Future of Media

Media Management Center

Kellogg School of Management Medill Journalism School

- Traditional media platform centric, culturally bound, averse to risk.
- Twin tsunamis: Choice & Connectivity
- Consumers now in control. Make choices based on Brand Value.
- Most Platform Centric media will eventually be marginalized.
- Traditional Local Media is best position to become Brand Centric.
- Traditional Media's only obstacle is Culture

New media and traditional media are subject to the same market forces.

To understand the future, first understand the forces that shape media.

Motion Pictures

- 1890 Curiosity attracts consumers.
- 1900 Theatre owners produce films.
- 1940 Theatre chains/studios dominate industry, accumulate great wealth.
- 1948 US Supreme Court orders studio/theatre breakup.
- 1955 Television hurting movie attendance.
- 1970 Studios bankrupt.
- 1980 Motion pictures reinvent themselves as content producers with multiple channels of distribution.

Motion Pictures

2000 - Motion picture producers healthy.

Motion pictures now pure content industry.

Worldwide distribution via wide-range of platforms.

Able to take advantage of emerging platforms.

Decentralized, expanding players (Bollywood, etc).

Theatre chains decimated, most close.

Lessons: Platforms die, but Brands survive.

When faced with death, media often reinvents.

Newspapers

- 1925 45 daily papers in Chicago.
- 1955 Television hurts afternoon papers.
- 1965 Newspapers begin to consolidate.
- 1978 One daily paper per community.
- 1980 Newspaper owners become wealthy.

 Owned distribution system.
- 2001 Circulation in steady decline.

 No one seems to notice.
- 2008 Newspapers fall off a cliff.

Newspapers

2009 - Newspapers react to loss of circulation, revenue and profit by saying "People are using the web to steal our content."

Cost cutting becomes rampant.

Some companies go bankrupt, papers close.

2011 - NY Times announces web fee.

2012 - Stay Tuned.

Radio

- 1912 Federal Radio Act established. Limits number of radio stations.
- 1925 Radio manufactures start radio stations to sell radios.
- 1930 Advertising becomes sole source of revenue.
- 1938 Radio fully established as in-home entertainment & information service. Networks & stations highly profitable.
- David Sarnoff is Steve Jobs of 1930's/40's. Paley was the Bill Gates.
- 1950 Television begins to hurt in home radio Listening. Radio begins 20 year decline.

Radio

- 1970 Radio decimated, in-home use evaporates. Reinvents as FM in-car music service.
- 1980 FM radio dominates. AM radio dead.
- 1990 AM radio reinvents as in-car talk and news service.
- 2012 US has 14,420 Active radio stations, majority are profitable.
- Current threats include Satellite Radio, Internet Car Access (Pandora, etc.), MP3, Factory Hard Drives...

Radio

- Future of Radio is about Brand value.
- Local Brand is biggest opportunity.
- Technology is an enabler, not an opponent.
- Opponents are services, primarily national, competing for consumer's time.
- Radio should not assume future is limited to automobile or portable devices, or even audio.
- Only obstacle is culture.

1939 - RCA broadcasts FDR speech Live.

1947 - Stations/Networks launched, many by newspapers.

1955 - Television use explodes.

November 22, 1963. Modern Television News invented.

Emotional bond formed.

1968 - Station owners becoming wealthy.

- 1970 Government forces Television Networks to divest program ownership.
- 1970 Government allows CATV systems (cable) to carry stations without compensation.
- 1975 Congress prohibits ownership of Newspaper/ Television station in same community.
- 1980 Profits at record levels
- 1985 News standardized, homogenized. News development ends.

- 1990 Cable begins to siphon significant audience.
- 1991 Direct to home Satellite launched.
- 1994 Retransmission Consent enacted.
- 1995 Internet becomes commercialized.
- 2005 Verizon launches Fios.
- 2008 Massive television advertising decline. Blame cable, cut expenses.
- 2011 Newspaper ad decline temporarily boosts television profits.

2012 - Local News differentiates stations. Rich and poor.

Local News Ad Revenue

D-2 Channel Ad Revenue

Web Ad Revenue

Mobile Ad Revenue

Retransmission Consent Payments

2012 - Device Integration (tablet/mobile – Apps).

2013 - Spectrum Auctions reduce number of television stations.

2014 - Over-the air free Mobile Television.

Beyond 2014 –

Station Consolidation

Local Media Consolidation

Rise of Targeted Local Media

Continuing Migration to Consumer Payments

Government Role Wildcard

Future of local television dependent on value of Brand

Cable

- 1960 Community Antenna Systems established to improve home reception.
- 1972 Home Box Office launched.
- 1980 CNN launched.
- 1990 Cable operators wealthy.
- 1994 Retransmission Consent enacted.
- 1991 Direct-to-Home Satellite launched.
- 2005 Verizon launches Fios
- 2009 Internet Video becomes viable.
- 2012 MSO's still highly profitable.

Conclusions

Platform monopoly leads to enormous profit; often hurting product quality and discouraging innovation.

Long-term platform domination difficult, if not impossible.

Consumer choice and connectivity lessen platform power, strengthen Brand value.

Brand value based on total relationship with consumer.

When faced with death, media often reinvents.

The Future

Power has permanently shifted from Media Companies to Consumers.

Media success dependent on user decisions.

Time can be more important than money.

Connectivity makes consumer media choices unlimited.

Technology revolution has barely begun.

Content and Platform opportunities unlimited.

Entrepreneurial vs. Intrapreneurial opportunities.

International barriers falling.

Consumer is the Key Player

Sophisticated, technically savvy.

Demanding personalized media.

Demanding an active role in media.

Sometimes feel overwhelmed by volume of information. Want simplification, integration.

Ideal platform/device does not yet exist.

When choosing between convenience and technical quality, convenience wins.

When convenience is equal, technical quality wins.

Consumer is the Key Player

Consumers choose which platforms succeed, which content succeeds.

Consumers determine pricing.

Consumers can be extremely loyal to brands they highly value.

Brand loyalty reduces price sensitivity.

Brand success and Media success are entwined.

No one can control the consumer.

If you want to know the future, understand the consumer.

Anything you can imagine is possible.

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