The tech revolution and strategic planning for digital content beyond 2010

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About World Wide Worx

Research

- Conducts primary research into IT and telecoms, Internet, mobile technologies, technology in business strategy, and SME success factors

Key projects

- Internet Access in SA
- Online media, retail and banking in SA
- Mobility – consumers, corporates, SMEs
- SME Survey: largest annual survey of its kind
- Webagility - benchmarking web sites
- "The Mobile Office" – easy guide to new tech
The context for strategic planning
2009: The Earthquake
Revolution has only just begun

African Undersea Cable Capacity
Excluding Mediterranean, Total Capacity in Gbps

By 2011, 150 times the capacity of 2008

Internet Access in SA 2010, World Wide Worx
2010: The Tsunami
From the new study, *Africa Telecoms Trends 2010*, to be released soon by World Wide Worx and Database 360.
Online tools are the barometer
The haves have more

Unique Broadband Users In South Africa

Year | Unique Broadband Users
--- | ---
2003 | 15,700
2004 | 51,000
2005 | 160,000
2006 | 323,000
2007 | 668,000
2008 | 1,101,000
2009 | 1,560,000

Internet Access in SA 2010, World Wide Worx
An era of sustained growth

World Wide Worx 2010

Internet Users in SA 1994-2015

Internet Access in SA 2010, World Wide Worx
What does it mean for content strategy?
The non-debate

1. “Paid versus free” is a red herring, driven by Newscorp’s corporate ego.
2. Production of content has always been free – paid for by advertising.
3. Newspaper cover price has always paid for the print bundle and its distribution.
4. THAT is the broken model in most of the mature digital markets.
5. Digital comes to rescue media, not bury it.
The truth under Murdoch’s nose

1. We’ve argued for 10 years that the Wall Street Journal is a case study in why paid content will NOT work for general media.

2. WSJ is not only content, it is a tool.

3. It is essential reading for day-to-day decision-making in business.

4. Most other content is not, whether Time, People or Sports Illustrated.
Can the numbers work for SA?
The Digital Participation Curve

- The Digital Participation Curve reveals that the average Internet user needs to be online for 5 years or more before engaging actively with high-level applications like online retail and interactive applications.

- It emerges as a combination of experience, comfort with using the medium, confidence in the reliability of the medium, and trust in the medium.
The gap in strategic planning revealed
Participation Curve explains SA’s online disasters of 2001

- **BlueBean.com** (Standard Bank) – no market
- **FundsNet** (Old Mutual) – no market
- **MyLife** (Liberty Life) – no value proposition
- **Inthebag** (Woolworths) – no market segmentation
- **20Twenty** (Saambou) – all passion, no business
Segmentation the key to digital strategy

- The base of online purchasers must be further segmented to take account of
  - The market for digital content, which must be further segmented to take account of
    - The market for content sold digitally.
Strategic digital segmentation

The Participation Curve is only the first step in segmentation.

Just as the “physical market must be segmented, so must the total online market.

For e-commerce, readiness to purchase is the next segmentation.

For a specific product category, readiness must be segmented into readiness for that product.
Global trends show that the market for “print” content sold digitally has not made an impact on e-commerce
Digital news and magazine content makes up well below 1% of e-commerce in US
Japanese trends show that mobile commerce is rising fast to become a dominant force in e-commerce
Secret lies not in item sales, but ads and access charges

- Morgan Stanley found that, while content did not make an impact on revenue, access to services accounted for 30% of online revenue for top 50 global Internet businesses.
- Advertising accounted for 40%
- In contrast, digital sales, dominated by music and videos, accounted for 5%. 
But mobile is the big opportunity

- Premium content dominates mobile revenues of top 50 global Internet properties.
- Digital content accounted for 54%, with 76% paying for instant access to content and services.
Bundling is key

- Based on the preceding trends, there will be a potential 6m audience for paid digital content in South Africa by 2015.
- But the audience can only be regarded as potential if it is offered bundled services that includes apps, news, entertainment, across mobile and desktop.
“Rapid ramp of mobile internet usage will be a boon to consumers and some companies will likely win big (potentially very big) while many will wonder what just happened” – Mary Meeker, Morgan Stanley, 12 April 2010
The digital “print” content market in 2015

- It is clear from the preceding that, even when segmenting the market, the full 6-million South Africans who are at or past the 5-year Participation Curve level will be experienced enough and connected enough to purchase digital content online.

- However, few will do so out of choice.
The digital content propensity curve

- The following graph is derived from the Participation Curve and the number of people buying digital content online.
- The total of people shopping online is equivalent to the Participation Curve.
- The proportion of people buying digital content in 2009 was around 3% of those shopping online, and in 2010 will be around 4%, growing at around 25% (of the 4% proportion) a year.
Propensity curve remains low
Rapid growth from 2015-2020
Digital content purchasing begins

- By 2018, at least 20% of the potential market will have the propensity to purchase.
- By 2020, 30% of a 10.9m market, with propensity to purchase.
- This assumes that the offering is not bundled with other content.
The implications

1. Paid digital content is not yet a market.
2. A culture of free downloads exists among youth and young adults.
3. The iPad and Kindle are signposts towards app-based paid content.
4. Social networking means shared content.
5. Mobile is a key to this future.
6. Begin to develop the technical as well as the strategic expertise now.
Thank you

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