Digital Transition of Media Industries in the USA

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The Dynamics of the Media and Content Industries
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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

- 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
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)*

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<tr>
<td>News-editorial</td>
<td>16%</td>
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<tr>
<td>Advertising</td>
<td>11</td>
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<td>Production/Printing</td>
<td>39</td>
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<tr>
<td>Circulation</td>
<td>11</td>
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<td>Building/Depreciation</td>
<td>32</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
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Sources: Inland Press Association, NAA, IAB
Preliminary data (Waterman/Ji, March, 2011)
### Internet cost reductions: Movies


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<th>Rental price</th>
<th>Studio share*</th>
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<td>2002</td>
<td>$3.25</td>
<td>33%</td>
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<tr>
<td>2010</td>
<td>$4.41</td>
<td>70%</td>
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* 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