

# *Outlook special*

## Behavioural shifts in target audiences

September 2015

*‘Where can you reach your customer in 2019?’*





## Behavioural shifts in target audiences

The future media consumption of five generations explored

### Introduction

Throughout the year Outlook Specials address key developments that are transforming the industry. As consumer spending on media continues to grow towards 2019, we asked nearly 2.000 Dutch consumers from five generations to tell us how they see their future media consumption. At the meta level, different generations of consumers envisage different rates of growth, and there are intriguing differences between them that will interest media companies and advertisers.

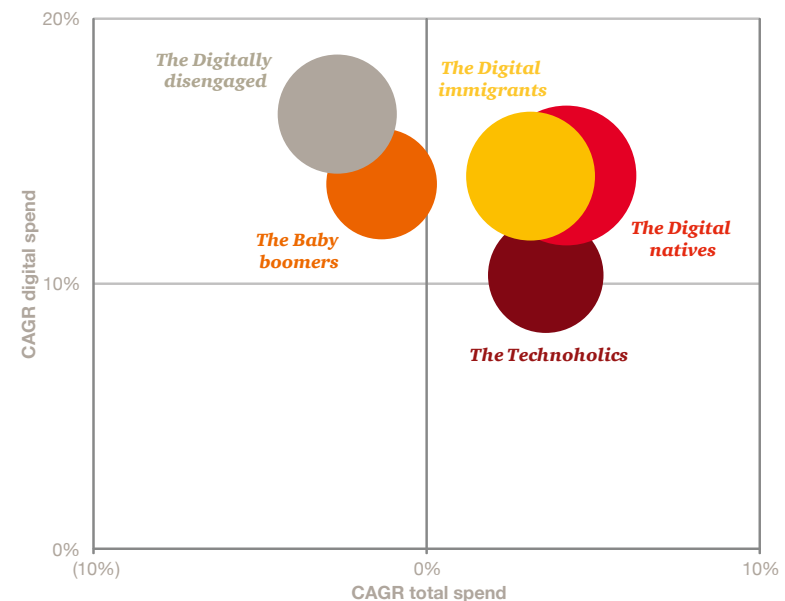
This Special looks at behavioural shifts in target audiences and provides in-depth information on projected consumption patterns of different generations per media content segment (filmed entertainment, music, video games, news, magazines and books) and per media type (i.e. digital versus traditional media). We also highlight key areas of the five fastest-growing and declining content segments and discuss specific differences between male and female consumer spending behaviour.

The three youngest generations in this study – the Technoholics, Digital natives and Digital immigrants – will increase their average spending on media content by between 3,1% and 4,2% per year (CAGR) through 2019. The two youngest generations continue to be attracted by audio-visual content, with more than 80% spending share, while

spending on (traditional) written content remains relatively low. For the Baby boomers and the Digitally disengaged, we expect a decline in media content spending over the same period of -1,3% and -2,7% respectively.

All generations are shifting their spending from traditional to digital media types. The speed at which this is happening differs significantly per generation. The younger generations already spend a large portion of their media budget on digital

### Content spend growth rates



Source: PwC



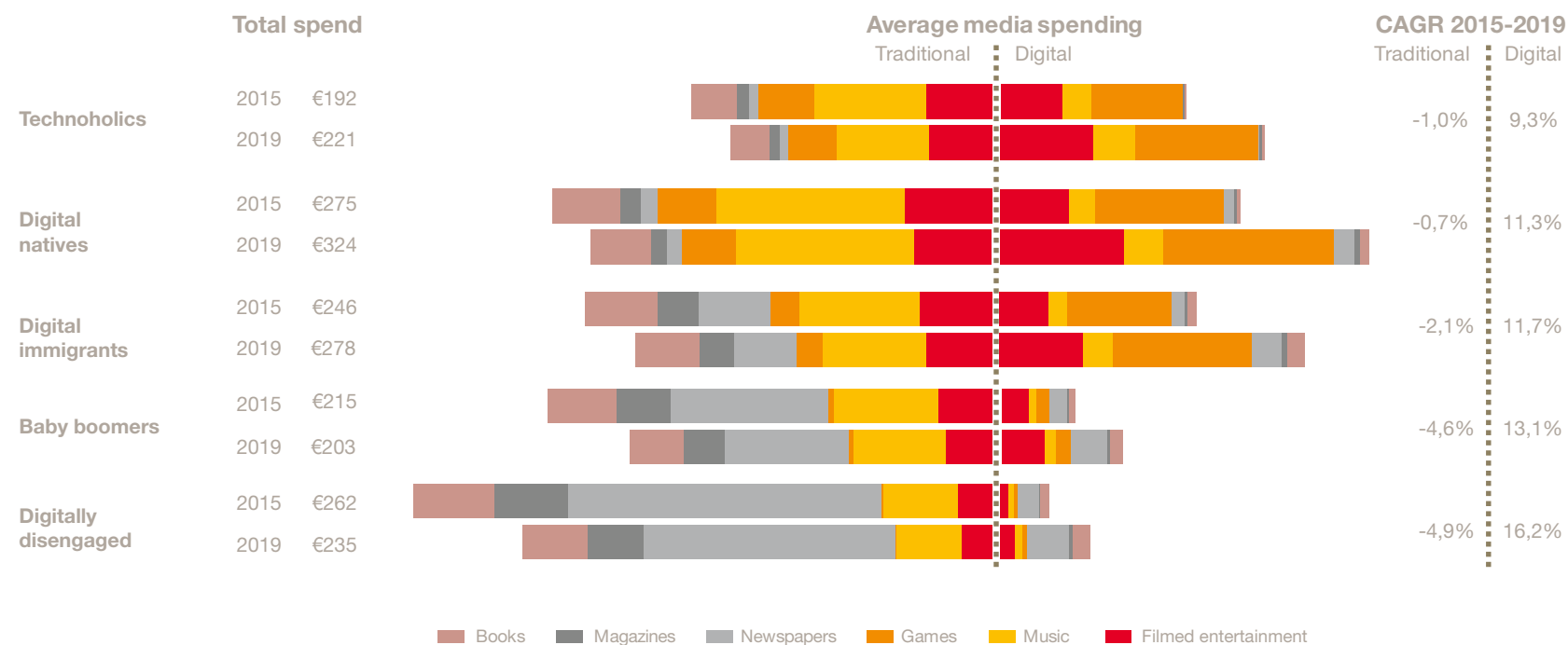
media. They will continue to shift their budget from traditional to digital media, rising to (almost) 50% of all their media spending in 2019. The pace at which they are doing so is slow compared to older generations, however. Although the latter spend relatively little on digital media, we are expecting to see them shift sharply to digital versions of

traditional (printed) media. The fastest movers are the Digitally disengaged, who are projected to double their spending on digital media from 8% of their total budget in 2015 to 16% in 2019.

All this means that advertising budgets need to shift further from traditional media to the internet

to keep engaging consumers in 2019. In the case of younger generations, budgets should be shifted mainly from (linear) television to online media. Older generations, on the other hand, can still be reached through (linear) television over the coming five years but are increasingly moving from traditional printed to online media.

#### Content spend traditional versus digital media types



Source: PwC



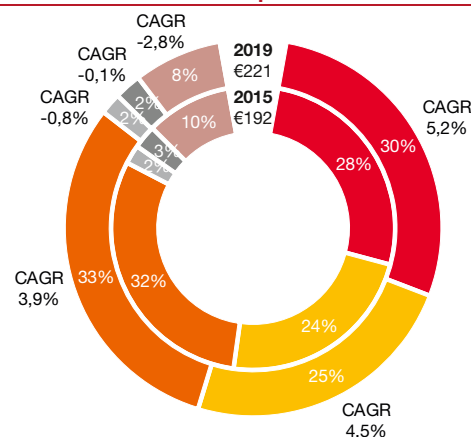
## The Technoholics

The Technoholics include teens and young adults born after 1995. Generally speaking they are more social, practical, visually oriented and technology-proficient than the generations before them. Because their disposable personal income is small, they spend less on media content than older generations. Yet they still spend €192 on content per year, growing to €221 in 2019 at a CAGR of 3,6%. Despite their relatively low expenditure, the behaviour and preferences of the Technoholics are crucial for identifying future consumption patterns.

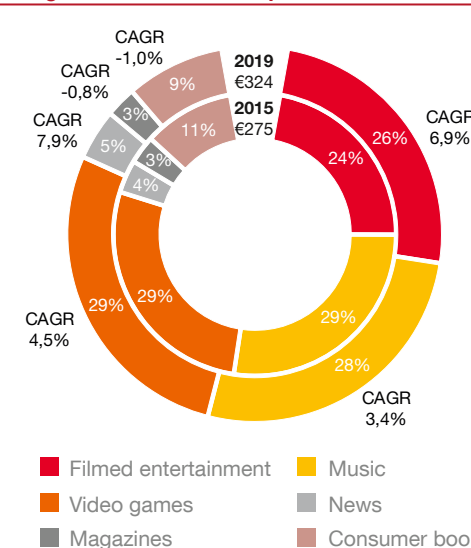
Technoholics feel a strong attraction to audio-visual media, as evidenced by their expenditure on filmed entertainment, music and video games. These three segments account for more than 80% of their total media spending. We expect further annual growth between 3,9% and 5,2% for these media segments. Conversely, written media are clearly of less interest to Technoholics. While we expect the magazines segment to remain constant, the news (-0,8%) and particularly books (-2,8%) segments will experience a decline among Technoholics.

Advertisers looking to capture the attention of Technoholics already know that the majority of this group's media activities take place online. We expect the importance of the internet to increase even further, with online advertising budgets needing to grow for this group from 60% in 2015 to 70% in 2019. Most of this growth will be at the expense of other media types, particularly (linear) television, which is expected to fall from 24% in 2015 to 18% in 2019.

The technoholics content spend 2015-19



The digital natives content spend 2015-19



Source: PwC

## The Digital natives

Digital natives were born between 1981 and 1995 and have grown up in a culture of digital technology. Their extraordinary ease with technology means that it permeates every aspect of their lives. They represent the most interesting group for media companies, as they spend €275 per year on media content – more than any other generation. We expect this spending to grow annually by 4,2% to €324 in 2019.

We also expect a particularly sharp increase in content spending in the news and filmed entertainment segments, with high single-digit growth figures of 7,9% and 6,9% respectively. While overall spending on news remains relatively low (most of the money goes to music, video games and filmed entertainment), this is particularly good news for news publishers because Digital natives appear willing to spend more on news content as their disposable income increases. Forecasts are less promising for the magazines (-0,8%) and books (-1,0%) segments, where the shift to paid digital media does not offset the drop in print spending.

In terms of media as a channel for advertising to Digital natives, the pattern is quite similar to the Technoholics. Online advertising budgets need to increase from 60% in 2015 to 69% in 2019, in order to keep on reaching Digital natives. Again, we anticipate that all other (traditional) media types will experience a decline in their advertising budgets for Digital natives, with (linear) television taking the biggest hit, dropping from 23% to 18% in the years 2015- 2019.



## The Digital immigrants

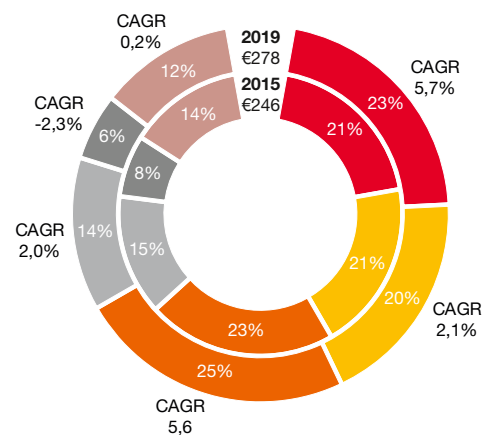
Digital immigrants are the last generation to have grown up before the widespread adoption of digital technology (born between 1965 and 1980). They are a popular target group for media companies, spending an average of €246 annually on media content; we expect this to grow by 3,1% annually to €278 in 2019.<sup>1</sup>

Given their background in both traditional and digital media and the fact that their spending includes purchases for their children (age 0-12), Digital immigrants display a highly varied mix of media consumption across segments, with no one media content segment standing out in terms of total spending. When looking purely at growth, the filmed entertainment (5,7%) and video games (5,6%) segments show the strongest growth among Digital immigrants towards 2019. While the music (2,1%) and news (2,0%) segments also display moderate growth in this generation, we forecast a decline in their spending on magazine content (-2,3%).

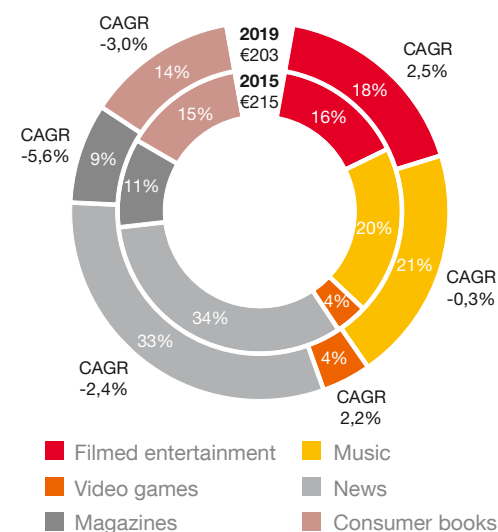
The Digital immigrants are also shifting from traditional media types to the digital alternatives. This is having a major impact on the advertising mix required to reach them. As a result, we expect to see the biggest drop in advertising budgets aimed at Digital immigrants in magazines and (linear) television.

<sup>1</sup> These spending figures also include purchases for the pre-teen children of Digital immigrants. The effect of spending on 0-12 year olds is negligible for other generations.

The digital immigrants content spend 2015-19



The baby boomers content spend 2015-19



Source: PwC

## The Baby boomers

Baby boomers were born between 1945 and 1964 and have experienced the birth of computing and information technology first hand. Compared to the other adult generations, they spend the least on media content, an average of €215 per year. We expect this to decline by -1,3% per year to €203 by 2019.

Baby boomers consume mostly traditional printed media content, with the newspapers, books and magazines segments making up 60% of their total spending on content. However, as Baby boomers shift their budget to digital versions that come at lower price points, we forecast a decline of -4,4% per year in the traditional (analogue) media segments. The only segments that show moderate growth are filmed entertainment (2,5%) and video games (2,2%). The growth in video games can be attributed to the emergence of social web and app games.

Concerning the media mix required to reach Baby boomers, we see a similar story to that of the other generations: a sharp increase in internet-based media activities requiring an increase in online advertising share from 44% in 2015 to 54% in 2019. The impact on advertising budgets for all other media types is negative, as the Baby boomer's interest in them fades. Especially magazines and newspapers are losing ground, declining to 8% and 6% respectively in the years 2015-2019.





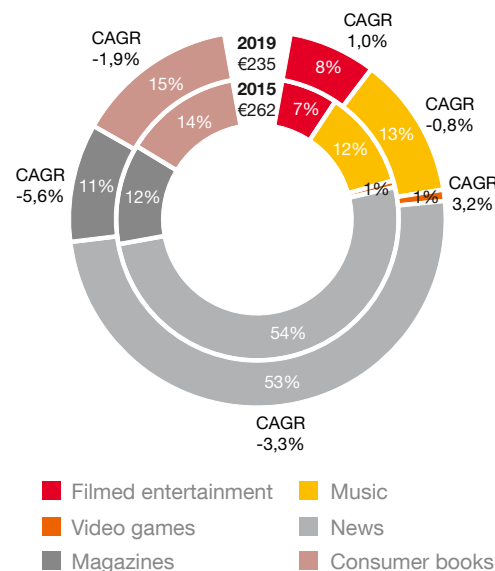
## The Digitally disengaged

Born before 1945, the Digitally disengaged generally came into contact with digital technology after turning 50. Their total spending on content is high at €262 per year, trailing only the Digital natives. Most of their content spending – more than 50% of their entire content budget – is concentrated in the news segment. We expect their total expenditure to decline to €235 in 2019 as they increasingly lean towards digital alternatives, which are often cheaper. Only the video games and filmed entertainment segments show a (slight) growth.

As is the case for the other generations, reaching the Digitally disengaged means shifting advertising budgets to the internet. Unlike our forecasts for the other generations, however, we expect (linear) television and radio to remain popular with the Digitally disengaged, with an (unchanged) combined advertising budget share of 37%. Internet advertising will grow exclusively at the expense of printed media types such as magazines and newspapers, which both will decline from 15% in 2015 to 10% in 2019.

Although often overlooked by media companies and advertisers, we believe that there is a considerable upside to engaging with this generation. They are increasingly capable of adopting digital technology and consuming digital media. In addition, they often have a relatively high disposable income and spare time, given their life phase.

The digitally disengaged content spend 2015-19



Source: PwC

***‘With the adoption of digital rapidly becoming widespread, digital innovation remains the key lever for growth.’***

## Digital versus traditional media types explored

In addition to our projections of content spending per generation per media segment, we have also looked into digital media types as a percentage of total media consumed (the “digital consumption share”). Our research shows that the share of content consumed on digital media types continues to grow across all generations.

The younger generations are already very digital in their media consumption but will continue to increase their spending on digital media at the expense of traditional media. For the youngest generation, the Technoholics, we forecast that their digital consumption share will increase from an already high 40% in 2015 to 50% in 2019.

Digital natives spend substantially more money on digital media types than the other generations. This trend towards digital media will continue, with the traditional print media types in the magazines, books and news segments leading the way at around 20% year-on-year growth. As a result, we expect Digital natives to have a digital consumption share of 48% of their total media types spending in 2019, almost similar to that of the Technoholics.

As is the case with the two younger generations, Digital immigrants will continue their quick shift to digital in written media. We expect their consumption of digital media types in the news, books and magazines segments to increase by approximately 20% annually, boosting their digital

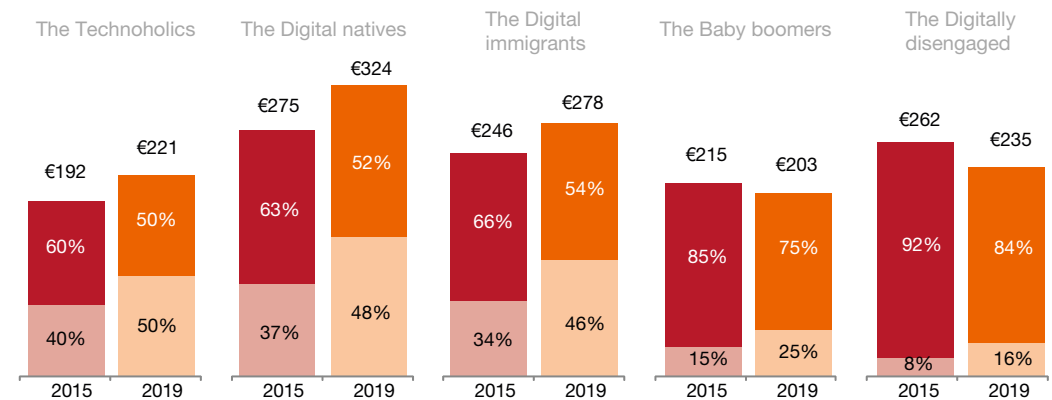


consumption share from 34% in 2015 to 46% in 2019, on par with the Technoholics and Digital natives.

The two older generations will continue to shift from traditional to digital media at an astonishing rate. Even though they come from a smaller baseline, their shift towards digital media types in 2019 cannot and should not be ignored. Baby Boomers currently spend 15% of their budget for content on digital media sources. We expect a substantial shift from content on traditional to digital media types, growing their digital consumption share to 25% in 2019. The adoption of digital technology by the Digitally disengaged has been – and often still is – challenging. The Digitally disengaged currently spend around 8% of their content budget on digital content. However, we expect this digital consumption share in media types to double through 2019 to 16%.

Although we see considerable variance in digital consumption share across generations, there is no generational difference in the continuing trend towards digital media types. Media companies should expect interest in digital alternatives to grow as consumers from every generation turn away from their traditional offerings. With the younger generations making up an increasingly large part of the total population and with the adoption of digital technology and media rapidly becoming widespread, digital innovation remains the key lever for growth.

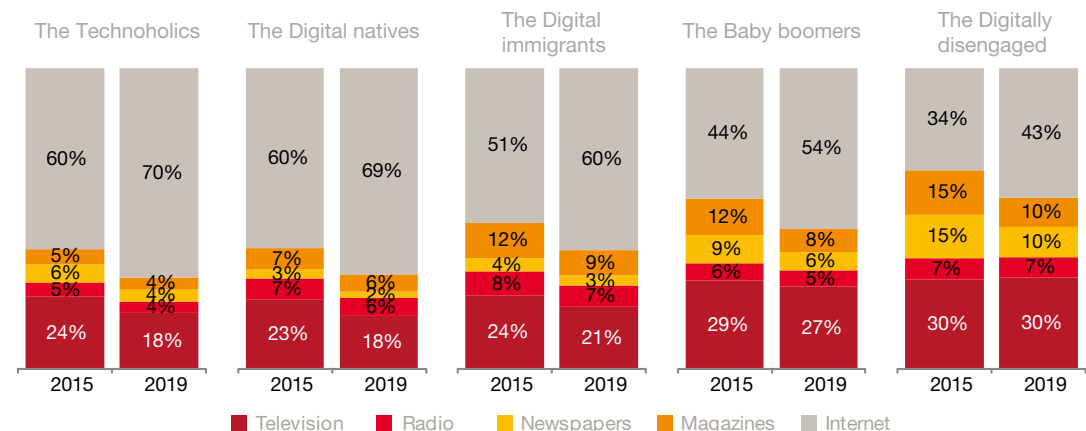
#### Digital versus traditional media types explored



\* Percentages in graphs are the digital (at the bottom) versus traditional shares (at the top)

Source: PwC

#### Advertisement media mix 2015-2019



Source: PwC



### The five most promising and challenging segments

Looking at trends in media spending within individual generations, we see that two of the five fastest-growing media segments are within the Digital natives generation. The fastest-growing segment is news, with an annual average growth rate of 7,9% until 2019. The rapid growth of the news segment can be attributed mainly to the

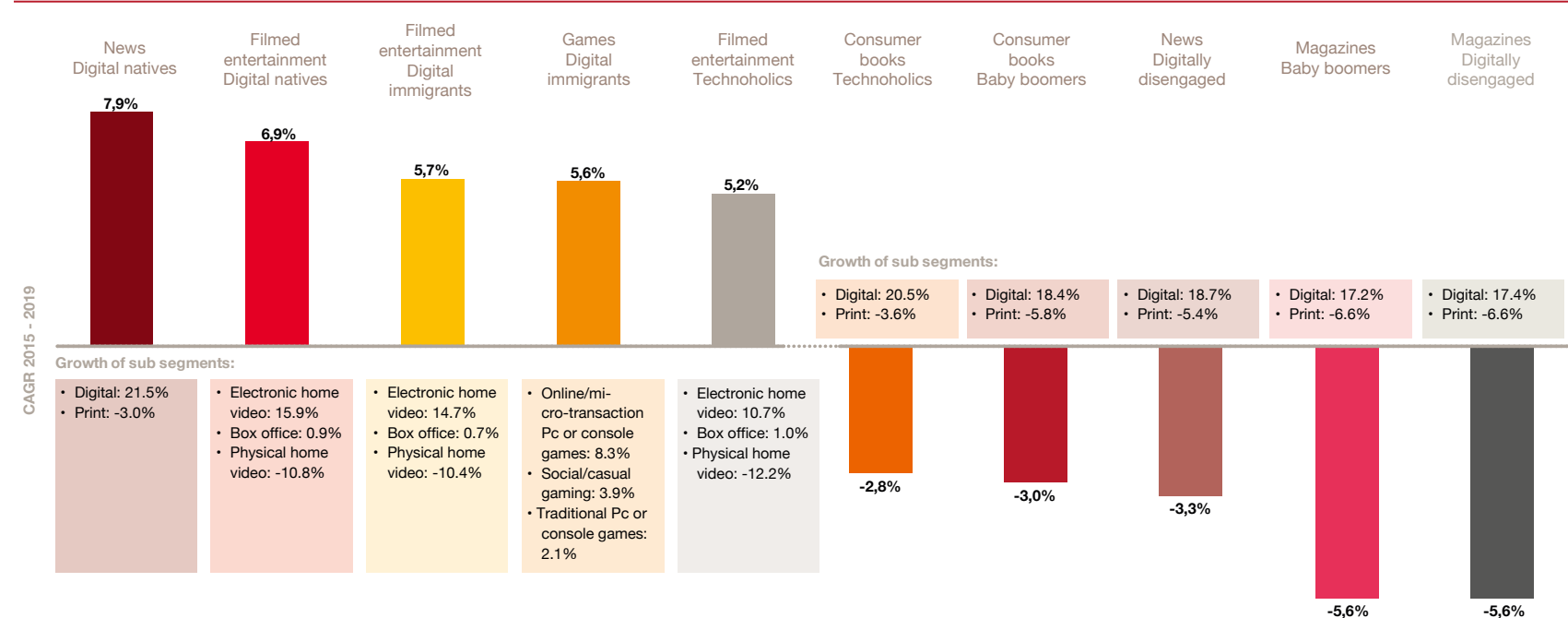
growth of digital news, with an average annual growth rate of 21,5%. Printed news on the other hand, which already attracts only a small share of Digital natives' spending, will face a decline of 3,0%.

Another segment where we expect fast growth is filmed entertainment within the Digital natives generation. Its growth rate of 6,9% is being driven

mainly by a sharp increase in the electronic home video segment, with a CAGR of 15,9%. This segment already accounts for a large share of Digital natives' spending and will continue to expand even more.

Other segments that will experience rapid growth between 2015 and 2019 are the filmed entertainment and video games segments among

### The five most promising and challenging content segments



Source: PwC





Digital immigrants (with a CAGR of 5,7% and 5,6% respectively) and filmed entertainment among Technoholics (with a CAGR of 5,2%). For the filmed entertainment segment among Digital immigrants and Technoholics, rapid growth is again expected for electronic home video, with an average annual growth rate of 14,7% and 10,7% respectively. The fast growth in the video games segment among Digital immigrants can be mainly attributed to increased spending on in-game purchases for consoles and PCs, with a year-on-year growth of 8,3% towards 2019.

There are also media segments that will experience a sharp decline within individual generations. The five segments expected to show the sharpest decline are all traditional printed media. The magazines segment will face challenging times as both the Digitally disengaged and Baby boomers will spend considerably less on magazine content, with an average annual decline of 5,6%. This decline can be explained in part by the shift from print to digital, as consumers expect to pay less for digital media compared to traditional printed versions.

Other segments that can expect a decline within specific generations are the newspapers segment among the Digitally engaged (-3,3% per year) and the books segment among both the Baby boomers and Technoholics, with an average annual decline of 3,0% and 2,8% respectively. In each of these segments, we expect double digit growth figures for the digital versions of the content. That growth will not offset the sharper decline in print, however. ■





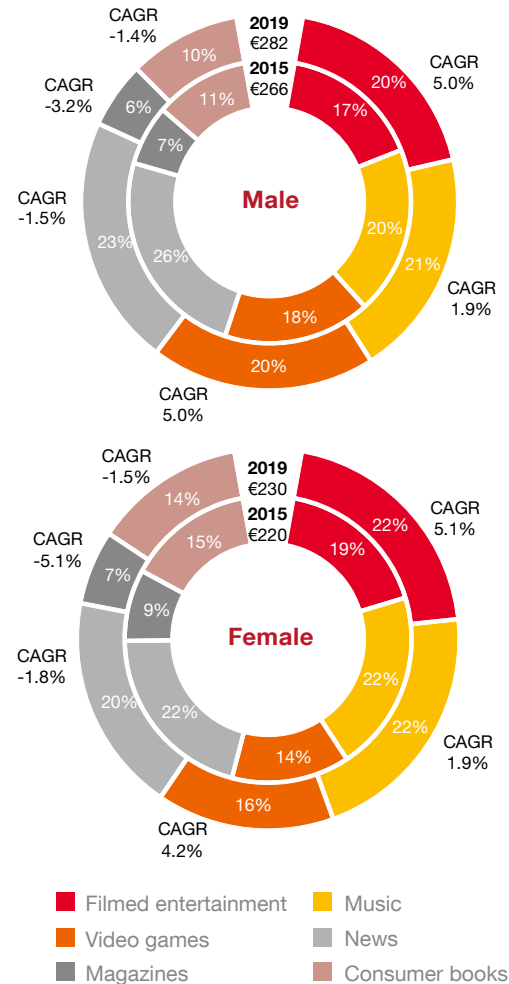
### Male/female comparison

If we compare projections for male and female consumers without accounting for generation, no major discrepancy emerges between the two genders, but there are some interesting differences. On average, men spend more on media content than women at an average of €266 per year compared to €220 (both 2015 figures). The annual average growth rate of total spending towards 2019 is slightly higher for men than for women (1,5% and 1,1% respectively), meaning that men will increase their total spending on media content to €282 per year and women to €230 per year.

Looking at spending per type of content, we see that women spend more on books and magazines and men spend more on video games and news. For both men and women, we expect the highest level of spending growth to be in the filmed entertainment and video games segments. The trend in spending on filmed entertainment is very similar for men and women. Consumers from both genders are quickly shifting their spending in this content segment from physical media types (purchase and rental of disc-based media) to digital media (OTT/streaming and through-TV subscription). A closer look at the video games segment reveals that the rise in spending by men is spurred mainly by in-game purchases, while for women it is driven by the growth in social games.

The segment that will experience the sharpest decline in spending by both men and women is the magazines segment. We expect that the decline for women will be somewhat faster at -5,1%, versus -3,2% for men.

### Male / female comparison



Source: PwC

### Contacts



**Rajendra Sitompoel**  
Lead author  
Senior Manager Digital,  
Strategy & Innovation  
+31 (0)88 792 64 97  
rajendra.sitompoel@nl.pwc.com



**Jheroen Muste**  
Partner Consulting  
Digital, Strategy & Innovation  
Leader  
+31 (0)88 792 53 73  
jheroen.muste@nl.pwc.com



**Ennèl van Eeden**  
Partner Assurance  
Entertainment & Media Leader  
+31 (0)88 792 45 40  
ennel.van.eeden@nl.pwc.com

