

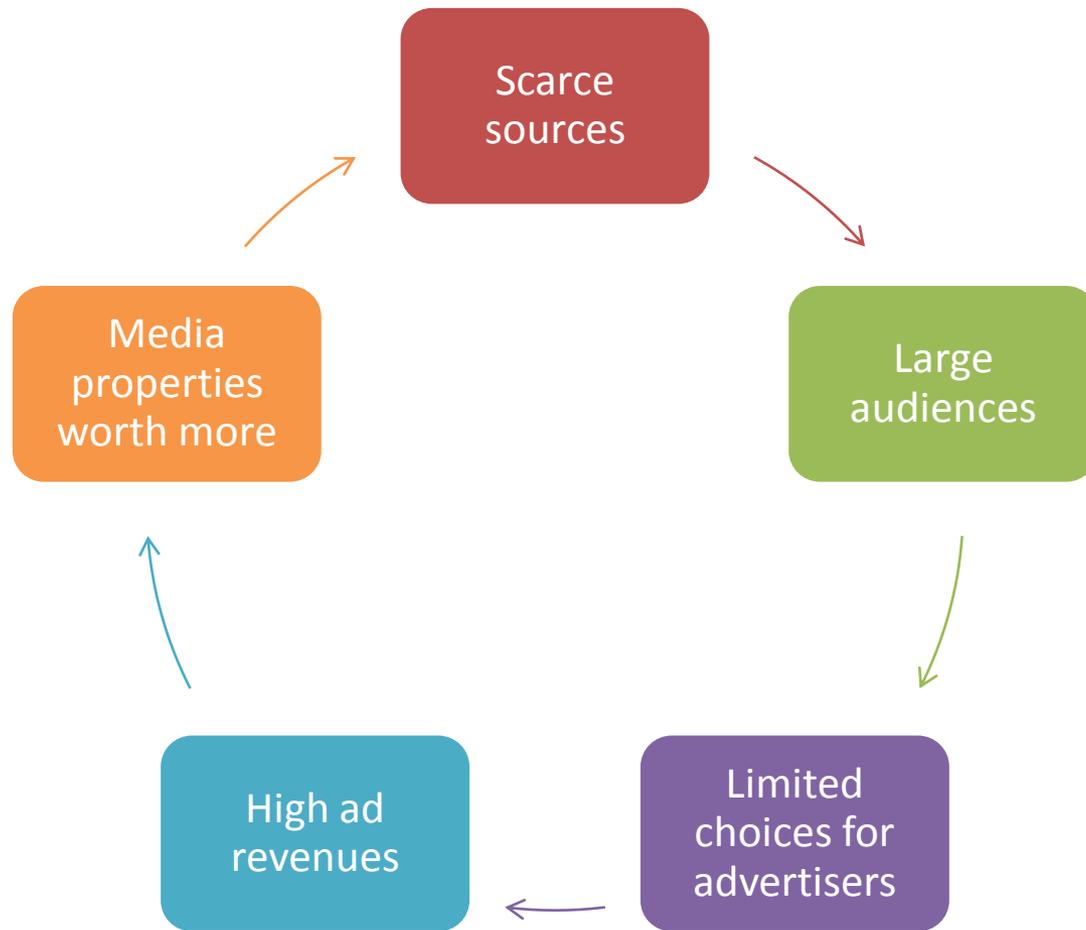
# Technological change in journalism

Scarcity, competition, and why it's all  
Gordon Moore's fault

# The economics of mass media

- High barriers to entry
  - How much does it cost to buy a newspaper?  
(A.: *San Diego Union-Tribune's* owners rejected billion-dollar buyout offers in the early 2000s.)
  - How many television or radio licenses has the government allotted?  
(A.: In most markets, 4-6 TV, 20-40 radio)
  - How much shelf space is there at retail outlets for books and recorded music?

# A virtuous circle for owners; a vicious cycle for consumers/advertisers



# The result?

- “As one not-too-bright publisher famously said, ‘I owe my fortune to two great American institutions: monopoly and nepotism.’ No paper in a one-paper city, however bad the product or however inept the management, could avoid gushing profits.”

– Warren Buffett, letter to Berkshire-Hathaway shareholders, 2006

*We'll give you what WE want – when, where and how WE want to.*

# What happened?

*(Many opinions; much bloviating – but it comes down to extinction of barriers to entry and the death of scarcity.)*

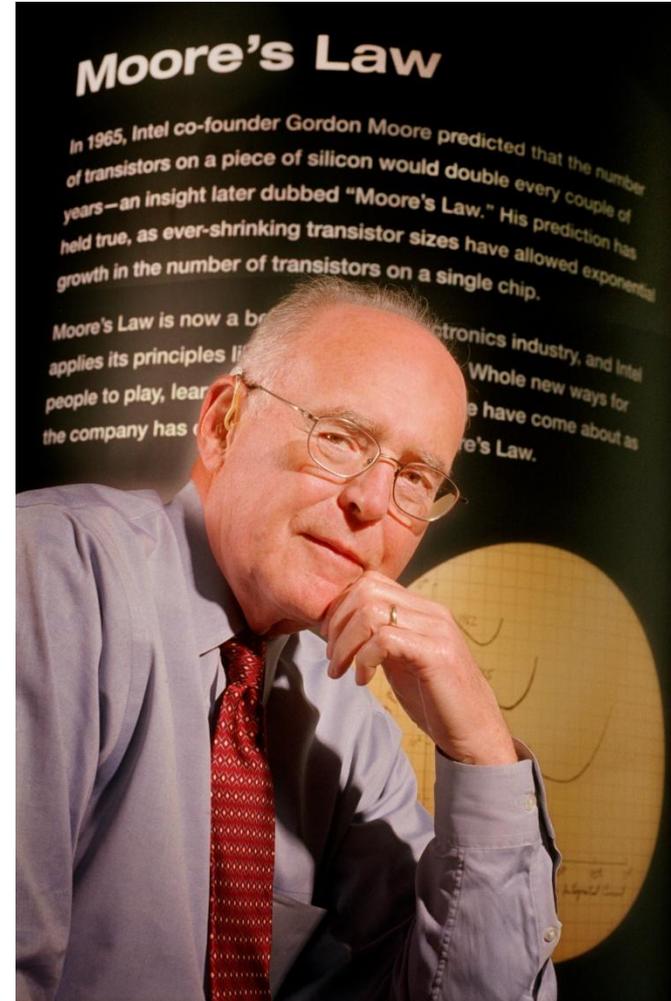
# Whose fault is it?



Sergey & Larry, Google



Craig Newmark, Craig's List

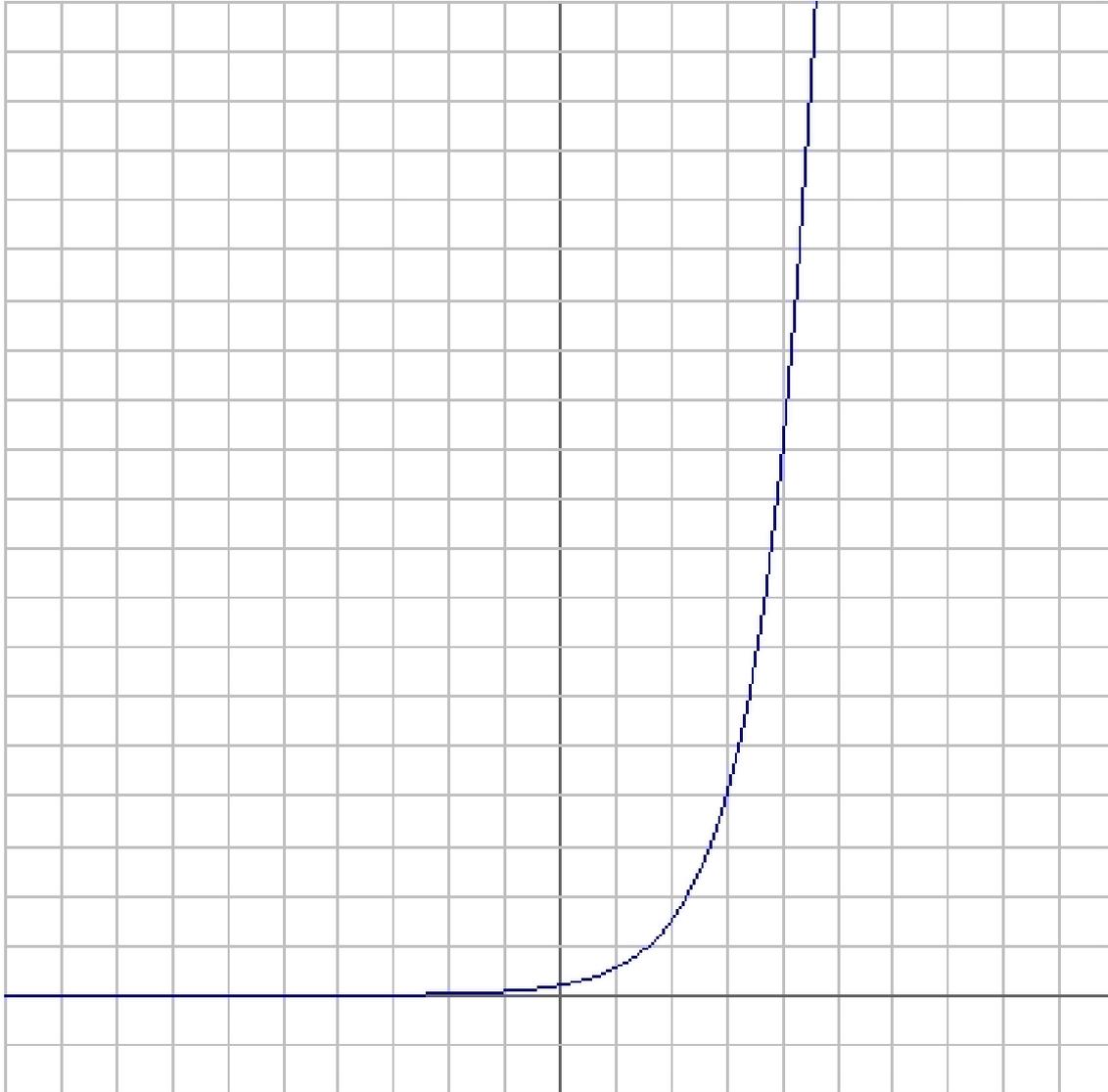


Who's this?

# Moore's Law

- The number of transistors that can fit on an integrated chip of a certain price point ***doubles*** every 24 months
- Put another way:
  - The \$500 computer of today is twice as powerful as the one of 2009
  - Or: Today's \$500 computer can do what a \$1,000 computer could do in 2009

# Moore's Law



# It's not just Moore, either

- Moore's Law covers *processors*
- But similar progress in:
  - Storage (hard drives and flash drives)
  - Memory chips
  - Even software (PHP scripting vs. C+ code)

***Better, faster, cheaper***

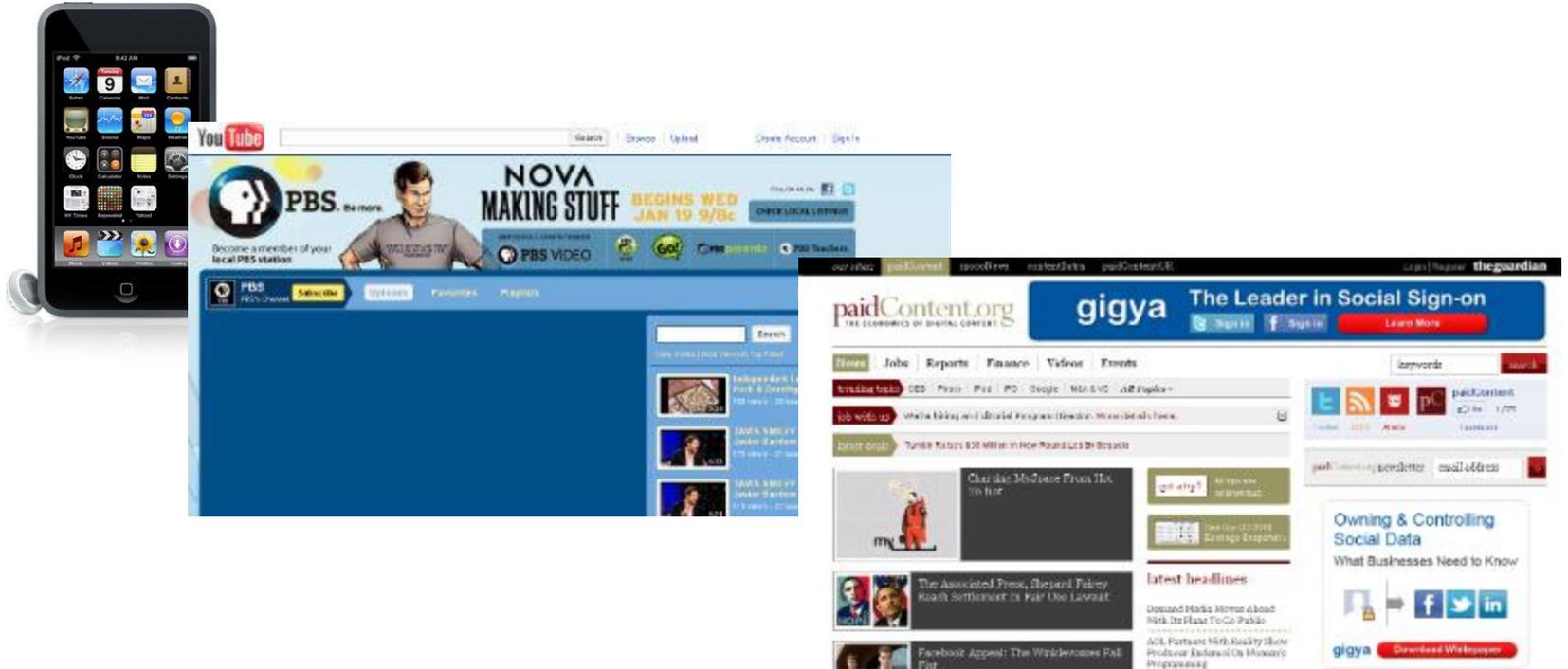
# “What if...”

<b>1999</b>	<b>\$2 million</b>
2001	\$1 million
2003	\$500,000
2005	\$250,000
2007	\$125,000
2009	\$62,500
2011	\$30,000
2013	\$15,000

# A real-world example

- Jackhammer
  - Built 1998 for \$5 million
  - Oracle database, Java code
- Extrovert
  - Built 2006 for \$1.8 million
  - Oracle database, Ruby on Rails environment
- Localist
  - Built 2008 for “around \$100,000”
  - Open source database (PostGres), PHP environment

# Mix in other digital technology...



... and barriers to entry are destroyed

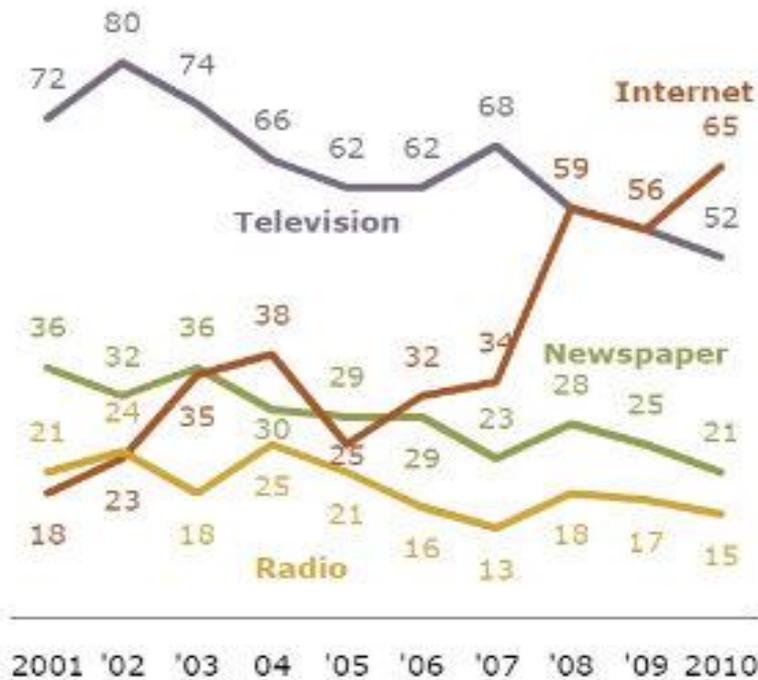
*Give me what I want, when where and how I want it.*

*Because if you don't, someone else will.*

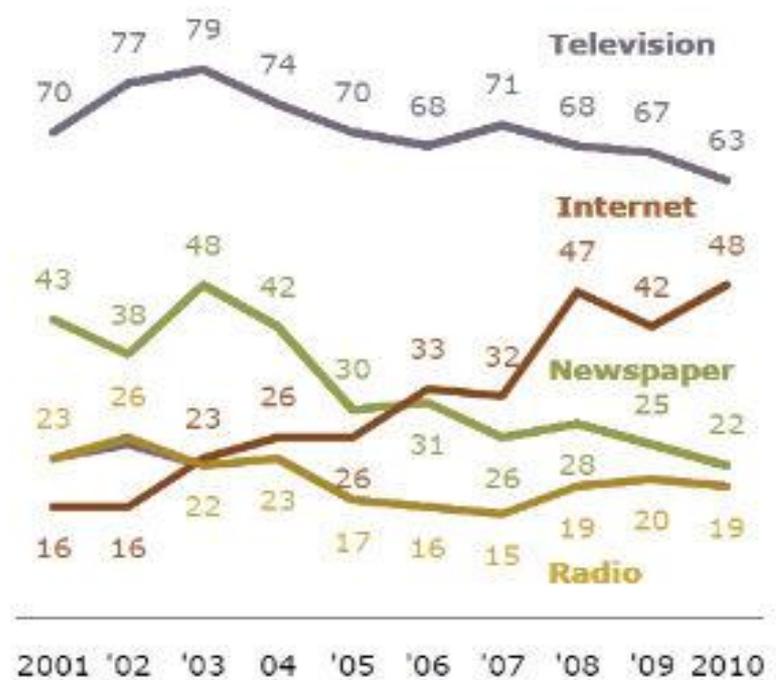
# When given choices ...

## Main News Source, By Age

### 18-29 Year-Olds



### 30-49 Year-Olds



SOURCE: *Internet Gains on Television as Public's Main News Source*, Pew Research Center, January 2001

# Implications

- Power has shifted, irrevocably, to the *consumer*
- Traditional media organizations struggle to deal with that shift
  - “The Innovator’s Dilemma,” or ...
  - “The traditional medium overwhelms (innovation). And that always makes sense – until you’re dead.”
    - Clark Gilbert, former Harvard Business School professor, co-founder of Innosight consulting, now president of Deseret Communications, Salt Lake City
- *What’s still scarce?*

*Hint: Technology doesn’t change the number of hours in the day*

# Opportunity

- Change your large media organization
- Attack a large media organization via a nimble start-up using these disruptive forces