

E-commerce
business. technology. society.
Fourth Edition

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Chapter 10

Online Content and Media

Trends in Online Content—2007-2008

- Increased media consumption
- Internet media revenues fastest growing
- Growth of Internet audience outpaces other media
- User-generated content growing, inverting traditional production/business models
- Content moves to mobile devices
- Internet advertising revenues expanding rapidly, driving interest in content that attracts eyeballs
- Paid and free content coexist
- Convergence increasing
- User-generated content explodes in popularity
- More entertainment content finds its way onto the Web

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Content Audience and Market

- Average American adult spends over 3,800 hours each year consuming various media
- By 2008, expected to increase to 4,000 hours a year (about 11 hours a day)
- Most popular medium: television, followed by radio
- Internet third, but growing fast

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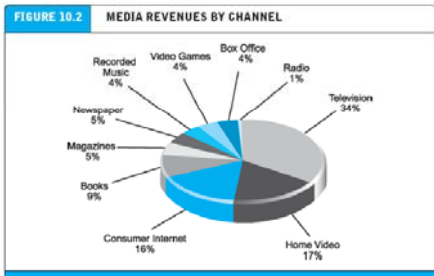
Internet and Traditional Media: Cannibalization versus Complementarity

- Time spend on Internet reduces consumer time available for other media
- Internet users spend less time reading books, newspapers and magazine, and less time on phone or listening to radio
- Conversely, Internet users consume more media of all types than non-Internet users
- Internet users also often multitask, using other forms of media at same time as using Internet

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Media Revenues by Channel

Figure 10.2, Page 635



Channel	Percentage
Television	34%
Home Video	17%
Consumer Internet	16%
Recorded Music	4%
Video Games	4%
Box Office	4%
Radio	1%
Newspaper	8%
Magazines	5%
Books	9%

SOURCE: Based on data from U.S. Census Bureau, 2007.

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Fee or Free?

- Major challenge facing online content industry
- Most content on Web is still free, and most Web users still expect it to be free
- Movement toward paying for content will require significant enhancement to content providers' customer value propositions

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Media Convergence: Technology, Content, and Industry Structure

- Three dimensions of media convergence:
 - Technological: Development of hybrid devices that combine the functionality of two or more existing media platforms into a single device
 - Example: PDAs that can also be used as cell phones and book readers
 - Content:
 - Convergence in design
 - Convergence in production
 - Convergence in distribution of content
 - Industry: Merger of media enterprises into synergistic combinations that create and cross-market content on different platforms
 - Best known examples: AOL/Time Warner, News Corp.

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Online Content Revenue Models and Business Processes

- Basic content revenue models
 - Marketing
 - Advertising
 - Pay-per-view/Pay-for-download
 - Subscription
 - Mixed

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Key Challenges Facing Content Producers and Owners

- Technology challenges
 - Bandwidth issues for high definition video
- Cost challenges
 - Internet distribution more costly than anticipated; media companies face substantial costs in migrating, repackaging, and redesigning content for online delivery
- Cannibalization of existing distribution channels
- Digital rights management challenges
 - Theft of copyrighted material
 - Royalties paid to artists and writers

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Online Newspapers

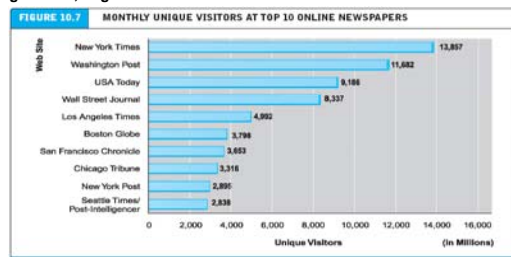
- More than 10,000 online newspapers worldwide
- Online newspapers one of most successful forms of online content to date
- However, few have reached break-even
- Entrepreneurs have used Web to take away part of newspapers' content/business – classifieds (Craigslist), weather, news, etc.

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Monthly Unique Visitors at Major Online Newspapers

Figure 10.7, Page 653



SOURCES: Based on data from Nielsen/NetRatings, 2007; Scarborough Research, 2007.

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Online Newspaper Revenue Models and Results

- Predominantly rely on advertising model, with varying success
- Supplement revenues by using a pay-per-view/pay-for-download model for premium or archival content and/or subscription fees
- Only a few newspapers with strong offline brands such as *Wall Street Journal* have been able to successfully use subscription model

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Online Newspapers: Challenges

- Developing wireless mobile delivery platforms and micropayment systems to provide low-cost mechanism for selling single articles
- Consumer attitudes have remained intransigent on issue of paying for content
- Some online newspapers have experienced cannibalization of main distribution channel
- Digital leakage, where paid for and downloaded content is redistributed via e-mail or posted for free viewing on a Web site

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E-books

- Many different types of commercial e-books
 - Web-accessed e-book
 - Web-downloadable e-book
 - Dedicated e-book reader
 - Print-on-demand books

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E-book Audience Size and Growth

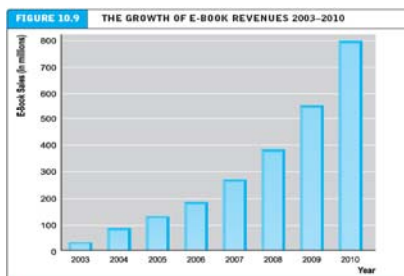
- Reading books on Internet is not a popular activity
- Online e-book sales generated about \$360 million in revenues in 2007
- Expected to continue growing quickly
- Future market for e-books depends greatly on how rapidly traditional trade book and academic textbook publishers move existing and new works to e-book format

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The Growth of E-Book Revenues to 2007

Figure 10.9, Page 661



SOURCE: Association of American Publishers, 2006; eMarketer, Inc., 2007; authors' estimates.

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Advantages of E-books

- Instant downloading reduces transaction costs for user
- Increased accessibility to entire libraries from home or office
- Text is searchable and easily integrated with new text
- Content can be modularized down to sentence and word level
- Easy to update and change
- Lower production and distribution costs
- Increased opportunities for writers to publish
- Increased availability of out-of-print and increased value of book archives
- Reduced cost of library functions

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Disadvantages of E-books

- Require expensive and complex electronic devices to use
- Less portability than print books
- Reduced quality of print on screen
- Multiple competing standards
- Uncertain business models
- Copyright management and royalty issues with authors

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Convergence in the Book Industry

- Technological convergence slowed by:
 - Poor resolution of computer screens
 - Lack of portable reader devices that can compete with portability of a published book
 - Absence of DRM technology
 - Lack of standards to define cross-platform e-books so they can be viewed on different devices
- Potential solutions
 - Sub-pixel display technologies help enhance resolution of e-book reader display screens
 - DRM software helps prevent illegal distribution of paid content over Web

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Online Entertainment Industry

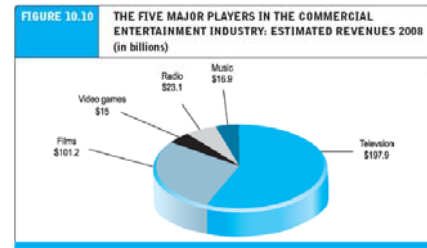
- Major players:
 - Television
 - Radio
 - Hollywood films
 - Music
 - Video games
- Undergoing a transformation brought about by Internet, aided by:
 - iPod and digital cellular networks
 - Social networking platforms
 - Widespread growth of broadband
 - Development of DRM

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The Five Major Players in the Entertainment Industry

Figure 10.10, Page 673



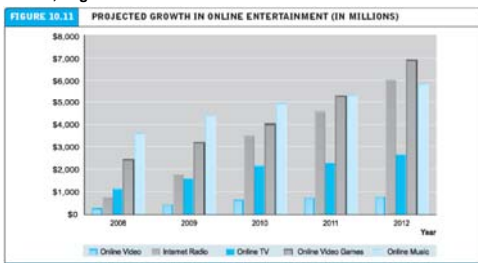
SOURCE: U.S. Census Bureau, 2007; authors' estimates.

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Projected Growth in Traditional Online Entertainment (In Millions)

Figure 10.11, Page 674



SOURCES: Based on data from eMarketer, Inc., 2007g, 2007h; Consumer Electronics Association, 2006; Bridge Ratings, 2007; authors' estimates.

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