

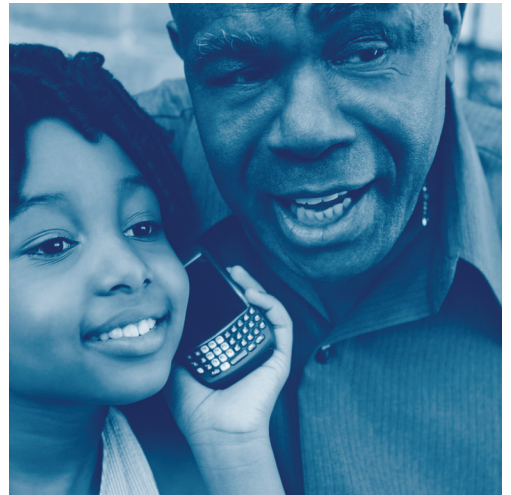
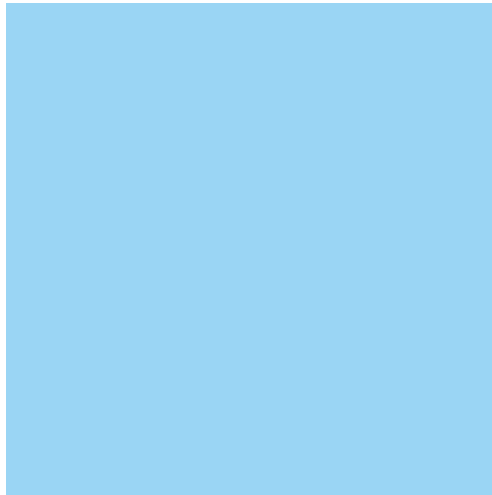
April 2011

The New Digital American Family:

Understanding family dynamics, media and purchasing behavior trends

Doug Anderson
Senior Vice President,
Research and Thought Leadership,
The Nielsen Company

Radha Subramanyam
Senior Vice President, Media Analytics,
The Nielsen Company



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Overview

The New Digital American Family is getting older, smaller, growing more slowly and becoming more ethnically diverse than at any point in history. Diversity in all its dimensions defines the emerging American Family archetype, with no single cultural, social, demographic, economic or political point of view dominating the landscape.

The Takeaways

- Ward and June Cleaver have left the building. The white, two-parent, "Leave It to Beaver" family unit of the 1950s has evolved into a multi-layered, multi-cultural construct dominated by older, childless households. Marketing budgets need to recalibrate to reflect the very different composition of the New Digital American Family.
- Slow organic growth in the number of households with children (38 million) will force categories and brands to steal share from competitors or pursue category-expanding new product innovation.
- Advertisers need to have a multi-channel strategy for reaching different types of families, one that accommodates differences in media preferences, device usage and time-shifting behavior.
- Hispanics represent a huge and growing market with a distinctive culture, one that requires an equally distinctive marketing approach and rejects the two myths of Hispanic consumers:
 - Myth: I can reach Hispanics through my general market campaigns
 - Myth: Hispanics are late technology adopters, so I don't need to use online and mobile in my campaigns
- The New Digital American Family has arrived at a demographic inflection point that demands marketers adapt and adopt new technologies for communicating with the consumer. One example is the smartphone which has emerged as an equalizing agent across households of all income levels.

Family Portrait: Ethnicity

- Households with children under age 18 will be predominantly multi-cultural by 2020 (Hispanic, African-American and Asian-American); 40 percent already are multi-cultural today due in large part to immigration.
- Recent immigrants to the U.S. accounted for 90 percent of population growth from 2000-2010 over-indexing for the Hispanic and Asian communities.
- Hispanics represent the fastest-growing segment of the multi-cultural nation, growing 40 percent in the past 10 years and numbering 50 million people.
- A socio/demographic schism splits families along education and income lines, with higher income, more educated, less ethnic households

reporting lower divorce rates and more time spent with children.

- Marriage is so 20th century! In 1960, 72 percent of the adult population was married. By 2008, that number plummeted to 52 percent. The college-educated have the highest marriage rates; those with a high school education or less, the lowest rates.
- Moms rock, but are hard to reach, with mothering activities diminishing media time.

Family Portrait: Finance

- High income families view less TV but spend more time viewing with kids, using time-shifted media four times more often than low income households.

- High income families represent the heaviest Internet users, logging on to conduct research, check the news, access travel info and visit social networks.
- Programming preferences vary with income, but programming genres like sports unify the nation.
- Low income households download more ring tones while upscale families rely on smartphones for mobile commerce and to download apps.
- While only 11 percent of Hispanic households bank online, 30 percent conduct banking transactions on their mobile phones.

Households with Children: A Shrinking Slice of the American Pie

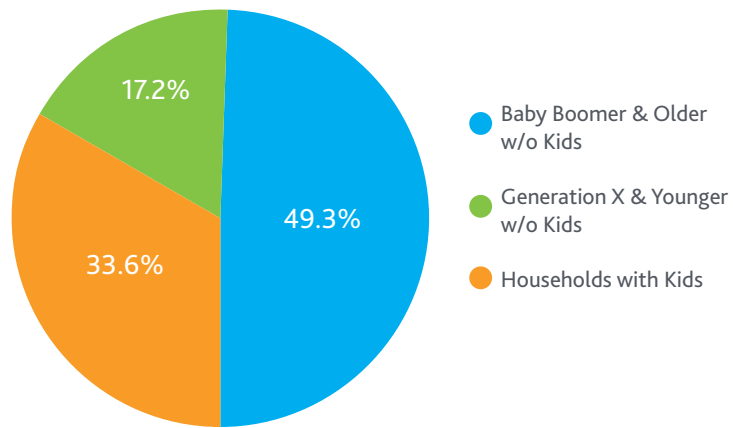
Nowhere are the seismic changes in the American family more concentrated than among young people and households with children. Once the sweet spot for marketers, households with young children now represent a shrinking percentage of the family marketplace (just 33.6%), as well as a less homogeneous, less educated and less affluent target audience. By the mid-2030s, the share of households with children is expected to decline further to between 25-30 percent, depending on the economic outlook. When times get tough, parents often delay having children.

Over the next decade, families with children will grow, albeit at a slower rate (4%) than the projected total household rate of 7.8 percent. While the overall growth rate is relatively slow, the change impact is profound, with ferocious growth projected for multi-cultural households leading and lower/middle income families.

Nielsen projections suggest that the majority of families with children will be multi-cultural before the end of this decade. Fewer than half will be native-born, non-Hispanic white. Families with children already register more than 40

percent multi-cultural. The proportion is even higher at 47 percent among those families with a head of household age 33 or younger and soars to 61 percent for the lowest income families.

Figure 1: Sizing the Current Family Marketplace

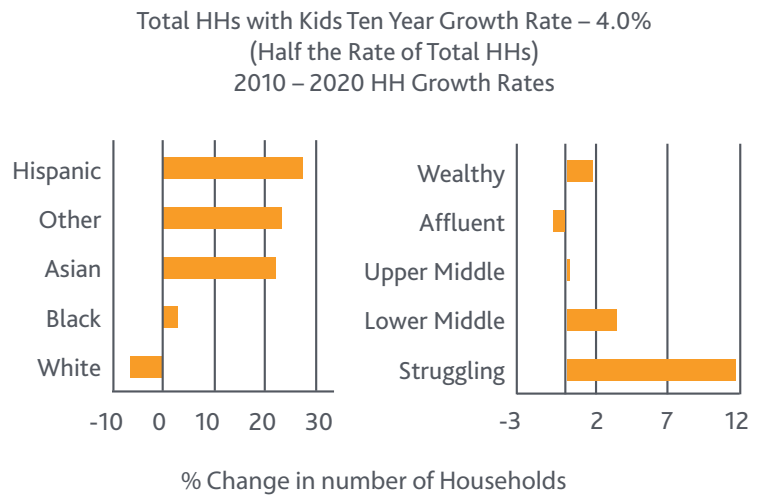


Source: The Nielsen Company

Growing Multi-Cultural Roots

Immigration accounted for 90 percent of population growth over the last decade, bringing with it a surge of people in their 20s who have higher fertility rates and the optimism to start families. American society continues to blend cultural influences and present challenges to marketers attempting to reach distinct ethnic segments, especially Hispanics. More developed global regions such as the United States, Canada, Australia and Western Europe will see growth rates decline until 2035 when these countries will lose population.

Figure 2: Very Slow Growth Rate But a Lot of Flux



Source: The Nielsen Company

Generational Differences

From a generational perspective, Baby Boomers (born 1946-1964) started a trend by having children later than any generation before them, though not nearly as late as the generations that followed. Many Boomers still have children under 18 at home and account for more than 30 percent of all households with children. Generation X parents (born 1965-1976) represent the majority (43.9%) of households with children. Slightly more so-called "Brady" Boomers (born between 1956-1964) head up households with children (23.3%) than do Millennials born after 1977 (22.9%).

Race and ethnicity within households with children varies strongly by generation. The "Brady" Boomers are the least diverse group with nearly two-thirds of families with children headed by a native born, non-Hispanic white. Younger Millennials stand as the most ethnically diverse group, with nearly half of families with children described as multi-cultural. Many of the native white households in the older age groups are empty nesters, while multi-generational, multi-cultural families still have children under 18 at home.

The Post-Digital Generation

Along with youth comes a high comfort level with technology, one tantamount to a digital birthright. For members of the Post-Digital Generation, there has always been an Internet. Time-shifted viewing has become the norm. Three-screen lifestyles (TV, Internet and mobile) predominate. Social media usage continues to soar. From travel to health, mere search has evolved into thorough online research on every topic under the sun.

The Internet is more than a way to study the world; it is a mechanism for forming community. Whereas prior generations turned to Mom for advice on child-rearing, Post-Digital Moms turn to a host of Mommy bloggers and other online Moms for trusted advice, a shoulder to lean on,

and someone to connect with during wee hour feeding times.

A single device has successfully bridged the digital and generational divides. The smartphone has emerged as the great leveler, providing low cost, easy access Web connectivity to households of all income levels and ethnicities. Two out of three U.S. mobile subscribers use text messaging. The age of anytime, anywhere, affordable access has arrived, a game-changer for marketers who now must learn to leverage the unique attributes of mobile into their campaign strategies.

Marriage on the Wane

Two trends impact the outlook for marriage, and as a result, the fate of families with children: age at first marriage and opting out of marriage altogether. The proposed factors delaying marriage are many: an extended period of adolescence, an economy with few available jobs, and the highly publicized, single lifestyle modeled by celebrities, but co-habitation before marriage appears to be the dominant, driving force.

In 1980, a mere 16 percent of adults lived together before marriage. By 2000, that number rose to 41 percent and it is

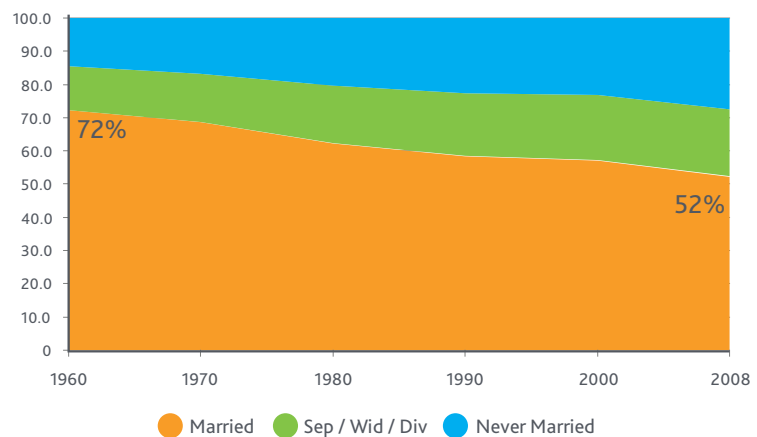
expected that the newest census numbers will show co-habitation as the norm at more than 50 percent. Median age at first marriage for men rose by six years since the middle of the Baby Boomer years.

The second trend, especially pronounced among more downscale and less educated persons, is to never marry. Almost three-fourths of Americans over age 18 were married in 1960, but only 52 percent are today. Young Americans are delaying marriage and the rates are plummeting among all ethnic groups. To further confound the situation, sociologists are proposing a new way of thinking about marriage, summarized by the phrase "alone together." This reflects more independent spouses who live separate lives with fewer shared activities than their married predecessors.

Interestingly, marriage rates correlate with education with the biggest drops among high school only and the highest rates among the college-educated.

Delaying marriage often, but not necessarily, means delaying childbirth. In turn, marketers must learn to address the needs of older, savvier parents who exhibit more knowledge about shopping and who have access to a wider array of research, price comparison and transaction tools thanks to the Internet and mobile apps.

Figure 3: Marriage Has Become Less Prevalent (Marital Status of Population 18+)



Source: U.S. Census Bureau

Family Fault Lines

A demarcation separates American families, a line defined by education and affluence. On one side of the Family Schism sits the married, educated, more affluent, less ethnic households with lower divorce rates who spend significant time with their children. On the other side sits the unwed family units with fewer kids and higher divorce rates, struggling to find time to spend with children, financially strapped and more ethnic in composition.

Class, Age and Media Preferences

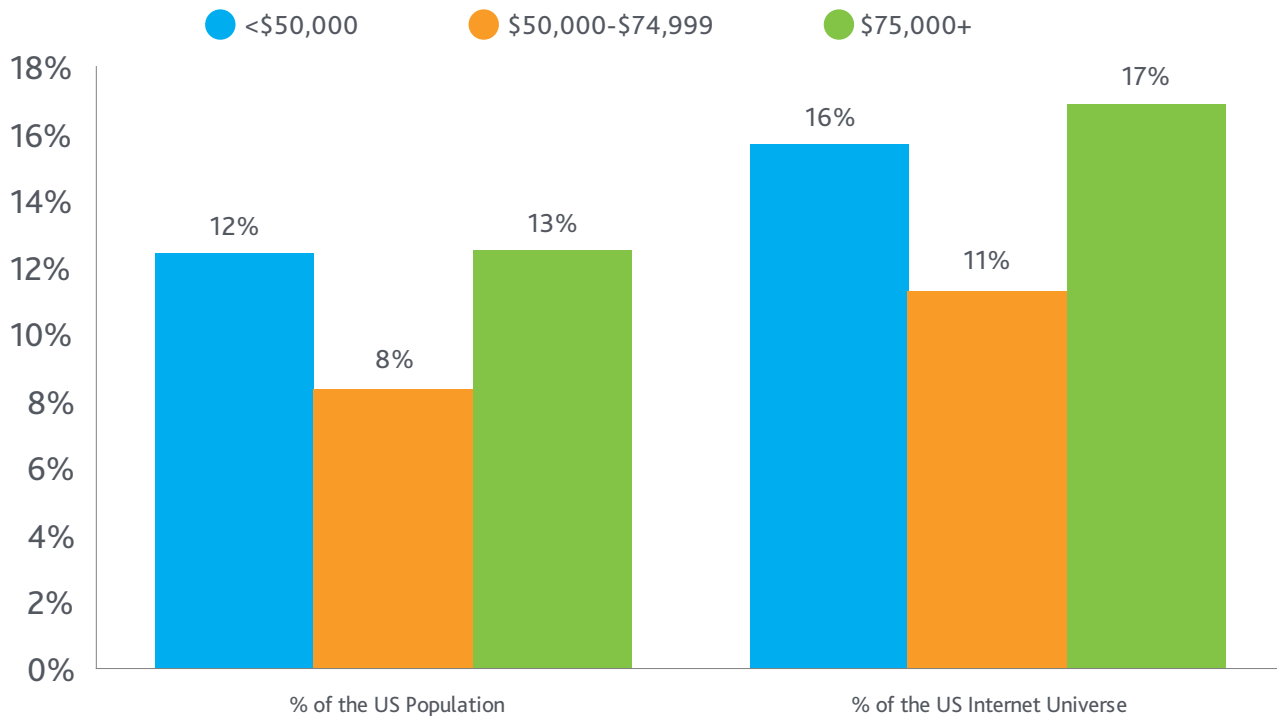
Socioeconomic class and age serve as key indicators of media preferences and shopping habits. Upscale families watch less TV than the average household, but spend significant time with media and entertainment options, both alone and with families.

High income households are huge devotees of time-shifting, which allows them to watch more with their children. High income households use digital video recorders (DVRs) four times more often, purchase more video games and more DVDs than the average household. They also buy fewer cell phones than the

average, most likely because low income audiences are more likely to bypass a landline in exchange for a cell phone.

Web preferences differ across income and ethnic lines as well. High income families spend less time on Facebook and YouTube but more time on the Apple website than the average family, presumably downloading music or servicing their Macs. Educational options head the list of the Top 10 indexing websites by income, with high income families accessing Pearson Prentice Hall, Edline.net, Teacherweb.com, ClassZone.com, Houghton Mifflin and Pbteen.

Figure 5: High Income Households are the Heaviest Internet Users



Source: Nielsen National People Meter/Homescan Fusion November 2010 – Index Households with Kids <18

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Multi-Cultural, Multi Media

Increasingly multi-cultural, three ethnic groups dominate the American family landscape: Hispanics, African-Americans and Asian-Americans. Hispanics tend to visit Latin-influenced sites like Univision and MSN Latino while African-Americans gravitate to music sites and Asians prefer technology sites.

African-American media habits are TV- and mobile-centric. They own four or more sets per household and spend almost 40 percent more time watching TV, especially premium cable channels, than the U.S. average. African-Americans also run up more mobile voice minutes per month—1,261—than any other group.

Asian-Americans exhibit a huge appetite for online media, logging 80 hours in PC time and viewing 3,600 web pages, 1,000 pages more than any other ethnic group. Asian-Americans watch YouTube more than any other demographic segment while white Americans spend time with Facebook more than multi-cultural users. Although Asian-Americans watch less TV than other ethnic segments, they stream double the amount of online video as the overall average.

Hispanics remain the single fastest-growing ethnic group in the United States, the anchor for an increasingly multi-cultural society. Some 50 million Hispanics call the U.S. home, and their cohort is increasing 10 times faster than the non-white population.

Mobile serves as a key source of connectivity within the Hispanic community. They are more likely than the average household to have cell phones with Internet (55%) and video (40%) capabilities and text more than any other race or ethnicity, sending 943 texts per month. With smartphone penetration of 45 percent, Hispanic cell phone ownership matches that of Asians. The ubiquitous nature of mobile phones explains why Hispanics are three times more likely to use their mobile phones for banking than online alternatives.

While 77 percent of all U.S. homes boast Internet access, only 62 percent of Hispanic homes are connected. When Internet access is available, Hispanic households log just as much time online (26 hours vs. 25.5 hours) compared with the total U.S.

Moms Matter and the Rise of the Mommy Bloggers

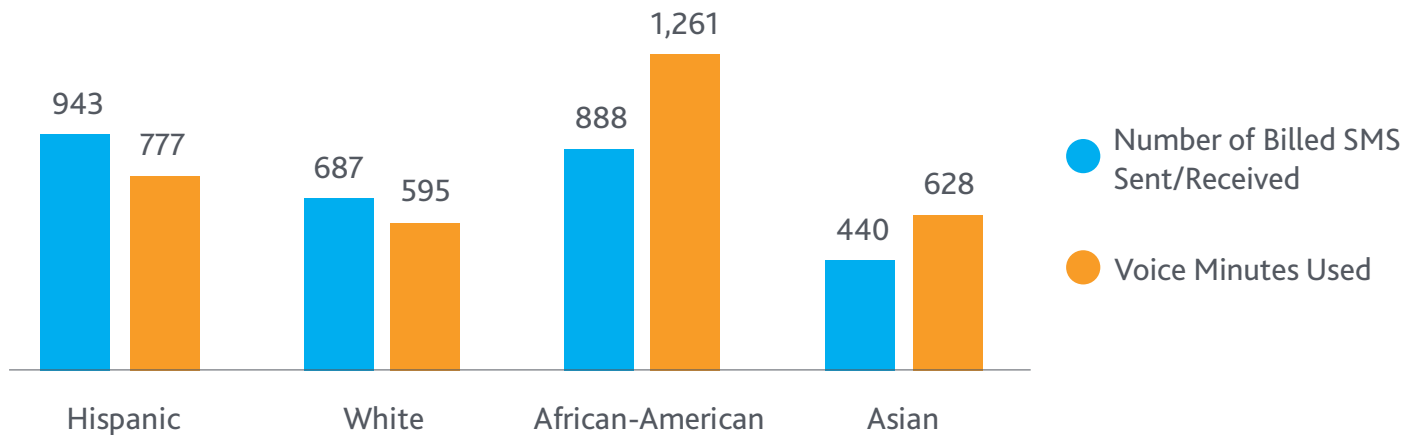
Moms 21-49 who visit blogs exhibit distinctive TV viewing preferences.

- They spend less total time in front of the TV watching live or other programming, but more time on DVR playback.
- Among the Top 10 network program picks for blog-viewing Moms are *Grey's Anatomy*, *Private Practice*, *Biggest Loser 8*, *House*, *The Office*, *Modern Family*, *NBC Sunday Night Football*, *So You Think You Can Dance*, *Brothers & Sisters* and *CSI*.

Moms who aren't visiting blogs watch many of the same programs, but prefer *Desperate Housewives*, *Fox NFL Sunday*, *Survivor: Samoa* and *The Mentalist*.

Source: The Nielsen Company, Nielsen MRI Data Fusion, November 2010

Figure 6: Mobile Phone Trends: Look Who's Talking... and Texting



Source: Nielsen Telecom Q4 2010

Sources:

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