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Tuned-In...To Your Hand: *Mobile video use in the U.S.*

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CI SUMMARY: Today, 10.3 million U.S. mobile subscribers use mobile video, which still leaves 214 million U.S. mobile subscribers who don't. In the markets in which Nielsen tracks video over phones, the U.S. is tops in terms of penetration, but at 5%, the medium is far behind even other mobile media. Three key developments in the space could fuel considerable growth in the market.

An old idea, renewed

Back in 1966, *Popular Mechanics* reported that a portable television would be launched under a "famous maker's label" by year's end. Later that year, Motorola—a name not distant from the world of mobile video today—demonstrated to the world a remarkably small portable TV designed by their engineer De Loss Tanner. Tanner's invention was claimed as the smallest TV in the world. *The Columbus Dispatch*, profiling the invention, called it a view to the future. Tanner, due to present the invention at a meeting of the Institute of Electrical Engineers, died six days before the conference.

It wasn't until Sony's launch of the "Watchman" in 1982, however, that a portable TV was introduced to the mass market. Surprisingly, 42 years and several generations of portable televisions after Motorola's Tiny TV, portable television has hardly become a mainstream medium. That, however, could change.

Small audience, big potential

In the U.S. today, 10.3 million mobile phone subscribers access video content on their phone each month—an increase of 14% from last year. Through websites such as YouTube, or subscriptions to clips delivered by the carrier, or through "live" broadcasted TV programming, millions of U.S. subscribers today consume video news and entertainment in the way De Loss Tanner and other engineers envisioned nearly half a century ago.

The most popular means of mobile video consumption over phones in the U.S. is mobile Web video, with 66% of mobile video users viewing video this way. Still, much of the mobile video audience pays for access to a service: 42% of mobile video users access their video through a mobile video subscription. U.S. subscriptions to mobile video have recently risen to 16.4 million in Q3 2008 from 13.2 million in Q3 2007, a 27% year-over-year growth bolstered by unlimited data packages such as Sprint's "Simply Everything" plan, that allow access to mobile video.

Still, though the mobile video market saw reasonable growth in 2008, the overall use of mobile video in the U.S., at 5% of all subscribers, is low compared to other mobile media: Internet, ringtones and games, for example. U.S. subscribers are not unique in their low penetration of mobile video. In fact, of the 11 mobile video markets tracked by Nielsen, penetration of mobile video consumption is highest in the U.S., followed by France and Italy where 4% of mobile subscribers access mobile video each month. None of the markets Nielsen tracks have surpassed the 5% threshold of usage, but some estimates place penetration in Japan and South Korea—markets where Nielsen doesn't yet measure mobile video consumption— at nearer to 50% of the mobile market.

International Mobile Video Penetration (Q3 2008)

Market	Mobile Video Use Amongst Mobile Subscribers
United States	5%
France	4%
Italy	4%
Germany	3%
Spain	3%
Sweden*	3%
United Kingdom	3%
China	2%
India	1%
Russia	1%
Brazil	0.2%

Source: *The Nielsen Company. Latest Sweden estimate Q1 2008.*

*U.S. figure represents subscribers ages 13+,
all other markets ages 15+.*

Though the U.S. audience for mobile video is small today, key developments could fuel considerable growth in the market in 2009 and 2010—expanding not just the universe of existing mobile video users, but also the universe of untapped subscribers. First, let's look more closely at mobile video use, today.

The audience today

In the U.S., the profile of mobile video users is broad enough that it cannot be classified as merely a young, affluent man's medium. While the audience does skew young, the makeup for mobile video content spans across the demographic spectrum.

The profile of mobile video users is broad...

- As of Q3 2008, the mobile video audience is more male than female (60% male, while men make up just 48% of the total mobile population).
- Mobile video users are considerably more likely to be younger—65% of all mobile video users are under the age of 35, compared to just 35% of all subscribers.
- African Americans and Hispanics continue to be disproportionately represented in the mobile video audience when compared to the total subscriber base. As of Q3 2008, 14% of the mobile video audience was African American (non-Hispanic) and 24% of the audience was Hispanic (compared to just 9 and 13% of all subscribers, respectively).
- From an income perspective, the mobile video audience is perhaps more balanced than expected, considering surcharges and device needs. As of Q3 2008, mobile video users were just slightly more likely to have household incomes of \$100K, compared to all mobile subscribers (28% compared to 22%).

Broad and varied use

Perhaps one of the more "expected" uses of mobile video is while waiting in lines. However, Nielsen data suggest that the occasion for mobile video consumption is really much broader than this narrow, and perhaps rarer than imagined, opportunity. Indeed, how many lines does one wait in during a typical day?

And while mobile video viewers do report that they consume video while waiting for people or things (59% say they do so), 37% of viewers say they tune in to their phone while at home, 35% watch from their bed and about one in four users say they occasionally view while they are exercising.

Top Occasions for Mobile Video Use (Q3 2008)

Occasion	Mobile Video Users
When waiting for someone or something	59%
While traveling away from home	51%
While at home	37%
While at work/at school	36%
While in bed	35%
During my commute	33%
While eating	26%
When together or out with friends	24%
When all other available TVs are being used	23%
While working out/exercising	23%

Source: *The Nielsen Company, Mobile Video Report*

Considering the diversity of place in which mobile video is consumed, it is less surprising to consider that mobile video viewers are not necessarily watching for just short intervals. In Q3 2008, 54% of mobile video viewers reported average mobile video sessions of 15 minutes or longer. As reported in the Nielsen A2/M2 Three Screen Report, the typical mobile video viewer tunes into their phone for an average of 3 hours and 37 minutes per month—an increase of 11% since Q1 2008. This increase is fueled in part by content providers making full-length episodes of television content available over mobile phones.

Keep it light and funny

From a genre perspective, Comedy is the most popular mobile video content. Forty percent of mobile video viewers in Q3 2008 said they had watched comedy content, at an average of 10 minutes per session. Weather, Music and Sports are the next most popular genres of mobile video content, respectively. The appeal of a broad range of genres in mobile video is apparent: 17 of the mobile video genres tracked by Nielsen have attracted audiences of more than one million unique mobile video users, including even Adult content.

Mobile video viewers are not watching for just short intervals...

As for specific brands of content consumed over mobile video, many of the leading television brands today are also the most watched brands in mobile video. As of Q3 2008, NBC is the most-watched mobile video brand in the U.S. A total of 4.7 million mobile video users watched NBC-branded mobile video entertainment in the typical month—46% of the overall mobile video audience.

After NBC, FOX, MTV, The Weather Channel, Comedy Central, YouTube and ESPN were the next most popular mobile video brands (reaching between 28% and 42% of mobile video viewers).

YouTube's position in that lineup is important, as mobile Web-based video is playing an increasingly important part in the growth of the mobile video audience. In Q3 2008, about three million U.S. mobile subscribers accessed YouTube—the leading Web video provider accessed over the phone—through their phone. YouTube's mobile audience grew 277% between October 2007 and October 2008.

YouTube's position in that lineup is important...

Future interests

Comedy is not just the most popular form of mobile video content today; it's also what users want to see more of. Comedy is the top-aided category of interest among current users—though not by far. As of Q3 2008, 11% of mobile video users said they were interested in additional comedy programming, just ahead of music (10%) and full-length cinema released movies (9%), each of which may reflect the current youth skew of mobile video.

Top 10 Categories of Interest for Future Mobile Video Programming (Q3 2008)

Category	Percent of Mobile Video Users Interested
Comedy	11%
Music	10%
Cinema released movies	9%
Action/adventure	9%
News	8%
User-generated content	8%
Movie trailers	8%
Entertainment news	7%
Sci-Fi/horror	7%
Sports	7%

Source: The Nielsen Company, Mobile Video Report

Satisfaction guaranteed

Although usage frequency among mobile video users is relatively low (17 videos per month median), overall satisfaction with the mobile video experience is high among current users.

Satisfaction with the mobile video experience is high...

As of Q3 2008, 71% of mobile video viewers said they were satisfied with the mobile video experience. That number is slightly higher among those who are paying for a subscription video service (77%) and lower among those who access mobile video by other means (67%). Mobile video users ages 18-24 also tend to be more satisfied with their experience than the typical user—76% say they are either satisfied or extremely satisfied with their experience.

Overall, network quality, costs and battery life appear to be the biggest pain points on the mobile video experience. Thankfully, these challenges have foreseeable solutions. From a network standpoint, carriers have been rolling out 3G networks throughout the U.S. that offer data throughputs six times as fast as 2 and 2.5G networks. From a cost perspective, the average price paid for subscription-based mobile video has declined in recent quarters, and consumers are increasingly able to access professional video content through the mobile web, without additional fees on top of their data plan.

Battery life is perhaps the most fundamentally gating factor to mobile media consumption. Immediate solutions involve the creative introduction of devices such as battery-powered cell phone cases that double the life of phones (Incuse has introduced such a case for the iPhone), and longer-term solutions to power limitations are being developed quickly. A group at Stanford says they've designed a battery that can extend the life of laptop and phone batteries tenfold.

Growing the mobile video pie

Satisfaction among current users is good, but for the overall mobile video market to grow, the whole pie will have to grow. Today, only 5% of U.S. mobile subscribers use mobile video, but as mentioned, there are opportunities for mobile video growth in 2009 and 2010.

Only 5% of U.S. mobile subscribers use mobile video...

Today there is still a large degree of carrier control over the mobile video experience—a level of control that may have to loosen for the overall market to grow. Furthermore, mobile video is still costly and, from some perspectives, lacks the breadth of content (national, local and user generated) that it could provide.

Solving for these factors, three avenues for growth of the overall mobile video audience include:

1. the expanded use of mobile Web and mobile Web video;
2. the rollout of mobile digital TV (mobile DTV);
3. an improved advertising subsidization of subscription-based streaming mobile video services.

The latter is the most unlikely of the three growth drivers, but all are possible, and a combination of some of these three would grow the mobile video audience considerably into 2009 and 2010. A

detailed review of these growth drivers can be found in the *Tuned into the Phone: Mobile Video Use in the U.S. and Abroad* report, see link below.

The time has come

The 1966 *Columbus Dispatch* article quoted at the beginning of this article was mostly bullish about the significance of Motorola's tiny mobile television. At the end of that article, though, the reporter writes, "Now that the company has the teeniest TV ever built, they're a little at a loss as to what to do with it. It probably won't make a consumer product for years to come."

Has the time come for more ubiquitous use of mobile video? It has, but only if the market can cooperate to move beyond mobile video's plateau and make the medium an affordable and engaging experience for a broader audience of viewers.

Based on an excerpt of "Tuned into the Phone: Mobile Video Use in the U.S. and Abroad", a new white paper from Nielsen's telecom practice.

Nielsen Consumer Insight, January 2008