

Old Media vs. the Internet in the United States

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非常感谢你们，
让我有机会在这里发言，
并且游览你们伟大的国家！

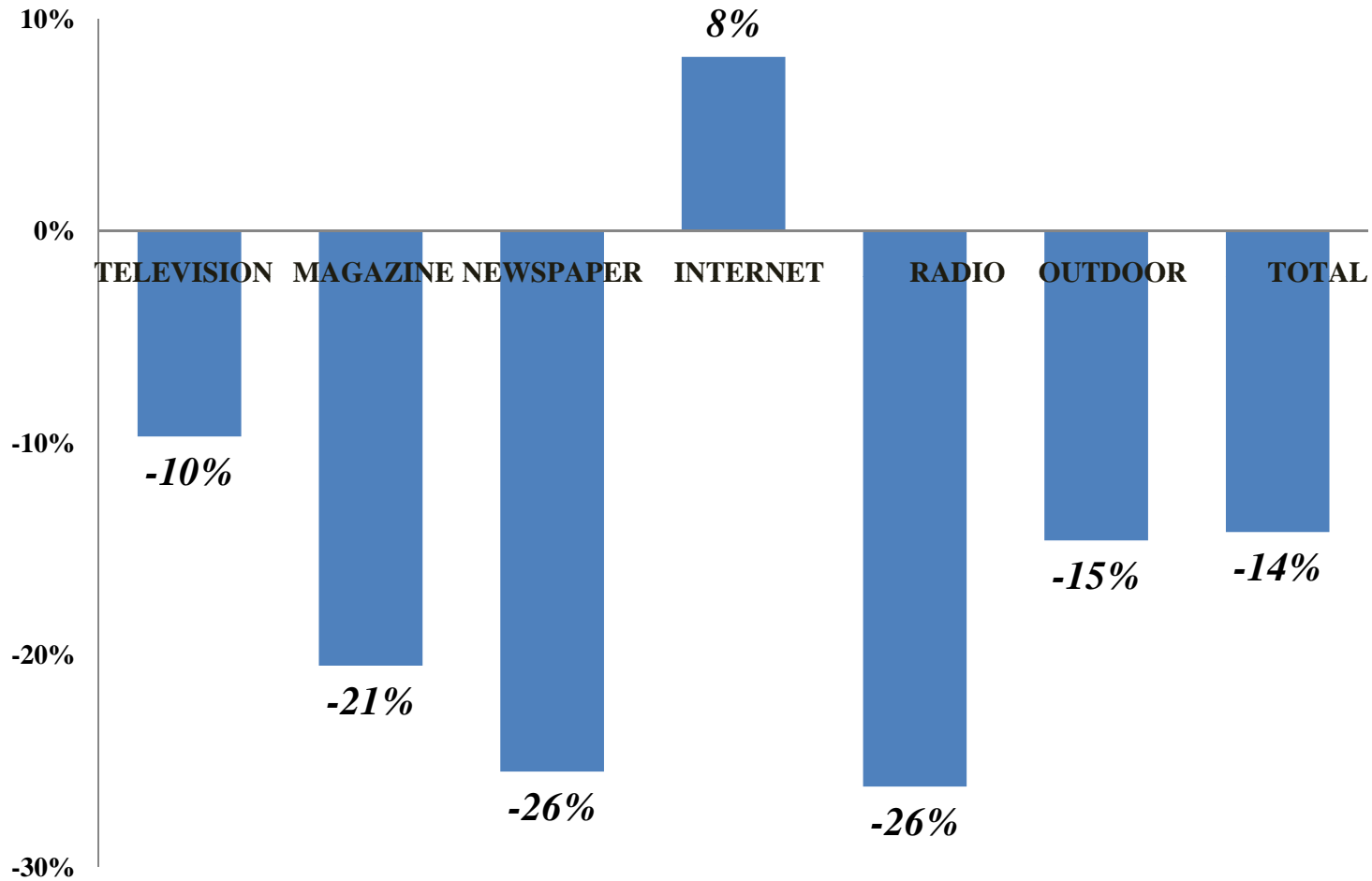


Overview

- **Economic effects of financial crisis and recession in U.S.**
- **Longer term, big question:**
Will Internet take over everything....or will “old” media find ways to survive?
- **My Focus**
Newspapers and music, -but especially
TV industry → *hot topic in U.S.*



% Change in Total U.S. Advertising Spending, First quarter, 2009 vs. First quarter 2008



Source: Authors' compilation from TNS Media Intelligence (2009)

Some reactions to the crisis

- **New York Times sells 75% of office building**
- **Tribune Co. bankrupt (publisher of Los Angeles Times and Chicago Tribune)**
- **Local TV stations beg for government help**
- **Even Google lays off 340 workers**
- ****Lots of speculation about future of “old” media; major TV networks discuss “the end of broadcasting”**

Now to the longer term picture....



Five Year Economic Trends in Major U.S. Media: 2003-2008

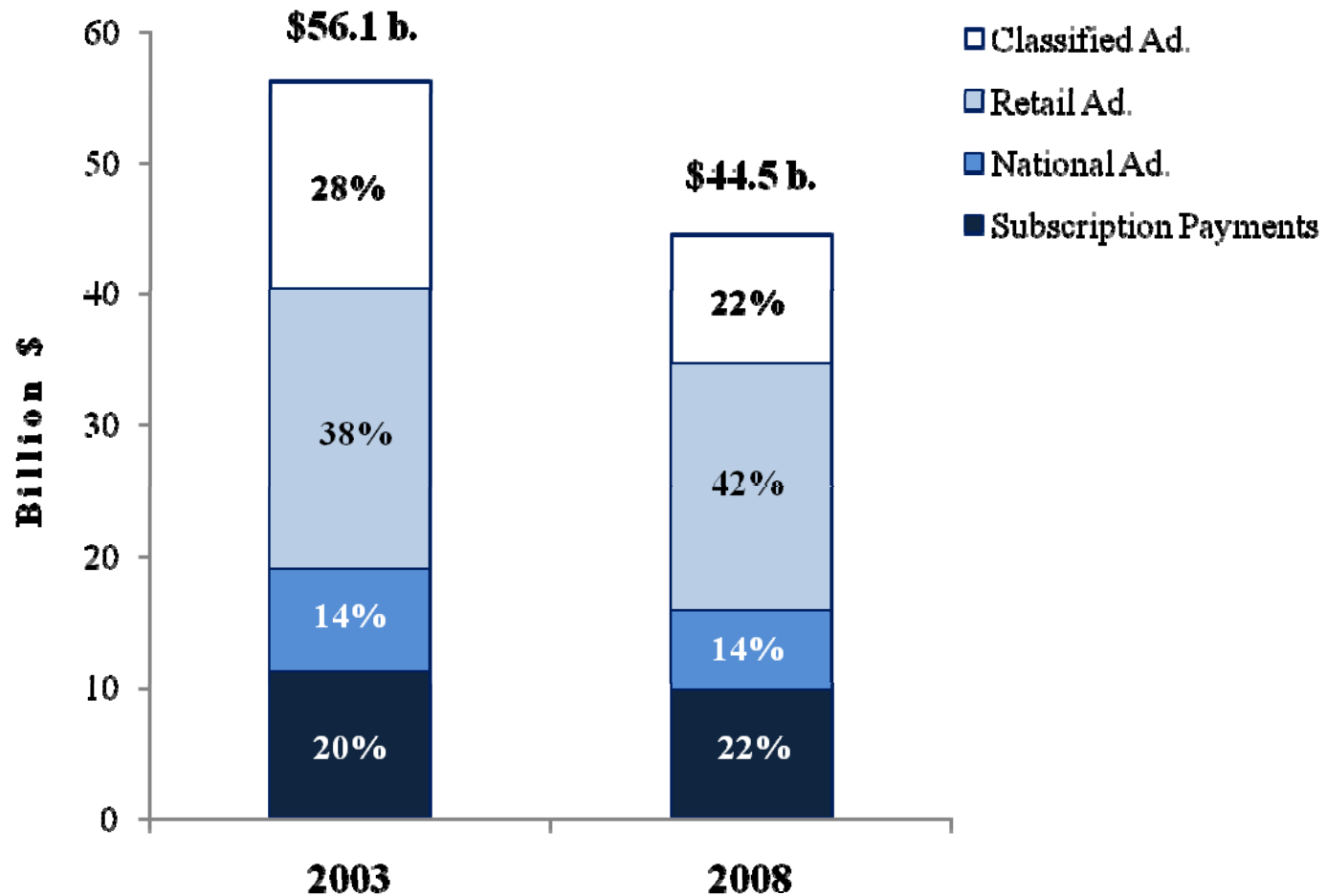
	Total U.S. Revenue (bil \$)		Total % of Growth
	2003	2008	2003 - 2008
Newspapers	56.2	44.5	-20.7
Broadcast TV	41.9	44.7	+6.6
Cable TV/ Direct Broadcasting Satellite	70.6	105.8	+49.7
Magazines	19.6	24.0	+22.7
Radio	19.1	17.7	-7.4
Music publishing*	11.9	8.5	-28.5
Movie theaters/DVD**	30.9	32.0	+3.5
Internet***	7.3	23.4	+222.7
TOTAL MEDIA	257.4	300.6	+16.8
GDP	10,960.8	14,264.6	+30.1

* includes digital sales; ** includes retail sales and rentals; *** advertising only **Bold** percentages indicate changes greater than GDP

Source: Authors' compilation from NAA; TVB; Universal McCan; NTA; SNL Kagan; MPA; IAB; RIAA; FCC; BEA



U.S. Newspaper Revenues by Source (Current \$): 2003 and 2008



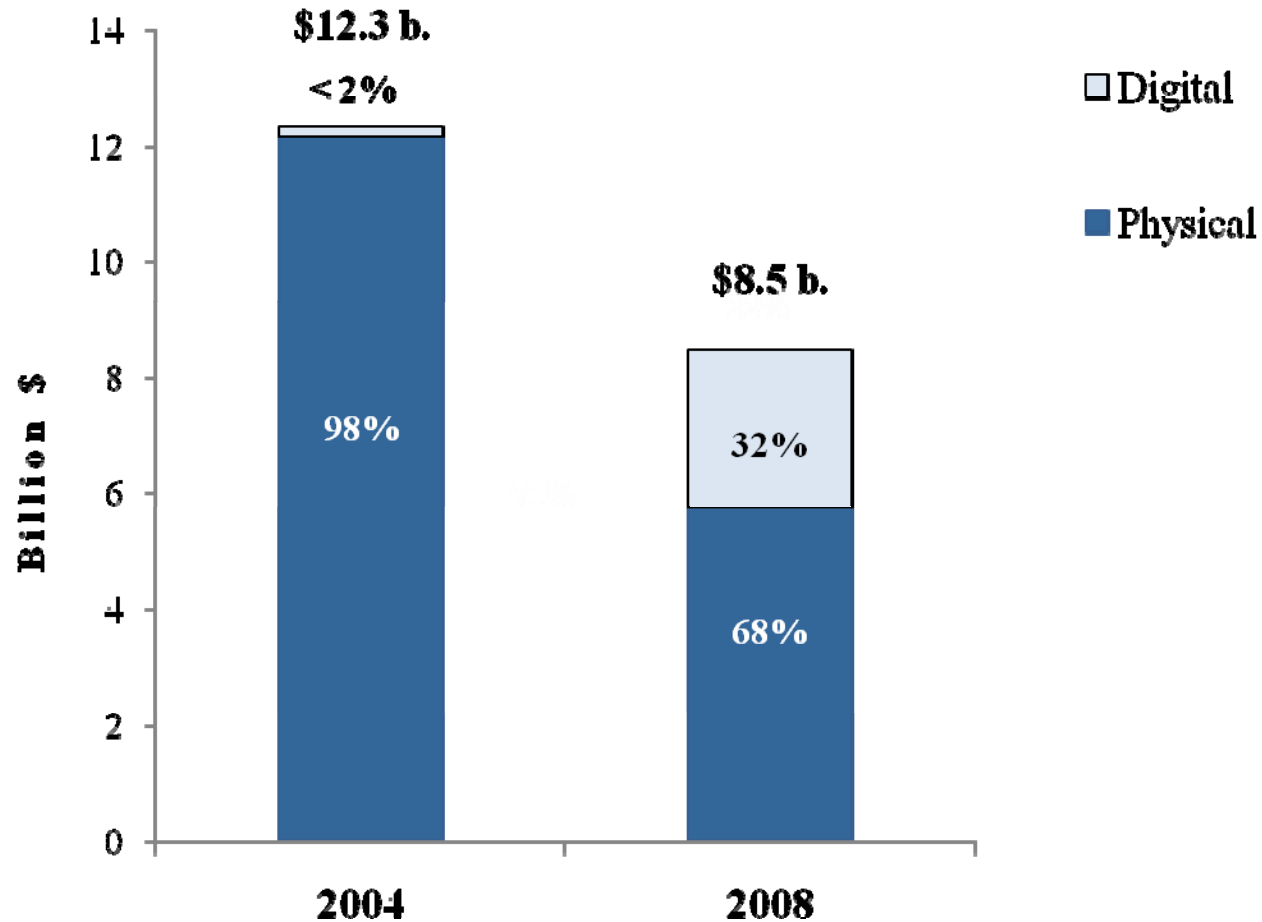
Source: Authors' compilation from NAA

Internet Effects on U.S. Newspapers

- **Internet news and ad distribution is far cheaper than print**
- **Newspapers cannot make money from Internet advertising**
- **Result: since 2003, newspapers lost \$12 billion in print revenues, but gained only \$3 billion in Internet revenue**
- **Most newspapers in U.S. can survive just by reducing scale of operation**



Music Publishing Revenues in the U. S., Total Retail Value: 2004 and 2008



Source: Authors' compilation from RIAA

Internet Effects on U.S. Music Publishing

- **Illegal file sharing alternative....**

- diminishes industry control of intellectual property,
- limits prices (about \$1) that listeners will pay for online singles

.....but music industry as a whole not as bad; artists turns to live ;performance and other income



Summary: 3 hard lessons we have learned in the U. S. about Internet media

- **Extremely low cost of Internet media distribution**
- **Internet can dismantle established business models....
...and not necessarily create good new ones**
- **Internet threatens intellectual property rights**

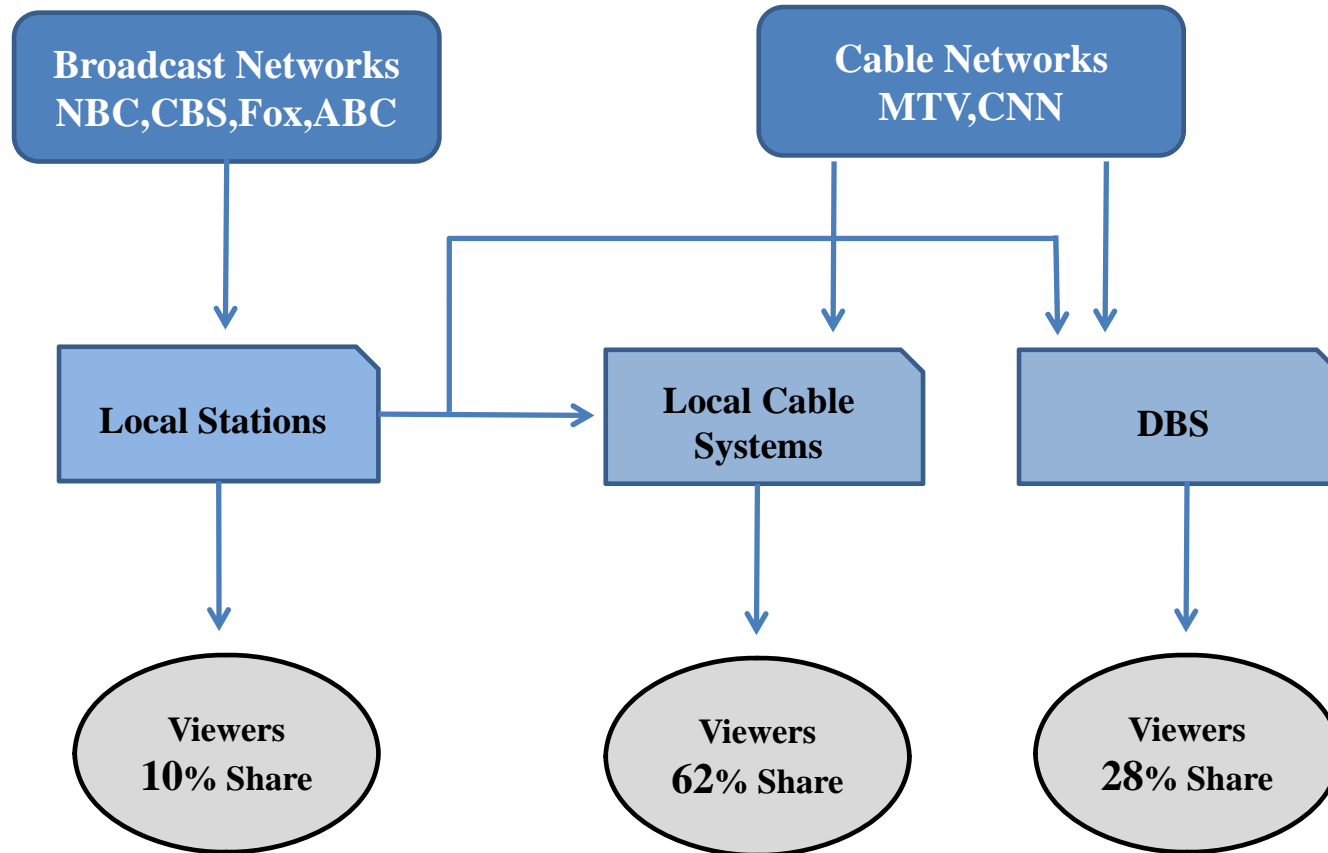


Now to Television

- **So far, main effect of Internet TV is to cause worry**
 - not much watching of commercial TV programs on Internet, but growing fast
- **In long run, will TV industry be able to cope?**
- **Broadcast networks and cable TV systems are different cases**



Overview of the U.S. Commercial TV Industry, 2008



Overview of the U.S. Commercial TV Industry

- **Most viewers (90%) get TV through cable systems or satellite**
- **Major broadcast TV networks reach nearly 100% of viewers by cable, satellite or by local broadcast stations**
- **Broadcast networks have the most popular programming**
- **There are also many less popular cable TV networks**



Top 10 Broadcast & Cable TV Networks

(Two weeks primetime average from July 13 - 26, 2009)

Network	Rating	Type	Most Popular Programming
CBS	2.1	Broadcast	The Big Bang Theory, CSI
FOX	1.9	Broadcast	So You Think You Can Dance, Family Guy
NBC	1.8	Broadcast	Biggest Loser, Farrah's Story
ABC	1.4	Broadcast	Dancing with the Stars, Grey's Anatomy
USA	1.1	Cable	Burn Notice, Royal Pains
DISNEY	1.1	Cable	Wizards of Waverly Place, Hannah Montana
UNIVISION	1.1	Broadcast	Aqui Y Ahora, Manana Para Siepre
TNT	<1%	Cable	Leverage
Fox News	<1%	Cable	The O'Reilly Factor, Fox & Friends Weekend
Nick At Nite	<1%	Cable	George Lopez, Roseanne and Home Improvement

Source: Authors' compilation from Nielsen TV Ratings Data via tvbythenumbers.com

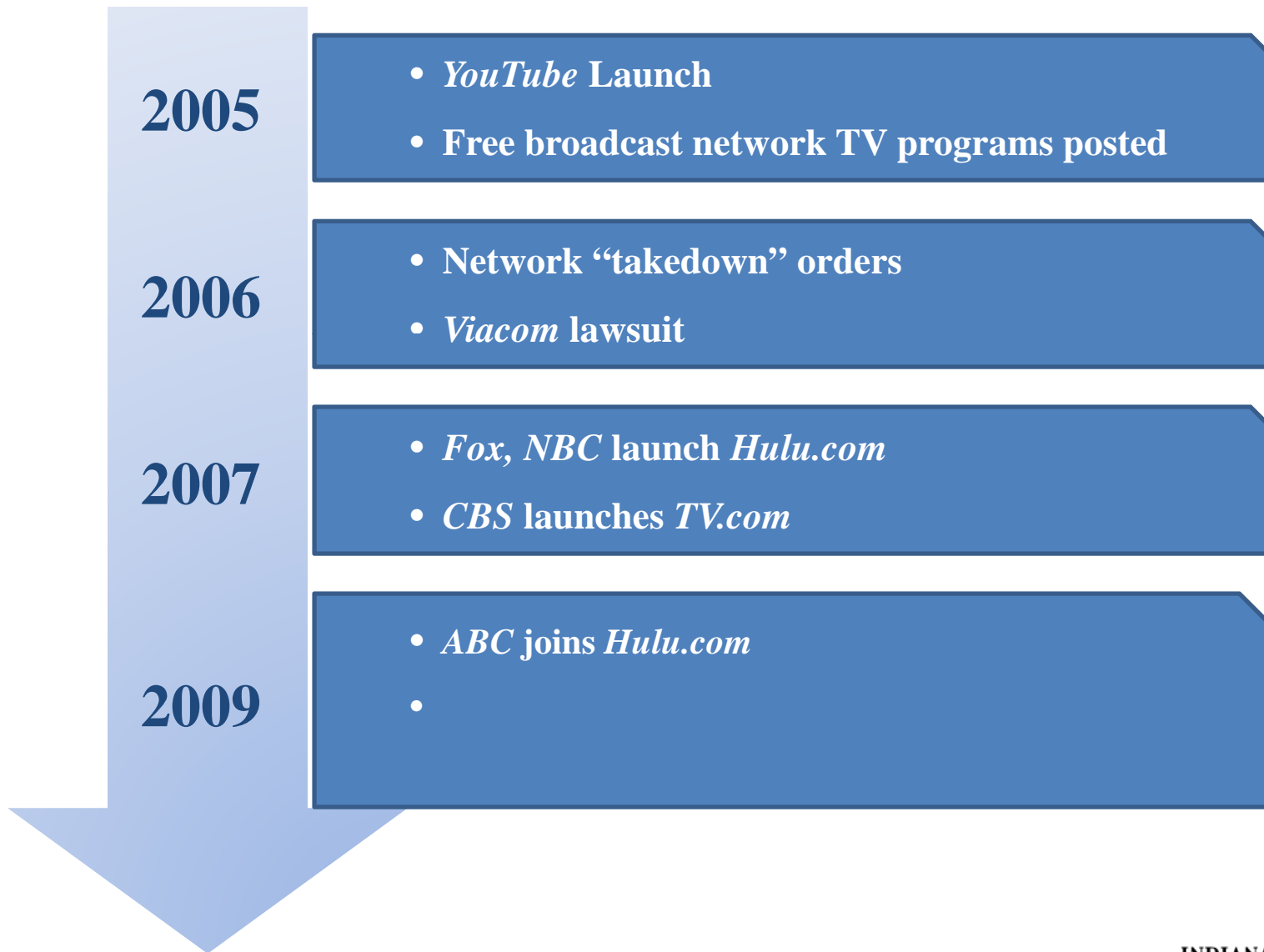
* Authors' calculation based on Nielsen TV weekly ratings data

Rating is defined as the % of homes which have TVs that are watching the program



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Internet Television Timeline



U.S. Broadcast TV case—Reasons for optimism

- **Compared to music, easier control of intellectual property**
 - Fairly strong U.S. copyright law
 - Low incentive to steal programs that are already “free”
- **Basic business model of in-program advertising transfers to Internet**
 - Potential to charge viewers directly
- **Standard U.S. broadcast TV industry handicapped by :**
 - Reliance only on advertising support
 - Clumsy system for signal distribution to 200 local stations
- **BUT networks have mass audience and advertisers want that!**

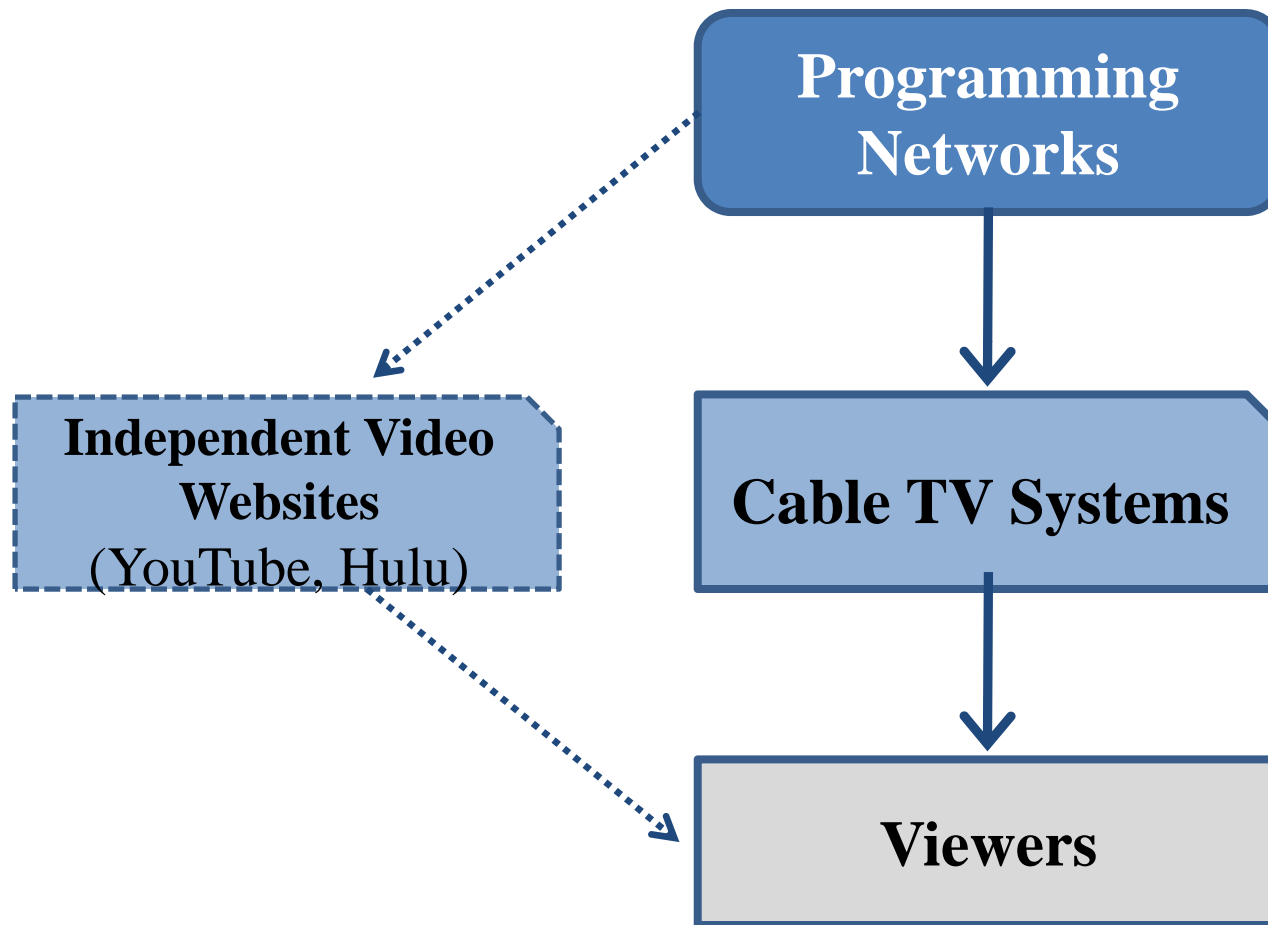


U.S. Cable TV System Case

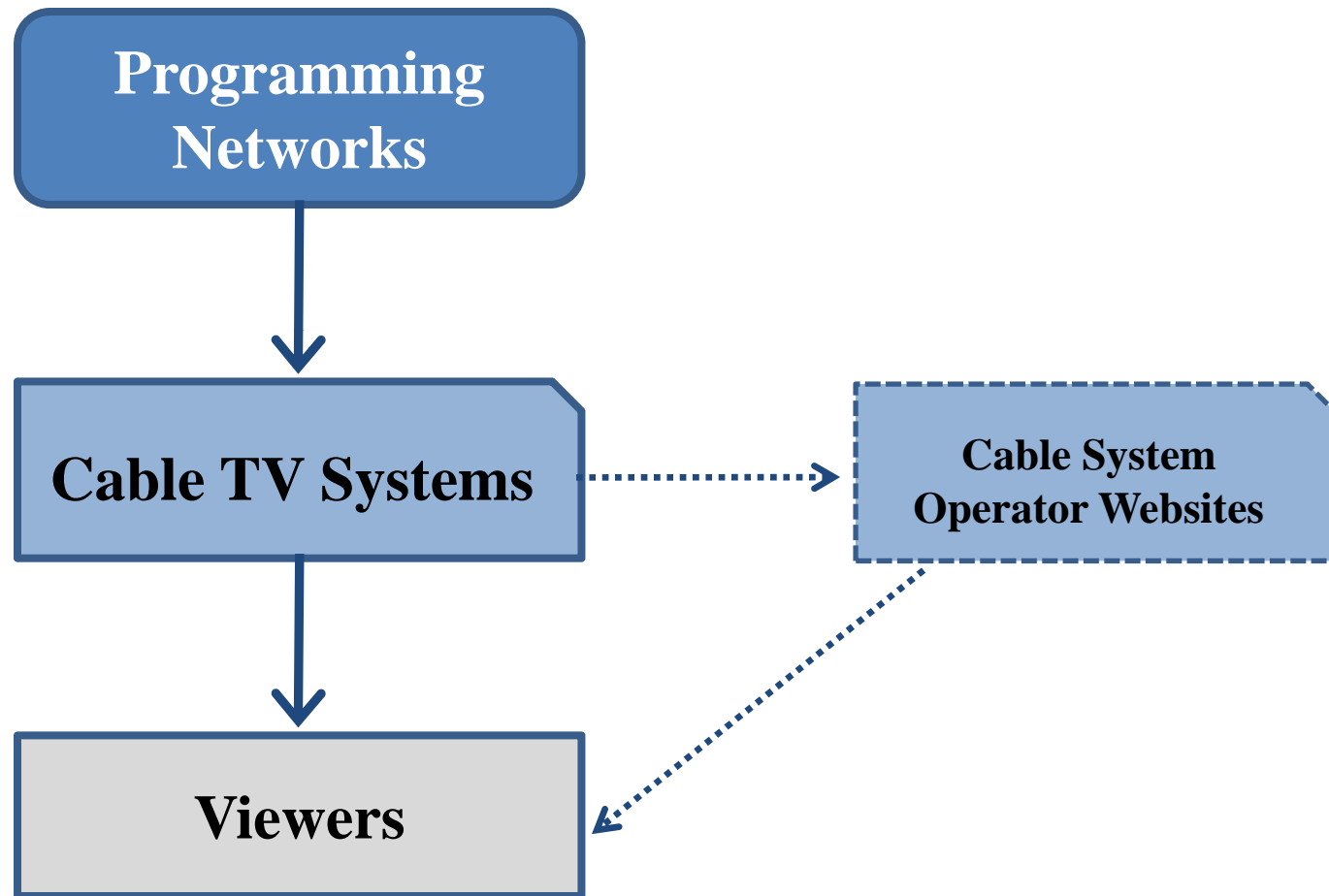
- **Very successful technology and business model in the U.S.**
- **But Internet is a long term threat to cable TV business model**
 - Similar to newspapers, cable TV sells packages of program networks, which can be sold separately on the Internet



Cable TV Business Model, 2008



Proposed Comcast/Time-Warner Cable TV Business Model

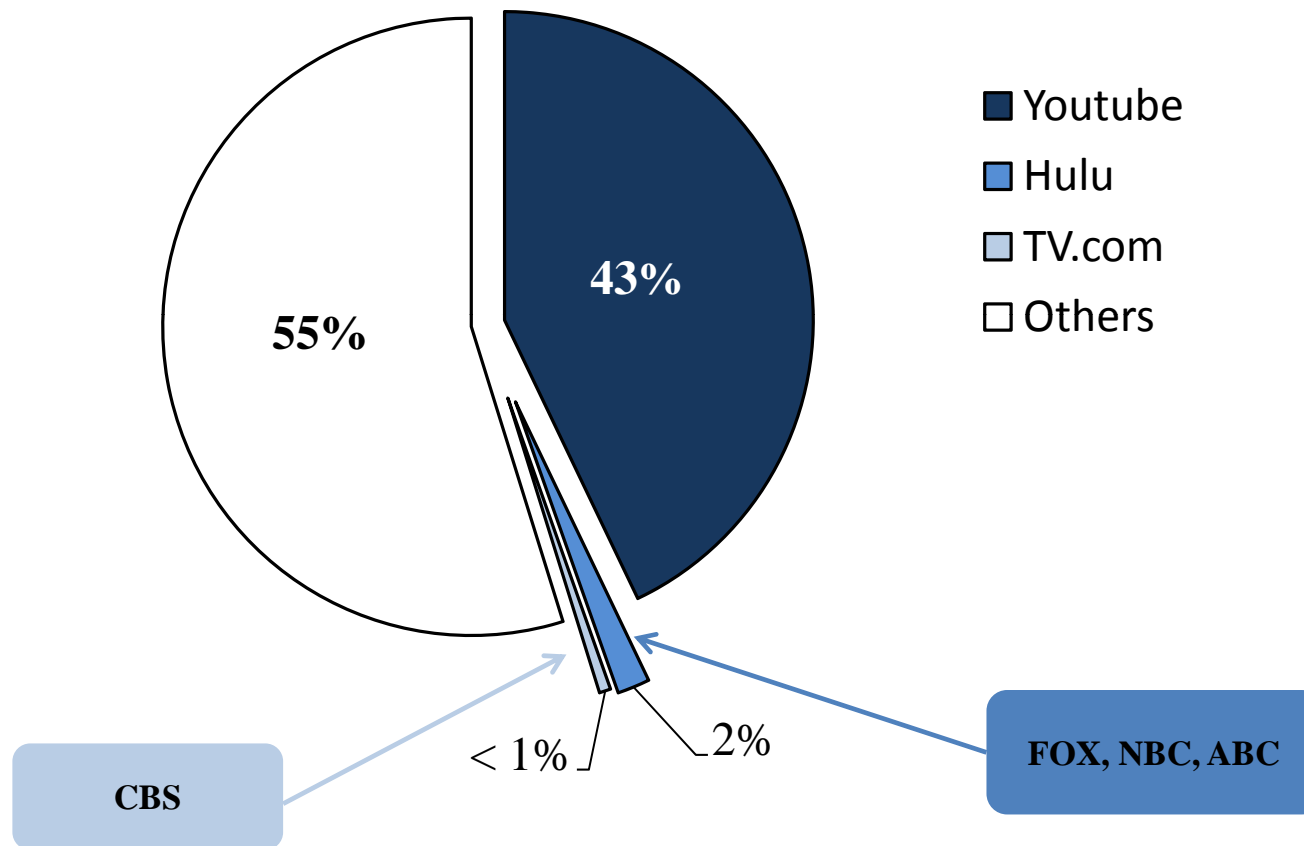


Challenge to the Television Industries: The “Winner-Takes-All” Feature of Internet TV Websites

- *YouTube.com vs. Hulu.com vs. TV.com*
- **Is Comcast + Time-Warner large enough to make “Everywhere TV” work?**



Online Video Market Shares, 2009



Source: Authors' compilation from Comscore.com

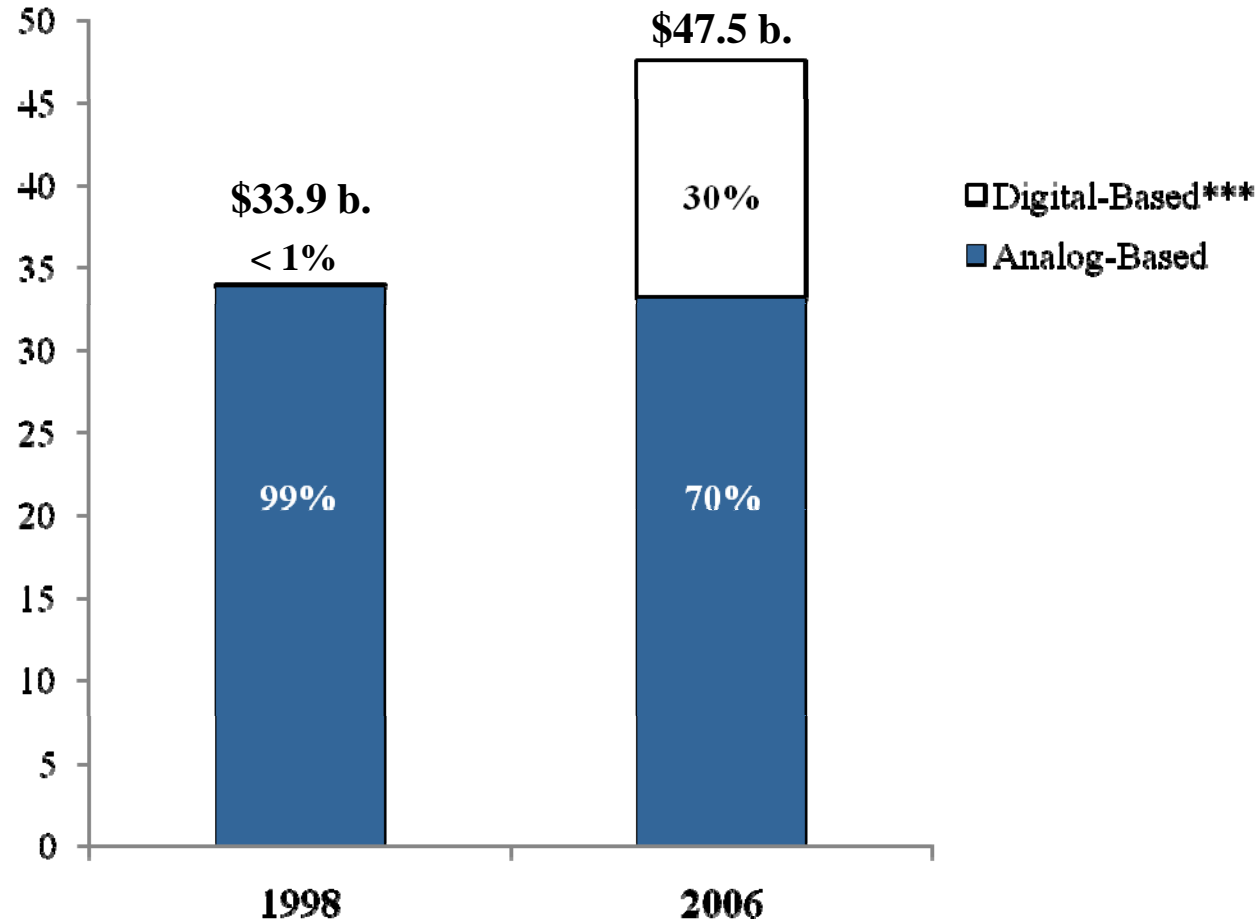
**“Old” media find ways to survive,
Don’t forget about them yet!**



Extra Slides



U.S. Cable Operator Revenue for TV Services* by Type (CPI deflated \$**)



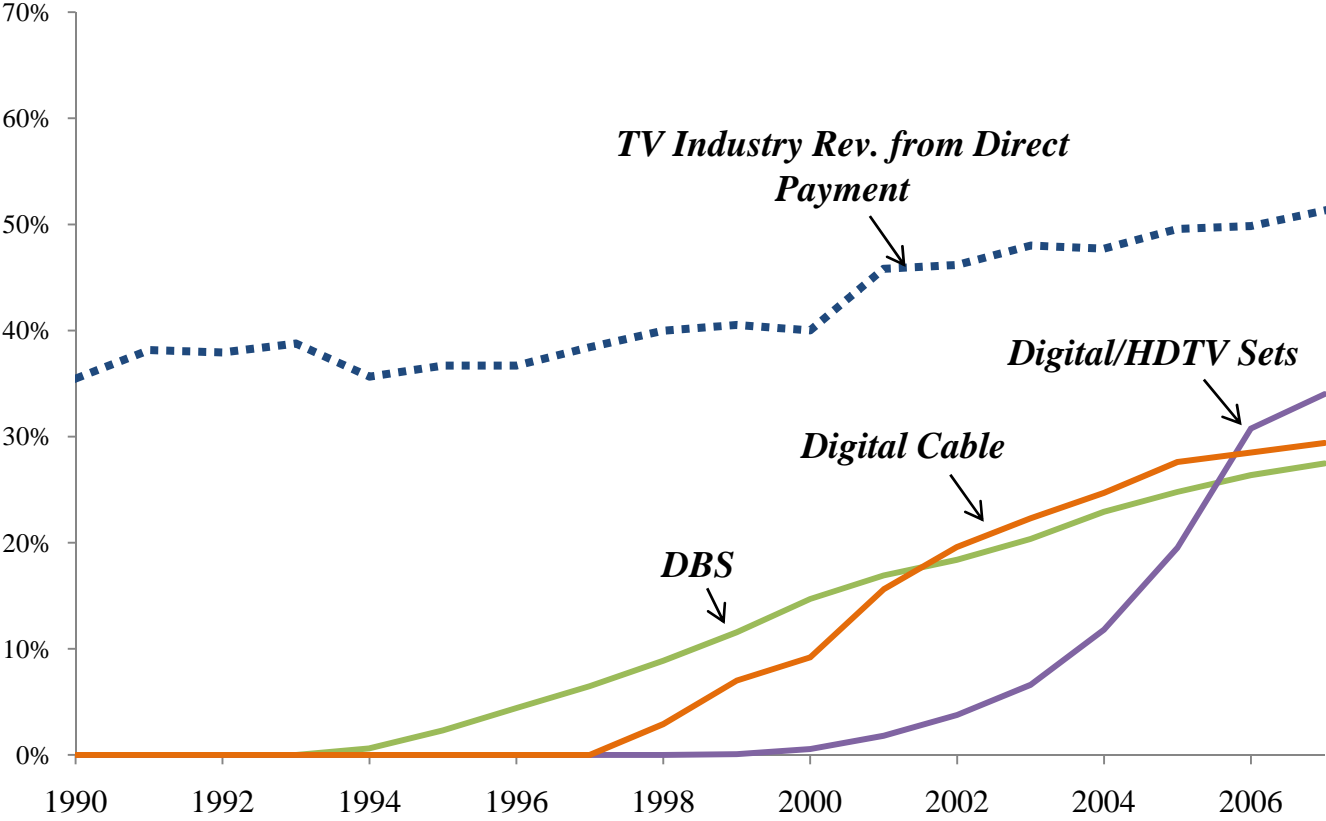
* Not including cable modem and related service; ** Based year; 2007 = 100

*** Digital-Based includes DVR, all digital tier programming; assuming all premium networks sold on digital tier in 2008

Sources: Authors' compilation from SNL Kagan; Adams Media Research; FCC (2009)

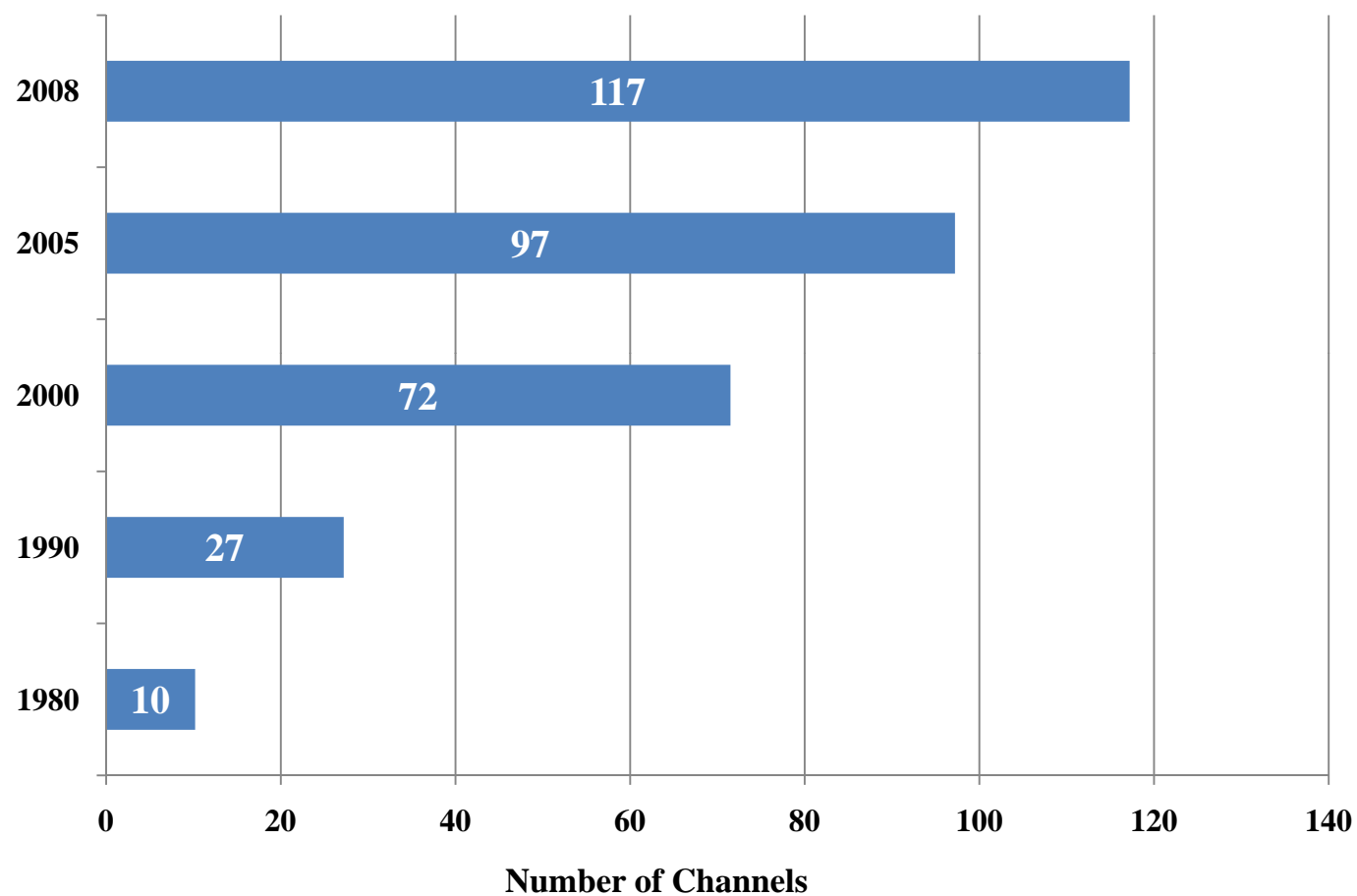


U.S. Diffusion of Digital TV Media vs. % TV Industry Rev. from Direct Payment



Source: Authors' compilation from SBCA; TVB; FCC; GMID; MPAA; Nielsen; Adams Media

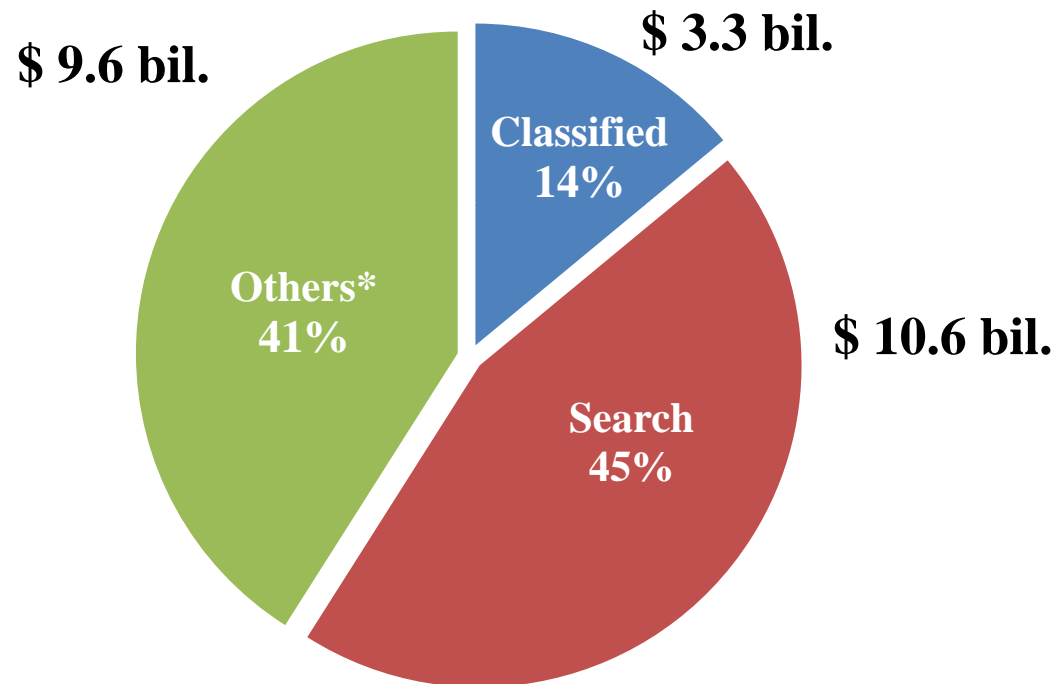
Average Number of Channels per U.S. TV Home



Source: Authors' compilation from *TV Dimensions* (2009)

Internet Advertising by Category

2008 Total: \$23.4 bil.



* Others include advertising revenues from rich media, digital video, banner Ads, sponsorship, e-mail, interstitial, lead generation, and sponsorship

Source: Authors' compilation from IAB