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CONSUMER
ANALYTICS

Market Snapshot: Disney+ and Apple TV+

Survey Methodology

Data presented in this study are drawn primarily from an online survey conducted in Q1 2020, after the COVID-19 crisis had begun in the United States.

This survey was fielded between March 8th and April 3rd to heads of broadband households in the United States.

- The survey captured 10,026 households between March 8th and March 31st. This sample was split to show special topic questions to smaller groups. Some questions related to consumer electronics and OTT video were asked of a ~5,000 sub-segment of the full sample. Sample sizes are noted on each chart.
- Specific questions related to COVID-19 were presented to a portion of this sample, plus an oversample respondent pool, totaling n=3,123 consumers responding to COVID-19-specific questions, answering between March 31st and April 3rd.
- The survey is demographically representative of US broadband households for the full 10,026 survey results as well as for each 5,000-sample sub-group and the 3,123 group seeing the additional COVID-19 questions.
- Demographic quotas are set for age, gender, household income, and education.

COVID-19 Milestones During Survey Fielding

Early Outbreak: March 8 - 15

- Events cancel
- Schools extend Spring Break
- US cases rise from 500 to 3,000 nationwide

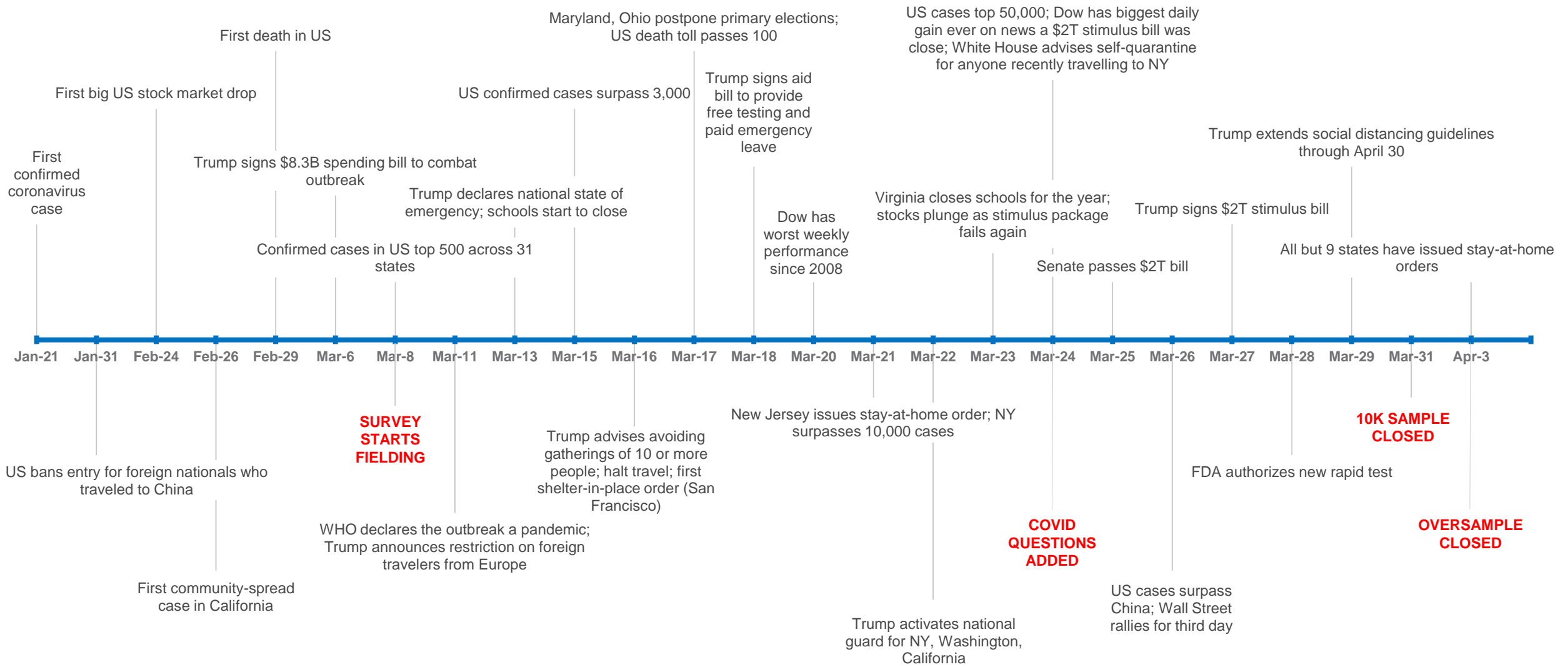
Early Social and Economic Impact: March 16 - 23

- Social distancing begins
- School closures extended
- Markets drop
- Stimulus fails to pass

Ongoing Impact with Stronger Response: March 24 - April 3

- US cases surpass 50,000 nationwide
- Stimulus passes
- FDA approves rapid test
- Most states issue shelter-in-place/stay-at-home orders

COVID-19 and Survey Timeline



Key Findings

Consumer service subscriptions have either held steady or increased in the first quarter.

Overall OTT video service subscriptions increased six percentage points between Q1 2019 and Q1 2020. Pay-TV and home security service monitoring have so far held steady in the face of mass job loss and reduced earnings.

- 21% of heads of US broadband households report subscribing to at least one new OTT video service within the past three months.

COVID-19 will drive greater usage of TVOD services in 2020.

14% of US broadband households had used a TVOD service in the past 30 days, a five-point increase from the previous year.

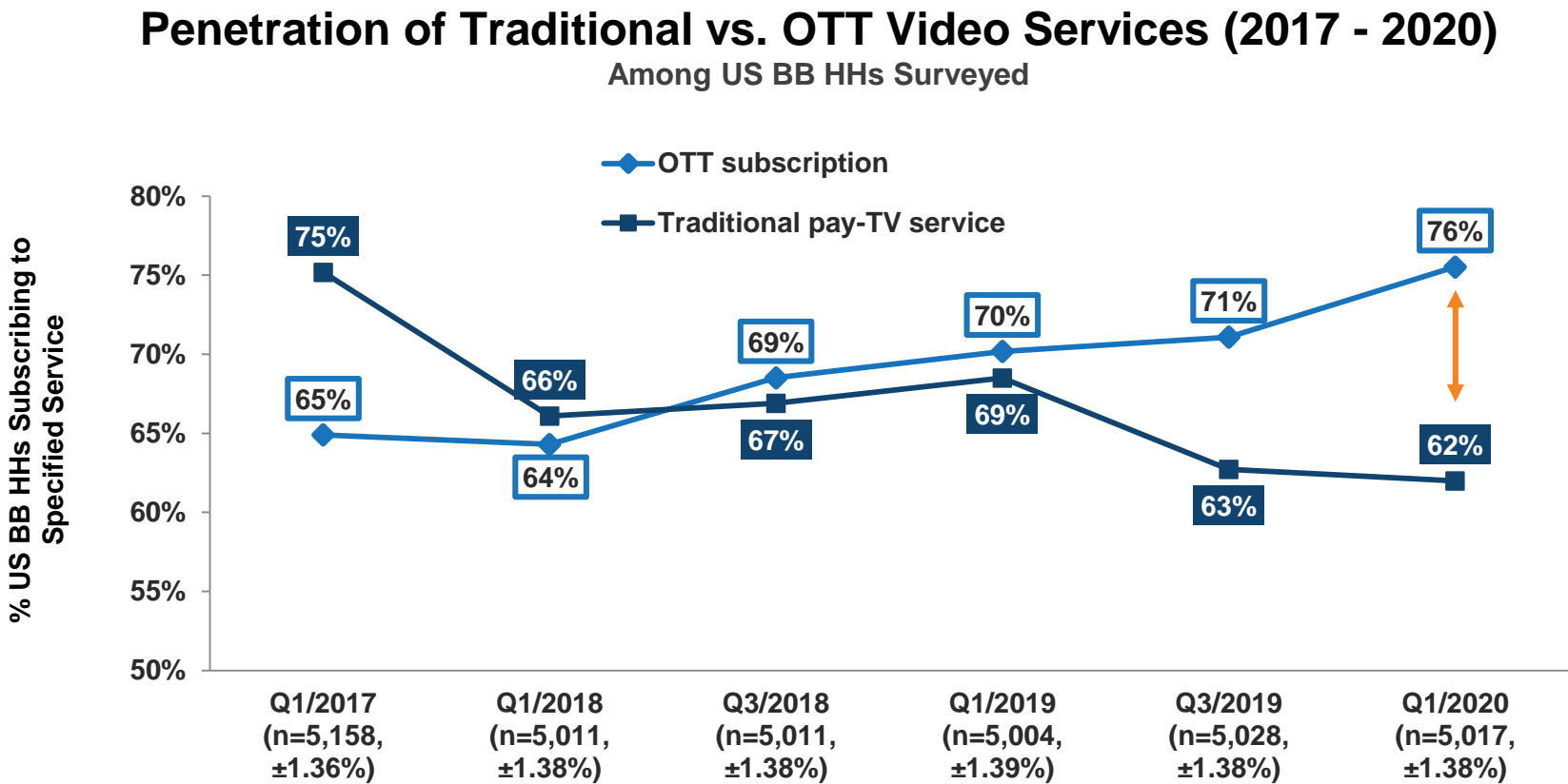
- This service type, which includes Amazon Prime Video, FandangoNOW, and VUDU, will spike as more content moves online, including early access to theatrical releases such as *Trolls World Tour* and *The Invisible Man*.

Market Impact

Consumers may seek to cut household expenses as a result of the COVID-19 crisis. However, demand has increased for entertainment services, and security remains top of mind for many individuals.

Disney and other studios are continuing to weigh if they should release new theatrical titles straight to VOD platforms and services or push back these titles so they can premiere in theaters, as originally intended, when COVID-19 restrictions are lifted.

Between Q1 2019 and Q1 2020, the percentage of consumers subscribing to an OTT video service jumped by six percentage points. The gap between OTT subscription services and traditional pay-TV services continues to widen.



As an increasing percentage of consumers spend time indoors, they are relying on video content for entertainment. At the same time, the severe economic impacts of COVID-19 have exacerbated the cord-cutting issues faced by traditional pay-TV providers and their higher-priced offerings.

The accelerated rate of OTT subscriptions has led to a gap between OTT and traditional pay-TV of nearly 15 percentage points.

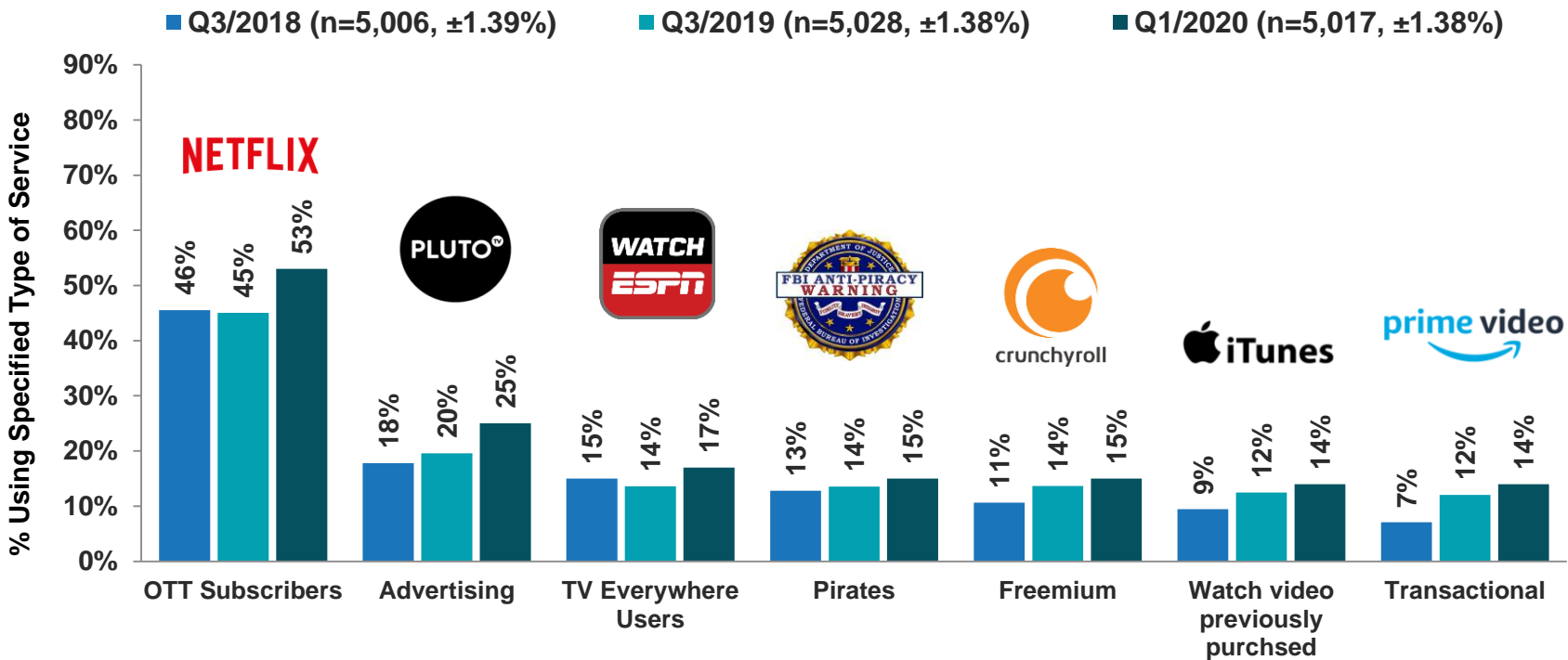
As consumers adjust, personal finances will be scrutinized further leading to decisions about household services. This could further accelerate of the gap between OTT and traditional pay TV.

"DM6005. To which of the following video services/sports or fitness video services does your household subscribe ?" | "DT1065. Which of the following describes your TV service? " | "DT1053. Which of the following describes your TV service? "

Source: Multiple Surveys: American Broadband Households and Their Technologies | © 2020 Parks Associates

The use of online video services has increased overall, regardless of business model. The largest uptick was in self-reported use of OTT service subscriptions.

OTT Service Use by Business Model (2018 - 2020)
Among US BB HHs Surveyed



Note that heads of US broadband households may not personally use the services to which the household subscribes. Instead, the service may be primarily used by a child or other member of the household.

This explains the discrepancy between the percentage of US broadband households that subscribe to at least one OTT service (76% as of Q1 2020) and personal usage, by the head of household, of subscription services within the past 30 days (53%).

"DM6004A. Over the past 30 days, which of the following types of video service or apps have you used to watch full TV shows or movies through an Internet-connected device? A service or app that:" | Asked of a Subgroup of US BB HHs | Source: Multiple Surveys: American Broadband Households and Their Technologies | © 2020 Parks Associates

Industry Insights

Initial uptake of Disney+ and Apple TV+ is impressive.



- Disney+ has skyrocketed to 25% adoption, putting it squarely in the company of the Big 3 in OTT—Netflix, Amazon Prime Video, and Hulu—after just six months in the market.
- As its adoption rises, it will be interesting to watch if Disney+ supplants one of the Big 3 and becomes a foundational service for video consumers.
- The broad-based content approach by Disney+ to include Disney programming and content from its Pixar, Stars Wars, Marvel, Nat Geo, and 20th Century Fox properties extends its appeal beyond its traditional core of families with young children. In fact, nearly half of Disney+ subscribers don't have children in the home.
- Disney+'s explosive initial growth is also attributable to a partnership with Verizon, where their unlimited mobile subscribers and new internet subscribers get a free year of the service, as well as the introduction of the Disney+/Hulu/ESPN+ bundle.

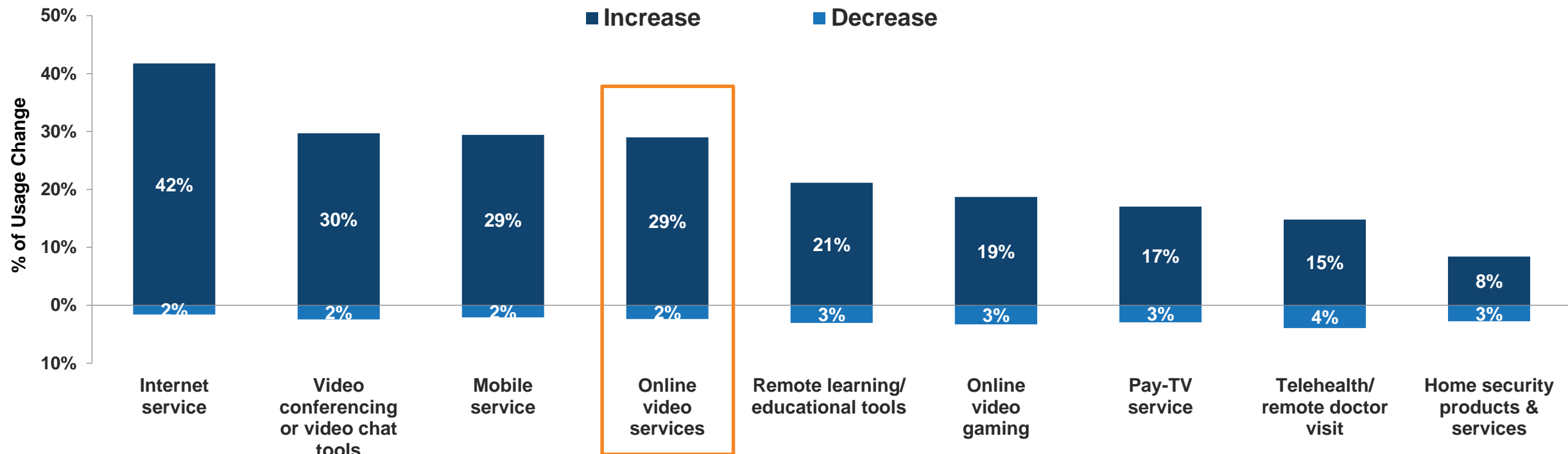


- The reports of Apple shopping for licensed content for Apple TV+ to supplement its small core of originals will also serve to reach a larger audience.
- Apple TV+'s growth is largely due to the free year being afforded to recent purchasers of Apple devices, a smart strategic move to migrate brand loyalists to try out the service. It will be interesting to see how many consumers who are receiving this promo offer and the Disney+/Verizon offer will convert to paid subscribers once the promo periods end.

Nearly three in ten broadband households report their use of online video services has increased because of the COVID-19 outbreak.

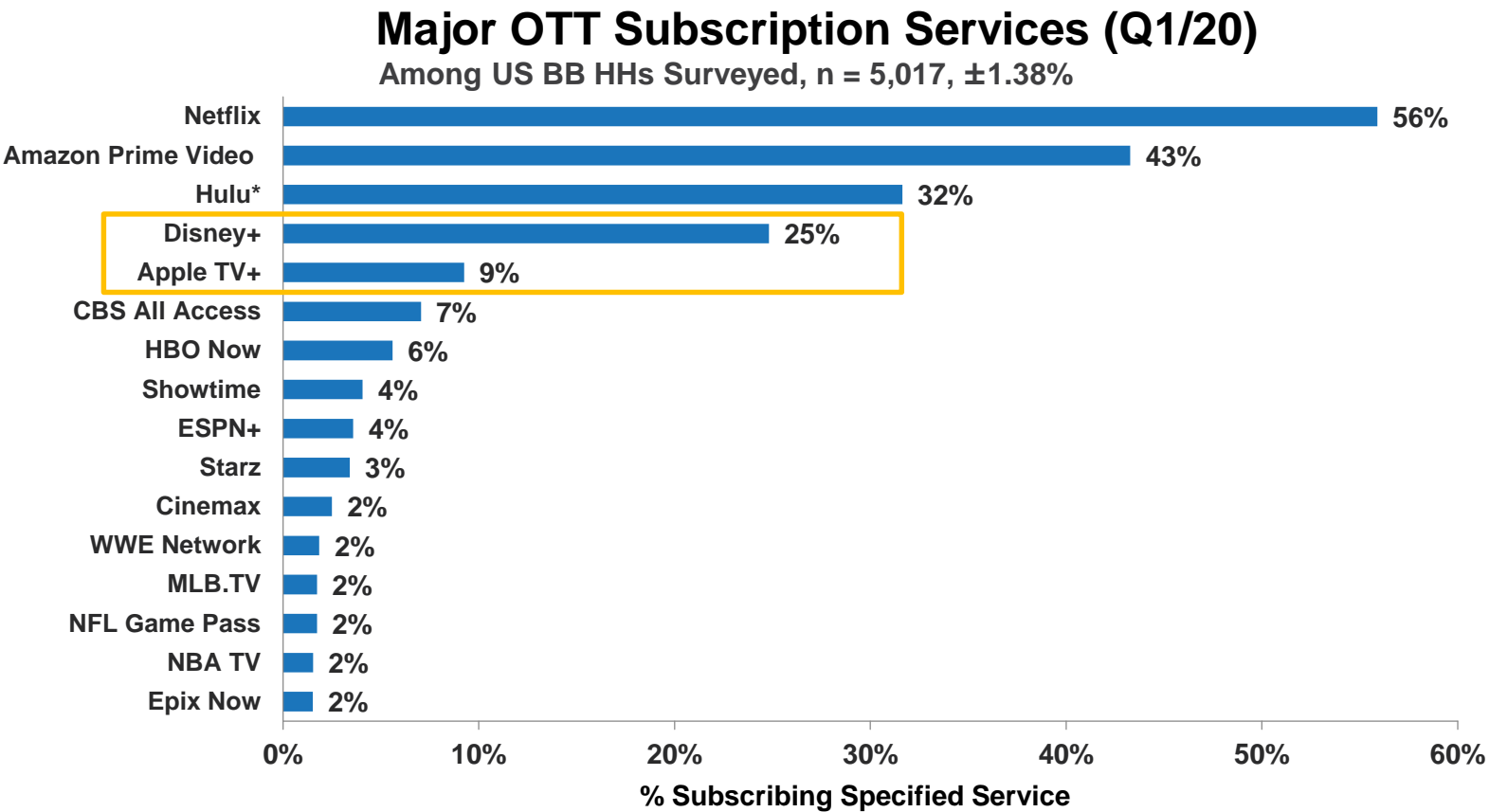
Impact of COVID-19 on Service Usage (Q1/20)

Among All US BB HHs Surveyed, n=3,123, ±1.75%



"DT9030. How has the coronavirus/COVID-19 pandemic impacted your use of the following products and services:" | Asked of a Subgroup of US BB HHs n = 3,123 | Source: American Broadband Households and Their Technologies Q1 2020 | N=10,026, ±0.98% | © 2020 Parks Associates

Disney+ and Apple TV+ have moved into the upper echelon of OTT subscription services since launching in November 2019.



*Note: Hulu penetration rate represent the US BB HHs that subscribe to Hulu or Hulu with Live TV services.
"DM6005. To which of the following video services does your household subscribe?" | Asked of a Subgroup 5,017 of US BB HHs |
Source: American Broadband Households and Their Technologies Q1 2020 | N=10,026, ±0.98% | © 2020 Parks Associates

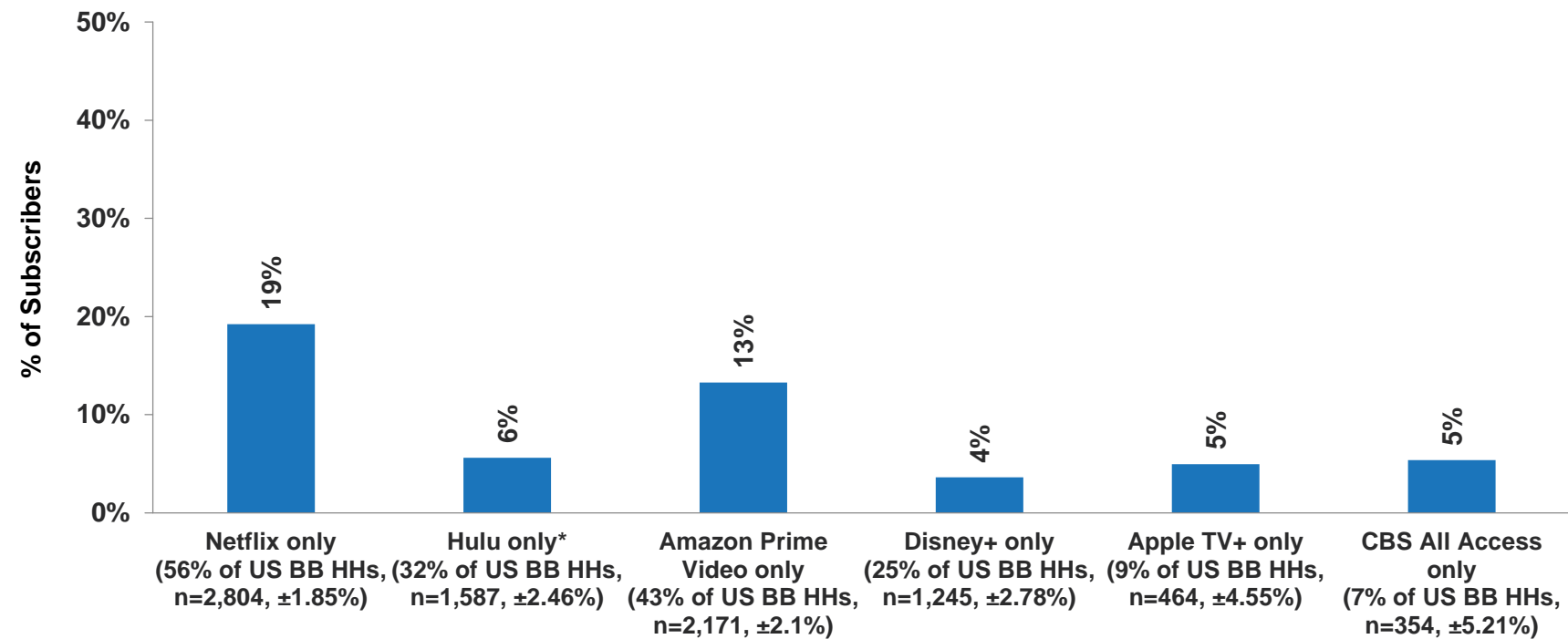
One-quarter of households now subscribe to Disney+, vaulting it to the fourth-most adopted SVOD service.

The Disney OTT subscription service aggregates content from its Disney, Pixar, Star Wars, Marvel, National Geographic, and 20th Century Fox properties. This content strategy makes the service more broadly appealing to audiences outside of their traditional target group of families with young children.

Apple TV+, which launched around the same time as Disney+, has not seen as much explosive growth. However, with a promotional offer tied to recent Apple device purchases and a small stable of original programming, the service has reach nearly 10% adoption, placing it fifth among SOVD services.

Nearly all of Disney+ and Apple TV+ subscribers subscribe to another OTT service.

Exclusive Subscribers of Individual OTT Service (Q1/20)
Among US BB HHs Subscribing to Specified Service

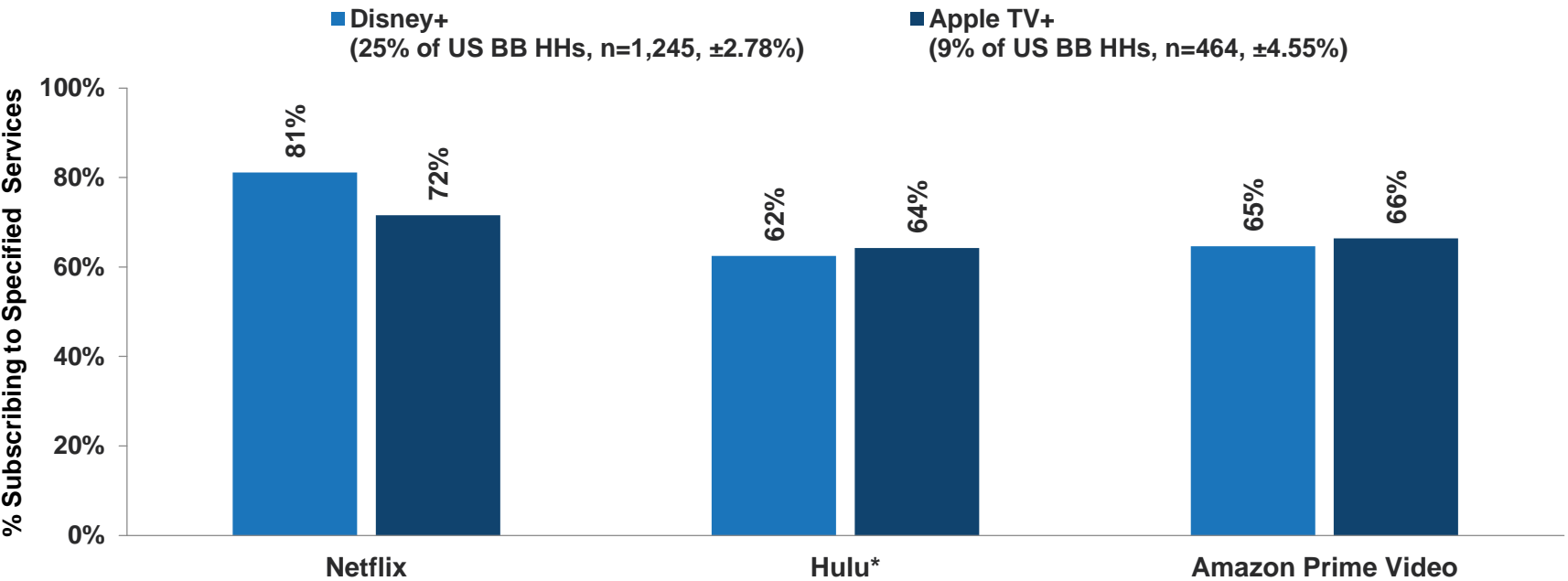


Although Disney+ and Apple TV+ have quickly achieved notable adoption levels, most of their subscribers subscribe to other OTT services. This stands in contrast with Netflix and Amazon Prime Video, where a significant minority exclusively rely on the service.

*Note: Hulu penetration rate represent the US BB HHs that subscribe to Hulu or Hulu with Live TV services.
"DM6005. To which of the following video services does your household subscribe?" | Asked of a Subgroup 5,017 of US BB HHs
Source: American Broadband Households and Their Technologies Q1 2020 | N=10,026, ±0.98% | © 2020 Parks Associates

81% of Disney+ subscribers subscribe to Netflix, as do 72% of Apple TV+ subscribers.

Top 3 OTT Service Penetration: Disney+ vs. Apple TV+ Subscribers (Q1/20)
Among US BB HHs Subscribing to Specified Service

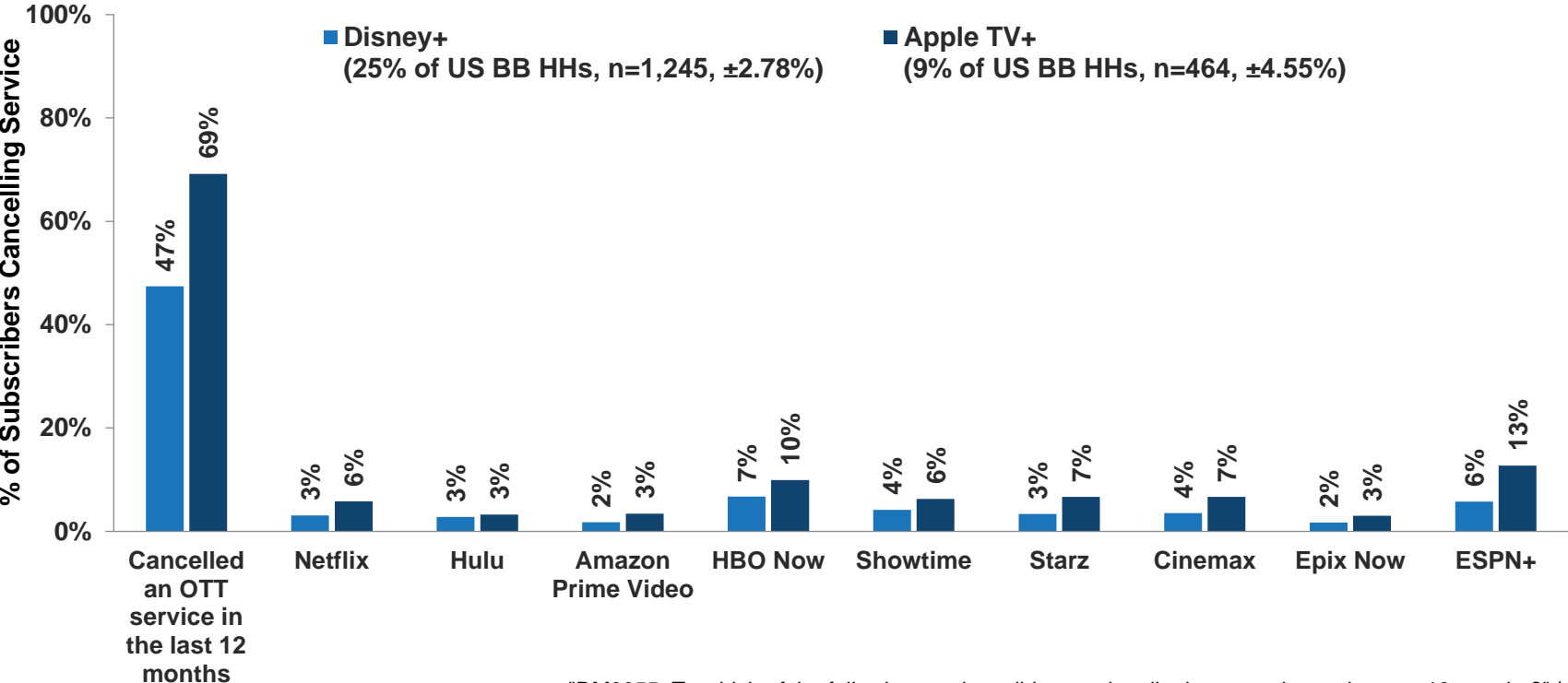


Currently, Disney and Apple’s base of subscribers is largely a sub-set of Netflix’s subscribers. Most Disney and Apple subscribers also subscribe to Amazon and Hulu.

*Note: Hulu penetration rate represent the US BB HHs that subscribe to Hulu or Hulu with Live TV services.
"DM6005. To which of the following video services does your household subscribe?" | Asked of a Subgroup 5,017 of US BB HHs |
Source: American Broadband Households and Their Technologies Q1 2020 | N=10,026, ±0.98% | © 2020 Parks Associates

Nearly one-half of Disney+ subscribers canceled another OTT service over the last 12 months as did roughly two-thirds of Apple TV+ subscribers.

OTT Service Cancellation: Disney+ vs. Apple TV+ Subscribers (Q1/20)
Among US BB HHs Subscribing to Specified Service

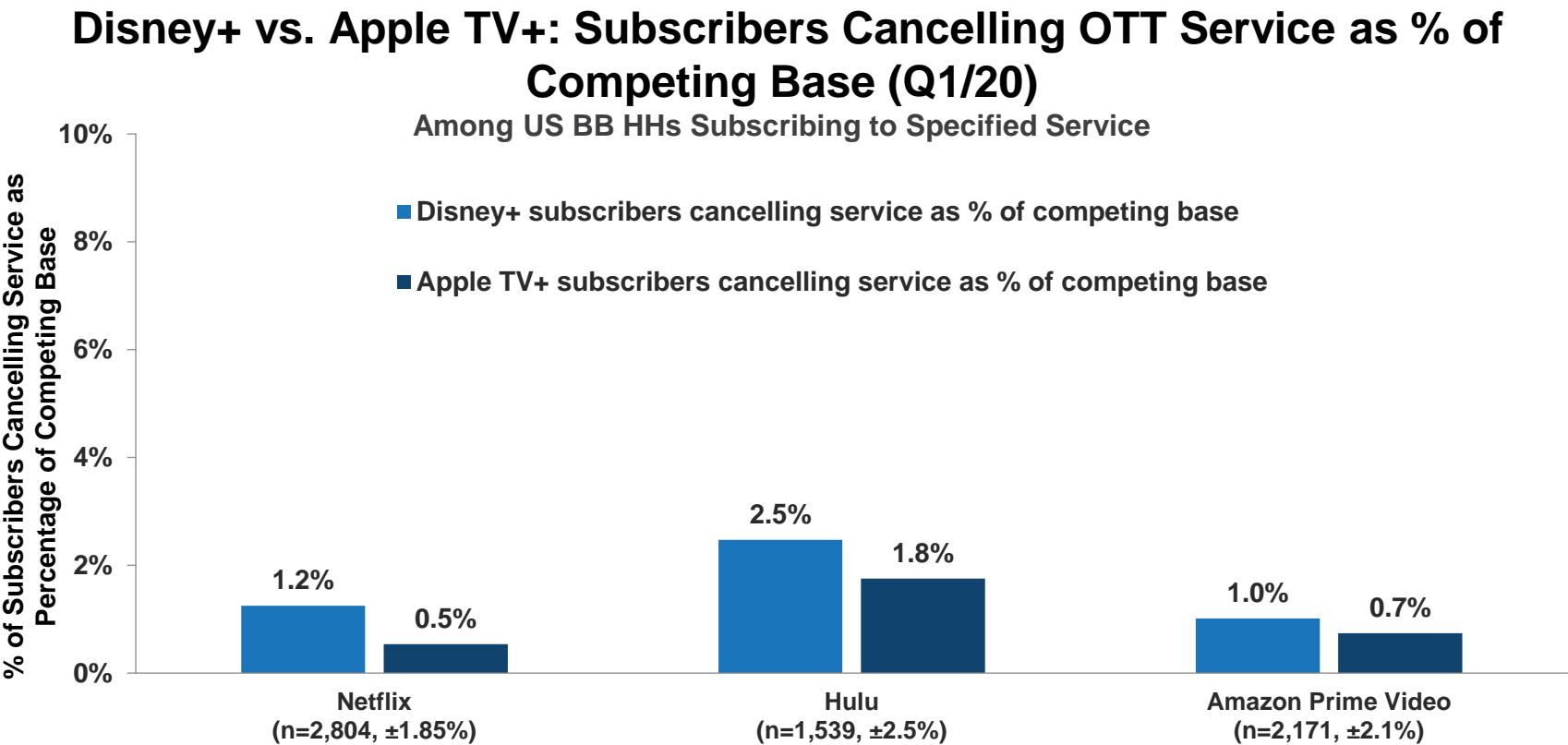


"DM6055. To which of the following services did you subscribe but cancel over the past 12 months?" |
"DM6005. To which of the following video services does your household subscribe?" | Asked of a Subgroup 5,017 of US BB HHs
Source: American Broadband Households and Their Technologies Q1 2020 | N=10,026, ±0.98% | © 2020 Parks Associates

Although the overwhelming majority of Disney’s and Apple’s subscribers continue to use other subscription OTT services, data suggests that a substantial number did cancel other services in response to the launch of Disney+ and Apple TV+. No single OTT service, however, accounts for the majority of the cancellations. That is, Disney’s and Apple’s customers canceled a wide variety of other services.

A small number of Disney/Apple subscribers (2-3%) cancelled Netflix or Amazon Prime Video in the last 12 months.

Data suggests Disney and Apple have been able to lure a small percentage of subscribers away from Netflix, Amazon, and Hulu.



For example, the number of Disney+ subscribers who cancelled Netflix over the last 12 months equates to roughly 1% of Netflix's current subscriber base. The number cancelling Hulu equates to 2.5%.

"DM6055. To which of the following services did you subscribe but cancel over the past 12 months?"
"DM6005. To which of the following video services does your household subscribe?" | Asked of a Subgroup 5,017 of US BB HHs
Source: American Broadband Households and Their Technologies Q1 2020 | N=10,026, ±0.98% | © 2020 Parks Associates

Attribution

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Defining Heads of Broadband Households

All survey respondents are heads-of-household age 18 and older

- *A head of household* has equal or greater decision making responsibility for purchasing technology products/services.

All survey respondents have broadband internet access at home

- *Broadband households (BB HHs)* have access to broadband internet service in their home, delivered to fixed or mobile devices. BB HHs may use multiple methods of accessing broadband internet at home.
- *Fixed broadband households* have broadband internet service to a fixed point in their home through one of the following:
 - a) DSL or fiber optic high-speed Internet services from a telephone company
 - b) Cable high-speed Internet services from a cable company
 - c) Satellite broadband service
 - d) A fixed wireless or 5G home Internet service
- *Mobile broadband households* have broadband internet service to a mobile point in their home through one of the following:
 - a) 3G/4G wireless service with a laptop computer
 - b) A mobile phone or iPad/tablet with 4G/5G wireless Internet access
- *Mobile-only broadband households* use one of the mobile broadband options but no fixed broadband option in the home.
- Parks Associates estimates that as of year-end 2019, 87% of all US households have broadband in their home.

Additional Research from Parks Associates

Consumer Analytics Research

Quantified Consumer: Consumer Perception of OTT Video (Q2/20)

360 View: Broadband Services in the US (Q1/20)

360 Deep Dive: Today's Broadcast TV (Q1/20)

360 Deep Dive: Adoption and Consumer Habits for vMVPD Services (Q1/20)

360 Deep Dive: Adoption and Business Models: Video, Music, and News Services (Q1/20)

360 Deep Dive: Ad-Supported OTT: Viewers and Use (Q1/20)

360 Deep Dive: Churn, Retention, and Lifetime Value for OTT Video (Q4/19)

360 View: Video Services and Connected Consumers (Q4/19)

Industry Reports

Connected Entertainment Ecosystems (Q2/20)

Competition in Residential Security (Q1/20)

Onboarding and Technical Support for the Smart Home (Q4/19)

The Lifecycle of OTT Services (Q4/19)

Partnering, Aggregation, and bundling in Video Services (Q3/19)

Industry Trackers

OTT Video Tracker (Monthly)

Smart Home Tracker (Quarterly)

DIY Home Security Tracker (Quarterly)