



Digital Content Market Evolution 2021-2026

Introduction

How are the new consumer trends evolving? Which role are traditional devices playing, and how strong will the more innovative ones enter the market?

The digital content industry is constantly evolving in parallel to new user consumption habits. The user is increasingly willing to pay for digital content and access it from different devices, at any time and anywhere. Consumers and industry are moving together towards new models.

Mobility has accelerated the pace of digital consumption and the adoption of new routines in all segments of society, considerably expanding the user base that embraces these new trends.

This cocktail opens up both great opportunities and challenges for the digital content industry.

End users, meanwhile, are faced with new proposals for quality content, more competitive in price, and adapted to traditional and more contemporary devices, such as Smart TVs or VR terminals.



European digital content consumption



Since the beginning, the digital content industry has changed according to modern users new forms of consumption. We still read the newspaper, although with less paper and ink; we still listen to music, buy, play, watch movies and series, but through new technological platforms. Society's needs are changing, and this is reproduced in the digital environment. At the same time, the pandemic has highlighted our relationship with technology. Media, brands and audiences have turned to digital, not as an option but as a requirement.

Currently, one out of every two people (57%) consumes digital content in Europe. By 2026, the ratio will increase by more than 10 points.

One out of two people consumes digital content in Europe

In countries such as Denmark and the Netherlands, the current percentage barely reaches 50%, and forecasts for 2026 do not expect a notable increase. On the other side of the scale, we find the United Kingdom, whose population will reach 85% digitization shortly.

Similarly, digital content revenues per user will double or even triple current figures. Today, the average digital content revenue per month and user is \$13 (€11) in Spain, which adds up to \$3,769 billion in digital content revenue in 2021. By 2026, the average will reach \$31 per user, with a total amount of \$11.16 billion. In this sense, Spain will follow the European trend in increasing revenue per user and total revenue from digital content.



With the increase of digital device use, advertising investments and the price of services, average and total digital content spending will skyrocket by 2026.

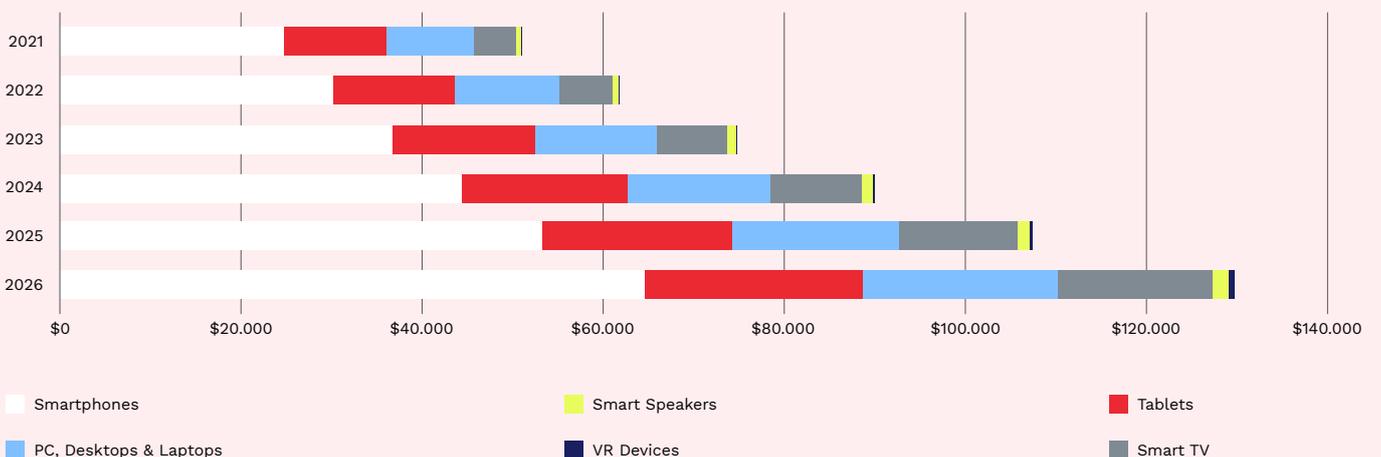
In 2021, total spending on digital content in Europe barely reaches \$51 billion, while in 2026, the figure will rise to over \$129 billion. In other words, spending on digital content from different devices will be two and three times higher than today.

The digital device that will grow the most is the smartphone: the amount of money spent on digital content will increase from \$24 billion today to \$64 billion in 2026. Tablets, which

reduce their weight in total spending (from 22% to 19%), will manage a spending volume of more than 24B in 2026, compared to 650 million this year. On the other hand, computers will experience higher growth, rising from \$9B today to \$21B in 2026.

The same applies to the weight of digital content consumed from computers (desktop, PC, and laptop), which will decrease over the next five years (from 19% to 17%). This percentage decline in computers and tablets will be offset by the greater prominence of smart speakers, connected TVs, and smartphones, which will also continue to rise.

F1.- TOTAL SPENDING ON DIGITAL CONTENT BY DEVICE (M\$)



Digital entertainment in figures

Video, the most consumed

The most consumed digital content in Spain is related to video services. Thirty-one per cent of the Spanish population accesses this type of entertainment digitally, while the European average is 24%. Thus, Spain is the second country in the continent that consumes more digital video services, only surpassed by the United Kingdom (44%). This trend will continue in crescendo in Spain to reach 54%, while in Europe the increase will be milder (35%). In 2026, one

**The percentage
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out of every two people living in Spain will pay to consume digital video.

There are currently 11 million people in Spain subscribed to digital video content, a figure that will double in five years. This means that year on year, the percentage of the population subscribed will increase by 14%. In the rest of Europe, the average increase will be 10%.

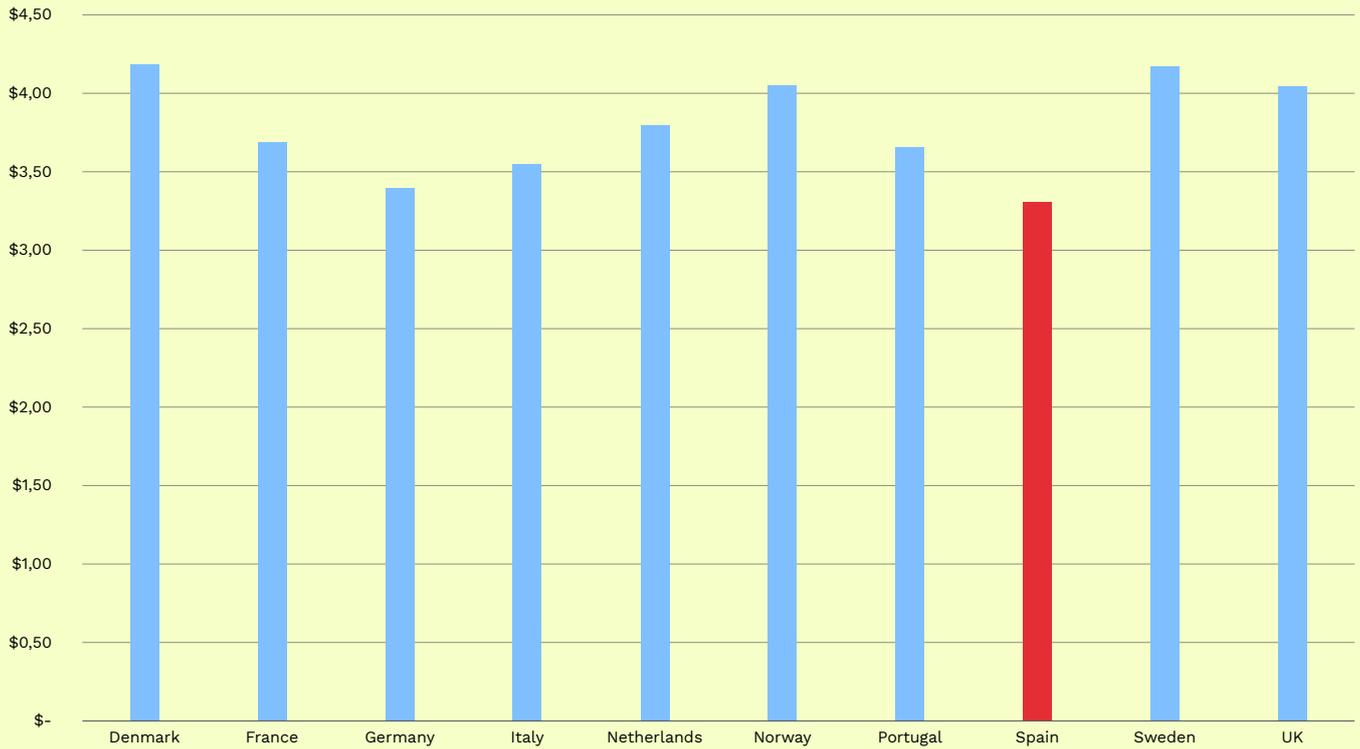
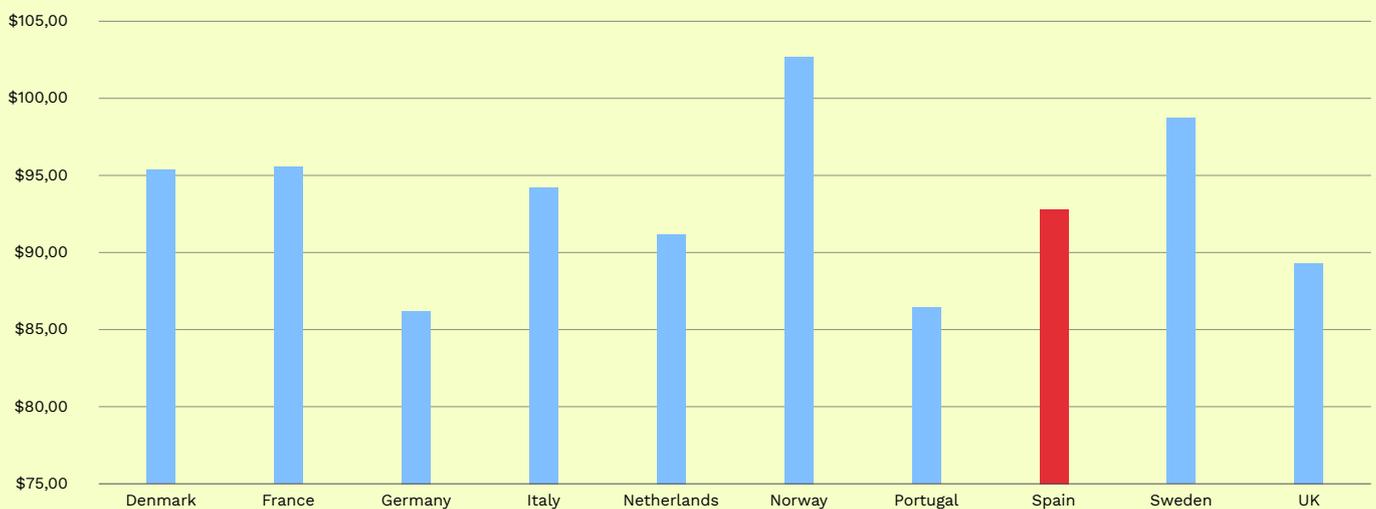
Video games continue to be a growing sector throughout Europe

Another effective digital content that will soon lead the digital sector is video games. In Europe as a whole, 53% of the population consumes video games from their tablet or smartphone, and by 2026 the figure will reach 62%. The video game industry is one of the most promising within the digital sphere. It will produce the most revenue (47%) concerning the entire digital content sector, thus surpassing the audiovisual industry.

European mobile games market has a total annual value of more than 17.6 billion and will exceed 77 billion in 5 years.

In that period, the market will grow by 34%, thus increasing all the sectors around this industry: ads investments within mobile video games will increase by 42% on average in Europe, and total revenue from subscriptions and in-app purchases will grow by 7%.

Paradoxically, the average price per annual subscription to digital games will fall in Europe: from \$87 to \$71. Another indicator that will remain unchanged will be the average cost of purchasing a mobile game, which will stay at \$3 by 2026 in both Spain and Europe.

F2.- AVERAGE PURCHASE REVENUE
PER MOBILE GAMES IN 2021F3.- AVERAGE COST PER DIGITAL
GAMES SUBSCRIPTION IN 2021

Digital music stagnates



As for digital music services, only 12% of the European population access them. The forecast is that the trend will stagnate, increasing to 19% by 2026. In absolute terms, the number of people accessing digital music services will increase by 62 million to 168 million across the continent. Of these, 164 million will be subscribers.

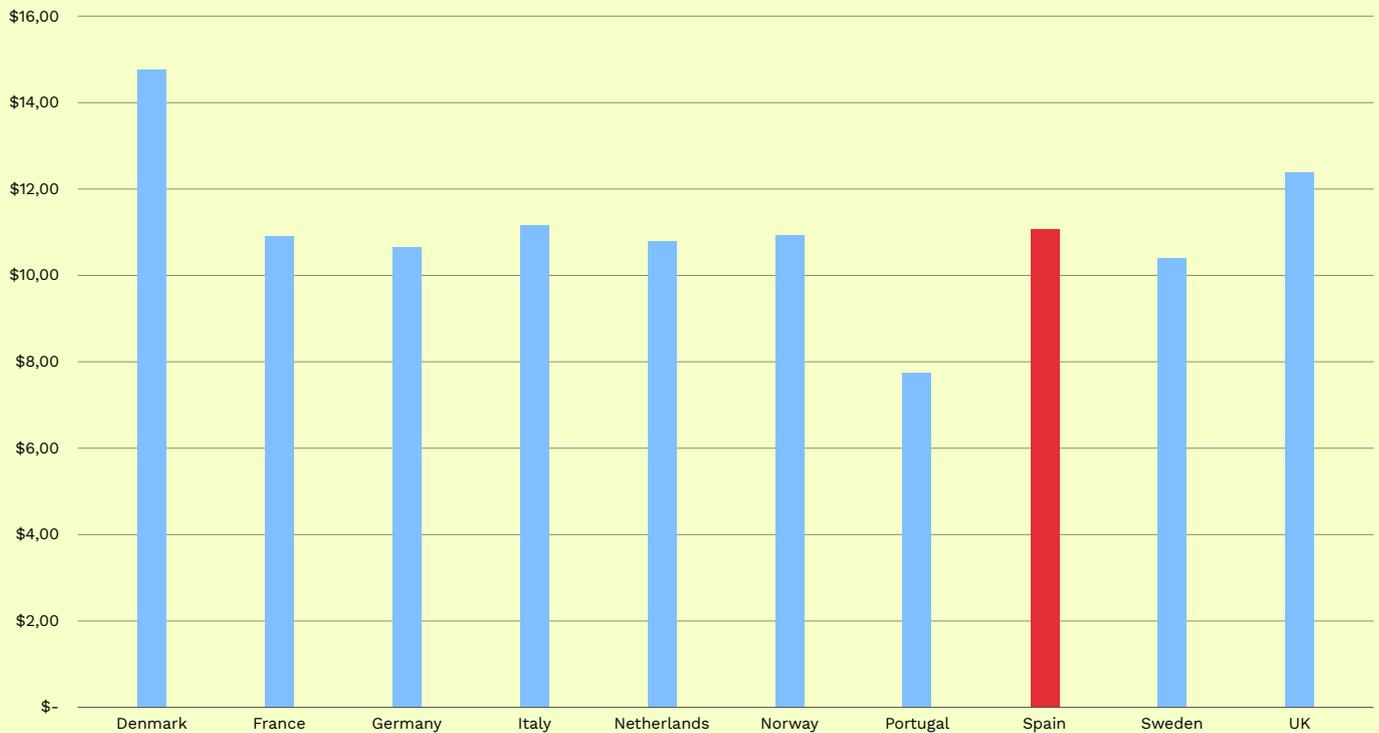
On the other hand, it is widespread for users of music platforms to subscribe to their services (90% in Spain and 93% on average in Europe), with an upward trend of 5 to 6 percentage points in both cases. However, the purchase of music by users is an unusual phenomenon and will be almost residual in 2026. In Europe, the population that buys digital music will be 4%.

The number of people accessing digital music services will increase to 168 million across the continent

The prices of subscriptions and music products may impact the stagnation trend. Currently, Spain's average price per digital music subscription is \$11 (9.4 euros) per month, slightly higher than the European average (\$9). Spain is positioned - and will maintain its position - as the fourth country with the highest monthly subscription price on the continent. Data suggest that these prices will not undergo significant changes.

What will experience a slight decrease will be the average price of digital music content items, which will fall by 5% per year in Europe. It will drop from \$3 to \$2.

F4.- AVERAGE PRICE PER DIGITAL MUSIC SUBSCRIPTION PER MONTH (\$)



Paying to avoid advertisement

Advertisements are playing an increasingly important role for digital content platforms because users subscribe precisely to avoid them. However, in Europe as a whole, tolerance to ads is higher than in Spain. While 36% of the Spanish population currently consumes digital videos with ads, in Europe, the percentage is 50%. The data suggest that in 2026 this difference will be more significant. The Spanish population that will watch videos with ads will be 30%, while in the rest of the continent, it will have increased to 59%, a difference of almost double.

29% of users listen to music and audio with ads, while in Europe, the proportion is 26%. In 2026, the percentage will drop 6 points in both cases.

Advertisements are playing an increasingly important role for digital content platforms

However, one of the markets that will break the downward trend will be video games for mobile devices. The total number of mobile video game ad impressions per year will grow in Spain from 933 million to 4.09 billion. In Europe, the figure will also quadruple to more than 32 billion.

In the case of ad-supported music consumption, both in Spain and Europe will also decline: on the Spanish mainland,

Evolving Devices



If the consumption of digital content will experience a substantial increase, so will the acquisition and use of new gadgets. From the most conventional devices -smartphones, tablets, and computers-, to recent trends -smart speakers and virtual reality devices- will increase both in the number of units and in spending on appropriate digital content between now and 2026.

Although the acquisition and use of digital devices will increase, each type will evolve unevenly. As the data show, there are currently more cell phones than inhabitants. The smartphone case is the exception since the rest of the devices do not reach such high figures.

However, all devices, including virtual reality devices, will continue to grow very soon.

A relevant aspect to highlight is the growth of smart speakers (commonly called voice assistants), which will be ahead of tablets in the next five years. Voice is the first level of human communication, and voice assistants will grow naturally as they will offer users what users need quickly. In addition, those devices will satisfy the need to interoperate with other connected objects.

Smartphones, smart speakers and virtual reality are the three types of devices that will grow exponentially in Europe. Smart speakers will be the protagonists in the coming years, as they will increase from 10% of the current total to an estimated 15% in 2026. In this way, we will see how the voice assistant industry will fully enter the device market and gain weight in the sector.



Smartphones will continue to be by far the most popular device

On the other hand, devices for virtual reality experiences will have significant growth, or rather, they will be the protagonists of an irruption in digital content consumption. For the first time in history, the consumption of digital content attributed to these augmented reality devices will account for 1% of the total, something unprecedented until now and which will reaffirm this type of industry within future technologies. Finally, smartphones will continue to be by far the most popular device.

The smartphone revolution has been penetrating the digital content industry for years, to the point that many people own more than one of these devices. Therefore, it is not surprising that smartphones are the devices that produce more spending on digital content than any other.

Likewise, both smart speakers and virtual reality devices have only recently begun to be distributed throughout the region. Thus, their percentage as a proportion of spending on digital content is lower.

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