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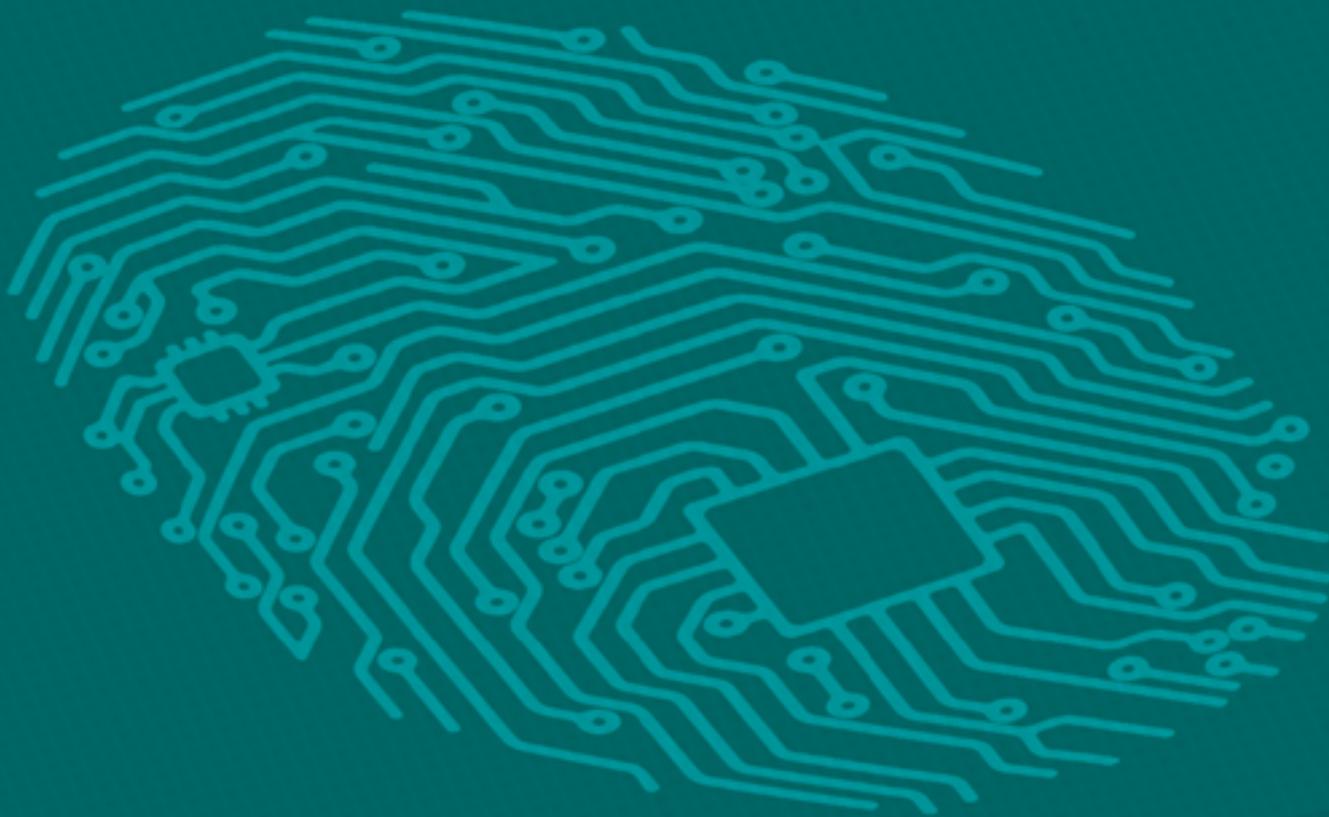
All the Right Connections

More screens, faster fiber and quality-hungry consumers (with dollars to spend) add up to a new world of opportunity for broadcasters

2014 Accenture Digital Consumer Survey

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A congruence of factors is creating an unprecedented opportunity for broadcasters to seize the initiative in the battle for consumer attention and engagement. Explosive growth in the number and variety of connected screens, faster connections and audiences that are willing to pay more for high-quality access to content add up to a massive prize. The key to capturing it? Understand what consumers want and develop the capabilities needed to deliver to their demands.

Many of these themes and trends are being discussed daily. If you would like to contribute to the discussion, please join us online at [Pulse of Media](#) or follow [#PulseofMedia](#) on Twitter.

Reaching a tipping point

In just five years, we've witnessed an emphatic shift from theory to practice—digital video has come of age. Consumer demand for viewing over the internet has reached a tipping point and the impact will be nothing short of revolutionary for all players in the media and entertainment industry. For broadcasters, this new consumer landscape presents a unique opportunity to consolidate their hold on existing audiences—and to move into new markets.

Now in its fourth year, Accenture's latest multi-nation consumer survey makes it clear that there is significant untapped demand for viewing over the internet and highlights four key themes that are driving this demand:

Explosive growth in the number and variety of connected screens: Increasing numbers of consumers now own a combination of devices. 21 percent of our survey respondents currently own a combination of smartphones, laptops/desktops, tablets and HDTVs, with 25 percent of respondents indicating they intend to purchase a connected TV in the next 12 months. Additionally, another 11 percent intend to replace an existing connected television. And, more than half (57 percent) indicated they plan to buy, or upgrade, to a new smartphone; while another 12 percent indicated they plan to purchase a tablet expanding the market of addressable screens even further¹. In total, the global installed base of TV-centric connected devices topped one billion units in 2013, and will exceed two billion by 2017².

Full length movies and TV shows online is no longer niche: Consumers are using their connected screens to obtain a sizeable portion of their entertainment online. Our survey revealed that 44 percent of them watch full-length movies or TV shows over the internet on a daily basis, and 39 percent do so weekly.

Consumers willing to pay more for better connectivity: We already knew that today's digital consumers demand a far more personalized and customizable service for the content they watch across these multiple screens. The fact that they're willing to pay more to get it glitch-free is a hugely significant development. Our survey highlights this hunger for quality. Sixty percent of consumers will pay more for faster connections, and 62 percent will pay extra for more flexible rights (enabling "whenever, wherever" access). Current broadband availability is failing to meet their high expectations. Eighty-six percent of our respondents report interruptions and load issues when watching TV programs and movies on their home broadband connections (see figure 1).

Accelerated rollout of high-speed broadband: This hunger for quality is increasingly being addressed by major rollouts of fast broadband and bundled quality-of-service offerings. From June 2012 to June 2013, subscriptions to fiber-optic broadband grew 13.9 percent worldwide, according to the Organization for Economic Cooperation and Development (OECD)³. Mexico saw the fastest growth in new connections (up 290 percent over 2012/13), while the UK grew at 172 percent, Chile at 171 percent and New Zealand at 141 percent.

Broadcasters require extensive new capabilities to capture the huge opportunity created by this nexus of circumstances. IT capabilities that are typically considered back-office are now fundamental to powering multi-device consumer services. As such, they must be embedded throughout the organization. Broadcasters that can bridge from their existing strengths as content specialists to achieve this digital transformation have a great opportunity to switch from being disrupted by digital to becoming tomorrow's disrupters.

Figure 1: At home quality experience

What consumers strongly agree + agree when related to home connection



Sample base: All who streamed content at home *N=13867

*Sample excludes 14-17 years

Source: 2014 Accenture Digital Consumer Survey

Give me more ...and now

Consumer demands for improved device functionality and glitch-free access to content are driving breakneck innovation in digital devices. Technology developers and broadband providers are struggling to keep pace.

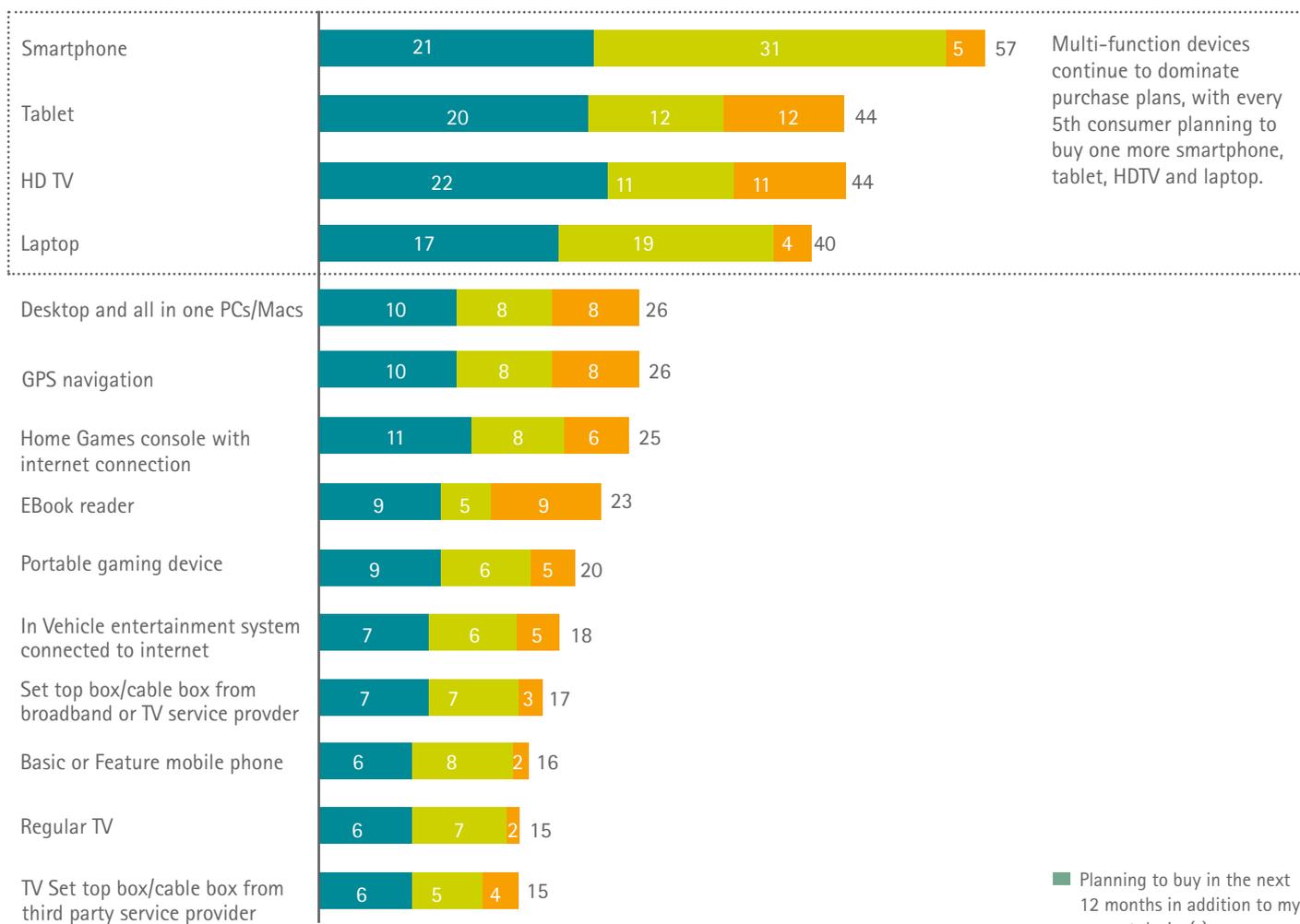
Evidently, the love affair with technology is far from over. In fact, it appears to be gaining momentum. Consumers are juggling multiple connected devices. Multi-function devices continue to dominate purchase plans, with particularly strong appetite for the latest smartphones. More than half of the respondents (57 percent) indicated that they plan to buy, or upgrade, to a new smartphone in the next year, while 44 percent plan to buy a new tablet and/or HDTV (see figure 2).

Technology companies and content providers are evolving to provide new user experiences. Ultra HD, or 4K, is a prime example. 4K is a technology with four times the pixels of regular HDTV. Many movies and TV programs are already being shot in 4K (such as Season 3 of "House of Cards" on Netflix), and new content partnerships are forming to distribute 4K programming to consumers. Crucially too, the technology is becoming increasingly affordable. At International CES 2014, for example, Vizio announced the launch of a \$999 50-inch entry-level 4K TV.

4K creates major opportunities for broadcasters. But certain challenges must be addressed before these can be realized. To make the expense of 4K programming worthwhile, consumer demand needs to increase. This is starting to happen—18 percent of digital consumers are planning to buy a 4K TV in the next 12 months⁴. This will be accelerated by the accelerated rollout of ultra-high speed broadband.

Figure 2: Purchase intentions

Which, if any, of the following digital devices are you planning to buy new in the next 12 months?

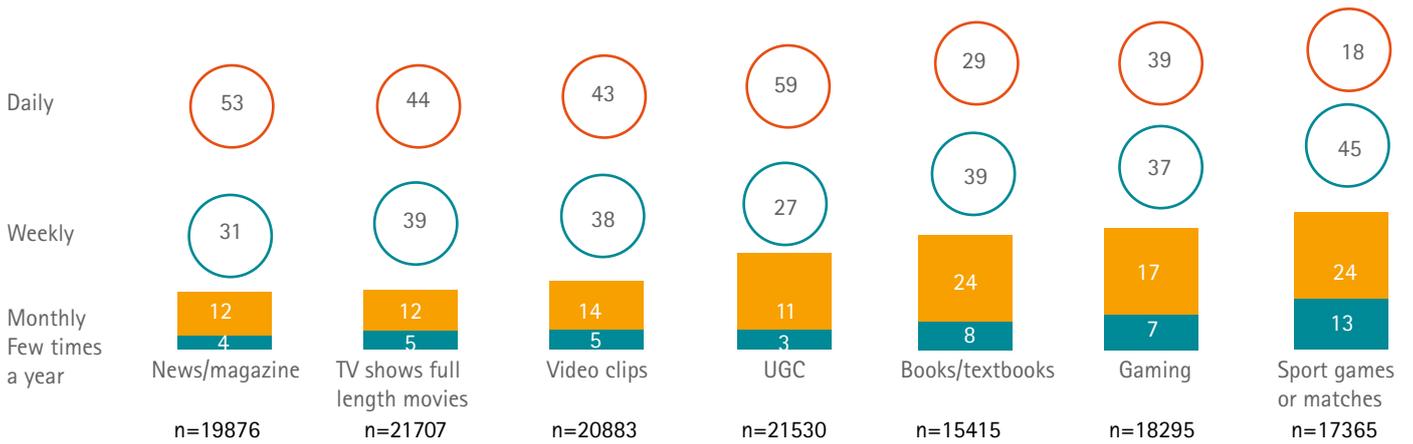


Sample base: all respondents
N=23,000
Figures in percentage
Source: 2014 Accenture Digital Consumer Survey

■ Planning to buy in the next 12 months in addition to my current device(s)
■ Planning to buy in the next 12 months as a replacement
■ Planning to buy and don't currently own

Figure 3: Frequency of digital content access

How often do you access the types of digital content you use?



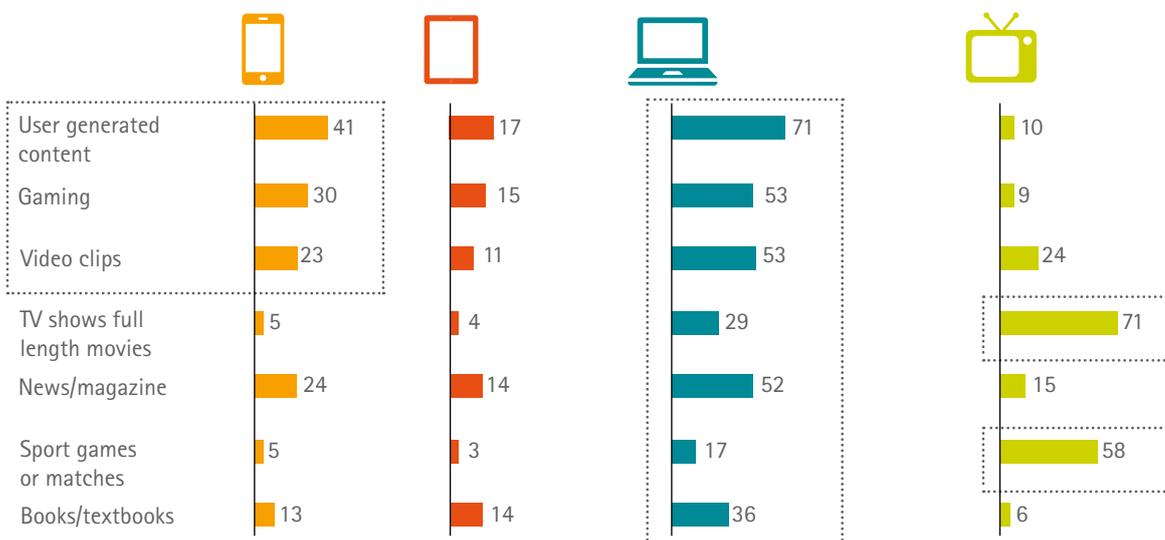
Sample base: respondents accessing digital content
 Figures in percentage
 Source: 2014 Accenture Digital Consumer Survey

In this multi-device world, half of all survey respondents and the majority of early adopters prefer to use multiple digital devices to access digital media and entertainment. We found that users are now obtaining a sizeable portion of their entertainment online and across a number of screens. New consumer propositions are blooming in this "Digital TV Spring"—from new players like Netflix to established incumbents like BBC iPlayer in the UK and YouView in the UK. And viewing behaviors are changing all the time. Forty-four percent of respondents now watch full-length movies or TV shows over the internet on a daily basis, and 39 percent do so weekly (see figure 3). Smartphones and tablets are generally preferred for short-term content produced by users (41 percent and 17 percent respectively) and video clips (23 percent and 11 percent respectively). (Figure 4)

Consumption habits are changing fast. As online content and research business PSFK points out, we are moving toward a system of three main screens: "The larger screen is a sit back and relax. There is the notebook screen which is the lean forward, create something. The tablet is going to be somewhere in between. The phone is the mobile user interface device⁵." Highlighting the decisive trend now underway, 2013 was the first year that the average time spent by users of online and mobile in the US exceeded the time spent viewing TV⁶. Broadcasters must adapt to this new world of multiple "first screens" by delivering a strong and seamless multi-screen experience. A prime example is HBO Go, which allows users to watch an HBO program on their mobile, then arrive home and launch the program via Apple TV, picking up where they left off.

Figure 4: Device usage

Which types of device(s) do you prefer to use when accessing different types of content?



Sample base: All respondents
 N=23,000
 Figures in percentage
 Source: 2014 Accenture Digital Consumer Survey

Data... the key to keeping consumers happy

Consumers may be spending more on devices than on content, but broadcasters now have an unprecedented opportunity to grab a larger share of the revenues that are available: 12 percent of our respondents are planning to increase their spending on video content over the next 12 months. To do so, they must be equipped to adapt the content experience and value proposition to each individual device, creating multiple different offerings at different price points. Broadcasters' ability to harness and analyze consumer data will be the critical differentiator.

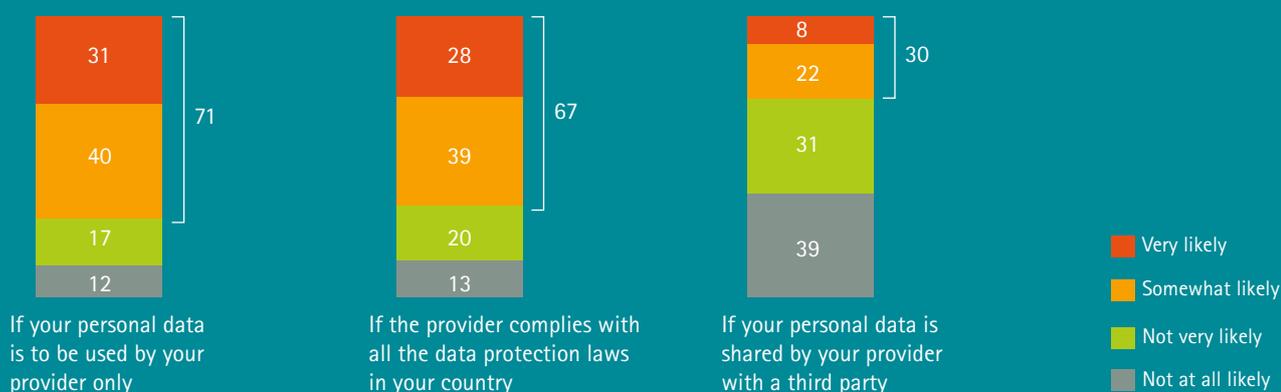
Although 55 percent of digital consumers worldwide are concerned about their digital privacy, the challenge is far from insurmountable. Sixty-seven percent of digital consumers are willing to share more personal data in return for additional services or discounts, provided local data protection laws are followed (Figure 5). As broadcasters move to offer new services and products based on consumer data, they must be ready to overcome current consumer scepticism by demonstrating the value in sharing that information. They must also gain and keep the consumer's trust if they are to keep this data exchange going (for example, by providing improved recommendations based on preferences or greater relevance, as with location-based services).

To remain relevant, broadcasters need to keep pace with the ways in which consumers interact with content. Mastering consumer data will be key to achieving this. The priority is to ensure 360-degree engagement in a multi-screen, consumer-driven content world.

Some digital providers are starting to address what consumers want. The recent release of Google's iOS app, Google Play Movies & TV, allows iPhone and iPad users to watch movies and shows purchased through Google Play via Wi-Fi in addition to allowing content to be streamed to TVs and sync media between different mobile operating systems (which is not a feature in iTunes)⁷.

Another example is a large US cable company that, in February 2014, launched X1 DVR with cloud technology and live in-home streaming in Boston. This service means consumers can now watch DVR recordings on devices in the home and download recorded content to take on-the-go.

Figure 5: Privacy versus benefits trade-off
Willingness to share personal data if service providers will offer additional services or discounts



Base: N=6021
Excludes D/N responses
Figures in percentage
Source: 2014 Accenture Global Consumer Survey

Digital disrupters... new competition for broadcasters

New consumer-centric business models are appearing in the media and entertainment industry all the time and increasing numbers of developers, device manufacturers, security and digital rights management companies, aggregation platforms and delivery networks are entering the market. Former content distributors, such as Netflix and Amazon, are getting into the content development game—and with great success. Netflix is expanding its reach all the time. The company recently announced that, from 2016, it will be the exclusive carrier of first-run movies distributed by the Weinstein company. Meanwhile, Amazon recently announced that it would soon be shipping a streaming device to compete with Google Chromecast and Roku⁸.

Others are following. Apple, Google and Samsung are continuously expanding the reach of their products and services, seeking further vertical integration and exploiting TV metadata to unlock new experiences. And these are the names we know about. In a digital environment, agile disruptors can and do appear without warning. Looking ahead, the combination of wearables, cloud-based TV apps and mobile services could result in a whole new range of personalized TV experiences.

To thrive in this complex new ecosystem, broadcasters must adapt fast to changing consumer needs, as well as reimagining how they operate. Legacy capabilities built around silos will not provide the strategic agility broadcasters need to move rapidly to meet consumer demands for content. Nor will they provide the capabilities needed to compete with younger businesses (like Netflix) that have, from the outset, built their organizations around new technology and data-driven insight.

The BBC provides an example of what can be achieved by broadcasters. This UK-based broadcaster established a set of 15 “web principles” to support its transition to the on-demand world with the launch of iPlayer (an online TV and radio app). Learning from the best practices of web companies, these principles included “Do not attempt to do everything yourselves,” “Fail forward, fast” and “The web is a conversation.”⁹ Using these, the BBC changed its operating model to deliver what is now an extremely successful on-demand service. Available on over 1,000 devices across mobile, tablet, computer and TV platforms, more than 10 billion programmes have been requested since its launch in 2007. There were 315 million requests in January 2014 alone—over 10 million per day¹⁰.

The way forward...

recommendations for broadcasters

In the volatile new media and entertainment ecosystem, two things are certain: disruptive trends will continue to emerge and consumers will remain in control, demanding more and more from their screens of choice. So what new technology enablers, capabilities and skills must broadcasters acquire to survive and thrive?

At a high level, they must move from being content-focused companies to become consumer-driven businesses with technology front and center in their operations. By “marrying art and science”—achieving an equal balance between their established content commissioning knowhow and must-have new digital capabilities and skills—they’ll be ready to understand what consumers want, as well as when and where they want it. They’ll also be ready to develop and deliver that content—to the right device, at the right price.

The ability to create, bundle and target multiple personalized content offerings at different price points, and across multiple screens, will be a key differentiator. Broadcasters that understand this have a great opportunity to set themselves apart from the competition and establish closer, more durable relationships with their audience.

Rethink the capabilities you need to be successful in a digital world

Highlighted by our latest Digital Consumer Research, consumer attitudes on how they engage with digital media and entertainment have become much more complex. As the number of devices and screens has risen, new expectations have been created when it comes to accessing content, video quality and providers.

With so many new providers and new business models, competing for consumers’ content—at the right price—becomes more important than ever. To do so, we believe that broadcasters need new capabilities to drive success in the digital marketplace, including:

Agile operations: As they adapt to changing consumer needs, broadcasters need to rethink how they operate. The challenge of multiple file formats on multiple distribution networks, delivered to a whole universe of devices, will push broadcasters to reconsider the role of technology. To remain competitive, they need to become more tech-savvy. The separate, siloed worlds of IT, engineering and R&D cannot provide the strategic agility needed to meet consumer demands for content. Nor will it provide broadcasters with the means to compete with younger businesses that are unencumbered with legacy systems. IP-based delivery and cloud computing enable broadcasters to be more like startups, with the ability for continuous rapid prototyping and data-driven experimentation. New IT-service oriented architectures that orchestrate complex consumer services across devices will need to overcome siloed architectures. This will be key to keeping pace with web and mobile first-disruptors like YouTube and Instagram. Crucially too, new IT components—from rights management, ad serving and content management systems to recommendation engines and digital supply chain—will start to take the lead in broadcasters’ traditional hardware-centric environments.

Content performance management: Already broadcasters’ most expensive asset, trends suggest content will become even more expensive. This means that the way content use is planned, executed and controlled will make a big difference to value creation. The alignment and integration of TV rights management and financial planning and control (content performance management) will therefore be key to preserving the balance between capital invested in content and its returns. Content performance management covers three related aspects: (A) Broadcasters need to introduce product/rights-centric profitability models with a hierarchy of program/channels/genre profit and losses (P&L’s) that add up into the company’s P&L, as well as defining a set of consistent rules to allocate costs and revenues. (B) The profitability of the product portfolio should be analyzed to drive editorial decisions. Product-centric profitability analyses over actual data from the recent past should feed strategic and editorial planning. P&L budgeting should then be informed by a product profitability budgeting phase and result from the application of P&L structure and allocation rules. (C) Content decision-makers need to develop a new profitability-focused mindset, with managers being made responsible for asset utilization and price/cost variance.

Analytics and technology capabilities: The proliferation of digital devices means that a wealth of new usage data is being created. Instead of having to rely on consumer research and "overnights" to track this information, broadcasters can have the insights they need in real time—provided they develop the capabilities required to harness, manage and mine consumer data. Where incumbent broadcasters can compete most effectively is by "marrying art and science"—combining existing editorial and commissioning skills with the IT and analytics technologies they need today. The objective must be to adopt a more analytical approach to consumer data and other sources so that content and new consumer propositions can be developed faster, and with a higher success rate. Hand-in-hand with the advanced data and analytics technologies needed to drive their core processes (pricing, customer acquisition and retention, content offerings and advertising), broadcasters must invest in the new skills they'll need. As they seek to reorganize in pursuit of this goal, putting technology at the heart of all functions, they will need to overcome some major talent challenges. To attract digital engineers away from the Googles and Facebooks of the world, they must learn to draw on what makes them unique—their ownership of content, from creation to distribution. Properly articulated, this will be a persuasive proposition.

New horizons: where's the Spotify for TV?

Beyond question, digital TV has come of age. A virtuous circle of opportunity is spinning faster all the time. Driven by consumer demand for multiple devices, we are approaching a point where there will soon be more screens than people on Planet Earth. Consumers are ready to pay more to get the level of service they require. And the faster broadband that will meet their expectations is now being rolled out. Taken together, this adds up to a new world of opportunity for all participants in the media and entertainment world—from telcos and cable providers to online video providers and incumbent broadcasters.

New customer propositions are appearing all the time and organizations are still jostling for position. The market is growing fast—and, for the moment at least, the field is wide open. Broadcasters have an outstanding opportunity to seize the initiative. To do so, they must evolve from a traditional focus on content to become CONTENT+TECHNOLOGY companies, with IT skills embedded throughout the enterprise.

We will start to see new technology-enabled broadcasters that mesh the industry knowledge and content production workflow typical of an engineering department with the enterprise, solution and delivery architectures typical of an IT department—all combined with the understanding of devices and consumers typical of new media.

Broadcasters that achieve this transformation will be equipped to disrupt new markets—and not just in the media industry. Huge opportunities exist in the developing world. Countries like India, with relatively low TV penetration, will quite possibly leapfrog straight to smartphone and mobile for TV/content access. This trend is already playing out in the Middle East and North Africa. In Saudi Arabia, where more than half the population is under 35, the internet is the preferred channel for content. Time spent on YouTube there has surged fivefold in the past in the past year, to the extent that Saudi residents now watch more hours of YouTube content per capita than anywhere else in the world¹¹.

Broadcasters have an unprecedented opportunity to stake their claim in the new consumer entertainment marketplace. The Spotify for TV could be coming soon.

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About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 289,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

Acknowledgements

We'd like to acknowledge the significant contributions of Bouchra Carlier, Senior Manager within Accenture Research, a global organization devoted to Business and Strategic analysis. Bouchra leads Media and Entertainment high performance research globally.

About the survey

The Accenture Digital Consumer Survey was conducted online between October and December, 2013, with 23,000 consumers in 23 countries: Australia, Brazil, Canada, China, Czech Republic, France, Germany, India, Indonesia, Italy, Japan, Mexico, Netherlands, Russia, Saudi Arabia, South Africa, South Korea, Spain, Sweden, Turkey, United Arab Emirates, the United Kingdom, and the United States. The sample in each country is representative of the online population, with respondents ranging in age from 14 to 55 and over. The survey polled respondents about their daily consumption of online content across a number of devices and video screens.