



cutting through complexity

# The rise of the digital multi-tasker

Executive Summary

KPMG's Digital Debate

January 2013

[kpmg.com/digitaldebate](http://kpmg.com/digitaldebate)

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The explosive growth in portable mobile device ownership offers more and more ways to consume media digitally. At the same time, the rapid expansion of next-generation, high-speed wireless networks enables consumers to devour media anytime, anywhere. Today's consumers have become digital multi-taskers.

KPMG International has been researching consumer media behavior for more than 5 years. During this time, we have witnessed the introduction of smartphones and tablets, seen social media go mainstream, and watched companies such as Netflix and Spotify provide a platform for mass consumer acceptance of digital delivery and digital business models. The continuing appetite for digital information and entertainment offers huge opportunities for media companies.

Our Digital Debate research, conducted by YouGov Plc on behalf of KPMG International, gathers the views of over 9,000 consumers across nine different markets – Australia, Brazil, Canada, China, Germany, Singapore, Spain, the UK and the US. The results help us to better understand how we consume media now and in the future, and consider the prospects for 'traditional' media in the face of a digital onslaught.

KPMG's study yielded three key findings:

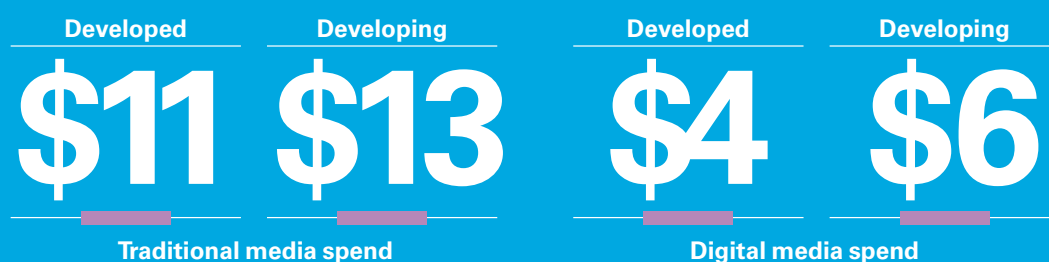
- 1) An insatiable appetite for media
- 2) The coming wave of online consumers can accelerate the digital shift
- 3) Media and technology companies should cooperate to address this new wave.

# An insatiable appetite for media

While consumers' appetite for digital media increases, these new media forms are not substitutes or alternatives to 'old' media.

- **Consumers split their time between traditional and digital/online media, but spend more money on traditional media.** People still spend marginally more time offline than online. However, 70 percent feel the choice of digital content is wider and more than half say they have greater access to online media. Despite this flexibility, consumers still devote a higher proportion of their monthly media budget to traditional media spend— particularly to TV/video and live events.

## Overall spend in developed countries vs. developing countries - Figures in US dollars.



- **Spending for online media increased in the past year.** For every type of digital media, more respondents increased their spend than decreased it. In contrast, certain types of old media saw a net decrease in expenditure, namely packaged forms like CDs, DVDs and video games.
- **TV is still the most popular media activity.** While this may provide some reassurance to TV, cable and satellite providers, a relatively high proportion of consumers (for example, over 30 percent in Singapore and 14 percent in the US) now prefer to watch TV via their mobile or tablet for greater flexibility. And with a growing preference for streaming TV and video online, the next generation of consumers will seek a more mobile TV experience.

- **Traditional advertising may be diluted.** Television is no longer a single experience as 'digital multi-taskers' interact with tablets and smartphones while simultaneously watching TV. The opportunity is for media companies to tap into these 'second (and third) screens' through social media, such as Facebook and Twitter, and build the overall experience and the effectiveness of advertising. At the current time however, the integration is only partial and consumers' attention is being diverted away from the ads that fund much of traditional broadcast content.

# 26%

of consumers surveyed\* own or intend to own a

while more than half

# 53%

own or intend to own a smart

phone.



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**"The move to digital has had a dramatic impact on how we consume music, publishing and newspapers. But we are still early in the process of a transition to digital for anytime/anywhere availability across all media sectors. Until online services can provide content – especially film and video – on all devices, including home televisions, and be as seamless and easy to use as their offline counterparts, 'old' and digital media will continue to co-exist. As consumers demand more and more media online, traditional content providers will need to transition their products and business models while maintaining the customer's current willingness to pay at levels consistent with current models."**

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Paul Wissmann, Head of Media & Telecommunications, KPMG in the US



# The coming wave of online consumers can accelerate the digital shift

Tomorrow's online consumers are most likely to be introduced to content via smartphones and tablets attached to mobile networks. Today's early versions of this future wave — those inclined toward mobile — already demonstrate a powerful preference for digital media over traditional media.

- **Preference for online media is much stronger among the emerging mobile-centric class.** Consumers' increasing allocation of time to online forms of media is widely reported. Yet the emerging wave of mobile-centric consumers — as indicators of the consumers who will first connect to online media via their mobile devices — highlights a preference for digital content that surpasses those of today's online consumers. Our survey shows that this is particularly prevalent in emerging markets such as Brazil and China.
- **Tablet penetration is already half that of smartphones, but tablets accompany other devices.** Barely 2.5 years after the launch of Apple's iPad®, more than 1 in 4 respondents say that they own - or intend to own - a tablet while more than half of respondents own a smartphone. But it is laptop and smartphone owners who form the initial wave of tablet buyers — the vast majority of tablet owners also own one or both of these devices.

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**“The Metropolitan areas of China have leapfrogged traditional media, opting for content on the move via their mobile devices. A huge number of Chinese consumers own at least one smartphone, with many owning two to three devices. This, in part, is due to the ability to sign up for contracts that provide the latest technology at little or no outlay. But it is also a cultural phenomenon. In the last 20 years, China has undergone a massive urbanization program supported by government investment in infrastructure and converting ‘Made in China’ to ‘Innovated in China’. By the end of 2011, China’s urban population stood at 691 million or 51.2% of the total population, rising from 26% in 1990.**

**Most consumers are getting their media via their smartphones, tablets or laptops. Very few rely on print media and their desire to have access to content on the move, on the latest devices, is driving a massive explosion of mobile media consumption. Technology and media companies need to be focused on this emerging class of mobile-first consumers; they can learn from the experiences of the Chinese consumers to address the next generation of mobile consumers.”**

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Ning Wright, Head of Technology, Media and Telecommunications,  
KPMG in China



# Media and tech companies should cooperate to address this new wave

Both industries have strong interests in finding new business models and improving their profitability as consumers' appetite for media shifts to digital. Each industry has a reliance on the other and ultimately both can benefit more from cooperative partnerships that grow the total opportunity than from strategies that aim to control a greater share of future revenue.

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**"If the rise of mobile has taught us anything, it is that cooperation across multiple industries will be critical to success in this space. Organizations will need to collaborate more to create compelling market propositions that cannot be achieved through 'go it alone' efforts.**

**The issue for executives should not be whether partnerships need to be formed, but how the right partnership will be selected and structured to ensure that everyone, including the consumer, can get value from the arrangement."**

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Graeme Ross, Global Chair, Media & Telecommunications



# 5

## action points for content providers

### 01 Understand your consumer

This is not as obvious as it sounds. Not all customers behave in the same way, and without properly understanding consumer's online behavior and preferences, media companies often end up playing to the lowest common denominator. This reduces the value of the content as it is less tailored and therefore less personally relevant to the consumer. Subsequently, businesses repeatedly fail to generate sufficient revenue from the content they are providing because they are not offering the media experience that consumers are looking for.

### 02 Create a new advertising model

The emergence of smartphone and tablet applications has enabled brands and consumers to form direct relationships, facilitated by outlets like Apple's App Store and Google Play. Today's advertisers recognize the power of digital information and want to understand prospects at a level far beyond mere demographics. Traditional media companies - such as high-end magazine publishers - cannot remain as mere intermediaries and have to give clients the kind of consumer metrics that facilitate one-to-one relationships.

### 03 Embrace the new world

For now at least, some traditional media companies such as cable, satellite and digital terrestrial TV companies are holding up against online alternatives, and can still generate significant advertising revenue, particularly from major events such as 'X-Factor', The Super Bowl and the Olympic Games. But traditional media companies need to continue to embrace digital and evolve their business models to ensure the strength of their positions is maintained.

## 04 Engage with digital multi-taskers

Technology companies can transform the 'second screen' experience to enrich both consumers and advertisers, by combining the reach of broadcast with the interactivity of online. Gaming consoles, set top boxes that interact with smartphones and tablets and smart TVs are already paving the way for a seamless media experience.

## 05 Find new and innovative ways to make online as valuable as offline

Online consumers faced with high data transport costs are often unwilling to also pay for content. To overcome this obstacle, mobile operators should enable 'paid carriage' models, where content owners can choose to foot the traffic bill and build that cost into the price of their content. Such an approach can enable them to build 'freemium' and other business models that blend ad-supported and premium services in new ways.

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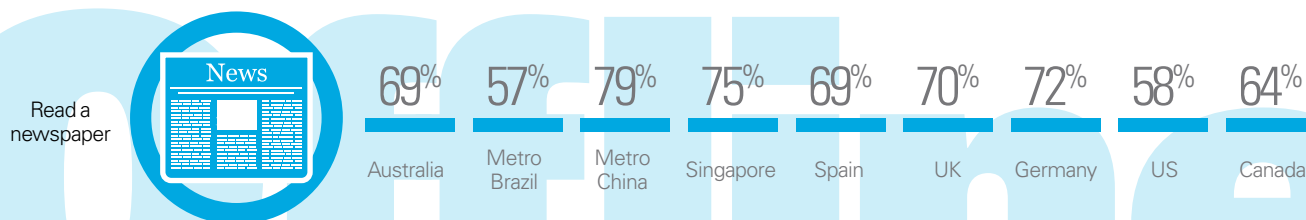
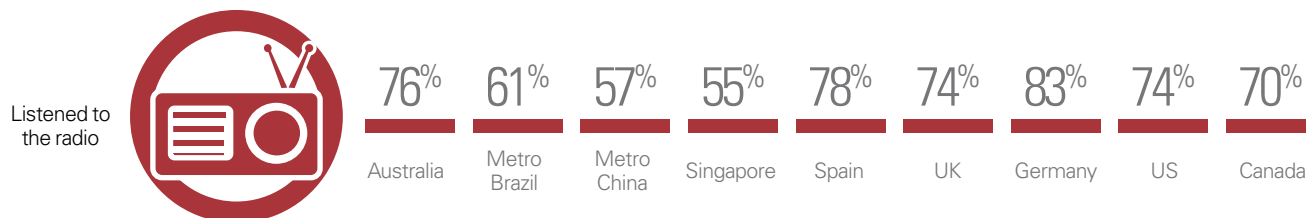
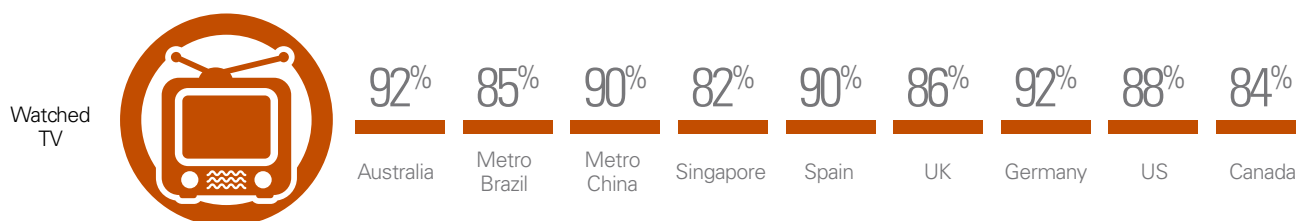
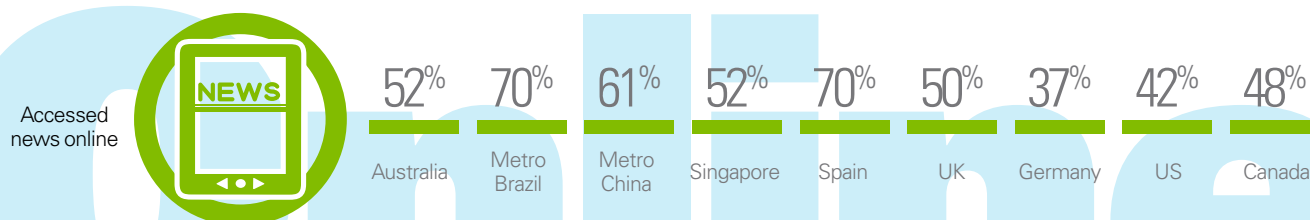
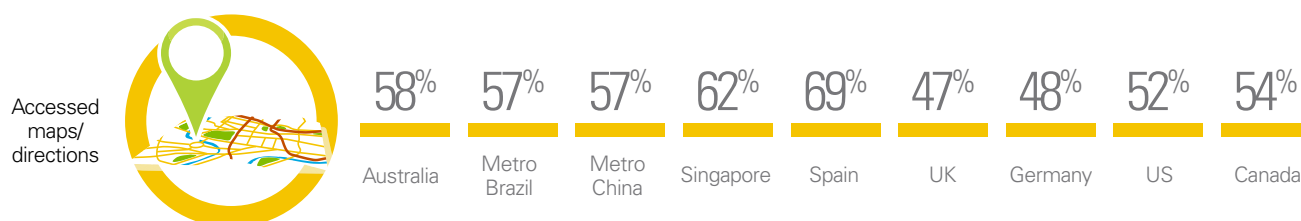
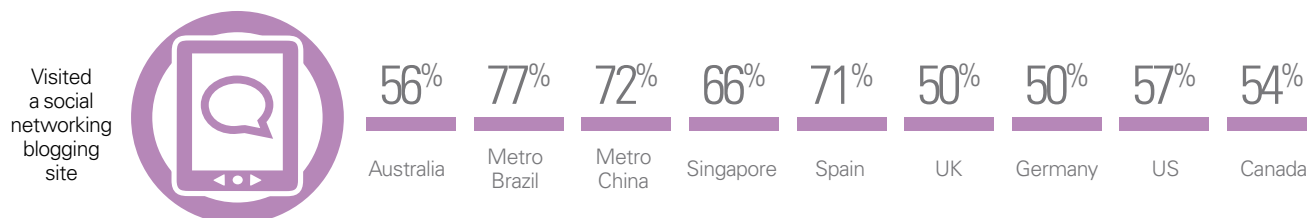
**"Consumers in developed markets have become used to receiving content for free, and many have yet to experience or understand the value that tailored, relevant content can bring to their media experiences. By understanding consumers' on and offline media consumption, content providers can develop a business model that appeals to even the most skeptical consumer. It is not about developing a digital business strategy. It is about developing a content strategy that spans all media and digital channels."**

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David Elms, Head of Media, KPMG in the UK

# The top three online and the top three offline activities by country.

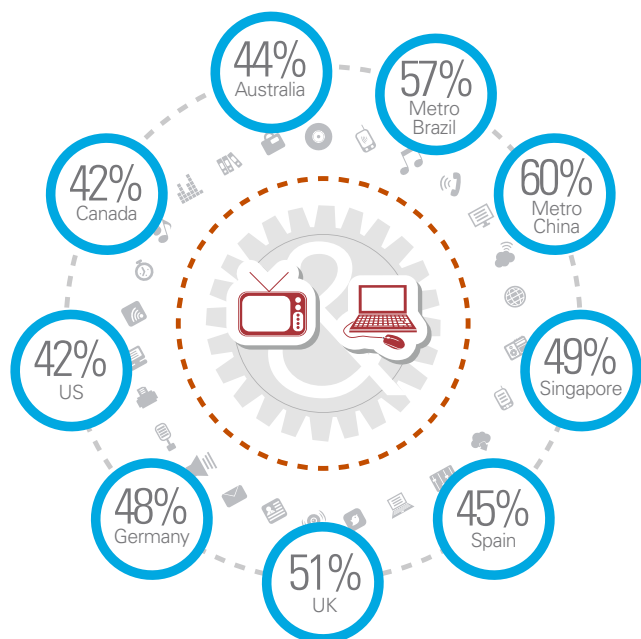
Please indicate which if any of the following activities you have done in the past month.



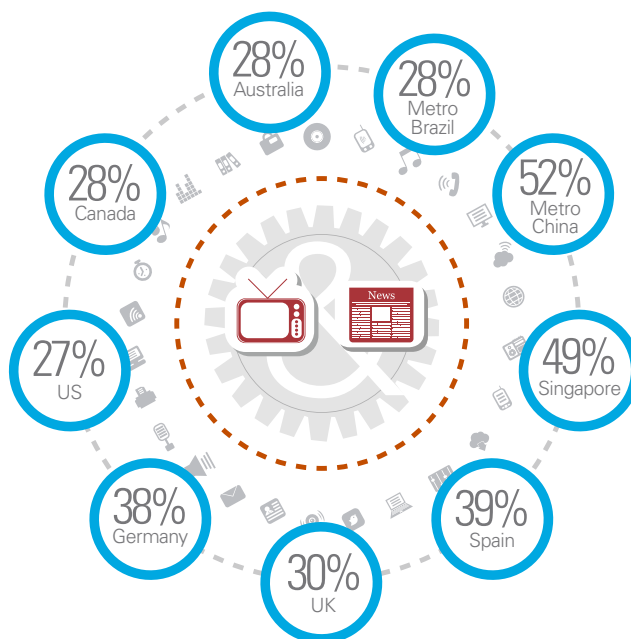
# More people watch TV and access internet than watch TV and read newspapers.

Which of the following activities, if any, do you engage in at the same time?

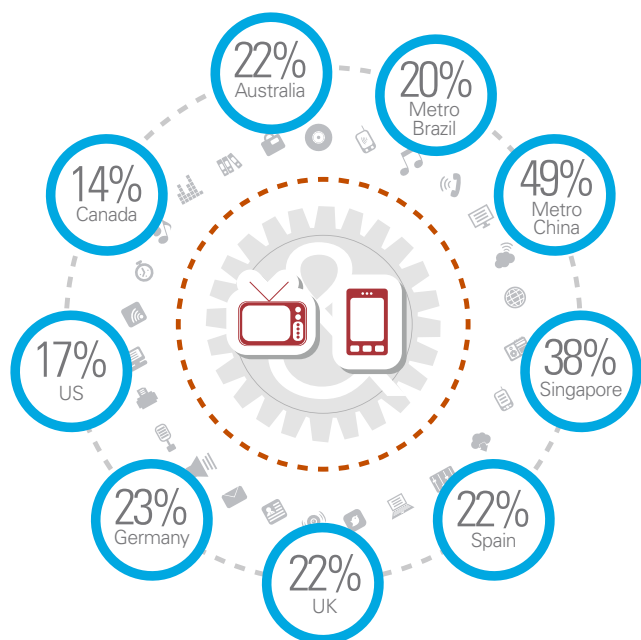
## 01 Watch TV & access the internet (not for social networking) via PC/laptop



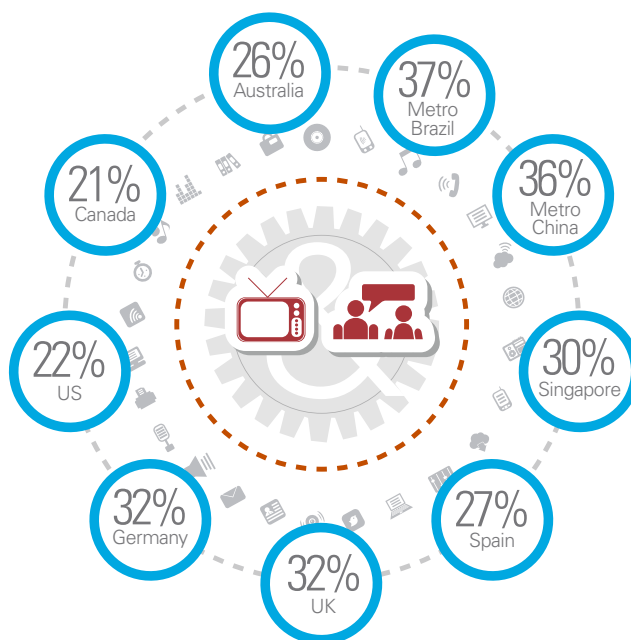
## 02 Watch TV & read newspapers



## 03 Watch TV & access internet (not for social networking) via a smartphone



## 04 Watch TV & use a social networking site



## Device ownership by country

Which, if any, of the following types of devices do you already own or intend to own within the next 12 months?





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