

Are your customers becoming digital junkies?

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Consumer behavior is shifting rapidly as more people use digital devices and platforms intensively.

New McKinsey research

highlights a dramatic increase in the intensity with which people use digital devices and platforms. Nearly 50 percent of US online consumers are now advanced users of smartphones, social networks, and other emerging tools—up from 32 percent in 2008.

We have been tracking consumers' digital habits through a series of surveys covering more than 100,000 respondents across North America, Europe, and Asia.¹ Our 2010 US findings highlighted the growth of advanced multidigital and rich-media segments: the people most likely to be early adopters of new technologies (whom we label "digital-media junkies"), often younger men; those spending more time on social networks ("digital communicators"), often women; and those more likely to consume Internet-based video ("video digerati"). Meanwhile, we have seen a decline in segments focused primarily on one kind of digital use (such as e-mail or gaming), as well as late

adopters whose digital consumption is superficial. Behind these broad category shifts are meaningful changes in how consumers use core technologies.

Social networks as communications gateways

Social networks, particularly Facebook, are emerging as the dominant digital-communications channels. For people aged 34 and under, they already are *the* preferred channel (by minutes of use per day), displacing e-mail, texting, and phone calls. Social-network use, growing swiftly among all segments of our survey population, has doubled among those over 55. Such networks also are becoming information portals for people seeking items such as videos, photos, and content posted by friends. In our latest survey, 33 percent of the respondents said they use social networks to navigate content on the Web, up from 13 percent in 2008. While search engines continue to be the leading way

consumers access online content, the use of social networks is growing. As consumers spend more time on them, decisions about what to purchase often reflect interactions with friends and other influencers. In response, leading marketers are adapting their strategies to reach increasingly networked consumers and placing more stress on tactics such as word-of-mouth marketing and storytelling.

Smartphone as 'Swiss Army knife'

As the usage and processing power of smartphones increase in tandem with the rising speed of 3G and 4G data networks,² mobile devices are invading the domains of single-purpose gear such as game consoles and portable media players, as well as PCs.

Smartphones are also becoming the device of choice for e-mail, Web browsing, and product research. A third of smartphone owners prefer using it for Web browsing or e-mail even when they are near PCs. Over the past two years, iPhone users have spent 45 percent more time e-mailing on their smartphones and 15 percent less time e-mailing on their PCs. More than 60 percent of smartphone users would consider buying goods with it or have already done so.

As the power and functionality of devices grow, the possibilities for making money from mobile platforms will continue to improve. We found, for instance, that smartphone users already are more accustomed to paying for digital content and services than traditional online users are. Three-quarters of iPhone users, for example, now pay for one or more apps each month, though most remain free. As more products are distributed over mobile channels, greater competition will raise the importance of design, ease of use, and new mobile payment options. These findings are good news for content and service providers that wonder if mobile solutions will deliver real returns.

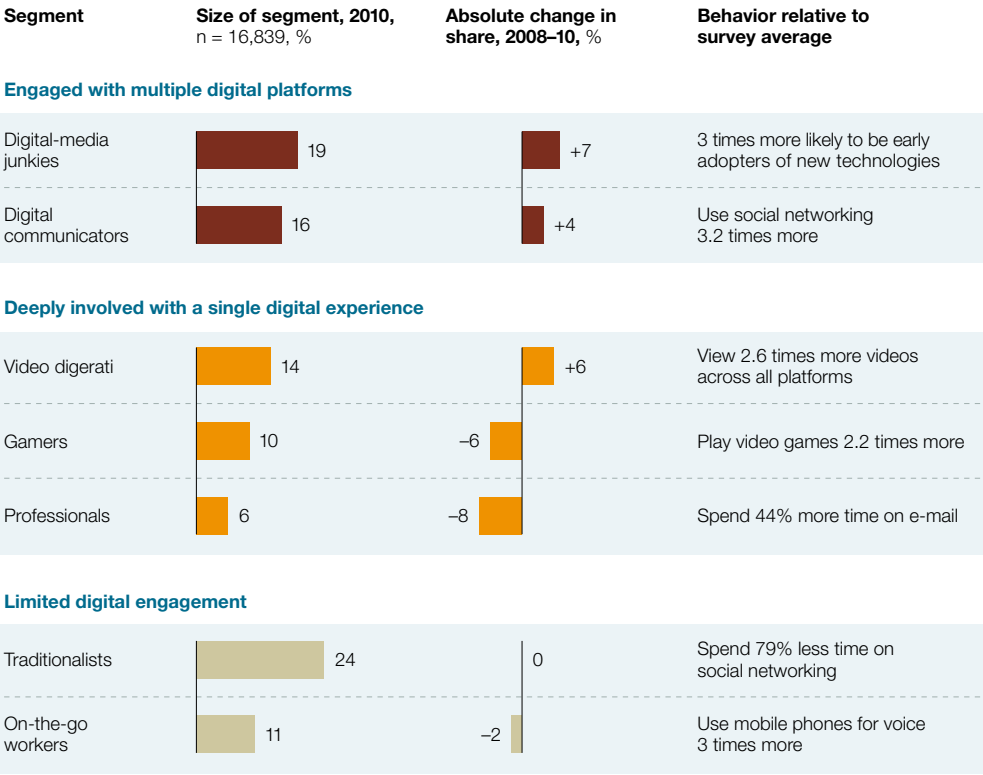
Internet video: Challenging traditional TV

As digital platforms multiply, consumer video-viewing habits continue to change. Among our survey respondents, 69 percent now view videos on their PCs and

Advertisers must refine marketing plans so that they reflect new video-viewing behavior, while getting creative about targeting users who are time-shifting and dividing their attention among platforms.

Digital consumers fall into seven distinct groups characterized by the types of digital experiences they prefer.

US example



Source: 2008, 2009, and 2010 McKinsey surveys of ~20,000 US Internet users, aged 13–64

33 percent on their smartphones. Twenty-four percent view Internet content on their TVs—a percentage that has tripled over the past two years as Internet-enabled game consoles, DVD players, DVRs, and TVs have proliferated. Although these users are 1.5 times more likely than the general population to say that they intend to cancel their pay-TV service, only a quarter of them are satisfied with the experience.

That should open the door to new areas of competition and innovation; pay-TV companies, for example, are starting to offer their programming across tablets and mobile devices.

Web search and video providers, meanwhile, see opportunities for services that help consumers navigate the fragmented domain of online video, a role similar to that of traditional TV-programming

packagers. Advertisers must refine marketing plans so that they reflect this new video-viewing behavior and get creative about targeting users who are time-shifting and dividing their attention among platforms.

We have seen similar digital disruptions in other key platforms, such as gaming, e-publishing, and music. The digital revolution, still in its earliest days, will continue to upend how we interact, entertain ourselves, buy, and work. ○

¹ This article focuses on recent results from our US research, covering 20,000 people since 2008. Respondents aged 13 to 64 with Internet access were asked about their digital behavior in areas including social interactions, e-commerce, video preferences, and device ownership.

² The term 3G, or third generation, refers to a generation of multiple standards for mobile phones and mobile telecommunications devices, while 4G is the fourth generation of cellular wireless standards—with higher speeds.

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