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Digital Democracy Survey

A multi-generational view of consumer technology, media, and telecom trends

Eleventh Edition

www.deloitte.com/us/digitalmediatrends

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A digital landscape perpetually disrupted

The movement of consumers away from traditional media viewing and toward streamed online content continues to accelerate, forcing companies across industries to plot new strategies.

As the growing forces of social media and over-the-top services continue to exert themselves—particularly among Millennials and Generation Z—fresh realities begin to emerge across the technology, media, and telecommunications (TMT) space.

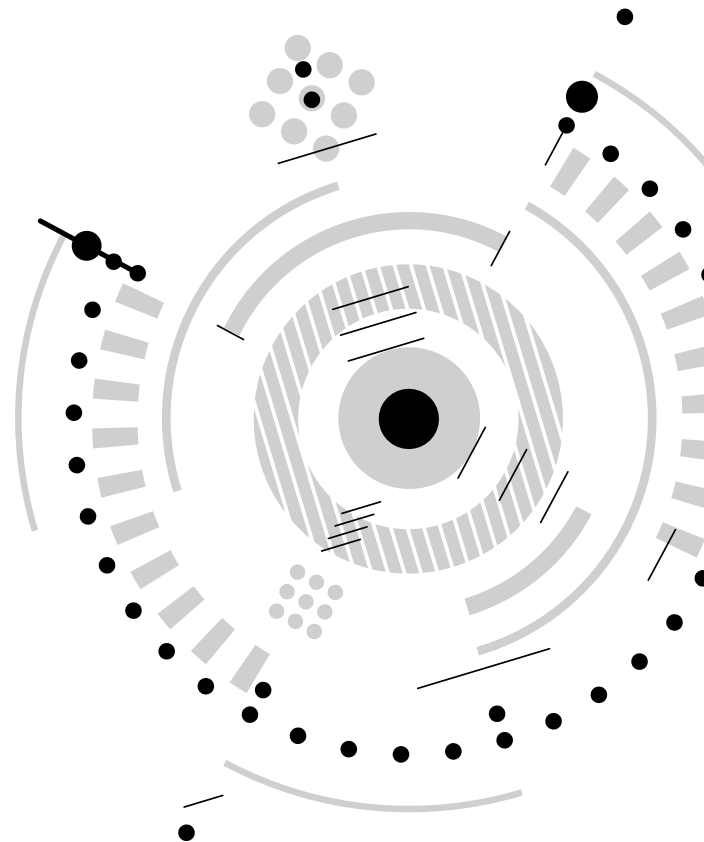
The consumer rules. New devices, more pervasive wireless connectivity, advanced technology applications, and new business models such as flexible consumption or “as a service” offerings have empowered consumers across all age groups.

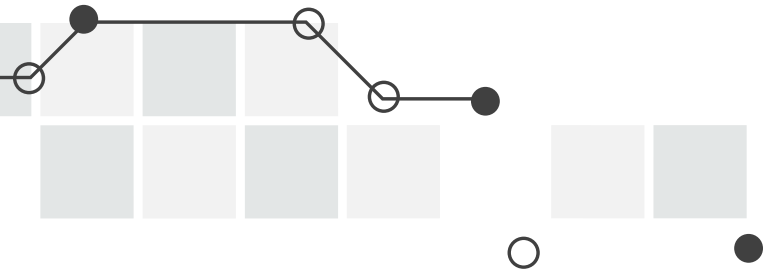
Attitudes toward advertising are changing. The factors that influence buying decisions are shifting. Interaction and engagement are taking on new forms as consumers take more control of the digital experience. “On demand” and personalization are the new norms in the evolving digital landscape.

To understand where things stand today and where they are going, Deloitte’s Technology, Media & Telecommunications practice examines the generational habits of US consumers—seeking to improve our understanding of the shifting attitudes and behaviors that involve entertainment devices, advertising, media consumption, social media, and the Internet.

In this 11th edition of the Digital Democracy Survey, we provide selected insights into habits and behaviors observed in 2016. Key trends we identified in our previous Digital Democracy Survey continue to gain speed, introducing a new sense of urgency—as well as a host of new implications—for companies operating in the TMT space.

In the pages that follow, we explore major highlights from our survey. The insights shared in this executive summary, however, represent just a sample of the data included in the Digital Democracy Survey, 11th Edition. If you are interested in additional insights, please email us at tmttrends@deloitte.com, or continue the conversation with us on Twitter @DeloitteTMT.

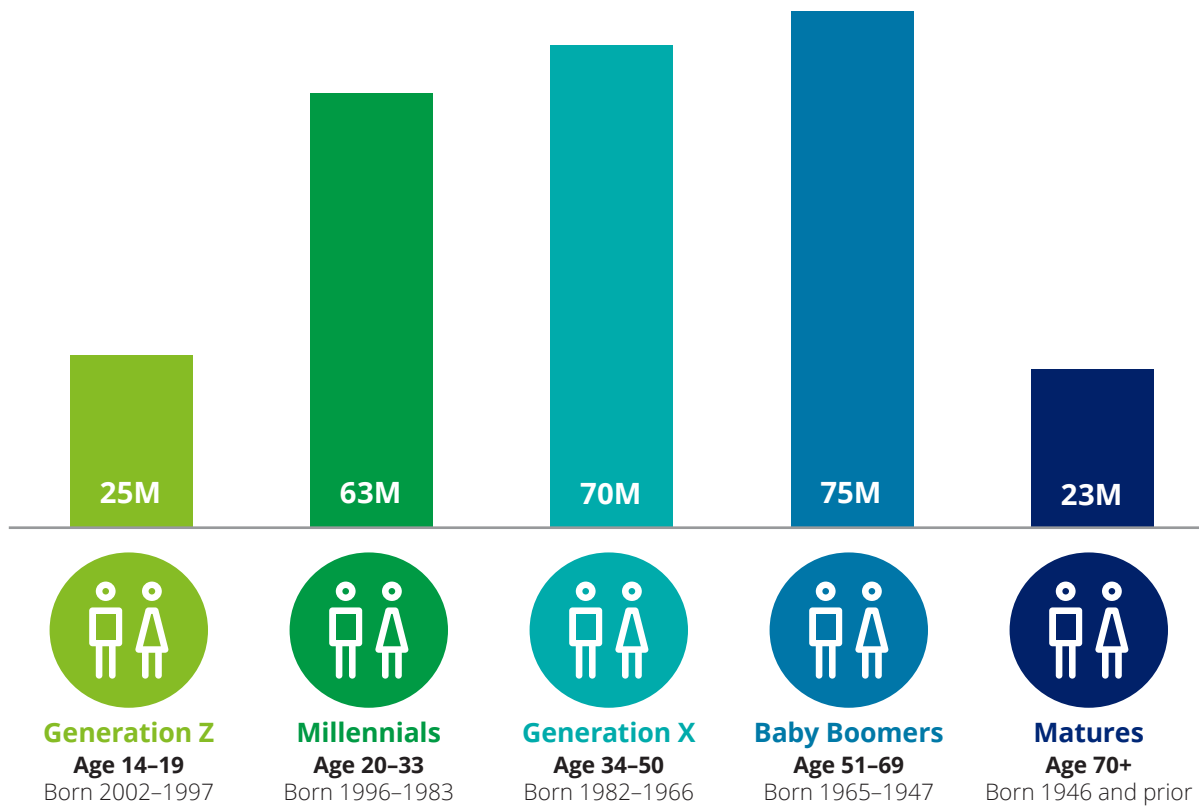




About Deloitte’s Digital Democracy Survey

The survey was fielded by an independent research firm from November 4, 2016, to November 16, 2016, and employed an online methodology among 2,131 US consumers. All data is weighted back to the most recent US census to give a representative view of what consumers are doing. For meaningful changes, we look for differences in year-over-year tracking and generations of at least 5 percentage points.

2016 US Population*

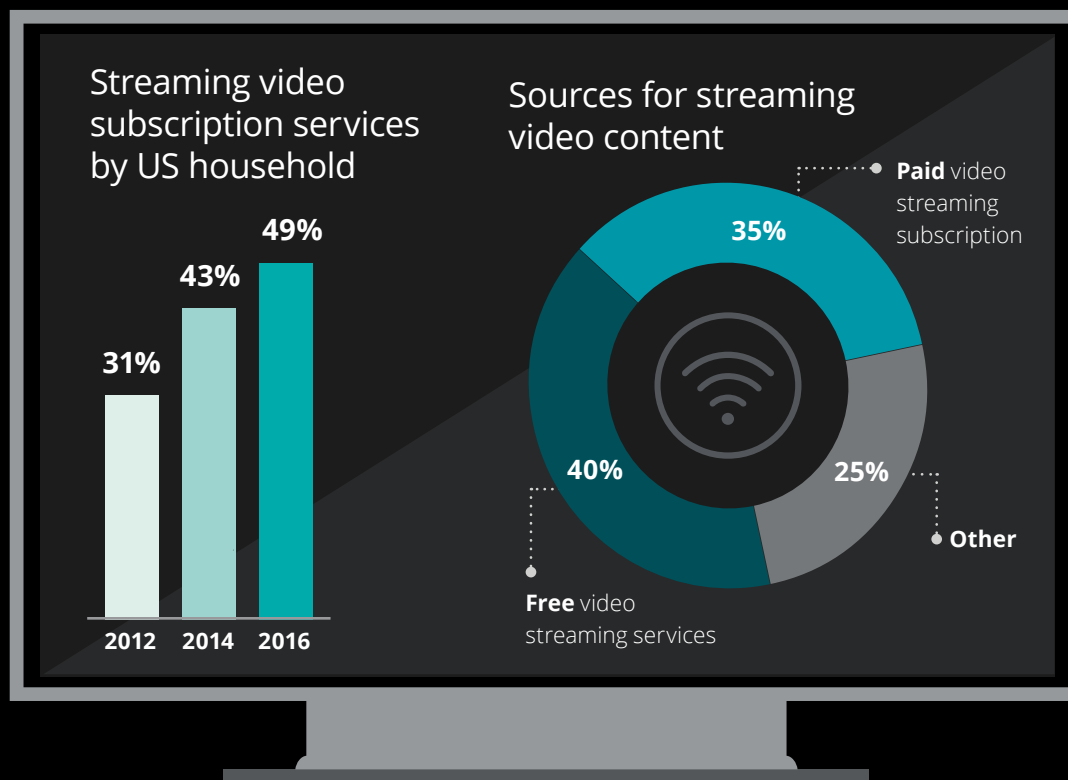


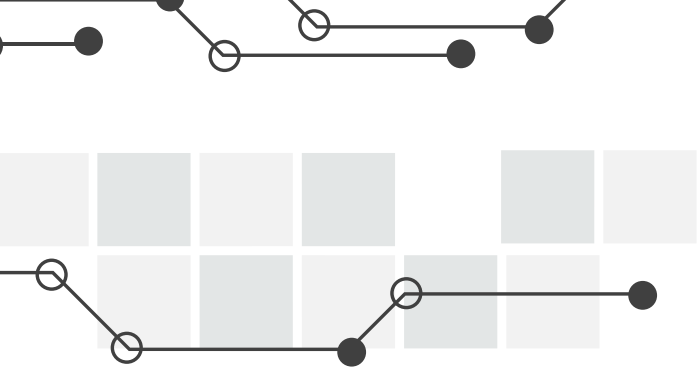
*2010 US Census Bureau — Population Division
US Interim Projections 2000-2050

Breaking away from traditional TV

Consumers continue to show a willingness to spend money to stream content, with a growing number of them subscribing to paid streaming video services. But even as more consumers are subscribing, they report spending a higher percentage of time streaming free content.

Almost half (49%) of US consumers—roughly 60% of Generation Z (Gen Z), Millennials, and Generation X (Gen X)—now subscribe to paid streaming video services. But consumers are streaming content from paid services only 35% of the time—while free services take up 40% of consumers' streaming time.

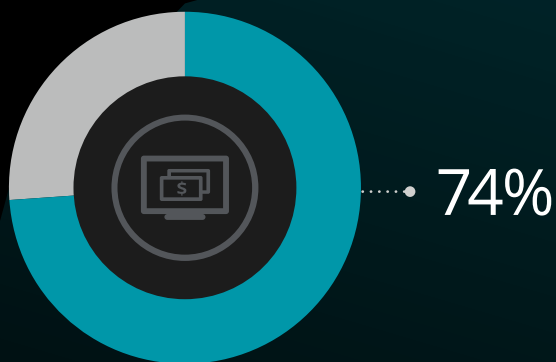




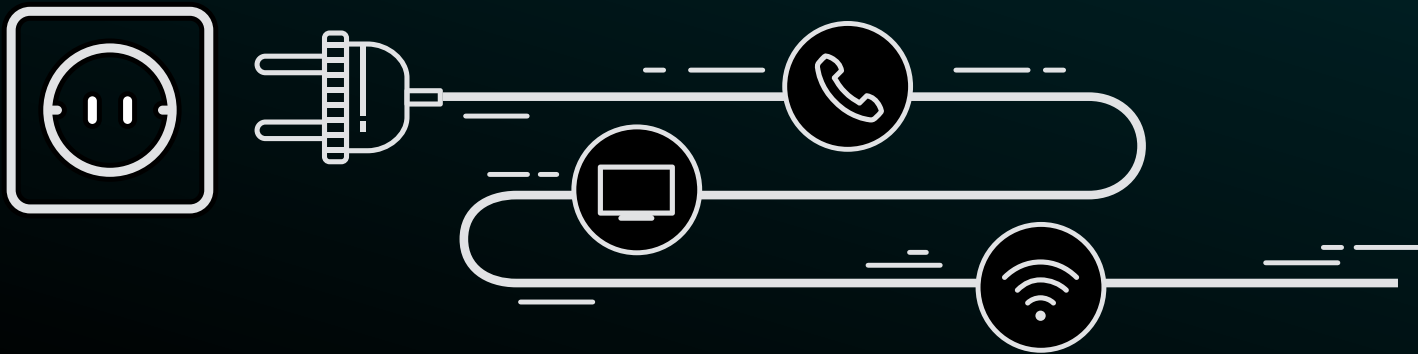
Pay TV, such as cable and satellite, is holding fairly steady at 74% of subscribers across US households. One possible reason? Bundling. Two-thirds of pay TV consumers say they keep their pay TV subscriptions because it is bundled with their Internet.

Amid these new realities, companies could find fresh opportunities to reach consumers via free content—leveraging in-video advertising, for example. They also might see new opportunities to deliver content and solutions to help consumers cut the pay TV cord—or, alternatively, to show them why there's value in *not* cutting the cord.

Consumers across US households who subscribe to pay TV



Two-thirds keep their pay TV subscription because it is bundled with their internet subscription

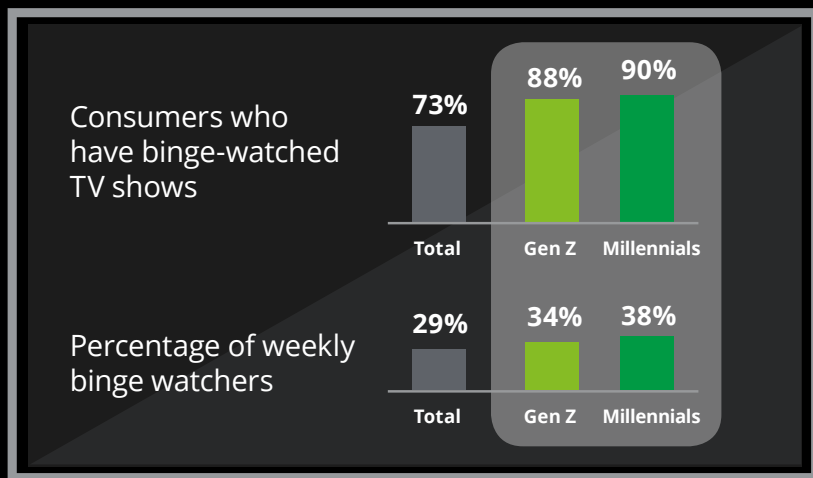


Adapting to a binge-watching culture

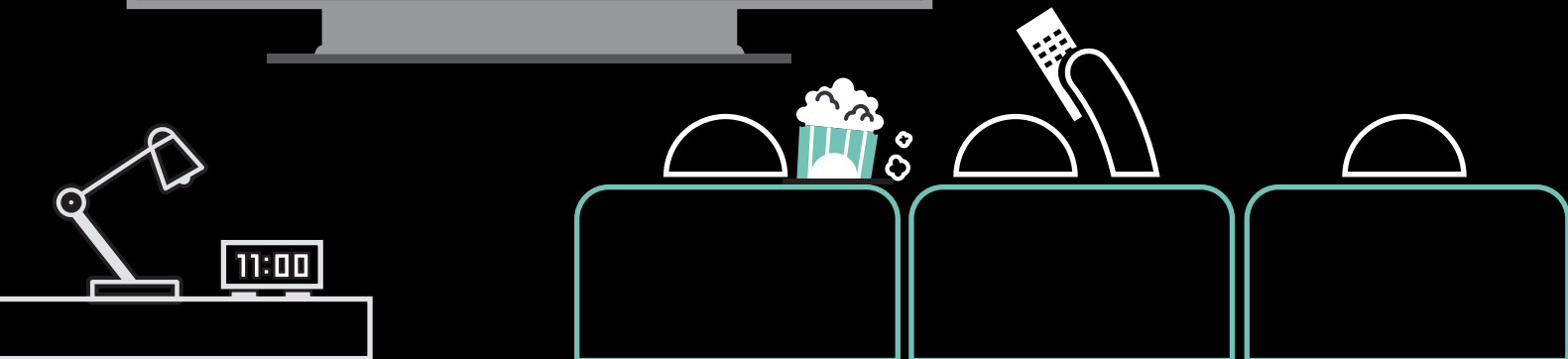
Binge-watching is big. Nearly three quarters (73%) of US consumers—and nearly 90% of Millennials and Gen Z—say they have binge-watched video content.

And a large chunk of those consumers are binge-watching regularly, with close to 40% of Millennials and Gen Z binge-watching content weekly. What constitutes a binge? Three or more episodes in one session. That's no problem for Millennial and Gen Z bingers. This group of binge-watchers views an average of six episodes, or five hours of content, in a single sitting.

As binge-watching becomes more widespread, advertisers and content producers might face key questions on how to reach their audiences. Some might choose to be more strategic with product placement in binge-watched content, which is often ad-free. Some might release feature-length movies as a mini-series instead, to make them more bingeable. Others might develop new platforms that can monetize opportunities linked to the binge phenomenon. The possibilities abound.

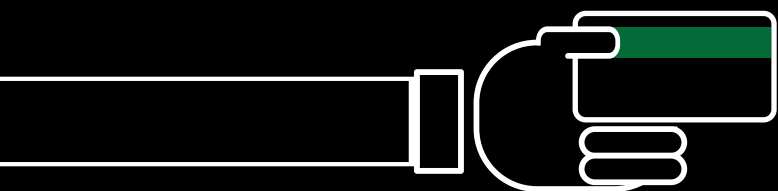
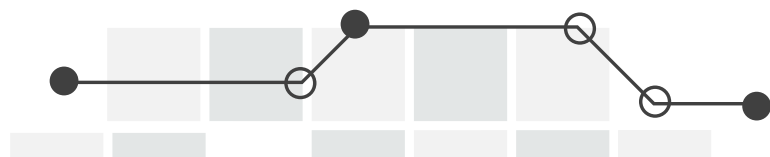


On average, they binge-watch **6 episodes** or **5 hours** per sitting

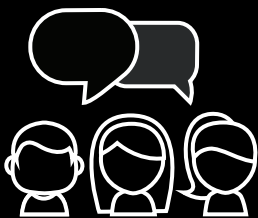


Advertising considerations: from influence to digital to ad-blocking

When it comes to the buying decisions of Gen Z and Millennials—generations whose dollars are hotly sought by advertisers—social media recommendations matter. In fact, social recommendations are proving more influential than TV ads. For example, 27% of Gen Z say an online recommendation from someone within their social media circles can highly influence a buying decision—while 18% say that TV ads highly influence buying decisions.

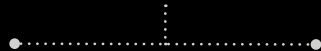


Highly influence consumer buying decisions



36%

Recommendation from a friend or family member



48%



Gen Z

50%

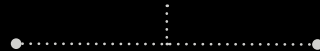


Millennials



18%

Television ads



18%

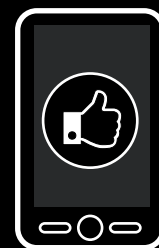


Gen Z

25%

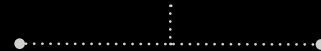


Millennials



17%

Online recommendation from someone in your social media circle



27%



Gen Z

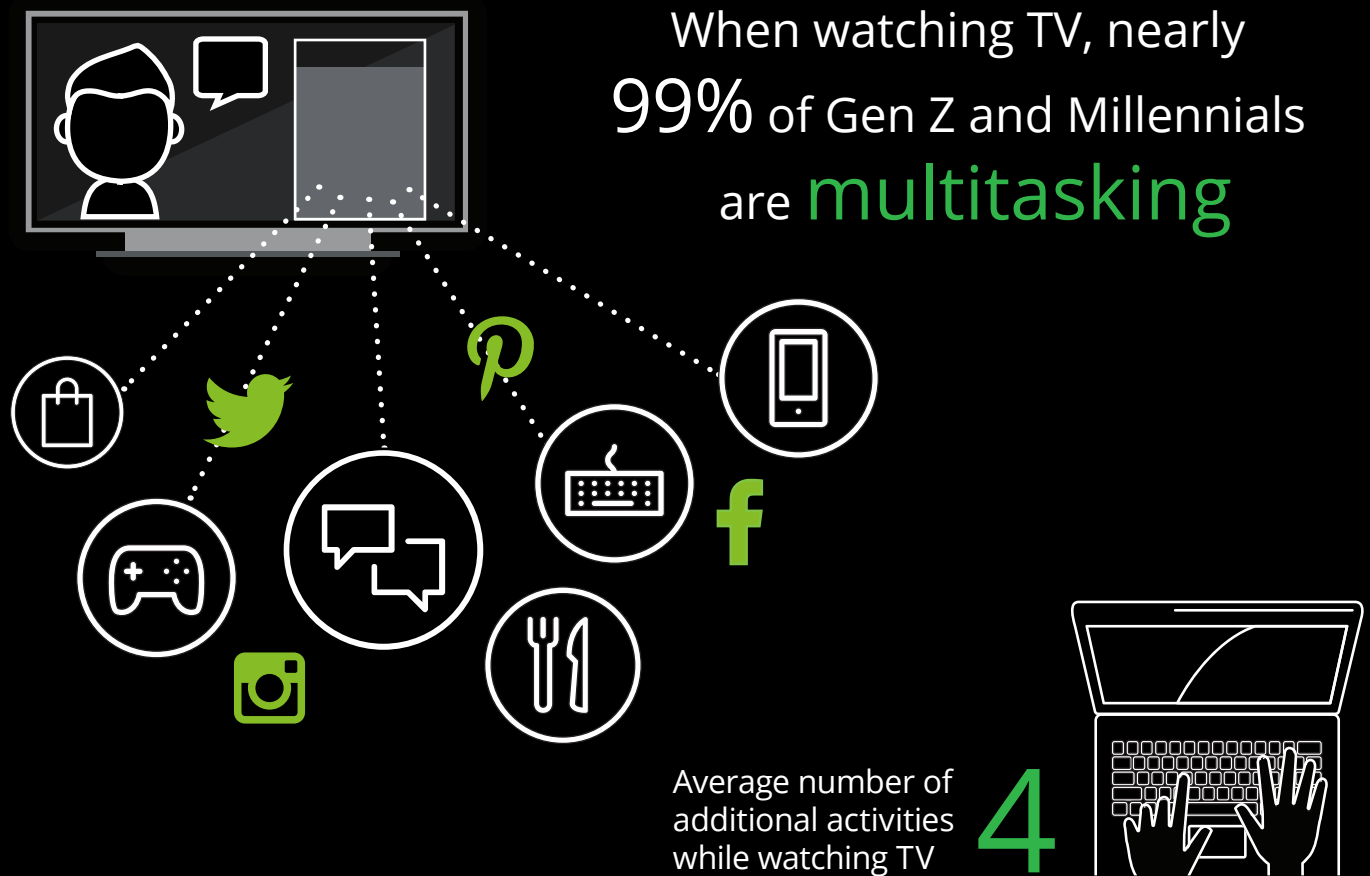
27%



Millennials

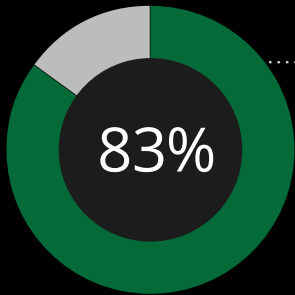
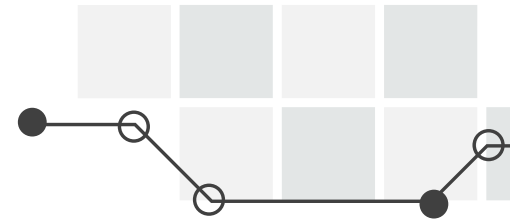
Multiplying forces

Grabbing attention with TV ads becomes even more challenging because the TV, when turned on, still must compete with everything from reading to exercise to video games. Nearly all Gen Z and Millennials say they multitask while watching TV—doing an average of four other activities while the tube is on. Given the realities of social recommendations and multitasking, many companies might discover that TV ads are no longer the most effective avenue for getting through to some audiences. Enlisting online influencers and creating social buzz might matter more.



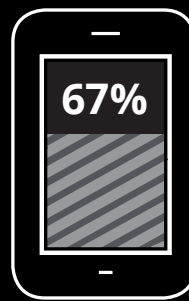
In search of relevance

Being smart with spending will be critical, and there are no guarantees with online and mobile ads, either. More than 80% of consumers will skip an online video ad if allowed, and 67% of consumers find mobile ads on their phone to be irrelevant.

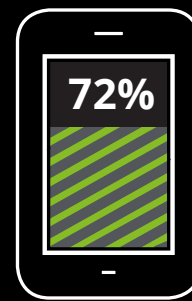


Percentage of consumers who will skip an online video ad if allowed

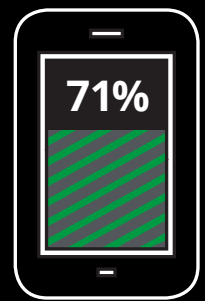
Consumers who find the majority of mobile ads not relevant or useful



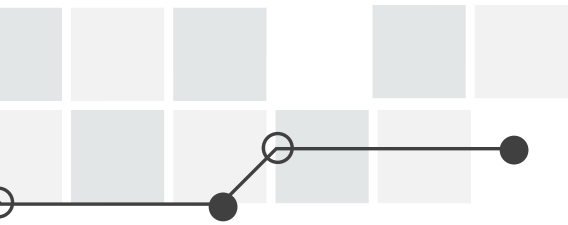
Total



Gen Z

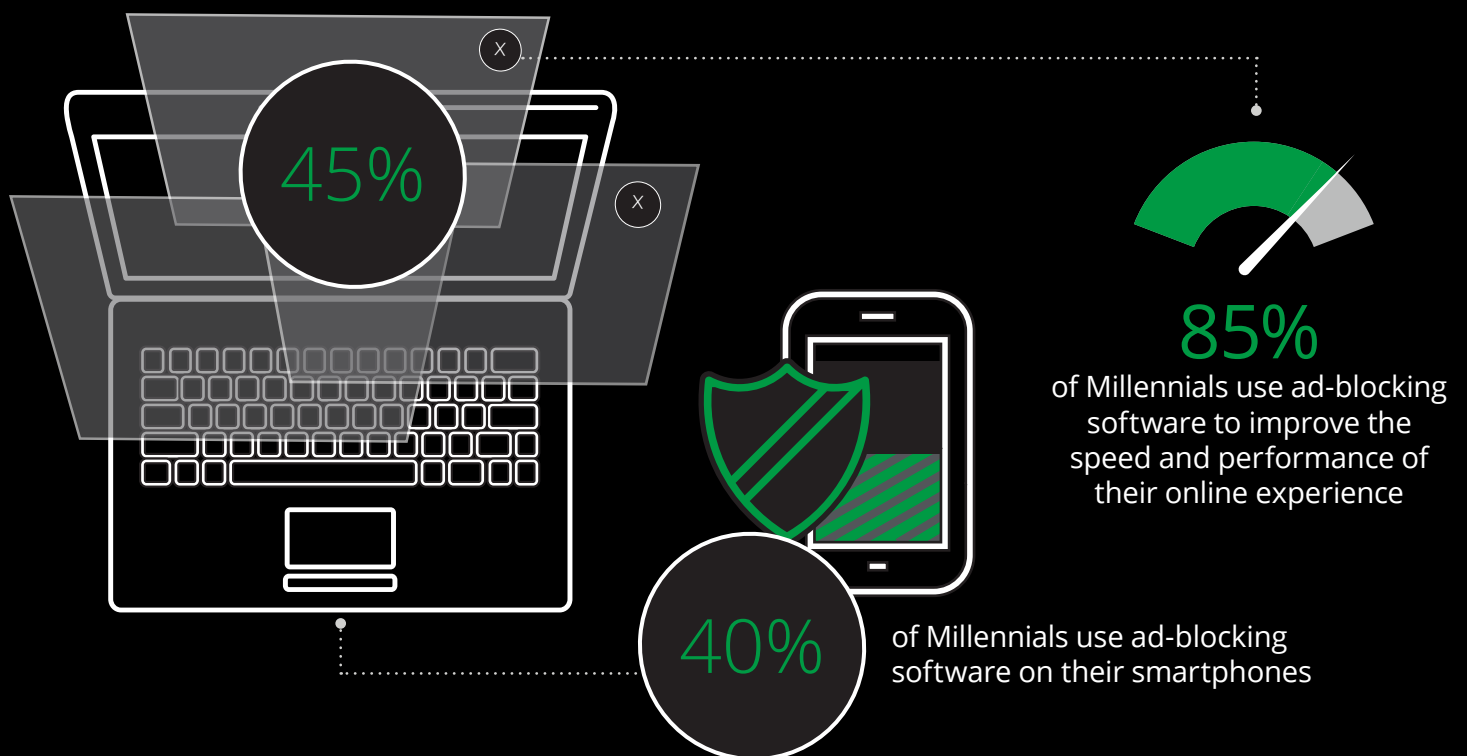


Millennials

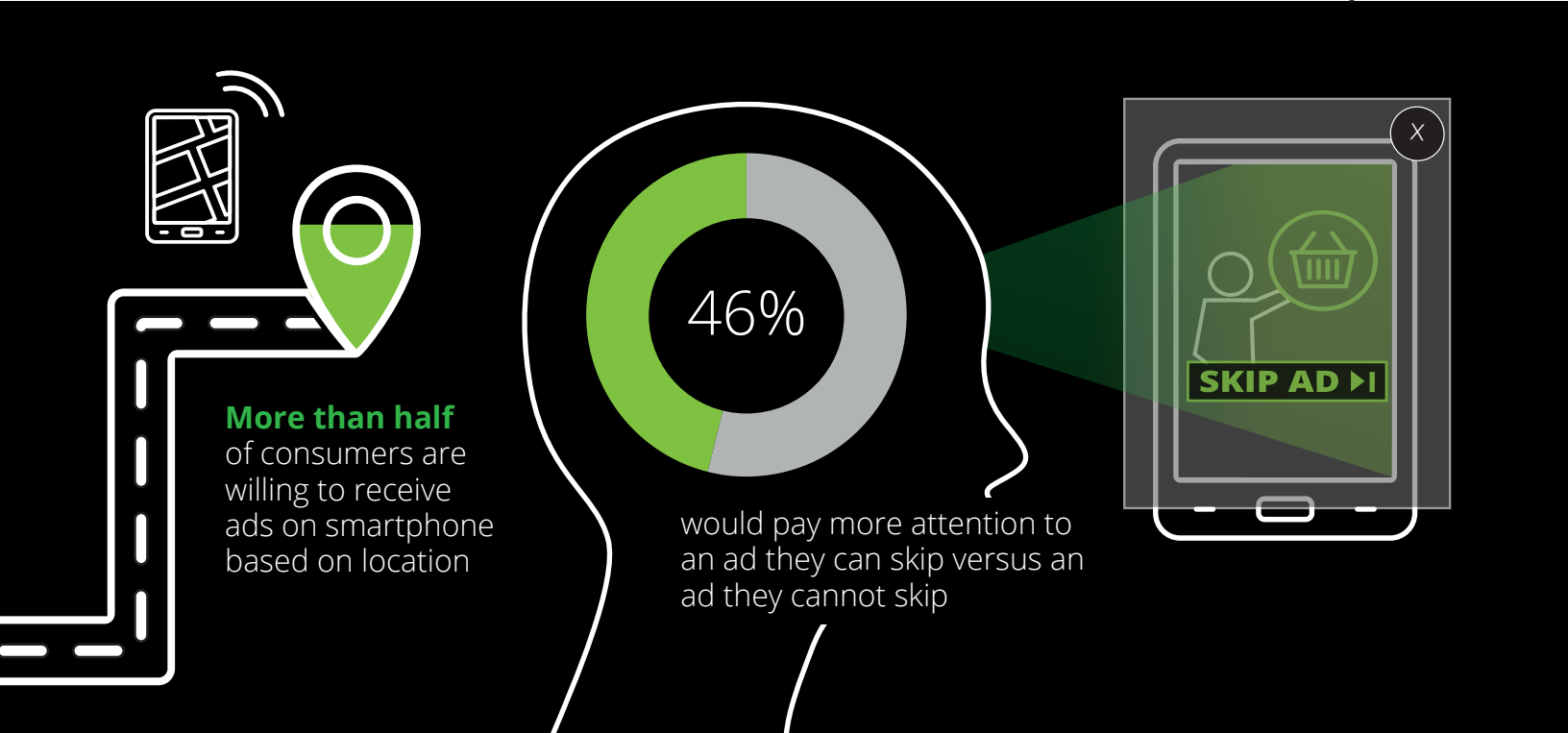
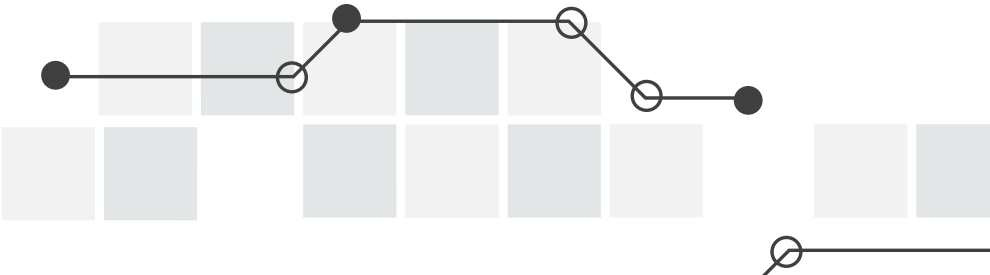


Many are going a step beyond to snuff out irrelevant or unwanted ads. Nearly half (45%) of Millennials use ad-blocking software, with 85% of that group saying they use ad blocking software to improve the speed and performance of their online experience. About 40% of them also said they were using ad-blocking software on their smartphones.

Nearly half of Millennials use ad-blocking software



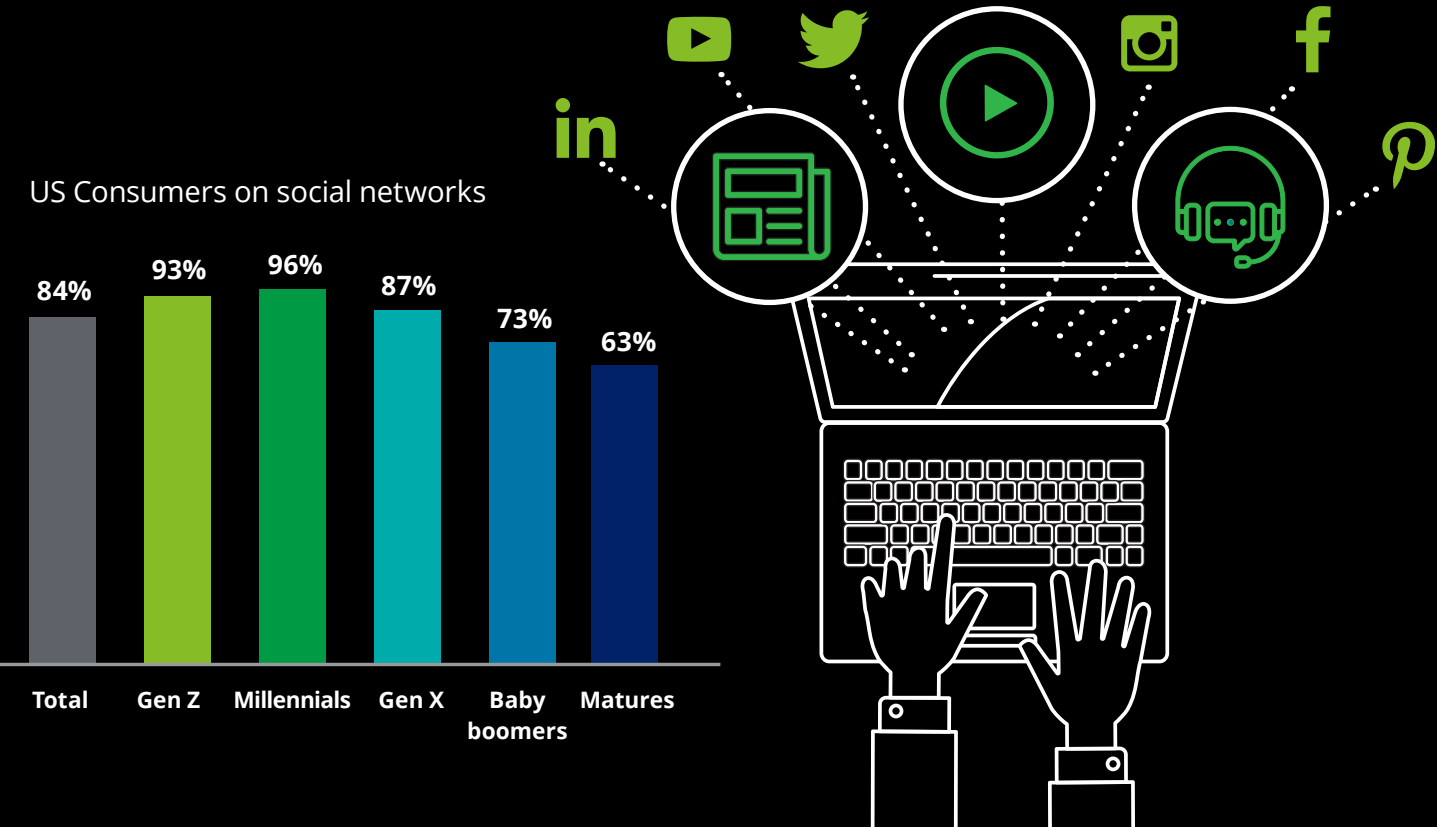
Although it might seem that many consumers want ads to get out of the way, there are some potential bright spots. More than half of all consumers say they would be willing to receive advertising on their smartphones based on location. And 46 percent of consumers say they pay more attention to an ad they can skip versus an ad they cannot skip. Making ads more relevant—especially geographically relevant—and making the first few seconds of a skippable ads more compelling could help advertisers get through to more consumers.



Social media as mainstream media

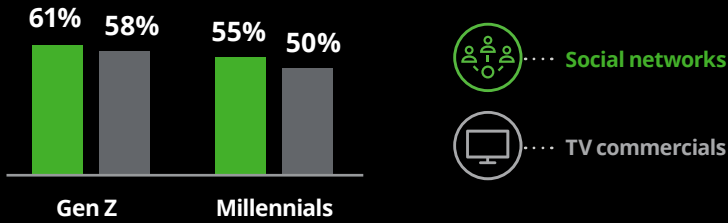
Not everyone is on social media these days, but it's pretty close, with 84% of all consumers—and more than 90% of Gen Z and Millennials—active on social networks.

With social media so well-attended across all age groups, its dimensions and impact have grown. Consumers today are using social media to discover new content, get news, and resolve customer-service issues.

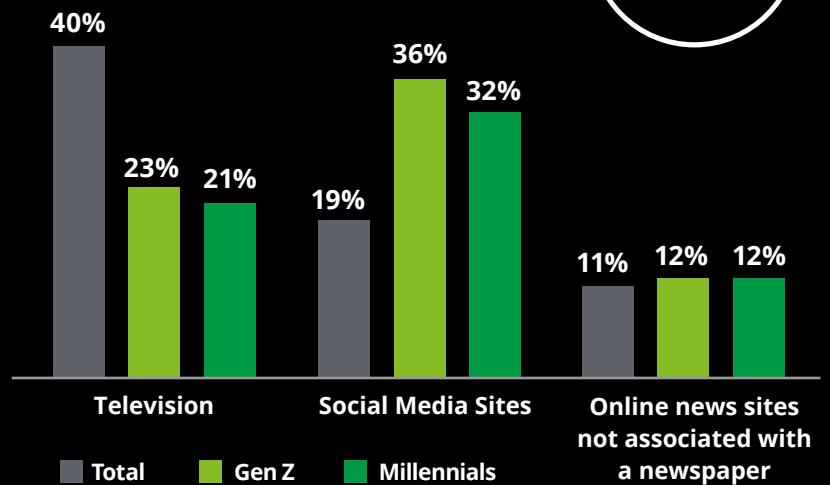


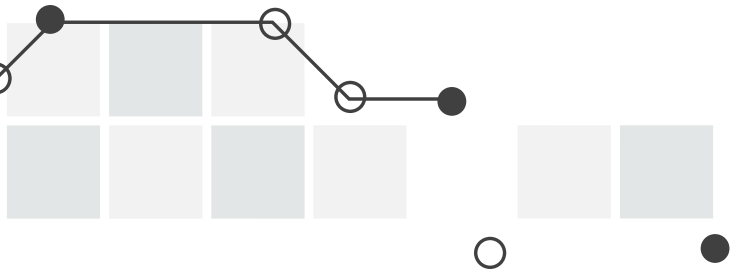
They're using social media to discover new TV programs, too—with Gen Z and Millennials indicating that social networks are more effective than TV commercials for learning about new shows. And more Millennials and Gen Z consumers (33%) are getting their news primarily from social media, with 21% saying that TV is still their most popular news platform.

For Gen Z and Millennials, social networks are more effective than TV commercials for learning about new TV shows



Most popular news platforms



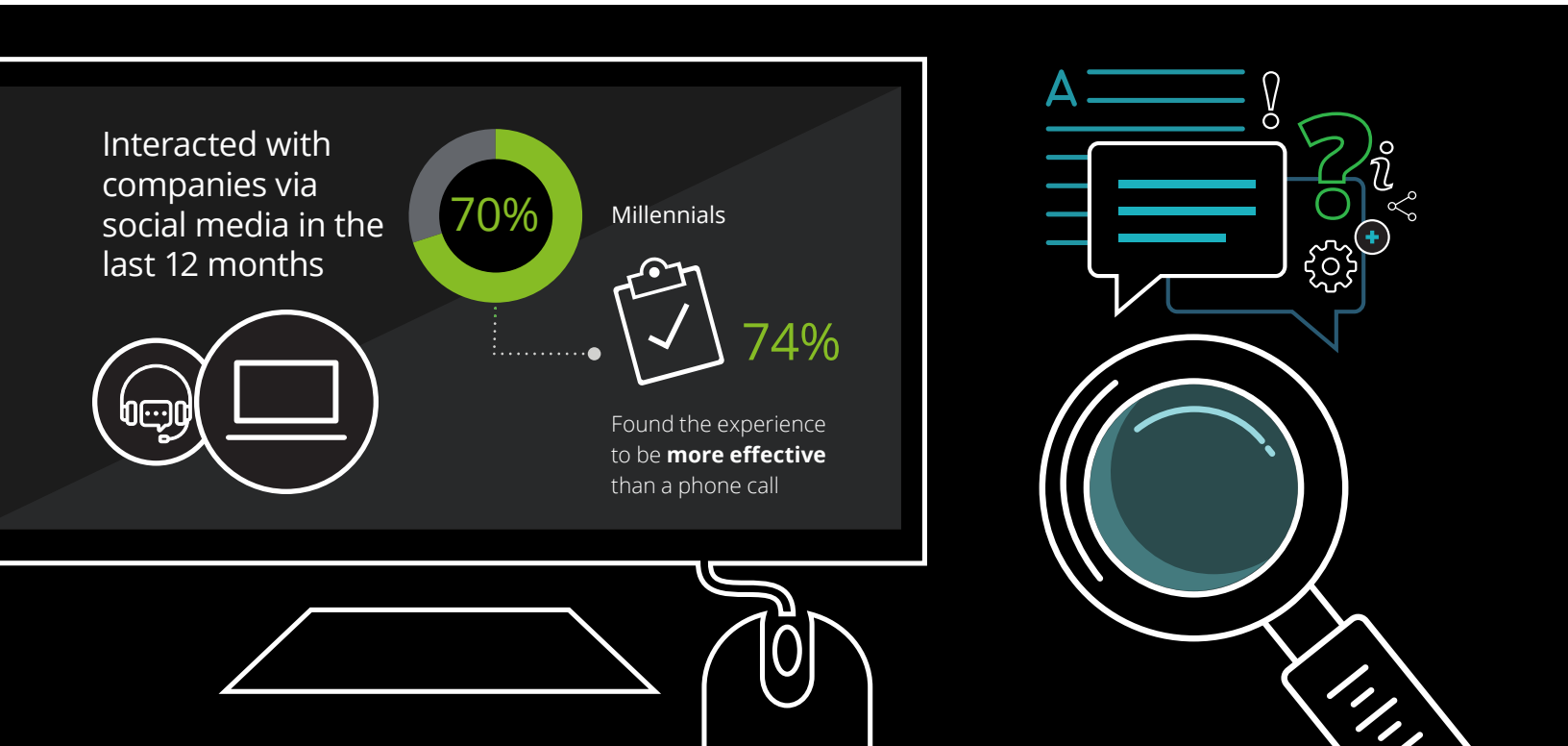


Listening and learning

Consumers are doing more than listening and learning via social media. They are engaging with corporations, with more than 70% of Millennials saying they have used social media to interact with corporate customer service in the last year. They're finding success with the approach, too. 74% of Millennials found the experience to be more effective than interacting with customer service via the phone.

The mainstreaming of social media brings plenty of questions and opportunities. For one, companies will want to do some listening of their own to find out what consumers are saying about them. And they will want to act to generate buzz, to actively engage with their social audiences, and to sustain that engagement. They should find a receptive audience. Nearly half of US consumers (45%) and more than 60% of Millennials say they feel more connected to companies and brands if their leadership engages on social networks.

Some things won't change. Across social media, for example, major national publications might remain prominent sources of news. But some could struggle to get maximum value from social media, underestimating its potential and continuing to use it as little more than a bridge to their traditional websites.



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