

The background of the slide is an abstract composition. The upper portion features a dark, deep blue sky with wispy, ethereal clouds in shades of purple and blue. The lower portion is dominated by a series of vibrant, multi-colored light trails. These trails, in hues of green, yellow, orange, and red, curve and swirl across the frame, creating a sense of dynamic movement and energy. The overall effect is a visually striking contrast between the dark, textured sky and the bright, fluid light patterns.

McKinsey&Company

McKinsey TMT

What to watch in video

FT Digital Media Conference | April 2015

CONFIDENTIAL AND PROPRIETARY

Any use of this material without specific permission of McKinsey & Company is strictly prohibited

Platforms and formats for viewing video have exploded

Traditional cable/DTH

Comcast

sky

Time Warner Cable

IPTV

verizon

BT

kpn

First wave digital

VOD aggregators

NETFLIX

YouTube

Publishers

BuzzFeed

The New York Times

Portals

AOL

YAHOO!

msn

Broadcasters

hulu

BBC
iPlayer

Second wave digital

New bundles

amazon
Instant Video

Apple tv

sling
TELEVISION

D2C plays

HBO

SHOWTIME

VHX

MCNs

III
MAKER.

FULLSCREEN

Livestream

twitch

YOU
NOW

Social

f

Vine

Twitter

Snapchat

Meerkat

Remix

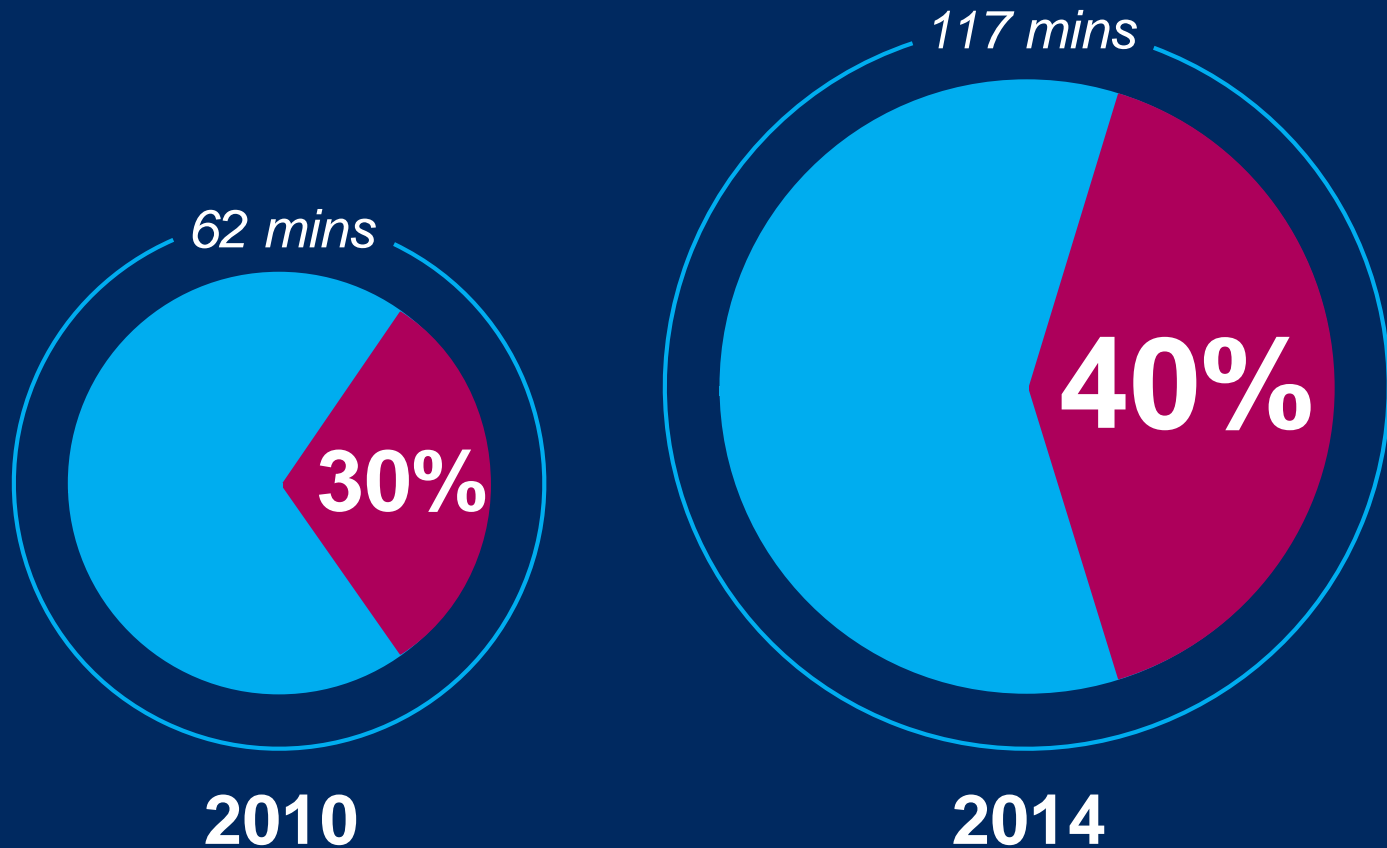
D dubsmash
The fun way to communicate

coab

Online video is growing fast



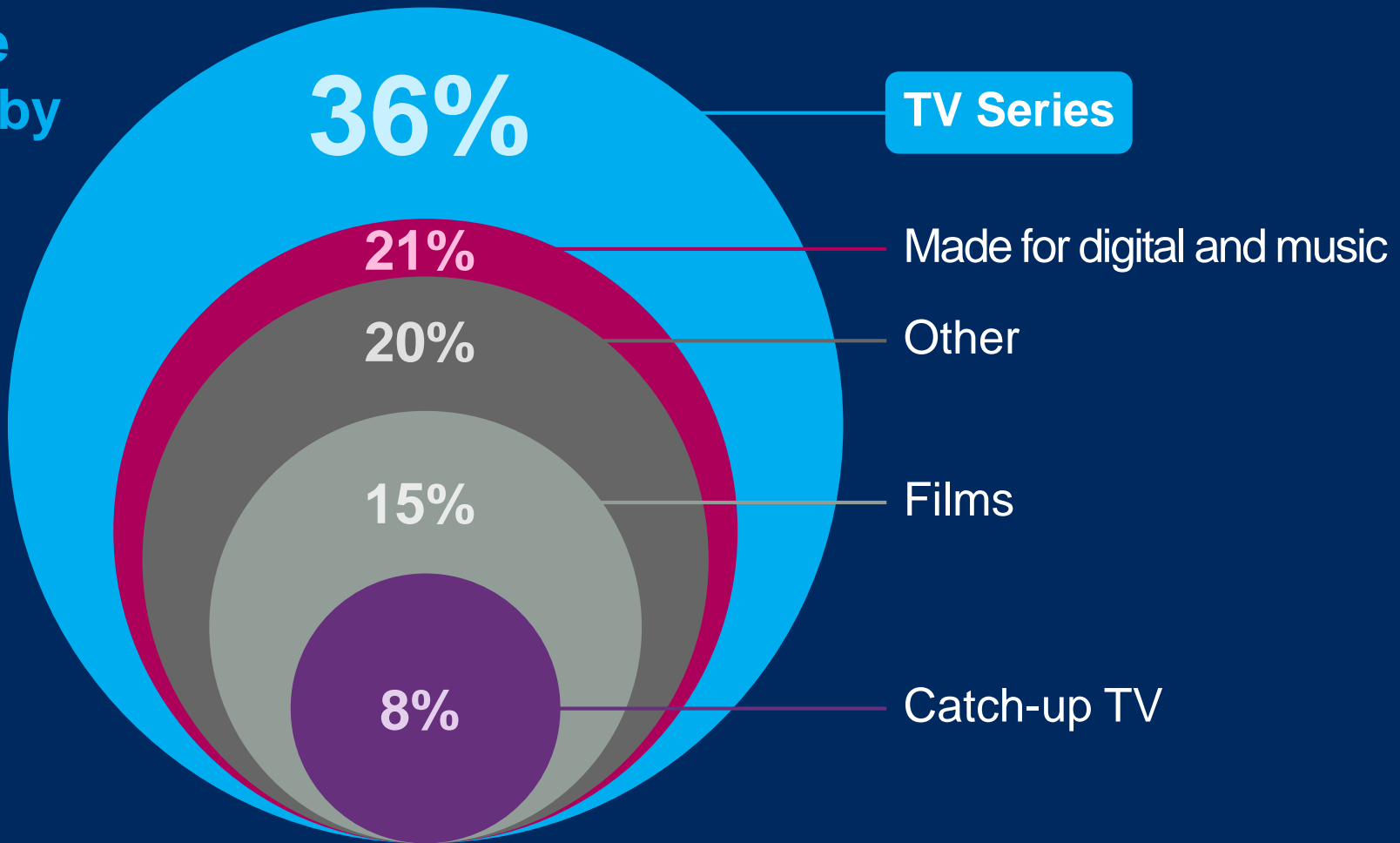
Online video as % of all online viewing



Time spent on video on demand is still mainly in scripted long-form



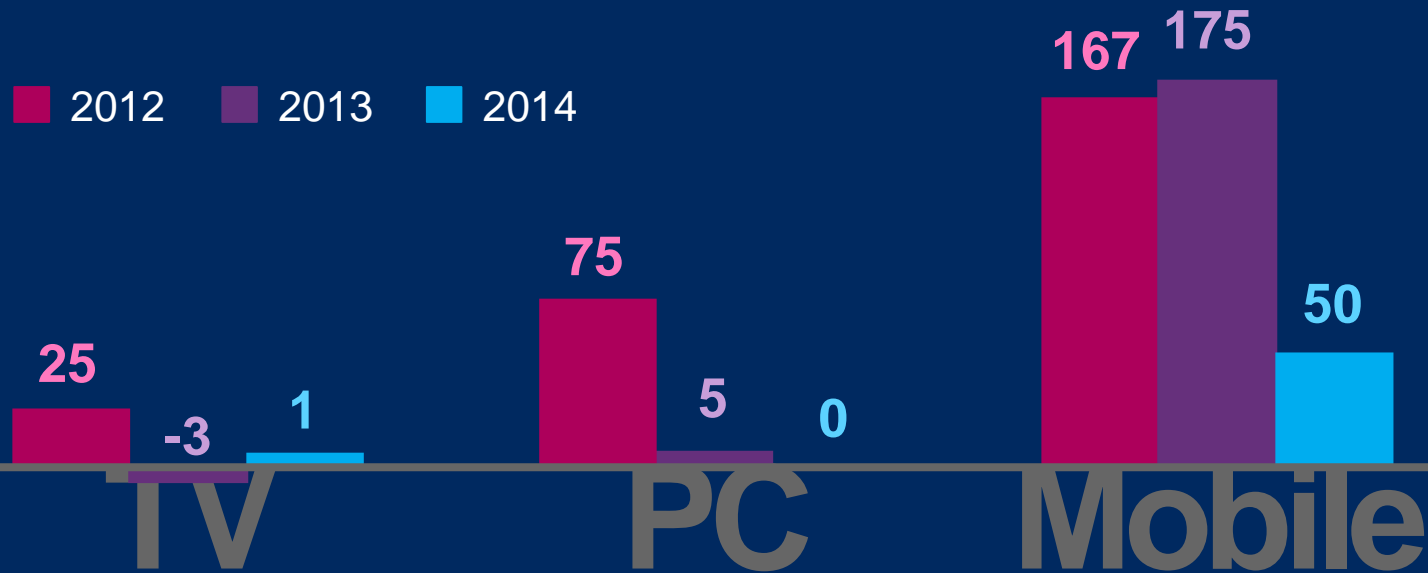
Online video by genre, US



Mobile is the fastest growing device for watching video



Growth in time spent on devices for watching video, US, %



36%

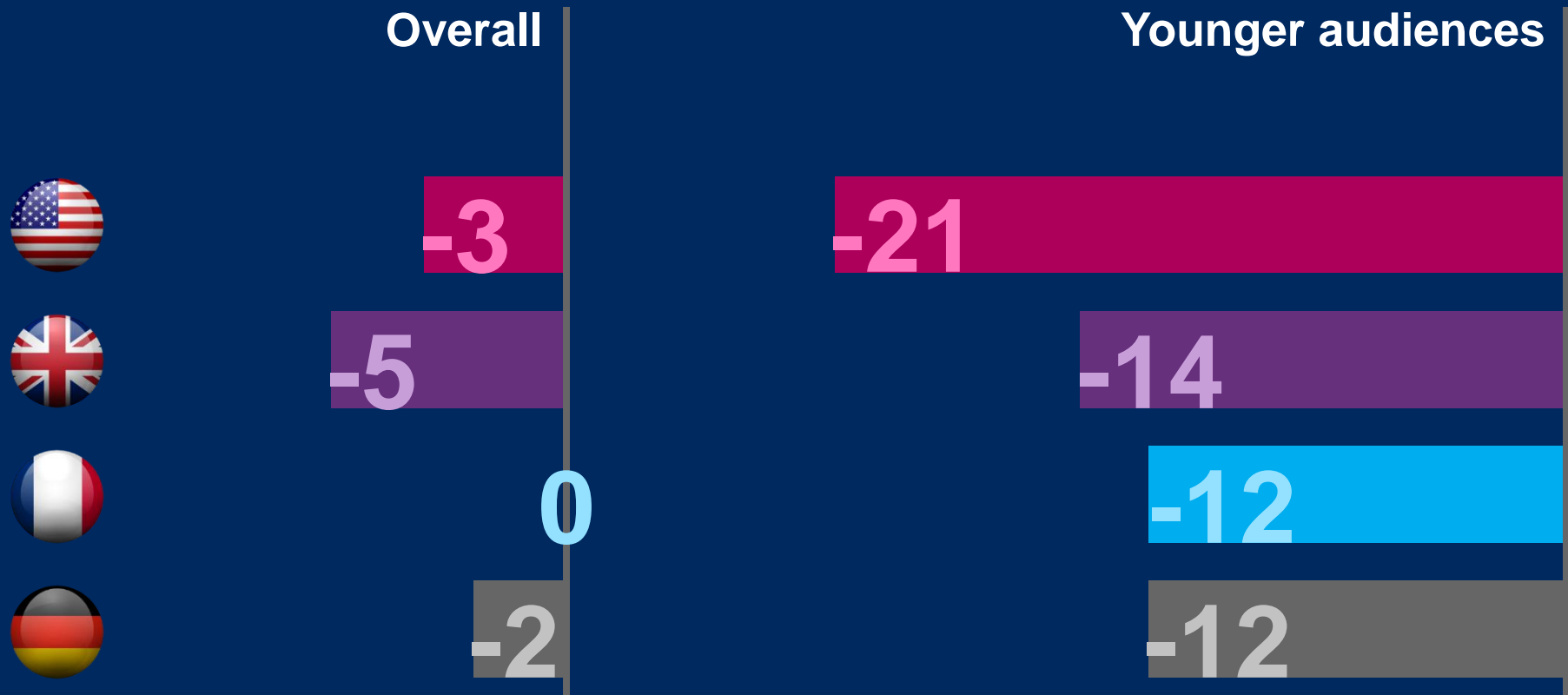
50%

14%

Overall share of online viewing time

While overall traditional TV viewing is falling slowly, younger audiences are in more rapid decline

Change in time spent, 2011-14 abs %

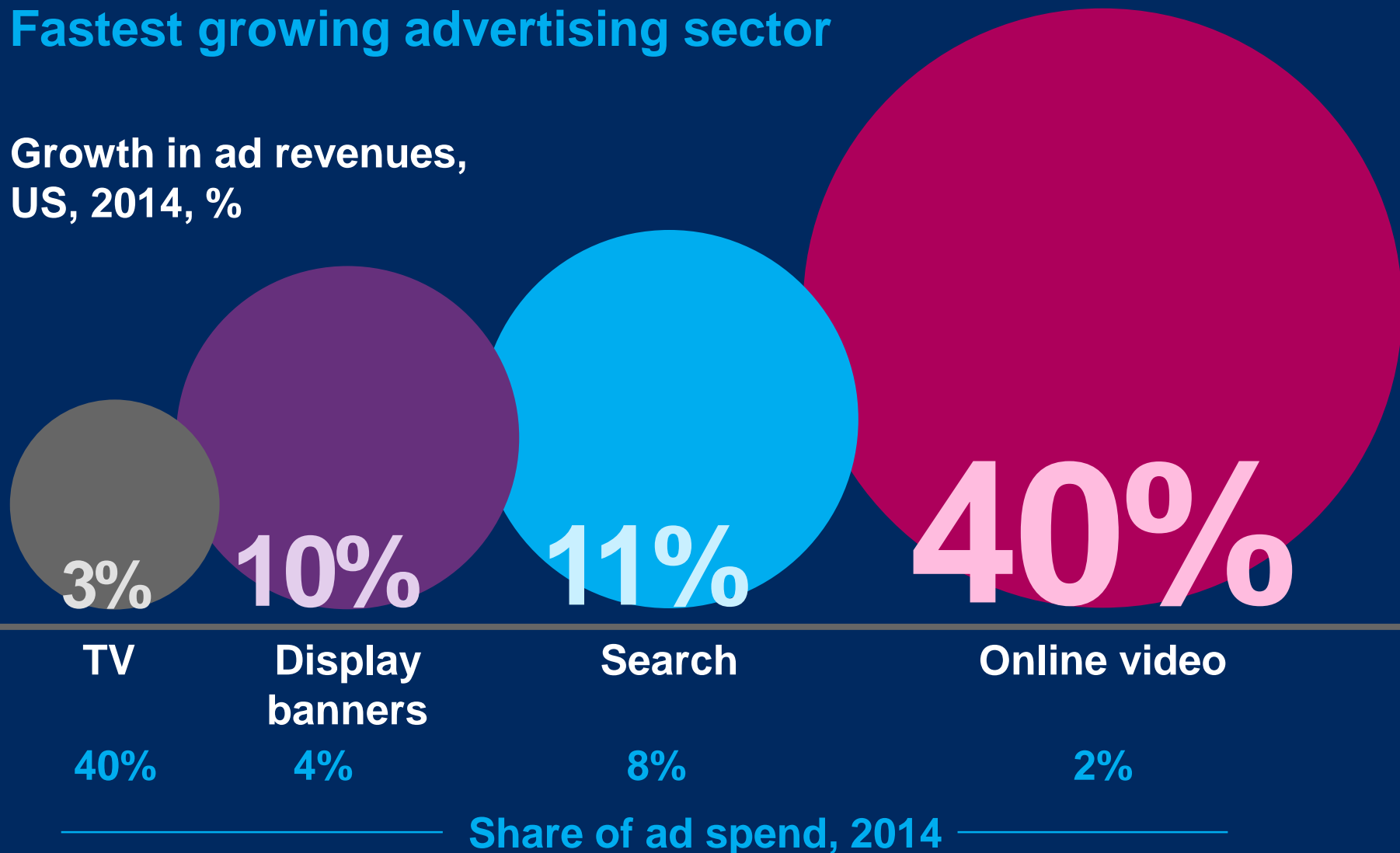


There has been a shift in advertising dollars from TV, search and display



Fastest growing advertising sector

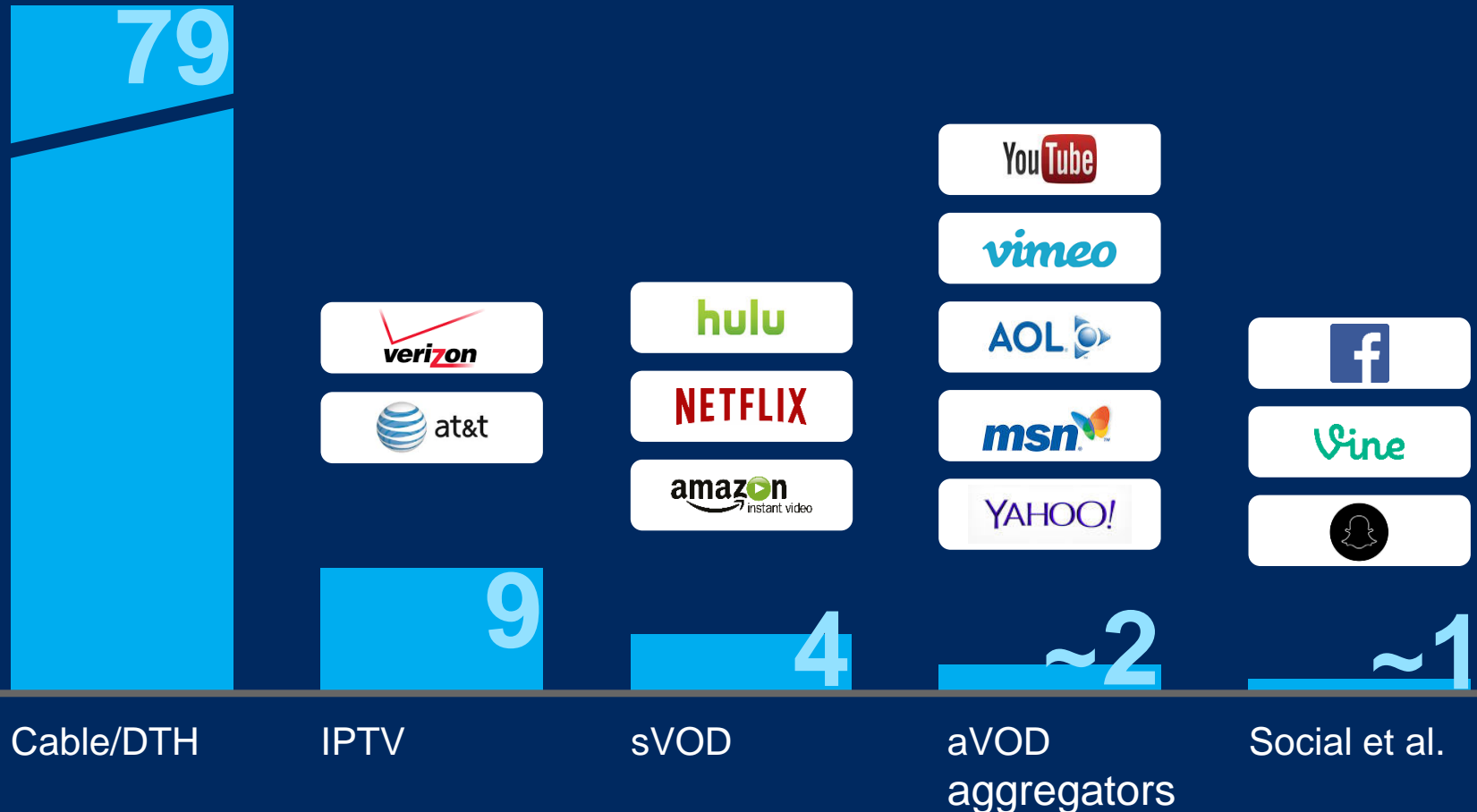
Growth in ad revenues,
US, 2014, %



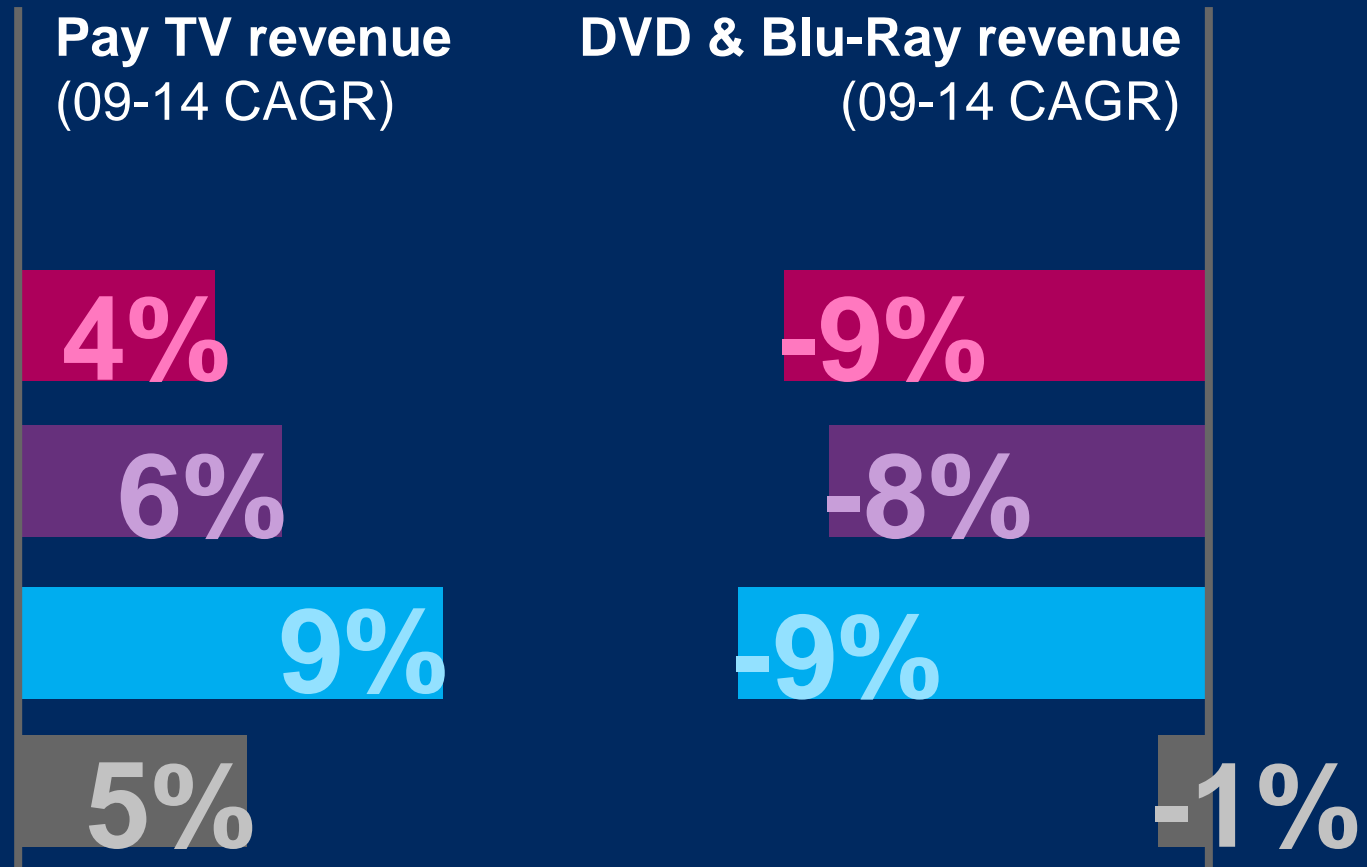
Traditional video still take the lion share of revenue



Estimated US revenues in video, \$bn



Biggest impact of online video has been on DVD sales – PayTV has so far managed to perform well



Control of access to video is shifting to social

Evolution of discovery of video



TV Guide



EPG



Social



Search

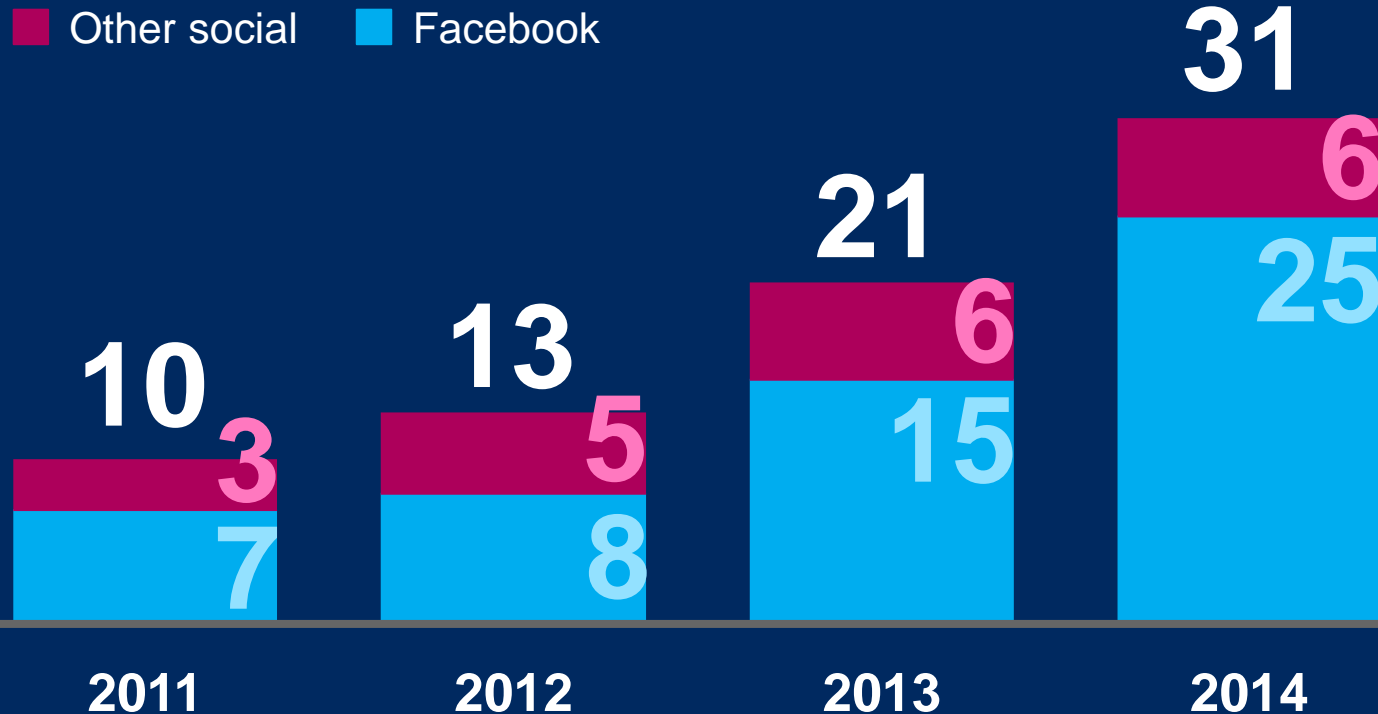


Recommendation
engine

Control of access to video is shifting to social



Social is now 31% of online referrals



Struggle to keep consumers in their environment for long



Video service

Average minutes per visit, Jan-Dec 2014

Approximate average videos watched per visit



22.9

5



56.6

1



22.6

1



15.1

1

BBC One & ITV viewers, spend ~100 mins a day on one channel

Note: Comscore data is largely desktop and more limited in mobile apps

SOURCE: Comscore, Barb

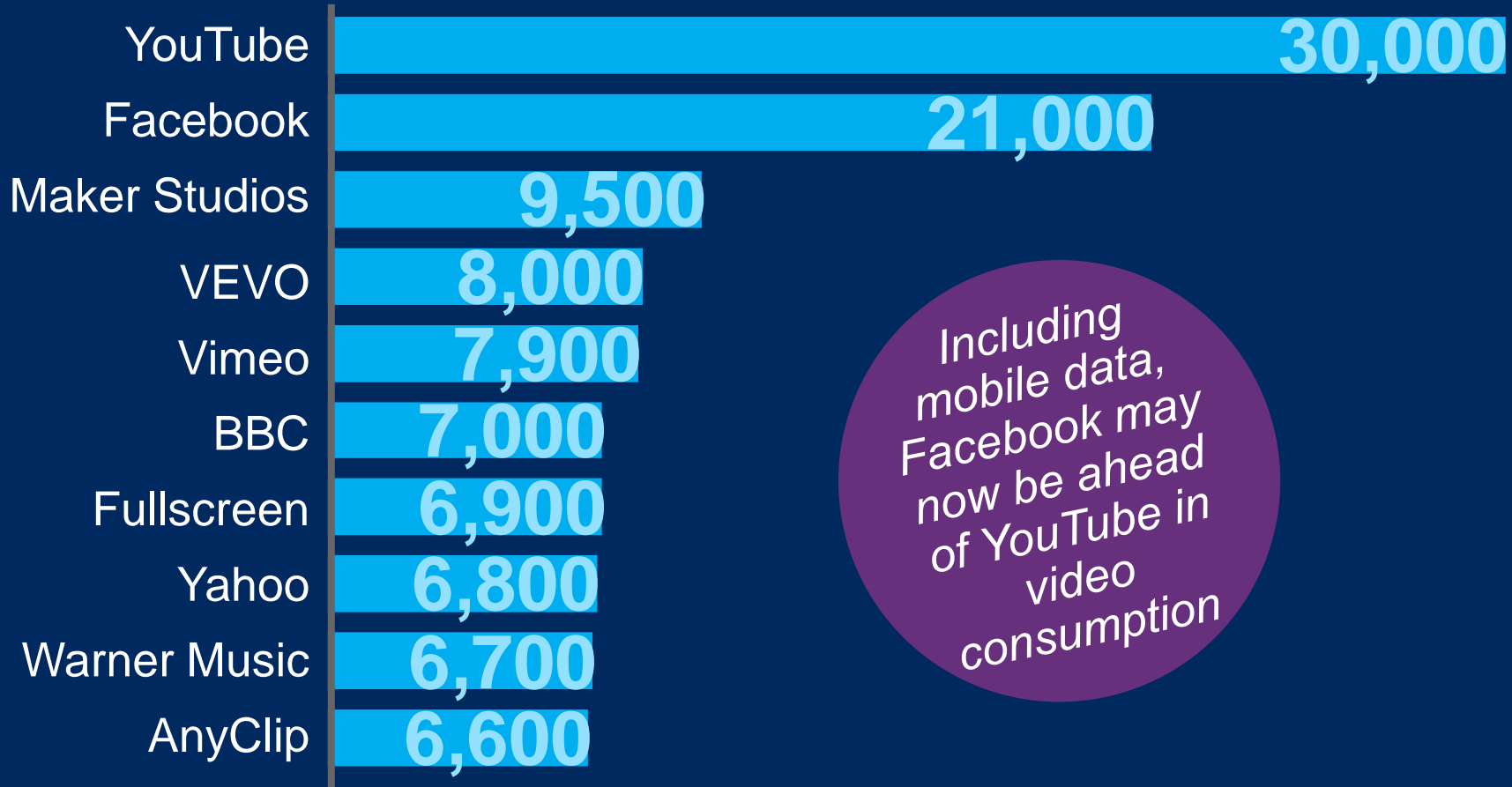
McKinsey & Company 11

With social platforms leading video consumption



UK, February 2015

■ Total monthly viewers, 000s



Including mobile data, Facebook may now be ahead of YouTube in video consumption

8 things to watch in video (1/3)



Advertising

- 1 How quickly will older audiences **move away from traditional TV platforms?**
- 2 Will digital or traditional TV platforms **provide the most value to advertisers?**

8 things to watch in video (2/3)



Distribution

- 3** Will any individual content producer be able to **survive without being aggregated**?
- 4** How dramatic will **cord-shaving/cutting** be given emergence of D2C video (e.g. HBONow)?
- 5** What will become the **primary service that is bundled with PayTV**?

8 things to watch in video (3/3)



Production

- 6** Is growth in content production **sustainable** or is it a bubble?
- 7** Will SVOD players change current **geographic and temporal windowing**?
- 8** As local production grows, will there still be **global demand for English-language content**?

Please direct any questions to:

Pauline Arnold

Pauline_Arnold@mckinsey.com