Digital Australia: State of the Nation 2015-16
I worry about what information organisations can access about my digital behaviour.

64% Australians with a smart phone

Australians with a smart TV with internet access

Australians with a wearable fitness device

I'd rather conduct transactions over the internet than by phone or face-to-face.

I'll often conduct online research for a product while I am in store.

38%

32% Think they spend too much on digital

29% I worry about what information organisations can access about my digital behaviour

No 1 services

Spotify

Foxtel

Average monthly digital expenses (plans and subscriptions)

Average annual digital hardware expenses

$181

$782

Smartphones and tablets improve my communication with family and friends.

“I’m addicted to my smartphone or tablet”

73%

6%

14%

29%

Australians with a smart TV with internet access

Australians with a smart phone

Australians with a wearable fitness device

I’m addicted to my smartphone or tablet

“I’d rather conduct transactions over the internet than by phone or face-to-face”
Executive summary

Australian consumers embrace digital — but is industry keeping up?

Every few years, we see a step-change in the way people are using digital devices and engaging with organisations. 2015 was one of those points, with smartphone usage pushing through the 80% mark for the first time and 33% of Australians spending more than two hours a day on their phones.

Australia has become one of the most mobile-centric countries in the world.

Wearables have gone mainstream. Spotify helped music streaming become the norm. Uber monetised the sharing economy. Young Australians learnt to swipe left or right through Tinder. And the nation embraced video streaming services at such a pace that, when Netflix launched, Australia’s internet slowed down.

These global brands led the way in demonstrating the power of Australia’s digital economy. And Australia climbed two places in the World Economic Forum’s Networked Readiness Index. But, although some local companies held their own and the nation as a whole progressed, not all sectors — or companies — kept up.

Consumer feedback about digital experience continues to reveal many Australian organisations failing to get the basics right — organisations that have yet to acquire contemporary digital capabilities or articulate their strategy for a digital market.

This is a real concern. Uber demonstrated how quickly a digital disrupter can change a market — and with what scale. Now every sector is vulnerable. When the inevitable change comes it will be fast and have great momentum. As the age-old taxi industry discovered, once a sector gets to a digital tipping point, it’s too late to start formulating strategy.

With more global brands seeing Australia as a prime expansion market, a population deeply embedded by digital and a Federal Government with an innovation agenda, all the push and pull factors are in place to ignite the nation’s digital economy this year. The question is whether local organisations are ready to respond.

The digital opinion leaders in our study lament the lack of “digital expertise” in Australia, believing that Australia’s digital experience creation falls short and that investment is not where it should be. Those currently on the back foot need to assess their digital readiness. Those in the cross-hairs of global brands need to have the courage to disrupt their own markets before control slips from their fingers and they become the next casualty of digital Australia.

How will you operate in the digital market?
Are you digitising both front and back end operations?
Do you have an agile innovation model?

“Those caught in inertia will wake up one day and wonder: ‘Where has my market gone?’ If you reach the tipping point, you have negative time to respond.”

Jenny Young
EY Customer Leader
Key findings

- **Up the global leader board...** Australia has climbed two places to sixteenth in the World Economic Forum’s Networked Readiness Index. This higher ranking dovetails with consumer perceptions, with Australians – especially younger generations – also rating the nation’s digital aptitude more highly than they did in 2014. However, digital opinion leaders do not consider Australia to be a standout digital economy. An overwhelming 57% rated the nation as being “less advanced” than other leading developed countries.

- **Digital transformation is rife...** While expectations around the desired digital experience continue to escalate, there is no doubt that many Australian private and public sector organisations are cognisant of the need to meet demand and are clearly embracing the digital age. The vast majority of traditional large businesses are undertaking formal digital transformation projects. At the beginning of 2015, the Federal Government recognised the importance of delivering services digitally with the announcement of an Office of Digital Transformation.

- **Attaining digital excellence can prove elusive...** When consumers were asked to rank their “digital experience” across all key sectors, the results were similar to 2014, with the two interesting outliers being TV, films and media improved by four points and government services which had declined. Regardless of whether the status quo reflects a lack of progress or similar incremental gain across the board, it appears few sectors have delivered true innovation in customer engagement.

- **Many organisations yet to get the basics right...** The consumers’ criteria for “a high quality digital experience” continues to revolve around entry-level factors. Security is at the top of the list, followed by basic functionality requirements, such as ease of navigation and the ability to find a product or contact information. This consumer sentiment is double underlined by the digital opinion leaders who threw the spotlight on some of the fundamentals – easy processes, ease of navigation, responsive customer service and the purchasing process (online and mobile). It’s imperative and incumbent on organisations to get the fundamentals right first.
Digital Australia: State of the Nation 2015–16

Time to get on the front foot

Digital is all pervasive and deeply embedded in consumers’ lives and the pace of change will continue to be frenetic. Against this backdrop, the efficiency and evolution of Australia’s digital economy is all important. However it is clear that, while improving, it still has a way to go.

Australia has some pockets of digital excellence and many demand drivers and technology and regulatory enablers in place. But, as this report shows, it’s also coming up against some hurdles, in the form of consumer concerns around digital privacy, lack of digital experience innovation in many sectors and others failing to optimise offerings in line with the rapid shift to smartphone use.

As the global economy accelerates on its path of digital transformation, Australian organisations need to keep up through:

- **Delivering an excellent digital experience**: An overwhelming majority (95%) of digital opinion leaders agreed that a poor digital experience risks losing customers. Often the first touchpoint in the customer journey, the digital experience has the power to switch customers off the brand and product.

- **Recognise what an outstanding digital experience actually is**: Notably, 94% of digital opinion leaders were concerned that senior managers in Australian businesses lack the understanding of what a great digital experience is. Our research shows that the foundations of an excellent digital experience are simple: offer security, ease of navigation, and ease of accessing information. Customers demand simplicity, immediately.

- **Continuing to innovate**: Similarly, almost all digital opinion leaders (94%) agreed that organisations that fail to leverage digital operations to drive innovation detract from their own competitive position.

**Digital Australia: State of the Nation** is a wide-ranging report that includes:

- **Extensive Quantitative Research** — A representative survey of 1500 Australians (18-69 years) and over 140 “digital opinion leaders” drawn from the commercial and government sectors

- **Deep Dive Qualitative Research** — A series of in-depth interviews and focus groups with some of Australia’s top digital decision-makers and industry thinkers, as well as everyday Australians

- **Aggregate research** — Publically available data from a diverse range of sources

This report tracks the status of Australia as a digital nation. It highlights both aspects of digital life in which Australia is advanced and industry sectors that are falling sort of consumer expectations in terms of their digital performance.

The findings answer crucial questions about how consumers are using the internet and how organisations can respond. They cover:

1. **Digital consumers** — charting attitudes and behaviours to the internet and highlighting key consumer insights, especially in the fast-evolving areas of mobile, entertainment and social media

2. **Digital business** — highlighting the widening gap between digital leaders and those still fighting inertia and examining what business needs to do to improve the digital experience for their customers

3. **Digital government** — looking at what else government can do to advance Australia as a digital nation

“In a world where digital solutions are playing an increasingly central role in customer engagement, boards and C-suite leaders need a new set of operating metrics to understand if investing in digital is delivering dividends.”

David McGregor
EY Technology, Media and Entertainment and Telecommunications Leader
Australia has climbed two places in the World Economic Forum's (WEF) Networked Readiness Index (NRI). The nation is now sixteenth in a list of 143 countries, with high rankings on the quality of its digital infrastructure and many aspects of its regulatory and business environment, including protection of intellectual property and infrastructure. Australia also ranked well in terms of online service offerings and e-participation tools.

Consumer perceptions improving
Australians also rate the nation's digital aptitude more highly than they did in 2014. Around half (49%) think Australia's digital economy is the “same as” or “more advanced” than other leading developed countries, compared with 44% in 2014. Younger generations are more optimistic about the country's standing than older Australians.

That said, digital opinion leaders do not consider Australia to be a standout digital economy. More than half rated the nation as being “less advanced” than other leading developed countries.

A more affordable digital infrastructure
In 2014, Australia's ranking was held back by expensive access to the internet and digital technology. Today, Australia's ranking on the Readiness sub-index, which incorporates the affordability of accessing the digital ecosystem, has improved.

- Australia's Readiness sub-index has risen two places since 2014, with Australia's Affordability ranking rising 21 places to 28th.
- Australia was ranked 100th for network affordability in 2012.
Australia up two spots in global ranking of digital economies

Although gradual decreases in technology prices are expected over time, this shift may reflect the impact of increasing penetration of digital devices in the market, increasing competition amongst ISPs, and a growing access to fast broadband services such as the nbn.

As take up of nbn plans and offers becomes more prevalent across Australia, it may change the affordability of internet access.

More support needed from the business community?

Australia’s Environment sub-index (a driver of Australia’s overall global ranking) has dropped three places, despite improvements in the affordability of digital infrastructure. This metric, which examines the extent to which the government and business community supports the digital economy, suggests that Australian industry as a whole lags other countries in fostering innovation and digital entrepreneurship.

Recent changes in the competitive landscape in the technology and telecommunications sector will no doubt influence this ranking in 2016. The high Australian dollar has driven consumer retail interest online, but a weaker Australian dollar in 2016 is likely to have a negative impact. However, both government and industry clearly need to continue to drive growth in infrastructure, innovation, and digital engagement.
Digital consumers

Digital lifestyle

Digital devices are a necessity, not an indulgence, with Australians reporting high levels of comfort around using mobile devices for both work and play. When we spoke to everyday Australians, an interesting tension was revealed. The digital world brings profound benefits, but Australians also see its dark side.

- **Connected, but disconnected:** “You’re over there while I’m here”. Although digital can support inclusiveness and a sense of connection, some consumers question the depth of these connections. Digital devices can disconnect you from those physically present. People are more interested in what is happening “out there” rather than “right here”. We saw that 24% say their social life would be non-existent without their mobile or tablet.

- **Liberated, but addicted:** With greater mobility comes greater freedom to break away from traditional shackles; but equally this makes it difficult to turn off. Forty-six percent of 18-34 year olds admit to being “addicted” to their phone or tablet and 79% check their device as soon as they get up; 24% of Australians say their smartphones and tablets are detrimental to getting enough sleep.

- **In control, but overwhelmed:** Although smartphones and tablets put everything at your fingertips, “everything” can be too much. Almost a quarter (24%) of smartphone/tablet users feel overwhelmed by the information provided by their mobile device. Overlaid on this, four in ten Australians struggle to keep up with the rapid increase in digital device capabilities.

- **Efficient, but distracted:** Two out of three smartphone or tablet users often multitask with their device, but it’s a double-edged sword. They can increase productivity, but equally increase the level of procrastination. Smartphones are being used by large numbers of Australians in a wide range of contexts when… watching TV (77%), in bed (64%), eating a meal at home (50%), in the toilet/bathroom (42%) and while driving (21%).

---

**So I think there’s a general theme about the ‘prosumer’: customers who are now absolutely in control of their customer experience and have the channels to be able to tell these larger corporations that they don’t like what they’re doing, they don’t like their customer service, they don’t like their values… that’s a very powerful thing.”**

Penny Gray
Origin
Device usage penetration

Smartphones break 80% penetration

2015 was a milestone year with over 8 in 10 Australians (96% of 18-34 year olds) now using a smartphone. This near ubiquitous penetration of smartphones is influencing a decline in notebooks and laptops, with usage falling from 72% to 68% year on year, while PC and tablet usage remains stable. Smartphones are the computer of choice for Australians.

- The wearable device revolution is starting to take hold in Australia. In contrast with consumers being largely uninterested in wearables in 2014, in 2015 14% of consumers already used wearable fitness devices and 5% used a smart watch. This year, we expect increasing use of more network-oriented and smart devices.
- At the same time, laptop use will decline as the line between laptops and tablets continues to blur and smartphones take on more desktop functions. It all underscores the importance of organisations using adaptive technology to make online services device agnostic and mobile ready.

Portable device usage/penetration

<table>
<thead>
<tr>
<th>Device Type</th>
<th>2014 %</th>
<th>2015 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>A smartphone</td>
<td>81</td>
<td>78</td>
</tr>
<tr>
<td>Portable laptop or notebook computer</td>
<td>68</td>
<td>62</td>
</tr>
<tr>
<td>Tablet, e-reader or mini tablet</td>
<td></td>
<td>49</td>
</tr>
<tr>
<td>Another type of mobile phone</td>
<td>49</td>
<td>23</td>
</tr>
<tr>
<td>Personal training and fitness wearable device</td>
<td>20%</td>
<td>-</td>
</tr>
<tr>
<td>Smart watch</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td>Action camera in a head mount or harness</td>
<td>5</td>
<td>-</td>
</tr>
</tbody>
</table>

Other digital devices used

<table>
<thead>
<tr>
<th>Device Type</th>
<th>2014 %</th>
<th>2015 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal or desktop computer</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Smart TV with internet access</td>
<td>29</td>
<td>23</td>
</tr>
<tr>
<td>A games console with internet access</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>TV set top box which enables internet connectivity</td>
<td>17</td>
<td>-</td>
</tr>
</tbody>
</table>

Device usage penetration

Banking and finance leading the way

More Australians used the internet for banking and finance than for any other functional activity, with two thirds (66%) doing so once a week or more. This finding highlights how integral the internet has become to banking and finance services.

- While the laptop or PC are still most frequently used devices for accessing banking and finance functions on the internet (49% and 47% respectively), the smartphone is not far behind (41%).
- Banking apps, particularly by the major banks, are quickly developing in terms of their functionality and ease of use.

What functional role for the tablet?

Despite a proliferation of tablets, consumers are using them more for games and entertainment than functional tasks. The tablet was the device least used for online activities in banking and finance, clothes shopping, grocery shopping, and work or business purposes. Australians may feel that tablets lack the convenience and portability of the smartphone, while simultaneously lacking the familiarity of the laptop or desktop. The tablet still fulfils an important role in terms of entertainment, even if it is not the “go-to” device for the routine online functions of everyday life.

Smartphone usage driven by a few key apps

- Thirty-eight percent have 10 apps or less with the median number of apps being 15
- The median number of apps used in the last 24 hours is 4, with a third having used between 1 and 3 apps

Source: EY Digital Australia: Omnibus 2016
Device usage penetration

Keeping in touch: Smartphone or Computer?
Looking at which devices are used for online information and communication-based activities, such as reading blogs, social media, or researching products, we found a battle for supremacy between the smartphone and the laptop/desktop computer. The type of activity certainly appears to have an influence on the choice of device. Not surprisingly, the smartphone won out for activities that involve interactive communication or the need to access information while “on the move”.

This includes common smartphone tasks:
- Accessing social media (61%)
- Online messaging and calling (54%)
- Finding places/using online maps (52%)

Conversely, laptops were used more for:
- Researching products and services (50%)
- Finding lifestyle information (47%)
- Reading blogs (44%)

Operating systems
Apple’s iOS and Google’s Android continue to be the two most popular and widely used mobile operating systems in Australia. In the smartphone arena, Android currently has unit market share but Apple continues to dominate in the tablet market, raising the benchmark with each new launch. The battleground is also set with Android’s expanding to Smart TV and Apple recently launching their new Apple TV.

Wearables
Fourteen per cent of Australians are using a wearable fitness device. To provide insight into the future, we asked those immersed in the digital industry, the opinion leaders, about what wearable devices they expect to be very popular in five years’ time. Topping the list was “fitness devices”, followed by the health digital devices.

Activities done online at least once a year: 2014

<table>
<thead>
<tr>
<th>Functional</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and finance</td>
<td>91%</td>
</tr>
<tr>
<td>Buy clothes</td>
<td>62%</td>
</tr>
<tr>
<td>Work or business purposes</td>
<td>60%</td>
</tr>
<tr>
<td>Buy beauty or health products</td>
<td>48%</td>
</tr>
<tr>
<td>Grocery shopping</td>
<td>40%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Communications/information</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researching products and services</td>
<td>93%</td>
</tr>
<tr>
<td>Finding places or using online maps</td>
<td>91%</td>
</tr>
<tr>
<td>Finding lifestyle information</td>
<td>86%</td>
</tr>
<tr>
<td>Social media networks</td>
<td>81%</td>
</tr>
<tr>
<td>Online messaging and calling</td>
<td>63%</td>
</tr>
<tr>
<td>Reading blogs</td>
<td>58%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Entertainment</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>News and sport updates</td>
<td>84%</td>
</tr>
<tr>
<td>Finding things to do/ buying entertainment tickets</td>
<td>78%</td>
</tr>
<tr>
<td>Listening and downloading music, podcasts, TV or film</td>
<td>65%</td>
</tr>
<tr>
<td>Games</td>
<td>63%</td>
</tr>
<tr>
<td>Gambling</td>
<td>26%</td>
</tr>
</tbody>
</table>

Base: Total Consumers (n=1,500).
Device usage penetration

**Devices used for functional activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banking and finance (640)</td>
<td>41%</td>
<td>15%</td>
<td>49%</td>
<td>47%</td>
<td>640</td>
<td></td>
</tr>
<tr>
<td>Buy clothes (399)</td>
<td>20%</td>
<td>17%</td>
<td>46%</td>
<td>42%</td>
<td>399</td>
<td></td>
</tr>
<tr>
<td>Work or business (380)</td>
<td>45%</td>
<td>20%</td>
<td>54%</td>
<td>44%</td>
<td>380</td>
<td></td>
</tr>
<tr>
<td>Beauty or health products (252)</td>
<td>21%</td>
<td>16%</td>
<td>39%</td>
<td>37%</td>
<td>252</td>
<td></td>
</tr>
<tr>
<td>Grocery shopping (238)</td>
<td>25%</td>
<td>19%</td>
<td>38%</td>
<td>36%</td>
<td>238</td>
<td></td>
</tr>
</tbody>
</table>

**Devices used for communication activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Researching products/services (674)</td>
<td>33%</td>
<td>30%</td>
<td>50%</td>
<td>48%</td>
<td>674</td>
<td></td>
</tr>
<tr>
<td>Finding places/using maps (669)</td>
<td>52%</td>
<td>23%</td>
<td>42%</td>
<td>37%</td>
<td>669</td>
<td></td>
</tr>
<tr>
<td>Finding lifestyle information (572)</td>
<td>26%</td>
<td>24%</td>
<td>47%</td>
<td>47%</td>
<td>572</td>
<td></td>
</tr>
<tr>
<td>Social media/networks (586)</td>
<td>61%</td>
<td>29%</td>
<td>46%</td>
<td>39%</td>
<td>586</td>
<td></td>
</tr>
<tr>
<td>Online messaging/calling (430)</td>
<td>54%</td>
<td>25%</td>
<td>37%</td>
<td>29%</td>
<td>430</td>
<td></td>
</tr>
<tr>
<td>Reading blogs (347)</td>
<td>35%</td>
<td>23%</td>
<td>44%</td>
<td>32%</td>
<td>347</td>
<td></td>
</tr>
</tbody>
</table>

**Devices used for entertainment activities**

<table>
<thead>
<tr>
<th>Activity</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
<th>2014 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>News and sports updates (610)</td>
<td>42%</td>
<td>24%</td>
<td>46%</td>
<td>41%</td>
</tr>
<tr>
<td>Things to do/tickets (518)</td>
<td>30%</td>
<td>24%</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>Music, podcasts, TV, film (405)</td>
<td>44%</td>
<td>22%</td>
<td>46%</td>
<td>34%</td>
</tr>
<tr>
<td>Games (451)</td>
<td>48%</td>
<td>21%</td>
<td>31%</td>
<td>35%</td>
</tr>
<tr>
<td>Gambling (169)</td>
<td>35%</td>
<td>14%</td>
<td>45%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Base: Consumers who do the activity online at least once a year. Bases as shown in brackets.
A day in the digital life

Engagement with digital devices is evolving quickly as the proliferation of devices change, accessibility improves, and cultural attitudes shift. Research findings on the use of and time spent on devices shows that a typical day in the “digital life” is influenced heavily by various behavioural and attitudinal factors...

- **Digital engagement trumps sleep**: According to a recent study on sleeping habits¹, Australians spend, on average, 7 hours and 20 minutes sleeping per night. Our findings show that Australians with a digital device spend, on average, 10 hours engaging with their devices. With a sizeable number of Australians, particularly young adults, reporting difficulty in disengaging from their device, it seems that sleeping time may suffer.

- **Young adults love mobility**: Those aged 18 to 34 showed a much higher engagement with “on-the-move” devices, i.e. mobile phones, tablets, and laptops. Young adults used their mobile phones almost twice as much as those aged 35 to 54, and almost four times as much as those aged 55 to 69. It’s a similar story with tablets and laptops where younger generations show a significantly higher usage than older generations.

- **Online dating apps**: Only 8% of Australians surveyed reported downloading an online dating or relationship smartphone app. Of these, mobile-only apps like Tinder (32%) were the most common.

¹ Source: Sleeping habits of the world revealed – Daily Mail Australia, 17th April 2015

“Consumers can be overwhelmed by the amount of choice they have. You go to Spotify and listen to your favourite album, the ability to personalise on Netflix, and then one of the most popular services on music is Pandora where you just hit one button and it does it for you. So personalisation, as in I want to watch and define every part of my menu of choice is hard, there’s a lot of friction as very few people have nailed a great consumer experience, yet.”

Clive Dickens
Seven West Media
A day in the digital life

Media consumption

Not only do Australians spend more time than ever before engaging with devices, but the nature of that engagement has also changed. 2015 saw the explosion of streaming video on demand (SVOD) as well as the launch of Apple music, yet our research shows that traditional forms of accessing content are still the primary choice for many.

- **Television still No. 1:** two-thirds of Australians spend more than two hours each day watching TV shows or movies on a television set. Used by 82% of Australians, free-to-air is still by far the most popular means of accessing this content, with 28% subscribing to a Pay TV service and 18% to a streaming provider. Australians aged 55-69 are significantly more likely to watch free-to-air TV and less likely to use a streaming service. Those aged 18-34 account for 51% of streaming subscribers.

- **Physical music media in decline:** When it comes to consuming music, the story splits down generational lines. Those aged 18-34 are more likely to listen to their music on YouTube (56%) rather than the radio (49%), and are more likely to buy digital tracks or albums online (37%) than a physical CD from a store (29%). They also make up 52% of Australians who get music from a streaming service. Of those aged 55-69, 70% listen on the radio and 57% buy physical CDs from a store.

## Time spent on digital activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Less than 30 minutes</th>
<th>30 minutes to an hour</th>
<th>2 to 4 hours</th>
<th>5 to 7 hours</th>
<th>8 hours or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Watching TV/movies on a television</td>
<td>13%</td>
<td>6%</td>
<td>16%</td>
<td>47%</td>
<td>14%</td>
</tr>
<tr>
<td>Using a personal or desktop computer</td>
<td>15%</td>
<td>8%</td>
<td>20%</td>
<td>34%</td>
<td>15%</td>
</tr>
<tr>
<td>Using a laptop or notebook computer</td>
<td>16%</td>
<td>10%</td>
<td>22%</td>
<td>31%</td>
<td>14%</td>
</tr>
<tr>
<td>Using a tablet, e-reader or mini tablet</td>
<td>20%</td>
<td>17%</td>
<td>28%</td>
<td>27%</td>
<td>6%</td>
</tr>
<tr>
<td>Playing games on a game console</td>
<td>47%</td>
<td>11%</td>
<td>21%</td>
<td>16%</td>
<td>4%</td>
</tr>
</tbody>
</table>

Travel and digital

The digital age should make staying in touch while travelling easier. Yet our research shows that’s not the case.

- **The majority like to stay connected**: Of those that have travelled overseas in the last 12 months, 4 out of 5 (83%) maintained some sort of communication with friends and family, or accessed data from their smartphone. Only 17% did not make calls, send messages, or access data while overseas.

- **Online communication apps the way to go**: Online communication apps (used by WiFi) were the most common way to stay in touch while overseas. Global roaming, whether through an existing plan or a dedicated SIM card was much less common.

- **Cost the main barrier for global roaming**: Over half of those who had travelled overseas in the last 12 months (57%) cited cost as a barrier for global roaming. Other problems, such as incompatibility, were far less common.
Digital entertainment

Netflix on the rise but Foxtel still on top

Since March 2015, Netflix's introduction into Australia has seen a flood of customers sign up to the streaming media provider, no doubt aided by partnerships with ISPs such as iiNet and Optus. Amongst subscribers to TV or movie streaming services, Netflix Australia (30%) has grown quickly. However, Foxtel (via set box) remains the most popular source of subscription television and movies according to 22% of all Australians and 57% of those who subscribe to any television or movie service. While Netflix offers on-demand, tailored content, Foxtel still offers a broad range of viewing options, including live sport. Decreases in the price of Foxtel packages have no doubt stemmed the tide of customers looking to defect to the new range of streaming content providers, including Stan and Presto.
“The burning question is how will on-demand media trends impact consumption habits across FTA and traditional subscription platforms? What impact will this have on traditional advertising models of funding innovative local programing?”

Tom Kennedy
EY Advisory Partner


Most popular television/movie access methods by age

<table>
<thead>
<tr>
<th>Method</th>
<th>18-34</th>
<th>35-44</th>
<th>45-54</th>
<th>55-69</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free to air TV</td>
<td>69%</td>
<td>83%</td>
<td>88%</td>
<td>91%</td>
</tr>
<tr>
<td>Go to the cinemas</td>
<td>51%</td>
<td>53%</td>
<td>52%</td>
<td>45%</td>
</tr>
<tr>
<td>Buy a physical DVD/Blu-ray in a store</td>
<td>30%</td>
<td>31%</td>
<td>45%</td>
<td>34%</td>
</tr>
<tr>
<td>Stream freely on a TV Channel site</td>
<td>34%</td>
<td>33%</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Subscription to Pay TV service through a set top box</td>
<td>21%</td>
<td>25%</td>
<td>36%</td>
<td>32%</td>
</tr>
<tr>
<td>Buy a physical DVD/Blu-ray online</td>
<td>21%</td>
<td>17%</td>
<td>23%</td>
<td>15%</td>
</tr>
<tr>
<td>Hire a physical DVD/Blu-ray</td>
<td>21%</td>
<td>22%</td>
<td>20%</td>
<td>13%</td>
</tr>
<tr>
<td>Given episodes/movies by friends or family members</td>
<td>24%</td>
<td>15%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>Subscription to streaming providers</td>
<td>29%</td>
<td>17%</td>
<td>19%</td>
<td>8%</td>
</tr>
<tr>
<td>Download unauthorized files through a site or program</td>
<td>21%</td>
<td>16%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Buy/rent episodes/movies online</td>
<td>13%</td>
<td>10%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Don't watch TV shows or movies</td>
<td>4%</td>
<td>3%</td>
<td>1%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Digital entertainment

A dominant player in music streaming emerges

2015 was a landmark year for streaming music, with the launch of Apple Music. Results show it was quickly popular, eclipsing entrenched providers Pandora (24%) and Google Play (18%) to become the 2nd most popular online music streaming service (34%).

The growth of these streaming music providers could explain why many Australians (17%) are less frequently or no longer downloading or accessing unauthorised or pirated music.

While illegal downloading may still be prevalent, increased access to more affordable content via these online streaming providers are certainly providing an attractive alternative.

Like TV and movie streaming services, the accessibility and personalisation of music streaming services appears to be a major drawcard. The most popular online music streaming service Spotify (52%) allows users to browse, create, and play a variety of music playlists from a diverse range of genres.
Illegal downloading slows
• Forty-three percent of Australians have downloaded unauthorised TV shows, movies or music in the last 12 months – 43% of them aged 18-34. However, 25% of all respondents say they are doing so less frequently or have stopped (last 12 months) as high speed broadband and streaming services make access increasingly easy and affordable. Offered reasonable alternatives, most consumers would use authorised sources to buy content. We expect illegal downloads to continue to decline as streaming uptake grows and anti-piracy legislation gets further embedded.

“I just downloaded Spotify last night. I was in the car with some friends and I had music playing from my iPod, and they wanted newer songs but I didn’t have them. My friend had Spotify and was able to play any song on the go right there. I downloaded and it’s only $11 a month.”
Consumer 25-40 years old

“I never download stuff because I don’t have enough storage on my computer. But now there’s so many streaming websites, I’d just stream something.”
Consumer 18-24 years old

"Accessing unauthorised content"

<table>
<thead>
<tr>
<th>Content</th>
<th>Wasn’t using 12 months ago/Have never used these sites or programs</th>
<th>Stopped using</th>
<th>Using less frequently</th>
<th>Using about the same amount</th>
<th>Using more frequently</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV shows</td>
<td>61%</td>
<td>4%</td>
<td>10%</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td>Music</td>
<td>61%</td>
<td>5%</td>
<td>11%</td>
<td>19%</td>
<td>4%</td>
</tr>
<tr>
<td>Movies</td>
<td>61%</td>
<td>6%</td>
<td>10%</td>
<td>19%</td>
<td>5%</td>
</tr>
<tr>
<td>Games</td>
<td>71%</td>
<td>4%</td>
<td>8%</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td>Published e-books</td>
<td>75%</td>
<td>4%</td>
<td>8%</td>
<td>10%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Base: Total Consumers (n=1,500).
In 2015, Australia’s social media usage remained largely unchanged. Australia has high levels of penetration — on a par with that in the UK and US². Facebook continues to dominate, rated as the standout network for communicating and keeping up to date with friends and family. Pinterest was the only real mover, up from 23% in 2014 to 29%.

- Australians who are using Google+ are most likely using it to learn about general knowledge or brands, products and services. The top segments for researching products on social media are: clothing & fashion, electrical goods and home furnishings.

- In the battle for the sexes, Facebook and Pinterest skew female; Twitter and LinkedIn skew male.

*Source: Digital Social and Mobile, *We Are Social*, January 2015*
Social media usage

Scale of social media

- 80 million photos posted on Instagram a day
- Facebook has 1.55 billion active users per month
- Twitter has 320 million monthly active users
- Tumblr 230 million active accounts
- Pinterest has 47.66 million unique visitors from the US alone and is the fastest-growing independent site in history

“Social Media continues to be an important marketing communication channel for genuine customer interactions. Brands need to engage in authentic communications as consumers are increasingly mature users of these platforms.”

Tom Kennedy
EY Advisory Partner

Daily social media usage by gender

<table>
<thead>
<tr>
<th>Platform</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td></td>
<td>60%</td>
</tr>
<tr>
<td>Google+</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Instagram</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Twitter</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>LinkedIn</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>Pinterest</td>
<td>9%</td>
<td>3%</td>
</tr>
<tr>
<td>Snapchat</td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Tumblr</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Flickr</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Meetup</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>MySpace</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Daily social media by age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Facebook</th>
<th>Google+</th>
<th>Instagram</th>
<th>Twitter</th>
<th>LinkedIn</th>
<th>Pinterest</th>
<th>Snapchat</th>
<th>Tumblr</th>
<th>Flickr</th>
<th>Meetup</th>
<th>MySpace</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-34</td>
<td>78%</td>
<td>60%</td>
<td>57%</td>
<td>54%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35-44</td>
<td>10%</td>
<td>13%</td>
<td>12%</td>
<td>22%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45-54</td>
<td>25%</td>
<td>13%</td>
<td>9%</td>
<td>3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>55-69</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Note: In this chart “social media” refers to: Social networking websites including Facebook, Google+, LinkedIn and Twitter, online blogs and online rating and review mechanisms.

1 Instagram, instagram.com/press, accessed November 2015
2 Facebook, Inc., November 5, 2015 Form 10-Q
3 Twitter, Inc., November 6, 2015 Form 10-Q
4 Source: Our web of lies: How “perfect” profiles hide the ugly truth, news.com.au, 12 October 2015

Digital Australia: State of the Nation 2015–16

21
At work, smartphones and tablets are seen as positive, especially by men. Australians believe mobile devices are increasing productivity, supporting networking and helping people to achieve a better work/life balance.

To this point, the boundary between work and home continues to blur, with 73% of employed Australians using the internet in their workplace to conduct personal online tasks, such as banking or restaurant reservations, and 61% to check social media. Almost one in five (18%) employees are also using corporate bandwidth to download movies or TV shows.

Personal device use while at work

- Personal tasks, such as internet banking or making restaurant reservations, while at work: 34% regularly, 73% occasionally
- Checking your social media while at work: 25% regularly, 61% occasionally
- Downloading movies or TV shows while at work: 7% regularly, 18% occasionally

Digital expenditure

How much are consumers spending on digital?

With widespread device penetration, Australians are spending an average of $782 on upfront hardware costs and $181 on monthly digital subscription services or ad hoc purchases such as apps, of which home phone and internet services account for the greatest overall spend.

Despite the attitudinal importance of mobile devices, home connectivity and devices are still the biggest beneficiaries of digital expenditure. Australians are spending more on monthly fixed telecommunications than on mobile plans and bills.

With desktops and tablets becoming smaller and smartphones becoming bigger and more powerful, one would expect smartphones and tablets to challenge computers for digital expenditure. Yet, computers are still the most expensive upfront digital expense by a considerable margin, likely due to smartphones being purchased through plans. With the continual new release of smartphone models, upfront digital expenditure will be one to watch in 2016.

Digital Australia: State of the Nation 2015–16

Digital expenditure

Upfront digital expenses in the last 12 months

<table>
<thead>
<tr>
<th>Device Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer(s)</td>
<td>$242.48</td>
</tr>
<tr>
<td>Smartphone(s)/mobile phone(s)</td>
<td>$167.05</td>
</tr>
<tr>
<td>Smart TV or TV set top box</td>
<td>$139.46</td>
</tr>
<tr>
<td>Table(s), e-reader(s) or mini-tablet(s)</td>
<td>$84.40</td>
</tr>
<tr>
<td>Game console(s)</td>
<td>$44.10</td>
</tr>
<tr>
<td>Action camera in a head mount or harness</td>
<td>$24.17</td>
</tr>
<tr>
<td>Other upfront digital costs</td>
<td>$72.95</td>
</tr>
<tr>
<td>Average overall</td>
<td>$782.13</td>
</tr>
</tbody>
</table>

Monthly digital expenses

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home phone or home internet plan such as broadband bills</td>
<td>$62.76</td>
</tr>
<tr>
<td>Smartphone(s)/mobile phone(s) such as phone bills, apps</td>
<td>$50.15</td>
</tr>
<tr>
<td>PayTV, music or TV/Movie streaming such as monthly subscriptions</td>
<td>$20.87</td>
</tr>
<tr>
<td>Computer(s) such as data plans for laptop</td>
<td>$12.80</td>
</tr>
<tr>
<td>Table(s), e-reader(s) or mini-tablet(s) such as data plans, e-books, apps</td>
<td>$8.41</td>
</tr>
<tr>
<td>Game console(s) such as buying games and subscriptions</td>
<td>$2.81</td>
</tr>
<tr>
<td>Other regular digital costs such as bundle packages where you receive some of the above devices and services under one bill</td>
<td>$23.30</td>
</tr>
<tr>
<td>Average overall</td>
<td>$181.10</td>
</tr>
</tbody>
</table>

Digital affordability

The majority of consumers (63%) are comfortable with the amount they’re spending on digital, with less than a third (29%) concerned they spend too much. This level of comfort is being assisted by telecommunication providers keeping customers informed, making usage data available and including more data and services in plans and bundling.

Notably, those who believe they are not spending enough money on digital are spending more than those who are comfortable with their digital spend and those who feel they are spending too much. This reflects the increased engagement of “digitally active” individuals, and shows a greater appetite for new devices and the latest technology.
The sector index shows that all sectors aren’t created equal. The survey reveals a marked divide between the sectors that are delighting Australians and those that are falling short of the mark. The latest index shows...

- **Different stages of digital transformation:** Consumers will be enthusiastic about organisations and sectors that get it right and are caustic in their criticism of those they feel are lagging. If our sector index emphasises one thing, it is that there is still some pronounced complacency in Australia. The mid ground on the league ladder will disappear in future years as consumers continue to adopt a harder line in determining whether an organisation is progressive or a laggard.

- **Limited innovation in customer engagement:** Overall, the changes in rank order and in the assessment of performance have been minimal. The status quo year on year suggests that there have been few breakthroughs at a sector level.

- **Banking and Finance sets the pace:** This sector has high volume engagement, with 91% of Australians interacting online with a financial institution at least once a year, and 36% more than once a week. It is also one of the few sectors to have increased year on year. The reason this sector gets it right is because:
  - They understand the specific needs and desired experiences of customers and how to apply intuitive digital solutions.
  - They invest in the latest and embrace potentially disruptive forces.
  - They are operating in perhaps the most intensely competitive “one-up” digital environment.

- **Online advertising yet to directly drive purchases:** 1 in 3 Australians surveyed had clicked on an online advertisement in the last month and while we know that online communications are about more than click through rates, the majority of those clicks did not end in a purchase.

“To date, a large amount of accelerated local digital innovation has been forced by global brands, which are highlighting Australia as a digital expansion market. Even though they are heralded in advance, many these global incursions have caught local industries on the back foot. Those who have so far escaped without massive market disruption should stop resting on their laurels and start preparing for the inevitable.”

David McGregor
EY Technology, Media and Entertainment and Telecommunications Leader

Index: Industry digital performance

<table>
<thead>
<tr>
<th>Sector</th>
<th>2014 Index</th>
<th>2013 Index</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV, films and media</td>
<td>27%</td>
<td>24%</td>
<td>+3%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>24%</td>
<td>22%</td>
<td>+2%</td>
</tr>
<tr>
<td>Music</td>
<td>22%</td>
<td>22%</td>
<td>0%</td>
</tr>
<tr>
<td>Travel</td>
<td>15%</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td>Computer/Console Games</td>
<td>9%</td>
<td>9%</td>
<td>0%</td>
</tr>
<tr>
<td>Sport</td>
<td>8%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Financial services</td>
<td>8%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Real estate</td>
<td>7%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>7%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Newspapers</td>
<td>7%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>6%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Clothes and footwear</td>
<td>2%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Education</td>
<td>-1%</td>
<td>-1%</td>
<td>0%</td>
</tr>
<tr>
<td>Magazines</td>
<td>-2%</td>
<td>-2%</td>
<td>0%</td>
</tr>
<tr>
<td>Beauty and health products</td>
<td>-2%</td>
<td>-2%</td>
<td>0%</td>
</tr>
<tr>
<td>Automotive</td>
<td>-5%</td>
<td>-5%</td>
<td>0%</td>
</tr>
<tr>
<td>Groceries</td>
<td>-5%</td>
<td>-5%</td>
<td>0%</td>
</tr>
<tr>
<td>Investment and superannuation</td>
<td>-6%</td>
<td>-6%</td>
<td>0%</td>
</tr>
<tr>
<td>Insurance</td>
<td>-11%</td>
<td>-11%</td>
<td>0%</td>
</tr>
<tr>
<td>Gambling</td>
<td>-15%</td>
<td>-15%</td>
<td>0%</td>
</tr>
<tr>
<td>Utilities</td>
<td>-16%</td>
<td>-16%</td>
<td>0%</td>
</tr>
<tr>
<td>Government</td>
<td>-24%</td>
<td>-24%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Base: Total consumers (n=1,500).
Note: Index calculation = % best sector – % worst sector.
A few interesting observations can be made to help understand how to bridge the digital divide:

- **Escape expectations:** With constant connection comes heightened expectations and a desire to do things “on my terms” and “anywhere, anytime”. Moreover, organisations aren’t just measured against their immediate peers, but against organisations from all over the world. The consumer sentiment is... “If I can do it there, why can’t I do it here?”

- **Safe and secure transactions:** There is a continuing challenge to build trust in the digital economy. 97% of consumers felt that transaction security was a key component of a digital experience.

- **Ease of navigation:** 96% of consumers thought that it was important that digital experiences involve easy to navigate sites. While some consumers spoke of the “three click” rule of thumb, it was apparent that clear, easy to find functions and menus were critical. In essence, the “intuitive” design should be at the forefront of the digital experience, highlighting the need for extensive useability testing and continuous evaluation.

- **Ease of finding product/service information:** The importance of making things easy was further highlighted by how important accessible information was. As the increased demand for digital attention grows, it is vital that digital experiences guide consumers to the right information, right away. 94% of consumers rated the ease of finding information on products and services as important.
We’re one of those industries which is not very well liked, the less time people can spend working through issues with us, the better. When we talk about digital strategy, our main aim is to make the journey for the customer, through all channels, as seamless as possible.”

Penny Gray
Origin

“We’re one of those industries which is not very well liked, the less time people can spend working through issues with us, the better. When we talk about digital strategy, our main aim is to make the journey for the customer, through all channels, as seamless as possible.”

Andrew Walduck
Australia Post

Digital experience needs

Through all of this, the risk of an organisation being negatively differentiated by consumers against a peer is real and increasing. With 45% of consumers saying that organisations that fail to offer a high quality digital experience run the risk of losing them as a customer, poorly rated sectors need to take these findings as a call to action. Digital experience is one of the biggest differentiators out there and excellence in this space requires an astute understanding of customer expectations and the expertise to be able to apply digital solutions.

“A website that is easy to navigate
Safe and secure transactions
Having general or product information that is easy to find
Having contact information that is easy to find
Being responsive to online customer queries and feedback
Having an easy process for buying goods and services
Enabling ordering and purchasing to be handled online
Having the same experience online as you would in-store or vice versa
A website that is optimised for viewing and using on a mobile phone
Developing dedicated apps for common needs
Tailoring of any digital advertising and promotion to your interests or characteristics
Integrating websites with social media or other networks

Very important
Very/fairly important

Safe and secure transactions
A website that is easy to navigate
Having general or product information that is easy to find
Having contact information that is easy to find
Being responsive to online customer queries and feedback
Having an easy process for buying goods and services
Enabling ordering and purchasing to be handled online
Having the same experience online as you would in-store or vice versa
A website that is optimised for viewing and using on a mobile phone
Developing dedicated apps for common needs
Tailoring of any digital advertising and promotion to your interests or characteristics
Integrating websites with social media or other networks

Very important
Very/fairly important

Safe and secure transactions
A website that is easy to navigate
Having general or product information that is easy to find
Having contact information that is easy to find
Being responsive to online customer queries and feedback
Having an easy process for buying goods and services
Enabling ordering and purchasing to be handled online
Having the same experience online as you would in-store or vice versa
A website that is optimised for viewing and using on a mobile phone
Developing dedicated apps for common needs
Tailoring of any digital advertising and promotion to your interests or characteristics
Integrating websites with social media or other networks

Very important
Very/fairly important

Digital performance index

Does your business strategy work in a digital world?

You may be spending money on digital, but are you experiencing the transformational benefits that digital can bring? It’s easy to jump to quick, siloed, tactical digital initiatives. But these short-term initiatives will not unlock the true potential of a digital enterprise.

To unlock your digital agenda, you need a clear vision of where you are starting from. You need to understand digital across all the parts of your business and assess the sum of these parts. This gives you essential context against which to make decisions about all of your digital initiatives, helping you to identify priorities and develop a common digital vision for your organisation.

EY’s Digital Readiness Assessment will give you that context. This online, interactive assessment and benchmarking tool supports you to benchmark digital maturity across seven focus areas.

You will receive clear data on the performance of each area of your organisation, showing your current ability to navigate the digital world. Your DRA data will generate ideas on how to adjust your business strategy to mitigate the risk of digital disconnection and seize opportunities with your digital investment.

“Digital isn’t just about improving customer experience. It’s also key to growing revenue and reducing cost. You can do all three at the same time.”

Jenny Young
EY Customer Leader
E-commerce

The “sweet spot” of online purchase demographics

The latest online report figures show that 61% of Australians have made a purchase online in the past 12 months.

The age group with the highest incidence of shopping online is the 30 to 39 year old category (76%). This reflects a “sweet spot” of Australians who have a level of comfort with using digital devices, are not deterred by online security concerns, and have the financial means to make more purchases. In other words, companies targeting the 30 to 39 demographic should ensure their online stores meet best practice standards, or risk losing customers to competitors.

Australia punches above its weight in number of online shoppers

Australia’s ranking in the Networked Readiness Index (16th) is not reflected in the number of Australians from shopping online. Recent research should create a sense of optimism for online retailers who may see further growth in online shopping penetration as the quality of Australia’s digital infrastructure improves.

- **Australia in top five:** Australia ranks fifth globally (51% in the last month) for the number of online shoppers, behind the UK (64%), Germany (63%), South Korea (62%), and the USA (56%)
- **Higher ranking doesn’t always pay off:** While countries such as Singapore (1st) rank higher, they have a lower penetration of online shoppers (46%)

| Online shopping penetration by country (Purchased in the last month) |
|-----------------------|-------|-------|-------|-------|-------|-------|
| Country                | Total | Male | Female | 18-29 years | 30-39 years | 40-49 years |
| UK                    | 64%   | 63%  | 62%   | 77%       | 76%         | 66%         |
| Germany               | 62%   | 63%  | 65%   | 78%       | 76%         | 66%         |
| USA                   | 56%   | 51%  | 51%   | 62%       | 63%         | 56%         |
| South Korea           | 51%   | 49%  | 49%   | 56%       | 56%         | 62%         |
| Australia Canada      | 49%   | 48%  | 50%   | 53%       | 53%         | 48%         |
| France                | 46%   | 46%  | 46%   | 50%       | 50%         | 46%         |
| Singapore             | 45%   | 45%  | 45%   | 45%       | 45%         | 45%         |
| UAE                   | 44%   | 44%  | 44%   | 44%       | 44%         | 44%         |
| Spain                 |       |      |       |           |             |             |

What Australians purchase online

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing/accessories/shoes</td>
<td>51%</td>
</tr>
<tr>
<td>Airline tickets</td>
<td>51%</td>
</tr>
<tr>
<td>Hotel reservations</td>
<td>47%</td>
</tr>
<tr>
<td>Books</td>
<td>39%</td>
</tr>
<tr>
<td>Music</td>
<td>37%</td>
</tr>
<tr>
<td>Take-away food</td>
<td>31%</td>
</tr>
<tr>
<td>Electronic equipment</td>
<td>30%</td>
</tr>
<tr>
<td>Videos/DVD/games</td>
<td>24%</td>
</tr>
<tr>
<td>Computer software</td>
<td>22%</td>
</tr>
<tr>
<td>Computer hardware</td>
<td>17%</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>17%</td>
</tr>
<tr>
<td>Groceries</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Sensis e-Business Report 2015. Note: Purchased in the last 12 months.
E-commerce

Expenditure by category
The two categories that top the list in terms of capturing the online share of wallet of Australians are airline tickets and clothing, accessories, or shoes (51% each).

Books have fallen down the ledger over the past couple of years. They are now fourth on the list (39%), with music (37%) close behind.

The growth of the food delivery via smartphone applications, such as Menulog, has made take-away food the 6th most common online purchase (31%).

Source: Sensis e-Business Report 2015

Why is there an age divide in online spending behaviour?
Research from the September 2015 NAB Online Retail Sales Index shows very different behaviours between Baby Boomers (aged 65+) and Generation Y (aged 18 to 24). Undoubtedly, many Gen Ys are digital natives, characterised by a high degree of familiarity and comfort with digital devices and online experiences. However, research also shows they share similar levels of concern with privacy and exhibit similar attitudes on the importance of easy online purchase processes.

Source: NAB Online Retail Sales Index – September 2015

Paypal building trust: 42% of respondents would consider opening a bank account with Paypal, highlighting the increasing trust it has built with Australians.

Half of all Australians (49%) have used a peer-to-peer payment organisation for transferring funds to friends, family, businesses, and other individuals – making it the most used financial service from a “non-bank”.

Nevertheless, NAB’s results on share of online spending show...

- The spend share of those over 65 (27.4%) on online groceries and liquor is almost 7 times more than Gen Y’s (18-24 year olds: 4.2%)
- Gen Y’s spend relatively twice as much on online fashion (16.6%) than those over 65 (8.0%)
- Gen Y’s lead all other age groups when it comes to media (17.0%) and electronic games and toys (9.0%)

“I also feel confident when I’m using online retailers that there’s some protection there. That there’s recourse if something goes wrong. If you need to pursue an issue, you don’t have to scream black and blue to get a result that seems to be a really simple process that the person at the other end is supportive. There are steps to follow, it’s easy.”

Consumer
41-60 years old

“...In terms of digital payments moving forward, the ability to be able to facilitate immediate interchange of money to then pay bills and remove the friction from the process of paying bills is still something that needs to be solved.”

Andrew Walduck
Australia Post
Progress towards a cashless society

Online payments are already embedded in our commercial system, with 38% of Australians saying they would rather conduct transactions over the internet than by phone or face-to-face.

We can see the next step towards a cashless society, with one in five Australians making contactless mobile phone payments. Over the course of this year, we anticipate digital wallets becoming as universal as “tap and go” payments, which are now being made by nearly three-quarters of the population.

Interestingly, non-bank payment apps are more likely to be used than bank payment apps, a possible sign of customers separating from traditional banks. It also highlights the advancements made by organisations in developing their digital experience, particularly in terms of capturing and managing payments for products and services. As companies continue to recognise the convenience benefits of “in-app” purchases, we anticipate this disparity to grow.

Digital payment methods

Growing digital privacy concerns

A massive 97% of Australians say safe and secure transactions are fundamental to a quality digital experience, but they also remain highly concerned about the security of their personal information.

Almost two-thirds of Australian consumers continue to worry about the personal information organisations can access. At the same time, the percentage of Australians concerned about what information companies can access about a person’s digital behaviour has grown from 61% to 64% in the last year.

The crux of the matter is that consumers are willing to disclose personal information, if they can see how it’s being used. With the rise of social media, people are putting unprecedented levels of personal information into the public domain – because they can see value in doing so and because social media networks like Facebook have comprehensive, self-administered privacy controls.

The learning for other sectors is not to gloss over this critical issue. As a priority, organisations need to ensure they are compliant with the Office of the Australian Information Commissioner’s (OAIC) Australian Privacy Principles and allay consumer fears by providing transparency, choice and control.

This will involve giving people extensive access and control over their own information. Self-selection should go beyond “I do not wish to receive marketing material” choices, and offer granular control over how personal information can be used.

Failing to do so runs the risk of damaging customer trust – which takes considerable time and money to rebuild.

Many Australians worry of identity theft and cyber attack

- **Email a key battleground:** Not only was email the greatest source of security breaches (10%), but avoiding emails from unknown senders was the most common measure taken to protect against identity fraud (69%)

- **Passwords the first step to security:** With email security breaches being the most prominent, we might expect more Australians to regularly change their passwords (only 32% do) or perhaps use a secondary email for more sensitive or important information (only 22% do)

“**It’s vital to demonstrate you take customer privacy concerns seriously. You’ve got to tackle it head on. That means being overt about what you’re using personal information for and allowing consumers to choose how their data is used, who sees it and what is kept private.**”

Richard Watson
EY Cyber Leader

Digital concerns

<table>
<thead>
<tr>
<th>Organisation should be more transparent or upfront about how they use the consumer information they capture</th>
<th>2014</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>I worry about what personal information organisations can access</td>
<td>78%</td>
<td>79</td>
</tr>
<tr>
<td>I worry about what information organisations can access about my digital behaviour</td>
<td>64%</td>
<td>65</td>
</tr>
<tr>
<td>Organisations that fail to offer consumers a high quality digital experience run the risk of losing me as a customer</td>
<td>64%</td>
<td>61</td>
</tr>
<tr>
<td>I don’t really understand what cloud services are</td>
<td>45%</td>
<td>45</td>
</tr>
<tr>
<td>I struggle to keep up with the rapid increase in digital device capabilities</td>
<td>40%</td>
<td>40</td>
</tr>
</tbody>
</table>
With cyber security fundamental to consumer trust and a working digital economy, organisations must know exactly what to do in the event of a cyber breach. This is no longer a case of “if” but “when”.

All companies will have a breach at some point – some bigger than others. This threat isn’t just from hackers, cyber breaches can come from malicious insiders – or simply from naïve employees making a mistake.

How to respond to a cyber breach

Much of the damage done in these situations is not caused by the cyber breach itself, but the failure of the management response. Organisations need a cyber breach response play book written well in advance, so everyone knows what to do in the heat of the moment. People need detailed instructions: “If this happens, this is what we’ll do, this is what we’ll communicate to these stakeholders in this order, this is what we won’t communicate.”

The response manual should interface into existing crisis and media management plans. At one level, cyber breach is no different to any other type of crisis. Most organisations have the bare bones of the framework already in place.

However, responses need to be specific to the unique issues that surround cyber scenarios. In a connected world, cyber breaches can’t be covered up. The only option is to get on the front foot and be transparent – but only disclose facts that you know to be true. If you come out early and announce 1 million records have been lost – you lose credibility when it turns out to be 80 million. It’s vital to get the facts together before you go to market with the news.

“To combat the threats detailed in this report and reduce the risk of compromise, organisations must move now to implement cyber security measures to make Australia a harder target, increase the confidence of Australians when they are online, and maximise the benefits of the internet for Australian organisations.”

ACSC Threat Report

Source: Australian Cyber Security Centre 2015 Threat Report, Australian Government, Canberra
Cyber security

This means you need a cyber forensic capability to investigate the breach, lock it down and get an accurate picture of the damage so you can comment publicly with confidence. The faster you can do that, the better your damage control. Contracts should be in place with the third parties who can help you with this in advance, so you can call on these rather than trying to negotiate commercial terms, when time is better spent addressing the cyber issue.

We also recommend going to the OAIC immediately to get input, advice and support. Don't hide from this regulator – the organisation is there to help you.

Finally, make haste to go the extra mile to reassure your customers, regain trust quickly and show you care. This might even take the form of compensation – for example free credit card insurance for a year. The point is to demonstrate you take your data security responsibilities seriously.

“There are only two types of companies: those that have been hacked and those that will be.”
Robert Mueller
Former FBI Director
Former Director of the Federal Bureau of Investigation
speech to the RSA Cyber Security Conference, March 2012
Digital government

Government policy and a digital Australia

Australians are passionate about digital. The more they experience, the more they want. But they also recognise the many challenges facing the Government in ensuring the nation is digitally competitive on a global scale, not the least because our geographic and population considerations.

Almost half (47%) of consumers agree that Australia is in danger of being left behind due to the Government’s digital policies. Only 28% of Digital Opinion Leaders believe that the Government’s approach to supporting the digital economy was sufficient.

However, this survey was conducted before a number of state and Federal Government announcements, including the Federal Government’s national innovation agenda announcement in December, which will include crowd funding for start-ups and tax breaks for “angel investors” in fledgling tech companies as top priorities to boost innovative firms.

According to the innovation statement, Australia will have a radically improved environment to support digital innovation. This will both accelerate the progress of digital leaders – and increase the risk to those lagging behind. In such an environment, inertia will be deadly.

Where should government get involved in privacy and security?

In terms of where Australians stand on areas of government involvement, consumers are...

- Strongly supportive of “privacy” intervention: Around eight in ten (79%) agreeing that Governments should force organisations to be more transparent or upfront about how they use the consumer information they capture
- Conservative on the mandate for law enforcement: Only 30% agreed with the move to force telecommunications firms to retain customers’ data for two years
- Reserved on monitoring behaviour: Only 30% believe the Government should take a more active role in monitoring individuals’ online activity (a slight decline from 2014)

“I don’t think it’s the government’s role to have a say in how you manage your privacy. It’s up to the company. The government can say “you need to strengthen up your privacy”, it’s not really their role in terms of your own privacy, it’s yourself. It’s what you sign up to.”

Consumer
18-24 years old
The nbn has evolved into something tangible and real – a product/service Australians see advertised and increasingly large numbers of households can access.

The latest data shows that more than a million households now have access to the nbn (1.4 million), with over 640,000 having activated accounts.

One of the priorities for the nbn after conversion lies in ensuring the experience lives up to expectations. Our research is showing declines on this front:

- **“Experience” metrics declined:** While 27% say the nbn experience is better than expected, it is a drop from 33% in 2014. Similarly, the number of nbn users who say it is worse than expected has increased from 11% to 24%.

- **“Newer” customers more critical:** the decline in customer satisfaction reflects the poorer perception of respondents who have had the service for less than six months. Of these, 28% said the service was worse than they expected, (compared with 22% who have been using it longer than a year).

  In the focus group discussions, consistency of speed at peak times was identified as a key point of difference when it came to customer satisfaction.

  This change of satisfaction also reflects the evergrowing expectations of customers to have a seamless digital experience.

Source: nbn rollout information – Weekly Summary: 29 October 2015
Broadband in Australia

Broadband quality
As the chart shows, Australia’s average internet speeds fall well behind world leader South Korea. South Korea, who ranks 1st for average internet speeds, sets the benchmark for developed nations. Although Australia, the USA, and New Zealand had similar connection speeds in 2010, investments in digital infrastructure has seen the USA pull away from the pack. Meanwhile in Oceania, Australia and New Zealand have seen a slow, but steady improvement in speed.

“The only time I realise how good the nbn is, is when I’m... [online somewhere else]... and need to do something more involved than just send an email, and I’m wondering why it’s going so slow.”
Consumer
25-40 years old

Fixed broadband quality
Australian Internet speed breaks

Average connection speeds

Source: Akamai’s State of the Internet Q2 2015 Report (September 15), Q2 2014, Q2 2013, Q2 2012, Q2 2011, Q2 2010.
About this study

The definitive source of insight on Digital in Australia.

Research coverage

Digital devices usage
- Device ownership and usage
- Operating platforms
- Internet activities

Digital productivity
- Digital device work use
- Impact of mobile digital devices on productivity

Social network and media
- Social media usage
- Social media movers and shakers
- Reasons for using social media

The digital future
- Emerging consumer technology
- Usage of wearable digital devices
- Payment methods

Attitudes to digital
- Role of digital devices
- Digital attitudes
- Impact of mobile digital devices on life aspects

Digital experience
- Australian digital economy strengths and weaknesses
- Digital experiences of different industry sectors and organisations
- Digital experience needs
- Digital experience problems

Government and the digital economy
- Attitudes to government and the digital economy
- Attitudes to and experience of the nbn

Research approach

Digital Australia: The State of the Nation is a wide-ranging report that is based on three types of research.

- Extensive Quantitative Research — A representative survey of 1500 Australians (18-69 years) and over 140 “digital opinion leaders” drawn from the commercial and government sectors
- Deep Dive Qualitative Research — A series of in-depth interviews and focus groups with some of Australia’s top digital decision-makers and industry thinkers, as well as everyday Australians
- Aggregate research — Publically available data from a diverse range of sources

EY commissioned EY Sweeney to conduct this research program.
Digital@EY

EY’s team of digital consultants deliver world-class business transformation globally and locally. Our digital capability is embedded across all of our services supporting a whole-of-business recommendation. Our data-driven insights along with our global experience and networks support us to deliver results in digital business transformation.

EY can help unlock the full potential of digital by making it deliver commercial value through a whole-of-business approach to strategy and practical implementation.

Digital at EY is about more than technology, it is the levers that businesses can use to drive business transformation, elevate customer experience and engagement, and identify demand for and test new products and services.

Understanding the intersection of business, risk and digital is fundamental to EY’s digital experience and capability.

EY’s digital solution includes:

- Business and IT strategy, business model optimisation
- Business and IT transformation
- Branded customer experience design and channel strategy
- Customer experience and engagement
- Customer insight – customer analytics, customer data management
- Personalisation and real time marketing
- Multi-channel change management
- Governance, risk and compliance management of digital channels
- Security and privacy frameworks assessment
Contact us

Bill Farrell
Oceania Advisory Regional Managing Partner
bill.farrell@au.ey.com
LinkedIn

Ian Fisher
Oceania Advisory Partner
ian.f.fisher@au.ey.com
LinkedIn

Andrew Garner
Oceania Advisory Partner
andrew.garner@au.ey.com

Justin Greig
Oceania Performance Improvement Leader
justin.greig@au.ey.com
LinkedIn

Lucille Halloran
Oceania Government and Public Sector Leader
lucille.halloran@au.ey.com
LinkedIn

Stuart Hartley
Oceania Advisory Partner
stuart.hartley@au.ey.com
LinkedIn

Tom Kennedy
Oceania Advisory Partner
tom.kennedy@au.ey.com
LinkedIn

Marc L'Huillier
Oceania Advisory Partner
marc.lhuillier@au.ey.com
LinkedIn

David McGregor
Oceania Technology, Media & Entertainment and Telecommunications Leader
david.mcgregor@au.ey.com
LinkedIn

Jenny Parker
Oceania Advisory Partner
jenny.parker@au.ey.com
LinkedIn

Joana Valente
Oceania Advisory Partner
joana.valente@au.ey.com
LinkedIn

Richard Watson
Oceania Cyber Leader
richard.watson@au.ey.com
LinkedIn

Jenny Young
Oceania Customer Leader
jenny.young@au.ey.com
LinkedIn