



Mapping of New Business Models

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I. Executive Summary

This report has been drafted with the aim of illustrating different business models conceived by the industry to offer, through online technologies, various types of copyright content.

The study has been carried out following a qualitative analysis, sometimes integrated by figures in the different copyright sectors when these were available. In any case, the conclusions of the study are not based on quantitative data. Most of the content of the report has been provided by representatives of industry associations and federations operating at European level. Nevertheless, when it was necessary to integrate more information in the relevant chapters, this information has been extracted from other sources such as EU and national institutions, international organisations and internet websites.

From analysing the current situation, it appears evident that such offers have increasingly become available for all types of content.

For instance the International Federation of the Phonographic Industry (IFPI) reports that record companies' **digital revenues for 2012** are estimated at US\$ 5.6 billion which corresponds to a **9% increase compared to 2011**.¹

According to the International Video Federation (IVF), in 2012, Europeans spent € 9.2 billion on buying and renting audiovisual content on Digital Versatile/Video Disc (DVD) and Blu-ray Disc (BD) and via digital and online platforms and services. Physical carriers (DVD/BD) are still the preferred method of video consumption. However, the traditional physical video disc market continues to decline – combined retail and rental transactions for DVD and BD fell 10.2% to € 928.5 million in 2012 – while **digital/online consumption is increasing steadily**.²

In 2004, only 17% of Europeans had used the **internet for reading or downloading news**; this number has **more than doubled to 45% in 2012**.³

Common findings

- The **expanding use of mobile technologies**, especially through tablets and mobile phones, is strongly linked to the consuming of copyright content.
- The above market growth has been complemented by an **increasing offer of dedicated applications or applets (so called apps)** facilitating the downloading or streaming of all types of copyright content.

¹ IFPI, *Digital Music Report 2013*, <http://www.ifpi.org/content/library/dmr2013.pdf>

² IVF, *European Video: the Industry Overview*, 2012, http://www.ivf-video.org/new/public/media/EU_Overview2013.pdf

³ Eurostat, *Individuals using the Internet for reading, downloading online newspapers, news, magazines* <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tin00097>

- The **development of faster and faster WI-FI technologies and mobile broadband connections** enable users to consume copyright content in a more shared and interactive way (i.e. moving content from one device to another without the need of a desktop computer with a fixed internet connection).
- The popularity of **online social networks has also become instrumental** to promote, share and incentive the use of authorised offers of copyright content, particularly among younger generations of online technologies' consumers.
- **Cloud computing** offering access to private libraries/collections is an essential element for new business models developed by industry. This is probably linked to the fact that mobile phones and tablets (with limited storage capacities) have become increasingly popular among consumers.
- The trend in consuming authorised copyright content is similar to the one noticed for infringed content, whereas **streaming is progressively replacing the downloading** of audiovisual and music files.

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II. Introduction

EU Regulation 386/2012 entrusted the Office for Harmonization in the Internal Market (Trade Marks and Designs) ('the Office') with tasks aimed at facilitating and supporting the activities of national authorities, the private sector and the Union institutions in the fight against infringements of the intellectual property rights covered by Directive 2004/48/EC. Art. 2 (Tasks and Activities), paragraph 1(g), of the above Regulation 386/2012 establishes that the Office shall "*monitor the development of new competitive business models which enlarge the legal offer of cultural and creative content, and encourage the exchange of information and raise consumer awareness in this respect*".

The European Observatory on the Infringements of Intellectual Property Rights is a network of public and private sector experts and stakeholders, which has been set up to promote greater collaboration and exchange on issues surrounding the infringements and promotion of intellectual property rights. This network contains a number of specific working groups, one of which is entitled the "IP in the Digital World - Working Group". Such working group has established a Subgroup of Experts dealing with online copyright infringements and new business models in relation to legal offers of copyright content available in the digital world. These experts have committed themselves to take a snapshot of the current situation and have agreed to contribute valuable information for the drafting of this report.

The aim of this report is to provide EU and national policymakers and the general public with information concerning the main features of digital offers provided by legitimate services.

Reflecting the composition of the above subgroup, the report specifically covers the following areas:

- Recorded music,
- Audiovisual content (Films and Commercial Television),
- Sporting events' broadcasts,
- Press content,
- Books,
- Visual arts,
- Interactive software (video games),
- Business software

In terms of content, each chapter has been categorised in accordance with the available digital models in the various copyright areas. This information has been provided by the following associations and federations representing the different industry areas:

- Association of Commercial Television in Europe (ACTE)
- Business Software Alliance (BSA)
- European Newspaper Publishers Association (ENPA)
- Federation of European Publishers (FEP)

- European Grouping of Societies of Authors and Composers (GESAC)
- International Federation of the Phonographic Industry (IFPI)
- Interactive Software Federation of Europe (ISFE)
- International Video Federation (IVF)
- Sports Rights Owners Coalition (SROC)

The snapshot provided in this report will be updated on an annual basis and it will be complemented by an inventory of legal offers, for each copyright area, provided by the relevant associations and federations above mentioned (Subgroup members). In this way it will be possible to offer an EU portal comprised of the different national lists of digital offers.

With specific regards to audiovisual content, it is important to mention the work carried out by the European Audiovisual Observatory based at the Council of Europe in Strasbourg (France). This Observatory provides information on the various audiovisual markets in Europe and their financing. It also analyses and reports on the legal issues affecting the different sectors of the audiovisual industry. The activities of the European Audiovisual Observatory are funded by direct contributions from its member states and the European Union, represented by the European Commission, and partly through revenues from the sale of its products and services.⁴

Fields covered by the Observatory's work:

- Film
- Broadcasting
- Home video
- On-demand audiovisual services
- Public policy on the audiovisual sector

Moreover, four databases have been developed by the European Audiovisual Observatory and can be accessed from its website:

- LUMIERE: Database on admissions to films released in Europe
- KORDA: Database on public funding for the film and audiovisual sector in Europe
- MAVISE: Database on television channels and television companies in the European Union
- IRIS Merlin: Database on legal information relevant to the audiovisual sector in Europe

⁴ <http://www.obs.coe.int/web/obs-portal/home>

III. New business models for copyright content

1. Recorded Music

As music services continue to evolve, improve and expand, more and more services offer combinations of the traditional models described in the below chapter, so that for example services may include downloads, social elements, cloud storage and streaming all in one. Digital music is fuelling innovation as retailers upgrade their services and add new features and functionalities that ensure licensed services offer an overall better user experience. In 2012 there were 2.3 billion single track downloads worldwide, an increase of 8% and 207 million digital albums sold, up to 17% on 2011.⁵

Key innovations in 2012 included the expansion of cloud-based services with scan and match features⁶; more and improved mobile applications; better smart radio tools; and added social functionality such as deeper *Facebook* integration.

1.1 Subscription services

Subscription services offer a premium service to customers for a monthly fee which covers their entire catalogue on an “all you can eat” basis. Subscription services can offer PC-only based listening (often also through a free/ad-supported tier of the service – see paragraph 1.5 for more information), mobile listening and caching, allowing sharing playlists with other people. Many subscription services also come bundled with either internet or mobile phone subscription, offering seamless use. Other subscription services offer selected bundles of tracks or albums for smaller subscription fees, or offer subscriptions on a daily or weekly basis, according to consumer needs.

Social media components allow users to recommend music and playlists to their friends and family, sometimes offering a financial reward for sharing content. *Rara*, *Spotify*, *Deezer* and *LastFM* are just some of the services that allow the sharing of music and playlists.

Subscription services are the fastest growth area in digital music, with subscriber numbers up 44% in 2012 and revenues up 62%. This was driven by bundling deals with Internet Service Providers (ISPs) and mobile operators, an improved user experience, integration with social networks and a greater variety of price points.

Spotify is a growing international brand with more than six million paying subscribers, up from three million in 2011. *Spotify* is one of the largest sources of digital music revenue in Europe and in some countries – Finland, Norway and Sweden – the largest. The migration of users from the free to the paid-for service has been central to the success of subscription. *Spotify* says 20% plus of active users convert to their

⁵ IFPI Digital Music Report 2013

⁶ “Scan and match technology” allows users to save time by scanning their libraries and playlists and matching them with content already available in the cloud. In this way users are not obliged to upload each song one by one.

paid premium service. This ratio increases substantially in its native Sweden, where well over a third of the population uses the service.⁷

Deezer, too, is growing as a global brand, and is now available in 182 countries, supported by ISP partnerships in 20 territories. It has four million paying subscribers worldwide.⁸

In addition to these services there are a wide range of local subscription offerings. IFPI tracks more than 30 different subscription services worldwide. In Europe, services include Germany's *JUKE* and *Musicload*, *TDC* from Denmark, *Music Me* in France and the UK's *Blinkbox*.

Examples of successful partnerships between subscription services and telecoms include *Deezer's* deal with *Orange* in France and *Spotify's* tie-up with *KPN* in the Netherlands. Many subscription services have opened up their platforms to third party app developers. *Classify*, for example, enables classical music fans to browse *Spotify's* catalogue by composer, era, genre, instrument, style and mood, as well as access playlists curated by music professionals. *Deezer* integrated *Songkick's* concert recommendation, *API*⁹, enabling music fans to find local concert listings based on their listening habits.

Record companies are licensing subscription services at different price points to appeal to a variety of consumers. Services such as *Muve Music* in the US and *Samsung's* Official Top 40 Chart application are examples of pricing models that have broken away from the fixed monthly tariffs. Subscription services are opening up new market opportunities.

1.2 Download

Download services provide a variety of options to consumers offering digital recorded music which can include individual tracks, albums, special premium content, and music videos for purchase via computer, mobile phone or tablet. Once a purchased file is downloaded, it is usually possible to transfer it to any music listening device. Some services also are specifically designed to work directly with partnered devices, such as a set-top box connected to any television, or a *Sony PlayStation 3*. Download services offer free previews of music.

1.3 Cloud

Many download services also back-up all purchases in the cloud, allowing the user an additional option: to stream or re-download their content from the cloud at any time. These provide customers with access to their entire music collections – integrating downloaded and 'side-loaded' tracks into one collection – wherever they are, and on whatever device.

Cloud music services allow users to purchase and often automatically store music collection in the cloud, for access at any time. Other services allow the user to upload an entire collection, matching tracks to a catalogue of millions, and then allowing the

⁷ IFPI Digital Music Report 2013

⁸ See above note

⁹ The API gives users access to the site's data making it available for use in third party websites and applications. This data includes albums, artists, comments, editorials, folders, playlists, radio, searches, tracks and users. The API uses HTTP calls, and responses are formatted in XML, JSON and PHP. <http://www.programmableweb.com/api/deezer>

user to listen to them at any time on a wide variety of devices, including computers, MP3 players, smartphones, set-top boxes and video game consoles. *iTunes*, *Google* and *Amazon* all offer cloud storage facilities via their music services.

Download stores receive a boost from the cloud, as downloading remains a popular way of accessing music digitally and still accounts for the majority of digital income. Many existing services announced international expansion plans and the rollout of cloud-based features in 2012 such as *Amazon*, *Apple*, *Google* and *Microsoft*. These provide customers with access to their entire music collections, which they can store and access according to their needs.

1.4 Mobile

Most services now work across all types of mobile devices. Mobile services provide streaming, cached content (temporarily downloaded to a phone so it is possible to listen even when offline), tracks, albums, videos and ringtones for use on mobile phones. Streaming services allow users to choose and listen to whatever music they like, on the go, while the caching of music means that it is possible to look through all playlists and load up favourites. Downloaded purchased tracks on mobile phones can also be transferred to other devices. This category also includes mobile applications or 'apps' that work in conjunction with other complementary online services on an internet-connected PC.

1.5 Ad-supported models

Many streaming services offer a free advertising-supported model where consumers sign up to a service and benefit from most of its core functions, yet listen to a certain number of ads. Other services focus exclusively on this ad-supported model, offering licensed music and music videos for free, with advertising. Many users of ad-supported streaming models also convert to premium versions which offer additional functions and ad-free services. Video streaming services also offer access to music videos on an ad-supported or subscription model, while some services have also begun experimenting with live streaming of concerts.

1.6 Online/internet radio

Digital technology is helping deliver a next generation radio experience. Internet radio services, such as *Last.fm*, *Pandora*, *iHeartRadio* and *Slacker* create automatic, customised playlists for listeners from a single reference point – an artist, genre, decade or theme. The ability to skip to the next song adds to the customisation, while many services also rely on professional curators. Extremely popular in the US, these services are creating revenues that did not previously exist and are expanding into additional markets. In the US, a study of consumers by the *NPD*¹⁰ *Group* found that listening to free online radio is most popular among young adults (18-25).

Pandora is the best-known internet radio service in the US, with 69.5 million active listeners (by March 2013) and accounting for 8% of all radio listening, (up from 5.7% a year ago) It is also expanding internationally, opening in Australia and New Zealand in 2012. *Pandora's* growth illustrates how recorded music is helping fuel sales of the hardware and devices on which it is played. *Slacker*, an internet radio service available in Canada and the US, offers three service tiers to its over 23 million registered users, or 4.5 million monthly users, ranging from '*Basic Radio*', a free advertising-supported service to '*Premium Radio*' a full on-demand service at

¹⁰ National Purchase Diary (NPD) is a global market research company

US\$ 9.99 a month. With 60% of new subscribers on the “*Premium Radio*” tier the company says its typical customer is male 25-34 year olds, slightly older than the ‘average’ free online radio listener.¹¹

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¹¹ IFPI Digital Music Report 2013

2. Audiovisual (Films and Commercial Television)

The market for audiovisual media services in Europe is currently experiencing great development, with new technologies enabling businesses to offer content to consumers in a multitude of ways. In particular the consumer spending on digital video and TV Video on Demand (VOD) has grown by 49.8% (€ 1.6 billion) compared to 2011, while the total consumer spending on physical video (DVD, Blu-ray) has declined by 7.5%¹².

In the past few years, Europe has witnessed strong growth in the number of non-linear TV services available. While, at first, VOD services were limited to the TV platforms that have an embedded return path (cable and IPTV), non-linear online services have boomed with the development of internet video and the increase in broadband speed. The most recent comprehensive survey of non-linear offers available in the EU dates from May 2013. At that time there were 3,197 on-demand audiovisual services, including 819 TV catch-up services¹³. Businesses are also experimenting with different models for distributing content, be it transactional, rental, subscription, free and/or ad-supported, and it remains to be seen which models will be successful in the long term. Consumers are enjoying greater freedom in how they access and watch content. They can view TV programmes and films on multiple devices, such as televisions, tablets, computers and smartphones (“multiscreen” viewing). They can also choose between scheduled programming (“linear” audiovisual media services), or on-demand (“non-linear”) services, to be viewed at a time of their own choosing. Whereas some of these new services are provided through the open internet (so-called “Over the Top” (OTT) services), others are provided solely within networks managed by cable or IPTV¹⁴ providers (for the purposes of this text, “managed network video services”). Many businesses will offer a combination of these services, for example by allowing consumers to watch content either at scheduled viewing times or at a time of their own choosing, regardless of the network they are using.

Audiovisual services are also getting more and more interactive. Commercial broadcasters have been developing numerous apps for *iPhone*, *iPad* and *Android* devices, providing fresh news, sports and entertainment articles and videos. Some features allow viewers to use their mobile devices as a second screen, interacting in real time with the programme they are watching.

2.1 Linear services (programmed content)

Linear services are commonly offered together with on-demand services such as catch-up TV and content on demand. They may be available for free, be ad-supported, or on a subscription basis (either independently or as part of a Pay TV subscription). One-off, linear services are more common for time-sensitive broadcasting such as sporting events or premium content programming (e.g. *Sky Sports day pass*).

¹² International Video Federation, Europe Key Data 2013

¹³ European Audiovisual Observatory MAVISE database, <http://mavise.obs.coe.int/>

¹⁴ Internet Protocol Television

2.1.1 Managed network video services: Many cable and IPTV companies, such as *Telia*, *Movistar* and *Numericable*, offer consumers the possibility to view scheduled broadcast content on numerous devices, such as traditional television, smartphones, computers and tablets. Access to these services may be limited to the service provider's own network (e.g. fixed or mobile broadband connection, WI-FI¹⁵ hotspots, etc.), or offered as an OTT video service.

2.1.2 OTT video services: These services offer live TV to consumers over the open internet and often on a multiscreen basis (smart TV, computer, tablet, smartphone, etc.) and are often part of a pay-TV subscription (e.g. *Mediaset Premium Play*, *Sky Go*, *Canal+ Multi-écrans*, *Viasat*). Many free-to-air broadcasters also offer their programming live online. For some broadcasters simulcasting is limited to certain content, such as news programmes, while others simulcast their channels 24/7 (e.g. *Mediengruppe RTL Deutschland*, *N-TV*, *Mediaset's TGCOM24*).

2.2 Non-linear services (content on demand)

2.2.1 Managed Networks

Rental – transactional (TVOD): Many cable and IPTV providers allow consumers to rent films and audiovisual programmes from their catalogue to be viewed within a specified time period (e.g. within 72 hours). This content may be made available on a multiscreen basis (e.g. *Virgin Media*, *Telenet*, *UPC*). The provider may also offer this service as an OTT service (see below).

Rental – subscription (SVOD): As part of their cable or IPTV subscription, consumers may also be offered a catalogue of films and audiovisual programmes that can be viewed on demand, possibly on a multiscreen basis. These services often include very recent content, such as US television series the day after their original broadcast in the US, and long before their premiere on TV (e.g. *M6 and RTL-TVI Series Pass*).

This may also be offered as an OTT service (see below).

Catch-up TV: Cable and IPTV operators may give consumers the possibility to watch recently broadcast programming, including films, via their televisions or other devices. This may also be offered as an OTT service.

2.2.2 OTT Services

These services are accessible over the 'open' internet and may be viewable on a variety of internet-connected devices (*SmartTV*, home media streamer, tablet, smartphone, PC, etc.).

Retail/permanent download: For these services, consumers are able to download content and keep it on their devices to be viewed at any time of their choosing with no time limitation. This offer may be combined with cloud services, enabling the consumer to stream the same content to their devices. (e.g. *ProSiebenSat1's Maxdome.de*)

Cloud services: For these services, a copy of the content file is stored on the content provider's server, with consumers able to stream the content to their devices.

¹⁵ Wireless Fidelity

Unlike rental, the content is not made available on a time-limited basis, but is available repeatedly and at any time of the consumer's choosing. Cloud services are often combined with transactional purchases, such as permanent downloads (e.g. *iTunes*, *Wuaki.tv*) or sales of physical media (e.g. *Ultraviolet*¹⁶).

Rental – transactional (TVOD): Businesses may offer a catalogue of content which consumers can download or stream, to be viewed within a time limited period (e.g. *Blinkbox*, *vod.pl*)

Rental – subscription (SVOD): A content provider may offer a catalogue of content for consumers to stream to their device. Subscription may vary between offering a limited number of films and/or audiovisual programmes per week/month to “all you can eat” packages with unlimited viewings (e.g. *Viaplay*, *Watchever*, *CanalPlay* *Infintiy*, *Netflix*, *Lovefilm*).

Catch up TV: Practically all commercial broadcasters offer consumers the opportunity to download or stream recently broadcast content to their devices (e.g. *ITV Player*, *Iwatch*, *RTL XL*, *TVN Player*).

Online first offers: Many commercial broadcasters now offer the possibility to watch episodes of US television series the day after their original broadcast in the US, and long before their premiere on TV (e.g. *ProSiebenSat1*. on *MyVideo*). Many broadcasters also offer “preview” services allowing viewers to watch the next episode of a TV show before it is broadcast (e.g. *iWatch*, *RTL XL* “*Vooruitkijken*”). This service is also often offered on managed networks.

It should be noted that many businesses will offer a combination of the services listed above, for example by offering both TVOD and SVOD (e.g. *Voyo*, *Ximon*, *Mubi*, *Maxdome*, *Filmin*, *Videofutur*, etc.), or by offering content both for rental and for permanent download (e.g. *Videociety*, *Xbox Video*, *Google Play*, *Maxdome* etc.). Broadcasters' online offers often combine free catch-up with TVOD (e.g. *ITV Player*, *RTL XL*) and/or SVOD models.

¹⁶ *UltraViolet* is a free, cloud-based digital rights collection that gives its users the possibility to buy a film or TV show from a participating retailer, automatically adding to the users' *UltraViolet Collection* with the options to stream it over the internet and/or download it for offline viewing to a variety of connected devices (e.g. mobile device, computer, television, game console, etc.).

3. Sport events' broadcasts

Regarding sports competitions, there is not one single website or broadcasters where it is possible to find a variety of sports. This is of course due to the live consumption of sports content and to the fact that the coverage of the same sport might be different from country to country.

Basically there are two different models divided in accordance with the popularity of the competitions: those that are very popular (such as UEFA Champions League, Premier League, Bundesliga and Olympic Games) where there is one exclusive broadcaster (sometimes several exclusive broadcasters) per country and those competitions which are less popular and use the internet to increase their visibility and which do not use geo-blocking¹⁷ for licenses purposes.

3.1 TV broadcasting (pay per view, subscription)

As for films and commercial television, sport events are broadcasted on TV channels through a pay per view scheme, i.e. buying access to a specific single event, or through a subscription model which allows customers to view a series of events contemplated by the subscribed contract. TV channels offering this kind of models are: *Canal Plus*, *Sky* and others. This business model is mainly used for popular events such as football matches of various leagues, world championships of football and Formula 1, ATP tournaments of tennis, etc.

3.2 Web based (free/pay per view)

Sport events are also transmitted online through streaming. For both popular and less popular events, there are official websites transmitting free or pay per view streaming. Apart from TV channels that will present the same offer of TV broadcasting through online streaming, entire sport events or their highlights will also be streamed through the official websites owned by the relevant organisations and associations such as: www.uefa.com, www.fifa.com, www.daviscup.com, www.f1.com.

Moreover, a certain amount of free streaming of live sport events (especially highlights) is also available on websites such as *Youtube*, *Dailymotion* and similar services.

In general, web based streaming is a business models that is especially used for less popular sport events although, as mentioned above, popular events are slowly moving towards this form of offer.

¹⁷ Geo-blocking is implemented by Internet Service Providers (ISPs). It is based on the IP address of the user that tries to access a specific website. Such access can be denied for licensing or legal reasons. The restricted websites are normally contained in a "black" or "block" list maintained by ISPs.

4. Press content

Publishers of newspapers and news media have innovated quickly to provide consumers with professional press content in the digital environment. Newspaper websites regularly rank among the most nationally visited sites throughout Europe. Online readership has been steadily and significantly increasing in all Member States each year since 2005. In fact, in 2004, only 17% of Europeans (EU-27 countries) had used the internet for reading or downloading news; this number has more than doubled to 45% in 2012 (EU-28 countries).¹⁸

The highest rates of online newspaper readership have been reached in Finland (74%), Estonia (66%), Denmark (63%), and Luxembourg (59%) in 2010. This trend towards internet news readership shows no signs of slowing; on the contrary, the number of unique visits to popular news websites continues to show exponential growth. Furthermore, with regards to paid readership, *PricewaterhouseCoopers* estimates that daily newspaper unit digital paid circulation will increase from 569,000 units in 2011 (in 16 western European countries) to 7.6 million units in 2015, a compound annual growth rate of more than 100% on average.¹⁹

4.1 Free newspaper websites

Newspaper websites are extremely popular and are often among the most visited websites in their national, regional and local markets. Readers are offered access to professional text-based content, in addition to photos, videos, interactive features and online archives. Many newspaper encourage readers to comment on articles, blog and interact with journalists and other interested parties on online fora. This has promoted a dynamic, real-time and mutually beneficial exchange between editorial departments and their readership.

4.2 Subscription services: a) free access via registration; b) a metered model; c) total pay-wall

Despite soaring numbers of online visitors, newspapers are still working to find ways to capitalise on this new form of readership. News media have experimented with different online payment schemes in order to profit from digital consumption. A total “paywall”, where no content can be accessed without payment, is used by *The Times* (UK) for example, and was implemented by a few newspaper titles.²⁰

In a different approach, some newspaper websites have simply provided unfettered access to all consumers in the hope that the relevant advertising will eventually make up for the loss in sales revenue. However, many have found that online advertising alone has not, to date, been enough to create sustainable revenues for digital newspapers.

A recent and strong trend is towards introducing a metered model, where publishers charge for access to certain content or services while also allowing casual visitors a certain amount of access. This allows newspapers to develop long-term paying customers, while also benefiting from the potential advertising revenue generated by visits by more spontaneous users.

¹⁸ Eurostat, Individuals using the internet for reading/downloading online newspapers / news magazines
<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tin00097>

¹⁹ ENPA contribution

²⁰ *The Economist* | Special Report: Bulletins from the Future

In the digital environment, consumers appear willing to pay for specialised content or services they cannot get elsewhere. For example, the *Financial Times* website, *FT.com*, only allows access to registered users and subscribers, and registered (but non-paying) users can only read up to ten articles per month.

The French newspaper website, *Lemonde.fr*, had only 20,000 daily visits in 1998, which increased to 100,000 in 2001, eventually reaching 1.5 million in 2010.²¹ *Lemonde.fr* allows users to view all newspaper content. In addition, an online subscription provides many services, such as the ability to comment on articles, to write blog posts, have a personalised home page, and to have access to archives. These services provide readers with additional reasons to pay for subscriptions, while allowing others simply to peruse the news pages freely.²²

4.3 Text services to mobile devices (news alerts, clippings, daily newspaper selection)

While Europe still falls behind the US and Japan, at 39.5% and 57.6% of mobile users accessing news and information from their mobile devices, respectively, Europe has shown the greatest growth in mobile-based news access in recent years. The number of daily mobile users of news and information increased by 65% from 2009 to 2010, according to *ComScore*.²³

Considering the high rate of mobile use in EU-5²⁴, this means approximately 28% of total citizens of EU-5 use their mobile devices to access news and information.²⁵ Media consumption on a variety of digital platforms is no longer an occasional activity.

Many users today rely on this technology and the accessibility it affords on a day-to-day basis to access news in a variety of situations.

4.4 Apps for tablets and digital kiosks

Publishers' increasing use of new technologies and digital platforms is not limited to personal computers, as mobile devices and tablets are being used more frequently to access news than ever before. Business models and commercial practices are being adapted constantly to offer readers new newspaper experiences via these popular consumer devices.

Unlike on the internet, where many consumers have become accustomed to free information and services, customers appear more willing to pay for newspaper content on mobile devices and tablets.

The recent rise of tablets has provided a new platform for newspaper publishers to reach their audiences. Moreover, unlike the online environment where the quasi totality of content has traditionally been free, readers seem to be more willing to pay for content from tablet applications.

Many European consumers are enthusiastic about the prospects of reading news from tablets. There are approximately 29 million users of the *Apple iOS* platform on *iPads*, *iPhones*, and *iPod Touches*, and approximately 14 million users of the *Google Android* platform in the EU-5.

The large and easy-to-read screens on tablets are conducive to reading newspapers. By 2015 the installed base of smartphones, tablets and eReaders will reach 2.8

²¹ *Reuters Institute for the Study of Journalism | The Changing Business of Journalism and Its Implications for Democracy*

²² *Lemonde.fr | Nos chroniques d'abonnés : vont-elles disparaître ?*

²³ *ComScore | 2010 Mobile Year in Review.*

²⁴ The EU-5 countries are: France, Germany, Italy, Spain and the UK.

²⁵ Calculations based on Eurostat | Use of mobile phone, *comScore | 2010 Mobile Year in Review*, and WorldBank data.

billion, and each of these devices will be able to display newspaper content with high quality while most will be wireless-enabled.²⁶

4.5 Paid downloads of newspapers or single articles

ComScore reports that, with 67% of all internet users reading news online, news/information is the sixth most visited category of websites. This number has risen by 6.1% from the previous year.²⁷

An example of innovative new strategies used to harness these technologies is a new *iOS* application called *ePresse.fr* launched in France in June 2011. The application combines content from seven French newspapers and three news magazines, and allows the avid newsreader to download all their content, in addition to the ten previous editions of each newspaper or magazine, in one click.

4.6 Paid/metered access to online newspaper archives

The advent of online news and reductions in print advertising has forced media organisations to rethink how they generate revenue. Some have instituted so-called paywalls: you view, you pay. That could be an all-or-nothing proposition whereby readers might balk at paying to gain access to read only one or two stories.

As an example, two years ago the *New York Times* launched its paywall model called “*The Meter*”. Through *The Meter*, readers get a certain number of free articles per month; after that they have to pay. It is an attempt to capture revenue from the heaviest users and allow casual visitors to come by freely. With this mixed system newspapers try to retain the advantages of the open web *and* gain a new revenue stream. Setting the number of free views and the cost of a subscription can only be done experimentally. At a later stage newspapers can fine-tune their free threshold. The *Financial Times* and other popular newspapers nowadays use similar online models.

4.7 Dedicated social media sites for newspapers

A *Pew Research* study found that mobile is driving much of this growth. Some 47% of smartphone users said they got news through a social network “sometimes” or “regularly.” Some 39% of tablet news users did so as well. Determining exactly how much traffic social networks overall are now driving to news sites is difficult, though it accounts for a growing share of the audience, according to both *Pew Research* surveys cited above and *Pew Research* analysis of *Nielsen* data.²⁸

In August 2013, *NewsWhip*, a startup company that tracks news shared on social media, published a list of the 50 news sites with the strongest user engagement on *Facebook*. Compared to 2012, there has been an increase of 165% in *Facebook* interactions (such as comments, postings, etc.).

Social media engagement around published content seems to have grown substantially over the past year. The growth in *Facebook* interactions recorded by almost all publishers is dramatic, with many publishers increasing their share of *Facebook* and *Twitter* interactions by well over 100%. This trend can be seen right

²⁶ “Newspapers and the Internet: 2011 to 2015”, *Generator Research Limited*, Nov 2011

²⁷ comScore | Europe Digital Year in Review

²⁸ Pew Research Center’s Project for Excellence in Journalism, *The State of the News Media*, 2013, <http://stateofthemediamedia.org/2013/digital-as-mobile-grows-rapidly-the-pressures-on-news-intensify/>

through the top 20.²⁹ Practically all publishers seem to have benefitted by the rising tide of social media engagement by their readers. Differences in scores ultimately come down to how publishers harness and engage with this change. Of August's top five most social outlets on Facebook three are online-only publishers – *BuzzFeed*, *The Huffington Post* and *Upworthy*. All three are focused on publishing share-friendly content, and getting it shared. In particular *The Huffington Post* has shifted most effectively from its SEO³⁰ roots to the current SMO³¹ reality. The *BBC* performed well, hanging onto fourth spot and doubling total Facebook interactions, while *CNN* managed a healthy improvement, going from number seven in September 2013 to number three in August 2013. Outside the top five, traditional news outlets including the *New York Times*, *Fox Network*, *The Daily Mail*, *NBC Network* and *the Guardian* dominate. These publishers all increased their levels of social interaction substantially since 2012.³²

²⁹ For instance, *Russia Today* placed at no. 27 in September 2012 with 559,482 interactions. In August 2013, the site was no. 20, with 1,841,195 interactions.

³⁰ Search Optimised

³¹ Social Optimised

³² <http://blog.newswhip.com/index.php/2013/09/social-publishers>

5. Books

Digital technologies have been employed in book publishing for a long time, but only when they allowed offering the end user a satisfying reading experience did a real e-book market start emerging. This has happened in the past five years, during which we have seen the rapid development of an e-book market across Europe basically from scratch, driven by the increasing sophistication of e-books and e-reading devices, the increasing availability of titles, the increasing penetration of the internet and the increasing uptake of technological devices by consumers.

Such market is still at an early stage of development: except for the UK, where digital sales accounted for 12% of the book market in 2012, in the rest of the EU the share is around 2-3% in the most developed markets (Germany, France, Spain, Italy) and probably lower elsewhere. Nonetheless, growth rates have been impressive and the large majority of publishers have engaged in this new market, which opens up a series of opportunities, as readers access e-books on several devices (PCs, tablets, e-readers, mobile phones) and in different formats.

5.1 eBooks to download

5.1.1 Purchase

All EU countries are served by a number of local suppliers. National publishers generally distribute their e-books in *ePub* format on e-bookstores, often integrated with low-cost e-readers (e.g. Germany's *Tolino Shine*). Apple's *iTunes* offers a localised e-book storefront to each of the EU countries (except Croatia), and Google Play is accessible throughout 18 EU countries (UK, Austria, Belgium, France, Germany, Ireland, Italy, Portugal and Spain, plus the recently added Netherlands, Denmark, Sweden, Finland, Greece, Hungary, the Czech Republic, Poland and Romania). Amazon's Kindle editions are served in the top five markets (UK, Germany, France, Spain, Italy), giving consumers more choice than in other Member States. New entrant Kobo is also generally accessible but only serves a handful of countries (UK, Germany, France, Italy and the Netherlands), whilst the Nook only serves the UK and Germany, where it entered in 2012. In addition, independent online booksellers managed by physical bookshops or pure players also play a significant role in the e-book market.

All in all, an estimated 2,5 million e-book titles are available to European consumers, with at least one e-book storefront in each EU country. The most common model allows customers to buy e-books from one of many retail platforms available. Just to make a few examples for the main markets:

In Germany the main platforms are *weltbild.de*, *buecher.de*, *amazon.de*, *thalia.de*, *kobobooks.de*, *buch.de*, *ebook.de* and the *iBookstore*. Around 400,000 e-book titles are available in German. Notably, the digital catalogue of *ebook.de* in German went from 25,000 titles in 2011 to over 200,000 in the third quarter of 2012, an eight-fold increase in less than two years. *Libreka* is a platform launched by the German publishers and booksellers association *Börsenverein* in 2006, offering e-books since 2009; *Libreka* has recently announced several partnerships — such as with Kobo and Apple in 2011 — to position itself as a link between retail platforms and publishers. This year Deutsche Telekom and various retailers, such as *Club Bertelsmann*, *Thalia*, *Hugendubel* and *Weltbild*, joined forces to create an integrated system of e-book distribution and selling, *Tolino*; it is completed by the production of an e-reader, the *Tolino Shine*. In the UK, the most developed digital market in

Europe; it is served, among others, by: *amazon.co.uk*, *barnesandnoble.com*, *waterstones.com*, *ebooks.com*, *foyles.co.uk*, *Google Play*, *kobo.com*, *whsmith.co.uk* and the *iBookstore*. More than 1.5 million e-book titles are available in English (also from the US catalogue). The portal *econtentmap.com/books* provides links to many different providers of e-book legal offers. In France the main retailers include the *iBookstore*, *amazon.fr*, *kobobooks.com*, *fnac.com*, *numilog.com*, *epagine.fr* and *feedbooks.com*; the French market is also characterised by a large number of relatively small e-bookstores, often linked to individual publishers (e.g. *numerique.livredepoche.com*) and independent booksellers (*livre.relay.com/fr*). About 200,000 titles are available in e-book format in French. In Spain the main platforms are *casadellibro.com*, *fnac.es*, *booquo.es*, *bubok.es*, *popularebook.com*, *leer-e.es*, *todoebook.com*, *amazon.es*, *elcorteingles.es* and the *iBookstore*. An estimated 75,000 e-book titles are available in Spanish. As an example, *Nubico* offers Spanish books to download through purchase and subscription models. Finally, in Italy the market is served by several retailers, including *ibs.it*, *amazon.it*, *cubilibro.it*, *lafeltrinelli.it*, *inmondadori.it* and the *iBookstore*. The available e-book catalogue comprises around 60,000 titles (twice as many as a year ago).

The other EU countries outside of the big five markets are also covered in terms of e-book offers. In the Netherlands, where *Apple*, *Google* and *Kobo* launched localised platforms in 2012 (and Amazon is expected to follow suit), there are around 20,000 titles available in Dutch; other platforms include *bol.com*, *libris.nl*, *cosmox.nl*, *eBook.nl*, *polare.nl*. Significant offers are available also in the Nordic countries (*elib.se*, *publit.se*, *publizon.dk*, *saxo.com*, *wsoy.fi*), and e-book stores are present everywhere else, from Poland (*empik.com*, *virtualo.pl*) to Portugal (*leyaonline.com*), from Belgium (*filigranes.be*, *meslivresnumeriques.be*, *e-boek.org* – and several French sites) to smaller markets such as Hungary (*adamobooks.hu*) and Lithuania (*skaitykle.lt*), where e-books are just starting to be on the radar.

5.1.2 Subscription

In a market that is still very young, various experiments are taking place, including subscription services that allow access to collections of e-books upon a monthly fee; notable examples include *cyberlibris.com*, *youboox.fr* and *izneo.com* (specialised in comics), and also very specific cases such as *bardowl.com* (an audiobook subscription app). The bookstore at *Google Play* can also be considered singular in that it is a cloud-based service; regardless of the purchase mode, books are accessed on the cloud.

The subscription model is also the basic model in the domain of academic and professional publishing (scientific, technical, medical, humanities, etc.). The main market here is constituted by academic, university and research libraries, who often deal directly with publishers. As a rule, scientific, technical and medical literature is available globally and on the internet due to publishers' programmes at national, international and regional levels. Digital and online access to journals has been available since the mid-1990s, including access to individual articles on a transactional basis for persons who do not have journal subscriptions. In addition to their own document delivery services, STM³³ member publishers have licensed national, university and research libraries to carry out document delivery, both to their own patrons and to patrons of their correspondent libraries (e.g. *www.subito-doc.de*; *www.infotrieve.com*).

³³ Science, Technology and Medicine, STM is an acronym used to identify this type of specialised publications mainly dedicated to practitioners.

5.2 eBooks in streaming

On a global scale, STM publishers offer transactional or pay per view access to content, as well as rental models that allow individuals to view content for up to 24-hours, such as *Deepdyve*, where thousands of journal articles are available for rent - www.deepdyve.com/browse/journals.

There are nonetheless many platforms offering such materials (mainly journals, but also e-books) to libraries but often also to individual customers. Some examples (beside the websites of many individual publishers) are: cairn.info, ebrary.com.

Several experiments are also taking place in the area of e-lending, with publishers and distribution platforms offering licences to libraries that allow them lending e-books to their patrons. Some are run by platforms that already offer other types of e-book services, such as cairn.info, cyberlibris.com, izneo.com and numilog.com (France). Others have been created specifically for the purpose; just to name a few: *ereolen.dk* (Denmark), *divibib.com* (Germany), *Media Library Online – medialibrary.it* (Italy), *Public Library Online – publiclibraryonline.wordpress.com*, *Overdrive – overdrive.com*, *ebooks.com* (UK).

DRAFT

6. Visual Arts

Visual arts are the arts of painting, sculpting, photography, etc., as opposed to music, drama, and literature.³⁴

Visual arts are nowadays also disseminated through online services; mainly websites and other platforms such as newsgroups. Although there have not been particular evolutions in relation to new business models in the field of visual arts, there are several websites offering this type of copyright content.

6.1 Online sales of images (image databases)

Databases containing arts images are actually offering such content through specific websites. Some of these are below listed:

- Photo stock agencies (*NMR, Roger Viollet, Corbis, Magnum, etc.*)
- *Microstocks (Getty Images, Fotolia, etc.)* / NB: remuneration for authors is problematic (very low flat fee).

6.2 Online dissemination of images

Other websites or internet platforms such as communities and social networks are also disseminating images. Sometimes such dissemination is not remunerative for authors, as images are disseminated without them being paid for. Some examples of such platforms are below reported:

- *Museums/Art galleries (virtual Pompidou Centre: <http://www.centrepompidou.fr>, etc.)*
- *Specialised press (<http://www.connaissancedesarts.com>, <http://www.artshebdomedias.com>, etc.)*
- *Google Art Project, Google Images* / NB: remuneration for authors is problematic (no payment for the use of images)
- *Community platforms (YouTube, Dailymotion, etc.)*
- *Dedicated social networking sites (<http://www.whoartyou.fr>, etc.)*
- *Sale of smartphone and tablet apps (e.g., <https://itunes.apple.com/fr/app/joue-avec-victor-vasarely/id566080334?mt=8>)*

6.3 Online auctions (using images of works)

In relation to physical artworks, the main digital business models are represented by specialised auction websites.

- *Sotheby's, Christie's, etc. (<http://www.sothebys.com/fr.html>), (<http://www.christies.com/>)*
- *Art market information sites (<http://web.artprice.com>, etc.)*

³⁴ Definition provided by Collins English dictionary

6.4 Online sales of art goods

Websites where the direct sale is advertised are another online model used to sell physical artworks. In this case, the website acts as an intermediary between the author and the potential buyer.

- Amazon Fine Art (<http://www.amazon.com/b?ie=UTF8&node=6685269011>)
- Clouet (<http://www.clouet.com>)
- Arteum (<http://www.artaum.com>)
- On-demand printing (<http://muzeo.com/>, etc.)

DRAFT

7. Business Software

Today, software is distributed through a variety of channels in order to suit end users' needs, habits and preferences. The digital distribution of software is fundamentally changing the face of the industry, as software delivery shifts from a traditional store-bought disk, to software applications downloaded from the internet and installed on premise, to a per-user application on demand model through cloud computing. The proliferation of online software delivery models reflects the constant efforts of software vendors to evolve their business models in order to meet customers' expectations with regard to delivering value, efficiency, and flexibility in software.

8.1 Downloadable Software

Software packages can be downloaded over the internet from software vendors' own websites, as well as through legitimate online resellers and online market platforms (e.g. *Amazon.com*), making it simple and easy for users to acquire new software products and applications. Downloadable software became popular during the pre-cloud era of computing, providing users with a more efficient means of acquiring software compared to a traditional store-bought "package". Similar to other types of "packaged" software, the terms of use for downloadable software are determined by the license agreement which denotes how many computers a software programme can be downloaded onto and the features included with that software programme. In many cases, vendors allow users to download a trial of a software package prior to licensing it for use.

8.2 Software-as-a-Service/Cloud Computing

Software-as-a-Service (SaaS) is a subscription-based model in which users access specific software programmes and applications through their web browser rather than installing the software on their PCs. While SaaS is currently a still relatively small part of overall software spending, it is growing faster than the overall market and is expected to reach USD 22.1 billion by 2015 according to *Gartner*³⁵. IDC projects that by 2016, \$1 of every \$6 spent on packaged software and \$1 of every \$5 spent on applications will be consumed via a SaaS model.³⁶ SaaS enables users to pay for the specific applications they need, when they need them, on whatever device, wherever they are located. It also offers enhanced collaborative functionalities.

SaaS has the potential to significantly reduce costs by allowing users to focus their spending only on the products and applications they need, when they need them. Proprietary SaaS offers are typically based on a subscription-fee model, a freemium-model (free access to limited functionalities), or a free advertisement-supported model. In a recent judgment³⁷ the CJEU has decided that the online purchaser of software may resell 'used' copies of the downloads to others. This decision could have the consequence that more and more companies will offer SaaS instead of downloading services.

Another option is moving towards cloud-based business models. Most major software vendors are introducing cloud-based offerings, such as *IBM SmartCloud*,

³⁵ Gartner, May 2012

³⁶ IDC, May 2013

³⁷ C-128/1, *UsedSoft GmbH v Oracle International Corp.*, Judgment of the Court (Grand Chamber) of 3 July 2012.

Microsoft Office 365, Autodesk 360. In May 2013, *Adobe* announced it would delivering all new Creative Suite applications via a subscription model only through its *Creative Cloud* offering.

DRAFT

8. Interactive Software (Video Games)

“Born digital”, video games have become a popular form of mass entertainment, a powerful and exciting platform for innovative art, a key technology driver for computer graphics. Within just three days of going on sale in September 2013, Take-Two Interactive’s *Grand Theft Auto V* achieved worldwide retail sales of more than US\$1 billion, beating Activision Blizzard’s *Call of Duty: Black Ops II* to become the biggest entertainment launch of all time. It took *Black Ops II* 15 days to gross US\$1 billion in November 2012.

The video gaming industry has in the last years been able to develop existing and more traditional models such as console games into more sophisticated graphic designs and making them interactive with other players through equipping the above consoles with online technologies. Moreover, online games, mainly stored in the cloud and accessible through broadband connection, have seen the rise and have increasingly become more popular.

9.1 Packaged or boxed

Video games are still mainly sold as traditional boxed or packaged products, either in bricks and mortar stores or via online retailers like *Amazon*. Although the market is clearly and steadily transitioning from physical media to pure digital distribution, physical game discs still bring in the bulk of revenue, and the upcoming launch of *Sony’s PlayStation 4* and *Microsoft’s Xbox One* could spur a recovery of the physical market by refuelling interest in console gaming even if these two systems are really focused on driving online business models rather than being used as stand-alone entertainment stations. The sheer size of some major console games can make digital distribution more difficult today on account of their storage and bandwidth demands. Retail distribution, therefore, is likely to remain significant for years to come. The lines between boxed product sales and digital distribution are, however, blurring, as publishers increasingly include online components in their boxed games and provide post-release downloadable content (DLC) to enhance the gaming experience and to expand the life of their titles.

9.2 Online

Over the past several years, online games have become one of the fastest growing segments of the video game sector, spurred by rising broadband penetration, the inclusion of robust online capabilities in the current generation of consoles, and the morphing of the MMOG³⁸ genre into social games and casual online games. Legitimate downloads of all types of games are widely provided today by game publishers, console and phone manufacturers, and retailers. Many games that are bought on disc or cartridge today can be played against others using a PC or games console with internet access.

The industry is now characterised by the very large numbers of players who are able to simultaneously engage with each other and to play online. A 2010 study conducted for the industry revealed that 71% of gamers played some form of online game.³⁹ The video game industry now offers more new, innovative ways for

³⁸ Massively Multiplayer Online Game

³⁹ http://www.isfe.eu/sites/isfe.eu/files/video_gamers_in_europe_2010.pdf

consumers to experience its products online than any other industry. By 2017, it is estimated that the online platform will have almost reached parity with consoles.

Although the PC was the first online game platform, consoles have become increasingly important as each of the main consoles supports online gaming. Each works in tandem with an integrated, console-specific online marketplace that enables consumers to purchase various forms of digital content for download. Also now emerging are cloud-based and streaming gaming services. These enable users to play high-end games located on remote servers directly on their low power home computers or even set top boxes by streaming video signals and user inputs. Various game companies have set up their own digital distribution platforms, such as *Valve's Steam*, *EA's Origin*, and the previously mentioned console specific networks: the *Nintendo Network*, *Sony's PlayStation Network* and *Microsoft's Xbox Live*. *Steam* has over 2,000 games available for download to its over 40 million registered users worldwide.

Origin is a digital distribution system enabling users to purchase games online and to download them to their PCs or mobile devices. *Origin* allows the saving of games in the cloud, thereby enabling them to be played on different devices, and also offers social features such as networking with friends. *Sony's PlayStation Network* is an online multiplayer gaming and digital media delivery service for use with PlayStation consoles and handhelds, and has over 90 million accounts worldwide. In 2010, Sony introduced *PlayStation Network Plus*, an optional paid upgrade that provides free games, discounts, and other content. The *Nintendo Network* is *Nintendo's* online service providing online functionality for the 3DS and *Wii U* systems, and their compatible games. *Xbox Live* is a multiplayer gaming network, social network, and media suite. Worldwide, *Microsoft* has over 48 million subscribers to its online services. *Blizzard's* proprietary online platform, *Battle.net*, lets players communicate and collaborate across games while giving the company a way to interact with and support its players through direct digital sales, free trials and value-added services. During 2012, over 42.9 million people used *Battle.net* to play a *Blizzard* game.

The online game market is composed of several segments. MMOGs are usually roleplaying games that take place in fantasy or medieval worlds and can be played over long periods of time by thousands of people simultaneously around the world. After purchasing copies of the game at retail stores, players often pay monthly fees to participate, sometimes making additional purchases to buy online equipment and accessories. The micro-transactions⁴⁰ associated with MMOGs are major drivers of online gaming revenue growth.

Rapid growth in social gaming is also driving spending on micro-transactions. Many social games are free, but gamers can buy virtual goods to give them an edge or otherwise improve the gaming experience. Social gaming on sites like *Facebook* and *Google+* has grown exponentially. The games are free, widely available, load in a few seconds, and require only a few minutes at a time to play. *Zynga* is a leading provider of social game services with approximately 250 million monthly active users playing its games.

Another segment of the online market consists of casual gamers who go to a website and play strategy or puzzle games often at no charge with advertising supplying the

⁴⁰ A micro-transaction or micropayment is a low amount of money (normally below € 8 or US\$ 10) paid by the user to access some parts of a website or, in this case, to further progress in the online gaming activity.

requisite revenues. Casual game sites like *King.com*, and *PopCap.com* reach two-thirds of European gaming households. Founded in 2002, Big Fish is one of the world's largest producers of casual games. The company has distributed more than 2 billion games from a growing catalogue of over 3,000 PC games and over 300 mobile games, and offers cross-platform streaming games via its proprietary universal cloud gaming service, *Big Fish Instant Games*. *Big Fish's* games are played in over 150 countries on a wide variety of devices across 13 languages. Increased broadband penetration and, with it, growing digital distribution is driving the growth of the online market. The migration of many MMOGs from their subscription models to a free-to-play business model is increasing the number of players worldwide.

The growth of micro-transactions is providing a boom for the industry. Publishers also offer consumers ad-supported versions of games, which give them the opportunity to enjoy a basic gaming experience for free. Both models give consumers more flexibility in accessing and paying for game content, but ensure revenue streams to publishers and developers for their creative works. Casual games and social network games are also helping to expand the demographic base and to stimulate spending.

The advent of digital distribution has also transformed the video game value chain, enabling developers to reach audiences directly, or through online stores such as the *iOS App Store*, *Steam*, *Xbox Live* and others. It has also made it possible to produce new kinds of game that are played on the internet or on social networks, with new business models that generate revenues through subscriptions, online advertising, and the sale of virtual goods and premium content.

Cloud computing is another area where early strides have been made by games companies. Cloud gaming, also called gaming on demand, is a type of online gaming that allows direct and on-demand streaming of games onto computers, consoles and mobile devices, similar to video on demand, through the use of a thin client, in which the actual game is stored on the operator's or game company's server and is streamed directly to computers or other devices accessing the server through the client. With cloud gaming, there is no need to download the games or to own the physical media.

OnLive and *Gaikai* were the first companies to offer full cloud gaming services. *Gaikai* has since been bought by *Sony*, and it was recently confirmed that the *PlayStation 4* will strongly feature *Gaikai technology*, allowing players to begin playing a new game immediately on purchase, whilst the rest of it is being downloaded in the background.

In January 2012, *Bouygues Telecom* and *Playcast Media* partnered to launch a new cloud gaming service called *Bbox games*. *Bouygues* is the first French telecom company to bring high-profile game franchises directly to gamers' TVs with an easy-to-use interface. Cloud-computing models will continue to contribute to overall growth in online games. In the near term, however, cloud-based services will face competition from companies that are already established in the digital distribution of games.

9.3 Mobile or Apps

As increasing numbers of consumers turn to smartphones and tablets for entertainment, mobile is expected to be the fastest-growing games sector in the next five years. There are estimated to be over 1 billion smartphones and over 200 million tablets in use worldwide today. Smartphones and tablets, aided by intuitive-touch interfaces, are fast becoming the devices of choice for casual game players. Millions

of people worldwide have discovered games through their smartphones, opening up whole new possibilities for developers to create experiences never before possible.

Games is now the largest category of apps on *Apple's iOS App Store*, and game publishers regularly constitute the majority of the top ten app publishers on both the *iOS App Store* and the *Google Play store*, measured by revenue. Of the 20 most downloaded apps on the *iOS* platform (as of 7 June 2013), 12 were games, and of the 20 highest grossing apps, 15 were games. Games now claim 80% of the revenues on *Google Play* and 75% on *iOS*. In the second quarter of 2013, games accounted for roughly 45% of download from the *iOS App store*.

The business model for mobile games is moving from the pay to download to the freemium model⁴¹, where games are downloaded for free, with microtransactions and advertising providing the necessary revenues. It is estimated that in-game purchases will soon outpace download fees. *Rovio's Angry Birds* was a hugely successful game as a paid download, but garnered even more fans as a free download. It is important to note, however, that gameplay and business models are intertwined and that not all games suit the freemium model.

The mobile game market is expected to continue to grow as the penetration by smartphones and tablets expands. More people are playing games, including casual games, social games, and more-advanced multiplayer games. Casual games⁴² continue to dominate the market because they are quick to learn and easy to play. The most popular mobile games are single-player board games, puzzles, and word games. These casual games widen the demographic reach of mobile games. In addition to casual games, however, more-sophisticated games are being developed for the mobile market. Some cloud gaming companies are now delivering console-quality games to mobile devices, and MMOGs have also been developed to take advantage of the speed of advanced mobile networks.

⁴¹ A model based on free access with limited functionalities

⁴² Games that can be played via the internet, Facebook, PC, and Macintosh computers, Xbox, PlayStation, Nintendo DS, Wii and even mobile phones, iPhone and PDA. They are nonviolent, arcade-style games that involve puzzles, words, board and card games, game show and trivia.
<http://www.casualgamesassociation.org/about.php#casualgames>

IV. Business to business (B2B) services

Where the business to business element is concerned, collective management organisations are developing several initiatives to simplify the rights licensing process. Additionally, other types of services such as exchange of professional information, countries or markets analyses, etc. are also offered by initiatives funded by EU and national public institutions.

MUSIC

Pan-European hub for licensing of online services (www.armoniaonline.eu)

Armonia was formalised as a European Grouping of Economic Interest on April 2013 with the aim of facilitating the pan-European licensing by offering a **single point of contact to DSPs** for the online licensing of members' repertoires, from the first meeting to the effective signature of the license.

It now represents 6.5 million works in 32 countries, covering the repertoires of ARTSJUS (Hungary), SACEM (France), SACEM Luxembourg, SGAE (Spain), SIAE (Italy), SABAM (Belgium) and SPA (Portugal) in Europe, as well as a bulk of Anglo-American and Latin-American works.

Open to all societies of authors, composers and music publishers in Europe, Armonia aims to expand by signing multinational agreements with online services and thus to increase legal options and enhance the protection of authors' rights in a digital context.

As an example, the Armonia societies have recently signed an agreement with Google, granting access to their repertoires, within its various services (*Google Music Play* and *Locker*, *VOD* and more), to customers across all of European and, for certain repertoires, Eurasian nations, the Middle-East and Arabian peninsula, Africa and the Indian Sub-Continent.

The UK Copyright Hub (copyrighthub.co.uk)

The Copyright Hub is being built and led by the UK's creative industries - music, publishing, audio-visual and images, among others. A number of important bodies including the PPL, PRS for Music, BPI and UK Music, as well as the Copyright Hub Launch Group are behind the Hub. The Copyright Hub is a gateway to information about copyright in the UK (to learn about copyright, how to get permission to use somebody else's work or how to protect work). At present, the Copyright Hub is basically a navigation service, signposting users to relevant suppliers' websites and enabling easy information discovery about where and how to obtain permission rights. Reputedly, 7,000 unique visitors have already availed themselves of this information, showing that there is a real need for salient rights' information.

When completed, the Hub will be a portal with intelligent connections to a wide range of websites, digital copyright exchanges and databases in the UK and around the world, with the focus on making copyright licensing easier in the digital age.

Micro-licencing schemes

To make it easy, efficient and speedy for small-scale users and individuals to get a licence for musical works for a very wide range of activities (e.g. start-up businesses, background music on websites, schools concerts online, wedding videos, small-scale web/podcasting etc.), several collective management organisations have also developed automated e-licensing tools (e.g. licence forms available online or one click licences for purchase on the society website).

AUDIOVISUAL

Cineuropa (www.cineuropa.org)

Cineuropa is the first European portal dedicated to cinema and audiovisual in four languages (English, French, Italian and Spanish). It is a project co-funded by the MEDIA Plus Programme of the European Commission, Ministero per i Beni e le Attività Culturali, the Ministry of the French Community of Belgium, the French Centre National de la Cinématographie, the ICAA, Swiss Films, the Swiss Office Federal de la Culture, Filmunio, German Films, Luxembourg Film Fund, Malta Film Commission, Czech Film Centre and the Irish Film Board. With daily news, interviews, databases, in-depth investigations into the audiovisual industry, Cineuropa aims at promoting the European film industry throughout the world hosting a platform where professionals can meet and exchange information and ideas.

Furthermore, among particular services offered by Cineuropa, the following are specifically tailored for audiovisual professionals:

News: Information on current film activities updated on a daily basis: films in production, festivals, awards, releases, financing, new technologies, audiovisual policies and much more.

Special Reports: In-depth analyses on common interest subjects for audiovisual professionals (co-productions, funding and much more).

Database: A teeming database of European (co)productions that includes contacts for production, distribution and international sales companies.

Script analysis: A service for producers and screenwriters looking for concise analyses of their scripts.

Online Screenplay Training Course: Eight simple lessons and eight exercises to verify progress and learn from mistakes.

VISUAL ARTS

OnLineArt (www.onlineart.info)

OnLineArt (OLA) was founded in 2002 and currently has 16 European and non-European visual arts collective management societies. OLA is a one-stop-shop offering worldwide licences on works of 40,000 authors (painters, sculptors, authors of artistic photography and other techniques of works of fine art) for online uses.

The OLA members are using a common server where all licences are registered during the whole procedure, beginning with the first request for a use and ending with the transfer of royalties to the authors. In this manner a highly valuable database is built up, which enables the OLA members to work out market-oriented future directions to inform the authors about legal uses around the globe and to track illegal uses.

OLA members also apply common tariffs which include a set of conditions and definitions. Thus, users around the world are treated equally and receive a standardised, transparent and easy licensing service.

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V. Consumers' perception and use of legal content

Throughout these years a number of studies have been undertaken in order to assess the consumers' perception on the availability of authorised digital content offered by the industry.

The study *“European Citizens and Intellectual Property: Perception, Awareness and Behaviour”*, one of the first of its kind conducted at EU level, has just been finalised by OHIM. Among the various conclusions of the study, it is evident that there is a need for more awareness (especially in some countries) about the existence of copyright content disseminated by authorised online services as there is an increasing demand for it:

- People's awareness of legal downloading offers depends largely on the content. It is quite high for music (65% of Europeans know that there is a legal offer to download or stream music in their country); more than half know this about films (56%), newspapers (55%), television series (51%) and books (50%); less than half know about video games (46%), photographs (46%) and live coverage of sports events (44%).
- The degree of awareness of the legal offer on the internet varies significantly from country to country. Whatever the content, the legal offer is systematically most well known in Nordic countries (Denmark, Sweden, Finland), Anglo-Saxon countries (United Kingdom, Ireland), Belgium and the Netherlands. Inversely, legal offers are least well known, and much less so than the European average, in Croatia, Bulgaria, Romania, Poland, Malta and Italy.
- The existence and awareness of legal offers might have an influence on illegal downloading activities, as 80% of Europeans agree with the statement: “whenever there is an affordable legal option I prefer to access/download/stream content through authorised platforms and not do it illegally”, a figure this time strictly identical amongst citizens from 15 to 24 years old. Nearly one out of two 15 to 24 year-olds have wondered whether a site where one could download music or video was legal or not and one out of four researched to find it out.
- 55% of Europeans share the belief that “the quality of content offered by lawful services is at least as good as what can be found through illegal solutions”, 27% disagree. For those who know both offers well, i.e. the younger generations, the ratio is 63%-33% for those between 15 to 24-years of age and 61%-30% for 25 to 34-year-olds.
- One third of young Europeans therefore believe illegal content to be of better quality. The fact that the legal offers is at least as diverse as the illegal one is recognised by 50% of Europeans, with 30% disagreeing with this fact. The ratio is of 55%-39% for 15 to 24-year-olds and of 54%-37% for 25 to 34-year-olds. Nearly four out of ten young Europeans declare that illegal content on Internet is more diverse than content, which is available via legal methods.

Most of the studies on consumers' perception have been performed at national level in some EU Member States with interesting and, sometimes, contradicting results in terms of **awareness and communication needs**. The below literature research (and its relevant conclusions) has been carried out by *Edelman Berland Europe* for the Observatory.

In France, there is confusion between what is legal and what is not, especially because some illegal services are charged for. Labelling is the third most important cited factor that enables to determine whether an offer is legal or not.⁴³ Another study of the HADOPI authority in France⁴⁴ shows that the rise in legal consumption seems to benefit the music sector, which appears to be more consumed in a totally legal way (80% compared to 72% in December 2011), as well as pictures (94%), video games (84%) and books (87%).

More and more Germans are acquiring music, movies, TV series, e-books and audiobooks directly from the internet. Well over two thirds of the population feel that the legal online range of music (81%), e-books (72%) and video content (69%) on offer is sufficient. There has been a clear shift regarding the preferred technologies: besides traditional downloads, streaming sites are increasingly being used.⁴⁵

In Hungary, legal online services are hardly known. In fact, a study conducted in 2012 by the Hungarian National Board Against Counterfeiting (NBAC) in the country revealed that 22% of the respondents think that it is not recognisable that music, movies or other content have been posted on the internet by legal means and only 45% of the respondents know sources on the internet where it is possible to listen to or download music legally.⁴⁶

In the UK, the "Online Copyright Infringement Tracker Benchmark Study Q3 2012" published by Ofcom reveals that 47% of users cannot confidently identify whether the online content they download, stream or share is legal or not – highlighting the importance of increased efforts to educate and inform consumers.

Regarding perceptions of the value of intellectual property, most studies tend to show that when asked (prompted awareness), respondents mostly agree with statements demonstrating the value of intellectual property and the importance of protecting it. However, these results are to be interpreted with caution because although there is strong agreement that IP is a valuable asset and should be protected, these thoughts do not always translate into action.

The UK study "The Hidden Marketplace: Protecting Intellectual Property in the Workplace" highlights that although 92% of respondents agreed with the statement: "Protection of intellectual property (IP) is an essential business activity. It protects investment in innovation, with income streams generated by IP rights enabling creators and investors to dedicate time and resources to new projects" – this strongly stated belief in the value of protecting IP reflects an aspiration rather than a reality.⁴⁷

⁴³ <http://www.hadopi.fr/sites/default/files/page/download/hadopiT0.pdf>

⁴⁴ <http://hadopi.fr/sites/default/files/page/pdf/HADOPI-160113-BU2-Complet.pdf>

⁴⁵ http://www.musikindustrie.de/fileadmin/piclib/presse/Dokumente_zum_Download/DCN-Studie_2012_engl_Presseversion_Final.pdf

⁴⁶ http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=218383

⁴⁷ <http://www.ipo.gov.uk/pro-ipresearch/ipresearch-policy/ipresearch-policy-attitude.htm>

In France, the IPSOS study “The French and illegal downloading of music from the internet” reveals that 80% believe that artists and authors should be remunerated when their songs are downloaded from the internet and that furthermore, 74% are favourable to stricter laws regarding illegal downloading.

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VI. Concluding remarks

The digital offer of copyright content through different business models has constantly increased in the last years (see above examples in the different areas). It is important to specify that, especially for some sectors (i.e. films, commercial television, books and sport events), the availability of legal offers will often vary according to the geographic region because of the inevitable differences in terms of language, regional and local cultures and taste, as well as infrastructure (broadband penetration and speed) and general economic factors such as purchasing power.

The increasing demand for authorised copyright content has also facilitated the flourishing of several online services, promoting different types of business models in terms of content dissemination (e.g. download vs. streaming) and payment (e.g. subscriptions, donations, credits, etc.).

However, as reported in the above mentioned Observatory's study "European Citizens and Intellectual Property: Perception, Awareness and Behaviour", *the persistence of favourable opinions towards illegal downloading amongst 15 to 24-year-olds, despite the legal offers being well known within this category, shows that more efforts are needed.* In this respect, a future task of the Observatory could be to perform a comparative analysis among EU MS to assess differences in terms of existence and quality of legal offers, their communication and awareness among the public. Such analysis could be performed to compare different industry approaches towards specific countries (national level) or wider geographic regions (cross-border level).

In general there is a perception that, even where legal offers are available, there is still the need to raise awareness about their existence. This might be explained by the fact that illegal channels have had more time to spread among digital users and have, as matter of fact, become very popular. Therefore, a possible shift from illegal to legal consumption of copyright content probably needs to be supported by more information and better communication about the existence of the latter.

Although it appears that some of such services are nowadays more popular than others, it was not the aim of this report to assess such differences in terms of market performance and subsequent popularity.

Finally, this report will be complemented by the inclusion, on the Observatory's website, of a portal aggregating existing digital content put at disposal by the copyright industry through their websites. Such portal should function as searchable inventory of legal offers available at EU level in the different copyright areas. Through this initiative, the Observatory aims at raising awareness among consumers, practitioners and policymakers about the existence of such offers.