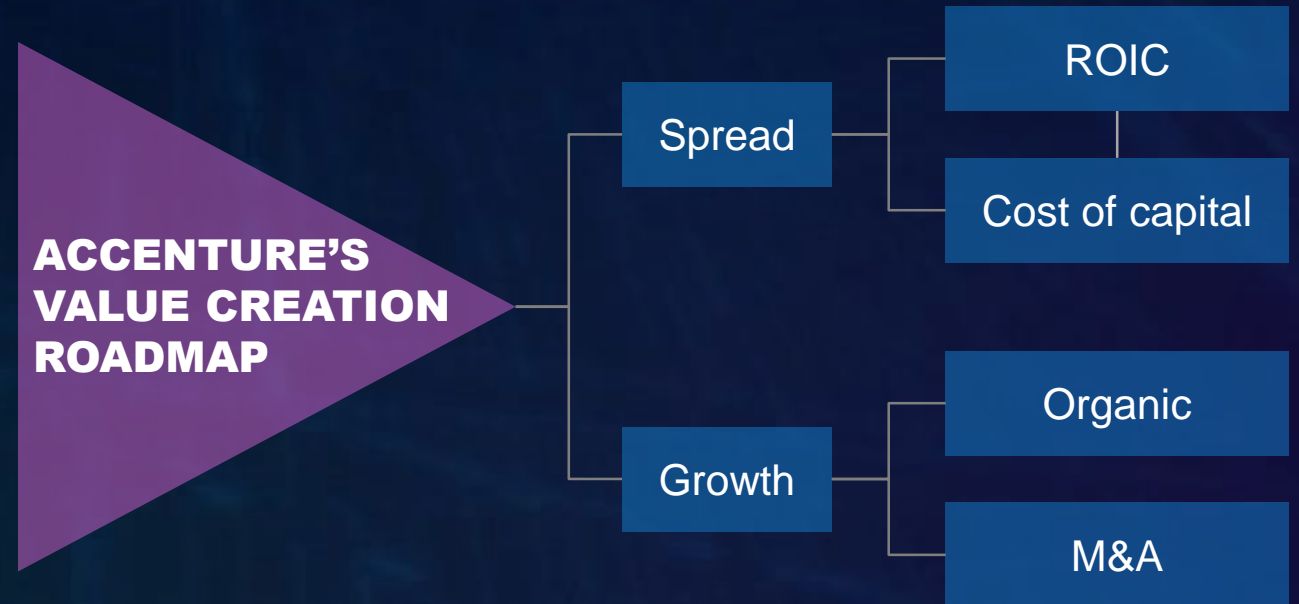


accenture

# FUTURE OF BROADCASTING VI



# OUR POINT OF VIEW IS GROUNDED IN ACCENTURE'S LATEST SHAREHOLDER VALUE ANALYSIS (SVA) OF KEY PLAYERS IN THE GLOBAL BROADCASTING AND DIGITAL VIDEO INDUSTRY





# CONTENTS

**EXECUTIVE SUMMARY**

**VALUE ANALYSIS:  
OVERVIEW AND KEY FINDINGS**

**EMERGING THEMES**

**VALUE CREATION  
OPPORTUNITIES**



# EXECUTIVE SUMMARY

## SVA HEADLINES

- TRS has fallen to negative levels in the last year and Future Values have also dropped
- Margin erosion continues
- But overall industry Growth still expected – greatest growth rates from digital sub-segments e.g. digital advertising and OTT streaming

## THEMES

- Rising Cost of Premium Content
- The rise of hybrid organisations to service more channels, products and business models
- Tech developments in audience measurement and tracking to drive monetisation of digital advertising

## VALUE CREATION OPPORTUNITIES

- Continue to use Competitive Advantage
- Refine Operating Model to support hybrid organisation
- Multi-speed IT – Develop next generation IT Platform to support breadth of services and teams

# SHAREHOLDER VALUE ANALYSIS HEADLINES



**TRS has fallen to negative levels in the last year and Future Values have also dropped**



**Margin erosion continues**



**But overall industry growth still expected – greatest growth rates from digital sub-segments e.g. digital advertising and OTT streaming**



# OVER THE LAST FIVE YEARS BROADCASTERS HAVE DEMONSTRATED POSITIVE TRS, BUT FROM 2015 TO 2016 GROWTH HAS FALLEN DRAMATICALLY IN FREE-TO-AIR AND PAY TV SEGMENTS TO NEGATIVE LEVELS...

1-Yr Avg TRS (03/31/2015 – 03/31/2016)



Source: S&P Capital IQ, Accenture Analysis

# MARGINS ARE BEING ERODED YEAR-ON-YEAR ACROSS THE THREE SEGMENTS (PAY TV, FREE TO AIR AND NEW MEDIA)

EBIT Margin (%) – 1, 3, 5 Year Period

## 5-Yr Average Margin

03/31/2011 – 03/31/2016

Ø 15.8%

## 3-Yr Average Margin

03/31/2013 – 03/31/2016

Ø 15.5%

## 1-Yr Average Margin

03/31/2015 – 03/31/2016

Ø 14.8%

This is especially true for Netflix which has seen its large investments and international expansion strategy hit profitability.

Notes: Margin refers to EBIT margin. For Walt Disney, Vivendi and BCE, only broadcasting segment margin has been taken.

Source: S&P Capital IQ, Accenture Analysis. New Media includes only Netflix, For 'Pay TV' and 'Free-to-Air', please refer Appendix

# THE NEED FOR IN-HOUSE ORIGINAL CONTENT ALONGSIDE DIGITAL CAPABILITIES HAS ALSO DRIVEN INVESTMENTS

## Broadcasting and Cable / Satellite



Broadcasting, Cable and Satellite companies acquired \$4.4bn of TV content businesses in 2015

As licensing fees have risen and viewers demand high quality content the need for in-house original content has increased

## Cable / Satellite



They acquired \$1.4bn of technology companies in 2015

Acquisitions are made to build the capabilities necessary to compete as industries digitise



# **BUILDING ON THE SHAREHOLDER VALUE ANALYSIS, WE HAVE DRAWN SET OF “MOMENT IN TIME” CONCLUSIONS ABOUT THIS RAPIDLY EVOLVING SECTOR**

We have identified three key themes



**Rising content costs**



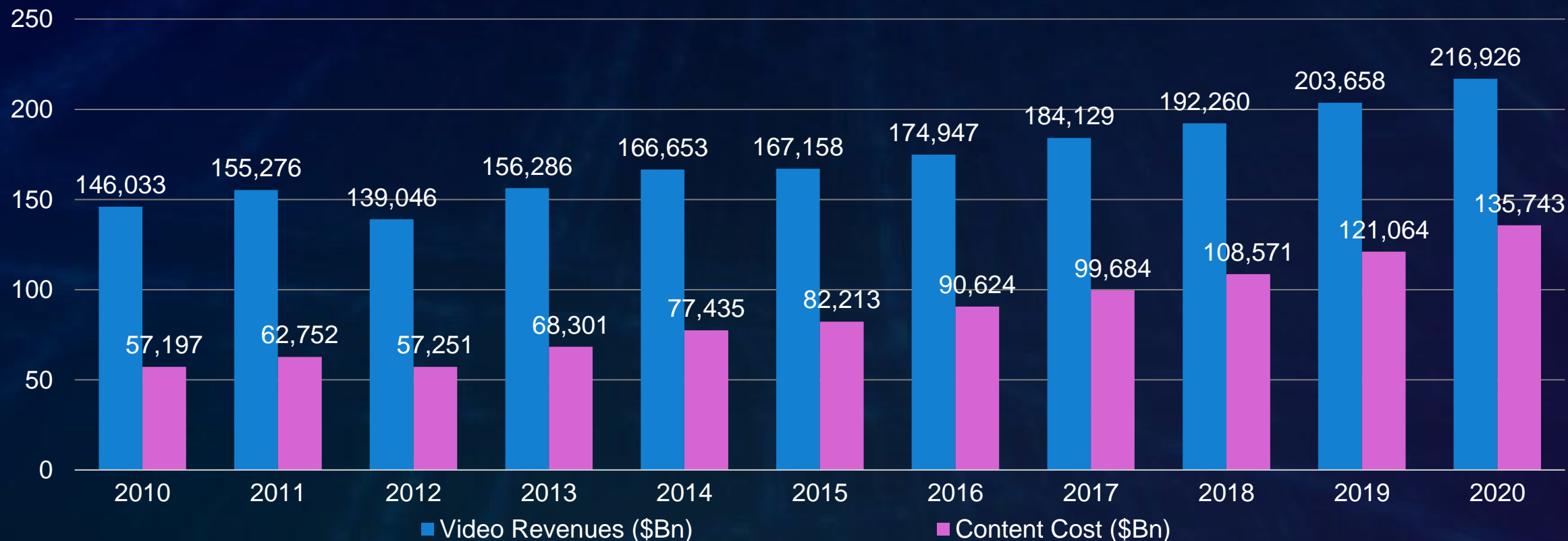
**The rise of hybrid organisations**



**New technical advances in audience measurement will drive monetisation**

# IN NEXT 3 YEARS, WE FORECAST CONTENT COSTS TO GROW BY 36% WHILE VIDEO REVENUES WILL GROW ONLY 18%

## Revenue vs. Content Costs – US Video Providers



Sources:  
Revenue data pertains to major US video players – Scripps, Discovery, Viacom, Walt Disney, Time Warner, CBS, 21ST Century, Dish Network, Netflix.  
Content costs are calculated using a proxy from SNL Kagan data.  
Capital IQ, SNL Kagan, Accenture Research

# THE MEDIA AND BROADCASTING ECOSYSTEM HAS EVOLVED AND ORGANISATIONS ARE DIVERSIFYING TO STAY COMPETITIVE

The new hybrids support multiple revenue, distribution, cost and offering models



## REVENUE

Players continue to experiment with new business models which combine advertising, subscriptions, transactions and licensing.



## DISTRIBUTION

As incumbents spread their offerings across multiple channels, players globally see value in OTT propositions. Over half the main players in US launched OTT services in the second half of 2015.



## COST

The desire to play and compete in multiple pockets of the video value-chain leads to additional cost burden for companies, in the form of content acquisition or production charges as well as carriage fees.



## OFFERING

The new ecosystem contains a growing number of players adding video to enhance their offerings. These organizations spread offerings across and outside traditional segment lines.

**Hotstar**

**ITV**

**Starz**

**HBONOW**

**MUBI**

**Discovery**

**Facebook**

**Amazon**



# SO FAR THE ABILITY TO UNDERSTAND THE ACTIVITY OF THE DIGITAL AUDIENCE HAS PROVED CHALLENGING BUT NEW TECHNOLOGY COULD MAKE THIS A PROBLEM OF THE PAST

## Online Advertising – User Tracking



### Aspiration / challenge

## Emerging solutions

Nielsen has created a **Total Audience Measurement** framework. The aim is to enable the measurement of audiences across **all digital content types and platforms** with metrics comparable with television. The first release in 2016 is **in partnership with Facebook** to enable publishers to access digital content ratings for their Instant Articles.

**Barb's Project Dovetail** aims to combine insights from **meta data tags** in content and ads along with **panel insights**. This will provide a means of understanding **cross-platform viewing**. Beta reports will be available from 2015 with full cross-platform insights expected **by 2017**.

# IN A FAST-EVOLVING ENVIRONMENT, IT IS IMPORTANT TO SHAPE STRATEGIES, BUSINESSES AND PLATFORMS FOR THE FUTURE



## Evolving viewership

Changing viewer behaviour moving away from linear broadcast towards on-demand and personalised content delivery



## Evolving delivery infrastructure

Dramatic changes in scale and capabilities of available cloud, network and CPE platform technologies



## Evolving viewing experience

Maintaining high quality of viewing experience to a fragmenting device base

- Whole home multiscreen
- Out-of-home mobile



## Evolving delivery organizations

Reducing time to detect and resolve end-user issues without delaying feature rollout is driving organizations towards DevOps



## Evolving development processes

With service velocity at high quality as the highest priority, agile development and automation processes are essential



## Evolving business and operating models

Digital video business models require different operating models and capabilities in order to maintain growth and profitability

# WE HAVE IDENTIFIED THREE OPPORTUNITIES FOR VALUE CREATION, WHICH WE BELIEVE WILL HELP BROADCASTERS IN THEIR SEARCH FOR FUNDAMENTAL GROWTH

## Value Creation Opportunities



**Use Competitive  
Advantage**



**Refine  
Operating Model**

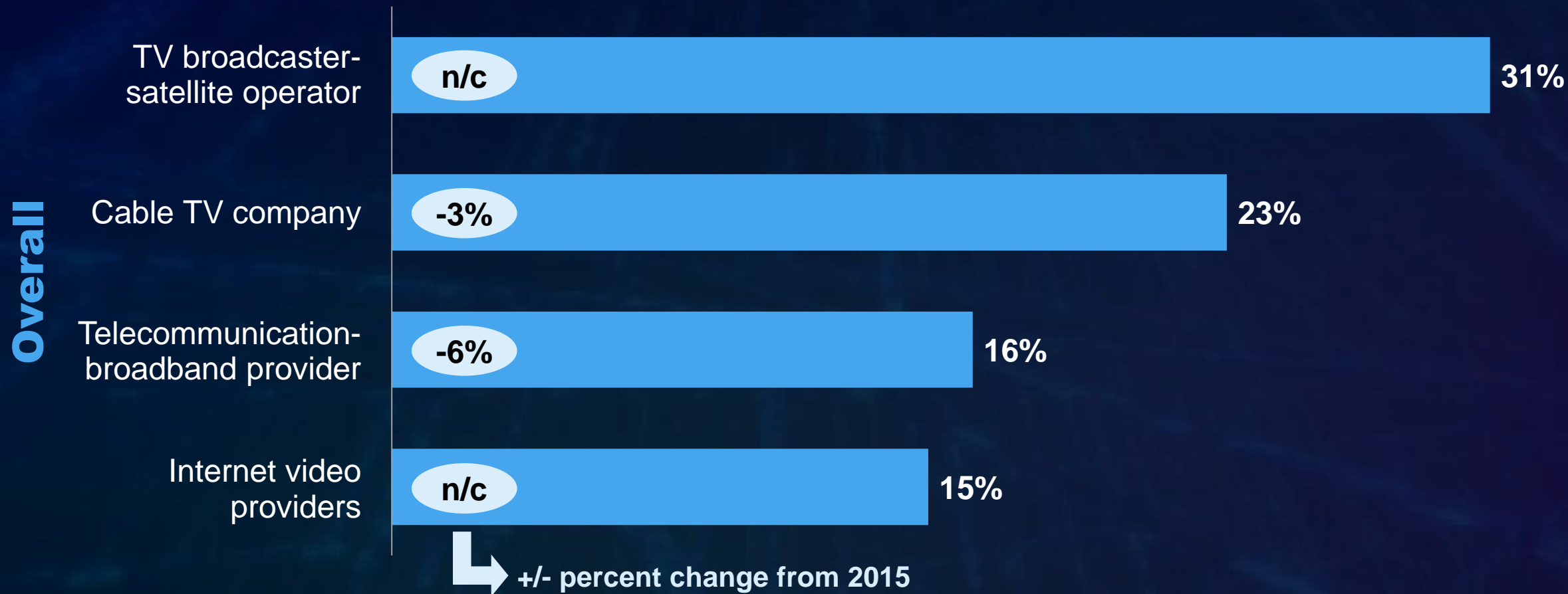


**Multispeed  
IT Delivery**

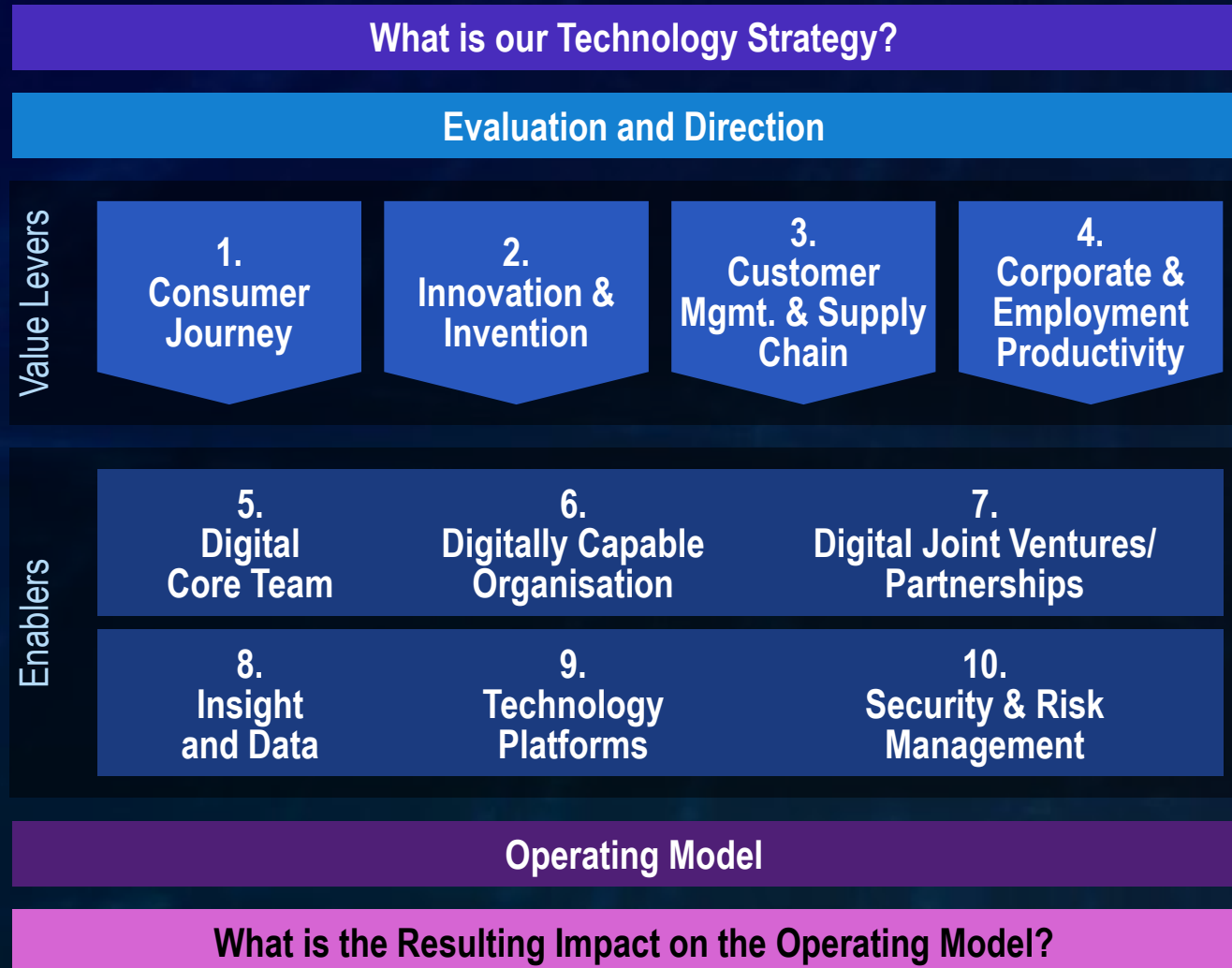


# USE AND MAINTAIN COMPETITIVE ADVANTAGE – BROADCASTERS CURRENTLY HAVE THE LEAD ON CONSUMER TRUST BUT THIS MAY SHIFT IF SERVICE QUALITY, PREMIUM CONTENT AND INNOVATION ARE NOT SUSTAINED

Trusted Service Providers – % of users selecting one preferred provider from the below options



# THE COMPLEXITY OF MULTIPLE CHANNELS, PRODUCTS, BUSINESS PARTNERS, ETC. REQUIRES HYBRID ORGANISATIONS TO RECONSIDER END - END OPERATING MODELS...



Digital Governance & Execution

**...AT THE SAME TIME THE INTEGRATION OF NEW TECHNOLOGY ALSO NEEDS TO BE CONSIDERED IN THE CONTEXT OF THE BUSINESS AND OPERATING MODEL**

# DEPLOY MULTI-SPEED TECHNOLOGY DELIVERY CAPABILITIES

## Set the strategy

Know where to start...



## Pilot

...and start fast



## Transform the Technology Operating Model

Enable multi-speed delivery in your organisation

