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Media Consumer Survey 2021

Australian digital entertainment audience preferences (tenth edition)

Contents

Introduction

Like many industries, media and entertainment has seen huge digital acceleration over the past 18 months. Rolling lockdowns and COVID-19 restrictions had us reaching for our remote controls, laptops, tablets, and phones as both a critical information source and a welcome distraction.

Audiences have found themselves with an ever-increasing choice of digital products and services to entertain and inform, and particularly subscription services across news, sport, TV, movies, music, and more have become a household staple. Since our last survey, we have welcomed new services like Binge and Paramount+ into the Australian market, as well as seen existing services extend into new types of content, such as Stan's launch of Stan Sport.

As demand for subscription entertainment shows no sign of slowing, and content continues to fragment across multiple existing services, some very clear opportunities are emerging. Managing and consuming multiple services is becoming complex and the race is on to solve audience experience, with pay TV providers, telcos and the digital giants all having a hand in potential third-party aggregation solutions.

Alongside this aggregation is a trend of consolidation – entertainment providers consolidating and converging their products and services to create entertainment ecosystems where audiences can move between content and services that are both free and paid, and with multiple revenue models that have moved from focusing primarily on acquisition and retention to instead focus on holistic audience value management within their suite of offerings.

Our tenth media and entertainment consumer survey focuses on the audience behaviours, attitudes and trends in media and entertainment subscription services. We delve into the opportunities and challenges for both audience and industry, including:

- The growing choice of subscription services, and the growing audiences that subscribe to them.
- How consolidation and aggregation of entertainment services, and taking an ecosystem approach, will meet audience needs as well as industry objectives.
- The importance of audience experience, and how audience value management will be critical as the landscape evolves.
- What drives audiences to subscribe, what leads them to unsubscribe, and where the opportunities are to drive retention and loyalty.
- A spotlight on three pillars of media and entertainment: news, sport, and free-to-air TV.

This year's survey provides a snapshot of audience behaviour in this time of huge change, with fresh insights, meaningful perspectives, and vigorous conversation relevant for your organisation.

About this survey

Focused on five generations, the 2021 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.

In its tenth consecutive year, our annual survey is conducted by an independent research organisation using self-reported survey data from more than 2,000 consumers surveyed in Australia. Each year the survey is run, new questions or response options are added and some older ones removed, allowing us to explore new and emerging behaviours and trends in media and entertainment consumption. This year we have realigned our generational cohorts, and as such some of the usual trend data is not available for comparison to previous years. Where applicable, comparisons between similar cohorts have been noted.

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Survey participant age groups

Gen Z
14-24

Millennials
25-38

Gen X
39-55

Boomers
56-74

Matures
75+

A generational snapshot

GEN Z

AGE: 14-24

$63 Their average monthly spend on entertainment subscriptions

TOP 3 DIGITAL ENTERTAINMENT ACTIVITIES

Listening to music	Browsing social media	Watching paid TV/movie services

- **95%** Have at least one paid entertainment subscription
- **61%** Are concerned about the costs of having multiple subscription services
- **20%** Have at least one sports streaming service
- **59%** Have more entertainment services now than a year ago
- **35%** Check social media at least five times a day

- **2.72** Average number of paid services that TV/movie streamers have
- **7** Hours of free-to-air TV (actively and passively) they are watching each week
- **8.5** Hours of paid streaming video services they are watching each week
- **14** Hours of free streaming video services (such as YouTube, Tiktok, Facebook) they are watching each week

Spending most of their social media time on... Facebook, YouTube, Instagram

Get their news most frequently on...
Social media | Television | Online newspaper sites

MILLENNIALS

AGE: 25-38

$58 Their average monthly spend on entertainment subscriptions

TOP 3 DIGITAL ENTERTAINMENT ACTIVITIES

Browsing social media	Listening to music	Watching paid TV/movie services

- **93%** Have at least one paid entertainment subscription
- **70%** Are concerned about the costs of having multiple subscription services
- **25%** Have at least one sports streaming service
- **60%** Have more entertainment services now than a year ago
- **28%** Check social media at least five times a day

- **2.6** Average number of paid services that TV/movie streamers have
- **9** Hours of free-to-air TV (actively and passively) they are watching each week
- **9** Hours of paid streaming video services they are watching each week
- **9** Hours of free streaming video services (such as YouTube, Tiktok, Facebook) they are watching each week

Spending most of their social media time on... Facebook, YouTube, Instagram

Get their news most frequently on...
Social media | Television | Online newspaper sites

A generational snapshot

GEN X

AGE: 39-55

$53 Their average monthly spend on entertainment subscriptions

TOP 3 DIGITAL ENTERTAINMENT ACTIVITIES

Watching live free-to-air TV	Listening to music and browsing social media (tie)	Watching paid TV/movie services

- **80%** Have at least one paid entertainment subscription
- **64%** Are concerned about the costs of having multiple subscription services
- **17%** Have at least one sports streaming service
- **44%** Have more entertainment services now than a year ago
- **14%** Check social media at least five times a day

- **2.26** Average number of paid services that TV/movie streamers have
- **13** Hours of free-to-air TV (actively and passively) they are watching each week
- **6.5** Hours of paid streaming video services they are watching each week
- **6** Hours of free streaming video services (such as YouTube, Tiktok, Facebook) they are watching each week

Spending most of their social media time on... Facebook | YouTube | Instagram

Get their news most frequently on...
Television | Social media | Radio

BOOMERS

AGE: 56-74

$56 Their average monthly spend on entertainment subscriptions

TOP 3 DIGITAL ENTERTAINMENT ACTIVITIES

Watching live free-to-air TV	Listening to the radio	Watching paid streaming TV/movie services and Listening to music (tie)

- **64%** Have at least one paid entertainment subscription
- **44%** Are concerned about the costs of having multiple subscription services
- **12%** Have at least one sports streaming service
- **20%** Have more entertainment services now than a year ago
- **6%** Check social media at least five times a day

- **1.86** Average number of paid services that TV/movie streamers have
- **18** Hours of free-to-air TV (actively and passively) they are watching each week
- **5** Hours of paid streaming video services they are watching each week
- **4** Hours of free streaming video services (such as YouTube, Tiktok, Facebook) they are watching each week

Spending most of their social media time on... Facebook | YouTube | Instagram

Get their news most frequently on...
Television | Radio | Printed newspapers

A generational snapshot

MATURES

AGE: 75+

$49
Their average monthly spend on entertainment subscriptions

TOP 3 DIGITAL ENTERTAINMENT ACTIVITIES

Watching live free-to-air TV	Listening to the radio	Listening to music

59% Have at least one paid entertainment subscription

34% Are concerned about the costs of having multiple subscription services

7% Have at least one sports streaming service

13% Have more entertainment services now than a year ago

5% Check social media at least five times a day

1.69 Average number of paid services that TV/movie streamers have

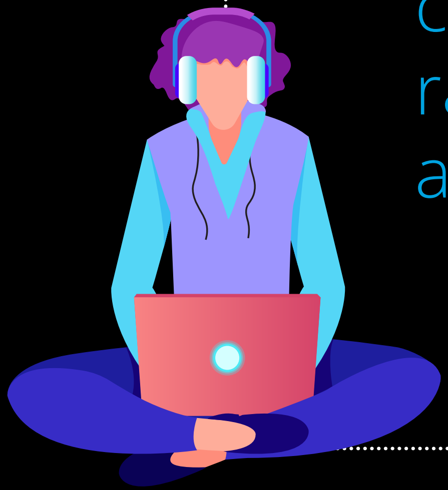
17.5 Hours of free-to-air TV (actively and passively) they are watching each week

3.5 Hours of paid streaming video services they are watching each week

2 Hours of free streaming video services (such as YouTube, Tiktok, Facebook) they are watching each week

Spending most of their social media time on...

Get their news most frequently on...
Television | Radio | Printed newspapers



Managing and consuming multiple services is becoming complex and the race is on to solve audience experience

Subscription fatigue? Not yet.

TV and movie services a must-have

70%

have a TV/movie streaming subscription, and of those that do,

- **87%** have **Netflix**
- **29%** have **Disney+**
- **29%** have **Amazon Prime Video**
- **26%** have **Stan**
- **13%** have **Apple TV+**
- **9%** have **Binge**

2.3
The average number of paid TV/movie services in each household

18%
have pay TV subscriptions

7 hours
the average time we spend each week watching paid TV/movie streaming services

26%
have paid music streaming subscriptions

30%
have an entertainment service (incl. streaming, Foxtel or a set-top-box) bundled with their mobile or broadband plan... and

75%
say it makes them more likely to stay with their mobile or broadband provider

But the costs are rising

$50
the average **target** entertainment subscriptions monthly spend

$55
the average **actual** entertainment subscriptions monthly spend

60%
treat all subscriptions as part of one total household budget

58%
are concerned about the costs of multiple services

Turn it on and turn it off...

27%
of people have 're-churned' i.e. cancelled a subscription service and then rejoined

52%
would like to be able to subscribe to bundles of services from one account

42%
have more subscription services now than a year ago

Sport is the top reason pay TV subscribers keep their service ... and subscribing to a TV/movie streaming service instead was the top reason for cancelling and intention to cancel

A large content library, exclusive content, and avoiding advertisements are the main drivers for TV/movie subscription take-up

Advertising

We're still ad-verse…

46%
are most willing to engage with ads on TV, way ahead of smartphones (20%)

46%
actively block apps and websites from tracking their data

80%
tend to skip online video ads if given the option to do so

49%
said that if they cannot skip a video ad, they will not wait to watch the content

28%
use ad blocking software

But there could be trade-offs

52%
willing to watch mobile ads to get free content

47%
would be willing to watch ads on a TV/movie streaming service if it reduced the subscription cost significantly

What types of content would you pay for in order to avoid ads?

51%	43%	32%	35%	31%
TV/movies	Music	News	Sport	Games
(40% in 2019)	(35% in 2019)	(25% in 2019)	(35% in 2019)	(not asked in 2019)

News

Television news is the most frequently used news source,
followed by radio and social media

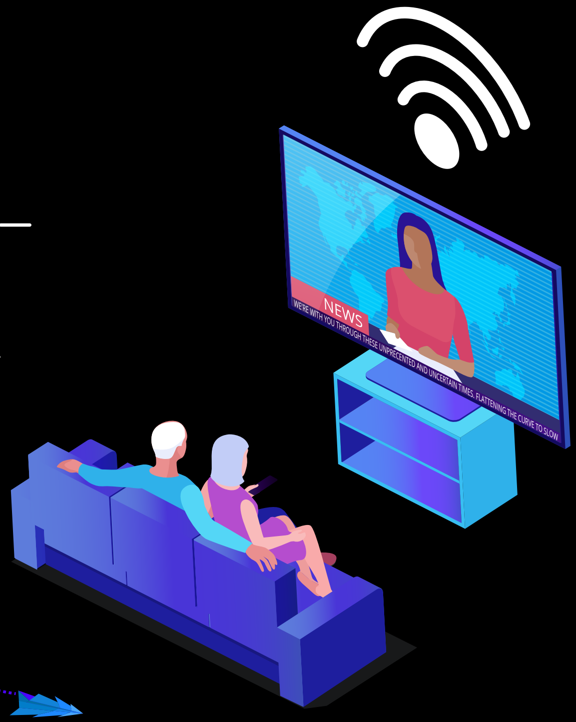
49%

say that news is a major reason they check social media

64%
are concerned about fake news in their feed

'High quality content' and 'trust in the news source' are the main drivers to pay for news

4%
have newspaper/ magazine subscriptions



How much would you pay for news content?

19%	16%	40%
up to $10 per month	$11-$30 per month	would not pay at all

Sport

34%

watch more than four hours of sport each week

18%

have a digital sports subscription service

Free-to-air TV

is where we watch the most sport, followed by smartphones and laptops

The main drivers to subscribe to a paid service:

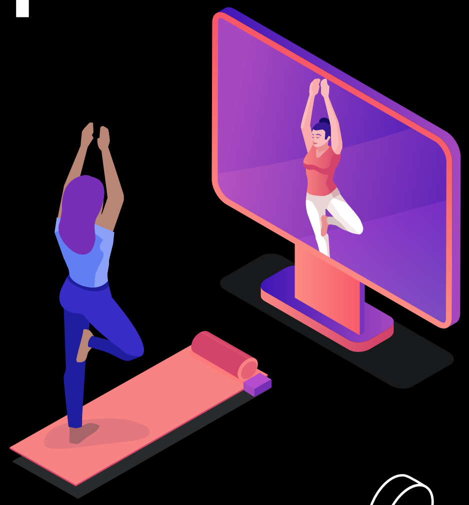
large range of content, no ads, exclusive sporting code

How much would you pay for sport content?

15%	23%	56%
up to $10 per month	$11-$30 per month	would not pay at all

The long-tail of lockdown

The continued effect on live entertainment events (cinema, music, live performance, sport)



Audiences have attended less in the last year than they usually do

55%
of cinema audiences attended less than usual

43%
of live music audiences attended less than usual

43%
of live performance audiences attended less than usual

36%
of sporting event audiences attended less than usual

'Worry about COVID-19 safety'

was the main influence for all, followed by

'COVID-19 protocols making the experience less enjoyable'

There's a subscription for that (and that. And that)

I'll take one more

With rolling lockdowns for much of the country and COVID-19 restrictions reducing attendance at live entertainment events, home entertainment took centre stage.

But despite digital services increasingly playing a big part in our lives, watching live free-to-air TV remained the top home entertainment activity across our whole respondent group, followed by listening to music, browsing social media, and watching a paid TV/movie subscription service. There were, however, generational differences that demonstrate the shift towards digital entertainment in younger generations. Listening to radio was the second highest activity for Boomers and Matures, while not even featuring on the top activities for Gen Z, Millennials or Gen X. The reverse was true for browsing social media, which was a top activity across Gen Z, Millennials and Gen X, but not for Boomers or Matures. Matures were also the only generation that did not have watching TV/movie streaming services as one of their top activities.

2020 was a year of digital acceleration for many industries, and media and entertainment was no exception. While digital entertainment subscription services have been on a continued growth trajectory for some time, the COVID-19 lockdown effect cemented their place in our households – 80% of our respondents' households have a paid digital entertainment subscription of some sort, with an average monthly spend of $55. However, the average 'target' budget for respondents with subscription services was 10% less at $50. Despite indicating a possible desire to tighten spend, the numbers show the firm place subscriptions have in the household budget, particularly in a year when so many have suffered from a loss of income. TV/movie services are the most popular and experienced huge growth this year, with 70% of all respondents having at least one in their household compared with 55% in 2020. This was followed by music (26%), sport (18%) and pay TV (18%).

The younger generations are the heaviest subscribers, and Gen Z and Millennials are the biggest subscription services users – 95% of all Gen Z have at least one paid digital entertainment subscription service, closely followed by 93% of Millennials – and their appetite for entertainment options has grown, with 60% of both Gen Z and Millennials having more subscriptions now than a year ago. Eighty-nine per cent of Gen Z have a TV/movie service, followed by 86% of Millennials, and 57% of Gen Z have a music service, followed by 40% of Millennials.

Although only 6% of total respondents have a paid gaming subscription, 15% of Gen Z do. The size of the subscriber audiences here indicates that there is little room to attract new subscription audiences in the younger generations. They are heavy users, so the focus for these generations should be on retention, switching, and adding additional subscriptions.

The older generations may still have room for new subscriber audience growth. While 80% of Gen X have at least one subscription service, only 64% of Boomers and 61% of Matures do. They also haven't had the same subscription boom in the last 12 months as the younger generations, with only 13% of Matures, 20% of Boomers and 44% of Gen X saying they have more subscription services than a year ago. However, Boomers and Matures also have the greatest disparity between their target monthly household entertainment subscription budget and their actual spend. Matures are spending $63 a month, compared to their target budget of $54, while Boomers are spending $58, compared to their target of $50. The difference of $9 and $8 respectively roughly equates to the monthly cost of one typical subscription – which could indicate less appetite in these audiences for adding additional services.

Ever-evolving entertainment ecosystems

Interestingly, while the number of digital entertainment services continues to grow, we are also seeing increased convergence and consolidation in service providers and content types. Traditional entertainment providers are expanding into streaming services, streaming services are diversifying their content, and adjacent industries, such as telecommunications, continue to invest in entertainment to drive their own audience agendas.

An early example of this was in telcotainment with players such as Telstra and Optus investing heavily in media and entertainment to support core offerings and differentiate their services from competitors. The concept of bundling entertainment services with mobile and broadband plans still resounds strongly with audiences: one in three respondents have entertainment services bundled with their mobile or broadband plan, and 67% of those with a telcotainment bundle say it was a major factor in purchasing their plan. Forty-two per cent of those with telcotainment bundles have at least one TV/movie service bundled, 32% have at least one music service, and 25% have at least one sport service. Bundles with set-top aggregation boxes, such as Fetch and Telstra TV, were also common (25%), and 16% of bundles included Foxtel. Telcotainment bundles are particularly prevalent with Gen Z (46% have one) and Millennials (42% have one).

It continues to resound as a retention tool too, with 75% of those with a telcotainment bundle saying it is a major factor in staying with the service – a figure consistent with the last time we asked this question in 2019. It's a good deal for the services too, driving up subscriber numbers with intended loyalty; 65% of people say they intend to continue their subscription after the bundle runs out.

Gen X is the biggest fan of the telcotainment bundle – 75% say it was a factor in purchasing their mobile/ broadband plan, and 81% say it makes them more likely to stay with their provider. The proliferation of these types of bundles has, however, raised audience expectations – 71% expect their telco service to come with some form of entertainment service, and that was highest for Gen X, with 77% expecting a telcotainment bundle.

One in three respondents have entertainment services bundled with their mobile or broadband plan, and **67%** of those with a telcotainment bundle say it was a major factor in purchasing their plan.

Ever-evolving entertainment ecosystems *(continued)*

In recent years, we have also seen convergence in the pay TV space, with subscription streaming services offered as both an online extension of traditional subscriptions as well as standalone offerings. Services like Foxtel Go and Foxtel Now serve as over-the-top streaming access to 'traditional' Foxtel services. We have also seen Netflix become readily available on Foxtel set-top boxes, and 2020 saw the launch of Binge, Foxtel's separately branded and sold TV/movies streaming service. This is in addition to Kayo, Foxtel's similarly separately branded sports service. With 71% of pay TV audiences also holding a TV/movie streaming service subscription, and 25% also holding a sports streaming subscription, our survey backs up that this convergence is a logical move. The combination of traditional pay TV and newer streaming services gives Foxtel a stronger entertainment ecosystem to attract new audiences and cross-sell once they are on board.

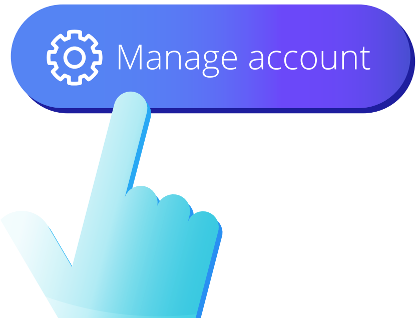
Foxtel isn't the only one expanding their ecosystem to reach new audiences and leverage existing ones. This year Stan launched Stan Sport; its add-on sport streaming service that costs an additional $10 to add to an existing Stan subscription. With 18% of respondents having a Stan subscription, and 4% having a Stan Sport subscription, there seems plenty of growth opportunity for both services. Of course Stan is owned by Nine, whose 9Now broadcast video-on-demand (BVOD) service and Nine Publishing news properties provide plenty of future cross-promotion and convergence potential across the ecosystem. It's a model Channel 10 will no doubt be watching closely with the recent launch of Paramount+ in Australia, replacing the 10 All Access service and providing a stablemate to their 10 Play BVOD service.

The digital giants also have their own entertainment ecosystems. Amazon has Amazon Prime Video service, an entertainment offer that began as a key driver of their premium membership proposition but is very much seen as a standalone subscription TV/movie service in Australia – 29% of respondents with a TV/movie streaming service have an Amazon Prime Video subscription. Amazon Channels also provides an aggregation and single-billing platform for a number of different entertainment services. Google shifted their focus some time ago from having their own streaming services to instead purchasing YouTube. They also have their Google Chromecast technology – their Android TV operating system – and rumours abound that they are working on an entertainment service aggregation product. Apple, of course, is no stranger to this space. Their streaming service Apple TV+ was added to their ecosystem of devices, music services and their own Apple TV set-top box – not to mention their app store in which all major third-party entertainment apps are available. There has also been recent news of TV/movie subscription powerhouse Netflix diversifying into gaming content.

This is likely just the beginning of the era of ecosystems in the digital entertainment space, driven by growth opportunities and economies of scale, but also by audience frustrations stemming from the fragmentation of content. Never have we had so much content at our fingertips and never has the audience experience been so complex.

Audience experience: agitated or aggregated?

As every new service enters the market, the audience experience (AudX) gets a little more complicated. Different accounts and logins, increased expenditure, the shifting of content from one service to another, separate apps to navigate, and disjointed journeys between services are just some of the experience challenges audiences are facing. This perfect storm of audience needs and frustrations, together with increasing consolidation and ecosystem plays in the entertainment services space, means that the opportunity to win on AudX and lead the way to a seamless aggregation experience is still very much up for grabs.



There is a clear desire for a more unified experience. Only 14% of respondents say they're not interested in being able to subscribe to 'bundles' of streaming services from one account or service. Sixty-one per cent of respondents want to search and discover content across all their services in one place, and when it came to knowing what content is available on which TV/movie streaming service, only 26% did *not* find it hard. Amazon, Apple, and Google, with their huge reach and dual service and device plays, are the natural contenders to solve these audience challenges. All have evolving aggregation products and features, such as universal search and some unified billing options, that go some way to creating a smoother experience for audiences. Telcos have proven their interest in stepping into the space too. Telstra has taken a device-centred and content-led aggregation approach, going beyond the simple app-based user interface to create a unified content experience, however, each user still needs to watch video within the app of each service itself.

Optus has recently announced their Sub Hub service which builds on their Fetch TV and Optus Sport propositions, and aggregates their customers' subscriptions into one management portal; but still, at least for the time being, actually watching the content available across multiple services requires the user to go into each individual service's app. This as-yet-elusive element of the AudX will be key to unlocking a truly seamless experience for users of multiple services.

Sixty-one per cent of respondents want to search and discover content across all their services in one place, and when it came to knowing what content is available on which TV/movie streaming service, **only 26% did *not* find it hard.**

Audience experience: agitated or aggregated? *(continued)*

Pay TV also remains well positioned to have a real impact in the AudX space. As a traditional aggregator of entertainment content it is a natural fit to fulfil this new aggregation role – at the heart of the proposition is the seamless experience of moving between different content channels. With Netflix already available on Foxtel set-top boxes, it's not hard to imagine an experience where audiences can access and move effortlessly between streaming services in the same way that they move between channels. It is only a small leap from the traditional model of bundled linear channels within an aggregated AudX and single point of billing and management, to a new model of digital streaming and BVOD services within a new type of aggregated AudX.

When asked about their preferred option of purchasing pay TV in the future, one quarter of respondents chose to subscribe to a mix of pay TV channels and streaming services from the one account – the top answer. This was even higher with Gen Z and Millennials, where a third agreed this was their preferred way. And with 'subscribing to a TV/movie or sports streaming service' the top reason for cancelling a pay TV service, fully embracing the streaming world and taking a starring aggregation role in AudX could be an astute move.

The bottom line

As the number of services grow, so too does the complexity for audiences. The entertainment providers that are consolidating their services into larger ecosystems will be best positioned to retain and cross-sell to audiences, but the battle will be won or lost on audience experience as aggregation takes a starring role.

Show me the money

Taking an audience value management approach

When it comes to digital subscription services, Australia was late to the party. Netflix was the first global subscription video-on-demand (SVOD) service to launch locally – eight years after the US – and Australia's local Spotify launch was six years behind the leaders. That hasn't limited the nation's hunger for digital content though. Seventy-nine per cent of survey respondents claimed to have at least one paid digital entertainment subscription – 2.3 subscriptions is the average. SVOD is the most prevalent, held by 70% of respondents, followed by music at 26%. Other content subscriptions are less prevalent, with sport at 18%, gaming at 6% and news at 4%.

Years	SVOD household penetration
2018	43%
2019	53%
2020	55%
2021	70%

SVOD penetration has experienced its largest growth in more than three years as appetite for digital entertainment at home continues to increase. Consumers still show interest in adopting additional services to meet their content needs, but there is a ceiling to how many unique services consumers are willing to amass. Switching between services is becoming prevalent; 34% of respondents have switched from one service to another in the past. The expanding number of services and fragmentation in each content type, particularly in TV/movies, also means constant competition for subscribers; easy-to-switch subscriptions and similar price points make it simple for people to chase whatever content they are after that month, with limited loyalty to the service itself. It's little surprise then that we are beginning to see a shift from focusing primarily on acquisition of new subscribers to a more holistic goal of audience value management (AudVM): offering more value to, and extracting more value from, existing audiences.

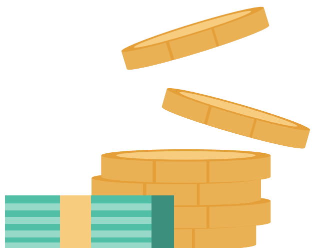
Those best placed to win in this space will have an entertainment ecosystem of multiple types of services and offerings which allow audiences to move between content types and revenue models.

Subscription revenue, advertising revenue – both video and digital media – premium content and add-ons, cross-promotions and subscription upgrades are all part of a bigger toolbox that can be drawn on for both retention and increasing revenue per user. In Australia, Nine and Foxtel are great examples of this, both with various services across different content types using multiple revenue models. Likewise, Optus and Telstra have ecosystems that go beyond entertainment to create value in their traditional mobile and broadband space too, cross promoting and leveraging the different products and services as both a retention tool and revenue driver. Our survey indicates that telcotainment bundles are a huge acquisition driver for telcos, with 58% of respondents saying a TV/movie service would influence their decision on which telco to use, followed by sport (19%) and music (14%).

As the digital entertainment market matures and the pool of potential new consumers shrinks, effective audience value management will be critical, requiring careful consideration of multiple revenue opportunities across both subscription propositions and advertising.

Subscriptions feel the churn

While entertainment subscriptions have been household staples in the last 18 months, we may well see a decline in spending as lockdowns reduce and other entertainment options open again. On average, respondents already feel they spend ~10% above their monthly entertainment subscription budget, with Matures feeling the pinch at 15% above their targeted spend per month. The potential impact of this is not limited to only one type of service; 60% of respondents view their entertainment subscriptions as part of an overall household subscription budget, and the main reasons respondents cancel a subscription is that they either want to save money (27%), or don't use the subscription enough to justify the expense (20%).



SVOD household penetration reached 70% amongst respondents in 2021 (our highest on record). But the easy-come, easy-go nature of subscriptions makes churn a constant challenge, with 71% of respondents indicating they have previously cancelled a service. The flippant nature of subscribers becomes even more apparent looking at users who have re-churned (i.e. cancelled a service before subsequently joining again). Overall, 27% of respondents have cancelled an entertainment subscription before joining again. Younger generations are more likely to 're-churn' to a service, with 44% of Gen Z and 39% of Millennials indicating they have cancelled a subscription service before signing up again.

However, only 6% of matures have cancelled a subscription before re-joining, suggesting a high level of stickiness, or potentially a dissonance to unsubscribe. While their total audience share may be smaller in some subscription services, older audiences could prove valuable considering their lower propensity to cancel a subscription, compared to the 'swipe right' generation always seeking an alternative just around the corner.

	Monthly spend	Monthly target	Overspend %
Overall	$54.99	$50.53	+9%
Gen Z	$49.41	$45.41	+9%
Millennials	$56.25	$52.75	+7%
Gen X	$53.31	$49.37	+8%
Boomers	$57.57	$50.32	+14%
Matures	$62.65	$54.32	+15%

Subscriptions feel the churn *(continued)*

In the crowded TV/movies subscription space, our survey shows that Netflix has the highest re-churn rate out of all TV/movie services (12%), which is more than triple the next highest (Disney+ and Amazon Prime Video, both at 4%). In fact, TV/movie subscription services occupy the five highest re-churn rates from all respondents, highlighting the combative nature of exclusive content hunting and hyper-aware users who understand their binge-worthy moment is just a subscription hop, skip and a jump away. It also reflects the need for multiple services to keep up with the increasing fragmentation of content, which is evident when comparing year on year market share of active SVOD subscribers.

Subscription type	Average tenure length (years)
TV/movies	2.2
Music	2.4
Sport	1.6

As consumers experiment more across streaming services the dynamics of subscriber tenure will become more complex. While churn and re-churn behaviours are still relatively low, current tenures are driven primarily by how long a given service has been in market. Currently music streaming has the longest average subscriber tenure at 2.4 years, reflecting the lower number of competing services and the duration in which dominant offerings have been in market. In spite of the many new SVOD service launches over recent years, the average tenure of TV/Movie subscribers is still relatively high at 2.2 years. This was boosted by the fact Netflix still dominants the share of subscribers in Australia, with 87% of all SVOD subscribers holding a Netflix account.

Sport streaming services sit some way behind at 1.6 years, which is mostly due to the fact that these are more recent to the market. As consumers are forced to make trade-offs across a greater number of services, particularly in SVOD and Sport, we expect their perspective on tenure to become markedly more important in the coming years.

Advertising in the age of VOD

The dawn of the SVOD century was hailed as an entertainment revolution that squarely put power back in the user's hands. Subscribers paid a recurring monthly fee in exchange for a broad content catalogue with the power to watch what they wanted, when they wanted, where they wanted. And the kicker? No advertising.

This disruptive business model changed the face of the entertainment landscape, and the triumph of SVOD paved the way for subscription revenue models across all forms of media and entertainment services. But despite the spotlight on subscriptions, advertising remains a critical revenue stream and services providers are exploring new ways to maximise advertising revenue as part of a broader revenue model, while also dealing with increasing advertising intolerance.

Traditional broadcasters are being forced to rethink their commercial revenue strategy as viewing shifts from free-to-air linear television to BVOD, bringing digital broadcasting closer to SVOD in audience's minds and in the experience itself. Even when the distinction is clear between a paid advertising-free SVOD service and an advertising-funded BVOD service, how do you advertise to digitally savvy audiences who are notorious for not only ad avoidance and/or skipping but who will actively block them through third-party ad blockers?

Free-to-air TV ads remain the strongest to influence buyer decisions, with 17% of respondents indicating they are highly likely to engage with advertising on television. But as Free-to-air viewing shifts from live television to BVOD on devices, particularly for younger generations, willingness to engage with advertisements may be a challenge. Respondents were not enthusiastic about engaging with advertisements on smartphones (20%) or laptops (12%). The younger generations are more amenable though, likely due to being digital natives. Gen Z is most likely to engage with ads on smartphones (40% of respondents), compared to television (20%) and laptops (20%), and 15% of Gen Z indicated location-based mobile adverts influence them, compared to only 1% of Matures.

The most successful BVOD advertising takes a tailored approach, using personal data and browsing history to target advertising in the same way that digital media does. However, there is a significant barrier to data-driven ad targeting: third party ad-blocking software. Twenty-eight per cent of overall respondents indicate they use third-party ad-blockers, and it is highest in the younger generations where 41% of Gen Z and 35% of Millennials use them.

As awareness around the use of personal data in advertising targeting has grown, and the desire for digital privacy has increased, so too has the availability of tools to help users manage this themselves. Apple's iOS 14.5 update was perhaps the most talked about recent example, requiring apps to ask permission from users before tracking their movements online, with a recent global study suggesting the opt-in rate sits between 5%-15%.[1] The value-trade off of a more personalised experience in exchange for using data does still resound with some audiences – only 20% of Gen Z and 26% of Millennials were not comfortable exchanging personal information for a tailored experience, compared to 60% of Boomers and 69% of Matures who were not interested in the value exchange.

1 Jared Newman, 'Most people are embracing iOS 14.5's new anti-tracking features', Fast Company, 5 July 2021

Advertising in the age of VOD *(continued)*

As broadcasters navigate the digital maze of ad blocking, ad-skipping, and digital privacy, SVOD providers are also looking to diversify their business model to supplement subscriptions with advertising and sponsorship revenue streams. Whilst SVOD providers should be wary of pushing these to subscribers who pay a monthly premium to avoid advertisements, there may be a half-way opportunity to offer a discounted subscription in exchange for advertisements. Overall, 47% of respondents indicated they would be willing to view advertising in exchange for a 30% discount on their subscription. The younger generations are particular amenable, with 56% of Millennials and 54% of Gen Z willing to expose themselves to commercial messages compared to only 18% of Matures. This model is an evolution to the 'freemium' offer of services such as Spotify, which offer ad-funded models as a free or cheaper alternative to an ad-free paid subscription version.

Advertising revenue will continue to be a critical revenue stream for both individual services and entertainment ecosystems, providing a valuable supplement to subscriptions. However, striking the right balance in the use of personal data, and targeting the right demographics on the right devices will be critical. And let's not forget the power of ad-avoidance in driving audiences towards lucrative subscription revenue; for some particularly intolerant audiences, an ad-free alternative to an advertising-heavy offering may be the best subscription acquisition tool.

47% willing to view advertising in exchange for a **30% discount** on SVOD subscriptions.

The bottom line

As the content landscape becomes increasingly fragmented, providers need to think beyond the switching wars and consider a holistic audience value management approach to reduce churn and maximise existing subscriber value. Those best placed to win in this space will have an entertainment ecosystem of multiple types of services and offerings which allow audiences to move between content types and revenue models, with innovative subscription and advertising revenue likely to remain the two primary revenue sources.

News, sport and whether to pay: a deep dive

News: tapping into digital subscription natives

The events of 2020 and 2021 have made news content a household staple, but the same challenges in creating sustainable digital revenue models that complement advertising remain. With subscriptions critical to this revenue ecosystem, who should news services focus on to grow subscribers, and what are the key drivers for signing up and remaining subscribed?

With such a big news year, it's unsurprising that 96% of respondents say they consume news, but the *way* we consume continues to evolve by generation. TV remains the most frequently used news source for Matures, Boomers and Gen X (selected by 66%, 62% and 44% respectively), but younger generations are split more evenly across sources with social media sites leading the way (29% of Millenials and 40% of Gen Z).

The largest subscriber opportunity is likely to be with the younger generations: 53% of Millennials and 55% of Gen Z respondents indicated they would pay for online news content, and when asked how much, 40% of Millennials and 38% of Gen Z respondents indicated up to $10 per month. This propensity to pay may be due to these generations being almost 'digital subscription natives', with subscription entertainment so abundant for them that virtually every Gen Z and Millennial respondent (95% and 93% respectively) have at least one paid entertainment subscription service. On the other hand, the more traditional advertising models will likely continue to suit the older generations who prefer to access their news on television and are the least likely to pay for online news content (87% of Matures, 73% of Boomers, and 60% of Gen X said that they would not pay for online news content).

Striking a balance between paid content behind 'paywalls' and free advertising-driven content in front of them is critical to converting audiences to a paid subscription model, and simply having an ad-free version of content is unlikely to have a major impact. Unlike TV/movies and music services where the attraction of no advertising is a major paid subscription driver (51% and 43% respectively), only 32% of respondents would rather pay for news and magazines online in exchange for not being exposed to advertisements. So while advertising avoidance remains a major consideration, it is not the sole factor in attracting a paid subscriber base.

When it comes to news paywalls there is a strong expectation on what type of content should remain free, with 76% of respondents believing breaking news, matters of urgent national importance (49%), and weather (48%) – their top three choices – should always be free. This content lends itself to being used in a 'freemium' model – sitting in front of a paywall and encouraging subscribers to explore other content behind the paywall.

News: tapping into digital subscription natives *(continued)*

The approach taken by many online news services to provide access to free COVID-19-related content in front of a paywall did make younger respondents more likely to subscribe to paid news content (35% of Gen X, 42% of Millennials, 31% of Gen Z). However, Matures (11%) and Boomers (15%) were less swayed. The challenge of balancing which content should be free versus behind a paywall in the hope of converting free users to paid subscribers isn't limited to a news service's website or product. 2020 also saw the big digital players, including Facebook, negotiating deals to pay Australian news providers for news, providing a continuing foundation from which to further grow audiences. Using free content on social media reaches large audiences who can then be drawn to subscription-based content on services.

Trust in the news source and quality of news content continue to be major factors in enticing paid news subscribers. The last 18 months have further heightened our expectations on trust and quality of news content across all generations, with 56% of respondents saying they value trusted news sources more highly than before the pandemic. This was even higher for the potentially lucrative Millennial and Gen Z target markets.

Sixty-three per cent of Millennials and 57% of Gen Z also say they value trusted news sources more highly following last year's COVID-19 coverage than before, and when asked what would make them pay for news, Gen Z and Millennials ranked 'higher quality of news content' and 'trust in the news source' as their two top influences. Interestingly, despite the heightened expectation on trust and quality, only 26% of respondents used paid news/newspaper sites more during the pandemic.

Concern over fake news continues across generations, with 64% of all respondents concerned about the validity and reliability of the news in their newsfeeds. But social media continues to be a major source of news, particularly for younger generations, even though 67% of Millennials and 66% of Gen Z are concerned about fake news in their newsfeed. Fifty-four per cent of Gen Z, 41% of Millennials, and 27% of Gen X use social media as their most frequently used way to get news, and keeping up to date with news is a primary reason for Millennials (65%) and Gen Z (63%) to use social media. It suggests that tapping into these audiences through social media by placing a focus on trust and quality could provide a pleasing result revenue-wise.

The bottom line

News content currently holds only a small piece of the subscription pie but there is significant potential for growth, particularly in the younger 'digital subscription native' audiences. Key to this will be striking the right balance of content behind and in front of paywalls, leveraging social media and focusing on quality and trusted content.

Sport: shifting the goal posts

Sport has continued to show its resilience in the face of extended disruption this year – reinforcing what fans love about the content and stimulating more novel experiments that will shape the future of the genre. The success of the year's two largest events, Euro 2020 and Tokyo 2020 Olympics (both postponed), has proven the lure of mass event formats in today's fragmented and distracted media landscape.

Both had record levels of engagement in Australia, primarily through viewers embracing digital streaming, which gave them greater control of how they consume sporting content. Channel 7 delivered 45 dedicated channels on 7plus to cover the full breadth of the Olympics schedule through the app, attracting 4.6 billion viewer minutes and growing its user base by more than 40 per cent in two weeks.[1] Engagement levels for the Olympics were buoyed by a number of factors, including enforcement of lockdowns across much of Australia, a favourable time zone and the successful performance of the Australian team. Conversely, Euro 2020 didn't benefit from these factors but also drove extraordinary success, achieving what is believed to be the largest ever audience for a non-broadcast event with 900,000 tuning in to the final via the Optus Sport app.[2] As the balance of consumption transitions to digital platforms we expect to see an acceleration in how sport broadcasters and other content creators experiment with innovative new features and offerings.

Sport continues to appeal to a large number of Australians thanks to this evolving consumption landscape, with 72% of respondents watching sport in some capacity. Fifty-five per cent watch sport at least weekly, and 18% consume more than six hours of sport content per week. Time spent watching sport is broadly consistent across generations, but the way in which different age groups engage with sporting content varies substantially. Younger generations are more willing to sacrifice screen size for flexibility and accessibility of personal devices. When considering their top three most used devices for watching sport, Gen Z's favoured device is the smartphone (58%), ahead of free-to-air TV (48%). Millennials are almost perfectly inverse to Gen Z; they still prefer free-to-air TV (58%) ahead of smartphones (47%). This is starkly different in older generations where free-to-air TV is king, at 78% for Gen X and 92% for Boomers.

This generational divide extends to the services we choose to access sport content on. The number and popularity of dedicated sport streaming services continues to grow, 18% of respondents now hold a paid sport streaming service, including Kayo, Optus Sport and Stan Sport. This growth is being driven by younger generations embracing a new way to experience live and on-demand sport, with adoption rates in Millennials (25%) and Gen Z (20%) well above other generations.

These dedicated streaming services offer a more flexible platform for UX innovation and content integration, enriching the sport consumption experience. Optus Sport is seeking to engage its user base more deeply beyond video coverage through a partnership with *The Athletic* that will integrate long-from written articles directly into the app.[3] Kayo has adopted a tiered access model through Freebies, expending accessibility beyond the traditional 'all or nothing' paywall. Twitch has also brought its market-leading social and interactive viewing experience to Australian sport through the NBL, embracing the platform's rich feature set, including live player predictions, commentator co-streaming and live chat. As these streaming services mature, we expect to see a greater focus on innovative fan experiences to increase engagement and subscriber stickiness.

1 Zoe Samios, 'Olympics bet a surprise winner for Seven', Sydney Morning Herald, 8 August 2021
2 Media Week, 'Optus Sport reveals record crowd watches streamed Euro 2020 Italy v England final', 21 July 2021
3 David Weiner, 'Optus Sport launches News and Articles section, with free access to content from The Athletic', 14 August 2021

Sport: shifting the goal posts *(continued)*

The availability of live sport across free-to-air TV hasn't dampened willingness to pay for content, 44% of respondents expressed they would be happy to pay for sport and 17% would pay more than $20 per month, reflecting the price range of most dedicated sport services available locally. This is led by Millennials with 58% willing to pay for sport and 26% saying they would pay more than $20 per month. Interestingly, it is breadth of sport access that drives this appetite to pay rather than any single sport. 'Access to a large range of sport content' is the most influential factor convincing fans to subscribe, with 63% placing it in their top three reasons.

By comparison 58% are influenced by a 'specific sport that is only available on that service'. Achieving this breadth becomes a particularly interesting challenge as Australian sport rights become more fragmented with new services entering and existing offerings expanding their coverage. Avoiding ads to experience uninterrupted live action continues to be a major driver of subscription as well, it stands as the equal second most prevalent factor with 58% of respondents placing it in their top three reasons to pay.

Sport is a powerful tool to attract subscribers and keep them sticky. When considering the top three reasons consumers retain their pay TV subscription, watching sport remains the most prevalent factor – selected by 51% of respondents. It has proven a critical contributor as a bolt-on service to Optus for some time now and has become an important pillar of Stan (rugby, Wimbledon, Champions League) and Amazon Prime Video (swimming) in recent years.

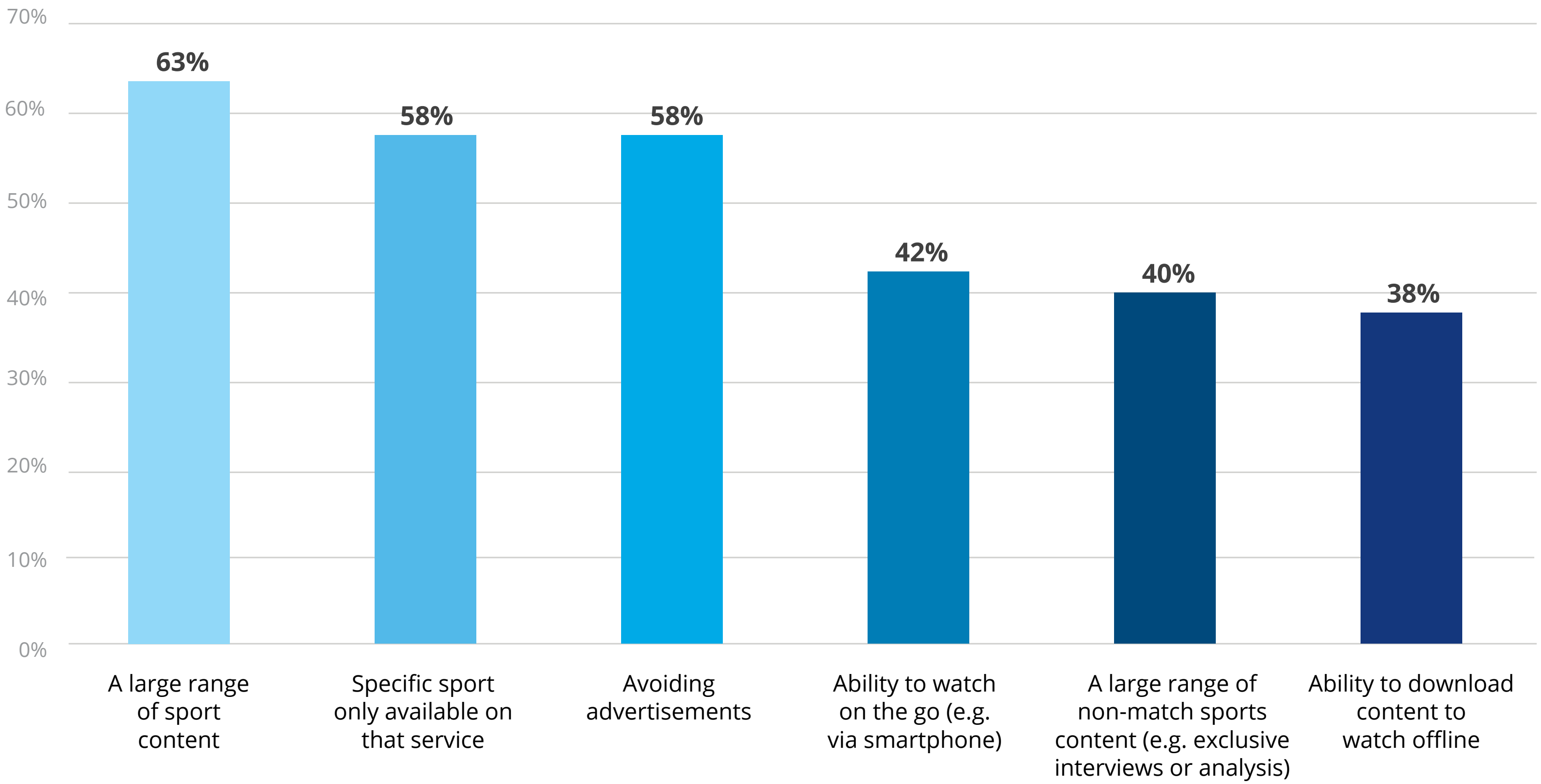
As new players enter the market and the competition for global sporting rights heats up, sports fans will be forced into value trade-offs as the cost of subscription stacking increases. Currently, cost is the main reason sport subscribers cancel, with 67% of respondents rating it in their top three factors for cancellation. Replacing with free-to-air coverage was the second most prevalent reason (58%), well ahead of switching to a competing service (32%). Experimentation with competing sport offerings is still in its early stages, and the evolution of consumer choices across Kayo, Stan Sport, Optus Sport, and other emerging offerings will prove interesting in coming years as these services and digital consumption behaviours mature.

The bottom line

Engagement with sport leagues, teams, and events extends far beyond video streaming and digital content, but it appears that Australia is on the cusp of a digital sporting content revolution. The increased distribution of sporting rights and open embrace of feature-rich platforms by both providers and consumers over the past year has set the scene for accelerated innovation and audience experience.

Sport: shifting the goal posts *(continued)*

Reasons for cancelling or switching paid sports streaming services



Free-to-air TV: where are you getting yours?

Free-to-air TV continues to play a huge role in the broadening Australian media and entertainment landscape, and remains the overall top home entertainment activity, with 63% of respondents ranking it in their top three most frequent home entertainment activities – up from 51% in 2019. Free-to-air TV was substantially more popular among all respondents than music (45%), browsing social media (42%) and paid streaming TV/movie services (40%).

8.5 hours

average weekly consumption of free-to-air TV, **the highest of any video source.**

It's traditional relevance has been reinforced in the last 18 months, particularly with mass news and local broadcasting during COVID-19 lockdowns, floods and bushfires, as well as keeping sports audiences satisfied after paused sporting codes and empty stadiums… not to mention a welcome Tokyo 2020 Olympics in 2021. But free-to-air TV's future relevance lies in its expansion beyond the traditional notion of linear broadcast channels on a television. As BVOD becomes an ever-increasing part of the free-to-air proposition, it's clear that free-to-air will remain a critical part of media and entertainment ecosystems for both audiences and industry.

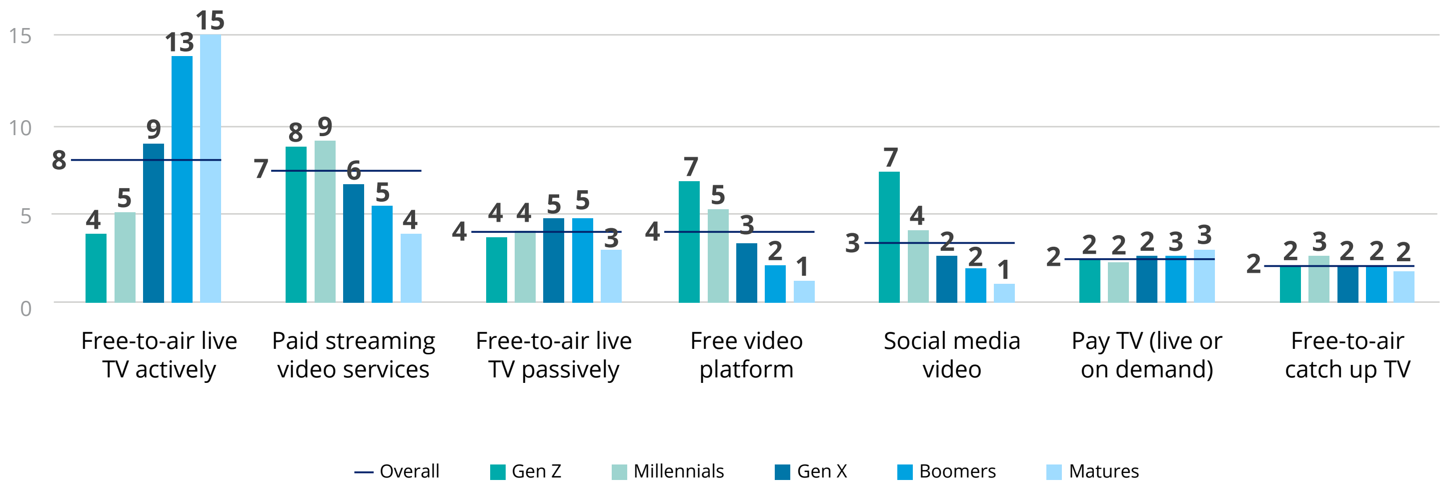
Watching live free-to-air TV was the top way of consuming video content across all respondents – who watched an average of 8.5 hours per week – likely driven by daily viewing of the events of 2020 and 2021. When you also consider hours spent watching TV passively in the background (an average of 4.2 hours per week) and hours spent viewing free-to-air catch-up BVOD services (a further 2.1 hours per week on average), the combined total of 14.8 hours per week signals the continued dominance free-to-air has with audiences.

However, there is a marked difference between older and younger audiences, and this generational shift demonstrates the changing notion and future opportunities for free-to-air TV, in entertainment ecosystems. While Matures and Boomers are the top active viewers of live free-to-air, Millennials and Gen Z consume slightly more free-to-air catch-up (BVOD) TV. Millennials and Gen Z are also the highest consumers of paid streaming service content, and Gen Z respondents watch almost the same amount of paid streaming video content as free-to-air content (9.4 hours per week combined free-to-air viewing, closely followed by 8.4 hours per week for paid SVOD).

The generational pattern extends to a shift in the devices that free-to-air is viewed on. Matures and Boomers almost exclusively watch live free-to-air on a television, at 100% and 95% of respondents respectively. However, younger audiences have more mixed viewing habits, with Millennials and Gen Z leading the way on laptop and mobile viewing: Millennials at 20% and 16% respectively, followed by Gen Z at 16% and 14% respectively.

Free-to-air TV: where are you getting yours? *(continued)*

Hours of video content viewed per week



The shift in viewing habits from younger audiences gives us a strong glimpse of how free-to-air TV has extended from the traditional notion of watching live channels on a television in our lounge room, to truly encompassing BVOD's on-demand catch-up content and live digitally broadcast channels. It also highlights the increasing appetite for free-to-air TV beyond the traditional television set, and for BVOD apps to extend this experience on smart TVs, smartphones, tablets, and browsers. Although 92% of overall respondents watch live free-to-air on a television, free-to-air viewing via devices is far less pervasive, with 13% of respondents watching live free-to-air on laptops and 10% using mobile phones.

Free-to-air TV *(continued)*

With its extended reach from both traditional and BVOD services, it is clear that free-to-air TV will continue to be critical in the entertainment landscape, both as a direct revenue source in a standalone offering, and as a part of an ecosystem play. As a direct revenue source, respondents are most willing to engage with free-to-air TV advertisements (46% ranking it as their top choice) and it was the top advertising influencer for all generations, except Gen Z, where social media platforms came out on top at 26%, compared to 14% for free-to-air TV ads.

But it is perhaps free-to-air TV's role in ecosystem plays that will be most interesting to watch in the near future. The separation of 'free' broadcast viewing from paid viewing is becoming smaller as broadcasters and entertainment services expand their ecosystems and look to move audiences more seamlessly between free and paid content.

13% of respondents watch live free-to-air TV on laptops and **10%** use mobile phones.

The bottom line

With free-to-air TV maintaining its long-standing dominance in people's lives and with its expansion into BVOD, there are plenty of opportunities to leverage free-to-air BVOD services alongside paid content. Ecosystem players can use this as a driver towards subscription and pay-per-view content to maximise value from audiences, but for this to work successfully they must ensure they get the audience experience right.

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