



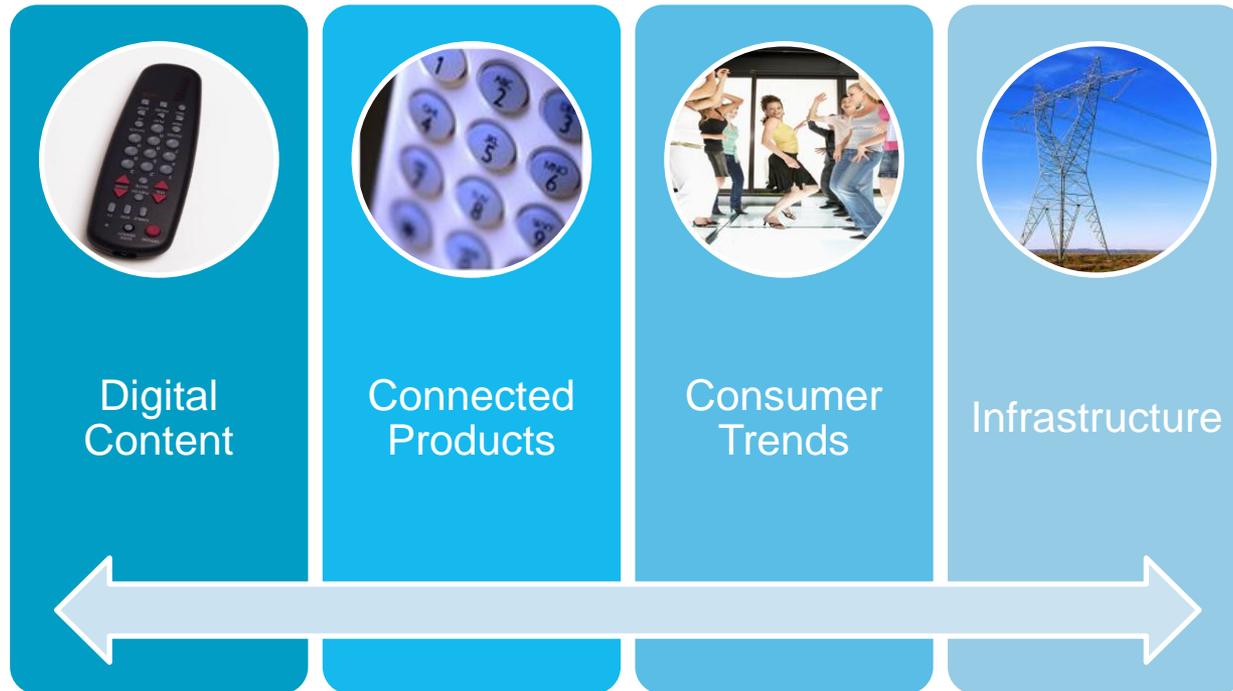
Passport

MULTI-SCREENS ACCESS: MAKING MONEY FROM AUDIO AND VIDEO

June 2012

Scope

Changing consumer lifestyles are driving sales of connected products, like smartphones and tablets. However, sales of digital content like music and video are not keeping pace with the physical products' strong sales. Euromonitor International looks at the entire value chain and reviews the prospects for digital music and video.



Disclaimer

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Euromonitor Internationals explores changes in consumer lifestyles and how these changes are affecting the way consumers access content (audio and video). Having a multi-screen strategy is critical to engage the connected population and fully exploit the revenues from digital sales.

Music to the ears (and wallets)

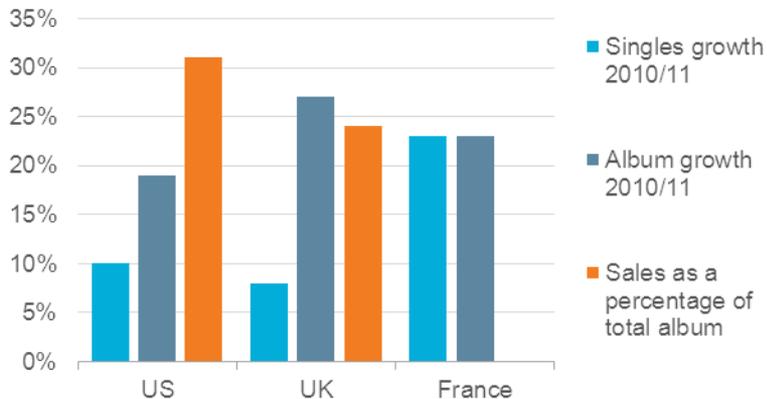
Global Trade Revenue 2009-2011

US\$ billion	2009	2010	2011
Digital	4.6	4.8	5.2
Physical format	12.2	10.4	11.1
Total	16.8	15.2	16.3

Source: IFPI – Recording Industry in Numbers 2011 and Digital Music Report 2012

Note: 2011 revenues are IFPI's estimates

Digital Volume Sales Growth 2011

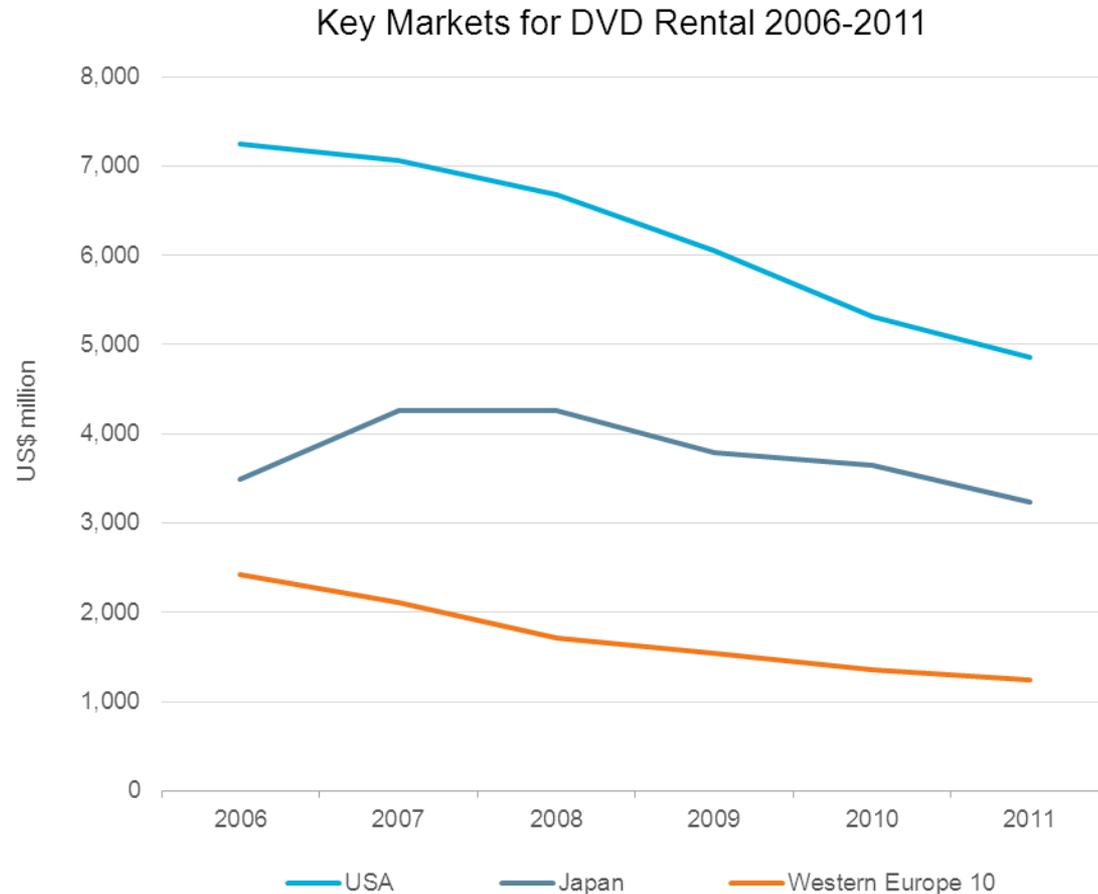


Source: IFPI – Digital Music Report 2012

Note: Digital album sales as a percentage of total album sales for France are not available

- According to the International Federation of the Phonographic Industry (IFPI), which represents the recording industry worldwide, digital music revenues for record companies grew by 8% globally in 2011, reaching US\$5.2 billion. For digital sales, consumers can choose to purchase individual songs or the complete album, or pay subscriptions to listen to the music online.
- In key markets like the US (digital share 52% of total), South Korea (53%) and China (71%), trade revenue from digital sales has overtaken physical format sales. While China digital sales is high in percentage terms, the actual revenue from music sales is even lower than Ireland due to the rampant illegitimate piracy activities.
- Digital sales (downloads and streaming) can be the most effective way to combat piracy in emerging markets, especially with consumers in these markets favouring mobile phones over computers and portable media players. Companies can work with mobile network operators to offer low priced data plans to attract consumers, rather than losing out on the revenues completely.

DVD rental in free fall



- With the cost of producing films and TV escalating, and coupled with the popularity of illegal downloads and pirated DVD copies, film studios face increasing challenges in recovering their investment from box office revenues. An important source of revenue is sales of DVD titles, and revenues from DVD rentals is a key metric in gauging the general financial well-being of the film industry.
- In key markets such as the US and Western Europe, rental revenues declined between 2006 and 2011, and in Japan, rentals have declined since 2008.
- The availability of online content (legitimate or otherwise) and the popularity of cable TV offering video-on-demand are the main causes of DVD rental decline.

Note: Western Europe 10 consists of the top 10 markets – Germany, UK, Sweden, Spain, Italy, Ireland, Denmark, Norway, France, Netherlands

The paradigm shift...

Digital Content

- The move to digital content is far from complete, even for music, which accounted for 32% of total trade revenue in 2011. The popularity of downloads and, critically, music services (streaming) looks set to push digital revenue over the halfway mark in 2012.
- The popularity of music streaming also implies a changing consumer mindset. Contrary to common belief about ownership, consumers are in fact willing to pay just to listen to music and not own the content. Music streaming also reduces the chances of the music being ripped or copied illegally.
- The less than stellar sales of video in digital format is due to the lack of availability of legitimate video downloads and streaming in most markets, and, to a lesser extent, piracy despite content owners claiming piracy to be the main reason for the low digital revenue. Content owners must recognise the shift to digital consumption and encourage more video streaming services by third party providers. The reality is that if consumers cannot get to watch their favourite movies/film legally, other means, like illegal downloads, are readily available.

Connected Products

- Smartphones and tablets are becoming the screen of choice and products of convenience for consumers, besides laptops and the traditional large screen TVs.
- The availability of high speed mobile networks and consumers' obsession with mobile phones have transformed them into entertainment devices.
- There is no direct competition between smartphones/tablets and TVs, as consumers turn to mobile devices in the day for infotainment and TV in the evening. Mobile devices are also used by consumers to participate in, or to obtain information on the shows they are watching.
- Sales of tablets are set to increase rapidly as the connected population grows and looks towards tablets for browsing, infotainment, music and video.
- The trend of cord-cutting in developed markets, where consumers are cancelling their cable/satellite subscriptions, has had no direct measurable impact on sales of digital TVs.