

RESEARCH NOTE | 8.17.2011

THE OVER THE TOP MOVEMENT

This month Centris released its second quarterly report on the evolving video market. This syndicated report is part of Centris' ongoing tracking study intended to assist our clients with planning responses to the Over the Top (OTT) Movement.

Since November, we have accumulated over 53,000 internet household surveys on this issue. Our empirical data is creating a clearer picture of evolving OTT market. More information on Centris' Evolution of Video program can be obtained by contacting John High at jhigh@centris.com.

Regards,

The Centris Team

MARKET SEGMENTS	ESTIMATED US INTERNET HOUSEHOLDS (MILLION)	PERCENT TOTAL
Pay TV Market Segment		
Traditional Viewing (No OTT)	33.6	41.0%
Co Consumption (With OTT)	37.7	46.0%
Sub Total	71.3	87.0%
OTT Market Segments		
Substitute (Pure OTT)	4.1	5.0%
Broadcast TV (With OTT)	4.1	5.0%
Sub Total	8.2	10.0%
Other Market Segment		
Broadcast TV Only or No TV	2.5	3.0%
Sub Total	2.5	3.0%
Total	82.0	100.0%

KEY FINDINGS OF OUR RESEARCH INCLUDE:

- **Video “cord cutting” is a significant issue for Pay TV providers.** Approximately 5% of US households have cut the cord using alternatives to Pay TV viewing. Approximately .8% of cord cutting was done for content issues. The majority of the cord cutting was driven by other issues, the major driver being economic issues.
- **Approximately 5% of internet enabled households are using Broadcast TV and OTT strategies** to support their video consumption requirements.
- **A major market battle ground is Co-consumption.** Approximately 46% of internet households are using a combination of Pay TV and internet approaches to view video.

THE CENTRIS VIEW

Our view is that a significant market shift is taking place driven by increased broadband availability and speed, as well as new enabling technologies (e.g. iPads, Tablets, Smartphones, etc.).

Technology changes always provide competitors with new distribution and product innovation options, as well as cost reduction opportunities. The initiatives being pursued by the major market players are intended to integrate content provider and distributor value chains with those of their customers. This is intended to provide a better customer experience and create competitive advantage.