

Borrell Looks Into the Future of “Legacy Media”



BORRELL ASSOCIATES has just released a report on "The Future Of Legacy Media," which predicts that in five years there will be just three types of local media companies -- "Legacy-centric," multi-media and pure-play digital. Here's how BORRELL describes the three parties:

* Legacy-centric companies will be focused almost exclusively on their core product. Digital initiatives will be tied tightly to that product and be treated as a product extension rather than a new venture, meaning they will be launched only if they can be managed with existing resources. Thus, digital revenues will represent less than 10% of total ad revenue. Revenue growth will cease and market share will decline due to persistent competition from digital products. Maintaining profit margins will be a never-ending exercise in cost containment. The majority of today's legacy media companies will fit into this category by 2018.

* Multi-media companies will have separate digital divisions that don't report to existing or "old-media" product managers. (i.e.: GANNETT, COX or SCRIPPS) They'll continue to have smaller digital initiatives within the organizational structures of their legacy properties, but those initiatives will exist solely to serve that core product. The digital division will be allowed to pursue new revenue streams without interference. Depending on the overall size of the company, digital revenues will grow to represent 25% to 50% of ad revenues. Revenue will grow, as will overall market share, due almost entirely to the growth of the digital division. Overall margins may decline slightly due to investments in the digital space.

* Pure-play digital companies will tune their business model and sales approach precisely to the needs of the market, without prejudice or interference. (i.e.: CRAIGSLIST, GOOGLE, FACEBOOK, EBAY, ANGIE'S LIST, etc.) They won't kill legacy media companies, but they will sap all their growth. Look for more of them, particularly in the mobile and location-based space.

BORRELL also predicts that analog media's future "could be rosy as long as expenses don't rise too much. If the costs of labor, production, content and raw materials grow slower than revenue, profit margins will increase beyond their already healthy levels.

"The truth is, those "old-time" media companies like TV, radio and newspapers reach far larger audiences en masse than digital media, and they provide a different user experience. The fact that more than three-fourths of all advertising dollars this year will go to analog media means that newspaper ads, TV and radio spots, billboards and yellow pages ads drive sales. Period.

"It's the future of media companies we wonder about."