

EMERGING SUPREMACY OF GENERATION #HASHTAG FUELS A NEW WAVE OF 'NATIVE DIGITAL' MEDIA CONTENT, FINDS BAIN & COMPANY'S 2014 DIGITAL MEDIA REPORT FOR THE FORUM D'AVIGNON

Digital media survey of more than 7,000 consumers in 10 countries reveals new content models are in demand across all age groups

Paris, France – November 6, 2014 – A decade after digitized content challenged the reign of physical formats, a new, third wave of media is re-writing the rules on content development and distribution. Native digital models are creating significant growth opportunities, particularly in emerging markets, for companies that understand how to develop and publish in these new formats. Generation #hashtag, which combines digital natives – those too young to remember life before the Internet – and digital migrants – those over 26, who embrace digital media as their primary source for content, are challenging traditional business models for content producers and enabling the emergence of new native digital models; this according to a new Bain & Company survey, “Generation #hashtag: A new wave of content for the age of Digital Natives”, for the Forum d’Avignon to be presented at a press conference on November 6.

Bain’s survey of approximately 7,000 consumers across 10 countries finds that the combination of cost-effective digital devices and fast-developing communications networks are firmly entrenching digital content consumption across all age groups. While Millennials are leading this transition, consumers across all age groups are closing in fast. Among those surveyed:

- Within developed markets (U.S., U.K., France, Germany, and Sweden), 59 percent of those ages 26-35 and 38 percent of those older than 35 consider themselves native digital consumers, compared with 11 percent and 13 percent who identify as analog consumers. In emerging markets (Brazil, Russia, India, China, and South Africa), more than 30 percent of consumers over 25 have already migrated to third-wave media;
- 70 percent of respondents in developed countries said they own a smartphone, while 47 percent said they own a tablet. Among those 15-18 years old, the numbers are even higher: 84 percent said they own a smartphone;
- 63 percent of adults older than 35 in developed economies watch video online and 93 percent listen to digital music. The percentages for younger consumers between ages 15-25 were even higher: 87 percent watch videos online and 98 percent listen to digital music;
- Even though people under 36 consume more content digitally, digital breakthroughs have helped to democratize technology across all age groups. Nearly 96 percent of respondents ages 26-35 and 93 percent of those 36 and over say they consume digital music, compared with 98 percent of those 15-25.

“Content industries are, once again, facing the critical need to adapt to survive,” said Laurent Colombani, a partner in [Bain & Company’s Media Practice](#) and lead author of the study. “As new models that hold no analog legacy gain traction, and as demand from Generation #hashtag

grows, the future success of media companies hinges on their ability to reinvent their entire approach – from content creation to distribution and monetization.”

In the initial transition from physical to digital, content held on to its analog legacy – content creation remained in the hands of movie studios, music majors and book publishers, and the prevalent monetization model was based on the purchase price of products. Native digital models, such as music streaming and mobile games, break free from the constraints of earlier forms, giving way to unbundled, short-form content, streamed at-will, and monetized through subscriptions, micro-transactions or advertising. This third wave of media has propagated beyond digital natives, as well as across media:

- Digital penetration of video, music, and video games in developed markets is now at least 70 percent, with music penetration the highest at 94 percent; e-books lag at just 38 percent;
- In emerging markets, penetration across all media is about 40 percent, highest in music and video games – 48 percent and 45 percent respectively;
- Native digital disruptors such as Spotify, Twitch, and King, the maker of Candy Crush, have already acquired sizable user bases, gaining more than 40 million active users in only six years.

“With increased digital penetration comes questions about data privacy and online recommendations,” said François Videlaire, a principal in [Bain & Company’s Media Practice](#) and co-author of the study. “As the gap between generations closes, younger consumers are more willing to trade off privacy for more personalized recommendations.”

Despite the potential bang, many native digital disruptors have yet to produce a buck. While Spotify’s sales grew 128 percent between 2011 and 2012, its losses increased by 46 percent in that same period. Netflix, as it focuses on growing its worldwide footprint, has seen a drop in its net margin from the double digits three years ago to just five percent in 2013.

Though developed markets, specifically Western Europe, North America and Japan, remain the dominant forces in the media industry, accounting for up to 70 percent of the music and TV/video industry revenues in 2013, the rise of Generation #hashtag is shifting a larger share of the world’s media consumption to emerging markets.

“While media companies are being challenged in their core markets, they also have equally vast opportunities abroad,” said Dave Sanderson, head of Bain’s Global Media Practice and one of the study’s co-authors. “Just as emerging market consumers jumped directly from no phones to mobile phones, with no landline phase in between, they will likely leapfrog from physical formats to third-wave media, creating game-changing growth opportunities for companies that can quickly master the techniques that appeal to Generation #hashtag.”

Success in both developed and emerging markets hinges on the ability of the media industry to capture their next billion consumers. Bain recommends media companies focus their efforts in three areas:

- **Invest in native digital formats** – Transition content from strictly top-down approaches to mixed models that include bottom-up and crowd-sourced elements.
- **Rethink the monetization playbook** – Look beyond traditional consumer-pay and advertising models to ‘freemium’ options, for example, to crack the code on profitability for native formats.
- **Strengthen the alliance between content and networks** – Provide the right technologies – always-on networks and lightning fast connections – that enable access to third-wave content.

To receive a copy of “Generation #hashtag: A new wave of content for the age of Digital Natives,” or to arrange an interview with its authors:

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