Foreword

It’s been quite a year. Since our last Media Consumer Survey, the sector has continued to evolve in some dramatic ways. We’ve seen further restructures in print organisations, efficiency measures in public broadcasting, and the launch of a Senate inquiry into the future of journalism. Advertising head winds and rising content costs continue to challenge commercial broadcasters and Network 10 entered voluntary administration.

Media reform is firmly back on the table with some relief already provided in the temporary removal of license fees, and US private equity firms considered the prime real estate assets of the Fairfax business. Amazon Prime arrived and Presto was replaced first by Foxtel Play, then by Foxtel Now. A sector shaping merger, proposed between two outdoor advertising players, was blocked by the ACCC.

Meanwhile, along with ‘fake news’, accurate measurement and metrics caused problems for global digital platforms, along with advertiser backlash against ad placements.

The demise of media, certainly of what we associate as more ‘traditional media’ has become an oft told story. But there is more to tell and much of it positive in nature.

In this sixth edition, we once again provide a view of how Australians are consuming different media and entertainment, and how this has changed over time. This year we cover:

- The rise (not demise) of TV
- Our changing relationship with social
- The impacts of fake news
- How consumers are responding to advertising
- The profile of Australian gamers.

If this year is anything to go by, the sector will continue to evolve quickly. As always, our findings represent just a snapshot of Australian media consumer behaviours. In them, we hope you’ll gain fresh insights and meaningful perspectives that are useful and relevant to your organisation.

Niki Alcorn  
Partner – National Media Leader  
T: +61 2 9322 7984  
E: nalcorn@deloitte.com.au

Kimberly Chang  
Partner – National TMT Leader  
T: +61 2 9322 3233  
E: kimbchang@deloitte.com.au

Clare Harding  
Partner – National Financial Advisory Leader  
T: +61 2 9322 5205  
E: charding@deloitte.com.au
In this year's report, we explore the rise, not demise, of TV. It's TV, but not as we know it. Generation V(ideo) is watching more hours of TV-type content than before, and average viewing hours have increased, but we're watching it in very different ways.

We've embraced 'TV+' set ups to get more of the content we want. Fifty percent of respondents now own IP-enabled TVs, and ownership of over-the-top (OTT) boxes and portable streaming devices is at 26% and 17% respectively. And, the percentage of time spent watching streamed content has increased. Bingeing is now the norm, with 59% of us indulging.

Subscription Video On-Demand (SVOD) subscriptions have increased since last year with 32% of respondents now having a SVOD subscription – surpassing Pay TV subscription ownership for the first time. We can't get enough of streaming services, 32% of SVOD subscribers access multiple services to get the content they want, up from just 18% in 2016.

Last year, we highlighted the rise and dominance of social media networks as entertainment destinations in their own right. While the increase in influence of social media is undeniable, the social reality is that, this year, survey respondents are showing signs of dissatisfaction. Many social media users are going as far as to 'take a break', with 31% of respondents temporarily or permanently deactivating their social media accounts. And, while 59% of us engage with social on a daily basis – this has declined from 61% last year to be back on par with 2015 levels. We are also taking our conversations out of the social media spotlight. Sixty-three percent of respondents say they prefer to have conversations with contacts and friends on messaging services rather than on social media.

This year we are seeing a new balancing act as consumers combine digital and more traditional ways of accessing and consuming news. The growth in use of digital forms has plateaued, along with a decline in use of traditional formats. Australians remain overwhelmingly reluctant to pay for online news, with only 10% of respondents willing to do so. What we will pay for requires publishers to balance slow and fast news – combining the right mix of deeply knowledgeable journalism alongside real-time, accurate news. Accuracy has been a point of contention this year, as Australia was not exempt from the phenomenon of 'fake news'. Sixty-five percent of respondents who access news through online sources are concerned about being exposed to 'fake news' and 77% believe they have been exposed.
Along with ‘fake news’, the ‘narrowcast’ of social media and its propensity to be an echo chamber, rather than provide a plurality of views and opinions, has taken a toll. This year, we are using social media less for news, a behaviour being driven by the Millennials – who were also first to embrace it – and Xers.

Social media is the fastest growing influence on purchase decisions, but TV is how we prefer to be entertained. And the influence of TV advertising on our purchasing decisions, while declining, remains high for all generations. Brands and advertisers have enthusiastically embraced social media. As a consequence, our social media experience is a never-ending stream of ads, which leaves us looking for greater utility from social. And, in general, consumers would like to avoid advertising if they can.

Most respondents (77%) will skip an ad playing before a video, half (50%) will abandon a short video completely if they cannot skip the pre-roll ad, and approximately one in three now use ad blocking technology to avoid ads altogether.

Along with being bingers, SVOD enthusiasts, and ad-skippers, Australia is a gaming nation. The majority (58%) of Australian respondents play video games at least once a month and 35% play weekly. Much of the growth in the popularity of gaming is driven by both females and Matures – both groups are now some of the most prolific gamers, thanks in part to mobile gaming. Female gamers spend most of their time gaming on smartphones (31% as compared with 22% for males), while male gamers spend more time on gaming consoles (23% as compared with 17% for females).
About the survey

Deloitte’s Australian media and digital 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 technology and considers their preferences in the future.

The report uses self-reported survey data and was undertaken by an independent research organisation in March 2017. More than 2,000 consumers completed the online survey in Australia. This year the participating international markets were the US, China, Japan and Norway, and we have included comparative data points throughout, where available.

Some identical questions were asked across all geographies and age groups (Figure 1), 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 monitor changes in media and entertainment consumption.

This is the sixth 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.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trailing Millennials</td>
<td>4.5m</td>
</tr>
<tr>
<td>Leading Millennials</td>
<td>2.2m</td>
</tr>
<tr>
<td>Xers</td>
<td>5.5m</td>
</tr>
<tr>
<td>Boomers</td>
<td>5.2m</td>
</tr>
<tr>
<td>Matures</td>
<td>2.5m</td>
</tr>
</tbody>
</table>

32% of respondents now have an SVOD subscription in their household surpassing Pay TV subscription ownership, which is at 31%.
Watching television on any device is our preferred entertainment activity, on par with browsing the internet, both rated by 59% of respondents as being in their top three. And while browsing the internet is the ‘go-to’ form of entertainment for Millennials (both Trailing and Leading) and Xers, watching television is the preference for Boomers and Matures. Across all generations, the amount of time we spend watching movies or TV shows on any device has increased to 17.5 hours each week in 2017, up from 17.2 hours in 2015. This is predominately driven by Boomers and Matures, who have added 1.3 and 1.7 hours respectively to their schedules in the past two years.

At the same time, our binge watching habits are becoming entrenched. The majority of respondents (59%) are binging, watching three or more consecutive TV episodes in a single sitting, on par with 58% in 2016. Nearly one third (29%) of bingers do so at least weekly. And when we do binge, the average length of a binge session has increased to six episodes, up from five last year. That’s just over 4.5 hours on average spent watching in a single sitting. Beyond watching back-to-back episodes, bingeing can be more broadly considered as the all-consuming, ‘must watch-at-any-spare-moment’ behaviours that see us devouring video content.

Bingeing behaviours are enabled by catch-up and streaming technology, distribution platforms, and the content itself, all of which reinforce and make these behaviours more pervasive. For example, in the US where streaming services have been available for longer, 73% of US respondents now binge.1
Whether it’s through the release of full seasons all at once, auto-queuing of the next episode or changes to content formats (e.g. shorter season lengths meaning we can watch all six episodes in one go), both platform providers and content producers have the opportunity to further exploit these behaviours, capturing and retaining consumers with binge-able and immersive experiences.

And it’s not just the latest and greatest content captivating us – bingers spend nearly the same amount of time watching previous seasons of current shows (34% of bingeing time), as they do watching new seasons of current shows (39%). Generation V encapsulates all age groups and while the biggest bingers are Millennials (73% Trailing and 71% Leading), the greatest growth in bingeing behaviours is seen among Matures (36% of whom binge, an increase of 25% CAGR since 2015). We expect these behaviours to persist, particularly as uptake of SVOD subscriptions continues across all age groups.
Twenty-six percent of respondents now own an OTT streaming box, growth of 13% CAGR since 2014, and 17% own a portal streaming device, an increase of 29% CAGR since 2014. Ownership of these devices is highest among Leading Millennials at 32% and 26% respectively. However, the proportion of Boomers who own an OTT streaming box has increased the most since 2014, having grown by 22% CAGR.

Smart TVs and ‘TV+’ set ups enable the streamed and bingeing behaviours of Generation V. And as TVs become smarter still, we may no longer need to supplement our viewing with add-on devices. But we might need additional security features instead.

Smart TVs, being IP enabled can track valuable audience data for advertisers and broadcasters alike. However, as with other connected devices, security and privacy concerns are widespread. The use of image recognition cameras, voice control technology, and multiple operating systems available in Smart TVs all contribute to potential abuses through spyware – and have some asking ‘who’s watching who?’ Penetration of Smart TVs will likely continue, but with software and security features taking precedent over hardware and manufacturer considerations.
When the combination of live (linear broadcast schedule) programming and catch-up services (offered by each of the Australian FTA broadcasters) are considered together, the ‘traditional’ players still dominate our TV watching time, despite the rise of streaming. However, a change in the viewing of those genres critical to broadcast audiences, namely sports and news, which also differentiate FTA from OTT and streamed content providers, is cause for consideration for commercial broadcasters. Comparing all genres, sports and news are still the ones we most often watch live (at the time of broadcast), but this has declined markedly over the last two years. This year, less than half (45%) of respondents indicated they most often watch the news at the time of broadcast (compared to 63% in 2015) and less than a third (29%) of respondents most often watch sport at the time of broadcast (compared to 38% in 2015).
In fact, we are as likely to watch movies live as we are news, despite the fact that there is little ‘live’ appeal for movie content. The only genre that has seen growth in the proportion of respondents most likely to watch it live at the time of broadcast, is Reality TV with 21% of respondents doing so, up from 17% in 2015.

A number of factors are likely contributing to how we consume sports content. Not least investments made in apps by codes such as the AFL or NRL that show matches live, live streaming of content such as the Women’s Big Bash League on the Cricket Australia website, and increased access to internationally followed sports such as the US National Football League through platforms such as Facebook and Twitter.²

In terms of the time respondents spend watching sport, the majority of that time (70%) is still on a TV set. But the proportion of respondents who consider TVs to be their preferred device for watching sport has dropped from 55% in 2016 to 45% this year.

And we expect use of mobile devices for watching sport to increase in the coming year, with the introduction of offers such as Telstra’s data-free access for mobile customers to live AFL and NRL matches for the 2017 season and Optus’s data free streaming for the English Premier League. FTA broadcasters will need to increasingly provide non-linear sports experiences for consumers and to communicate the value of ‘total video’ audiences to advertisers, be that across live TV, catch-up or streamed delivery.
SVOD Wars: The Force Awakens

Within three years of launching in the Australian market, SVOD services such as Netflix, Stan, and Foxtel Play have caught up with Pay TV subscriptions. Thirty-two percent of respondents now have a SVOD subscription in their household – up from 22% last year – surpassing Pay TV subscription ownership for the first time (31%). Pay TV subscription ownership has remained stable since last year, and has remained between 31-33% since 2014.

SVOD subscriptions are now the most valued household subscription for 22% of respondents, with the perceived value of these subscriptions increasing significantly (91% growth CAGR since 2015), to be on par with that attributed to Pay TV subscriptions (23%). In the past year, SVOD subscription growth has been highest in older generations, with the proportion of households purchasing a subscription doubling for Boomers and Matures (from 11% and 6% in 2016 to 22% and 15% in 2017), while the proportion of Boomers and Matures with Pay TV subscriptions has fallen. Ownership of Pay TV subscriptions remains stable for Xers (30% in 2016 as compared to 31% in 2017), but SVOD subscriptions continue to grow among this group. Thirty-four percent of Xers now own a SVOD subscription up from 19% in 2016. And like Millennials, Xers now value their streaming subscriptions more than Pay TV.
The content that sets Pay TV subscriptions apart from SVOD is live content. Aside from Foxtel Now, SVOD players in the Australian market do not currently provide live content in their content offer. Sixty-two percent of Pay TV subscribers rate the ability to watch live broadcast content (e.g. live sports) as the top reason for keeping their Pay TV service. And as for their Free-To-Air counterparts, as sports content becomes more readily available on mobile platforms and streaming services, this will present challenges for Pay TV too.

**Five kings, one throne**

The Australian SVOD battleground has casualties and new arrivals. In the past 12 months we’ve seen the launch of Amazon Prime Video in December 2016, the closure of Presto in January 2017 and the revamp of Foxtel Play, which has relaunched as Foxtel Now since this survey went to market. The ‘game’ is still being played out, as many consumers continue to double up on SVOD, with 32% of SVOD subscribers now subscribing to multiple services (up from 18% last year). One ‘king’ currently holds the throne – 28% of respondents now use Netflix, making it the most subscribed to SVOD service. This compares to Foxtel Play, Stan and Amazon Prime Video which are subscribed to by 9%, 7%, and 2% of respondents respectively, and reflects the multiple subscriptions held.

And there is further room for growth. In more mature SVOD markets such as the US, 49% of households now have a SVOD subscription, up from 31% just five years ago. Many of us who don’t currently pay for a SVOD service are still using one. Among those not currently paying for SVOD services, 25% are accessing them through free trial subscriptions. And 28% of respondents frequently or occasionally use a friend or family member’s subscription login information to watch digital content. This is especially prominent among Millennials (46% and 44% for Trailing and Leading Millennials).
While Netflix holds the throne for now, the ending may still be unpredictable. The recent introduction of Amazon Prime Video has the potential to be as disruptive in the Australian SVOD market as Amazon is likely to be for retail, not least because bundled streaming services are provided for ‘free’ to Prime subscribers in markets such as the UK and US. Foxtel Now’s combination of on-demand content with sport, TV and news, has the potential to be a powerful alternative SVOD contender.

And Stan’s dual focus on producing local content and acquiring world-class productions provides another strong local contender among mostly global players. Unlike music streaming services that go head-to-head with the same content – the SVOD game may yet see a number of winners, due to the complementary nature of the content offers in market, with consumers being the ultimate victors due to the choice and quality of content available.
46% of respondents spend more time on social media than they would like.

31% have temporarily or permanently deactivated their accounts.
Changing relationship status

Social media has cemented its place in our lives – but its status in our hearts may be becoming questionable. Consistent with last year, a fifth (21%) of our online entertainment time is spent on social media.

However, while daily usage remains high, with 59% of respondents engaging on social media at least once a day, this has declined from 61% last year, to be back on par with 2015 levels. The most marked reduction in usage has been among the social media pioneers – Leading Millennials.
Despite Leading Millennials being the original Facebook audience and pioneering the wholesale adoption of social media, daily usage among Leading Millennials has decreased, from 84% last year to 73% in 2017. A decline in ‘heavy users’ among this age group – those that update or check their accounts more than 10 times a day – from 28% last year to 13%, has driven this overall decline.

While Leading Millennials are the first to potentially ‘unlike’ social with this change in usage, there are signs of dissatisfaction across all generations. Twenty percent of respondents disagree that they enjoy the time they spend using social media and nearly half spend more time on it than they would like (46% of respondents agree). Many social media users are going as far as to ‘take a break’, with 31% of respondents temporarily or permanently deactivating their social media accounts. Again, this behaviour is most commonly seen among Leading Millennials (46%).

Our levels of social media engagement and enjoyment are driven by the ways in which we use it. Social media has always provided a platform to stay connected to family and friends, and the majority of respondents (64%) across all generations believe that over the next three to five years they will still get the most value from using social media for this purpose. But these online connections might be coming at a cost. Twenty-nine percent of respondents spend more effort maintaining their social media image and connections than they do in-person relationships. This behaviour is most prevalent among Leading Millennials (43%) – perhaps the effort required to curate a certain image on social media is contributing to their dissatisfaction.
We use social media for more than connecting with people. Sixty-three percent of respondents see social media as a good way to stay connected with issues and topics that are important to them. Fifty-one percent of survey respondents like that the content they see on their social media accounts is targeted at them and their interests. Social media is uniquely well placed to do this, since our preferences drive the content we see – creating our own individual echo chambers. So much so, that the time we spend in social media may shield us from the broader story as ‘remain’ voters in the UK and Clinton supporters in the US will have been all too acutely aware. Despite this, only 41% of respondents believe that the content they see on social media shapes their view of the world.
In our changing relationship with social, platform providers need to continue to find new utility for users – beyond connecting us to each other and to the issues important to us. For Millennials certainly, the age group is showing signs of dissatisfaction, perhaps it’s just that social is not as much fun as it was, being awash with advertisements and their grandparents’ friends. Platforms continue to experiment, with features such as instant articles, live video, streamed content, and social commerce opportunities such as Amazon Spark’s image-based social network focused on e-commerce.

**A message from the dark side**

We are taking our conversations out of the social media spotlight. Sixty-three percent of respondents say they prefer to have conversations with contacts and friends on messaging services rather than on social media. Conversations on messaging services are part of ‘dark social’ – the online sharing of content and conversations through private channels that are restricted to closed groups of users, and not publicly accessible or visible on an open social network.

Even in dark social, Facebook Inc. is the dominant player with Facebook Messenger the most popular messaging service across all ages (62% of those that use messaging services are active users). This is followed by WhatsApp (also owned by Facebook) for Trailing Millennials (36%), Leading Millennials (50%) and Xers (33%), while Skype ranks second for Boomers (30%) and Matures (25%).

As more of our conversations go ‘dark’, organisations that have made investments in social media listening capabilities will lose sight of the full picture of consumer discussion and sentiment. But dark social has a bright side – it presents exciting opportunities for brands. For example, in Adidas’s launch of Tango Squads, groups of 100-250 fans gained early access to content and new products via exclusive communications in messaging services. Fans and influencers then spread interest virally.

Dark social by its definition has no effective means for discovery, this first needs to be built elsewhere. It requires promotion on traditional platforms first (online and social) to sign up audiences and create a broadcast list.
Likewise, content must be optimised for messaging channels with specifically designed shareable content built for and with the audience. For example, PlayStation’s library of game clip gifs are designed to be shared with fellow gamers, allowing them to communicate, while gaming, through messaging apps in a conversational way that feels useful and enabling, rather than disrupting.4

<table>
<thead>
<tr>
<th>Social Media Consumer Survey 2017</th>
</tr>
</thead>
</table>

![Figure 7: Social networks and messaging apps usage by generation](image)

<table>
<thead>
<tr>
<th>Social Networks and Messaging Services</th>
<th>Trailing Millennials</th>
<th>Leading Millennials</th>
<th>Xers</th>
<th>Baby Boomers</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>81%</td>
<td>85%</td>
<td>75%</td>
<td>75%</td>
<td>64%</td>
</tr>
<tr>
<td>Instagram</td>
<td>46%</td>
<td>45%</td>
<td>21%</td>
<td>12%</td>
<td>4%</td>
</tr>
<tr>
<td>Twitter</td>
<td>30%</td>
<td>30%</td>
<td>23%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Snapchat</td>
<td>43%</td>
<td>28%</td>
<td>11%</td>
<td>5%</td>
<td>1%</td>
</tr>
<tr>
<td>Messenger</td>
<td>73%</td>
<td>69%</td>
<td>58%</td>
<td>56%</td>
<td>42%</td>
</tr>
<tr>
<td>WhatsApp</td>
<td>36%</td>
<td>50%</td>
<td>33%</td>
<td>17%</td>
<td>8%</td>
</tr>
<tr>
<td>Skype</td>
<td>24%</td>
<td>34%</td>
<td>26%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>WeChat</td>
<td>14%</td>
<td>21%</td>
<td>7%</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Social brands and simulating conversations

Social media provides a useful channel for customer interaction, although companies and brands are still learning and experimenting in how best to use it to win or serve customers. Given the relative novelty of using social media for customer service, it is promising to see that nearly half of respondents (48%) have engaged at least once with a company through social media in the past twelve months, with 13% having engaged at least six times in that period. And of those that have specifically used social media to interact with a company, 63% agree that they found social media interaction to be more effective than a phone call, while 69% agreed that a company’s response on social media was faster and better suited to their needs.
But there’s still some way to go. Across the full survey population, perceptions of companies’ use of social networking sites have fallen this year, including the amount they were able to learn about a product, their perception of the brand and the extent of a positive impact on their decision to buy the product or service offered.

As consumers increase their use of messaging services and companies look to automate aspects of their customer interactions or service, this provides an opportunity. Social and messaging-based customer interactions must first be optimised before they can be automated. And respondents are comfortable interacting this way. Fifty-six percent of those that have used social media to interact with a company indicate they are ‘aware and comfortable’ that they are talking to chatbots, although this is lower among older generations (42% of Boomers and 41% of Matures).

Figure 9: Companies’ use of social networking sites
How much do you agree with each of the following statements related to companies’ use of social networking sites?
(Summary of agree strongly/somewhat)

<table>
<thead>
<tr>
<th>Statement</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>It enables me to learn more about a company/brand/product/service than the information I can get on a company’s website</td>
<td>49</td>
<td>58</td>
</tr>
<tr>
<td>It has improved my perception of the company/brand</td>
<td>45</td>
<td>51</td>
</tr>
<tr>
<td>I am able to more effectively raise/resolve customer service issues than via the company’s website or calling the company</td>
<td>44</td>
<td>51</td>
</tr>
<tr>
<td>I feel more connected to the company/brand if their leadership engages on social networks</td>
<td>42</td>
<td>48</td>
</tr>
<tr>
<td>It enables me to be aware of the product/service promoted by the company (before the promotion on the social network, I wasn’t aware of the product/service)</td>
<td>53</td>
<td>59</td>
</tr>
<tr>
<td>It positively impacts my decision to buy the service/product promoted by the company</td>
<td>41</td>
<td>48</td>
</tr>
</tbody>
</table>

But there’s still some way to go. Across the full survey population, perceptions of companies’ use of social networking sites have fallen this year, including the amount they were able to learn about a product, their perception of the brand and the extent of a positive impact on their decision to buy the product or service offered.

As consumers increase their use of messaging services and companies look to automate aspects of their customer interactions or service, this provides an opportunity. Social and messaging-based customer interactions must first be optimised before they can be automated. And respondents are comfortable interacting this way. Fifty-six percent of those that have used social media to interact with a company indicate they are ‘aware and comfortable’ that they are talking to chatbots, although this is lower among older generations (42% of Boomers and 41% of Matures).
65% of respondents agree they are concerned about being exposed to ‘fake news’ online.

77% believe they have been exposed to it already.
News

A new balancing act

Thirty-seven percent of respondents most frequently use digital sources, such as online newspapers and news sites, social media sites, and news aggregators as their primary source of news, down slightly from 40% last year and having risen from just 26% in 2013.

As in previous years, Millennials most frequently consume their news digitally (50% of Trailing Millennials and 57% of Leading Millennials), which is double the proportion of Boomers (24%) and triple that of Matures (14%) that do so.

Holding steady this year is the frequency with which respondents use more traditional means to access news, including TV news and talk shows, print newspapers, radio, and magazines. These are used by 55% of respondents this year, compared to 54% in 2016, having fallen from 70% in 2013. While the sharp decline in the use of more traditional formats appears to have plateaued, we won’t call it a comeback, more ‘a new balancing act’, as it becomes the norm for digital news consumption behaviours to coexist alongside more traditional means.

Figure 10: Primary source of news
Which of the following is your most frequently used mechanism to get news?

Digital formats
(including online newspapers and news sites, social media sites and news aggregators)

Traditional formats
(including TV news and talk shows, print newspapers, radio, and magazines)

2013
2014
2015
2016
2017
Australians remain overwhelmingly reluctant to pay for online news. Ninety percent of respondents agree they are not willing to pay because there is so much information available for free, with little change in this over the last four years. And when Australians do pay, they expect more than just the headlines – with trust in the brand and in-depth news analysis being the primary reasons that they are willing to pay. More than half of the surveyed males who are willing to pay for online news seek in-depth news analysis (54%), while females are more likely to pay for news when they trust and associate with a brand (40%) or have affinity with a writer or commentator (38%).

The other feature of this balancing act for news, is slow and fast. Respondents believe that in the next three to five years they will gain most value from ‘fast’ real-time, accurate news (46% of respondents), in addition to ‘slow’ news – deeply knowledgeable journalism that digs further into select topics (39%). The business and cost models required to deliver these forms of news are different, challenging news organisations that try to satisfy our desire for both. Organisations that do, such as the Wall Street Journal and The New York Times, are only able to do so as a function of their global brands and scale audiences.
Social shifts for news

This year, there has been a shift away from social media as a primary source for news. Fourteen percent of respondents identify social media as their most frequently used way to access news, down from last year (18%) and on par with online newspapers, which have held steady at 14% since 2013. The shift away from social media as a primary source for news is driven by the Millennials – who were also first to embrace it – and Xers.

However, the futures of news and social media remain very much entwined. More than one-third of survey respondents (35%) expect that in the next three to five years, they will get the most value from using social media to keep up-to-date on breaking news, with little variation across generations.

When we do use social media for news, Australians are active participants. As in prior years, commenting on news or special interest areas is the most frequent social networking activity for Australian respondents – 54% frequently do so, up from 48% last year. This continued engagement with news through social media has been primarily driven by Xers, with 56% doing so, up from 43% last year.
Enabled by social media and contrasting with the traditional ‘one-to-many’ model, this year we have seen more of ‘many-to-many’ news models. Citizen journalists live tweet and live stream video to online audiences, bringing events such as the Women’s March following the Presidential inauguration in Washington and tragedies such as the Grenfell Tower disaster in the UK to our doors. We expect this trend in the democratisation of journalism to continue, further challenging newsrooms to adapt. High journalistic standards, integrity in storytelling, and fact checking are likely to be key to their differentiation and value.

The ‘un-real-ity’ of news

Australia was not exempt from the phenomenon of ‘fake news’ this year. Sixty-five percent of respondents who access news through online sources are concerned about being exposed to ‘fake news’ online, and 77% believe they have been exposed. The difference between the degree of ‘exposure to’ versus ‘concern about’ reveals that we do not necessarily feel we need help to discern the truth. Eighty percent of respondents who use online news sources believe they are capable of figuring out what is real and what is fake.

As the challenge of navigating the internet continues to grow in its complexity, so too does our need for greater and more sophisticated ‘digital literacy’ – the aptitude to access, critically interpret, and use information that is delivered through digital technologies. Seventy-six percent of respondents who access news through online sources believe they take the time to assess the validity of the material they are being presented with by considering the source and author when reading news material online. Additionally, more than half have taken action – given the prevalence of ‘fake news’, 58% have changed the way they access news material online. This shift in behaviour may be contributing to this year’s decline in social media as a source for news.
The number of stories labelled ‘fake news’ seems to be increasing almost as quickly as our concern about it. The term has been used for everything from hoaxes and satire, to contentious articles, and genuinely false information. Against this backdrop, 70% of respondents who use online news sources see value in having ‘ratings’ on news content to measure its quality or authenticity. Organisations such as Politifact and Snopes offer this type of fact checking. But a ratings approach only goes so far – particularly if audiences do not trust the fact checker or a given news outlet in the first place. A way forward may be seen in CrossCheck, the Google-led media initiative used during the French elections, where news organisations collaborated to cross check each other’s stories – helping to overcome perceptions of bias among different audience groups.

Figure 12: Statements on online news sources
You indicated that you get news through online sources, indicate how much you agree with the following statements.
(Summary of strongly/somewhat agree)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I am concerned about being exposed to ‘fake news’ online</td>
<td>65</td>
</tr>
<tr>
<td>I am aware that I have been exposed to ‘fake news’ online</td>
<td>77</td>
</tr>
<tr>
<td>I believe I am capable of discerning what is ‘real news’ and what is ‘fake news’</td>
<td>80</td>
</tr>
<tr>
<td>When reading news material online, I take time to consider the source and author of the news, and assess the validity of the material I am being presented</td>
<td>76</td>
</tr>
<tr>
<td>I have changed the way I access news material online given the prevalence of ‘fake news’</td>
<td>58</td>
</tr>
<tr>
<td>I would see value in having ‘ratings’ on news content (e.g. scoring shown on the quality or authenticity of news content)</td>
<td>70</td>
</tr>
</tbody>
</table>
The fastest growing influence on respondents' purchasing decisions is social media advertising, this year rising to 36%.

TV advertisements continue to have the greater impact on purchasing decisions, only after word of mouth and its digital equivalent.
Reports of my death have been greatly exaggerated

After word of mouth, and its digital equivalent, (online reviews from someone in our circle), TV advertisements continue to have the greatest impact on purchasing decisions, with 53% of respondents rating them as having a high or medium influence.

The influence of TV has fallen this year, from 55% in 2016, and has been declining since this report series started in 2013, with a 10% drop over that time.

The fastest growing influence on respondents’ purchasing decisions is social media advertising, up to 36% this year, having increased by 14% CAGR since 2013. This brings the influence of social media platforms broadly in line with traditional advertising such as newspapers (38%), radio (37%), billboards and posters (36%), and magazine ads (35%). The power of social media is most pronounced among Millennials, identified as influential for 52% of Trailing and 53% of Leading Millennials. The highest growth in social media’s influence on purchase decisions since 2013 has been among Boomers (22% CAGR).

Among Millennials, the influence of social media advertising is almost on par with TV advertising (influential for 56% of Trailing and 54% of Leading Millennials). The other winners this year are endorsements from online personalities and celebrities and tweets or posts from a company not already followed. These seemingly more personal or ‘intimate’ ways of connecting with consumers, along with social media ads, text messaging, and mobile app ads, have increased their influence on purchasing decisions, and yet there is still no better way to connect with scale audiences. TV advertising remains critical to discovery, building awareness, and to long term brand associations – and should not be written off just yet.
**Figure 13: Most important influences on buying decisions**

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Recommendations from a friend/family/known acquaintance</td>
<td>77%</td>
<td>80%</td>
<td>80%</td>
<td>81%</td>
<td>-</td>
</tr>
<tr>
<td>Online review or recommendation from someone within your social media circle</td>
<td>55%</td>
<td>68%</td>
<td>62%</td>
<td>62%</td>
<td>62%</td>
</tr>
<tr>
<td>Television ads</td>
<td>47%</td>
<td>46%</td>
<td>51%</td>
<td>55%</td>
<td>54%</td>
</tr>
<tr>
<td>Online review by someone you do not know in real life</td>
<td>44%</td>
<td>41%</td>
<td>38%</td>
<td>38%</td>
<td>44%</td>
</tr>
<tr>
<td>Manufacturer or vendor website</td>
<td>42%</td>
<td>39%</td>
<td>38%</td>
<td>44%</td>
<td>50%</td>
</tr>
<tr>
<td>An email from a company/brand</td>
<td>40%</td>
<td>47%</td>
<td>46%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Products or services mentioned/featured in a TV show or movie</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Search engine advertising</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A reseller or channel partner website</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>In-theatre advertising (pre-movie)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Newspaper ads</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Radio ads</td>
<td>37%</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Billboards and posters</td>
<td>36%</td>
<td>37%</td>
<td>37%</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Ads delivered through social media platforms</td>
<td>35%</td>
<td>41%</td>
<td>41%</td>
<td>48%</td>
<td>48%</td>
</tr>
<tr>
<td>Magazine ads</td>
<td>29%</td>
<td>29%</td>
<td>27%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>An endorsement from an online personality</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>An endorsement from a celebrity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SMS/Text Message ad</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Video game advertising</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ads delivered on mobile apps, including location-based ads</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A tweet/post by company/brand you do not follow</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Response option not provided in previous survey*
AVO(I)D

Only 27% of respondents will provide personal information in exchange for more targeted advertising, in line with last year (26%). Seventy percent of respondents are worried about becoming victims of identity theft as a result of sharing information online, compared to 74% last year. And on mobile devices, 70% find it intrusive when ads instantly appear for things they’ve looked at elsewhere.

Choice is important. Most Australians are taking active steps to avoid advertising altogether – skipping, blocking, and paying for ad-free environments. Seventy-seven percent of respondents indicate that given the choice, they will skip an ad playing before a video. This skipping behaviour is even more prevalent in the US where 83% of respondents skip pre-roll ads.1

Additionally, half (50%) of Australian respondents are likely to abandon a short video completely if they cannot skip the pre-roll ad, and when thinking about mobile advertising, 48% pay more attention to an ad they can skip than an ad they cannot.

Across all types of content including movies, TV shows, sports, games, music and news, Australian respondents indicated an increased willingness to pay for content, in exchange for not being exposed to advertisements.

Figure 14: Paying for content to avoid ads
Indicate if you would rather pay for online content in exchange for not being exposed to ads.

<table>
<thead>
<tr>
<th>Content Type</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Movies</td>
<td>42</td>
<td>40</td>
</tr>
<tr>
<td>Music</td>
<td>36</td>
<td>33</td>
</tr>
<tr>
<td>TV shows</td>
<td>37</td>
<td>36</td>
</tr>
<tr>
<td>Sports information</td>
<td>29</td>
<td>26</td>
</tr>
<tr>
<td>Games</td>
<td>28</td>
<td>26</td>
</tr>
<tr>
<td>News</td>
<td>28</td>
<td>23</td>
</tr>
</tbody>
</table>

[1] 50% of respondents are likely to abandon a short video completely if they cannot skip the pre-roll ad, and when thinking about mobile advertising, 48% pay more attention to an ad they can skip than an ad they cannot.
At the same time, more Australian respondents proactively use technology to filter out unwanted ads altogether. Approximately one in three respondents now use ad blockers (31%), up from 28% last year. Of those respondents that use ad blocking software, they most commonly do so on laptops (74% of ad blockers are used on these devices), followed by desktops (55%), smartphones (28%), and tablets (23%).

To date, ad blocking has been led by users, with consumers opting in and ad blocking software filtering out on their behalf. However, Google and Apple web browsers will soon include built-in ad blocking that will block certain types of intrusive ads.

A new update to Apple’s Safari web browser in September 2017 will block auto play videos, while Google Chrome ad filtering commences in early 2018. With Chrome and Safari together accounting for approximately 80% of the Australian browser market, the majority of Australian Internet users will soon be ad blockers by default. The next chapter of browser wars is taking shape as powerful tech giants take defensive positions to stymy adoption of alternative blocking technology – and in doing so, further control our online experiences and the ads we are exposed to.

Figure 15: Use of ad blocking software by generation
Do you currently use ad blocking software to view content without advertisements?
58% of respondents play video games at least once a month.

35% play weekly.
Australia: a gaming nation

The majority of Australian survey respondents (58%) play video games at least once a month and 35% play weekly. This includes all types of video games and playing formats: mobile, console, phone-based, laptop/desktop, and tablet-based games. Gaming’s standing as a preferred form of entertainment has increased over the past five years. Twenty-two percent of respondents now rank playing video games in their top three entertainment activities, up from 15% in 2012. This sees gaming ranked ahead of attending live performances (such as sporting events, concerts, or stage productions) – ranked by 20% of respondents as being in their top three.

Figure 16: Video game usage by generation

How often do you play video games (regardless of type, including mobile, console, phone-based, laptop and/or desktop, and tablet-based games)?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Total</th>
<th>Trailing Millennials</th>
<th>Leading Millennials</th>
<th>Xers</th>
<th>Boomers</th>
<th>Matures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequently (everyday or weekly)</td>
<td>35</td>
<td>37</td>
<td>33</td>
<td>31</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>Occasionally (monthly)</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Rarely (one to three times a year)</td>
<td>14</td>
<td>12</td>
<td>13</td>
<td>16</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Never</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>18</td>
<td>15</td>
<td>18</td>
</tr>
</tbody>
</table>

- Total
- Trailing Millennials
- Leading Millennials
- Xers
- Boomers
- Matures
Rather than being the stereotyped domain of the teenage boy, the profile of the Australian gamer might surprise. Much of the growth in the popularity of gaming has been driven by females and Matures – both groups are now some of the most prolific gamers, thanks in part, to mobile gaming. Female gamers spend most of their time gaming on smartphones, 31% as compared with 22% for males, while male gamers spend more time on gaming consoles, 23% as compared with 17% for females.

Females are now gaming just as frequently as males, with 35% of females and 36% of males doing so at least once a week, compared to 33% and 40% respectively in 2016.

And while Trailing Millennials have the highest proportion of video gamers (42% play at least once a week), there are more Matures who game weekly (39%), than Xers (33%) or Boomers (31%).

Since last year, the proportion of Matures who play has increased by 12%, predominately driven by an increase in female Matures, of whom 46% play video games at least weekly (compared to 32% in 2016).

Among all gamers, the percentage of time spent gaming using smartphones has increased (from 20% in 2014 to 26% in 2017), while the use of gaming consoles has remained stable (20% of the time spent gaming).
Game genre is a strong influence on decisions with 61% of respondents considering this when deciding whether or not to play a game in the future. There is a ‘long tail’ in the types of games played across all generations, but the most frequently played game genre is card or puzzle games on a mobile device, such as Candy Crush, Clash Royale, or Angry Birds (23% of surveyed gamers most often play these). Male gamers are most likely to play first person shooter games like Call of Duty or Battlefield (16%), whereas female gamers are twice as likely to play mobile card or puzzle games (33%), followed by social games such as Farmville or The Sims (12%).

Lessons from the leader board

Video gaming was almost a $3 billion industry in Australia in 2016, comprising approximately $1.1 billion in retail sales, and $1.9 billion in digital and mobile sales, with mobile sales the largest proportion. And there are lessons to be drawn from the variety and success of revenue models within video gaming, which include subscriptions, game or app downloads and micro-payments within a game or app environment.
Among respondents, subscriptions to game platforms such as PlayStation Network or the Nintendo Network have grown with 19% of respondents now owning gaming subscriptions, increasing 8% (CAGR) since 2014. Millennials are more likely to own these subscriptions (30% of Trailing and 29% of Leading Millennials) as are males (23% of males as compared to 15% of females). These subscriptions provide console gamers access to gaming stores, monthly free downloads, multi-player environments, and even movies, music, and television content.

Online subscription models have also seen success with certain blockbuster, or ‘AAA Games’, such as World of Warcraft, where users pay a monthly fee, comparable to an SVOD service, for game access. The model encourages ongoing time-spent in game by players and ongoing releases of new content by developers to make the monthly fees palatable for gamers.

The increased use of mobile devices for gaming generates ongoing revenue streams for game providers. Sixteen percent of surveyed gamers make an in-app purchase at least once a month, such as buying extra lives in Candy Crush. Millennials make in-app purchases the most often with 29% of Leading Millennials and 24% of Trailing Millennials doing so at least monthly.

These in-game or in-app purchases can be related to improving performance (e.g. game hints or extra health), gaining greater access to content (e.g. extra characters or bonus game levels) or personalisation of the experience.

The use of Virtual Reality (VR) technology in video gaming may also provide new revenue models. Of those respondents who own VR headsets, 26% most frequently use them to play video games. Although ownership of VR headsets is still low, this has grown in the past year (10% of respondents now own a VR headset, compared to 4% last year), with many of the near term commercial applications for VR expected to focus on video games and core gamers.
But the real future for revenue growth in video gaming seems likely to be less in the playing and more in the watching. The emergence of the nearly $700 million global e-sports industry\textsuperscript{12} – competitive video gaming (mainly massive multiplayer games), watched both in stadiums and online via live streaming websites such as Twitch – demonstrates the popularity and potential for this form of gaming. In terms of viewership, video gaming content and gaming channels are among the most popular video content on YouTube.\textsuperscript{13}

Traditional sports are seeing the opportunity in the evolution of e-sports. While Australia currently lags other countries (using ranked prize earnings of Australian players as a guide),\textsuperscript{14} e-sports is gaining traction locally. The AFL is exploring an eSports tournament at Etihad Stadium, and AFL clubs are creating or buying their own e-sports teams, such as the Adelaide Crows purchase of Legacy, a Sydney based participant in the League of Legends game league.\textsuperscript{15, 16} E-sports might yet provide viable additional media revenue streams for local sporting codes to complement revenue from rights.
References

2. ABC News, “Changes in TV viewing patterns are spreading to sport, with a move to online and mobile streaming”, 31 Dec 2017
5. Google Blog, “Fact Check now available in Google Search and News around the world”, 7 Apr 2017
7. Mashable Australia, “Apple will start blocking autoplay videos and ad trackers in Safari”, 6 Jun 2017
10. Interactive Games and Entertainment Association, “Taking it up a level: Australian video game industry generates $2.95 billion in 2016, 28 Feb 2017
12. Newzoo, “Esports revenues will reach $696 million this year and grow to $1.5 billion by 2020 as brand investment doubles”, 14 Feb 2017
15. The Age, “Adelaide Crows buy professional Australian eSports team Legacy esports”, 18 May 2017
16. The Sydney Morning Herald, “Gamers back AFL’s entry to eSports scene”, 3 May 2017
Contacts

Authors

Niki Alcorn
Partner – National Media Leader
T: +61 2 9322 7984
E: nalcorn@deloitte.com.au

Lucy Buchanan
Director – Consulting
T: +61 2 9322 3452
E: lubuchanan@deloitte.com.au

Contributors

Andy Bateman
Partner – Consulting
T: +61 2 8260 6291
E: abateman@deloitte.com.au

Leora Nevezie
Director – Consulting
T: +61 3 9671 6442
E: lnevezie@deloitte.com.au

Chris Ryan
Director – Risk Services
T: +61 2 9322 5316
E: chrryan@deloitte.com.au

Michael Chen
Senior Consultant – Consulting
T: +61 2 9322 3300
E: mybchen@deloitte.com.au

Michael Goldman
Consultant – Consulting
T: +61 2 9322 3141
E: mgoldman@deloitte.com.au

Jessica Eade
Consultant – Consulting
T: +61 2 8260 4422
E: jeeade@deloitte.com.au
Other Deloitte contacts

Jeremy Drumm  
Partner – Consulting  
T: +61 2 9322 5088  
E: jdrumm@deloitte.com.au

Stuart Johnston  
Partner – Asia Pacific Telco Leader  
T: +61 3 9671 6518  
E: stujohnston@deloitte.com.au

Kate Huggins  
Partner – Consulting  
T: +61 2 9322 5452  
E: khuggins@deloitte.com.au

Steve Hallam  
Partner – Deloitte Digital  
T: +61 3 9671 6544  
E: sthallam@deloitte.com.au

Jamie Irving  
Partner – Financial Advisory  
T: +61 2 9322 7213  
E: jirving@deloitte.com.au

John O’Mahony  
Partner – Deloitte Access Economics  
T: +61 2 9322 7877  
E: joomahony@deloitte.com.au

Dennis Moth  
Partner – Risk Advisory  
T: +61 2 9322 7897  
E: dmoth@deloitte.com.au

Sandeep Chadha  
Partner – Audit & Advisory  
T: +61 2 9322 5033  
E: sachadha@deloitte.com.au

Joshua Tanchel  
Partner – Deloitte Private  
T: +61 2 9322 7258  
E: jtanchel@deloitte.com.au

Eamon Fenwick  
Partner – Tax  
T: +61 2 9322 7189  
E: efenwick@deloitte.com.au