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EXECUTIVE INSIGHTS

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Opportunities in New Media

"Novelty is always welcome," Irving Thalberg once commented, "but talking pictures are just a fad."

Maybe we can forgive former production chief of MGM – known as the "Boy Wonder" of Hollywood for his precocious success in the silent-picture era – for his clouded crystal ball. After all, he had a substantial stake in the status quo. The silents had made him rich and famous, and the new medium of his day – the talkies – seemed to threaten his way of doing business. Fortunately for MGM, Thalberg soon got his head out of the sand, and went on to help make some of the studio's most successful features of the 1930s.

New media technologies – Internet, mobile broadband, e-commerce, internet-enabled entertainment, social networking, and others – are fundamentally changing the way people interact with each other and the world. But when confronted with what are collectively called "new media," many people in traditional business environments are inclined to adopt a Thalbergian response: They fail to recognize that the world has changed, and are slow to take advantage of the new opportunities this creates.

My firm recently surveyed more than 2,100 households in the U.S. in an effort to get our arms more firmly around the new media. And while that survey was conducted largely for the benefit of large companies with major marketing budgets, I think that some of its findings are surprising, and have implications for companies of all shapes and sizes. Let's look at some of those findings, which I'll present in the form of four myths and their associated opportunities.

The first myth is that **new media are only for the young**. Not true. According to our respondents, the average time spent online increases with age. The 18-to-24-year-olds reported an average of 6.8 hours per week, while the 50-to-64-year-olds reported an average of 8.1 hours per week. True, older people and younger people do different things online, but the Internet is not simply a clubhouse for wired-up kids. The opportunity: Seniors are the undiscovered country for new media.

The second myth is that **demographics are key to new-media usage**. Actually, those traditional measures (e.g., age, gender, wealth) are less telling than membership in what might be called "iPod Nation." Of the self-described medium and heavy users of new media, fully 73% own a portable music device. Throw in iPhones – the latest and probably most significant New Media phenomenon from Apple – and that number only goes up. The opportunity: Again, if you're accustomed to thinking about segments of traditional market "columns" (how old they are, how rich they are, etc.), you're probably thinking too rigidly.

A third myth is that **wealth is driving the adoption of new media**. No, it's not exclusively, or even primarily, the wealthy who predominate in cyberspace. Within the consumer segment showing the heaviest usage of new media, 47% (yes, nearly half) reported annual household incomes of less than $25,000.

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The opportunity: If you're selling something that most people can afford (or at least need to buy), new media will put you in front of them.

Finally, there's the myth that **games are a niche activity**. Our survey defined "games" and "gaming" broadly, to include online casual, console, mobile, MMO, handheld, and PC games. The stereotype would suggest that most gaming is the province of middle-school and high-school kids who are actively avoiding their homework and inadvertently stunting their social development. In fact, it's fair to say that today, *almost everybody plays*. Online casual games, in particular, are reaching new, older, and increasingly female demographics.

Our research on time allocation confirms something that every middle-aged parent instinctively understands. The middle-aged media consumer with kids is extremely time-crunched. These consumers commonly cite "too busy" as the reason for their reduced consumption of traditional media. For example, 33% of 30- to 44-year-olds cite "lack of free time" as the primary reason for their reduced time spent on newspapers. The Internet has been a beneficiary of this time crunch. To some extent, as it is viewed as a "more convenient way to get content," especially when compared with newspapers and magazines.

The study findings further reveal how consumer segments are increasingly entwined with technology platforms: *Say Hello to the "iPhone Nation."* Whereas the "soccer mom" marketing target may have helped cutting-edge politicians target an emerging block of voting suburban women with kids, the "iPhone Nation" is the new target for companies seeking consumers willing to pay a lot of money for new media products and services. The people who have iPods and iPhones are the self-identified, high-potential targets. In other words, technology enablement and accessories can be used both to define important segments and provide a touch point to reach them.

With these insights in mind, let's figure out what they might mean for companies trying to embrace new media. Starting with product and service companies searching for better ways to reach their customers, here are a few suggestions:

- Be an early adopter. Don't be the last person buying display ads in the Yellow Pages. Don't be the last person counting on the classified ads in your local newspaper. A case in point: A friend of mine is a real estate broker who holds open houses on the weekends. Every week, he tells me what percentage of his visitors learned of his open house by surfing the web, as opposed to scanning the expensive ads he places in the city paper. The last several weeks running, his report has been the same: *100 percent* of his traffic is generated by the web! You need to be there.

- Assume that the web audience is heterogeneous. A lot of people "of a certain age" and above still think of the web as the domain of the young and the reckless. Among active Internet users, those over 50 years old actually log *more* time online than their children or grandchildren. Most likely, you have to play in that space. You may need to adapt your content for a wide variety of viewing devices and for the needs of different audiences – for example, Saga, a very successful seniors-oriented UK travel and insurance company has options for larger font sizes on its web site as well as guaranteed access to a live operator for anyone needing further help.

- Segment your audience and your message. A surprising number of small companies seem to think that the advent of new media has led to the suspension of the old marketing maxim of "know your customer." It hasn't. Just because you can blast an e-mail promotion to your entire mailing list of one thousand customers with one click of a mouse doesn't mean that you *should* make that click. To be effective, you still have to do your homework. What do different groups of customers buy? What do they care about? What types of new offerings or promotions will interest them? If you're a large company like Amazon, you can answer these questions through complex computer algorithms of customer searches and purchasing habits. If you're a small business, you can do it by looking at the buying behavior of your best customers, using your own "experience algorithms," and maybe even talking to customers now and again. Don't be deceived by the low cost of the e-mail blast: Less is often more!

• Don't throw out the TV with the bathwater. Yes, TV and radio audiences are increasingly fragmented, and it gets harder every year to come up with a media "buy" that reaches a large and compelling audience. But TV is still king. The average consumer spends 37.8 hours *a week* watching television, which is just about 60% of the time he or she spends on *all* media and entertainment – the biggest share by far.

What if you're a media company on the other side of the digital revolution – for example, a newspaper company with declining subscriptions, or a music company seeing its customers drifting away from CDs and other traditional products? Here are a few more ideas, beginning with a somewhat paradoxical one:

• Think digital subscription. Many news and entertainment companies are making the assumption that in the midst of this severe and sustained recession, only free digital media can prosper. In fact, the data suggests that while consumers are abandoning fee-per-transaction models, they remain quite friendly to subscription models. In a number of sectors, monthly service models – such as Netflix for movies, and World of Warcraft for gaming – are flourishing.

• You can't beat the Internet, so join it. Traditional radio companies are now using the Internet to drive both FM/AM listenership and online listenership. To grow effectively, traditional companies need to copy the best practices of new, emerging Internet companies. You need to become as immediate, authentic, real-time, simple, and interactive as Internet 2.0 companies. You need to accept and welcome customer commentary and content.

• Make it easy for customers. If you are feeling overwhelmed by how hard it is to make the best use of the range of digital offerings out there, then the chances are that your customers are feeling that same way, but more so. Service-and-product combinations such as Apple's iTunes and Amazon's Kindle make it easy for consumers to embrace innovation.

• Don't ignore services for commercial customers. Many of your commercial advertising customers, particularly the smaller ones, need help making sense of the range of digital and traditional media options. If you can help them make the best of both, perhaps through integrated offerings or advisory services, then you will be positioned to become their trusted partner in reaching consumers.

When confronted by change, our first instinct as business people (and as humans) is to hunker down. But if we take a deep breath, size up the new reality, and start seeing this new challenge as an opportunity, we can find a way to get the keel evened up, set a new course, and prosper. The advent of new media presents just this sort of challenge - and opportunity.

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