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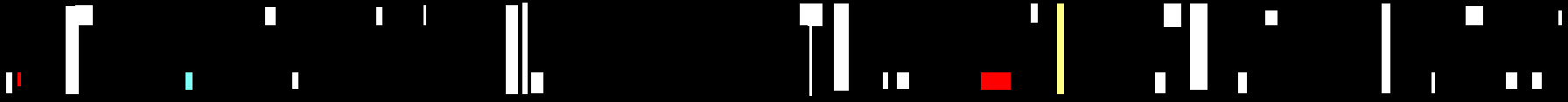
**Media Consumer Survey 2019**

Australian media and digital  
entertainment preferences

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# Foreword

In this eighth edition of Deloitte's annual Media Consumer Survey, we again present a view of how Australians are consuming different media and entertainment. We explore how this is changing and take a closer look at the behaviours, preferences, and trends impacting the industry. We also check out the new norms and dive deeply into the value exchange between consumers and media.

The proliferation of content across over-the-top (OTT) services has continued over the past year. At the time of writing, there are more than 12 TV and movie services, as well as eight music streaming services, available in Australia. Gamers have a choice of more than 12 platforms and subscription services across computer, console, and mobile devices. With further launches in Australia confirmed for the coming year, this number will continue to rise, leading to more distributed content if rights remain exclusive, or less unique content libraries if rights are shared across multiple services. Half (50%) of subscription-video-on-demand (SVOD) subscribers say they now need more than one streaming service to access video content they are looking for – on average subscribing to one and a half paid video streaming services. As the number of available OTT content services grows, consumers will be forced to make hard choices across their preferred content providers, potentially leading to frustration as 'choice' transitions into 'trade-off'.

Our quest for simplicity has set the scene for a potential new digital entertainment battleground – aggregation. We're feeling the strain of the complex content environment, where 46% find it hard to know what content is on what service, and 75% want to be able to search for all content in one place. Pay TV providers,

telcos, and digital giants such as Amazon and Apple are perfectly positioned to evolve their existing value propositions and capitalise on the opportunity. Sixty-seven percent of respondents with a pay TV subscription also hold a subscription to a video streaming service and 23% of all respondents bundle OTT media devices such as Fetch and Telstra TV with their broadband services. As the content landscape grows more complex, two divergent groups of consumers will likely emerge. Those with narrow consumption needs who will entrench relationships with their preferred provider, and those with distributed consumption needs who will see value in the role of an aggregator.

Audiences continue to grow more discerning in how their data is used. The push for greater transparency and increased data privacy raises the question of just how much information we are willing to exchange for a personalised experience and what role advertising can play in the content environment. There's work to do in building consumer comfort levels with data sharing; 78% of respondents believe companies are not taking adequate steps to protect their personal data. The use of data for targeted advertising plays into this concern, although respondents had more general reservations about the presence of advertising in their video subscriptions.



Watching content ad-free is the most commonly valued attribute of SVOD, with 89% of respondents agreeing. Leading Millennials appear much more open to an advertising-subsidised model though, where 54% said they would be willing to view ads with streaming services if it reduced the cost by at least 25%. Delivering content experiences that delight customers will be dependent on a rich data-driven understanding of audiences, the winners in this category are likely to be those that build trust with their customers.

Podcasts have steadily grown in popularity<sup>1</sup> and this year we explore listening habits in detail for the first time. Forty-four percent of respondents identified themselves as podcast listeners, with Trailing and Leading Millennials the highest users (59% and 57% respectively). Despite the format's on-the-go flexibility, most podcast consumers listen to podcasts at home (66%) as opposed to on the move, with 28% listening in the car and 15% on public transport. But we're not yet flocking to pay for this content; only 16% of podcast listeners have ever purchased an episode.

This year sees another drop in the number of respondents owning newspaper and magazine subscriptions, now at 15% and 8% respectively, compared to 17% and 11% last year. However, those willing to pay for a newspaper

subscription still prefer the physical print version (59%) over the digital version (24%), illustrating the resilience of newspaper hard copies. Subscribers continue to show loyalty though. Most have held their subscription for more than three years, with 57% of newspaper and 55% of magazine subscribers staying steadfast, a statistic that has been consistent since 2015 (59% and 54%, respectively).

Smart speaker ownership continues to increase (12%), further fuelling our obsession with voice assistants. Google Home leads all contenders, accounting for 74% of smart speaker users. While prevalence of smart speaker devices increases with income level, at 37% of high earners, younger generations use voice-enabled digital assistants such as Siri, Google Assistant and Alexa the most. Twenty-nine percent of Trailing Millennials use voice across any of their devices (phones, smart speakers, headphones) at least once per week, compared with only 16% across all other generations.

These findings represent just a snapshot of the Australian media consumer behaviours that we explore in this year's report. In them, we hope you'll gain fresh insights and meaningful perspectives relevant to your organisation.



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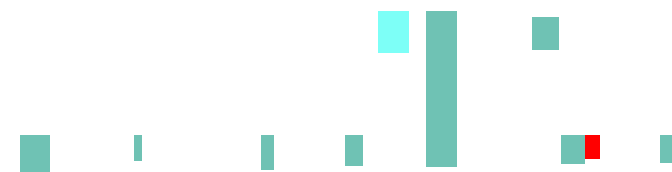




# About the survey

Focused on four generations and five distinct age groups, the 2019 edition of the Media Consumer Survey provides a view of how people are consuming media and entertainment, particularly digital media and entertainment. We explore how this is changing and take a closer look at the behaviours, preferences and trends impacting the industry as well as how they may shift in the future.

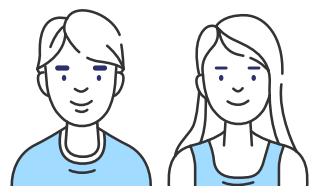
This is the eighth consecutive year of undertaking this research in Australia. The survey is undertaken annually by an independent research organisation using self-reported survey data from more than 2000 consumers surveyed in Australia. Each year the survey is run, new questions or response options are added and some older questions or responses are removed. This allows us to explore the new and emerging behaviours and trends in media and entertainment consumption. This year we have also worked with a new partner to undertake the survey, and as such some data is not directly comparable to previous years.



## Survey participant age groups



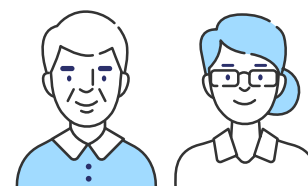
**Trailing Millennials**  
14 - 29



**Leading Millennials**  
30 - 35



**Xers**  
36 - 52



**Boomers**  
53 - 71

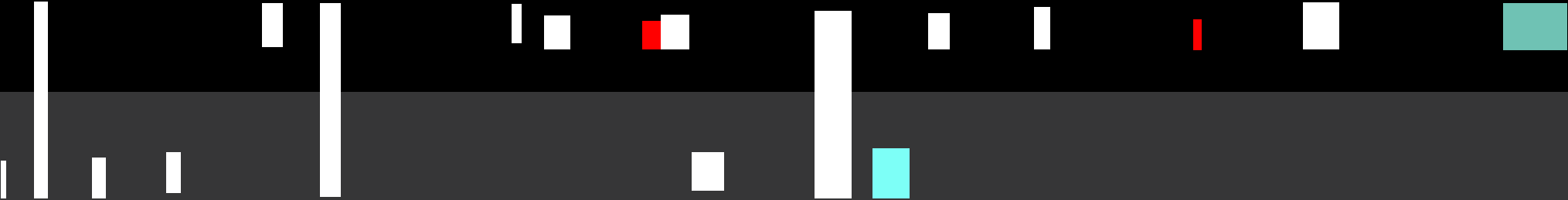


**Matures**  
72+





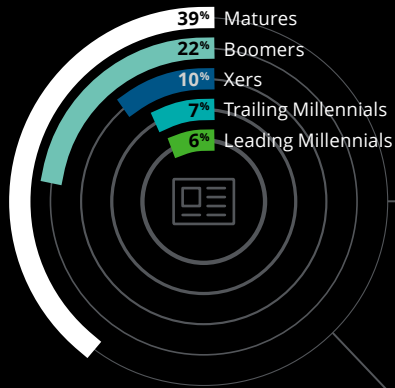
# Consumer snapshot



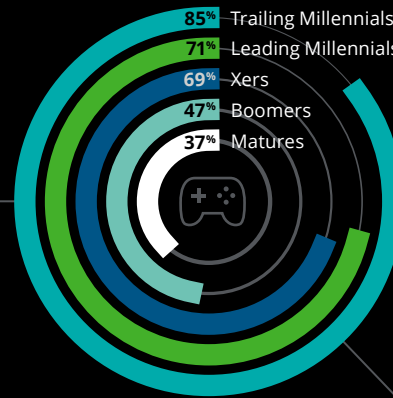
# Does age matter?

## Age group comparison

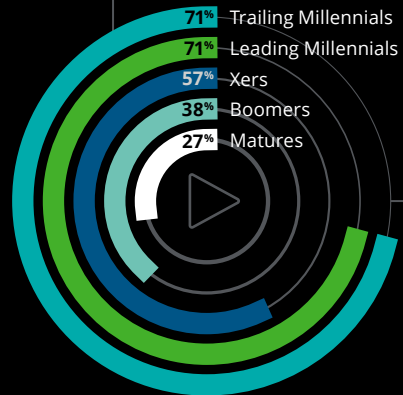
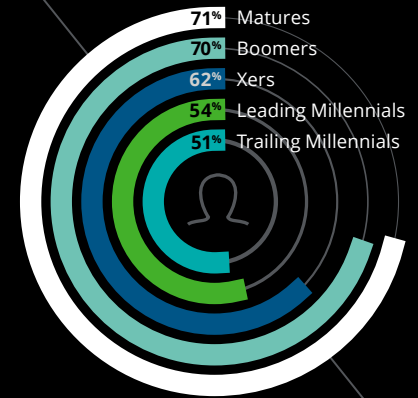
News subscription ownership  
(digital or physical)



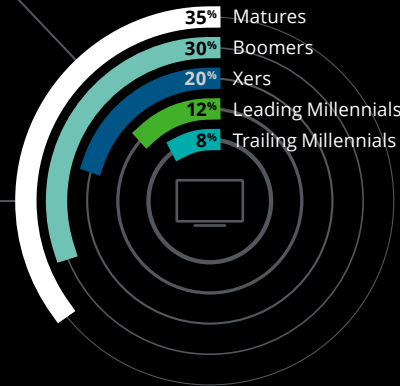
Video gamers  
(on any device)



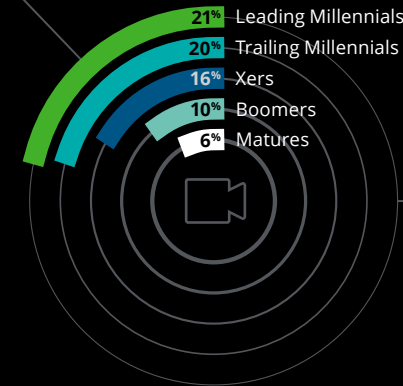
Those that believe they should be able to ask a company to delete all or some of their **personal data**



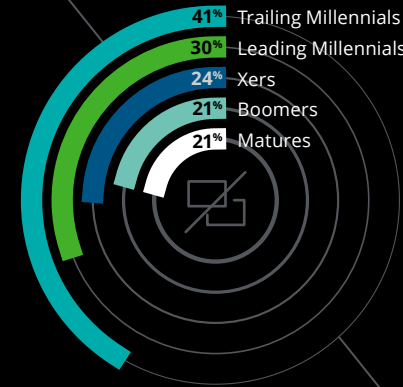
Paid subscription **video on demand service (SVOD)** ownership



Media entertainment time spent on **free-to-air TV**



Media entertainment time spent on **streaming video**



Ad blocking software users



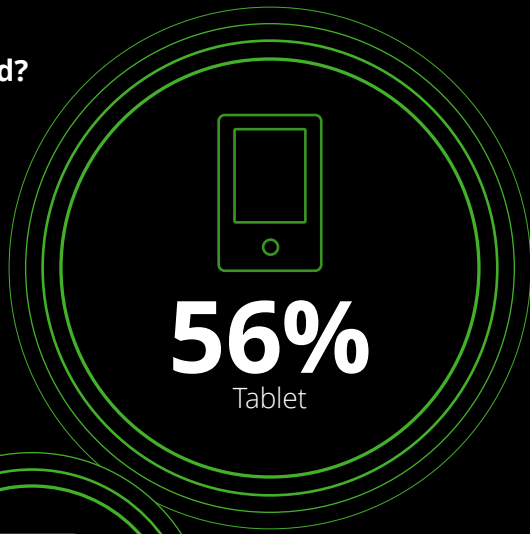
# What's inside?

## The average household

In addition to TVs and smartphones, what devices do we have in the household?



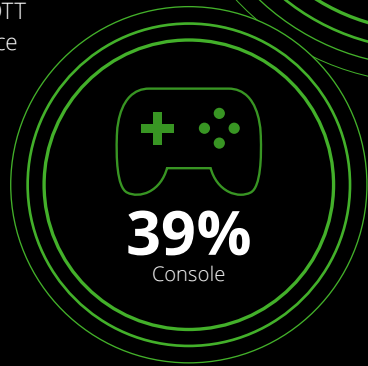
Set top box or OTT streaming device



Tablet



Ebook reader

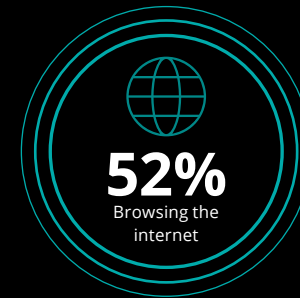


Console



Voice enabled smart speaker

Respondents' most preferred entertainment activities (ranked in the top three) included:



Browsing the internet



Watching free-to-air TV



Streaming video



Listening to music

The entertainment costs are adding up. What are we paying for?



SVOD subscription (and 84% of SVOD subscribers have Netflix)



Pay TV subscription

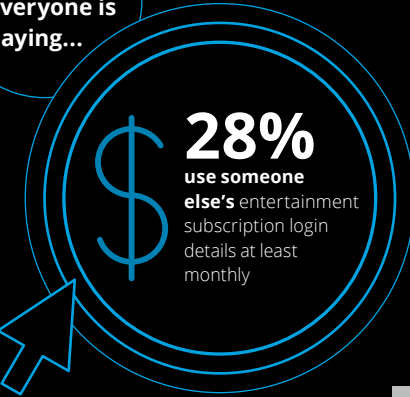


entertainment service bundled with their mobile or broadband plan



paid music streaming subscription

Although maybe not everyone is paying...



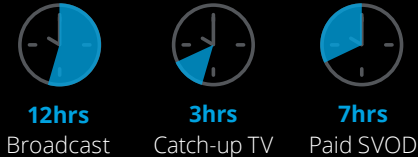
use someone else's entertainment subscription login details at least monthly



# How do we consume? Our content catalogue



We're watching an average of 22 hours of TV a week:



Video

**46%** find it **hard to know** what content is on which service

**50%** of SVOD subscribers need **more than one service** to access the content they want

**75%** want to be able to search for all **content in one place**

## Podcasts



**Most popular** genres: **#1** news and current affairs, **#2** comedy, **#3** true crime



**44%** listen to podcasts (**58%** of Millennials)



We mostly listen at **home (66%)** or in our **car (28%)**



Only **16%** have ever **paid** for podcasts

## News and magazines



**Brand trust, unique content, and in-depth analysis** are the **top three drivers** for willingness to pay for online news content



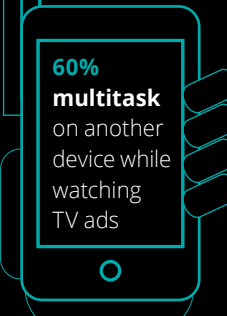
**64%** say nothing would entice them to **pay for news**



At **38%**, the **most frequent way** to get news remains TV

**45%**

are **most willing** to engage with ads on TV, ahead of smartphones (**21%**)



**47%** said it was worth paying for content online just to get an **ad free experience**

When it comes to **digital advertising...**

**27%** use **ad blocking** software

**77%** agreed they tend to **skip** online video ads when given the option

Advertising

**Content** that we're willing to pay for to avoid ads include:



# Our content catalogue continued...

## Voice

**30%** of owners use voice enabled smart speakers **more now** than when they first purchased

**74%** **Google Home** dominates with 74% market share

Voice users are also higher consumers of **digital entertainment...**



**42%** are willing to provide more **personal information** to get targeted ads (compared to **25%** of all respondents)



**37%** have an **entertainment service bundled** with their mobile or broadband plan (compared to **23%** of all respondents)



have **voice enabled smart speakers**



**79%** have an **SVOD service** (compared with **53%** of all respondents)



**66%** are **willing to pay** for content online to avoid ads (compared to **47%** of all respondents)



**49%** have a **pay TV subscription** (compared with **29%** of all respondents)



**46%** pay for **streaming music services** (compared with **21%** of all respondents)

## Social media

Two social media platforms continue to **dominate**, when considering all age groups:



**12%** Snapchat



**8%** Twitter



**8%** Pinterest



**8%** LinkedIn

**56%** **update or check** their social network daily, but heavy usage (i.e. more than 10 checks a day) remains below the 2017 peak.

## esports and gaming



...this is higher for Millennials (**32%**)

**61%** use **YouTube to watch eSports**, making it the most popular viewing platform

**15x** eSports enthusiasts watch an average of 15 in-person or streamed **events per year**

**30%** are **playing video games** at least weekly (men (**32%**) and women (**29%**))

Most popular devices to game on:



**31%** Smartphones



**17%** Consoles



**16%** Laptops

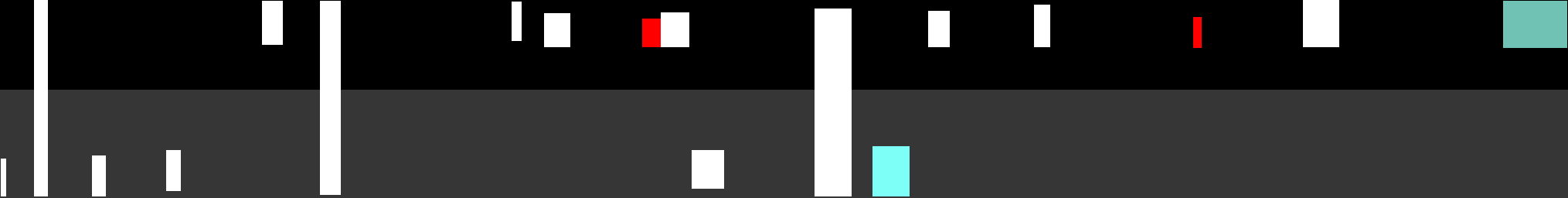


**15%** Desktops





# Spotlight on...





# Spotlight on... podcasts

Podcasts have steadily grown in popularity<sup>2</sup> and this year we explore media consumer listening habits for the first time.

Forty-four percent of all respondents identified themselves as podcast listeners, with Trailing and Leading Millennials the highest users (59% and 57% respectively). Alongside popularity in younger consumers, 67% of high income earners listen to podcasts. Those who engage tend to do so actively, where 47% of podcast listeners consume at least one episode each week, with 20% listening to three or more podcasts each week. It's a format that relies heavily on word of mouth for discovery, with over half of listeners identifying friends and family, and social media in their top three ways to find new podcasts.

When it comes to genres, 36% of podcasters listen to news and current affair podcasts, making it the most popular, followed by comedy (28%). A quarter of listeners are tuning in to true crime – a genre synonymous with podcasting thanks to the success of podcasts such as Serial and The Teacher's Pet. Across all age groups the strongest driver for listening to a particular podcast is to learn something new (39% of all listeners), particularly among Trailing Millennials (44%) and Xers (43%).

Despite the format's on-the-go flexibility, most podcast consumers listen to them at home (66%) as opposed to on the move, with 28% listening in the car and 15% listening on public transport. Interestingly, only 16% of total listeners have ever paid to listen to a podcast, although Trailing Millennials are more likely to do so (27%). Payment is most commonly for individual episodes on websites (36%) rather than dedicated services (such as Apple and Google Podcasts – 31%). Subscription music services have emerged as a key platform for podcasts – almost a third of all listeners access them through Spotify and of those who paid for podcasts, 34% did so through their subscriptions to music streaming services.

## Weekly usage of podcasts by generation

How often do you listen to podcasts? (Weekly usage)



# Spotlight on... news and magazines

## News subscribers by generation

Which of the following types of subscriptions/services does your household purchase? (News/newspaper subscription)

	<b>Trailing Millennials</b>	<b>7%</b>
	<b>Leading Millennials</b>	<b>6%</b>
	<b>Xers</b>	<b>10%</b>
	<b>Boomers</b>	<b>22%</b>
	<b>Matures</b>	<b>39%</b>

This year sees a drop in the number of respondents owning newspaper and magazine subscriptions, now at 15% and 8% respectively compared to 17% and 11% last year. This appears to be driven by a continued reduction in Millennial readership from last year for both Trailing Millennials (7% this year down from 13%) and Leading Millennials (6% this year down from 18%).

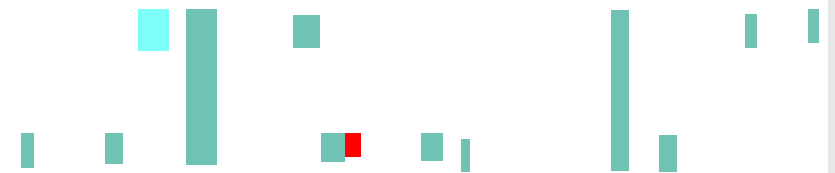
Hard copies of both news and magazines remain resilient among subscribing readers – those willing to pay for a newspaper subscription still prefer the physical print version (59%) over the digital version (24%). This varies across age groups with Millennials open to both online and print (37% and 41% respectively) and Boomers preferring hard copy over digital (68% and 19% respectively).

Our reluctance to pay for news has stayed in line with last year's data, with 64% of respondents again stating nothing would entice them to pay for news. This sentiment has held steady or increased slightly across most age groups. However, Trailing Millennials are more willing to pay for news than they were last year when 60% claimed nothing would entice them, compared to 47% this year. In depth

news analysis, brand trust, and unique content that can't be accessed for free are the main drivers for willingness to pay.

Most subscribers have held their subscription for more than three years – 57% for newspaper and 55% for magazines. This has been consistent since 2015 (59% and 54% respectively) indicating publishers continue to rely on a consistently loyal base of subscribers.

This year, the proportion of respondents using social media as their primary news source has dropped to 15% from last year's 17%. However, Leading Millennials are increasingly turning to social media for their news – 27% this year, up from 22% last year and 18% in 2017.



# Spotlight on... voice

Voice-enabled smart speakers have been available in the Australian market for just over two years. The survey reveals modest growth in smart speaker ownership over this period, with 12% of respondents now owning a voice-enabled speaker (up from 9% in 2018).

Google continued its dominant market share with 74% of smart speaker owners choosing Google Home. Seventy percent of consumers who have owned a smart speaker for more than six months report using the device as much or more than when they first purchased it. This suggests once a consumer finds a useful place for voice in their lives, it becomes a part of their regular routine. It does also highlight that the remaining third (30%) of owners have not found a sustained purpose for their smart speaker over time.

Ownership of smart speakers increases with income level. This year, 37% of high income earners report owning at least one smart speaker. The use of voice-enabled digital assistants is highest in the younger demographic though, with 29% of Trailing Millennials reporting they use voice assistants on either their phone or smart speaker at least once per week. These voice assistants have historically been constrained to individual devices, but are expanding

towards universal access across phones, speakers, headphones, smart TVs, and watches.

General enquiries rather than specific actions continue to be the most common use of voice assistants. Forty-six percent of consumers rate 'searching or requesting information' as the capability they most use, an increase from 28% in 2018. Older consumers again report they are far more likely than any other age group to use voice for this purpose, with 57% of Boomers and 52% of Matures reporting this as their most valued use of the technology. Promisingly, this suggests that the ability of voice to improve accessibility and availability of digital services is a use case with significant potential.

The use of voice channels for marketing purposes is still largely nascent, but it's clear direct advertisements are not yet welcome on voice platforms. When considering which devices they are most willing to engage with advertisements on, only 1% of respondents selected their voice-enabled digital assistant. However, there's plenty of room for growth in the use of branded third-party voice applications, for example ordering an Uber, checking a bank balance, or confirming flight details, with just 20% of respondents having used their smart speaker for this purpose. Creating voice applications that consumers find valuable, and ensuring this value is clearly communicated, will be key if uptake is to rise in future years.

Voice, like other digital technologies, also has the prospect of making it easier to purchase goods and services. While awareness of voice commerce arguably has a long way to go, there are encouraging signs. This year, 28% reported that making purchases was their most highly valued use of voice, and just under a third of respondents stated they would consider making a purchase via voice.

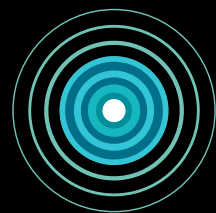


## Weekly usage of voice-enabled digital assistants by generation

How often do you use a voice-enabled digital assistant (Amazon Alexa, Siri, Google Assistant, etc.) on any device? (Summary of daily and weekly user)

	<b>Trailing Millennials</b>	<b>29%</b>
	<b>Leading Millennials</b>	<b>27%</b>
	<b>Xers</b>	<b>20%</b>
	<b>Boomers</b>	<b>22%</b>
	<b>Matures</b>	<b>7%</b>





# The wide lens



# When over-the-top becomes OTT

Australians are spoiled for choice when it comes to OTT digital media and entertainment. Consumers can create their own tailored entertainment ecosystem through a collection of free-to-air catch-up TV, streaming video and music services, OTT set-top-boxes, and a number of new platforms integrating this complex assembly of subscriptions.

At the time of writing, there are more than 12 TV and movie and eight music streaming services available in Australia. There are also several new service launches in Australia announced for the upcoming year. This will continue to increase, leading to more distributed content if rights remain exclusive, or less unique content libraries if rights are shared across multiple providers. Sports content has always been distributed across different free-to-air and pay TV channels in Australia, and now we have the addition of OTT apps such as AFL Live and NRL Live Pass, as well as dedicated sports streaming apps such as Kayo. Gamers have the choice of more than 12 platforms and subscriptions services across console, computer, and mobile devices.

With this proliferation, consumers are enjoying a golden age of content availability. But are we approaching a tipping point? Will the vast choice become too much, and the ability

to consolidate, streamline, and converge content become the new digital entertainment battleground?

## All in one place to all over the place

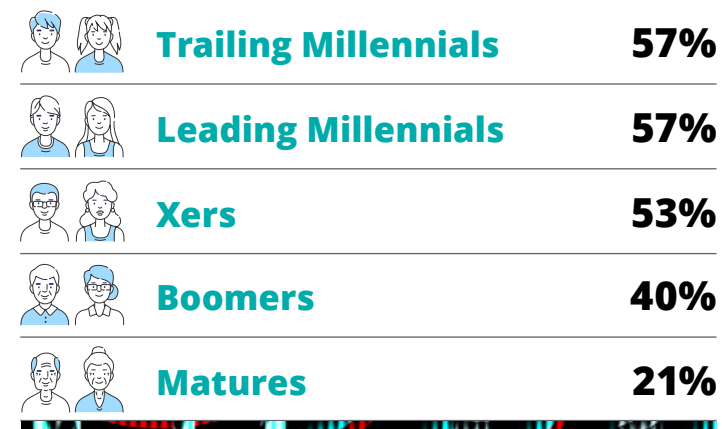
For consumers, the landscape is fragmented, with content spread across an expanding variety of services. Households increasingly hold multiple subscriptions to access the content they want. Half (50%) of SVOD subscriber respondents say they need more than one streaming service to access the video content they're looking for, and on average they now subscribe to one and a half SVOD services. The original appeal of services such as Netflix or Spotify was boundless choice, all in one place. But the number of services has steadily increased, and as rights shift and new services launch, content is becoming even more dispersed.

This creates challenges for consumers in both experience and expense. Consumers are regularly moving between services, sometimes as holders of multiple subscriptions and sometimes as they switch one for another. For respondents who have cancelled or switched streaming services in the past, 19% have done so due to wanting content from another service. Multiple subscriptions means multiple apps, multiple devices, multiple bills. And the expense for consumers is mounting. For a household wanting Disney content for the kids, the latest seasons of Game of Thrones

and Stranger Things, English Premier League soccer matches, and access to ad-free music and podcasts, this could mean paying upwards of \$70 a month<sup>3</sup> across multiple services. It's a price tag not far from the pay TV prices of simpler days, where consumers could pay one provider to access packages of entertainment content. It's also a model that could well see a resurgence as consumers once again seek convenience in both experience and pricing.

## Video streaming consumers that require more than one service to get the content they want

Please indicate how much you agree or disagree with the following statements: "I require more than one video streaming service to get the content I am looking for" (summary of 'Agree' and 'Strongly Agree' responses)



### Revolution or re-evolution?

If we look back to the genesis of Australian pay TV in the early 90s, we observe a similar landscape. Foxtel, Austar, Optus Vision and Galaxy introduced a rapidly growing list of channels and drove years of consumption innovation including electronic programs, simulcast, personal recording, and on-demand content. These providers helped consumers navigate a plethora of content options through comprehensive channel bundles, providing simple personalisation of content access across hundreds of different providers, i.e. channels, managed through the simplicity of a single remote with one tidy monthly fee.

Ease of discovering SVOD content is incredibly important to consumers. Eighty-one percent of SVOD subscribers agree this is something they value, on par with the extensive library of content (85%) and the availability of exclusive/original content (82%). The need hasn't gone unnoticed by the digital giants. Amazon and Apple continue to invest in their own content, but are also pursuing similar takes on a 'choose your own channels' aggregator role. Amazon is exploring options to bring its a-la carte channels service to Australia through existing Prime memberships. Apple has committed ~A\$9B<sup>4</sup> for original content to bolster its proposed Apple TV channels

offering, notably extending beyond their ecosystem and into third-party smart TVs and streaming boxes.

If the ability for consumers to access a variety of paid 'channels' through one provider sounds very familiar, it's because we could well be seeing the re-evolution of the pay TV model.

### Preferences for search and discovery of content by generation

Please indicate how much you agree or disagree with the following statements: "I would like to be able to search and discover content across all my video streaming services in the one place" (summary of 'Agree' and 'Strongly Agree' responses)

	<b>Trailing Millennials</b>	<b>75%</b>
	<b>Leading Millennials</b>	<b>76%</b>
	<b>Xers</b>	<b>80%</b>
	<b>Boomers</b>	<b>70%</b>
	<b>Matures</b>	<b>63%</b>

### THE BOTTOM LINE:

As the number of available OTT content services increases, consumers will be forced to make hard choices across their preferred providers. This will likely lead to frustration as 'choice' transforms into 'trade-off'. Content providers will need to balance optionality and flexibility with the clearly stated preferences from consumers – simplicity of discovery, navigation, and access.



# Searching for simplicity

Video streaming in particular has seen a sharp increase in OTT services. This means the 'all in one place' value proposition for consumers is shifting from the services themselves to those platforms and providers that are performing the role of the aggregator.

The aggregator is emerging as a critical role in the digital entertainment ecosystem. In an era of overwhelming choice, it brings streaming services together into one access point for consumers and helps them navigate the content jungle. When watching broadcast or pay TV, consumers have traditionally used a TV guide to search and discover content, but the same task is not as easy in the world of SVOD. Forty-six percent of SVOD subscribers find it hard to know what content is available on which service. And 75% flagged the desire to search for content in one place, rather than hunt through multiple services. The aggregators are solving this across the entertainment ecosystem by focusing on a unified search and discovery, and viewing and billing experience.

The aggregators vary in the 'stack' they offer. Devices such as Telstra TV and Fetch provide both a platform and a physical device to bring together free-to-air channels and streaming services, and offer degrees of centralised billing

and universal search. Others such as Google, Amazon, and Apple offer devices, aggregation interfaces and billing, and in the case of Amazon and Apple, heavy investment in original content. The digital giants are positioning as aggregation platforms of choice. But there are two other contenders that are well placed for similar reasons – pay TV providers and telcos.

## Perfectly positioned pay TV

Aggregation is familiar territory for both pay TV providers and their customers, given their traditional model of bundling channel packages into the one access point. Although the number of respondents with pay TV subscriptions dropped slightly this year to 29% from 31% in 2017 and 2018, it remains a key form of entertainment and a natural home for the aggregation of entertainment services. The opportunity this offers for pay TV providers to keep their consumers engaged on their own platforms is significant. Of the respondents that are pay TV subscribers, 67% also hold a subscription to a streaming TV/movie service.

While initially viewed as in direct competition, the lines have become blurred for pay TV and streaming video. In Australia, the Foxtel Now streaming service has extended Foxtel's reach well beyond their own set-top box to many

major platforms and devices. The Foxtel Now Box is an OTT aggregation device offering not just their own service, but free-to-air channels and a variety of apps. The recent Netflix set-top-box integration announcement is an indicator of the continued convergence of pay TV and OTT streaming services. The meshing of bundled channel packages and pick-your-own apps could be a wise spreading of bets across consumer preferences. Of those respondents who are currently pay TV subscribers, 41% said their preferred way of purchasing pay TV was through a pre-determined package of channels, while 39% said they would rather subscribe to each channel they personally choose.



This shift from competitors to 'aggregation allies' is likely to herald significant benefits for pay TV providers. This year, 24% of pay TV subscribers indicated they intend to cancel their subscription in the next 12 months, but the percentage was only marginally higher for those who also hold SVOD subscriptions (29%). However, of those indicating they do intend to cancel their pay TV subscription, 44% said it was due to having access to TV or movies they want through services such as Netflix. Integration into the devices and experience may go some way to addressing this, but it also indicates the strong impact that taking aggregation a step further and bundling services such as Netflix with pay TV packages could have on customer churn.





### Consumers with both Pay TV and SVOD subscriptions by generation

Which of the following types of subscriptions/services does your household purchase? (Summary of respondents who selected both Pay TV and streaming video subscription)

	<b>Trailing Millennials</b>	<b>25%</b>
	<b>Leading Millennials</b>	<b>16%</b>
	<b>Xers</b>	<b>29%</b>
	<b>Boomers</b>	<b>22%</b>
	<b>Matures</b>	<b>8%</b>

### Connecting with telco-tainment

Of course, pay TV providers are not the only ones well poised to perform an aggregator role. Telcos have long bundled entertainment services into their plans as a customer acquisition and retention tool. The advent of OTT streaming services has opened new opportunities for telco-tainment. Pay TV, entertainment subscriptions and OTT set-top-box devices are all cornerstones of telco-tainment offerings and positions them firmly in the role of aggregator. Fetch and Telstra TV have emerged as key products in aggregation, providing a single point of access to multiple services and positioning telco-tainment firmly in living rooms. Additional benefits such as centralised billing, for both entertainment services and mobile and broadband plans, and the ability to offer unmetered data on their own mobile and broadband networks adds further value to their consumer proposition.

This lean towards the aggregator role has been steadily growing, and with good reason – 80% of respondents said the inclusion of an entertainment subscription influenced their choice of provider or plan. A large proportion of this growth has been fuelled by Millennial subscribers, of which 37% claimed to have at least one entertainment service bundled with their mobile or broadband plan, up from 27% in 2018. It's also fast becoming a new norm; 74% of those



80%

80% of respondents said the inclusion of an entertainment subscription influenced their choice of provider or plan.



23%

23% of mobile and broadband subscribers now have at least one entertainment service bundled with their plan, up from 21% in 2018.



who have video or music services bundled with their telco expect it to come with one, and this expectation is highest in the Matures (84%).

Telco-tainment appears to be a win-win scenario for both telcos and entertainment services; 66% of those with bundled plans indicated they would continue to pay for their entertainment subscription separately when the bundle runs out. The same sentiment holds true for pay TV, with almost a third (29%) of subscribers saying the fact it is bundled with their home internet plan was one of the top reasons they kept their pay TV subscription. And for telcos the retention play seems to be working, with 74% saying it made them more likely to stay with their telco provider.

### Bundling entertainment services with mobile or broadband plans by generation

Do you have any video or music entertainment subscriptions bundled with your mobile phone or broadband plan? (Those with at least one entertainment service bundled with mobile or broadband plan)

	<b>Trailing Millennials</b>	<b>39%</b>
	<b>Leading Millennials</b>	<b>32%</b>
	<b>Xers</b>	<b>22%</b>
	<b>Boomers</b>	<b>15%</b>
	<b>Matures</b>	<b>11%</b>

#### THE BOTTOM LINE:

The way in which we search for, access, and purchase content is growing more complex. This will likely lead to two divergent groups of consumers – those with narrow consumption needs who will entrench relationships with their preferred provider, and those with distributed consumption needs who see value in the role of an aggregator. The pay TV, telco, and integrated content service providers will need to offer unique value propositions to improve how consumers engage with this fragmented content market.



# Fair trade: data and advertising

Effective use of customer and audience data has long been an integral part of the media and entertainment ecosystem. Advertising revenues were built through newspaper readership demographics and broadcast ratings surveys, matching eyeballs to advertisers and marketers. Digital media heralded a shift from a single 'broadcast' means of communication to a truly personalised experience for audiences, whether it be the shows they are recommended, the stories at the top of their feeds, or the ads they are served. In knowing the consumer, digital media and entertainment providers can optimise advertising revenue and deliver relevant experiences that engage consumers for longer and more often.

It's an evolution of an old model, but one that has become increasingly uncomfortable for consumers, and the push for greater transparency and data privacy continues to raise questions. How much advertising is tolerable? And what data and just how much of it are consumers prepared to exchange for a more personalised experience?

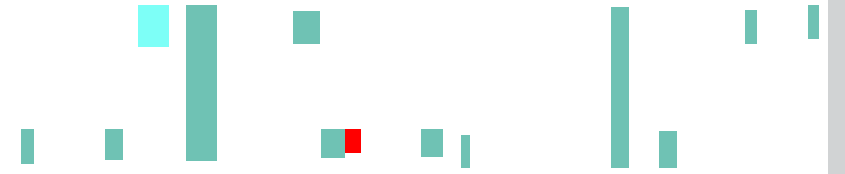
## A matter of trust and expectations

The willingness of consumers to exchange their data comes down to whether they trust that their data is secure and used appropriately, and that what they get in return meets their expectations. There is work to do on building consumer comfort levels with data sharing; when asked for the top three types of companies they would trust with their data, pay TV (25%), streaming services (20%) and studios/networks (15%) all fared poorly compared with financial institutions and telcos (70% and 61% respectively). Trailing Millennials are more likely to trust entertainment providers with their data, including streaming services (33%) and studios/networks (20%), although this perspective does not extend to pay TV, which is in line with other generations at 24%.

Seventy-eight percent of respondents believe companies aren't taking adequate steps to protect their personal data. This is an improvement from 85% last year, but the high figure indicates a sustained level of distrust. There's also a desire for ownership and control, with 62% believing they should have the right to ask a company to delete their data, and 65% indicating interest in taking responsibility for editing what is being collected. It could pose an interesting challenge for those services that rely on algorithms as a key part of their 'secret sauce', improving both user experience and insights on content and investment decisions.



Many digital entertainment consumers believe in the benefits of freely exchanging data on their consumption behaviour for a more personalised experience and better recommendations. Over a third (31%) of people listed video viewing as one of the top three types of personal data they were most comfortable sharing with companies in return for improved value or services, second only to date of birth (32%). This is likely a reflection of the value consumers place on the data-driven recommendation algorithms we're so dependent on for content discovery. While 62% of respondents believe they should have the option to request deletion of their personal data, less than a third (31%) would do so if it meant losing features like personalised recommendations. We should note that these recommendation algorithms are not meeting everyone's expectations; only 64% of respondents agreed they were confident in video streaming recommendations, compared to 77% in 2018. While we might see the exchange as valuable for now, services must continue to meet consumer expectations in order to keep using the data many of their business models are so reliant on.





### Attitudes towards companies and their use of personal data

Which of the following statements, if any, describe your feelings regarding your personal data? "I believe companies are taking all the steps they can to protect my personal data."

	<b>Trailing Millennials</b>	<b>68%</b>
	<b>Leading Millennials</b>	<b>77%</b>
	<b>Xers</b>	<b>79%</b>
	<b>Boomers</b>	<b>82%</b>
	<b>Matures</b>	<b>82%</b>

### Advertising: the cost of avoidance

Consumers have long accepted advertising as a part of the experience and content value-exchange, whether watching TV at home, reading the newspaper, or listening to the radio. But paid digital content models such as paywalls and subscriptions have altered consumer ad tolerances in the value-exchange, and the attraction of no advertising has become a major feature of paid content. In fact, almost half (47%) of respondents said it was worth paying for TV content online just to get an ad-free experience.

This is particularly true for SVOD services, for which paid subscriptions generally mean no advertising. A whopping 89% of subscribers value that their service allows them to watch content without commercials. However, while those with services clearly appreciate their ad-free experience, overall the value-exchange of paid content for no advertising is far from being an assured lure to paid services. When given the choice of paying for TV shows in exchange for not being exposed to advertising, less than half (47%) of respondents agree they would rather do so.

Ad-supported video on demand (AVOD) could well be an attractive proposition to Millennials and not just when content is completely free. Just over half of Millennials (Trailing Millennials 50%, Leading Millennials 54%) said they

would be willing to view ads with streaming services if it reduced the cost of subscription by at least 25%. This is significantly higher than the 40% of respondents across all age groups that would be willing to tolerate ads for a discount. Millennials are also reasonably comfortable with exchanging mobile advertising for free content, with 60% agreeing they are willing to do so.

Many consumers now expect paid streaming services to mean no advertising. But consumer expectations differ for digital newspapers and magazines where advertising has long been featured together with subscriptions and behind paywalls. Experimentation with different paywall models doesn't appear to be shifting consumers' willingness to spend – 64% of respondents continue to state that nothing would make them pay for news. They instead turn to the ad-based mediums of TV (38% of respondents) and social media (15% of respondents) as their primary sources of news content. And exchanging paid access for no advertising is unlikely to be a strong enticement given only 25% of respondents say they would rather pay in exchange for not being exposed to advertisements.

The balance of digital paywalls and advertising-funded content models is an ongoing challenge and not a case of either/or. Instead it's a necessary combination to sustain revenues in a tough digital advertising environment.



The good news is that consumers are comfortable exchanging exposure to advertising in return for content. But the question remains as to how to also entice a sufficient proportion of these into becoming paying consumers as well. Unique content (13%), in-depth analysis (12%), and brand trust and association (12%) remain the most common drivers, but the propensity to pay remains low.

### Willingness to watch advertising for reduced video streaming subscription cost

Using the scale below, please indicate how much you agree or disagree with the following statement: "I would be willing to view advertising with my streaming video programming if it significantly reduced the cost of the subscription (e.g., reduced subscription cost by 25%)"

	<b>Trailing Millennials</b>	<b>50%</b>
	<b>Leading Millennials</b>	<b>54%</b>
	<b>Xers</b>	<b>43%</b>
	<b>Boomers</b>	<b>30%</b>
	<b>Matures</b>	<b>24%</b>

#### THE BOTTOM LINE:

Delivering content experiences that delight consumers will be dependent on a rich data-driven understanding of audiences. This means the winners in this category are likely to be those that build trust with their audience – and entertainment companies have a long way to go in this regard. Although consumers value the lack of advertising in their subscription services, Millennials' stated willingness to accept ads for a price reduction suggests there may be a tipping-point ahead that makes ad-supported models a more attractive model.

64%

64% of respondents say nothing would entice them to pay for news.

25%

25% of respondents would rather pay for news in exchange for no advertisements.



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