



## **NAB 2022 Transcript**

### **Streaming's Next Act**

#### **John Peters (Managing Director, Accenture):**

I'm John Peters, Managing Director in Accenture's Communications & Media practice. I'm excited to spend the next thirty minutes with you talking about Streaming Next Act. Here are the three messages. I believe, now you don't have anything else to do. But these are the three things I want to tell you. It's no question that streaming has changed the content game. Every major player in media industry has re-imagine their company, re-imagine their business models, transform how they engage with consumers, and they're spending a ton on content.

Headlines recently make it pretty clear that it's a challenged space. That's how you're going to transform your company, it might be difficult. So what did we learn? The time to innovate is now and to chart that innovation path, the thing to do is, let customers be your guide. So I'm really excited to talk to you today about that. Let's get into it. We wanted to know what were on consumers' minds. So we had a study of 6,000 consumers in 11 countries. The cumulative SVOD spend in those markets represents \$35 billion. So it's a pretty significant sample. And the thing that I want to talk to you about is three key pain points that we found.

The first one, we call getting caught in rabbit holes. You all know what I'm talking about. Last night, maybe two nights ago, I'm sure you were in one streaming service and you finished the show, you probably bopped out of one, you went into another, perhaps you then cut out to cable, if you still have cable, then maybe you went back into another. The worst thing can happen as you just finished a series [is] what am I going to watch now. Well, 60% of consumers consider the process of navigating amongst these services frustrating. 44% of them said they spend more than six minutes trying to find the next thing to watch. It's kinda like when we used to go to Blockbuster. Do remember that?

So how to win? Aggregation. 58% of them said that they would be very happy or interested in using a cross service search tool. I want to watch something, I've got four different services, I have to go search and all of them. Aggregation!

Accenture believes that a very important new player in the industry value chain will be a smart aggregator. You're starting to see them. They will unify the experience, allow you to search across everything. All of those keep watching tabs across all your services right there, below what you're watching. They'll enable flexibility. And they're going to better personalize the experience. We're going to talk about that a little bit more. We all got into streaming on the promise of increased choice, increased

personalization, increased flexibility. We're on the way. But innovation is going to get us farther.

So rabbit holes, smart aggregates, bringing that all together. This is all about how to make a better consumer experience. You're interested in learning more. There's a lot written on this topic by Accenture. Streaming's Next Act is that paper. Scan that QR code if you like or just go to [accenture.com](https://www.accenture.com) and say Streaming's Next Act.

We've been digging into the space because consumers are in the roadmap. They will show you the way. So this concept of rabbit holes is just the first of pain that we're seeing out in the marketplace that should shape the future. Let's talk about the next few.

Scattered Algorithms. I love this one. You just said you have four or five services. On any given week, you might bump into one, go to the other. Across a month you might go across five or more.

Well, there you are. You're on a platform and they know something about you, they know what you watched last week, so they're going to suggest and stuff like that. Okay? That's what they do. They try and figure out what you like and then they send you more of that stuff. And that's how they stay in business. They're trying to retain you.

But when you are going inside of all those services, none of them really know you completely. Scattered algorithms. A bunch of algorithms that are trying to know you. Okay? No surprise, 56% of consumer said the recommendation they receive are not relevant to their interest. Because they only trying to know you. Okay.

We offered them a bunch of ideas of what can improve the situation. They said they'd be happy to let the service know more about them to improve the recommendations. This was a really interesting topic. And we thought, "How can we bring this to life? How can we validate that this is happening?" So we had to find a dataset that will go across someone's entire viewing behaviors. Okay? Because if we just went to one service, they won't have it. Who has it? So we partnered with Whip Media. Mike Sid, Chief Strategy Officer, thank you for helping us. We were able to get Whip media's unique dataset.

Okay. What media has an app called TV time where consumers can go in, and they can identify what shows they've watched, and say how much they liked it. And so you can describe affinity scores to everything they watch. You can align them by genre. And because we know what network there's streaming service around, we can actually start to parse out what they're watching and how much they liked those things on the surface.

So guess what, indeed, you have scattered algorithms, because you have scattered viewing. Here's what's even more interesting. Check it out. Yes, across all of those, you are a unique and rich person. But any one of those services thinks of you differently. Everyone has a different understanding of who you are. Nobody has a complete understanding of who you are. So with Whip Media, what we started to do is, "Okay, let's take some people who probably are way into a topic. Will they look the same across every service?" So we went and found folks who on Paramount plus our way into Star Trek, tracking. When they be the kind of people [unclear 07:50] going service to service watching all of this Sci-Fi.

Well, it turns out, they're pretty interesting people. They like more than just Sci-Fi. Okay. I'm not going to take you through the details of this. But here's the thing that you can take away from it. The color of each column is different. What we've mapped here, is there affinity to genres based on the shows that they consume on each of those platforms.

A lot of purple here, not a lot of yellow, HBO Max, a little more yellow. The colors today aren't particularly important for the point I'm making. But that each column is different tells us that all of those services know you in a way that's different than the others. And interestingly, is different from your full view. That column on the far right, that's the cumulative across all the platforms, Whip media data allows us to look at that and understand your full personality. Each service only looks at their columns. That's why those recommendation engines or 60% of people say they aren't relevant to them. Okay, that's a problem.

It's a problem that can be fixed. But the problem isn't fixing consumer problems, how people are going to win in this space? So we've put some thought to what do you got to do about.

A couple things! Certainly, you got to know the customer. Okay. So first is you can get broader datasets and start understanding what they're doing in addition to how they're spending time on your platform, being able that with your own data, you can have a broader set, so that then you can infuse your recommendation engines with that picture of those consumers.

Just imagine, you're trying to do look like data and go out and do marketing campaigns to bring in people like that Star Trek, no matter the why. And that makes sense why those marketing campaigns might not be particularly effective. You only have one column. Recommendation only has one column. Infuse broader data into your marketing campaigns and your recommendation engines. That's a near term thing you can do. Longer term, you can start making content capital decisions based on that. You can start to rethink your content strategies, shift your marketing campaigns. It's harder to do that shift those overnight. In the near term, you can shift some of these things.

Shifting your content strategy takes a little more time. But longer term, what do you do about this? Continue to just know someone personally? This is where we should start to think about your corporate structure and the industry structure.

Okay, we just talked about smart aggregators before as someone, they actually see everything. Okay? So how can you start to restructure yourself in a way that allows you to know more? You can collaborate with partners on data share, you can buy your partner and make yourself a broader, give yourself a broader view of someone's viewing behavior.

The other is you can think about whether you want to be an aggregating yourself. Either way, until you have that full set, you've gonna be with it, you're going to be missing. And that means you got frustrated consumers. That's what the key is, solving consumer frustration. And if you can solve that they're gonna stay with you.

You can read about the whip media data analytics that we did. In a report that's just coming out this week, along with our presentation here today, fresh off the presses

streaming's complex consumer. Read more about that complexity and read more about what you can do about it.

But this is where we can start to think in broad. Inefficient bundles. All of us cut the cord because we felt like we were paying for things that we weren't watching. Right now, most people have four or five services. When you pay for that service, you're paying for every title that they have. People are starting, according to our data, think about how much they're spending. And then think about whether they're spending too much, or whether they really want them all, or whether they want it for a full year. Whether they want to jump in, watch their show jump out. 88% said they plan no change or a decrease in spending. So that just means all of these services that are trying to grow.

Most people are not spending more. So we're all going to be duking it out for market share. You can imagine two years now, after everyone's gone into every new market, and there's no more new markets to enter to give you that incremental pop and growth, that's when it's going to get pretty complicated. Growth will be harder to come by. They just told us we're not going to spend any more money.

So they've just said only 40% of the content on the services is relevant to them. They're not sure they're going to spend any money. And 66% say it's too expensive to pay for all the subscriptions. It's a changing landscape.

So we should be thinking about pricing innovation. What can you do to continue to drive growth in ways that take a hard look at the pricing models, the pricing offerings that we have? You know, when we first wrote this, we were thinking we were ahead of the game, telling you all to get into ad funded video. Well, now the last month a lot of things have changed. With that said, just getting into it doesn't mean you're going to be successful.

To be in a ball game you need to keep them coming back and stay keep watching. Yes, but game, if they pay five bucks and don't show up the entire month, it's not great. But it's how that works. It's a different muscle you need to have. You need to continue to engage them. You need to continue to know them. Why don't we just talk about on the prior two pages? No one really knows that. So what's the world innovates in the ad funded the impetus to know your consumers more than ever, [unclear 15:15]. I love that they're innovating. And really just the way to think about it is, this is just one innovation beyond the pure play SVOD. Okay, remember, we said innovation is the key.

So let's talk about: "How can you win an ad funded?" Well, certainly, you can extend the core and you're seeing a lot of people just... You know, for a while Disney had an SVOD version. And then they had a Hulu which was an AVOD. But you now are seeing that people could just take the same service and have SVOD version, a hybrid and AVOD.

Next, this is really interesting. Giving consumers more control of what ads they see, when they see them, there's so much room for innovation around this. Whether it's simply being able to click on a couple ads and have choice or to bank time, we've tested a whole bunch of ad consumption concepts in our research. And we've been interested in the results. I'll tell you a little bit more about that.

The other is [unclear 16:18]. You're all seeing it in the death today and the death of cookies. It gets harder and harder to target. You can see a lot of media companies are

establishing bigger and bigger walled gardens in order to say I have a space where I can understand and allow advertisers to target audiences. You may have heard Perry Sean side talking today about ad transformation. Targeting consumers is harder than ever. Just having your inventory might not be enough. Whether you can form a trading desk and sell other people's ad inventory, whether you can, again, talk about changing your structure to have more ads to sell, to be able to really deliver on the idea of targeting.

Now, this last one is the one I really want you to think about. Go beyond video. This is really the innovation that I want you to really embrace. For years, decades, media companies have said that they're trapped in a wholesale business. They don't know the effectiveness of their marketing campaigns because they don't have a direct link to consumers. Right? The theater sells tickets; the broadcast network actually shows the show. Cable TV knows what to watch. They just license their content. But now after decades, they finally have a direct link to you. You know everything that you're watching on their service. So all you want to do is just show videos. That's it. This is the opportunity.

To learn more about the opportunity and how to win in the ad-funding game, this is our third piece, also coming out this. Ad-funded videos powerful return. We're already seeing in the headlines that it's roaring back. Winning at it is something else.

Now, 6,000 people that we've talked to around the world, we started to crunch the data. Our whole idea was if we can understand what they care about, we can know how to innovate and who to innovate with. So we found inside of that 6000, two different segments that we recommend those who want to win in this space target for innovation. So we named them enthusiastic innovators and we named them the cautious innovators. Together, they represent 55% of the marketplace.

Let me tell you a little bit about them. On average, a younger demographic 25-35, they have multiple services. They like all of the innovation that's come to date. They're early adopters of technology. They're a little different. Both are ready to embrace streaming and are ready to embrace new ways of consuming technology.

Cautious innovators, though, get their name because of how they feel about data share. So we've got one set of the group and I know you can't read the words, but the two questions ask them: "Would you be willing to share your data with a VOD provider to better personalize the recommendations?" Enthusiastically innovators: "Heck, yes." 95% of them, they're ready to go. Cautious innovators, 67%, pretty strong number. We've got some other segments, less interest. Older adults, more price sensitive folks. Next, would you allow providers to share your profile with other providers for better personalization? Think about it. You all alone your phone number. Next time you go from one provider to the other, you get to bring your phone number with you. Why can't you bring your profile? You have to start from scratch. We just saw from the whip media data that because they have incomplete data, they're continuing to give you not great recommendations. They don't understand you. They're out in this game to try and acquire customers, but they don't understand their customers.

96% of the enthusiastic innovators are more than happy to take that profile and hand it over to the next guy, so their experience gets better. Cautious innovators, 72% still a good number. But you can see that if you can have an innovation message with the cautious innovators, coupled with a branding and emphasis of yourself for privacy and trust. You can win them over. Privacy and trust, a space something we haven't yet

heard about in the streaming space. But as it becomes a front door for many, many ways in which we consume, not just video, but more and more entertainment experiences, who do you trust? It's a battleground that's coming. And our data shows that it's going to be really interesting.

Now, I keep talking about going beyond video. And this is the vision that we implore any streaming service to consider in any media company. It's quite obvious from what we're seeing in the marketplace that simply having streaming as your revenue stream is challenging. Enormous amounts that you have to invest in capital. It's a tough game. It's a tough game, but that's your only revenue stream.

But here you are! After decades, you finally have the direct link to their mobile phone or TV in their living room. Why stop at video games? This is now a front door for everything you offer. And there are expanding concentric circles of innovative experiences that you can offer on top of it. And this is the roadmap for innovation. It isn't simply about innovation within the world of video. It's about continuing the innovation beyond video. New revenue streams, layered on top, more ways of delivering for them.

Now, you've heard a lot about the metaverse. How it's going to be...? What we don't know is what the experiences are going to be, how they're gonna get to us? But here it is. I've got a front door for the rest of all the experiences that I can deliver. This is what we encourage everyone to embrace, establish the front door, bring everything through it, address their consumer pain points, span your revenue streams, that creates a roadmap for winning in an increasingly complicated environment.

So I'm John Peters. Please, if you have any interest in talking further about this space. We love this space. We think it is the future battleground of an industry that we love deeply. So if you want to talk further, please connect. I look forward to speaking with all of you. Thank you very much.

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