Accenture Media and Entertainment

This time, it's personal

Engaging and interacting with consumers is the content industry's new battleground

The Accenture Global Content Study 2009

accenture

High performance. Delivered.

• Consulting • Technology • Outsourcing

For the fourth successive year, the Accenture Global Content Study has researched the views of more than 100 leaders and decision-makers in the media and entertainment industry, spanning television, video games, film, music, radio, publishing, interactive entertainment and advertising.

Executive overview

As it searches for the right digital business models, the media and entertainment industry is striving to reinvent itself...

Under the impact of disruptive technological innovation, the media and entertainment industry is fully embracing the need to change. The executives interviewed by Accenture believe that traditional TV and print are now the channels most vulnerable to this change, and facing the greatest pressure to transform.

As revenues are redistributed across the industry, many companies are struggling to survive, while a notable few are seeing an uptick in growth in digital revenues. Executives now regard harnessing future revenue growth as the most important success measure for their digital transformation, cited by 82 percent. But most are still searching for the elusive business model to deliver this in the digital world.

In fact, uncertainty and volatility are creating a scenario where many different digital business models co-exist, with no single model yet emerging as an industry standard. Thirty-nine percent of executives believe advertising-funded models will predominate in three years' time; 21 percent a hybrid mix of ads and various other revenues; 18 percent "freemium", blending a basic 'free' ad-funded offering with a "premium" ad-free version; and 22 percent paid-for models. There is a distinct trend towards "hybridization" of business models combining multiple revenue streams.

Despite the uncertain environment, there is consensus that a multi-platform approach will optimize future revenue growth…

Sixty-five percent of executives believe the main source of future revenue growth will be new platforms/ways of delivering content. The most important capabilities will be content production and innovation including customization across platforms, highlighted by 86 percent; followed, at 64 percent, by distribution and access management, especially to mobile/wireless networks.

On the Digital Supply Chain, respondents say their companies are making good progress on the ability to serve new channels/ distribution platforms with low incremental/marginal cost (64 percent agree). The enterprise-wide migration from an analog, offline company to an integrated file-based digital enterprise continues apace.

The Digital Supply Chain is a now must-have capability for competing in the industry. Despite tough economic conditions, investments in the Digital Supply Chain are continuing to rise, with 69 percent of executives saying their businesses' investments in digital transformation increased by at least 10 percent in 2009. And 90percent of executives whose companies have "fully digital" operations still have an ongoing program to improve their digital capabilities—evidence that Digital Supply Chain capabilities will continue to evolve as an essential means to deliver content.

As a consequence, cross-sector competition for consumers has become the new battleground, creating a new set of challenges…

The industry's wider competitive dynamics are being reshaped. The single biggest threat for content creators is now cross-sector competition for consumers— highlighted by 60 percent of executives.

In this increasingly competitive landscape, technology is no longer regarded as the only barrier to success. To a large extent, companies have now embraced new technologies by investing in in-house capabilities. However, as cross-sector competition intensifies, many executives stress the need to identify and create the right partnerships and joint ventures—including with Digital Supply Chain experts—to capitalize fully on the achievements and investments to date. And 58 percent of executives see outsourcing as a strategic option.

While technological challenges remain, senior industry executives are now also preoccupied with the organizational (66 percent) and financial (67 percent) barriers to becoming a fully integrated digital enterprise, including specific challenges around operating models, processes, structures and people. Most importantly, when asked about the organizational capabilities they are seeking through digital transformation, three-quarters believe deeper customer insight is vital to enable targeted, platform-specific content offerings.

The next frontier opens up: achieving excellence in engaging and interacting with consumers

As a result, content companies are seeking to engage directly with consumers as never before. Sixty-two percent rank building and maintaining "direct-to-consumer" relationships as one of their top three priorities. Only 16 percent still have a "pure" indirect consumer model.

Content companies aim to use direct consumer relationships in a variety of value-creating ways: to gain feedback on the content consumption experience, develop new commercial offers and marketing campaigns, inform and shape content production, develop new methods of content packaging and distribution, and optimize pricing to increase revenues.

Nevertheless, executives are far from satisfied with the current progress of their digital transformation programs towards developing deep customer insight for targeted offerings and content across delivery channels.

Respondents believe the management of consumer and operational data is an enabler of competitive advantage for their companies (71 percent), but only 29 percent agree they are leaders in using this data both offline and online. This suggests many companies still lack the sophisticated, analytical data management techniques required to be a high performer today, let alone tomorrow.

Put simply: This time–it’s personal!

Taken together, these findings signal a fundamental reshaping of the content industry’s competitive battleground. Digital consumer understanding and analytics are now recognized as a prerequisite for the targeted, personalized, cross-platform content services that will drive future revenue growth.

The digital world—characterized by fragmentation, huge volumes of data and rapidly-changing consumer behaviors—poses severe challenges. The first phase of digital transformation involved getting to grips with the new models and technologies of the Digital Supply Chain.

We are now seeing the start of next phase, as the industry reshapes its content offerings and business models around the consumer in an escalating battle for hearts and minds.

Research methodology and sample

For the fourth successive year, Accenture's Global Content Study has interviewed more than 100 senior executives in the media and entertainment industry about the major opportunities and challenges they expect to face during the coming five years.

This annual research initiative is now firmly established as a key indicator of current and future trends in the industry. Our 2009 findings once again synthesize the evolving views of leaders in the content space, including C-level executives across the broadcasting, film, music, gaming, publishing, and portal industries.

This year we expanded our interview program to include interviewees in Asia Pacific, Latin America and the Middle East alongside North America and Europe. We also fine-tuned the research methodology and questionnaire in the light of the knowledge accumulated over the four years of research.

This year's study includes in-depth interviews with 102 senior executives, divided between the Americas (34 executives), Europe & the Middle East (28 executives), and Asia (40 executives). Key areas of focus in this year's interview program included companies' approach and priorities in building consumer relationships, their levels of current and future investment in digital supply chains, the enablers and barriers to driving growth in digital revenues, the impacts of the economic downturn, and future threats and growth opportunities as economic conditions improve.

This report presents some of the key findings from our 2009 study, and goes on to draw out some of the principal implications for media and entertainment companies seeking to build digital revenues and exploit growth opportunities. For further information about this report, please register at **www.accenture.com/contentstudy09.**

As it searches for the right digital business models, the media and entertainment industry is striving to reinvent itself

Media and entertainment companies have faced up to tremendous change in recent years, triggered by the introduction of disruptive technologies and new methods of accessing content. Content-based businesses are increasingly recognizing the full implications and impacts of this change—and are urgently refining and accelerating their responses.

The shifts under way encompass not just advances in content technologies, but also proliferation of delivery channels, radical changes in consumer behavior, and profound challenges to established revenue models.

Recent studies—including our 2009 Broadcast Consumer Survey[1]—have highlighted that overall media consumption is still increasing, with TV viewing continuing to dominate. But the even faster rise of new behaviors, such as simultaneous "multitasking" across different platforms in the home, is spreading this consumption ever wider and more thinly.

Accelerating fragmentation

Underlying this change is consumers' growing tendency to make positive choices about which platform experiences they prefer for specific contexts and content—with mobile increasingly coming to the fore in these decisions.

Companies have been experiencing fragmentation of the media landscape for some years. But this fragmentation is now increasing and intensifying, both within specific delivery channels and across different ones, including television, radio, film, internet and a widening array of mobile services.

This fundamental shift is now endemic across the industry and directly impacting all sectors, which—as a result—are facing a fight just to maintain their existing revenues. There is also a growing awareness that, while analog revenues still predominate in absolute terms, future growth in revenues will mostly come from digital services.

Figure 1: Which is the most vulnerable distribution channel used by consumers to access content? (Choices ranked in top three.)

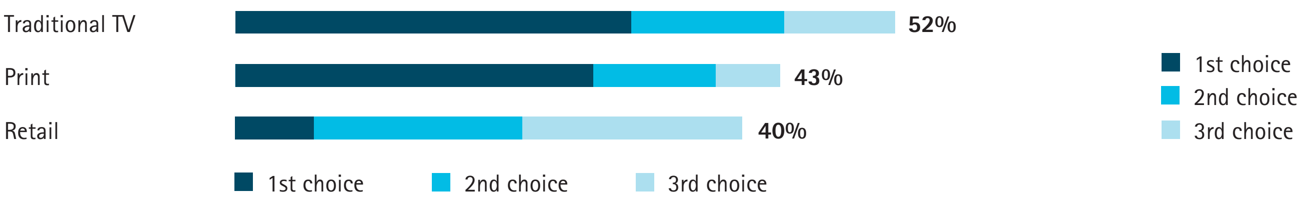
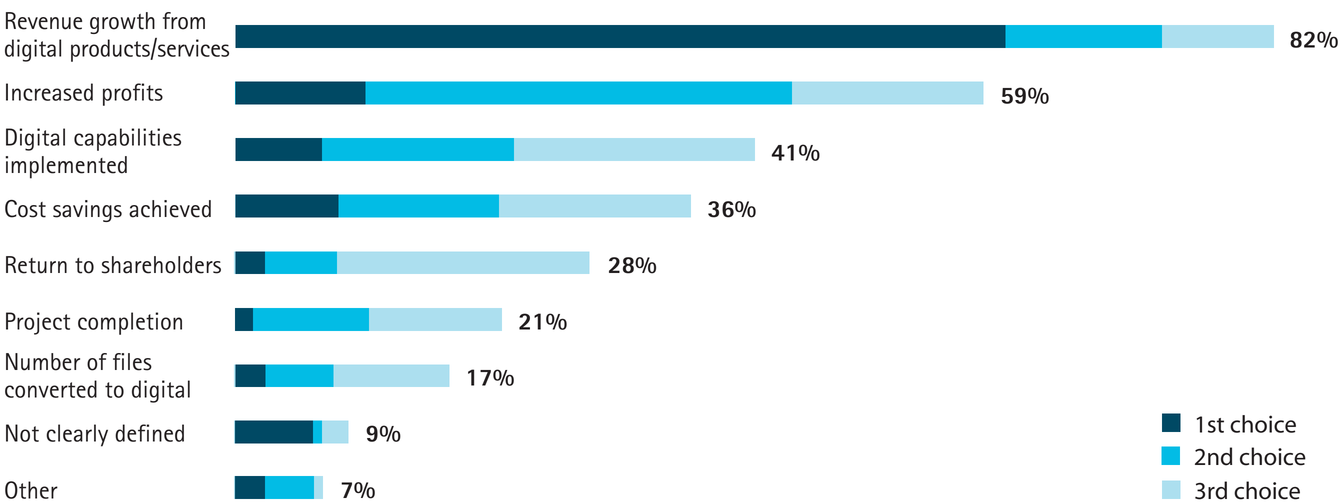


Figure 2: What are the most important measures of the success of digital transformation in your organization? (Choices ranked in top three.)



1 The Accenture Global Broadcast Consumer Study 2009—Television: Entering the era of mass-fragmentation can be downloaded from www.accenture.com/xxxxxxx

Yet uncertainty still surrounds the business models that will enable companies to harness this growth.

Partly as a result, the more mature the sector, the greater the competitive pressure it seems to be under. Today, this pressure has reached the point where media companies across all sectors recognize a competitive imperative to transform their businesses.

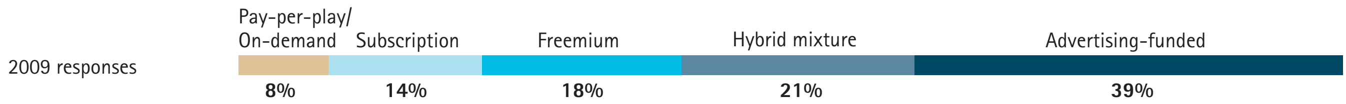
The research interviews for our 2009 Global Content Study confirm that this tipping-point has been reached. With new distribution channels forming the primary source of future revenue growth, executives think the channels most threatened by change are traditional television, print and retail (see Figure 1). In contrast, online portals, streaming, social media and eCommerce are the least threatened. On the upside, over half (53 percent) now believe that mobile offers the greatest opportunities for revenue growth, while 44 percent think online streaming has the strongest growth potential.

The search for digital business models

Industry leaders fully appreciate the scale and urgency of the threat to established business and revenue models—and this awareness is shaping their approach and objectives in pursuing digital transformation. As Figure 2 shows, executives say generating growth in digital revenues is now the primary success measure of companies' digital transformation programs, cited by 82 percent, ahead of increasing profitability, at 59 percent. In contrast, cost reduction is highlighted by only 36 percent.

Our interviewees' uncertainty around business models is underlined by their diverse views on which business model will be most prevalent in their sector in three years' time (see Figure 3).

Figure 3: What do you believe will be the most prevalent business model in your sector in 3 years?



"We can't see business models that work for us at the moment that we want to put all of our content and assets into...There's a lot of soul searching going on for the right business models." NBC Universal

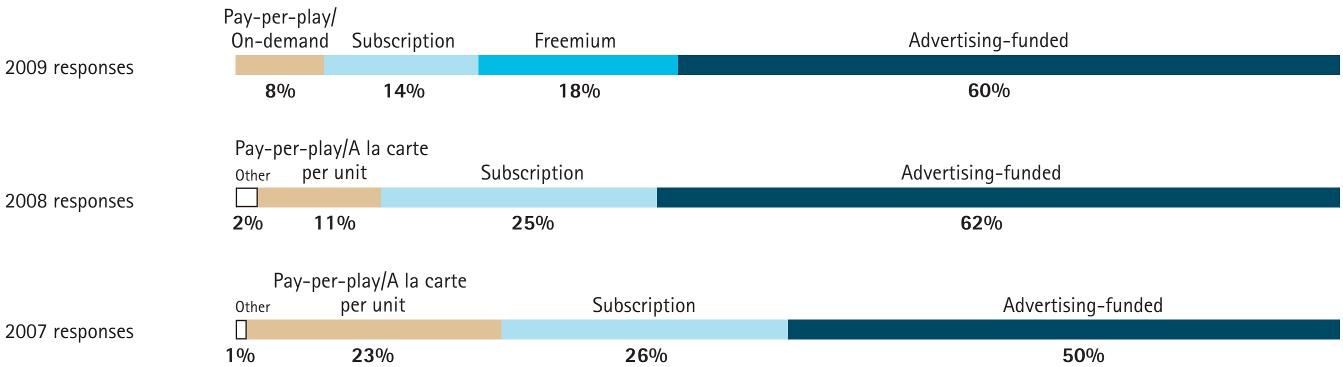
There is a general consensus that the dominance of traditional "pure" funded models is waning; 39 percent of executives believe advertising-funded models will still predominate in three years' time, and 22 percent think that "pay" business models will be most prevalent within three years, split between subscription and pay-per-play/on-demand. For the first time, however, there is a distinct trend towards "hybridization" of business models—combining multiple revenue streams. Twenty-one percent favor a hybrid mix of ads and various other revenues, while 18 percent vote for "freemium", blending a basic "free" ad-funded offering with a "premium" ad-free version.

It is interesting to compare the findings on the business models in our studies over the past three years (see Figure 4). While our respondents have consistently said that ad-supported (pure or hybrid) business models will continue to be relevant, the growing array of alternative models is quite evident. This likely reflects the general downturn in advertising spend, which has increased the pressure for companies to move towards hybrid business models drawing on multiple revenue streams.

At the same time, the levels of support for subscription and pay-per-play models see sharper declines from their 2008 levels, with both of these models being overtaken by freemium, an option that we have included for the first time in 2009 (see information panel on next page.)

Overall, the responses from the executives in our study suggest that the choice of model will be determined on a case-by-case basis, depending on the specific characteristics of the offering and target consumers. Going forward, it will be critical for companies to have the flexibility to operate a combination of models, and to move between them as consumers' requirements change.

Figure 4: Most prevalent business model in your sector in the next three years, 2007-2009.



"Traditional media business models are not just shifting, they're being obliterated. Content lives globally across all platforms." Endemol, USA

Freemium: Avoiding the ads…for a fee

Executives in various segments of the industry regard the downturn as an opportunity to invest in reviewing and replacing legacy processes.

"Freemium" is an increasingly popular business model that works by offering basic services for free, while charging a premium for advanced or special features. It was originally termed in 2006 by venture capitalist Fred Wilson and Jarid Lukin of Alacra, one of Wilson's investee companies, and was defined as follows: "Give your service away for free, possibly ad-supported but maybe not; acquire a lot of customers very efficiently through word of mouth, referral networks, organic search marketing, etc.; then offer premium-priced value-added services or an enhanced version of your service to your customer base."

An early example of freemium was Musicmatch Jukebox, launched in 1999. Ten years later, it is being used successfully by the licensed online music service Spotify, which offers listeners a free service with embedded ads, but gives subscribers willing to pay a monthly fee access to its library without having to listen to advertising. And Pandora, an online radio site, originally used a subscription model when it was launched in 2005, but quickly moved to ads. It has now started an optional subscription service, offering faster ad-free streaming for US$3 a month. In May 2009, the New York Times commented that freemium "is becoming the most popular [model] among Web start-ups".

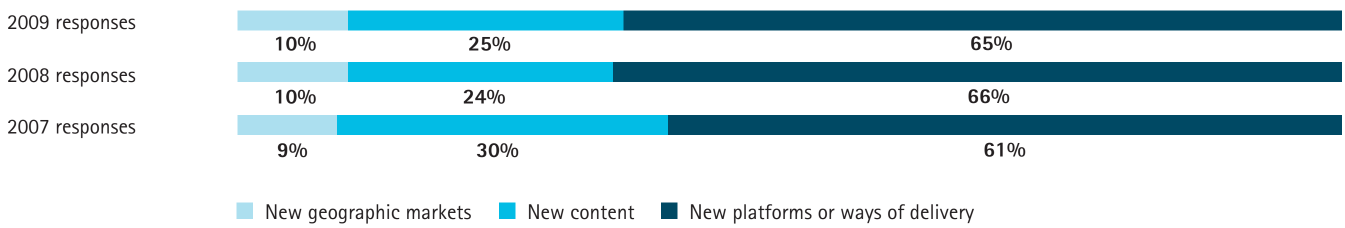
Despite the uncertain environment, there is consensus that a multi-platform approach will optimize future revenue growth...

While the search for the right business models is still under way, there is agreement over the most critical capability for harnessing a rising share of revenues in the multi-platform world. According to our interviewees, this will require an ability to tailor content services to specific platforms. Indeed, 86 percent of the executives we interviewed believe that developing platform-specific content is key to success.

These findings corroborate our 2009 Global Broadcast Consumer Study[2], which shows consumers are loyal to content brands rather than channels, and that people seek out the best consumption experience by choosing content specific to the platform they are using to consume it. Consistent with these behavioral trends, almost two-thirds of industry executives in this year's study continue to regard new delivery platforms as the primary engine of future revenue growth (see Figure 5). This proportion has changed little over the past three years, suggesting that this point of view has hit critical mass.

Taking these findings together, the message from industry leaders is clear: future revenue growth in the multi-platform world depends on delivering the right quality and genre of content to the right consumers over the right platform. This requires, firstly, deep customer insight to develop and target offerings across the relevant delivery channels; and secondly, the ability to serve those channels at low marginal cost.

Figure 5: Which of these three factors represents the most important source of revenue growth for your industry segment in the next 3 years? [2007-2009]



2 The Accenture Global Broadcast Consumer Study 2009 Television: Entering the era of mass-fragmentation can be downloaded from www.accenture.com/contentstudy09

As Figure 6 shows, these two capabilities are now the primary goals of companies' digital transformation strategies.

Asked to give an assessment of the overall progress of their companys' digital transformation program, our interviewees paint a relatively positive picture (see Figure 7). Exactly one-third—33 percent—of executives believe their company is now more than 75 percent of the way along its transformation journey, a 12-point jump from 21 percent in each of the previous two years.

However, more than half of our interviewees report that their companies are less than half-way to its destination. So, while some companies are proceeding at pace along their roadmap, most have gotten part-way through their journey, realized that the transformation is more complex than they had originally thought, and have then had to rethink their plans.

Rising investment in the Digital Supply Chain—now a "must-have" capability

To accelerate the rate of progress towards their digital transformation end-goals, companies are increasing their levels of investment in digital capabilities. Our findings show that, far from being forced by the downturn to cut back in investments in the Digital Supply Chain, businesses have used it as a positive opportunity to examine and improve their current business processes and technology (see information panel on the following page).

These initiatives include investments across all aspects of digital supply chains, particularly around distribution. As a result of this investment, executives say their companies have made strong progress in implementing and leveraging a wide array of Digital Supply Chain capabilities.

Figure 6: Which of the following organizational capabilities most represent the end goal of your firm's digital transformation strategy? (Choices ranked in top three.)

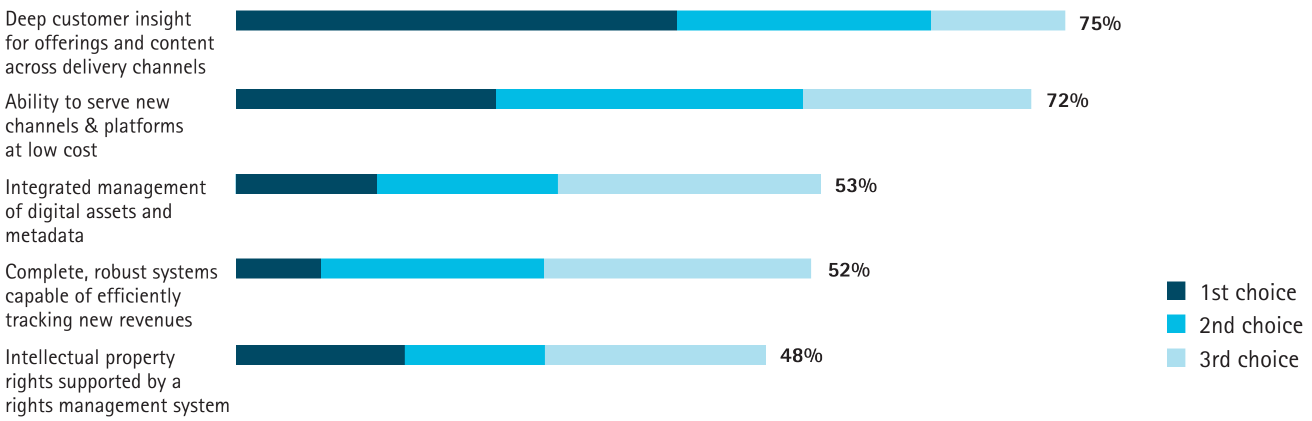
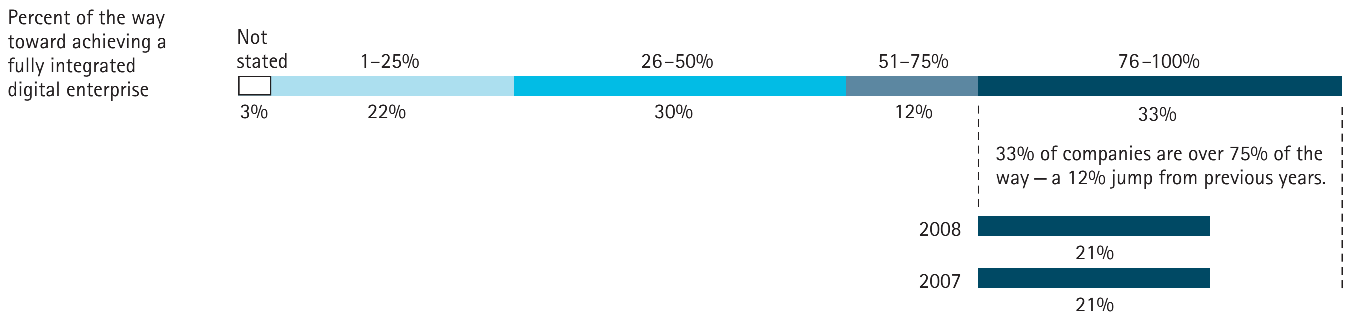


Figure 7: How far have you progressed in the migration from an analog, offline company, to an integrated, file-based digital enterprise?



Seizing the investment opportunity in the downturn

Executives in various segments of the industry regard the downturn as an opportunity to invest in reviewing and replacing legacy processes.

Broadcasting
"...the mindset needs to change so that every viewer is actually a customer and that there's more than just a bit of video content that we should be offering them..."

MTV Networks Europe

Publishing
"...our digital revenues will continue to grow and we will continue to diversify those revenues, which will continue to let us grow faster than the market as a whole, that our print revenues will continue to decline..."

Fairfax Media

Film
"We have a great opportunity to review some of our practices and improve our relationship of quality versus cost, so we will come out with a stronger and better proposition for our consumers."

Walt Disney Co, Brazil

As Figure 8 shows, our interviewees believe their companies are well-advanced in the migration to digital of many important activities, with especially significant progress made in key areas such as digital content acquisition, archiving and delivery. But many companies also say they have made substantial headway in more complex activities such automated process orchestration.

Our respondents add that their companies' level of investment in digital capabilities is continuing to rise. As Figure 9 shows, an aggregate 69 percent say they are continuing to increase their spending on Digital Supply Chain—a proportion that is fairly consistent across most sectors of the industry.

These findings confirm the extent to which the Digital Supply Chain is now a must-have capability in the industry. At the same time, nine out of ten executives who say their companies have already achieved "fully digital" operations add that they have a continuing program to improve their digital capabilities on an ongoing basis. So the Digital Supply Chain will evolve over time to fulfil ever more effectively its pivotal role in content delivery.

Figure 8: In terms of specific activities, how far along are you in the migration from an analogue, offline company, to an integrated file-based digital enterprise (e.g. from production to distribution)?

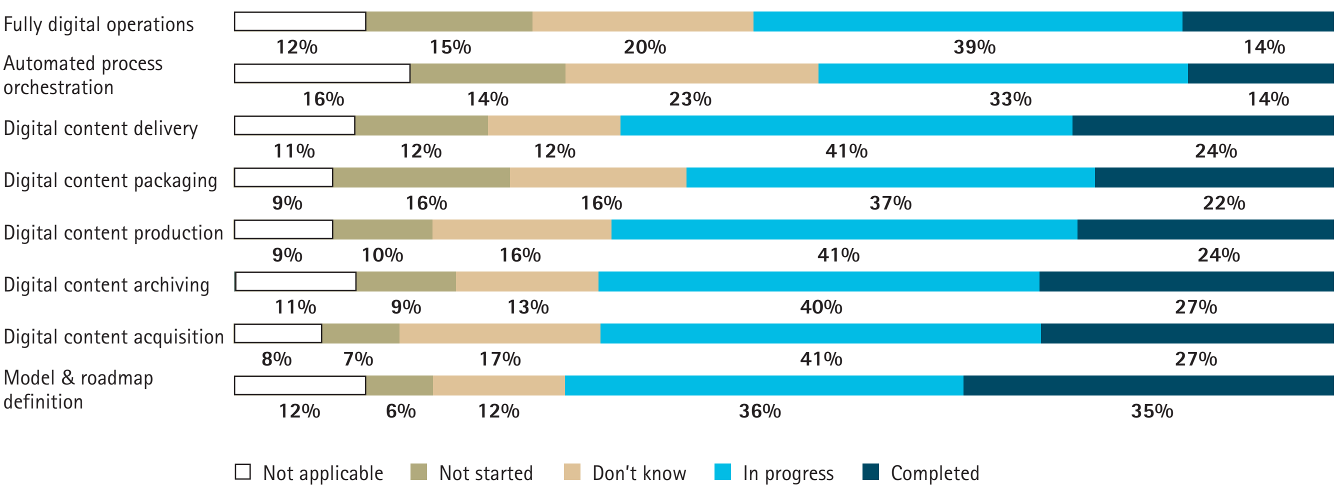
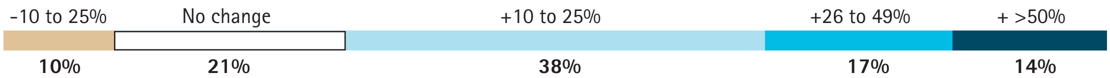


Figure 9: Change in level of investment in the Digital Supply Chain, 2009



Increasing the returns from investments in the digital supply chain

The executives interviewed in our study identify a broad spectrum of areas where they feel their investments in digital could be more successful. These range from supplier capabilities and closer integration with their supply chain, to 'consumer or market readiness' at the delivery end. In particular, our interviewees at the delivery end of the content supply chain continue to voice concern over ensuring they get the format and channel right. Even when content is digitized, there are still decisions to be made over the final digital formats.

"Of all the things you can do, pick the one that is in harmony with the audience's expectations and with the public's buying hardware and you actually match your content proposition with the hardware installed at the base of the audience. For instance you could argue that we should invest more heavily in mobile television, but the handset platform in Sweden is not good enough yet, so we don't invest in it. On the other hand, IPTV for cable is moving very rapidly, so we are moving into that. It's understanding that the interaction of hardware consumer technology and content delivery is really most important."

SVT, Sweden

"Investments have to be right and hit the nail on the head... If the analysis about where the markets are going is right, investment would be profitable. Summarizing, we have to prepare a good diagnosis. It is also important to find the right partnership. Another point is that a cultural change in our organization is necessary."

Globomedia, Spain

Cross-sector competition for consumers is the new battleground, creating a new set of challenges...

As companies focus on growing their future digital revenues, they know they are all targeting the same share of wallet. And their ongoing investment in creating and improving their Digital Supply Chains reflects an escalating cross-sector battle for consumers that is now under way.

The competitive landscape is no longer divided up between the formerly distinct sectors of the industry. Mobile platforms are stealing consumers' attention—and revenues—from internet services, which are stealing in turn from TV, which has long been stealing from radio. Other similar skirmishes are happening all over the industry, intensifying the battle for eyeballs, mind-share and spending.

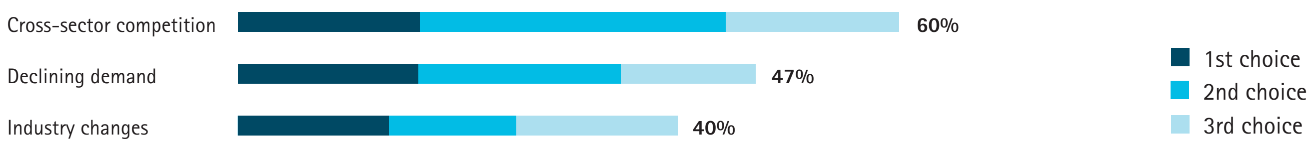
In addition to technology, a new set of challenges has emerged. The single greatest concern now keeping executives across all media segments awake at night is cross-sector competition for consumers (see Figure 10).

Declining business demand ranks second, reflecting the continuing economic uncertainty. Structural changes in the industry comes third, underlining the vulnerability of some sectors to the industry-wide shifts now under way. A comparison of our interviewees' responses over the past three years shows a dramatic decline this year in the perceived threat from technological change, which was cited by only 29 percent of companies in 2009, down from 72 percent in each of the previous two years.

Barriers to digital transformation remain

As companies continue to build out their Digital Supply Chains to compete more effectively for consumers' attention and revenues, they still face several barriers that may impede their progress towards becoming a fully-integrated digital enterprise.

Figure 10: The three greatest threats today to your business (choices ranked in top three)



"It's an organizational change; we need to change the culture here, otherwise if we start new companies or new products or new business areas or we buy companies, we can't do that and do all the things we do today as well."
Sydsvenska Dagbladet, Sweden

As we noted in the executive summary to this report, our interviewees still face technological challenges, but are also preoccupied with the organizational (66 percent) and financial (67 percent) barriers to becoming a fully integrated digital enterprise. These figure are based on their rankings of the top three impediments to digital transformation. If we look only at those barriers that they rank in first place (see Figure 11), we find that the principal hurdles they face in their efforts to transform their businesses are organizational issues, ahead of financial and market issues.

Asked to rank their specific organizational barriers, our interviewees say the three most challenging are business models, people and processes (see Figure 12). This reflects the fact that businesses and their workforces have grown accustomed to particular business models, processes and ways of working, and are reluctant to take risks to change these into something new and less familiar.

However, if companies are to make the most of the opportunities opened up by changing consumer preferences and technologies—and gain the deeper customer insight needed to enable the targeted, platform-specific content offerings that will drive future growth in revenues—they have no choice but to change their DNA and evolve into fully digital enterprises.

In their drive to achieve this, companies have embraced new technologies largely by investing in in-house capabilities. However, given the need to confront growing cross-sector competition, many executives highlight the right partnerships and joint ventures—including with specialists in Digital Supply Chains—as being key for maximizing the returns on investments in digital capabilities (see information panel on next page). In this context, outsourcing is cited as a strategic option by 58percent of executives.

Figure 11: What are the biggest barriers to adopting or implementing the capabilities to become a fully-integrated digital enterprise? (First choice only.)

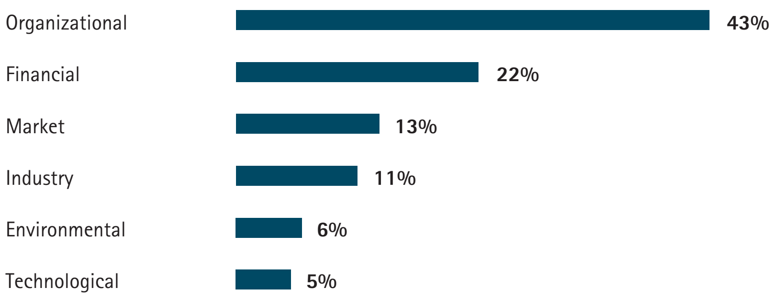
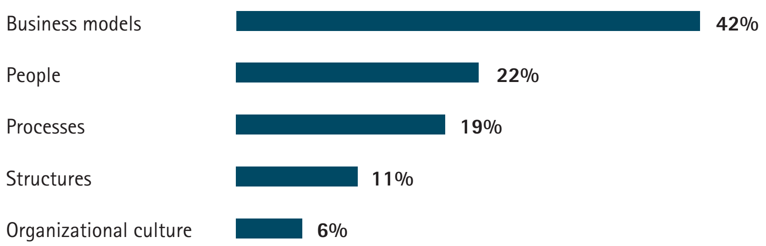


Figure 12: What specific organizational issues are impacting the adoption of the capabilities to become a fully integrated digital enterprise? (First choice only.)



The importance of finding the right partnerships

"We need to create new opportunities for revenue, monetize this new capability. If we don't go out to do a deal with local distribution partners (with new channels or new content), then we do not really have a monetizing capability."

Abu Dhabi Media Company

"Joint ventures through other companies, e.g paid TV…you can form joint ventures with channels for certain types of channels and contents; to produce content with other international programmers for the Brazilian market, for example a channel that shows music, we can do a joint venture to produce content. These joint ventures are mostly with companies outside Brazil."

Globo, Brazil

"To develop partnerships from the print sector, to be able to offer new products online together."

Hessischer Rundfunk, Germany

"We need to create new experiential offerings for consumers in terms of purchasing of partner products and services."

Entercom, USA.

The next frontier opens up: achieving excellence in engaging and interacting with consumers

In an effort to secure rising revenues in the future, companies are now seeking to create deep, lasting, direct relationships with consumers. This direct-to-consumer interaction can be used to generate robust data on customers' behavior and spending, enabling providers to progressively improve the customer experience over time—thereby further deepening the relationship, and in turn yielding deeper data.

As Figure 13 shows, direct-to-consumer models already far outweigh indirect consumer relationships. Thirty-eight percent of companies have only a direct relationship with their consumers, while nearly half have both direct and indirect relationships. In contrast, only 16percent of respondents say their business has a "pure" indirect consumer business model. And, as Figure 14 shows, fully half of these companies want to break free from this model by creating direct relationships with their consumers.

Using consumer data to enhance the customer experience

In seeking to engage consumers as never before, content companies' primary aim is to create better and more compelling content (see Figure 15). Sixty-two percent of executives say that building and maintaining relationships with consumers for purposes such as profiling is one of the top three priorities driving their direct-to-the-consumer relationships. And 50 percent rank gain user feedback as one of the key success criteria.

Currently, only 33 percent cite revenue growth as one of the top three priorities driving their direct consumer relationships. However, the ultimate goal in creating these relationships is to monetize them—and companies know that getting to know consumers better will ultimately drive higher share of wallet and growth in revenues. They are currently laying the groundwork to deliver these benefits.

Figure 13: What type of relationship does your firm currently have with its consumers?

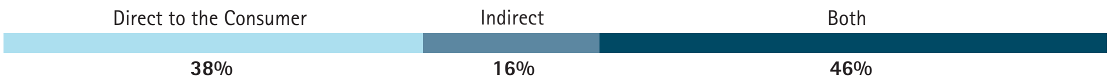


Figure 14: If you have an indirect model, does your firm have any plans to also pursue a direct-to-consumer (DTC) model?

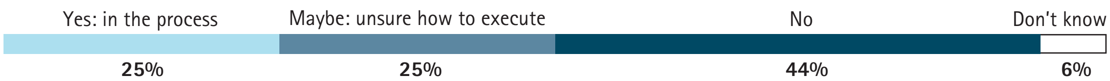
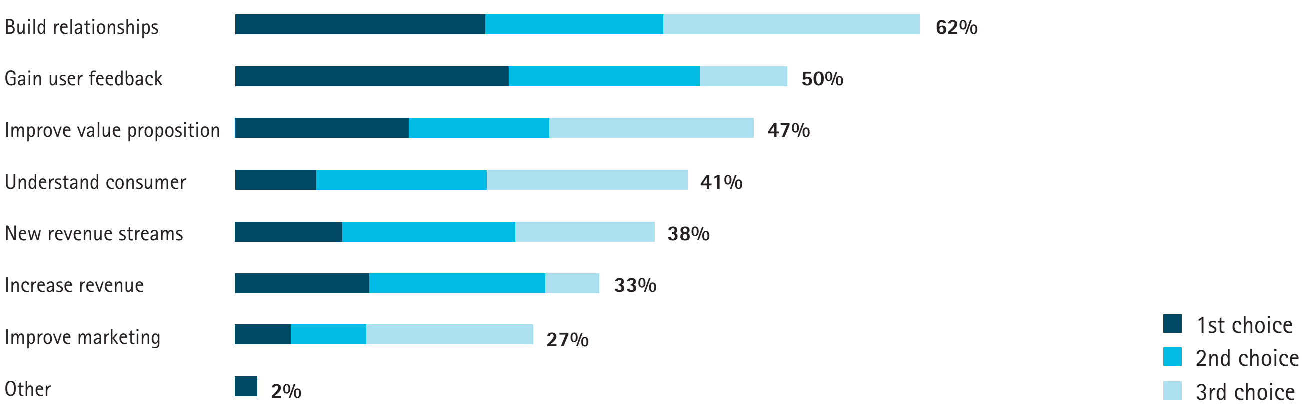


Figure 15: What are the highest priorities driving your direct-to-consumer relationships? (Top three.)



“We would like to dedicate more and more investment to how to further utilize our existing audience data bank to construct certain new value-added services so as to open up more ways for revenue generation.”
Nanfang Daily Group, China

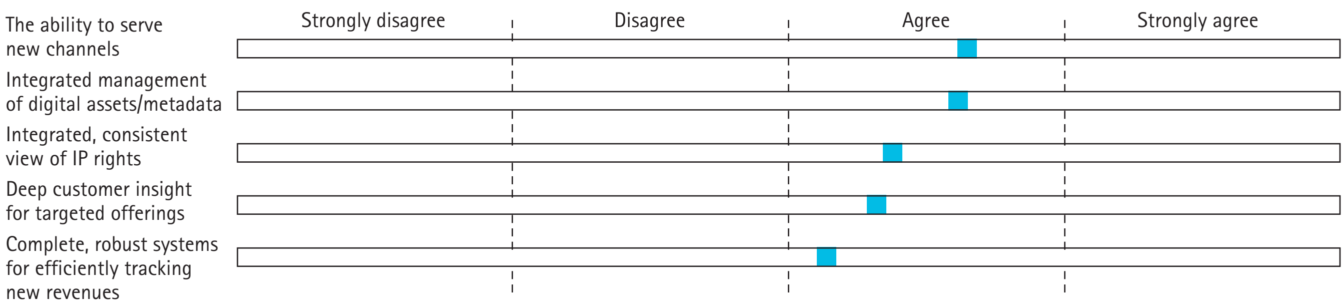
As companies strive to interact more directly with consumers, those that already “own” consumer relationships are starting from the strongest position—but others are working hard to close the gap. This may involve either partnering with the strongest players in the consumer space, or building or accessing capabilities to compete with them. Efforts to create partnerships may involve some complex and detailed negotiations between those whose strength is in owning content, and those who own consumer relationships.

Consumer data capabilities lag behind cross-platform reach

As we have already seen in Figure 6 on page 12, the top two end-goals of companies’ digital transformation strategies are, firstly, deep customer insight to develop and target offerings across the relevant delivery channels; and, secondly, the ability to serve those channels at low marginal cost. These objectives suggest that the drive to build direct consumer relationships is fueling the ongoing rise in investment in the Digital Supply Chain.

Asked about their progress towards these two end-goals, executives say they are making headway on serving new platforms, but are less confident of their customer data capabilities. As Figure 16 shows, executives agree relatively strongly that their companies’ digital transformation has succeeded in building the ability to serve new channels.

Figure 16: Given your current progress against your digital transformation end-goals, how much do you agree that your organization currently has these capabilities?



However, the big payback from this investment has yet to come. The ability to serve new channels economically is a prerequisite for growing revenues over time. But developing deep customer insight for targeted offerings is an equally vital requirement. And our findings suggest that this has yet to be achieved. While the new battleground is around the relationship with the consumer, executives know that their companies' capabilities in this area are not yet at the level where they need to be.

Reshaping competitive advantage around consumer data

As companies reposition themselves for this battle, they are using and applying customer data within their organizations in an ever wider array of ways (see Figure 17). Our interviewees' responses confirm that consumer data helps to shape their companies' overall approach to content, with 77 percent using consumer data to directly develop new commercial offers; 71 percent to shape content production; and 71 percent to build and maintain profitable, long-term consumer relationships.

These findings underline that industry executives now regard proper aggregation, maintaining and analysis of consumer data as a critical enabler for a more compelling consumer content value proposition. Over 70 percent of our interviewees agree that robust consumer data capabilities are an enabler of competitive advantage for their companies (see Figure 18).

Figure 17: How do you use the data you collect on your consumers?

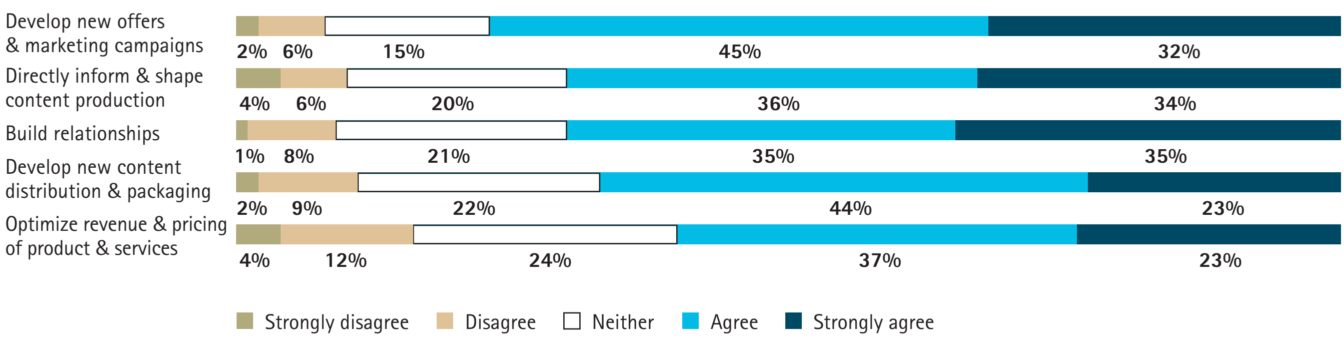
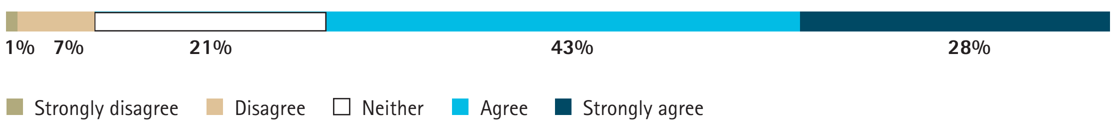


Figure 18: Is management of consumer data an enabler of competitive advantage for your firm?



When asked which three factors are the most critical in enabling their companies to exploit consumer data more effectively, an overwhelming majority of executives—76 percent—point to data quality (see Figure 19). This reflects the fact that high-quality data is key to creating both a more personalized content experience and deeper consumer relationships.

However, other findings indicate that many of our interviewees do not have a clear view of how well their company is exploiting consumer data. As Figure 20 shows, more than half (54 percent) do not believe they are industry leaders in using on- and off-line data, while a quarter admit they are in pretty poor shape in this respect. More positively, 29 percent of executives perceive their businesses to be market leaders in this area.

Taken together, these responses suggests that many companies still need to improve their capabilities in collecting and applying consumer data. Another sign of shortcomings in these areas is the continued reliance on traditional tools for gathering and analyzing data (see Figure 21 on next page). Research and focus groups still predominate over web analytics, and more respondents are using surveys than online communities. So companies are missing out on the lower costs and higher accuracy that digital tools offer.

The emerging competitive landscape—a new phase begins

The industry's new competitive dynamics are becoming clearer. Consumer insights and analytics are key to the delivery of targeted, personalized, cross-platform content services. And such services are key to future revenue growth. So content-based media and entertainment companies are now scrambling to engage and secure the consumer at a personal and individual level.

Figure 19: Most critical factors in enabling better use of consumer information (choices ranked in top three)

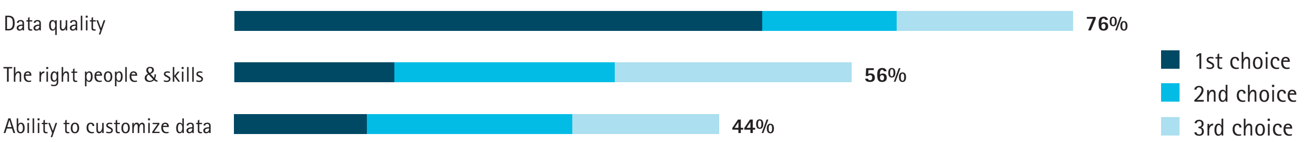


Figure 20: Are you an industry leader in using both off- and online consumer data?

"We must have the capability to conduct precise analysis for our users' preference and behavior. So, we need to better articulate and analyze our existing users' data bank."

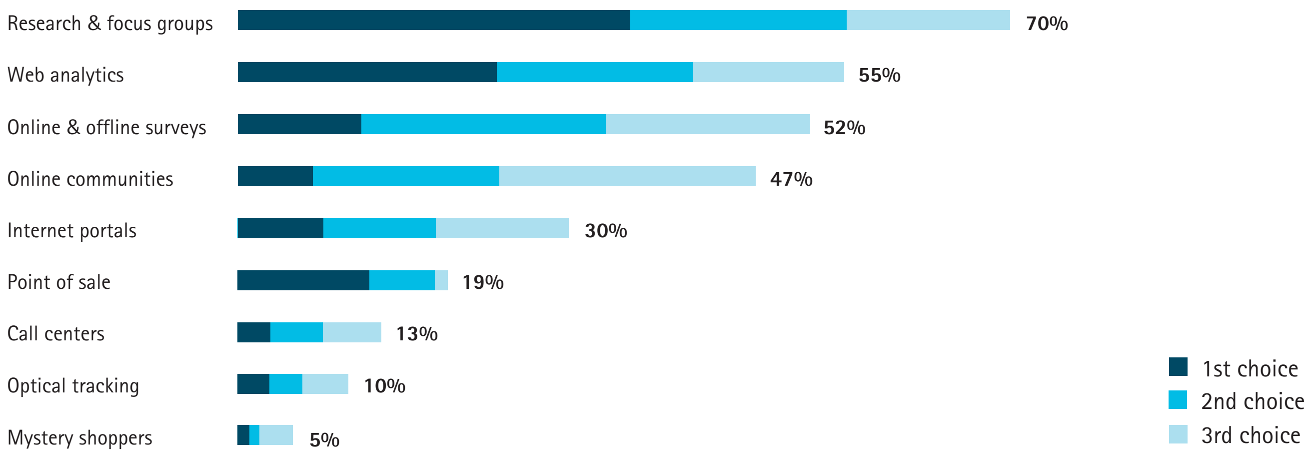
9You, China (online gaming)

We are now seeing the start of next phase, as the industry reshapes its content offerings and business models around the consumer in an escalating battle for consumers' hearts and minds. But as well as winning hearts and minds, companies also need to secure something else: the ability to measure consumers' behavior—which in turn enables them to measure their own performance in engaging and interacting with those consumers.

It has often been said that information is power. Now a new paradigm—driven by digital transformation—has emerged, in the ability to measure both consumer behavior and company performance. As the digital transformation of the content industry continues, this is precisely what consumer information represents for the executives and companies in our study:

the power to harness rising content revenues into the future. Those that use this power most effectively will emerge as the high performers of tomorrow.

Figure 21: What are the most important information sources you use to understand the behavior of your consumers when consuming your content?



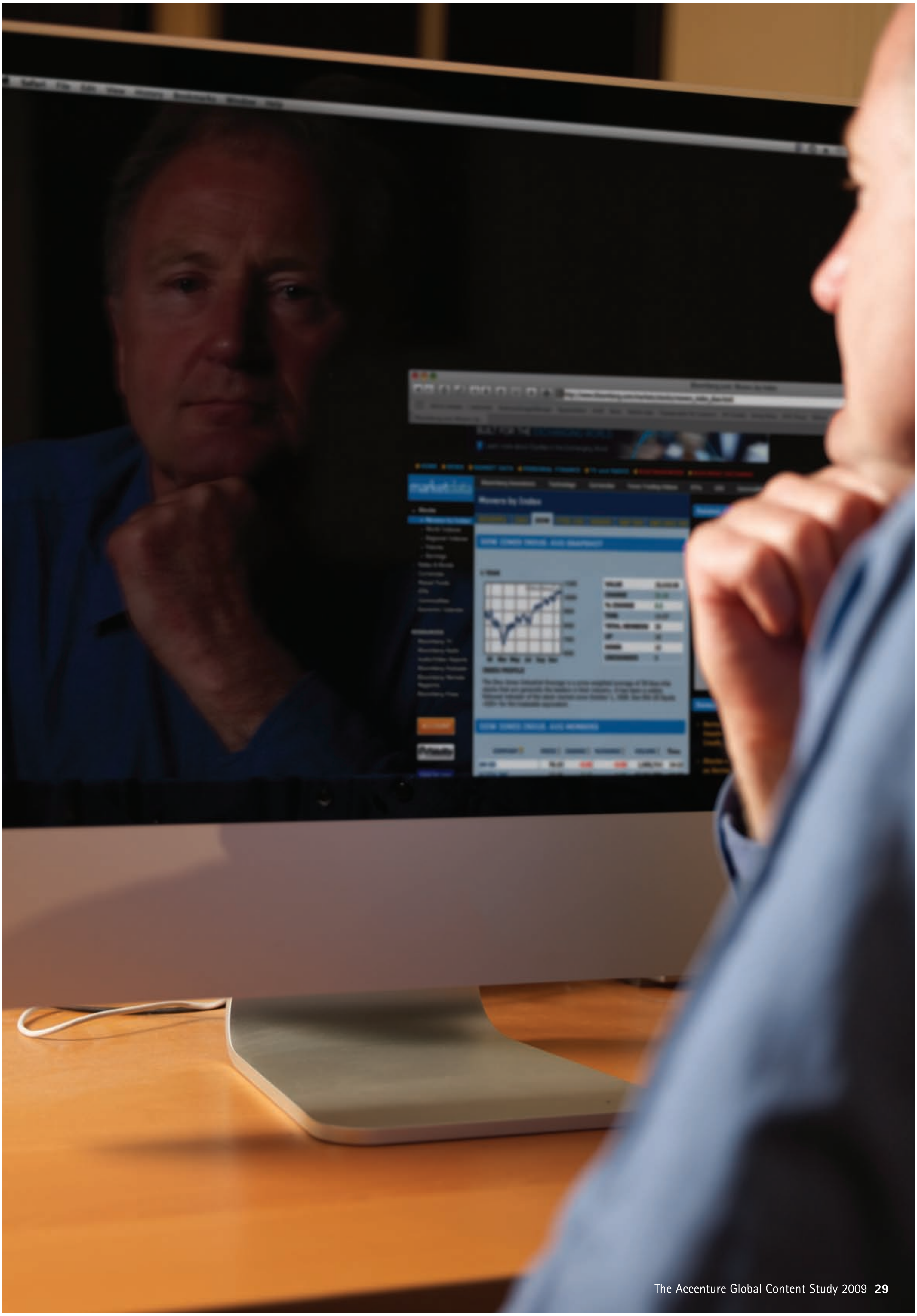
"There needs to be a change in organizational culture. We are basically a 25-year-old television company being run on a model not sufficient for the new culture and technology."
UK broadcast executive

Implications and Recommendations

The Accenture Global Content Study 2009 confirms that media and entertainment companies have now fully accepted the absolute and urgent need for digital transformation. Indeed, they have increased their investment through the economic downturn to turn themselves into digital-based enterprises. However, different companies are at very different stages in this journey—especially in engaging and understanding consumers more deeply, and making the fullest possible use of consumer data to drive growth in content revenues.

As media and entertainment companies continue to embrace and industrialize digital technologies, they no longer regard digital itself as a disruptive threat. Instead, their main cause for concern is the onset of increasingly intense cross-sector competition for consumers' attention. To counter this threat, they are looking to build and leverage capabilities in consumer data management to deepen their customer relationships and create more compelling content services.

The findings from our study underline that three key industry trends—digital transformation, the growing competitive focus on the consumer, and the drive to improve customer data management— are closely interlinked. These elements can also be viewed as independent areas of focus. In fact, Accenture research shows that many companies already have addressed aspects of one or more of these elements. However, as the market continues to become more competitive it will be key to view these elements on an integrated basis. As these elements come together they form the basis for companies to reposition and retool their businesses and organizations to grow content revenues and achieve success in the future.



Accenture has analyzed and synthesized the findings of this study, our acknowledged industry insights and our ongoing hands-on experience with clients, to reach a perspective on the best next steps for media and entertainment companies. Taking these steps will help a business position itself for high performance in the industry:

1. Build comprehensive consumer capabilities, including consumer data management

Complete the transformation from legacy business-to-business (B2B) business models with their enabling operating models and structures, to consumer-oriented business models with their associated enabling operating models and structures. This is a major change, involving aspects ranging from skills and organizational structures to revenue models and enabling technologies. The direct-to-consumer strategies currently being implemented by some industry leaders encompass strategy, people, process and technology.

Leverage appropriate technologies to enable a science-based approach to the analysis of large data sets for the purposes of targeting messages, experiences, and advertising to drive deep audience engagement.

Capitalize on the emergence and increasing usage of social media and other Web 2.0 tools by adopting a "social CRM" strategy to touch customers at many more points and much earlier in the buying process, often at lower cost than that of more traditional marketing, sales and customer service channels.

2. Use consumer relationships as the foundation for revenue models

Turn your ability to engage consumers with relevant and customized experiences into the basis for monetization. Instead of focusing on inputs such as numbers of banner ads or page views, focus on relationship-based outcomes—a known quantity of consumers whose interests are established and well-understood.

Then create marketing and advertising pricing models based on these proven outcomes: X consumers delivered through the channel, leading to Y sales opportunities and Z increases in revenue.

In short, combine engagement, relevance and customization to build longer-term relationships—and then use those relationships as the key to digital monetization.

3. Tackle the cultural and organizational barriers that are impeding innovation

Re-evaluate and re-engineer your operating model to support innovation and collaboration more effectively within your company and throughout the supply chain.

Also re-evaluate and reshape your organizational structure to support the new operating model and reflect your greater focus on consumer data and relationships.

4. Drive forward implementation and industrialization of digital technologies to realize the full value and cost benefits

Launch aggressive continuous improvement of your digital capabilities, including targeting additional R&D requirements and/or opportunities for alliances or partnerships with best of breed technology/service providers.

Develop capabilities that enable you to distribute content across a growing range of platforms and formats in response to changing consumer needs and then focus on creating the appropriate business models.

“The digital age is here—for all media. Video advertising is booming and, for TV and online, convergence is already a reality. But digital technologies are not the threat to advertising that was always feared. If dealt with correctly they represent a huge opportunity. It is incumbent upon all of us within the industry—broadcasters, sales houses, marketers and agencies—to understand these opportunities.”

MCn Connect, Australia

Transformation is the only option for today’s media and entertainment companies—their very survival is at stake. Yet it is equally evident that viewing digital transformation purely as a systems issue is not enough.

In fact, digital transformation encompasses profound change in strategy, people and processes, as well as technology. Major challenges must be tackled in each of these areas, if the company is to create and sustain the deep consumer relationships, understanding and engagement that will shape future services, and drive ongoing growth in revenues.

In our view, the companies that understand and overcome these challenges most effectively—and successfully reshape their digital content offerings and business models around the consumer—will emerge as tomorrow’s high performers.

About the Accenture Global Content Study 2009

The study was fielded for Accenture in North and South America and Europe by The BPRI Group in 2009. The results are based on face-to-face and telephone interviews. All efforts were made in good faith to secure a balanced and representative sample of respondents.

For more information
www.accenture.com/contentstudy09

About the Media & Entertainment Group

Accenture helps broadcast, entertainment, portal and publishing companies adapt to the realities of the digital world and capitalize on new opportunities. More than 1,000 dedicated professionals provide media and entertainment companies with a distinctive combination of business and technology consulting, systems integration and outsourcing capabilities. Accenture has worked with 19 of the 20 largest media and entertainment companies in the world. For more information on this study and what Accenture can do to help you reach high performance in your business, please contact the authors and contributors:

Marco Vernocchi
Global Managing Director
Accenture Media & Entertainment

David Wolf
Managing Director, North America
Accenture Media & Entertainment

James Scott
Managing Director, APAC
Accenture Media & Entertainment

Ross Sonnabend
Accenture Media & Entertainment

This document is an informed point of view based on research, opinion and experience, and should not be considered as professional advice with respect to your business.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 176,000 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$21.58 billion for the fiscal year ended Aug. 31, 2009. Its home page is www.accenture.com.