



The spectacular rise of tablet usage will change the dynamics for magazines, newspapers and TV in remarkable ways.

THE YEAR OF THE TABLET

By **JANET STILSON**

THEY'RE SEEN EVERYWHERE THESE DAYS: COMPUTER tablets around the conference table, emerging out of gift-wrap paper at times of celebration and maybe your own briefcase. So there's little wonder that 2011 is referred to as "the year of the tablet" by Bruce Benson, FTI Consulting's senior managing director of entertainment and media.

How the tablet trend will make its mark on traditional media businesses was at the heart of Benson's predictions during a Media Finance Focus 2011 session in Atlanta. He noted that media analysts are

predicting that there will be roughly 25 million tablets sold across the globe this year, and that number is likely to jump to about 45 million in 2012.

It's easy to imagine Apple gaining the upper hand among tablet suppliers. After all, its iPod devices are so dominant in the music realm. Indeed, Apple's third-quarter report this year revealed spectacular tablet sales: a whopping 9.25 million iPads were snapped up during the quarter, well over twice the number of Mac computers sold (3.95 million).

Yet Benson believes that tablets powered by Google's Android operating system will begin to take share from the iPad late this year and will have a 40% share of the market by 2012. He expects the situation will get even more competitive in 2014 when Android tablets become significantly cheaper than iPads due to Android's open-source operating system and the rivalry between the manufacturers that use it. [Benson's predictions were made before Google announced its acquisition of Motorola Mobility, which many observers believe will fuel Android's growth even further.]

So far, Apple has taken advantage of its market clout, so a shift in its strength might give media companies some welcome leverage in future negotiations with the giant. Benson noted that if a company wants to get its app in Apple's store, Apple takes a hefty 30% cut. And Apple is reluctant to part with consumer research data.

In comparison, Android's only taking a 10% cut of the app revenue and is more generous with user statistics.

However, Apple has backed off from its proprietary data position with Hearst Corp. and News Corp. And Benson predicts that the Federal Communications Commission will require Apple to create a level playing field so that all companies receive the same type of data.

One question still up in the air right now is what company will become the dominant force in serving ads on tablets, and Benson expects that there will be some power plays on that front.

Ad Spend Predictions

As those battles continue, most media sectors can expect ad spend growth, in FTI's view. Yellow Pages are the one exception to that growth trend. Benson predicts that all U.S. media revenue will rise from an estimated \$235.9 billion in 2011 to \$276.9 billion in 2014, with the biggest growth experienced by cable, broadcast TV and core online (which includes companies like Yahoo and Google).

"We're a little more bullish on the newspaper side than some people are," added Benson. "We think that people will move into a mobile [newspaper] experience, so we're guardedly optimistic."

FTI's forecast shows that newspapers aren't likely to get back to the \$49.3 billion in ad revenue that they garnered in 2005, but the sector's revenue should climb from about \$25.9 billion this year to \$27.6 billion in 2014. Benson included revenue for both the base business and online in those newspaper numbers, as well as all the other media-sector predictions he presented.

Radio revenue should tick up slightly in the same 2011 to 2014

time span, from an estimated \$15.3 billion to \$16.5 billion. Cable ad revenue will move from \$29.2 billion to \$36.9 billion, and broadcast TV will grow from \$41.8 billion to \$48.6 billion.

However, FTI's expects some sectors will experience declines in market share. Comparing last year versus what's expected in 2014, it's likely that newspaper market share will have diminished 11.1% (to a 10% share), radio will slip 8.7% (to a 6% share) and broadcast TV will drop 6.2% (to a 17.6% share).

FTI predicts that core online's share will grow by almost 26% in that same time span, to an 11% share. Cable will exhibit over 13% growth, to a 13.3% share. And magazines will be another winner, growing share to 11.2%, which is an 8.4% gain.

Tablets will eventually attract significant advertising growth, but history shows that advertising on new devices lags behind penetration growth, and Benson doesn't expect tablets' track

10 FACTS ABOUT MOBILE MEDIA

Ten pieces of information worth considering about mobile were presented by Matt Greene, a principal of Greene Consulting, in another Media Finance Focus 2011 session.

1. High-speed mobile is on the move. In the U.S., 3G mobile is showing 27% annual growth rate, according to Informa Telecoms & Media and the World Cellular Information Service.
2. Android growth is "hot, hot, hot." Google smartphone shipments were up 615% in fourth quarter 2010 versus the same period in 2009. Apple's smartphone growth was 86% in the same time-frame, Canalys reports.
3. By the end of 2012, smartphone shipments are expected to outpace desktop shipments.
4. Mobile Internet growth is ramping up faster than desktop Internet growth did, according to Morgan Stanley data.
5. The number of mobile Internet users will surpass desktop Internet users within five years, Morgan Stanley predicts.
6. Video usage is driving the growth of mobile Internet usage. Between '08 and '14, it will grow 131% and have a 69% share of all mobile Internet traffic worldwide, according to a Cisco forecast.
7. Consumers are using their mobile devices to make purchase decisions. Compete.com's smartphone research shows that the greatest percentage of time consumers spend on mobile devices is between one and three hours.
8. TV watching is huge on smartphones. About 36 million 3G subscribers in the U.S. watch TV on their phones, reports eMarketer.
9. About 60% of the time consumers spend on phones involves newer activities, like studying maps and social networking.
10. Traditional TV network brands are wrapped within services like Hulu, and their brands are not readily apparent.

record will be any different.

Magazines' Retro Play

Despite that, Benson's excited about the tablet's potential. He expects that there will be a return to the large ad formats traditionally used by print publications. Magazine ad squares will be animated, and advertisers will run the same campaign in both print and tablet, allowing for better brand recognition.

"We love this, because we're back to a subscription model, and we're back to a rich form of advertising with a higher CPM [cost per thousand] rate than we're seeing on the Web," Benson said. If the magazine sector develops as he expects, it will return to 25% to 30% profit margins.

One of the issues that must be addressed is the different workflows for print publications and online. What's more, "tablets aren't Web sites, so the ad server doesn't know how to insert ads in the tablet," he noted. For example, "what do I do if a consumer consumes an ad offline?" The ad interactions need to be stacked up and sent back to the publisher when the user goes back online. That makes for a completely different paradigm.

FTI has been pioneering a new technology



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that allows publishers to keep their existing ad servers. It "fools" the ad server into thinking it's interacting with the Web site, but the

technology actually downloads ads, caches the behavioral data and sends it up to the server when the tablet user goes back online.

It might take a week for the information to be transmitted, but it is quite effective, Benson reported. "We give this software away for free, if anyone wants some," he added.

Benson believes that newspapers on tablets will eventually take on the look of a daily magazine. The tablet will change expectations of the user interface, and ultimately the Web will start to interact in a different way, becoming more tablet-like.

With advancements such as Google TV, Benson expects TV will also become more like a tablet as well, and that the so-called TV Everywhere experience will ultimately catch on, allowing consumers to watch content on any device, with one subscription fee for a package of content.

As the market shifts, the tablet will help move consumers to a "curated content and bundling" experience to a greater extent than has been experienced on the Web, Benson added.

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