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Rethink what you know
The state of the Media Democracy Survey

Technology, Media & Telecommunications

A reality check on media consumption patterns

Times are tough. Christmas was nearly cancelled, and the champagne has seemed rather flat since the recession arrived with an emphatic crunch at the end of 2008. It has never been more important to understand customers, competitors, and opportunities.

For many parts of the Technology Media and Telecommunications (TMT) sector the downturn has exacerbated an already challenging environment – adding cyclical to structural pressures in print, broadcasting and music. It has never been more important to understand customers, competitors and opportunities for TMT companies. Identifying consumer trends and preferences can open up new revenue streams; or prompt the early closure of initiatives that will not find an audience.

Deloitte's *State of the Media Democracy* shines a light on changing consumer patterns and preferences in the UK. Based on responses from over 2000 consumers, of all age groups, the survey provides insight on current habits and future plans. The survey was conducted online at the end of last year and mirrors studies undertaken in the US, Germany, Japan and Brazil at the same time. The data presented here is UK only, unless otherwise stated.

The way we consume media is changing

For more than fifty years the television has been the dominant form of home entertainment. From the World Cup to Coronation Street it is how UK consumers have enjoyed a 'quiet night in'. But the advent of lap tops, downloads, social networking and super-fast broadband is changing the game.

The computer is now more of an entertainment device than the television according to 60% of UK consumers. Among 14-25 year olds the figure is higher: almost four out of five, 79%, of this age group find the computer more entertaining than TV.

This preference is reflected in less time spent in front of the box by young viewers than the rest of the population. While 26-42 year olds claim to spend 16.3 hours per week watching TV, and 43-61 year olds spend 18.7 hours, those in 'Generation Y'[1] find time for only 10 hours TV viewing each week.[2]

Instead they are out playing games. Or rather, *in* playing games, with 69% of 14-25 year olds rating video, PC and Internet games "an important entertainment source", compared to 45% among the population as a whole.

But with all age groups spending around 70 hours a week consuming media, video games alone do not explain the gap between young consumers and the rest created by their lack of interest in TV. Other forms of entertainment are keeping them out of mischief.

Social networking, instant messaging, texting and other forms of media based communication are substantially more popular among the young than for the population as a whole.

"I use my mobile phone as an entertainment device" was a statement with which less than a third (31%) of UK consumers agreed. But among 14-25 year olds the balance was reversed. Two-thirds – 65% – of the youngest age group agreed with the statement.

Generation Y also spend over six hours each week on social networking, and a further five-and-a-half hours instant messaging or texting. Among 43-61 year olds, by contrast, social networking accounts for only 2.6 hours per week, and messaging 1.8.

Moreover the trail blazed by younger consumers toward entertainment provided across multiple platforms, and less dominated by TV, is reflected in the experience of our American cousins.

Sixty-five per cent of Americans say their computer is more of an entertainment device than their television (60% in the UK); 53% consider games an important source of entertainment (45% in the UK); and only 66% consider TV their favourite media, compared to 72% in the UK.

If blue is the new black, stripes are in, and the computer is overtaking TV, it is happening in America and among the young already. The question is, will the rest catch up? And what happens if they do?

Advertising challenges: Cyclical or structural?

Television may be in a battle with the computer for the attention of the younger consumer, but when it comes to advertising impact it retains a healthy lead over all rivals.

Television was rated as one of the three most influential forms of advertising by 84% of the UK population. Slightly more than half as many, 45%, ranked online advertising as among the top three influencers, leaving online magazines behind in terms of influence (54%), joint with newspapers, but with a healthy lead over radio (18%) outdoor (15%) and cinema (11%).

Television is in a battle with the computer for the attention of the younger generation.

What explains online advertising's relative lack of impact when 60% of consumers rate the computer as more of an entertainment device than their television?

Partly it is due to the format of online advertising. Search is comfortably the most influential type of online advert, with 86% of consumers highlighting its impact. Banner ads were next, on 75%, and both search and banners enjoyed a relatively even spread across different age groups – indeed, both were slightly more influential among older consumers than younger groups.

Other online formats are less established in consumers' minds. Pre-roll video ads influence only 28% of us, the same number as advertising embedded in videos. Information or entertainment advertising, such as recommendation engines, reviews and lists, reaches slightly more – 45% – and is skewed towards older groups.

1 'Generation Y' here refers to the age group comprising 14 to 25 year-olds. Within the survey, this age group is referred to as 'Millennials'

2 Comparing this data with BARB data it is likely that in our study all generations under-reported the total number of hours spent viewing television. The inter-generational trend however remains clear

The future for online is bright, but the need to find more engaging forms of internet advertising is clear. Until that happens, television is likely to retain its position as the most influential advertising medium.

The result is that online advertising, despite its growing usage, has less traction with consumers than more established media. Indeed, almost two-thirds of respondents to our survey found online ads to be more intrusive than newspaper or magazine ads. A quarter (26%) said they would rather pay for content than accept advertising.

When probed further, 40% of the overall population and 63% of those who would prefer to pay for ad-free online content said that £10 or more would be a reasonable price to pay each year to avoid internet advertising.

But it is not all bad news for online advertisers. Half of our respondents said they would click on internet ads more targeted to their needs; and the same number were willing to accept ads if it meant content they considered valuable would be provided free.

This is not all good news for television though. While it remains out in front on influence, 30% of respondents said they owned a personal video recorder, and 44% claimed to be online while watching TV. Multi-tasking is an issue that broadcasters and advertisers have always known of – traditional ad breaks seem to offer just enough time to make a cup of tea. But growing media use means achieving cut-through is a growing challenge, with viewers emailing (36%), instant or text messaging (27%), or talking on the mobile phone (24%) while watching TV. Only a third, 36%, said that when watching TV they do nothing else.

Ironically, given the declining circulation and difficult advertising environment for print media, magazines are still enjoyed by 73% of consumers despite being able to access the same content online; and 59% said they pay greater attention to magazine advertising than any type of online inventory. The figure for newspapers was only slightly lower, at 56%.

The impending death of print media may, therefore, be exaggerated. The future for online is bright, but the need to find more engaging forms of internet advertising is very clear. Until that happens, television is likely to retain its position as the most influential advertising medium.

From books to Blu-Ray: Platforms for media

Books are here to stay. For 93% of consumers the preferred method of reading a new book is in print. New audio books appeal to only 4%, and e-books to 3%.

The challenge for book publishers is not so much new platforms as getting consumers to read at all. While 67% said they had read a newly released book in print in the past six months, the next largest category was those who had not read a book at all – 29%. Younger readers were only slightly less likely to have read a new book in print in the past six months, with 58% of 14-25 year olds having done so, compared to 66% of 26-42 year olds, 69% of 43-61 year olds, and 78% of 62-75 year olds. No age bracket was particularly prone to have enjoyed a new book through audio or electronic format.

By contrast over a third of our respondents (35%) had read a newspaper online in the past few months, and 25% said it was their favourite method of consuming news content. Twenty-six to forty-two year olds are most likely to prefer reading news online (30%), while 9% of 14-25 year olds said the MP3 player was their favourite news platform. Printed hard copies remain, for the vast majority (71%), the favourite way to read a newspaper, with figures ranging from 63% among the youngest age group to 82% among the oldest.

Interestingly, in the US the overall percentage citing print as their favourite way to read a newspaper was lower than in the UK – 63% compared to 71% – suggesting that if UK readers follow trends set in the US, the move to online consumption may have further to go.

The figures for magazines are more aligned between UK and US audiences. Printed copies were the favourite reading method of 82% of British consumers, and 85% of Americans. While 26% of UK consumers said they had not read a magazine in the past six months, for those who had print was the overwhelmingly preferred method.

Magazine readers, at least, appear to be creatures of habit. Those developing new platforms – such as e-books, mobile content and Blu-ray – have to overcome comfort and inertia to achieve mainstream acceptance. The case of Blu-ray indicates the scale of the challenge. 37% of our respondents were unfamiliar with the platform; a further 36% were aware of it but had no plans to purchase in the next 12 months. Instead television remains the preferred way to watch video content. Sixty-six per cent of consumers said "live on my home TV" was their favourite way of watching their favourite show. This compared to 16% favouring personal video recorders; 5% accessing video on demand; 4% watching DVDs; and a further 5% employing different download methods – from broadcaster sites to peer-to-peer networks.

Therefore while online media is enjoying growth in many areas and activities, when it comes to watching a favourite TV show, or reading a familiar magazine, many consumers retain a preference for traditional platforms.

Ever since the advent of Google News, YouTube and Facebook, journalists and producers have been looking over their shoulders. User generated content has grown and blossomed in many different varieties. At the same time newspapers, broadcasters and music companies have come under pressure to sustain audience and advertising share.

Among our respondents, 46% said they maintain a social networking profile – 69% among 14-25 year olds; 38% contribute to blogs or discussion groups; 10% upload videos to YouTube. Content creation is something that consumers are spending more time on, most often to connect with family and friends, as a creative outlet, or simply because they find it entertaining to write, film or record.

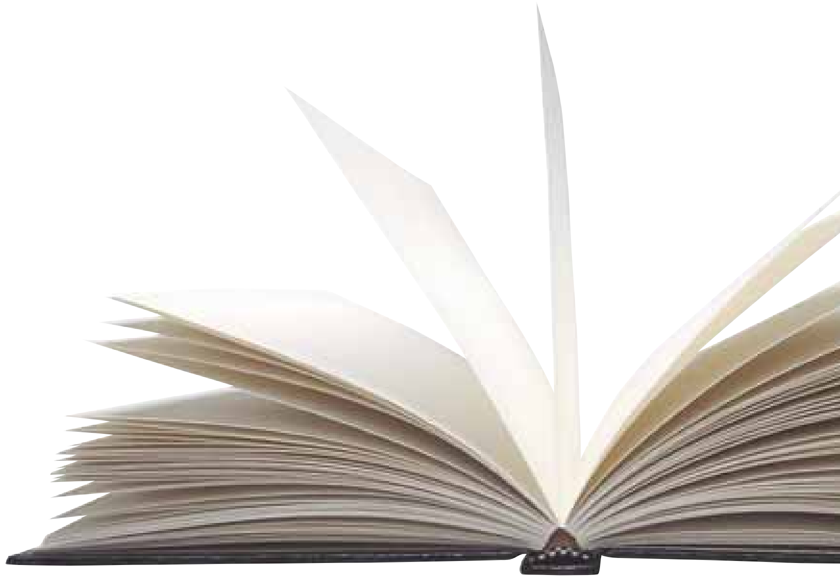
Much of this content is viewed by a handful of others, or by no-one at all. But 63% of us say we watch user generated video – at an average of 7 minutes per clip. This compares to the same proportion, 63%, watching an average of 12 minutes of professionally produced material online. As the volume of user generated content continues to grow it will be important to monitor whether the amount being viewed also grows, and impinges on audience numbers for professional content.

The Internet is the home of user generated content. Much less is seen on television. However, the division between them, and between platforms in general, is slowly breaking down. This trend may become more pronounced in future – 44% of respondents said they would like the ability to move music, television shows, pod casts, films, and so forth, easily to any devices and platforms. Among 14-25 year olds this figure rose to 60%.

Moving content and data between platforms is not the only aspect of mobility consumers may seek in the future. The ability to access product information, such as competitive pricing, ingredients, location of manufacture, or user reviews, for a product by scanning a bar code – perhaps with a mobile-phone – was attractive to 40% of consumers. But being tracked ourselves appears less attractive. Only 26% said they would like a feature on their phone that would allow them to locate their friends, and vice versa.

Whether we will be tracked by friends, scanning confectionary, or uploading videos to the TV, we are sure to see a great deal of change in the media environment over the next 3-5 years. *The State of the Media Democracy* provides a rich base of insight on what is coming, and how we might address it.

Deloitte experts have already begun using this information to help our clients create winning strategies. If you would like to know more, or see additional material from the full report, please contact Howard Davies at howarddavies@deloitte.co.uk



Contact us

If you would like to discuss any of the issues raised in this short piece or see additional material from the full report, please do not hesitate to get in touch.

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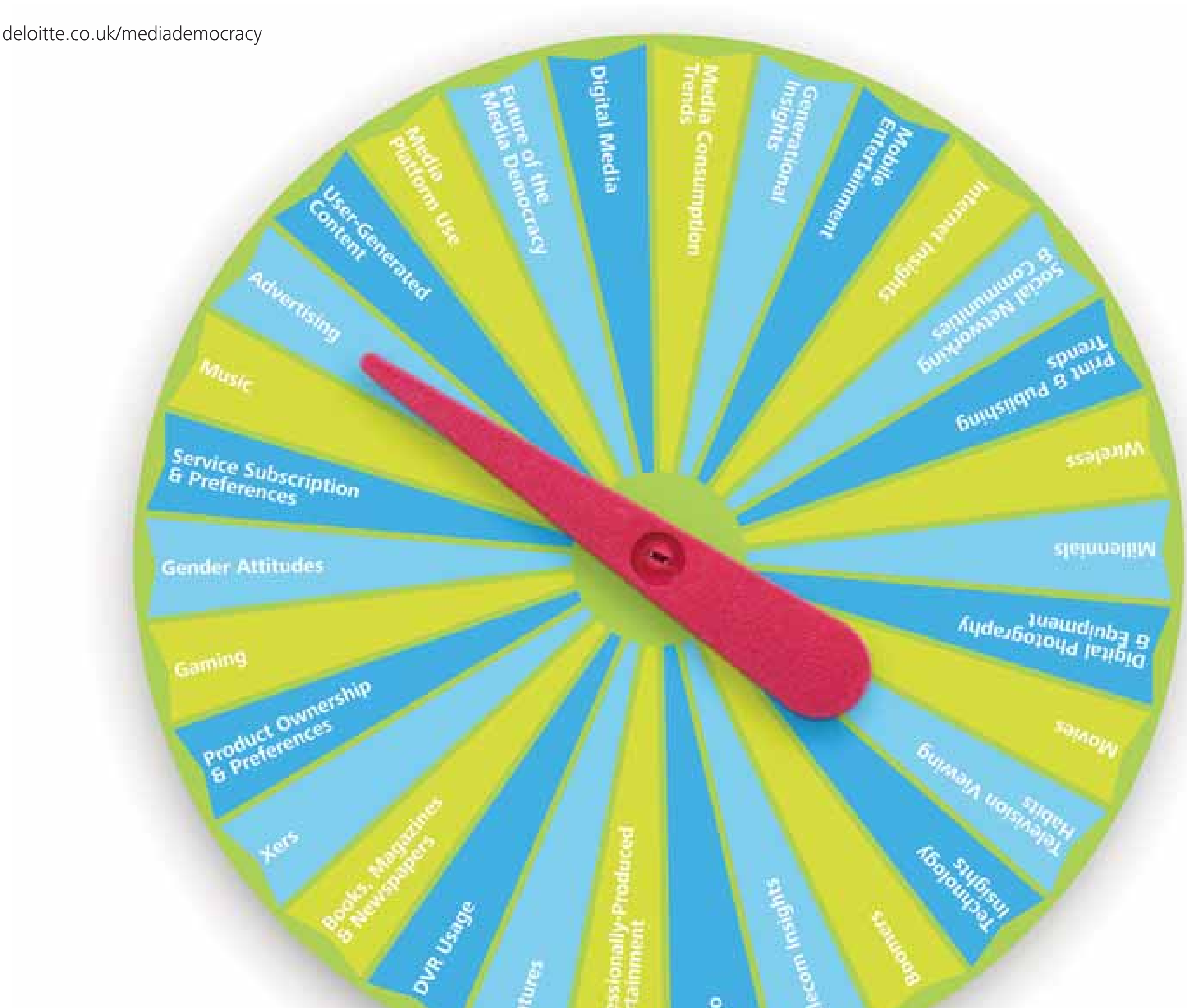

It has never been more important to understand customers, competitors and opportunities for TMT companies.

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