Foreword

As Media & Entertainment industry lead, it is my pleasure to release the latest issue of our Bringing TV to Life series.

Bringing TV to Life was established in 2010 as an annual commentary over the nascent Video over IP industry brought to you by the Accenture Media & Entertainment practice and Accenture Digital Video. Over the last six years, the OTT-TV market has become more mature and has begun to confirm much of its incredible potential, evolving to become a mass-market phenomenon with great penetration across virtually all industrialized economies. During this period, we have looked at the forces in the marketplace, forecasted how existing and future trends will shape the market, and provided what we believe are important suggestions for how our clients can react. We remain very bullish about OTT-TV as it continues to evolve its consumer offerings, business models and supporting technology innovation to serve an increasingly sophisticated consumer. Constant revolution and disruption are nothing new for those working in digital entertainment. Even by those standards, the pace of change in recent years has been exceptional—but it is fast becoming the norm.

This year’s issue, authored by Sef Tuma, our Accenture Managing Director and Digital Video Strategy Lead, offers unique insight on the broad OTT-Video ecosystem as the collaboration models between traditional Content Providers and Aggregators become strained. We are witnessing a battle for the digital consumer of seismic proportions and this requires facing the digital future without fear of cannibalizing legacy business models. Becoming a Digital Video business at scale today requires a new approach to investment but is the ticket price for a successful future.

Francesco Venturini
Global Media & Entertainment Lead
The Digital Video Business

Over the past 15 years, video has been the only part of the media industry to sidestep the full impact of digital disruption. The video industry (spanning theatrical, home entertainment, pay TV, advertising-funded and free-to-air models) has remained relatively immune from the trends that have swept music, publishing and other branches of the media industry.

This is all beginning to change, with a wave of disruptive innovation now engulfing the video industry. Trends that until recently have held sway—rising production costs, traditional value chains, non-disruptive investments, heavy policing of piracy threats and unmet consumer demand—are becoming unsustainable. As the industry transforms itself, the stakes are high: the value of the global video market surpasses $500 billion.

As growth slows in many traditional areas of the video industry, established companies face the formidable challenge of capturing new growth while protecting their existing business. To succeed, these incumbents will need to make some critical decisions about where they fit into the industry’s emerging value chain, which is centered around IP distribution of video.

In this evolving value chain, the value of leverage points such as infrastructure (e.g., distribution networks, traditional STB devices), sales and traditional customer relationship management is falling, as digital capabilities and platforms are beginning to change how customers are served. At the same time, scale of reach, quality of experience, data-driven operations, ubiquity and seamlessness across devices are becoming increasingly critical sources of competitive advantage.

An important consequence of this change is that collaboration between traditional Content Providers and Aggregators are becoming strained, as consumer behaviors evolve and as new business and associated operating models begin to capture a greater share of the market.

Accenture defines and highlights two capability models that offer traditional Providers and Aggregators an opportunity to reinvent themselves and maintain their relevance in the industry’s rapidly changing value chain:

**Digital Content Providers (DCPs)** are a new breed of business looking to serve content across a wide array of different digital channels, including OTT and IP distribution. Sometimes DCPs will offer content directly to consumers; in other cases, they will provide it through collaboration with Digital Content Aggregators.

**Digital Content Aggregators (DCAs)** are digital video aggregation platforms designed to package multiple DCPs to consumers. In contrast to traditional Aggregators, DCAs focus more on providing the data and platforms, such as media distribution and targeting services, that DCPs need to engage with audiences directly.

The time to act for traditional Providers and Aggregators is now. As the pace of disruption in the industry accelerates, the relative size of the investment needed to enable change will only grow significantly, especially as gaps in capabilities widen.

A reluctance to adapt will lead to declining growth opportunities and most likely a fall in market share.

**Companies need to make three fundamental decisions:**

- What type of digital video business do you want to be?
- How are you going to build the capabilities needed to be successful?
- In the event you need to collaborate, how can you do so in a way that helps maximize leverage and profitability in your business transactions?

In this issue of *Bringing TV to Life*, Accenture aims to help video businesses answer these questions. It focuses on the roles of DCAs and DCPs, and the relationship between them, outlining some of the challenges that each face. Accenture also helps to identify the capabilities and strategic options that both Aggregators and Providers need to consider to stay ahead of disruption in the digital video market.

In short, this perspective is intended as a guidebook for transformation, empowering traditional Providers and Aggregators to help capture growth, protect market share and drive profitability in both established and emerging businesses.
All change: an industry in flux

Constant revolution is nothing new for those working in digital entertainment. But, even by the standards of the media industry, the pace of change in recent years has been exceptional.

Disruption has driven growth across the digital video industry, but the stand-out success has been the over-the-top (OTT) segment, which has been responsible for the vast majority of annual growth (Figure 1)—a trend that most analysts agree is likely to continue.

Moreover, the growth in traditional markets is not a given for many incumbents, as both churn and average-revenue-per-user (ARPU) pressures hit their business, meaning they will need to become nimbler, to both protect their existing growth trajectory and augment it with OTT.

Key trends

This growth has been propelled by both advances in technology and changes in consumer behavior and expectations:

**Technology trends**

Continued infrastructure upgrades, in particular fiber-based high-speed broadband, have made OTT propositions a reality. Faster broadband (in January 2015 the Federal Communications Commission upgraded its definition from 4Mbps to 25Mbps¹) has reduced barriers to entry for new players, who are able to optimize delivery of video on unmanaged networks. HD (and ultimately 4K) have also raised customer expectations, enabling businesses to differentiate between quality and “freemium” content. At the same time, cloud technology and big data have provided businesses with an affordable way to personalize services, increasing engagement and the value of advertising.

**Consumer trends**

Consumers can buy ever cheaper yet more sophisticated devices and now expect constant connectivity and immediate video provisioning across all their gadgets. The portability of devices is changing content consumption trends, both for long-form and short-form video audiences. Another trend sees video services that have sprung from the internet rather than broadcasting tending to offer more free content or lower-cost subscriptions. To an extent, this has set the bar for consumer expectations and influenced their willingness to pay subscription fees. The proliferation of OTT services is popular with consumers, but the increased competition it brings challenges the value of existing carriage agreement deals.

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An evolving value chain

Much OTT growth has been driven by new market entrants who have been investing significantly in “webscale” platforms. These players have no legacy business, granting them considerable commercial and creative freedom, especially if they can procure premium content rights. To position themselves for future growth and take advantage of disruption, established businesses need to make choices about how to pivot. While roles in the traditional value chain (see Figure 2) haven’t yet materially changed, their relative attractiveness is in flux.

However, a transformation of the value chain is under way. Two important emerging business models lie at the heart of this change: Digital Content Providers (DCPs) and Digital Content Aggregators (DCAs). (See callout box on page 6.) To stay relevant in the new industry value chain, traditional Providers and Aggregators will need to consider implementing one of these models.
From traditional Content Providers to Digital Content Providers (DCPs)

Traditional Providers typically own or acquire rights and monetize them across different distribution channels. With either a business-to-business (B2B) model—striking carriage deals and selling advertising—or a model based on offering premium subscriptions to consumers, they manage content programming, curation, scheduling and linear distribution, while relying on Aggregators for the consumer relationship. The reliance on advertising revenue drives a focus on market share, and winners distribute to as many platforms (satellite, cable) as possible. That scale is important, and without it many traditional Content Providers have struggled to launch, for example, their own direct-to-consumer (D2C) models.

Traditional Providers are best placed to pivot into Digital Content Providers (DCPs). This new breed of business aims to serve content it has acquired or produced across a wide array of different digital channels, including OTT and IP distribution. Sometimes DCPs will offer content directly to consumers; in other cases, they will provide services through collaborations with DCAs. Netflix is a high-profile example of a D2C DCP, as an OTT provider that exploits content rights through subscription services. Not all traditional Providers will be able to adopt a D2C model of this kind, as it requires significant global scale to drive growth and profitability. Instead, these Providers will need to work out how to collaborate effectively with DCAs to deliver content.

From traditional Aggregators to Digital Content Aggregators (DCAs)

Traditional Aggregators consolidate content from multiple Providers and serve it to consumers, providing them with a broader content proposition through subscription services. Cable companies, such as Comcast in the US, own networks that market, sell and fulfill video services to consumers. They own the customer relationship, packaging and bundling Providers, and rely on audience scale in negotiations with Providers to create a profitable subscription business.

But a new generation of Digital Content Aggregators (DCAs) is being born. In Europe and elsewhere, telcos are increasingly becoming digital video aggregation platforms. BT now competes with Sky and Virgin Media in the UK, providing broadband, phone, TV and now mobile packages. They deliver content through their broadband network without the same number of carriage agreements, enabling FTA and OTT networks through the YouView platform.
DCPs are transforming the role of traditional Providers by becoming more digitally enabled organizations. They are using their creative abilities as curators to forge engaging and interactive experiences around the content they supply. Some DCPs with the requisite scale will be able to adopt direct-to-consumer (D2C) models, but others will need to collaborate with DCAs to meet consumer demand for content.

Consequently, the role of traditional Aggregators is also changing as DCAs focus more on providing the data and platforms, such as media distribution and targeting services, that DCPs need to engage with audiences directly. Figure 3 illustrates how the evolution of Providers into DCPs and Aggregators into DCAs is reshaping the industry value chain.

DCPs and DCAs have the most to win—and the most to lose—in this changing environment. Industry moves suggest increasing flexibility in business models, as companies innovate to discover their optimum position in the new value chain.
FIGURE 4 | Comparison of expenses of a Traditional Content Aggregator (Comcast Cable)
Comcast Cable: Expenses as a percentage of video revenue. Source: Accenture analysis, company data

<table>
<thead>
<tr>
<th>Cost of Revenues</th>
<th>Technology &amp; Development</th>
<th>Marketing</th>
<th>General &amp; Administrative</th>
<th>Other</th>
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<td>2013</td>
<td>44%</td>
<td>26%</td>
<td>14%</td>
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<tr>
<td>2014</td>
<td>47%</td>
<td>27%</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>2015</td>
<td>49%</td>
<td>27%</td>
<td>16%</td>
<td>8%</td>
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</tbody>
</table>

FIGURE 4B | Comparison of expenses of a Digital Content Provider (Netflix)
Netflix: Expenses as a percentage of revenue. Source: Accenture analysis, company data

<table>
<thead>
<tr>
<th>Cost of Revenues</th>
<th>Technology &amp; Development</th>
<th>Marketing</th>
<th>General &amp; Administrative</th>
<th>Other</th>
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<tbody>
<tr>
<td>2013</td>
<td>71%</td>
<td>9%</td>
<td>11%</td>
<td>4%</td>
</tr>
<tr>
<td>2014</td>
<td>68%</td>
<td>9%</td>
<td>11%</td>
<td>5%</td>
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<tr>
<td>2015</td>
<td>68%</td>
<td>10%</td>
<td>12%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Traditional content aggregators face rising programming costs, as they have little flexibility with channels and bundling. In contrast, DCPs can manage programming costs by leveraging data and analytics, allowing them to have relatively significant content propositions without requiring participation in an aggregated service/product bundle. In addition, increases in technical and product support costs are a common feature of traditional content aggregators—for example, Comcast still need to bear expensive infrastructure and technical support cost for the number of devices and associated services they offer the market. DCPs such as Netflix can, on the other hand, help reduce content delivery costs by optimizing delivery across different channels and devices, leveraging purely cloud technologies for infrastructure, and by digitalizing their support model, mainly through the use of innovative software. This allows technology budgets to be primarily reserved for continued software development and less for infrastructure (Figure 4).

In a digitally disrupted ecosystem, traditional Providers fret about the power of aggregators and their own increased distance from their audiences. Traditional Aggregators, meanwhile, face stiff competition and need to court a range of Providers to appeal to fickle consumers. Both traditional Providers and Aggregators are responding by experimenting with new business models and, in some cases, moving towards a DCP or DCA model:

**DirectTV**

Aggregator consolidation

Merger and acquisition activity has been driven by traditional Aggregators wanting to grow their subscriber base, helping them to diversify offerings and drive up ARPU. A recent example in the US is AT&T’s $49-billion acquisition of DirecTV.2 In March 2016 AT&T announced it would be launching three digital-only streaming services, which don’t require an annual contract, a satellite dish or set-top box.3

**SLING TELEVISION**

From Aggregator to DCA

Some aggregators are starting the transition to a DCA model. DISH, with its Sling TV offering, is an example of an aggregator moving in this direction. Sling TV is targeted at millennials and consumers who don’t have a pay TV subscription. Launched in 2015, in its first year it acquired around 500,000 subscribers.4

**NOW TV**

From Aggregator to D2C DCP

Some Aggregators are looking for different ways to leverage their content relationships to attack the OTT market and capture a new audience. An example is Sky’s D2C Now TV service, which acquires rights and acts as a DCP, while its parent, Sky, continues to operate as a traditional Aggregator.

**HBO NOW**

The rush to OTT

Traditional Providers are beginning to expand their OTT offerings into direct-to-consumer (D2C) services. HBO Now, Showtime, CBS All Access and Hotstar are examples of stand-alone streaming services that were launched in 2015.

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Meanwhile, digital natives are also assessing how best to position themselves—whether as a DCP or a DCA—in the industry’s shifting value chain:

**YOUTUBE RED**
*From DCA to DCP*

Google’s move into subscription video on demand (SVOD) is an ad-free subscription service in the US, launched in October 2015. It’s YouTube’s first significant move to becoming a rights holder.

**NETFLIX**
*From DCP to global DCP*

Netflix recently announced expansion into 130 countries, bringing their total reach to 190 countries. The firm already has more than 69 million subscribers in more than 50 countries.

**AMAZON PRIME**
*From DCP to DCA*

Amazon launched a new initiative called “Streaming Partners Program” that allows Prime members to add subscription programming to their Prime video service. For instance, users can add video content from Starz and Showtime to their membership for an additional monthly fee.

**Staying ahead of disruption**

Traditional Providers still need to grow audience scale by working with as many traditional Aggregators as possible; exclusive vertical integration with a single Aggregator without global scale has rarely proved to be a winning strategy. And the pressure to own the consumer relationship (and, consequently, subscription revenues) as digital becomes ever more important, means many are exploring D2C OTT propositions, though more as lateral than primary strategic moves.

For DCAs, the growth of IP and OTT services has increased consumer choice, meaning they now need to relate to two customers: their users and the DCPs they support. Some have now created D2C Provider propositions, even though these may cannibalize their pay TV business.

Whatever the strategy adopted by each business, it’s clear the pivot requires investment. This could be in content creation or acquisition, building new capabilities and services or optimizing distribution costs with an eye on quality of experience. The collaboration between DCAs and DCPs is key. Although some companies will diversify, testing both DCA and DCP roles, ultimately each must decide which type(s) of business they intend to operate and start building for success now.

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An accelerating wave of disruption is transforming both the traditional and digital video industry. Conventional business models are under pressure, squeezed by shifting customer expectations and competition from digital rivals. Traditional Content Providers and Aggregators will need to adopt new business models to capture growth, protect market share and boost profits.

**Five key strategies to become a Digital Content Provider (DCP)**

1. **WORK TOGETHER WITH PLATFORMS AND DEVICES**
   A DCP’s ability to scale audiences and grow profitability may depend on its success in building mutually beneficial relationships with DCAs.

2. **MOVE FAST**
   High-performing DCPs must be able to rapidly test new consumer experiences and business models so that they can respond with agility.

3. **STAY CLOSE TO THE CUSTOMER**
   One-to-one relationships between business and consumer are most likely to return future revenues, so DCPs may decide to diversify into multiple models (D2C, TV, marketing only), to serve the consumer and promote loyalty. This requires new capabilities (including an understanding of identity) that neither have traditionally needed to optimize their business.

4. **GET NOTICED**
   DCPs need to use new techniques—in content and brand marketing, and curation—to build brands with a personality and positioning that customers understand.

5. **SUPPORT MULTIPLE BUSINESS MODELS**
   Given the accelerated segmentation of digital consumer behaviors and the importance of scale to their business model, DCPs need to be able to launch different propositions using a shared platform. This allows them to efficiently exploit their content investments while maintaining their editorial voice, helping them to acquire viewers and sustain consumer loyalty in a manner that is both agile and consistent.
DCAs
Digital Content Aggregators

are digital video aggregation services that focus on supplying the data and platforms that DCPs need to engage audiences, while providing a consolidated offering to consumers.

1. ALLOW CONTENT TO REMAIN KING
Content is still the most decisive factor in a customer’s choice of provider. A unique and relevant content line-up will remain an important source of competitive advantage. Creating the perception of endless content to multiple different segments of diverse interests will be the key to optimizing new consumer bundles.

2. SCALE UP TO SUCCEED
A large viewer base and footprint attract content providers and enhance a DCA’s ability to segment its customers accurately and deliver more relevant user experiences.

3. DIFFERENTIATE THROUGH QUALITY OF SERVICE AND EXPERIENCE
Quality of service and experience are vital differentiators: the better a DCA performs, the more interest it can attract from content owners and DCPs.

4. ACCELERATE NEW DIGITAL CAPABILITIES TO SUPPORT THE ECOSYSTEM
A DCA needs to be an enabler for DCPs looking to engage customers directly—creating a platform for innovation not only in technology but also in content curation and editorial. Tighter cooperation can maximize value for both partners, avoiding duplicated costs and efforts.

5. AGGREGATE INSIGHTS
DCAs are in a unique position to understand customer behavior. They can use these insights to improve their services and to provide a value-add to DCPs looking to learn more about their customers.

6. LEVERAGE THE LIVING ROOM ADVANTAGE
Through their ownership of consumer premises equipment (CPE), most DCAs hold a clear advantage in the battle for the living room. But leading DCAs need to find distinctive new offerings to set themselves apart from the crowd.

7. BUILD TRUST
By fostering consumer trust and serving consumers wherever they are, DCAs can become the preferred route for customers to access digital services, putting themselves at the heart of an ecosystem of providers.

New business models for the digital video industry

Seven key strategies to become a Digital Content Aggregator (DCA)
Digital Content Providers (DCPs)

Pressure is growing on broadcasters and other traditional Providers in the digital video industry. Traditional business models are being squeezed by the dual threat of declining audiences (as more viewers become cord cutters) and the migration of advertising spend to online. At a time when shareholders are expecting growth, this is creating challenges, forcing Providers to adopt innovative strategies and explore new areas to forge growth.

Accenture’s analysis suggests that traditional Providers can potentially benefit from considering two (not mutually exclusive) strategic options, which can help their transformation into Digital Content Providers (DCPs):

Integration with Digital Content Aggregators (DCAs)

Most traditional Providers are focusing on this strategy, and it’s a particularly appropriate path for brands with specific compelling content, niche output or an ambition to address a variety of geographic markets without significant marketing spend. The potential benefits spring from the rapid growth and scale derived from access to large digital audiences, which unlocks increased revenues through advertising services and shared subscription fees.

Typically, access to market is through syndication deals with platforms (both broadcast and digital). The extent to which platforms intermediate between the DCP and customer varies, with two models prevailing:

**Digital business-to-business (B2B) model** is a straightforward content-supply and revenue approach. The DCP gains little insight about the end-consumer but does not need to invest in the infrastructure required for industrialized digital business-to-consumer (B2C) capabilities. This is effectively moving more towards a studio model where content portfolio management becomes more important than digital consumer engagement.

**Digital business-to-business-to-consumer (B2B2C) model** offers a more sophisticated approach where the Digital Content Aggregator (DCA) acts as a platform but does not wholly divorce the DCP from its end-consumer, allowing the DCP to partially own that relationship. This is a less conventional relationship because it gives the DCP some control of the consumer’s experience of the content coupled with an understanding of consumer identity (e.g., shared authentication)—both of which have not been typically granted on traditional platforms.

**Becoming a direct-to-consumer business**

This strategy is most suited to DCPs who already have access to a digital consumer base and offer a broad range of curated content. To benefit from a direct-to-consumer (D2C) strategy at scale, a DCP will need to acquire, maintain and monetize the customer relationship. Digital product development capabilities, with competitive speed to market, will be required to keep pace with content platforms. Enhanced curation tools will help to generate customer loyalty. If successful, a DCP will potentially benefit from a diversified business with a direct relationship with its customer base, a possible income stream from subscriptions, and an enhanced ability to segment audiences to maximize advertising revenue. But that is a pretty big “if.”

Building on these two strategic options, we have identified several themes for traditional Providers to focus on as they look to transform their business (Figure 5). For each of these themes, we highlight strategic tools that Providers can employ to overcome the challenges they face in these areas, helping them move towards a DCP model.
### FIGURE 5 | Strategic options for Providers looking to transform into DCPs

**Source:** Accenture

<table>
<thead>
<tr>
<th>Traditional Content Provider Capabilities</th>
<th>Challenges</th>
<th>New DCP Capabilities Required</th>
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<tr>
<td><strong>PROGRAMMING &amp; PLANNING</strong></td>
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<tr>
<td>• Multi-platform planning</td>
<td>• Reaching audiences cross-device and platform</td>
<td>• Integrated multi-channel engagement and scheduling</td>
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<td>• Multi-platform format creation</td>
<td>• Retaining the brand’s hallmarks</td>
<td>• Multi-distribution product development</td>
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<td>• Linear scheduling and programming</td>
<td>• Managing customer relationship across platform</td>
<td>• Segmentation-informed curation and commissioning</td>
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<td>• VOD catalog planning and management</td>
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<td>• Digital content optimization</td>
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<td><strong>RIGHTS MANAGEMENT</strong></td>
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<td>• Content financial and budget</td>
<td>• Managing rights and entitlements across platforms and devices</td>
<td>• Multi-business-model platforms</td>
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<td>• Market screening and sourcing</td>
<td>• Supporting mixed business models to increase average revenue per user</td>
<td>• Multi-channel content repurposing and supply chain</td>
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<td>• Distribution and licensing</td>
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<td>• Content performance and analytics</td>
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<td><strong>CONTENT PROCESSING</strong></td>
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<td>• Content acquisition and quality control</td>
<td>• Supplying and managing multiple content and metadata variants</td>
<td>• Multi-business-model platforms</td>
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<tr>
<td>• Content management</td>
<td>• Support curation and recommendation tools</td>
<td>• Multi-channel content repurposing and supply chain</td>
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<td>• Archive management</td>
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<td>• Content processing</td>
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<td><strong>CONTENT &amp; SERVICE DELIVERY</strong></td>
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<tr>
<td>• Broadcast playout and control</td>
<td>• Delivering quality multi-platform experiences</td>
<td>• Multi-business-model platforms</td>
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<td>• Protecting rights across a multi-platform environment</td>
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<td>• Content protection</td>
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<td><strong>CONTENT PRODUCTION</strong></td>
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<td>• Commissioning effective content with good return on investment</td>
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<td>• News production</td>
<td>• Engaging audiences with compelling propositions</td>
<td>• Interactive and innovative content experience</td>
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<td>• Program and promotion production</td>
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<td>• Sport and live event production</td>
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<td><strong>CUSTOMER PROPOSITIONS</strong></td>
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<td>• Branding and digital marketing</td>
<td>• Personalizing offerings</td>
<td>• Integrated multi-channel engagement and scheduling</td>
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<td>• Digital sales</td>
<td>• Maintaining one-on-one customer relationships</td>
<td>• Multi-business-model platforms</td>
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<td>• Customer and audience analytics</td>
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<td>• Interactive and innovative content experience</td>
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<td>• Social interaction</td>
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<td><strong>ADVERTISING</strong></td>
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<td>• Marketing and commercial offers</td>
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<td>• Digital ad optimization</td>
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</tr>
<tr>
<td>• Digital ad operations</td>
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</table>
**Work together with platforms and devices**

A DCP’s ability to scale audiences and grow profitability depends in part on their success in building beneficial relationships with DCAs.

A major difficulty for DCPs when they engage with DCAs is a lack of control over how users experience their content. DCPs need to find ways to control how their brands appear to the end-customer, surface and promote suitable content, analyze their success, and collaborate with the platform and other tenants. DCPs should boost their firepower by adding capabilities such as “integrated multi-channel engagement & scheduling” while maximizing their return on investment through “digital content optimization.”

We highlight three particularly important areas for DCPs to focus on:

**User experience and engagement.** DCAs own the user experience and sometimes determine the technical quality of service. DCPs can bring consistency of look and feel to the programming they are promoting, while also significantly reducing costs, through the effective use of application programming interfaces (APIs) and software development kits (SDKs). Automation tools can help DCPs monitor “real world” usage, measure performance and evaluate consumer experience.

**Marketing and advertising.** DCPs will need to shift their marketing focus from just one output channel and liaise with aggregators over the way their content is marketed—in terms of both direct content marketing and broader awareness marketing. This may compel DCPs to adjust their operating models to resolve clashes in their marketing focus, schedules and windows between their D2C, DCA partners, and broadcast propositions. A flexible platform to support them concurrently may be required.

**Data sharing.** DCPs currently receive limited data or even a limited understanding of identity from DCAs—often it’s only performance data that is shared. Our analysis suggests that considerable value could be created if DCAs shared data or most likely data services more widely with DCPs—changing the nature of their relationship. DCPs could leverage insights from this data to identify, for instance, which audience niches are underserved or over-performing, while exploring new channels, content types and audience segments. However, tools to facilitate business services powered by shared data are few and far between, and we believe that strengthening this relationship is a sizeable business opportunity to be explored.

**Move fast**

Shareholders want to see rapid growth. To maximize its revenues, a DCP will need to acquire customers rapidly—and keep them.

Delivering a consistently high-quality product at speed and at scale is hard. High-performing DCPs must be able to test new consumer experiences, business models and marketing messaging so they can respond and adapt in an agile and timely manner. Because this flexibility and agility will be vital for DCPs as new market opportunities open, they will need to be able to create “multi-business-model platforms” supported by “multi-distribution product development.”

Relying on continual iterations of legacy technology delivery platforms is a risky strategy. These legacy systems often spread their tentacles deeply through an organization, causing integration problems and inefficient product development wherever they surface. The challenge is to deliver an appropriately sized new platform with capabilities to support the business as it develops, but not to waste money through pre-emptive over-specification.

Cloud-based systems can support rapid growth in this way. Increasingly, Accenture is seeing clients choosing to build modular, scalable cloud architectures based on a micro-services philosophy. This allows appropriate technologies to be used for each feature, while providing the ability to rapidly scale and deploy new capabilities—and support a wide array of different business models both locally and globally without significant capital expenditures. These technologies touch—and can even transform—the entire approach to serving the audience. Ultimately, they can unify an organization into a single, efficient operation for managing content, customers and advertisers, as well as the interactions between all three.
Successful DCPs need to build brands that stand out, with a personality and positioning that customers understand. The journey to building a loyal audience begins with getting noticed, which requires stronger capabilities in digital marketing and branding. The production of original content can kick-start this process, by attracting the creative talent that is needed to establish an attention-grabbing marketing platform. That said, building capabilities such as “direct marketing to drive scale” and “segmentation-informed curation & commissioning” will also be critical to maximizing reach, optimizing revenue and, ultimately, remaining viable in the B2C game.

Marketing efforts by DCPs will need to be focused on two parallel streams:

**Content marketing.** Consumers today face a bewilderingly vast choice of content. To stand out, DCPs must restructure their capabilities to promote consistent engagement across digital channels. Planning and promotion-management tools must be deployed to support the brand and schedule the release of content, creating a coordinated content-marketing strategy across outlets and social media, deployed at the pace consumers expect. Metadata is becoming increasingly important to personalized content marketing. A successful business will drive revenues by marketing the same piece of content with different “feel” to a variety of audience segments. This is not entirely foreign as traditional Providers have created different promotions for their programming to different segments on linear TV. Finally, businesses need a feedback loop. For many traditional Providers this will be a fundamentally new capability: a business horizontal that can capture individual usage data and generate insights to drive new revenues, by reviewing the effectiveness of marketing activities.

**Brand marketing and curation.** Consumers appreciate a trusted guide, and the way that content is curated can tip the balance between success and failure. For D2C DCPs seeking to attract an audience who will return frequently, curation can be a vital means of differentiation. Fundamentally, this represents a transition away from traditional scheduling capabilities to a model where the selection and promotion of material is focused on driving consistent engagement. To make this transition successfully, DCPs will need to develop a number of important capabilities. These include:

- Creating tools to lower the supply-chain costs of curation: for example, by facilitating content browsing and supporting horizontal catalogues to aid serendipitous research, thus reducing costs.

- Improving content packaging and catalog planning: providing the right metadata and catalogue-management tools allows a curator’s personality to burst through to the consumer.

- Testing and refining strategies: KPIs must be consistently measured, so that the effectiveness of curation in driving engagement can be accurately evaluated.
Stay close to the customer

It’s increasingly clear that services based on one-to-one relationships between business and consumer are best placed to return future revenues.

For a DCP this can mean diversifying into a D2C model to boost scale and reach, enhancing its ability to monetize assets. In those D2C models, DCPs will need evolved capabilities including “digital content optimization” and “interactive and innovative content experience,” as they strive to increase loyalty while balancing their portfolio of content investments.

For many traditional Providers, this move—from a broadcasting to a retail model—is the most radical change in their history. Digital technologies have made this an affordable ambition, and most DCPs have little legacy in this area to act as a brake. However, few are already equipped to handle the customer relationship management challenges of acquiring and then retaining potentially millions of customers in one go. This presents two specific challenges:

**Subscription customers demand a high quality of service**, measured in both technical and human terms. There is a new billing relationship to be established, customer-lifecycle and churn management becomes important, and the requisite direct marketing skills are rarely present in a DCP’s marketing department.

**Handling vast volumes of customer data** will become a crucial requirement for businesses dealing directly with millions of users. Investment in a data platform will be needed, resulting in a horizontal business capability that can support marketing, sales, loyalty and churn management, to directly boost revenues.

Managing this transition will be a fundamental change for organizations unused to direct marketing to individuals. They will need to identify an individual customer’s specific needs and match a proposition to them, without appearing “creepy.” Faced with a mountain of data, DCPs must be able to link up the cross-device activity of individuals, analyze it at the level of an individual consumer, derive insights and feed initiatives that can influence their KPIs around engagement or monetization (e.g. direct marketing campaigns).

Support multiple business models

Shareholders want to see rapid growth. To maximize its revenues, a DCP will need to acquire customers rapidly—and keep them.

Given the accelerated segmentation of digital consumer behaviors and the importance of scale to their business model, DCPs need to be able to launch different propositions using a shared platform. This allows them to efficiently exploit their content investments while maintaining their editorial voice, helping them to acquire viewers and sustain consumer loyalty in a manner that is both agile and consistent.

In some markets, the DCP’s ability to leverage similar services effectively to support product development and related business services will be used purely as a marketing channel; in others it will be as a full-blown D2C offering. In either case, being able to quickly launch, test, adjust and scale new business models will become a critical capability in the digital B2C game.
Becoming a Digital Content Provider (DCP)

Revolutionary change to your business and operating model can appear a daunting prospect. Here we outline some pragmatic, short-term steps that traditional Providers can take to being the transformation of their businesses.

As the popularity of digital and IP-distributed video increases, traditional Providers will need to assess how to evolve their business models to capture revenue growth. This may not entail an immediate interruption to the business but certain activities will need to be reconsidered in preparation for what will most likely be a significant disruption. Traditional Providers need to take some important first steps to becoming DCPs:

Move from one-way to two-way conversations with consumers.

Many Providers, especially traditional broadcasters, are accustomed to one-way communication with their customers. They take audience measurement into account, but primarily through conventional means, such as “overnights” or focus groups. Traditional Providers need to become DCPs and collect data from digital channels that allows the organization to respond to consumer specific needs. If collected and analyzed at scale, this data could give insights into new audience segments, transforming traditional scheduling as much as digital marketing. “Horizontal” business capabilities need to be put in place to bridge the gap between the traditional and digital parts of the organization.

Have a clear “digital-first” strategy.

Many Providers continue to rely on the traditional part of their business to feed premium content to their digital channels. “Digital first” would change this: the DCP’s digital capabilities such as content capture, supply chain, metadata management and editorial would be primed to transform at the ‘speed of internet’ and feed all traditional and digital channels. This is especially important as DCPs will potentially need to use these channels for multiple business models in an agile manner. DCPs should be looking to support these capabilities with cloud-based technologies, as cloud providers are investing heavily in video storage, transport, encoding and distribution. This results in the fact that, to remain relevant in B2C, DCPs will need to transform into media technology companies who value highly efficient software development as much as compelling content production. Traditional Providers who do not move now will find themselves responding much more slowly to consumer demand than the rest of the market.

Evolve relationships with traditional and Digital Content Aggregators (DCAs).

The business and operating relationship between traditional Providers and Aggregators has evolved very little, despite rapidly changing consumer behavior. Carriage agreements require very little digital integration between Providers and Aggregators, other than cooperating on TV Everywhere models, which are widely seen as a defensive rather than revenue-growing strategy. In today’s digitally disrupted video industry, DCPs could benefit hugely from the capabilities of DCAs, including consumer relationships, usage and quality of experience data, and service channels. DCPs should determine how DCAs could complement their digital agenda and include these requests when renewing carriage agreements or content deals.
Digital Content Aggregators (DCAs)

In a continually evolving digital video landscape, traditional Aggregators need to act fast to fend off the ever-growing threat of content owners and Digital Content Providers (DCPs) going direct to the consumer. Aggregators also need to quickly establish their position as a Digital Content Aggregator (DCA) in the industry's shifting value chain, identifying how best to leverage their assets to maximize market share.

A DCA must operate on two fronts, with its potential success dependent on the health of two critical relationships:

A strong alliance with DCPs.

Beyond negotiating carriage agreements to bring compelling content packages to consumers, the DCA must create additional value for the DCP, to better cement its position in the value chain. The DCP should come to see the DCA as an enabling collaborator rather than a potential competitor.

A healthy relationship with consumers.

DCAs must build on their enviable position as owners of the customer relationship, to become the single interface for consumers, offering an array of additional content and services that keep pace with viewers' ever-changing tastes.

With these two crucial relationships in mind, Accenture has identified a number of strategies that a traditional Aggregator with ambitions to become a DCA can adopt. Figure 6 sets out some of the options that Aggregators have to evolve their business and ensure their continued success in a fast-changing market.
**FIGURE 6 | Strategic options for Aggregators looking to transform into DCAs**

Source: Accenture

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<td>• Field force</td>
<td>• Content and subscriber optimization services</td>
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1 Allow content to remain king

Content is still the most decisive factor in a customer’s choice of provider. Consequently, the quality and relevance of a DCA’s content will continue to be key to its success. A content line-up that sets its offering apart from that of rivals will remain an important source of competitive advantage.

Strong content propositions will depend on the DCA establishing broader content collaborations with multi-channel networks (MCNs) and services such as Netflix. As consumption trends continue to diversify, becoming the gateway that brings a wide range of content together in a consistent, easy-to-use experience will attract and engage customers. By building a “content and subscriber optimization” capability, DCAs can also experiment with how content is packaged and presented to consumers. Extending and repackaging traditional content bundles with niche content from a broad variety of sources, to create new—and previously unrealizable—skinny bundles, has now become an almost inevitable option. The success of these skinny bundles will depend on the DCA’s ability to create profitable, contractually permitted bundles and market them at an attractive price to viewers, while not cannibalizing its higher-ARPU customers. The speed and flexibility of digital does, however, give the DCA the opportunity to rapidly launch, test and evolve new packages, boosting its chances of hitting upon a successful product.

2 Scale up to succeed

Scale is critical for aggregators and underpins both advertising- and subscription-based business models. A large viewer base attracts content providers and enhances a DCA’s ability to segment its customers accurately and deliver more relevant content and user experiences.

The ability to measure and manage this scale of engagement will unlock capabilities such as “data-driven package and ad targeting” and “data-driven direct marketing enablement.”

Both traditional Aggregators and DCAs face a clear and present threat from super platforms, whose unrivalled scale and agility enables them to accelerate product innovation and reduce time to market. In response, a DCA will need to resolutely defend its position as the preferred route to the consumer. Investing in infrastructure will play an important role, but a DCA should consider two further growth opportunities as part of its strategy:

Building a new audience. An effective way for a DCA to gain scale is to expand beyond the footprint of its physical infrastructure. Sky’s Now TV, which we highlighted earlier as an example of a D2C DCP launched by an Aggregator, demonstrates how this approach can attract new and different audiences, including millennials and cord-cutters, while managing the impact of churn on their traditional business.

Service bundling. DCAs have significant opportunities to expand through service bundling. Amazon is achieving substantial growth through bundling additional services at a competitive price point. By offering a subscription that bundles SVOD, shipping and music services, Amazon is setting the benchmark for what a future DCA could look like. For service bundling to be a success, DCAs will need to evolve to support increased innovation, reduced time to market and the ability to explore new initiatives in parallel.
Differentiate through quality of service and experience

Consumers’ expectations never stand still, and many users now expect broadcast-quality IP services as standard. With customers quick to share their views on social media if their expectations are not met, quality of service and quality of experience (QoS/QoE) are vital differentiators for DCAs.

The better the QoS/QoE a DCA can offer, the greater audience share they can demand, which, in turn, attracts heightened interest from content owners and DCPs. “Multi-channel quality of service/experience” and “distribution products and services” will become core capabilities for leading DCAs, especially as distribution costs continue to increase for DCPs.

Through investments in their network, virtualization and cloud services, a DCA can effectively leverage their assets to provide value to both consumers and DCPs. Beyond investment and technical innovation to provide a best-in-class infrastructure, DCAs should focus on service assurance. To become successful next-generation operators, DCAs need to ensure the following are in place: end-to-end quality processes, clear responsibilities and expectations throughout the vendor ecosystem that underpin a seamless delivery process, and well-defined KPIs that can be measured in real time and acted upon quickly.

Accelerate new digital capabilities to support the ecosystem

DCAs need to develop new digital capabilities, both for use within their business and to provide additional services to their B2B customers, including DCPs and content owners.

DCAs need to develop new digital capabilities, both for use within their business and to provide additional services to their B2B customers, including DCPs and content owners. The DCA needs to be an enabler for DCPs looking to engage customers directly. To achieve this, it will need to build capabilities such as “cross-DCP care services” and “content optimization enablement,” offerings that can help DCPs adjust to a new digital value chain. By offering a white-label platform as a service (PaaS) with the strategic use of automation, the DCA can help reduce time to market and cost, allowing the DCP to focus on content and brand, rather than technology and delivery. Tighter cooperation can help maximize value for both DCA and DCP, avoiding duplicated costs and efforts.

A “tech savvy” DCP who wishes to offer a direct-to-consumer (D2C) offering is inherently a threat, but there are three ways in which a DCA can respond:

Do nothing. Not all wars can be fought, let alone won, and the DCA needs to choose its battles carefully. While some D2C initiatives will have a significant impact and the DCA will need to revisit the relationship (for instance, WWE’s launch of a D2C subscription service that will reduce traditional Aggregators’ pay-per-view revenues), others will prove nothing more than a distraction.

Collaborate. Recent statistics show that OTT offerings have, for the most part, a negligible impact on churn. In the US, new OTT Households account for 0.3% in annual pay TV churn. DCAs who can establish themselves as the home gateway and build a coherent platform that supports the wider ecosystem and a broad range of content, will appeal to consumers, who seek simplicity and convenience.

Enable. A DCA is in a strong position because it both owns infrastructure and the services required to deliver a successful consumer offering. The DCA can leverage these to become a platform of choice for DCPs. By extending its product offering to PaaS, the DCA enables the DCP or content owner to rapidly launch a new D2C offering while retaining a slice of the pie. DCPs can then use these digital services and associated platforms to truly unlock the power of their creative workforce and develop highly engaging experiences around their content. For this model to work, shared authentication and authorization would need to expand to allow for some better understanding of identity by the DCP. The reason for resistance to this in the past is understandable, but in order for the DCA to provide services that empower the traditional providers to build capabilities similar to a Netflix, this door will need to be open slightly.

IDC, Accenture analysis
Aggregate insights

DCAs are in a unique position to gain rich insights into the behaviors and preferences of customers across Providers. DCAs can potentially benefit in two ways from the insights they gain from their privileged position.

First, DCAs can use their enhanced understanding to improve their own offering and user experience. Secondly, a DCA’s superior analytics could be a value-add for DCPs looking to learn more about the customers they share with the DCA; however, this will require a less limited view of shared identity as noted previously in this issue.

In addition to evolving their capabilities in “data-driven direct marketing,” DCAs will need to drill down from a household to an individual view. Developing an understanding not only of who their customer is, but where that customer is and what devices they are using, will only increase the relevancy for sales, marketing and support services of the insights that have been obtained. Better insights into individual customers will also underpin the creation of more relevant and engaging adverts, resulting in greater revenues for both DCPs and DCAs. Sky, with the launch of AdSmart in the UK, is an early adopter in this field, but others will soon follow as dynamic advert-insertion capabilities become a priority.

Leverage the living room advantage

Competition to “own” the living room—still the core space for viewers despite changing consumption habits—has never been fiercer.

DCAs do however have a clear advantage over other industry players in the battle for the living room. Most own consumer premises equipment (CPEs) like set-top boxes and—by seeing this as an asset rather than a liability—they can take control of the living room. Leveraging the CPE, and building a coherent, consistent multi-device offering around it, is well understood and—for the most part—well implemented by the market leaders. But where are the future offerings that will allow leading companies to further differentiate themselves?

The answer to this question may lie in part beyond the living room. Internet of Things (IoT) and smart home initiatives will give DCAs an opportunity to launch innovative and engaging service offerings that bring greater value to the customer. DCAs will need to build new capabilities such as “DevOps-driven platform development models” to help minimize overheads, while enabling more and more innovations to be pushed out into the evolving digital service ecosystem. They can also help to make operational improvements—for example, adopting a standards-based approach, such as RDK, reduces time to market and accelerates innovation. Additionally, moving to a single micro-service-based platform that serves both traditional and new service offerings will further support this model. The result: an improved offering that ultimately better meets the customer’s needs while contributing to the reduction of operating costs.

Bolstering consumer trust is critical: customers who believe that DCAs will safeguard and use their personal data appropriately will be willing to share more sensitive data.

DCAs need to provide a framework that allows services dependent on personal data (such as healthcare offerings) to be delivered securely. This is critical to both building consumer trust and avoiding disintermediation by device manufacturers and super platforms, who are also looking to win the trust of customers.

Users need to believe that the DCA is the appropriate organization to hold their connected digital identity, on which they rely to access digital services from the DCA and a wider ecosystem of providers. In many geographies, DCAs are starting from a position of relative strength to win consumer trust. The 2015 Accenture Digital Consumer Survey found that consumers globally still trusted their TV broadcaster/satellite operator (31%), their cable TV company (26%) or their telecommunications-broadband provider (22%), more than digitally native competitors such as internet video providers (15%) or social media service providers (5%) (Figure 7). But to foster consumer trust, traditional business models need to be revisited. Sales, fulfilment and support all need to be supported by a common customer engagement and marketing service, which, in turn, should be built on a foundation of trust between consumer and DCA.

**FIGURE 7 | Global trust in different digital video providers**
*Source: Accenture Digital Consumer Survey, 2015 (Sample base, TV owners who access digital content)
Becoming a Digital Content Aggregator (DCA)

As with DCPs, it is important to understand that there are important first steps in the journey in order to make the transformation into a DCA.

Traditional Aggregators have always faced a challenging balancing act: to create an exciting proposition for the consumer while ensuring it is also a workable model to attract (and maintain leverage on) Providers. As the traditional pay TV business model begins to erode, DCAs must look to both launch new types of product and collaborate more effectively with DCPs. We have identified several key actions that traditional Aggregators should prioritize, to ensure their transition to a DCA model is successful:

Package competitive advantages more effectively for digital ecosystems.

Traditional Aggregators need to cement their place in the value chain as DCAs by improving how they package capabilities such as their footprint, optimized network services, local marketing reach or service centers. They should be looking to evolve these into digital services that are more agile and, in many cases, automated to support an IP-based video offering. A simple scenario would be a call center and marketing function actively responding to a user’s poor-quality viewing experience, to help maintain customer loyalty. Perhaps the provisioning of QoE services with the ability for all parties in the value chain (DCAs, DCPs) to understand identity would be an initial step in changing the nature of the relationship. Without repackaging these capabilities to enable the ecosystem, a DCA will be perceived as a traditional provider, reducing its appeal as a collaborator to DCPs as disruption accelerates.

Find a new approach to collaborating with DCPs.

DCAs need to align their capabilities to the digital business needs of DCPs, who are beginning to explore new business models that rely on IP distribution. Many DCPs lack the infrastructure and capabilities to manage a D2C business at scale, so DCAs will need to formulate a B2B2C model. This would allow DCPs to leverage the maturing digital capabilities of DCAs, such as segmentation, advertising enablement, billing and service management, while playing to their own strengths (for instance, consumer experience and content discovery). This move may loosen a DCA’s control over its service and possibly eat into its revenues, but it could pay significant dividends through healthier margins. A successful collaboration can help drive greater efficiency and lower end-consumer costs, contributing to margin growth for both DCAs and DCPs.

Understand and serve the digital consumer across DCPs, while also building trust.

Aggregators have typically been in a privileged position to understand the consumer across a number of traditional and digital channels. This understanding should expand as interaction with the consumer takes place across different channels, networks and devices—usually all at a one-to-one, rather than household, level. Even the best DCPs are only able to understand the consumer through the limited channels they currently serve. This is one of the reasons why the device and underlying operating system (OS) game has been so important for digital natives; they are able to capitalize on exactly this capability without having to own the network. Traditional Aggregators and DCAs need to determine how they become the OS, combining intelligent distribution, service targeting, smart diagnostics, self-repair and digital feedback loops, so as to build one-to-one trust between the consumer and the aggregator. If they succeed, their capabilities will rival those of digital natives, allowing them to serve consumer needs based on usage, which they can exploit for their own business purposes and to provide services back to DCPs.
Become a “Digital Video Business” today—or pay the price tomorrow

Propelled by the proliferation of IP distribution, disruption of the once stable video market is accelerating. Traditional companies have generally navigated their business models around this distribution in order to protect their existing revenue channels. While this conservative and tactical approach may have worked in the past, it is no longer viable. Digital natives have built digital platforms, skills, and capabilities that are growing in value as consumer and advertiser wallets shift away from traditional pay TV and broadcast.

It is now critical for traditional Providers and Aggregators to accelerate investments into strategic digital capabilities that underpin success in IP-based business models. At the same time, they need to leverage their existing advantages in the marketplace to transform themselves into Digital Content Providers (DCPs) and Digital Content Aggregators (DCAs). Furthermore, they must re-examine their existing relationships in the value chain to benefit all parties—giving consumers a broad range of content more flexibly and cost-effectively, while allowing the ecosystem to grow and remain profitable.

These are industry-sized challenges with seismic impacts to shareholder value. But a “big bang” can be avoided, as long as traditional companies recognize the dangers of inaction. If their vision and roadmap are not calibrated to move toward building the right digital capabilities, their ability to react in the future will be tightly constrained—unless they spend heavily. The inevitable increases in the cost of investments—in content for traditional Providers and in infrastructure for traditional Aggregators—further diminish the chances of businesses that are off the pace today becoming agile and successful B2C content brands tomorrow.

In the game of serving content consumers with what they want, when they want it, and where they want it, future winners will be determined by the choices they make today. And one of the most critical decisions companies face is how they can build the capabilities outlined in this perspective and transform themselves into a successful DCP or DCA. The future is digital, and the focus on becoming a “Digital Video Business” at scale is the ticket to a successful future.
About this series

Accenture’s “Bringing TV to Life” series aims to build an understanding of the technology and business trends and market drivers that are radically reshaping the video industry. Our perspective reflects our experience with players across the ecosystem and makes use of Accenture’s primary industry surveys. Our series aims to help all the players in this rapidly evolving space to accelerate their journey as high performance businesses. To learn more, please visit www.accenture.com/pulseofmedia

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