The end of mass media: Aging and the U.S. newspaper industry

The Silver Market Phenomenon Symposium
Tokyo, October 4, 2008
Introduction

• U.S. Boomers: largest audience for television, newspapers, magazines
• Aging, fragmenting audiences are a problem for these media
• Newspapers pose a special problem
  – What is the future of journalism?
U.S. Boomers

• Dominated and shaped economic, social and political scenes due to size
  – Largest American generation - 78 million
• Unique perspective (older Boomers): coming of age in a time of dramatic social and cultural change (1960s & early 1970s)
Boomers have money and spend it

- Largest, most affluent U.S. consumer group
  - 36% of adult population
- Disproportion share of wealth and consumer spending

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**Baby Boomer Investments**

Baby boomers index above adults in general with diverse investments and expenditures. Hence, they are more likely to:

<table>
<thead>
<tr>
<th>INVESTMENTS</th>
<th>ADULTS IN GENERAL INDEX</th>
<th>BABY BOOMERS 40-50 INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have home-improvement loan</td>
<td>100</td>
<td>132</td>
</tr>
<tr>
<td>Have home-equity loan</td>
<td>100</td>
<td>131</td>
</tr>
<tr>
<td>Have home mortgage</td>
<td>100</td>
<td>125</td>
</tr>
<tr>
<td>Used discount stockbroker</td>
<td>past 12 months</td>
<td></td>
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<tr>
<td>Plan to buy second vacation</td>
<td>home next 12 months</td>
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</tr>
<tr>
<td>Plan to pay $35,000+</td>
<td>for a used vehicle</td>
<td>next 12 months</td>
</tr>
<tr>
<td>Have mutual funds</td>
<td>100</td>
<td>119</td>
</tr>
<tr>
<td>Have 401-K plan</td>
<td>100</td>
<td>118</td>
</tr>
<tr>
<td>Stayed in upscale hotel/motel</td>
<td>past 12 months</td>
<td></td>
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<tr>
<td>Have money market funds</td>
<td>100</td>
<td>117</td>
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<td>Shopped at any gourmet food</td>
<td>store past 12 months</td>
<td></td>
</tr>
<tr>
<td>Plan to pay $35,000+</td>
<td>for a new vehicle</td>
<td>next 12 months</td>
</tr>
<tr>
<td>Plan to buy a major appliance</td>
<td>next 12 months</td>
<td></td>
</tr>
</tbody>
</table>

Boomers and mass media

• Grew up on mass media, especially television
• Today, they remain the largest audience for tv, newspapers and magazines
  – 52% adults 50-59 read a newspaper daily
Mass media runs away

- Most don’t want to sell the value of older audiences to advertisers
- Prefer to focus on attracting younger audiences--the future customer
The challenge for mass media

- Competition is growing
- Audiences are fragmenting
- Result: Young and older audiences turn attention away from mass media
What drives fragmentation

- Digital media
- Customization
- Aggregators
- Free content
The fragmenting audience

**Pre-internet**

**Newspaper**
- Subscribe, browse

**Music**
- Buy a CD

**Television**
- Tune in to several shows, view ads

**Internet era**
- Read an article
- Download a song
- View a segment or Tivo; skip ads
Impact: television

Prime time network tv audience down 30 percent in 10-year period ending 2005

Network TV
Evening News Viewership, All Networks
1980-2007, November to November

Source: Nielsen Media Research, used under license
See Source Bibliography
Impact: music industry

- Annual compact disc sales down 20%
  - 1996: 3.4 billion
  - 2007: 1.9 billion
Impact: Newspapers

- Market share, ad sales, circulation fall
- Stock market valuations fall; consolidation accelerates
Where have they gone?

- Younger and older audiences:
  - Time spent online now rivals television
  - Soaring use of social media websites where users create content

[Chart showing daily personal internet usage and daily television viewing]

Nearly 45% of users spend over 4 hours/day online for personal use; TV rivaled in attention, though 65% still watch over 4 hours/day.
Where have they gone?

- 42% percent of YouTube audience is 35 to 54 years old
- 30% percent of Boomers participate in user-generated content
- Adults age 35 to 49 are the biggest users of digital video recorders
Newspapers

- Website traffic growing at a robust pace
- But economic value is not transferring quickly enough
Newspapers and journalism

- Traditionally have had the budgets to support journalism
- Provide the basic script for other media
Where will journalism come from?

“The civic labor performed by journalists on the ground cannot be replicated by legions of bloggers sitting hunched over their computer screens.”

Bill Keller
Executive Editor
New York Times
November, 2007
Summary and conclusion

- Newspapers may survive transition to digital environment
- But transition will be long and financially painful
Summary and conclusion

• During transition, newspapers should re-focus on core audience of Baby Boomers
  – Work to halt erosion of 50+ print readers
• Convince advertisers that this audience is valuable--don’t run away from it!
Summary and conclusion

• PWC study concludes:
  – 50+ media audiences will grow 13% through 2012
  – Strong growth will sustain traditional media as digital transition accelerates
Questions, comments