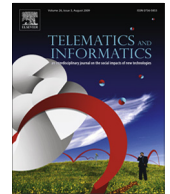




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Time displacement effect of online video services on other media in South Korea



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ABSTRACT

With an increase in the users viewing video content through the Internet, the interest in the recent trend of the displacement of old media (e.g., TV, radio, or newspaper) by online video services has also increased. To examine this trend, this study analyzed the time people spent on online video services compared to the time they spent on old media. The study also assessed whether online video services reduced the time users participated in non-media activities. The results of the study indicated that the time spent on online video services negatively influenced (i.e., reduced) the time spent on old video media and non-media activities. However, it did not have a significant effect on the time spent on old non-video media. In addition, the time spent on online video services was found to exert a greater influence on the time spent on non-media activities when compared to old video media. One of the reasons why the time spent on online video services reduces the time spent on both old video media and non-media activities is that the time spent viewing movies or TV programs through online video services negatively influences the time spent on these activities.

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1. Introduction

As Internet technologies have advanced considerably and broadband communication infrastructures have matured, the number of services that provide video content through the Internet has increased (Cha and Chan-Olmsted, 2012; Cha, 2013). Even companies that do not have their own media networks can expand their business by providing video content to users through the Internet (FCC, 2012). Furthermore, a number of users watch online video content on Internet-connected devices such as smart phones, tablet PCs, and computers (Bondad-Brown et al., 2012). In the United States, the number of subscribers to the online video service Netflix was 22.7 million as of June 2012; this is larger than the number of subscribers to Comcast, which was the top cable television (TV) service provider (FCC, 2013). Similarly, Hulu Plus had more than 1.5 million subscribers by the end of 2011, compared with fewer than 300,000 at the end of 2010; this figure rose to 2 million as of June 30, 2012 (FCC, 2013). The time users spend on online video services is also increasing. For the single-month period of July 2012, more than 180 million Internet users watched online video content for an average of 20.6 h per viewer (Comscore, 2012; FCC, 2013).

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Since both the number of online video services users and the time they spend viewing online videos have increased, there has been growing interest in the displacement effect of online compared to offline video services, the latter of which includes media such as terrestrial or pay TV (Cha, 2013; Cha and Chan-Olmsted, 2012; FCC, 2015). In the United States, some research firms have claimed that cord-cutting, which refers to subscribers canceling their cable TV subscriptions, has increased due to the increase in online video services (FCC, 2012). The TV penetration rate for all American households decreased to 96% during 2013–2014 from 99% during 2010–2011. According to the Federal Communications Commission (2015), this drop was precipitated by online video services.

If there is only partial competition between a new medium and an old medium, competitive displacement may occur between the two media. Conversely, if a new medium dominates the competition, competitive exclusion may occur in the marketplace (Dimmick, 2003). Therefore, the displacement effect that online video services have on old media is considered a critical issue in the media industry (FCC, 2012, 2013).

This study examined whether there is a displacement effect in the time spent watching video services online compared to the time spent using old media in South Korea. Old media can be classified into video media (examples include terrestrial TV, cable TV, IPTV, satellite TV, and mobile TV (DMB)) and non-video media. Non-video media includes radio, newspaper, games, and social media. This study also examined whether the displacement effect that online video services have on old media differs according to the types of content provided by online video services.

The displacement effect hypothesis assumes that one day is limited to 24 h, thus the time users spend on media is also limited (Dutta-Bergman, 2004; Kayany and Yelsma, 2000; Mutz et al., 1993). Therefore, the more time users spend on a new medium, the less time they will devote to the previously used old media (Kayany and Yelsma, 2000; Mutz et al., 1993). However, Neuman et al. (2012) suggested that the total amount of time people spend on media was increasing. If users reduce the time spent on non-media activities to make time for new media, the total time spent on media use will increase, while the time spent on old media may be reduced slightly or not at all (Mutz et al., 1993).

Therefore, this study also examined whether the use of online media services reduced the time spent on non-media activities. If the time spent on non-media activities decreases, this may be because people watch online video services during time they previously devoted to other pastimes, as well as during their existing dedicated media time (Mutz et al., 1993). This explains Neuman et al.'s (2012) claim that the introduction of new media increased the total time spent on different media. Conversely, if online video services do not affect the time people spend on non-media activities, it would suggest that users only spend the time they would usually dedicate to media activities on these online services.

The present study is of significant value, since users are increasingly accessing online video services via Internet-connected devices such as smart phones, tablet PCs, and smart TVs (FCC, 2012). Users can access the video content that they want to watch through the Internet on these devices regardless of time and space (Bondad-Brown et al., 2012). In other words, online video services allow users to control their consumption of video content. This means that the diffusion of online video services may change users' media usage pattern from push media (i.e., existing video media) to pull media (i.e., online video services) (Neuman et al., 2012).

The study has implications not only for academia related to media displacement research but also for the industry, as it will shed light on the competitive relationships between different types of media services. If users reduce the time spent on old video media to increase the time spent on online video services, revenues of online video services will replace those of old video media in the long-term (Dimmick, 2003). This implies that online video services may have the potential to be substitutes for old video media (FCC, 2012).

Analyzing the effect of online video services on non-media activities will also have academic implications, as it will empirically verify whether the time spent on online media increases the total time users spend on all media (Neuman et al., 2012).

The remainder of the study proceeds as follows. Section 2 considers previous studies on the theories of media displacement and describes the research questions (RQs). Section 3 explains the research methods and Section 4 describes the study results. Section 5 explains the implications of the study results, and outlines the limitations.

2. Literature review and research questions

2.1. Media displacement theory

When a new medium is functionally similar, yet superior, to an old medium, users will increase the time they spend on the former and decrease the time spent on the latter (Cha, 2013; Cha and Chan-Olmsted, 2012). Kayany and Yelsma (2000) argued that online media can replace TV in terms of informational function because it comparatively satisfies more informational needs. Lin (1994, 2001) suggested that when a new medium is considered more functionally desirable than an old medium, the audience may abandon the old medium altogether and replace it with the new.

Therefore, when a new medium functionally displaces an old medium, it can reduce the time spent on the old one (Dimmick et al., 2000; Kang and Atkin, 1999; Kaye and Johnson, 2003; Lin, 1994); this describes the time displacement effect. Many studies on the time displacement effect have assumed that the amount of time available to use various types of media is limited because time budgets are finite entities (Cha, 2013; Dutta-Bergman, 2004; Kayany and Yelsma, 2000; Mutz et al., 1993).

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