Pulse of Media
Navigating the complexity of an evolving digital world

High performance. Delivered.
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I am pleased to present the 2015 Accenture Pulse of Media study, which tracks the major trends shaping the present—and future—of the media and entertainment industry.

Now in its third edition, Pulse of Media depicts an industry experiencing massive disruption and rapid evolution. Video is now being consumed across all screens, and as it hits its inflection point, the decline in viewing video on TV is pronounced and accelerating. Consumers are more often demanding quality offerings and are increasingly influential on the brands that succeed. As consumers dictate success and new competitors reshape the industry, the media and entertainment industry is in continued flux. Operating models are being reinvented to compete with disrupters unimagined just a few short years ago. The democratization of content creation, the need to evolve content delivery and the mandate to evolve content business models are helping drive traditional content providers to transform into digital product distribution companies.

In this report and in other materials on the Pulse of Media site, we give an analysis of the major trends helping drive industry disruption as well as our views on what the trends mean for media and entertainment companies. We also present findings from the 2015 Accenture Digital Consumer Survey of 24,000 respondents in 24 countries, which provides an additional level of insight into the ways consumers are selecting and viewing content and creating their own entertainment schedules.

On the Pulse of Media site you will find discussions of relevance to media companies of all types. You will also be able to find views on key issues and opportunities from the perspective of a number of industry players. I hope you will join the debate, and I look forward to a continuing conversation.

Francesco Venturini
Global Managing Director
Accenture Media & Entertainment
## Introduction

Since its launch in 2012, Accenture’s Pulse of Media has provided a forward-looking perspective on the trends changing the media landscape. As consumer trends have become more pronounced, delivery infrastructure has improved and business models have taken hold, Accenture’s vision of the industry has been confirmed to be accurate.

This year the Pulse of Media has been reframed to specifically check the pulse of media and entertainment consumers, the industry, and the competition. For each of these constituents we identify the established, in-play and emerging trends for media and entertainment executives to watch. We have introduced this approach recognizing that operating in a continuously evolving ecosystem requires monitoring many ongoing trends in different stages of maturity. While the state of these trends may vary by geography, we hope that by presenting the confluence of trends into a digestible global context we can provide new insights that are hard to identify in isolation.

### THEME 1

#### The Golden Age of Video Consumption

How is the consumer relationship with media evolving? Video consumption—anytime, anywhere—has become mainstream, accelerating the decline of traditional TV viewing. As consumers consume more content, quality matters. Consumers are both kings and kingmakers, controlling which bundles, brands and content succeed.

### THEME 1 TRENDS

- **We’re at an Inflection Point for Video Consumption.** Consumers consume all lengths of video on all devices.
- **Quantity Is Good, but Quality Is Better.** Content that is professionally produced is upping the game.
- **Consumers Are Kings and Kingmakers.** They’re bundling to get what they want. It’s about shows, not channels.

### THEME 2

#### A New Media Paradigm

What are the underlying drivers in the industry? The democratization of content creation, the need to evolve content delivery and the mandate to evolve content business models will require traditional content providers to transform into digital product distribution companies.

### THEME 2 TRENDS

- **We’re Seeing a Content Renaissance** in terms of content production, financing and overall user experience.
- **Delivering Broadcast Availability with Broadband Flexibility;** content delivery must be device agnostic.
- **Reaching the Digital Generation:** media companies must be “tech forward,” evolving the media value chain.

### THEME 3

#### Shift from Protection to Innovation

What is the competitive environment? Disrupters are shaking up the competitive landscape, and media companies are challenged to innovate, evolve video services, expand capabilities and experiment with new monetization models.

### THEME 3 TRENDS

- **Service Differentiation with Digital Obsession;** media companies seek new content, context and bundling.
- **Adopting the Way of Online Disrupters.** Companies need the right partner and right operating model.
- **Re-Imagined Monetization**—from advertising to bundled content—what is the optimal mix?
The Consumer: The Golden Age of Video Consumption

Video consumption—anytime, anywhere—has become mainstream, accelerating the decline of traditional TV viewing. As consumers devour the exponentially growing quantity of content now available, quality matters when it comes to paid content and increasingly to free content. Fully in control of which bundles, which brands and which content succeeds, consumers are now both kings and kingmakers.
Consumers are choosing video over other forms of content, watching all lengths of video on all types of devices, and seeking out video wherever and whenever it is convenient for them.

**Inflection point for video consumption**
Anytime, anywhere video viewing has been a theme emerging for several years, but this year it has hit an inflection point. Consumers are choosing video over other forms of content, watching all lengths of video on all types of devices, and seeking out video wherever and whenever it is convenient for them. As they do, online content consumption is very much becoming a mainstream and commonplace activity. According to the 2015 Accenture Digital Consumer Survey, more than half of consumers now prefer to watch video clips on their laptops while another quarter prefer to watch on their smartphone (Figure 1). Younger consumers are leading the way, but the trend toward digital video is pervasive. Nielsen reports that consumers aged 35 to 49 doubled their digital video watching time between 2013 and 2014 (Figure 2). Access is now democratized, and frequent access to digital content is more a norm than an exception.

As consumers spend more time watching online videos, short form video is now a firmly entrenched content form that is here to stay. It has developed into a sophisticated ecosystem that rivals more traditional media (Figure 3). YouTube continues to grow at pace as every day people are watching hundreds of millions of hours of video and generating billions of views, half of which are on mobile devices. Consumers continue to seek out new ways to consume short form video whether via clickbait on Facebook aggregating other sites or through specific searches on YouTube or other media outlets.

Growth in short form video consumption is not impinging on longer form video. Viewing of longer form video on non-TV devices, including tablets and mobile devices, is also growing. The 2015 Accenture Digital Consumer Survey shows that 38 percent of consumers prefer watching TV shows from their laptops and nearly one-fourth of consumers prefer their laptops for watching sports.

Figure 1: Preferred device when accessing different types of digital content.
% of users selecting 1 or 2 preferred devices for each form of digital content

### TV Shows/Movies

<table>
<thead>
<tr>
<th>Device</th>
<th>US</th>
<th>Globally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer/Laptop</td>
<td>28%</td>
<td>38%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Tablet</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>TV Screen</td>
<td>55%</td>
<td>52%</td>
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</table>

### Video Clips

<table>
<thead>
<tr>
<th>Device</th>
<th>US</th>
<th>Globally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer/Laptop</td>
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<td>38%</td>
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<tr>
<td>Smartphone</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Tablet</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>TV Screen</td>
<td>55%</td>
<td>52%</td>
</tr>
</tbody>
</table>

### Sports Games/Matches

<table>
<thead>
<tr>
<th>Device</th>
<th>US</th>
<th>Globally</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer/Laptop</td>
<td>13%</td>
<td>23%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Tablet</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>TV Screen</td>
<td>40%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Viewing of long form video content (TV shows, movies and sports) on TV has declined dramatically in the past year with more viewing occurring on all other connected devices but particularly on computers/laptops.

Source: 2015 Accenture Digital Consumer Survey
Figure 2: Digital video continues to grow across demographics with younger consumers leading the way.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>18–34 age group</td>
<td>4.8 hours; by delivery method</td>
<td>5.3 hours; by delivery method</td>
<td>6.3 hours; by delivery method</td>
</tr>
<tr>
<td>35–49 age group</td>
<td>4.8 hours; by delivery method</td>
<td>5.3 hours; by delivery method</td>
<td>6.5 hours; by delivery method</td>
</tr>
<tr>
<td>50–64 age group</td>
<td>4.9 hours; by delivery method</td>
<td>5.4 hours; by delivery method</td>
<td>6.5 hours; by delivery method</td>
</tr>
</tbody>
</table>

Q2 2012–14 CAGR
- TV Screen: 93% 92% 88% 96% 96% 92% 98% 97% 95%
- Digital Video: 7% 8% 12% 4% 4% 8% 2% 3% 5%

Source: Nielsen, Accenture analysis

Figure 3: Short form media has developed into a sophisticated ecosystem that rivals more traditional media.

Source: Accenture analysis
According to the Ooyala Video Index, 75 percent of the time consumers spend watching video on a tablet is content of 10 minutes or longer, up from 60 percent in 2013 (Figure 4).

Video consumption—both long and short forms—is also happening everywhere, making the need to understand context even more critical than reported last year. Out-of-home video viewing is rising, motivated by the growth in larger screen mobile devices (Figure 5). Ericsson data shows that 20 percent of consumers between ages 16 and 24 watch video while commuting, 10 percent watch while out and about in the city and 28 percent watch while at work or school. Each of these use cases represents very different context that media companies will need to understand to influence how a consumer selects, engages with and consumes content. Media companies will also need to figure out how to produce and manage content to capitalize on these engagement models while helping drive brand and monetization.

As video consumption hits its inflection point, the decline in viewing video on TV is pronounced and accelerating. The percentage of consumers preferring to watch TV shows on a TV screen is down 13 points globally from last year, and the preference to watch sports on a TV screen is down 10 points. The trend is evident across all ages although it is more pronounced among younger demographics where those preferring to watch TV shows or movies on a TV screen dropped between 14 and 33 points (Figure 6).

On demand, time shifting and binge watching on all platforms are trends that are now very much in play with consumers. According to a Harris Poll, 78 percent of adults, and 90 percent of those under age 39, now watch time-shifted TV. Of those who watch on their own schedule, 62 percent stated they binge watch. While skewed slightly to younger generations, binge watching is evident across all demographics.

Live linear viewing is also expected to transform. For example, in October 2014 in the US, the FCC ruled that OTT providers offering live linear streams online are to be regulated as multichannel video programming distributors (MVPDs) with the right to get access to the air broadcast networks. This opens up the door for OTT providers or online delivery to compete with cable, satellite and IPTV just as each did in the generation before.

Looking forward, consumer viewing of sports and other live events on mobile devices out of home is a trend starting to gain momentum. To date, live viewing has been driven by experimentation among media companies but consumer interest is growing as evidenced by Twitter’s recent launch of the Periscope app, which seems to have severely diminished the popularity of the previous media darling Meerkat.

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**Figure 4: Long form viewing on mobile devices and tablets has been increasing dramatically.**

Average content length by device type, Q3 2015

<table>
<thead>
<tr>
<th>Device Type</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desktop</td>
<td>10%</td>
<td>18%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Mobile</td>
<td>30%</td>
<td>20%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Tablet</td>
<td>40%</td>
<td>63%</td>
<td>60%</td>
<td>75%</td>
</tr>
<tr>
<td>Connected TV/Game Console</td>
<td>60%</td>
<td>82%</td>
<td>71%</td>
<td>80%</td>
</tr>
</tbody>
</table>

Source: Ooyala, Accenture analysis
Figure 5: Longer form viewing on mobile devices and tablets has been increasing dramatically.

% of users having poor internet connection on a "daily" and "weekly" basis when watching online video

When using your home Internet broadband

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>41%</td>
<td>43%</td>
</tr>
<tr>
<td>APAC</td>
<td>54%</td>
<td>57%</td>
</tr>
<tr>
<td>Middle East</td>
<td>68%</td>
<td>65%</td>
</tr>
<tr>
<td>LATAM</td>
<td>63%</td>
<td>63%</td>
</tr>
</tbody>
</table>

When using your mobile Internet broadband

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
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<td>APAC</td>
<td>54%</td>
<td>57%</td>
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<tr>
<td>Middle East</td>
<td>68%</td>
<td>65%</td>
</tr>
<tr>
<td>LATAM</td>
<td>63%</td>
<td>63%</td>
</tr>
</tbody>
</table>

Source: 2015 Accenture Digital Consumer Survey

Sample base: respondents with broadband at home and accessing online video

N=21474

Sample base: respondents with broadband mobile and accessing online video

N=18457

Figure 6: Preferred device when accessing different types of digital content.

% of users selecting 1 or 2 preferred devices for each form of digital content

<table>
<thead>
<tr>
<th>TV Shows/ Movies</th>
<th>14-17 years</th>
<th>18-34 years</th>
<th>35-54 years</th>
<th>55+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer/Laptop</td>
<td>44%</td>
<td>47%</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>16%</td>
<td>11%</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>Tablet</td>
<td>16%</td>
<td>9%</td>
<td>7%</td>
<td>3%</td>
</tr>
<tr>
<td>TV Screen</td>
<td>29%</td>
<td>46%</td>
<td>58%</td>
<td>64%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Video Clips</th>
<th>14-17 years</th>
<th>18-34 years</th>
<th>35-54 years</th>
<th>55+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer/Laptop</td>
<td>45%</td>
<td>56%</td>
<td>1%</td>
<td>1%</td>
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<tr>
<td>Smartphone</td>
<td>38%</td>
<td>34%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Tablet</td>
<td>24%</td>
<td>15%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>TV Screen</td>
<td>12%</td>
<td>18%</td>
<td>22%</td>
<td>21%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sport Games/Matches</th>
<th>14-17 years</th>
<th>18-34 years</th>
<th>35-54 years</th>
<th>55+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer/Laptop</td>
<td>31%</td>
<td>26%</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>18%</td>
<td>11%</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Tablet</td>
<td>14%</td>
<td>7%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>TV Screen</td>
<td>26%</td>
<td>38%</td>
<td>47%</td>
<td>54%</td>
</tr>
</tbody>
</table>

Source: 2015 Accenture Digital Consumer Survey

Sample base: Respondents owning the specified devices N=23668
With consumers embracing every screen available to them, providers need to think ahead about the new connected devices on the horizon.

Star India recently launched hotstar, a convergent web and mobile platform to bring its latest and richest content to a single online destination. Hotstar kicked off with live coverage of the ICC Cricket World Cup 2015. Along with starsports.com, its digital platform counterpart, hotstar served more than 25 million video views during an Indian–Pakistan cricket match to make it the leading watched sports event online of all time.

A slow breakdown of geographic barriers is also emerging as audiences become more global. For example, DISH International now offers more than 240 channels in 29 languages from Arabic to Hindi to Cantonese. Netflix now reports over 57 million members in nearly 50 countries and plans to launch into 200 countries over the next two years. While Netflix allows its subscribers to access services as they travel internationally, it limits them to content available in the geography where they access Netflix. Nonetheless, piracy of its original content is an indicator of its global popularity. In the first 24 hours of its release, “House of Cards Season 3” was illegally downloaded more than 682,000 times, with China, India and Australia leading the piracy along with the US.

With consumers embracing every screen available to them, providers need to think ahead about the new connected devices on the horizon. Whether it is virtual reality glasses (such as Oculus Rift) or connected and driverless cars (such as the Tesla, Google or Apple self-driving cars), these screens represent future opportunities on which media companies can capitalize.

**Quantity is good but quality is better**

The quantity and diversity of content available to consumers continues to skyrocket. The popularity of Twitch.tv, a live streaming platform for watching video games, is a great example of the diversity of content that can be monetized. Among this massive number of content choices, when it comes to paying for content, quality matters. It is even emerging as a trend in free content and low priced subscription services.

Quality is hard to define, but common underlying themes include good production value, strong storylines, believable acting and social context. In the 2015 Accenture Digital Consumer Survey, consumers report that the top factors that encourage them to watch long form video content over the Internet include availability of the most recent cinema content, less advertising interruptions and better video quality (Figure 7). Content that is more professionally produced is winning on a number of fronts. In the US, one indicator is that subscriptions to premium content networks continue to grow at 4 percent per year (Figure 8). The vast success of original programming such as “Mad Men,” “Orange Is the New Black” and more is another clear signal of the importance of production quality and storytelling. Amazon and Netflix both earned Emmy and Golden Globe awards for original programming, and professionally produced content on YouTube is garnering greater success than amateur content. Disney/Maker Studios, Warner Music and Sony BMG all rank in the top 10 multichannel networks worldwide based on unique views (Figure 9). Subscription video on demand (SVOD) services are contributing to the quality trend, providing a channel for quality content discovery. “Breaking Bad” viewership increased 184 percent between 2011 and 2014 thanks to Netflix. To help consumers find quality content, leading OTT providers are improving their ability to optimize content, displaying content options and recommendations most relevant to consumers. By tracking consumer interest and behavior, OTT services are optimizing massive libraries of content based on what appeals to the consumer, improving consumer access to the content they want most while optimizing cost.

New market entrants are increasing competition for premium content and helping drive the cost of content rights to record highs. In the UK, for example, competition with BT Sport drove Sky to pay a record 4.2 billion pounds for top Premier League rights. As this type of competition continues, it is even more complex for media companies to maintain sustainable business models.

Looking ahead, as consumers gravitate more and more toward quality, short form video is upping the game. The launch of Vessel, a premium version of YouTube at $2.99 per month, suggests that there is demand for better quality content even in shorter formats. As content providers push to capitalize on the quality trend, they will leverage crowdsourcing more and more, asking consumers to provide feedback on scripts and pilots to ensure perceived quality before investments are made. Amazon has provided the blueprint on this to date with its selection process for original content. Amazon also announced in January that it plans to release 12 movies a year at a cost of $25 million per film. Amazon plans shorter content windows with theatrical release to DVD and Prime Instant Video within 30 to 60 days while the buzz is still fresh.

Competition will only intensify as new players enter into the original content production space and media companies support their multichannel networks in moving from being pure aggregators to both aggregators and original content producers. Vimeo’s recent commitment of at least $500,000 to Warner Bros.-backed multichannel network Machinima for original content that will be distributed exclusively on Vimeo is just one example of this emerging trend.
Figure 7: Top 5 facts that will encourage users to pay for a long form video content service over the Internet.

- Availability of most recent popular cinema-TV series releases: 29%
- Less advertising interruptions: 28%
- Guaranteed experience in terms of quality of video and audio: 21%
- Availability of High Definition programs: 19%
- Larger range of video on demand content: 18%

Source: 2015 Accenture Digital Consumer Survey
Sample base: respondents over 18 years old accessing long form video content N=20268

Figure 8: Consumers continue to subscribe to premium networks indicating a desire for premium content.

<table>
<thead>
<tr>
<th>Premium Networks in the US</th>
<th>2009-2014, Millions of Subscribers</th>
<th>CAGR 09–14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Epix Drive In</td>
<td>151.0</td>
<td>-1%</td>
</tr>
<tr>
<td>Encore</td>
<td>31.2</td>
<td>2%</td>
</tr>
<tr>
<td>Flix</td>
<td>25.6</td>
<td>4%</td>
</tr>
<tr>
<td>The Movie Channel</td>
<td>18.0</td>
<td>4%</td>
</tr>
<tr>
<td>Epix</td>
<td>17.5</td>
<td>88%</td>
</tr>
<tr>
<td>Starz</td>
<td>17.4</td>
<td>5%</td>
</tr>
<tr>
<td>Showtime</td>
<td>12.1</td>
<td>6%</td>
</tr>
<tr>
<td>Cinemax</td>
<td>29.0</td>
<td>4%</td>
</tr>
<tr>
<td>HBO</td>
<td>28.4</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: SNL Kagan, Accenture analysis
Figure 9: Multichannel networks—Top MCNs on YouTube
February 2015, Millions of unique visitors

Source: YouTube, comScore, Accenture Analysis

Figure 10: Most trusted providers for a quality video over the Internet service on TV screen—by geography

% of users selecting one preferred provider from the below options
What company would you trust most (i.e., to provide quality content and support) to offer you a video over the Internet service on your TV screen?

Source: 2015 Accenture Digital Consumer Survey
Sample base: TV owners who access digital content. N=17637
Consumer kings and kingmakers
We have been tracking the trend toward consumers becoming “kings” of content since our first Pulse of Media publication. The consumers’ role as king, fully in control of their media and entertainment experiences, is now well established. Today, not only are consumers in control of their experience, they are also becoming “kingmakers,” increasingly in control of which brands and which content succeed.

Consumers are drawn to shows far more than to channels or production networks. By going through online content aggregators, they are consuming content in ways that disengage them from the network. The reduced engagement of the millennial generation in traditional TV in favor of OTTs is a leading indicator of this trend.

Consumers are building their own bundles to get the content they want, patching together various OTT offerings (such as Netflix, Hulu, YouTube and HBO GO/NOW) and sharing their wallets across multiple providers in ways that didn’t happen just a year ago. Providers such as Dish Network Corp. and Sony are responding with new skinny bundles like Sling TV and Sony Vue, or web services that offer just a few popular channels at a lower price.

Cord Cutting and Cord Shaving
Cord cutting and shaving has been getting a lot of buzz over the past few years and continues to pose a challenge for the industry. Consumers are enticed by the idea of reducing a seemingly ever-increasing Pay TV bill. For those never using a cord or consumers who watch little TV content, the decision is fairly straightforward.

However, the number of consumers in this segment is about 10.9 million households or approximately 10 percent of the US Pay TV consumer base according to SNL Kagan. The number is far lower if we look to the European market. For consumers who watch a lot of TV or are interested in sports, the decision is a little harder. In Europe, Netflix subscribers are estimated to represent one-fifth of total Netflix subscribers in 2015, almost five to six million new subscribers. According to IHS projections, this will grow to eight million by 2018.

Before discussing the economics of “cord decisions” it is important to understand what cord shaving or cord cutting entails. It requires a deeper consumer understanding of the services that they have, how much they cost and the type of content available. Consumers also need to be prepared to wait for content and be comfortable with micro-transactions to keep up with content they truly can’t do without. And for cord cutters who really want it all, it depends on their comfort with piracy whether that be downloading the latest and greatest via BitTorrent or sharing IDs with friends and family. Consumers also need to be prepared to manage their own quality of service as they are now dependent on broadband to get access. Hence, the calculations in Figure 11 factor in a $20 premium on broadband that consumers would be willing to pay to move to OTT as their primary form of viewing.

Figure 11: For heavy consumers of content and sports fans, cord cutting and cord shaving doesn’t save as much as one might expect.

<table>
<thead>
<tr>
<th>Broadband Premium</th>
<th>$84</th>
<th>$20</th>
<th>$110</th>
<th>$119</th>
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<tbody>
<tr>
<td>iTunes</td>
<td>$20</td>
<td>$24</td>
<td>$16</td>
<td>$16</td>
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<td>Hulu</td>
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<td>$8</td>
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<td>$8</td>
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<td>HBO NOW</td>
<td>$32</td>
<td>$15</td>
<td>$15</td>
<td>$15</td>
</tr>
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<td>Netflix</td>
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<table>
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<tr>
<th>Cost Reduction/Savings: Cord Cutter</th>
<th>$26-$35</th>
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<tr>
<td>Content: Catalog/past seasons On Demand</td>
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<td>HBO current season Current seasons (paid)</td>
<td>Live linear</td>
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<tr>
<td>Access: Primarily device agnostic</td>
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<tr>
<td>Key Challenges: Tracking availability of content on services</td>
<td>Tracking availability of content on services</td>
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Source: DIRECTV, SNL Kagan, Netflix, Hulu, HBO, iTunes, Accenture analysis
The example illustrates five types of consumers: the cord cutter, cord shaver and cord keeper with some nuances. Should cord cutters try to keep up with their viewing behavior by creating their own bundle they could generate $16-$25 in savings. Cord shavers simply drop down to smaller, skinnier Pay TV packages. Cord shaver 1 could sign up for a package without sports such as DIRECTV’s Select package with a two year average price of $35 per month after factoring in the introductory price for 12 months and the subsequent increase. The second cord shaver could sign up for a $50 per month package that includes sports. The two end up costing approximately the same based on an assumed increased propensity to watch one additional show via iTunes for the second cord shaver.

Cord shavers really don’t end up saving much once they build their own bundles. However, they have limited access to live linear content and have to constantly know where to find content. And we haven’t even factored in the cord shaver’s potential subscription to Amazon Prime.

This analysis shows that the decision around cord cutting and shaving really depends on the type of consumer one might be. For heavy consumers of content, Pay TV still holds a strong value proposition. However, those providers that don’t offer the convenience of TV Everywhere or have limited VOD catalogs are at risk. But having TVE and VOD isn’t enough. Consumers need to know about these incremental free services and must be able to access them easily to perceive the value of them. Pay TV providers aren’t out of the game yet but they have some work to do. There is also a broader opportunity for aggregators to aggregate across OTT services to simplify the overall cord shaving or cord cutting experience by making it easier to search and discover content across services.

As they gain control of their experience, consumers are establishing brands by talking, liking, following, sharing and tweeting about content on social media competing with traditional content promotion. Many credit the billions of consumer views on YouTube as a key influence on Disney’s landmark $500 million acquisition of short form video content producer Maker Studios in 2014.\(^\text{17}\)

The consumer’s role as kingmaker is extending into non-traditional channels and content. Consumers are beginning to have more diverse associations with content experiences that are increasingly defined by more new celebrities and new next-generation channels. This represents an emerging opportunity for providers to monetize content in niche markets including those not yet conceived. For example, the massive consumer trend of watching others play video games has motivated Amazon’s acquisition of Twitch for $970 million.\(^\text{18}\) Whilst PewDiePie is making an estimated $4 million from advertising to over 34 million subscribers on YouTube.\(^\text{19}\)

QUESTIONS TO CONSIDER

• Is your company positioned to capitalize on multiscreen viewing in and out of home?
• What is the appropriate content strategy for your company to embrace increasing consumer preference for quality content in all forms of video?
• What is your innovation roadmap to monetize nontraditional channels and content in response to diverse consumer interest?
The Industry: A New Media Paradigm

The media and entertainment industry is facing a completely new content paradigm. The democratization of content creation, the need to evolve content delivery and the mandate to evolve content business models will require traditional content providers to take greater control of consumer experiences.
The content "renaissance"
The democratization of content production, new financing mechanisms and alternative channels are spurring a content renaissance. Democratization of content is an established trend. Better capture and editing technology from smartphones to professional cameras and the availability of more distribution channels have enabled further democratization, allowing content producers new ways to tell stories, and shortening time to production. More than 300 hours of video are now uploaded to YouTube every minute and more than a million channels in dozens of countries are earning revenue through YouTube’s partner program. One of the highest earners on YouTube is the woman behind the “unboxing” videos phenomenon in which she opens up boxes, from Disney toys to shoes. Her revenue from advertising on YouTube was a reported $4.9 million in 2014.

New financing mechanisms such as Kickstarter and non-ratings-driven OTT distribution channels such as Netflix and Amazon Prime are offering content producers greater creative license to address the demand for quality content. This year marks a growing trend toward celebrities developing content directly on alternative channels and gravitating toward OTT platforms that provide greater freedom for creativity. For example, Amazon contracted with Woody Allen to write and direct a full season of 30-minute shows, which will be his first attempt at TV. Aziz Ansari launched his latest stand-up show exclusively on Netflix, and Jerry Seinfeld has revived his comedic talents with exclusives on Crackle with “Comedians in Cars Getting Coffee.”

Amid this creative explosion we are witnessing a second generation of OTT services, commissioning their own original content and breaking established content procurement rules.

As the content renaissance unfolds, rights holders are trying new monetization models and continue to experiment with content windows. Global first run shows like “Zoo,” “Gotham,” “Under the Dome” and “Extant” are now on Netflix and Amazon. Tina Fey’s new show “Unbreakable Kimmy Schmidt” was originally made for NBC, but as NBC executives struggled to find a fit the show was given the opportunity to talk with Netflix, which signed a deal and committed to a second season within a matter of days. Hulu is taking on the final six unaired episodes of ABC’s “Selfie.”

The trend of using original content to differentiate OTT subscriptions has expanded beyond North America and is emerging in APAC. Chinese OTT players like Youku Tudou and iQiyi are developing original content as the trend emerges in the Asia Pacific region. Youku is placing its bets on original content development, with its announcement of a major reorganization to launch a new business unit, Heiyi Studios, to produce TV dramas and content just for the web.

Looking forward, the possibilities for creative content are endless. New forms of storytelling, such as augmented experiences, and a world of connected devices will open up whole new outlets for creativity and ways to distribute and consume content. Samsung Project Beyond, multi-angle video capture paired with an Oculus-like viewing device for a more immersive viewing experience, is an example of where entertainment is headed. YouTube is experimenting with multi-angle video and Microsoft HoloLens with holograms (Figure 12). Virtual reality, immersive and augmented experiences were high profile at this year’s Sundance Film Festival, indicating the collision of technology and entertainment has more than begun. There has never been a better time to create content with the number of ways to express oneself and the number of ways to reach consumers.
Delivering broadcast availability with broadband flexibility

Content delivery is no longer synonymous with customers having a set top box (STB). Supporting an STB installed base is becoming comparatively expensive as portable devices (such as Roku or Chromecast) and apps downloaded on a customer’s device are providing the same access. Apps are functioning as the new TV channels and content aggregators, reaching the digital generation. As this occurs, an evolution is underway from the legacy of a proprietary STB to safeguard Pay TV access at a single point of entry to the delivery of content to any screen through the provision of bandwidth and apps.

The need is great for media companies to continually improve and evolve infrastructure to keep up with consumers and the competition. Consumer perception of media company apps on the Apple App Store varies across media company providers with many receiving poor customer experience ratings. Historically slow to innovate due to heavy capital investments required, media companies are gradually improving the agility, capacity, efficiency and sustainability of their technological services and components. This is evidenced by the ubiquity of Internet services capable of delivering SD quality video in and out of home and the OTT infrastructure capable of efficiently delivering SD and HD content. It is also evidenced by the seven point increase from 2014 to 2015 in the percentage of consumers strongly agreeing they have enough bandwidth in the broadband Internet connection they currently use at home.22

Looking ahead, three trends are in play. First, convergence of the distribution networks is shifting the focus from standard delivery to providing the best content for the device being used. Second, as media companies move toward IP delivery it is critical that they are able to manage consumption at scale. HBO GO’s crashing during the “True Detective” finale and “Game of Thrones” premiere illustrated the need to improve unicast delivery to account for simultaneous viewing at scale. Third, is the increasing prominence of infrastructures capable of delivering content at 4K resolution. Netflix offers some shows—primarily original content—in 4K. Amazon launched 4K streaming in December 2014, again primarily focusing on Amazon original content plus movies. And with OTT providers supporting 4K, MVPDs such as Comcast and DIRECTV are now delivering 4K content.23

In the midst of these trends is an evolving regulatory environment. In both the US and the EU net neutrality has been in focus. The FCC in the US recently ruled in favor of net neutrality with a new classification for broadband companies as utilities. The new regulations are currently undergoing comments and will be subject to lawsuits from Internet service providers. In March 2014, the European Parliament voted to write net neutrality into law but this is currently undergoing scrutiny by the European Commission.24 These rulings have implications on how broadband companies monetize their pipes in the future.

Among emerging trends is the impact of gigabit Internet driven by disruptive new entrants like Google Fiber and reinforced by AT&T and other traditional broadband providers. This changes the game to allow for more high fidelity or interactive consumption of video such as virtual reality. Companies are determining expansion plans for new delivery methods including LTE broadcast, Wi-Fi mesh networks and p-cell technology, not just to deliver content over the top but to do so at scale. Winners will have the infrastructure they need and will continuously evolve their network as they reinvent themselves.
Reaching the digital generation

Traditional media companies can no longer think of themselves as just media companies if they wish to address the digital generation’s need for content anywhere, anytime on any device. Technology-centered media companies such as Netflix, YouTube and Amazon are forcing traditional players to become more tech savvy. These new business models—for example, HBO launching HBO GO/NOW and Foxtel’s Presto OTT service in Australia delivering content via apps—are dependent on technology from creation to monetization. Different economics drive decision-making as companies work to manage margins in tech-forward business models.

New entrants are leveraging technology to their advantage. For example, as more consumers view videos on social media, networks are forging partnerships with content providers, such as that of Twitter and the National Football League. While social media is certainly a trend in play, it’s still early in its evolution, signaling there is still time for content providers to address social media in a meaningful way. This includes managing and putting into action the enormous influx of unstructured data that will become the fuel for the engine of next-generation media marketing.

Indeed, the evolving media value chain will require traditional content providers to act more like digital product distribution companies, driven by enhanced intelligence to effectively reach the digital generation. As context becomes more critical to staying relevant with this generation, data holds the key to differentiation. The ability to measure, analyze and take action based on viewing behavior and contextual data will determine tomorrow’s winners.

While data analytics have long been used to improve sales and marketing performance, media companies can leverage big data in larger ways to adapt content to evolving customer requirements across the entire content life cycle and commission and tailor content based on detailed insights about their audience. This will help reduce the number of pilots and will help increase the likelihood of investing in successful content. For example, Netflix collects big data to understand how its users behave on the site and what their preferences are. The company takes into consideration what their subscribers watch, when they watch, where they watch, what they search for, the ratings they give and more. Based on this data, Netflix could safely determine that certain ingredients would lead to the phenomenal success of “House of Cards.”

Looking forward, data available to media companies for personalization at scale will be enriched by new devices and sensors, capturing information as specific as eye movements and consumer mood.

Figure 13: There is a need to push for industry change on how many days viewership is measured across to more accurately value ad slots.

Measuring “Live + 7 Days” versus “Live + Same Day” significantly increases total viewership for broadcast TV shows, US, February 9–February 15, 2015

<table>
<thead>
<tr>
<th></th>
<th>Live + Same Day Viewership* (000)</th>
<th>Live + 7 Days Viewership* (000)</th>
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<tr>
<td>Modern Family</td>
<td>14558</td>
<td>49%</td>
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<tr>
<td>Blacklist</td>
<td>14187</td>
<td>73%</td>
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<td>Grey’s Anatomy</td>
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<td>CSI: Crime Scene</td>
<td>10307</td>
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*Note: One episode for each title in February 15; Adults 18-49
Source: Tribune Digital Ventures, Deadline, Accenture analysis
The ability of companies to use data and analytics to help consumers search for and discover content is also becoming increasingly important, particularly in ways that enable discovery across platforms. While search and discovery has significantly improved, it still poses a challenge as the volume of content continues to grow, driving the need for new forms of aggregation.

To help achieve a level of personalization at scale, media companies know the race is on to effectively track and measure what the consumer is doing across multiple devices and modes of engagement. Being able to connect user behavior across PC, mobile, TV and future platforms will not only help personalize content but also optimize monetization. As viewership patterns evolve, adjustments to how viewership is measured are also needed to accurately value advertising opportunities.

For example, viewership over seven days can be substantially greater than viewership the same day of content release as consumers increasingly time delay their video watching (Figure 13). The challenge is in standardization and industry adoption of a new measurement to which everyone agrees.

In the absence of a strong value proposition for advertising within specific content windows, advertisers are increasingly depending on programmatic ad buying. eMarketer predicts that by 2016 US advertisers will spend more than $20 billion on programmatic ad buying (Figure 14).

**QUESTIONS TO CONSIDER**

- With the abundance of content, how is your company leveraging data and analytics to align content spend with content viewership?
- Is your company developing the capacity, agility, efficiency and sustainability of its technology services and infrastructure to keep pace with tech and consumer trends?
- Is your company investing in the analytics needed to effectively reach the digital generation and help drive personalization at scale?
The Competition: Shift from Protection to Innovation

As disrupters shake up the competitive landscape, media companies are challenged to go on the offensive, and shift from protection to innovation. To do so they are faced with the need to evolve and differentiate service, expand capabilities, and experiment with new monetization models.
Service differentiation with digital obsession

In the past, traditional media companies have also used picture quality of content as a differentiator. Today better video resolution is no longer enough to address the requirements of a more sophisticated, media-hungry consumer.

High-definition content delivered on all devices is now a routine practice. While the delivery method for video on-demand has been established, MVPD on demand offerings have yet to experience the viewership of OTT services that offer better search and discovery of content.

Traditional video providers have managed to stave off the fate of the music and publishing sectors by adopting multiscreen digital initiatives such as TV Everywhere strategies, but the competitive dimensions are evolving (Figure 15). There are now personal streaming services such as Sling TV and Sky disrupting competition.

To differentiate, MVPDs such as Bouygues Telecom, Orange and Belgacom are including OTT services on their set top boxes. But as MVPDs evolve, the pool of stand-alone OTT players continues to grow. Even disrupters such as YouTube are not immune to competition, constantly experimenting to stay ahead of Facebook, Twitter and new entrant Vessel.

Leading MVPDs are innovating their platforms to differentiate from both competing MVPDs and OTT players. Delivery of 4K content is one means to this objective. MVPDs also continue to expand live linear rights in and out of home.

Ultimately, winners will use context to enable better consumer engagement, easier search and discovery, and multiple monetization methods. They will capture behavior and consumption to help improve service through recommendations, reduce the clicks to get to content, improve search and take other actions to engage consumers.

Traditional video providers have managed to stave off the fate of the music and publishing sectors by adopting multiscreen digital initiatives such as TV Everywhere strategies, but the competitive dimensions are evolving.
Adopting the ways of online disrupters

It is well established that companies have to invest to keep subscribers. Some are laying fiber to accelerate their reach across the country. Others are improving their cellular networks. Still others are improving service delivery. However, online disrupters that are unencumbered by old business models are challenging traditional players to find new strategies to compete in this new world. More and more organizations are turning to the cloud to create an agile, scalable and flexible infrastructure. They need computer models that rapidly provide resources across a spectrum of legacy and cloud platforms.

The success of OTT players like Netflix and web players like Google have provided traditional media companies a glimpse into what is necessary to succeed in the world of digital media and to operate as a web company. The use of DevOps, centralized developer tools, cloud computing and everything as a service are core capabilities that allow online disrupters to achieve greater agility and faster time to market. Netflix’s investment in DevOps allows it to deploy code hundreds of times a day. Netflix’s in-house platform-as-a-service (PaaS) allows each development team to deploy their own part of the system without impacting others or the overall service. Google’s creation of a central tools team helps improve developer agility through faster feedback cycles. Online disrupters have shifted storage, intelligence and computing power to the cloud allowing for greater device support and ubiquitous access to content. Amazon, Facebook, Google and Netflix all leverage PaaS and the cloud to help scale their services while providing a compelling value proposition for consumers viewing on all types of devices or screens.

The new digital core media technology is evolving from hardware-centric and vertically integrated architecture to open, standards-based and IT/workflow based. Consequently this is facilitating the integration of core media and IT operations into a unique department that provides another element to meet rapidly changing consumer demand.

Online disrupters also continuously evolve products and services. Beta testing has become commonplace for OTT players to experiment and test new concepts to improve delivery of content and experiences. Facebook constantly beta tests products on control groups before releasing features to the broader user base. Google runs hundreds of beta tests daily on its search services to optimize its ad revenue stream. Beta testing coupled with data analytics helps online disrupters extract incremental value from services with both subtle and major changes to their services. Delivery agility and an existing digital culture in online disrupters help them achieve fast product cycles driven by insights from data.

Hardware and software are becoming more decoupled as companies like Apple and Google seek to own end-to-end consumer experiences. Apple and Google are able to offer most of their services on many devices. Netflix is the ultimate example of the decoupling of hardware and service to reach device ubiquity and massive scale. Netflix started with a device strategy, the Netflix Player, under Project Griffin led by Anthony Wood, now current CEO of Roku. However in 2007, just before the hardware release, Reed Hastings, CEO of Netflix, abandoned the project in favor of a device agnostic strategy, which has proved telling as the price point for OTT devices such as Google Chromecast and Roku has declined and there is increased intelligence in the cloud. As the price of streaming devices with intelligence in the cloud falls and the availability of OTT content increases, STBs are being displaced as gatekeepers to quality content.

With the fall of the STB as a barrier to entry, some MVPDs are taking on a web-like approach to Pay TV services with cloud-based user interfaces and increased cloud-based functionality. Comcast is doing this with its latest X1 set top boxes. Telecommunications and cable companies are adopting new set top box strategies and are building out all the needed assets to deliver an IP-enabled multichannel video service.

Others are investing in advertising to help optimize revenue streams such as Comcast’s acquisition of FreeWheel, a technology platform for ad management, and its investment in Black Arrow for dynamic ad insertion. Both innovation and consolidation are happening at every level of the value chain, from infrastructure to delivery to content, devices, audience segmentation, consumption and data monitoring. The innovation occurring is intended to drive a better consumer experience while optimizing operations to maintain agility to address future trends.

On the near-term horizon, vertical integration of media companies will prove to be too slow to be effective and building from scratch will not provide the agility they need. Media companies will have to have the appropriate business partners in place whether through joint venture or acquisition to reach new consumers. They will need a modular, interoperable operating model that is able to adjust to whichever direction video viewership heads. Overall, media companies need to reshape their DNA to become increasingly like online disrupters.

Re-imagined monetization

As disrupters increase competition, traditional players are forced to innovate with new data and content bundles, new abilities to measure impact and as yet unimagined ways to monetize advertising.

For years, double and triple plays with broadband services have been an important driver in consumer selection of providers. Now there is a massive need for new bundles to offer consumers variety, content and flexibility in price points they haven’t had in the past. Media companies are starting to innovate with new data bundles—whether they are wireless providers with rollover data bundles, data bundles across devices or emerging disruptive players like Google offering simplified pay-as-you-go data plans with its recently announced Project Fi. New content bundles are also being offered by MVPDs, like Verizon, as they try to work around the significant contractual
requirements preventing them from unbundling. This is resulting in bundles comprised of a variety of channels at multiple price points based on contractual agreements. OTT players trying to offer stand-alone packages are running into the same challenges, resulting in higher than expected package bundle costs with suboptimal content. Despite the challenges, it is clear that the migration to IP-delivered video is well underway.

**HBO and Time Warner: Balancing the economics of OTT and Pay TV**

HBO’s recently launched HBO NOW with its initial exclusive availability on Apple TV and Cablevision has caused quite a stir in the industry. There has been much talk about this being the first step in the disaggregation of the Pay TV bundle. Before we call the demise of the Pay TV bundle, it is important to understand the fundamental economics of the direct to consumer decision.

As programmers weigh the benefits and costs of launching OTT services, the impact on ancillary revenue streams must be a major consideration. For example, tempting Pay TV subscribers to move to HBO NOW is a risky proposition for Time Warner. While the parent may potentially earn more per HBO subscriber ($2/month according to SNL Kagan), that wouldn’t offset the lost carriage fees from Time Warner-owned Turner Networks. Losing a single Pay TV subscriber could cost Time Warner over $4/month from sister networks TNT, TBS and CNN (Figure 16). Even with HBO earning more revenue per subscriber for those customers shifting from traditional MVPD HBO subscriptions to HBO NOW, the parent company would likely see a net loss in revenue from the lost carriage fees and ad viewership for Turner networks, its other corporate division dependent on the Pay TV ecosystem. However, Time Warner may be uniquely positioned in the market to be able to consider launching a single network OTT, due to HBO’s proven track record of maintaining a large customer base willing to consistently pay, by far, the largest carriage fees in the industry. A similar analysis for other networks would likely show the lost revenue from sister networks far outweighing the additional revenue opportunity from launching the OTT net.

Offering content à la carte reduces programmers’ ability to subsidize new and unproven services or networks. If customers choose to pay for individual services over a larger bundle, their ability to “try out” new content becomes more expensive, making it more difficult for the programmer to convert new fans.

As MVPDs reformulate bundles they need to reimagine how they monetize content to address the requirements of consumers. Advertising is a massively important part of this equation. Attempts are underway to expand ad viewership windows to more accurately value ad slots, improve ratings and increase monetization for content owners. Dynamic ad insertion on Pay TV...
video on demand and TV Everywhere video on demand are emerging but not yet perfected or effectively measured. MVPDs are working to get it right and investing in new technology to enable it.

The monetization challenge will continue as media companies combat new disrupters willing to make highly sought after content available to consumers for free when it is contextually right.

Star India’s commitment to using an ad-based model that enables it to deliver free live streaming of events such as World Cup Cricket is just one example. We will likely see more of this in the future.

Advertising models will continue to be a large part of the monetization equation particularly as consumers gravitate to content that “feels free.” But advertising models will need to evolve to incorporate new forms of media and new ways to track and measure eyeballs. Leveraging new technology similar to Google’s Object recognition or Facebook’s DeepFace technology can help content owners track the power of brands on social media. Companies like Ditto Labs, Kuznech and Blinkfire offer ways to track brand images in social media and help track and monetize currently lost impressions. These companies scan images on Twitter, Instagram and other social media and leverage object recognition to track brand impression in those shared images. With every new innovation, content owners and advertisers have an opportunity to reimagine how they monetize content to keep up with consumer behavior and preferences.44

With increasing competition, companies are pushed to experiment with different services to address distinct consumer segments. Many of the OTT packages being delivered today are not established enough to provide a real alternative to Pay TV, and direct to consumer OTT services don’t make sense for all content providers. And many content providers are either sitting on the sidelines or approaching digital as an experimentation or additional revenue stream trying to manage the delicate product mix of traditional and new distribution channels. Accenture analysis shows that, for example, a decision to launch OTT would require AMC to charge significantly more per subscriber, likely 12x or more, to maintain current carriage revenues (Figure 17). However, the wheels are in motion and at some point the right service will be achieved. Meanwhile, Pay TV bundles will remain relevant as the move to à la carte offerings will be constrained by long-term, intertwined content contracts.

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<th>AMC OTT Opportunity</th>
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<td>Networks</td>
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<td>Top Series Season Average Viewers</td>
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<tr>
<td>Mad Men S6 (mid-season premiere)</td>
<td>5.1 M (Live+3)</td>
</tr>
</tbody>
</table>

Source: TV by the Numbers, SNL Kagan, Variety, Accenture analysis

**QUESTIONS TO CONSIDER**

- Is your company innovating its platform to stave off competition and effectively using context to help drive content delivery and business model decisions?
- Do you have the appropriate business partners in place whether through joint venture or acquisition to reach the digital consumers?
- How will the monetization of content and services shift in response to trends, and do you have the business model in place to increase profit from these changes?
What does this mean for you?

The golden age of video consumption has implications for how media companies think about content, which consumers they target, and how they manage content windows and rights more broadly. As consumers watch video on all devices—and often use two devices at once—their preference for mobile devices must be addressed in some way by all media companies.

Data becomes increasingly important when trying to reach the digital generation. Understanding target consumers and the viewing context can help providers personalize the interaction and help optimize the quality-monetization equation. Customer data, including a holistic view of video viewing across screens and content types, is key to defining the appropriate content from strategy to production. New models of crowdsourcing content development can help minimize risk.

Media companies have moved from a first OTT generation, an experimentation phase leveraging controlled rights in conjunction with linear broadcast, to a more mature second OTT generation. This second generation leverages a standalone OTT offer to capture new audiences and noteworthy brands from digital native companies already exploiting the use of analytics throughout the customer’s interaction to determine everything from programming to churn.

To exploit digital opportunities, media players need to transform into data-driven organizations, with the ability to leverage customer insights across the full content life cycle.

Winning media companies will keep an eye on emerging modes of entertainment such as augmented and virtual reality and develop partnerships early to ensure that they have access to talent and content. For content producers, it is important to leverage emerging talent pools and develop partnerships for content creation. Studio systems will need to find a way to retain talent in their system as talent looks to other avenues for less constrained creative outlets.

Access to faster broadband will continue to be a decision factor for consumers as they seek to fulfill their desire for content anywhere, anytime, on any device. In the case of 4K, it is imperative for media companies to determine ways to optimize delivery for varying bandwidths and bitrates based on where, when and how consumers choose to access the content.

Winning media companies will be strategic in how they invest in infrastructure, either investing with a “refresh every three to four years” philosophy or a “future proof” approach to infrastructure investment. Based on the investment approach, they will put the appropriate operating model in place to succeed. As companies make these decisions it is important to understand what should be a core capability kept in house and what can be achieved via partnerships or managed services.

A critical success factor will be the ability to build the scale needed for a sustainable business model. The increasing cost for rights and high quality programming requires media companies reach a global audience to monetize their investment in content and to sustain investment in quality content. Given these economics, there is little benefit to vertically integrated media and distribution given the former needs as many distribution channels as possible to increase return on content investments. As a result, polarization of the value chain is occurring between control of access and control of content. Those seeking control of access are building huge business-to-consumer (B2C) skills organizations focused on consumer services, owning a distribution platform and potentially being incorporated by telcos. Those wishing to control content are investing accordingly, such as Fox targeting HBO as an acquisition or Yahoo negotiating content rights at a global level.

Media companies of all roles in the value chain will need to adopt a more direct-to-consumer approach, focusing on building a variety of B2C skills.

As competitors experiment with new forms of monetization it changes consumer expectations of the value of content and what they should be paying for it. It will become increasingly important for media companies to have diversified revenue streams beyond just advertising to compete with others that have the flexibility of additional revenue from subscriptions or commerce.

Finally, to operate in the evolving media ecosystem, winning companies will develop the agility to be able to immediately turn decisions into actions with minimal IT intervention, adopting a test and learn approach to quickly react to customer feedback and competitor moves.

Technology is a key competitive enabler. To take advantage of technology’s potential, winning media companies will evolve from organizational silos and codified processes, standard-driven and hardware-based vertically integrated technology, and inflexible and proprietary architectures. Instead, they will embrace agile delivery (running not walking), DevOps (automating everything), cloud and multispeed IT.
The road ahead

In this rapidly evolving environment it is impossible to address every change underway. Disruption is the new normal, and traditional drivers of competitive advantage are becoming less relevant.

The trends presented in this Pulse of Media have implications for how media companies target consumers; how they develop, distribute and monetize content; and how they invest in infrastructure and services. Winners will use advanced intelligence to deliver personalized, contextual interactions via evolved content creation, delivery and business models. This could involve re-evaluating existing content relationships, identifying emerging content formats, getting closer to consumers and developing teaming relationships or ownership models to position for the future.

As media and entertainment companies navigate the complexity of an evolving digital world, the right operating model can help them be nimble enough to adapt to change. For distribution, advantage lies in the ability to scale and operate as a service provider. For content creation and control, new digital capabilities are required from strategy through service delivery. For all, continuous reinvention is required.
Endnotes


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3. 2015 Accenture Digital Consumer Survey


5. 2015 Accenture Digital Consumer Survey

6. Harris Poll, 2013; Accenture analysis

7. Harris Poll, 2013; Accenture analysis

8. www.dish.com


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Manager, CMT Strategy

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