



theskyis **rising**
2019 EDITION

*A detailed look at the state of
the entertainment industry.*

April 2019

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1. Overview

IN JANUARY OF 2012, we released the very first *Sky is Rising* report, highlighting how — despite numerous doom and gloom stories about the impact of the internet on the creative communities — nearly all of the actual data showed tremendous, and often unprecedented, growth in both earnings and creative output. It was true that within those industries, there was a re-alignment, and some companies and some creators found it more difficult to meet those challenges, which often resulted in the stories suggesting an industry-wide impact. However, stepping back and looking at the data, frequently from the industry itself, showed that the sky wasn't falling because of the internet — it was rising.

While the original report looked at the global entertainment market, with specific explorations of music, books, videos and video games, in 2013 we did a followup exploring specific European markets more directly, and in 2014, the U.S. market alone.

It has been over seven years since that first report, and plenty has changed, so it felt like time to revisit the original questions explored in that original report: how is the global market for entertainment faring — and is the sky now rising or falling? Has the internet decimated entertainment, or enabled a golden era?

The data in this report show that, once again, the sky is rising. We are in, as Professor Joel Waldfogel has noted, a true “Digital Renaissance.”¹ No matter where you look, there are signs of an incredible abundance of not just creation of new content, but myriad ways to make money from that content. Contrary to clockwork complaints of content creation being killed off — all evidence points to an internet that has enabled stunning growth and opportunity for content. The internet has provided new tools and services that have enabled more creation, more distribution, more promotion, more access to fans and more ways to make money than ever before.

There is almost no evidence we can find anywhere of the internet decreasing content creation or the size of any aspect of the content creation industry. If anything, the internet has opened up the opportunity for millions of new content creators to create, promote, distribute and profit off their works. This might represent a challenge for a few large gatekeepers, who relied

on their role as key arbiters of new professional content to extract large monopoly rents from creators, but there is no evidence whatsoever to support the idea that either content creators or the general public have been harmed by the internet revolution.

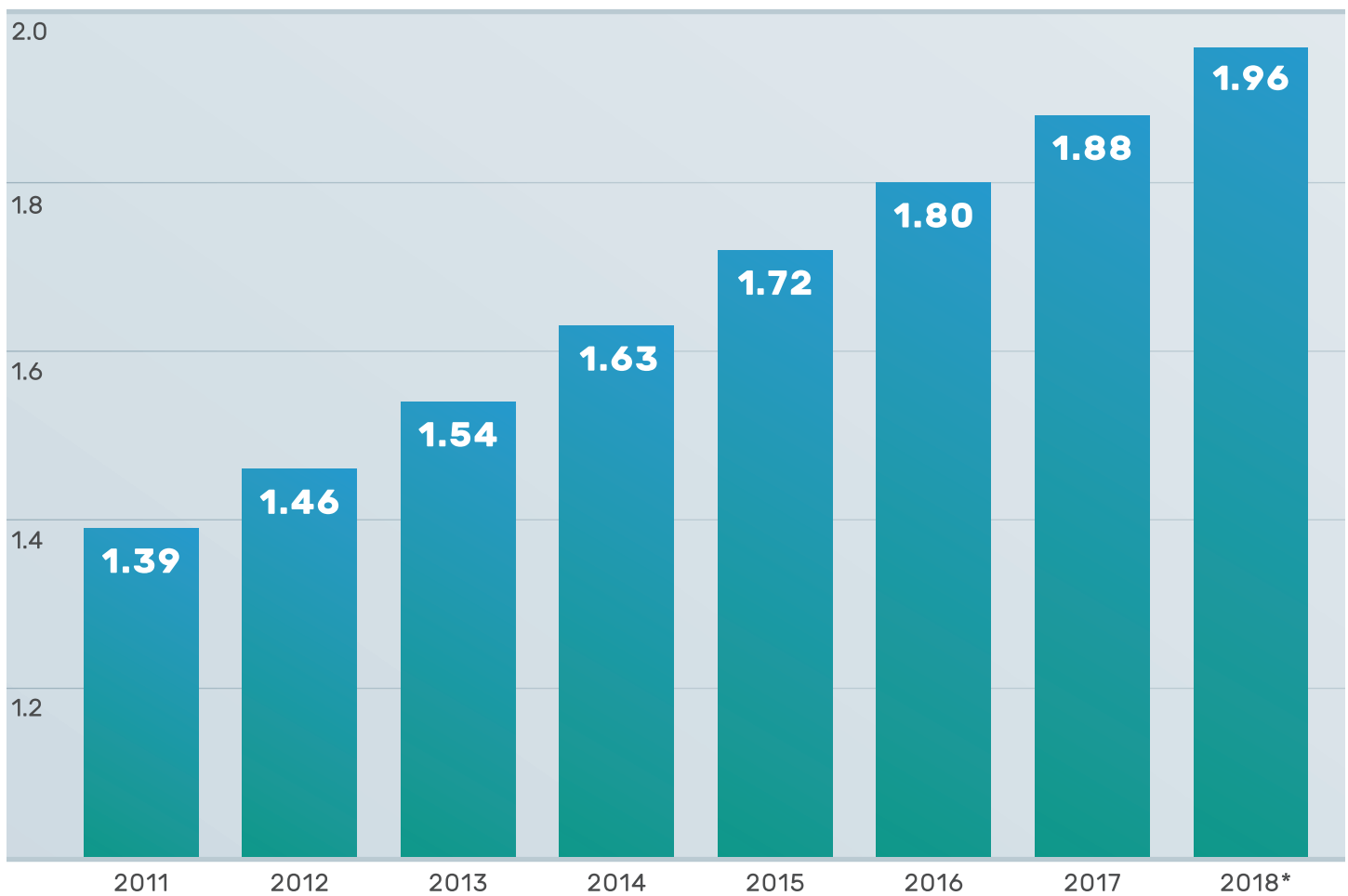
In putting together this updated report, the most striking thing is just how much overwhelming evidence there was that every one of these content industries is absolutely thriving — and it's almost always because of innovations brought about by the internet. Even in the areas that were struggling in the 2012 report, things have almost entirely turned around by 2019. Indeed, the biggest challenge in putting together this report was figuring out when to stop adding new data and charts to it. Content creators are cre-

ating more than ever before, the public is consuming more great content than ever before, and the industries that make all of this possible are thriving in every possible way.

While various consulting firms release various reports on the size of the entertainment industry, the gold standard is PwC's annual report on the *Global Entertainment & Media Outlook*, and it has shown a pretty consistent upward trend in global revenue that just continues to march on, year over year. PwC further sees no sign of this rate of growth slowing down, predicting that global industry revenue will hit \$2.2 trillion in 2021 and continue to grow between 4 and 5% in the near future. As PwC notes in its most recent outlook: "The transformation unfolding before our eyes is enabling this vast global industry to keep growing at a pace close to

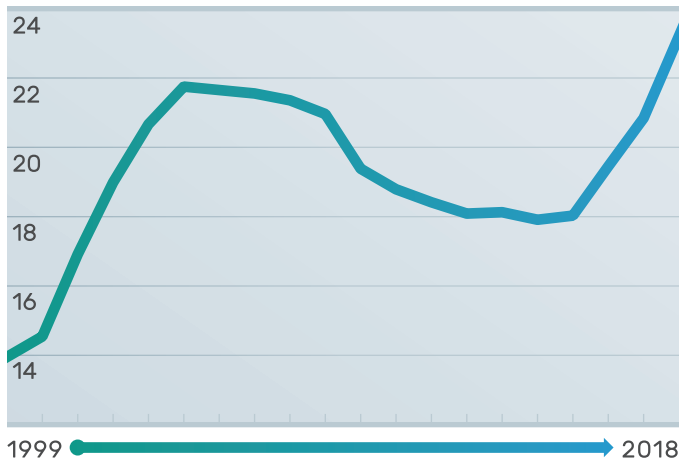
Global Entertainment & Media Revenues in trillions of dollars

Source: PwC.² 2018 figure is estimated.



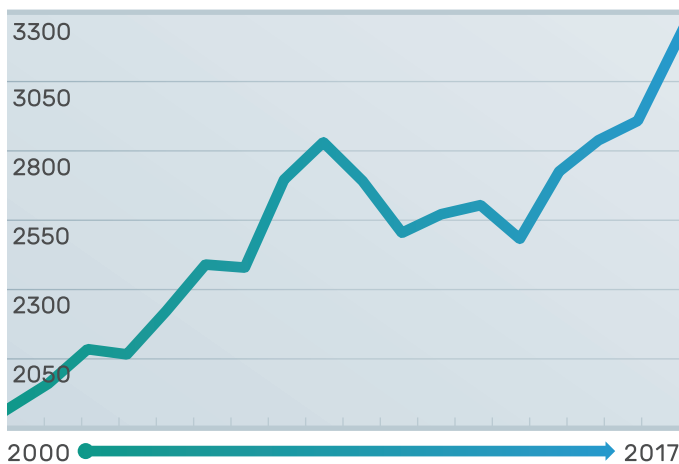
U.S. Household Entertainment Spending Total, in billions of dollars

Source: Digital Entertainment Group³



U.S. Household Entertainment Spending Household average, in dollars

Source: U.S. Bureau of Labor Statistics⁴



its historical rate — even amid significant disruption.”²

By many other measures, we’re seeing evidence of this in action. Digital Entertainment Group, an industry organization for the entertainment industry, has been tracking U.S. household spending on entertainment quarter-by-quarter going back decades. Its data shows that in the U.S., over the past twenty years, we have reached new highs in consumer spending on entertainment. While there was a dip during the recession that began in late 2008, the market has not just recovered, but surpassed its former highs. Consumers are more than willing to spend on entertainment and do so regularly, despite complaints that everyone just expects “free” content online.³

Similarly, the U.S. Bureau of Labor Statistics tracks consumer spending annually, and the data there shows a consistent growth in the average annual expenditures of the American household, with more and more money going to entertainment. While it, like the DEG numbers above, shows a brief decline in response to the recession, it also shows that as the economy picked up, so too did entertainment spending.⁴

By basically any measure, when looking at the aggregate entertainment industry, we see a fairly consistent pattern over the past two decades, which is that the industry continues to grow, and that consumers continue to spend an increasing amount. The only real noticeable slowdowns were not at all associated with the growth in various internet services, but rather associated with the Great Recession that began in 2008.

Of course, aggregate stats only tell part of the story. The rest of this report will dig into each of the four main areas of content that we reviewed in previous reports: music, books, videos, and video games. In each one, we will find variations on the same theme. Rather than shrinking, the industry is growing. Rather than struggling, content creators are pushing out new content at an ever increasing rate. We are living in a true era of content abundance, largely made possible by the internet. Truly, the sky is rising.

2. Music

THE MUSIC INDUSTRY is often the centerpiece for debates about the internet and copyright — and in particular the question of how the internet is impacting an overall market. This makes sense, as the disruption of the internet first hit the music industry the hardest. In the early days of Napster and other file sharing apps, there was genuine concern that internet file sharing would have a real and significant impact on the overall market for music.

As we showed in our previous *Sky is Rising* reports, however, the reality was somewhat different. There was a clear impact on one key aspect of the market: the market for selling recorded copies of music. But in all other areas of the music industry, things were getting significantly better, to the point that the benefits — and revenue opportunities — clearly outweighed the temporary disruption of one aspect of the larger market.

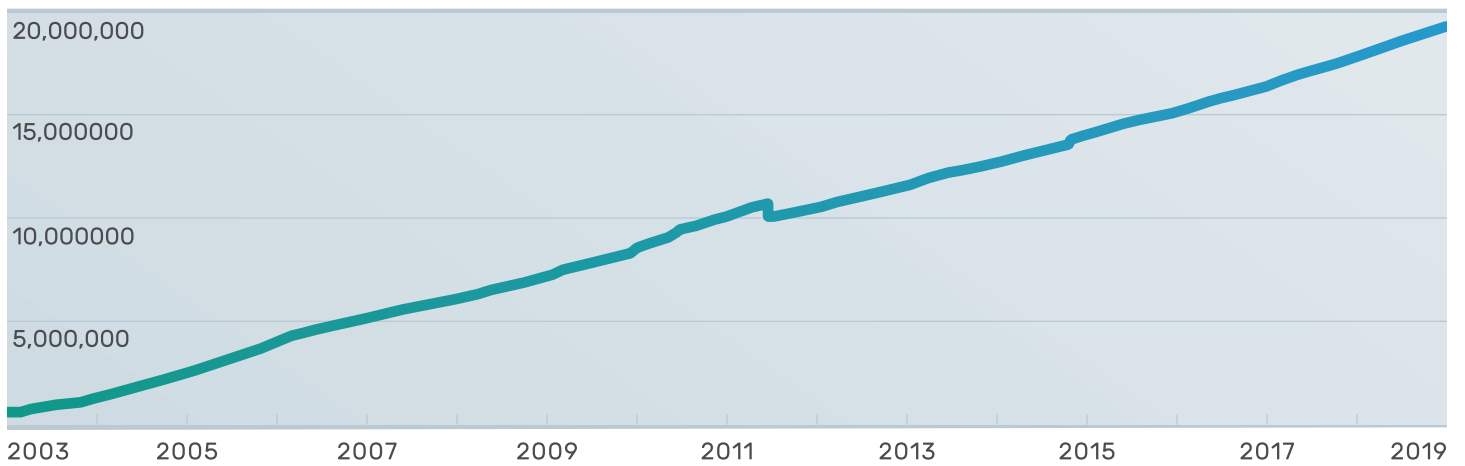
More music is being created than ever before, while more people are listening to more music, and there are more opportunities and ways for musicians to connect with fans and earn money than ever before — almost entirely thanks to the internet.

A key point to start with: the idea that the internet would somehow depress the creation of new music was clearly untrue. Indeed, the ability of more people to create, release, distribute, and promote their music completely opened up the market. Many new artists today are discovered almost entirely because of their internet presence, where they release content for free and build up a massive following. In the 2012 report, we relied on Gracenote's CDDB database, but as that database has swapped hands multiple times (from Sony to the Tribune Company to Nielsen) its purpose and setup has changed. These days, the open MusicBrainz database is considered the defacto standard for cataloguing musical tracks. And that database shows a steady increase over time.

There is little indication in the MusicBrainz database that there has been any decline in the production and release of new music. The one noticeable “dip” in the database, in 2011, was when MusicBrainz revamped its entire system, releasing its Next Generation Schema (NGS) and making sure the overall integrity of the database was stronger. One could argue that the data

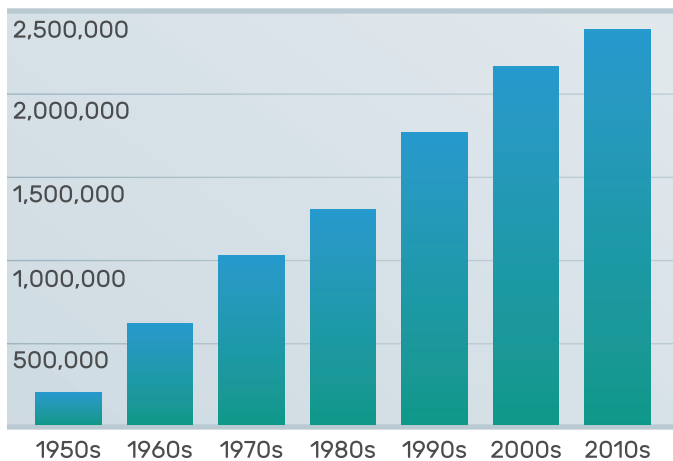
Total Number of Music Tracks catalogued by MusicBrainz

Source: MusicBrainz¹



Catalogued Music Releases Total, by decade

Source: Discogs²



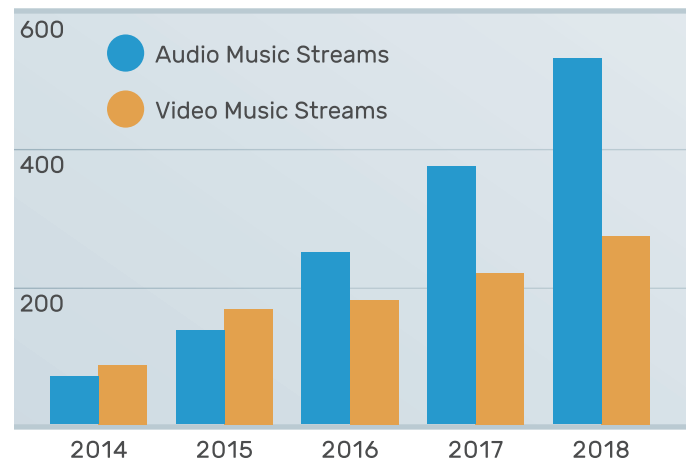
before that date, using a different schema is not as accurate, but even just looking from 2011 to the present, we see not just steady growth, but increasing releases.¹

Other sources confirm this. The Discogs catalog can be sorted based on the decade of release, and it shows more releases each decade compared to the last. Indeed, this current decade already has more releases than the previous one, despite not yet concluding.²

Of course, one could argue that more music production does not necessarily mean more music consumption.

Music Streams Played Online Total in billions, by year & type

Source: BuzzAngle Music³



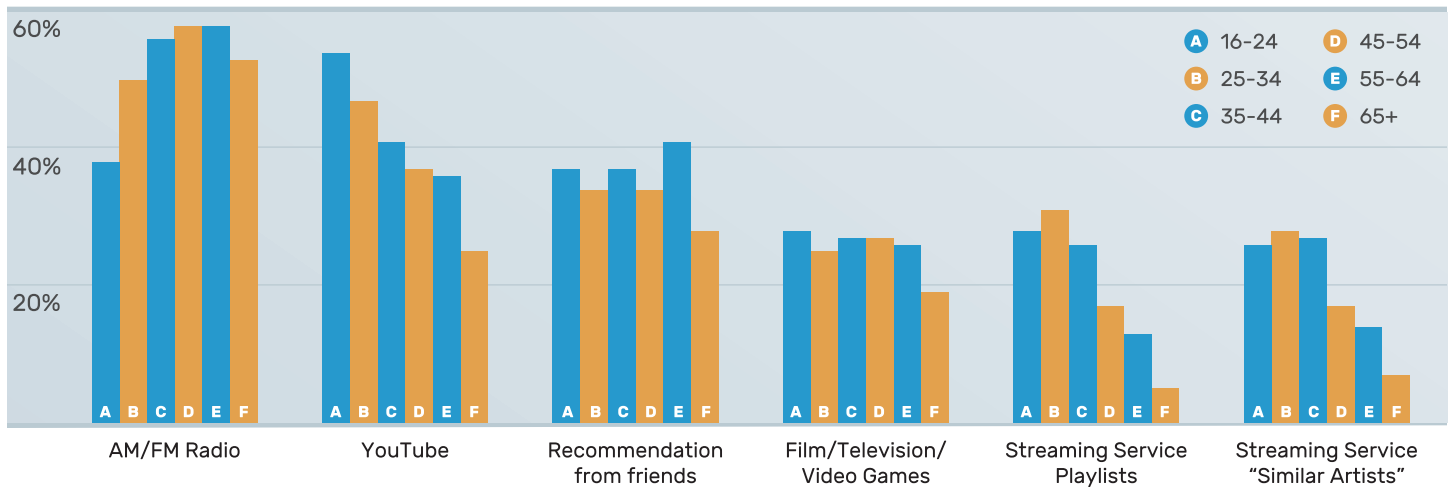
BuzzAngle Music closely tracks U.S. music consumption habits each year, and it's quite clear that people are consuming more and more music.

Related to this, with so much music out there, the internet has become a central part of how people find new music, along with radio and recommendations from friends. It's also worth highlighting that music in video games, films and TV is also a major driver of new music discovery for all ages.³

One other complaint that is sometimes heard is that while there may be lots of new music created, the quality is

Sources for New Music Discovery in 2017 as per cent of respondents, by age

Source: BuzzAngle Music³



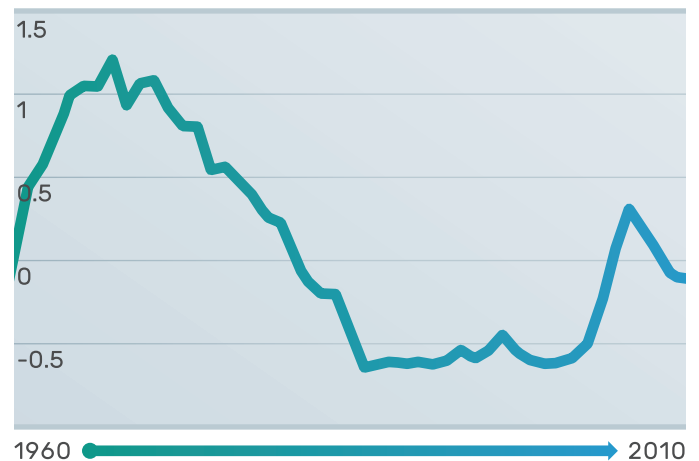
much lower than historically. Again, the evidence suggests otherwise. Professor Joel Waldfogel explores this question with a variety of different quantitative approaches in his recent book *Digital Renaissance* and finds little evidence to support the idea that the quality of new music has declined in any meaningful way. One of the ways he explores this is by looking at the expressed interest of listeners to music, in terms of when the music they listen to was produced. He refers to this as “vintage distribution.” Then in looking at this measure across different music consumption offerings — including radio airplay, certified sales and critical review lists — the story shows that while there appeared to be a steady decline in the quality index of music in the 1970s and 1980s before flattening out in the 1990s, the quality actually took a sharp upward swing at nearly the exact moment Napster entered the music scene.⁴

Another, perhaps more simplistic, way of looking at this is by looking at the most current stats on music consumption, in which BuzzAngle Music notes that 38% of music consumption in 2018 was for music from the previous year and a half, and a full 50% of music consumption was for music from the past three years. New music is getting created at a record rate, and it’s being consumed avidly by fans.³

At the very least, there is literally no evidence to support the frequently made claim that the current internet and ex-

Music Quality Index Based on expressed interest

Source: Prof. Joel Waldfogel⁴

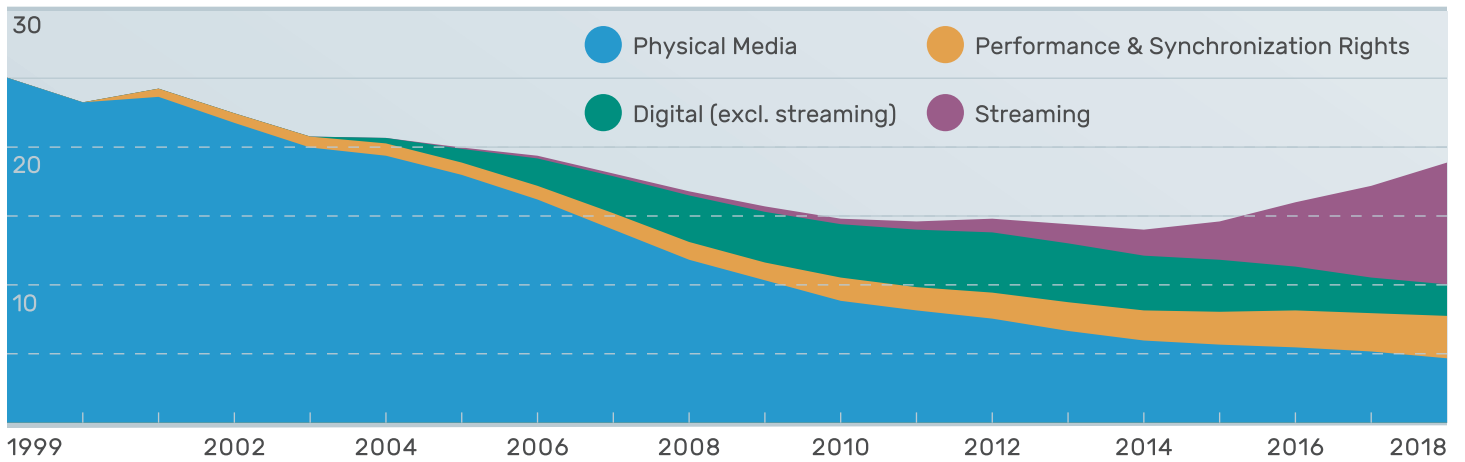


isting copyright laws have somehow depressed the incentives to create new music. There is, certainly, plenty of evidence that it negatively impacted one sector of the broader music industry: the market for recorded music. However, even there, we’ve seen a major turnaround over the past few years, almost entirely due to the rise of streaming services (an area that the recording industry initially fought, before agreeing to support). MiDiA recently referred to streaming music revenues as “the engine room of growth.”⁵

As the data shows, while there was a gradual decline

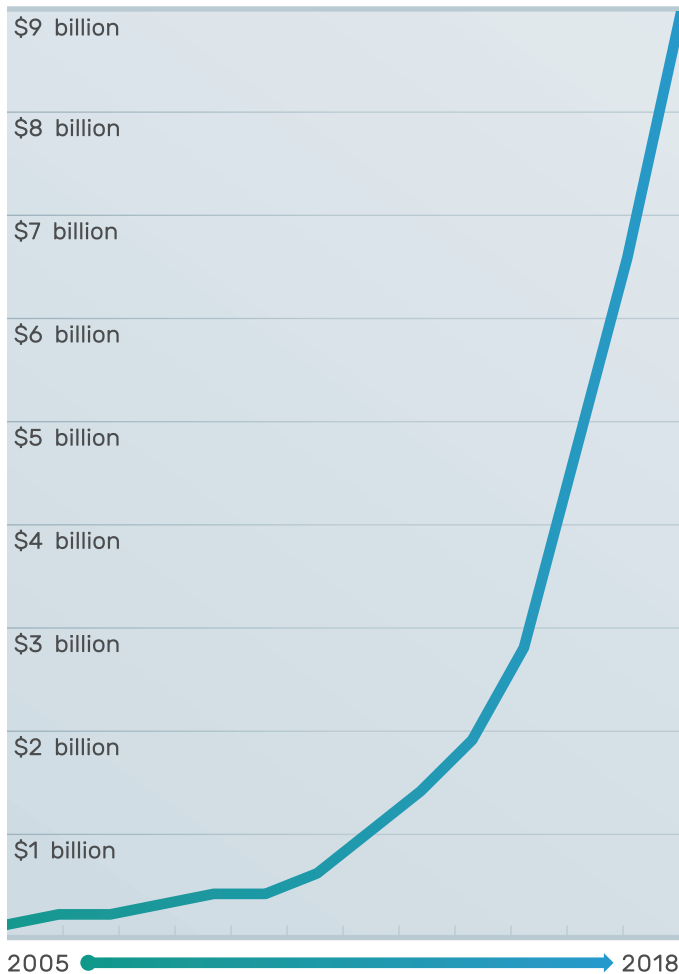
Global Recorded Music Industry Revenues in billions of U.S. dollars

Source: IFPI⁶



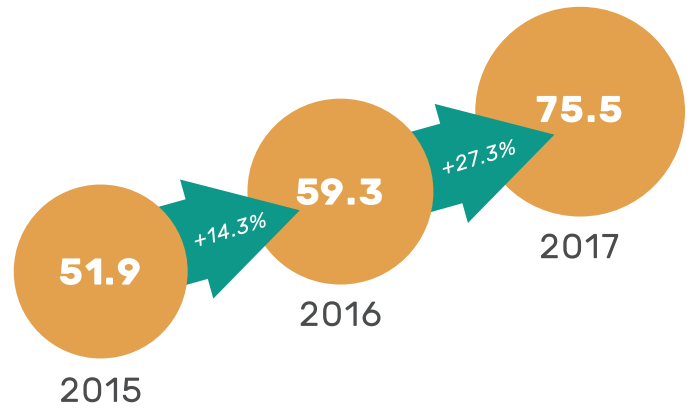
Global Music Streaming Revenues In U.S. dollars

Source: IFPI⁶



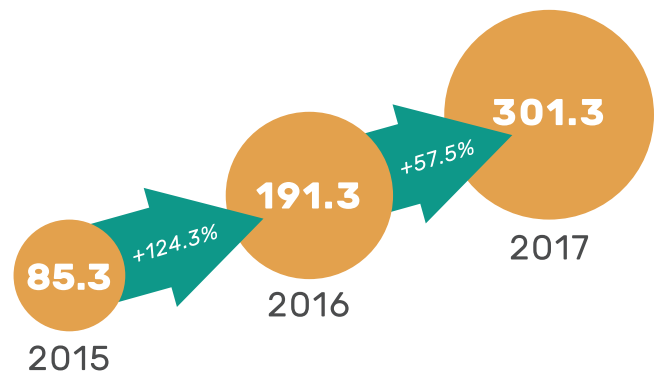
Advertising-Supported Streaming Total number of streams, in billions

Source: BuzzAngle Music³



Subscription Streaming Total number of streams, in billions

Source: BuzzAngle Music³



in recorded music revenue, that decline stopped by 2014 and has since turned around in a major way. Of course, the chart clearly shows the transformation of the recorded music industry in progress, as it shifts from selling physical product to digital sales and then streaming. It also highlights that performance rights revenues have continued to grow throughout this transformation period.⁶

Streaming, obviously, is driving quite a bit of the growth, and the story in the U.S. is a microcosm of the same thing we've seen in the rest of the world⁷.

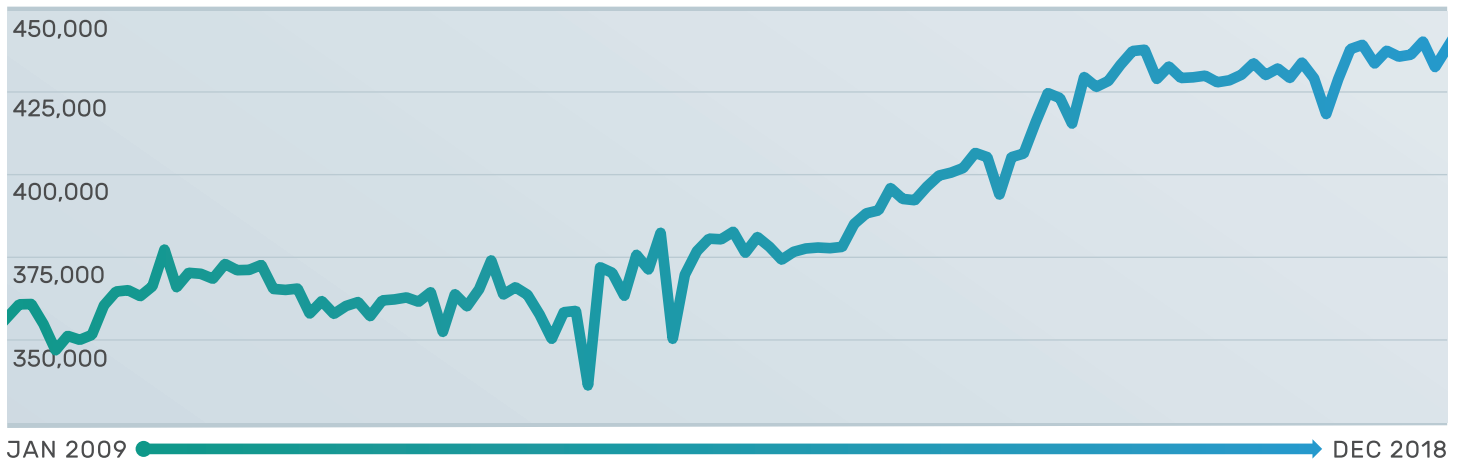
As streaming has become more and more important to the business of recorded music, there have been some

complaints by those in the industry that the rates paid for from free ad-supported streaming services are too low compared to the payments for subscription-based streaming platforms. However, at the very least, the data shows that the vast majority of streaming listeners are signing up for paid services, and the growth rate for subscription-based services is much higher as well.

Of course, with a rebound in recorded music revenue, it's not surprising to see employment and wages in the industry heading up too. While we don't have global figures, the Bureau of Labor Statistics shows a pretty clear trend in the U.S. (BLS's data lumps together both movie produc-

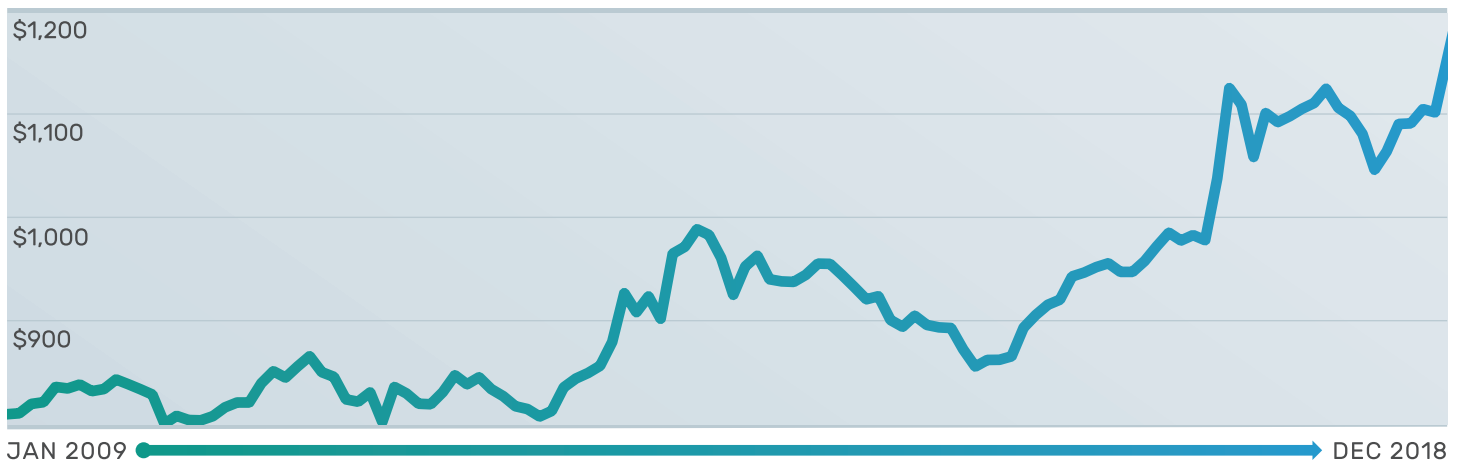
Motion Picture & Sound Recording Industry Employees, seasonally adjusted

Source: U.S. Bureau of Labor Statistics⁸



Motion Picture & Sound Recording Industry Weekly Earnings, seasonally adjusted

Source: U.S. Bureau of Labor Statistics⁹



tion and sound recording, so this covers both industries — though given everything else, it is quite likely that these trends apply across both of those industries).⁸

Perhaps even more interesting is a recent research note from MiDiA about the latest global recorded music revenue numbers, highlighting that a significant amount of growth is coming from artists who are not signing with traditional record labels, but are instead leveraging the internet and various platforms by going direct to their fans:

“Artists Direct – i.e. artists without record labels – are changing the shape of the market, growing nearly four times as fast as the total market to end 2018 with \$0.6 billion of revenue.”⁵

The latest report from the Re:Create Coalition, *Taking Root: The Growth of America’s New Creative Economy*, highlights how all different kinds of creators are now going direct to fans using services like Amazon and YouTube. Notably, that report doesn’t even include services focused on musicians. Bandcamp’s latest stats note that it paid out over \$70 million directly to independent artists in 2017, bringing its total paid out to artists to almost \$300 million in the decade it’s been around. That same year, according to Crowdfunder Center, over \$27 million went to music projects on various crowdfunding platforms (mainly Kickstarter and Indiegogo).

Also in 2017, Patreon, which has become a popular crowdfunding platform for musicians, paid out over \$150 million to all content creators on its platform (which covers more than just musicians, though it was started by and for musicians). According to a recent announcement from Patreon, sometime in 2019 it expects to surpass \$1 billion paid out to creators since the company’s creation in 2013.⁹

At the very least, it’s become clear that artists don’t necessarily need to rely on traditional gatekeepers to build a career around releasing music these days. And crowdfunding is only just one aspect of going direct. Many new musicians are coming up through YouTube and realizing

they don’t need to go the traditional route. Just recently, Billboard Magazine discussed how a YouTube musician, NLE Choppa, turned down a \$3 million record label deal, preferring to go direct to various internet platforms. A key quote from the article:

“Here’s the issue: He’s already just seen, with him owning the rights and us doing distribution, he’s earning money on Spotify and Apple Music, and his song is growing on YouTube. What does he need a record company to do?”¹⁰

Note that most of these stats about going direct don’t even touch on things like Spotify, Apple or YouTube, but all three of those are clearly driving revenue as well. In 2018, Spotify started letting musicians upload their music directly, cutting out middlemen — though there remain a number of services that will help digitally distribute music to all of the streaming platforms as well. According to BuzzAngle Music, in 2017 over 44 million streams came via independent distributors, such as TuneCore, CD Baby and DistroKid.³

And, it’s important to note that the sale of recorded music is only one aspect of the music industry. The live music industry has continued to grow and thrive through all of this. PwC shows that both ticket sales revenue and sponsorship of live events have proved to be growth areas.¹¹

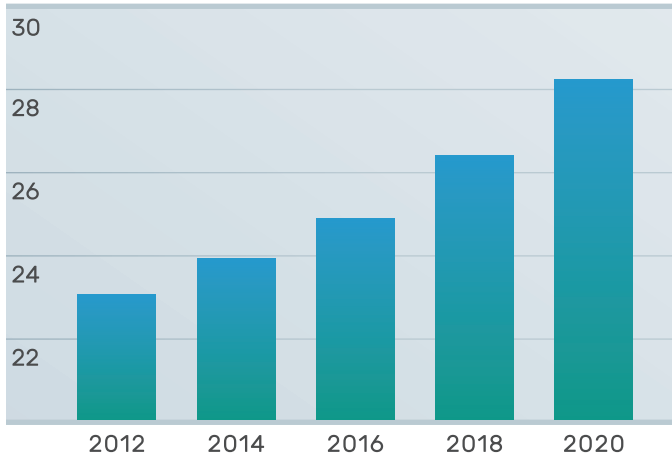
Another area that has seen tremendous growth is music merchandising. In late 2018, Warner Music spent \$191 million buying EMP Merchandising. As Warner Music’s Max Lousada, CEO of Recorded Music, said: “In today’s streaming world, merchandise is still one of the best ways that fans can express their passions and personalities. It’s also a big part of how music has visible and physical impact on global culture and fashion.”¹²

The most recent stats from the International Licensing Industry Merchandisers Association (LIMA) show that the market for physical merch associated with musicians has been growing quite rapidly.¹³

Global Live Music Revenues

In billions of dollars, with 2020 projection

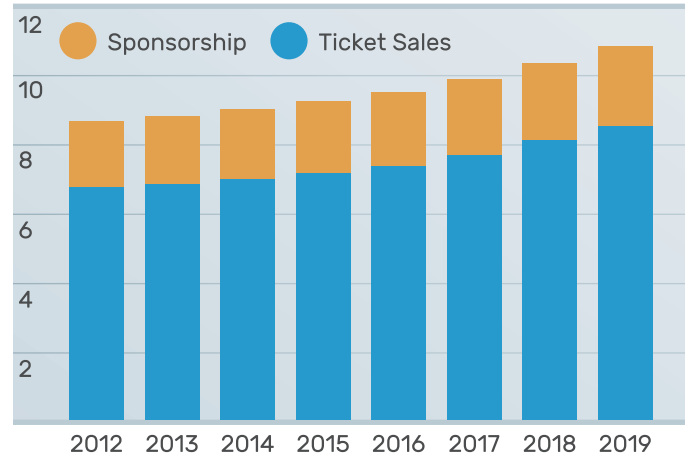
Source: PwC¹¹



U.S. Live Music Revenues

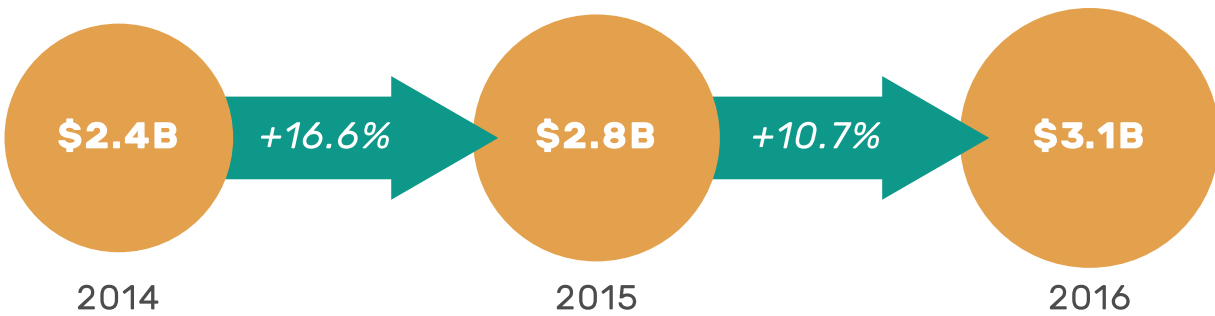
In billions of dollars, 2018 & 2019 projected

Source: PwC¹¹



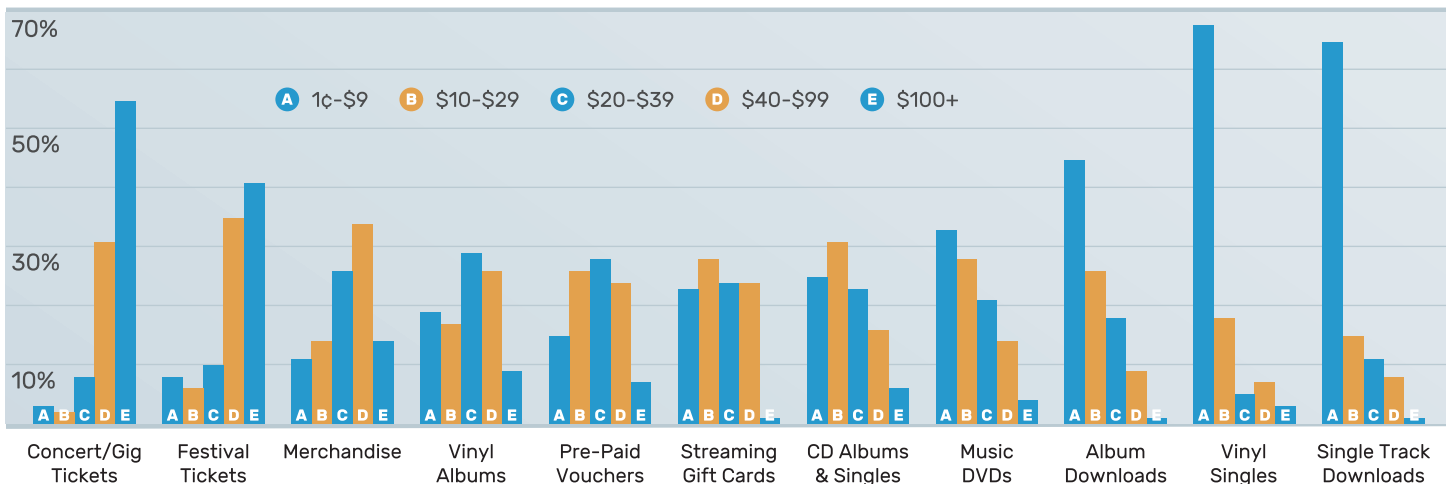
Global Music Merchandise Retail Sales, with year-over-year growth

Source: International Licensing Industry Merchandisers Association (LIMA)¹³



Average Consumer Spending on Music Activities, as per cent of respondents

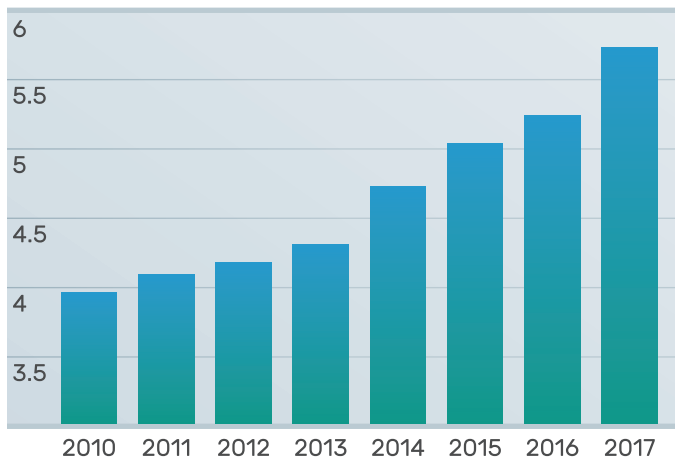
Source: AudienceNet¹⁴



Music Publisher Revenue

In billions of dollars, estimated

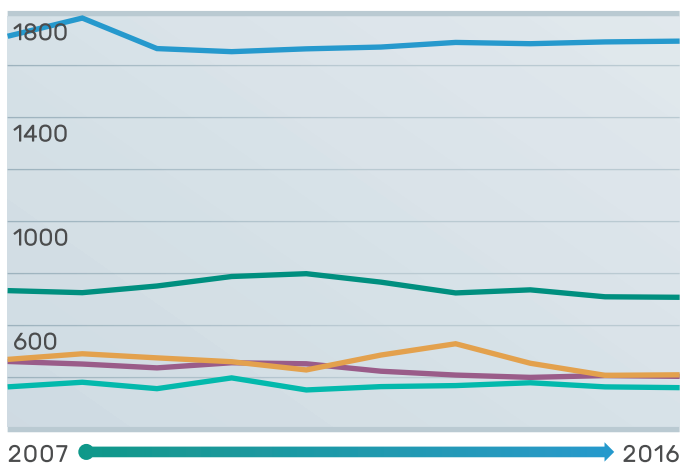
Source: U.S. Census Bureau¹⁵



Music Industry Establishments

Number of U.S. businesses, by type

Source: U.S. Census Bureau¹⁵



Top musicians are cashing in on the trend, launching expensive clothing lines and running pop-up shops that can bring in tons of revenue, replacing sales that used to go to physical goods like CDs. Indeed, perhaps the most interesting aspect of the current music industry is that there are so many different revenue streams. A survey by

AudienceNet of the types of music-related spending shows just how spread out the music spending landscape has become, going beyond merely “buying music.”¹⁴

Apart from revenue from recorded music distribution, live music, crowdfunding and merchandise, there’s also the publishing side of the business, which has similarly remained strong. According to the U.S. Census Bureau, the past decade has been quite good for music publishers.

Finally, some have argued that the ongoing transformation in the music business would lead to support service businesses for the industry — such as recording studios — running into trouble. Indeed, it wouldn’t even be that surprising to see recording studios struggling in this modern era, as the internet and relatively inexpensive hardware and software choices may have decreased the need for a dedicated recording studio. And yet, according to the U.S. Census Bureau, the number of recording studios (and some other ancillary businesses such as record production) appear to have remained relatively constant over the past decade, suggesting that the transformation isn’t doing the kind of harm to these businesses that many predicted.¹⁵

All in all, almost everywhere you look, things are going great for the music industry and the music-loving public. There is more music being made than ever before, by more artists. It is more widely available to listeners. There are more ways to consume it. There are more live shows. There are more ways to support artists, including direct fan support and merchandise. The quality of this new music is evident in how much people are consuming it. Even the one key part of the industry that struggled — the selling of recorded music — has significantly recovered (and sees an even brighter future) thanks to the rise of licensed streaming music. While there may be some artists who relied on previous business models and have had more trouble transitioning, on the whole, the industry is clearly thriving.

It is true that the modern music market may be more complex to navigate than in the past. The paths to success are not as clear, and are potentially more competitive. However, we are living in a true renaissance of music.

3. Video

IN OUR 2012 REPORT, we debated how best to break down the various markets, eventually choosing to lump together a few different areas — film, television, streaming video — into a single category called “video.” While, at the time, these were all considered very distinct, we felt that over time the lines between them would blur. Seven years later and that premonition has proven accurate. While you could still classify these areas separately, the borders between them have become a lot more fuzzy, and the ability to access them has become more unified — with much of this due to the rise of streaming platforms, mainly Netflix, Amazon, YouTube, and, to a lesser extent, Hulu. With more and more companies entering the market over the next few years — especially coming out of the traditional video markets (e.g. Disney from the movie side and CBS from TV) the lines are likely to become even more blurred.

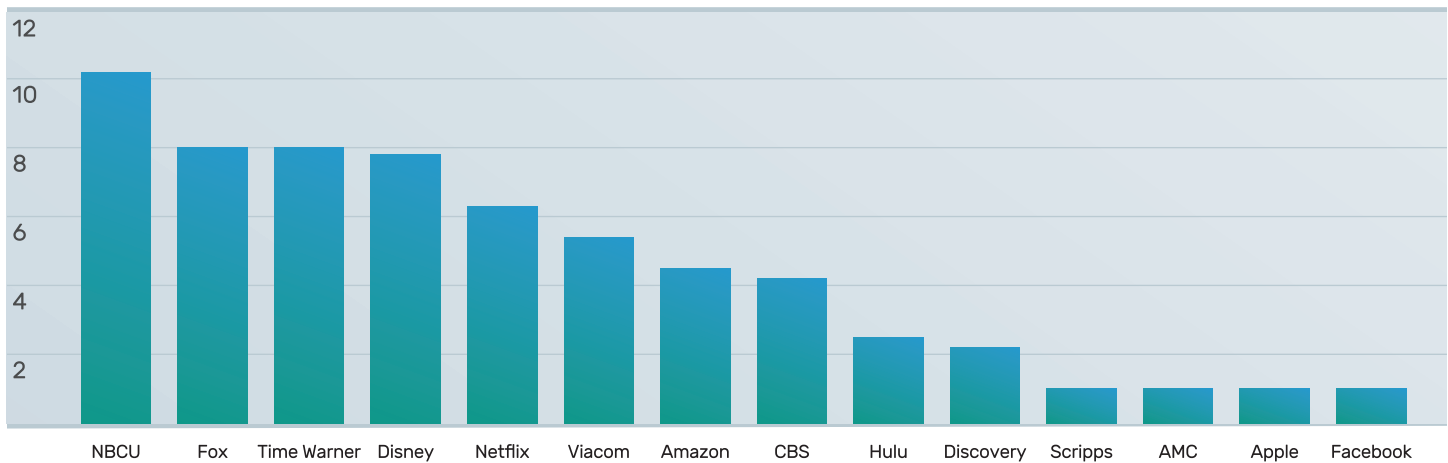
Given that, let’s start this version of the *Sky is Rising* video report focused specifically on online streaming before looking at the more traditional film and television markets.

First up, the biggest shift is that the large streaming platforms (with Netflix leading the way, and Amazon close behind) decided to not just purchase and distribute works created by studios, but to become fairly massive studios in their own right. Indeed, there is now quite a race on to fund original streaming video content. According to MoffettNathanson and the Wall Street Journal, this is how much each of the major players in online streaming video were prepared to spend in 2017 on non-sports original content productions and acquisitions.¹

Netflix’s own numbers show that it actually outspent that estimate above, and continues to significantly increase its content spending quarter by quarter², and Amazon has similarly committed a large and growing pool of money to content acquisition³. And, of course the reason so much money is now being spent is that there’s tremendous demand for it. Netflix’s subscribers and revenue just keep increasing — doubling in just the past three years alone — while competitors, such as Amazon, have also seen tremendous growth. For Amazon, it’s not as clear cut about video, since there are other, completely unrelated, bene-

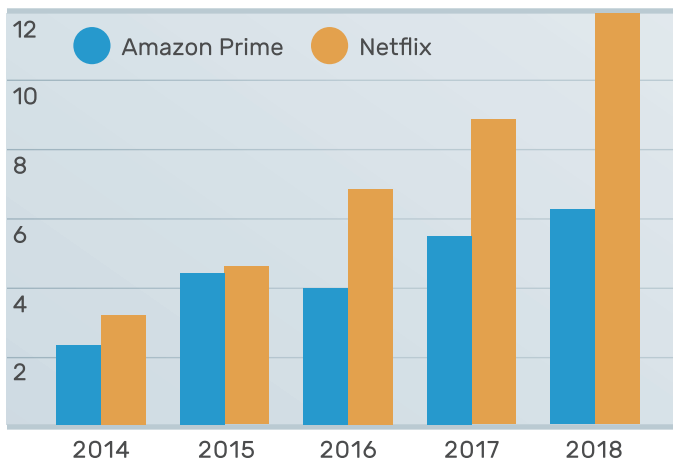
Spending on Original Non-Sports Content in 2017, in billions of dollars

Source: MoffettNathanson¹



Streaming Video Content Spending In billions of dollars

Source: Netflix², Ofcom³. Amazon/2018 Netflix figures are estimated



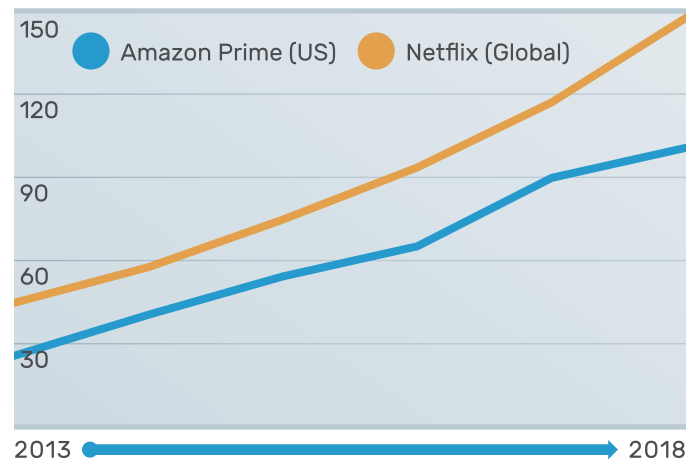
fits to joining Amazon Prime, such as free two-day shipping and better deals on e-commerce products. But Amazon's base of Prime subscribers keeps growing.⁴

Hulu's numbers appear to keep growing as well, though as a private company it is not as open about its subscribers with quite the same granularity as Amazon and Netflix. As of the end of 2018, however, it had 25 million subscribers, effectively doubling the 12 million it had in mid-2016.⁵

Of course, as noted in the earlier chart about spending by different companies, the market for subscription online

Number of Streaming Video Subscribers In millions

Source: Netflix², Commerce Intelligence Research Partners⁴

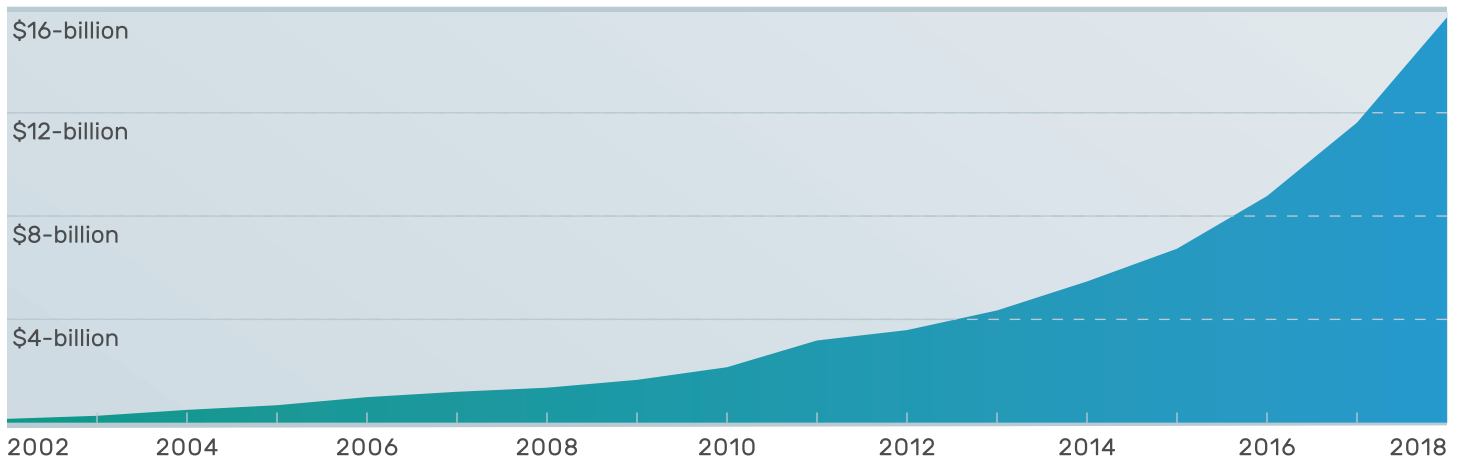


video streaming is not limited to just Netflix, Amazon and Hulu. There are a number of other subscription services available as well. Just in the U.S. there were several competing services in 2017. With Disney's recent entry into the market, it is expected that it will take significant market share.⁶

It's also notable that niche audiences are finding their own video streaming services, such as the popular streaming service for anime, Crunchyroll, which is now owned by WarnerMedia (which, in turn, is owned by AT&T). It has seen its own numbers more than double in the past three

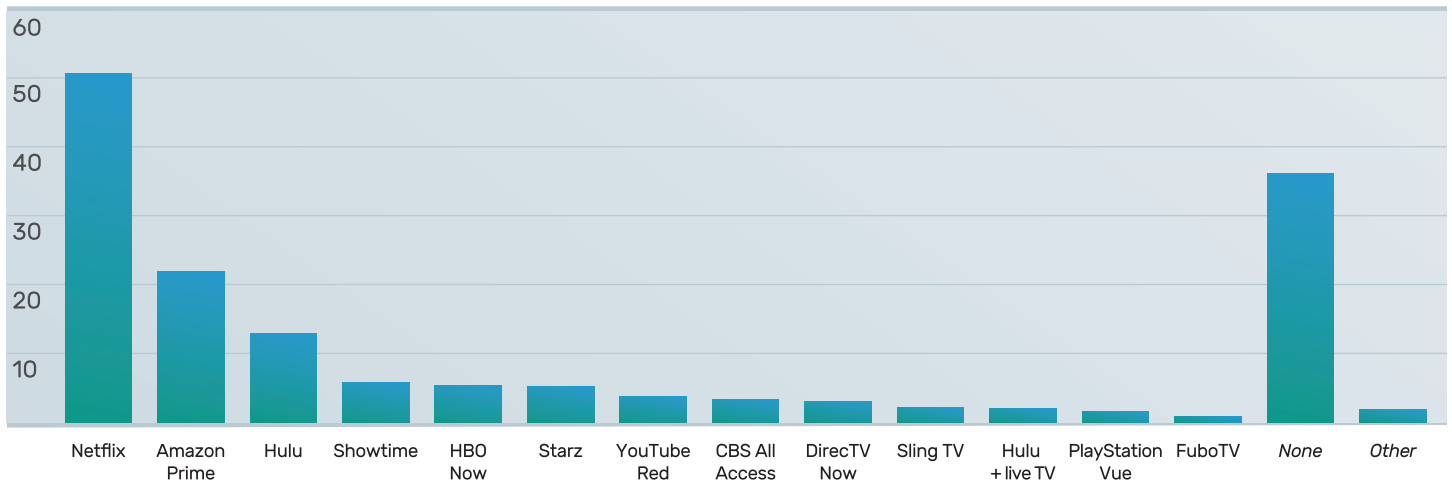
Netflix Annual Revenue in dollars

Source: Netflix²



Monthly Subscription Streaming Platform Consumer Share In 2017, as per cent of respondents

Source: FierceVideo⁶



years, surpassing two million late last year⁷.

And it's important to not just look at the subscription-based online streaming services. When you add in free services, the picture changes a bit, with the obvious dominance of YouTube and its nearly 200 million users per month, which is more than double any other online streaming offering.

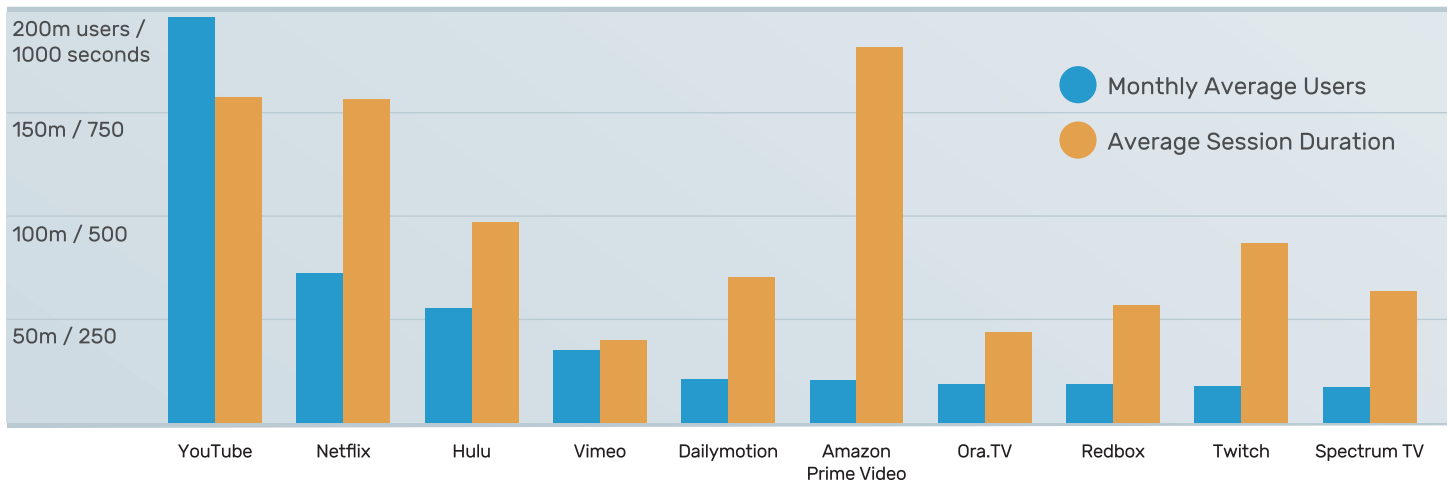
Though it's interesting to note that, if you look at how much actual time is spent on various streaming video services, YouTube's position is not quite so dominant. This is

not particularly surprising. YouTube is much more focused on shorter video clips, while the others focus more on long-form content. Thus, in terms of average duration of a session on the various platforms, it's actually Amazon Prime in the lead, followed closely by YouTube and Netflix, which are basically equal. But there are many other platforms that get significant viewership as well, including Hulu, Dailymotion, Redbox and Vimeo.⁸

No matter how you look at it, we're seeing an astounding level of growth within the online video market. On

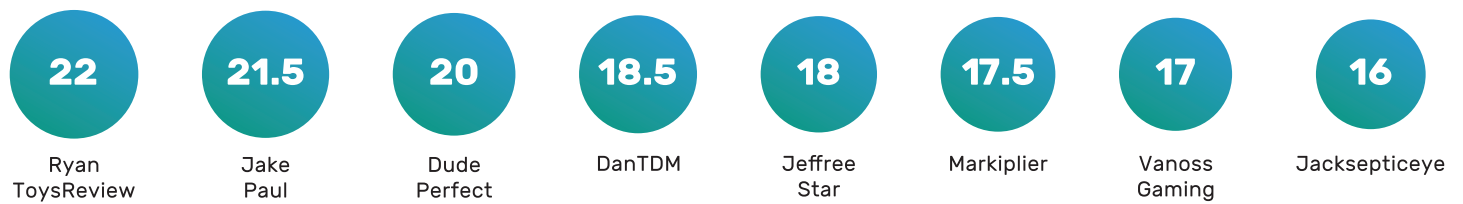
Streaming Platform Users & Viewing Time in 2017 in millions of users, and seconds

Source: Verto Analytics⁸



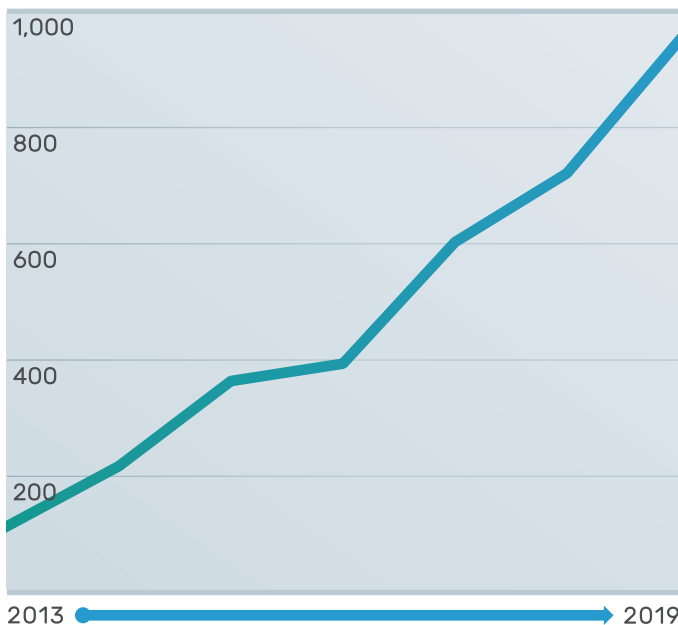
Revenue of Highest Paid YouTube Stars as of June 2018, in millions of dollars

Source: Forbes⁹



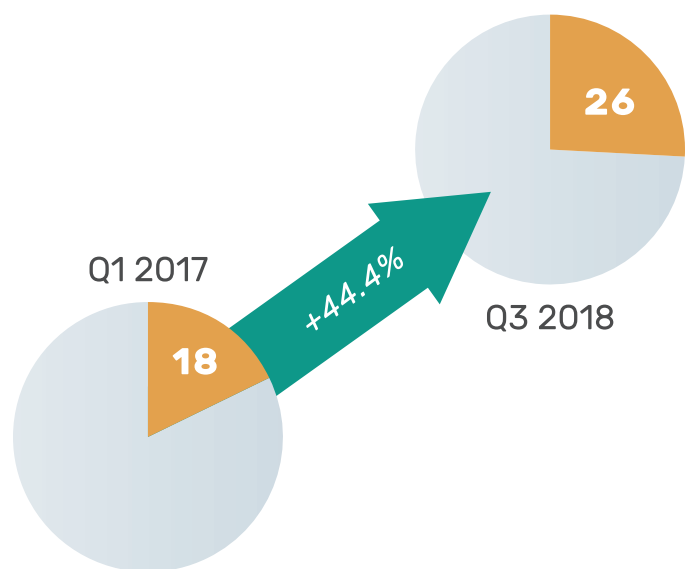
Monthly Hours Spent Watching Twitch Total, in millions

Source: Twitch Tracker¹⁰



Subscription VOD-Only Households As per cent of households

Source: Ampere Analysis¹¹



the subscription services, we're seeing an alternative to traditional television and movies, while on the user-generated content sites, such as YouTube and Vimeo, there's an entirely new form of video content, and video content stars — some of whom move on to more traditional media, while others just continue to build up larger and larger audiences. Indeed, last year, Forbes estimated the annual earnings of some of the top YouTube stars, and they're similar amounts to movie and television stars. According to Forbes, last year, the top earner on YouTube was Ryan ToysReview, earning an astounding \$22 million.⁹

Of course, YouTube and other platforms are not just about the star creators. The recent *Taking Root* report by the Re:Create Coalition showed that YouTubers earned an incredible \$4,004,000,000 in 2017, up 21% from \$3,307,333,333 in 2016.

And then there's the rise of Twitch, the live streaming platform owned by Amazon, that is most popular for streaming video games, and which we'll touch on in the video games section as well. However, we'd be remiss if we didn't mention the rapid increase in the time spent watching Twitch, and the ability of its stars to earn quite a lot of money. Users went from watching 110 million hours a month on Twitch in 2013 to 949 million minutes this year.¹⁰

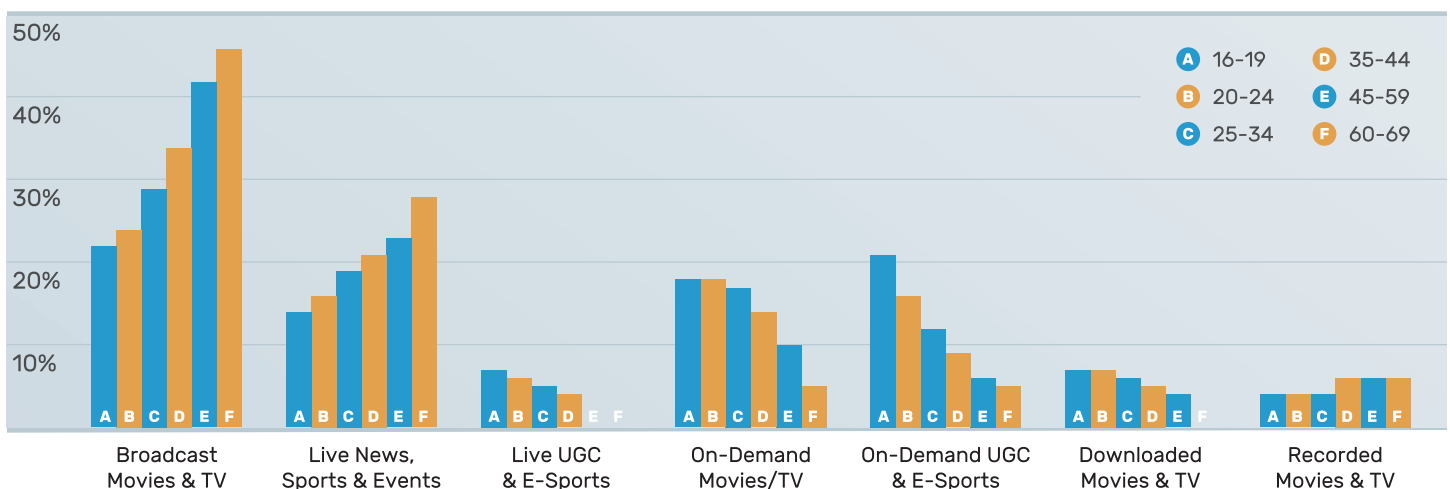
Even if we were to ignore the massive continued success of traditional television and film, the incredible rise of on-line streaming is a story of a video renaissance. It covers all different types of content, across a broad spectrum of entertainment forms — from feature length movies, to powerful episodic television content, to short user-generated content videos, to entirely new areas like live streaming of video games. There is no shortage of amazing content for almost anyone. Indeed, more and more people are "cutting the cord" from traditional television and switching to streaming only. An ongoing survey by Ampere Analysis has found that the number of "streaming only" households recently passed 25% and appears to be increasing quite rapidly.¹¹

It is widely expected that more and more households will move to cut the cord over time — not only because those services are likely to continue to expand and provide more and more content, but also fundamental demographic shifts already show that the younger generation watches significantly more streaming/internet content than traditional television content, compared to the older generation. As that younger generation ages, it seems quite likely that this shift in viewing habits will follow.¹²

But, of course, we can't ignore those other areas of video

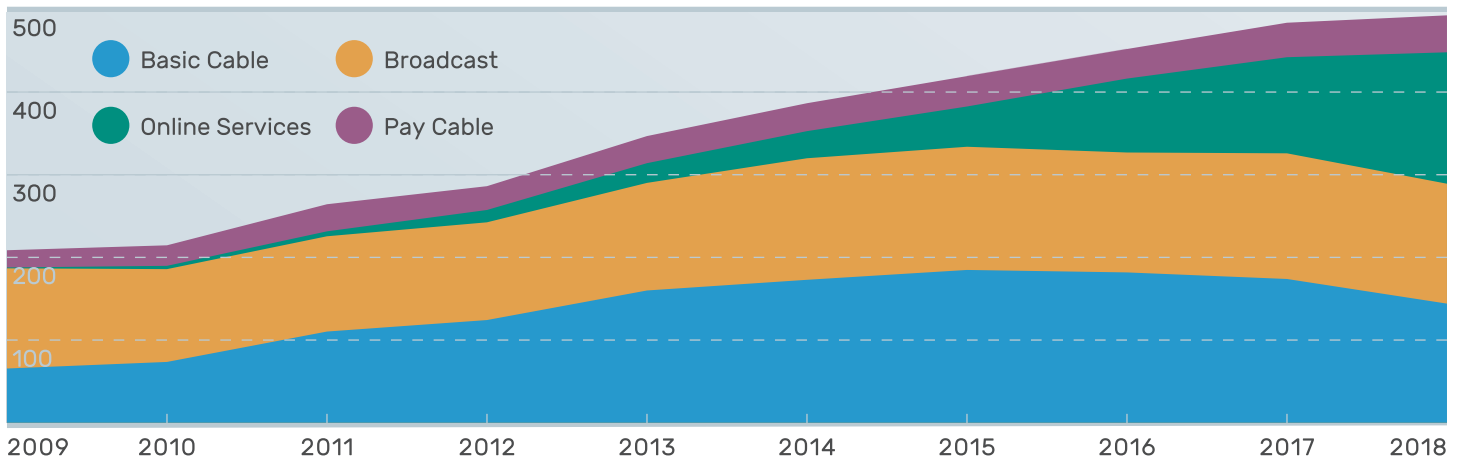
Video Content Viewing Time in 2017 as per cent of total viewing time, by age group

Source: Ericsson¹²



Number of Original Scripted TV Series by class of service provider

Source: FX¹³



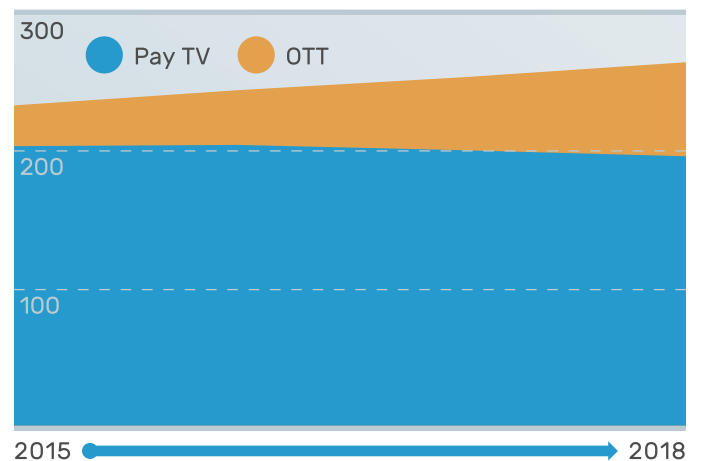
— nor should we. And it appears that, contrary to the new online world taking away from traditional television, it has only caused all the boats to rise together. Indeed, while the number of scripted original TV shows on broadcast television and basic cable may have recently peaked, the number is still much higher than it was just a decade ago — and when you add in online-only TV shows, the total number of scripted original series continues to rise.¹³

Just a decade ago, in 2009, there were 122 scripted original shows in the U.S. on broadcast TV, another 66 on basic cable, and 21 on pay cable — for a grand total of 210 scripted originals on TV. By 2018 the numbers were much, much higher: 146 scripted originals on broadcast TV, 144 on basic cable, and 45 on premium cable — for a grand total of 335. And that’s not even counting the 160 more on streaming-only, a category that basically didn’t exist a decade ago.

Of course, not all of television is “scripted.” And even the definition of “scripted” television above does not cover truly all scripted television programming. The MPAA’s latest report notes that children’s programs and daytime dramas don’t actually count in the “original scripted series” calculation by FX. When you add in all of those, in 2018 there were actually 1,620 “original” series on TV or online services — with 327 being streamed online, 994 on broadcast TV, and another 299 on cable.¹⁴

Global Television Revenue In billions of U.S. dollars, by platform

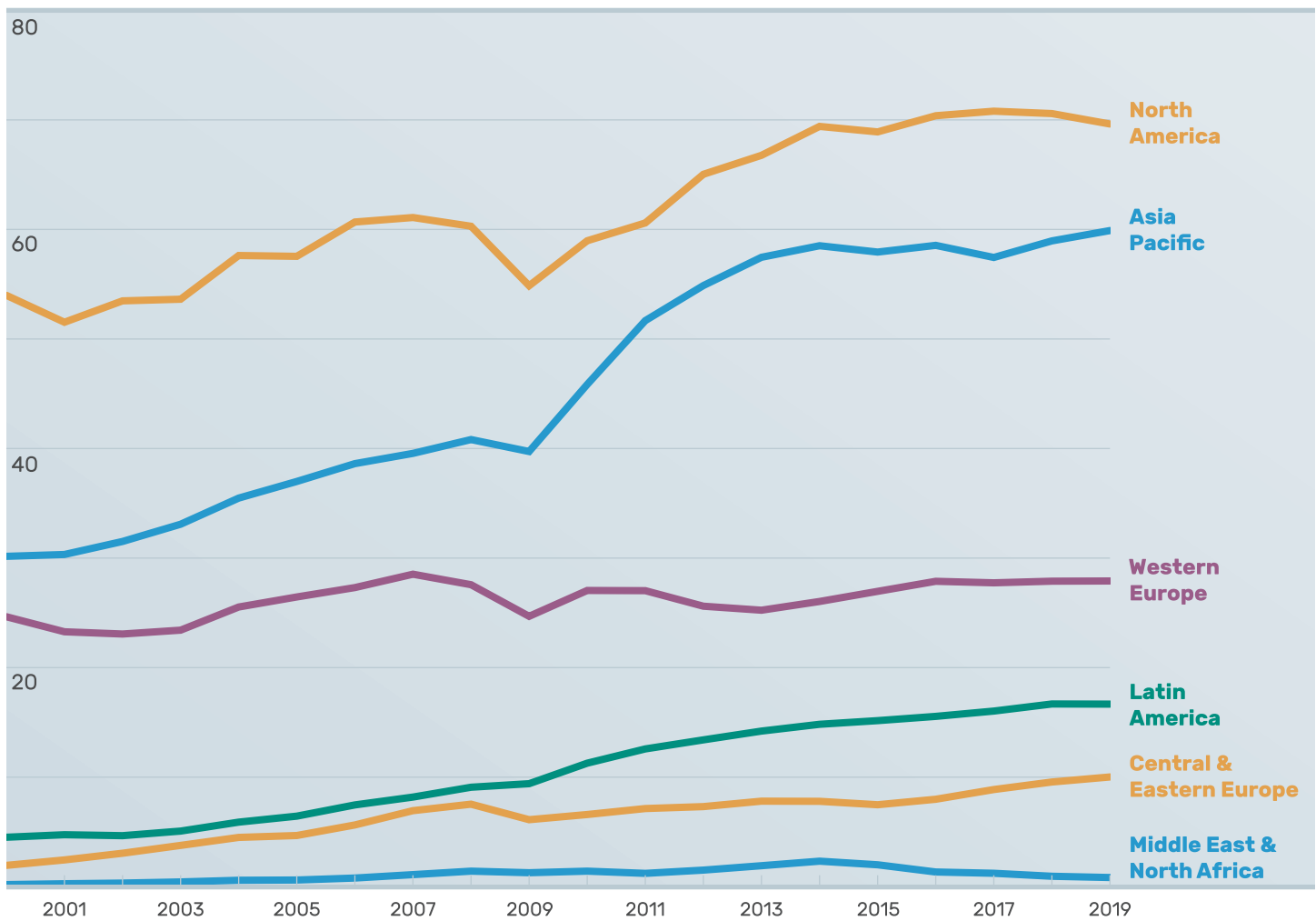
Source: Digital TV Research¹⁵



And it should come as little surprise that global TV revenue is increasing, even as there are so many more alternatives. Digital TV Research recently noted that global TV revenue surpassed \$265 billion in 2018, an increase from \$234 billion in 2015. While the amount for traditional pay TV may be declining, the difference is more than made up for when looking at over-the-top (OTT) services that allow people to watch traditional television over the internet, such as using devices like the Roku, Xbox, or various smart TVs.

Global Television Advertising Spending in billions of U.S. dollars

Source: Zenith, with 2019 projection¹⁶



Even as there are other ways to watch TV these days, including on phones, tablets, laptops or computers, people keep purchasing TVs. Digital TV Research reported 1.63 billion households worldwide with televisions in 2017, up from 1.45 billion in 2010. In the U.S. alone, Nielsen reported that we've gone from 115 million households with televisions in 2010 to 120 million at the beginning of 2019.¹⁵

With so much content and so many people watching TV, it's no surprise that the TV advertising market has continued to grow extremely consistently for many years. Zenith recently released research showing global TV advertising spending since the year 2000, revealing its very consistent growth, with only a brief dip during the global recession.

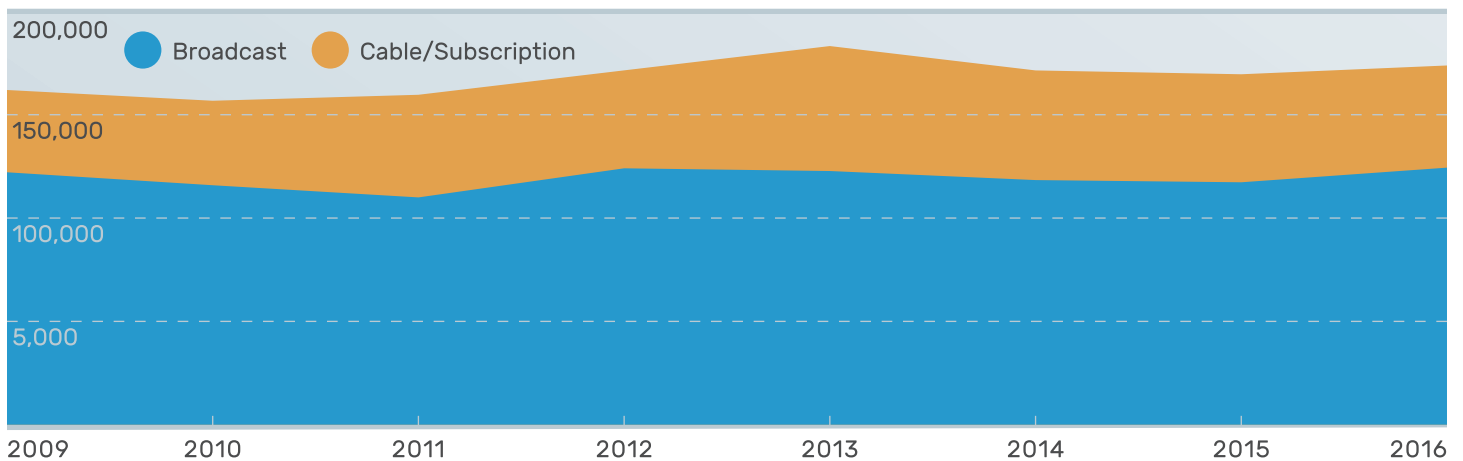
Perhaps most interesting in the report from Zenith is how emerging markets in Asia and Latin America have been huge growth markets for television advertising, while North America and Western Europe have plateaued.¹⁶

According to the U.S. Census Bureau, employment in the television sector in the U.S. has remained fairly constant as well, even as television is in a time of transition. While there was a dip during the recession, it appears to have been relatively short-lived, and employment across the television and cable TV industries has continued to grow, reaching nearly 175,000 people by 2016.¹⁷

Finally, let's move on to the movie business. Again, this market is somewhat complicated by the growing over-

Number of U.S. Television Industry Employees by subsector

Source: U.S. Census Bureau¹⁷



lap with new digital services. Companies like Netflix and Amazon have been releasing successful movies via their platforms, rather than in the theater. Indeed, this has resulted in some controversy, such as that following a Netflix original movie *Roma* winning the Oscar this year for best director, best cinematography and best foreign-language film, upsetting some traditionalists in the film industry — including Steven Spielberg, who is trying to get the Motion Picture Academy to change its rules to bar such films from even being eligible for the Oscars.¹⁸

Either way, the last decade has not shown any sign of things slowing down regarding the production of new films, however they are measured. A big portion of the growth has been driven by two countries in particular: India and China. In the past decade, India — whose Bollywood productions always out-produced every other country by quite a lot — continued to release more and more films each year, growing from about 1300 films in 2009 to nearly 2000 by 2017. Meanwhile, China has more than doubled its domestic movie production as well from 456 releases in 2009 to 970 in 2017. But those are not the only countries showing growing productions. South Korea went from just 138 releases to 494. Italy from 131 to 235. Indeed, of the top producers of film, only the UK declined over the last decade, dropping from 324 to 212.¹⁹

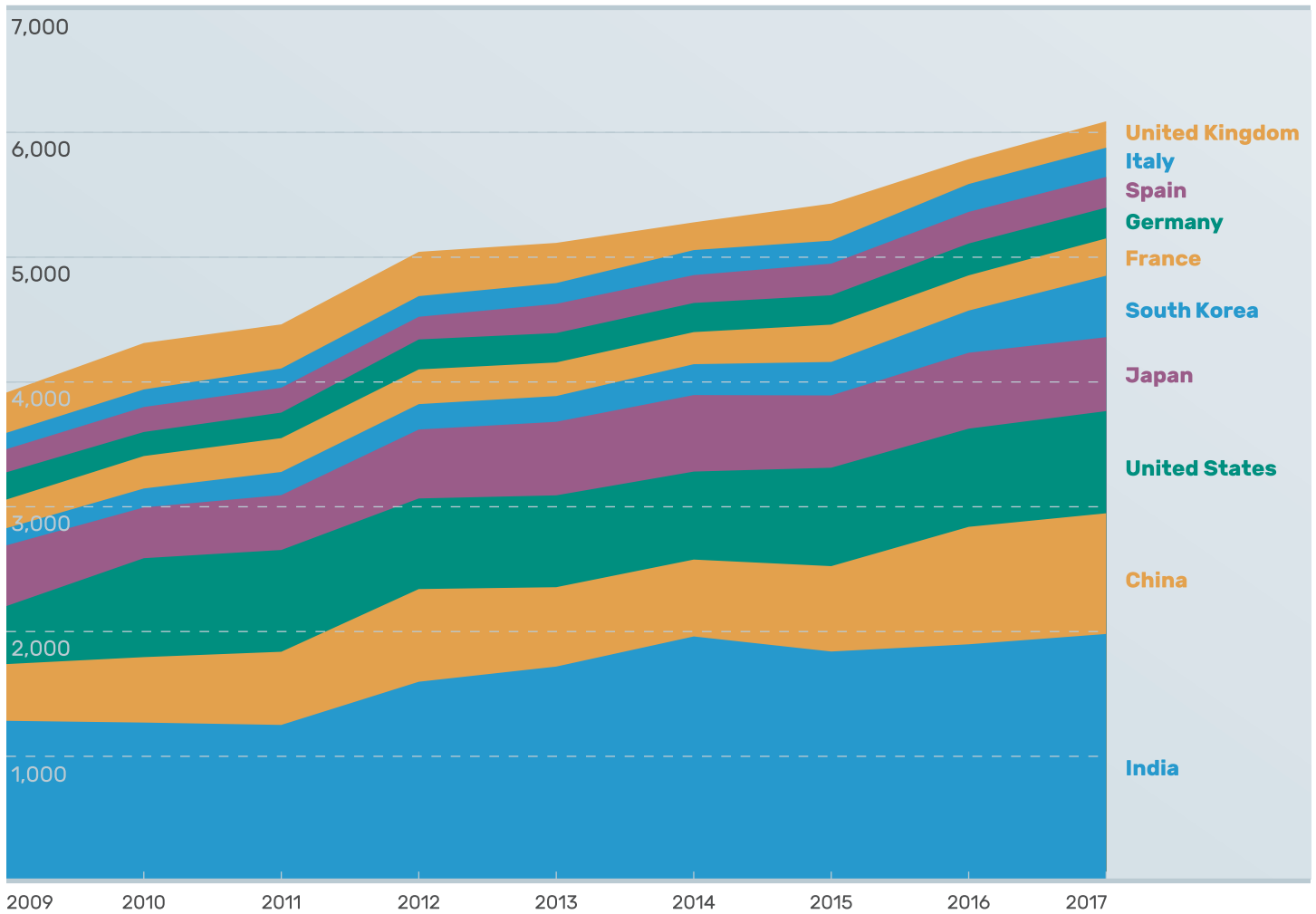
And the U.S. has continued to release more movies year by year as well, going from 466 in 2009 up to 821 by 2017. Of course, not all of those are traditional “Hollywood” releases — as those have held more or less steady at around 120 to 140 per year between the big six Hollywood studios and a few smaller studios, meaning that much of the growth is coming from elsewhere, including the various online platforms like Netflix and HBO which have been willing to produce movies that might not ever have been made under the old system. Once again, it appears that the internet has helped expand opportunities for creativity and making art.

According to the MPAA, it “rated” 564 films in 2018 (meaning they were destined for some level of theatrical release in the U.S.), with only 166 of those coming from MPAA member studios, and the rest coming from non-members.

Perhaps even more interesting is that Hollywood appears to be investing more and more money in new films. The MPAA breaks out the production budget of new “theatrical release” films each year, showing those with budgets over \$15 million and those with budgets between \$1 million and \$15 million, and the number of such bigger budget films keeps increasing year by year. As the MPAA itself highlights, there were 11% more films with production budgets over \$15 million in 2018 than there were in 2014 (171 such films vs. 154).²⁰

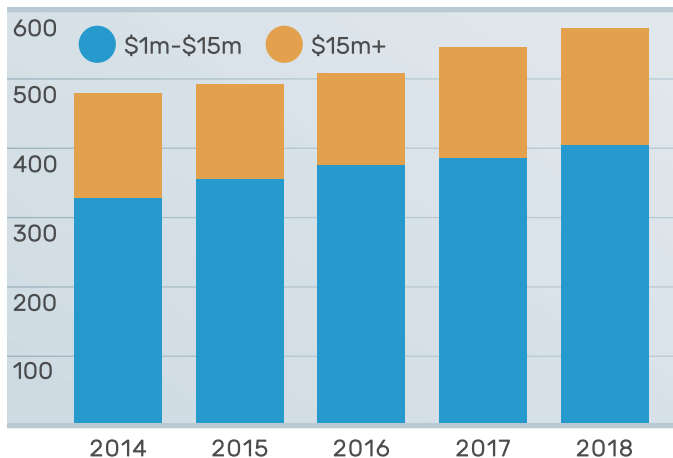
Number of Films Produced in ten leading markets

Source: European Audiovisual Observatory¹⁹



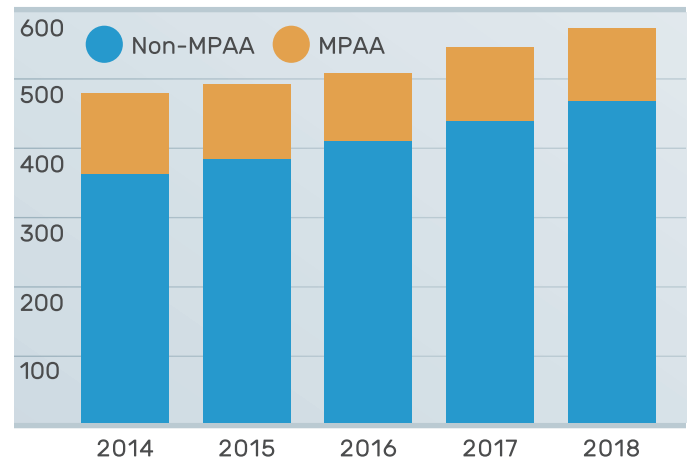
Number of U.S. Films Produced With budget breakdown

Source: MPAA²⁰



Number of U.S. Films Produced With MPAA membership breakdown

Source: MPAA²⁰

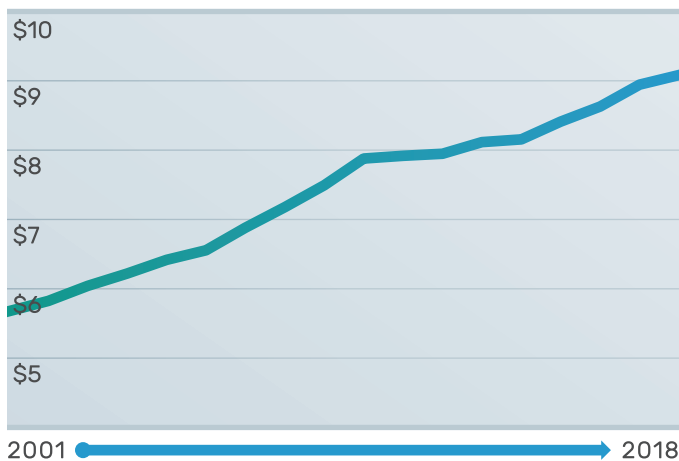


It is notable that many of those films are coming from non-MPAA studios. In fact, nearly all of the “growth” in the number of such films is coming from non-MPAA studios. However, earlier this year, Netflix became an MPAA member, so it’s possible that a significant number of those films came from Netflix and going forward they will count as “MPAA member” films.

Either way, the data suggests that Hollywood continues to invest heavily in new movies, including high budget films.

Average Movie Theater Ticket Price In North America

Source: MPAA, National Association of Theatre Owners²⁰



Not surprisingly, by all indications the movie business continues to make more and more money. The MPAA’s own numbers continue to show pretty steady box office growth year by year, with much of the growth now coming from Asia — though with the U.S. market continuing to grow, albeit at a slower pace than Asia.

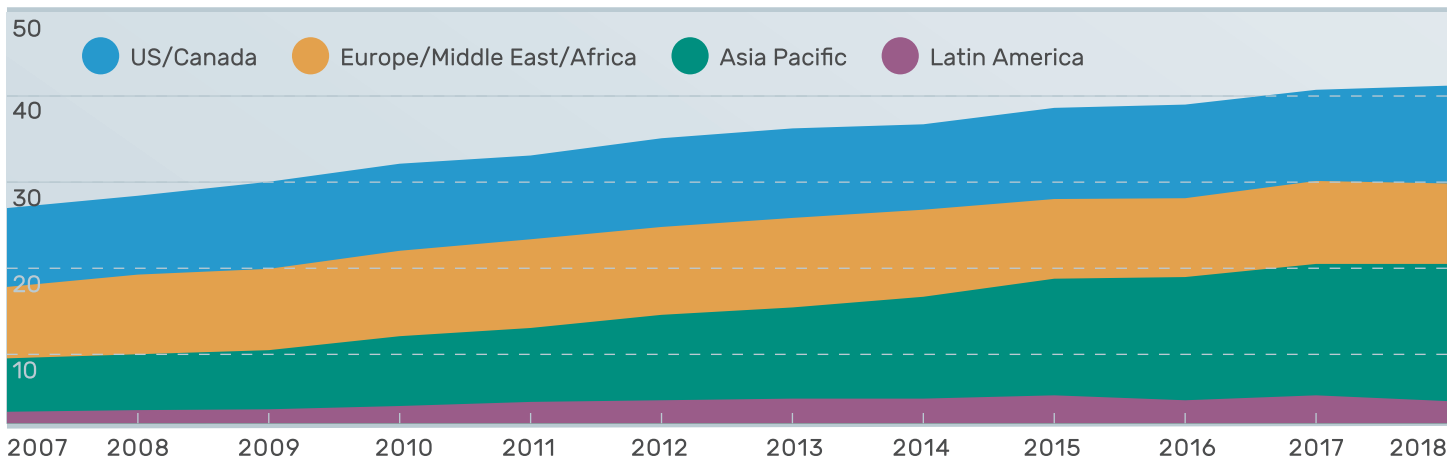
Even with so much competition and the supposed “threat” from the internet, movie theaters have been consistently raising prices year after year. In 2018, the average ticket price in North America hit \$9.11. That’s up significantly since 2001 when it was just \$5.66.²⁰

The home video market is also important to the film industry. This remains somewhat ironic, given the statement from then-MPAA boss Jack Valenti in a 1982 Congressional hearing: “I say to you that the VCR is to the American film producer and the American public as the Boston strangler is to the woman home alone.” Just a few years later, home video revenue for Hollywood surpassed that of the box office.

That said, in the age of the internet, many have warned that the home video market is at risk, either from copyright infringement or competing forms of entertainment. And yet, the numbers again suggest that the sky is rising. The MPAA’s most recent report, citing data from IHS Markit and Digital Entertainment Group, makes this abundantly clear. The home video market, both domestically in the

Global Box Office Revenues in billions of U.S. dollars, by region

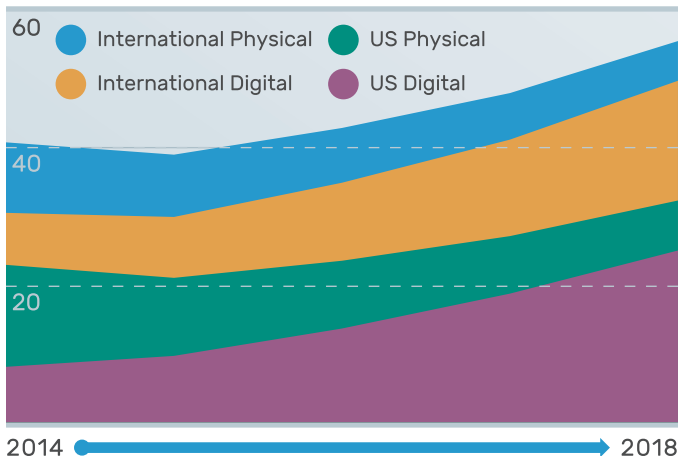
Source: MPAA²⁰



Global Home Video Revenues

By type and region, in billions of U.S. dollars

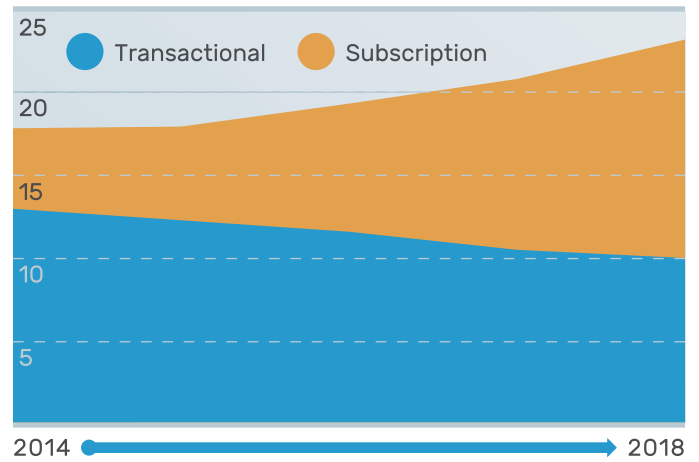
Source: MPAA, IHS Markit, Digital Entertainment Group¹⁴



U.S. Home Video Revenues

By transaction type, in billions of U.S. dollars

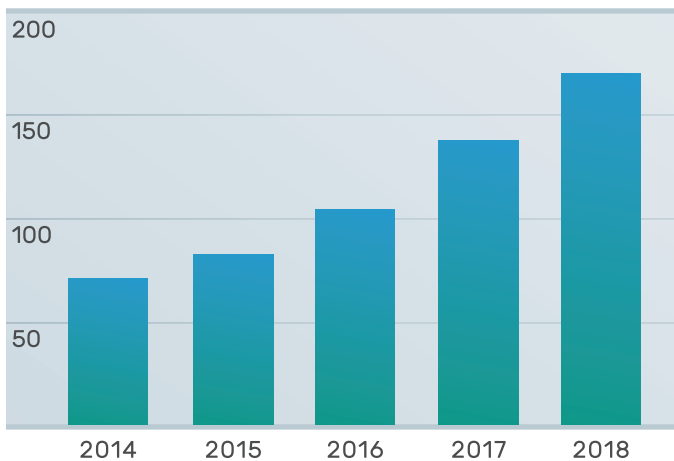
Source: MPAA, Digital Entertainment Group¹⁴



U.S. Online Movie Views

Total, in billions

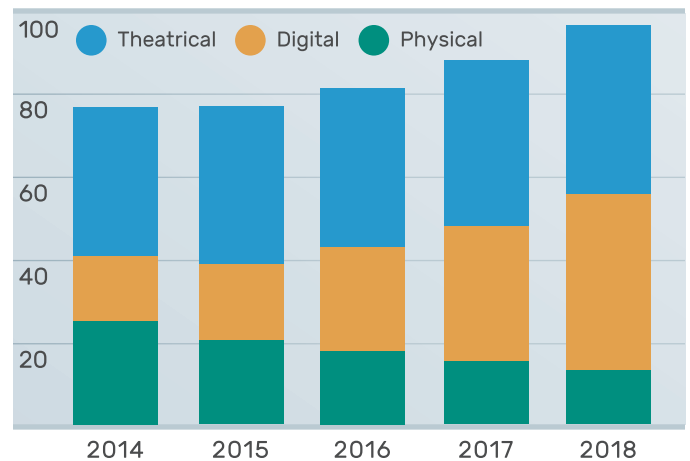
Source: MPAA, IHS Markit¹⁴



Global Consumer Movie Spending

By type, in billions of U.S. dollars

Source: MPAA¹⁴



U.S. and abroad, continues to thrive. While the market for physical (DVDs) continues to shrink, the growth in digital has more than replaced the decline in physical. Around the globe, digital home video surpassed physical in 2016 and shows no sign of going back.

It's also quite interesting that, largely thanks to Netflix's innovative subscription-based business model, the home video market has made a major shift in the U.S. in just the last few years from one that was a majority "transactional" (pay each time you watch a film) to one that is just a recur-

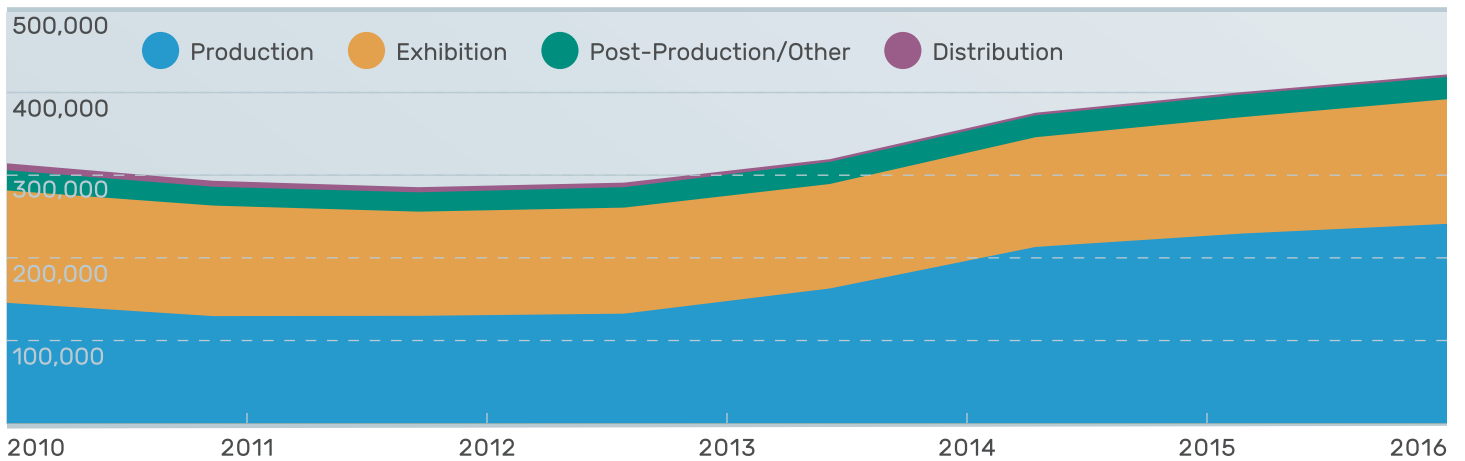
ring subscription payment — which, among other things, leads to more predictable and dependable revenue.

Not surprisingly, the number of films being watched online has also continued to grow year after year. The MPAA's latest report notes that it has more than doubled in just the past five years in the U.S., going from 71 billion online movies watched to over 170 billion online movies watched.

When you put it all together, between home entertainment and theatrical, the only conclusion is that the movie business is truly thriving. The MPAA's own report shows a

Number of U.S. Motion Picture & Video Employees by sector

Source: U.S. Census Bureau¹⁷



growth of an astounding 25% in just the past five years. Indeed, it's difficult to see how anyone could possibly argue that the movie business — either theatrical or home viewing — is being challenged by the internet.

In fact, according to the MPAA's own report, in 2018, digital home entertainment consumer spending globally (\$42.6 billion) surpassed theatrical box office revenue (\$41.1 billion). This does not appear to be an industry struggling with the internet. It appears to be one thriving because of the internet.¹⁴

Given all of this, it should be little surprise that employment in the motion picture and video industries continues to thrive. According to the U.S. Census Bureau the growth

has been fairly consistent.¹⁷

All in all, no matter how you look at the video market — whether looking at the traditional television or film industries, the newer online streaming services, or even the more amateur style user-generated content market — the sky is absolutely rising. Rather than harming the market, the internet has proven that now is a wonderful time to be a video content creator, at any level, in any medium. The internet has opened up new opportunities for all kinds of creators, and consumers are spending more than ever before. Rather than harming the traditional and legacy industries, the internet has helped them thrive, even as the market is in transition.

4. Books

AS WE DISCOVERED BACK IN 2012, reporting on the book publishing industry is a bit trickier than the other industries in this report, as the numbers are not as clearly tracked and reported. However, all of the available data continues to suggest that the book market is thriving — though perhaps for somewhat different reasons and in different ways than the other sectors in this report.

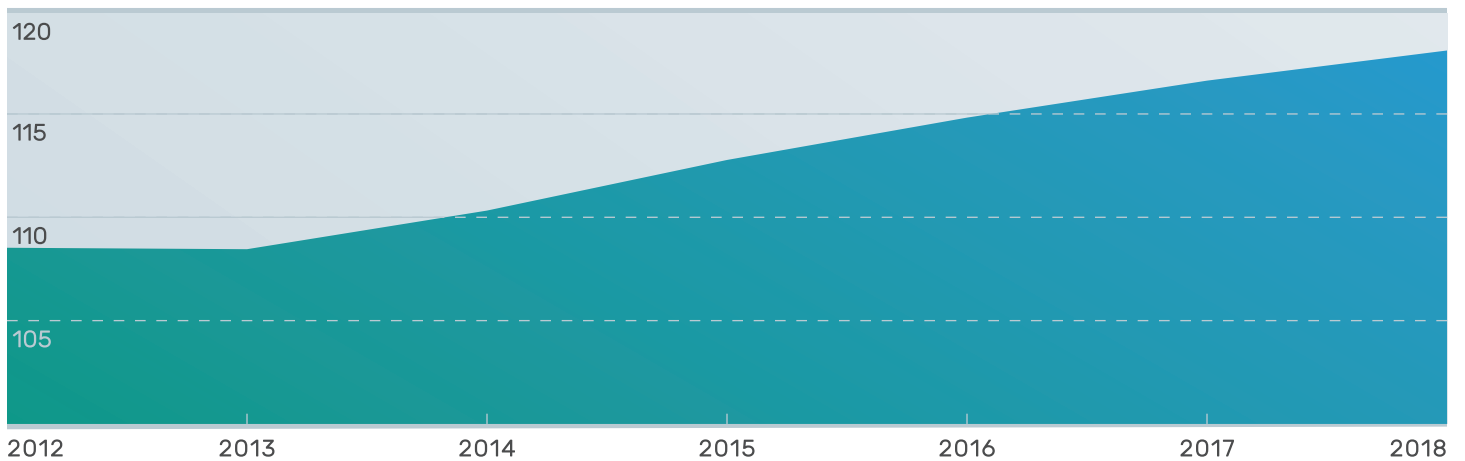
PwC’s global media outlook again provides a good overview of how the entire industry is doing, showing that it has continued to grow at a fairly steady pace over the years.¹ In 2012, we noted that some industry organizations had been working to become like some of the trade groups for the other sectors in this report, to work together to release public information on global book sales under the banner of “BookStats.” However, it is unclear if that program is still accomplishing very much, as the BookStats website doesn’t seem to have received many updates. Other efforts to track the book publishing industry have also been similarly questionable, and so we begin this chapter with a caveat that, unlike the other sections in this report, the available data is not quite as robust.

Within the U.S., thankfully, the Bureau of Labor Statistics continues to supply useful data concerning writers and authors, showing a pretty consistent growth in the number of people employed as such, increasing from around 40,000 to 45,000 from 2011 to 2017. Notably, this data only covers those who are “employed” as writers or authors and does not include “self-employed” authors.²

Other statistics show that various aspects of the book market — including physical books, e-books, and audiobooks, have continued to thrive over the years. While other industries in this report have pretty consistently seen shipments of physical product decline in favor of digital, the same is not entirely true for the book market. Nielsen BookScan data (covering the U.S. market) shows that while there was a decline in physical book sales a decade ago, that turned around after 2012, and physical books began to grow in sales again. While the sales have not quite returned to their highs from a decade ago, they are not far off

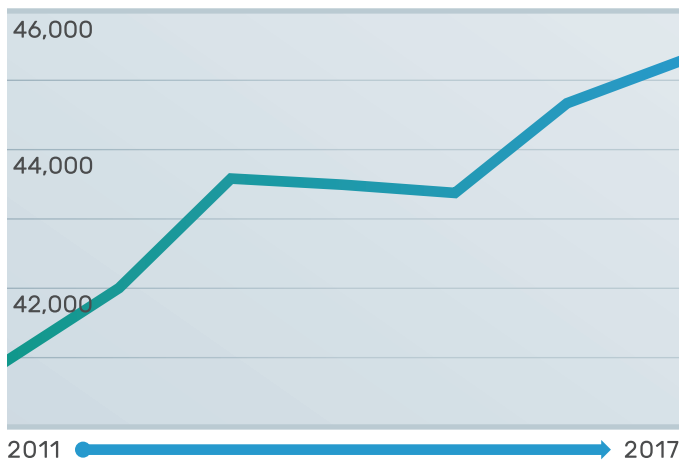
Global Book Publishing Revenues in billions of U.S. dollars

Source: PwC¹



Number of Working U.S. Writers & Authors Excluding self-employed

Source: U.S. Bureau of Labor Statistics²

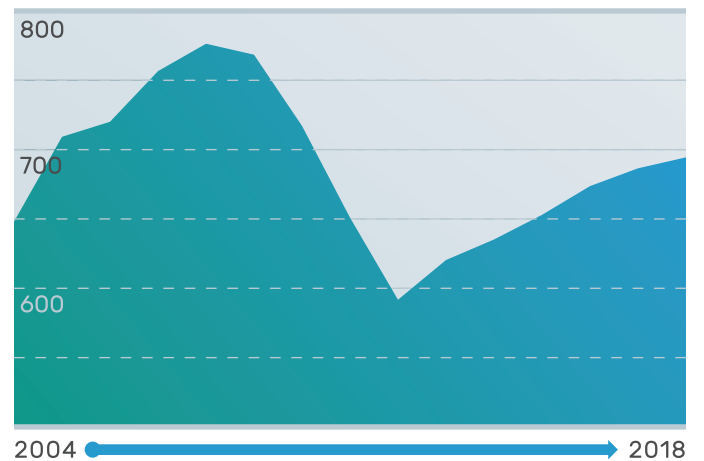


— and when added together with e-books and audiobooks, they show that the overall book market is thriving.

The e-book market is also quite interesting. Again, in the other sectors discussed in this report, the transformation from physical to digital was a clear transition period. In e-books, the story is not quite as clear. According to Nielsen, it initially appeared that e-books may have peaked in 2013 — a time that corresponds with physical book sales stopping their decline and returning to growth. It was easy for some to then write a story suggesting that the public

U.S. Print Book Unit Sales In millions

Source: Nielsen³

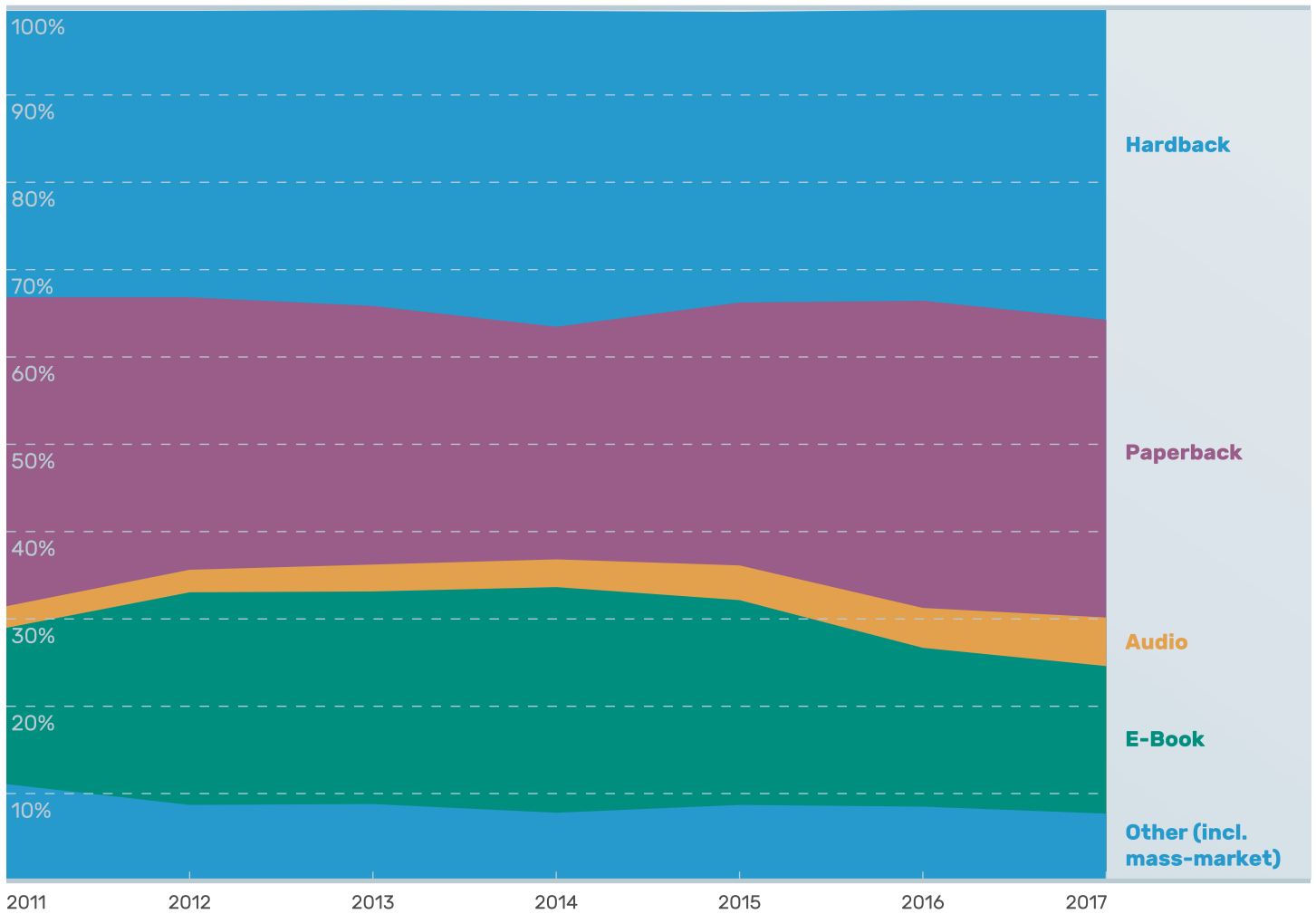


was ditching e-books and moving back to physical books. However, that story only worked for a few years, before e-books halted their temporary slide and returned to being a growing market. Indeed, by 2017 the e-book market was hitting new highs again, selling 266 million units in the U.S., up from the previous high of 242 million back in 2013.³

It's also notable that during this time, audio books have continued to be a growth market. While unfortunately there aren't publicly released stats on the number of such audio book sales, the Audio Publishers Association has re-

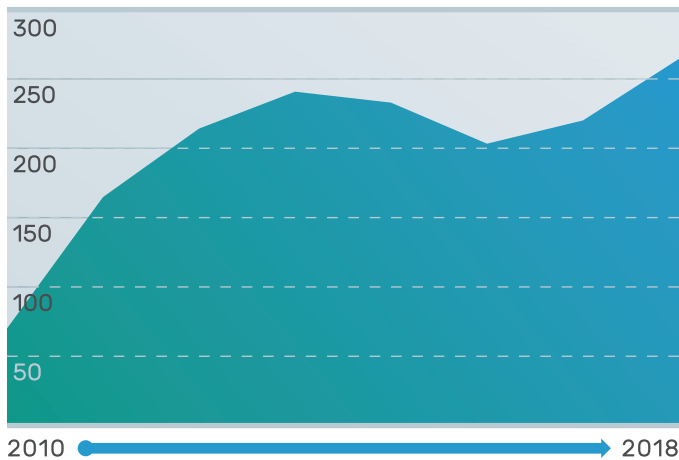
U.S. Book Market Share by book format

Source: Association of American Publishers⁵



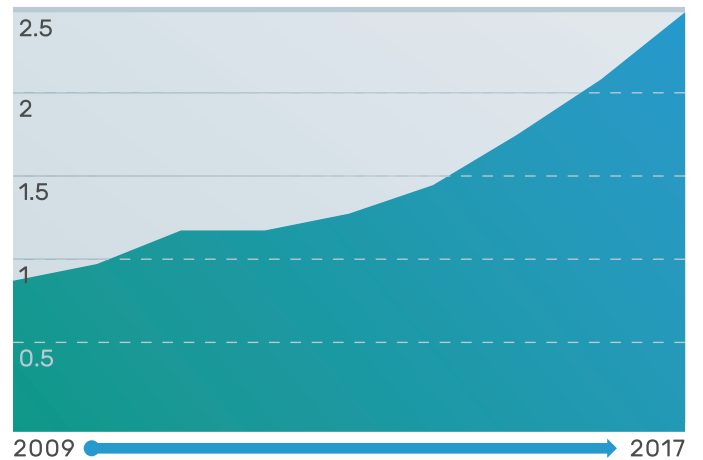
U.S. E-Book Sales In millions of units

Source: Nielsen³



U.S. Audio Book Sales Revenue In billions of dollars

Source: Audio Publishers Association⁴

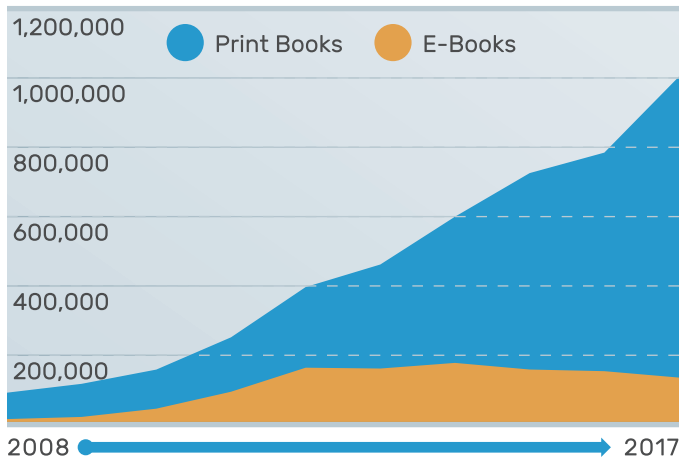


leased details on the total revenue from audio books from 2009 forward. The APA's report shows that the audio book market has gone from less than a billion dollars in 2009 to over \$2.5 billion in 2017. This is a much better measure overall, given that some offerings don't sell individual books in the traditional sense, but work on something akin to a subscription model, like Amazon's Audible, granting access to a number of books each month.⁴

Audio books still represent a relatively small percentage of the overall market. The Association of American Publishers recently released data on the breakdown of differ-

Number of Self-Published Books In the U.S., by format

Source: Bowker⁷



ent types of trade book consumption in the U.S., showing that audio books, while a growing percentage, are still below 6% of the market. And while e-book sales do continue to grow, as a percentage they are losing ground to physical books and audio books.⁵

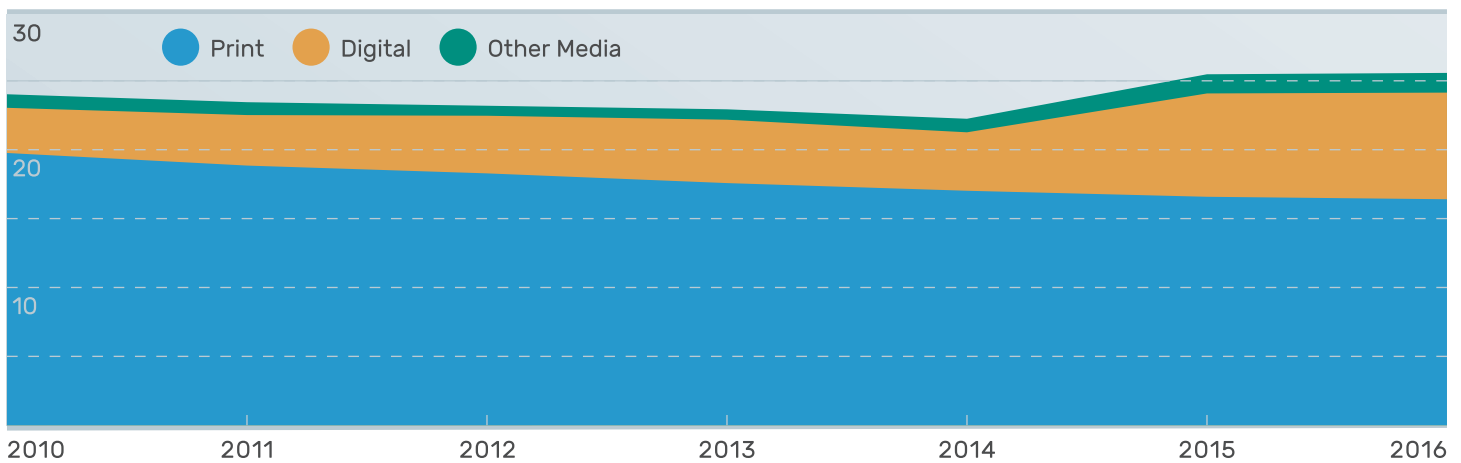
On a revenue basis, physical books still dominate, but according to the U.S. Census Bureau, e-book revenue has been growing fairly significantly over the last few years, which follows from the renewed growth in that market.⁶

As with the other sectors in this report, it is worth noting how much has been enabled by the internet allowing creators to avoid traditional middlemen/gatekeepers to go direct via self-publishing. Bowker, operator of the famed Books in Print database, has tracked the number of self-published books over time (among those in its database — which some argue leaves out a number of publishers who don't make the effort to get listed). Perhaps most interesting is that the big increase in self-publishing is actually in the form of physical books, rather than e-books, which might seem counterintuitive. However, it is entirely possible that given the cultural relevance of a physical book, many self-published authors are taking advantage of new print-on-demand services to offer a physical product.⁷

Of course, the other aspect of this that is important in looking at self-publishing is that if you are self-publishing

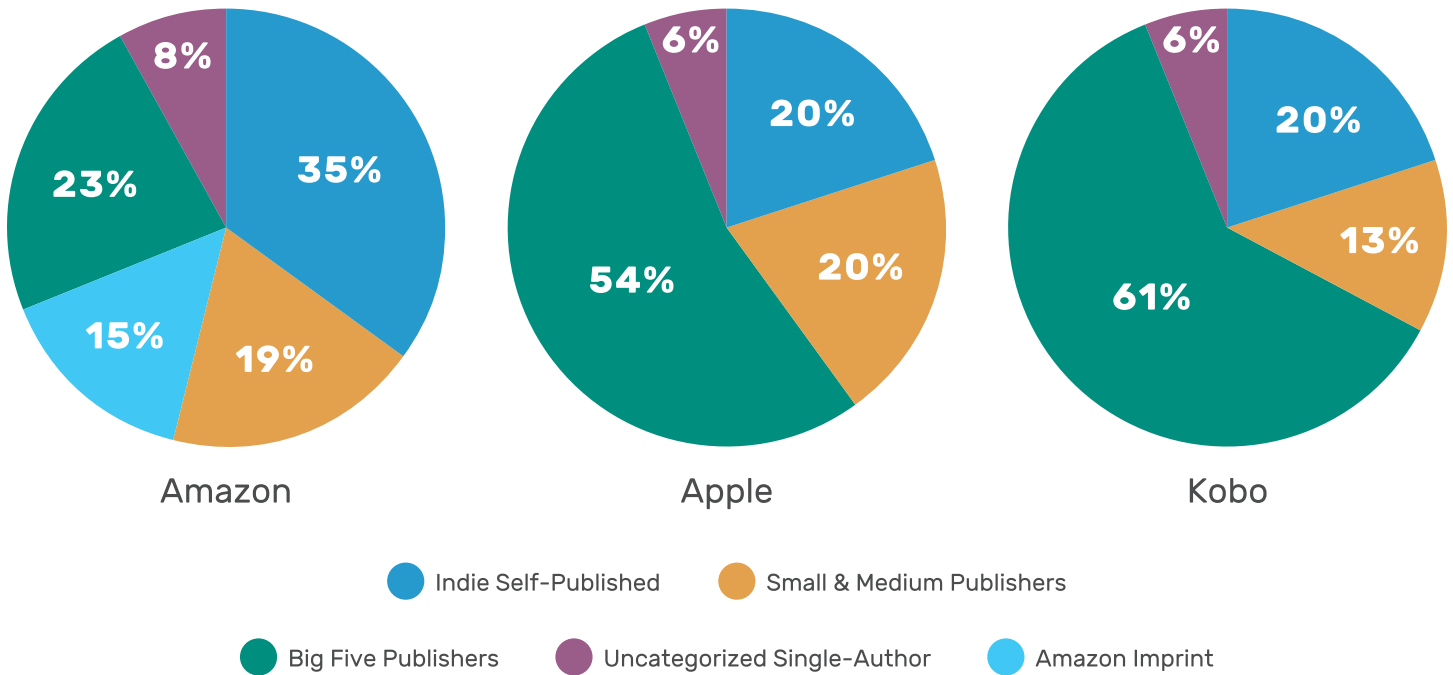
U.S. Book Publisher Revenue by format, in billions of dollars

Source: U.S. Census Bureau⁶



E-Book Unit Sales Share on Major Platforms in 2017, by publisher category

Source: AuthorEarnings⁸



an e-book, there are fewer platforms for you to publish on. For many, the only real option is to publish on Amazon. Amazon's Kindle e-book store has a much larger percentage of self-published e-books than the leading two competitive e-book stores from Apple and Kobo.

The AuthorEarnings report in 2017 showed that 35% of the e-book sales on Amazon came from self-publishing, while only 20% of the books on either the Apple or Kobo platforms were self-published works.⁸

In terms of the print-on-demand self-publishing market, it too is dominated by Amazon. Bowker's stats show that in 2017, Amazon's CreateSpace self-publishing service was used to publish an astounding 751,924 new titles, vastly outpacing the second largest player in the space, Lulu, which published 36,651 titles, followed by Blurb with 19,223 titles. A variety of imprints of Author Solutions trailed Blurb with around 12,000 new titles across its various imprints.

Bowker's stats regarding self-published e-books are somewhat surprising, as they do not show Amazon as a

leading player in the e-book market. Instead, the independent e-book distributor Smashwords is far and away in the lead with 74,290 new e-book-only titles in 2017, followed by Lulu with 30,747 new e-book only titles.

Combining both e-book and physical book self-published titles, Bowker's stats show how the number of self-published books has exploded over the last decade, going from just 152,978 new ISBN numbers for self-published works in 2010 all the way up to 1,009,188 self-published titles in 2017.⁷

With growing competition in the book market, some have argued that it has been damaging to authors. The Authors Guild recently released a report suggesting drastic declines in author earnings over the past decade.⁹ However, there have been significant concerns about both the methodology (a self-reported survey of less than 5,000 authors) and the misleading way in which the aggregate information is portrayed. In particular, as Jane Friedman has repeatedly pointed out, the most recent report is both misleading and flawed, trying to bury the news that "full-

time authors saw their median income rise 13 per cent since 2013.¹⁰ This is hidden because the survey averages in authors who self-reported earning \$0 from their writing, dragging down the overall numbers. Of course, it's not clear if authors earning nothing are truly authors at all, for the sake of this report, and thus it seems misleading to include them in an average for earnings in particular — especially one designed to complain about author earnings.

Indeed, the Authors Guild report seems to show that full

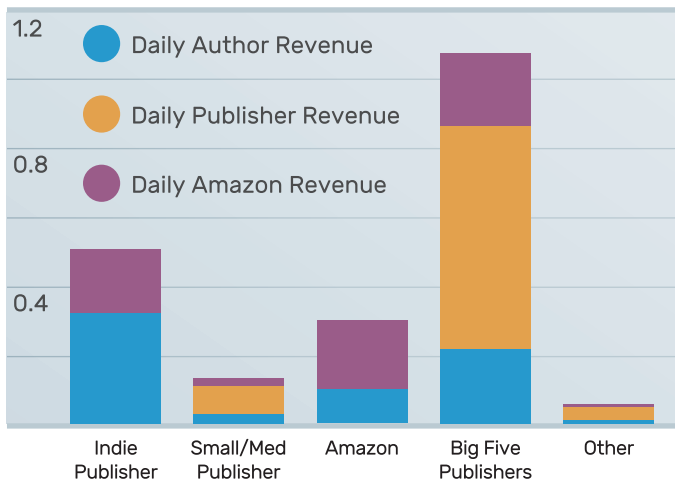
time authors, romance authors and self-published authors all appear to be doing better in 2017 than in 2013.

It is worth highlighting that the average incomes are pretty low across the board — but this is generally the nature of being a book author, an occupation not known for being particularly lucrative except for the very top published authors. Indeed, the very same Authors Guild notes that only 21% of published authors make all of their money from book royalties. The rest all supplement book royalties by other means (57% with other writing jobs, and the rest through non-writing jobs).

The Authors Guild is not the only source of this kind of information. Successful self-published author Hugh Howey began the Author Earnings project a few years ago to try to collect data, especially on self-published authors. In 2014, he released a report on author earnings (which, as of this writing, no longer appears online, though we were able to obtain a copy of the original for this report). The report focused heavily on so-called “genre” books (mystery, thriller, sci-fi, fantasy, and romance). It also mainly looked at Amazon specific sales. Among its key findings was that even if traditionally published books received more overall money, given the cut publishers take, the amount going directly to self-published authors was higher, in total, than to

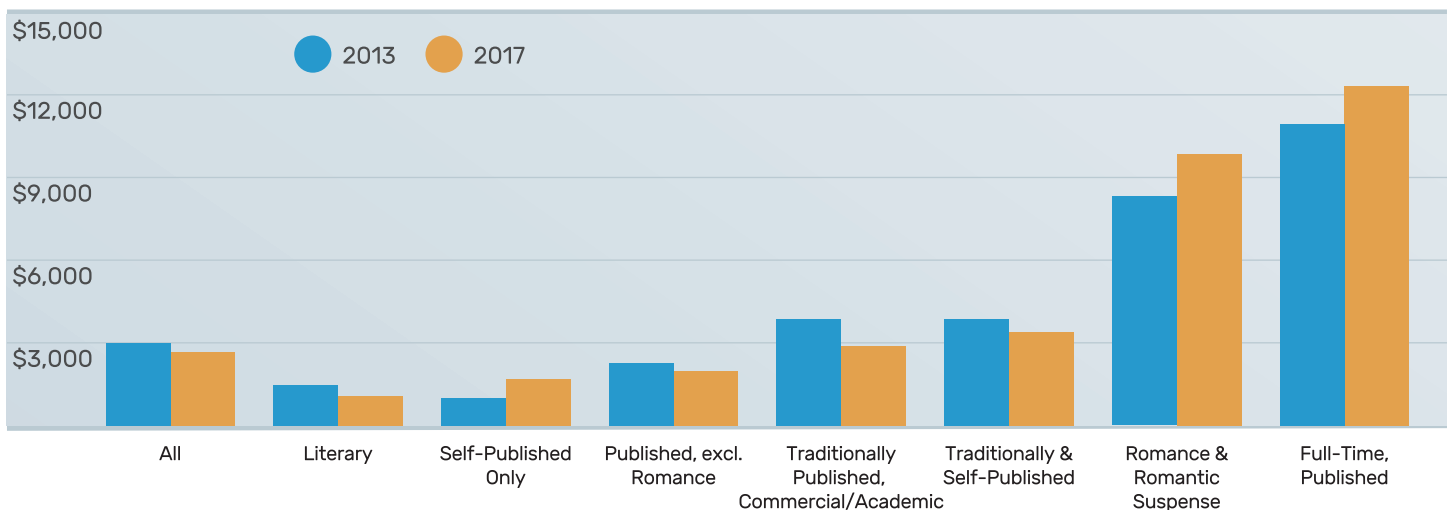
Genre E-Book Revenue Breakdown On Amazon, in millions of dollars, 2014

Source: Author Earnings¹¹



Average Royalty Income for U.S. Authors by type

Source: Authors Guild⁹



traditionally published authors.¹¹

Most of the reporting on the book sector has focused on the U.S. market, mainly because there is much less data concerning the rest of the world (there are a handful of countries with reports, but very little in aggregate). By most accounts, the U.S. represents approximately 30% of the global book market, with China representing another 10% and Germany at 9%.¹² Given that, it's also worth noting that the number of books published in the 2nd and 3rd largest markets for books continues to rise as well. According to China's General Administration of Press and Publication (GAPP), the number of books published per year has rocketed from 136,226 in 2007 to 255,106 in 2017.¹³

In Germany there is also notable growth, though not as dramatic as in China. The Börsenverein des Deutschen Buchhandels, the organization representing book publish-

ers in Germany, shows the number of published books in the country growing from 59,916 in 2002 to 72,499 in 2017. That's down a bit from the peak of 86,084 new books in 2007.¹⁴

The story in the book market, again, is one of growth. More books are being published, accessed, sold and read than ever before. There are tremendous new opportunities for authors. The story in books is also somewhat different than in other industries: digital offerings — e-books and audiobooks — have been successful and continue to grow, but physical books still continue to dominate the overall market. However, even there, digital is having an impact by enabling print-on-demand services such as Amazon, Lulu, and Blurb to thrive.

In books, as with in each of the other sectors described in this report, rather than the sky falling, it is rising.

5. Video Games

VIDEO GAMES ARE UNIQUE among the entertainment media in terms of their relationship to the internet. Unlike music, video, and books, the video game industry does not have a long pre-internet legacy, and the availability and capabilities of its product are directly tied to the same technology that drives core internet growth: powerful computing devices, including PCs, consoles, and most of all smartphones. Moreover, video games arguably benefit the most from utilizing the additional capabilities of the internet beyond just delivering the content, with some of the most popular titles being multiplayer-focused or even multiplayer-only games.

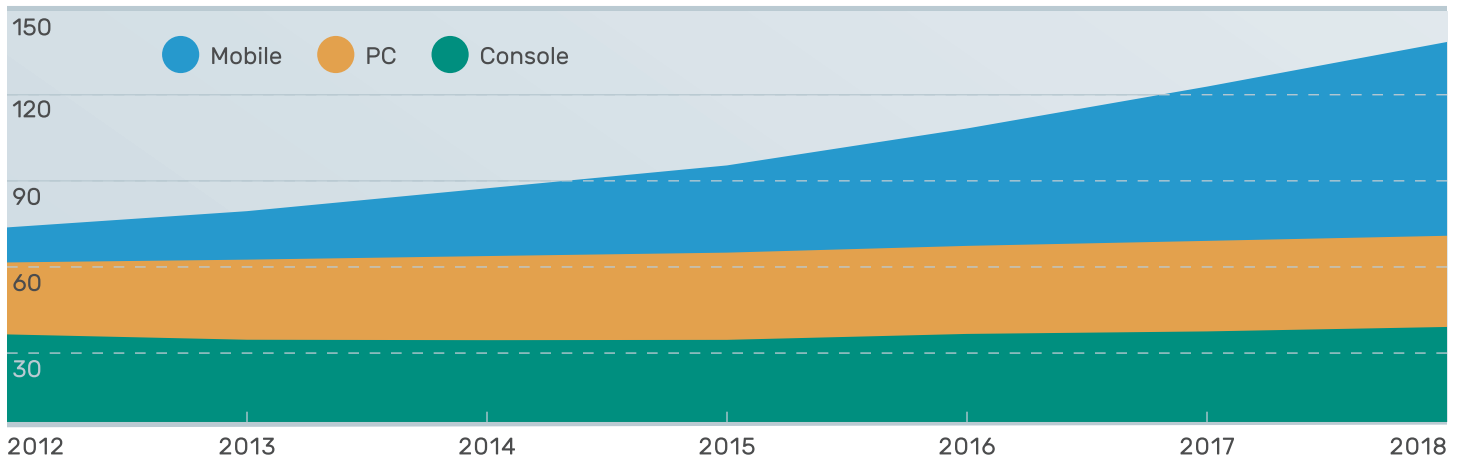
As the youngest of the four industries in our *Sky is Rising* reports, video games have always shown rapid and consistent growth with no signs of harm from the internet — though any such harm would be masked by the industry's explosion in size over the same time period. In any case, some video game publishers have been quick to point to internet piracy as a threat to their business, and have been a driving force in the development and use of Digital Rights Management technology — with generally ineffective, and sometimes damaging, results.

But the real story of video games and the internet is one of overwhelming synergy and mutual benefit, not only for the sale and distribution of the games themselves, or for directly game-related features like multiplayer, but also for whole new classes of video content that have skyrocketed in popularity: e-sports and live game streaming.

Firstly, the global games market continues to grow unabated, reaching \$137.9 billion in 2018 according to Newzoo, nearly double its size in 2012, and larger than the global movie and recording industries combined.¹ The bulk of the growth comes from the mobile gaming market, which became larger than the PC and console gaming markets combined for the first time last year. The U.S. market is similarly growing, hitting \$43.3 billion in 2018, driven primarily by increased spending on games themselves, while hardware sales waver but remain relatively steady over the last few years.²

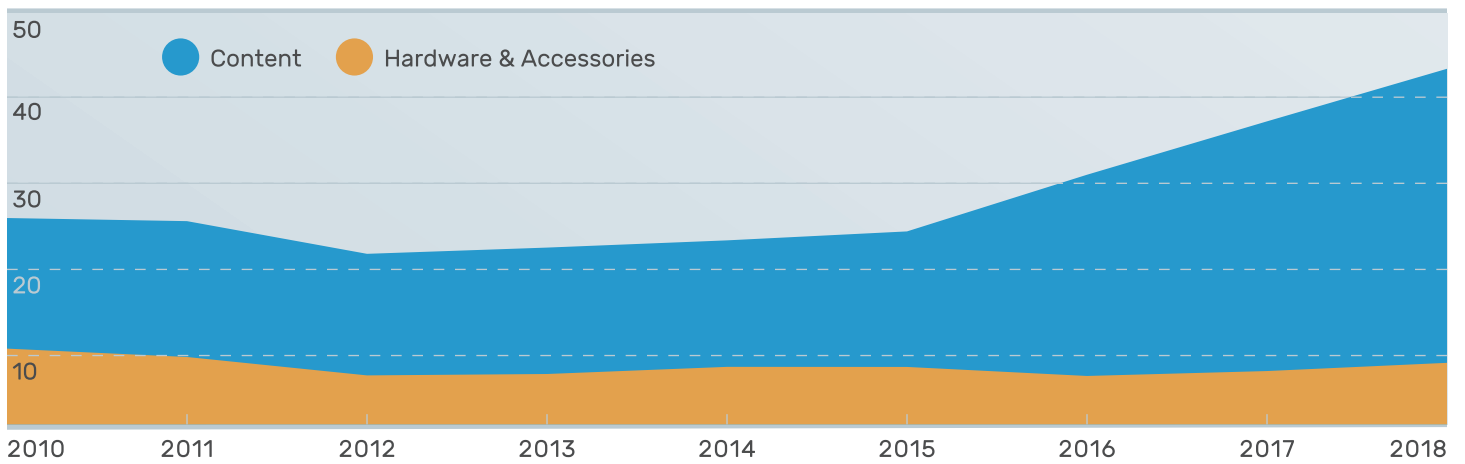
Global Video Game Market by platform, in billions of U.S. dollars

Source: Newzoo¹



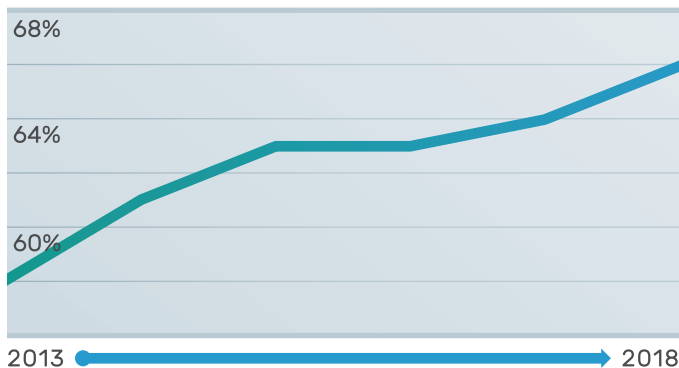
U.S. Consumer Spending on Video Games by segment, in billions of U.S. dollars

Source: NPD²



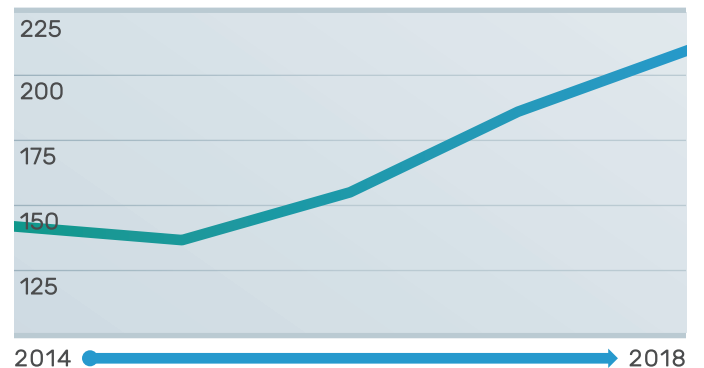
U.S. Gaming Penetration Rate Among the general population

Source: Nielsen³



Number of North American Mobile Gamers In millions

Source: EEDAR⁴



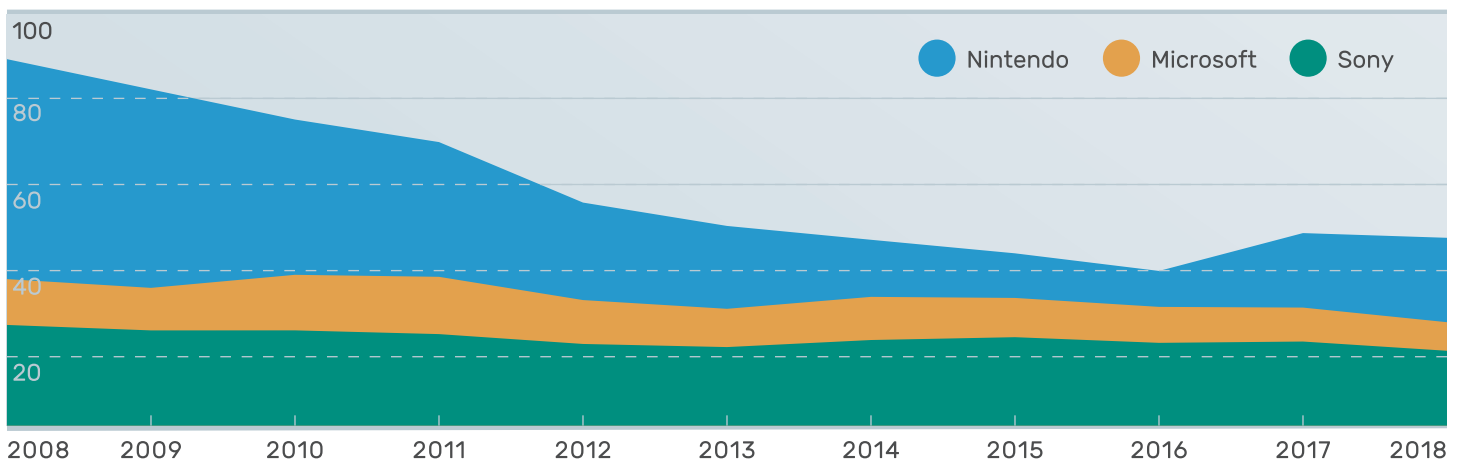
The audience for video games is also getting bigger. Though total global figures are difficult to pin down, Newzoo estimates there were around 2.34 billion active gamers worldwide in 2018, while figures from Nielsen show that in the U.S. fully two thirds of the population now plays video games.³ Mobile gaming once again accounts for a significant portion of the growth, with 210.9 million mobile gamers in North America in 2018.⁴

The sales of dedicated video game consoles are more complicated. They are represented almost entirely by

three companies — Microsoft, Sony, and Nintendo — and are closely tied to the release of new products and generations every few years. As such, total unit sales in 2018 were much smaller than they were ten years earlier when Nintendo’s Wii home console and DS handheld console were flying off the shelves, while the 2012 Wii U never found the same popularity. Sony and Microsoft, meanwhile, have not released new generations of their PlayStation and Xbox consoles since 2013, and when they do it will prove an important test for the console market. Nintendo’s launch

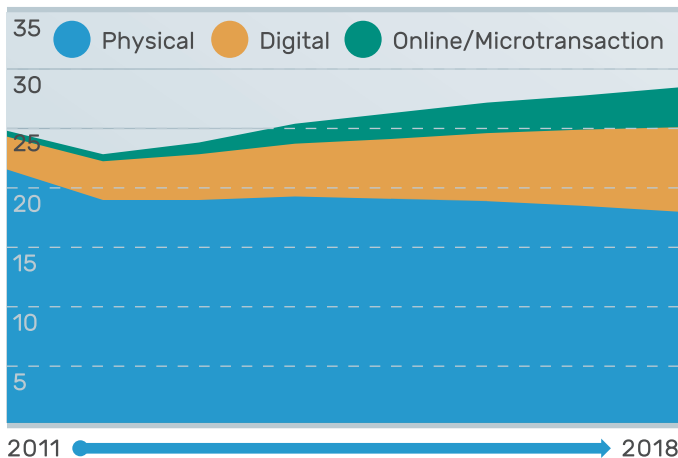
Global Video Game Console Sales by manufacturer, in millions of units

Source: VGChartz⁵



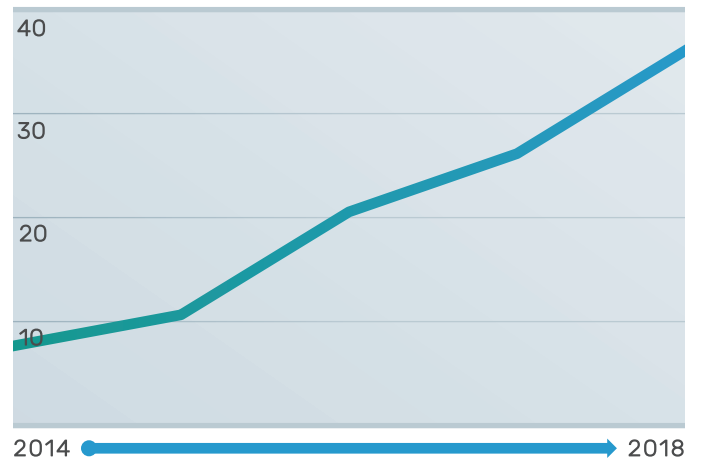
Global Console Games & Content Market By type of purchase

Source: PwC⁶



Number of PlayStation Plus Subscribers In millions

Source: Sony⁷



of the hybrid Switch console in 2017 has contributed to a rebound from a 2016 low in total unit sales, but while it has significantly outperformed the Wii U, it has still not reached the same heights as earlier Nintendo products.⁵

Despite this, revenues from console video games continue to climb, reaching over \$28.5 billion worldwide in 2018. Within this growth we also see the same shift towards digital distribution as we've seen in other entertainment industries, with sales of physical copies of video games decreasing while digital sales grow. Additionally, we see the emergence of new and important revenue sources made possible by the internet: in-game purchases, and online subscriptions.⁶ For example, Sony's paid online service, PlayStation Plus, grew from just 7.9 million users in 2014 to 36.3 million in 2018.⁷

Mobile games have naturally been a pioneer in digital distribution and in-game purchases: apart from pre-installed apps, all mobile games are obtained online, and the infrastructure for seamless microtransactions is more universal and readily available. In-game purchases have created a market for free-to-play games that make their revenue entirely by selling additional content, but while many of the top-earning free-to-play titles are mobile games, the second and third top earners are PC games, and the number-one earner may represent a new shift towards con-

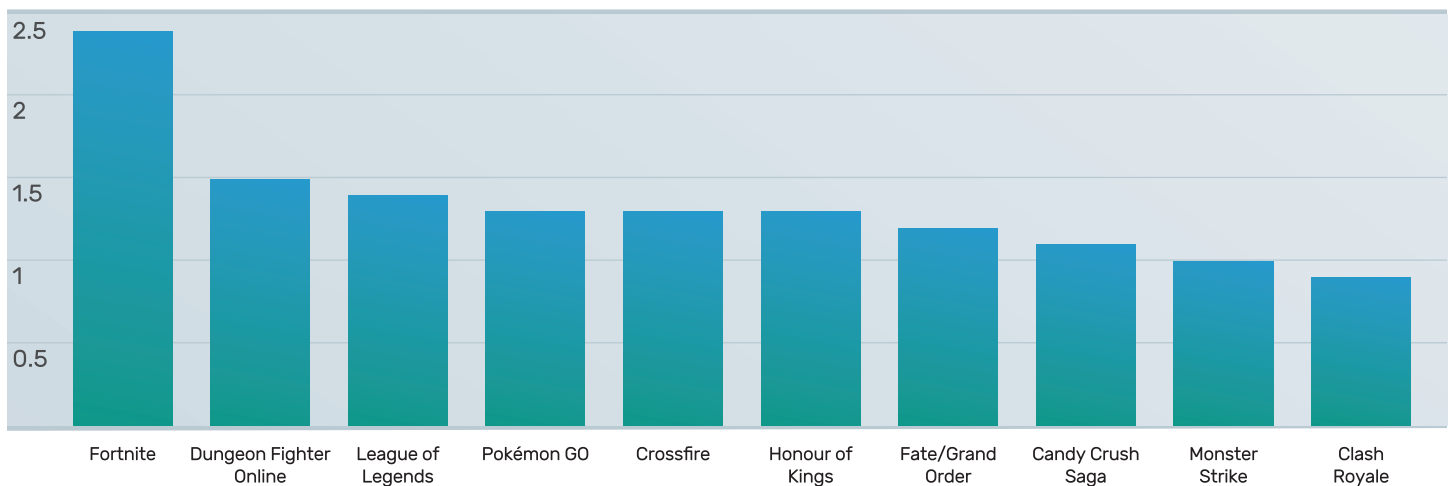
vergence: Epic Games' hugely successful Fortnite Battle Royale, released in 2017, is available for free on all popular platforms across PC, console and mobile, and brought in over \$2.4 billion in revenue in 2018.⁸

Overlapping with in-game microtransactions is the market for downloadable content (DLC), which sometimes serves the same purpose, and other times represents large expansions to already-released games to be purchased at an additional price. When both categories are combined, a 2016 survey by NPD Group found that 28% of U.S. video game users had purchased some form of additional content.⁹ Overall, according to the Entertainment Software Association and NPD Group, digital sales across the industry (including full game purchases, additional content, online subscriptions, and social network games) grew to 79% of game revenues in 2017, with only 21% coming from physical purchases.¹⁰

For PC gaming, the best source for examining trends has traditionally been Valve's Steam store and platform. Steam's dominance is being challenged, however, by competitors such as Blizzard's Battle.net which are pursuing more exclusive titles, publishers such as Bethesda which are withholding more titles from Steam, and a newly-launched store from Epic Games leveraging the massive popularity of Fortnite. However, for the time being, Steam

Leading Free-To-Play Games by 2018 revenue, in billions of dollars

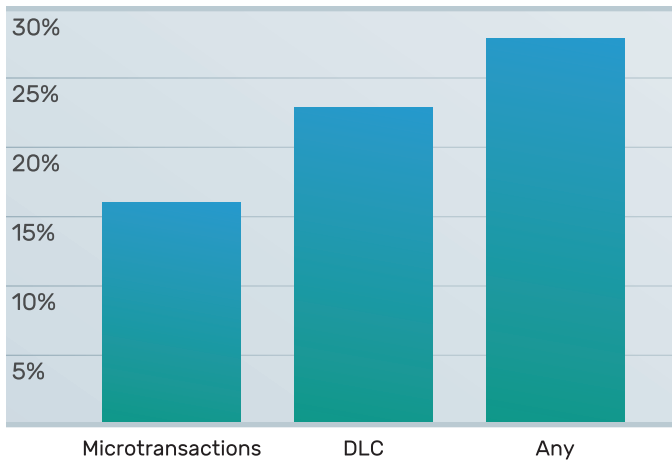
Source: SuperData Research⁹



Buyers of Video Game Add-On Content

As per cent of video game consumers, 2016

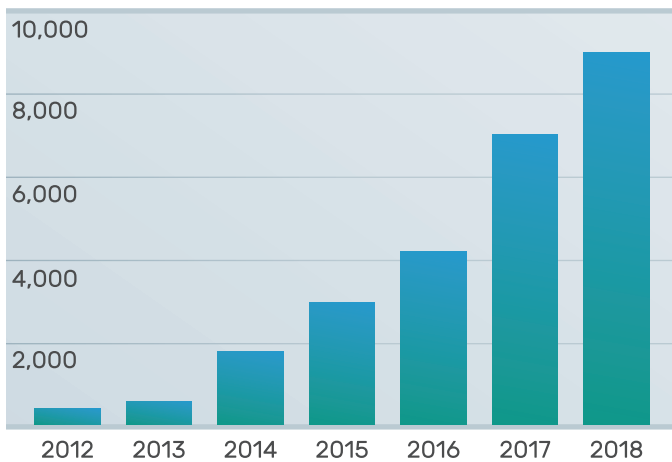
Source: NPD⁹



Number of Games Released on Steam

Total per year

Source: Steam Spy¹¹



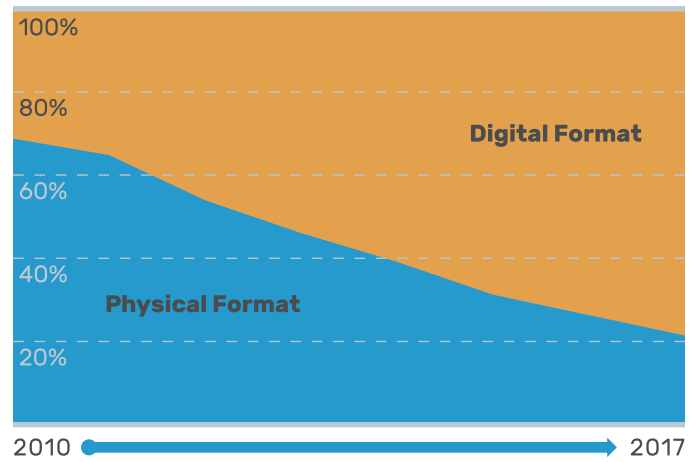
remains an excellent indicator of the growing number of games being released. A notable jump occurred in 2017 when Steam transitioned to a new system for reviewing and accepting games, which opened the door to far more submissions, growing to 9,050 games released in 2018.¹¹

With the proliferation of games and gamers across all segments of the industry, it's unsurprising that video games have established themselves as a major creative career in the U.S. According to the ESA, in 2017 there were 2,711 vid-

Format Share of Video Game Sales

Including subscriptions & add-on content

Source: NPD¹⁰



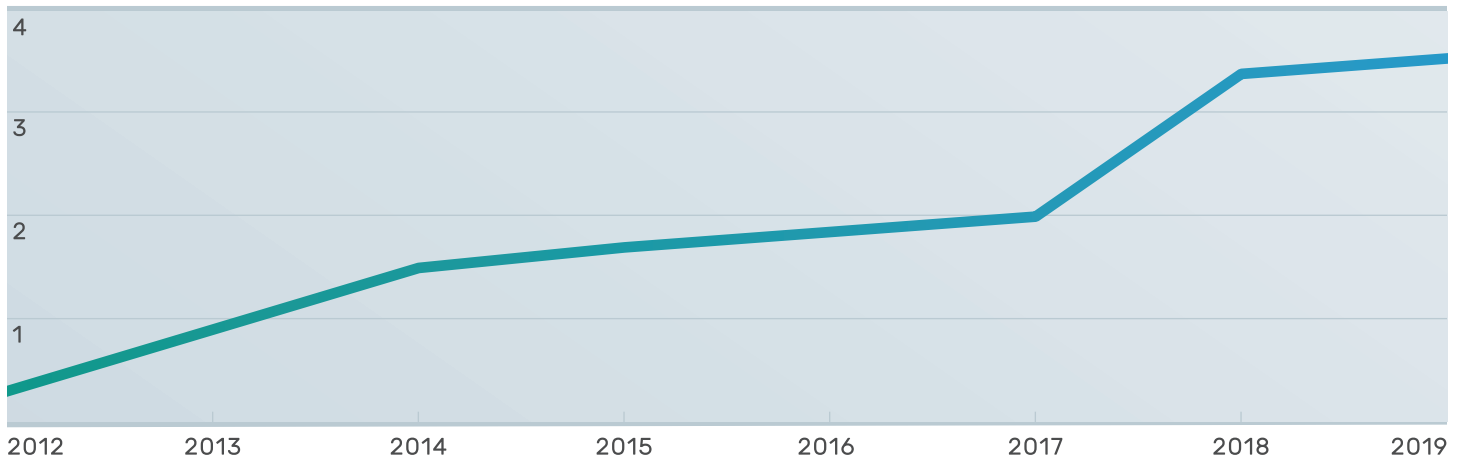
eo game company locations across all 50 states, employing 65,678 workers with an average salary of \$97,000/year, and contributing \$11.7 billion to the country's GDP.¹⁰

But perhaps the most interesting result of the ongoing growth of the video game industry has been the emergence of entirely new forms of entertainment and creative activity that go far beyond the making and playing of games. Live game streaming, e-sports, Let's Play videos, and other gaming video content are growing in popularity among audiences and participants every year, and are generating noteworthy revenues. According to Nielsen's SuperData, the audience for such content reached 850 million people in 2018, up 10% from the previous year. Revenues from such content have grown from \$4.4 billion in 2016 to \$5.2 billion in 2018.⁸

YouTube dominates the audience numbers with 594 million viewers, while Twitch remains the more popular platform for live streaming specifically, and shows continuing user growth: just 300,000 people a month used Twitch to broadcast in 2012, and in 2019 that figure stands at 4.5 million. As we noted in the video chapter, the total number of hours spent watching Twitch streams every month grew from 110 million in 2013 to 949 million this year.¹² Twitch also remains the dominant driver of revenue from all gam-

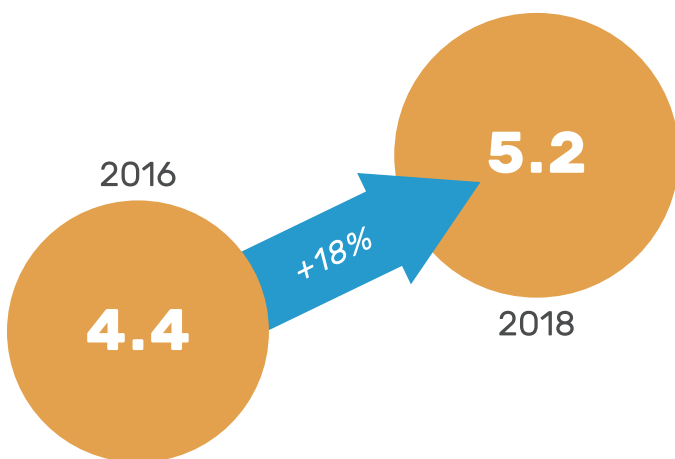
Number of Monthly Broadcasters on Twitch in millions

Source: Twitch Tracker¹²



Global Gaming Video Content Revenue In billions of U.S. dollars

Source: SuperData Research⁸

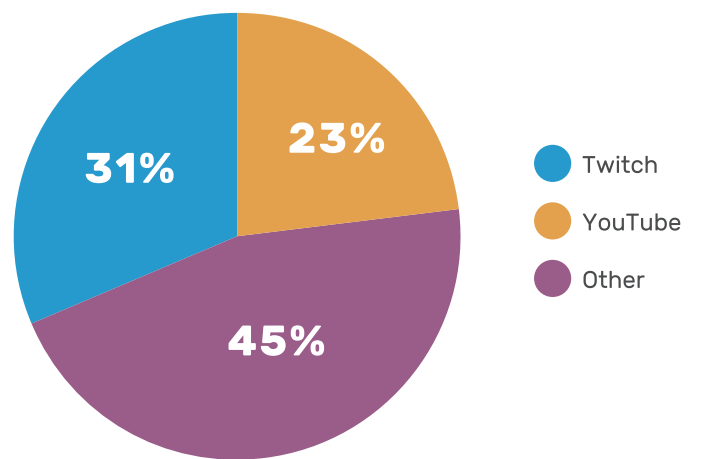


ing video content, with 31% compared to YouTube’s 23%, and the remainder split among various smaller competitors.⁸ Though there was some early conflict with developers and publishers over copyright and advertising revenue, most companies have now embraced streaming for the attention it draws to their product, with even notable holdout Nintendo giving up on its attempt to control the streaming of its games (and take a large chunk of the revenue) near the end of last year.¹³

More details on the live game streaming market can be

Gaming Video Content Platform Revenue As per cent of total GVC revenue

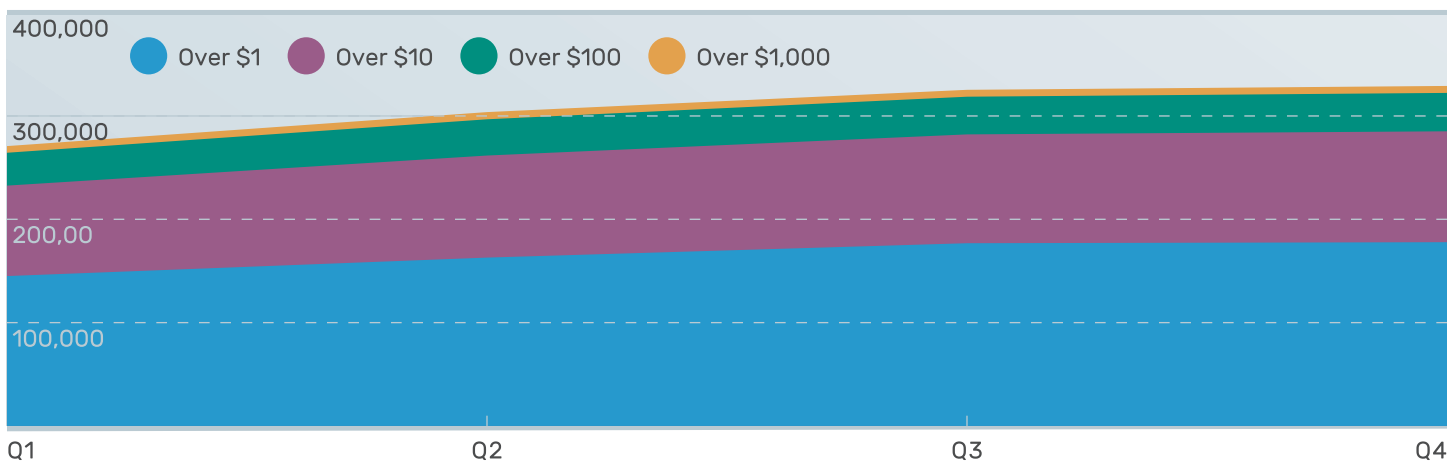
Source: SuperData Research⁸



determined by looking at data from Streamlabs, which provides popular streaming software that is used by 41% of all Twitch broadcasters. One of the key functions provided by Streamlabs’ software is the ability for a game streamer to collect money from their viewers in the form of impromptu “tips”, processed as microtransactions. This serves as a primary revenue source for many game streamers, and the company’s data shows a steady increase in the value of these voluntary tips over time, reaching a total of \$141 million in 2018. Similarly, Streamlabs says the number of

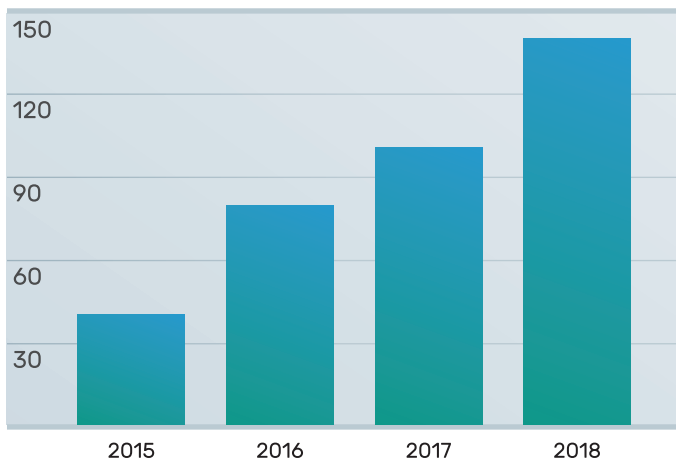
Number of Monetized Streaming Channels on Streamlabs in 2018, by earnings tier

Source: Streamlabs¹⁴



Tips Processed by Streamlabs In millions of dollars

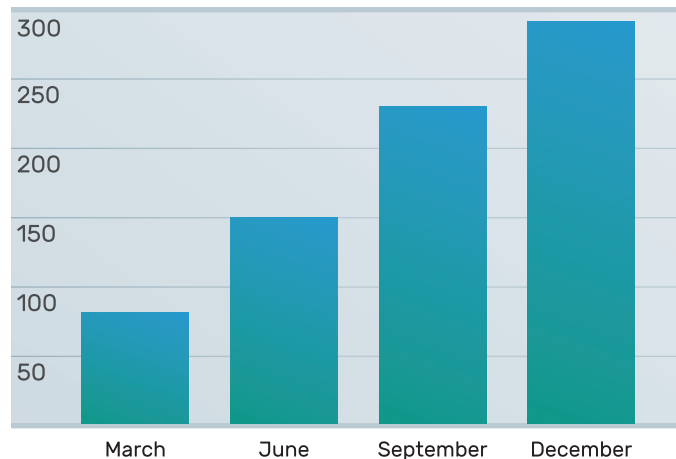
Source: Streamlabs¹⁴



stream channels making money increased by 60% from 2017 to 2018, including a few hundred that made over \$10,000, and nearly 40,000 that made over \$1,000. Additionally, while streaming is still dominated by console and PC gamers — in part due to the significant hardware and bandwidth requirements for delivering a high-quality video stream while simultaneously playing a resource-intensive game — growth in Streamlabs’ monthly active mobile users over the past few months indicates that mobile streaming may still become a popular activity in the future.¹⁴

Streamlabs Monthly Mobile Unique Users In thousands, 2018

Source: Streamlabs¹⁴

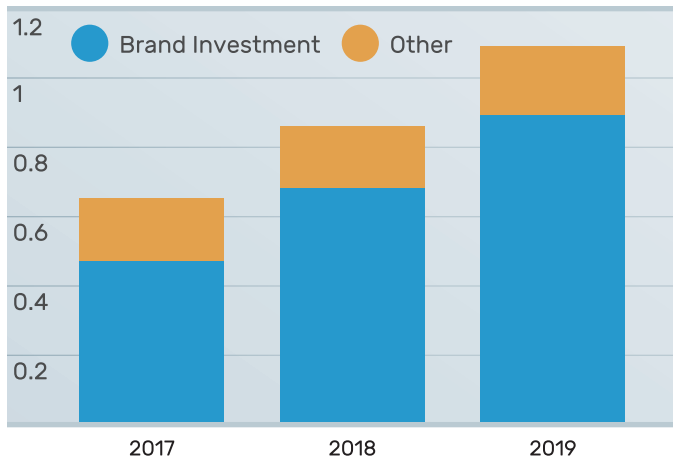


Closely related to live game streaming is the e-sports industry for competitive gaming. Indeed, all major e-sports events are live streamed online, and many competitive gamers also operate ongoing streams on platforms like Twitch, both as an additional revenue source and as a way of building a fanbase. But the e-sports industry also has many unique aspects that are similar to traditional sports: sponsorship, media rights, and advertising are the biggest sources of its small but rapidly growing revenue. According to Newzoo, the overall value of the global industry will sur-

Global E-Sports Revenue

With 2019 estimate, in billions of U.S. dollars

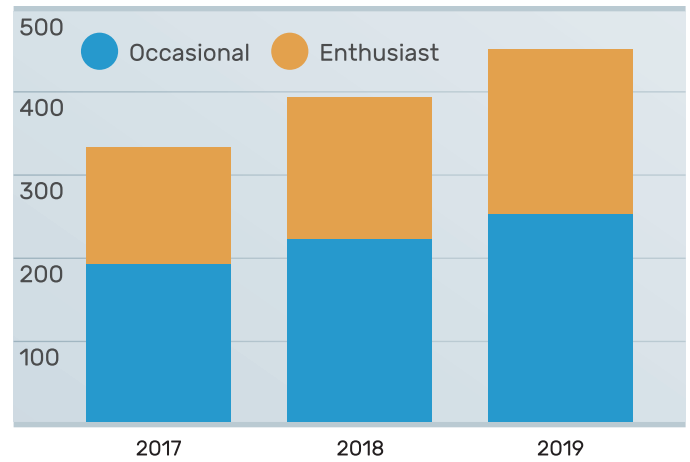
Source: Newzoo¹⁵



Global E-Sports Audience Size

With 2019 estimate, in millions

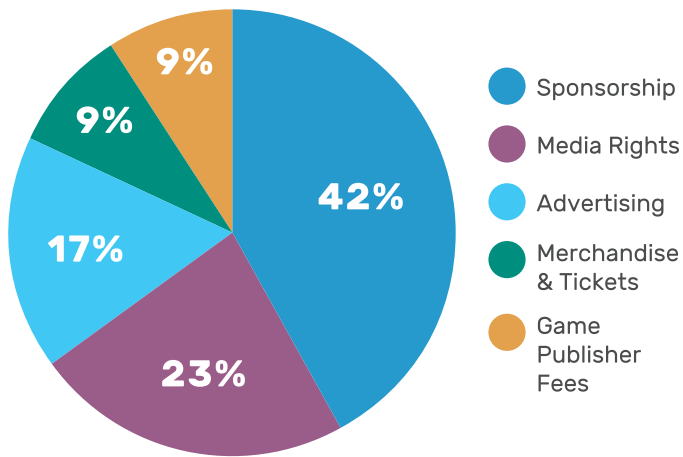
Source: Newzoo¹⁵



E-Sports Revenue Sources

As per cent of total e-sports revenue

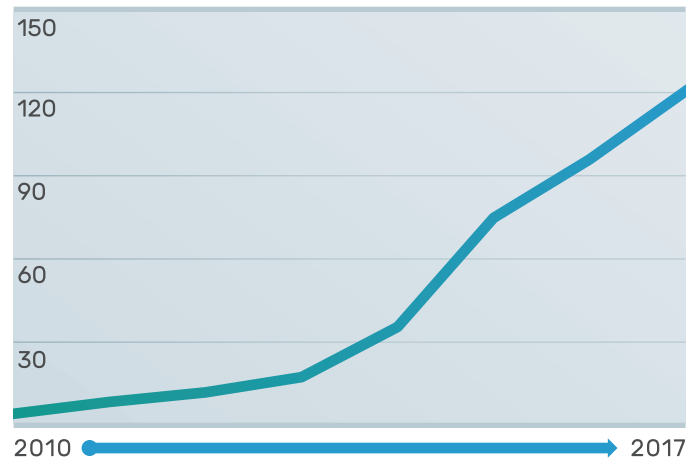
Source: Newzoo¹⁵



Global Combined E-Sports Prize Pool

Annual total, in millions of U.S. dollars

Source: EEDAR¹⁶



Most Viewed E-Sports Events with total unique viewers, in millions

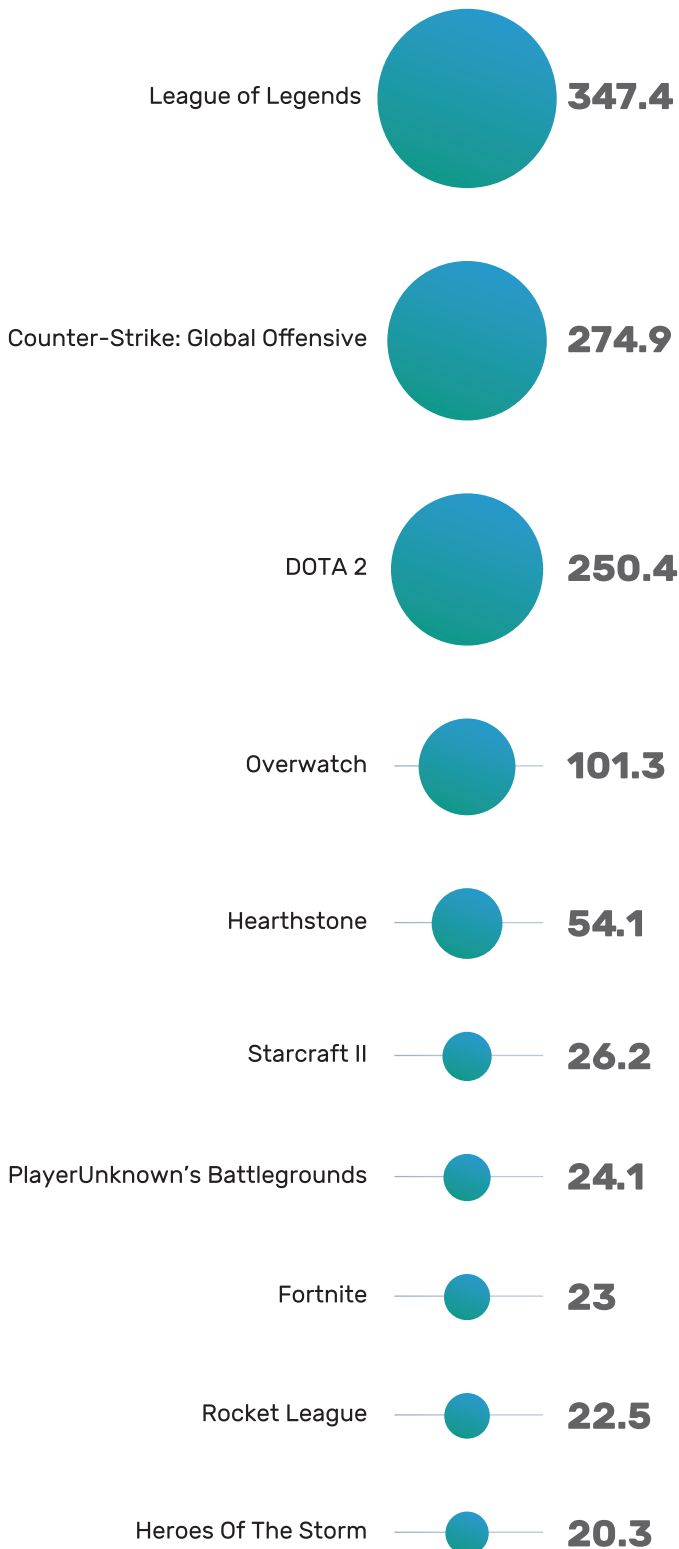
Source: Esports Marketing Blog¹⁷



Top Ten E-Sports Games in 2018

With number of hours watched, in millions

Source: Newzoo¹⁵



pass \$1 billion for the first time this year, up from just \$655 million in 2017. The global audience, meanwhile, will hit 454 million people, up from 335 million in 2017. Of those, 253 million are occasional viewers, and 201 million are avid e-sports enthusiasts.¹⁵

Collectively in 2018, this audience watched over 1.2 billion hours of just the top 25 live e-sports games on Twitch and YouTube Gaming. Some major e-sports tournaments have achieved audience numbers rivalling major sporting events, with 2018's Mid-Season Invitational for the game League of Legends being watched by 60 million people.¹⁷ And as the audience grows, so too do the number of tournaments and the value of their prizes: research from EEDAR shows the combined prize pools from worldwide e-sports tournaments totaled \$121 million in 2017, up from only \$3.25 million in 2010.¹⁶

All told, video games may represent the most exciting and promising story for creative industries in the internet era. Continued successful innovation in terms of revenue and distribution models, and the possibilities that connectivity creates for the medium, appear to be just the beginning: gaming video content, especially live streams and e-sports, are poised to become more significant pieces of the overall entertainment market with every year that passes. Though companies in the industry have at times raised similar alarm bells about piracy as we've heard regarding music, books, and video, this has not stopped the industry as a whole from embracing digital distribution in full. Early objections to video game streaming and other gaming video content have largely disappeared, and now such content is seen as an integral, professional part of the ecosystem and just as important to a game's success as review scores — yet another warning against the rush to oppose creative public use of content online, and an important one to remember, as future conflicts are sure to emerge as revenues from this secondary industry grow. For now, for video games, one thing is clear: the sky isn't just rising, it's yet to be fully charted, and we may be surprised by just how high the industry can soar.

6. Conclusion

SOMETIMES IT'S IMPORTANT to take a step back and look at the bigger picture. For the past two decades, since Napster hit the internet, the story that's been told over and over and over again is that the internet is destroying the creative "copyright" industries, mainly through piracy. The story has been told so many times that it's now accepted wisdom. However, if we stop and actually look at what's happening to those industries — as we do in this report — it appears that we need to change the narrative.

Everywhere we look, these industries are thriving, not struggling. Everywhere we look, the internet is helping these industries in nearly every way. On top of that, the content output is massively increasing across the board — often due to fewer gatekeepers combined with easier access to widespread audiences and even easier-to-use tools of production.

The idea behind copyright is that it is supposed to "promote the progress of science and the useful arts" by enabling Congress to craft a tool to encourage greater production, by creating the basis for a system to help creators get remuneration. Sometimes we get stuck in the view that because of that, the old ways in which content was created and creators got paid must remain the same.

Looking through all of the data in this report, however, that story should change. The internet has been the most amazing engine of creativity in the history of the world. It has enabled so many more people to create content, to distribute content, to build audiences, and to build workable business models. All of these industries are thriving — as are the many, many people around the globe who love and cherish the content that is being created.

The past twenty years has certainly represented a massive transition period for many of these industries — and some parts of these industries struggled to adapt and to change, often pushing back against these technologies, rather than embracing the opportunities they presented. But going through this report, there is only one possible conclusion: the internet, as currently structured, has been a creative force. It has helped many more people become creators and to make money from their cre-

ations, and the many industry sectors around “copyright” are all seeing the fruits of that now.

In our last global report, seven years ago, only part of this story was clear. We could see then that creative output had exploded — and that pockets of the industry were thriving. However, there were, clearly, still parts that were struggling. That is no longer true. The hardest part in completing this latest version of *The Sky is Rising* is that we couldn’t figure out where to stop. Everywhere we looked, the story showed the same basic thing: more creativity, more people

able to enjoy these works, and more and more money being made.

In 2012 it was obvious that the sky was rising for the public — the intended beneficiaries of copyright law. In 2019 it is clear that the industry is now catching up as well.

What is now unacceptable is to continue to treat the internet as somehow being at odds with the creative industries. As the evidence in this report shows, the sky is rising for the entire creative economy because of, rather than in spite of, the internet.

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