
Television Leaves Other Old Media for Dead

'People often overestimate what will happen in the next two years and underestimate what will happen in 10' - Bill Gates, afterword to *The Road Ahead*, 1996 version

The dotcom bubble of the late Nineties and early Naughties was a truly extraordinary thing. The debt bubble of the later naughties was nuanced, complicated and hard for the average man or woman on the street to comprehend. But the dotcom bubble was true mania before your eyes.

Small cashboxes listed and immediately garnered market capitalisations in the billions of dollars. To justify the ludicrous valuations (it makes me laugh just to use the word), people were coming up with some of the funniest metrics ever invented – price-to-eyeballs being my personal favourite.

Still, much of what was predicted has actually happened. It has taken 12 years instead of two and making money has proven much more difficult than predicting the change, but the internet has become a ubiquitous part of life.

Free phone and video calls are here, CDs are a thing of the past and DVDs are about to follow them. Predicting the winners might have been tough but it was fairly obvious who the losers would be from the get-go.

For old media and old telcos, it's been a devastating decade (although, as if to underscore Gates's point about underestimating the long-term effects, you could have sold **Fairfax** shares for \$4.80 each as recently as May 2007).

One old media format, however, seems to be holding its own. Despite a dramatic increase in time spent online, people are watching as much television as ever before. In fact, in the US, they're watching more (all of the stats I'm about to quote are from the US, but it seems the trends are similar here in Australia). Perhaps most surprisingly, young people are watching more television today than they were.

A special report from *The Economist* in April this year explained how this is possible:

Or take American teenagers. In 2004 the Kaiser Family Foundation reported that the average person aged 8-18 was spending almost six-and-a-half hours a day taking in some kind of media—television, films, music, video games and so on. By multitasking, they were able to cram eight-and-a-half hours of media consumption into that time. The researchers concluded that young people were “filled to the bursting point” with media. Whatever, responded their subjects. When the study was repeated in 2009, young Americans were spending more than seven-and-a-half hours with media each day, an hour more than they had done five years earlier. Into that space they packed an astonishing 10 hours and 45 minutes of consumption. Among other things, they were watching more television.

The other interesting part out of the report is that it seems television is like our chocolate from [Fruit, Chocolate and the Sydney Morning Herald](#) – we watch a lot more of it than we think we should ([The Intelligent Investor](#)'s Research director came into work every day of the last MasterChef series and preceded his daily 'Chris and Poh did this or that' debrief with the line 'I was at home working last night and the television was on in the background' ... mmmm ... working were you Gregory?)

Again, from *The Economist*:

This helps explain one of the oddest and most consistent findings of television research: that people seem unaware of their own behaviour. In surveys they almost always underestimate how much television they watch, and greatly overstate the extent to which they watch video in any other form. In particular, they underestimate their consumption of live television. One of Ms Pearson's subjects, a 27-year-old man, claimed to watch recorded television 90% of the time. In fact he watched live TV 69% of the time.

So what does this mean for the future of those businesses that depend on television for a profit? Well, the future might not be as bad as I, for one, once thought. A few things seem to be playing out in television's favour.

TV, the vegetable medium

The internet brings a plethora of choice to the masses. But it seems when it comes to our hours of watching television, we don't actually want to make a choice. We want to sit down on the lounge, veg out in front of the box and have the content delivered to us.

We also want to watch the same shows our friends and colleagues are watching. I didn't need to watch MasterChef as Greg's reviews typically ran for longer than the show itself, but the social interaction around the program has been a boon to MasterChef's success.

Far from killing television, the internet has made the best shows even more popular, with Facebook and Twitter abuzz with live commentary (267,873 Facebook users are currently official 'fans' of MasterChef).

The other big factor in television's favour is that it has proven its ability to convert eyeballs into revenue.

Online businesses often quote the statistic that 30% of media consumption is now online, but only 10% of advertising spend is the same. As an advertiser, however, I couldn't care less how much time people spend consuming each medium. All I care about is whether people respond to my ads or not.

So far, we've found it extremely difficult to get any non-Google form of advertising to work and all of the anecdotal evidence suggests others have the same problem. Online advertising isn't as effective as television.

My guess is that this relates, again, to the way we consume it. Most of my internet time is active

consumption – I know what I'm looking for and I'm usually in hurry to find it. The last thing I want is someone harassing me to buy something. When I'm sitting on the lounge waiting for the television to satiate my laziness, I'm much more susceptible to the advertisers' dirty tricks.

The future is undoubtedly going to be more difficult than the past. As technology improves it's going to become increasingly easy for the content producers to bypass the television stations altogether and deliver content themselves. In the US, for example, the NBA is already selling broadband subscription packages direct to fans who don't necessarily want a cable subscription.

News Corp looks like an interesting play on this 'content is king' theme. But, faced with a choice between a television station and a newspaper, I'd take the television station any day.

Note: You'll need a subscription to read The Economist's [Special Report on Television](#)