The Post-Peak Attention Economy | What's Next for Entertainment?

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The 20,000 Foot View

With only 24 hours in a day and an ever-growing number of entertainment services competing for consumer choice to spend them on, consumers have reached the limits of their available time – and therefore attention – to allocate to propositions across the digital market. As a result, businesses are being driven to vie for engagement, interest and spend which, if they do not win, can and will be allocated elsewhere. In a world where every spare moment has been opened to capitalisation by the advent and inundation of the mobile smartphone, there is no "free time" left for companies to cannibalise – only attention to be sought in the stead of a simultaneously-available other. As available attention grows ever smaller, it is crucial for businesses to consider a more holistic approach in understanding consumer behaviour across entertainment, instead of maintaining traditionally isolated views for music, video and games audiences.

Key Findings

- Mass adoption of smartphones and the rise of app stores in the early 2000's enabled an unprecedented rise in attention-seeking propositions (apps)
- The rise of 4G alongside music, video and (more recently) games streaming services has brought consumers to the limits of their allocable attention
- Companies used to compete for consumers' available time. With no more time available, they have to unseat competitors to gain engagement
- In the peak attention economy everyone competes against one another, instead of isolated competition within separate entertainment verticals
- The total size of the audience that can be effectively targeted by conventional digital advertising is shrinking, in both size and value
- At 36%, TV and streaming video viewing capture over one third of consumers' digital entertainment attention

- At 4.6 hours, music is the second most consumed entertainment format in the attention economy
- Consumers who spend more than $10+ per month on any type of entertainment are also more likely to spend $10+ on other forms of entertainment compared to the consumer average
- 47% of US consumers spend $10 or more on pay-TV every month, compared to 51% of high music and games spenders and 55% of high news spenders
- It is important to understand consumer behaviour across entertainment to identify the right methods and types of paywalls they are behind, in order to reach them

Companies and brands mentioned in this report: Amazon, Amazon Prime Video, Apex Legends, Apple, AT&T, Fortnite, Google, Netflix, PUBG, Snapchat, Spotify, Stranger Things, The Economist, TikTok, Warner Media

About MIDIA Research

MIDiA Research is a unique analysis and data service focused on the intersection of technology and content.

MIDiA Research leverages multi-country consumer data, market forecasts and other proprietary data tools to provide unrivalled insight into the rapidly changing global digital content markets. Our coverage includes music, online video, mobile content and paid content strategy.

MIDiA Research gives you online access to our research database as well as regular new research reports that give you the critical insight into the issues that will shape your business and give your company the strategic edge over the competition. We provide different levels of access to suit your requirements and budget. Simply choose which coverage areas you want and then which subscription package is right for you.

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Post-Peak Attention Competition Dynamics

The peaking attention economy has fully transformed competitive dynamics in the media and entertainment landscape. Consumers have maxed out on their available down-time, which originally provided organic growth for the likes of mobile gaming in the early 2000s. With no additional time to spare anymore, competition is now about dethroning already allocated engagement, rather than capturing available time.

The evolution of the Netflix earnings call narrative sums it up: in 2016 Netflix's biggest enemy was 'sleep', while in 2019 Netflix cited gaming phenomenon Fortnite as one of its biggest competitors. Competition is no longer isolated within individual entertainment verticals. In this economy, Fortnite is contending with Netflix, Spotify, The Economist, Snapchat, and TikTok as much as with PUBG and Apex Legends.

In such an environment, entertainment providers are forced to re-evaluate how they are responding to changing consumer behaviours and find new paths to both compete and cooperate to maintain engagement.

Of vital importance for these companies, now more than ever, is the need for a holistic understanding of consumer behaviour and attitudes across all of the aforementioned media formats. This is crucial for both offensive tactics (identifying innovative and more effective marketing opportunities, cutting out inefficiencies in sales and marketing campaigns etc.) and defensive tactics (e.g. avoiding release clashes, identifying new pathways to gain competitive advantages etc.).

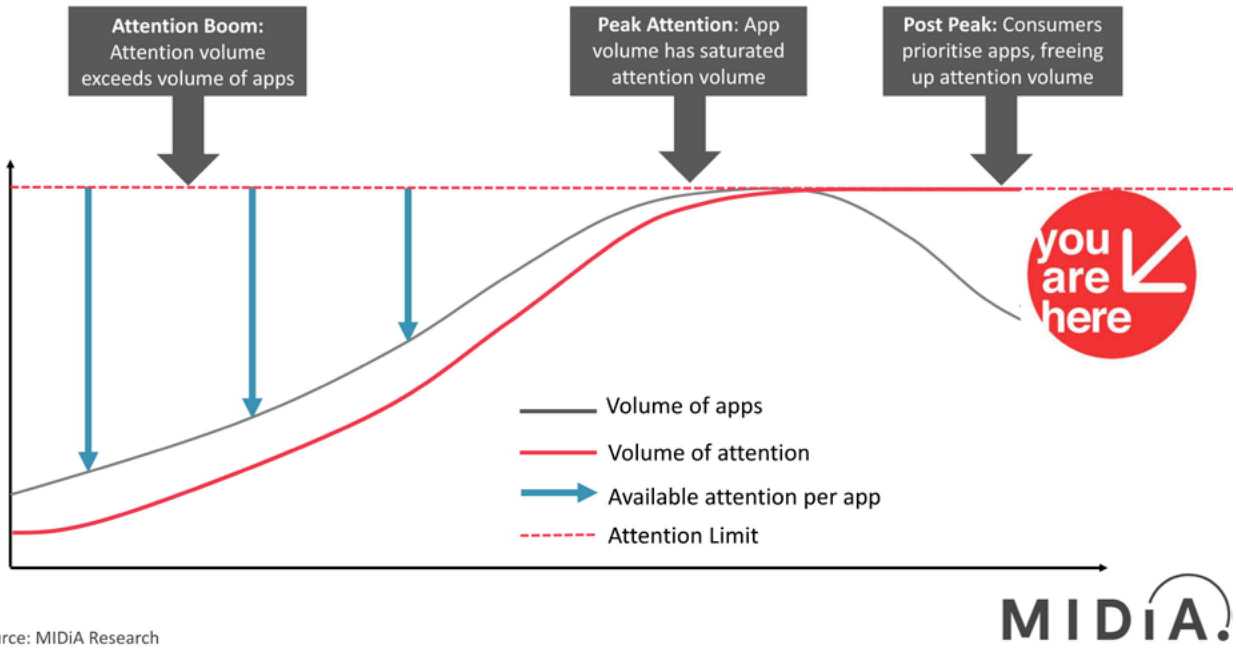
We have created this report with the intention of establishing for readers a baseline understanding of the fundamental traits of the peaking attention economy – how it has arisen, what it means for brands and consumers, and how companies can move forward to stay successful.

MIDiA has been tracking developments of the attention economy in depth across music, video, games, sports, podcasts, digital news and brands since 2018.

We have an extensive well of consumer behaviour and attitudinal data available to help inform your cross-entertainment intelligence. Data presented in this report is available to MIDiA clients for 100+ consumer segments.

If you are interested to book a free analyst session to find out more, please email tommy@midiaresearch.com.

Figure 1: We Are Now Entering a Post-Peak Attention Economy



Source: MIDiA Research

Before the smartphone revolution, consumers had lots of available 'dead-time' (attention to allocate). Attention-seeking propositions (in large part entertainment services and apps) entered the market in increasing numbers. Initially, consumers keenly adopted many of these propositions. However, there are only 24 hours in a day, limiting the attention consumers are able allocate to each app. The more apps, the less attention each one can receive.

As consumers hit their attention limit, they started to prioritise between the apps, instead of adopting them on top of each other. In doing so, consumers have decreased their engagement with certain apps and abandoned others entirely to free up attention until a new equilibrium is reached:

- **Advent of the smartphone opened floodgates to attention-seeking propositions:** Mass adoption of smartphones and the rise of app stores made it easier than ever before to deploy attention-seeking propositions (such as apps) directly to consumers. Early market entrants enjoyed organic growth, as consumers gladly exchanged their available time and attention for entertainment.

- **Mobile gaming was the canary in the mine:** It was the sudden demise of mobile gaming companies following years of stellar growth that indicated the peak of the attention economy was nigh. Some of the first entrants to the attention economy, mobile gaming apps were initially able to ride the wave of organic growth stemming from consumers' free time and the still-limited availability of options; in the time of 3G, there was only so much users could do with a smartphone besides play games and spend some time on social media.

  However, as streaming came to the fore and was enabled by the increased capabilities of smartphones themselves, these new competitive propositions gradually started to capture a greater share of consumers' attention – causing them to sacrifice their now lower-priority mobile gaming engagement.

- **Streaming further saturated the attention economy:** The rise of 4G alongside music, video and (more recently) games streaming services swiftly brought consumers to the limits of their allocable attention. Enabling and encouraging activities such as binge viewing, multiplayer gaming, playlist curating and listening, live streaming on social media and podcasting, streaming has arguably stretched consumer attention to its limits.

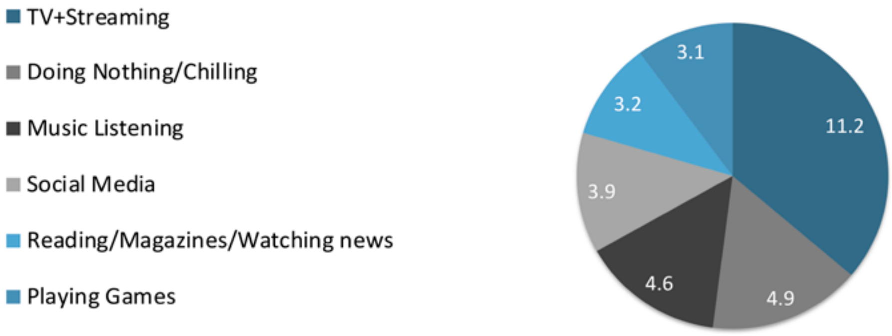
- **The competition used to be for free time; now it is for allocated time:** Companies used to compete for time which was, by default, available – pitted against activities such as 'waiting at a bus stop' or 'staring out of the window'. However, in the post-peak attention dynamic, companies are left to compete for time that has already been allocated. The days of organic digital growth for all are over. Companies now need to fight to dethrone competition in order to gain engagement.

- **Subscription services make traditional entertainment audiences harder to reach:** Paid subscriptions are on the rise across all entertainment formats. There is often no or minimal advertising behind these paywalls.

The more that consumers allocate their digital attention behind paywalls, the harder they are to reach with traditional digital advertising techniques. Simultaneously, digital subscribers are the most valuable users by time and money spent. This means that the size of the audience traditionally targetable by conventional digital ads is shrinking in size and value at the same time.

Figure 2: Share of Time Spent across Video, Music, Games and Other Media Propositions

Weekly Hours Spent on Entertainment*



Source: MIDiA Research Estimates

40%

of US consumers spend 10+ hours per week watching TV on a TV set

The average consumer spends an estimated 30.73 hours per week on digital entertainment. This works out to approximately 4.5 hours per day. Allocating eight hours of work and seven hours of sleep, consumers then have about 4.5 hours per day left to do things like eat, commute, socialise, run errands, and conduct general life admin or personal hygiene. The fact that 'real life' issues are now given the same amount of time/attention as entertainment illustrates just how much consumers have overextended themselves in order to accommodate all the offerings marketed to them. There is nowhere else to grow, engagement-wise, other than fighting for digital attention share amongst existing propositions:

- **Video is the dominant format in the attention economy:** At 36%, TV viewing and video streaming capture over one third of consumers' digital entertainment attention. In the US, the undisputed king of entertainment remains the TV set. In Q1 2019, 40% of US consumers spent 10 or more hours per week watching TV on a TV set. Although the top five US streaming video on demand (SVOD) services saw double-digit growth in subscriptions from Q1 2018 to Q1 2019, streaming still lags a full 26% behind traditional TV consumption for weekly viewing of 10 hours or more in Q1 2019.

67%

of consumers deem music an "important part of their lives"

- **Music is the second largest activity:** At 4.6 hours, music is the second most consumed entertainment format in the attention economy. Despite being much less lucrative in terms of hourly revenue conversion than video, games or social media, consumers remain culturally bound to music, with 67% deeming it an important part of their lives. In short, companies that want to keep consumers engaged in their ecosystems need a music proposition to be viable – even if this means having to run at break-even or as a loss-leader.
- **Games, news, and social media monetise differently, but engage similarly:** Though each entertainment format produces a very different amount of revenue, each one engages for a similar number of weekly hours, with social media at the forefront – likely due to its free-of-charge offering.
- **Doing nothing is important in the age of information overload:** Though the 4.6 hours spent on 'doing nothing/ chilling' may look indicative of an opportunity, relaxation and resting are essential to the human body and this value is unlikely to become much smaller in the long term. Human brains continuously have an increasing amount of information to process, so the need for resting will likely actually intensify in the future.

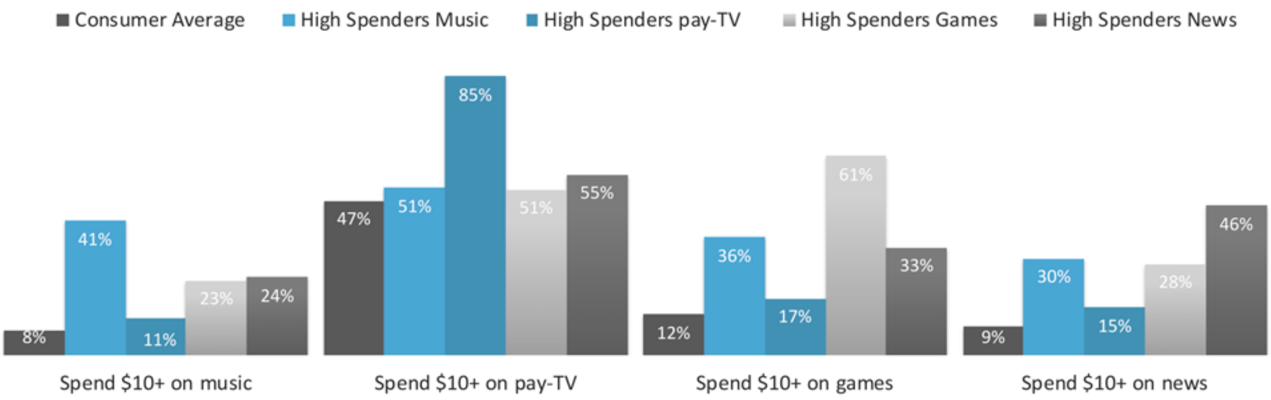
***Attention Economy – hours spent estimates methodology statement.** To build directional estimates of hours spent on entertainment in the attention economy, we used the following approach for the purposes of this report:*

- *Estimates are based on survey data from Q1 2019*
- *The survey data provides penetration data of audiences who spend a certain range of hours on gaming, TV, video streaming, music listening, consuming digital news and doing nothing*
- *We apply an average number of hours spent to each time range*
- *We then weigh the numbers by the penetration rates of those ranges for each country*

***Disclaimer:** The absolute numbers of hours spent should be read as a directional estimate. Rather than each number in isolation, the key value and insight of this estimate is the relation (ratio) between those activities and what share of consumers' digital entertainment lives they currently account for.*

Figure 3: High Spenders in One Entertainment Format Spend More Across All Entertainment

Consumers Who Spend $10+ per Month, Consumer Average versus High Spending Segments



Source: MIDiA Research Consumer Survey (3/19), US only

MIDiA

12%

of US consumers spend $10+ on games per month

Consumers who spend more than $10 per month on any type of entertainment are more likely to spend $10+ on other forms of entertainment as well, compared to the consumer average. This makes cross-entertainment ecosystems doubly important commercially:

- **Target high music and news spenders to capture games spend:** US consumers who spend $10+ per month on music or news are approximately three times more likely to also spend $10+ on games, compared to the consumer average. 12% of US consumers spend $10+ on games. However, this climbs to 36% among high music spenders and 33% among high news spenders. Companies who are interested in capturing games spend would benefit by targeting high music and news spenders behind their respective paywalls, e.g. via podcasts, which offer advertising opportunities. For companies that are interested in capturing music and news spending, this also applies in reverse – high spending gamers are approximately three times as likely to spend $10+ on music and news, compared to the consumer average.

55%

of high news spenders spend $10+ per month on pay-TV

- **Most consumers spend highly on video:** 47% of US consumers spend $10 or more on pay-TV every month, compared to 51% of high music and games spenders and 55% of high news spenders. At the same time however, high TV spenders display less propensity to spend compared to other high-spending entertainment segments, when compared to the overall consumer average. This could be due to the fact that spending $10+ per month on pay-TV is a near-mainstream activity, due to the average pay-TV bill oscillating at around $100 per month.
- **The challenge for cross-marketing:** With every minute of spare attention time competing brands and interests are fighting for, consumers with the available spend are choosing to use it to enable their own choice and control over when and what they see, do, and listen to. Undermining this control and serving them content they do not want (such as traditional advertising behind paywalls) is going against this key consumer attitude. However, brands are increasingly finding success by courting consumer attention through a variety of experiences within established digital ecosystems. This is where the competition for attention between games, video, music, etc. can become an asset rather than a challenge; crossover audiences (read 'audiences') appreciate crossover content, and their engagement can be enticed by original propositions that appear behind their paywalls – not as demanding ads but rather original content, which acts as added value to their core experience. One such example is Netflix releasing a Stranger Things game alongside the launch of its third season. Another might be a podcast on Spotify giving exclusive insight on – and therefore promoting – an Amazon Prime original TV show, for example.

Conclusions

The outlook for the attention economy is one of entertainment formats consolidating further into fluid cross-entertainment ecosystems. This further strengthens the positioning of tech majors, promising a commercially successful period for publishers in the short term (but threatening their margins in the mid- to long-term).

- **Attention economy dynamics play into the cards of tech majors:** Engagement is becoming more closely tied to revenue as the world moves towards subscription business models. Simultaneously, engagement is becoming harder to come by due to the fact that the available attention of consumers has already been allocated to their limits. As consumers typically engage with multiple forms of entertainment instead of just one, companies which want to sustain perpetual engagement need to cater to all consumer entertainment needs within their ecosystems. The entertainment offerings of tech majors, especially Apple, Amazon and more recently Google, therefore have a huge advantage. No other company type is better positioned to own consumer entertainment engagement in the short- to mid-term, though telcos will be likely looking to compete in the space in the coming years, with the prime candidate being AT&T utilising its recently acquired Warner Media IP businesses.
- **Entertainment forms will continue to consolidate into cross-format ecosystems:** As entertainment tech majors build up their omni-entertainment ecosystems, pure-play formats such as Spotify or Netflix will need to follow suit to remain attractive propositions in the attention economy. This is already happening with Spotify investing heavily into its podcast strategy and Netflix moving into games more directly, as illustrated by its recent release of the Stranger Things game alongside the show's third season. As tech majors finalise building their entertainment ecosystems and pure-play entertainment companies start ramping up theirs, expect the acquisition landscape across entertainment formats to intensify.

- **Content creators and publishers will see margins squeezed in the long term:** Much of the unique selling proposition for entertainment ecosystems is based on the quality and quantity of their original content. Whether it be music, games, video or news, more money is being spent on content as the battle of 'exclusive content' intensifies between tech majors. This is good news for creators, publishers and developers in the short term as they can capitalise on the increased demand. However, in the mid- to long-term, creators will likely fall much more at the mercy of the distribution ecosystems because the more exclusive content they have, the less dependent they become on any one content supplier. This has already been observed with Netflix's strategy and is very likely to repeat in games as the streaming revolution unfolds. As tech majors look to cut inefficiencies from their supply chains, creators are likely to see their margins squeezed.
- **Reach audiences beyond paywalls for lucrative engagement and spend gains:** Paid subscriptions are growing across music, video and games. There are often no or minimal ads behind these paywalls. This means that the size of audiences traditionally targetable by digital advertising is shrinking. At the same time, digital subscribers are some of the most engaged and highest-spending consumers. Therefore, not only is the traditionally targetable audience shrinking in size, it is simultaneously decreasing in value. Targeting consumers proactively behind paywalls is becoming table-stakes tactics. To do this effectively, it is important to understand all entertainment habits of a target audience and identify the right type of paywalls to reach behind, whether it be in the form of a podcast on a paid music streaming service, product placement on a TV show on a streaming platform, or TV characters within a game.

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