



## Episode 1: Deciphering digital consumption trends

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**Heidi:** Digital consumption changes and geo-location coffee orders, where are we headed?

**Kevin:** People like to watch ads that are targeted at them. They're also interested in the geo-location driving that. I like having a cup of coffee in the afternoon; I could be walking down the street and they give me a discount for a cup of coffee or they may direct me at lunchtime to a specific restaurant. So based on where I'm located, can they deliver something that is both relevant to my interest and also relevant to where I am?

**Heidi:** Now if they can just have the pour-over ready when I walk in the door. I'm Heidi Rataj and you're listening to Deloitte's User Friendly, where we talk about emerging tech, media, and telecom trends. I'm here with Scott Lippstreu and Kevin Westcott, both principals with Deloitte Consulting.

**Kevin:** Great to be here.

**Scott:** Thank you.

**Heidi:** Kevin, you and Scott have been reporting on digital consumption in the Digital Democracy Survey for the past eleven years. Let's start by understanding the shift in consumer consumption.

**Kevin:** Consumers actually stream more from free services than from paid services. We see an increase these days in the variety of streaming services being used.

**Scott:** One of the things that we're seeing in the data when we ask about the value of streaming services, in particular what services that they, or their households value the most, Without question, home Internet has been the top response across all age groups. Pay TV is second but coming quickly on the heels of paid TV is streaming video services and, for certain age groups, streaming video services are actually considered more valuable than paid TV. One of the things we've learned from doing this survey for eleven straight years is the trends that start at younger ages work their way up.

**Heidi:** Scott, how are consumers accessing content differently? I mean, where are they placing value?

**Scott:** The number one reason people subscribe to streaming services across all age groups is the ability to watch content when they want: time shifting. They want to be able to watch their programs when they want to watch them. Number two is the ability to watch without commercials. Is it more important to time shift? Is it more important to watch commercial-free, and what might you see as the markets bifurcate or separate?

**Kevin:** Consumers are increasingly wanting to tailor their paid TV bundles. While a few years ago, they were quite satisfied with paying for the package and getting all the channels, now they're more interested in tailoring those specifically around their interests.

**Heidi:** Yes Kevin, I want to choose the channels I'm interested in, but it's not easy finding or paying for all the channels.

**Scott:** When we do these read-outs with a lot of our media clients over the years, one of the things we hear consistently is, our clients are telling us their consumers are getting a little confused. They are looking for content but can't find it. So, one of the values of the traditional bundles is they make it easier to know where to go look for content: it's made it easier to figure out how to pay for it, order it, etc. So, I think what you might see going forward is there will be some people who value the noncommercial component, some people who value the simplicity of being able to pay one bill, and to be able to subscribe to one service to get lots of content across multiple platforms.

**Heidi:** Okay, who does not love binge watching. I have so many shows, I just can't help it, I gotta binge watch all of the time, so what's different about binge watch-ing today?

**Kevin:** As we've talked to our younger generations, the Millennials and the Gen Zs, almost 40 percent of them binge watch every week. Those generations report that they watch an average of six episodes in a sitting and spend five hours in that sitting.

**Scott:** I think that the impact of multitasking plays nicely into binge watching and creates both opportunities and challenges for a number of our clients. So, as you said, it's roughly 99 percent within a margin of error of 100 percent of the younger generations are mul-titasking while they're watching what we would consider traditional television. And what's most amazing is that, on average, they're doing five things at once. So, they reported doing four other things in addition to watching the program. The other thing about binge watching is there is a multigenerational component and people are doing it across platforms. So that tells us a couple of things; the device in which they're consuming may actually drive en-gagement. So there's a school of thought that if they're consuming the content on a phone or on a tablet device, they may actually be more engaged to whatever's happening in the programming because those are the devices that they typically use to do other things at the same time. So it'll be interesting to see if there's an opportunity to get some ratings arbitrage around advertising for that if you think about engagement as an issue, that's the first point. And it's all ages by the way. I like to tell the story of how my 84-year-old stepfather discovered that he could get his favorite 1970's serialized detective show on one of the streaming services and he binges that, he both streams and binge watches because it's the only place he can get access to that show. The generations are consuming a little more than half of their content on non-television devices and so what that means is that they're interested in content whenever and wherever, so there's a lot of opportunity to continue to drive locational advertising into that binging as well.

**Heidi:** What can we glean from the survey?

**Kevin:** Among the Millennial and Gen Z populations, 90 percent are on a social network. It is part of their day, every day, and they're actually using it for tasks that probably weren't initially envisioned. Right now, the majority of news for the younger generation is actually being gathered and read on social media sites. The other thing that's quite fascinating is over 70 percent of the Millennials have used social media to interact with corporate customer service. They're publishing comments on social media either on their own sites or the sites of the compa-nies, and that's a very radical change in how people think; instead of doing it on a phone in a pri-vate session, they're doing it publicly on the Internet.

**Heidi:** Okay, so there's a lot more being done publicly including a majority of people gathering their news. Interesting. Scott, how does that affect purchase behavior?

**Scott:** Social media has become much more than a way of engaging with ones' friends. It is the basis for doing a number of things, getting your news, doing customer experiences, doing research for potential purchases, getting input on trips that you want to make. So it's a lifestyle or commercial platform, and I think there are many more opportunities and it's gon-na evolve to the uses that I haven't thought of yet today, but it's also disrupting things in an inter-esting way. It may disrupt the way we consume things because it enables you to "snack" on items. You can snack on input or feedback on a particular product you want to buy. You can snack on news articles. You can sort of click on this and come back. i So whether it's digital or traditional, whether you consume something in a linear or in a snack type format, I think it'll con-tinue to have implications and impacts there.

**Heidi:** We've been talking to Scott Lipstreu and Kevin Westcott about digital consumption and the findings of a recent Deloitte survey on digital democracy. Now let's shift from the consumer to the advertiser. Kevin, how is advertising shifting?

**Kevin:** Well, advertising is definitely in a transitional stage, and what we're starting to see is what has a strong effect on the buyers of products and services. Social media recom-mendations, either from people within your social circle, either a friend or someone who follows you on Twitter, and their recommendations on shopping sites or travel sites, are actually more influential than television ads for the Gen Zs and Millennials. Companies really need to think about how do I reach those buyers? I might be running a television ad on broadcast, but I need to think about how do I also reach them in the digital channels?

**Heidi:** Scott, how do you see advertising's role changing in this new digital environment?

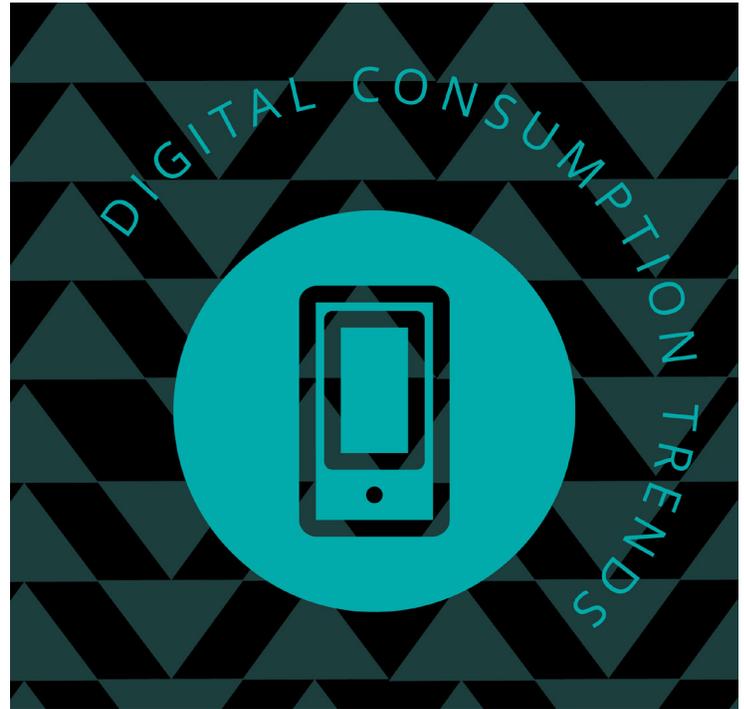
**Scott:** On the advertising side, the messaging is actually getting much more constrained in terms of the amount of time you have to get your message across and to deliver engagement because people do have that ability to skip an ad after 5 to 10 seconds. One of the things that we're starting to see is a small reduction in the impact of an endorsement from a celebrity or online personality because now you don't differentiate between a celebrity and an online personality, they're in the 0 to 2 percent category in the Baby Boomer and Matures cate-gory and, even in the Gen Z and Millennial categories, it's well below 20 percent engagement.

**Heidi:** Advertisers don't have much time to get their message across. What about geo-location ads?

**Kevin:** People like to watch ads that are targeted at them. They're also interested in the geo-location driving that. I like having a cup of coffee in the afternoon; I could be walking down the street and they know I like having a cup of coffee in the afternoon and they give me a discount for a cup of coffee or they may direct me at lunchtime to a specific restaurant. So, based on where I'm located can they deliver something that is both relevant to my interest and also relevant to where I am? There is interest in seeing those kinds of ads.

**Heidi:** Scott, how can mobile ads be more relevant and successful?

**Scott:** I think there is definitely an opportunity for advertisers to do a more effective job of targeting mobile ads to people. Consumers aren't necessarily opposed to an advertise-ment particularly if it's on message, on target. If the mobile ad that appears is actually useful to you at the time, you'll be more likely to participate in it or be receptive to it. There are still a num-ber of events that are going



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to happen whether it's breaking news, major sporting events, or even the major award shows that people still by and large want to consume in a linear fashion. Those are opportunities for advertising, and what they're doing is making those limited properties sort of the equivalent of beachfront properties; they are rarer and more valuable.

**Heidi:** So, I understand that consumers are more receptive to targeted ads. I totally get that, but how can advertisers serve up these personalized ads without being intrusive?

**Kevin:** Consumers are willing to give up some amount of personal information to make the content more targeted, but there are multiple layers of customer information; some of it may just be your email address or a couple of questions about you. If advertising and is targeted to me, then that's great, but don't target me with ads related to something I did just once. I think that's where consumers get turned off.

**Heidi:** So as advertising adapts to these challenges, how will the user experience change?

**Kevin:** I think the user experience that a consumer has, whether it be on a mobile device, whether it be on their big screen TV or their desktop computer, needs to look and feel the same. The consumer now wants to be able to pause the video on their phone, or restart on their big screen and have a similar experience, and the ads shouldn't change dramatically.

**Scott:** The device on which they're consuming may actually drive engagement. There's a school of thought that if they're consuming the content on a phone or on a tablet device, they may actually be more engaged to whatever's happening in the programming because those are the devices that they typically use to do other things at the same time. So it'll be interesting to see if there's an opportunity to get some ratings arbitrage around advertising. I think the user experience from an advertising standpoint will continue to get better. The ability to have that content, that experience, follow you over platform is there, that will absolutely happen. Advertisers are putting their best foot forward in terms of making the advertisements a part of the experience.

**Heidi:** Consumers continue to express their digital democracy by snacking on content, bundling their entertainment, and engaging with corporate brands in social media. Advertisers face new challenges and new opportunities.

I want to thank Scott Lipstreu and Kevin Westcott for joining me today.

**Kevin:** Yeah, it was fun.

**Scott:** My pleasure.

**Heidi:** Next time, on User Friendly.

**Bryan (EP2):** It's more than just an accounting, white paper policy process. If you have changes it's a big deal to do anything in the end-to-end revenue process. You touch one little area but you pretty much touch the entire organization.

**Heidi:** We'll cover the implications of the new revenue recognition standard. Is your business ready?

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