The Technology-based Transformation of the Media Industry

Irving Wladawsky-Berger
irving@irvingwb.com
www.irvingwb.com
What Constitutes the Media Industry?

- Broadcast: radio, TV, music, …
- Print: newspapers, magazines, books, comics, …
- Film: cinema, DVDs, TV, …
- Recordings: CDs, records, tapes, DVDs, …
- Advocacy: marketing, advertising, public relations, …
- Digital Media: web sites, blogs, social, streaming, games, …
- …
Some Observations about the Media Industry

- One of the fastest changing, most dynamic industries in the world

- Massively disrupted by digital technologies over past 20 years - perhaps second only to IT industry

- Turbulent media landscape due to the convergence of previously separate industries, e.g., media, entertainment, communications, information, consumer electronics, …

- Media is as an early indicator of how industries are adapting to changes in industry structure and consumer behavior resulting from new technologies
Key Media Processes

- Content creation
- Production
- Distribution

ICT and the Future of Media
Key Media Processes

- Content creation: the original development of content, - a new song, film, TV program or newspaper article
- Production
- Distribution

![Value Chain Diagram]

Key Media Processes

- Content creation
- Production: the bundling of different content into a final market-ready product, - a newspaper, TV schedule, cable package or DJ’s playlist
- Distribution

Figure 1: Traditional Media Industry Value Chain


Thompson, D., 2014, The Future of Media will be Streamed, The Atlantic, April 10th 2014

Key Media Processes

- Content creation
- Production
- Distribution: getting the content to consumers, - TV and radio broadcast, cable services, newspaper delivery, music and video streaming

Figure 1: Traditional Media Industry Value Chain


Thompson, D., 2014, The Future of Media will be Streamed, The Atlantic, April 10th 2014

The Internet Information-based Digital Economy
Media and the Internet

- Internet users spend 20 - 30% of their time online, mainly interacting with media content

- Close to 3 billion Internet users around the world; expected to grow to over 5 billion in 2020s

- Over 2 billion smartphone users around the world; expected to become near-universal in 2020s

- Pretty much all media moving to the Internet: music, TV, films, newspapers, books etc
Fixed and Mobile subscriptions
2010–2019
In the coming decade, 2.5 billion to 3 billion more users could be connected to the Internet (Exhibit 9). Most of this growth will occur in developing economies, where McKinsey research suggests that by 2025, more than 1.8 billion people will move up into the global consumer class—those who earn enough to buy goods and services after meeting basic needs.

The next three billion digital citizens

| Definition | Emerging opportunities as three billion people join the digital economy using the mobile Internet—driving financial inclusion, entrepreneurship, and the development of new business models |

**Applications of the trend**

- Extending financial inclusion to the “unbanked,” often through deployment of mobile payment and banking services
- Encouraging economic development through the growth of local entrepreneurship, driven by expanding access to digital services
- Customizing products and services to markets by local and multinational companies alike

**Key sectors impacted**

- Retail
- Finance
- Health care
- Government and social sectors
- Agriculture
- Education

SOURCE: McKinsey Global Institute analysis
A Perfect Storm of Media Disruptions

- Cloud Computing & Streaming
- Social Networks
- Broadband Wireless Networks
- Internet-based Content
- Flat Panel TVs & Surround Sound
- Smartphones & Tablets
The Future of Television
What is Television?

- No longer just a TV set; you can now watch TV in your smartphones, tablets, laptops, and large flat panel TVs.
- No longer just distributed over the air or cable; Internet-centric TV is increasingly popular.
- Golden Age of TV? Very high quality programming now available from premium and network channels.
- Very high quality, reasonably priced “home theater” experience now competing with movie theater experience.
TV’s future is about...

- OTT
- International
- Social media
- 2nd screen
- Internet
- New transmedia narrative
- App business
- Gaming
- Content on-demand
- Content discovery
The communications and media sectors are in a state of great turmoil. Over a relatively short period of time, technological progress has altered everything from the media for information delivery to the revenue sources for the news, media and public relations business. At this moment, there is a remarkable confluence of social, economic and technological change - all of which affect vital information flows in our democracy.”

Ernest Wilson, Dean
USC Annenberg School of Communications and Journalism
Journalists

Silicon Alley Insider  
Chart of the Day

Newspaper Advertising Revenue Adjusted for Inflation, 1950 to 2012

Millions of 2012 Dollars

Source: Newspaper Association of America  
Carpe Diem Blog

Including Online  
Print Only
Chart 8.3 Book publishers' operating revenues and expenses

annual % change

- Operating revenues
- Operating expenses

1. Excludes investment income, capital gains, extraordinary gains and other non-recurring items.
2. Excludes write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

Source: Statistics Canada, CANSIM table 361-0007.
Film & TV Workers

Total Number of DVDs Sold and Sales Revenue - Top 100 - 2007-2012

Sales Revenue: Real (2012 dollars)
Total DVDs Sold

Year:
2007
2008
2009
2010
2011
2012

Sales Revenue:
7,000,000,000
6,000,000,000
5,000,000,000
4,000,000,000
3,000,000,000
2,000,000,000
1,000,000,000
0

Total DVDs Sold:
400,000,000
350,000,000
300,000,000
250,000,000
200,000,000
150,000,000
100,000,000
50,000,000
0
Winner Take All

"Popularity becomes a self-fulfilling prophecy." - Salganik, Dodds & Watts - Science, Vol. 311
Evolution of the Media Industry: Organizational Models

- Centralized
- Distributed
- Inclusive

ICT and the Future of Media
Organizational Models

- **Centralized:** Original media model that’s been long in operation, e.g., newspaper publishing, broadcast radio and TV and film studios. A central authority, be it a corporation or government agency, exercises editorial, financial, and (sometimes) political control over the content that reaches the consumer. While alternatives now exist, this media model is still widely found around the world.

- **Distributed**

- **Inclusive**
Organizational Models

- **Centralized**

- **Distributed**: The ICT revolution has placed cheap and powerful computational capacity into the hands of many people around the globe. As a result, the physical capital for the creation and production of content is broadly distributed throughout society, as is the power over the creation, production and distribution of media… Anyone who wishes to create and share his or her own content it is therefore able to do so.

- **Inclusive**
Organizational Models

- Centralized

- Distributed

- Inclusive: Digital media has transformed the once one-way communication from the creators to the consumers of content into a two-way communication. In order to exercise power within this sort of structure, input is required from as many people as possible so as to effectively represent the overall wishes of the population in question.
In the end, it’s all about Content, not Technology

Storytelling has played a central role in human communications since times immemorial, predating writing.

Oral narratives were used by many ancient cultures as a way of passing along their traditions, beliefs and learning from generation to generation.

Over the centuries, the nature of storytelling has significantly evolved with the advent of writing and the emergence of new technologies that enabled stories to be embodied in a variety of media, including books, films, TV… and now the Internet.
The Technology-based Transformation of the Media Industry

Irving Wladawsky-Berger
irving@irvingwb.com
www.irvingwb.com