

Digital Transition of Media Industries in the USA

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This presentation

- ❑ From an ongoing economic study of digital transition in 10 US media industries**
 - “Offline vs. Online: Are the Media Shrinking?” *The Information Society*, October, 2012

- ❑ Focus on professionally produced commercial media**

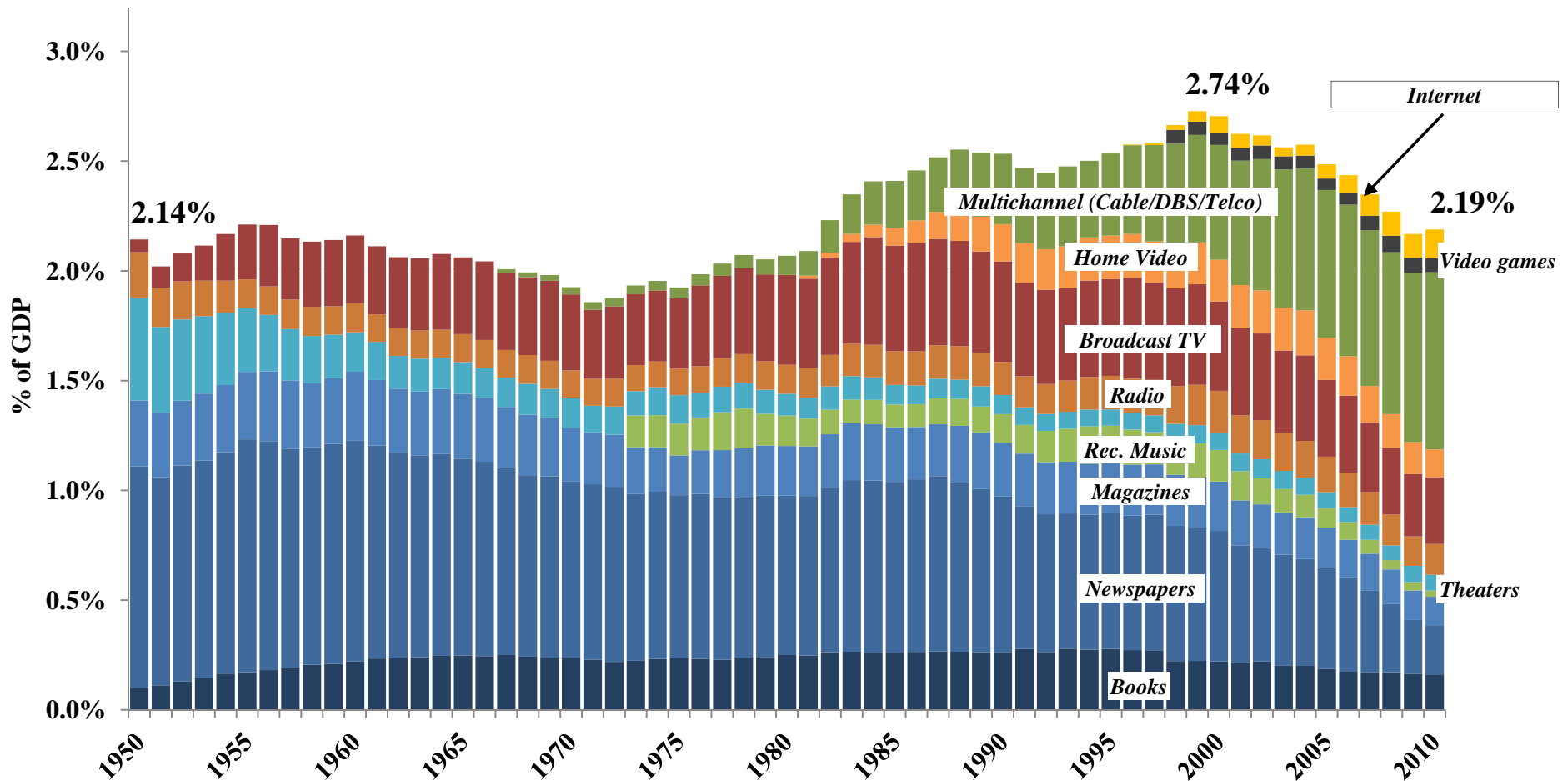


Brief summary

- ❑ **Combined revenues of 10 US media (as a % of GDP) shrinking since 1999**
- ❑ **A strong shift away from advertising → direct pay support**
- ❑ **Reasons vary by media: *Intellectual property protection, success of business models; more efficient distribution...***



Total U.S. media revenue as a % of GDP 1950-2010



* Includes all Internet advertising except search and e-mail + all Internet Direct Payment revenue (Digital Recorded Music + E-book + Digital Video)

Sources: U.S. Census; trade associations; industry analysts; 10-K reports; author estimates



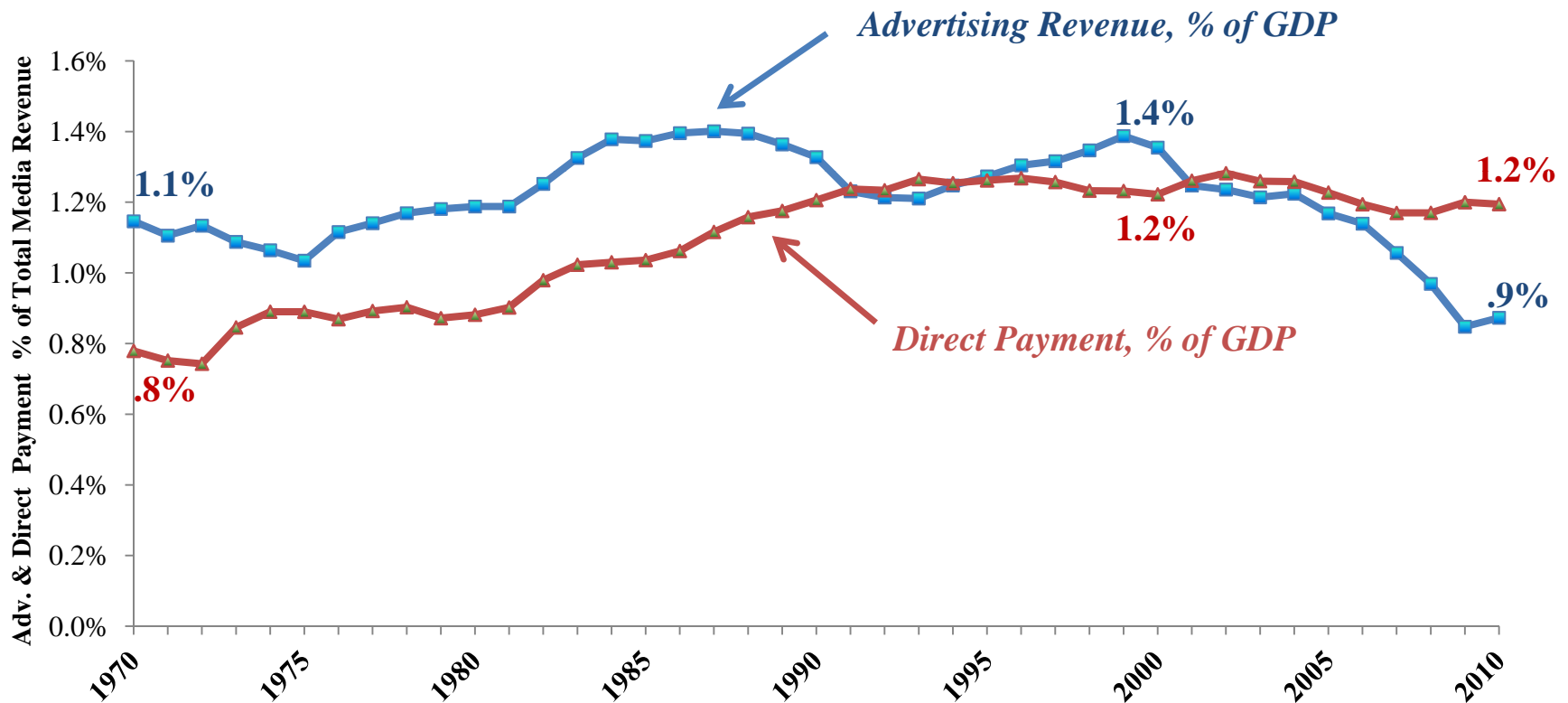
Statistical summary

- ❑ **Steady fall in media revenues as % of GDP since 1999**
 - Approximately a 20% relative decline



Advertising vs. pay support as % of GDP

Combined media,* 1970-2010



* Internet lower bound, not including video game software

Sources: U.S. Census; trade associations; industry analysts; 10-K reports; author estimates



Statistical summary

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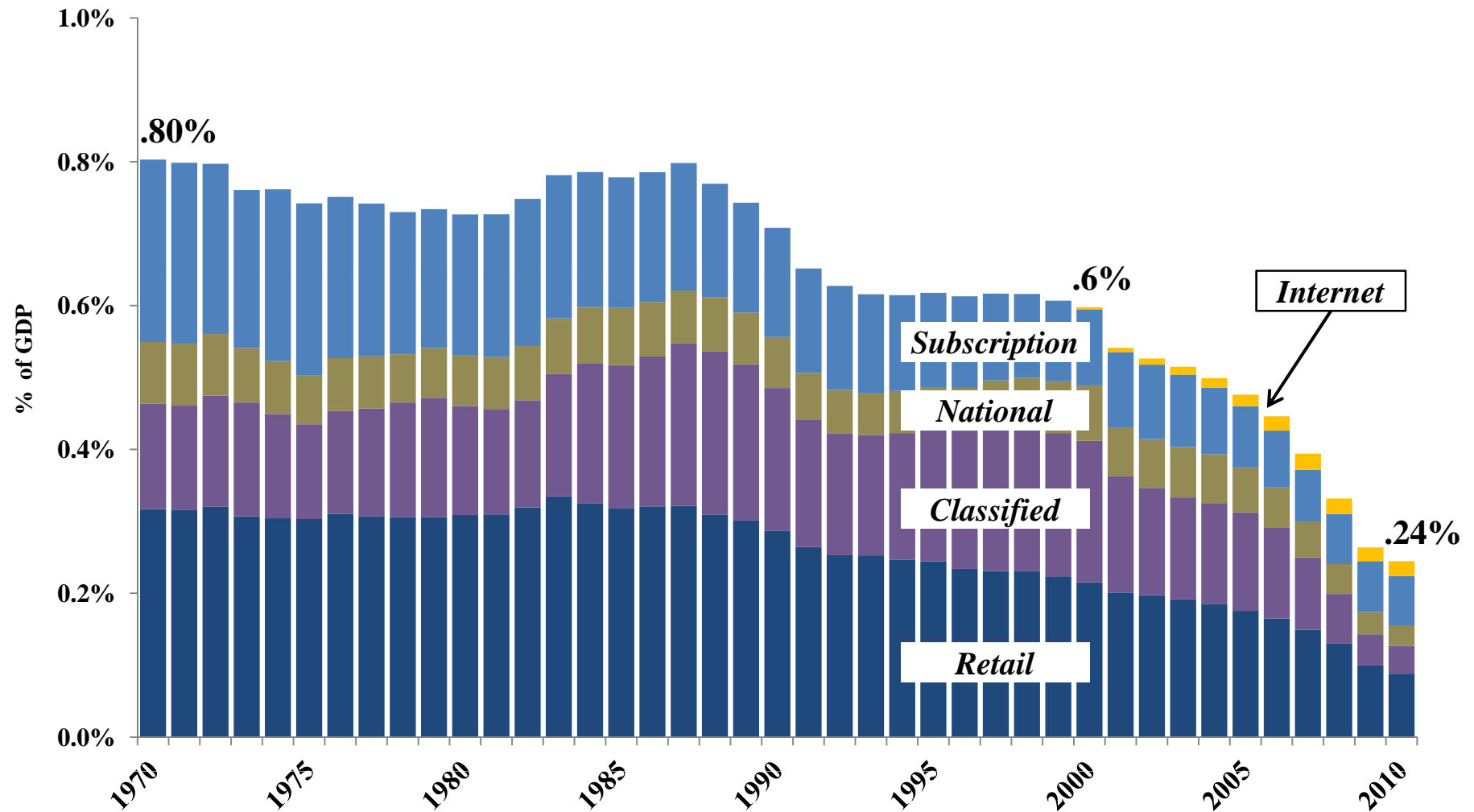
- ❑ **A major shift to direct pay support, especially since 1999**



Some individual media



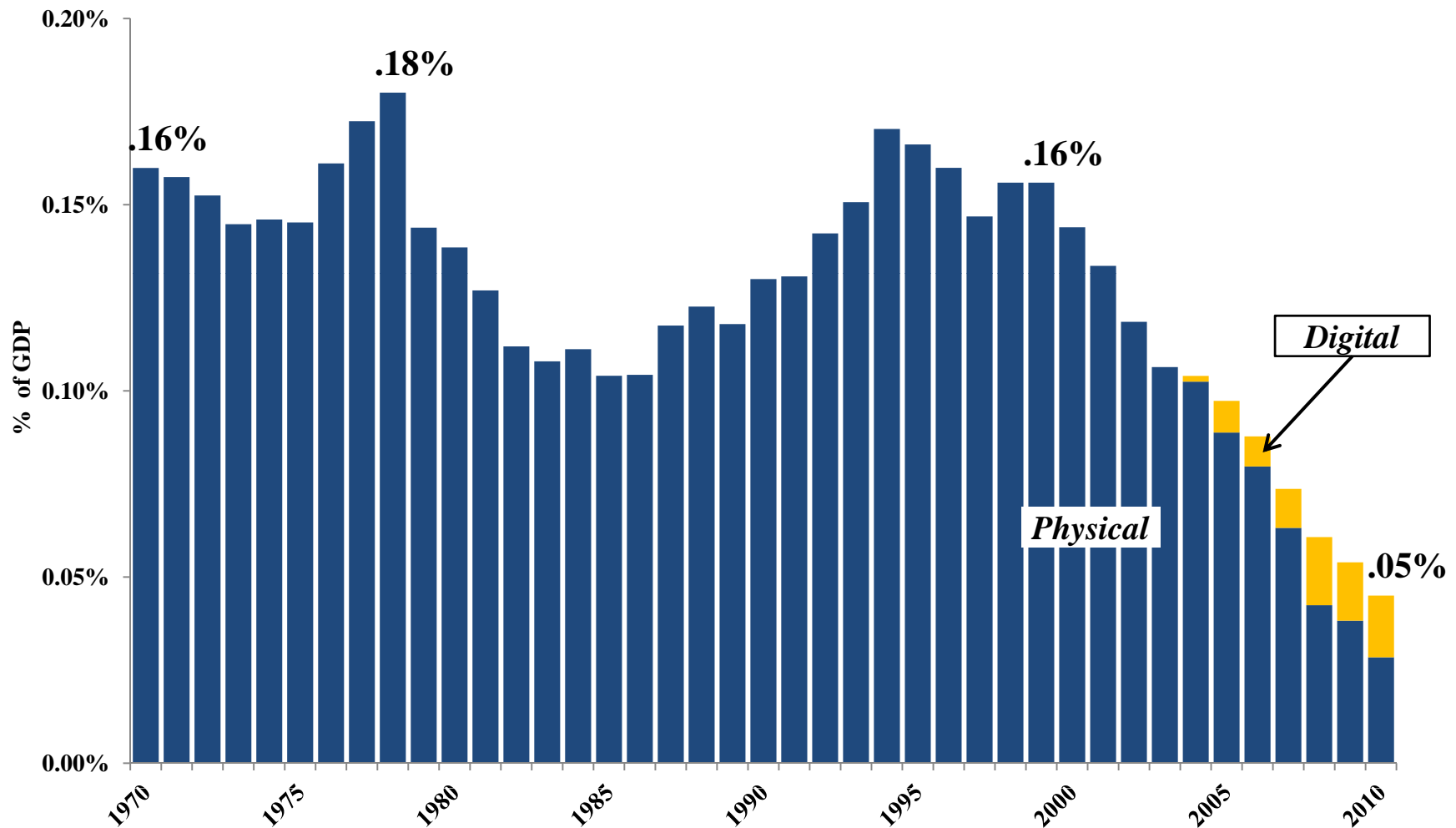
Newspaper revenues as % of GDP, 1970-2010



Sources: NAA



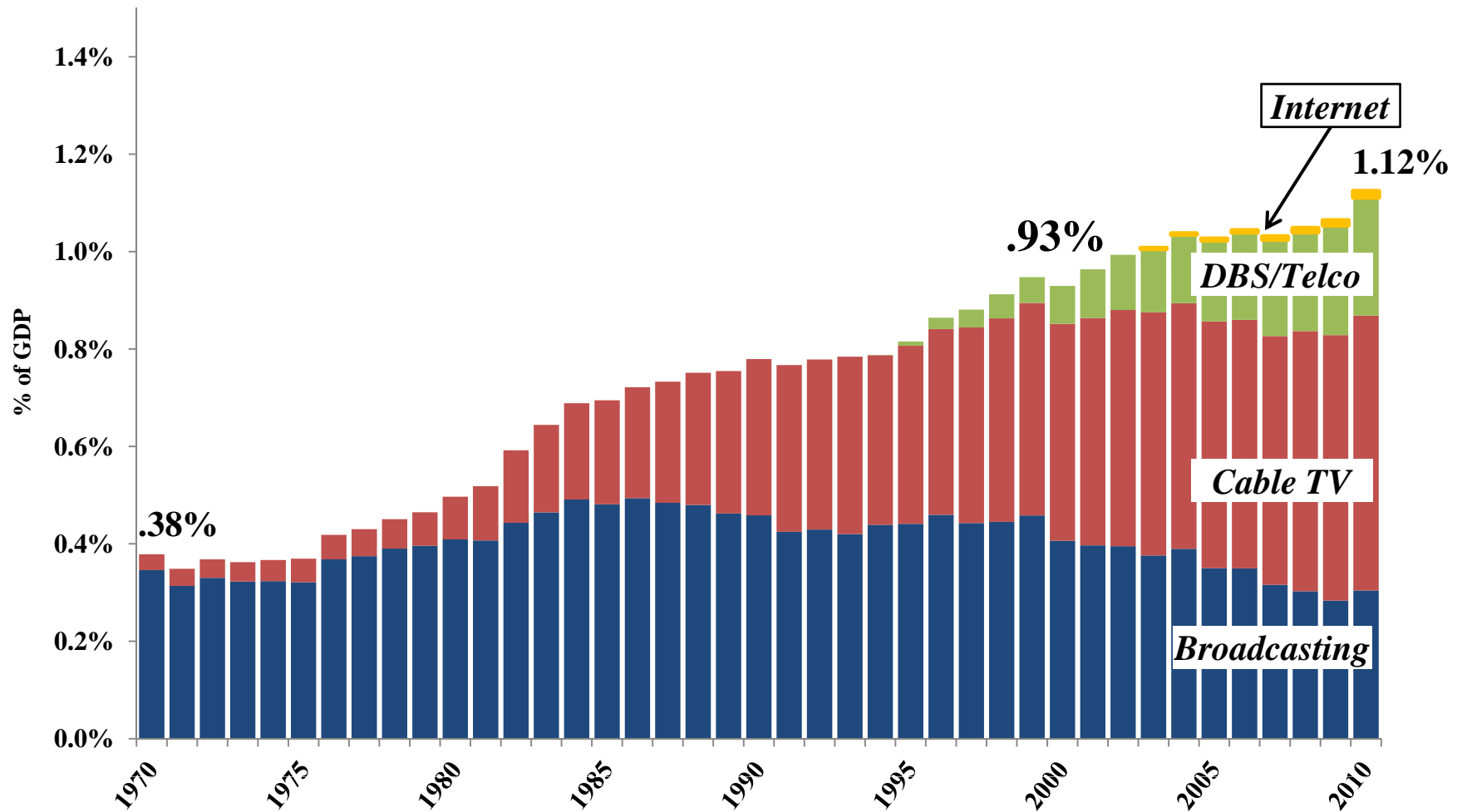
Recorded music revenue as % GDP, 1970-2010



Sources: Vogel (1986); RIAA; U.S. Census; author estimations



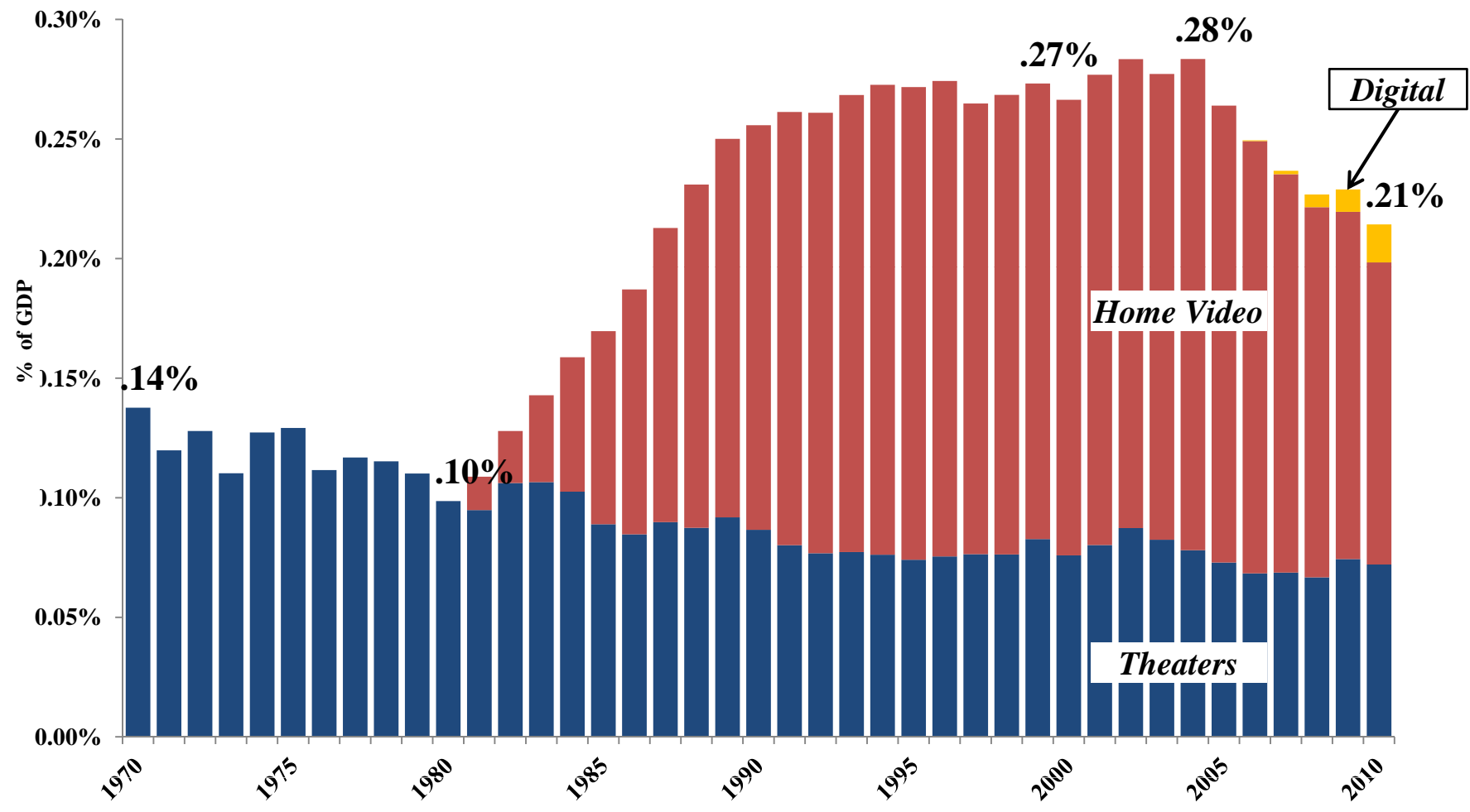
Television: Total Revenue by Category, as % of GDP, 1970-2010



Sources: U.S. Census; trade associations; industry analysts; 10-K reports; author estimations



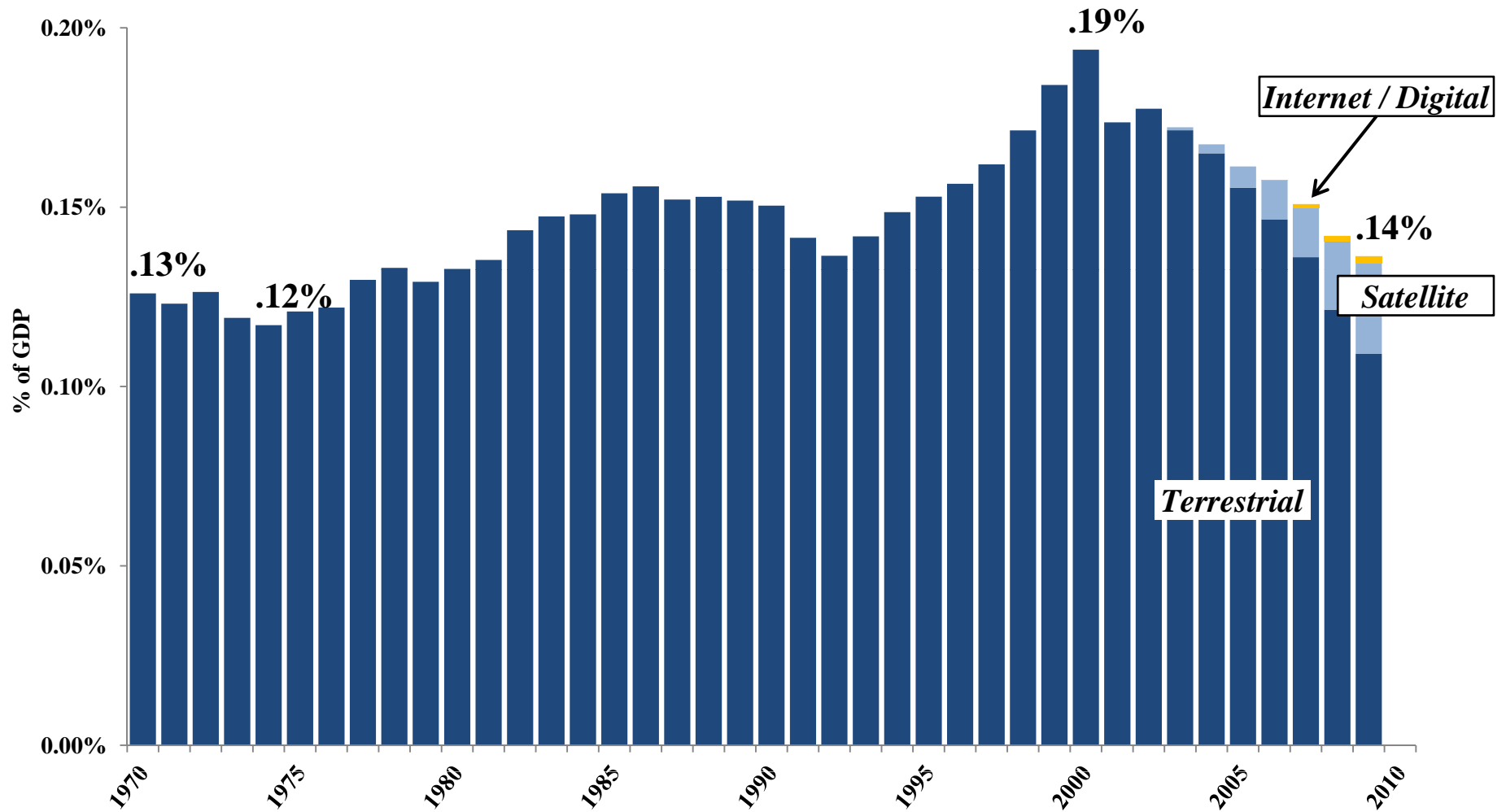
Motion picture theater and video retail sales/rentals, as % of GDP, 1970-2010



Sources: Waterman (2008); SNL Kagan; Boxofficemojo; author estimations



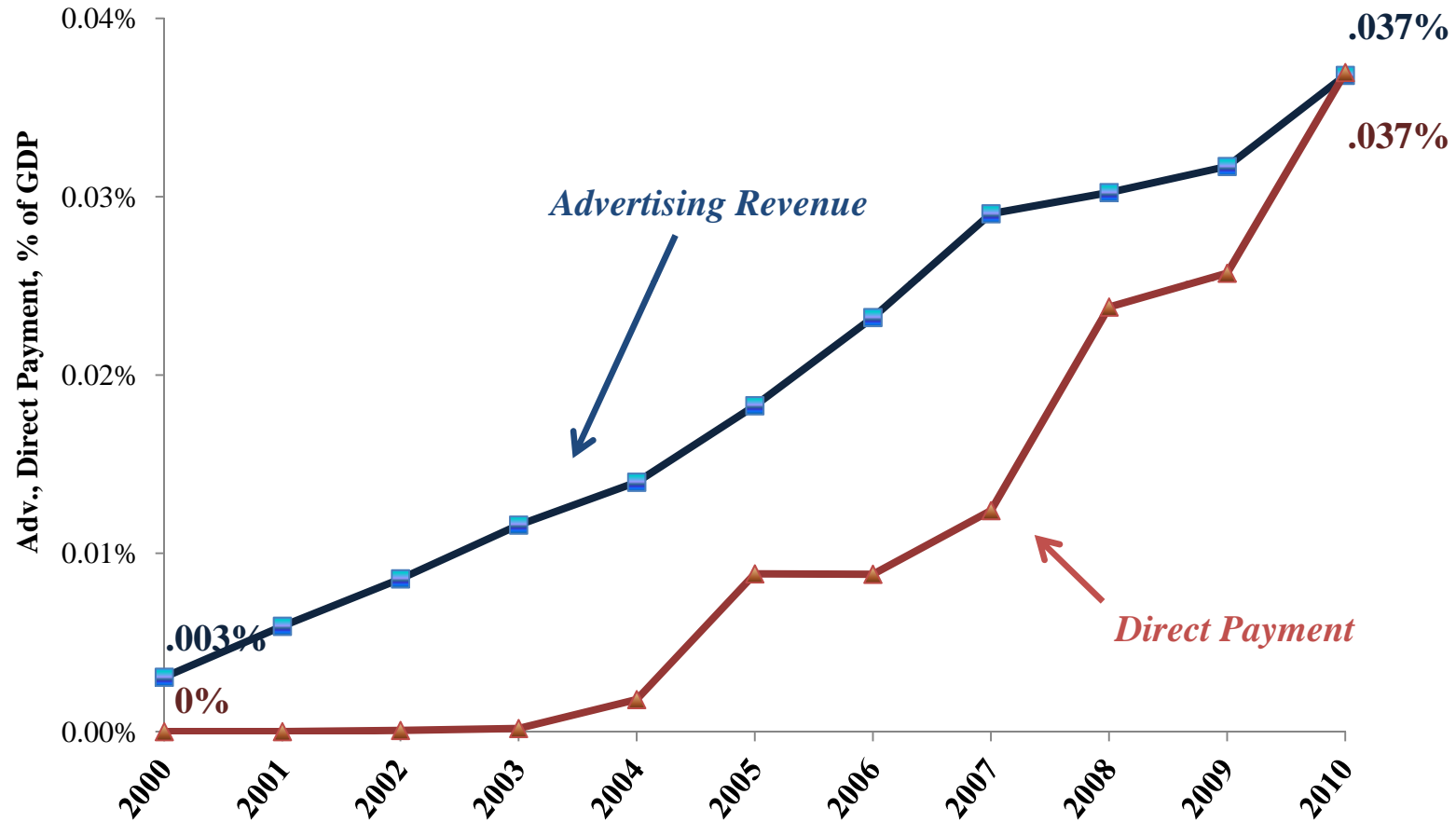
Radio industry revenue as a % GDP, 1970-2009



Preliminary data (Waterman/Ji, August, 2011)
Source: see Appendix A.



Advertising vs. pay support as % GDP, Combined Internet media, 2000-2010



Sources: trade associations; industry analysts; 10-K reports; author estimates



Statistical summary

- ❑ **Steady fall in media revenues as % of GDP since 1999**
 - Approximately a 20% relative decline

- ❑ **A major shift to direct pay support, especially since 1999**

- ❑ **Major individual media since 1999**
 - Revenues falling as % GDP--except TV and video games
 - A shift to pay support--including online media



Reasons for revenue declines since 1999

- ❑ **More difficult Intellectual property (IP) protection**
 - Music and movie piracy
 - news: aggregators; separation of facts vs. analysis

- ❑ **Shortcomings of online advertising business models**
 - especially news

- ❑ ***Internet distribution is cheaper, more efficient***
 - examples: movies, news



Internet cost reductions: Newspapers

□ Distribution of printed newspaper costs (33,000 circ. paper, 1994)*

News-editorial	16%
Advertising	11
Production/printing	39
Circulation	11
Building/depreciation	32
Total	100%

*Sources: Inland Press Association, NAA, IAB
Preliminary data (Waterman/Ji, March, 2011)*



Internet cost reductions: Movies

“Brick & mortar” DVD rental (2002) vs. Online “rental” (2010)

	Rental price	Studio share*
2002	\$3.25	33%
2010	\$4.41	70%

* Before duplications/distribution cost

*Sources: author calculations from Kagan Research and Adams Media data
Preliminary data (Waterman/Ji, March, 2011)*



The interesting question is.....

- ❑ **What happens to media production (quantity, variety, investment)?**
 - **In the long run, it may increase**
 - **the music example**



The end

