Evolution of Entertainment

Explore key insights from our Evolution of Entertainment portal. Understand U.S. consumer trends to help you plan for the future with the latest data from books, video games, media entertainment, toys, and more.
Our focus is the interconnectivity of entertainment across all verticals, and what that means for your business. How do consumers prioritize their time and spend across entertainment? How have their perceptions evolved?

Explore changing trends in time and dollars spent across entertainment channels with the Evolution of Entertainment Survey. Understand the competitive landscape, know consumers’ behavior, and identify growth opportunities. Our entertainment expertise — built on unparalleled data, industry expertise, and prescriptive analytics — advances your business to the next level.
CONTENTS
Now in Entertainment

04
U.S. ENTERTAINMENT OUTLOOK
Preview our Evolution of Entertainment Survey results

05
CONTENT IS KING: ENTERTAINMENT GROWTH DRIVERS
Discover what resonates with consumers

06
EXPERT PERSPECTIVES
Get our industry analysts’ thoughts on growth drivers in toys, media, books, and video games

11
RETAIL SPOTLIGHT: 2021 HOLIDAY OUTLOOK
Explore new consumer sentiment insights
U.S. Entertainment Outlook

U.S. consumers dedicated an average of 73 hours a week to entertainment activities over the last six months, up 1.6% vs. 2020. Despite pandemic-related restrictions lifting, entertainment engagement has remained flat. However, the mix did change compared to last year, as time spent on experiences increased.

Consumers spent an average of $858 on entertainment activities — 20% growth vs. 2020 and a worthwhile consumer shift to investigate. This $143 growth occurred across all categories except two that surged last year: watching TV and movies, and arts and crafts.

Entertainment continues to be a source of joy and escapism during a time of uncertainty, and while the makeup of the industry has shifted immensely, consumers have indicated they still love to be entertained. Experiences are the largest activity — consumers have spent an average of almost $248 in the last six months, 36% growth compared to last year. This aligns with expectations, considering the almost non-existent spend on experiences in 2020 due to pandemic-related lifestyle changes.

Consumer spend grew in 9 of 10 activities, WITH EXPERIENCES AND LIVE EVENTS REBOUNDING FROM 2020.

Return to Experiential Spend and a New Normal

We see a return to normal for many categories, but the new normal will certainly look different than the old. Our Evolution of Entertainment Survey reveals new data and insights straight from U.S. consumers to help you drive strategy and grow your business.
Content is King: Entertainment Growth Drivers

Frédérique Tutt
Industry Analyst, Global Toys

Entertainment Trends to Watch

What’s ahead? We saw huge shifts in consumers’ behavior in 2020, and these shifts continue to resonate today. Let’s take a look:

Kidult Play
COVID-19’s lifestyle changes brought new, older buyers into the play category, specifically for toys and video games. Identifying, retaining, and growing these consumers will determine future retail growth.

Digital Influences
Digital content is ubiquitous. Parents have opened the floodgates during the pandemic and allowed their children to spend more time on activities that don’t cost additional money, like YouTube, TikTok, Instagram, and more. That’s where they are now. What can you do to reach these kids with your brand and keep them engaged?

IP Fragmentation
It all leads to fragmentation. Today’s audience is everywhere — in every room, on every device, on every platform. It’s hard to understand such fragmented behavior. What does fragmentation mean in terms of IP life cycle? What is the appropriate frequency for you to release new content?

A Look at Top IPs

When looking at the top U.S. IPs in four key categories, you can see most occur in only one category. Star Wars and Harry Potter are the exceptions. Pokémon, which tops the overall chart, is an interesting example of an evergreen IP that keeps reinventing itself across different formats and categories. This year, the license celebrates its 25th birthday, and sales are still on fire throughout the world. Beyond the categories below, crossover strategies have also been successful for the brand in apparel and footwear, which contributes to its fanbase sticking with the property.

Top-selling IPs in 2021

<table>
<thead>
<tr>
<th>U.S. VIDEO GAMES</th>
<th>U.S. BOOKS</th>
<th>HOME VIDEO</th>
<th>U.S. TOYS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Mario Brothers</td>
<td>Dr. Seuss</td>
<td>Godzilla</td>
<td>Pokémon</td>
</tr>
<tr>
<td>2 Call of Duty</td>
<td>Harry Potter</td>
<td>Wonder Woman</td>
<td>LEGO</td>
</tr>
<tr>
<td>3 MLB (Baseball)</td>
<td>Dungeons &amp; Dragons</td>
<td>Harry Potter</td>
<td>Barbie</td>
</tr>
<tr>
<td>4 Resident Evil</td>
<td>Brain Quest</td>
<td>Fast &amp; Furious</td>
<td>L.O.L. Surprise</td>
</tr>
<tr>
<td>5 Spider-Man</td>
<td>Star Wars</td>
<td>Game of Thrones</td>
<td>Star Wars</td>
</tr>
</tbody>
</table>

Source: The NPD Group/Retail Tracking Service (games, toys), VideoScan®, NPD BookScan™, U.S., YTD July 2021
Expert Perspectives
Get our industry analysts’ thoughts on growth drivers in toys, media, books, and video games

Setting the Scene: U.S. Media Entertainment

John Buffone
Industry Analyst, Media Entertainment

At the onset of the pandemic, consumers largely stopped engaging in experiential activities, such as vacationing, seeing a Broadway show, taking a cruise, or attending a sporting event. These activities accounted for nearly a half-trillion dollars in annual spending. Home entertainment categories benefited from people staying put. But as pandemic restrictions lifted, consumers migrated back to these activities. Companies will need to establish short-term strategies to retain the audience they captured over the past nearly two years.

2020 was likely a false peak of TV, driven by pandemic-related behaviors and concurrent launches of new streaming services. Viewership reached new highs in 2020, but a growing number of viewers have reported they are not watching as much as before. This change suggests peak viewership was reached last year and is now slowly declining. However, viewership remains far above 2019 levels. The hypergrowth streaming era became a competition for share of viewers’ time and making content more valuable.

Which Consumer Segment is Less Prone to Churn?

There is a clear distinction in the data, and that’s around consumers’ age. Viewers aged 55 and older are significantly less likely to churn.

- **EXTREME LIKELIHOOD TO CANCEL A TV SERVICE DROPS TO 2% FOR VIEWERS AGED 55+ VS. 9% AT AGE 18 – 34**

- **COMPAARED TO VIEWERS AGED 18 – 34, HALF OF SVOD USERS AGED 55+ CANCEL RIGHT AFTER THE TV SERIES OR MOVIE THEY SIGNED UP FOR ENDS**

- **SVOD USERS AGED 55+ ARE ONE-THIRD AS LIKELY TO CANCEL THEIR SERVICE BECAUSE THEY REPLACED IT WITH ANOTHER, BUT THEY HAVE HALF THE NUMBER OF SVOD SERVICES AS THOSE AGED 18 – 34**

*Source: The NPD Group/TV Switching Study*
As has been widely reported, the U.S toy industry experienced exceptional growth over the last 18 months. For YTD July 2021, the U.S. toy industry grew by $2B, or 19%, to $12.7B.

Why such strong growth?

| Experiences Cut | COVID-19 resulted in many families reducing or ending discretionary spend on entertainment and experiences. |
| Stimulus        | Each time families received a stimulus check, we saw a positive impact on toy sales. The third and final check hit just before Easter, which was an industry boon. Now the child tax credit payments are having a positive impact on the toy industry. |
| Consumer Behavior | With the need for more at-home entertainment activities for families, kids, and adults, consumers’ behavior changed dramatically. They spent on safe, social outdoor toys, entertained the family with games, and adults got more serious about collecting with trading cards. |
| Unit and ASP Growth | After two years of declines, units increased 13% YTD July 2021, and average selling price (ASP) increased 5%. The ASP increase is due to fewer promotions, a shift to higher priced categories, and cost increases passed onto consumers. |

Which segments are driving growth?

Participation in the toys category for ages 2+ increased from 53% in 2019, to 57% in 2020, and to 58% in 2021. In the last six months, 187.7M people aged 2+ played with, on, or collected toys, an increase of 18.2M people, or up 11% vs. 2019.

Since playing with toys was already at substantial levels for younger kids, growth came from adults, parents, and collectors. The challenge for the toy industry to sustain this high dollar sales watermark will be to continue all age groups’ use of toys. This won’t be too challenging for the younger ages, who mostly have not changed their participation rates throughout the pandemic, since that age group already had very high participation rates pre-pandemic.

For ages 35 – 44, the participation in playing with or collecting toys went from 50% in 2019 to 65% in 2021 — the highest increase for any age group. This could be parents playing a card game with their children, or adults collecting toys as an investment. In any case, it presents a huge opportunity in the toy space.

Source: The NPD Group/Evolution of Entertainment 2021, 2021 compared to 2019
When it comes to market growth, video games reached record levels last year. It shows no signs of slowing down in 2021. Through the end of July, the U.S. video game market was up 14% vs. the same period in 2020, reaching $33.5B. We see growth across all individual segments in gaming. In content, 12% gains were driven primarily by subscription spending, mobile gaming, and console and PC content. In hardware, continued growth from Nintendo Switch combined with the launch of PlayStation 5 and Xbox series sales to achieve remarkable 50% year-over-year growth. In accessories, gamepads, controllers, headsets, and steering wheels have led the market to grow 13% vs. the prior year.

Here’s a closer look at the engagement trends we’re seeing:

### ENGAGEMENT HOURS SOAR
(Average Video Game Hours Played per Week)

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours</td>
<td>12.7</td>
<td>14.8</td>
<td>16.5</td>
</tr>
</tbody>
</table>

### GROWTH-DRIVING DEMOGRAPHICS

PEOPLE AGED 45 – 64 ARE GAMING MORE

75% PLAY VIDEO GAMES

AVERAGE 15.6 HOURS PER WEEK, +27% VS. 2020

Video Gaming Among the 45 – 64 Age Group

Perhaps mature gamers who entered the market last year owned a console before, but they reentered the space both for entertainment and also to connect with family and friends, on the couch and online. This age group continues to play and grow, showing that gaming is not relegated to kids and teens; it appeals to all age ranges.

Source: The NPD Group/Evolution of Entertainment, 2021
Consumers are buying and reading more books this year. In fact, 71% of people have engaged with books in the last six months. Our Evolution of Entertainment Survey shows those who read are spending more time (+33%) and dollars (+12%) compared to last year. The book industry’s outlook is positive, and it is experiencing historic performance; book sales have grown about 13% YTD vs. 2020.

What’s driving engagement?

Small screen viewing

**DUNGEONS & DRAGONS GREW $5.3M YTD**

The ascent started on the back of Netflix’s *Stranger Things* and has continued through the pandemic, as many families play tabletop games.

**MANGA IS NOW THE TOP ADULT FICTION CATEGORY IN THE U.S. SALES ARE UP $109M YTD.**

Manga sells more copies than romance, thrillers, and mysteries. Growth is driven by new readers crossing over from anime viewing on SVOD platforms. The top U.S. manga series are amplified by SVOD, with all but one of the top 10 having an anime series on a major platform.

**ROMANCE SALES ARE UP 40%**

Growth was largely impacted by the series *Bridgerton*, even as viewing has tapered off.

**PAGE TO SCREEN**

Series that were books, like *The Handmaid’s Tale, The Witcher, Little Fires Everywhere*, and *The Queen’s Gambit*, have driven strong book sales among fans of the streaming shows.
Digital Audio Category Growth

In the total market, about 12% of the books are in digital audio format. But categories like business/economics, self-help, and biography/memoir have a much larger audio share. Consumers who buy audio books may be influenced by listening to authors on social media or podcasts.

In some categories, digital audio accounts for more than one-third of consumption.

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Market Share</th>
<th>Business/Economics</th>
<th>Self-help</th>
<th>Biography/Memoir</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Share</td>
<td>12%</td>
<td>39%</td>
<td>37%</td>
<td>23%</td>
</tr>
<tr>
<td>Print</td>
<td>24%</td>
<td>18%</td>
<td>15%</td>
<td>28%</td>
</tr>
<tr>
<td>E-book</td>
<td>64%</td>
<td>44%</td>
<td>48%</td>
<td>49%</td>
</tr>
</tbody>
</table>


Source: The NPD Group [NPD BookScan™, NPD PubTrack Digital, PubTrack Digital Audio, YTD month ending March 2021, includes participating digital audio publishers only]

Book data is a powerful window into cross-entertainment behavior.

We see the book market as the idea market. When we look at what sells in books, we have a good view into what drives consumer behavior.
Retail Spotlight:
2021 Holiday Outlook

Recent results are a prelude to the retail shifts expected over the next few months. The traditional September lull in retail spending was disrupted in 2020, and an even more dramatic shift was expected in 2021. However, uncertainty surrounding the delta variant has made the timing and nature of what consumers buy, where they shop, and how they shop, more ambiguous. Retail impacts will be felt as consumers return to more normal in-person activities.

Holiday Shopping Consumer Sentiment

- **11%** of consumers said they are still hesitant to shop in stores.
- **10%** of consumers say they plan to give more experiences as gifts and fewer tangible gifts.
- **1/3** of consumers started holiday shopping in August, while 28% hadn’t even started to think about their holiday shopping yet.

*Source: The NPD Group/Omnibus Study, July and August 2021*
The insights we’ve shared here represent only a small sample of the NPD information that can be used to support your data-driven growth. Whatever business area you are in, our Evolution of Entertainment insights will help you ensure your strategy is always relevant to your category and appropriate to your customers’ needs, even in a time of technological change and shifting entertainment behavior.

Learn More
Contact your NPD account representative, call 866-444-1411, or email contactnpd@npd.com.

Entertainment Expertise
The NPD Group’s entertainment expertise — built on best-in-class data, thought leadership, and unparalleled analytics — equips industry leaders to grow their businesses in a rapidly changing environment. Get a holistic view across books, media entertainment, toys, and video games with robust insights and unmatched industry expertise.