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Industry View
In-Line

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Media & Internet

How Teenagers Consume Media

Digital media is profoundly transforming consumer behaviour and traditional media business models. While creating new opportunities, its disruptive influence is being accelerated by the global recession.

At the vanguard of this digital revolution are teenagers. While their habits will obviously change (especially when they start employment), understanding their mindset seems an excellent way of assessing how the media landscape will evolve. To this end, we asked a **15 year old summer work intern, Matthew Robson**, to describe how he and his friends consume media. Without claiming representation or statistical accuracy, his piece provides one of the clearest and most thought provoking insights we have seen. So we published it.

There are several issues that immediately jump out from the piece. Teenagers are **consuming more media**, but in entirely different ways and are almost certainly **not prepared to pay for it**. They **resent intrusive advertising** on billboards, TV and the Internet. They are **happy to chase content** and music across platforms and devices (iPods, mobiles, streaming sites). **Print media (newspapers, directories) are viewed as irrelevant** but events (cinema, concerts etc.) remain popular and one of the few beneficiaries of payment. The **convergence** of gaming, TV, mobile and Internet is accelerating with huge implications for pay-TV.

For mobiles, price is key – both in terms of handset prices – £100-200 – as well as taking pay as you go as opposed to contracts. **Mid-range feature phones still dominate**, meaning that Sony Ericsson does well as that's their sweet spot. High-end smartphones are desirable but too expensive. Most prefer to own separate devices for music, and messaging. **Texting is still key** and use of new data services limited due to cost. **Wi-Fi is more popular than 3G**.

While these trends will not necessarily surprise, their influence on TMT stocks cannot be underestimated.

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How Teenagers Consume Media

By Matthew Robson (Aged 15 yrs & 7 months)

Radio

Most teenagers nowadays are not regular listeners to radio. They may occasionally tune in, but they do not try to listen to a program specifically. The main reason teenagers listen to the radio is for music, but now with online sites streaming music for free they do not bother, as services such as last.fm do this advert free, and users can choose the songs they want instead of listening to what the radio presenter/DJ chooses.

Television

Most teenagers watch television, but usually there are points in the year where they watch more than average. This is due to programs coming on in seasons, so they will watch a particular show at a certain time for a number of weeks (as long as it lasts) but then they may watch no television for weeks after the program has ended.

Teenage boys (generally) watch more TV when it is the football season, often watching two games and related shows a week (totalling about 5 hours of viewing). A portion of teenagers watches programs that are regular (such as soap operas) at least five times a week for half an hour or so but this portion is shrinking, as it is hard to find the time each day.

Teenagers are also watching less television because of services such as BBC iPlayer, which allows them to watch shows when they want. Whilst watching TV, adverts come on quite regularly (18 minutes of every hour) and teenagers do not want to watch these, so they switch to another channel, or do something else whilst the adverts run.

The majority of teenagers I speak to have Virgin Media as their provider, citing lower costs but similar content of Sky. A fraction of teenagers have Freeview but these people are light users of TV (they watch about 1 ½ hours per week) so they do not require the hundreds of channels that other providers offer.

Newspapers

No teenager that I know of regularly reads a newspaper, as most do not have the time and cannot be bothered to read pages and pages of text while they could watch the news summarised on the internet or on TV.

The only newspapers that are read are tabloids and freesheets (Metro, London Lite...) mainly because of cost; teenagers are

very reluctant to pay for a newspaper (hence the popularity of freesheets such as the Metro). Over the last few weeks, the sun has decreased in cost to 20p, so I have seen more and more copies read by teenagers. Another reason why mainly tabloids are read is that their compact size allows them to be read easily, on a bus or train. This is especially true for The Metro, as it is distributed on buses and trains.

Gaming

Whilst the stereotypical view of gamers is teenage boys, the emergence of the Wii onto the market has created a plethora of girl gamers and younger (6+) gamers. The most common console is the Wii, then the Xbox 360 followed by the PS3. Most teenagers with a games console tend to game not in short bursts, but in long stints (upwards of an hour).

As consoles are now able to connect to the internet, voice chat is possible between users, which has had an impact on phone usage; one can speak for free over the console and so a teenager would be unwilling to pay to use a phone.

PC gaming has little or no place in the teenage market. This may be because usually games are released across all platforms, and whilst one can be sure a game will play on a console PC games require expensive set ups to ensure a game will play smoothly. In addition, PC games are relatively easy to pirate and download for free, so many teenagers would do this rather than buy a game. In contrast, it is near impossible to obtain a console game for free.

Internet

Every teenager has some access to the internet, be it at school or home. Home use is mainly used for fun (such as social networking) whilst school (or library) use is for work.

Most teenagers are heavily active on a combination of social networking sites. Facebook is the most common, with nearly everyone with an internet connection registered and visiting >4 times a week. Facebook is popular as one can interact with friends on a wide scale. On the other hand, teenagers do not use twitter. Most have signed up to the service, but then just leave it as they realise that they are not going to update it (mostly because texting twitter uses up credit, and they would rather text friends with that credit). In addition, they realise that no one is viewing their profile, so their 'tweets' are pointless.

Outside of social networking, the internet is used primarily as a source of information for a variety of topics. For searching the web, Google is the dominant figure, simply because it is well known and easy to use. Some teenagers make purchases on the internet (on sites like eBay) but this is only used by a small

percentage, as a credit card is required and most teenagers do not have credit cards. Many teenagers use YouTube to watch videos (usually anime which cannot be watched anywhere else) and some use it as a music player by having a video with the music they want to listen to playing in the background.

Directories

Teenagers never use real directories (hard copy catalogues such as yellow pages). This is because real directories contain listings for builders and florists, which are services that teenagers do not require. They also do not use services such as 118 118 because it is quite expensive and they can get the information for free on the internet, simply by typing it into Google.

Viral/Outdoor Marketing

Most teenagers enjoy and support viral marketing, as often it creates humorous and interesting content. Teenagers see adverts on websites (pop ups, banner ads) as extremely annoying and pointless, as they have never paid any attention to them and they are portrayed in such a negative light that no one follows them.

Outdoor advertising usually does not trigger a reaction in teenagers, but sometimes they will oppose it (the Benetton baby adverts). Most teenagers ignore conventional outside advertising (billboards etc) because they have seen outside adverts since they first stepped outside and usually it is not targeted at them (unless it's for a film). However, campaigns such as the GTA: IV characters painted on the side of buildings generate interest because they are different and cause people to stop and think about the advert, maybe leading to further research.

Music

Teenagers listen to a lot of music, mostly whilst doing something else (like travelling or using a computer). This makes it hard to get an idea of the proportion of their time that is spent listening to music.

They are very reluctant to pay for it (most never having bought a CD) and a large majority (8/10) downloading it illegally from file sharing sites. Legal ways to get free music that teenagers use are to listen to the radio, watch music TV channels (not very popular, as these usually play music at certain times, which is not always when teenagers are watching) and use music streaming websites (as I mentioned previously).

Almost all teenagers like to have a 'hard copy' of the song (a file of the song that they can keep on their computer and use at

will) so that they can transfer it to portable music players and share it with friends.

How teenagers play their music while on the go varies, and usually dependent on wealth –with teenagers from higher income families using iPods and those from lower income families using mobile phones. Some teenagers use both to listen to music, and there are always exceptions to the rule.

A number of people use the music service iTunes (usually in conjunction with iPods) to acquire their music (legally) but again this is unpopular with many teenagers because of the 'high price' (79p per song). Some teenagers use a combination of sources to obtain music, because sometimes the sound quality is better on streaming sites but they cannot use these sites whilst offline, so they would download a song then listen to it on music streaming sites (separate from the file).

Cinema

Teenagers visit the cinema quite often, regardless of what is on. Usually they will target a film first, and set out to see that, but sometimes they will just go and choose when they get there. This is because going to the cinema is not usually about the film, but the experience –and getting together with friends. Teenagers visit the cinema more often when they are in the lower end of teendom (13 and 14) but as they approach 15 they go to the cinema a lot less. This is due to the pricing; at 15 they have to pay the adult price, which is often double the child price. Also, it is possible to buy a pirated DVD of the film at the time of release, and these cost much less than a cinema ticket so teenagers often choose this instead of going to the cinema. Some teenagers choose to download the films off the internet, but this is not favourable as the films are usually bad quality, have to be watched on a small computer screen and there is a chance that they will be malicious files and install a virus.

Devices

Mobile Phones

99% of teenagers have a mobile phone and most are quite capable phones. The general view is that Sony Ericsson phones are superior, due to their long list of features, built in walkman capability and value (£100 will buy a mid-high range model). Teenagers due to the risk of it getting lost do not own mobile phones over the £200 mark. As a rule, teenagers have phones on pay as you go. This is because they cannot afford the monthly payments, and cannot commit to an 18-month contract.

Usually, teenagers only use their phone for texting, calling. Features such as video messaging or video calling are not used –because they are expensive, (you can get four regular texts for the price of one video message). Services such as instant messaging are used, but not by everyone. It usually depends whether the phone is Wi-Fi compatible, because otherwise it is very expensive to get internet off the phone network. As most teenagers' phones have Bluetooth support, and Bluetooth is free, they utilise this feature often. It is used to send songs and videos (even though it is illegal) and is another way teenagers gain songs for free. Teenagers never use the ringtone and picture selling services, which gained popularity in the early 00s. This is because of the negative press that these services have attracted (where the charge £20 a week with no easy way to cancel the service) and the fact that they can get pictures and music on a computer –then transfer it to their phones at no cost. Mobile email is not used as teenagers have no need; they do not need to be connected to their inbox all the time as they don't receive important emails. Teenagers do not use the internet features on their mobiles as it costs too much, and generally, if they waited an hour they could use their home internet and they are willing to wait as they don't usually have anything urgent to do.

Teenagers do not upgrade their phone very often, with most upgrading every two years. They usually upgrade on their birthday when their parents will buy them a new phone, as they do not normally have enough money to do it themselves.

- Televisions: Most teenagers own a TV, with more and more upgrading to HD ready flat screens. However, many are not utilising this HD functionality, as HD channels are expensive extras which many families cannot justify the added expenditure. Many of them don't want to sign up to HD broadcasting services, as adverts are shown on standard definition broadcasts, so they can't see the difference. Most people have Virgin Media as a TV provider. Some have sky and some have Freeview but very few only have the first five channels (BBC One, BBC Two, ITV, Channel Four and Channel Five).

- Computers: Every teenager has access to a basic computer with internet, but most teenagers computers are systems capable of only everyday tasks. Nearly all teenagers' computers have Microsoft office installed, as it allows them to do school work at home. Most (9/10) computers owned by teenagers are PCs, because they are much cheaper than Macs and school computers run Windows, so if a Mac is used at home compatibility issues arise.
- Games Consoles: Close to 1/3 of teenagers have a new (<2 ½ years old) games console, 50% having a Wii, 40% with an Xbox 360 and 10% with a PS3. The PS3 has such a low figure because of its high price (£300) and similar features and games to an Xbox 360, which costs less (£160). The Wii's dominance is due to younger brothers and sisters, they have a Wii and parents are not willing to pay for another console.

What is Hot?

- Anything with a touch screen is desirable.
- Mobile phones with large capacities for music.
- Portable devices that can connect to the internet (iPhones)
- Really big tellies

What Is Not?

- Anything with wires
- Phones with black and white screens
- Clunky 'brick' phones
- Devices with less than ten-hour battery life
- ...

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Industry Coverage:Media & Internet

Company (Ticker)	Rating (as of)	Price (07/09/2009)
Edward Hill-Wood		
Aegis Plc (AEGS.L)	U (01/28/2009)	83p
CTC Media (CTCM.O)	E (09/16/2008)	US\$9.92
DMGT (DMGOa.L)	E (12/12/2008)	288p
Eutelsat Communications (ETL.PA)	O (08/03/2007)	€18.18
Havas (EURC.PA)	U (01/28/2009)	€1.75
IPSOS (ISOS.PA)	E (06/16/2008)	€17.82
JCDecaux (JCDX.PA)	U (04/23/2009)	€10.9
Johnston Press (JPR.L)	E (03/15/2006)	17p
Lagardere (LAGA.PA)	E (01/29/2007)	€22.9
Publicis Groupe (PUBP.PA)	E (10/23/2003)	€20.52
SES (SESFd.PA)	O (12/01/2006)	€13.18
Trinity Mirror (TNI.L)	O (08/01/2008)	60p
WPP Group Plc (WPP.L)	U (01/28/2009)	392p
Yell (YELL.L)	O (07/24/2008)	22p
Julien Rossi		
Antena 3 (A3TV.MC)	U (11/06/2006)	€5.15
Gestevisión Telecinco (TL5.MC)	E (09/29/2008)	€5.73
M6 (MMTP.PA)	O (04/28/2009)	€12.21
Mediaset (MS.MI)	E (07/09/2009)	€3.86
ProSiebenSat1 (PSMG_p.DE)	E (06/10/2008)	€3.52
SeLoger.com (SLGC.PA)	E (01/29/2008)	€19.8
TF1 (TFFP.PA)	E (04/28/2009)	€7.43
Patrick Wellington		
BSkyB (BSY.L)	E (04/21/2009)	478p
ITV (ITV.L)	E (07/14/2008)	34p
Informa (INF.L)	O (12/17/2008)	220p
Mecom (MEC.L)	E (12/13/2007)	1p
Pearson (PSON.L)	E (05/22/2009)	587p
Reed Elsevier NV (ELSN.AS)	O (02/04/2009)	€7.87
Reed Elsevier PLC (REL.L)	E (06/18/2009)	458p
Thomson Reuters Corp. (TRI.TO)	E (03/26/2009)	C\$32.44
Thomson Reuters PLC (TRIL.L)	O (05/18/2009)	1,704p
United Business Media (UBM.L)	E (03/26/2009)	372p
Vivendi (VIV.PA)	E (03/17/2009)	€17.02
Wolters Kluwer (WLSNc.AS)	E (03/26/2009)	€12.4

Stock Ratings are subject to change. Please see latest research for each company.