THE EFFECT OF TABLETS ON CONTENT CONSUMPTION

Findings from FTI’s 2011 Mobile Device and Digital Content Consumption Survey – UK and the US

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Introduction

Media consumption has been changing rapidly over the past few years and the emergence of smartphones and tablets has been an important driver of even faster change. FTI’s Mobile Device & Digital Media Survey sought to gain further insight into how content is consumed online among UK and US respondents, including how tablet usage affects digital media engagement and respondents’ willingness to pay for content.

We surveyed more than 1,500 respondents in the UK and US who used at least one of the following devices: tablet, smartphone, laptop, desktop or e-reader.

The survey highlights critical indicative trends impacting media companies across the newspaper, magazine, TV, film and music sectors. While there are other studies on respondents’ digital engagement, FTI’s survey uniquely focuses on differences in consumption patterns between tablet and non-tablet users. Our findings point to several key considerations for the digital media strategies of content publishers and producers from around the world.

We sought to determine:

- **When, where and how often** individuals use mobile devices.
- **What types of media** individuals are accessing on their mobile devices and their willingness to pay for that content.
- **What differences** there are in usage by age and income groups, country, and types of devices.
- **What impact does the existence of digital alternatives have on demand for conventional media formats.**
- **What differences in media consumption between tablet and non-tablet users, and their willingness to pay for content.**
- **Whether respondents’ usage and willingness to pay for content is different when using ‘apps’** (such as on smartphones and tablets) vs. **web-browsing** (such as on laptops) vs. **traditional (physical) media.**

Methodology - the data were collected through an online survey conducted between 24 May 2011 and 2 June 2011. A total of 1,541 individuals responded to the survey (514 in the UK and 1,027 in the US).
Implications for digital strategies

The objective of this study is to provide an understanding of content consumption and differences between tablet and non-tablet users so that content publishers and producers can develop successful digital media strategies for the years ahead.

The results indicate that the availability of online alternatives cannibalise traditional usage in most sectors of print and entertainment. The highest rates of substitution are in print media (newspapers and magazines), likely driven by an historic expectation that online forms of print media are free or very low cost. The substitution rate in most forms of video content is nearly as high, driven by an expectation that such online content be similar or lower priced than traditional content.

In general our study found that tablet users consume more of all types of media than non-tablet users, and that they are more willing than non-tablet users to pay for digital content. This is good news overall, as tablet ownership is projected to rise considerably over the next few years. However, tablet owners reduce or abandon conventional media at greater rates than non-tablet users, so finding the right digital monetisation models for mobile that recaptures the value of this shift to digital is critical.

While most digital content consumers are generally resistant to pay for content there are many who express a willingness to pay for certain rich or unique online features and for certain hard copy and electronic combinations or “bundles.” And these respondents — including a growing number of tablet users — consume content more and consume content differently to non-tablet users. Clearly it is these consumers around which digital strategies should be targeted.

Our study provides specific insights about behaviours among certain groups that may be used to the strategic advantage of content owners looking to increase digital revenues. We highlight a few below; more are contained in the body of the report.

Newspapers – While a large proportion of consumers have cut newspaper purchases/subscriptions, those who currently buy/subscribe to newspapers are more inclined to pay for online news than others. Indeed, many consumers said they would be willing to pay more for a bundled print and digital subscription. And older and wealthier tablet users tend purchase/subscribe to print newspapers more than do others: 73% of tablet users over 55 years of age and 69% of all tablet users still pay for print newspapers. A significant number of online news consumers who said they wouldn’t pay for online news said they may be willing to pay for special features and news apps. Indeed, mobile may be a digital do-over for newspapers to profit from mobile content and advertising.

Magazines – Few respondents have yet to pay for online magazine content. That said, 68% of women have not changed their magazine purchasing behaviour even though they have access to content online. As with news, they indicate that a compelling, curated tablet-formatted digital magazine would induce many to pay for digital content.

Television – While the availability of digital alternatives has caused TV subscribers to reduce or cancel their subscriptions, 36% of tablet users ages 18 – 24 upgraded their cable subscription because of exposure to online alternatives. Tablet users of all ages are significantly more likely to upgrade their cable or satellite subscriptions than are others, and some of those users even more. TV viewers also have reduced their DVD purchasing and rental behaviours considerably because of online alternatives. Tablet users have done this more aggressively than non-tablet users, but they are also more willing to pay for online TV programmes and consume online TV programmes more frequently.
**Films** - Consumers seem a little less enthusiastic about viewing films online compared to traditional means. While digital online substitution has also affected their DVD buying and rental behaviours, there has been a lesser reduction in DVD film consumption than in TV. In other words, consumers seem more ready to engage with TV shows online than films. For both TV and films, the tablet replaces the laptop as the second most popular device for viewing video content for those consumers that own a tablet. Consumers also claim that they would pay for more online film (and TV) viewing if they had access to more new release content and that they would pay to avoid commercials.

**Music** - Many of our respondents claimed that they would favour an unlimited streaming service or a download-to-own service that provided a large number of downloads for a monthly fee. In addition they indicated that while their favoured device is their MP3 player (usually an iPad or iPhone), they claim a cross-device offering would cause them to pay more for digital music access. Emerging cross-device offerings like Spotify, the streaming music service, are experiencing dramatic up-take rates with European and US consumers. This seems to ratify the consumers’ claim they want unlimited streaming and access across their devices. Apple’s iCloud service is also striving to give consumers cross-platform functionality for songs they own, but this service does not work on Android devices.
Summary and major findings

Here we discuss the major findings from FTI’s media consumption survey. We first discuss digital engagement, digital substitution and willingness to pay (for content) in broad terms, and then discuss key findings by media.

Engagement and usage

- In general, tablet users consume more digital media than do non-tablet users.
- Smartphones are used primarily as communication devices and tablets are used primarily as media access devices.
- There are important differences among age groups regarding what content is preferred and how it is accessed.
  - The youngest age group consumes news content online nearly as much as all the other age groups – all between 65% and 75% of respondents;
  - Also surprising is the high use of social networks by older age groups;
  - Otherwise, younger respondents consume more content online than do older demographics.
- In addition, social networking sites are accessed extensively on smartphones (and laptops) indicating that smartphones tend to be used primarily as communications devices. In contrast, tablets are used much less for social media access and relatively more to consume other forms of media.
- Tablets appear to be discovery devices for video content online.
- TV content is consumed online by more respondents than film content, suggesting that short-form content is more readily consumed on smaller screens. The tendency may also point to the greater availability of free online TV content compared to film.

Digital substitution

- Both tablet and non-tablet users show strong willingness to substitute digital for traditional media when they have online alternatives available.
- Tablet usage typically substitutes for traditional content consumption across all print and entertainment content, except for subscription TV, where it complements (increases) usage.
- Between one-third to one-half of respondents report reducing or stopping their use of traditional media when provided with online alternatives, though the amount of substitution varies by age and (of course) by type of media.
- Perhaps a singular exception, subscription TV spending increases with tablet usage.

Willingness to pay for digital content

- There is almost no willingness to pay more for online content than for traditional content, unless online is bundled with print or other traditional format content.
- However, a significant number of consumers said they would pay for digital content if specific features were available. Favoured features across media types include:
Summary and major findings

- Custom content and apps;
- Quality graphics and photographs (for print media);
- Commercial free content (for TV and film viewers); and
- Ability to share content across devices at anytime (for music and for TV and film).

Print media (newspapers and magazines)

- Almost half of all respondents do not purchase or subscribe to newspapers.
- However, those who (still) consume hard copy versions are much more likely to pay for the digital version of a newspaper or magazine.
  - Bundling digital with print drives an increased willingness to pay for content among a proportion of readers, and
  - As indicated above, providing unique or exclusive news / print content in a rich format increases respondents’ willingness to pay for digital formats.

Entertainment (TV, film and music)

- The overwhelming preference among respondents is to watch TV and films on a TV set rather than on any other device.
  - Indeed, less than 2% of respondents listed a smartphone as a preferred device for watching TV).
- Access to online content (principally on a tablet) leads to increased paid consumption of subscription TV, suggesting the tablet serves as a content discovery device.
- Online access to video content will continue to substitute in-store purchases / rentals, and potentially cinema visits.
- Younger consumers show an increased willingness to pay for online content relative to those in older age groups, provided the online content fulfils the “anytime, anywhere” value proposition.
- While downloading music is strongly preferred to streaming, a greater interest in streaming among smartphone and tablet users may point to a growing demand for streaming as smartphones and tablets increase their prevalence.

Why tablet user behaviour is different is difficult to say without further research. Is the difference a result of devices and apps that enable users to enjoy a convenient, high quality user experience anytime-anywhere? Or are early adopters inherently more engaged in media, consuming more and paying more? At this point in tablet adoption, we suspect both factors may be at work.
Engagement: who uses what?

There are important differences among age groups in content preferences and how content is accessed. Surprisingly there is more consumption of news by those in younger age groups and use of social networks by those in older age groups.

As shown in Figure 1, news, social networking and music are the most widely consumed digital media among respondents from both countries, although UK consumers play less digital games and consume fewer films than their US counterparts.

Figure 1 - Digital Media Usage

Engagement with each type of media differs significantly by age group, as shown in Figure 2.

Figure 2 – Media Engagement
Summary and major findings – engagement

There are several important take-aways from the array of numbers in Figure 2, including:

1. **Digital media is consumed by young and old** – While conventional wisdom would suggest that younger groups use digital content the most, the responses show that more than 67% of respondents in all age groups access news and newspapers online, more than 60% of all ages (with the exception of UK respondents over the age of 55) access social networks, and more than 35% of older demographics (55+ years old) access episodic TV series and music online.

2. **Newspapers** – Age doesn’t matter. Between 67% - 85% of respondents across all age groups and in both the UK and US read news and newspapers online.

3. **TV series and music** – Very high percentages (approximately three quarters or more) of young respondents access these media online, whereas only around a half of older demographics consume them.

4. **Magazines** – Surprisingly few respondents consume magazine content online, with negligible differences among age groups.

5. **Films** – Are viewed less online than TV, potentially indicating a preference for shorter form content on the current base of internet connected devices (primarily PCs and laptops).

6. **Young people** (aged 18-24) in the UK consume considerably less TV series, games and music than their US counterparts. Most other forms of media are consumed more or less equally.

Generally, tablet users consume more content than do non-tablet users as shown in Figure 3 and Figure 4.

**Figure 3 - Online consumption of newspapers and magazines**

**Figure 4 - Online consumption of movies and TV**

Tablet users are more likely to subscribe to one or more newspaper and magazine publications, and they also indicate more frequent viewing of films and TV shows online than non-tablet users.
Social networks

As shown above, respondents engage more with social networks than with any other form of digital content. Respondents in the UK spend between 1.9 - 3.8 hours per week engaged in social media. However, US respondents spend significantly more time engaging with social networks across all devices, averaging 3.7 - 5.4 hours per week. Smartphones and laptops are the most heavily used across all respondents, but users also spend over 2.0 and 3.7 hours per week using social networking sites on their tablets in the UK and US, respectively (Figure 5).

The differences between UK and US usage are much more pronounced by age group. Usage varies by age in both countries, although the jump in usage from younger to older age groups is much greater in the UK. UK users age 18-24 spend more time on social networks on almost every device than US respondents, spending over 17 hours a week engaging on laptops versus 8.4 hours for the same group in the US. In contrast, older users (age 25+) only spend approximately 1 – 4 hours per week in the UK compared to a slightly higher 1.7 – 6 hours in the US. Younger users in the UK have a strong preference for using a laptop, while US users engage with smartphones and laptops equally (Figure 6).

Engagement patterns in the US indicate that smartphones are used heavily as communications devices (both text and verbal).
Digital substitution

Our survey sought to determine when and if digital media was a substitute or a complement for traditional (“hard copy”) media; it focused extensively on the propensity of respondents either to reduce or stop the use of traditional media when online alternatives are available.

The findings indicate that online usage usually acts as a substitute for traditional content consumption across all print and entertainment content forms, except for subscription TV. Approximately 33% to 50% of respondents (dependent on media form) stated they have stopped or reduced consumption of traditional media format content because they have access to online content. TV, however, may be the sole form of media for which online access acts as a complement. At least among tablet-users, online access leads more respondents to increase their subscriptions than those who stop or decrease their subscriptions.

Such results are shown in Figure 7. Amid digital substitution in all other media forms, when presented with online content alternatives, 19% of respondents in the UK and 16% of respondents in the US exhibit a tendency to upgrade their subscriptions of traditional TV. The reason for the upgrade was not queried, but is likely a result of respondents wanting to watch series on traditional TV to which they were previously exposed online. This appears to suggest that online usage complements traditional TV usage.

As shown in Figure 8, tablet users tend to substitute online content consumption for traditional format consumption, except again for TV subscriptions. While the presence of digital alternatives does reduce traditional media consumption, the amount of substi-
Summary and major findings – digital substitution

tution varies by age and demographic group. In contrast, digital content availability may promote traditional TV uplift among tablet users.

Figure 8 - Online alternatives by tablet / non-tablet users

When presented with online alternatives, tablet users and non-tablet users alike in the UK increase pay TV subscriptions more so than their US counterparts.

Digital substitution differs by media type and among demographic groups as shown in Figure 9.

- UK respondents reduce their hard copy newspaper purchases more than other traditional media, with one notable exception. Tablet users in the UK substitute TV series DVD purchases much more than newspapers, with the 18-24 and 55+ age groups substituting 100% of hard copy purchases. In the US, hard copy newspapers are the most substituted of all media across all age groups with 47% of all online users having stopped or reduced their hard copy consumption. Only the oldest age group (55+) has a notably lower rate of substitution.
Substitution of online for physical DVD rentals or purchases (whether films or TV shows) is highest among the youngest age groups (18-34 year olds) in both the UK and the US. Yet it appears that substitution is lowest among the 35-44 demographic, perhaps given the higher likelihood of families with younger children in that age category.

Other media also experience substitution across age groups, though in different percentages.

- Approximately 36% - 38% of US respondents demonstrate reduction or substitution of magazine purchases, DVD motion picture rentals and purchases, and TV show DVD rentals and purchases when provided online alternatives.
- Though to a lesser extent (30%), there is a tendency across all US respondents to decrease purchase of cinema tickets when respondents also access online alternatives, and a lesser tendency in the UK.

- Generally, as the population sample ages, it tends to substitute hard copy less.

Despite an antipathy to paying for content, when asked what content they were most willing to pay for, respondents showed somewhat more flexibility if provided exclusive content and breaking or regular news via streamlined apps.
Media executives are correct to be concerned about the effects of digital substitution and about the risk of price pressures in digital. Survey respondents in both countries and across all demographics demonstrate a general desire to pay less or the same for online access (Figure 10).

FTI believes these responses are shaped by experience to-date with pricing for online versions of these media, particularly for print (newspapers and magazines), where the online versions have typically been free.

However, many respondents are willing to pay more for bundled access to print and online forms of newspapers and magazines (Figure 11).

The survey also shows that respondents are (more) willing to consider paying for content when specific content features are provided as available options. For example, exclusive and custom content and apps are favoured forms of content across media types for which respondents indicate a willingness to pay. Other features for which respondents indicate a willingness to pay include:

- Online access to newspapers (some subscribers)
- Commercial free content for TV and films
- Ability to share across devices favoured for music.

Responses about willingness to pay did not change materially among respondents who used tablets or not. However, as we would expect, willingness to pay does vary by age and income level.
Summary and major findings – findings by type of media - newspapers

Summary of findings by type of media

Newspapers

Online access has substituted print newspapers at a higher rate and more rapidly than any other media. Since the popularisation of the internet in the early 1990s, paid-for newspaper circulation has been in severe decline. In the UK, national daily paid-for circulation is now less than half of its 1950 level. In 1950, the average daily total paid-for circulation was about 21 million (equivalent to almost 150 per cent of households). By 2010, it was 10.1 million, equivalent to just 39.9 per cent of households. Paid-for circulation in the US is now the same as it was in 1954, even though the US population has more than doubled since then. A key driver of these trends is that online access to newspapers predominantly has been free.

Our survey shows that 38% of respondents in the UK and 50% in the US neither subscribed to nor purchased individual copies of newspapers, and that the inclination to purchase hard copy newspapers is directly correlated with age; the younger the age group, the less the tendency to purchase a hard copy newspaper (Figure 12).

These findings represent no “new” news regarding who is engaged reading hard copy newspapers. What is new, however, are the findings regarding willingness to pay for online newspapers, and what features respondents are willing to pay for.

While 76% of both UK and US respondents say they read news online, only 20% pay for that online access, and another 8% who do not currently pay state that they would be willing to pay it. But when asked specifically what features these online newspaper readers might be willing to pay for, 40% of respondents indicate that they could be induced to pay for some features.

For example, 53% indicate that they might pay for a digital and print subscription, if combined into some kind of bundled offering.

This group also expresses a desire for unique feature sets and mobile apps. As most of this group appears already
Summary and major findings – findings by type of media - newspapers

to be print buyers, it probably represents the low-hanging fruit for future online buyers.

Therefore, although respondents are extremely disinclined to pay for print copies, they showed somewhat more propensity to buy if the following features were available:

- Exclusive content;
- Breaking and regular news; or
- Streamlined apps.

As shown in Figure 13, tablet users have a different set of preferences in respect of what features they may be willing to pay for. While exclusive content is the top preference for tablet and non-tablet users, priorities for other features differ significantly between the groups.

**Figure 13 – Features worth paying for**

<table>
<thead>
<tr>
<th>Tablet Users</th>
<th>Non-Tablet Users</th>
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<tbody>
<tr>
<td>1. Exclusive Content</td>
<td>1. Exclusive Content</td>
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<tr>
<td>2. Custom Content</td>
<td>2. Custom Content</td>
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<tr>
<td>3. App</td>
<td>3. App</td>
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<tr>
<td>5. Breaking news</td>
<td>5. Industry-specific</td>
</tr>
<tr>
<td>6. Regular news</td>
<td>6. Local news</td>
</tr>
<tr>
<td>7. Weather</td>
<td>7. Weather</td>
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<tr>
<td>8. Exclusive Video</td>
<td>8. Exclusive Video</td>
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<tr>
<td>9. Local Content</td>
<td>9. High-quality video</td>
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<tr>
<td>10. Industry-specific</td>
<td>10. Regular news</td>
</tr>
<tr>
<td>11. Sports</td>
<td>11. In-depth editorial</td>
</tr>
<tr>
<td>13. In-depth editorial</td>
<td>13. Book / Movie review</td>
</tr>
<tr>
<td>15. Other</td>
<td>15. Other</td>
</tr>
</tbody>
</table>

More like an app…
Magazines

Nearly 70% of all respondents indicate that they acquire hard copy magazines, surpassing newspaper purchases by more than 20%. Around 30% of respondents in the UK and 56% in the US subscribe to magazines.

Unlike newspapers where purchasers differ by age, magazine buying (which can more easily target specific markets/subscribers) does not differ dramatically by age group, including those who do not buy any magazines.

Similar percentages of UK and US respondents acquire magazines, although there is a big difference in how they acquire magazines. UK respondents are twice as likely to purchase magazines individually, conversely, US respondents are twice as likely to subscribe.

In general, tablet users are more inclined to reduce hard copy purchases of magazines than are non-tablet users. However, respondents express a willingness to pay for high quality visual content, and as magazines develop more curated, tablet-focused alternatives with high quality graphics, tablets (and e-readers) may become favoured online devices for paid-for magazine content.
TV

Overwhelmingly, respondents across all demographics still prefer viewing TV on a TV (Figure 15).

Fewer than 2% of all respondents preferred to watch TV on smartphones. Such low responses argue against the efforts of some companies to bring mobile TV to these smartphones, since it is clearly the device of last resort for TV viewing.

Figure 15 – Preferred TV viewing devices

More than a third of respondents - 37% - already pay for online access to TV or would be willing to pay for online access if provided the “right” features.

Nearly 50% of all UK and US respondents indicate that they watch TV online, while 23% indicate that they currently pay for online viewing. An additional 14% of respondents indicate a willingness to pay for certain content features including commercial free content or any-time/anywhere viewing.

In total, 37% of respondents in the UK (compared to 45% in the US) already pay for online access to TV or could be induced to do so with the “right” features.

Among tablet users and non-tablet users alike, those features worth paying for include commercial free viewing, any-time/anywhere viewing and content not available elsewhere (Figure 16).
Most respondents believe content not available elsewhere is a feature worth paying for.

With the exception of UK 18-24 year olds (Figure 16), UK tablet users express less willingness to pay for features such as commercial free viewing and anytime/anywhere viewing than do their US counterparts. UK tablet users however, embrace content not available elsewhere somewhat more than US tablet users (we believe BBC iPlayer, ITV, C4, C5 and Sky Player may account for the difference between US and UK). Non-tablet users in both countries show similar preferences.

More interesting yet, (Figure 17) 29% and 24% of all tablet users and 17% and 15% of all non-tablet users in the UK and US, respectively, actually upgraded their TV subscriptions because they have accessed TV content online. In this way, the tablet has acted as a discovery tool to complement, not substitute, conventional usage.

TV may be the only form of media for which online access is a complement; that does not face net viewer losses as a result of the availability of digital alternatives. Though not queried in the study, the uplift may be a result of respondents wanting to watch series on traditional TV to which they were previously exposed online.

Approximately 10% more tablet users upgraded their subscriptions than did non-tablet users in both the UK and US. There were no significant differences in upgrade behaviour related to income or gender.

Figure 16 – Features worth paying for

Figure 17 – TV subscription changes because of online alternatives
In both the UK and the US, younger age groups show increased readiness to upgrade TV service when provided online alternatives. In the UK the tendency is much higher amongst this group than in the US.

**Figure 18 – Subscription upgraders by age**

**In the UK, 35 - 39% of tablet users and around 31% of non-tablet users (Figure 19) reduced or stopped buying or renting DVDs of TV programmes. The figures for the US were considerably higher - 47% of tablet users and 36% of non-tablet users.**

**Figure 19 – Change in DVD purchase and rental of TV shows**
Films

The TV is the overwhelmingly preferred device for watching films at home.

Among those who pay to watch films online, there is a difference between the frequency of tablet users in the UK and the US to pay for online movie content – 23% in the UK, compared to 28% in the US often or regularly pay. Moreover, almost 20% more non-tablet users in the UK never or infrequently pay for online movies compared to their US counterparts (Figure 21).

When asked what features would induce respondents to pay for online movies (Figure 22), the feature most worth paying for is access to films while they are still being shown in cinemas. Around 25% - 45% of tablet users and non-tablet users combined (both countries combined too) would be more willing to pay for access to films not available elsewhere, and even fewer show interest in films with extra features. Young tablet users most prefer films that are not available elsewhere (56%) and movies with extra features (36%).

Such findings may indicate that there is a potential opportunity to make a greater amount of library content available on-demand through new online distribution partners. Only a very small percentage of young respondents would not be willing to pay at all for online film content.

Of the respondents who said they would not pay for film content all, respondents over 55 lead this category. Resistance to paying seems to increase with age.
Summary and major findings – findings by type of media - films

Based on features that respondents feel are worth paying for, there is a potential opportunity to make more library content available on-demand through new online distribution partners.

Tablet users reduce their engagement with all other movie formats in greater numbers than do non-tablet users when they have available online alternatives. The finding may indicate that there is a potential opportunity to make more library content available on-demand through new online distribution partners.

Respondents in both the UK and US share similar film purchasing trends due to online access (Figure 23).

More than half of respondents have not changed their behaviour regarding purchases and rentals of movies as a result of having online access. However:

- A significant portion of respondents, around 30% in both the UK and US, claimed they stopped or reduced their cinema going
- 29% of UK respondents and 38% of US respondents stopped or reduced DVD purchases, and
- Approximately 35% of all respondents stopped or reduced renting films.

Figure 23 – Changes in film engagement because of online access
Music

Music was among the first media businesses to be seriously disrupted by the internet and digital substitution, with proliferation of MP3 players and then with the sudden appearance of Napster and other P2P music sharing websites. During the period 2000 to 2009, UK physical music sales fell by 37%. While spend on online music increased significantly, at £189 million in 2009, it wasn’t enough to replace the loss in physical sales of £431 million. In the US, according to Forrester, during the period 1999 (the year Napster started) to 2009, US music sales and licensing plunged from $14.6 billion to $6.3 billion.

While downloads are the preferred access method (Figure 24), it is worth noting that smartphone users and tablet users have a higher preference for streaming. This is particularly interesting when considered in conjunction with increasing adoption of smartphones and tablets, and with the high willingness to pay for unlimited streams, particularly among the youngest demographics (Figure 25).

The majority of listeners prefer being able to share music across devices they own. The survey also found younger listeners prefer plans with large numbers of streams or downloads. Younger users in the UK (age 18-24) show significantly less interest in sharing music across devices and monthly download subscriptions than their US peers.

Figure 24 – Device and access preferences for online music

![Graph showing device and access preferences for online music](image)

![Graph showing willingness to pay for unlimited streams](image)
We deploy more than 2,800 professionals from every major financial center to every corner of the globe so that we can serve our clients wherever needs arise.

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**BROAD INSIGHT**

- Work with management teams and stakeholders to evaluate, develop and implement corporate strategies that will improve top and bottom-line results and increase enterprise value.
- Perform in-depth business plan reviews; operations, IT and network assessments; synergy analyses, merger integration, performance improvement, valuations and restructurings.

**IN-DEPTH ANALYSIS:**

- Industry-specific analysis for communication, media and technology businesses to shape metrics-driven strategic direction and improve operational performance.
- Economic analysis from macro-level business and regulatory trends to micro-level subscriber and customer economics, such as customer acquisition NPV, box office conversion of P&A spending and other industry-specific metrics.
- Develop complex financial projections and business case models for lenders, investors and companies to identify key drivers of a business, delineate risks and upside opportunities, and run sensitivity analysis to evaluate potential business performance.
- Apply detailed benchmarking databases with financial, operational and headcount statistics as well as M&A synergy benchmarks to each business analysis.

**DATA-DRIVEN DECISION MAKING**

- From pages to pixels and terabytes to sound bites, FTI delves into data details that capture historical trends and describe actual performance.
To stabilize and thrive, digital media companies must value their unique content, become more effective at reaching multi-media audiences based on highly creative sales, and create a “runway” for aggressive digital revenue growth: all this while right-sizing their expense base.

**Digital transformation**

- **Content / Digital Ops**
  - Design & integrate mobile into editorial work flows
  - Digital ops to select & integrate mobile technologies and mobile apps
  - Determine digital / print offers
  - Segment customers to optimize revenues

- **Web**
  - Optimize website engagement
  - Upgrade mobile sites

- **Subscriptions**
  - Optimize CPM & sell-through
  - Optimize sales efficiency

- **Sales**
  - Optimize sales efficiency

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**The economic impact of digital disruption is growing**

**Digital Transformation requires a unique skill-set**

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**Evolution of digital transformation**

<table>
<thead>
<tr>
<th>Degree of economic impact</th>
<th>Time</th>
<th>Parvasive</th>
<th>Digital distribution and web strategy</th>
<th>Digital transformation of business models</th>
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<tbody>
<tr>
<td>Limited</td>
<td>Late 1990s</td>
<td>Digital products and infrastructure • Digital products (e.g., music, entertainment) • Infrastructure (e.g., telecommunications, software, IT)</td>
<td>Web strategy and e-commerce (e.g., retail, electronics) • Creating efficiency through web strategy (e.g., government)</td>
<td>Mobile revolution • Social media • Hyper digitization • Power of analytics</td>
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**Reshaping the Operational Model**

Firms with a focus on strategy or operational improvement

FTI is uniquely positioned to adapt a company’s operating experience simultaneously

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**Reshaping the Customer Experience**

Firms with a focus on Marketing & Creative
About FTI

Selected entertainment sector clients

- AMC Theatres
- Blockbuster Entertainment
- Clear Channel Communications
- Discovery Zone
- Edwards Theatres
- EMI – Capital Records
- General Cinemas
- HiT Entertainment
- Jamba! Music Service
- Midway Games
- Marvel Entertainment
- Mobix Interactive
- Musicland
- NBC Vivendi
- Recording Industry Association of America
- Regal Cinemas
- RHI Entertainment
- Sesame Street
- SESAC
- Sony Pictures
- Sony Music (BMG)
- The Terminator 4
- Tower Records
- USA Network
- United Artist Theatres
- Viacom (Rhapsody Music Service)
- Walt Disney Company
- WestStar Cinemas (Mann)
- Yari Film Group

Select media sector clients
About FTI

About the authors

Neil Benedict has over 20 years experience in senior marketing, branding and general management positions at companies such as Ameritrade, AC Nielsen, Citibank, Kraft (General Foods) and Unilever. In addition to his experience in large corporations, he has created and grown his own successful companies.

In 2003 he founded Affluent Dynamics, LLC, a leading custom marketing research firm that helps financial services organizations and luxury goods companies understand the dynamics of their most affluent customers. In December 2007 FD acquired the assets of Affluent Dynamics and put Neil in charge of FD’s online research capabilities.

Bruce Benson is a senior managing director in FTI’s Economic Consulting practice and is the global leader of FTI’s Entertainment and Media Practice. He has more than 20 years of professional experience in all aspects of media and technology. He has consulted in a broad range of areas, including strategy and market planning, economic analysis, operational effectiveness, intellectual property management and IT preparedness.

Mr. Benson is a recognized expert in media and advertising and has helped some of the world’s leading companies achieve their strategic goals, including Sony Music, Microsoft, Bertelsmann, Viacom, Young & Rubicam, Ogilvy, Harper Collins, NBC and Pearson. Mr. Benson has led over 200 projects with clients and as a media executive both in the US and overseas. These projects have focused on strategic planning, revenue optimization, operational effectiveness and cost containment, internet distribution and large-scale IT project management.

Luke Schaeffer is a senior managing director in FTI’s Corporate Finance practice. Mr. Schaeffer has over 16 years experience in the communications, media, entertainment, technology and business services industries and leads FTI’s entertainment industry practice within Corporate Finance. His work covers corporate finance, performance improvement, M&A advisory, private capital financing, strategy and business plan development, business recovery and restructuring, due diligence, and valuation.

Mr. Schaeffer has worked with telecom service providers across all sectors; media and entertainment businesses including cable, magazines, newspapers, directories, television and radio broadcasting, film production and distribution, new media entertainment and commercial printing; technology businesses including semiconductors, network hardware and software, enterprise software, video conferencing, network storage; as well as traditional manufacturing, and services companies.

Roger Scadron is a Managing Director in the Communications, Media and Entertainment practice and has more than 25 years of industry experience. Mr. Scadron has significant experience working with television and motion picture production and distribution companies and music companies including RHI Entertainment, Echo Bridge Entertainment, Sony Music and EMI (Capital Records) among others, and was also seller of the rights to Terminator Salvation T4.

In recent years he has become an expert in the convergence of traditional communications and entertainment and the Internet. He has published extensively on the impact of digital communications on online service providers, cable companies and entertainment content companies. Mr. Scadron has spoken and led industry re-search on the subject of broadband spectrum repurposing, net neutrality and various other topics focusing their impact on the entertainment industry and industry investment trends.
Contacts in the UK

Alison specialises in the media, entertainment and telecoms sectors - sector experience includes television, radio, film, internet, sport, music, publishing and fixed/mobile telecoms. She has led numerous strategy/economics projects, providing commercial, competition, policy and regulatory advice, including advising companies, regulators and governments. She led the revenue projections for numerous successful franchise applications and renewals - Channel 3, Channel 5, Teletext, DTT, Classic FM, INR2, Talk Radio, and DAB - and jointly led the study on the public policy issues arising from telecoms and audiovisual convergence for the EC which formed the basis of the convergence Green Paper. She has advised on film policy, radio ownership rules, pay TV, TV advertising minutage and conducted several economic impact studies for the TV and film sectors. Additionally she has advised on competition matters and sports rights, and written thought leadership papers including on local newspapers, IP policy and sound recordings copyright duration.

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Charles Palmer is co-head of Technology, Media and Telecoms Strategic Communications practice. Charles is primarily involved in providing financial communications advice to a broad range of both UK and international companies. He has 17 years of experience and has been with the group for 12 years. Charles has advised numerous listed and private companies. His client experience includes Aegis, blinkx, Chrysalis, CINVEN, Euromoney, Future, ITE, Informa, JCDecaux, Mail.ru, Micro Focus, Nasdaq OMX, Phoenix IT, VimpelCom and YouGov. Recent sector transactions include Mail.ru’s IPO, Liberty Acquisitions’s refinancing of Prisa and VimpelCom’s acquisition of WIND. Beyond the TMT sector he has also worked on a number of major international transactions; advising ABN AMRO in its €71 billion sale to a consortium of banks led by Royal Bank of Scotland and OMX during its merger with Nasdaq. Charles has also advised on a wide range of the IPOs, large and small, many of which have required defining a new market to the financial community.

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David Williams is a Managing Director in FTIs Corporate Finance practice. David has significant Technology, Media and Telecoms experience both from FTI and his previous experience at Arthur Andersen and Ernst & Young. David works for a wide range of stakeholders including companies, owners and lenders advising on debt refinancing and restructuring. He has advised on the sale of Raymarine plc to FLIR Systems Inc, numerous listed and private UK and European telecom companies and more recently on the refinancing of publishing and television assets. The majority of David’s assignments are confidential where he supports a company or its lender through a refinancing process or disposal of non-core businesses.

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