

SRUSHTI

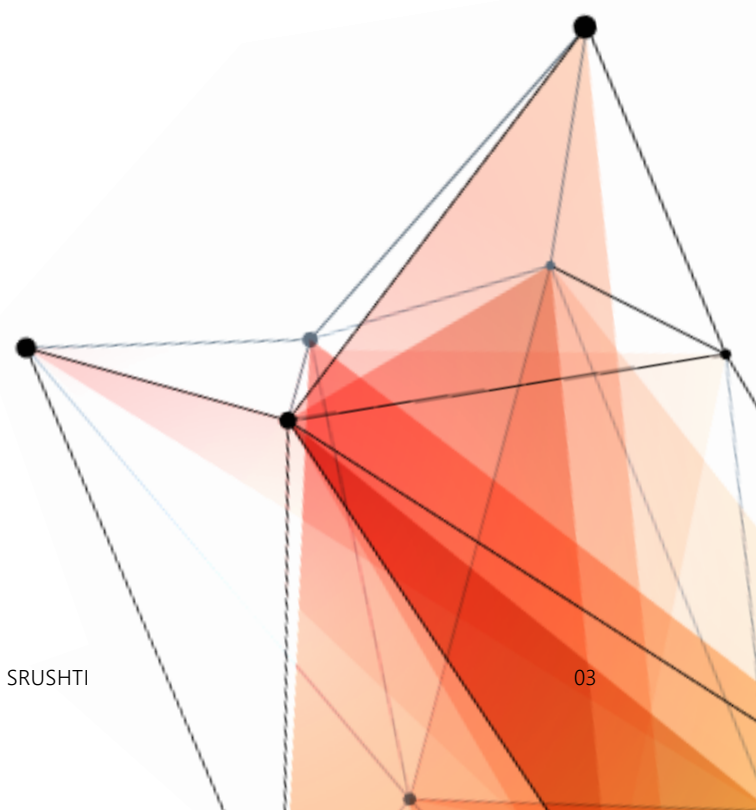
THE DISRUPTION OF
DIGITAL DISTRIBUTION IN
CREATIVE INDUSTRY



INTRODUCTION

The most important director of this era, as The Guardian describes him, David Lynch once said, 'There is an ocean of creativity within every human being'. However, in olden days, only a few had the chance to bring it out and create their own content, be it a film, book, or music album, that reaches masses and earns them fame. And for many others, the content was inaccessible for one or the other reason. But today's scenario is completely different from yesterday's. Proving Lynch's words true, each of us has a chance to give life to our creative thoughts and a medium to relish magnificent works of others from whichever part of the globe. Here, a single entity acts as the medium and offers us the chance and that one is the internet. In 1960s, when the federal government first commissioned the Internet for a robust communication network for their defense forces, they might not expect this technology to bring a tremendous change in the lifestyle of every common man in the world. Three decades later, the internet

slowly evolved as a modern communication system in commercial entities, thereby reaching public for their personal use. By 2017, there were 3.58 billion internet users across the world, accessing valuable information and creative content in various forms on diverse platforms such as mobile phones, desktops, and tablets. The vast use of the internet on digital gadgets created a strong base for Digital Distribution that created a disruption in the creative sectors like filmmaking, publishing, and music. For all those who are not much aware of digital distribution, let us take you through the new way of distributing content.



Digital Distribution

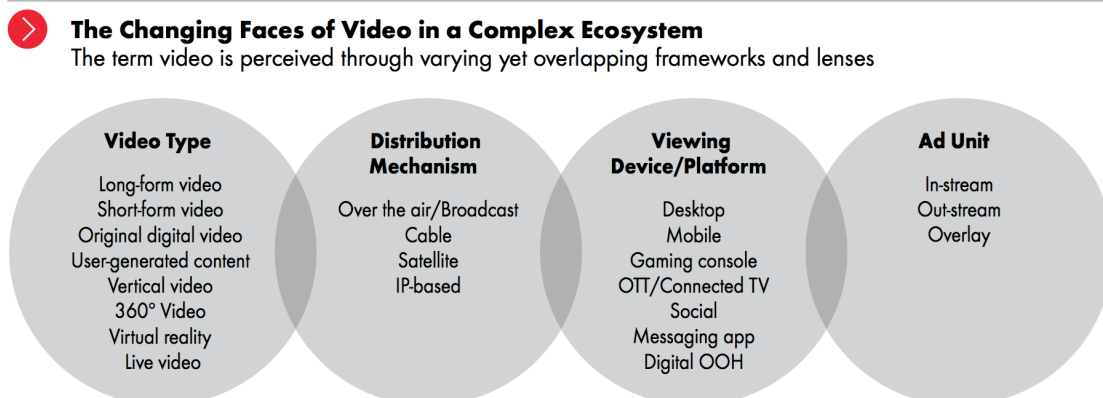
Before the birth of the internet, people used to go to theatres to watch films and they used to buy print magazines and books while travelling. But nowadays, the habits changed and we can observe it with ourselves in our daily life. Creative content creators and publishers started delivering content such as videos, audio, images, written works, and games on online platforms. For example, we read the online editions of daily newspapers and magazines, we watch films on Netflix, and listen to our favorite singers on iTunes Radio or Google Play Music. And, the jargon for this kind of content delivery through the digital channels is Digital Distribution.

Online streaming of content creates a win-win situation for everyone involved - creators, publishers, and consumers. For instance, retail stores have some limitations in taking your work into the public. In the plethora of creatives available there in a store, yours might be looked over and so, we may need higher budgets for promotion campaigns. But today, every mobile phone acts as a store to sell our content and the odds are more to reach huge public with less advertising budgets. In case of a consumer, digital distribution frees up the space allocated for book and CD racks. Besides, they don't need to spare their busy time on visiting stores and shopping around for their favorite collections. There are several key players in revolutionizing the creative industry through digital distribution in each of the content sectors - video, audio, and publishing. And here, we discuss each of them in detail.



Digital Video Distribution

Traditional video viewing methods like cable and satellite televisions have entered our lives several decades prior to the arrival of digital channels. And in the economy of creative content, TV sets still have their significance. In fact, there was a lot more evolution occurred in the way content distributed on televisions. Global manufacturers like Samsung and Sony come up with modern technologies like HDTVs, 4K Ultra HDTVs, and Smart TVs that attract the modern day customers to still rely on the television broadcasting methods. On the other hand, the use of internet is growing rapidly and so is the online video content consumption, soaring up the digital video economy. Especially, the short form of content on web platforms like YouTube and dailymotion and long-form premium content like web series on platforms like Netflix and Amazon Prime Video are taking the digital video economy parallel to the television based economy. The presence of many of the TV broadcast channels themselves on YouTube and Vimeo is a clear indication of the predominant growth of web channels. There are a few .com companies emerged from the Silicon Valley that we should be talking about while discussing the evolution of video content on the digital channels. One is one of Google's major subsidiaries YouTube and another is the video-on-demand online service company, Netflix.



SOURCE : IBA.

YouTube

Psy Jae-sang, PSY in short, is well-known for his humorous videos. But he rose to a global fame only when his superhit single 'Gangnam Style' went viral on YouTube in 2012. For the first time in the history of the web, Gangnam Style entered the one-billion-views-club that year, making him an international star. The president of United Nations, Ban Ki-Moon, himself expressed a desire to work with this South-Korean rapper. It's been five years since the saga of Gangnam Style started on YouTube and so far, it has been watched by 3 billion viewers - a number almost equal to the total number of netizens on the globe.

Bethany Mota - a 22 year old Californian girl who started as a Vlogger on YouTube in 2009 and became a celebrity on the biggest video sharing platform with more than 10 million subscribers.

Felix Arvid Ulf Kjellberg - the name might puzzle you, but the face behind it keeps you in stitches. Well, he is none other than the freaky PewDiePie. With a subscriber-count close to 60 million, this college dropout is the most popular vlogger on YouTube.

Taking a close look, there is one thing common in the three people- they all earned a global recognition for their creative work on the web through their respective YouTube channels. Not just these three, but there are thousands of enthusiasts trying their hand in creative content creation and reaching millions of people. When talking about the impact of digital media on content creation, it would be incomplete without a chapter dedicated for YouTube.

In 2005, three former employees of PayPal named Chad Hurley, Steve Chen, and Jawed Karim created an online video sharing platform called YouTube in California. Since its inception, the free video sharing network created a buzz that it became a billion dollar company in just a year. In 2006, tech giant Google bought the startup for a whopping \$1.65 billion and now, it has an estimated worth of \$75 billion.

During the days when people had to roam around production houses for a chance to prove themselves, the platform encouraged people not to wait for an opportunity but create it for themselves with just a camcorder. As of now, YouTube allows all its registered users to upload their own video content such as original short video clips, educational videos, music videos, TV show clips, live streams, and whatnot for free and gives a chance to earn money as well as fame.

YouTube has brought a revolutionary change in the way people create content and consume it. In 1930, John Logie Baird installed a television set in the British prime minister Ramsay MacDonald's house and the first ever TV drama 'The man with the flower in his mouth' was broadcasted on it. Until then, there were only drama and film industries producing creative content and television added some more to it, with more creators producing TV shows. The inception of Internet connected people and allowed them to share information. However, it was just a connecting medium and had nothing to do with creative content creation until YouTube was born. Unlike stage shows, films, and TV serials, we don't need huge investments and cast and crew to make our own content. The minimum requirement is just a camera and an internet connection and we can have millions of people watching your content. If a video goes viral, one can become a celebrity overnight and PSY is the best example for it. And there are so many YouTubers who made it to the Hollywood and several other film industries too. For example:

Ten years ago, a twelve year old kid from Australia started uploading videos to YouTube. The beautiful voice of the cute little child attracted thousands of people and they started following him. Soon, he got popular on the web and the word spread to Hollywood. In 2009, he on-boarded the prestigious Marvel's project - X-Men Origins: Wolverine to assume the childhood role of James Howlett. Yes, he is the guy Troye Sivan who is one of the popular YouTubers on the web with more than 4 million followers. There are hundreds of such YouTubers who got a fortune through YouTube. Today, the video sharing network boasts a user count of more than 1.5 billion users watching one billion hours of video daily.

And It would not be exaggerating to say that YouTube reaches more number of people, between 18-34 years of age, than any TV network in the united states. And that is why, each and every TV channel and major corporations made their presence on YouTube, just to keep themselves connected more with their audience.

As Einstein said, creativity is contagious and successful YouTubers keeps on passing it on to many others. To encourage more and more people to create captivating content on the platform, YouTube gives the publishers a chance to monetize the video content through AdSense. Really, this initiation has borne

fruits for the network and today, YouTube pays millions of dollars to the content publishers. In all its pioneering way, YouTube was a revolution and ever-evolving in the field of creativity and content creation. When YouTube opening doors for newbies to the creative world, there this online video streaming services company that slowly incepted a new business model in the web. And yeah, it's Netflix that set an example to many new enterprises in content streaming.



Netflix

During the times when Jeff Bezos' Amazon was making a great business by renting and selling out books, Reed Hastings and Marc Randolph started their enterprise Netflix, a DVD by mail services company, in 1997. Thanks to a rapid growth in the film industry and passion of public for movies, Netflix became another booming online company from the silicon valley. However, the founders had no thought of launching the video streaming services, until Google made the YouTube trio billionaires. In 2007, netflix took a diversion from its core business model and entered into the video-on-demand online services. The growth of Netflix is a clear indication that the interests of audience changed a lot in a decade or so. In the beginning of the 21st century, the number of mobile users and internet users raised drastically, making a stronger ground for Netflix. The charges netflix collects are relatively lesser than that of the cable subscriptions in the US, while giving access to almost all the popular TV shows and movies for its subscribers. In 2013, Netflix started producing TV and film productions under the name Netflix Originals. And today, Netflix is a billion dollar company with about 110 million subscribers across the world. Netflix is not just a pioneer of the online video-on-demand services, but also an exemplary for hundreds of enterprises that imitate the same business model. For example, Amazon Prime

Video, Hotstar, QQ Video, YuppTV, and the list goes on. Each and every one of these web platforms has their own way of holding the attention of the people, thereby contributing the growth of digital video content economy.

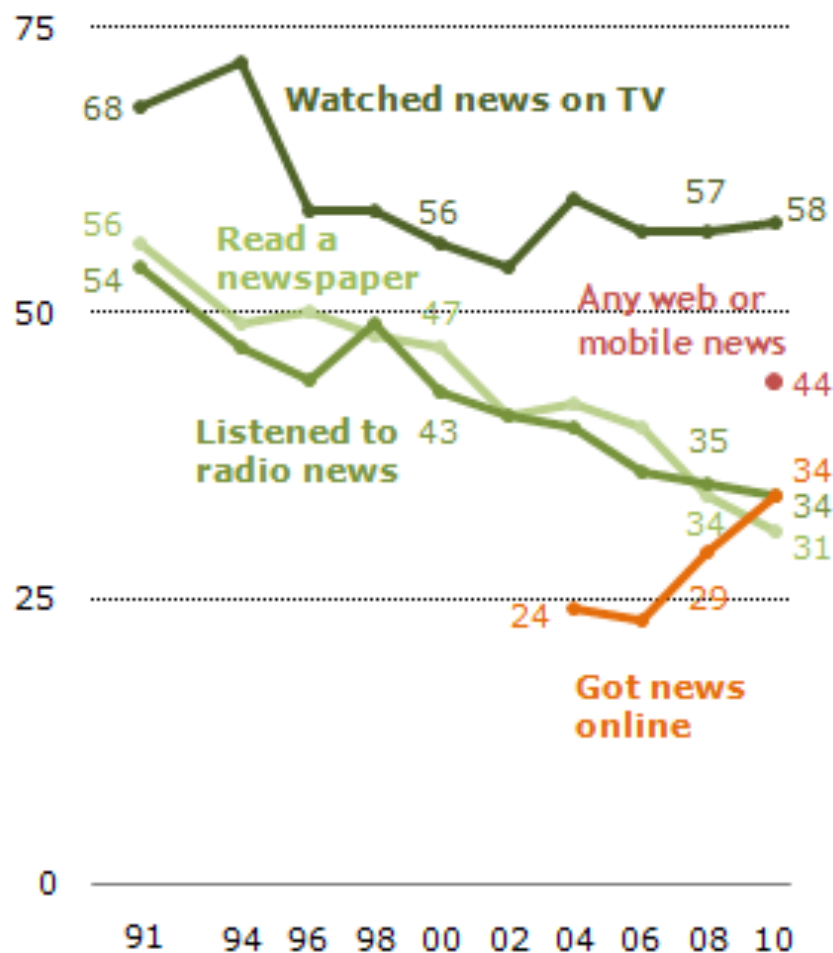


Kindling Digital Distribution in Publishing Industry

Just the way internet impacted the video content industry, media and publishing sector has also seen the same kind of effect with the booming technologies. People love to know what is happening around the world and thus, they will never stop reading news. So, media and publishing industry is evergreen. But the way readers consume news articles and magazines has varied a lot in the past few years. People who access news through websites and digital devices have raised to a great extent. Especially, millennials usually don't consume news through print media. On the other hand, they are very much inclined to digital channels like mobile phones and tablets. Print media has been observing the change in the industry and they are leaving no stone unturned to make the best of the digital media. If we observe, each and every print media has its own website. Some newspaper publishers like Wall Street Journal and The Guardian have taken a step ahead and build their own mobile apps for Android and iPhone users. Many publishers reach the pockets of their readers through third-party newspaper apps such as Feedly, Daily Hunt and Flipboard.

The 21st century, what we usually call the digital era, has started showing love for the online media from the first decade itself. Non-partisan American think tank, Pew Research Center has compared the way print, broadcast, and online news reaches the public every year from 1990s to 2000s. For a question 'where people got news yesterday?', they recorded the responses of the participants and curves were drawn for four options- Watched news on TV, Read a newspaper, listened to radio news, and got news online. When the curves of the first three options were going down, only the curve of online news went up - indicating the next trend in news consumption.

Where People Got News Yesterday



PEW RESEARCH CENTER June 8-28, 2010.

In another survey conducted by Global Web Index during 2012-2016, internet users aged between 16 and 64 were asked a question: "thinking about mobile/tablet apps, which of the following categories have you used in the past month?" In 2012, twenty-one percent of the total respondents said that they used news apps. And this news lover community has grown year by year and in 2016, it has 38% of the total respondents.

Chart of the Day

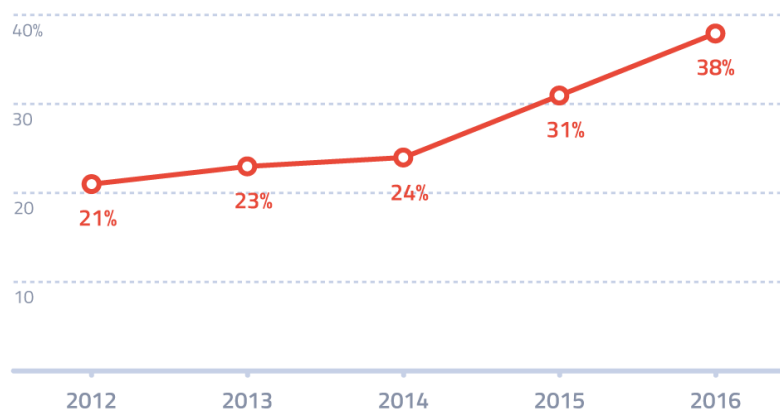
27 JANUARY 2017



The Rise of News Apps

The Rise of News Apps

% of internet users who have used a news app in the last month



Question: Thinking about mobile/tablet apps, which of the following categories have you used in the past month? News | **Source:** GlobalWebIndex 2012-2016 (averages across each wave of research in each year) | **Base:** Internet Users aged 16-64

Statista, a market research and online statistics company, conducted a survey on the revenues of eMagazine and ePaper for the years 2016 and 2017 and made revenue projections till the year 2022.

For the year 2018, **eMagazines** has an estimated revenue of \$2.12 billion, resulting an average revenue per user (ARPU) of \$19.56. With a Compound Annual Growth Rate (CAGR) of 10.8%, the revenue will grow to \$3.2 billion by 2022. The user penetration rate, which is now estimated to be 2.1% for 2018, will hit a rate of 2.7% by 2022. ePaper segment has also got same kind of projections, showing great increase in its figures. The revenue of ePaper is projected to \$3.96 billion, resulting an average revenue per user (ARPU) of \$30.11.

With a compound annual growth rate of 7.8%, the revenues projected at \$5.35 billion in 2022. **ePapers** are penetrating more than that of eMagazines with a projected rate of 2.6% in 2018 and it will be as high as 3.1% by 2022.

Amazon - a company that started as an online book renter, encouraging book lovers to read more books and boosting up the publishing industry. We have so many ecologists and environment lovers who called the world on to save paper and save trees and slowly, the consumption of eBooks started rising. eBooks imprinted a significant mark on creative content creation as it comes handy for individual publishers.

Besides, the convenience with eBooks like the feasibility to carry and maintain, impressed the readers across the world. And then, Amazon again came into picture with its Kindle eReader series and created disruption in the eBooks segment. Supporting this development, a report from Statista says that in a span of four years from 2011 to 2014, the sales of Amazon Kindle were raised by five times. And for the ones who don't want to fill their bag with gadgets, Amazon brought the mobile apps for Kindle, targeting the two billion smartphone users across the world. On the other hand, Amazon is encouraging more and more of its subscribers to read eBooks by giving away free Kindle editions of popular books. All thanks to the awareness among the readers and digital inventions like Kindle, the market for eBooks has sprawled extensively and for 2018, its value is estimated to be \$11.8 billion, resulting an average revenue per user value of \$21.94. With a CAGR of 3.3%, the value will go as high as \$13.48 billion in the next four years with a projected user penetration rate of 11.8%.

Digital Disruption in the Music Industry

In the good olden days, we had a good hobby of collecting the audio cassettes of new music albums and listening to them through cassette players. In 1979, Sony released the first edition of its Walkman that allowed us to enjoy music on the go. But carrying a cassette for each album was a hectic thing for music lovers who love to enjoy non-stop music. Sony understood the deadlock and introduced the Discman in 1984. A compact disc accommodates more data than that of a cassette thereby, making it more convenient for us to relish our favorite compositions. A few years later, memory cards replaced discs and MP3 players like iPod replaced Discmans. But still, the quest of mankind for music was unquenched as we found it difficult to get all our favorite albums. Besides, not everyone could afford to publish their music albums and sell in retail stores. In 1993, Rob Lord, Jon Luini, and Jeff Patterson found the internet as a solution to help individual music artists share their music compositions with public and established the Internet Underground Music Archive (IUMA). However, IUMA was later decommissioned in 2006 but the trend of online music streaming spread like a wildfire. iTunes in 2001, Spotify in 2006 and many other music streaming services came up on the internet. According to a report by Recording Industry Association of America, the first decade of the 21st century witnessed a dramatic change in the way music was consumed. The graph of digital music sales went up as the graph of physical music sales went down drastically.

And it was not astonishing to see Digital music streaming services contributed 50% of the total **music sales** across the world in 2016 while physical music was confined to 34% only.

Apple's iTunes is an exclusive music service for iPhone users across the globe and it is also available for Windows desktop users too. Likewise, Google also launched its own music streaming service Play Music.

in 2011 and made it accessible for all the Android mobile users and this is not a smaller move, given the share of Android OS in the smartphone market with more than 81 percent worldwide. The online music channel offers free music services to its subscribers with some limitations. For the premium users who purchase a license, the services offers unlimited music with ads free content delivery. Besides Play Music, this tech giant's subsidiary youtube launched Music service in 2015 with an intention to help individual music artists across the world. Actually, music lovers worldwide have got a new taste of enjoying music through audiovisuals and this helped YouTube to get a great response for its music service. The platform also supports Copyright Management with the Content ID system and so, there is no harm or misuse of one's own compositions. We have seen several youtubers who make six figures of income through their video content and youtube music is no exception for this adsense program. Artists who register themselves on youtube can make huge amounts of money through the ads served during the streaming of their songs on youtube. Ed Sheeran, Camila Cabello, Luis Fonsi and many others a few examples of the artists who rose to fame in the music world through YouTube. The major advantage of this platform is, one needs not to spend a fortune on promoting their albums. Because, if someone finds something amazing, it will be viral in no time.

Genius Albert Einstein once said, "Creativity is contagious!". One's own creation inspires his fellow men to think of something more creative. And today's technology world has a variety of digital platforms that help them give shape to the ideas. Right from individual creators with no investment to big ticket production houses, there is room for every creative mind willing to set new trends. Digital distribution has disrupted the creative industry in each and every individual sector like music and publishing and it is spreading its wings for a total refinement of every other industry.

"If you need help with an upcoming project,
do write to us on hello@srushticreative.com and we'd be glad to help!"

SRUSHTI

www.srushticreative.com