

From ownership to access

Consumer attitude towards content

In an increasingly digital world, consumers still spent almost \$25 billion on DVD and Blu-ray videos (to keep) in 2013 worldwide. Add to this almost \$12 billion spent on CDs and other packaged music and approaching \$20 billion on new packaged games, then the total packaged entertainment content market was worth \$57 billion in 2013. Futuresource Consulting is analysing the data and the trends.

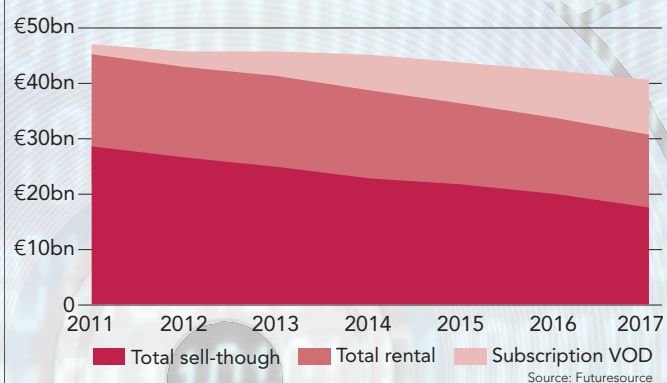
It is widely accepted that this figure is in continued decline, but perhaps the biggest challenge for many content holders is not that consumers are turning their back on packaged media per se, but that many consumers are losing the desire to own entertainment media, whatever the format.

"Digital ownership" has failed to capture the imagination of the consumer in the video space, particularly outside of the USA. Whilst iTunes has helped build a significant transactional digital market for music tracks and albums, many countries worldwide (including the USA and UK) are now witnessing declines in this market. In addition, although steadily growing, transactional online video sales have not replenished the gap left by the decline in packaged video sales.

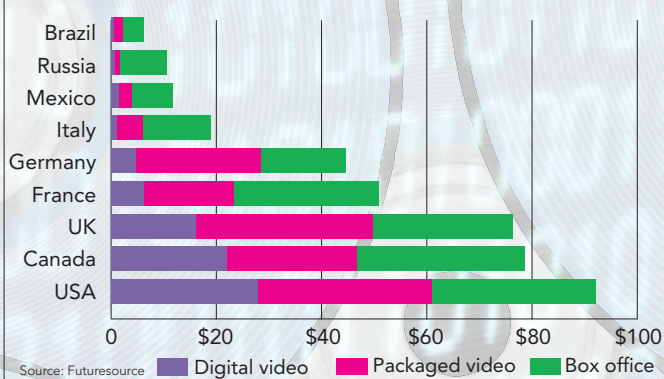
Perhaps this should be no surprise given the huge amount of either free, streamed or on-demand content that is easily and seamlessly available. The popularity of services such as YouTube and services such as

This combined with the introduction and evolution of quality services has propelled premium video streaming into the mainstream. Streaming content is no longer associated with the low-resolution "dog on a skateboard" clips; consumers are now increasingly accepting it as a viable platform for delivering premium video. Similarly, prior to the launch of Spotify, streamed music was seen as far from a premium experience for many, but is now de-facto for a significant number of

Global home video consumer spending: physical & digital



Average spending per person on video, 2014



Netflix, together with catch-up TV and Pay TV on-demand services, have fuelled an access or "disposable viewing" (or listening) culture. These services are typically more widely used amongst younger adults, who have yet to, and probably never will, develop an ownership mentality.

Catch-up TV services and YouTube account for the lion's share of digital video viewing (excluding pirate or file-sharing services), but premium streaming subscription video services, particularly Netflix, have come of age. Last year, Futuresource estimates that 5 billion TV episodes and 2.5 billion movies were viewed via Netflix globally – this compares to less than 2 billion DVDs and Blu-rays bought outright.

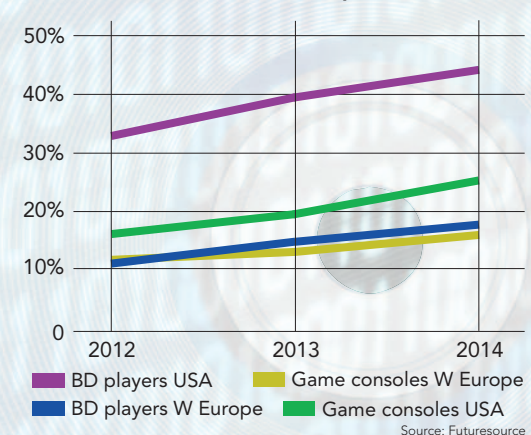
This growth in premium streaming of full length video (movies and TV shows) is due to a number of key reasons, although varies significantly by country. The rollout of higher speed and consistent broadband (especially fibre), combined with the huge growth in connected devices have been two of the most prominent factors. At the end of 2013 there were 900 million tablets, 1.8 billion smartphones and 900 million connected TVs in use worldwide – whilst other devices such as games consoles, connected set top boxes and digital media adaptors such as Apple TV and Google Chromecast further supplement this connected viewing.

music listeners. This shifting mentality towards streaming music services is also relevant for the video helping create a halo effect of online subscription services in many countries.

This acceptance of premium streaming and the associated shift away from this ownership mentality is best illustrated in Sweden. In 2010, almost 80% of consumer spending on music was on CD. In the space of just 4 years, the sector has been turned on its head – largely due to Spotify. In 2014, spending on such streaming music subscriptions accounted for over 80% of total music spending – almost a reverse of 2010 when packaged music accounted for 80% of total market revenues. With Netflix now exceeding over 1 million subscribers in Sweden, this mentality has also translated to the video market.

Despite significant differences by country, premium content streaming is having a major impact in many markets. There is still a hugely significant role for both packaged video and video ownership, particularly for new releases. However, premium video streaming is here to stay, and will shape content consumption for many years to come. ■

% of households with BD-compatible hardware



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