

THE HARMELIN MEDIA REPORT

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Celebrity Gossip by Gail Hillegass

Do you know who Sienna Miller is? If you answered, "Yes, she's a British actress," you're probably a casual observer of the entertainment industry.



If you answered, "She used to be engaged to Jude Law but broke it off after he was caught behav-

ing inappropriately with his kids' nanny, but now they might be back together," then you are likely a reader of gossip magazines.

Fear not, you are not alone. Our society's growing obsession with the lifestyles of the rich and famous has had a direct impact on the media industry, from the expansion of syndicated shows like *Entertainment Tonight* into cable network spin-offs with MTV and VH1, to the growing popularity of online gossip blogs such as defamer.com. However, America's obsession with the beautiful people has been a tremendous boost to the magazine industry, where celebrity weekly magazine titles and circulation continue to expand.

New titles such as *Inside TV* and *Celebrity Living* were launched in May 2005, joining newsstand companions *Life & Style*, *In Touch*, *Star*, *US Weekly* and the venerable *People*. To position themselves differently, the two new entries in this crowded marketplace claim to have a "softer" spin on celebrities. Instead of searching for celebrity scandal, they play nice and focus more

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The Challenge for Newspapers by Emily Orrell

A quick glance at the newspaper industry shows a grim reality. Statistics show a steady decrease in circulation and advertising revenue while simultaneously showing an increase in production costs. Online viewing of news through search engines, blogs, and websites have hurt newspapers' paid circulation. According to the Newspaper Association of America, in 2003 the daily circulation of U.S newspapers had fallen 13% from their peak in 1984. In September 2005, the Audit Bureau of Circulations reported that average weekday circulation decreased 2.6% and Sunday circulation decreased 3.1% in the latest six-month period. *The Wall Street Journal* wrote, "In 1985 newspaper advertising, adjusted for inflation, was \$43.04 billion, not much less than the \$44.94 billion reported in 2003." This equates to a less than stellar 4.4% real growth in 18 years or an incredibly low 0.2% average annual growth. Meanwhile, online community-based websites such as Craigslist.com generate one billion page views each month, and these new sites dominate with advertisers spending a cumulative \$1 billion in the first half of 2005 alone. Needless to say, this is not good news for the newspaper industry, especially when their shareholders are demanding higher profits. Pressure can be felt in markets like Philadelphia, where the *Inquirer* and *Daily News* are experiencing job buyouts and layoffs in an attempt to cut costs. One must ask the question – how does this happen to a medium that is such a standard for advertising? There are many differing opinions as to why newspapers are losing out to online competition. Some of newspapers' leading critics are asking – is this the end of the newspaper?

Many consumers feel that they should not pay for information that they can easily get for free. It does not make sense in the consumers' minds to pay a subscription fee for a print newspaper when they can view the same articles for free online. Some publishers have begun to charge their readers for online access to news articles in an attempt to increase revenue. However, this may not be the answer, as historically newspapers have always earned the bulk of their revenues through advertising dollars, not subscription fees. Just look at the numbers – for a publication such as *The Washington Post*, the current two-month daily and Sunday

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iPod Video Downloads - Headaches for Media? by Dana Smith

On October 13, 2005, consumers who had the new video-capable iPod were able to purchase for \$1.99 the brand new *Lost* episode only 24 hours after it aired on ABC. This was the result of a new deal between Apple and Disney, which allows Apple to offer past and current episodes of some of ABC's most popular shows, including *Lost* and *Desperate Housewives*. iPod users can purchase these shows through Apple's iTunes Music Store and watch them directly on their player. Users can also purchase an adapter that can transfer the show from an iPod to a TV or computer screen in order to get a larger picture.

ABC affiliates were not happy with the announcement of this deal, according to *The Wall Street Journal*. The ABC affiliates were not given an opportunity for financial participation in the new distribution method. Many are worried that TV viewership will decline if consumers can purchase new shows without commercials, which in turn will affect their main source of revenue -- advertising. If affiliates are not getting any of the profits for selling the shows on Apple's iTunes and they slowly lose advertising revenue due to a viewership decline, this will hurt the affiliates in the long run.

ABC is only the beginning. Apple is also in talks with NBC and the WB for similar deals. Once the ball gets rolling, other MP3 players, offered by companies like Sony and Microsoft, will follow suit. But there is no need for panic yet because we've heard this all before -- specifically, we heard similar dire warnings with the release of TiVo, Comcast's DVR and other television recording devices.

With the new video iPod, the fact that each show costs around \$2.00 is a major deterrent for many consumers. Basic channels are available on any television, which means that anyone can view a broadcast network show like *Lost* for free. The cost of the technology alone will also be a deterrent to consumers. The new video iPod ranges from \$299 to \$399, which does not include the adapter to transmit the video to a TV screen. Other accessories, such as a remote control or a universal dock can also add to the cost of an iPod. Are all of these costs really worth missing a few short commercials?

Some consumers may think the costs are worth it now, but history has shown that new technology takes a while to catch on. It took almost ten years for VCR costs to decline enough to become popular. While it may not take that long for the video iPod to catch on, network affiliates can breathe a sigh of relief at least for the near future, while they plan for more technological challenges that will come.

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on daily life, home décor, shopping habits, and favorite restaurants. *People* continues to stand above the pack, concentrating more on celebrity lifestyle pieces and real-world news than on the paparazzi shots and speculative gossip that its competitors sell. Despite the slight differences, each publication is chasing the same reader: female, average age of 31, well-educated, and making over \$75,000 a year.

There are not many variations on the theme from title to title. Each magazine pursues the same celebrities, as only certain stars are appealing enough to sell a magazine based solely on the cover. Most print the same paparazzi photographs and feature similar cover stories, varying by only a slight twist. On any given week, Brad Pitt-Angelina Jolie-Jennifer Aniston may be the focus of six different publications, with the only difference being each magazine's headline. However, an exclusive, much sought after photo, such as a shot of a new celebrity offspring, can fetch hundreds of thousands of dollars for the photographer and push that weekly to the top selling spot of the week.

Circulation does not seem to be affected by the oversaturation of the genre - *US Weekly* saw a 24% growth in circulation over the first half of 2005, increasing to an impressive 1.67 million. *In Touch* and *Star* also enjoyed healthy boosts. *People* magazine, the most profitable in the category, increased to 3.8 million circulation in the first half of 2005.

Many insiders predict that a fall-out looms on the horizon. As with most trends, demand will at some point peak, causing some titles to fold and others to sharpen focus into more niche publications. Another downfall could come from the growing aggressiveness of the paparazzi. Recent incidents have caused governments to consider tougher restrictions on these photographers, making it harder to get the shots that the public wants to see. Fewer pictures make it harder to fill pages, forcing the publications to become more dependent on editorial.



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subscription price is \$12, while a single black and white, quarter-page ad in its daily paper costs \$10,395. Rather, it may be assumed that charging fees for online news may actually irritate readers and make them run into the arms of competitors where resources are free.

Additionally, some say that consumers consider newspapers wasteful. Indeed, when *The Washington Post* held a focus group to determine the cause for its dropping circulation, the outcome showed that even if the subscriptions were free, participants would not want a daily newspaper. They simply do not like old newspapers cluttering their homes. This reason is certainly an advantage that an online news source can offer. Its users get the timely information of a newspaper, but without the hassle of its physical waste.

However, many dispute this as just too trivial to be a substantial reason for low newspaper circulation. Can newspapers be hurting simply because Americans are too lazy to make that second trip to the dumpster?

Another argument against newspapers is that the medium is failing to appeal to that demographic that so many marketers want to reach: the 18-34 year olds. This generation has been raised in the Information Age, where anything they desire to know is only a mouseclick away. A September 2004 study by the Online Publishers Association confirmed that while 46% of 18-34 year olds are apt to use the Internet, only 3% are likely to read a newspaper. It seems that newspapers' audience is getting older and older, failing to attract younger readers. This is the cause for the circulation decline. Yet if this is true, then it is not necessarily doomsday for newspapers, as an Internet-savvy population does not necessarily mean the end of print

resources. Instead, the Internet offers more options for the news-seeker, and it is critical for newspapers to examine what would draw younger audiences to their publications. For example, several newspapers are offering tabloid-style versions to attract the young crowd. The 18-34 year olds have already been greatly predisposed to newspapers - from watching their grandparents and baby boomer parents read the daily paper, or using their high school/college newspapers as a source for news and information relevant to them.

The numbers for newspapers right now do not look good, but that does not mean that all hope is lost. It means that a problem has been identified, and now is the time to work on a solution for it. A business in the 21st century must be flexible and open to change — and the newspaper business is no exception to this rule.

Around the Coffee Machine

A Completely Unscientific Survey of the Opinions of Harmelin Employees...
This Month's Questions

What new primetime show do you watch regularly?

My Name is Earl	26%
Prison Break	24%
Everyone Hate Chris	13%
Commander-in-Chief	13%
Invasion	13%
Reunion	13%
How I Met Your Mother	10%



What new primetime show pleasantly surprised you?

Prison Break	16%
My Name is Earl	13%

What new primetime show disappointed you?

Martha Stewart Apprentice	16%
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Wi-Fi in Philadelphia

by Cara Eskin

Technology has come a long way. Connecting to the Internet was first introduced through dial-up, a rather slow process having the computer connect to the Internet through a regular phone line. This slow process prohibited Internet users from downloading information in a timely manner. DSL came to the rescue with a faster dialing speed and an even faster speed came with the cable modem. As the technology advanced, costs to users increased (\$15-\$60 per month). That brings us to the latest thing on the Internet horizon — Wi-Fi.

Wi-Fi has taken many cities by storm and Philadelphia is on the brink. This universal and affordable broadband service is coming to Philadelphia via the internet provider Earthlink. Once completed, this will be the nation's largest broadband network. The proposal would exclude city tax dollars to initially implement the service. In fourth quarter of 2006, a 135-square-mile network will be available for inexpensive high speed Internet access (\$10-\$20 per month) and a competitive playing field for service providers. When this plan is complete, a percentage of users will switch to this option due to the attractive cost. The effect on Verizon and Comcast in Philadelphia cannot be determined in numbers at this point, but it would be naïve to say that there wouldn't be any at all. If Wi-Fi does follow through in cities across the country, current Internet providers will see a change as well.

With the city having wireless capability, urban planners believe that this will enhance Philadelphia's economy and have positive effects on its neighborhoods. Almost 50% of city residents do not have Internet access. With Wi-Fi, everyone will be connected. Businesses and schools will benefit from the increased technology. Visitors to the city will also have endless resources in communications during their visits, making it easier to get around, conduct business, or just see the sights. Garry Betty, Earthlink's president and chief operating officer, believes this project will expand Philadelphia's leadership position by using these new technologies to encourage migration to the city and expand the city's tourism and business climate.

Philadelphia has gained the attention of *National Geographic Traveler*. The magazine named the city of brotherly love the "Next Great City." Wi-Fi can help Philadelphia achieve it.

Harmelin Media Welcomes The Dancer Farm

Harmelin Media is pleased to announce that we've been appointed the media buying service for The Dancer Farm Bed and Breakfast Inn. The Dancer Farm is located in New Egypt, New Jersey on a 250-acre working farm in rural Ocean County, within one hour of Philadelphia. The farm features nature trails for walking and horseback riding, a massage center, vineyards, standardbred racehorse stables and a training facility, four bicycle loops ranging from 6 miles to 19 miles and the inn, a restored, elegantly rustic, 19th century farmhouse. Each of the guest rooms has been individually decorated and has a theme, such as 'The Vineyard' or 'The Lighthouse-Keepers Quarters.' Rooms include a private bath with a French massage tub, a private balcony with a spectacular view, fireplaces, cable TV, and Internet access. Guests are served a full country breakfast each morning.

Guests can choose from a variety of recreational activities and programs, including trips to art, culture, entertainment, ecology, shopping, and sporting events. Dancer Farm is developing on-site capabilities for offering horseback riding therapy to physically challenged children and adults and is also laying the groundwork for providing riding and boarding facilities for bed and breakfast guests. The Dancer Farm plans to open the Laurita Winery in 2006. Harmelin Media looks forward to a long-lasting relationship with The Dancer Farm.



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