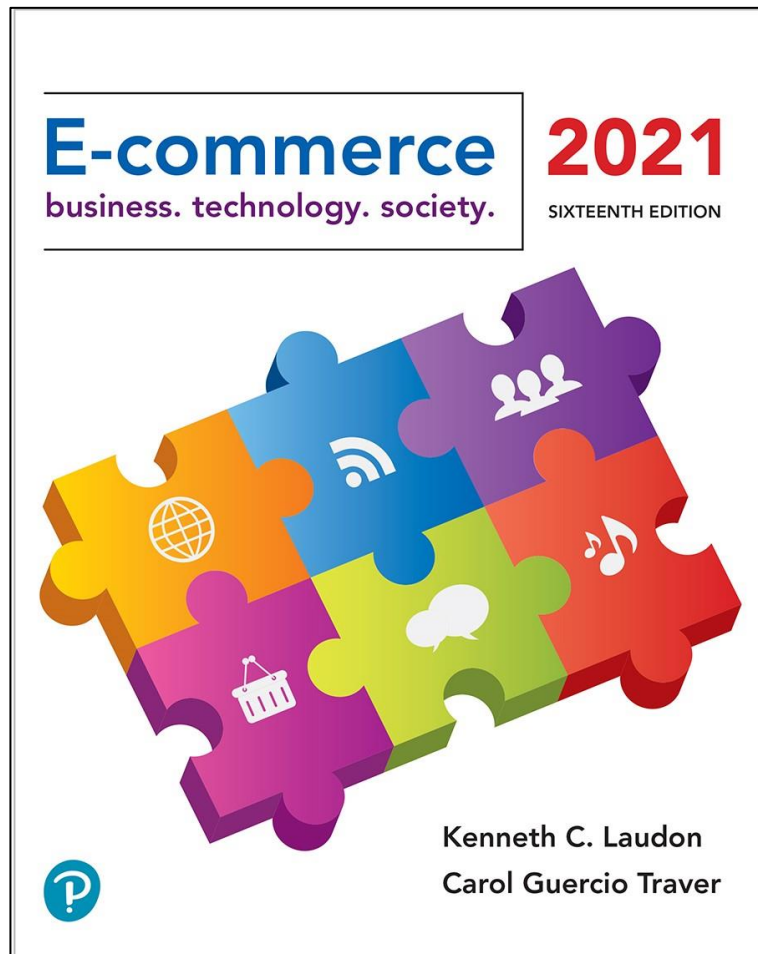# E-commerce 2021: Business. Technology. Society.

Sixteenth Edition

Chapter 09

Online Content and Media

Learning Objectives

9.1 Understand the major trends in the consumption of media and online content, the major revenue models for digital content delivery, digital rights management, and the concept of media convergence.

9.2 Understand the key factors affecting the online publishing industry.

9.3 Understand the key factors affecting the online entertainment industry.

The "Internet Broadcasting System" Goes Primetime

- Class Discussion
    - Do you subscribe to any online video streaming services? If so, which ones?
    - What sites have given you the best overall viewing or entertainment experience, and why?
    - What are the advantages of watching traditional television over watching online TV and films?

Trends in Online Content

- Covid-19 pandemic increases time spent with media but challenges online content business models as advertising revenue falls.

- Mobile platform accelerates the transition to digital content

- Tech companies become significant players in content production business

- E-book sales growth slows

- Digital music sales top physical sales

- Cloud services serves huge market for mobile content

- Time spent with digital media exceeds time spent with TV

Content Audience and Market

- Average American adult spends almost 5,000 hours/year consuming various media

- Time spent with digital media accounts for about 55% of total media time spent.

- Desktop and mobile use: 7.5 hours/day

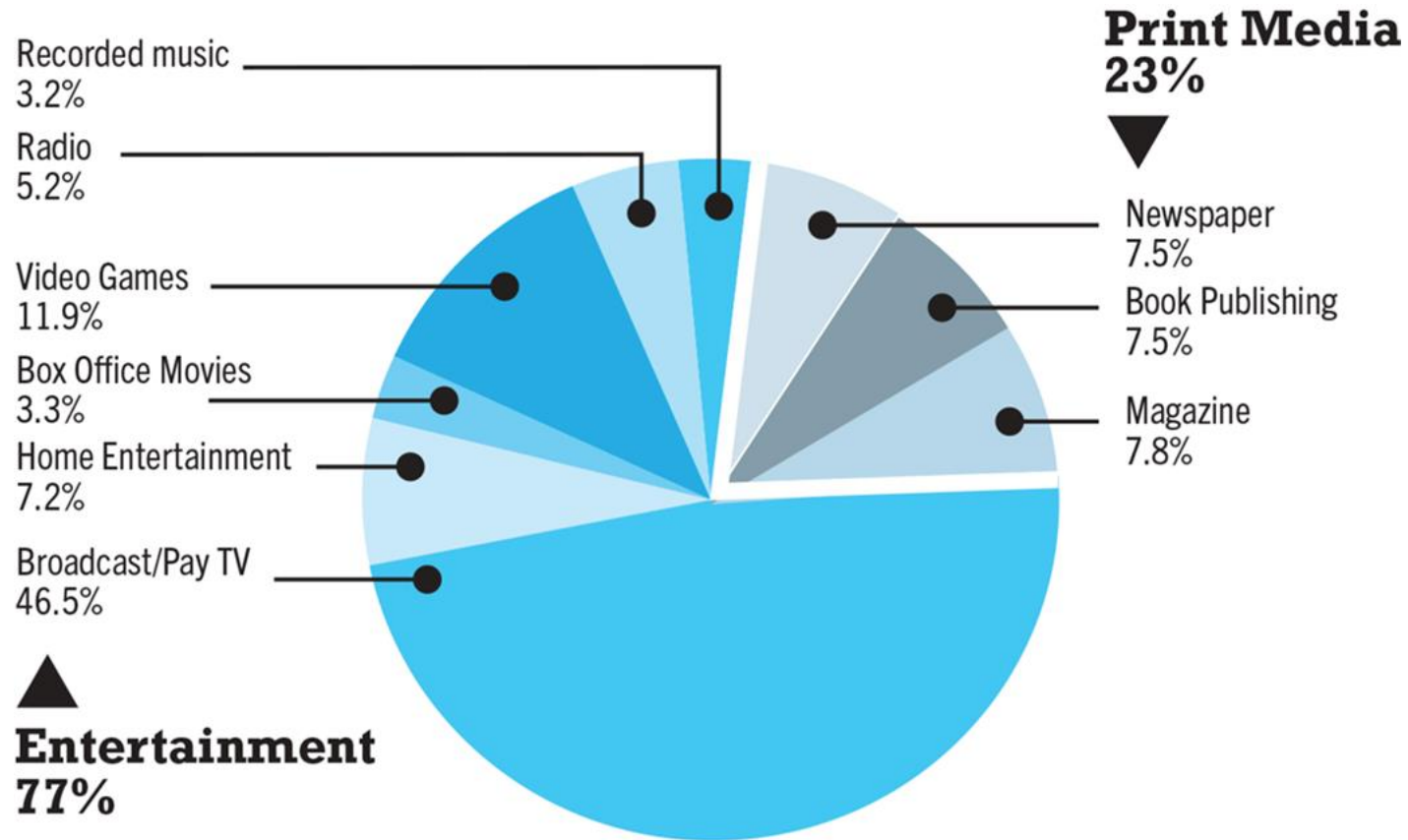# Figure 10.1 Annual Media Consumption in the United States
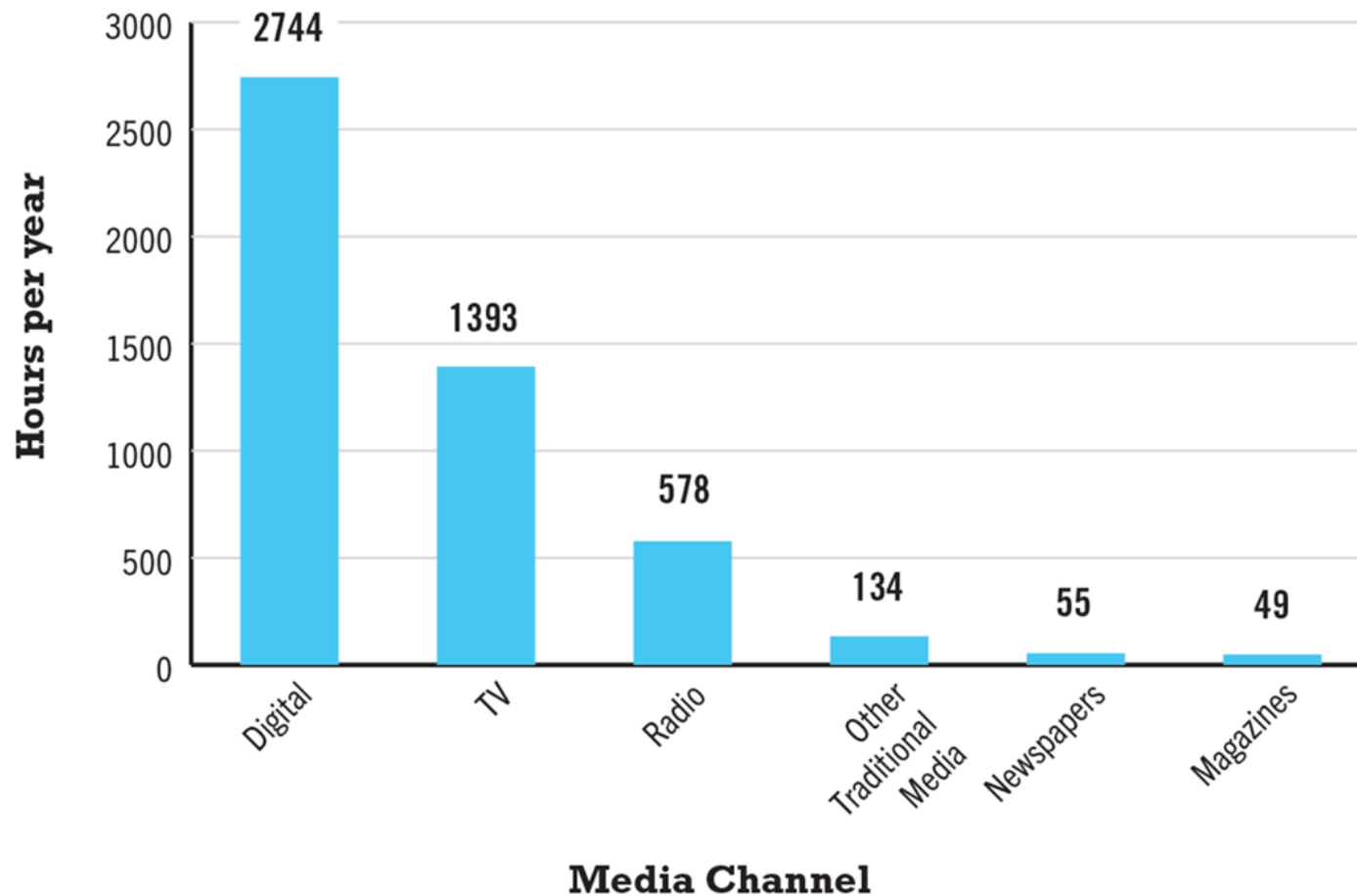
Insight on Society: Are Millennials Really All That Different?

- Class discussion:
  - What are some of the defining socioeconomic and behavioral patterns of Millennials?
  - In what ways does evidence contradict stereotypes about Millennials' behavior patterns?
  - Why are Millennials so sought after by advertisers?
  - Do you self-identify as a Millennial? Why or why not?

Internet and Traditional Media

- Cannibalization versus complementary
  - Does time on Internet reduce time spent with other media?
  - Massive shift of audience to Web, tablets, smartphones
- Television viewing, music consumption remains strong, reading has increased
- Impact of Internet:
  - Increase in total demand for media, including traditional products like books
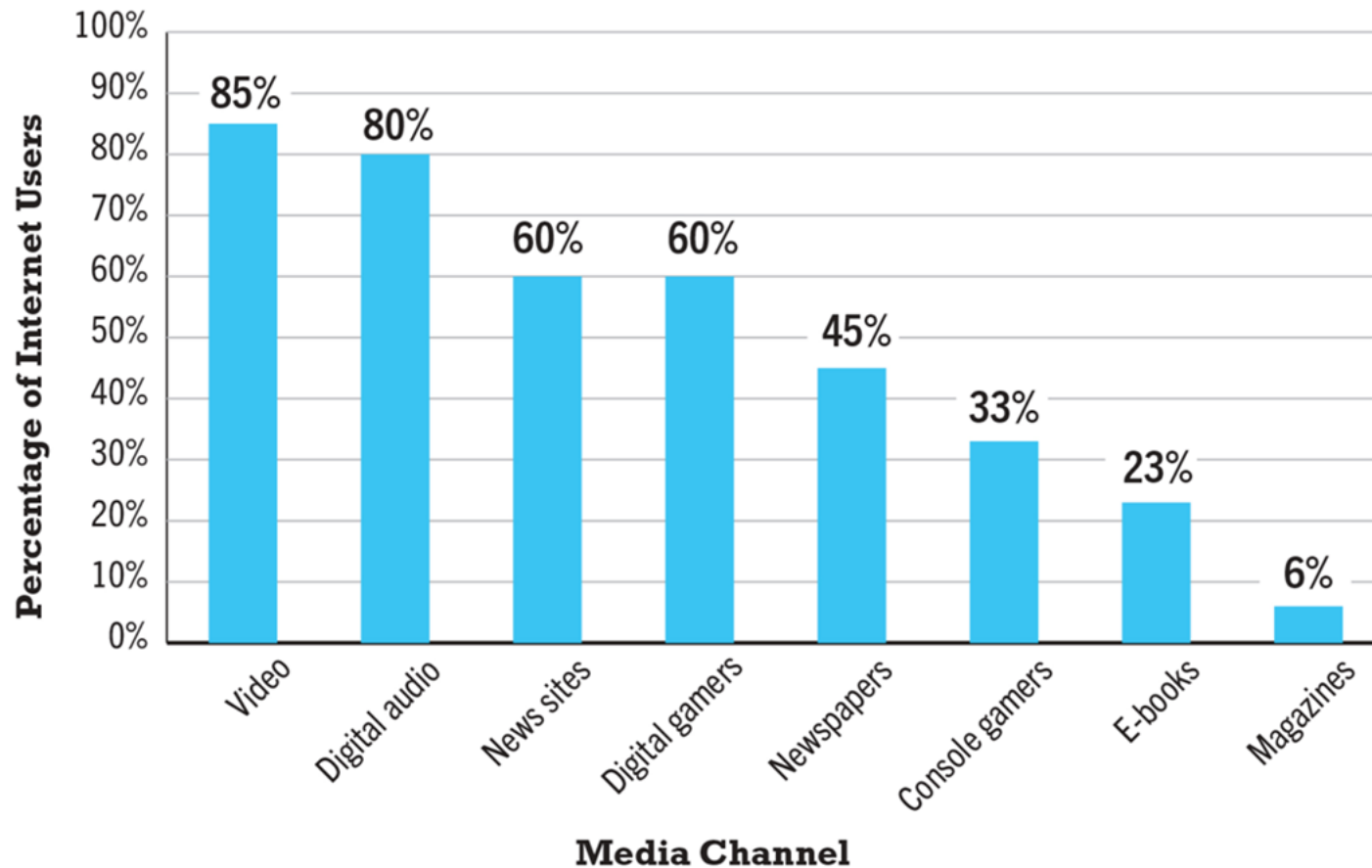 - Physical products replaced by digital

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Figure 10.2 U.S. Media Revenues by Channel

Recorded music 3.2%

Radio 5.2%

Video Games 11.9%

Box Office Movies 3.3%

Home Entertainment 7.2%

Broadcast/Pay TV 46.5%

▲ Entertainment 77%

Print Media 23% ▼

Newspaper 7.5%

Book Publishing 7.5%

Magazine 7.8%

Digital Content Revenue 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

Figure 10.3 Online Content Consumption in the United States

Bar chart titled "Percentage of Internet Users" (y-axis) versus "Media Channel" (x-axis):

- Video: 85%
- Digital audio: 80%
- News sites: 60%
- Digital gamers: 60%
- Newspapers: 45%
- Console gamers: 33%
- E-books: 23%
- Magazines: 6%

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
  – Millions of users buy from legal music sites
  – YouTube cooperating with Hollywood and New York film production studios

Digital Rights Management (DRM)

- Technical and legal means to protect digital content from unlimited reproduction and distribution

- DRM hardware and software encrypts content

- Streaming content
  - Difficult to copy
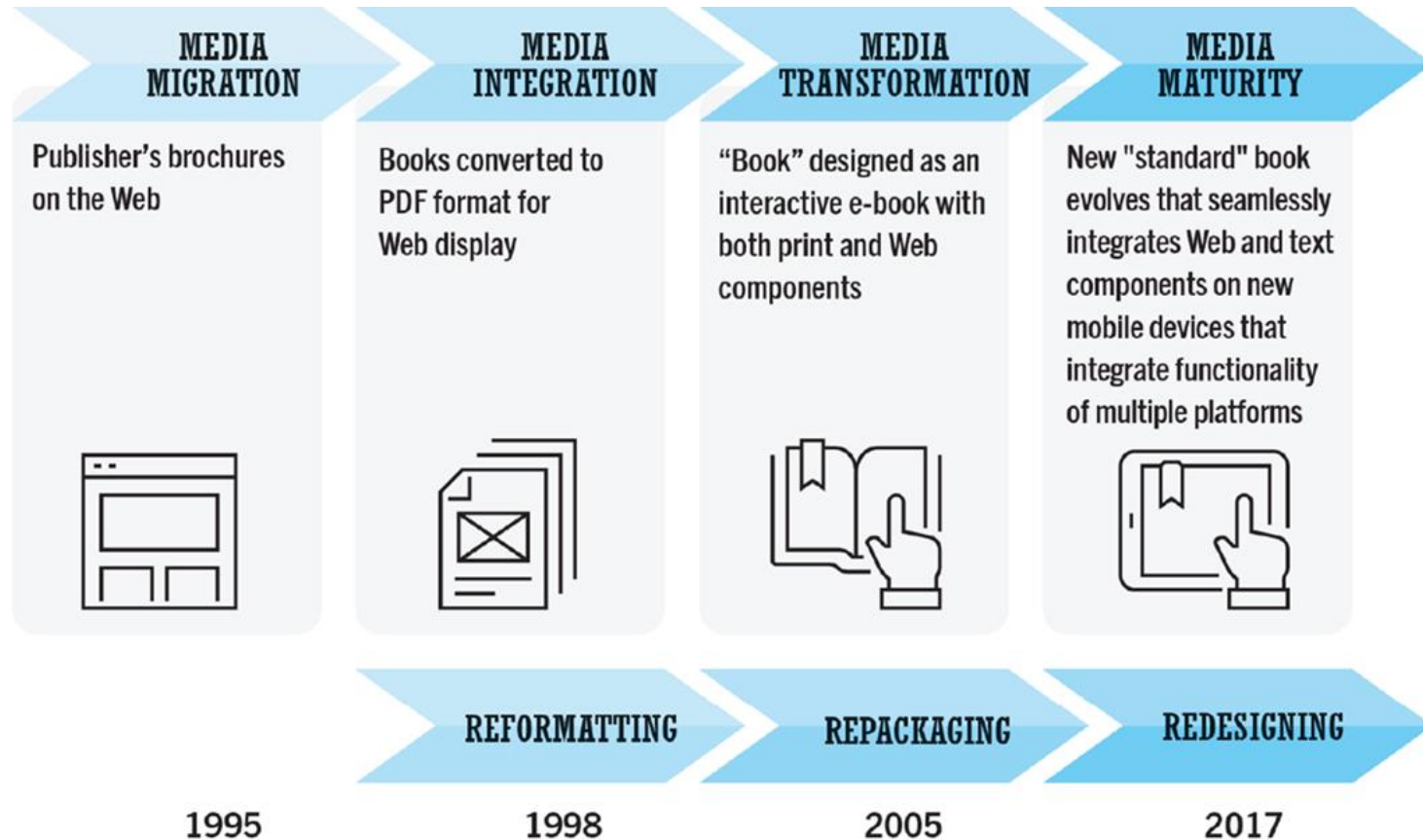 - Walled garden

Media Industry Structure

- Three separate segments
  - Print
  - Movies
  - Music

- Each dominated by few key players with little crossover

- Delivery platform firms now becoming content producers
  - Comcast's acquisition of majority interest in NBC Universal
  - AT&T's merger with Time Warner
  - Verizon's purchase of AOL and Yahoo

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

Figure 10.5 Convergence and the Transformation of Content: Books

MEDIA MIGRATION	MEDIA INTEGRATION	MEDIA TRANSFORMATION	MEDIA MATURITY
Publisher's brochures on the Web	Books converted to PDF format for Web display	"Book" designed as an interactive e-book with both print and Web components	New "standard" book evolves that seamlessly integrates Web and text components on new mobile devices that integrate functionality of multiple platforms

	REFORMATTING	REPACKAGING	REDESIGNING
1995	1998	2005	2017

Online Publishing Industry

- $80 billion based originally in print, moving rapidly to Internet

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

Online Newspapers

- Most troubled segment of publishing industry
  - Revenues shrunk from $60 billion in 2002 to about $26 billion in 2019

- Four factors in decline
  - Growth of Web, mobile devices as alternative medium
  - Alternative digital sources for news
  - Failure to develop suitable new business models
  - Rise of social media and role of directing traffic to newspaper content

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Figure 10.6 Newspaper Revenues 2000–2019
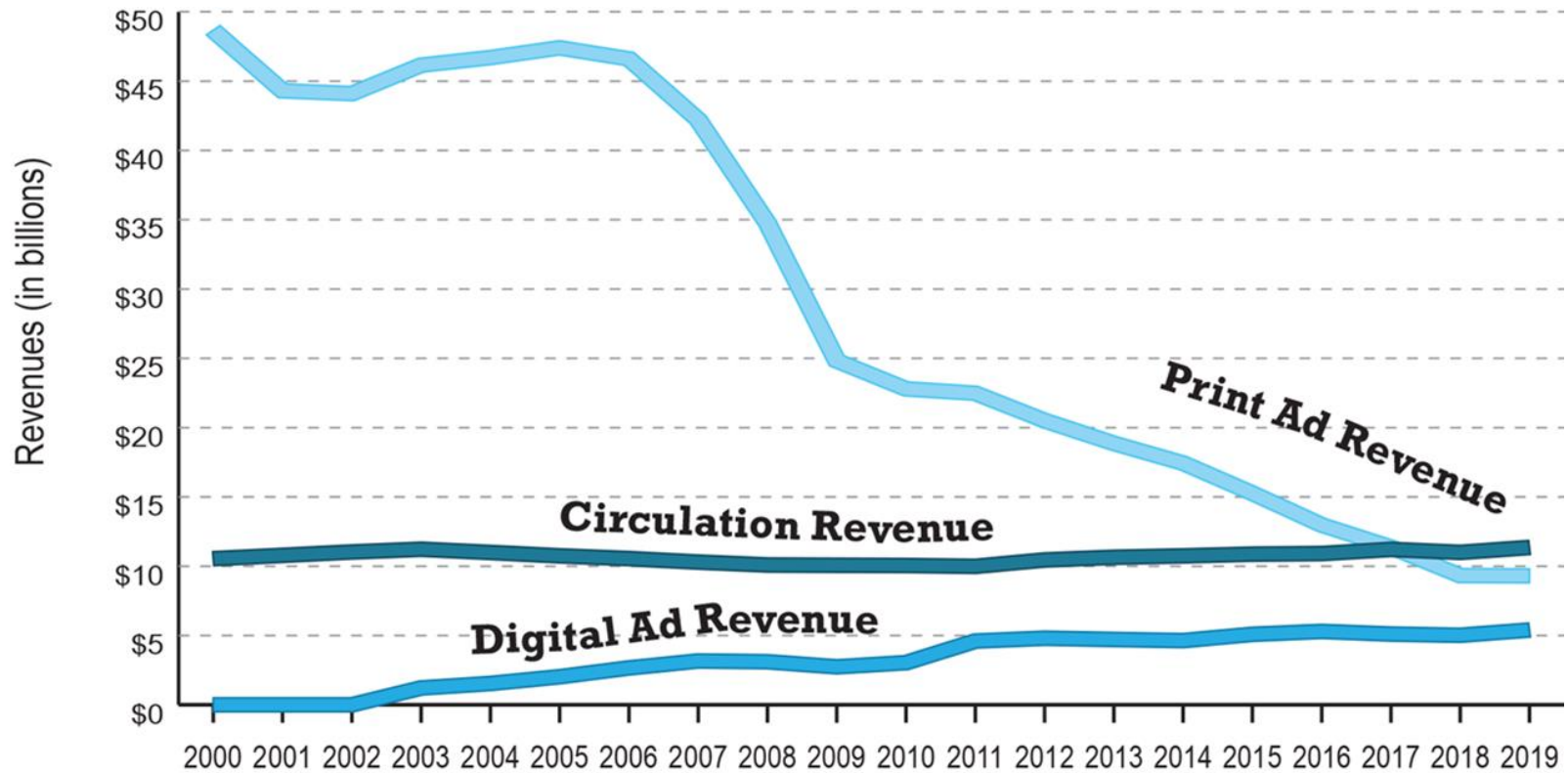
Figure 10.7 Online Newspaper Models 1995–2020
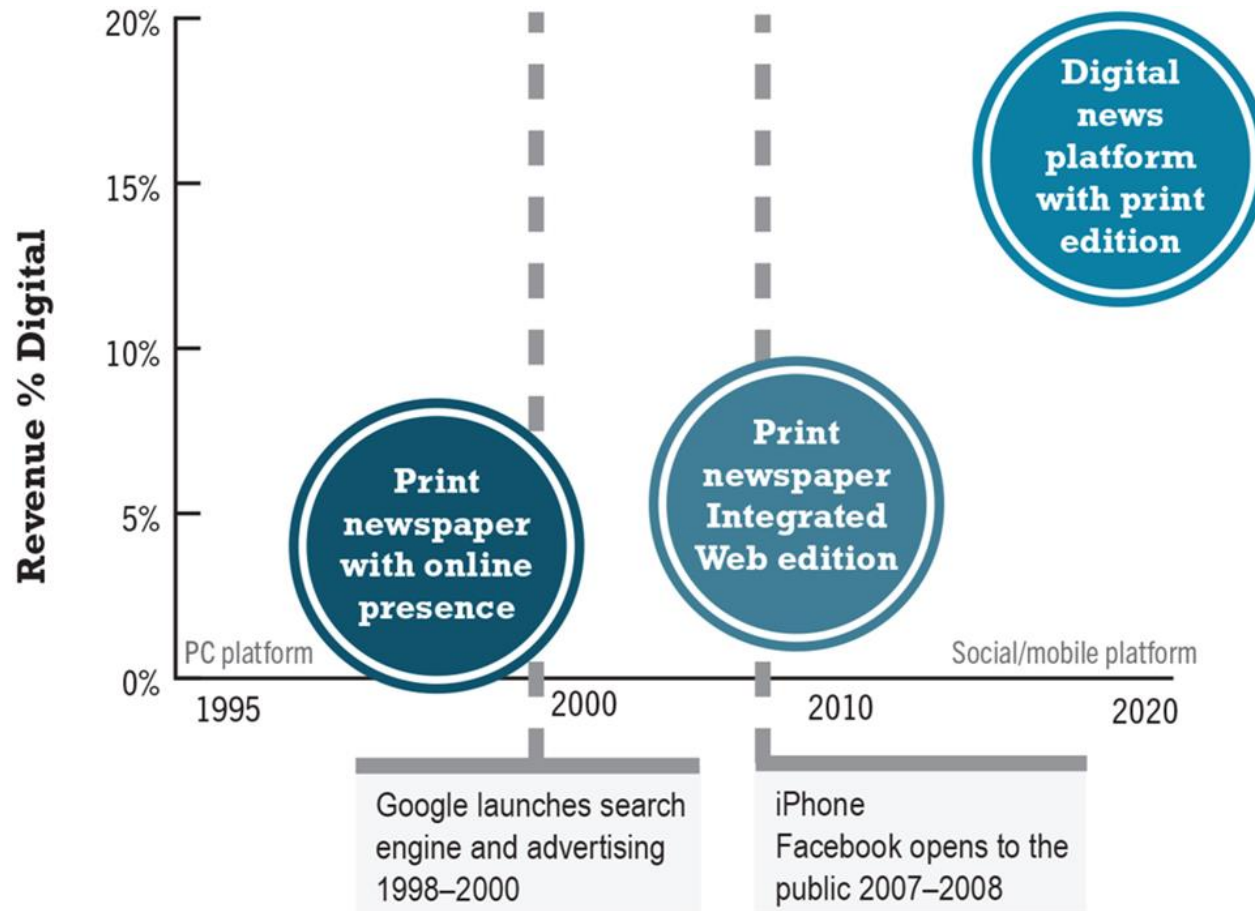
Online Newspaper Industry: Strengths and Challenges

- Strength: Newspaper audience size and growth

- Challenge: Digital ad revenue

- Strength: Content is king

- Challenge: Finding a revenue model

- Challenge: Growth of pure digital competitors

- Challenge: Can newspapers survive digital disruption

Insight on Business: Vox: Native Digital News

- Class discussion:
  - How do you read news online? Which sites do you prefer, and why? Have you visited any Vox sites?
  - How are native digital news sites changing journalism?
  - What unique qualities have made Vox Media be seen as the future of digital news publishing?

Magazines Rebound

- Physical magazine circulation falls after 2001
  - Exception is special interest magazines

- Digital magazines
  - Ad revenue growing
  - Total audience size increasing
  - Popular websites drive traffic to online magazines
  - The New Yorker Today app
  - Magazine aggregators: Apple News+

E-books and Online Publishing

- After several years of explosive growth, e-book sales have flattened in recent years to about $5.9 billion in 2010

- New channel for self-publishing authors

- Major publishers still dominant source of book content

- While some large bookstore chains have disappeared, the number of small independent bookstores had been growing prior to the Covid-19 pandemic.

Amazon and Apple: The New Digital Media 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

E-book Business Models

- E-book industry composition
  - Intermediary retailers (booksellers), traditional publishers, technology developers, device makers (e-readers), vanity presses

- Wholesale model
  - Retailers pay wholesale price and establish retail price

- Agency model
  - Distributor as agent must charge publisher's retail price

- Apple and book publisher price-fixing

Figure 10.11 E-book Sales in the United States
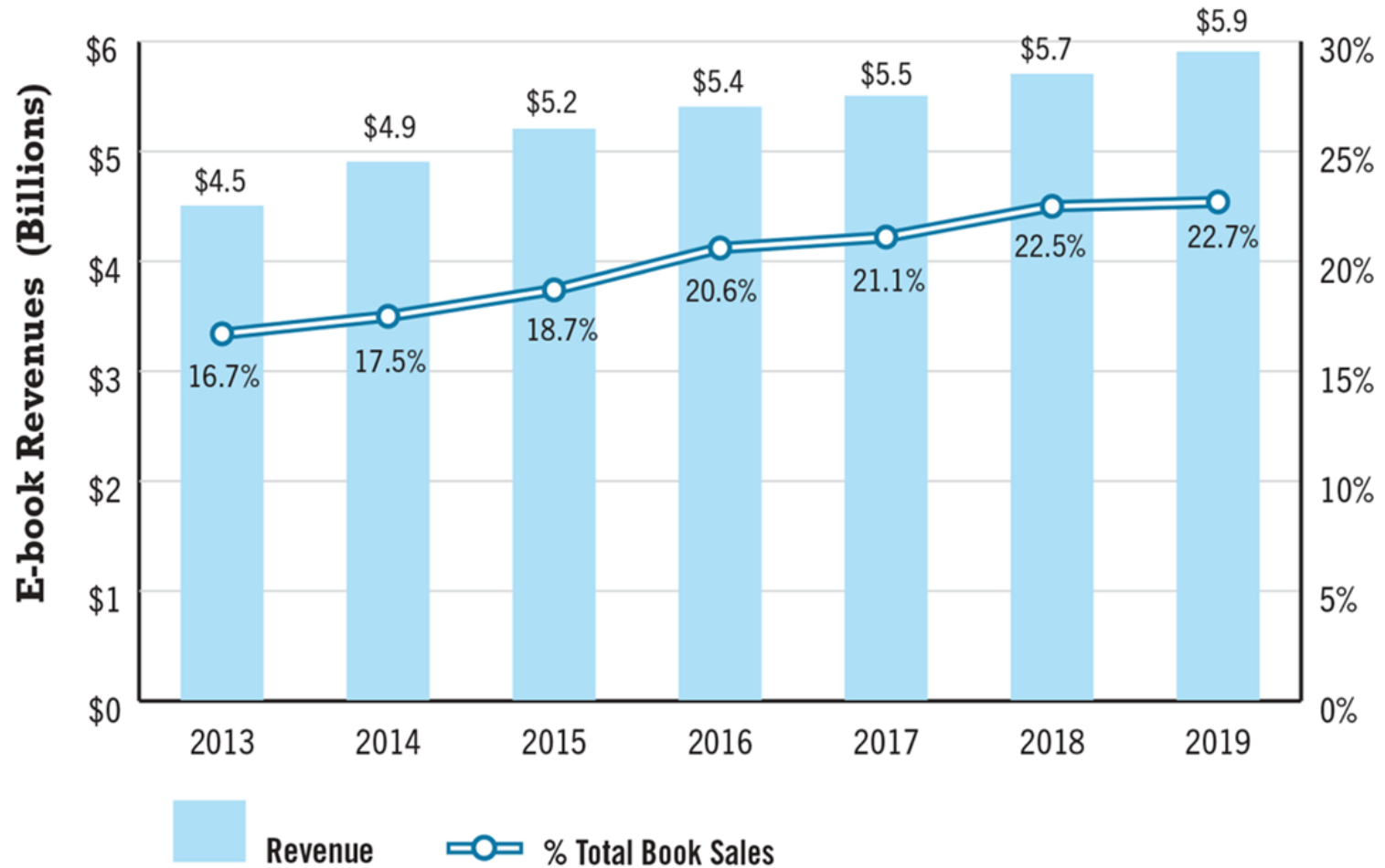
Online Entertainment Industry

- Major players: Television and movies, music, games

- Internet is transforming industry:
  – Mobile devices
  – Social networks featuring video streaming
  – Download and streaming services
  – Growth in broadband access
  – Closed streaming platforms reduce need for DRM

- Emergence of very large-scale, integrated technology media companies
  – Amazon, Google, Apple, and Netflix.

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Figure 10.13 Projected Growth in U.S. Online Entertainment Revenue
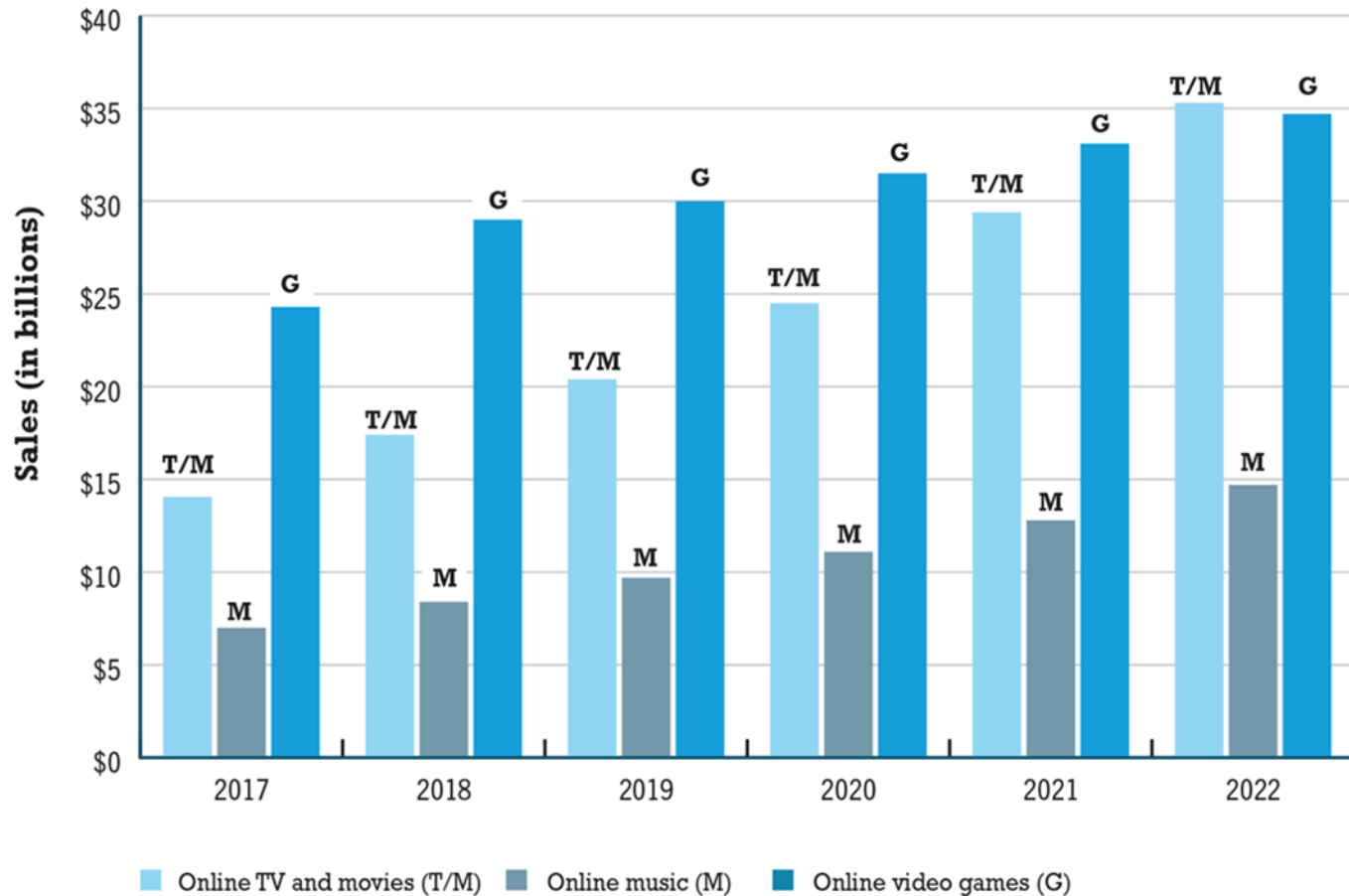
Home Entertainment: Television and Movies

- Transition to new Internet delivery platforms
    - Streaming and downloading services
    - OTT: Over-the-top (Internet) delivery
    - Mobile platform

- Binge watching vs linear TV

- Social network influences

- Uncertain future for cable TV growth

Feature-Length Movies

- Hollywood maintaining control of content creation, delivery and revenue
  - DVDs, rental DVDs
  - Electronic Sell Through (EST) - downloading movies
  - Subscription streaming
  - Video On Demand (VOD)

- Challenges
  - Digital formats produce less revenue than physical
  - Pressure to change release windows
  - Growing strength of online movie distributors like Netflix
  - Pirated content

Music

- Most disrupted of content industries
  - Move from physical to digital product

- Digital revenues: 88% of all revenues in 2019

- Two types of digital music services
  - Streaming subscription services (Internet radio)
  - Digital download (download to own)

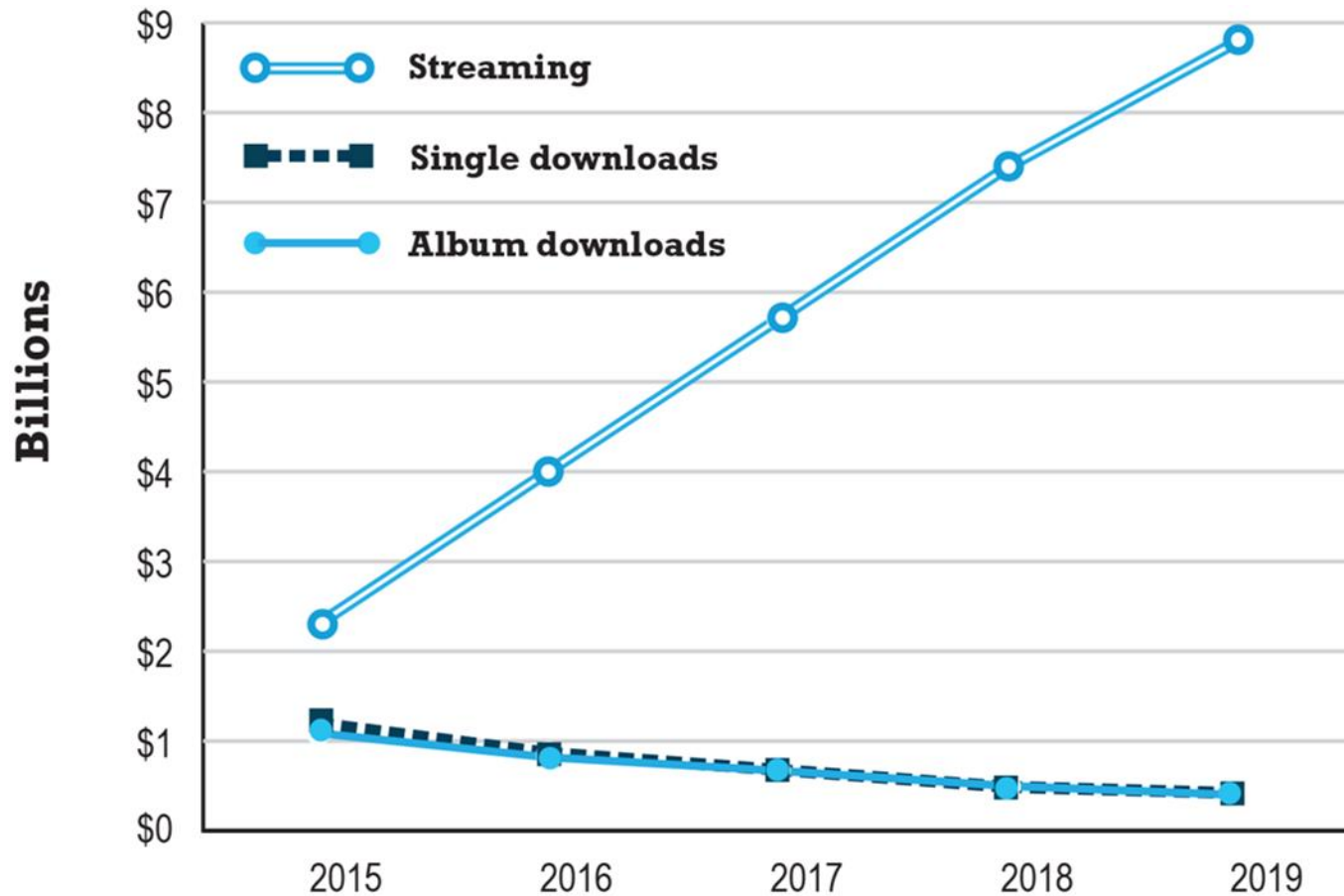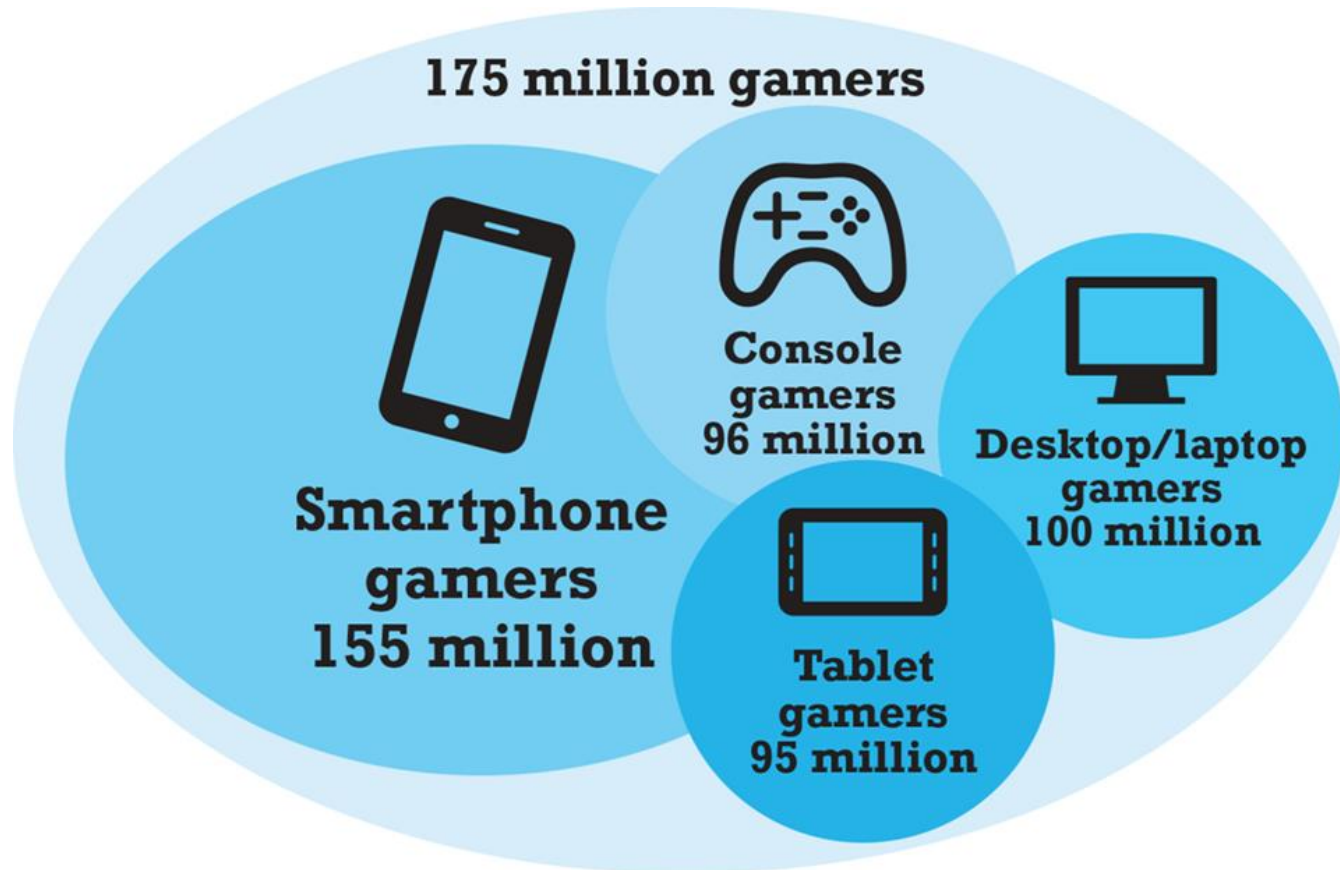# Figure 10.15 U.S. Music Revenues: Digital vs Physical
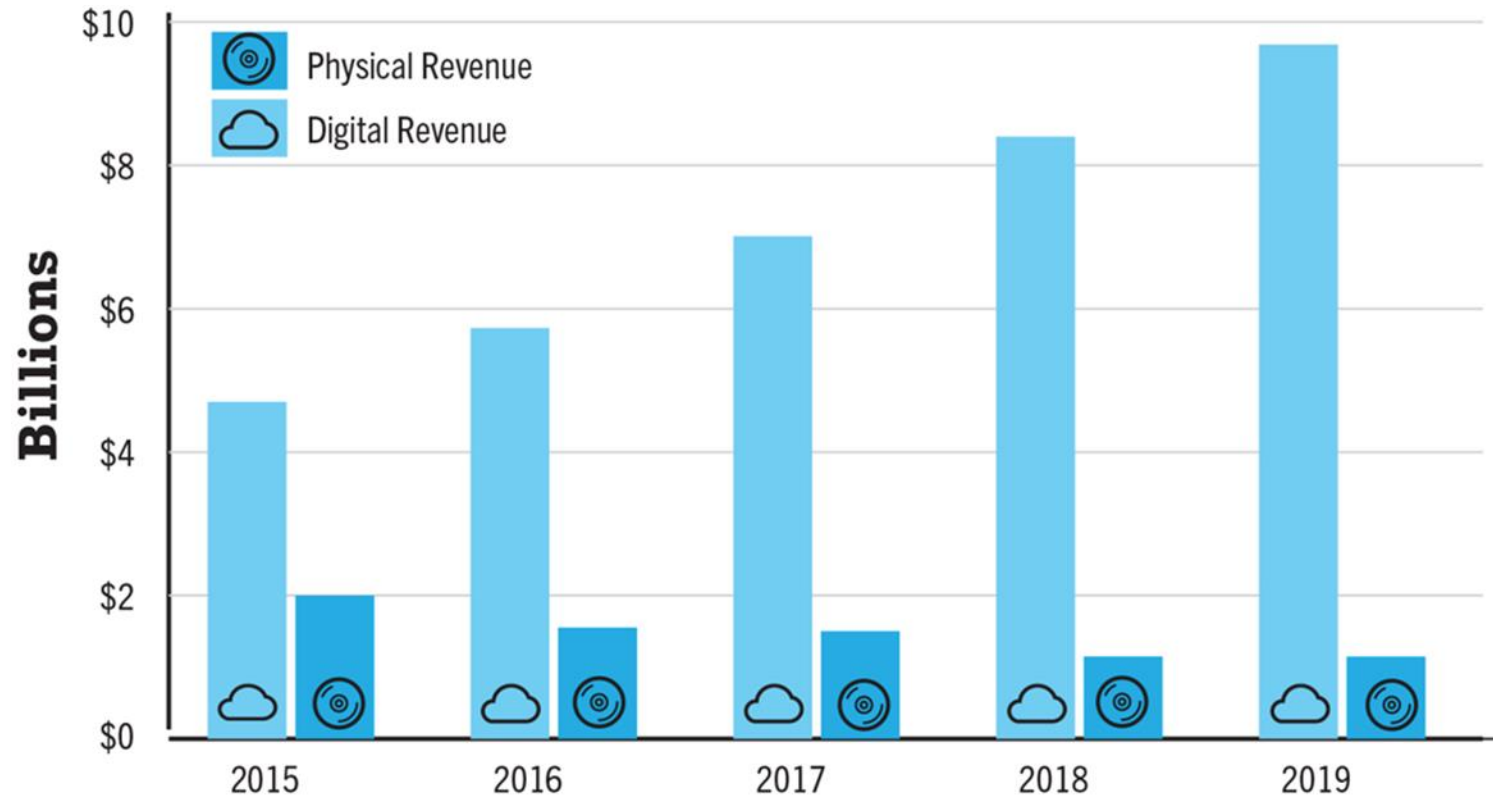
Figure 10.16 U.S. Digital Music Revenues by Format

Games

- Online gaming has had explosive growth
  - Pokémon Go; Mobile platform

- Types of digital gamers
  - Casual
  - Social
  - Mobile-fastest growing market
  - Massively multiplayer online (MMO)
  - Console

- Business models in flux

- E-sports, Twitch

Figure 10.18 U.S. Online Gaming Audience, 2018

175 million gamers

Smartphone gamers 155 million

Console gamers 96 million

Desktop/laptop gamers 100 million

Tablet gamers 95 million

Insight on Technology: Twitch: Game On

- Class Discussion
  - Have you ever viewed a live-streamed game or other content on Twitch?
  - What challenges does Twitch face?
  - How has the Covid-19 pandemic impacted Twitch?

Careers in E-commerce

- Position: Digital Audience Development Specialist

- Qualification/Skills

- Preparing for the Interview

- Possible Interview Questions

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