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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?

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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)

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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:

INVESTMENTS	ADULTS IN GENERAL INDEX	BABY BOOMERS 40-59 INDEX
Have home improvement loan	100	132
Have home-equity loan	100	131
Have home mortgage	100	125
Used discount stockbroker past 12 months	100	122
Plan to buy second vacation home next 12 months	100	119
Plan to pay \$35,000+ for a used vehicle next 12 months	100	119
Have mutual funds	100	119
Have 401-K plan	100	118
Stayed in upscale hotel/motel past 12 months	100	117
Have money market funds	100	117
Shopped at any gourmet food store past 12 months	100	115
Plan to pay \$35,000+ for a new vehicle next 12 months	100	114
Plan to buy a major appliance next 12 months	100	114

Source: Scarborough Research, 2005 Release 2 (Top 50 Market Report)
Prepared by NAA Business Analysis and Research Department

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



Internet era

Read an article

Music

Buy a CD



Download a song

Television

Tune in to several shows, view ads



View a segment or Tivo; skip ads

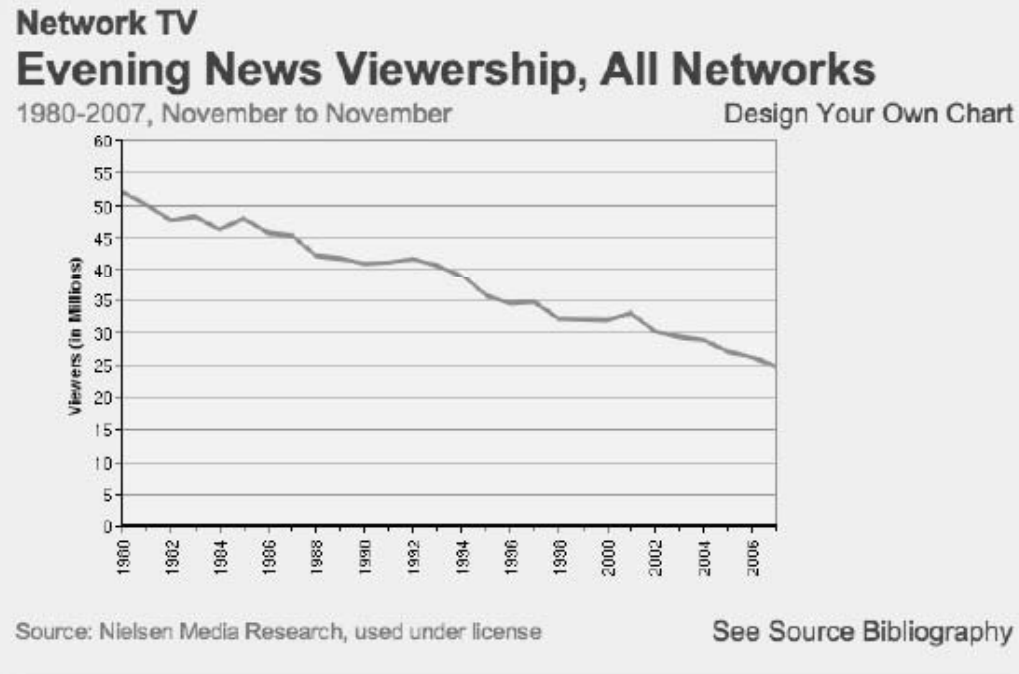
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Impact: television

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



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Impact: music industry

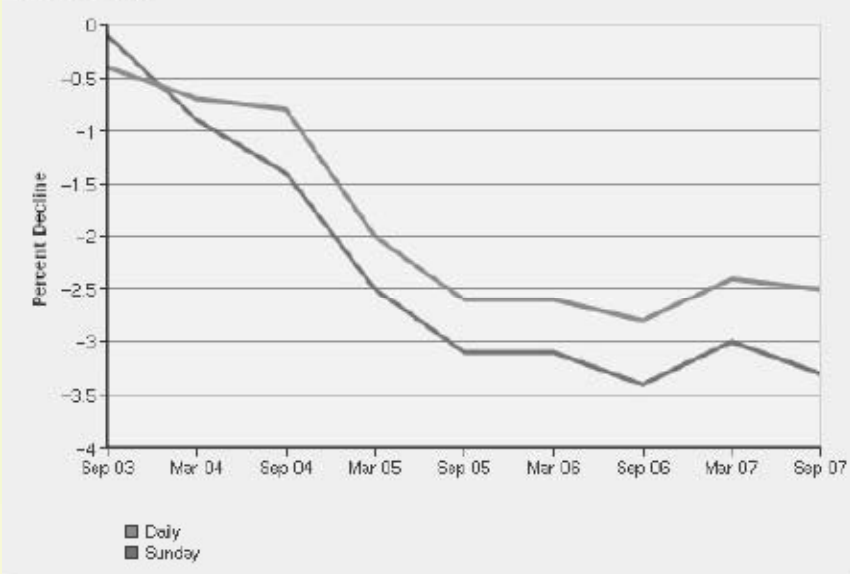
- Annual compact disc sales down 20%
 - 1996: 3.4 billion
 - 2007: 1.9 billion



Impact: Newspapers

- Market share, ad sales, circulation fall
- Stock market valuations fall; consolidation accelerates

Daily and Sunday Circulation Declines
2003-2007



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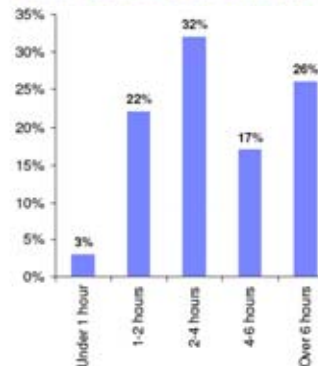
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Where have they gone?

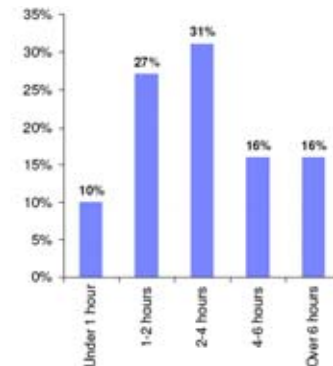
- Younger and older audiences:
 - Time spent online now rivals television
 - Soaring use of social media websites where users create content

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

Daily Personal Internet Usage
Home and Personal Time at Work



Daily Television Viewing



Source: Institute for Business Value Consumer M&E Study Conducted by Zooming Market Research
Total sample size 696, April, 2007

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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

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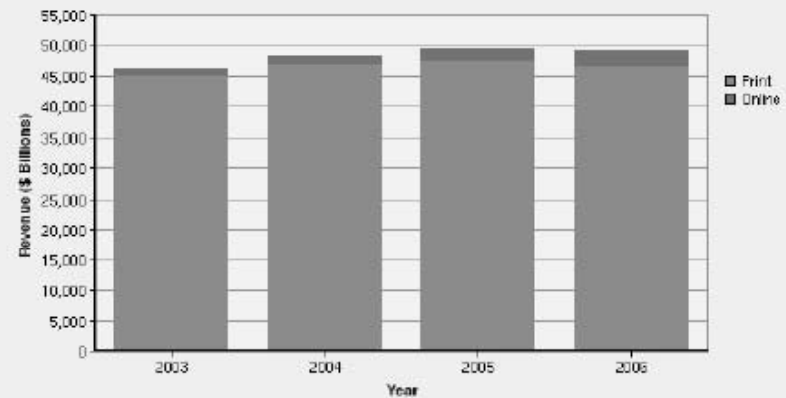
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Newspapers

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

Print vs. Online Ad Expenditures



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Newspapers and journalism

- Traditionally have had the budgets to support journalism
- Provide the basic script for other media

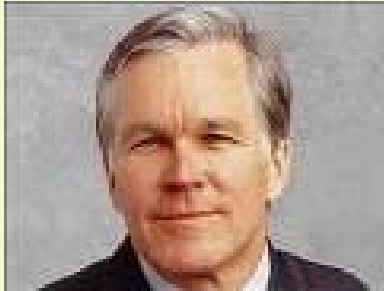


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Where will journalism come from?



“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

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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!

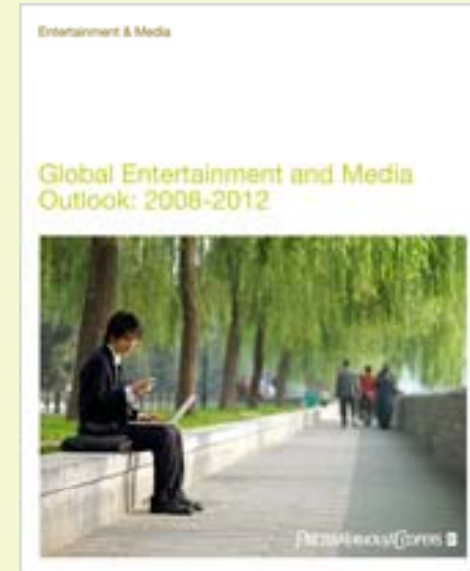
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Summary and conclusion

- PWC study concludes:
 - 50+ media audiences will grow 13% through 2012
 - Strong growth will sustain traditional media as digital transition accelerates



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Questions, comments

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