

# View from the Top: Movie downloads

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It is no surprise that competitive pricing and increased availability have accelerated the decline of the dialup.

According to Jupiter Research, as of 2004, 32 million households in the United States were broadband subscribers. And analysts predict that broadband adoption could reach 69 million households by 2010, nearly 80 percent of U.S. online households. Broadband adoption has been a driving force behind the success of Apple's iTunes.

Apple sold its 500 millionth song last month and is now selling songs at a 50-million-per-month clip. Music downloads and subscriptions have been a runaway hit, while at the same time illegal downloads have been on the decline. Over the past 12 months the big four (iTunes, Yahoo! Unlimited, Real Rhapsody and Napster) achieved an estimated 300 percent to 500 percent combined revenue growth.

Despite the success of paid music services, paid movie download services have proven much less popular. Gartner research shows that less than 25 percent of those surveyed in 2004 said they would be willing to download a movie, and just 3 percent of Americans have downloaded a full-length film over the Internet.

Why is it that customers will pay to download music, but not videos?

This apparent disconnect can be explained by two factors: relative convenience and relative value.

## **Convenience**

In the world of digital music, iPods and other portable music devices provide far greater convenience to consumers than do their offline alternatives. A small MP3 player with 10,000 songs is far more portable than a personal CD player and the hundreds of CDs the iPod replaces. In the world of music, where consumers often listen to tracks at the gym or in the train, portability is a key differentiator. Video, on the other hand, is generally best enjoyed sitting on the living room couch in front of our increasingly large televisions. Without a convenient way to connect the Internet to the TV, video downloads remain shackled to the PC -- an inferior viewing platform for most.

This may be about to change. There are some promising technologies in the market and on the horizon that will make it easier for consumers to display their downloaded video content on the television. Wireless networking giant D-Link is set to release a new video player that will pull video and music from a networked PC and display it on a television. Likewise, Microsoft's recently announced Xbox 360 promises to have similar capabilities, and the company continues to invest heavily in its Media Center PC platform -- a full PC that is meant to be connected to the TV and controlled by remote control.

## **Value**

At \$0.99 per song, music downloads aren't necessarily cheaper on a per-song basis than their physical counterparts, but for a typical customer who only cares about three songs on an album, they offer a significantly cheaper way to get the music they want.

For Hollywood movie downloads, like those available on download service Movielink, downloading doesn't offer such a value. At \$4.99 for new releases, you actually pay more to download titles that you can find at your neighborhood video store.

## **Hard-to-Find Video Will Lead Downloads**

Downloads of harder-to-find titles are where the Internet's advantage really shines. With virtually unlimited shelf space, video-download stores can go much deeper within a genre than can a video-rental chain that has a limited amount of shelf space. Sure, picking up a DVD from Blockbuster is a great way to view a new release. But what if you want to learn advanced self-defense or take a virtual trip to Rome? Good luck finding these videos at your local Blockbuster. Various download sites, which focus on hard-to-find enthusiast titles, allow you to download these videos for as little as \$1.99. Interested in short films or animation? Atom Film has over 1,000 independent short films available for stream or download.

Just as the Internet has changed the way we consume music, over the long term the Internet will do the same for video. In the short term, convenience and value favor traditional video outlets (rental stores and Pay-Per-View) for the most popular titles. However, for titles that are harder to find and not available in video-rental stores, video-download stores have the clear advantage with their depth of selection and low prices.

Karl Quist is President of TotalVid ([www.totalvid.com](http://www.totalvid.com)), a leading video-download store for action sports, anime, motorsports, outdoors travel and more, offering millions of people what they want but can't get through traditional distribution channels such as TV, video-rental stores and DVD retailers: instant access to over 1,300 legal, high-quality, low-priced videos in over 40 categories, with more on the way.

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