PPA Marketing

THE TAP REPORT

A study of tablets and publishing

Q4 2012

The TAP Report is a PPA compendium of global thinking and bespoke research plotting the rise of tablet devices and their adoption by consumers and magazine brands. It has been curated by the PPA with external sources cited appropriately.

Contents

PPA Marketing

Introduction

Since their arrival in 2010, tablet devices have become a global consumer phenomenon.

The iPad, widely regarded as the fastest-selling gadget of all time, gave way to a rush of entrants to this mushrooming market, further accelerating its growth.

With newer devices, the spectrum of functionality is widening and entry-level prices are falling.

Christmas 2012 is regarded as the tipping point at which tablets stop being a luxury item for 'media types' and become a ubiquitous device, owned by many and used everywhere.

Tablets are a natural fit with magazine brands. As ownership increases so does the choice of titles available in digital form.

This report has been compiled as a guide for publishers, agencies and clients: to share common thinking and statistics on tablet market potential; to explore changing consumer behaviours enabled by tablet ownership; to look ahead to digital edition sales forecasts; and to analyse the influence of tablet edition advertising upon readers.

This report will be updated at regular intervals. However, for continuous updates of news, industry research, media planning support and case studies from the PPA, sign-up to the PPA Marketing newsletter at http://www.ppa.co.uk/news/signup.

Marius Cloete
Head of Research, PPA
marius.cloete@ppa.co.uk

James Papworth
Marketing Director, PPA
james.papworth@ppa.co.uk

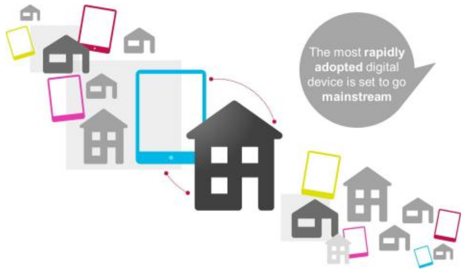
In partnership with:

Toluna QuickSurveys

1.

The creation of a new market

Generally speaking, state-of-the-market figures explain market *penetration*. The tablet market, however, is so new that the term market *creation* is perhaps more apt.



Since the launch of the Apple iPad in 2010 tablet sales growth has been spectacular. It is estimated that by 2016, 357 million tablets will be in use globally.[1]

The foundations of tablets rapid sales curve were laid by the smartphone, arguably the most significant game-changer in the way we access digital on the move.

92% of UK adults own a mobile phone.[2]
45% own a smartphone.[3]

Smartphones introduced consumers to 'swiping', 'tapping' and 'pinching-in/out'.

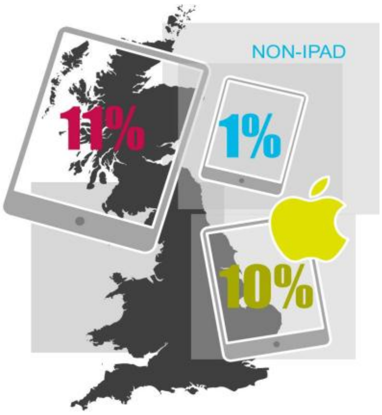
For consumers used to doing this on a small screen it's only a small step to doing it on a larger one.

Tablet Penetration Today

UK tablet penetration is estimated at 11% - that's some 6 million owners and equivalent to the entire population of Denmark owning a tablet.

Although UK ownership is currently skewed toward ABC1, age is not a significant determinant. 13% of men and 12% of women aged under 35 own a tablet.[4]

To date Apple has accounted for the vast majority of sales. However, growth is now faster among the non-Apple brands which predominantly use Google's Android operating system.



[1] Forrester
[2] Ofcom 2012
[3] IPSOS MediaCT Techtracker Q2 2012
[4] IPSOS Mori Techtracker Q3 2012

Christmas 2012 will further redress this balance following high profile launches from traditional hardware suppliers such as Sony, Samsung and Dell and traditional software suppliers such as Google [nexus7], Amazon [Kindle Fire] and Microsoft [Surface … the one with the clip-on keyboard].

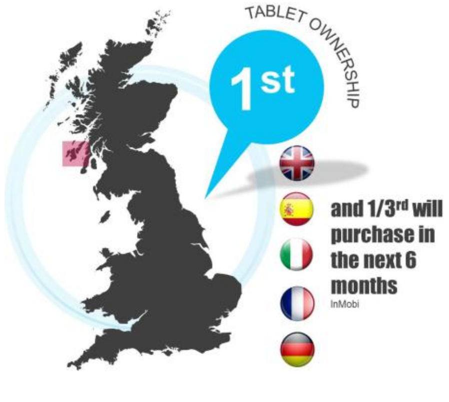
New entrants into any marketplace expand overall product specifications and reduce price points. They also operate contrasting business models.

For example, iPads, priced up to £600 return a profit per unit sold. While Amazon's Kindle Fire (currently the best-selling tablet in the US) is available at £159 in the UK and relies on e-commerce to provide on-going revenue.

Either way, tablets are now relevant, affordable and accessible to *everyone*.

UK Fan Base

Mintel suggests that the UK is an EU leader in tablet ownership[5].



[5] MPG / Mintel Digital Trends Spring 2012

EU Tablet Penetration %

- UK 16
- Spain 13
- Italy 12
- France 10
- Germany 9

In addition, a third of UK non-tablet owning adults indicate the intention to buy one within 6 months.[6]

Tablet Penetration Forecasts

Forecast figures continue this theme of rapid expansion.

In the USA, where 25% of the population already use a tablet[7], forecasts are for unit sales to surpass smartphone sales in 2013, at approximately 100 million units.[8]

That's one tablet for every 3 US citizens.

In Britain, estimates suggest that Christmas gifting could drive tablet ownership to 30% by Boxing Day.

Nvision predict ownership to move from *early mainstream* to *mass market* very soon and likely to exceed 40% by 2015[9]. That's approximately the same penetration as paid-for TV.

This is supported by eMarketer who predict **UK ownership at 46% by 2016**.

[6] MPG / InMobi
[7] Pew Research
[8] IGR, 2011 eMarketer
[9] Nvision 2012

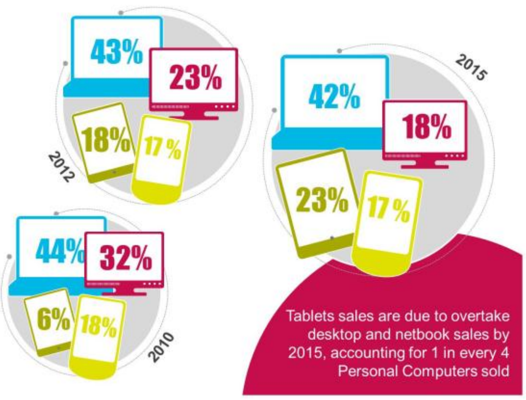
Marketing
PPA

The Cost of Tablet Growth

As tablets become more widespread will they expand or cannibalise digital devices our homes?

In the short-term it is likely there will be little change as consumers keep all their current devices. However, in the longer-term, renewal rates of other devices will be affected.

Forrester USA suggests it will be desktops which bear the brunt.



It predicts tablet share of personal computer device sales to grow from 6% in 2010 to 18% in 2012 and to 23% in 2015 - at this point accounting for one quarter of all personal computers sold.

Over the same period, desktop share will decrease from 32% to 23% to 18%.

Sales of laptops and netbooks will remain broadly stable.

2.

New Consumer Behaviour

Tablet growth will be driven by choice, price and the key consumer credential that they allow users to do new things.

They are not a like-for-like replacement for any existing product. They are more a hybrid of a television, a PC, a DVD player, a laptop and print [books, newspapers and magazines]. And they are addictive.

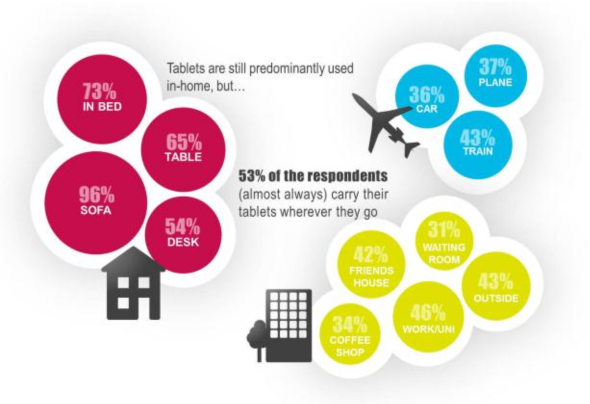
60% of owners say they use them more than they expected.
43% say they use them a lot more.[10]

Places of Use: OOH

It is apparent that for many owners their tablet is already an indispensable travel companion.

53% of owners take their tablet with them, everywhere.[11]

And OOH use is more or less unrestricted:
36% use them in their car, 37% use them on planes and 43% on the train.



Places of Use: At Home

When in home, the most common places of use are on the **sofa** or in **bed**, at 96% and 73% respectively.

Use at **table** and **desk** are less at frequent at 65% and 54% respectively.

These figures support the thinking that tablets are a leisure device, not a business one. As does TouchPoints' day-part analysis which shows tablet use at its height during peak and late peak TV time, 20:00 to 23:00.

Tablets are mobile devices - maybe not yet always mobile outside the home, but always mobile within it.

[10] Harris Interactive
[11] iPad Panel Alex Springer Media Impact

Type of Use

The PPA asked 1000 tablet owners which activities they are more likely to carry out on their tablet as opposed to their smartphone.[12]

More likely on a tablet

Reading books	+120%
Watching video clips	+94%
Online Shopping	+38%
Reading magazine content	+33%
Reading newspaper content	+23%
Playing games	+16%
E-mailing	+12%

More likely on a smartphone

Searching for information	-4%
Listening to music	-4%
Social Networking	-26%

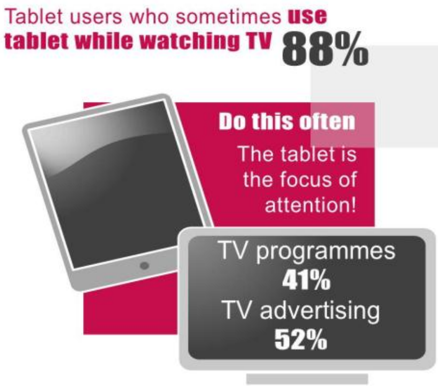
These figures are not counter intuitive. They match what we might expect. That **there is a divergence of use** between the bigger tablet screen [for *lean-back* reading, watching, long-form communicating] and the smaller phone screen [for sound-bite information, social chatter and music on the move].

Dual Screen Use

Peak tablet use is in the evenings, on the sofa – and it is driving multi-screen, multi-tasking.

88% of owners *sometimes* use their tablet whilst watching TV.

The number doing this *often* rises from 41% when the programmes are on to 52% when the adverts come on.[13]



As is the case in numerous multi-media usage questionnaires, the use of tablet whilst also reading a newspaper or magazine is very small, at 20%.

[12] PPA / Toluna QuickSurveys 2012

[13] iPad Panel Alex Springer Media Impact

Dual Screen Attention

When tablet owners are using TV and tablet at the same time, attention is definitely one-sided.

- **62% of tablet owners pay more attention to their tablet than to the TV *programme* they are watching.**

- **93% of tablet owners pay more attention to their tablet than to the TV *adverts* they are watching.**[14]

Tablets are often referred to as *the 2nd screen*. Current evidence suggests that when put up against TV, tablets are in fact *the 1st screen*.

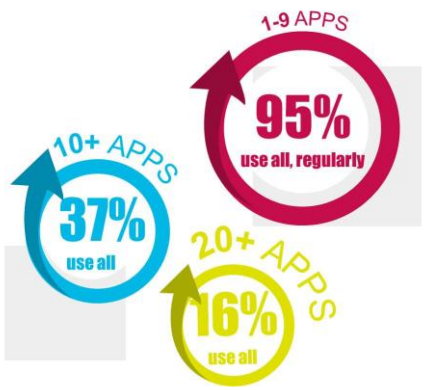
[14] iPad Panel Alex Springer Media Impact

App Use

Over 60% of tablet owners have 10 or more apps on their tablet. However, occupying a place on a tablet is no guarantee of use.

When it comes to app use, *less is more*. Consumers tend to operate a small portfolio of familiar, key apps. The remainder are there for decoration.

Regular Use of Apps Stats[15]



Free and Paid-For

66% of available apps are paid-for, 34% are free. However, when it comes to downloads, it's the complete opposite.

Of all the apps downloaded in the past 30 days 66% were free while 34% were paid-for.[16]

[15] GfK MRI 2012
[16] GfK MRI 2012

Marketing PPA

3.

Magazine Brands and Tablets

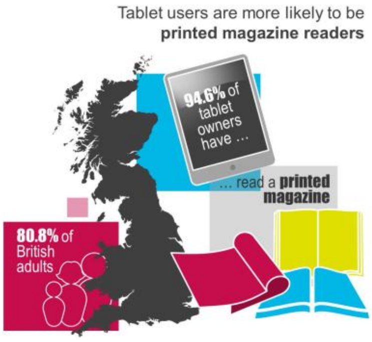
Tablet owners are far more likely to be heavy users of consumer magazines than they are of any other media.

Tablet Owners Heavy Media Use. Index vs average (USA)[17]

Consumer Magazines	**166**
Newspapers	**154**
Radio	**92**
Television	**63**

This is replicated in the UK where tablet owners are far more likely to be existing magazine readers.

81% of British adults read a printed magazine in the past year. (NRS) **94.6% of tablet owners have.**[18]



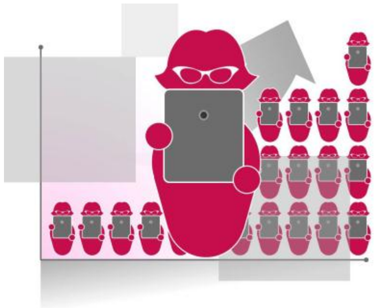
[17] GfK June 2011 (USA)
[18] PPA / Toluna QuickSurveys 2012

Consumer magazines are a natural fit for tablets;

- they have transferable content which downloads rapidly
- they are strong, defined brands
- they have existing reader communities which, for many brands, are *platform enabled.*

In the February 2012 UK ABC the number of titles which released an audited digital edition figure increased by 400% period-on-period.[19]

In the August 2012 UK ABC, 25% of titles which released an audited print figure also released a digital edition figure.[20]



In the USA, the number of digital edition copies sold increased 100% year on year. [21]

Britain is a world leader in the production of digital edition magazines.

An estimated 40% of globally downloaded digital editions are produced in the UK.

[19] UK ABC / PPA
[20] UK ABC / PPA
[21] USA ABC

4.

The Readership Pool

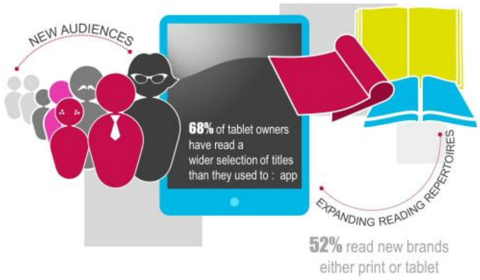
Tablet editions are being bought and read but where are the buyers and readers coming from?

Early indications are that tablet owners are already predisposed to being magazine readers. And being ‘goal side’ with magazine brands is carrying over to tablet editions.

55% of UK tablet owners have read a digital magazine on their tablet in the last 3 months.[22]

At this stage it appears that this is not a cannibalisation of printed readership.

In fact, rather than abandoning print for digital, consumers exposed to digital editions are expanding their overall print reading repertoire across platforms.[23]



[22] PPA / Toluna QuickSurveys 2012
[23] iPad Panel Axel Springer Media Impact

68% have read newspapers or magazines … on a tablet … that they had not previously read in print.

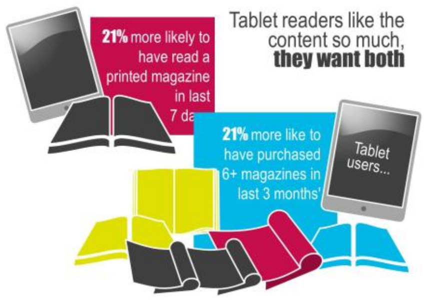
52% have a magazine and/or newspaper repertoire … either in print or on tablet … wider than before they owned a tablet.

It appears that tablet newsstands are acting as a *shop window*, bringing both lapsed and new brands to consumers.

This is being combined with instant digital access allowing consumers to re-engage with, or trial new, magazine brands, all from their sofa.

After all, 42% of tablet owners say it’s “the device which best allows them to explore new things”.[24]

PPA findings support this *reinvigoration* point of view.[25]



Tablet owners are 21% more likely than average to have;

- read a printed magazine in the past 7 days
- purchased 6 or more printed magazines in the last 3 months

[24] IAB
[25] PPA / Toluna QuickSurveys 2012

5.

Advertising Appeal

Numerous studies explore the influence of printed magazine advertising upon consumers.

Readers opt-in via purchase and elect to read the host media brand at a time and place which best suits them. Consequently, advert exposure takes place when the recipient is relaxed, engaged, in a positive mood and a mind-set of information acquisition.

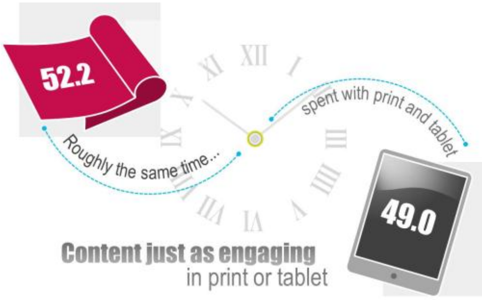
Among all media, magazine advertising is always regarded as the most relevant, most useful and most helpful buying-guide. It is always regarded as least annoying and least interruptive.[26]

Do these characteristics carry over into the digital product?

Time Spent Reading

Like their print counterparts, reading a magazine on tablet is a relaxed, *lean-back experience.*

And US evidence[27] suggests there is no significant difference in the time spent reading between a printed magazine and its digital facsimile.



The same content engages the same readers for a similar amount of time.

Advertising Perception

Smart Media USA investigated consumers' reaction to advertising from a broad range of electronic media.

Against the metrics of **helpful and interesting,** digital magazine adverts were rated most positively - by 63% of respondents.

They were also least likely to solicit a negative reaction: just 17% of respondents felt they had a negative impact on their reading experience.

[26] PPA
[27] GfK MRI Starchmetrix 2012

The Positive Impact of Digital

Printed magazine advertising has a significant impact upon consumers. **On average, printed magazine adverts have a *recall rate of 53%*.**

This is surpassed by digital editions **On average, digital edition magazine adverts have a *recall* rate of 56%.**[28]

The increase in overall memorability can be explained by examining the individual influences of this advertising.

Print and Digital Influence

GfK allows respondents to identify a multitude of actions to which they were inspired, by the advertising to which they were exposed.

Digital edition adverts are significantly more likely to inspire an action in three key areas;

- encourage readers to conduct further brand research
- encourage readers to visit brand website
- encourage readers to engage with brand via social media

[28] MRI GfK Starchmetrix (USA)

As a result, overall *recall* of the initial advert increases as does claimed overall *net action* as a result of that exposure.

77% of respondents who recall seeing advertising in a tablet magazine also engaged with it in some way.

Click Through vs Tap Through

Tablet edition adverts are hugely engaging and influential. When compared to traditional click through rates from banner advertising they are also hugely responsive.

Against a website banner average of circa 0.1%, Pew Research suggests tablet tap through rates average 7% - a seventy fold increase.

Axel Springer's Media Impact study identified automotive interactive ads achieved an average 33% tap through rate - a three hundred a thirty fold increase.[29]

This study also showed that while impressive results are achievable, interaction doesn't necessarily guarantee success. **Creative plays a huge part**.

The keys to success are ensuring bold branding with clearly visible logos with interactive elements which are:

- central to the design
- easy to use
- intuitive

[29] iPad Panel Axel Springer Media Impact

Marketing PPA

Notes

This document was prepared in November 2012.

It is not warranted to be complete or error free. PPA accepts no liability for its content. Content may only be reproduced with prominent acknowledgement of the PPA and sources quoted within this document.

All data and research referenced, other than that from the PPA and carried out by Toluna QuickSurveys, is available in the public domain. Any requests for further details of data and research included in this document should be addressed to the source supplier as cited herein.

Other references to similar topics may also exist and may run counter to claims made in this document.

The PPA is unaware of the circumstances behind research claims referred in this document nor does reliance on any of the data included herein create any contract to exist between the PPA and users of this data.

Professional Publishers Association (PPA)
55-56 Lincoln's Inn Fields
Tel: 020 7404 4166
Email: info@ppa.co.uk