

What Is the Outlook for Paid Video Content?

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The value of anytime, anywhere

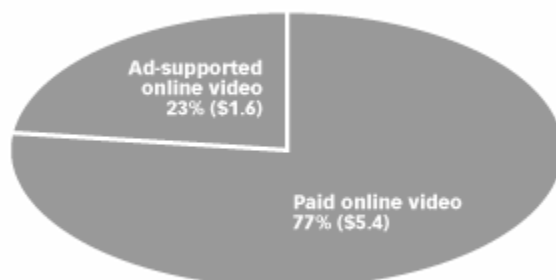
Online video has become a hugely prominent Web activity. YouTube is a mass medium, attracting upwards of 100 million unique visitors per month who flock to the site for everything from amateur homemade clips to sports highlights. But for all its popularity, video has proved difficult to monetize via direct methods.

Most video inventory is either ad-supported or not supported at all, but some movie content owners have built successful paid systems that serve as blueprints for selling premium content directly to consumers.

“Services from Netflix, Blockbuster, Amazon and Apple are harnessing consumers’ willingness to continue paying for content as they transition to digital platforms,” said Paul Verna, eMarketer senior analyst and author of the new report, “Paid Video Content: Focus on Movies and TV.”

By 2012, UBS expects paid video to make up the vast majority of the US online video market.

US Online Video Revenues, by Type, 2012 (% of total and billions)



Source: UBS, “Q-Series: Global Media Themes;” eMarketer calculations, June 22, 2009

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Several studies indicate that downloading movies and TV shows is on the rise. This is a shift in consumer behavior driven by the convenience of instant access and the growing availability of download and streaming platforms.

“For this digital marketplace to evolve into a substantial revenue generator, consumers must be convinced of the value of paying for digital movies,” said Mr. Verna. “So far, their willingness to pay is up in the air.”

But consumers who expect content to be available on demand, on all devices, may be more willing to shell out for subscriptions and discrete downloads.

“One of the keys to the growth of paid video content is technology integration,” noted Mr. Verna. “With consumer electronics firms launching a new wave of Internet-enabled TVs and other devices, the next decade will bring about a wholesale shift in the home video experience.”

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