



cutting through complexity



The rise of the digital multi-tasker

The next generation of digital consumer

KPMG International's Digital Debate

April 2013

kpmg.com/digitaldebate

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Foreword

With the continued explosion of smartphones and tablets, the options for consuming media content continue to flourish, swelling the range of digital media choices. Simultaneously, the rapid expansion of next generation high-speed wireless networks enables consumers to devour media anytime, anywhere.

KPMG International has been conducting research into consumer behavior for more than 5 years. During this time, we have seen the introduction of smartphones and tablets, social media has become mainstream and companies such as Netflix and Spotify have given rise to new ways of thinking about content delivery. Consumers' overwhelming appetite for digital media offers huge profit opportunities for media companies.

Our Digital Debate research, conducted by YouGov Plc on behalf of KPMG International, sets out to understand how we are now consuming media; and whether 'traditional' media has really had its day as more people move to a digital, online, mobile world.

We assessed the impact of traditional and digital content across nine different markets — Australia, Brazil, Canada, China, Germany, Singapore, Spain, the UK and the US. The results may not be surprising, but they are certainly compelling. Despite the well-publicized drop in newspaper and magazine circulations, traditional channels such as TV, newspapers and radio are still incredibly popular among the technology-savvy consumers surveyed.

Our research shows that digital and traditional media are coexisting, with consumers accessing both at the same time, through an increasing number of digital distribution channels. Today's consumers have become digital multi-taskers.

Emerging markets such as China are experiencing a mobile revolution. A whole new generation of mobile-centric consumers are gaining their first media experience via mobile devices. These consumers have a much greater preference for digital media, and the coming of next-generation, high-speed mobile networks can only accelerate this trend.

So what are the lessons to be learned by developed markets, still grappling with legacy technologies and business models?

To us, it highlights the potential for media companies to build highly profitable digital business models. However, this can only be achieved if the industry can find innovative ways to deliver media to their consumers and enrich their media experiences.

We welcome feedback on our findings and recommendations within this report. Let us follow the examples of our consumers, and use the various channels open to us to discuss, share and debate how the industry can better understand consumer behavior — and how, using this knowledge, businesses can generate revenue through this new wave of digital media.



David Elms,
Partner, Head of Media,
KPMG in the UK



Gary Matuszak,
Global Chair of Technology,
Media & Telecommunications



Consumers broadly 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 (59 percent) 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.

Spending for online media increased in the past year.

Across 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 for media companies is 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 can be diverted away from the ads that fund much of traditional broadcast content.

KPMG viewpoint

“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.”

David Elms, Head of Media, KPMG in the UK

The coming wave of online consumers can accelerate the digital shift

Technology, media and mobile companies should cooperate to address this new wave

Emerging mobile-centric class — particularly in Brazil and China — express a clear preference for online media.

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 that 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.

More than 1 in 4 respondents say that they 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.

These 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 can benefit more from cooperative partnerships that grow the total opportunity than from strategies that aim to control a greater share of future revenue.

With a wealth of data available to them, technology, media and telecoms companies have a unique vantage point - they are able to identify consumer behavior and trends and respond with highly personalized, relevant content.

An insatiable appetite for media



An insatiable appetite for media

As the internet has become available to more and more global consumers, content providers and technology companies have joined together to enable a wealth of digital content, and consumers have enthusiastically taken up a variety of new experiences. Consumers' acceptance of new ways to consume digital content — in particular via smartphones and tablets and the

unique applications crafted for those devices — appears limited only by the imaginations of those enabling these new experiences. Yet these same consumers' appetite for media in its traditional forms seems, at the same time, as robust as ever.

Our data reveals that consumers' thirst for media in all its forms — physical and digital, offline and online, at home and on-the-go — remains unquenched. This is not surprising as it has been the case with each earlier expansion of new media choices for generations — whether that increase came from new forms of media like TV or video recorders and DVDs; from venues such as a movie theater, or the first mainstream mobile media, the car radio. Each creates a new chance to devote time to media and consumers seize the opportunity.

With the expanding abundance of content, consumers must choose where to dedicate their content and media investments — both in time and money. Our data also provides insight into how these choices are manifesting themselves today. It is little surprise that with consumers' attention increasingly devoted to online pursuits, they are beginning to spend more time in some areas with digital media than traditional media — for example, with online games.

Simultaneously, with advertising dominating the business models of online content providers, allowing digital content to be far cheaper (or free), traditional media largely garners the lion's share of consumers' direct media spending. In particular, our data reveals that:

TV dominates traditional media while social media and online news and entertainment draw the most online users.

Uniformly across the countries we surveyed, TV is the most widely adopted form of offline media. And at least a quarter of the respondents engage with some form of online video — such as TV, movies, online sporting and music events. Improving high-speed broadband networks such as those widely available in Singapore are certain to drive up online video numbers in the future.

Offline consumption habits are deeply embedded, but online behavior varies by country.

With consumers' traditional media habits long established, it is little surprise that we observe the same prioritization of media time irrespective of region: TV, print media, radio, live events, and gaming. Online, after social networking, most consumers devote their time to online news and entertainment — likely owing to the broad availability of a diversity of professional content and near-instant delivery even on slow connections.

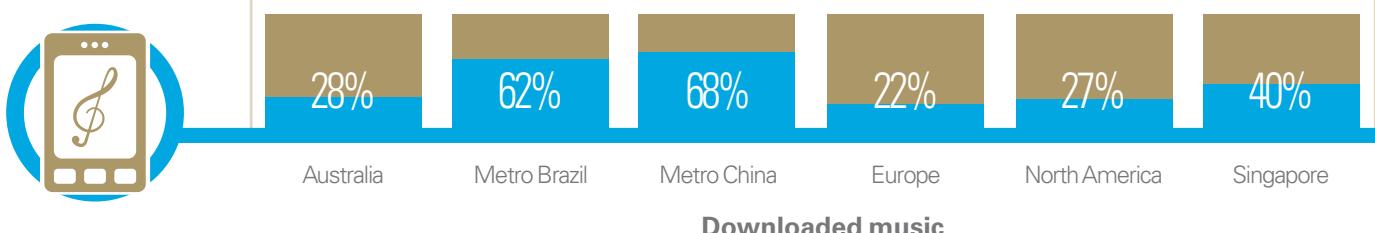
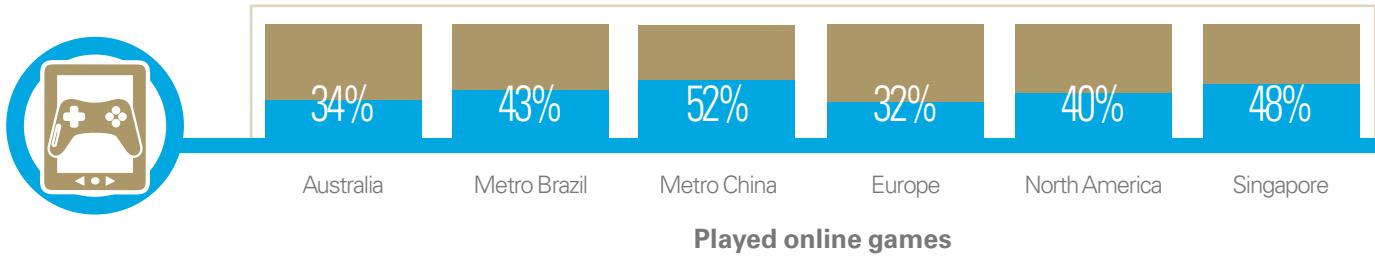
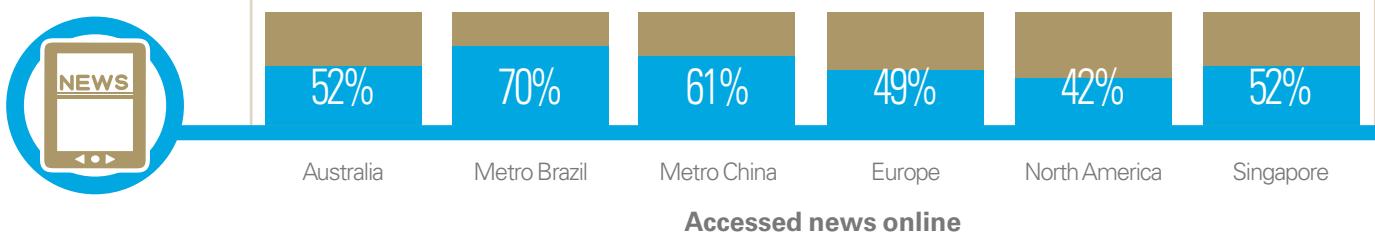
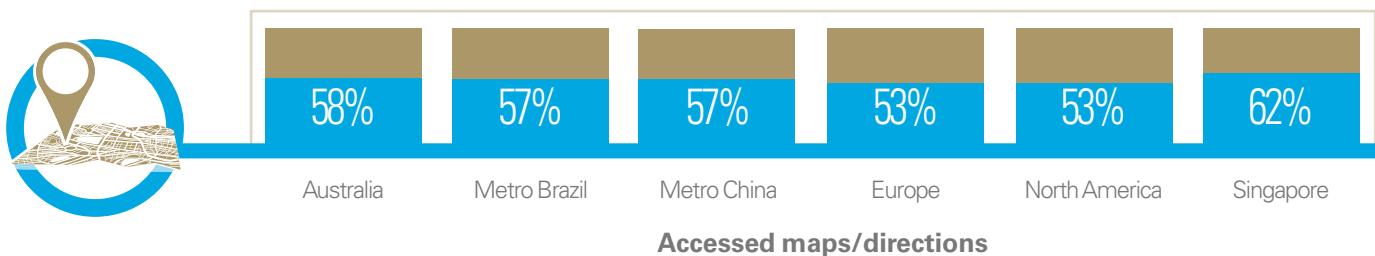
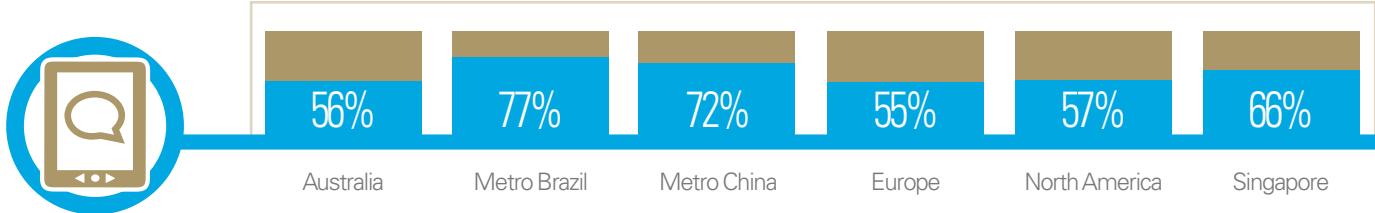
Industry viewpoint

"The introduction of 4G has been transformational. The step change in speeds and quality has meant that consumers and businesses are willing to pay a premium for 4G connectivity, while the move to 4G becoming more mainstream will see content consumption increase dramatically. In rural areas, where fixed line connectivity is limited, 4G will become the main source of connectivity. In more urban settings, the combination of Wi-Fi and 4G will ensure seamless high speed content regardless of whether you're at home or out and about."

Gerry McQuade, Chief Marketing Officer, EE

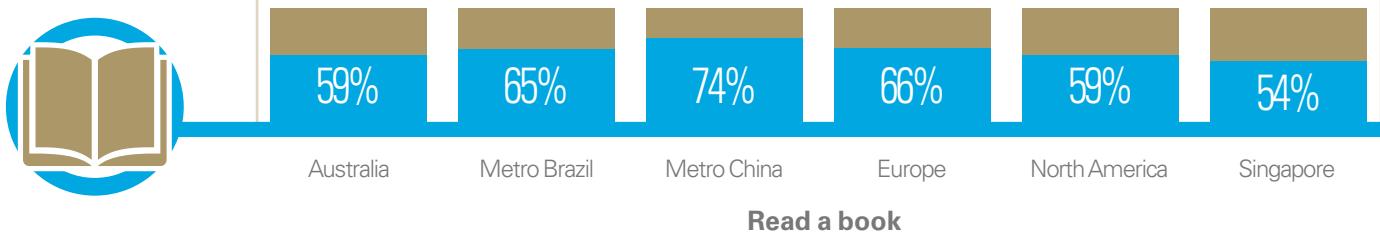
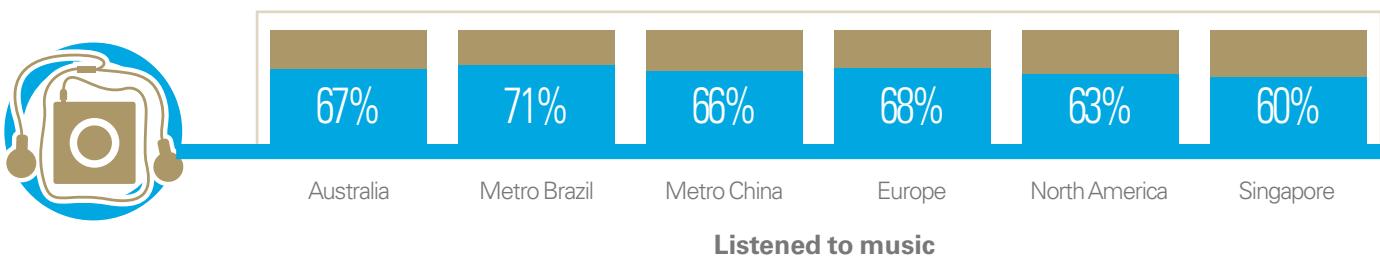
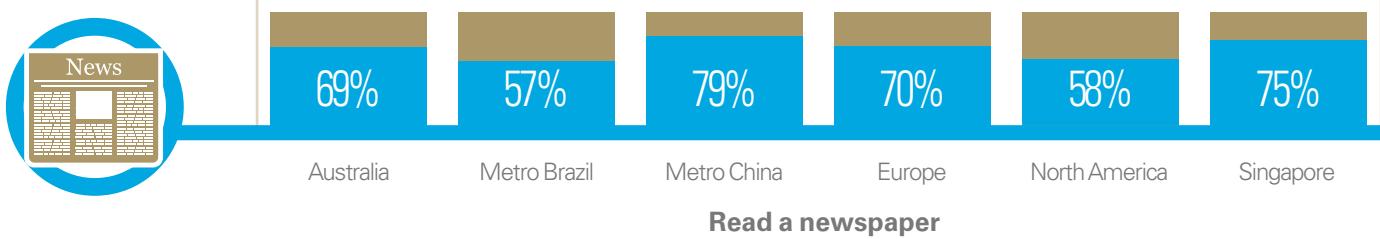
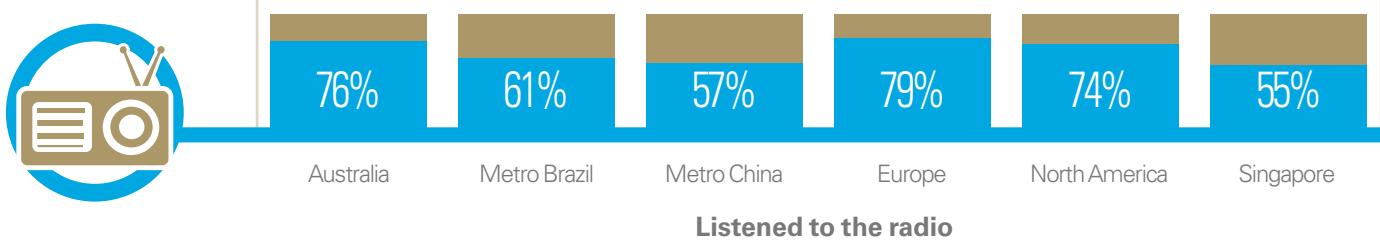
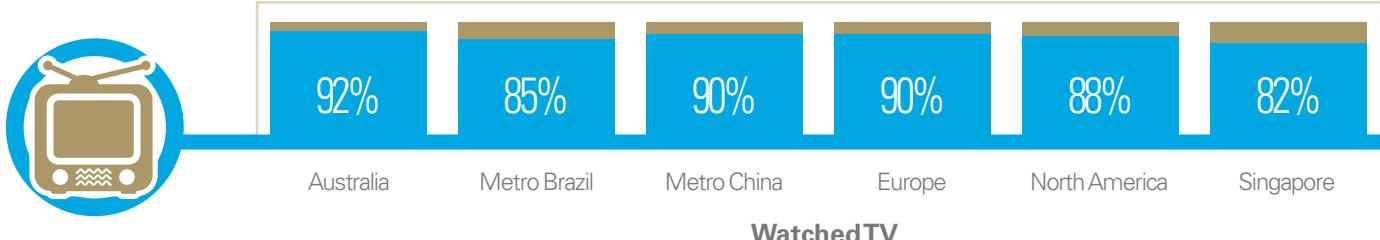
Top five — accessing digital media

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



Top five – accessing traditional media

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



When it comes to media, time is *not* money.

Irrespective of how consumers prioritize among the various types of media, consumers spend a similar amount of time between on and offline media. However, when it comes to voting with their wallets, it is no contest — in most countries and across most media types, consumers devote far more money to each offline medium than to its online form.

More consumers are increasing their digital media spend than are decreasing it; for traditional media it is more mixed.

The majority of consumers we surveyed reported that their spending had not changed in the past year across the diverse range of traditional and digital media sources available. However, for every form of online media, more consumers reported that they had increased their spending than reported a decrease. The primary forms of traditional content where more consumers are cutting their spending are packaged media, especially where there is a digital alternative: CDs, DVDs, and console games. The big offline winners are those tied to a venue, such as sporting events and musical performances. It is the live, real-time nature of these activities that increase their value, not just for attendees but for those tuning in via other means — hence the high advertising revenues tied to media with this 'live' attribute, such as The Super Bowl or The X Factor.

Industry viewpoint

"This data shows us that rather than digital merely cannibalizing traditional media, it is in fact growing the overall market. This is particularly apparent with traditional linear broadcast television, whose audience in many markets is actually still growing in parallel with the explosion of usage of VOD services such as Netflix, YouTube and Hulu."

Dan Brilot, Media Consulting Director, YouGov Plc

Consumers are more likely to be increasing than decreasing their online media spend

Has the amount you spent on the following activities increased, decreased or stayed the same in the last year?



Top 10



Overall spend in developed countries vs. developing countries

Please estimate the total amount of money you spent on each of these activities over the past month.

Traditional media spend

\$11

Developed



\$4

Digital media spend

\$13

Developing



\$6



Digital multi-tasking

Consumers are not paying as much attention to advertising.

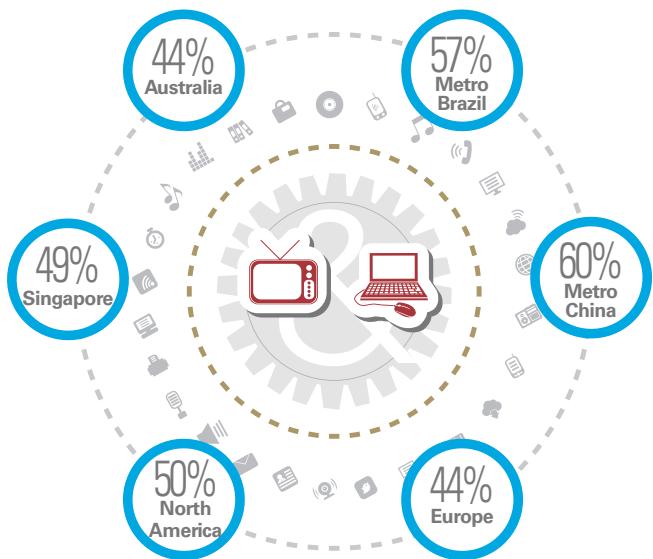
The commonly-referenced 'second screen' experience — or digital multi-tasking, interacting with a connected device such as a tablet while watching TV — is already widely adopted today. Nearly half of all Chinese consumers report that they use their smartphone while watching TV — and even more say they use their laptop. While some of this activity may be related to the content they are watching — such as researching

the actors or directors or entering online competitions — these consumers are almost certain to divert their attention to these devices when the program's advertising starts, diminishing the value of those ads. This provides a further challenge to TV companies looking to generate revenue from TV advertising.

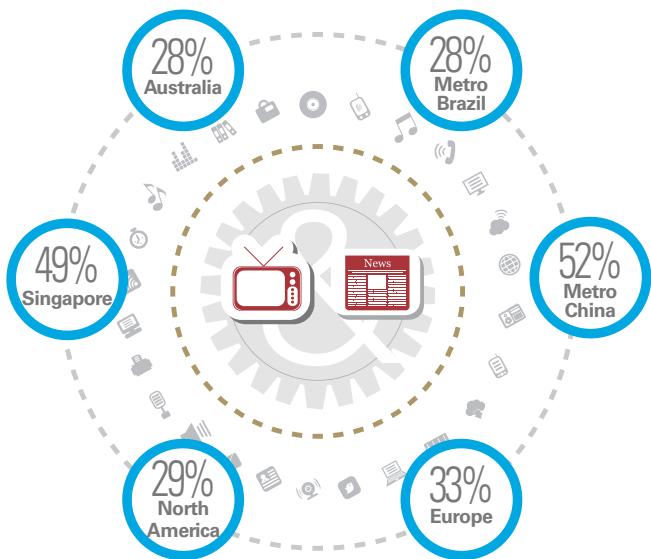
More people watch TV and access internet than watch TV and read newspapers

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

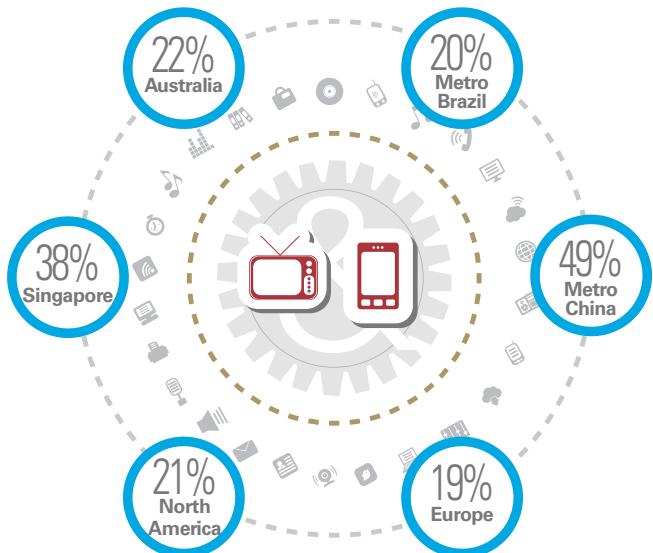
Watch TV & access the internet
(not for social networking) via PC/laptop



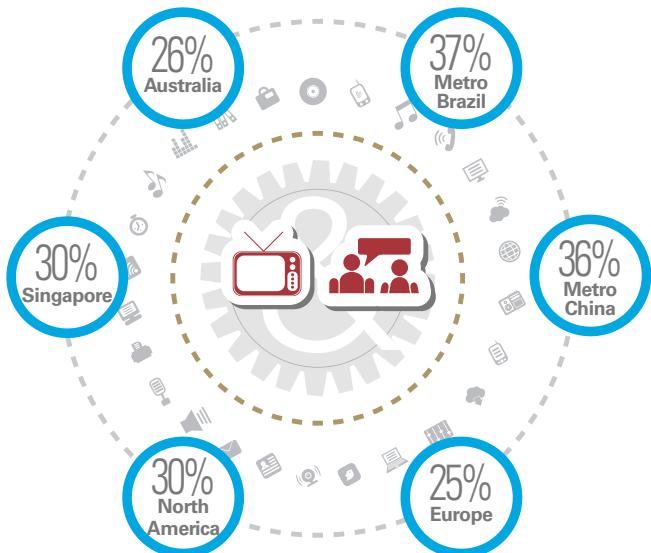
Watch TV & read newspapers



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



Watch TV & use a social networking site



KPMG viewpoint

“With the rise of multiple connected devices, the London Olympics is evidence that the UK consumer has become a multi-tasker — consuming simultaneously more media and entertainment. The ‘second screen’ is not a new concept but it has become a reality...”

David Elms, Head of Media, KPMG in the UK

Industry viewpoint

“Second screen, mobile apps and social media channels have introduced a new way for us to interact with our customers before, during and after the show they are interested in. Through social media channels such as Facebook and Twitter, we can continue dialogue with our customers in a way that was difficult through the TV set alone. This provides us with a much more interactive experience, and leads to a much more engaged audience.”

Oliver Lewis, Vice President, Strategy, Sky Deutschland

KPMG viewpoint

“In the home, digital multi-tasking is now so prevalent that Australian commercial television networks have been establishing their own proprietary social media platforms to try to cement the two behaviors to their commercial benefit.”

Malcolm Alder, Partner in charge of Digital Economy, KPMG in Australia



The coming wave of online consumers can accelerate the digital shift

The next wave of connected consumers — among the 4.5 billion who have not yet experienced the internet — will have their first online experience via a portable device connected to a mobile network, and may never even experience a PC or a fixed line connection. Today's Metropolitan Chinese consumers exemplify this coming wave — they are more likely to own a

smartphone than a laptop and more than 2 in 5 already own a tablet. And this explosion of access to online content on the go has occurred while next generation, high-speed mobile networks are still being built out — ubiquitous, robust LTE networks will surely accelerate this trend.

Do content owners have any reason to believe that consumers' shifting time and attention toward connected portable devices will alter their business prospects? After all, the adoption of online media in developed markets was driven almost exclusively by an advertising model, and created the perception among online consumers that 'net content' was synonymous with 'free'.

Industry viewpoint

"Unlike developed markets, a large proportion of grassroots, low-end smartphone users contribute to the development of the wireless market in China.

These users access the internet directly using their low-end smartphones, bypassing the PC. This creates a favorable environment for the development of a free and a micropayment-based business model.

On the other hand, smartphone penetration is also growing rapidly in China. According to iResearch, the number of smartphone users will reach 500 million by the end of 2013 and will exceed 700 million in 2016. Innovative features can be tailor-made for smartphone users to capture the rise of the smartphone user base, for example LBS WeChat's 'look around' function.

For advertisers, innovative mobile advertising formats and user targeting technology can be developed in order to increase ROI!"

SY Lau, President of Online Media Group,
Senior Executive Vice President of Tencent

KPMG believes that, by examining consumers whose device adoption and attitudes presage the coming wave of online consumers, media companies have a huge opportunity to capture the attention — and share of media wallet — of their consumers. To capitalize on the opportunity that this coming wave presents, these companies must adapt their approach.

Industry viewpoint

"The next generation will not differentiate between first and second screen. Instead, they will have 24 hour access to content across multiple devices. They will be inseparable from their mobile devices. What's more, the data gathered by mobile technology will give content owners the ability to provide a hugely personalized experience to the consumer, which is something we've long been committed to doing here at theScore, knowing that every sports fan has unique needs."

Benjie Levy, Executive Vice President and Chief Operating Officer, theScore

KPMG viewpoint

"Chinese consumers are creating the perfect storm for the mobile market: accessing payments, devices, social media, online advertising – all of these on the move. These consumers are more accepting of these new technologies as they don't have the legacy of traditional media channels in the same way countries such as the UK and US have. This also leads to the fact that Chinese consumers are much more willing to pay for content, and accept advertising, than their western counterparts."

Egidio Zarrella, Clients and Innovation Partner,
KPMG in China



Our analysis of online consumers' attitudes — especially those who are already mobile-centric — reveals that:

Consumers welcome online advertising

Consumers recognize that online advertising can provide a distinct benefit by underwriting the cost of the content they enjoy. In emerging markets like China and Singapore, consumers overwhelmingly say they will trade their attention — by accepting advertising — in exchange for lower prices or free content and services.

Advertising opens the door for paid content

While accepting of ads, consumers express some apprehension about the potential abuse of personal information, and that concern is likely to be more pronounced on mobile devices given companies' ability to link online and offline behavior via location data. Interestingly, those consumers who are most likely to accept

advertising as a form of subsidy for mobile services and content express the greatest willingness to pay for content in exchange for retaining control over personal data.

Online, and mobile in particular, top consumers' media priority list

Consumers recognize many benefits of online content versus their offline forms — price is certainly one such benefit but they also value abundance of choice, ease of access and, ubiquitous availability. The digital multi-tasker sees significantly greater value in online content across all of these attributes than does the 'traditional' consumer who is tied to the PC or is primarily offline.

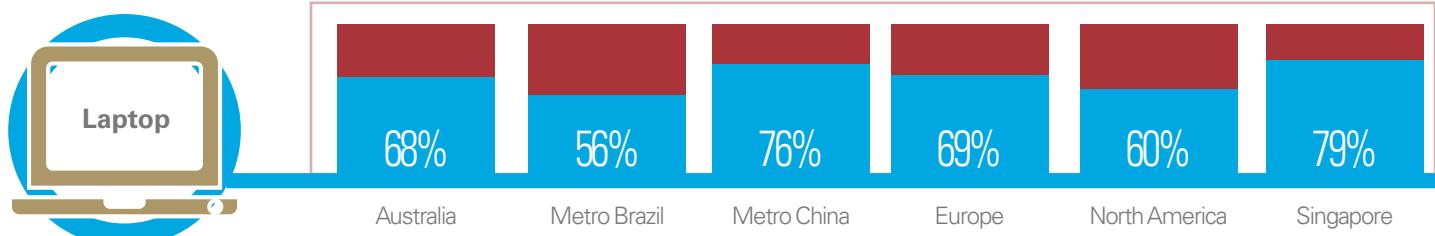
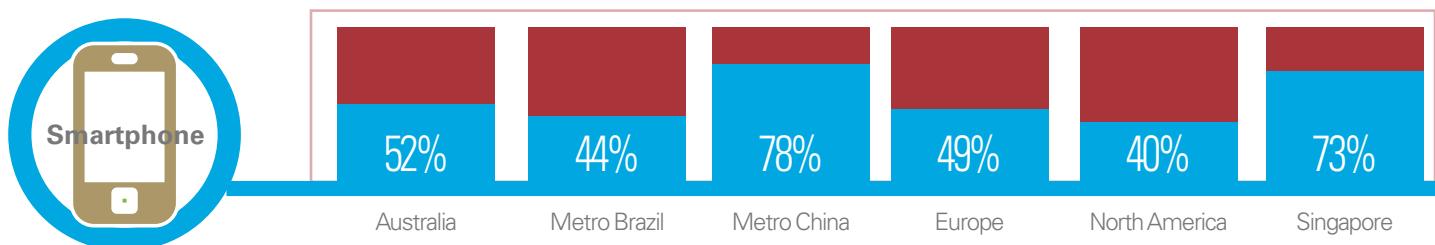
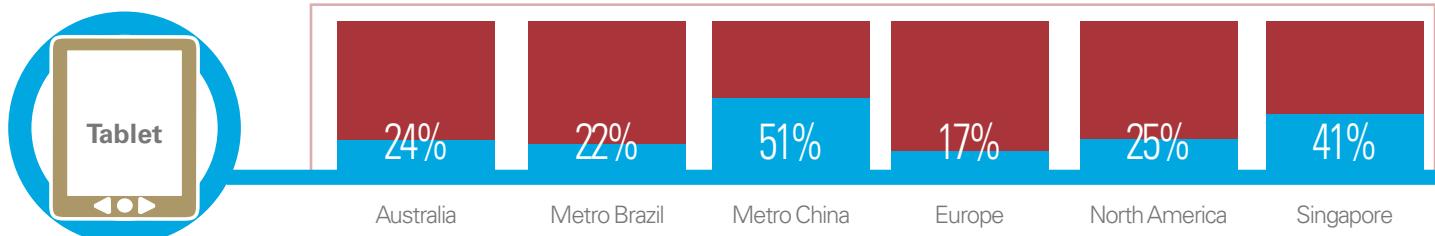
Industry viewpoint

“theScore has an advertising-based business model. Innovation in the advertising landscape presents a huge opportunity for mobile. There is a huge shake-up in the market in how advertisers look to engage with consumers. However, the success of advertising models will still very much depend on the target market. For example, much of our own success is based on the fact that our mobile apps resonate with the male 18-34 category, which is notoriously difficult to target for brands.”

Benjie Levy, Executive Vice President and Chief Operating Officer, theScore

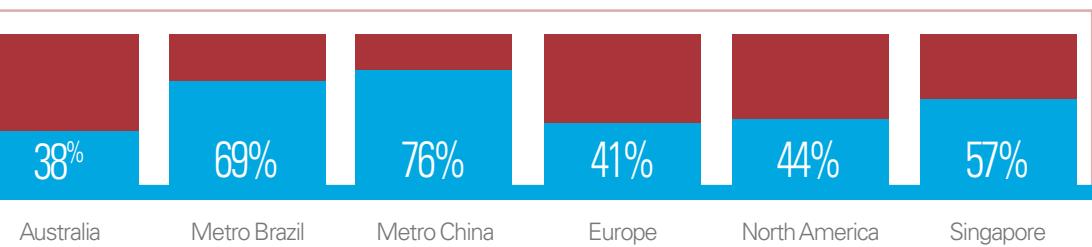
Device ownership

Which of the following devices do you own?

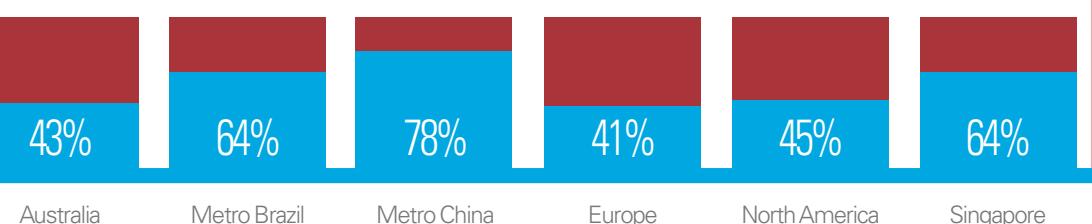


Media consumption preferences

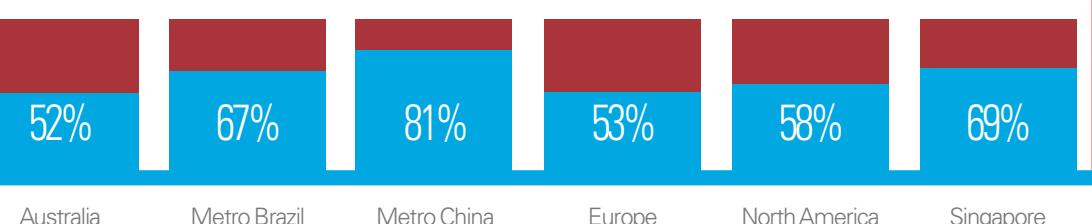
Please indicate the extent to which you agree or disagree with the following statements



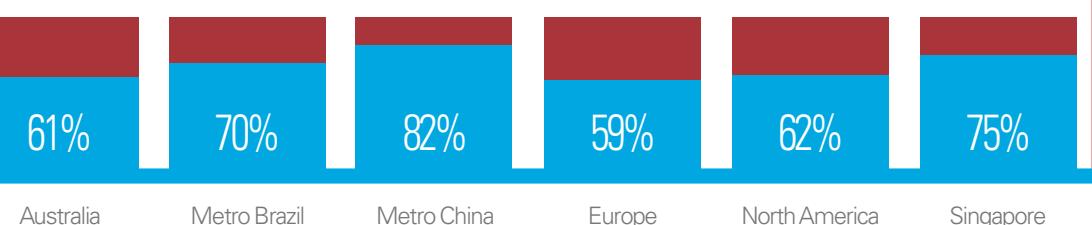
I prefer to access content online because it is better value for money



It is more environmentally friendly to access content online



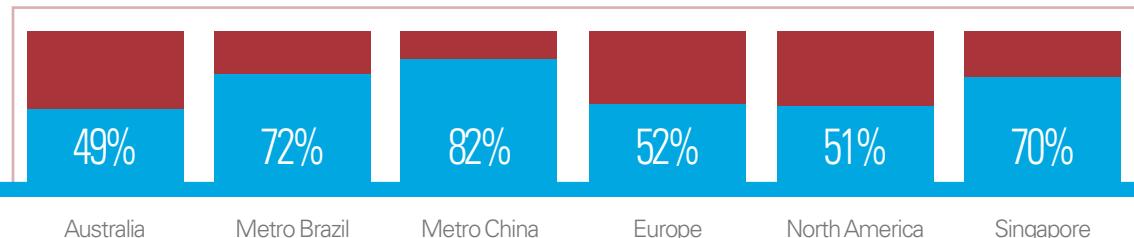
It is more convenient for me to access content online as I spend a lot of time on my computer



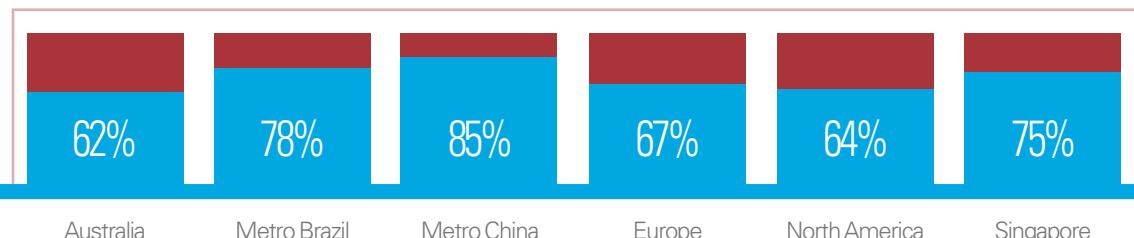
I prefer to access content online because it is free

Media consumption preferences

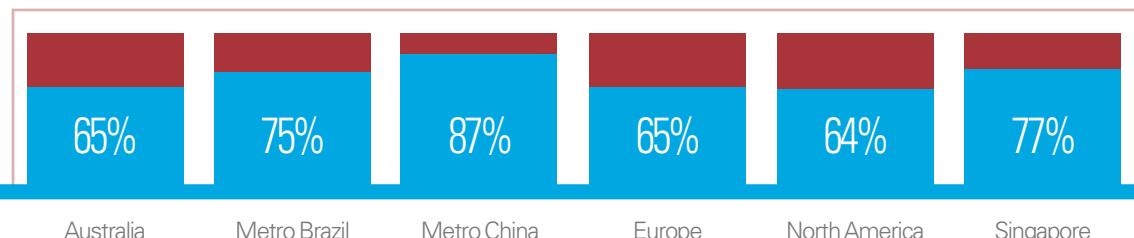
Please indicate the extent to which you agree or disagree with the following statements



I prefer to use online media sources as I can access content whenever I want



It is easier to find content online that I am interested in



There is a wider choice of content online

Cooperation to address the new wave



The industry should cooperate to address this new wave

Today media and technology companies find themselves in a state of uncertainty as each has a reliance on the other. They derive significant benefit from each others' products, but their respective priorities and strategies often fail to align — and may even lie in direct opposition. Content providers are critical to enabling the experiences that consumers seek on the new connected devices that technology companies provide. However, these experiences can

also disrupt existing and reliable business models that the content providers seek to protect, while gradually transitioning to a new reality. Technology companies like Google and Amazon have even begun to cultivate development alternatives by investing in their own content production, such as the expansive YouTube Space in California, and by crafting partnerships with creative producers to enable a new distribution path to consumers.

These agendas, which can create both conflict and opportunity, will continue to mature. Technology and media companies will opt to pursue their own strategies and encroach on one another's territory. However, it is clear that both industries' paths to success in the future rely on the others' maintaining a viable business serving the connected consumer. The content that these customers desire, and are willing to pay for today, remains the professionally produced high-quality video, music, books, and digital print material that consumers recognize via strong brand names. The application development and delivery ecosystems are emerging as the critical path for content developers, brands, and advertisers to reach their customers. And the networks that are essential to delivering content, experiences, and communications to consumers must deliver a return that allows operators to continue to invest in improving their performance.

Satisfying the future wave of consumers requires the smooth integration of content, devices, and distribution. Because it is unlikely that any player can master every one of these components, cooperation is the recipe for future success.

Industry viewpoint

"The use of mobile phones accessing the internet in China has surpassed that of PCs for the first time, making mobile phones the No.1 internet terminal. Therefore, mobile apps have been developed into key marketing channels for advertisers. This change will bring huge challenges to the whole industry. Leveraging on our improved data-mining capability powered by technological advantage, Tencent is able to provide advertisers with more effective mobile marketing solutions. Mobile media helps advertisers with targeted product promotion, brand publicity and CRM (Client Relationship Management), thus becoming a long-term marketing platform for advertisers."

SY Lau, President of Online Media Group,
Senior Executive Vice President of Tencent

Industry viewpoint

"The industry has come a million miles from where we were 3 or 4 years ago. Establishing partnerships between mobile, content and technology providers is critical in developing a personalized mobile experience for consumers. Mobile companies have access to a wealth of data that can provide enormous insight into how consumers are using their mobile device and can provide valuable guidance to industry players looking to work out how to respond effectively to consumer's online behavior and patterns."

Gerry McQuade, Chief Marketing Officer,
EE

KPMG viewpoint

"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."

Graeme Ross, Global Chair,
Media & Telecommunications

The rise of the digital multi-tasker — country spotlights

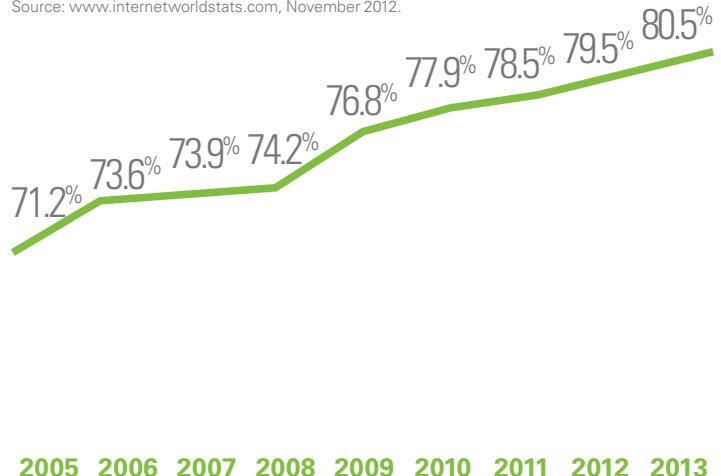
Our research covered more than 9,000 consumers across 9 countries. To follow is a brief snapshot of how our survey's findings impact these different countries, and how they are addressing the challenges and opportunities facing the industry today.

Spotlight on Australia – Malcolm Alder, Partner in charge of Digital Economy, KPMG in Australia

Australians embrace new media, but traditional companies are beginning to pay the price

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



2005 2006 2007 2008 2009 2010 2011 2012 2013

In most areas covered in the study, Australian consumers are at or very close to the most advanced in mature Western economies. In particular, the amount of time they spend in social media is at world leading levels on a per capita basis. Increasingly, this engagement is being conducted in parallel with their consumption of traditional media. In the home, the 'second screen' phenomenon of watching TV while simultaneously interacting on social media or conducting other online activities through a tablet or smartphone, is now so prevalent that the commercial television networks have been establishing their own proprietary social media platforms to try to cement the two behaviors to their commercial benefit.

One area of traditional media that is under extreme pressure in Australia is newsprint. While consumption of news and related content through the digital channels of the incumbent news publishers is strong and growing, the revenue generated is not yet growing strongly enough to offset the revenue erosion in their printed products. As well as the challenge of trying to entice their audience to pay for hitherto 'free' content, in the categories of advertising that were traditionally their core business e.g. jobs, real estate and vehicles, there are very strong and well established online only competitors.

In summary, Australian consumers have more choice of media through all channels wherein traditional and online channels coexist at present and which they are embracing with relish, often in parallel. However, the business models of many long-established media companies are under extreme and unrelenting pressure.

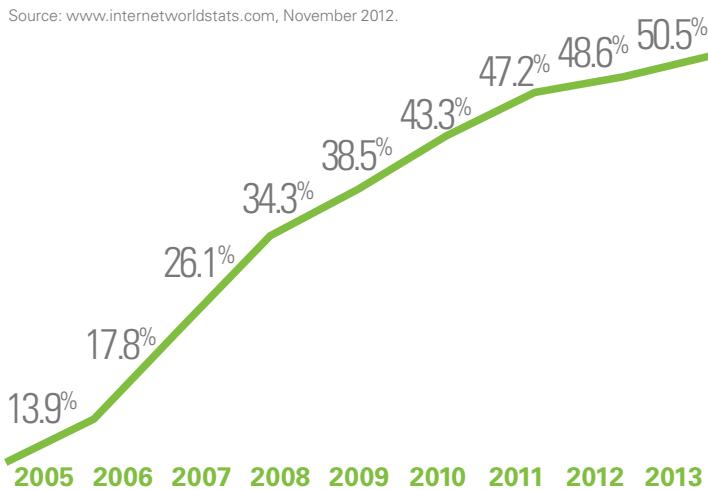
Spotlight on Brazil –

**Manuel Fernandes, Partner,
KPMG in Brazil**

Pressure mounts for Brazil's networks to make consumers' online experiences more enjoyable

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



Consumers in Brazil are embracing new mobile technology, with 44 percent of consumers saying they own a smartphone and 22 percent already owning a tablet. But the challenge for content providers is the speed of network, data security and the consumers' ability to download content via the mobile network. While 67 percent of respondents in Brazil said it was more convenient for them to access content online, almost a third said they did not have a fast enough internet connection to make their online activity an enjoyable experience; and almost half said they were uncomfortable making online payments due to security concerns.

However, with the world's eyes on Brazil for the FIFA World Cup in 2014 and the Olympic Games in 2016, investment in the 4G network will accelerate availability to content and enhance the users experience; and consumers in Brazil should be able to fully embrace the online experience.

Spotlight on the UK –

**David Elms, Head of Media,
KPMG in the UK**

Huge demand for video on the move

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



The Olympics highlighted fundamental changes to consumers consumption of media in the digital world. In the UK, there were over 12 million requests for video on mobile devices during the Olympics and on one day alone the BBC delivered 2.8 petabytes of data at 700 Gb/s¹.

With the rise of multiple connected devices, the Olympics is evidence that the UK consumer has become a multi-tasker — consuming simultaneously more media and entertainment. The 'second screen' is not a new concept but it has become a reality: consumers increasingly engaging in different media at once, usually accessing a passive and an active media at one time. TV is the most popular media for multi-tasking with the main behavior consisting of watching TV while being online (emails, social networks, program insights).

Consumers in the UK have an insatiable appetite for media on multiple platforms and, as the Olympics highlights, this represents a huge opportunity for media companies as they adapt and develop their business models (and monetization strategies) in the digital world.

¹ <http://www.bbc.co.uk/mediacentre/latestnews/2012/sport-online-figures.html>

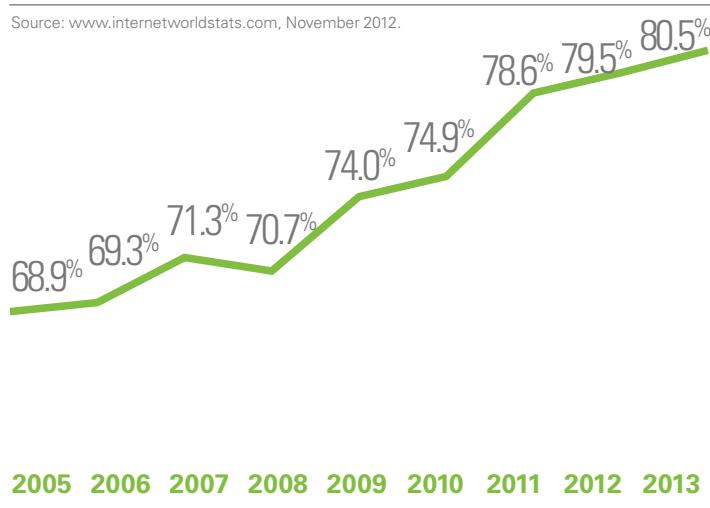
Spotlight on Canada –

Paul Simonetta, Head of Media & Telecommunications, KPMG in Canada

Canadians are cautious late adopters; but their appetite for digital is on the rise

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



Industry viewpoint

“In Canada, companies are beginning to realize they have to move quicker – new entrants are coming in and some traditional players will struggle while others will thrive. It’s why we’ve placed an emphasis on being innovative and nimble, from the moment we became the first sports media company to produce a commercial iPhone app in 2007. New technologies provide disruptive models. Canadian businesses will need to be more nimble if they want to survive and compete against these new entrants.”

Benjie Levy, Executive Vice President and Chief Operating Officer, theScore

2005 2006 2007 2008 2009 2010 2011 2012 2013

Canadians continue to be late adopters of technology as consumers tend to like to see how new technologies perform prior to committing. There is still an evident preference for traditional media consumption vs. digital; however, the trend continues towards increased consumption of media digitally. With the growth in mobile devices, consumers are showing an appreciation for the convenience of digital content being readily available on demand.

We are seeing an increased appetite for social media in North America with consumers looking for multiple access points to news and content. Age tends to be more of a factor for traditional media consumption than in digital media with younger age groups spending more on DVDs and console games, and older age groups spending more on watching television. In contrast to traditional media, there are no clear distinctions between age and digital media consumption.

Overall, what is clear from the trend in responses to the survey over the past several years is that digital media continues to become an increasingly important focus in the evolution of media companies’ business model, due to the continuing appetite for digital information and entertainment options.

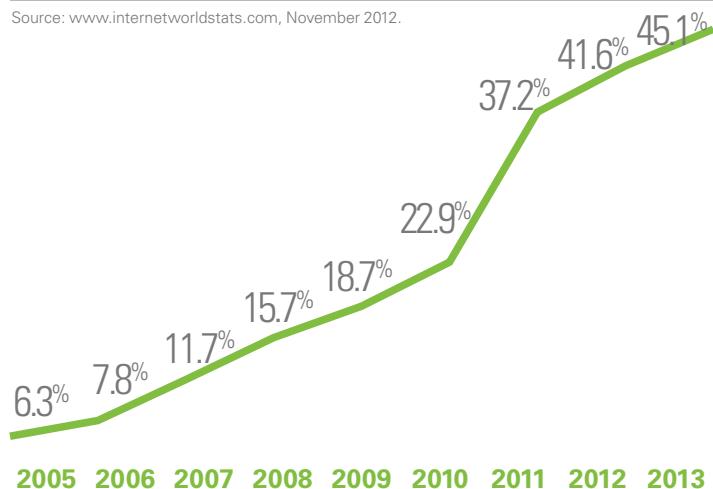
Spotlight on China –

**Ning Wright, Head of Technology,
Media & Telecommunications, KPMG in China**

The mobile phenomenon sweeps across China

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



Industry viewpoint

“In the Chinese market, the brand-new O2O (online to offline) model forces traditional industry to think digitally. According to iResearch, the China O2O market volume doubled to nearly RMB76 billion in 2012, and will reach RMB270 billion in 2015. O2O now has penetrated into the traditional industry rapidly, which will not only invigorate traditional retailers, but also bring huge opportunities to retail advertising. This trend might also present opportunities for the developed markets.”

SY Lau, President of Online Media Group,
Senior Executive Vice President of Tencent

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. 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 focus 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.

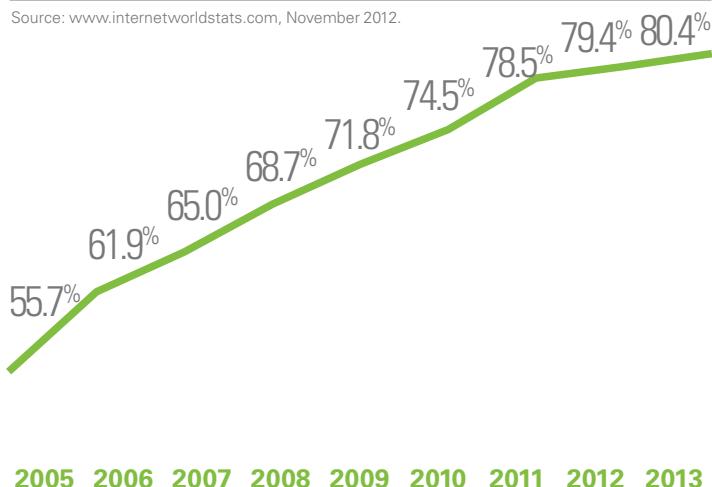
Spotlight on Germany –

**Markus Kreher, Head of Media,
KPMG in Germany**

Pay TV gains ground in Germany, further enhanced by seamless TV, mobile and online viewing experiences

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



Industry viewpoint

In Germany, the pay TV market is less developed than in the US and the UK but it is growing steadily year on year. We have a loyal consumer base of over 3 million subscribers who, by subscribing to Sky, get access to content across multiple devices. Just as customers can have packages of content bundled together, now they can have ways of consuming that content through a bundled package of device options. This provides them with a seamless experience, moving from TV, to smartphone, laptop or tablet, at no extra cost”.

Oliver Lewis, Vice President, Strategy, Sky Deutschland

2005 2006 2007 2008 2009 2010 2011 2012 2013

In Germany, consumers still tend to spend more time with traditional media. In terms of spend, the survey shows that the highest spend on offline media is on books and video games. The digital book market has grown fast in the last 2 years, with consumers spending 35 percent of their book budget on digital books. Watching TV is the most popular media choice in Germany, but it is also the time when consumers are most likely to consume different media at once.

With the recent improvements in broadband connectivity, we should see a strong growth in streaming TV and VoD (fixed and mobile). As German consumers prefer the ‘traditional experience’ of watching TV on a television set rather than on a digital device such as a smartphone or tablet, smart-TV sets with a user friendly interface to get easily connected to the world of VoD services, live streaming and other content, should have a good chance to establish themselves in the marketplace. These developments may also lead to a strengthened pay-TV market in Germany, which is very small at the moment in comparison with the US or UK market.

KPMG viewpoint

“In my opinion, until new digital media can provide stronger content and online services that are as easy to use as traditional media, both old and new digital media outlets will continue to coexist, but may serve different target audiences.”

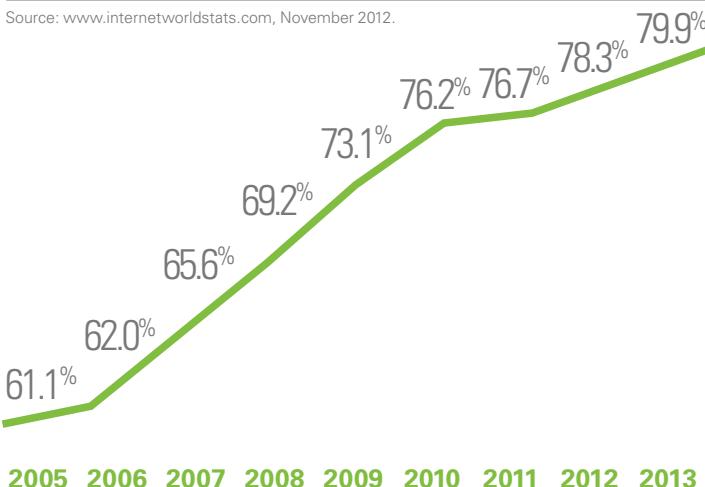
Lyon Poh, Partner, Management Consulting, KPMG in Singapore

Spotlight on Singapore – Lyon Poh, Partner, Management Consulting, KPMG in Singapore

Singapore second only to China in device ownership; but security remains a concern

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



Spotlight on Spain – Celso García Granda, Head of Technology, Media & Telecommunications, KPMG in Spain

Growth in online population almost doubles, but TV remains the favorite activity

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



Singapore users, along with those in China and Brazil, show a significant preference for digital media. Ninety-four percent of those surveyed in Singapore said they access the internet for leisure purposes frequently, some up to several times a day. However, many Singapore consumers of digital media are concerned about security issues.

In terms of device ownership, Singapore is in second place of all the markets surveyed, behind China. Television sets, laptops and smartphones are the most commonly owned devices by Singaporeans. Singapore, with Brazil and China, are the countries that seem to be most accepting of digital advertising.

The impact of the digital age has dramatically altered how consumers consume music, news, and other forms of entertainment. However, it is too early to predict the end of traditional media as our report shows that consumers split their time between traditional and digital media.

Consumers in Singapore often engage in different media at once, with activities centering mainly around watching the television or listening to the radio. They appreciate the convenience offered by digital devices, but yet many still prefer watching entertainment programs on a TV set rather than on a digital device.

The key findings show that Spanish consumers are in line with the trends of the other developed markets.

With two-thirds of Spaniards connected to the internet, Spain still spends more money on content from traditional media than from other digital devices. The preferred activities are watching TV, followed by eBooks and social media.

Spanish consumers tend to engage in different types of media at the same time, with television being the main activity. The internet, newspapers and social networking are the preferred companions to TV viewing.

As in other European countries, security is not an issue: only 1 out of 3 prefer to pay for content if this means that their personal details will not be used to collect more information about them. The close circle of friends and family remains the main source of advice when buying products or services in 2 out of 3 cases. Product comparison or discount voucher sites comes second.

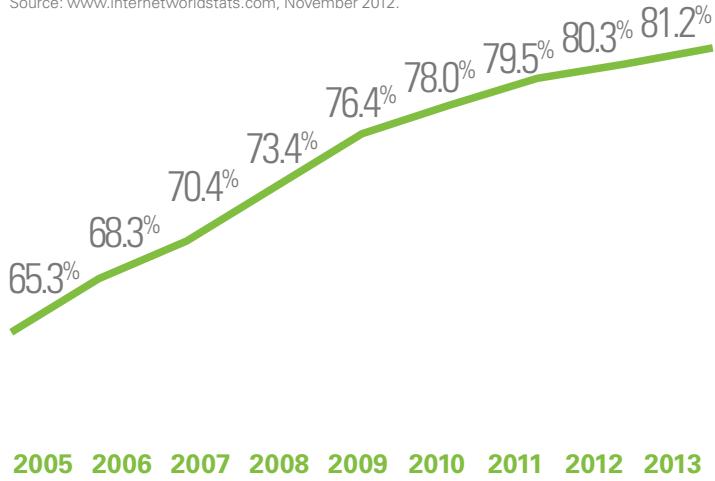
Spotlight on the US –

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

Move to digital has had a dramatic impact on how US consumers access music, publishing and newspapers

Growth in online population from 2005 to 2013

Source: www.internetworldstats.com, November 2012.



KPMG viewpoint

“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 coexist.”

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

2005 2006 2007 2008 2009 2010 2011 2012 2013

Watching TV has the highest level of spend for the US across traditional media activities, with nearly 60 percent of US consumers preferring to watch their favorite shows and video programming on their TVs, but they also want their smartphones and tablets by their side so they can be online and multi-task. While traditional media is still most popular with consumers for viewing video programming, 14 percent say they prefer to watch TV via tablet for greater flexibility. This is largely attributed to the emerging wave of mobile-centric consumers (25-34 years old).

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 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 coexist.

Conclusion and key recommendations



Conclusion and key recommendations

With consumers still spending large amounts of time — and money — on traditional media, digital and traditional media will continue to coexist, at least for the next few years. But the findings show that the rise of digital multi-tasking and the new wave of mobile consumption is not around the corner. It is here now, among the consumers that want content on the go, at high speed, at low or little cost.

Lessons learned from the mobile-centric emerging markets — and from the behaviors we are seeing worldwide among media consumers — need to be

analyzed, understood and responded to in order to be ready for the new wave of digital transformation.

KPMG's Global Media and Telecommunications Practice has identified five opportunities for media, technology and telecommunications companies to embrace the challenges and find new ways of working together to generate more revenue from content. This can help to avoid the share of the media wallet becoming spread even more thinly across channels and devices.

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 consumers' 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 The 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 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.

Demographics and Methodology

This study was conducted by YouGov Plc on behalf of KPMG International.

The survey was conducted among 9,111 consumers in Australia, Brazil, Canada, China, Germany, Spain, Singapore, the UK and the US to evaluate those consumers' media consumption, device adoption and attitudes. The study ran from 1 to 15 October 2012.

Data was collected using an online panel and online methodology so internet penetration and behavior is likely to be higher than average for some countries.

All countries are nationally representative of c.1,000 adults (16+) with the exception of the US which is nationally representative of 18+ as this is the 'adult' age in the US.

China and Brazil samples are only representative of the 'urban population' due to difficulties reaching those living outside of these areas.

1 Source: <http://www.internetworldstats.com/stats.htm>, November 2012.

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