Taking the Pulse
Re-examining content, experiences and monetization in the digital world

High performance. Delivered.
I am pleased to welcome you to the executive summary report of #pulseofmedia, Accenture’s latest study of the major trends that we see shaping the present – and future – of the media and entertainment industry.

The developments in digital content, experiences and their monetization are disrupting the status quo at a rate and extent we have not seen before. No media or entertainment business will remain untouched by their influence. New technologies, data, tools and applications are giving the consumer unprecedented control and influence over the content they choose to consume, along with how, when and where they do so.

Innovation in devices, platforms and delivery is shaping new ways of doing business. In this executive summary and in other materials on the #pulseofmedia site, we give our views on what this means for players in the industry. By examining the changes we see taking place, we hope to provide a fresh perspective of how business and operating models will need to respond and change to accommodate them.

The complexity of this still emerging industry ecosystem is considerable. Our aim in this study is to provide clarity where possible, but also to raise the key questions that we believe all businesses will need to address as they navigate their journey to the future. By taking the pulse of the industry today we are not claiming to provide an exact prognosis. Rather, we’re seeking to raise critical questions and provoke the debates that leaders in media and entertainment will need to engage in as they re-examine and shape their agenda for the future.

On the site, you will be also able to find the views of industry disruptors, commentators and operators. I hope you will join in the debate.

Marco Vernocchi
Global Managing Director,
Accenture Media & Entertainment
Introduction

Our industries are in a state of continual transformation. New connections and relationships create significant disruption. What used to be the linear progression of content from creator to consumer is now a more complex web of interactions. The rules of the game are being changed by new forms of digital content, easy-to-use creation and editing tools, and integration across and between devices and screens. Consumers, no longer beholden to schedules, tethered to one location or tied to a screen, are in charge and at the center of everything.

In this fast reconfiguring ecosystem, consumers have become creators. Passive consumption has become active participation. Mass media has become personal. As established norms are overhauled, traditional and non-traditional media and entertainment companies alike are adjusting and preparing for a consumer-driven, social-veined, ultra-personalized future. And those that aren't, should be.

As businesses develop their strategies, using yesterday’s version of the content value chain will not help. Rather than just focusing on distinct core capabilities, businesses will need to understand the interplay of a broad range of creative, commercial and technological skills. To create value they’ll need to work in new ways. Experimentation and testing of new approaches will become part of business as usual. Hybrid business and operating models will be tested and adapted as market needs shift. Legacies may be in danger as past success will be no guarantee of future performance.

This report takes a look at some of the major developments driving change. We examine how these may impact media and entertainment businesses and suggest the critical issues all companies – established and new entrants – will need to address as they develop their strategies for the future.
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Consumer is King of Content

Empowered by new tools and technologies, consumers are taking control. They are creating their own new digital experiences across channels and devices, planning their own entertainment schedules, and finding new ways to interact with content itself. They are at the heart of the new waves of the industry, from the rapid global rise of mold-breaking new brands, to the transformation imperatives of the corporations that have long controlled media.

Consumers in charge means big changes for traditional media and entertainment businesses. Those that have to date controlled what, how, where and when content is available now need to put the consumer at the center as they rethink their business and operating models. It’s a move that takes businesses closer to a retail mindset than traditional media approaches. IP-based technology enables two-way communications, measurement and better personalization than ever before. The limitations that both shaped and constrained the media industry as it exists today are disappearing fast. Advertising and subscription models are changing. And new technology capabilities and skill-sets are called for.

While unencumbered by legacy technology and ideals, newer innovative arrivals to the media and entertainment industry also need to be aware of the implications of a consumer-centric model. Naturally, they’ll need to keep innovating. But they also need to ensure that they invest in content – keeping it fresh, original and high quality – to hold consumers’ attention in the face of constantly emerging, ever more innovative competition. And as they pursue profitable growth, they also need to keep in mind their responsibilities to maintain standards, monitoring and preventing inappropriate content and illegal activity on their platforms.

I’m in charge here

What were channels with fixed, centrally-controlled schedules will become looser and more flexible collections of content that can be accessed according to each consumer’s personal preferences. Music services such as Spotify, Pandora and Rdio show the way by giving consumers access to a vast database of music from which they can variously make and share playlists as well as listen to ‘stations’ generated by individuals’ listening habits and preferences. In video, Netflix and Amazon learn from previous behavior and purchases and recommend similar titles, enabling consumers to discover new content suited to their preferences.

Consumers are doing it for themselves

The top end of today’s ‘user-generated content’ will become simply ‘content’ and compete with everything else for share of mind. The rise of ‘prosumer’ content, empowered by increasingly sophisticated, low cost technology, means that some more easy-to-replicate professional content, such as news, reality TV, some factual and minor sports programming, will be threatened.

Technology that was a decade or so ago available only to professional studios is now within easy reach of millions of consumers. High definition video cameras can be bought for less than $300, many laptops and tablets come pre-loaded with sophisticated video editing tools and the internet, with its now ubiquitous social layer, has made distribution to millions of people as simple as pressing a button to upload. New tools are also making it easy to make money. Vimeo, for example, has a feature called Tip Jar that allows its members to add buttons to their uploaded content that enable viewers to donate any amount between $0.99 and $500. A quick glance at the recent publishing best-seller lists shows the commercial potential of amateurs turning into professionals. Fifty Shades of Grey started as a fan-site, and a self-published novel on the web. With the help of social media acting as ‘word-of-mouth’, it has become one of the fastest selling books of all time.
Current business and operating models are rarely set up for success in this future environment. Fundamental changes will be needed.
Consumer is King of Content

From What’s on? to What's up?
Current business and operating models are rarely set up for success in this future environment. Fundamental changes will be needed. Channels and aggregators will need to find ways to blend professional curating activities with the tools for consumers to create their own schedules. This will require changes in the way that technologies and rights are managed, finding new ways to offer flexibility while maintaining (and seeking to increase) revenues. Channel brands – and technologies – will emerge that enable all these to happen, blending curated, prosumer and premium content. These brands will become venues for digital experiences rather than a linear conduit for simple, passive consumption of scheduled content. Their success will depend on the rich data-based algorithms and tools they employ to empower consumer choice.

We asked US and UK online consumers how they would most like to discover new video content and the results were revealing. Far from wanting professional recommendations, a clearer picture is emerging of the desire to be better understood as individuals and have content recommended based on past behavior3.

Coming up on your schedule
Linear scheduling will not disappear, but it will need to find a new role alongside other over-the-top, time-shifted and on-demand content. Consumers will be able to create their own playlists that include scheduled and selected content from a variety of other sources. Successful brands will guide them. They’ll provide them with tools and algorithmically-driven services that enable them to discover new content and integrate those choices with scheduled items.

The launch of services such as YouView in the UK, and YouTube Leanback globally, also offer possible signposts to the future. YouView is an Internet TV service that combines the UK’s digital free-to-air channels with on-demand content in a seamless experience, delivered without a subscription. In other words, it allows consumers to mix scheduled and time-shifted with on-demand content within a single interface. Powered by data on user behavior and preferences, YouTube’s Leanback experience combines on-demand viewing in a personalized sequential play list structure.

Given the tremendous range of content available to consumers via integrated content services, tracking and understanding consumer preferences will become a critical capability for content providers. Much as leading retailers create unique offers for their customers according to shopping habits, so media businesses will need to become adept at creating personal schedules to maintain their relevance to consumers. Accordingly, scheduling will move from predominantly an art to much more of a science. The use of sophisticated consumer data could become much more important for gathering the information that will drive content commissioning choices.

What does that mean for you?
What is the right blend of professional curation, algorithms, and consumer tools to deliver a relevant content service?
How can content companies deliver mixed schedules offering linear and on-demand content?
How should analytics and algorithms be used to drive consumption and better commissioning of content?
Should traditional media and content companies reinvent themselves as consumer businesses?

What are the ‘platforms of the future’ that will enable a consumer-driven world?
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The screens through which we are accustomed to consuming our entertainment experiences are changing fast. Content, communication, interaction and gaming are all colliding on the same screens – with an expectation of being able to move from one screen to another seamlessly. The very nature of competition on these screens is evolving. Broadcasters, for example, will need to worry not only about what rival broadcasters are making available on screen but what other forms of 'screen experience' will compete for their customers. What happens, for example, when high definition video calling is a normal feature of the TV screen?

To satisfy consumers and advertisers, media businesses have to create a compelling presence on and across all screens, from TV to tablet and beyond. They'll need to orchestrate content and services to deliver multiscreen digital experiences. That means baking in, rather than adding on, a multiplatform approach to the entire creative process from start to finish.

To deliver new experiences, fluency in technology will become as important as broadcast, publishing, or entertainment content know-how. Over-the-top, or IP-based, technology will become the new normal for content delivery. Media and entertainment businesses will therefore need to develop or acquire the technology skills they lack – and know where to find the right partnerships, collaborations or acquisitions to do so.

Innovative digital delivery platforms have made a huge impact across the industry. But they haven’t had it all their own way. Content owners – particularly in video – have retained significant control. Innovators will need to collaborate effectively with content owners, recognizing their mutual dependency.

A new dawn for the TV screen

The shift from simple mobile devices to multifunctional smartphones has revolutionized what consumers do with the devices they carry with them. The same magnitude of change is about to happen to the TV. Smart, connected devices will enable so much more than simply viewing – they’ll be the focal point for digital experiences and communication in the home. For example, while today reliable video conferencing is largely confined to business, the same technology will soon start to appear in homes – and that’s just one of the ways connectivity and TV will combine to create far-reaching change. Cloud-based services, higher bandwidth connectivity and the integrated use of different devices are set to transform the role that the biggest screen in the household plays – becoming the anchor point for digital experiences.

Here, there, everywhere

But the TV won't be the only screen. The simultaneous use of more than one screen is far from unusual today. According to Accenture research, more than 40 percent of US viewers already engage with their smartphones or tablets when watching TV. And the trend is set to accelerate rapidly. As it does, it will make greater demands on media businesses. Content across screens will not only need to be complementary but it will also have to be device-relevant and differentiated according to use. Shrinking-to-fit won’t be enough to grab and maintain consumer attention. Gaming and social media will become an integral element of delivering compelling and immersive digital experiences. Media companies will need to be fluent in the technology that enables these experiences.
Delivering the digital experience of the future will call for new skills, new creative and technological capabilities, backed up by new organizational approaches.
Powering the Digital Experience

Orchestrating for multiplatform
Delivering the digital experience of the future will call for new skills, new creative and technological capabilities, backed up by new organizational approaches. They’ll need to work across multiple platforms, in novel ways that will demand mastery of new and different technologies. They’ll need to track and analyze data to shape and customize experiences. Overcoming inevitable constraints on network performance also stands to become increasingly important. The number of connected devices will skyrocket over the next few years. All of them will drive demand for digital video content. The strains on bandwidth for all but the most generously provisioned territories (e.g. South Korea) will be considerable. Technology will have a key role to play in delivering high-quality service. Media businesses will therefore need to explore new solutions – that compress or stream video data in new ways – to maintain acceptable services over constrained networks.

Again, experimentation and testing will become a central element of developing new approaches with technology playing as important a role as traditional broadcast skills.

Speed will be critical. This is a world that’s moving faster than ever. The timetables for new service and platform launches is compressing to a matter of weeks rather than years. Legacy processes and infrastructure must give way to a model that affords this speed and agility. The investment to get there is justified by the future sustainability it will create.

What does that mean for you?
What new forms of creativity are needed to power multiplatform experiences?
How should media businesses distinguish core and non-core technologies and manage them appropriately?
How can media companies address technology constraints to get the best out of future distribution networks?
How do global media companies address different delivery models for markets at different stages of technological maturity?
What new forms of partnerships and collaborations do media businesses need to explore to meet the needs of the consumer?
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The ascent of the consumer requires business models built around consumer needs rather than those of a particular channel, platform or advertiser. A single, shared view of the customer – often across different channels to market – is a prerequisite for a successful, consumer-focused multiplatform strategy.

The businesses that adapt successfully will need to try different approaches, all at the same time. They’ll need to create and run with hybrid business models and constantly re-evaluate their place in the media value ‘ecosystem’ in order to spot and capture new revenue opportunities.

**Signs of things to come**
Subscriptions could well shift away from bloated bundles to à la carte options enabling consumers to pick and pay for exactly the content they want and no more, from a range of different providers. Content moving unstoppably to digital and inexorably over-the-top presents profound challenges to the traditional models of advertising as well as subscription.

To satisfy advertisers and improve their consumer experience, they will have to be able to track, measure and communicate consumer behavior in a way that demonstrates return on investment (ROI). To a great extent, digital removes the guesswork from ad-funded models – data is infinitely more accurate and more granular than its analog predecessor. Data therefore needs to work harder, leveraging sophisticated analytics to deliver premium, personalized, interactive advertising, and creating richer, more detailed understanding of specific consumer groups – or fan bases – that will respond to new offers. But advertising market structures and legacy business processes need to adapt more wholeheartedly to a new world of performance metrics – and that will take time.

And what of the wisdom – or rather the wallets – of crowds? Crowdfunding is becoming big business, with over $250m now pledged to Kickstarter projects (a platform for seed funding new initiatives, projects and products). Could this be the new deficit financing for content?
Content moving unstoppably to digital and inexorably over-the-top presents profound challenges to traditional advertising and subscription models.
BRAVE NEW BUSINESS MODELS

Content part of a bigger picture
We've already seen the arrival and growth of businesses that offer new ways for consumers to access digital content. Those new entrants like YouTube and Netflix are also now creating their own content to differentiate their brand and overcome the need to battle for content rights. In the next few years, the major distributors of content are likely to be businesses outside the traditional content industry. Amazon, Google and Apple already offer consumers access to significant amounts of content, but it is not at the core of any of their businesses. Google's core business is search, yet via YouTube they stream four billion videos a day.

Apple, ostensibly a device manufacturer, made $2 billion in revenue in the third quarter of 2012 alone from the iTunes Store, App Store and the iBookstore. Accordingly, content owners are likely to have to find new ways to work with non-traditional players to make the most of those distribution channels, extract maximum value from their intellectual property and find new sources of revenue.

What does that mean for you?
Can the new digital economic models be made to work for all parts of the new value chain?
Will new industry business models sustain investment back into high quality content – or will profits be channeled elsewhere?
What are the new content windows and associated monetisation / pricing?
Will the subscription pay TV behemoths be outmaneuvered by new over-the-top offerings?
How can the traditional advertising industry 'move together' to a new world of multiplatform advertising?
The road ahead...

Any one of the trends we describe above has the power to disrupt and change today’s business and operating models. The combined impact of all developments is shaking everything to its core. Some businesses will struggle to survive the impact of these seismic shocks. But there’s everything to play for. Consumers’ appetite for new digital experiences continues to grow. Those businesses that can understand and in turn satisfy those needs with compelling new services and propositions will have their efforts amply rewarded.

Study methodology
The study is based on a collection of hypotheses developed by Accenture subject matter advisors, strategy consultants, architects and engineers working in the field. The hypotheses have been screened against inputs from an array of other sources including relevant Accenture research, third party data analysis, academic literature, the flow of venture capital funding and dialogue with industry commentators, operators and disruptors.

For more information
Please visit www.accenture.com/pulseofmedia to view the Prezi for more data supporting these trends, watch industry commentators, operators and disruptors as they offer diverse perspectives on what these trends mean for the future of the media and entertainment industry…and to join the conversation.

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Authors and Contributors
Marco Vernocchi
Robin Murdoch
Charlie Marshall
Bikash Mishra
Kevan Yalowitz
Kit Friend

Contacts
Marco Vernocchi
marco.vernocchi@accenture.com

Robin Murdoch
robin.murdoch@accenture.com

Sources:
3. Accenture’s #mydigitalexperience Survey
4. Accenture Video-Over-Internet Consumer Survey 2012

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About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with 257,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$27.9 billion for the fiscal year ended Aug. 31, 2012. Its home page is www.accenture.com.

Accenture Digital Services

Accenture Digital Services is designed to deliver value from digital content in a complex environment. It engages digital consumers with unique, personalized interactive experiences—on a massive scale. It supports a mix of business models to drive new revenue streams and find new ways to monetize content. It distributes digital content in any format, across all platforms, to any device. And it optimizes operating models, delivering next-generation solutions on a pay-as-you-grow basis—all to help clients thrive in a changing digital ecosystem. Its home page is www.accenture.com/digital-services.