



WHITE PAPER: The Who, What,
When, Where, Why, and How
of Connected TV & Advertising

AUGUST 2012

EXECUTIVE SUMMARY

Connected TVs are poised to make major headway among consumers in the next few years. While not entirely new, these Smart TVs are becoming increasingly popular. Approximately 25% of all TVs shipped in 2011 were “smart”, and that number continues to grow at nearly 60% year over year. But what does this mean for brands and agencies?

YuMe is announcing in-depth consumer research that addresses who is watching what on connected TV – and subsequently when, where, why, and how. The survey is the most comprehensive and insightful study of connected TV users to date and exposes tremendous new advertising opportunities for brands.

Insights for advertisers suggest that connected TV has become not just a viable, but also a valuable element for video distribution and advertising; however viewer preferences are key to an effective brand strategy. For instance, viewers of short-form content and streaming TV shows indicate a significant preference for ad-supported models over subscription or pay-per-view models. Nearly 90 percent of connected TV users notice ads on the platform, particularly pre-roll; the majority of those users have interacted with ads; and nearly one-fifth of viewers have subsequently purchased a product as a result of an ad they have seen on connected TV. In other words, connected TV content represents a tremendous advertising opportunity for brands looking to generate consumer awareness and drive greater audience engagement.

METHODOLOGY

YuMe engaged Frank N. Magid Associates to develop custom research. The statistics presented in this report were generated from data collected between May 24 and June 4, 2012 from an online survey of viewers. The survey was conducted from a sample group of 736 connected TV consumers about their experiences with Internet-based video and content displayed on a TV screen.

The viewers, between 18 to 54 years of age, use Internet video or content on a TV screen connected to the Internet via game consoles and Blu-ray™ players, as well as streaming devices directly connected to the Internet such as Roku, Apple TV, Boxee, or Smart TVs. The number of households connecting their TV screens to the Internet represents 30 percent of Internet-connected households.

KEY FINDINGS

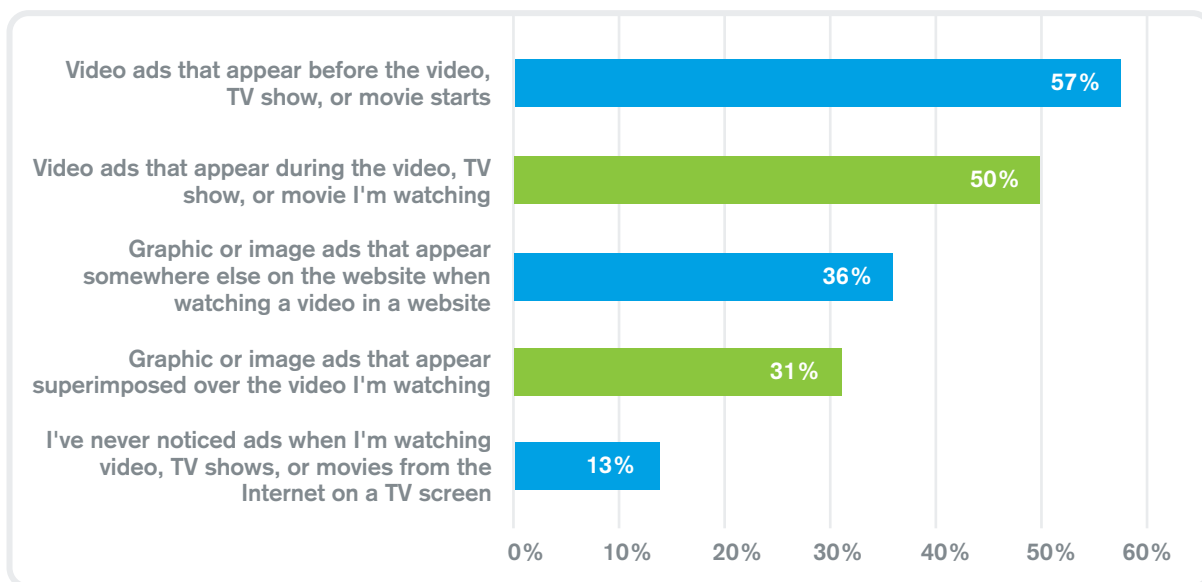
- **Who's watching:** Connected TV consumers are young, ethnically and racially diverse, and likely to live with at least one other person. In fact, various members of these multi-member households engage in Connected TV experiences.
- **What do they use to connect:** 45 percent of users connect their TVs to the Internet via multiple devices, and 55 percent use a standalone game console, Blu-Ray™ player, Smart TV, or set-top box.
- **When are they watching:** Content consumption varies, but users primarily consume short-form content during the week from noon to 6 PM and streaming TV shows on weeknights and weekends.
- **Where are they watching:** Living and family rooms are still the primary venues for watching connected TV.
- **Why do they watch:** Connected TV viewers are able to watch the content of their choice—in particular, content that they cannot locate on cable or broadcast channels—at times that are convenient.

- **What do they recall:** Almost all connected TV viewers recall seeing advertising.
 - Nearly 90 percent of connected TV users say they notice ads on the platform.
 - The majority of ads noticed by these users are pre-roll (57 percent).
- **How do they react:** Approximately 70 percent of connected TV users have interacted with a relevant ad; and 19 percent actually purchased a product as a result of an ad they have seen on connected TV.

HOW CONNECTED TV VIDEO VIEWERS ENCOUNTER AND INTERACT WITH ADVERTISING

The study found that almost all viewers (90 percent) see ads either before or during the video content they are watching.

Ways In Which Connected TV Viewers Encounter Ads

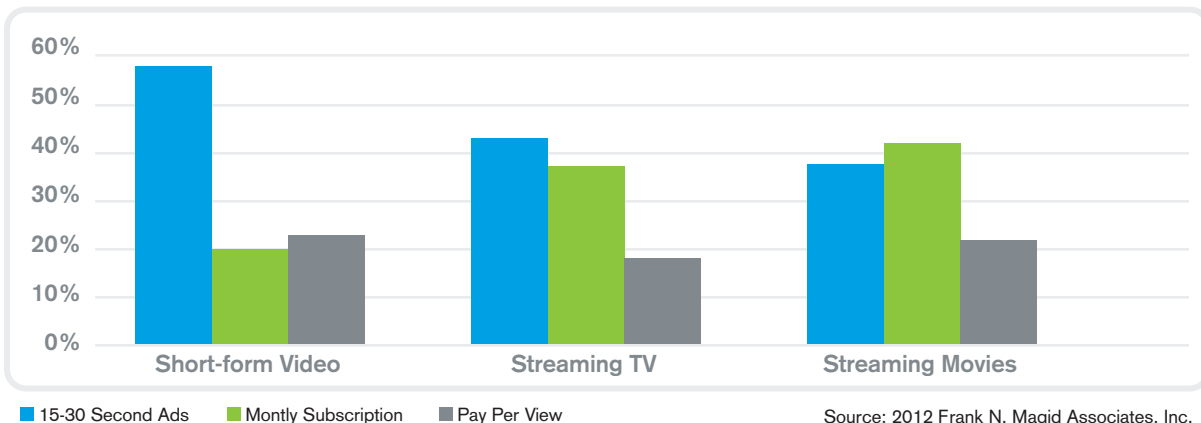


Source: 2012 Frank N. Magid Associates, Inc.

Connected TV generates high ad awareness, as 9 out of 10 viewers notice ads when watching content. Pre-roll generates the highest awareness (6 out of 10 viewers). In which of the following ways do you encounter ads when you are watching streaming video content from the Internet on a TV screen? Please select all that apply.

The majority (60 percent) of connected TV consumers prefer ad-supported content to paid, ad-free content. Viewers see ad-supported content as a win-win—they have access to good, free, high-quality content and in exchange, they welcome ads. Half are willing to pay monthly subscriptions for TV shows and streaming movies.

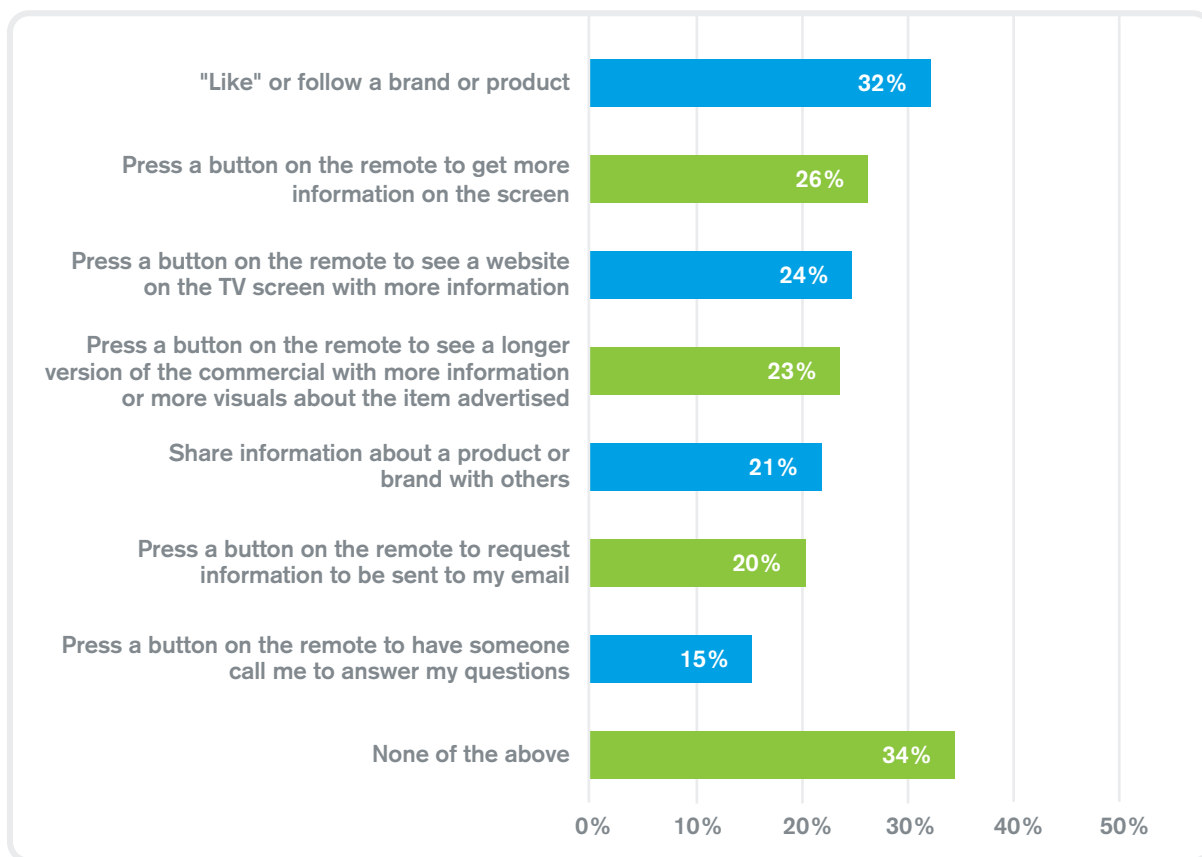
Viewer Preferences For Payment Models



In which of the following ways do you prefer watching streaming video content such as short videos, TV shows, and movies from the Internet on your TV screen?

A healthy 70 percent of connected TV users say they interact with the ads they see (by clicking for more information, for example), and as many as 19 percent of all users go on to purchase products they see advertised on connected TV.

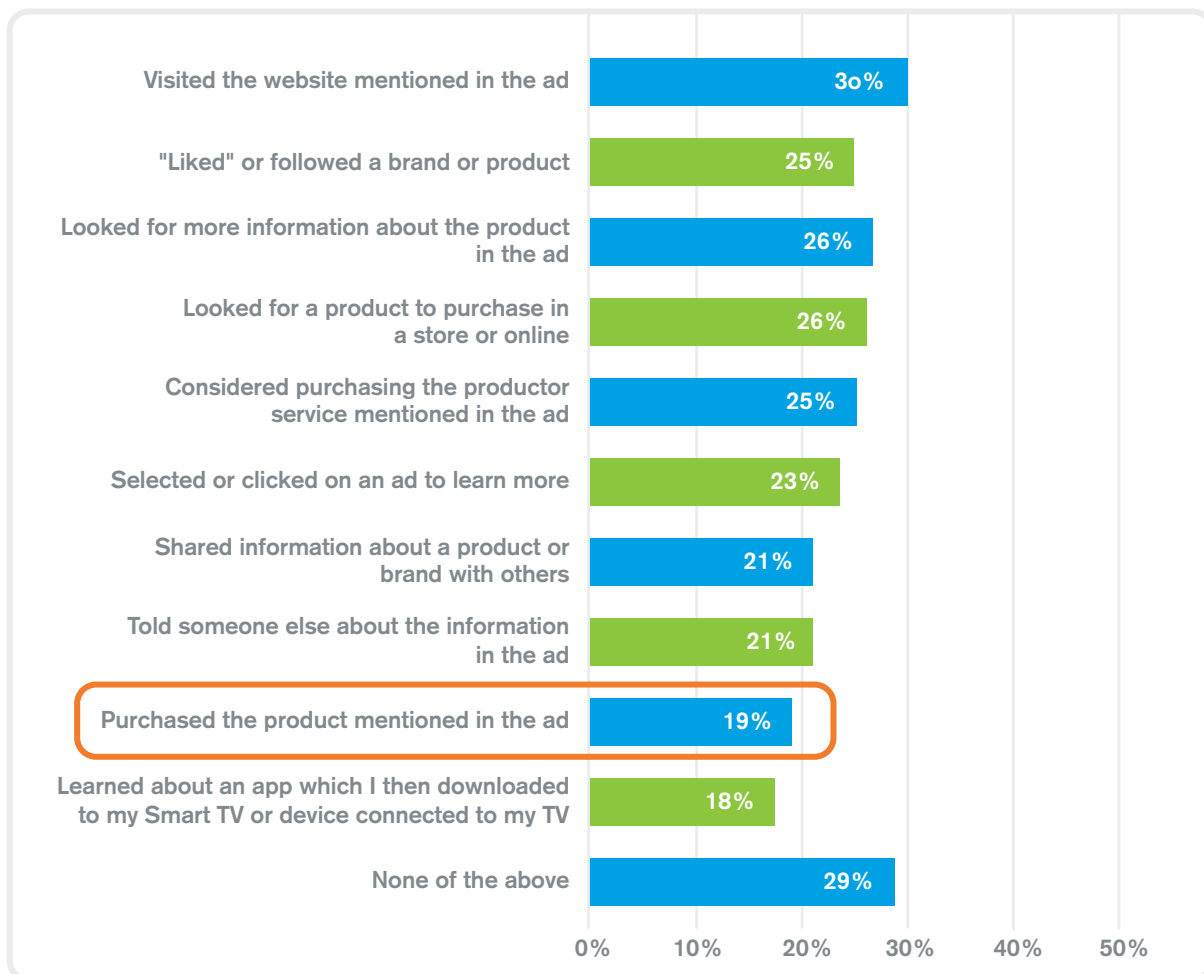
Actions Connected TV Viewers Are Most Likely To Take With Ads



Source: 2012 Frank N. Magid Associates, Inc.

Thinking about all the different types of content you watch or view on your TV connected to the Internet, which of the following are you most likely to do based on a message or advertisement you see for something that interested you, or that you were planning to purchase?

Actions Connected TV Viewers Have Taken As A Result of Ads

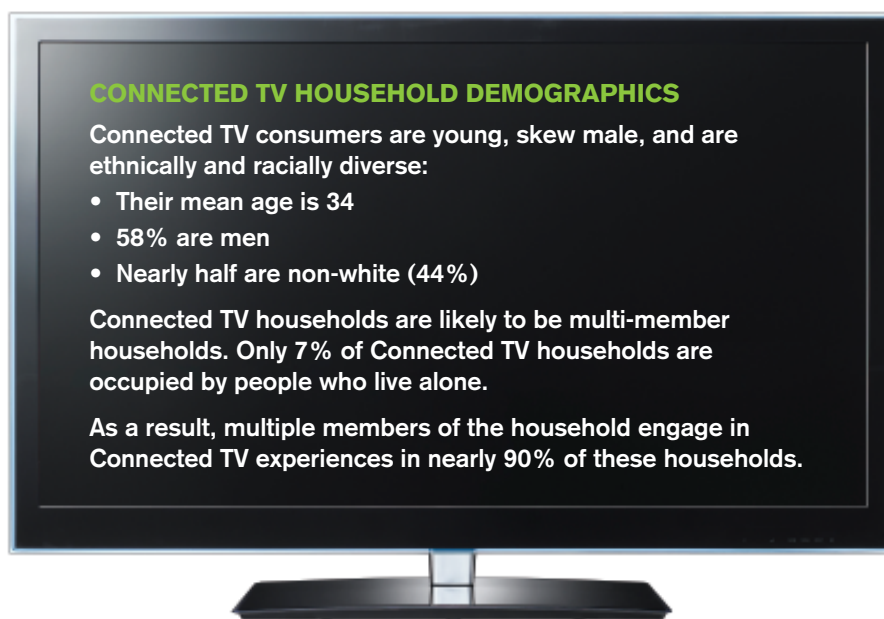


Source: 2012 Frank N. Magid Associates, Inc.

Thinking of all the times you have ever watched or viewed content from the Internet on your TV screen, which of the following actions have you taken as a result of a message or advertisement for something that interested you or that you were planning to purchase?

WHO WATCHES CONNECTED TV?

Although connected TV viewers skew slightly male with a mean age of 34, demographic profiles reveal that 90 percent of households with connected TVs have two or more people, suggesting that families are central to connected TV usage.



These consumers can be divided into four main groups: gamers, movie fanatics, entertainment junkies, and trendsetters.

Gamers represent the youngest set of connected TV users. They do not usually have children or high incomes, but they often own game consoles and enjoy using them to play online games and music. They also tend to shop for consumer electronics, as well as clothing, apparel, and accessories.

Movie Fanatics, another major connected TV persona, are also the oldest viewers. They own laptops and desktop computers, and most have Blu-Ray™ players. Favorite leisure activities include listening to music, going to the movies, entertaining at home, and renting movies. Their top connected TV activity is streaming movies from the Internet.

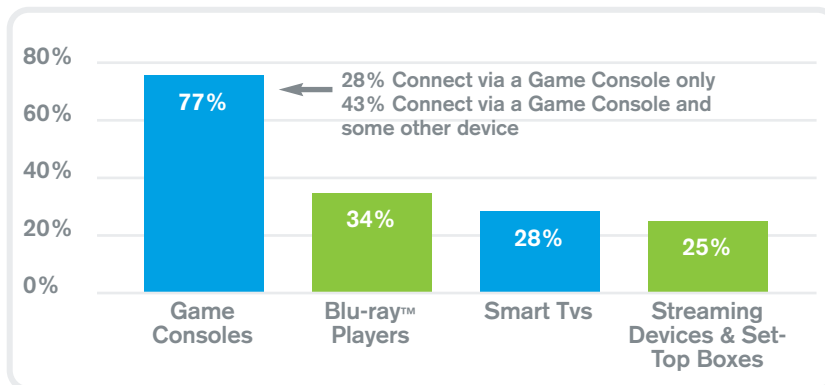
Entertainment Junkies, the third group, have children and are fairly affluent, as illustrated by the fact that they also own tablets and set-top boxes. Favorite leisure activities include listening to music, cooking, dining out, and traveling. Top connected TV activities include streaming short videos and watching the news.

Finally, Trendsetters are the most likely group to have children and are also the most ethnically diverse group—22 percent are African American and 20 percent are Latino. Most of them own smartphones and Smart TVs. Favorite leisure activities include listening to music and entertaining at home. They shop frequently for clothing, apparel, accessories, beauty and personal care products, and cars. Top connected TV activities include listening to streaming music and watching short videos.

WHAT THEY USE TO CONNECT

28 percent of connected TV consumers use game consoles, and 43 percent attach another device to their game console, such as a Blu Ray player, Smart TV, streaming device, and set-top box. Some use several different devices to connect.

Devices With Which Viewers Connect TVs To The Internet



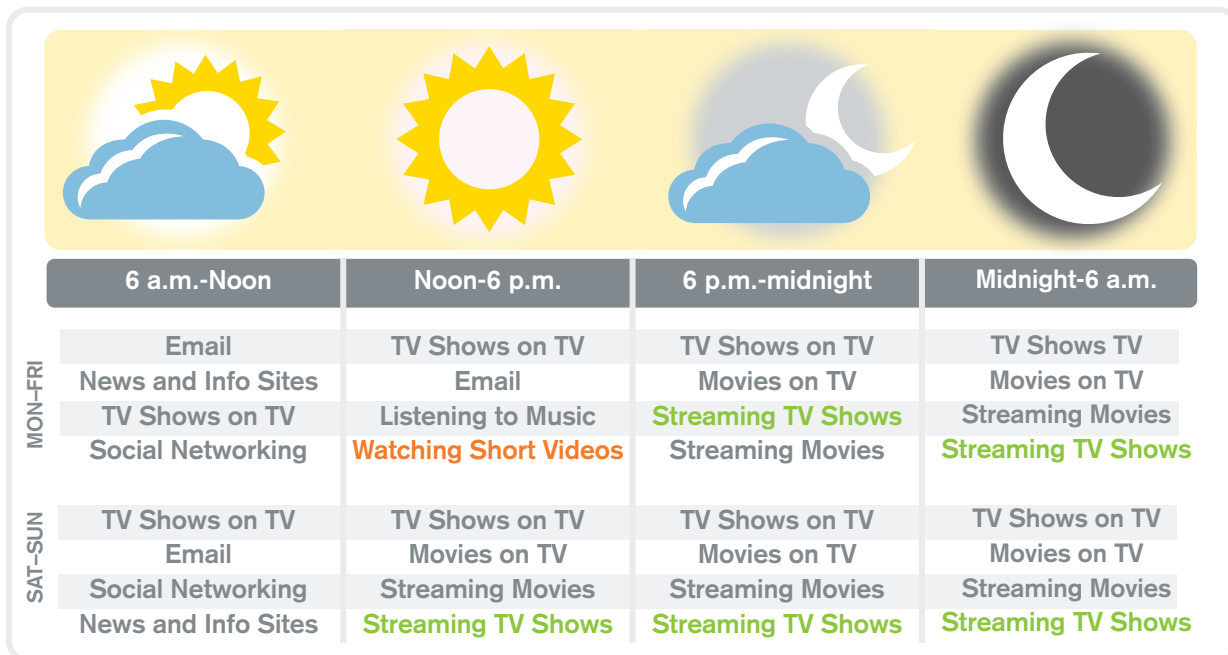
Source: 2012 Frank N. Magid Associates, Inc.

Please indicate all the different you use the Internet in your home. Please read the response options carefully and select all that apply.

WHEN THEY CONNECT

Content consumption varies by time of day and day of week, but short-form viewers primarily consume content during the week from noon to 6 PM, while streaming TV shows are consumed during weeknights and on the weekends.

Top Connected TV Activities, Dayparted



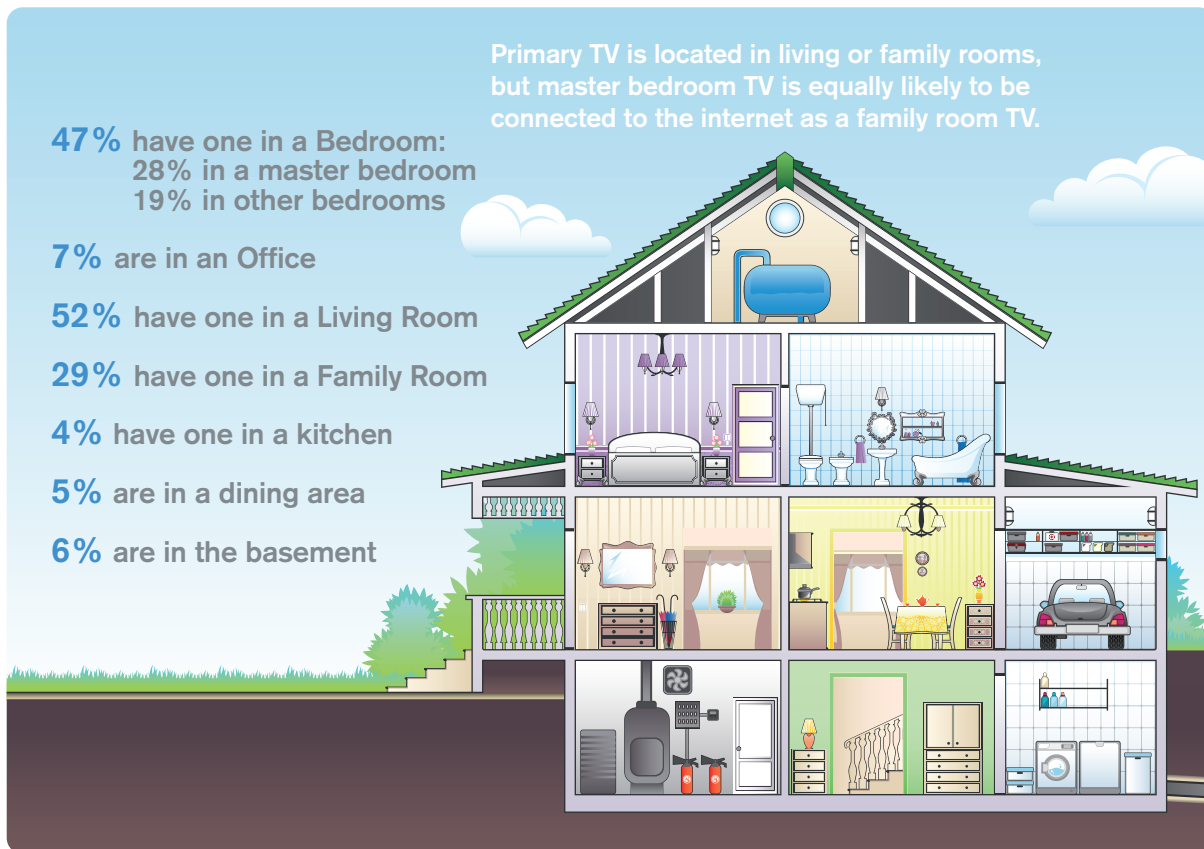
Source: 2012 Frank N. Magid Associates, Inc.

What time of day do you typically watch, view, or use each of the following on your TV screen?

WHERE THEY CONNECT

The primary TV is located in the living or family room, but the TV in the master bedroom is equally likely to be connected to the Internet as the TV in the family room. On average, these households own 1.5 televisions that are connected to the Internet.

Where Do Consumers Set Up Connected TVs In Their Homes?



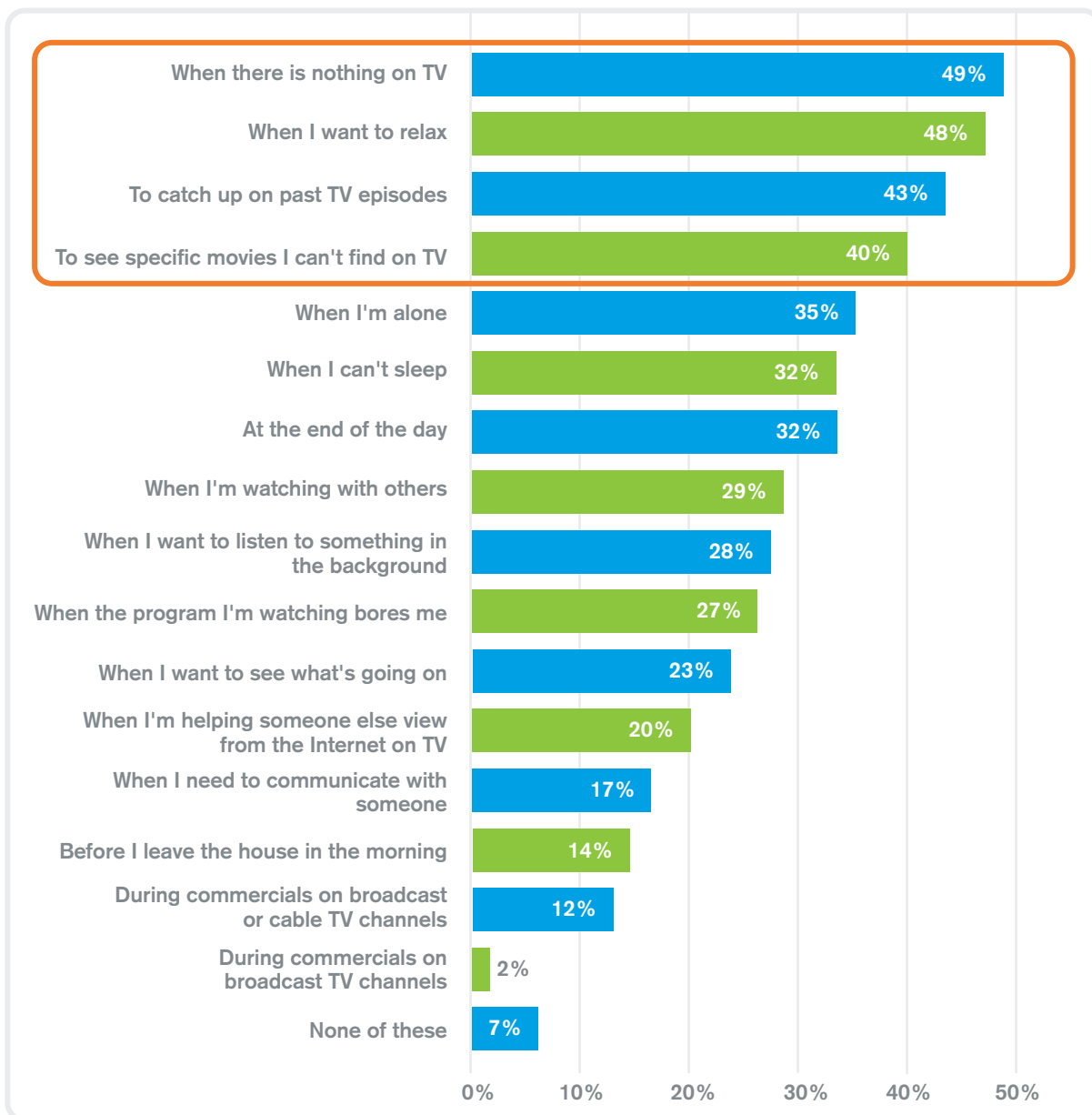
Source: 2012 Frank N. Magid Associates, Inc.

On average, Connected TV households have connected 1.5 TVs to the Internet.

WHY THEY CONNECT

Connected TV is an alternative, user-directed way to watch TV shows and movies. Most viewers do this to relax when “there is nothing on TV.” They also rely on connected TV to catch up on missed episodes of their favorite shows and watch a specific movie via a greater volume of “channels” at any given time.

Why Connected TV Users Turn To Internet Content



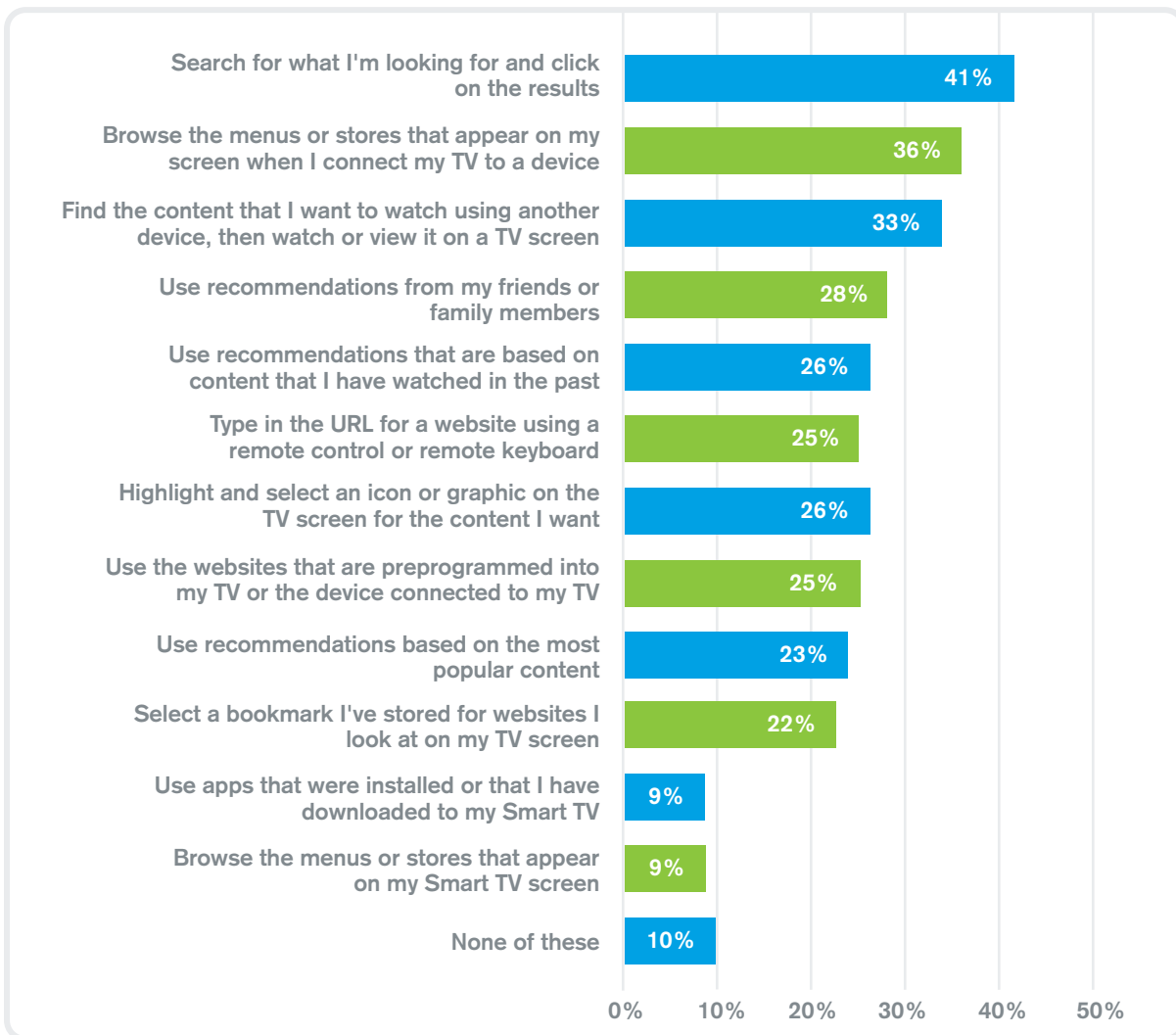
Source: 2012 Frank N. Magid Associates, Inc.

People use connected TVs as an alternative way to watch TV shows and movies. Which statements best describe the occasions when you view, watch or use something from the Internet on a TV screen?

HOW THEY LOCATE AND NAVIGATE CONTENT

Viewers search for content of interest by browsing menus and stores that appear when their TV is connected to a device. Some use another device to locate content such as a game console, Blu-Ray™ device, streaming device, or Smart TV. Many also rely on recommendations from friends and family about what to watch.

How Connected TV Users Locate And Navigate Content



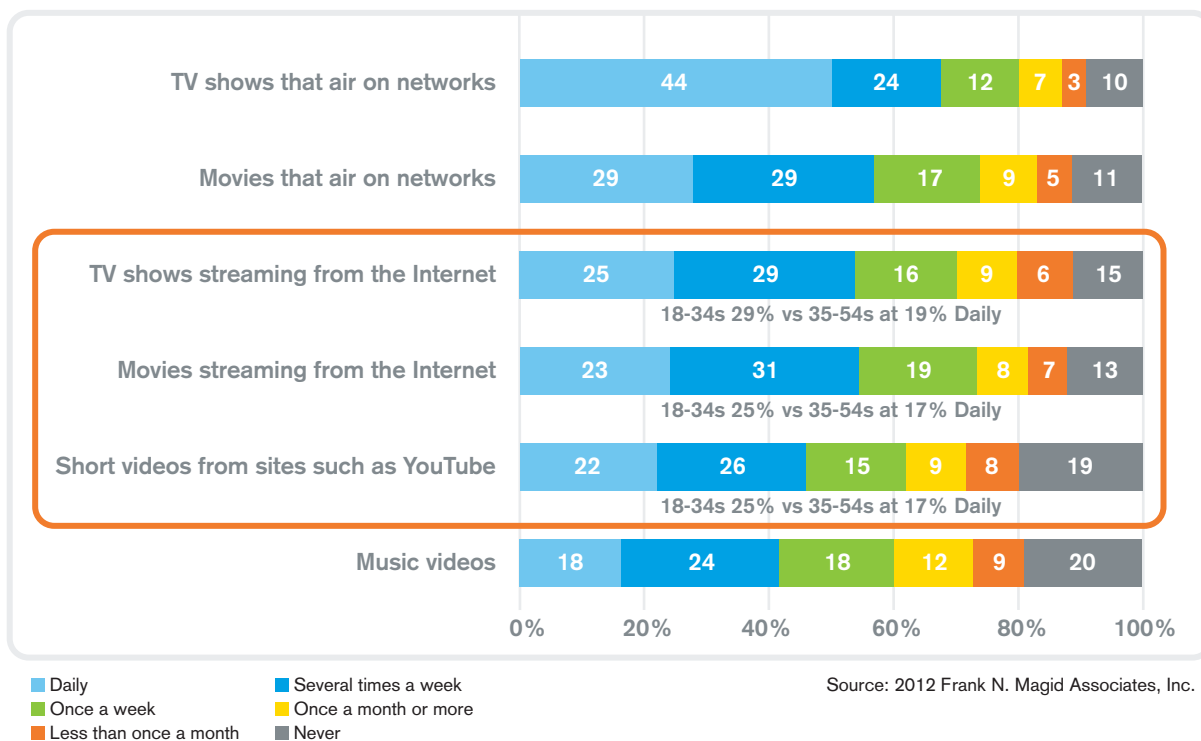
Source: 2012 Frank N. Magid Associates, Inc.

Connected TV users locate and navigate content for their TV screen in a diverse set of ways. Please select the different ways that you locate or navigate to the Internet content you view, or use on your TV screen.

WHAT DO THEY DO ONCE CONNECTED?

22 percent of viewers stream short-form content daily, making it nearly as popular as television streamed from the Internet and streamed movies.

Frequency Of Content Consumption On A Connected TV



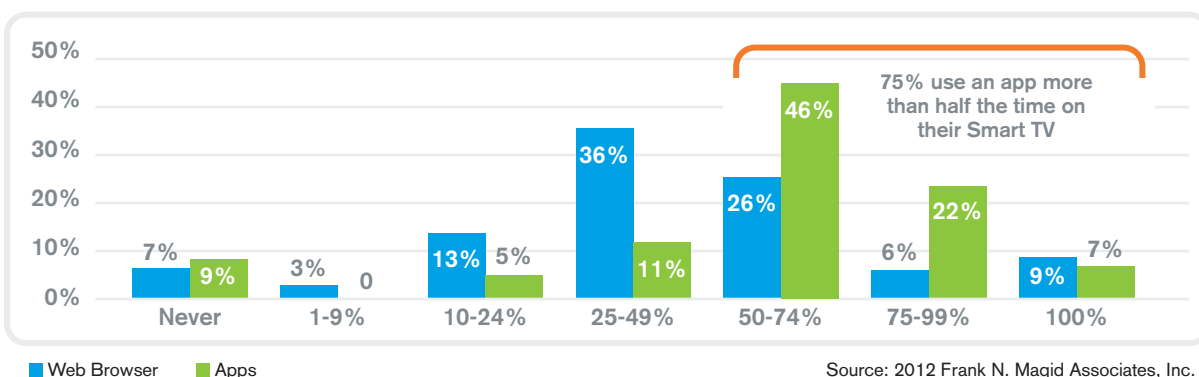
How often do you watch, view, or use each of the following on your TV screen?

On a daily basis, streaming TV content is even more popular than streaming movies from the Internet, and streaming short-form content is not far behind. Professionally produced, full-length and short-form videos not on TV and cable are surging in popularity, with 81 percent of respondents saying they watch these. The rapid rise of this final category—the “mid-tail” content—is worth watching in the coming months and years, as it will become increasingly popular among consumers.

APPS DRIVE CONTENT CONSUMPTION

More than 75% of users use apps more than half the time to view content on their connected TVs. The most popular applications for watching video are Netflix and YouTube, with Hulu and Amazon Instant Video a distant third and fourth, respectively. While Netflix is overwhelmingly popular, the aforementioned survey results also show that connected TV users do not want advertisements interfering with their viewing experience once it has begun. In order to reach consumers before they disappear into ad-free content, ad units like YuMe's "First Impression," which appear on the home page of the Smart TV, have proven compelling for advertisers.

Proportion Of Viewing Time Using Various Means To Navigate



When you view, watch, or use content from the Internet on your Smart TV, how often are you using a web browser to navigate to a website, and how often are you selecting and using apps that are installed on your Smart TV?

CONCLUSION

This study confirms that connected TV represents a tremendous advertising opportunity for brands looking to generate consumer awareness and meaningful interactions. The growth of short-form video content and consumers' willingness to view advertising that pays for the content is creating this burgeoning opportunity. For longer-form content, the study helps validate opportunities for ad units such as YuMe's First Impression, which enables brands to engage with their target audience in an uncluttered environment. Advertisers need to move fast in order to capture this highly engaged and attentive audience, and first movers will undoubtedly realize the biggest benefits.

ABOUT YUME

YuMe is the software infrastructure provider powering digital video and the next generation of television with its operating system for TV 2.0. Its video advertising technology and services seamlessly connect advertisers, app developers, content distributors, consumer electronics manufacturers, and publishers across the globe. YuMe's patent-pending Relevance Engine powers its premium in-stream video ad network, the YuMe Connected Audience Network, and its industry-leading advertising management solutions, ACE for Publishers and ACE for Advertisers. The YuMe Relevance Engine matches the right ad to the right audience on whatever screen they are viewing—PC, mobile, or Connected TV. YuMe is a privately held company headquartered in Redwood City, CA with its European headquarters in London. The company is backed by Accel Partners, BV Capital, DAG Ventures, Intel Capital, Khosla Ventures, Menlo Ventures, Samsung Ventures, and Translink Capital.