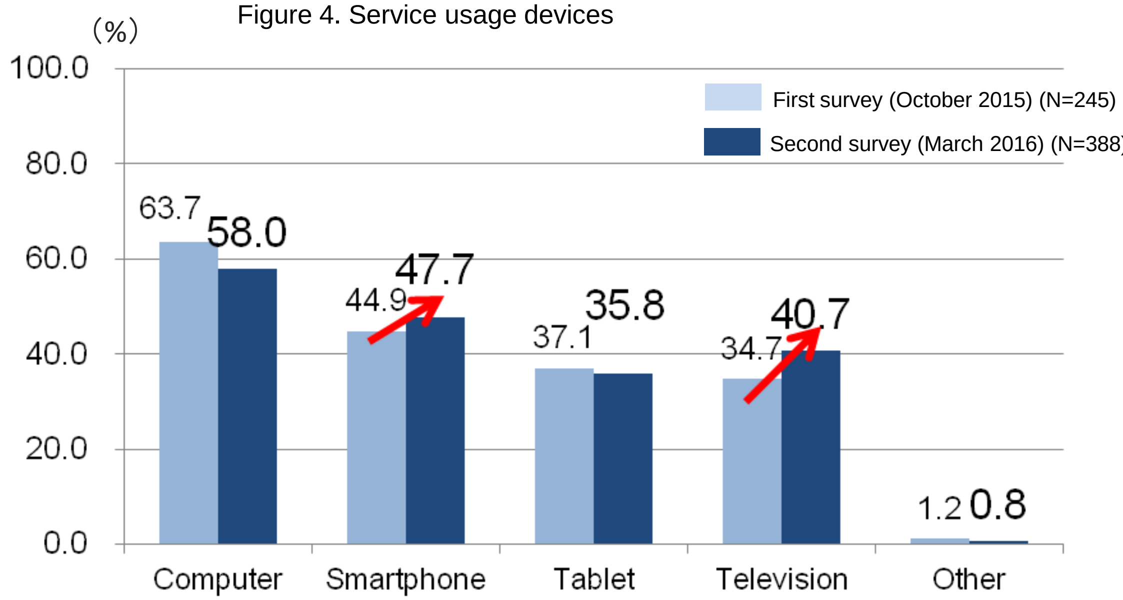
Figure 3. Potential service users by age and gender



3) Service usage devices (multiple answers allowed)

- The overall percentage of users who said they simultaneously use the services on multiple devices did not change since the last survey, but there was a significant (six-point) increase in the percentage who used TV screens, from 34.7% to 40.7%. These results suggest that users of SVOD services are gradually shifting to larger TV screens from other devices.

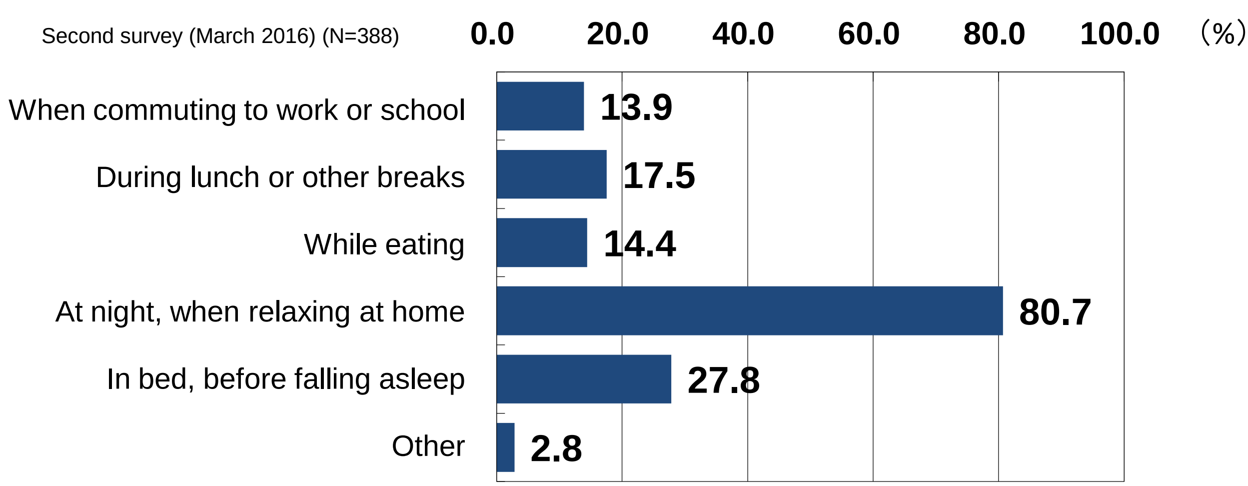
Figure 4. Service usage devices



4) Service usage situation (multiple answers allowed)

- When asked about the situations in which they use SVOD services, and overwhelming majority (80.7%) of respondents said “at night, when relaxing at home”. The next most-common response was “in bed, before falling asleep” at 27.8%, indicating that nighttime usage is significant.

Figure 5. Service usage situation



5) Service evaluation criteria (multiple answers allowed)

- When asked about the criteria they use to evaluate SVOD services, the top response in the second survey was the "number of programs available" (64.7%), followed by "being able to relax and watch programming on my own" (58.8%). In third place was the "ability to stream to various devices (TV, computers, tablets, smartphones, etc.)" (53.9%).
- In terms of changes since the last survey, the criteria that increased in percentage the most was the "variety of programming genres available" (up 10.3 points), followed by "being able to watch wherever and whenever I want, as many times as I want" (a response that did not even reach 10% in the last survey, now up 6.6 points), "being able to have multiple programs in progress the same time" (up 6.2 points), and "high-quality original programming" (up 5.8 points). Although users primarily reported basic evaluation criteria (freedom in terms of device and timing) during the last survey, now that more time has passed since these services were first launched, users seem to be coming up with new evaluation criteria that reflect that fact that they are deeply familiar with the actual services.

Figure 6. Service evaluation criteria among users

First survey (October 2015) (N=245)
Second survey (March 2016) (N=388)

Up at least five points since the first survey

Rank		Second survey (March 2016)	First survey (October 2015)	Percentage point increase since the first survey
1	Number of programs available	**64.7**	63.7	1.0
2	Being able to relax and watch programming on my own	**58.8**	53.9	4.9
3	Ability to stream to various devices (TV, computers, tablets, smartphones, etc.)	**53.9**	54.7	-0.8
4	**Being able to watch what I want when I want it**	**47.9**	42.4	**5.5**
5	**Variety of programming genres available**	**42.5**	32.2	**10.3**
6	Being able to watch programs I like again and again	**42.5**	43.3	-0.7
7	Being able to watch what I want whenever I feel like it without visiting a rental store	**40.2**	38.0	2.2
8	Cheaper to stream entire drama series than rent each episode separately	**38.9**	38.0	1.0
9	Don't have to worry about returning rentals	**35.6**	35.9	-0.4
10	Ability to watch anywhere in the house (living room, dining room, bedroom, bath, etc.)	**34.8**	32.2	2.5
11	Flat fee no matter how much I watch each month, so I feel like I get a better deal the more I watch	**32.0**	32.2	-0.3
12	No ads, so I can get completely absorbed in the programming	**29.6**	24.9	4.7
13	I can go back and watch episodes that I missed	**28.9**	26.5	2.3
14	I can check out programs that I've only heard the name of to see if I'm interested	**26.3**	23.7	2.6
15	**I can watch new programming**	**26.0**	20.4	**5.6**
16	I can make a custom list of the programs I want to see	**23.5**	23.3	0.2
17	I can discover little-known programs that I've never seen	**23.2**	19.2	4.0
18	I can pause and resume watching whenever I want to fit my schedule	**22.7**	24.9	-2.2
19	I can enjoy watching with family, friends, and others	**22.2**	23.3	-1.1
20	There are programs available from a variety of eras	**21.6**	18.4	3.3
21	**Easier than trying to program a device to record movies and shows**	**20.6**	15.5	**5.1**
22	Ability to watch in a variety of places outside the home (on public transportation, shops, while walking, etc.)	**18.6**	16.7	1.8
23	Ability to watch a drama series all the way through or watch several episodes back-to-back	**18.3**	22.0	-3.7
24	**Ability to fast-forward and watch at my own speed**	**15.7**	**10.6**	**5.1**
25	Amount of original programming that can't be seen without the service	**15.2**	11.0	4.2
26	Being able to go back and watch an old movie in a series when the new movie comes out	**14.9**	17.1	-2.2
27	**Being able to watch my favorite scenes over and over**	**13.1**	6.5	**6.6**
28	Feels like I'm getting a good deal since everyone in the family can share an account	**12.6**	9.4	3.2
29	Ability to use tags to find similar programs	**12.4**	11.4	0.9
30	Ability to easily continue watching during short windows of time	**11.9**	15.1	-3.2
31	Excellent recommendation feature that suggests programs based on what I like	**11.6**	7.3	4.3
32	Ability to search for content by director or performer	**11.6**	12.2	-0.6
33	**High-quality original programming that you can't get without the service**	**11.1**	5.3	**5.8**
34	Thumbnail feature that lets me start watching wherever I want	**10.6**	11.8	-1.3
35	Quick operational response time	**9.3**	8.2	1.1
36	Easy to join or cancel membership	**9.0**	10.6	-1.6
37	User-friendly interface	**8.0**	5.3	2.7
38	Helpful for studying English or other languages	**8.0**	8.2	-0.2
39	Kids can watch when I'm tied up with chores or other activities	**6.7**	7.3	-0.6
40	**Being able to pause and have multiple programs in progress the same time**	**6.2**	0.0	**6.2**
41	Being able to see how everyone else rated a program	**5.4**	4.9	0.5
42	Cool interface	**3.6**	4.1	-0.5
43	None of the above	**3.6**	6.5	-2.9

6) Preference for advertising-based versus fee-based viewing

- The percentage of service users who said that they didn't mind commercial interruptions (advertisements) as long as they could stream for free went up slightly from 38.4% to 40.7%, indicating that people retain a strong preference for the free advertising-based viewing model.
- At the same time, we saw a similar slight increase in the percentage of respondents who said that they preferred to pay (a flat rate) for the service to remove advertising.

Figure 7. Preference for advertising-based versus fee-based service