

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



Caroline Pauwels  
BEREC, Ljubljana  
March 6<sup>th</sup> 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)

# 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

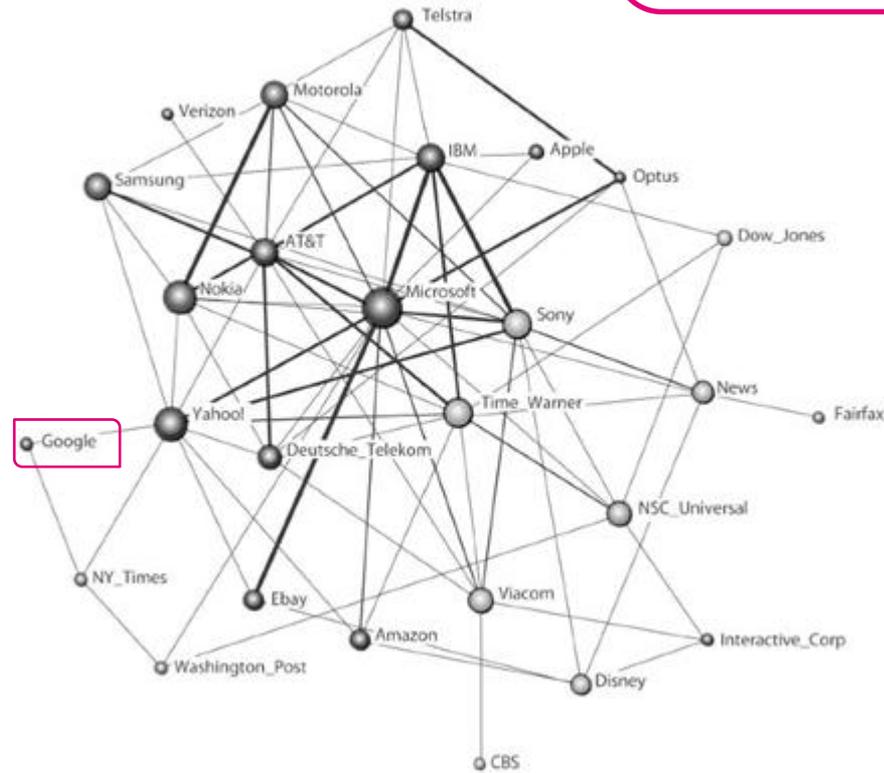
## ICT innovation = key driver for high-speed change in an ICT reluctant media sector

- 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

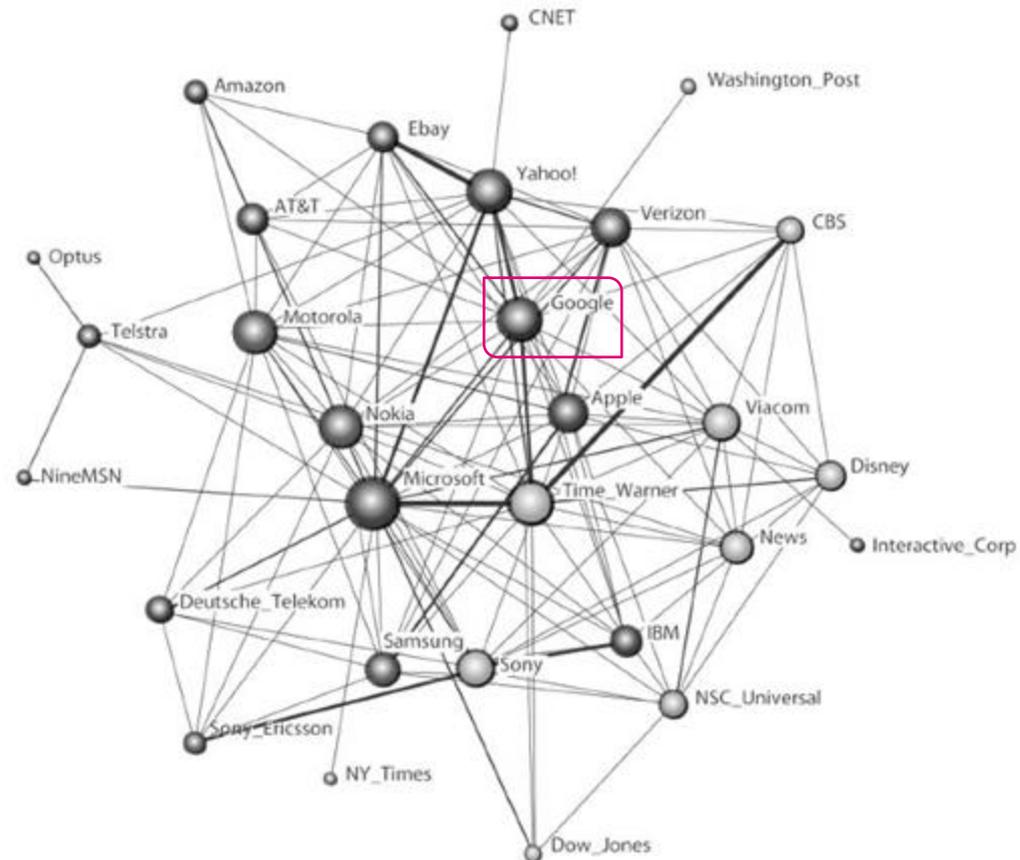


# Explosion of ever new players having disruptive effects?

Media 2000/1



Media 2005/6



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

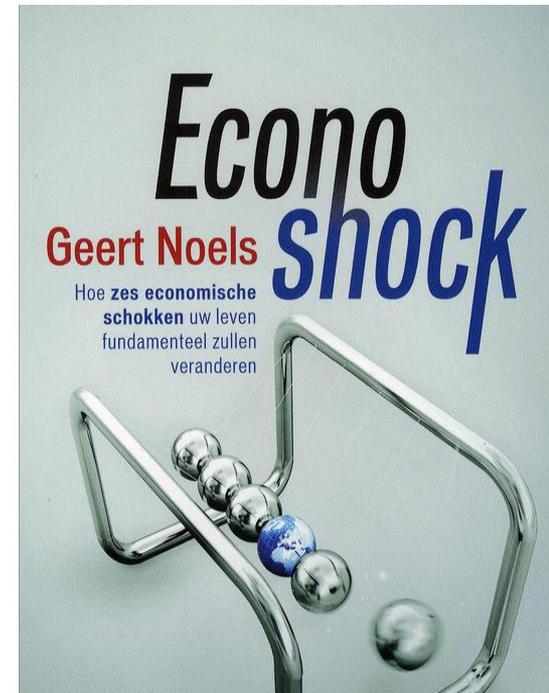
# ICT innovation as econoshock for media sector

**GIGI** model (Geert Noels)

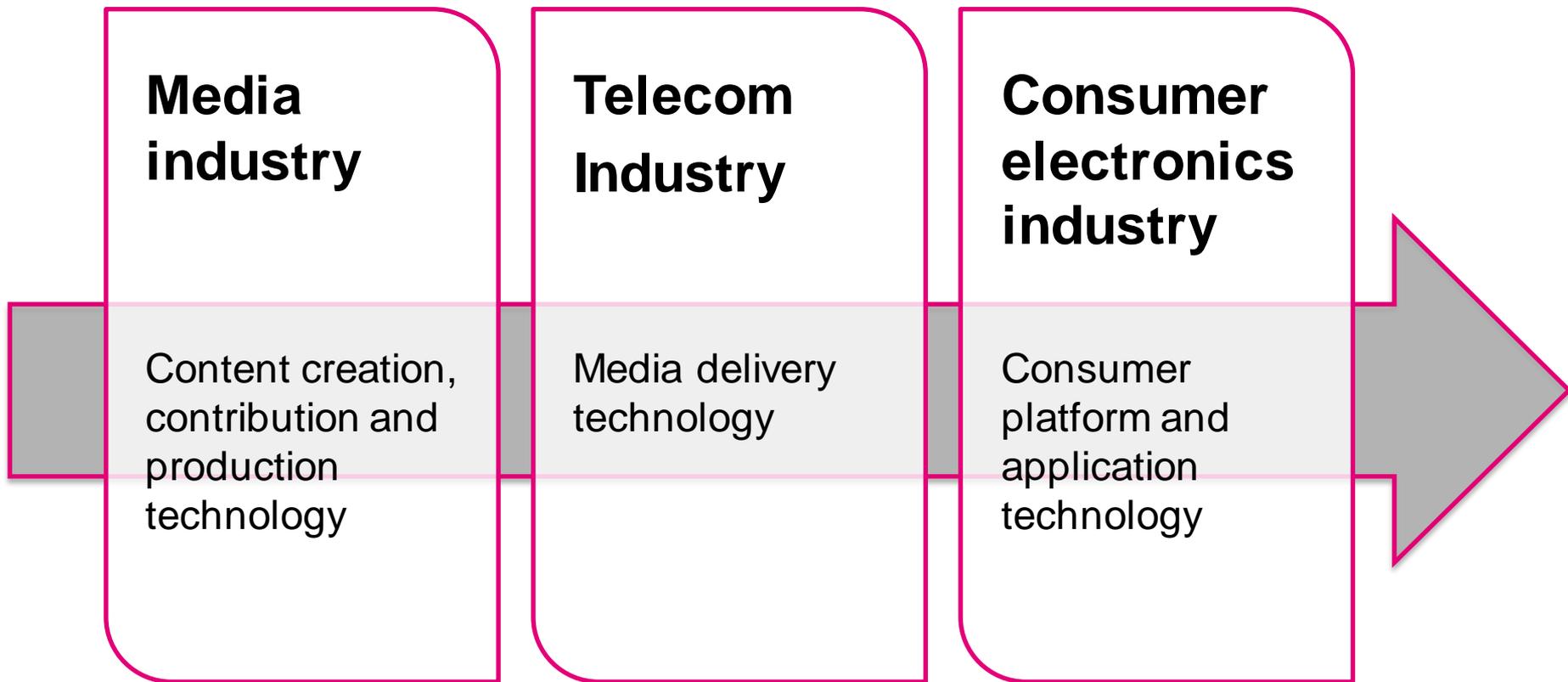
1. **G**lobal: world wide web
2. **I**nteractive & participatory: UGC as metaphor
3. **G**ratias: (Perception of) granted for free: Google as metaphor
4. **I**ndividualisation & Personalisation triggered by social media

> disruptive evolutions for traditional media sector

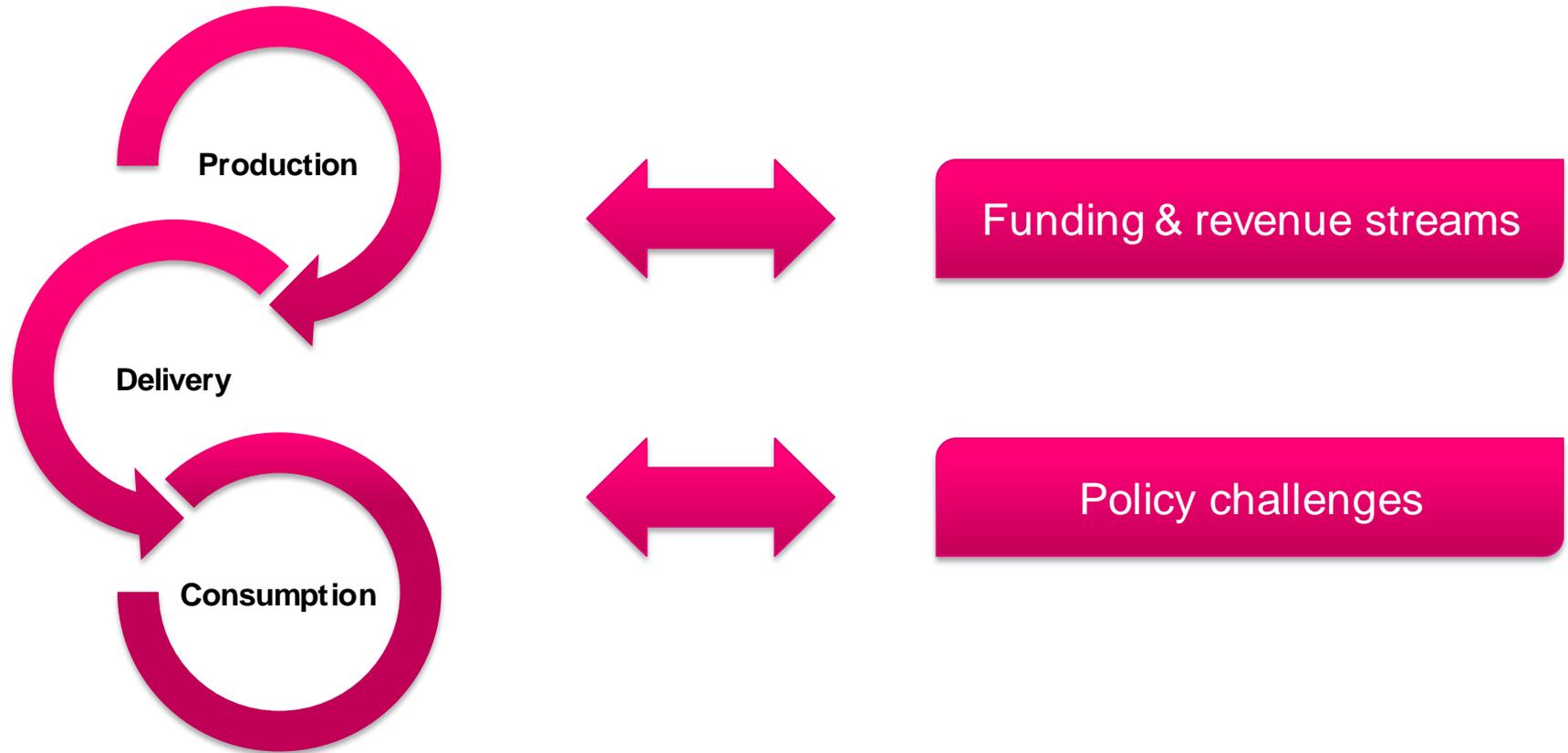
**GIGI** model driving sector **GAGA**



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

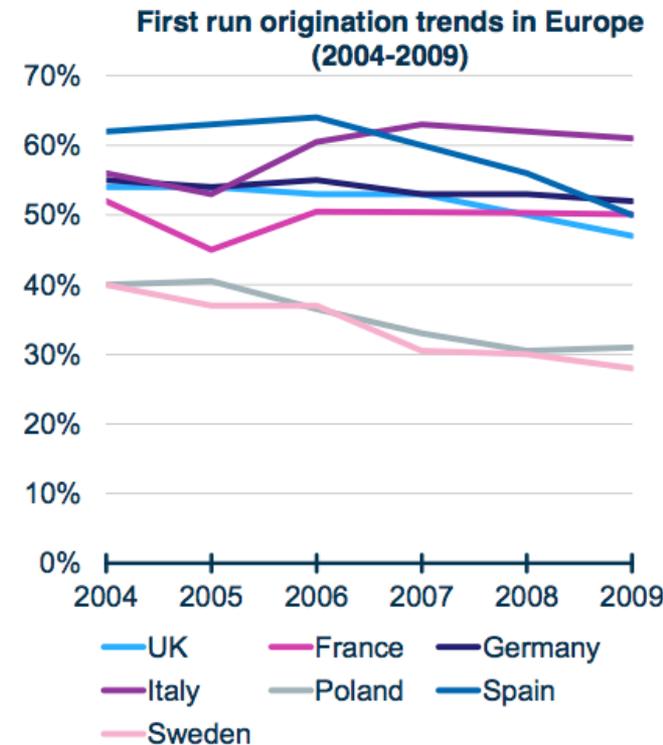


# ICT Impact on the whole content value chain



# 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

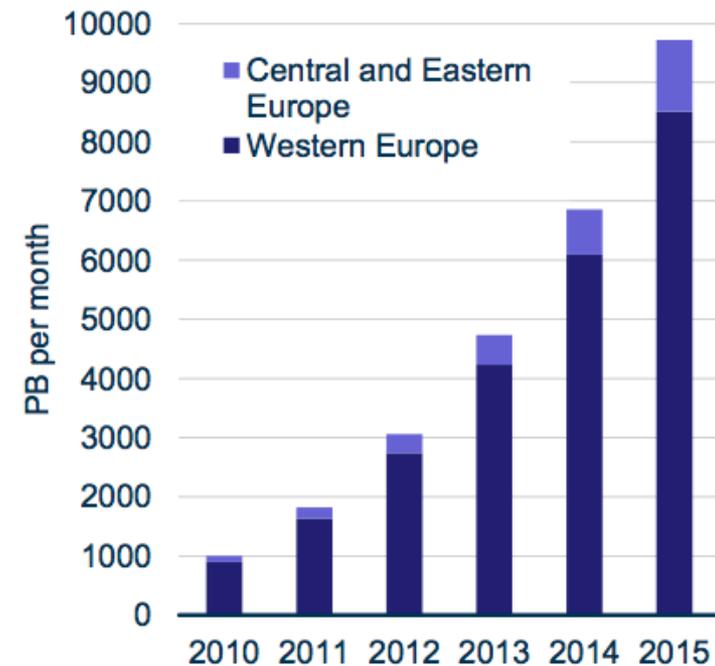
Bled Conference 2011 - University 2.0

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

Global

## 5 ways mobile devices have changed the way people consume media

1 | Mobile share of time ahead of TV, catching up with online

The average mobile web user consumes 7.2 hours of media daily. Mobile devices represent 27% of this time.



2 | Mobile devices are used throughout the day

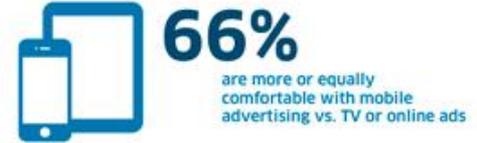


3 | Mobile content consumed varies by gender



4 | Comfort with mobile advertising is already greater than TV or online advertising

Which forms of media most impact your purchasing decisions?

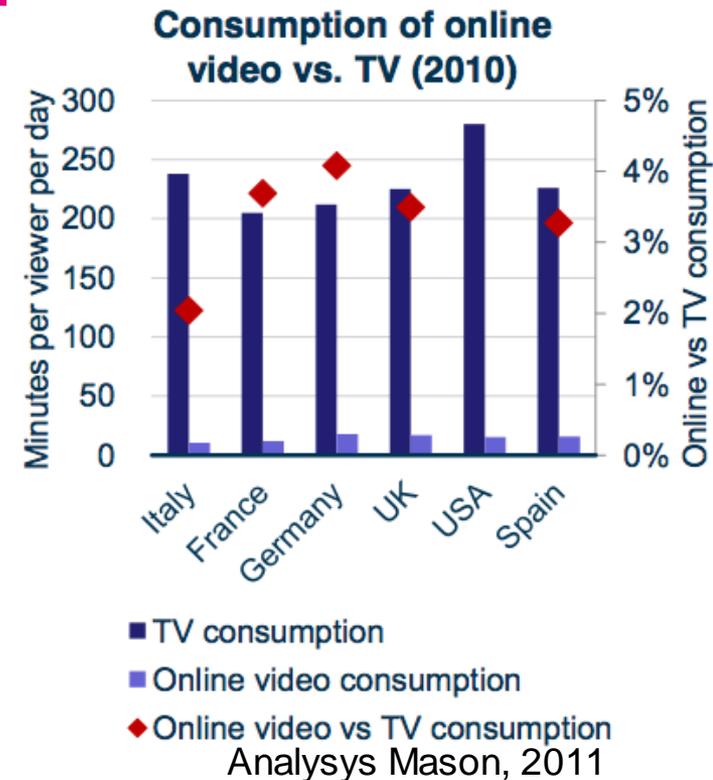


5 | Mobile impacts consumer behaviors throughout the purchase path



# 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?



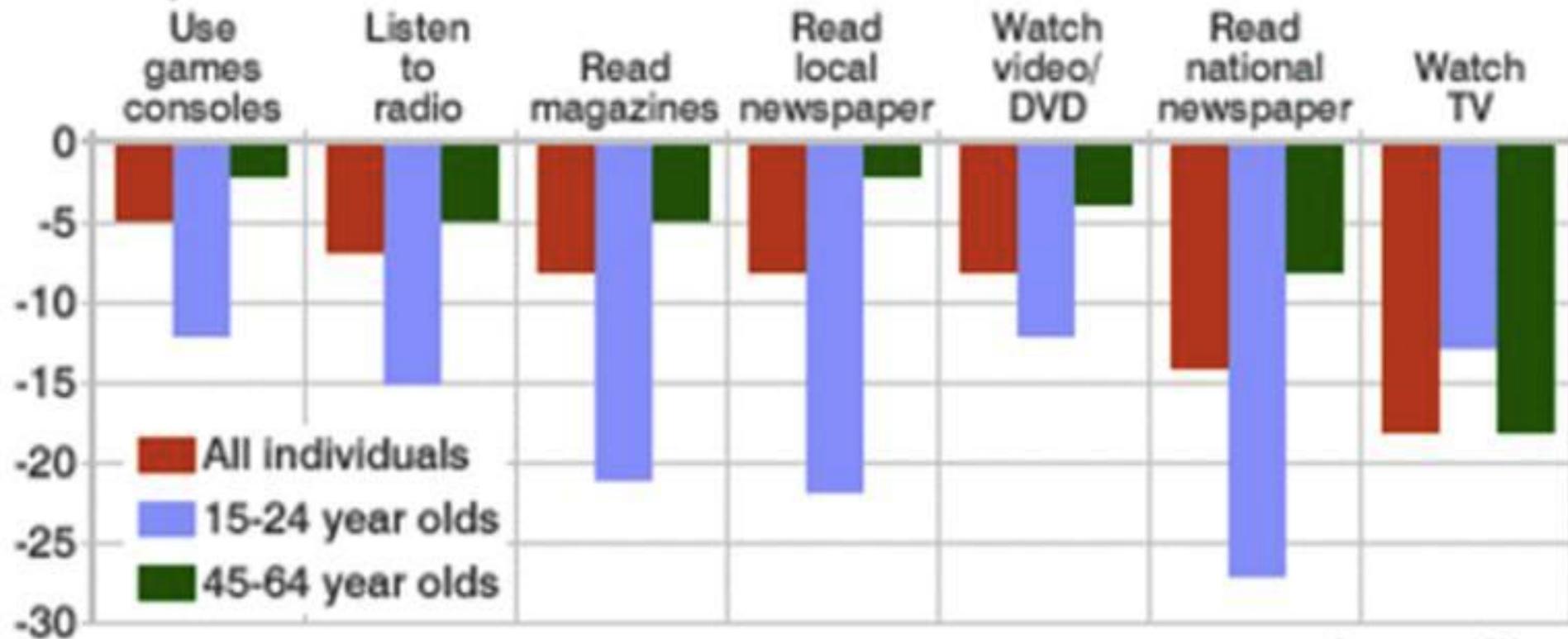
1	YouTube	162M
2	VEVO	62M
3	facebook	52M
4	VIACOM	50M
5	msn Video	46M

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

# Traditional media suffer from increased internet use

## REDUCED CONSUMPTION DRIVEN BY NET USE

% of respondents



Source: Ofcom

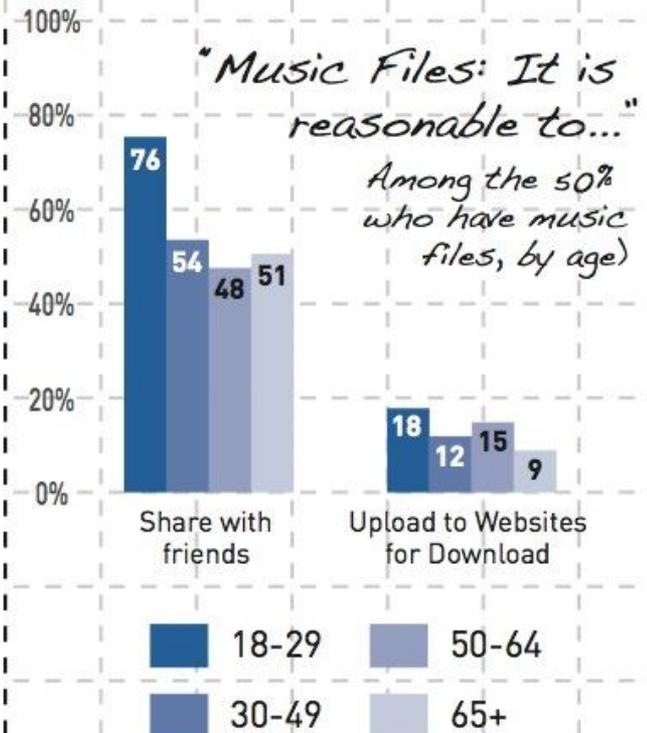
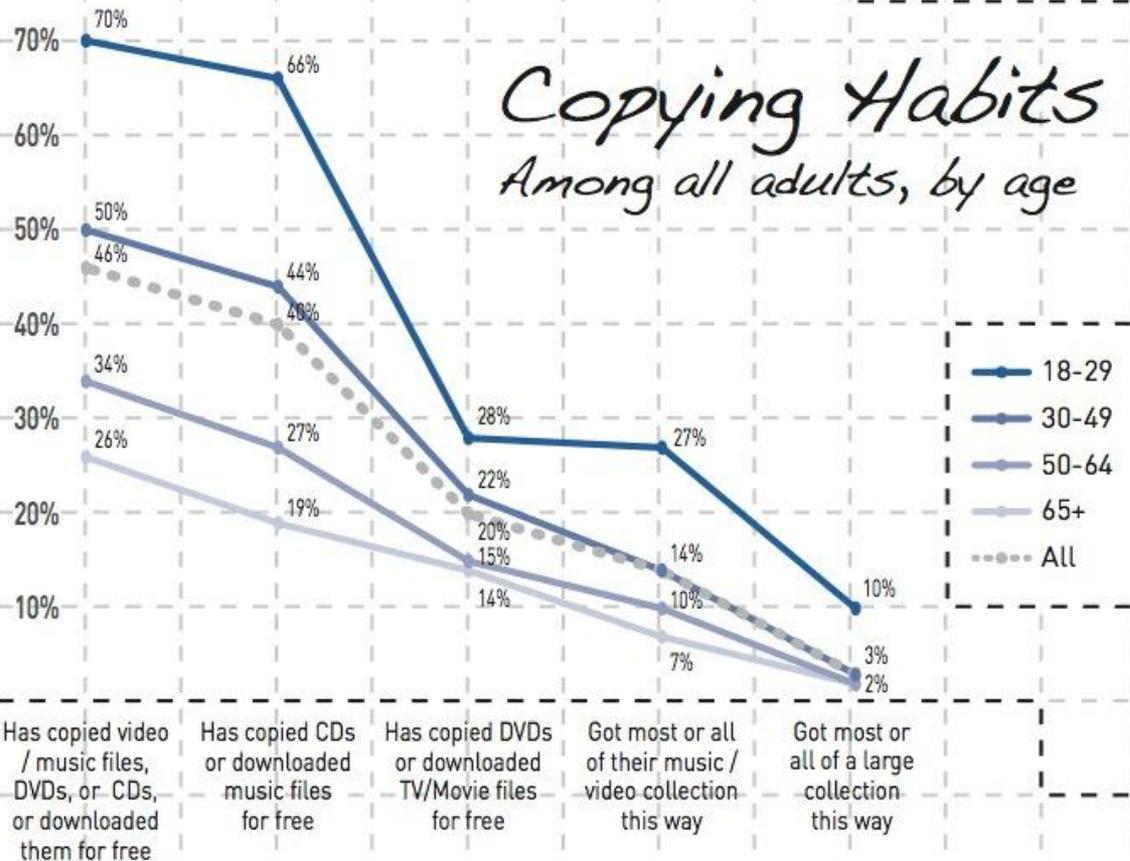
# COPY CULTURE

in the U.S.

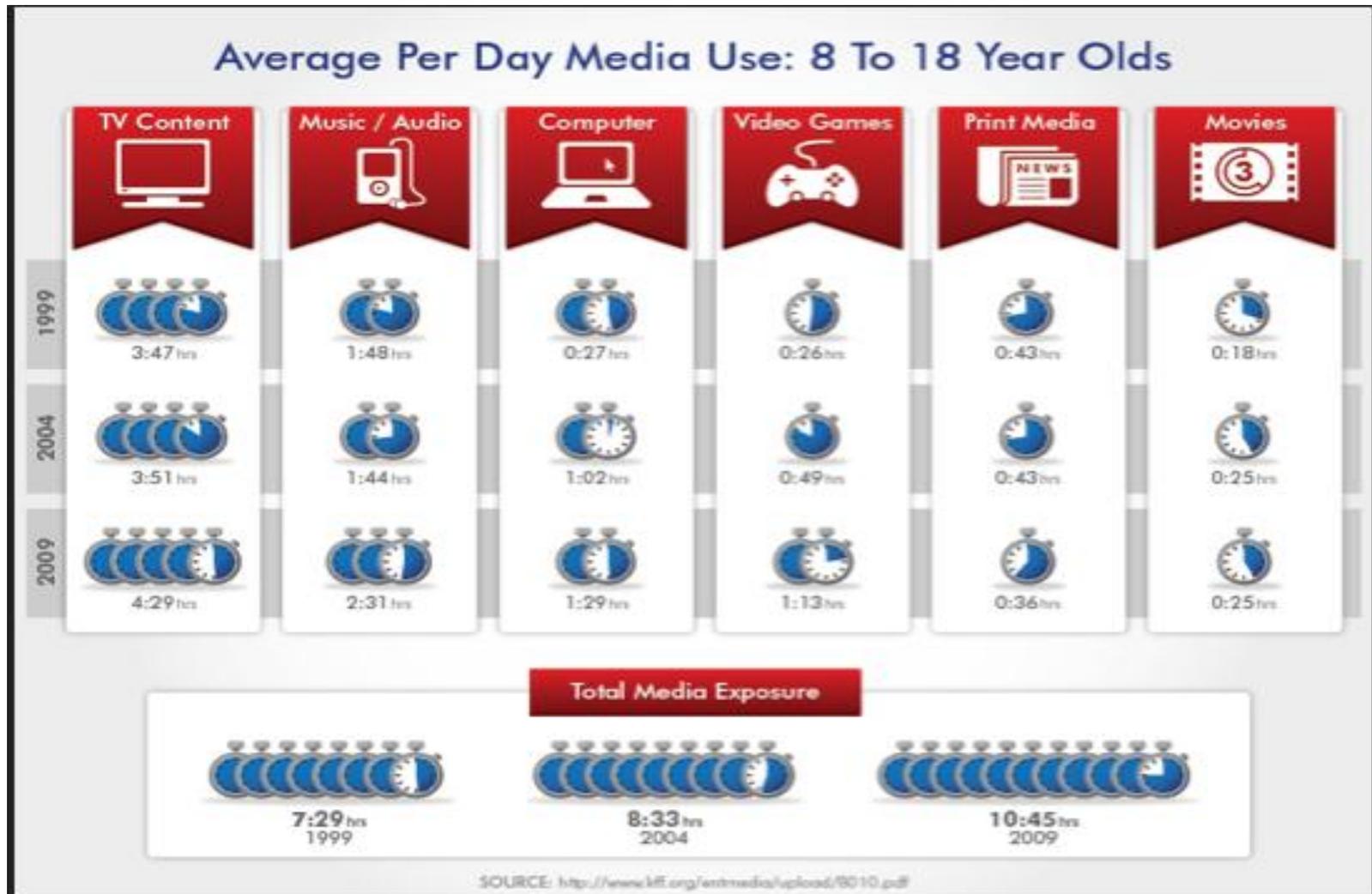
- » The vast majority of music is acquired legally. For those under 30, over half is.
- » The biggest pirates (P2P file sharers) are also the best customers—by around 30% for music file purchases.
- » About half of unauthorized copying happens *offline*, among friends.
- » Nearly half of those who download 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

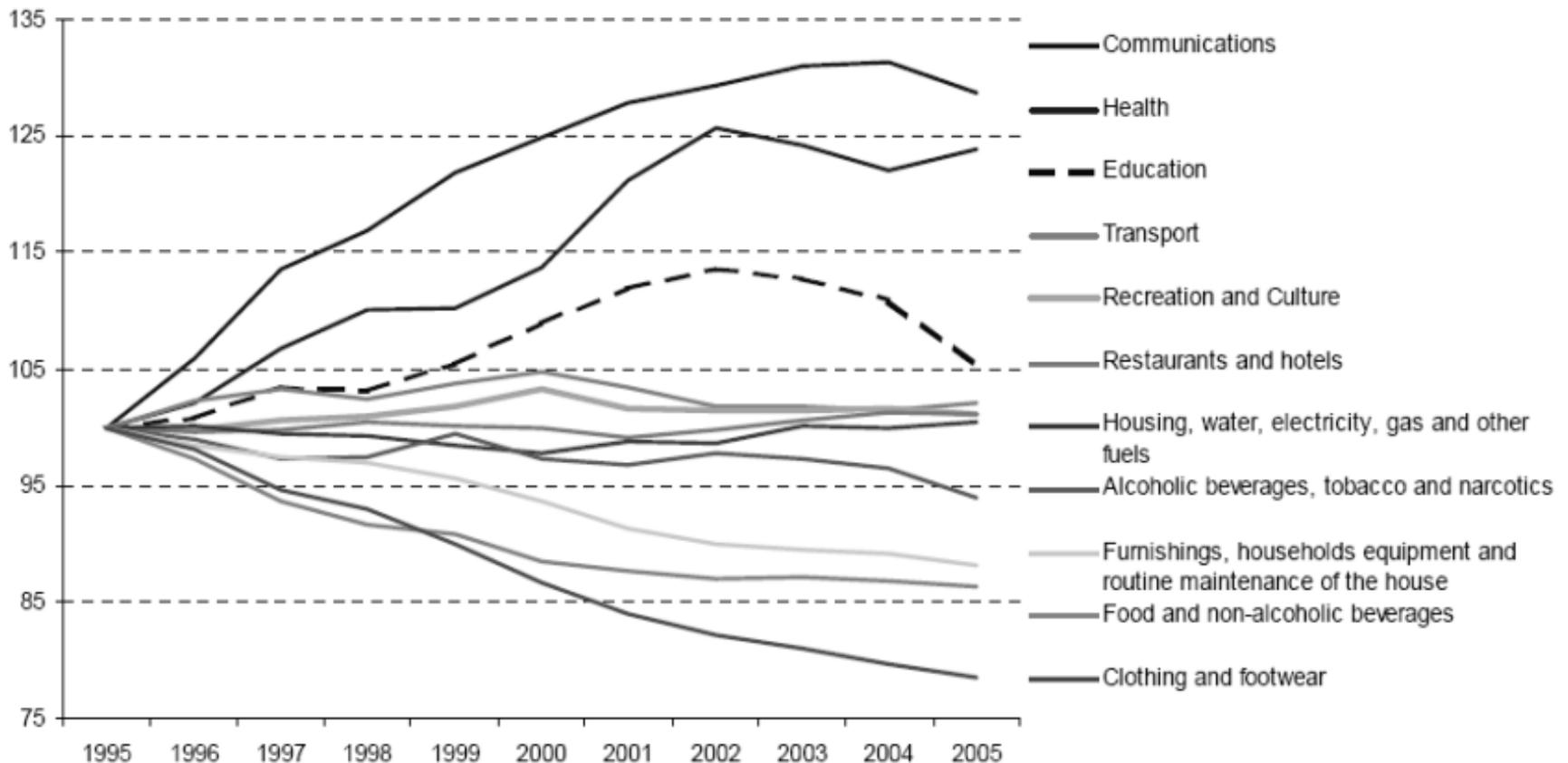


# Increased Media consumption/US



# Increased household spending on communications

Figure 1. Changes in the proportion of households' expenditure by category in the OECD,<sup>1</sup> 1995-2005<sup>2</sup>  
Base 100 in 1995

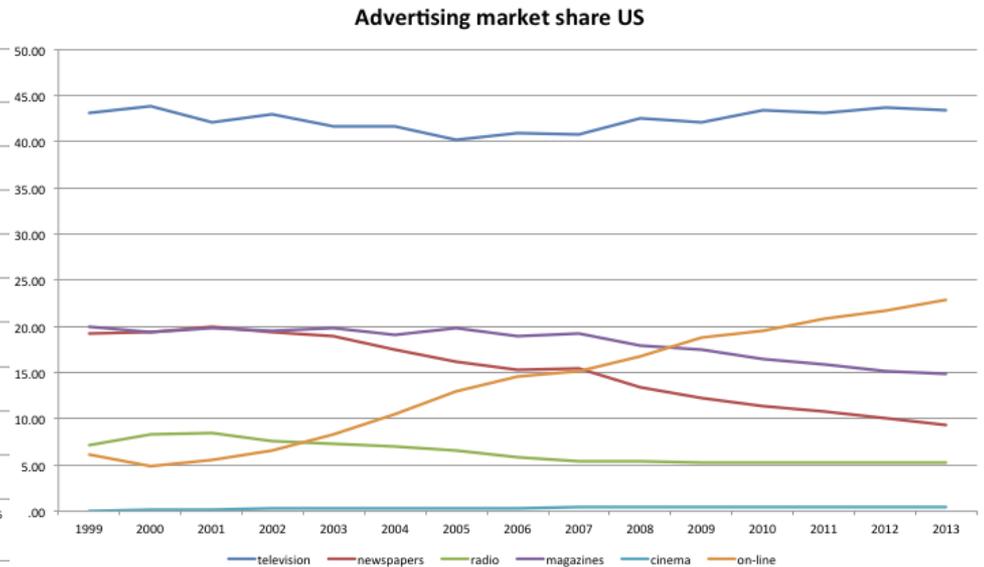
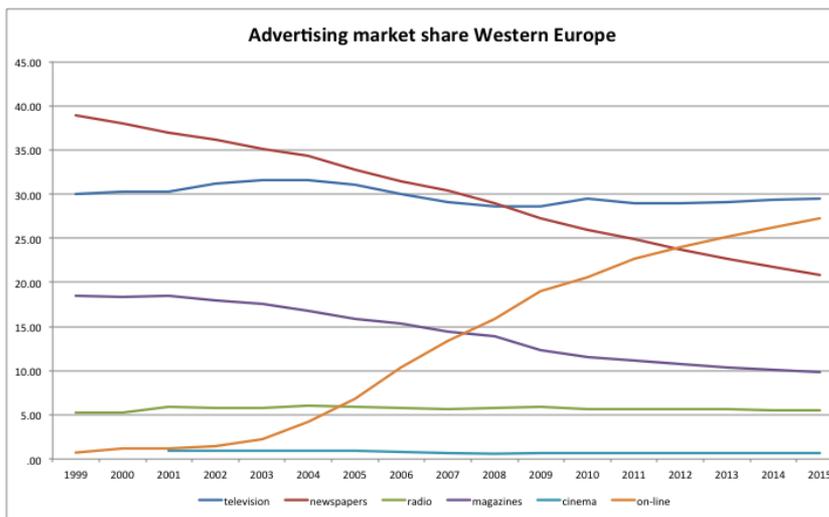


## 4. ICT impact on Underlying revenues & funding: Who will pay? Who will get paid?



- 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



- 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

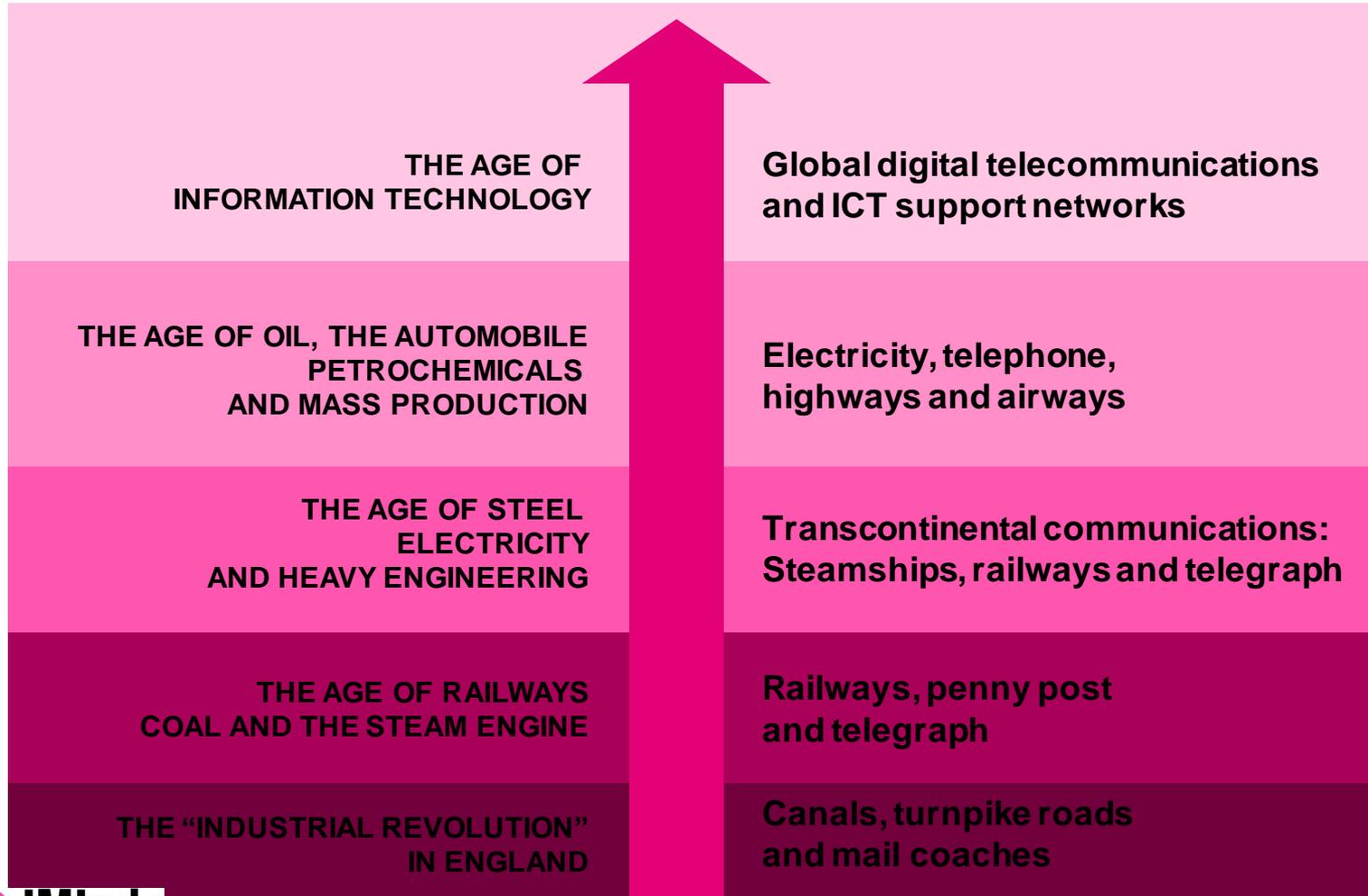
- Rarely media substitution throughout history, only change in platform of delivery: movie still exists but changed delivery wise (screen, Video, DVD, blu-ray...)
- Media luddism: media traditionally quite conservative, do not embrace technological evolutions
- Technologies rarely evolve as engineers 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'

A small, vintage-style television set is placed on a light-colored tiled floor. The screen of the television is turned on and displays the words "Thank you" in a bold, black, sans-serif font. The television is positioned at an angle, and its shadow is cast onto the tiles to the left. A thin white cord is visible at the bottom of the television.

**Thank you**

# Innovation curves (Carlota Perez)

The infrastructural networks are the platform for change & competitiveness



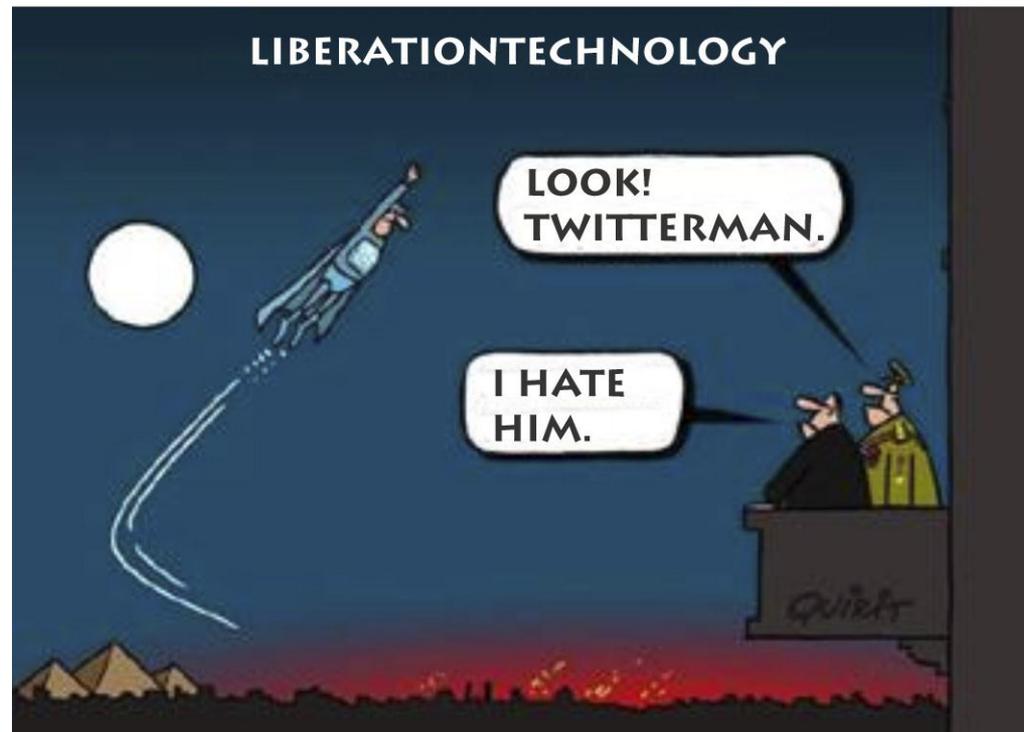
# Lessons from Perez' innovation curves

- 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
- New firms/actors/dominant players/stakeholders emerge & become engines of world growth
  - 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.	<b>Apple Inc. (Cupertino / USA)</b>	€ 77,765 Mrd.
2.	<b>Microsoft Corporation (Redmond/ USA)</b>	€ 50,246 Mrd.
3.	<b>Amazon.com Inc. (Seattle/ USA)</b>	€ 34,538 Mrd.
4.	<b>Google Inc. (Mountain View/ USA)</b>	€ 27,231 Mrd.
5.	<b>eBay Inc. (San Jose /USA)</b>	€ 8,371 Mrd.
6.	<b>Yahoo! Inc. (Sunnyvale/ USA)</b>	€ 3,580 Mrd.
7.	<b>Facebook, Inc. (Palo Alto/ USA)</b>	€ 2,666 Mrd.
8.	<b>IAC/InterActiveCorp. (New York/ USA)</b>	€ 1,479 Mrd.
9.	<b>Twitter (San Francisco/ USA)</b>	€ 0,101 Mrd.
10.	<b>Wikimedia Foundation, Inc. (St. Petersburg/USA)</b>	€ 0,022 Mrd.

But... Exxon: 380 Billion of dollars in 2010

# Media overall still dwarfs? Fortune Global top-500

1. Royal Dutch Shell (458 miljard \$)
3. Wal-Mart (405 miljard \$)
8. ING (226 miljard \$)
10. Toyota (204 miljard \$)
12. General Electric (183 miljard \$)
16. Dexia (161 miljard \$)
29. AT&T (124 miljard \$)
30. Siemens (123 miljard \$)
45. IBM (103 miljard \$)
48. Nestlé (101 miljard \$)
61. Deutsche Telekom (90 miljard \$)
85. Nokia (74 miljard \$)
94. Vodafone (69 miljard \$)

117. Microsoft (60 miljard \$)
154. Bayer (48 miljard \$)
- 159. Time Warner (46 miljard \$)**
166. Telecom Italia (45 miljard \$)
- 201. Walt Disney (37 miljard \$)**
259. Coca-Cola (31 miljard \$)
321. Delhaize (27 miljard \$)
387. Inbev (23 miljard \$)
423. Google (21 miljard \$)

Mediaset: +6 miljard \$

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

 **iMinds**  
CONNECT.INNOVATE.CREATE

 **SMIT** STUDIES  
MEDIA  
INFORMATION  
TELECOMMUNICATION

 Vrije  
Universiteit  
Brussel

# 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)

# 3

Media  
beyond  
frontiers:

managing abundance

 iMinds  
CONNECT. INNOVATE. CREATE

 SMIT  
STUDIES  
MEDIA  
INFORMATION  
TELECOMMUNICATION

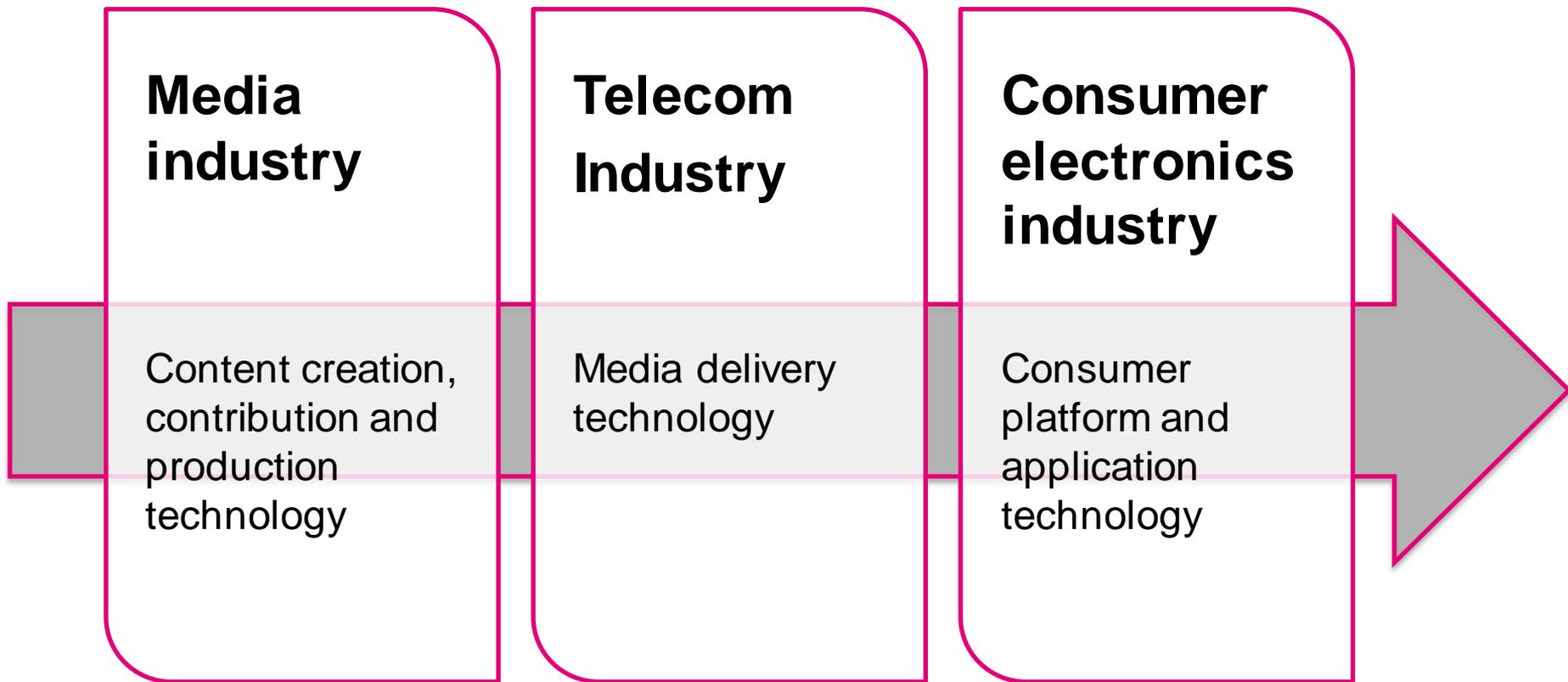
 Vrije  
Universiteit  
Brussel



## ...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

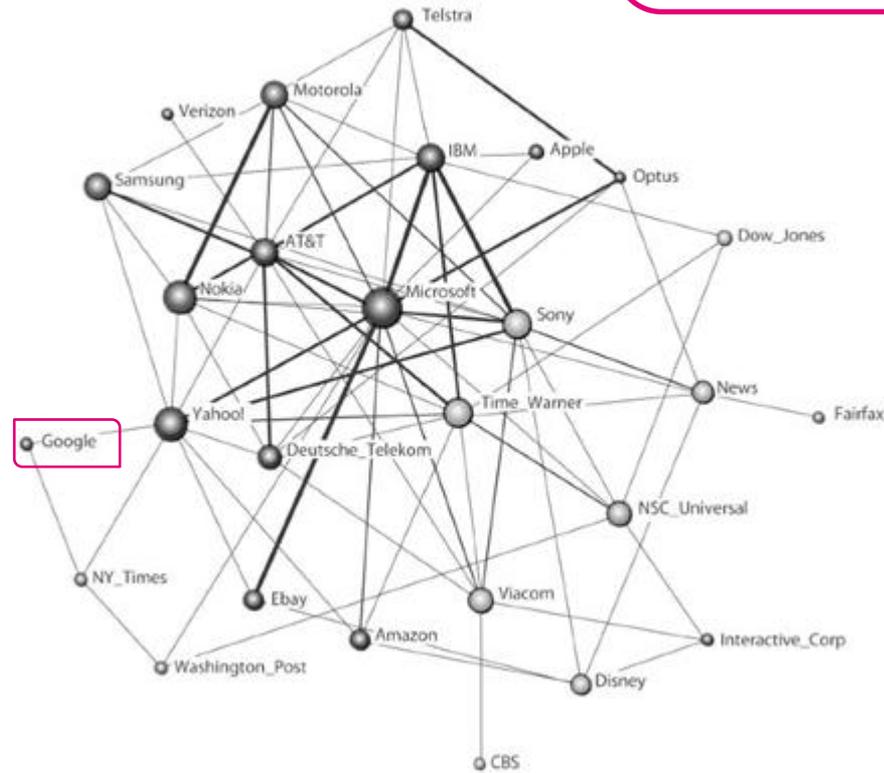


- Explosion of ever new players & UGC platforms!
    - Google barely 13 years old!
  - Never seen innovation speed
  - (Perception of) Free model particularly affecting music & news: crisis BM **BUT** No such a thing as a free lunch
  - Content explosion & overload
- > **Attention** as a scarce commodity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

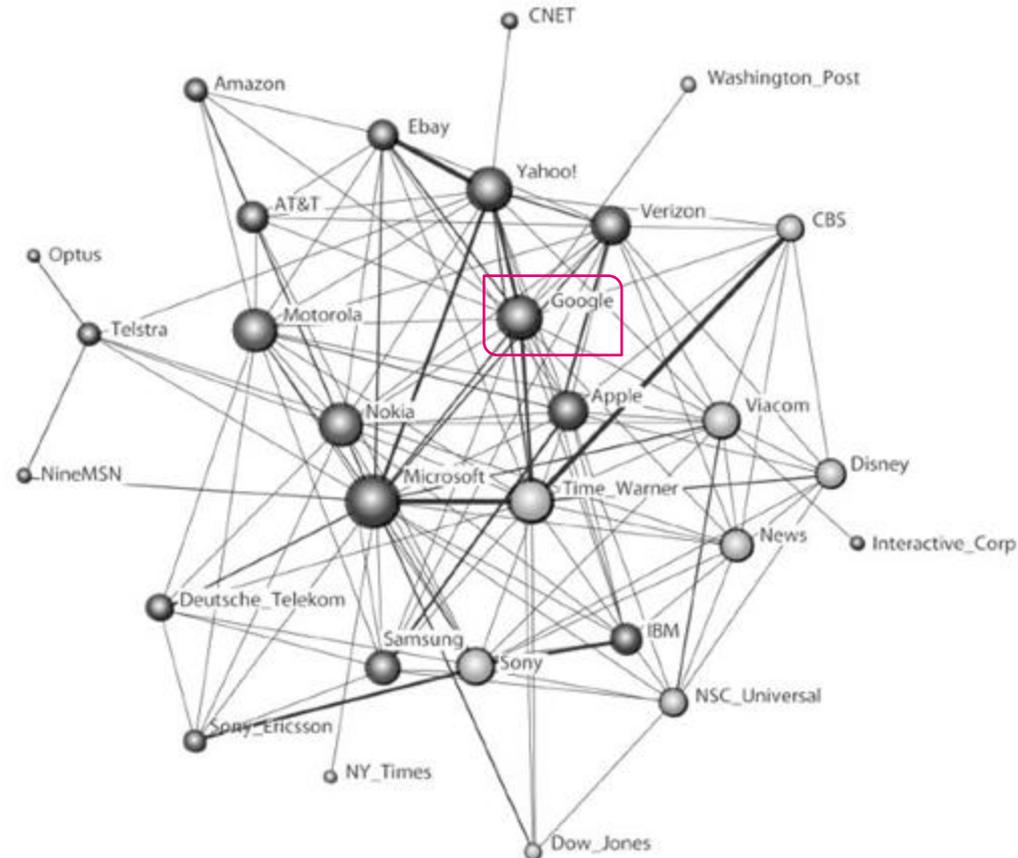
- Struggle for control of value chain boils down to direct access to & control over the consumer and his personal data
- Permanent pressure on bargaining power of varying stakeholders
- Creative destruction of the ‘unadapted’
- Surprising and unforeseen partnerships  
Some deals are not concluded (NBC – 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



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

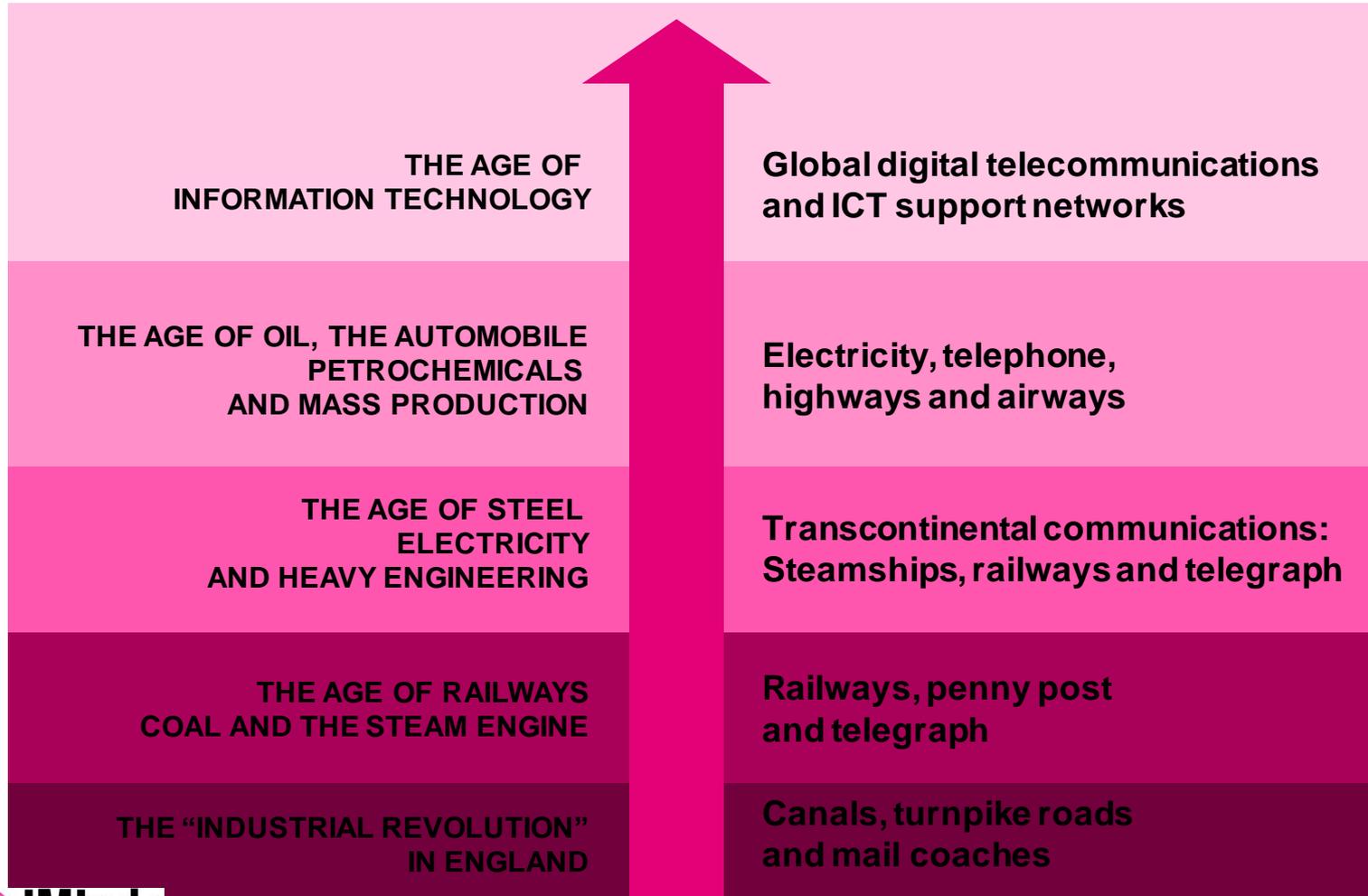


**A new competitive environment  
affecting the whole value chain**



# Innovation curves (Carlota Perez)

The infrastructural networks are the platform for change & competitiveness



# Lessons from 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
- New firms/actors/dominant players/stakeholders emerge & become engines of world growth
  - 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

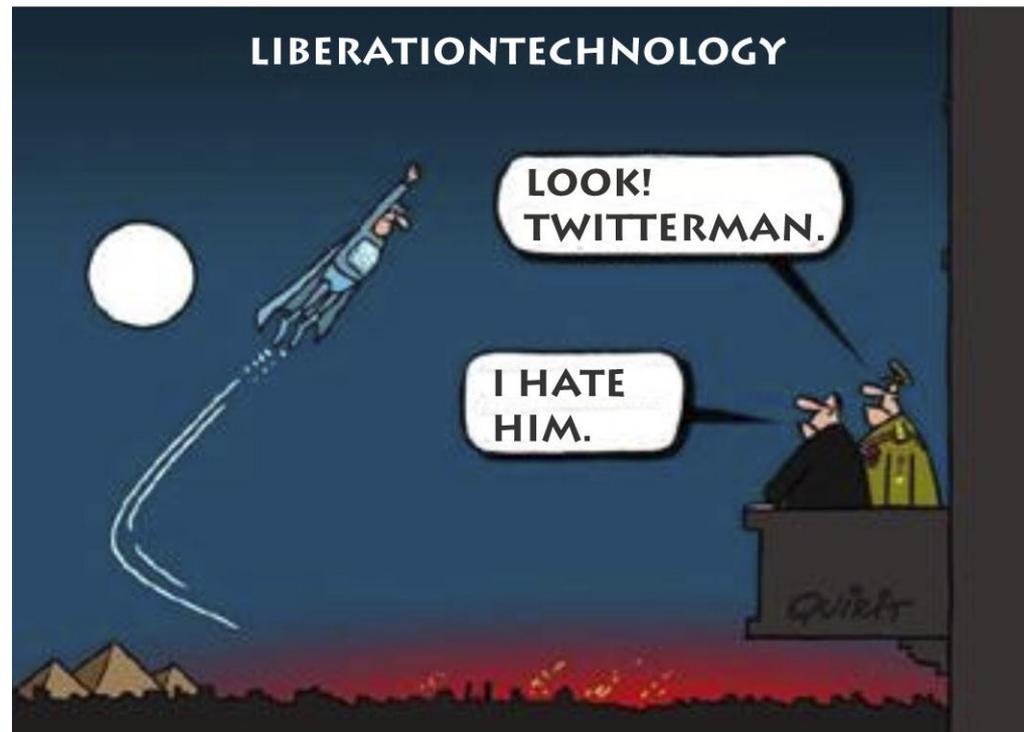
# Lessons from media history

- Rarely media substitution throughout history, only change in platform of delivery: movie still exists but changed delivery wise (screen, Video, DVD, blu-ray...)
- 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'
- 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

# 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



## Top 50 - Internationale Medienkonzerne 2012\*

1.	<b>Comcast/NBCUniversal, LLC (Philadelphia / USA)</b>	€ 40,116 Mrd.
2.	<b>The Walt Disney Company (Burbank / USA)</b>	€ 29,377 Mrd.
3.	<b>Google Inc. (Mountain View/ USA)</b>	€ 27,231 Mrd.
4.	<b>News Corp. Ltd. (New York/ USA)</b>	€ 23,998 Mrd.
5.	<b>Viacom Inc./CBS Corp. (New York / USA)</b>	€ 20,948 Mrd.
6.	<b>Time Warner Inc. (New York / USA)</b>	€ 20,815 Mrd.
7.	<b>Sony Entertainment (Tokyo / JP )</b>	€ 16,750 Mrd.
8.	<b>Bertelsmann SE &amp; Co. KGaA (Gütersloh/GER)</b>	€ 15,253 Mrd.
9.	<b>Vivendi S.A. (Paris/ Frankreich)</b>	€ 12,486 Mrd.
10.	<b>Cox Enterprises Inc. (Atlanta / USA)</b>	€ 10,560 Mrd.
11.	<b>Dish Network Corporation (Englewood, CO / USA)</b>	€ 10,092 Mrd.
12.	<b>Thomson Reuters Corporation (New York/ USA)</b>	€ 9,919 Mrd.
13.	<b>Liberty Media Corp./Liberty Interactive (Englewood, CO / USA)</b>	€ 9,080 Mrd.
14.	<b>Rogers Comm. (Toronto / CA)</b>	€ 9,031 Mrd.
15.	<b>Lagardère Media (Paris/ Frankreich)</b>	€ 7,657 Mrd.
16.	<b>Reed Elsevier PLC (London/ GB)</b>	€ 6,902 Mrd.
17.	<b>Pearson plc (London / UK)</b>	€ 6,754 Mrd.
18.	<b>Nippon Hoso Kyokai (Tokyo / Japan)</b>	€ 6,405 Mrd.
19.	<b>ARD (Berlin, München/GER)</b>	€ 6,221 Mrd.
20.	<b>BBC (London / UK)</b>	€ 5,893 Mrd.
21.	<b>Fuji Media Holdings, Inc. (Tokyo / JP)</b>	€ 5,490 Mrd.
22.	<b>Bloomberg L.P. (New York / USA)</b>	€ 5,460 Mrd.
23.	<b>Charter Comm. Inc. (St. Louis/ USA)</b>	€ 5,175 Mrd.
24.	<b>Cablevision Systems Corp. (Bethpage, NY/ USA)</b>	€ 4,814 Mrd.
25.	<b>Globo Comunicação e Participações S.A. (Rio de Janeiro/ BRA)</b>	€ 4,728 Mrd.

# Online dwarfs & giants

## Onlinekonzerne 2011

1.	<b>Apple Inc. (Cupertino / USA)</b>	€ 77,765 Mrd.
2.	<b>Microsoft Corporation (Redmond/ USA)</b>	€ 50,246 Mrd.
3.	<b>Amazon.com Inc. (Seattle/ USA)</b>	€ 34,538 Mrd.
4.	<b>Google Inc. (Mountain View/ USA)</b>	€ 27,231 Mrd.
5.	<b>eBay Inc. (San Jose /USA)</b>	€ 8,371 Mrd.
6.	<b>Yahoo! Inc. (Sunnyvale/ USA)</b>	€ 3,580 Mrd.
7.	<b>Facebook, Inc. (Palo Alto/ USA)</b>	€ 2,666 Mrd.
8.	<b>IAC/InterActiveCorp. (New York/ USA)</b>	€ 1,479 Mrd.
9.	<b>Twitter (San Francisco/ USA)</b>	€ 0,101 Mrd.
10.	<b>Wikimedia Foundation, Inc. (St. Petersburg/USA)</b>	€ 0,022 Mrd.

But... Exxon: 380 Billion of dollars in 2010

# Media overall still dwarfs? Fortune Global top-500

1. Royal Dutch Shell (458 miljard \$)
3. Wal-Mart (405 miljard \$)
8. ING (226 miljard \$)
10. Toyota (204 miljard \$)
12. General Electric (183 miljard \$)
16. Dexia (161 miljard \$)
29. AT&T (124 miljard \$)
30. Siemens (123 miljard \$)
45. IBM (103 miljard \$)
48. Nestlé (101 miljard \$)
61. Deutsche Telekom (90 miljard \$)
85. Nokia (74 miljard \$)
94. Vodafone (69 miljard \$)

117. Microsoft (60 miljard \$)
154. Bayer (48 miljard \$)
- 159. Time Warner (46 miljard \$)**
166. Telecom Italia (45 miljard \$)
- 201. Walt Disney (37 miljard \$)**
259. Coca-Cola (31 miljard \$)
321. Delhaize (27 miljard \$)
387. Inbev (23 miljard \$)
423. Google (21 miljard \$)

Mediaset: +6 miljard \$

Endemol: +2 miljard \$

Persgroep: + 750 miljoen \$

Studio 100: + 150 miljoen \$