

Emergence of online movie streaming media essay



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The focus of the following discussion paper is on the Macro Environmental theme of Online Movie Streaming and its impact on the consumer behaviour in the global movie industry. The following sources were taken into account as research material to bring about the understanding of the prospective influences this change that could thrust upon the industry.

Source

Critical Evaluation of Source

Wall Street Journal (WSJ) Article on Theatre Loyalty Program [1]

Description – The article is based on introducing a new loyalty reward program by AMC theatres to its audience.

Credibility – The article is based on an announcement made by AMC theatres and has a high credibility.

Reliability – Wall Street Journal is published in New York, owned by Dow Jones & Co. and has the largest circulation in the U. S.

Merit – Being the film industry reporter at WSJ, Michelle Kung is also a Graduate from the Harvard University.

Relevance – This article has a high relevance as it talks about retaining and gaining moviegoers in the cinema industry.

Time Magazine Article [2]

Description – The article is based on moving from film to digital movies with different opinions held by famous individuals attached to the movie industry.

Credibility – The author has described logically the difference between the digital and film industry bringing about arguments wherever necessary.

Reliability – The magazine is widely circulated worldwide being the largest weekly news magazine.

Merit – Richard Corliss is a writer at Time Magazine that mainly focus on the movie, music and sports industries who is also educated about the film industry.

Relevance – This article has a medium relevance in relation to the discussion paper.

Digital Music and Movies Report – The true cost of free entertainment [3]

Description – The document is based on possible risks faced when seeking for digital information.

Credibility – Moderates credibility as it is published McAfee, the world's most leading security technology company.

Reliability- Moderate reliability as tech information can be updated on a regular basis.

Relevance- High relevance to the topic.

Theatrical Statistics [4]

Description – This document gives a range of statistical data on the trends of the Cinema industry in the U. S. / Canada and the world.

Credibility- Moderate credibility as it is published by the Motion Picture Association of America

Reliability – Low reliability as the data may not be accurate

Relevance – High relevance to the topic.

New York Times Article on You tube [5]

Description – About YouTube expanding video rental services.

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Credibility – High credibility since it is published by New York Times.

Reliability- High reliability as the New York Times is daily published American newspaper which is also available in the world wide web.

Merit – C. Miller is a writer at New York Times.

Relevance – High relevance to the topic in describing key players

New York Times Article on Netflix [6]

Description – Netflix introducing new online streaming movies instead of renting DVDs to its customers.

Credibility – High credibility as material is published by the New York Times

Reliability – High reliability

Merit – Nick Bilton is the main tech writer and a reporter at New York Time

Relevance – High relevance in describing the changes in the industry.

Wall Street Journal Article on Online movie streaming trends (Netflix rising Cost) [7]

Description – Netflix's increasing cost on licence content

Reliability – High reliability

Merit – Nick Wingfield is a reporter a WSJ

Relevance – Moderate relvance

Interview held by Mr. Bennett Rathnayake on the impact on movie screening on theatres and it's recent consumer trends. [a]

Mr. Bennett Ratnayake is a famous movie producer in the Sri Lankan cinema that has produced many films over the past 20 years. The discussion was personally carried out on the 29th of April 2011 at Ben Films Production office, Colombo and was based on the fluctuating trends in the moviegoer audience.

Interview held by Mr. Thissa Nagodavithana on obtaining copyrights on movies post – screening. [b]

Mr. Thissa Nagodavithana has the copyrights for all old Sinhala films after being screened in Cinemas. The discussion was personally carried out on the 17th of April 2011 at Colombo and was based on the violations of copyrights through streaming movies on various websites.

Questionnaire conducted in order to understand the consumer preference on watching movies [Appendix 1]

For the purpose of this report a short questionnaire was carried in order to identify the consumer preference in modes of entertainment with regard to movies.

Word Count: 663

2. 0 Task 02 – Discussion Paper

2. 1 Abstract

The purpose of the following discussion paper is to understand the new technological advancements in the movie industry and it's impact on consumer behaviour. To support the purpose of this report, both primary and

secondary data has been taken into consideration. After a literature review of the available resources, the drastic changes on consumer behaviour were examined. It was determined that digital technologies have influenced the consumers to have a preference on home movies over cinemas.

2. 2 Introduction

Over the years, innovation of new technology has taken a new turn and has caused a major impact on life styles and behaviour of consumers. The history of the movie industry goes way back to 1896, where Thomas A. Edison and Thomas Armat presented the first motion picture on a public screen in the United States of America. [9]

There onwards, it has evolved from nickelodeons to videocassettes, DVDs and now to various online movie streams. Popular online DVD and Blu-ray[1]disc rental services such as Netflix, which also offers services such as movie downloading facilities through devices such as Wii, PS3 & X-box, has cultivated a major influence on consumer behaviour complementing the busy schedules of each individual. [10]

Due to high digital accessibility, most consumers have many options on browsing the Internet to choose their favourite movies. In addition, the current economic situations have increased the cost sensitivity of the consumers. The demand for digital content consumption by consumers will be hoisted in the near future that will cause in launching new technological devices. [11]

The aim of the following discussion paper is to further understand the rising trend of online movie streaming and rentals in the movie industry and its <https://assignbuster.com/emergence-of-online-movie-streaming-media-essay/>

impact on consumer behaviour. A discussion of this nature will benefit the movie industry in understanding the nature of the impact on consumer behaviour due to online movie streaming.

2. 3 Research Hypothesis

The emerging theme of online movie streaming and rentals in collaboration with high tech devices will make a significant impact on consumer behaviour. In order to prove the above statement a secondary research was undertaken in the form of a literature review through an industry analysis, the impact on the MESO factor, consumer behaviour, analysis of the key players in the online movie industry etc.

2. 4 Limitations of the study

The primary research carried out mostly limited to Sri Lankan consumers (i. e interviews, questionnaire). The sampling was limited to a certain number and the secondary research was mostly based on statistics available in U. S. A.

3. 0 The Emerging MACRO Theme – Online Movie Streaming & Rentals

In an era of digital advancements, it is not difficult to define the emerging theme

of Online Movie Streaming and Rentals. Currently, there are hundreds of websites widely available to consumers to download and stream movies at a lesser cost, making it a popular among consumers in most parts of the world.

Technologies such as Placeshifting, which allows anyone with a “ broadband Internet connection to have video streams from their home television set or personal video recorder (PVR) forwarded for viewing at any location where <https://assignbuster.com/emergence-of-online-movie-streaming-media-essay/>

they have a computer display and a high-speed Internet connection”, [12] is a major benefit to people with busy schedules outside home. These have caused a massive impact on the movie industry, which has created a lot of competition among DVD rental companies and as well as movie theatres.

[13]

According to the report ‘ Online Movies: A Global Strategic Business report’ presented by Global Industry Analysts, the world online movie market is expected to grow up to \$ 4. 44 billions by 2017. The rapid increase of movie downloads through the Internet is a result of wide availability and introduction in more advanced broadband facilities with computers consisting of hard drives with a larger capacity. Furthermore, key players in the market such as Apple and Netflix have introduced Internet ready set-top boxes, providing the ability for the consumers to download the preferred movies or television shows to their personal home theatres. [11]

3. 1 Key Players

The growing trend in the online movie industry has created a considerable number of players in the market. The following analysis is based on the key players that are currently competing among each other.

Netflix

The movie renting was taken to a new level when Netflix introduced their home delivery service to the customers’, which created a competitive advantage over many other movie rental services. Thereafter, Netflix introduced the option of accessing unlimited video streaming online to the customers without having to rent DVDs. [6] They also have signed a \$ 1

billion deal with Paramount Pictures, MGM and Lions Gate for their content to be added to the services. [6] Netflix recently announced they would be reducing the number of DVDs mailed out than the year before, as there was an 86% increase in the quarterly profits of online movie streaming. [6] But the company also stated that there is a possibility of a substantial increase in the license cost of content to its streaming services by the second quarter.

[7]

VUDU

VUDU is a service where recent movies are supplied on demand without a monthly subscription or contract. [19] The consumers only have to pay a fee of US\$ 2/- per movie rented for 02 nights. According to Pogue, 2010 it is a set top box that connects to the Internet, which provides a vast range movies that arrives on the same day the movies come out on DVDs. [8] They recently developed their system by collaborating with other companies such as LG, Samsung and Mitsubishi, where the same service is built into the TVs and Blu-Ray players. [8]

Redbox

This is a movie rental service available in the form of kiosks all over the United States. There are over 27, 000 kiosks located nationwide in most convenient places for consumers such as grocery stores and convenience shops. Consumers are able to reserve movies online or through the Redbox i-phone application, making it possible to rent on the run. [14]

You Tube

A recent announcement made by You Tube stating that they will be expanding their online streaming movie rental service by adding 3000 movies in agreement with Universal Studios, Sony and Warner Brothers for their movies to be rented on site. [5]

4. 0 Impact on the MESO factor – Consumer Behaviour

In order to understand the impact on consumer behaviour in relation to the topic, it is important to derive it as a concept. According to Schiffman et al, 2001, [15] consumer behaviour is defined as how consumers act in the processes of seeking, purchasing, using, evaluating and disposing products and services that they expect to result in their satisfaction and personal needs.

According to the interview held with Mr. Bennett Rathnayake, he stated that there is a clear decrease in the number of people attending cinemas in Sri Lanka over the last 10 years. [a] He stated that online movie streaming has become more popular among the younger generation and most viewers are quite comfortable with watching the latest releases online or on DVD rather than in the cinema. However, he also stated that this is also affected by the time taken for a movie to be shown in Sri Lankan cinemas compared to the time of the worldwide releases.

The impact on consumer behaviour by online movie streaming and rentals can be explained through the concept Diffusion of Innovation, which is the process by which the acceptance of an innovation over a period of time is spread by communication to members of a social system. [16] Not all new

products or services have the potential to be accepted by consumers.

However, the online movie streaming and rental market has managed to capture a large audience through the following characteristics that have an influence on the consumer acceptance of new products.

4. 1 Relative Advantage

This is the degree to which potential consumers perceive a new product as superior to existing substitutes. Consumers have come a long way from going to a movie theatre on a Saturday night with friends to merely renting out a movie from Blockbuster and watching it right at home. The present has become even more advanced that they do not even have to go out to rent a movie but get the DVD delivered to their doorstep.

This type of convenient methods were as previously discussed, was made possible by billion dollar companies such as Netflix where renting a movie is just one click away. Most consumers prefer convenience, which reduces the time factor in making purchasing decisions. For instance, the movies those are available for rental will be displayed online in contrast to a scenario where the consumers have to be disappointed when the required DVD is not available in a movie rental store or a kiosk. Also, all these Internet services are easily accessible in terms of feasibility.

4. 2 Compatibility

This is the degree to which potential consumers feel a new product is consistent with their present needs, values and practices. Most consumers are highly literate in technologically advanced devices, which has led into a drastic change in the life styles and values practiced by them. They

constantly make use of on demand amenities such as instant downloading and streaming videos on their personal mobiles, i-phones, i-pads, blackberrys etc. that conveniently satisfies their needs.

4. 3 Complexity

This is the degree to which a new product is difficult to understand or use affects product acceptance. According to Internet usage statistics, the number of Internet users in the world has grown by 444. 8 % from the year 2000 to 2010. [16] This could be a clear indication of the consumers evolving from a manual to a digital era, which has made them well informed and updated on new technologies. Most online movie streaming and rental websites are less complex and easily interpreted by consumers that has made them accept it in a short time span.

4. 5 Trialabilty

This is the degree to which a new product is capable of being tried on a limited basis. There are many online renting and streaming options available for the clients. For instance, the consumers are able to compare the speed of which a movie or a video can be streamed online, among more than one competitor in the market. According to Pouge, 2010 [8], videos provided by Vudu are much clear than those of Netflix. However, these views can be differed from consumer perceptions and loyalty towards each individual's preferences.

4. 6 Observabilty

This is the degree to which a product's benefits or attributes can be observed, imagined, or described to potential consumers. Due to the high

usage of Internet advertising, the visibility of online movie streaming and rental services are very much high and easily diffused to the consumers.

In addition to the above factors, the consumers are also cost conscious with regard to entertainment. Affordability plays a major role in most consumers' lives as the cost of living has taken a high rise especially after the recent recession condition that affected most parts of the world. Most consumers sought alternatives for entertainment and adopted to low cost or in some cases free services such as streaming and renting movies online.

5.0 Findings & Discussion

According to Theatrical Statistics, although the U. S. / Canada box office releases have increased by 15% in 2010 over the past 5 years, the movie admissions or tickets sold have declined by 5% compared to 2008 level. [4]

In contrast to the above research findings, one may argue that the excitement of attending a movie theatre and experiencing it on a wide screen with a surround sound system cannot be compared to the same on a home movie entertainment system.

Although most cinemas are struggling to attract more moviegoers, new technologies such as 3D movies have attracted a considerable amount of consumers. At least one 3D movie was viewed by more than one in three people in the U. S. / Canada in 2010. [4] However, 3D viewing is highly correlated by demographic categories where it is more popular among the youngsters when compared to the age category of over 40 years. [4]

According to the survey carried out 82% of the participants stated that they download movies most of the time where 7% stated that they watch movies at movie theatres. They were also asked to give out reasons as to why they prefer each mode to the other, and 69% of the participants responded stating that the frequency of movie released in Sri Lanka are low and by the time they are released the movies are already out on DVD or available online. [Appendix 1] However, these data is only limited to a few number of participants and is intricate to limit to a certain demographical sector.

There are also downfalls to the high frequency of consumers streaming movies online. For instance, unnecessary harmful bugs and viruses can be transmitted through unsecured websites and request for personal financial information of the consumers resulting in installing malware on users' computers. [3] It is often encountered that cybercrooks advertise on-demand movies where the users are asked to download anti-virus security software that that helps users to download movies automatically without the consent of the user thus resulting in movie fans to be exposed to unauthorised and illegal content as well as malvertising[2]and malicious code downloaded with streamed movies. [3]

6. 0 Recommendations & Strategic Response to Changes in the Movie Industry

The digital advancements have made changes in the industry in many means mainly creating a competitive environment among movie rental companies. Most companies such as Blockbuster movie rentals and movie theatres have gone out of business as Internet has cultivated a change in consumer behaviour. As a result of online rental facilities, consumers do not

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have to worry about renting out a movie from a store and returning it the next morning to avoid late fee charges.

However, in response, AMC theatres recently announced that they would be updating the MovieWatcher rewards program by replacing it in response to the frequent requests by audience for richer rewards. [1] This is an attempt to attract more moviegoers to theatres in an environment of films being widely available through the Internet and videos-on-demand. It is recommended for the marketers within the industry to follow these types of methods in order to retain the moviegoer audience and increase the frequency in terms of cinema attendance.

More serious concerns have raised such as copyright issues and during the interview carried out with Mr. Thissa Nagodavithana stated that, although he is in possession of the copyrights of old Sinhala movie broadcasting, most websites that stream videos online illegally uploads pirated copies making it difficult to preserve copyrights to them. [b] [3]

As a strategic response, it can be recommended for the marketers in the industry to keep up with the new technologies and introduce new products and market launches in order to adapt to these changes taken place in the movie industry. Furthermore, it has been brought into notice that there is a major cost reduction in using digital technologies in movie making rather than putting them up in film, which is cheaper to shoot, cut and duplicate. [2] This could be a major advantage for cinema owner where piracy has become a huge problem in making profits.

7. 0 Conclusion

Online movie streaming and rental trend has caused drastic changes in the movie industry as well as a major impact on consumer behaviour. A lot of competition among key players in the online market had risen making companies such as Blockbuster and cinemas go out of business. For the survival of the industry strategic responses should be carried out through adapting to new technologies and introducing new launches. Marketing professionals attached to the industry should adapt to these changes by improving their skills, attitudes and behaviour and cater to their audience accordingly.

Word Count: 2567 (Excluding the abstract)

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03. 05. 2011

Chief Conference Organizer,

Film Industry Conference 2011,

Geological Society,

Burlington House,

London

Dear Sir / Madam,

Online Movies & Rentals and its Impact on Consumer Behaviour

I would like the opportunity to present a discussion paper on Online Movies & Rentals and its Impact on Consumer Behaviour at your above-mentioned conference, which is to be held on the 13th of June 2011. I have given below a brief description of the discussion paper and its usefulness to your audience.

The constantly changing environment along with technological advancements in the motion picture industry has changed the consumer behaviour causing a great impact on the cinema industry. Wide availability of movies on various forms such as online movies, online rentals, Red-box, iTunes Net-flix etc. has changed the competitive nature in the industry.

I have been informed that the participants in of this conference are all attached to the cinema and movie industry and majority will be marketers involved in this sector. Therefore I feel that this discussion paper with the above mentioned points would be ideal in order to raise awareness and introduce methods of countering these changes faced as a result of consumerism.

Based on this discussion paper, I feel that this would be a very significant topic with regard to the role of modern marketers who are involved in

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different industries. As a result I feel that this would be a better learning opportunity for all involved at your conference.

I believe that a discussion paper of this nature would be relevant in today's context and is applicable to any industry facing changes due to consumption habits.

Trust the above would substantiate the benefits to all present at your conference to seek and expand knowledge thereby improving their respective industries.

Please feel free to contact me for further clarifications or information with this regard.

Thanking you,

Yours Faithfully,

Author

Word Count: 321