

Thursday, 24 August, 2017

## **State of the Nation: Media Report – the audience is transforming**

**A highly competitive media industry is brimming with opportunities and challenges for incumbents as the advertising pie grows to over \$15 billion\*.**

Roy Morgan CEO Michele Levine and leading futurist Dr. Ross Honeywill presented the latest State of the Nation: Media Report in Melbourne and Sydney in August.

**According to Michele Levine the Australian media industry is changing rapidly with the rise of digital interactive platforms driving strong online advertising growth.**

*“The disruptive trends sweeping a growing media industry are transforming the ways Australians consume media and, in an age when everyone is always ‘on’, it is vital media companies connect directly with their audiences and know exactly who their audiences really are,” she said.*

*“The total Australian advertising market\* grew to \$15.25 billion in 2016, up \$1.1 billion (+9.3%) on 2015 and up \$2.3 billion (+17.9%) over the last two years. Driving the increases is a growing online spend - specifically Online Search, Online Classifieds and Online Display ads, which today comprise almost half of the total advertising spend.*

*Ms Levine believes the migration of advertising spend to digital platforms gives new prominence to the age old question of trust. The Roy Morgan State of the Nation Media Report explores the importance of trust to traditional media companies.*

*“The data reveals that traditional media enjoy high levels of trust, while their newer social-media centric competitors don’t. The importance of building this trust in a future overwhelmed by fake news and consumer choice is more important than ever for retaining and building audiences.*

*“Trust isn’t just an issue media companies have with consumers, companies must use data science like the in-depth measurement analytics provided by Roy Morgan to build trust with advertisers hungry for accurate and timely measurement of different media channels.*

*“Roy Morgan has evolved fast with the changing landscape and now offers products including digital evaluation tools in collaboration with Telstra, which reach a panel of over 19 million internet connected devices, and Roy Morgan Pixel which collects real-time information about a user’s actions in the digital landscape and can deliver daily reports on reach, frequency and detailed consumer profiling at an unrivalled granularity.*

*“These innovative digital products enable advertisers to know almost in real-time who is engaging and responding to their brand online - right now and right down to postcode.”*

The State of the Nation: Media Report looks at challenges and opportunities facing the industry as the rate of change speeds up and consumers explore new ways of engaging with media including the impact of key disruptive trends powered by digital innovation.

## **Key Disruptive Trends Impacting the Media Industry – Humans are changing the game:**

- Towards a digital future: instant immersive engaging responsive
- Towards zero friction: smooth fast instant easy always on
- Towards sharing: spend more-buy less experiences own less
- Towards autonomy: take control self-curation right to forget money
- Towards hyper-personalisation: priority me relevance individual purpose
- Towards authenticity: truth handmade knowledge real anti-fake

View [20 Disruptive Thoughts to take away with you](#) by Dr. Ross Honeywill.

## **Key findings of this in-depth industry spotlight include:**

- **Media Matters – Advertising market now worth over \$15 billion\***  
Overall Advertising revenue in 2017 is estimated at over \$15.25 billion, up 8% on 2016.
- **Advertising spend online is now almost 50% of the total\***  
Combined online ad spending now comprises nearly half of all Australian advertising split between Online Search & Directories on 22%, Online Display ad on 18% and Online Classifieds on 9%. TV still captures just over 25% of all advertising spending ahead of Print media on 13%, Radio on 7%, Outdoor on 5% and Cinema around 1%.
- **Traditional media model has been shattered**  
Against this background of ‘havoc’ being wreaked on traditional media owners, new research from Roy Morgan shows that while the traditional business models for media are shattered, media is most definitely not.
- **Australia’s transition to an experience economy is driving changes in media consumption**  
Our spend on leisure and entertainment is increasing at a faster rate than discretionary commodities. We now spend substantially more on leisure and entertainment (\$137 billion) than on non-grocery discretionary commodities (\$105 billion) and the trend is clear and encompasses the broader disruptive trends impacting society noted above.
- **Internet usage becomes a part of daily life**  
The reality is the internet is no longer something that Australians dabble with every now and then. For most, they are constantly ‘on’, accessing information, creating and sharing content and communicating with their social communities and others.
- **Facebook and YouTube reach is greater than ever before**  
The big two new media players have become mainstream with 16.6 million Facebook users and 15.4 million YouTube users in an average 7 days – and they are still growing.
- **Digital changes are not linear, they are exponential and accelerating**  
The rate of change we are now seeing has accelerated dramatically. Netflix for example exploded within a 2 year time period – now over 5.8 million Australians are on Netflix.
- **Long term decline for traditional media usage**  
Viewing of traditional Free-to-Air TV is down from 96% in 1998 to just over 88% now. Reading of any major newspaper in print is down from 84.5% in 1998 to 44% now. Magazine reading is down from 88% in 1998 to 69% now. Commercial radio listening is down from 73.5% in 1998 to 62% now. And use of the Internet has risen from around 15% in the late 90s to near ubiquity at 94% now.

- However – traditional media is adapting and being consumed in new ways**  
95.6% of Australians watched Free-to-Air TV in 2002, and though this number has now declined to 88.4% - when one includes new forms of TV including Pay TV/ SVOD – watched by 27.1% of Australians and boosted in recent years by the advent of Netflix and its competitors, and Catch-up TV Website or Apps – watched by 16.5%, the total number of Australians watching some form of TV at 94.1% has barely changed over the past 15 years.
- Newspapers are also adjusting to the digital world**  
Similarly to TV, readership of print newspapers has declined from 84.5% in 1998 to just over 44% today, but this hides the take-up of Newspaper Mastheads via digital means. Readership of Newspapers via Print, Online or Apps is now 65.2%, and has increased over the last four years – it was 63.3% in 2013. The take-up of digital newspaper readership is now faster than the decline in print readership.
- Australians are consuming more media across multiple channels simultaneously using multiple devices**  
Now 43% of Australians agree ‘I like to surf the net whilst watching TV’ – up from 27% in 2011 and the average hours per week spent using media has increased to 50.4 hours from 47.4 hours in 2013 – up 6.3%.
- Australians still mainly get their news from TV, although the Internet is catching up**  
69% of Australians mainly get their news from TV – 64% via Free-to-Air TV and 12% via Pay TV, Fetch TV etc. while 48% now mainly get their news from Newspapers – including 33% from printed editions and 25% from Newspaper websites or apps. Over 50% of Australians now mainly get their news via the Internet in some form.
- TV News far ahead of social media for trust**  
More Australians trust TV news (41.5%) than other forms of media; 38% nominate Free-to-Air TV and 4% turn to Pay TV, eg Foxtel, Fetch TV. 25% of Australians trust Newspapers the most with 13.5% trusting print editions and 12.5% trusting Newspaper websites or apps. 16.5% trust radio and only 21% mention any online media form as their most trusted source of news – including just 4% for Social media and 3% for Newsfeed sites.
- Media Now**  
A key dynamic differentiating traditional and new media is that traditional media businesses are channel agnostic whereas Google and Facebook are channel specific but business agnostic!
- Rise of Direct to Consumer Media models**  
Brands and content creators are going ‘Over The Top’ of traditional media to reach audiences direct. ‘Over The Top’ media delivers film and TV content via the internet, without requiring users to subscribe to a traditional cable or satellite pay TV service.
- Challenges & Opportunities for Disruptors**  
As disruptors to the traditional media model become mainstream there are problems and opportunities galore for both traditional media, and even those early waves of disruptors. The speed of change in the industry has increased and the golden rules these days as employed by those who currently enjoying success seem to be the move towards zero friction, the right to forget money, a move away from ownership, communities of interest and increasing relevance and engagement through hyper-personalisation.

- **Challenges & Opportunities for Consumers**

Humans rule. For consumers the threats are around ‘fake news’, privacy, security, and some would say simply ‘too much....’ Today the traditional media hold consumers’ trust.

Some of the opportunities for consumers are obvious – free access or reduced costs for almost everything, greater transparency. Perhaps less obvious is the opportunity to engage in communities of acquaintances and communities of interest.

*\*The estimated advertising spend for 2016 and the breakdown of spending comes from the Commercial Economic Advisory Service of Australia (CEASA) Report of 31<sup>st</sup> December 2016. 6 months to 31st DEC 2016 (TV includes FTA, subscription. Plus SBS and Multi-Channel Network/Foxtel and accrual for Full Episode content created for broadcast or streaming).*

**For more information or to organise an interview with CEO Michele Levine, please contact:**

**Roy Morgan Research - Enquiries**

Office: +61 (3) 9224 5309

[askroymorgan@roymorgan.com](mailto:askroymorgan@roymorgan.com)

### About Roy Morgan Research

Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in Indonesia, the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has over 70 years’ experience in collecting objective, independent information on consumers.

### Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
7,500	±1.1	±1.0	±0.7	±0.5
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2