Culture Boom
How Digital Media Are Invigorating Australia

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CULTURE BOOM

HOW DIGITAL MEDIA ARE INVIGORATING AUSTRALIA

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The amount of internet content that is created and consumed grows by the day in Australia and around the world. The Internet is an ever more integral part of daily life and a significant generator of economic activity.

To better understand the impact of the Internet on consumers, artists, and the content sector in Australia, Google commissioned The Boston Consulting Group to prepare this independent report. The results have been discussed with Google executives, but BCG is responsible for the analysis and conclusions.
EXECUTIVE SUMMARY

The Internet offers a significant economic and cultural opportunity for Australia. It is a catalyst for growth across the media sector. It is substantially improving the choice available to consumers and enabling thousands of new creators and producers. Most of all, Australians want to watch Australian content. And the world is watching it, too.

The Australian media and content industry is in a healthy state. It is expected to grow over the next four years, driven primarily by Internet media.

- In 2011, the Australian media industry generated revenues of $24.8 billion.¹ This is projected to rise to $29.1 billion by 2015.

- The online portion of this industry is still in its infancy, generating only 7 percent of these revenues. Although small, the online sector is responsible for a significant share of growth, generating 40 percent of the total growth from 2007 through 2011, and it is expected to contribute more than half of the $4.3 billion in growth through 2015.

- Yet offline media remain the major revenue generators. They will still account for 86 percent of revenues ($25.1 billion) in 2015.

- The industry employed approximately 105,000 people in 2011, a number that is projected to rise to about 120,000 by 2015. Online media are likely to create half of these jobs.

The Internet’s dynamism has stimulated other media activities and is driving a cultural change with many benefits.

- All media consumption is rising, with Australians now spending 21.7 hours per week on the Internet in addition to spending more time per week watching TV (15 hours), listening to radio (10.3 hours), and reading newspapers (3.4 hours) than they did in 2007.
• The Internet has been a shot in the arm for many sectors of Australian media, driving growth for books, games, movies, and radio. Even where there has been offline contraction, online growth has helped compensate.

• Online media’s share of income from news, current affairs, and education has doubled to 10 percent since 2007.

• The increasing accessibility of the Internet is driving a cultural change in Australia. For example, it is making niche content readily available and enabling remote communities to play a more active role in the economy.

• The arts also are doing well. The revenues for performing arts are up by 20 percent. An example of the Internet’s impact is that a fifth of Australia’s opera audience is now online.

Australians like the greater choice and convenience of Internet content, and they cherish Australian content in particular.

• Internet media content is delivering a consumer surplus—the value that consumers place on an activity or a product that is over and above the price they pay for it—of $24 billion a year to Australians.

• Of this, the largest single contribution comes from online content portals such as BigPond, iTunes, and YouTube. Although consumers pay nothing for them directly, these platforms deliver a nationwide benefit valued at more than $9 billion per year.

• Online platforms such as these play a key enabling role in delivering choice to consumers and providing opportunities for creators and producers to reach a local, national, and global audience.

• Australians believe the media landscape is improving, with more good quality content available both online and offline.

• Australians like Australian content. The top 20 TV programmes since 2007 have all been Australian-made, and more than 90 percent of the newspapers read online are Australian.

Australian content is highly competitive in the Internet’s global free market.

• Australia has a trade surplus in online video, exporting more than it imports. Twice as much Australian online video is consumed in the U.S. than is consumed in Australia.

• A new contingent of Australian creators and content entrepreneurs is emerging and taking on the world.

NOTE
1. All figures cited in this report are in Australian dollars.
There are many opinions about the impact of the Internet on society. What is undeniable, however, is that the Internet has had a significant impact on the daily lives of the majority of the Australian population. It is part of the daily routine of Australians. It is integral to the workings of many types of Australian businesses, not only those focused on the Internet.

Australia rightly aims to be one of the world’s digital leaders by the end of the decade. As the National Broadband Network (NBN) is completed, bringing super-fast download speeds to 90 percent of the population, usage of the Internet is set to change dramatically for everyone from the millennials to the silver surfers. The Internet has already brought change, however, and on such a scale that it deserves serious examination. This report presents the findings of BCG’s independent investigation into the impact of online media on Australian artists and users and the media sector itself.

Our conclusion is simple: overall, the Australian media and content industry is growing, consumers like what they are offered, and there are opportunities for all.

A Growing Industry
Online media have played an important part in the growth of media revenues over the past few years. They have provided a boost for the sector as a whole, accounting for 40 percent of the sector’s revenue growth from 2007 through 2011. This is despite online media representing only 2 percent of revenues at the end of 2007. Of course, some media companies—those that have chosen to rely on old business models and have not incorporated the Internet into their offerings—have found it challenging to grow revenue and will continue to do so.

Consumers, Creators, and Producers Benefit

The opportunities that are available to all types of media companies are reflected in the attitudes of consumers. At the same time that their consumption of and satisfaction with Australian offline content continues to increase, consumers also told us that they like the richness, the choice, and the quality of content that is now available to them online. Internet media provide an annual consumer surplus—the value consumers place on an activity or product that is over and above the price they pay for the activity or product—to Australian consumers of $24 billion.

However, making the distinction between online and offline media is in and of itself misleading. Just as the line between audience and artist is blurring, so, too, is the line between online and offline content.
Consumers who enjoy an Australian Broadcasting Corporation (ABC) television programme are delighted that the iview service means that they can catch up on an episode they’ve missed, watching at a time and place that suits them. They do not distinguish between watching the episode online and offline.

Our research highlights the importance of online content portals, including BigPond, iTunes, and YouTube, which give Australians access to a wide variety of content. Australians value these platforms to the tune of almost $1,400 per connected household. The content portals provide consumers access to a rich and diverse mix of media, which allow them to shape their own experience. These platforms are putting the power of choice into the hands of consumers who have displaced cultural gatekeepers as the arbiters of content. It is not a surprise, therefore, that consumers place a value on these platforms that is 2.5 times greater than the value they place on online videos and Australian online newspapers.

Although there are challenges for some, many creators and producers are also feeling the benefits of the Internet. It has given creators and producers opportunities to reach many audiences, whether they are in the next village, across the country, or around the world. It has also allowed thousands of creators and producers to distribute content where they never could before because of high barriers to entry. These impacts are of particular benefit to Australia. The two great historical Australian competitive disadvantages—distance and the greater economies of scale enjoyed by foreign businesses with much larger home markets—have been partially or completely removed.

The Impact

Despite posing a number of challenges to traditional players, media companies large and small are rapidly adapting to the new Internet world. Some companies are focusing on hit programming—the quality drama or entertainment show, for example—that draws large audiences and unites the nation. Others are focusing on specialist content: the niche programming that is highly valued by smaller but no less valuable audiences.

In all this, the English language is a double-edged sword for Australia. It means the country can export to a larger global English-speaking market, but it also means Australia faces greater competition. However, the evidence shows that Australians are punching above their weight in this area, continuing to favour Australian content while exporting their own content and culture to the rest of the world.

Some feared that the Internet would tip that balance, and Australian content would be overwhelmed. This does not seem to be the case, however. Australians believe that Australian online content is as good as the content from overseas and that there is a lot more content than there was three years ago. Additionally, the digital media trade surplus is growing, with twice as many Australian online videos being watched in America as in Australia.

In addition to the opportunities for both consumers and producers, there is also a wider positive cultural and economic impact from online media and the Internet. The increasing consumption of media online is driving a cultural change in Australia that can have many benefits for niche consumers, remote communities, and society as a whole. It is also driving new revenue streams and new jobs, which will be crucial to achieving the national digital-economy goals. This applies not only to business but also to health, education, and government. Australia’s many remote communities are now connected, giving them the chance to participate both as consumers and creators. Connections with Asia, an essential element in Australia’s future, have become much easier.

The new, rich, and diverse media landscape makes the best of Australian content more available to Australians—and to the world. Whether opera fans are in Katherine, Australia, or Kuala Lumpur, Malaysia, they can see Sydney Opera House performances that they might never see in the flesh; Australian cricket fans in London and Lyndhurst can follow the Boxing Day test
almost as if they had tickets for the Melbourne Cricket Ground.

The media and content industry is constantly evolving. Whether through the development of new forms or new technologies, the industry is always changing and transforming the ways people consume media. Online media have enriched the lives of Australians and brought benefits that far outweigh any losses. The effects of online media will be felt from the rural heartland to the urban centres by both the young and the old, and digital content will play a growing role in transforming Australia’s culture and economy for many years to come.
TODAY’S DIGITAL CONTENT IS bringing fresh energy to an already significant media culture—both online and offline. Better infrastructure, the proliferation of access devices, and the need for mobility are also driving growth. Although the bulk of the industry’s income is still generated by offline media, the revenue coming from online media is growing fast.

A Digital Nation
It is the declared aim of the Australian government that it should be one of the world’s leading digital economies by 2020. The trends of recent years, which show what the Australian Interactive Media Industry Association (AIMIA) describes as a “seismic shift” in Internet usage, suggest that this is within reach.1 The growing digital economy—which sees Australians taking to the Internet as they previously took to print, film, and television—is stimulating established media sectors in which Australia, with a population of 22.6 million, has traditionally punched above its weight in global markets.

Australia is producing and consuming much more digital content than ever before. There are now more than 2 million .au websites, a number that has more than doubled since 2007. The amount of time the average Australian spends online has tripled in the past decade.² And a wide variety of sectors, including games and performing arts, are being stimulated by fresh digital dimensions.

All of this adds breadth to a vigorous media culture.

Australians spend a substantial and growing proportion of their discretionary time consuming media. Nielsen research now suggests that Australians who are online (which is most of the population) spend more time on Internet media activities than on traditional ones, such as watching television, listening to the radio, or reading newspapers. (See Exhibit 1.) The time spent on the Internet comes not from finding extra hours in the day to devote to media but from increased multitasking. A majority of Australians report that they watch television and surf the Internet simultaneously. Yet there is still room for expansion. A report published by comScore in February 2011 found that the time spent online by Australians was less than the global average and much less than users in the U.S. and Canada.³

The Media Economy
High consumption has created a vigorous media economy. Total media revenues in Australia in 2011 were $24.8 billion, with television ($7.9 billion) and newspapers ($5.3 billion) accounting for a little more than half. (See Exhibit 2.)
**EXHIBIT 1 | The Time Spent Online Is in Addition to the Time Spent on Other Forms of Media**

Average hours per week spent consuming media by online Australians, 2007–2010

![Bar chart showing time spent online vs other media forms]

**Source:** The Australian Online Consumer Landscape, Neilsen, March 2011.

**Note:** Based on the time spent online in an average week by Australians 16 years of age and older (survey size: n = 5,886); not all media types or activities are shown.

1. Broadcast TV (not online TV); excludes time-shifted TV and Internet Protocol television.
2. Includes PC, video, and DVD, but excludes video using mobile devices.

**EXHIBIT 2 | Media Revenues Are Forecast to Grow by 4 Percent Through 2015**

Total media revenues earned in Australia, 2007–2015

![Graph showing media revenues growth]

**Sources:** Australian Communications and Media Authority, Communications Report, 2010–2011; Screen Australia; Motion Picture Distributors Association of Australia’s film industry statistics; Magnaglobal media forecasts; Digital Radio Industry Report 2010; Live Performance Australia; Australian Recording Industry Association; Ovum Digital Games Forecast, 2010–2016; JPMorgan; Frost & Sullivan; BCG analysis.

**Note:** CAGR = compound annual growth rate.
Media revenue was up from $22 billion in 2007, a compound annual growth rate (CAGR) of 3 percent. This was in spite of a setback after the financial crisis in 2008 and 2009 that saw a small contraction in revenues. Performance was varied across different types of media, with sectors of prosperity outweighing the pockets of retreat. Games led with a 46 percent revenue increase over four years, while television, movies, books, and performing arts grew strongly. Newspapers, magazines, and music experienced a more challenging environment, but these media types are learning to adapt.

We forecast that media revenue will grow at a CAGR of 4 percent through 2015, reaching $29.1 billion. We expect television to be up by 17 percent over the period, reaching $9.3 billion, while books, games, and performing arts improve on their impressive growth rates of the past four years and movies maintain solid growth. (See Exhibit 3.) Music has turned the corner and is forecast to grow by 12 percent over the next four years. Only magazines are likely to contract in revenue from 2011 through 2015, while newspapers stabilise without regaining the ground lost since 2007.

Overall, the media content industry supports an estimated 105,000 employees, with the largest numbers in newspapers and movies. At constant productivity levels, the forecast growth in the industry should create another 15,000 jobs. (See Exhibit 4.)

The Online Driver

Growth in the media sector is being driven by online activity. Of the $2.9 billion expansion in annual revenue from 2007 through 2011, 40 percent was generated online, even though digital activity was responsible for only 2 percent of revenues at the start of the period. Online revenue grew at a rapid 34 percent CAGR, compared with 3 percent for the media industry as a whole. In 2009, the growth in online media partly compensated for the contraction driven by the global financial crisis. (See Exhibit 5.)

What’s more, the contribution of Internet media to total media-sector revenues is set to grow over the next four years, accounting for more than half of the extra $4.3 billion annual revenue projected by 2015. Digital media revenue is expected to grow at a CAGR of 25

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**EXHIBIT 3 | Revenue for Most Media Types Grew from 2007 Through 2011 and Is Forecast to Grow Through 2015**

*Revenue earned by media type in Australia in 2007, 2011, and 2015*

<table>
<thead>
<tr>
<th>Media Type</th>
<th>2007</th>
<th>2011</th>
<th>2015</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television</td>
<td>5.6</td>
<td>5.3</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>Newspapers</td>
<td>2.1</td>
<td>2.4</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>Books</td>
<td>1.6</td>
<td>1.9</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Games</td>
<td>1.6</td>
<td>2.2</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>Magazines</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Movies</td>
<td>2.2</td>
<td>2.1</td>
<td>2.1</td>
<td></td>
</tr>
<tr>
<td>Performing arts</td>
<td>1.2</td>
<td>1.5</td>
<td>1.5</td>
<td></td>
</tr>
<tr>
<td>Radio</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Music</td>
<td>0.4</td>
<td>0.5</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Online video</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
</tr>
</tbody>
</table>

*Online share is still small in 2015, with the exception of music*

**Sources:** Australian Communications and Media Authority; Screen Australia; Motion Picture Distributors Association of Australia; Magnaglobal; Digital Radio Industry Report 2010; Live Performance Australia; Australian Recording Industry Association; Ovum; JPMorgan; Frost & Sullivan; BCG analysis.

*Online video revenues do not include revenue derived from TV and movie downloads or streaming, as these are included in TV and movie revenues.*
EXHIBIT 4 | Australian Media Industry Employment Is Forecast to Grow Through 2015, with the Online Sector the Key Driver of Growth

Number of employees in the Australian media industry

<table>
<thead>
<tr>
<th>Year</th>
<th>Online Employment</th>
<th>Offline Employment</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>105,000 (94%)</td>
<td>6%</td>
<td>3% CAGR</td>
</tr>
<tr>
<td>2015 (f)</td>
<td>120,000 (89%)</td>
<td>11%</td>
<td>2% CAGR</td>
</tr>
</tbody>
</table>

Growth rate for jobs associated with online activity is more than 11 times offline growth

Sources: Australian Bureau of Statistics; Australian Communications and Media Authority; Department of Education, Employment and Workplace Relations; IBISWorld; BCG analysis.

Note: CAGR = compound annual growth rate. Forecast job numbers assume no change in productivity levels from 2011 levels.

1 Employee numbers represent full-time employees.

EXHIBIT 5 | Revenue for All Online Media Types Has Shown Significant Growth and Is Forecast to Continue to Grow

Revenue earned by online media channels in Australia, 2007–2015

<table>
<thead>
<tr>
<th>Media Type</th>
<th>2007</th>
<th>2011</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Television³</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Newspapers</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Books</td>
<td>0.5</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Games</td>
<td>0.9</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Magazines</td>
<td>0.1</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Movies</td>
<td>0.6</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Radio</td>
<td>0.1</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Music</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Online video¹</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Sources: Australian Communications and Media Authority; Screen Australia; Motion Picture Distributors Association of Australia; Magnaglobal; Digital Radio Industry Report 2010; Australian Recording Industry Association; Ovum Digital Games Forecast, 2010–2016; JPMorgan; Frost & Sullivan; BCG analysis.

³The 2008 and 2009 values are used for initial TV and online video channels, respectively, as no revenues were recorded in 2007. The percentage change is over three years and two years, respectively.
percent, which compares with only 4 percent for overall media growth.

We estimate that approximately 5,500, or a little more than 5 percent, of the jobs in the media content sector are associated with online activity. We forecast that more than half of the media sector jobs created from now through 2015 will be associated with digital media activity, assuming constant productivity. This would increase the number of online-related employees to 13,500, or 11 percent of the media workforce.

Digital media’s share of revenues in the two categories of entertainment and drama and education, news, and current affairs doubled from 2007 through 2011.

The role of digital media in generating the bulk of growth was driven by some remarkable levels of expansion. E-books generated more than ten times the revenue in 2011 that they did in 2007, and they are expected to repeat this feat over the next four years. The income from online games more than doubled from 2007 through 2011, and it is expected to fall only a little short of the same performance by 2015.

A Stimulus for Most Players
The Internet has stimulated interest in traditional media. Australians watched more broadcast television and listened to more radio in 2010 than they did three years earlier. For the consumer, online and offline television and radio are increasingly complementary, with online access and catch-up services providing extra ways of watching programmes when and where it is convenient. The 2011 Digital Australians report noted that traditional radio listeners and TV viewers were supplemented by other groups using these services online (with 18 to 29 year-olds being particularly enthusiastic online consumers).4

As dynamic as the online media sector is, the bulk of media revenue is still generated by traditional media. After four years of rapid online growth from 2007 through 2011, the Internet’s share of overall media revenue is still only 7 percent (or about $1.6 billion). We forecast that in 2015, 86 percent of total media income will still be generated offline.

Only in the music space, where downloads are increasingly displacing previous generations of technology, will online sales account for a majority of revenue by 2015.

It is clear that online media growth has not hindered the expansion of offline media. For example, television, which added nearly $2 billion in offline revenues from 2007 through 2011, is projected to add another $1.3 billion by 2015, an increase of more than 50 percent over eight years.

Even where there is offline contraction, online growth can compensate. Radio has generated less traditional revenues over the past four years, but online revenues have ensured that, overall, the numbers for the sector remain stable. Additionally, online radio is projected to deliver some growth in the sector through 2015. Fewer traditional books are likely to be sold in 2015 than are being sold now, but publishers will more than compensate with extra income from e-books. Authors will also benefit, since e-books offer them a higher share of the income generated than traditional printed books do.

An Internet Superhighway
Future digital media growth is likely to be driven by improvements in the speed and quality of Internet connections rather than larger numbers of new users. In Australia, the capacity available to new users is fast improving. Until recently, Australia had low broadband penetration, slow broadband speeds (compared with other developed economies), and high subscription prices. All of this is changing. In June 2011, Australians downloaded a total of 274,000 terabytes of data, or 44 gigabytes per connected Australian household. This is close to triple the amount Australians were accessing two years earlier.5

Nor is this growth likely to slow. The NBN, to be completed over the coming decade, is planning by 2021 to bring download speeds of 100 megabits per second—more than 40 times as fast as a connection using an asymmetric digital subscriber line and four times as fast as cable—to 93 percent of the population.
The NBN will supplement the growing impact of mobile connections. Mobile downloads accounted for a little more than 1 percent of total Internet traffic in mid-2011, but the sheer number of handsets—and the rapid growth in smartphone penetration—means that this contribution should grow rapidly. According to Aimia.com, a Nielsen online-consumer report estimated that half of all Australians had access to the Internet from mobile devices, including a third who have smartphones. Ipsos research shows that 75 percent of new handsets sold in Australia are smartphones, the second highest proportion in the world.6

Increases in transmission speeds and the increasing prevalence of smart mobile devices are themes that are evolving hand in hand with improvements in content generation and editing technology. Cheaper computers, software, and multifunction devices all mean that life is improving as much for creators as it is for consumers.

Most Australians use digital media every day, as do companies—old and new. All are set to do so even more in the future.

NOTE
AUSTRALIAN CONTENT IS COMPETITIVE both at home and globally, with a trade surplus in the cutting-edge online-video market. Consumers like what they see online as well as offline. They believe the value of the online media they consume is greater—to the tune of $24 billion annually—than the price they pay for them. This landscape is one in which both mass media and high culture can prosper online.

Beating the Quota
If television is any guide, Australian content can not only compete but also win in the local and global marketplace. Australian networks offer their audiences the best and most popular programming from the U.S. and the U.K. Yet the 20 most-watched programmes on free-to-air television since 2007 have all been of Australian origin.¹ The three commercial free-to-air channels consistently and comfortably exceed the required 55 percent minimum quota of homegrown programming from 6:00 p.m. through midnight. Why? Because Australians want to watch local content.

Those quotas are part of the long tradition of protecting Australian broadcast content through regulation. They reflect apprehension that homegrown content could be marginalised by foreign (mostly American) material. This concern has also been voiced in relation to the Internet.

And yet, on the Internet, where there are no quotas, local Australian content is competing and winning. Our research found that Australians like both the new and the old media. They still cherish offline media, but they have no desire to return to an offline-only world. Most prefer today’s media landscape to that of three years ago, with far fewer believing that the Internet will threaten traditional media. (See Exhibit 6.)

A $24 Billion Benefit to Consumers
Our research into the Internet media-content consumer surplus—the value consumers place on an activity or product that is over and above the price they pay for the activity or product—shows the great extent to which consumers value online media. (See the sidebar “A Consumer Surplus.”) Online media is worth an impressive $24 billion in consumer surplus annually to Australians; that is $3,882 per connected Internet household. (See Exhibit 7.)

Of particular note is the added value that Australians place on online content portals. The total annual surplus for all users of Internet content portals is $9.2 billion. (See the sidebar “The Role of Platforms.”)

Australia’s Internet consumers also believe that there is better content available to them than there was three years ago. (See Exhibit 8.) This
EXHIBIT 6 | Media Consumption, Particularly Online, Is Changing for the Better, Say Australians

How much do you agree with these statements about the Internet?1

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I consume more online content now than I did three years ago</td>
<td></td>
</tr>
<tr>
<td>I consume more media content now than I did three years ago</td>
<td></td>
</tr>
<tr>
<td>I consume more Australian media content now than I did three years ago</td>
<td></td>
</tr>
<tr>
<td>I can access more high-quality offline content now than three years ago</td>
<td></td>
</tr>
<tr>
<td>I can access more high-quality online content now than three years ago</td>
<td></td>
</tr>
<tr>
<td>Online content is better now than it was three years ago</td>
<td></td>
</tr>
<tr>
<td>I prefer the current media landscape to the landscape from three years ago</td>
<td></td>
</tr>
<tr>
<td>I am not worried that the emergence of the Internet will threaten traditional media</td>
<td></td>
</tr>
</tbody>
</table>

Source: BCG’s Australian Internet Consumer Survey, January 2012.

1Results are from the following survey question (survey size: n = 1,035): Below are a series of statements we’ve heard people say about the Internet. Please rate how much you agree with each of them.

opinion is epitomised by the comment, “If you know what you are looking for, the quality is better—we have access to resources that we didn’t have before.” And this isn’t confined to “new” media. To take one example, from 2007 through 2011, the annual unit sales of DVDs, cinema tickets, and movie downloads rose from $165 million to $202 million, with a tripling in online purchases accounting for most of the increase.

Local Is Good

Although the Internet offers access to global content, Australian content is still highly valued, in particular for domestic news and entertainment. Australian content is also viewed more than it was previously. From 2007 through 2011, the number of unique visitors to .au websites came close to the number of Australians visiting international websites.

That Australians broadly prefer offline to online media is only to be expected when 85 percent of consumption remains offline. However, the broad belief that Australian content is as good as its international counterpart is held more strongly for online than for offline material.

Nor does the novelty and wealth of international online media appear to be seducing Australians away from trusted local content. Consumers told us that 35 percent of their newspaper reading is online, the highest share of online activity in any sector. But in spite of the ease with which foreign content can be accessed, readers continue overwhelmingly (91 percent of the time) to choose Australian papers rather than the New York Times, for example, or the Daily Mail.

A Cultural Trade Surplus

Australian content producers are taking advantage of lower barriers to entry and easier access to overseas markets created by the Internet. We found strong agreement with the proposition that “the Internet makes it easier now to promote Australian culture abroad.” This belief is substantiated at the fast-growing cutting-edge of digital content: online video is progressively taking over from text and photographs as the medium’s key currency. (See Exhibit 9.)

Australians, who watch a lot of imported video and export even more, are creating an online-video trade surplus. International viewers con-
sumed eight times as much Australian content as Australian viewers consumed in the second half of 2010; twice as much Australian content was watched in the U.S. alone, while substantial amounts were also consumed in Japan.

We compared data from two six-month periods: the second half of 2010 and the second half of 2011. Our analysis showed that the consumption of Australian online video by those in Australia grew by 110 percent. This growth in consumption of Australian content by Australians outpaced the growth of international consumption of Australian content. However, the trade surplus still remains.

Nor is online video an exception. Australian e-books are also increasingly competitive. Australian publishers are making up for lost time in the online market. In 2011, they sold 630,000 e-books, an increase of 1,260 percent in only three years.

The Arts Online

The potential benefit of the Internet is not confined to mass media. Performing arts, such as opera, that tend to attract more niche audiences, have been a conspicuous beneficiary. In fact, the more niche, the greater the benefit. Those with the lowest overall consumption—which may be the result of the availability of locations, performances, and tickets, and possibly of pricing, as much as the result of public taste—are those likeliest to be enjoyed online. (See the case study “The Sydney Opera House: Democratising High Culture and Creativity.”)
EXHIBIT 7 | The Annual Internet Media Consumer Surplus per Connected Australian Household Is $3,882¹


¹Consumer surplus is the value consumers place on an activity or a product that is over and above the price they pay for it. See “Appendix: Methodology” for more information.

²For example, BigPond, iTunes, and YouTube.

THE ROLE OF PLATFORMS

In the sidebar “A Consumer Surplus,” we identified the significant value that consumers assign to online content portals such as BigPond, iTunes, and YouTube. This value reflects the important role that media platforms play in providing content to consumers. Without platforms of this sort, the task of finding and consuming content online would be significantly harder. Creators and producers can use these platforms to easily reach local and global audiences and benefit from the consequent revenue streams. Where platforms are open, this capability comes at no cost to the creator, which dramatically lowers the barriers to entry for budding content producers to pursue new creative and commercial opportunities.

To provide consumers with a wide choice and a user-friendly experience, and to provide creators and producers with the capability to control their material (for example, its use and the rights to it), requires a great deal of investment. For example, investment in:

- Infrastructure and supporting systems to store and provide easy access to content
- Software and expertise to develop, maintain, and improve the platform
- Enabling software and systems to support rights management, billing, payments, and other functions

To consumers (and even to producers), this investment is transparent. To recoup their investment, different platform providers use various business models. Some charge for content; others provide it for free and recover their expenses through advertising. Either way, consumers benefit and seem very happy with the content consumption experience facilitated by online platforms.
EXHIBIT 8 | Australians Think Their Online Content Is High Quality, Improving, and Positively Impacting Australian Culture

*How much do you agree with these statements about the Internet?*

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th></th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Online Australian content is as good as online international content</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Offline Australian content is as good as offline international content</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>There is more Australian media content available to me now than there was three years ago</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Australian online content is not worse now than it was three years ago</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>The Internet makes it easier now to promote Australian culture abroad</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>The Internet is not having a negative effect on Australian culture</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: BCG’s Australian Internet Consumer Survey, January 2012.

Results are from the following survey question (survey size: n = 1,035): Below are a series of statements we’ve heard people say about the Internet. Please rate how much you agree with each of them.

EXHIBIT 9 | Eighty-Six Percent of Australian Online-Video Content Is Consumed Outside Australia

*Share of consumption of Australian online-video content by country of consumption***

![Graph showing consumption of Australian online-video content by country](image)

**Sources:** ComScore; IT Tech Report.

**Note:** “Australian online-video content” refers to content uploaded in Australia.

**Consumption is measured by the number of playbacks of the content. Only the top nine countries are shown; numerous other countries with a small share of consumption are not shown.**
Fewer than 5 percent of Australians have watched opera in the last year, but nearly a quarter of their visits were online rather than at a theatre. Given a decent connection, the opera fan in the country towns of Bourke or Broken Hill can watch performances at home that would previously have required a trip to Sydney.

**A Promising Future**

The evidence is clear: the market is working for Australian consumers. There is a great deal of enthusiasm for the choice, convenience, and variety that the Internet brings with it. Consumers also continue to value and use Australian content. They do this not uncritically or out of unthinking patriotism, since they are more than happy to use imported content where it suits them, but because they like it and find that it serves their needs and purposes.

Australian producers have responded to the possibilities and challenges of the new media landscape, generating content that both the home and global markets like and thereby generating a cultural trade surplus in a highly competitive sector such as online video. In this, as in so many areas of life, Australia is competing.

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**Note**

Technological advances have disrupted media content value chains, lowered barriers to entry, and enabled a proliferation of players and content. The beneficiaries of these developments include creators, whose costs are lower and who now have access to global market, and consumers, who now have the power of choice. This realignment challenges media companies to adapt their business models.

Technology Drives Change

The Internet is having a profound effect on the production and consumption of media content in Australia. However, there is nothing new about the media landscape changing in response to new technologies. Print, radio, film, and television all had their moment as the new dynamic force. Time and time again, technology has impacted established value chains, creating new opportunities for some and challenges for others. That all these media have evolved and retained a significant place in the contemporary landscape provides important context for the Internet.

The impact of the Internet has grown as its penetration has increased and, in particular, as transmission speeds have improved. In Australia, the Internet now reaches more than 80 percent of the population, and the intensity of everyday online participation makes the Internet an ever-stronger channel for the distribution of content in the country. Rapidly increasing transmission speeds make the Internet a viable option for transmitting ever-larger file sizes, which is required to view online television programmes and movies.

As Internet technologies continue to advance, they will usher in fresh possibilities and new devices designed to exploit them, and the media landscape will continue to evolve as it has always done.

The Internet and Media Content Value Chains

The Internet and the wide availability of devices such as smartphones have impacted the media sector in two key ways: they have reduced the costs of production and they have sharply reduced the costs of distribution. These changes have radically altered the value chain of media businesses. Lower production costs have democratised content creation; now that an expensive production studio is no longer a necessity, anybody can be a content creator. Reduced distribution costs mean not only is the whole country a potential audience but also the world.

The Internet also has no limits on the number of channels available for the distribution of content. This makes targeting and reaching specific audiences much easier. It also means that TV
programming directors are no longer the ones who decide what Australians can watch.

Together, these three factors are disrupting traditional value chains and changing the economics of content creation.

The traditional model was characterised by high barriers to entry: substantial investment and economies of scale that favoured large, vertically integrated media companies. Now we are seeing the fragmentation of the value chain, which allows for the rise of specialists. (See Exhibit 10.)

Change has perhaps been most striking in the music sector, where digital downloads are now the dominant revenue generator. The vertically integrated record labels that formerly dominated most stages of the value chain have seen this structure fragment. The reproduction and distribution elements have all but disappeared, and the once-omnipresent shopping-mall music store is much more of a rarity, marginalised by online sales.

Musicians no longer need to convince a record company of their merits in order to have a serious chance of getting noticed. They can upload tracks and videos to YouTube and publicise themselves through a group website and social media. Some get picked up by the music majors and become global superstars; others are adopted and shared by a social network and become stars in their own right for a smaller audience. The industry has had to seek fresh means of monetization, such as merchandising, sponsorship, and ticket sales. (See the case study “Pogo and YouTube Play: ‘People Power’ Takes Pogo to the Guggenheim.”)

**Changing Economics**

As some value-chain activities decrease in importance, or even disappear altogether in the online channel, the economics of content businesses change in response. (See Exhibit 11.)

A compact disk or book has to be printed, stored, and either mailed or sent to a store, whose floor space has to be paid for. Analysis by the New York Times shows the dramatic impact of the e-book on the publishing value chain. The analysis suggests that a typical e-book is likely to cost only half as much as a

![EXHIBIT 10 | Media Value Chains Have Fundamentally Changed: Recorded Music Example](image-url)
hardcover book, yet the author and publisher will make virtually the same amount from a single sale of each. The biggest single reduction is in the cost of retailing, but the most drastic effect is on the cost of printing, storage, and shipping. These account for one-eighth of the price of a printed book and disappear entirely as costs when producing an e-book. Authors who have the means to self-publish e-books could retain as much as 60 percent of the revenue generated.

With a greater range of business models possible, and barriers to entry coming down, more new players are entering the market, and more content is being generated.

There are now 162 television channels available to Australians, including 13 that are exclusively online. The 743 print newspapers are supplemented by 412 online newspapers. There are 27 music download sites, 776 radio stations (of which 147 are online), and more than 2 million websites that use the .au domain—a number that has more than doubled since 2007. In addition, there are a gamut of aggregators and social networks. All of that adds up to an immense choice of content and sizeable demand, particularly when compared with ten or fifteen years ago.

Opportunities for Consumers

The consumer is now king. This is perhaps the single most-significant shift resulting from the Internet. Consumers have growing power, and they are active participants throughout the value chain, getting what they want when and where they want it. Smartphones and tablets make consumption truly mobile, and on-demand services, such as the ABC’s iview, liberate consumers from programming schedules. New business models, such as subscription services and pay per view with streaming from the cloud, are a response to changing consumer preferences for access to content anywhere and at any time. (See the case study “ABC iview: A Leaf from Old Media’s Book.”)

Consumers are now routinely offered choices of media for content or events that were previously restricted. For the 2012 Australian Open, tennis fans were offered two free online choices: mobile streaming of Channel Seven’s programmes and Tennis Australia’s own coverage in partnership with video provider Ooyala. Tennis Australia also used YouTube for additional content, reaching fresh audiences for some events, such as the qualifying tournament.

Consumers choose how and how much they consume. Music fans can buy individual

POGO AND YOUTUBE PLAY: “PEOPLE POWER” TAKES POGO TO THE GUGGENHEIM

In becoming the first video jockey to conclude a long-term movie-remixing deal with a major studio, Nick Bertke, alias Pogo, is continuing a spectacular trajectory made possible by Internet media. The Perth-based 23-year-old has not only worked with Disney, Pixar, Microsoft, Showtime, and even the United Nations but also won serious artistic recognition. His video “Gardyn” was among the exhibits in the YouTube Play show at the Guggenheim Museum in New York, sharing space with artistic icons such as Picasso and Chagall.

Bertke records sounds from his favourite games and movies, piecing them together like a jigsaw puzzle to create nostalgic, infectious, and original music. It has been a massive hit online, attracting 50 million YouTube views for his remixes of movies such as Alice in Wonderland.

Although all of his work is free on YouTube and his own website, Bertke has monetised his output by selling the tracks for download using the pay-as-you-like schemes popularised by Radiohead in 2007. He has also turned to his audience using the crowd-funding platform Kickstarter to finance his new project, world remix, which he describes as “to travel the world capturing sights, sounds, voices, and chords, and use them to compose and shoot a track and video for each major culture of the world.” Offering contributors downloads from the new project after it is completed, Bertke was quickly oversubscribed, raising $25,000 when he initially needed only $15,000.

POGO AnD yOuTuBe plAy: “peOple pOweR” takes pOGO to tHe guggenHeiM
tracks or whole albums, or they can stream music using a number of paid-for and advertising-supported Internet-based offerings. This greater variety of choice means consumers can select high-engagement content—either the most popular content or niche material focused on particular interests.

Opportunities for Creators
The Internet helps artists thrive. Creators can now reach global audiences with ease. It is hard to imagine that Halfbrick Studios, the Brisbane video-game developer, could have achieved anything close to the more than 10 million in worldwide iTunes’ sales of its online game “Fruit Ninja” if it had had to reckon with the costs of physical—as opposed to digital—distribution and sales. (See the case study “Halfbrick Studios: Digital Ninjas from Down Under.”) Creators can reach not only larger audiences but also more targeted audiences. This gives many, many more creators a chance of success, as they no longer have to meet the audience and content requirements of broadcast executives who have to please a mass audience. The “long tail” of creators has been liberated.

Creators benefit all along the value chain, as fixed costs are slashed and their share of income rises. Creation and production are less expensive, with no need for recording studios or printing presses, so self-publishing become a practical option. Creators can market and promote online, either through specialised websites such as Bandcamp or through social media websites. They can also distribute online, plus there are potential artistic benefits in collaborating with other creators through Creative Commons’ music sites, such as Soundcloud.

As always in times of change, media businesses are looking for fresh economic models. It is not clear yet which models will be successful, however, it is apparent that there are opportunities. Rob Nixon’s cooking programmes and the YouTube-driven success of Natalie Tran, who has attracted more than 1 million subscribers and has received 400 million views, exemplify the possibilities of an approach that is enabled by low fixed costs, social marketing, flexible pricing models, and the absence of traditional gatekeepers. (See the case study “Nicko’s Kitchen: From the Airport to the Airwaves.”)
ABC IVIEW: A LEAF FROM OLD MEDIA’S BOOK

The ABC has shown that it is well on top of its multimedia game with the creation of iview. The online video-on-demand and catch-up TV service offers viewers a large proportion—250 broadcast hours—of prime-time programmes from the past 14 days. In doing so, iview attracts 1 million unique visitors and receives 3.6 million visits each month (these numbers reflect those visitors using Web browsers).

Launched in 2008, iview was a response to changing consumption patterns: “You need to be on more platforms than only TV if you want to keep reaching the same number of viewers,” said an ABC manager. So the ABC set up iview and made it available not only on computers but also on platforms such as Internet Protocol television, the Xbox 360, and the iPad. Widely recognised as the most complete service of its kind in Australia, iview shows how the Internet complements traditional viewership rather than cannibalizing it. The ABC stated, “Since iview has been operating, there has been no significant decline in traditional viewership, nor has there been a decline in DVD sales.” By “adding value to content through choice (when, where, and how),” the ABC has also provided an endorsement for Australian content. In fact, some of the most popular shows on iview are those commissioned by the ABC.

The ABC is responding to the increasing importance of social media and mobile video by planning an app for release in early 2012. The app will closely integrate social-media capabilities with the iview website. By responding to changing consumer demands and making content available on multiple platforms, the ABC is creating the conditions for its long-term competitiveness.

HALFBRICK STUDIOS: DIGITAL NINJAS FROM DOWN UNDER

“Fruit Ninja” shows how Australian creativity can build a global phenomenon. The game, in which players slice fruit with a blade controlled by swiping their fingers across a smartphone or tablet screen, is the flagship product of Brisbane-developer Halfbrick Studios. It is the number one paid app in countries such as Germany, Russia, and Taiwan, and it is the number two paid app in the U.S., Australia, and China. “Fruit Ninja” has reached 70 million players worldwide and amassed more than 10 million paid downloads, which have generated more than $13 million in sales on iTunes alone.

Halfbrick, founded in 2001 by CEO Shainiel Deo and colleagues who used their savings to start the venture, is now one of the world’s leading independent game-app developers. It employs more than 50 people in Australia, nearly a third of whom have joined in the past 18 months. It now has a second hit on its hands and a new business model. “Jetpack Joyride” generated 1 million paid downloads in a little more than three months. When Halfbrick made it free to play in December 2011, it found that downloads soared to more than 14 million and, surprisingly, revenues increased as players started making “in app” purchases.

The company has consistently embraced the Internet and the tools it offers to improve its products and increase revenues. It designs its games for the medium and for consumers’ habits. “Every round of ‘Fruit Ninja’ lasts for two minutes on average. People don’t have much free time these days, and I think quick games on mobiles are going to become the future of the industry,” said Deo. Halfbrick showed similarly acute marketing instincts when it developed a free version of “Fruit Ninja” for Facebook, recognizing its potential to introduce the game to a broader audience.
Internet platforms enable some content creators to develop their product, bring it to audiences, make a living, and move on to longer-established media. The *Danger 5* TV series shown on SBS exemplifies this process and the role of online video as an incubator of fresh talent that might otherwise not get the chance to develop. (See the case study “Danger 5: There’s No Stopping Creative Creators.”)

Challenges remain for artists as they always have, but the future is promising. For example, more funding is emerging for online content. Programmes such as the YouTube Partner Program offer artists copyright protection while providing them a means by which to monetise their output through a majority share of advertising revenue earned for ads that are shown alongside their content.

**Opportunities for Traditional Industry Participants**

Although traditional media participants face more challenges than other players, successful companies can prosper by evolving their models using their built-in advantages. A newspaper may have to adjust to the changing—and more difficult—economic environment of modern print journalism, but it has the resources, expertise, promotional power, and brand on which to build.

Successful newspapers find ways to adapt by offering their content on multiple platforms and tailoring their content and revenue models to specific audiences. If print news is declining, there are opportunities emerging for quality professional journalism to find a voice (and income) on the Internet.

The music industry in particular is seeking fresh ways to acquire and monetise content, and it is increasingly using the Internet to source talent and information on consumer preferences. The next great star may still be found by the traditional means of a company executive attending a performer’s gig, but the immense amount of material online suggests that talent will increasingly be sought and sourced digitally.

Content producers will seek to balance their portfolios, with some focusing on mass-market hits and others on niche content that produces

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**Nicko’s Kitchen: From the Airport to the Airwaves**

Rob Nixon’s cooking show, *Nicko’s Kitchen*, is one of the world’s favourite programmes, with 40 million views on YouTube alone, an international audience, and feedback from all over the world. Nixon has three YouTube channels, each with 1 million viewers, and he has made in excess of $50,000 in advertising income since inception. On top of this, Nixon does weekly TV appearances, sells DVDs, has sponsors, and is releasing a cookbook.

Nixon is the archetypal Aussie online-media success story. He used to work on the ground staff at Perth Airport, but everything changed after he decided to film his hobby, cooking, and put the films on YouTube. As he says, “Not too long ago, it would have been impossible to have had such global reach…but YouTube has changed all that.”

He particularly enjoys learning how an international audience is taking to Aussie recipes: “I once had a guy in Iraq message me to tell me that they were making lamingtons for the very first time. It spun me out,” he said. “There is a fire crew in Florida that watches my show on a regular basis…and whips up a few of my recipes. It’s quite amazing really.”

He’s now a full-time cook, focusing on recipes that are easy to prepare—or as he puts it, “simple foods that anyone can make.” His largest group of viewers is teenagers from age 13 to 17, a demographic often accused of being fast-food junkies.

With a click of a mouse, Nixon has transformed his life, introduced good, simple Australian cooking to the world, and maybe done something for the long-term health of the nation’s youth.
The screening of the action-comedy series *Danger 5* on SBS in early 2012 marked the latest stage in the YouTube-fueled ascent of online filmmaker Dario Russo. It is a classic example of how a creative, low-budget, online production can break into mainstream media.

The programme began life as a final screen-production project while Russo was at Flinders University. This three-minute short on vintage 16-millimetre film became a YouTube hit—receiving nearly 2 million views in five months—when Russo publicised it as the trailer of a “lost film” from the 1960s called *Italian Spiderman*.

Its apparent authenticity inspired heated debate as to whether the film actually existed and attracted the attention of the South Australian Film Corporation (SAFC). The SAFC’s Sandy Cameron recalls, “We decided to take a bit of a punt on him with a low-risk investment and not much money and see how far he could push it, and he came up with the ten episodes.” Russo received $10,000 to shoot the additional episodes, which were presented as clips from the mythic film and distributed online only. Each generated up to 1 million views.

It was this success that persuaded SBS to approach Russo and his partner David Ashby, who acts in the films, with a deal for the TV series. Other funding for the series, a fully homegrown production with a wholly local cast and crew, came from SAFC, Screen Australia, and the Adelaide Film Festival.

In addition to a launch pad for offline media, online media continue to be key to publicity. Audiences were warmed up for the series premiere on February 27, 2012, with a prologue series called *Danger 5: The Diamond Girls*, which was released on YouTube in November 2011. Russo said, “With *Italian Spiderman*, we learned that you can foster quite a good fan base on the Internet. We still have contact with our fans, so SBS recognised the potential in being able to cultivate your audience online.”

**An End to the “Tyranny of Distance”**

Although many of the Internet’s benefits apply to many countries, some are particularly important to Australia. Distance—which has isolated the country, particularly in relation to the largest English-speaking markets—ceases to be a handicap in a world of digital communication and distribution.

Local brands can go global. The Sydney Opera House has won plaudits from opera fans worldwide for productions that have never been performed outside the country. The Wiggles could have established an international profile as children’s entertainers through touring and overseas sales of their ABC television programmes, but their strong online presence has undoubtedly enhanced the brand.

Easy access to global markets redresses the disadvantages of a comparatively small population. Much as cheaper air travel turned Australians from among the world’s more isolated people into its greatest travellers, so can the Internet transform Australia into a content hub for the English-speaking world. It has already shown that it is likely to sell more than it imports in the free-trade markets of the Internet, even though a shared language offers British and American material easy access to Australia.

The costs and benefits of online media should not be measured in purely monetary terms, however. Among the long-established services that have benefited from the Internet
is the School of the Air, which dates back to 1951. An offshoot of the Royal Flying Doctor Service, the school takes educational services to children in Australia’s remote communities. It has been able to enhance its content and capabilities by adding an online provision to its historic radio platform. The Conversation, a Melbourne-based virtual newsroom already adopted in the U.S., is a much newer success story. (See the case study “The Business Spectator and the Conversation: The Emergence of New News.”)

The Blurring of the Old and the New
It would be a mistake to think too rigidly in terms of “old” and “new” media, nor should one assume that high-quality media only arrive offline. Such distinctions rapidly become irrelevant as the media landscape evolves, partnerships are formed, and boundaries are crossed. Print and broadcast media are increasingly moving online, broadcasters and agents are searching YouTube for fresh talent, and new media are filling the gaps left as broadcasters rationalise and focus.

The future, as always, is uncertain. But an important lesson from the history of Australian media is that the energy, inventiveness, and resourcefulness of the companies and individuals in the industry, combined with the fresh drive of new entrants, usually make nonsense of predictions of doom.

THE BUSINESS SPECTATOR AND THE CONVERSATION: THE EMERGENCE OF NEW NEWS

Less than five years after its founding by Alan Kohler and other financial journalists, the Business Spectator shows that there is a home for quality journalism online. Indeed, the independent, real-time business news and commentary service is now the subject of takeover speculation involving major media companies that supposedly value the company at no less than $50 million. The service, which has created new jobs, is funded by advertising and supplied free to a monthly viewership of 300,000.

The Business Spectator’s commercial progress is matched by the rapid success of the not-for-profit website the Conversation. Launched in Melbourne in 2011, the Conversation is already one of the largest virtual newsrooms worldwide, providing independently edited information on complex academic matters. Its mission is endorsed by Nobel Prize winner and former Australian of the Year Peter C. Doherty, who says, “When it comes to complex issues like climate change... there is an enormous difficulty in getting well-resourced and verifiable information across to the general public... Within the Australian universities, we have an enormous depth of expertise and talent looking at such issues... What we need is a well-regarded and well-edited website that will allow the general public to access that information and those insights.”

The Conversation’s curators are professional editors who aim to mix journalistic flair with academic rigour. Nearly 2,000 academics from 160 universities and research institutes write for it, and more than 3,500 articles of analysis, commentary, and research were published in its first seven months of operation. More than 1,000 of its articles were republished by other media. The site attracted 2 million visitors and received a total of 4.2 million page views during the first seven months. Since one-fifth of those visitors came from the U.S., there are plans for an American version.
The internet is sometimes compared to an unruly teenager, whose occasional outbursts may grab attention today but whose future potential is much more exciting. That metaphor is particularly apt for what is happening in the media sector. As a source of innovation and growth, the Internet has caught the attention of consumers, creators, and producers. It has also contributed to a revival of traditional media for those who have adapted and embraced it in the same way Australian consumers have done.

As this report has documented, Australian consumers are happy with this new world and prefer it to what was available in the past. They are becoming creators, with some of them reaching global audiences. They love Australian content and use the Internet for everything from high culture to home videos. No wonder Australians are getting $24 billion in consumer benefit from Internet media content every year.

Although this report has concentrated largely on the Internet’s impact on the media sector, the Internet has had an impact across the whole of the economy and society. It has enabled remote communities to play a more active role in the economy and to participate in innovation that they would typically be excluded from in an offline world. As usage of the Internet increases, so, too, will the adoption of other applications, such as in the areas of health, education, and business and government services. Such developments will help to improve outcomes for society on many levels. The Internet will also help Australia to engage more effectively with Asia, an important component of the nation’s future.

But the country is only at the start of this media transformation. The teenager hasn’t gone to university yet. If we were to compare the Internet to film, the equivalent would be “talkies”—we are still some years away from Technicolor, let alone 3-D. Looking back, it’s remarkable that the Hollywood studios initially tried to ignore sound. Of course, in the end, they gave in to the demands of the audience, but today, no producer would dream of holding back change in that way. They also simply could not, because the power is now in the hands of individuals to decide what they want to make and what they want to consume. It is this dimension, and the competition to deliver the content consumers want, that will stimulate ever more investment and innovation, with consumers and creators the big winners.

Australia is winning and can continue to be a winner. The companies that have succeeded are those that have embraced these changes and adapted. The challenge now is to emulate them and trust Australia’s citizens to use their new-found power wisely.
APPENDIX

METHODOLOGY

To develop an appreciation for the size and growth of the Australian media-content market, we measured the 2011 revenues for the different media types and developed a forecast for the revenues in 2015. We chose revenue as an intuitive metric for the size of the media content industry, as it is easily understood and it is a good measure of the value of activity in the industry. Given the focus of the report on the role of the Internet, we then identified the proportion of those revenues that were associated with online content.

Scope. We measured revenues pertaining to the following media types: books, games, magazines, movies, music, newspapers, online video, performing arts, radio, and TV. To avoid double counting, online video revenues do not include revenue derived from TV and movie downloads or streaming; these are included in TV and movie revenues. We identified all revenues derived from online media and associated with online media activities compared with traditional offline media channels.

Approach. As a general rule, we took a conservative approach to quantifying the total revenue in each media type, erring toward the lower end of ranges of estimates and cross-referenced several sources to ensure the accuracy of the numbers. Where possible and relevant, we apportioned revenues within each media type to online versus offline, to drama or entertainment versus news, current affairs, or education, and to Australian versus international content.

We also assessed the size of the employment associated with the Australian media-content industry.

Scope. The scope considerations for measuring employment were exactly the same as those for measuring value.

Approach. We measured the employment associated with consumption in each media type and allocated jobs to either traditional offline or online employment. The approach was a mix of industry by industry analysis and, where required, company analysis to ensure accuracy and validity of the numbers. Where available, we measured the employment related to online media. But where unavailable, or where jobs were shared across both channels, we extrapolated the online share of revenue within each media type to the total revenues to allocate jobs to the online media channel. For activities where it was difficult to isolate employment associated with online media activities, we benchmarked the revenue per employee of a subset of representative players and extrapolated for the whole sector. For the employment forecast, we assumed a constant level of productivity through 2015.
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