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The Global Digital Content Market

GDCM2018: Focus on Asia-Pacific

organized by
the World Intellectual Property Organization (WIPO)

and

hosted by
the Department of Industrial Policy and Promotion
Ministry of Commerce and Industry, Government of India

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BACKGROUND PAPER

prepared by the Secretariat

INTRODUCTION

The creative content economy has seen radical change to access and business models for more than a decade. The tensions between increased access and a sustainable economic value chain are the essence of WIPO's Conference "The Global Digital Content Market".

The global digital world is changing long-established business models at a rapid pace. One example is Netflix which, in the second quarter of 2018, had over 130 million streaming subscribers worldwide¹ compared to just 36 million only five years ago while their DVD postal business has lost 4.8m subscribers over the same period²; their business model is now evolving to self-produced content. The video/DVD business Blockbuster had been worth USD5 billion and is now bankrupt³.

The conference will showcase best practices and include panel discussion on music, education publishing, film, broadcasting and media convergence, and digital inclusion/infrastructure.

MUSIC

Market Size and Growth

The global recording industry is worth USD17.3 billion.⁴ 2017 saw an increase in revenues of 8.1% from 2016. Revenues from digital sources grew to USD9.3 billion and now account for more than half of total revenues, outperforming revenues from other sources for the first time since 2015. Subscription and streaming services continue to grow quickly with a 41% growth rate in 2017 to USD6.6 billion⁵. The music industry remains concerned, however, about the *value gap* where some platforms pay very much less per user than others. The industry claims that this value gap will have an impact on the creation of new music for the future.

PUBLISHING

Market Size and Growth

Overall publishing market: total net revenues from book publishing sales and licensing amounted to USD41.9 billion in 2016, according to a new global survey launched by WIPO in partnership with the International Publishers Association (IPA)⁶. Books account for 15%⁷ of all consumer spending on media and entertainment. Sales of e-books are increasing and the global market for e-readers has increased nearly twenty-fold⁸ since 2008. Overall, the top ten largest publishing companies performed well in 2017, with every company posting higher revenue in 2017 than in 2016.

¹ <https://www.statista.com/statistics/250934/quarterly-number-of-netflix-streaming-subscribers-worldwide/>

² <https://www.cnn.com/2018/01/23/netflix-dvd-business-still-alive-what-is-it-like-to-work-there.html>

³ <https://www.ibtimes.com/sad-end-blockbuster-video-onetime-5-billion-company-being-liquidated-competition-1496962>

⁴ The recording industry is the industry that focuses on recording and selling of music. A wider definition of the music industry includes live performances, merchandising, and a variety of music-related activities.

⁵ All figures based on 2017 data from the International Federation of the Phonographic Industry (IFPI) (2018) 2018 Global Music Report <http://www.ifpi.org/global-statistics.php>. All reports and statistics researched in this background paper were last accessed on September 17, 2018.

⁶ This figure is based on data from WIPO (2017) and in this first survey wave aggregates information collected from 11 countries.

⁷ Wischenbart, R. (2013). IPA Global Publishing Statistics. World, 114(12,189), 7-046

⁸ Simon, J. P., and G. De Prato (2012). "Statistical, ecosystems and competitiveness analysis of the media and content industries."

Education publishing: Nearly half of the world's publishing industry serves the education market and this percentage is much higher in the developing world⁹. In 2017 Bertelsmann education group reported a 33% increase in revenue¹⁰. Meanwhile the rapid shift from hard copies and hard assets to digital forms of consumption, the accompanying collapse of traditional revenue models and the search for solutions have now proven unavoidable for textbook publishers.¹¹ Education publishers have to deal with the digital challenges and will benefit from the opportunities offered by mobile formats, enhancing accessibility, making use of interrelated and interactive creative sectors such as video games and artificial intelligence.

FILM

Market Size and Growth

Global box office revenues for film were USD40.6 billion¹² in 2017. As of 2016, the largest markets by box office were, in decreasing order, the United States of America, China, Japan, India, and the United Kingdom¹³. While ticket sales are falling or flat in North America and Europe, growth in the Asia-Pacific region, particularly China, has been strong; the Chinese market alone saw a 21% increase in 2017 to USD7.9 billion.¹⁴ Digital film sales from online sources are increasing. In 2017, global home entertainment consumer spending increased by 11% to USD47.8 billion and was driven by heavy spending on digital home entertainment.¹⁵

BROADCASTING AND MEDIA CONVERGENCE

Market Size and Growth

Television: global aggregate spending on TV subscriptions is an estimated USD236 billion in 2018, with an average annual growth of 3.5% since 2012.¹⁶ The majority of households own a TV: 79% in developed countries, and 72% in developing countries. Africa has the highest growth rate in TV ownership, growing 18% between 2008 and 2012.¹⁷ Global online TV advertising revenues are expected to reach USD8.2 billion by the end of 2017.¹⁸ Online TV advertising¹⁹ is estimated to grow at 21% per year.²⁰ Brazil, India and China are predicted to contribute 23% of growth in TV advertising revenues until 2019.²¹ In the space of five years, close to half of the 18 to 24 age group's traditional TV viewing time has migrated to other activities or streaming. This is likely due in part to increasing consumption of digital video and more time spent with their smartphones. According to the data presented by Nielsen, traditional TV is still the single largest video consumption source.

⁹ http://www.wipo.int/edocs/mdocs/mdocs/en/wipo_hl_cr_yao_17/wipo_hl_cr_yao_17_presentation.pdf

¹⁰ <https://www.publishersweekly.com/pw/by-topic/industry-news/publisher-news/article/78036-pearson-is-still-the-world-s-largest-publisher.html>

¹¹ <https://tophat.com/blog/textbook-industry-trends-grim-future/>

¹² Motion Picture Association of America - MPAA (2018) 2017 Theme Report.

¹³ ^ Robinson, Daniel B. (2 April 2018). "The trend shift of the modern film industry" (April '18). San Fran & co. Lindale Avenue. Retrieved 2 April 2018.

¹⁴ Motion Picture Association of America - MPAA (2018) 2017 Theme Report.

¹⁵ Motion Picture Association of America - MPAA (2018) 2017 Theme Report.

¹⁶ Estimates published in 2015 in PWC (2015), "Global entertainment and media outlook 2014-2018"

¹⁷ Figures from the International Telecommunications Union (ITU) (2013) "Measuring the Information Society" available at <http://www.itu.int/en/ITU-D/Statistics/Pages/publications/mis2013.aspx>

¹⁸ Estimates published in 2015 in PWC (2015), "Global entertainment and media outlook 2014-2018"

¹⁹ While TV's share of global advertising revenues is decreasing, it continues to enjoy modest growth of less than 5% in developed countries and higher growth rates in developing countries.

²⁰ Estimates published in 2015 in PWC (2015), "Global entertainment and media outlook 2014-2018"

²¹ 2015 to 2019, Estimates published in 2015 in PWC (2015), "TV Advertising Key Insights at a Glance" 6, available at

<http://www.pwc.com/gx/en/global-entertainment-media-outlook/assets/2015/tv-advertising-key-insights-6-brazil-china-and-india.pdf>

Newspapers: there were five billion newspaper readers in the world in 2015. Nearly three billion of them read printed newspapers. Newspapers only accounted for four percent of media's total revenue generated through digital sales that year. Although print is still predominant, figures show that the global newspaper industry is shifting towards digital platforms. The digital newspaper industry revenue is forecast to grow by 9.8 percent annually from 2015 to 2020; whereas non-digital is forecast to experience a decline of an annual three percent during the same period²².

Media convergence: the concept of media convergence is far from new. It involves: "... the interconnection of information and communications technologies, computer networks, and media content. It brings together the "three C's"—computing, communication, and content—and is a direct consequence of the digitization of media content and the popularization of the Internet."²³ The fact that anyone with an opinion and internet access could become a content creator and publisher, and build and motivate legions of fans and supporters, is something traditional media outlets still struggle with²⁴. The takeover of NBC Universal by the cable company COMCAST, the acquisition of media conglomerate Time Warner by telco giant AT&T, among others have confirmed this trend of "convergence" between the audiovisual and telecommunication industries.

DIGITAL INCLUSION AND INFRASTRUCTURE

Today, almost half of the world's population uses the Internet for many purposes, including education, entertainment, civic engagement and e-commerce, while nearly a third use social media. According to recent statistics, the milestone of half the world's population online will soon be reached, representing a momentous achievement²⁵. Advances in mobile broadband (such as 4G and 5G) and next-generation satellite technologies will mean the delivery of digital services more quickly and reliably, with implications for the future of e-health, transportation, education, and disaster relief. The growing Internet of Things (IoT) presents opportunities for digitization and driving change in businesses and sector-specific manufacturing. The transformative potential of technology and the Fourth Industrial Revolution are shifting the focus of our modern economy from physical assets to the ability to harvest and utilize information and insight. The global digital market and global data assets are growing rapidly. However, there are indications of growing inequality in access both within and between countries, and there are growing concentrations of data and value in huge, global online platforms. According to ITU the discussions of 'first-mover advantage' need to include discussions of 'last-mover disadvantage' and the need to invest in digital infrastructure, in case certain developing countries and least developed countries (LDCs) find themselves left behind in the race to digitalize.

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²² <https://www.statista.com/topics/994/newspapers/>

²³ <https://business.nasdaq.com/marketinsite/2017/3-Ways-to-Think-About-and-Measure-Media-Convergence.html>

²⁴ <https://business.nasdaq.com/marketinsite/2017/3-Ways-to-Think-About-and-Measure-Media-Convergence.html>

²⁵ https://www.itu.int/dms_pub/itu-s/opb/pol/S-POL-BROADBAND.19-2018-PDF-E.pdf