



Statement
Of
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THE NIELSEN COMPANY
Before the
Federal Communications Commission

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Commissioners Capps and Clyburn, and members of the Commission staff, I am Susan Whiting, Vice Chair of The Nielsen Company, and I appreciate the opportunity to appear before you this afternoon.

Nielsen is a leading global information and measurement company. We deliver critical media and marketing information, analytics and industry expertise about what consumers watch – on television, online and on mobile devices – and what consumers buy on a global and local basis. For that reason we believe it would be helpful to you and others for us to share our knowledge of the rapidly evolving media landscape as you consider the proposed merger of NBC Universal and Comcast.

In my remarks, I will not take a position in support of or in opposition to the proposed merger. What I will share with you is our data on video consumption by the American public, focusing in particular on trends in online video. As you assess the impact of the proposed merger on the future of online video, I hope the information I provide will help you better understand the current market for video content and the trends that are developing for the future of video consumption.

For the past three years, Nielsen has issued what we call our Three Screen report, a quarterly update of what Americans are watching on their televisions, on the Internet and on their mobile devices.

Three screens is a term that describes the trends we have seen during the past few years—consumers are increasingly combining the use of television, the Internet and mobile devices to watch video at the time and in the places that are most convenient for them. While television remains by far the primary source of video consumption—the average American watches approximately 35 and a half hours of television each week, a number that continues to rise – online video continues to gain in popularity. Here are some observations from our latest Three Screen report that provides information on the first quarter of 2010.

- During the first quarter of the year, the level of broadband Internet access penetration in American homes reached 63.5 percent, a 24 percent increase from the same period a year ago. The growth in high-speed connections that allow for improved, higher quality online video delivery is likely to continue to increase online video use.
- We also have seen the continued increase in the number of Americans who watch video on the Internet, with that figure growing nearly three percent in the first quarter year to year to 135 million.
- The time spent watching video on the Internet each month grew almost 6 percent year-to-year to three hours and ten minutes.
- One other finding, that while not directly related to online video use, does demonstrate how consumers are integrating their use of television and the Internet. The average time spent simultaneously using TV and the Internet in the home grew 9.8 percent to 3 hours and 41 minutes per month. Just another sign that consumers are becoming increasingly comfortable using multiple media platforms.
- I should also note that while it is not the specific topic of this hearing, smartphones, with increasingly ability to deliver quality video, are making it easier for consumers to watch video on these devices. Nearly a quarter of American households now have smartphones, an increase of 38% from a year ago. And, devices like the recently

introduced iPad are giving consumers even more options to access video.

- In summary, we see consumers viewing more content and increased expectations for ever-greater control of how they watch that content, both when and where. Consumers will use the best screen available, not eliminating one for the other, but adding new devices and viewing options.

We can draw several conclusions from this data and related research Nielsen has conducted.

- First, at the present time, viewers appear to be adding to, rather than replacing, viewing platforms. Online video viewing and mobile video viewing are increasing at the same time that traditional TV viewing continues to rise. Online video thus currently appears to be a complement to TV rather than a substitute.
- Second, in this multi-screen environment, content owners want to embrace widespread distribution of content. Online video represents additional revenue streams that make the network and brand stronger. If NBCU were to limit its online distribution, that would be lost revenue for NBCU.
- Third, arguments about the rise of “cord cutting” – in which viewers cancel their TV service in favor of Internet or mobile video – are exaggerated. Only a limited amount of “cord cutting” is actually occurring, so the argument that cable operators will withhold content from online distributors due to concerns over revenue loss does not match up with the data.
- Fourth, as consumer choice for video consumption grows, marketers must seek out greater variety in how and where to reach today’s increasingly connected consumers. For instance, two screen advertising – TV and Internet together – is better than either platform alone, driving increased brand awareness, recognition and recall. Marketers now looking at media holistically require partners who can provide opportunities across platforms.

- Fifth, the FCC should proceed cautiously in evaluating the need for regulation in this area. The media landscape is shifting rapidly. The proliferation of new formats and channels such as mobile devices, social networks and other forms of user-generated media have led to an increasingly fragmented consumer base. Consumers increasingly choose to view their favorite shows from many different sources and incorporate media in their lives in many new ways. Content owners need flexibility to adapt to these changes and meet consumer demand across all platforms.

I'll conclude by saying that over the past four years, we have seen the continuing increase in the integration of media platforms for the distribution and consumption of video. Consumers want, and expect, to get video when they want it, where they want it and are willing to use whatever devices works best for them to see the video.

We can only anticipate that this is a trend that will continue, unabated. Again, thank you for your invitation to appear today and I look forward to answering any questions.