Deloitte.

# Media Consumer Survey 2016

Australian media and digital preferences

5th edition

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# Foreword

This report, our fifth edition of Deloitte's Media Consumer survey, provides a snapshot of how Australians are consuming different media and entertainment and how this has changed over time. As in previous years, we cover:

- How we like and what we use to be entertained;
- Our preferred technologies and devices;
- Our use of social networks and their influence; and
- How we are responding to advertising.

A key theme in this year's report is what we are calling the social hegemony – the rise and dominance of social media networks as entertainment destinations in their own right. We explore the ways in which social media is playing a central role in how we search for, discover, consume, and interact with media content.

We are seeing new content formats, streamed video and advertising seamlessly integrated in a social context, providing an immersive and frictionless media experience. This manifests in many ways including the broadcast of live sports on Twitter, integrated news feeds through Facebook instant articles, music streaming embedded into Twitter or the use of bots to deliver a 'conversational' two-way news experience. Social media is increasingly powerful in shaping our media consumption experiences.

This year, we are seeing the popularity of more immersive forms of content and media. Going to the movies saw an increase of 20% since last year, and although nascent, the arrival of virtual reality (VR) is upon us with the majority of respondents (58%) believing it will enhance their viewing experience. Video advertising or live streaming integrated into social platforms is the new norm.

At the same time, we seem to be becoming more engaged with the content that we consume – this year sees multi-tasking while watching TV remain at almost ubiquitous levels, but we are doing fewer additional activities at the same time. More of us are paying for the video content that we want – 22% of respondents pay for a subscription video on demand (SVOD) service and we pay more attention to content that we have paid for (70% of respondents agree they tend to pay closer attention to content that they have paid to watch). We would rather pay for TV shows than be distracted by ads (43% of respondents agree) and in news, where we *are* willing to pay for news online, it is because we value the in-depth analysis.

This year we have focused on the Millennial effect – the extent to which Millennials are shaping the future of media consumption.

There are many behaviours which are subsequently adopted by Xers, Boomers and even Matures. But there are key differences within the 'Millennials' demographic. Trailing Millennials (14-26 year-olds) are the true digital natives, observable in distinct behaviours such as higher adoption of streaming as a means for accessing TV content (used more than live programming), increased willingness to pay for all forms of digital content and more pronounced digital habits such as bingeing and multi-tasking.

Finally, we have taken the opportunity to look back at our first edition from 2012 to see how things have changed, something of a retrospective or #tbt:

- In 2012, 63% of survey respondents preferred entertainment activity was watching TV on any device, followed by using the internet for social and personal reasons (47%). Today these are neck and neck at 62% and 60% respectively.
- Live TV was the most preferred method of watching TV style content – and still is, despite the plethora of choices now available.
- Multi-tasking had just started its rise, with 60% of survey respondents doing so whilst watching TV. Today 88% of respondents multi-task.
- Basic mobile phone ownership (at 59% of survey respondents) outstripped smartphone ownership at 46%.
- The iPad had been in the market for less than two years and tablet ownership among survey participants was 13%, compared to 66% this year.
- 26% of respondents were 'digital omnivores', owing a smartphone, tablet and laptop. This year, 56% of survey respondents are now omnivorous!
- TV advertising was the most influential form of advertising (68% of respondents), followed by newspapers (53%) and 'online' advertising (47%). This year sees not only the category 'online' awash with sophisticated forms of digital advertising, but specifically, recommendations on social media have surpassed the influence of TV advertising for the first time.
- 28% of survey respondents were 'socialising online' (via social networking, chat rooms or message boards) as compared with 61% of respondents who now use social media every day. Social networking was then best considered as one dimension of user-generated content, rather than as a media destination or entertainment activity in its own right, as it has become today.

Our findings, as always, represent just a snapshot of how Australian consumers are responding to all things media and digital. The landscape continues to evolve quickly and it is often hard to keep up. We hope this year's report gives you some fresh insights and perspectives that will be relevant to you and your organisation in the year ahead.

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# Snapshot

## Entertainment

**#newnotnew** – Despite rapid change in the options for how we can interact with and consume media, some of our preferences for entertainment have not shifted dramatically. Watching TV on any device is still our preferred entertainment activity (62% of respondents rate it in their top three), just ahead of using the internet for social or personal interests at 60%. These two activities have held the top two spots over the last five years.

**Live or later?** – Live programming remains the most used method for consuming TV content – accounting for 42% of all respondents' total viewing time, down just slightly since last year (44% in 2015) and similar to the proportion of live programming viewing time in the US (44%).

The popularity of streamed programming in Australia is growing, accounting for 22% of our total TV viewing time (up from 18% in 2015). And watching streamed programming is now the number one method for consuming TV-like content for both Trailing and Leading Millennials (33% and 30% of total viewing time respectively).

**SVOD Wars: Episode I** – Twenty-two percent of respondents now have a SVOD subscription in their household, up from just 12% last year. In Australia, SVOD services are particularly popular with Millennials, with 36% of Trailing and 35% of Leading Millennials owning a SVOD subscription. Many subscribers are choosing to 'double-up' on SVOD, 18% of SVOD subscribers have more than one service, and 64% believe that they require more than one service to access all the content they want. Of single service subscribers, 19% are considering the cancellation of their subscription, while 11% are considering adding another service in the year ahead.

**Content connoisseurs** – Consumers are becoming more discerning with content and more comfortable with self-curation. The number of pay TV subscribers that would prefer to subscribe to individual TV shows has doubled this year to 19% (8% in 2015). Our bingeing habits are stable with 58% of total respondents doing so and SVOD services are popular to feed these bingeing habits too – 39% of SVOD subscribers binge, compared to 12% of non-subscribers.

**More but less** – Multi-tasking continues to be a common behaviour for the modern media consumer – 88% of survey respondents are doing so while watching their home television system, up from 85% last year. On average we're doing two additional activities and our most common multi-tasking activities are using a social network (27% of multi-taskers) followed by browsing the web (24% of multi-taskers) and text messaging (20%). Smartphones remain the multi-tasking device of choice, used by 58% of multi-taskers.

## Devices

**Device for another day** – Sixty-six percent of survey respondents are digital omnivores (owning a smartphone, tablet and laptop), up from 50% last year. Of these, Trailing Millennials are hooked on laptops with the highest laptop ownership of any generation (90%) and they value them more than any other age group. Laptops are now the preferred device to watch TV shows for 44% of Trailing Millennials (rather than TVs at 41%) and the time Trailing Millennials spend watching TV shows on their laptop (42% of total time) is now on par with time spent watching on a TV (43% of total time).

**Smartphones: still #1 in our hearts (and hands)** – Ownership of smartphones and laptops is neck and neck, each owned by 86% of Australian households. We value our smartphones more and more, with 67% of survey respondents ranking them amongst their top three devices, up from 58% last year and increasing 24% (CAGR) since 2012.

**Virtual reality is about to get real** – Fifty-eight percent of survey respondents believe VR will improve their media consumption experience. New to the market, just 4% of survey respondents currently own a VR headset in their household, but 1 in 10 survey respondents intend to buy one next year. This is on par with stated purchase intent for fitness bands and smart watches in their first year of release, which are fast becoming device staples.

**Wearables (finally) attach** – Twenty-one percent of households now own a fitness band (up from 13% last year) and 11% now own a smartwatch (up from 5%). Adoption is highest among Leading Millennials, of whom 38% own fitness bands and 20% own smartwatches. But development of stand-alone apps, more intuitive interfaces and integration with a broader range of connected devices will be critical for further adoption.

## Social media

**#trending across all ages** – Sixty-one percent of survey respondents engage with social media on a daily basis – up slightly since last year (59%) – placing Australian survey respondents' social usage on par with other surveyed consumers in the US (58%) and Norway (59%). Twenty-seven percent of social media users check their accounts four or more times a day and the fastest rates of growth in social media users over the past four years have been among Boomers (38% CAGR) and Matures (40% CAGR).

**Friends, followers or connections?** – Ninety-two percent of survey respondents who use social media are actively using Facebook and this is reflected across generations. Facebook has become the centre of our social (media) lives used to 'keep up' (in all senses). But younger generations are looking further than Facebook for their social media needs. The second and third most actively used social networks are Instagram (28%) and Twitter (24%), followed by Google+, Snapchat and LinkedIn (all at 18%). Snapchat and Instagram are predominately used by Millennials who are leading the shift to mobile focused and image based social networks or are seeking environments which have not been taken over by older generations.

**Being in the conversation** – The prevalence of products, brands, news and other media on social networks continues to grow. Fifty-one percent of survey respondents agree that companies' use of social networking sites has improved their perceptions of the company or brand, a positive sentiment that has grown by 5% (CAGR) over the past three years. Companies and brands have shifted from just being on social media to *being* social, for example through innovative use of personal messaging services and experimentation with new forms of direct broadcasting from within social platforms.

**The social destination** – Social media is now an entertainment activity in its own right. We spend 21% of our digital entertainment time consuming social media, which is even higher among women, who spend 25% of their digital entertainment time on social media compared with 17% for men.

Our entertainment and social network activities are inherently linked. The most common multi-tasking activity whilst watching our home television system is using a social network. We create, we comment, we post, we upload and we blog. And we watch – the new kid on the social block is live video, presenting social platforms as complements (or future alternatives) to both SVOD services and on demand free-to-air.

## News and Magazines

**The social news era** – The proportion of survey respondents using social media as their primary source of news has doubled to almost one in five respondents (18% this year, up from 9% in 2015). Social media's status as a trusted source of news has extended into what was once the preserve of venerable news brands, mastheads and bulletins. And whilst social is now *the* go-to place for news for Millennials (29% for Trailing and Leading collectively), the most significant change can be observed among Xers, 20% of whom now most frequently consume news through social media, up from 6% last year.

**Value in the back story** –The percentage of total households paying for news subscriptions has declined further to 17% (down from 21% last year) whereas the percentage paying for magazine subscriptions is stable at 14% (compared to 15% last year). Consumers are still reluctant to pay for online news subscriptions, with just 9% of respondents indicating that they are willing to do so. Where consumers *are* willing to pay for news online, the primary reason for doing so is 'in-depth news analysis' (indicated by 52% of those that are willing to pay), highlighting how news providers can continue to differentiate, as well as complement 'social-first' publishing.

## Advertising

**Winners and losers** – The influence of TV advertisements on purchase decisions has fallen for the first time in four years – 55% of respondents perceive them to have a high or medium influence, down from 63% last year.

Word of mouth is still the primary influencer on purchase decisions, with three quarters (76%) of survey respondents identifying recommendations from friends, family and acquaintances as having a high or medium influence on their buying decisions, followed by its digital equivalent – online reviews or recommendations from someone within an individual's social media circle (58%) – surpassing the influence of TV advertising for the first time.

**Search matures** – For Trailing and Leading Millennials, social advertising is the most influential form of all digital advertising, with 49% and 43% respectively, ranking it in their top three. Conversely, the generation most responsive to influence from search advertising is the Matures (ranked in the top three by 54% for sponsored and 51% for unsponsored search). Search's influence on buying decisions across other generations has been diminishing.

**Stop the ads** – Ad blocking software is used by 28% of survey respondents, allowing them to view content without advertisements (on par with the US and Norwegian markets both at 27%). In Australia, men are more likely to be using ad blocking software, used by 33%, compared to 24% of women. And across the different age groups, Trailing and Leading Millennials are the highest users of ad blockers, with 45% and 31% respectively using this software.

**The ad exchange** – Respondents are willing to pay for content online in exchange for not being exposed to ads, but this depends on the type of content. This willingness is highest for movies, where nearly half of the respondents are willing to pay (48%), followed by TV shows (43%), music (41%) and games (37%). Leading Millennials are the most willing to exchange payment for not being exposed to ads online, regardless of content type. Australian respondents were also less willing than in previous years to view advertising within their streamed video programming, even if it significantly reduced the cost of the subscription (50% this year, down from 58% in 2015).

# About this survey

## About Deloitte's Australian media usage and preferences survey

Focusing on four generations and five distinct age groups, the survey provides a snapshot of how consumers are interacting with media, entertainment and technologies and considers their preferences in the future.

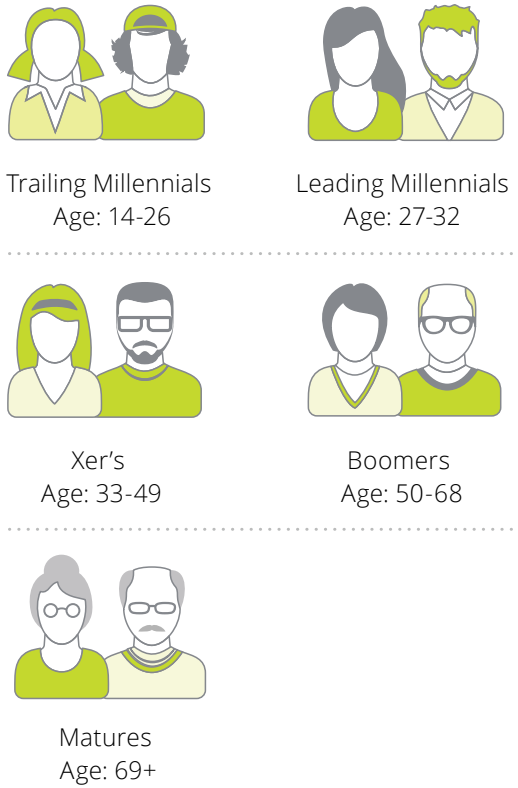
The report uses self-reported survey data and was undertaken by an independent research organisation in April 2016. The online survey was delivered in three countries, with more than 2000 consumers surveyed in Australia. The other participating international markets this year were the US and Norway, and we have included comparative data points throughout.

Some identical questions were asked across all geographies and age groups, with regionalisation to ensure local relevance. All data is weighted back to the most recent census data in each country.

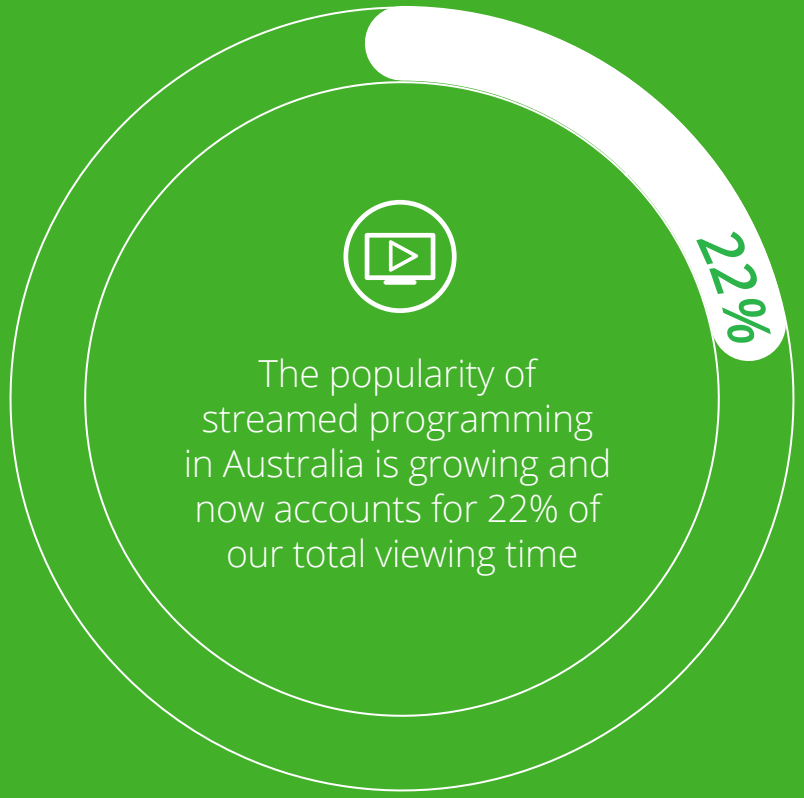
Each year the survey is run, new questions or response options are added, and some older questions or responses are removed – allowing us to reflect changes in media and entertainment consumption.

This is the fifth consecutive year of undertaking this research in Australia, and where possible, comparisons have been included to show how things have shifted over time. Where provided, growth rates reflect compound annual growth rates (CAGRs) over the relevant timeframe.

Figure 1. Survey participant age groups



# Entertainment




The popularity of streamed programming in Australia is growing and now accounts for 22% of our total viewing time

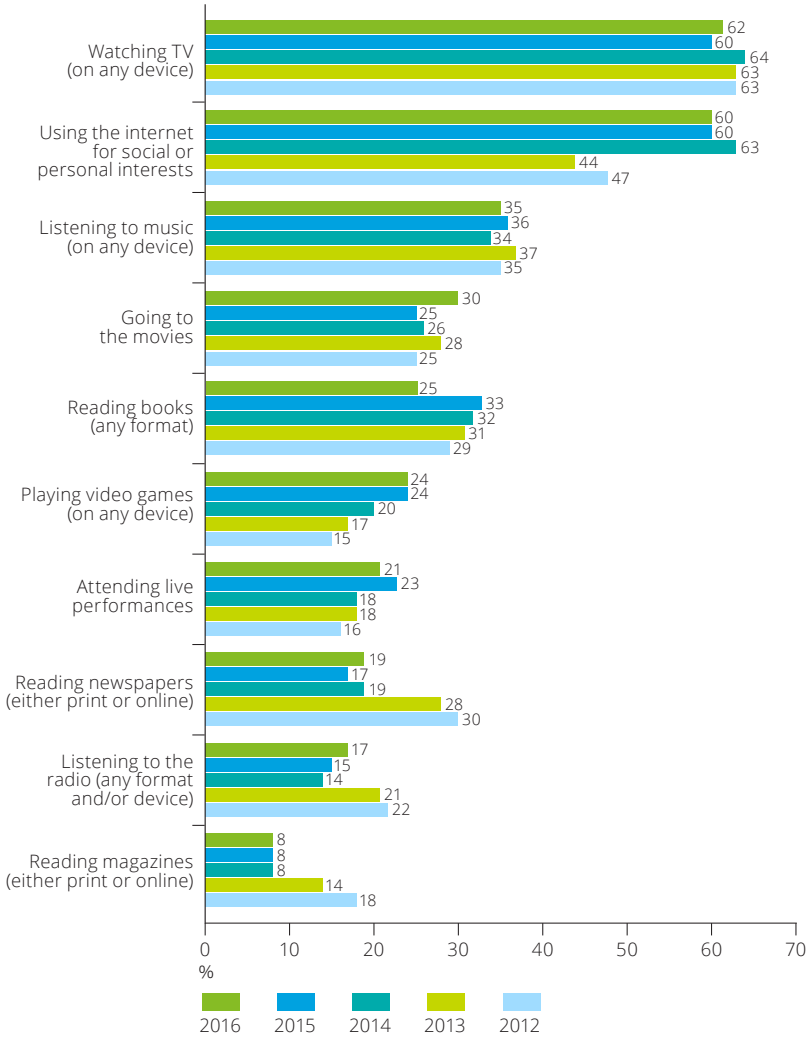
## #newnotnew

Ten years ago, the media conversation was all about convergence, primarily of devices. But in 2016, what we are experiencing can better be considered as a function of divergence. This is manifest in the multitude of devices available on which to consume content, the platforms used to distribute it, the myriad models to pay for it, the number of brands that shape our media experiences and the diversity of our changing consumption patterns.

But, despite rapid change in the options for how we interact with and consume media, some of our preferences for entertainment have not shifted dramatically. Watching TV on any device is still our preferred entertainment activity (62% of survey respondents rate it in their top three), just ahead of using the internet for social or personal interests at 60%. These two activities were equal first in 2015 and have held the top two spots over the last five years.

**Figure 2. Preferred entrainment activities**

*What are your preferred entertainment activities? (Please rank your top three)*



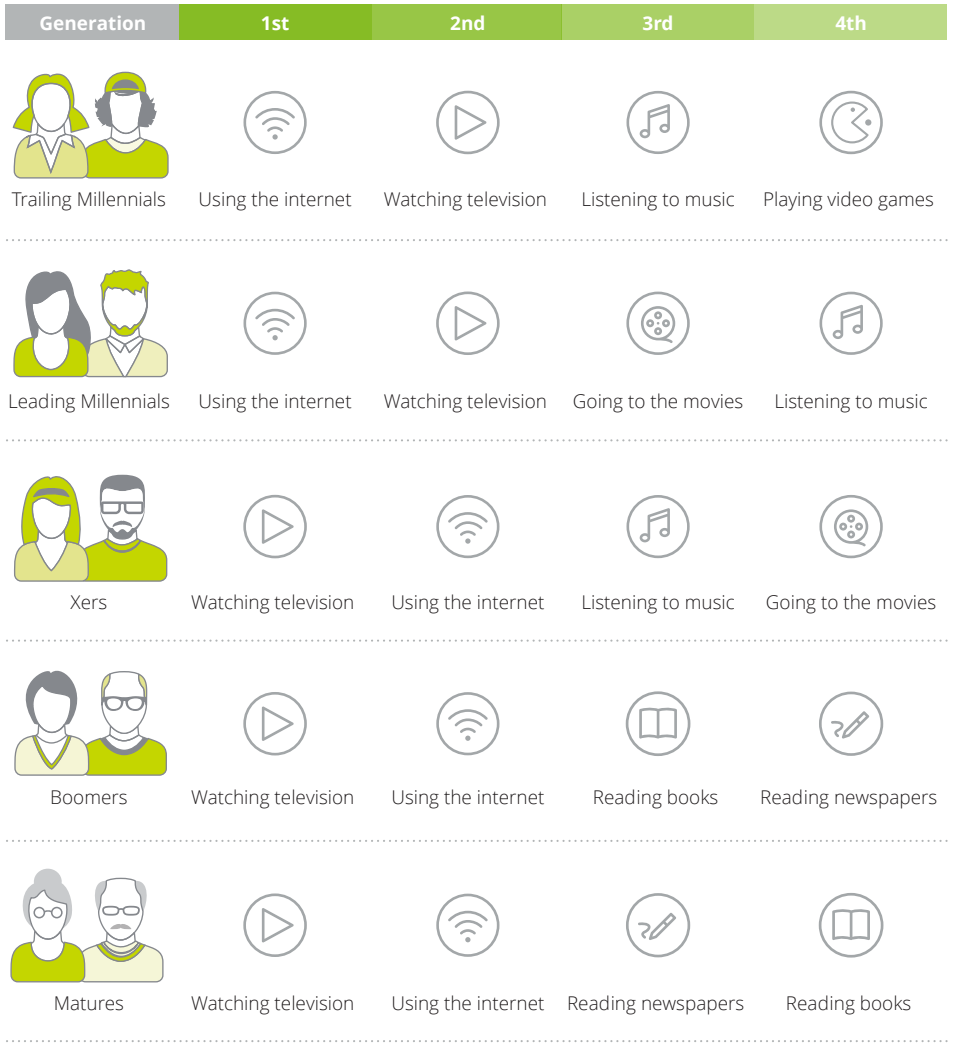
Playing video games, using the internet for social or personal interests and going to the cinema have seen the most growth over the past five years, with going to the movies this year's key mover, up 5% since last year. This is observed in box office earnings too, with $1.2b generated in 2015, setting an all-time record and up 14%[1] on 2014, much of it likely explained by the Star Wars effect.

Listening to music (35%), reading newspapers (19%), listening to the radio (17%) and reading magazines (8%) have all remained stable in terms of popularity over the past year.

From a generational perspective, using the internet reigns supreme for Millennials (both Trailing and Leading) and watching TV remains the preferred activity for all other generations. Millennials also favour listening to music, going to the movies and playing video games, preferences shared by Xers. Boomers and Matures still prefer more traditional entertainment activities, with reading books and newspapers rounding out the top four most preferred activities for both generations.

**Figure 3. Ranking of preferred sources of entertainment by generation**

*What are your preferred entertainment activities?*



## Live or later?

The increased adoption of platforms that allow us to watch TV shows and movies on-demand has not yet undermined the attraction and draw of live TV.

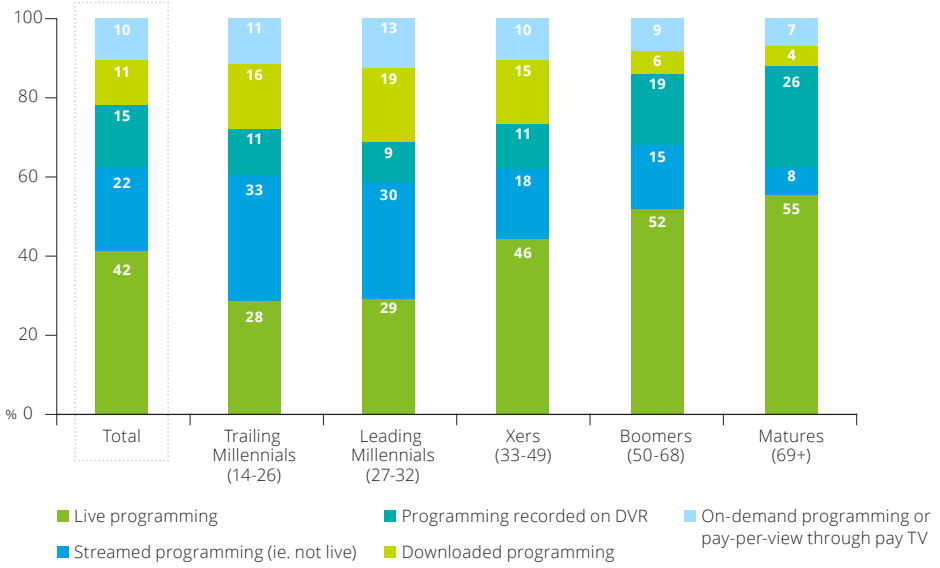
Live programming remains the most used method for consuming TV content – accounting for 42% of all respondents' total viewing time, down just slightly since last year (44% in 2015) and similar to the proportion of live programming viewing in the US (44%). The popularity of streamed programming in Australia is growing and now accounts for 22% of our total viewing time (up from 18% in 2015). This is also on par with the US (22%), where streaming services have been in market longer. The increased proportion of time spent watching streamed programming is at the expense of other on-demand formats rather than 'live', with downloaded programming impacted the most, declining to 11% in 2016 from 14% last year.

There is a clear generational divide in the choice to watch live via the schedule or on our own terms. Watching streamed programming is now the number one method for consuming TV-like content for both Trailing Millennials (33% of total viewing time in 2016, up from 31% last year) and Leading Millennials (30% in 2016, up from 22% last year).

Linear programming remains significant even for this age group, accounting for 28% of Trailing Millennials' viewing time, and 29% for Leading Millennials. For older generations streamed programming represents a lower proportion – 18% of total viewing time for Xers, 15% of total viewing time for Boomers and only 8% for Matures, who are also still playing catch-up with the DVR.

**Figure 4. Time spent watching television content, by method of programming**

*When watching television content, what percentage of time are you watching the following methods of programming?*



News is the most popular genre to watch live, ranked by 48% of respondents in their top three, followed by Movies (42%) and Sports (33%). TV shows, which comprise much of available streamed SVOD content, are less regularly watched live; only 26% of respondents rank 30-minute sitcoms, and 21% of respondents rank 60-minute dramas in their top three.

However, the boundaries of 'live' (associated with a heavily curated linear schedule via the TV) and 'streamed' programming (on-demand via a range of IP enabled devices) are blurring. The introduction of live digital streaming of free-to-air television and pay TV streaming on devices other than the set top box has set the scene for this. Likewise, the increasing popularity of live streamed video content (such as that delivered through Facebook Live and YouTube live), which combines the immediacy of live broadcast with the flexibility of retrospective access, may further reinforce the value and popularity of what we traditionally think of as 'live programming'.

## SVOD Wars: Episode I

SVOD services have been available in the Australian market since April 2015 (or earlier for those that circumnavigated geo-blocking), and since then consumers have been able to experiment, subscribe, cancel, re-subscribe and educate themselves on what SVOD has to offer. Twenty-two percent of respondents now have a SVOD subscription in their household, up from just 12% last year. This compares to more mature SVOD markets such as the US (46%) or Norway (41%) where these services have been available since 2007 and 2012 respectively. In Australia, SVOD services are particularly popular with Millennials, with 36% of Trailing and 35% of Leading Millennials owning a SVOD subscription.

Despite this uptake, consumers still appear to be in a period of discovery about the many services available to them, particularly when it comes to the mix of content they want and how many subscriptions they need to get it.

Many subscribers are choosing to 'double-up' on SVOD, 18% of SVOD subscribers have more than one service, and 64% believe that they require more than one service to access all the content they want. And multi-subscribing appears to be more than just an exercise in exploring options – approximately three-quarters (77%) of this group are expecting to maintain two or more services in the future. Of the three new services launched last year, Netflix appears to have achieved the greatest market share with 1 in 5 (19%) of all survey respondents indicating they pay for a Netflix subscription in their household. This compares to Stan and Presto at 5% and 3% respectively and reflects the overlap in subscriptions held. Of single service subscribers, 19% are considering the cancellation of their subscription, while 11% are considering adding another service.

SVOD subscribers are also weighing up their services against free content offerings, with 27% of paying subscribers considering cancellation due to the content available on free-to-air television, including catch-up. Similarly, SVOD appears not to be a threat to pay TV as yet, in line with the 'cord shaving' rather than 'cord cutting' behaviours observed in lead markets such as the UK and US. The number one reason for pay TV subscribers to consider cancelling their service is the availability of sufficient free-to-air content (41% of those considering cancellation) rather than defecting to paid SVOD services (16% of those considering cancelling).

From an experience perspective, there is more to the SVOD battle than the content available. Half of all subscribers (50%) are concerned that the quality of their streaming service is compromised by their internet speeds and 38% believe that the data required for their subscription service costs too much.

For further scaling of these data-intensive OTT services, the ongoing rollout of high speed broadband in Australia will be critical to an improved viewing experience. Thereafter, it may accelerate the competitive impacts on both free-to-air and pay TV audiences and their viewing preferences.

SVOD subscribers appear to be a generous group and are happy to share their logins. Twenty-nine per cent of survey respondents have used a friend's or family member's subscription details to watch streamed content (up from 23% in 2015) and 19% of all respondents do so on at least a monthly basis. This behaviour is more prevalent in the overseas markets who participated in this survey, with 38% of US subscribers sharing subscription details and 41% doing so in Norway. Using others' subscriptions is a predominantly Millennial behaviour, exhibited by 47% of Trailing and 49% of Leading Millennials compared with only 23% of Xers, 16% of Boomers and 9% of Matures.

## Content connoisseurs

As the number of available content sources and the ease with which we can access them increases, consumers are becoming more comfortable with self-curation, as well as more discerning about the content they want to see and pay for.

Historically, much of the value of pay TV has been in the breadth of content on offer, packaged into genre-led (sport, drama, movies) or premium channel propositions. The appeal of pay TV continues such that 31% of survey respondents subscribe to a pay TV service, consistent with the proportion that have done so for the last five years.

This year again sees pay TV subscribers focusing in on the specific content they want – about half (48%) of survey respondents who purchase pay TV would rather subscribe only to the channels they watch regularly and the number of channels pay TV subscribers regularly watch is seven, the same as last year and down from nine in 2014.

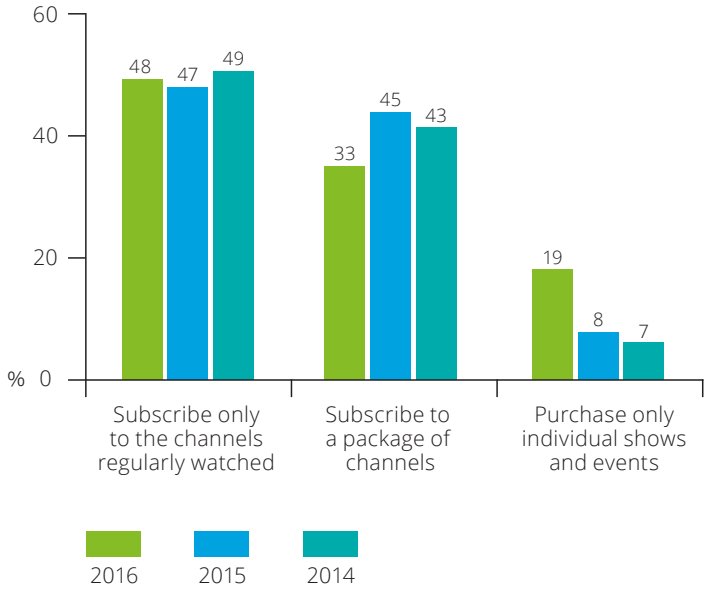
The key change in pay TV this year is the proportion of subscribers who would rather purchase only the specific shows and events that they want to watch, moving further away from the channel and 'packaged' channel bundles available. Nineteen percent of pay TV subscribers would prefer to pay just for an individual show, more than twice the proportion last year (8%), largely at the expense of the traditional bundled package of channels, preferred by 33% of respondents (down from 45% last year). This is likely a consequence of both the powerful draw of cult programming and hit shows, along with the introduction of SVOD services that are structured around a catalogue of shows and movies rather than being curated as channel propositions per se. Channel packages do remain popular (and are important for discovery) with bingers, who are looking for the next show to get hooked upon – 39% of bingers prefer channel bundles compared with 29% of non-bingers.

This year our bingeing habits are stable with 58% of respondents bingeing (watching three or more consecutive TV episodes in a single setting), and 38% of respondents are doing so at least monthly (36% in 2015). And when we binge we watch on average five episodes per session. Since it takes most of us (61% of respondents) two to four episodes to commit to a TV show, bingers are therefore often hooked within a single sitting. Our bingeing habits are on par with those of US survey respondents, where 40% do so at least monthly.

These bingeing behaviours are therefore important in capturing audiences. Sixty-nine percent of respondents are more selective in watching television series (than they are with movies, for example), due to the full series commitment required, but bingeing can be the key to locking them into an SVOD service. Accordingly, with the increased access to the back catalogues and the 'give it to me now' fix provided, SVOD subscribers love to binge – 39% do so compared with only 12% of non-subscribers.

**Figure 5. Pay TV purchase preferences, among pay TV subscribers**

*In terms of how you purchase paid television, what would be your preference of the choices listed below?*



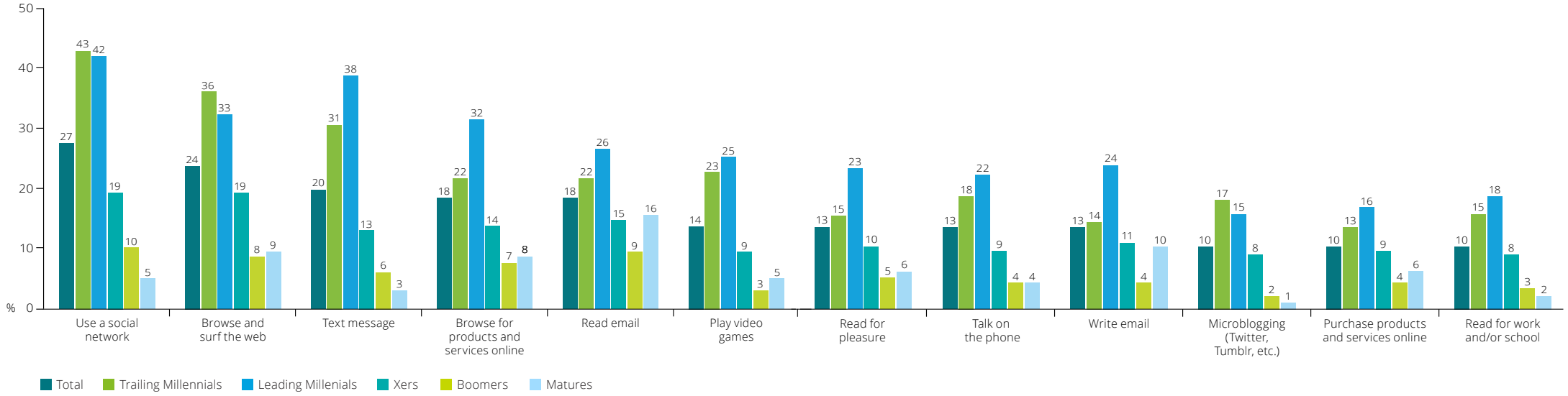
## More but less

Multi-tasking continues to be a common behaviour for the Australian media consumer – 88% of survey respondents are using another device while watching their home television system, up from 85% last year – although this is not quite as common as the near ubiquitous multi-tasking behaviours of the US (92%) or Norway (91%).

On average we're doing two other activities while watching our home TV system, on par with last year and similarly, our most common multi-tasking activity continues to be using a social network (27% of multi-taskers), followed by browsing the web (24% of multi-taskers) and text messaging (20%).

**Figure 6. TV watching multi-tasking behaviours by age group**

*Which are the things you typically do while watching your home TV? (Summary of always/almost always)*



We're using fewer devices to multi-task while watching our home television system – only one this year compared with two in 2015. Smartphones remain the multi-tasking device of choice, used by 58% of multi-taskers (57% in 2015), whereas the number of multi-taskers doing so on their laptops and tablets has dropped this year to 36% and 28% respectively (from 47% and 36% in 2015).

Our increased comfort in paying for video content, as illustrated by the uptake of SVOD subscriptions, may be influencing our multi-tasking behaviours. Seventy percent of respondents believe they pay closer attention to content that they have paid to watch, whilst exclusive, first run content also provides something of an antidote with 83% of respondents paying more attention to content that is new to them.

# Devices

We value our smartphones more and more, with 67% of survey respondents ranking them in their top three devices

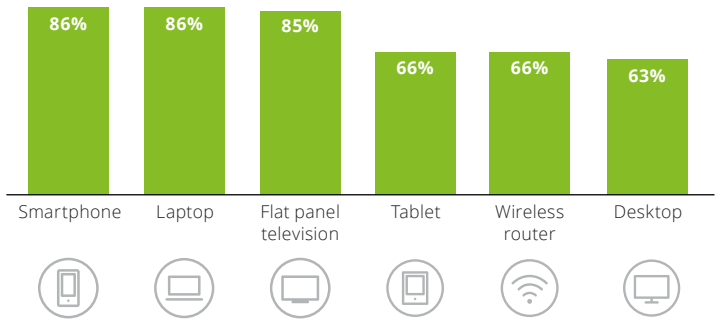
## Device for another day

The number of connected devices we maintain continues to increase – 56% of survey respondents are digital omnivores (owning a smartphone, laptop and tablet), up from 50% last year. Device selection is all about convenience with 69% of respondents agreeing that being able to watch content when they want is more important than the device on which they watch it. Managing all these devices can be difficult, with 39% of respondents believing that managing all the connected technology in their house is so complex that they require help to operate it.

Despite being heralded as the smartphone generation, Trailing Millennials are just as hooked on laptops (highlighted also in Deloitte's 2016 TMT Predictions). Trailing Millennials have the highest laptop ownership of any generation (90%) – on par with their smartphone ownership – and they value their laptops more than any other age group, with 64% ranking laptops in their top three most valued devices.

### Figure 7. Media or home entertainment device ownership

*Which of the following media or home entertainment equipment does your household own? (top five)*




| | Smartphone | Laptop | Flat panel television | Tablet | Wireless router | Desktop |
|---|---|---|---|---|---|---|
| Trailing Millennials | 90% | 90% | 77% | 70% | 70% | 68% |
| Leading Millennials | 92% | 86% | 79% | 71% | 66% | 58% |
| Xers | 91% | 89% | 86% | 68% | 64% | 53% |
| Boomers | 80% | 83% | 92% | 63% | 65% | 69% |
| Matures | 65% | 73% | 93% | 53% | 65% | 70% |

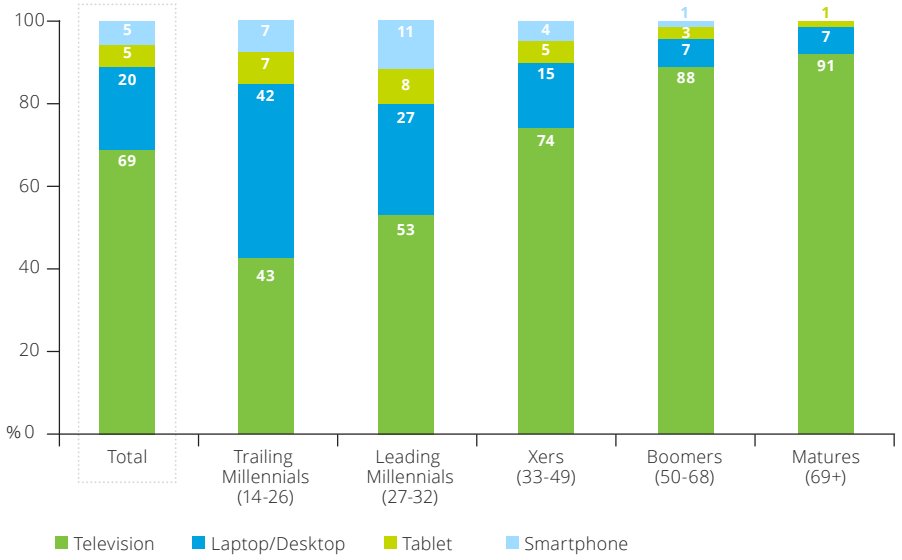
TVs naturally still play an important role in our media consumption experiences. They remain our preferred device across all generations for watching movies (preferred by 71% of all survey respondents) and sports (55%). Whilst most of us also prefer using TVs to watch our favourite shows (65% of all respondents), Trailing Millennials are moving away from the television set. Laptops are now the preferred device to watch TV shows for 44% of Trailing Millennial respondents (42% last year), rather than TVs at 41% (compared to 47% last year). The time Trailing Millennials spend watching shows on their laptop (42% of total time) is now on par with the time spent watching on a TV (43% of total time).

The way we use devices, particularly smartphones and tablets, varies greatly across generations. On smartphones and tablets, social media apps top the charts and are used by 58% of all respondents on at least a weekly basis. Millennials (both Trailing and Leading) put social above all else, while for Xers, Boomers and Matures, social holds the number two position for most used apps.

Xers and Leading Millennials love to manage their finances on the go, with banking apps ranked first and second respectively. And despite the versatility of mobile devices and extent of the applications available, Boomers and Matures primarily use them to learn about the weather.

**Figure 8. Share of time watching TV shows by device**

*Of the time you spend watching TV shows what percentage of time do you watch on the following devices?*



## Smartphone: Still #1 in our hearts (and hands)

This year, ownership of smartphones and laptops is neck and neck, with 86% of Australian households owning each of these devices. Unlike the US and Norwegian markets where TV tops the charts, smartphones and laptops have now taken over the top position in terms of device ownership (just ahead of respondents who own a TV in Australia at 85%). Smartphone ownership has increased by 17% (CAGR) since 2012, outpacing the growth of laptop ownership over the same period. While ownership of both devices is increasing across all generations, uptake by Boomers and Matures in particular has contributed to the majority of growth in smartphone ownership over the past four years.

Smartphones have consolidated their number one position not only in our hands, but in our hearts. We value our smartphones more and more, with 67% of survey respondents ranking them in their top three devices, up from 58% last year and increasing 24% (CAGR) since 2012.

Smartphones are the most valued device amongst Millennials and Xers and the second most valued device for Boomers (ranked by 56% in their top three, just behind TVs at 59%). Even among Matures, for whom smartphones (45%) still lag TVs (60%) and desktop computers (54%), the extent to which that are valued has increased significantly over time, growing by 65% (CAGR) since 2012.

Never far from our grasp, smartphones are central to our digital content and media consumption experiences. Our comfort with smaller screens is seeing us use these devices for an increasing range of activities. The smartphone has leapfrogged the tablet to become the second most preferred device, behind laptops, on which to watch short form or user generated content such as YouTube videos.

And for Leading Millennials, an increasing number are consuming longer form content on their phones, with 12% of their total viewing time for movies and 11% of their viewing time for TV shows now done on phones (up from 8% and 7% last year respectively). Smartphones are also the device that video gamers spend the most time on, accounting for 27% of total gaming time, ahead of laptops and gaming consoles, both at 19%.

In Australia, monthly downloaded data consumption now exceeds 1.4 GB per subscriber,[2] increasing the demands on mobile network operators. This level of data usage also reflects the increased availability of content available to watch on our smartphones, be that SVOD, YouTube or other live streamed sources. With so much rich content at hand, we're not putting down our smartphones just yet.

## Virtual reality is about to get real

Globally, Virtual Reality (VR) is predicted to have its first billion dollar year in 2016, with 70% of revenues anticipated to come from hardware sales.[3] After years of development, consumers now have access to these devices; Samsung Gear was released in Australia in late 2015, Oculus Rift and HTC Vive early in 2016 and Sony PlayStation VR is expected in October.

Whilst VR has created interest (and perhaps more than a little hype) for several years, commercial evolution has been slow and as such consumer adoption to date is low, with just 4% of survey respondents currently owning a VR headset in their household. Near term commercial applications for VR focus on video games and core gamers,[4] however broader application across a range of sectors and for a wider group of consumers have additional potential (e.g. virtual classrooms and tourism or simulations for healthcare, military or emergency response workers).

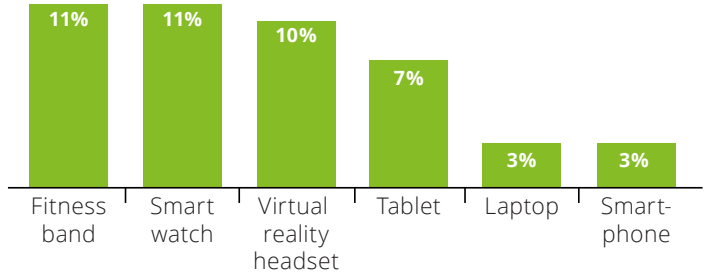
VR is an exponential technology that can drastically change the way we interact with a range of media, and the majority of consumers are already convinced VR will improve their media consumption experience, with 58% of survey respondents believing this to be the case.

VR is already breaking down the physical constraints for truly immersive media experiences. Immersive Journalism for example, is pioneering the use of VR in news coverage, transporting the audience to be within the event, as the story unfolds around them. Occulus Cinema allows users to simulate watching a movie in their own fully functional personal cinema, giving them the best and only seat in the house. Samsung in partnership with the Sydney Opera House and Future Classic captured the sold out FCX concert in 360˚ during Vivid LIVE, as part of the Sydney Vivid Festival in June 2016. VR concerts such as this allow users to get up close and personal to their favourite music stars, whilst extending audiences once restricted to physical ticket holders to VR device owners around the world.

As more applications for VR emerge and as screen and processor technology improves, we expect to see increased of adoption in Australia. At present, 10% of survey respondents who do not currently own a VR headset intend to buy one next year. This is on par with stated purchase intent for fitness bands and smart watches in their first year of release, which have now reached penetration of 21% and 11% respectively.

**Figure 9. Intent to buy devices in the next 12 months (for those who don't own the device)**

*Of those products you indicated you do not currently own, which of the following do you plan to purchase in the next 12 months?*



## Wearables (finally) attach

Adoption of wearables is growing, led by Leading Millennials of whom 38% own fitness bands and 20% own smart watches. They can be used as fitness or sports trackers, fashion accessories, media devices or communication tools – requiring just a glimpse, but enabling a vast amount of instantaneous information exchange.

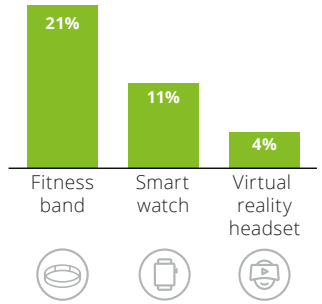
Whilst much future potential exists in the expansion of the wearables market (into disposables, stickables and ingestibles to name a few), the current focus remains on watches and wristbands. The growth in adoption of smart watches was likely driven by the high profile release of Apple Watch in March 2015,[5] and greater adoption across the category will rely upon the device evolving from a 'second screen' extension of our smartphones into an independent device. Further innovation in the product and experience is also anticipated in smart watches through integrated app ecosystems, such as Apple's watchOS and Google's Android Wear.

Such advances will provide greater utility to drive additional penetration in the year ahead.

Classic watch makers such as TAG Heuer, Breitling and Swatch are also entering the market with smarter watches – traditional watches that are technology enabled with functions like fitness or sleep trackers built-in. Of those survey respondents who do not currently own a wearable device, 11% intend to buy smart watches and 11% fitness bands (compared to 9% for both in 2015).

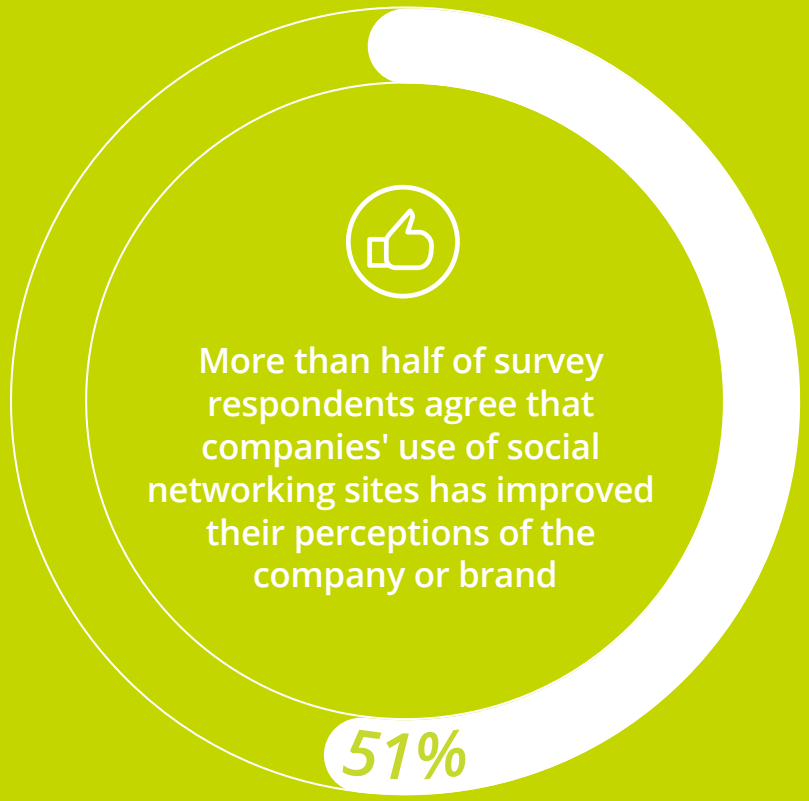
**Figure 10. Wearable ownership**

*Which of the following media or home entertainment equipment does your household own? (wearables)*




| | Fitness band | Smart watch | Virtual reality headset |
|---|---|---|---|
| Trailing Millennials | 24% | 12% | 8% |
| Leading Millennials | 38% | 20% | 12% |
| Xers | 20% | 12% | 2% |
| Boomers | 14% | 7% | 1% |
| Matures | 7% | 7% | 0% |

# Social


More than half of survey respondents agree that companies' use of social networking sites has improved their perceptions of the company or brand
51%

## #trending – across all ages

Sixty-one percent of Australian survey respondents engage with social media on a daily basis – up slightly since last year (59%) and representing 31% growth (CAGR) since 2013. This increase is observed across all age groups, although the fastest rates of growth over the past four years have been among Boomers (38% CAGR) and Matures (40% CAGR). This places Australian survey respondents broadly on par with those in other surveyed markets such as the US (58%) and Norway (59%). The proportion of survey respondents not using any form of social media continues to decline – only 16% aren't active users of any social network. Uptake is greatest within Millennials with only 4% of Leading Millennials not actively using social media. Of those who do use social media, 77% of Trailing and 84% of Leading Millennials engage with these networks on a daily basis.

Among Matures, there are two camps – as many Mature respondents are checking their social networks daily (36%) as there are not using social media at all (37%).

For Boomers, nearly half are daily users (47%), whilst only a quarter (25%) aren't on any form of social network.

Twenty-seven percent of social media users check or update their status four or more times a day (up from 23% in 2015). These heavy users are predominately Millennials, although this year they are also joined by some more socially active Boomers and Matures. And as the mix of generations actively engaging with social media changes, it helps to know who is using what and why.

## Friends, followers, or connections?

Facebook is the big winner among social networks. It is by far the most commonly used – 92% of survey respondents who use social media are actively using Facebook and this is reflected across generations. Facebook has become the centre of our social (media) lives, used to 'keep up' (in all senses) with our near and dear, whether they are near or far.

Seventy-eight percent of users rank 'keeping up with friends and family' in their top three reasons for using Facebook. Being connected with others is more important to them than other reasons for use, such as entertainment (43%) or simply distraction (42%). But what this connection really means is more nuanced. Facebook has shifted our definition of what it means to be a 'friend' or to be 'connected'. It is a platform focused on growing user interactions and now boasts a plethora of services to achieve this outcome (e.g. posts, photos, videos, live video, messenger, games and news sharing). Using Facebook can perhaps now best be seen as something of a habit, less about real connections and more about keeping up with the facade that people curate (intentionally or not) on their profile pages. As a consequence, for some it might be starting to lose its appeal.

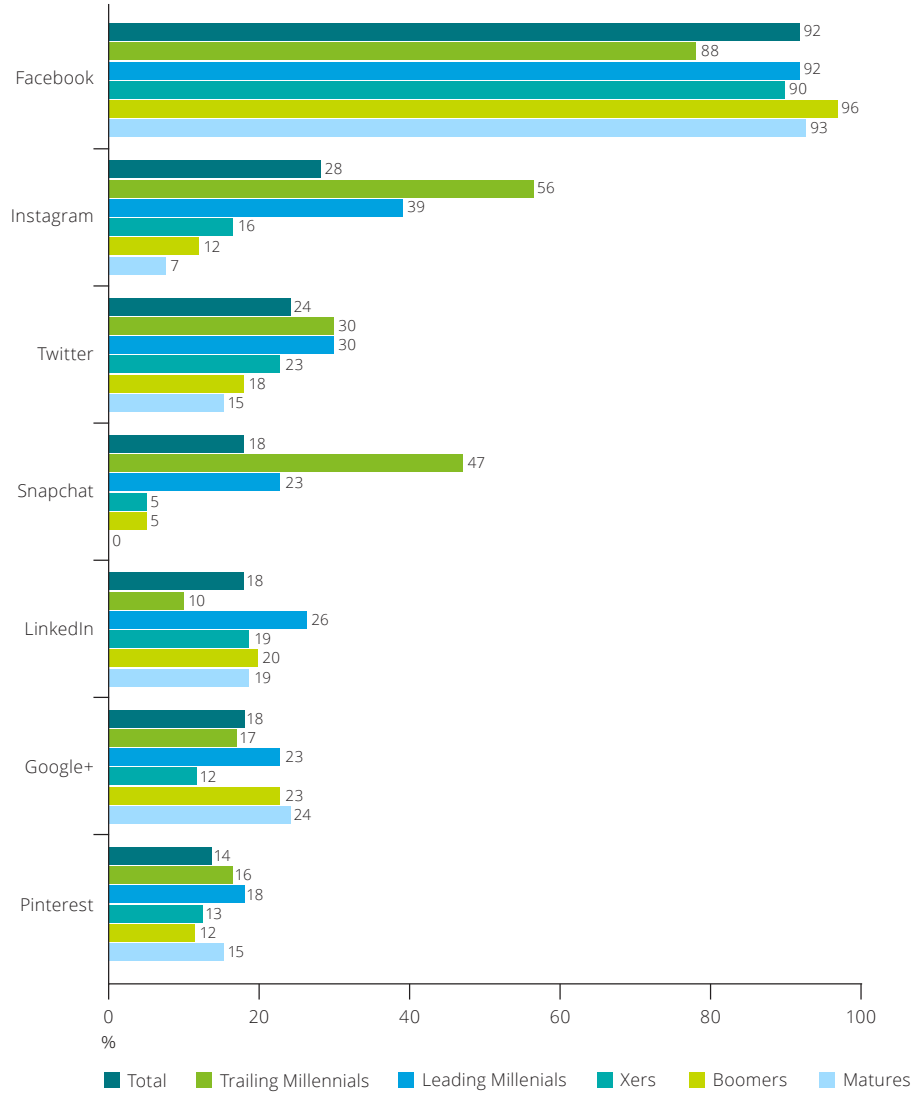
Younger generations are not the most represented on Facebook, it's their parents and grandparents.

Ninety-six percent of Boomers who are using social media are actively using Facebook, surpassing the 92% of Leading Millennials who are. And of all generational groups, Trailing Millennial social networkers are using Facebook the least, with 88% identifying as active users. The youngest generation – the most prolific users of social media – are looking further for their social media needs and newer (post-2010) social networks are catching on.

The second and third most actively used social networks are Instagram (owned by Facebook) and Twitter – though they significantly lag the scale of Facebook (28% and 24% of survey respondents who use social media are on these two platforms). Instagram's appeal is in the visual moment captured; 66% of survey respondents rank 'sharing photos and videos' in their top three reasons for use. In contrast, survey respondents value Twitter for both entertainment (56%) and keeping up to date on breaking news (52%).

**Figure 11. Social networks usage by generation (among social media users)**

*What social networks do you actively use?*



Less widely used social media platforms in 2016 are Google+, Snapchat and the professionally focused LinkedIn, each used by 18% of social media using survey respondents. Pinterest, the content sharing service, is the least used social network among those listed (14%) and used predominately for entertainment value.

The mix of survey respondents using social networks is similar across generations, except for the mobile-focused Snapchat and Instagram, which are predominately used by Millennials. Active use of Instagram declines as age increases and Snapchat appears to have very limited appeal to the over 30s – only 5% of Xers and Boomers are users of SnapChat and none of the surveyed Matures are. Even among Millennials, the difference in usage is significant. Snapchat is used by almost half the Trailing Millennials surveyed (47%), but by less than a quarter of Leading Millennials (23%) and there is a similar, but less pronounced profile for Instagram.

Trailing Millennials are leading the shift to more mobile focused and image-based social networks or are seeking environments which have not been taken over by older generations.

As with Facebook, the primary reason to use Snapchat is to stay in touch. Sixty-five percent of users rank 'keeping up with friends and family' in their top three reasons for use. However, unlike Facebook, every moment on Snapchat is temporary. Whilst Facebook creates a digital repository of our social media lives (and deaths),[6] Snapchat is based on ephemerality (videos and images are deleted) recreating, in a digital sense, the disappearing moments of day-to-day conversations through self-destructing images and videos. Snapped moments are shared with a close group of friends and as in real life once they happen, they are gone. Twitter too, with its purchase of Periscope is providing live video broadcast for users to create real time and shared experiences.

This disposability of content has advantages for the perceived security of the networks. The demand for more private social media environments is one of the drivers for Snapchat's growing popularity (as is not wanting potentially incriminating or embarrassing images available ad infinitum). And survey respondents do remain concerned about security. Seventy-seven percent of all survey respondents are concerned about security and privacy when using social networking sites (down slightly since last year from 81%), with one third (34%) strongly agreeing with this statement.

## Being in the conversation

Social media is no longer just a place for users to connect with one another – the prevalence of products, brands, news and other media on social networks continues to grow. And little wonder – just over half (51%) of survey respondents agree that companies' use of social networking sites has improved their perceptions of the company or brand, a positive sentiment that has grown by 5% (CAGR) over the past three years.

Companies and brands have shifted from being on social to being social by embracing the style, format, language and tone of the social media environment to make the experience as frictionless and authentic to the context as possible. Using #campaigns, photo competitions and fan-made ads, they can effectively engage consumers to share their brand message while still fostering the social community.

But the volume of content dedicated to or driven by products and brands can overshadow the personally-oriented content that drives the core experience of a social network in the first place. This balance can be fragile – as Facebook has reportedly seen in the past year. For the first time, it is believed that the volume of user-generated content has decreased, as users share less personal information.[7] The paradox being, with so much non-personal content in their social feed, users feel less connected to their social media community and experience and accordingly, contribute less. As engagement decreases, products and brands suffer from a downward engagement cycle.

**Figure 12. Top reasons for using each social network**

*What are your top three reasons to use Facebook, Twitter, Snapchat, LinkedIn, Instagram, Pinterest, Google+?*

| Social Network | 1st | 2nd | 3rd |
|---|---|---|---|
| Facebook | Keep up with friends and family 78% | Entertainment value 43% | As a distraction from my daily routine when bored or have time to kill 42% |
| Twitter | Entertainment value 56% | Keep up to date on breaking news 52% | As a distraction from my daily routine when bored or have time to kill 39% |
| Snapchat | Keep up with friends and family 65% | Share photos and videos 60% | Entertainment value 57% |
| LinkedIn | Build my professional network 76% | Connecting with colleagues 62% | Post resume and look for jobs 49% |
| Instagram | Share photos and videos 66% | Keep up with friends and family 54% | Entertainment value 50% |
| Pinterest | Entertainment value 71% | As a distraction from my daily routine when bored or have time to kill 65% | Share photos and videos 34% |
| Google+ | Entertainment value 43% | Keep up with friends and family 41% | Keep up to date on breaking news 36% |

There are definitely incentives for businesses to get the balance right. Fifty-nine percent of survey respondents agree that social media enables them to be aware of products or services and 48% agree that it positively impacts their decision to buy the products or services promoted by the company.

As a consequence, businesses and brands are working on improving social engagement. In April this year, Facebook globally released chatbots on their Messenger platform. This service delivers automated customer support, e-commerce guidance, content and interactive experiences through AI enabled chatbots. For example, an HP printing tool on Messenger prompts a 'conversation' on printing options when a user sends a photo. The bot guides users though options including connecting to their personal printers or sending photos elsewhere.

Approaches such as these offer a unique opportunity for businesses to really be in the social conversation, although there is still work required to ensure that they are not too intrusive or artificial in nature.

The important factor for brands and advertisers to be clear on is what role social plays in the overall mix and which customer segment they are hoping to engage. Who the consumer is and where they are in the purchase lifecycle is key.

## The social destination

Social media is an entertainment activity in its own right. We spend 21% of our digital entertainment time consuming social media, which is even higher among women, who spend 25% of their digital entertainment time on social media compared with 17% for men.

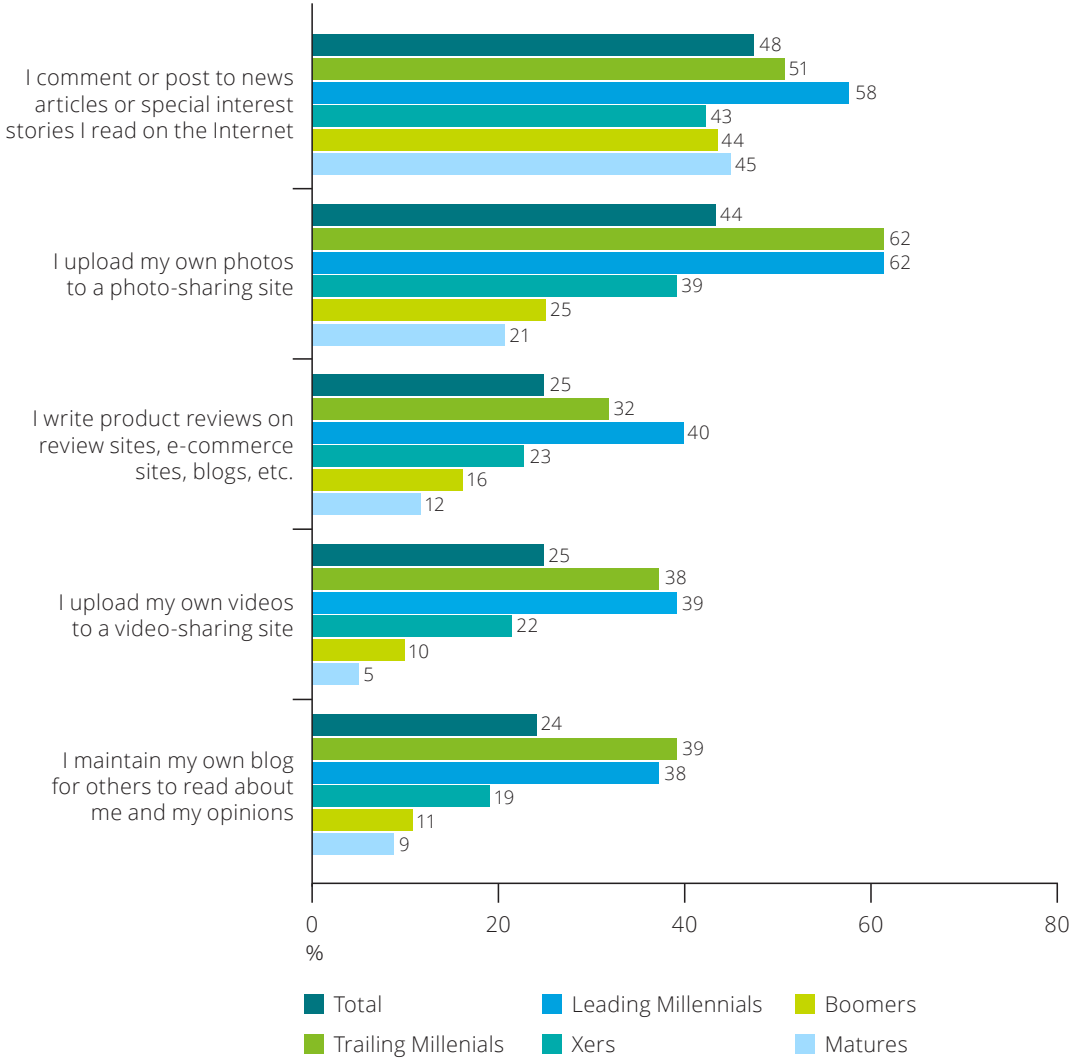
And what do we do once we've reached these social destinations? We create and discover content, we comment on or post news articles and special interest stories we read on the Internet (48% of survey respondents do this occasionally or frequently), we upload our own photos or videos to a photo-sharing or video-sharing site (respectively 44% and 25% of survey respondents) and we write product reviews on review sites, e-commerce sites or blogs (25%).

Our entertainment and social network activities are inherently linked. The most common multi-tasking activity whilst watching our home television system is using a social network (24% of survey respondents state that they always or almost always use a social network in this situation).

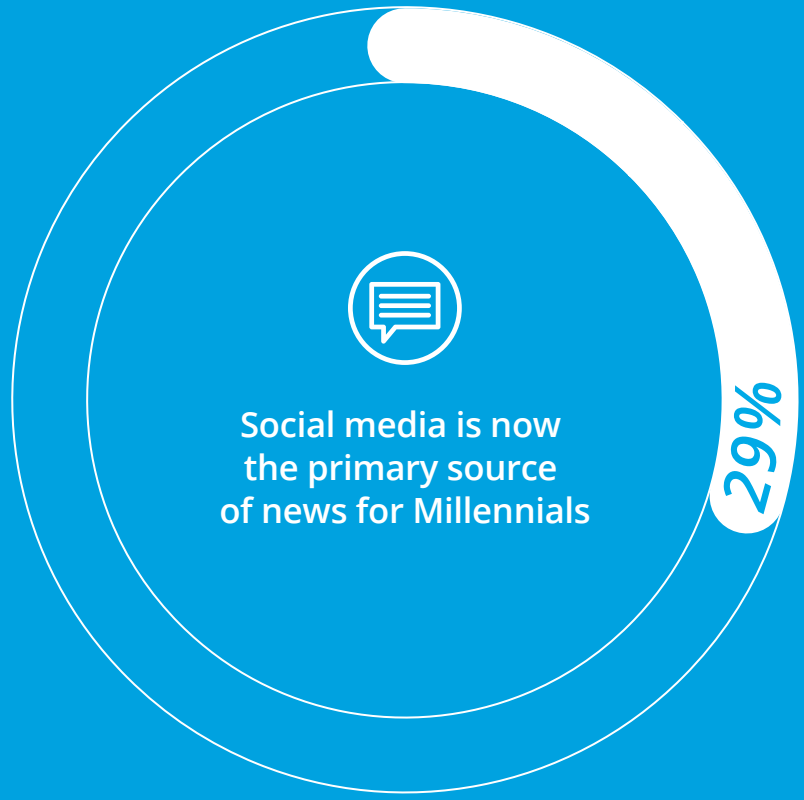
The new kid on the social block is live video. Facebook is now the second largest online video platform after YouTube by viewing time, heavily driven by muted autoplay streams.[8] And Facebook's investments in a stand-alone video hub, live streaming and revenue sharing models for professional content are set to increase viewing time on the platform whilst growing the quantity and quality of video inventory. These moves present social platforms as complements and future alternatives to both SVOD streaming services and free-to-air. Likewise, this will continue to up the ante for rights as demand for content, audiences and eyeballs increases from all quarters.

## Figure 13. Statements on the activities undertaken via social networks

*Thinking about social networking, how frequently do you do each of the following?*



# News and magazines



## The social news era

The proportion of survey respondents using social media as their primary source of news has doubled to almost one in five of all respondents – 18% this year, up from 9% in 2015 and higher than in the US (17%) or Norway (13%). Social media's status as a trusted source of news has extended into what was once the preserve of venerable news brands, mastheads and bulletins.

Social media is now the primary source of news for Millennials (Trailing and Leading combined) at 29%, used almost twice as frequently as television news stations (18%). Conversely, social media remains a relatively insignificant news source for Boomers (6%) and is does not feature at all for Matures.

The most significant change has been observed among Xers, with 20% now most frequently consuming news through social media, up from 6% last year. This threefold increase moves social media into second position, behind television news stations at 35% as the primary news source for Xers.

The social news era has been driven by the near real-time delivery of information and increasingly, the immersive and frictionless experience provided. Twitter is synonymous with breaking news, attracting readers who prioritise live and aggregated content feeds. Facebook's Instant Articles has transformed the platform's social news feed into a story-telling tool that integrates text, pictures and video, and diminishes the disruption to attention caused by sluggish load times and re-directions.

Social also offers us new ways to engage with the news. Traditionally passive or one way, social media drives a more connected news experience, with 48% of social media users frequently or occasionally commenting or posting to news articles.

Interaction with news is changing with the emergence of 'conversational news' and a rapidly increasing range of innovative news messaging services. ABC and BBC journalists for example, are already using WhatsApp to deliver bite-size, conversational breaking stories directly to their audiences.

And Quartz is an app providing messages and updates in a text message format, written by journalists, to send via a chat-based interface. While some of these services are at beta phase, they represent a shift in news from a 'one to many' sense to a more personal and indeed personalised exchange between the news provider and the news consumer.

## Value in the back story

The challenge of monetisation models in news continues. The percentage of total households paying for news subscriptions has declined further to 17% (down from 21% last year and a 10% CAGR decrease since 2012), where the percentage paying for magazine subscriptions is stable at 14% (compared to 15% last year and having declined 15% CAGR since 2012).

Consumers are still reluctant to pay for online news subscriptions, just 9% of respondents indicate that they are willing to do so, which has been consistent since 2014 (8%) and is on par with the US (9%).

Leading Millennials are the demographic most willing to pay for news online (15%), but this too has declined significantly since last year (24% in 2015).

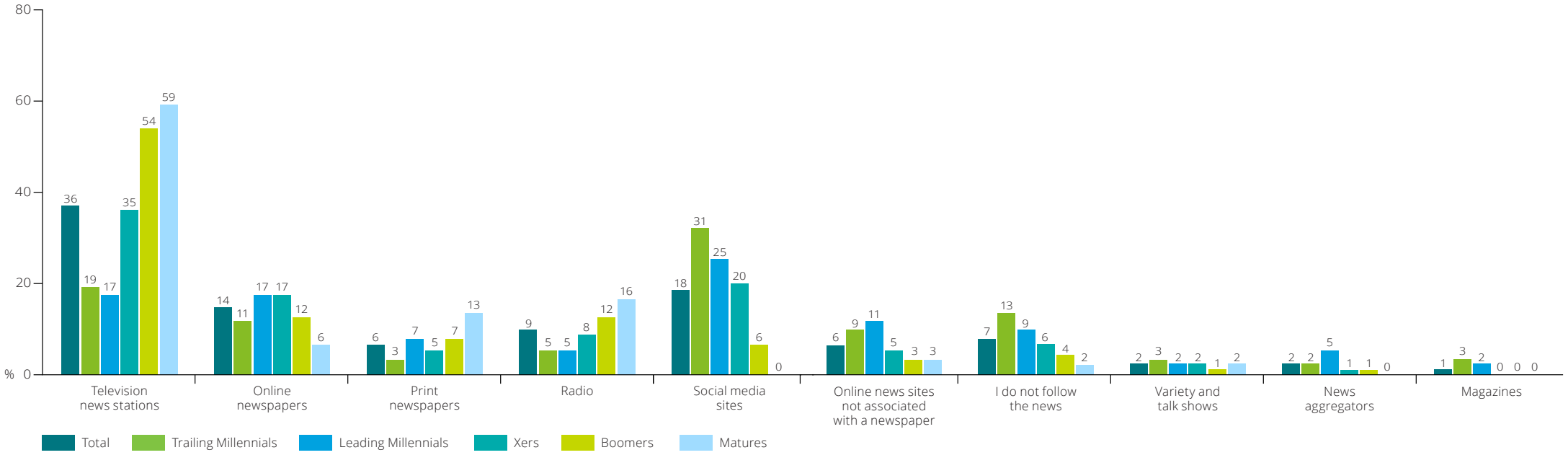
Where consumers are willing to pay for news online, the rationale in 2016 is different.

The primary reason for paying for news online is 'in-depth news analysis', indicated by 52% of those respondents that are willing to pay. This desire for more detailed analysis has increased from 33% last year, replacing 'trust and association with the brand' as the most compelling reason to pay.

In an environment where many now look to social platforms as the primary source of news, particularly for headlines and breaking stories, the perceived value of in-depth news analysis highlights where news providers can differentiate and complement 'social-first' publishing.

**Figure 14. Primary sources of news**

*Which of the following is your most frequently used mechanism to get news?*

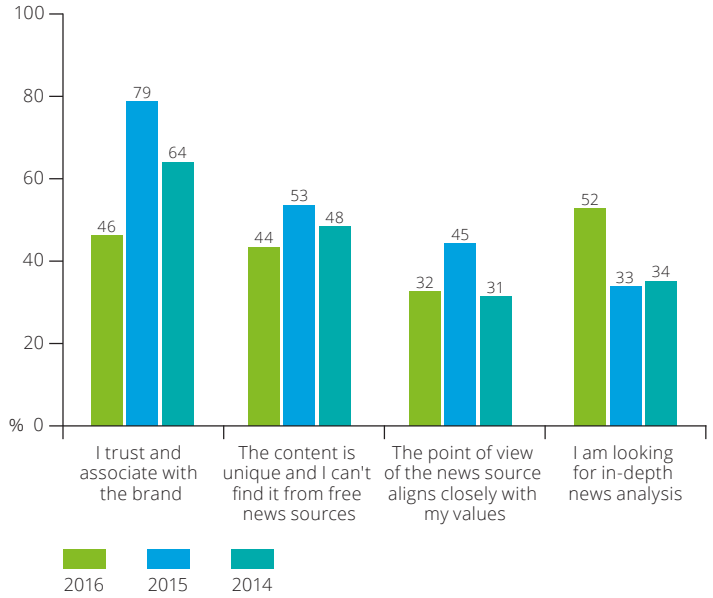


Explaining the news and providing detailed analysis can support traffic to publisher websites and provide choices for the media consumer to go deeper into the story, on their own terms.

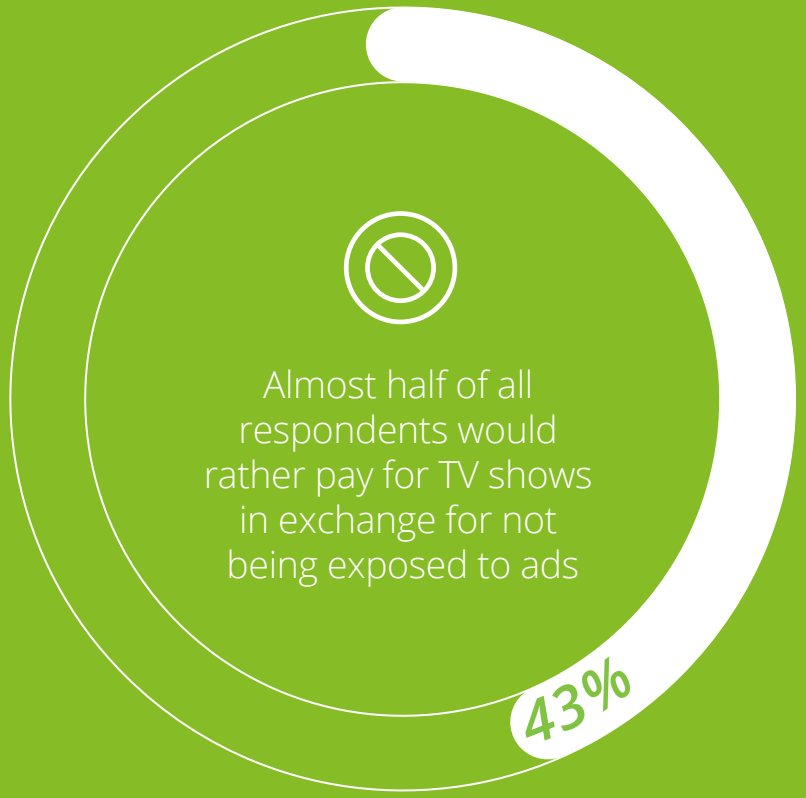
The monetisation challenge in publishing goes beyond converting consumers to paid models. Twenty-eight percent of respondents are using ad blockers which further threaten ad revenues as well as 'freemium' models, which may otherwise be the 'middle ground' adopted by news publishers as they continue to look for optimal revenue models. As such, media companies are trying to combat the impact of ad blocking by educating consumers on the role of advertising in supporting free content, either through messaging or simply 'blocking' access to content in return.

**Figure 15. Reasons driving willingness to pay for news (top four displayed)**

*In cases where you are willing to pay for online news content, what are the specific reasons?*



# Advertising



## Winners and losers

Word of mouth is still the primary influencer on purchase decisions, with three quarters (76%) of survey respondents identifying recommendations from friends, family and acquaintances as having a high or medium influence on their buying decisions.

The digital equivalent of this, online reviews or recommendations from someone within an individual's social media circle is now the second highest influencer on buying decision, selected by 58% of survey respondents and surpassing the influence of TV advertising for the first time.

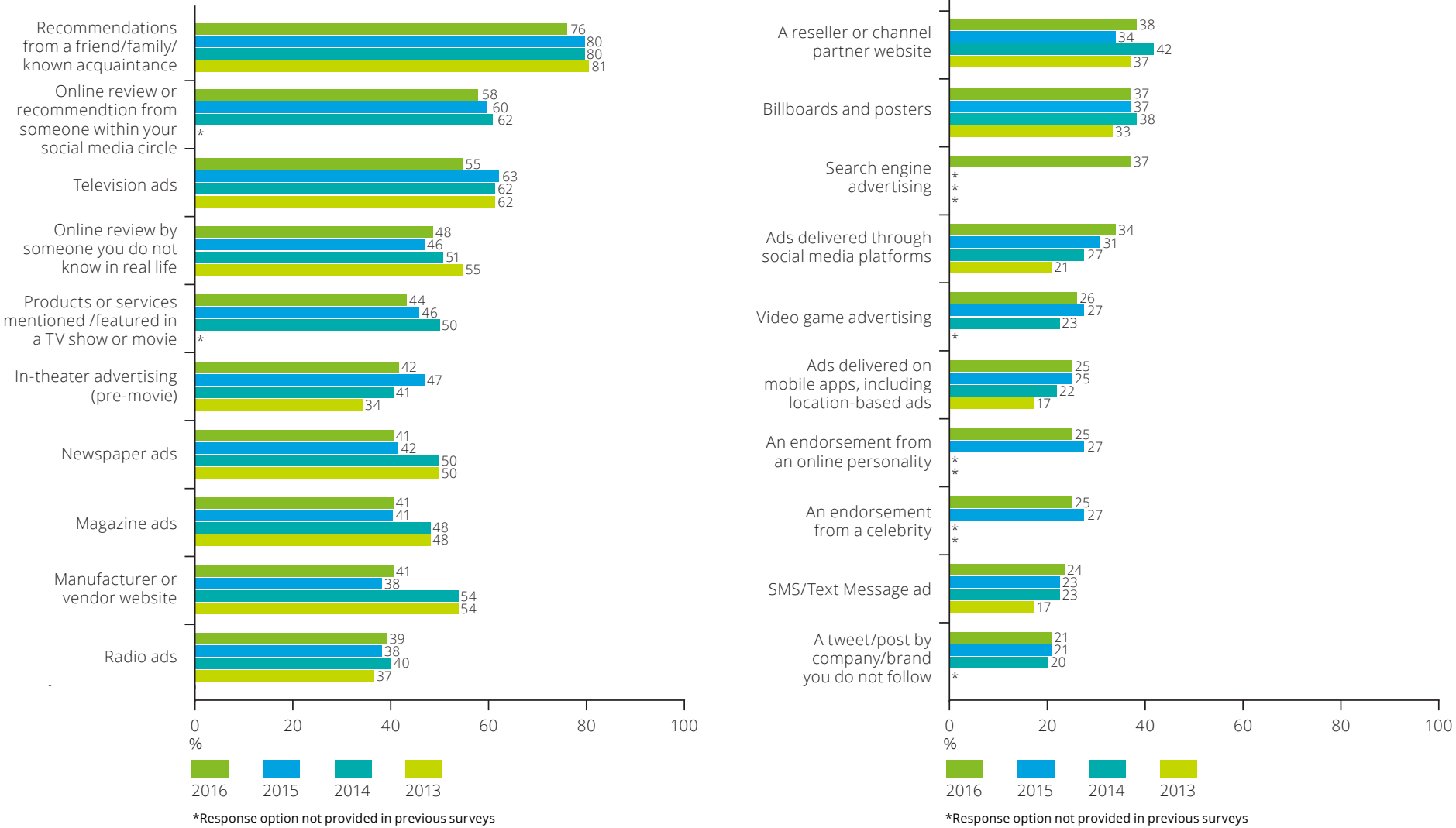
The influence of TV advertisements has fallen for the first time in four years – 55% of respondents perceive them to have a high or medium influence on buying decisions, down from 63% last year.

Other traditional advertising channels including newspapers, magazines and radio have remained stable in terms of their influence on purchasing decisions (at 41%, 41% and 39% of respondents respectively, consistent with last year).

Meanwhile the winners in terms of impact on purchasing decisions are found in the social domain. Ads delivered through social media platforms are perceived as having a high or medium influence on purchase decision by 34% of respondents, up from 31% last year and an increase of 17% (CAGR) over the past four years (CAGR). For Millennials in particular, recommendations from those within their social circles (75%) and advertising on social platforms and online reviews from those they do not know (66%), outstrip the influence of TV advertising (61%). On social media platforms, brands are communicating directly with consumers, cutting out the role of traditional media providers in influencing key stages in the purchase lifecycle.

## Figure 16. Most important influences on buying decisions

*To what degree do the following influence your buying decisions?*




*Response option not provided in previous surveys

*Response option not provided in previous surveys

## Search matures

Taking a deeper dive into digital, this year, advertising delivered through social platforms is seen for the first time as being as influential on purchase decisions as search, which has long dominated the digital advertising landscape. Forty percent of survey respondents identify these as having the greatest influence on purchase decisions. And for Trailing and Leading Millennials, social advertising is already the most influential form of all digital advertising with 49% and 43% respectively, ranking it in their top three.

In Australia, digital advertising is a $6bn market.[9] Search, one of the most established forms of online advertising, remains the largest category, representing 46% of all digital ad spend.[10] This year, 40% of all respondents ranked sponsored search results in their top three most influential online ad formats, although this represents a 9% decline (CAGR) since 2012.

The generation most responsive to influence from search advertising is the Matures (54% for sponsored and 51% for unsponsored search), with search's influence on buying decisions declining across other generations.

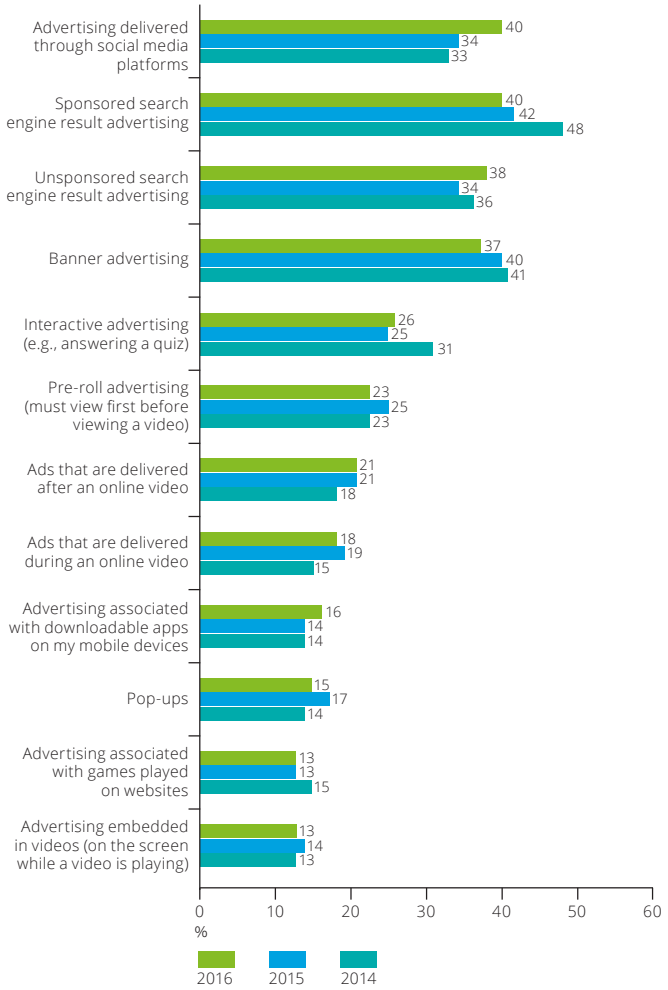
Matures are also the most responsive age group when it comes to banner advertising (43%) and interactive advertising such as answering a quiz (31%), though the influence of both of these formats has diminished over the past five years. Media providers and advertisers are developing portfolios of age-specific and tailored digital ad formats focused on maximum impact along the purchase lifecycle and integrated across digital channels.

## Stop the ads

With TV, the DVR gave viewers the power to skip ads. In the digital domain, ad blockers are giving consumers a similar choice, to shut out the 'interruptions' which potentially slow page load times, may compromise security or add to the cost of mobile data plans.

**Figure 17. Attitudes towards online advertising**

*Thinking now about advertisements you encounter online, which three have the greatest influence on your buying decision? Please rank the top three.*



Ad blocking software is used by 28% of all respondents, allowing them to view content without advertisements (a similar proportion to survey respondents in US and Norwegian markets at 27%). In Australia, men are more likely to be using ad blocking software (33%) compared to women (24%). And across generations, Trailing and Leading Millennials are the highest users of ad blockers, with 45% and 31% respectively using this software.

To date, ad blocking has been predominately a desktop concern (where much of the digital ad revenue sits). But as consumers continue to move viewing to smartphones, and with Apple allowing ad blocking apps in iOS9 and Samsung's ad blocking capabilities on the Android browser, mobile ads are at risk too. And it's not just a device consideration. In overseas markets, telecommunications operators such as Three have announced plans to roll-out ad blocking to all customers at a network level, and other operators may follow suit.

In contrast to blocking ads completely, 27% of respondents are willing to provide more personal information online in order to receive targeted advertising (consistent with prior years). Leading Millennials remain the main drivers of this, with 42% being willing to do so. However, the majority of respondents (74%, down from 79% last year) are still strongly or somewhat worried about identity theft if they provide more information online. Older generations in particular continue to express more concern on this topic.

In response, the advertising industry continues to make digital advertising more effective, efficient and relevant to people's interests. This is seeing many advertisers review their display advertising, pull back on intrusive ads and exchange these for further focus on content marketing or native formats. The intent is to stop interrupting what people are interested in and become what people are interested in. Viewability of ads is a key consideration, and some media providers are moving to provide a guarantee that they will only charge for ads that have been viewed by users.[11]

## The ad exchange

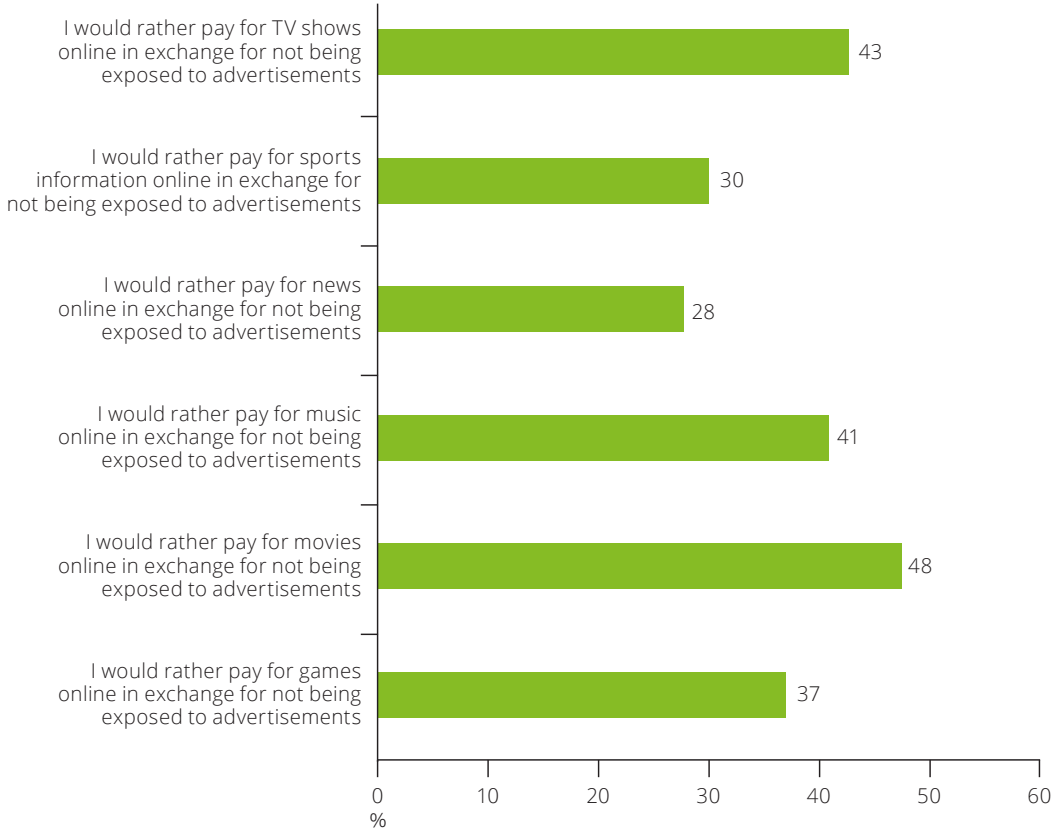
In exchange for not being exposed to advertisements, respondents are willing to pay for content online – but this depends on the type of content. This willingness is highest for movies, where nearly half of the respondents are willing to pay (48%), followed by TV shows (43%), music (41%) and games (37%), but less so for sports (30%) or news (28%). From a generational perspective, Leading Millennials are the most willing to pay for not being exposed to ads online, regardless of content type.

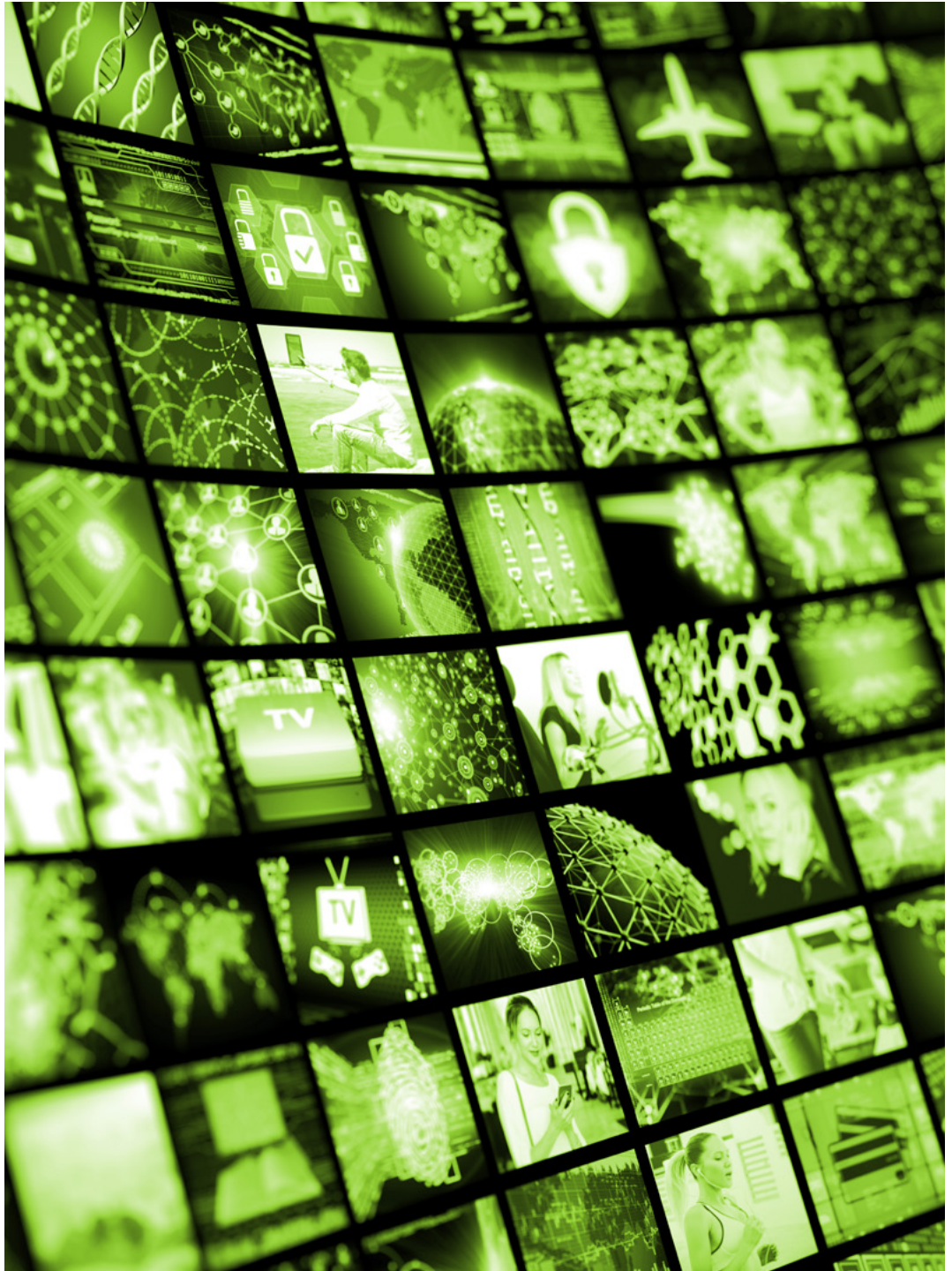
This year, Australian respondents were also less willing to view advertising within their streamed video programming, even if it significantly reduced the cost of the subscription (50%, compared to 58% in 2015). Some paid-for-content environments, where 'premium' equates to no ads, are carefully introducing advertising. For example, Spotify is promoting concerts and vinyl copies of records alongside new albums launched on their subscription site, whilst Netflix has trialled house ads to promote their own original content.

Strongly brand alignment and providing utility to the consumer are key to these existing within an otherwise 'ad-free' environment.

**Figure 18. Paying for content to avoid ads**

*Indicate if you would rather pay for online content in exchange for not being exposed to ads*



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