Press Release

Media trends 2010

Berlin, 12th January 2010. The economic and advertisement crises left a deep impact on media and telecommunications markets in 2009, driving the search for new and lucrative business models forward. Which changes and challenges will arise in 2010? The experts at Goldmedia have compiled brief analyses on trends in television, internet, mobile communications, publishing, and media research in Germany. (http://www.goldmedia.com)

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TV 2010

HDTV will gain appeal for the mass market, propelling the digitisation process forward

In 2010, HDTV will make significant gains in the mass market. High-definition TVs are already almost everywhere – there were about 19 million HD-capable devices in German households by the end of 2009. But HD content isn't yet simple to access: it is available primarily on Blu-rays (which are increasingly turning into take-home items), as an add-on package with Sky (very expensive, since it's not sold singly), and via IPTV (but far from offered by all IPTV providers). This situation will have to change in 2010.

After several start-up attempts, including the HD trial during the 2009 IAAF World Championships, the Olympic Winter Games 2010 are set to mark the launch of regular HDTV service from ARD and ZDF, making it the new standard for television. The service not only brings better picture quality to more viewers, but will also serve as an impulse for digitisation, especially in cable, which remains predominantly analogue. The first signs are present: starting in December 2009, Kabel BW has given all new digital customers HD receivers as standard.

Adopting RTL and ProSiebenSat.1's encryption strategies, HDTV has been sold to viewers on the HD+ satellite platform as a premium service since the end of 2009. In the process, HDTV could give pay TV a badly-needed push. If not HDTV, what else will generate willingness to pay among German customers beyond for the Bundesliga, Germany's national soccer league?

New opportunities will be capitalised on in 2010, and HDTV will be marketed with the aim of quickly and effectively making HD digital TV available to a large audience. The industry should not repeat the mistake of the music and film industries with user-unfriendly restrictions to recording and time shifting. In 2010, Germany could finally free itself of its label as one of Europe's straggling television markets.

(Mathias Birkel, Consultant Goldmedia GmbH Media Consulting & Research)

Content overload will make navigation systems more important – and the market ripe for EPGs

Just like Google made the internet searchable and, consequently, usable, intelligent search engines are needed to guide future users through the jungle of audiovisual media. In a TV landscape with more than 2,500 channels and over 50 video-on-demand services, German TV viewers can no longer look through everything offered. Adding to the selection are catch-up TV services as well as shows and films that can be viewed after broadcast through time shifting. The selection will only increase in 2010.

In addition to online catch-up- offers, catch-up content on the television will also grow in popularity. IPTV provider Alice offers its customers ARD's daily show on demand. Catch-up TV will also become available on other TV platforms. Kabel Deutschland and Kabel BW have announced the launches of their video-on-demand services for 2010. On top of that, hybrid TV allows viewers to watch

online content like internet TV, footage from video platforms like YouTube, and films saved on the home computer on the television.

A lucrative market will arise for electronic programme guides (EPGs), which have been given little attention to date. The EPG is now more than a digital programme guide and is on its way to becoming an all-inclusive entertainment guide. Whether on the television, in the internet, or with a cell phone, the EPG of the future locates content from both TV and internet that is of interest for users and offers an automatic recommendation system in the form of personal TV channels or personalised programme tips. Programme recommendations from friends or users with similar interests on sites like Twitter and Facebook will also be displayed in the EPG of the future. The EPG is gaining importance and potential among market players as a transaction and advertisement platform.

In Germany, it has mainly been the IPTV providers offering comprehensive EPGs, which are capable of more than just a display of TV programmes. New EPGs are expected for 2010, especially in the cable segment. The introduction of HD+ on satellite has created a stimulus for further EPG development.

At the end of 2008, only 13 percent of German TV households were equipped with EPGs. Goldmedia forecasts that this value will rise to 59 percent by 2014. There are currently over 30 online EPGs in Germany. This number confirms that a strong need for navigation support is already present. Now it is up to market players to bring entertainment guides to the television as well.

(Marcel Piopiunik, Consultant Goldmedia GmbH Media Consulting & Research)

Will scripted reality shows be the big hits for TV 2010?

Major TV programme innovations are not expected for 2010 in Germany. The ad crisis isn't over yet, sharply curbing willingness to take risks. Also, viewers are looking for familiarity. This makes it difficult for new types of programmes to win over the public. This was Sat. 1's particularly painful experience in 2009.

The current success of the RTL afternoon programme will influence 2010's television programmes. The station is drawing in phenomenal ratings with its scripted reality television shows. In these fake reality shows, everything is even more dramatic than in the life-help entertainment formats (like Super Nanny) of recent years: the protagonists are even more indebted, even more naive, and in even worse circumstances. The mechanism of "social downward comparison" explains the success of these programmes. Viewers feel good while watching the shows because they see that others are doing much worse than they. But what's good for the afternoon ratings could have a negative influence on primetime. The families that are helped by Supper Nanny and debt counsellor Peter Zwegat are suddenly not in bad enough shape. The shows could lose market share.

How does the competition react? ProSieben will certainly try to profit from the scripted reality trend in 2010, testing out new, scripted shows in their afternoon programme. Sat.1 is refining the station's brand and seems disinterested in following the trend further for the time being. Its legal TV series, Lenßen & Partner, was just suspended. It's much more likely that Sat 1. will try out a genre that is the object of renewed discussion among programme makers: the good old game show.

(Christoph Schwab, Consultant Goldmedia Custom Research GmbH)

Internet 2010

"Freemium" everywhere – a change of direction for marketing of digital content?!

All content that can be made digital is available for free sooner or later. Chris Anderson focused on this business model "Freemium" in his book, "Free: Future of a Radical Price." The paradigm for digital content of every kind has long been: "Offer the user a free basic product and hope that he or she will pay for additional premium services."

Along these lines, many media providers' lack of success in searching for a true online business model will soon lead them to rethink the situation. Why should users pay for something that they can get for free with a few extra clicks? In 2010, there should be a change of direction for the marketing of digital content – otherwise, the industry runs the risk of entrenching piracy among users as a matter of course. It might even be possible to make money from piracy, e.g., through a fee-based service that allows easy access to (illegal) digital content, at the same time legalising the access. Even if users' willingness to pay for the content itself continues to decrease, they may still be willing to pay for user friendliness and convenience.

The freemium principle is also increasingly setting precedent outside the online world. A French telecommunications provider, appropriately named "Free", has successively increased its offerings for years now (at a constant charge of 29.99 euros). Started as an exclusively-online provider, Free integrated larger download bandwidths, voice over IP, and IPTV and, in doing so, steadily expanded the number of programmes included. One German company centered around this model is HanseNet, which charges no basic fee for TV via DSL. The TV connection is made a giveaway, serving as the basis for marketing premium content (pay TV or VOD). This signals that a growing number of providers from very different branches will try to get customers on board with free services, increasing their likelihood to sign up for premium services later.

(Mathias Birkel, Consultant Goldmedia GmbH Media Consulting & Research)

Social media will become a standard part of media planning

The difficult economic situation is reflected in budget planning within the advertisement industry. But monetary bottlenecks aren't by any means the only problem. Many hard-to-miss uncertainties about ad concepts also pose difficulties. The real challenge for 2010 lies in rethinking and restructuring media strategies and a more focused search for new target groups.

The need to expand reach within the select core and additional target groups compels decision makers to select platforms and media more systematically, finding those in which the target groups are actually active. Planning criteria like "Sinus Milieus" are increasingly in the background and are enhanced or replaced by "soft factors", such as content affinity.

The escalating user levels in social media are transforming social media from a nice addition to an established part of media planning. Dialogue with media users and interaction with target groups are becoming more important to anyone who must deal with media planning. The still-conservative trend of investing a small percentage of the TV budget in social media marketing will (by necessity) continue to develop in 2010.

Social media marketing, or better social media interaction, is much more than the integration of Facebook and Twitter. It is the strategic, all-inclusive planning of blogs, forums, communities, and social networks. There are already more than 2,500 relevant platforms in the German market alone, and the number is rising. The social media interface falls right between above and below-the-line advertising and planning must be just as structured, concrete, and precise as planning for traditional media. The sharpest attention should be given to strategic brand management. The internet doesn't forget, meaning badly-placed or misleading advertisements can hurt a brand for years.

(Simon Boé, Managing Director Goldmedia Sales & Services GmbH)

Print media 2010

Pocket newspapers? eReader becomes a must for publishers

The eReaders presents publishers with a chance to use digitisation to gain new readers and establish payment and subscription models, saving substantial costs.

Following the remarkable success of the Apple iPhone and the Amazon Kindle, electronic reading devices (eReaders) are becoming an attractive way for the consumer press to deliver their content to readers at a charge. German press like the Frankfurter Allgemeine Zeitung, Handelsblatt, and Wirtschaftswoche are already available at the Kindle Store. Spiegel and Stern have announced that their magazines will be offered on the iPhone starting in 2010. And Axel Springer AG has offered an iPhone app at a charge since December 2009.

Internationally, publishers are also scrambling to develop digital distribution concepts. In Switzerland, Swisscom has launched a pilot project in cooperation with the major publishing houses, offering an own eReader. Numerous US publishers want to create a digital kiosk for mobile reading devices.

Publishers' hopes aren't without a basis. Newspapers on the eReader could dispense with the former printing and distribution expenses. This could lead to cost savings of up to 40 percent. Personalised news services and new revenue models can also be implemented on the eReader. This is a trend that newspaper publishers can't afford to pass up in 2010.

(Dr. Klaus Goldhammer, Managing Director Goldmedia GmbH Media Consulting & Research)

Mobile communications 2010

Hope for mobile market: mobile data services will help compensate for sales declines

Until 2005, mobile communications was a booming industry. Each year brought new customers and sales gains in the billions. But it has been downhill since. By 2009, mobile communications could decline by more than 16 percent compared to 2005 and lose 4.5 billion euros in sales, according to current estimates by VATM (Association of Telecommunications and Value-Added Service Providers in Germany).

The cause is quite clear: with increasing market saturation, the crowding effect increases competition, decreasing prices further and further. Goldmedia calculates that ARPU (Average Revenue per User) has fallen from 30 euros in 2002 to barely more than 15 euros at the end of 2009.

Data services offer a chance for compensation: not including SMS/MMS, they made up 14 percent of total sales in 2009 – with the trend growing. But they won't completely compensate mobile network operator for sales declines in 2010 either.

Mobile providers' data gateways are still only the basic infrastructure for advanced applications that build upon them. As this infrastructure increasingly spreads, the full potential of mobile applications will open up. Network effects will work through the increasing use of mobile internet. These effects will become more evident in 2010.

So-called "apps" for the iPhone are already revealing the possibilities and direction of mobile services. From the July 2008 launch of Apple's App Store to September 2009, more than two billion apps had already been downloaded. An estimate from August 2009 calculated that the App Store generates sales of about 200 million US dollars per month. In Germany, Axel Springer Verlag has just begun selling apps in the market.

Growth in the mobile communications market will primarily be seen in the area of mobile applications themselves. New innovations in end devices, like the Apple touch netbook, which is a subject of hot discussion in forums and news articles, could give these apps and related sales a push forward.

(Dr. Michael Schmid, Senior Consultant Goldmedia GmbH Media Consulting & Research)

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Market and media research 2010

Market and media research: changes in consumer behaviour demand new analysis systems

The intense struggle for users' attention will continue in 2010. It will become more and more difficult for companies and brands to reach the center of consumers' focus, because just being found in an increasingly divergent media world has become a problem. As the number of marketing channels climbs exponentially, the importance of each individual channel sinks further.

Changes in media use confront research with new challenges. Although an ad on a major TV channel used to reach the bulk of the target group, the marketing budget must now be spread among many channels. Consumers are not only eluding classic advertisement, but also taking away the basis of classic ad booking and accounting systems. Media researchers must develop current tools and systems to register, explain, and forecast more varied consumer behavior. The focus of the investigation cannot be the simple payout in terms of media contacts, but rather an intensive search for answers: Where do I find my target group(s)? How do I get positive publicity and how can it be measured?

Substantiated measurements for success forecasts are becoming especially important. New methods of analysis, like data mining in combination with measurements and artificial intelligence methods, can contribute substantially to planning security and risk minimisation for all parties. Cost savings will remain key for 2010 marketing budgets – efficiency will come first. And this is exactly where the potential for change in media use lies, potential which must now be made usable. Adequate market and media research can contribute to this goal.

(Dr. Florian Kerkau, Geschäftsführer Goldmedia Custom Research GmbH)

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About Goldmedia

Since 1998 Goldmedia has provided national and international clients with high quality consulting and research services in the fields of media, entertainment and telecommunications. Goldmedia offers: in-depth analysis of markets and competitors; forecasts and strategic consulting services; the implementation of new business models; and consulting for restructuring whole companies, including M&A processes in the field of corporate finance. Goldmedia-Group: Goldmedia GmbH Media Consulting & Research, Goldmedia Sales & Services GmbH and Goldmedia Custom Research GmbH. The company's head office is in Berlin, Germany. Goldmedia is a member of the international network European Media Consulting Association – EMCA. www.emca.tv www.goldmedia.com