

THE MEDIA LANDSCAPE

FROM SHOWTIME TO SCREEN TIME

OCTOBER 2018



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With the collaboration of Carmen Arroyo and Kimberly Lee

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Introduction

The media landscape is changing quite rapidly. Many users spend most of their waking hours online and consume more content than ever, which they can reach through a great variety of devices—often using more than one simultaneously. They can be entertained and informed in multiple ways. Media companies struggle to define their strategies; some integrate forward, trying to reach customers directly, while others focus on content and attempt to widen their audience by using as many distribution channels as possible.

We have tried to understand the situation of the industry through the eyes of the executives who manage the companies in the ecosystem. We interviewed 26 top executives from media companies, those people that “make it happen” in the industry. Some agreed to be cited by name, and we did so when authorized, while others preferred to remain anonymous, in which case we respected their wishes. When we cannot cite by name in this text, their quotes reference their role and the type of company they work for, such as “executive from a leading digital news portal.” In any case, the understanding of the industry reported in this paper stems directly from the ideas conveyed by these executives, explicitly cited or not, who volunteered their time for the interviews. We have complemented the executives’ views with data available from published sources and our own understanding, developed from working with media executives in the Media AMP program, the Digital Mindset focused program and a number of custom programs for media companies.

This document is organized into five sections: Audience, Content, Distribution, Business Models and Leadership. Although we have tried to maintain a separation between the different conceptual areas, some issues are necessarily shared and spread across two or three sections. **Exhibit 1** lists the executives and/or the organizations and industries we have interviewed.

In a number of instances in the text, for reasons of simplicity, we refer to the customer as “he,” making no implicit assumptions about the gender of the subject unless it is obvious by the context.

MEDIA AUDIENCE

They spend less, consume more and expect tailored content on their phones

Media users' expectations with regards to media products have drastically changed in the last decade. Their relationships with media brands have shifted; their interests are not the same, and their willingness to pay—and how they pay—has been radically modified. These adjustments directly impact the media business, determining the content it produces and the payoff it expects in return.

Firstly, there has been strong audience fragmentation in terms of age, interests, geographic location and culture. Whereas 20 years ago listening to the band Aqua meant buying their album or waiting for it to be played on the radio, now the consumer can find it on YouTube for free with just two clicks. Access to specific content in the format that better suits the customer—who pays almost nothing for it—has become fairly easy; so easy that we take it for



granted. The consumer is not willing to pay high fees for something that he can obtain for a low price or run a marathon to find the content he wants. On the contrary, the consumer expects the content to be accessible at any time and in any format he desires. Thus, the media industry has shifted from producing content for a large population to targeting small groups of people who share common features. This fragmentation runs parallel to the different habits today's consumers have adopted (more time spent consuming media, with most of that content consisting of free/low-cost products).

Secondly, the channels and devices used to consume media content have changed, with a rise in the use of cell phones and a rapid decline in the consumption of print media. Although magazines such as the *New Yorker* are still read by almost every generation, daily publications with short expiration dates have their days numbered. The information they all offer is easier to read, more convenient to transport and fresher—with the most recent updates—if accessed through a mobile device, which fits perfectly in any pocket.

Finally, this has led to a different kind of relationship between users and media companies. Consumers' loyalty to a specific company is a type of fandom. A 27-year-old woman in New York reads *The Daily Skimm* not only because of the information it provides—she could have access to it in many other media outlets or newsletters—but because she identifies with the brand, with its language and humor. As such, many media products rely primarily on those relationships, creating communities that defend them and trust them.¹

Thus, in this report we will briefly examine how these four features—fragmentation, habits, channels and devices, and audience engagement—have developed during the last few years and how media companies can leverage those changes.

1. Audience Fragmentation

For years the media industry delivered a few media products to a wide audience in mass media formats, creating a shared experience and a certain sense of community. Nowadays, that huge community no longer exists. The community created by a media product is narrower, generating such a personal experience that sometimes the community consists of only one person. According to the *New York Times'* strategy, "The goal, in other words, is to

¹ Bharat Anand, *The Content Trap* (New York: Random House, 2016), 9.

Baby boomers
1946 - 1964

Generation X
1965 - 1980

Millennials
1981 - 1996

Generation Z
1997 - 2010

surface subjects tailored to individual readers without depriving them of that sense of a shared experience.”²

Consumers demand tailored content, specific for them, dependent on their tastes, the topics they are interested in, their age and the format in which they want to consume it. This fragmentation has spread to many other industries, not just media. An executive of a professional sports league summarized this trend in an interview with us: “There is an extraordinary fragmentation of content and options, including non-media, like going to the theater, playing sports, or going to the gym.” Their demands are clear, and media companies are still working on ways to satisfy those demands. This existing gap is constantly being bridged, with the audience leading the changes. As Mark Mitchell, chief relationship officer at clypd, told us: “Audiences and consumers will drive change. Content, distribution and process will all be decided by the audience and what they come to rely upon.” In the following pages, we will analyze the ways in which the audience is being fragmented and how the media industry is supplying the market.



A) Demographics

Different ethnicities, religions, races and ages generate different habits in consumers. Among these demographic features, age and race seem to have the most influence on media consumption.

In terms of age, there are four generations currently consuming media products: baby boomers, born between 1946 and 1964; generation X, born between 1965 and the early '80s; millennials, born between

² Liz Spayd, “A ‘Community’ of One: The Times Gets Tailored,” *New York Times*, March 19, 2017, <https://www.nytimes.com/2017/03/18/public-editor/a-community-of-one-the-times-gets-tailored.html>

the beginning of the '80s and the mid '90s; and generation Z, born between the late '90s and the 2010s. Belonging to one generation or another impacts media production and consumption in terms of three aspects: spending, format and brand attachment.

First, spending habits change, depending on the generation. As baby boomers grow older, they consume less content, contributing less to the media market. Thus, the main consumers present in the market belong to generation X (professionals between 40 and 55 years old), the millennial generation (who are already working and can afford to pay more for content), or generation Z (studying or starting to work). The problem, according to PwC's *Entertainment and Media Outlook 2017-2021*, is that newer generations spend less than baby boomers in many industries, the media sector being one of them. Millennials prefer to rent so rarely buy houses, a smaller percentage of them own cars, and they spend less money on entertainment (\$2,186 a year) than both baby boomers (\$3,286) and generation Z (\$3,231).³ Moreover, millennials watch videos on open platforms, read the news on social media and, progressively, they subscribe less to paid-TV.⁴ What's more, 43% of those who do not pay for satellite or cable TV are millennials.⁵ This trend shows how spending habits vary depending on the age of the consumer, and this data should give the media industry cause to worry about their future revenues.

However, the *Digital Media Trends Survey* by Deloitte brings forth good news for the sector. Generation X, so often overlooked by marketing strategies and sometimes called the silent generation, presents two advantages for the industry. Firstly, they have the same habits as younger generations in terms of media consumption: they are used to mobile devices and streaming services, and they are also trimming the cord. And secondly, the report shows they are becoming richer: net wealth in the United States will grow to about \$120 trillion in 2030, from \$72 trillion

³ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 26, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

⁴ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 24, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

⁵ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 26, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

in 2015, and the share of that wealth generation X will hold in its hands in 2030 will reach 31%, compared with 14% in 2015.⁶ The conclusion is clear: generation X has money and they consistently consume digital formats. While millennials spend less than baby boomers, generation X is currently spending more than millennials: they have more money to spend on content. Finally, generation Z consumes substantial amounts of content, but they lack the income the older generations count on.

The second aspect that varies among different generations is the time spent consuming content and the format in which the content is consumed. While consumers from generation Z spend around 15.5 hours every week on entertainment, older generations, especially baby boomers, spend less time on their devices.⁷ In terms of format, generation Z is still consuming streamed television, with more than 50% watching entertainment in this format, given that many of them are still children. Generation X and millennials are cutting the cord and consuming mostly on-demand content online.



The third aspect that varies is the relationship between the generation and the brand. Younger generations create a stronger relationship to digital brands and platforms, whereas older generations—mainly baby boomers—had that kind of relationship with, for example, local newspapers. Among generation Z, 80% of kids and teens are very familiar with top entertainment firms and platforms. The most well-known entertainment brands among this generation are Disney (85% claim to know it),

⁶ Deloitte, Digital Media Trends Survey, 2018, 10, https://www2.deloitte.com/content/dam/insights/us/articles/4479_Digital-media-trends/4479_Digital-media%20trends_Exec%20Sum_vFINAL.pdf

⁷ PwC, *Consumer Intelligence Series: Media savvy-kids, teens want engaging stories in multiple devices*, 3, <https://www.pwc.com/us/en/industry/entertainment-media/publications/assets/what-kids-want.pdf>

Nickelodeon (83%), Cartoon Network (80%), Amazon (80%), YouTube (79%) and Netflix (78%).⁸

As consumers belonging to different generations use social media for different purposes, their relationship with those brands differs. For generation Z, social media are platforms to consume entertainment content, much of it on their phones (95% of them own one).⁹ Therefore, social media brands are very popular among generation Z, with Facebook (87% claim to know it), Twitter (83%), and Instagram (81%) taking the lead.¹⁰ However, the preferred platforms for generation Z are Instagram, Snapchat and YouTube. Moreover, millennials and generation X use social media as platforms to connect with friends. Facebook and Twitter are the most popular platforms among these two generations. And for baby boomers, social media platforms are a mix of both. Baby boomers are the generation most likely to share content on social media (19% more likely),¹¹ using mostly LinkedIn and Facebook. Finally, for generation Z brand engagement succeeds when there is an attachment through influencers that advertise specific brands, whereas for older generations it depends on the brands themselves.¹² The data shows that, as the audience is fragmented in terms of age, media companies have to produce tailored goods for those audiences according to their expectations, tastes and habits.

95% of
generation Z
owns a phone

Age is not the only demographic factor that fragments an audience. Race and ethnicity also play a role, especially in the United States. The United States has a variety of distinct ethnic groups, and each demographic—African Americans, Hispanics and

⁸ PwC, *Consumer Intelligence Series: Media savvy-kids, teens want engaging stories in multiple devices*, 8, <https://www.pwc.com/us/en/industry/entertainment-media/publications/assets/what-kids-want.pdf>

⁹ Monica Anderson and Jingjing Jiang, "Teens, Social Media and Technology 2018", *Pew Research Center*, May 31, 2018, <http://www.pewinternet.org/2018/05/31/teens-social-media-technology-2018/>

¹⁰ PwC, *Consumer Intelligence Series: Media savvy-kids, teens want engaging stories in multiple devices*, 8, <https://www.pwc.com/us/en/industry/entertainment-media/publications/assets/what-kids-want.pdf>

¹¹ Irfan Jafrey, "Social Media Matters for Baby Boomers," *Forbes*, March 6, 2018, <https://www.forbes.com/sites/forbestechcouncil/2018/03/06/social-media-matters-for-baby-boomers/#16f8b1154425>

¹² Katie Young, "Three Differences in How Millennials and Generation Z Use Social Media," *We Are Social* (blog), March 28, 2018, <https://wearesocial.com/blog/2018/03/three-differences-gen-z-millennials-use-social-media>

whites—has unique media consumption habits. For example, while 31% of whites pay for news content, only 11% of Hispanics do; while 73% of African Americans and 71% of whites read news on business and the economy, only 53% of Hispanics read this type of news; and while 60% of Hispanics trust electronic news alerts, only 44% of whites do.¹³ In terms of entertainment, the differences are similar. When it comes to drama, consumption is closely related to ethnicity: black viewers in the United States tend to watch more shows like *Scandal* or *Lethal Weapon*, where the main characters are also black, while wrestling series are a big hit among Hispanics. News organizations must be aware of these dissimilarities in order to target their audiences correctly, according to what they want: when the American show *Bachelorette* featured its first African-American star, the number of black viewers increased quickly, but the number of white viewers fell. The media company's content strategy must depend on the audience the firm wants to capture.¹⁴

B) Interests

A second way the audience has fragmented in recent years is according to interests. With the massive amount of media products the industry offers, specific interest groups look for media content that portrays their hobbies or inclinations. Those interests vary, from hiking—featured in magazines like *Backpacker* and on social media platforms such as Gociety—to academic or professional interests, to political and religious inclinations—targeted by magazines such as *First Things*. The media industry has seized this fragmentation and exploited it. In terms of political inclinations, for example, *The Federalist* is a news site tailored for those on the right, while the newsletter *Letters to Lenny* is aimed at women on the left. This fragmentation in terms of tastes will increase. “Social media will be even more important, with algorithms selecting what to show to audiences. What Netflix does to personalize what to propose to each one of us to watch will be the norm,” said a former top executive from a European public broadcaster.

¹³ American Press Institute, “News consumption patterns among African American and Hispanics,” <https://www.americanpressinstitute.org/publications/reports/survey-research/news-consumption-patterns-african-americans-hispanics/>

¹⁴ Gary Levin, “Who’s watching what: TV shows ranked by racial and ethnic groups,” *USA Today*, June 28, 2017, <https://www.usatoday.com/story/life/tv/2017/06/27/whos-watching-what-tv-shows-ranked-racial-and-ethnic-groups/103199848/>.

C) Geographies

Location, like interests, plays an important role in determining what we consume. Different countries display different consumption habits, both in terms of spending and content. For example, in Spain the expenditure per capita on magazines is \$13, whereas in Finland it is \$130.¹⁵ Another example comes from the movie business. According to PwC’s *Entertainment and Media Outlook 2017-2021*, overall movie box-office sales are expected to multiply in the coming years, with this growth varying by geographic location. In North America, the increase in movie box-office ticket sales will be small—from \$11,300 million in 2016 to \$12,000 million in 2021. However, in the Asia Pacific region, the growth will be much more pronounced, from \$13,900 million in 2016 to \$20,400 million in 2021.¹⁶ Geographic location matters at a more micro level too; within the same country there will also be fragmentation, depending on the relevance of local news and local entertainment. The previously mentioned executive from a European public broadcaster argued: “Localization is crucial. Perhaps it will be done via Artificial Intelligence, but new TV series will be hyper-local and targeted. Everything will go against mass media.”

The media industry must create personalized content

This audience fragmentation in terms of age, location and interests results in strong demand for media content tailored to specific expectations. The media industry cannot offer the same product for everyone anymore: it must create content for groups—groups so small that they require absolutely personalized content to be included. This goes hand in hand with data collection. As media companies learn to better analyze the consumers they are attracting, they will be

¹⁵ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 33, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

¹⁶ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 56, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

able to offer them the content they want before they even ask for it. Some of our interviewees believe this fragmentation is key to developing a media strategy, while others think it is something that has been going on for ages. Frank Bennack, vice chairman and former CEO of the Hearst Corporation, represents the latter group: “Fragmentation is increasing, but it is not new. Radio, papers and magazines all faced fragmentation for ages and are still important today.” Later on, we will analyze how fragmentation has impacted media channels.

2. Audience Habits

Further audience fragmentation brings about new habits among consumers. Whereas two decades ago they would pay for TV time, buy the newspaper and listen to the radio, now that the options are infinite they don't feel compelled to do so. Their relationship with the product has changed: they are no longer just consumers. They are also producers, members, subscribers or owners. And the media industry must adapt its products to those habits.

A) Paying Habits: From Free to Low-Cost Content

We have already discussed the paying habits of different generations: while baby boomers spend more money on entertainment, millennials prefer to access free content. It is not unexpected. Millennials grew up when the Internet was becoming a mainstream tool. News organizations panicked and dumped all their content on the Internet for free. While baby boomers were already used to paying for the newspaper, buying movies and CDs or going to the movies, millennials were not. When most media became—as a matter of fact—free, users assumed that all media should be free.



Nowadays, there is an overturn of this idea, and consumers are becoming used to paying low fees for content. Generation Z will come of age having paid for content their entire lives, and they will assume that it



must be so. Actually, the average number of people paying for digital news has increased, especially in Finland, Norway and Sweden, where publishers are pursuing paywalls. Also, in the United States, media organizations experienced increases in subscriptions during 2016 and 2017 in what was called the Trump Bump. And, finally, in Spain and the UK, other forms of payment are being launched, such as memberships or donations.¹⁷

An example of this shift in ideas is the *New York Times* paywall—and the time they spent struggling to make their users pay for the content. As Bharat Anand notes in his book *The Content Trap*, the *New York Times* changed from the pricing strategy of *Times Select*—a hard paywall that made certain types of content, like opinion columns, premium—to the current paywall that makes users pay a flat fee after reading a certain amount of articles. This second type of pricing strategy works because it allows users to choose what to pay for, instead of having the news organization decide for them.¹⁸

The *New York Times* paywall works similarly to how other media and entertainment firms obtain revenues. For example, Spotify runs a freemium business model, which offers free access to content but also offers paid subscriptions for complete access and more economical family plans.¹⁹ But what makes Spotify

¹⁷ Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

¹⁸ Bharat Anand, *The Content Trap* (New York: Random House, 2016), 42.

¹⁹ Rameez M. Sydeek, “How Does Spotify Make Money?” *Feedough*, last updated January 26, 2018, <https://www.feedough.com/how-does-spotify-make-money/>

unique is that users do not necessarily pay for the content but to eliminate the advertisements. Thus, in the media world, ads may become the currency for those who do not want to pay.

With this type of offering, user habits are changing from paying nothing to paying low fees through subscriptions and memberships. This new strategy achieves two goals that are always present in the media business: getting paid for content and creating loyal customers. Subscriptions mean that if the reader is paying to read the *New York Times* and the *Financial Times*, he will likely read those two sources frequently, instead of reading one article in multiple news outlets that are open for the consumer.

B) Consumption Habits: More Time, Less Patience

As noted earlier, consumption habits have changed in terms of time, devices and expectations. First, the time spent consuming media content has increased. For example, 45% of kids and teens spend between 16 and 20 hours weekly consuming media and entertainment content.²⁰ Adults also spend a considerable amount of time with media content. According to the latest report by eMarketer, adults in the United States spend around 12 hours per day consuming media content—if an individual is watching TV while using their phone to read the news, the report counts those minutes twice.²¹ Also, the time spent with media content depends on the time of day:

Adults in the USA
spend around
12h/day
consuming
media content

²⁰ PwC *Consumer Intelligence Series: Media savvy-kids, teens want engaging stories in multiple devices*, 3, <https://www.pwc.com/us/en/industry/entertainment-media/publications/assets/what-kids-want.pdf>

²¹ eMarketer, *eMarketer updates US time spent with media figures*, October 9, 2017, <https://www.emarketer.com/Article/eMarketer-Updates-US-Time-Spent-with-Media-Figures/1016587>

users invest more time—especially with long-forms—in the mornings or late at night.²²

A second major change in consumption habits is second-screen usage: multitasking has gone mainstream. Nowadays, more than half of media consumers use their cell phone while watching TV, or the other way around—use their phone while the TV is on. According to a PwC survey, 65% of consumers use their phones to research the products they see advertised, 64% to talk with their friends about the show they are watching and 55% say that they almost always use their phones while watching TV.²³ Moreover, consumers spend more time on cell phones watching videos, playing games and listening to audios. That is, they are actively using their mobile devices.²⁴

Third, customers have gotten used to having what they want, when they want it. Thus, content on-demand is the norm. David Snyder, a former executive at Disney, noted: “Audiences demand the ability to access, binge-watch, multiple-repeat-watch, and demand decreased production time of content delivery.” That is, consumers want on-demand content. As media consumption increases through digital formats, the media industry—and affordable Internet access—has given consumers the possibility to get hold of content anywhere and through any format, as long as they have a smartphone or a laptop. Rob Luton agreed with Snyder by saying: “Audiences are highly mobile, binge-watch by choice, and are diversified in their viewing across entertainment viewing and social media.” According to a study from Deloitte, the smartphone market has seen a constant rise in sales, from \$2 billion in 2014 to an expected \$4.6 billion in 2019.²⁵ This jump from traditional media to digital media, the use of cell phones and society’s demand for immediate satisfaction has shifted consumption habits. And it has also changed the social role of media. While two decades ago families sat down after lunch or dinner to watch the news or enjoy a movie,

²² Amy Mitchell, Galen Stocking and Katerina Eva Matsa, “Users spend more time with content in the mornings or late at night,” *Pew Research Center*, May 5, 2016, <http://www.journalism.org/2016/05/05/3-users-spend-more-time-with-content-in-the-morning-or-late-at-night/>

²³ PwC *Consumer Intelligence Series: I stream, you stream*, 2017, 6, <https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/i-stream-you-stream/pwc-videoquake-i-stream-you-stream.pdf>

²⁴ eMarketer, *eMarketer updates US time spent with media figures*, October 9, 2017, <https://www.emarketer.com/Article/eMarketer-Updates-US-Time-Spent-with-Media-Figures/1016587>

²⁵ Deloitte, *Digital Media: Rise of On-demand Content*, 5, <https://www2.deloitte.com/content/dam/Deloitte/in/Documents/technology-media-telecommunications/in-tmt-rise-of-on-demand-content.pdf>

watching a show is now an individual activity not a social one. The consumer goes to his room to watch *Game of Thrones*, listen to a podcast or play a video game. Sharon Parker, a former executive at Showtime, explained: “Audience viewing and screen consumption used to be communal. This has morphed into personal screens and individual experiences. There are some shared experiences, such as interactive multi-user gaming, but those individual players are probably alone in their basement.”

On-demand content can be thought of in two ways. On the one hand, it means that the consumer does not have to watch exactly what linear TV channels offer, or wait for the movie to end or the show to begin at a certain time. Rather, access to on-demand entertainment content implies that the consumer can read, listen or watch content at any time. Spotify and Netflix offer this kind of connection with products, while traditional radio and TV programs do not. On the other hand, the term “on-demand” can be thought of in a more nuanced way. For example, when a consumer subscribes to Netflix, he is purchasing a bundle of different movies and shows, not just one movie or show. Thus, some media firms offer exclusively on-demand content—one purchases only what one wants to watch or read—while others offer bundles (which is more common). In a way, the *New York Times* paywall can be considered a bundle, as the consumer pays for many types of content, from opinion to politics to sports, not for what he specifically wants at that time. The organization does not label some content as premium, but offers a bundle for all consumers.²⁶

Fourth, the role of the audience in the media industry is changing from simple consumers of information or entertainment, to producers or members. In the music industry, which is growing every year, the consumer is no longer the owner of the music product—the disc—but the subscriber, listening to music on Spotify, YouTube or iTunes.²⁷ In the future, the role of the audience as active members will grow. A streaming-service executive told us that there will be an increase in audience participation programming, called Interactive Branch Programming, where “audiences can choose outcomes and drive their story by their interactive choices.” Another top executive from a new generation news organization agreed: “People power is increasing and it will affect everything. We might even have interactive story lines.”

²⁶ Bharat Anand, *The Content Trap*, (New York: Random House, 2016), 45.

²⁷ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 55, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/gemmo-espana-2017-2021.pdf>

Finally, in terms of consumption, a cultural shift that began more than two decades ago is more prevalent today than ever: the rise of infotainment. As Bennack, former CEO of the Hearst Corporation, said: “I am concerned about the new generations that are not interested in hard news. The problems of the great European public networks are an example of this lack of interest.” He added: “Also, from the '50s to the '80s, when people got married they started a newspaper subscription and kept it for life. Not anymore. This is a societal change.”



C) Reading Habits: The Rise of Distrust

Changes in reading habits go hand in hand with cultural shifts. Whereas previously there was almost complete trust in the traditional news outlets, recent events—such as the election of Donald Trump, Russian alleged interference in social media and Brexit—have altered this. Readers have become more careful and distrustful. They consult multiple sources, are more aware of the ideology of each news outlet and less willing to believe the information they see on social media. Northwestern University professor Pablo J. Boczkowski told the Harvard Nieman Lab: “What has emerged [...] is a heightened degree of skepticism.”²⁸ In numbers, this skepticism can be summarized as follows: only 44% of news consumers trust the news, and only 23% of them trust the news they find on social media, according to the *Reuters Institute Digital News Report 2018*. However, not everyone is pessimistic. One of our interviewees, a

²⁸ Pablo Boczkowski, “The Rise of Skeptical Reading,” *The Nieman Lab*, <http://www.niemanlab.org/2017/12/the-rise-of-skeptical-reading/>

top executive from a leading online portal, explained: “Nowadays, audiences are better informed and reduce the power of storytellers.” He added: “There is fake news, but this is because technology is always ahead of the consumer. First, cars did not have seat belts. Now we are learning what seat belts for news are. Regulation comes after something bad happens.”

The consumer has also become more wary of media companies overall. Companies have started using Artificial Intelligence (AI) to fact-check data for their stories and assist journalists to identify hot topics or consumer preferences in a more precise way.²⁹ Spotify, for example, thoroughly analyzes its users through a fan base, built up since 2014, in order to know what kind of customers listen to what kind of artists. Data analysis in terms of consumer needs and preferences helps entertainment companies and news outlets tailor their content to the audience. Peretti, BuzzFeed’s CEO, argued: “We have access to any content all the time. The entire archive of the world’s data is available, and we know so much more about what people consume that we can create content based on those observations.” But this advantage for media companies also makes the consumer distrust them, as they collect more and more information on them and apply that knowledge to advertising and consumer targeting. Recent developments regarding fake news, ad frauds and data misuse have molded the habits of media audiences, making them distrust media firms. As a top media analyst noted: “Establishing and restoring trust will be a major focus for the media corporations that are going to move forward.”

3. Media Channels

Consumers no longer rely on print newspapers, radio or TV to access media and entertainment content to keep up with the news. Those channels do not form an oligopoly anymore. Now, consumers use multiple channels, cut back on spending on print issues and invest their time on the Internet, where they can get hold of the same content through other channels. Therefore, the current trend is cord cutting and cord trimming, with a rise in the use of cell phones and laptops to stream online content. As the number of paid-TV subscribers drops, the amount of money spent on streaming content rises, with consumers paying for more than one service to buy content.³⁰

²⁹ Media Update, *Four ways AI will change the media industry*, <https://www.mediaupdate.co.za/media/143323/four-ways-ai-will-change-the-media-industry>

³⁰ PwC, *Consumer Intelligence Series: I stream, you stream*, 2017, 2, <https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/i-stream-you-stream/pwc-videoquake-i-stream-you-stream.pdf>

Stacy Durand, CEO at Media Design Group, summarized this situation in an article for CMO: “In other words, we’ve become channel-agnostics. The ‘where’ no longer matters; it’s the ‘what’ that now determines which carrier, service, or platform we use for our viewing pleasure.”³¹ Consumers no longer care if they watch a show on the BBC, Netflix or Showtime, they just want to watch it and avoid any extra hassle. As Parker, a former executive at Showtime, told us: “The biggest change by far is that the appliance is irrelevant.” She added: “What used to be appointment viewing of television in a fixed location is over. Today’s audience expects to download and watch in any location, on any device they choose, at any time.” Our era is one of comfortability. We value above all to have a comforting experience, one that does not involve fighting to read/watch something. We just want an easy life, and media companies can exploit that, instead of being frightened by it.”

A) Print

Although the print crisis started more than a decade ago, print is not completely dead. But daily newspaper print circulation does keep falling. From 2016 to 2017, weekday newspaper print circulation in the United States decreased by 11% and Sunday circulation by 10%. Also, from 2015 to 2016, US daily newspaper circulation—print and digital combined—fell by 8%.³² Moreover, American magazine sales have fallen from 103 million in 2014 to 75 million in 2016, with consumers spending around 15 minutes per day reading magazines in 2018—an amount of time expected to decline in the future.³³

B) Internet: Laptop, Cell Phone, Apps

Online sources cope the media market, with 93% of US adults reading both traditional and digital native newspapers online.

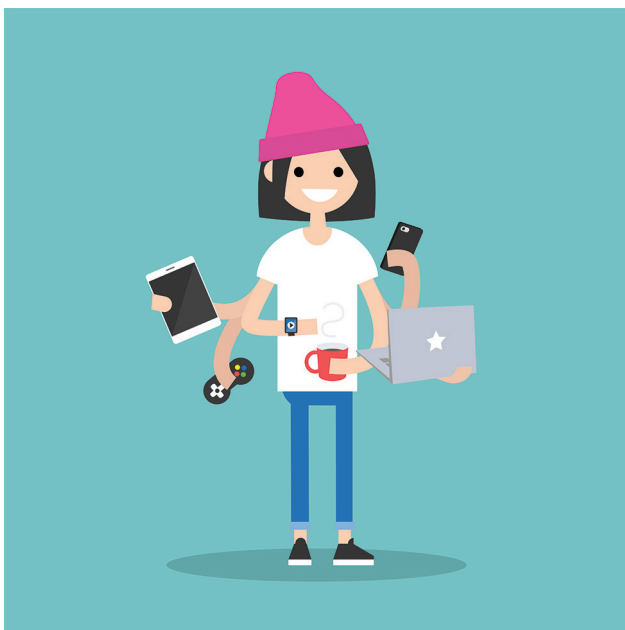
Mobile usage is leading this growth. In the United States, the increase in cell phone usage is driven by older Americans and lower-income citizens. A survey conducted by Pew Research shows that while in 2013 only 22% of Americans who were 65 or older read the news on their cell phones, in 2017 that percentage rose to 67%. This doesn’t mean they prefer it: the

³¹ Stacy Durand, “Audience fragmentation signals new possibilities for TV advertisers,” *CMO*, September 7, 2017, <https://www.cmo.com/opinion/articles/2017/8/28/tvs-fragmenting-audience-isnt-a-bad-thingits-an-opportunity.html#gs.S5iBd3l>

³² Pew Research Center, *Newspapers Fact Sheet*, June 13, 2018, <http://www.journalism.org/fact-sheet/newspapers/>

³³ Statista, *U.S. Magazine Industry – Statistics & Fact*, <https://www.statista.com/topics/1265/magazines/>

majority of US adults 65 or over would rather read on their laptops, whereas 77% of young adults prefer their mobile phones. Despite the increase in mobile media content, the percentage of people who use laptops to read the news hasn't changed much—85% in 2017 vs 82% in 2013—and it probably won't increase much more. The percentage is already very high, as laptop usage is already widespread among all sectors of society.³⁴ Moreover, the use of apps by news outlets is increasing. In 2017, 61% of digital native outlets in the United States had iOS and/or Android apps, with 17% having apps only on iOS and 3% only on Android.³⁵ At the same time there has also been an increase in the usage of messaging apps, like WhatsApp, to access news. In Malaysia, 54% of online users use WhatsApp to get their news regularly, as do 36% of Spaniards and 48% of Brazilians.³⁶ Mobile is now a must, and it seems this trend will only increase. As Peretti, BuzzFeed's CEO, observed: "People get instant headlines on their phones; this is changing things."



That is why media companies have shifted their strategy to a mobile-first plan. Both Facebook and AT&T have adopted mobile-first strategies through video offerings, giving consumers access to content

³⁴ Kristine Lu, "Growth in mobile use driven by older adults," *Pew Research Center*, June 12, 2017, <http://www.pewresearch.org/fact-tank/2017/06/12/growth-in-mobile-news-use-driven-by-older-adults/>

³⁵ Pew Research Center, *Digital News Fact Sheet*, June 6, 2018, <http://www.journalism.org/fact-sheet/digital-news/>

³⁶ Nic Newman, "Digital News Report: Overview and Key Findings of the 2018 Report," *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

24/7.³⁷ Alfred Hermida, professor at the University of British Columbia, goes a bit further in an article for the Nieman Lab, by saying that media companies must acknowledge that consumers use their cell phones in what used to be dead times (in the subway or in the bathroom): "In 2018, it is not enough to think mobile-first without considering how news can work into those minutes of dead time filled by smartphones."³⁸

Saturation and distrust of social media might become the challenges for the media industry. According to the *Reuters Institute Digital News Report 2018*, notifications, apps and newsletters are gaining relevance, but some users complain due to the overflow of information.³⁹ And in terms of social media being used to publish news, its importance is waning: consumer usage has fallen 6% in the United States, mostly due to the "decline in the discovery, posting and sharing of news on Facebook."

In the coming years, media companies will focus on developing content to read, watch or listen to on mobile devices, while they pursue new technologies. Newsletters, podcasts and entertainment shows are already satisfying this demand. But in the future, this will be replaced or enhanced by technologies like wearables. An accounting executive at a leading media firm predicted audience trends for us: "Audiences' interest in technology and interactive media is growing in three categories. The first trend is in wearables—connected clothes, glasses, watches and sports equipment (e.g., GoPro). The second is continued development of smartphones and 5G service. The third is media-connected homes, vehicles and security, and audience demand for the Internet of Things."

C) Radio: The Rise of the Podcast

Radio is not in danger yet. In the United States, public broadcasting showed increases in 2016: the top 20 NPR-affiliated public radio stations had one million listeners—more in 2016 than the previous year.⁴⁰ Online radio is also growing. While in 2016 57% of Americans aged 12 or older had listened to online radio in the past month, in 2017 the percentage was

³⁷ PwC, *Consumer Intelligence Series: Videoquake 4.0: Binge, stream, repeat -how video is changing forever*, 2016, 5, <https://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/assets/pwc-videoquake-4-0.pdf>

³⁸ Alfred Hermida, "Going Beyond Mobile-First," *Nieman Lab*, <http://www.niemanlab.org/2017/12/going-beyond-mobile-first/>

³⁹ Nic Newman, "Digital News Report: Overview and Key Findings of the 2018 Report," *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

⁴⁰ Pew Research Center, *Public Broadcasting Fact Sheet*, June 6, 2018, <http://www.journalism.org/fact-sheet/public-broadcasting/>



61%. Interestingly, the largest increase comes from listening to online radio in the car: in 2010 only 6% of cell phone owners listened to online radio in cars, whereas in 2017 the percentage was 40%. Finally, the number of podcast listeners has increased. In 2017, 24% of Americans aged 12 or older had listened to a podcast in the past month (in 2008 the percentage was 9%).⁴¹ Mobile consumption keeps gaining momentum, and podcasts fit perfectly in this trend. They are short, do not require listeners to be online (they can download them), and consumers can listen to them whenever they want. Both publications and radio channels are launching new podcasts, with some of them becoming increasingly popular. However, we must keep in mind that podcasts are much more popular in the United States than in the UK, with young people being their usual consumers.⁴² As Alan Patricof, Managing Director of Greycroft LLC, says: “Audio is back. The use of voice assistants will increase even more, and podcasts will replace radio news.”

D) From Paid Cable TV to Paid Streaming

TV is the channel that is experiencing the largest changes. Although it still remains the most important news source for most people, its audience is slowly declining.⁴³ In the United States, local TV news broadcasters are losing audience. For example, the local affiliates of news stations like ABC, CBS, NBC and Fox News have seen their viewership decline during the three main time slots: late night by 31% since 2007, early evening by 19% and morning by 12%.⁴⁴ In contrast, network TV news (NBC, ABC and

⁴¹ Pew Research Center, Audio and Podcasting Fact Sheet, July 12, 2018, <http://www.journalism.org/fact-sheet/audio-and-podcasting/>

⁴² Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

⁴³ Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

⁴⁴ Pew Research Center, *Local TV News Fact Sheet*, July 12, 2018, <http://www.journalism.org/fact-sheet/local-tv-news/>

CBS) have not lost audience yet.⁴⁵ But the reality is that subscriptions to paid-TV are falling every year. Bennack, former CEO of the Hearst Corporation, claimed: “Even though people like ‘a la carte OTT [Over-the-top or TV content delivered via Internet]’ there are still many couch potatoes that do not like to micro-manage; this is entertainment. They are declining, but they are still there.” In a survey conducted by PwC, 73% of the respondents were subscribed to paid-TV in 2017, while 76% were subscribed in 2016 and 79% in 2015. The same percentage of respondents (73%) are subscribed to Netflix, which puts into question the role of paid-TV. Many consumers confess they would probably end or cut their subscriptions to paid-TV were it not for sports.⁴⁶ At the Programmatic TV Conference, Montgomery Gilchrist, an executive at Sling TV, said: “The audience has been doing cord-cutting, or in some cases cord-shifting. This means that the audience is still tethered to providers like Roku, Sling, Hulu, or any other OTT content provider.” He added: “Audiences still love live sports, with fear of losing live coverage cited as the main reason audiences may resist cutting cable.”

Furthermore, the number of people who access TV content from the Internet is steadily increasing: 87% of consumers between the ages of 18 and 24, 90% of those between 25 and 34, 78% of consumers between 35 and 49, and 63% of those between 50 and 59 years old use the Internet to watch TV content.⁴⁷ Among kids and teens, traditional TV or laptops are still used to consume entertainment content.⁴⁸



⁴⁵ Pew Research Center, *Network News Fact Sheet*, July 15, 2018, <http://www.journalism.org/fact-sheet/network-news/>

⁴⁶ PwC, *Consumer Intelligence Series: I stream, you stream*, 2017, 2, <https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/i-stream-you-stream/pwc-videoquake-i-stream-you-stream.pdf>

⁴⁷ PwC, *Consumer Intelligence Series: I stream, you stream.*, 2017, 3, <https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/i-stream-you-stream/pwc-videoquake-i-stream-you-stream.pdf>

However, the increase in numbers of streaming services can be misleading, as more than 30% of consumers do not keep their subscriptions after their free trial period is over and more than 80% share their password information with family and friends, thus more people use it than actually pay for it.⁴⁹

The overall conclusion is that TV is shifting, and consumers want on-demand content. Many of those who have not cut the cord yet say that is due to sports. But the question is, if there are no changes, how long can this last?

4. Audience Engagement: The Fan Effect

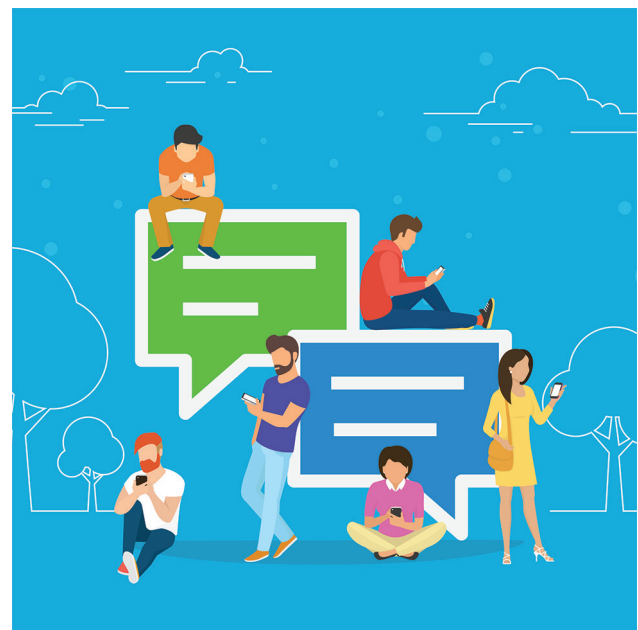
Engaging the right consumers is vital for the survival of media companies, given the immense number of firms and products. Having flaky customers will result in a weak relationship to the company: consumers will be less willing to spend money and will quickly change to another firm if the product is cheaper, better or more convenient. In summary, they will not depend on the brand or have an affective relationship to it.

To that effect, media companies must stop treating their audience as just consumers and start seeing them as assets, as communities. With thousands of products, and limited time to consume them, the audience will choose those with whom they have some sort of attachment. The options are infinite and the consumer has all the control in what to choose. But when the consumer becomes a fan, he invests more in that brand over time, remaining loyal. Thus, it is more profitable in the long term for a media company to cultivate fans or, as the marketing world calls them, prosumers (consumers that become brand advocates).

This kind of fan-centric business will constantly work for its fan community, trying to lengthen the life of the customer and of the product. Understanding the difference between one-time users and fans will be critical for news organizations in the future. The advantages will come fast: they will know them better and they will be able to produce a more tailored product. Also, they will be able to take advantage of the word-of-mouth process to increase their fan

base.⁵⁰ Moreover, fans will seek more interactions with the brand in different channels, which can easily translate into new products and sources of revenue for the companies.⁵¹ Currently, a strategy that many media and entertainment organizations are following is selling their own brand merchandise.⁵² As Christopher Vollmer, PwC media consultant, notes in an article: “Today, brands and products that are not heavily populated by avid fans are essentially commodities. Consider the many zombie pay-TV networks with low ratings, sustained primarily by an aging video bundle that fewer distributors and consumers appear prepared to support.”⁵³

However, this notion of brand attachment has changed with the birth of the Internet, especially in the entertainment and music industries. Whereas before, brand attachment meant having a connection to a network, now it is understood more in terms of loyalty to the content. Especially in entertainment, the content is the brand. The consumer does not care for HBO, he cares for *Game of Thrones*. If HBO stops showing *Game of Thrones*, the consumer will likely turn to another service that does. The same goes for



⁴⁸ PwC, *Consumer Intelligence Series: Media savvy-kids, teens want engaging stories in multiple devices*, 3, <https://www.pwc.com/us/en/industry/entertainment-media/publications/assets/what-kids-want.pdf>

⁴⁹ PwC, *Consumer Intelligence Series: I stream, you stream*, 2017, 4, <https://www.pwc.com/us/en/advisory-services/publications/consumer-intelligence-series/i-stream-you-stream/pwc-videoquake-i-stream-you-stream.pdf>

⁵⁰ Strategy+Business, *How to make entertainment and media business “fan”-tastic*, May 8, 2017, <https://www.strategy-business.com/article/How-to-Make-Entertainment-and-Media-Businesses-Fan-tastic?gko=3a2bc>

⁵¹ Strategy+Business, *How to make entertainment and media business “fan”-tastic*, May 7, 2017, <https://www.strategy-business.com/article/How-to-Make-Entertainment-and-Media-Businesses-Fan-tastic?gko=3a2bc>

⁵² Jamie Mottram, “From Pageviews to T-shirts,” *Nieman Lab*, <http://www.niemanlab.org/2017/12/from-pageviews-to-t-shirts/>

⁵³ Strategy+Business, *How to make entertainment and media business “fan”-tastic*, May 8, 2017, <https://www.strategy-business.com/article/How-to-Make-Entertainment-and-Media-Businesses-Fan-tastic?gko=3a2bc>

a specific song. If Spotify does not display the content of a singer that a consumer wants to listen to, he will look for other options, such as iTunes. It is not the company itself that creates the attachment, but the content. Snyder, from Disney, told us: “In the past, viewers established relationships with networks. Now, audiences are loyal to shows and not networks or cable channels.” At a more micro level, artists—who create content themselves—must also care about the fan effect. That’s why Spotify offers the Spotify Fan Insight service for artists, who can find out who their fans are, who listens to them from time to time and who doesn’t, and from there build their careers.⁵⁴ In news outlets, consumers tend to care more about the outlets themselves, especially regarding legacy brands. Brands born on the web are trusted the least, compared with those with a long history.⁵⁵

⁵⁴ Strategy+Business, *How to make entertainment and media business “fan”-tastic*, May 8, 2017, <https://www.strategy-business.com/article/How-to-Make-Entertainment-and-Media-Businesses-Fan-tastic?gko=3a2bc>

⁵⁵ Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

5. Conclusion

The audience has changed dramatically, from a monolithic crowd to no crowd at all but, instead, specific people. Media firms must face this fragmentation and offer products that connect with the audience and make them come back every single time. That is, they must create fans.

Not everything consists of advantages. There is a big downside to immersing consumers in environments where they can find only what they want, what they like, what they agree with and what they feel comfortable with hearing, watching or sharing. The disadvantage is obvious, and it has become self-evident over the last few years given political events such as the Trump election or Brexit: this tailored community of one isolates people. We, as consumers, start believing that what we see in our newsfeed is what there is in real life. And how could we not do that? We don’t see or read or watch anything else. We get our daily information in a personalized manner, we consume entertainment through customized plans, and we share content and befriend people on social media that we already agree with. We cannot access different bubbles of information. The perks of having everything as we want it create the biggest danger: we cannot get out of that circle. We live in it, we consume in it, and we believe in it.

Some media organizations have realized this issue and launched initiatives to avoid it—or at least diminish its effects. One such entrepreneurial project is *The Flip Side* newsletter, focused on the United States. This daily newsletter sends op-eds and information on hot topics from both left- and right-wing media, so that the reader can analyze reality. Its subscribers do not belong to a specific side of the aisle, but to both, and thus identify with what they read.

As time goes by, we will see whether these initiatives succeed or whether consumers prefer to be isolated in what they feel is right, entertaining and rings true to them.

MEDIA CONTENT

Video Primacy, On-Demand Content and the Rise of Fake News

Before the Internet, content-scarcity was the norm. Consumers had to adapt their tastes and needs to what was actually offered on mainstream TV, newspapers and open air radio. There were few competitors in the media market, and they produced content through a handful of channels. A journalist's job consisted of finding new information, going to the sources, uncovering the unknown and creating content. And the audience consumed that content passively.

Now, the paradigm is the contrary. The post-Internet norm consists of content overload. Thousands of stimuli vying to attract the consumer's attention and retain it for more than a minute: a task increasingly difficult as the number of stimuli multiplies. In a PwC survey, more than two thirds of media consumers argued that they felt overwhelmed due to the infinite amount of TV content.⁵⁶ This shorter attention span impacts how content is produced. "People have reduced attention spans. So, even if storytelling will always be around, content is being broken and serialized," said Patricof, Managing Director of Greycroft LLC.

The journalist—and the entertainer—must curate, not create, the content. Their job is to guide the audience towards what's relevant or what they might find compelling. Therefore, content quality rules or, as many of our interviewees have stated "content is king". Plus, formats vary, and media companies are looking for the best ways to deliver content so that it reaches the consumer effectively. The result? Video is becoming the preferred format.

⁵⁶ PwC, *Consumer Intelligence Series: Videoquake 4.0: Binge, stream, repeat - how video is changing forever*, 2016, 17, <https://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/assets/pwc-videoquake-4-0.pdf>

1. Change in Media Formats

The favorite content format used to be print (reading), which then switched to voice (radio) and ultimately to video (TV). Although, as previously stated, consumers do not care where they watch a movie or read a book (the channel) —or the brand that delivers it (e.g. Netflix or the BBC), they do care whether it is a book or a movie; that is, they care about the format. In some sense, the words of communication theorist Marshall McLuhan in the '60s—"the medium is the message"—still resonate in our society. The message changes if it's delivered through a video or on paper. And consumers in the 21st century prefer video to the written or spoken word: images require less effort, they are accessible by everyone and they convey emotions faster than other formats. That's why nowadays video has the supreme leadership over other formats.

Video and the Internet have changed everything, and now the media and entertainment industry is growing primarily due to four engines: video for Internet, video games, digital advertising and access to the Internet.⁵⁷

A) The Primacy of Video

Online video consumption has drastically increased in recent years. Paid-TV viewers spend more than 15 hours per week consuming video content. And while the amount of people that are cutting their paid-TV services is increasing, their spending on video is also going up as they invest more in streaming services.⁵⁸



⁵⁷ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 19, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

⁵⁸ PwC, *Consumer Intelligence Series: Videoquake 4.0: Binge, stream, repeat - how video is changing forever*, 2016, 17, <https://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/assets/pwc-videoquake-4-0.pdf>

According to our interviewees, these services present another advantage that appeals to the consumer: freedom from commercial television's limitations, such as time restrictions. Whereas on television there are 30- or 60-minute blocks with allowance for commercials, streaming services have no blocks. An executive at a streaming service told us: "Developing content for streaming services means there is no limitation on the way we can tell stories; we are not bound by time requirements or format." This has led to new developments in content strategy and an increase in video consumption (with binge-watching).

The primacy of the video format is also driven by a rise in video consumption through social media (news videos and ads). According to the *Reuters Institute Digital News Report 2018*, the majority of news videos are being consumed offsite, not on news websites. More than 30% of consumers do not watch news videos and, of those that do, only 33% access them via Facebook, and another 33% consume them through news websites. In terms of differences between regions, it seems that Americans and Europeans consume fewer news videos than their Asian counterparts.⁵⁹ Designing content for video advertising is relevant, given the growing consumption and the importance of storytelling. As such, measuring consumers' responses is vital. Jeff Boehme, Chief Client Officer at comScore, stated that "measuring audience response to commercials and tracking views of this form of content comprise a growing industry."

Moreover, consumers are watching an ever-increasing percentage of videos on their smartphones: 76% of smartphone owners view video on their devices, half of them on a daily basis. Thus, short-form content is mostly consumed through social media on cell phones. However, long-form content is also consumed through mobile devices by younger audiences. This is making media companies change their strategies. For example, AT&T allows their customers to watch DIRECTV on their cell phones, adopting a video-first, mobile-first strategy.⁶⁰ Another way video primacy is going to be noted is video messaging, which is on the rise, according to Yvonne Leow, president of the Asian American Journalist Association.⁶¹ WhatsApp video calling, FaceTime and Skype are used more every day.

⁵⁹ Nic Newman, "Digital News Report: Overview and Key Findings of the 2018 Report," *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

⁶⁰ Consumer Intelligence Series: Videoquake 4.0: Binge, stream, repeat - how video is changing forever. PwC. 2016, p. 5, <https://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/assets/pwc-videoquake-4-0.pdf>

⁶¹ Yvonne Leow, "The rise of video messaging," *Nieman Lab*, <http://www.niemanlab.org/2017/12/the-rise-of-video-messaging/>

As consumers get accustomed to both watching and using video for their daily interaction, its consumption will continue to increase.

New technologies will make video the one and only format in the future, as they are generating different possibilities to interact with the audience. For example, many newspapers are willing to apply augmented reality (AR) techniques to tell compelling stories through video formats. While AR can be applied to multiple sectors—to retailers, for example—it can turn the media and entertainment industry upside down.⁶² Virtual reality is also making progress—movies developed through VR would immerse the viewers in a real, yet fictional, world—but as a top executive from a leading online portal told us: "Augmented reality will be the thing. Pure virtual reality is too unsocial right now."

In conclusion, even if traditional TV prime times and viewings are decreasing, the video format has definitely won, with the Internet becoming its primary channel.



B) Written

Despite the pervasiveness of video, the written word is still preferred by many. For example, 62% of consumers in the United States prefer to read rather than to watch, with only 12% responding that they

⁶² Steven Barr, "The promise of mixed reality," *Forbes*, June 26, 2017, <https://www.forbes.com/sites/stevenbarr/2017/06/26/the-promise-of-mixed-reality/#16f969965db1>

consume primarily through video.⁶³ Therefore, even though video consumption surpasses the consumption of any other format, it may not be the preferred format just yet. It is true, however, that written formats on the Internet are making more use of multimedia—integrating text, image and video in one piece—and that reading online has become the norm.

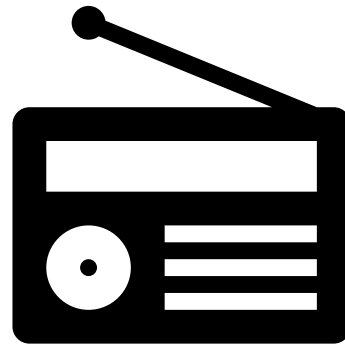
In terms of article length, short-form digital stories are on the rise, but long-form is still relevant for the audience. A survey conducted by the Pew Research Center showed that the US public dedicates twice the time to read a long-form article on a mobile device than a short one, with both receiving a similar number of visits. It also concluded that the time spent reading an article depended on where the user had found it: the consumer spends more time on an article if he clicked on it through Twitter, than if he accessed it through Facebook.⁶⁴ Also, readers spend more time with written long-form pieces if the topics include crime and foreign politics, than if the articles dwell on science, US politics or business.⁶⁵ Bennack, executive vice chairman of the Hearst Corporation, told us that long form brings the money into the company: “There will be short snippets and long stories, but revenues will come from long stories. Look at the *New York Times* versus Vice or BuzzFeed: the last two have short snippets and are not profitable.”

The Internet definitely favors the video format. We use the Internet through screens, where it is more comfortable to watch a video than to read an article. However, and despite the image-centric system of the Internet, the written word is alive and well. There is not only a shift from the written word to video but, more importantly, more people consume more information than before, and in larger quantities.

C) Radio

The radio has traditionally been a company medium, used extensively, for example, while driving. Now, it is being reinvented with the rise of online radio and podcasts. As connectivity improves, especially in cars, podcasts are becoming more accessible and more

widely used.⁶⁶ For example, in 2017 the *New York Times* launched a 20-minute podcast called *The Daily*, which has had a huge success, reaching 4.5 million unique users per month⁶⁷—the *New York Times* counts on 130 million monthly readers.⁶⁸



Podcasts respond to the same on-demand trend that has permeated audience behavior. They are easy to download, they do not occupy a large number of bytes on mobile devices and the consumer can listen to them on the phone at any point during the day. Finally, in the United States, the preferred formats within radio remain news and talk or information shows, followed by radio programs playing contemporary pop hits.⁶⁹

D) Events

The Internet disrupted everything, especially how consumers relate to content and authors. As all content is accessible for free or for a very low price, the customer has become a subscriber or a member, not an owner. And thus, live events are gaining importance in the movie and theater industries and, especially, the music industry.

In the late '90s, the music industry entered a decline, especially due to the drop in CD sales and the birth of peer-to-peer businesses like Napster. But at the same time, the price of concert tickets increased: while a ticket could cost only \$13 in 1981, its price

⁶³ Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

⁶⁴ Amy Mitchell, Galen Stocking and Katerina Eva Matsa, “Long-Form Reading Shows Signs of Life in Our Mobile News World,” *Pew Research Center*, May 5, 2016, <http://www.journalism.org/2016/05/05/long-form-reading-shows-signs-of-life-in-our-mobile-news-world/>

⁶⁵ Amy Mitchell, Galen Stocking and Katerina Eva Matsa, “Long-Form Reading Shows Signs of Life in Our Mobile News World: Engaged time with long-form news varies by topic,” *Pew Research Center*, May 5, 2016, <http://www.journalism.org/2016/05/05/8-engaged-time-with-long-form-news-varies-by-topic/>

⁶⁶ Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

⁶⁷ Eric Johnson, “The New York Times’ hit podcast The Daily is coming to radio in April,” *Recode*, February 13, 2018, <https://www.recode.net/2018/2/13/17005660/new-york-times-the-daily-american-public-media-radio-podcast-michael-barbaro-lisa-tobin-code-media>

⁶⁸ Kevin Tran, “The New York Times soars past 3 million subscribers,” *Business Insider*, December 8, 2017, <https://www.businessinsider.com/the-new-york-times-soars-past-3-million-subscribers-2017-12>

⁶⁹ Pew Research Center, *Audio and Podcasting Fact Sheet*, July 12, 2018, <http://www.journalism.org/fact-sheet/audio-and-podcasting/>

would be \$71 in 2014.⁷⁰ It is not that people spend less money on music now than in the '90s, it is just that money within the music industry has changed hands. In 2000, the music industry collected \$15.82 billion—\$22.14 billion in 2017 dollars—and in 2017 it collected \$22.1 billion. The difference is that, whereas in 2000 only \$1.5 billion came from concerts—\$2.1 billion in 2017 dollars—in 2017 the number was \$7.7 billion. Artists started earning more money and record companies less. While in 2000 artists made \$3.05 billion in 2017 dollars, in 2017 their revenue reached \$5.9 billion.⁷¹ Now, concerts represent \$25,600 million worldwide, and their revenues are expected to increase.⁷² We can conclude that, in terms of format, live events have now become the most important part of the music industry's revenue.

E) Multiple Formats

Still, the best strategy to create brand attachment is to provide a complete user experience through multiple media. eSports bring forth a case of success with this type of format. The eSport industry is consistently growing and its revenues are only increasing. It uses both online formats (video gaming) and offline events (game leagues), physical objects through merchandising, and bets surrounding the games. Consumers are constantly presented with the same content through multiple channels and can access that content in whatever format they desire. Major companies, such as Amazon, are investing in this sector through, for example, the 2016 Champions of Fire Invitational, an Amazon organized tournament. The eSport segment's revenues in 2016 amounted to \$327 million and are expected to reach \$874 million in 2021.⁷³ Thus, this type of holistic approach to media content creates a comprehensive user experience, generates more revenues and fosters a stronger brand attachment.

⁷⁰ Bharat Anand, *The Content Trap*, (New York; Random House, 2016), 105.

⁷¹ Josep Valor Sabatier, *Basic Economic Models for the Digital Economy*, IESE Business School - University of Navarra, 2018, 7.

⁷² PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 21, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

⁷³ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 51, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

2. Change in Topics

A) News

The topics featured in media content vary through generations, race and current events. In terms of news, a 2012 survey by the Pew Research Center on leading news topics can be taken as an example of issues that matter to the public. News videos, both on YouTube and TV networks, were mostly about government, politics and disasters.⁷⁴ Another survey by the same center identifies weather, breaking news, politics and crime as the most read news topics in local media.⁷⁵ That said, in general terms variation in topic preference depends on the political climate and current events. While fifty years ago technology and fake news were not topics that mattered to most Americans, now they are. Moreover, in our globalized world news outlets must find an equilibrium between local and global news, but in most outlets there is room for both. "Live television events that connect the world still matter, and there is space and demand for local events coverage. In developed content, the best stories matter," said the executive at the streaming service.



⁷⁴ Pew Research Center Journalism & Media Staff, "Leading topics," *Pew Research Center*, July 16, 2012, <http://www.journalism.org/2012/07/16/leading-topics/>

⁷⁵ Carolyn Miller, Kristin Purcell and Tom Rosensteel, "Local topics of interest and the primary source of information," *Pew Research Center*, April 12, 2012, <http://www.pewinternet.org/2012/04/12/part-iv-local-topics-of-interest-and-the-primary-source-for-information/>

Preferred news topics also vary among ethnicities. For example, traffic and weather, politics, crime and natural disasters are the most read topics among Americans, but their importance varies depending on race. Of those who closely follow traffic and weather news, 88% are Hispanic, 82% are white and 78% are African American. With regard to national government and political news, the difference between races is more striking: while 78% of whites and 63% of African Americans follow this kind of information closely, only 38% of Hispanics do so. Also, Hispanics are much more likely than whites to follow news on immigration.⁷⁶ An interesting finding in a study by the American Press Institute is that a preference for certain news topics determines the sources the consumer uses to access information. As the Internet provides specialized information for everything, users go to different sources for specific topics like weather, sports, politics or diets.

B) Entertainment

In terms of entertainment, content preferences also vary among cultures and regions, which makes content development harder in a globalized world. As the executive from the streaming service shared with us: “Global content development has some interesting challenges. Tolerances for theme and subject vary across cultures. For example, what may be young adult content in North America may be classified as restricted in India.” He added: “We are working to factor in world-wide cultural differences and adapt content accordingly.” Thus, large media firms face the tension of producing content for everyone (global) but, at the same time, for specific groups (local). Content needs to be specific enough so that it moves audiences, but loose enough so that it can connect with more than one group. That’s why adaptation and localization are key. A professional league executive told us how his company does it: “We offer the same content worldwide and our local partners add local characteristics to it, except for social media where all content is locally produced.” Another top executive of the Icelandic public broadcaster was more blunt when talking about local versus global content, arguing in favor of the former: “The trend is localization! We have given up competing with Hollywood. Big houses like Netflix do amazingly good content. But we differentiate ourselves with local content;

⁷⁶ American Press Institute, *News consumption patterns among African Americans and Hispanics*, <https://www.americanpressinstitute.org/publications/reports/survey-research/news-consumption-patterns-african-americans-hispanics/>

we have 57% market share in a market with many competitors.” He concluded: “People like Icelandic-centered content.”

Another change in topics in media content comes from the increasing importance given to minorities—regarding race, gender or sexual orientation—especially in the United States. Diversity has become a focus in all aspects of the media and entertainment space: subject matter, talent and actors, producers and directors. Snyder, the film producer, explained to us: “The audience is demanding, and following, shows that reflect diversity. Minority actors, directors, developers and producers are all making gains.” A vice president of programming at a major entertainment company added: “We have seen a rise in content that is specifically developed and targeted to address diversity.”



Regarding consumption, there are differences among age groups. The previously mentioned executive of the Icelandic public broadcaster claimed that pursuing topics and content that specializes in age groups is key: “Specialize. We focused on children’s content and our overall share went up.” Age groups differ in their tastes. Kids and teens watch 7.8 hours of drama or reality series every week, valuing innovation as one of the top features in their content. Innovation, as described by them, depends on new ideas or engaging storylines presented with different technologies and through multiple platforms.⁷⁷ Millennials, on the other hand, want to see themselves reflected in what they consume. They are idealistic and unattached, according to a Gallup poll, and also look for those

⁷⁷ PwC, *Consumer Intelligence Series: Media-savvy kids, teens want engaging stories in multiple devices*, <https://www.pwc.com/us/en/industry/entertainment-media/publications/assets/what-kids-want.pdf>

features in media topics—mostly in entertainment.⁷⁸ Regarding how consumers tap into new content, recommendations from family and friends—word-of-mouth—are still the most important advertising strategy any type of entertainment and media content can hope to get. Commercials and social media are also relevant,⁷⁹ as are influencers—especially among generation Z—and thought leaders.

On the one hand, on a macro level, preference over news topics does not vary, as most people are engaged with the same kind of stories—the ones that involve crime and politics, instead of the ones that feature the stock market. On the other hand, on a micro level, there is variation in terms of topics preferred due to current events, country location, age and ethnicity. In summary, what matters is an alluring storyline that connects with the audience.

3. Change in Media Offering

A) Change in Options

Although the content is the same, its origin and the possibilities of how the public can buy it vary. The changes in audience habits—the expectation of obtaining everything that one wants immediately, recent political events, the influence of social media and the democratizing effect of the Internet have had a drastic impact on how media firms offer content and how the audience values it.

On the one hand, media companies design different strategies to monetize content, mainly by offering bundles or customized products. Customization is becoming a must, as consumers value above all their capability to personalize content packages. Thus, more than 40% of TV consumers say that the ability to customize their packages—selecting or eliminating channels—would make them subscribe to paid-TV. This is something that media companies based on on-demand content strategies—for example, Netflix—can actually attain. However, cable and satellite firms could also offer this type of tailored bundle in the future, although they do not do it now. The same executive of the Icelandic public broadcaster told us: “People watch more TV than ever before. There is an

⁷⁸ Amy Adkins, “What Millennials Want From Work and Life,” *Gallup*, May 10, 2016, <https://news.gallup.com/businessjournal/191435/millennials-work-life.aspx>

⁷⁹ PwC, *Consumer Intelligence Series: Videoquake 4.0: Binge, stream, repeat - how video is changing forever*, 2016, 18, <https://www.pwc.com/us/en/industry/entertainment-media/publications/consumer-intelligence-series/assets/pwc-videoquake-4-0.pdf>

increase of non-linear TV, which implies a new way to negotiate rights so that we can offer multi-platform content.”

On the other hand, in terms of origin, user-generated content is gaining momentum. Access to technologies and the Internet has opened the media market to more competitors, and some of them are not even competing media and entertainment companies, but consumers. This has brought multiple advantages, as user-generated content, which proliferates in social media, has gained acceptance among other users/consumers, up to the point that they are more likely to trust content created by a consumer than by a brand.⁸⁰ That’s because authenticity is the most valued feature of content and sometimes brands cannot reproduce it, whereas users can—60% of consumers believe that user-generated content is more authentic.⁸¹ Thus, media firms leverage their own customers’ input, offering the public user-generated content.



B) Change in News Origin: The Rise of Fake News

However, the downside of user-generated content is the birth of fake news. Fake news can be professionally produced, with websites such as Liberty Writers, which disseminates pro-Trump

⁸⁰ Bulldog Reporter, “Why consumer-created content is more authentic — and influential,” *Agility PR*, November 15, 2017, <https://www.agilitypr.com/pr-news/public-relations/consumer-created-content-authentic-influential/>

⁸¹ Stackla, *The Consumer Content Report: Influence in the Digital Age*, <https://stackla.com/resources/reports/the-consumer-content-report-influence-in-the-digital-age/>

ideas, distorting the facts. But they can also be user-generated news, mostly through social media. Although the former have more resources, the latter are more ubiquitous.

The *Reuters Institute Digital News Report 2018* concludes that audiences are concerned with fake news: more than half of the respondents (54%) are concerned with the rise of fake news on the web, especially in Brazil (85%) and Spain (69%). What's more, most of them—more than 70%—think that publishers and platforms should be responsible for fixing the fake news problem.⁸² Thus, there have been multiple initiatives, both non- and for-profit, to eradicate fake news pages—or at least label them as such. For example, Facebook deleted pages they considered fake news,⁸³ and other entrepreneurial projects, such as NewsGuard, give users reliability ratings for news and information websites.⁸⁴

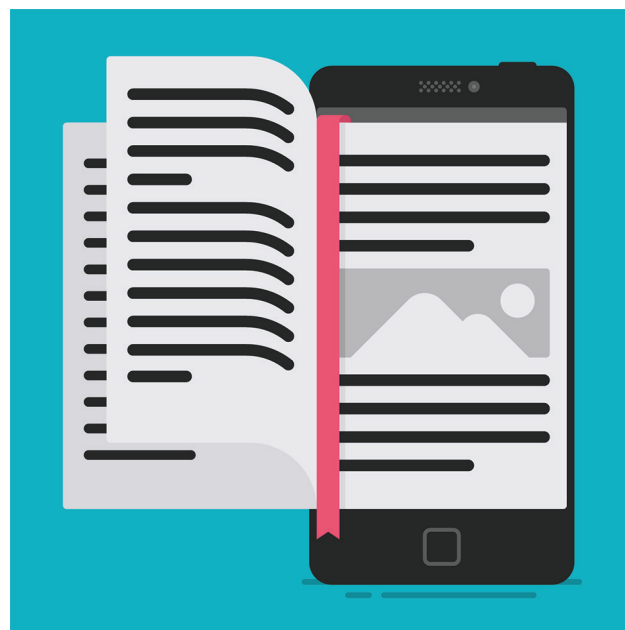
In the collective imaginary, not only these projects and platforms are responsible for fake news. Every media company seems guilty in the public sphere if it does not zealously guard the truth. In company jargon, we are talking about corporate social responsibility. “Media business leaders must consider social responsibility and the need to protect the truth. Content that is news, reporting, live event coverage and beyond must focus on content that compels, but remains factual,” said Parker, a former executive at Showtime.

C) Storytelling: As Relevant as Ever

Despite these changes in habits and political climate, storytelling remains the backbone of all media offerings. As Peretti, BuzzFeed's CEO, told us: “Ability to tell stories will persist even if new tech comes along.”

Entertainment depends on good storytelling, news must not only be informative but intriguing, and innovation in media companies must always take into account that storytelling is the basis of their product. Content is still king. Asked what will make the difference in content development in the future, the

executive at the streaming service claimed: “Telling the best stories. Period. The content boom is the race to tell the most relevant, compelling, globally impactful stories.” Those ideas entwined in a good story will drive media success. That's why several executives interviewed said that intellectual property will be the most valuable asset in any media company. A top executive from a “new generation” news organization said: “Strong Intellectual Property will rule, be it with direct distribution via third-party distribution.” Agreeing with him, the previously mentioned top executive from a leading online portal stated: “Intellectual property ownership will be crucial. A single person with a great idea will be more important than a company without any IP.” Once a delivery method and an outreach strategy are established, content and ideas make the difference. “Content has to be unique; originality is key, and that is why Sci-Fi is where everyone in movie-making is trying to go,” argued Patricof, Managing Director of Greycroft LLC. In summary, quality content will drive media corporation viability.



The startup Hooked is an interesting initiative that shows the uniqueness of good content and the importance of finding ways to deliver it to the targeted audience. Through a mobile app, Hooked sends its users short stories in a texting format. The stories are told as conversations in texting apps, adapting fiction to the younger generations that are used to social media formats. In this way, the same content is offered in new ways depending on the public. Parker, concluded that “the most successful media companies will offer both content and delivery that beat the competition.” This is exactly what Hooked is

⁸² Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

⁸³ Tiffany Hsu and Sheera Frenkel, “Facebook Removes Popular Black Lives Matter Page for Being a Fake,” *New York Times*, April 10, 2018, <https://www.nytimes.com/2018/04/10/business/facebook-black-lives-matter.html>

⁸⁴ NewsGuard, *Brill and Crovitz Announce Launch of NewsGuard to Fight Fake News*, March 5, 2018, <https://newsguardtechnologies.com/announcing-news-guard/>

aiming at, and something with which Luton, executive at Mastercard, agrees. He argued that quality content is the most important piece of the puzzle, but it is followed by a great delivery of that content and the attachment to a recognized brand. Luton told us: “Having the most recognized brand and the best content is important, and equally important is the ability to deliver that content.” With media firms trying to achieve these three ingredients, mergers and acquisitions in the media industry are the order of the day.

To summarize, consumer habits change the type of offering media companies have and how they produce and deliver it, but what they don’t change is the essence of media content, which will always be a compelling story.

4. Conclusion

Content has changed in terms of who creates it and the formats the audience consumes. However, in terms of topics, the preferences remain similar, although there are perceived differences in interests among age groups and ethnic groups. What is clear is that media companies need to stay in touch with their customers, as they are competing with multiple actors that sometimes rise in a solo manner. While user-generated content can compete with professionally produced content, media companies must leverage what they learn from them: the importance of authenticity, the fact that consumers want to identify with what they watch, and their storytelling capacities. Let’s not forget, influencers, Instagrammers and YouTubers narrate their lives on the Internet. And what better story is there than the live narration of one’s own experiences?

Thus, media companies should be aware of the competitors they face constantly and the way their audience receives multiple stimuli at the same time. The advantage of multiple stimuli and lack of attention is that users are more comfortable jumping from one screen to another, from one page to the next. The downside is the same: they are impossible to retain. The goal of media firms is to delay the transition to the next product and keep users on their own content just a few seconds more.

Therefore, if storytelling is what the audience craves, media companies should offer it in the format they seek, easy and effectively. Video has been the way to go so far, but other innovative techniques—such as the one that Hooked (which sends their users short stories in a texting format) is using—could prove efficient in the long term. The content is similar, what’s different is how to get the consumer’s attention in an environment where it is impossible to stay focused on a single thing for more than 30 seconds. What media firms crave for is their consumers’ time and attention. This is increasingly harder to get, so they should look for it at times where consumers are receiving less stimuli. For example, on the subway, on the way to work, in the bathroom, when the consumer is waiting for a friend at a restaurant, etc. Those times used to be ‘dead times’ and they are not anymore—media such as podcasts, for example, are filling that gap. The challenge for media companies is to design content that can be alluring for the audience when they are just scrolling through their newsfeed and doing nothing else. We will see what kind of content, format or topic achieves this and makes the audience a constant consumer of media content.

DISTRIBUTION PLATFORMS

Instagram = 800 million monthly users

WhatsApp = 1.20 billion monthly users

The most recent outcry in the media industry has been against tech companies and their hold over media and entertainment content. Whereas before, media companies had power over content distribution, outreach, management, monetization and creation, now tech companies undermine their authority and, most importantly, the uniqueness they bring to the table.

Many media leaders have expressed their discontent, as did Robert Thomson, CEO at News Corporation, in a letter a few years ago: “The uniqueness of news sites has been undermined by aggregation of content which transfers the front page to the Google homepage. Readers have been socialized into accepting this egregious aggregation as the norm. The second phase of aggregation is that of the audience. By tracking readers and exploiting its dominance in online advertising, Google is commodifying the audience of specialist publishers and limiting their ability to generate advertising revenue.”⁸⁵

Thus platforms—defined as services where the content is not owned by the service but created by users, either professional organizations or individuals, and that are in general subject to network externalities—are slowly replacing media companies in some roles. Specifically, distribution is slowly being monopolized by platforms. This trend is expected to continue in the short term, and media firms will have to deal with it one way or another. The result is that News Corp is not only competing with Time Warner or Viacom, but also with Facebook and Google. A reversal of this trend is starting to emerge. For

⁸⁵ Robert Thomson, “Full text of News Corp’s Google letter,” *Guardian*, September 18, 2014, <https://www.theguardian.com/media/2014/sep/18/full-text-news-corps-letter-google-robert-thomson>

example, Disney is pulling out Netflix, a distribution platform, to create its own go-to-the-user technology or perhaps leverage its stake in Hulu.⁸⁶

Many media companies are merging or acquiring other firms, as Comcast did with Universal back in 2011. The AT&T acquisition of Time Warner and the recent approval of the Fox and Disney merger by their shareholders are other examples. While in 2012 the value of media deals did not go over \$60 billion, in 2016 the number was \$200 billion.⁸⁷ Viacom and CBS are next, as they have been talking merger for the last few months.

In this chapter, we will briefly analyze the state of the media and tech industry, and the role of both types of companies—technology and media—in terms of distribution of media content.

1. Media Landscape

A clear trend in the media industry, especially in the United States, is consolidation. More companies are going through mergers and acquisitions, gaining more control over the market in doing so and more power over prices and the audience in an attempt to counter the newcomers. An executive of a professional sports league we interviewed confirmed this trend: “The endgame is to control the complete value chain. Integration is paramount for survival.”



⁸⁶ “Hulu could play a key role in Disney’s plans to take on Netflix,” *LA Times*, <http://www.latimes.com/business/la-fi-disney-hulu-20171214-story.html>, 14 December 2017.

⁸⁷ Adam Haller and Daniel Hong, “How Media Companies Can Use M&A to Expand,” *Bain & Company*, August 14, 2017, <http://www.bain.com/publications/articles/how-media-companies-can-use-m-and-a-to-expand-multiples.aspx>

As mentioned earlier, Comcast acquired NBC Universal back in 2011. The critics of the deal said this vertical integration would reduce competition, restrict where NBC-owned content was offered and show a lack of adherence to net neutrality—not enforced since June 2018. More recently, AT&T acquired Time Warner for \$85 billion, generating a new conglomerate, which unites both infrastructure and content. This way, AT&T owns DIRECTV (satellite infrastructure) and the Time Warner conglomerate owns HBO, Turner Broadcasting, Warner Bros Studios, etc. The goal of those mergers is to be able to access final customers and better control what they see, how they see it and their buying habits. The aforementioned executive added: “Mid-sized companies will likely disappear; we are moving toward very few large champions in every area and small, specialized, location-specific players.”

A) The Impact of Tech Companies and Their Platforms

As tech companies enter the media market with their platforms, media firms are trying to find alliances to consolidate their business. Some of these new competitors, which we will briefly review, include the Big Five (Alphabet, Facebook, Amazon, Microsoft and Apple), as well as Yahoo, Baidu and AOL.

Alphabet, Google’s parent company, has moved into the media and entertainment industry with Google News and its ownership of YouTube. Google News provides the tech company with more clout over the media content that pops up in their searches. And YouTube gives it a stake in the entertainment business: it is now the leading video platform with one billion hours watched per day, more than Netflix and Facebook combined.⁸⁸ YouTubers consolidate their whole careers through this platform, news outlets publish their videos on it, and entertainment and music companies launch their trailers and video clips through the platform. But YouTube is a platform not a media company, as it only aggregates content created by other media firms or private users, but it still does not generate it.

Facebook Inc. owns three main social media platforms: Facebook, with 2.23 billion monthly active

users;⁸⁹ Instagram, with 800 million monthly users, owned since 2012;⁹⁰ and WhatsApp, with 1.2 billion monthly active users, owned since 2014.⁹¹ With Facebook, the company’s influence over media content is unparalleled: it curates information, deleting fake news and filtering the way media content appears in news feeds; and it makes money from advertising, very much like a media company. Although Facebook claims to be a platform, as it depends on network effects and it does not properly produce content, the line that separates it from being a media company is very blurred. Mark Zuckerberg recently claimed: “I agree that we’re responsible for the content, but we don’t produce the content.”⁹² That is, he believes Facebook has a moral responsibility towards its users, but not an editorial responsibility for its readers. By sustaining they are not a publishing company, they are not liable in the United States under Section 230 of the Communications Decency Act, which protects Internet services that share third-party content from liability.⁹³ And, if the definition of platform is strictly followed, Facebook can be understood as an aggregator or a curator, as it compiles news and decides which items should have preference in the newsfeed, and not as a media firm. However, not everyone agrees with this definition. Bennack, former CEO of the Hearst Corporation, commented: “What about companies like Facebook? They must have responsibility too; if they do, things will change. Regulation, public outrage and private litigation will make changes.”

YouTube = 1 billion
hours watched per day
Facebook = 2.23
billion monthly users

⁸⁸ Sirena Bergman, “We Spend A Billion Hours A Day On YouTube, More Than Netflix And Facebook Video Combined,” *Forbes*, February 28, 2017, <https://www.forbes.com/sites/sirenabergman/2017/02/28/we-spend-a-billion-hours-a-day-on-youtube-more-than-netflix-and-facebook-video-combined/#620177395ebd>.

⁸⁹ Facebook, *Facebook Reports Second Quarter 2018 Results*, July 25, 2018, <https://investor.fb.com/investor-news/press-release-details/2018/Facebook-Reports-Second-Quarter-2018-Results/default.aspx>

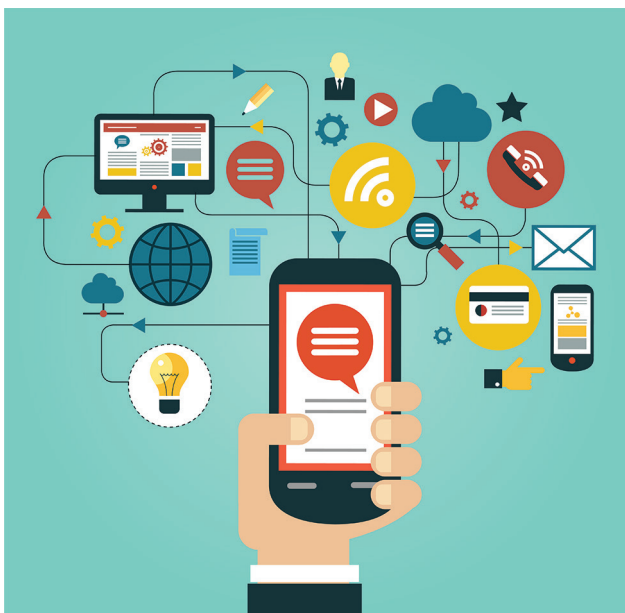
⁹⁰ Anita Balakrishnan and Julia Boorstin, “Instagram says it now has 800 million users, up 100 million since April,” *CNBC*, September 25, 2017, <https://www.cnbc.com/2017/09/25/how-many-users-does-instagram-have-now-800-million.html>

⁹¹ Statista, *WhatsApp — Statistics and Facts*, <https://www.statista.com/topics/2018/whatsapp/>

⁹² *Mark Zuckerberg just renounced a core piece of Silicon Valley wisdom and it could come back to bite Facebook*. Business Insider, <https://www.businessinsider.com/mark-zuckerberg-facebook-is-responsible-for-the-content-on-its-platform-2018-4>

⁹³ *Section 230 of the Communications Decency Act*. Electronic Frontier Foundation, <https://www.eff.org/issues/cda230>

Although the Microsoft brand is not as flashy as Apple, Google or Facebook, its services remain indispensable. Microsoft does not only provide software and services for personal computers. They also own Xbox, a video gaming console with games such as Halo and Age of Empires; a publishing division called Microsoft Press, which releases books that deal with Microsoft technology; Skype, with 1.43 billion registered users and owned by Microsoft since 2016;⁹⁴ and LinkedIn, with 500 million users, also bought by the tech giant in 2016 for \$26 billion.⁹⁵ With all these products and services, Microsoft is a competitor—or potential ally—for media and entertainment companies: Xbox for the video gaming sector, LinkedIn for news outlets and Microsoft Press for publishing companies.



Amazon.com Inc also competes with media and entertainment firms on a daily basis. The tech company owns Goodreads, with 68 million users; Twitch, with 15 million daily active viewers;⁹⁶ Kindle, with e-readers; Amazon Video, whose subscribers are expected to reach 46.3 billion by 2020;⁹⁷ Amazon Music, with unlimited music; Alexa, a virtual assistant; and Echo, with smart speakers. This way, Amazon is a leading distribution platform for almost every single product, especially media and entertainment

⁹⁴ Estimated Skype users worldwide 2009-2024. Statista, <https://www.statista.com/statistics/820384/estimated-number-skype-users-worldwide/>

⁹⁵ LinkedIn claims half a billion users. Fortune, <http://fortune.com/2017/04/24/linkedin-users/>

⁹⁶ TV Audience. Twitch, <http://twitchadvertising.tv/audience/>

⁹⁷ Number of Amazon Video Prime subscribers worldwide from 2016 to 2020 by region. Statista, <https://www.statista.com/statistics/693936/global-number-of-amazon-prime-video-subscribers-region/>

content. With the launch of Amazon Studios in 2010, the tech company started producing video content and distributing it through its video platform, Amazon Video. Finally, the acquisition of the *Washington Post* by Jeff Bezos gives Amazon influence over daily information. While Amazon is a distribution platform in its own right, and an aggregator when it comes to music and video, some of its subsidiaries—like Amazon Studios—are entertainment companies, competing directly with more traditional media firms.

Apple launched the operating system iOS, originally for iPhone, in 2007. It opened the window to the app world: Apple quickly developed platforms like Apple Podcasts and Apple News. Through them, Apple acts as an aggregator, because the content published on them belongs to media and entertainment firms who trust these apps with their distribution.

Apart from the Big Five, there are other platforms that have become indispensable. Baidu, the Chinese search engine, allows users to find music, news and images. In 2005, EMI, Sony BMG, Warner Music and Universal Music sued Baidu for offering free downloads of songs. This issue shows, once again, that the worlds of platforms and media tend to collide.

The telecommunications company Verizon has also invested in the digital media business, through Oath Inc., a subsidiary that manages its digital content enterprises. In 2015, Verizon acquired AOL, previously America Online. AOL was a rising Internet media company that failed, as subscribers declined during the mid 2000s. Two years later, in 2017, Verizon bought Yahoo, looking to expand its media influence. Yahoo offers a search engine, a website, Yahoo mail—among other messaging platforms—and numerous news services. Verizon has organized all its Internet and content properties under the brand Oath.

There are many other platforms launched by tech companies that are currently competing with media and entertainment firms. News and entertainment organizations need to see how they can take advantage of their services or outsmart the products they offer. Competing with them is difficult, as platforms control distribution throughout the Internet, and they currently form an oligopoly over digital advertising: as of 2015, Google, Baidu, Facebook, Microsoft and Yahoo received 19% of all global ad spending in media, according to the report *Top Thirty Global Media Owners*.⁹⁸

⁹⁸ The 30 biggest media owners in the world. Business Insider, <https://www.businessinsider.com/the-30-biggest-media-owners-in-the-world-2016-5>

B) New Media and Entertainment Companies and Their Use of Platforms

During the last decade, many new media and entertainment firms have been launched, with business models based on their native digital characteristics. To name a few: Spotify, theSkimm, BuzzFeed, Hulu, Netflix and even Shutterstock. The Internet changed the media industry and introduced new ways of getting informed and entertained: videos on social media, newsletters via email and on-demand shows. There are many more new enterprises, but we will review only a few—from music, entertainment and news industries—to highlight what they are bringing to the table in contrast with traditional organizations.

The Internet changed the media industry and introduced new ways of getting informed and entertained

Spotify has been revolutionary for the music industry. Spotify is not a music label, it is a music aggregator and distributor: it compiles playlists and offers them to the public. In terms of distribution, Spotify made streaming easy and accessible for both the listener and the artist. It fed off the death of CDs, and it provided a platform for musicians to access their public. In 2017, Spotify had 140 million active users, 60 million of whom were paying subscribers, which made it the largest music-streaming service in the world.⁹⁹ Since its inception, Spotify has worked with labels such as Universal Music Group, Sony and Warner Music Group to get their artists on the platform. The Spotify Fan Insights service provided artists with accurate data on their listeners and fans, so they could design a strategy to make casual listeners become fans.¹⁰⁰

⁹⁹ *Spotify is not just streaming: it's becoming the entire music industry.* Quartz, <https://qz.com/1110546/spotify-is-not-just-streaming-its-becoming-the-entire-music-industry/>

¹⁰⁰ *How to make entertainment and media businesses fan-tastic.* Strategy&PwC, <https://www.strategy-business.com/article/How-to-Make-Entertainment-and-Media-Businesses-Fan-tastic?gko=3a2bc>

Now, however, there might be a turn. Looking to increase their profits, Spotify wants to make the middle man disappear. Spotify is starting to deal with artists—not stars, but those who do not have strong label deals—to encourage them to sell their music to the platform so they can license it, instead of licensing it to the label. The artists would get to distribute their music on multiple platforms, not just Spotify.¹⁰¹ As of now, Spotify provides the infrastructure for emerging artists to expand without counting on a label. If their music gains traction on the streaming service, they get fans, tours, concerts—which they themselves can organize—radio time, etc. Although labels are currently a force in the music industry, with time, streaming could make them obsolete.

Similarly, enterprises like BuzzFeed or theSkimm have impacted the news industry and the way information is consumed. BuzzFeed was founded in 2006, as a news website that provided information in the form of videos, lists and questionnaires. Thus, the news site was a content creator. BuzzFeed, which has become one of the most popular native digital news sites and also owns a video producer called BuzzFeed Motion Pictures, relies on native advertising for its revenues—creating tailored content around an advertiser's product—and distributes its content through social media (Facebook and Google). When BuzzFeed was launched, and when it became popular on Facebook through its brand Tasty, it impacted the way news outlets saw themselves. BuzzFeed had been born on the Internet, it controlled social media, and it used both the formats and the language aimed at digital native consumers. The media company quickly understood the attention span users had on the Internet, and it took advantage of it, surpassing traditional news outlets in terms of social media impact. Now, with Facebook and Google's monopoly over online advertising, media companies like BuzzFeed are trying to figure out how to grow.¹⁰²



¹⁰¹ *Spotify is starting to compete with the music labels by signing direct deals with music acts.* Recode, <https://www.recode.net/2018/6/8/17441544/spotify-daniel-ek-direct-deal-music-labels>

¹⁰² *Vice, BuzzFeed and Vox: hit by changes in the digital media industry.* Financial Times, <https://www.ft.com/content/482dc54a-1594-11e8-9376-4a6390adb44>

A more recent enterprise is theSkimm. Launched in 2012, *The Daily Skimm* consists of a newsletter aimed at millennial women and delivered every morning before breakfast. As such, theSkimm is a content curator (it chooses news pieces from other websites, links them on the newsletter and curates what content goes in the email). In six years, the newsletter has gathered 6.5 million subscribers and it has expanded its ventures by launching an app and longer reports online, among other services. The newsletter, written in a witty way, summarizes the biggest stories of the day, and its outreach is based on word-of-mouth through an ambassador program, offering perks to those who get others subscribed. Their goal is to remain relevant and have a loyal fan base.¹⁰³ The impact of theSkimm in the news industry is small, but it brings forth many issues that traditional companies are trying to wrap their heads around. For example, trusting the entire business model on a niche audience that they completely understand, and building a fan base that becomes absolutely loyal to the product.

Netflix = 117 million streamers worldwide

In the entertainment industry, as mentioned in previous parts of this report, on-demand streaming through online platforms like Netflix, Amazon Prime Video and Hulu has impacted traditional linear TV channels. The online platform Netflix started as an aggregator of movies and shows, but it is slowly becoming a content creator, by producing new shows—similar to Amazon Prime Video and Hulu. The platform, which has 117 million streamers worldwide and TV shows in multiple languages, has changed the entertainment industry.¹⁰⁴ Its competitor Hulu does not reach those numbers, but with Disney’s acquisition of Fox’s stake in Hulu, it may step up its game. Disney could use Hulu to compete with other streaming services, as the entertainment company decided last year to pull its content from Netflix. Finally, Amazon Prime Video offers both its own content from Amazon Studios, with shows like *The Marvelous Mrs. Maisel* or *The Man in the High Castle* and third-party content from other channels. What these on-demand online

¹⁰³ *The Skimm* founders: we want to be a routine like morning TV. Digiday, <https://digiday.com/podcast/digiday-podcast-skimm-carly-zakin-danielle-weisberg/>

¹⁰⁴ Netflix’s impact on the entertainment industry. Platform Magazine, <http://platformmagazine.org/2018/02/16/netflixs-impact-entertainment-industry/>

platforms brought to the table was choice: consumers could suddenly decide what they wanted to watch next and they could pay less for an almost unlimited number of shows and movies. They were aggregators that became content creators, and the content creators realized they also needed be aggregators. The reason was pointed out by Patricof, Managing Director of Greycroft LLC, in an interview with us: “Aggregators that only manipulate other companies’ content are vulnerable, as they can lose their contracts; creators that own Intellectual Property are powerful.”

Finally, Shutterstock impacts a different industry, more related to news outlets than to entertainment. The digital platform is a content aggregator, a library of photographs, videos and music, ready to be used by companies on their websites. At the beginning, the site was accessible via subscription, but now it also includes a la carte pricing. The company does not get as much attention as other media and entertainment platforms, but it definitely provides an insight into this vacuum in news outlets. In an era in which every news piece on the web must have an image attached to it and, many times, a video, news companies—and other types of firms—lack the staff to actually get background photographs or videos for everything they put on the web. Shutterstock fills that vacuum as an online aggregator of pictures by professional photographers.

This brief overview of some new digital media and entertainment firms shows how the role of platforms and publishers is becoming very much entwined. Publishers need platforms to distribute their content, while, at the same time, tech companies that own platforms are producing content, and those platforms are taking an editorial role over the content published on them.



2. Distribution: Publishers vs Platforms

Media and entertainment companies can be defined as having the following roles: they create content, host it on their websites or channels, curate content—decide what to prioritize and how—distribute it and monetize it. However, platforms are taking a hold of some—or almost all—of those roles, which raises the question of what a media company is. In the following pages, we will examine these roles briefly, while analyzing the distribution element of the content value chain in more depth.

A) Create

Media and entertainment firms still have some kind of monopoly over content creation, as discussed in the Content section of this report. News outlets produce information, traditional movie producers still launch the major movies shown in movie theaters, and print publishers keep leading book sales. Although user-created content saw a rise with the Internet, the main bulk of successful content is created by media and entertainment firms, and user-created content is many times attached to a specific aggregation site such as Facebook, Twitter or Instagram. And the same could be said for Google. The problem is that even the unique role of the media industry, creating successful content, is starting to be performed by some platforms. Amazon, for example, also creates content now through its publishing company, Amazon Publishing, and Amazon Studios.

Still, by and large, content creation remains in the hands of the media and entertainment firms. And some media executives believe this will remain so, as does Peretti, BuzzFeed's CEO, who said: "Tech companies do not want to do the necessary work to create good content. I would not bet against major production studios." He added: "It will be hard for Facebook to do original news. They will aggregate news from reputable sources on their platform."

B) Host

Media and entertainment companies have traditionally hosted content through their TV and radio channels, print editions and websites. Even with the Internet it was assumed that media and entertainment firms hosted their content on their own sites, and the consumers had to go to those sites to access it. However, this is not the case anymore. Facebook's Instant Articles acts as a host of news content within

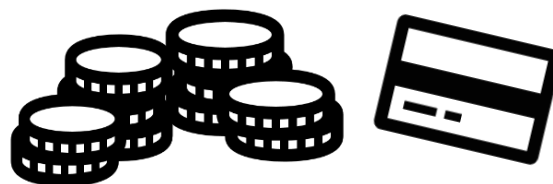
Facebook, and without the need of clicking the link that redirects the user to the news website. This could be applied to other platforms, like LinkedIn, where one can post opinion articles directly on the social media, which works as a host. Medium does the same, as major companies post their articles on the Medium platforms, not on the firms' website. However, some newspapers like the *Guardian* have stopped using Apple News and Facebook's Instant Articles as they thought they were not effective.¹⁰⁵ In the entertainment industry, the situation is similar: users did not have to go to the Disney website to watch a Disney movie; they could just watch it on Netflix. Now, this is changing, as more show producers are launching their own on-demand platforms.

C) Curate

News outlets have always curated content by deciding the newspaper's design, or the daily news topics. Some of the new media outlets, like theSkimm, only curate content, given the great amount of information that consumers are being bombarded with every instant. But curating is increasingly becoming a platform role. For example, Google News curates content, as it chooses the top news that will appear in the search. Additionally, Facebook curates information on a user's newsfeed according to the person's preferences, assuming an editorial role. As most people get their news through social media, it is effectively selecting what information the user will get. This poses an inevitable question: if these sites want to keep being relevant to the user, they have to select and show content the user likes, and therefore they provide a very biased view of the world, tailored to each one of us. Is that the role of a fair media company?

D) Monetize

As mentioned in the Business Models section, media firms have struggled to monetize content for the last



¹⁰⁵ *The Guardian pulls out of Facebook's Instant Articles and Apple News.* Fortune, <http://fortune.com/2017/04/21/guardian-instant-articles/>

decade. At first the solution was advertising, now, they have added other revenue streams such as subscriptions. The problem, or relief, for the media industry is that social media can also monetize their content. At the moment, Facebook comprises around 35% of digital advertising and 44% of mobile, while Google comprises 14% of mobile.¹⁰⁶ Moreover, Instant Articles gives media companies the option of selling their own advertising or having Facebook sell it for them.¹⁰⁷ Also, Facebook is launching another way of monetizing content: it is letting group administrators charge a fee to access exclusive content published in Facebook groups. At the moment, Facebook won't be getting a cut—thus, it could all go to the news outlets if they decide to use Facebook groups, but it might do it in the future, giving platforms too much control of the monetizing role.¹⁰⁸ See the Business Models section for an extensive discussion on monetization strategies.

E) Distribute

Distribution is largely controlled by platforms. News outlets distribute their content through social media and newsletters, besides the traditional distribution channels (print edition, or TV and radio channels).

For digital news outlets online distribution has been relegated to platforms, as most users (two thirds of Americans) access their news through social media.¹⁰⁹ This gives platforms an unsurmountable leverage over media organizations: they reach the audience and they have the consumer data. For traditional linear TV the challenge is a bit different, but it also depends on

2/3 of Americans
access their news
through social
media

¹⁰⁶ US Digital ad spending to surpass TV this year. Emarketer, <https://www.emarketer.com/Article/US-Digital-Ad-Spending-Surpass-TV-this-Year/1014469>

¹⁰⁷ *The Facebook Papers part 2: the user experience revolt*. Recode, <https://www.recode.net/2016/5/16/11658122/the-facebook-papers-part-2-the-user-experience-revolt>

¹⁰⁸ *Facebook tests subscription groups that charge for exclusive content*. Techcrunch, <https://techcrunch.com/2018/06/20/facebook-subscription-groups/>

¹⁰⁹ News use across social media platforms 2017. Pew Research Center, <http://www.journalism.org/2017/09/07/news-use-across-social-media-platforms-2017/>

reaching the audience and monetizing that content. Snyder, the film producer, spoke to us about ways that platforms are disrupting cable and network broadcasting. “There are two very different business models for this disruption: the well-financed model and the low- or no-finance model,” he said. The well-financed model includes streaming services, both current and planned; the low-finance model includes uploads by individuals to aggregators like YouTube. He warned us: “One of the biggest potential industry changes will be if and how the low-finance models can monetize their content. If successful, they will bring further major disruption to the media distribution business.”

Content is king,
but distribution is
king-kong

Either way, distribution is the key to success, as it is the way to reach the audience and interact with it. Bennack, former CEO of the Hearst Corporation, argued that distribution is crucial: “Telcos were supposed to own content in the '70s but they decided to go for low-hanging fruit like cellular and long distance.” He concluded: “Now they use their huge dollars to buy content: content is king, but distribution is King Kong.” This distribution will come in new ways in the future, but tech companies, who own those platforms, will most likely control it. A top executive from a new generation news organization suggested some of them: “Distribution will come in completely new ways, like soda cans with QR codes to unlock content.”

F) Network Effects

Network effects give platforms the lead on distribution, as it gives them power over audiences. Networked products are those that see their value increase when more users consume them. That is, the product depends not only on the content put out by the company itself but on the consumers. For example, a social media service like WhatsApp is only valuable if many acquaintances have it. Facebook and Instagram work in the same manner: only if a consumer's friends use it, will he use it. Platforms are most valuable when they have strong network effects. And once a market is occupied by a platform—through a network—competitors find it very hard to win that market over.

YouTube is the leading video platform, given that thousands of people watch videos on it and over 300 hours of video are uploaded every day. It was launched 13 years ago because its founders wanted to have a platform where they could share videos. As it grew, more videos were uploaded, and brands and media companies had to go to YouTube to get their message out. The more content is made available, the more viewers it attracts and then the more attractive it is for uploaders. Other platforms, like Vine, that also feature short videos have not achieved its success, mostly because they came to the market later when the network for YouTube was already established.

This system of network externalities gives platforms an incredible advantage in distribution because they host the audience media companies want to reach. Patricof, from Greycroft LLC, said: “Verticals that own and distribute only their content, if they control their audience, have a better chance of making it.” But, he added: “Everyone is scared of tech companies controlling their audiences.”

G) Branding

As audiences increasingly access content through platforms, branding for media companies has become more relevant. If users don't have a specific attachment to the media brand, their content will not be distinguished from the rest of media outlets. A



top executive of the Icelandic public broadcaster told us: “The power of aggregators/indexers like Google is expected to increase. Increasing branding might be an alternative to counterattack this.” According to Millie Tran and Stine Bauer Dahlberg, from the *New York Times*, in an article for the Nieman Lab, people tend to remember the platform they use to access content much more than the news brand that produces it.¹¹⁰ Thus, news outlets must focus on building a strong brand and community to differentiate themselves from the rest of the market, by nurturing a relationship with the buyer and making user experience a top priority.¹¹¹

This care for brand reputability of media companies is, according to some of our interviewees, more important for news outlets than entertainment firms. Peretti explained: “[The] entertainment industry is more modular than news. Studios can hire a production company for a show and the same can be hired by Netflix, as employees are often part-time.” He continued: “In news, journalists are harder to find and need editors that understand what courts may see as libel.” “Brand reputability matters more in news,” he concluded.

However, distribution by social media is not going away. A study by the Pew Research Center concluded that digital native outlets mostly use Facebook and Twitter. All have these two social media channels, while 97% use newsletters, 97% use YouTube and 92% use Instagram.¹¹² Media companies must be strategic about their distribution investments. The *Economist*, for example, has stopped using some social media channels, like Pinterest and Tumblr, and has focused its efforts on LinkedIn, where its audience is.¹¹³ Moreover, media companies must find other ways to strengthen their brand, such as events, perks for subscribers or an accessible website.

As many of the traditional roles of media companies have been taken by platforms, publishers can decide to relinquish all except the content creation role, at which they excel. They have competed with platforms over distribution and, so far, platforms have won. The battle media outlets have not lost is content creation. And these two elements—creation and distribution—are crucial for success, as they mean controlling the

¹¹⁰ Hint: it's about your brand. Nieman Lab, <http://www.niemanlab.org/2017/12/hint-its-about-your-brand/>.

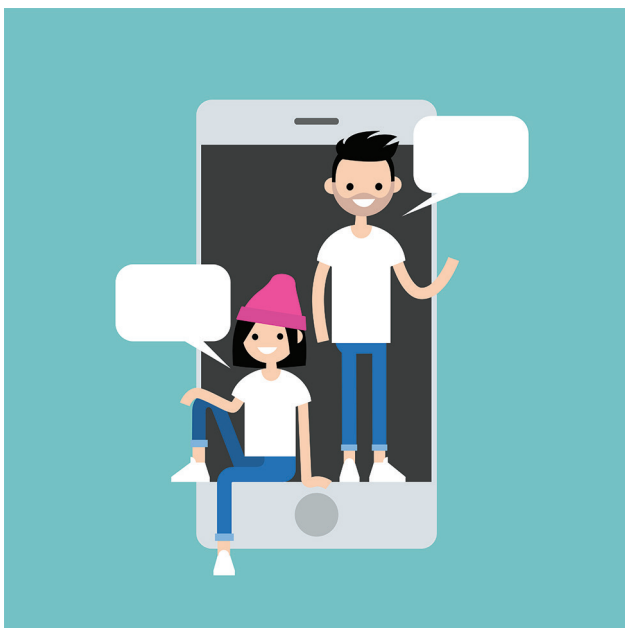
¹¹¹ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 30, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/gemmo-espana-2017-2021.pdf>

¹¹² Digital news fact sheet. Pew Research Center, <http://www.journalism.org/fact-sheet/digital-news/>.

¹¹³ The Economist ditches Pinterest and Tumblr, renews focus on LinkedIn. Digiday, <https://digiday.com/uk/economist-ditches-pinterest-tumblr-renews-focus-linkedin/>.

audience. A top executive from a leading online portal argued: “Power will go to the extremes. So get very close the consumer and own the intellectual property.”

However, many media executives believe platforms’ monopoly over distribution will shift. For a former top executive from a European public broadcaster, both tech companies and smaller media companies will be able to reach their audience directly: “Big companies gathering all data and becoming stronger and stronger will be the norm, but there will be very small specialized companies directly reaching audiences as well,” he explained, “a ‘U’ model, with few very large and very small companies.” Eric Van State, CEO at AVROTROS, also commented: “We will see fewer intermediaries, with more companies reaching customers directly, and fully automated auctioning will force the disappearance of distributors as well.” He believes smaller firms will find their place within a massified media market, and that’s where tech companies will try to get in: “With the consolidation of smaller companies, independent producers are disappearing from long-form productions. Facebook, Apple and Google will fight for the small-form space.”



3. Conclusion

We tend to neatly differentiate between platforms and content producers, media and tech companies, or aggregators and curators. But those distinctions are becoming more and more blurred. They depend on definitions, and definitions rely on functions and roles. From a theoretical viewpoint, not every media company fulfills all of the roles that its definition requires. Tech companies also fulfill more roles than just providing infrastructure. Thus, it is hard to actually draw a line between platforms and media companies, because many times they are the same.

The *New York Times* creates content, curates content, distributes it in some sense (at least through mail and email), hosts it on its website and monetizes it through ads. Although social media also distributes their content and hosts it, the *New York Times* incarnates the definition of a media firm. But other media companies, like theSkimm—which curates content and distributes it through email—are harder to classify. The content is not created by theSkimm—it links to other news outlets—nor do they host it; the primary function of the company’s website is for the user to subscribe to the newsletter. However, they do monetize it through e-commerce and data sales. But despite only fulfilling three roles, theSkimm is classified as a media company. Therefore, the question is: why, if Facebook fulfills all the roles except content creation, is it still classified as a platform?

MEDIA BUSINESS MODELS

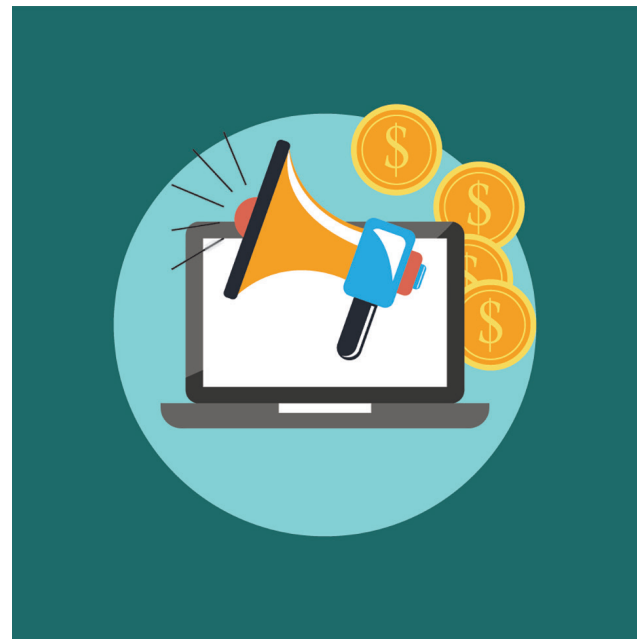
Consumers in mature markets are saturated with available offers while the audience in developing markets is still searching for new products

Developed media markets are expected to face a flat growth in the coming years, according to a PwC study: revenue from mature products will slowly decrease and that from digital products will grow, but more slowly than in the past. In contrast, developing markets will expand fast, resulting in an overall profitability of the industry, due to an increase in the global market quota.¹¹⁴ Consumers in mature markets are saturated with available offers, and they have learnt how to navigate the digital world so their spending has become more efficient, while the audience in developing markets is still searching for new products, as the offering is not as wide and diverse.

Changes in audience behavior have made media leaders rethink their content value chain. This chain includes the following components: content creation, management, distribution, awareness and monetization. The business model—the rationale of an organization to deliver its products—determines every one of those elements. Therefore, the decision over business strategies within a media company is crucial. In the following pages we will focus on monetization and how media firms are generating

revenues in exchange for their products. The rise of multiple formats has brought forth new revenue streams—although some, such as newspaper sales, bring less money to the table than before. Thus, media companies should look for new offerings, such as events, podcasts, merchandising, e-commerce partnerships or exclusive reporting, to keep their products afloat.¹¹⁵

Along with these shifts in audience expectations, the media sector has also faced a major disruption, which has come from tech companies and their platforms. A media sector analyst at a major financial firm described recent events in the media industry as “the greatest rearranging of the media chessboard in history,” so media leaders are compelled to produce quality content and rethink their business, even by fostering alliances with other firms within the market. Most of the media executives we interviewed agreed that flexibility and adaptability are the most important concepts in media companies’ business models. An interviewee of ours, a finance company media analyst, suggested some questions for companies to think through when creating their business model, including: What type of business do we want to be in the next five to ten years? What investments and capital spending are required to get there? What are the other costs and expenses? How much liquidity is available, and how are we paying? Who are we competing against?



¹¹⁴ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 15-26, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

¹¹⁵ *Venture funding and digital news don't mix*. Nieman Lab, <http://www.niemanlab.org/2017/12/venture-funding-and-digital-news-dont-mix/>

Throughout these pages we will examine some of the business models media companies are putting forth to ensure the success and survival of their firms and their products. In this part of the report we will analyze how media companies organize their business from within, focusing on their revenue streams. In the last part of the report we will see how they interact with other firms—mostly tech companies—to guarantee their distribution and outreach.

1. Business Strategies

The proliferation of free media content in the Internet has led media companies to rethink their business strategies from scratch. During the late '90s and early 2000s, news organizations remained in denial, just hoping that the Internet would go away. But it never did. On the contrary, it spread. While prior to the Internet, most entertainment and media firms relied on both advertising and sales (newspaper sales, movie box-office sales, CD sales, etc.), the Internet disrupted their business strategy. On the web, the consumer could find that same information and music for free. Sales were decimated, and although digital advertising was born, it was not enough—and is still not enough—to sustain the business. Monetizing the content produced became very hard. A former top executive from a European public broadcaster noted: “Media leaders must maximize cash flow from legacies and still be able to move to new fields. Our ‘grandfathers’ had it very easy: they were in the right place at the right time and made money easily; not anymore.”



A) The New Landscape for Business Models

We still find ourselves in the same conundrum as in the 2000s, with some nuances: the consumer is learning he must pay for content, the Internet has reached maturity and platforms are now in charge, while in the 2000s they were taking their first steps. But traditional media companies still struggle to produce physical and digital products, while trying to increase their revenues.

With the adulthood of the Internet, hundreds of digital native media initiatives—ranging from solopreneurs to small enterprises—were launched. They confront lower costs than traditional media companies, as they only operate digitally and are less afraid of risk. A top executive from a leading online portal told us: “Newcomers can make bigger bets than incumbents because they do not need profits.” Large media firms must compete with them, while dragging the weight of their fixed-cost structure. For example, traditional publishing companies like Random House must face the costs that they incur in for printing, regardless of the quantity they print or sell. And the reality is that those fixed costs only make sense when the quantities are large. Newspapers like the *New York Times* in the United States or *El País* in Spain face the economic disadvantage of having to print their product, while digital newspapers do not and so spend less.

The advantage of the physical product is the emotional attachment the consumer has to it, which helps boost brand attachment. Another advantage these traditional large media firms count on is the capacity to achieve scale. Although “the new business model for media includes companies ranging from multinational conglomerates to independent artists and content producers,” as Luton stated, and traditional media no longer control content, their large infrastructure gives them the lead. As such, they compete with digital companies, not only in terms of revenue but also in terms of content. Before, old media acted as a filter: networks and companies determined what stories they wanted to tell. Now, that old filter business model has gone. An executive at a video-streaming production company referred to the old production model as “gatekeepers” and noted that this concept is already dead. Now media and entertainment companies must have business plans that source content—both produced and licensed—at tremendous scale. “The business model must have an allowance for failure built-in, so that enough content can be produced to generate the necessary scale,” he added.

The bottom line is that the Internet has reduced the entry barriers to the media market, leading to more and more companies fighting for a piece of the pie. However, media executives from traditional organizations remain optimistic. Bennack, former CEO of the Hearst Corporation, said: “We have increasing dollars coming from online. We have pivoted: lowered costs and increased online advertising.” He added: “We also have more activity and are starting to get audiences to pay for content, as advertising is not as reliable a source of revenue as it used to be; look at the *New York Times*: from 25 cents a copy to \$3 today.”

B) The Winning Business Strategy: Multiple Revenue Models



Given the current situation, one or two revenue sources are not enough. Media firms must pursue multiple revenue models. According to an article by Christopher Vollmer, PwC media consultant, some of these models include the following:

- Maximizing the distribution of one product by using new channels and platforms. For example, CBS places its products on a variety of channels: Amazon Prime, CBS All Access, CBSN and CBS Sports HQ—these last two ad-supported and free for the consumer.
- Capitalizing on the relationship between brands and fans, as Nat Geo does through its multiple platforms. Nat Geo has increased its presence on social media, building a closer relationship with its fans and leveraging its already established brand.

- Monetizing every interaction, making user engagement and sales one and the same, as video gaming companies do.
- Investing in physical experiences and merchandising. Tasty, from BuzzFeed, went from nurturing a social media community to publishing a bestseller on cooking recipes.
- Going to media markets where no brand is established, which is what both eSports and video gaming companies pursue.
- Going to new geographical locations. For example, Netflix has expanded to dozens of countries with the idea that fans of the same TV show crave the same thing (and it is working).
- Creating membership programs:¹¹⁶ the *New York Times* has used this strategy by leveraging the loyalty of their fans towards the brand. Its subscribers are also interested in the live events NYTLive offers, or its products recommendations, which in 2017 represented 6% of the company's total revenues.

These ideas can be summarized in two points. Firstly, that today's growth can only be attained by media companies if they pursue many revenue sources, such as subscriptions, physical products, e-commerce alliances, videos and live events, etc. “Depending only on advertising is at your own peril,” warned Patricof, Managing Director of Greycroft LLC. He went on: “We must figure out other ways of creating revenue other than advertising: conferences, subscriptions, e-commerce, etc.” The soccer business can serve as an example: while the product is the game, which can be watched live or through TV, the consumers (fans) can also purchase magazines that feature their

The business model for media is a subscription-based model

¹¹⁶ The revenue stream revolution in entertainment and media. PwC, <https://www.strategy-business.com/article/The-Revenue-Stream-Revolution-in-Entertainment-and-Media>

favorite teams, they can buy merchandise or attend side events. The media company (soccer leagues) also uses advertisements, both during the games and throughout the year. This way, it takes advantage of multiple revenue streams to monetize the content.

And secondly, that the success of the monetization lies on generating a fan community attached to the brand—fans are willing to consume more, spend more and interact more through many channels. The winning strategy is to create reinforcing products that convey the same message, giving a holistic experience to fan communities. For example, Between 2012 and 2017, video games expanded faster than any other major content sector (music, film, newspapers, magazines, books, and pay-TV) by capitalizing on their fan base through multiple media (such as events, magazines, books and films).¹¹⁷

In conclusion, commercials are no longer the backbone of media business models. The aforementioned media sector analyst explained that the business model for media is changing from a commercial and cable model to a subscription-based model. However, it is up to media companies to calculate which revenue sources will produce better results, depending on the format and channel they use.

2. Monetization: Revenue Sources According to Media Formats

Some sources of revenue work better with specific media formats. For example, live events are used to publicize print publications (both book launches and magazines). They are completely vital for the movie industry but not so much for the magazine sector. In the following pages we will analyze how different formats use the sources of revenue already pointed out and what business strategy fits those media formats.

A) Print

Print publications can be divided into three types: daily newspapers, magazines and books. While all of them have traditionally depended on direct sales, newspapers and magazines also rely heavily on advertising and subscriptions. For all, live events can also be a revenue stream, but it's never the main one.

¹¹⁷ The revenue stream revolution in entertainment and media. PwC, <https://www.strategy-business.com/article/The-Revenue-Stream-Revolution-in-Entertainment-and-Media>

NEWS ORGANIZATIONS

For decades, news organizations have largely relied on advertising and sales as their main sources of revenue. Nowadays, print circulation has declined in Western mature markets, with the obvious decimation of sales. In contrast, print circulation has not declined in developing markets yet: according to the *World Press Trends 2017* report, print circulation levels grew 5% in 2016, a growth driven by Asian countries, especially India.¹¹⁸ That's why traditional sales and advertising remain relevant revenue streams in developing markets, while in mature markets the revenue from these sources keeps falling. For example, in the UK, the *Daily Express's* sales were down by 2.3% in December 2016 compared with the same month in 2015, the *Daily Star* by 2.5% and the

Newspapers have lost 70% of their advertising revenue since 2000

Daily Mirror by 11.7%.¹¹⁹ Furthermore, in the United States alone, the daily press has lost \$11 billion in revenue between 2012 and 2016.¹²⁰ Advertising revenues are also decreasing in mature markets: newspapers have lost 70% of their advertising revenue since 2000,¹²¹ and print ad revenues in the UK will fall from \$1.9 billion in 2011 to \$689 million in 2019, according to a report from Enders Analysis.¹²² Also, a Pew Research Center survey shows that advertising revenues for newspapers decreased 10% between 2015 and 2016 in the United States.¹²³ Thus, for print, advertising and sales have largely become insufficient revenue sources in developed markets.

¹¹⁸ *World Press Trends 2017*. World Association of Newspapers and News Publishers, <http://www.wptdatabase.org/world-press-trends-2017-facts-and-figures>

¹¹⁹ *Popular newspapers suffer greater circulation falls than qualities*. The Guardian, <https://www.theguardian.com/media/greenslade/2017/jan/19/popular-newspapers-suffer-greater-circulation-falls-than-qualities>

¹²⁰ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 63, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/gemmo-espana-2017-2021.pdf>

¹²¹ *Basic Economic Models for the Digital Economy*. Josep Valor. IESE Business School, p. 4.

¹²² The not so great state of UK printing advertising in four charts. Digiday, <https://digiday.com/media/print-advertising-uk/>

¹²³ *Newspapers Fact Sheet*. Pew Research Center, <http://www.journalism.org/fact-sheet/newspapers/>

Other revenue streams are being considered, such as subscriptions—digital subscriptions are normally included with them—and live events. Subscriptions to print newspaper editions are affordable: for example, the *New York Times* offers weekend deliveries for six dollars per week, with multiple perks and discounts—such as a certain number of weeks for 50% of the price. And with those subscriptions, also come exclusive live events organized by news outlets. The *New York Times* also offers talks for its subscribers. In these ways, print newspapers are turning subscriptions into an all-inclusive experience.

MAGAZINES

Magazines rely on three main revenue streams: advertising, sales and subscriptions, and more recently, e-commerce opportunities. Magazines are going through a similar journey to newspapers: their segment is experiencing degrowth. According to PwC, the magazine industry is expected to generate \$88.1 billion in 2022, while in 2017 earnings reached \$91.9 billion.¹²⁴ Now, they are starting to rely heavily on subscriptions. For example, the *New Yorker* offers low-cost subscriptions that include both their print edition and full digital access to their online content. Additionally, they give away *New Yorker* merchandise—tote bags, for example—to create brand attachment. Magazines also use live events as sources of revenue, with exclusive conferences organized by magazines: the *New Yorker* features its festival in early October—with conferences that include talks with Haruki Murakami, Zadie Smith, and Michael Avenatti—giving priority to its subscribers. Finally, the success of e-commerce alliances depends on the topic those magazines dwell on. For example, magazines with a health and fitness focus—a growing segment—generally get their subscribers to buy more products from those displayed in their pages, than do political magazines.

BOOKS

The book industry is still surviving, with a great number of new (sometimes digital) publishing companies. Amazon Publishing, launched in 2009, is an example of the rise of digital publishing and self-publishing, wherein the struggle for writers is not to get published, but to reach readers. Overall, book sales revenues are expected to increase by 2021—from \$114.8 billion in 2016 to \$121,100 billion in 2021—a growth led by Asia, North America and Latin

¹²⁴ *Global and Entertainment Media Outlook*. Segment Magazines. PwC, <https://www.pwc.com/gx/en/industries/tmt/media/outlook/segment-findings.html>

America.¹²⁵ However, the rise in the price of e-books has led many readers to purchase print books, which will continue to be the most relevant medium in the near future. Their main sources of revenue are sales and live events, like book launches and talks.

After this brief analysis, we can conclude that media companies with a print base focus on the following three types of strategies:

- They capitalize on the relationship between brands and fans, delivering their content through print, social media and events
- They invest in real experiences, like talks, conferences and merchandise
- They promote membership programs—subscription systems to keep customers loyal.



B) Video

The video format, in which we will include the channels of movies, television and video gaming, has typically relied on sales (movies), advertising (TV and movies) and subscriptions (TV). When mentioning television, we must keep in mind that video content generated for TV is then shared through social media and accessed through mobile devices. Therefore, although the differences between formats remain, the distinctions between channels are not very clear. Parker, a former executive at Showtime, told us: “The business model for media companies is evolving

¹²⁵ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 59, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/gemmo-espana-2017-2021.pdf>

as the lines blur between what is television, video, movie consumption, sports, phone, e-reader. All are morphing into one concept: screen time. Media and entertainment companies must provide all types of content on all types of screens.”

TELEVISION

TV has traditionally sustained itself through advertisements and subscriptions. Now, with the rise of digital on-demand channels, subscriptions are waning, but TV is still one of the main channels for the advertising media market, as it is the most widely used medium. Bennack, former CEO of the Hearst Corporation, defended those two revenue sources: “Me, as an old guy, I still believe that we need two streams of revenue: advertising and viewer pay. Percentages are shifting, but both are essential still.”

Overall, TV returns are expected to reach almost \$280 billion by 2021 worldwide, while in 2016 the number was almost \$260 billion.¹²⁶ Moreover, the availability of consumer data has also changed TV advertising, in the sense that the modern business model plans for cross-marketing opportunities with a variety of offerings to increase revenues: live sales during a program, program outcome selection and the emergence of the predictive web. Thanks to this, the business model for ad delivery is targeted and changing to be household specific, noted an advertising sales executive we interviewed. He went on to explain that neighbors watching the same program may receive different advertisements; something known as “addressable dynamic ad insertion.”

In terms of numbers, TV ad revenue increased by 7.1% in January 2018 in the United States.¹²⁷ Moreover, also in the United States, advertising revenues for the three evening news programs of Network TV—*NBC Nightly News*, *ABC World News Tonight* and *CBS Evening News*—grew during 2016.¹²⁸ Local TV news has also seen its revenues—tied to election years—increase, some of them through advertising: in 2016, digital advertising revenues grew 10%.¹²⁹ Finally, it is also proven that advertising is effective for communicating new entertainment and media content. For example, most kids and

¹²⁶ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 42, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

¹²⁷ As *Television gets more digital*, TV advertising needs to follow suit. Forbes, <https://www.forbes.com/sites/alanwolk/2018/03/01/as-television-gets-more-digital-tv-advertising-needs-to-follow-suit/#62f7e1f2c50e>

¹²⁸ Network News Fact Sheet. Pew Research Center, <http://www.journalism.org/fact-sheet/network-news/>

¹²⁹ Local TV News Fact Sheet. Pew Research Center, <http://www.journalism.org/fact-sheet/local-tv-news/>

teens learn about new programming through commercials.¹³⁰ Thus, a surge in TV advertising leads to an increase in viewings of TV shows.

Moreover, the number of subscribers to paid-TV is decreasing, along with an increase in money spent on media content through other platforms such as Netflix. As Benack, from Hearst, told us: “Advertising was fickle before already, changing with economic cycles, and it is more so today.” He concluded: “Consumers are more reliable.” The increment in the number of entertainment platforms, such as Starz, Showtime, HBO, Netflix, or Amazon Prime, will result in a fierce fight over the consumers, who are now paying for more than one platform for entertainment content.

These digital video platforms base their business models mostly on the revenue stream of subscriptions. For the consumer, the only difference between platforms is the content they feature, which can be either their own content or third-party content. Both Netflix and Amazon harbor mostly third-party content, but they are now working to launch shows of their own. This is becoming a need, as Disney announced last year they were leaving Netflix and launching their own streaming service.¹³¹ The gain for Disney is not only monetary—if they manage to increase their revenues through subscriptions; it is mostly a gain in knowledge. Disney will have access to their audience’s data, they will know who is interested in what, and they will be able to strategize their content.

Finally, there is a new revenue stream, which we will discuss later, coming from solopreneurs like YouTubers, who redirect traffic to TV shows or take their online audience to watch TV.

MOVIE INDUSTRY



The movie industry typically relied on box-office sales and customers directly buying the movies, but it is now experiencing a renewed importance of

¹³⁰ *Consumer Intelligence Series: Media-savvy kids, teens want engaging stories on multiple devices*. PwC, <https://www.pwc.com/us/en/industry/entertainment-media/publications/assets/what-kids-want.pdf>

¹³¹ *No, your favorite Disney movies aren't leaving Netflix just yet*. TIME, <http://time.com/4893042/disney-leaving-netflix-movies/>

physical events. There will be an increase in box-office revenues, moving from \$11.3 billion in 2016 to \$12 billion in 2021 in the United States, while in Asia the growth will be larger, from \$13.9 billion in 2016 to \$20.4 billion in 2021.¹³² Events, the oldest medium of all, are becoming the most reliable sources of revenue.

VIDEO GAMING

Video gaming has consistently relied on advertising and e-commerce alliances. The eSports industry brings forth a clear example of creating revenue streams through e-commerce—online buying and selling. eSports is a rapidly growing industry, which consists of video gaming, both on and off the web and both individually or in teams. According to Deloitte, the global eSport audience comprised 150 million users in 2017, while other sources point to larger numbers.¹³³ Twitch, which has belonged to Amazon since 2014, is the most important platform for eSports, and it offers both on-demand and live streaming of games. Players associate themselves with companies and brands, which advertise their products and sell them after broadcasting the content through Twitch. Thus, advertising leads to selling those products through e-commerce, creating many opportunities for brands to sell their products, and for platforms—and players—to make money. Video-game advertising will become increasingly targeted, thanks to the available technology. An executive of a gaming company said that tech may lead to further fragmentation and even hyper-fragmentation in the video gaming industry, both in terms of audience and advertising, which will play a role in the revenue streams used—especially in e-commerce alliances and direct ads.

This overview of how different media use video format leads us to the following conclusion. The most common strategies identified by Vollmer that are used by companies that work with video format are the following:

- using new channels to distribute existing products—for example, Disney used to publish its content through Netflix (not anymore)
- turning user engagement into sales, especially in video gaming projects

¹³² PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 56, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

¹³³ eSports growth numbers speak for themselves. Natpe, <https://www.natpe.com/blog/esports-growth-numbers-speak-for-themselves/>

- going to new markets—on-demand platforms—or places where there is no brand already established—video gaming.

C) Radio

The oral word in both the radio and music industries is more alive than ever. After some years predicting its demise, radio companies and musicians are experiencing a resurgence. Previously, the radio industry sustained itself mainly through the revenue stream of advertising, whereas the music industry relied on CD sales and live concerts (along with merchandising). Now the revenue sources vary slightly.

RADIO INDUSTRY

The radio industry grew worldwide by 2.4% in 2016, relying heavily on advertising. Seventy-five percent of their revenues came from this source, which is expected to generate \$37 billion in 2021.¹³⁴ Examples of this growth in the United States include Public Radio International (PRI); its revenues grew by 26%. Additionally, local public radio stations increased their revenues slowly. But they relied on other revenue streams, such as memberships underwriting and foundations. This last kind of revenue source is prevalent in the radio industry.¹³⁵

But even though advertising is the main revenue stream in the radio industry, advertisers look for targeted and hyper local content. The reason is simple: they want to know their buyers. The more data they have on who listens to what programs, the more they will invest if those listeners matter to their industry. An example is the case of iHeartMedia. The company's business model was focused on scale: they owned dozens of radio stations, in which they replaced local talent with music feeds that were much cheaper. Advertisers had no other option, so

The radio is more alive than ever

¹³⁴ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 52, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/ge-mo-espana-2017-2021.pdf>

¹³⁵ Public Broadcasting Fact Sheet. Pew Research Center, <http://www.journalism.org/fact-sheet/public-broadcasting/>

they used those stations to sell their products. Now, advertisers have many other options that offer local and quality content, so they have moved away from companies like iHeartMedia. Its bankruptcy shows that advertising is still the main revenue stream for radio stations, but advertisers go to those that attract specific consumers, and can offer them a targeted and studied audience.¹³⁶

MUSIC INDUSTRY

The music industry is experiencing growth: in 2016 the overall revenues were €47.2 billion, while they are expected to reach €56.2 billion by 2021.¹³⁷ The revenues come mainly from concerts, shipments by record labels and streaming subscriptions. In 2017, of the total of \$22.1 billion the music industry collected, \$7.7 billion came from concerts, \$8.7 billion from shipments and \$5.7 billion from streaming.

The consumer is no longer a disk owner but a subscriber

The important change is that the consumer is no longer a CD owner but a subscriber, through platforms like Spotify. He can listen to all the music he desires by paying a monthly fee. This subscription-based system makes the customer more reliable than normal sales do, since it is harder to get out of a subscription. Artists also encourage merchandising of their brand, which allows them to pump up sales while advertising their own product.

In conclusion, the radio and music industries follow these business strategies:

- Artists in the music industry increase their presence on social media to prolong their relationship with their fans
- Music companies invest heavily in physical experiences and merchandise

¹³⁶ In the iHeartMedia bankruptcy, expect a major selloff of radio stations. Forbes, <https://www.forbes.com/sites/geneely/2018/03/20/in-the-iheartmedia-bankruptcy-expect-a-major-selloff-of-radio-stations/#10bfb68712bd>

¹³⁷ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 55, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/gemmo-espana-2017-2021.pdf>

- Radio firms use several platforms to publish their content (for example, they air an interview and then convert it into a podcast and publish it on the program’s website, social media, etc.).

D) Digital

When the Internet disrupted the media industry, newspapers and magazines disregarded it at first as something that would just go away. The TV industry did that until very recently: its numbers were up, and its primacy was uncontested. With the passing of time, it is clearer than ever that digital enterprises are here to stay. Both digital news sites and influencers, which work for larger media brands, use business models that include multiple revenue streams—mainly digital advertising, subscriptions or membership programs, e-commerce opportunities and selling of customer data to other companies.



DIGITAL NEWS SITES

Digital news sites have similar business models to print newspapers. They used to rely only on digital advertising but, as returns are low, they are increasingly turning to other sources of revenue, such as subscriptions. Peretti, BuzzFeed’s CEO, shared their strategy with us: “We distribute content to third parties, charge subscriptions and have advertising.”

Digital advertising is growing faster than TV advertising. In January 2018, digital advertising revenues increased by 16.8%, and social media ad spending increased by 42%. In 2016, digital advertising worldwide resulted in earnings that totaled \$190 billion, a 19% increase compared with 2015. And in 2021 the income is expected to reach \$302.9 billion. The United States keeps leading the digital advertising market, followed by China.

Furthermore, emerging markets are increasing their digital ad revenues, as the use of smartphones is also on the rise and search engines still see good returns from their digital ads.¹³⁸

In the United States, and according to eMarketer, digital advertising—in general, not for news outlets specifically—grew to about \$72 billion in 2016, while in 2015 the number was \$60 billion. This means that in 2016 digital advertising comprised 37% of all advertising revenue. This advertising is becoming more and more targeted—and, as such, more useful for advertisers—thanks to data collection. Companies like comScore are working to improve on the old advertising business model, measuring much more than just age and gender demographics. Boehme, Chief Client Officer of comScore, noted that relevant measurement at scale and cross-platform is critical. He added that the key to success for measurement and attribution companies is “passive measurement in great scale.” “Making measurement relevant is key,” he explained.

In terms of access, there is an inverse trend between desktops and mobiles. Whereas the latter grew from \$32 billion in 2015 to \$47 billion in 2016, the former decreased in 2016. Thus, 65% of all digital advertising revenue came from mobile. Regarding the type of ads, the most popular kind of ads on the Internet are still banners, but since 2016, video ads and rich media ads have been experiencing growth.¹³⁹

However, while digital advertising will continue being the most important revenue stream—it comprised 29% of newspaper ad revenue in 2016¹⁴⁰—publishers are looking for other ways to finance their products.¹⁴¹

\$302.9 billion in advertising revenue

¹³⁸ PwC, *Entertainment and Media Outlook 2017-2021*, 2017, 47, <https://www.pwc.es/es/publicaciones/entretenimiento-y-medios/assets/gemmo-espana-2017-2021.pdf>

¹³⁹ US Digital ad spending to surpass TV this year. Emarketer, <https://www.emarketer.com/Article/US-Digital-Ad-Spending-Surpass-TV-this-Year/1014469>

¹⁴⁰ Newspapers Fact Sheet. Pew Research Center, <http://www.journalism.org/fact-sheet/newspapers/>

¹⁴¹ Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

Subscriptions and memberships have become the holy grail of the media and entertainment business. Peretti, from BuzzFeed, confirmed that “in the short-term subscriptions do well.” Some strategies media companies are pursuing, as previously mentioned, are paywalls that the consumer can avoid through small fees. Norwegian newspapers use hybrid models, with paywalls that permit a monthly page view limit and offer premium content. Also, in Sweden, digital newspapers are attaining a great number of subscribers. For example, Aftenposten had 100,000 digital subscribers in December 2017—they launched the paywall in 2015—and Dagens Nyheter in Sweden has 120,000 subscribers.¹⁴²

Thus, the goal of the marketing teams is to turn readers who do not pay for content into paying customers. The problem is that this pricing differentiation comes with a cost for society: only educated consumers subscribe to news outlets. The uneducated do not pay for content. For Peretti, this has become a major social issue: “We have not been able to help audience differentiate between our quality content and ‘fake news.’ If society bifurcates into masses reading low-cost ‘fake news’ and educated elites that are the only ones reading subscription news, then we will have ‘issues.’”

A third revenue source that is on the rise among digital news sites has to do with e-commerce opportunities. According to GroupM, an advertising media company, in 2017 and 2018 every 5% increase in Internet usage is resulting in a 10% rise in e-commerce, especially for native digital brands.¹⁴³ Media companies are creating alliances to promote commerce in exchange for earnings. For example, theSkimm, a media company that offers a daily newsletter for millennial women, works extensively with e-commerce. They suggest different branded products through their newsletter, their readers buy them and, in exchange, the company earns a percentage.¹⁴⁴

Finally, the last main source of revenue is data selling. Big data development has led to a rise in the amount of information companies can amass from their consumers/readers. Knowing more about

¹⁴² Nic Newman, “Digital News Report: Overview and Key Findings of the 2018 Report,” *Reuters Institute and University of Oxford*, <http://www.digitalnewsreport.org/survey/2018/overview-key-findings-2018/>

¹⁴³ How digital ad spending accelerates e-commerce growth, why that is good for traditional media. Forbes, <https://www.mediapost.com/publications/article/315399/how-digital-ad-spending-accelerates-e-commerce-gro.html>

¹⁴⁴ Oprah’s favorite newsletter TheSkimm gets into e-commerce with wine, books, gifts. Forbes, <https://www.forbes.com/sites/clareoconnor/2016/12/05/oprahs-favorite-newsletter-theskimm-gets-into-e-commerce-with-wine-books-gifts/#325db6a55c70>

their audience helps firms to create content that is specific for them and, in addition, it becomes easier for them to distribute and sell that content. That is, data accumulation and analysis can help firms become more effective both in content and in delivery. As Boehme, from comScore, noted: “The new media business model includes companies that track advanced segments and demographics, and are purchaser focused. This is the new playing field of audience measurement.”



They can also sell that data to other customers. For example, ImpreMedia, which describes itself as a marketing solutions company but is also the publisher of multiple Spanish-speaking newspapers in the United States, has the complete profile of their readers: Hispanics, with a certain income and education level, located in urban spaces and who originally migrated from Mexico and Central America. Thus, they are able to offer this data to brands and establish marketing strategies with the exhaustive information of the consumer in mind. But companies must be careful with this strategy, especially with who accesses that data. An executive of a gaming company we interviewed told us: “The business model must be adaptable to compliance and assurance roles—to meet consumer demand for protection and government involvement, if any.”

In conclusion, the strategies digital news sites follow include:

- Using new channels to publish the same content (website, newsletters, apps)
- Capitalizing on the relationship between brands and fans (especially native digital companies like theSkimm)

- Creating membership programs (subscriptions and paywalls).

SOLOPRENEURS

Solopreneurs, who are basically digital media entrepreneurs that rely on social media for their business, depend on sources of revenue that vary from online advertising—as with many YouTubers—to private sponsorship from a TV channel or telecom industry, and e-commerce opportunities—like using specific creams or clothes from brands and getting paid for it.

An example of a private sponsorship from media firms comes from the telecom company Vodafone in Spain and their program called *YuTUBERS Live*. Launched through its entertainment branch Vodafone Yu, this program features the most important YouTubers of the moment. The company sponsors them for the show, and, in return, the YouTubers offer the firm an audience that they would not have access to otherwise.

In terms of advertising, YouTubers have encountered some difficulties, and the current apocalyptic crisis that YouTube has gone through might influence this revenue source negatively. In early 2017, YouTube launched an algorithm to vet videos to ensure they were not extremist or hateful, so that advertisers would feel safe placing their products there. This, however, affected YouTubers in ways they did not expect: they sanitized their videos and they got less advertisements than before. This story has repeated itself in other contexts; for example, Facebook’s way of curating content and how it affects the different media companies. Thus, the common sentiment among media entrepreneurs or media industries is that they are too much at the mercy of tech companies and social media giants.¹⁴⁵ However, we need to keep in mind that advertising revenue for YouTubers and influencers is very low: according to a study, 96.5% of YouTubers don’t make enough money to reach the US federal poverty line if they rely solely on advertising.¹⁴⁶ YouTubers make 68% of the ad revenue, but YouTube charges advertisers only when a viewer watches the ad for more than 30 seconds—only 15% of viewers are counted as a paid view, as most skip the ad.¹⁴⁷ The most successful YouTubers—those with more

¹⁴⁵ *It’s time for YouTubers to diversify their revenue streams.* Marketing & Growth Hacking, <https://blog.markgrowth.com/its-time-for-youtubers-to-diversify-their-revenue-streams-949ad64d0c7f/>

¹⁴⁶ *Just how much money do influencers make?*, <https://www.highsnobiety.com/p/how-much-do-influencers-make/>

¹⁴⁷ *How much do YouTubers make?* Advertising and PR agency, Penna Powers, <http://www.pennapowers.com/how-much-do-youtubers-make/>

than 7 million subscribers—can charge \$300,000 for making a video partnered with a brand.¹⁴⁸

Therefore, the strategy that solopreneurs follow is relying on the relationship between the brand (themselves) and fans, creating a sufficient fan base to live off.

To conclude, certain formats require specific revenue sources to monetize their content. However, two of them remain the primary streams for all formats: advertising and subscriptions. While currently there is a turn toward the latter, the former sustains most of the business.



3. Conclusion

Business models have changed drastically in the last 15 years and will continue to do so. With the rise of digital companies that have low costs in comparison with traditional companies, large media companies must find new ways to survive and gain money. Therefore, the mantra for the upcoming months for media companies remains “multiple revenues are a must.” And in order to establish them, they need to turn consumers into fans and offer them a holistic experience. For this, the content and distribution strategies are clear: “The future is shaping up to be VOD, 3€ subscription and all you can eat,” summarized Eric Van State, CEO at AVROTROS. The monetization plan follows those strategies, as the future of the media industry stands on figuring out what revenue streams work. One thing is clear: having a strong fan base will be the difference between growing and starving to death. And the first step seems to be subscriptions.

¹⁴⁸ *Earning power: here's how much top influencers can make on Instagram and YouTube.* Forbes, <https://www.forbes.com/sites/clareoconnor/2017/04/10/earning-power-heres-how-much-top-influencers-can-make-on-instagram-and-youtube/#37910b9524db>

MEDIA LEADERSHIP

Knowledge of the sector, capacity to innovate and ability to remain transparent

In the next few years, the media sector is expected to lose thousands of jobs to technology, as advancements in AI and automated processes can play the role of multiple professionals. Despite this, and according to PwC's 20th CEO survey, 78% of media and entertainment executives "are concerned with the availability of talent"¹⁴⁹ and the lack of leadership skills and creativity among their employees, which reveals the importance of those traits that cannot be supplied by machinery.

As seen in previous parts of this report, the changing habits of consumers, the fragmentation of the audience, the difficulty of making revenues grow and the takeover by tech companies mean the media industry needs a specific type of executive: first and foremost, one who realizes how the audience has changed in the last 20 years and how different formats have shifted with it. One who can design an effective business model to monetize information, who can ride the constant changes without difficulty and who can predict those changes. The media leader needs to realize that the consumer is at the center of this revolution, not on the sidelines. And finally, he or she must acknowledge the importance of data, technology and platforms, but not be consumed by it, as quality content still makes the difference. All these fast-paced changes are putting a tremendous pressure on leaders and are underlining the importance of vision in the industry. Nevertheless, media executives remain optimistic and are pursuing business acquisitions and partnerships, while addressing risks and making the consumers the focus of their companies.¹⁵⁰ And at

the same time, they are realizing that these kinds of trends require leaders with a certain skill set.

Therefore, we will examine the background of the current CEOs of media companies to analyze the skills and the type of professional and educational background that are valued in order to lead a media firm. And furthermore, we will try to pinpoint those skills needed to face the current media challenges, according to what our interviewees have claimed.

For the first task, we will analyze the largest media companies from every region, to conclude what media leaders look like and whether the traits they have are enough to face the current changes in the sector. According to PwC's 21st CEO survey, 11% of media CEOs live in the United States, 21% in Europe, 11% in Latin America, 10% in the Middle East and Africa, and 36% in Asia-Pacific.¹⁵¹ We will describe the type of leaders these firms look for in four ways: their background and expertise; the average age when they become CEOs/senior executives; whether they are promoted or hired from outside; and, if promoted, how long they spent in the company prior to their promotion. Some of the firms analyzed include The Walt Disney Company, Viacom, CBS Corporation, Mediaset, Axel Springer, Hearst Corporation, Time Warner, Bertelsmann, 21st Century Fox, the BBC, Grupo Planeta and Comcast, among others.

78% of media and entertainment executives "are concerned with the availability of talent" and the lack of leadership skills and creativity among their employees

¹⁴⁹ Key findings from the entertainment and media industry. 20th CEO Survey, PwC, <https://pwc.to/2KLRwG>.

¹⁵⁰ 20th CEO Survey, PwC, <https://pwc.to/2x4anwx>.

¹⁵¹ Worries aplenty among Media CEOs. 21st CEO Survey, PwC, <https://pwc.to/2kkzpw>.

1. Current Media Executives

A) Background

Generally, leaders in the media and entertainment business have a media background, but not necessarily as reporters or entertainers.

Their educational background is diverse, but focuses mainly on two areas. Some of the CEOs focused on media in their undergraduate studies, but many of them did their bachelor degrees in economics or management. For example, The Walt Disney Company's current CEO, Robert Iger, studied radio and TV while an undergraduate,¹⁵² and the previous CEO at Walt Disney, Michael Eisner, did his BA in English.¹⁵³ The CEO of CBS Corporation, Leslie Moonves, studied Spanish as his major, and Time Warner's CEO Jeff Bewkes did his BA in philosophy.¹⁵⁴ Others, such as Bertelsmann CEO Thomas Rabe, studied economics, as did most of the executive members at Bertelsmann.¹⁵⁵ Howard Averill, the Executive Vice President of Time Warner, also studied a BA in economics as did Jack Abernethy, the President of Fox News TV.¹⁵⁶ And finally, a small number of executive members hold an MBA.

36% of the
media CEOs live
in Asia Pacific

Moreover, it is interesting to see how many executives in the media and entertainment business in American enterprises come from Ivy League universities, both at the undergraduate and graduate level. For example, Robert Bakish, the CEO of Viacom, studied for both his bachelor degree and MBA at Columbia University.¹⁵⁷ Other executives, such as Time Warner's Bewkes,¹⁵⁸ (CEO) and Paul Cappuccio (Executive

VP and General Counsel), come from Ivy League universities—in this case, Harvard.¹⁵⁹

However, with regards to their professional background, all media executives have prior experience in media and entertainment companies, and none of them come from completely different sectors. All have worked in this specific sector for at least 10 years. Some started in a media firm, and climbed the ladder until they became directors or managers, whereas others changed to other media companies or between subsidiaries of the same group. But what they have in common is that they all have a media industry background, with a number of them starting off as reporters. For example, Steven R. Swartz started working at the *Wall Street Journal*, until he led the initiative of *SmartMoney*, a joint venture between WSJ and Hearst. From there, it was easy to move to a managerial position at Hearst in 2001, where he became CEO in 2013.¹⁶⁰ Bennack, former CEO of the Hearst Corporation, also worked as a reporter at *San Antonio Light*, where he quickly became publisher and editor.¹⁶¹ Robert Iger, Walt Disney's CEO since 2005, has a strong media background as well, moving from ABC to Capital Cities (also part of ABC) to Disney in 1999.¹⁶² And finally, Mathias Döpfner, Axel Springer's CEO since 2002, worked as a journalist and a critic for many years before reaching a managerial position.¹⁶³

Other CEOs have not worked in the media industry their whole lives and come from a finance or a consulting background, especially in Europe. In Bertelsmann, Thomas Rabe, who became CEO in 2012, held different finance positions—in the European Commission and in a law firm—until he joined RTL group, of which Bertelsmann is the largest stakeholder.¹⁶⁴ Although he did not work directly as a reporter or entertainer, he has been involved with the media industry since 2000.¹⁶⁵ Others, such as Robert Bakish, CEO at Viacom, have more of a finance and consulting background, and later changed to the media sector. Bakish, who became CEO in 2016, worked in Booz Allen Hamilton in the media practice prior to joining Viacom in 1997. Moreover, Joseph Ianniello, Chief Operating Officer at CBS Corporation since 2013, worked at KPMG prior to joining CBS, also

¹⁵² Robert Iger, *el CEO que transformó a Walt Disney en la marca más poderosa del mundo*, <https://bit.ly/2KMg6ZN>; Bloomberg. Robert A. Iger, executive profile, <https://bloom.bg/2EW348E>

¹⁵³ Michael D. Eisner Bio, <https://bit.ly/2HQaOfD>

¹⁵⁴ Time Warner. Biographies of senior corporate executives, <https://bit.ly/2IZm50h>

¹⁵⁵ Bertelsmann. Executive Board, Thomas Rabe, <https://bit.ly/2s1ie9k>

¹⁵⁶ 21st Century Fox. Executive Team, <https://21.cf/2IFMaCb>

¹⁵⁷ Bloomberg. Robert A. Bakish, executive profile, <https://bloom.bg/2ICXRtn>

¹⁵⁸ Time Warner. Biographies of senior corporate executives, Jeff Bewkes, <https://bit.ly/2K0v1mm>

¹⁵⁹ Time Warner. Biographies of senior corporate executives, Paul T. Cappuccio, <https://bit.ly/2kiO3rr>

¹⁶⁰ Steven R. Swartz. LinkedIn profile, <https://bit.ly/2IEsY3K>

¹⁶¹ *Chief who led expansion at Hearst will step down*. The New York Times, <https://nyti.ms/2LntHbd>

¹⁶² Bloomberg. Robert A. Iger, executive profile, <https://bloom.bg/2EW348E>

¹⁶³ Axel Springer. Executive Board, Mathias Döpfner, <https://bit.ly/2s5VZOy>

¹⁶⁴ Bloomberg. Executive profile, Thomas Rabe, <https://bloom.bg/2KLvghY>

¹⁶⁵ Bertelsmann. Executive Board, Thomas Rabe, <https://bit.ly/2s1ie9k>

in 1997.¹⁶⁶ And, finally, the current CEO of the French company Vivendi SA, Arnaud Nicolas de Puyfontaine, also has a consulting background. He started off as a consultant in Arthur Andersen and did not come into contact with the media industry until 1990, when he joined *Le Figaro*.¹⁶⁷

Thus, media executives generally spend at least 10 years in the sector, generally more—and some their whole working life—prior to reaching an executive role in a media company.

B) Age

Currently, most of the executive board members in the media sector are between their mid-fifties and their mid-sixties, but the majority of them are elected during their early fifties. A common feature is that they are generally men. Some examples include the following: Robert Iger, CEO at The Walt Disney Company, is 67 years old and has been CEO since 2005, when he was 54. Brian L. Roberts, CEO at Comcast since 2002, is 59 years old;¹⁶⁸ Paolo Vasile, CEO at Mediaset, is 65 years old and has been in his position since 1999;¹⁶⁹ Steven R. Swartz, CEO of the Hearst Corporation since 2013, is 56 years old and was 49 years old when he was elected.

C) Hired vs Promoted

The majority of the CEOs in the media companies analyzed have been promoted from within the firms, after holding leadership positions in other companies. Some of them spend most of their life in the same media corporation, and others change from one firm to another and work there for some years prior to landing an executive board position. For example, Steven R. Swartz has been in the media industry since he started his professional career, and actually came into contact with Hearst in the '90s. He had a proven record of success in leadership roles, plus a strong media background. Others, as already noted, do not have the same journalistic background but became involved with the media industry at least 10 years before reaching their current position.

The media and entertainment industries have a strategy of hiring from the outside for managerial positions, and then promoting these managers after

they have proved their worth. These companies promote their own employees when they have already been in managerial positions in other firms—generally, in the media sector. A classic example is Robert Iger, Walt Disney's CEO, who worked in different positions at ABC—climbing the ladder from 1974 to 1999—until he joined Disney in 1999 and then became CEO in 2005.



Thus, the media industry hires from the outside when the individual has a proven record of success in managerial positions, and then years later the company promotes the individual to the executive board. This is especially true in the United States, and, because of it, it comes with two nuances. On the one hand, certain media companies tend to promote from within more than hire from outside. Grupo Planeta is an example of this trend. Recently, Carlos Fernandez became the CEO of the Spanish media company, after more than 25 years with the group.¹⁷⁰ The BBC is another example. Tony Hall, the current Director General since 2012, worked at BBC for 28 years in different capacities prior to having this executive role.¹⁷¹ On the other hand, many media and entertainment companies are family businesses and the direct leadership remains within the confines of the family. For example, Comcast is a family-owned business, where the current CEO, Brian L. Roberts, is the son of Comcast's founder.¹⁷² Comcast is not the only example. 21st Century Fox, founded by the media mogul Rupert Murdoch, is led by his sons, Lachlan Murdoch, current co-chairman, and James Murdoch, current CEO. Both have been in the business most

¹⁶⁶ CBS Corporation, Executives, <https://www.cbscorporation.com/about-cbs/#cbs-executives>

¹⁶⁷ Reuters, VIVENDI SA. Executive profile, Arnaud Nicolas de Puyfontaine, <https://reut.rs/2GKhMk7>

¹⁶⁸ Comcast. Executive profile, Briant L. Roberts, <https://comca.st/2IF1bT5>

¹⁶⁹ Mediaset. Executive profile, Paolo Vasile, <https://bit.ly/2IH3keJ>

¹⁷⁰ Planeta designa a Carlos Fernández consejero delegado del grupo. El Economista, <https://bit.ly/2s6iBi6>

¹⁷¹ BBC. Executive Board, Tony Hall, <https://bbc.in/2x4ILYe>

¹⁷² Comcast. Executive profile, Briant L. Roberts, <https://comca.st/2IF1bT5>

of their professional careers and come from the Ivy League, as do many other media executives. However, they should not be taken as representatives of the average media leader. This trend is sharper in the Brazilian company Grupo Globo, where the grandsons of the founder—Roberto Irineu Marinho, João Roberto Marinho and José Roberto Marinho—manage the company (previously led by the son).¹⁷³

D) Time Spent in the Firm

CEOs at different media companies spend around 10 years in the firm before reaching the position of CEO

As already mentioned, CEOs at different media companies spend around 10 years in the firm before reaching the position of CEO (with exceptions). However, they can be directly hired from the outside for another leadership position, not necessarily on the executive board.

In conclusion, it can be argued that the skills looked for in leadership positions in the media industry are a mix of business traits and a thorough knowledge of the media sector, with a proven record of success in managerial positions in media firms. Although some of the CEOs have a journalistic background, the number of media executives that have worked as program directors, or in other types of management positions, before becoming members of an executive board is much higher than those who have worked as journalists or entertainers. Thus, business acumen and quantitative skills are a must. It is also important to work for a long time in the sector, even if the individual does not start his/her professional career in media.

¹⁷³ Grupo Globo. Interview with Roberto Irineu Marinho, <https://bit.ly/2x4JyZc>

2. Skills Needed

As proven by the analysis of the trajectory of the largest media companies' CEOs, in face of current changes leadership skills and creativity are still the most important traits needed, as well as having a deep knowledge of international markets and the media industry. We will summarize some of the skills identified by our interviewees.

First, the knowledge and capacity to predict changes: media leaders should have a profound knowledge of the industry and the ability to predict how society is going to change, in the same way as journalist and sociologists attempt to do so. A top media analyst argued that “media business leaders must be able to read the entertainment landscape and respond accordingly. An ability to observe and predict cultural change is key.” For that, media executives need to be aware of the context: “Media savviness is more important than technological knowledge, and knowing your competitive context is key,” argued Patricof, Managing Director of Greycroft LLC.



Second, strategic mindset: PwC's 20th CEO survey also shows that the ability to form strategic alliances with other ventures will prove crucial for media executives.¹⁷⁴ For that, media leaders need to understand the strategy of the firm, its goals and its long-term future. “A leader in this space needs to have analytical abilities, short-, medium- and long-range vision, and an ability to build relationships and be a hard negotiator, but with principles,” said a top executive of a professional sports league. Agreeing with him, a top executive of the Icelandic public broadcaster commented: “A media leader needs abilities to collaborate across businesses: telecommunication companies, educational

¹⁷⁴ XX Encuesta mundial de CEOs: entretenimiento y medios. PwC España, <https://pwc.to/2kgpauO>

institutions, etc.” Likewise, most of our interviewees mentioned the importance of having a strategic mindset. Luton, executive at Mastercard, said: “Clarity of vision and a strategy team is essential.” Boehme, Chief Client Officer at comScore, added: “Leaders must have clarity of vision, plans for end goals, openness to solutions and willingness to take risks.” These strategic alliances include mergers and acquisitions, which have become the order of the day in the media industry. But they bring risks, which media leaders need to evaluate and navigate. A media sector analyst stated that “leaders in media have to be strategic about where they drive the company. Chasing scale through mergers and acquisitions is a huge undertaking. Managing the risks around expense, time, capital expenditure and reputation is critical.” Some media players merge with others, some compete and some just buy the competition off, as Facebook did with Instagram. The same analyst commented on this latter strategy: “There have been successes and failures in mergers as a way to grow—but it can be very strategic to eliminate your competition by buying them.”

Skills needed for media CEOs: knowledge and capacity to predict changes; strategic mindset; innovation; talent attraction; velocity; consumer focus; transparency

Third, innovation: in line with the previous skill of strategic thinking, media leaders must use that clarity of vision, and the ability to predict cultural shifts, to get ahead and innovate. Boehme argued that the definition of leadership in the media industry is changing from a keep-up style to an innovation style. He explained: “Leaders must act with passion, vision, openness, planning and execution.” In the media industry, not risking means remaining stagnant. Thus,

leaders must be able to calculate risks and launch new enterprises. Bennack, former CEO of the Hearst Corporation, also said: “Great leaders have the ability to see changes and pivot their companies; they do not take risks that bet the farm and do not over-leverage.”

To innovate, a certain knowledge of data and technology has become a necessity. “Leaders must be able to think flexibly and analyze data—to turn it into content,” claimed Snyder, former executive at Disney. He went on: “A formulaic approach no longer works; the most important thing is to be able to think and act with flexibility across the spectrum of content, connection and platforms.” For a top executive from a leading online portal we interviewed, data literacy is a must: “Top executives will grasp data and blend it with intuition. The real thing is augmented intelligence: decision support systems.” But it is a must with certain conditions: the media executive does not need to be proficient in technology or data analytics, he just needs to be aware that they are sources of innovation. As a leader from a new generation news organization claimed: “Never settle; executives must keep in the organization deep specialists connected to different cultures, consumer analytics, etc., and be able to connect the dots.” Agreeing with him, a former manager at a European public broadcaster said: “Leaders have to be visionary and understand new technologies like AI, blockchain and platforms.” This connecting the dots trait springs from flexible thinking, a skill that leads to innovation. The aforementioned executive from the leading online portal argued that flexible thinking is the key to survival: “You cannot row against the waves. Executives have to be super flexible. Keep your eyes on the periphery! Look for hockey-stick growth opportunities.” Being afraid of failure only leads to stagnation: “You have to be super bold. Playing it safe is a losing strategy,” he added.

Fourth, talent attraction: in more general terms, media leaders need to be supportive of their teams: more than in any other industry, identifying and grooming talent is vital. “The most important job for a CEO is to attract and retain creative talent,” argued Bennack, former CEO of the Hearst Corporation. As innovation is key to survival, executives must encourage their employees to experiment and speak their minds. An executive from a streaming service told us: “Leadership empowers others to do great work. Leaders are supportive and create a team environment where risks are taken.” Thus, failures are not catastrophes. “Having a supportive environment means that there is built-in tolerance for failure. A great team, all facing the same direction

and empowered to swing for the fence, will create great projects and ultimately successful outcomes,” added the aforementioned executive. But the media CEO must be aware that talent comes in many forms. With the increased importance of technology, there is a strong demand for engineers and employees with strong computer science backgrounds. Media executives must remember that technology is not the main product in the media industry. Bennack commented: “We have to broaden the types of leaders we recruit and bring up higher levels of competencies in technology, but not forgetting the creative part, as some companies seem to be.”



Fifth, velocity: as the media industry is characterized by fast-paced changes, the ability to respond quickly and efficiently will be vital. Luton commented: “The ability to review and revise action based upon results is essential—with shortened time allowances compared with previous industry cyclical changes.” The aforementioned executive from the leading online portal believed this trait to be vital in the media industry: “The reaction time we used to have before is now gone. Business cycles are so short that all this ‘planning stuff’ that has yearly cycles is useless.”

Sixth, consumer focus: media executives must realize that the consumer must be monetized, not the product. The most recent *Global Entertainment and Media Outlook* from PwC highlights the importance of monetizing the fandom effect—consumers become fans of the brand.¹⁷⁵ A gaming top executive described leadership in these terms: “Keeping an eye on the

¹⁷⁵ Global Entertainment and Media Outlook, 2017-2021. PwC, <https://pwc.to/2vDzu3C>.

consumer, establishing relationships and selecting content accordingly.” That is, making the consumer a priority. He also claimed that “technology advances must be addressed—technology being the highway and content being the vehicle. Both must be good for the consumer to stay.” The focus of the business has changed, and relationships are what must be capitalized, not the product itself. Eric Van Stade, CEO of AVOTROS and one of our interviewees, stated: “Media business leaders must be with people: we will get high returns if we can link with the people.” This realization implies that media executives must know perfectly well how the digital market works. “We need to have a digital mentality, like building platforms where third parties bring content of a specific topic—health, for instance—make it interactive and see if it is more successful than linear content,” concluded Van Stade.

And finally, a trait that has come up in many of our conversations with media leaders is transparency. Bennack explained why: “We have a responsibility for what we put in front of people,” adding that platforms also have that responsibility. The top executive from a new generation news organization added: “Look at the Weinstein story: his company is bankrupt; you will need exceptional morality and transparency.” He concluded: “We live in a transparent world.”

3. Conclusion

In conclusion, the traits needed to navigate current changes include a profound knowledge of the sector, the possession of a strategic mindset, innovation, the ability to respond quickly to changes, the capability to attract talent, the capacity to focus on the consumer and the ability to remain transparent.

Exhibit 1

After interviewing more than 25 top executives, we can conclude that the media sector is not at risk. It's just in transformation; one that current media leaders will be able to tackle in the near future.

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