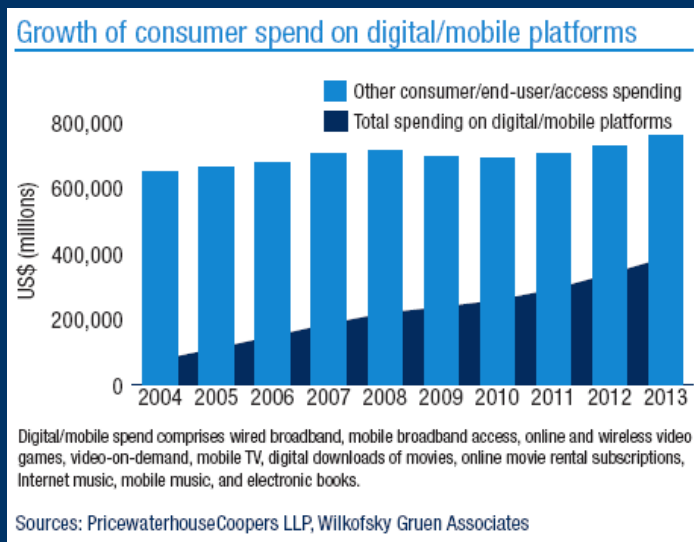


Viewpoint

The new consumer: seeking control and value



The accelerating migration to digital over the five years to 2013 will progressively extend and embed a set of emerging consumption habits and behaviors that characterize consumers' use of digital media. The driving force behind these behaviors is consumers' desire to gain greater control over content and a more valuable return for their investment of time and money. Throughout the forecast period, consumers' E&M spending will continue to migrate towards those media choices that deliver these benefits.

These changes go much deeper than simply how people consume digital content, reaching into their social interactions and relationships. Instant messaging and communications services such as Twitter are now a part of everyday life, and more than 200 million people worldwide are active Facebook users. At the same time, tapping into the massive collective buying power of online communities has become an increasingly central focus of consumer marketing campaigns across the world.

Several indicators of consumers' drive to seize greater control over their media consumption are already evident, and will become even more prominent over the coming years. Time-shifting of televisions viewing, enabled by digital video recorders, video-on-demand and catch-up services, is freeing up consumers from the television schedule. Media consumption is also going increasingly mobile, as consumers refuse to be tethered to a wired connection and choose to watch what they want when they want. And even readers of traditionally print-based content such as newspapers, magazines and books are increasingly turning to online and digital versions.

In combination, these diverse but interconnected these behavioral shifts will drive an ongoing rise in spending on digital/mobile platforms throughout and beyond our five-year forecast period, bringing these platforms an expanding share of total consumer end-user and access spending on E&M (see chart). As a result, digital/mobile platforms will account for 78% of all growth in consumer/end-user/access spend during the next five years, expanding at a compound annual rate of 12.2%, compared to only 1.3% for the non-digital/non-mobile marketplace.

Value and the Net Generation

As well as greater control over content, the next five years will also see consumers demand higher value from the E&M services they use, and a closer fit with their chosen lifestyle. They are increasingly making cost-benefit judgments over the ways they consume media, in some cases opting for low-cost or free alternatives (often in return for accepting advertising), and in other cases paying premium fees for high-quality content and services, such as high-speed broadband, mobile Internet access, and the new console video games.

A key issue in these buying decisions is whether substitutes providing a comparable quality of experience are available for a lower price. For example, when legitimate digital services took hold in the music industry, they did so only at substantially reduced prices compared with physical product because of the ready availability of free alternatives. In contrast, tickets to see 3-D movies sell at higher price points than standard films because a comparable product or experience is not available elsewhere.

All these behavioral trends highlight a development that we noted in last year's Outlook: the ongoing emergence of the "Net Generation"—the global, connected youth cohort born from 1977 to 1997, who represent the first generation to "grow up digital." For these young people, new media technologies are intuitively familiar components of everyday life.

Over the forecast period, the Net Generation will continue to drive the E&M industry toward new business models that emphasize a more personal two-way relationship between companies and customers—a change already being felt well beyond E&M. A further effect is that they are influencing their parents and grandparents to take a growing interest in new and emerging platforms. The current economic downturn will increase that influence still further, by making the older demographics more value conscious and therefore more willing to listen to their children and grandchildren. The young will continue to lead the digital migration, but the old are catching on fast.