

ECM 210 - Chapter 9

Online Content and Media

Online Content

- Two major categories
 - Print industries
 - Online entertainment industries
- Generated \$15 billion in 2012

Content Audience and Market

- Average American adult spends 4,200 hrs/yr consuming various media
- 2012 media revenues: \$488 billion
- Over 77% of the hours spent consuming TV, radio, Internet
- 2.8 hrs/day on Internet
- Internet usage doesn't reduce TV viewing

Internet and Traditional Media

- Cannibalization vs. complementarity
 - Does time on Internet reduce time spent with other media?
 - Books, newspapers, magazines, phone, radio
- Internet users
 - Spend relatively less time with traditional media
 - Consume more media of all types than non-Internet users
- Multimedia—reduces cannibalization impact for some visual, aural media

Digital Content Delivery Models

- Online content delivery revenue models
 - Subscription
 - A la carte
 - Advertising supported (free/freemium)
- Free content can drive users to paid content
- Users increasingly paying for high-quality, unique content

Free or Fee?

- Early years: Internet audience expected free content but willing to accept advertising
 - Early content was low quality
- With advent of high-quality content, fee models successful
 - iTunes
 - 80 million buy from legal music sites
 - YouTube cooperating with Hollywood production studios

Digital Rights Management (DRM)

- DRM: Technical and legal means to protect digital content from unlimited reproduction and distribution
- Cloud-based/streaming services make traditional DRM software less necessary
- Apple and Amazon use “walled garden” to prevent sharing of content from their devices

Online Publishing Industry

- \$82 billion based originally in print, moving rapidly to Internet

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- Three segments
 - Online newspapers
 - E-books
 - Online magazines

Online Newspapers

- Most troubled segment of publishing industry
 - Failure to protect content from free distribution
 - 60% have reduced news staff
- However:
 - Online readership growing at over 10%
 - Mobiles, tablets provide new avenues
 - More users willing to pay for premium content
 - Aggregators are recognizing need for high-quality content to distribute and use for advertisements

Newspaper Business Models

- Initially fee-based, then free, and now beginning a return to fee-based
- Newspaper headlines are primary content on Google News, Yahoo News
- *New York Times* now charging for premium access
- Newspaper efforts to ally with Internet titans
- New reader devices with reader apps

E-books and Online Publishing

- E-book sales have exploded in recent years—\$4.2 billion in 2012
- New channel for self-publishing authors
 - Amanda Hocking's *My Blood Approves* (2010)
- Evolution
 - Project Gutenberg (1970s)
 - Voyager's books on CD (1990s)
 - Adobe's PDF format

New Digital Ecosystems

- E-book hardware, software, combined with online megastores
 - Amazon Kindle: Linked to Amazon store and cloud storage
 - Apple iPad: Multipurpose tablet, linked to Apple stores
- Authors able to bypass traditional agent, publisher channels
- DRM more effective than for music industry

Challenges of E-book Platform

- Cannibalization
 - Fewer physical sales
 - More e-book sales, more purchases of readers
- Finding the right business model
 - Wholesale model
 - Retailers pay wholesale price and establish retail price

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- Agency model
 - Distributor as agent must charge publisher's retail price
- Converging technologies
 - Interactive books
 - iBook Author, iBook Textbooks

Magazines Rebound

- Magazine circulation plummets 1980–2012
 - Rise in online video and online news readership, and increases costs of color printing,
 - 2001: 22 million
 - 2011: 11 million
- 2012: Digital magazine readership doubled to 3.29 million copies
 - Tablets a major factor
- Magazine aggregators

Online Entertainment Industry

- Four traditional players, one newcomer
 - Television
 - Radio broadcasting
 - Hollywood films
 - Music
 - Video games (new arrival)

Online Entertainment Industry

- Internet is transforming industry
 - Platform development
 - Smartphones, tablets, music platform
 - Online streaming and cloud storage
 - Social networks as distributors
 - Viable business models
 - Music subscription services
 - Closed platforms that eliminate need for DRM
 - Widespread growth of broadband

Online Entertainment Audience Size

- Online “traditional” entertainment
 - Online video has largest audiences, followed by music, games
- User-generated content
 - Substitutes for and complements traditional commercial entertainment
 - Two dimensions
 - User focus
 - User control
 - Sites that offer high levels of both will grow

Television and Premium Video

- TV industry transitioning to new delivery platforms

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- OTT: Over-the-top (Internet) delivery
- Three factors in TV industry transformation
 - Broadband penetration
 - New mobile platforms
 - Willing industry with library of high-quality content
- Social network influences

Movies

- Mobile and tablet growth fueling demand for online movies
- Unlike music industry, no one distributor dominates
- Three types of online movie sales
 - Subscription video on demand (SVOD)
 - Transactional video on demand (TVOD)
 - Electronic sell-through
- Reduced DVD sales
- Release windows system

Music

- Most changed of content industries
 - Move from physical to digital product
 - Unbundling of single songs
 - Distributor market dominated by Apple
- Digital revenues account for majority of all revenues (52%) for first time in 2011
- Streaming services—fastest growth
 - Variety of revenue models

Games

- Online gaming has had explosive growth
- Types of online gamers
 - Casual
 - Social
 - Mobile—fastest growing market
 - Console
- Business models in flux
 - Most online/mobile games offered for free