Looking for Business Models in Digital Media and Content Industries

Dynamics of the Media and Content Industry

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THE VIDEOGAMES REPORT
Are games important for the EU economy?

- The EU benefits from a rich milieu of developers and an important population of middleware producers and distributors
- The EU is strong on telecom services especially mobile
- The EU is seen as a "hotbed" for games development overall
  - A numerous population of highly creative small development studios
  - National markets are still unevenly developed
  - Games as a testbed for digital innovations, marketing, advanced services
IS THERE LIFE BEYOND ADVERTISING AS A BUSINESS MODEL? (... and personal information as a currency to pay for apparently free lunch)

The “US” Model


MYTHS AND TRUTHS ABOUT THE APPS ECONOMY

Apple, Google and the rise of the platforms

- App stores have changed the value chain of software (distribution and pricing), and might do the same with the industries of games, books, ...
- It is not about apps but platforms. How to control a platform?
- Cross-platforms and cross-media
  ➔ Mobile platforms as multi-sided markets ... videoconsoles as two-sided market paradigm
  ➔ Top of the Pops: average per-app revenue is $1,200 to $3,900, an app has 35% chance of generating only between $1 and $500, more than 75% of developers cannot rely on app development as their sole source of revenue (Vision Mobile, 2012), small multidisciplinary studios, fragmented.
  ➔ EU: companies are rather well represented among the top developer companies worldwide, large population of highly creative small development studios (clusters) is observed mainly in the UK, France, Germany, the Nordic countries and to a lesser extent in Spain.
### COMPETING AND COLLABORATING BUSINESS MODELS IN THE ECOSYSTEM

From advertisers, content producers and telecomm operators to device manufacturers

<table>
<thead>
<tr>
<th>Market segment</th>
<th>2011 (B$)</th>
<th>2012E (B$)</th>
<th>Growth y-y (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile data plans</td>
<td>76</td>
<td>83</td>
<td>9.5</td>
</tr>
<tr>
<td>Apps</td>
<td>20(2)</td>
<td>26(3)</td>
<td>31</td>
</tr>
<tr>
<td>Social networking</td>
<td>15</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Games</td>
<td>-</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>In-game items</td>
<td>2.1</td>
<td>2.5</td>
<td>18</td>
</tr>
<tr>
<td>Music</td>
<td>-</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Video</td>
<td>2.9(4)</td>
<td>3.6(3)</td>
<td>24</td>
</tr>
<tr>
<td>Total advertisers spending</td>
<td>6.3</td>
<td>11.6</td>
<td>85</td>
</tr>
<tr>
<td>TOTAL</td>
<td>128</td>
<td>150</td>
<td>17</td>
</tr>
<tr>
<td>Mobile handsets</td>
<td>220(5)</td>
<td>235</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: adapted by the author from industry data (Gartner, IDC, Informa Telecoms and Media, Interactive Advertising Bureau, IPTS, Juniper Research, NPD, Strategy Analytics, PwC)

(1) 32 billion apps downloaded in 2012
(2) 23 billion apps downloaded in 2011
(3) 280 billion video watched on mobile devices in 2012
(4) 108 billion videos watched on mobile devices in 2011
(5) 1.7 billion mobile handsets shipped in 2011