

Changing Digital Media Behaviors, the Growth of Interactive Services and Traditional Media in Transition: A Critical Window of Opportunity for the Public Interest

*A Fact-Sheet from the Center for Digital Democracy*

*April 2008*

1. This year, two-thirds of the U.S. population—nearly 194 million Americans—are online. By 2012 this will grow to 217 million (71% of the country). Internet users in the U.S. averaged 15.3 hours per week online in 2007. Nearly half of young adults (18-24) are now online three or more hours each day.<sup>1</sup> Young people—so-called “*digital natives*”—have incorporated online communications into their sense of identity. Almost two-thirds of U.S. teens 12-17 create some form of content online.<sup>2</sup>
2. More than half of all U.S. Internet users now use broadband connections (159 million). By 2012, nearly 75% will be on broadband (204.3 million).<sup>3</sup>
3. African Americans and Hispanics will increasingly be online, with strong growth predicted during the next four years. By 2011, 61.5% of African Americans and 50.3 of Hispanic/Latinos will be online. Hispanics are using cell phone and mobile devices more than other groups (26 million Hispanic mobile subscribers in 2007). A March 2008 report noted that half of all English-speaking Hispanics daily use their cell phone for data communications.<sup>4</sup>
4. Marketers will spend \$198.00 per Internet user by 2011 in advertising and targeting campaigns.<sup>5</sup>
5. Ten U.S markets have more than 80% of adults online: Ann Arbor, Washington, DC, Colorado Springs, Boise, San Jose, Raleigh, Salt Lake, Portland, OR, San Francisco, and Atlanta.<sup>6</sup>
6. There will be a dramatic growth in accessing the “mobile web,” further contributing to an “anytime, anywhere” Internet. In 2007, 30 million people connected to the Internet via a mobile device in the U.S.<sup>7</sup> Some 62% of Americans have used mobile devices to access digital information.<sup>8</sup>
7. U.S. online advertising revenues will grow from \$21.1 billion (2007) to \$51 billion by 2012.<sup>9</sup> The growth of “local search” will create an important new

market for local online advertising (\$12.6 billion est. for 2008).<sup>10</sup> Global ad spending on social networks will increase by 81% in 2008, to \$2.2 billion.<sup>11</sup>

8. By 2011, the Internet will displace newspapers as the leading recipient of advertising revenues. Online ad spending will eclipse radio this year.<sup>12</sup>
9. Visits to online news and media sites in the U.S. increased 22% in February 2008 (compared to Feb. 2007), with growth seen during the last 36 months.<sup>13</sup>
10. By 2012, there will be 42.7 million homes with digital video recorders (Tivo, etc). That's 36.3% of the total TV household audience. There are currently 24.6 million DVR households (22% of all TV households).<sup>14</sup>
11. YouTube had 269 million monthly visitors worldwide in February, up 84% from the same month a year ago.<sup>15</sup>
12. There has been significant investment by venture capitalists in the social network and web 2.0 sector, accompanied by consolidation in the online advertising business (Google/DoubleClick, Microsoft/aQuantive, proposed Yahoo deal, WPP/24/7). Last year was a record year for media-related mergers and acquisitions, especially with the online media and marketing sector. There was slightly more than \$13 b worth of deals in the first quarter of 2008, outpacing the same period last year.<sup>16</sup> Corporate venture capitalists, invested \$1.3 b in 390 companies during the first half of 2007, a "30 percent rise from the previous year and the largest increase in six years."<sup>17</sup>
13. Facebook now has 68 million users worldwide. Rupert Murdoch's MySpace says it has over 110 million worldwide users. Disney acquired the youth-oriented Club Penguin virtual world for \$700 million last year. Last month Time Warner acquired teen social network Bebo for \$850 million.<sup>18</sup>
14. Google paid-out to its ad-selling content partners \$4.9 b in 2007 (traffic acquisition costs).<sup>19</sup>

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<sup>1</sup> U.S. Online Population. Lisa E. Phillips. eMarketer. Feb. 2008.

<sup>2</sup> *Teens and Social Media*. Amanda Lenhart, et al. Pew Internet & American Life Project. December 2007. [http://www.pewinternet.org/PPF/r/230/report\\_display.asp](http://www.pewinternet.org/PPF/r/230/report_display.asp); for impact of digital media on the psychosocial identity of youth, see, for example, the MacArthur Foundation book series [available for free download]: <http://mitpress.mit.edu/catalog/browse/browse.asp?btype=6&serid=170>

<sup>3</sup> Ibid.

<sup>4</sup> ibid. For a good overview of Hispanic market, inc. leadership in new media, download Advertising Age's "Hispanic Fact Pack. [http://adage.com/hispanic/article?article\\_id=119426](http://adage.com/hispanic/article?article_id=119426); *Mobile Access to Data and Information*. John Horrigan. Pew Internet & American Life Project. Match 2008. Available via: [http://www.pewinternet.org/PPF/r/244/report\\_display.asp](http://www.pewinternet.org/PPF/r/244/report_display.asp)

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<sup>5</sup> Phillips.

<sup>6</sup> Phillips.

<sup>7</sup> <http://www.comscore.com/press/release.asp?press=1432>

<sup>8</sup> *Mobile Access to Data and Information.*

<sup>9</sup> <http://www.marketingcharts.com/interactive/emarketer-lowers-us-online-ad-spend-forecast-by-16b-3923/emarketer-us-online-advertising-spending-2006-2012jpg/>

<sup>10</sup> <http://www.imediaconnection.com/content/18236.asp>

<sup>11</sup> <http://www.paidcontent.org/entry/419-slow-going-for-social-net-ad-revenues/>

<sup>12</sup> [http://www.vss.com/news/index.asp?d\\_News\\_ID=166](http://www.vss.com/news/index.asp?d_News_ID=166); <http://www.paidcontent.org/entry/419-zenithoptimedia-amid-growing-pressures-on-total-ad-growth-in-08-online/>

<sup>13</sup> <http://www.hitwise.com/press-center/hitwiseHS2004/newsmedia-us-feb.php>

<sup>14</sup>

[http://publications.mediapost.com/?fuseaction=Articles.showArticleHomePage&art\\_aid=79336&art\\_type=10](http://publications.mediapost.com/?fuseaction=Articles.showArticleHomePage&art_aid=79336&art_type=10)

<sup>15</sup> [http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticleHomePage&art\\_aid](http://publications.mediapost.com/index.cfm?fuseaction=Articles.showArticleHomePage&art_aid)

<sup>16</sup> Q1 2008 Media & Information Industries M&A Overview. The Jordan, Edmiston Group. April 1, 2008. Available as pdf via: <http://www.jegi.com/>

<sup>17</sup> <http://www.paidcontent.org/entry/419-competition-between-corporate-vcs-and-traditional-funders-heats-up/>

To get a sense of the Web 2.0 market, see the various publications covering investment and content creation in the US, UK, and Indian broadband markets (inc. mobile): <http://www.paidcontent.org/>; <http://www.moconews.net/>; <http://www.contentsutra.com/>; <http://www.paidcontent.co.uk/>

<sup>18</sup> <http://www.facebook.com/press/info.php?statistics>; <http://www.web-strategist.com/blog/2008/01/09/social-network-stats-facebook-myspace-reunion-jan-2008/>; <http://www.clubpenguin.com/press/070801-the-walt-disney->; <http://www.bebo.com/Press.jsp?PressPageId=6049510518> company.ht

<sup>19</sup> Google Annual Report 2007. p.71