

Netflix tops Apple in booming US online movies

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Netflix envelopes sit in a bin with other mail at the U.S. Post Office sort facility in 2011 in San Francisco, California. The US online movie business more than doubled in 2011 to rake in \$992 million and will almost double again this year.

The US online movie business more than doubled in 2011 to rake in \$992 million and will almost double again this year, a research report showed Friday.

The biggest surge came from [Netflix](#), which shifted its focus to subscription [video on demand](#) and snagged 44 percent of the market, overtaking Apple's [iTunes](#) service, said the report from IHS iSuppli.

"2011 marked a sea change in the online movies business that saw the balance of [consumer spending](#) shift from a DVD-like transactional model to more TV-like subscription approach," said Dan Cryan, research

director for digital media at IHS.

Netflix, which accounted for less than one percent of this market in 2010 to 60 percent for Apple, turned the tables last year. Apple's share of total revenue declined to 32.3 percent, despite enjoying strong revenue growth.

The report said Americans are showing less interest in owning copies of movies, and opt instead to rent for a single time or have a subscription for viewing on demand.

"We are in the midst of a significant change in the way people pay to consume movies online," Cryan said, adding that all of the significant revenue growth came from rental [business models](#).

"Rental delivers unlimited consumption with a low monthly fee for older titles as well as cheap rentals of new releases, providing the kind of value that online consumers want."

The IHS report said Netflix and Apple are leading by focusing on the hardware side of the business. Netflix is available on a very wide range of connected devices, while iTunes use a variety of Apple devices.

"Effectively the market has split," Cryan said. "Netflix and Apple are competing for some of the same consumer time and money. However, the core value proposition of the two services is actually very different."

Netflix rules the subscription market, with its closest competitor, Hulu, less than 10 percent of its size.

Apple's iTunes continues to dominate the rental segment, accounting for 63.0 percent of revenue in this area, while Walmart's Vudu captured 8.2 percent.

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