The Search for Fundamental Growth

In the 5th edition of The Future of Broadcasting we outline the findings of Accenture’s annual broadcasting value analysis and identify the trends that are shaping developments in the broadcasting industry.

Consolidation for scale drives M&A activity

M&A activity in the media sector hit $180bn in 2015, a value greater than the sum of all the Media M&A transactions over the preceding four years. Three trends stand out:

- **Consolidation to achieve scale**
- **Acquisition of Multi-Channel Networks (MCNs) to reach new audiences and advertising revenue pools,** and
- **Content strategies pay off**

With advertising growth weakening, a number of broadcasters have looked to content production and licensing to support revenues. Our research found that those broadcasters currently deriving more than 20% of revenue from content have achieved higher returns on invested capital (ROIC) than their peers.

Growth of direct to consumer offerings

Increasingly, leading broadcasters are investing in technology, marketing and data analytics in order to support development of Direct to Consumer (D2C) offerings through OTT (Over The Top) services and Multi-Channel Networks. D2C offerings permit broadcasters to own the customer relationship and access new markets.

Diversification of business models

New business models emerge as broadcasters move past their fears of cannibalizing existing linear TV revenues and begin to develop OTT services.

Value Creation Opportunities

We have identified three opportunities for value creation, which we believe will help broadcasters in their search for fundamental growth.

### SERVICE IS KING

- Market optimism continues but increases in fundamental value have yet to be seen. Market expectations have continued to climb with the future value of broadcasters now at an unprecedented level. This has led to a widening gap between expectations and performance, raising some crucial questions.

- How will market expectations be met? And, if they are not met, what will be the impact on the broadcasting market?

- • Acquisition of technology companies specializing in areas such as OTT and programmatic advertising.

### CONTENT DECISION-MAKING

Customer insights from analytics is the key to making smart content-related decisions such as what to create or commission, who to cast, the best length and format and the optimum time to air. Broadcasters should leverage analytics as a strategic tool for making a range of decisions about content.

### EXPLOITING THE BROADCAST ADVANTAGE

While digital natives possess a mastery of the capabilities needed to target and serve consumer needs on a global scale, it’s not all doom and gloom for broadcasters who we believe have two significant advantages:

- **Consumer trust.** Accenture’s Digital Consumer Survey found that consumers trusted broadcasters more than any other industry players to provide video streaming on a TV screen.

- Their people. Digital natives are likely to have the edge in deriving insights from analytics, but they may lack the human input needed to make content and services emotionally resonate with audiences.

Broadcasters must now consider how they best use this consumer trust, and, re-integrate people into the interface, providing human interaction and curation at the points that really matter.