

E-commerce 2014

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Chapter 10

Online Content and Media

e Commerce Course :

Parts of Chapters

1.1 & 1.2,

5.1

8.1, 8.2 & 8.3

10.1

Complete Chapters

2, 3, 4, 6, 7 and 9



Trends in Online Content, 2013–2014

- **Vertical integration: Distributors enter content production business**
- **Netflix transitions to TV show distribution**
- **The mobile platform accelerates the transition to digital content**
- **E-book sales grow rapidly**
- **Digital music sales top physical sales**
- **Console games stagnate as online, social, casual games soar**



Trends in Online Content (cont.)

- **Four Internet titans compete for ownership of online content ecosystem: Apple, Google, Amazon, and Facebook**
- **YouTube launches 100 entertainment channels**
- **Internet content challenges cable TV for home viewing**
- **Revenues from online media are the fastest growing media revenues**



Content Audience and Market

- **Average American adult spends 4,500 hrs/yr consuming various media**
- **2013 media revenues: \$526 billion**
- **More than 77% of the hours spent consuming TV, radio, Internet**
- **Desktop and mobile use: 4.6 hrs/day**
- **Internet usage doesn't reduce TV viewing**



Media Consumption

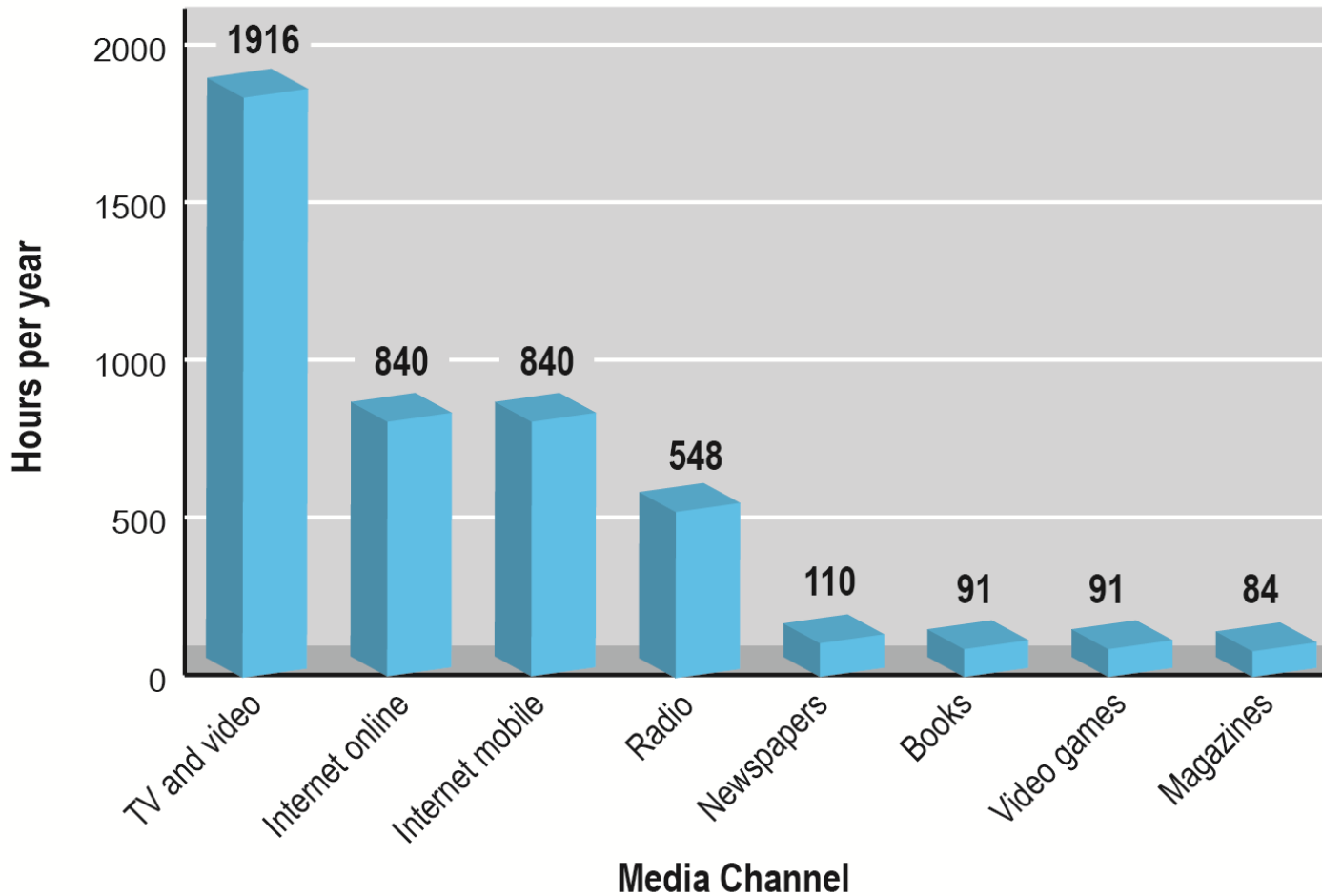


Figure 10.1, Page 632

SOURCE: Based on data from eMarketer, Inc., 2013a, authors' estimates



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
- ❖ Often “multitask” with media consumption

■ Multimedia—reduces cannibalization impact for some visual, aural media



Media Revenues by Channel

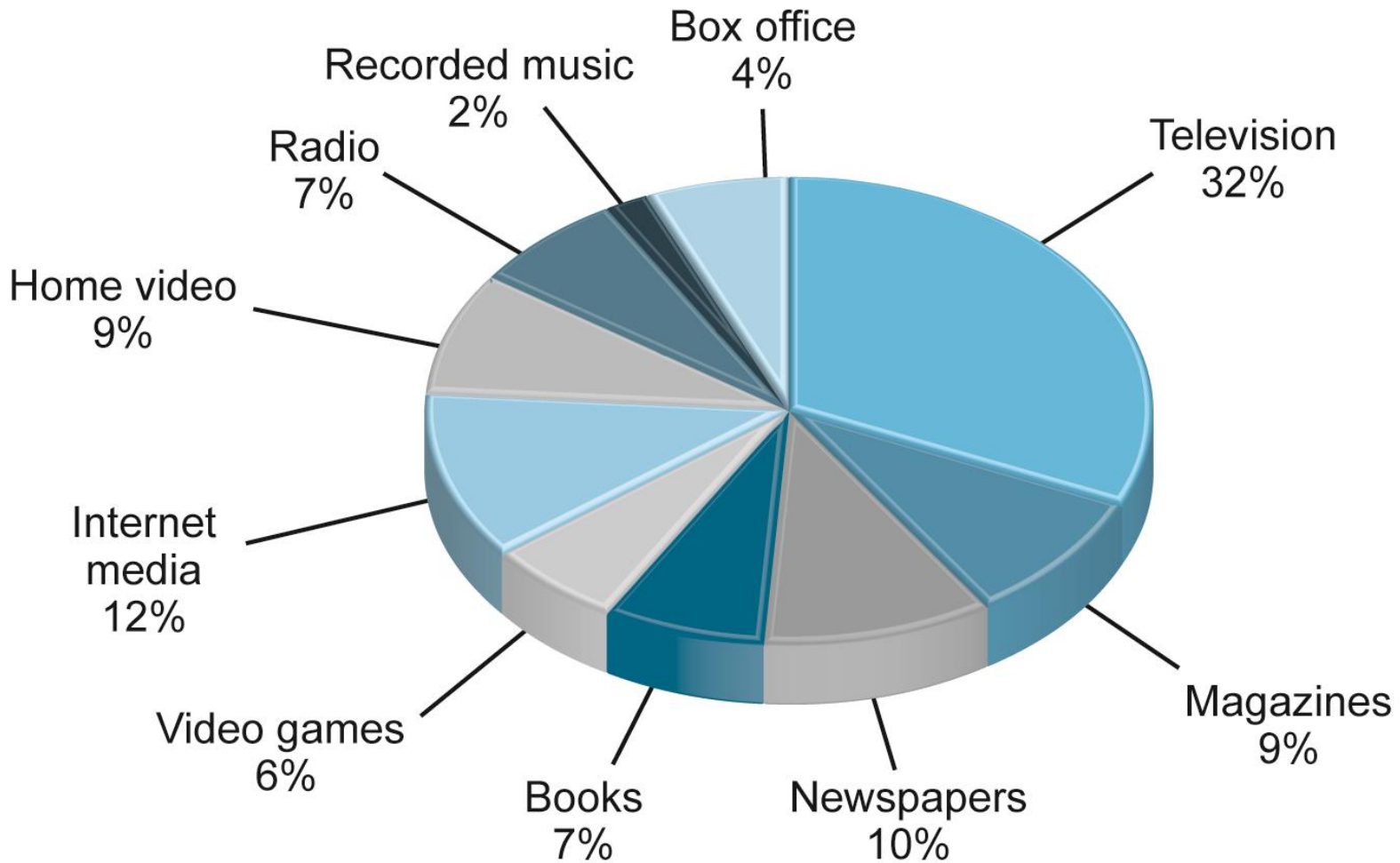


Figure 10.2, Page 634

SOURCE: Based on data from industry sources; authors' estimates.



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**

Online Content Consumption 2012

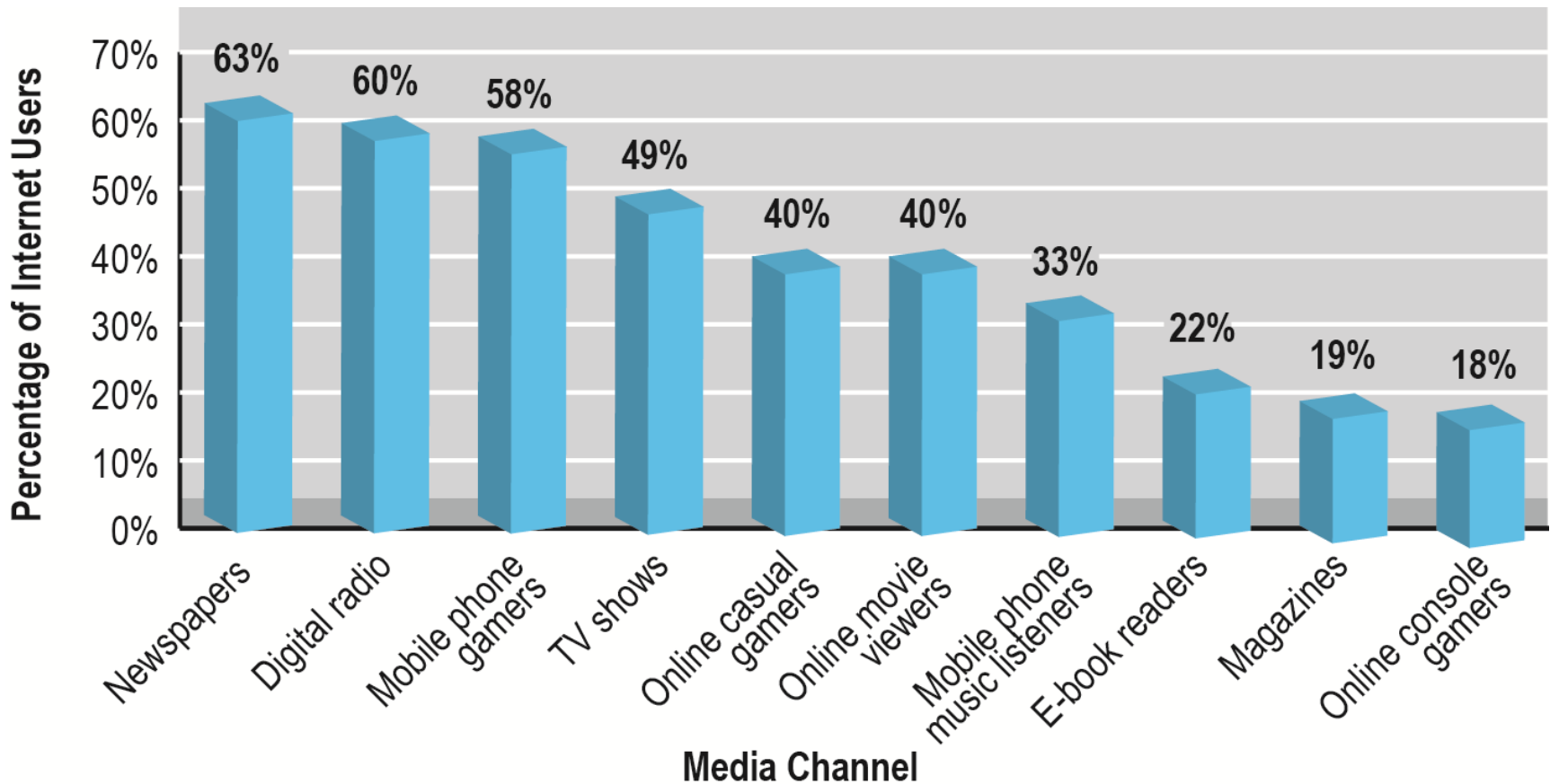


Figure 10.3 Page 650

SOURCE: Based on data from eMarketer, Inc., 2013b; industry sources; authors' estimates.



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**
- **Issue often cast as moral contest**
- **Telecommunications and device industries benefit from increased traffic**
 - ❖ 23% of global Internet traffic is stolen material



Media Industry Structure

■ Three separate segments

- ❖ Print
- ❖ Movies
- ❖ Music

■ Each dominated by few key players with little crossover

■ Larger media ecosystem

- ❖ Millions of individuals, entrepreneurs
- ❖ Blogs, YouTube, independent music bands, and so on



Media Convergence

■ Technological convergence

- ❖ Hybrid devices

■ Content convergence

- ❖ Three aspects: Design, production, distribution
- ❖ New tools for digital editing and processing

■ Industry convergence

- ❖ Merger of media enterprises into firms that create and cross-market content on different platforms



Convergence and the Transformation of Content: Books

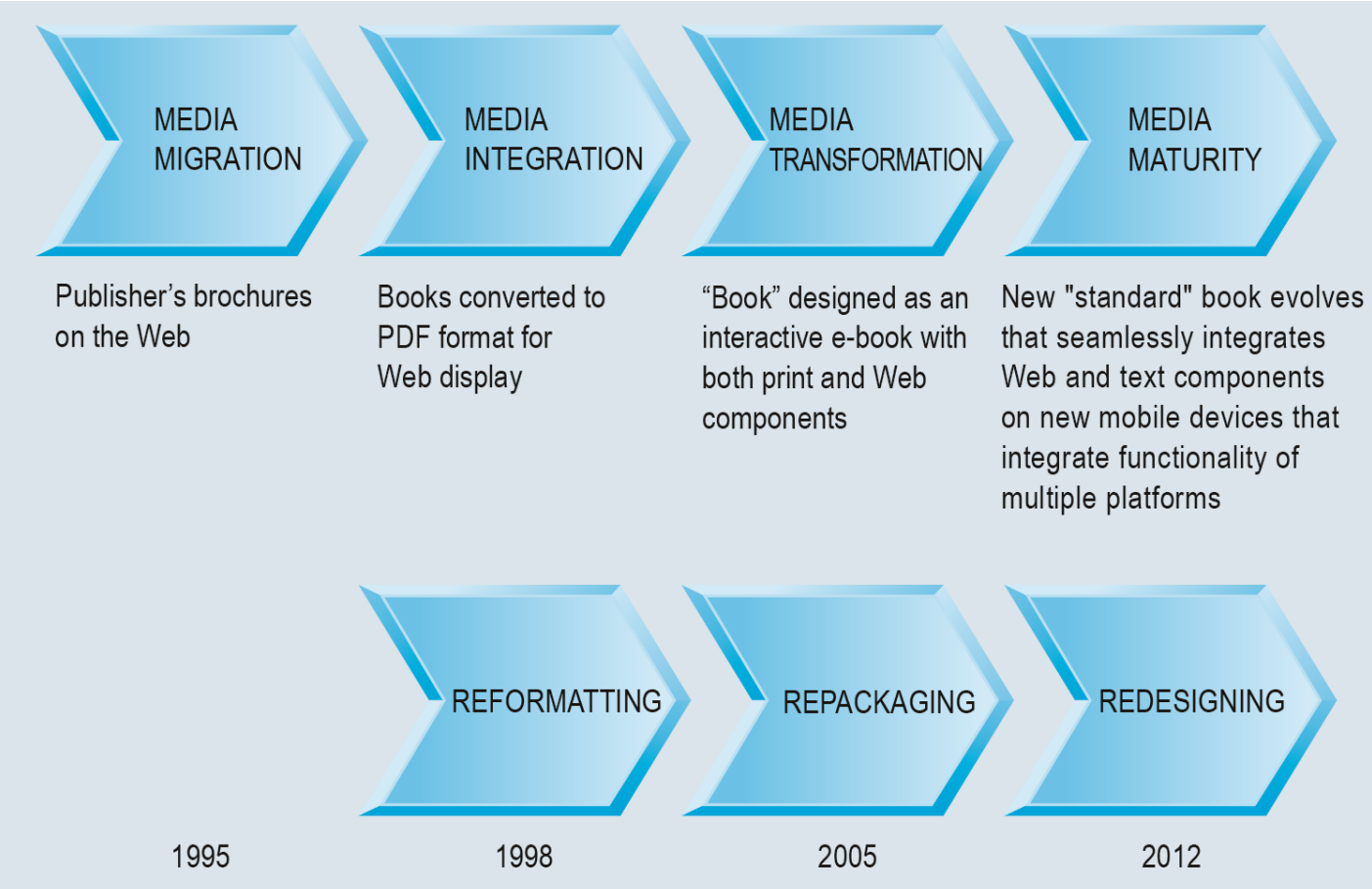


Figure 10.6, Page 641



Making a Profit with Online Content

- **25% users will pay for some content**
- **Four factors required to charge for online content**
 - ❖ Focused market
 - ❖ Specialized content
 - ❖ Sole source monopoly
 - ❖ High perceived net value
 - Portion of perceived customer value that can be attributed to fact that content is available on the Internet