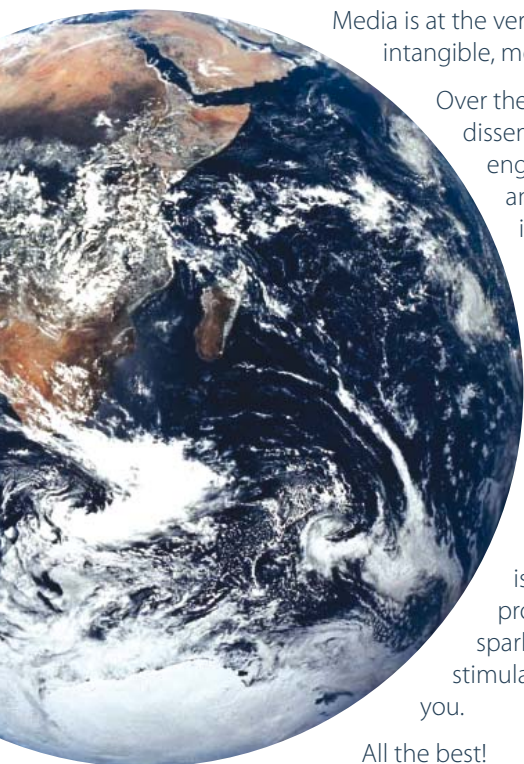




:: FUTURE OF MEDIA : REPORT ::

JULY 2006

INTRODUCTION



Media is at the very heart of society and business. As the economy inexorably shifts from the tangible to the intangible, media in its many forms is accounting for an ever-increasing proportion of value created.

Over the last decade we have seen many new media emerge, many new ways not just to disseminate content in all its forms, but also to interact, invite contribution, build relationships, and engage in conversations. What was a relatively static landscape for many years has exploded into an extraordinary mosaic of elements old and new, juxtaposing reality TV, blogs, search engines, interactive cable TV, location mash-ups, iPods, podcasts, digital TV recorders, personalized advertising, online social networks, free newspapers, satellite radio, photo sharing, and far more.

Everyone has a direct interest in how this landscape evolves and mutates, from established media, entertainment, telecoms, and consumer electronics companies, to every business that depends on getting messages to its potential customers, through to individuals, governments, and the emerging multitudes of media creators. All have a strong stake in understanding the future of media, yet the richness and rapidity of developments makes it challenging to perceive the shape and full import of what is being born today.

In conjunction with the Future of Media Summit 2006, held simultaneously in Sydney and San Francisco in July, Future Exploration Network is releasing this Future of Media Report. It is certainly not intended to explain the immense diversity of what is emerging. Its intent is to provide a variety of perspectives on the future of media, particularly internationally, that will spark conversations, and hopefully new ideas, strategies, and initiatives. I hope it is useful and stimulating, and that we at Future Exploration Network can explore some of these ideas further with you.

All the best!

Ross Dawson
Chairman
Future Exploration Network

PARTNERS : FUTURE OF MEDIA SUMMIT 2006



HIGHLIGHTS OF GLOBAL MEDIA MARKET

The global media industry is large, complex, and multi-faceted. Over the following pages we have selected a handful of perspectives to help gain insights into the current state of the global media industry, and some of the key forces at play.

SIZE OF GLOBAL MEDIA
& ENTERTAINMENT INDUSTRY
: **US\$1,350 billion**

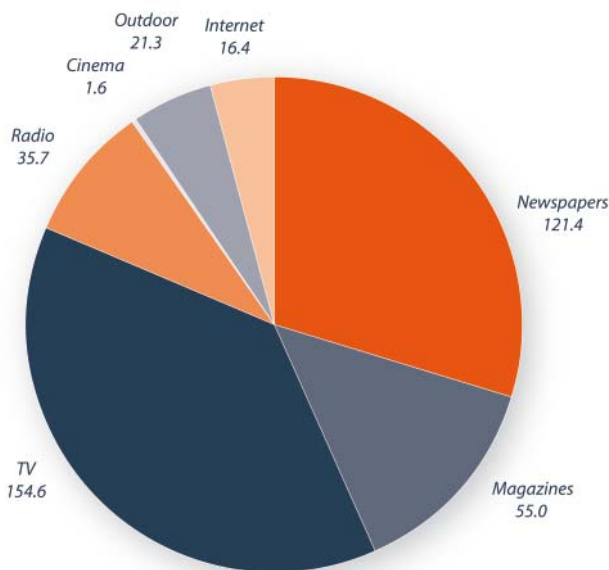
MEDIA & ENTERTAINMENT SHARE
OF GLOBAL ECONOMY
: **3.0%**

MEDIA & ENTERTAINMENT SHARE
OF US ECONOMY
: **4.4%**

YEARS FOR MEDIA TO DOUBLE ITS
SHARE OF GLOBAL ECONOMY
: **32 years**
(based on 1999-2004 trends)

TOTAL ADVERTISING SPENDING
: **US\$406 billion**

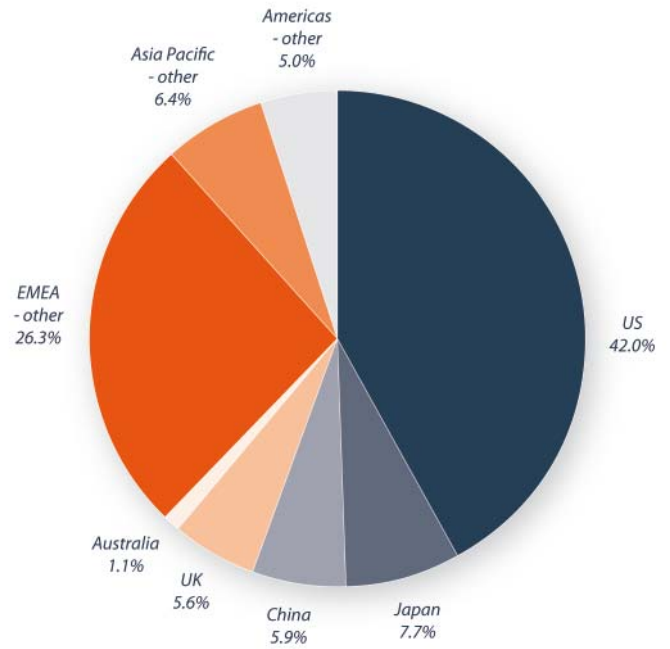
Global advertising spending US\$ billion



Source: Zenith Optimedia

TV and newspapers dominate total global advertising spending, however these sectors have lost the most ground over the last years, notably at the expense of the Internet.

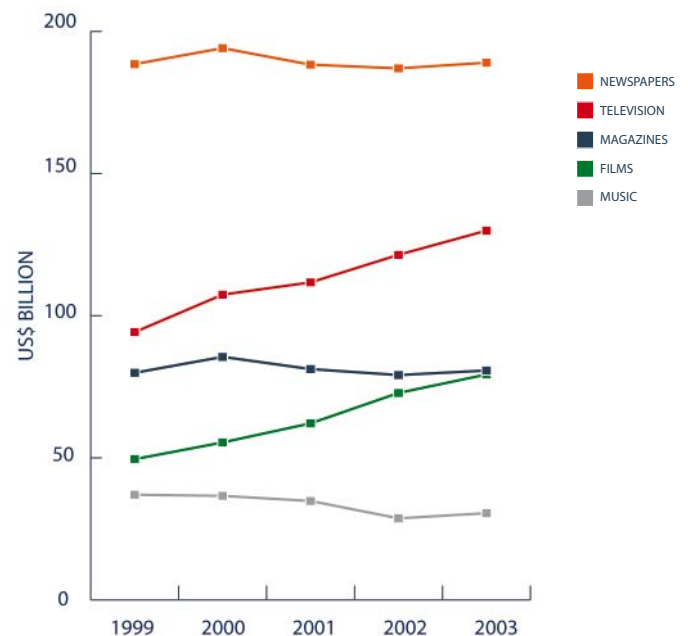
Global media and entertainment industries



Source: Cygnus Research, PricewaterhouseCoopers, Future Exploration Network

The US and Europe are very heavily overweighted in global media markets, however this will change as developing countries – notably China – rapidly shift discretionary spending to media and entertainment.

Revenue trends across media segments

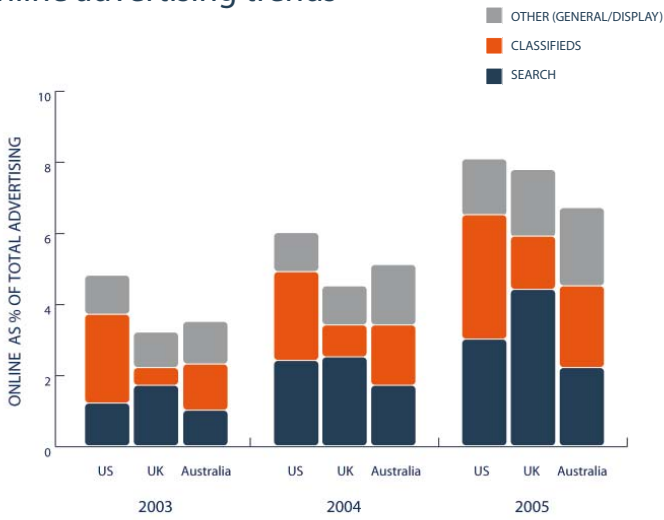


Source: Cygnus Research

While newspaper revenues are stagnant with the erosion of their classifieds business and online competition, cable television has benefited from digital upgrades, new subscriptions, and local content in developing countries. While the film industry is benefiting from new distribution channels, the music industry is still struggling.

GLOBAL MEDIA COMPARISONS

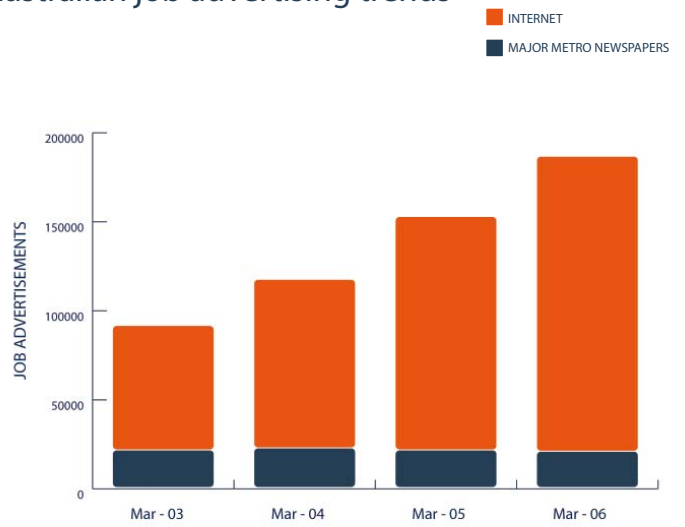
Online advertising trends



Source: IAB UK, PricewaterhouseCoopers, IAB PwC, ABVS, Future Exploration Network

Other countries are catching up to the early US lead in online advertising. Search has been a particularly strong driver of growth, however online classifieds are growing consistently across all markets.

Australian job advertising trends

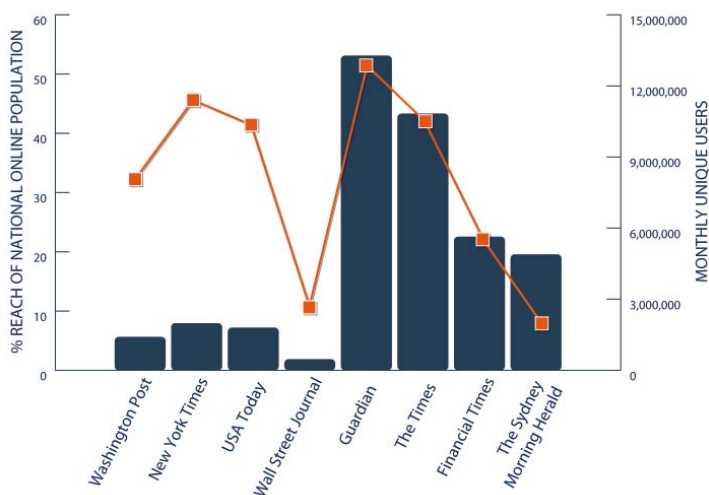


Source: ANZ

Australian job advertising figures are indicative of global trends. Print job advertisements have remained steady, suggesting that a segment of job ads – especially for senior roles – will remain in print. The efficiency of online job advertising has created a new market and new opportunities for employers and job seekers.

Reach of newspapers online

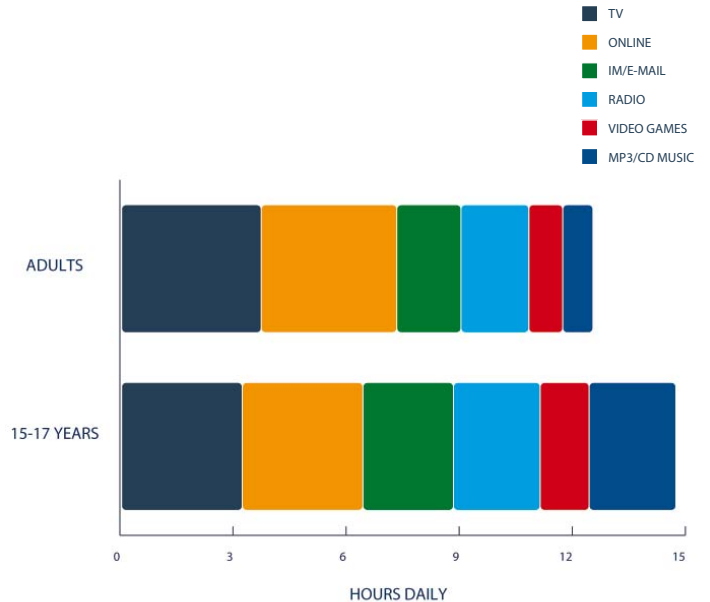
■ % REACH OF NATIONAL ONLINE POPULATION
■ MONTHLY UNIQUE USERS (OCTOBER 05)



Source: Nielsen Net Ratings, ABC Electronic, Future Exploration Network

Comparing the online reach of newspapers' online sites relative to national population shows a greater concentration of online media properties in countries outside the US, and points to strong international audiences for all these media.

Time spent with media – US

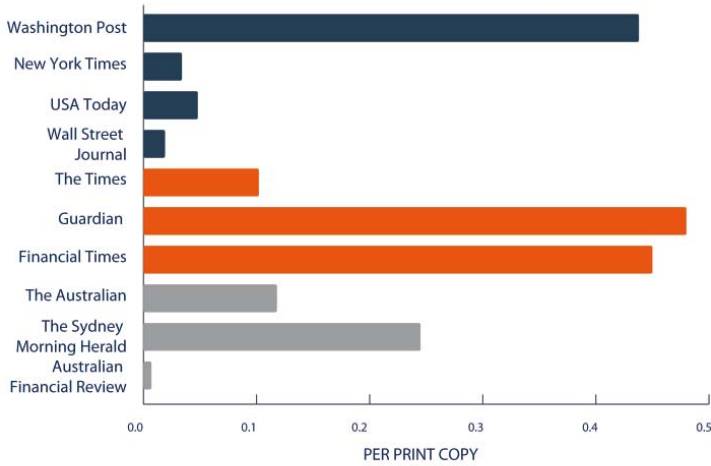


Source: The Myers Survey Defining the Emotional Connections of Media to Their Audiences

Teenagers spent significantly more time with media than adults, yet they watch less TV. Music, games, radio, IM, and email all figure more prominently in their media consumption. Other statistics suggest a strong decline of TV viewing among teens.

EMERGING MEDIA RELATIONSHIPS

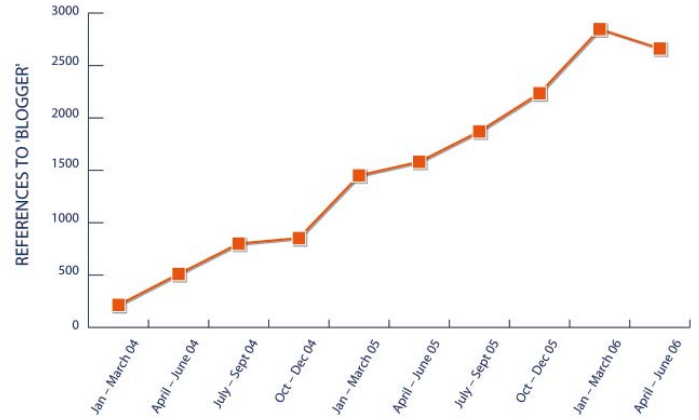
Blog references to major newspapers



Source: Technorati, newspapers

Bloggers reference The Washington Post, The Guardian, and the Financial Times more than any other newspapers, relative to their print circulation. This reflects the editorial and online policies of those newspapers.

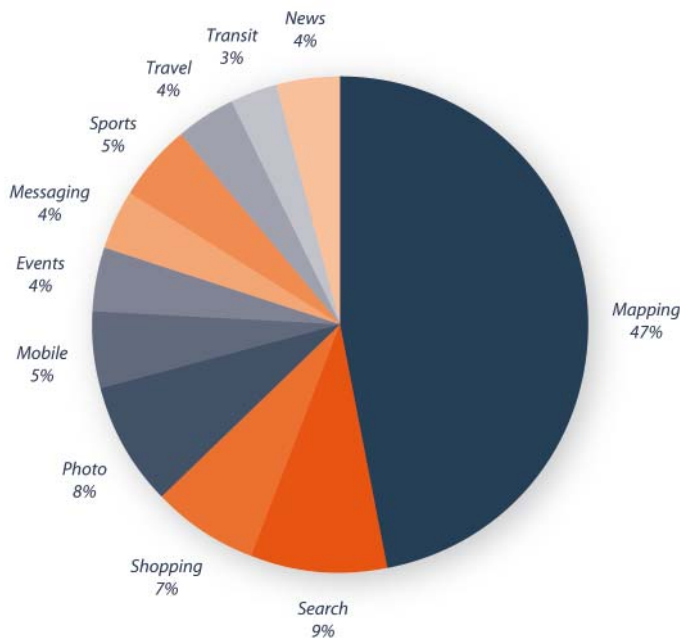
Newspaper references to bloggers



Source: Factiva

Newspapers increasingly reference bloggers as sources as well as in stories. In just 2½ years this has grown from almost nothing to a significant input to media. The possible recent flattening in numbers of references could reflect that bloggers are leveraging their blogging activities into broader identities.

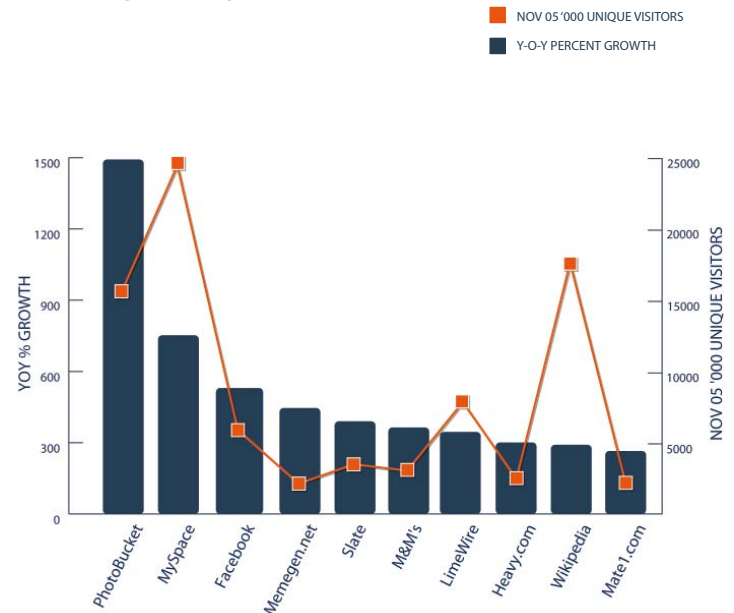
Mashups by category



Source: www.programmableweb.com

Mashups – that bring together two or more data sources to provide original perspectives – are one of the fastest growing phenomena on the Internet. Almost half of these combine mapping data with other information, helping users to understand where people, things, and activities are located.

Fastest growing brands



Source: Nielsen Netratings

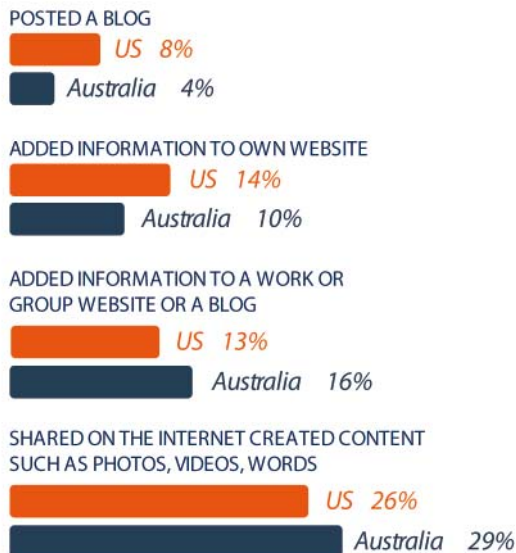
Online media is highly dynamic, with some new properties soaring in popularity. MySpace and Wikipedia have surged remarkably, however powerful new brands can emerge very quickly.

CONTENT CREATION AND USAGE

Future of Media Summit Research Partner:



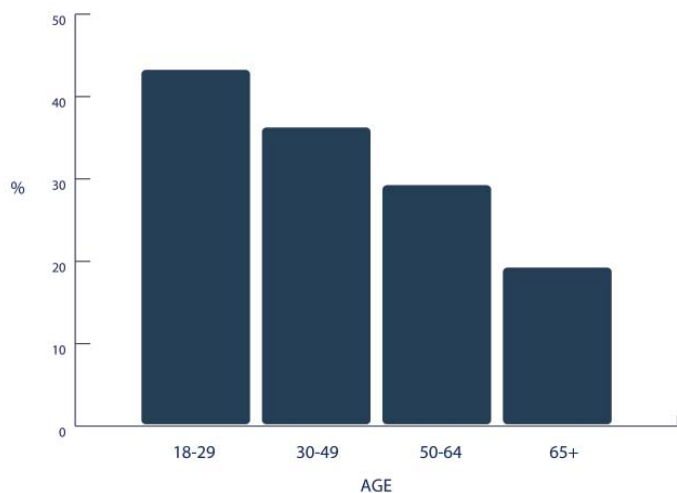
Web content creation



Source: Pew Internet & American Life Project (Dec 05), McNair Ingenuity Research (Jun 06)

Over a third of American and Australian adults have shared content on the Internet. While the Australian figure is higher than that for the US, this could result from the six month gap between these surveys. The most popular form of content creation is sharing photos, text, and video. While a minority have posted to a blog or their own website, this is becoming a significant group. Almost 50 million Americans have now created content on the Internet.

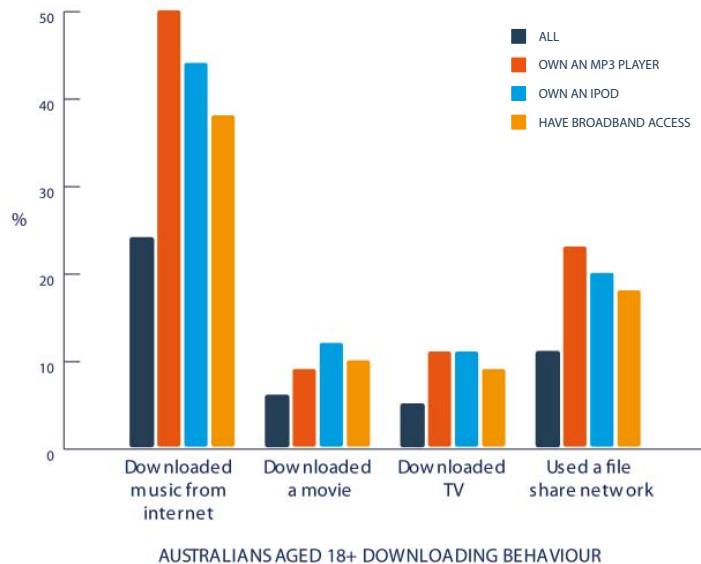
Web content creation by age



Source: Pew Internet & American Life Project (Dec 05)

Not surprisingly, younger people are more likely to have created content on the Internet, however still 18% of those 65 years or older have done this. Content creation is by no means something done only by teenagers.

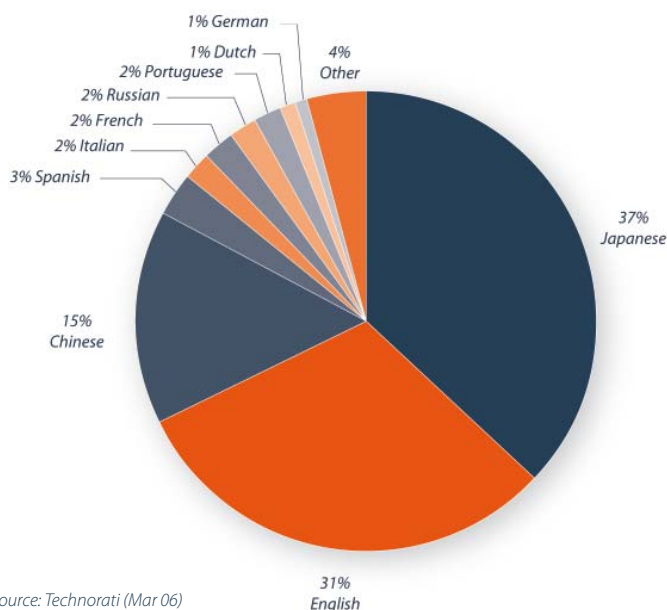
Downloading content



Source: McNair Ingenuity Research (Jun 06)

Australian adults who own an mp3 player are highly likely to have downloaded music from the Internet. This is despite that fact that there have been until recently very few options for purchasing music on the Internet in Australia. There has been reasonable activity in accessing film and TV online, given the current lack of options. Markets beyond the US are ripe for broadened content downloading options.

Languages of blog posts



Source: Technorati (Mar 06)

There are more blog posts in Japanese than any other language, considerably outstripping English. Chinese accounts for almost one-sixth of blog posts, with a variety of other languages boasting significant blog activity. Each language – particularly English, Chinese, Spanish, and Portuguese – encompasses conversations across many nations.

MEDIA INDUSTRY NETWORKS

One of the most powerful approaches to understanding industries and how they are evolving is to examine them as a network of relationships. The media industry network maps presented here compare the network of the largest corporate participants in the media landscape in 2005-2006, to the situation five years earlier.

Diagram explanation

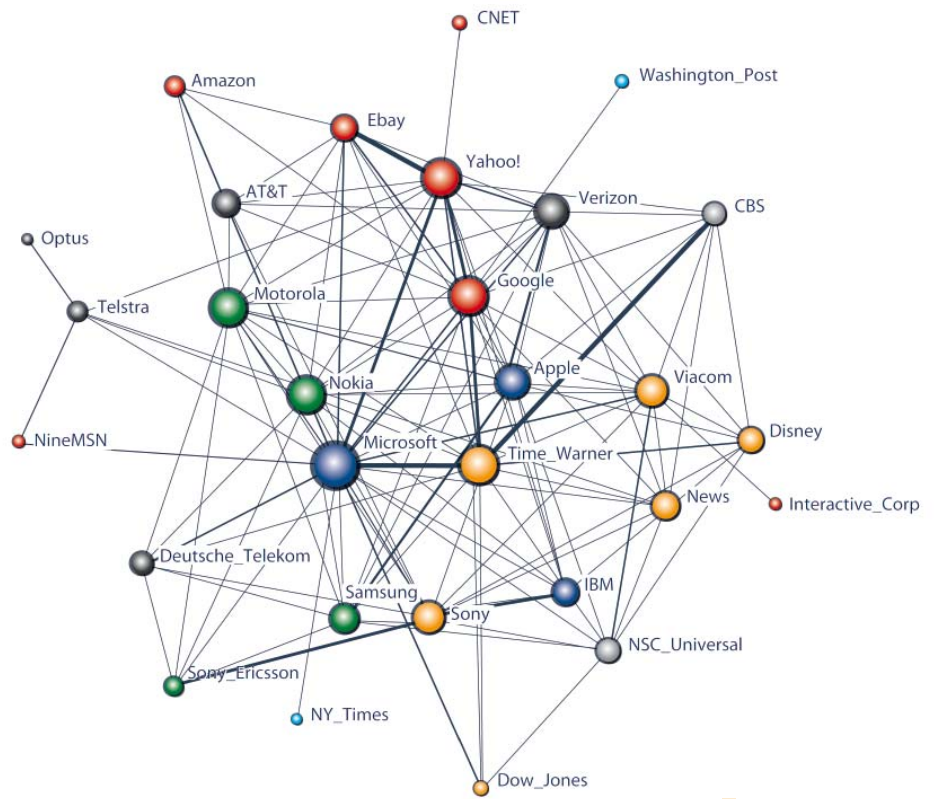
Each circle represents a company. The thickness of the lines between organizations represents the number of joint ventures, consortia, and other strategic alliances reported in the press over the one-year period 1 July to 30 June, as found in Factiva. As such the map shows activity rather than existing relationships, making it a view of how dynamic companies are. The size of the nodes reflects how many new relationships were reported in this period. The diagram is constructed so that the companies most central to the network are depicted at the center of the image.

Diagram commentary

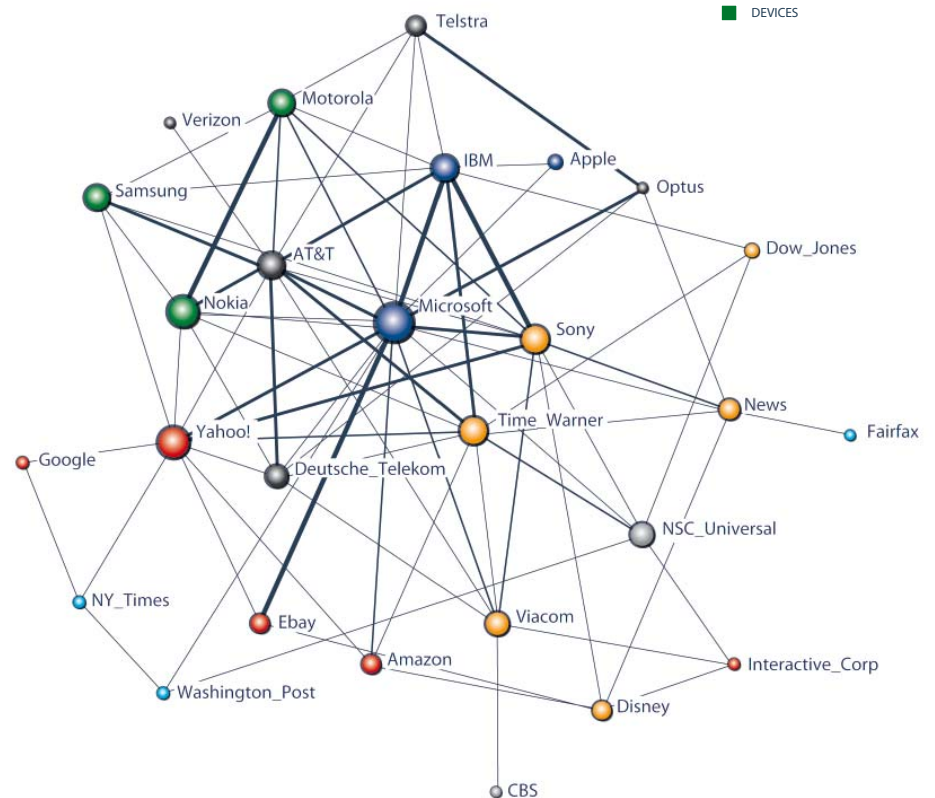
What is first apparent from this analysis is that the media industry is far more deeply interconnected than it was five years ago. The growth in alliances and joint ventures reflects that it is increasingly necessary to work with other companies, for example in content and distribution deals. Microsoft has retained its position as most central to the media industry networks. New media companies such as Yahoo!, Google and eBay have rapidly become more prominent and central, with others that are more active including Apple, CBS, Viacom, and Sony Ericsson. Time Warner has developed new and strong relationships with Microsoft, CBS, and Google, while AT&T, despite its growth, has become less central. The mobile device manufacturers have become more integrated into the network, illustrating their shift to become true media players rather than simply selling phones. Overall the telecommunications companies remain relatively peripheral, which will need to change if they are to succeed in moving beyond selling connectivity. Print participants remain fairly isolated.

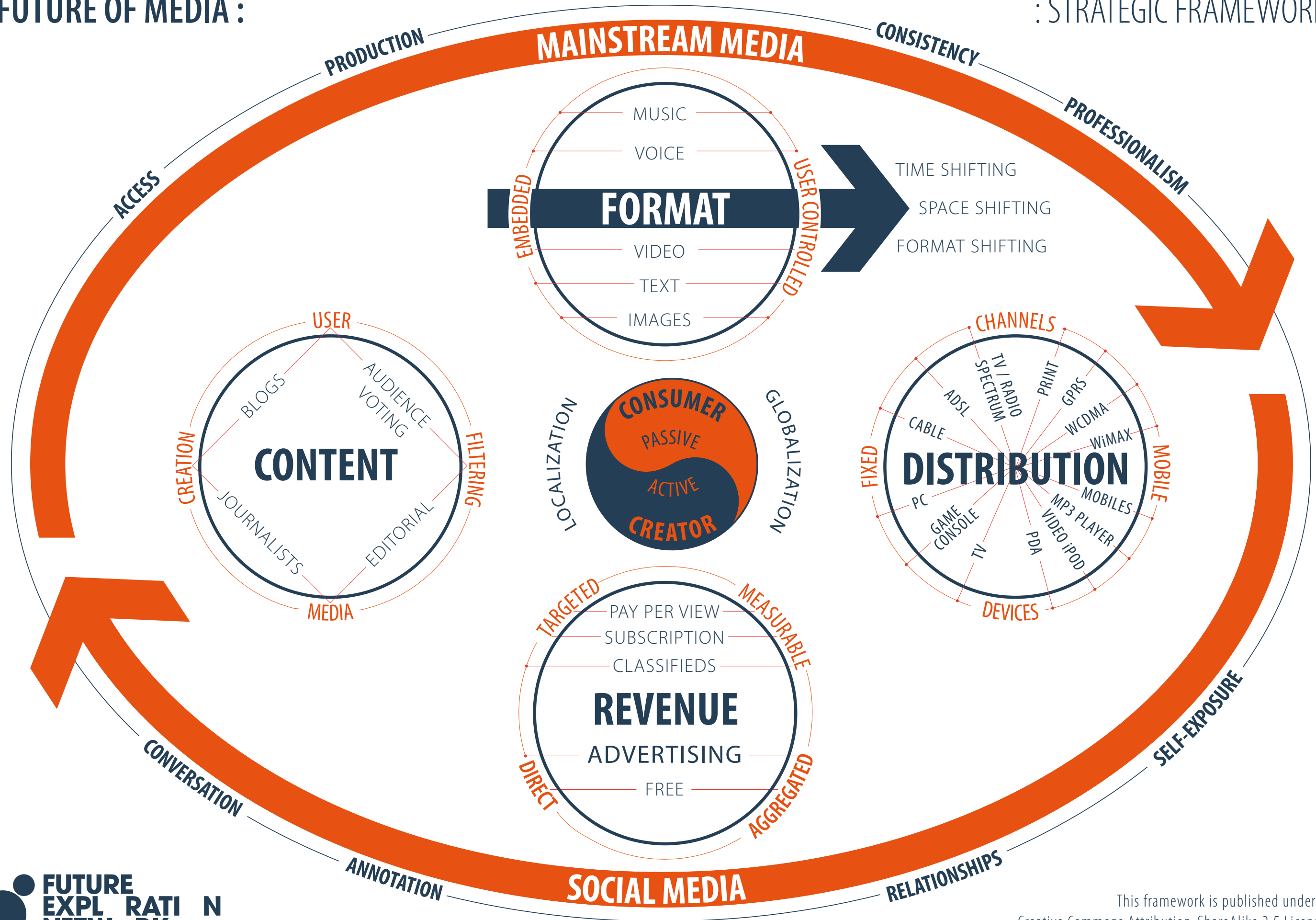
Research conducted by: Laurie Lock-Lee, CSC

Media 2005/6



Media 2000/1





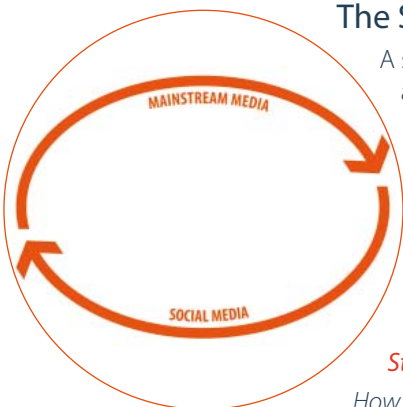
FUTURE OF MEDIA : STRATEGIC FRAMEWORK :: EXPLANATION

The Symbiosis of Mainstream and Social Media

A symbiotic relationship is emerging between mainstream media (such as newspapers and broadcast), and social media (such as blogs, podcasts, and online social networks). Mainstream media and social media feed off each other. Blogs provide a vast public forum for discussion of content provided by major media. Leading blog search engine, Technorati, has enabled every online piece on The Washington Post, Newsweek and Associated Press newspapers to display the complete blog discussion about that article, turning an article into a conversation visible to all. At the same time, it has become common for mainstream media to quote blogs and bloggers, sometimes exclusively, and the conversations between bloggers often provide the ideas for media stories. Together, mainstream and social media create a single media landscape in which we can all participate.

Strategic questions:

*How can you best draw on social networks for content and ideas?
How can you facilitate social media commenting on and annotating your content?*



Key features of social media

- **Conversation** is almost by definition the heart of social media.
- **Relationships** between people and ideas emerge in a very different fashion from the one-to-many configuration of mass media.
- **Annotation** is commentary on and reference to existing information and ideas. This will soon spread into geospatial annotation, where conversations are generated around physical locations.
- **Self-exposure** is a more powerful driver of social media than self-expression. The exhibitionism and associated voyeurism of blogs and social networks are a key factor driving participation.

Key features of mainstream media

- **Access** is a distinctive feature of mainstream media, whose representatives can reach almost wherever they want, by virtue of their position and influence.
- **Production** capabilities are extremely high based on capital investment and expertise.
- **Consistency** of output and quality assurance is expected, along with reliability – people know what to expect.
- **Professionalism** as a characteristic of mainstream media cuts both ways – there are clear standards and a high degree of talent, yet professionalism is a box that amateurs can easily step outside of to innovate.

The consumer/ creator archetype

The history of media has been one of passive consumption. However, today one of the strongest social trends is towards participation. There are certainly many who are largely content to be “couch potatoes,” consuming the media they are given. Others - particularly younger people - are keen to create, by establishing blogs or individual spaces on sites like MySpace, or sharing photos or videos online. Even clicking on a link is a creative act that can impact what other see or don't see. Yet this is not just about a social divide. Everyone of us is both a consumer and a creator. Finally today we have been given the power to create for others as well as to consume what we are given.

Strategic questions:

*Are consumers or creators more valuable in your business model?
How can you encourage consumers to become creators?*

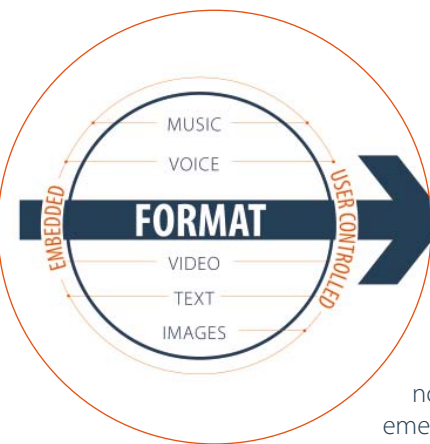
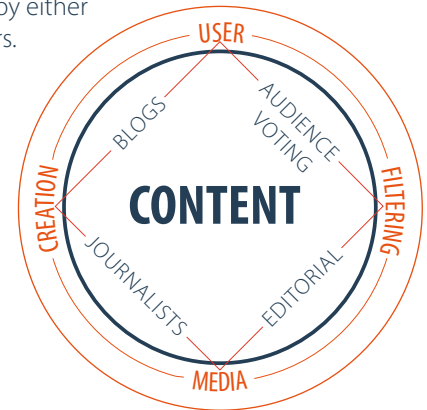


The matrix of content

Content generation requires both creation and filtering. Each of these two roles can be performed by either media, or their audience. Traditionally content has been created by journalists, and filtered by editors. Today “user generated content” has become a major buzzword, referring both to personal sites and blogs, and to content submitted to mainstream media, such as mobile camera photos or home video footage. However the emergent vitally important trend is user filtered content. Time Warner’s re-launch of the Netscape site as a user filtered news site is an important move. From another perspective, the Current TV model can be understood as providing user generated, media filtered content. This model is being challenged by wholly user created and filtered properties such as YouTube.

Strategic questions:

What configuration of user and media content generation and filtering will you select?
In particular, how will you implement user filtering?



Format shifting and creating new formats

Much content is “embedded” into the media, making it only consumable in its original form. Similarly, some of the first radios sold could only be tuned to one station. Yet through the many mechanisms of time shifting, space shifting, and format shifting, content readily becomes user-controlled. In addition, the emerging world of media is vigorously engaged in creating new formats. When the first mass circulation newspapers were produced, the concepts of newspaper headlines, lead stories, and photo captioning were yet to be developed, notes Art Kleiner, editor in chief of Strategy + Business magazine, in an interview for the Future of Media Podcast Series. It took several decades to develop what we now recognize as a standard format for newspapers. Soap operas were another format innovation that emerged after the birth of TV, that has stayed with us and evolved. The next decade or more will be an exploration of what formats will be attractive to audiences in a world of pervasive media.

Strategic questions:

To what degree - and how - do you impede or facilitate the shifting of time, space, and format to user-controlled formats?
What format innovations will you experiment with to discover the winning media formats of the next decade?

Revenue and ad aggregation

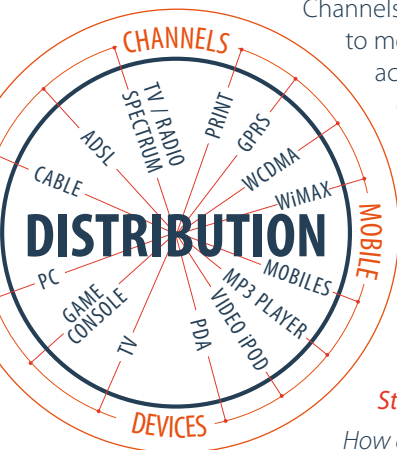
Two of the key features of emerging media are that its reach and impact are far more targeted and measurable than before. This is driving a greater willingness to spend by both advertisers and publishers. There are an array of traditional media revenue models that will continue in various guises, potentially driven by the emergence of micro-payments. Classifieds is rapidly disengaging from traditional media, though some companies are still managing to keep them connected. One of the most important shifts is that advertising is now often aggregated. Media can sell advertising directly, as the major publishers do. However now, by virtue of Google’s AdWords program and imitators, anyone can publish online and get advertising revenue without having to sell it. This is transformative in enabling the many of the “long tail” to move towards becoming viable – though small – media properties. Microsoft too is aggressively following the ad aggregation path. The emerging players in ad aggregation are both enabling a massive growth in media diversity, and stand to do enormously well in allowing advertisers to reach their target market, wherever they are turning their attention.

Strategic questions:

Are media content and classifieds natural partners, and if so how do you connect these effectively?
Where are the aggregation points into which you can bring together or deliver highly relevant advertising?



Distribution: channels, devices, and mobility



Channels and devices are distinct. There are an array of delivery channels for media, often not directly linked to media themselves. The devices through which media is delivered are critical leverage points to guide access to media, as Apple has proved with the iPod. The most fundamental shift is that both channels and devices are shifting to the mobile, rapidly enabling anywhere/ anytime consumption of media. Perhaps the most important example of this is video glasses. It is just this year that video glasses have become high quality and comfortable, which along with the advent of mobile video content and devices, are making them a real consumer technology that is likely to take off in a big way. The availability of video displays everywhere will create a massive demand for video content, that will be fed not just by media and entertainment companies, but also by individuals who have cameras and home video production facilities. As display prices drop, every available surface will become a video screen for advertising and content. In time, e-paper, which is foldable or rollable, and can be instantly updated with the latest news or video, will begin to supplant print magazines and newspapers.

Strategic questions:

*How can you leverage your presence in devices to content distribution or vice versa?
How will you participate in the massive boom of video content demand?*

Globalization and localization

Online distribution means that any media can have global access. There is some content that is of truly global interest, such as celebrity news, some business and financial news, specialist topics, and some entertainment. This content can basically be produced anywhere, so expect to see global media content begin to be produced in surprising places. Yet much content requires localization – witness how often TV series are re-produced for different nations, let alone how much syndicated news is adapted locally. Some news, entertainment, and media is purely local in interest, but in many cases broader-interest content requires localization. Aspirants to global media positioning will need to understand and invest in the process of content localization.



Strategic questions:

*How global or local in interest is your current content and distribution?
What degree of localization is required in content, format, and distribution, and what capabilities or alliances are necessary for this?*



Intellectual property and media

The Future of Media Strategic Framework is released under a Creative Commons Attribution-Share Alike 2.5 License. This means that while Future Exploration Network retains copyright you can use it – even for commercial purposes – as long as you attribute it to the creator. It also means, that if you think it should be different or want to improve on it, you can do so as long as you release it under the same license – feel free to do so! There are a plethora of dilemmas and thorny issues for media organizations to resolve in how they protect their own content, as well as license user-submitted content. Locking content down will in many cases prove to be less valuable than allowing it to be reused appropriately by other content creators. A living content landscape benefits content creators far more than a rigid world.

Strategic questions:

*What licenses do you offer for user-submitted content?
In which situations should media-generated content have Creative Commons or similar licenses that allow reuse and adaptation?*

Overall questions on the Future of Media Strategic Framework:

*Where across the strategic framework are you currently playing (content/ formats/ revenue/ distribution)?
How can you leverage your current presence into new domains?
What partners or alliances do you need to generate the most value from your existing capabilities?*

FIVE IDEAS TRANSFORMING MEDIA

Shifting



Media in every form will be shifted by users to suit them. For example, video-on-demand (or mobile video) is transforming the way people watch TV much in the same way that podcasting is changing the way that people listen to radio. Both put the audience squarely in charge of programming. In the future people will seek to watch, read and listen to what they want, when they want, on any device they want.

Implications:

Many media and content companies will continue to try to pin down usage with digital rights management, but imposing tight restrictions will be a losing battle. Content will increasingly be designed or edited for specific locations or situations.

Opportunities:

Providing people with the ability to transfer content from one device to another. For example, live news that can be transferred mid-stream from the TV to the car. Content created for specific occasions. Making shifting easier.

Time compression



One of the most powerful trends today is that people are busier and have less time. They are increasingly stressed and sleep deprived. If you want to connect with people you need to make it easy and make it fast. This does not necessarily mean the death of the two-hour movie or the 120-page magazine, but it will have to be good.

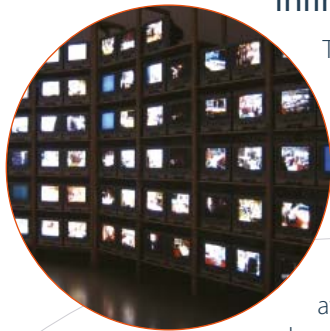
Implications:

There will be increased demand and availability of snack-sized formats, and content that is available in a variety of sizes or lengths. Long copy journalism and rigorous analysis will become a specialist demand.

Opportunities:

Those that can provide snappy, entertaining, and high-value content at the right price will do very well. There will be an increasing premium on filtering for targetted audiences, high-quality editing, and effective visual design of information.

Infinite content



The supply of content will become effectively infinite. The "million channel universe" will include not just traditional media delivery and the Internet, but also a whole set of new devices and delivery platforms. Production tools in the hands of the masses will tap new talent – and lack of talent. It will be increasingly challenging to attract audiences' attention and build brand loyalty against infinite choice.

Implications:

Many choices will be made by selecting tried and reliable sources. Yet there will also be opportunities for any new quality content to break in – there will be no cartel but a moving mosaic of older as well as newly established media brands.

Opportunities:

Anyone that can help people to filter the infinite supply to find the gems will do very well. Branding will be critical, yet new content brands will be able to be rapidly established.

Generational change



The media is run by ageing baby boomers that still think wearing a pair of Levi 501s is cool. Many of these traditional media companies will find it difficult to adjust to the new media landscape of mobile platforms and customer created content due to their investments in old-media infrastructure and business models. Most innovation will therefore come from the outside, either from young people, or from companies outside the existing media establishment.

Implications:

For mainstream media companies, acquisitions will often go further than innovation from within. Anthropological studies of how young people use media in their natural habitats will drive new products. Gen X management may play it safe until it's too late.

Opportunities:

Gen Y co-created content and filtering. Providing platforms to build relationships and share content. Repurposing all content for delivery to mobile platforms.

Media is everywhere



In the future everything from walls and table-tops to cereal packets and clothes will be screens and video will be everywhere. E-paper will add video and audio functionality to the formerly static pages of newspapers, and books will play commercials for the author's latest novel. If the advertisers have their way, there will be no respite outside your front door.

Implications:

Consumers may respond aggressively to the commercial invasion of public and private spaces. Devices such as TV-B-Gone will be used to shut off or shut out clutter.

Opportunities:

Getting messages closer to consumers. For example, since 70-80% of purchasing decisions are made in-store, ads will be in shops and malls rather than on TV at home. Producers of quality video content will reap a bonanza.

MEDIA SNIPPETS

In **1892** there were 14 evening *newspapers* in London. Now there is just one.

Prospect

The number of children in Japan aged **5-9** years old that own mobile phones is predicted to double to 64% by the **end of 2007**.

Wireless World Forum

74.2% of Americans watch TV and read the newspaper at the same time, while **66.2%** watch TV while surfing ONLINE.

17% of Sony PlayStation owners in America are aged **50+**.

The Observer

36% of US high-school students **believe** that newspapers should get "government approval" of news stories prior to publication.

University of Connecticut

>More than half of American **teens** have created content for the INTERNET.

Pew Research, November 2005

ABOUT FUTURE EXPLORATION NETWORK

Future Exploration Network (FEN) assists major organizations globally to gain insights into the future, and to develop strategies and innovation capabilities that create competitive advantage. Clients of FEN's key executives include AXA, CNET, Coca-Cola, Deutsche Telekom, IBM, KPMG, Macquarie Bank, Microsoft, Morgan Stanley, Toyota, Unilever, and Virgin.

ROSS DAWSON : Chairman



Ross Dawson is a globally recognized business strategist and authority on the future of technology and business, a bestselling author, and a frequent international keynote speaker. He has been featured in many leading media worldwide including CNN, Bloomberg TV, SkyNews, and the Washington Post, and is the author of the highly influential Trends in the Living Networks blog (www.rossdawsonblog.com).

RICHARD WATSON : Chief Futurist



Richard Watson is a leading international trend-watcher and futurist, having established organizations including nowandnext.com, a bi-monthly review of new ideas, innovations, and trends, Global Innovation Network, and Free Thinking. He is a columnist for Fast Company and regular writer for other leading publications globally, and is a non-executive director of international design firm Elmwood.

PARTNERS AND ASSOCIATES

FEN draws on a partner network of world-leading experts and practitioners in the US, UK, Australia, Germany, Canada, Thailand, and beyond, to create unique, highly customized services for its clients.

SERVICES

Strategy consulting and research

FEN applies a range of tools and approaches to assist its clients to develop clear, actionable strategies in highly uncertain environments. We have deep expertise in applying scenario planning to build robust strategies.

In-house workshops and presentations

Executive presentations and workshops can be custom-designed for the client's industry and situation to stimulate, provoke, and provide input into specific strategic decisions.

Events

FEN creates focused, relevant, highly interactive conferences and events that bring together the best minds in the field. FEN organizes both public events, and custom-designed events for key sponsors.

Innovation

Organizations can benefit greatly by implementing specific initiatives to support innovation. These can range from provocation workshops to implementing organization-wide innovation processes.

KEY THEMES

Future of Global Business

The rapid development of a globalized, intensely interconnected world has powerful implications, including emerging competitive challenges and massive new opportunities.

Future of Technology

The manifold dimensions of emerging technologies – informational, biological, structural, and more – will be central to our future. Technology landscapes and other tools provide deep insights into the strategic implications of specific technologies.

Future of Media

In an economy based on the flow of information and ideas, media is the convergent space in which almost all industries become participants. The nexus of "mainstream" and new media will see immense value created... and lost.

Future of Financial Services

Money is information. Financial services are being rapidly transformed by new possibilities, new entrants are coming to play, and established institutions must play to their strengths.

CONTACT US

Future Exploration Network

Level 14, 309 Kent Street
Sydney NSW 2000 Australia

Sydney: +612 9994 8011
San Francisco: +1(415) 315 9566
London: +44(0)20 8133 3638
Email: fen@futureexploration.net



www.futureexploration.net