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Deloitte's State of the Media Democracy survey

Key findings from a global study of how people are interacting with media, entertainment, information and advertising

Fourth edition

Contents

Foreword

Digitization is radically transforming the way people around the world interact with media content.

But how much do we really know about consumers' media preferences and behaviors, both now and in the future? To continue to shed light on the subject, Deloitte Touche Tohmatsu Limited's Technology, Media and Telecommunications (TMT) group commissioned a fourth edition of its State of the Media Democracy survey. The survey looks at:

- Generational preferences for traditional and emerging media devices and platforms.
- The evolving adoption of mobile devices, social networking and interactive games.
- Reactions to conventional and next-generation advertising.
- Emerging consumer preferences and the implications for advertisers, content companies, distributors, developers and device manufacturers.

We call this new, digital world a 'media democracy' because consumers vote with their actions and wallets for new content types, media devices, distribution platforms, advertising models and pricing schemes. Also, with the rise of the Internet and social media, every individual now has the power not just to consume content, but to produce it.

This year's study reveals a number of common global themes, including:

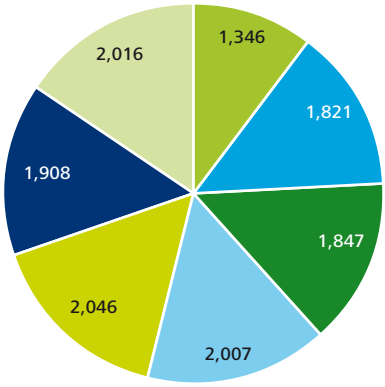
- The continued appeal and influence of television.
- Questions about the effectiveness of online advertising.
- Increased demand for media portability.
- Changes in how consumers view video content.
- Fragmentation of music platforms and a resurgence of radio.
- An explosion of wireless data applications that are driving growth in telecom.

Just as important, the survey reveals a number of significant differences across geographies. Understanding these differences between countries can help companies learn how to tackle the challenges they face in their own markets.

Media consumption trends and behavior continue to evolve at a dizzying pace. We hope the findings in this report will help you keep up – and get ahead – in this exciting time.

About the survey

Figure 1. Results from the survey include data from 12,991 consumers in seven countries



Brazil
Germany
Japan
United Kingdom
United States
South Korea
India

Source: DTTL, 2009 and 2010

About Deloitte Touche Tohmatsu Limited's 'State of the Media Democracy' survey

This is the fourth edition of our global study of media trends and consumer behavior. The survey was commissioned by Deloitte Touche Tohmatsu Limited's (DTTL) Technology, Media and Telecommunications (TMT) practice, and conducted by independent research firms in late 2009 and early 2010.

The survey was conducted online, except in India where face-to-face interviews were used. Additional insights for this report were derived from DTTL member firms' experience working with leading TMT companies around the world.

Global key findings

Consumers around the world remain highly engaged in media of all forms, even as the variety of media formats, sources and devices continues to expand. Traditional media (TV, radio, newspapers, magazines) are still dominant, and consumer affinity for them remains high. However, new media platforms are likely to be the primary source of future growth in TMT.

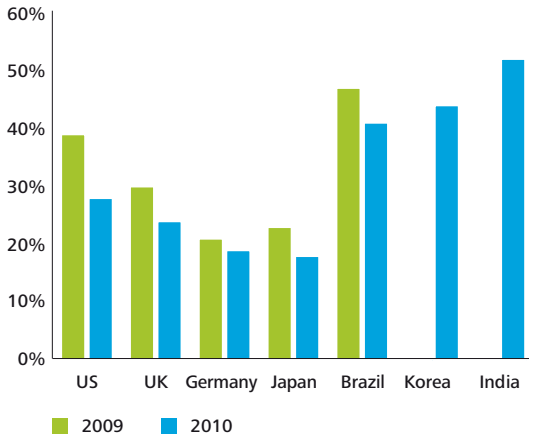
This year's survey revealed a number of global trends that can help TMT companies develop effective business strategies and achieve their long-term growth objectives.

Media devices

Adoption of media technologies continues to increase, despite the economy
Ownership of mainstream media technologies – such as flat screen TVs, portable computers, digital video recorders, portable music players, home networking, smartphones, Blu-ray players and video game consoles – continued to rise in all surveyed countries. However, interest in 'bleeding-edge' technologies was down.

Figure 2. Emerging technologies

Percent of respondents who say they "look to purchase highly anticipated technology devices as soon as they hit the stores"



Source: DTTL, 2009 and 2010

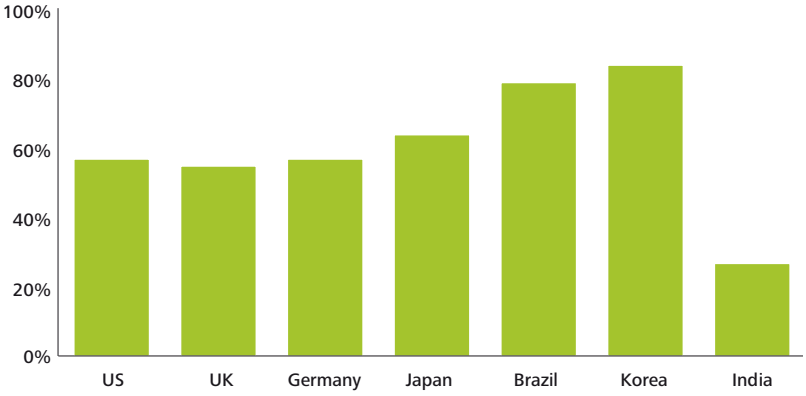
This decline was likely driven by the global recession and low consumer confidence. While consumers were willing to spend money on the latest proven technologies, they were less inclined to crave the next big thing.

TV and video

Television remains the top media platform, but the way people view video content is changing
Although television continues to be the most popular form of media around the world, consumers in most surveyed countries say their computer has become more of an entertainment device than their television.

Figure 3. Computers for entertainment

Percent of respondents who say their computer has become more of an entertainment device than their television



Source: DTTL, 2009 and 2010

Consumers around the world remain highly engaged in media of all forms, even as the variety of media formats, sources and devices continues to expand.

It should be noted, however, that often people watch more television than they are willing to admit, which might be skewing the results. Also, computers are used for much more than video viewing, so the numbers do not necessarily represent a like-to-like comparison. The bottom line is that TV is likely to remain dominant for quite some time, but will continue to face increasing pressure from other platforms.

Use of video-sharing sites is growing exponentially, except in Germany where video sharing remains almost nil. In the U.S. and Germany, video viewing on a show's official website has more than doubled. Also, consumption of user-generated content continues to increase. However, surveyed consumers generally find such content less entertaining than before; its primary appeal is that it is free.

Although live viewing remains by far the most common way of watching TV, it is gradually being supplanted by the use of digital video recorders (DVRs). DVR adoption is up across the board, especially in Germany where it more than doubled. The U.S. continues to lead, with 39% penetration, followed closely by the UK at 33%. According to the survey, DVRs are used for about 25% of all TV viewing in the U.S., UK and Japan. In most other countries, the percentage of TV viewing done with a DVR is still in the low to mid single digits.

DVRs saw a sharp increase in their perceived value. Among the people surveyed, the most common reasons for using a DVR are: to avoid missing their favorite shows, timeshifting to suit their own schedule, recording a show while watching another, pausing live TV and skipping commercials.

Internet-connected TV and IPTV continue to show promise, but have yet to achieve widespread acceptance. Consumers around the world appear to have a strong and growing interest in being able to connect their home TV to the Internet to view videos and download web content. According to the survey, Japan was the only country where interest in this capability is waning, which is interesting since Japan has the highest penetration of fiber-to-the-home in the world. Despite strong global interest, adoption of Internet-connected TV remains in the single digits, except in Korea where adoption is 15%.

According to the survey, in most countries, people are increasingly multitasking while watching TV. *Talking on the phone. Surfing the web. Sending and receiving email and IM. Reading magazines and newspapers.* Web surfing while watching TV is actually down a bit, while reading newspapers and magazines is up.

Advertising

Traditional advertising remains the most influential, while online advertising seems stuck in a rut
The survey shows that traditional forms of advertising (TV, radio, print ads) continue to have the most influence and impact with consumers.

- TV remains #1 in influence, by a wide margin. However, its lead is steadily shrinking in the face of increased competition from the Internet and other new advertising media. The only place where TV ads are not dominant is Japan, where online ads are #1 in influence.

- Influence of magazine ads is #2 globally, but essentially flat.

- Online ads are #3 in influence, but their influence appears to be declining (especially in Germany). Exceptions are Japan, where online ads are #1 in influence, and Korea where online ads are almost as influential as TV ads.

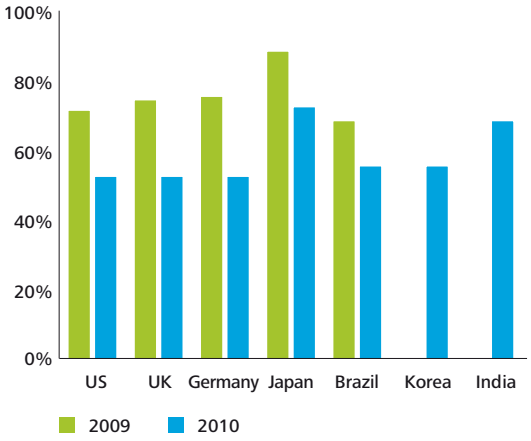
- Newspaper ads are #4, but actually rising slightly in influence.

- Radio ad influence is #5, but rising (especially in the U.S. and UK).

Search results continue to be the #1 driver of web traffic. At the same time, traditional media ads on TV and in magazines are increasingly being used to drive web traffic in all markets – especially in Germany and Japan.

Although Internet use continues to grow, the influence of Internet advertising on buying behavior remains relatively low, and in many cases is actually declining. Sponsored search engine results are considered the most influential form of online advertising, except in Germany, Korea and India, where banner ads are more influential. Banner ads are #2 in influence globally, except as noted. However, their influence is declining sharply (even in Germany, where they are considered the most influential form of online advertising).

Figure 4. Influence of banner ads



Source: DTTL, 2009 and 2010

In addition to their declining influence, online ads generally are regarded as more annoying than print ads. These trends suggest that a new approach to online marketing might be needed. The Internet has vast potential for promoting products and influencing behavior; however, traditional online advertising might not be the best way to harness that potential. Instead of relying on online ads that are little more than electronic versions of print ads, companies might want to consider doing more to capitalize on the Internet's interactive capabilities by creating intelligent, customized advertising that targets the needs and interests of individual consumers.

Companies might also increase their use of social media to generate buzz and influence customer perceptions. According to our survey, the vast majority of respondents have learned about a product for the first time on the Internet, and this number is rising sharply across all age groups (not just young people).

According to the survey, consumers in most countries are reluctant to provide personal information to receive advertising that better targets their needs, or to have their web browsing activities tracked for that same purpose. Survey respondents in Japan and Korea seem more willing than others to accept these invasive practices; however, the majority still have a negative view.

Social media

Social media is rising fast across all age groups

Social media is already the #4 most popular Internet activity globally – behind only search, email and news – and is rising fast. Although it is particularly popular with young people, usage is increasing significantly across all age groups.

With the proliferation of social media channels such as Facebook, Twitter and blogs, the nature of user-generated content seem to be changing. Social media allows users to blend content they create themselves, such as status updates, 'tweets', photos and video, with content that they simply re-post or aggregate from other sources (e.g., news and links to other web content). The result is a blend of serious news, casual gossip, education, entertainment, personal opinions and aggregated content – all combined into a unique form of self-expression.

In addition to their declining influence, online ads generally are regarded as more annoying than print ads.

In addition, social media is shaping up to be a powerful way to influence consumers online.
Until now, companies have been focusing a lot of time and resources on online advertising – not necessarily because it is effective, but because it is similar to traditional advertising and therefore familiar and comfortable. However, the ultimate objective of advertising is to influence buying behavior.
And according to the survey, consumers in most countries say that online reviews and ratings influence their buying decisions more than any form of Internet advertising. This suggests that social media – not traditional online advertising – might be the best way to promote products and services on the Internet.

Music and radio

The music market is growing, but is increasingly fragmented across platforms

Music remains very popular in all countries. In fact, consumers around the world rated it their #2 favorite media, and its popularity and consumption are growing in every country surveyed. However, as the number of music platforms increases, consumption is being spread ever thinner, meaning that the use of specific *individual* music platforms is generally declining – even as aggregate consumption increases. For example, our survey shows that use of dedicated digital music players is declining across the board, even while digital music consumption is skyrocketing.

Radio's popularity is rising in all surveyed markets, as is the influence of radio advertisements. In fact, AM/FM Radio was rated #1 globally as a way to listen to music. CDs are rated as the #2 way to listen to music, except in Japan where they are #1. However, CD use is declining significantly in all countries, including Japan. Music on discs may soon be a thing of the past.

Adoption of digital radio remains in the single digits, except in the UK (30%), most likely due to limited availability.

Mobile phones and wireless

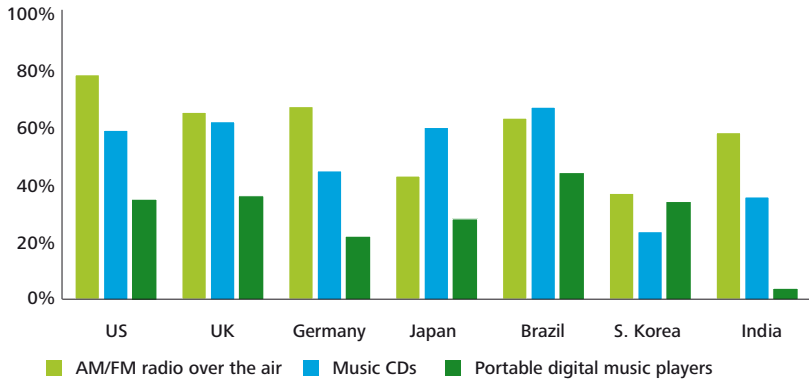
Wireless data applications are driving growth in the mobile sector

Smartphones are getting smarter, but as this happens, regular mobile phones are getting more intelligent too. Phones with advanced features are proliferating – already outselling portable computers – and their uses are expanding to include: online search, social media, application purchases, product and service purchases, entertainment and global positioning.

Mobile phones are clearly not just for voice communications anymore. In fact, among our respondents, more people have combined voice and data plans than 'voice only' plans, except in Brazil and India.

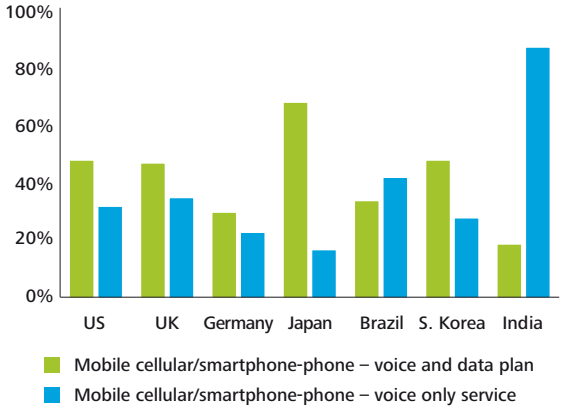
Figure 5. Radio resurgence

How have you listened to music in the last 6 months?



Source: DTTL, 2009 and 2010

Figure 6. Mobile voice and data subscriptions



Source: DTTL, 2009 and 2010

According to the survey, the most popular mobile phone features are:

- **Built-in cameras.** Taking still photos is one of the most popular mobile phone features, and its popularity is growing in all markets.

- **Text messaging.** Using a phone to send text messages is also very popular, except in Japan where for cultural reasons people are reluctant to communicate with electronic messages. Text messaging is increasing everywhere – even in Japan – with Germany showing especially strong growth, up from 57% penetration to 86%.

Other increasingly popular mobile phone features include: video cameras, Internet access, music players and email.

Although market penetration of smartphones and advanced (non-voice) services is increasing, many potential uses have not managed to break through. According to the survey, in some cases consumers don't use a particular phone feature because they feel it is too expensive, or because it is better handled by a different device. But in most cases, the main barrier to an application's success is that consumers simply don't see a need for it.

One application that seems especially popular is the use of mobile phones for online search. At the moment, consumers are mostly doing standard web searches, but the survey shows consumers are very interested in using phones with GPS technology to find local stores and services. GPS applications are already gaining popularity, especially in the U.S. and Germany, and significant growth is expected in the future.

Newspapers, magazines and books

Printed media content is more popular than ever, but companies are struggling to get paid for it

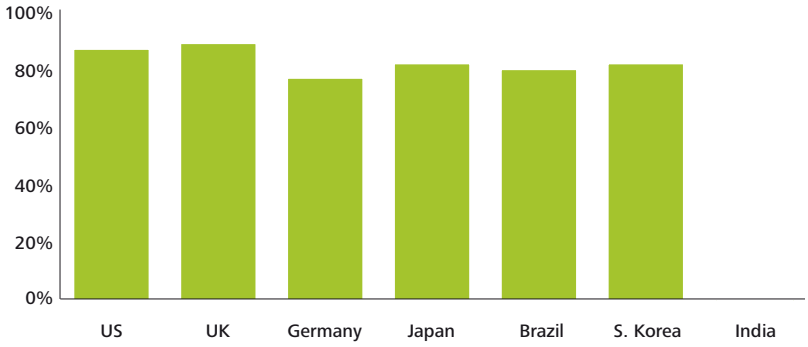
In most markets, the popularity of newspapers – printed or online – is up significantly. According to the survey, viewing newspapers on computers increased in Germany and Japan, while holding steady elsewhere. In Brazil, respondents claim to read newspapers on computers more often than in print.

The survey showed viewing newspapers on mobile phones nearly quadrupled in Japan, from 4% to 15%, while remaining in the low single digits in the U.S., UK, Germany and Brazil.

Online newspaper subscriptions are way down in the United States, UK and Germany. Globally, reading newspapers in printed form actually increased over the past year. Yet traditional print media companies in most countries continue to face an uphill battle getting consumers to pay for content. According to the survey, the vast majority of respondents (77% – 89%) will not pay for online news because they believe the quality of free online news is good or sufficient.

Figure 7. Online news

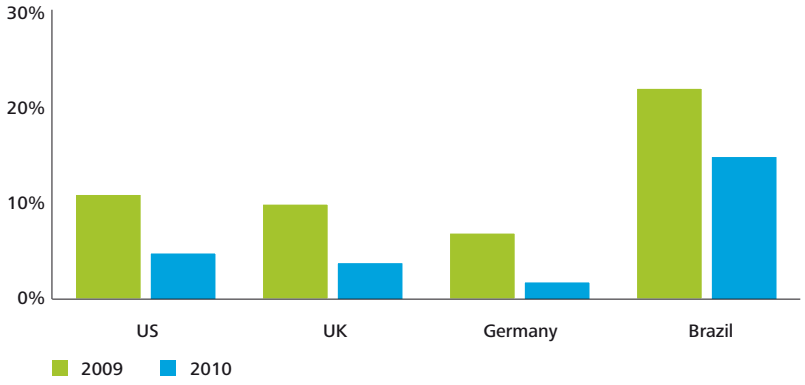
"The news I receive online for free is of sufficient quality that I will not pay for online news of any kind"



Source: DTTL, 2009 and 2010

Print magazine subscriptions are mostly flat, despite consumers' preference for printed magazines over their digital equivalents. In the U.S., UK, Germany and Brazil, for example, at least 70% of respondents say they enjoy reading printed magazines even though they know they could find most of the same information online. Not surprisingly, online magazine subscriptions are way down in those four countries.

Figure 8. Online magazine subscription



Source: DTTL, 2009 and 2010

Book popularity is down or flat, and e-book penetration remains in the low single digits, despite the many e-readers now on the market.

Internet

The Internet is now challenging TV for consumers' time and attention

In most of the surveyed countries, respondents claim to spend about the same amount of time using the Internet as watching TV. And according to respondents in Brazil and South Korea, their time on the Internet actually far outweighs TV time.

Globally, consumers rated Internet use as their #3 'favorite media' pastime, behind TV and music. Popularity of the Internet was flat in the U.S., but rose significantly everywhere else – especially in Japan, where it more than doubled from 31% to 67%.

Search is generally the #1 Internet activity, followed by email (#2), news (#3) and social media (#4). In Korea, web portals are extremely popular, essentially tying search for the #1 spot.

Desktop computers are the #1 device for accessing the Internet. Portable computers are #2. Mobile wireless devices/phones are a distant #3, except in Japan and Korea where they match or beat portable computers for the #2 spot. Japan and Korea seem to be the global leaders regarding early adoption of new devices for accessing the Internet.

Online video is driving demand for faster Internet connections, and many people claim they would be willing to pay more for a faster connection.

Electronic games

Interest in electronic games is rising in most markets

Popularity of electronic games as a 'favorite media' pastime is flat in the U.S., and down in the UK, but up everywhere else. Globally, PCs and dedicated video game consoles are equally popular game platforms. However, PCs have a significant lead in Germany, Brazil and Korea.

Handheld games are less common than PC or console games, but rapidly gaining market share. The same is true for mobile phone games, which started with an even lower adoption rate than handheld games, but are growing even faster.

Most gamers still play by themselves against the game. Only half of all gamers play with or against other people in the same room (i.e., party games). Even fewer play with or against other players online. This pattern is particularly dramatic in Japan, where the vast majority of electronic game-playing is solo against the machine.

Movies

Physical media are still #1, but newer delivery platforms are catching on fast

The most popular way to watch a new movie release continues to be disc or videotape, followed by cable and satellite TV. However, movie downloads, along with streaming video from free online sites, have more than doubled in most countries. In fact, according to the survey, Korean consumers, who have access to some of the fastest broadband networks in the world, now prefer to view new movie releases as free downloads or video streams, rather than watching on a home TV.

A growing number of consumers are using both discs and downloads to watch movies. Also, use of mail-order movie services, such as Netflix in the U.S. and Lovefilm in the UK, are up significantly since last year, especially in Germany and Brazil, both of which started from a very small base.

Future trends

Media portability is in high demand

Consumers around the world have a strong desire for media portability – the ability to easily move content between platforms. Most people would prefer not to jump through hoops to move content from one platform to another. And as the number of digital platforms continues to expand, the problem will only get worse.

In addition to media portability, surveyed consumers claim to be strongly interested in 3D home video. They also say they want mobile phones that can scan a product barcode and instantly access detailed information and competitive pricing from the Internet. However, the actual demand for such products remains unclear.

Globally, consumers rated Internet use as their #3 'favorite media' pastime, behind TV and music.

Key findings for individual countries

Brazil

Elite consumers in Brazil are embracing all forms of media

As one of the world's fastest growing economies, Brazil has an emerging group of sophisticated consumers who have ready access to the Internet and a voracious appetite for all forms of media – especially the latest and greatest electronic media. The results of DTTL's online survey revolve mostly around this elite group, and are not representative of Brazil's population as a whole.

Internet

In Brazil, the percent of respondents with broadband Internet access increased dramatically, both for DSL connections (up from 7% last year to 56% this year) and satellite connections (up from 6% to 14%). The impact of online advertising is also up significantly, from 45% to 66%. As Brazil's consumers spend more time on the Internet, they are exposed to more online advertisements, and those ads become increasingly comfortable and familiar.

Instant messaging is unusually popular in Brazil, ranking as the third most popular Internet activity behind only search and email. In comparison, instant messaging is only #7 in popularity in the United States.

Social media

Use of social media in Brazil has doubled over the past year. The extreme popularity of social media, instant messaging and the Internet in Brazil is likely driven by the relative youth of Brazil's population, significantly increasing the appeal of electronic communications.

Brazil's consumers are very involved with user generated content, including blogs, photos, video and music. Also, the percentage who consider themselves 'broadcasters' is up significantly from last year, from 68% to 75%.

Magazines and newspapers

Brazil's voracious appetite for media is even driving increased interest in traditional print media. According to the survey, subscriptions for printed magazines have doubled since last year, while subscriptions for printed newspapers increased from 19% to 26%. These increases would be impressive in most other countries, but in Brazil they represent mediocre performance relative to electronic media. For example, among our Brazilian respondents, online newspaper subscriptions have more than doubled over the past year, from 6% to 14%.

TV and video

Live television remains the most popular way to watch video content, accounting for 73% of all viewing time. However, alternate forms of video viewing are experiencing spectacular growth among our respondents. Over the past year, the use of video-sharing sites has roughly tripled (from 9% to 24%), as has the use of DVRs (up from 3% to 10%) and video-viewing on phones (also up from 3% to 10%). Moreover, the percentage of respondents who rate DVRs as their favorite way to watch TV leaped from 1% to 17%.

Video-on-demand and other forms of pay TV have also increased dramatically, from 14% to 37%. Pay TV languished for decades in Brazil, with extremely low penetration and stagnant growth. But as wages and income rise, Brazilian consumers seem more than willing to spend their money on media and electronics.

Other trends

Mobile phones continue to be a hot growth area, especially smartphones, where ownership increased from 4% to 18%. Electronic games are also increasingly popular, both on dedicated video game consoles (up from 15% to 40%) and on mobile phones (up from 8% to 23%). CDs are holding strong as the #2 favorite medium for listening to music, nearly equaling the popularity of #1 AM/FM radio. In most other countries, AM/FM radio dominates CDs by roughly 2-to-1.

Germany

Interest in Hybrid TV is particularly high

Traditional media continues to dominate in Germany, and consumer affinity for classic forms of media remains high. Affinity for the Internet as a source of media and entertainment also increased significantly from last year. As with other Western nations in the survey, technologies such as flat-panel TVs, laptop computers, videogames and DVRs continue to rise in Germany. At the same time, consumer enthusiasm for the 'next big thing' in media technology was flat.

TV and video

Traditional 'linear' TV remains the primary focus in Germany. However, demand is rising for alternative TV applications and content (e.g., video on demand, Internet, DVD). Also, DVR ownership has more than doubled since last year (albeit from a fairly low level). That said, Germans claim to watch the least amount of television of any of the surveyed countries, and to spend more time on the Internet than watching television.

Interest in Hybrid TV (TV and Internet on the same device) is significantly higher in Germany than in other surveyed countries. There seems to be strong pent-up consumer demand for an easy-to-use convergent device that provides easy, convenient access to both TV and the Internet – two of the most important forms of media in Germany. However, current Hybrid TV offerings are expensive and require significant effort and technical knowledge to set up, which is why current penetration remains quite low (4%). From a business perspective, companies in Germany have a strong incentive to tackle the challenges, since Hybrid TV is an opportunity that cuts across all areas of TMT – technology, media and telecommunications.

German consumers tend to prefer TV content in a clean format without distractions such as information boxes, 'text crawls' and picture-in-picture. Yet, as in other countries, they increasingly multi-task while watching TV.

Advertising

Traditional forms of advertising (TV, print ads, radio) continue to have the most impact with German consumers. TV remains the most popular and effective form of advertising. Meanwhile, the influence of online ads has fallen from 57% to 45%. This may be tied to the fact that 61% of German consumers surveyed now consider online ads more intrusive than print ads. It should be noted that attitudes regarding Internet advertising have actually softened since last year, and that consumers are more open to being exposed to advertising in exchange for content.

Mobile phones and wireless

Mobile phone capabilities and applications are increasing rapidly – both for smartphones and regular mobile phones. Market penetration of smartphones and advanced (non-voice) services is increasing. However, some potential uses have not managed to break through due to high prices and/or lack of quality in comparison to standalone devices. One application that is growing by leaps and bounds in Germany is the use of mobile phones for online searches. At the moment, consumers are mostly doing standard web searches, but use of GPS-enabled phones to find local services is expected to grow significantly in the future.

Social media

Penetration of social media in Germany is lower than in the U.S. and UK markets, but is rapidly accelerating. Social media is particularly popular with younger people, and usage is increasing significantly across all age groups. Popular sites in Germany include Xing, StudiVZ, Facebook, Twitter and MySpace.

Electronic games

The popularity of electronic games in Germany has grown significantly over the past three years,[1] and is expanding to include all age groups, not just the younger crowd. Although the PC remains the most common game platform, the use of game consoles is increasing. Also, online games are becoming more popular, with 10% of Germans playing online games daily. However, games that center around social media – for example, games on Facebook – have yet to gain much traction in the marketplace.

1 Market volume for electronic games software in Germany increased by 13% CAGR between 2005 and 2008, reaching 1.7 billion EUR

India

The market in India has two distinct segments with very different media consumption patterns
Consumers in India's Tier 1 cities are very sophisticated and exhibit media consumption patterns similar to their counterparts in countries like the U.S. and UK. On the other hand, consumers in Tier 2 cities and rural areas are much less sophisticated in their media use.

Overall, traditional media remains even more dominant in India than in other countries. Television is #1 both for entertainment, and for advertising spend and impact. Newspapers are #2. AM/FM radio is the preferred medium for music. Cable TV and newspaper subscriptions are nearly ubiquitous, with much higher adoption rates than in other surveyed countries.

India's rapid economic growth is giving consumers more purchasing power. At present, consumers' top four media devices are: cell phones, television, DVD players and radio.

Television
Television is even more popular in India than elsewhere, with roughly 90% of respondents across all age groups rating it as their preferred entertainment medium. Because it is a visual medium, television has a broad impact that transcends social classes or educational background. Also, growth of the direct-to-home (DTH) digital TV platform enables consumers in even the remotest corners of the country to get hooked on soaps, sports and news.

Newspapers
Indians enjoy reading the newspaper with their morning cup of tea, which could be one reason that printed media are much more popular in India than in other countries. The vast majority of India's consumers prefer printed media, even when the same content is available online. This is even true for millenials, who are generally early adopters of new technology.

Advertising
Television advertising has the greatest impact on buying behavior in India. Newspaper ads are a close second, and radio ads are gaining ground. Internet ads have the greatest impact for the younger generations.

Mobile phones
Mobile phone penetration in India is relatively low (about 50%), but has been accelerating rapidly over the past 5-6 years as new telecom players enter the market. Penetration in Tier 1 cities is on par with other surveyed countries, while Tier 2 cities and rural areas lag behind. Mobile phones were considered a status symbol just a few years ago, but are now increasingly viewed as a necessity.

Electronic games
Electronic games are much less popular in India than elsewhere. Most consumers (60%) have not played an electronic game in the past 6 months. Use of dedicated game consoles is very low. The most popular game platforms are mobile phones (#1) and computers (#2).

Overall, traditional media remains even more dominant in India than in other countries.

Japan

Japanese consumers prefer face-to-face communications

Japanese consumers are known for their love of technology and state-of-the-art gadgets. But when it comes to interacting with other people, they seem to prefer personal communications that don't involve an electronic device. Compared to consumers in other countries, the Japanese are less likely to use electronic media such as e-mail and instant messaging. Other survey data shows that Japanese consumers prefer face-to-face communications over electronic communications.

The reasons appear to be deeply rooted in the culture. The Japanese are very careful about how they communicate. It can take them a long time to write e-mails because they word things very carefully, so as not to offend the recipient. Also, they prefer face-to-face communications so they can see how the other person is reacting to what they are saying.

Social media

Japanese consumers rated social media tools much lower than average when asked if such tools were just as valuable as time spent together in person. This probably explains why adoption of social media in Japan – although growing rapidly – continues to lag behind other countries.

Electronic games

The survey data shows that Japanese consumers prefer to play video games by themselves against the machine, rather than as a social activity with others.

Internet

Compared to other countries, consumers in Japan use a much wider variety of devices to access the Internet. For example, 27% of Japanese use mobile phones for Internet access, and 10% use videogame consoles. These numbers are significantly higher than the global average. Only 63% use a PC as their primary Internet device, compared to 90% in other countries.

Advertising

Consumers in Japan are the most receptive to Internet advertising, and the impact of online ads is higher in Japan than in any other surveyed country (and second only to TV ads). Also, the money spent on Internet advertising in Japan has now surpassed the money spent on newspaper ads. TV is the only advertising market larger than the Internet.

Newspaper, magazines and books

Hard copy remains the preferred form for viewing print media content in Japan. However, there is a significant shift toward using electronic devices to view such content (especially using mobile devices to read news). This trend is greater in Japan than in other countries. As is many other countries, local and niche newspaper businesses are doing reasonably well, but major newspapers are struggling.

In other countries, young people have the strongest interest in online media. But in Japan, the average age of people strongly interested in online content is unusually high (average of 38 years old, versus 29 – 34 in other countries such as the U.S., UK and Germany).

TV and video

DVR ownership is rising gradually in Japan, up from 21% to 24%. However, there continue to be strong restrictions on how recorded content can be used, especially with regard to moving the content to another device. These restrictions might be relaxed in the near future, but thus far have had a dampening effect on DVR adoption.

The survey results for Japan show low and declining interest in Hybrid TV (Internet and TV in one box). This is a sharp contrast with Germany.

… the Japanese are less likely to use electronic media such as e-mail and instant messaging.

United Kingdom

Media trends closely mirror those in the United States

The global recession has had a significant impact on consumer behavior in the UK, dampening enthusiasm for the next generation of electronic gadgets and media. New technologies and media continue to grow, but at a slower pace than might have occurred in more robust economic conditions. Also, there seems to be increased interest in traditional media such as TV, newspapers, magazines and radio that are comfortable, familiar and affordable.

Social media

More than half of all consumers in the UK are now engaged in social media. Over the past year, nearly all growth in social media has come from consumers in their 40s and older.

Mobile phones

In the UK, the line between 'mobile phones' and 'smartphones' continues to blur as mobile capabilities grow and as consumer habits and expectations evolve. While the overall penetration of mobile phone ownership remains fairly stable, one in five UK consumers now own what they consider a 'smartphone' with advanced features such as email and web access. Mobile Internet access increased from 38% to 43%; however, use of mobile phones for media consumption other than Internet access and digital music remains very low.

TV and video

DVR adoption continues to rise in the UK, as does consumer affinity for the technology. More and more consumers use DVRs to shape their television viewing habits around their increasingly busy lives. In addition, many UK consumers multi-task while watching television. The most popular multi-tasking activities are: Internet use (43%), email (39%) and reading the newspaper (30%). Only 29% focus solely on watching TV.

Online TV content is still in the early stages of development, but will likely continue to grow as a viable alternative for consumers, giving them even more control over when and how they watch their favorite programming.

Movies

DVDs remain important, despite growth in digital downloads and streaming. Similar to last year, the vast majority of UK consumers see themselves continuing to rely on physical discs (either exclusively, or in conjunction with downloaded content) for the foreseeable future. Discs are still the most common platform for watching new movies at home, and use of rent-by-mail services such as Lovefilm continues to grow. Ownership of Blu-ray-capable devices has risen since 2008, a trend that is expected to continue as prices decline.

Advertising

As the Internet matures and online advertising models evolve, consumer perceptions about online advertising are shifting. In the UK, consumers are generally reluctant to engage in advertising in exchange for information or content. They are also reluctant to pay for content in exchange for an ad-free online experience.

More than half of all consumers in the UK are now engaged in social media.

United States

Social media and smartphones are the hottest trends, but television remains on top

The survey results suggest that the global recession hit U.S. consumers particularly hard, dampening their previously insatiable appetite for media and electronic gadgets – at least for the time being. In particular, enthusiasm for the 'next big thing' in media technology declined significantly compared to 2008.

TV and video

Television remains the most popular form of media in the U.S., and has by far the greatest impact on buying behavior. Despite the economy, penetration of flat-panel TVs continues to rise, likely aided by steadily declining prices, and by the nation's recent conversion to digital broadcasting. DVR adoption continues to rise; however, the actual frequency of DVR use remains essentially the same as last year.

Social media

Social media continues to flourish in the U.S. market. It is especially popular with young people, but is rapidly migrating from early-adopting teens to older consumers.

According to the survey, the influence of social media on buying decisions is increasing every day. Online reviews, ratings, and discussions are having more and more impact on product perceptions and branding – often, even more than online advertising. Companies that learn to use social media effectively will improve their ability to understand customer needs, foster new ideas and innovation, and uncover issues before they become problems.

Mobile phones

In the United States, one of the hottest trends is the proliferation of smartphones, which may soon eclipse the personal computer as consumers' single most important and versatile electronic device. In fact, smartphones have already jumped from #10 to #4 as a key source of entertainment in the U.S. market.

An explosion of wireless data applications is making smartphones even more indispensable. Whatever consumers want their phones to do, there are probably already applications to do it – or soon will be. The GPS feature seems to be particularly popular these days, enabling location-based applications that help consumers locate nearby shops, services and points of interest.

Advertising

TV ads remain #1 in terms of influence by a wide margin, but their influence is shrinking (down from 88% last year to 83% this year). Meanwhile, influence of radio ads is up significantly, from 27% to 32%. Newspaper and magazine ads are holding steady.

The impact and influence of Internet advertising is maintaining its position in the United States, almost solely on the strength of search. Most other forms of Internet advertising actually face declining impact and influence. For example, the influence of banner ads is way down (from 72% to 53%). Influence of interactive online ads (ads that provide entertainment or customized information) is also down significantly (from 57% to 46%). Given the growing impact of social media, companies may find that social media is more effective than online advertising when it comes to influencing consumer behavior.

… one of the hottest trends is the proliferation of smartphones, which may soon eclipse the personal computer as consumers' single most important and versatile electronic device.

South Korea

Korean consumers are the earliest adopters
When it comes to media consumption and use of new media technologies, South Korea appears to be ahead of all other countries, including the United States and Japan. Korean consumers are highly engaged in the latest types of media, and are rapidly adopting new media devices.

Mobile phones

In Korea, smartphones still only account for 15% of the mobile phone market. However, smartphone sales are expected to quadruple from about 500,000 units in 2009 to 2,000,000 in 2010. Local carriers and handset manufacturers are rolling out new phones, opening mobile application stores, and forming an alliance to compete more effectively in the market.

The Korean government is also getting involved. Its goal is to stimulate growth in the telecommunications industry, which has stalled in recent years. The government has vowed to increase the use of fixed-rate data plans for mobile Internet from 10% to 40% by 2013. Also, the Korea Communications Commission has pushed carriers to reduce fees for wireless data services.

Korea is a world leader in mobile purchasing and banking, and continues to improve. Mobile carriers and credit card companies are joining forces to enable new applications and improve ease-of-use. For example, customers with U.S. IM-based cell phones can receive coupons and special offers when they enter a store. Also, they can place their phones on a sensor pad near the cash register to pay for purchases and automatically receive loyalty points. In addition, a standard for U.S. IM banking is currently being developed that will enable mobile phones to be used for a wide variety of basic financial transactions, including currency exchanges, stock purchases and monitoring, and money transfers.

… South Korea appears to be ahead of all other countries, including the United States and Japan.

TV and video

Telecom carriers in Korea are aggressively pushing IPTV. IPTV adoption in Korea is 15% – compared to single digit adoption rates in all other surveyed countries – and the number of IPTV subscribers is expected to double from 1.74 million in 2009 to 3.5 million in 2010. Korean respondents already claim to spend more time using the Internet than watching TV, and are accustomed to watching digital forms of content. In fact, a significant number (35%) expect to watch most or all digital entertainment content over the Internet in the future.

In the past, a lack of content prevented IPTV providers in Korea from matching the quality and quantity of channels available on digital cable. However, IPTV providers have recently opened their platforms to third parties, including foreign content providers. Also, telecom carriers are finding new ways to challenge the content-rich but technology-poor cable TV operators by bundling fixed-line and mobile services together into 'triple play' and 'quadruple play' offerings.

Advertising

Online advertising is now challenging TV advertising. Although TV remains the most influential in terms of overall impact on buying decisions (88%), online advertising is nearly as influential (79%), and more influential for 14-26 year olds (85% vs. 81%). In fact, the impact of online ads in Korea is second only to Japan. Although 82% of Korean consumers consider Internet ads more intrusive than print ads, 85% say they would click more Internet ads if those ads were targeted to their personal needs.

Much of the online advertising growth has come from large Internet portals. Use of portals is much higher in Korea than elsewhere, and only slightly lower than use of search engines (60% vs. 59%). Spending on online advertising increased by 23.8% CAGR from 2003 – 2009, while TV advertising expenditures declined by 5.05% CAGR. Furthermore, online advertising is expected to grow by 15.8% in 2010, while TV advertising is expected to grow by only 11.6%.

These trends suggest that online advertising will continue to grow in Korea, and that advertisers will increasingly shift their spending from traditional to online platforms. However, to achieve this growth, online ads will need to increase their effectiveness through improved interactivity and targeting.

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