

**Opening Statement of Chairman Greg Walden  
Subcommittee on Communications and Technology hearing on  
“State of the Media Marketplace”**

**September 27, 2018**

Good afternoon, and thank you to our witnesses for joining us today to talk about the rapidly-changing state of the media marketplace. It goes without saying that consumers in 2018 have unprecedented access to high-quality media content. From the smartphones in their pockets, Americans can watch hours of TV programming and YouTube videos, stream millions of songs and podcasts, and peruse endless hours of content on social media.

New platforms and variety in content have changed the way consumers spend their time and money, and the industry is responding accordingly.

The Energy and Commerce Committee has long conducted oversight on this topic, and a lot has changed over the years. In 2007, this committee held a media marketplace hearing and the topics of discussion were the DTV transition and traditional media platforms transitioning to access on the internet. That same year, Netflix announced the launch of its streaming service to compete with Blockbuster, the nation’s largest provider of video rentals at the time.

Fast forward to 2018, more people watch Netflix than any other cable network, and Blockbuster has closed nearly every one of its stores. I say nearly every one of its stores because there is one remaining Blockbuster in America and it happens to be in my district in Bend, OR. It could be pure coincidence, I’ll defer to our expert witnesses, but this

Blockbuster also brews its own beer. Talk about new business models in the video marketplace.

And it's not just the video market that has transformed. In the early 2000s, revenue from online music streaming was just a few million dollars. In 2017, Spotify alone reported almost \$5 billion in revenue. On-demand audio streaming now accounts for 54% of total audio consumption.

Ten years ago, smartphones were new to the market and Americans largely used their mobile devices for calling and texting. The deployment of modern wireless technology revolutionized the smartphone market, and today Americans spend on average about 3 hours a day on their mobile devices. Nearly every network, national newspaper, and major radio station has an app, and consumers have access to content anywhere, anytime.

Changes in how we interact with media has caused a ripple effect that impacts other industries. For example, the rise of over-the-top video streaming services have resulted in dramatic increases in demand for both fixed and mobile high-speed broadband. Online video consumption made up 69% of global internet traffic in 2017, and that number is expected to increase to 80% by the end of 2019.

Changing consumer habits have also had a profound effect on the advertising industry. Ten years ago, marketers used digital platforms to interact with potential customers, but advertising dollars were primarily spent on traditional platforms. Today, brands are investing more than a third of their advertising budgets in the digital space, while print and radio account for less than 10% of total ad spend. Much of this shift can be attributed to mobile and social media ads. Non-existent 15 years ago,

combined advertising through these mediums are expected to reach \$55 billion in 2019.

We have also seen unprecedented concentration in the ad space. In 2017, Google and Facebook dominated the U.S. digital market, taking in a combined 63% of total ad investment. In the U.S., no other digital ad platform has market share above 5%, and all signs indicate that this duopoly will continue to dominate the market.

While the rise of digital platforms have threatened traditional business models, there is no denying that evolving consumer habits and new market entrants have fueled a fiercely competitive media market. The largest traditional TV networks invest upwards of \$10 billion per year in non-sports programming. And billions of dollars of venture capital have been invested in content creation for online platforms.

While this is an exciting time for consumers, it can be an uncertain time for traditional media. We have an excellent panel of witnesses today who have followed the media market for decades, and I look forward to hearing their testimony.