



The 'generation that won't spend' is spending a lot on media content

Deloitte predicts that US and Canadian millennials²⁰⁵ will spend over \$62 billion on media content in 2015. This is greater than the total spend on Internet advertising in the US and Canada,²⁰⁶ and as such represents a significant contribution to the media sector from the generation of 18-34 year-olds often accused of defaulting to unpaid sources of content.²⁰⁷ There are 83 million millennials in the US and Canada, and \$62 billion of spending on media content equates to \$750 each.

These numbers may surprise given other trends and perceptions: haven't millennials stopped buying CDs, subscribing to newspapers, or paying for cable TV? So how can 18-34 year-olds in these two countries spend an average \$750 on media in 2015?

The reality is that millennials are spending less on traditional media than they did in the past, and less than older generations, but they are still spending (see Figure 1).

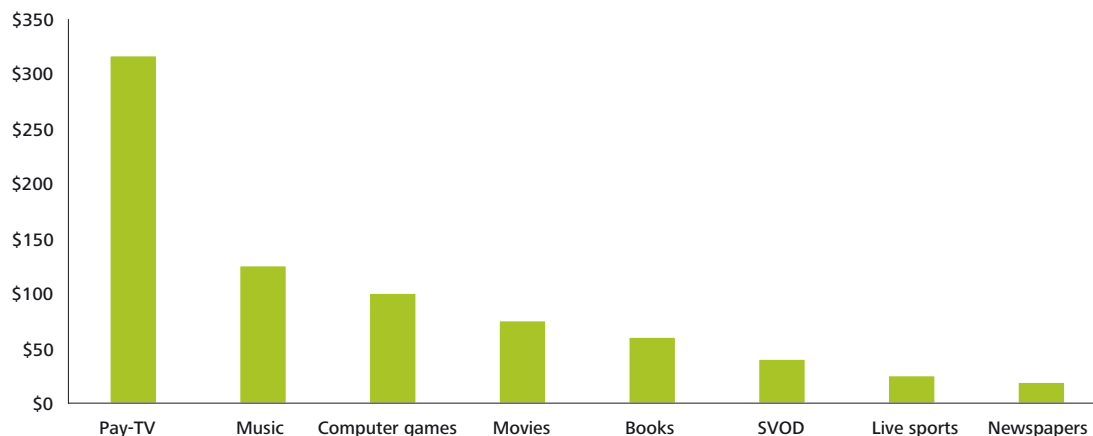
The biggest media expenditure for most households in the US and Canada is pay-TV. This is also true for millennials, almost half of whose annual media spending (\$316 of the expected \$750 total) is on traditional pay-TV. About 70 percent of 18-34 year-olds live away from the parental home, and 80 percent of those are in a household that will pay for TV in 2015, with each subscription shared by 1.7 people who are 18+,

for an estimated \$316 spend on TV.^{208, 209} About four-fifths of all 18-34 year-olds have access to pay-TV bundles, at an average cost of \$80 per month.^{210, 211}

Of the remaining 30 percent of Americans 18-34 who live at home,²¹² even though their parents may be opting for premium services to keep the kids happy,²¹³ we assume millennials are not paying or contributing to subscription costs.

Turning to music, while millennials purchase little physical content, music is still a big part of their budget, at \$125 in 2015. We estimate that 80 percent will attend a live event, and that most would like to spend more on live music than in prior years.²¹⁴ This reflects the long-term trend across all age groups: between 1990 and 2010, spend on music concerts, performing arts and sporting events doubled from a quarter to a half of a percent of total consumer spending.²¹⁵ We also estimate average spending on live music among 18-34 year-olds will be about \$100, which is more than double the average \$48 per capita in the US as of August 2014.²¹⁶ Additionally, we forecast that millennials will spend \$25 on average on digital music downloads and streaming in 2015. Younger consumers represent a significant proportion of streaming service subscribers; an estimated 40 percent of Spotify's 50 million monthly active users and 12.5 million²¹⁷ premium users are 18-24.²¹⁸

Figure 1. Millennials' \$750 spend on media content in 2015



Source: Deloitte, 2014, based on multiple sources

205. There are a variety of definitions. We are using the term to describe those between the ages of 16-34 in 2015, i.e. born between 1981 and 1999, but definitions vary. US millennials 18-34 are over 74 million; see: So How Many Millennials Are There in the US, Anyway?, Marketingcharts, 30 June 2014: <http://www.marketingcharts.com/traditional/sko-how-many-millennials-are-there-in-the-us-anyway-30401/> which is 23.4 percent of the total US population of 316 million. Canadian millennials are almost nine million on a population base of 35 million; see: Millennials by the numbers, Strategy, 21 August 2013: <http://strategyonline.ca/2013/08/21/millennials-by-the-numbers/>

206. US Internet ad spend is \$43 billion; see: 2013 Internet Ad Revenues Soar To \$42.8 Billion, Hitting Landmark High & Surpassing Broadcast Television For The First Time - Marks a 17% Rise Over Record-Setting Revenues in 2012, IAB, 10 April 2014: http://www.iab.net/about_the_iab/recent_press_releases/press_release_archive/press_releases/pr-041014 and in Canada is \$3.5 billion, see: Canadian Internet Advertising Revenue Survey, IAB Canada, 17 September 2014: http://iabcanada.com/files/Canadian-Internet-AdRev-Survey_2013-14.pdf

207. Selling HD Content To A Generation of Thieves That Honestly Don't Know Its Wrong To Steal, Home theater review.com, 29 March 2011: <http://hometheatereview.com/selling-hd-content-to-a-generation-of-thieves-that-honestly-dont-know-its-wrong-to-steal/>; Question: I just came from a digital publishing conference in Berlin. They had a very interesting panel on paywalls that work. I think it's inevitable that sites like ours (and many others) will need to construct some sort of paywall domestically. (We already have an international one). However, we have a predominantly Millennial audience, and they have never paid for content. I'd like to know how you convince millennials to pay for content. I'd like to know how successful digital subscription programs have worked--if there are any? Media Shepard, as accessed on 23 December 2014: <http://www.mediashepherd.com/ask-the-experts/questions/how-do-you-convince-millennials-to-pay-for-content-how-do-successful-digital-subscription-models-work/>

208. 70 percent are independent, times 80 percent pay-TV penetration, multiplied by \$80 per month times 12 equals \$537.60. Divided by 1.7 household members over the age of 18 equals \$316.

209. Canadian millennials are estimated to spend \$70 a month on pay-TV services, see: Millennials still avid commercial TV watchers: Study, Marketing, 11 June 2014: <http://www.marketingmag.ca/media/millennials-still-avid-commercial-tv-watchers-tvbippos-reid-study-114521>

210. In one study, 25 percent of millennials did not subscribe to cable. Good News, TV Guys: ComScore Found Your Missing TV Watchers, Re/code, 14 October 2014: <http://recode.net/2014/10/14/good-news-tv-guys-comscore-found-your-missing-tv-watchers/> A separate study found the number to be 13 percent, see: Millennials & Entertainment, Verizon, March 2014: http://www.verizondigitalmedia.com/content/verizonstudy_digital_millennial.pdf

211. Bundled Cable TV withstands consumer opposition, Businessweek, 14 November 2013: <http://www.businessweek.com/articles/2013-11-14/2014-outlook-cable-bundling-and-higher-bills-wont-stop-son>

212. GOLDMAN: America's 18- To 34-year-olds are finally moving out of their parents' basements, Business Insider, 12 December 2014: <http://www.businessinsider.com/millennials-home-ownership-leaving-labor-2014-12>

213. HBO's Game of Thrones is a Top Five viewed show for millennials, but for no other demographic, see: What Americans are watching in 2014, Barna Group, 21 May 2014: <https://www.barna.org/barna-update/media-watch/670-what-americans-are-watching-in-2014#VII-Vth0y00>

214. 78% of Millennials would rather spend money on experiences than things, Digital Music News, 18 September 2014: <http://www.digitalmusicnews.com/permalink/2014/09/18/millennials-would-rather-spend-money-on-experiences-than-things>

While they are the group most likely to watch movies on different screen sizes, appetite among millennials for the movie theater should remain strong.

We expect that US and Canadian millennials will spend about \$100 on video games in 2015, or \$8 billion in total. This age group over-indexes among video gamers: two-thirds of 16-34 year-olds describe themselves as 'regular' or 'avid' gamers, compared to only a third of non-millennials. We estimate that millennials will account for about a third of the \$22 billion spend on computer games in the US in 2015.²¹⁹

Millennial spend on movies should average a little more than \$75 in 2015. While they are the group most likely to watch movies on different screen sizes,²²⁰ appetite among millennials for the movie theater should remain strong. We expect the youngest millennials, 18-24 year-olds, while just a tenth of the population, will purchase about a fifth of all movie admissions in the US and Canada in 2015, equivalent to eight movies.²²¹ We estimate that on average, the overall millennial population of 18-34 year-olds will watch 6.5 films per year, and pay an above-average ticket price of \$12: they will attend on busy Friday and Saturday nights²²² and pay more than the average ticket price of \$8 in the US which is lowered by the reduced rates for children, seniors, and students.²²³

Spending on books is likely to be about \$60 of the \$750 total. The typical millennial reads books, both print and digital, with a median consumption of five per year in the US. We assume that 18-34 year-olds will pay \$12 per book on average,²²⁴ with textbooks often costing tens of dollars.

Streaming video on demand services (SVOD) will likely add another \$40 in 2015. In both the US and Canada, SVOD services such as Netflix are used by 43 and 35 percent of 18-34 year-olds respectively.²²⁵ At \$9-\$10 per month per service, or over \$110 per year, this suggests an average expenditure of at least \$40.

As for live sports, we estimate millennials will spend an average \$25. North American live sports gate revenues are estimated at \$17.8 billion in 2014²²⁶ or nearly \$50 per capita. Although millennials may be less devoted fans of major league sports than older generations, the difference is minimal: 93 percent of all North Americans watch TV sports, compared to 86 percent of 18-34 year-olds.²²⁷

A sixth of US millennials, or over 12 million, is likely to subscribe to a print newspaper in 2015, paying about \$120 per year, which means the average millennial will spend nearly \$20. American 18-34 year-olds are half as likely as the national average to subscribe to a print newspaper,²²⁸ but spending has declined rather than ceased. Assuming a \$10 monthly average spend per newspaper consumer, for ad hoc purchases as well as subscriptions (and not even counting digital subscriptions)²²⁹ that would be \$120 per year for those younger readers, and \$1.4 billion in annual revenues for the US newspaper industry, or about ten percent of all circulation revenues.²³⁰

Cumulative media spend of \$62 billion for this age group in the US and Canada is a significant amount, but this is less than five percent of their total expected spending of \$1.45 trillion.²³¹ It may seem that 18-34 year-olds are allocating less of their spending power to content than people of similar ages did in the past. However spending less on content is surprisingly expensive: consuming news, video and music for free requires expensive hardware and high-speed wired and wireless Internet access. The typical millennial owns one or more new smartphones and has a big monthly data plan. Streaming video over a wireline connection requires a fast service (at least 5 Mbit/s to stream high definition video)²³² with either a big cap or unlimited consumption. Millennials who replace their PC and tablet every four years and their games console every five would spend about \$3,000 per year on technology hardware and connectivity.

215. 78% of Millennials would rather spend money on experiences than things. Digital Music News, 18 September 2014: <http://www.digitalmusicnews.com/permalink/2014/09/18/millennials-would-rather-spend-money-on-experiences-than-things>

216. Annual average consumer music spending per capita in the United States as of August 2014, by platform (in U.S. dollars). Statista, as accessed on 23 December 2014: <http://www.statista.com/statistics/325994/music-spending-average-consumer/> [Registration required.]

217. Information, Spotify, as accessed on 23 December 2014: <https://press.spotify.com/au/information/>

218. Spotify wants advertisers to call the tune, AdNews, 28 August 2013: <http://www.adnews.com.au/adnews/spotify-wants-advertisers-to-call-the-tune>

219. Americans will spend \$20.5 billion on video games in 2013, Forbes, 19 December 2014: <http://www.forbes.com/sites/davidwalsh/2013/12/19/americans-will-spend-20-5-billion-on-video-games-in-2013/>

220. In a 2014 Deloitte US study, trailing millennials (14-24) watched less than half of their TV or movies on TV sets, with laptops making up a third of all viewing for that demographic. see: Trailing Millennials are spending more time watching TV shows and movies on non-traditional devices than on TVs, Deloitte Development LLC, 2014: http://recodetech.files.wordpress.com/2014/03/deloitte_digitaldemocracy_tv-1.pdf

221. Theatrical Market Statistics 2012, MPAA, 2012: <http://www.mpa.org/wp-content/uploads/2014/03/2012-Theatrical-Market-Statistics-Report.pdf> 2012 is the most recent data the MPAA reports. 25-39 year olds includes some who aren't millennials but they also over-index at five films per year

222. Deloitte estimate.

223. Average movie ticket prices drops nationally in 1st quarter, westsidetoday, 21 April 2014: <http://westsidetoday.com/2014/04/21/average-movie-ticket-prices-drops-nationally-in-first-quarter/>

224. SLJ's Average Book Prices 2014, School Library Journal, 31 March 2014: <http://www.slj.com/2014/03/research/slj-s-average-book-prices-2014/>

225. December 2013 Ipsos Reid survey for Deloitte Canada showed 35 percent were SVOD subscribers and US survey from 2013 had 43 percent of 18-36 year olds using Netflix. See: Netflix is almost as popular as cable among young adults. Mashable, 5 December 2013: <http://mashable.com/2013/12/05/netflix-cable-users/>

226. North American Sports Market Revenue Forecast, 2014-2018, Marketingcharts, 9 October 2014: <http://www.marketingcharts.com/traditional/north-american-sports-market-revenues-forecast-2014-2018-47112/>

227. Dear Mona, are there any other men who don't watch sports?, FiveThirtyEight, 27 November, 2014: <http://fivethirtyeight.com/datalab/dear-mona-are-there-any-other-men-who-dont-watch-sports/>

228. More News reading goes mobile, eMarketer, 12 August 2013: <http://www.emarketer.com/Article/More-News-Reading-Goes-Mobile/1010123>

229. There is no public data on millennial subscriptions to digital news subscriptions.

230. US Newspaper revenue trends in 2013, Marketingcharts, as accessed on 23 December 2014: <http://www.marketingcharts.com/traditional/us-newspaper-revenue-trends-in-2013-42127/attachment/na-us-newspaper-media-ad-revenue-profile-in-2013-apr2014/>

231. Millennials and music go together like peas in a pod, incitrio, 23 June 2014: <http://incitrio.com/millennials-and-music-go-together-like-peas-in-a-pod/> \$1.3 trillion for the US, and assuming Canadian millennials have similar spending power, another \$150 billion.

232. Internet connection speed recommendations, Netflix, as accessed on 23 December 2014: <https://help.netflix.com/en/node/306>

The \$750 annual content spend by millennials in the US and Canada is all well and good. But how is that figure likely to compare with other parts of the developed world, specifically Western Europe and Japan?

We expect pay-TV to be the largest segment of spend, as in the US and Canada, at about \$100 annually. Spend however is highly variable. Japan is the third-largest pay-TV market in the world, but at \$8 billion in 2013,²³³ it is less than a tenth of spend in US and Canada of almost \$90 billion.²³⁴ Pay-TV spend in the UK is higher than the rest of Europe, but penetration at 57 percent and spend per month about \$60 are both lower than in the US and Canada.

Our estimate is that the other major components of spending may be lower than in the US and Canada, by a similar proportion. 18-34 year olds in other countries go to concerts, listen to music, attend sporting events, go to movies, and even read books. The rates vary, and the price paid can be very different, but we expect that non-TV spending is at least \$200-250 in the rest of the developed world compared to over \$400 in North America, suggesting that their total spend is on the order of \$300-350 annually. Across over 110 million millennials in those countries,²³⁵ that is another \$33-38 billion in content spending. Taking all countries in the developed world together, that gives a total of \$100 billion.

Bottom line

Millennials are expected to generate \$750 on average in direct spend on content in the US and Canada. But we should also consider their indirect and ancillary spend.

For example 18-34 year-olds watch over 24 hours of television per week in the US,²³⁶ and 17 hours in Canada.²³⁷ Both figures are lower than the national averages for all viewers 18+; but millennials represent an attractive demographic, and represent billions of dollars of the nearly \$75 billion North American TV advertising.²³⁸

Further, in addition to the \$200 in annual spending on movie tickets, live sports events, or concerts, millennials spend on concession snacks, sports jerseys and concert merchandise, all of which add to the profitability of the sector as a whole. The licensed sports apparel industry in the US and Canada was worth \$13 billion in 2013,²³⁹ equivalent to 70 percent of gate admission revenues.

Monetizing millennials sometimes requires a content provider to offer new services that may not directly be linked to the original media proposition. As an example, college-age fans of American college football often leave games at half-time, not because of a disappointing sporting event, but because they can't get online or upload photos to social media.²⁴⁰ As a result, hundreds of college and professional stadia are upgrading connectivity. Equally, movie theaters, concert halls and even outdoor music festivals may want to invest in Internet access to meet the needs of a generation where one in three consider Internet access as important as air, water, food and shelter.²⁴¹

Although we estimate that millennials are paying for TV services and attending live sporting events, the leagues and individual teams have a strong interest in making sure that they continue to do so. The revenues from the media rights for sporting events are rising quickly, as we wrote in Predictions 2014.²⁴² The 18-34 year olds of today who attend sporting events are more likely to be the part of the sports TV audience of the future, supporting the prices of those video rights. There need to be ongoing efforts by leagues and franchises to make sure that sufficient affordable seats are available for younger audiences, in order to create devoted fans in the future. 70 percent of Americans 13-29 year olds say that the biggest deterrent to them attending more games are ticket prices.²⁴³

Devices are the new status symbol, and these don't work unless they are connected to a fast network. Therefore 18-34 year-olds are likely to continue to spend heavily on tech hardware and telecom services at high levels. That may come at the expense of media and content spending. 18-34 year-olds will still spend on content, but they may be choosier and more-price sensitive than young audiences in the past.

Oddly enough, the fact that millennials who won't spend on traditional media are willing to spend on other kinds of content is not bad news for the traditional media industry. If they weren't willing to spend at all, then there would be no hope. But the experience of the book, computer gaming, OTT providers, cinema and music industries establishes that millennials will open their wallets for certain types of media.

233. Study: China surpasses Japan to become second-largest Pay TV Market behind U.S., The Hollywood Reporter, 27 March 2013: <http://www.hollywoodreporter.com/news/study-china-surpasses-japan-become-431283>
234. Pay TV revenue in North America from 2006 to 2018 (in billion U.S. dollars), Statista, as accessed on 23 December 2014: <http://www.statista.com/statistics/195420/total-pay-tv-revenues-in-north-america-since-2006/>
235. Western Europe has over 80 million millennials, assuming they are about 20 percent of the population. Japan has about 20 million between 20-34 years old.
236. Nielsen Cross Platform Report Q1 2014, Nielsen, 30 June 2014: <http://www.nielsen.com/us/en/insights/reports/2014/more-of-what-we-want.html> [Registration required.]
237. TVBasics 2013-2014, Television Bureau of Canada 2014: http://www.tvb.ca/page_files/pdf/InfoCentre/TVBasics.pdf
238. US TV Ad market still growing more than digital video, eMarketer, 12 June 2014: <http://www.emarketer.com/Article/US-TV-Ad-Market-Still-Growing-More-Than-Digital-Video/1010923> and \$3.5 billion in Canada: Canadian digital spend has surpassed TV for the first time: IAB Canada, MarketingMag, 17 September 2014: <http://www.marketingmag.ca/media/canadian-digital-spend-has-surpassed-tv-for-the-first-time-iab-canada-124910>
239. Licensed fashion products drove \$16.9 Billion in 2013 sales, Apparel, 17 June 2014: [http://apparel.edg.com/news/Licensed-Fashion-Products-Drove-\\$16-9-Billion-in-2013-Sales93622](http://apparel.edg.com/news/Licensed-Fashion-Products-Drove-$16-9-Billion-in-2013-Sales93622)
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241. Cisco Connected World Technology Report, Cisco, as accessed on 23 December 2014: <http://www.cisco.com/c/en/us/solutions/enterprise/connected-world-technology-report/index.html#-2011>
242. Broadcast sports rights: Premium plus, Deloitte TMT Predictions 2014, Deloitte Touche Tohmatsu Limited, January 2014: www.deloitte.com/tmtpredictions
243. Fuse blog, accessed December 24, 2014. White paper: Live Event Attendance & The Contradiction of Digital <http://www.fusemarketing.com/live-event-attendance-contradiction-digital>

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