



**The end of the media
world as we know it? A
new media eco system!**



Caroline Pauwels
BEREC, Ljubljana
March 6th 2013

Media Futures Forum

- Reflect on the future of the media industries from a global perspective: WAKE UP CALL -> spread the message
- Chaired by Christian Van Thillo, CEO de Persgroep
- Members appointed in their personal capacity, on invitation of Commissioner Neelie Kroes
- Final report plus recommendations issued in september 2012
- New meeting march 2013

Which Media? Media Content Industries!

- All Content made available, regardless of technological platform
(although different platforms may continue to exist: music on LP, CD, iTunes...)
- MCI = Converging, Connected, Creative Consumer driven Content industries
 1. (are) **converging**, through technological & economic evolutions
 2. (will be) **connected & collaborative**, through devices, platforms, (growing & rather unforeseen) partnerships
 3. (will have to be) **creative & competitive**
 4. As well as **consumer driven**
 5. **content (is king) industries, but context, convenience and comfort of use**
(next to UGC, professional, qualitative and local content will be of major importance)

Slide 3

1

Caroline Pauwels; 05/03/2013

Although situations may differ between media & countries, available statistics show:

- Indicated by Statistics on
 - Trade (imports and exports),
 - Share of domestic media and content
 - Market share of companies,
 - > EU media show overall negative trade balance
- No real pan European market, still major national fragmentation
- Some strong EU players
- European position varies from weak (film) to relatively strong (publishing)
- Some sectors decline: music, news

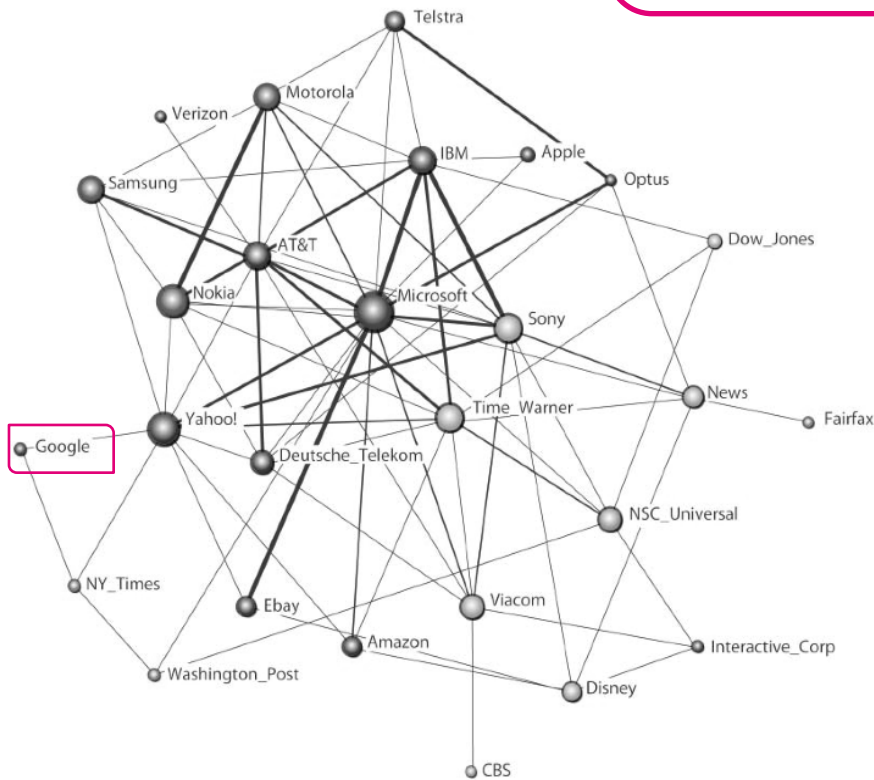


ICT innovation = key driver for high-speed change in an ICT reluctant media sector

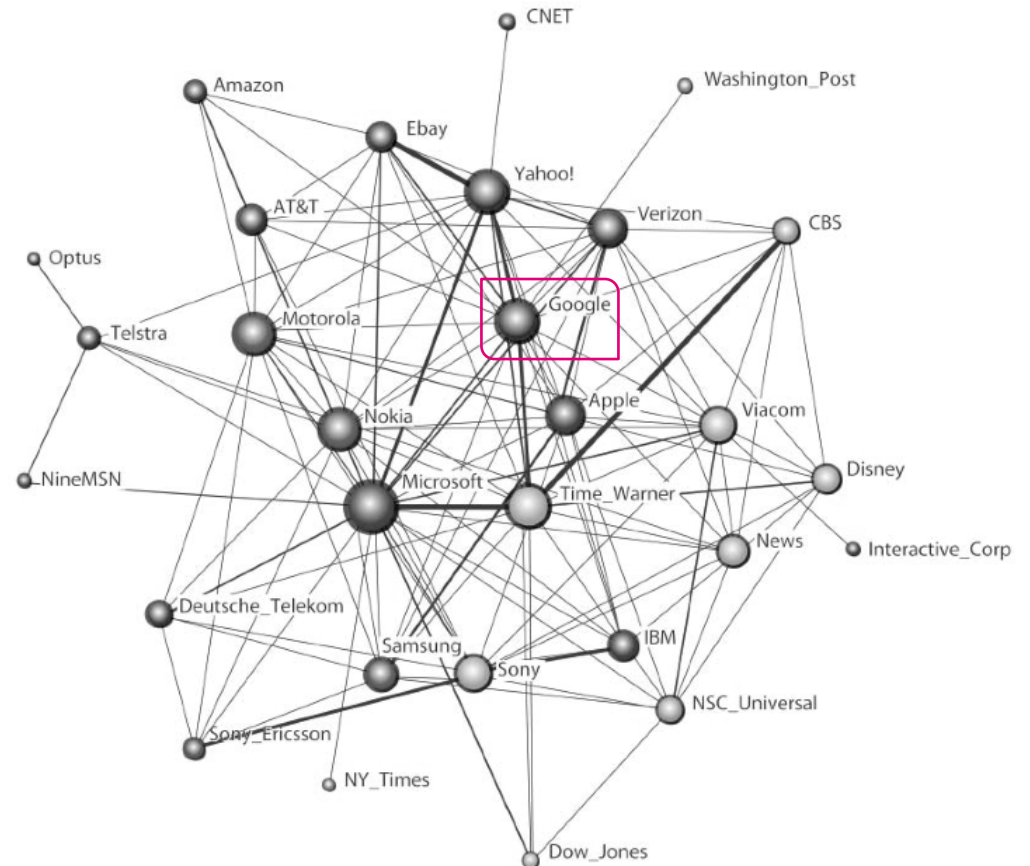
- Innovation is everywhere: in networks, devices, services/apps, user experiences & practices
- Innovation leads to explosion of ever new players
- Innovation comes mainly from global, often US based and ICT driven firms, who prosper on creating convenience of use rather than on creating original content

Explosion of ever new players having disruptive effects?

Media 2000/1



Media 2005/6



Source:
**Future Of Media Report,
Future Exploration Network, 2006**

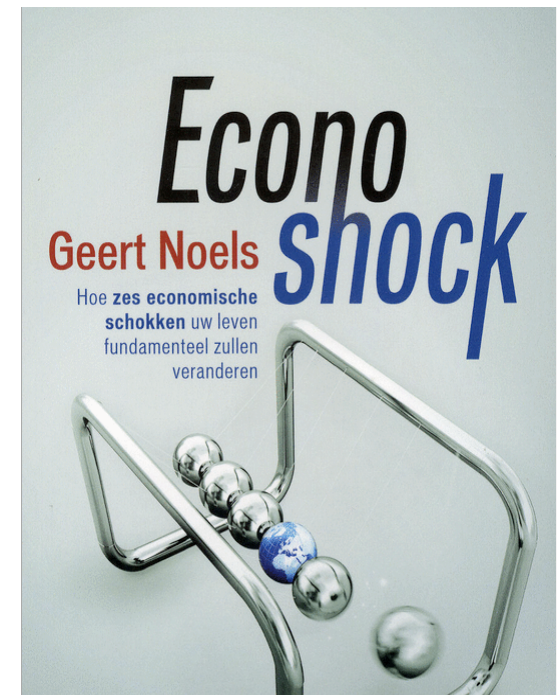
ICT innovation as econoshock for media sector

GIGI model (Geert Noels)

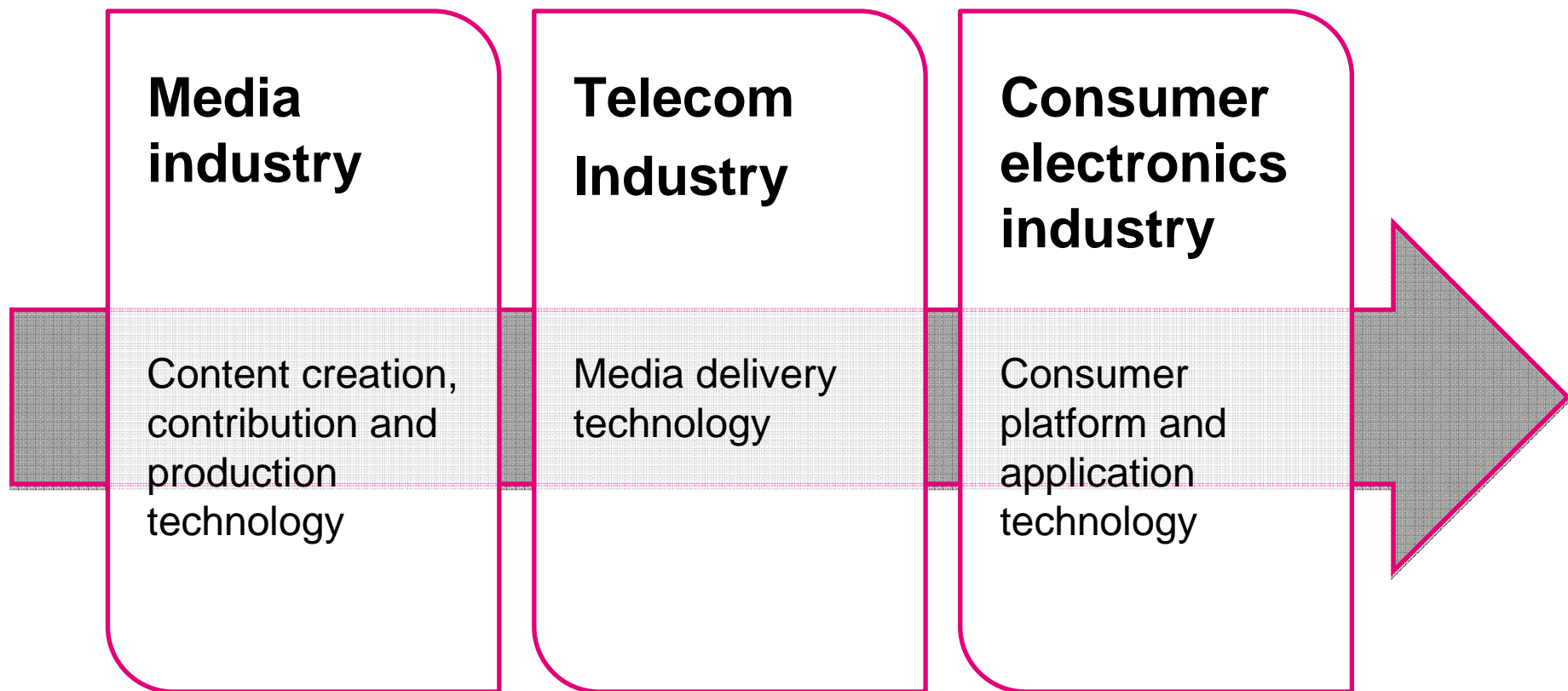
1. **G**lobal: world wide web
2. **I**nteractive & participatory: UGC as metaphor
3. **G**ratias: (Perception of) granted for free: Google as metaphor
4. **I**ndividualisation & Personalisation triggered by social media

> disruptive evolutions for traditional media sector

GIGI model driving sector **GAGA**

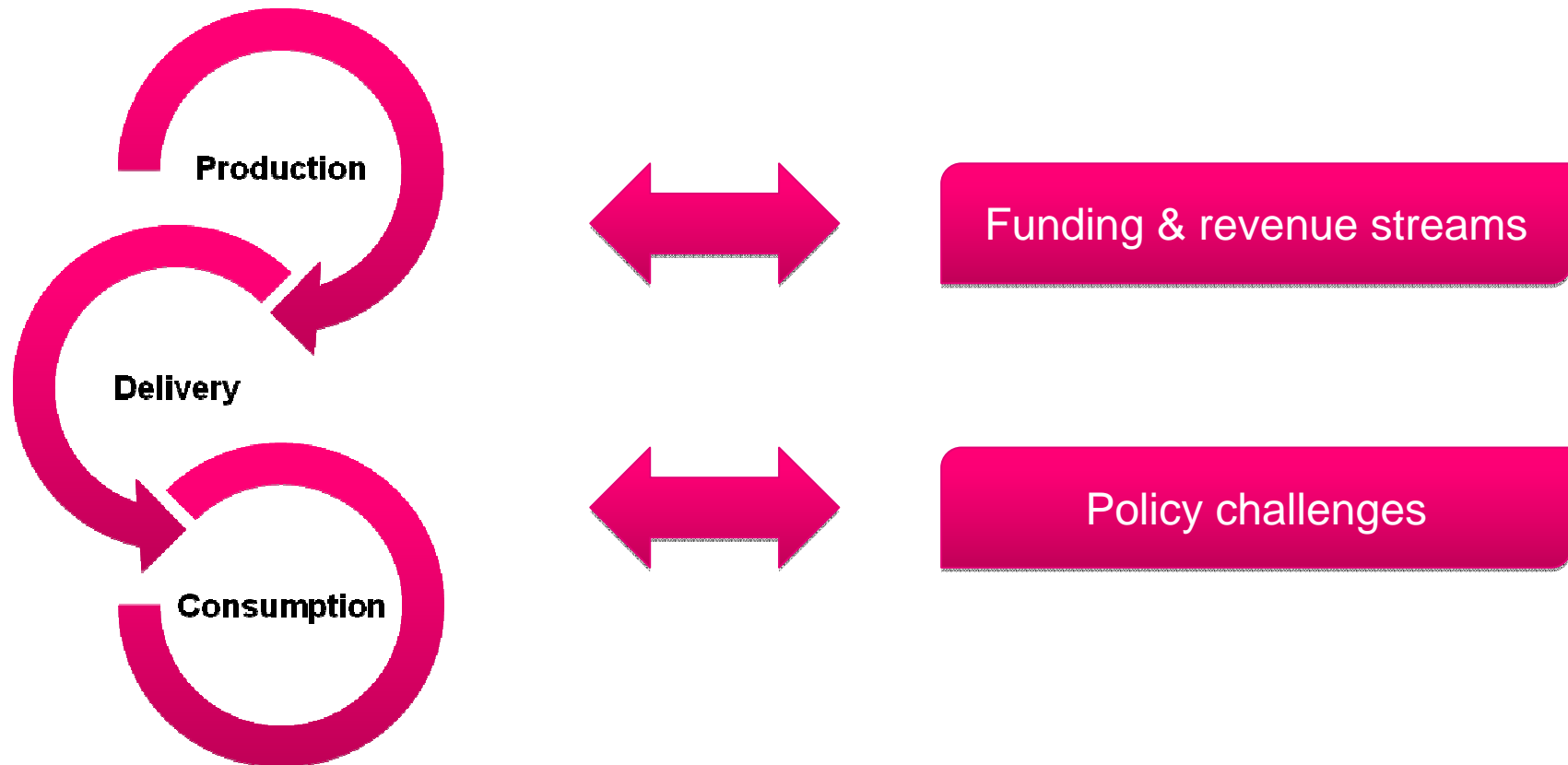


- Innovation creates shifting power relations between (1) media companies, (2) telcos, and (3) consumer electronic companies



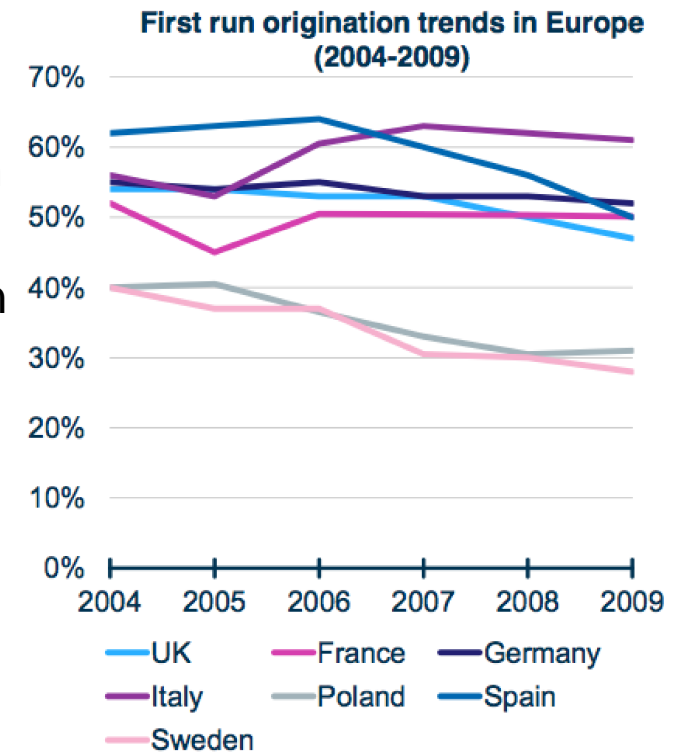
Source: **Technology Strategy Update**, Lieven Vermaele, EBU 2011

ICT Impact on the whole content value chain



1. ICT impact on media production

- Lower threshold for content production
- User Generated Content: You Tube, Flickr
- Professional content creation & investigative journalism remain most costly & most risky part in value chain
- There seems to be some reduction on the creation of local, original contents
- EU Fragmentation of content production companies
- No EU market for non national EU media content
- Crowdfunding & crowdsourcing production platforms: ex. Kickstarter, Sonic Angels
- Rights management as crucial challenge



Content driven industries



Digital/Social Media Every second.....

Management Information Systems
UCD School of Business

Córais Faisnéise Bainistíochta
An Scoil Ghnó UCD



Tuesday, 14 June 2011

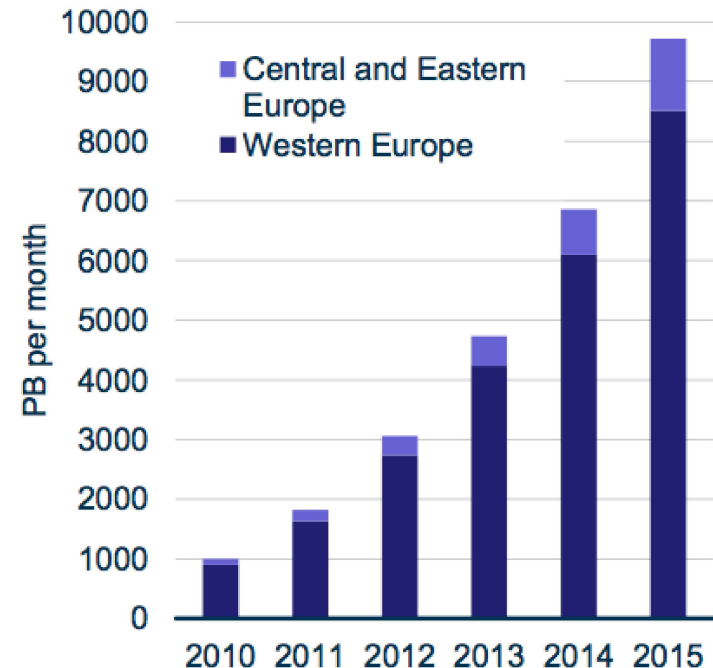
Bled Conference 2011 - University 2.0

3

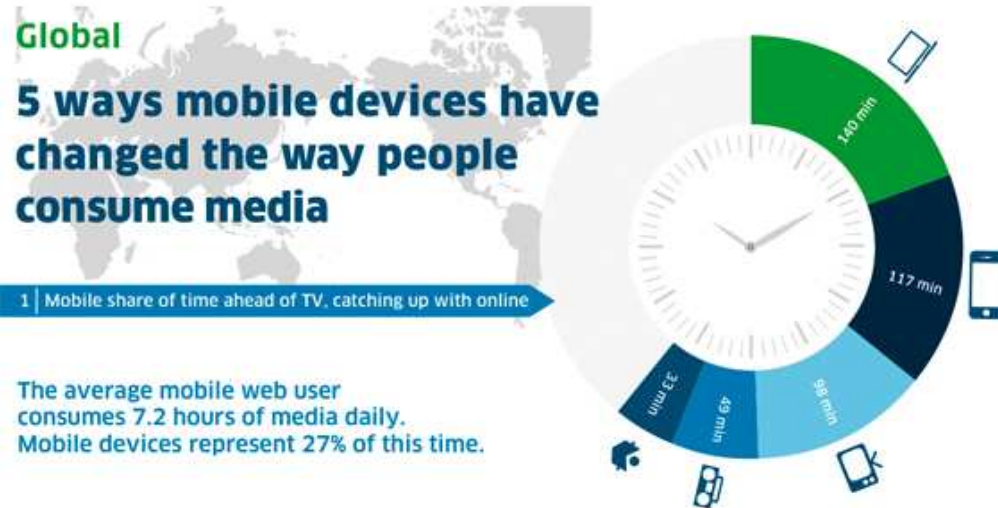
2. ICT impact on delivery

- **Most disruptive**
- Infrastructure innovation as key driver
- **Platformisation**
- Free content online disrupts news publishing
- Video traffic on internet on spectacular rise
- **Unbalanced bargaining power between distribution/delivery platforms and content creators/generators**

Internet video traffic in Europe (2010–15)

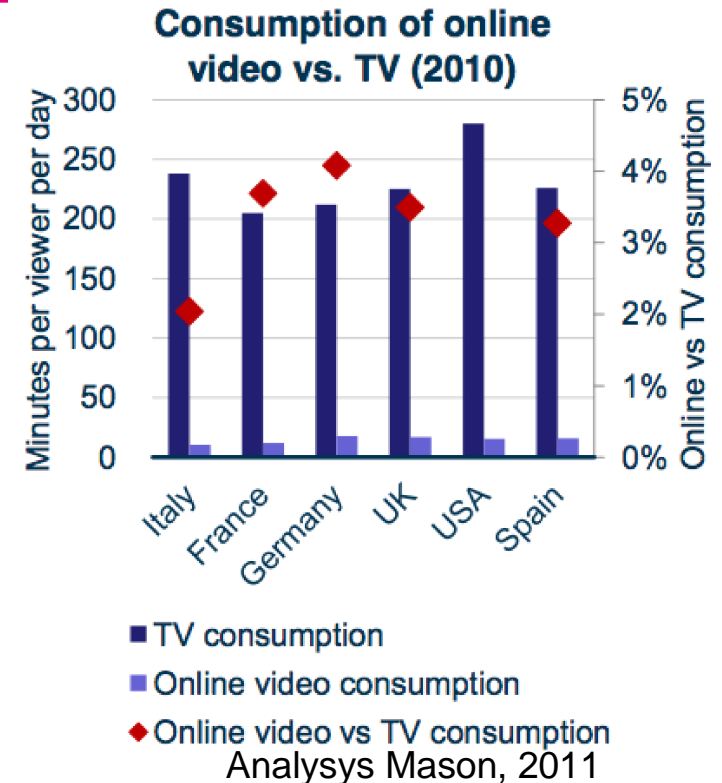


Mobile increases in importance



3. ICT impact on consumption

- Abundance of choice vs attention as a scarce commodity: **Selection mechanisms??**
- Consumer control & empowerment
- Perception of free vs signs of successful Pay models (iTunes; Spotify)
- Linear or not linear: old habits do die hard!
- Piracy and illegal downloading
- UGC?
 - Very diverse output
 - (mass) Self-publishing but very conditional or accidental
 - Lead users not to be confused lean back media user
- Generation switch?

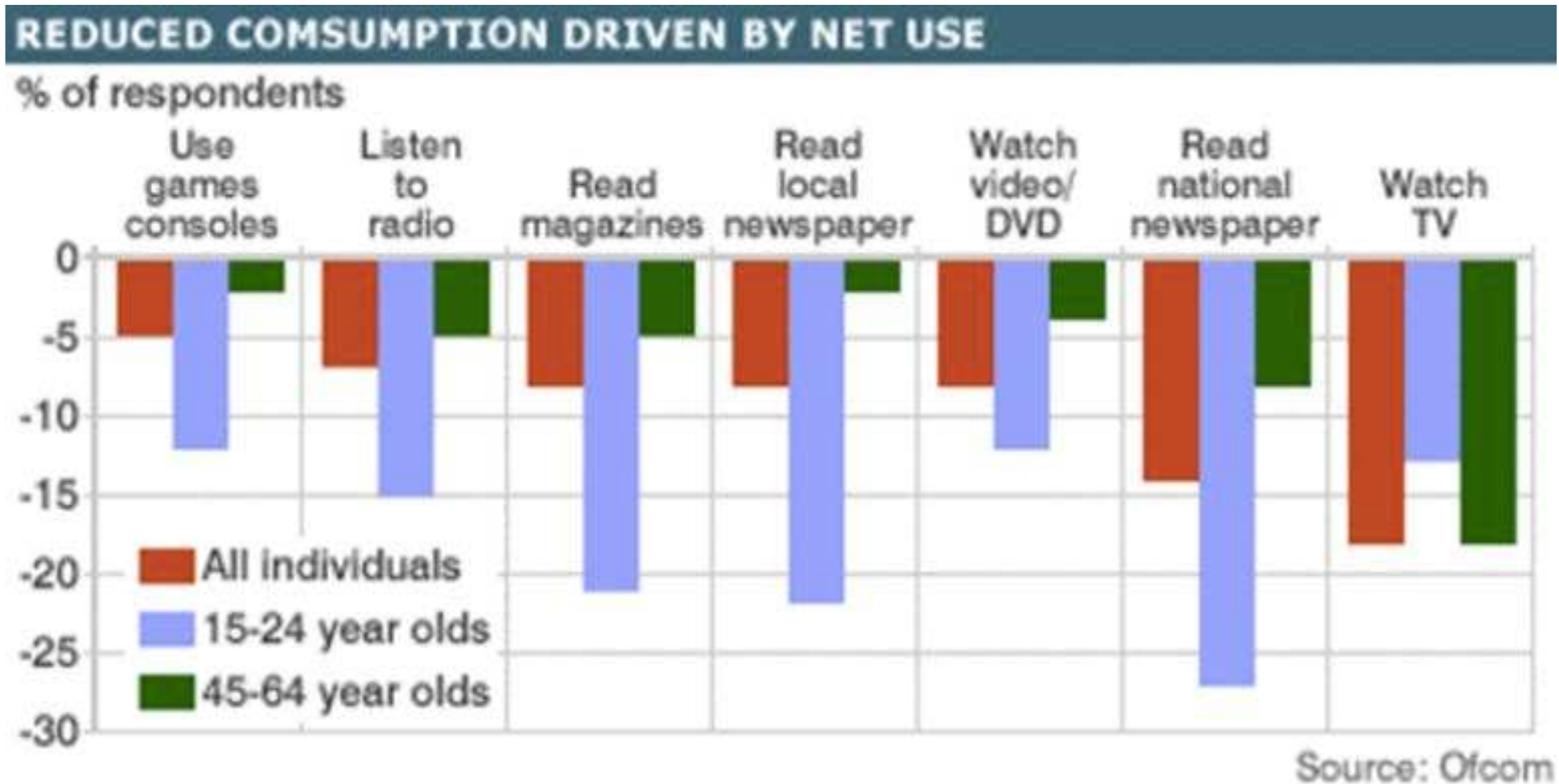


1	You Tube™	162M
2	VEVO	62M
3	facebook	52M
4	VIACOM	50M
5	msn Video	46M

6	YAHOO!	45M
7	Aol.	42M
8	TURNER	33M
9	hulu	26M
10	NBCUniversal	25M

Comscore, 2011

Traditional media suffer from increased internet use



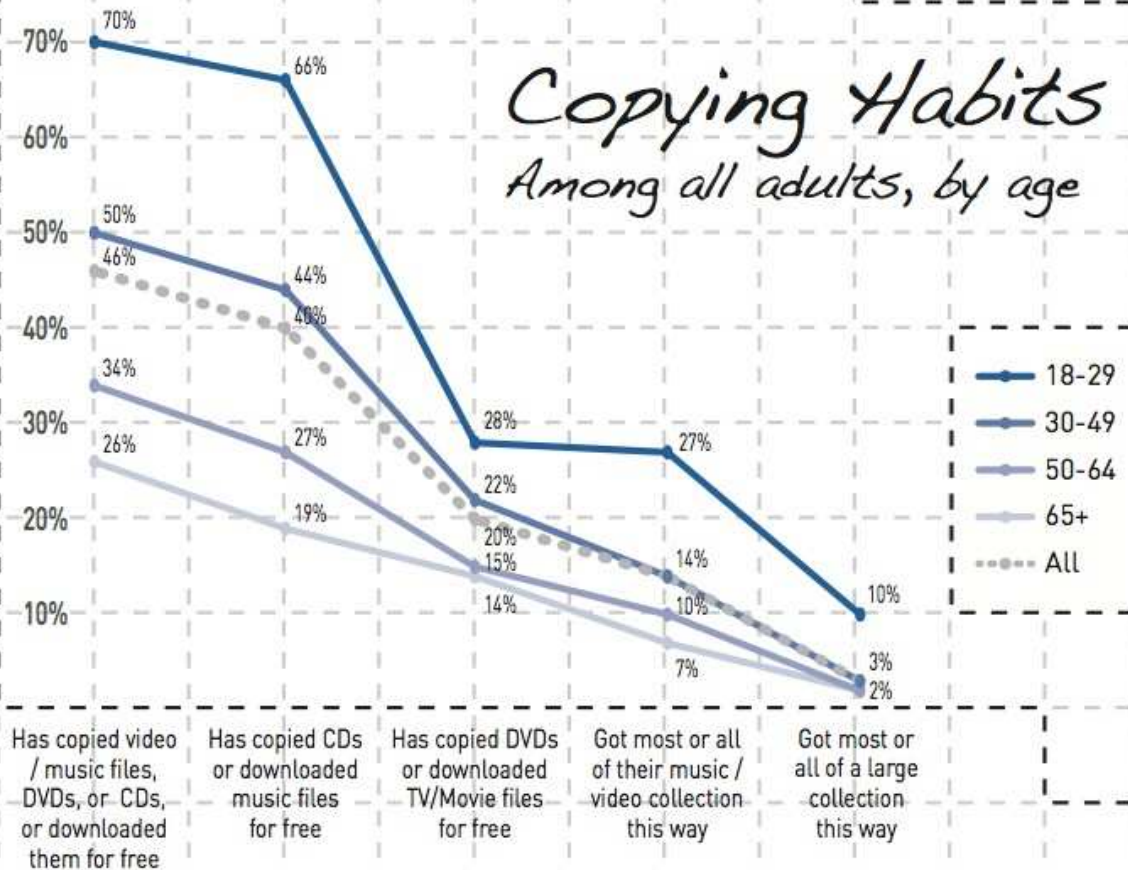
COPY CULTURE

in the U.S.

- » The vast majority of music is acquired legally. For those under 30, over half is.
- » The biggest pirates (P2P file sharers) are also the best customers—by around 30% for music file purchases.
- » About half of unauthorized copying happens *offline*, among friends.
- » Nearly half of those who download unauthorized music do so less because of the growth of cheap, legal streaming services.
- » 13% of adults listen to most or all of their music via streaming services. Among those under 30, nearly 30% do.

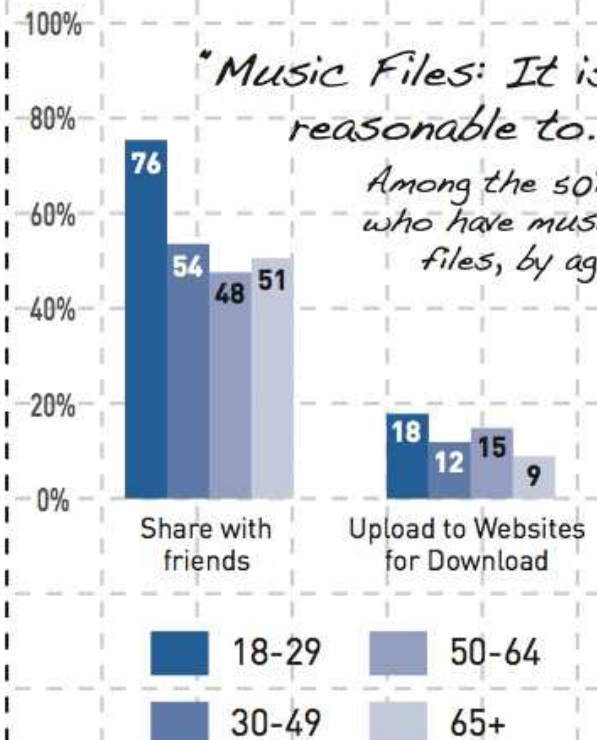
Copying Habits

Among all adults, by age

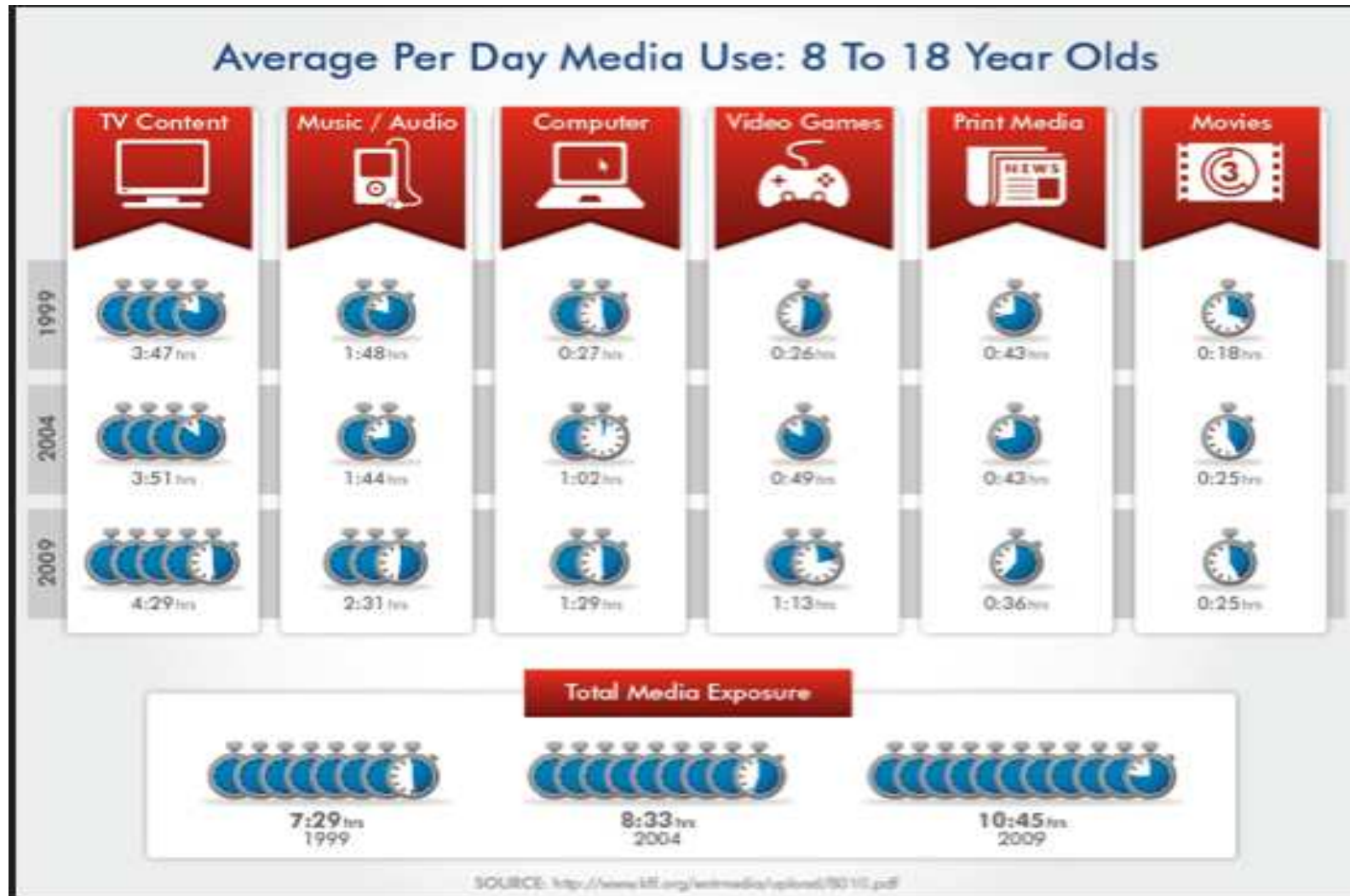


"Music Files: It is reasonable to..."

Among the 50% who have music files, by age)

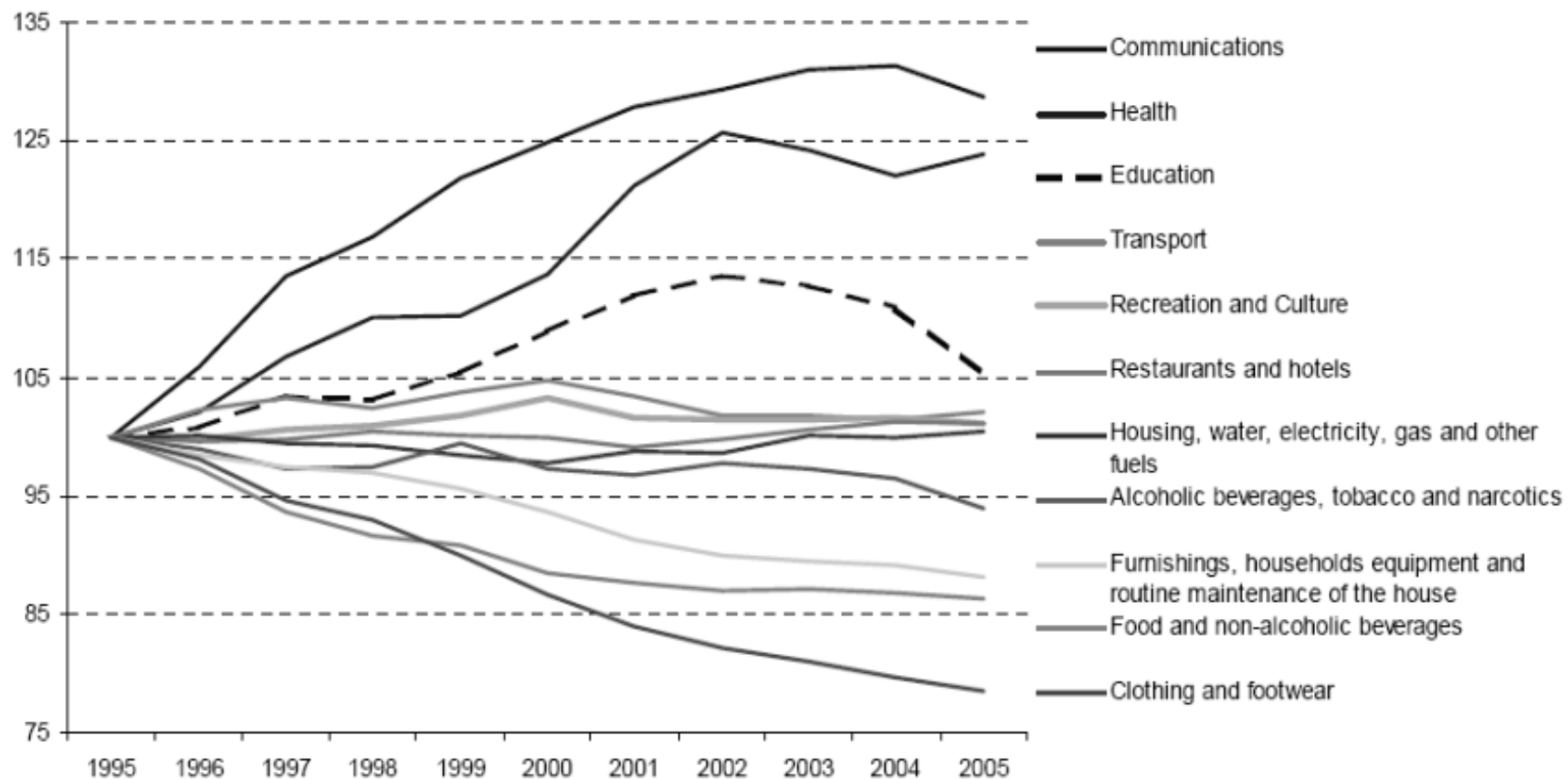


Increased Media consumption/US



Increased household spending on communications

Figure 1. Changes in the proportion of households' expenditure by category in the OECD,¹ 1995-2005²
Base 100 in 1995

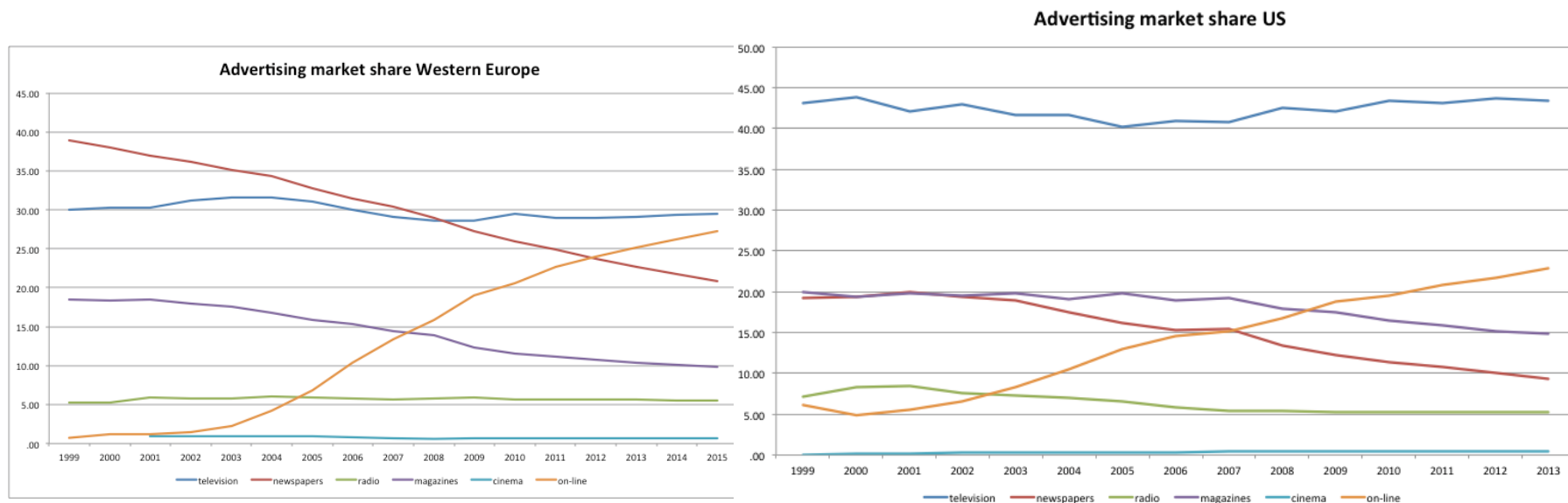


4. ICT impact on Underlying revenues & funding: Who will pay? Who will get paid?



- Perception of internet as free
- Ads are everywhere: Deflationary pressure on value of the ad product, when lack of relevance for consumer
- Subsidies stabilized, but pressured
- Legal pay models on rise: 10 Euro limit
- Crowd financing
- If economic relapse -> pressures raise on R&D&I & ad spending
- Revenues probably will have to be based on AND, AND & AND scenario: Is revenue diversification worsification?

Disruptive trends in advertising



Data for 2011-2015 based on extrapolation
Source: IAB & Screen Digest

Conclusions



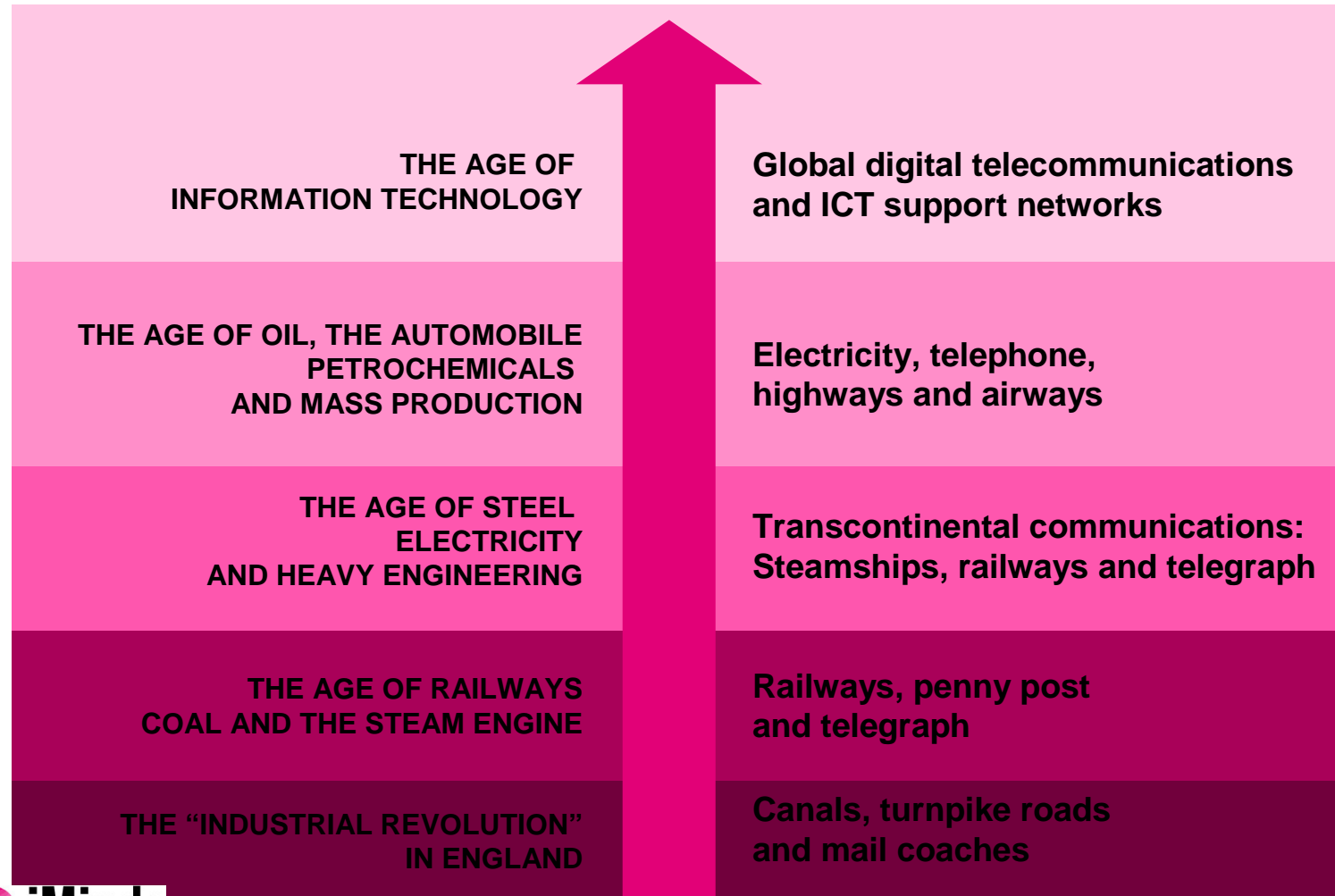
- Life has to be understood backwards, but lived forwards... (Kierkegaard)
- Major changes: media **within** frontiers, **without** frontiers, **beyond** frontiers
- **Perez'innovation curves**
 - Successive technological revolutions every 40-60 years
 - Now amidst fifth revolution, triggered by ICT
 - A financial bubble collapses at about mid-diffusion:
 - 2000 internet bubble burst
 - Revolution happens through a powerful cluster of new products & services and new infrastructural networks
 - New ways of doing things, new organisational principles
 - Different business models
 - Low cost facilitating infrastructure

- Rarely media substitution throughout history, only change in platform of delivery: movie still exists but changed delivery wise (screen, Video, DVD, blu-ray...)
- Media luddism: media traditionally quite conservative, do not embrace technological evolutions
- Technologies rarely evolve as engineers imagined them: emergence of (unexpected) new consumer practices & business opportunities
- Looking at the Crystal ball?
- Difficult to foretell disruptive effect of new comers: Sega turned out to be a failure, Nokia failed to keep its competitive advantage, Google surprisingly disruptive in short period of time;
- Overall > incumbents manage to stay 'in business'



Innovation curves (Carlota Perez)

The infrastructural networks are the platform for change & competitiveness

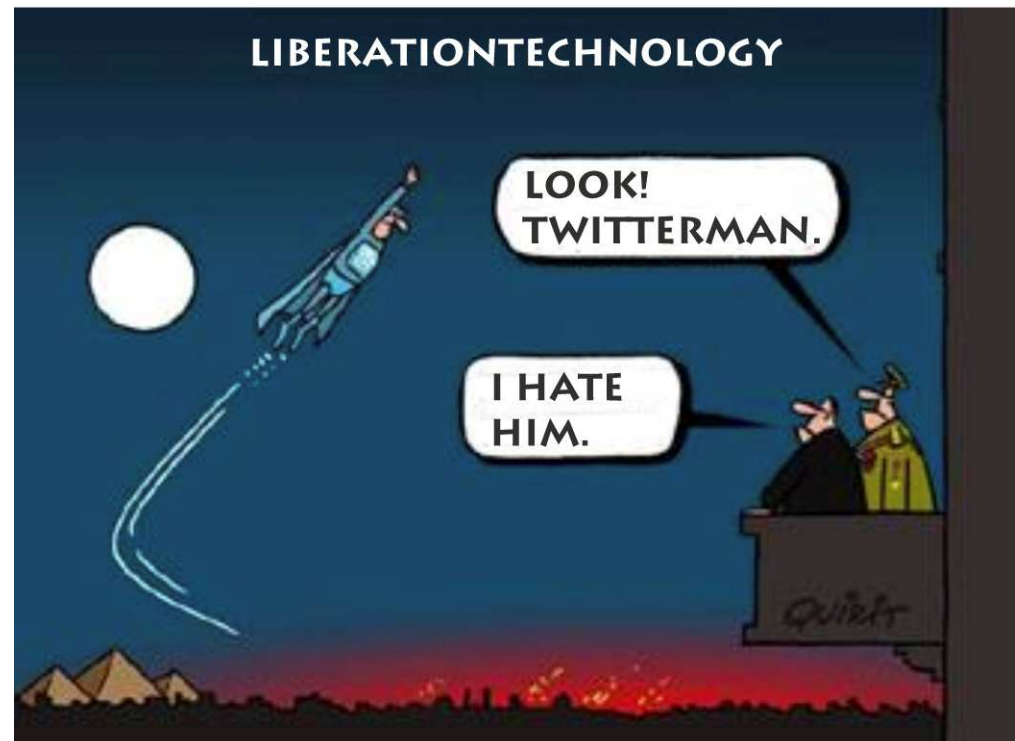


Lessons from Perez' innovation curves

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 - Old actors refusing to adapt disappear
- New (innovation) policies needed to get the best out of it
 - Trends and positive impacts are not sui generis

Let's also see the potential!...

“Never before in history has innovation offered promise of so much to so many in so short a time”
Bill Gates



Online dwarfs & giants

Onlinekonzerne 2011

1.	Apple Inc. (Cupertino / USA)	€ 77,765 Mrd.
2.	Microsoft Corporation (Redmond/ USA)	€ 50,246 Mrd.
3.	Amazon.com Inc. (Seattle/ USA)	€ 34,538 Mrd.
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But... Exxon: 380 Billion of dollars in 2010

Media overall still dwarfs? Fortune Global top-500

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3. Wal-Mart (405 miljard \$)	154. Bayer (48 miljard \$)
8. ING (226 miljard \$)	159. Time Warner (46 miljard \$)
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30. Siemens (123 miljard \$)	387. Inbev (23 miljard \$)
45. IBM (103 miljard \$)	423. Google (21 miljard \$)
48. Nestlé (101 miljard \$)	
61. Deutsche Telekom (90 miljard \$)	Mediaset: +6 miljard \$
85. Nokia (74 miljard \$)	Endemol: +2 miljard \$
94. Vodafone (69 miljard \$)	Persgroep: + 750 miljoen \$
	Studio 100: + 150 miljoen \$

Hit industry with phenomenal impact:

All time box office

	Film	Jaar	Studio	Wereldwijd	VS/%	Buiten VS/%
1	Avatar	2009^	FOX	\$ 2,782 miljard	\$ 760,5 miljoen/27,3 %	\$ 2,022 miljard/72,7 %
2	Titanic	1997^	Paramount	\$ 2,185 miljard	\$ 658,7 miljoen/30,1 %	\$ 1,527 miljard/69,9 %
3	The Avengers	2012	Walt Disney	\$ 1,512 miljard	\$ 623,4 miljoen/41,2 %	\$ 888,4 miljoen/58,8 %
4	Harry Potter & The Deathly Hallows Part 2	2011	Warner Bros	\$ 1,328 miljard	\$ 381,0 miljoen/28,7 %	\$ 974,1 miljoen/71,3 %
5	Transformers: Dark of the Moon	2011	Paramount/ Dreamworks	\$ 1,124 miljard	\$ 352,4 miljoen/31,4 %	\$ 771,4 miljoen/68,6 %
6	The Lord of The Rings: The Return of the King	2003^	New Line	\$ 1,120 miljard	\$ 377,8 miljoen/33,7 %	\$ 742,1 miljoen/66,3 %
7	The Dark Knight Rises	2012	Warner Bros	\$ 1,078 miljard	\$ 447,3 miljoen/41,5 %	\$ 630,8 miljoen/55,8 %
8	Pirates of the Caribbean: Dead Man's Chest	2006	Walt Disney	\$ 1,066 miljard	\$ 423,3 miljoen/39,7 %	\$ 642,9 miljoen/60,3 %
9	Toy Story 3	2010	Walt Disney	\$ 1,063 miljard	\$ 415,0 miljoen/39,0%	\$ 648,2 miljoen/61,0 %
10	Pirates of the Caribbean: On Stranger Tides	2011	Walt Disney	\$ 1,044 miljard	\$ 241,1 miljoen/23,1%	\$ 802,8 miljoen/76,9 %



**Looking back: what has happened to
the media over the past decades?
What is the outcome?...**

MCI: media within, without and beyond frontiers

WWII – 70's:

**media within frontiers:
Managing scarcity**

- Monosectoral
- National embeddedness, national policy framework
- Paternalistic
- Cultural, social and political objectives (emancipation & enlightenment)
- Breakthrough of mass media, and expansion

70's – mid 90's:

**media without frontiers:
Managing choice**

- Liberalisation: controlled competition
- Rise of EU interference, although different for each sector
- Growing integration: from monosectoral to vertically integrated Transnational Media corporations
- Primarily economic objectives

mid '90 to present:

**media beyond frontiers:
Managing abundance**

- A new media ecology
- Infrastructural disruptions: platformisation
- Disruptive consumer behavior
- Economic uncertainty after bubble burst
- Multi- level Governance
- Cross-media fertilisation

Chronological overview

1. Media within frontiers = managing **SCARCITY**
2. Media without frontiers = managing **CHOICE**
3. Media beyond frontiers = managing **ABUNDANCE**



1

Media within
frontiers:

managing scarcity

Media without frontiers (70's- 90's) = managing Choice

- Ideas
 - Postmodernism
 - Neo-liberalism
 - Consumer sovereignty: his majesty, the viewer
 - New public management
- Interests
 - PSB Inc.
 - Private sector: broadcasters, advertisers, independent production companies
 - Consumers
 - EU institutions
 - Upcoming WTO/Unesco battle for legitimation
- Institutions
 - (Nation) State at a distance -> 'independent' regulators
 - Impact of EU liberalization and market integration agenda
 - Economic liberalization & harmonization agenda
 - Sector specific and horizontal policies: competition law on the rise
 - Subsidiarity: Article 151(4) EC treaty (now Article 167(4) TFEU) & Amsterdam protocol (1997)
 - Impact WTO (>< UNESCO)



?

Media
beyond
frontiers:

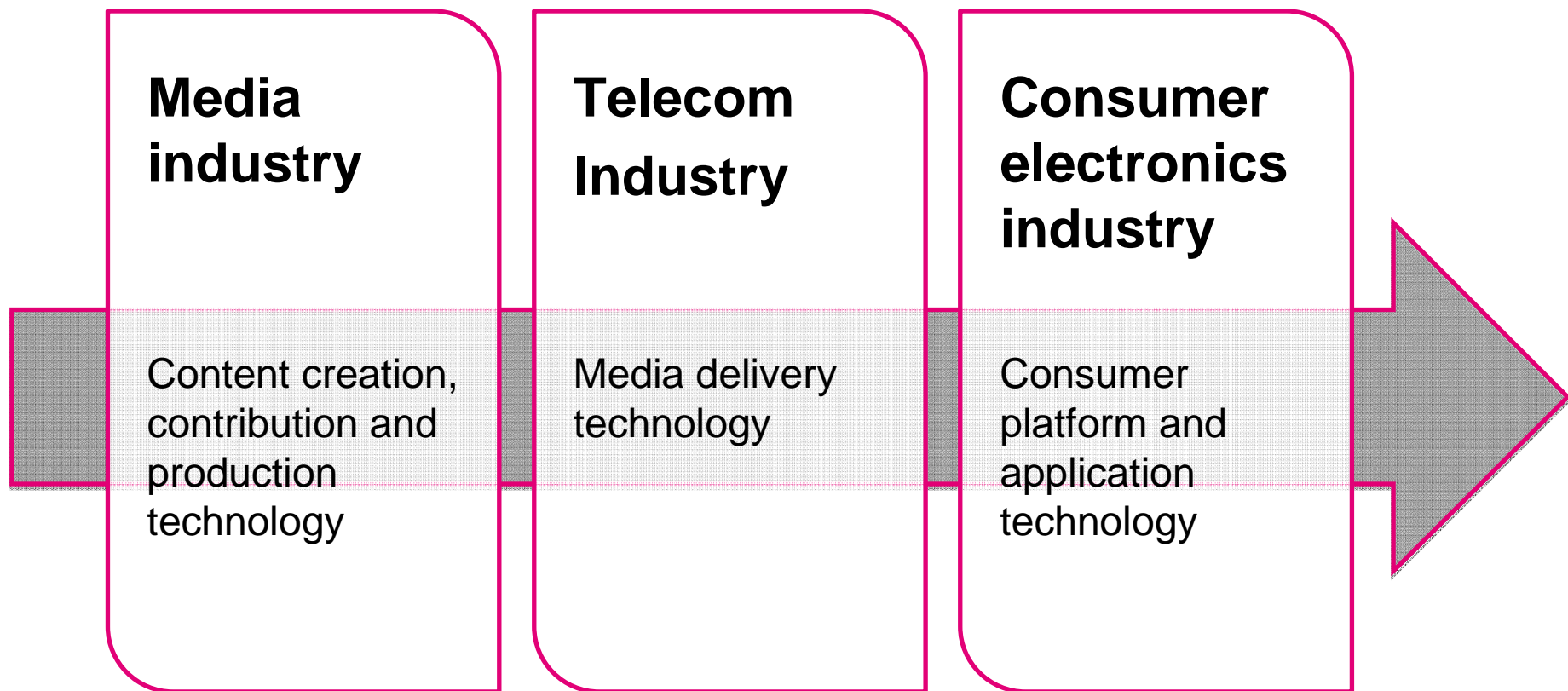
managing abundance



...to look forward:

ICT as disruptive power for media sector

- Innovation creates shifting power relations between (1) media companies, (2) telcos, and (3) consumer electronic companies



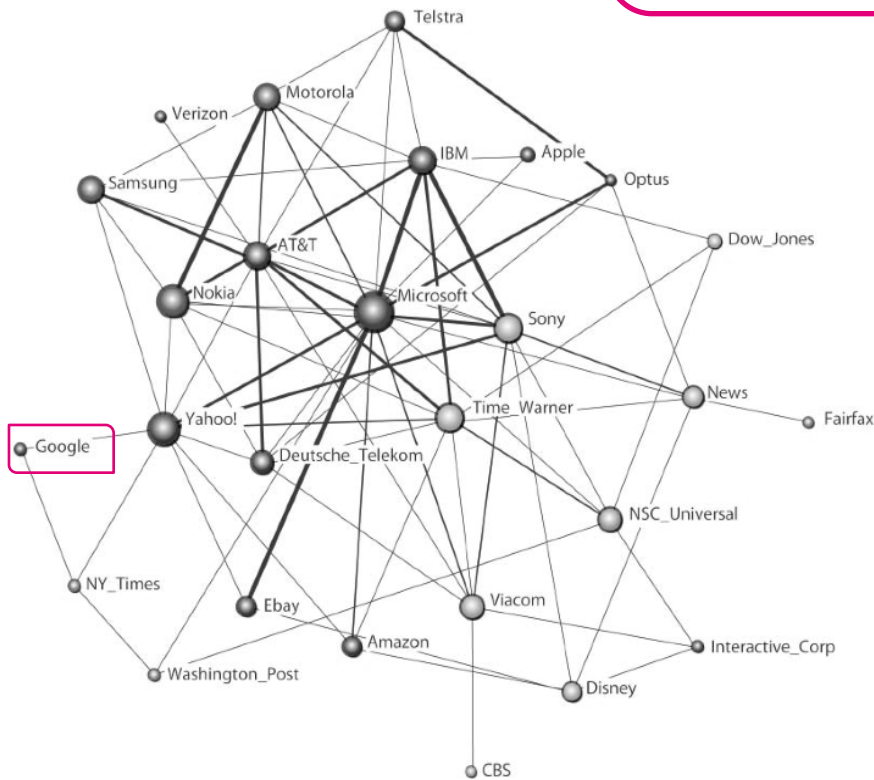
Source: **Technology Strategy Update**, Lieven Vermaele, EBU 2011

- Explosion of ever new players & UGC platforms!
 - Google barely 13 years old!
 - Never seen innovation speed
 - (Perception of) Free model particularly affecting music & news: crisis BM **BUT** No such a thing as a free lunch
 - Content explosion & overload
- > **Attention** as a scarce commodity
- > **Fragmentation** of consumption

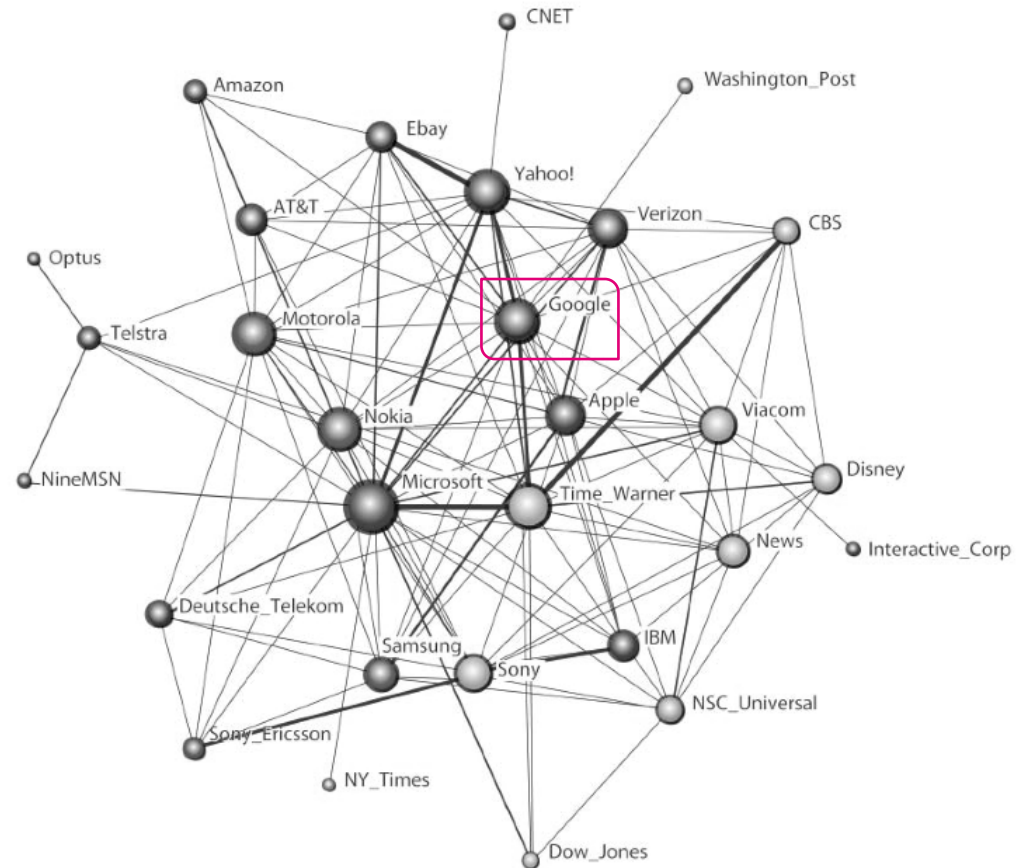
- Struggle for control of value chain boils down to direct access to & control over the consumer and his personal data
- Permanent pressure on bargaining power of varying stakeholders
- Creative destruction of the 'unadapted'
- Surprising and unforeseen partnerships
Some deals are not concluded (NBC – Google TV), some are concluded (BBC – You Tube; Disney –YouTube; broadcasters with Netflix and Hulu; HBO directly to consumers)
- Newcomers enter rather stable market, still...

Content industry networks: cooperation, consolidation, concentration?

Media 2000/1



Media 2005/6



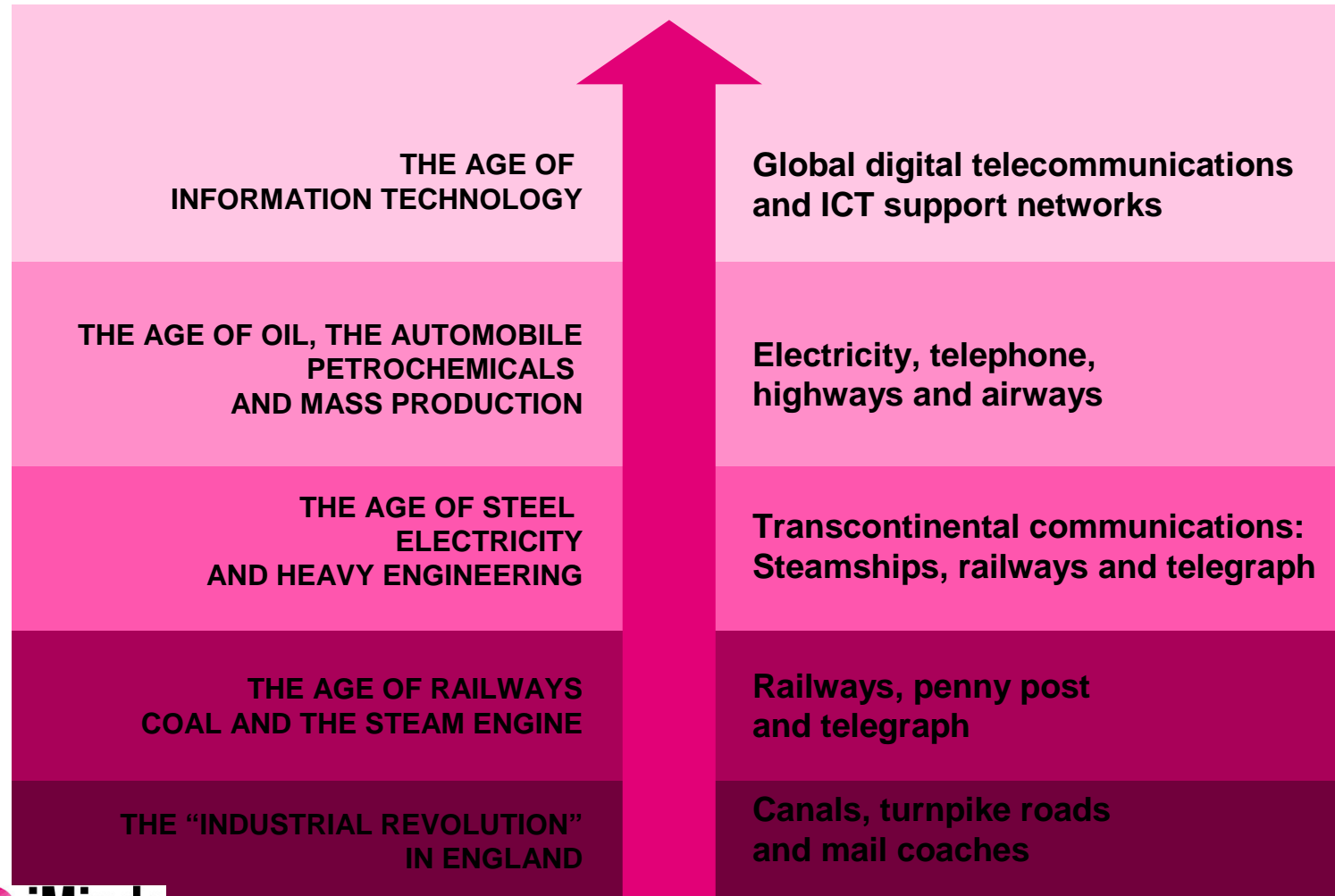
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**A new competitive environment
affecting the whole value chain**

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Top 50 - Internationale Medienkonzerne 2012*

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2.	The Walt Disney Company (Burbank / USA)	€ 29,377 Mrd.
3.	Google Inc. (Mountain View/ USA)	€ 27,231 Mrd.
4.	News Corp. Ltd. (New York/ USA)	€ 23,998 Mrd.
5.	Viacom Inc./CBS Corp. (New York / USA)	€ 20,948 Mrd.
6.	Time Warner Inc. (New York / USA)	€ 20,815 Mrd.
7.	Sony Entertainment (Tokyo / JP)	€ 16,750 Mrd.
8.	Bertelsmann SE & Co. KGaA (Gütersloh/GER)	€ 15,253 Mrd.
9.	Vivendi S.A. (Paris/ Frankreich)	€ 12,486 Mrd.
10.	Cox Enterprises Inc. (Atlanta / USA)	€ 10,560 Mrd.
11.	Dish Network Corporation (Englewood, CO / USA)	€ 10,092 Mrd.
12.	Thomson Reuters Corporation (New York/ USA)	€ 9,919 Mrd.
13.	Liberty Media Corp./Liberty Interactive (Englewood, CO / USA)	€ 9,080 Mrd.
14.	Rogers Comm. (Toronto / CA)	€ 9,031 Mrd.
15.	Lagardère Media (Paris/ Frankreich)	€ 7,657 Mrd.
16.	Reed Elsevier PLC (London/ GB)	€ 6,902 Mrd.
17.	Pearson plc (London / UK)	€ 6,754 Mrd.
18.	Nippon Hoso Kyokai (Tokyo / Japan)	€ 6,405 Mrd.
19.	ARD (Berlin, München/GER)	€ 6,221 Mrd.
20.	BBC (London / UK)	€ 5,893 Mrd.
21.	Fuji Media Holdings, Inc. (Tokyo / JP)	€ 5,490 Mrd.
22.	Bloomberg L.P. (New York / USA)	€ 5,460 Mrd.
23.	Charter Comm. Inc. (St. Louis/ USA)	€ 5,175 Mrd.
24.	Cablevision Systems Corp. (Bethpage, NY/ USA)	€ 4,814 Mrd.
25.	Globo Comunicação e Participações S.A. (Rio de Janeiro/ BRA)	€ 4,728 Mrd.

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	Studio 100: + 150 miljoen \$