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Media reaping profits from Internet: study

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WASHINGTON - The Internet is no longer draining profits from media and entertainment companies, which have learned to make online services pay, a new study shows.

A new study finds that the Internet is no longer draining profits from media and entertainment companies, which "are continuing to increase their lead as one of the most profitable industries" with profit margins of around 28 percent

The study by Ernst & Young released Monday found that media and entertainment companies "are continuing to increase their lead as one of the most profitable industries" with profit margins of around 28 percent.

The study covers a variety of segments in media and entertainment, including cable TV operators, interactive media, music, broadcast television and even publishing -- an area which lags behind other segments but remains profitable.

"We are seeing that digital is very much driving profits now, instead of disrupting it," said Ernst & Young's John Nendick.

"Companies are figuring out how to monetize the migration of consumers to a variety of digital platforms, and this insatiable demand for content is fueling growth throughout the industry."

Media and entertainment firms have increased profit margins in every year since 2010, according the study.

Cable TV had the highest profit margins in the industry at 41 percent, followed by cable networks (37 percent), interactive media (36 percent), electronic games (29 percent), conglomerates (26 percent) satellite television (26 percent), publishing and information services (21 percent) television broadcasting (19 percent), film and television production (12 percent) and music (11 percent).

The study also found that interactive media saw profits grow at the fastest pace, while publishing had the slowest profit growth.

The interactive media segment, which includes firms such as Google, Netflix and Facebook, has seen profits climb at a 19 percent pace, while the publishing segment, which includes the New York Times Co. and Gannett, has been growing at just one percent.

"Publishing and information services companies continue to see declining advertising and subscription revenues," the report said.

"While digital revenues are growing, this only makes up a very small portion of overall revenues."

A separate report from the research firm PwC said the global newspaper industry will start to grow in 2015 after a long period of decline, but that the trend will vary considerably in different regions.

PwC said the overall sector will see 0.1 percent revenue growth in 2015, led by emerging markets. It said the Asia Pacific market is set to grow at a pace of 3.4 percent through to 2018 but that North American revenues will fall 4.2 percent over the same period "as the migration of advertising and readers to digital continues."