:: **FUTURE OF MEDIA** REPORT ::

JULY 2007

FUTURE
EXPLORATION
NETWORK

Introduction

The adaptability of the human race never ceases to amaze me. We take entirely for granted tools such as the graphic web browser, which did not exist 14 scant years ago. Those who not long ago were vowing never to buy a mobile phone are now watching videos as they wander about. We will soon have to explain CDs and DVDs to our children. Very soon after exciting new possibilities become available, we accept them as normal and forget life was ever any other way.

In the media industry today the pace of change is extraordinary, faster even than we can readily comprehend. A year is a very long time in an industry in which new distribution channels emerge all the time, the structure of the advertising industry can reshape itself over the course of months, and new participants continually emerge. Most importantly, we are seeing the boundaries of the media industry continue to blur as social media is taken up in the enterprise, blogs become mainstream, and we all become content creators.

Last year, in conjunction our inaugural Future of Media Summit held simultaneously in Sydney and San Francisco, we produced the Future of Media Report 2006. It certainly succeeded in its objective of sparking debate and discussion on the future of media, with over 70,000 downloads, commentary generated in seven languages from over 20 countries, and use of our content in magazines across three continents and in at least one government submission on the future of media.

This year we have brought together entirely new content for our Future of Media Report, again to provide a starting point for discussion at the Future of Media Summit, and to offer value to the broader media community who are not able to attend the physical event.

Over the last year we have worked with a variety of large media organizations on several continents to help them think about the long-term future of the media industry. Scenario planning, technology landscapes, customized strategic frameworks, and other tools have provided insights into their critical strategic decisions. A report of this nature can only offer very high-level perspectives on the incredibly rich and varied media landscape. We hope we can explore these ideas with you in greater detail.

Ross Dawson

Chairman
Future Exploration Network

PARTNERS: FUTURE OF MEDIA SUMMIT 2007

AFA ADVERTISING FEDERATION OF AUSTRALIA

AIMIA AUSTRALIAN INTERACTIVE MEDIA INDUSTRY ASSOCIATION

pria Public Relations Institute of Australia New South Wales

ANZA TECHNOLOGY NETWORK

mfa media federation of australia

AEEMA

POLYCOM TOGETHER, GREAT THINGS HAPPEN.

media connect

australian anthill

networx events

CNET NETWORKS AUSTRALIA

Nielsen//NetRatings

DIGITALMEDIA

B&T

BUSINESS DEVELOPMENT INSTITUTE

Colabria

STANFORD AUSTRALIA ASSOCIATION

smartcompany.com.au Australia's online magazine for entrepreneurs & SMEs

Australian Businesswomen's NETWORK

connect MARKETING PROFESSIONALS

DSBN DYNAMIC SMALL BUSINESS NETWORK

flyingsolo LOVING YOUR OWN COMPANY

Silver Sponsor

clear blue day

" 54% of all Japanese and 84% of teenage girls access the Internet on mobile phones at least once a week. "
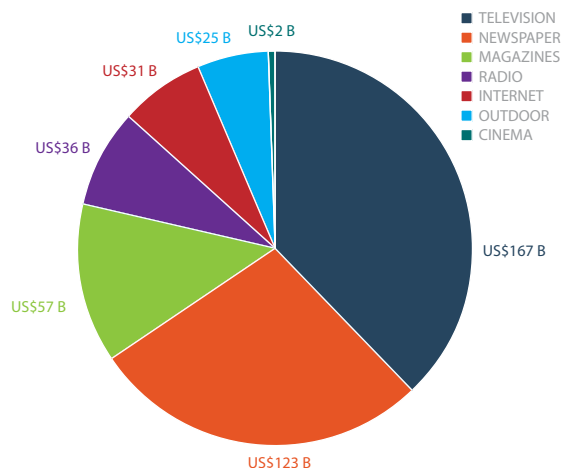
Video Research Institute

Eight Developments in Media: July 06 - June 07

DEVELOPMENTS	EXAMPLES
INDUSTRY TRANSACTIONS	News Corp offers $5 billion for the Dow Jones, including the Wall Street Journal (finalized July 2007). Sam Zell buys Tribune for $8.2 billion. Clear Channel goes private in a $26.7 billion deal with a private equity consortium. A sharp rise in private equity media acquisitions, including CVC buying 50% and then a further 25% of PBL Media. XM and Sirius announce largest radio satellite merger in history (subject to FCC approval).
MAJOR ACQUISITIONS BY TECH COMPANIES	Microsoft acquires aQuantive for $6 billion and TellMe Networks (est. $800 million). Google buys Doubleclick for $3.1 billion and YouTube for $1.6 billion.
LAYOFFS AND CLOSURES	There are 4,391 media layoffs in the US in first quarter of 2007 are, up 93% on the same period in 2006. AOL Time Warner sacks 5000 staff. San Francisco Chronicle announces plans to cut 25% of its newsroom staff.
USER GENERATED CONTENT	The majority of the 7 billion online videos streamed each month are user generated. An unauthorised video of Saddam Hussein's execution filmed on a mobile phone is broadcast around the world. 120,000 new blogs are created per day and Technorati tracks 70 million blogs.
NEW CHANNELS AND DISTRIBUTION	France 24 and Al-Jazeera English launch global TV news channels. Joost signs deal with Viacom to distribute TV shows online. ABC, CBS, NBC and FOX provide full length shows online. BBC iPlayer for streamed content approved for July release.
ADVERTISING	Google pays News Corp a minimum of $900 million until 2010 to provides ads on MySpace and other Fox Interactive Media properties. Revenue of US marketing-communications agencies rises 8.8% in 2006. ITV offers viewers 'mobile coupons' linked to advertisements.
INTELLECTUAL PROPERTY	A review of British copyright law concludes that copyright should not be extended from 50 to 95 years. EMI drops digital rights management (DRM) on some of its online music sales. Viacom sues Google for $1 billion for copyright infringement by YouTube.
CENSORSHIP	The US army bans MySpace and YouTube and restricts blogging. Hugo Chavez does not renew the license of the popular Radio Caracas TV. The Chinese version of MySpace, launched April 2007, filters "inappropriate content".

FUTURE EXPL RATI N NETW RK

Global Advertising Spending

GLOBAL ADVERTISING SPENDING

2007 (US$ Billion)

US$2 B
US$25 B
US$31 B
US$36 B
US$57 B
US$167 B
US$123 B

- TELEVISION
- NEWSPAPER
- MAGAZINES
- RADIO
- INTERNET
- OUTDOOR
- CINEMA

Total global advertising spending 2007: US$446 Billion

Source: Zenith Optimedia

Annual growth in advertising at over 5% in real terms significantly exceeds GDP growth. Television, newspapers, and magazines still dominate global advertising spending. However advertising patterns are rapidly shifting as non-targeted media such as broadcast TV and newspapers lose market share and pricing power, and new media channels increase their share.

QUARTERLY ONLINE ADVERTISING – US

US$ BILLION

1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007
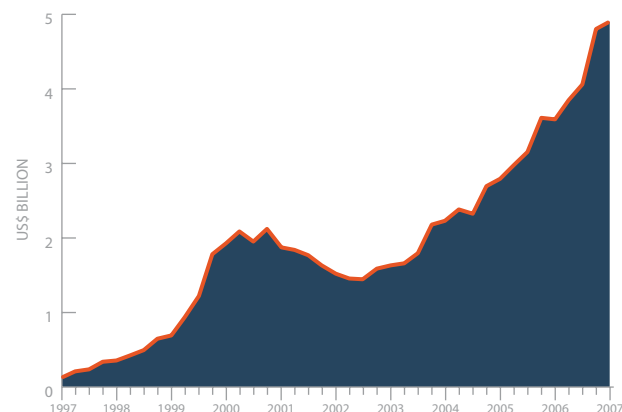
Source: Interactive Advertising Bureau

The pace of growth in online advertising has increased over the last year, leaving the dot-com bust a fading memory. Whether the current growth pace continues or moderates, the balance of advertising money and attention provides the focus of shifts in the advertising landscape.

FRAGMENTATION – US TELEVISION

- WEEKLY SET USAGE (HRS)
- TIME PER CHANNEL (HRS)

WEEKLY SET USAGE (HRS)

TIME PER CHANNEL (HRS)

2.9 1950 | 2.9 1960 | 2.9 1970 | 2.9 1980 | 2.9 1990 | 2.9 2000 | 2.9 2005

NO. CHANNELS AVAILABLE / YEAR
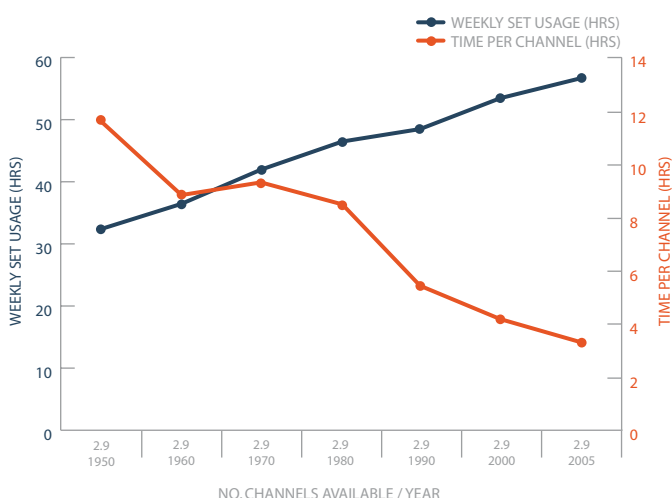
Source: Media Dynamics and Bear Stearns

One of the dominant aspects of change in the media industry over the last decades – and today – is fragmentation of media channels. Television provides an excellent example, where despite an almost doubling of time spent watching TV since 1950, the proliferation of channels has resulted in rapidly decreasing time spent viewing per channel. As new media channels emerge at a faster pace, even as overall media markets grow, mass media finds its share decreasing in both absolute and relative terms.

"In 1995 there were 225 shows across British television that delivered audiences of more than 15 million. By 2005 there were none."
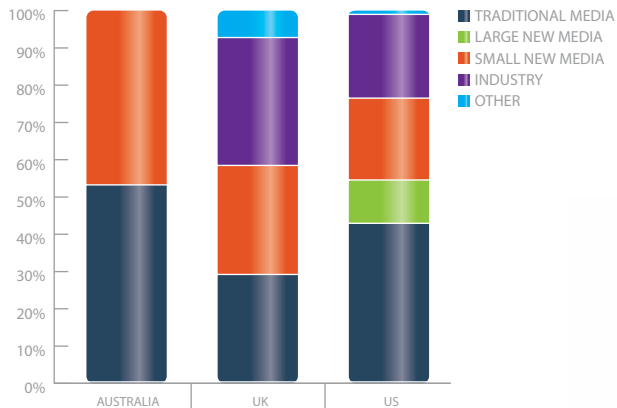
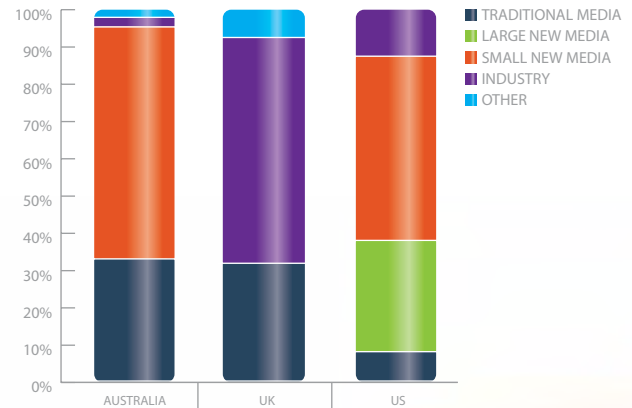***Michael Grade, BBC Chairman***

Shifting Advertising Channels

INTERNATIONAL COMPARISON OF OWNERSHIP
Online Job Classifieds

Legend:
- TRADITIONAL MEDIA
- LARGE NEW MEDIA
- SMALL NEW MEDIA
- INDUSTRY
- OTHER

INTERNATIONAL COMPARISON OF OWNERSHIP
Online Real Estate Classifieds

Legend:
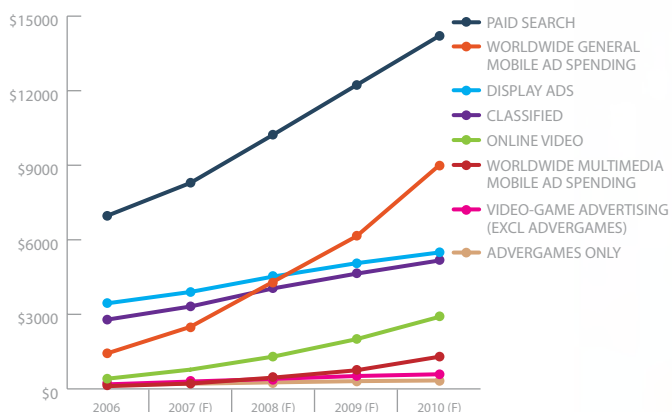- TRADITIONAL MEDIA
- LARGE NEW MEDIA
- SMALL NEW MEDIA
- INDUSTRY
- OTHER

Source: Alexa and Future Exploration Network

One of the most important issues for existing media organizations is how the classifieds market changes as it shifts online, and whether they can successfully link online classifieds to their news and media properties.

Australia's traditional media organizations such as News Corp and Fairfax have done better than their peers in the US and UK at maintaining market share in the classifieds market as it shifts to online, primarily through establishing their own online properties and building them in conjunction with their popular news websites. The far larger US classifieds market tends to be more fragmented. In the US and UK newspapers have had success by establishing consortia with competitors, and building sites such as careerbuilder.com and fish4.co.uk. New media start-ups such as Seek in Australia, realtor.com in the US, and jobsite.co.uk have successfully taken solid market share. Interestingly, large online media companies such as Google, Yahoo!, eBay, and Amazon are far from dominant in online classifieds globally, with the only significant presence from Yahoo! in the US with its hotjobs and realestate sites. eBay has had to resort to buying Rent.com to have a presence in the field. Industry players have proven themselves to be at times highly effective at leveraging their industry expertise and presence, with TMP Worldwide doing well from it Monster.com site in the US and UK. Rightmove PLC, the dominant player in real estate classifieds in the UK, was established by three real estate agency chains, while real estate agencies RE/Max and Century 21 have a reasonable presence in the US online real estate classifieds market.

GROWTH IN DIGITAL ADVERTISING
US$ Million

Legend:
- PAID SEARCH
- WORLDWIDE GENERAL MOBILE AD SPENDING
- DISPLAY ADS
- CLASSIFIED
- ONLINE VIDEO
- WORLDWIDE MULTIMEDIA MOBILE AD SPENDING
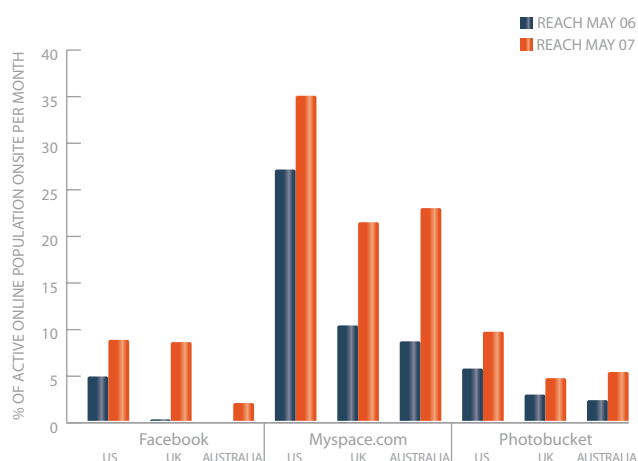- VIDEO-GAME ADVERTISING (EXCL ADVERGAMES)
- ADVERGAMES ONLY

The fastest growing and largest segments of digital advertising over the next few years are forecast to be paid search, mobile, and video. However the pace of growth is expected to be solid across the board. Expect new segments of digital advertising to emerge, including personalized outdoor and in-building advertising, and advertising in virtual worlds. The domain of digital advertising will continue to expand. For example newspapers delivered on e-paper will be a new forum for digital, personalized advertisements.

Source: eMarketer

FUTURE EXPLORATION NETWORK

"200 000 new cellphone accounts are opened in China each day."
BDA Limited

Fastest Growing Online Properties
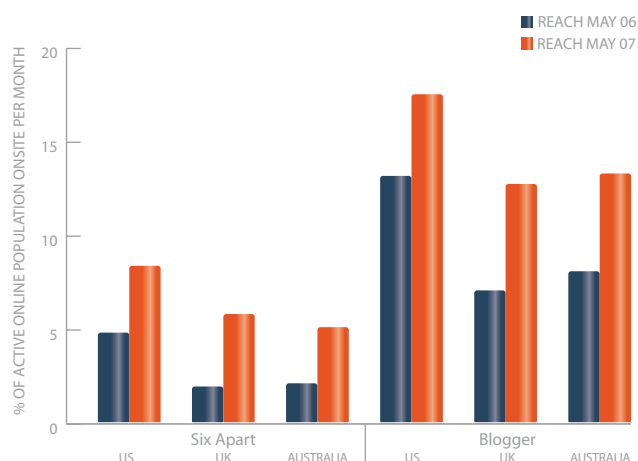
SOCIAL NETWORKS

% of active online population onsite per month

The US leads in usage of all leading social networks. The pace of growth in UK and Australia is extremely high, however they still significantly lag the US in terms of breadth of usage. MySpace is the incumbent globally in terms of market presence. Facebook began as a US college-only social network, however since opening to other users has had strong international as well as domestic uptake. Opening up the Facebook platform to third-party developers in May 2007 has contributed to phenomenal global growth as consumers integrate increasingly more interactive tools.

BLOGGING PLATFORMS

% of active online population onsite per month

Blogging platforms – with Blogger.com and SixApart.com the dominant players – show similar patterns in international usage to social networks, with strong growth in the UK and Australia as they catch up with the US lead in blogging.

SOCIAL MEDIA

% of active online population onsite per month
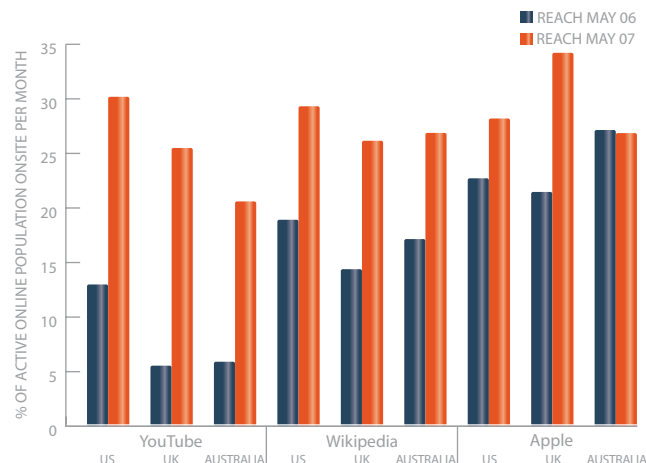
YouTube has established itself as one of the most popular online sites globally, with very strong growth in the US to 30% of the online population accessing YouTube each month. The pace of growth in this type of US site in non-US markets has been so rapid that the total pages being consumed is starting to skew towards international rather than domestic content. The announcement in June of nine country-specific versions of YouTube will fragment some of this traffic. Wikipedia is consistently highly used across countries, while Apple's UK website has greater market share than its US website, due to the relative lack of alternative music download sites.

"Fox's American Idol earns an average of $745,000 per 30 second commercial, while CBS's 60 minutes gets $109,000 for the same spot."
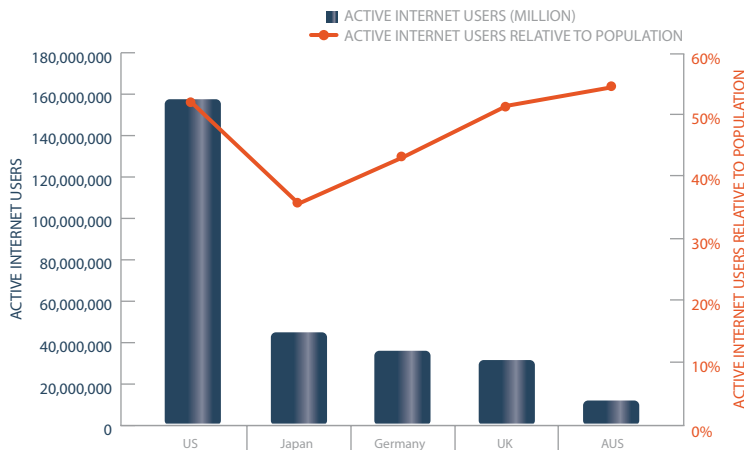
Forbes

Internet Access Across Countries

ACTIVE INTERNET USERS

March 2007

- ACTIVE INTERNET USERS (MILLION)
- ACTIVE INTERNET USERS RELATIVE TO POPULATION

The US retains the largest active Internet user population in absolute terms. Australia and US lead in terms of the proportion of the population who are active Internet users, while Japan lags in Internet participation through PCs.

HOME CONNECTION SPEEDS

January 2007

- AVERAGE HOME USER CONNECTION SPEED (kbps)
- HOME USERS ACCESSING INTERNET VIA BROADBAND
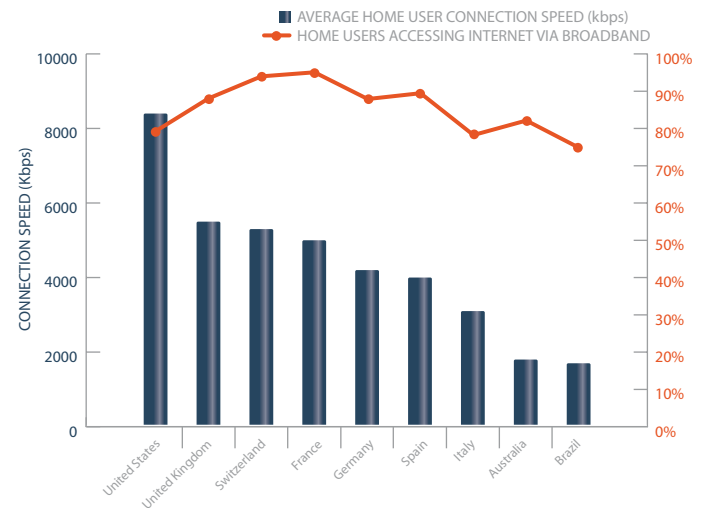
Across the surveyed countries, there are comparable rates of broadband access, with in all cases uptake of 75% or higher. However the average speeds available to consumers vary widely, with the US standing out and strong average speeds amongst Northern European markets. The average Internet user in Australia connects at significantly lower speeds, stimulating increasing pressure on government and industry to improve Australian infrastructure.

ONLINE USAGE AND CONNECTIVITY

Time spent on PCs relative to connection speed
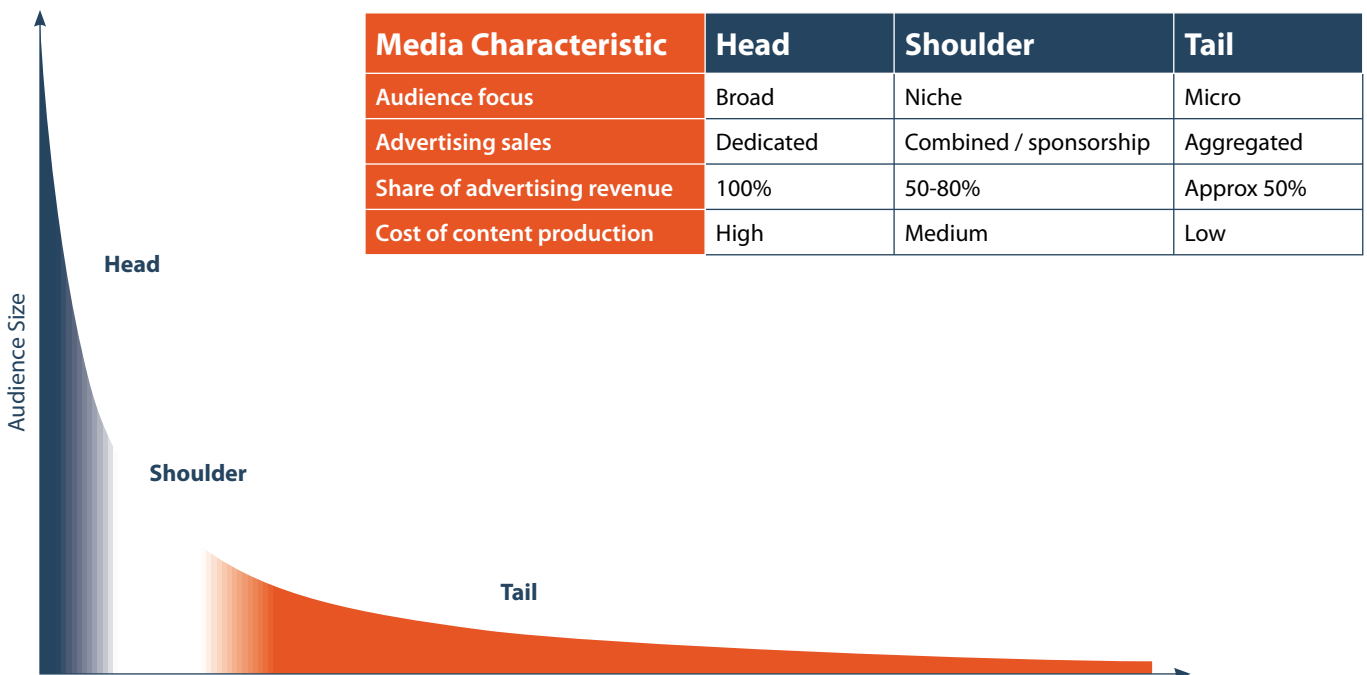

- AUSTRALIA
- GERMANY
- UK
- US
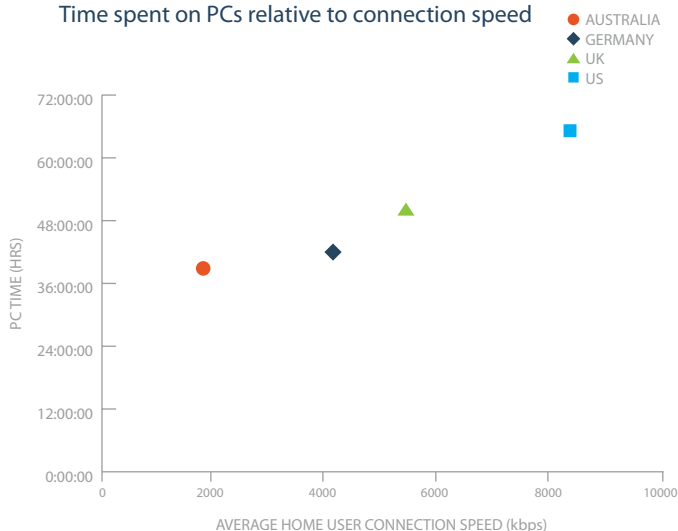
There is a clear correlation between bandwidth available and the time spent on PCs. Lower time spent online in turn relates to browsing behaviors and the types of online activities users engage in.
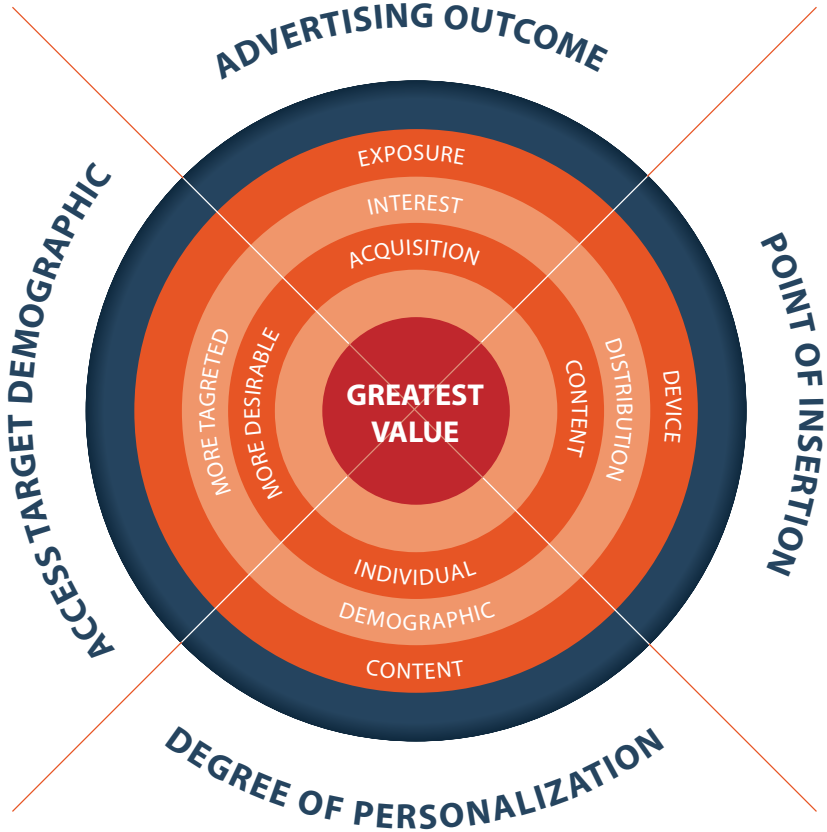
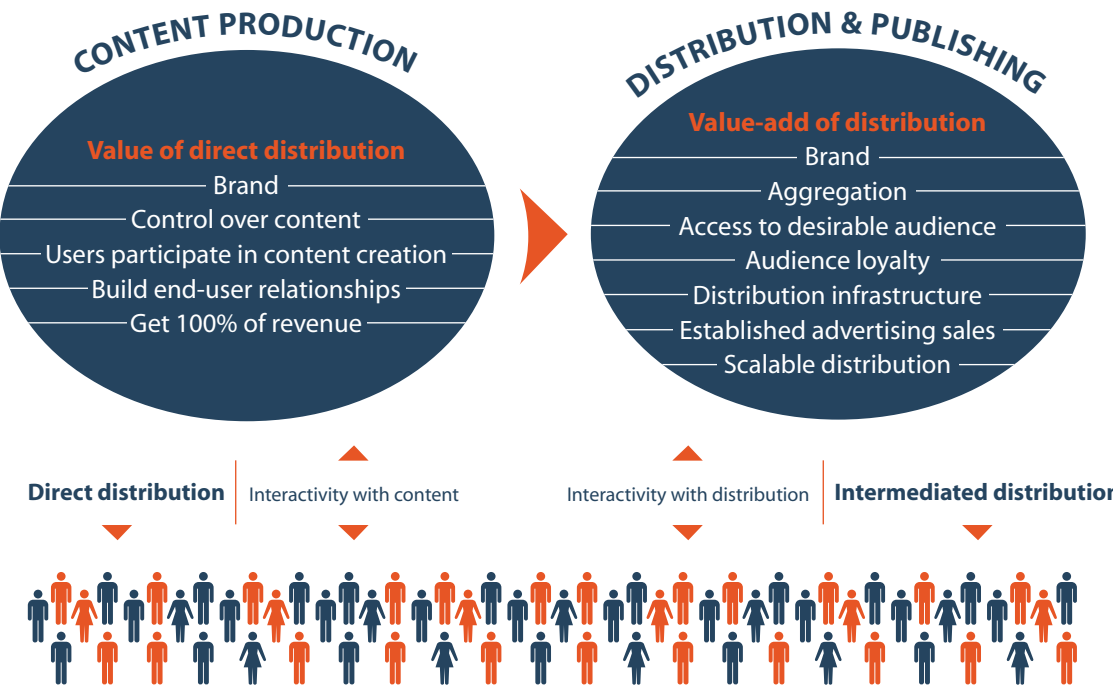*Original research data on pages 6 & 7 provided by*
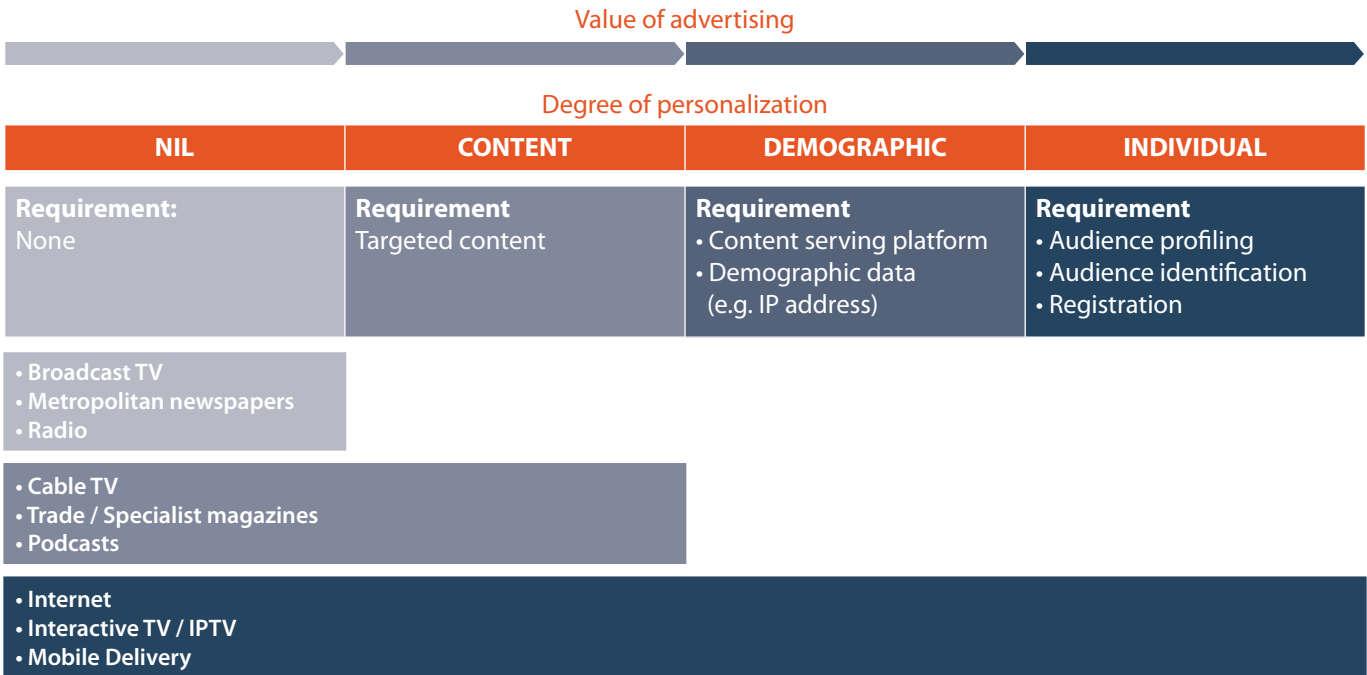
Nielsen//NetRatings

FUTURE EXPLORATION NETWORK

SCALING OF BUSINESS MODELS

Media Characteristic	Head	Shoulder	Tail
Audience focus	Broad	Niche	Micro
Advertising sales	Dedicated	Combined / sponsorship	Aggregated
Share of advertising revenue	100%	50-80%	Approx 50%
Cost of content production	High	Medium	Low

Audience Size

Head

Shoulder

Tail

DRIVERS OF VALUE OF ADVERTISING

ADVERTISING OUTCOME

ACCESS TARGET DEMOGRAPHIC

POINT OF INSERTION

DEGREE OF PERSONALIZATION

EXPOSURE
INTEREST
ACQUISITION

MORE TARGETED
MORE DESIRABLE

DISTRIBUTION
CONTENT
DEVICE

GREATEST VALUE

INDIVIDUAL
DEMOGRAPHIC
CONTENT

KEY ELEMENTS OF MEDIA BUSINESS MODELS

SCALABILITY

VALUE OF ADVERTISING

VALUE OF DISTRIBUTION

PERSONALIZATION

VALUE IN CONTENT PRODUCTION AND DISTRIBUTION

CONTENT PRODUCTION

Value of direct distribution
Brand
Control over content
Users participate in content creation
Build end-user relationships
Get 100% of revenue

DISTRIBUTION & PUBLISHING

Value-add of distribution
Brand
Aggregation
Access to desirable audience
Audience loyalty
Distribution infrastructure
Established advertising sales
Scalable distribution

Direct distribution | Interactivity with content | Interactivity with distribution | **Intermediated distribution**

MEDIA PERSONALIZATION

Value of advertising

Degree of personalization

NIL	CONTENT	DEMOGRAPHIC	INDIVIDUAL
Requirement: None	**Requirement** Targeted content	**Requirement** • Content serving platform • Demographic data (e.g. IP address)	**Requirement** • Audience profiling • Audience identification • Registration
• Broadcast TV • Metropolitan newspapers • Radio			
• Cable TV • Trade / Specialist magazines • Podcasts			
• Internet • Interactive TV / IPTV • Mobile Delivery			

Key Elements of Media Business Models: Explanation
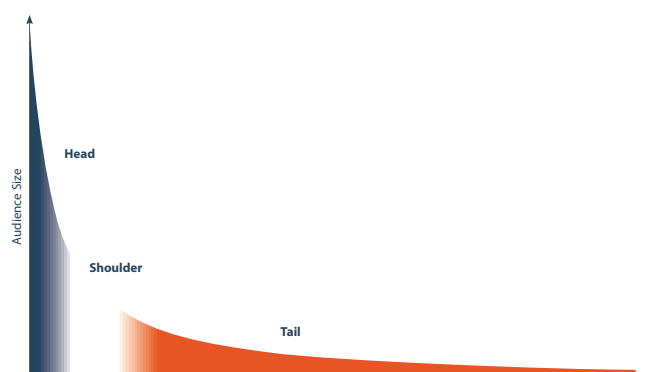
| Media Characteristic	Head	Shoulder	Tail
Audience focus	Broad	Niche	Micro
Advertising sales	Dedicated	Combined / sponsorship	Aggregated
Share of advertising revenue	100%	50-80%	Approx 50%
Cost of content production	High	Medium	Low

SCALING OF BUSINESS MODELS

The emergence of the long tail has created a complete spectrum of media of different scales, from the mass media at the "head" of the curve, through mid-sized professional publishing at the "shoulder", and on to an extended "tail" of micro-media outlets, each with small audiences. Media have significantly different characteristics along the curve, leading to a variety of business models and approaches to scaling businesses. Characteristics that differ include:

Audience focus. Mass media only accesses broad audiences, whereas further down the tail highly selective niche audiences, by geography or interest, can be garnered.

Advertising models. At different levels of scale, dedicated, aggregated, or combined advertising sales models are appropriate. Associated with these models are different shares of total advertising revenue.

Cost of content creation. Mass media is associated with high production values, which means content creation remains expensive. Production costs are rapidly reducing, but the premium placed on creative talent means that costs will remain high. However production costs for most other forms of content has become very low. This is primarily associated with labor rather than technology costs, which can be low due to lifestyle advantages for content creators.

What underpins this framework is that there is no right or wrong place to be on the curve, simply that advertising or other revenue models and content creation mechanisms need to be aligned with the audience. As the other frameworks show, attracting niche audiences can result in stronger revenue relative to costs. A "multi-niche" model which is effectively monetized can be more effective than traditional mass media approaches, by allowing sharing of overheads and sales efforts across media properties, and gaining more value from highly targeted audiences. Scaling costs and overheads and extracting premium revenue is as viable a strategy as increasing audience size.
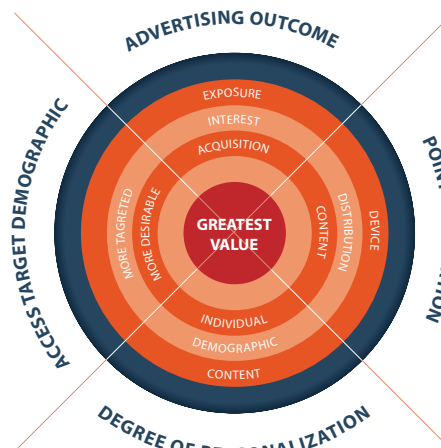
DRIVERS OF VALUE OF ADVERTISING

There will always be a role for paid content, through subscriptions, pay-per-view, and other mechanisms. However the broad trend is that content creation is increasingly supported by advertising. This is becoming more viable as differentiation emerges in the value and pricing of advertising. Advertising in mass media is priced largely by audience size. There are four additional key drivers of the value of advertising. As the ability to refine these drivers increases, substantial revenues will become possible, even from relatively small audiences.

Key drivers of the value of advertising are:

Advertising outcome: The original concept of advertising was exposing an audience to messages. However advertising can now be linked directly to the audience taking action through expressing interest or making buying decisions.

Access target demographic: Accessing generic demographics that are highly desirable such as CEOs increases value for most advertisers. However some advertisers are looking to access very specific profiles. As it becomes possible to target these niches, advertising value increases.

Point of insertion: Advertising used to be inserted solely in distribution channels: for example in newspapers or between TV programs. A multiplicity of new approaches to inserting advertising are emerging, including on the end-user device such as the mobile phone, or inside content itself, as in for example product placement or "advergames".

Personalization: Personalization is one of the strongest drivers of advertising value. This is covered in more detail in the Media Personalization framework.

*"Changes in numbers of US media jobs in the year to March 2007: Radio UP 3,100,
TV broadcasting UP 2,900, Magazines UP 2,100, Newspapers DOWN 9,800."*

AdAge
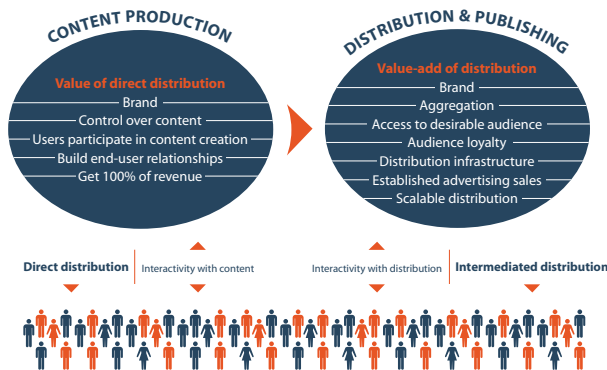
VALUE IN CONTENT PRODUCTION AND DISTRIBUTION

Digital channels have resulted in a dramatic fall in the cost of content distribution. This means that content creators (such as film producers, writers, or researchers) can readily distribute their content directly to their audience, if they so choose. There is substantial incremental value to content producers in direct distribution, including control over content, building end-user relationships, and not having to share revenue. As user-generated content grows as a factor, a significant issue is the ability to have users engage directly in the content creation process.

However there remains real value in the distribution process. Distributors such as broadcasters, publishers, and agents will continue to play an important role in the media landscape, as long as they can effectively establish and build distinctive value-add, including brand, aggregation, scalable infrastructure, and the ability to attract desirable audiences.

The landscape of value creation in content production and distribution will continue to evolve, leading to ongoing strategic choices for content producers and distributors in the partners they choose to work with.

"ROI (Return on Investment) of General Motors' Fast Lane blog in the first year: 99%."

Forrester Research

MEDIA PERSONALIZATION

Personalization is a large part of the future of media. Yet to enable personalization of content and advertising, there are multiple requirements including compiling data about audience members, and content serving platforms that allow content and ads to be altered on the fly depending on the viewer. There are four levels to personalization of content and advertising, each of which leads to increased value.

Nil. Most content and advertising is not personalized. It is not currently possible to personalize content on mass distribution channels such as broadcast television and newspapers.

Content. Personalization is possible by being associated with audience-specific content. Trade magazines or targeted cable TV channels, for example, attract particular audiences, effectively enabling personalized advertising.

Demographic. Advertising and content can be personalized for a particular demographic, such as gender, age, or location. This requires being able to match viewers with a profile, which can be generated for example by cookies or Internet Protocol address.

Individual. Personalization for the individual requires both audience profiles, possibly generated through a registration process, and the ability to identify audience members individually. Online and mobile content delivery or interactive TV are channels that enable individual personalization. Yahoo!'s recently launched SmartAds initiative is primarily about individual-level personalization.
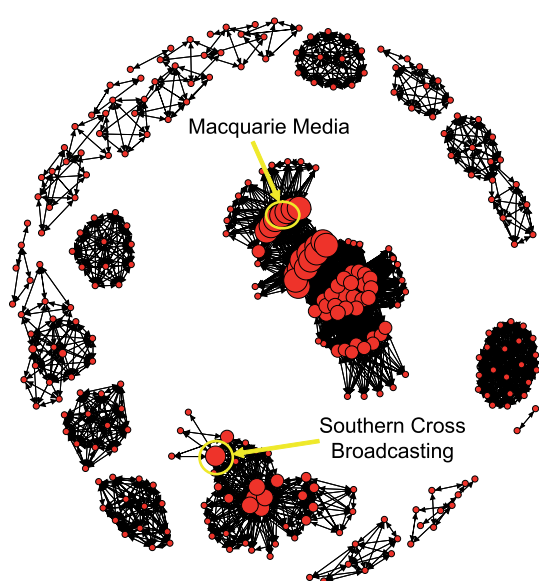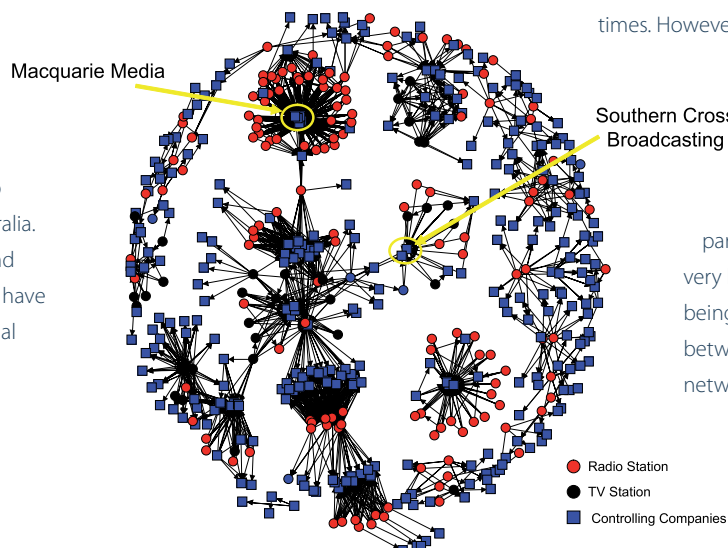
It is important to note that, even if the distribution channel being used enables higher levels of personalization, there are a range of other requirements for personalization. These are often still not fulfilled.
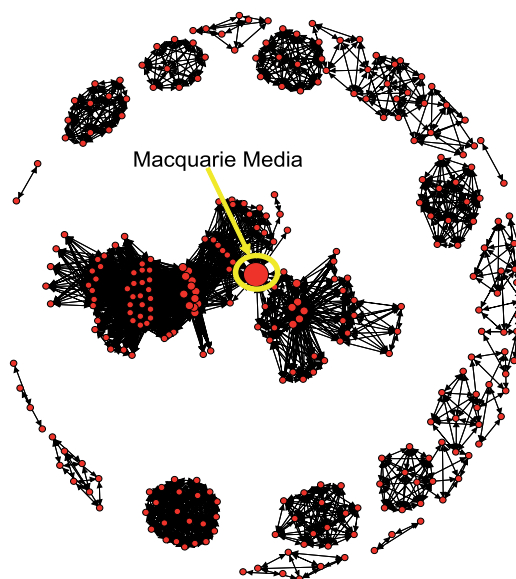
Media Industry Network Analysis

Network Analysis is a powerful tool for analyzing industry structure and developing effective strategies for ownership and positioning. It is particularly relevant in the highly complex and deeply connected media industry. In the following example, Network Analysis is applied to examine the acquisition of Australia's Southern Cross Broadcasting by Macquarie Media Group in early July 2007.

The network map to the right provides a representation of radio and TV license ownership in Australia. It shows that Macquarie Media and associated Macquarie companies have shared ownership of many regional radio stations.

The network shows the existence of ownership "syndicates", where several ownership entities band together to jointly own multiple media licenses. Network theory identifies two advantageous positions to occupy within a network. Like in ancient times, being located in the center of a large city was advantageous in stable times. However, in times of growth, being located at the cross roads of major trading routes was highly beneficial. Networks are no different. Being centrally connected, in this case by part-owning many licenses, can be very beneficial. But in times of instability, being in a position to bridge or broker between disconnected elements of the network can be highly advantageous.

Macquarie Media

Southern Cross Broadcasting

● Radio Station
● TV Station
■ Controlling Companies

**Industry network
Pre-takeover**

Macquarie Media

Southern Cross Broadcasting

**Network betweenness
Pre-takeover**

Macquarie Media

**Network betweenness
Post-takeover**

In the two maps above, the size of the companies reflects their "betweenness" i.e. the degree to which they bridge or broker connections between other companies. The pre-takeover map shows that the ownership network is quite fragmented. However Macquarie Media is part of the largest cluster, which contains three other significant ownership syndicates. Southern Cross Broadcasting is in the next largest cluster, which contains two significant ownership syndicates. The members of the largest ownership syndicates have similar bridging or brokerage power to Macquarie Media and Southern Cross Broadcasting.

The post takeover map shows that Macquarie Media has significantly increased its brokerage power over other companies by becoming the bridge between the two largest clusters, which were previously disconnected. Macquarie is now ideally placed to negotiate ownership deals with all the major existing ownership syndicates.

Network analysis and commentary: Laurie Lock Lee, Optimice Pty Ltd

Media Transactions

Media transactions over US$1 Billion

1993 - 2007

Acquirer	Target	US$ Billion	Year
Elsevier	Reed International	9.6	1993
Viacom	Paramount	8.3	
Viacom	Blockbuster	4.9	
Rogers	Maclean Hunter	2.6	1994
Cox	Times Mirror Cable	2.3	
Reed Elsevier	Mead Data	1.5	
Disney	Capital Cities/ABC	19	1995
Time Warner	Turner	8.5	
Seagram	MCA	5.7	
Westinghouse	CBS	5.4	
Gannett	Multimedia	2.3	
Granada	Forte Group	5.58	1996
CBS	Infinity	4.9	
Capstar	SFX Broadcasting	2.1	1997
Chancellor	Evergreen	1.5	
Belo	Providence Journal	1.5	
Microsoft	Comcast	1	
Seagram	Polygram	15	1998
Clear	Jacor	6.5	
AOL	Netscape	4.2	
Chancellor	Capstar	4.1	
Reed-Elsevier	Matthew Bender & Shepard's	1.65	
Bertelsmann	Random House	1.3	
Viacom	CBS	38	1999
Clear	AMFM	23	
CBS	Outdoor Systems	6.5	
Yahoo	broadcast.com	5.7	
Yahoo	Geocities	5	
VNU	Nielsen	2.7	
Quebecor Printing	World Color Press	2.7	
CBS	King World	2.5	
AOL	Time Warner	166	2000
Vivendi	Seagram	34	
Telefonica	Lycos	12.5	
Tribune	Times Mirror	6.5	
Comcast	Lenfest	6.3	
Telefonica	Endemol	5.3	
Clear	SFX Entertainment	4.4	
Granada	United News and Media	2.63	
CanWest Global	Hollinger Internationalt	2.35	
Univision	USA Networks	1.1	
Thomson	Harcourt General	4.5	2001
Forstmann Little	Citadel	2	
Univision	Hispanic Broadcasting	3.5	2002
Thomas H Lee consortium	Vivendi (Houghton Mifflin)	1.66	
News	Hughes Electronics	6.6	2003
Thomas H Lee consortium	Times Warner (Warner Music)	2.6	
Yahoo	Overture	1.6	
Cinven and Candover	BertelsmannSpringer	1.2	
Kohlberg Kravis Roberts	DirecTV (PanAmSat)	4.3	2004
Vivendi	NBC	3.4	
Macquarie Communications	ntl	2.35	
Taylor & Francis	Informa	2.05	
SBC Communications	AT&T	16	2005
Axel Springer	ProSiebenSat	4.38	
Donnelley	Dex	4.2	
Yellow Pages	Bain (Advertising Directory)	3.11	
IAC/InterActiveCorp	Ask Jeeves	1.9	
Viacom	DreamWorks	1.6	
Lee Enterprises	Pulitzer	1.46	
T&F Informa	IIR	1.4	
Cumulus Media	Susquehanna Pfaltzgraff	1.2	
Macquarie Media	Taiwan Broadband Comms	1.19	
Google	AOL	1	
AT&T	Bellsouth	67	2006
Lee and Bain consortium	Clear	18.7	
Texas Pacific and Apollo	Harrah's Entertainment	16.7	
Softbank	Vodafone Japan	15.4	
News	Liberty Media	11	
Disney	Pixar	7.4	
McClatchy	Knight Ridder	4.5	
Bertelsmann	GBL (Bertelsmann stake)	3.56	
Riverdeep	Houghton Mifflin	3.36	
John Fairfax	Rural Press	2.9	
Disney	Citadel	2.7	
NTL	Virgin Mobile Holdings	1.67	
Google	Youtube	1.65	
Publicis	Digitas	1.3	
Wiley	Blackwell	1.09	
Cinemark	Century Theatres	1.04	
Ontario Teachers' Pension Plan/ Providence Equity Partners	Bell Canada	48.8	2007
Bain Capital Partners/ Thomas H. Lee Partners	Clear Channel	26.7	
Sam Zell	Tribune	8.2	
Apax and Omers Capital	Thomson Learning Higher Education	7.75	
Microsoft	aQuantive	6	
News	Dow Jones	5	
Terra Firma	EMI	4.6	
CVC	PBL Media	3.7	
Mediaset, John de Mol and Goldman Sachs	Endemol	3.56	
Google	DoubleClick	3.1	
CanWest and Goldman Sachs	Alliance Atlantis	1.96	
RCS	Recoletos Grupo de Comunicaciòn	1.43	
Candover	Parques Reunidos	1.2	

2007 DATA FIRST HALF ONLY
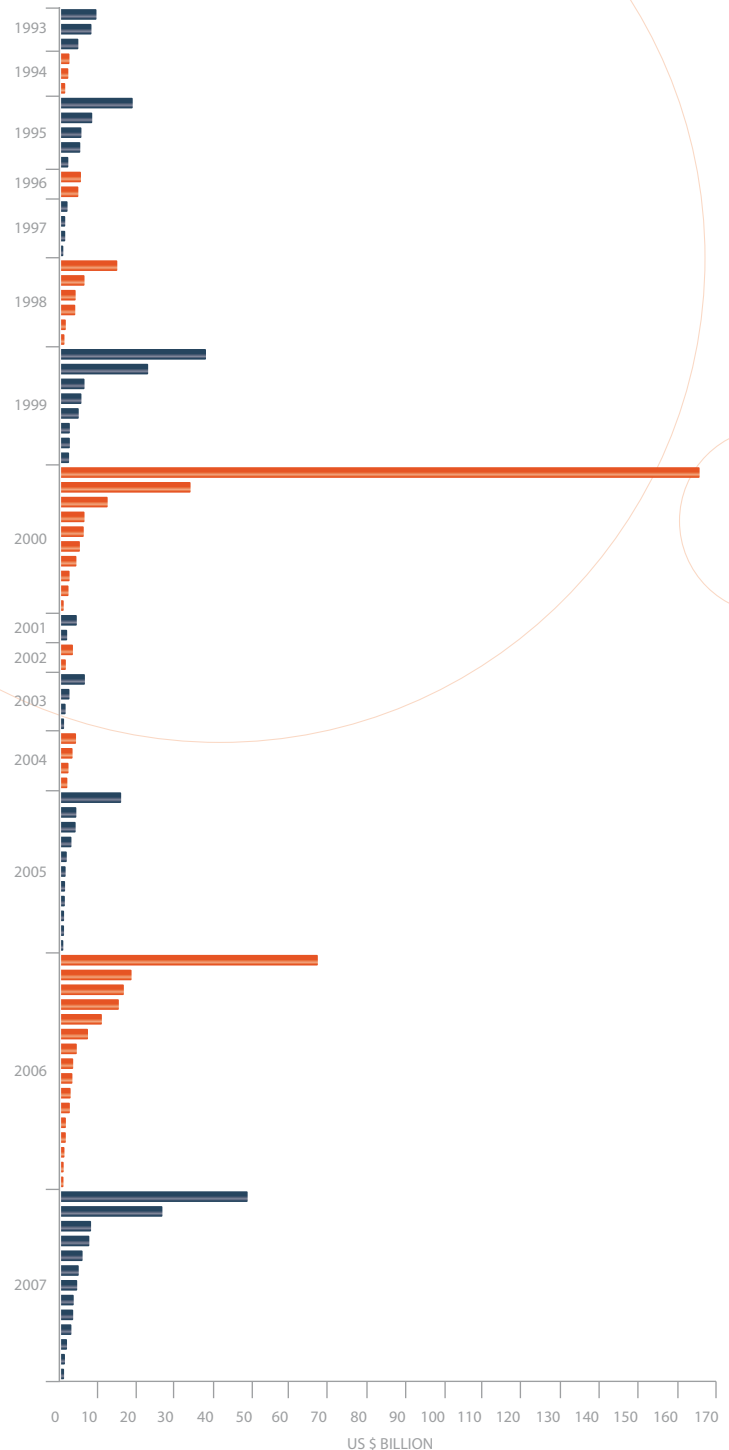
US $ BILLION

Source: Future Exploration Network

Examining media mergers and acquisitions of at least US$1 billion over the last 15 years shows two key features. The first is the sharp rise in activity in 1999-2000, highlighted by the massive US$166 billion AOL/ Time Warner merger, which still dwarfs any other transactions in the media sector, followed by a spectacular slump in activity in the following three years. The second is the rapid rise in activity in 2006-2007, with almost half of 2007 still to go. Both the size and number of transactions over the last 18 months exceeds almost any other time over the last 15 years, with activity focused on private equity acquisitions and trade sales. The question is how long this boom will last.

FUTURE EXPLORATION NETWORK

"The average US home has more TVs (2.73) than people (2.55)."
Nielsen Media Research

March 24, 2007

Dreaming of new business models for content – may the best one win!

Last night I had a fascinating dream. In some off-street parlour people were being offered a fantastic immersive experience. They could step into a world that would be tailored to them in every way, catering to their interests and tastes, creating what for them would be the most entertaining experience imaginable. And it was entirely free! However the producers inserted advertisements into the experience, which you could choose to skip for a payment. What actually happened was that people were so entranced by the experience that they continually skipped the ads, distraught by the idea of being taken away from their entertainment. As such you regularly had people racking up bills of over a million dollars. I, as many others, was sure I had the fortitude and self-discipline to be able to handle the ads and time away from my entertainment, so I could experience this wonderful entertainment for free. Yet I was aware many who thought they could do it ended up paying fortunes to skip the ads. I entered the immersive experience, and found that I could direct my character how I wanted, interacting in an amazing world. I recall thinking that the personalization of the entertainment left something to be desired, and that it needed more development, but it was certainly a fabulous experience. By the time the ads arrived the dream had taken another turn into the fantastic, so I wasn't able to test my resolve.

When I woke I thought immediately of the extraordinary book Infinite Jest by David Foster Wallace. In the book, a film titled Infinite Jest is so entrancing that anyone who sees it watches it in continual loop until they die in ecstasy. Some saw off their fingers in order to see it again. It is difficult for content creators today to make content as compelling as Infinite Jest. But perhaps they should be aspiring to do so.

My dream sparked off many thoughts about content business models, including the evident one of replicating the model in the dream – getting people to pay to skip ads. If you extend this far enough, you get to a model where you can price advertising by how much people are prepared to pay to skip it. Consumers should be able choose how they pay for content – by payment or attention. Ultimately we should be able to move to dynamic content markets, where there is a different cost depending on whose attention you are capturing, and the context in which it is embedded. Perhaps people will pay a lot of money not to have an ad inserted in the middle of a chase scene in a movie, but they will even be prepared to pay to see the ads during the break in the Super Bowl.

Over the last few days there has been substantial discussion on newspaper and print business models. David Lazarus of the San Francisco Chronicle made a staggering suggestion that the newspaper industry should collectively agree to charge for all online content, and that anti-trust legislation should provide an exemption to allow this. Dan Gillmor, among others, responded in detail. Immediately following this, Tim O'Reilly reported that there are rumors the Chronicle is in deep financial trouble. InfoWorld is said to be closing its print edition. Dave Winer and Doc Searls have some great ideas on what newspapers should be doing to build their online presence and content models.

I find some of this discussion amazing. People create content and try to make money from it. There are now a multiplicity of old and new ways to make money from content, and consumers (or participants) of content will consume the content they like if the price is right. If content creators can charge for their content, they probably will. If they can't, there is an advertising and referrals model (among others). We are in the middle of a phase of great experimentation of business models, and we don't know yet how different kinds of content will best be able to make money. The bottom line is that the best business model (associated with the best content) will win. The only possible other argument is one of public good, that is that journalists need to be supported because they create something of societal value. There is a case to be made (as David Lazarus was implicitly doing), but I refuse to believe that quality content cannot be supported by an industry on which people spent $1,350 billion dollars last year, and where the pace of growth in spending doubles the rest of the economy. There's fantastic money to be made out there, so I'm not interested in listening to whingers, only to those who are seeking to give people what they want. Because if you do, they will pay.

Posted by Ross Dawson at 5:12 PM

*Post from Trends in the Living Networks blog (www.rossdawsonblog.com)*

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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 American Express, CNET, Coca-Cola, Deutsche Telekom, IBM, KPMG, Macquarie Bank, Microsoft, Morgan Stanley, Toyota, Unilever, and Virgin.

Ross Dawson: Chairman
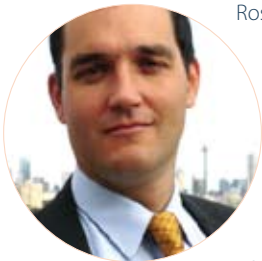
Ross Dawson is a globally recognized business strategist and authority on the future of technology and business, the best-selling author of *Living Networks* and *Developing Knowledge-Based Client Relationships*, and a frequent international keynote speaker. His work is regularly featured in leading print and broadcast media worldwide such as CNN, Bloomberg TV, Washington Post, Reuters, SkyNews, ABC TV, and Channel News Asia. Ross also writes 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 a regular writer for a variety of leading publications worldwide. His book *Future Files: A History of the Next 50 Years* will be launched in September 2007.

GLOBAL BEST-OF-BREED EXPERTISE

FEN complements its core resources by drawing as required on a broad network of global best-of-breed experts. This allows us to deliver unique, world-class services for projects of any scale.

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.

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Thought leadership content

FEN creates content for leading organizations that will reach and engage attention-poor senior executives and support key messages on technology and business trends. These can be delivered in a wide variety of content formats, including print, presentations, documents, audio, video, and flash, and delivered so they reach target audiences.

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Keynote speeches and executive workshops can be delivered by key FEN executives or other world-class presenters from our network to stimulate, provoke, entertain, and provide input into specific strategic decisions.

Presentations and workshops

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.

Look for other free publications by Future Exploration Network, including:

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- *Web 2.0 Framework*

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