

7 PREDICTIONS ABOUT THE FUTURE OF MEDIA

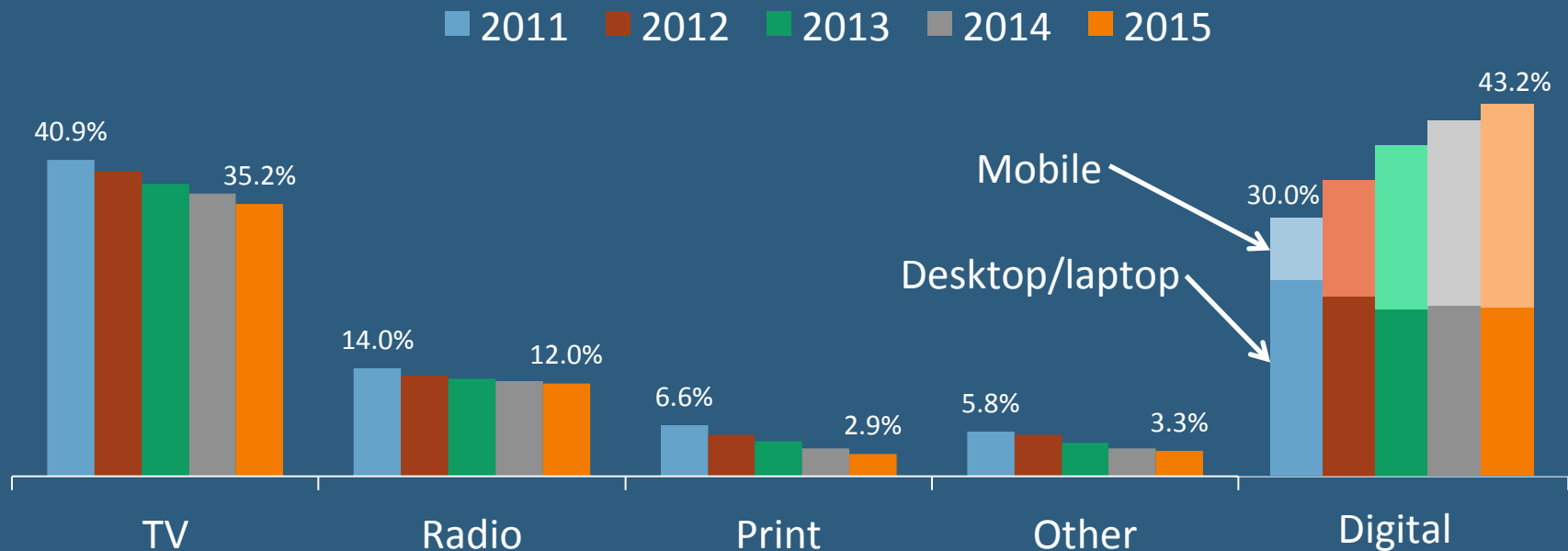
BI INTELLIGENCE

Providing in-depth insight, data, and analysis of everything digital.

1. DIGITAL WILL INHERIT THE EARTH

DIGITAL MEDIA CONSUMPTION IS GROWING, EVERYTHING ELSE IS SHRINKING

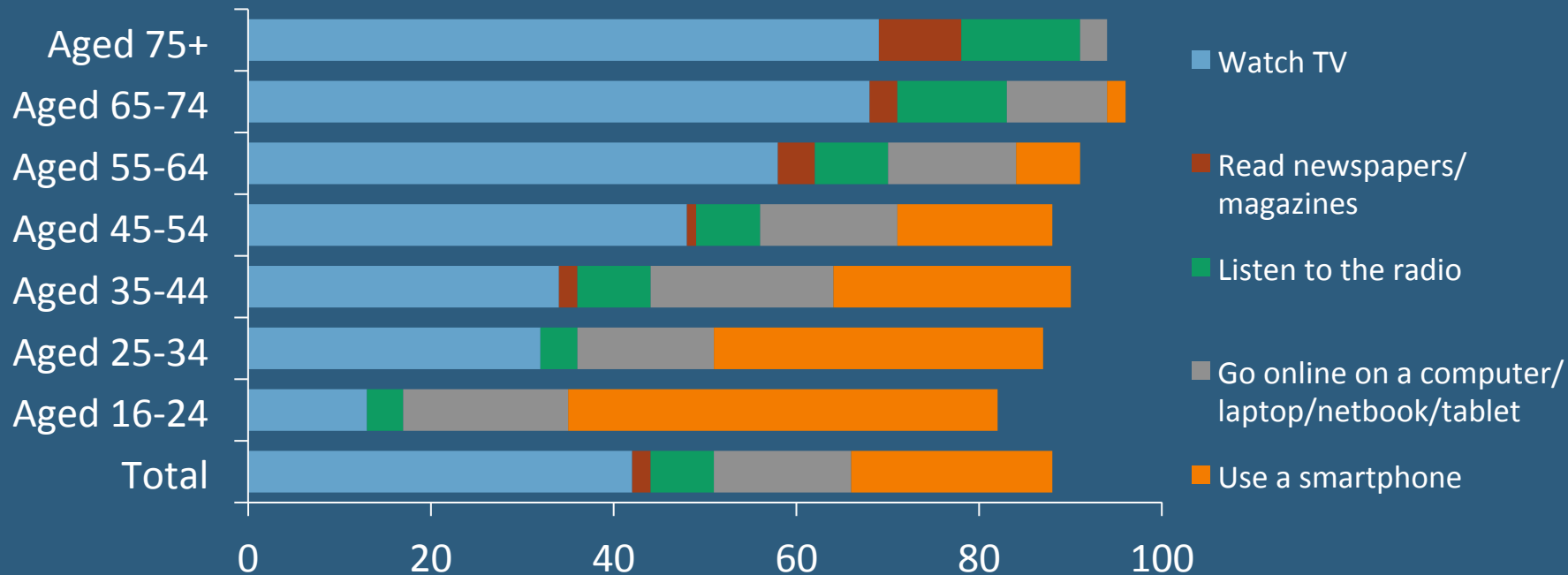
US Consumer Media Consumption Share



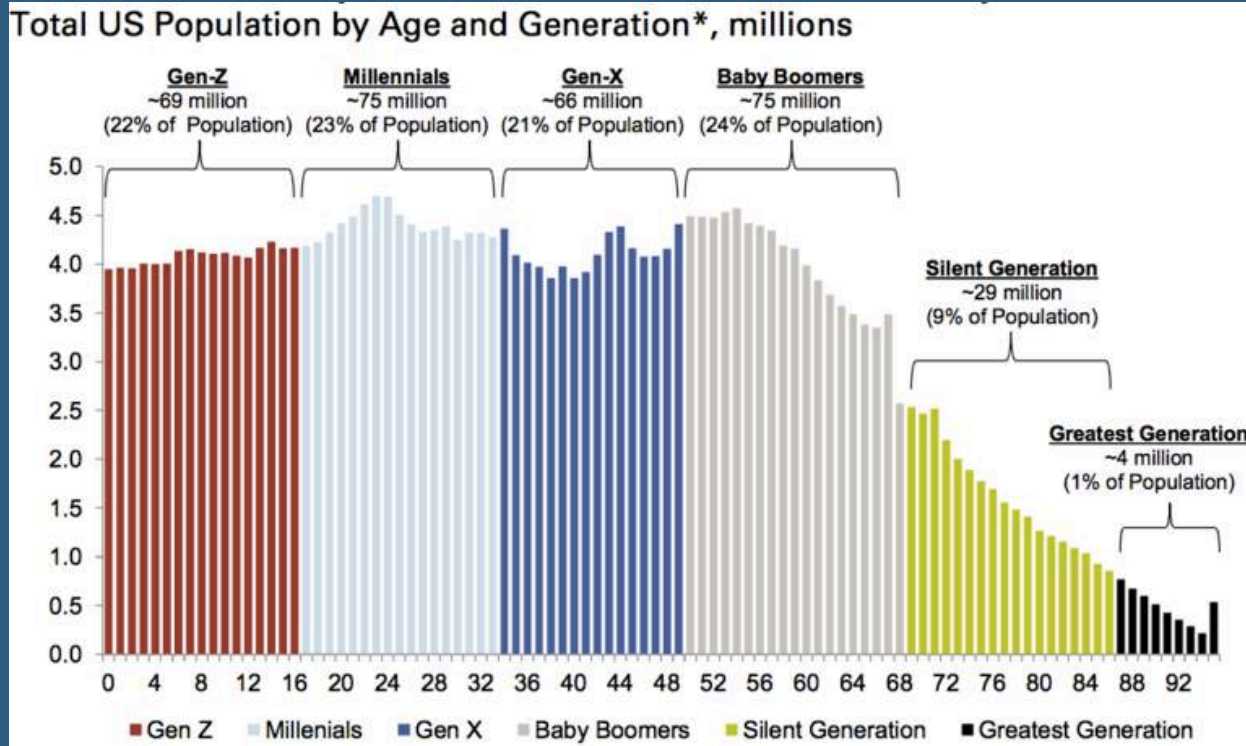
And averages do not tell
the whole story...

THE SHIFT IS GENERATIONAL

Top 5 Media Mentions Among All Adults, 2013



GENERATIONS HAVE A PREDICTABLE LIFE CYCLE...



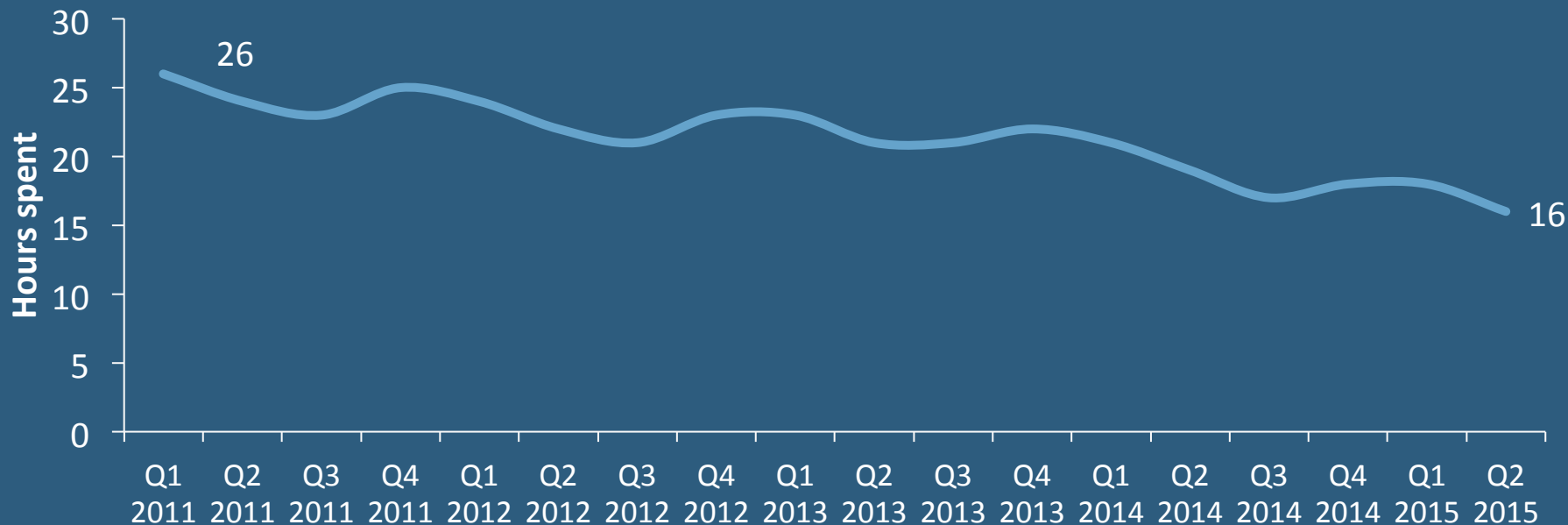
MILLENNIALS AND GEN Z

- First digital native generation(s)
- Already 45% of population and largest share of earners
- Profoundly different media habits

18-24 TV VIEWING DOWN ~30% IN 4 YEARS

Traditional TV* Viewing Trends Among 18-24 Year-Olds

Weekly time spent in hours, based on total 18-24 population



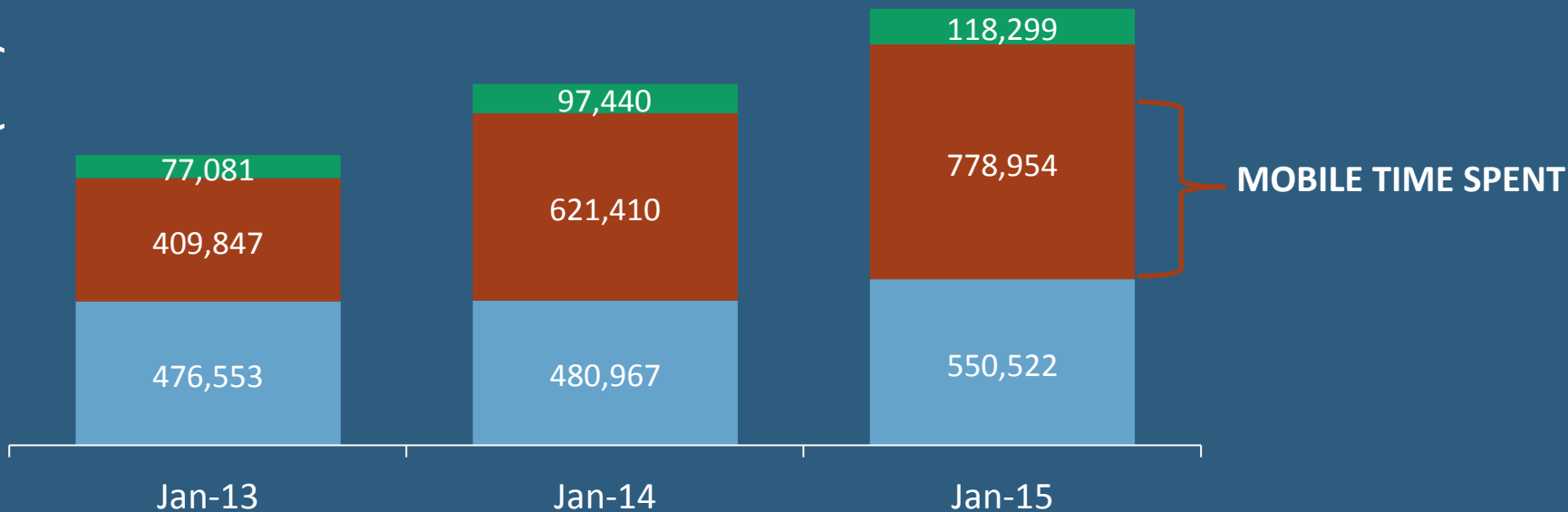
Meanwhile...

DIGITAL MEDIA CONSUMPTION GROWING EVERY YEAR, ESPECIALLY MOBILE

Growth In US Digital Media Time Spent

Desktop Mobile App Mobile Browser

Total minutes (MM)

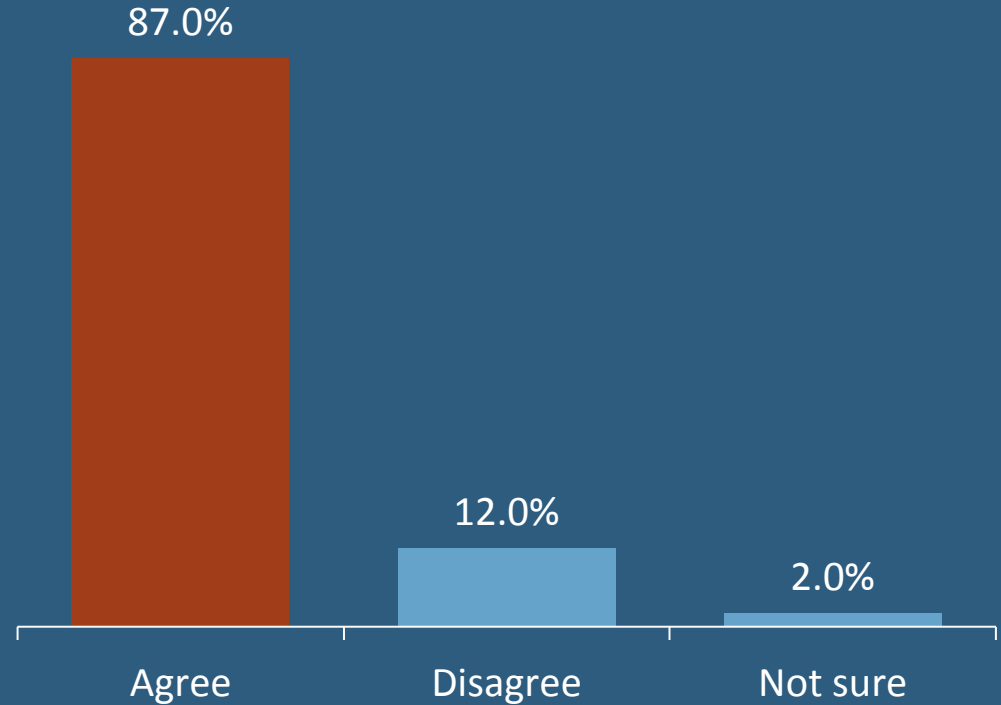


The background features two large, semi-transparent icons. On the left is a smartphone, and on the right is a clock face. The text is centered over a dark horizontal band.

MILLENNIALS CHECK THEIR PHONES EVERY 10 MINUTES

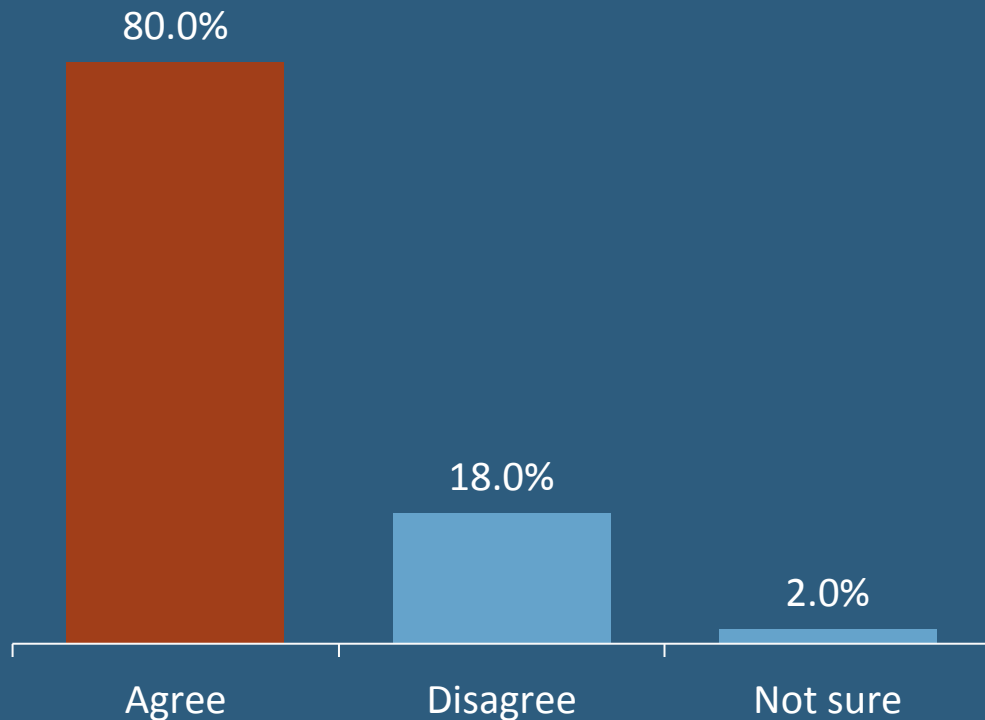
**My smartphone never leaves my side,
night or day**

**THEY KEEP THEM IN
REACH 24 HOURS A
DAY**



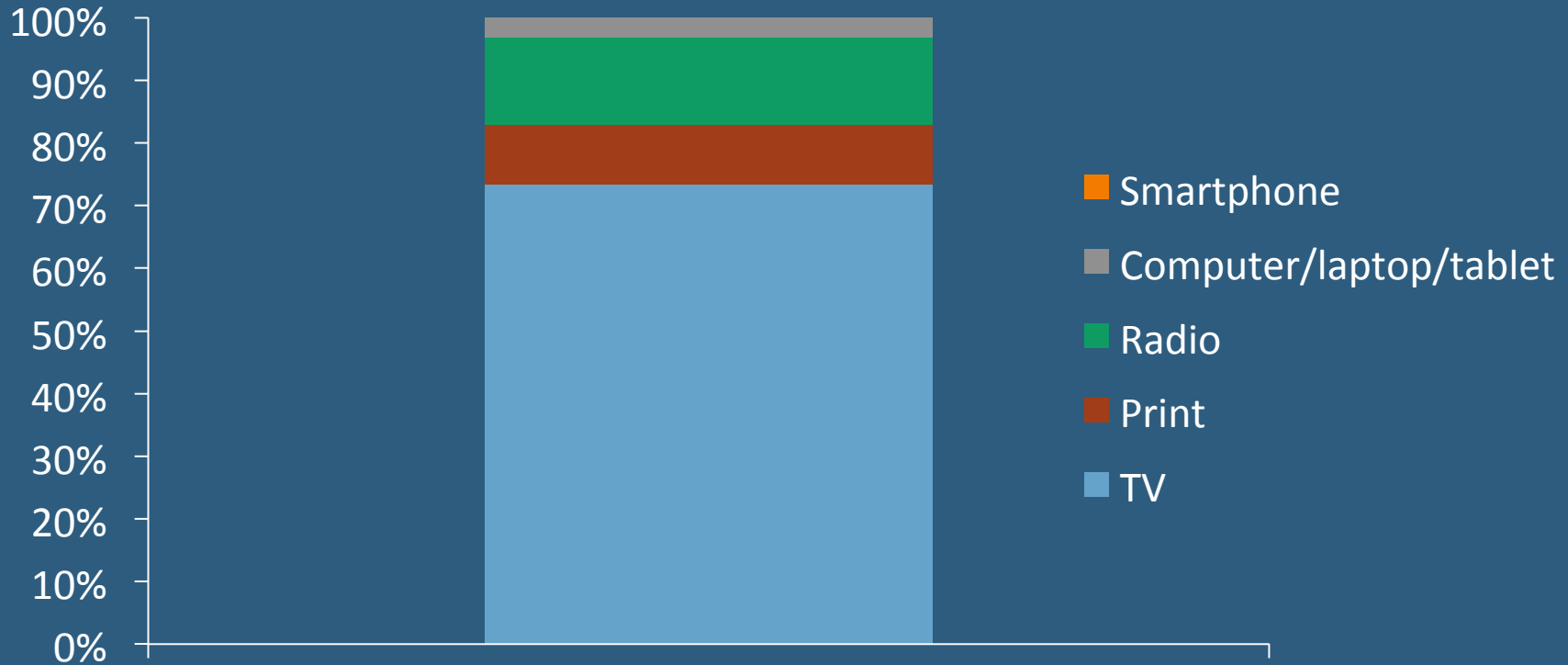
**THEY CHECK THEM
FIRST THING IN THE
MORNING**

**When I wake up, the first thing I do is reach for
my smartphone**

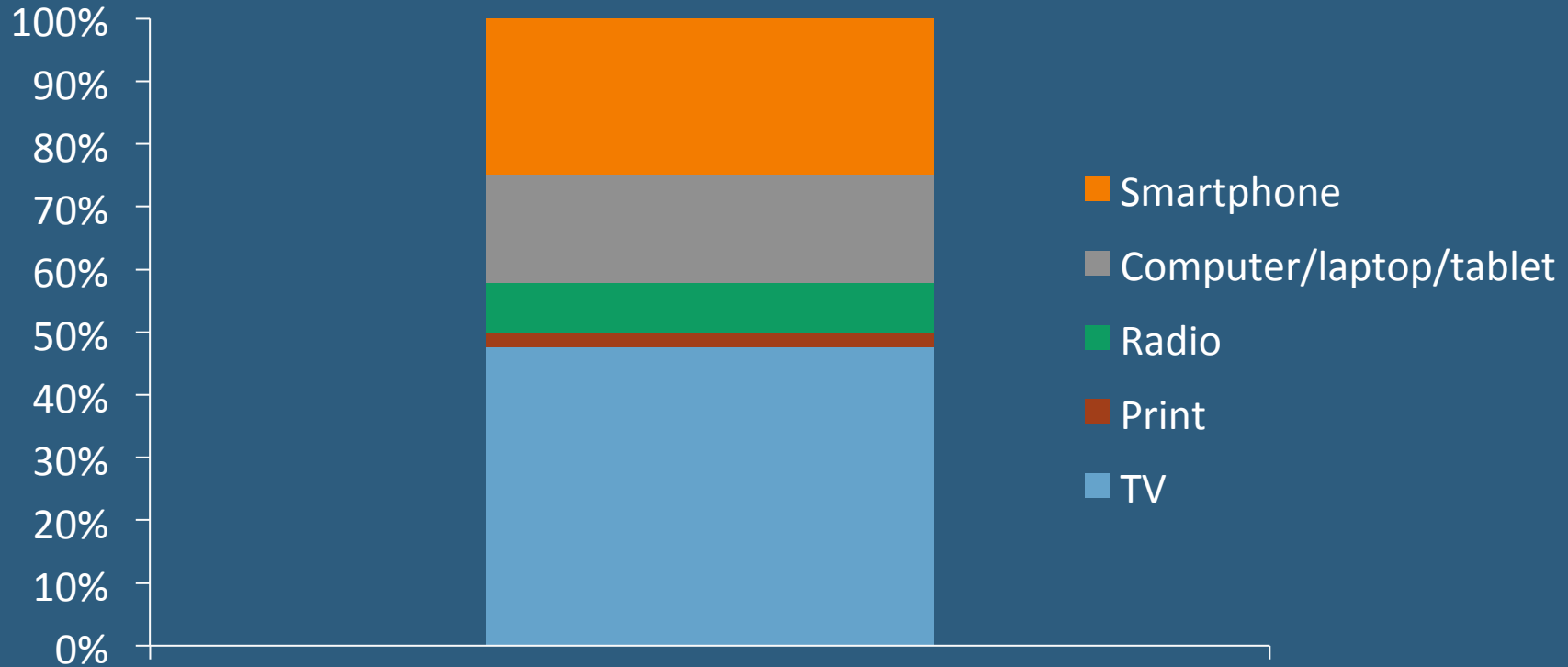


So here's a glimpse at the past,
present, and future of media...

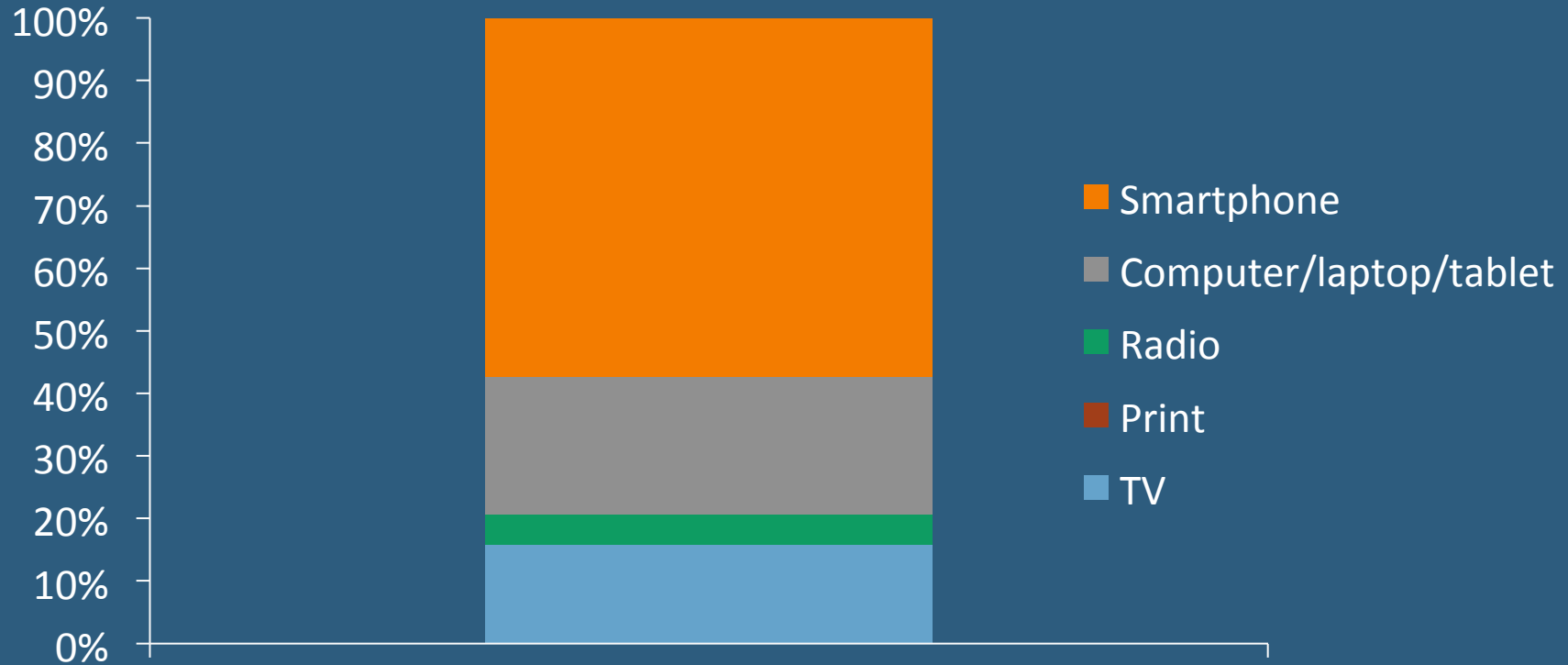
THE PAST (~2000): 3% DIGITAL



THE PRESENT (~2015): 40% DIGITAL



THE FUTURE (~2030): 80%+ DIGITAL



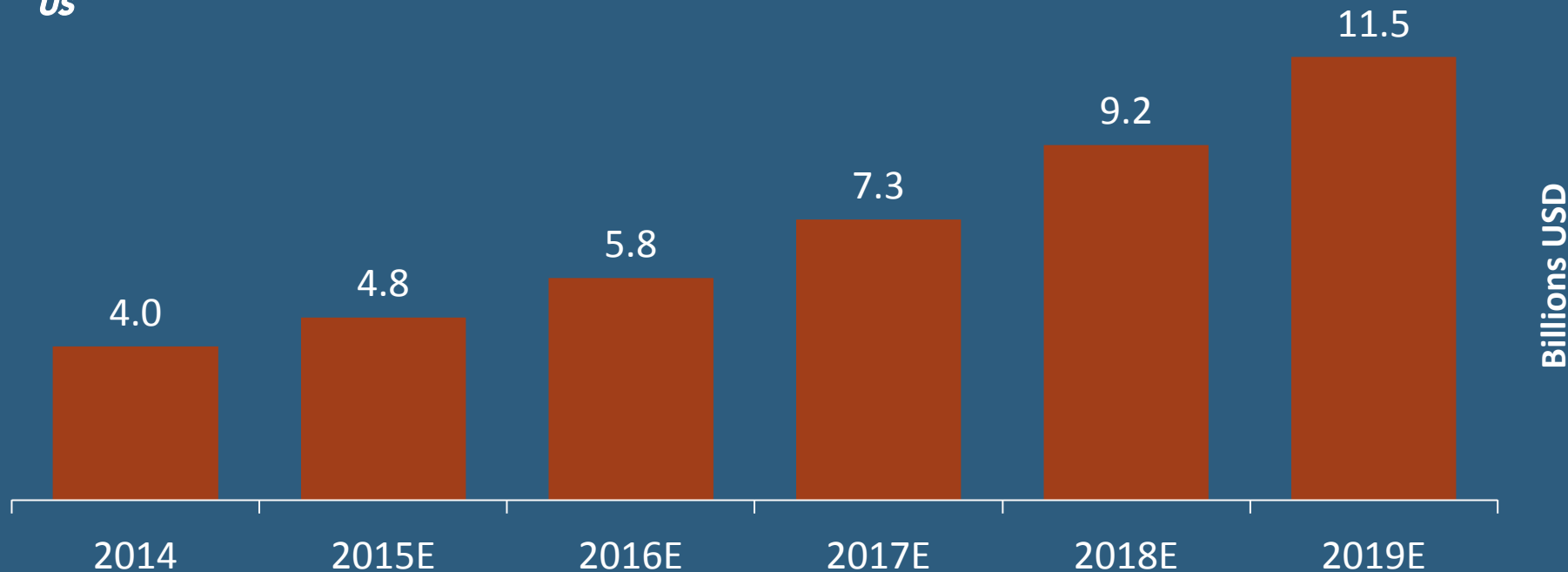
2. SUBSCRIPTIONS FOR THE WIN!

Remember when pundits said
digital content had to be free
because no one would ever pay?

Oops.

STREAMING VIDEO SUBS CLIMBING FAST

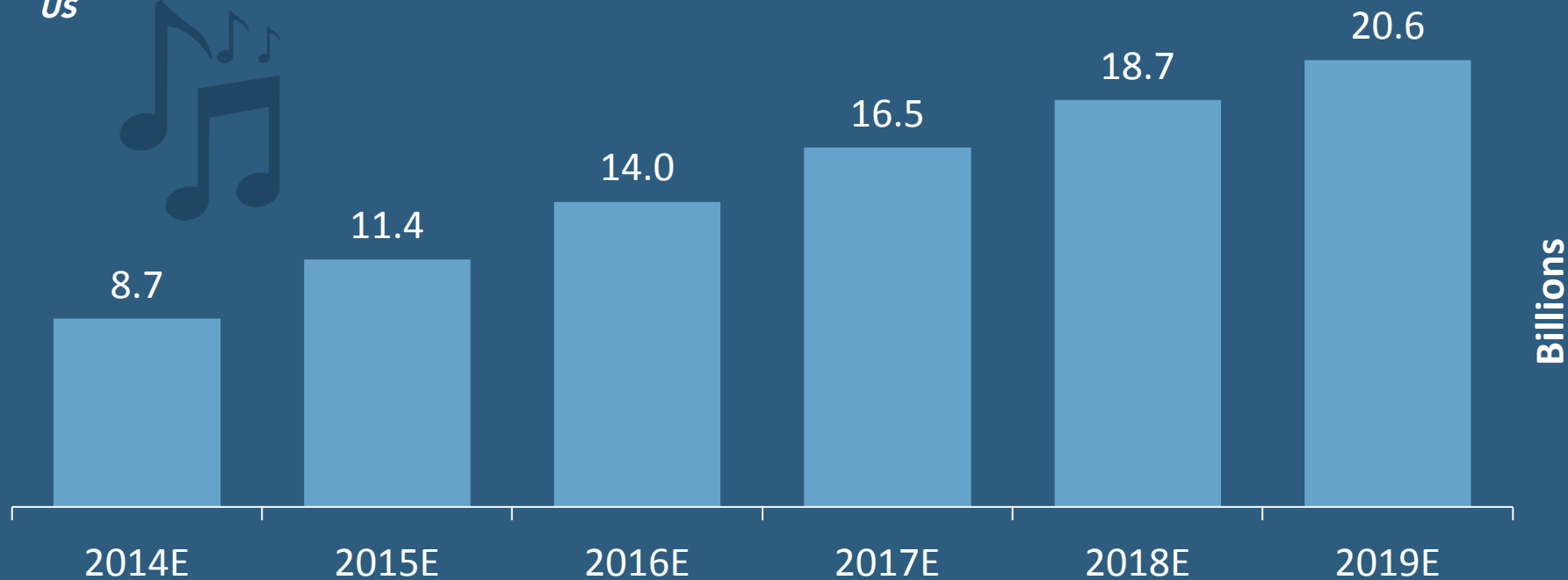
Streaming Video Subscription Revenue *US*



MUSIC SUBS ARE CLIMBING FAST

Streaming Music Paid Subscribers

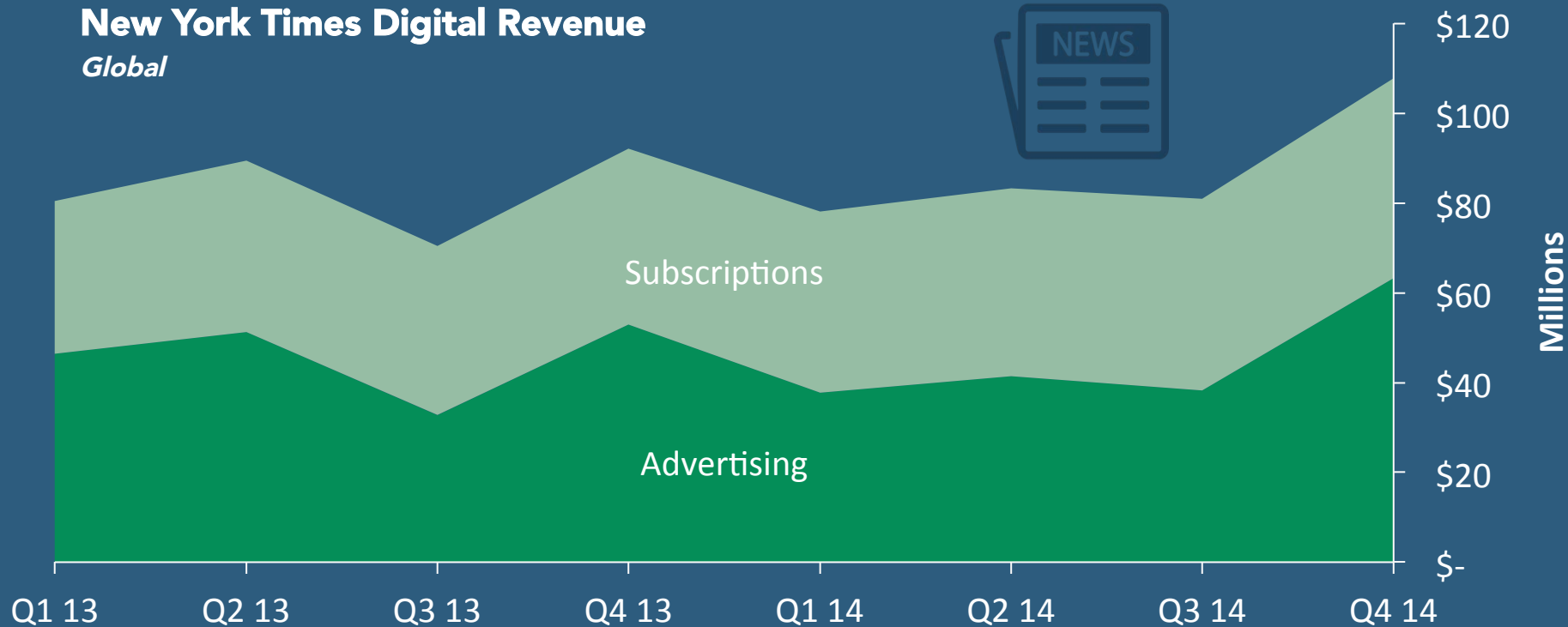
US



EVEN "PRINT" SUBS ARE CLIMBING FAST

New York Times Digital Revenue

Global



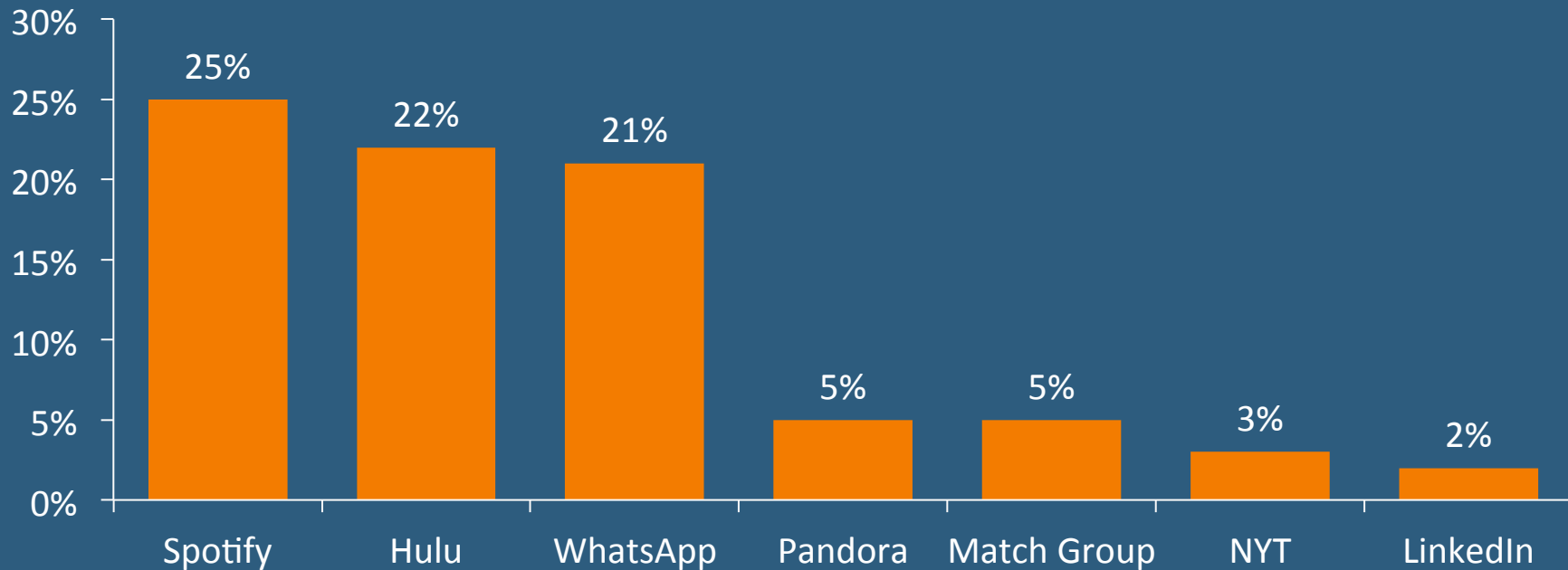
The new pundit story is that there's
one right model — subs or ads

The truth is that both work,
as do *a la carte* sales.

Most media companies
have dual revenue streams.

"FREEMIUM" IS OFTEN THE BEST APPROACH

Paid Digital Subscribers As % Of Total Digital Users



3. (NATIVE) DIGITAL ADVERTISING WILL CONTINUE TO THRIVE

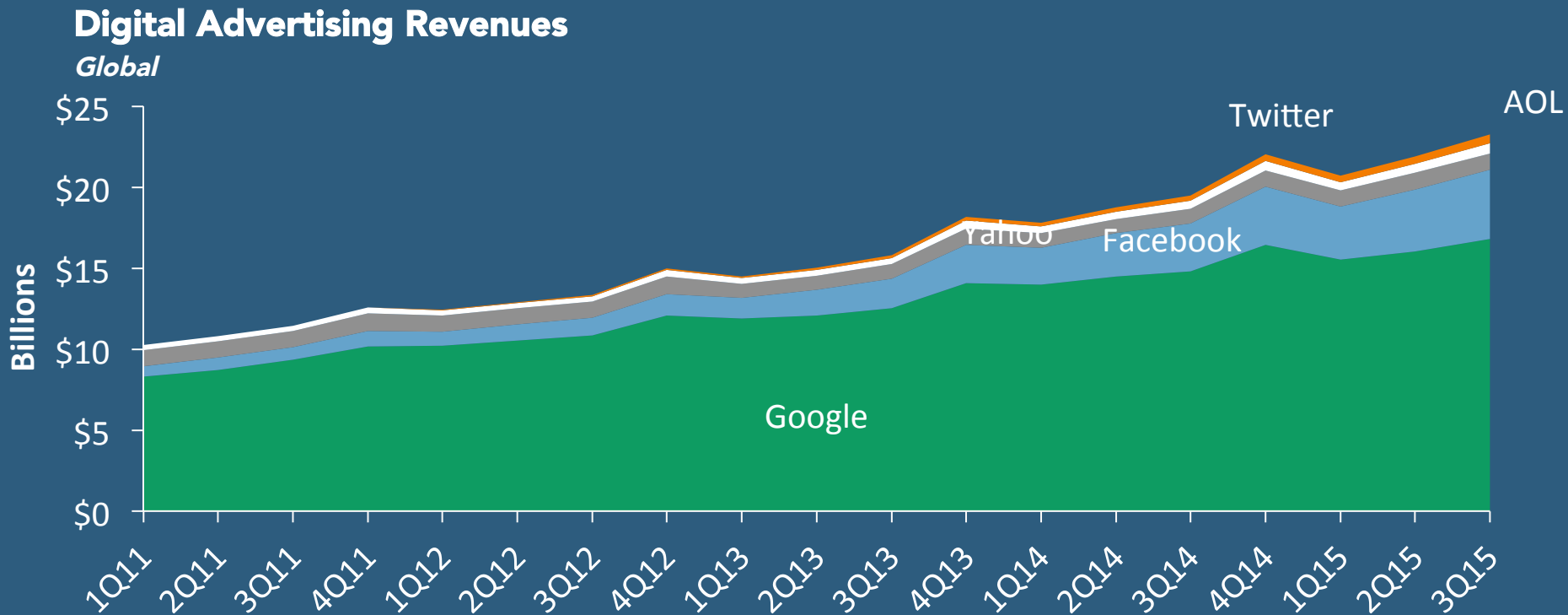
The best definition of “native ads”...

"NATIVE ADS"

Ads that fit the way content and stories
in the medium are consumed.

In digital, “search” and “scroll” are the dominant ways content is consumed.

BEHOLD THE POWER OF NATIVE DIGITAL ADS



“Read, watch, and listen”
are also digital formats.

But the experience is different
than in legacy media.

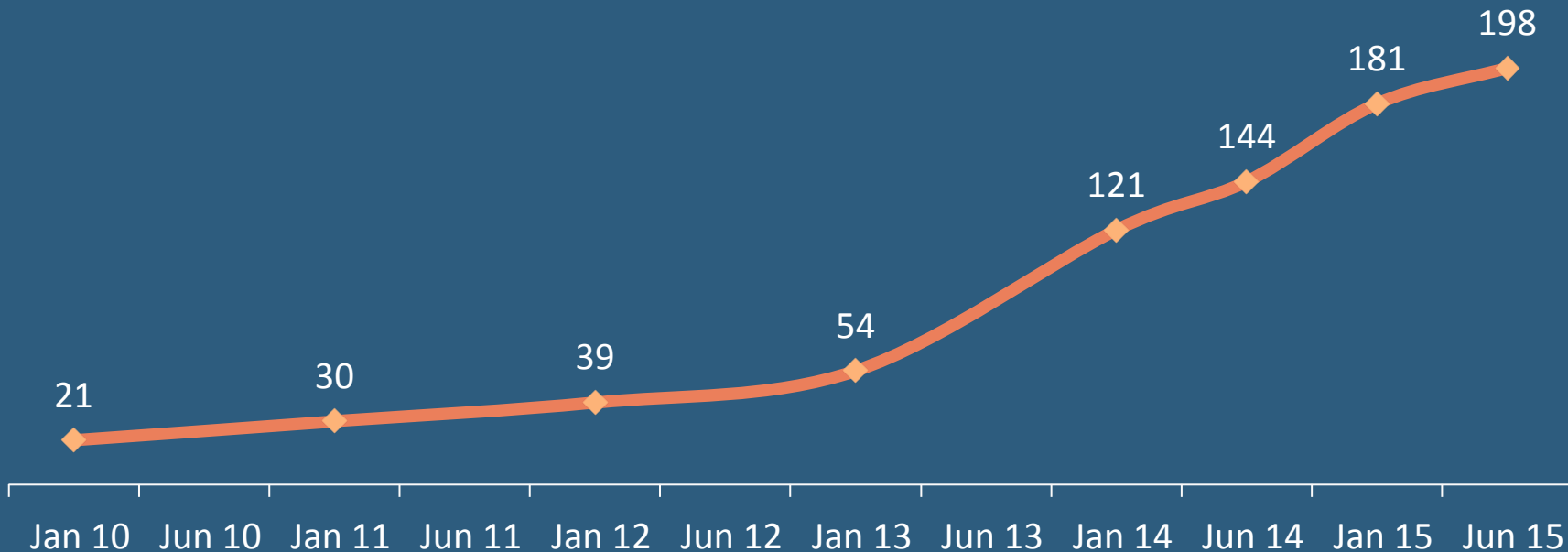
Native digital brand ads will increasingly take advantage of the digital difference.

**4. THE EXISTENTIAL CRISIS
OF AD BLOCKING WILL RESOLVE ITSELF —
BUT CAREFUL WHAT YOU WISH FOR**

AD BLOCK USAGE IS RISING

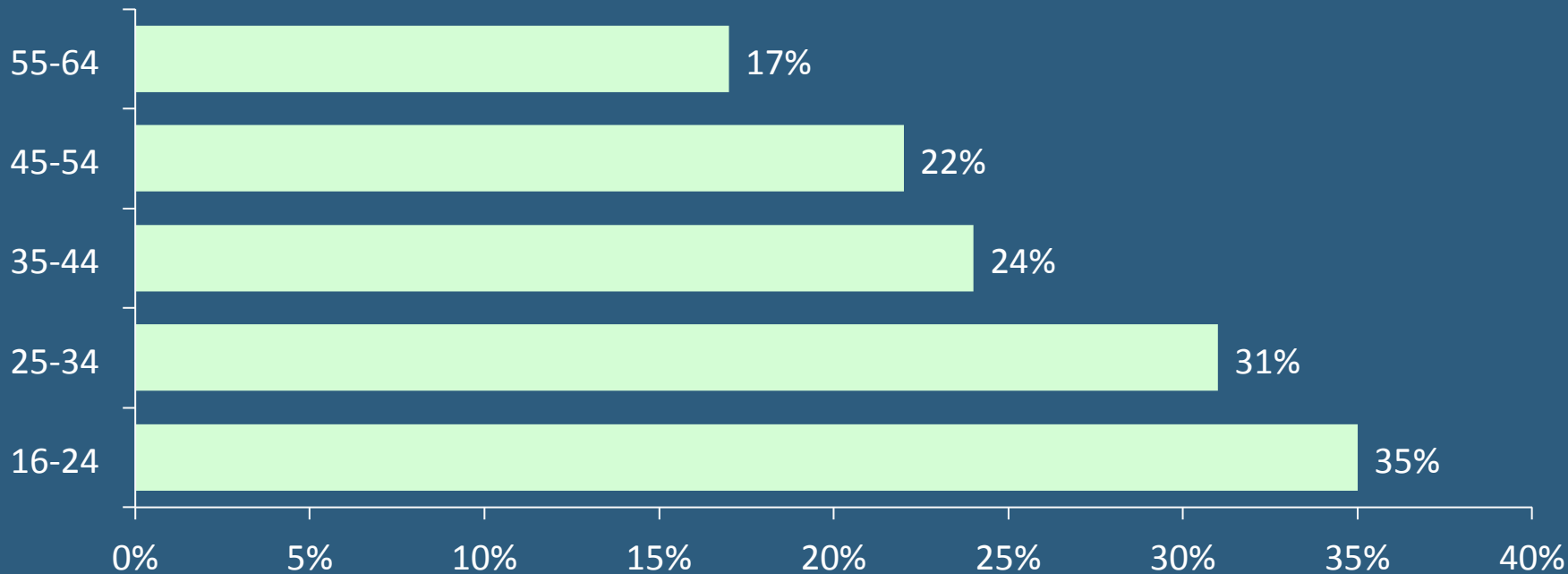
Adblock Monthly Active Users

In Millions



ESPECIALLY AMONG MILLENNIALS...

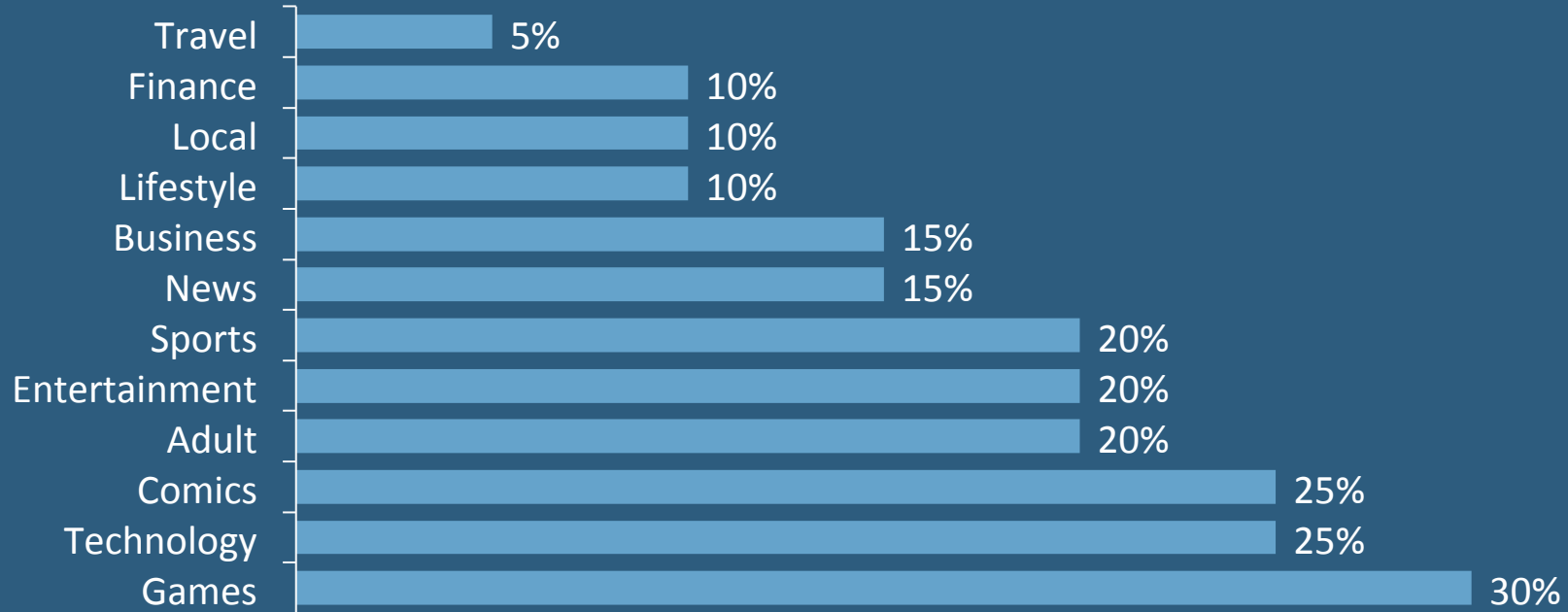
Share Of Global Internet Users Who Have Blocked Ads In The Past Month, By Age



AND TECHIES

Ad-Block Usage Rates, By Vertical

Global



There is a lot of self-interested
finger-pointing, moralizing,
and rationalizing going on —
from all parties.

ONE THING IS CLEAR...

If all ads are blocked, most free content will cease to exist.

So what will happen?

Quality will improve!

Publishers, platforms,
and advertisers will focus more
on user experience and choice.

People will choose to view ads
from, and/or subscribe to,
publishers and platforms they like.

These decisions will not all
be voluntary.

5. THE NEXT BIG PLATFORM IS...

As smartphones get boring,
everyone is hunting
for the next big platform.

Many candidates have been suggested —
glasses, watches, cars, virtual reality...

None of these
will be the next big platform.

Smart glasses flopped.

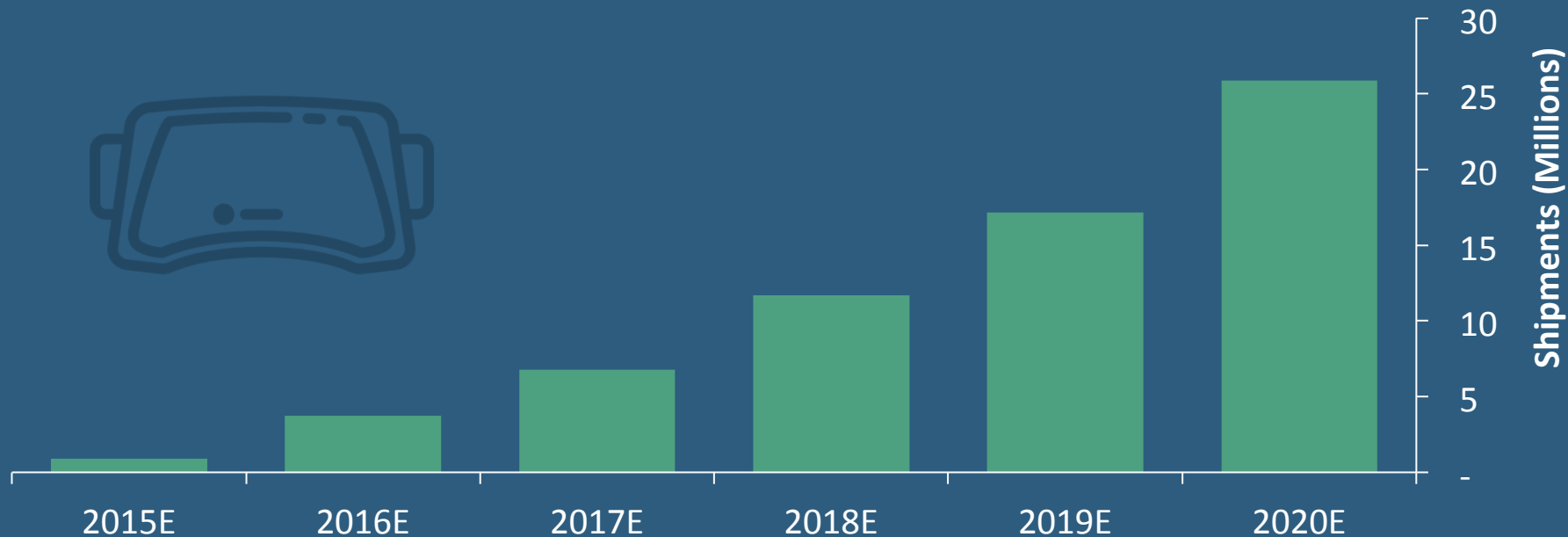
Smartwatches haven't entirely flopped,
but no one will be reading, watching,
or listening to media on them
anytime soon.

Cars won't become media
and communications platforms —
other platforms will be used inside them.

VR is promising,
but it's still too early.

VR INSTALLED BASE STILL SMALL

Estimated Global Virtual Reality Headset Shipments





**AND EXPERIENCE
STILL LEAVES MUCH
TO BE DESIRED**

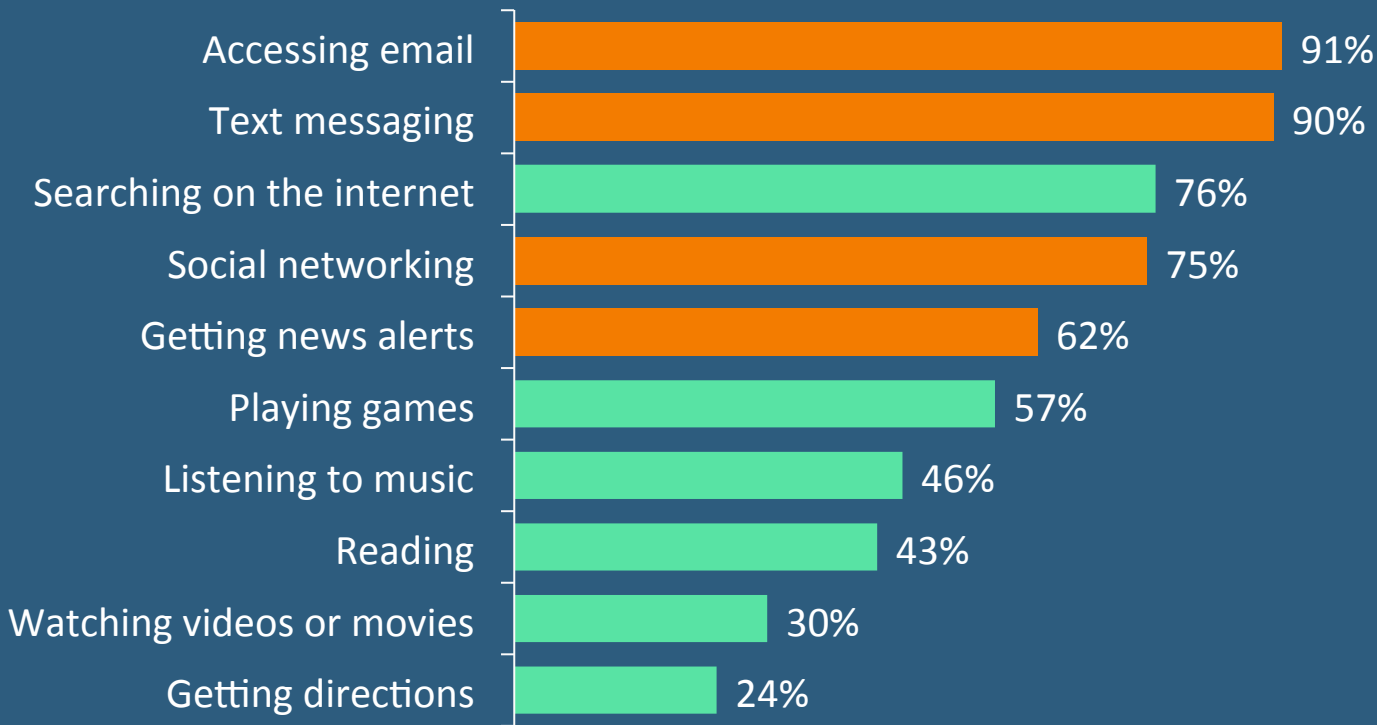
- Complicated to use
- Screen resolution low
- Display often nausea-inducing
- Prices steep

SO THE NEXT BIG PLATFORM WILL BE...

Messaging apps!

Smartphone Activities Performed At Least Once Each Day

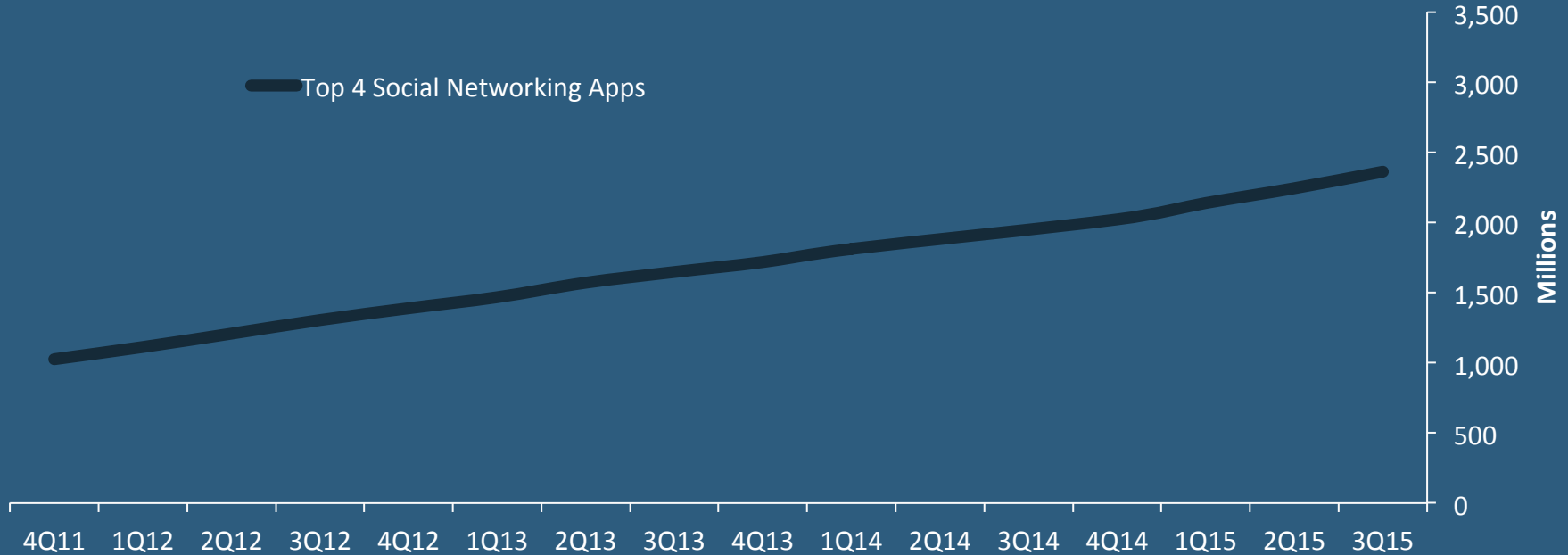
**MESSAGING
IS AT THE
HEART OF
THE MOBILE
EXPERIENCE**



SOCIAL NETWORKS ARE BIG...

Monthly Active Users

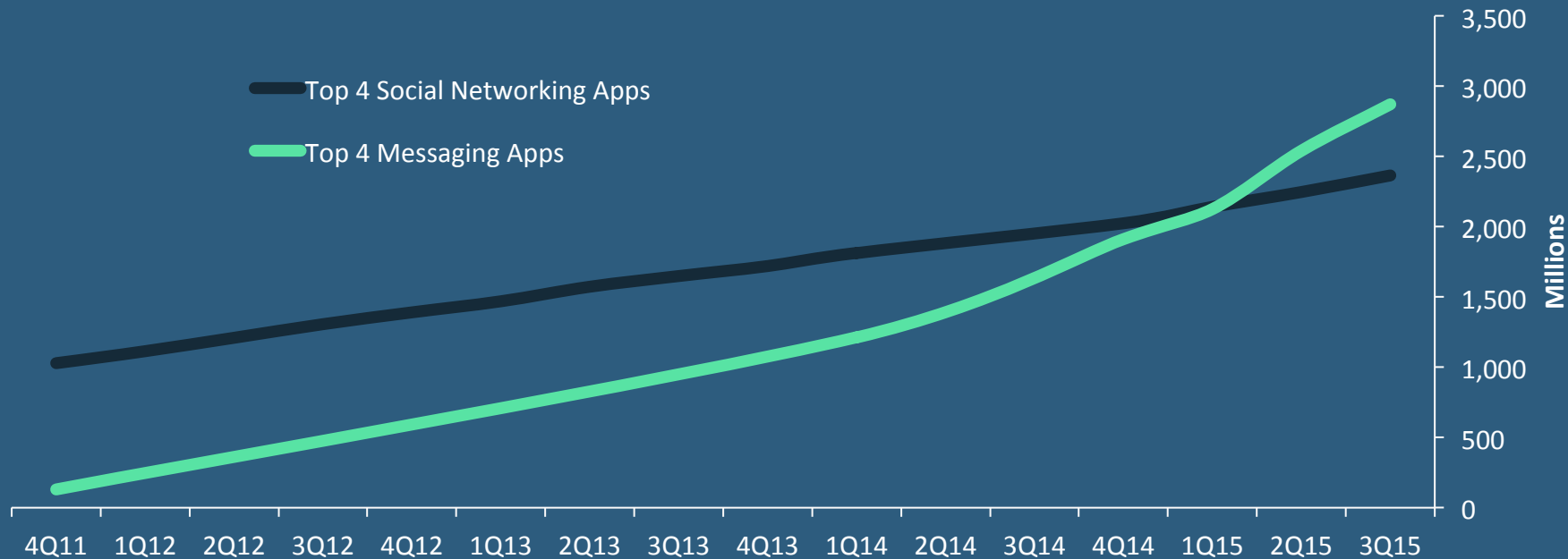
Global



BUT MESSAGING APPS ARE ALREADY BIGGER

Monthly Active Users

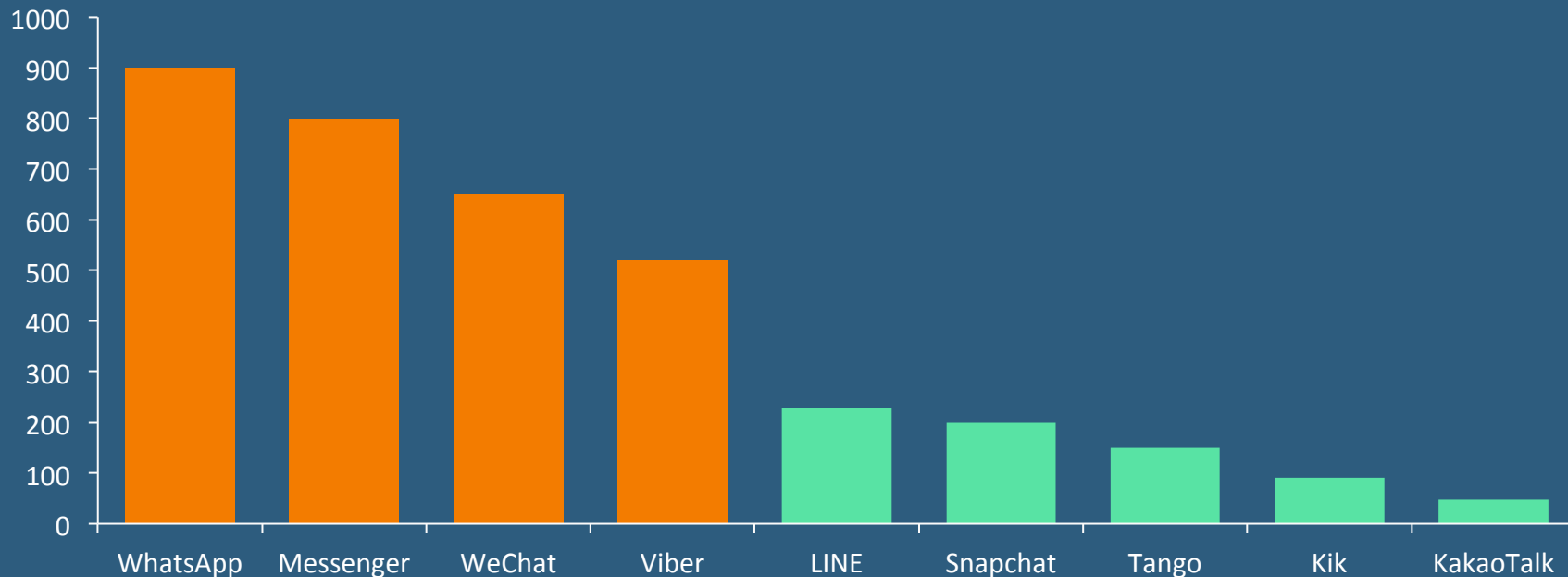
Global



THE TOP 4 HAVE ALMOST 3 BILLION USERS

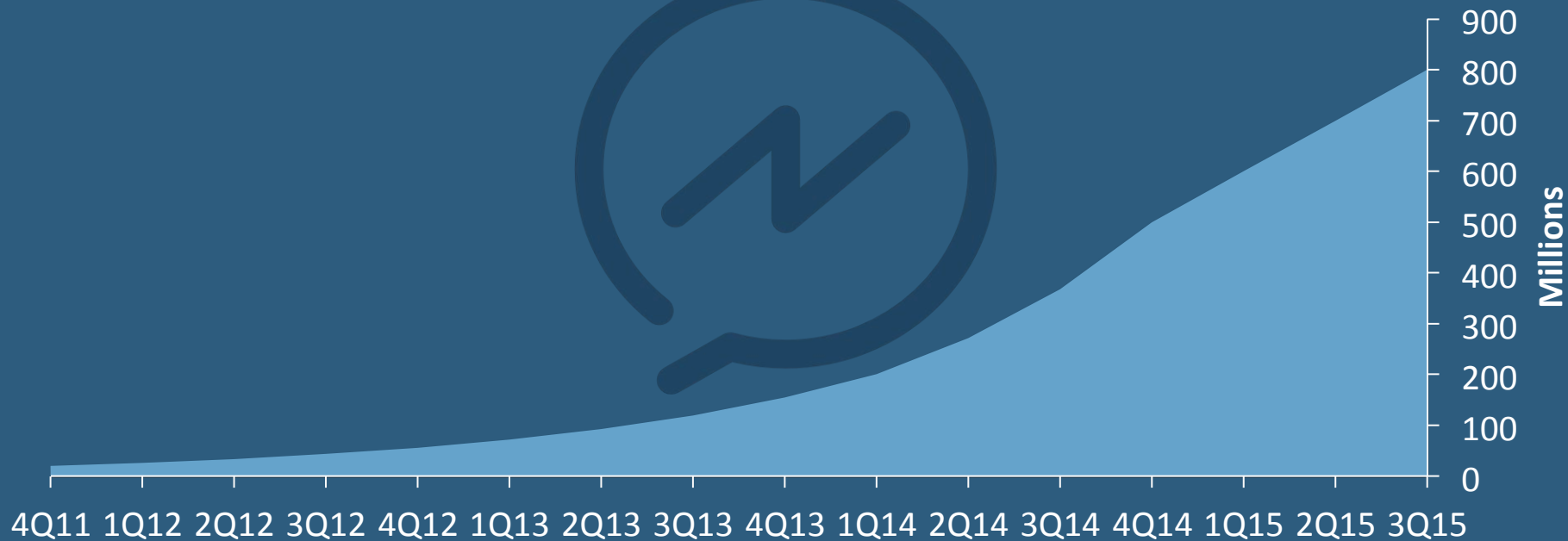
Monthly Active Users

Global, Q3 2015



FACEBOOK OWNS TWO — PLUS INSTAGRAM

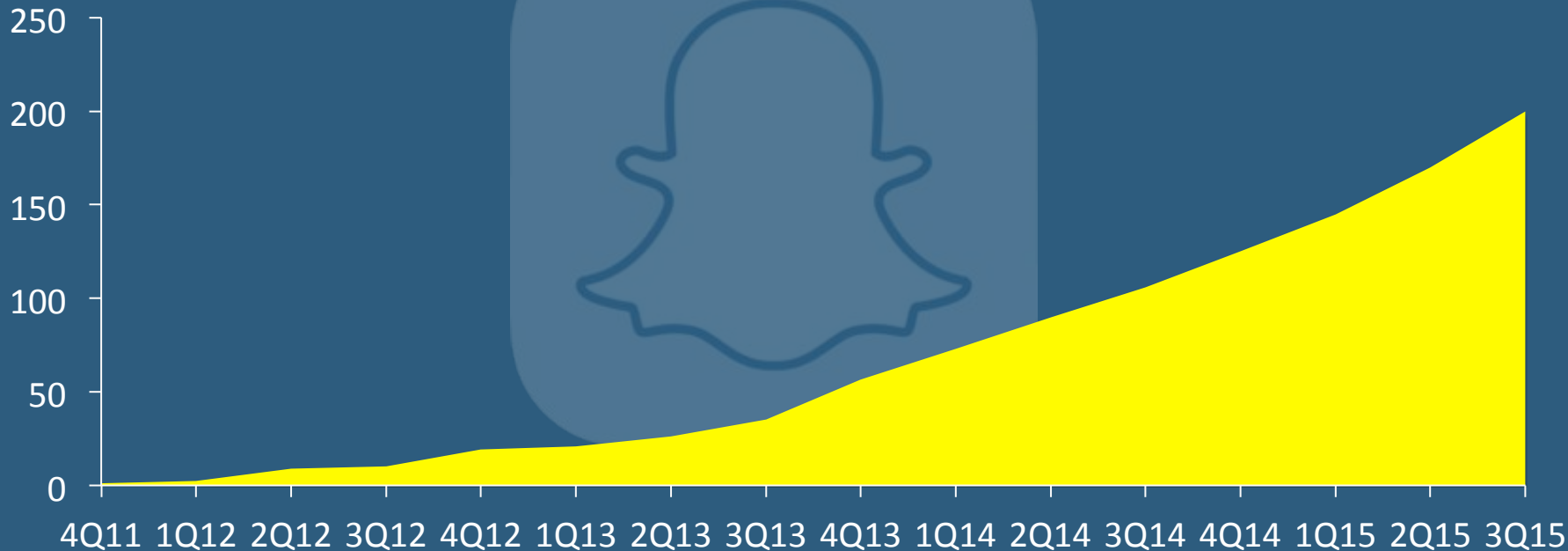
Facebook Messenger Monthly Active Users *Global*



SNAPCHAT HAS 200 MILLION AND COUNTING

Estimated Snapchat Monthly Active Users

Global, millions



YOU CAN DO EVERYTHING IN THESE APPS



Calls



Chat



GIFs



Games



Stickers



VoIP



Taxi



E-commerce



Music



Video



Payments



URL Bar /
Search



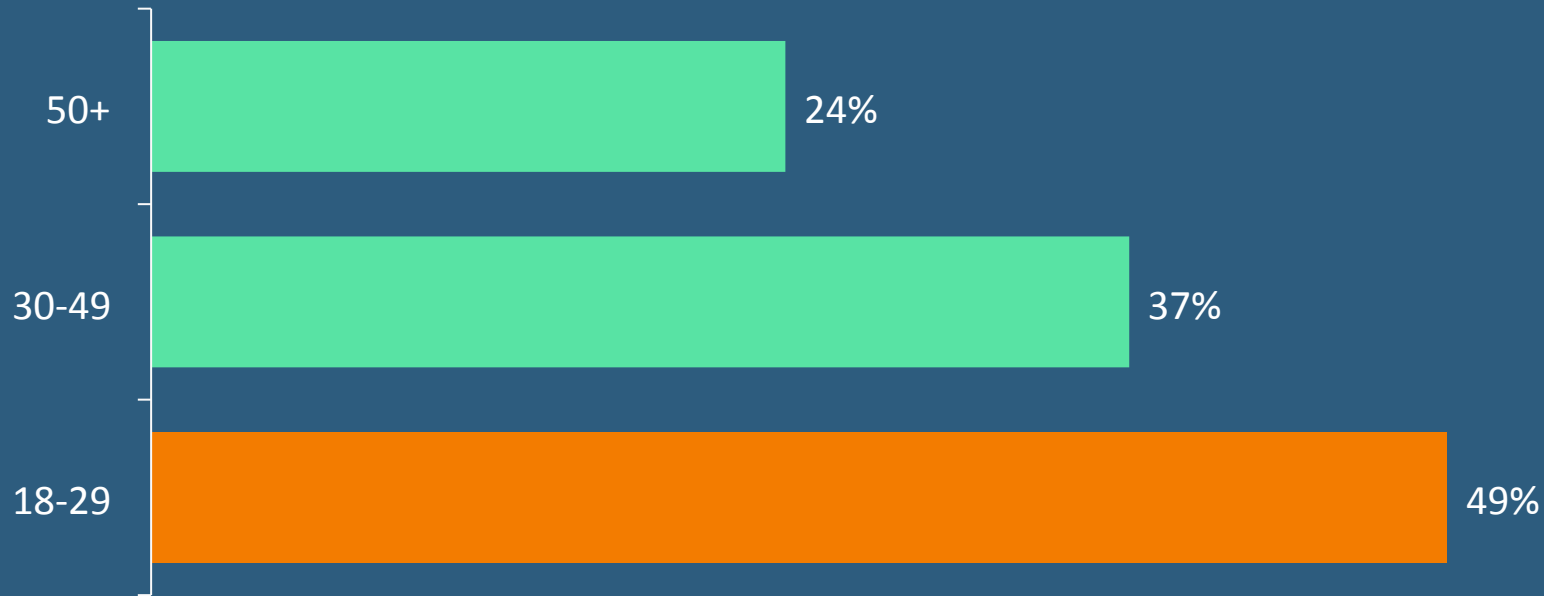
Utilities



QR Codes

GENERATION DIGITAL IS NUTS ABOUT THEM

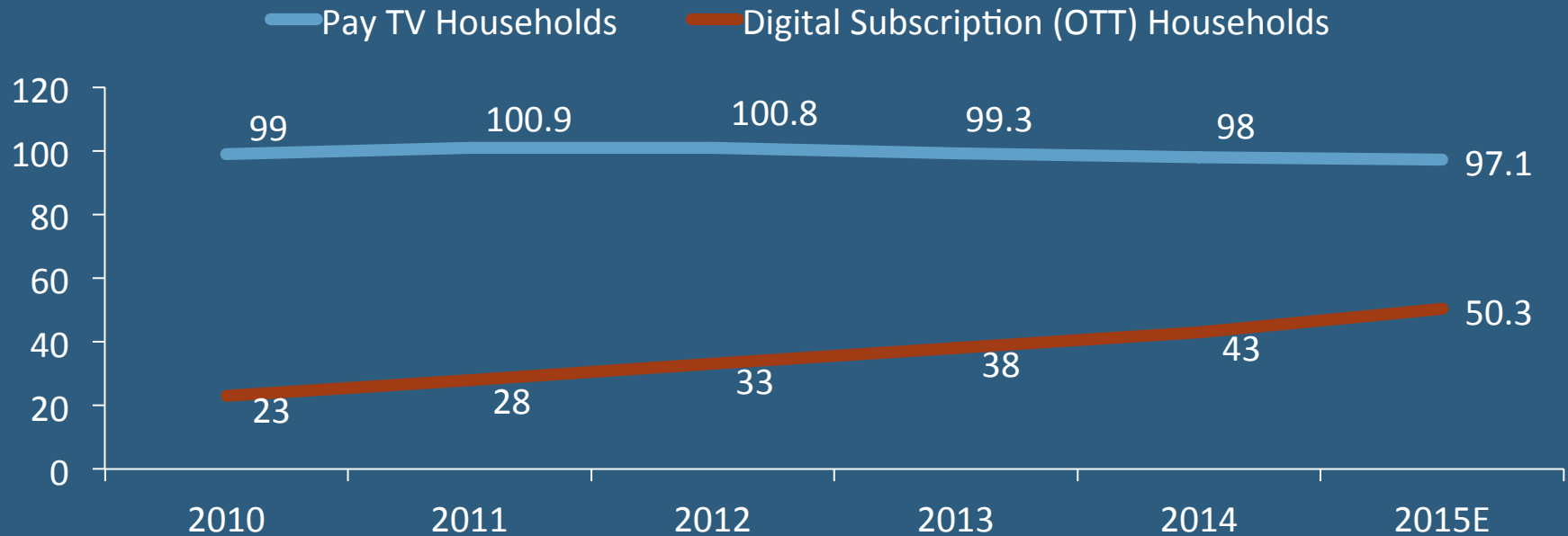
% Of Smartphone Owners Who Use Messaging Apps
US



6. TV NETWORKS WILL SOON FEEL NEWSPAPERS' PAIN

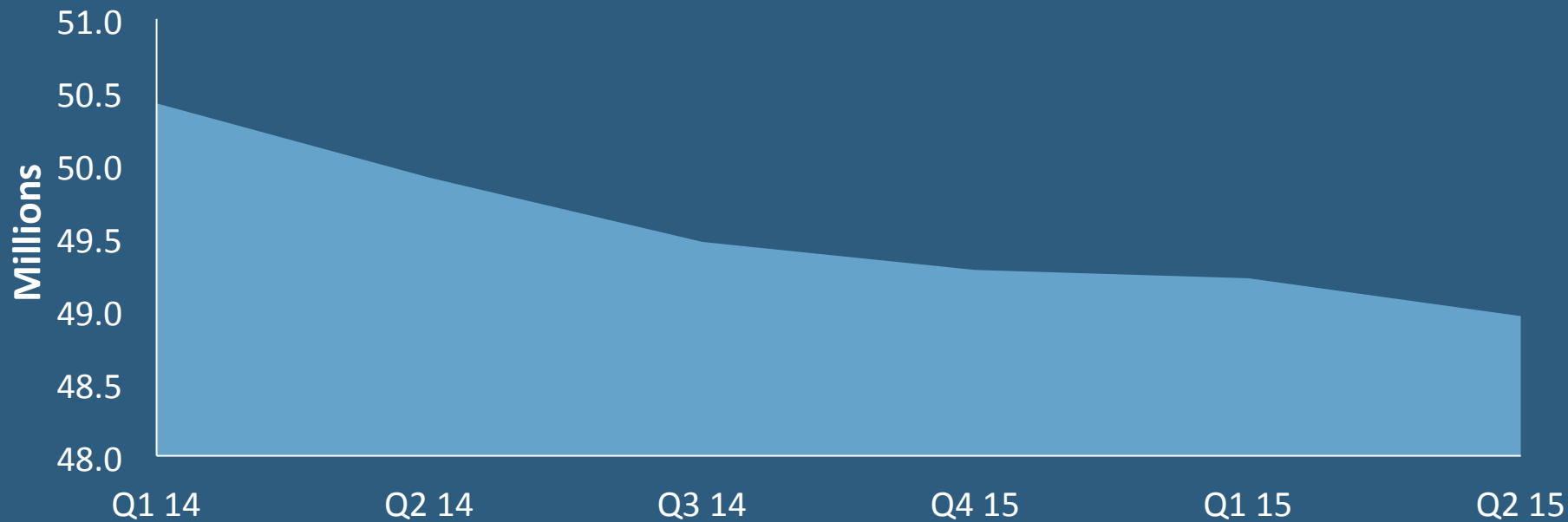
TRADITIONAL TV HAS PASSED ITS PEAK

Households With Pay TV Vs. Subscription OTT, U.S., 2010-2015E, Millions



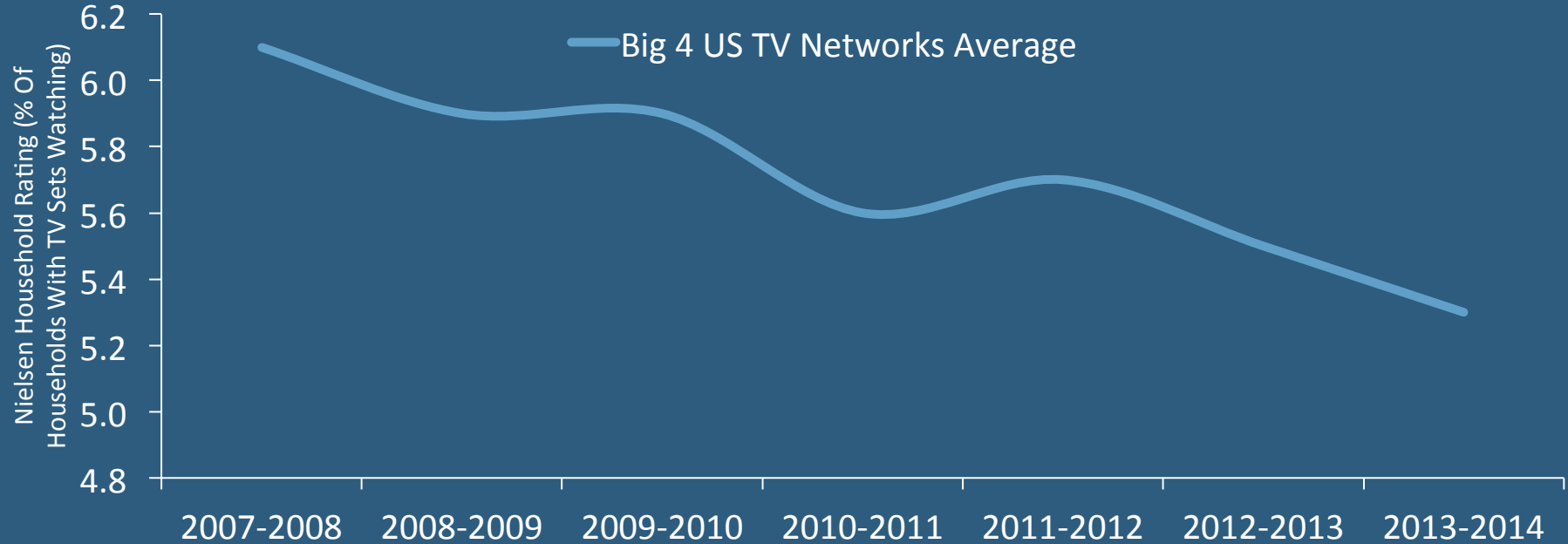
PAY TV SUBSCRIBERS ARE SHRINKING

Cable TV Subscribers (US)



VIEWERSHIP IS FALLING...

Primetime Household TV Ratings

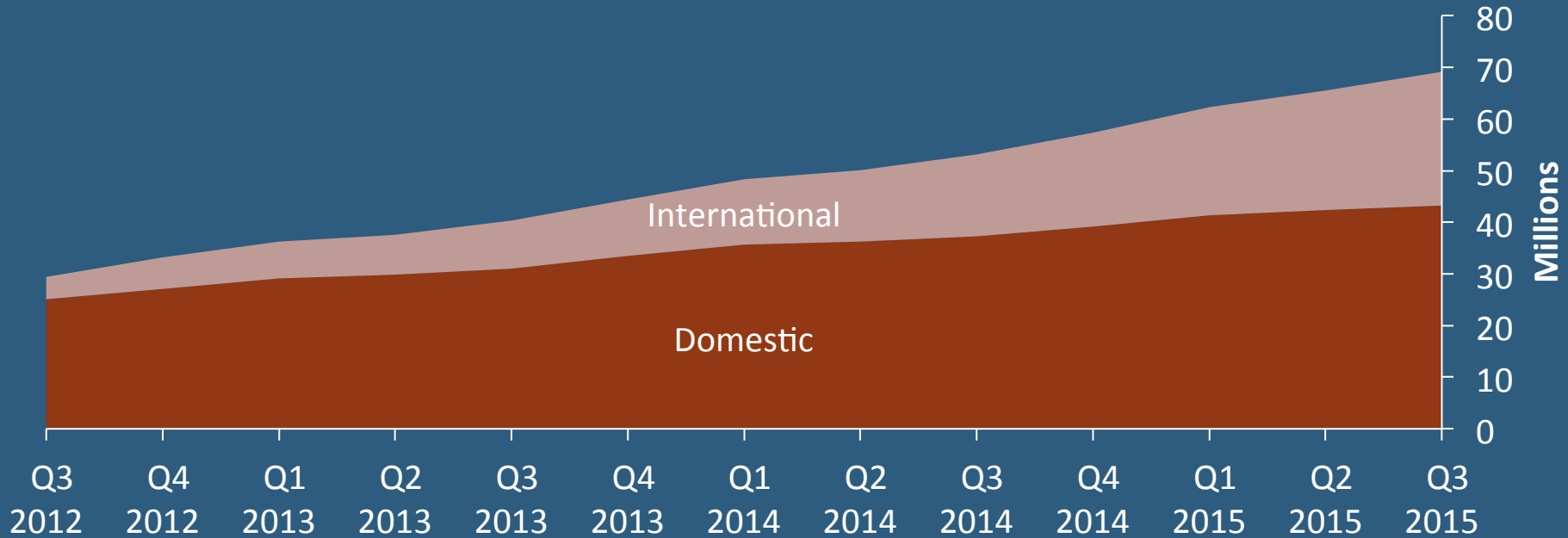


Meanwhile...

NETFLIX ~70 MILLION AND GROWING

Netflix Subscribers

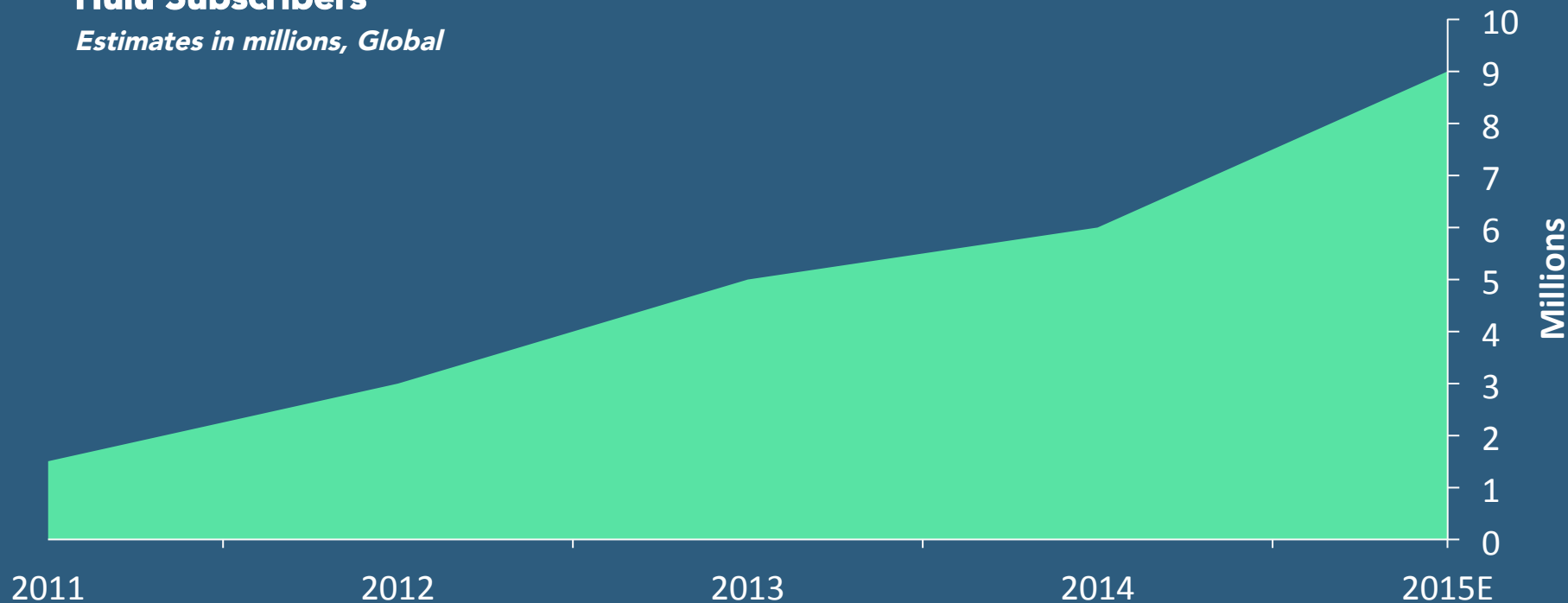
Estimates in millions, Global



HULU ~10 MILLION AND GROWING

Hulu Subscribers

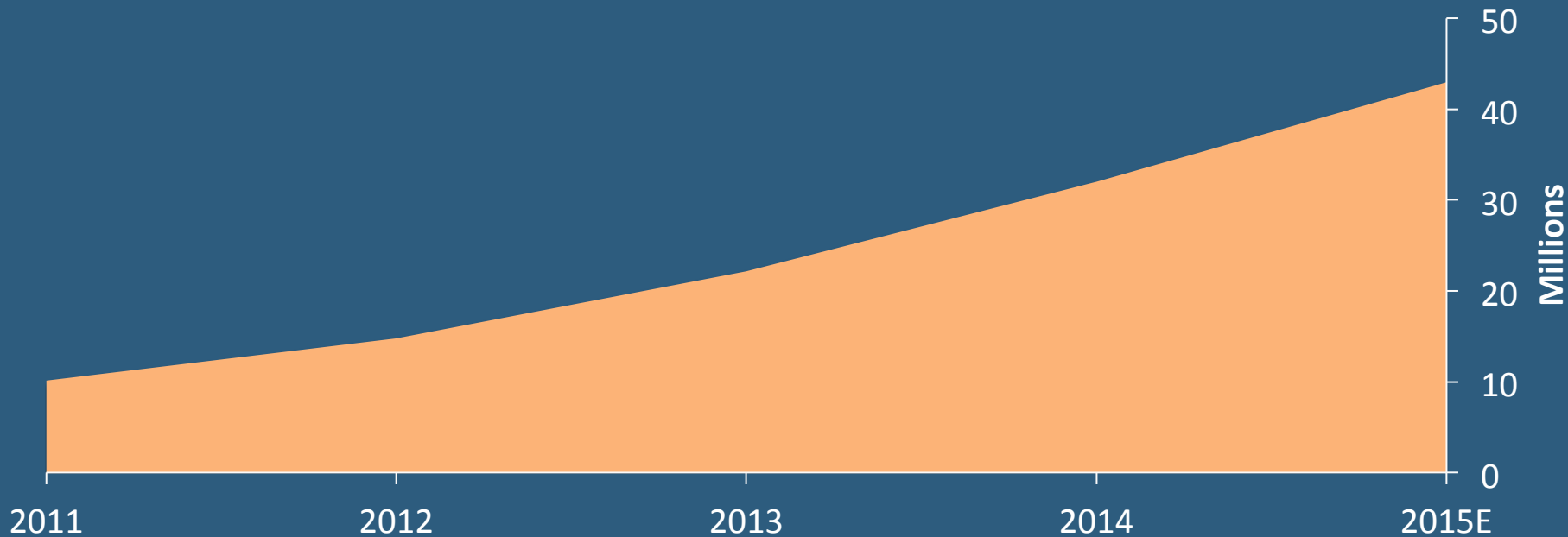
Estimates in millions, Global



AMAZON PRIME ~45 MILLION AND GROWING

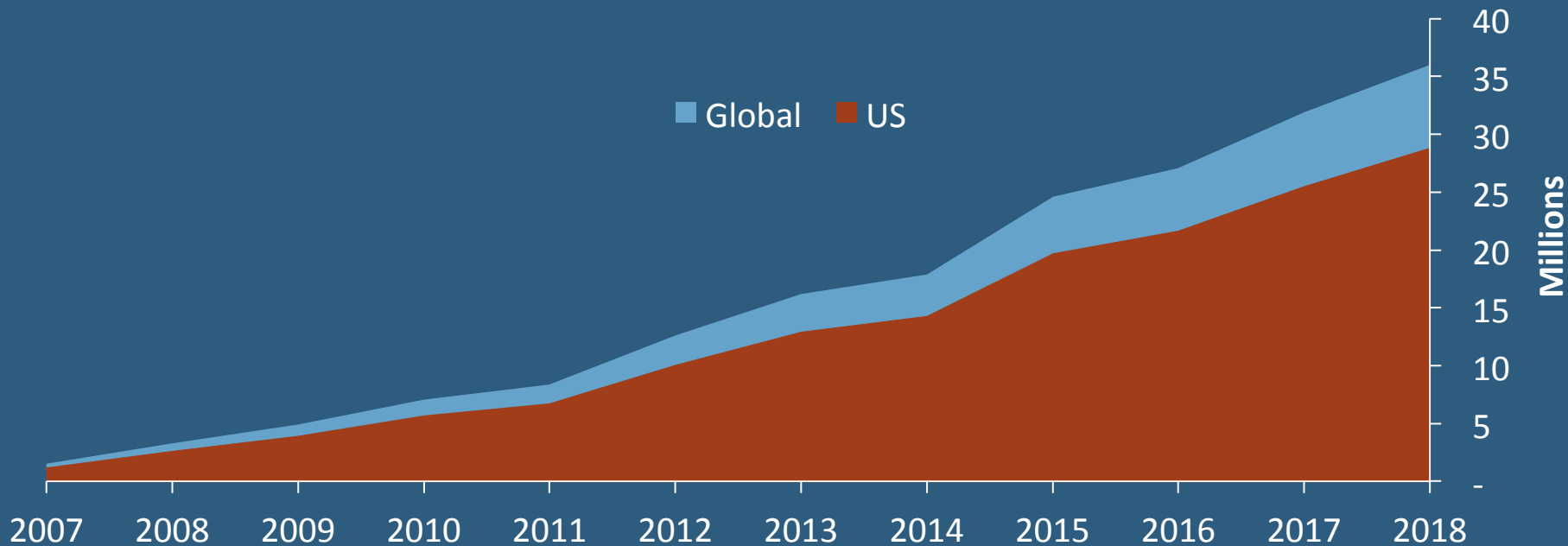
Amazon Prime Members

Estimates in millions, Global



APPLE TV 35 MILLION+ AND GROWING

Apple TV Installed Base



FACEBOOK REACHES MORE 18-24 THAN FREE TV

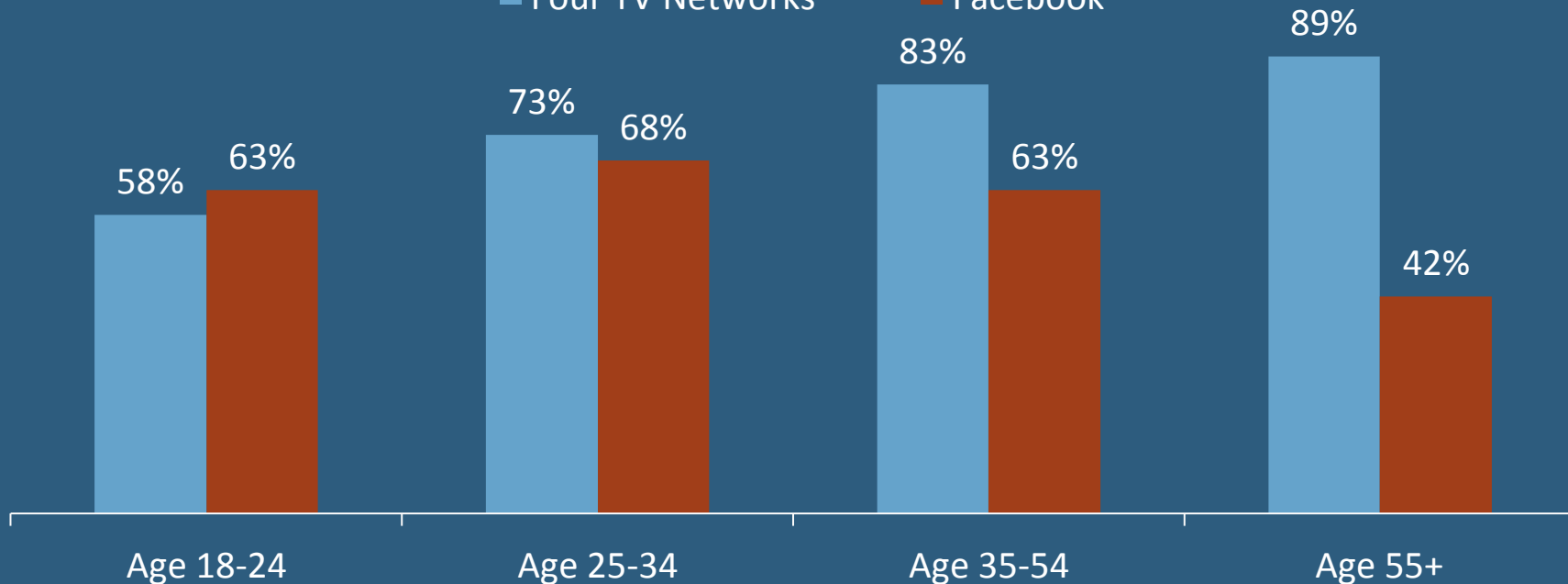
Facebook vs. TV Daily Reach

US

■ Four TV Networks

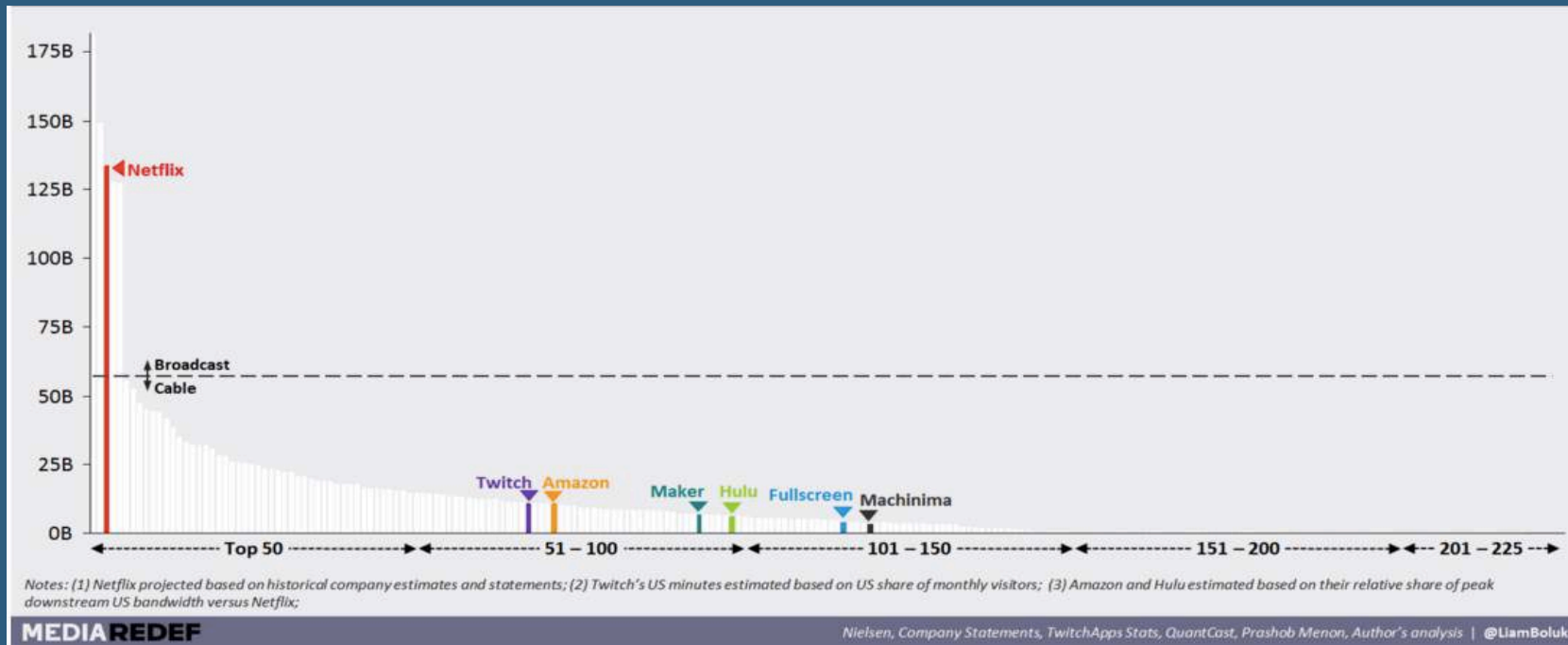
■ Facebook

Percent Reach

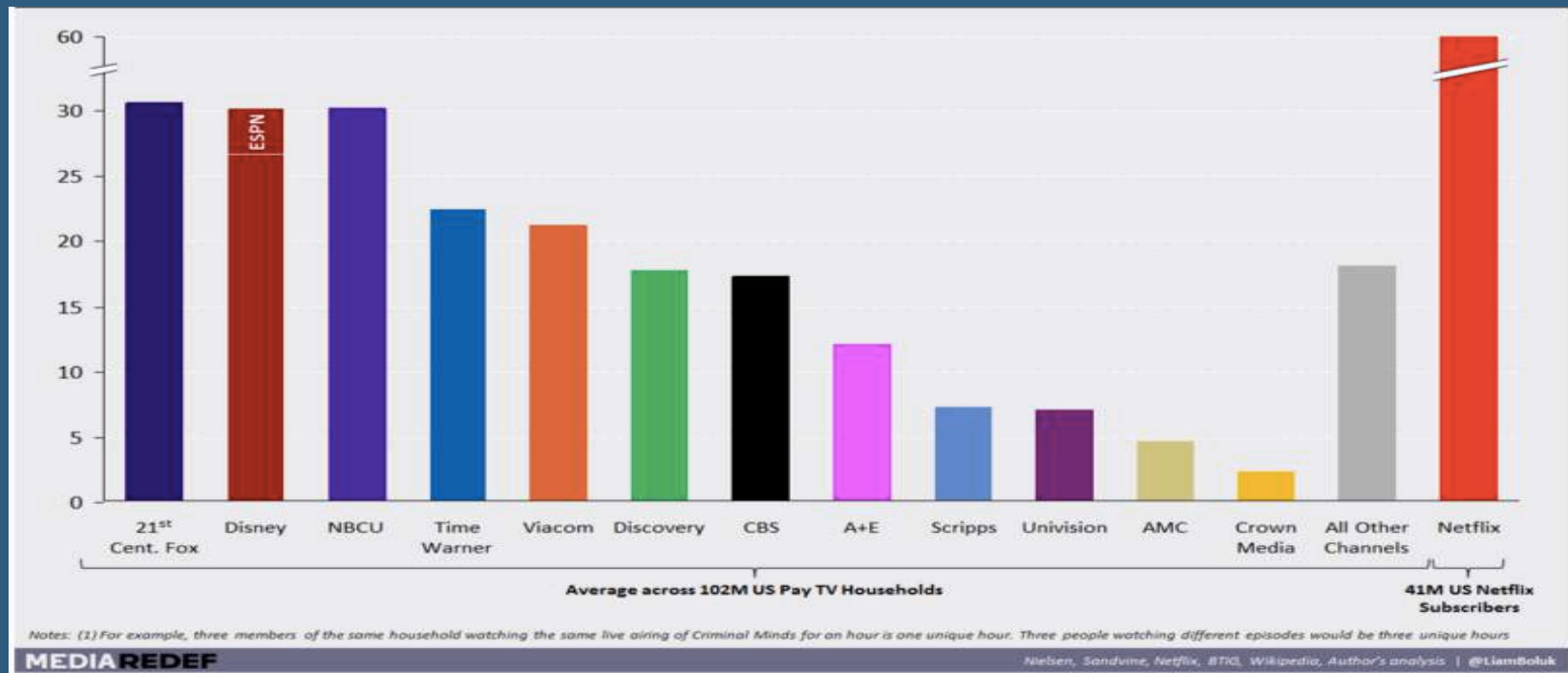


NETFLIX IS WATCHED MORE HOURS PER MONTH THAN ALMOST EVERY OTHER NETWORK

Total Hours Of Viewing, Per Month Per Network

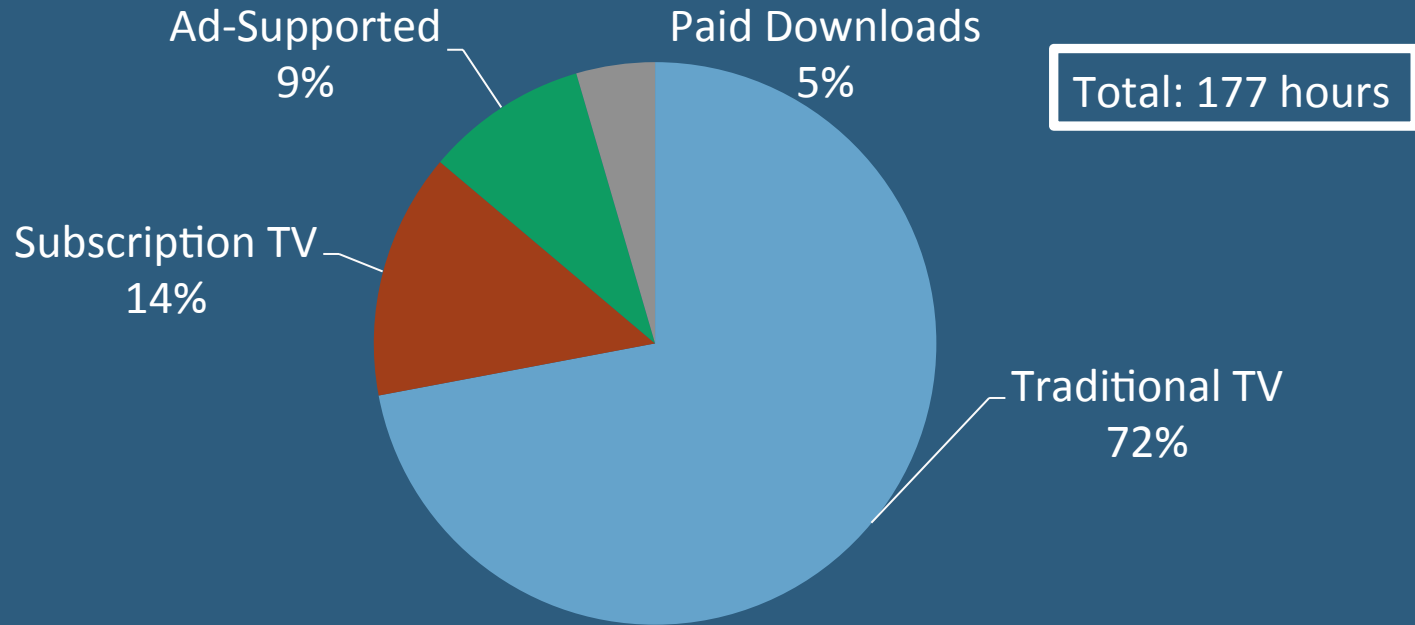


NETFLIX HOUSEHOLDS WATCH 60 HOURS OF NETFLIX PER MONTH, 2X ANY NETWORK GROUP



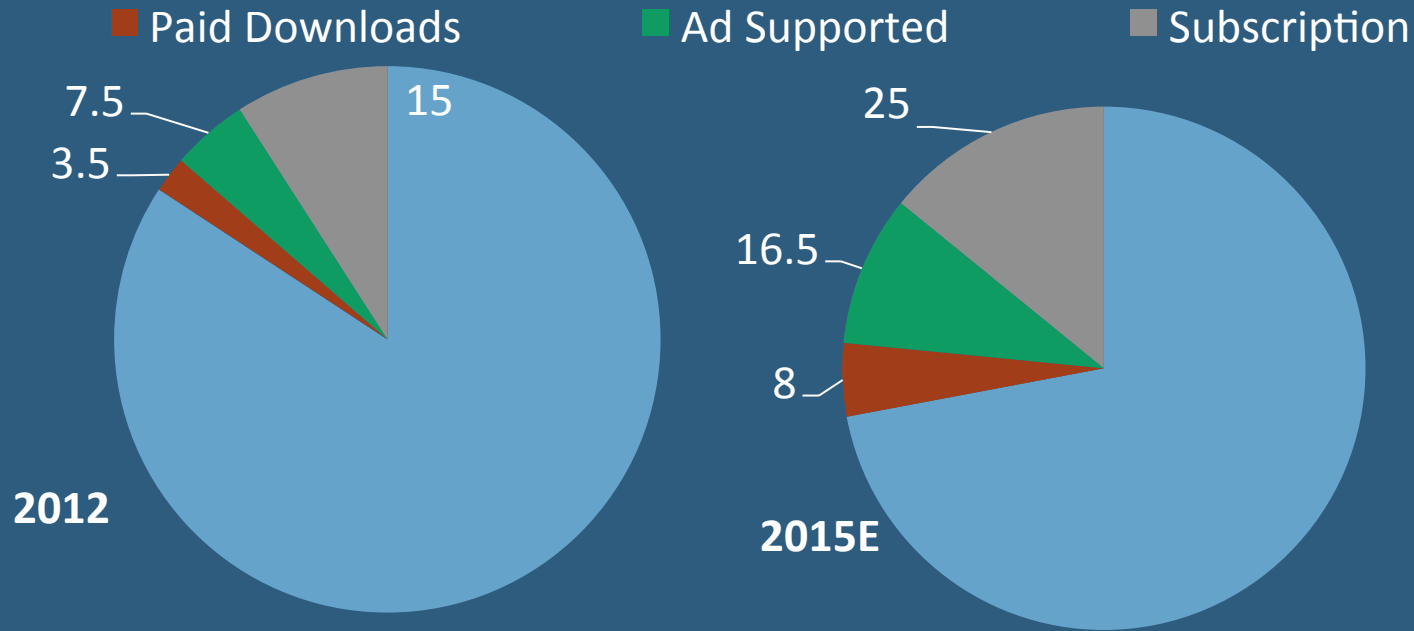
YES, TV STILL DOMINATES VIEWING TIME

US Consumer Time Spent On Video Per Month, 2015E, Hours



BUT DIGITAL VIEWING UP ~100% IN 3 YEARS

Monthly Consumer Time Spent On Video, U.S., 2012-2015E, Hours



And the TV audience is increasingly
a specific demographic...

MEDIAN VIEWER AGE

MSNBC and CNN: 60

Broadcast Networks: 62-64

FOX News: 68

WHY IS DIGITAL TV GROWING?

Convenience.

WHY IS DIGITAL GROWING?

We can watch what we want to
watch when we want to watch it
— on any screen.

So what's going to happen?

First, ignore people
who say "TV will die."

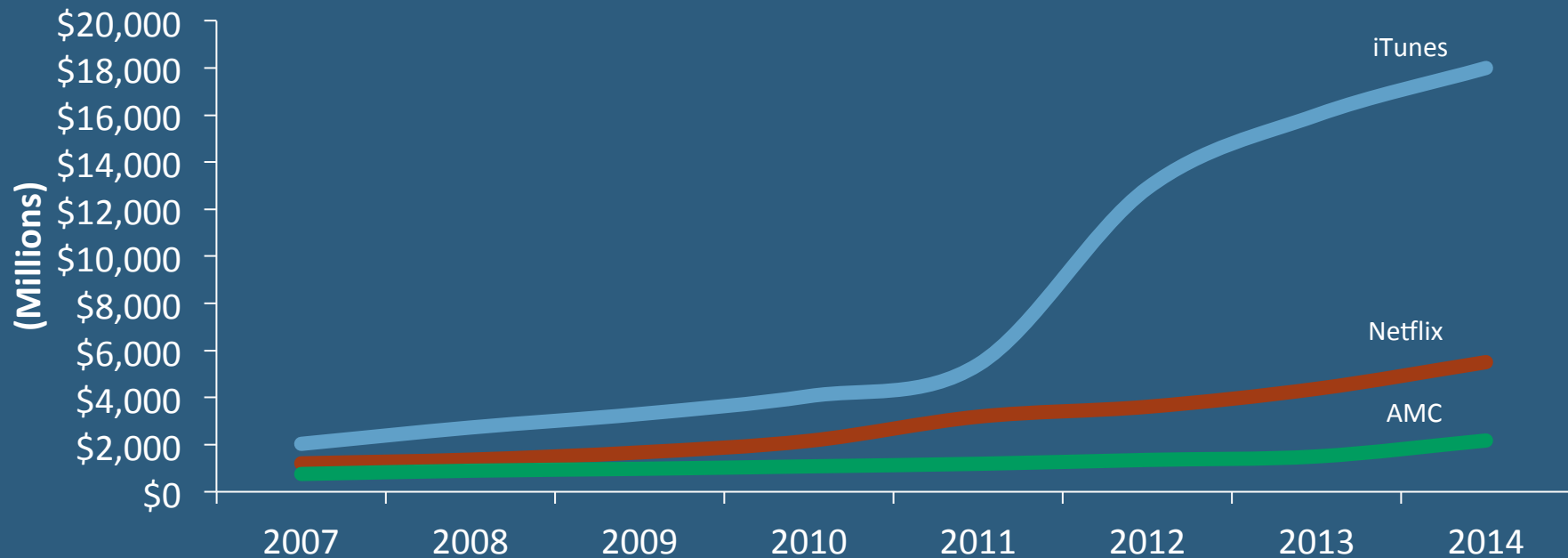
Old media don't die. They just find
their niche(s). See radio and print.

There are three key parts of “TV” —
and two of them are thriving.

1. Digital TV networks will continue to thrive

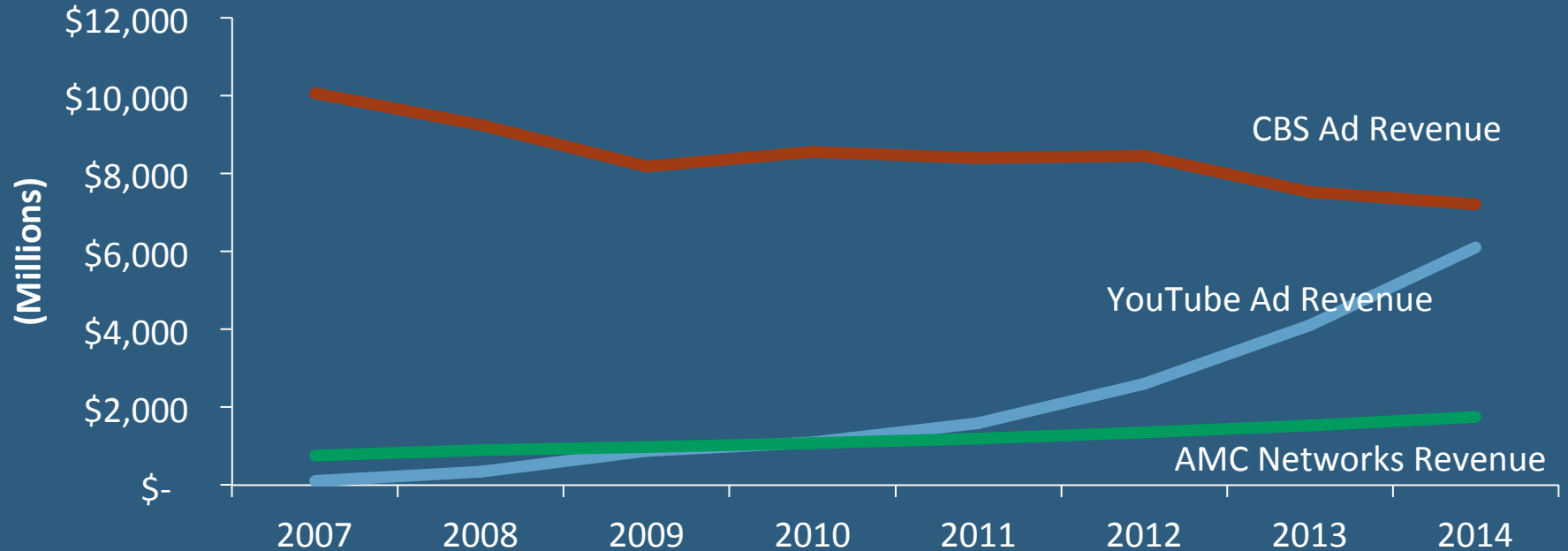
ITUNES AND NETFLIX ALREADY DWARF AVERAGE CABLE NETWORKS

Cable Network vs. Digital Content Revenue 2007-2014



YOUTUBE REVENUE CLOSING IN ON BROADCAST NETWORKS

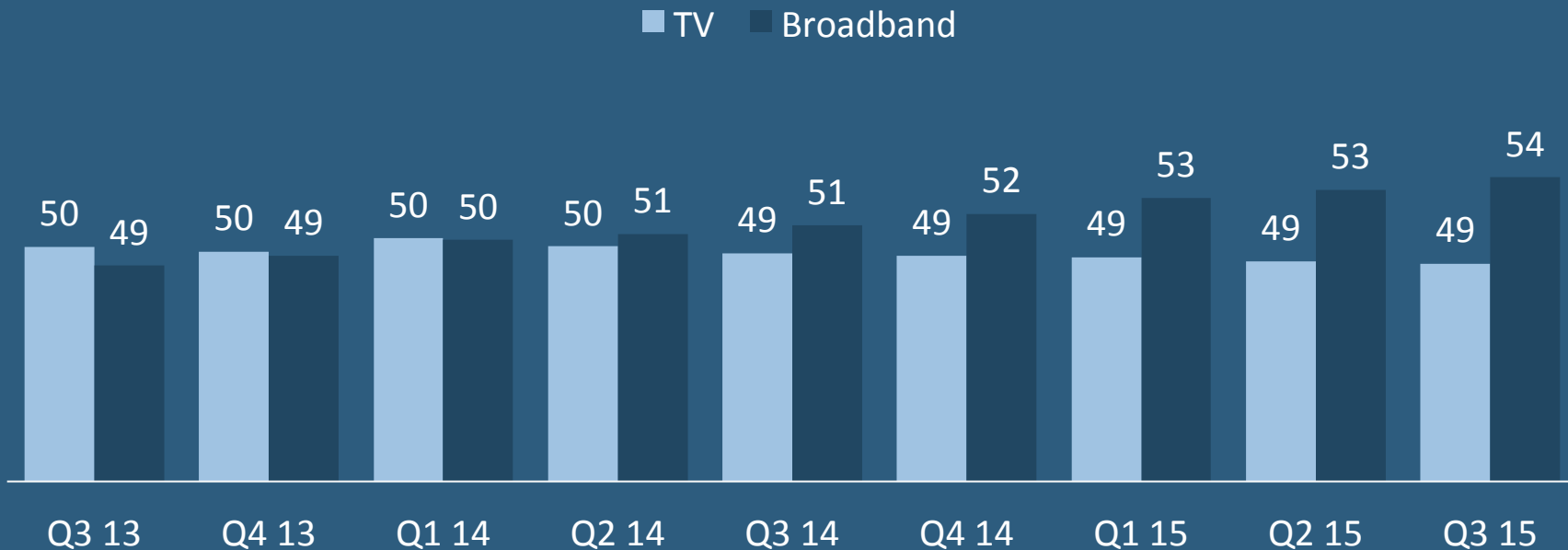
YouTube Ad Revenue Vs. CBS Ad Revenue And AMC Networks Revenue



2. Access providers will continue
to thrive — unless (until?)
real price competition

CABLE'S FUTURE IS BROADBAND

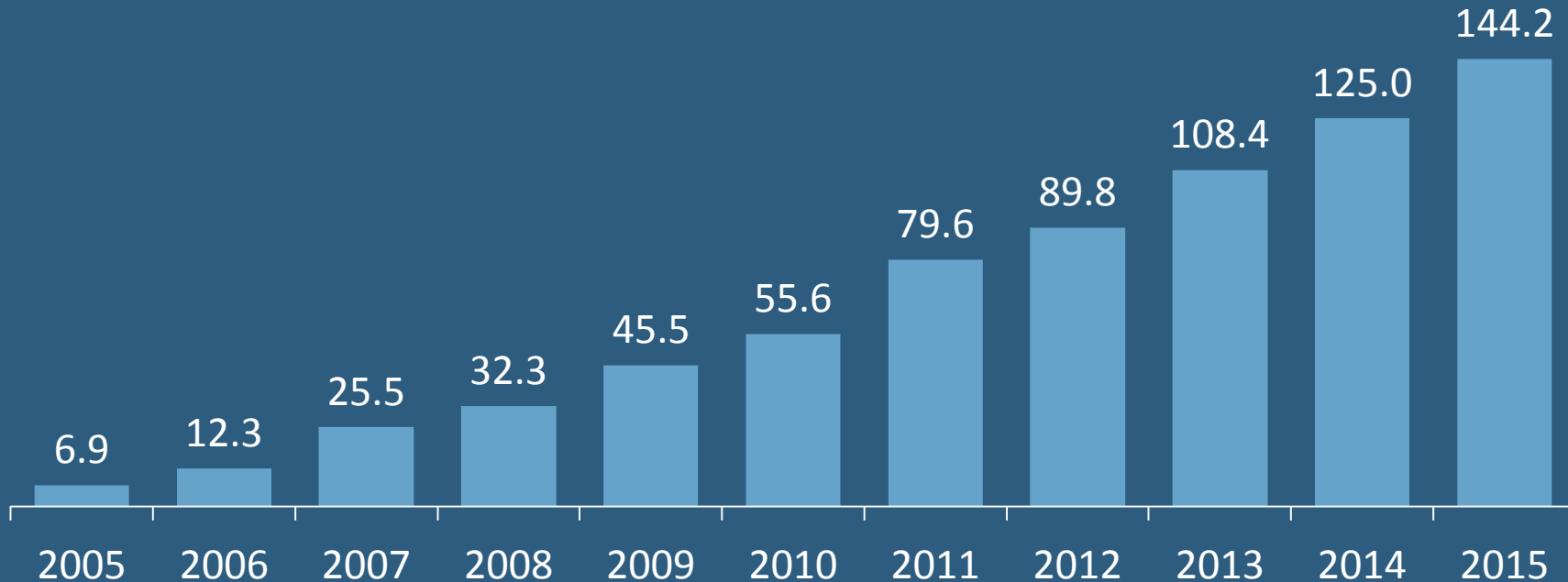
Cable Subscribers Millions By Service (US)



WIRELESS'S FUTURE IS BROADBAND

Wireless data service spending in the US

(Billions, USD)



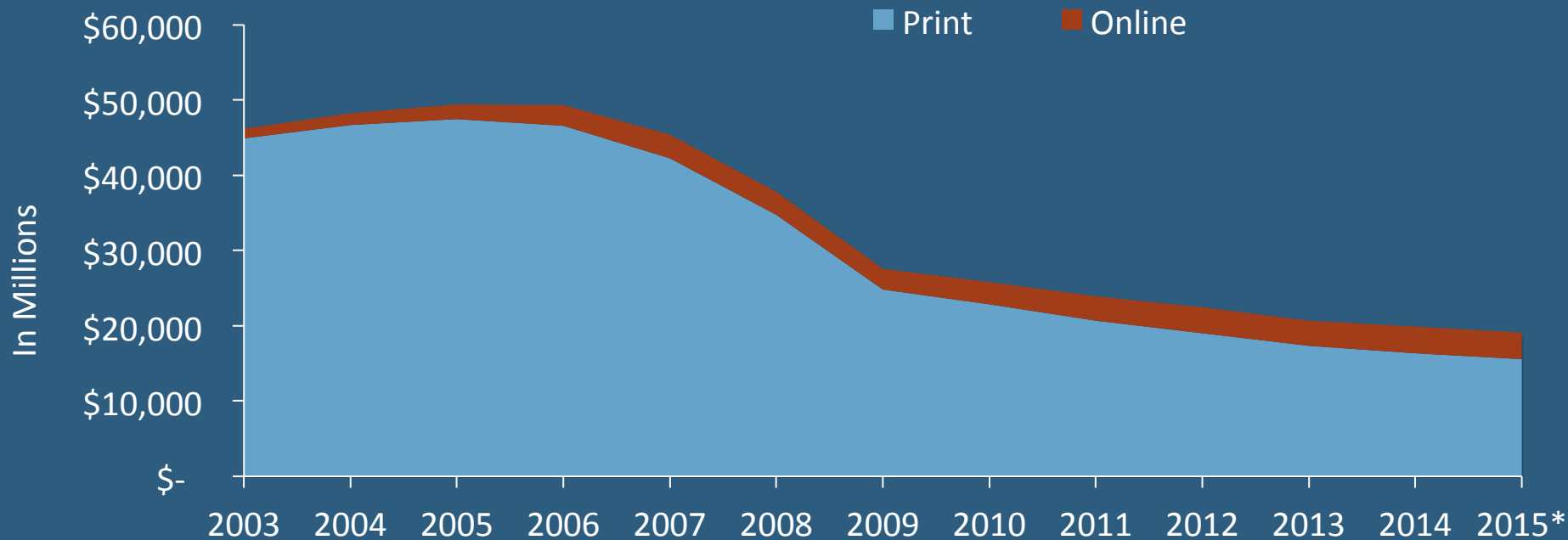
3. Traditional TV networks will go through
~decades of pain

Why?

Money follows eyeballs.

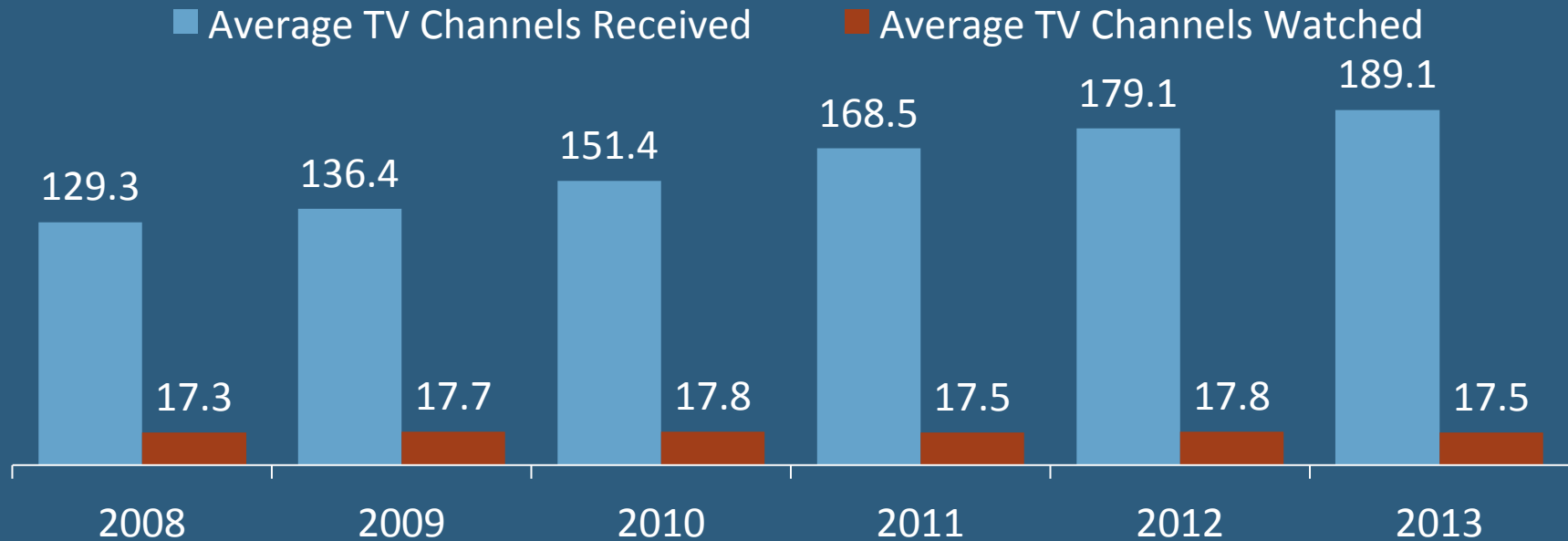
WHEN EYEBALLS LEFT PRINT THIS HAPPENED

Newspaper Ad Revenue (Print vs. Online)



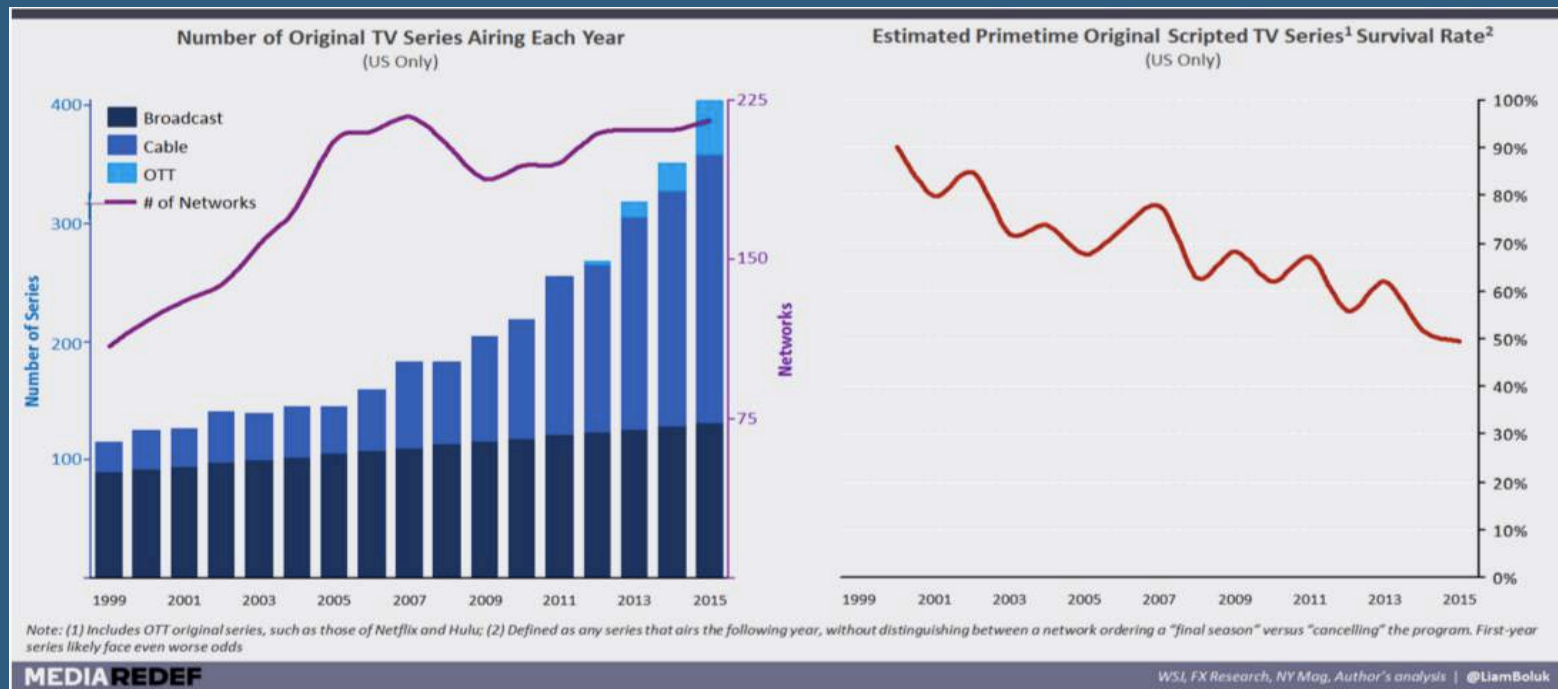
THERE ARE TOO MANY NETWORKS

Channels Receivable And Watched Per TV Household *US*



THERE ARE TOO MANY (MEDIocre) SHOWS

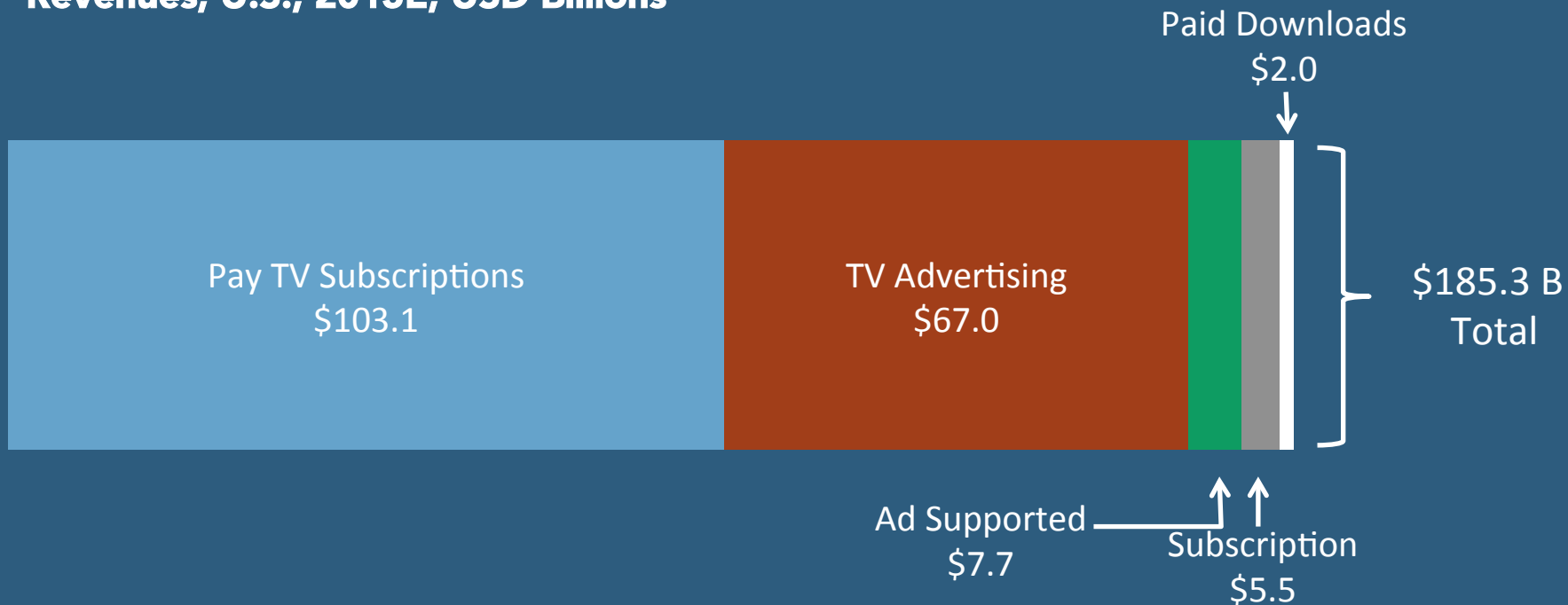
Average original TV series each year vs. survival rate



So get ready for years of
consolidation and pain.

FORTUNATELY, TV IS AWASH IN MONEY

Revenues, U.S., 2015E, USD Billions



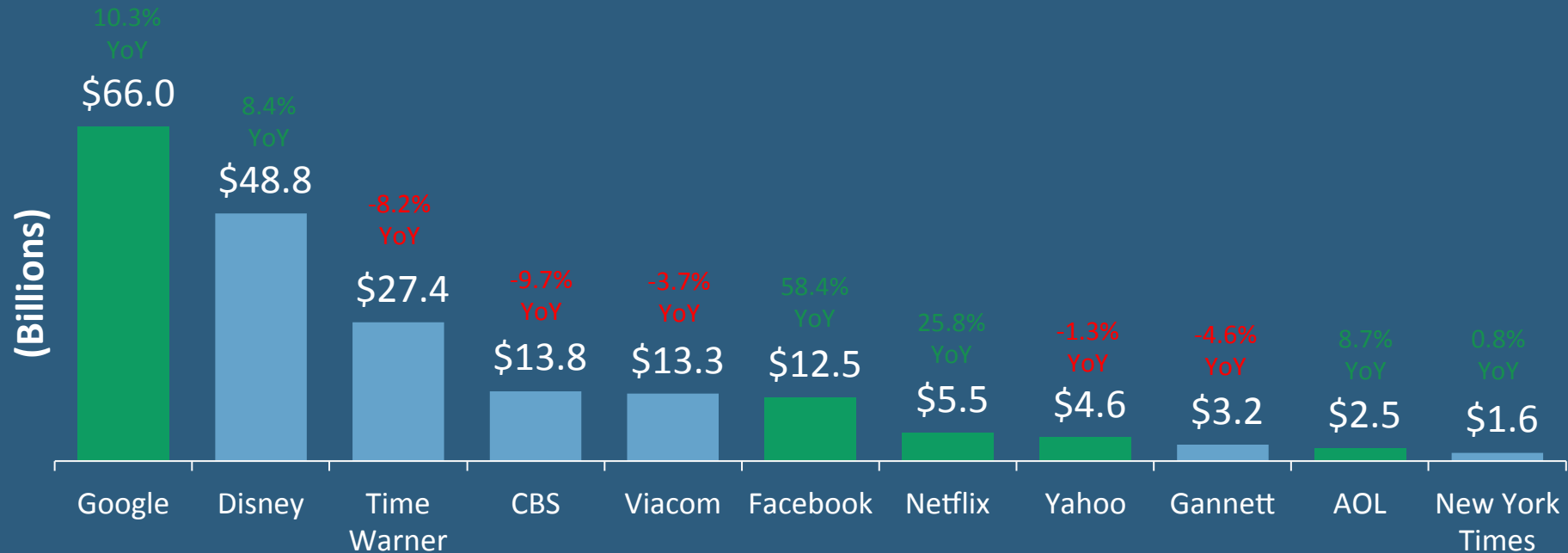
So they'll suffer in style.

7. POWER AND WEALTH WILL BE MORE CONCENTRATED THAN EVER

DIGITAL MEDIA IS THE NEW "BIG MEDIA"

2014 Revenue

Select Media Companies

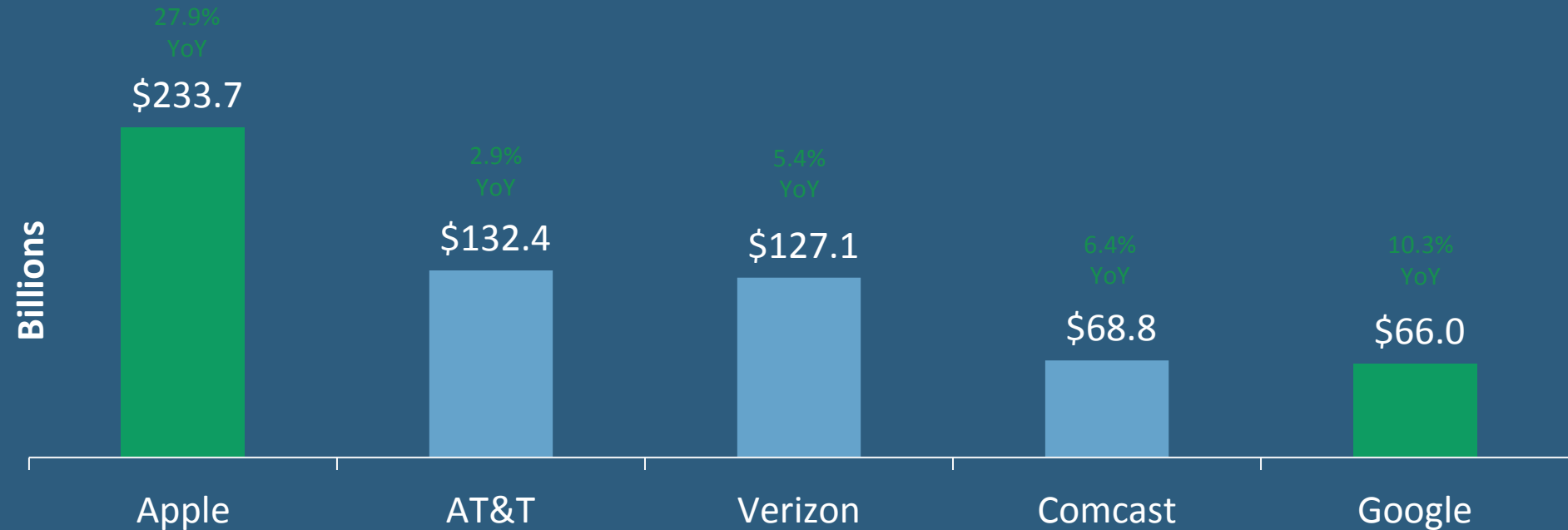


And “big media” companies
are now distinctly medium-sized.

THIS IS THE NEW "BIG"

2014 Revenue

Select Media Companies



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