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# Creative destruction in the digital media age



**Creative destruction often ensues in the wake of technological advances, futurists claim. In today's age of the digital media, this phenomenon, says one such forecaster of the future, will see the slow 'death' of CDs, DVDs, watches and print media such as newspapers.**

And while the theatrical film, music, and newspaper businesses continue to shrink, they will nevertheless survive. Books, perhaps the world's oldest medium, will also likely last forever.

With the advent of multimedia mobile devices, television – which has been in existence for around seven decades – will see explosive growth as people increasingly take to watching television or video in public.



These are the predictions of **Jeffrey Cole**, Director of the Center for the Digital Future at the USC Annenberg School for Communication, who recently delivered the closing address at the Media 360 Conference in Macau.

“None of our traditional media are going away, but most of them will be smaller businesses in a digital era, and this is a phenomenon that’s already been going on,” says Cole, the founder and director of the World Internet Project, which studies the effects of internet technology on society in more than twenty countries.

According to Cole’s research, movie ticket sales have fallen sharply in the last sixty years after adjusting for population growth. 4.3 billion movie tickets

were sold in the English-speaking world in 1946. Although the population has since doubled, 1.4 billion movie tickets were sold last year.

In the area of music sales, it took sales of 15 million albums to reach the number one spot in the US in the 80s and 90s. CD sales have been plummeting ever since. The bestselling album of 2007, Josh Groban's Christmas Album, sold some 3.7 million copies.

"Interest in music today has never been greater, people are listening to more music in more places, but people are not going out to spend \$18 (to buy an album) for the two songs (they like) at the music store," says Cole.

"They are either going to illegal peer-to-peer networks and spending nothing to download music or they are using iTunes and spending two dollars (on a song)."

Meanwhile, newspapers in the West are struggling with falling circulations and advertising revenues amid the onslaught of digital media. Senior executives are aggressively cutting costs and headcounts, and exploring means to better monetise their online content. In contrast, newspapers in emerging economies, such as India and China, have little such angst as demand continues to increase.

Rising environmental concerns and the large storage capacities of multimedia devices (such as Apple's iPods, computers and digital video recorders) could lead to the demise of CDs in six to seven years, and DVDs in eight to ten years, says Cole.

It would take a much longer time for print newspapers to die out. "Today, teenagers don't read newspapers and the evidence is clear they never will," says Cole.

"The bottom line for newspapers ... is that every time a newspaper reader dies, he or she is not being replaced by a new reader. So how much time do they have? It's not three or four years, it's 20-25 years, unless environmental concerns accelerate that a little bit."

But there are also some saving graces for newspapers such as the New York Times even as the media business environment changes. Cole says that only 30 per cent of the NYT's budget is spent on its editorial department, while 70

per cent is spent on printing and distribution costs. But by publishing exclusively online, NYT can eliminate almost all of its printing and distribution costs.

So the NYT “can make do with a lot less (advertising revenue) when your costs go down 70 per cent,” he says.

Another major development is the rapid proliferation of television and video in public spaces.

“We think television is about to explode with growth as it merges with video. We think it’s going to escape from the home, be our constant companion and be far more important and a far bigger business than it’s ever been,” says Cole.

Cole says his studies – or what he calls a “three-screen strategy” – show that people are watching more television and video at home, on their computers and on their mobile phones and iPods.

It is undoubtedly easier for people today to access, copy and share digital content than ever before. But whereas people were unwilling to pay for such content between 2000 and 2005, that started to change as the illegal downloading platforms (such as peer-to-peer websites and websites offering ‘freeware’) often had free digital content which had embedded spyware and viruses, says Cole.

But the advent of digital content providers, such as Apple’s iTunes platform, offered consumers legal, easy-to-use and reasonably priced digital content. Even so, consumers have “little interest” in paying fees or subscriptions for such content.

“We think the average household at most may subscribe to two or three services and generally it’s going to be highly specialised information – financial information for example,” says Cole.

“So if digital content is going to survive on mobile phones and on the web, we think it’s going to be almost exclusively through advertising.”

Another key predictor of the future lies in how teenagers are using digital media, and how the watch industry could be in peril because of their preference for using their mobile phones to keep track of the time.

As today's teenagers become adults, they will shed some of their media-using habits while keeping others for life.

“The things that are really transformational are (how teenagers use) media: when they want it, how they want it exactly to their specifications and the empowerment they are gaining,” says Cole. He adds that they can gain knowledge from the internet which would place them in a better position when correcting journalists or dealing with salesmen, doctors, teachers and government officials.

“A lot of the other things – trusting unknown peers more than experts, not caring about the source of information – those things go away. The watches we're not so sure about. Watches may be a permanent thing.”

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