accenture

Bringing TV to Life 9

SMASHING SILOS

A practical guide to unifying your organization
in pursuit of video **product** innovation

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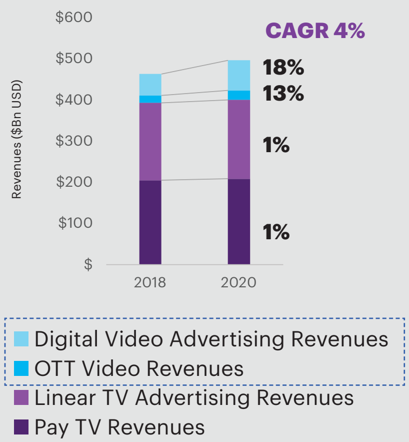
"The old playbook to monetize video is struggling, yet video businesses are not yet meeting the challenge of embracing a new one. They struggle to drive innovation – instead trying to apply traditional, linear TV operating and business models to digital opportunities.

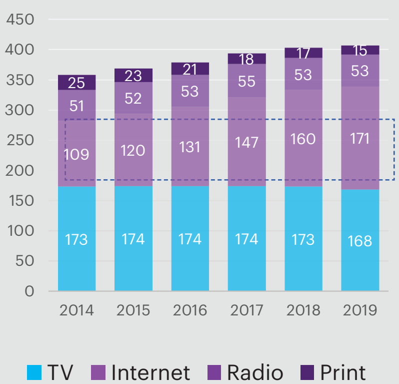
This practical guide will help you pinpoint how to invest in innovation that builds a long-term business to successfully monetize your digital video."

Global TV-Video market outlook



Source: Pay TV and OTT video revenues: OVUM, WTVIS Forecasting; Linear TV and online, mobile video advertising: Zenith "Online Video Forecasts 2018"; Accenture analysis

Global time spent with media

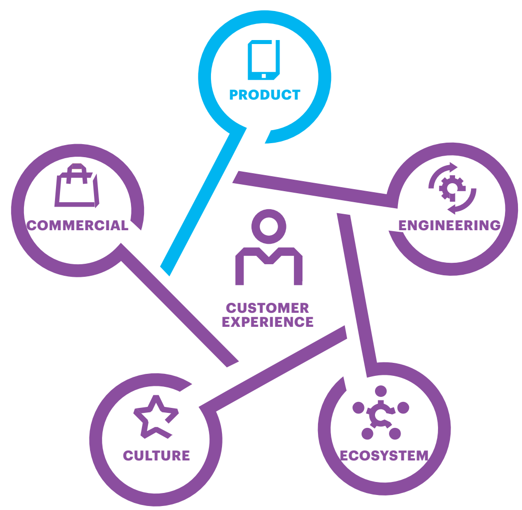


Source: eMarketer, Zenith "Media Consumption Forecasts 2018"; Mobile includes apps & browsers. Print includes newspapers and magazines

Bringing TV to Life 9

Last year's edition of Bringing TV to Life, was a manifesto – "Innovation. Applied now."

It was a blueprint, packed with real-world advice on how to spark innovation across an organization. We looked at what innovation could mean across the industry – to content creators, broadcasters, operators, and CSPs and platforms – and we stepped through a model you could use to unleash future revenue growth. That included a five-part framework for innovation, centred around enhancing customer experience – from acquisition to end-of life.



Product Innovation: We talked about the importance of designing propositions that enable long-term relationships with customers. Pushing past technology, features and functionality to embrace how you create, test and evolve your products.

Commercial Innovation: We explored how you could support multiple new business models and provide your company with the flexibility it needs as the digitization of value chains drives new opportunities to be creative.

Engineering Innovation: We described how best-practice engineering teams deliver products and platforms rapidly. They use the technology team's best practices to drive speed, efficiency and greater customer delight.

Cultural Innovation: We explained how important it was to define new operating models clearly and to nurture the new skills you'll need to thrive, building data and learning into every facet of your organisation.

Ecosystem Innovation: We looked at this as a way to open new worlds of partnership and customer interaction, creating new opportunities in new markets.

This edition of Bringing TV to Life is equally practical, focusing on how to get those pillars to work together to tap the new revenues available in the digital economy. Piecemeal solutions don't work – they create silos. To succeed, businesses must learn to knock down traditional barriers and work as one fluid, ever-evolving team.

We'll take a deep dive into the operational steps necessary to break down silos and get your re-invigorated organization delivering increased revenues. We start with product, exploring how a product-focused organization can drive, and benefit from, change across the other four pillars.

The only place to start

Why start with product innovation? Because it's desperately needed! Many organizations leap to product when they talk about innovation: new playback features, new siloed customer offers. Few think about service design for engagement. And so commoditized and undifferentiated experiences are, alas, common in the Digital TV industry. They lower NPS; do nothing for loyalty. They drive sluggish ARPU and rely on bundling and pricing levers to maintain economics.

This short-termism is driving an obsession with trading KPIs, rather than customer lifetime value (CLV) and engagement. The outcome? Flat revenue-generating units with high churn. Companies are running to just stand still. For businesses, faced with high acquisition costs (+30% since 2015) and escalating content costs, the standalone investment case in digital video is now looking unsustainable.

Operators and Broadcasters have both had challenges with product launches: either offerings that arrive before their time, or bolt-on products aimed at retention. They've often been unsuccessful.

Yet video does drive huge engagement, even compared with social media channels. Attention equals money – both to an advertiser and because people will pay for things they enjoy most. Disruptors are attacking with high-engagement services targeted at driving long-term loyalty. The traditional video industry knows if you lose engagement, you lose the consumer.

Video consumption is growing – but not always through well-monetized channels. PayTV is still strong in older demographics, but growth comes from younger consumers who favor pay-lite and OTT services. They help the numbers but deliver weaker margins and lower CLV. These consumers expect flexible business models, cheaper bundles and more engaging products.

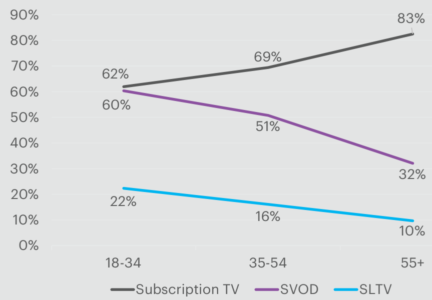
Growth is happening in areas where engagement, and therefore product, is important. The industry hasn't yet cracked how to monetize that growth. But products, while not always increasing margin, strengthen existing sales channels. They create relationships.

Future strategy, therefore, must consider how product can best drive long-term business KPIs through improving the leading indicators of engagement. And by gathering data that can become an asset itself.

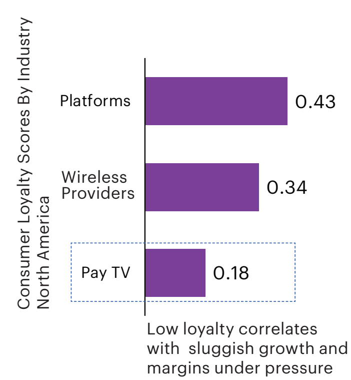
What to do? Wise players invest to keep their options open and recognize the value of video as a channel as well as a service.

They are using rich engagement opportunities to unlock value, drive usage, increase CLV and reduce cost to serve. They are changing their culture to bring product, engineering and commercial perspectives to every business problem. And they are looking to new monetization strategies – in subs, advertising and in their immediate ecosystem – to find the model that works.

Global paid bundled services used by age



CSPs lagging in affinity relative to platforms



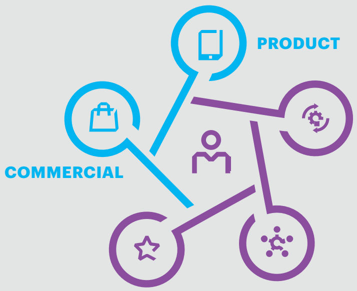
Source: Accenture Keep Me Index 2018 Sample size: Wireless n=3106; TV n=3652; Disruptors n=2009
Platforms include: Amazon, Facebook, Google, Hulu, Microsoft, Netflix, YouTube, Uber

AMAZON

By using their video business to drive customer loyalty across their platform, Amazon has boosted its eCommerce proposition. "When we win a Golden Globe, it helps us sell more shoes," said Jeff Bezos.

Consumer Intelligence Research Partners (CIRP) estimate Amazon Prime subscribers spend $1,300 per year, nearly doubling the $700 per year the average non-member spends on the e-commerce site.

PRODUCT ↔ COMMERCIAL



Metrics affected:

- **Data items/Customer**
- **ARPU**
- **Revenue**
- **Time to Market**
- **Products/Customer**

SKY

Sky has introduced pay-lite propositions (NowTV) in its European operating companies that segment the pay TV market and provide new routes to customers that they might not otherwise attract. Sky has kept a careful eye on the risk of cannibalization such services present. NowTV UK has progressed from an OTT video service into offering broadband – a new commercial approach built, in part, on their knowledge of their customer base.

RAKUTEN

The Japanese eCommerce firm has around 100 million customers – and is seeking to expand horizontally, by breaking into telecoms. They have formed a fourth mobile network in Japan – starting as a greenfield business based entirely on virtualised 5G technology. The cross-sell strategy between eCommerce customers and mobile acquisition is not yet clear, but the service was in test at the start of the year.

Let’s make some money

Successful players capitalize on tight relationships between their product and commercial people. They work together, testing and learning. Prioritizing features based on how they boost a customer’s lifetime value. Measuring and checking results.

Introducing feedback loops, and using video as a high engagement marketing channel, is crucial. Optimized, journey-based engagement can drive 2%-5% revenue uplifts and 30% opex reduction. Adopting omnichannel thinking to both product and digital channels also develop the consumer relationship.

Disruptors already excel at designing products with long-term commercial ambitions in mind. Successful video operators are doing the same: treating data-gathering (with appropriate trust and privacy safeguards) as both a key part of product design and a commercial objective in itself. Data becomes a tradeable asset.

Data is more commercially useful if it relates to a whole household’s tastes, not just the bill payer. A managed, product-led shift from an RGU-based approach to a family-member approach is under way, especially with TV products from CSPs. To succeed, there must be a strong relationship of trust between operators and customers which can expand the product-count per customer and raise ARPU.

Commercial and product teams must work together to drive video engagement opportunities that appeal to different family members. These differentiate, unlock value and drive usage.

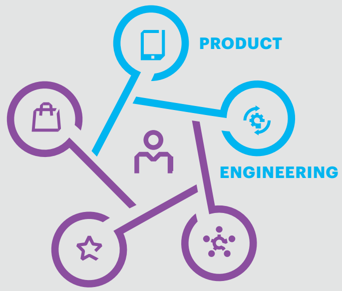
Content provides a unique reason to maintain a continual one-to-one customer dialog. It creates a feedback loop based on consumption and engagement. Personalized recommendations for content feel natural and not intrusive.

The product then becomes a window into a wider set of commercial offerings. Customer behavioral segmentation, defined through engagement, allows for targeted cross-selling. The product is a multi-business model portal that supports new commercial models and adjacent businesses with minimal incremental work.

How to get started …

- **Establish identities and profiles for users.**
- **Create trust: Define a product strategy balancing a trust-based relationship against immediate monetization. Surprise and delight customers, rather than trying to sell an upgrade.**
- **Design data into your products: Build a KPI tree and place a commercial value on long-term consumer data.**
- **Develop omnichannel customer marketing capabilities.**
- **Implement test and learn methodologies. Measure the impact of customer interactions continuously and respond to improve.**

PRODUCT ◂▸ ENGINEERING



Metrics affected:

- **Efficiency & Effectiveness**
- **Velocity of Value**
- **Innovation Mix**
- **Time to Market**
- **Cost per Feature Point**

KPN

KPN is migrating into a convergent architecture serving multi-device experiences. The company is abandoning monolithic legacy components, while providing a new and highly relevant omni-device experience, content, services and offers when users need them most.

The convergent architecture is already serving multiple B2C properties on top of seven device families, while now scouting new business models with B2B propositions.

Thanks to an advanced devops operating model, including thousands of automated test cases and a full deployment automation, KPN is a reference case for efficiency

Its webscale, data-driven, micro-service capabilities enable KPN to experiment and build highly-personalized experiences that operate at scale, promote customer loyalty and increase NPS. All while optimizing costs.

HOTSTAR

Hotstar is India's largest premium streaming platform with more than 100,000 hours of drama and movies in 17 languages. It also covers every major global sporting event.

Hotstar has built a platform that broke the internet record for the maximum simultaneous concurrent users for any LIVE event: 10.3 million. Hotstar could do this because of a well-architected, cloud-based platform built on open standards which are modular and highly-scalable. This allowed them to leverage their top data-driven product management and engineering teams.

Do the right thing

Engineering investment is easily wasted when focused on the wrong things. The organization must prioritize efficiency and effectiveness. This is done better in a close collaboration with product.

Efficiency comes first. Prioritize engineering work on business value delivered, just like any other. Successful players drive visibility of benefit cases and check ultimate benefit realization.

Then build technology investments to support immediate goals, designed so they can drive longer-term strategies. Content supply chains, entitlements services and multimedia ad platforms are examples.

Decoupling legacy systems can drive efficiency too. This helps you to commission new products more quickly. Decoupling transforms your legacy to drive savings with much lower operational impact.

The platform becomes an operating model enabler, not just a piece of technology. This means future options can be kept open. The platform helps product and commercial people accelerate ideas with foundational components on which they can build new products and services.

Second: effectiveness. Measure the ultimate outcome of investment in terms of revenue, engagement and data capture.

Beyond building and optimizing features, the emphasis should be on dynamic, agile internal engineering capabilities that work hand-in-hand with commercial (monetization) opportunities.

Data capabilities are a clear case here – they provide the fundamentals to drive product optimization and new revenues.

Analytical capabilities can spot patterns to fight churn. Combined with omnichannel capabilities, they can monitor end-to-end journeys and measure the effectiveness of interactions. They help products react to signs of customer disengagement quickly and appropriately. And they can boost "horizontal" cross-sell across digital products (video, music, social) and physical (fiber, mobile).

How to get started ...

- **Add outcome-based metrics (efficiency/effectiveness) and benefits realization to the product-engineering cycle.**
- **Evolve a flexible architecture of highly-decoupled components that accommodate rapid innovation.**
- **Provide data analytics and optimization tools to quickly evaluate the performance of new products or assets.**
- **Embrace cloud-native capabilities that might not be strategic for the company, but create a playground for innovation.**
- **Change your mix. Target 60%-70% net innovation. Experiment and ideate to build intellectual property.**

PRODUCT ◄► ECOSYSTEM

Metrics affected:

- **ARPU**
- **Revenue**
- **Products/Services per User**
- **Number of Partners**
- **Time to Onboard Partner**

COMCAST Xfinity

Comcast views Xfinity as a whole-home solution for entertainment and more. The product offers TV, telephone, home automation and connectivity.

The platform is also available for other businesses to use. They can take advantage of an ad platform, syndication tools for broadcasters and publishers and a video playback platform. Comcast takes a wholesale approach aimed at accelerating their partners' growth.

DISNEY

Disney has recently collaborated with Verizon to blend entertainment propositions with 5G technology, exploring new business models and looking at partnerships as a means to expand.

The entertainment giant announced a major reorganization last year intended to move it beyond a studio model and bring new focus to direct-to-consumer products. This represents a shift away from carriage and advertising revenue into consumer models, with deals struck across the value chain ecosystem.

It's a big world out there

Product provides the engine room from which you can build an ecosystem. An example might be a third-party service provider using engagement data to identify potential new customers.

There are lots of approaches to ecosystem build-out. Some are purely content-based: sharing or hosting content to/from partner platforms. Some are more technology based: providing a foundational core platform that others can augment, offering centralized capabilities for identity and billing. The most advanced are go-to-market/channel-focused, thinking of product as a channel in its own right. With such channels you can partner to share platform, marketing and even customer care.

Engagement data and accurate profiling of customers are key to turning data into a tradeable asset. That asset boosts partner businesses as well as the local one. Advertising consortia are a strong example of this, combining segmented inventories.

A video business that understands which content types a household is viewing can then identify strong segments for things like 5G upsell, internet-of-things services, family entertainment services, and even elderly care or home maintenance services.

Using the power of product engagement to boost these businesses is key. Then think how to expand horizontally, with appropriate partnering, to explore new opportunities. The aim is to become a "multi-sided" platform: a B2C and a B2B business.

Product and ecosystem must come together to think about data gathering, management, inference engines and the decoupled "platformization" of shared capabilities like identity and profile management. They'll need to work together to make partner onboarding simple, and to build collaborative ways of working with the ecosystem to boost lock-in.

That means attracting partners with an asset that is strong and reliable, and then making it easy to connect. Changes your operating model so you can manage the ecosystem and realize its benefits.

How to get started ...

- **Work with product to build context around consumer profiles so data ultimately becomes a tradeable asset.**
- **Focus on "platform thinking". Think through services for which your business could logically provide an ecosystem.**
- **Consider what data facets are missing from your customer view, and which partners could help develop the consumer picture.**
- **Develop onboarding and nurture strategies for potential partners.**

PRODUCT ↔ CULTURE

Metrics affected:

- **% of Data Driven Agile Teams**
- **% of Engineering Staff vs Total**
- **Staff Turnover / Retention**
- **Recruitment Cost**

CHANNEL 4, UK

Channel 4 has built a state-of-the-art Digital Delivery Service to support its flagship video product, All4.

The team delivers customer-facing apps and micro-service based architecture which enables rapid deployment of new services.

Changing their delivery model delivered agility and flexibility for the business – with a focus on transparency, accountability, quality and velocity.

Establishing value-based prioritisation and institutionalising feedback loops has driven a rapid iteration cycle.

KPN

KPN works in a distributed agile "Spotify" model, at scale: combining squads that blend both technical and business skills. They are customer- and data-obsessed, organized around platform microservices and user journeys.

With a sprint cadence and a lean organization built around few clusters, KPN can significantly boost net innovation and data usage while launching new features at speed.

By applying a data-driven mindset to agile delivery, KPN has hit the highest NPS in Netherlands in its market.

One team to rule them all

A lot of the practical advice in this paper relates to operating model design. To influence that, businesses need to drive cultural change. Ultimately, a successful future broadcaster must think digitally.

It's most important to break down the silos between technology, operations and product by building multi-disciplinary teams. Techniques like design thinking and Agile, and using value trees to identify truly important KPIs, can improve output quality and job satisfaction.

If senior leaders demand that the product team delivers 'download-and-go' feature, for example, they can use a value tree to prove that improving search / discovery features will drive greater value.

Creating and growing pools of digital skills is vital. Nurture talent and re-set incentivization strategies to reward the best ideas. More widely, organizations need to create a data-driven culture, with aligned KPIs measured from the product.

The change in approach is encapsulated by how projects might be run. Traditional businesses, especially ones with a technology focus, have an "on time, on budget" approach to delivery. Typically, they aim to minimize disruption and keep operational costs down.

Digital disruptors prefer constant revolution, and use Digital Factory models to help deliver rapid, controlled change using Agile methodologies. They can provide a 5%-30% reduction in team cost, and a 10%-20% rise in feature delivery. This model drives a developing, engaging, flexible product.

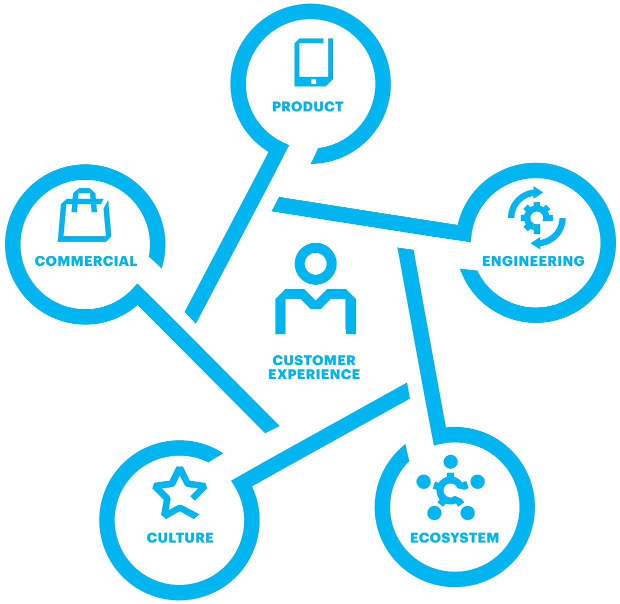
How to get started ...

- **Change the focus from "on time, on budget" to value delivery. Deliver outcomes not capabilities and reshape incentives accordingly.**
- **Introduce methodologies that aid rapid design, testing and scaling of digital products. These must be business driven, design led and IT enabled.**
- **Drive efficiency to release engineering capacity to focus on additional top/ bottom line value.**
- **Boost employee satisfaction and retention – focus on knowledge sharing, collaboration and innovation.**

Summary

Our clients are household names with some of the most engaging products on earth. Their future can be bright if they embrace the right opportunities. From its beginning, Bringing TV to Life has helped them to do that.

We hope this ninth edition has been thought provoking. We believe that the winners of the future are the businesses that get their product, commercial and engineering teams working together in a strong, digital-focused culture. Those teams will build products that consumers love, and ecosystems that partners will want to share.



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About Accenture Digital Video

Accenture Digital Video is an Accenture business unit focusing on helping companies build successful digital video businesses by enabling them to capture new growth opportunities while maintaining profitability in their traditional business in a rapidly changing market. Working closely with clients, Accenture leverages a portfolio of highly relevant integrated business services enabled by open technology platforms to deliver successful video business outcomes; from thinking to planning to doing.
A global industry leader, Accenture Digital Video has a 20 year track record of advancing video technology and business innovation, supported by a global workforce of more than 2,000 dedicated professionals helping clients succeed in a complex, volatile landscape.
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