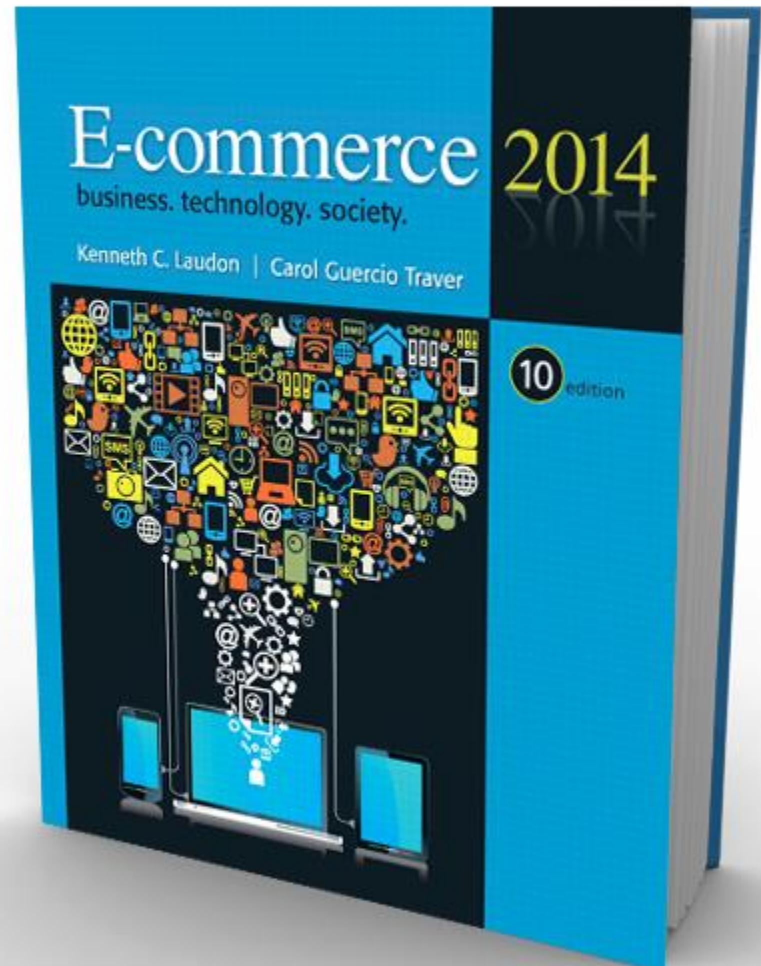

E-commerce 2014

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tenth edition

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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

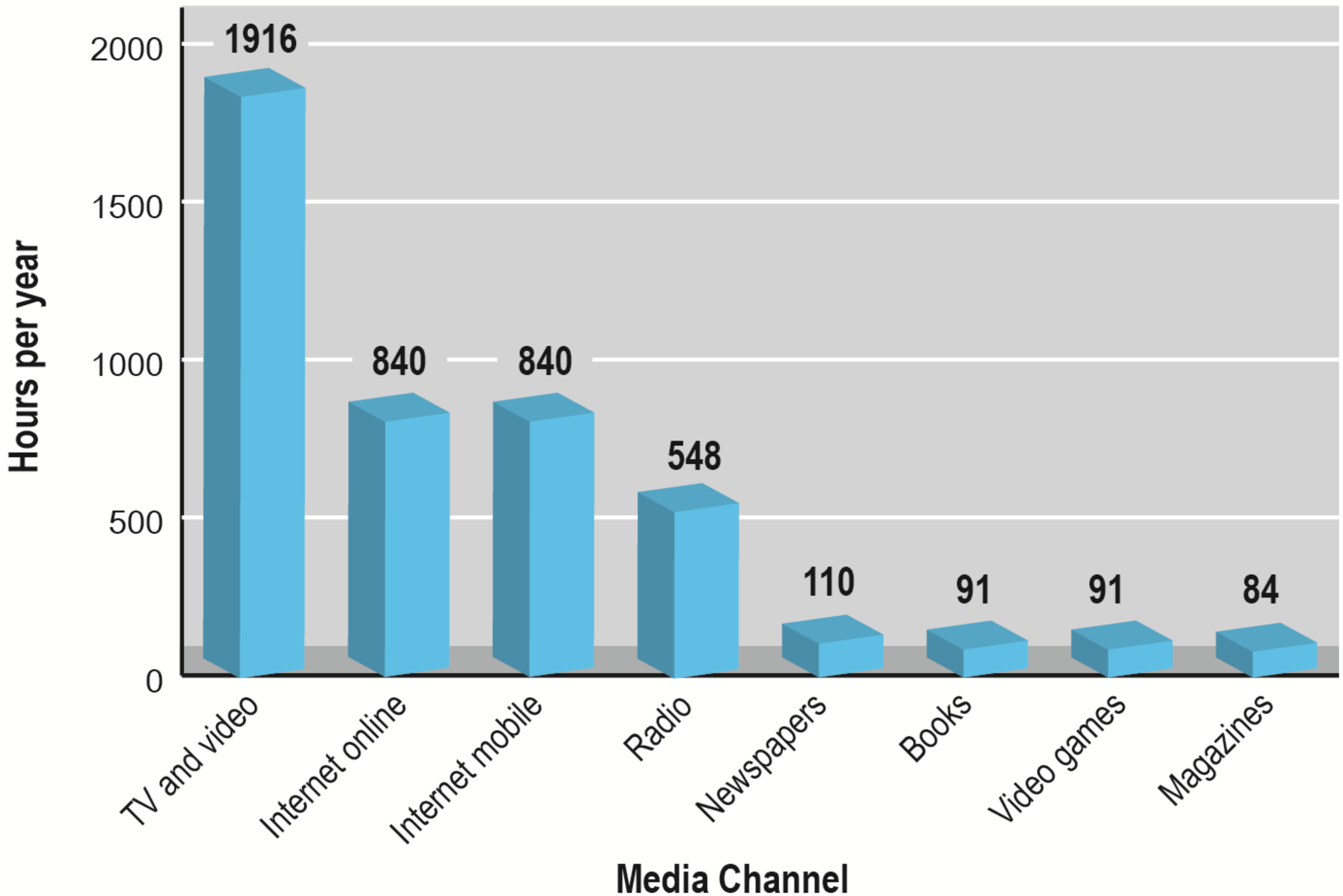

Figure 10.1, Page 632

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

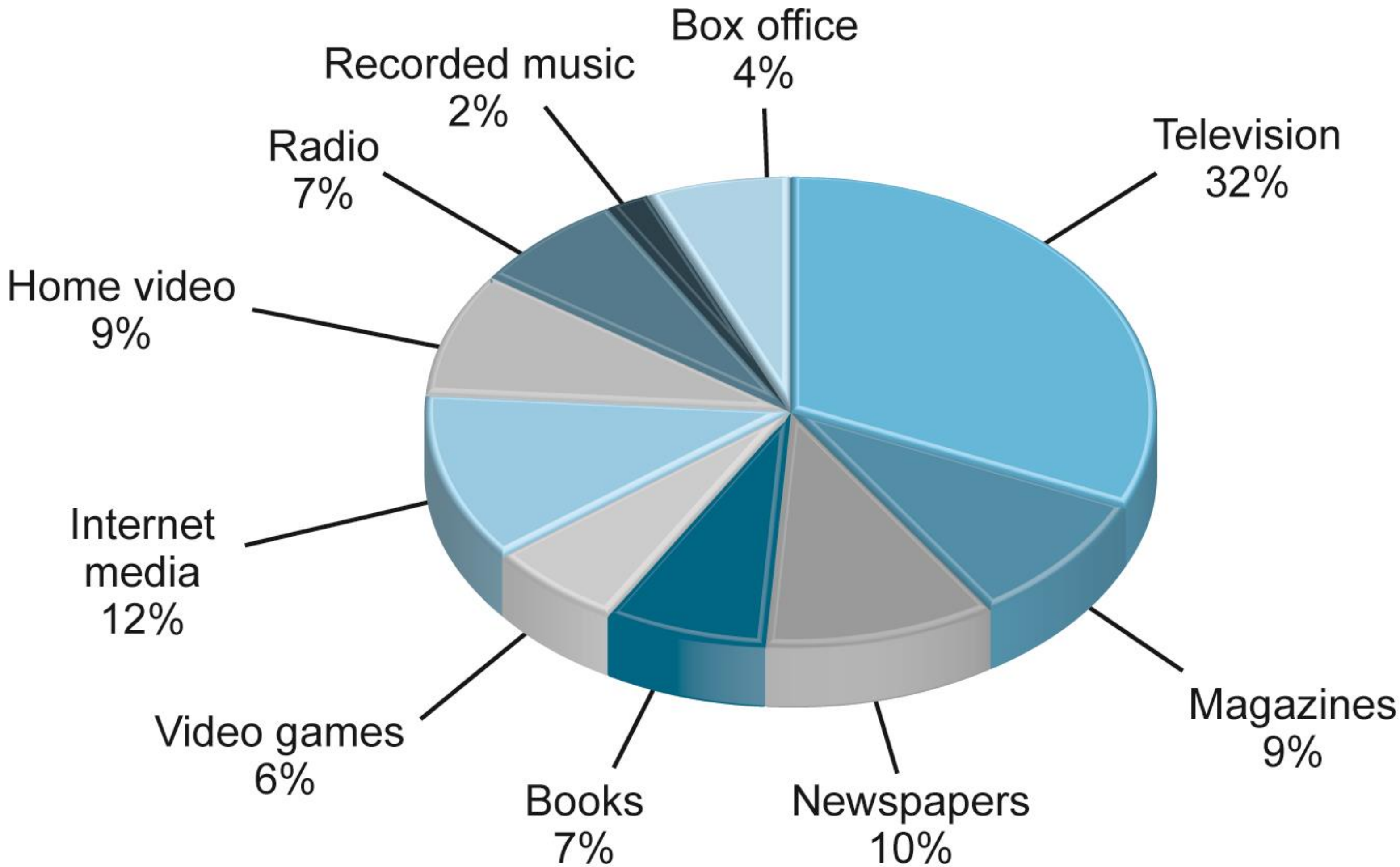

Figure 10.2, Page 634

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

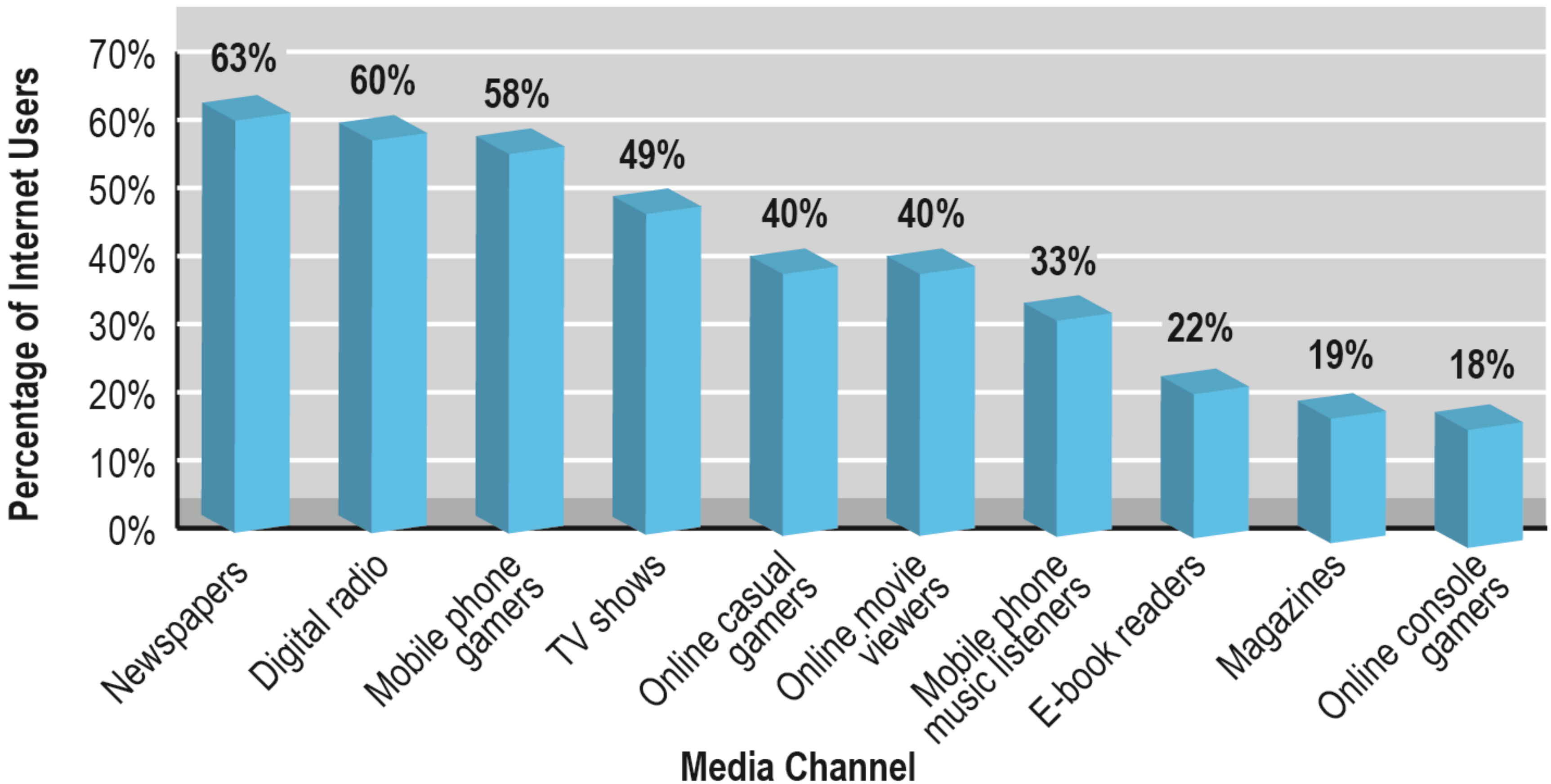

Figure 10.3 Page 650

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

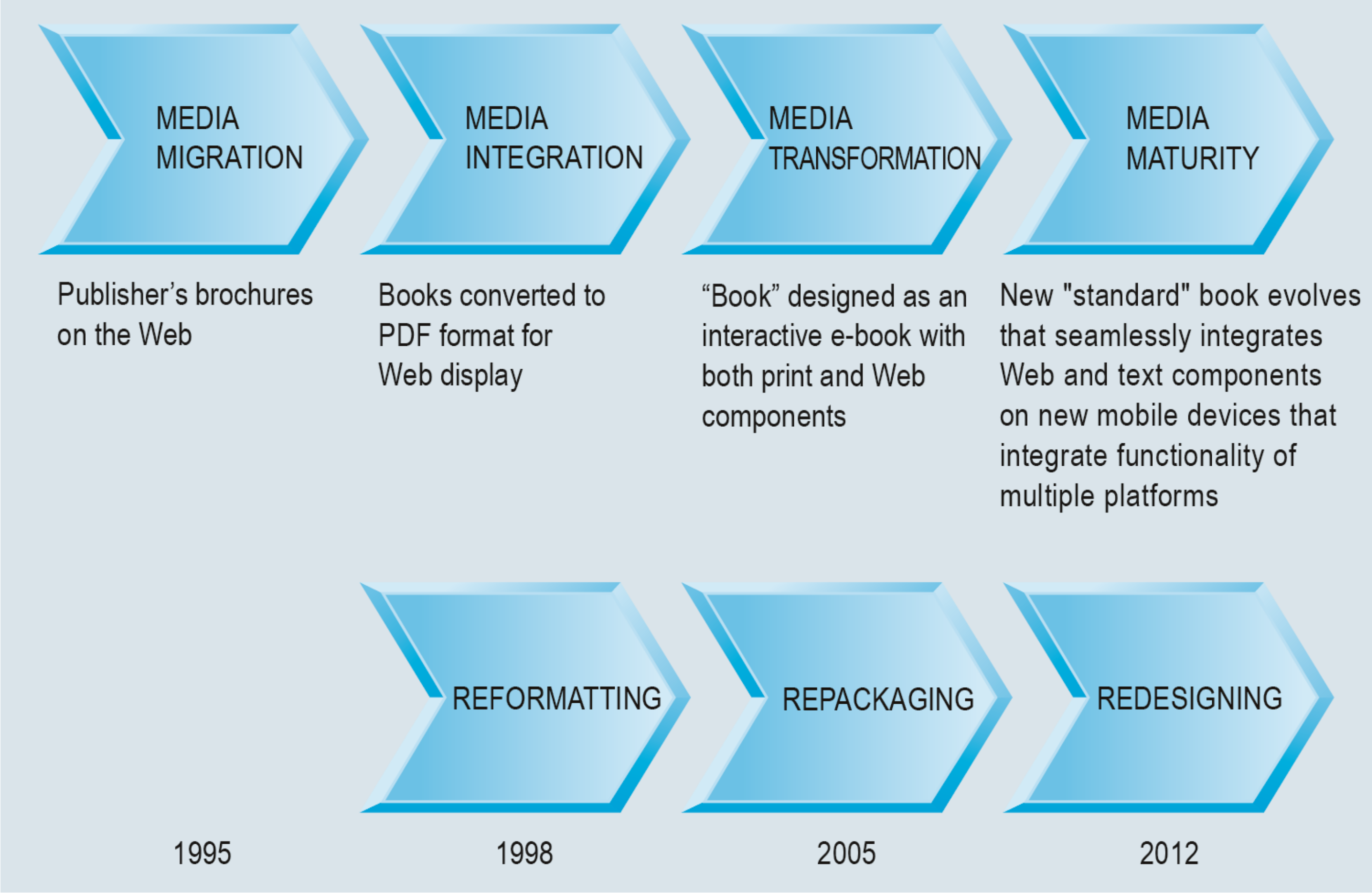

Figure 10.6, Page 641

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