

DIGITAL ADULT CONTENT

For Your Viewing Pleasure



Whitepaper

1.1 Background

1.1.1 Digital Adult Content

Broadly speaking, digital adult content is often perceived to include activities such as gambling and themes such as depictions of violence (on video or in videogames) or even language containing sexually-explicit words or other obscenities (however they are defined).

Juniper's research does not examine those areas, instead focusing solely on the market for adult content known as erotica or pornography. This research considers content which would be classed as legal in the UK, and does not investigate or endorse in any way, content which would be classed as illegal; for instance child pornography.

1.1.2 The Adult Content Industry

The adult industry is credited as having kick-started and developed eCommerce and online video streaming, well before Internet leaders such as Facebook, Google and Amazon were established.

Juniper examines the predominant forms of online adult content, including streamed/downloaded media, video chat and text based services, analysing the prospects for each. In addition to this, the potential of future adult content access mechanisms and formats is assessed, such as connected devices and those which incorporate AR and, in part, VR (Virtual Reality).

1.2 Key Service Types

1.2.1 Outline of services

i. Images

- Images which can be downloaded or viewed on mobiles, tablets and connected devices are often animated or static images of amateurs, porn stars, glamour models and celebrities. There is a vast amount of free images, as well as content, which can be billed on a download or subscription basis

ii. Video-based services

- 3G, 4G and Wi-Fi have changed the nature of video-based services, as they make the streaming of high quality video quicker and more readily available to users 'on the go'. Smartphone-optimised adult sites have become prevalent since the removal of adult content from app stores. Adult streams are offered either on a standalone basis or as an add-on to a mobile TV service.
- Video chats, or live webcams, where the user engages with the model of choice via video or text/instant messaging as they watch a live stream of the model, have become increasingly popular over the last few years, with a significant proportion of service users repeatedly returning to the same cam girl/hostess.

iii. Mobile Porn 2.0

Web 2.0, characterised by a proliferation of User Generated Content and social networks, has spilled over into pornography, leading to the advent of 'tube' sites. Services such as PornHub allow users to upload their own

content, rate content and talk to other members of the service, much like YouTube

iv. Erotic games

Adult entertainment games are typically derived from already popular conventional games. For example, a poker game may become a strip poker, requiring little modification by the developer; simulated pets could become simulated girlfriends on a user's device. However, adult content is restricted by most app stores, such as Apple's App Store and Google Play. Even so there are numerous adult game apps available for download.

v. Text-based adult services

SMS chatting was once a prominent mechanism for the delivery of adult entertainment, but is in decline as the market for adult videos grows and the use of SMS in general declines in developed markets. The service involves users sending PRSMS (premium rate SMS) to models and receiving replies. Such services can be offered on almost any phone, so there is still a market in countries where 3G adoption is lower. Even in developed markets such as the UK, services still exist as a small number of consumers prefer text-only interactions.

1.3 Market Trends

The adult industry has faced several challenges in recent years as more traditional forms of content proliferation, such as SMS and Adult Pay-per-Video, have seen a decline in either revenues, popularity or both, as well as competing with the large amount of free content available online.

1.3.1 Popularity of Adult Content on Connected TVs

- With the advent of connected TVs, (any TV with a broadband connection, ie those connected via games consoles, Blu-ray, set-top boxes or connected Smart TVs) users have been able to stream digital adult content directly to their TV. Content is far more readily and, in many cases freely, accessible than with broadcast/cable TV adult services, which are often time-constrained (usually only running for several hours per day) and are almost exclusively subscription-based.
- Whilst in the case of many connected TV devices, native apps for adult content are not available, several content providers, such as SugarDVD, have found ways to deliver content through web browsers.
- SugarDVD is a subscription service which has developed apps that work with PlayStation 3, PS4, Xbox One, and Xbox 360, along with Roku, Boxee, Google TV, iOS, Windows, Mac and Android. SugarDVD is quick to point out that although it needs a browser log-in, it is an actual app.

1.3.2 The App Store as a Method of Content Delivery

The app store is popular for a number of reasons:

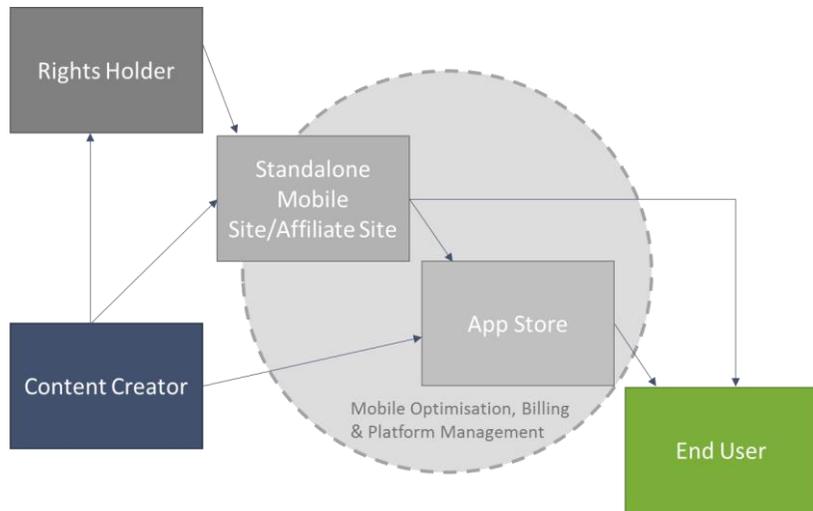
i. With developers:

- Low Barriers to Entry: The cost to enter app stores' developer programmes is low.
- Monetisation Potential: The primary app stores give developers a proportion of revenues made.

ii. With users:

- Smooth User Interface
- Ecosystem of Store, Device and OS (Operating System) - The major storefronts are often part of a greater ecosystem, which also includes devices and OSs. This familiarity aids users in navigating and using the available programmes.

Figure 1.1: The Mobile Adult Content Value Chain



Source: Juniper Research

1.4 Market Hurdles

1.4.1 Digital Adult Content Hurdles: Declining Viewers? Monetisation Issues?

i. Viewer Decline:

Leading adult sites have struggled to maintain revenues, with popularity declining as consumers seek out free content from alternative sources, such as tube sites and pirated downloads.

Figure 1.2: Most Popular Adult Websites (Ranking 2013-2015)

Site	2013		2015	
	Global	US	Global	US
Xvideos	34	39	44	76
Xhamster	44	42	66	106
PornHub	59	33	76	74
Redtube	76	71	150	292
Youporn	91	77	161	351
Livejasmin	94	66	170	193

Source: Alexa, Juniper Research

ii. Generating Revenue: Which Monetisation Model?

The adult industry is faced with a wealth of choices in terms of monetising content; traditionally per event billing has been the main form of monetising online video. The industry has also moved away from per event billing towards the subscription model, notably in the live cam space.

These revenues are bolstered by advertising, with affiliate networks serving up ads from sites such as Juicyads.com and Exoclick.com.

1.4.2 Content Delivery Set-backs: The App Stores Stance

Delivery of content is another issue which the adult industry has faced, with the vast majority of app stores refusing adult content altogether. Apple removed existing adult content from the App Store in 2010 and since that time has declined to host any 'overtly sexual content'. One company, Mikandi, has solved this issue by creating its own adult app store.

The largest mainstream app store still hosting adult content is believed to be GetJar.

- The store offers adult as 1 of 22 content categories.
- Apps are free to end users, and serve as promotion for content providers.

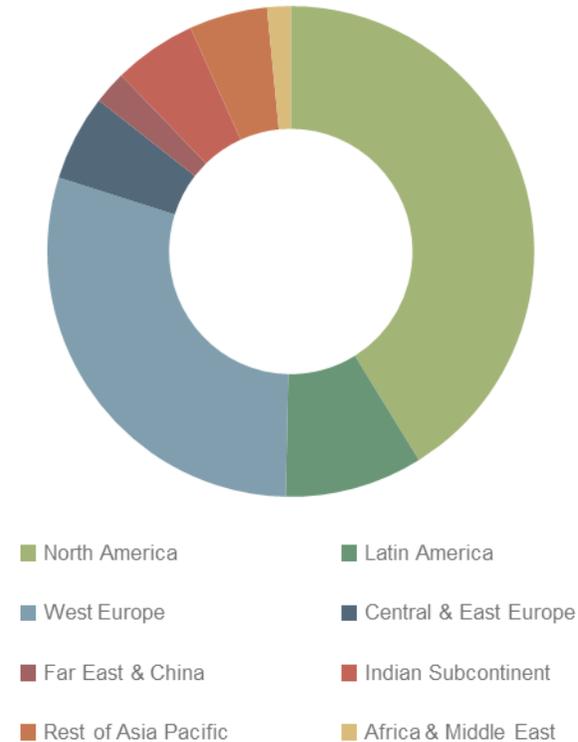
1.5 Digital Adult Content Forecast Summary

- New data from Juniper Research has found that over 136 billion adult videos will be watched in 2015 alone; this is set to grow to 193 billion by 2020.
- On a global scale, each smartphone user of adult content is expected to watch an average of 348 videos this year.

1.5.1 US Sees Greatest Growth

- Overall, video views are forecast to grow by almost 55% by 2020. While there will be a marked increase in usage levels in developing markets, net growth will be greatest in the US, with other mature markets, such as West Europe, seeing a more modest increase.
- In developing regions, service uptake will be rapid, driven by increasing availability of 4G and Wi-Fi, as well as increases in smartphone and tablet ownership.

Figure 1.3: Total Digital Adult Content Video Views 2015: 136.6 Billion



Source: Juniper Research

Order the Full Research

Mobile Money Transfer & Remittances: Domestic & International Markets 2015-2020

Juniper Research is the only analyst house covering the popular and profitable mobile and online sector of the adult industry.

Juniper's Digital Adult Content research provides an assessment of the mobile adult content ecosystem and, for the first time, considers content consumption via PC and connected TV platforms. It gives an overview of the latest developments, as well as an outline of services; including content distribution, new technologies and strategic recommendations.

Key Features

- Evaluates 5 key platforms: smartphones, featurephones, tablets, desktop PCs & notebooks, connected TVs.
- Provides revenue and usage forecasts for adult SMS, Pay-per-Video, videochat, adult subscription services and augmented reality.
- Delivers insights and strategic recommendations.
- Coverage of current market trends and developments.

What's in this Research?

- **Executive Summary** - Slide set summarising key trends, sector dynamics, and market forecasts, allied to a series of strategic recommendations for players across the value chain (PPT).

- **Interactive Forecast Excel** – Highly granular dataset comprising more than 225 tables and over 18,000 data points, allied to an Interactive Scenario tool giving user the ability to manipulate Juniper's data (Interactive XL).

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