

USER FRIENDLY



Trends in digital media consumption

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I'm Hanish Patel and this is User Friendly—the show where we explore emerging trends in tech, media, and telecom, and how they impact business, operations, and the world around you.

Hanish Patel: Consumers today have more digital media options than ever before. Most are finding what they want from a growing variety of options, selecting which services among pay TV, streaming video, music, and gaming options they find most valuable. But many say that they have to work way too hard to find the desired content and pay for multiple subscriptions just to have it their way. Some wonder, will the cost start to outweigh the benefits?

Joining me to discuss the findings from the “Digital Media Trend Survey” are Jeanette

Watson, Chief of Staff for the Center for Technology, Media & Telecommunications, and Amy Booth, Telecom, Media & Entertainment Marketing Leader at Deloitte. Both happen to be coauthors of the survey. Jeanette, Amy, welcome to the show.

Jeanette Watson: Thanks for having me.

Amy Booth: Thanks for having me.

Hanish Patel: So let's get straight in there. Given that this has been going on for a number of years, this survey that we've been

doing, I believe 13 now—can we give our audience just a little bit of background on what the survey's about, what it covers, and what they can expect to see in the results and the findings that we are going to discuss today?

Amy Booth: Sure, so the survey focuses on media consumption habits of US households, and as you said, we've been doing this research for 13 years now, and if you think back 13 years ago, none of us had a smartphone, we were using our thumbs on a device we can't buy anymore. There was no iTunes, there was no streaming. We were still getting little red packages in the mail to watch videos. The world has changed a lot in the last 13 years, and we've been trying to follow those trends and trying to identify where the industry is going.

We look at the world like this: Gen Z's and Millennials, so we have 14- to 35-year-olds, the Gen X-er's, the Boomers, still barely the largest generation, and then matures over 70. So we all know over the last 10 years almost every trend that we've seen has started in the younger generations. They brought technology into the household, they've introduced their parents to new streaming services or subscription services, and then we've all ended up being subscribers.

Hanish Patel: Fantastic. Thank you for that overview, and if I was just to even recall from just last year's findings, it was very apparent that the consumer was in the driver's seat, so to speak. If there was a way that you could sum up or maybe even—and I'm going to really push the both of you because you are coauthors and you know this stuff inside out—if there's one word to really describe this year's findings, how would you describe it?

Jeanette Watson: So the one word I would use to describe media consumption today is Freedom. Consumers now have the freedom to choose from a variety of different entertainment options, there are a lot of over-the-top options out there, you can pick and choose the television shows that you want to watch, even live sports. I cut my cable subscription over a decade

ago. I had difficulty finding the right shows that I wanted to watch. I had to go to a lot of friends' houses to watch premieres of new television series. I had to invite myself over to my neighbors to watch the Super Bowl, but I no longer have to do that anymore. So I truly am one of those people who is enjoying this newfound freedom of having all of these different options. Now I can watch premieres of major television shows when I'm on the road traveling for work. I just have to pull out my smartphone, pop open an App, and select the show I want to watch.

Hanish Patel: And Amy, how about yourself? What one word would describe it for you?

Amy Booth: So the word I would use is Friction. There are some challenges, consumers have a few too many choices. We see 57 percent of consumers, and 74 percent of Millennials are frustrated when their shows or movies disappear from their platforms. We've all had the experience where we try to go to watch something we saw before and it's gone, or we watch the first two seasons, we want to watch the third season and it's not there. So they're getting attracted, they're getting engaged, but then their shows are no longer there.

Hanish Patel: Wow, I might have to separate the two of you. One is Freedom and one is Friction. I don't want an argument to break out over this podcast.

Jeanette Watson: I would just add my, well, my Freedom experience is really empowering and I feel really excited by it, it doesn't come without Friction in my own household. So we have found now that every January we have to take a look at all of the subscriptions that we have. My husband's always trying to get the cost down and I'm always adding new ones throughout the year, so now kind of as a New Year's resolution we take a look at all of our subscriptions that we have and we determine which ones we need to watch—the content that we're enjoying at that moment—and we get rid of other subscriptions as a result of it. So it creates some friction within my own household of these different subscriptions that we have.



Hanish Patel: Not too dissimilar in my household. Just a few weeks ago I resubscribed to a certain subscription service for a final season of a very famous show that we're probably already watching, so I know exactly what you're talking about on that front. But then let's talk more about this Freedom aspect and people piecing together their experiences, and what trends are you really seeing that kind of reflect all of this piecing together, so to speak?

Jeanette Watson: Yeah, so on the Freedom side I would say for the first time ever this year we saw more US consumers with paid streaming video services in their household, than a traditional cable or satellite television subscription. And consumers who do have paid streaming video subscriptions, they're not subscribing to one of those, they're subscribing to multiple subscriptions, so on average consumers have three paid streaming video subscriptions in their household. That's a lot of people who are now piecing together entertainment from multiple options. You might ask, why is it that people have so many paid streaming subscriptions? Well, there's a lot of reasons, but when we talk to consumers about this, consumers tell us that it's because of the original content that is available on each of these options. So in order to put together and watch the shows that you want to watch, it does require multiple subscriptions to get there. And I think more than half of US consumers say that they have subscribed to a streaming service in order to access specific original content.

Hanish Patel: Yes, absolutely, like my example earlier, right, where we were doing that. But it sounds like you're kind of verging on where Amy was going with a bit of Friction there. So there's got to be the downside to all of that Freedom then.

Amy Booth: Yes, definitely, so I mean we talked about just the need to have these multiple subscriptions, multiple services, and I think among us we can probably say we've got a lot more than three. But you think about just the frustration of having to have all these services to get to the content you want, the number of usernames and passwords you have to have. It's hard to find

the content when it's spread across all of these different services. I have had people recommend content to me and I've tried to go and search for it, and not knowing if I even have that subscription to find it, which remote control do I need to get to, do I need to use to find it. So that's one example.

Hanish Patel: Yeah, I think you've pretty much described my household with remote controls and passwords and so forth, and there was a stat that I saw in the survey that just absolutely blew me away when I think you guys had said that something like three hundred plus OTT (Over-The-Top) options in the US alone, which is just amazing. I mean that is phenomenal. I mean, can you tell me a bit more about what's driven that proliferation of that many service providers or options for us as consumers?

Jeanette Watson: Yes, so I mean, I guess it's not unlike magazines in the past, where you would have a bunch of different magazines for every little niche hobby that people want. You have the car magazine, Formula 1 racing magazine, you have all kinds of different options. I think we're kind of seeing that in the video space currently with all of these different options that are out there. So you have the major players, so the major streaming providers that have content across all different genres, and then you're seeing very, very specific options for people who want to watch, say, one specific sport, so if you just watch hockey, or you just want to watch tennis or NFL, as an example.

Hanish Patel: All of these like, say options and niche offerings basically whatever you're into you can potentially find a provider for you, are they generally all subscriptions or are they ad-supported or are some of those free? I mean, what's the makeup of those three hundred or so that we are seeing?

Jeanette Watson: Yes, so it's a mix of both. Some of them are streaming-only paid option subscription services with no ads, and some of them have advertising-supported models, and we're finding that consumers are kind of piecing together these services and probably managing their cost by subscribing to some that are

paid and some that are ad-supported. So some of these options you don't have the option to watch the content unless you endure some advertising. We are finding that consumers are willing to endure a bit of advertising to get in exchange for the content that they want.

Hanish Patel: Got it. Let's click into that "endure" word, right then, advertising. I know I for one am not a fan of it, because I just want to get to the content I want to get to, but totally appreciate that some platforms are based on it and that's how they monetize. Can we talk a bit more about the advertising aspect?

Amy Booth: Sure. Seventy-five percent of consumers say there are too many ads on pay TV, 82 percent are overwhelmed by repetition, and 77 percent actually think ads should be shorter. So, consumers are willing to be advertised to, but they want it to be targeted, relevant, and shorter. And 44 percent of them actually tell us they subscribe to a streaming service to avoid ads. That's a large number, but when you are watching ad-supported, consumers tell us eight minutes per hour is just right. At 16 minutes they tap out. They say, if it eclipses at 16, they're done. So we see examples of up to 20 minutes per hour on certain platforms, so we've got to respect their time as well.

Hanish Patel: And now time for a commercial break. No, I'm just kidding, I'm just kidding. We're about to take a 20-minute break—no, not at all. I mean that has got to be what may be driving a lot of people to some of the platforms that maybe don't have advertising and payment, and I think we touched upon and I want to double down on that one around original content. It seems like there's a lot of funding going into programming to create original content for a lot of these providers as well.

Jeanette Watson: Yeah, original content is one of the top reasons consumers would subscribe to a new streaming service, along with no ads. So original content, it does seem like these big payoffs from all of these large streaming platforms, putting money into original content is paying off

to some extent. We're seeing that not just for streaming video, we've been talking a lot about streaming video, but consumers are piecing together entertainment from all across the board. And I wouldn't call your entertainment experience just a couch potato sitting in front of a television experience anymore. In addition to watching streaming video, consumers are doing a lot of gaming. Consumers are watching and listening to a lot of music. They are getting content and piecing together an entire entertainment landscape from a variety of different subscriptions. So when we talk about three-page streaming video subscriptions in a household, add on to that your streaming music subscription, add on to that magazine and newspaper subscriptions, add on to that your gaming subscriptions. There's a lot of different ways in which people are piecing together subscriptions across the board.

Hanish Patel: When you just talked about all of those multitude of subscriptions, not just the monetary aspects of that, and I think Amy you touched upon some of that in terms of just the amount of passwords you've got to remember, which then just strikes me in terms of just data protection and having all of those aspects. Anything that came out in the survey around data protection this year, because I know it was big last year and a lot of the feedback that you guys got in the survey as well.

Amy Booth: So consumers are very concerned about their personal data. Eighty-two percent of them say that companies are not taking all the steps they can to protect their data. Now this number has jumped very dramatically since last year and we know we've had a number a data scandals and issues over the last year. But this is much more top of mind for consumers. So we have to respect what the consumer wants, and if you ask them who's responsible for protecting their data, half of them say they're responsible, so we are taking personal responsibility for our data, we believe we need to protect it.

Hanish Patel: And then who owns that data? I always ask this question, and I love

getting the different responses I get on this. So who owns the data?

Jeanette Watson: Me.

Amy Booth: Me. I own my data.

Amy Booth: Exactly, so yes, consumers believe they own their data, and they believe they have the right to view, edit, and delete it if they want to. Again, I think the good news here for all of us in this industry and in the tech industry is that only 5 percent of people believe that government should actually own their data.

Jeanette Watson: So consumers say that they want to own their data and they are responsible for managing it, but yet what's really interesting is that in our survey we find that a lot of consumers are using social media logins to log in to sites across multiple platforms, and that can be tricky. You have to look at all of the individual privacy policies, you're sharing data among a bunch of different things. So, while consumers say they really, really want to own and manage it, I'm not really sure that consumers understand the complexities or what they are signing up for. It's either that or the ease of access is so nice for them that they kind of don't mind giving up data or in exchange for access to free content and the ease of logging in to multiple platforms using one login.

Hanish Patel: Let's take that one step further in terms of sharing their data and sharing commentary, and the reason I say commentaries—I've got to go there—were personal digital assistants. All right, I mean there's this theory that they are always listening in. There is obviously the trigger words for when they are truly listening. Where do you guys stand on that and in terms of our survey, what've we heard around personal digital assistants and the growth of those or if there has been a growth at all?

Jeanette Watson: There's been a lot of growth in the smart speaker market, 140 percent growth year-over-year in just devices being in the household. I am one of those people. I have not just one

smart speaker in my household; I think we have four or five smart speakers. There are multiple rooms we're using them as speakers but they are listening all the time and so, one of the things that comes up when people start asking us about our use of them is are you concerned about the privacy associated with having something listening all the time, and I say well a lot of times it takes a lot to get the attention of my smart speaker, and so I'm not all that concerned at this moment. Maybe I should be about the privacy I'm giving up. I really, I get to play music in every single room, I can turn my lights on and off, I can do a lot of different things that these make it easy when I'm running around with a busy toddler. I can set timers, I can do all kinds of things, and so the smart speaker for us has become a really helpful device within our household, and so I'm at this point at least willing to give up some privacy in order to have that ease of use.

Hanish Patel: Let's talk a bit more about some of the things you described that clearly help and a convenience element, and one of the things you talked about from an entertainment consumption is clearly listening to music. What do you guys think in terms of the smart speaker, the personal digital assistant, what role it has to play in terms of overall consumption and maybe piecing things together?

Jeanette Watson: So I'd hope that eventually it'll make it easier on all of us. At this point, there are some really great services out there. You can start playing one song and it's going to lead you to an entire station of music, right? So you are going to very easily access music. I would like to have that same experience with video. I do use my voice to try to find content when I'm watching video in my household, and at this point of time, it's hit or miss. Sometimes I find the content I want to watch, sometimes my searches are too complex. I think consumers like me are in a similar situation. There's a huge opportunity here. I think that there are limitations at this point in being able to access everything really, really easily. So, as voice gets better and better and as more people are using it, I think that experience is just going to get so much

easier for consumers that we are going to see a lot more of it in the market.

Hanish Patel: But it's probably not going to solve your problem, Amy, of all those multiple remote controls just yet.

Amy Booth: Not just yet, not just yet.

Hanish Patel: Right, but it's only a matter of time, I would imagine, where this could actually become a hub like our smart phones are to do a multitude of things for us.

Jeanette Watson: How great would it be to be able to check your remote and just be able to say in natural language what it is that you want to watch and have that come to life? That would be a really phenomenal future.

Hanish Patel: So we talked about some of the streaming aspects and I know Jeanette you mentioned you cut the cord many a year ago. I did the same, and Amy, I believe you've done the same as well, right?

Amy Booth: Yes.

Hanish Patel: So, all three of us have done that. But is it a case of either/or, or are we seeing that most people tend to actually have both?

Jeanette Watson: So it's interesting, everybody thinks of it as an either/or situation, but we actually found that 43 percent of US consumers have both a paid television service, as well as a paid streaming service. That's a pretty high percentage, that number is even higher over 50 percent of Gen-X has both. So, people are—still find value in their traditional pay television and there must be a reason why they're also subscribing to these paid streaming video services in addition to pay television.

Hanish Patel: So I'm going to try and piece this all together. We've got pay TV, we've got three hundred plus options for video streaming that we could have, be that paid or through advertisements. I'm hearing that we as consumers are saying that we are getting, was it two and a half times I believe

you guys said, as much advertisements as we need to get in. If we were to take that away, and take away some of that friction, so we can still have that freedom. How are we going to discover our content, or how do you guys discover your content?

Jeanette Watson: Word of mouth is a big way. Word of mouth can come in a variety of different ways these days. On social media you get word of mouth from friends and people you don't know through social media. In our survey we found that the way people are finding out about new television shows currently is still pretty traditional, so the number one way across all generations is advertisements, but those younger generations are shifting and they find that social media plays a higher influence in them finding and discovering new television shows.

Amy Booth: So, on discovery with my Friction hat on, 43 percent of the population actually say they give up if they can't find it in a few minutes. Now the vast majority of people who turn on a streaming service know exactly what they are going for, they have a show in mind, a movie in mind, and they are going there to find it. But they give up within a few minutes if they can't find it, which means we have a lost opportunity. So discovery is the next speedbump we need to attack.

Hanish Patel: Interesting, more and more the younger generations that are now driving the trends and driving the new consumption, behaviors, new consumption patterns. And if we're seeing that social is playing a greater prominence in the way that the younger generations are discovering content, that's definitely got to be something where the programmers, the owners of the platforms, the owners of pay TV have got to sit up and listen and think about the amount of exposure they have on social to achieve their target markets with.

Amy Booth: Right, definitely, definitely.

Jeanette Watson: Yes absolutely.

Hanish Patel: Again I'm going to use that term of piecing things together, and here's an interesting kind of—I'll call it a mix or a mashup—that happened a few months ago, and I actually experienced it because my eldest was particularly playing a very famous—I'll call it Online Battle Royale game—and in that they had a famous DJ, actually playing out a set. Now music, video games, that's not new, that's happened for years, but where I felt this was phenomenal versus the sheer scale and the audience that DJ got off the back of that right, and I think it was 10 million plus, and plus the monetization aspects that came after that, you could buy your modes and different skins and 25 dollars later I found out what you could have.

So that was interesting for me, to see that kind of mashup and that piecing together. From your guys' perspective and things that we are seeing in the survey, where do you see the next set of trends happening similar to that sort of kind of mixing up of music, video games, et cetera. Do you see more of those kinds of things happening? What's the future looking like for consumption or entertainment?

Jeanette Watson: Yeah, absolutely. I think we're going to see a lot more of that happening. I think we're going to see a huge growth in esports viewership here in the US. It's been fairly large globally for a long time but we are starting to see it more and more here in the US.

I think you're going to find more and more brands and more and more mashups like you said of people trying to get something out through a venue where there's a large audience. So gaming is a huge, huge opportunity. Esports is a huge opportunity. You can introduce people to new products, you can introduce people to new bands and music as people are in the middle of game play. And so people can use, gamers can use their notoriety in that respect. I think you're going just see a lot more and more of that. I think we're going to see that on the original content side, so not just for streaming video any longer. I think we're going to start seeing that in gaming; you're going to have people subscribing to gaming services for original

content on those gaming services, so games that are not available anywhere else.

I think we're also going to see that on the music side, so people are going to probably start bringing live sessions into, and I think some services are already doing it, where you can get some live musicians recording and pushing it out through a specific music service. I think we're just going to see more and more of that original content theme weaving itself into other areas, be it gaming, streaming music, and of course on the video side.

Hanish Patel: And Amy?

Amy Booth: I was just going to say on sort of the esports topic, I personally don't get it. I don't get why people would want to go and watch other people play games, but it's no doubt an emerging business—pretty amazing. Some of the stats from our survey are pretty interesting if you look at the frequency of gaming. Forty-one percent of all people actually play games, 54 percent of Gen Z's do, 44 percent of them watch esports. So we definitely need to watch that area. I think it's a very interesting opportunity.

Hanish Patel: Amy, I'm going to have to get you to my house, my youngest will convince you. All he does is sit there and watch my eldest play. He is the truest esports fan

I've ever seen. But no, I hear you, it's a phenomenal aspect and growth area that we're seeing more of it and I'm hearing of arenas being set up, huge sponsorships taking place, so it's certainly a growth area.

You know, if I was to kind of sum up what I've heard today, I mean certainly from a Freedom side there's a wealth of options for us as consumers, through the demand of the niche things that we want to watch, through the supply of all the providers that are out there, but it's also leading to an element of Friction that you touched upon as well, Amy, in terms of just how do you get to what you want to get to, how do you discover it? The number of advertisements out there, the number of options and passwords that you've got to have. So, I don't know what the magical answer is in terms of who's going to capture that, but clearly right now it's not a case of either/or from a video perspective. Most of the consumers are definitely covering off both, and it sounds like the potential future could be that mashup of original content with gaming, original content with music, original content with video streaming services, so original content seems to be the way forward potentially for the way that at least providers can monetize us as consumers want to get content. Anything else I've missed in that summary of what you've guys have spoken about in terms of the sheer survey?

Jeanette Watson: No, I think it's good. I'm a glass-half-full kind of person, that's why, and I think I'm just so thrilled with the Freedom that I currently have as a consumer. As somebody who cut my cable cord a decade ago and didn't have a lot of options, I'm really, really excited about the future. That Friction that I have in my own household is not yet playing itself out in a way that's going to get me to cancel and to not choose things à la carte like I'm currently doing. So, I think we're still a ways off before consumers are so frustrated by things that we're forcing new situations, but like I said, I'm a glass-half-full kind of person really excited about all the options that are out there and the Freedom that I have to piece together the entertainment I want to watch.

Hanish Patel: Brilliant. So with that I want to thank the both of you, Jeanette and Amy, or aka from this moment "Freedom and Friction," for joining me today and until next time, happy listening.

Jeanette Watson: Thank you.

Amy Booth: Thank you.

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