

The image features a complex abstract composition of overlapping rectangular blocks. The colors include light green, bright green, purple, dark purple, red, pink, and teal. A fine grid pattern is visible across most of the colored areas. The text 'THE FUTURE' is centered in white, uppercase letters across the purple and dark purple sections.

T H E F U T U R E

## 2006 - Year of the Soft Media Landscape

The biggest theme for 2006 was *“can I do a deal for you?”*. Every medium was under pressure to make budget this year, and every month a call would be put out to see if clients had any spare cash.

If it wasn't for the Commonwealth Games in March it would have been a very quiet year. The Commonwealth Games stimulated high demand in March but punctured holes throughout the remainder of the year. Many advertisers didn't see their budgets grow YOY and as a result, the Games simply pulled money forward.

There were no major retail wars between Myer and DJ's, Coles and Woolworths. No major finance battles. And if it wasn't for the major car launches in Sept -Oct and the Victorian state election the TV networks and newspapers would have been struggling to make budgets.

January to June Press was down 3% YOY, with the major metro dailies down 6%. Metro TV was down 1%. Online, Pay TV and the Magazine sector were the only channels immune to the soft market, with Online and Pay TV growing at 60% and 34% respectively.

This 'soft' theme is expected to continue into 2007, as client and agencies continue to stretch already tight marketing budgets across multiple touch points trying to reach fragmenting audiences.

Deals will still be important in a soft and short market, but requires a tactical strategy to take advantage of any short term opportunities. Long lead times are still required to lock away key inventory like “Must Watch” TV shows or Landmark Outdoor sites. Book 80% of a campaign long term and use the remaining 20% as short term leverage. Trade! Negotiate end of month specials. Move weeks around. Constantly improve discounts and added value. It will require patience from our clients and persistence from the MindShare buying team to play the cat-mouse game to make the most gains.



## Blurring the Lines - Cross Media Ownership

The hottest theme to emerge in late 2006 has been the scrambling of media owners to buy up or sell off media assets. Recent reforms to cross media ownership laws will see free-to-air TV, Radio and Newspapers jostling to take advantage and leverage cross media deals. PBL off-loading its media assets to a private investment company and Seven buying a stake in the Perth West Australian newspaper is just the beginning. Other potential scenarios are Macquarie Media buying the WIN Corporation, Nine buying Fairfax or conversely Fairfax acquiring Ten.

It seems to be the “old” media are the targets of these mergers and acquisitions in Australia, with the “new” media of Google and Youtube etc. (Google acquiring Youtube for \$2.2 Billion) buying out the old media’s assets.

The “old” media is still struggling with MP3 players, downloads, interactivity and gaming.

The battle of old and new is the same. What they are all fighting for is content. Content is still king in an age of audience fragmentation. If you have something an audience wants, they’ll come. If it’s fresh, they’ll come in the millions. 2 million people now access Youtube daily.

Rather than concentrate on how to make revenue from cross platform deals maybe Television Networks should employ these platforms to have two-way dialogue with audiences. Find out what they really want, rather than relying on people meters and audience figures to tell them a show isn’t working. Repeat episodes of CSI disrespects a viewers intelligence. Moving the Sopranos timeslot to midnight annoys loyalists. Scheduling series 3 of Desperate Housewives, Lost and Prison Break months after it’s gone to air in the States stimulates USA downloads or Chinese pirated copies. Consumers don’t want to wait for content anymore and the TV Networks are slow to listen.



## TV Audiences Grown this Year

Time spent viewing Television has actually grown in 2006; mostly attributable to new and exciting programmes from Seven, Ten and Pay TV.

Seven's stunning turnaround over the past two years has been due to its output deals. Desperate Housewives, Lost, Border Security, and Dancing with the Stars.

Ten has also been the benefactor of great content. The Biggest Loser, Big Brother, Australian Idol, House and Thank God You're Here.

Conversely, Nine's demise has been the consequence of lacklustre content. Its format and over-reliance on crime dramas hasn't changed in 5 years, but the consumer's moved on. Maybe without the AFL, this will force them to re-look at its programming department. However with a new ownership structure at Nine and the need to show investors an imminent return for their investment, there may not be an increase in the programming budgets.

Production costs are a double edge sword. You have to invest in order to retain or grow audience share. You need to create compelling and new content, which costs money.

The rise in costs are blamed on several factors, including larger casts (and support/production staff), more complex plot and location filming (e.g. Lost), and overall higher production quality standards (e.g. CSI).

"At the end of the day, costs, whether they are talent costs, production costs, marketing costs, etc., are going to align themselves with reality". News Corp COO Peter Chernin.

These increases in costs need to be passed on somewhere. YOY rate increases are not just a result of demand and audience levels but include an increase in programming cost and Sporting TV rights. There's going to be a significant amount of internal pressure at Seven and Ten to write revenue into the AFL next year. You don't spend \$780 million over 5 years without seeing a return.

The late Kerry Packer understood this more than anyone. He built the Nine Network on that very foundation. Cricket, AFL and the NRL.

The model is clear. Sport is King. Kerry Packer knew it, and Rupert Murdoch knows it. It's how he built his empire in the UK and US. The importance of Sport to a TV Network is heating up, and if Pay TV in this country is to grow, the current anti siphoning laws need to be lifted. All the interactivity and digital capabilities that Pay TV has to offer will not drive consumer take-up as fast as sport will.



## Television Remains a Dominant Force

The discussion and debate on the demise of Mass Media and Television has kept Neil Shoebridge (Media commentator – Australian Financial Review) in a job this year. But for all his scare mongering, in an age of portion-sized audiences, TV still remains the most powerful medium to reach a mass.

The battle to be the number one FTA network has never been so ferocious.

Seven and Nine are slugging it out. At the half way point of this year, barely a point separated the two. Nine – 36.6, Seven 36.4, Ten 27. It's a photo finish for first.

But with the Ashes still to come, Nine should come out on top again. Eddie will be able to breathe again...for a moment at least.

The big question is can Seven take the mantle in 2007? Have the stars finally aligned for them? They have the AFL. They have the best from the US programme lineup next year and Nine's management and ownership has changed.

3 shows that Nine had picked up from it's deals with NBC and CBS have already been cancelled and the US season is only 6 weeks old; Kidnapped, Runaway and Smith. All big production budgets and big casts. Critics have also placed big question marks on Nine's other pick ups – Justice, The Nine and Studio 60. This is gloomy news for drama lovers. Quality drama vs. Reality TV – what would you prefer?

Seven is mirroring the remarkable turnaround by the ABC in the States. After years of receiving B grade programmes from the ABC, Seven hit the jackpot with the break-through shows of Desperate Housewives, Lost and Grey's Anatomy. The ABC is having a renaissance and doesn't look like changing anytime soon. They've produced two new show's that critics are raving about. Brothers & Sisters sees Calista Flockhart from Alley McBeal fame make her TV return and Ugly Betty is a surprise hit with Salma Hayek as the Executive Producer. Other reported strong shows that Seven have picked up include Hereos and Shark.

Ten has picked up Friday Night Lights, Jericho and The Game. Jericho will be shown inline with the US series. This is not the first programme to do this. Nine did it successfully with Survivor in order to avoid people from finding out who got voted off via the internet. But Jericho is a first for a series and Ten will continue with this strategy into 2007. Over summer the OC will be shown in tandem with the US.

It's a nice marketing idea, but shouldn't have a huge impact on the ratings. This is in formation with Ten's strategy to be at the forefront of innovation. They successfully sold Podcasts of their new smash hit "Thank God You're Here".

Nine are trialing a similar experiment with McLeod's Daughters downloads. They may have been better putting The Soprano's on NineMSN for download, rather than disenfranchise the loyal audience it has built over the years by moving it to 12 midnight Mondays.



## Newspapers hanging on by a dead celebrity

There's nothing like the tragic death of two Australian legends (Peter Brock and Steve Irwin) to drive circulation of Print media. These big news stories can increase circulation by up to 6% and that equates to about 100,000 more Herald Suns being sold in Victoria.

News and Sport are the only two remaining reasons to buy press now.

The rivers of gold, the classifieds section is slowly drying up like Australia's outback. People are now researching property, employment and cars online. Seek.com.au (an online recruitment company) had a 58% increase in revenue \$109 Million.

The biggest challenge facing newspapers will be how they grapple with online classifieds and the whole online space.

2007 will see the continuing migration of traditional print classifieds to online. Auto clients, recruitment and real estate clients will soon be able to divest its multi million dollar investments from traditional press into on line classifieds. The challenge will be to get some old school clients off the press drug.



## Magazine Model Still Resonating

For all the talk of people cutting back on luxuries, and the average Aussie battling with increasing interest rates and fuel costs, Magazine sales have been unaffected. People can easily justify the small indulgence of a Magazine. During a busy hectic week, a magazine acts as a realistic and easy way to escape for half an hour without feeling guilty. It fosters a healthy 'me time'. For that reason the Magazine sector will continue to be strong.

Magazines will also continue to buck the soft market trend because it's long established as the medium that's more in tune with their readers than any other channel. It may be no coincidence that women read more magazines than any other media. There's more women in charge of Australia's magazine industry (editorial, publishing, research, sales); and women are known as better communicators than men. They're better at conversations. Women at the helm of Magazines therefore understand their readers and have 1-1 conversations with them. Reader surveys, focus groups, letters to the editors, promotions, online extension, TV extension, events.

Editors constantly want to know their reader likes and dislikes are, and they make the changes to accommodate. That's why big ego's don't last in the Magazine world.

The magazine market won't change a great deal in this age of convergence. The model is already set –they're giving readers what they want. What will change or what the changes to media laws will create, is an opportunity to create more models like Better Homes & Gardens. The out-dated child of the 80's, the pioneer of the magazine style programme, is hot again. Print, TV and Online working together, delivering multiple touch points for advertisers and multiple touch points to have conversations with the readers and viewers. Ralph is rumored to be trying to take its men's magazine to the small screen.

## Outdoor battlefield shifting Indoors

The only true mass medium remaining is Outdoor. And in an era of convergence and cross platform integration, this will be where Outdoor positions its self in the future.

After a period of consolidations with traditional outdoor formats of street furniture and large format, the landscape has been conquered by APN, Eye, Network Outdoor and JC Decaux.

The new battle ground has shifted indoors to Supermarkets and Shopping Centres.

Currently there are 12 players, including Network, Eye, Outpost, Media Puzzle, 360TV and Colonial First State, operating in this burgeoning environment. They're all squarely targeting traditional FMCG clients who can no longer afford to be on TV, but whereby being close to the point of purchase can lead to a substantial increase in sales.

With the raft of media companies being bought up, the same is already happening in this space. The Claude Group, with the backing of a private investment company, have already acquired Street Ads (external shopping centre posters) and Octopus Media (metrolites on 7-Eleven stores). So consolidation is inevitable. Fragmentation is happening within mediums.

## Content is the King of Kings on the big screen

Content can make or break the box-office, literally overnight. In Australia, the box-office grew by 6.2%, with great product. The industry is gearing up for what they believe will be an even stronger year in 2007.

2007 will be lifted by franchise movies, the proven formulas of Harry Potter, Shrek the 3rd, Spiderman 3, Oceans 13 and Bourne Ultimatum.

Little box-office surprise gems like this years comedy hit, 'Kenny', broke the mold of conventional movie scripts. Kenny, the Aussie mock-umentary about an unashamed port-a-loo cleaner, currently ranks number 9 on the box-office, totaling \$6.5m osince its launch 12 weeks ago. It's success has been attributable to an original script, strong word of mouth, and our inner desire to believe in working class heroes.

Original movies like 'Kenny' that could easily ambush the Hollywood Blockbusters in 2007 include "Dream Girls" starring Beyonce Knowles and Jamie Foxx, "Babel" starring Cate Blanchet and Brad Pitt and the original mystical screenplay about heroes and dragons, 'Eragon', written by a 14 year old boy.

Cinema has also embraced the digital age, trialing new technology in Sydney and Melbourne that will allow advertisers to buy cinema like other audio/visual media, by session times, dayparts and day of week.



# New Age Poster Girl

Online. The poster girl of the new age. The answer to everyone's advertising and communication challenges.

What hasn't been written about the potent force of Online this year, and there's more to come. The shift has been made and we can't turn back now. Online advertising will continue to grow and soon surpass Press to grab the biggest piece of the media pie.

Tellingly, online and interactive has been mentioned in almost every single section in the preceding pages. Its influence is being felt across both traditional media and in new forms of online advertising.

This year internationally, in the US market especially, saw online video cross-over – amongst debate of pre-rolls and instream, inventory around premium and not-so premium properties began to sell out.

Social media – blogs, podcasts, wikis – all continued to capture imaginations and users here in Australia, even if local Web 2.0 pioneers are increasingly turning to overseas venture capitalists to fund their new media escapades.

## 2007 the Year of Dialogue

The 2007 media landscape will be one shaped by "dialogue" as traditional media figure out ways to create conversations *with* its audience rather than a monologue *at* them. And it will be the "new" media that gives them that capability.

Radio, Magazines and Online are already in this space, having multiple conversations and interacting with their audiences. TV and Press have always been one way communicators. Convergence and "new" media – Online, Mobile's, etc give the "old" media guards the ability to converse and create relationships with their audiences; allowing the audience to interact the way they want.

Many of our clients faces the same challenges "old" media is facing.

Embrace "new" media, don't abandon "old" media. It still has a powerful roll to play. Create multiple touch points. Have conversations. Have two-way dialogue with your audience. Give them what they want.

Good content, good products and good brands are still King.

