The Media Institute
DIGITAL MEDIA CENTER

Calibrating Digital Media Trends For the Post-Pandemic 'New Normal'

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I. Introduction

COVID-19 has had a profound impact on the central role of digital media in our everyday lives. We now are in an historic transition, from a nation organized for a pandemic response to a recovery that surely will create a "new normal."

So it's timely and important to look back at how digital media has been shaped during this period, and more importantly, to assess what lies ahead, based on current data and trends.

This post-pandemic new normal, however defined, will not be binary – a switch from off to on. Rather, the transition process will be more gradual, yet rooted in some fundamental adjustments in corporate and consumer behavior that already have occurred and are destined to endure.

Accordingly, the development of the new normal for digital media will be similar to tuning in a radio station in an analog world

– carefully moving the dial back and forth to obtain a more precise signal. This calibration will be both necessary and continuous in post-pandemic times in order to more accurately assess digital media opportunities and challenges.

This review of relevant COVID-19 digital media benchmarks thus is essential in assessing how they will be reinforced or changed as we transition to a post-pandemic period of enormous consequence and great potential.

II. Pandemic Digital Media Indicators

Below is a snapshot of major changes in digital media during most of 2020 and in 2021 to date.

A. Digital Devices

According to the research firm NPD Group, there has been an increase from February 2020 to February 2021 of more than 100 million TV-connected and mobile devices in U.S. households. There were an average of 9.5 installed and connected digital devices (February 2021), as compared with an average of 8.5 devices just before the pandemic became widespread in the United States (February 2020).

The range of these digital devices in homes is broad, including connected TVs, streaming media players, Blu-ray disc players, video game consoles, laptops, desktops, tablets, and smartphones. As Bill Demas, CEO of Conviva, has noted, “The way consumers view content fundamentally changed in 2020 with the launch of smart TVs and connected devices and changing social behavior.”

Smartphones in particular have emerged as ubiquitous digital devices. According to Edison Research, 85% of Americans 12 years of age and older now own a smartphone. Additionally, 30% of audio consumption is on a smartphone, which is close to those who consume audio through an AM/FM radio receiver (35%).

Additionally, Global Wireless Solutions data indicates that there is a per-person average of four hours a day of smartphone usage, of which an average of 42 minutes daily is devoted to watching videos, as many working Americans have been based at home during the pandemic.

There also has been an increased reliance on digital devices for both professional and personal use. The International Marketing Intelligence Service reports that digital media consumption has risen by 30% during the pandemic.

Advertising in digital media grew by 7% in 2020, according to Group M. *New York Times* media columnist Ben Smith notes, “Even as television is getting a smaller share of the advertising market, the most sought after … are the new connected TV platforms – places like Roku, Hulu, and Viacom’s Pluto TV. These platforms put old-fashioned television ads next to old-fashioned television shows, but also provide advertisers detailed data on who is watching.”

As commuting to a business location decreased substantially, consumers have been able to recoup an average of 15% or more of weekly time, according to MIDiA Research. This has enabled consumers to expand both their traditional linear TV (broadcast, cable, telco, satellite) and streaming viewing by double-digit increases in viewer engagement, MIDiA Research reports.

B. Streaming Video

Almost 75% of all U.S. homes now are subscribers to ad-based and premium streaming (OTT) video services. According to Parks Associates, linear TV subscribers who also subscribe to online video services increased by 50% during the pandemic.

Overall, on-demand streaming video growth increased by 91% during the pandemic, according to *USA Today*. Ampere Analysis reports that there now are 340 million streaming subscriptions in the United States, with each subscriber averaging four services; 25% subscribe to five or more separate services.

J.D. Power and Associates data shows that U.S. consumers now pay an average of $47 each month for streaming services, which is a 24% spending increase since COVID-19 became widespread.

Based on analysis of over 80 OTT services, led by Netflix, Hulu, Amazon, and HBO, Convergence Research estimates that U.S. OTT access revenue grew by 35% to $29.6 billion in 2020.

Netflix has emerged as a dominant streaming platform. Among the 10 streaming services that are measured in Nielsen's Streaming Video Ratings, it attracts 7% of all total TV time.

The new digital streaming marketplace has been beneficial to advertisers, too, according to the Standard Media Index. It reports that the U.S. advertising market increased by 25%

between March 2020 and March 2021, and national advertising spending increased by 22%.

The National Retail Federation reported an overall increase of 6.7% in retail sales, despite pandemic restrictions on brick-and-mortar retailers. Consumers also have not been resistant to seeing more advertising on either streaming or broadcast platforms. Nearly 75% of these audiences don't mind six minutes of advertising per hour, according to Deloitte's *Digital Media Trends Survey*.

C. Podcasting

Podcasting has emerged as a prominent digital medium during the pandemic, as people began to tune in both while working and after hours.

Edison Research reports that the U.S. podcasting audience grew by 16%, so that it now accounts for 6% of all audience listening.

Chartable, a podcast measurement firm, indicates the pandemic has generated a 280% increase in the creation of new podcasts. The research firm Magellan reports that there are 160 new podcast advertisers per week. It found that 56% of digital audio advertisers find that podcasts are important media vehicles.

On balance, as Edison Research's Senior Vice President of Research Tom Webster notes, "Podcasting has become the greatest companion medium. Not only can you take it with you while you do other things, but we also see people turning to podcasts for a sense of community and connection during a very stressful time."

D. Subscription Linear TV

On the subscription linear TV side, the data is not as rosy. Cowen Equity Research reports that 39% of video streaming subscribers are those who have either canceled their linear TV subscription ("cord cutters") or never subscribed to linear TV at all ("cord nevers").

Standard & Poor's reports that 8.2% of cable, telco, and satellite subscribers were lost in 2020. Cowen Equity Research analyst Gregory Williams indicates that "the cord cutting story is still in the early middle innings of the upcycle."

Parks Associates notes that 8% of U.S. homes canceled at least one linear TV service during the pandemic. Of the homes that decided not to cancel, the majority (55%) kept their subscriptions for sports programming; a larger percentage (60%) wanted to stream movies and TV shows as part of a linear TV subscription.

In its 2021 *Couch Potato Reports*, Convergence Research estimates that in 2020, U.S. cable, telco, and satellite subscription revenue declined 6% to $94.7 billion, and forecasts a decline of 6.5% to $88.5 billion in 2021.

But the availability of new streaming services by Disney, WarnerMedia, ViacomCBS, Discovery, and NBCUniversal also has increased those who subscribe at the outset but cancel afterward, often at the end of a free-trial period. Since the pandemic became widespread, Deloitte reports a 37% churn rate for digital streaming services, which represents an 85% increase in churn since before the pandemic took hold. But once canceled, 97% of consumers then look for streaming replacements, so that churn need not be considered a permanent cancellation of streaming video services.

E. Digital Privacy Protection

The increase in e-commerce transactions and personal data shared with digital media service providers also has heightened consumer concerns over how their personal data is being stored and shared. A 2020 KPMG survey showed that 97% of respondents indicated that data privacy is important to them, and that 56% of Americans want more control over their personal data.

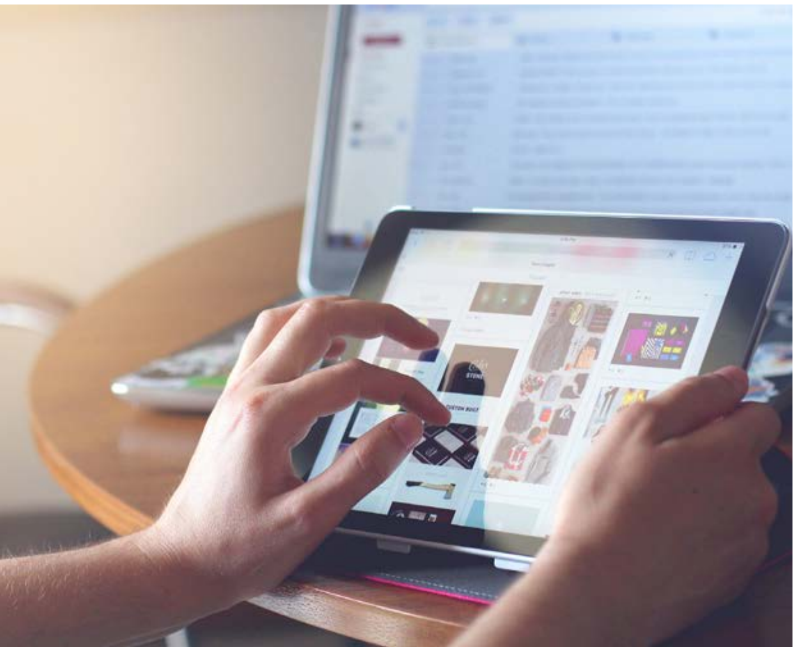
There are real gaps in digital trust – more than 90% would like companies to put their data privacy guidelines in place publicly and be held responsible for corporate data breaches. The majority also don't trust companies to ethically sell personal data (68%), or even use personal data internally in an ethical way (54%).

III. The Post-Pandemic Transition to a New Normal

As we move into a new normal both generally and for digital media, a wide range of data indicates that there will be a significant re-ordering of daily lives, along with the U.S. media landscape. We will not be returning to the pre-pandemic environment for either.

The Pew Research Center reports that the majority of U.S. residents expect their lives will remain changed in major ways by the pandemic, although they also hope that a return to normalcy will be possible. The concept of a new normal reflects both these strands of thinking.

In particular, the opportunities and challenges of digital media will bring with them a greater focus on consumer habits, personalization, and achieving an equilibrium among different dominant business models: monthly paid subscriptions, free advertiser-supported services, and paid subscriptions supported by an advertising revenue stream.



A. The Post-Pandemic Work Environment

It's important to note that post pandemic, digital media will be shaped by larger social forces. What the new normal work environment will look like is top of mind for many Americans, and will influence digital media habits.

Microsoft CEO Satya Nadella observes, "Over the past year, no area has undergone more rapid transformation than the way we work. Employee expectations are changing, and we will need to define productivity more broadly. … [T]his needs to be done with flexibility in when, where, and how people work."

From an employer perspective, data shows that a new normal clearly will take hold. According to a survey by Reset Work, 86% indicated that they are planning to adopt a hybrid model of work among those who have made firm commitments about a home/office mix; only 6% expect employees to revert to a traditional five-day workweek in the office.

Further, Microsoft's 2021 *Work Trend Index* notes, "Employees are at an inflection point. The way companies approach the next phase of work – embracing the flexibility people want to retain and learning from the challenges of the past year – will impact who stays, who goes, and who ultimately seeks to join your company."

McKinsey Global Institute has concluded that 20% to 25% of the workforce could work remotely three to five days a week as effectively as in the office. This data seems to apply to digital media companies perhaps even more so, because many of their employees have the ability – and may in fact prefer – a more flexible work environment between home and office.

Microsoft's perspective may well set the standard for corporate America. "The data is clear: Extreme flexibility and hybrid work will define the post-pandemic workplace. The decisions business leaders make in the coming months to enable flexible work will impact everything from culture and innovation to how organizations attract and retain top talent."

Already, for example, GM has announced that it will give its 155,000 global office-based employees the flexibility to choose between working from home or in the office. And from the perspective of employees, a February 2021 Gallup survey shows that 56% of U.S. workers would prefer working remotely some or all of the time.

Conversely, companies that are not willing or able to support remote work or a flexible work model face the risk of employee backlash, decreased productivity, and a diminished ability to attract new talent, including women, those without a graduate degree, and those from Generation Z. These segments of the workforce are more likely to pursue interesting job opportunities if they are able to have positions that allow for remote work.

B. Consumer Demand for Digital Media

Employees with hybrid or remote work environments are most likely to continue with their pandemic viewing and listening habits, especially those who can reduce commuting time and reallocate it to consuming digital media. Even those who resume commuting will likely have a smartphone handy to access digital content en route, including podcast listening in cars or on public transportation.

People also will retain all of their digital devices and may even upgrade them, especially if subsidies are offered by employers for devices that also can be used in the course of work. As John Buffone, executive director and industry analyst for NPD Group's Connected Intelligence Practice, notes, "The total of 1 billion digital devices in use in the United States is destined to grow. This influx of newer hardware will continue to facilitate the accelerated growth in free and subscription video during 2021 and beyond.

Convergence Research forecasts a 35-percent growth in OTT subscription revenue, to $39.9 billion for 2021. Looking further ahead, Nielsen's Kevin Wren, senior vice president of product management, observes, "By 2024, it's estimated that streaming platforms will have amassed 210 million subscribers, which represents a staggering number of consumers and a major shift in media habits."

Post pandemic, however, it will be important to see whether there is any widespread streaming fatigue, which could result in consumer resistance to price increases or cancellation of some services without replacing them with others.

C. Podcasting

eMarketer forecasts that U.S. podcast spending will surpass $1 billion in 2021, with 106.7 million U.S. podcast listeners. Podcasting's growth in particular seems likely to remain on an upward trajectory. Pulkit Sharma, co-founder and CEO of digital audio platform Khabri, explains why. "When compared with the surge in OTT viewership and other online platforms, the potential for the growth of podcasts in the four corners of the country is much higher. The fact that it requires far lower bandwidth to stream audio content as compared to video platforms is a clear indicator of its accessibility. The penetration of podcasting platforms will cost much less, while a sizable cache of audio content is currently available for free. There is no necessity of setting up new networks, as people can listen in by using existing network infrastructure."

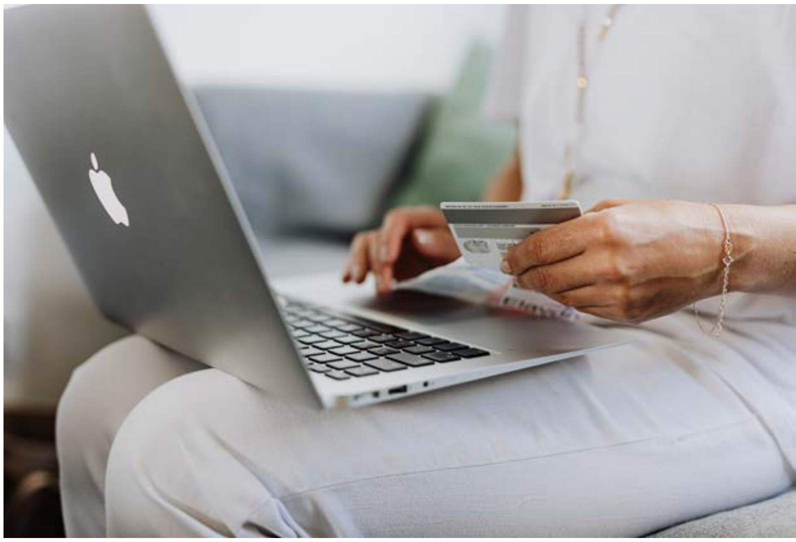
Additionally, according to a Borrell Associates survey, 73% of radio stations now are producing podcasts, including 34% that are doing so on a regular schedule. Over 70% of these stations are producing local podcasts, and 60% are selling advertising on their podcasts.

D. E-Commerce and Digital Advertising

Digital media users will continue the online purchasing intensity that became popular during the pandemic, as people stayed home to shop and realized the wider range of items that could be purchased, including ones not available at local brick-and-mortar stores. Even when these stores offered delivery or curbside pickup, many of the orders were initiated online rather than in person.

Kara Swisher, technology columnist of *The New York Times*, notes that “[p]eople will surely do more in-person purchasing as the pandemic fades. But online commerce might now be ingrained as a daily practice and innovations related to it are sure to make it even more powerful.”

Post pandemic, according to Gartner’s *CMO Spend Survey 2020*, more than



70% of brands plan to boost spending for digital advertising, social media marketing, and mobile marketing. Group M expects digital media advertising to grow by 22% in 2021.

The increase in digital advertising will be fueled by increased post-pandemic consumer spending. The Pew Research Center reports that during the pandemic, largely because of daily activity changes, 42% of Americans have been spending less money than usual, which has been even more prevalent among upper-income earners (53%).

The National Retail Federation is forecasting as much as an 8.2% increase in consumer retail sales in 2021. Its chief economist, Jack Kleinhenz, concurs. “There will be extraordinary spending, I don’t know how else to put it.” Wellesley College professor of economics Eric Hilt notes that “[a] combination of pent-up consumer demand and sharp increases in savings for some and federal stimulus payments for others will fuel an unparalleled spending spree.”

The Interactive Advertising Bureau’s *Video Ad Spend 2020 and Outlook for 2021* forecasts that 35% of media buyers expect to increase their ad spending in 2021 on connected TV. Additionally, 56% of overall ad budgets for 2021 will go to digital video rather than traditional TV. Tru Optik, which tracks consumer usage of digital video, reports that by the end of 2021, there will be more U.S. homes with only connected TV than there are homes with linear TV broadcasts.

E. Digital Privacy Protection

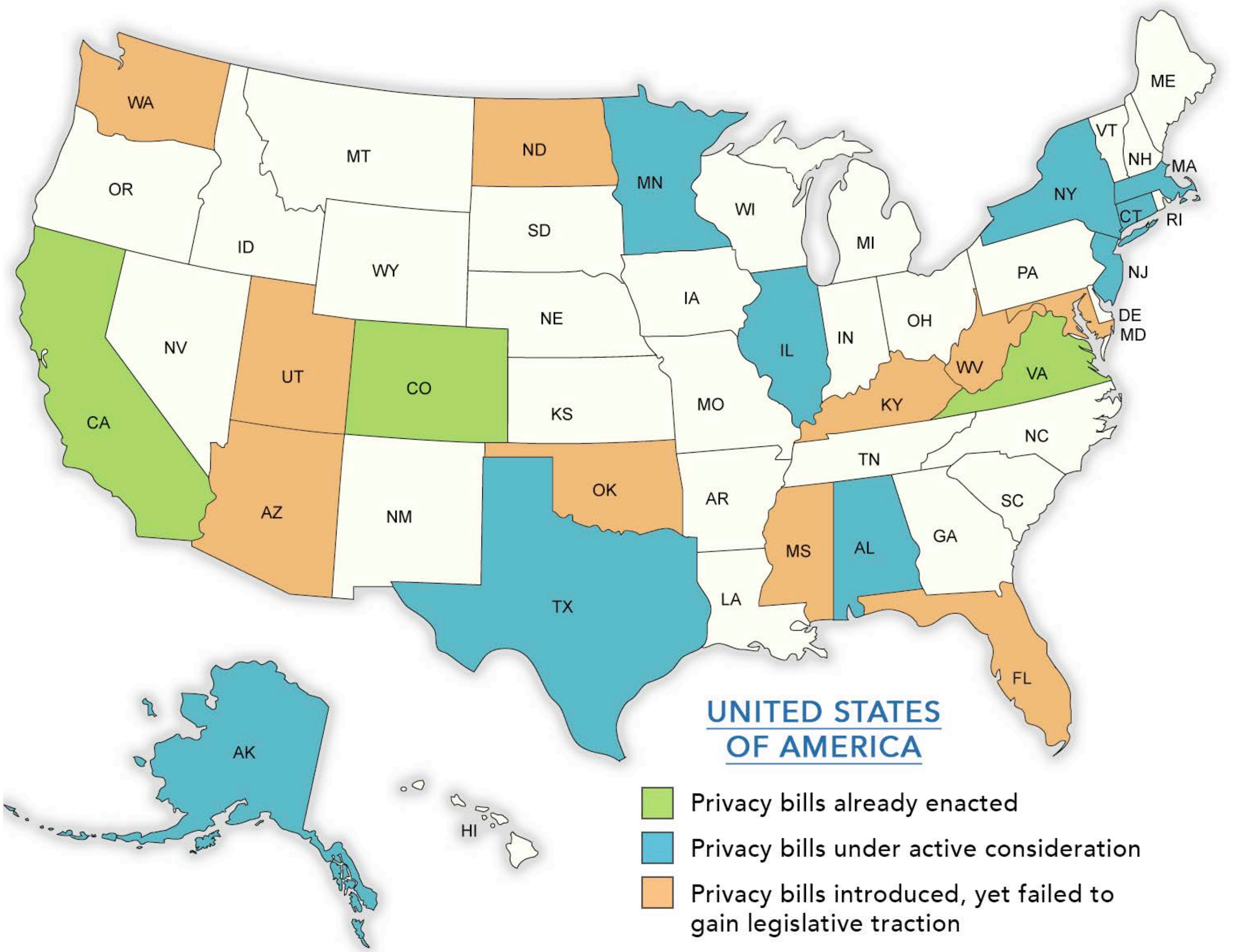
The Biden Administration’s voting rights, infrastructure, immigration reform, and job creation legislative agenda for 2021 makes it unlikely that there will be any White House initiative to advance comprehensive privacy legislation this year. The continuing lack of a bipartisan consensus on privacy legislation also reflects the continuing political division of both sides of the aisle, which is another barrier to any federal privacy legislation gaining momentum this year.

That said, there still is a significant continuing concern over digital privacy protection at

the state legislative level. To date, only California, Virginia, and Colorado have enacted state privacy legislation.

California's Privacy Rights Act was approved as a ballot proposition in November 2020 to supplement the 2018 California Consumer Privacy Act, which was enacted by the state legislature and took effect at the start of 2020. Virginia and Colorado enacted their laws through their state legislatures.

Nine states have privacy bills under active consideration: Alabama, Alaska, Connecticut, Illinois, Massachusetts, Minnesota, New Jersey, New York, and Texas.



Ten other states have had privacy bills introduced, yet failed to gain legislative traction: Arizona, Florida, Kentucky, Maryland, Mississippi, North Dakota, Oklahoma, Utah, Washington, and West Virginia.

Viewed broadly, state privacy legislation – whether successful, pending, or unsuccessful – is focused on guaranteeing a set of consumer rights and imposing business obligations for those who are serving the residents of a particular state.

The consumer rights include a right of access to personally identifiable information; a right of information rectification; a right of deletion; a right of restriction; a right of portability; a right to opt out; a right against automated decision making; and a private right to pursue civil litigation against violators.

Business obligations include establishing age-based rules to require opt-in consent; notice and transparency requirements; mandatory requirements to perform privacy risk assessments; prohibiting discrimination against consumers exercising their privacy rights; and limiting the processing of personal information to specific necessary purposes.

IV. Conclusion

The sudden nationwide lockdown in March 2020 due to COVID-19 brought with it dramatic changes in how we work, live, and interact with digital media. Although there will be no date certain when the pandemic finally is ended conclusively, there seems to be a growing consensus that the United States is entering a post-pandemic period.

During the second half of 2021, looking back and looking ahead, those involved in the digital media ecosystem must continue to be attuned to the significant marketplace changes that are taking place. Our massive reliance on digital media seems destined to increase and intensify only further. The Media Institute's Digital Media Center remains committed to providing informed perspectives on the dynamic process of adjusting to the inevitable post-pandemic new normal.

***Stuart N. Brotman** is a Distinguished Fellow of The Media Institute and is a member of the Institute's First Amendment Advisory Council. He is the author of **Privacy's Perfect Storm: Digital Policy for Post-Pandemic Times**. Brotman coordinates the program activities of the Institute's Digital Media Center.*

This White Paper was originally published in June 2021 as a propriety document for supporters of the Digital Media Center. We are now releasing it to a wider audience as 2022 begins. Since the pandemic has persisted longer than we might've anticipated, the contents and conclusions of this White Paper are still highly relevant as the Post-Pandemic "New Normal" is poised to emerge – finally, we hope – in 2022.

*The Media Institute's **Digital Media Center**, launched in 2020, is dedicated to focusing on timely trends and analyses for decision makers in the evolving digital media ecosystem. As a nonpartisan, neutral forum based in the Washington, D.C. area, it reflects The Media Institute's long-standing commitment to enduring values of free expression and free enterprise.*

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