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The Market Impact of New Media

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Roy Morgan Research Pty. Ltd.

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Overview

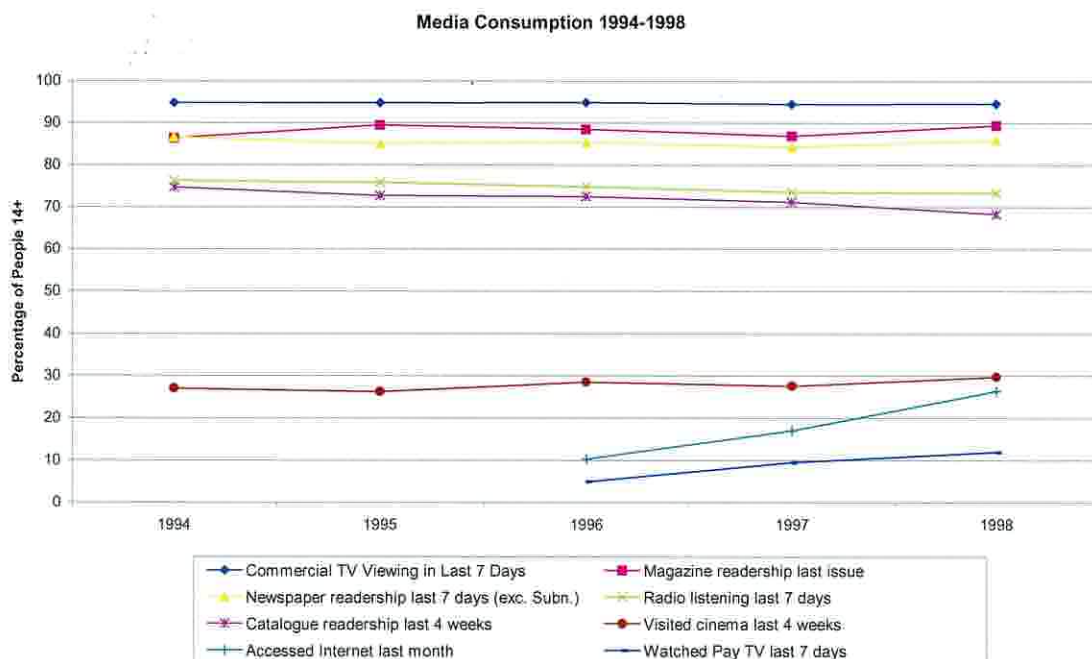
Media operators have been busy lobbying Government about the potential demise of their main stream media at the hands of the new media. Speculation has been particularly rife regarding the likely impact (and hence appropriate regulation) of Digital TV, Datacasting and, by association, the Internet.

There is little historic evidence to suggest that new media will result in old media disappearing. The invention of radio did not result in the disappearance of newspapers; the invention of TV did not result in the disappearance of radio or cinema. Similarly the launches of the Internet and Pay TV have not resulted in the disappearance of any mainstream media and are unlikely to in the foreseeable future.

Roy Morgan Research has been measuring all main media consumption nationally for many years using Australia's largest Single Source database. This paper will examine the trends, consider the status of Pay TV and the Internet and conclude with a summary of key points.

Main Media Trends 1994-1998

The chart following details the percentage of the population aged 14 and over that consumed any of the mainstream media. All figures are for the twelve months ending December.



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Whilst Pay TV and the Internet have provided totally new means of expending available leisure hours, the number of people engaged in each of the main media activities each week has hardly changed. In particular, the proportion of the population who watches commercial television in any given week has been almost constant.

So what has changed?

For most people, the consumption of media is not a YES/NO decision (in the same way that dieting is not a YES/NO decision to consume food). It is not *whether* they are consuming, it is *how much!*

If we only attempt to measure the size of each medium's audience we miss the fact that the time spent with each medium can be changing. The introduction of new media puts demands on people's time spent with existing media long before a decision needs to be made to stop/keep consuming existing media (if any such decision needs to be made).

As an example, comparing "all people 14+ who have EVER used the Internet" with "all People 14+ who have NEVER used the Internet" shows that Internet users consume fewer hours of television. 14% of those who have ever accessed the Internet are Heavy TV viewers (view more than 4 hours of commercial TV per day) compared to nearly 26% of people who have never accessed the Internet (based on data for the twelve months to March 1999).

As well as reduced hours of commercial TV consumption for Internet users, the viewing choices are quite different. Ranking the top ten programs for people 14+ (across five metropolitan markets) indicates only four programs that appear in both the top ten lists for Internet users and non-users. None of the top five programs for Internet users appears within the top five list for non-users.

Highest reaching Programs, five mainland metropolitan markets, for the 12 months to March 1999	
Ever Used the Internet	Never Used the Internet
Friends	Blue Heelers
ER	National Nine News M-F
Jesse	Better Homes & Gardens
Ally McBeal	Burkes Backyard
Seinfeld	Sixty Minutes

Not only do internet users watch less TV than their non-internet using counterparts, they also appear less dedicated or involved in the current program offering.

Among internet users, 51% of TV program viewing is described as "especially choose to watch programs". This is lower than among non-internet users, who describe 61% of their program viewing as "especially choose to watch programs".

Conclusion: Although a relatively new medium, Internet users (nearly 50% of the population) have very different TV viewing habits to non-users.

Summary:

- Main media are maintaining *numbers of users* but in some cases the *number of hours* spent with the medium is declining.
- The Internet and Pay TV have grown significantly over the last three years and **their** success may be driving greater discrimination or selectivity amongst their users' other **media choices**.
- Whilst television remains a mass medium its future application will be more niche orientated as digital TV and Datacasting segment the market even further.

Pay TV

For the three years that we have been reporting Pay TV and Internet behaviour there has been an overall decline in heavy free-to-air TV viewers and an overall increase in light free-to-air TV viewers (as defined by number of hours viewing). To a limited extent, Pay TV could be seen as complementary to free-to-air TV as non-TV viewers¹ are more likely to subscribe to and watch Pay TV. Nevertheless, while the proportion of non-TV viewers watching Pay TV continues to grow, it still only represents 7% of the total Pay TV audience (based on data for the 12 months to March 1999).

About 17% of people 14+ now have Pay TV at home². Those who have watched Pay TV in the last 7 days are more likely than the population average to be heavy users of newspapers, magazines and the Internet, medium listeners of radio and to have watched no commercial TV in the last 7 days.

Foxtel has the most subscribers with 46% of the market, followed by Austar with 28% and Optus with 26%². Foxtel and Austar share the same programming so when we look at the popularity of Pay TV channels we have combined Foxtel and Austar to work out the following top 5 list³:

Foxtel/Austar	Optus
Showtime	Movie One
Discovery Channel	Movie Extra
National Geographic	Movie Greats
Encore	Disney Channel
Fox Sports	MTV

Pay TV has made a big impact amongst children. About 71% of people 14+ who have Pay TV in their household also watched Pay TV in the last 7 days. For children aged 6-13 this ratio is much higher. Based on our Kids survey conducted in September 1998 we have over saturation – about 17% of children have Pay TV in their home but more than 28% of children report watching Pay TV in the last 7 days. Cartoon Network and Nickelodeon are the most popular channels with Fox8, Channel [V] and Disney Channel a long way behind.

Summary:

- The advent of Pay TV and the boom of the Internet coincide with a decline in heavy free-to-air TV viewing and an increase in light free-to-air TV viewing.
- Two strong segments amongst Pay TV viewers are non-TV viewers and children 6-13. The children 6-13 are seeking out friends or relatives with Pay TV in order to watch.
- Movie channels dominate the top content choices and niche interest channels complement these.

¹ Respondents who did not watch 7, 9, 10, ABC or SBS in the last seven days in the five mainland metropolitan markets

² Based on first quarter 1999 estimates

³ Based on data collected between October 1998 and February 1999

The Internet

About 50% of People aged 14+ have ever accessed the Internet¹ and Internet “trial” and “regular use” are both still rapidly increasing. The number of people who have “accessed the Internet at least monthly” is growing at a slightly faster rate than “total ever accessed the Internet” (and of course is starting from a smaller base), indicating that Internet applications may be driving first time usage. This could mean that people who try the Internet for the first time have a particular application in mind that they intend to use regularly.

We ask people what they **mainly use the Internet for** and the top five responses are¹:

E-mail	24%
Browsing/surfing	13%
Searching for academic information	10%
Searching for personal information	8%
Academic research	8%

However the **top five growth uses for the Internet** are¹:

- Purchasing products or services/shopping
- IT Information
- Selling products or services
- E-mail
- Business related research (equal fifth)
- Making social contacts (equal fifth)

Reading magazines is one of the possible “main use” answers. Less than 2% of respondents nominate reading as one of their main uses of the Internet¹. By comparison News/Information is nominated by nearly 5% of respondents¹. Note that this is a multiple-choice question, so the answers are not mutually exclusive.

¹ Based on first quarter 1999 estimates

We also measure online newspapers and magazines visited. About 9% of All People aged 14+ have visited an online reading site⁴. If we consider only those people who have ever accessed the Internet, about 20% of Internet users have read a newspaper or magazine online. The top six newspapers or magazines read online are:

Sydney Morning Herald
The Age Melbourne Online
NineMSN (collective site for ACP titles)
The Weekly Trading Post
Australian News Network
Financial Review

People who are heavy users of the Internet are more likely to be heavy newspaper and magazine readers, to have watched pay TV in the past 7 days, are light listeners to commercial radio and light viewers of commercial TV.

Summary:

- The Internet is still booming with the greatest areas of growth based on specific applications rather than the more generic “surfing or browsing”.
- This will have implications for portal providers and advertisers as users become accustomed to logging straight in to their favourite sites.
- Like Pay TV, Internet users are more prevalent amongst light or non-TV viewers. This may change as the current “unlimited Internet access with a free PC” offers either succeed or fail in attracting first time Internet users.
- Internet usage is not eating into newspaper or magazine readership, instead providing further opportunities for heavy readers.
- Online reading of print media is dominated by classified driven titles.

⁴ Based on first quarter 1999 estimates

The Market Impact of New Media - Key Points

1. Only Roy Morgan Single Source can provide a comprehensive understanding about the full media repertoire of consumers and how changes are impacting specific segments over time.
2. We have shown how the Roy Morgan TV Involvement measures can be used to understand viewing changes at the macro level (as in the example of Internet users VS non-Internet users). They can also be used at the micro level to identify “at risk” programmes. For telecasters this highlights the opportunity areas for scheduling new programmes against competitors’ “at risk” programmes plus identifies those programmes within the telecaster’s inventory that are most susceptible to attack.
3. This document focuses on detailing the media repertoire of consumers. Pay TV viewers are more likely to be non-TV viewers, heavy readers of magazines and newspapers etc. We believe such understanding provides powerful insights for media operators. We can also extend these insights enormously, adding real perspective, by understanding the Attitudes, Activities, Values⁵, Sports interests, product and brand consumption of people who consume each medium. Such insights provide opportunities for cross promotion, content selection, advertising revenue, marketing and more.
4. The advent of Digital TV and Datacasting will further increase the options for use of consumers’ limited leisure hours. As options increase and consumers become more and more selective, the need to understand the behaviour of key segments increases so that media and marketers can target the heavy users or most profitable users of a brand or a medium. Roy Morgan Single Source identifies those users.

⁵ Developed in conjunction with Colin Benjamin of the Horizons Network